



Transervice Logistics

Dennis Schneider explains how this transportation organization uses a smart business model and an integrity-based philosophy to maintain a base of long-term customers.

The Service Game



To sell or not to sell? This is a question that undoubtedly crosses the mind of every successful business owner at one time or another. But the choice is rarely cut and dried; there are many factors to take into consideration, and what type of organization or individual you're looking to sell to is just the beginning.

In 1985, just 13 years after joining the team at Transervice Logistics, Inc., a Lake Success, NY-based transportation and logistics company, Dennis Schneider purchased the organization. For the 22 years that followed, he and his partner, Ed Flannigan, controlled operations. In May 2007, the pair decided to sell the majority of the company to a private equity firm, although both men remain active shareholders.

The decision to sell wasn't an easy one to make since business deals like these can often be a gamble, but Schneider and his partner carefully considered all options before deciding on their new partner, ZS Fund LP, and both are satisfied with the choice they made.

"The thing that was particularly appealing about the firm we chose to sell to is that its team, in addition to its business acumen, had no desire to manage the business. It had no interest in changing our culture or the way we conduct business, and that was exactly the type of deal we were looking to make," he said. "It's been 27 months, and not a single thing has

changed in regard to how we market and serve our customers."

The team at Transervice offers three primary product and service lines: contract maintenance, through which the company maintains all types of customer-owned road and warehouse equipment; full-service leasing, through which the company maintains equipment it purchases and finances on behalf of a customer; and dedicated contract carriage, which incorporates the previous two services and includes handling all aspects of distribution.

According to Schneider, who continues to serve as an executive vice president at Transervice, every customer contract is unique, tailored to perfectly fit each client's particular needs, preferences, and desired solutions.

This is an important aspect of the company's business model because the majority of its customers are *Fortune* 500 businesses that have very specific needs and requirements necessitating unique solutions.

"All of our customers are very respected, well-known companies, and they choose to work with us because we have a proven track record," Schneider said, noting that most customers are appreciative of Transervice's flexibility and customer-oriented organization design.



“Our customers are very successful at manufacturing and marketing their products, but they aren’t necessarily experts in other areas, like managing the people and processes involved with distribution,” Schneider added.

No secrets in business

One of the major differentiators between Transervice and its competitors is a philosophy that Transervice refers to as full disclosure. “All of our services are offered on a full-disclosure basis, and that’s a literal term for us,” Schneider said. “When we pursue an opportunity, we share all information with the prospective customer, including all factors in our rate structure, as well as what we hope to earn—our management fee.”

The cost of driver and mechanic labor and benefits, supervision, parts, tires, fluids, and insurance are just a few of the pieces of information available to Transervice’s customers. This data can be useful to the company’s customers because although they’re guaranteed to only pay a predetermined maximum rate, they are given opportunities for gain share.

If Transervice’s costs turn out to be less than anticipated over the course of the contract year and the organization earns more money than originally predicted, Transervice shares the excess capital with each customer, dividing funds by a contractually established percentage.

Schneider said his customers respond positively to the gain-share opportunity and appreciate the company’s full-

disclosure philosophy. He credits these as two of the factors, coupled with its fleet and transportation expertise, as reasons for its ability to maintain a strong base of long-term clients. “Above all, we’re honest. We don’t profess to be all things to all companies,” he said. “We always provide a list of existing customers to prospective customers, and we encourage them to call whomever they want. We never forewarn our existing customers of the intended call.”

A low-cost structure

To maintain a low-cost operational structure, Transervice operates exclusively from its customers’ locations; the only exception is if a customer doesn’t have a facility available for use. Currently, the organization’s team operates from 175 North American locations, all of which are customer-owned.

This is the organization’s preferred method of operation for two reasons. First, it allows the executive team to avoid a great amount of unnecessary costs, including renovation investments and energy consumption.

But even more important for the Transervice team is the fact that this model allows it to provide high-quality service to its customers. As a service-centric organization, this is crucial. By being located on a customer’s premises, the team can respond to issues expediently.

“We become intimate with our customers and knowledgeable about their businesses,” Schneider said. “They are truly our partners. The term has become fashionable recently, but it’s something we have always taken very seriously.”

The components that make up Transervice’s business model and corporate philosophy have allowed the company to thrive for 40 years. Looking to the years ahead, Schneider and his team plan to continue on in a similar fashion. “Invariably, we provide more than a contract calls for,” he said.

“We’re extremely proud of what we’ve achieved and of our deserved reputation. As a result, we are confident of our continued growth, which we intend to achieve by securing new accounts and expanding existing ones,” Schneider added. ■

—Ashley McGown

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