2015 TEXAS TRUCKING INDUSTRY STUDY
Mapping the Texas Trucking Industry
Texas Trucking Alliance
Promoting Best Practices for the Texas Trucking Industry

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Executive Summary

For the fifth year in a row, company owners, CEOs, principals, or key managers helped evaluate key demographic characteristics, financial indicators, safety initiatives, and human resource practices of Texas trucking companies. The 2015 Texas Trucking Industry Study also expanded analysis of the practices and attitudes of a subset of the most successful and profitable companies known as the Highly Successful Subgroup (HSS); it reveals how they differ from other firms and provided new insight into the key characteristics that contribute to their success. The key findings presented here are arranged by topic.

Texas Trucking Industry Profile

The majority of Texas-based trucking companies are clustered in and around the Dallas-Fort Worth, Houston, and San Antonio-Austin metropolitan areas with 40% headquartered in the four most populous counties of Dallas, Tarrant, Harris, and Bexar. The remainder is widely distributed among the dozens of secondary urban areas from Amarillo to Brownsville and from Texarkana to El Paso. Most companies (92%) operate out of 1 location, while 6% operate out of 2 locations and 2% operate out of 3 or more locations.

In 2015, Texas truckers were segmented into four groups by type of ownership:

- **Owner Operators** (51%)
- **Independent Trucking Companies** (35%)
- **Dedicated Private Fleets** (7%)
- **Non-Dedicated Private Fleets** (7%)

Most Texas trucking companies are small businesses. Overall, about 94% of all Texas firms have fewer than 11 drivers. However, the majority of the trucks in Texas are owned by the 7% of companies which have more than 10 drivers.

In addition to interstate and intrastate transport, which were studied in previous years, this year’s survey also measured how many companies provide localized delivery.

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within a given city or metro area. Almost two-thirds of Texas trucking companies (61%) provide interstate transport, 80% provide Intrastate services, and 48% provide localized delivery. To be able to accurately compare 2015 results to previous years, the transport area segments were divided into two exclusive groups: companies that provide any interstate transport (61%) and those that provide intrastate and/or local only (39%).

In 2015, 72% of Texas truckers said they classified all their drivers as employees, while 7% hired only independent contractors and the remaining 21% had mixed driver pools of employees and contractors. Since 2011 the hiring of independent contractors has varied and appears tied to a company’s sales growth. Although highly successful companies are more likely to use a mix of employees and contractors, the exclusive use of only contract drivers has been steadily declining since 2012.

Texas truckers offer a wide variety of transport services and many firms carry more than one class of cargo. The survey provided seven transport or cargo categories and this year allowed owners to describe the type of cargo they carried if they felt that none of the provided categories fit their business. As a result, in 2015, a new category was created of companies that had previously been grouped into the very general group of Dry Goods Carriers. This new group is labeled Machinery and Construction/Industrial Equipment Haulers and includes companies that haul pipe, large machinery, construction equipment, autos and trucks, and non-hazardous liquids, such as water, chemicals, and fracking fluids. Many of the carriers in this new group are heavily engaged in serving the oil and energy sector and as such have provided valuable insights into how the fortunes of the Texas oil industry are influencing the performance and outlook of the trucking industry. In 2015, the carrier groups examined are:

- Dry Goods Carriers (40%)
- Household Movers (24%)
- Hazardous Materials Haulers (8%)
- Refrigerated Carriers (5%)
- Oversized Haulers (28%)
- Sand, Gravel, and Aggregate Haulers (27%)
- Agricultural Product (Unrefrigerated) Haulers (19%)
- Machinery and Construction/Industrial Equipment Haulers (8%)

In 2015, 68% of large companies and 44% of small companies are engaged with the trucking industry through membership in one or more trucking associations. Overall, one in six Texas trucking companies (18%) is a member of TXTA and 24% are members of the Owner Operator Independent Driver Association (OOIDA). Among large companies, 59% belong to TXTA and 23% belong to the American Trucking Association. In this year’s sample, 17% of small companies are members of TXTA and 24% are members of OOIDA.
FINANCIAL BENCHMARKS

In 2015, the average annual revenue for large firms was $59.4 million, while the average annual revenue of small companies was $6.8 million. Median revenues for large and small firms were $5 million and $400,000, respectively.

Overall, 51% of Texas trucking companies reported that their sales had increased in 2014 over 2013, while about one in five (22%) said they had experienced a decline. Sales gains were more common among large firms (68%) than among small firms (52%) and more small firms than large firms experienced sales declines (22% versus 10%). The average percentage by which sales increased was slightly higher among small firms than large firms (28% versus 24%) but, among companies that had sales declines, small firms also reported slightly higher average declines (25% versus 21%). Most large and small trucking firms appear to have experienced a better year in 2014 than 2013 for sales growth, and companies that experienced sales decreases saw smaller declines.

Large and small companies are still generally optimistic about their 2015 sales, but small firms are significantly less optimistic than large companies. Among large companies, 54% expect their 2015 sales to increase somewhat or greatly. This is only slightly lower than the number of large firms that expected sales increases in 2014 (57%). Among small companies, however, the number expecting sales increases is down from last year (41% versus 47%). In both cases, the number expecting declines has greatly increased (Charts 15 and 16).

Overall, small and large trucking companies in Texas were more profitable in 2014 than they were in 2013. The number of small firms reporting profit increases jumped from 28% in 2014 to 46% this year, and the number of large companies with increased profits jumped from 36% to 62%. Additionally, the number of large and small firms reporting profit declines shrank from 2013 to 2014. Small firms experiencing profit declines in 2014 fell by a third in 2013, and the number of large firms with declining profits shrank by almost two-thirds.

Overall, the proportion of truckers with profits greater than 10% increased slightly from 61% in 2013 to 65% in 2014.

Average net profits reported on 2014 sales varied by company size and ownership. Small companies generally pay less for driver and non-driver compensation than large companies which may contribute to them being more profitable. Small trucking firms had an average profit margin of 22% compared to 15% for large firms, and Owner Operators averaged 25% compared to 19% for Independents.

Texas truckers’ expectations about their profitability in 2015 remain optimistic but essentially unchanged from last year. Among large companies, the number expecting profit increases in 2015 is 53% compared to 55% in 2014. Among small firms, 46% expect increased profits this year compared to 49% last year.

Overall the percentage of truckers expecting to replace trucks in 2015 is up substantially from last year. In 2014, 21% of small firms and 46% of large firms said they expected to buy replacements, compared to 36% and 57% who say they plan replacements this year.

The number of small firms reporting profit increases jumped from 28% in 2014 to 46% this year, and the number of large firms with increased profits jumped from 36% to 62%.
The number of small firms that say they are expecting to add to their fleets is also up from 21% in 2014 to 32% this year. More than half of large companies surveyed (52%) say they expect to increase their fleet size this year, only slightly off from the 58% who said so last year.

For the first time, the 2015 survey asked trucking owners and executives about the types of measurements they use to track their companies’ financial performance. More than 80% of small and large company executives say they track their total revenue on either a monthly, quarterly, or annual basis. Roughly two thirds or more of large and small firms look at their net profits monthly and track profit or revenue by load or trip. Other financial measurements are less commonly used and small firms, in general, use fewer common accounting calculations than large firms to track their financial performance.

Texas trucking companies provide a wide variety of benefits and compensation to their drivers, and the types they offer differ greatly by transport segment and company size. Benefits, such as health insurance or 401(k) plans, which are key benefits in other industries remain less common in the trucking industry and are more likely to be offered by large companies than small companies. Overall, however, many benefits and types of compensation are becoming more frequently offered by trucking companies as the demand for labor remains high and qualified drivers are in short supply.

Large trucking companies lead smaller firms in almost every category of benefits and pay offered to drivers. In fact large companies are more than twice as likely to provide the following benefits: driver recognition awards, bonus pay for safety, health care insurance, 401k retirement plan, and signing bonuses.

On average, Hazardous Materials Haulers, Household Movers, Oversized Haulers, and Agricultural Product (Unrefrigerated) Haulers have the highest rates of providing the most common benefits like paid vacations, health insurance, longevity and safety bonuses, and guaranteed time at home. Sand, Gravel, and Aggregate Haulers generally have the fewest participating employers across the range of benefits and types of driver compensation.

The demand for new and replacement drivers remains strong in 2015 but has eased somewhat since last year. In 2015, 75% of large trucking companies expect to replace drivers lost to resignations, retirements, and terminations, down from 84% in 2014. Among small firms, 43% anticipate having to replace personnel, an increase from 34% last year.
Two thirds of large companies (67%) and 43% of small companies intend to increase their driver pools in 2015, which is not significantly different from 2014 levels. Large and small companies are notably different in their use of advertising to recruit new or replacement drivers. Large companies have larger personnel needs and are much more likely than small companies to advertise across all advertising mediums. In 2015, for the first time since this survey began, the use of online advertising to recruit drivers surpassed that of traditional newspaper ads. Craigslist.org remains the most common online advertising venue.

As in advertising, large companies are more likely than small companies to use various driver recruiting venues, but the one both groups regard as most useful is referrals from existing employees. Referrals are regarded as useful in recruiting drivers by 86% of large companies and 37% of small companies. Although it is the most valued recruiting venue, only 54% of large firms and 14% of small firms offer bonuses to employees who refer new drivers. In 2015, referral bonuses paid by large companies average $622 and bonuses paid by small firms average $275.

Referrals are regarded as the most useful means of recruiting new drivers.

SAFETY

Average company expenditures on safety as a percentage of their revenue remained essentially unchanged for 2014 compared to 2013. Last year small firms spent an average of 9% on safety-related expenses compared to 10% in 2013. Large companies spent 7% compared to 8%.

Anticipated spending on safety-related expenses in 2015 has not changed from what firms expected or actually spent in 2014.

In 2015, the overall rates of Texas companies that added driver training, hired outside safety consultants, added safety personnel, or purchased electronic onboard recorders (EOBRs) did not change significantly from the previous two years. Driver training remains the most common safety-related activity that Texas truckers engage in. Purchasing EOBRs remains the least common.

Participation in safety initiatives continues to vary significantly by company size, carrier group, area served, and TXTA membership status. Large companies are almost twice as likely as small companies to implement every
one of the safety initiatives. TXTA members and Interstate Carriers both continue to be significantly more engaged with safety initiatives than their counterparts and the carrier type most conscientious about safety is a group newly defined for 2015, Machinery and Construction/Industrial Equipment Haulers. This group’s heavy involvement with oil and energy customers, who are increasingly writing safety specifications into their contracts, may be contributing to this carrier group’s high rates of engaging in safety initiatives.

The use of EOBRs is gradually becoming more common across Texas. In 2015, large companies reported that, on average, 27% of the trucks in their fleets were EOBR-equipped. This was three times the rate of small companies (8%). EOBR use also varies significantly by company subgroups. TXTA members, for example, have three times the proportion of their fleets equipped with monitors as non-members (19% versus 6%) and Interstate Carriers have a higher percentage of EOBR-equipped trucks than Intrastate/Local Carriers (11% versus 7%). Perhaps because of the amount of interstate transport they provide, the carrier groups with the highest rate of EOBRs in their fleets are Refrigerated Carriers and Agricultural Product (Unrefrigerated) Haulers (16% and 14%).

Attitudes toward EOBRs also appear to be evolving in Texas. Among company owners who had trucks equipped with EOBRs, large and small companies overwhelmingly agreed that EOBRs had improved safety in their firms. They were also decidedly positive about EOBRs improving driver satisfaction. As for whether or not EOBRs have improved profitability, owners of small companies are evenly divided while large company owners are clearly positive that EOBRs have improved their bottom lines.

Each year since 2013, this study has attempted to compare a small subset of growing and very profitable large companies, the Highly Successful Subgroup (HSS) with all other large firms that do not meet the growth, profitability, and size criteria. Patterns have begun to emerge in 2015 that provide insights into what makes some firms more successful than others.

In 2015, the HSS group sample was made up of 35 companies, 38% of the large firms that answered both the revenue growth and net profit questions.

Some characteristics which have been consistent about HSS companies for three years include:
HSS companies are not the largest or smallest firms among companies with more than 10 drivers. There are highly successful companies in every size group from 11 to 20 drivers, 21 to 50 drivers, 51 to 100 drivers and 100 drivers or more. Neither is their success due to their truck count, employee count, nor the type of materials they carry.

HSS companies are more likely than others to use at least some contract drivers to augment their employees.

HSS companies are more engaged in safety than other companies. They undertake safety initiatives at rates essentially equal to or greater than other companies.

HSS companies tend to be more optimistic about their future sales and profitability than other companies. They also consistently project higher truck purchases and more driver hiring than other companies.

HSS firms do more advertising for drivers, and their higher usage rates of recruiting venues, like driving schools and truck stops, suggests they maintain active programs of recruiting new and replacement drivers.

HSS companies value employee referrals of new drivers more than other companies and they are more likely to pay bonuses for referrals than other companies.

HSS firms pay a greater share of their revenues on driver and non-driver compensation than other companies. They are also more likely to offer almost every type of pay and benefit than other firms.

HSS companies consistently pay less on their operating expenses than others, resulting in higher profit margins, on average, than other firms.

HSS companies are significantly more likely than others to be members of TXTA.

In 2015, HSS firms also are more likely than others to require their drivers to use EOBRs, and they have higher proportions of their trucks equipped with electronic monitors. In addition, HSS firms that have EOBRs are more likely than others to agree that the devices have improved driver satisfaction, improved safety and contributed to higher profitability.
TAKEAWAYS: 10 WAYS TO STRENGTHEN YOUR TRUCKING COMPANY

Texas historically has the largest trucking industry in the country, with almost 19,000 trucking companies vying for business. Moreover, in many cases they are targeting clients in multiple transport sectors. The opportunities and complexity can make it difficult to identify a profitable niche. However, after several years of industry-wide research, the data shows 10 ways to stand out and outperform the field. These 10 practices were identified by reviewing data on the best performing companies of all sizes:

1. **Incentivize in-house referrals.** One of the ways oil and gas-related carriers were able to lure drivers from other sectors so successfully is that they paid, by far, the largest average referral bonuses of any transport group (almost 25% more on average than any other type of cargo hauler). Moreover, the most successful companies in the study (the Highly Successful Subgroup or HSS) have been and continue to be more likely to pay referral bonuses, although not necessarily the largest bonuses.

2. **Build a long-term, multi-pronged recruitment strategy.** Referrals are a great source of leads but cannot entirely fill the driver need. Successful companies recruit in multiple venues, increasingly online. Social media need to be factored in as Millennials (ages 18–30) increasingly go online to search for and investigate job opportunities and potential employers. As the economy continues to recover and the driver shortage inevitably becomes more acute, companies should explore new and innovative approaches to reach non-traditional segments of the population. They also need to be prepared to present a clearly laid out career path and training for a new driver because it is a rising benefit and one many young workers desire.

3. **Review profitability monthly.** Large profitable carriers not only regularly revel profit-and-loss statements, but they want to know the reports are compiled based on standard accounting practices—or at least reviewed—by professionals, specifically Certified Public Accounts. For smaller companies, having a CPA prepare your financial statements may be cost-prohibitive, but it may be worthwhile to consider employing a contract bookkeeper to prepare similar reports. Successful companies often pay close attention to standard margins and the profitability of each route/client to help them identify which services are most advantageous and which should be excised because they are not generating the desired income.

4. **Manage operating expenses to benchmarks.** It is important to benchmark expenses against proven successful standards. Some items, such as licensing and permits, fuel taxes, tolls, utilities,
and brokerage expenses, may be out of your control. But the HSS manages to spend about 40% less on the operating expenses that can be controlled, including equipment purchases or leasing, maintenance, insurance, training, bookkeeping, marketing, real estate, and depreciation. HSS companies take advantage of their economies of scale.

**Invest in tech.** One way companies are streamlining and gaining efficiencies is to invest in technology that reduces driver tasks, vehicle fuel consumption, and theft. For example, Electronic Logging Devices (ELDs) and Electronic Onboard Recorders (EOBRs) can reduce paperwork, facilitate validation of hours of service during inspections, increase certainty of delivery times (and therefore responsive to your clients), and geographically track loads within 30 inches. Technology can also help dispatching be more effective and improve communication within your team.

**Set and monitor safety performance goals.** Carriers face increasing pressure to reduce the numbers of accidents and trucking-related fatalities per million miles driven even as the number of ton-miles keeps increasing. New equipment, such as roll stability and lane departure software can enhance behavior on the road. But a solid safety program often incorporates recruitment, screening and levels of compensation; people tend to focus on the tasks that drive their pay. For small and mid-sized carriers, it entails supplementing safety managers with consultants, videos and/or online resources. The result is often fewer accidents, lower maintenance and operating costs, better fuel mileage, and lower driver turnover.

**Employ flexible staffing models.** As the HSS shows, many outperformers used a blended, in-house and contract driver pool. It allows them to respond to demand without significantly increasing back-office expenses for additional staffers. They get the advantages of having some owned assets that can be fully controlled while also gaining the flexibility of tapping contract drivers at what may be a higher per trip expense but only as needed.

**Take care of the drivers.** Drivers want to know you care about the job and them personally. Driver compensation can go as high as $75,000 or $150,000 a year, but generally tends to range between $45,000 and $55,000 a year in Texas and is fairly stable. One way successful companies show they care is to solicit and respond to drivers’ requests. In an earlier study that occurred last year, health care coverage was the most sought after benefit by new drivers. HSS companies invest a higher percentage of their revenues on driver compensation and benefits - including health care - than all other companies. Companies should periodically benchmark how their pay and benefits compare to similar companies, as
well as other industries that compete for the same employees. They can also benefit from talking to drivers, responding to their needs and educating them on value to driver benefits you have implemented in direct responses to their feedback.

**Continually build on your corporate culture.** Companies can show they care by having a concerted corporate culture. In earlier studies, trucking company executives have stated that the degree to which a driver feels a valued part of a company or community plays a key role in the recruitment and retention of drivers. In some cases, companies have developed a system to track every employee by first name and to use the given name whenever speaking to the employee. In other instances, the safety managers call to talk with each driver after every inspection whether good or bad and to make sure to thank the driver for the work he or she is doing and to verbally acknowledge that drivers are the backbone of any trucking company.

**Become a member of a trade association.** In almost every category surveyed, companies that belong to a trade group, such as TXTA, are significantly more likely to be engaged in those practice shared with the HSS. Clearly, involvement with a successful peer group correlates with a company’s own success.