



Cost Intelligence System boosts Old Dominion Freight Line's operating ratio and profitability

Activity-based solution from SMC³ improves the LTL motor carrier's costing capabilities and enhances profitability.

Needs

Old Dominion Freight Line sought to improve the profitability of the loads it hauls for individual customers by investing in SMC³'s Cost Intelligence System (CIS), which accurately and quickly analyzes costs and enables ODFL to more effectively price loads. This included the need to determine profitability in two distinct processes:

Historical cost analysis — An accurate prediction of profitability for existing business requires constant analysis because every move and every shipment has different cost characteristics. Using a sophisticated cost analysis model enables the LTL carrier to monitor each aspect of every load, including linehaul movement, stop, stem and cross dock times for current customers, and develop data that could be used effectively to set rates.

About Old Dominion Freight Line

Founded in 1934, Old Dominion Freight Line Inc. (ODFL) is a Thomasville, North Carolina-based less than truckload multi-regional motor carrier providing direct service to over 48,000 points in 48 states in the US, including full coverage in 39 states. Even though ODFL covers 96 percent of the US population, the company also provides service to and from the remaining states, Canada and international destinations. In North America, ODFL operates more than 5,000 tractors and over 20,000 trailers from 204 service centers.

Prospective cost analysis — A general prediction of profitability was required for new business where all characteristics of shipments and hauls were not yet known. This enhances the LTL carrier's ability to set competitive rates based on historical data and initial load and destination information, as provided by customers.

Solution

The LTL CIS activity-based costing solution from SMC³ was adopted by ODFL to help the company's wide-ranging efforts to enhance profitability. With accurate data from their internal financial and operating systems, the carrier is able to analyze costs, address operational and productivity improvements with customers and



“When you have an accurate picture of all the costs associated with hauling LTL freight, you are more likely to be profitability for individual customers and loads. SMC³’s Cost Intelligence System provides the data we need to make intelligent decisions. We believe firmly in the results we receive from using this system.”

— Richard Keeler | Senior VP, Strategic Development & Yield Management
Old Dominion Freight Line Inc.

set fair and profitable rates.

Every LTL shipment is a unique combination of weight, pieces, density, origin and destination, susceptibility to loss and damage, handling requirements and other factors that make cost averages meaningless. LTL CIS properly accounts for shipment cost variances so ODFL is able to make valid pricing and operational decisions.

LTL CIS at ODFL is also driven by its interaction with the motor carrier’s general ledger and operating data, which supplies data to the costing system. This capability provides the LTL operation with the ability to track costs at each of its 204 service centers separately.

Results

SMC³’s Cost Intelligence System is credited with helping improve ODFL’s operating ratio and in turn boosting its profitability. Addressing the carrier’s needs for historical profitability, analysis of existing traffic and the development of cost-based rates for new business pricing, LTL CIS is precisely tailored to fit each of the company’s established needs.

Applying sophisticated information technology to existing business — Historical based cost analysis for current customers enables ODFL to monitor every aspect of every shipment. These analyses are based on information from handheld computers used by drivers to record delivery, stop and transit times, as well as on-dock systems that capture freight handling details in company service centers. The highly sophisticated model that SMC³’s Cost Intelligence System creates uses a six-month cost average projected to generate very accurate profitability predictions.

Effectively predicting profitability for new business — Using historical data and information on shipments and delivery requirements provided by new business prospects, LTL CIS applies projected costs in a highly accurate fashion. This capability enables ODFL to apply costs and set competitive rates for new business that ensure profitability, especially in an environment of rapidly rising fuel costs.

Contact SMC³

The Cost Intelligence System, which provides comprehensive insight into the profitability of individual shipments and loads, is backed by the expertise of a company with decades of experience in the industry. Adding to the strength of this expertise, SMC³ also works to improve the CIS solutions by constantly talking to customers and measuring the trends and challenges in the marketplace. With its solutions, SMC³ is on the front lines of the supply chain, adapting to changing needs to help LTL and truckload carriers use the latest and greatest tools to analyze costs and streamline their operations.