

Going Broke, Breaking Even, or Making a Profit – Pick One So You Want to Get Into Trucking



By Timothy D. Brady

“If you want to have a million dollars from trucking, start with two million.” This speaks volumes about an industry that runs high on costs and low in profit margins.

Many people entering the trucking industry have the idea that making money in the transport of goods and commodities is a no-brainer. Every American relies on trucking to bring them what they need to sustain life and what they want to enhance life—so if they can't live without trucking's services, there's got to be a lot of money to be made.

If it were only that easy! There are over 700,000 trucking companies listed as having hauling authority in the United States. Over 500,000 of them have 6 or fewer trucks. It is estimated that for every 10 trucking companies, which start up on a given day, nine of them will be out of business in 14 months. So it's no longer a no-brainer.

The average profit margin for most trucking companies, except for the very specialized, is from 4% to 6%. Based on this, if you're going to succeed in trucking, you must control costs and you must set your rates higher than those costs. Sounds simple enough, but is it?

Trucking is a risky business. No one knows this better than the owner of a small trucking company. Equipment is expensive to acquire and maintain, revenue is elusive (here one day; gone to a cheaper hauler the next), and the liability risk is astronomical with drivers constantly one vehicle away from a lawsuit eleven hours a day. Remember, anyone with a CDL and a few thousand dollars can be trucking in just a few weeks, regardless of their knowledge of the business of trucking. So what separates the men from the boys, the women from the girls, when it comes to succeeding in trucking?

Here's the separation: Knowing your costs, managing your assets: cash, equipment, property, accounts receivable, customers, employees and contractors, having a plan, and being sure you're not robbing Peter to pay Paul. The major cause of business failure is lack of money, better known as lack of capital. Your plan must include being prepared for the lean times, equipment breakdowns and replacement, and covering the daily cost of operations while waiting for customers to pay. This strategy must not let growth out-pace capacity, and above all, there needs to be a vision of building the company's net worth. You must invest in your company by leaving enough cash in the company's coffers. Remember, the money that comes into your company from the loads you haul isn't your money. It belongs to your trucking company. If you're not paying yourself a salary that is a part of your company's costs and factored into the company's break-even point, your trucking operation will be a member of the 90% failure group. Profit is what is left after all expenses have been paid—including the owner's salary.

The largest mistake owners of newly-formed trucking companies make is allowing others to determine their hauling rates. Allowing your competition or your customers to tell you what you should be charging is the first step to business failure. Has a truck repair shop ever asked you what you'd like to pay them to fix your truck? Don't do the one thing that causes more failures in trucking than any other—don't let someone else set your hauling rates. And the only way to set profitable rates is knowing your break-even points.

Successful truckers have an ear to the road. They always have their antennae out for new and innovative cost-savings ideas. They thrive on the input from other truckers, dispatchers, safety and sales people. Keep your eyes and ears peeled for experts, the



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been-there done-that crowd, for information which will help you become more efficient hauling organization. Look for information outside the hauling side of the industry and stay on top of the trends and news from your shipper's perspective—walk in the other man's shoes.

Knowledge is power. Be receptive to learning all you can from as many resources as possible. Take the time to read and reread trade publications, listen to both general business and trucking business audio presentations, take workshops and seminars that pertain to your trucking operation. One nugget of knowledge received in any of these information pursuits can have the power to raise your success to new heights.

Being a Successful Trucking Company doesn't occur by happenstance or by the seat of one's pants. A flourishing profitable operation is attained through diligence, hard work, planning, and most of all, understanding what ALL of your costs are so you can determine the daily, weekly and monthly break-even points. Once these are in place, continued success is generated:

- by staying informed about trends in both the trucking industry and the industries you serve.
- having a continuing education plan that assists you building a knowledge base from which to operate with greater efficiency, constantly searching for the better mousetrap.
- continuing evaluation of your operations for areas needing improvement, or better controlling of costs.
- knowing when to say 'no' to a load or contract because it doesn't match your profit structure based on your break-even points.
- having a vision of growing your company's net worth, so emergencies don't become crises.

Success is achieved by a combination of tasks which individually can be laborious, but when combined in a plan of action will create steady growth of a company. To become successful in trucking it is very important to stay focused on the important goals.

1. know that break-even point
2. manage your assets
3. build your company's net worth
4. set your rates on your break-even point
5. always look for ways to improve the way you do business
6. stay informed about trucking and the industries you serve
7. be receptive to learning new ways of accomplishing old tasks
8. listen to those who work the front lines
9. never rest on your laurels; look to the future

and most of all remember, it's your company, your truck.

Timothy D. Brady is a 20 + year trucking veteran, an award-winning journalist and AMSA's 2002 Super Van Operator of the Year HHG. He's the "Trucker's Business Advisor" on Sirius Road Dog Trucking Radio's "Open Road Café." Brady has authored several business books, is on the board of directors for the Truck Writers of North America (TWNA) and teaches trucking business workshops through a partnership with The University of Tennessee at Martin REED Center, Dyersburg State Community College and the Tennessee Small Business Development Centers. You can join Brady each Friday evening for the I.C.E. (In-Cab Education) Workshop teleseminars.

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