7 Essential Steps to Build a Highly Successful Trucking Business

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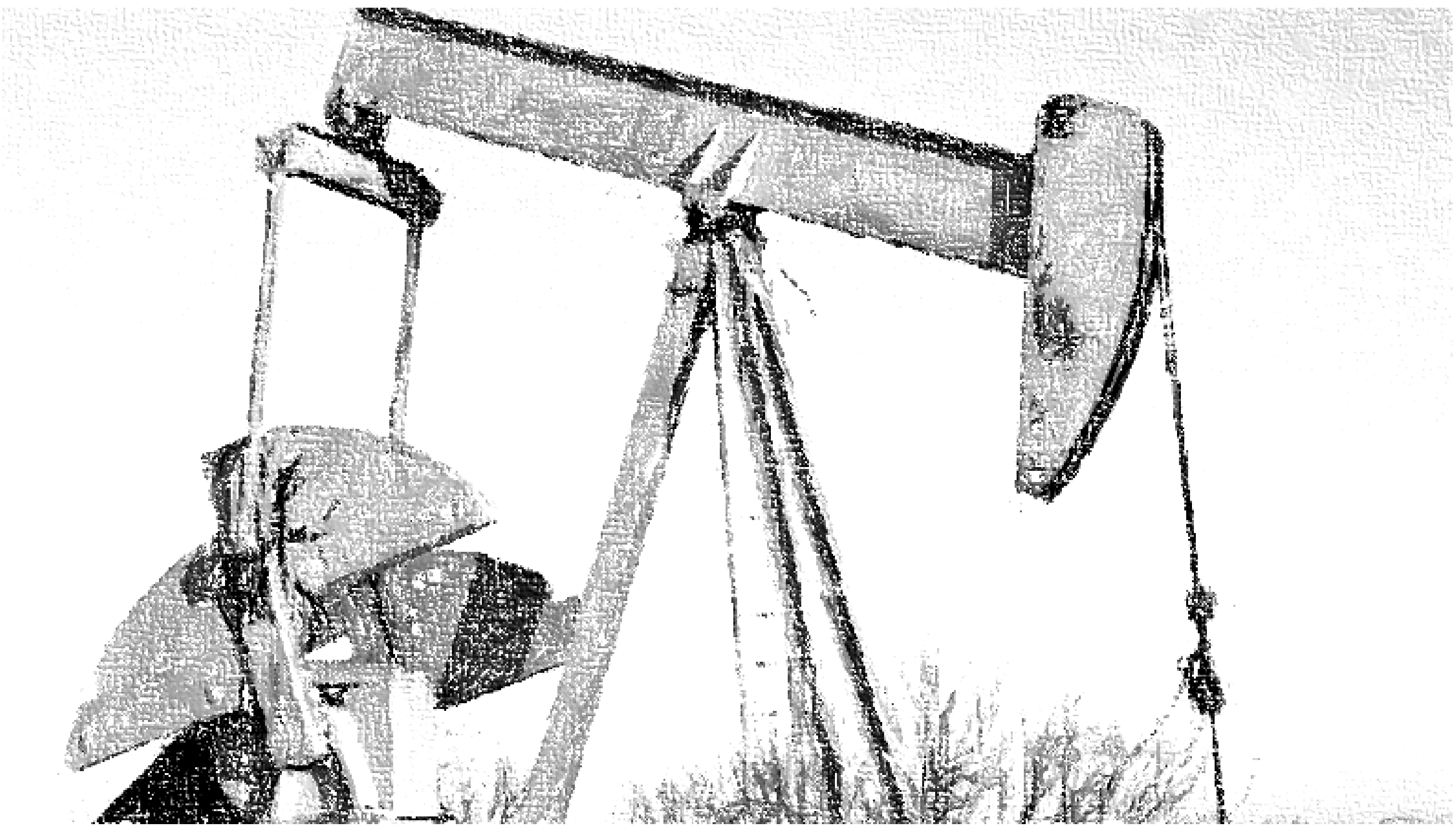

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Introduction

Not all business owners have expertise in accounting. And, that's to be expected. They may possess other skills that propel them on to become successful.

So, if some of the following material is a little difficult to understand, try and grasp what you can and make it a point to better understand your financial situation. A good accountant or CPA can help.

The following material covers several essential topics that are important to small business – or any business as a matter of fact – to ensure optimum success.

We first start with a subject that is not all that glamorous at first glance - setting up your chart of accounts. This is merely preparing a list of all potential accounting transactions. It is necessary to be able to "pigeon-hole" each transaction and, over time, you will begin to see patterns and trends that will help you make good business decisions.

So, we will start with the important step of creating your chart of accounts. As Peter Drucker, a well-known business mentor said, "If you can't measure it, you can't manage it". How true this is: being able to collect information, measure it and then manage it wisely.

1. Financial Structure

Chart of Accounts

A Chart of Accounts is a listing of all the financial transactions that a company might incur throughout their business cycle. For example, for every check that is written, the particular account would be Checking – Cash in Bank, for example. When the telephone bill is paid, the corresponding account would be Utilities – Telephone, for example. Likewise, when a check is received after a sale, the Sales or Revenue account would be affected.

Here are several examples of a partial Chart of Accounts:

	ASSETS
	Current Assets
1011	Cash on hand
1021	Cash in Bank - Checking
1031	Cash in Bank - Savings
1041	Accounts Rec - Trade
1051	Prepaid Insurance
	Total Current Assets

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	COST OF GOODS SOLD (Direct)
4011	Delivery supplies
4021	Fuel
4031	GPS/Dispatch software
4041	Oil changes
4051	Other vehicle expenses
4061	Repairs and maintenance
4071	Subcontractors
4081	Tires
4091	Tolls and parking
4101	Uniforms/special clothing
4111	Vehicle supplies
	Total Cost of Goods Sold
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"Plugging" Each Transaction

By having a well-prepared listing of all potential financial transactions, the business owner or accountant knows exactly where to "plug" the transaction. Usually on a monthly basis, then, financial reports are prepared showing all of the accumulated transactions for each and every account.

The two most useful financial reports are the Income Statement (sometimes referred to as the Profit and Loss Statement or P & L) and the Balance Sheet. We will go into detail on these two reports later.

Double Entry Accounting

One of the most unique aspects of accounting is the "double entry" feature. For every financial transaction, at least two accounts are affected. Each account that is affected will equal the other. For example, when the telephone bill is paid by check, one account affected will be the Checking – Cash in Bank and the other account will be the Telephone Expense account. Likewise, when a check is received after a sale, the Sales or Revenue account would be one account and the Checking – Cash in Bank account would be the other.

If the telephone bill is for $100, the checking account would be affected by $100 and the telephone expense account would be affected by $100. Likewise, if a sale is made for $1,200, the checking account would be affected by $1,200 and the sales account would be affected by $1,200. Thus, each financial transaction should "balance out". If a transaction does not balance out, there is an error somewhere in the recording of the transaction.

Sometimes a business owner will have one check or credit card receipt and it may affect one or several other accounts. There should be several different accounts for sales or revenues. For example, a customer in a trucking business might incur costs for machine parts and other supplies. In this case, the total amount of the sale would be the total of all the for a grand total of $1,500.00.

Here is how it would balance out:

Date	Account	Debit	Credit	Explanation
Nov 12, 2025	Machine parts (Asset)	$900.00		To record parts purchased for trucking operations
Nov 12, 2025	Other supplies (Asset)	$600.00		Other supplies purchased for trucking operations.
	Checking – Cash in Bank		$1,500.00	
		$1,500.00	$1,500.00	

The above example is when the items are paid for using a check. If the items were paid using credit, you would credit Accounts Payable instead of Checking – Cash in Bank.

Then, when you make a payment on the credit transactions, you would debit Accounts payable and credit Cash in Bank.

So, with a detailed Chart of Accounts available where you can "plug" every financial transaction and with the double entry accounting system, you have the basis for accumulating transactions that will eventually make their way into various financial reports.

2. Developing Selling Prices

Trucking Business - Non-OTR

The procedure for setting fees for services is not complicated if proper data is collected. Generally, you have direct labor, then perhaps equipment rental if you're working in a local area, then a portion of overhead or fixed expenses and possibly supplemental charges such as waiting time or moving oversized equipment.

Creating Billing Rates

Here is an example of creating the billing rate below. The formula is Direct expenses + a portion of Indirect expenses + profit …

Example:

A truck runs 40 hours in a week with an operator:

Direct Labor	40 hrs x $46.25 =	$1,850
Equipment Rental	$19 / hr =	$ 760
Overhead	$25 / hr =	$1,000
Profit	$18 / hr	$ 720
Total …………		$4,330

Hourly billing rate $ 108 (4,330 / 40)

Billing is usually done weekly or monthly with exceptions.

Business owners need to know costs per hour for not only direct labor ($46.25 above) but for equipment rental ($19 above) and overhead ($25 above). The profit is usually something like 10% - 20% of hard costs ($18 above). Data collection is essential that includes hours and costs.

At times, a business owner will take a "market-based" approach by asking themselves, "What will the market bear?"

Examples of market pricing may be with oversized moves, heavy hauls that require special attention or specialty tasks.

Direct costs as itemized above (Direct Labor and Equipment Rental) are also known as variable expenses because they occur when trucks are moving or working. Indirect costs as itemized above (Overhead) are also known as fixed expenses and occur regardless of trucks moving or working.

Revenue Analysis

Once a company has a good information-gathering process in place where financial transactions can be recorded, monitored and analyzed, the next step is to create an action plan. Some accounting departments focus on costs, others on sales. Usually, the two go hand in hand; i.e. sales are affected by costs and costs are affected by sales.

While the major costs of some companies can be regulated to some extent through proper sourcing, taking advantage of discounts, timing, etc., they, in large part, may be difficult to control. Budgeting is an ever-going process for both expenses and revenues.

So, when owners begin with a focus on costs, they may need to circle back to focus on revenues as well.

Revenues are affected by many factors such as geographic area, technology, labor supply, competition, target markets, demographics, weather, local events and this list could go on and on.

Simply put, and despite all the challenges in gaining market share mentioned above, here are the two main drivers of revenues: one, relationship building and, two, performance.

If either of these two break down, customers may begin looking elsewhere. For any given service or product, there's "elasticity of demand" that may be high or low. Let's explain this …

If a disgruntled customer is seeking alternatives and if alternatives are readily available, there is high "elasticity" for a particular service or product. That is, it's easy to replace a company to find another one. On the other hand, if alternatives are not readily available, there is a low elasticity and it's more difficult for an unhappy customer to go elsewhere.

Most big companies strive to create products and services that are unique and cannot be duplicated by competition. That's always easier said than done.

Smart company owners learn their position within the supply/demand matrix. And they need to answer the questions: What drives my company's revenues? Are my revenue drivers competitively safe or can I easily be knocked off by a new kid on the block? Can I assemble the right types of equipment and personnel to gain and hold market share?

3. Understanding Your Direct Costs (Cost of Sales)

Direct costs are those expenses that are directly related to producing income. We've already seen some in the example above -

Fuel, oil changes, repairs and maintenances, operator salaries, Def, etc.

These are not overhead or fixed expenses – they rise and fall as truck activity increases or decreases.

For many over-the-road drivers, fuel and labor may make up 60-70% of direct costs.

Understanding direct expenses allows business owners to price services intelligently, to identify unprofitable customers or lanes, to justify increases in rates, to help control costs and help decide when to scale the business and in what direction.

Costs, whether direct or indirect, should be addressed as items to be measured, managed and improved upon.

4. Understanding Your Overhead or Fixed Expenses.

Overhead or Fixed Expenses

A portion of overhead is factored into billing rates. As mentioned above, overhead costs are fixed and occur day in and day out regardless of whether business is at a standstill or doing well.

Some examples of fixed or overhead expenses that need to be factored into the billing rate are: taxes, insurance, accounting, employee benefits, administrative and general expenses including office salaries, rent, etc.

There may be several cases for some expenses to be split between direct and indirect. For example, a business owner may work as an operator in the field part time and his portion of salary would be a direct expense. He may then work in the office with administrative tasks and this portion of his salary would be a fixed expense.

Here’s a summary of all financial activity when an owner classifies expenses as either fixed or variable:

Gross revenues
Less Direct costs
= Contribution margin
Less Fixed costs
= Net profit

The contribution margin represents the portion of a company's sales revenue that isn't used up by direct or variable costs, and so contributes to covering the company's fixed costs.

Revenues and costs may be expressed as dollars and/or margins with Gross revenues = 100%.

Breakeven Analysis

Once expenses are categorized as either variable or fixed, the “breakeven” may be calculated. Here’s the formula:

Gross revenues
Less Direct costs
= Contributions margin

Then …

Fixed costs / Contribution margin
= breakeven

Breakeven point is the point where total costs equal total revenue. Any income after breakeven point is pure profit. Breakeven may be illustrated either as dollars or some other unit of activity.

Here’s several examples:

This example applies specifically to oilfield trucking, where billing is done by the hour, load, or service type instead of by the mile.

Example 1: Determining Minimum Hourly Billing Rate
Oilfield haulers often price by the hour for standby, waiting, or local work.

Breakeven analysis helps determine the **minimum hourly rate** you must charge to cover all costs and make a profit.

Example:

Fixed costs (truck payment, insurance, yard rent, etc.)	$10,000 / mo
Direct/Variable costs (fuel, driver wages, maintenance, etc.)	$ 55 / hr
Expected billable hours per month per truck	200 hours
($10,000 / 200 = $50 + $55) =	$105 / hr

This means your **breakeven rate is $105/hour**.

If you bill $125/hour, you're making roughly $20/hour in profit.

Break-even helps set rates that stay competitive but profitable - especially when customers ask for discounts or flat-day rates.

Example 2: Deciding Whether to Add a Truck or Crew

Suppose you're offered more work moving frac sand, but you're not sure if adding another truck is worth it.

Additional monthly fixed cost per truck	$7,000
Average profit contribution per load (after fuel, driver, etc.)	$ 350
($7,000 / $350 = 20 loads per month	

You'd need **at least 20 loads per month** just to break even on that truck. If the customer can guarantee that volume, expansion may make sense; if not, it's a risk.

These examples require a deeper understanding on how the figures are derived – we won't go there now; but, once understood, you'll end up with a formula that can be applied to various scenarios.

Knowing your breakeven points can serve to help set goals each week or month. They can serve as motivators instead of looking only at the cash in bank. Looking at the cash in the bank will help in some respects; however, breakeven analysis helps focus on operations which, in effect, drive the dollars.

Bloated Overheads

Some of the top officers in a company may not have billable hours and if there are too many chiefs compared to the number of Indians, financial struggles may begin to assert themselves.

Cutting the "fat" is the first line of duty when trying to cut back on overhead. After the fat is cut, decisions on where to cut next can be difficult and painful for those involved.

Large companies, especially, have trouble controlling overhead expenses. Somehow, these expenses just get out of hand. Some companies have eliminated entire departments because they have determined that the particular department has no useful function.

Ever since the end of covid, more or less, many trucking companies have been faced with selling off trucks and laying off drivers simply because of two primary reasons: one, unexpected events that impact revenues (think about crashing rates after covid) and, two, lack of sufficient working capital.

In another report, we'll focus on new opportunities for building working capital. Stay tuned in for this …

Increasing sufficient funds available to weather storms is smart and many companies have thrown in the towel simple because they did not pay themselves first – they did not have a cushion.

However, smaller companies, too, may be faced with excessive overhead. Overhead is relative to each company and the respective industry. Nevertheless, smaller companies can react quicker and make desired changes more efficiently.

5. Financial Reports

Income Statement and Balance Sheet

The Income Statement and Balance Sheet are the primary reports of how a company is progressing.

Most business owners focus on the Income Statement which reveals the gross revenues and total expenses for a particular period – monthly or annually. The results are the profits (or losses). Profits are what's reported for paying income taxes among other things.

Less understood is the Balance Sheet which displays Assets (what is owned), the Liabilities (what is owed) and the difference is the equity or retained earnings.

Income and expenses may fluctuate from month to month or year to year; the balance sheet, however, should be gradually growing in terms of building equity.

Strong Balance Sheets

What do we mean by "strong" balance sheets? Simply put, strong balance sheets have an increasing asset base, stable or declining liabilities which then should result in increasing equity.

Strong balance sheets help weather the ups and downs of business cycles. Within the liabilities, efforts should be made to get the right "mix" of debt and equity.

Many companies are so burdened with debt they are unable to meet their monthly debt obligations. And then they run short for covering operating expenses. Not good.

Cash Basis vs Accrual Method

Some companies report financial activity on a cash basis; others use the accrual method which is difficult to grasp for many people.

With the cash basis, income and expenses are recorded when you receive income or when you disburse cash; with the accrual method, income is recognized when earned and expenses are recognized when incurred regardless of when money is exchanged.

Here’s a simple example for an **accrual-type** transaction:

December 28 a company delivers a load of frozen chicken but the payment is received January 5.

The trucking company would record the December 28 delivery as:

December 28	Debit	Credit
Accts Receivable – load of frozen chicken	$2,300	
Income – load of frozen chicken		$2,300

As you can see, the income of $2,300 is ***earned*** on December 28 and recorded as income on December 28.

When payment for the above is received on January 5, the transaction would be recorded as:

January 5	Debit	Credit
Cash in Bank – frozen chicken	$2,300	
Accts Receivable – frozen chicken		$2,300

On a cash basis, the income of $2,300 would be recorded as income on January 5 not on December 28 when it was earned.

For the cash basis transaction, the January cash receipt received by the carrier, would be recorded as:

January 5	Debit	Credit
Cash in Bank – frozen chicken	$2,300	
Income – frozen chicken		$2,300

So, again, the accrual basis recognizes income when it is earned not when payment is received – there is a better matching with the accrual basis.

Smaller companies may do well with the cash basis; large companies that want to more accurately understand business cycles should use the accrual method.

Budgets

Estimated income and expenses can be done with accounting software or on spreadsheets. For a new start-up, one would begin by projecting estimated income based upon reasonable assumptions.

For example, if the industry standard for a truck load of melon is $2.10 per mile and the average number of estimated miles per load is 1,800 miles, the expected income per load would be $3,780.

The question is: how loads can be done per week, per month, per quarter – whatever?

If seven loads can be delivered each month, the total estimated income would be $26,460 per month ($3,780 x 7) and this would be a seasonal-type product.

The idea is to "play-around" with the numbers and enter them into your spreadsheet or software as estimates or budgets. Then enter the actual income and you'll probably see a variance on many items.

You can analyze variances by line item or by larger categories. Whatever makes sense to you, whatever you feel you can understand, continue with creating budgets until you get very good at it.

You should master estimating cash inflows and cash disbursements for larger items so as to not run into any cash shortfalls.

6. Financial Analyses

Trends

Financial trends and ratio analyses should be mastered. Trends can be taken right off of the Income Statement and Balance Sheet. A five-year look-back and five-year projections into the future can uncover a mountain of insight.

A comparison for the current year vs the previous year can be very helpful as well.

Financial trends may focus on dollars or on margins – percentages. When it comes to ratio analysis, we're comparing one set of information with another.

Ratio Analysis

For example, the current ratio compares current assets with current liabilities. Generally, a 2 to 1 ratio is deemed to be healthy, but it depends on the industry. A 2 to 1 current ratio means the company is capable of paying current bills without a problem.

A 3 or 4 to 1 ratio is not unusual nor is a 1 to 1 ratio.

There is a multitude of resources available for learning about financial analyses. An excellent resource is the website, www.Investopedia.com.

Data-Driven Companies

Several important developments are gaining attention related to money, payments, transactions, etc. One, is blockchain technology, another is artificial intelligence (AI) mentioned in the next session and the other revolves around "data".

First, blockchain technology has already disrupted several industries including logistics. A bad head of lettuce or a faulty machine part can be sourced to their point of origin in a matter of seconds rather than days or weeks. This is powerful!

Blockchain technology and some of its practical applications are complete topics in themselves and may be given due attention in future reports.

The other development mentioned above is "data". The question for business owners is: are you a "numbers" guy (or gal)? Nowadays, small business owners may generate financial reports on-demand, assuming the books are closed out for a particular period whether it be weekly, monthly or annually.

But there is more to "data" than financial transactions. Data collection ***for operations*** are being better understood.

If properly collected, monitored and analyzed, data are what drive a company. Data may remove the emotion and wishful thinking if properly implemented. This should benefit decision-makers but it requires a good amount of discipline in its practical application.

For example, if you "feel" you should do this or that but the data suggest, imply or reveal you should do something else – follow the data. Time and experience will help.

Key Productivity Indicators (KPIs)

Key Productivity Indicators provide feedback and guidance. Each company develops their own set of KPIs and some KPIs are common throughout a particular industry.

Here are several common KPIs for trucking companies:

- Cost per mile – total costs divided by total miles or loaded miles,
- Fleet utilization – total time trucks are operating vs idle time,
- Fuel efficiency – mile per gallon per truck or per fleet,
- Maintenance costs – per truck. per fleet, per time sequences,
- Customer satisfaction – done through calls, surveys, etc.

Here are several common KPIs for restaurants:

- Average check size,
- Food costs as a percentage of total sales,
- Employee costs as a percentage of total sales,
- Inventory turnover,
- Table turnover,
- Customer count per day,
- Customer count per shift,
- Breakeven …

KPI's must make sense and something business owners can act on.

7. Marketing Strategies and Techniques

Marketing may be the area that can make you or break you. If you have the best mouse trap in the world but can't take that message to the right market at the right time for the right price – you may be doomed.

Marketing is somewhat different from sales. Marketing is positioning; sales is empowering or persuading your potential customers to buy.

Marketing can be done on your computer or face-to-face. Sales, however, may be scary to some business owners because it's done either in person or one-on-one on the phone. Many business owners may say, "I don't like to sell", They may wonder, "How can I persuade someone to buy from me?" These thoughts can be daunting.

Yet, other business owners know that their personality will drive sales. However, sales are not so much talking but rather listening. Asking questions, finding out what the potential customer needs (or wants) and then making a simple presentation for what they need or want.

Direct Response Marketing

For small companies that lack a large budget for marketing, they need to think about "direct response" advertising.

You don't have the luxury of extolling all the features and benefits of your product or service – so your goal is to send a "hook" to potential customers to entice them to take immediate action.

Some hooks are well-contrived but not elaborate. For example, a billboard reading "Foot Pain?" may not need anything else other that the name of a provider store or phone number.

Artificial Intelligence (AI)

For years, Google Ads drove many potential customers to websites for free or low-cost information. Now it seems that artificial intelligence (AI) is taking the forefront of internet marketing.

Most likely, a business owner may need to contract with an internet marketer for implementing AI.

There's nothing wrong with good old-fashioned personal visits. Many people like to see a "real" person with whom they can interact personally. You don't have to be a celebrity to make personal visits. A friendly smile and brochure may go a long way.

Do not be afraid to toot your horn or explain a real situation where you were instrumental with one or several of your customers' success.

When making personal visits, don't neglect to get personal names, grab their business card and leave with the same happy smile you came in with.

Customer Retention

Once a customer is obtained, the relationship should be strengthened, using periodic calls or visits. Deal with potential problems upfront – don't let them fester.

Networking events are great places to meet and greet – again with a handful of business cards or brochures. Even introverts can learn to enjoy these events.

Like financial analysis, marketing and sales are topics where tons of information are available – often free.

Let's wrap it up …

Conclusion

Building a successful small business requires intention, structure, and a clear understanding of how every financial and strategic element fits together. By establishing a well-organized chart of accounts and applying sound double-entry accounting practices, business owners lay the groundwork for accurate financial tracking and informed decision-making.

From there, developing appropriate selling prices and distinguishing between direct costs and overhead expenses ensures that profitability is not left to chance but is driven by thoughtful planning and measurement.

Equally important are the financial reports and analyses that help translate raw data into insights. These tools allow owners to monitor performance, identify trends, and make timely adjustments that support long-term stability and growth.

When paired with targeted marketing strategies, a business gains both the internal clarity and external reach it needs to compete effectively in its market.

Ultimately, success is not achieved through a single action but through the disciplined execution of these seven essential steps. When business owners commit to understanding their numbers and aligning them with smart operational and marketing decisions, they give their companies the best possible foundation for sustainable success.

With these principles in place, a small business can move confidently toward its goals and thrive in a competitive landscape.

"In a data-driven world, your business becomes unstoppable."

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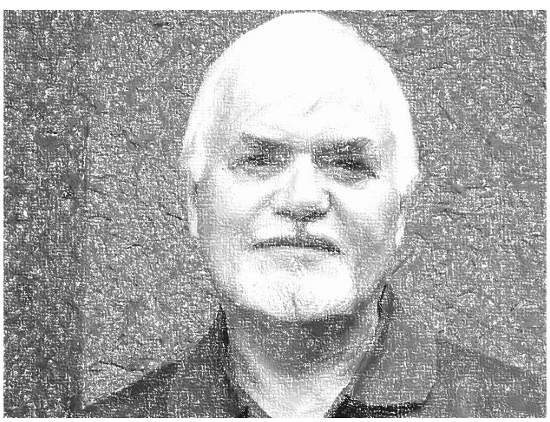
Several service packages are being created to help you identify and achieve clarity and your goals. My motto is: “I begin where you’re CPA leaves off”.

Call or email me with questions – no obligation – I just want to help.

Bio

John has over 20 years of experience training owner operators and others with starting their freight brokerage business. He also does hotshot and dispatcher training. John’s entire business consulting efforts span over 40 years. John has a B.S. degree in accounting and is a former Certified Public Accountant (CPA) working in Illinois.

This latest outreach, Atex Financial Analytics is being directed toward the Permian Basin for local trucking operations. Of course, OTR owners would benefit as well. He travels between El Paso and Odessa/Midland, Texas and Hobbs and Ruidoso, New Mexico.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