

# Shaking the Financial Fabric: A 600-Word Survival Guide

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**T**oday's trucking environment is one of the toughest in decades. Smaller to mid-size truckload carriers are calling in to accounting offices begging for freight. You're seeing more and more freight transportation offices being downsized or eliminated. And there have even been reports of more "fly by night" brokerage offices hanging out a shingle and then closing their doors, leaving the truckload carriers holding the bag with unpaid freight bills.

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From the other side, less-than-credit-worthy shippers are playing the freight load boards, searching for whoever will give them credit and stretching their payments past 60 days or defaulting on their debt.

These examples will shake the financial fabric of any third-party logistics provider or brokerage firm. Most industry sources anticipate the economy and this downward trend bottoming in mid-year 2009. Thus, those 3PLs and brokers not on sound footing will likely falter and fail. A perfect example is the recent bankruptcy of a Top 15 transportation provider. In its aftermath will be fewer carriers and ever fewer 3PLs/brokers as the weak fail and strong prevail. And when the economy does begin to improve, it will likely be a slow rebirth rather than a quick rebound.

So how will 3PLs and brokers survive during this period of slow growth and dismal demand for their services? We think that smart operators will tackle it from the following perspectives:

First, carriers will be gun shy about extending credit to 3PLs/brokers based on their previous experience and concerns about the security of 3PLs/brokers. To counter this misconception,

3PLs/brokers must maintain strict adherence to their payment terms and vigilance over their credit reporting scores. Successful organizations will devote resources to monitoring transportation-related blogs and web sites to proactively address blemishes to their reputations.

Second, most traditional accounting organizations place the credit and collections functions together. Today's tough environment requires a reevaluation of this approach. That is most credit and collections managers either have a strong suite or competence in credit or collections, but not both.

If your manager is the exception, count yourself fortunate, but the workload will inundate your leader and possibly increase your company's risk of a significant financial hit or increase the cost of working capital. In recognition of this quandary, progressive 3PLs/brokers will split the function and enjoy the following benefits.

First, a credit manager solely focused on this sector will process credit applications quicker and with more detail. Therefore, more business will be secured and current customers will be subjected to more frequent reviews and credit adjustments if necessary.

Next, a dedicated collections manager will place added emphasis on collections of Accounts Receivables in line with terms and reduce the cost of working capital. These are all key ingredients to the successful navigation around the dangerous shoals of protracted payment cycles and increased credit risk.

With these brief words, we have attempted to make the case that these are unprecedented times in the 3PL/brokerage industry and are not for the faint of heart. Yet, those innovative companies with flexibility and nimbleness of thought will succeed and flourish while those organizations who fail to adjust their culture and organizations will certainly have a rough ride, if not failure.

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