



Committed to Constant Improvement and Innovation

| Finding Opportunity amidst the Recession

Navigating a rough economy put Neutralogistics co-founders Alex Tellez and German Serrano to the test and they came out successful. Their Miami company not only survived the recession but grew by streamlining logistics for their customers so they can focus on growing their business.



We are selling a premium service, so we depend on high quality from our people.

Alex Tellez, President and CEO of Neutralogistics





At a Glance

Neutralogistics
www.neutralogistics.com
Industry
Logistics Provider and Integrator
Solution
Magaya Cargo System, online payments,
cargo insurance

Neutralogistics is a fourth-party logistics (4PL) provider with headquarters in Miami, FL, that offers shipping via ocean, air, and truck, warehousing, and brokerage services. They are also a Container Freight Station (CFS) and Indirect Air Carrier (IAC). With long-term bonded warehouse space and IBEC bonded space for trans-shipments.

Challenges

"2007 – what a time to start a business – right in the middle of the global economic downturn," said Alex Tellez, co-owner of the Miami-based logistics provider, Neutralogistics.

But things aren't looking too bad. His meeting room is decorated with model boats, symbols of a favorite hobby. In the center of the large conference table is a small wooden model boat harkening back to the era of the classic Chris Craft runabouts. The boats, wine rack, granite countertop, and posters of tropical destinations all create the atmosphere of a stylish, successful business.



The offices and warehouse are located just a few miles from the Miami International Airport in a corporate park that used to be rural farmland. Twenty years ago his partner, German Serrano, started in the industry by sorting packages and making deliveries for a European courier company one block away while he went to college at Miami Dade Community College (MDCC).

How times have changed, for them and the area. Now he and Mr. Tellez own and operate a profitable and fast growing logistics company. These two businessmen have turned the challenges of the financial crisis into opportunities, a hallmark of their personalities and entire careers.

Alex Tellez graduated magna cum laude from Massachusetts Institute of Technology (MIT) with a degree in aeronautical engineering. He developed communications software for call centers and raised investment funding to start and run a software company. After that,

he took some time off to consider his next venture. Then his friend Mr. Serrano called with an idea.

"I wanted to learn something new after working in software for years," Mr. Tellez said. "When German called me, I liked the idea of starting a logistics business."

Mr. Serrano has 20 years of experience in the logistics industry. Prior to starting Neutralogistics, Mr. Serrano directed highly successful divisions for two well-known ocean consolidators with emphasis on the Caribbean and Latin America from Europe and Asia.

Mr. Tellez brings his business acumen, technology experience and entrepreneurial spirit to the company.

Today Neutralogistics manages shipments all over the world. The ocean consolidation division ships vehicles to Peru in addition to dry cargo to over 100 markets worldwide. Flatbed trucks outside the warehouse are loaded with pipes and fittings being transported to construction projects in Central America. The bonded area contains items such as liquor and store displays that are on their way to duty-free shops and cruise ships around the world.



The company also has regional expertise in importing and exporting in Central and South America, and the Caribbean. Services they offer include deconsolidating containers that arrive and stuffing the cargo in outgoing containers to distribute the items to the required destinations. In addition to being a member of C-TPAT and maintaining licenses for their bonded warehousing, NVOCC, IAC, IBEC, and CFS, they are licensed Customs Brokers, offering all services in house to ensure total quality control.

When they started the company, Mr. Tellez and Mr. Serrano focused on building a strong network of agents in Central and South America and the Caribbean. "This network is very valuable," said Mr. Tellez. "A lot of the consolidation cargo is destination routed. It's very important to have a strong agent who can take care of the cargo once it arrives at its destination, someone who can help it clear Customs there easily, and collect payments. We're not limited to pre-paid cargo." Today the air and ocean consolidation business makes up less than 10% of their overall revenue. Adapting to changing times is one of their management team's key strengths.

Growing with Magaya

The owners of Neutralogistics selected Magaya software and began using it when they opened their business. "With my background in software engineering, I knew that we needed technology with a Web-based component," Mr. Tellez said. "Since we are a full-service provider, we need software that includes all the documentation such as Bills of Lading and Air Waybills."

"We needed software that was off-the-shelf because we hit the ground running when we started our business," said Mr. Serrano. "We did not have the time and nor did we want the expense associated with a custom software solution."

"We like the fact that we see a strong investment going into the development of the product. We've been using it over four years, and we've seen it grow as we have grown," Mr. Tellez said. "For example, when Hamburg-Süd required that we place all bookings through INTTRA, Magaya introduced its integration with INTTRA. We wanted a product and a company that is committed to constant improvement and innovation."

One of the software features Neutralogistics uses regularly is the interactive, online tracking tool Magaya LiveTrack. "We put all the cargo data into our Magaya system. We give our customers and agents access to view the information online. That visibility is a necessity in today's economy."



Handling Cargo with Care

Some of Neutralogistics' agents also use Magaya software. When Neutralogistics receives cargo for them, the Warehouse Receipts go straight into the software. Then the agents and customers can see the cargo status online.

"We are committed to getting all freight entered into the system within one hour of arrival at any Neutral receiving point worldwide," Mr. Tellez said. "This allows for almost real-time cargo tracking; in the freight business, the industry norm is a 3-4 hour window."

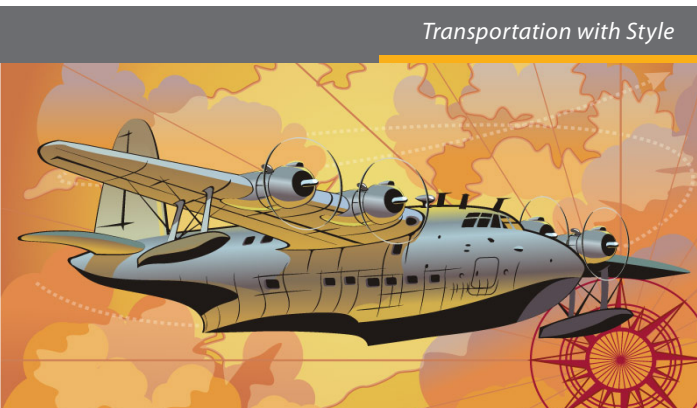
They analyze all their shipments by using the reporting features in the software. They verify vendors' bills and calculate commissions for the sales people. "In the past, calculating the profitability of every shipment was really painful," Mr. Tellez said. "Now all we have to do is click a button."

They ship all kinds of freight for a variety of customers, including other freight forwarders who co-load cargo with Neutralogistics. "We chose the name 'Neutralogistics' to show our commitment to remain neutral when co-loading freight with another freight forwarder who partners with us when a shipment needs to go out," Mr. Tellez explained. "That helped us grow in the early days because those customers felt comfortable giving us their cargo. We honor that relationship because that's our reputation."

From 2007 to today, the company has expanded its service offerings to include an in-house Customs brokerage in addition to other logistics services. "We like to call ourselves 'integrators' not just a 3PL because of the full service we provide," Mr. Tellez said. "Our largest area of growth has been to provide logistics outsourcing to mid-sized companies. We are like a logistics division of their company."

For example, one of their customers is a coffee producer. Neutralogistics imports the coffee from Central America, imports the espresso machines from Italy, and distributes the coffee throughout the United States and Canada. "Before working with us," Mr. Tellez explained, "They had about 17 different trucking vendors they dealt with. Now we have streamlined the process to reduce the number of vendors and save them money."

Transportation with Style



They don't have to meet with trucking companies anymore; we do it. We manage the rates, supply chain, cargo claims and everything that is logistics for them. This lets the company focus on their core business, coffee production and sales."

Another option in the software they use is the feature that saves lists. It helps them see information quickly. They filter a list and can save that view for future reference instead of having to re-create it each time. They can also publish the list view for others in the company to see.

The Profit & Loss by Operations Report tells them how they are doing. "We run shipment reports to see where money is being made and to see what is costing money. If a shipment is too profitable, we can verify if some expenses are missing," Mr. Tellez said. "Before, we checked shipment by shipment to close the month."

Mr. Tellez explained why they use the Rates feature in their Magaya system. They enter the ocean, air, and ground rates in the system and update them with the Contract Manager. "No matter if you keep rates in a spreadsheet or on a paper, you have to look them up somewhere. The advantage of having them in our Magaya system is how it helps us query the rates and create a quote more quickly. After the quote is accepted, it can be converted quickly into a shipment. Managing rates is never easy, but it's workable in the Magaya system. It's a huge mistake not to use the rates in Magaya. Otherwise how do you track what quotes are successful or what's lost?"

"Another thing we like about Magaya is how user friendly the software is, and their Technical Support always does a good job."

A Bright Future

While starting their business during an economic downturn might have sounded like a bad idea to some, it ended up being a great idea for Alex and German. As they began proposing their logistics services to companies, many of the companies needed to save money, and that made them open to hearing a proposition from a new company like Neutralogistics. "In hard times, people re-evaluate their costs and their supply chains, and we have the right solutions," Mr. Serrano said.

Each quarter, they have seen a good profit and a substantial increase in revenue. One of the major factors contributing to their current success and plans for future expansion hinges on the quality people who work at Neutralogistics. Mr. Serrano explained: "We spend a lot of time

recruiting new employees to find the right people."

Mr. Tellez said, "We have high expectations of our employees, and we offer a higher pay rate than the industry standard. It's penny wise and pound foolish to do otherwise when you consider the cost of an error such as the wrong cargo in the wrong container ending up in the wrong destination, or full containers from China missing Black Friday or similar sales promotions." They also added an extra shift that's available after hours because Neutralogistics handles so much cargo from China.

"We're selling a premium service, so we depend on high quality output from our people."



A View of Success

They also expect a lot from themselves. "We're working owners. We're here every day. We see growth every day and achievements every day. We have built the best management team in the industry," Mr. Serrano said. "We work long hours and are very hands on. This is our hobby, with occasional outings on the boat."