



ANNUAL GLOBAL
CSCMP CONFERENCE 2011

OCTOBER
2-5

PHILADELPHIA

Logistics Cost and Service 2011

ESTABLISH, INC.

Conrad Ross
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1. The Establish/Davis Database Evolution
 2. Logistics Cost and Service
 3. What companies are doing to control/reduce costs



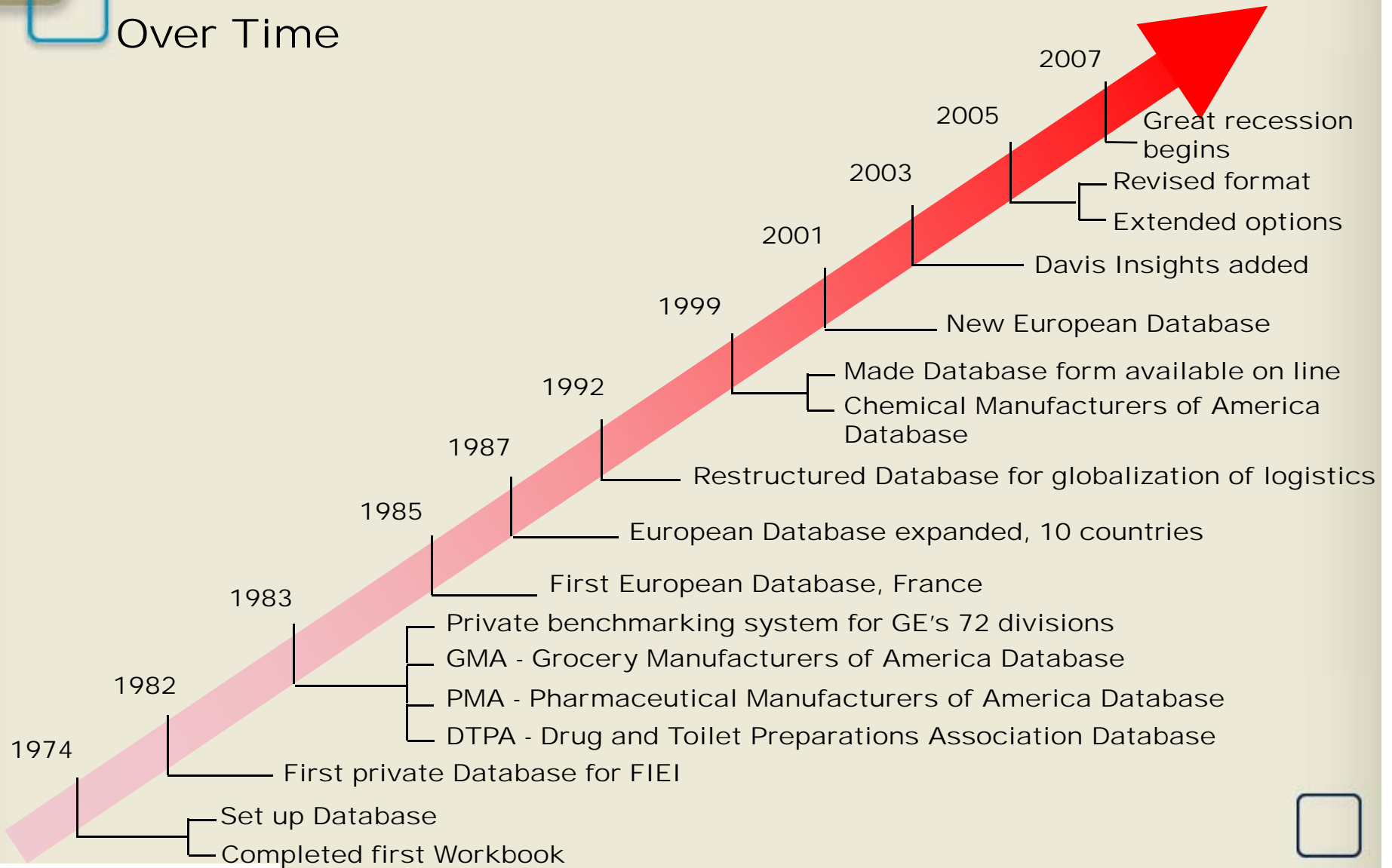
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The Establish/Davis Database Evolution Over Time





The Establish/Davis Database

- The Database was established in 1974 and contains over 35 years of data.
- Describes cost levels, service performance, productivity, and operating ratios.
- Used by hundreds of companies to measure themselves against industry profiles.
- By submitting a one page questionnaire (on-line or hardcopy), companies have access to the Database and receive confidential reports free of charge.



The Establish/Davis Database contains many Industries/Groups

Consumer Electronics

High-Value Industrial Durable

Computers

Peripherals

Telecommunications

Industrial Replacement Parts

Chemicals

Industrial Supplies

Consumer Replacement Parts

Small Appliances

Large Appliances

Publishers

Tires

Consumer Packaged Goods

Building Supplies/Hardware Products

Low-Value Consumer Packaged Goods

High-Value Consumer Packaged Goods

Grocery

Produce and Fresh Foods

Meat and Fish Products

Frozen Food

Beverages

Consumer Household Products

Health and Beauty Aids

High-Value Pharmaceuticals

Low-Value Pharmaceuticals

Industrial and Consumer
Wholesalers/Distributors

Apparel Retailers

Drug Chains

Mass Merchandisers

Low-Value Industrial Durable



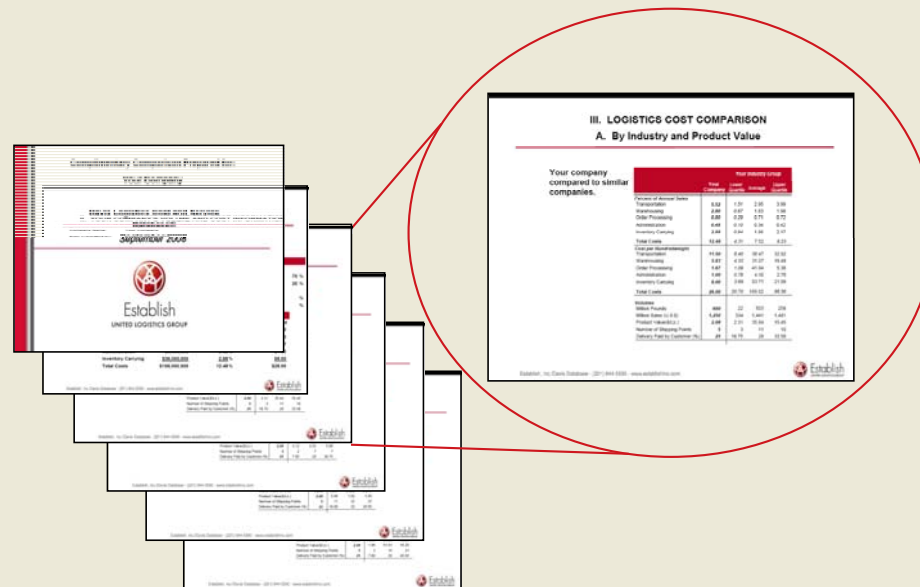
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The Establish/Davis Database

Participants confidential reports include:

- Cost comparison by industry and product value.



- Other cost comparisons participants receive:
 - By volume
 - By sales revenue

Your company compared to similar companies.

(Format)

	Manufacturing			
	Your Company	Lower Quartile	Average	Upper Quartile
Percent of Annual Sales				
Transportation	4.50	1.79	3.66	4.85
Warehousing	2.10	0.54	1.78	2.37
Order Processing	1.00	0.19	0.51	0.54
Administration	0.40	0.08	0.29	0.36
Inventory Carrying	2.00	0.98	2.05	2.46
Total Costs	10.00	3.42	7.38	10.03
Cost per Hundredweight				
Transportation	18.00	8.04	36.93	38.60
Warehousing	8.40	3.30	19.98	12.57
Order Processing	4.00	0.46	6.71	7.13
Administration	1.60	0.36	3.93	2.61
Inventory Carrying	8.00	2.42	43.12	24.61
Total Costs	40.00	15.74	95.08	87.78
Volumes				
Million Pounds	500	15	510	327
Million Sales (U.S.\$)	2,000	200	1,330	1,277
Product Value(\$/Lb.)	4.00	1.90	31.00	16.76
Number of Shipping Points	2	2	10	11
Delivery Paid by Customer (%)	8	6.50	27	40.00

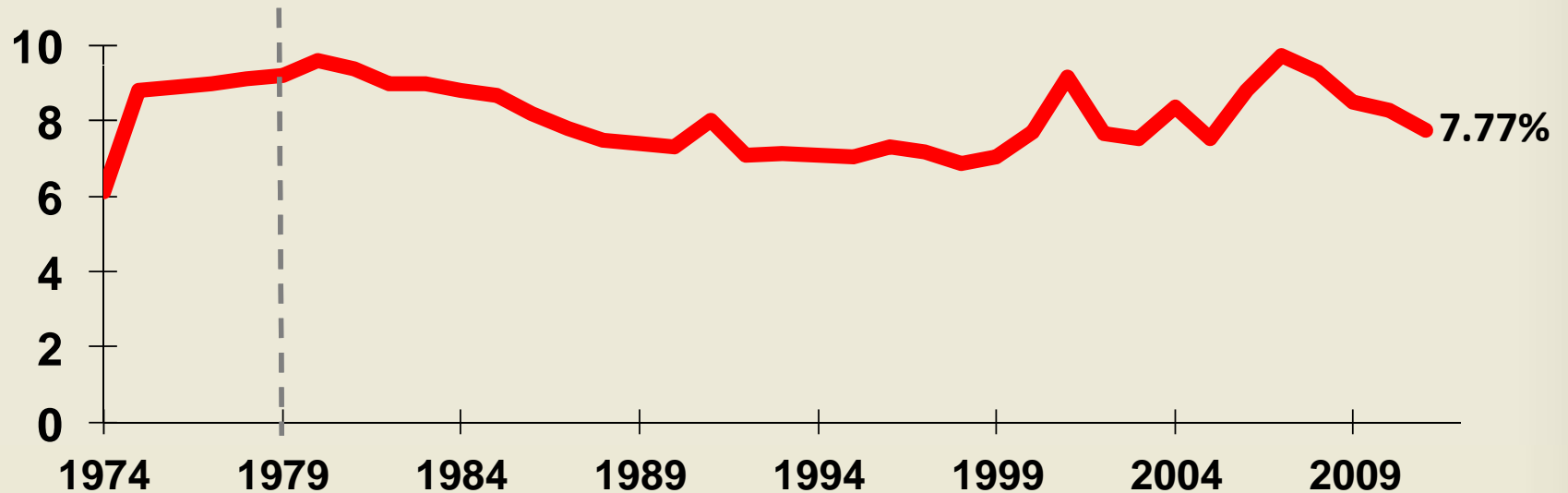




The Establish/Davis Database

Annually, we summarize the data, track it over time and report the results.

Logistics Cost as a Percent of Sales



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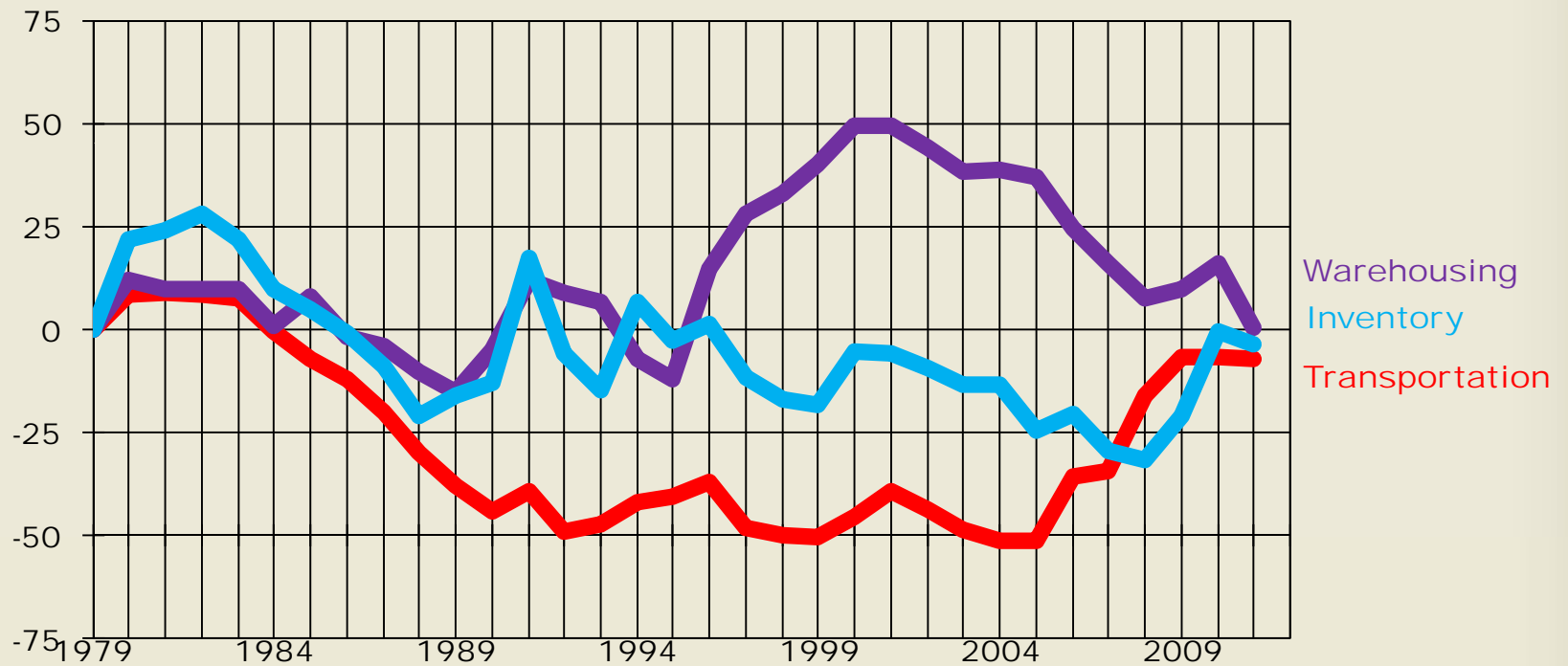
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The Establish/Davis Database - Average Company Logistics Costs Change

Annual Functional Cost Change (Percent of Sales)





Establish/Davis Database - Average Company 2011 - Key Findings

- Logistics costs for the average company in the database are 7.77 percent of sales and \$64.20 per hundredweight.
- Logistics costs decreased (5 to 6 percent) from 2010 to 2011 although there was a modest increase in warehousing costs.
- Overall logistics costs are close to a ten-year low.
- Companies with higher product values continue to have lower logistics costs.
- Smaller companies continue to have higher logistics costs.
- Service performance levels have remained about the same for several years.

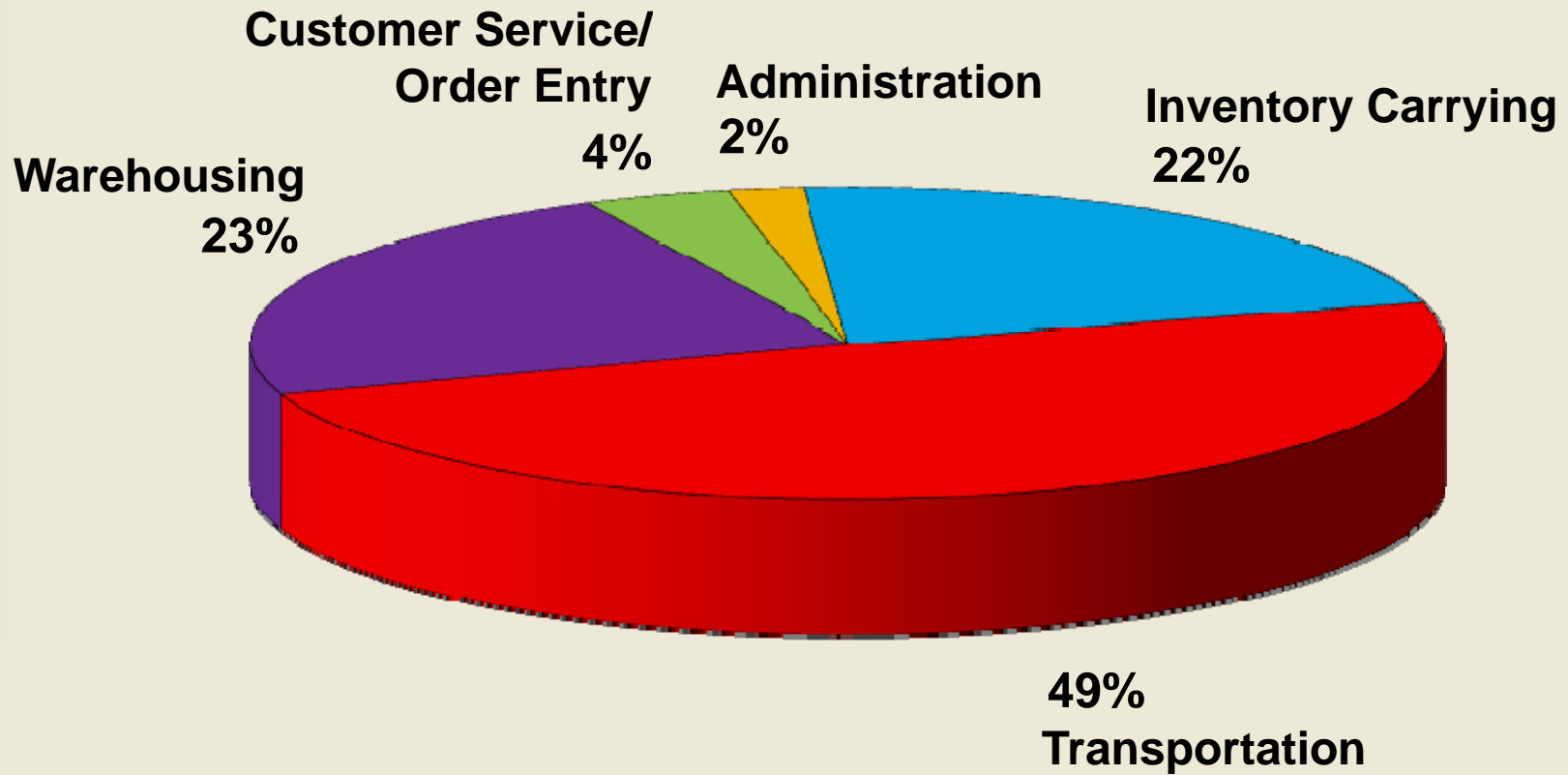


The Establish/Davis Database - Average Company 2011 Logistics Costs

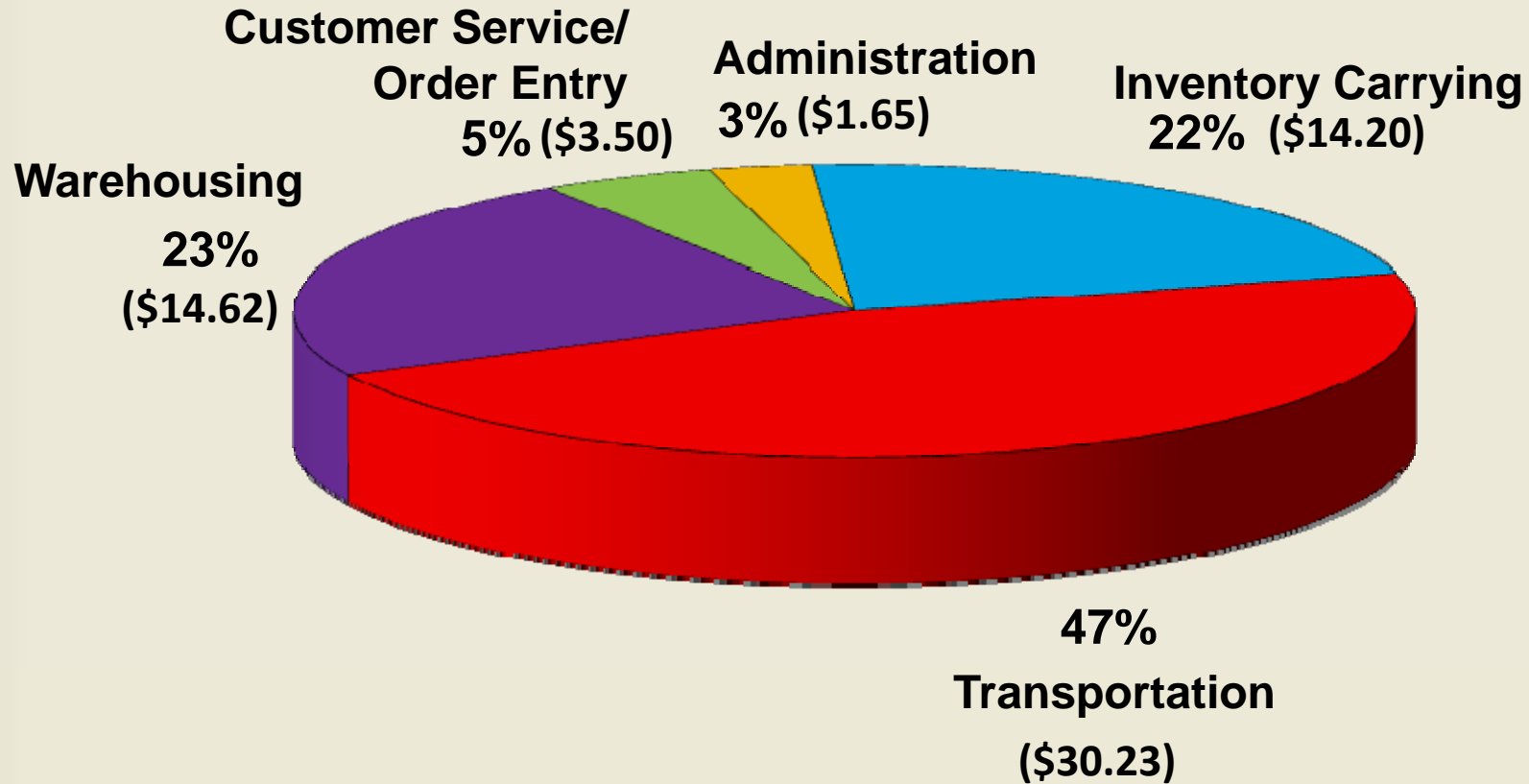
	Cost	
	% of Sales	\$/CWT
Transportation	3.79%	\$30.23
Warehousing	1.76	14.62
Customer Service	0.30	3.50
Administration	0.19	1.65
Inventory Carrying	1.73	14.20
Total Logistics Costs	7.77%	\$64.20



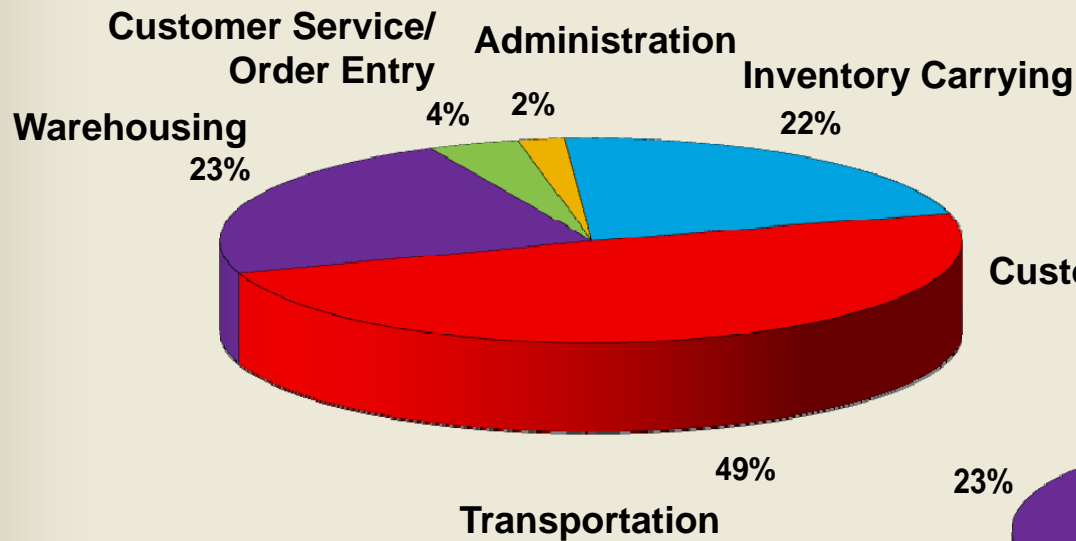
Cost as a Percent of Sales (7.77%)



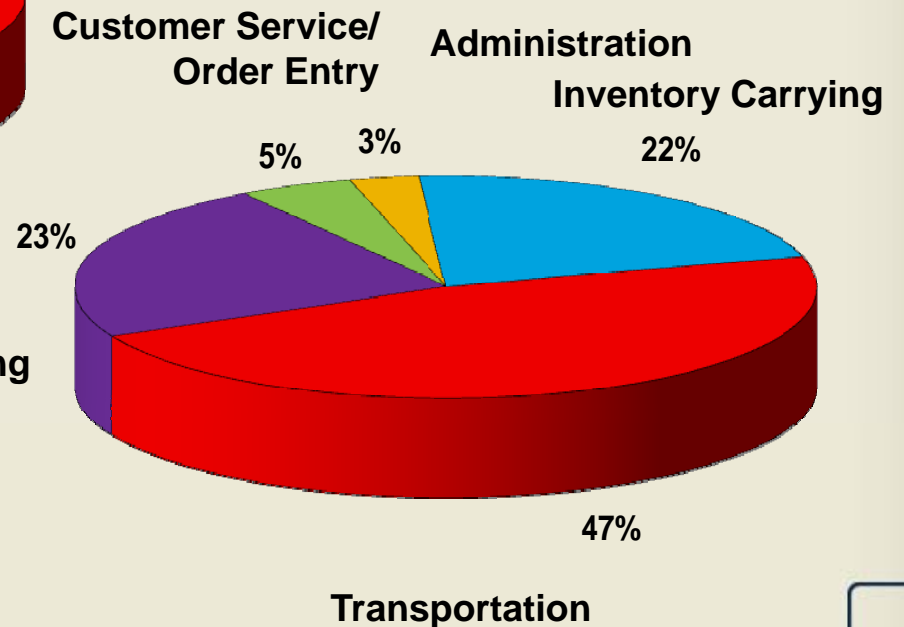
Cost per Hundredweight (CWT - \$64.20)



Cost as a Percent of Sales



Cost per Hundredweight





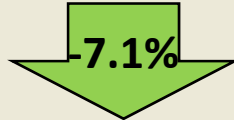


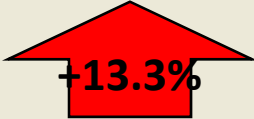


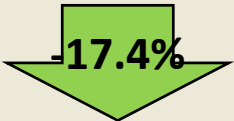
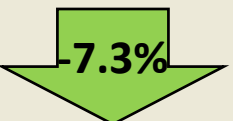
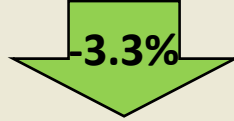
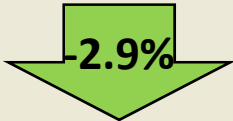
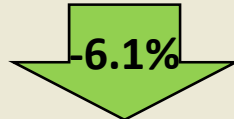

The Establish/Davis Database - Average Company 2011 vs. 2010 Logistics Costs

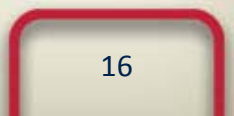
	2011 Cost		2010 Cost	
	% of Sales	\$/CWT	% of Sales	\$/CWT
Transportation	3.79%	\$30.23	4.08%	\$34.15
Warehousing	1.76	14.62	1.75	12.90
Customer Service	0.30	3.50	0.43	4.51
Administration	0.19	1.65	0.23	1.78
Inventory Carrying	1.73	14.20	1.79	14.63
Total Logistics Costs	7.77%	\$64.20	8.28%	\$67.97





The Establish/Davis Database - Average Company 2011 vs. 2010 Logistics Costs Change

	<u>% of Sales</u>	<u>\$/CWT</u>
Transportation	 -7.1%	 -11.5%
Warehousing	 +0.5%	 +13.3%
Order Entry/Customer Service	 -30.0%	 -22.4%
Administration	 -17.4%	 -7.3%
Inventory	 -3.3%	 -2.9%
Total	 -6.1%	 -5.5%



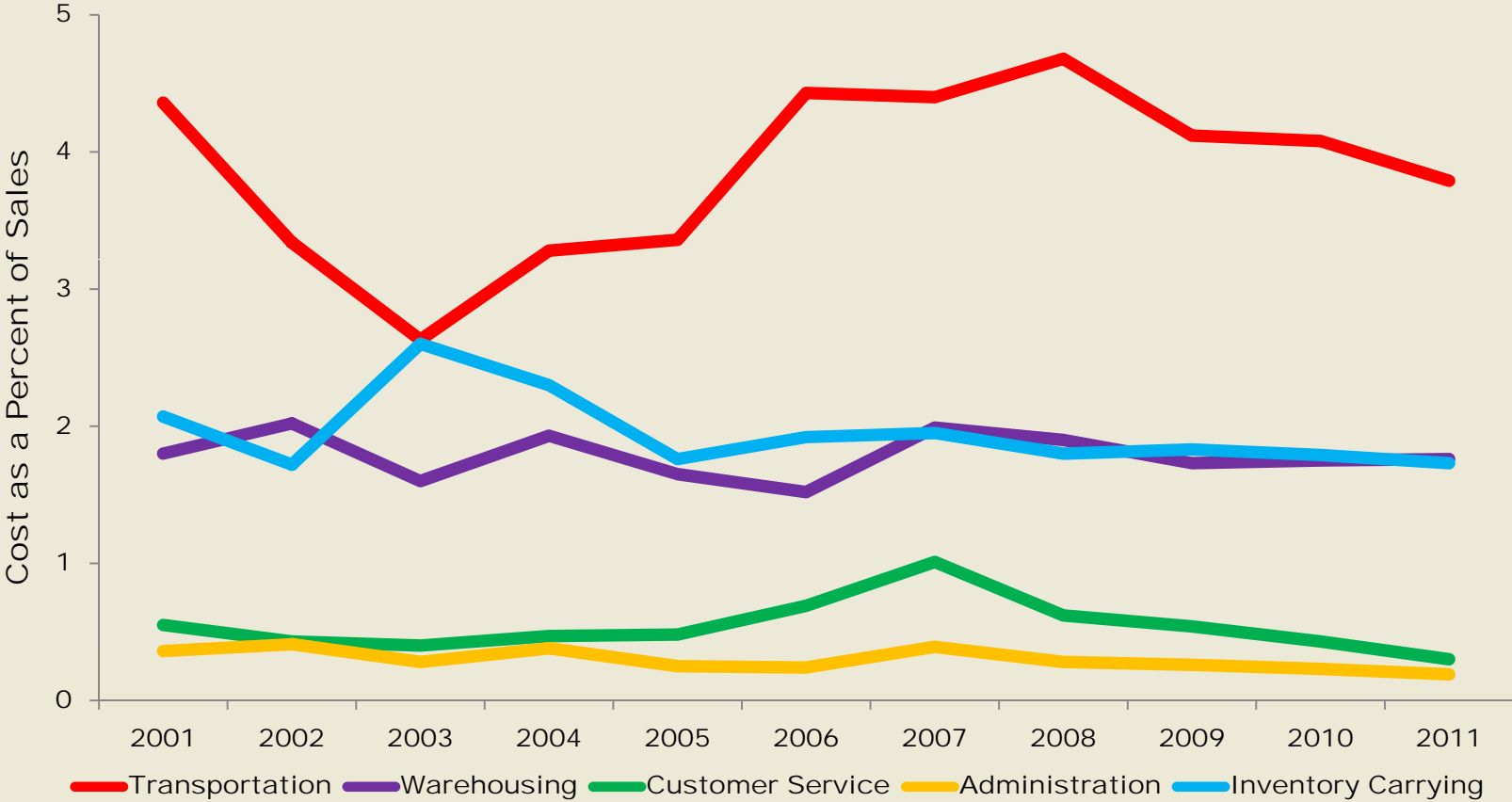


The Establish/Davis Database - Average Company 2011 Logistics Costs

	Cost as % of Sales
Transportation	3.79%
Warehousing	1.76
Customer Service	0.30
Administration	0.19
Inventory Carrying	1.73
Total Logistics Costs	7.77%



Cost as a Percent of Sales Over Time



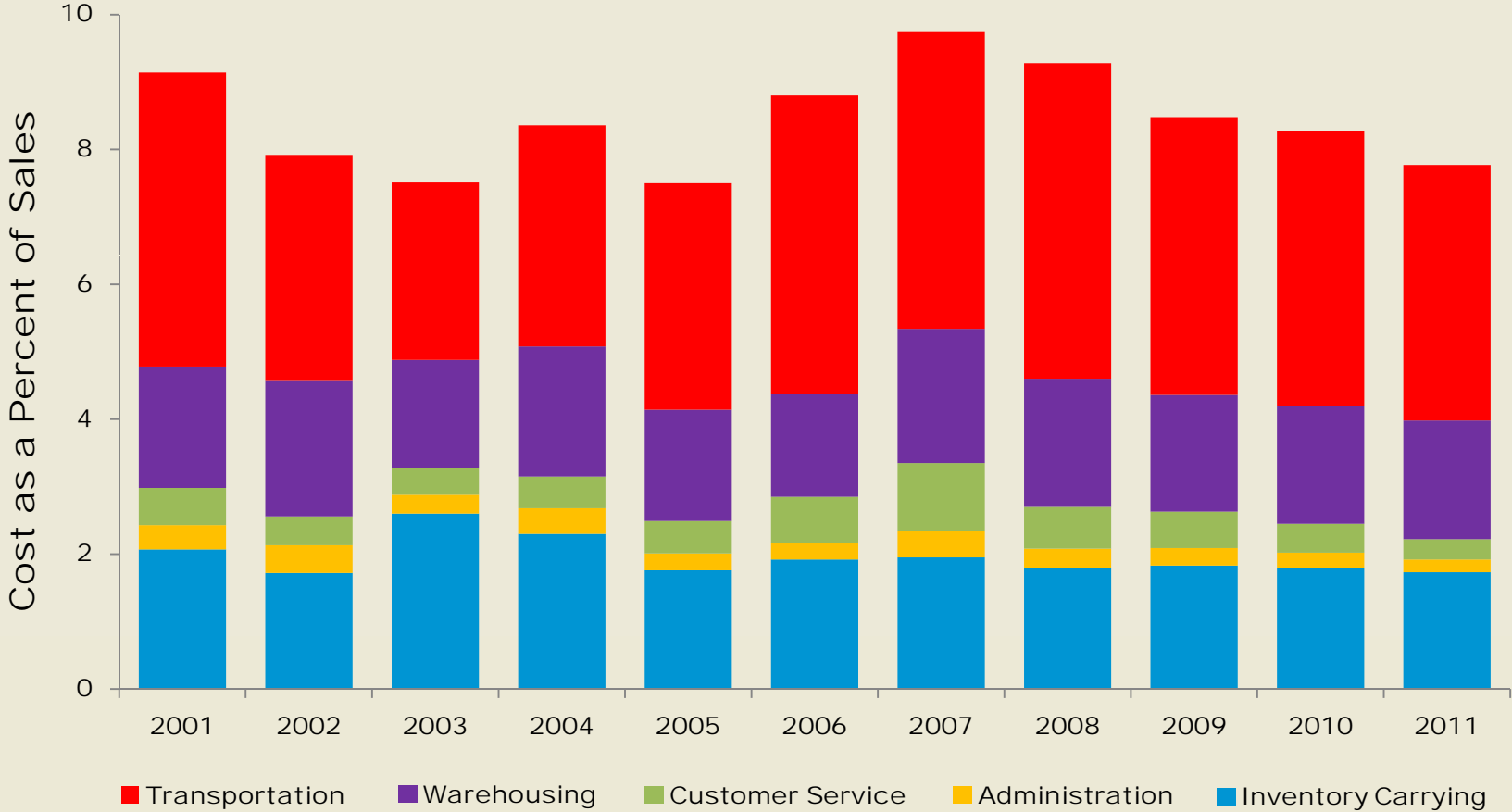
Cost as a Percent of Sales Over Time

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transportation	4.36	3.34	2.63	3.28	3.36	4.43	4.40	4.68	4.12	4.08	3.79
Warehousing	1.80	2.02	1.60	1.93	1.65	1.52	1.99	1.90	1.73	1.75	1.76
Customer Service	0.55	0.43	0.40	0.47	0.48	0.69	1.01	0.62	0.54	0.43	0.30
Administration	0.36	0.41	0.28	0.38	0.25	0.24	0.39	0.28	0.26	0.23	0.19
Inventory Carrying	2.07	1.72	2.60	2.30	1.76	1.92	1.95	1.80	1.83	1.79	1.73
Total Logistics Costs	9.17	7.65	7.52	8.37	7.51	8.79	9.74	9.28	8.48	8.28	7.77

Low

High

Cost as a Percent of Sales Over Time



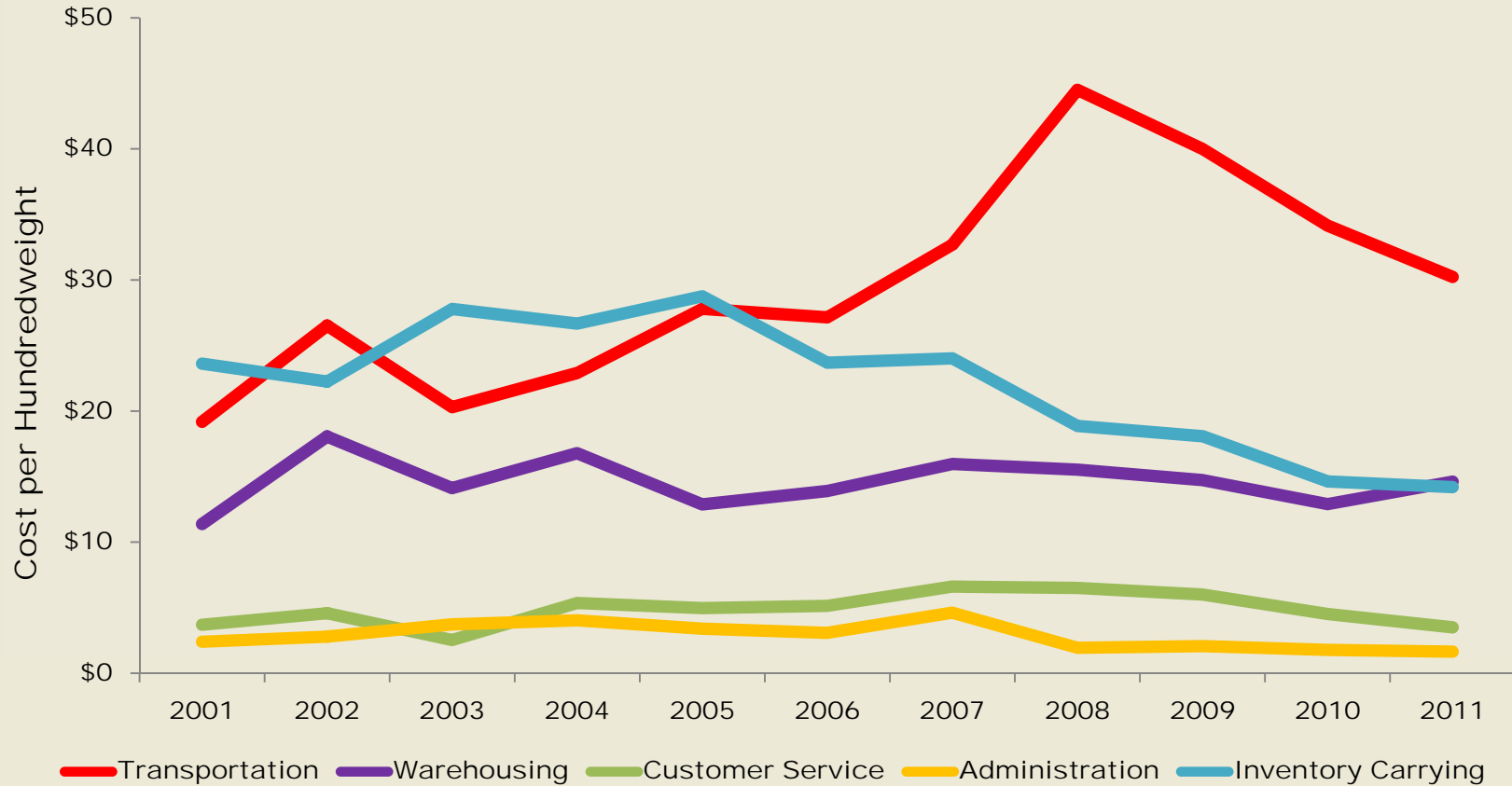


The Establish/Davis Database - Average Company 2011 Logistics Costs

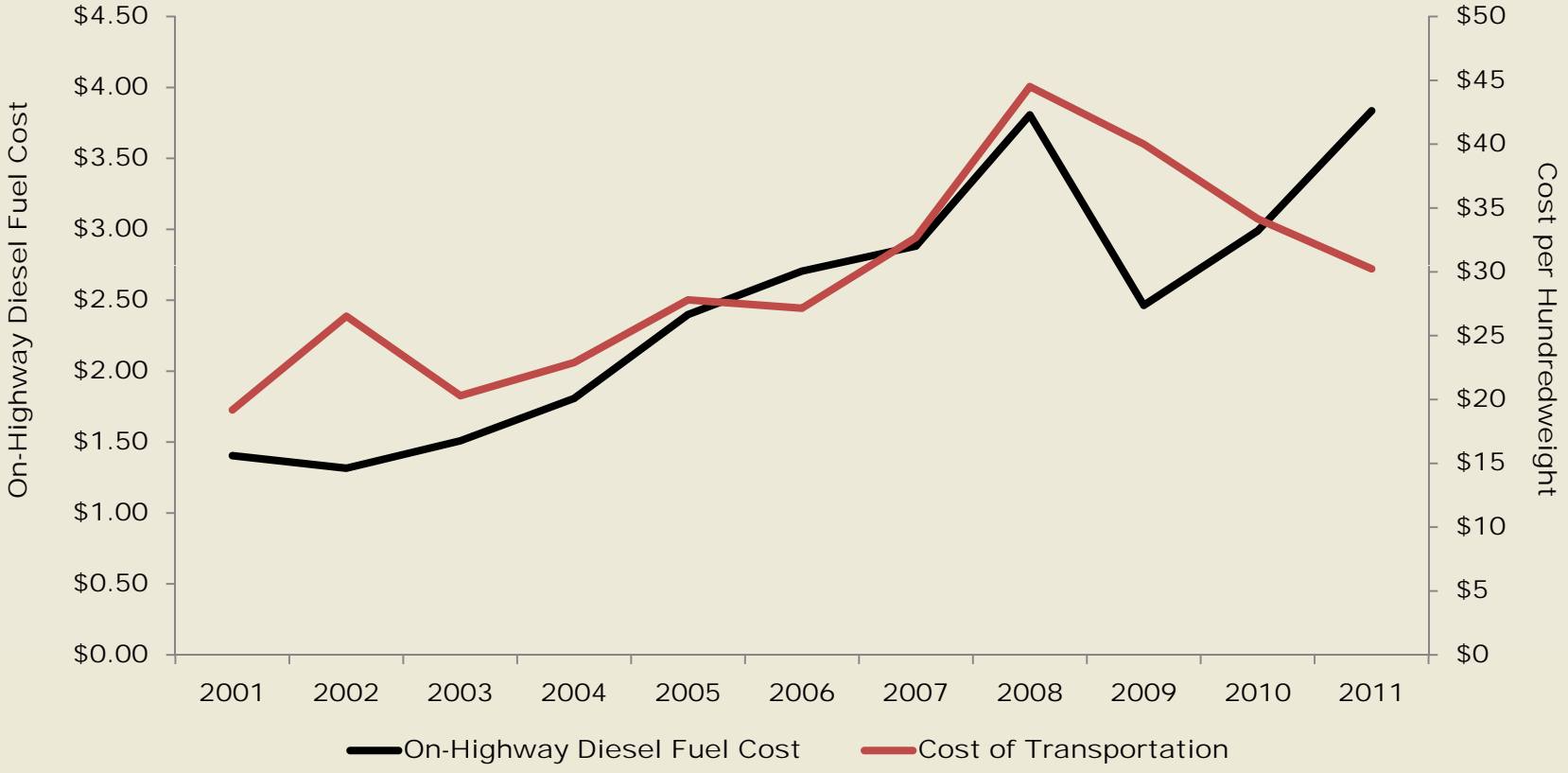
	Cost
	\$/CWT
Transportation	\$30.23
Warehousing	14.62
Customer Service	3.50
Administration	1.65
Inventory Carrying	14.20
Total Logistics Costs	\$64.20



Cost per Hundredweight Over Time



On-Highway Diesel Fuel Cost (Over Time)



Source: U.S. Energy Information Administration

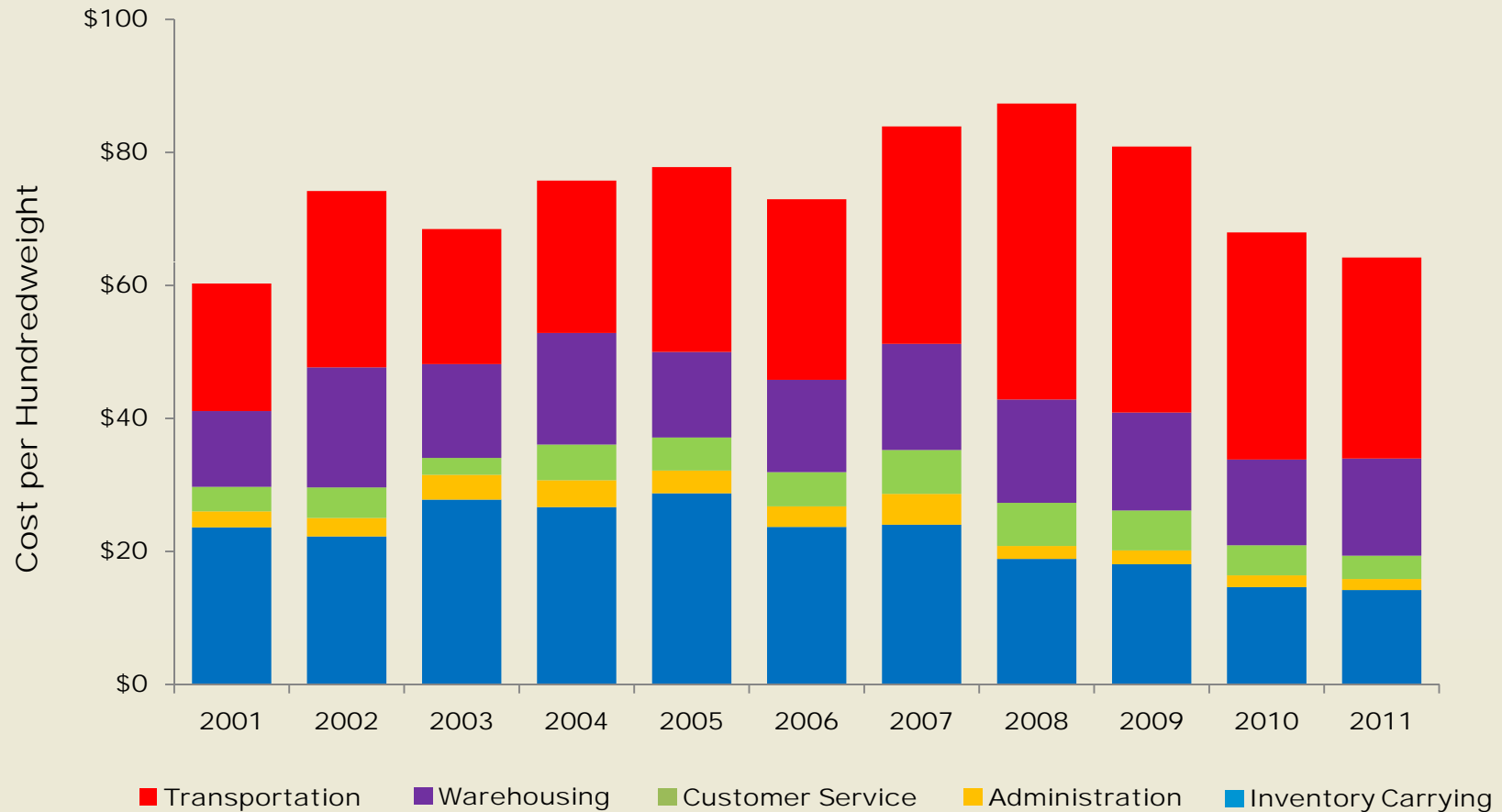
Cost per Hundredweight Over Time

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transportation	\$19.18	\$26.52	\$20.30	\$22.90	\$27.80	\$27.15	\$32.69	\$44.51	\$40.00	\$34.15	\$30.23
Warehousing	\$11.38	\$18.06	\$14.12	\$16.78	\$12.88	\$13.90	\$15.96	\$15.53	\$14.73	\$12.90	\$14.62
Customer Service	\$3.70	\$4.58	\$2.53	\$5.36	\$4.97	\$5.14	\$6.61	\$6.50	\$6.01	\$4.51	\$3.50
Administration	\$2.40	\$2.79	\$3.73	\$4.04	\$3.40	\$3.08	\$4.62	\$1.94	\$2.07	\$1.78	\$1.65
Inventory Carrying	\$23.62	\$22.25	\$27.79	\$26.67	\$28.75	\$23.69	\$24.02	\$18.87	\$18.08	\$14.63	\$14.20
Total Logistics Costs	\$60.11	\$67.71	\$68.48	\$75.54	\$77.80	\$72.96	\$83.90	\$87.35	\$80.89	\$67.97	\$64.20

Low

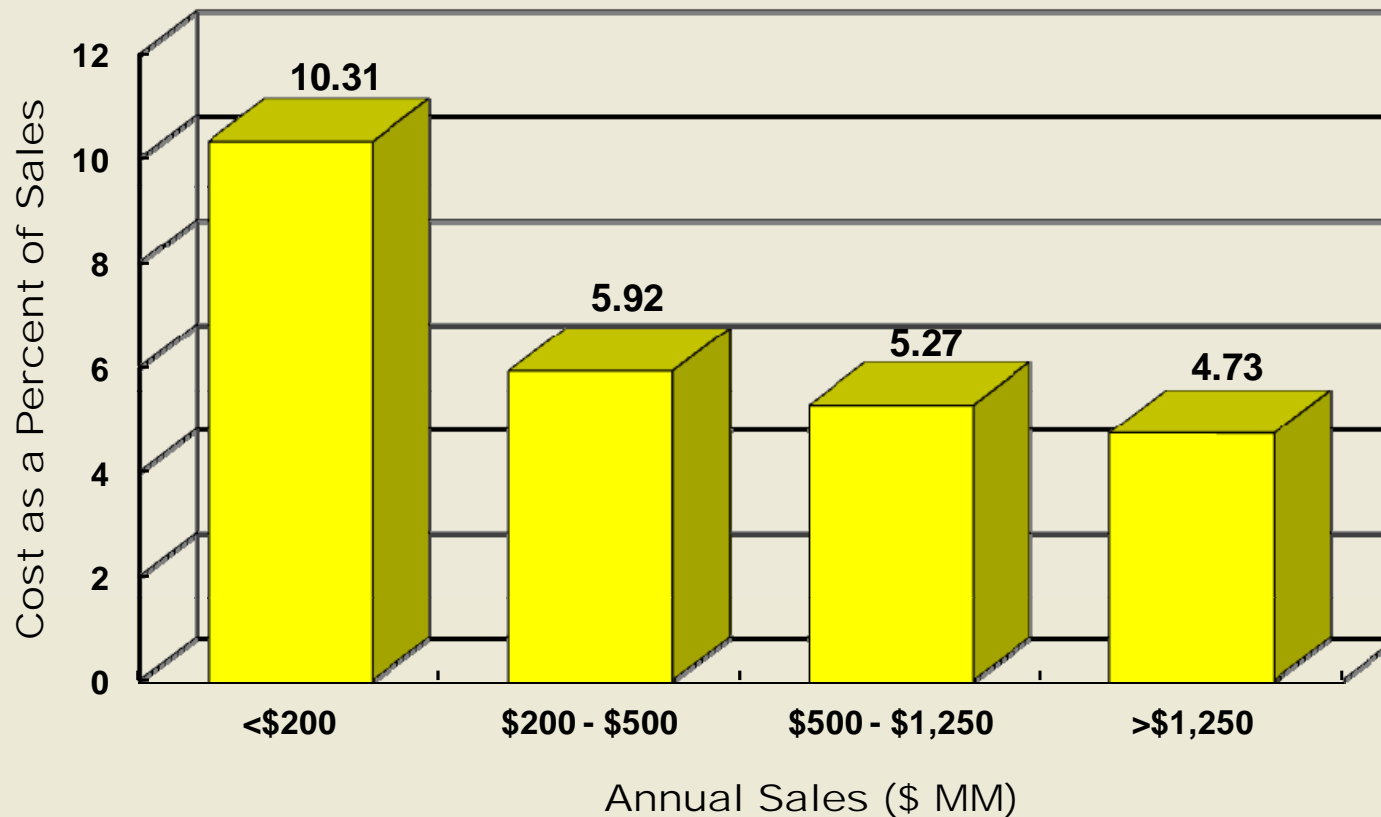
High

Cost per Hundredweight Over Time



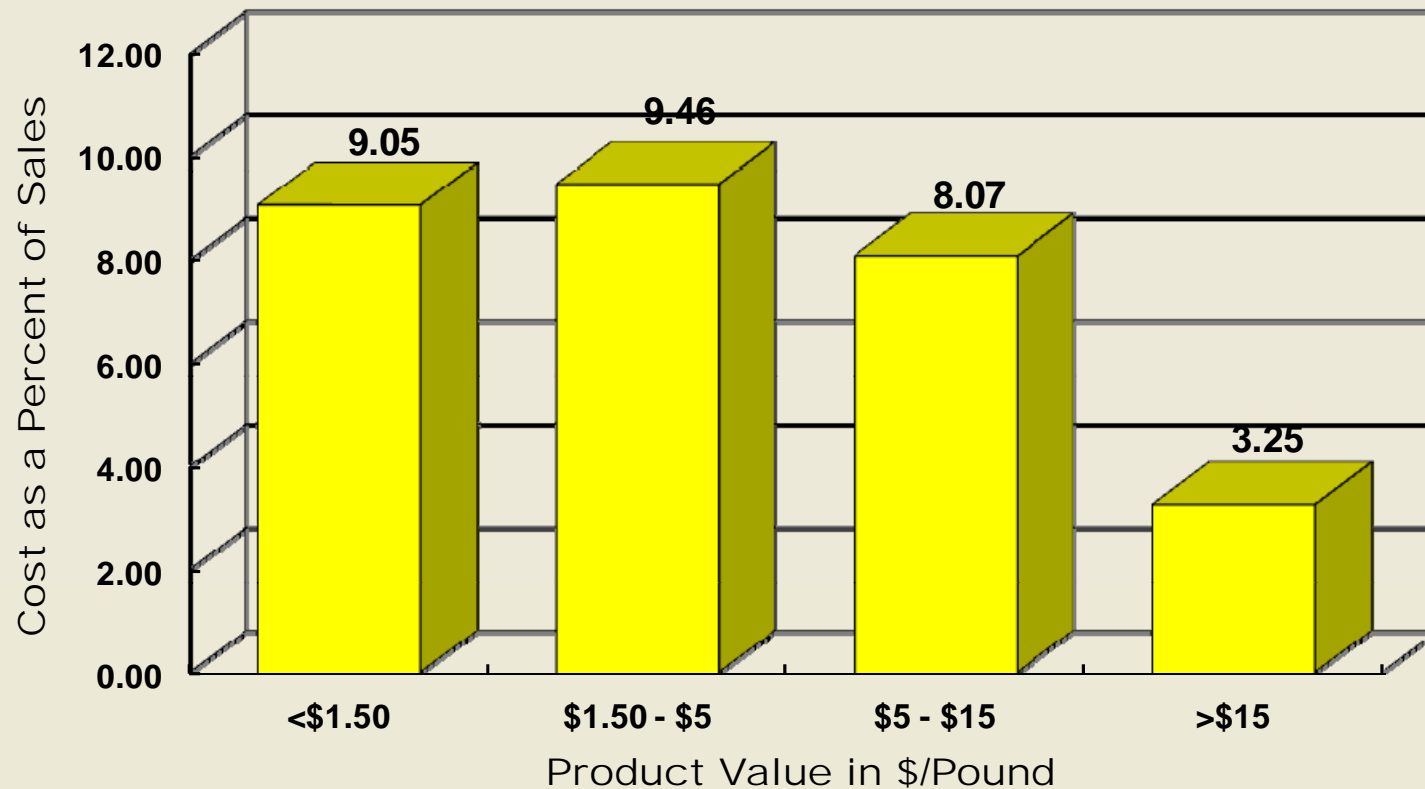
Company Size

Smaller companies continue to have higher logistics costs.



Product Value

Companies with higher product values continue to have lower logistics costs.



Customer Service Levels

2011 Measurements

- Total order cycle time - 7.0 days
- Product Availability (Shipped Complete)

<i>Orders</i>	<i>93%</i>
<i>Lines</i>	<i>95%</i>
<i>Units</i>	<i>95%</i>



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Average Performance Reported

FULL DATABASE

	<u>01</u>	<u>02</u>	<u>03</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>11</u>
Total Cycle Time (Days)	7	8	7	8	8	8	9	9	8	7	7
Product Availability(% Orders)	87	88	85	91	88	84	83	90	91	92	93
(% Lines)	92	95	91	94	92	89	93	92	94	95	95
(% Cases)	90	93	93	91	94	90	94	94	95	95	95





What companies are doing to control/reduce costs and add capacity in this troubled economy?



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LOGISTICS NETWORKS



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LOGISTICS NETWORKS

- Reconfiguring networks as a result of shifts in the manufacturing and customer base.
- Reconfiguring networks to consolidate the operations of acquired/merged organizations.



TRANSPORTATION (49%)



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TRANSPORTATION (49%)

- Centralizing purchasing.
- Leveraging volumes (plants/DCs - inbound from sources/suppliers, transfers and customer shipments).
- Formalizing the carrier selection process.
- Re-evaluating ordering patterns to identify pool point/cross dock opportunities.
- Separating imbedded transportation costs from the landed cost of materials inbound from sources, to:
 - Identify, evaluate and control costs.
 - Leverage additional volume.



WAREHOUSING (23%)




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WAREHOUSING (23%)

- Reducing operating costs by adjusting space requirements to reflect lower inventory levels.
 - Purchasing factory rebuilt/used equipment.
 - Centralizing purchasing.
 - Leveraging volumes:
 - Supplies and equipment
 - Third party providers (3PL)
 - Formalizing the provider agreement process.
 - Shifting to 3PLs/shifting away from 3PLs.
 - Expanding plant warehouses and migrating away from regional warehouses.
 - Increasing ASN requirements to improve receiving and put away productivity and efficiency.
- 



INVENTORY (22%)



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INVENTORY (22%)

- Improving the forecasting/inventory planning processes.
- Reducing the safety stock requirements by reducing the number of warehouses.
- Reducing inventory carrying costs and warehousing space requirements by:
 - Pushing inventory back to suppliers.
 - Disposing of excess and obsolete inventory.

CUSTOMER SERVICE (4%)



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CUSTOMER SERVICE (4%)

- Migrating to automated attendants
- Outsourcing the functional activities
- Encouraging on-line order entry, tracking, etc.



ADMINISTRATION (2%)



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VS.

Zoom In...

Focus on the Details that Matter

Benchmark Company	Competitive Benchmarking Groups (Based on Your Company's Characteristics)											
	in Your Industry			Medium Product Value Companies	Low Product Value			Small Companies				
Annual Sales	Lower Quartile	Average	Upper Quartile	Lower Quartile	Average	Upper Quartile	Lower Quartile	Average	Upper Quartile	Lower Quartile	Average	Upper Quartile
Transportation	1.96	2.25	2.88	3.52	3.02	5.52	2.77	4.60	5.23	1.44	3.37	4.49
Warehousing	1.61	1.91	2.52	3.16	1.85	1.26	2.47	3.33	1.12	2.11	3.22	4.49
Order Processing	0.15	0.14	0.65	1.22	0.24	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Administration	0.16	0.14	0.82	1.79	0.24	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Inventory Carrying	2.67	1.21	2.39	3.30	2.13	2.54	1.07	2.05	2.55	1.11	2.05	2.51
Other Costs	-	-	-	-	-	-	-	2.11	1.08	0.08	0.75	1.40
Total*	6.55	7.41	7.41	7.41	7.41	14.1	6.55	6.55	6.55	5.77	5.77	11.18



THANK YOU



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