THE LOADSTAR

LongRead

CEVA LOGISTICS: ‘We are learning from the past and beginning a new chapter’

By Alex Lennane

They are coming back. Slowly but surely, managers who left CEVA in its darker days are returning; from Crane, Kuehne + Nagel, SEKO, SDV and Agility.

At the same time, quietly, CEVA has been rolling out its new IT, a freight management system which it has developed over years at a very reasonable cost, less than $20m. In the past quarter, it has completed its US implementation. ("Any teething problems we had were easily bearable in comparison with those at DHL GF," smiles one CEVA executive.)

CEVA has entered a new chapter, one which started when former K+N executive Xavier Urbain took over from Apollo (CEVA's private equity owner) stooge Marvin Schlanger at the start of 2014. The change is starting to pay dividends at a company which has been on shaky financial ground.

But its owners' decisions on financing have not affected CEVA's ability to serve its customers, its first priority, says Mr Urbain.

"What I want is to make CEVA a really strong 3PL. We don't want to be number one – we can't be. Or even number two. What we want is to be the one you reference in terms of service levels, in terms of our ability to develop new ideas with customers. So wherever you are in the world, the first company that comes to mind is CEVA Logistics."

One of the first decisions by Mr Urbain – who is a refreshingly vibrant interviewee – was to change the company's structure, from its regional approach to 17 geographically determined "clusters".

Xavier Urbain, CEO

"It created a very strong interaction on the ground, where we have the people in charge of delivering the daily business and delivering service to customers, and then three top guys [COOs]," explains Mr Urbain.

"It created a good dynamic inside the company and with customers. Since then, UTi has decided to go for the same business model, and I know that some others are looking at it too.

"In this business, you need to be close to the customers, and be able to fix anything that is not working quickly, with a sense of urgency. When you have layers and layers and layers, there is no efficiency.

"We are looking for quality not quantity. We need real people who can deliver, and this is what we are doing on a daily basis."

Process efficiency is a focus. Uniquely for a 3PL, CEVA has a six sigma approach. "We might have made some mistakes in the past, but the beauty of CEVA is that the six sigma initiative is fully implemented in each station," says Mr Urbain.

“I have never seen that before. People have tried to do it, but only CEVA has done it.

“With this type of foundation, we decided to create a business process excellence department, so people who are in charge work on process improvement and continuous improvement. We can help customers optimise their expenses and increase the service level.”

At CEVA’s UK Centre of Logistics Excellence

Creating cost efficiency is key, adds David Lara, VP global air network management.

“Everyone wants the lowest rates and best service. The two things that drive business on air and ocean is critical mass and economies of scale. Our process to eliminate cost means we can handle more business for no extra cost. That’s where you build economies of scale, building up better ULDs or containers.

“It’s not about the cost you pay the airline, it’s the cost you achieve on the HAWB that you get for customers. That’s fundamental.”

CEVA's other advantage is its well-balanced operations. Last year, its revenues derived from Europe (40%), the Americas (35%) and Asia Pacific (24%). And it has four principal customer segments: automotive (25%), consumer and retails (24%), technology (20%) and industrial and aerospace (20%). Energy and healthcare – which along with aerospace is a focus for this year – account for 5% and 4% respectively.

"CEVA has a good mix of cyclical and defensive revenue streams," noted Transport Intelligence in its 3PL report. "It operates a network with a global footprint, which allows it to serve customers in nearly all markets…and is well positioned in emerging markets, particularly in China where the growing automotive sector presents a real opportunity."

And it is investing, not only in IT. It has taken on new management in growth areas such as pharma and aerospace, and appointed global key account managers. Not only that, but it is doubling its sales force to 1,000, focusing on multinationals and SMEs.

"You tend to focus on the big guys but not the SMEs. But in air and ocean you can create a tradelane for volumes for the big guys, but you need an SME who is bringing shipments with a bit more value. You can't just invest in the big customers without investing in the smaller ones.

"It's a big investment, but the return is worth it."

CEVA has a six sigma approach, focusing on efficiency and customers

It has also boosted its ground transport network in the US, and is currently analysing the network design.

"It's unbelievable. We had no sales force in the US. We had $600m in revenue, seven hubs and one of the best networks in the US, but we did not sell it," says Mr Urbain. "Now we are selling it."

Look at any SWOT analysis, and CEVA's weaknesses have been cash and the uncertainty surrounding its future – owner Apollo wants out, but it also wants a high return. But Mr Urbain claims there has been no problem getting money to invest.

"Our job is to work on the long-term future of the company, while Apollo is in it for the short term, so we do need to invest. And we get the money."

Potential suitors have briefly sniffed around the company, with CJ Korea Express the latest to have a look. Today however, says Mr Urbain, there is "nothing on the table".

But he adds: “Anything is possible, but for the moment we have to concentrate on delivering for the company and for our customers.”

He admits that a sale or IPO is possible, and that the company is improving continuously, making it more likely.

And what of being left behind - in size at least - by other 3PLS merging?

“It’s not because you buy and can show better financials on the top line, it’s what you read into the bottom line.

“We are seeing very few integrations which are great value. DSV/UTi was excellent, but others don’t achieve the same. It’s not by being bigger that you create more value. It’s good to have more market share and more buying power with the carriers, for example, but it has to be the ideal target.

“We don’t have to buy anything to be able to compete against the big ones.”

Mr Lara notes that other M&A activity provides a boost for CEVA anyway. “Every time two companies merge it creates opportunities for everybody else. There are always customers who review it. That creates tremendous opportunities for us, which we have capitalised on.”

CEVA reports its second-quarter results this week, and while it concedes the market is currently poor, it says its financials are improving. But its key strength is people, says Mr Urbain.

“You have to be simple, not arrogant, or French,” laughs the Frenchman.

“It’s not easy and you need a strong commitment from everyone. You need to have a huge patience for the company and the team and the customers. You can invest millions – and see it wasted.

“A lot of our people – mainly from EGL, left and came back. We have a very high return rate.

“We are a completely different company to what we were three or four years ago. The culture is different, people are focused.

“You can only ever learn from history. That has been the biggest change – that people have embraced it. It’s a nicer company to work for. It’s a new chapter – and very positive.”