



Freight Expediting

GAZELLE EXPEDITING INC.

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Gazelle Expediting seeks to create a nationwide network of air freight forwarding agents. It plans to accomplish this by recruiting independent freight expeditors who are being pinched by competition, as well as agents who are dissatisfied with their current network relationship. Gazelle proposes to provide corporate support functions and perquisites to motivate its agents to excel, thus ensuring the growth of Gazelle Expediting.

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INTRODUCTION

The goal of Gazelle Expediting Inc. is to establish a worldwide air freight forwarding network consisting of independent agent members, operating under one corporate name.

In today's competitive marketplace there exists the opportunity to establish a cohesive group of independent agents. These agents can be successful by working within a well-planned organization offering discounted transportation costs and effective marketing strategies. You can attract well-qualified, motivated, independent agent members by giving them unique opportunities within the corporation, such as:

- a progressive, participatory management structure;
- profit sharing;
- access to group purchase of various insurances and pension plans.

The company will grow based on the acquisition of agents nationwide operating under the Gazelle Expediting corporate identity. Ms. Smith (see executive summary), a current agent member, understands the needs, desires and motivations of her associates. Well respected in the air freight industry, she will use her extensive contacts for the development and growth of Gazelle Expediting.



Agent members who want to not only survive but to be successful and profitable must be aligned with a finely-tuned, streamlined organization. Gazelle Expediting will have progressive "state of the art" techniques and equipment for minimizing costs and maximizing profits, including an IBM computer system designed specifically for the air freight industry. Advanced administrative support systems will be geared to the growth of the individual agents and the corporation as a whole. By custom designing our strategies we will have the flexibility to meet the needs of various marketplaces. Gazelle Expediting will continually strive to acquire only the best available agent members so that all involved will experience exemplary levels of service and commitment to our business.

Based on the acquisition of a minimum of 6 agent members per year, first-year revenues should total \$3,200,000. Projected growth should lead to gross revenues of \$37,250,000 with 32 established agent members by the fifth year.

EXECUTIVE SUMMARY

Owner and president of Gazelle Expedited, Inc., Jane Q. Smith, will be the president and chief executive officer of Gazelle Expediting Inc. Gazelle Expedited was incorporated in 1988 and is located in Chicago, Illinois. The business has been growing over 200% per annum and has revenues exceeding \$60,000 monthly.

Ms. Smith graduated from Illinois State University with a B.S. degree (cum laude). Ms. Smith has over 14 years of air freight experience. Half of those years were spent with the former number-one domestic forwarding company, Burlington Northern Air Freight. The other years were split between an independent agent and an agent member operation. Ms. Smith has experience in various management positions ranging from operations, sales, marketing and administrative duties. Her instincts and abilities have been developed, enabling her to make appropriate management decisions, which are critical in this rapidly changing field. Ms. Smith has established and maintained the significant nationwide business contacts necessary for the superior performance demanded in this field. She has the background and qualities necessary to direct and guide a successful air freight forwarding network.

MANAGEMENT COMPANY DESCRIPTION

Gazelle Expediting Inc. is a management company incorporated in the State of Illinois. The primary purpose of Gazelle Expediting is to form and manage a network of agent members under one national banner that will facilitate the movement of freight from point of pick up to its ultimate destination.

Agent members will be responsible for local sales, marketing, pick up, packaging, routing, delivery, freight monitoring, customer service contact and expediting.

Gazelle Expediting will provide the necessary administrative support systems to the agent members. This will include:

- marketing support functions;
- accounts receivable processing;
- collections;
- accounts payable relative to all transportation services;
- transportation negotiations and contracts for worldwide discounts with various vendors;
- strategic planning and direction for maintenance marketing and growth;
- national account coordination;
- operations policies and procedures.

Computer systems will be designed for rapid invoicing of receivables, quick turnaround of all critical documents, and the necessary cash management controls.



An in-depth knowledge of the industry, coupled with creative problem solving and rapid decision making will allow the corporation to both support and motivate agents to excel in performance, paving the way for their substantial growth.

Strong management and advanced support systems will permit agent members to focus their energies on marketing and customer satisfaction, thereby maximizing their market growth opportunities. This will be reflected in the individual growth of the agent members and the total growth of the management organization, Gazelle Expediting Inc.

MARKET PLAN

Air cargo is an \$8 billion a year industry which has experienced a growth of approximately 20% per annum for the past several years. While market growth is expected to slow for the coming 3-5 years, it is still expected to exceed the GNP.

The industry has six significant cargo carriers who own their equipment. These six players handle approximately 75% of the air cargo business, comprised of both direct customer shipments and air freight forwarders' shipments. Identifiable air freight forwarders number between 500 and 600. Their organizations are either wholly owned, agent member, or independents. Local independents are estimated to number approximately 15,000.

Contracting agents for Gazelle Expediting will be drawn from both existing air freight forwarders and independent agents. These agents are generating revenues from \$500,000 to \$10,000,000 annually with net profits ranging from 5% to 10%. Agents will generally be located within a quarter mile of a major metropolitan airport.

Gazelle Expediting will solicit agent members based upon their reputation for excelling in performance and growth. Integrity and trust are additional selecting factors in this industry, which operates based on verbal direction and quick decision making.

Cash flow and/or the increase in profits and services are the major reasons to align with an agent member corporation. Payables are due within 15 to 30 days and receivables are on a 30- to 90-day float. The major cost factors are the actual transportation charges. These costs are discounted based on escalating volume, allowing the larger networks to be more competitive and putting the smaller organizations at a disadvantage, thereby giving independent agents a strong motivation to join a growth-oriented organization.

A three-year exclusive contract will be established with each agent member, specifying each party's respective responsibilities and defining the commission split. For providing their management and billing services, Gazelle Expediting will retain 40% of the gross net profit (gross revenue minus all related transportation costs). This is equal to approximately 17.4% of the gross revenue.

Following is a conservative growth expectation forecast, upon which the financial projections have been based. The first agent member will be Gazelle Expedited (owned by Ms. Smith). Five more agent members have been pre-selected, with two verbally committed to membership and three expressing extremely strong intentions of joining the organization. These agents have gross revenues ranging from \$500,000 to \$3,000,000 per year. Agent members will be expected to sell at a minimum gross profit margin of 40%, ensuring profitable margins. A minimum of six new agent members will be added each year.

Advanced administrative systems handling support functions will be in place the first month of operation. Agent members and independents who are experiencing dissatisfaction with their current arrangements and who meet previously stated guidelines will be contacted. Unique incentives for participation will include a Member Advisory Council, profit sharing based on profitability and gross revenues, and opportunities to participate in group insurance and pension plans. Operational and marketing material, designed to attract new business, will be supplied free of charge. Airline and transportation discounts are already in place and escalating discounts will be available as volume increases. National account coordination will be handled



through Gazelle Expediting Inc. headquarters.

Marketing efforts will be concentrated in the top one hundred metropolitan areas of the United States and Canada. Market research to locate and target the most suitable agent members and independents will be an ongoing operational task.

Gazelle Expediting will have six agent members generating \$3,200,000 the first year of operation. Six additional agent members will be added in Year 2 and seven agent members in Year 3, generating \$13,650,000 in revenues. Years 4 and 5 see additional agent member acquisitions totaling 32 members and generating \$37,250,000. Emphasis will shift to include both domestic and international growth until an appropriate balance is reached, allowing us to take advantage of the free trade agreement with Canada, the European unification and other opportunities as they become available.

COMPETITIVE ANALYSIS

Major competitors include General, United, All-Purpose, Lineway, Best, First By Air, and other similar air freight management organizations. All are existing agent member network corporations with established market recognition factors. Gross revenues differ per corporation from a low of \$5 million to a high of \$100 million. Varying degrees of ultimate customer and agent member loyalty exist, based on pricing policies and ability to deliver expected levels of service.

These companies offer differing kinds of transportation discounts, negotiated contractual agreements, printed market materials, accounts receivable and payable processing, and administrative support systems. The contracts with the agent members offer commission splitting of gross net profit (gross invoice minus all transportation costs). The commission split ranges from 50/50 to 35/65, with 35% to the management corporation and 65% to the agent member.

Major market weaknesses include ineffective accounts receivable and payable management, untimely commission payments, lack of organization and direction, and inadequate marketing support systems. While agent members have virtually no say in operational policies and procedures, almost all marketing planning and strategy development is left up to the individual agent member to implement.

Agent member management companies are generally outdated in their management systems and policies, which has resulted in reduced profitability and growth and increased agent member dissatisfaction. Agent members feel thwarted by the various obstacles and, hence, lack motivation to develop and excel.

TARGET MARKET

The target market consists of mid-sized (\$500,000 to \$10,000,000 per annum) independent and agent member forwarders who are located in the top 100 major metropolitan areas and who aspire to grow in an aggressive, controlled manner.

These agents routinely handle shipments of 70-plus pounds at an average 40%, or better, gross profit. They excel in handling expedited and critical freight movements, providing exemplary service and commitment to their customers. They have demonstrated in their marketplace that values such as trust, integrity and personal involvement are keys to their success.

They have operations, marketing and cash flow considerations, which will be enhanced by aligning themselves with Gazelle Express Service.

Extensive feedback from various agent members indicates a crucial need for a strong management company with which to align.



SPECIFIC MARKET ACTIVITIES

- Informal survey of random and selected air freight forwarders and independents regarding their ideal wants and needs from a management company.
- Confidential discussions with a preferred group of agent members regarding likelihood of changing alliance, and of the potential structure, organization and services of Gazelle Expediting.
- Review of computer systems having the capacity needed for processing the business and providing unique management reports.
- Conceptual design of selected marketing material.
- Review of existing agent contracts.
- Negotiations of contracts with major transportation carriers.
- Investigating group insurance contracts for agent member coverage.
- Reviewing business insurances, e.g., cargo, liability.
- Establishing a contract for the agent members, detailing the respective responsibilities of each party and defining the sales commission.
- Developing an incentive program for the independent owner to participate in profit sharing based on gross sales and profitability.

ACTION PLAN

Pre-Operational

- Incorporate business.
- Negotiate and sign office lease agreement.
- Set up office, equipment, supplies, telephone system, etc.
- Select and order computer system and related software.
- Establish bank relationship.
- Arrange for receivables financing.
- Establish legal and accounting relationships; ensure necessary compliance.
- Finalize standard agent member contract.
- Obtain necessary insurances.
- Affiliate with a Marketing/PR firm.
- Develop an in-depth marketing plan to identify and target potential agent members.
- Sign agreement with Gazelle Expedited Inc. to become the first agent member of Gazelle Expediting.

Month 1

- Sign agreement with second agent member.
- Continue agent member solicitation.
- Finalize marketing materials; print and distribute.
- Set up marketing tracking system.
- Distribute operational policies and procedures.
- Establish accounting procedures and implement.
- Hire secretary/receptionist, administrator and accounting personnel, as needed.
- Continue transportation negotiations.



Month 2

- Sign on third agent member.
- Continue agent member solicitation.
- Monitor and refine operational, accounting and communications procedures.

Months 3 & 4

- Sign on an additional 2 agent members.
- Continue agent member solicitation.
- Initiate PR Plan.
- Hire administrative analyst and A/R person.

Months 5 & 6

- Sign on an additional 2 agent members.
- Continue solicitation activities.
- Continue PR plan.
- Evaluate results to date; implement necessary modifications.

Months 7-12

- Continue solicitation activities.
- Hire additional A/R personnel.
- Continue review/evaluation of progress to date.
- Develop and implement national advertising plan.
- Create Member Advisory Council.
- Identify target markets and accounts.
- Develop second-year Strategic Market Plan and make appropriate operational adjustments.

FINANCIAL PLAN

Attached is the income and cash flow projection for five years. Financing is based on receivables (partial customer list available upon request), borrowing and an initial investment of \$50,000. The interest rate used is 12.5%. The cost of sale is 82.6% of gross revenues, based on paying 56.5% for transportation costs and 26.1% for commission. The financial projections follow the market plan previously discussed.

Income and Cash Flow Projection

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	3,200,000	7,500,000	13,650,000	20,750,000	37,250,000
Cost of Sales	2,643,200	6,195,000	11,274,900	17,139,500	30,768,500
Gross Profit	556,800	1,305,000	2,375,100	3,610,500	6,481,500
Expenses	372,350	598,400	1,051,050	1,463,500	2,462,500
Interest	25,000	37,500	187,500	0	0
	397,350	635,900	1,069,800	1,463,500	2,462,500
Income	159,450	669,100	1,305,300	2,147,000	4,019,000
Fed Income Tax	54,213	227,494	443,802	729,980	1,366,460
Net Income	105,237	441,606	861,498	1,417,020	2,652,540
Receivables	-533,333	-716,667	-1,025,000	-1,183,333	-2,750,000
Payables	220,267	295,983	423,325	488,717	1,135,750
Cash Available (Used)	207,830	20,923	259,823	722,403	1,038,290
Receivable Loan	200,000	100,000	-300,000	0	0
Investment	50,000	0	0	0	0
Cash Flow	42,170	120,923	-40,177	722,403	1,038,290



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Investment	50,000	0	0	0	0
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Expense Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
Payroll	135,000	240,000	485,000	690,000	1,250,000
Payroll Taxes	33,750	60,000	121,250	172,500	312,500
Office Expense	20,000	23,000	25,000	30,000	35,000
Computer Expense	50,000	60,000	75,000	85,000	105,000
Communications	24,000	36,000	54,000	81,000	160,000
Insurance	10,000	20,000	35,000	50,000	80,000
Professional	20,000	30,000	45,000	55,000	70,000
Marketing	25,000	40,000	65,000	90,000	120,000
Rent	9,600	14,400	20,000	25,000	35,000
Printing	20,000	40,000	75,800	125,000	225,000
Travel & Ent	25,000	35,000	50,000	60,000	70,000
Total Expenses	372,350	598,400	1,051,050	1,463,500	2,462,500