



Truckload carrier achieves superior freight costing visibility with SMC³ solution

Using the SMC³ Cost Intelligence System, Groendyke Transport analyzes its cost at the shipment level, highlighting underperforming business and eliminating pricing issues.

Challenge: Enhanced visibility into shipment costs, pricing and profitability opportunities

With a decentralized P&L model, Groendyke Transport requires data and reports so individual terminal operators can see how their business impacts the profitability of lanes and loads.

“We were applying a shoot-from-the-hip approach,” says Colin Abernathy, Groendyke’s director of performance and business analytics. “We used native, institutional knowledge, and different methods at each terminal, without any cost analysis or pricing standards. Looking at customers and lanes for specific profitability was less precise because of this practice.”

About Groendyke Transport Inc.

Groendyke Transport Inc., based in Enid, Oklahoma, is one of the largest tank-truck carriers in the nation. With 900 tractors and 1,420 trailers, its 925 company drivers haul loads from 30 terminals throughout the lower 48 states for leading manufacturers of chemicals, petroleum and liquid bulk products.

For example, a customer in Tulsa, Oklahoma with a delivery in Colorado was priced by Groendyke Transport based on the assumption that its Tulsa location would handle the majority of that customer’s freight. In the end, other terminals were also involved. This poor operational decision resulted in a different operational and cost basis than what was assumed when quoting rates.



“With the Truckload Cost Intelligence System from SMC³, we are improving profitability by having visibility into the data we need to make better operational and pricing decisions. TL/CIS enables a highly scientific approach to identifying unprofitable business by validating our market knowledge, associating costs with actual operations, and documenting conclusions and projected outcomes.”

— Mike Barnthouse | CFO | Groendyke Transport Inc.

“We realized that our non-standard way of rating loads without any documentation was impacting profitability,” Abernathy states. “We were interested in finding a tool to help identify and see our true costs and move toward a standardized way of pricing by looking for issues in our current cost and operations management procedures.”

Groendyke Transport was seeking a way to identify an operating ratio for each customer to find opportunities for cost reduction through an understanding of customer and operational issues. Officials were asking pertinent questions regarding lane reconfiguration to address empty mileage. They also wanted to know if Groendyke could handle additional volume from an existing customer without adding cost.

“We establish a target operating ratio for each customer,” says Aaron Harmon, the carrier’s vice president of performance and business analytics. “Our goal is to meet that operating ratio by looking at each customer’s lanes and loads and asking if there are issues that can be addressed.”

Costing each load it handles using all associated variables can determine

pricing needs for Groendyke Transport. For example, quoting a lane from Houston to Chicago using per mile, dispatch, driver pay and other costs helps build a profitable rate.

“Being well informed by data can also help customers be more productive,” Harmon says. “Instead of hauling a load 200 miles and returning empty, we can find additional volume without adding cost.”

Solution: SMC³ Cost Intelligence System

Groendyke Transport soon began using the Truckload Cost Intelligence System, an activity-based costing system from SMC³ for motor carriers moving full loads from shippers to consignees. The solution develops the cost of moving individual loads, making specific trips, and handling entire customers on an historical or prospective basis.

TL/CIS enables Groendyke Transport to develop an unlimited number of unit-cost levels for various categories of factors by domicile, loads, customers and equipment type. TL/CIS interfaces with enterprise management and other systems to automate the costing process and to show the true profitability of freight and customers.

The monthly process of updating data in TL/CIS takes no more than 30 minutes of management time. The system automatically uploads data from a variety of sources in less than one day.

“Imported files from various sources are fed and pulled automatically into TL/CIS based on established formatting,” says Christopher Bush, the carrier’s advanced business data analyst. “The integration capabilities of TL/CIS are critical to our ability to have effective and accurate cost and profitability analyses.”

Data used in TL/CIS at Groendyke Transport includes a vast amount of information from the carrier’s TMWSuite enterprise management software from TMW Systems on orders, revenue, accessorial charges, driver pay, tank cleaning costs, mileages and fuel surcharges, and dispatches and loads.

Cost information on tractors and trailers, including depreciation, fuel, maintenance and lease expenses is added to the data in TL/CIS through an integrated

SMC³ Cost Intelligence System



Enhanced Visibility



Improved Profitability



Higher Customer Satisfaction



mapping file with the general ledger at Groendyke Transport. Other categories include salaries and costs associated with dispatching operations, as well as overhead for corporate and terminal costs.

Regional fuel prices from the U.S. Department of Energy are used by TL/CIS as well to facilitate differentials based on mileages in each region and to calculate actual fuel costs.

Mileages used by TL/CIS are based on an automated integration with PC*MILER routing and mapping software from ALK Technologies that uses precise point-to-point mileage by street address and truck-specific and hazardous materials routing.

Reports in the TL/CIS Report Writer are generated for customers, lanes,

loads and terminals at Groendyke Transport. TL/CIS automatically assigns all costs for each load, links revenue to loads and develops cost profiles in great detail.

Dispatching costs by terminal in TL/CIS reports include hourly costs, exact driver pay, overhead and fringe benefits. The system presents data on direct costs and as a percentage of costs by month, customer, terminal, lane, load, driver, equipment type, operating ratio and many other variables.

Results: Improved profitability, optimized pricing, higher customer satisfaction

Using data and reports in TL/CIS, Groendyke Transport enables individual terminals to see how their operations impact the profitability of lanes and loads.

TL/CIS provides unique information based on trailer type, terminal, commodity groups and many other factors that Groendyke Transport uses to drill down into exact costs for each location, customer and load. The system uses built-in differentials to account for overhead and fleet make-up.

For example, if a terminal has more new tractors or trailers than older equipment, depreciation costs in that location can be higher, but maintenance expenses are lower. In addition, driver pay is not the same at every terminal based on market competitiveness and cost-of-living factors.

“Costing each load by location, equipment type and other variables requires bal-

“It is very important to identify costs based on load specifics. Otherwise, actual expenses simply get associated with terminal overhead rather than being allocated to a customer or load. TL/CIS adds to the depth and value of the information we have. With SMC³, Groendyke Transport now has the ability to effectively address cost issues specific to tank and bulk carriers.”

— Christopher Bush | Advanced Business Data Analyst

ance,” Abernathy says. “TL/CIS is the looking glass that gives us the vision we need to see what’s happening in our operation and to identify cost and operational issues that impact profitability.”

By using data in TL/CIS to review costs and identify operational and customer issues more effectively, Groendyke Transport is able to establish and reach a target operating ratio for each customer.

For example, by reconfiguring its operations to serve the shipper based in Tulsa with a delivery in Colorado, Groendyke Transport lowered the operating ratio for that customer, improving profitability without sacrificing customer service or raising rates.

“We asked SMC³ to develop reports that we could distribute to each terminal so they could see their own costs,” Harmon says. “That consolidation of data, and the comparisons by customers and lanes in TL/CIS, provides a valuable, holistic view of performance, costs and profitability.”

With each load costed using all of the variables established in TL/CIS, Groendyke Transport is able to determine rates based on profitability. Today, the carrier is using SMC³’s cost freight capability solution for pricing and to quote new business.

“It’s not just about increasing rates,” Harmon says. “Our customers have responded favorably to being well informed by the data in TL/CIS, and it has helped them in the long run. For example, it allows us to work together to explore additional business from an existing customer without adding cost, and that makes their operation more productive.”



TANKER TOPICS

As one of the largest tank carriers in the nation, Groendyke Transport hauls loads in multiple commodity groups. Using eight types of tank trailers to haul seven main commodity groupings, it handles thousands of load combination scenarios.

With TL/CIS, Groendyke Transport can accurately account for empty mileage and backhaul expenses that are unique to tanker operations.

Tank-wash cost allocation is also extremely important to Groendyke Transport, and it’s an industry-wide issue that SMC³ addresses very effectively.

With TL/CIS, an order or load number can be added automatically to a tank-wash invoice. The system also accounts for scheduling differences (for example, whether a tank is washed before or after a load is hauled).