



# Profitability

## what's your game plan for 2009?

### Carriers need comprehensive business strategy to survive the credit crunch

by Dan Goodwill

The current credit crisis is placing increased pressure on shippers and carriers to offset shrinking volumes and cash flows. Published statistics indicate that both manufacturing production and retail sales sank in September to their lowest level in years. This is resulting in production cuts and layoffs.

Carriers are facing challenges from shippers on a number of fronts.

- Smaller shipments and less volume
- Slower payment of freight invoices
- Increasing numbers of shipper bankruptcies that result in non-payment of their overdue accounts
- Shippers holding up payment or claiming they need to offset (contra) their payables for alleged damage or poor service

In addition, truckers are finding that

their access to credit is being more restricted by financial institutions and suppliers. Banks are trying to do a more effective job of prioritizing their loan portfolios. This may make the flow of money to certain truckers more problematic than in previous times. Whether it is short term payments for fuel and payroll or more significant funds for new capital equipment or an acquisition, credit liquidity is being more carefully scrutinized.

What can carriers do to help themselves during these difficult times?

Large carriers with lots of cash on their balance sheets are in the best position to weather the storm. For carriers with less cash, there are a number of possible initiatives that may be helpful. They include:

- Sale of non-core businesses or excess equipment (where possible)
- Trimming capacity
- Merging operations and removing redundancy
- Reducing fixed costs, including salaried employees, and utilizing more outside agency personnel on an as required basis
- Performing more careful due diligence of prospective shippers
- Shying away from one shot or large short term spurts in freight, particularly from shippers that are unknown
- Demanding payment on delivery from specific slow-paying shippers
- Hiring collection agencies to recover unpaid bills that are 30 days and over
- Speeding up the process of sending out invoices
- Charging for round trip mileage in situations where backhaul freight is very difficult to secure
- Updating their fuel surcharge tables more frequently

- Offering incentives to shippers for "quick pay"

Some carriers are turning to more desperate measures such as factoring their receivables. Factoring fees typically run from 5 to 10% and are based on the credit worthiness of the client. While factoring can help some companies, it can also push others into a "downward spiral." With margins so lean in trucking, giving away some precious points in margin may jeopardize the trucker's long term survival.

This is also a time for marketing initiatives. Offering new services, which are an extension of, or an improvement on existing services, is another way to offset the financial challenges. Generating new and profitable revenue sources can be very helpful in taking advantage of a company's existing infrastructure and resources. This is also an opportunity to secure market share from weaker carriers that are terminating good people, exiting profitable markets and/or "cheating" on service. The anxiety level of strong sales performers working for your competitors is often heightened by rumours and substandard operating performance. This can make these individuals more open to overtures from stronger, better financed companies. Those companies that are able to maintain strong cost control, good financial management and aggressive marketing activities will be the ones in the best position to ride out the current financial crisis.

MT

©ARTICLECATEGORY:3361;  
©COMPANYINARTICLE:024653231;

### MERCANTILE MERGERS & ACQUISITIONS CORPORATION

#### MERCANTILE MERGERS & ACQUISITIONS

Mercantile Mergers & Acquisitions Corporation are a mid-market M&A brokerage firm. The company specializes in the purchase and sale of mid-market companies, including the Transportation industry. In addition, the company advises on business valuations, mezzanine, and equity financing, management buyouts, restructuring of debt, family business re-capitalization and workouts.

Contact (in confidence):  
Mark Borkowski, President at:  
(416) 368-8466 ext. 232 or  
mark@mercantilema.com

Mercantile Mergers &  
Acquisitions Corporation



Dan Goodwill, president of Dan Goodwill and Associates, has over 20 years of experience in the logistics and transportation industries in both Canada and the US. He can be reached at dan@dantranscon.com.



# Profitability

## Light speed ahead:

by Julia Kuzeljevich

# Logistics report signals new demands and pressures

Total logistics costs in Canada between 2005 and 2007 increased by 22% in retail, with manufacturers and wholesalers keeping their cost within a 1% range, according to research entitled *State of Logistics: The Canadian Report 2008*.

The research was conducted by Industry Canada in partnership with Supply Chain & Logistics Association Canada (SCL) and Canadian Manufacturers and Exporters (CME).

Philippe Richer, Industry Canada's Supply Chain Research project manager, presented the report's key findings. "Most of the cost increase was attributed to inventory carrying costs and a rise of more than 35% in inventory levels. Compared to the US, total supply chain management and logistics costs were 12% higher for Canadian manufacturers, 18% higher for Canadian wholesalers and 30% higher for Canadian retailers in 2007," he said.

The higher logistics costs this side of the border present an obvious challenge for Canadian shippers, particularly during a tough economic climate, but they also present opportunities for carriers keen on offering solutions for more cost-effective transportation.

Richer noted that there was a 60% increase in investment in new distribution facilities in Canada from 2001-2007, coinciding with the rising complexity of inventory management with supply chain partners from around the globe.

"Manufacturing is the most innovative and agile sector in logistics and SCM practices, focusing in on mass customization, supply chain agility and just-in-time delivery, and is the only sector that has not decreased its inventory turn in the last two years," said Richer.


Re-exported products experienced the highest growth in all the regions of Canada, he said. In 2007 most of these transited through Central Canada to the US.

North America is also seeing a shift from an East-West, two DC model to a "pool" model of multiple inland DC hubs.

Compared to the US, however, Canada had supply chain agility gaps in manufacturing inbound goods inventory turns (24%), wholesale IT (10%) and retail IT (29%) in 2007, showing only a slight advantage in manufacturing finished goods IT at 3%.

In terms of outsourcing trends, meanwhile, compared to Canada, in the US, outsourced activities were 52% higher for US manufacturers, 53% higher for wholesalers, and 54% higher for retailers, in 2007. **MT**

❄️ *Season's Greetings!* ❄️




## NAL serves the Trucking Industry


And is Proud to Sponsor



[www.truckingforwishes.com](http://www.truckingforwishes.com)  
helping dreams come true for children  
with life threatening illnesses



[www.greentrucker.com](http://www.greentrucker.com)  
saving our environment,  
one mile at a time



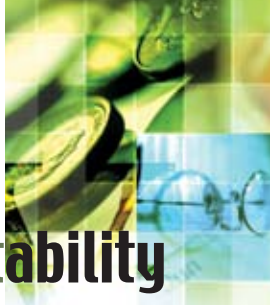
[www.drivingforprofit.com](http://www.drivingforprofit.com)  
expert information in an  
affordable fashion

## Disability • Downtime • Buydown

# Call Today! 1-800-265-1657

### NAL Downtime Lounges

HWY 401: Woodstock, TA Truck Stop, Exit 230  
Cornwall, Fifth Wheel Truck Stop, Exit 792  
HWY 401: Belleville, 10 Acre Truck Stop, Exit 538



## Profitability

# stop thief

## Carriers fighting back to address growing cargo theft problems

by James menzies

With rates depressed, shipment volumes dwindling and banks getting overly tightfisted with credit, the last thing a motor carrier needs to be dealing with is the loss and insurance issues created by cargo theft, a growing problem in Canada for over a decade which costs the industry a billion dollars annually.

But there is reason for hope, at least on this front. The Ontario Trucking Association has formed a committee to battle back against cargo.

Uwe Petroschke, president of Totalline Transport and chairman of the OTA's Cargo Theft Committee, said he got involved because "I'm tired of getting my stuff stolen."

He said trucking companies are often embarrassed to admit they've lost a load, and keep their cards close to their vest. But he hopes that by acknowledging the problem and sharing experiences and best practices, that carriers can put a dent in the rampant cargo theft problem that plagues the industry.

"I decided to put my neck out there and talk about the problems we were experiencing," he said. "Cargo theft is no longer isolated to the police – they lack the staff. It has become our issue and we had to get involved to get things done."

Mike Plante, a Peel Regional police officer focusing on fraud, agreed, noting there are only four police officers specializing in cargo theft in all of Canada.

"You, in the industry, are going to have to police yourselves," he said during a seminar on cargo theft at the OTA's annual convention.

So far the committee is still in its formative stages. It has developed a list of best practices for both shippers and carriers to reduce their risk of being victimized. The biggest challenge is still to come, however, and that's lobbying government to legislate

harsher sentences for criminals convicted of cargo theft.

"Organized criminals have found a loophole in the system," he said, noting the worst they can be charged with is theft over \$5,000, which rarely carries a jail sentence. "The police will arrest the same guy 10-15 times and he hasn't served a day in jail yet."

To protect against cargo theft, Plante suggested developing an "onion security system," with layer upon layer of security measures including: fenced yards; security cameras; and wheel and king pin locks to name a few.

"The bad guy cries more every time he peels away another layer," joked Plante.

### Best practices

Petroschke said shippers can assist in protecting against cargo theft, by verifying the truck, trailer and driver all belong to the appropriate carrier before releasing a load. They should request identification from the driver and be wary of undecaled equipment, since cargo thieves often use plain white rental trucks.

Shippers should also label all their products. Quite often, the police will recover a load yet may not be able to trace it back to a carrier or shipper due to a lack of proper labeling. If the shipper hasn't labeled the freight, the carrier should take the time to label it in case it turns up in a criminal's warehouse.

Trucking companies should be careful about releasing information such as their CVOR or DoT number, Petroschke said.

"Now, it's popular for thieves to call a trucking company and ask for its CVOR, operating authority and insurance and (the carriers) just send it out," he said. "That's how they pretend to be you!"

Totalline staff have now been instructed to release such information only to pre-approved companies that are listed in its

database.

"We don't send out our documents anymore," he said. "Everybody has to be approved and in our database or they don't get our documents."

Totalline has also begun using high-security seals, and Petroschke suggested assigning an individual – such as the gate keeper – to apply the seals.

Placing cameras around the yard and in the shipping office can also help discourage theft, or at least identify thieves once a load has been taken.

Petroschke also suggested carriers hire only FAST-approved drivers, since it's difficult to obtain a FAST card if you've got skeletons in your closet. He also suggested stepping up, rather than relaxing, security on weekends, since that's when most loads are stolen. He also recommended placing empty trailers around the perimeter of the yard, so there's another layer between loaded trailers and the outside world.

Usually, cargo thieves will stake out a carrier before stealing a load. Petroschke said organized criminals operate much like a legitimate trucking company, sending drivers out on regular runs each night to observe the procedures at various trucking companies and then warehousing goods.

They'll then often park the truck and trailer in a "No Parking" zone so police recover the equipment and often end their investigation.



*James Menzies is the executive editor of sister publications Truck News and Truck West. He holds a commercial drivers' licence and has test driven trucks all over Canada, the US, Asia and Europe. An award-winning writer, he has also co-authored a book about trucks from around the world.*



# Profitability

## Identifying E-crime

E-commerce has created many opportunities for businesses in recent years, but the Internet has been equally prosperous for thieves. Claudia Milocevic, general manager with Transcore, says the Internet has been a “great enabler” for organized criminals and that trucking companies should do extensive due diligence before entering into a business agreement with another company – especially if the connection was made online.

“Don’t take anything at face value over the Internet,” Milocevic warned at a seminar on protecting yourself from organized crime at this year’s Ontario Trucking Association convention.

Milocevic said Transcore itself conducts thorough background checks on any company that wishes to use its LoadLink service. She said Transcore asks a new carrier to provide: CVOR documentation; their DoT number; a cab card (“You’d be surprised how many people that have CVORs and want to go pick up freight that don’t own a truck”); insurance certificate; business registration; and articles of incorporation.

Then, the company reviews all the paperwork to ensure there are no inconsistencies (ie. Does the address appear the same each time it’s referenced and is the address legit, or is it a UPS store?)

Milocevic also suggested taking special precautions when doing business with a new carrier, since organized criminals will start a company and then commit their crime almost immediately.

She recommended a free program called Google Desktop, which is a PC indexing system that may trigger some alerts if someone you’ve had previous dealings with turns up at another company. She also suggested to: find out how they found out about you; ask for references and call them; and order credit reports from multiple providers and compare them closely.

“You can’t afford not to spend that extra 10 minutes to review and check everything,” she said.

She also warned to be skeptical of rates that seem “too good to be true.”

MT



## TIRE SERVICE AROUND THE CORNER, ACROSS THE COUNTRY.

OK Tire has served commercial customers just like you since 1953. With stores coast to coast, and the ability to offer Manufacturer National Accounts, you’re never far away from help when you need it. Not to mention one of the best selections of commercial tires in Canada - including all the brands you know and trust.

For the OK Tire commercial location near you, visit [oktire.com](http://oktire.com).  
In emergencies, visit [truckdown.com](http://truckdown.com).



Honestly driven.

™ The OK Tire mark is a trademark of O.K. Tire Stores Inc.  
® Bridgestone is a registered trademark of Bridgestone Corporation.  
® Firestone is a registered trademark of Bridgestone Licensing Services Inc., used under license.