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Taking Care of Business

For those who think that becoming a successful owner operator is as simple as buying a truck and putting it with a company that looks reputable, you could be in for a shock. The business of operating as a profitable Owner Operator can be difficult but for those who have some foresight, discipline and basic planning skills, it will be much easier.

Any business that is to survive and prosper needs to have a strategy and execute it properly. What's your strategy as an owner operator? If you developing need of some assistance in a winning strategy, a good starting point is to find a company that is offering a decent remuneration package and the miles you need. Get the most out of this package that you can and work your tail off at driving down your operating expenses. You have probably all heard the old saying, "You Cant Manage What You Don't Measure." The many intricacies of this industry give these words an even greater meaning. Measuring a business's progress requires comparing accurate records against a benchmark which will show you your progress and where to adjust and change for improvement.

For those of you who don't know, there are really only two reasons to keep records. The first is to make sure you pay the tax man the right amount (no more or less) that you owe on time. The second reason is to measure your business performance and then try to improve upon it; it's that simple.

A cross-section of companies who specialize in working with owner operators in business skills and bookkeeping suggest that less than 10 per cent of owner operators actually track their business on a cost-per-mile (CPM) basis. If this is the way 90 per cent of owner operators get paid, then tracking your expenses in the same fashion only makes good business sense.

Tracking on a cost-per-mile system is not that difficult. In fact, it's really very simple; you decide on a time frame (I recommended monthly) and the calculation is "cost divided by miles."

The two different types of costs are "fixed" and "variable." To lower a fixed cost rate-per-mile you simply must run more miles. For example, a $2,000.00 truck payment has a CPM of .40 cents per mile if you drive 5,000 miles in a given month ($2000.00/5,000 = $0.40). The same truck payment at 10,000 miles has a CPM of .20 cents per mile ($2,000.00/10,000 = $0.20). Other fixed costs include anything where the payment stays the same regardless of whether or not your truck is running. For example, plates and insurance might be another fixed cost for many of you.

Variable expenses are those items generated when you are moving down the road, such as fuel expense and maintenance. To lower a variable cost you need to make changes in your operation, such as lowering your speed to reduce your fuel cost. Example: if you are running 70 mph, we know that every 1mph you run over 60 mph equals one tenth of a mile in additional fuel burned. If you were to slow down to 60 mph you will get one extra mile per gallon, meaning you have reduced your per-mile fuel cost. Similarly, if you were to find an after-market item that extended your oil change intervals, your per-mile maintenance cost would be less. Running more miles will not reduce these expenses. The only way to change them is to alter the way that you approach them.

I suspect many of you find this stuff boring and have little interest in this side of the owner operator business. I am here to tell you that you absolutely need to pay attention to this to maximize your profit potential. If you need help with it than I strongly suggest that you find a qualified service that will provide you with the numbers you need to operate your business. Make sure they know this industry because there are too many CCRA rules specific to trucking that the casual bookkeeper will not know and what they don't know will get YOU in trouble.

Now here are a few more thoughts that are very direct and they pertain to any level of business management in any industry sector. On any given work day, what portion of your time is spent on accomplishing your primary goal? Being an owner operator is no different than any other business; your day-to-day function should be to better your business performance.

I believe that this should be easier for owner operators than most businesses because most organizations spend a large part of their operating budget and time on generating sales. Whereas most owner operators do not have this worry, there's more time to focus on refining your business.

I am not looking to start any wars here but I suggest that historically fleet trucks in most companies often operate more efficiently than the owner operators at the same company (on a CPM basis). This has never made sense to me. Where a company driver earns their living by putting in as many miles as possible and is paid by the mile, he or she is not driven by savings and efficiencies. However, that company truck will often be a more efficiently-run tractor than most owner operator units in the same fleet. Why is this? In a tractor driven by the owner operator you have the person who controls all of the expenses at the wheel of the vehicle; shouldn't that give all owner operators a distinct advantage over the fleet trucks? I believe it does, but only if the owner operator takes care of business with discipline and resolve. It's in your control, so just do it!

What do you think?

Please feel free to drop me a line on this idea.

Safe Trucking!

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