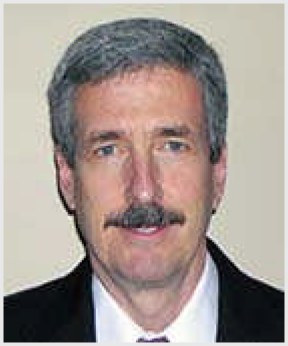
The JoC Tens: In The Know



10 Actions Trucking CEOs should take to Survive a Recession

Joe White
CostDown Consulting
www.CostDownConsulting.com

Cost control has always been a critical success factor in trucking but in today's environment, without capital to invest in new technology, trucking CEOs need to look inward at their operations and use analysis, creative thinking and new processes to improve financial performance.

Excess capacity, reduced freight levels and less accessible yet more costly capital have shifted the concerns of many CEOs from profitability to survival.

The following list represents internal steps CEOs should take to improve their chances of survival. Whenever objective analysis is used to identify internal opportunity, the chief executive must make it clear to the entire organization that paradigms, silos and 'turf-protecting' will not be tolerated. Use of an outside industry professional to conduct the analysis will help in this process as he/she will have no preconceived opinions about what the most effective operations improvement solutions are.

1. Audit operations
Carriers need to look internally for operational improvements that can be captured without expensive investments in new technology. A thorough and objective operations audit reviewing in detail how terminals manage drivers and equipment will almost always identify significant improvement opportunities. These audits focus primarily on driver control (headhaul, backhaul, productivity and home time assignments), fleet utilization and general cost control. Audit your operations and act upon the results!

2. Manage cash flow
Assign responsibility for reducing Days Outstanding performance of receivables. Identify

high-risk clients that may end up in bankruptcy, negotiate faster payment terms and reduce your levels of business with those clients if necessary. Look to extend and/or re-negotiate your payment obligations to vendors where possible.

3. Technology review
Review all technology purchased in the past five years to determine if full value is being received from those tools. If not, call vendors that sold the technology and require that they come back with recommendations and support on capturing promised benefits. Make sure to include the personnel in your organization using that technology in defining current performance and needs.

4. Solicit vendors for price reductions
In addition to requesting more favorable payment terms, solicit vendors for price reductions. Send a letter out to all vendors explaining that tough economic times have forced you to require a 5-percent reduction from all vendors. Those vendors not willing to reduce their price will have their business put up for bid.

5. Reduce inventory
Inventory is cash sitting on the shelf or shop floor. Identify opportunities to reduce terminal inventories through both lower inventory levels at your locations and sale/return of obsolete inventory. Where possible, put the inventory burden on your supplier. Challenge office and maintenance staff to reduce inventory where possible. Focus on expensive items such as tires, batteries, fuel, etc.

6. Use sound performance management principals
Employees, particularly those that most influence cost and revenue, need performance goals. Review and assign aggressive performance goals within your organization. Drivers should have goals in terms of what makes sense for their particular application -- miles driven, hours worked, revenue. Driver Managers should have goals in terms of the productivity and retention of their assigned drivers. Effective performance management also requires that there is positive (bonus) and negative (coaching/discipline) consequences for individual performance to goals.

7. Improve driver caliber and positioning
Carriers, with driver turnover temporarily in remission, need to take advantage of the strategic hiring opportunities they now have. Get rid of and replace unproductive drivers that fail to respond to coaching and discipline. With more driver candidates available than there have been in years, now is also a good time to focus on hiring based on close proximity to assigned terminal to minimize empty miles associated with getting drivers home for scheduled days off and special family needs.

8. Train Driver Managers
Driver Managers, based on the number of drivers assigned, run a $2-4-million business. They make literally hundreds of decisions each week that influence the cost and profitability of every mile run within their individual driver groups. As a result, driver managers need to be professionally trained in all areas of their responsibility including: Driver productivity, driver retention, service and general cost control.

9. Review equipment assignments
Review all equipment assignments to make sure every asset is placed in the best application for its particular profile. Trucks equipped with auxiliary power units should be on runs with the most frequent overnight stays. New trucks should be on two-shift operations to minimize night breakdowns. Older, high-maintenance equipment should

be on shorter runs and assigned to terminals that have shop locations.

10. Analyze your freight network
Networks are dynamic and need to be analyzed constantly, especially during times of low revenue. Terminal interaction should be monitored constantly to make sure load exchanges are performed to maximize company, not terminal-laden, mile performance. Have each terminal submit a Laden Mile Improvement Plan complete with improved laden mile performance goals and new actions to support those goals. Review and scrutinize the plans, make revisions where needed and then require managers to implement and manage their plans.

Joe White is chief executive of CostDown Consulting, a trucking consultancy that provides Operations Audits, Driver Manager Training, Driver Retention Programs and SmartWay Consulting. Headquartered in Grayson, Ga., he can be reached at JoeWhite@CostDownConsulting.com.