

Safe + On-Time + Profitable Delivery:

Performance and EBITDA enablers in Trucking

Overarching Themes

Trucking's *essence*: *Safe and profitable on-time delivery at the highest customer service levels by empowering employees with tech-enabled productivity enhancements, lean work flows, efficient asset utilization, and insightful performance visibility.* That's been our experience, at least.

Over the years, we've refined our services for accelerating Trucking performance working alongside several high-profile, pressure-packed Trucking businesses. No doubt, every client had a different "ask" for their specific engagement — distinct operational expectations around internal capability-building, timely fact-based decision-making, and unique financial upside potentiality. However, we've seen several interesting commonalities running across our team's collective North American Trucking experiences. All engagements highlighted here had several recurring business needs (let's call them Trucking common denominators):

Trucking's Business Environment

- Brutally competitive markets—over 85% of small trucking start-ups fail before their second year (*National Association of Small Trucking Companies*)
- High regulatory compliance and environmental concerns
- Capital-intensive service models
- Pronounced truck driver turnover
- Fuel price volatility and proliferating alternative fuel options
- Sharp demand seasonality and dependence on overall economy
- Complex labor relations including Mgmt. and Union dynamics
- Adverse weather / service disruption planning demands

Firm-Specific Challenges

- Employee safety concerns
- Fleet Management lifecycle decisions
- Management bench strength
- Internal communication
- Driver coordination, work flow, and materials movement
- Dispatch and Contact Center management
- Proliferating technology options
- Employee training needs

Critical In-House Capabilities Needed

- Cost clarity on fleet operations
- Tech-enabled productivity applications
- Order-to-delivery efficiency
- Load balancing effectiveness
- Trucking-specific Key Performance Indicators (KPIs)
- Lean / Six Sigma concept application

To accelerate a firm's trajectory from "current state" to "future state",



TRANSPORTATION

Composite Experience Case Theme:

- Building in safety and cost controls, building up tech-enabled productivity capabilities in North American Trucking firms

Past Client Profiles:

- **\$3 Billion** U.S. trucking company
- **\$900 Million** courier trucking division
- **\$300 Million** delivery and distribution services firm

Financial Results:

- **15%** reduction in fleet acquisition and management costs
- **16%** improvement in revenue
- **30%** reduction in freight claims costs
- **50%** reduction in overtime costs

Operational Results:

- **15%** increase in dock handling productivity
- **17%** increase in equipment uptime
- **12%** improvement in load consolidation
- **33%** improvement in yard operation efficiency

Organizational Benefits:

- Optimized fleet utilization
- New capabilities, collaboration processes, and logistics tool sets
- Improved data flow, management performance dashboards and Fleet Management systems
- Tech-enabled cost visibility across comprehensive fleet lifecycle
- Safer, more efficient Standard Operating Procedures (SOPs) for drivers, warehouse & yard, maintenance, and dispatch staff
- Improved maintenance services, work order systems, and asset utilization
- Customized, scalable employee training programs
- Embedded Continuous Improvement culture



experience has taught us to consider the powerful influence of these Trucking common denominators on every engagement. Without question, we always had to gear our approach toward firm-specific burning needs, too — themes like supporting new Management, reducing pressure from escalating Union grievances, alleviating cash flow constraints, and creatively working with delayed capital spending histories. These endemic challenges had to be overcome, too, while travelling on a path to ever-faster, always-better, and most-definitely-cheaper.

Quantifying Specific Potential | Trapped Value Analysis

To isolate firm-specific performance improvement opportunities and define necessary changes, we partner with Management on a multi-week, multi-functional analysis for all of our Trucking collaborations (called a Trapped Value Analysis). We assess key business functions with studies such as "current state" dispatching, loading, and hauling processes, truck departure studies, capacity planning parameters, cross-docking practices, order-to-delivery trending, fleet management & total cost of ownership life cycles, and technology usage to boost productivity. Employee engagement and labor relations understanding are also unquestionably crucial to success; so, we deploy diagnostic surveys to respondents including suppliers, customers, and employees. Ultimately, we isolate the firm's inherent EBITDA-impacting opportunities and tie them back to operational and organizational constraints getting in the way of next-level potentiality.

With "current state" constraints isolated and upside potential quantified in ranges of financial statement impact, we then turn our attention toward collaborating with Trucking Management to design and develop an Implementation Roadmap — incorporating the most promising operational and organizational levers surfaced during our Trapped Value Analysis. The last phase of the Analysis is dedicated to getting the collective team's hands dirty refining the agreed Implementation Roadmap, outlining risks and mitigation moves, and deciding on the subject matter expertise needed to drive the planned transformation.

Most firms are a composite of past collective practices, current necessitated actions, and future improvement aspirations. Our Trucking partners are no different in this sense. So, we need their deep experience aligned with our own functional expertise to devise the scope of each workstream, the anticipated rate of change the firm is willing to handle, and the definition of operational & financial success. Once Management signs off on their co-created Roadmap, the Analysis team then transitions to implementation mode.

Collaborative Planning and Implementation

There's no "one-size-fits all" for our collaborations, however, framework for each engagement always incorporates the outsized experience of Management fused with our shared industry knowledge and change management expertise. Each Implementation Roadmap involves changing the business model along the agreed timeline and improvement trajectory—all while keeping trucks delivering on-time and customers happy in the here-and-now. Most of the long list of Trucking common denominators have to be considered in near-term performance improvement interventions, and wholeheartedly, into longer-term business capability build-ups. All implementation solutions entail a comprehensive "current state" baseline analysis, sensitivity to the long list of Trucking challenges, thoughtful consideration of the firm's appetite for change, and controlled evolution of decision support systems to make sure accelerated performance capabilities stick around.



Catalyft Team's Past Experiences:

20+
Collective Transportation
Engagements

4
Transportation Modes Covered
(Air, Trucking, Rail, and Maritime)

30
Weeks
(Transportation Engagement Avg.)

\$500 Million
Company Size
(Historical Avg.)

3.5 to 1
Transportation
Return On Investment
(Historical Avg.)



Embedding Scalable Solutions

Remember our take on Trucking's essence? *Safe and profitable on-time delivery at the highest customer service levels by empowering employees with tech-enabled productivity enhancements, lean work flows, efficient asset utilization, and insightful performance visibility.* To accelerate performance, most teams needed "future state" management system enhancements incorporating upgraded control tools, agile processes, data-based decision support, and germane employee training. We refer to this "future state" system as a **Performance Integrated Management System**, or PIMS. (Insert your favorite consultants and their beloved acronyms joke now...)

Core components doing the heavy-lifting in a healthy Trucking PIMS include:

Network Optimization and Capacity Planning Models — we've worked with Management to determine the strongest "hub and spoke" configurations for their delivery needs. Network optimization experiences included shutting down expensive, underperforming depots and locations. On the expansion side, we've helped to decide where cost-effective new locations should be housed and how they should be set up. We've aligned sales team capabilities with new growth markets strategies, too. Most clients needed updated planning models to match drivers, loading teams, and routes with demand. Building these models involved removing performance constraints, documenting updated work-to-time relationships, and integrating data flow into the current Enterprise Resource Planning (ERP) system. However, some engagements needed Capacity Planners built from scratch, and ultimately, migrated over to an enterprise software application later. Equipment optimization modeling tools have been a common request — allowing teams to efficiently balance trailers, maximize hauling capacity, reduce injuries, and lower damaged freight claims.

Fleet Operating Cost Visibility — understanding the true cost of fleet operations has always been high on our Trucking partner request list. Teams are always interested in systematic ways of optimizing total cost of ownership by exercising all sensible options (passing firm-specific cost-benefit criteria). Our collaborations helped build up in-house analytical capabilities instrumental to answering pervasive questions like:

- Should we lease vs. buy trucks?
- When should we employ in-house maintenance shops vs. outsourced maintenance services ?
- What's the lifecycle of our fleet vehicles?
- What role does strategic sourcing play in lowering operating costs?
- When do we supplement our services with partners like third-party logistics providers (3PLs) and railroads?
- How do we integrate fleet tracking software with other systems?

Our team has been immersed in optimizing in-house fleet management and maintenance operations, helping to procure new service providers, setting up fuel cost containment strategies, and integrating reporting elements and fleet tracking applications into a pragmatic decision support system — empowering Management's decisions through facts.

Work Flow Optimization — lean, agile processing has been another core enabler for our clients. Order-to-delivery optimization has involved streamlining ways customers connect with our Trucking partners. Our work has included eCommerce platforms, Electronic Data Interchanges (EDIs), sales engagement flows, document sharing, and



Partnering With Trucking



Key Challenges:

- ⇒ Highly-Competitive Industry
- ⇒ Employee and Citizen Safety
- ⇒ Strict Regulatory Compliance
- ⇒ Capital-Intensive Service Model
- ⇒ Fuel Volatility
- ⇒ Complex Labor Relations
- ⇒ Seasonal Demand
- ⇒ Adverse Weather
- ⇒ Fleet Operating Cost Clarity
- ⇒ Technology Systems Integration
- ⇒ Fragmented Workflow
- ⇒ Continuous Improvement Cultivation



Accounts Receivable reporting. Sure, work flow optimization took place in the physical world, too, through work station set-ups, warehouse move efficiencies, unloading-sorting-preloading movement minimization procedures, cross-docking standardization practices, yard planning and staging practices, and distribution center (DC) flow control & process improvements. Some changes were even inspired by in-house kaizen events. Most locations we've worked at were strong candidates for 5S program (sort + set in order + shine + systematize + sustain) energy infusion to further safe, organized work environments. In some cases, we've implemented Management's "future state" organizational vision by using extant high-performing locations as "operational templates", thus, accelerating adoption across other challenged locations.

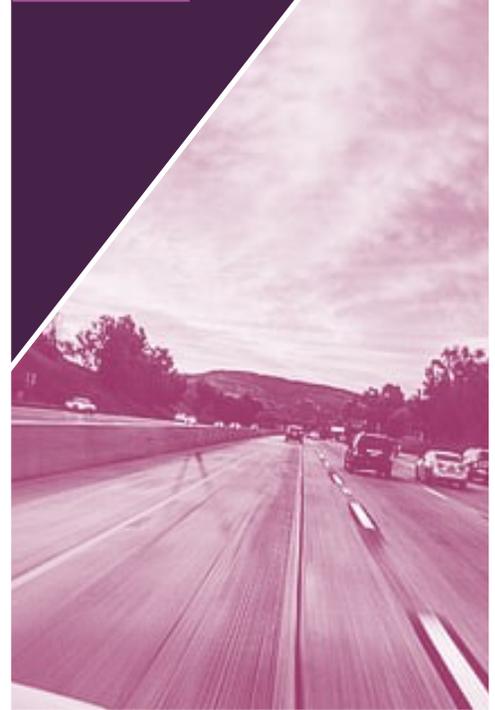
Technology Integration — we've worked alongside Management to harness promising technology applications, especially new software-as-a-service (SaaS) options, for surprising productivity enhancements — all integrated into the firm's decision support systems. We've helped our Trucking partners get the most out of existing systems through data cleansing, report purging, and digital work flow upgrades. Some engagements involved working with in-house Fleet Analysis teams to better leverage fleet management tracking software and ensure it "came to life" with new insights, performance trending, and Management's increased confidence using fresh information to support their teams. We've collaborated on "leaning out" order-to-delivery touch-points and information flow. A couple engagements involved developing a contracts database to ensure the firm met customer expectations to the letter, supervisors managed according to Union expectations, and supply partners lived up to their end of the relationship. Teams adept at using cost-effective applications out on the road and in the DCs had higher job satisfaction (per our surveys), took care of customers more efficiently, and accelerated positive financial contribution.

Operational Performance Dashboards — the pulse of every PIMS is the flow of facts translating into useful insights. No surprise, most of our Trucking engagements involved cleaning up data sets, establishing performance baselines, developing logistics-based Key Performance Indicators (KPIs), and distributing operational performance across teams in more accessible, easy-to-understand formats. Past engagements have included database integration with data visualization applications, translating fleet tracking data sets into visual trend reports, and even setting up schedule control cues in DCs. At times, our clients needed help focusing on a crystalized handful of KPIs that mattered rather than measuring everything under the sun. We've encouraged in-house teams to see more nuance in their businesses with updated KPIs like revenue per hundredweight, load per route, backhauling efficiency, schedule attainment, load average trending, customer delivery satisfaction trends, DC process rates, days-to-delivery trending, exchange times, and even employee satisfaction survey trending.

Maintenance Management — historically, maintenance costs comprised as much as 30% to 55% of any given truck's total cost of ownership. No big surprise, Maintenance Management played a prominent role in past engagements. Work in this area usually involved parts and supplies procurement professionalization, productivity improvements within shops, cost-effective maintenance outsourcing services adoption, breakdown prevention strategies, and even roadside assistance services development. Most teams also needed upgrades to their maintenance work order, licensing & tagging, and driver notification systems to maximize their equipment investments. The in-house team's cost-benefit analysis prowess sharpened as their equipment uptime trends improved, too. (Putting the *Keep* in Keep on Truckin'.)



Partnering With Trucking



Past Solution Enablers:

- ⇒ Network Optimization and Capacity Planning Models
- ⇒ Fleet Operating Cost Visibility
- ⇒ Work Flow Optimization
- ⇒ Technology Integration
- ⇒ Operational Performance Dashboards
- ⇒ Maintenance Management
- ⇒ New Internal Communication Avenues
- ⇒ Contact Center Enhancements
- ⇒ Employee Training Upgrades
- ⇒ Contingency Planning Advancements



New Internal Communication Avenues — our engagements harnessed internal energy and boosted morale by gathering detailed, multiphase employee perspectives on where improvements reside, providing clear avenues for employees to get involved, and implementing multimedia communication platforms (such as town hall meetings, "Message from the CEO" videos, poster campaigns, visual communication boards, employee engagement events, project newsletters, social media updates, and SharePoint upload repositories) for timely progress updates.

We've supported new Executive teams as they share their vision — expounding upon market positioning, new growth plans, Union collaboration, employee grievance trends, and even tough-but-necessary decisions. These new communication channels were born of necessity as a way to answer questions about the engagement and build employee enthusiasm. Repeated messaging across these new channels answered "What's In It For Me?" for skeptical employees on the sidelines, too. Ultimately, these types of communication channels became permanent connection points for sharing information, calming employee nerves, and celebrating successes within the firm.

Contact Center Enhancements — some firms had Customer Contact Centers needing a bit more love. Adjustments included new ways for load tracing, damage claims processing, and customer service updates (via emails, texts, online accounts, and letters). For the most part, Contact Center improvements revolved around labor capacity planning, work flow automation, internal & external service level attainment, and customer contact professionalization. These team members tended to comprise a small but mighty group — they had the customer's ear and directly impacted satisfaction scores.

Employee Training Upgrades — training supported all these performance enhancers. Program content included safety training, driver programs, load balancing & tie-down procedures, dispatcher engagement, project management principles, material handling practices to reduce claims, conflict resolution strategies for Contact Center team members, and data analysis education. We've even structured a supervisory training program focused on managing and engaging teams according to Union contract stipulations. Some engagements had in-house trainers we could team up with to develop new training content, update learning media channels, and implement the program across all locations. Other Trucking firms had no dedicated trainers. (Not a problem.) We'd just develop a "Train-the-Trainer" program to get the training schedule completed while building up the in-house program. Most employees tended to be versed in "learn by doing" rather than "learn by training"; so, programs needed to fit their learning environments. A firm's conscious investment in employee support and performance through training was always very well-received.

Contingency Planning Advancements — we've worked with Trucking Management to strengthen adverse weather contingency planning through resource and equipment redeployment plans, roadside assistance teams, role clarity, span of control realignment, and service interruption updates to customers. Weather will go about its business unchecked — but we can change the firm's organizational preparation, customer service responses, and prescribed actions.

Financial Results Examples

Through our collaborations, Trucking teams generated results like a 15% decrease in fleet acquisition & management costs, a 30% reduction in freight claims cost, and 50% reduction in overtime costs. (Just to highlight a few, running out of writing space now...)



Our Way of Collaborating :

Identify

2-4 meetings at no cost

- Discussion of issues
- Alignment around probable causes
- Framing of analysis scope



Qualify

3-6 weeks at cost

- Qualify opportunities with Operational Due Diligence (ODD)
- Quantify anticipated results
- Initial engagement design
- Key meetings: Launch, Opportunity Review, Solution Review, and Final Framing of analysis scope



Modify

4-8 months

- Final engagement design
- Execution of engagement design
- Realization & measurement of results
- Ownership & sustainability



Office Locations :

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Our Services



Enterprise Excellence

- Integrated Operational Performance
- Sales & Marketing
- Human Capital
- Margin Growth & Cash
- Information Technology Transformation



Operational Turnaround

- Cash Conservation & Liquidity Generation
- Contingency Planning
- Development, Review, & Implementation of Cost Reduction Initiatives
- Interim & Crisis Management
- Operational Reorganization



Organizational Analysis

- Mergers & Acquisitions
- Organizational Readiness Appraisal
- Trapped Value Analysis & Resolution Approach
- Our Commitment to Community — Pro Bono Advisory Services for Small Businesses & Education



Key Statistics

Clients' Historical Return On Investment (avg.)
4.8 to 1

Team's Collective Engagements (total)
1,496

Specialists: Years In Consulting (avg.)
21

Subject Matter Expertise (SME) Network (total)
900+

Team's Historical C-Suite Executives Roles (total)
39

Team's Career Training Sessions Delivered (total)
4,935

Supply Chain Cost Savings (avg.)
19%

Working Capital Unlocked For Reinvestment (avg.)
21%

Tech-Enabled Productivity Increases (avg.)
27%