ALWAYS MOVING FORWARD

BY **FRAN HOWARD**

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How did a Minnesota fruit hauler become a Fortune 500 transportation logistics company with offices across the world? For C. H. Robinson, this road picture involves a highly sophisticated computer system—and not owning any of its own vehicles.

The wall behind CEO John Wiehoff lists C. H. Robinson Worldwide's international offices. His company has nimbly taken advantage of a multimodal-transportation world, where supply chains stretch all over the globe.

As John Wiehoff looks out the windows of his spacious corner office in Eden Prairie, he sees expansive views overlooking the Minnesota River, Highway 169, and County Road 101—three ground-level transportation arteries. That's not to mention the sky above his company's corporate headquarters, where transport planes fly in and out of MSP International.

As chairman and CEO of C. H. Robinson Worldwide, one of the world's largest third-party providers of transportation, distribution, and other logistics services (it also provides produce sourcing, the company's original business), Wiehoff doesn't get to spend much time in his office. Half the time, he's on the road, staying in touch with mega-customers like Wal-Mart and Anheuser-Busch. Business has also picked up for Wiehoff and C. H. Robinson, not only in revenue and customer growth, but also in terms of the company's reach.

"Globalization and technology are driving growth and innovation in the supply chain management industry," Wiehoff says. "At the same time, service level expectations are always increasing. As an example, just 10 years ago, the definition of on-time delivery for many companies was that the freight arrived at the receiving dock some time on the required day. Today, for many of our customers, on-time delivery means delivery within a 10-minute window."

To those unfamiliar with freight transport, C. H. Robinson's third-party model may seem a little curious. It doesn't actually move the products. It has no vehicles of its own. Instead, it coordinates and tracks shipments between its clients and its clients' customers. It's a specialist, and so are the carriers it contracts with. Companies like C. H. Robinson exist because of all of the interfaces and interrelationships between ocean, air, and truck freight. Every ocean shipment has a domestic leg on each side of it that necessitates truckload service. This requires C. H. Robinson to know all the regulations and legalities of the different transportation modes across continents and national borders. Freed from managing this complexity, customers save time and money.

"Companies are putting plants around the world to try to take advantage of lower-cost labor," Wiehoff notes. "Or they are consolidating into bigger plants and producing in fewer locations and shipping greater distances. So supply chains in general have become more spread out, more complicated, and we are all using technology to try to improve the process, speed it up, and make it more efficient."

C. H. Robinson's roots of sourcing and distributing produce helped position the company to take advantage of globalization, technological advances, and deregulation of the trucking industry. Now the company ranks number 341 on the 2008 Fortune 500 list.

So how did C. H. Robinson get to be so big? By making the right moves.

JOE TRELEVEN PHOTOGRAPHY

How It Grew

In 1905, Charles Robinson partnered with Fred Parks Nash and Willis King Nash to start a produce brokerage firm in Grand Forks. C. H. Robinson Company moved its headquarters to Minneapolis in 1919. From 1905 to 1980, pretty much all the company did was buy, sell, and arrange the distribution of fresh fruits and vegetables. (The Nash brothers also cofounded grocery wholesaler Nash Finch, now headquartered in Edina. Nash Finch owned C. H. Robinson stock until 1976, when Robinson employees bought it out.)

In 1935, Congress gave the federal Interstate Commerce Commission (ICC) the authority to regulate interstate truck companies, with powers similar to those that the ICC had had over railroads since 1887. The ICC could decide which companies could become motor carriers, what services they could offer, and what rates they could charge. But trucks transporting agricultural products were exempted. This allowed C. H. Robinson to use any carrier it wished, and move produce across the country more freely. "Produce could go on any truck from point to point," Wiehoff says.

The company's skill in handling shipments of perishable products led it to become an importer—for instance, it has been importing grapes and other products from South America since the 1920s. The relationships that it established in South America would later serve it well as it pursued new types of business.

" At every moment, there are shipments that need to move, there are shipments in transit, there are shipments being delivered," Wiehoff says. "Our [IT] operating system is really the central nervous system of the company. "

Then in 1980, Congress overturned much of the 1935 regulations, substantially reducing federal motor carrier regulation in an attempt to promote competition. In essence, carriers could now negotiate rates with shippers that were lower than the ICC's "reasonable" rates. Before the legislation's passage, the industry had passed higher wage and operating costs on to shippers. Price competition helped create greater efficiencies.

"You could start to manage transportation, logistics, and supply chains on a much more real-time, aggressive basis for all commodities, just like you could [with] produce prior to that," Wiehoff says. For C. H. Robinson, that meant that the company could expand beyond the produce transport market to arrange the movement of other consumables—dry beans, pickles, whey powder, beer. In time, the company was arranging shipments of nonfood products like glass, electronics, and machinery.

C. H. ROBINSON SNAPSHOT

$7.3 BILLION IN 2007 GROSS REVENUES ($510 MILLION IN OPERATING INCOME)

48,000+CARRIERS WORLDWIDE

APPROXIMATELY 8,000 EMPLOYEES

221 OFFICES WORLDWIDE

In the '80s, to beef up its expanding capabilities, C. H. Robinson began to invest heavily in technology; by the '90s, it started opening offices overseas to accommodate existing customers and then to find new ones. It now has 221 branch offices across four continents.

Making Moves

C. H. Robinson uses more than 48,000 transportation carriers worldwide, with 44,500 of those carriers located in North America. In 2007, among its North American truck carriers, 75 percent were small, with fewer than 100 tractor trucks; 13 percent were considered medium, with 100 to 399 vehicles; and 12 percent were large, with more than 400 trucks. The company's transportation services generate 88 percent of its net revenues. Procurement, distribution, and marketing of fresh produce for grocers, food service companies, wholesalers, and repackers account for another 8 percent. Information Services, which originated through the 1983 acquisition of T-Chek Systems, a fuel-card management company, represents the remaining 4 percent.

The products that C. H. Robinson moves are diverse. It has arranged for the transport of live sharks to the Underwater Adventures Aquarium at the Mall of America, moved a fire truck from Minneapolis to Tovar Merida, Venezuela, for major-league pitcher Johan Santana, and delivered *Harry Potter and the Deathly Hallows* books to ensure that they were received in time for anxiously awaiting fans. “Although most of our freight movements are not that unusual, what is extraordinary is the magnitude of our impact,” Wiehoff says. “We manage over 6.5 million shipments a year.”

Those shipments originate from C. H. Robinson’s 29,000-plus customers worldwide, though the vast majority of the company’s business, about 85 percent, is still conducted stateside. Its top category remains food and beverages, with manufacturing, paper products, and retail customers making up most of the rest. The company’s top-100 customers bring in approximately one-third of its consolidated gross profits, though no one individual client exceeds 3 percent of those profits.

Robinson’s largest office, in Chicago, the Midwest transportation hub, employs about 700. Its large open room serves as a clearinghouse for shipping orders. It reminds some visitors of a trading floor because of its large space and high energy level, with employees analyzing the market, pricing services, and finding optimal transport for customers. That said, Wiehoff points out that transportation “isn’t technically traded like a commodity, because each shipment gets assigned to a specific carrier.” There are no futures contracts on transportation rates—each day is different in terms of how difficult it is to find capacity, and prices fluctuate.

What drives costs? Mostly, simple supply and demand. The more people need trucks, the more they’ll have to pay. (Fuel costs are also an issue, of course, though they’ve been fairly low lately.) Other factors include origin and destination and special requirements, such as refrigeration, safeguards for hazardous materials, and oversized loads.

In 1992, C. H. Robinson crossed the $1 billion mark in total revenues for the first time. In 2007, its total revenues rose to $7.5 billion. For the nine years that Wiehoff has been either president or CEO, net revenues have risen by an average of 19.7 percent annually.

As the biggest player in the U.S. transportation management market, Robinson claims 21 percent of industry revenue. The company’s stock price per share (Nasdaq: CHRW) has risen from about $15 in late 2000 to nearly $55 at the end of 2008, and shareholders have received two two-for-one stock splits during that period.

“It is a very profitable and well-run company,” says Dick Armstrong, transportation analyst and principal at Armstrong and Associates, a market research and consulting firm for the supply chain industry, based in Stoughton, Wisconsin. “It is without peer in the U.S. market.”

The Need for Speed

C. H. Robinson’s growth has been primarily organic, adding customers and increasing business with existing ones. But the company has also made a number of strategic acquisitions. One of the first that Wiehoff was involved with as president was the 1999 purchase of Illinois-based American Backhaulers, a smaller non–asset based third-party transportation firm. With that acquisition, Armstrong says, C. H. Robinson acquired a major and timely improvement in its IT system. That system will be housed in the company’s new 7,000-square-foot data center, which will be completed this fall.

“At every moment, there are shipments that need to move, there are shipments in transit, there are shipments being delivered,” Wiehoff says. “Our operating system is really the central nervous system of the company. It is keeping track of every shipment that a customer has given to us to transport or manage for them.”

C. H. Robinson’s customers also have made technology improvements of their own, which have allowed them to better track their shipments and inventories. Like Robinson, many of those customers have ventured further into the global market by opening plants overseas or buying and selling in global markets.

“As supply chains have spread out and gotten more complex and much more automated, a big part of what’s happened is that most companies have had an emphasis on trying to reduce their inventory levels,” Wiehoff says. “Everyone understands better today that it takes money and capital to carry inventory. Things tend to break when they are sitting around, and so there are more [insurance] claims. There is a lot of added emphasis today on turning inventory quicker, shipping it faster.”

That shift to faster-moving, lower-quantity inventory management has led to a just-in-time delivery strategy in the transportation and logistics industry.

GLOBAL BUILDOUT

Though C. H. Robinson has mostly grown organically, the company has made several acquisitions in the past decade that have extended its domestic and global reach.

2008	• Transera International Holdings, a forwarding company based in Calgary.
2005	• European freight forwarding companies Hirdes Group Worldwide, which has seven locations in Germany and three locations in the United States; and Bussini Transport, based in Italy.
2004	• Selected assets of China-based Dalian Decheng Shipping Agency Company, including seven offices in mainland China. • Camway Transportation Corporation, a third-party logistics company in Ohio providing domestic truckload and intermodal transportation brokerage services.
2003	• Frank M. Viet GmbH Internationale Spedition, an international freight-forwarding and third-party logistics company based in Germany.
2002	• FTS, a non–asset based transportation provider headquartered in Miami.
2000	• Trans-Consolidated, Inc., a third-party provider in Brooklyn Center specializing in refrigerated services for perishable foods.
1999	• Norminter S.A., a third-party provider based in France, with offices in Germany, Spain, and the United Kingdom. • Vertex, a transportation provider in New York • American Backhaulers, an Illinois-based third-party transportation company supplying over-the-road transportation services throughout the United States.

With freight shipping expected to be down in 2009, "it will be easier for Robinson to adjust because it does not have the asset obligations"—that is, trucks, rail cars, ships, planes, says one analyst.

"When I started at Robinson 16 years ago [as controller], it was very common that if customers had shipments, you could call them back that afternoon or the following day and tell them we could arrange for it," Wiehoff recalls. "When you scheduled a delivery appointment, it was usually just the day that the shipment would arrive." Since then, customers have been "scheduling their dock doors very aggressively for when trucks are coming and going"—sometimes with delivery windows as small as 10 minutes. This puts all kinds of pressures on C. H. Robinson and its logistics staff. On an electronic order, Wiehoff says, "we might have 30 minutes to accept or reject the shipment—to say whether we can accommodate it or not."

This new world of high-speed decision making and just-in-time delivery can also be taxing on the many smaller carriers that Robinson relies on. To help these carriers remain in business, Robinson keeps them informed as to how many trucks it expects to need from them on an ongoing basis. And once the load is on the dock, Robinson will try to provide them with backhauls so they don't return empty.

Another boon to C. H. Robinson's shippers is the company's T-Chek Systems subsidiary, which offers online payment and information services to fleet operators. T-Chek provides truckers with a fuel card that they can use at universally accepted truck stops. It keeps trucks moving, and allows C. H. Robinson to give cash advances to its carriers.

Meanwhile, the company continues to branch out in terms of markets and geography. Last year, it acquired Transera International Holdings, a Calgary-based company providing forwarding services for large-scale shipments in various energy industries. It had 107 employees in eight offices in North America and overseas. The Transera acquisition expanded C. H. Robinson's international network into Dubai and Singapore while also giving it a foothold in the energy- and mining-equipment transport sector.

Given the current economy, it may need all the markets it can get.

The Road Ahead

In mid-December, the *Wall Street Journal* reported that freight shipping volume in the United States was down considerably in 2008, and that industry experts predict that 2009 could be the worst year for freight hauling in more than 30 years. So where might that leave a big forwarder like C. H. Robinson?

Maybe well positioned to handle the downturn. Armstrong believes that "it will be easier for Robinson to adjust because it does not have the asset obligations"—that is, owning no vehicles. Though C. H. Robinson may pick up some new customers, it's likely that many of those customers will have less to ship. "But remember, more than half of Robinson's business is in the food and beverage category," Armstrong adds, "and food and beverages are fairly recession proof."

The rate of outsourcing to third-party transportation suppliers tends to grow at two to four times the rate of growth in the economy, Armstrong says: "So if the economy grows at 2 percent, the rate of growth in outsourcing to third party transportation providers is somewhere around 4 to 6 percent." Yet when economies contract, growth in outsourcing to companies like Robinson does not necessarily turn negative. The money-saving efficiencies of using a third-party freight specialist can become even more crucial. Either way, Armstrong asserts, third-party transportation and logistics should remain a growth industry, at least in the long term.

"Many people don't think about the fact that nearly everything we consume and use in our daily lives—from apples to soft drinks, to the clothing we wear, to computers and televisions—arrived at our businesses or our homes following a complicated, time-sensitive, often global trek through a supply chain," Wiehoff says. It's a smaller world—and also a more complicated one. It's only going to get smaller and more complex. You could say that C. H. Robinson Worldwide has thrived in it by keeping those chains from imprisoning its customers. TCB

Fran Howard is a Twin Cities Business *senior writer.*