Logistics Management webinar

Navigating Transportation's Bermuda Triangle

20th Annual Trends and Issues in Transportation and Logistics

2011

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Thank You to Our Respondents

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We are pleased to present the findings of the **2011 Annual Trends in Logistics and Transportation**

Our hope is that this data will provide useful information regarding current industry practice and trends, and assist you in better managing your organization

Your continued support of this effort enriches the research results

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Research Team

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Karl B. Manrodt, Ph.D.
- Professor
- Georgia Southern University

Mary C. Holcomb, Ph.D.
- Associate Professor
- University of Tennessee

Tony J. Ross
- Senior Manager
- Ernst & Young LLP

Tom Nightingale
- V.P. Communications and Chief Marketing Officer
- Con-way Inc.

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Agenda

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- Establishing the Baseline
- Transportation and logistics management
  - Current state of transportation
  - Determining the status of logistics
  - Operational capability
  - Performance
- Transportation's "Bermuda Triangle"

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Establishing the Baseline

Representing the Marketplace

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Sample represents over **$34.3 billion**

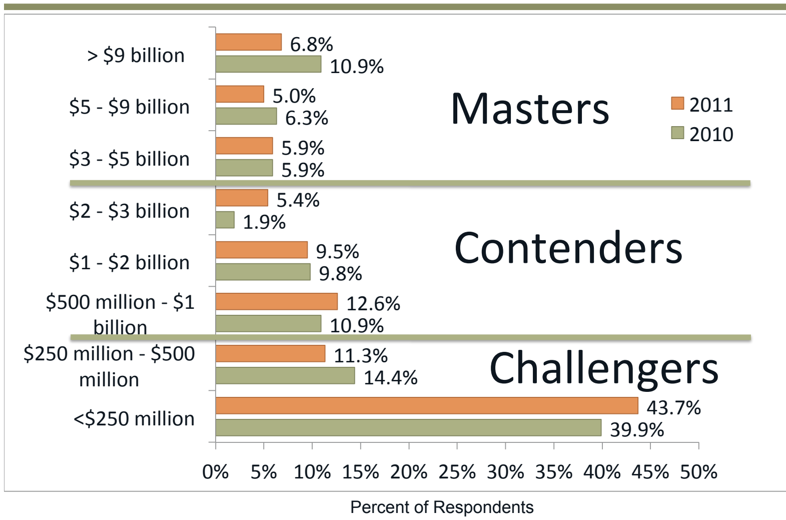
in transportation expenditures

This is approximately 4.5% of total transportation expenditures.

764 *respondents from 16 industry sectors represented this study*

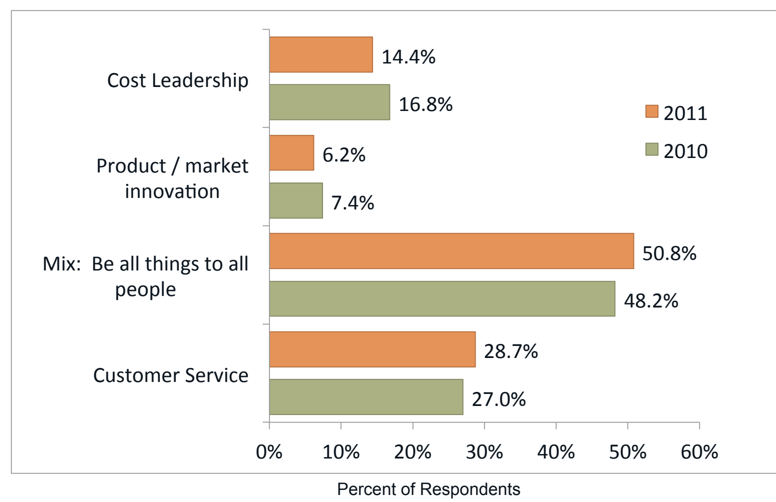
Annual Sales of Respondents

2011



Strategy For This Division or Business Unit

2011



A Shifting Strategic Focus

Year	Mix: Be All Things to All People	Customer Service	Cost Leadership	Product/ Market Innovation
2007	36.8	38.5	8.4	16.3
2008	44.7	29.5	17.3	8.4
2009	48.9	26.3	17.0	7.8
2010	48.2	26.3	17.0	7.6
2011	50.7	28.7	14.4	6.2

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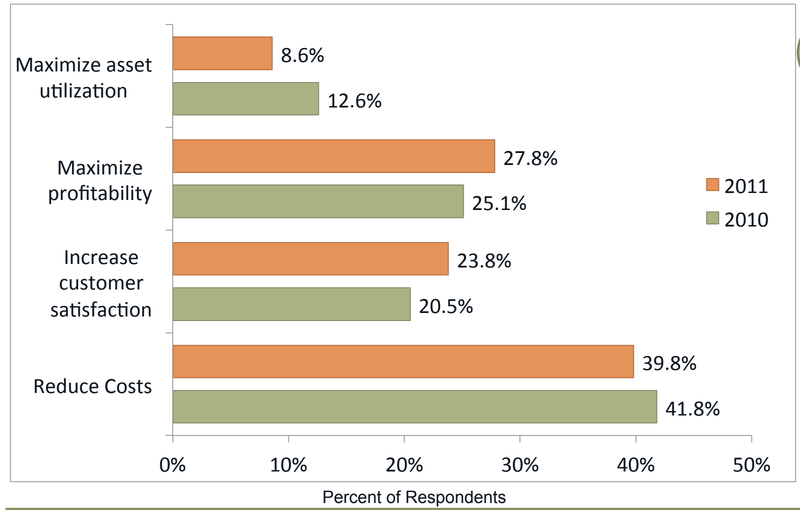
Overall Objective For This Division or Business Unit



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Supply Chain Risks

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Managing Transportation and Logistics

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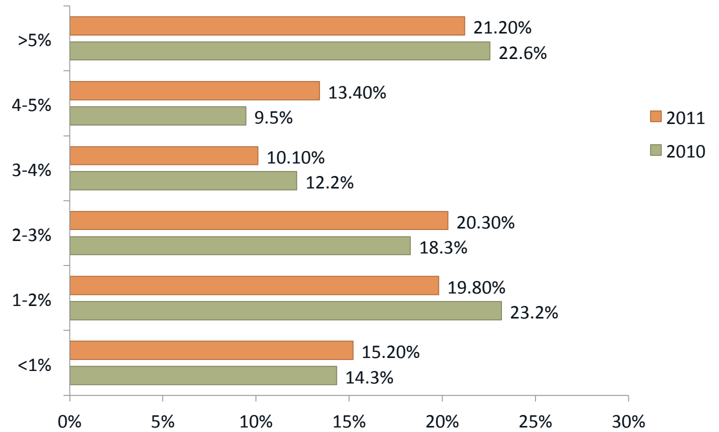
Domestic Transportation Spending

Percent of Sales

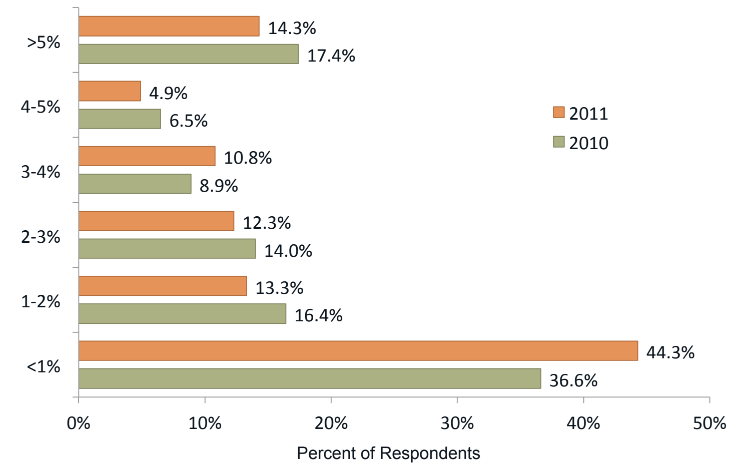
2011



International Transportation Spending

Percent of Sales

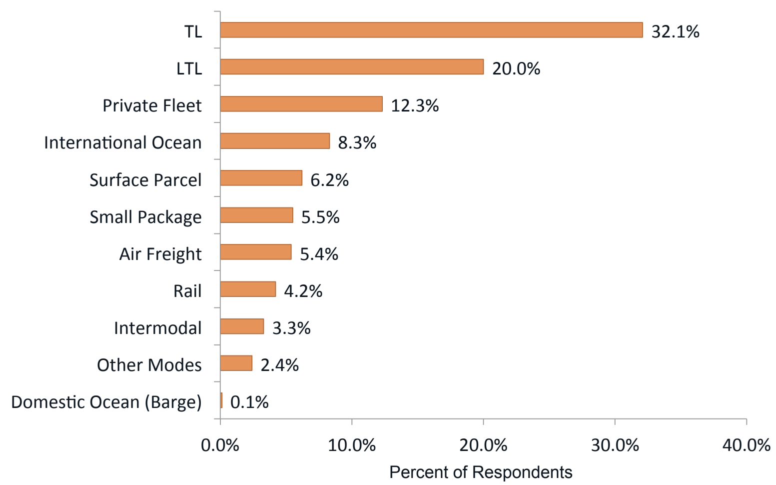
2011



Percent of Budget Spent on Transportation

By Mode

2011



What factors drive transportation decision making?

2011

- Modal decisions
  - Freight costs
  - Lead or transit time
  - Reliability
- Carrier selection
  - Freight costs
  - Reliability
  - Transit time

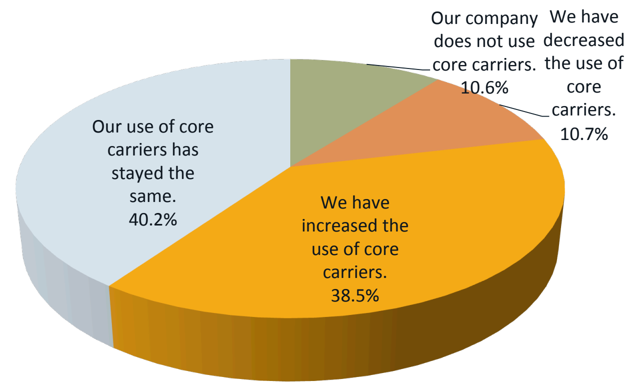
Average Length of Haul by Mode

2011

Mode	Average Miles
Private fleet	522
TL	842
LTL	795
Intermodal	1,331
Rail	820
Express (FedEx, UPS)	918
Ground (FedEx Ground, UPS)	695
Barge	253
Ocean	1,805

Core Carriers Play an Important Role

2011



DETERMINING THE STATUS OF LOGISTICS

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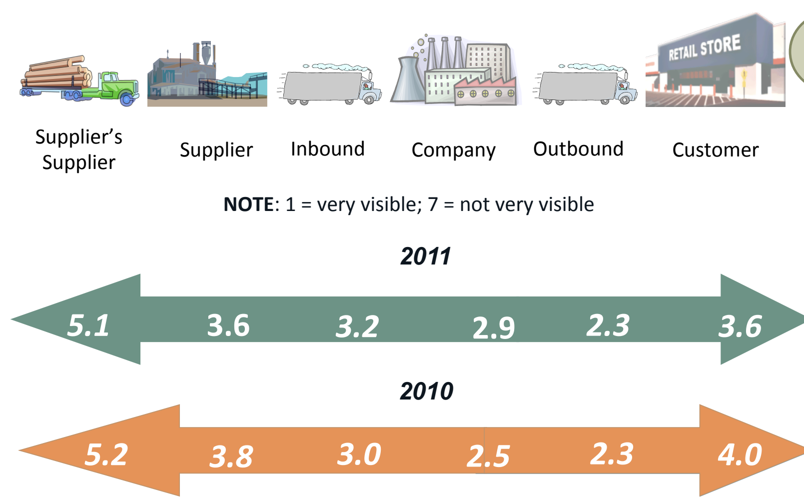
Domestic Visibility on a Plateau

2011



International Transportation Visibility Improving

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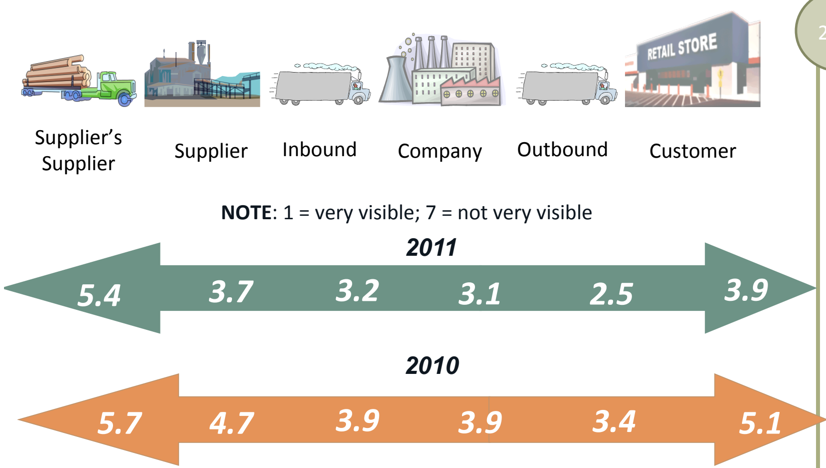
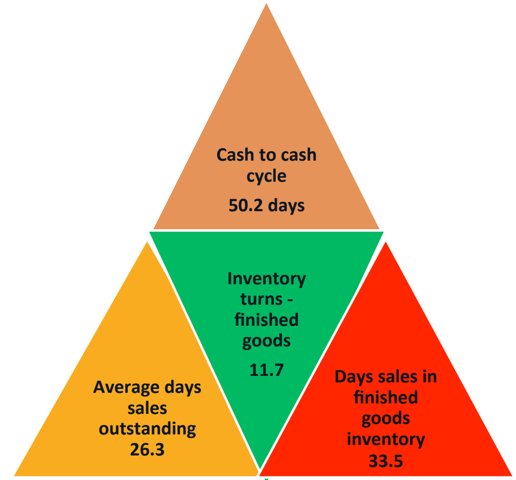


Financial Performance

2011



Challengers Outperform Other Size Firms

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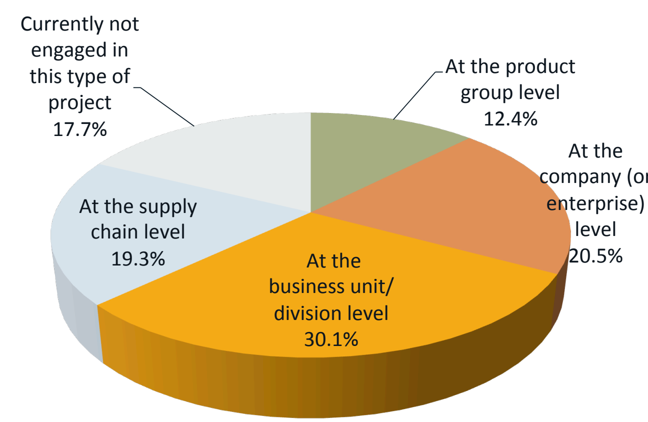
	Contenders (<$500 million in annual sales)	Challengers ($50 million and $3 billion in annual sales)	Masters (>$3 billion in annual sales)
Cash-to-cash cycle (days)	48.1	53.4	45.0
Inventory turns	11.4	18.8	11.0
Days sales in inventory	34.9	32.5	40.0
Days sales outstanding	26.8	32.6	35.0

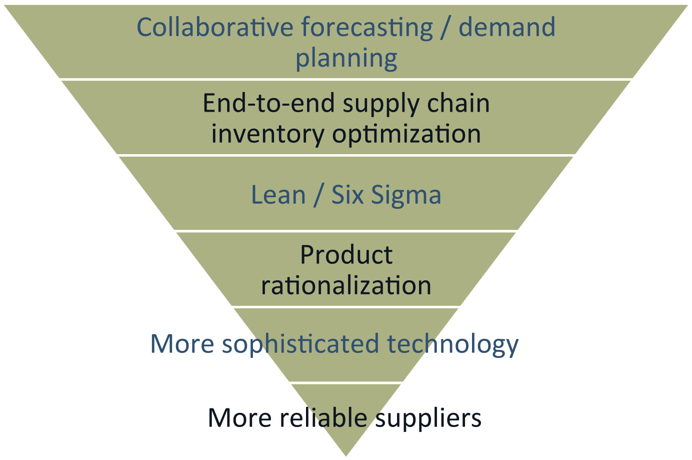
Reducing Inventory is a Major Priority

2011



Methods Being Used to Reduce Inventory

2011



"One Size" Service Does Not Fit All

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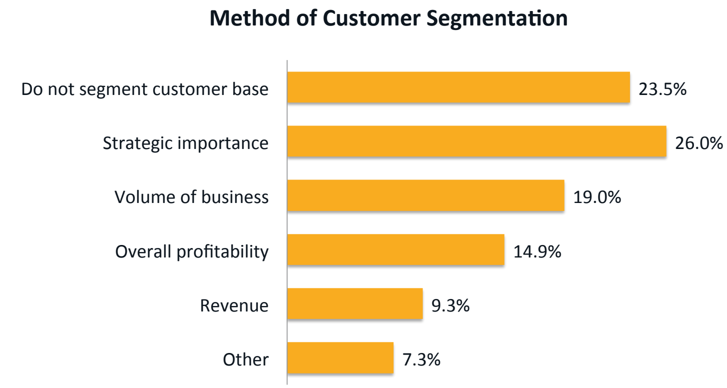

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Are You Capable of Differentiating Your Service?

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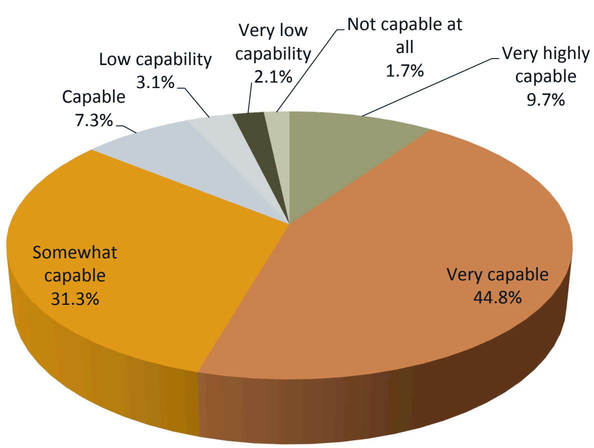

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Focus on Operational Flexibility

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Number of Flexibility Initiatives Completed or Currently Being Implemented

Challengers	1 to 5
Contenders	10 or more
Masters	6 to 9

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Top 5 Actions Completed to Improve Operating Flexibility

2011

- Used a freight broker for shipping needs
- Used multiple transportation modes to meet delivery schedules
- Integrated internal systems (e.g. OMS and WMS)
- Aligned labor force skills to better meet changing demand requirements
- Shifted inventory within our logistics network

Top 5 Actions Being Implemented to Improve Operating Flexibility

2011

- Integrated internal processes
- Increased collaboration with key suppliers
- Increased collaboration with key customers
- Reduced supply lead time
- Used multiple transportation modes to meet delivery schedules

OPERATIONAL CAPABILITY

2011

Planning for Fuel Price Increases

2011

What are firms planning to do in the event that diesel fuel rises to $5 per gallon?

- No changes to the current network
- Pass the increases along to the customer
- Improve load planning
- Improve route planning
- Network optimization/ redesign

Transportation Management

State of Maturity

2011

MOST MATURE PRACTICES

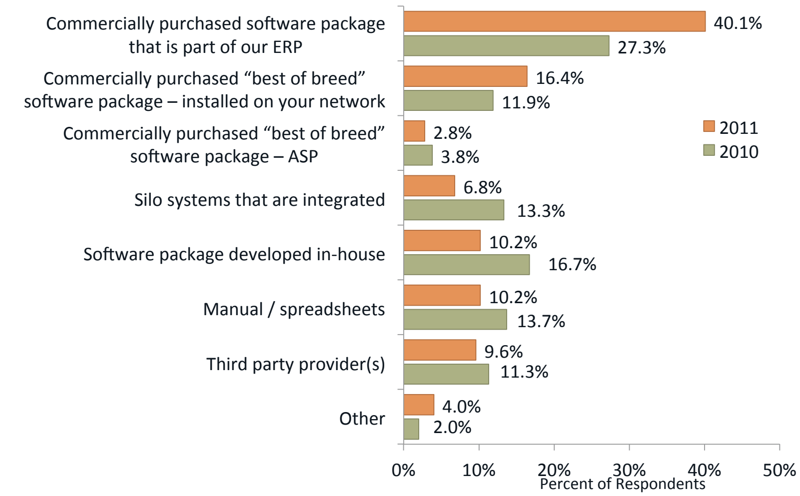
Use of core carriers
Use of dedicated transportation
Carrier tracking
Transportation expertise in house
Load planning
Shipment consolidation

NO PLANS TO IMPLEMENT

Postponement
Pre-paid freight to collect
Use of green carriers
Shifting inventory in the network
Use of cross docking

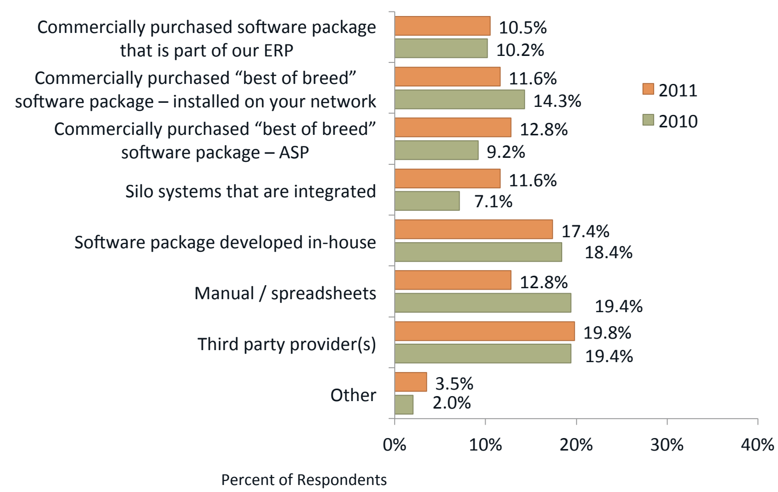
Tools and Techniques to Manage Domestic Distribution

2011



Tools and Techniques to Manage Domestic Transportation

2011



PERFORMANCE

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On-time Delivery a Challenge for Some Modes

On-time Shipments/ Total Shipments

Mode of Transportation	2011	2010
TL	95.9%	91.9%
LTL	90.7%	93.2%
Rail	85.9%	85.4%
Intermodal	90.7%	91.9%
Parcel	97.1%	N/A
Air freight	96.0%	N/A
Ocean	90.5%	N/A

Mean Response

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Delivering Freight in the "Right" Condition

Freight Loss and Damage As a % of Total Freight Shipped

Mode of Transportation	2011	2010
TL	1.9%	1.9%
LTL	4.0%	3.7%
Rail	2.9%	7.8%
Intermodal	1.9%	3.0%
Parcel	2.6%	N/A
Air freight	1.5%	N/A
Ocean	2.8%	N/A

Mean Response

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Struggling to "Get it Right" - Correct Invoice

of Correct Invoices/ Total Invoices

Mode of Transportation	2011	2010
TL	96.2%	95.2%
LTL	89.6%	94.8%
Rail	90.9%	91.1%
Intermodal	94.2%	95.5%
Parcel	91.8%	N/A
Air freight	93.6%	N/A
Ocean	90.8%	N/A

Mean Response

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Equipment Availability: Here to Serve

% of Requests that Can Be Satisfied with Available Equipment at the Time of Request

Mode of Transportation	2011	2010
TL	92.4%	95.7%
LTL	95.2%	98.0%
Rail	95.9%	90.7%
Intermodal	96.5%	95.8%
Parcel	99.1%	N/A
Air freight	96.7%	N/A
Ocean	95.6%	N/A

Mean Response

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Turndown Ratio

Total Shipments Declined/Total Shipments Offered

Mode of Transportation	2011	2010
TL	4.6%	4.9%
LTL	2.5%	5.9%
Rail	6.2%	9.5%
Intermodal	4.7%	6.2%
Parcel	0.7%	N/A
Air freight	0.3%	N/A
Ocean	1.2%	N/A

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Mean Response

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Transportation Performance Scorecard

Mode of Transportation	2011	2010
TL	79.8%	78.1%
LTL	72.4%	78.6%
Rail	68.2%	58.9%
Intermodal	77.1%	76.5%
Parcel	85.4%	NA
Air freight	85.3%	NA
Ocean	75.4%	NA

2011

NA = Not available

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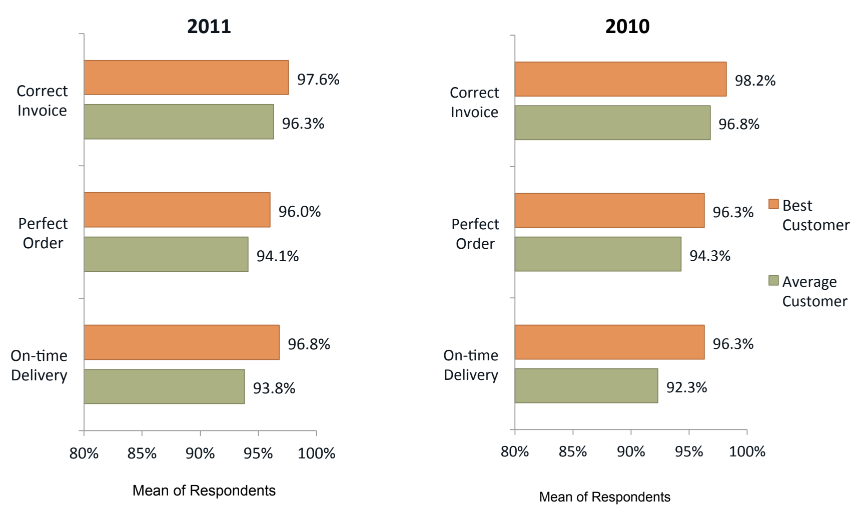
Differentiating Between Best and Average Customer



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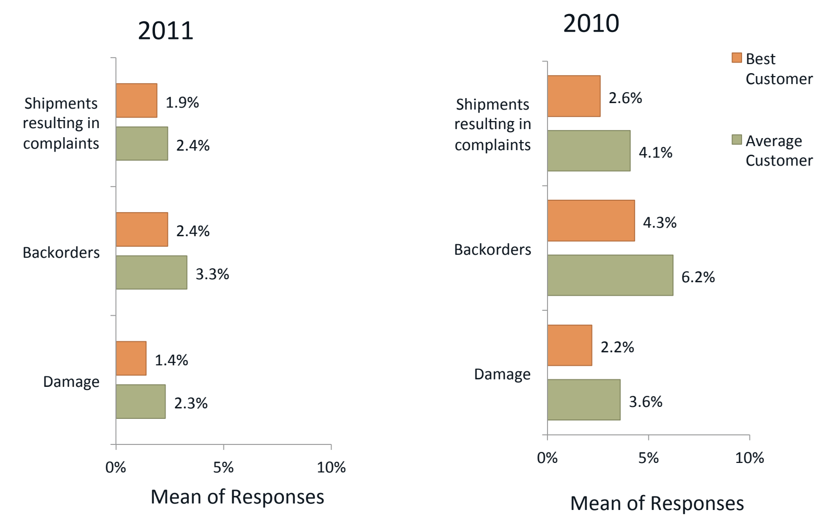
"Best" Customers Get Better Service



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Transportation's "Bermuda Triangle"

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How Will You Compete?

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Flexibility is essential

- Remains the greatest challenge of the three drivers
  - Too few initiatives/actions have been completed for operational flexibility
  - Improvement in supply chain visibility is at a standstill

Efficiency is vital

- Performance in this area is highly related to strategic direction
  - Cost leadership firms have high capability in this area. Product / market innovation firms are low scorers for this driver
  - Transportation management is at a very mature stage. What form will new innovation take?

Differentiation is imperative

- High scores for most firms in this area. The data suggest that this may be an "elevated" self assessment
  - The gap between "best" and "average" customer appears to be closing
  - Move to more sophisticated tools and techniques for managing both distribution and transportation

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CONTACT INFORMATION

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Karl B. Manrodt, Ph.D.
Georgia Southern University
kmanrodt@GeorgiaSouthern.edu

Mary C. Holcomb, Ph.D.
University of Tennessee
mholcomb@utk.edu

Tom Nightingale
Con-way Inc.
Nightingale.Tom@con-way.com

Tony J. Ross
Ernst & Young
Tony.Ross@ey.com

For full study results:
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