

The Van Operator Of the Future

Everyone Involved in a Successful Move—Sales, Operations and Van Operators—Has a Vital Role In Ensuring Profitability

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As any mover worth his salt can tell you, load planning in the household moving industry is a major challenge. A moving agency can have the lowest discounts in the industry, but still lose its shirt if the load planning isn't done to a "T."

With the difficulty of finding qualified van operators today to do a job most people love to hate (moving household goods cross country), it is even more important to look at the methodology of what goes into planning a less-than-truckload household load. Is there a better way to accomplish the task?

In my discussions with van operators, I found their major problem with load planning is the accuracy of the shipment estimate. They indicate that they're provided with the written estimate for a shipment. But when the van operator arrives at residence to begin the inventory and loading process, the shipment is invariably under or over the estimated weight/cube.

If it's overweight—with the tightness of delivery dates of the shipments already on the truck—another shipment gets bumped, or the van operator leaves an overflow. If the shipment is under its estimated weight, he ends up with under-utilized van space. More often than not, when this occurs there's not enough time to fill the space with additional paying tonnage.

With the growth of the Internet, the shrinking of the market and the dynamics of competition for loads, coupled with the need to reduce costs, in order to increase the number of estimates completed in a day the trend is towards not doing in-home estimates.

(However, under the federal law enacted in 2005, if the household to be moved is within 50 miles of the mover's place of business, an in-home survey is required for all interstate moves. In addition, customer charges must be based on weight, not cubic feet.)

If you don't look at the items to be hauled, it is very difficult to determine weight and cubic feet required to haul the load. In the competitive C.O.D. market, agencies are sometimes having to shave the estimated weight to get the move.

Most van operators figure the front two-thirds of the trailer pays the expenses of the truck: the fuel, labor, truck payment, insurance, maintenance, taxes, etc. The rear third is where their paychecks and profits live. So any portion of the rear third of a trailer going cross country hauling sailboat fuel means they are running a charity—they're giving away their moving services.

The problem lies on both sides. The sales department is striving to book as many moves as possible with the tactics required by the market they're in. The van operators are struggling with lower revenue and lower profits that result from the high competitiveness of the current household moving industry.

And operations is stuck between the two, needing to cover the shipments that sales has booked while trying to put truckloads of shipments together that will turn out to be profitable for the van operator.

The solutions need to come from all three sides. The good news is that it's not rocket science. The challenge is that for these solutions to work, it will require some paradigm shifts from all parties.

The Role of Sales Departments

First, there must be an in-home estimate on every move, as is now required by law on most interstate household moves. This is imperative. The exception is that rare occasion where, due to circumstances, it's not possible to have access to the items to be moved. Otherwise, every effort needs to be made to do the in-person estimate.

Secondly, when, for competitive bid reasons, a shipment's weight or cube needs to be shaved in order for the move to be booked, the actual weight and cube needs to be provided to operations and the van operator. This is the only way both operations and the van operator can fully optimize the available space in a van.

Thirdly, operations and van operators don't like surprises—which create problems in planning and lost revenue—any more than the sales department wants to hear from an unhappy customer about an overflow on their shipment or the pick-up and delivery dates had to be changed.

Complete and honest disclosure from everyone involved is required, from sales to operations. The more informed everyone is concerning the “when, where, why and how much,” the better everyone can provide award-winning service to the customer.

The moving agencies with the greatest success in correct shipment estimates are relying on the tried and true practice of performing in-home surveys, along with using computer technology and specialized software to ensure the correctness of their cube and weight calculations.

And those agents with the best van operator retention disclose all the good, the bad and the ugly details to their drivers.

Van Operator's Responsibility

First, it's not how full the van is that makes the van operator a profit. It's how much revenue the load produces against the expenses of the operation which will determine profit.

Secondly, the most successful van operators in the industry know their numbers. They know all their costs—from their truck payment, to insurance, to what the fuel and labor is going to run on a specific load.

They know their daily, weekly and monthly break-even points. They've included all of their fixed and variable expenses, including a personal salary for themselves. In other words, they not only know what is needed on a daily, weekly and monthly basis to hit their break-even point, but what it takes to actually make a profit.

Third: The van operators who don't know these figures put themselves and their agencies behind the financial eight ball. By not knowing their break-even point, they don't have a clue as to when they're covering their costs and when they are going in the hole.

This adds a financial burden to the agency because it constantly has to fund these drivers beyond the cash flow plan the agency has in place.

A van operator who knows his break-even point should be able to ascertain his revenue needs on a load-by-load, week-by-week and month-by-month basis. The successful van operator doesn't look at the discounts or rates per hundredweight. What he does consider is what the total revenue is going to be on the load, and how many days he is going to be dealing with the load.

When he multiplies the total days by his daily break-even point subtracted from total revenue, he will know his profit. In this scenario it doesn't make any difference how full his trailer is or what the discount is on the load.

What counts is whether he's covering costs, and is he making a profit. Now granted, not every shipment or load (for the purpose of this article a load is a combination of shipments to make up a single trip) is going to make a profit. However, by having this information a van operator knows where he stands financially. And he should know if he's at least covering costs—breaking even on the load.

But he can't do this without full and complete disclosure of all the details of the load. A financially struggling van operator is customer service's worst nightmare. An ill-informed, financially struggling van operator is an economic disaster to the household moving industry.

But a well-informed, business-savvy van operator who becomes financially secure, creates success for everyone in the industry.

What Operations Can Do

First, you should be sure that your van operators understand how to calculate their break-even points. The more business knowledge and information your van operators possess, the more successful they'll become. The more successful they become, the easier your job will be, and the more profitable your agency will be as well.

In addition, you should create the atmosphere of full shipment information disclosure by working as the liaison between sales and your van operators. In order for everyone to succeed, everyone needs to be on the same page. Sales must communicate their intentions and reasons for a low-ball estimate along with the actual estimated weight and cube to the operations personnel.

Operations needs to communicate these reasons to the van operator, being sure that the correct shipment information also is provided. Then they must work with the van operator to make sure that he can beat his break-even point and make a profit on the entire load.

Demonstrate to your van operator how it's the total dollars received against his break-even point that determines profit—not how full or empty his van is. This will require a paradigm shift for the majority of van operators.

Keep in mind it's not just the drivers who need to approach the load planning process differently, it requires all three—operations, sales and van operators to advance the process so that all of you are on the same page—but it's up to operations to open the book.

The biggest problem in the moving industry is that too many people are operating in the same fashion as we always have while expecting different results. Or, worse, we are attempting to emulate other segments of the trucking industry which are struggling with driver turnover percentages in triple figures.

Van operators, sales and operations personnel are all equally important in our industry. All need to be given the highest respect.

Most people don't enjoy the process of moving their belongings, and we're the team—sales, operations and van operators—who are the front line that make it happen. None of us could do it without the others. And in true team spirit, it's up to each of us to assure the other's success.

And here is another idea that I believe is something to think about: You could containerize household shipments weighing less than 8,000 pounds and ship them via LTL flatbed truck.

This allows you to maximize the use of your 48- to 53-foot vans, leaving them to handle the 8,000-pound and over shipments. Local crews could load and unload the containerized shipments, while the van operators could handle the larger shipments.