



Presentation on  
**Evolving Trends in Logistics**  
to  
**CONNECT**  
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NFI Supply Chain

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# Changing Distribution Patterns

- Consolidation of LTL shipments leading to higher weight per shipment with reduced shipment count
- Huge increase in FSC resulted in modal shift (airfreight → ground/deferred, int'l air cargo → LCL/LTL/ocean freight, Truck → rail intermodal)
- Average distance between producer and end consumer of fresh produce is 1,500 miles. Wal-Mart has begun to source locally to offset transportation costs
- Near-Shoring saw renewed popularity when fuel and FSC skyrocketed. Surveys of shippers and manufacturers still show <40% actively pursuing near-shore alternatives
- B2C model is changing traditional distribution as intermediate steps are bypassed completely

# Changing Distribution Patterns

## One iPod's journey

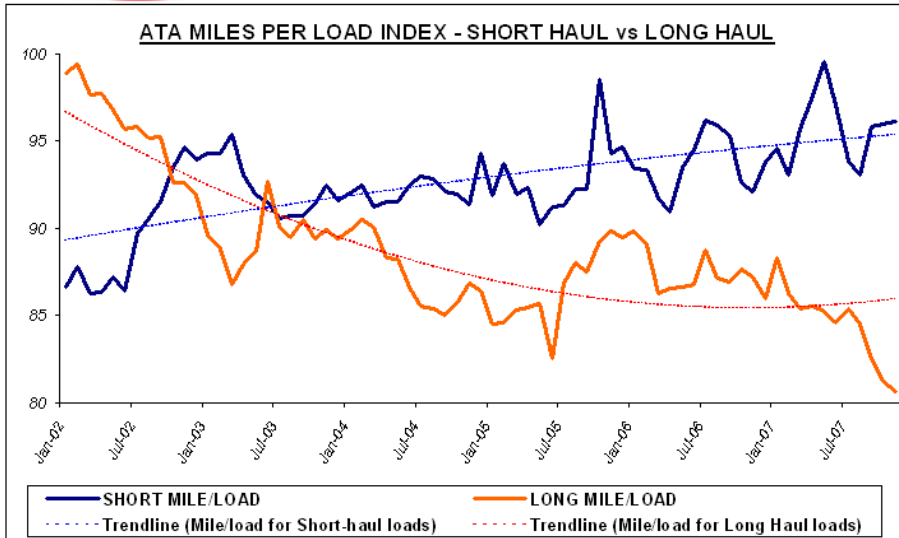
An order placed online on July 31 made it to its destination by 9:15 a.m. Aug 4, without ever having been in a store in the United States or in a warehouse other than FedEx shipping depots. All times local.



Source: [www.fedex.com](http://www.fedex.com)

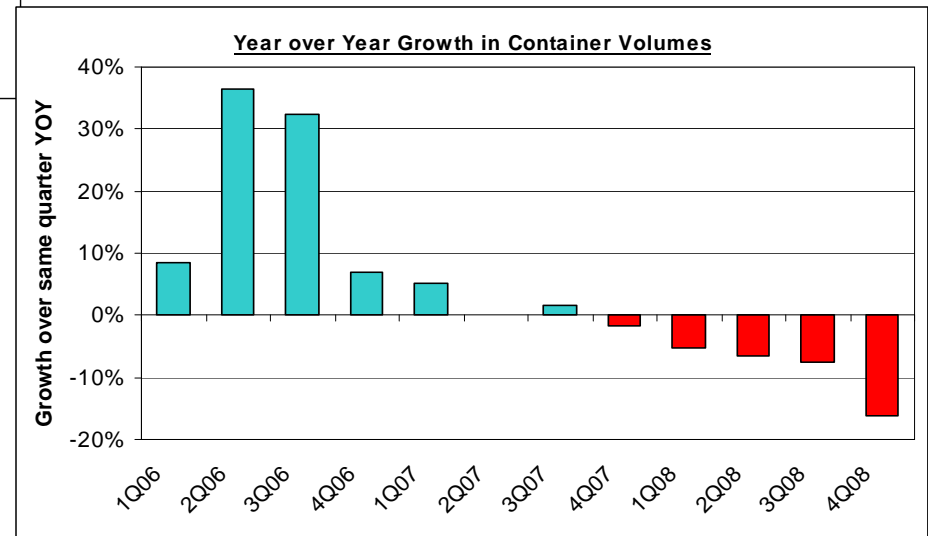
Post-Gazette

# Distribution Shifts



- ATA Miles per load index for short and long hauls shows a shift from long haul to shorter haul distribution

- A steep decline in trade (read: containerized imports) is pressuring port-centric distribution
- However, port congestion has been mitigated





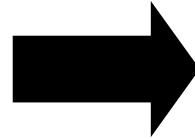
# Bundling Logistics Services

- Bundling improves the value proposition and may increase loyalty of shippers
- Bundling contract logistics with freight forwarding & parcel with LTL
- Subassembly, kitting, postponement opportunities for 3PLs to meet the light manufacturing needs of shippers
- **FedEx** Corp EVP comments on “Bundling” from March 2007 investors/analysts meeting:
  - “We do this to enhance growth opportunities and margin expansion”
  - “Strength of our ground company is taking us into industry segments and opening the doors for our express company where we typically did not compete”

# Changes in Products and Packaging

- Focus on cubic size of cartons (for new parcel pricing) spilling over to airfreight, LTL and TL shipments
- Denser shipments with lesser cube are making NMFC pricing model less relevant to the future of LTL pricing and profitability
- Packaging reduction continues to be a priority for companies
  - 2005 - Wal-Mart and suppliers reduced packaging on almost 300 toys. Wal-Mart saved 3,425 tons of corrugated materials, 1,358 barrels of oil, 5,190 trees, 727 shipping containers and **\$3.5 million in transportation costs**, in 1 yr
  - Nov 08 - Amazon partnered with Fisher-Price, Mattel & Microsoft to reduce packaging materials
  - Dec 08 - Dell plans to reduce packaging by 20 million lbs over next 4 yrs
- Greater impact on Air/LTL shipments than containerized/rail freight

# Then and WOW





# Inventory Management

- Multi-client warehouse space: Balancing empty space with customer satisfaction
  - Offers contract logistics providers the ability to fill space with multiple clients. Clients with non-corresponding peak seasons offset volume swings.
- WMS systems
  - Technology has improved and the price has declined. Expect continued growth and reliance on WMS.
  - Red Prairie systems 2008 revenue +15%, 2007 sales +37%
  - CDC Software's Enterprise unit revenue + 8.6% in 2Q08
  - Manhattan Assoc. 2008 revenue flat, maintained 90%+ customer retention
- Changes in Warehousing
  - More, smaller warehouses located closer to client instead of one central DC
  - May affect inbound transportation



# Inventory to Sales Ratio



Source: US Census Bureau, March 2009



# Returns Processing & Reverse Logistics

- Reverse logistics is a mandated trend in the European Union. Manufacturers must be able to recycle a percentage of each product and provide a reverse logistics process (WEEE – Waste from electrical and electronic equipment)
- Reverse logistics can reduce/eliminate waste in the supply chain
- Black and Decker refurbishes returns for resale.
- Salvaged and closeout merchandise can be sold for a discount at auction, on e-bay, at flea markets, or in discount/surplus stores.
- Companies with a presence in the space include: Return Deals, Inc., and Jacobs Trading company, which transport returns to resellers.
- UPS/USPS Partnership
  - **FedEx** won't be far behind – expect announced later this year

# Returns: The Old Way...



Customer pays for return service at UPS Store



Retailer's warehouse knows something is being returned.



Warehouse sends returns to reverse logistics center



Returns processing center/Reverse logistics facility

# Returns: The New Way...

Data from the Shipping label is tied to the customer's order via credit card information. Retailer's warehouse knows what is being returned and WHY!



Returns processing center/Reverse logistics facility

## UPS/USPS Partnership