



MEDICAL DEVICE INDUSTRY
SUPPLY CHAIN COUNCIL™

GENCO

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



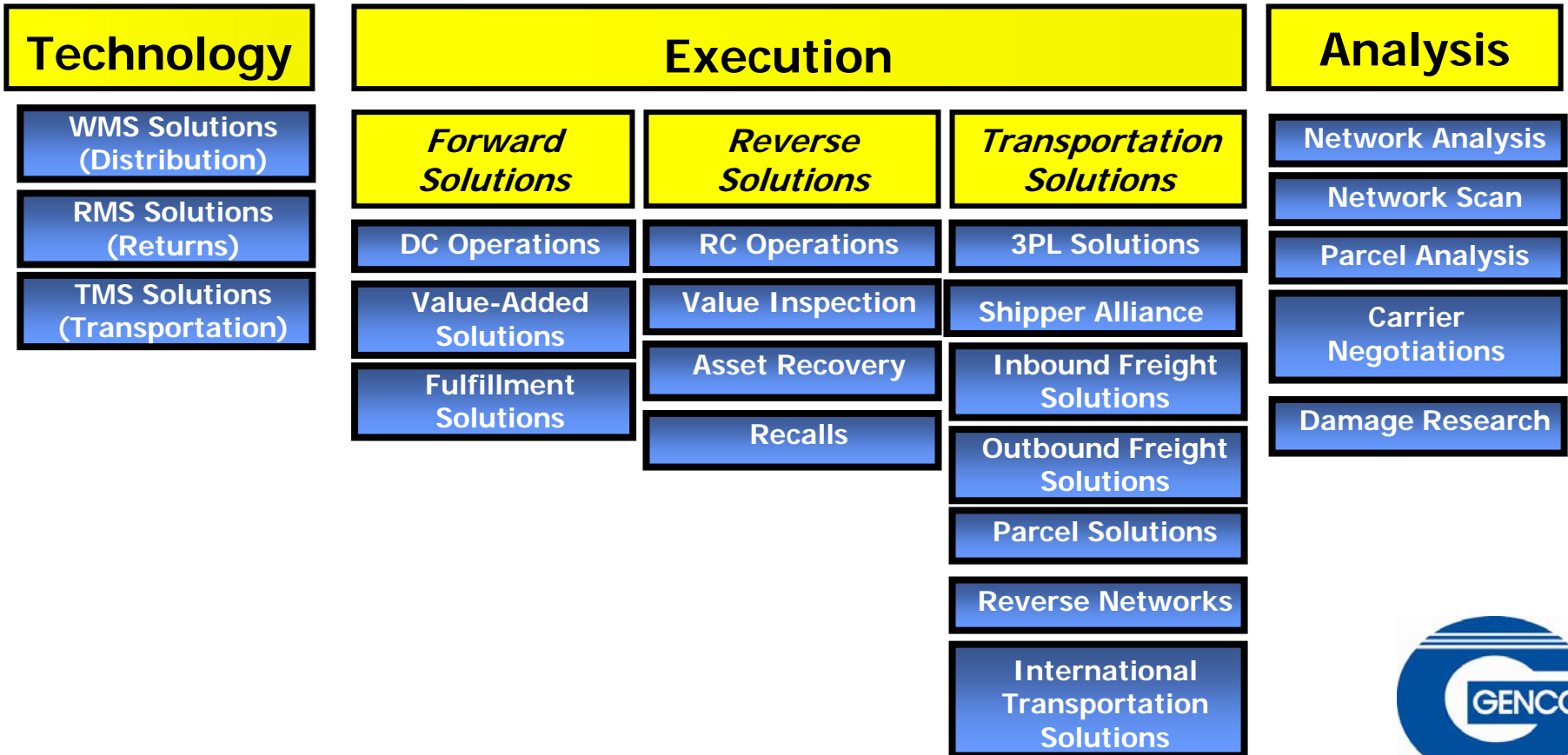
GENCO Overview

- 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



Strategic Solutions

Supply Chain Solutions





BR7



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

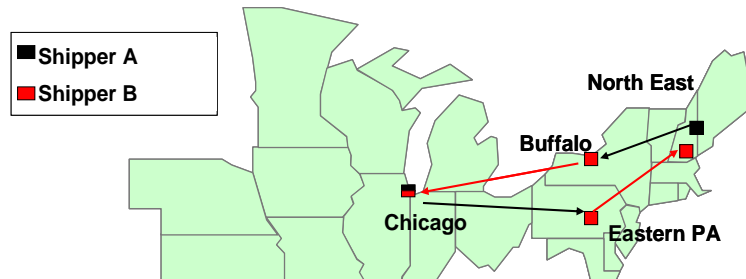
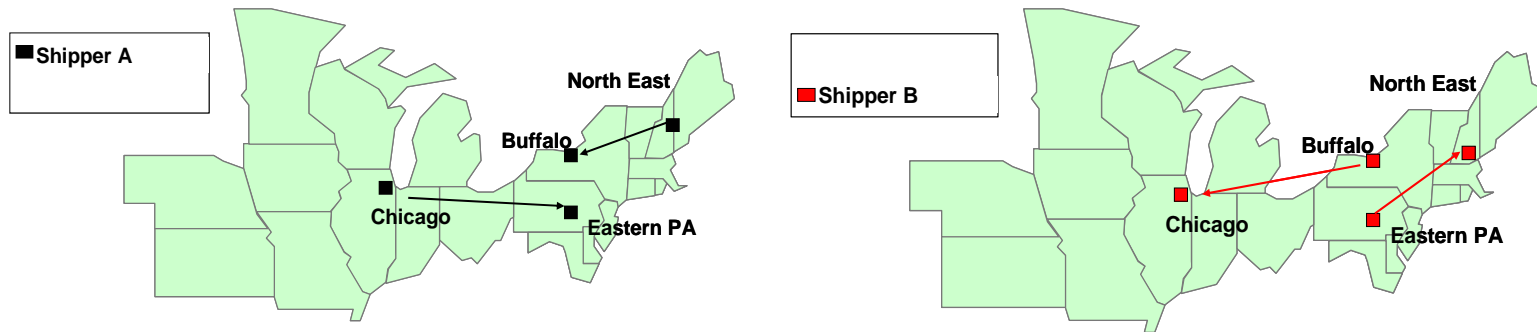
How does it work?

- 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	<u>\$2,904</u>
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



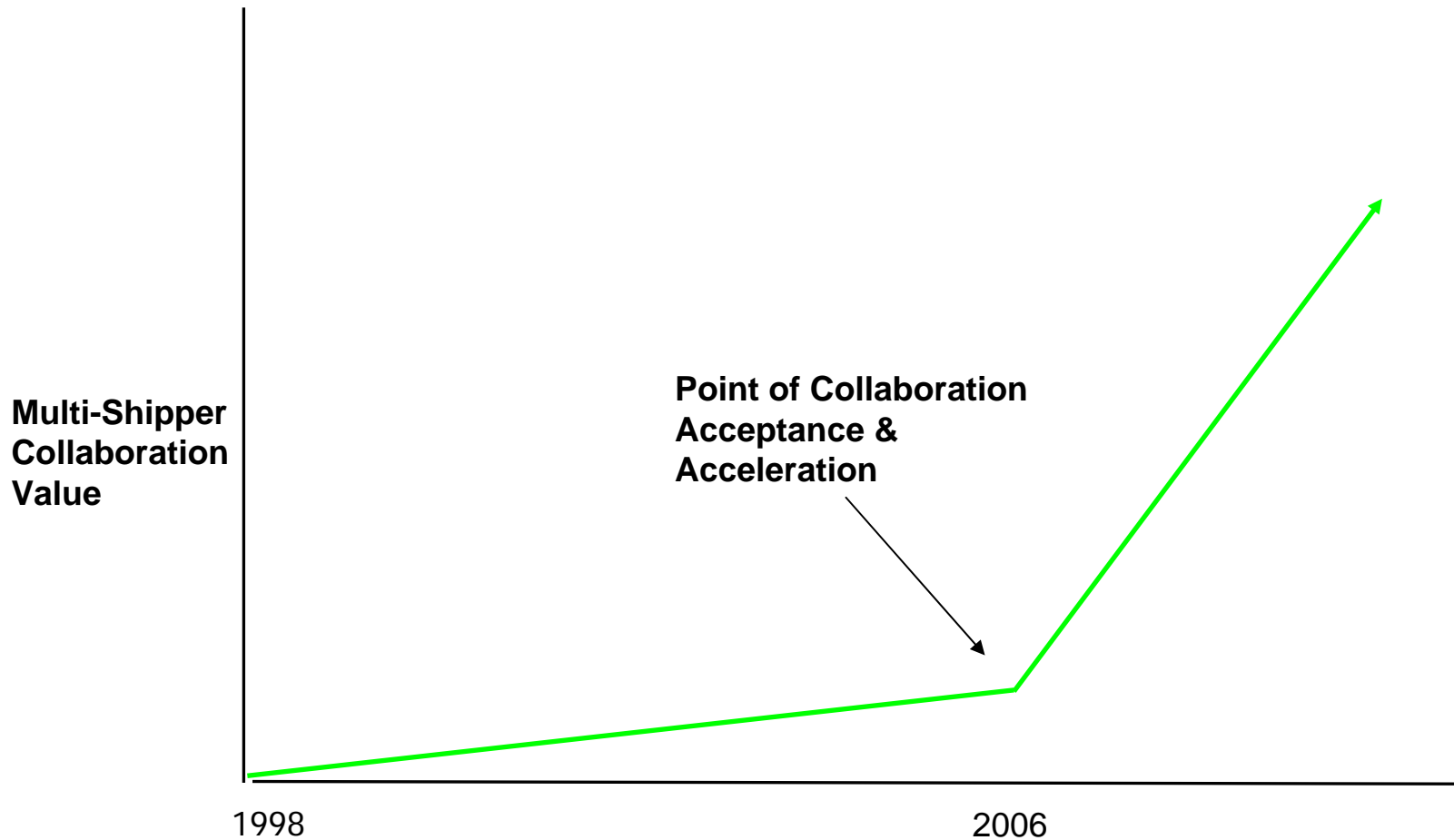
Current Participants



Green Bay Packaging Inc.



Keys to Success



Lane Density is Key

Total Volume	3,768,198
Total Lanes	57,484
Total Loads per Day	15,072
Average Cost Per Load	\$749.71
Est. Total Spend	\$2,825,055,784
Total Engineered Lanes	4,649
Total Engineered Volume	1,920,511

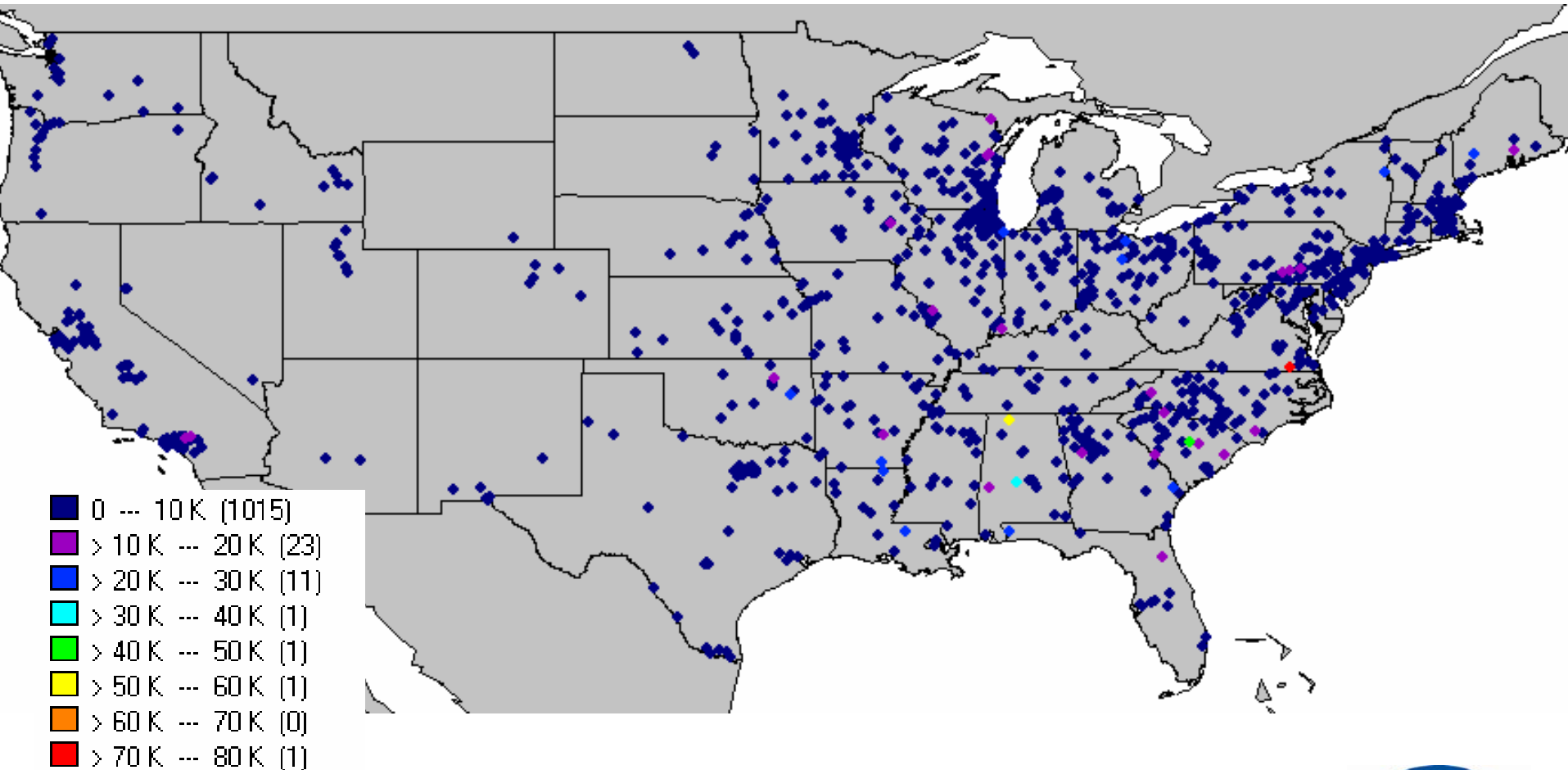


Shipment Matrix Volume

Region	Origin	Destination
New England	150,351	56,374
Northeast	447,285	589,297
Southeast	1,003,607	895,179
Midwest	1,175,442	1,055,442
Plains	170,168	191,085
Southwest	517,495	413,638
Mountain	56,921	127,370
California	225,289	348,472
Northwest	21,640	91,341
Total	3,768,198	3,768,198



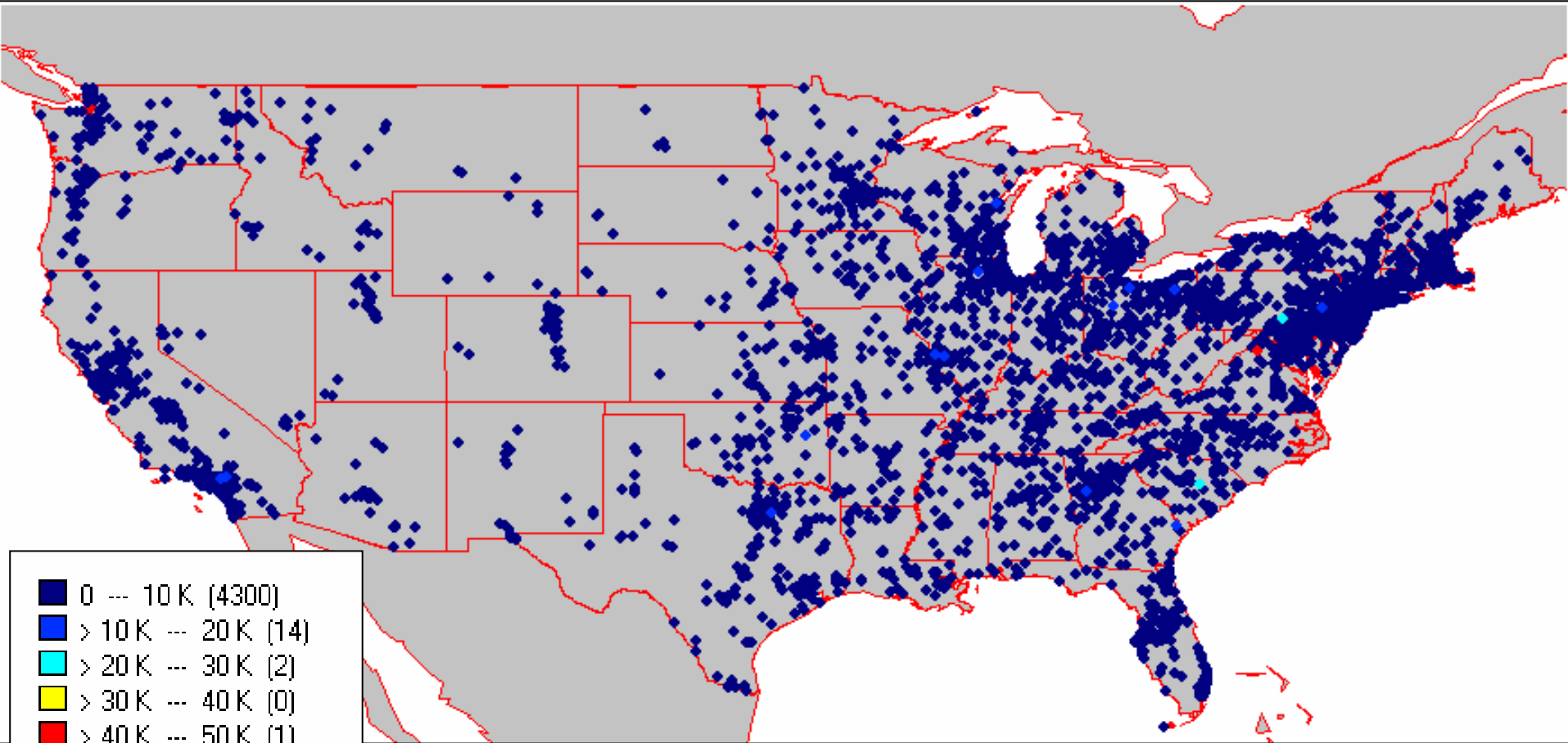
Origin Locations By Volume



Volume Total
by
Zip
[Zip Code Map]



Destination Locations By Volume

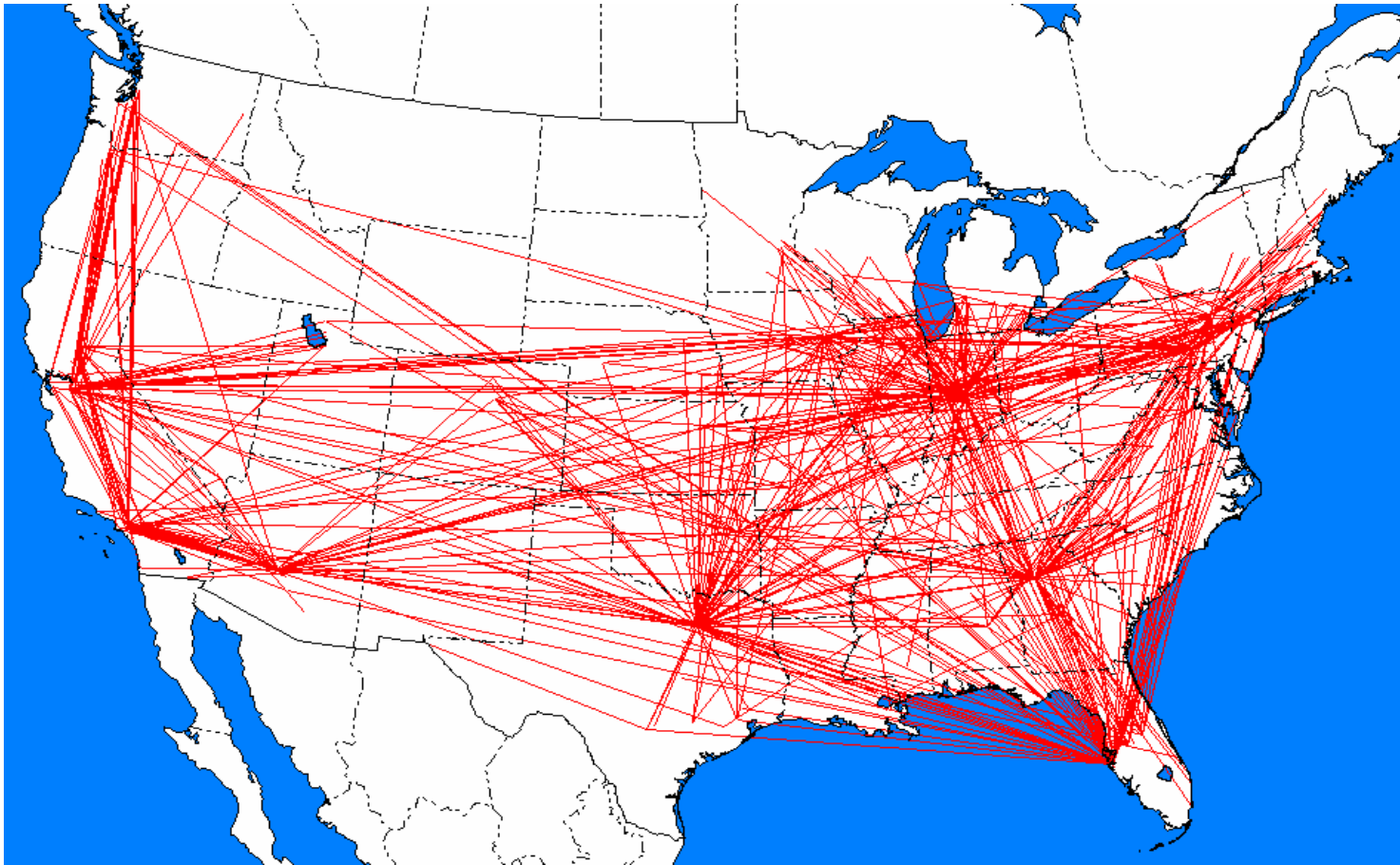


- 0 --- 10 K (4300)
- > 10 K --- 20 K (14)
- > 20 K --- 30 K (2)
- > 30 K --- 40 K (0)
- > 40 K --- 50 K (1)

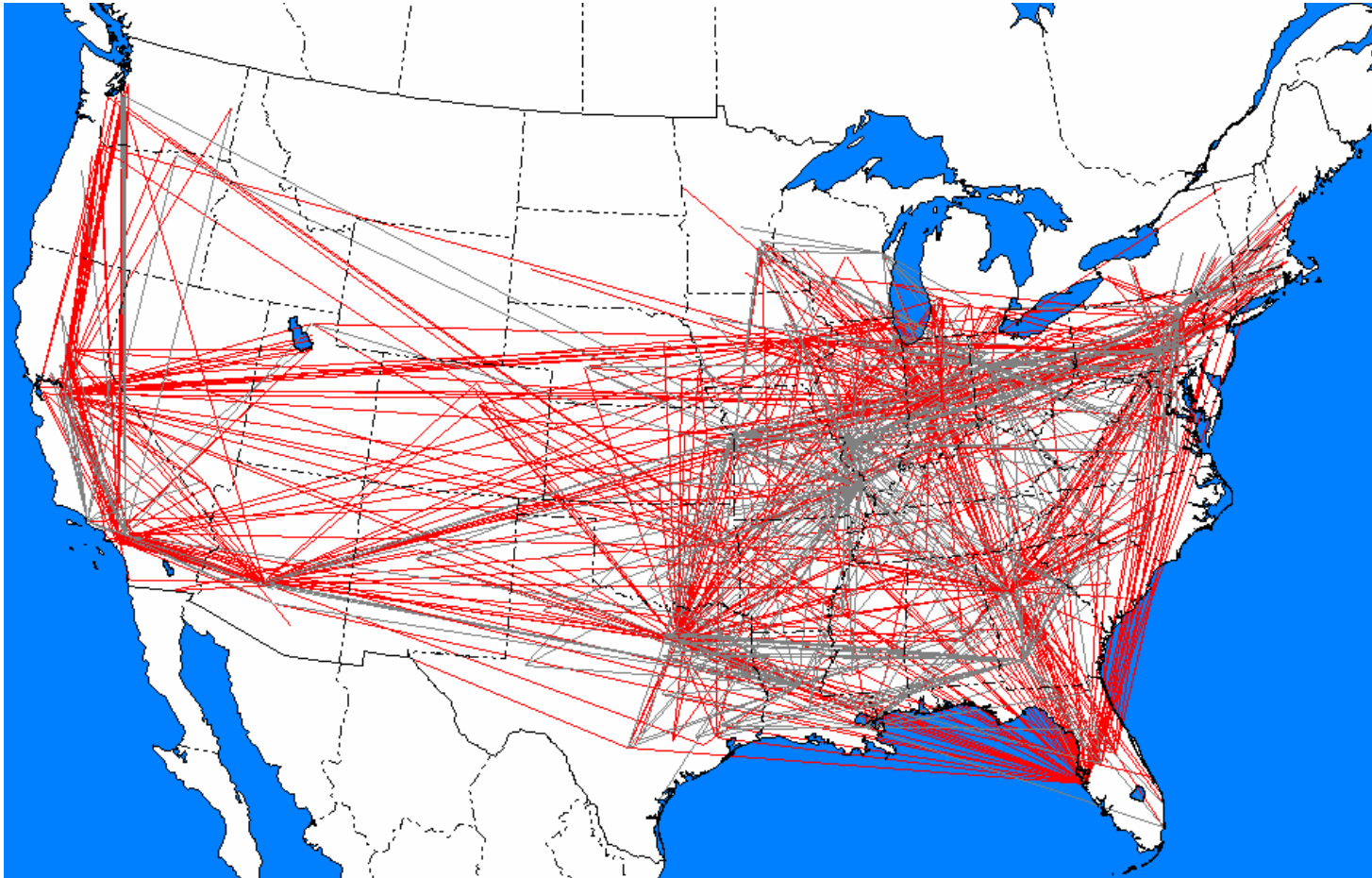
Volume Total
by
Dzip
(Zip Code Map)



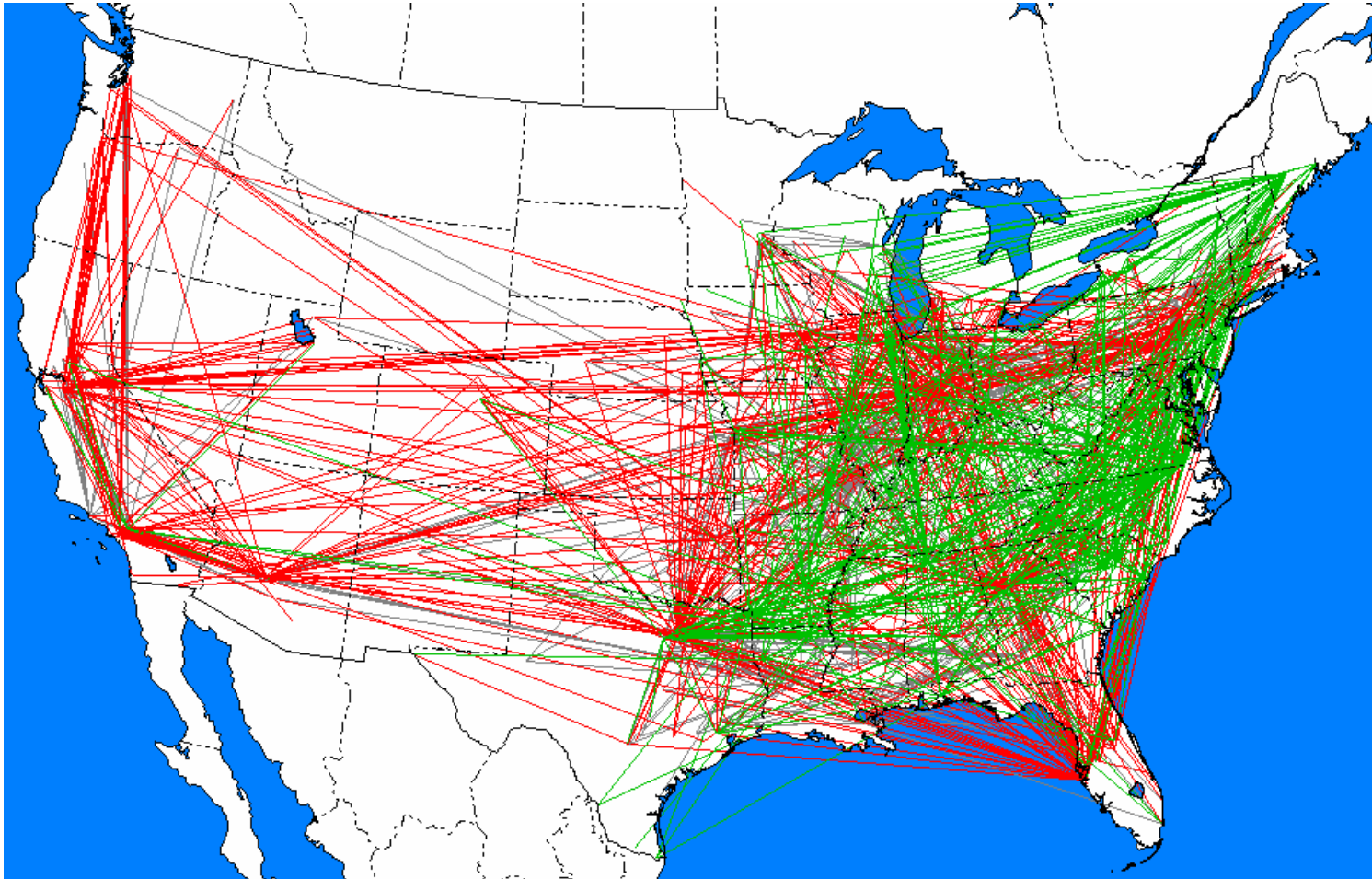
Shipper 1



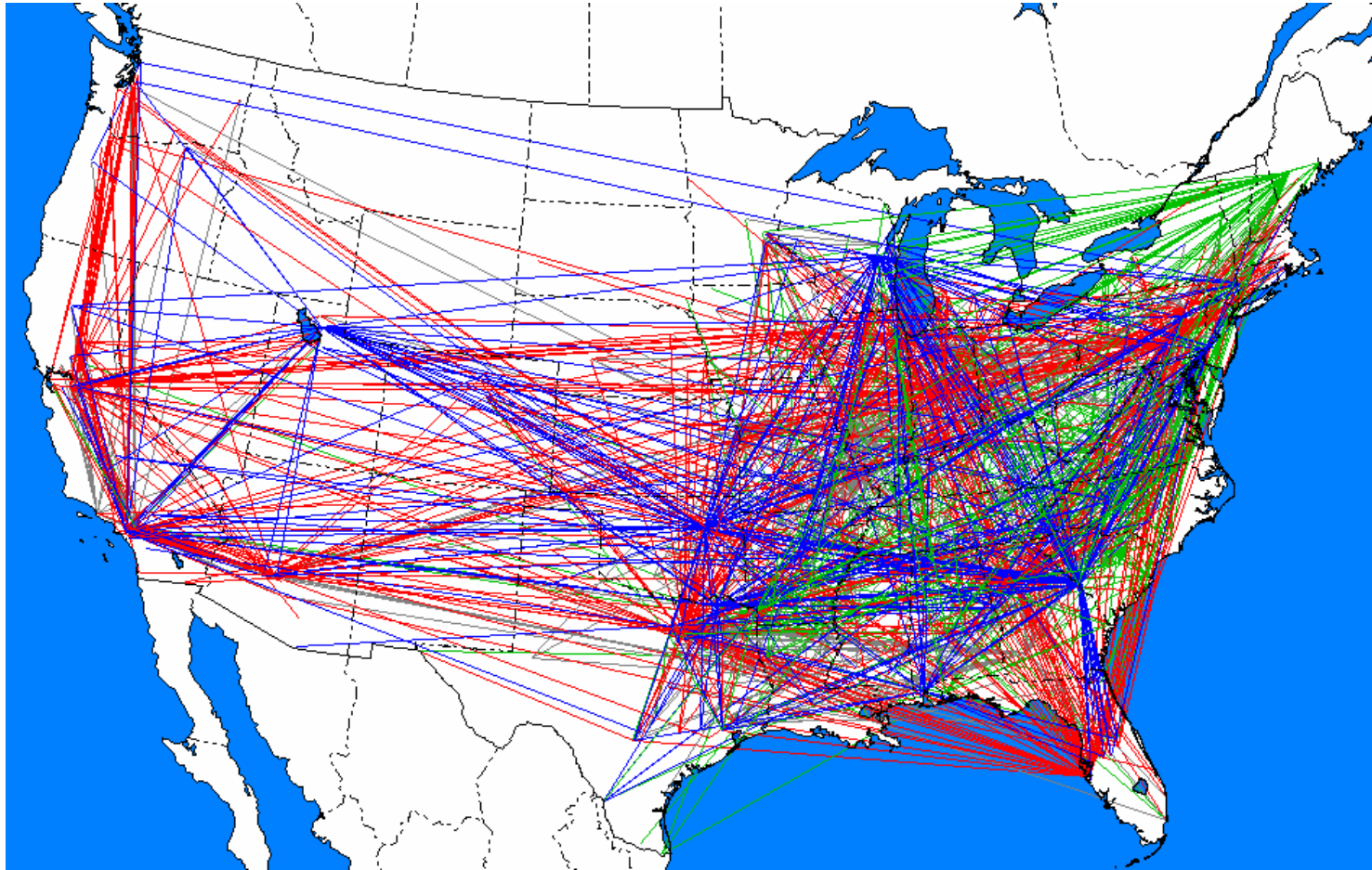
Shippers 1 and 2



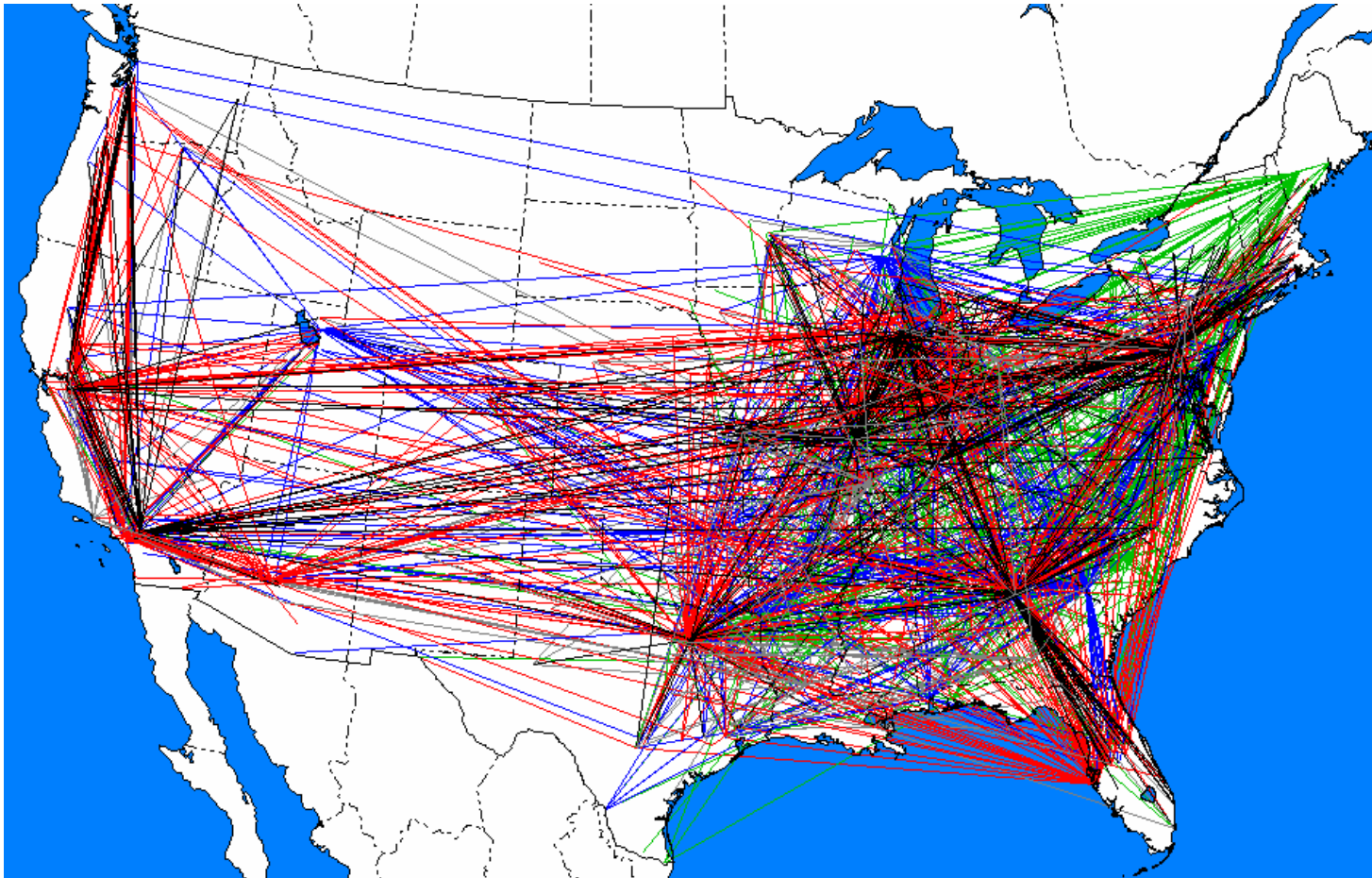
Shippers 1, 2 and 3



Shippers 1, 2, 3 and 4



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

Number of Drivers	56
Total Loads per Week	313
On time Delivery	98%
Average Weekly Savings	\$6,200
Est. Annualized Savings	\$545,000
Collaborative Partners	4
Matching Lanes	14
Carriers Utilized	Swift, Covenant



Wrap-up / Questions?

