

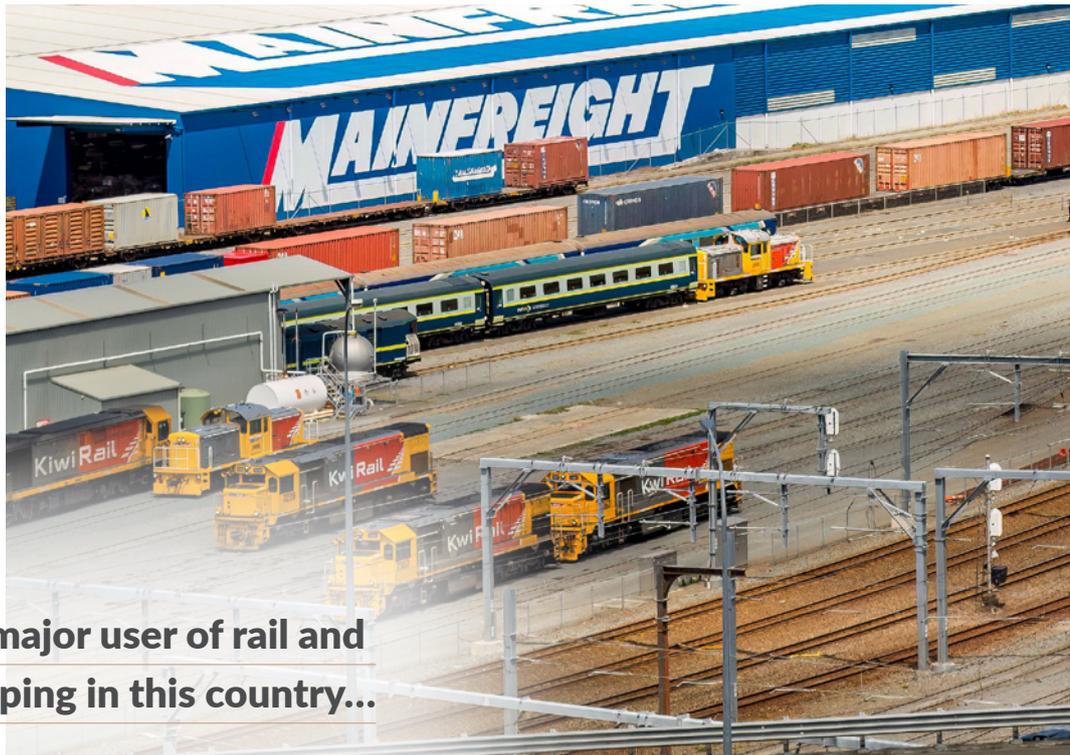
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# focus

## Interview with Don Braid of Mainfreight



Mainfreight was born in 1978 as a no-frills, low cost freight service using the government-owned Coastal Trader weekly run between Auckland, Christchurch and Dunedin, and a Bedford truck. Since then it has been an outrageous success story, expanding its logistics services and geographical footprint across global markets, consistently winning new customers, and delivering market leading earnings growth since listing on the NZX in 1996. It's a principle-based business that has a stronger cultural identity than almost any other sizeable company in New Zealand. **We talk to long time CEO Don Braid.**



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**When people think of Mainfreight, they tend to think of big blue trucks. Can you explain what Mainfreight does?**

We're a global logistics business, a small one, which involves the movement of freight across the supply chain. Sometimes to our detriment the number of blue trucks, particularly in New Zealand, leads people to believe that that's all we do. The reality is that's far from the truth. We are a major user of rail and coastal shipping in this country. We're also a major user of airlines and shipping. We also have an enormous repertoire of warehousing space for the completion of the supply chain requirements in logistics.

**You're now in 27 countries with over 342 branches. You've been a great New Zealand corporate success story. What are the key ingredients in your ability to sustain the growth and expand across so many diverse markets internationally?**

It is the New Zealand landscape that provided the basics for us to realise what we needed to do to be successful. If you think about what motivated Bruce [Plested] to start the business back in 1978. It was the lack of high quality freight services in this country. A monopoly by the railway meant you couldn't run anything by road further than 40 miles and then later 150 kilometres. Inane government regulations prohibited the safe, competitive movement of freight. The market was dominated by a number of Australian freight

forwarders, who probably acted collusively together to satisfy their profit requirements.

That created a desire to do better and to be different. We've carried that same energy, passion, and ambition to develop a global footprint. We've got a lot more to do. But getting the high level of quality service for our customers was important in New Zealand, and we've taken that same attitude to our business around the world.

**Logistics is a competitive market, both here and internationally. What do you do, or don't do, that's different to your competitors?**

Our culture has got a lot to do with who we are and how we operate. And ultimately, the customer sees and feels that. That gives us a competitive advantage in lots of small ways. Often my first question when visiting a large customer offshore is 'Why did you pick us?'. They don't answer it was the freight price, or your network, or the service level you've promised, but actually it was the culture. It was the way our people handled themselves, the way they presented themselves, the way we presented the business. There are a number of factors which will roll back to what we stand for and who we are.

If you think about the basis of our culture, it's about trying to get decisions made as close to the customer as possible. That's the decentralised approach, giving 342 branches a profit and loss account and the branch managers the ability to



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make decisions. The customer feels that, and that gives us an edge against some of the larger competitors.

An area that's really important to us is that we treat our people a certain way. Our people are everything to us. We adopt that same attitude for our customers. We want to give them a high quality service and treat them as people. We also adopt the same attitude for our suppliers, the shipping lines, the airlines, the railway companies, the cleaners, the electricians, and all the people that allow us to operate. We treat them exactly the same way. That provides us a competitive advantage against, perhaps, a faceless, large corporate that doesn't adopt the same attitude.

**How do you sustain a consistent culture when you've got a business the size of Mainfreight, which is now in a multitude of countries and continues to grow?**

Not easily. The culture started with the business in 1978. There's some soft approaches to the culture, and there's also some hard disciplines that are non-negotiable. The non-negotiable parts of the culture are easily enforced, like putting the profits on the noticeboards in the cafeteria, having clean toilets, and making sure that we look after our people.

It's the softer areas of culture that are hard to explain and put words around. It is the way we do things around here. That culture is changing as the business grows. Running an office full of

people in New Zealand is very different to doing it in Romania, Shanghai, or Chicago. So we have to be flexible about it. We talk about flicking the flywheel of culture all the time, and we continuously flick the flywheel of culture, which is part of our competitive advantage.

**Could you talk to your approach as to how you manage your people from recruitment, to learning and development, to motivating and incentivising them?**

We want people to have careers not jobs. We promote from within. We're looking for young, intelligent, energised, passionate people to join our business. If they show the initiative, and the intelligence, and the energy, then they get the opportunity to pursue a career with us. In doing so, we will support them along the way. They adopt the culture, they are the difference between us and our competitors. They are who the customer has to deal with. They are part of the family, and we will treat them in that manner.

It's lots of, or hundreds of, little things. It's clean toilets, it's the cafeterias, it's great food, it's even, with this latest generation, how we approach sustainability. That attracts good people. We need to make sure we look after them and we want to share the profits with them. Not only do we share the profits with them but we show them the profits. The weekly profits go up on the noticeboard in the cafeterias at every one of those 342 branches. Their efforts last week they see in real numbers.

**You've personally achieved quite a lot over the last 20 years. What keeps you motivated to continue to drive the company forward?**

The prospects of what this business can achieve. We are an ambitious bunch of so-and-sos, and we can see the potential for the business, no matter where we are. Whether that's here in New Zealand, or a new country like India that we've just entered, we can see the potential for more growth. That's exciting. It makes you get up in the morning and have some fun. As we say to a lot of our young grads who join us, if you've got some passion and energy, and you enjoy what you do every day, you're not going to work a day in your life.

**The freight and logistics industry tends to follow the broader economic cycle. Historically, you haven't been completely immune to those downturns and we're currently in a depressed part of the cycle. Given your decentralised approach, how do you manage the business during different parts of the cycle?**

Our customer verticals assist us to get through some of the more difficult cycles. To have food, beverage, pharmaceuticals, perishables, dry products in our business, where we're helping to feed and allow people to live their lives. Right now, New Zealand's got a building issue. We've seen results from New Zealand companies that are somewhat disappointing, yet building products only make up a small portion of what we do.

There used to be seasonality in our business when pre-Christmas was the busiest time. If you start to operate a global business, you'll find that pre-Chinese New Year is busy. Black Friday is busy in America, so things change. We don't really worry about economic cycles, we worry about our own performance within each branch and in each region. We don't get every one of those right. It takes a long time to open a new branch, to get some size, and to get the profitability that you're looking for. We've been in Asia since 2002, owning it 100% since about 2008, and we haven't nearly delivered the potential that the Asian region has available to us.

That's in our control and it's about getting it right. We think about this business being around for 100 years. Therefore, we're taking long-term decisions and not quick fix answers, but we will hopefully get long-term growth.

The period that we've been through over these last couple of years was something out of the bag. To have supply chain congestion, interest rates at the levels they were at, governments throwing money around — falsely propping up economies, all created a frayed environment that none of us had ever seen before. Our

people worked extraordinary hours during the COVID supply chain congestion period. We are supersensitive about the effort that all those people put in to move our customers' freight. Every one of those challenges has provided opportunities for us. We've grown a bigger and better business as a consequence and we've learned how to handle larger volumes of freight. We learnt new skills, which will be good for us in the long term, but we don't think that we will ever experience that type of congestion again and that lift in numbers over such a short period of time. We would rather have consistent ongoing growth as we develop the business.

**As you've mentioned, the structure of the business is very decentralised. What levers are you able to pull to help lift performance?**

With a decentralised approach, it's about guidance and cajoling and assisting the branches to develop their businesses. People will be surprised that we don't have a strategic plan and that we don't budget. That's not to underestimate our strategic direction and our ability to manage returns on a weekly basis versus the same week last year. That gives us a huge advantage on understanding what's going right and what's going wrong.

It's about assisting the branches to focus on freight, to focus on the customer verticals that we know will help. Getting the senior leadership team out in front of the customers, including the board of directors. Getting the board of directors around the business. That comes back to a governance issue. We're expecting our board of directors to be giving good guidance to the leadership around the management of the business, not necessarily ticking the governance boxes. We expect our senior leadership team to do the same. So we don't have too many 'head office' edicts. It's more about: this is the strategic direction we're taking, this is the capital that we have available to allocate to the growth of the business, where is it best apportioned, and how do we help you win more customers?

**It's been over 10 years since you last undertook an acquisition, organic growth hasn't been a problem and strategically you've suggested acquisitions are no longer needed. Could you envisage a scenario where M&A does become a priority again?**

We don't think it'll become a priority and we don't think even though you might go back over our acquisition history, and think that M&A was a key part of our growth plans.

If you actually boil it down, it provided us beachheads in each of the five regions where we are now located. That has enabled us to



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establish a network of branches and that network is feeding itself both within each region and between the regions.

That gives us the ability to service quite large global customers, who like our level of service and the way we operate. Acquisitions are tough, they provide you with an enormous amount of trouble around people, customers, property, IT, IT security, and contracts.

It was a means for us to get ourselves a little more global. The analyst community thinks that we aren't that good at acquisitions. But if you look back at what we're doing now, some of those acquisitions are bearing some fruit. We know that the other ones will bear a lot of fruit later on. In the course of a 100 year journey, the small mistakes or missteps that we made with those acquisitions will be seen as very small in the overall scheme of what we can achieve.

**Technology represents both a risk and an opportunity for Mainfreight. Artificial intelligence (AI), in particular, is likely to transform many industries. How do you see AI influencing your industry over time?**

We're playing around with AI a little bit, particularly in the warehousing sector and in our ability to predict what customers might or might not order.

We've always had this motto that we don't want to dumb down the dock with technology. We want our people thinking on their feet. Technology for us is about bringing efficiency to the business and about helping us be more efficient across the supply chain for our customers, by being able to provide our customers with real time information around their supply chain.

We do see a role for AI longer term. Is it benefiting us at the moment? Not really. Our technology stance has always been that we don't want to be at the bleeding edge. We'd rather be second or third off the grid and find what works for us. It's a bit like automation in our warehouses. Five years ago we wouldn't have embraced any automation, whereas now we're finding automation in warehousing has actually progressed. Where we think we can get efficiency for a customer then we'll adopt it.

**The industry you operate in is a heavier emitter of carbon. What measures are you taking as a company to reduce your and your customers' carbon footprint, and what other sustainability measures are you deploying?**

We do lots, though one of our problems is that we've always done lots but we've never stood on a soapbox and bragged about it. We've just



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seen it as good business. It's nearly 25 years since Bruce [Plested] started capturing water off the roof of Southdown and used it for truck washing. Now we capture water off the roof to the point where in our new sites, in Dandenong and Adelaide in Australia, we're about 87% off-grid for power and water. So we've come a long way.

The fact of the matter is we are a user of heavy diesel for shipping, aviation fuel, and air freight. Rail helps us from a diesel perspective from roading, and we're a large user of rail wherever we can be. We're appalled at the New Zealand government's attitude to rail at this current point in time, and are nervous about the possibility that this current government doesn't see a future for rail in this country. We think that's a mistake.

We're adopting electric trucks and we've got electric forklifts. We're capturing power off the roof, solar power, and now storing it in batteries

so we can operate electric forklifts at night. So we're doing a lot. Could we do more? Yes, even to the point where we're trying to encourage our people to grow their own vegetables and so forth for our cafeterias. It works in some branches but not at all. That's a problem with a decentralised environment, you've got to cajole everyone to push the stick a little bit more, to be a bit more self-sustainable.

**What would success look like for Mainfreight over the next 10 years or so?**

A bigger and better business. More countries, more branches, more profitability, more revenue, and that likely comes with more people. We do see opportunities elsewhere in the world and we've got a lot of work to do in some of the larger environments that we're in currently. Even here in New Zealand we see potential for our style of logistics to garner more market share.

**If at any time you want to discuss investment options and opportunities, your Forsyth Barr Investment Adviser is available to provide you advice and assistance.**

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