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Well-grounded

Eastern Connection Inc.

New ground service transports regional carrier to next level

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WOBURN — As a mid-size regional player in an industry well-traveled by large national carriers, **Eastern Connection Inc.** needed to chart a new route to growth.

That's why the 23-year-old, Woburn-based express parcel delivery firm — considered the largest regional carrier on the East Coast, with 2,500 customers served last year — is bullish about the prospects for the new ground service it launched late last year.

Making an estimated investment of nearly \$3 million in technology, people and infrastructure, founders **Jim Berluti** and **Ted Kauffman** hope the program will help level the playing field while elevating their operation to a new level of sophistication.

In addition to forcing EC to perform a major overhaul of its technology systems, the ground program will also likely boost its presence in the residential service market, which constitutes only about 10 percent of its total revenue. And from a bottom-line perspective, the service — which now has 27 new ground accounts — is expected to add \$5 million to EC's projected revenue of \$40 million this year, up from \$33 million last year.

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FAST FACTS

Jim Berluti and Ted Kauffman launched Eastern Connection Inc., a regional express parcel delivery service, in 1983.

The firm served 2,500 customers and shipped to 7,000 ZIP codes in 2005.

On average, the company delivers 100,000 parcels per week within a 500-mile radius, from Maine to Virginia.

Ted Kauffman, left, and Jim Berluti, founders of Eastern Connection, believe a new ground service initiated late last year will give the 23-year-old company greater traction in a competitive landscape.

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What it might lose from a pricing perspective — the average 2-pound package going next-day ground by 5 p.m. will typically run customers \$3.80, compared with \$20 for overnight priority delivery by 10:30 a.m. — EC hopes to gain in economies of scale.

“The marketplace was shifting a lot of priority packages to ground, and they could ship that for a lot less money,” says Berluti, 50. “As a logistics company, we viewed that as, yeah, we’re getting less revenue per piece, but we’re getting more efficiency, because you can build greater volume and you have a longer period to deliver it.”

Doug Caldwell, president of **Parcel Research**, a Utah-based independent consultancy, says while air transport volumes have been relatively stagnant industrywide, ground service has grown — and most carriers, including industry giants **Federal Express** and **UPS**, have jumped on the bandwagon.

“EC saw that, too,” Caldwell says. “They saw that the growth was in the ground arena. They needed something that was easier for customers to compare to the large carriers.”

Reinvestment, says Berluti, has remained a constant strategy since he and Kauffman, 59, first joined forces while working for the same national carrier two decades ago.

The impetus to start their own regional service, Berluti says, arose from their observation that at least 50 percent of the package volume for their previous employer remained in the East Coast market.

Backed by a \$100,000 line of credit and \$30,000 in capital, the partners opened the doors to their new enterprise on Valentine’s Day in 1983 with two rented pickup trucks, eight clients and 18 packages to deliver.

Within four months the firm reached profitability and the breadth of the operation has grown accordingly: EC now leases or owns 53 vehicles and employs 242 permanent staffers — as well as engaging the services of about 270 independent contractors — at 16 offices.

Berluti estimates the firm is moving some 100,000 parcels a week within a 500-mile radius from Maine to Virginia

— representing a 35 percent growth, year to date, in packages. Conceivably, the firm could become a \$100 million company by 2011, moving about 300,000 packages weekly, Berluti says.

“Even though they’ve become a larger company, they’re still very flexible and easy to talk to,” says longtime customer **Bob Slowe**, director of transportation at **Charrette LLC** in Woburn. “That makes a big difference when you’re dealing with overnight deliveries.”

While he won’t disclose the company’s margins, Berluti says the firm has enjoyed increased profitability for the last several years, even though it’s a high-overhead operation.

“We have the right people to steer the bus,” Berluti says. “The challenges are going to be more with infrastructure ... and keeping up with the growth. There are going to be some people who’ve been here for awhile who may not choose to stay on that ride. But it will also create tremendous opportunities.”

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