



Old Dominion Freight Line Benefits from TCG's Cost Information System
Activity-based solution from Transportation Costing Group® (TCG®) is improving the LTL motor carrier's costing capabilities and helping enhance profitability.



Founded in 1934, Old Dominion Freight Line, Inc. is a Thomasville, North Carolina-based Less than Truckload multi-regional motor carrier providing direct service to over 48,000 points in 48 states in the U.S., including full coverage in 39 states. Even though ODFL covers 96% of the US population, the company also provides service to and from the remaining states, Canada and international destinations. In North America, Old Dominion operates more than 5,000 tractors and over 20,000 trailers from 204 service centers.

Needs

Old Dominion Freight Line sought to improve the profitability of the loads it hauls for individual customers by investing in CIS, which accurately and quickly analyzes costs and enables ODFL to more effectively price loads. This included the need to determine profitability in two distinct processes:

Historical cost analysis — An accurate prediction of profitability for existing business requires constant analysis because every move and every shipment has different cost characteristics. Using a sophisticated cost analysis model enables the LTL carrier to monitor each

aspect of every load, including linehaul movement, stop, stem and cross dock times for current customers, and develop data that could be used to effectively set rates.

Prospective cost analysis — A general prediction of profitability was required for new business where all characteristics of shipments and hauls were not yet known. This enhances the LTL carrier's ability to set competitive rates based on historical data and initial load and destination information, as provided by customers.

Solution

The LTL/CIS activity-based costing solution from Transportation Costing Group, specialists in activity-based profitability and cost analysis tools for the transportation industry, was adopted by Old Dominion Freight Line to help the company's wide-ranging efforts to enhance profitability. With accurate data from their internal financial and operating systems, the carrier is able to analyze costs, address operational and productivity improvements with customers and set fair and profitable rates.



"TCG is providing us with valuable knowledge about our costs and helping manage profitability. We believe it has been partly responsible for the improvement we've realized in our Operating Ratio."

Richard Keeler
Senior VP - Strategic Development
and Yield Management
Old Dominion Freight Line, Inc.

The Solution (continued)

Every LTL shipment is a unique combination of weight, pieces, density, origin and destination, susceptibility to loss and damage, handling requirements and other factors that make cost averages meaningless. LTL/CIS properly accounts for shipment cost variances so Old Dominion is able make valid pricing and operational decisions.

At Old Dominion LTL/CIS is also driven by its interaction with the motor carrier's general ledger and operating data, which supplies data to the costing system. This capability provides the LTL operation with the ability to track costs at each of its 204 service centers separately.

Results

The LTL/CIS activity-based cost analysis solution from TCG is credited with helping improve Old Dominion Freight Line's Operating Ratio and in turn boost its profitability. Addressing the carrier's needs for historical profitability, analysis of existing traffic and the development of cost-based rates for new business pricing, LTL/CIS is precisely tailored to fit each of the company's established needs.



Applying sophisticated information technology to existing business —

Historical based cost analysis for current customers enables Old Dominion to monitor every aspect of every shipment. These analyses are based on information from handheld computers used by drivers to record delivery, stop and transit times, as well as on-dock systems that capture freight

handling details in company service centers. The highly sophisticated model that LTL/CIS creates uses a six-month cost average projected to generate very accurate profitability predictions.

Effectively predicting profitability for new business — Using historical data and information on shipments and delivery requirements provided by new business prospects, LTL/CIS applies projected costs in a highly accurate fashion. This

capability enables Old Dominion to apply costs and set competitive rates for new business that ensure profitability, especially in an environment of rapidly rising fuel costs.

“When you have an accurate picture of all the costs associated with hauling LTL freight, you are more likely to be profitable for individual customers and loads. LTL/CIS provides the data we need to make intelligent decisions. We believe firmly in the results we receive from using this system.”

Richard Keeler

Senior VP - Strategic Development and Yield Management
Old Dominion Freight Line, Inc.

About Old Dominion Freight Lines

Old Dominion Freight Line, Inc. is a less-than-truckload multi-regional motor carrier providing one-to-five day service among six regions in the United States and next-day and second-day service within these regions. The Company offers an array of innovative products and services that provide direct service to 48 states, including 39 states within which it provides full-state coverage. In addition to domestic less-than-truckload services, the Company offers assembly and distribution services as well as container delivery services to and from all of North America, Central America, South America and the Far East. The Company also offers a broad range of expedited and logistical services for both our domestic and global markets.

About TCG

Transportation Costing Group (TCG) 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: LTL, truckload or bulk. 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.