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CaroTrans' local approach

Group CEO Howard outlines strategy for neutral NVO's expansion.

BY CHRIS GILLIS

CaroTrans International may be among the larger non-vessel-operating common carriers when it comes to geographic coverage and information technology, but it operates in a manner more consistent with a niche or regional player.

"Although we're a big business, we think and act small," said Group Chief Executive Officer Greg Howard, in an interview. "Our strategy has always been to maintain a decentralized and localized stance in whatever country we operate."

This means CaroTrans prefers to empower its managers at the branch level to cultivate and service customers, instead of centralizing functions, such as booking cargo and documentation, in far-flung service centers.

"All the work in the U.S. offices remains in the U.S. The only thing we export is freight, not jobs," Howard said. "The same goes in other markets that we operate. All the work is handled by local teams."

Running the business from the branch level out gives forwarders local access to

CaroTrans' decision makers, he added.

Similarly, CaroTrans prefers to cultivate future managers from within its ranks instead of poaching employees from other NVOs. Howard started as an entry-level clerk when he joined the company in 1984 and soon was tasked to open the NVO's European and Asian network.

"We believe in succession planning as we build our future leaders," Howard said. "We have a very good mix of experience and youth. We promote from within and break down bureaucracy at every opportunity. Our DNA is clearly defined and known amongst the team."

What's not decentralized is CaroTrans' IT strategy. The NVO is among 50 companies of different sizes and industries working with Microsoft to implement its Windows.net business platform.

"There has been significant investment in user applications which provide additional avenues into the company and ways for clients to interact with our operations," Howard said. "Internal processes have been redesigned using new software

development tools. This in turn has led to further innovation."

CaroTrans was started in 1979 by Jim Justiss of Carolina Freight Corp., and initially prospered in the U.S./Puerto Rico trade before expanding in the late 1980s to other world markets. In the mid-1990s, Carolina Freight was acquired by Fort Worth, Ark.-based Arkansas Best Corp., and CaroTrans became Clipper International, a division of the trucking company's domestic intermodal provider Clipper Group.

Realizing an opportunity to resurrect the CaroTrans brand, Howard helped negotiate a deal with Arkansas Best to buy Clipper International in 1999.

Although CaroTrans is now a subsidiary of New Zealand-based logistics firm Mainfreight Ltd., the NVO continues to operate as an independent neutral consolidator, meaning it provides less-than-containerload and full-containerload services to forwarders and their affiliated NVOs.

Since then, CaroTrans has watched its business expand, even during the worst

of the economic downturn in late 2008 and 2009.

“We experienced steady and consistent export LCL volume throughout 2009 and 2010,” Howard said. “Essentially our core business remained healthy while the export FCL volume was more dramatically impacted in 2009. We saw the FCL volume rebound in 2010 to record levels as clients shifted more volume to the OTIs (ocean transportation intermediaries) instead of committing all volume to the VOCCs due to the flexibility and versatility offered by the OTIs.”

During the downturn, CaroTrans expanded its export LCL by adding 18 new service offerings. “The weak dollar helped create a noticeable increase in LCL import volume, as clients shifted purchasing patterns to smaller and more regular LCL shipments in place of FCL,” Howard said.

The NVO experienced a marked increase in FCL export in support from shippers who had previously relied solely on liner carriers for their transportation.

CaroTrans’ 2010 global volume, which included non-controlled import shipments for overseas agents, was about 240,000 TEUs.

In addition to its Union, N.J., headquarters, CaroTrans has offices in 12 U.S. cities, including new branches opened in San Francisco, Boston and Dallas. The NVO plans to enter more U.S. markets this year.

Unlike some large NVOs, CaroTrans refrains from operating its own container freight stations. “We don’t own the assets and avoid situations where we are trapped into fixed-cost scenarios when the market is contracting or expanding,” Howard said. “We look to be the ‘anchor partner’ with our CFS operators and connect our system via EDI. These independent CFS partners can also provide our clients with an independent CFS operator with whom they can directly contract for specific service requirements outside of CaroTrans’ capabilities.”

In overseas markets, the NVO often works with local consolidators. “CaroTrans has partnered with premier neutral NVOs in key world markets that have developed leadership positions and strong brand recognition in their respective regions,” Howard said. “We see this network of long-term partnerships consisting of strong

regional neutral NVOs to be one of our unique competitive advantages. It’s hard to justify breaking that up just to have your logo appear on a door in a foreign port.”

That’s not to say CaroTrans doesn’t operate any owned offices overseas. The company has four offices in Australia, two in New Zealand, and five in Hong Kong and China, and most recently opened its doors in Santiago, Chile.

Greg Howard
chief executive
officer,
CaroTrans
International



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“Our expansion into Chile was not through acquisition,” Howard explained. “While there were ample opportunities for acquisitions, we elected to disengage from an agent relationship of more than 17 years and establish our own company to lead expansion in South America.

“We are attracted to Chile due to the market stability and the need to solidify our position in Chile for CaroTrans’ operations in the United States, Asia and Oceania,” he added.

“Our philosophy regarding acquisitions is simple — if it fits the jigsaw puzzle we are interested,” he said. “There are numerous opportunities available to us but we simply are not in the game to acquire for the sake of acquiring. We have made it abundantly clear, however, that we have plans to expand our office network to Europe, India and South America.

“As for prime markets, we have good balance among our top 10 markets due to

the fact that these are two-way trade lanes with relatively equal quantum of import and export volumes,” Howard said. “The only real soft spot for CaroTrans is the Caribbean Basin. We have been precluded from returning to this market after the divestment of our Puerto Rico operations (in 1999 to USF Worldwide, now YRC). However, strong customer demand has us evaluating our return to this region in 2011.”

CaroTrans also plans to expand its consolidation business beyond the sea. The company operates CaroTrans Air in Hong Kong and Shanghai, in addition to the trans-Tasman, as a wholesale air freight consolidator to Australia and New Zealand. “We are conducting market research to evaluate other niche trades where we may consider possible expansion of the CaroTrans Air product,” Howard said.

And it’s not all about making money. CaroTrans provides funding, administrative and operational support to Duffy Books in Homes, a 20-year-old not-for-profit organization, which supplies books to children in Australia, New Zealand and the United States in effort to improve literacy. It’s estimated that more than 6 million books have been distributed since the program’s inception.

Asked how the NVO market is shaping up for 2011, Howard said it’s anyone’s guess right now.

“FCL shipments were once considered the domain of the carriers, but an increasing market share is being served by OTIs,” he said. “Some consider this to be a cyclical trend, but it appears to be a more permanent market shift due to the added flexibility and varied services offered by the OTIs.

“The success of OTIs that focus on their core competence and innovative services which address the changing needs of the shipper versus those that simply chase volume at breakeven pricing will remain in a leading position,” he said. ■

