

ATN Business Sense
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Learning from other industries is smart business practice. Another great way to learn is from competitors. Many things being done by competitors should be avoided. Other things done by competitors are cleverer than what you are doing and should be copied. The challenge is to know the difference. The advent of the Internet has made the task easier. For example, just visit ups.com to learn more about a very professional, profitable transport company. Businesses should know all about their main competitors, especially those who are better. They should use the information to emulate successful competitors (and other businesses) then innovate to become better than their competitors.

While large businesses have vast resources in comparison to small businesses they also suffer disadvantages such as an inability to offer personal service or move quickly. They usually have slow decision-making processes allowing smaller competitors to move faster. A major challenge for all businesses is to manage costs and that is particularly challenging for Australian transport operators. So, what can they learn from other industries?

Singapore Airlines (SIA) has successfully executed a dual strategy of offering world-class service and is a cost leader according to Loizos Heracleous and Jochen Wirtz writing in the July-August 2010 Harvard Business Review. They describe how SIA costs per available seat kilometre were just 4.58 cents when full service European airlines were 8 to 16 cents, U.S. airlines 7 to 8 cents and Asian airlines 5 to 7 cents. What are the lessons for road transport operators? For a start, they should measure available tonnes kilometre as most do not measure them. That would give a few surprises about utilisation!

Operators should have other measures, key performance indicators (KPI's). Generally up to 6 are appropriate, any more and they can lose focus and effectiveness. For example, some years ago when British Airways (BA) was performing poorly, the chairman asked to be advised every time a flight departed late, perhaps more than half an hour late. What happened? Soon BA airport managers got tired of receiving phone calls from the chairman asking for an explanation as to why a flight had departed late so they focused on improving on time departures. What got measured was focused on to improve.

SIA has some other policies which are instructive for road transport operators. It depreciates aircraft over 15 years compared with the industry standard of 25 years. Australian operators could consider depreciating using, even if just notionally, depreciation rates which emulate actual depreciation rather than just taking the easy way out of using Australian Tax Office (ATO) approved rates. By all means use ATO rates for tax return purposes but use your own when deciding when to sell and replace vehicles.

Also, SIA invests heavily in inducting and retraining employees. While Australian operators have improved training considerably in recent years they still have a long way to go. Most do not have planned training programs; they are often ad hoc and reactive. Best practice is to identify training needs and plan how to train to give employees the necessary skills. Those skills include management, financial, teamwork, leadership and self confidence.

Operators rightly measure fuel consumption and tyre wear per kilometre along with revenue per consignment, per kilogram, per tonne and by vehicle run. What other KPI's can help operators improve profitability and performance? Some helpful publicly available Australian information can be obtained from Toll. Their annual report includes considerable data which can be used by other adroit transport operators.

What are you going to start measuring now?

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