

# OTR TRANSPORTATION: AVOIDING BAD DEBTS & STRENGTHENING CARRIER PARTNERSHIPS

Innovative logistics provider OTR Transportation learns that credit insurance does much more than protect A/R.

## THE CHALLENGE

The tipping point, said OTR Transportation's founder and Director of Procurement, Jonathan Braun, came after his young company was hit by a second bad-debt situation.

Braun added, "They got us for almost \$40,000."

OTR had already spent years trying to collect on a previous bad debt, another large sum. A diligent collection effort eventually reduced that one to \$17,000. Now Braun and his team were being reminded a second time that a bad-debt problem wasn't only about lost revenue.

"We looked at the time and energy that went into trying to collect those receivables. We got burned in that way, too."

OTR is a logistics provider. They find and source trucking capacity to move freight throughout North America. To the launch of OTR, Braun brought his experience with an industry-leading freight broker as well as running his own small trucking company. Starting with a single truck, Braun learned firsthand what it was like to be an owner-operator on the road. His company grew to 10 refrigerated trucks—and whetted his appetite for bigger things.

"You can't provide real capacity to your customers with only a handful of trucks. So I knew that I was missing out on a greater opportunity to service more customers and move more volume."

Drawing on Braun's understanding of the needs and challenges faced by smaller trucking companies, OTR carved out a logistics-provider niche: connecting smaller trucking operations with customers who appreciated that reliable freight-hauling options don't begin and end with the big names in trucking.

Providing a major advantage to smaller carriers was a key part of OTR's design, said OTR Broker Jeffrey Roadman, an executive at the company.

Years in Business: 5  
Years with Euler Hermes: 3

Region:



North America

Sector:



Transportation & Logistics

Challenge:



Avoiding future bad-debt situations with a better credit checking process

Policy Benefits:



The ability to obtain quick and more reliable credit checks



The confidence to take on new customers



Greater flexibility in payment terms



Stronger sense of partnership with carriers

“By understanding the particular needs of the smaller trucking company, we’ve identified synergies and properly aligned payment terms so that we can become a real partner to them. We’ve been able to adjust our payment terms and still pay fast, allowing their business to thrive.”

Paying promptly builds strong working relationships. Of course, OTR’s fast payments to its carriers requires healthy cash flow and customers paying on time.

Braun said, “Now the reality of it is that we’re not a credit company. We don’t have the resources and access to information. So after we got burned that second time, we realized that our focus needed to be more on what we did best and to find another company to do what they did best.”

OTR began to look for a credit insurance partner.

## THE SOLUTION

“We wanted to grow with each of our different customers,” said Roadman. “So we wanted different thresholds for extending credit without putting our growth or our carriers’ growth at risk. We all have to protect ourselves. We’ve seen brokers and trucking companies go under because customers didn’t pay them.”

OTR had performed its own credit checks by using a credit information agency’s services and by calling multiple references. It was a time consuming process. As OTR grew, its staff began to be pulled in many different directions, causing an already imperfect credit-checking process to become even less efficient.

Bad-debt situation number two threw that problem into sharper relief for OTR, Braun said. “You’re wasting time and time is money. And there’s an opportunity cost. Your time is better spent elsewhere.”

Braun and Roadman were referred to Euler Hermes by a highly regarded OTR shipping customer who had credit insurance with Euler Hermes.

“Credit Insurance has been a good thing for that customer. It’s really helped them experience massive growth. That’s what we’re trying to do – align our vision with that. And so we got working with Euler Hermes.”

– Jonathan Braun, Founder and Director of Procurement,  
OTR Transportation

In addition to the personal referral and Euler Hermes’ status as the world’s largest credit insurer, OTR based its decision on the ease of implementation Euler Hermes promised and then delivered on.

“Everything with the integration and making Euler Hermes a part of our daily routine measured into the decision,” said Roadman. “They were very helpful.”

The OTR executives cited a number of benefits they realized since OTR teamed up with Euler Hermes. Key was the peace of mind of knowing OTR’s receivables were protected. The true partnership nature of their relationship with Euler Hermes was another major plus, especially the promptness of Euler Hermes’ responses. And perhaps the most significant benefit was that OTR could confidently add customer after customer as its services became in higher demand – and good customers at that.

Roadman went on. “We’ve been able to promote a scalable growth trajectory, to which our receivables coverage is one of the contributors. We don’t have to hesitate when new business opportunities present themselves.”

## THE OUTCOME

Despite its expansion, the company has not found it necessary to increase staff in its credit department. The current staff is working more efficiently, especially at discovering those customers that produce red flags. According to OTR’s credit department, Euler Hermes has time and again uncovered red-flag information that OTR’s previous vetting process and use of credit agency information would not have caught.

The day-to-day advantages of collaborating with Euler Hermes have had a positive effect on staff morale, too. OTR gives major credit to EOLIS, Euler Hermes’ online policy management system, and its EZ Cover tool for quick credit decisions on new customers not already named in their policy.

Braun said, “We do like how you can get an answer within minutes. Our industry is very fast paced. We have guys on the phone constantly. If a new customer offers us a shipment and we need to get that pushed through credit ASAP, we can log on and immediately have an answer in most cases.”

OTR has even taken to leveraging its relationship with Euler Hermes as a marketing tool. The company gives its A/R coverage homepage prominence on its website.

Roadman said, “We want to live up to our promises to our carrier partners. We saw A/R coverage with Euler Hermes as a value-add offering for our carrier providers. They know that by insuring our receivables, we’re insuring ourselves to be able to pay them.”

OTR also appreciates one particular result of their A/R coverage with Euler Hermes.

Braun explained. “Not having to file a claim is basically the result we were looking for.”

Goal achieved. OTR hasn’t suffered bad debt number three. Thanks to their partnership with Euler Hermes, they’re not expecting to, either.

### For more information you can:

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