

INNOVATORS

**CENTRAL PENNSYLVANIA
TRANSPORTATION**
Lancaster, Pa.



SIGHTS ON SERVICE

Carrier creates cost structures based on customer needs

BY JEFF CRISSEY

In the midst of the recession of 2008 through 2010, many carriers couldn't be picky about which freight orders they could accept. After all, any freight movement, regardless of how small the profits, meant assets were in motion.

Now that the economy has rebounded and freight movement is up sharply in the last three years, many of those same carriers still operate under the same "take all freight" mindset – albeit at higher rates than during the recession.

Central Pennsylvania Transportation, a short-haul truckload carrier based in Lancaster, Pa., has taken a different tact, instead using an activity-based costing model whereby it scrutinizes every potential opportunity based on the customer's specific needs.

"Potential customers will call us and ask, 'What is your rate between Lancaster and northern New Jersey?'" says Thorny Embly, vice president. "The answer is always, 'We don't have one.'"

Through careful analysis, its activity-based costing practice allows CPT to keep its costs low and in some cases allows the company to share those cost savings with its customers to help foster long-term relationships.

"We've always modeled what the operation looks like and tried to work together with customers to create cost-saving measures," says Embly. "If someone

wants 10 of our trailers sitting in their lot, of course there is an expense associated with that. The innovative side is trying to create data points so that we can focus on how our operation works within their needs to help minimize such costs."

Embly says one of the things that sets CPT apart from its competition is the willingness and desire to become intimately familiar with its customers' operations. "From a technology standpoint, the back-end systems that we use create data that we share and work together with our customers on to look for different improvements and problem areas without stepping on people's toes," he says.

As a result, CPT's dedicated operations – roughly 15 percent of the company's business – often become an integral part of a customer's production process, working with a customer's finished product going to distribution centers and bringing vendor product back into the plant to help optimize the process.

In unique cases, CPT takes it a step further with revenue-sharing opportunities whereby a customer would allow CPT to put other freight on its shipment. CPT in turn shares some of the extra freight revenues back with the customer to help lower costs and remain competitive.

Out of its operation in Hazelton,

The short-haul carrier goes the extra mile to earn and keep customer business by creating true partnerships with shippers.

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Pa., CPT has a few customers for whom it utilizes a mix of CPT trailers and customer trailers. When CPT is hauling freight with the customer's trailers, it has a lower cost to the customer since CPT is earning some revenue on the backhaul.

"If a customer has a load on their trailer that we deliver to the middle of nowhere and we have to come back empty, that is in the rate," explains Embly. "But if the shipment goes into a high-volume area where we know we can get some backhauls that come right back into the area, there's some offset for that if we get to utilize their trailer."

Another example of CPT's commitment to service for its customers is dynamic loading, where a production facility is able to move finished product right out of assembly and into a waiting trailer. As the trailer is filling, CPT is notified to move the shipment to a distribution center. "Part of the reason we are so trailer-intensive is our dynamic loading operations," says Embly. CPT, which has a mix of 80 power units and 320 trailers, often has 10 to 20 trailers at a single customer's facilities.

CPT increasingly uses dynamic loading as manufacturing processes change.

"Our customers' production machinery generates revenue, and more of them are adding to their production at the expense of storage space," says Embly, noting that one Fortune 300 Company in the area has reduced its finished product inventory space from 60,000 square feet down to less than 25,000. "As finished goods come off the production line, they are loaded directly into a trailer rather than being staged on a dock. Dynamic loading allows us to eliminate their bottleneck and keep product flowing out the door."

Pay by the hour

As a short-haul carrier, Central Pennsylvania Transportation already has a lot to offer its drivers in the way of home time, with drivers returning home every night. But its hourly wage structure, something the company has had in place since its inception in 1985, provides its work force with predictable paychecks. In addition, the company typically operates Monday through Friday, allowing most drivers to have downtime on the weekends.

"It's interesting to me that even though we pay hourly, the majority of our guys hate to sit, even though they

are getting paid to do so," says Embly. "They want to get their job done and go home. I think that is unique, and it has been that way since we started."

As a result, driver turnover is low, averaging about 7 to 8 percent per year.

"The last time we had double-digit turnover was probably 2009, when we lost many drivers, a couple due to performance even after working to correct the problems," says Embly. "We focus on relationships with our drivers and making this a good place to work. Our culture here is very stable."

"Our drivers are our best salesmen," he adds. "They know the people on the docks and build relationships. We don't just start and stop with the local transportation manager. We build relationships from the bottom up, going all the way to upper management so that we can address their issues and show we care."

Its ability to be selective on which drivers to hire and retain, as well as stringent safety training and maintenance practices, has helped CPT achieve Compliance Safety Accountability scores that are "a fraction of the national average," says Embly.

With an average length of haul of only 95 miles and a working radius of 250 miles, CPT is looking to grow its footprint, but is cautious in doing so. "I get phone calls every day from customers looking for our business, and the driver shortage and tight capacity is certainly a part of that," says Embly. "That is causing carriers to raise rates and has pushed a lot of potential customers back into the market looking for other carriers. That will be very impactful this year and probably next." **CCJ**

CCJ INNOVATORS profiles carriers and fleets that have found innovative ways to overcome trucking's challenges. If you know a carrier that has displayed innovation, contact Jeff Crissey at jcrissey@ccjmagazine.com or 800-633-5953.