



Pitt Ohio Express is utilizing Cube-It Powered by TCG[®] to enhance profitability and reduce its Operating Ratio



Summary

A long time user of the LTL Cost Information System™ (LTL/CIS™) from Transportation Costing Group (TCG™), specialists in Profitability Management Tools™ for the transportation industry, Pitt Ohio Express adopted the activity-based cost analysis solution to gain more comprehensive and accurate knowledge of its business. Realizing it required the capability to drill down further into the LTL/CIS data, the LTL carrier headquartered in Pittsburgh, PA and a sister company called BI3 developed Cube-It Powered by TCG. In three years, while growing significantly, the solution helped the motor carrier find and correct over \$25 million in unprofitable business and generate an improvement of three points in its Operating Ratio.

The Criteria

1] Initiative to adopt business intelligence tools

Pitt Ohio Express moves approximately 12.5 million pounds of freight in over 10,000 shipments every night for more than 2,500 customers. The LTL market place is characterized by stiff competition from other carriers. Customers have incentives to reduce transportation costs, which leads to a pronounced focus on freight rates. Billing information received every night needs to be electronically transmitted or inputted into the system for collection processes. The operations department requires this information to perform route optimization for freight movements, including next day deliveries.

2] Data for operational efficiency

To improve its ability to leverage customer data, the carrier needed to upgrade its information infrastructure to help measure customer activity on a regular basis and rank them based on their value to the company. Pricing

and costing used to be one function but when new accounts or situations came up with a customer, the carrier could only perform an ad hoc analysis. About eight years ago it developed an Excel based method, but that was still not perfect.

3] Cost analysis drill down capability

Pitt Ohio Express had a pronounced need for new analytical processing tools and the ability to connect key business departments. Delivering customer data to sales managers and representatives would allow them to make more effective decisions when renegotiating contracts to ensure that price and service were in line with customers' needs. One desire was to have the ability to simultaneously see all data together in whatever order desired, add fields from various data sources and quickly dig into whatever problem was at hand.

The Solution

TCG's LTL/CIS cost analysis solution and Cube-It Powered by TCG have enabled Pitt Ohio Express to quickly realize several objectives:

Competitive information for improved operational

efficiency: Pitt Ohio Express adopted LTL/CIS from TCG and the costing model immediately enabled the carrier to analyze all shipments and accounts at a single time. Using the automated solution, two staff members could review 20 to 30 accounts per day compared to the same number each month.

Utilizing data to enhance profitability: The enhancement of its TCG LTL/CIS activity-based costing solution with Cube-It Powered by TCG has been a valuable addition to the wide-ranging efforts to enhance profitability at Pitt Ohio Express. "Cube-It lets us drill down and manipulate data to provide the information we seek," said Steve Milcoff, director of costing and analysis. "The ability to easily access a dynamic view of our costs and revenue factors based on exact data, not estimations, leads to more effective trend analysis of costing and business activity."

Dynamic and comprehensive analyses: As a management tool, Cube-It Powered by TCG utilizes data to provide a comprehensive view of all the operational factors that can impact costs and profitability at Pitt Ohio Express. "Cube-It Powered by TCG is a dynamic tool that can generate reports on the spot and allow for analyses based on customers, lanes, length of haul and even commodity types," related Geoff Muessig, vice president of sales. "Cube-It lets us manipulate information in an active fashion."

The Benefits

Cube-It Powered by TCG quickly provides information to better manage account relationships on a one to one basis at Pitt Ohio Express. "Our sales team needs to acquire new profitable accounts, retain existing profitable accounts, sell deeper into profitable existing accounts and rehabilitate pricing with marginally priced accounts through rate negotiations," Muessig said. "To do so we need to understand revenue and yield by shipment, account, territory and region. A big benefit of this solution for us is that we can see all aspects of an account at one time and know which are most and least profitable. That gives us the leverage to bring up issues with customers and enhance our profitability."

LTL/CIS and Cube-It Powered by TCG are helping Pitt Ohio Express by providing valuable, highly detailed information to improve operating ratio and sustain lower costs. "Using it strategically," stated Milcoff, "it provides detail and therefore confidence to take action. Cube-It Powered by TCG helps us make better decisions by putting data at our fingertips. It saves time in doing analysis by providing a wealth of information and ease of use. With it, we're able to ask more questions and do more analysis than we ever would have tried before."

"With Cube-It Powered by TCG we have realized a greater return on our investment than we were expecting. Even after eliminating undesirable business, Pitt Ohio Express saw a 7.7 percent jump in revenue in 2004. In essence, we have seen some of the best profits in company history, without impacting the overall level of service we offer to our customers."

Conclusion

"More than half the improvements we've made have been because of TCG's LTL/CIS and Cube-It Powered by TCG solutions. Cube-It goes beyond traditional analysis and reporting. It enables technology to provide real-time access to databases for intelligent transportation sensitive analysis, problem finding and solution building"

Steve Milcoff

Director of Costing and Analysis, Pitt Ohio Express

About Pitt Ohio Express

An LTL motor carrier headquartered in Pittsburgh, PA, PITT OHIO EXPRESS services the entire Mid-Atlantic Region, as well as Ohio, West Virginia, parts of northern Kentucky, Jamestown, NY, Richmond, IN, the Detroit and Chicago metropolitan areas and several points in Michigan. The company offers a variety of diversified services, including Basic LTL, Universal Dedicated Services, Fast Track AM Express, PreDawn Express, Pool Distribution & Assembly Consolidation, Intermodal and Warehousing.

About TCG

Transportation Costing Group is the provider of the most widely used suite of Profitability Management Tools® and activity-based costing models to the motor carrier industry. TCG provides models tailored to specific carrier operations. Information on services offered by TCG can be obtained by contacting (800) 328-9700 or info@tcgcis.com. For general product information please visit www.tcgcis.com.



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Getting to the bottom line.