

Network FOB achieves record-breaking revenues with low overhead, no debt

At a glance

Network FOB, Inc.

Eagan, Minnesota
www.networkfob.com



Tim Taylor, President, Network FOB, Inc.

Goal:

Streamline operations and minimize risk to enjoy rapid growth with no debt.

Scope:

Six employees and 50 exclusive agents yield \$45 million in annual revenues

Solution:

TransCore 3sixty™ Logistics Suite, combined with Carrier WatchSM and Freight Match

Results:

On track to achieve \$8 million in revenues per employee in 2009.

Tim Taylor's business is growing fast,

but his overhead is not. Taylor, President of Eagan, Minnesota-based Network FOB, achieved \$27 million in annual revenue in 2007 with only four employees, one full-time contractor and no debt. He is on track to reach \$8 million per employee in 2009.

How does he do it? Taylor examines every aspect of his business regularly, looking for ways to save time and money. He credits this vigilant management style for Network FOB's rapid expansion and ongoing success.

"As you get bigger, you keep trying to take one-hour projects and reduce them to ten minutes," Taylor counseled. "We do it all the time."

Network FOB, a truckload broker, handles transactions for 50 dedicated agents and their freight customers, working with – and paying – hundreds of carriers. Taylor relies on TransCore's 3sixty™ Logistics Suite to manage his dispersed and increasingly complex

operation, so the company can accomplish more each year with only a handful of employees. Network FOB's agents enter orders, dispatch and move freight with Logistics Suite, a transportation management system (TMS) designed for brokers, while Taylor and his staff use the software to monitor and control the back office.

Taylor began harnessing the power of Logistics Suite in 2005, when he transitioned from the TransCore system's Unix-based predecessor, Keypoint. Since that time, he has leveraged the system's tools and data to streamline Network FOB's operations.

As Network FOB grew from 17 agents in 2005 to more than 50 today, Taylor automated the company's commission payment system and moved it online. Calculating commissions, a task that often took a full day, is almost entirely automated using data collected by Logistics Suite. The workload has been reduced dramatically. In addition, Network FOB agents now enjoy more control over their own cash flow.

"We took a system from where it took hours and hours of work to where it's painless," Taylor explained.

Network FOB's agents are paid a higher commission than the industry norm, partly because they handle their own collections; credit policies are controlled centrally, however. The TMS enables Network FOB to set a strict credit limit for each customer; the system can also prevent agents from dispatching orders that exceed those limits.

Taylor uses the credit data to generate automatic reminders to each agent via email, whenever one of his clients is past due. "With Logistics Suite, it was easy to attach to the database and send the agent his receivable listing," Taylor added.

The follow-up process yields results: "We have about 31 or 32 days' worth of receivables on our balance sheet at any given time," Taylor noted. Network FOB's bad debt expense has been almost eliminated, as well. "Last year, in bad debts, I think Network had about \$4,000 in out-of-pocket expense" on \$27 million in revenues, he assessed.

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- Tim Taylor, President, Network FOB, Inc.

The bottom line is equally impressive.

Network FOB enjoys positive cash flow and no debt whatsoever. "We have quadrupled our revenue [since 2005] and we did not have to borrow any money to fund that," Taylor said proudly. "As a matter of fact, we've used our excess cash to be able to buy companies."

Taylor credits TransCore's Logistics Suite for improving his operational effectiveness: "Our revenue doubled in the first six months of this year compared to last, but we needed to add only two employees and one contractor - in the back office." he said. Network's

2008 revenues per employee are expected to reach almost \$6.4 million: "We'll do \$45 million this year with seven people," Taylor predicted.

Taylor's management philosophy also applies to agent retention. "An agent is an independent businessman. He is not your employee," Taylor said. Network FOB deploys tools in Logistics Suite – including the CarrierWatchSM carrier monitoring service – to automate time-consuming tasks, so agents can focus on moving freight. The agents seem to appreciate it; Taylor's turnover is almost nil. He has had only one agent resign from Network FOB.

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Taylor leverages the TransCore TMS to hone Network's competitive edge with carriers, too. "He who pays the truck the fastest gets the truck. That's the way it is," he said. "And reliably pay the truck, so he doesn't have to wonder when his check is getting there."

Network FOB calculates and authorizes carrier payments in Logistics Suite, and then notifies each carrier automatically by fax when payment has been settled and again when it is mailed. This advance notification dramatically reduces the labor hours required for accounts payable, according to Taylor.

"Do you want to take 250 phone calls a month from truckers looking for their payment? We would rather just let them know."

As Network FOB brought these and other TMS-enabled processes online, staff members worried that the increased automation would make the company's service seem too impersonal. Taylor decided that the operational benefit was worth the risk. Now he finds that his agents have come to prefer the new tools.

"If you go to my agents today and say, 'We're going back to the old way,' they'd be very unhappy," he concluded.