

Running The Numbers



Take Charge of Your Business with *Key Performance Indicators*



Measuring Success

Using Key Performance Indicators to Manage Your Trucking Company

Do you ever feel overwhelmed? Assaulted by too much information. Hit with dozens of demands and no priorities? Key Performance Indicators (KPIs) offer a way of getting a real handle on your business.

Managers, especially those working in smaller trucking companies, generally wear many management hats – operations, HR, maintenance, etc. Time is limited and there seem to be unlimited numbers of urgent issues tugging managers in every direction. A good set of KPIs quickly indicate any areas of the business having problems so management knows where to prioritize their focus. Good KPIs also indicate potential resolutions problems.

What are KPIs?

Key Performance Indicators (KPIs) are measures that allow management to determine how well the company is achieving its goals. KPIs come from internal company data collected from existing processes. The data is compiled and analyzed to produce a concise set of metrics management can quickly review and immediately know if the organization is meeting its goals.

Determining KPIs

Determining what KPIs to use is perhaps the trickiest part of establishing a KPI process. Successful KPIs meet several criteria:

- ***They are based on unambiguous consistent business processes each with a clear purpose.***
- ***The result of each underlying process is measurable either by quantity or quality.***
- ***The company can define a “good” vs. a “bad” result.***
- ***The results are actionable; management can have a positive impact on the result by adjusting business operations and/or management decisions.***

A good rule of thumb is each major business function or area of the company should have at least three KPIs. Of these KPIs, there should be three or four that have a direct coloration with the companies overall financial goals. For example, a small trucking company’s set of KPIs may include:

Orders/Shipments

- ***Total number orders***
- ***Average revenue per order***
- ***Average margin per order***
- ***Average volume (measured by either weight, piece count, pallet count, etc.)***

Customers

- *Total active customer count*
- *% new customers*
- *% lost customers*
- *Average revenue per customer*
- *Average margin per customer*
- *Average volume per customer*

Equipment – For Each Piece Of Equipment

- *Average miles per gallon*
- *Average cost per mile to operate*
- *Count # out of compliance incidents*

Dispatches

- *Total number of dispatches*
- *Average revenue per dispatch*
- *Average revenue per mile*
- *Average revenue per hour*
- *% empty miles*

Dispatchers

- *Average # of Dispatches*
- *Average Errors per dispatcher*
- *Average revenue per mile by dispatcher*
- *Average margin per mile by dispatcher*
- *% empty miles by dispatcher*

Drivers

- *Average number of trips*
- *Average cost per hour*
- *Average hours and miles*
- *Average OT hours*
- *Count incidents (tickets, accidents, damaged freight, out of compliance, etc.)*
- *Average cost per incident*

Each KPI must have a useful date range that allows management to understand overall trends. For example, management may want to see total number of order for this month compared with last month or compared with the same month last year. For driver hours, management may want to focus on hours per week, per dispatch, or per pay period depending on how drivers are paid.

Collecting and Reporting KPIs

KPIs are typically based on a large set of data that must be collected and analyzed in order to establish the current performance. In the past, only very large organizations had the resources to track and report KPIs. With modern technologies, even the smallest trucking companies have KPI capability easily within reach. Using comprehensive transportation management software, the data needed to track KPIs is stored in a central database and easily analyzed and reported. Reports can be available to management on a real-time basis.

About Tailwind Transportation Management Systems

Tailwind provides affordable and easy to use dispatch software that skillfully handles all aspects of trucking LTL and Full Load operations, as well as Admin and Freight Brokering. Quickly handle your dispatching, driver pay, customer management, equipment management, invoicing, billing, A/R and A/P. It is fully-integrated with multiple services, including automatic mileage, GPS, fuel tax, electronic document storage, and more. Financing & special pricing plans available. Walk through a [free demo](#) today.

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