Shipper Collaboration
Overview

December 12, 2006
Buzzy Wyland
Bob DeVos
Agenda

- GENCO Overview
- Shipper Collaboration Introduction
  - Market Dynamics
  - Lessons learned
  - Shared Benefits
  - Truths
- Shipper Collaboration – How does it work?
  - Data Requirements
  - Engineering Capacity
  - Technology
  - Infrastructure
  - Rules of engagement
  - Tour Decisions
  - Getting Started
- Wrap-up / Questions
GENCO Overview

- 108-year, privately held company, Non-Asset based 3PL
- Global Supply Chain Provider
- $514 million in sales, 17% average growth
- 94 facility locations, 30 million sq. ft.
- 5,536 teammates
- $655 million in freight under management
- $1.5 billion in parcel freight audit / negotiation
- #1 in Returns Management
  - Medical/ Pharmaceutical Returns and Recall Leader
- Ranked #1 – Consumer Goods Technology Annual Logistics Survey – Best Customer Experience
Medical / Pharmaceutical Customers
Collaborative Logistics

“The key to collaborative logistics lies in identifying and reducing “hidden costs” that all participants in a logistics system pay, but none control individually.”

Shipper Collaboration

“Shippers working together to identify opportunities to reduce cost, improve service and provide value for both organizations.”
Market Pressure is Strengthening Collaboration

- **Rising Carrier Rates**
  - LTL costs up 7.5% in 2006
  - TL costs are up 5% in 2006

- **Rising Fuel Cost**
  - Fuel Surcharge Increase of $8.5 Billion over 2005

- **Private/ Dedicated Fleet Inefficiencies**
  - 18% of all truck movements everyday are empty ($165 billion inefficiency yearly)
  - Carrier capacity shortage – high driver turnover, new hours of operation impact service levels
Who Wins in Collaboration?

- **Shipper** receives improved service, savings, visibility, and committed capacity

- **Carrier** receives increased asset utilization, lower turnover, predictable efficiencies resulting in lower cost

- **Customers** benefit from improved service, lower damage, and inbound visibility
Failed Attempts

- Shippers
  - Focus / Infrastructure

- Carriers
  - Focus on filling their assets first

- Trade Associations/ Transportation Exchanges
  - No operational execution experience

- Technology Providers
  - No Engineering
  - No Operations Experience

A good idea, who’s time has come!
Shipper Feed Back on Collaboration
Why not effectively achieved?

- Project / Strategic – Status
- Expectations Realistic
- Technology only enables business processes
- Lack of Transportation Expertise
- Difficult to participate
- Shippers not staffed to support
- Not the primary focus
- Engineering not sufficient
- Not enough critical mass
- Lengthy process to engineer / implement / manage for the long term
Shipper Feedback
Keys to Success

Lessons Learned
- Focus on Execution is Critical
- Everyone Must Win (Give and Take)
- Need Motivation and Commitment
- Requires Resources and Time to Pursue
- More Results with Unbiased Facilitator
- Need Good Connectivity & Systems
- Must Deliver High Service
- Requires Openness and Trust
- Clear Expectations and Structure
- Need the right Mindset
Keys To Success

“An impartial facilitator over the dedicated fleet is a key success factor”
*Ann Deming, Unilever*

“I’ve been to a lot of meetings in the last five years with my competition, but I’ve never attended a meeting where there was intent to execute.”
*Joe Lombardo, Nestle*

“This is a strategic initiative for 2007.”
*Mary Robinson, Clorox*

“We have been very satisfied with Shipper Alliance. Their customer service team has been great to work with”
*Mary Lane, Unilever*
Implementation is Key

- Connectivity for Load Tender
- Rates in Place
- Capacity – Drivers / Tractors / Trailers
- Contacts at all locations
- Contacts at point of dispatch
- Daily touch on first shipments
- Reporting
- Follow-up
The Shipper Alliance

What is the Shipper Alliance?

- Program for shippers to participate in dedicated tours created from multiple shippers’ freight.

- Allows members to:
  - Incorporate freight into GENCO developed tours
  - Use their private fleet or dedicated operations as capacity to reduce deadhead
  - Increase efficiencies, improve service, and realize cost savings
The Shipper Alliance

How does it work?

1) GENCO identifies collaborative opportunities
2) Shipper tenders loads to GENCO
3) GENCO facilitates the following
   - Shipment planning
   - Electronic tender to carriers
   - Exception management and alerting
   - Carrier performance management
   - Fleet metrics, reporting and visibility
   - Freight payment
   - Continuous Improvement
GENCO Shipper Alliance

What are the benefits?

Tour Savings
- One-Way Shipments: $3,340
- Dedicated Tour: $2,904
- Shared Savings: $434

Benefits
- Efficiency gain…13%
- Driver turnover…under 10%
- Service reliability…over 99%
Alliance Participants Volume

Active Shippers – 13

Data Collected
- 3.7 Million shipments
- $2.8 Billion Spend
Current Participants
Keys to Success

Multi-Shipper Collaboration Value

Point of Collaboration Acceptance & Acceleration

1998

2006
### Lane Density is Key

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Total Volume</td>
<td>3,768,198</td>
</tr>
<tr>
<td>Total Lanes</td>
<td>57,484</td>
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<tr>
<td>Total Loads per Day</td>
<td>15,072</td>
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<tr>
<td>Average Cost Per Load</td>
<td>$749.71</td>
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<tr>
<td>Est. Total Spend</td>
<td>$2,825,055,784</td>
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<tr>
<td>Total Engineered Lanes</td>
<td>4,649</td>
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<tr>
<td>Total Engineered Volume</td>
<td>1,920,511</td>
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## Shipment Matrix Volume

<table>
<thead>
<tr>
<th>Region</th>
<th>Origin</th>
<th>Destination</th>
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<tbody>
<tr>
<td>New England</td>
<td>150,351</td>
<td>56,374</td>
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<tr>
<td>Northeast</td>
<td>447,285</td>
<td>589,297</td>
</tr>
<tr>
<td>Southeast</td>
<td>1,003,607</td>
<td>895,179</td>
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<tr>
<td>Midwest</td>
<td>1,175,442</td>
<td>1,055,442</td>
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<tr>
<td>Plains</td>
<td>170,168</td>
<td>191,085</td>
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<tr>
<td>Southwest</td>
<td>517,495</td>
<td>413,638</td>
</tr>
<tr>
<td>Mountain</td>
<td>56,921</td>
<td>127,370</td>
</tr>
<tr>
<td>California</td>
<td>225,289</td>
<td>348,472</td>
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<tr>
<td>Northwest</td>
<td>21,640</td>
<td>91,341</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,768,198</strong></td>
<td><strong>3,768,198</strong></td>
</tr>
</tbody>
</table>
Shipper 1
Shippers 1 and 2
Shippers 1, 2 and 3
Current Shipper Alliance Density
Top 10 Questions Asked

- What is the potential benefit?
- Is it easy to participate?
- How are the benefits/cost shared?
- What up front cost or risk do I have?
- How is proprietary information handled?
- What weekly volumes/consistency do I need?
- What happens when the tour breaks?
- Can you help fill my private fleet empty miles?
- Who is monitoring and tracking my shipments?
- How is freight payment handled?
**Shipper Alliance Case Study**

**Customer:** Large consumer goods shipper  
**Challenge:** Lowering transportation costs  
**Solution:** Dedicated tours in the Shipper Alliance  
**Results:** Savings within 6 weeks

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
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<tbody>
<tr>
<td>Number of Drivers</td>
<td>56</td>
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<tr>
<td>Total Loads per Week</td>
<td>313</td>
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<tr>
<td>On time Delivery</td>
<td>98%</td>
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<tr>
<td>Average Weekly Savings</td>
<td>$6,200</td>
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<td>Est. Annualized Savings</td>
<td>$545,000</td>
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<tr>
<td>Collaborative Partners</td>
<td>4</td>
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<tr>
<td>Matching Lanes</td>
<td>14</td>
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<tr>
<td>Carriers Utilized</td>
<td>Swift, Covenant</td>
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Wrap-up / Questions?