

Interview with Franz-Joseph Miller CEO, time:matters Holding GmbH



time:matters is the international expert in courier, same day and emergency logistics as well as in time-critical spare parts logistics. The company offers solutions for "impossible" and complex logistics challenges worldwide. time:matters was formerly a wholly owned subsidiary of Lufthansa Cargo. Effective January 1, 2007, with the support of time:matters management, the growth investment firm of Aheim Capital GmbH acquired a majority stake in the logistics specialist. Franz-Joseph Miller joined Lufthansa Cargo AG in 2001, taking charge of the same day "Top Speed" courier services business.

Franz-Joseph Miller studied law at the universities in Würzburg and Bayreuth, Germany, and Lausanne, Switzerland. He completed postgraduate studies at the Otto Beisheim School of Management (WHU) and received an MBA from Kellogg Graduate School of Management. He started his professional career at a fashion company that he founded. Prior to joining Lufthansa Cargo, he worked for the internet company Jamba! AG, responsible for marketing and sales in Europe. Franz-Joseph can be reached at info@time-matters.com.

Interview conducted by Doug Berger, INNOVATE doug@innovate1st.com

Doug: Please begin by providing a brief description of the business concept.

Franz-Joseph: time:matters is a logistics provider that offers transportation around the world for extremely time critical and very important shipments. It's a market segment in logistics that developed over the last years, in which we created the terminology "special speed solutions."

Doug: We now live in a world with DHL, FedEx, UPS and other global logistics companies providing a level of unprecedented speed. Therefore, when you are talking about speed, you are talking about a different level of speed.

Franz-Joseph: A day is a very long time for us. We usually talk about hours. time:matters is not an integrator and thus not an overnight service provider. We also do not operate hub and spoke systems as do the integrators or other large logistics providers. We provide point-to-point services from pickup to delivery – within Europe, for example, anywhere between two to eight hours. Each shipment is transported directly and individually from point A to point B. Each transport process is set up for that shipment. We actually also work with the four big integrators – they are our customers as well as our transportation partners.

Doug: You have entered a market that is already highly competitive and quite mature. What was your thinking and that of the other founders, which lead you to believe that there was an unmet need in the market, and that there was a business case for investing in and developing a business?

Franz-Joseph: The basic reason behind time:matters is that Lufthansa Cargo was receiving requests from customers in the segment of Special Speed Solutions. We thus already had proof that there was a market and that customers would be interested. We are in a niche market, and when we started we did not think, and still don't, that it is a mature market. If you look at the whole area of overnight services, for example, you have a very competitive and mature market. If you look into our niche, we have a highly segmented market with a lot of small and mostly local players. There was no company that brought to the market the tightly knit multimodal global network that we are able to use, combined with the highly specialized expertise for individualized fast transportation solutions.

Doug: You were founded by Lufthansa Cargo. Were you originally constrained to operate with that airline as your primary carrier or were you operating with independence and flexibility from your parent company?

Franz-Joseph: Since the inception of the business, we have been fully independent in who we use and how we organize our transportation. Our prime focus is always to find the fastest possible mode of transportation or that special one that the customer is most looking for – be it reliability, speed or flexibility, just to mention a few important features our customers often seek.

We presently work with Lufthansa, as well as around 15 other airlines. In addition, we also use the German rail system and have an exclusive contract to use their high-speed trains in Germany. For road transportation we cooperate with sub-contractors. Altogether, we have a network of more than 500 partners around the world using special dedicated processes. When we get an order, we then set up the transport process, which depends on how urgent the shipment is or what the delivery destination is. Some customers say, "Well, time is important, but you don't have to charter an aircraft. I'm fine with the fastest possible option that you give me based on your standard services, as long as it is delivered today."

Doug: Did you have a particular market segment in mind when you first began the business? And, how well did your initial hypothesis actually turn out as the markets developed?

Franz-Joseph: Our core target group are logistics companies who use our expertise to offer solutions to their industry customers. The industries that are interested in such services are automotive, high tech and engineering. All those where you have a lot of just-in-time production, which is susceptible to the kind of business we're doing.

Logistics companies were a target because we knew that they were also offering fast solutions, yet typically this only made up a small part of their business, and usually without a dedicated focus. For them, this business often required exceptions to their standard processes and was very time intensive. They would spend hours organizing and executing these kinds of shipments, but in many cases the volume only made up 3% of their business. We went there and said, "We deal with such shipments 100% of the time. We do nothing else, so why don't you let us do it for you and thus save time and money?" It did take a while, but we were able to convince them by showing that below the line, the investment / cost was lower and the quality was higher than if they were to do it themselves. That gave us our first business. I'm very happy to say that the customers we had in 2002, are still our customers today and most of them have

grown their business with us.

The market for special speed solution has only developed over the last three to five years. Interestingly, when we started in 2002, we had a hard time explaining to prospective customers our particular kind of business. Actually, time:matters was the first to use the phrase "special speed solutions," which is now really perceived as a stand-alone segment in the European logistics industry.

Doug: What was some of the early stage work that had to be done with Lufthansa Cargo in order to have them actually make an investment in a business which is outside of their core?

Franz-Joseph: We had to set up the necessary and right processes and IT infrastructure on a functional side. In doing so, we were able to establish a special process to load our shipments onto aircrafts around the world, a bit similar to the process of loading crew luggage onto the aircraft.

Then the next step, and probably the more difficult, was when we said, "To make this really successful, we have to spin it off into a separate entity. If we keep it within the large organization it will always be too small and it might not get the resources and focus necessary to make it work. We need a separate entity, people who are fully focused and fully committed on this segment; people who don't just see this as a department in a corporation where you go, stay for two years, and move out again. We had to get people onto the team who had the know-how to do specials in logistics; people who knew how to make the impossible, possible. Furthermore, we had to have our own entrepreneurial culture that was not separate from Lufthansa Cargo, but that is basically developing from the core of Lufthansa Cargo's experience, yet is responsive to our business situation."

Doug: What were the few strategic drivers, which from the outset you knew had to be done right?

Franz-Joseph: We knew that we had to get proof of concept for a solid base of customers. Secondly, we knew that we had to get the right people on the team to make this venture successful. We knew that we'd have to take some risks in setting everything up. We also knew that we needed the functional and operational support of the corporation. One of the major success factors early on was having a supervisory board that was giving us the freedom to act like entrepreneurs, but still giving us access to the know how, processes, and capital of the larger entity. We were lucky to really have the best of both worlds that we were able to be a startup within the umbrella of the Lufthansa Cargo Corporation.

Doug: When you look at the actual operational delivery, what were the strategic factors that you knew you had to get right ... information technology, logistics, etc?

Franz-Joseph: We had to make the existing network of outlets become time:matters-specific, which meant shorter acceptance times, faster handling, separate handling agents at all airports, and so on. We had to design and develop an IT system that made it possible to really operate that whole network with a relatively small number of employees.

Doug: I want to underscore my understanding, which is that your actual operations are carried out by a network of independent affiliates, and that you've really brought together an architecture that goes beyond those affiliates to meet a very, very specific customer need.

Franz-Joseph: Absolutely. We are in some way network architects and network orchestrators. We use existing networks in the market, and use them in a way that often goes beyond how the network owners use them.

Doug: I'm curious about the background of the people who founded the company. Did you yourself have an entrepreneurial background?

Franz-Joseph: I guess so, even though I have a very colorful background. My parents were entrepreneurs. However, I went to law school and came out being an attorney at law. I then thought, "This seems to be too boring to do *that* for the rest of my life." So probably a bit naïve, I started my own company together with my mother, who was in the fashion industry. We designed and manufactured fashion accessories in the Far East, and learned the hard way how difficult it is to set up a company and win customers. We were still successful in building a small company with a sizeable network of stores that sold our collection. After 5 years, I stepped out and studied to get my MBA. I then joined a new economy startup, which was very successful in the mobile internet area. From there, I joined Lufthansa Cargo, who was looking for someone with a background of being able to set up a company, but not necessarily with a logistics background.

Doug: As the top executive, you've got to run the business with an eye towards today and tomorrow, as well as the next transition point that you're going to hit. You must be thinking, "If I don't deal with it successfully then I'm not likely to grow past that particular point."

Franz-Joseph: When we started we were four people. A year later, we grew to 15-20 people, and we had weekly meetings where we could all sit around the table and everybody knew what everybody else was doing. It was all rather cozy. Then we grew to 35-40 people, and we started to have team leaders and a second management layer. That's the point at which you cannot be involved in every single topic anymore – or only on a very general level. Two and half years ago we did a leveraged buyout with a private growth investor in order to pursue our strategic goal of growing internationally with own offices in strategic markets. Lufthansa Cargo kept 48% of the company in order to further support the company strategically and participate in its success. Now we are about 120 people throughout the group, with 12 international offices.

I think we've always grown into our changes, when we realize, "Oh, we have to change something because it doesn't work anymore as it did last year." As a still rather small company we have the advantage of being able to adjust rather fast when it comes to change. But it is also the spirit in this company that has remained highly flexible and able to seek and grasp opportunities for the company.

Doug: Have there been particulars about the business to which you've had to adjust very dramatically over the course of the last six months?

Franz-Joseph: We're coming from a steep growth phase into the biggest recession we've probably all seen in our lifetime. Over the last years we've been growing revenue-wise with an average of 30 percent, year over year. The first year that

we started the company, we had about \$8 million Euros in revenue, and last year we did about \$60 million in revenue. Some of our customers businesses are down 30 to 40 percent, while other segments are still growing. We went from growth management straight into crisis management. Securing our core business and becoming more efficient are now really important. There are certain projects that we had started, which certainly had a very interesting perspective a year ago. Looking at the current market environment, however, we decided to put some of those initiatives on hold, even though we have invested into them for a year. This does not mean that we changed our strategy – it only means that we currently fully focus on what is really important to serve our customers and successfully get through this crisis. Then we take up the other issues afterwards. The biggest challenge for us was having that change in mindset; realizing that we're going from growth, straight into a consolidation phase in a company that has only seen growth in its corporate history.

Doug: What is it about building this business that most captivates your imagination?

Franz-Joseph: First of all, it is the fascination for successfully building and developing something. I have to say that I've learned a second fascination over the last six to nine months, which is making sure that what you have build holds and making sure that you're trimming it so that it remains strong and successful in a difficult environment. Looking back at why am I doing this and why I do have a lot of fun doing it ... it's really the challenge of assembling a great team and getting these people to realize something that wasn't there before, and motivate them to keep the spirit up. It feels great to see that everybody gives their best and has great fun and enthusiasm steering the company through this storm.

Doug: In conclusion, is there anything else that you would like to add?

Franz-Joseph: We've had a great time over the last years building time:matters. The challenge is to make sure that we have the right set up for the storm we are in, while not losing sight of innovation and growth opportunities. We'll probably do much less pursuing of new things than we have in the past. But there are still great opportunities out there and we are 100% focused on making sure that the things we are going after are successful.

