

Ninth Annual Survey of The Nation's Largest Shippers "The Giants of Shipping"

Prepared By:



Today's Panel

- ❖ Peter Bradley
Chief Editor, *Logistics Management Magazine*
- ❖ Mary Collins Holcomb
Associate Professor, University of Tennessee
- ❖ Karl B. Manrodt
Assistant Professor, Georgia Southern University
- ❖ Richard H. Thompson
Vice President, Cap Gemini Ernst & Young

Overview: Where Have We Been?

- ❖ **Research methodology**
- ❖ **Transportation trends**
- ❖ **Corporate perspective**

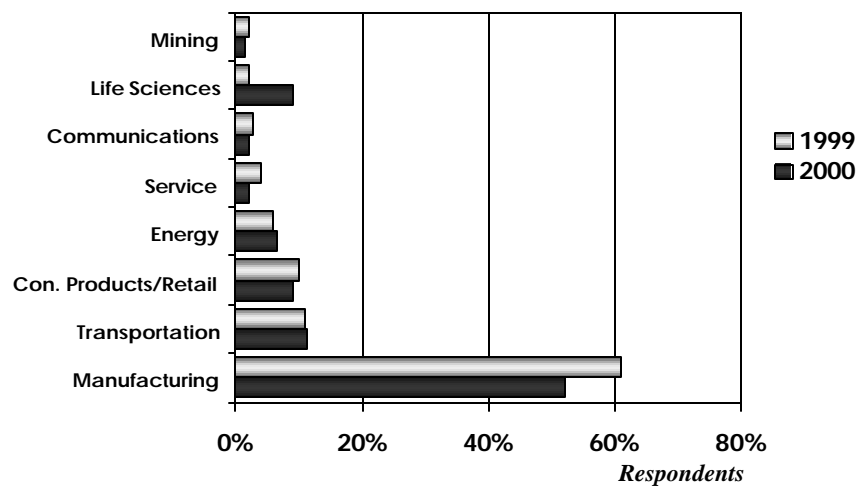
The Digital Economy: Where Are We Headed?

- ❖ **Make to Cash (MTC) Cycle**
- ❖ **Development of E²**
- ❖ **Logistics @ Internet Speed: Our Point of View**

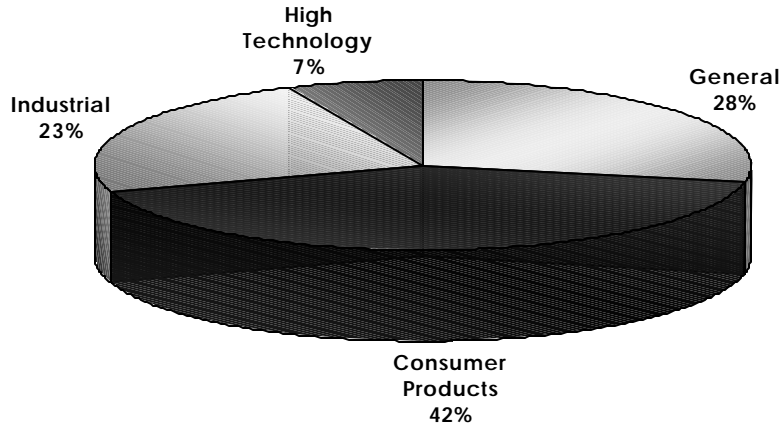
Participants Reflect the Logistics Marketplace

- ❖ Sample represents over \$28 billion in transportation expenditures
- ❖ 434 respondents from 11 key industries
- ❖ 17% response rate - 19% increase from last year
- ❖ Second year with a double digit increase in the number of respondents

Once Again - Manufacturers Represent the Largest Segment

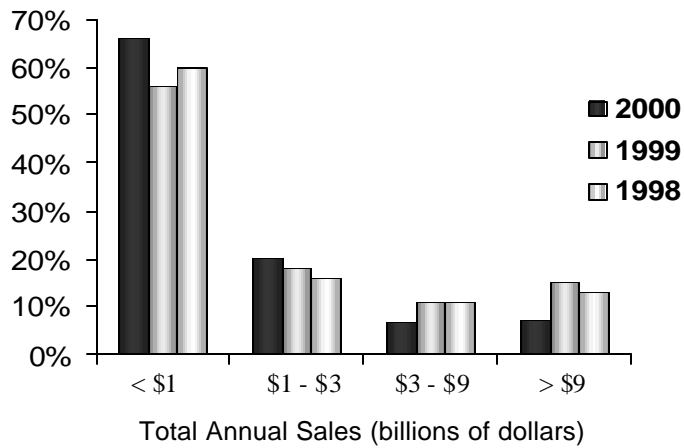


Consumer Products Represent the Largest Manufacturing Segment



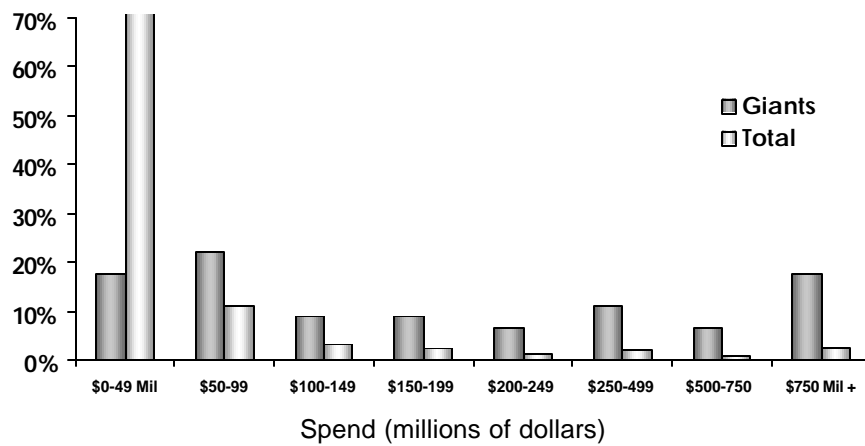
Giants Voices Still Being Heard

Approximately 20% More Giants Compared to 1999

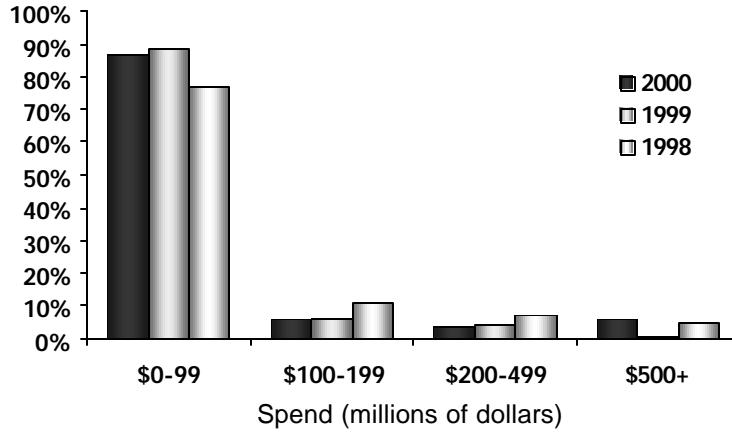


Transportation Expenditures & Trends

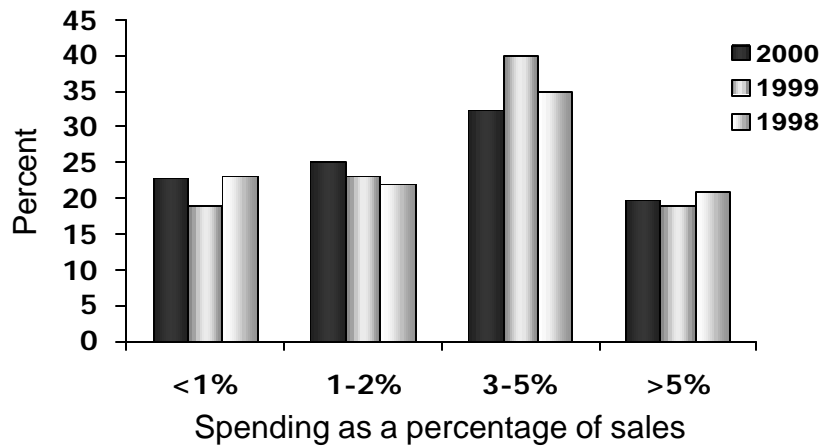
Giants Spend Over \$18 Billion: Total and Giants for 2000



Transportation Spend Increasing

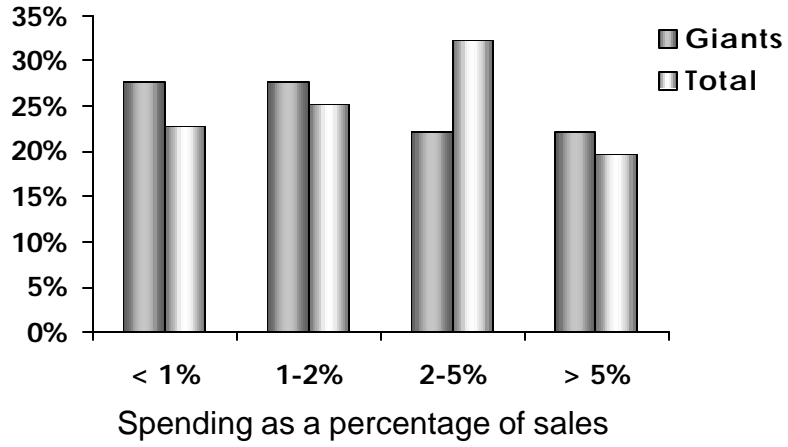


Shippers Getting More Efficient

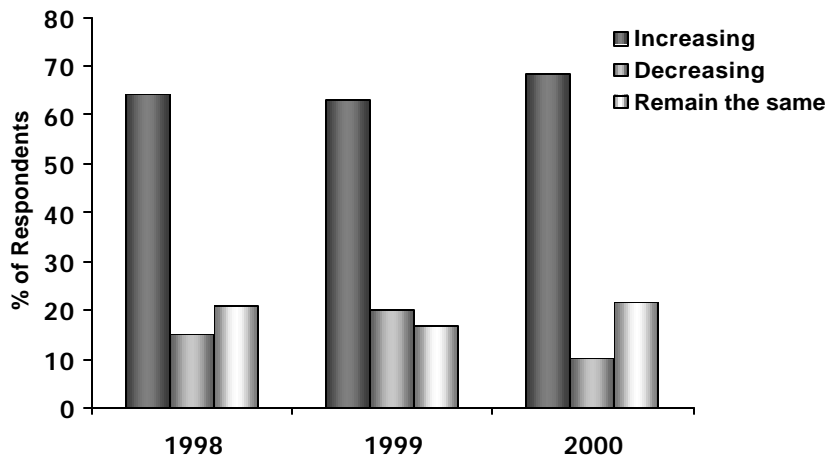


Domestic Transportation

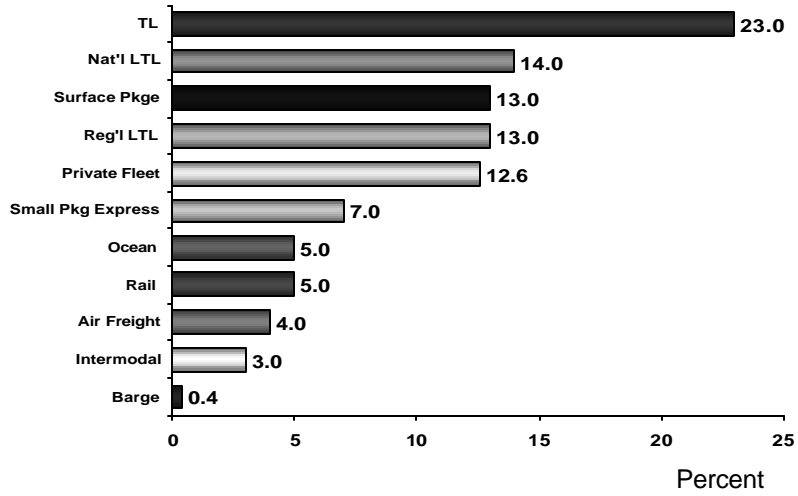
Spending as a Percentage of Sales



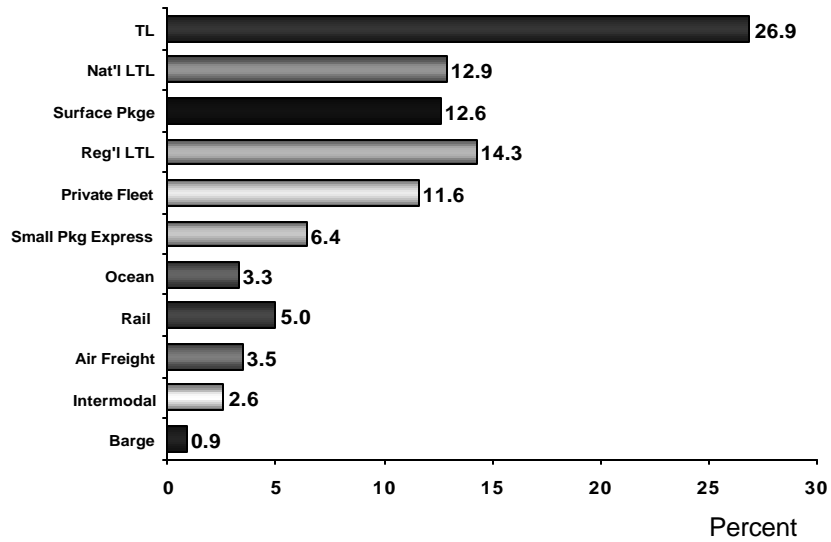
Shippers Planning to Spend More on Transportation

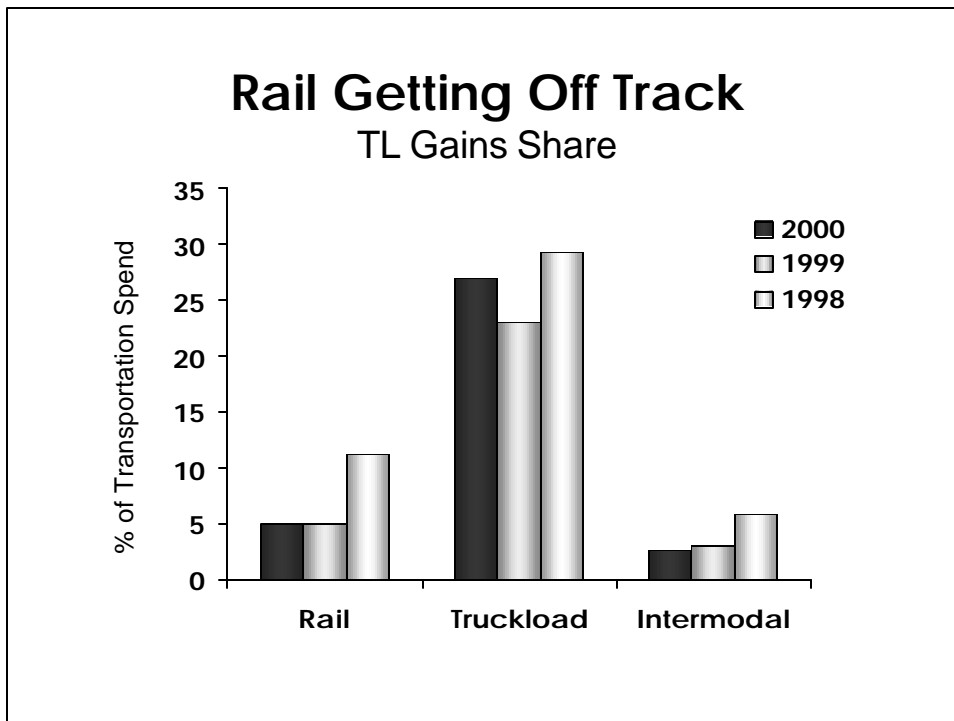
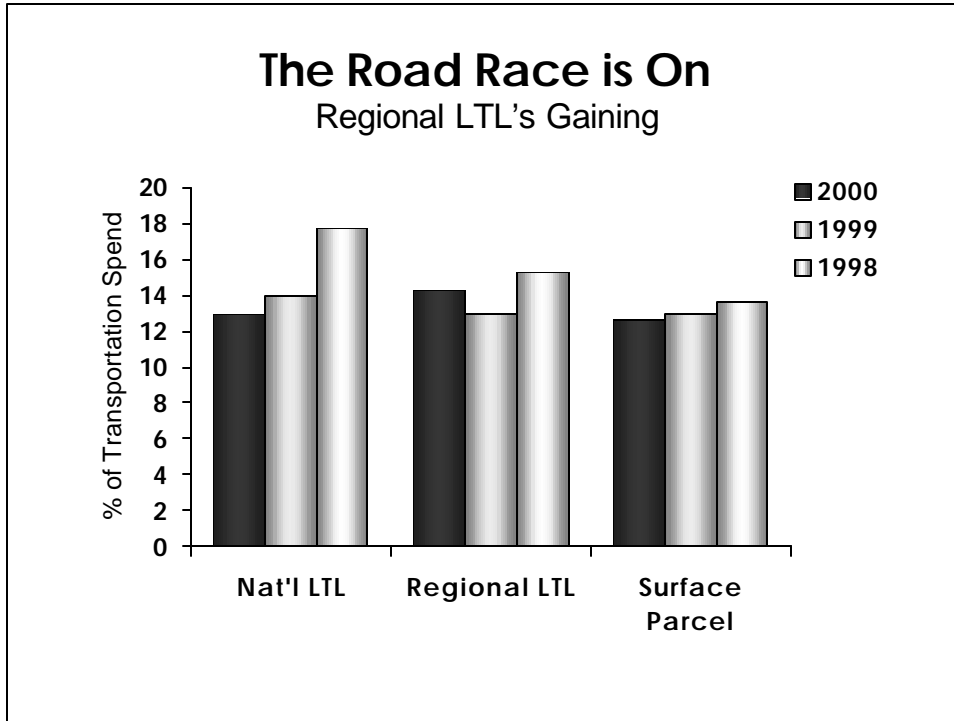


Consolidated "Over the Road" Ruled In 1999...

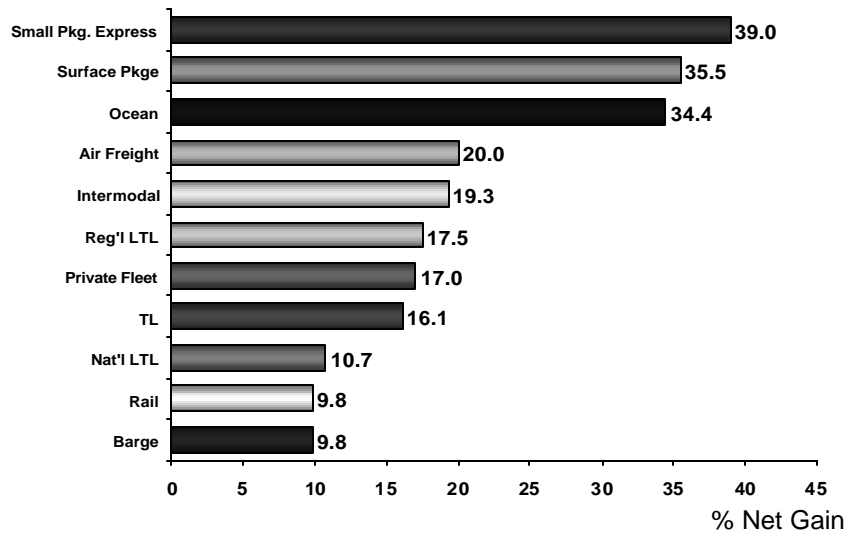


.. And Continues in 2000

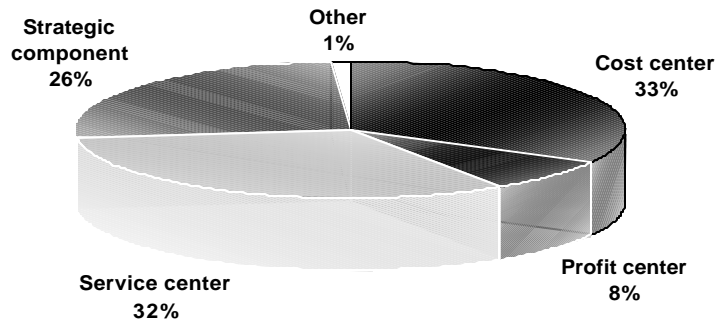




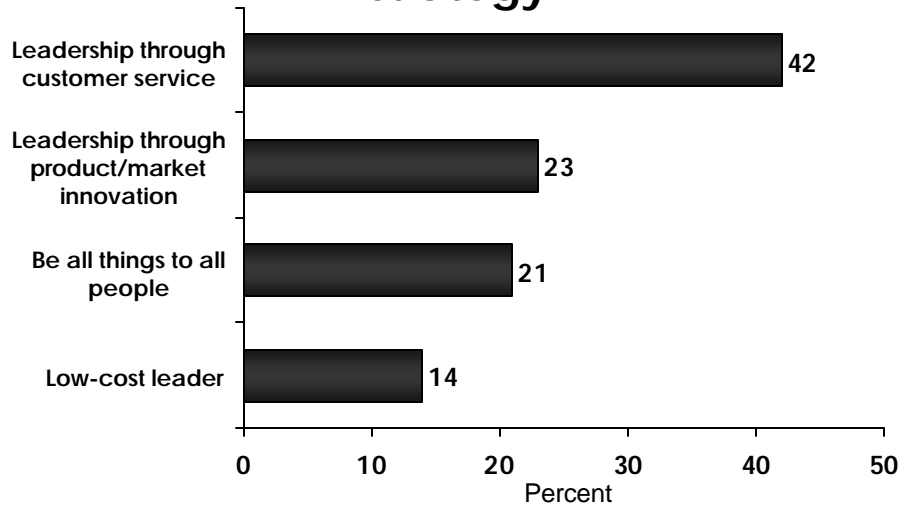
The Winners Are..... Net Increase Expected by Mode



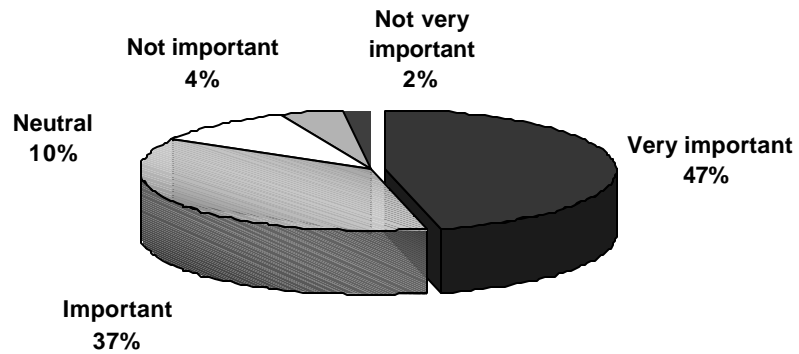
Corporate View of Logistics Cost Still Outweighs Service



Best Description of Division's Overall Strategy



Integration is Key to Achieving Strategy

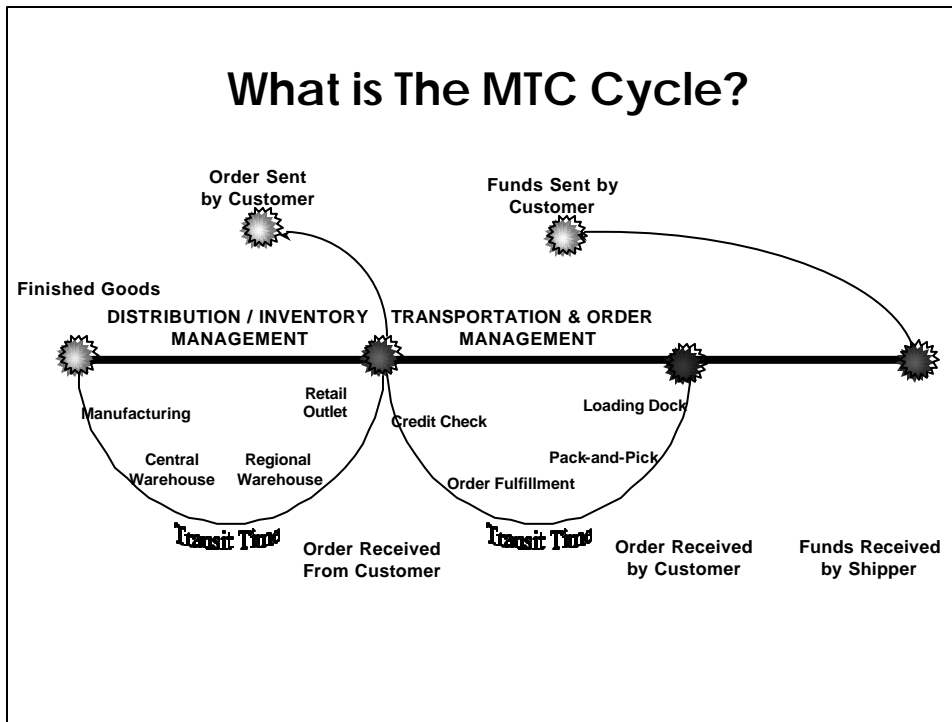


The Make to Cash Cycle

Make to Cash (MTC) Cycle

- ❖ **Logistics efficiency = sum of the costs which can be attached to a product as it moves through the distribution pipeline**
- ❖ **MTC measures efficiency through time**
- ❖ ***Time is the only common denominator for measuring all companies***
- ❖ **The functions and factors that impact it are within the responsibility of logistics managers**

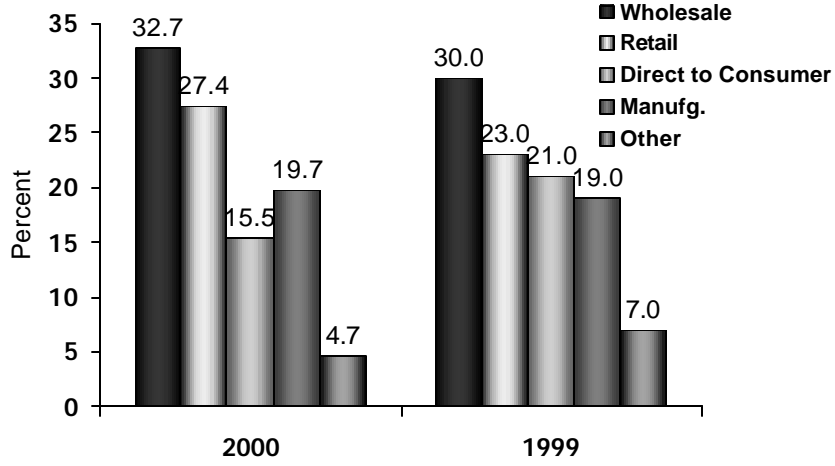
What is The MTC Cycle?



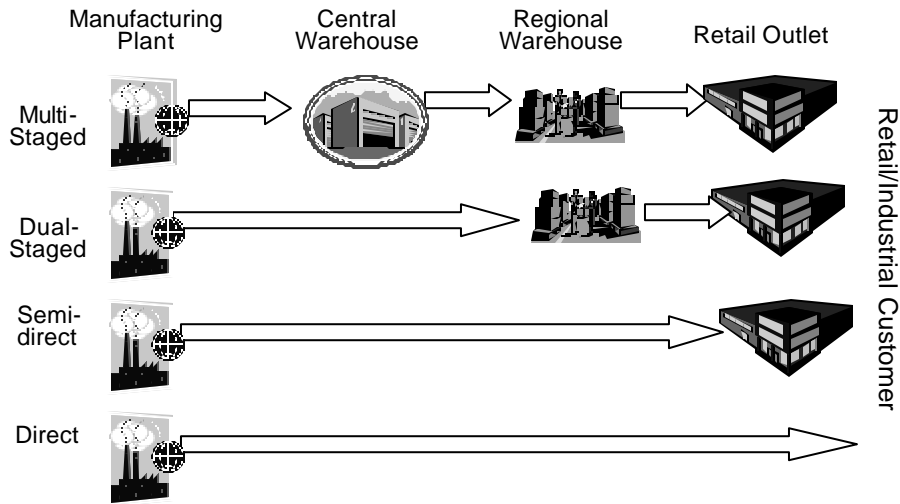
Key Benefits from Accelerating MTC

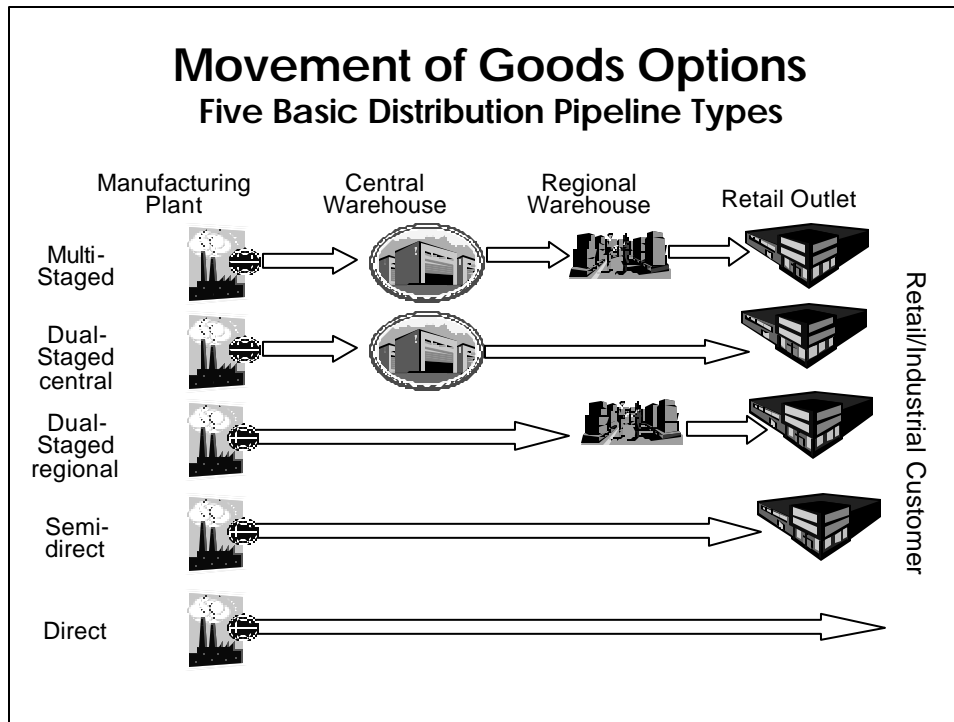
- ❖ Increased efficiency in the use of working capital
- ❖ Improved utilization of fixed assets
- ❖ Greater flexibility in serving customers
- ❖ Reduced inventory obsolescence/shrinkage
- ❖ Increased capacity utilization

Moving Goods Through the Supply Chain



Movement of Goods Options Initial Distribution Pipeline Types





Which Distribution Pipeline is Dominant Primary Configurations by Industry

- ❖ Multiple ways to compete and provide products to customers
- ❖ **Manufacturing plant only**
 - ❖ Manufacturing - industrial products
 - ❖ Manufacturing - high technology
- ❖ **Manufacturing - central warehouse**
 - ❖ Manufacturing - general
- ❖ **Regional warehouse only**
 - ❖ Consumer products / retail
- ❖ **Manufacturing - central - regional**
 - ❖ Life sciences

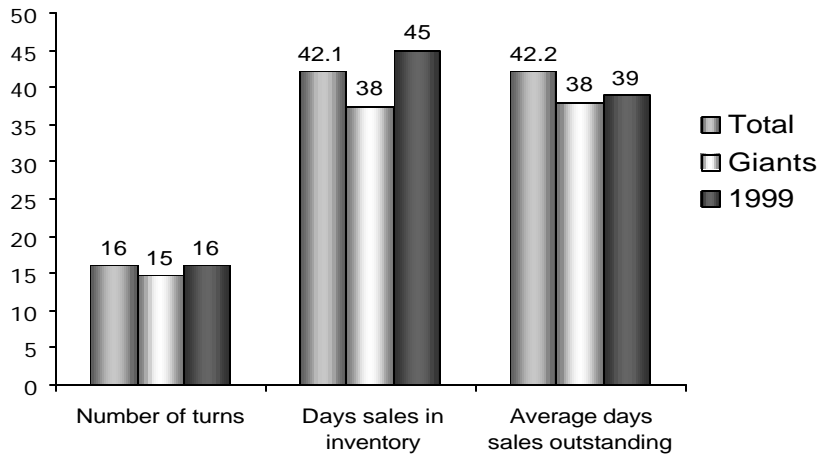
Supply Chain Comparisons Average Days Inventory Held

Type of Supply Chain	Manufacturing	Central	Regional	Retail	Customer	Total Inventory
Multi-staged	11.7	36.7	21.7	33.5	11.5	115.5
Dual-staged-regional	12.1		31.4	5.6	11.0	60.1
Dual-staged-central	36.5	29.5		14.5	5.0	85.5
Semi-direct	33.5			35.0		68.5
Direct	17.7				25.3	43.0

Impact of VMI on Inventory Levels is Minimal

Type of Supply Chain	Average Inventory without VMI	Average Inventory with VMI	Difference
Multi-staged	115.5	N/A	-
Dual-staged-regional	60.1	82.7	-22.6
Dual-staged-central	85.5	103.3	-17.8
Semi-direct	68.5	24.8	43.7
Direct	43.0	7.0	36.0

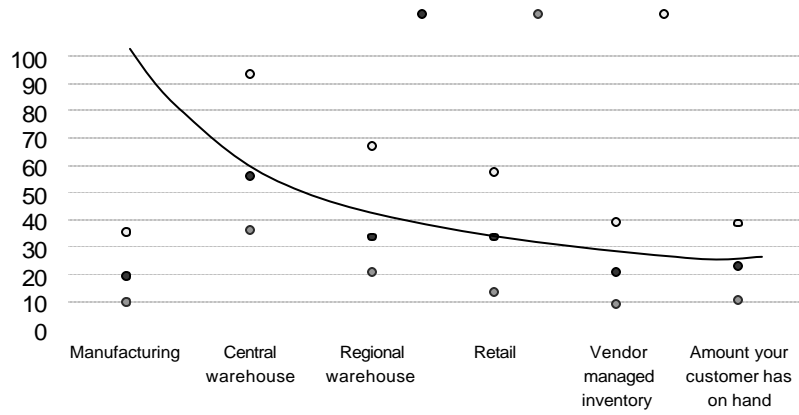
Days Translate into Dollars



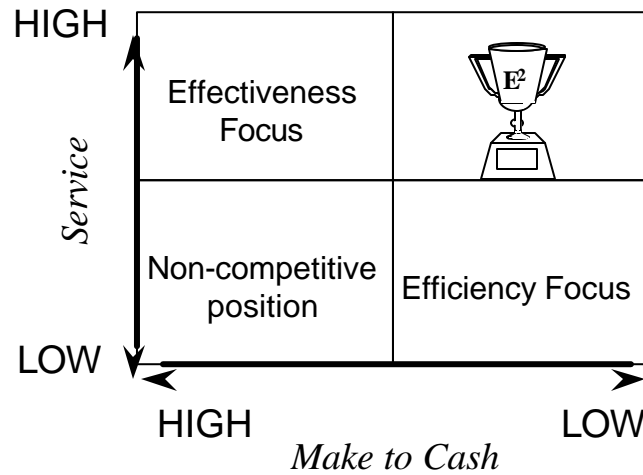
Service Performance Attributes Percentage - 2000

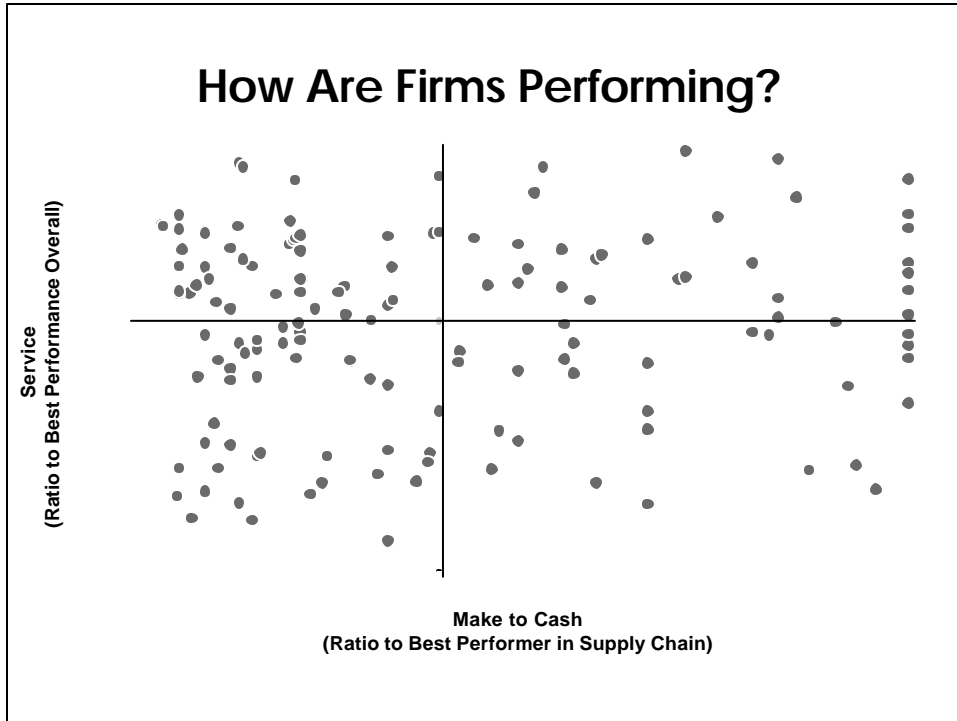
Type of Distribution Pipeline	Fill Rate	On time Delivery	Over /short / damage	Correct invoice
	90.3	94.8	91.7	95.3
	89.0	91.0	97.1	95.6
	96.5	92.5	97.5	91.0
	95.7	88.3	96.3	91.0
	95.0	94.5	94.5	97.0

Companies Continue to Store Product and Not Information



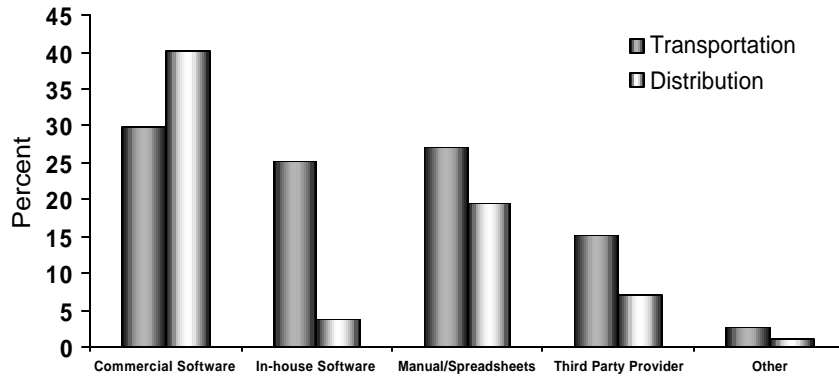
E² (Efficiency x Effectiveness) Matrix



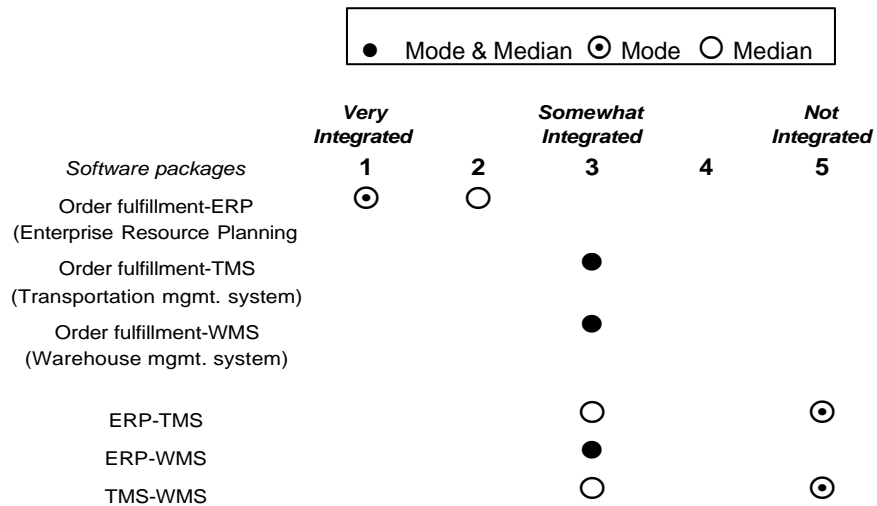


Logistics @ Internet Speed:
Our Point of View

Large Number of Companies Still Using "In-House" Software / Manual Spreadsheets



Technology Is Not Well Integrated



What Are People Saying?

“There is clearly a HUGE Internet opportunity for logistics service providers. Forrester predicts that as much as 20% of all transportation transactions will take place over the Internet by 2004.”

...Stacie McCullough Kilgore, Forrester Research

The Internet Environment

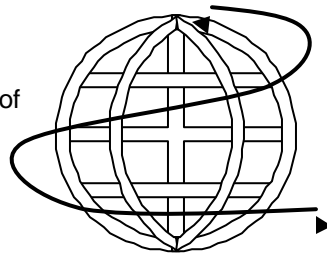
Blurs Geographical Boundaries

Creates More Efficient Markets

Favors Customer-Centric Offerings

Promotes Networks of Affiliation

Reconstructs Value Chains



Values Knowledge as Scarce

Compresses Cycle Times

Enables Unbounded Competition

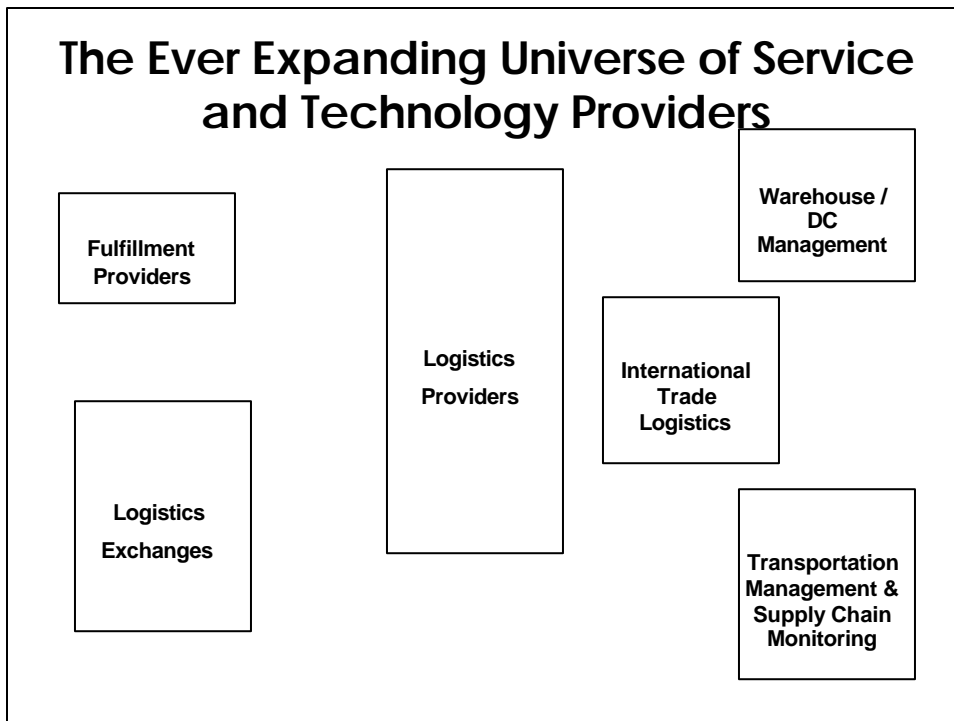
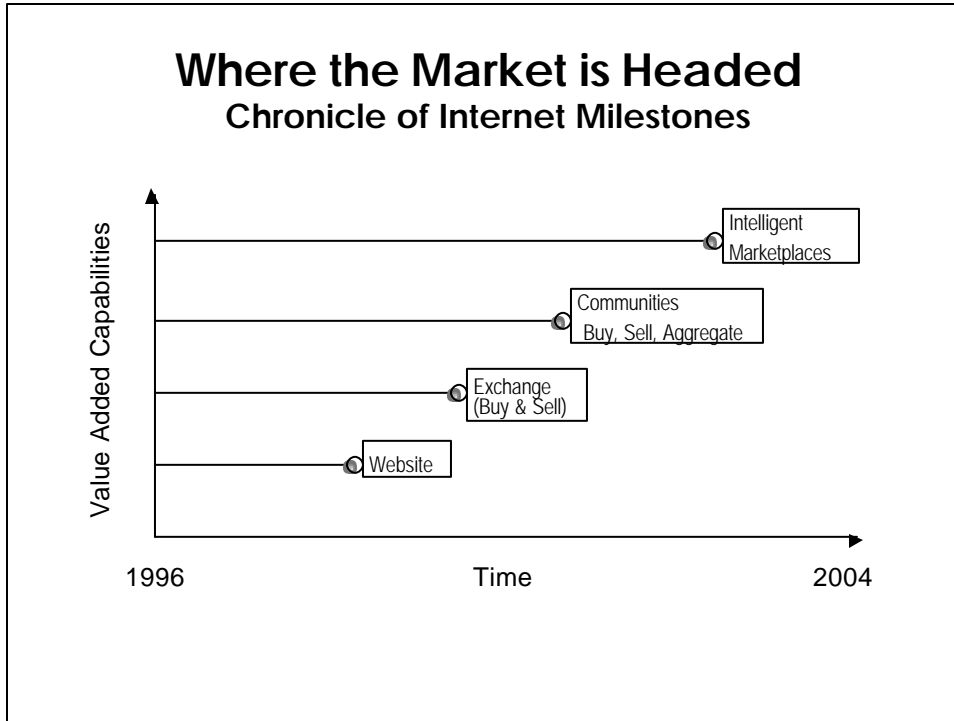
The Internet Is Impacting Logistics Operations

	<i>Traditional</i>	<i>E-logistics</i>
Orders:	Predictable	Variable, Small lots
Order Cycle Time:	Weekly	Short OTD/Daily-Hourly
Customer:	Strategic	Broader Base
Customer Service:	Reactive, Rigid	Responsive, Flexible
Replenishment:	Scheduled	Real-time
Distribution Model:	Supply-driven (Push)	Demand-driven (Pull)
Demand:	Stable, Consistent	More Cyclical
Shipment Type:	Bulk	Smaller lots
Destinations:	Concentrated	More Dispersion
Warehouse Reconfiguration:	Weekly/Monthly	Continual, Rules-based
Int'l Trade Compliance:	Manual	Automated

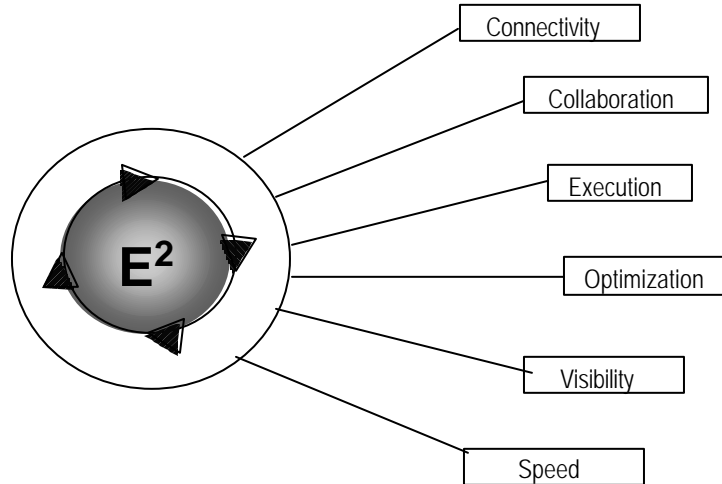
The Internet is Changing Traditional Players

“Logistics has all the ingredients that the capital markets look for: highly fragmented, a huge market, dominated by small players, and plagued with legacy information systems or none at all. The best business models are those that use the Internet to transform industries. The logistics industry still uses business principles from the 1930’s, is ripe for change, and the Internet is the best medium.”

--Jim Bramlett, President & CEO, freightPro.com



Drivers Of World Class Logistics Excellence



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Discussion