

PROFILE | STEVEN GOTTSCHALK



KING OF THE BLACKTOP

In just under 30 years, Steven Gottschalk has created one of the most successful holding companies in SA. After all this time his vision and extraordinary passion for the logistical side of the transportation industry remain as clear as ever

BY KERRY DIMMER

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s if it just wasn't enough that Steven Gottschalk created a superior logistics corporation, he also built a city.

'Value City' is the term adopted by the employees of the Value development at Turfney, near OR Tambo airport, for the world-class facility that could, according to Gottschalk, stand anywhere in the world as a benchmark for logistics excellence.

'This was my baby,' he says of the 264 000m² site, 'and the blueprint I developed for it is a formula that I can roll out in the coming years to boost all Value subsidiaries to the level of global achievers.'

There was no doubt that the 1970s teenage Gottschalk's future lay in transportation. 'I was always tinkering with cars and motorbikes, and even managed to run a garden refuse removal business in Pretoria which gave me a taste for entrepreneurship.'

But before his dream of owning a transportation business became a reality he entered the world of investment working for Investec Bank. In 1981, the bank agreed to finance Gottschalk's first trucks. 'It wasn't easy. My first client went insolvent after a few months but I struggled along, learning the hard way,' he recalls.

The bumpy roads that Gottschalk once traversed in his 1970s Mazda bakkie have led him onto much smoother highways. Today the Value truck fleet is 4 400 strong; there are 24 Value depots and 5 000 people – together with their extended families totalling some 30 000 people – are dependent on Value's eight subsidiary companies.

The subsidiaries within the group include: Freightpak, specialising in warehouse distribution and transport of chemicals and dangerous goods; Value Logistics, break bulk consolidations of general products; Value Fridge Fleet for refrigerated transport; Value Truck Rental; Value Clearing and Forwarding; Value Film Fleet, dedicated to the burgeoning film industry in SA; Value Express for same-day delivery services; and Value Materials Handling which focuses on the hiring and distribution of Komatsu forklifts.

In fact, the Value Group can be credited with developing Komatsu as a reputable forklift brand in SA. The company has also secured the rights to act as a global clearing agent in SA for M&M – a German logistics company – giving the Value Group access to 88 countries.

But even with these successes, how will the state of the economy affect the company? 'We have budgeted that turnover for February 2010 will be reduced by approximately 9% but we expect our profitability to remain the same as for February 2009 given that our operating



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Growth will also continue in Value's successful learnership programmes. These currently enable up to approximately 180 employees each year to better themselves.

Another social programme, introduced in 2009, saw 20 technician and university graduates gain employment with Value. It was so successful that a further 30 students will be employed in 2010. 'We are not just focused on logistics, we want to give people the opportunity to grow and to gain the skills to develop their careers and become leaders in business and society. Value is no longer just a business, it is a social responsibility environment.'

Gottschalk is inseparable from his business. His passion for creating logistics solutions and buildings (and cities!) is equalled only by his devotion to his wife and four children. 'The workload that comes from being a CEO is substantial but whatever spare time I have, I spend with my family.'

He has no true gurus and says that he is his own person. 'I do not believe in reinventing the wheel but I take note of where business leaders have performed well and learn from those experiences.'

And he walks his talk. When he rebranded the company six years ago it was only after researching the best logistics companies in Europe. 'I promised my customers that I would give them a state-of-the-art logistics solution in SA, comparable to, if not better than, any other in the world. I believe that I've achieved that with Value Group.'

To say that Gottschalk is highly respected by his employees may be an understatement. But let it also be noted that his generous spirit is well matched by his keen business acumen. **SEE**

margins have improved. And, considering the circumstances, we're happy with that. What we have done,' continues Gottschalk, 'is taken this opportunity to restructure our business operations and clean up wherever we can, but not at the expense of laying off staff. As a business grows there is an inclination to overlook issues that may appear small, but added together turn into a number. We have addressed those and Value is more efficient than ever.'

Organic growth is now the chief focus for the Value Group as it looks to 2020. The anticipated increase in earnings per year that will come from this, and possible acquisitions, is pegged at 10–20% with development remaining in southern Africa.

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IN THE MARKET

A round-up of the latest news by Kerry Dimmer

PRI(ME) MOVE

The JSE is among the world's first stock exchanges to sign the UN's Principles for Responsible Investment (PRI) initiative which aims to promote and assist responsible investing in the global financial services industry.

The principles laid down by the UN PRI parallel those of the JSE's Socially Responsible Investment (SRI) Index that encourages investment professionals to assess environmental, social and governance (ESG) issues when considering investment opportunities.

Nicky Newton-King, the JSE's deputy CEO, comments that this endorsement strengthens the pioneering steps that the SRI Index has already taken in encouraging good corporate governance.

'Considering that the JSE financial sector is somewhat small compared to other developed countries, and that the SRI is still relatively young, it is impressive that 25 SA companies have signed and adopted the UN's PRI,' she says.

'Besides benefiting society in general, there is a link between cognisance of ESG matters and stronger long-term financial performance. We believe that focus on these issues will provide stimulating debate between listed entities and investors.'

BILLION RAND BABY

Currency Derivatives broke the R100-billion mark in 2009 with trading volumes exceeding 11 billion contracts.

Both figures confirm a growing market awareness of the contracts that are traded on the JSE's interest rate exchange and have been helped along by the approval, two years ago, allowing corporations and institutional investors to trade currency derivatives.

Yield-X GM Warren Geers estimates that 90% of the trades by value carried out were by corporations, institutions and asset managers, with the balance taken up by the retail sector. 'In terms of the number of deals, retail investors still dominate, but the value of their transactions is much lower.'

The dollar/rand currency derivative contract is the most traded at 80%. 'With the rand the sixth most traded currency in the world, speculators are no longer just the importers and exporters,' says Geers. 'Yield-X volumes are growing through the addition of portfolio and asset managers who deal with overseas risk, as well as a number of individuals who cover themselves for portfolio risk management, travel and overseas expenses.'



CORNY AWARD

The extent to which local traders have embraced the Chicago Board of Trade's (CBOT) corn/maize futures contract, has contributed to the JSE receiving the award for 'Best innovation by an exchange in the field of product design' at the prestigious Futures and Options Awards in November 2009. The JSE shares the award with its Chicago partner, the CME Group, the world's largest derivatives exchange.

Benchmarking corn prices as the world standard has given local corn producers access to the international corn market in local currency, without affecting their foreign exchange allowances. It further assists growers to recognise and identify cyclical price patterns and gain insight into future demand and price moves, providing them with the opportunity to hedge against market volatility.

Rod Gravelet-Blondin, the JSE's senior GM of Commodities says that by end September 2009, just nine months after its launch in SA, 12 490 contracts had been traded, representing 1.2 million tons of corn – more than 10% of SA's annual production.

'The CBOT contract has motivated trade arbitrage between American corn and SA maize,' says Gravelet-Blondin. 'The success of the product combined with the award means that we are on the right path towards globalising SA's financial markets.'

IN-SPIRING!

Absa Capital received top honours as the overall best fixed-income house for 2009 at the eighth annual Spire Awards.

It was the first time the event was held at the JSE since its merger with the Bond Exchange of SA (Besa) in June last year.

Graham Smale, director of Interest Rate Products at the JSE, says the awards are a highly credible accolade as rankings are determined by the toughest critics – the clients who depend on fixed-income houses – as well as the competence and expert advice delivered by the organisation's teams.

'An event of this nature is critical in helping to build a fixed-income market for SA that compares with the best in the world,' says Smale.

'With input from investors, issuers, primary dealers and other financial intermediaries, we are also developing a strategic plan that will provide this market with the changes it needs and expects.'

Rand Merchant Bank and Standard Bank Corporate and Investment Banking came second and third respectively.

COMMODITIES HAT-TRICK

All that glitters is not just gold but platinum and crude oil too. Certainly this is true for those investors wishing to trade these products on the JSE's commodities derivatives market.

Previously, only agricultural commodities were offered and investors were dependent on using their foreign exchange allowances which are subject to exchange control regulations. With a 'no limit' trading opportunity, these three commodity debutantes – gold, platinum and crude oil – will be ideal resources as alternative hedging or diversification instruments.

Further enhancing the platform, the JSE has allowed for the contracts to be based on smaller lot sizes than those traded on US markets. As a result, gold and platinum contract sizes will equate to 10 troy ounces with the minimum price movement set at 100 SA cents per ounce. For crude oil, the minimum contract is 100 US barrels.

It is expected that the two metals will capture the interest of local investors the most, given that SA is recognised as the largest platinum producer and third most productive gold miner in the world. Crude oil on the other hand, has a knock-on effect on all sectors of the economy, in particular the agriculture, manufacturing and transport industries.