

FINH



Overcoming Crisis Through Integrated Planning

Client: Deluxe Freight Systems

Company Profile

Deluxe Freight Systems is a 2nd generation, family-owned and operated business with over 25 years of experience in freight forwarding and logistics management. The company was founded by Daryl and Lyla Luxton in 1984 and is now owned and operated by their son Craig Luxton. Founded as a local freight company, Deluxe Freight Systems now runs distribution operations across QLD, NSW, ACT, and NT.

The Challenge

Deluxe Freight Systems had experienced many years of success when two sudden “trigger events” combined, sharply reducing the company’s annual turnover from \$20M to \$10M per year.

- **Leadership Transition:** With very little notice or a transition plan in place Daryl Luxton retired from running the business, leaving his son Craig in charge.
- **Global Financial Crisis:** While still finding his feet as the new Managing Director, Craig Luxton was faced with the Global Financial Crisis and the ensuing shifts in his industry. Deluxe Freight Systems found, like many others in the transport industry, that freight volume dropped. They suddenly faced the double challenge of an underutilised fleet coupled with a high fixed cost base, all of which placed severe financial pressure on the business. “The GFC slammed our core customers in retail and domestic manufacturing,” says Craig. “We found revenues falling through the floor and the bottom line followed. We run a highly capital-intensive business. Who knew capital and market conditions would never be the same?”

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Craig Luxton

Deluxe Freight Systems

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Craig Luxton

Deluxe Freight Systems

Craig chose to work with FINH due to our integrated business planning style and focus on the special needs of family businesses. “We had been working with our previous accountant for some 8 years,” Craig says. However, “we were becoming frustrated by disconnect between financial/legal advice for current operations and ongoing succession planning.”

When Craig and Deluxe Freight Systems came to FINH, they had the following needs:

- A critical need to develop a strategy to chart their course through the GFC;
- Capital restructuring to shore up their finances;
- Up-to-date fiscal and strategic reporting;
- A nimble plan to sharply reduce fixed costs and staff numbers by leveraging a family business’ ability to move quickly in response to changing conditions.

The Solution

After reviewing Deluxe Freight Systems’ needs, FINH helped Craig develop a clearer understanding of the value of his business and its key revenue drivers. This allowed the business to better manage its capital.

FINH also established better systems and reporting processes built around lead and lag indicators in his industry. By using these tools, Craig and his management staff were able to develop a much clearer understanding of the key performance drivers of the business, allowing them to quickly respond to market changes.

One of the many unwelcome side effects of stress in a family business can be deterioration in family harmony. Through the implementation of effective management architecture via a new advisory board and a family council, Deluxe Freight Systems was able to improve governance, communication and accountability, lessening the burden on the Luxton family.

“FINH has a different approach,” Craig says. “They are niche enough to deliver on time with quality people within their organisation, but big enough to tackle some of our more complicated reporting and strategic matters.”

The Results

Although Deluxe Freight Systems experienced a significant downturn, they were able to chart a successful course through the GFC, and have experienced significant recent growth. With the new advisory structure and accounting systems established by FINH, the firm was able to shore up its capital structure and strengthen its core business, giving Deluxe a platform to continue its future expansion

“The business has now stabilised again after the roller coast ride of the past

18 months,” says Craig. “We are working with FINH to develop strategies and reporting disciplines going forward so we are prepared next time.” The business has recovered so well that it was recently approached by a publicly-traded firm to discuss an acquisition.

Through the establishment of a formal family advisory council, Craig’s father Daryl was able to come back in an advisor role and assist the company through the difficult times. A second advisory board consisting of local industry leaders will help Craig and his managers stay abreast of market trends and make informed strategic decisions.

About FINH

FINH is a niche advisory firm providing expert services to family business groups. We offer a wide range of services in the areas of Business Strategy, Accounting and Tax Planning, Wealth Management and Investment, Valuation and Succession, and Finance and Governance.

We specialize in working with family businesses and offer our clients the benefit of fully-integrated advisory services designed to help our clients meet their present and future business needs. We believe that family businesses have unique needs and advantages and have dedicated ourselves for over 30 years to providing specialist services to help clients overcome these challenges.

FINH have been accredited advisers with Family Business Australia since 2006 and the international organisation Family Firm Institute, since 2010.