Private fleets have always been in the crosshairs of corporate bean counters. After all, if you’re in the business of producing widgets, why bother with the additional cost of operating a private fleet of trucks?

Why bother? Well, at more than $300 billion, private fleets make up the largest component of the $680 billion trucking industry. As Coca-Cola, Sysco, Wal-Mart Stores, Pepsi Bottling Group, U.S. Foodservice, Haliburton, Tyson Food, Walgreen’s, and other corporations can attest, their private fleets aren’t considered mere cost centers. Instead, these savvy logistics operations consider their fleets a strategic operating advantage that can be used to win market share and satisfy finicky customers—and even enhance the role of the private fleet manager and the logistics department within the corporation.

Not that operating a private fleet is easy. Transportation, particularly trucking, has never been more complex. There are regulations galore, from the federal, state, and even local level covering safety, environmental, technical, operational, and other aspects of the industry. Communities and states increasingly look at trucks as easy tax targets; and in the meantime, engines are constantly being designed to run cleaner, but only with increasingly complex maintenance issues.

While the list of issues affecting private fleet operations continues to grow, there remain three core areas that the savviest managers stay focused on en route to maintaining that strategic advantage:

Service. Timely deliveries to both internal suppliers and manufacturing centers as well as to customers can set the best private fleets apart from for-hire carriers. At their best, private fleet services can be seen as a defining operational advantage that can be justified to even the toughest internal financial officer.

Maintenance. Today’s typical, $125,000, Class 8 tractor-trailer is basically a computer on wheels. Engines require ever-complex layers of maintenance to run while emitting as little as 5 percent of the pollutants and particulates that a typical heavy duty truck spewed a decade ago. To keep these trucks in check requires a level of expertise by the private fleet manager that didn’t exist 10 years ago. Outsourcing can help in this regard.

Financial performance. True, private fleets cost money, but their costs can be mitigated through a series of moves. Today, the best private fleets operate as “blended” operations, with the ability to secure lucrative backhauls. Some private fleets operate very much as for-hire carriers when securing these loads, moves that can easily offset costs of running a private fleet.

Now, let’s take a look at each of these core areas one at a time and discover what’s setting the best private fleets apart from the rest.

**SERVICE IS KING**

America’s manufacturers and retailers operate in a hyper-competitive marketplace. Today, it’s not enough to be merely first to market. After all, even the best invention is often copied by rivals within weeks and brought to
market by competitors claiming to be the leading vendor of a product or service—just think Apple and its iPhone.

Yet, transportation service can help differentiate your operation, and your private fleet is often at the core of that strategy.

Private fleets have long been asked to justify their operations (and higher costs) to upper management—this is certainly not new. However, a new breed of private fleet operators now can use their fleets’ exceedingly high levels of service to not only justify their existence, but make the case that sales would suffer without the competitive advantage that private fleets offer.

“The 'sacred cow' status that any private fleet may have had within a corporation has been assigned to the dustbin of history,” says Gary Petty, president and CEO of the National Private Truck Council (NPTC) which represents nearly all the elite private fleets in the United States. “Even the most productive and safest private fleet has been asked to justify what they're doing and to quantify the level of service they're providing.”

Today, the performance of private fleets is measured in ways unheard of just a few years ago. There are benchmarks on service times, cost, ability to handle extraordinary situations, and other objective industry standards. Petty says that these measurements, often drilled down to competitors in similar industries, is a “big, big trend” among private fleets and enables the best fleets to continually monitor their performance, operationally and financially.

“Transportation hangs out there like any vulnerable component of a company,” Petty says. “Transportation people are used to being looked at as a secondary or tertiary value proposition. But any decline in customer service will almost certainly mean an increase in a company's overall costs. A private fleet
can be a key differentiator in a company’s efficiency and quality of service.”

**MAINTAINING MAINTENANCE**

Today’s trucks are more complex than ever. Besides computers, there are “old line” problems such as changing the oil at correct intervals and maintaining proper tire pressure.

But don’t look for mechanics to be wasting time checking tire pressure manually. Today, the best private fleets have devised a system where a truck’s tires can be measured in motion with an instant printout available detailing the pressure for all 18 tires. And as the best managers know, it costs money that extra capacity really helps in the backhaul, for-hire market.

Eventually, the Army decided to replace the Western fleet, first in California, to reduce costs and meet that state’s tough emission standards. It bought 54 Kenworth T270 Class 6 trucks to add to its fleet of 350 vehicles operating out of 22 locations. The dealer arranged to set the Army up with a contract maintenance agreement on both its existing fleet and new trucks.

Interestingly, Filoteo says, the person in charge of overseeing the Salvation Army’s maintenance at Kenworth was a person the organization had helped get back on his feet many years ago—as is the case with several of its truck drivers.

In California, the Army operates 230 trucks and must meet the toughest air quality standards in the country. It formerly kept capital expenditures low by buying used trucks. But Filoteo says that the practice was not cost-effective in the long run. “The Army usually puts about 30,000 to 35,000 miles a year on its trucks,” he says. “But because the trucks were older models, they were usually out of warranty, leading to 30 percent failure rates and high maintenance costs.”

So the Army exchanged those sky-high maintenance costs for the higher capital expenditures of buying new trucks. As a result, the Army reduced its overall fleet expenses, thus freeing up more of its donations for charitable purposes and lowering overhead.

**MONEY, MONEY, MONEY**

The best private fleets today often can be excused if they operate much like the best for-hire fleets. It’s true that they’re often operationally identical to the best common carriage fleets such as Schneider National, Swift Transportation, or J.B. Hunt.

Batesville Casket Co., an operation LM covered last year, generated nearly $3 million in backhaul revenue in a recent year. Of that amount, $1.1 million was generated from non-Batesville customers.

The challenge for Batesville was to develop the best possible way to obtain external backhauls to offset empty miles and raise some revenue. It chose to operate 53-foot, 102-inch high trailers to help in obtaining those backhauls. Although a 53-foot trailer is not absolutely necessary for raw materials and caskets internally, Batesville’s private fleet operations.

Increasingly, top executives at companies that operate private fleets say that they recognize the value proposition associated with a well-run fleet. There are productivity and service enhancements only available to private fleet operations.

Tim Yatsko, Wal-Mart’s senior vice president and chief strategic officer, was formerly the company’s senior vice president of transportation and director of private fleet operations. While he was running Wal-Mart’s private fleet a few years ago, Yatsko explained why the retailing giant chose to operate a private fleet.

“It greatly enhances our ability to assist the communities in which we serve,” says Yatsko. “Wal-Mart has chosen to run with its private fleet of more than 7,200 trucks because it’s cost-effective, offers leverage against common carriers Wal-Mart utilizes, is flexible to meet ever-changing customer
Private Fleets

By John D. Schulz

Continental Floral's private fleet allows the wholesale florist to change a route if a customer misses a truck and gives it the flexibility to add capacity at holiday times.

A leading Midwestern retailer of home and farm supplies. It operates a fleet of 54 trucks out of its Moberly, Mo., distribution headquarters, and it prides itself on service to its end users—even the four-legged ones.

At some rural Midwestern locations, Orscheln drivers offer drinks "on the house" for certain creatures. Watering troughs are arranged outside rural stores so that horses belonging to Amish farmers who park their horse-drawn buggies can refresh themselves.

The technology arms race can take many forms. There is a rush to capture real-time, per-run, per-driver scorecard performance because those critical performance measurements are a key matrix to determining value—and justifying cost. According to Petty, the best managers measure everything and try to maximize value.

BUSINESS IS BLOOMING

One example of a private fleet becoming a true competitive differentiating point is Orscheln Farm & Home, a leading Midwestern retailer of home and farm supplies. It operates a fleet of 54 trucks out of its Moberly, Mo., distribution headquarters, and it prides itself on service to its end users—even the four-legged ones.

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