



James Applegate
President
Supply Chain Solutions
National Logistics Management



From Point A to Point Z
The Emergence of the Full-Service Logistics Company



Confronting Commoditization

- An entirely different business model for logistics companies
- If you become a commodity, you become obsolete
- Post-deregulation, logistics companies faced commoditization
- Traditional Point-A-to-Point-B service subject to pricing rather than value
- Must take customers to Points C, D and beyond



Non-Traditional Services

- Definition of “logistics company” is changing
 - Not just transportation anymore
 - Convergence of warehousing and freight forwarding drives consolidation
 - Most top warehousing and freight forwarding companies have been involved in mergers
 - Customers want it
 - Technology facilitates it
 - Capital accelerates it



Non-Traditional Services

- Definition of “logistics company” is changing
 - Shippers want “one-stop shops” or fewer suppliers
 - Now logistics companies handle all their needs
 - Customers expect logistics companies to get up to speed to make life:
 - Easier
 - Faster
 - More accurate



Non-Conventional Measures

- To remove barriers that slow global shipments
 - Point-to-point shipments now from China to U.S.
 - No more transferring of shipments through airports, customs, etc.



Non-Conventional Measures

➤ To speed customer service

- Becoming more integrated through partnerships
 - Faulty cell phones repaired in UPS distribution centers
 - Speeding repairs, reducing unnecessary shipping by moving services closer to customers
 - Provides a distinctive capability attracting more service-oriented clients and cutting through competition



Non-Conventional Measures

- Acquisition of a complementary, non-traditional service extending reach to target customers never before available
 - FedEx acquires Watkins Motor Lines
 - Enables FedEx to enter long-haul business for first time
 - Previously was only next-day or second-day service
 - Allows FedEx to grow its business with existing customers who have asked for long-haul
 - Allows FedEx to target different businesses to serve
 - Provides new revenue stream through a separate network
 - Watkins gains ability for first time to deliver in every ZIP code



Non-Conventional Measures

- Consolidation to gain leadership in new and emerging geographic regions
 - UTi Worldwide Inc. acquires Newlog Ltd. and Transclal Trade Ltd., two leading companies providing freight forwarding to Israel, the West Bank and Gaza
 - Consolidation makes UTi a leading freight-forwarding service for the region



Non-Conventional Measures

- Offer broader range of services for customers of each party to the merger
 - Ozburn-Hessey Logistics acquires Barthco International, Freightek, Inc. and Turbo Logistics
 - OH Logistics: large privately held 3PL
 - Barthco: international freight forwarding and customs brokerage
 - Freightek: international-trade software
 - Turbo: transportation broker and solutions provider
 - "Each company has clients who need the services of the others."
 - "Growth that allows us to offer a broader range of services and to attract and keep great clients."
 - Poised to meet all supply-chain requirements of global companies



Non-Conventional Measures

- Create the foundations of a global network for competitive advantage—not just one country at a time anymore.
 - IJS Global, Inc., launches operations simultaneously in Middle East and Africa and expands in Europe
 - IJS: fast-growing multi-modal freight forwarder, customs broker and non-vessel operating common carrier
 - First time in Middle East and Africa and greatly expands its European presence
 - Company moving beyond the U.S. and Asia to establish a true global network



Non-Conventional Measures

- Build new fee-based revenue opportunities through acquisitions
 - U.S. Bank buys Schneider Payment Services of Schneider International, nation's largest truckload provider
 - Will operate as U.S. Bank Freight Payment Services
 - Schneider Logistics will use U.S. Bank Freight Payment Services as payment provider for its North American customers
 - "Makes us the world's leading provider of freight payments"
 - "Supports strategy to build fee-based revenue opportunities from our payments businesses"
 - "Opens a new stream of business opportunity as we offer our full suite of payment and banking services to these customers."



Non-Conventional Measures

- To reach new segments of the supply chain
 - Oracle acquires Demantra
 - Gains demand-driven planning software
 - Extends reach into supply chain to demand forecasting that drives supply chain, marketing, sales and promotions
 - Demantra has industry leadership in area where Oracle not as strong



Disruptions

- Always encounter disruptions to the business model
- Always endured
- View changes as tremendous opportunity
- Can radically improve our value to the automotive community



Disruptions

- The key: avoid becoming a commodity
- Gain a distinct advantage
- Build an expanded customer base
- Support a whole new way of business, different from Point A to Point Z



From Point A to Point Z
The Emergence of the Full-Service Logistics Company



Management Briefing Seminars

August 7-11, 2006