



**FREIGHT SYSTEMS**  
Supply Chain Solutions

# EXCLUSIVE INTERVIEW OF MR. DAVID PHILLIPS

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**Soft Infrastructure Must Precede  
Hard Infrastructure**

## For How long have you been associated in this industry? How do you see yourself growing in the Industry till Date?

This is the only job I ever had, which I started in 1974. I Worked for other people right up till 1988. Then in 1988 I Started Freight Systems in Dubai. I was one among the lucky few and we were successful and had the opportunity to grow the business. From where I started, to where I am Today, I never thought that this would happen and I don't think that anyone can look so far ahead into a crystal ball and predict the future. But having said that, there are a lot of people who worked much harder than me but they could not make it. I believe luck also played a role in it. And so it worked out for me.



David Phillips,  
Managing Director

## What is the role of IT in the industry today?

Our industry, i.e. freight forwarding, is among the last few to embrace technology in their business. We are such a transactional industry with low margins and so people are not ready to embrace technology fearing that anything related to technology is costly and expensive. A lot of companies that are well established today are owned by people as old as me and either they love technology or they hate it. Unfortunately, they hate it because they don't know much about it, but I was the one who loved it. With the passage of time, people have realized and the industry has realised that we don't have any other option than to embrace technology. We don't control the price of our product or our services in the market; our selling price is decided by the market. But what is in our control is the cost. So, if my cost of handling a transaction is higher than competition, then I will for sure lose market to competition and vice versa. If I have manual processes, I am not going to be cost efficient. So, technology is the most important factor in our industry which is going to change the business and not only because of the cost, but also because customers demand transparency and information on a real time basis.

## What is the scope for medium size industries, especially with the 'Make in India' programme, considering the current trend of mergers with bigger companies?

One of the manufacturing problems that India has is scale when compared to China. India always is compared with China. But I don't see any comparison. They have their role to play and so does India, and both are at completely different levels. With the 'Make in India' the manufacturing that is going to happen, I am sure India is going to be a manufacturing hub. What really is going to make a huge difference, is infrastructure.

Most people associate infrastructure with good airports, good sea ports, good road and rail network, etc. I think that soft is more important than hard infrastructure because if I have a fancy airport or sea port and policy does not allow me to use it efficiently, then there is no point in building that hard infrastructure, because I have to go through permission hurdles and paperwork before I make use of the hard infrastructure. So, soft infrastructure which is policy and law must precede hard infrastructure. Once this is in place,

infrastructure has value. And that cost of business will drive manufacturing efficiently in this country. If we don't have good policy, the cost of doing business in India will not be competitive.

**Freight Systems provide multiple services to meet the customers' needs. Which is the strongest segment you cater to?**

When we started this business 28 years ago, the concept of a forwarder and a logistician was to move freight from point to point and port to port and then it merged and matured to where the industry analyzed that the manufacturer is involved in picking up goods from a factory and handling it over to a freight forwarder.

Why should a freight forwarder not do that? There is no reason why a logistician or a freight forwarder should not be doing an end-to-end service. It is more our job than anybody else's. From the customers' perspective, if they find a service provider who can provide all the elements in the supply chain, they will have to deal with only one entity. They don't have to go to multiple parties to find out what is going on for the goods that are moving. And that is how it emerged over the years and we were forced to get involved in the other parts of the supply chain and the logistics chain, otherwise we were focused only on the transportation. We had to integrate backward and forward because it was the customer's requirement that there is transparency and they are allowed to see what is happening right through the value chain. A lot of companies closed down because they did not change their values, and those who did, were able to sustain. That is how freight forwarding has evolved and I don't think that is the end. If I am offering a service from an end- to- end perspective that is a value addition not from my perspective, but it has to be from the customer's perspective. When you get to this point, the relationship with the customer changes to one of a partner and not just a vendor.

**You are considered to be a pioneer in LCL consolidation. How did you achieve this position?**

It is very simple. Sometimes you go through life and legacy dictates things we do, and if you take a step back and start questioning everything that is going on, you will find that change is needed. When we started this company in Dubai in 1988, we were shipping containers out to Europe and Far East because there was a lot of movement of garments. We noticed that shippers, despite having just 20 per cent of a container load had no option, other than paying for the entire container. Why should a shipper or a buyer spend so much money in taking a full container and utilise only ten or twenty per cent of the container space? This is when we started to question the logic and challenge established norms and legacy. We talked to some operators in Rotterdam who could distribute within Europe and also tranship across the Atlantic, to the Americas. We loaded our first consolidation box to Rotterdam in March, 1990 and the rest is history. Over the next 10 years we dominated the LCL business in the Middle East and India. Innovation, driven by customer value was the main reason behind this success.

**Tell us about your expansion plans. What are the other products and services in pipeline?**

What we have done in the last four to five years was to consolidate what we have and we have over 40 offices in 17 countries. Four years ago when my son joined the business, he came up with a suggestion of consolidating what we have, and create a robust and strong foundation. This is what we did for the last few years. The biggest pillar of this strong foundation, was our human talent and management bandwidth.

We now feel ready and confident to embark upon our expansion and growth strategy. We see Africa as an opportunity and our first African operation will commence in Kenya, in the next few months. Uganda and Tanzania will follow as soon as the Kenyan operations settle down.

### What is your mantra for success?

Common sense and hard work I don't think there is any mantra different to any business. No business is complex and difficult. It is essentially common sense. The problem is that common sense is not so common. Everybody works hard but we have to work smart too. Everyone works hard, that is no longer a differentiator.

*--This exclusive interview was carried in Cargo Connect, March Issue*