

ROAD TRANSPORT 2027

White Paper



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1. Introduction

Road Transport and Associated Industries

The idea for this paper came from an involvement in road transport and associated industries and the frustrations of many participants, both operators and the Transport Workers Union.

Firstly, the industry is threatened by unfair competition from operators carrying for world-wide behemoths, and others, who use people working in the “gig” economy to deliver goods.

Many of those people are exploited, receiving low income and no employer benefits such as work cover and superannuation.

That is unfair in Australia.

This paper deals with the second area, general transport.

The industry is still challenged by large Australian and other companies exercising excessive market power, offering unconscionable contracts to transport operators.

This paper briefly reviews current trends and challenges within the transport industry and describes how business owners and corporates can substantially improve profitability, achieve a better lifestyle and an asset to sell or pass on to the next generation.

Destination Employers

Such operators will attract quality staff, pay above average remuneration and be known as “destination employers.”

They never tolerate risky behavior by employees or subcontractors who are encouraged to report incidents.

They show their team examples of people doing the right thing.

2. Now

Gig economy workers are exploited. Many are migrants and students from overseas, unfamiliar with Australian workplace laws.

Lowly paid they receive no employee benefits such as sick or annual leave. Some have died in road accidents without the benefits of Work Cover for dependants.

They are victims of unconscionable conduct by behemoths.

Such conduct is unacceptable in Australia.

Many transport operators offer their contracts to customers, but, contrary to generally accepted business practice, some accept contracts offered by customers.

That is back to front and unfair.

For example, operators with unconscionable contracts are penalised for misses but are not reimbursed when the customer “misses” such as pick-up and delivery delays.

Such contracts may include discretionary rate reviews by customers which are nonsense. Contracts requiring productivity price reductions are nonsense.

A customer seeking a price reduction can do that at the end of a contract by inviting tenders, not part way through a contract.

Those contracts exist because many employers, transport operators, do not have the courage to say “no” to unworthy customers.

Too many transport operators have a mindset that they are “price takers.”

Some are, where, say, bulk operators decide whether to or not to accept rates offered to carry grain.

However, countless other operators are mistaken in believing they are “price takers.” They think customers only decide on price.

Many have an external Locus of Control. They blame competitors and other external circumstances and forces for inadequate profitability.

Too few transport companies understand profitability per customer, profitability per task and segment by customer. That means they make a profit on some tasks and unwittingly lose on others. Some are break-even. The resulting profit or loss is a bucket without knowing what has generated it. They do not know what they should stop doing or which customers need improving or even divesting.

Many do not believe it is possible to identify profitability by customer (not to the last dollar, but accurately enough to take corrective action to reverse losses or improve profitability).

Consequently, some transport operators tolerate unworthy customers. Those such as difficult to deal with, have unreasonable expectations or pay late. Managers and owners do not realise they should be managed into good customers or managed out. Or they do not know how.

Many operators provide little or no training. Too much reliance is placed on “on the job” training.

Culture at some employers is poor or toxic. Under-performers are tolerated too long. Instead of coaching and mentoring people upwards or out, managers procrastinate. When managers do not act, morale declines, good people leave. Cancer spreads.

Unhealthy habits are replicated. Leaders often overlook that people copy their unhealthy habits as well as their good habits. Poorer performers are often not in industry associations, not in the right association or participate insufficiently or not at all.

Many human resource records and processes are inadequate. While improving, there is often insufficient support for the mental health of employees.

3. Where – Towards 2027

Gig Economy

Australia having a fair “gig” economy with the Fair Work Commission having powers to set standards for that part of the economy.

Transport Operators

Transport operators better regarded for their contribution to Australia’s prosperity.

A more professional and profitable general transport industry.

Prominent, stronger industry associations with growing memberships training members on how to become increasingly professional and profitable.

The industry having more “destination” employers. That is, attractive employers with good culture, ethics, and profitability.

Transport operators having an internal locus of control. Understanding they are responsible for themselves and businesses, never blaming external factors.

Appreciating that issues always arise, and it is up to them and their people on how they deal with them. Using problem solving tools to deal with issues.

Operators knowing their business and setting prices and terms on which they know will generate a fair profit and return on their investment.

Operators understanding profitability by customer. Not to the dollar, but approximately how profitable, high profit, average profit, low profit or even loss incurring.

Operators comfortable informing customers their rates are inadequate and are going to be increased. Explaining any business relationship need to be “win/win.”

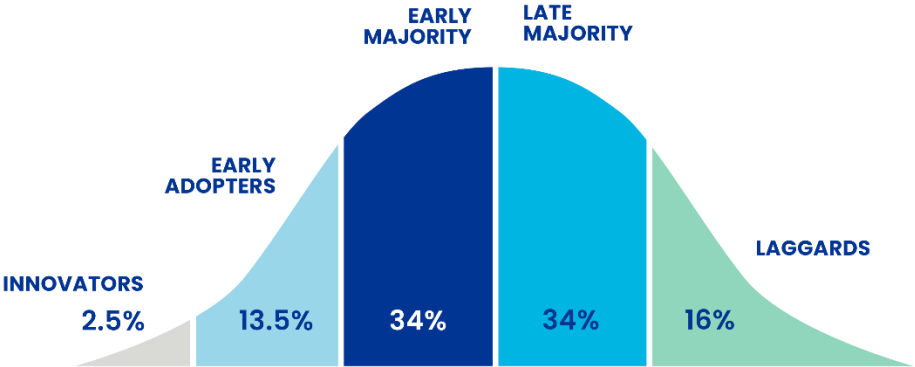
Operators ceasing working, in no more than thirty days for loss incurring or unworthy customers.

Operators never entering unconscionable or unfair contracts.

The speed of disruption and innovation is fast. Companies that recognise this and ensure they are embracing current trends and technologies are less likely to become irrelevant.

An effective way to look at industry changes and the adoption of new ideas is the Diffusion of Innovation.

Diffusion of Innovation



For transport operators reading this, where would you place your business on this scale? Are you an Innovator, being first to market to define new ways of working? Perhaps you are part of the Early Majority, trying to adapt to new trends before some competitors.

Or are you a laggard, hanging on to old ways of working and thinking this will be enough? A business should assess where it is on Diffusion of Innovation.

It is important to note that laggards ultimately go out of business, regardless of their history or heritage.

Witness the failure in early 2023 of the large Scott’s Refrigerated Logistics.

That business was a laggard.

4. How

Gig Economy

Part of the “gig” economy is fair and fine. Much of the transport sector is not. Making it fair requires input from operators, unions, and government.

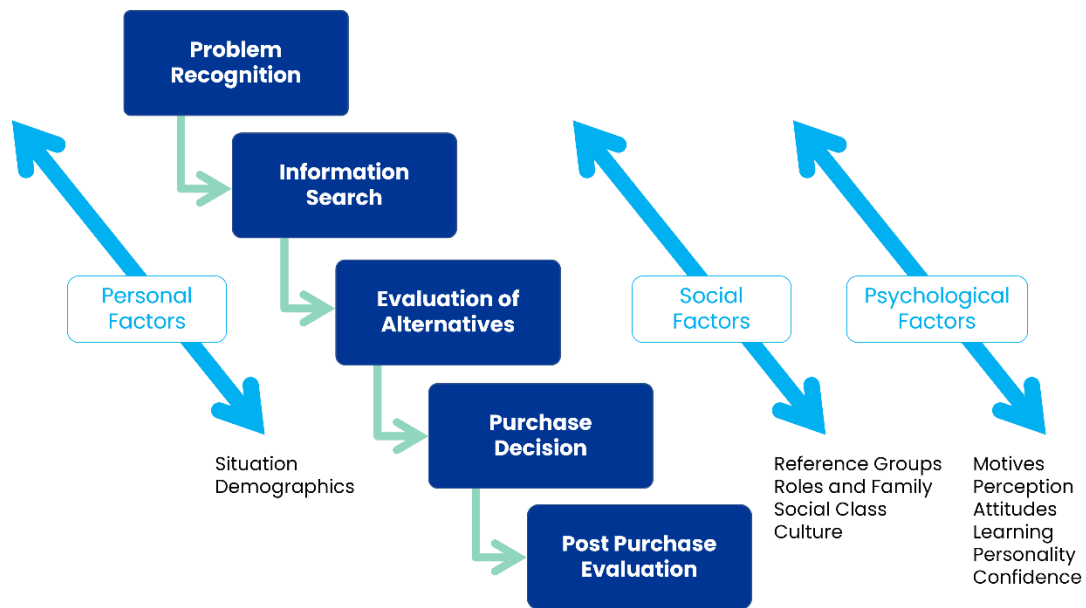
The Transport Workers Union, “TWU” has, commendably, developed a charter of principles “that supports giving the Fair Work Commission powers to set standards for contractors while committing to good faith talks to reach consensus on a “sustainable “ employment offer for the industry.”

General Transport

For the general transport industry contracts should generally be offered by the supplier, for example, the transport operator and negotiated with the customer. If there is no agreement, they should not do business.

The challenge for professional operators is to persuade customers that their service provides the best value for money, not to sell on price.

The Consumer Decision Making Model explains how customers think.



Transport operators should understand “Competitor Analysis.” It recognises that the objective of competitors is to make money and succeed, all by beating their competitors.

By conducting a Competitor Analysis operators can develop specific action plans to achieve targeted scores and implement them. Operators should repeat a Competitor Analysis at least annually.

Operators should fix or manage out unprofitable and unworthy customers.

Operators should be members of leading industry associations is important. An operator who cannot afford or appreciate the need to be in a quality association a business will find it hard to succeed in transport. They are laggards and likely to fail.

Operators should identify their competitive advantage. This must be tightly defined and written. It should be no more than fifteen words, often less.

5. Take Action

Plan. In such a competitive and disrupted industry, a first step is writing your own Strategic Business Plan incorporating the key areas mentioned earlier.

This should include a customer profitability analysis, sustainable competitive advantage, objectives and key results, actions and accountability.

Involve your people in writing and implementing your plan.

Review and update it monthly.

If you find planning challenging, get a facilitator who can involve your key people in the process to assist you. The right facilitator is one who can demonstrate the process is self-funding, i.e., show you where you can get the money to pay them.

About the author



Barry Jenner Mindshop Expert F.C.A. Grad Dip Bus (Acc) of MSA Consulting and Mindshop helps improve the profitability of road transport and associated businesses.

Barry facilitates Strategic Business Plans.

He chairs MSA Leaders, one of many similar groups in the Mindshop network. It helps members acquire and retain new skills rapidly, learn from local/global business leaders, gain implementation support and work with a facilitator, not a consultant.

“Road Transport 2027” is the thoughts of Barry Jenner.

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6. References

Australian Financial Review 27th March 2023

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Plans

Actions