

CHAPTER 7: Operations and Profitability Analysis

Carrier freight and customer networks are extremely complex and unpredictable. Managers at medium and large carriers cannot possibly keep track of each load, each driver, and each customer, especially in the largest carrier networks. In order to properly manage the network, carriers must develop measurements and management reports to accurately estimate the performance of each fleet of trucks, each customer, and each lane of traffic. These reports should extend far beyond the reports provided for accounting and tax purposes. Analysis reports should cover all areas of operations, especially those not included in traditional accounting reports. This chapter provides a variety of example reports covering all major areas of carrier operations and analysis.

Carrier Analysis Reports

The key reports and measurements can be broken down into the groups outlined below. The primary groups include Fleet Level Analysis, Customer Efficiency Analysis, Market Level Analysis, and Lane Level Analysis.

Key Carrier Analysis Groups

Reporting Group	Key Measurements
Fleet Level Analysis	Utilization Empty Miles Percentage Loaded Revenue Per Mile Net Revenue Per Mile
Customer Efficiency	Cycle Times and Dock Times Revenue Per Mile Seasonality Empty Miles
Market Level Analysis	Capacity and Balance Empty Miles Length of Haul Lane by Lane Profitability Comparison
Lane Level Analysis	Relative Customer Pricing and Profitability Revenue Per Hour by Customer Empty Miles at Destination

This chapter provides detailed examples of many different reports and analysis methods carriers might use to measure internal performance. Certain reports are dependent on the availability of certain information within the carrier's information systems. While not all reports are relevant to every carrier, these examples provide a general framework for the most important areas of internal network analysis.

For simplification purposes, all reports are based on a fictional carrier based in Memphis, TN that operates a small 4 truck fleet. The carrier serves one primary customer, ABC Express, outbound from Memphis, TN to several destinations around the Southeast. The

carrier has developed a variety of different customers to reposition the fleet back to Memphis for future outbound loads. The data used in the reports represents a four week period of load activity.

Fleet Level Analysis

Fleet level analysis focuses on key operating measurements such as utilization, empty miles, length of haul, and revenue per mile. The goal of these reports is to identify areas of poor performance and determine strategies to improve performance.

Tractor Movement Report

The summary report below details the load activity of an individual tractor for a one week period. The report includes key measurements such as the empty mile percentage, length of haul, utilization, and revenue per mile.

Weekly Tractor Movement Report

01/04/09 to 01/10/09

Pick-Up Date	LANE			MILES				Revenue Per Mile	
	Customer	Origin	Destination	Loaded	Empty	Total	Empty %	Loaded	Net

Tractor 101

1/4/2009	ABC Express	Memphis, TN	Atlanta, GA	380	44	424	10.38%	\$ 1.91	\$ 1.71
1/5/2009	Ellis Inc.	Dunwoody, GA	Millington, TN	408	27	435	6.21%	\$ 1.35	\$ 1.26
1/6/2009	ABC Express	Memphis, TN	Dallas, TX	453	17	470	3.62%	\$ 2.04	\$ 1.97
1/7/2009	TexArk Industries	Texarkana, AR	W. Memphis, AR	268	180	448	40.18%	\$ 2.05	\$ 1.23
1/8/2009	ABC Express	Memphis, TN	New Orleans, LA	393	9	402	2.24%	\$ 2.10	\$ 2.05
1/9/2009	Smiley Stores	Brookhaven, MS	Bartlett, TN	276	132	408	32.35%	\$ 2.12	\$ 1.43
TOTALS:				2,178	409	2,587	15.81%	\$ 1.91	\$ 1.61

Summary Statistics

Total Loads	6
Avg LOH	363
Utilization	2,587

Revenue Summary

Linehaul	\$ 4,161
Fuel Surcharges	\$ 242
Accessorials	\$ 75
Total	\$ 4,478

The report provides a quick glance at the tractor's movement throughout the week. The carrier can identify any unusual events such as excess empty miles or loads with inadequate revenue. The week shown in this report appears to be reasonably efficient and productive. The utilization of 2,587 miles and the linehaul revenue of \$4,161 both represent excellent productivity levels for this carrier.

The empty miles percentage of 15.81% for this tractor is excellent for this carrier's network. The carrier's network typically averages 17 to 20% empty miles. The empty miles shown on this report and all future reports represent the empty miles before the pick-up of the load. Unless otherwise indicated, all empty miles represent empty miles before pick-up.

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

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

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