How to Make a Successful Trucking Company

7 Steps

DRIVERS DEPOT

The trucking business can be very profitable, but it is incredibly competitive. Many truckers try to get into the business every year and end up failing.

This outcome usually happens to people who are great truckers but are not good business owners. Knowing how to run and grow your trucking business takes more than knowing how to drive a truck or choose a route.

These seven steps point you in the right direction. They help you make the transition to becoming a successful business owner.

1. Support the Right Market Niche

The most important step to be a successful owner-operator is to support the right market niche. This step affects small fleet owners as well. The market you choose determines the equipment you buy, the rates you charge, and the freight lanes you can service.

As a rule, owner-operators should focus on markets that the large carriers avoid. In other words, consider hauling specialized loads.

Making decent revenues with a dry van is very difficult as an owner-operator. There is too much competition from large carriers and other owner-operators trying to pull the “easier” loads.

There are many markets that you can focus on. However, hauling fresh produce and meat in reefers has many advantages, including: less competition, year-round work, and it’s resistant to recessions. The last one is very important.

2. Charge the Right Rate

As an owner-operator you need to determine what rate to charge your clients to haul a load. Your rates need to be high enough to give you a nice profit and pay all your operation costs.

You need to know your rates **before you start calling shippers and making sales**. Remember, when you call shippers, you want to be competitive with what brokers charge them.

There is a simple way to do this:

1. Select your freight lane
2. Go to a load board
3. Find 10 loads going in one direction
4. Call the brokers and find out how much they pay
5. Get the average
6. Add 10% to 15% to get the price brokers charge shippers
7. Repeat the process for the opposite direction

Now you know how much the lane pays for a round trip – taking and bringing loads back.

3. Determine Your Operating Costs

Knowing your operating costs in detail is important. Otherwise, you have no idea whether you will make a profit.

Determine your fixed costs. These are costs that stay the same regardless of how many miles you drive. Examples are truck payments, insurance, permits, and so on.

Now determine your variable costs. These costs depend on the number of miles you drive. For example, fuel is a variable cost. The more you drive, the more you fuel you use.

Use your fixed and variable costs to determine your "all-in-cost per mile." This figure is very important. If you subtract your "all-in-cost per mile" from your rates (calculated in step #2), you get your profit – the amount of money you keep.

4. Use the Right Fuel-Buying Strategy

Fuel is the largest expense for owner-operators. However, new and experienced owner-operators often buy their fuel incorrectly. They think that the cheapest pump price provides them with the cheapest fuel. **This approach is wrong. You could lose hundreds (or thousands) of dollars by doing this.**

The issue is taxes. Regular drivers pay fuel taxes in the state where they purchased the fuel. Truck drivers, on the other hand, must deal with IFTA. Truckers pay taxes based on fuel used as they drive through states, **regardless of where they bought the fuel originally.**

Because of this tax issue, you should buy fuel at the cheapest *base* price regardless of the *pump* price. Base price = fuel price – tax.

5. Work Directly With Shippers

Load boards and brokers have their place in your business. They can be very useful when you have an empty truck. However, they are also very expensive. Brokers keep about 10% to 20% of the load price. That's fair, as they must make a living and they provide the shipper (and you) with a service.

Minimize your use of brokers and load boards. Instead, develop a client list of direct shippers. Done right, you can develop a list of reliable shippers that will keep you busy. Charge them a price that is competitive to what brokers charge – but keep everything for yourself instead. We have written the following resources to help you grow your shipper list:

- How to Find Reefer Loads
- How to Find Trucking Contracts
- How to Find High-Paying Freight Loads

6. Run An Efficient Back Office

Having an efficient back office is key if you want to stay profitable and grow. The importance of the back office becomes more important as you start adding leased drivers to your operation. You have a couple of options.

One option is to do it yourself. You can run your business out of the cab of your truck. All you need is a laptop, an Internet connection, and a printer. You also need accounting software to run your business. There are several options on the market.

Alternatively, you can outsource your back office to a dispatcher. However, they can be expensive. If you choose this route, interview them thoroughly. The wrong dispatcher can kill your business.

7. Avoid Cash Flow Problems

Trucking is a cash flow-intensive business. You are always buying fuel, making insurance payments, making truck payments, and so on. Unless you get quick-pays, shippers and brokers can pay invoices in 15 to 30 days. Sometimes they take 45 days. This delay can create a cash flow problem for you, especially in the early days of the business.

One way around this problem is to use freight bill factoring. Factoring solves your cash flow problem by advancing up to 95% of the invoice, often the day you submit it. The remaining 5%, less a small fee, is rebated once your shipper pays. Many factoring companies provide fuel advances, cards, and other services as well.