Today's Quiz: Truck A or Truck B?

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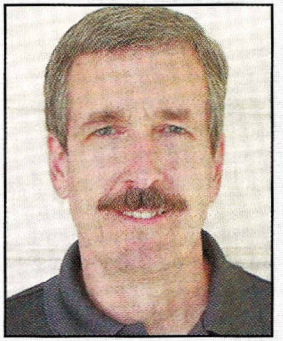

It's September and all over the country, America's children are back in school. You don't need to be a child, of course, to benefit from education and training, something particularly true in the trucking industry, where it's vitally important for everyone involved to be at the top of his or her game.

In the back-to-school spirit, what follows is a training exercise for trucking's unsung heroes, the terminal and driver managers.

The goal of this exercise is to sharpen the managers' crucial ability to identify the most cost-effective load assignments. We'll begin with a hypothetical case to be used throughout the training session:

XYZ Trucking has many terminals, including one in Chicago and another in Toledo. The Toledo terminal has one load available, bound for Chicago. The Chicago terminal has two empty trucks in the area — Truck A and Truck B. The variable cost per mile of operating a truck at XYZ Trucking is $1. With that information setting the stage, we'll now add a series of "influences" to allow the trainees to identify the "decision logic" that should be used for load assignment in each scenario.

■ Influence No. 1 — Truck A is 40 miles from Toledo, and Truck B is 90 miles from Toledo. Which truck should get the load?

The obvious answer is Truck A, the logic being that the closest truck gets the load.

■ Influence No. 2 — Even though Truck B is farther away, it is due east of Toledo and would pass right by the Toledo terminal to get to Chicago. Truck A is 40 miles west of Toledo, already headed toward Chicago.

Which truck should get the load now?

The answer is Truck B, because the truck that provides the fewest penalty miles should get the load — penalty miles are the additional, off-route miles incurred when picking up a load. Truck B, already routed through Toledo, would not add additional miles if assigned the load. Truck A, 40 miles west of Toledo, would have to drive 40 miles back to the terminal and then another 40 miles to return to its current location. Therefore, assigning the load to Truck A would incur 80 penalty miles.

Calculating the cost of assigning the load to Truck A instead of Truck B, we find that 80 penalty miles times $1 per mile equals $80.

■ Influence No. 3 — Truck A's driver reports a drive tire going flat. She can drive safely back to the Toledo terminal's shop or get it fixed at a nearby outside vendor, but she wouldn't be able to make it all the way to Chicago. It costs $35 more to get the tire replaced on the road than at your Toledo shop.

Which truck gets the load?

It's still Truck B. The decision logic is that the truck providing the lowest total cost basis gets the load. The calculated penalty cost for Truck A was $80, but that's $45 more than the $35 cost premium for tire replacement at the outside vendor.

■ Influence No. 4 — The load is hot and delivery promised by 3 p.m. Truck A would have just enough time to drive to Toledo, pick up the load and deliver it on time. Truck B is 50 miles farther away and could not make delivery on time. Now which truck gets the load?

This time the answer is Truck A because the decision logic is that service often is more important than cost considerations. In this case, good service cost the company $80, because it couldn't use Truck B.

■ Influence No. 5 — It's the same as No. 4, except that neither Truck A nor Truck B has sufficient hours to make the delivery. The only choice is to headhaul it for 250 miles with an available Toledo truck.

Assuming Chicago won't have a return load, what will good service cost this time? The answer is $500 — 500 round-trip penalty miles times $1 per mile.

If you use this exercise, have the facilitator throw in additional influences relevant to your company throughout the session. What if Truck A was an owner-operator, or if Truck B's driver had been promised the weekend off, but the load requires Saturday delivery?

Discuss each situation, including cost effects, and write the decision logic on an easel tablet. By the end of the session, you'll have a list of logical decisions specific to your company that trainees can, and should, consider when assigning loads.

Finally, when options that force penalty costs are chosen, discuss how they could have been prevented. For example, in the case of No. 5, when a hot load was headhauled at a $500 penalty, could better planning have placed it on an earlier dispatch, where it could have been backhauled? How large a penalty are you willing to pay for good service?

Unfortunately, many trucking companies fail to capitalize on training opportunities and instead put their faith in the wealth of information that technology provides. Technology provides valuable information, but individual employees still make the decisions, including the field managers who each week make hundreds of decisions affecting the cost of trucking. Improving their ability to understand, calculate and manage the financial effects of their decisions is where the most significant bottom line opportunities are found.

Class dismissed.

CostDown Consulting, Grayson, Ga., provides programs and training focused on improving driver, driver manager and fleet performance.