



# Benchmarking Helps You Take Control of Your Bobtail Delivery Costs & Efficiencies

By Mike Shilts

**W**hat would you do if you had a tool that could analyze your bobtails by comparing them to marketers in your geographic area, to marketers with a similar number of bobtails, and to marketers with a similar number of annual gallons delivered? What if this tool compared manufacturers, costs, efficiencies, and other demographics with confidential, quantitative data from marketers of all sizes throughout the

**Table 1. PREVIOUS BENCHMARKING STUDIES**

Year	2006	2007	2008	2009
Month	May	May/Sept.	Sept.	Sept.
Presentation City	Memphis	Charlottesville/ Grand Traverse	Omaha	Bozeman
Association	Benchmarking Council	Benchmarking Council	Benchmarking Council	Rocky Mountain
Respondents' Location	U.S.	U.S.	U.S.	Western U.S.
No. of Marketers	47	53	60	27
No. of Bobtails	333	491	544	134
No. of Gallons	143,900,000	195,800,000	237,200,000	58,700,000

## Fig. 1. BENCHMARKING SPREADSHEET QUESTIONS

### Recap (total number of...)

- Marketers
- Bobtails
- Gallons
- Miles
- Drops

### Efficiencies

- Average drop size
- Gallons delivered per mile
- Miles between drops
- Will-call percentage

### Average per Marketer / Average per Bobtail

- Number of bobtails (marketer only)
- Gallons
- Miles
- Drops

### Sub-groups (for comparisons)

- Geographic
  - Region 'A' (e.g., East, Midwest, Central, West...)
  - Region 'B' (e.g., California, Florida...)
  - Region 'C' (Montana/Wyoming...)
- Similar size marketers—Number of bobtails
  - 1-3 bobtails
  - 4-9 bobtails
  - 10 or more bobtails
- Similar size marketers—Gallons delivered
  - Less than 2 million gallons
  - 2-5 million gallons
  - Over 5 million gallons

### Manufacturer Type (number and percentage of each)

- Ford, International, Kenworth, GM, Sterling, Mack, etc.
- Model type

### Demographics (number and percentage of each)

- Fuel type (diesel / propane)
- Primary use (residential / commercial / other)
- Transmission (manual / automatic)
- Topography (flat / hilly / mountainous)
- Year built
- Bottle size
- On-Board computer (yes / no)
  - Vendor name if yes
- Logistics software (yes / no)
  - Vendor name if yes
  - Operating costs (total)
- Annual amounts
  - Driver
  - Variable
  - Fixed
  - Total
- Per unit for driver/variable/variable costs
  - Cost per bobtail
  - Cost per gallon
  - Cost per mile
  - Cost per drop
  - Marketer-specific, customized reports

### 'Yellow' sheet

- Recaps all information and lists appropriate sub-groups

### 'Green' sheet

- Lists by bobtail

### 'Blue' sheet

- Compares costs and efficiencies by amount and percentage to all marketers in the study, by region, number of bobtails, and annual gallons
  - Cost per gallon, mile and drop
  - Gallons per mile and per drop
  - Average miles driven and average gallon throughput

country? Would this help your operations? Streamline your deliveries? Enhance your productivity? Increase your bottom line?

The propane industry, because of its highly-fragmented nature with many private, family-held companies, does not have quantifiable benchmarking data compared to other industries (e.g., home building and insurance). This lack of comparative data makes it more difficult for marketers to know if their costs and efficiencies are in line with other marketers in their geographic area or marketers of similar size. Propane marketers of all sizes, whether firmly established or a start-up, need this vital information to be successful, especially in these challenging economic times.

There have been many excellent articles written in propane industry trade magazines and newsletters from the National Propane Gas Association (NPGA) and propane associations that stress the value to marketers of knowing their costs, drop sizes, efficiencies, throughput, routing, etc. There have also been many marketer surveys, questionnaires, and estimates intended to determine this information from actual marketers.

### Original Study

In 2006, NPGA's Benchmarking Council (at the time it was called the Marketers Management Forum) determined that a confidential, comprehensive study of bobtail costs and efficiencies was needed because of a lack of industry-specific data in the propane industry and an avid desire to improve its members' operations. The study had to be large enough to provide accurate results, and confidential so as not to disclose specific marketer information. The results would be presented at the Benchmarking Council meeting in Memphis, Tenn., with take-home value to include:

- How do participants' **bobtails, demographics, costs and efficiencies** compare to other marketers'?
- How do costs and efficiencies compare by **region, bobtails, and gallons** delivered?
- What does it cost **per gallon, per mile, and per drop** to operate a bobtail for a year?
- What are total **driver, variable, and fixed expenses** to operate a bobtail for a year?
- What are average **miles, throughput, and drops** for a bobtail in a year?
- Which **bobtail manufacturers** have the lowest and highest costs and efficiencies?
- What **trends** can be discerned to **enhance future productivity**?
- What are the most efficient **bottle sizes, drop sizes, fuel types and transmissions**?
- What **incentive and bonus** programs can be implemented for drivers, dispatchers, and managers?
- Are **on-board computers and/or logistics software** worth the extra cost?

### Four Studies Completed

The initial study in 2006 was successful, with 47 marketers participating. The Benchmarking Council requested additional studies in 2007 (updated twice) and in 2008,

with increased excitement and participation each year. The Rocky Mountain Propane Association also requested a study, the results of which were presented this past September. A recap of benchmarking meeting locations, marketers, bobtails, and annual gallons from each of the four previous studies is shown in *Table 1*.

### Information Requested from Marketers

Each participating marketer was sent (or downloaded) an Excel spreadsheet with step-by-step instructions. Once completed, the Excel file was e-mailed, faxed, or mailed for analysis (confidentially, of course). The Excel spreadsheet's columns (*Fig. 1*) requested the following demographic and cost information for each bobtail:

- Manufacturer, model type, year built
- Fuel type, transmission, barrel size
- Topography, primary use
- On-board computer, logistics software
- Will-call percentage
- Annual amounts (12-month representative sample) of miles driven, gallon throughput, number of drops
- Annual costs (a 12-month representative sample) of driver costs (wages, overtime, benefits, etc.); variable costs (fuel, oil, tires, maintenance, repair, etc.); fixed costs (depreciation, lease, insurance, taxes, licenses, etc.)

A PowerPoint presentation was compiled after each study, and marketers who responded received a fully customized booklet (24-38 pages) that summarized all demographics, costs, and efficiencies. Each marketer also received customized comparisons to all respondents; those in their geographic location (region); by number of bobtails; and annual gallons delivered. An example of the recap page is shown in *Fig. 2*.

### Sample Study

Because of proprietary concerns, actual results from the previous four studies cannot be disclosed. However, the example shows a sample study of 40 marketers, 200 bobtails and, 100 million gallons and a sample marketer ('Your Successful Company') with five bobtails and 2.5 million gallons.

### Conclusion

The bobtail benchmarking studies have proven to be very successful because (a) there were enough respondents to make the results significant, (b) there was a wide range of marketers geographically, (c) there were marketers of all sizes and (d) there were real numbers built from the ground up (bobtail by bobtail) instead of from surveys or estimates. There have been hundreds of requests after the presentations from marketers for addi-

**Fig. 2. SAMPLE RECAP PAGE**

	Sample Study	Sample Marketer 'Your Successful Company'	Variance ('Blue Sheet')	
			Amount	Percent
<b>Marketers</b>	40			
<b>Bobtails</b>	200	5		
<b>Gallons</b>	100,000,000	2,500,000		
<b>Miles</b>	3,000,000	100,000		
<b>Drops</b>	600,000	10,000		
<b>Average Drop Size (Gal.)</b>	166.7	250.0	83.3	50%
<b>Average Gal. Per Bobtail</b>	500,000	500,000	0	0%
<b>Average Miles Per Bobtail</b>	15,000	20,000	5,000	33%
<b>Average Drops Per Bobtail</b>	3,000	2,000	(1,000)	(33%)
<b>Annual Cost Per Bobtail</b>	\$75,000	\$90,000	\$15,000	20%
<b>Cost Per Gallon</b>	\$0.15	\$0.18	\$0.03	20%
<b>Cost Per Mile</b>	\$5.00	\$4.50	(\$0.50)	(10%)
<b>Cost Per Drop</b>	\$25.00	\$45.00	\$20.00	80%

tional information, updates, or more specific breakdowns by branch or location. Because all marketer-specific information was (and will always be) completely confidential, there was no fear of any competitive issues or information being disclosed.

The studies do not provide easy answers, but may help validate past performance and allow marketers to focus on streamlining operations, reducing costs, and increasing efficiencies. After receiving customized results with actual comparisons to all marketers and those by region and similar size, typical responses were: "Amazing, I never knew we were that inefficient," "Wow, we must be doing something right!," "We need to eliminate a bobtail," or "I'm glad I don't live in that part of the country!"

A general guideline for a successful study is to include at least 15 marketers and at least 75 bobtails—with no upper limits—the more participants, the more useful the results. The Benchmarking Council studies in 2006, 2007, and 2008 have proven to be especially useful, since trends have been noticed and often corrected.

When the propane industry has more objective benchmarks, marketers (whether established or a start-up) will be able to compete more effectively with other sources of energy by understanding their delivery costs and efficiencies. Any group, state, or regional association may benefit from such a study (or a study on compensation, marketing, financial ratios, insurance, supply, etc.). Who knows, a tool to streamline your operations, improve productivity, and reduce costs may soon be at your fingertips!

*Mike Shilts is director of retail operations for Pennington Gas Service in Morenci, Mich.*