

THREE WAY DEAL HELPS HIGHLAND FOOD BUSINESSES



Improving Scotland's
food and drink businesses
through collaboration

SCOTLAND
OF FOOD & DRINK

Three Scottish transport companies - Highland Thermo Logistics (HTL), Waltons of Oban and Long Lane Deliveries (LLD) – have developed collaborative relationships which have improved their customer offering and helped to build their businesses. The three companies collaborate where it makes most commercial sense, but remain very competitive on other routes.

A key component of this successful collaboration is the chilled cold store and yard in Inverness, owned by LLD and managed by HTL.

Whilst the companies continue to compete on many routes, they also have informal agreements - Waltons collect from Glasgow, sometimes from LLD's Bellshill depot, and deliver around Argyll, the West Coast and the islands. They then pass goods to HTL, who collect from Waltons' Oban base, for onward delivery to the rest of the Highlands. HTL reciprocates by delivering to Waltons from the rest of the Highlands, for onward delivery to Argyll and the islands.

HTL also operates a similar relationship with LLD, which offers UK-wide deliveries for HTL, and which uses HTL for deliveries on many Highland routes.



GETTING TOGETHER

HTL and LLD got things underway following a phone call from David Myles to LLD to David Henderson at HTL.

Says David Myles: "My view has always been that, to grow the business, you need to find partners who are willing to share information and who are also looking for ways to extend their area of operation. As a business, you must always compete but there are areas in which it makes good business sense to co-operate."

LLD uplifts pallets from England and Wales, which are brought to its Bellshill depot. Those destined for the Highlands are taken on to Inverness and some are distributed from there by HTL.

For HTL, partnering with LLD gives them access to a wider distribution area. David Henderson says: "This relationship gives us access to the whole of the UK market, which means we can offer a better service to our customers. It also meant that we were able to bid for a new contract from Highland Fine Cheeses – which has customers in England – and were successful."

As part of the arrangement with LLD, David Henderson manages the cold storage unit in Inverness on LLD's behalf. The facility has capacity for chilled and frozen goods in large containers. This has solved an issue which arose early in the relationship between the two businesses,

when it was difficult to achieve timed deliveries and pick-ups which suited both of them. Waltons also developed a cold store in Oban several years ago and has since opened another one to cope with demand. This benefits HTL and LLD, as it is another facility at a critical distribution point.

"Having access to the Inverness cold storage facility has been a huge benefit to us and also to Waltons. For us, it means that we can offer a much better service to our customers" says David Henderson.

The facility enables HTL to collect goods on the company's normal scheduled runs and store them in the chilled store for onward delivery or collection, again on a normal pick-up or delivery day.

Adds David Henderson: "This means we keep costs to a minimum for everyone, by keeping to normal delivery schedules and minimising special deliveries or pick-ups."

David Myles comments: "We felt there was a need for this type of freight consolidation centre in Inverness to service small companies in the Highlands and Islands who wanted to supply larger food service firms and supermarket distribution centres elsewhere in the UK. We'd done research and were convinced there was enough scale to support this kind of operation."

OBAN TO INVERNESS AND BACK



LLD now also works with Waltons of Oban, through HTL, to cover some smaller scale deliveries to the West Coast. HTL's relationship with Waltons was kick-started by the company's owner, Eric Walton. He learned that HTL was operating on the Inverness to Oban route from a local food company.

"I was doing work for Cobbs Cakes in Drumnadrochit and for Connage Highland Dairy" says Eric. "It struck me that it wasn't

economically sensible for us to be competing on this route and I contacted David Henderson."



HTL now takes all of Cobbs Cakes' and Connage Highland Dairy's products to Oban for Waltons. In return, Waltons provides HTL with frozen products for retail outlets, and sometimes Mull cheeses.

BUSINESS BENEFITS



All three agree that there are clear business benefits for each of their companies. Overall, they have become more efficient as a result of their collaboration.

For Eric Walton, the arrangement with HTL means better service for his customers. He says: "By teaming up with HTL, I can offer better value to my customers. Cutting costs and providing local, small companies with access to larger markets, contributes to their ability to grow – and that, in turn, will help my business expand."

For David Henderson, the main benefits are increasing opportunities to capture new business – like the Highland Fine Cheeses contract - and to reduce costs by working with partners like LLD, who can deliver more efficiently than HTL in certain areas of the country.

He estimates that HTL's fuel savings are already 5% or more. He also reckons that around 10% of his business growth is as a direct result of his collaboration with Waltons and LLD - growth he believes he would not have achieved otherwise.

He adds: "It also means that we reduce food miles and cut the number of empty loads, and we too can offer our customers a better service by having access to a larger geographical area."

For David Myles of LLD, the benefits are similar. "We are now offering an improved service to our customers. When HTL won the contract for Highland Fine Cheeses' UK wide deliveries, it meant that we were able to take on the deliveries outside the Highlands."

MANAGING THE RELATIONSHIPS

Each collaborative relationship is fairly informal – as each company is a separate entity, they see no need to engage in joint strategy and planning. They don't set targets, but they have been open and fair with each other, in order to build up trust.

HTL and LLD have service level agreements, and have exchanged price cards. HTL has set most of the prices for the Highland deliveries, which LLD accepts as fair. Says David Myles: "We have a vested interest in HTL's success and fair pricing is integral to that."

For Waltons and HTL, the arrangement is very informal - business is offered and shared as it comes up.

All agree that, for such collaborative agreements to work, they have to be based on openness and trust.

David Henderson had already explored the partnership option before the arrangement with LLD. "The previous attempts at partnership didn't work out" he says, "because they weren't reciprocal – the traffic was all one way. Either HTL got little work from the partner company, or the rates offered were far too high to make good business sense."

There were a few teething troubles which had to be overcome for all three companies – predominantly around service level agreements and some logistical issues around timings for deliveries and pick-ups.



FUTURE PLANS

David Henderson's main objective is to grow the HTL business - he has already established another partnership with JD Cowper to access the islands of Scotland.

For David Myles, growth is also the main driver. He has other partnerships in place, including one with Chilli Express, another Bellshill-based food distribution company.

Eric Walton is diversifying his delivery range. He already delivers the successor to the former

'meals on wheels' to local homes, an undertaking which Eric is happy to take on, as it provides a valuable social service in the area.

He has also begun wholesaling a few ice-cream brands, providing access to smaller scale, rural markets for the manufacturers, which would be more difficult for them to achieve with large scale distributors. Eric is careful to maintain "Chinese Walls" between this aspect of his business and the onward delivery of competitor products.

CONCLUSION

Finding the right partners in the right areas, allows the three companies to compete and collaborate at the same time. Where it makes good commercial sense, and benefits the customer, all

three businesses remain vigorous competitors. But, where it makes good commercial sense, and also benefits the customer, they will collaborate and reap the rewards.

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