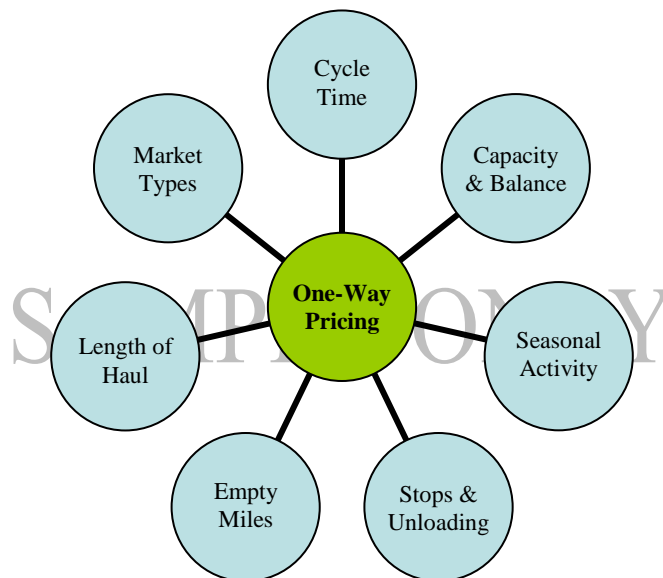


CHAPTER 4: Core Concepts in One-Way Pricing

One-way pricing requires a thorough understanding of the cost behavior and operating characteristics of a trucking operation, along with an understanding of the dynamics of supply and demand in the trucking marketplace. This chapter and the next will explore all the key operating variables that must be evaluated in the development of a sound one-way pricing strategy. After defining the core concepts in one-way pricing, the chapter will review how these factors interact to impact a carrier's pricing strategy.

The critical factors in one-way pricing are displayed in the graphic below.

Critical Factors in One-Way Pricing

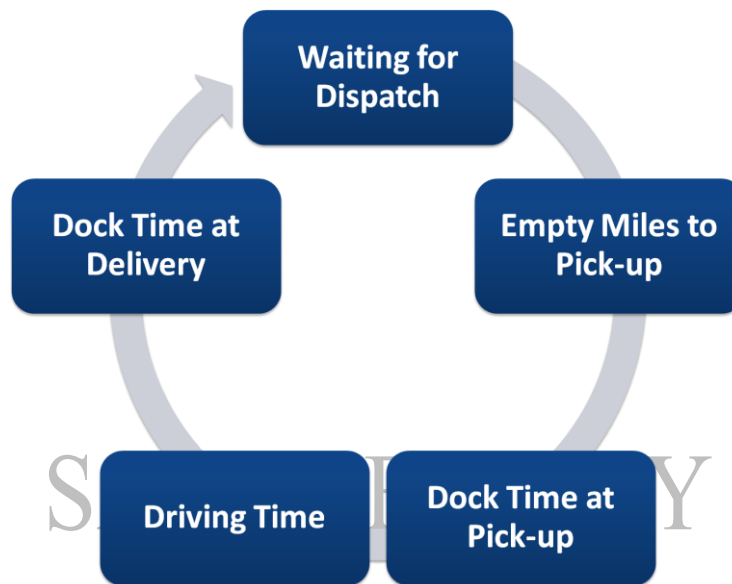


All of the factors shown above must be taken into account in the development of profitable one-way pricing. Length of haul, empty miles, and market type influence virtually all one way pricing, while seasonality may become a major factor only in certain situations. Cycle time is universal to all loads and will be discussed first as a framework for introducing the other one-way pricing factors. Capacity and balance issues are unique to each carrier and, as a result, will impact the specific pricing strategy of each individual carrier differently.

Cycle Time

Cycle time represents the total time a tractor and driver spend involved in the pick-up and delivery of a single load. An understanding of cycle time and each of the underlying load events in the order cycle is critical to all elements of one-way pricing. The key events in the basic order cycle are illustrated in the graphic below.

The Basic Order Cycle



An increase in the amount of time required to complete any segment in the load cycle will result in an increase in the cycle time and increase the possibility of lost utilization. Each segment of the basic order cycle is described in detail below.

Waiting for Dispatch (Dwell Time)

Dwell time is the time the tractor and driver spend after one load is completed and before the next load cycle begins. At the time the driver comes on duty for work, the carrier may not have a load available or perhaps the driver's dispatcher has not yet identified and selected the best load for the driver. The dwell time stage ends when the driver has been dispatched on a load and begins traveling to pick up the load at the customer's location.

Empty Miles to Pick-Up

The time the tractor and driver spend moving to the customer pick-up location is the first active step in the order cycle. The amount of time in this segment is dependent on the distance from the driver's beginning location to the customer's shipping facility. Ideally, the tractor and driver will be in close proximity to the customer's facility, minimizing the use of the driver's available on-duty work time and drive time in this non-revenue-producing activity.

These pages are a sample from the 464-page book:

Truckload Transportation: Economics, Pricing and Analysis
By Leo J. Lazarus

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