

Running Smart

By Timothy D. Brady



Ever felt like your trucking business was careening down an ice-covered mountain in Georgia overdrive? (That's in neutral for the younger truckers out there.) Many of us have wondered, "What was I thinking when I bought that truck?" Well, if you are sitting down and reading this article, you've somehow slowed that speeding truck and brought it to a safe stop. But we're still on that ice-covered highway looking down the hill thinking, "Now what?" To make it to the bottom in one piece we'll need to 'run smart.'



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For most truckers and small motor carriers this has been a really tough year. With the mortgage and housing debacle, the price of fuel going through the roof, and now the Wall Street financial meltdown, we're wondering what catastrophe is around the next bend and how can we plan for it?

Just like any great football coach knows when his team is behind; the opposing team is first and goal on the 10-yard line, to turn this contest around he must return to the basics of the game. We need to do the same. Return to the basics of trucking, the basics of how to succeed in business; in short, look at your business just as if you were starting over.

You need to have a plan; if you've never put one together, now is the time to get started. Look back and review what your business has done in the past, what has worked and what has caused problems. From there start laying out your road map, the direction your company needs to roll, over both the short term and long term.

Here's a step-by-step guide to accomplish this:

1. The first step in this plan is to figure out what you'll need in equipment to achieve these goals.
2. Second, you need to know how many people it's going to take to get the job done to reach your objectives.
3. The money is third. How much in cash flow and cash reserves will it take to acquire and run the equipment, plus pay the personnel on your team for the next six months? Year? Two years? How many dollars will you need set aside in your company savings to be capitalized (grow) in the next three to five years?
4. Number four: Who are your customers, how stable are their businesses? What is their growth potential or anticipated downsizing? How does this affect reaching your goals? Where can you find new customers?
5. Revenue is number five. What hauling rates do you need to receive in order to achieve the funds needed to pay all the expenses and meet the required amounts in savings to grow?
6. Finally, what needs to be adjusted, cut, increased, or changed to make this plan work?
7. Once you've finished the plan, go back and review it to make sure you didn't miss anything. Then return to it at least once a month and adjust, cut, increase, or change as is warranted.

The plan becomes your play book or road atlas, showing you the way through the financial and business mine field. This business plan is what will get you off that ice-covered mountain in first gear and in one piece.

As you start down this frozen financial hill, here are some things to keep in mind:

- Keep a close eye on what's happening within your hauling niche. Talk with your customers and find out what they are projecting in the near future, not just for their company, but also for their industry.

- Industries to which your customers sell or from which they buy need to be closely studied. The more you know what's happening to the industry you serve, the greater you'll be prepared for any changes which occur.
- Track the shipments similar to the type your trucks haul which travel within your hauling lanes. Know your lanes and the freight hauled in them better than the back of your hand.
- Follow the trends in the oil and fuel markets so you can anticipate increases and decreases in your fuel cost and adjust your hauling rates accordingly. Be ahead of the curve.
- Keep a close eye on your costs; reducing or eliminating them is your objective. But beware—make sure that reduction or elimination of an expense doesn't diminish your ability to provide top-of-the-line service.
- Think customer service—the best way to be sure you can increase your rates when necessary without losing a customer is establishing the highest level of customer service possible. Create a customer service bar so high your competition has to struggle to match it.
- Cut expenses before increasing hauling rates. Be able to prove to your customers that you did everything possible to avoid increasing your hauling rates.
- Don't wait until your costs have significantly increased before raising your hauling rates. Help your customers by doing small, incremental increases. If your costs have increased by 5%, it's time to consider doing a rate increase. Avoid sticker shock for your customers, they'll appreciate it.
- Communication is the key to your entire plan working. Be sure you keep everyone in the loop: drivers, dispatch, sales in your operation. Then be sure and include the key people at your customers; the folks on the dock, in shipping and receiving and the front office. Maintain a list of emergency contact numbers with alternate contacts as back-up. Do the same with e-mail addresses. And then be sure and use them.

With the economic outlook for the next year or two not looking real bright, running a trucking company is going to be challenging. It is going to require a dedication to detail not seen for many years. The good news is, America runs on trucks, and small motor carriers (those with fewer than 35 power units) haul a vast majority of the freight. Over 80% of American manufacturers are small businesses with fewer than 25 employees, meaning these small business owners are going to be facing the same dilemmas and problems as the small trucking company owner. The small business owners are going to need a hauler who understands what they're dealing with, and who better than the owner of another small business, **you**.

If you navigate this slippery financial and business slope, picking your way carefully with a defined plan, you'll reach the bottom of the hill in good shape. When the road flattens out, you'll realize your success, because you've been 'Running Smart.'

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