



HOW TO BOOST YOUR **PROFITABILITY**



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INTRODUCTION

Are you also struggling with profitability at your haulage company? You are not alone. Over half of Sweden's haulage companies struggle with profitability, and the situation is just as challenging around Europe and in the US. The challenges presented by several unfavourable conditions have never been as difficult as they are now. Price pressure, increased competition for orders, bigger players, unfair competition, lack of drivers, higher safety and quality certification requirements, requirements for clean, climate-friendly transport... These are just some of the challenges that hauliers describe as obstacles to good profitability. Several forecasts also show that within 20 years the need for transport and the volume of goods will increase by more than 50 per cent, with the permissible total weight and length of trucks also increasing. There are major opportunities for developing the company.

The haulage industry is sometimes compared to the circulatory system or worker ants building the entire ant hill. Transport only needs to be suspended for a few days before society feels the effects, with empty shelves in grocery stores and a shortage of medications among many other problems. The importance of haulage companies cannot be underestimated, but despite this great need, many hauliers have the same problems. How can hauliers adapt their activities in light of current challenges while ensuring profitability?

ULRIC HAS THE FLOOR

According to Ulric Långberg, advisor and head of the Swedish Association of Road Transport Companies, an important first step is considering your business from new angles:

“You need to streamline your planning to satisfy an increasing number of new requirements, and those who can increase their profitability are those who take their business to a new level and become more of an entrepreneur. Entirely different requirements are stipulated for hauliers today.”

Ulric explains further:

“Many hauliers would benefit from an overhaul of their company and their self-image, for example, by considering themselves less a subcontractor among many others but more a partner able to offer more services of a high quality. It might sound hard, but to put it simply, it’s no longer just a matter of arriving on time and saving fuel,” he says.



Ulric Långberg

Advisor and head of the Swedish Association of
Road Transport Companies

HOW TO GIVE YOUR HAULAGE COMPANY A BOOST

There are a number of things you can do to get more out of your vehicle fleet. A first step is revising your business concept. Have you considered the possibility of offering any services other than just transporting cargo from A to B? Could you cooperate with other hauliers to prevent deadheading? If you start reviewing your business plan, you will find that many such questions can be asked and that there are just as many ideas and opportunities. What ideas do you have?

ULRIC'S FIVE TOP TIPS

1. WORK ON YOUR BUSINESS CONCEPT

Surprisingly few hauliers even have a business concept. Just completing transport runs is not a business concept and will never be profitable. If deadheading is a challenge, your business concept is no good. Keep better track of revenue and expenses. It might sound odd, but it is also important that you ask yourself why you do what you do. Liking the industry is not enough to ensure your company will make a profit. Many people mix their work and interests, and from an entrepreneurial perspective, it is dangerous to work in this industry just because you like trucks.

2. WHY NOT BECOME YOUR OWN FORWARDING AGENT?

Use your trucks for your own logistics. You have to work closely with your customers whether you are a buyer for a grocery store or the owner of a haulage company, and why should the customer choose you if you are unable offer anything more than anyone else?

3. KEEP TRACK OF YOUR COSTS

Why not offer ancillary services? Offering other services will give you an in with many industries; why not try driving e.g. dump trucks, logging trucks or long-haul trucks? This will help you ensure a steady income across the seasons. If your focus is the price you can offer, you are doomed to fail. No one can live on the price you have to offer in today's market.

4. GET PAID!

Remember: correct vehicle, correct use, correct payment.

The problem is that many hauliers do not do their own business. I had a haulier look me up when he was having trouble with profitability, but it turned out that he was running an engine that was much too big and consuming enormous quantities of fuel. But I like engines, he told me.

Of course that was the problem. Another haulier had spent a lot of money fitting-out the driver's cab and then had a hard time selling it. The problem is that many people treat their job like a hobby and do far too much for which they aren't paid. Get out there, work with customers and determine your own value!

5. BE A LOGISTICIAN

Plan your activities and carry out thorough follow ups so that the customer knows how the transport went and whether the delivery time was as specified. Far too many hauliers find that transports are delayed because things do not go as specified in the agreement, e.g. if the road has not been ploughed despite this being promised as part of the agreement. Many drivers are good at solving problems as they arise, but it is not good for the haulage company to work that way.

Considering yourself a subcontractor is problematic. This makes you akin to a taxi or chartered plane. Climb up the value chain and get more involved with the customer and agreement! And – perhaps most importantly – don't be afraid of change!

A problem that has been raised recently in the haulage industry is so-called social dumping. With more and more players in the market, more companies are prepared to offer services at a lower price. In the European market, more and more haulage companies are based in countries where wages are much lower, with the result that wages have fallen in other countries. Many hauliers in Sweden believe that the Swedish collective agreements have been undermined by this. But Ulric Långberg does not entirely agree:

“It depends on which segment you work in – some industries are more vulnerable than others. But we need a playing field within the EU that doesn't pit countries against each other and doesn't undermine its own circulation. The haulage industry needs to have a good hard look at itself. On the other hand, trade patterns are constantly changing, and how you react to this as an entrepreneur is crucial. We can't do anything about there being more players with lower wage requirements. However, as an industry association, we can encourage you to become better acquainted with your figures, the nature of the business and the implementation of what has been agreed.”

Ulric Långberg also speaks from experience: he was a haulier for eleven years and both earned and lost money. “It's important to keep asking yourself one key question: what can I do to strengthen my business?”

WHAT HAVE OTHERS DONE?

We've asked some colleagues in the industry what steps they are taking to improve profitability in an increasingly tough market. Perhaps they will inspire you in terms of what you should be able to do for your haulage company."

GLIMÅKRA ÅKERI AB

Name: Christian Bilde

Position: CEO

Home town: Helsingborg, Sweden

Age: 55

Family: Partner, six children,
three stepchildren and grandchildren

Interests: Golf, travel and good food



Glimåkra Åkeri AB is the haulage company that makes strengthening customers' competitiveness its primary mission, its motto being "We want to be an active part of the customer's development in the market". Glimåkra AB has done targeted work to increase its profitability and is not ashamed to aim high. Due to this will to increase the customer's competitiveness, they consider themselves a world-class partner.

Glimåkra Åkeri AB has turned things on their head and considers strengthening customers' competitiveness to be its primary mission. Through proactive work, transparency, a long-term approach and always aiming for "win-win" solutions, they have managed to build a competitive company with good profitability. The company had a revenue of approx. SEK 43 million in 2005.



Some of Glimåkra Åkeri's trucks.

In 2015, the revenue amounted to SEK 60 million with retained profitability. Glimåkra Åkeri has 45 vehicles and employs 65 people. The haulage company specialises in food transport, but also undertakes other transports. Their services is characterised by short lead times and a high level of service and availability. Through continuous monitoring of fuel consumption, they have managed to reduce CO2 emissions by 35 per cent in five years. Among other things, the haulage company uses Scania Fleet Management and Mercedes Benz FleetBoard, and has also developed its own simple system for keeping track of key figures relating to the environment and finance.

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“Making it work requires a well thought out logistics arrangement and a lot of planning.”

Staff turnover and sick leave are very low thanks to long-term work to make the company an attractive employer. This work has involved employees, the company's management and suppliers. Unlike many other haulage company owners, who often have a background as a driver, Glimåkra's CEO Christian Bilde has never worked as a truck driver. His driving licence does not even permit him to drive a truck.

Tell us about your background!

“I have an automotive background and have worked with leadership and organisational development for a long time. I have also worked as a production manager for Absolut Vodka. I started my own company in 2001 and helped Glimåkra for a while before I was asked whether I wanted to take over the company. I think it has been an advantage that I have a very different background and am not as nostalgic when it comes to the profession and industry, since that might have posed an obstacle. A lot of CEOs grew up around trucks and run family businesses. That can be both good and bad.”



“It’s about creating added value for the drivers. With our arrangement they can plan and feel secure in their job. This is important for the drivers because then they have time for family and leisure.”

Glimåkra AB’s profit is good and even increasing: to what would you attribute your success?

“We face the same challenges as everyone else, but we have worked very purposefully with overall solutions. We only work with the transport of time-sensitive goods. We guarantee that we will be there by a certain time. Making it work requires a well thought out logistics arrangement and a lot of planning.”

The shortage of drivers and the difficulty of getting them to stay on is one of many problems that haulage companies face, but at Glimåkra you don’t even have a management team, just transport management with every driver acting as their own supervisor. Why has this structure worked for you?

“It is important that a company’s corporate culture is clear and that it has sound values. Our drivers have their routes that they drive and might end up driving for more than 40 hours one week and fewer than 40 hours the week after, but over that two-week period they work 80 hours and they work every other weekend. It’s about creating added value for the drivers. With our arrangement they can plan and feel secure in their job. This is important for the drivers because then they have time for family and leisure.”



“...if I consider myself a partner rather than just a subcontractor, I immediately have another negotiating position.”

Several players in the market and several foreign players have engaged in the practice of social dumping. How do you handle this?

“You have to be prepared to charge people or there’s just no point. But perhaps now more than ever it’s a matter of thinking innovatively and offering more services. Find out what your customers need. When you meet a new customer, have a brochure you can give them – a good introduction for yourself and your company is crucial. I think the status of hauliers needs to be raised and each and every one of us can help with this. No one can tell you how to run your business. We put a lot of effort into looking presentable and being nice and polite, and going forwards it would be good if more hauliers would cooperate to ensure healthier transports.”

Your motto is: “to be an active part of the customer’s development in the market”. But how does this result in profitability for Glimåkra AB?

“It’s about self-image – if I consider myself a partner rather than just a subcontractor, I immediately have another negotiating position. For example, I permit myself to come up with my own ideas and solutions. If I can demonstrate my credibility, keep my promises and make a good impression, there is a lot to be gained from this. Don’t forget about the planning and calculations – that’s all part of it. That way you keep your promises to the customer and colleagues.”

RENOVA MILJÖ AB



“Use both the carrot and the stick!”

Name: Tony Carlsson

Position: Logistics Manager

Home town: Vänersborg, Sweden

Age: 46

Family: Partner, two children and a stepchild

Interests: Fishing, hockey and reading

Renova AB is both a haulage company and forwarding agent in the waste industry and is currently the leading environmental group in the waste and recycling industry in West Sweden. Renova has a subsidiary, Renova Miljö AB, which manages the group’s logistics and acts as both seller and buyer. The company undertakes its own transports, but also buys transport services from other haulage companies through municipal procurement.

What does Renova’s logistics manager, Tony Carlsson, have to say about the challenges faced by the haulage industry?

“There are some concerns. In the past, for example, there was a good balance between quality and price, but now I’d claim it’s mostly about price. More players in the market means increased competition and that more stringent requirements are being stipulated for the individual performance of each driver, every day, to ensure everything tallies. It is no longer enough to ‘just’ be a driver, by which I mean driving from point A to point B – the work also has to be documented.”

Yes, Tony Carlsson also confirms the perception that the haulage industry is facing several difficult challenges. But he does not think that the requirements for quality and environmental certification are too stringent. Renova Miljö AB now runs entirely on environmentally friendly fuel HVO.



“I personally have a lot of faith in the bonus system...
... not just penalised...”

Tony Carlsson used to work as a transport planner in the paper industry and was responsible for transports across Europe. For Renova Miljö AB, which has a much more limited geographical area and only operates in West Sweden, the regional operations are both an advantage and a disadvantage. “The advantage is that we are very visible, you can see our trucks on all the roads, but this also means we need to maintain a high standard, and where drivers are concerned this means a major focus on customer service. We are offering a service and need to make a good impression, since otherwise the customer will choose someone else. I find the customer pressure to be much higher today.”

Renova is a municipal corporation that has a framework agreement on transport services with several subcontractors. According to Tony Carlsson, the way the cooperation works is that if a supplier is at the top of the list, that company cannot be next in line and then next in line and so on.

Just like Christian Bilde, CEO of Glimåkra AB, Tony Carlsson believes that both small and medium-sized haulage companies need to think innovatively to increase profitability. He has several good tips on how haulage companies can boost their business.

“For example, our work is increasingly performance-based. Traditionally, the starting salary for drivers, for example, is quite low and the opportunities for earning more are limited – they might earn a few hundred more, but then that’s that.

Their workload gets heavier as well, so what we do is pay a bonus for good performance, saying ‘if you manage this, you’ll receive a bonus’ – it’s a kind of exchange. I personally have a lot of faith in the bonus system – it means people are rewarded for performing well, not just penalised when their performance isn’t up to scratch. Both the carrot and the stick!”

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“You really do need to do the planning and maths and come up with a basic idea of what you want from your company before you can highlight what you’re good at.”

Empty transports are expensive and most hauliers’ nightmare, and many of them are concerned by the growing number of players in the market. Do you have any advice to offer?

“Review your logistics. Consider how to make the best use of your time – you need to keep streamlining and you might need help to do this. For example, I don’t think that you can manage 15 vehicles from your own driver’s cabin and expect it to be good and profitable. You really do need to do the planning and maths and come up with a basic idea of what you want from your company before you can highlight what you’re good at.”

GÖRANSSONS ÅKERI AB



Name: Curt Göransson

Position: CEO

Home town: Färila, Sweden

Age: 74

Family: Married with two adult children

Interests: Racing (particularly truck racing)

Göranssons was founded in 1928 and specialises in timber handling. Current activities focus on the terminal handling of import timber at the Port of Gävle and the transport of raw materials to the forestry industry in Hälsingland and Härjedalen. Curt Göransson has run the company for many years and a generational shift is now taking place, with the third generation taking over.

The haulage company, with Curt at its head, has made itself known over the years for its innovative approach to the industry. For example, it has developed its own products, including *Göransson's timber grapple*. The entire forestry industry obtained convincing proof of the haulage company's efficiency when Cyclone Gudrun destroyed large areas of forest in Småland in 2005. Göranssons Åkeri was tasked with handling the timber thrown by the cyclone at various terminals. Among other things, it set up the world's largest storage site for timber at disused airfield Byholma outside Ljungby, where approx. one million cubic metres of timber were stored. This was a logistical operation that continued for several years and has entered the history books as the most extensive in the history of the Swedish forestry industry.

Changes in the industry means new challenges for the haulier

Curt Göransson, who literally grew up in his dad's truck, has watched the timber transport industry change his entire professional life. From slow, partly manual handling to rational and efficient handling of large volumes.

"When I started helping to load trucks when I was a teenager, it took a couple of hours to load a small truck. Today we can load trucks twice the size in 10–15 minutes."

But it is not just about increasing efficiency. The changes in the industry have also had an impact on traditional transport companies, which have been forced to adapt to new approaches within the industry. One major change is that the forestry industry companies are increasingly handling raw material logistics themselves. Among other things, this has resulted in stocks being kept “on the road” instead of in large timber warehouses directly adjacent to the production facility. This means the haulier is no longer responsible for – and therefore no longer has to plan – loading, transport and unloading. When and where this happens is governed instead by the logistics of the industry. The consequence of this is that the haulier is informed via computer and text where the timber raw materials are to be collected from and which production facility they are to be delivered to at very short notice.

“The ways things are now, you can be standing idle for a few hours waiting to unload simply because no one is responsible. We used to have direct contact with the industry, but now that logistics has taken over, we have become a kind of taxi service. We don't know where we'll be going in the morning the evening before.”

According to Curt Göransson, the solution to this problem is improved logistics and the hauliers themselves being responsible for loading and unloading.

But although there are threat scenarios in every single niche of the transport industry, there are also opportunities for the haulier to improve both business and profitability.



“You can't be afraid of trying something new.”

To improve you sometimes need to try something new As the industry has evolved and changed, Curt Göransson has worked intensively to develop and streamline his company's operations, thereby improving profitability. One way has been to develop transport capacity and increase machine efficiency. In addition to creating and developing his own products, Curt has been involved in many development projects such as timber transports with improved capacity, so that four stacks of timber can be transported instead of the usual three, bogie lifts for 6x4s and the separate loader.

“I've come up with the ideas by virtue of being very involved in the work. You have to get involved – you can't just sit at home.”

And by being open to new ideas and daring to try and test new technology, Göranssons Åkeri has been able to benefit from technical improvements at an early stage, which has also strengthened profitability.

CHECKLIST

The majority of small and medium-sized haulage companies are struggling with profitability. There are several challenges, but there are several things you as a business owner can do right now:

- Review your business plan.
- Think long-term and work strategically, preferably with overall solutions.
- Could your company be a more attractive place to work for your employees? Promote the company's values with employees as well as customers. Drivers are your most important asset after the trucks! Some haulage companies have performance-based payroll systems.
- Climb up the value chain by getting more involved with the customer and make your own business deals! Far too many haulage companies are in the hands of third parties responsible for making deals and entering into agreements.
- Many haulage companies are somewhat resistant to sharing transports with other haulage companies, but that cooperation can be an important step in increasing efficiency and profitability.
- Don't forget to network – it provides a valuable network of contacts and is an important investment for the company's long-term survival.
- Plan more efficiently and have wider margins for time, maintenance costs and any unexpected costs such as sudden repairs.

VBG CAN MAKE YOUR **BUSINESS** MORE EFFICIENT

We see how the industry is constantly changing, and we listen to our customers. That's why we also know which innovations provide real benefits. This drives our development – with safety and responsibility as top priorities – so that we can keep one step ahead. We have done so since 1951.



Safety



Responsibility



Innovation

Everything fits together and interacts in a robust and well thought out system that is quick and easy to assemble. Maximum reliability and durability with a long service life and low service and repair requirements, providing worry-free use and the best overall economy.



Knowledge



System



Products