

Rocking the future together



To mark the 25th anniversary of the general cargo alliance, CargoTime conducted an unusual interview. Two generations of CargoLine shareholders, which describe themselves as a “sworn circle”, grant us a profound look behind the scenes.

What binds such an eclectic group of freight forwarders together for so many years? What hurdles did they have to overcome on the long journey they have shared? And what does all this have to do with a parrot and a “Rütli oath”? Heiner Hoffmann, Heinrich Koch, Bernd Schäflein, Günter Schwarz and his nephew Oliver spill the beans on the exciting history of a successful cooperation. In the process, they offer a host of fascinating insights: on the integration of ABX, decisions they regret, their thoughts on the much vaunted “co-operation of cooperations” and their hopes for the partnership with InstaFreight and Garage 33.

Mr Schwarz, how and why was CargoLine founded?

Günter Schwarz: Way back in 1986 – 32 years ago – I wrote a position paper in which I pointed out that “the big guys are getting even bigger – the mid-tier companies are in danger.” I saw, even then, that without a network we would have no chance of survival. At the beginning of the 90s, there was a group of 35 freight forwarders – from logging companies to local truck drivers to general cargo forwarders – who were considering options for developing cooperation. However, we eventually realised that this extremely diverse group was not the way forward. It had no future. Instead, we general cargo forwarders have gone our own way: John from Eichenzell, Jeschke¹ from Hamburg, Koch from Osnabrück, Nellen & Quack from Mönchengladbach, Schäflein from Schweinfurt² and VTB from Braunschweig founded CargoLine together with us, Wackler from Göppingen, in 1993.

What are you particularly proud of when you look back?

Heiner Hoffmann: That we have managed to develop a network with standardised processes and uniform quality standards. Above all, however, that

we CargoLiners are still a sworn circle, although other networks have vigorously courted some of our partners in the past.

Günter Schwarz: That’s why we took the “Rütli oath” in 2001 and again in 2008. It was a promise to remain together based on the model of Schiller’s “William Tell”. None of us has broken it to this day. If I may quote the beginning: “We want to be a single people of brethren, never to part in danger nor distress.”

Bernd Schäflein: When I joined the illustrious circle of my colleagues not so long ago as my uncle’s successor, I immediately felt this: this tight-knit community works across generations to this day.

Heinrich Koch (laughing): Even if we have to tell each other a few home truths from time to time.

Bernd Schäflein (also laughing): That’s part of every marriage.

Of obstacles and milestones

Heiner Hoffmann: We also overcame the mammoth task of integrating the ABX branches into CargoLine. We had to take on enormous shipment volumes, but this also enabled us to expand direct and truck-meets-truck traffic – for example with Dresden or Munich. That was a huge challenge, but it worked out 100 per cent.

Günter Schwarz: Above all, we had to keep the knowledge of all our careful preparations within a very small circle of people until the takeover was done and dusted. Not everyone understood this approach. But it was the only way – no alliance of SMEs had ever taken control of a whole group of companies before.



Günter Schwarz, 81 years old, owner and former Managing Director of Wackler Spedition & Logistik and Head and Chairman of the Advisory Board of Schwarz GmbH & Co. KG Group, in which he is still active today. Initiator of CargoLine, active until 2008 in various functions for the network, latterly as Chairman of the Advisory Board.

Oliver Schwarz: We all signed a confidentiality agreement and set a contractual penalty of 50,000 euros. Actually, I have an anecdote about this. One manager had to involve his assistant, who was unable to guarantee that sum. So he asked her to tell him what was her most treasured possession – something she would be devastated to lose. She said “her parrot” and so the loss of her beloved bird was included in the confidentiality agreement in lieu of the financial penalty. *(Laughter in the round)*

Heinrich Koch: By the way, the ABX deal was an important factor in turning some CargoLiners into really sizeable local companies. In many cases they even became the top dogs – with a comprehensive portfolio of national and international services.

Oliver Schwarz: We took over the ABX location in Radebeul, Belgium. I will never forget the challenge of merging a former Belgian state enterprise and our medium-sized freight forwarding and logistics company. Their culture was completely different. But without this takeover, Wackler would not have been able to grow so fast.

Heiner Hoffmann (laughing): Do you remember, Günter? When we founded the alliance, we said you had to handle 200 outgoing shipments per day to become a CargoLiner. Today, we handle more than 1,400 shipments per day and the network more than twelve million every year.

Were there any other particularly memorable milestones along the road?

Günter Schwarz: I think we’d struggle to fit them all into one issue of CargoTime! For example, one of the first things we did was set up working parties for the various business areas. They provide a forum for specialists from the companies to contribute their experience and skills. I was, for instance, responsible for production for many years, others handled the network, IT or sales/marketing.

Heiner Hoffmann: Back in 1997, we were also pioneers in paperless tracking of consignments at the package level. In fact, we could track every single package in a consignment across six measuring points to ensure completely seamless documentation. That was a major innovation in the industry at the time.

Günter Schwarz: Absolutely. I would like to mention our hub, which we inaugurated in Eichenzell in 1996. At the time, that type of facility was almost exclusively the domain of parcel services.

Heinrich Koch: In addition, we opened our Europe-hub in 2005 because we wanted to offer our partners transport services to a wide variety of countries. Today, many of our international partners are even interconnected by daily line hauls.

Oliver Schwarz: Since 2009, we have organised a joint meeting every year, which is also attended by our



Heiner Hoffmann, 59 years old, owner and Managing Director of Nellen & Quack Logistik GmbH, founding member of CargoLine, long-time Business Area Manager of the Production/Quality/Hub working group.

international partners. And we shouldn’t forget our working party for international issues, which meets once a month. Andreas Goggi from Brigli in Italy is a member, Frank Roos from Rotra in the Netherlands and Thomas Werthmüller from Interfracht in Switzerland. So we keep our international partners involved as well.

Let’s go back to the beginning again. In your opinion, what were the biggest challenges you faced when founding CargoLine?

Heiner Hoffmann: Without doubt, establishing a common understanding of what we meant by cooperation. Some partners came from other networks and brought in their own experiences, ideas and wishes. I remember, for example, that several new partners in the alliance needed some persuasion regarding the need for a joint track & trace system and a closed network. After all, we wanted security, that is, reliable receiving stations and plannable input quantities. Some companies that were interested in CargoLine, just wanted to cherry-pick – but, of course, that was not an option. If we couldn’t convince them of our basic principles, there was no place for them with us.

Heinrich Koch: Yes, that’s true. The stability of the network was the big challenge at the time and still is today. As far as I’m concerned, everything has to be subordinate to it. We can also be proud to have started up our own companies in the alliance when



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it was the best solution for ensuring the stability and integrity of the network. Kochtrans in Neufahrn is already a success story and we are on the right track with TLT in Potsdam, too.

Looking back, would you do anything differently today?

Heinrich Koch: Oh yes. In the early days, we once rejected a partner because we saw the chance of winning a bigger one. However, it then rejected us so we had to go back to the original candidate on hands and knees and ask it to join us. That was not a great move.

Heiner Hoffmann: We have never quit on a partner again since ...

Oliver Schwarz: We have certainly made other mistakes, but none that have left a serious mark. Of course, we occasionally have differences of opinion and sometimes even heated discussions. But in the end, we always find a way to work together.

Everything is connected

To what extent has CargoLine affected your own business?

Heinrich Koch (laughing): We are all dependent on CargoLine. If we left the network, I would have to look for another – and it's not certain I would find one. In other words: today, we simply can't survive without a network and CargoLine.



» We are the largest network of medium-sized and independent freight forwarding companies in Germany. «



Heinrich Koch, 56 years old, owner and Managing Director of Heinrich Koch Internationale Spedition GmbH & Co. KG, son/nephew of CargoLine co-founders Heinrich and Walter Koch, Member of the Advisory Board of CargoLine.

Oliver Schwarz (to his uncle Günter Schwarz): I'll never forget your words, Günter, when I joined the company in 1997: "CargoLine is a life insurance policy and we all pay into it." (To all) He meant we are committed to it, shape it and develop it together. He was always convinced that this effort would pay off for our company in the end.

Heiner Hoffmann: I'm astonished that a Swabian would pay into anything voluntarily. (Everyone laughs)

Bernd Schäflein: Every CargoLiner has also developed its own business models based on general cargo transportation and the network. Consequently we have all grown over the last 25 years.

And what influence did or do customer requirements have on the development of CargoLine?

Bernd Schäflein: In my experience, there are five primary requirements that drive us: speed, transparency, integration into our customers' processes, willingness to change and the challenges of digitisation relating to "Logistics 4.0".

Heinrich Koch: Other key issues include service level agreements, reporting and the definition of and adherence to quality standards and transport requirements. We take these into account with our premium products, for example.

Bernd Schäflein: Incidentally, we took IT and IT security very seriously from the outset. I can only guarantee the high level quality our customers expect if our systems are secure and reliable. We can ensure that all data and shipments are permanently protected thanks to our IT security system which is compliant with ISO / IEC 27001 and s.a.f.e.

You just mentioned "speed". Surely online commerce has changed your daily business?

Heiner Hoffmann: Certainly. Ten years ago, our handbook still stated that we categorically exclude delivering to private customers. Since then, we have our own product for precisely this market. As you can see, we are capable of learning. (Laughs)

Bernd Schäflein: This is a dynamic, expanding market that we can't ignore – it's both a curse and a blessing. After all, Internet retailers are building their own logistics centres and parcel services. We are naturally monitoring the development of the online market leader very closely and discussing how we can derive benefits from it for ourselves.

Unique selling points of the cooperation

The competition never sleeps. Where do you see CargoLine today in this competitive marketplace?

Heinrich Koch: We are the largest network of medium-sized and independent freight forwarding companies in Germany. Our structures differ significantly from those of other alliances or freight

forwarding groups: we are not as centralistic. At CargoLine, the business area managers and employees from the companies meet in working groups to discuss specific issues and make decisions that everyone can support and easily implement.

Oliver Schwarz: In addition, as a local SME we have a direct line to our customers. Moreover, the strong reputation and awareness of the CargoLine brand – which we have consistently built up over many years – also contributes to our good standing.

Heiner Hoffmann: Our Task Force is another unique feature of our network. During the peak seasons in spring and autumn, in particular, we can send additional workers and trucks to a location at short notice if a partner is overwhelmed by the level of shipments – that helps us to process and eliminate backlogs quickly.

Something different. One idea we keep hearing from the industry media is that of a cooperation of cooperations. What do you think of it?

Heinrich Koch: In my opinion, it won't happen on a fixed or permanent basis. But there will probably be temporary cooperations with individual partners from other networks in order to ensure full area coverage.

Oliver Schwarz: I'm also sceptical about a cooperation of cooperations. Over recent years, our mantra has always been: make CargoLine stronger and more attractive. The fact that we are gaining new partners, including some from other alliances, for instance Hartmann and – to take a current example – Rhenus, clearly demonstrates just how attractive CargoLine is.

Shaping the future

What do you expect from the cooperation with the digital freight forwarder InstaFreight and Garage 33?

Bernd Schäflein: We are looking to answer the questions of the future together. From InstaFreight, we want to learn how an online freight forwarding company ticks, what its customers want and how we can digitise processes successfully. With Garage 33, we are exploring what we can and must do to be leaner and more efficient. This will help us to compete even more effectively in future and create new business models based on digital technology.

Oliver Schwarz: Advances in digitisation do affect our business model, even though the changes are not yet being fully felt. As things stand today, we still can't beam goods from A to B, although I am working on it. (*Everyone laughs.*) Garage 33 are the "young upstarts". They think and work very differently than we do and come up with crazy ideas we might not have. So they are helping us to broaden our horizons.

Looking forward and at the same time remaining a stable, sworn community – these are all values.

» **Digitisation is helping us broaden our horizons.** «

Which other values are important to you?

Oliver Schwarz: In 2012, we discussed our values in detail with all the employees in the network. We agreed on five that we all shared: performance, partnership, responsibility, innovation and passion. For me personally, it is vital that we always remember to behave as partners in our daily dealings and prioritise the idea of cooperation.

Bernd Schäflein: Even though we only set them down in writing six years ago, I think our conversation today shows that Günter Schwarz and the other founders put them at the heart of their work from the beginning. Passion is what makes the work fun – certainly for me – and it fuels our desire to shape the future. I think that is something we all have in common.

Next generation

A few questions to the younger generation. What prompted you to enter the freight forwarding business?

Bernd Schäflein: After completing our studies, my brother Achim and I spent several years working as consultants in American corporations. Then Achim decided to return to the family freight forwarding company. Five years later, he persuaded me to do the same – because it's a very exciting and dynamic industry in which you can make a difference. To get a feeling for the day-to-day work, I started off by driving forklifts and relabelling shipments.

Heinrich Koch: My siblings and I grew up right next to the site and spent our holidays working for the company. From an early age, we were woken at six o'clock in the morning by the whistles of workers as they manoeuvred trucks in the yard. As a teenager, I found it incredibly exciting to creep into a tractor secretly at the weekend and drive across the yard. Driving with a clutch is something I practically taught myself how to do. These experiences are now part of my DNA.

Oliver Schwarz: By the age of eleven, I more or less lived above the cross-docking terminal. I knew from a very early age that I would go into the freight forwarding business and do the appropriate training. Partly that was because I wanted to continue the tradition, but also because the tasks in logistics are so varied. Every day brings new challenges.

Is there anything started by the previous generation that you would like to continue, something you admire?

Oliver Schwarz: First, the bricks and mortar of the business. That's what we see every day. But there are other things too. We would not be the top dog in Dresden today if my uncle had not realised that the fall of the Berlin Wall offered a unique opportunity and we had to "cross the border". The result was a remarkable success story. And when I see how much time and energy he has invested in CargoLine as Interim Managing Director or as Chairman of the Advisory Board, I can only take my hat off to him. He



Oliver Schwarz, 51 years old, owner and Managing Director of Wackler Spedition & Logistik, nephew of Günter Schwarz. Member of the Advisory Board of CargoLine and Business Area Manager for the Insurance and Projects working groups.

has always put the concerns of the network ahead of his own interests.

Do you envy the founding generation in any way?

Heinrich Koch: At the time of the economic miracle, and in the years thereafter, the freight forwarding market was a protected market with fixed rates. But it was also a restrictive market because you needed a concession as a freight forwarder. I admire that generation's willingness to focus consistently on the needs of the customer and take risks. For example, my father gave up his protected status as an official freight carrier for the German railways to go his own way and focus on developing our company. That was real pioneering spirit.

Günter Schwarz: Speaking of going our own ways. My ancestors were commissioned as an official transporter of goods for the Royal Württemberg State Railway. In 1990, I terminated the contract with the railways. We could no longer expect our customers to accept transportation of their general cargo by rail because the journey from Göppingen to Nuremberg took several days. So I said, "Stop the train, we're going to do it our way." Five years later, the German railways withdrew from the general cargo market anyway. Every time has its own challenges and opportunities. We also had problems that kept us occupied. But we enjoyed finding solutions and, I have to say, the results show it was worth the effort.

"Make a wish"

CargoLine is celebrating its birthday so you're allowed to make a wish. If you could wish for one thing from our politicians, what would that be?

Heinrich Koch: We contribute more than 50 billion euros a year to public budgets through tolls, vehicle, petrol, VAT and other taxes. I would like a large proportion of this to be invested in developing transport infrastructure.

Heiner Hoffmann: However, we need a better lobby to fight on our behalf for this and other issues in the industry because politicians are always finding new ways to tie our hands. We are legally obliged to comply and this affects the efficiency and quality of our work.

Bernd Schäflein: Medium-sized businesses, like our member companies, are an important driver of economic growth. So politicians should try to reduce the burden on them and give better support for SMEs.

And what would you wish from your customers?

Heiner Hoffmann: With almost 500 km of traffic jams every day, North Rhine-Westphalia has the slowest moving roads in Germany. A little more understanding of the difficulties we face due to the region's ailing road infrastructure would be welcome. And it would be wonderful if we no longer had to book delivery timeslots for market deliveries and end up waiting for hours despite arriving at the agreed



Bernd Schäflein, 40, owner and Member of the Board of Schäflein AG, nephew of CargoLine co-founder Karl-Heinz Schäflein, Business Area Manager of the Contract Logistics and Network Innovation working groups.

time. This slows us down and upsets our planning for the entire tour.

Bernd Schäflein: I would like to see our customers trust us to work together as partners in implementing the fourth industrial revolution.

Oliver Schwarz: And I would simply wish for greater appreciation of the service we provide.

Heinrich Koch: My wish is for some of our customers to think further ahead in terms of their collaboration with us rather than just the next shipment. It would be good if they included us more in their planning and developments. We would love to discuss what they expect from their logistics service providers.

CargoLine in 2043

Let's stick with the visions for the future. In your opinion, where will or should CargoLine be in 25 years' time?

Oliver Schwarz: If we can preserve the ideals of cooperation and partnership, the passion, the brotherhood and the confidence that we can rely on each other, CargoLine will be alive and well in 25 years' time.

Heinrich Koch: Hopefully our successors will be just as much a sworn circle as we are. I hope that they will maintain our businesses as independent freight forwarders and we remain the largest SME alliance in Germany – and also in Europe.

Bernd Schäflein: I would go one step further. I hope that in 25 years' time, we will be the technology leader and innovation driver and a global player. *(Laughing)* Of course, that would be easiest as a monopolist. Let's rock the future together! <

You'd like to know more about CargoLine? Or you don't have time to read the whole article? Then have a look at www.cargoline.de/milestones

» There will be no such thing as a cooperation of cooperations. «

¹ Today, Sander Logistics.

² Headquarters now in Röhlein.

³ ABX Logistics was founded in 1993 under the name ABX Transport as a subsidiary of the Belgian Railways (NMBS/SNCB) in order to be able to offer off-track transport services, too.