

THE BUFFALO NEWS

Business Today

Front Page > Business Today > Local

Unique co-op saves area shippers money

150 local companies own nation's only freight cooperative

By MATT GLYNN
News Business Reporter
11/19/2006



Robert Kirkham/Buffalo News
Empire State Shippers' Association has two divisions: ESSA Logistics, which contracts with third-party shippers, and ESSA Transport, which owns its own fleet of trucks. John Soos is general manager.

John Soos flipped through pages in an old Empire State Shippers' Association binder, looking over names of members from decades ago, some of which have faded into history.

Yet 60 years after it was created, ESSA has endured, sticking to its unique business model.

"We provide good service," said Soos, the general manager. "You can't stay in business without providing good service at a competitive cost."

The Buffalo-based not-for-profit organization is a freight cooperative. Its 150 active members, from a range of industries, band together to receive discounts on their shipping costs.

A board of directors, elected from the group's members, oversees ESSA. Savings generated by the group are channeled back to members in the form of credits on future freight bills, or are used to improve ESSA's facilities on Howard Street or pay for the seminars offered free to members. The organization contracts with third-party shippers, and also has its own trucks.

"We are the only ones in the country that are formed like this," Soos said. ESSA expects revenues of about \$7 million this year.

For small companies that don't have their own transportation departments and make only a few shipments a month, working with other shippers is especially valuable.

"They can get discounts they couldn't get on their own," said Soos, who is president of SOMAR Logistics and handles personnel and management duties for ESSA's business units.

Members receive bonus discounts based on two factors: how much the board votes to return to members, and the percentage of revenue that comes from an individual member.

Members can move freight via ESSA in two ways. ESSA Logistics contracts with third-party trucking firms to carry shipments. And a couple of years ago, ESSA added its own trucking company, called ESSA Transport, to directly handle customer shipments.

The ESSA-operated trucking company, he said, was created based on discussions by the members. At the time, they were concerned about finding sufficient capacity with carriers to handle their loads.

ESSA operates with a staff of 13 full- and part-time workers. The organization also has its own fleet of 11 trucks, and uses owner-operator drivers to drive them. ESSA members come from manufacturing and distribution, as well as the food, paper, chemical and metallurgical industries, among others.

ESSA's own trucks travel all over. A few days ago, a truck was scheduled to head to Washington state with a member's shipment. From there, it was scheduled to pick up Christmas trees and deliver them to Texas, before returning home with another member's inbound shipment.

"Whatever the members need is what we do," Soos said.

With its third-party logistics work, ESSA offers services similar to those offered by for-profit companies such as Amherst-based Fetch Logistics.

Gary Zoldos, Fetch's vice president of operations, said his company's focus is a bit different from ESSA. Many of the customers Fetch arranges full-truckload shipments for are Fortune 500 companies outside of this region, mostly in the food industry.

"Obviously we do cross paths once in a while," Zoldos said of ESSA.

Demand for third-party logistics is booming, he said, since it prevents shippers from having to maintain their own fleets. And for trucking companies, logistics firms act as a sort of extension of their own sales force.

ESSA members aren't required to use the organization for their shipping, and ESSA doesn't charge dues to join. But in order to vote on directors or receive future credits on shipping, members have to make at least one shipment per year, Soos said.

"There's no contract," Soos said. "It's just another tool in their toolbox."

The group was founded in 1946 by shippers who wanted to obtain carload discounts with railroads on shipments to the West Coast. That was before the nation's trucking industry was deregulated, and before the interstate highway system was built and helped the trucking industry flourish.

Vincent Sanchez, who has served as ESSA's counsel since the early 1970s, said the group's board of directors has guided the group effectively, and has paid close attention to its finances.

"I think the board of directors have taken their responsibility very seriously over the years," he said.

ESSA has also adapted to changes in the business climate, such as a diminished manufacturing base and a deregulated, highly competitive market for freight, he said.

Soos said ESSA tries to provide "buying power" for its members, noting that mergers among major trucking firms have changed the profile of the industry.

"All these [trucking firms] are consolidating, but who's uniting the shippers?" Soos said. ESSA also has alliances with some other shipping groups to help its members obtain discounts.

David Venne, a director and the warehouse manager for Starline USA on Grand Island, said ESSA has provided "phenomenal" savings in shipping for his employer. "Whenever we can, we use them."

Along with the savings, Venne said ESSA is also effective in getting its shipments of promotional products to their destination quickly, sometimes shaving a day or so off the usual transit time on a coast-to-coast shipment.

ESSA provides its members another benefit: educational seminars about the industry put on by Niagara University's Center for Supply Chain Excellence.

The center's sessions bring ESSA members up to date on topics like fuel surcharges and where they are headed, said Jim Kling, the center's academic director.

Kling said the center tries to encourage the people who attend its seminars to consider the bigger picture of shipping. "Learn how you fit into the broader supply chain," he said. Soos said he looks forward to expanding ESSA into Canada and other states. He said the group must stay relevant to its members to survive.

"A lot of organizations have come and gone because they didn't offer their members something of value," Soos said. "People need and want that."