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The Cost of Managing Truck Breakdowns

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Introduction

This paper describes the costs associated with managing a truck breakdown from start to finish for fleets managing road service in-house compared to fleets utilizing a 3rd party management system like InterStar North America. Many trucking fleets have the false impression that only a few phone calls are needed to manage a breakdown, failing to account for all of the other resources required for a successful recovery. An accurate assessment of the costs associated with managing breakdowns is crucial when making fleet maintenance decisions--especially if the fleet is considering the services of a 3rd party breakdown manager.

Personnel Costs

Fleets typically use dispatchers, maintenance employees or dedicated breakdown specialists to handle breakdowns when they occur. According to the Bureau of Labor Statistics, the average hourly wage for a truck dispatcher working in the general freight or specialized freight trucking industry is $18.50. Maintenance personnel may be compensated more, but this analysis will be based on the average dispatcher compensation as it is representative of the typical rate of pay for an employee with this responsibility.

The true cost of an employee goes beyond his or her rate of pay. Human resource analysts say that the “loaded” or true cost of an employee is 25% higher than the rate of pay once you include typical employee expenses such as hiring costs, training costs, equipment costs and insurance benefits. **Based on that statistic, employees managing road service in the trucking industry cost trucking fleets $23.13 per hour.**

Time Investment to Manage a Breakdown

Utilizing InterStar’s database of several hundred thousand breakdowns since 1983, and data collected from trucking fleets, many national time averages can be established and analyzed for the purpose of this white paper. Below is an outline of the processes required to successfully manage a single emergency breakdown event, from start to finish, and the total time required to complete each process:

- <u>Initial service request and real-time management:</u>
    - A driver will place 1.2 phone calls, on average, before reaching a dispatcher (or other employee managing road service) and providing all of the breakdown details such as his or her location, equipment information, the problem with the equipment and other vital service details
    - The dispatcher will spend time using a breakdown book, internal vendor database or an online vendor database to determine a list of potential service vendors. Once the call list is determined, a dispatcher places 2.4 phone calls, on average, to speak with a service vendor, provide all of the breakdown information, discuss payment information and receive an ETA.
    - The dispatcher will place another 1.1 phone calls, on average, to provide the driver with the service vendor’s ETA.
    - After communicated the ETA to the driver, many fleets will spend time placing phone calls or sending e-mails regarding the breakdown to other employees or to the customer regarding a potential delivery delay
    - An additional 2.8 outbound calls are placed to the servicing vendor and driver to follow up with the repair to make sure the vendor showed up on time, the repair was completed to satisfaction, payment arrangements were made and final phone calls and/or e-mails are completed to other personnel or the customer waiting on the freight to get back on the road
    - **Total company time invested in the above processes: 2.15 hours per breakdown**

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- Additional "soft" time investments required to successfully manage the breakdown:
  - After the repair is completed and the equipment is road-ready again, the dispatcher will continue their regular duties but additional steps are necessary to fully process the breakdown
  - The dispatcher or an accounting employee will receive an invoice or receipt from the service vendor. If the vendor was not paid at the time of the repair, the invoice will need to be reviewed and processed for payment. If the vendor submits a receipt, many fleets will file the receipt and/or log the payment details in an internal system to close out the service and payment
  - To help improve maintenance and equipment purchasing decisions, many fleets will spend time creating and reviewing reports to analyze breakdowns including breakdown locations, the type of equipment breaking down, tire usage, vendor costs, etc.
  - **Total company time invested in the above processes: 1.6 hours per breakdown**

Many fleets do not account for all of the time spent to fully manage a repair. Although an average breakdown will take 2 hours from the initial breakdown request to being back on the road, **a trucking fleet will allocate 3.75 hours per breakdown when all processes are accounted for.**

Final Cost Analysis for Fleets Managing Breakdowns Internally

To summarize the above referenced statistics and averages, employees managing road service cost $23.13 per hour and fleets allocate 3.75 hours of employee labor per repair to complete management of a breakdown. **If a trucking fleet is handling breakdowns internally, they are spending $86.74 per repair as a national average.**

Medium and large trucking fleets often incur additional costs on call recording software, breakdown management software and vendor databases if they choose to develop internal resources to manage breakdowns instead of hiring a 3rd party manager.

Cost Analysis for Fleets Calling a 3rd party Breakdown Manager like InterStar

Many trucking fleets can reduce expenses by calling a 3rd party breakdown service like InterStar North America. Many of the processes discussed in the analysis above are handled by InterStar, removing the overhead burden from the fleet. InterStar's core business is managing trucking breakdowns, not hauling freight, so they have built their business on developing an advanced case management system, comprehensive vendor networks and the latest VoIP phone system with recording capabilities. A fleet can save hundreds of thousands of dollars in spending if they do not have to purchase or lease similar systems.

Likewise, since InterStar's core business is managing breakdowns rather than hauling freight, they are able to reduce costs through economies of scale. By managing about 100,000 trucking maintenance and repair services each year, InterStar is able to reduce vendor costs by leveraging buying power and reduce per-repair management costs by operating an efficient, breakdown-specialized call center. **As noted above, an average truck fleet spends $86.74 per repair; InterStar charges a $55.00 fee to manage a repair, reducing a fleet's per-breakdown management cost by $31.74.**

Based on internal and shared fleet customer data, InterStar determined that an average tractor/trailer combination will suffer approximately 1 emergency breakdown per year. If a fleet of 500 units subsequently has 500 breakdowns during a one year period, utilizing a 3rd party breakdown provider like InterStar can save the fleet $15,870.00 per year. A fleet with 5,000 units can reduce their annual spend by $158,700.00. As referenced above, a fleet will also potentially save hundreds of thousands of dollars by not purchasing systems and software required to develop an efficient in-house breakdown call center.

If your fleet is currently managing breakdowns internally and is looking for ways to reduce costs and improve breakdown management, take a serious look at hiring a 3rd party manager like InterStar North America. For more information about InterStar and to enlist your fleet, visit www.interstarna.com.