

Spirit Of Cooperation Needed When Transporting Produce

Transportation providers and receivers must work together, say experts.

BY CHUCK GREEN

While the road to economic recovery has been studded with hairpin turns, there is no room for similar perils in the relationship between transportation providers and receivers — particularly given the current climate, according to industry experts.

In light of plummeting rates and "beat up" drivers, it makes good business sense for shippers and receivers to maintain cordial ties with transportation companies, especially with the reported likelihood of a capacity shortage, which could make it particularly tricky to secure drivers and quality trucks, says Kenny Lund, vice president of support services for Allen Lund Co. Inc., based in La Canada, CA. "You need a company that will be available 24/7, especially in the produce industry," he adds. "You have to be able to work closely with your transportation brokers to be flexible."



Trucking companies receive incentives on fuel expenses in an effort to be green and efficient.

Speaking of beat up, in the previous downturn, employment in trucking peaked in April 2000, nearly a year before the official start of the recession, according to the Washington, D.C.-based Bureau of Labor Statistics (BLS). In addition to peaking before the economy as a whole, employment in trucking continued to fall for 36 consecutive months, 17 months after the official endpoint of the recession, as designated by the National Bureau of Economic Research, located in Cambridge, MA. During this time, the trucking industry cut 91,000 jobs from payrolls, or more than six percent of employment. The present downturn has witnessed a similar trend within the industry, the BLS reports. The most recent employment peak occurred in January 2007, 11 months prior to the official starting point of the current recession. Since then, employment within the industry has declined for 35 months, resulting in the loss of 208,000 jobs, or just over 14 percent of employment, reports BLS.

In any event, receivers want three things from their providers: Safe, dependable operation; fair, predictable rates; and capacity, notes Noel Perry, principal of Green Bay, WI-based Transport Fundamentals LLC and managing director and senior consultant at FTR Associates, located in Nashville, IN, which covers the freight transportation industry.

Over the past couple of years, conditions for shippers have been optimal, with a surplus of equipment and falling rates — both in terms of margin and fuel — yielding unlimited capacity at low prices, Perry reports. However, the tide is turning, he adds. Although, as a whole, the produce side will have less of a problem than the non-perishables side, prices will spike because of some capacity shortages, Perry explains. It's the latter that really counts during recoveries, he notes. Consequently, at more than any other time in a relationship with a carrier, shippers will want dependable capacity, says Perry. "It will be, 'Can I get you to come to my loading dock when I ask, or will you stiff me in favor of someone who will pay you a big premium?'"

TRUCKING COMPANIES HAVE LONG MEMORIES

Some receivers could pay for the fact that trucking companies have long memories, Perry notes. "A whole bunch of shippers have reneged on existing contracts during the downturn and wanted to renegotiate down with shippers," which he labels a breach of trust. "If you're a carrier, you're angry. A lot of carriers remember that." He says they'll probably reciprocate in an upturn, which is where a good relationship can pay dividends. "If you help your carriers during downturns, most of them will return

the favor in an upturn."

Still, it takes two to tango, points out Matthew D'Arrigo, vice president of D'Arrigo Bros. Co. of New York Inc., located in the Bronx, NY. D'Arrigo expects a steady supply, fair pricing, quality performance, up-to-date insurance and timely delivery. And he deplors mysteries, so reliable communication is also a must. Furthermore, D'Arrigo says one of the most important aspects of doing business with a provider is its response should be a claim be lodged against a driver. "You don't want your truck broker trying to become a defense attorney every

time the temperature recorder in a truck is high or low. They make the job very tedious. We're not here to hurt anyone; we just don't want to be hurt by a bad temperature ride on a truck." These circumstances can help parse professionals from others, he notes.

And brokers certainly don't help their cause if they disappear when trucks get short, as many have in his experience, D'Arrigo admits. "That's when you realize where you rate as a customer on their list. Those who have better relationships with the drivers are more likely to get better trucks."

Joey Battaglia, produce director and buyer at Western Beef Inc., a 27-unit supermarket chain in Ridgewood, NY, occasionally has been frustrated by a trucking company, especially when he's left in the dark about a delinquent delivery, he notes. "A lot of companies do not know where its equipment is. They find out when we call looking for that specific truck," he explains. "A good company knows where its trucks are and provide instant updates. That's service," he says. To survive, a trucking company "has to be the best."



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—Joey Battaglia
Western Beef Inc.

Jeff Moore, vice president of sales at the St. Louis, MO, office of Tom Lange Co. Inc., headquartered in Springfield, IL, says several factors should be considered when selecting a transportation provider, including its history and track record, longevity and its ranking on trading practices and integrity. Ultimately, however, its success comes down to quality of service, he notes. "Just-in-time delivery is more than a slogan

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LUKEWARM ON EDI

One tool that can help enhance communications and provider effectiveness is electronic data interchange (EDI), which facilitates the exchange of information electronically, such as shipment status and invoicing. However, while his firm is EDI-capable and is required to use it by some customers, Jimmy DeMatteis, president and CEO of Des Moines Truck Brokers Inc., headquartered in Norwalk, IA, isn't so sure it's the answer for the produce industry. He prefers personal communication, he says. "I don't think we can ever lose sight of that, especially when you're dealing with perishable products. I think we can do anything EDI can."

D'Arrigo finds EDI merely the "latest thing on the technological belt," and doesn't think much of it. "There's no substitute for getting someone on the phone."

While his company has worked with EDI for some time and increasingly is "coming of age," Lund of Allen Lund Co. believes it's difficult to use it in produce due to the number of changes inherent to that segment. He doesn't feel EDI "does well with multiple changes."

Some of his customers also require it, but Fred Plotsky, owner of Cool Running in Kenosha, WI, considers EDI a "waste of money." The system simply adds an extra layer in the work flow process and lards additional expenses on carriers required to use it, he explains, translating into a charge to receivers. "A carrier can't do it for free."

PUSHED TO THE WAL-MART MODEL

Paul Kazan, president of Target Interstate Systems Inc., located in the Bronx, NY, does not mince his words regarding EDI, or anything like it. His office functions electronically, "much to my chagrin," he admits. "I'm an old timer, but everything we do is through emails, or customers go onto our Web site." When considering the relationship aspect of doing business, he emphasizes, "Now, it's all done slam bam. Everything is electronic, especially when you're dealing with chains and bigger people. In this era, every business has been pushed to the Wal-Mart model of doing business," where personal communication is scant, he bemoans.

Fair freight rate for service is another important aspect of doing business between companies and providers. "We give receivers bang for their buck," says DeMatteis. "There's a learning curve with some cus-

tomers where they'll shop and go with low-ball pricing," but often, a number of those companies don't take care of the details, he observes. "What does it cost them by the time they re-educate a carrier and make extra phone calls to shippers?"

Adds Plotsky: "You try to offer fair rates. If it doesn't work, it doesn't work. They might have to go elsewhere, but then they might realize that you get what you pay for."

When you talk about fair freight rate, you're getting into "What's a fair rate?" says Lund, who notes it's up to the market, "and no one's bigger than the market." His company seeks fairness in negotiations, and doesn't like "chiseling" on rates. "That makes me nuts. We'll provide great transportation for a company and get cut out for \$25. That's a recipe for trouble down the road." Transportation decisions based on price alone aren't decisions made for the long run, he explains.

Looking down the road, fair markets are dictated by supply and demand and always will be, points out Kazan. "I'm always fair with my regular customers, and they're fair with me. That's the idea of partners. There's always a balance. Sometimes scales tip one way or the other."

"You're in the world of negotiation," adds D'Arrigo of D'Arrigo Brothers of New York Co. "I think if you only ask one broker what the rate is every day, he gets to know you don't check the numbers." Consequently, a receiver will pay several hundred dollars per-load higher than if he shops, he says.

"Basically, receivers see who can be \$100 more, who could be \$100 less. They know the name of the game," adds Battaglia.

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REALITY CHECK

There's a "reality" to fair freight rates, explains Duff Swain, president of the Tricon Group, headquartered in Columbus, OH. "It's like anything else; there's an average, below average and above average." Some in every market command more money because of a special level of service or they're in a special market environment, he notes. On the other hand, there are those who "run cheap and the service level is cheap, too." It's an industry that, in the final analysis, survives on providing good service, he adds.

Also in the final analysis, like EDI, "going green," and its impact on the environment seemingly has met varying degrees of enthusiasm in the industry.

Des Moines Truck Brokers has carried out measures to embrace the green movement, such as document imaging to reduce the amount of paper it produces and purchasing bikes for staff members, notes DeMatteis.

Allen Lund Co's Lund explains trucking companies receive incentives on fuel expenses, for instance, to be green and efficient. "It's a good thing to be green, but hard when people who have never been a truck driver or even in a truck try to impose rules on trucking."

Meanwhile, D'Arrigo says he's paid the issue little heed. "It's another thing where the industry will be driven by forces beyond my control."

Swain explains the industry has gone as green "as it can." There's a "huge new movement" within the industry to adopt the green philosophy, yet, there also are obstacles, he points out. The biggest problem is that fossil fuel is still burned. That's how drivers operate their trucks, and they run on tires basically made of rubber and originating from a carbon-based product, he points out. "It's difficult for them to be efficient because they're not a manufacturer; they're not generating what they do; they're supplying a service." He says many are attempting to adapt technology that makes long-term sense and projects the industry in the best image possible.

PEOPLE COUNT

One thing receivers and transportation companies pay rapt attention to is carrier accessibility, and many seem to highly value a live human being, rather than multiple levels of push-button menus on a phone or Web site, notes Lund, adding that transportation brokers play a key role of bridging the communication gap between the shipper and the carrier. "We think it's critical to talk to people," Lund emphasizes. "You can

better decipher what's going on with a driver by the tone of his voice, rather than something like text messages, which impacts the quality of service. There's no personal relationship with pushing buttons and this is a personal relationship business."

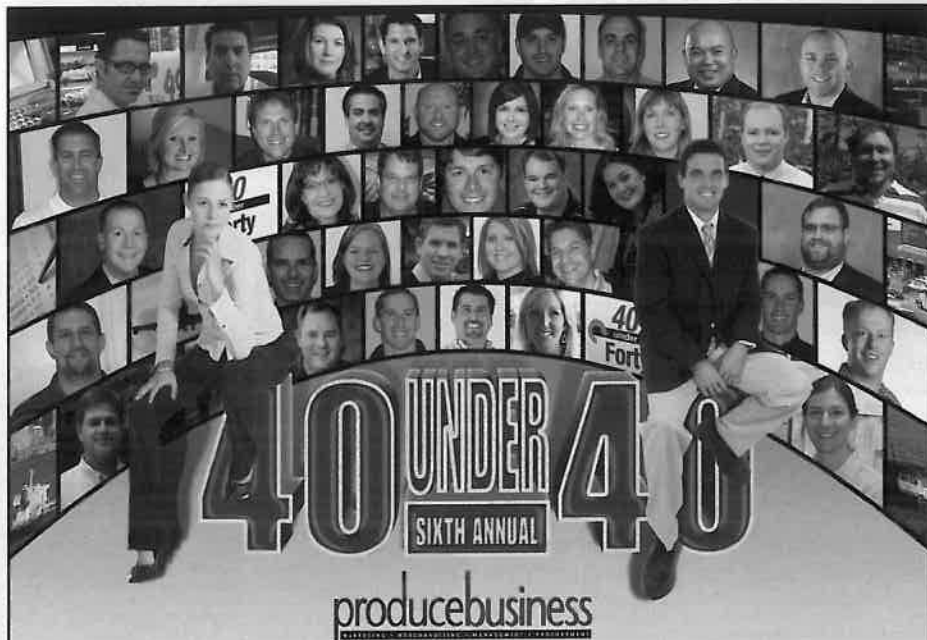
"We don't do business if we have to deal with menus," D'Arrigo says. "We want to dial, hear that ring and that get right to someone."

Tom Lange's Moore agrees, noting that for his company, performance means competing for the best carriers and perpetual accessibility to customers and drivers. "Our mobile phones are with us 24/7 and are answered

when they ring," he says. In fact, not only is the company quick to pick up calls, it pays drivers fast, and well, emphasizes Moore. "We're only as good as their performance."

It tends to work that way, although Swain notes some might get the impression a system is push-button if they phone into any place because of the phone set up. He believes that, for the most part, trucking companies remain "pretty entrepreneurial. Most of them are small, managed by closely held corporations and it's easy to reach the top layer of management when you're talking to someone there."

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