

## 'WE USED TO MAKE MONEY'

In the many years working with and advising transport companies I have been amazed at the willingness of operators to do unprofitable work.

The title to my article is a quote from a longstanding transport operator that I meet last week. It was clear from the discussion we had what their issue was. Some customers will not pay for the increased costs so the work has become unprofitable.

That operator has been in the transport game for 24 years, which is a little less than I have been advising businesses (transport and others). In recent times transport costs have been stable but not any more.

When faced with price increases the customer tactics include 'we will take our business elsewhere'. To that I say fantastic. Let some other mug do the non-profitable work. I quote often another client who told me 'it is not a race to the bottom'. Forgive me for thinking a lot of the transport industry operators are just trying their hardest to get to the bottom faster than their counterparts.

The recent article in the Shipping Gazette commenting on container pricing (20ft and 40ft) is a prime example of the lack of business nous (my personal opinion) of many operators. Why/how can the cost of one 20ft container be less than a 40ft one when to move both takes about the same effort. My contention has been that pricing is where a business makes or breaks it.

My advice to the comment 'we used to make money' was to develop a business model that did not depend on customers who will not pay a fair price.

One South Island transport operator sold (ditched) his container fleet to another who I now understand has the same complaint – 'we used to make money'.

Until the industry wakes up (this is likely to require some transport operators to go broke) and gets its pricing right you and I will continue to hear complaints about not making money. To do this requires analysis of the work done. It can easily be done but is not seen as important. Why? I have my ideas and have commented in presentations that transport operators do not focus sufficiently on making profit. To some extent I can understand their love of trucks gets in the way of making money.

The industry is becoming heavily regulated (my sympathy is with you – operator safety rating, emissions and more) but this is no excuse for not passing on the costs. It is no use complaining about the lower financing returns and not taking the action required:


Analyse the profitability of work

Increase prices of unprofitable work (this is not necessarily all work)

Be prepared to lose unprofitable work to make more money

This takes courage, planning and the belief that profit helps business service.

I realise (because I have been on this theme for years) that it will not happen. I saw a large transport company fail because its offering to its potential customers was to do the work for 85% of what was currently being paid. The state of the trucks at the auction was appalling.

I wish to make it clear that in no way do I condone inefficiency. However, costs have and continue to rise and you need to do something about it (even if your competitor will not). Have a plan to counter loss of work. There are colleagues in the industry who do not know their costs and do not increase their prices. Take courage and do not be like the transport operator who lamented 'we used to make money'. 

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