

Introducing Toll Perishables..

November 2011

WT Perishables (now Toll Perishables) was established just 18 months ago, in January 2010. Yet the company – still operating with just 13 staff – has already vastly exceeded its business targets in both turnover and profit. And it's already in the top three UK perishables forwarding businesses.

Perishables is a specialist business that most forwarders studiously avoid. But for Managing Director Colin Wells, with a thirty year history of success in the business, it was a logical next step for WTSeaAir in the UK - complementing existing retail business, exploiting expertise in supply chain and procurement management, and bringing the prospect of high yield and additional leverage with their airline and shipping line suppliers.

Not that Colin has spent all his career in perishables – his first few years were in general freight, and he has regularly handled such work since, alongside the perishables traffic, when required.

In its first eight months of operations in 2010, Toll Perishables moved some 11,000 teu, and turned over £12 million. Now the company is predicting a healthy six-figure profit for 2011 from its operations in the UK and Holland; but it may have to revise that upwards if it wins a major account pitch currently awaiting a decision. That traffic alone would grow the business five-fold this year; and it's not the only prospect.

Toll Perishables currently works from compact premises near London's Heathrow Airport: a location dictated by the airfreight element of the company's business. Once, you would have expected such a facility to be massive but, says Colin, the perishables business is changing. "Airfreight used to be a major part of the business, but ocean now carries 90%. Airfreight charges a premium for perishables, but offers no additional service. It's outside parties, not airlines, who generally provide services such as temperature-controlled containers. These are expensive, you have to hire them for a minimum period, and they return empty. Airfreight is expensive, and it has lost its lead.

"The advances in technology for ocean freight – such as controlled atmosphere- and humidity in reefer boxes – have now made it a viable alternative to airfreight, but at much lower cost." Ocean lines can nowadays even move live fish in transporter tanks.

Toll Perishables' ocean-based imports business requires very little handling activity at its Heathrow facility, most of this taking place at the docks - from where boxes are transported direct to the customer. Only airfreight and occasional ocean consolidations requiring breakbulk see the inside of the Heathrow premises. These are currently fitted with a number of transportable chiller units which provide various temperature zones for different product types that are being held in temporary storage for customers. These units are a stopgap solution that have avoided the capital costs of permanent installations in a facility that may soon be outgrown.

The facility also handles sorting, sizing, re-palletisation and release or delivery. Heathrow uses its own vehicles to collect from the airline sheds, but nationwide transport to customers is contracted out.

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All Toll Perishables' office-based operations are located at Heathrow, too. From here, the company clears Customs, manages preference certificates, deals with post-clearance matters such as duty refunds, and organises container transport.

The company's traffic is currently 100% imports, but that is set to change since any of the new business it is pitching for will also bring an element of export. Main markets at present include South Africa, USA, Central and South America, India, Egypt, Morocco, New Zealand and Indonesia.

Hard on the heels of its UK success, Toll Perishables expanded into Holland on January 1st this year. Using the UK model and operating within TGF's main Schiphol facility, this satellite of the UK operation was initially based on one export contract for bell peppers from Holland to the USA, Japan and Dubai, which alone generated 4 million kilos of airfreight in its first six months. Now, thanks to the sterling efforts of Quint Wilken, who heads up the perishables business development in Holland, it's winning more clients and adding to its volumes. The potential in Holland is huge, as it's a global hub for perishables distribution: 80% of the country's perishables imports are re-exported.

Being a significant ocean customer for the lines means Toll Perishables adds to Toll Global Forwarding's overall container traffic, and can leverage the company's overall buying power.

Already Toll Perishables is working with other TGF offices such as Atlanta and Jakarta, and this will happen increasingly as the company develops its customer base and the spread of suppliers and markets. Where there is no Toll local capability, Toll Perishables uses known and trusted independent partners – many of whom have worked with Colin and his team in previous companies they have run. Some 15% of perishables traffic is controlled at origin, so the Toll network will prove useful in influencing this business.

Toll Perishables is focused on providing solutions, and not just for shippers. Repositioning of empty boxes back to sources of cargo ("triangulation", as Colin calls it) is a constant issue: "We're talking to one line about how we can utilise the empty boxes – a whole ship-load - they have to re-position to South Africa from the Far East every year."

The whole perishables business is moving slowly towards ex-works and FOB, with buyers often now dealing direct with the grower. Colin welcomes this trend: "Our MDM (Multi-Dimensional Model) caters for this. We can perform the entire supply chain management from origin to shelf." He is happy to create transparency in the supply chain, and readily brings customers and lines together when it's beneficial: a unique departure from the industry tradition of keeping them apart.

"We want to understand and address each others' problems and find mutually-beneficial solutions. Transparency is better for the customer: if one element of the supply chain breaks down, that's all that needs to be replaced. It makes us more vulnerable, but it incentivises us to be better so we retain the business."

So what are the keys to success in this business? Having previously operated a perishables division for a major global forwarder, "We have changed our view about the need for dedicated resources," says Colin. "Nowadays, it's about economies of scale, and sweating your assets."

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“Airfreight in particular is a volatile business. Traffic comes and goes. A warehouse is a warehouse, logistics is logistics. It doesn’t matter if you’re moving mobile phones or carrots: 70% of the processes are the same, and use the same resources. If I can draw on existing assets without compromising service levels, we all win. Working the Toll facilities more fully will reduce the cost to our dry freight and perishables operations.” Toll Perishables is a graphic illustration of this theory in successful practice: it is making more money today with 12 staff than Colin’s previous company made with 120, as a result of more sensible decisions about size of premises.

Adds long-time colleague David Maclean, now Operations Director for Toll Perishables: “Being part of Toll gives us major advantages. We can utilise the office network and staff, sell door to door, we have greater buying power, and we have acquired important expertise in supply chain management systems. It’s all pluses: the opportunities are endless.” Toll Perishables’ supply chain system, currently under development, will enable it to control shipments down to individual box and product level.

But if all this sounds easy, Colin is quick to point out: “Perishables is not a 9 to 5 job. Our team often works 7 to 7 in the peak season (January-July). And we are available 24/7/365. It’s the nature of the work. If you don’t like it, find another job in another business.”

Colin is already looking beyond the traditional confines of perishables for new opportunities. “Our definition of perishables is anything that’s time-critical or temperature- critical,” says Colin. Apart from traditional fruit and veg, that could also mean newspapers, and even paracetamol - which causes a rare but potentially fatal reaction in some people if not stored within consistent temperature limits. As one illustration of the ever-widening and often strange markets for his services, Colin points out that the company has begun importing Indian curries into the UK by ocean.

So, for the future, apart from winning more mainstream business, Toll Perishables is also looking to get involved in relief aid food supplies for the military and NGO’s. Pharma and cosmetics (the latter are also, surprisingly, temperature-critical - suffering costly 12-17% wastage) are also on the radar.

Of the future prospects for the business, Colin says: “The planets are aligning. The right factors are all coming into place. We want to roll this out globally: it’s mostly a matter of education.”