

### **Study Questions**

1. Should Veconinter continue with its expansion or focus its efforts on existing operations?
2. Given Venezuela's economic instability, should Veconinter continue centralize its global back office and collection center in Venezuela or should it consider decentralizing?
3. Should Veconinter incorporate new shareholders in order to speed up expansion and reduce its own capital exposure?
4. What other customer segments could Veconinter appeal to (i.e., consignees)?

## **Veconinter, C.A.: Building—and Rebuilding—a Successful Business**

At the end of 2019, Leo Brea, Veconinter’s Executive Director and son of Veconinter’s founder, Leonardo Brea, had plenty to celebrate. Since joining the family-run business in 2007 as part of the leadership team, Leo had personally worked on the development of new technologies and invest in human resources that led to Veconinter’s successful global expansion into more than 18 countries between 2008-2019. Given the diverse business landscapes of each new market, this also drove the company to develop new products and services to meet client’s needs.

Despite Veconinter’s, and Leo’s, successes over the lifetime of the company, Leo knew there was more Veconinter could offer to the global maritime shipping industry. The industry was projected to grow with an anticipated CAGR of 3.7% from 2018-2023 and the future looked bright for Veconinter. Part of Veconinter’s success stemmed from creatively responding to shifting markets and Leo needed to decide how to continue Veconinter’s development, either by bolstering existing operations or continuing to expand internationally.

### **History**

In the late 1980s, Venezuela-native Leonardo Brea was working in New York City for a Venezuelan maritime shipping carrier and recognized an industry-wide need for improved demurrage and detention (D&D) processing. Leveraging over 15 years of experience in the international maritime industry Leonardo founded Veconinter in 1988: a business that has since revolutionized the Latin American marine shipping industry by changing how D&D is handled (See **Exhibit 1** for definition of common terms of the industry). Thanks to Leonardo and Veconinter, D&D is now an important source of revenue for shipping carriers and often determines whether carriers’ operations are profitable. The main benefit in charging for D&D is not the revenue generated by late fees, but rather the decrease in turn-around time for consignees to return shipping containers. Since shipping carriers’ main source of revenue is from the sale of ocean freight with the use of their container fleets, it is imperative that carriers retrieve containers from clients as quickly as possible. On average, the goal for every carrier is to lease each of these units (also known as “stuffing”) once every 45 days.

Veconinter was one of the first companies in Latin America to focus solely on D&D as a source of income. Fees are calculated by subtracting two dates: (1) the date of arrival of the container, defined as the date that it becomes available to the cargo owner to begin the paperwork to go through customs and clear its shipment, and (2) the date of return of the container by the consignee, usually at the same place the shipment was received. Every additional day a container is utilized by a consignee results in a penalty. Essentially, Leonardo says that the theory behind the business is simple:

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“Veconinter succeeds in combining the right mix of technology, operational know-how, accuracy, and speed. In laymen’s terms, Veconinter began as a collection agency. Having said that, in the 20+ years of existence, we have not taken one client to court for collections, which is an unprecedented feat especially in a country like Venezuela, where the culture for debt payment is much less developed than in the United States.

For the process to work, Veconinter needs to keep track of when the allotted free time begins and ends for the importer/exporter. This is done by obtaining three key documents: (1) the Bill of Lading to determine the arrival of the container and the ship, (2) the Interchange Equipment Receipt Out (EIR) to determine the date in which the consignee picked up the container and (3) the EIR In to determine the date in which the consignee returned the container. These three data points will function as the basis for the entire operational process.”<sup>1</sup>

Veconinter opened up its first office in the capital city of Caracas, the financial and economic center of Venezuela. One of Veconinter’s first challenges was developing the required software to control the activities of thousands of containers, their locations, and who controlled them. Additionally, the software would have to determine D&D amounts depending on each carrier’s guidelines and conditions, produce invoices, manage invoice distribution, and develop accounting controls to keep track of all financial operations. These functions were not commercial and therefore had to be developed from scratch. Veconinter would also have to recruit a trained team to operate at port level, data processing, and other administrative functions concurrently.

Initially, carriers were more than skeptical about the nature of Veconinter. Most had legitimate concerns about a concept that had existed but never been truly enforced. Carriers also thought if the idea proved successful they would be able to develop their own programs, negating the need for Veconinter’s services. Veconinter knew from the beginning they would have to work collaboratively and creatively in order to avoid obsolescence. Veconinter also knew that no matter how innovative and efficient the systems of global trade companies became, unexpected daily events would create D&D issues and unanticipated retention of shipping containers beyond their planned dates.

Veconinter’s original revenue model involved charging a commission for every invoice sent to a consignee in which a D&D charge was collected. The commission was deducted automatically from the total amount, which was then sent to the client. This approach guaranteed swift payment for services rendered as no time or energy was required to retrieve payment. In addition, it showed existing and potential clients that Veconinter was willing to bear a significant level of risk by not receiving payment for any invoices they could not collect on. Every container that did not incur the demurrage or detention charge was controlled (i.e., kept in the system and its location identified) by Veconinter’s operational process, all at no additional charge. Leonardo also implemented a security

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<sup>1</sup> Case study interview with Leonardo Brea.

deposit that required every consignee make a deposit that would cover, amongst other expenses, D&D. The idea skyrocketed Veconinter's collection rates.

Veconinter saw that the company was too dependent on one service and needed to diversify its product portfolio, so in 2005 Veconinter began an intensive push to develop new and existing secondary services. Veconinter re-launched its container damage recoveries service, which focused on collecting damage fees from consignees for damaged containers. The company then created the Container Control Department to work directly with the carrier's depot to manage the status of its units and retrieve vital information. Since Veconinter has implemented these new services the company has seen impressive increases in collections. The damage recoveries service helps solidify the client-provider relationship and increases the client's switching cost if the client decided to pursue a different strategy. Veconinter partnered with a global insurance carrier in order to provide full risk management solutions to prevent and mitigate damages with new innovative products that can adapt to each client's particular needs. Veconinter has also developed a consulting practice dedicated to improving client operations and overall revenue generation through the implementation of best practices tailored over 30 years of experience. Customer care innovations include in-house collections protocols, a Quality Assurance Program (QAP), and customer and consignee surveys. (See **Exhibits 2-9** for financial and operational statistics and description of service offerings).

Despite Veconinter's many successes from 1999 to 2005, the company also encountered difficulties. The political situation in Venezuela had deteriorated, driving many of Veconinter's clients out of the Venezuelan market due to perceived instability. Veconinter's rapid growth had affected the quality of service provided and the volume of work outstripped the company's capacity to tend to the workload effectively and consistently. Moreover, other shipping lines felt they could obtain the same level of benefit without having to "invest" in a third party to obtain the results. In part, this was due to the implementation of the security deposit as a method to cover D&D obligations. The shipping industry was consolidating and new competitors entered the market, negatively impacting Veconinter's market share.

### **Risks and Regulations: The Venezuelan Economy**

Veconinter's core business activities are performed in Venezuela, where, as Leo explained, doing business locally is anything but easy:

“Under the direction of President Hugo Chavez, the Venezuelan economy had become much more regulated, controlled, and as a result, extremely challenging to run a private business. The risk of having private property expropriated coupled with the approval of new taxes and extremely rigid labor laws do not allow private businesses to perform freely. In turn, the risk and cost of doing business throughout Venezuela has increased.”<sup>2</sup>

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<sup>2</sup> Ibid.

According to the 2018 Corruption Perceptions Index from NGO Transparency International, Venezuela ranked 168th out of 180 countries.<sup>3</sup> In 2019 Venezuela was one of the toughest countries to do business freely in the world, ranked 188 out of 190 countries.<sup>4</sup> The nine criteria by which each country is evaluated to determine the rankings follows:

- a. Starting a business
- b. Dealing with construction permits
- c. Getting electricity
- d. Registering property
- e. Getting credit
- f. Protecting minority investors
- g. Paying taxes
- h. Trading across borders
- i. Enforcing contracts
- j. Resolving insolvency

According to Doing Business 2019 data from the World Bank, it takes 230 days to open a business in Venezuela, the highest in the world, surpassing Cambodia's 99 days.<sup>5</sup>

Venezuela also has the highest cost to export in Latin America at \$1,250 (USD). The average cost to export in the region is \$509.<sup>6</sup> The exchange rate in Venezuela also has a major impact on business operations. Since 2003, the exchange rate has been fixed by Venezuelan government as part of an exchange control policy. In 2011 the parallel exchange<sup>7</sup> was made illegal by the Venezuelan government. This had two effects: first, businesses could only obtain foreign currency by purchasing government debt; second, the black market parallel exchange rate of bolivars soared. In 2013 the official exchange rate was Bs.6.30/\$1 while the parallel increased to Bs.90.70/\$1. As of January 2020, Venezuela faces hyperinflation with an official rate of Bs.5.670.000.000/\$1 while the parallel rate increased to Bs.7.700.000.000/\$1.

The Venezuelan corporate tax rate is 34%. In addition to the tax rate, private companies are obligated to provide a certain percentage of their income to worker's compensation, safety and security, and other legal obligations. Labor laws are extremely strict, leading many foreign companies to shift their Latin American operations from Venezuela to

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<sup>3</sup> Transparency International, "Corruption Perceptions Index 2018," Transparency International.org, accessed January 1, 2020, <https://www.transparency.org/cpi2018#results>.

<sup>4</sup> The World Bank, "Rankings," Doingbusiness.org, accessed January 1, 2020, <https://www.doingbusiness.org/en/rankings>.

<sup>5</sup> The World Bank, "Time required to start a business (days)," Worldbank.org, accessed February 1, 2020, [https://data.worldbank.org/indicator/IC.REG.DURS?most\\_recent\\_value\\_desc=true](https://data.worldbank.org/indicator/IC.REG.DURS?most_recent_value_desc=true).

<sup>6</sup> The World Bank, "Cost to Export, Border Compliance (US\$) – Venezuela, RB," Worldbank.org, accessed January 1, 2020,

[https://data.worldbank.org/indicator/IC.EXP.CSBC.CD?locations=VE&most\\_recent\\_value\\_desc=true](https://data.worldbank.org/indicator/IC.EXP.CSBC.CD?locations=VE&most_recent_value_desc=true).

<sup>7</sup> "Parallel foreign exchange systems are those in which a market-determined exchange rate, typically applying to financial transactions but often to a portion of trade transactions as well, coexists with one or more pegged exchange rates. Such arrangements are common in developing countries. In some cases governments respond to a balance of payments crisis by creating a legal parallel (or dual) foreign exchange market for financial transactions." Nita Ghei, Miguel A. Kiguel, and Stephen A. O'Connell, "Parallel Exchange Rates in Developing Countries: Lessons from Eight Case Studies," in *Parallel Exchange Rates in Developing Countries*, ed. Nita Kiguel, Miguel A. Lizondo, J. Saul, and Stephen A. O'Connell (London, England: Palgrave Macmillan, 1997), 17-76.

neighboring countries such as Colombia or Chile. The Venezuelan National Assembly (the equivalent to Congress in the United States) has publically discussed reducing the official workweek from 40 to 36 hours, which would further increase operating costs for private businesses.

Despite these hardships, Leonardo and Leo have no plans to move Veconinter out of Venezuela. As Leonardo states:

“It is evident that the atmosphere for private businesses in Venezuela has deteriorated to the point where even Venezuelan companies have decided to cease investing in their own country. We have decided to continue to operate in Venezuela for a number of reasons, both emotional and financial. We feel that though the risk level in Venezuela is greater than in other countries, if you carefully navigate the waters, the returns can be significant and expeditious. By surviving this era of high risk, Veconinter will be better positioned when a change in macroeconomic policies (a new government) takes place.

Having said that, we are undecided whether to expand our operations in Venezuela or pursue opportunities abroad where Veconinter will not have to deal with as many restrictions. Our family feels it is our responsibility to continue to support the Venezuelan Economy regardless of who is governing, however, sometimes the risk level is too high to stomach even for us.”

### **Technological Investments**

During the tumultuous period of 1999 to 2005, however, Veconinter began investing heavily in IT and quality improvement which proved pivotal to the company’s future development. In 2001, Veconinter obtained the ISO-9001 (International Organization for Standardization based in Switzerland) making it the first maritime service company in Venezuela to obtain the certification recognizing superior quality and operational processes. (See **Exhibit 10** for a copy of this certificate). As Leo explains, developing IT was necessary for Veconinter’s success:

“One of the greatest challenges I foresee for Veconinter is continuing to be seen as a value-add proposition to our clients. From a cost-side, we will always be more expensive than an in-house solution. However, we firmly believe that the additional ‘cost’ is outweighed by the increase in financial revenue and operational efficiencies gained by a partnership. This is why Veconinter is focusing more of its time and resources in integrating and improving its solutions with IT that will allow Veconinter to be on the cutting edge of its industry and be one step ahead of its competitors and clients.”<sup>8</sup>

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<sup>8</sup> Leo Brea written comments for the case, 8/22/14.

One of these major IT investments involved refining Veconinter's in-house software system, Millennium. The SQL Server-based database was specifically designed to attend to the needs of D&D. This gave Veconinter a way to methodically and efficiently track millions of pieces of information in a timely manner and facilitated reporting to clients. These investments in quality control and IT proved to be the backbone of the company's resurgence in 2006 as the software was able to meet the needs of current business practices. The Millennium System dramatically improved the capabilities of the company as it shortened invoicing time, added new services, provided online capabilities for both clients and consignees to make payments, checked reports and information, and made changes to profiles.

Veconinter discovered a relationship between IT and human resources that works and adds value to its clients. As part of the IT investment strategy, Veconinter is working on a new state-of-the-art system, updating current infrastructure, shortening internal processes, and expanding capabilities in order to maximize the potential of their services and resources. Veconinter also started taking advantage of big data and cloud services in order to offer more agility and flexibility for their clients. New services include Vecometrics, a risk analysis profile tailored to clients request, such as shipping lines, NVOCC's,<sup>9</sup> and consignees. Improvements also include web and mobile applications, proving Veconinter to be an innovative partner. (See **Exhibit 11** for a discussion of the role of IT at Veconinter).

VecoAccess is Veconinter's web app where users can easily manage online payments, administer container release and tracking, and access their data from multiple devices in order to check billing information and reports 24/7. There is also VecoGO!, Veconinter's mobile app available for iOS and Android, where users can access rates and free days, invoices and statements, statistics, personalized reports, and download key documents to streamline their day to day operations.

Data collected by Veconinter over the years shows that the faster an invoice goes out the door, the higher the probability of payment. Faster turn-around time and accurate information are extremely important. In response, Veconinter's current IT strategy focuses on constant system updates as well as more efficient online tools for clients, providing clients with an overall technological and innovative experience.

### **Operating a Business in Venezuela: Prioritizing Human Resources**

As important as IT modifications have been in improving the quality of Veconinter's service, it would be meaningless without an investment in human resources. Ultimately, Veconinter is a service company and the professionals who make up the team are essential to creating and maintaining vital industry relationships with warehouses, shipping lines, NVOCCs, container warehouses, port officials, local revenue services, banks, and importers.

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<sup>9</sup> Non-Vessel Operating Common Carriers (NVOCCs) are cargo intermediaries.

Despite thousands of private Venezuelan businesses closing over the last fifteen years due to political and economic unrest, finding quality employees is extremely difficult. Thousands of top-quality, talented individuals have left the country in pursuit of greater financial and personal stability, even if it means leaving their homeland and families behind. The competition for quality candidates that remain in the country between large transnational companies and smaller domestic companies like Veconinter is now direct. The Venezuelan government has attempted to increase the quantity of college graduates, however a college degree is often uncorrelated with quality. There are hundreds of available B- and C-level candidates unsuitable for open positions. In Venezuela, there are very few colleges and universities that offer specialties in maritime management or a related field of study. The lack of qualified candidates has forced Veconinter to function as a “school” of learning for hires recruited from other fields, such as chemistry or engineering. Even with these challenges, Veconinter’s employee base has over 450 people worldwide, proving that the Veconinter team is able to meet growing demand and surpass new challenges on a global scale. According to Leonardo, this is thanks to Leo:

“With the incorporation of Leo into the company, the focus on hired talent has greatly changed. Leo has focused on hiring the right people rather than on those who may have experience in the field. He has also encouraged us to ‘go younger’ and look at candidates fresh out of school or with a few years of experience not necessarily in the maritime industry.

In addition, strongly understanding the direct competition between large and small companies in Venezuela, he has improved the incentives for candidates to choose Veconinter, such as offering to pay for training programs including English lessons, paying for expenses such as cell phone bills, and giving educational scholarships for those employees who desire to pursue graduate programs. We’ve also covered tuition fees for the employees’ children, and are creating a program of company ownership for those employees that meet the criteria.<sup>10</sup>”

### **Key Aspects of the Sea of Change in Veconinter’s Business**

Critical Mass: The management of a critical mass is important for Veconinter to be able to offer competitive rates as its fixed costs are spread over a larger container population. As the number of containers managed by Veconinter increases, so does the number of containers that generate D&D. Since Veconinter obtains a commission for each invoice collected, the number of containers invoiced has a significant impact on Veconinter’s bottom line.

Marketing: In 2006, Veconinter implemented a business-to-business marketing strategy focusing on its services to shipping carriers, importers, exporters, and NVOCCs. The first priority was to re-establish Veconinter as a company that offered high quality service at a competitive price. It was also important to revamp its image. Veconinter rolled out a new logo in 2006, with the goal of putting an end to the past and focusing on the present and future of the company. An evolution of the Veconinter brand was needed to properly

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<sup>10</sup> Case interview with Leonardo Brea.

communicate the Board of Directors' vision for the company's future. A global leader in brand consulting and design produced the new image and logo which better represent the broad portfolio of the Veconinter brand. (See **Exhibit 12** for examples of the old and new logos).

Veconinter wanted to communicate through their branding that the company expanded from simply offering D&D invoicing and collecting to providing a gamut of solutions, products, and services that could be mixed and matched to meet the client's needs. Usually such a change is not met with any particular response from employees or clients, but given the challenges Veconinter experienced everyone at the firm hoped stakeholders would recognize and appreciate Veconinter's evolution. For more than 30 years, Veconinter has built and strengthened relations with its clientbase and the trust and efficiency of their services have been the platform for new client-focused projects.

Advertising: Veconinter focuses on publicity through industry magazines, conference attendance, journal articles, and, to an extent, ads in major newspapers. The company distributes marketing material (i.e., pens, notepads, etc.) to current clients. Veconinter also developed a communications department to focus on the redesign of Veconinter's website and the maintenance of Veconinter's social media, such as our YouTube Channel with short clips of strategic information regarding our services, Twitter account with the latest updates of the industry and new services, LinkedIn as a key platform for extending our team and promote our news and services, Instagram for external but also internal audiences for better cohesion of our international team, among others; all of them with the aim of providing extra value to their followers with the latest regional maritime news of the region and internal marketing purposes.

The Website: The Veconinter website was revamped in 2017 with a new design accompanied by an easy-to-use interface responsive to different devices in order to aid the web experience. The website includes a blog with helpful and convenient information about the maritime market and related topics. The ultimate goal of the website is to encourage consignees to perform as many transactions as possible via the web and start to shift customers from Veconinter's regional offices to online solutions. The importance of technology and its benefits to the services of Veconinter are a key factor to the future success of the company.

Profit Generation: Veconinter's goal is two-fold: (1) Control the largest container volume possible as this will directly affect the level of gross income the company will bring in specifically when speaking about D&D collections. (2) Offer other products and services to clients that will generate additional revenue and increase the value of Veconinter to its customers as a result.

Joint Ventures: Veconinter has forged new relationships with other corporations that will fortify Veconinter's position in the maritime shipping industry and strengthen its product and service portfolio. These partnerships have diversified Veconinter's product portfolio and clients now see the company as a one-stop shop rather than a one-product provider. Veconinter can bundle services and products giving the company greater flexibility in negotiations.

## **Veconinter in a Globalized Maritime Shipping Industry**

The modern maritime industry can be traced back to 1956 when the first container carrier set sail from Newark, New Jersey. Currently, the ocean liner shipping industry contributes more than US \$4 trillion worth of goods to the global economy each year.<sup>11</sup> The marine freight industry had total revenues of \$456.4 million in 2018 with a compound annual rate of change (CARC) of -3.3% between 2014 and 2018. The shipping industry is expected to grow with an anticipated CAGR of 3.7% between 2018–2023 and is expected to drive the industry to a value of \$548.3 million by the end of 2023.<sup>12</sup> Developing economies, including Venezuela, are key to the maritime industry as they account for the largest share of world seaborne trade in terms of exports and imports at 59% and 64% of the world total respectively.<sup>13</sup> The maritime shipping industry is the backbone of international trade and the global economy with more than 70% of global trade by value and 80% of global trade by volume handled by ports worldwide. Growing by 4%, the fastest growth in five years, the future of Veconinter looks promising.

Leo assumed his leadership role at Veconinter with an understanding of the company's potential. Leo led Veconinter's global expansion efforts, starting with Costa Rica. As of December 2019, Veconinter operates in 18 countries with plans to continue international expansion in 2020. Veconinter has since commenced operations in Brazil and Honduras (2008); Barbados (2010); Puerto Rico and Trinidad & Tobago (2011); Mexico (2012); Sint Maarten, Guyana, Panama, and the USA (2016); Haiti and Fiji (2017); Dominican Republic and Antigua (2018); Canada, St. Lucia, USVI, (2019) and Australia (2020). (See **Exhibit 13** for a map of Veconinter's branches to date).

Each expansion brought the opportunity to introduce new services in order to meet local needs. The Veconinter team faced new challenges when expanding into countries with their own business operating norms, but these challenges resulted in flexible new product and service offerings and standardized procedures and reports. Veconinter's international growth enabled the company to deepen its understanding of the global shipping industry and strengthen relations with clients worldwide. A key goal of Veconinter's expansion is to be a strategic partner for its clients and serve as a common ground for all participants in the maritime industry.

Veconinter's expansion was fueled by a strategic regional approach aimed at best shaping the benefits Veconinter could offer clients based on their specific needs. Veconinter offers shipping carriers full-service care specialized to their operations in different countries for a more efficient customer service experience. That being said, there have been international expansion projects with initially negative results. This led to the innovation and development of products and services, proving that the key to international success has been an understanding of the market and rapid, thus effective, adaptation to change.

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<sup>11</sup> World Shipping Council, "Trade Statistics," Worldshipping.org, accessed January 1, 2020, <http://www.worldshipping.org/about-the-industry/global-trade>.

<sup>12</sup> Marketline, "Global Marine Freight," April, 2019, available from Marketline, accessed January 1, 2020.

<sup>13</sup> UNCTAD, "World seaborne trade," Unctad.org, accessed January 1, 2020, <https://stats.unctad.org/handbook/MaritimeTransport/WorldSeaborneTrade.html>.

## **The Future of Veconinter: Product Offerings and International Expansion Options**

Veconinter has learned how to successfully navigate not only Venezuela's regulations but also the requirements of global markets and was ranked 49th on the Top 100 Companies list in Venezuela in 2019.<sup>14</sup> However, Venezuela's rapidly changing regulations and volatile economy may lead to an unpredictable business environment with a negative impact on Veconinter and the shipping carrier industry as a whole.<sup>15</sup>

Should Veconinter focus solely on international expansion? This would require Leo, with the support of the team, to split his time between the operations in Venezuela and opening offices internationally. Considering the previous successes and hardships of international expansion, should Veconinter continue to expand or should the company focus on growth in countries in which Veconinter currently operates? Expanding into new countries brings the difficulties of operating in an entirely new business environment. Moreover, existing operations become more efficient over time and focusing on these sites could reduce costs and increase Veconinter's bottom line. Researching marketplaces where Veconinter currently operates could prove profitable but Veconinter might lose the momentum they have worked hard to cultivate in their international expansion efforts. In 2014, Leo described his vision for the company:

“Veconinter has seen a great opportunity to offer and ‘take over’ the Caribbean market as the only global company offering its services over a number of different markets. We are, however, not limited in growing only in the Caribbean. Projects in Central America, the US, and Africa are underway and will expand Veconinter's footprint and solidify its relationship with current clients across a number of different markets that will bring stability on one side (i.e., USA) and rapid growth on the other (i.e., Africa).

Veconinter is going through an interesting transition changing from a ‘mom and pop shop’ into a global company. It's inevitable to have growing pains during this phase but it also creates unique opportunities to mold the future of the company into what we envision it should be. Our growth thus far has been funded organically. However, it's clear that to continue to grow at the rate we are striving for and accept the new projects that are being presented, outside funding will be necessary whether it be via equity sharing or debt as well as analyzing potential acquisitions.

Veconinter's plan is to strengthen its relationships with its current clients by providing a ‘1st-world’ service, which will translate into new

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<sup>14</sup> Business Venezuela, “Top 100 Companies 2019,” *Revistabusinessvenezuela.com*, accessed January 1, 2020, <http://www.revistabusinessvenezuela.com/estudios-especiales/estudios-bv-estudios-bv/top-100-companies-2019/>.

<sup>15</sup> Additional investments in Venezuela, such as the opening of two planned offices, may fortify and help accelerate Veconinter's gain of market share. However, for many shipping carriers and NVOCCs, Venezuela is the country where they collect the largest amount for demurrage and detention, making the nation a lucrative market. That being said, the risk of nationalization, expropriation, and additional taxes could dissuade further investment.

relationships and new products and services being contracted by Veconinter's current client base, thus increasing switching costs and a greater dependence on the Veconinter-client partnership. Veconinter has also strived to create economies of scale that smaller players simply can't compete against, which allows Veconinter to offer greater value at a discounted price."<sup>16</sup>

Veconinter has developed an impressive and successful international presence. Looking forward, Leo and the Veconinter team need to decide if they should continue to expand services in their current markets or develop operations in new international markets, and if they do expand services, what new products or services to offer.

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<sup>16</sup> Leo Brea written comments for the case, 8/22/14.

## **Exhibit 1** **Industry Terms**

Bill of Lading (B/L): A document with a detailed list of a shipment of goods issued by a carrier to the consignee confirming that the consignee has received the goods.

Equipment Interchange Receipt (EIR): A document including shipment information required when transferring shipping container to another shipping terminal or another ship.

Demurrage: A fee charged to the owner of a vessel in the event a shipment has not been loaded or discharged within the agreed upon timeframe.

Detention: A fee charged when a vessel is prevented from loading or discharging cargo within the agreed upon timeframe and the container is in the consignee's possession.

Non-Vessel Operating Common Carrier (NVOCC): A vessel that operates as transportation or logistics intermediaries. NVOCC's buy services from ocean carriers and though issuance of their House Bill of Lading with appropriate rate filings are able to mark-up freight costs as they resell these services to their clients.<sup>17</sup>

Twenty Equivalent Units (TEUs): A measure of cargo capacity. One TEU is equal to a standard 20-foot shipping container: 20' long and 8' tall.

Container: The main type of equipment used in intermodal transport, especially on ships.

Container Stuffing: The action of filling a container with goods for import or for export.

Consignee: The person to whom a shipment is to be delivered.

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<sup>17</sup>National Customs Brokers & Forwarders Association of America, Inc. "About Us." [https://www.ncbfaa.org/Scripts/4Disapi.dll/4DCGI/cms/review.html?Action=CMS\\_Document&DocID=21584&MenuKey=about](https://www.ncbfaa.org/Scripts/4Disapi.dll/4DCGI/cms/review.html?Action=CMS_Document&DocID=21584&MenuKey=about). (Accessed January 2020).

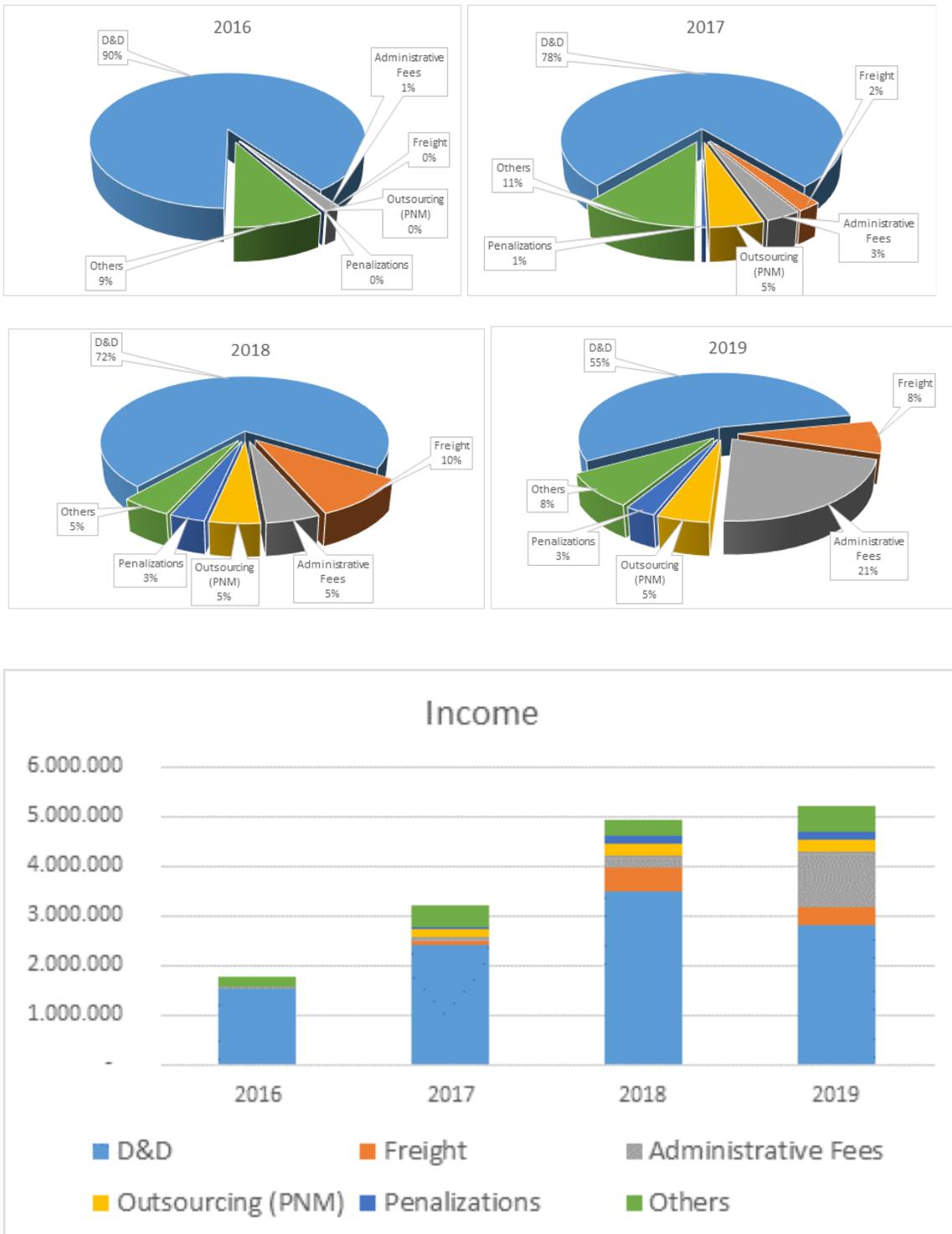
**Exhibit 2**  
**Historical Data: Veconinter Collections (2016-2019)**

Country	Global Collections					
	2015	2016	2017	2018	2019	TOTAL
<b>Antigua</b>		0	0	0	283.467	283.467
<b>Barbados</b>	3.488.180	2.625.970	2.916.130	3.101.756	3.701.585	15.833.621
<b>Brasil</b>	13.566.509	10.068.414	14.075.834	49.940.249	53.396.631	141.047.637
<b>Colombia</b>	2.083.808	1.217.883	1.224.970	1.084.211	917.342	6.528.214
<b>Costa Rica</b>	598,937	561.288	688.479	726.369	746.189	3.321.262
<b>Fiyi</b>		0	121.314	403.331	433.909	939.191
<b>Guyana</b>	1.678.227	1.257.668	1.263.596	1.547.881	1.680.080	7.427.452
<b>Haití</b>		0	135.005	454.562	349.624	939.191
<b>Honduras</b>	2.229.559	2.192.939	1.834.583	2.301.749	1.891.983	10.450.813
<b>México</b>	1.381.946	802.534	310.781	0	537.350	2.495.798
<b>Santa Lucia</b>		0	0	0	145.547	145.547
<b>Sint Maarten</b>	218.603	152.205	112.773	543.153	317.868	1.344.602
<b>T&amp;T</b>	8.018.533	4.710.215	3.853.540	5.148.228	5.432.052	27.162.568
<b>Usa</b>	63.807	727.043	4.611.881	11.710.144	6.671.558	23.784.433
<b>Rep. Dominicana</b>		0	0	519.301	662.247	519.963
<b>Venezuela</b>	11.612.030	2.919.239	1.377.495	8.261.849	4.163.913	28.334.526
<b>Total</b>	44.940.139	27.235.398	32.526.381	85.742.783	79.849.481	270.294.182

Source (all): Veconinter (reprinted with written permission)

- \* Values represented in US dollars
- \* Values reflect the global market

**Exhibit 3**  
**Historical Data: Veconinter Service Portfolio (2016-2019)**



Source: Veconinter (reprinted with written permission)

**Exhibit 4**  
**Net Collected per Container Mobilized**

<b>Net collection per Unit Mobilized</b>					
<b>Country</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
<b>Antigua</b>	-	-	-	51	38
<b>Barbados</b>	174	172	190	252	196
<b>Brasil</b>	236	250	481	525	419
<b>Colombia</b>	240	104	131	150	142
<b>Costa Rica</b>	48	50	56	106	60
<b>Fiji</b>	-	15	43	56	38
<b>Guyana</b>	112	108	116	205	129
<b>Haití</b>	-	18	44	49	37
<b>Honduras</b>	184	135	178	137	157
<b>México</b>	231	217	-	-	336
<b>Saint Lucia</b>	-	-	-	44	44
<b>Saint Marteen</b>	26	22	95	58	51
<b>Trinidad &amp; Tobago</b>	142	117	148	170	144
<b>USA + Puerto Rico</b>	6	18	40	22	24
<b>Dominican Republic</b>	-	-	100	183	134
<b>Venezuela</b>	157	89	726	254	271
<b>Total</b>	<b>94</b>	<b>72</b>	<b>160</b>	<b>150</b>	<b>125</b>

Source: Veconinter (reprinted with written permission)

\* Values represented in US dollars

**Exhibit 5**  
**Mobilized Containers Veconinter Clients (2016-2019)**

<b>Mobilized Containers</b>					
<b>Country</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
<b>Antigua</b>	-	-	1.890	5.591	7.481
<b>Barbados</b>	15.079	16.948	16.323	14.715	63.065
<b>Brasil</b>	42.690	56.214	103.865	101.715	304.484
<b>Colombia</b>	5.070	11.724	8.285	6.129	31.208
<b>Costa Rica</b>	11.705	13.711	12.880	7.070	45.366
<b>Fiji</b>	-	7.843	9.432	7.799	25.074
<b>Guyana</b>	11.209	11.695	13.354	8.192	44.450
<b>Haití</b>	-	7.468	10.427	7.166	25.061
<b>Honduras</b>	11.895	13.595	12.917	13.791	52.199
<b>México</b>	3.475	1.433	1	-	4.909
<b>Saint Lucia</b>	-	-	-	3.289	3.289
<b>Saint Marteen</b>	5.964	5.066	5.732	5.510	22.271
<b>Trinidad &amp; Tobago</b>	33.098	32.822	34.836	31.914	132.670
<b>USA + Puerto Rico</b>	129.844	255.070	290.980	309.040	984.933
<b>Dominican Republic</b>	-	14	5.176	3.614	8.804
<b>Venezuela</b>	18.569	15.472	11.381	16.379	61.801
<b>Total</b>	<b>288.597</b>	<b>449.074</b>	<b>537.476</b>	<b>541.914</b>	<b>1.817.061</b>

Source: Veconinter (reprinted with written permission)

**Exhibit 6**  
**Veconinter Financial Summary for Venezuelan Market: 2018**  
**Values represented in USD<sup>18</sup>**

VECONINTER Venezuela 2018	
<b>Assets</b>	2018
Property plant and equipment	\$ 1.611
Investments	\$ 158.242
Other Assets	\$ 36.235
Due from related party	\$ -
Accounts receivable	\$ 335.575
Cash and cash equivalents	\$ 2.186.521
<b>Total assets</b>	<b>\$ 2.718.184</b>
<b>Liabilities and shareholder's equity</b>	
<b>Liabilities</b>	
Due to related party	\$ 1.740.151
Other liabilities	\$ 72.964
Taxation payable	\$ 7.482
Accounts payable and accruals	\$ 481.157
<b>Total liabilities</b>	<b>\$ 2.301.755</b>
Shareholder's equity	\$ 197.360
Share capital	\$ 20.000
Retained earnings	\$ 199.069
<b>Total equity</b>	<b>\$ 416.429</b>
<b>Total Liabilities and shareholder's equity</b>	<b>\$ 2.718.184</b>

<sup>18</sup> Veconinter (reprinted with written permission)

\* Information altered after analysis by editor: Corinne Boyles

**Exhibit 7**  
**Veconinter Financial Summary for International Market: 2010-2013**  
**Values represented in USD<sup>19</sup>**

VECONINTER 2018	
<b>Assets</b>	2018
Property plant and equipment	\$ 103.374,97
Investments	\$ 432.336,10
Other Assets	\$ 1.224.315,19
Due from related party	\$ 1.482.089,84
Accounts receivable	\$ 792.833,08
Cash and cash equivalents	\$ 8.062.403,67
<b>Total assets</b>	<b>\$ 12.097.352,85</b>
<b>Liabilities and shareholder's equity</b>	<b>\$ -</b>
<b>Liabilities</b>	<b>\$ -</b>
Due to related party	\$ 2.615.393,21
Other liabilities	\$ 789.018,42
Taxation payable	\$ 244.796,73
Accounts payable and accruals	\$ 7.174.697,35
<b>Total liabilities</b>	<b>\$ 10.823.905,71</b>
Shareholder's equity	\$ 197.359,80
Share capital	\$ 930.308,57
Retained earnings	\$ 145.778,76
<b>Total equity</b>	<b>\$ 1.273.447,13</b>
<b>Total Liabilities and shareholder's equity</b>	<b>\$ 12.097.352,84</b>

<sup>19</sup> Veconinter (reprinted with written permission)

\* Information altered after analysis by editor: Corinne Boyles

**Exhibit 8**  
**Veconinter Global Net Income**

<b>Global Net Income</b>					
<b>Country</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Acum</b>
<b>Antigua</b>	0	0	-20.009	-11.353	-31.362
<b>Barbados</b>	35.250	211.651	251.834	288.765	1.037.648
<b>Brasil</b>	-160.656	-69.703	73.970	5.510	-889.569
<b>Colombia</b>	3.179	4.909	-40.978	-67.336	-538.166
<b>Costa Rica</b>	26.715	50.284	27.692	-11.846	-88.601
<b>Fiji</b>	0	-38.636	-4.957	19.618	-23.974
<b>Guyana</b>	78.473	66.203	39.925	70.594	398.040
<b>Haití</b>	0	-24.697	-19.394	-25.439	-69.530
<b>Honduras</b>	79.625	44.537	117.454	4.931	-84.880
<b>México</b>	1.193	-16.102	-26.799	3.347	-170.191
<b>Saint Lucia</b>	0	0	0	-5.914	-5.914
<b>Panama</b>	-29.577	-6.715	30.391	41.840	-11.622
<b>Saint Marteen</b>	18.298	-3.236	53.512	35.083	50.342
<b>Trinidad &amp; Tobago</b>	-29.910	164.778	46.073	196.893	1.114.330
<b>USA + Puerto Rico</b>	-103.371	422.447	355.448	148.544	754.662
<b>Dominican Republic</b>	0	0	-7.002	-9.739	-16.741
<b>Overhead (OH)</b>	0	-1.616.866	-976.412	-2.290.368	-4.883.646
<b>Venezuela</b>	43.269	73.119	-25.638	737.866	1.663.447
<b>Venezuela Exchange</b>	85.489	454.752	398.148	1.749.798	2.897.096
<b>Total</b>	<b>47.976</b>	<b>-283.274</b>	<b>273.257</b>	<b>880.794</b>	<b>1.101.368</b>

**Exhibit 9**  
**Veconinter Service Offerings**

**Demurrage & Detention Management**

Implementing an efficient demurrage and detention program will optimize the turnaround time of your units improving logistics, streamlining your operational process, and allow for greater equipment utilization thus adding more revenue to your bottom line.

**Damage Recovery**

In case of damage of the units we offer you the possibility to count with a specialized team as part of our services, that will support you during the damage recovery process to assure you'll successfully complete all the obligations requested in this matter.

**Insurance Programs**

For a complete service, in partnership with ICI Insurance Company, we provide the different options and insurance offers available in order for you to choose the best one. The follow up of this process is impeccable as we provide the inspection and follow up the units at port. In case of damage our team is ready to support you with this process.

**Inspections**

Our certificated personnel IICL performs physical inspections of the units at designated ports and the shipping warehouse, which allows us to generate estimates for repairs to the analysis of the cases. We offer the opportunity to apply only the service of inspections at departure and return of containers, to be performed by highly trained and certified staff.

**Equipment Control**

This efficient service will provide you with a strict follow up of your inventory as well as real status of the intermodal units. Our presence inside the warehouses allows us to physically check on all client's containers to compare to what is listed in your IT system. We also manually handle all port documentation and act as your depot representatives.

**Ocean Freight & Administrative Services**

Veconinter is capable of managing and collecting ocean freight and other administrative expenses that will enhance our client's bottom line.

**Specialized Workshops**

Our clients can request training workshops that will bring our clients team up to speed on best practices in the range of services that Veconinter has to offer. Contact us to find more information about it ([info@Veconinter.com](mailto:info@Veconinter.com)).

**Consulting Services**

Veconinter's highly qualified consultants can improve client operations and overall revenue generation, through the implementation of best practices that have been perfected over 30 years for our client's operations, with the focus to enhance transparency and profitability.

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**Exhibit 10**  
**ISO-9001 Quality Control Certificate**

**CON CAPACIDAD EVALUADA**  
(SYSTEM FOR THE CERTIFICATION OF FIRMS OF ASSESSED CAPABILITY)

RIF: J-00093287-0



Anexos al Certificado N° 9001-315-35-10-2001  
Fecha de certificación / Certification date: 2001-10-18  
Fecha de renovación / Recertification date: 2019-11-24  
Fecha de expiración / Valid until: 2022-11-23  
Fecha de modificación / Modification date:

El Fondo para la Normalización y Certificación de la Calidad (FONDONORMA),  
a través de su Gerencia de Certificación, certifica que:  
*The Fondo para la Normalización y Certificación de la Calidad (FONDONORMA),  
through its Certification Management, certifies that:*

**VENEZOLANA DE CONTROL INTERMODAL,  
VECONINTER, C.A.**

Tiene establecido y mantiene un Sistema de Gestión en conformidad con los requisitos de:  
*Has implemented and maintains a Management System in accordance with the requirements of:*

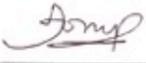
<b>Norma Internacional</b> ISO 9001:2015	<b>International Standard</b> ISO 9001:2015
<b>Sistemas de gestión de la calidad — Requisitos</b>	<b>Quality management systems — Requirements</b>

Para los Sitios:  
*Sites:*

**Oficina Maracaibo**  
Avenida 4, Bella Vista, Centro Comercial Akrai Center, Local C-3, Maracaibo, 4001, Edo. Zulia, Venezuela  
FACTURACIÓN Y COBRANZA POR CUENTA Y EN NOMBRE DE TERCEROS

**Oficina La Guaira**  
Av. Soubllette, Centro Comercial Litoral, Nivel 2, Oficina 39 Local 39-40, Maiquetía, frente a los Bomberos de La Guaira, 1160,  
Edo. Vargas, Venezuela  
FACTURACIÓN Y COBRANZA POR CUENTA Y EN NOMBRE DE TERCEROS

**Oficina Puerto Cabello**  
Calle Municipio, con Calle Templo, Zona Colonial, frente a Catedral San José, Edificio Centro Empresarial Marítimo, Puerto Cabello, 2050,  
Edo. Carabobo, Venezuela  
FACTURACIÓN Y COBRANZA POR CUENTA Y EN NOMBRE DE TERCEROS

  
Lic. Lourdes de Pescoso  
Directora General / Director - General

2/2

Source: Veconinter (reprinted with written permission)

<sup>20</sup> Veconinter, C.A. International Organization for Standardization Certificate. 2018.

**Exhibit 11**  
**Role of Information Technology at Veconinter**

IT has been improved to create a relationship with the consignees rather than treating them as a center of income. This recent approach has made it easier to collect, as consignees also see some benefit from the contracting of Veconinter as the service provider by shipping carriers. For example, Millennium automatically creates a notification for importers the first day demurrage is incurred and periodically thereafter, usually between 5-7 business days, though this can vary at the request of the carrier. The reminders help consignees manage the use of the container and intend to reduce the level of demurrage or detention they incur. Millennium also allows for interim billing for special cases where the demurrage incurred is significant (i.e., 20 days of demurrage). This helps break into more manageable pieces the debt incurred by the consignee. In addition, Veconinter offers free consulting to consignees that consistently incur significant bills in order to reduce the level of D&D they pay Veconinter on behalf of the carrier. This automated process is key to decreasing the number of units that are kept in the hands of the importer for more than 30 days.

IT also plays an important role in connecting the regional offices together as well as the clients, ports, and importers. Regional offices are important as each office is strategically located near or at main port cities in order to reduce the time in obtaining key documentation. On a daily basis the Bills of Lading (B/L) are received and the EIRs are picked up by staff at the shipping line warehouses. They are all scanned into the system for future reference. Once the information is entered into the system and an account is manually created for each container, it can be accessed by any person linked into Millennium, and by the client via the web. Clients can view only information pertinent to their operations and cannot make any changes to the information. In addition, the offices function as locations where consignees can make payments if they do not choose to do it via Veconinter's website—the majority of clients pay at the offices. Also, each office is responsible for invoicing and collection in their respective region. Therefore, an invoice will take much less time to arrive to a consignee location with this decentralized approach. This heavy investment in geographic infrastructure has been a competitive advantage as Veconinter has invested in a country with volatile political and economic situations where its international clients may be hesitant to do so. Any local competitors would have to offer at least the same level of coverage to compete, which would require a significant upfront investment.

Today, Veconinter currently has five regional offices in addition to its headquarters in Caracas: Maracaibo, Puerto Cabello, Valencia, La Guaira, and Puerto La Cruz. It has plans to open up two more offices at port cities that are quickly growing. However, the political situation is such that even the directors of the company are looking at all their investment options before expanding their operations in Venezuela.

In its efforts to automate a larger portion of the operational process, Veconinter is working with its clients to receive the B/Ls in soft copy format so an account will not have to be manually created for each container from the scanned information. This improvement would not only continue to decrease the amount of time dedicated in

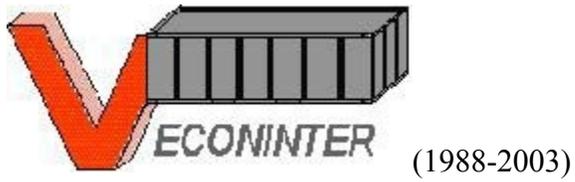
managing and creating each account, but it would also free up a significant number of FTEs (full-time equivalents) that can focus on more value-adding activities.

Millennium produces approximately 15 fundamental real-time reports. These reports reflect up-to-the-minute information (contingent on information being updated on the account) where clients can gauge a number of key indicators ranging from the current location of their containers to the amount collected per container. Carriers can view payment behavior of their importers/exporters, which they can then use on providing credit to consistent payers and “firing” clients who utilize their equipment but abuse the rights provided to them in the B/L. The flexibility of the system allows for tailored reports to be designed at the request of the client. Therefore, via Millennium, literally hundreds of reports can be found that have been created per the needs of each client.

In 2008, an innovative on-line “Collections Follow-Up” module was designed and rolled out with the objective of bringing greater efficiency to the Collections Department. The module can be accessed from any computer with internet access with a login ID and password. The system evenly distributes new accounts on a daily basis and organizes the accounts such that the most delinquent accounts appear first on the list. Within this parameter, the highest-dollar debt accounts are “pushed” upwards. If a follow-up activity has been carried out, the collector can tell the system to “remove” the account and have it reappear the day (specific to the hour if need be) he or she is required to continue to work on it. Since its inception in September 2008, productivity has doubled on average.

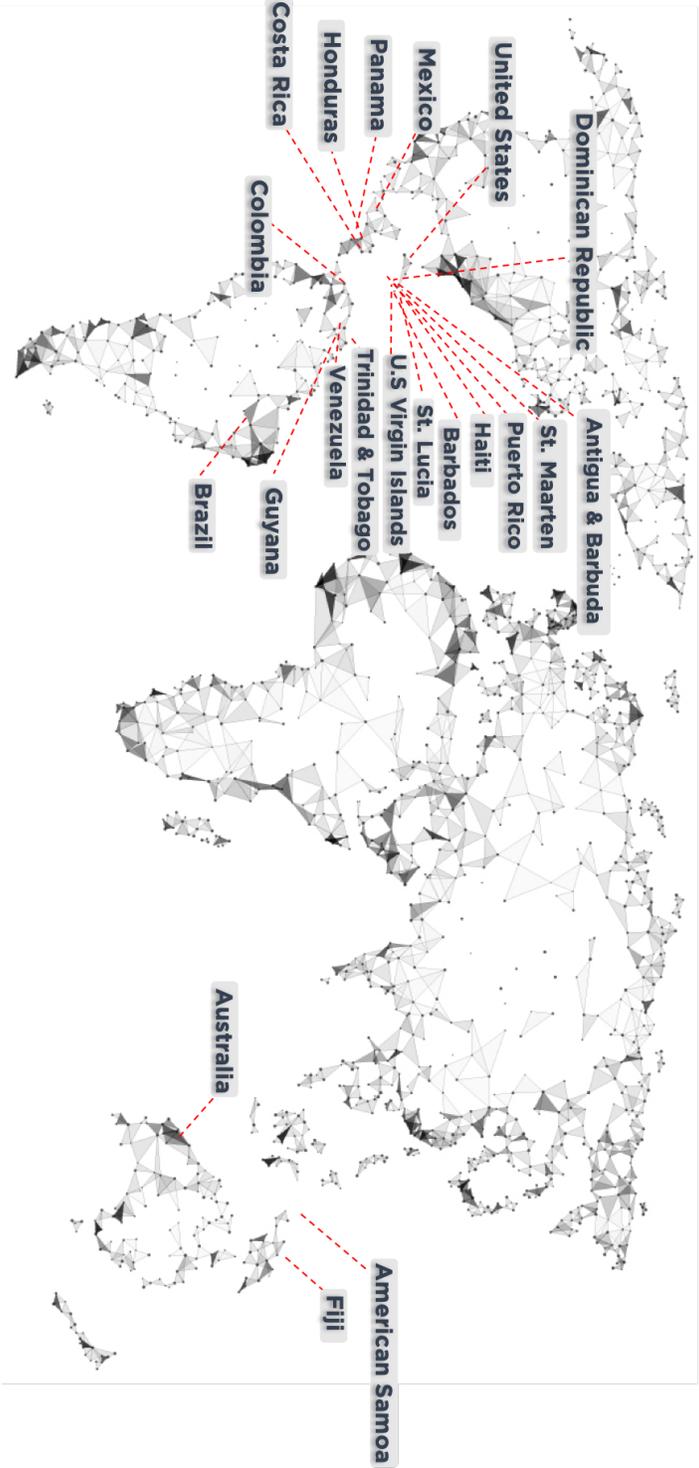
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**Exhibit 12**  
**Veconinter Logos**



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**Exhibit 13**  
**Veconinter Global Markets**



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