



An Operational Look at American Third Party Logistics

THE RIGHT PEOPLE, THE RIGHT SOLUTIONS.

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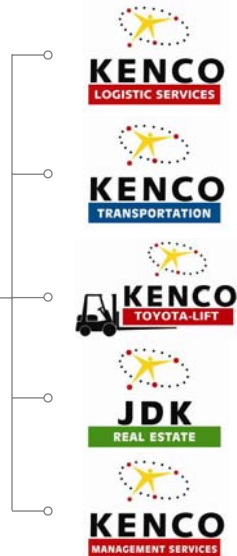


Kenco Family of Companies



KENCO

- Founded in 1950
- \$400 MM Annual Revenue
- One of the Largest Family-Owned 3PL in the U.S.
- 4000 employees



Key Data

- Over 100 facilities
- Over 25 million sq. ft.
- Presence in 31 states and Canada
- Rolling stock: 300
- Trailers: 500
- Drivers: 300
- 6 Toyota lift truck dealerships
- Real Estate Portfolio over 4 million SF



Overview



- **Dynamic Load Planning & Route Optimization**
- **Warehouse Travel Reduction**
- **Labor Management
Work Measure & Accountability**



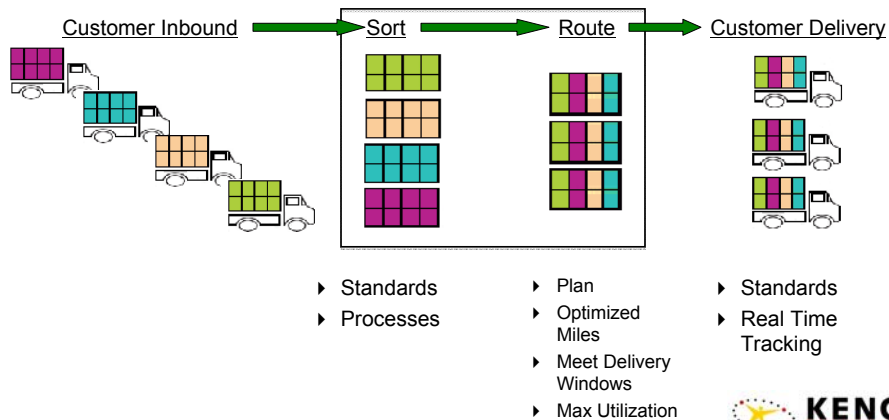
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Dynamic Load Planning & Route Optimization



- Automation of load planning and route optimization to reduce costs (labor, fuel, maintenance, & fleet), increase flexibility, increase customer satisfaction, and improve strategic planning.



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Three Key Parts of Transportation



1. Equipment and labor capacity
2. Daily volume
3. Utilization of your capacity



The goal is to maximize utilization and plan labor to volume rather than volume to labor.



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Major Transportation Metrics



- Miles/stop
- Stops/route
- Units/stop
- % Performance

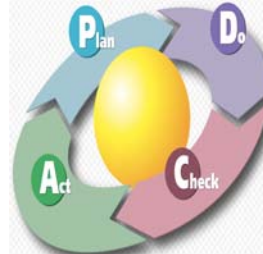


- ▶ $(\text{plan drive time} + \text{plan stop time}) / (\text{actual drive time} + \text{actual stop time})$
- ▶ (same as EIP – earned/productive)

Plan, Do, Check, Act



- Plan day's routes
- Do day's routes
- Check plan vs. actual
- Act on discrepancies
- Repeat define measure analyze improve controls then do all over again



Kenco's Dynamic Load Planning & Route Optimization Software



● **Xcelerator**

- ▶ **Sophisticated operations management software**
- ▶ **Order management** - receipt scanning, consolidation, dispatch, accounting, reporting, import customer's ASNs, reconcile inbound freight to ASN with smart scans, Prepare for delivery, dispatch, and ship
- ▶ **Delivery Service** - Pickup freight for delivery, Display en route status of Kenco ADC's driver, Provide electronic delivery completion events with signature capture,
- ▶ **Manage and give visibility to customer returns**

● **Mobile TEK**

- ▶ **Mobile-enabled software for Windows Mobile 6 devices**
- ▶ **Loading, Driving, Delivery, Receipt of returns**



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Benefits of Dynamic Routing



- **Increase capacity utilization**
- **Uncover waste in excessive constraints**
- **Customer service**
- **Optimize routes**
- **Reduce dispatch labor**
- **See how excessive appointment times, special equipment, and special requirements negatively effect routes**



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Warehouse Travel Reduction

- Minimize time spent on put-away and pick functions (traditionally the major labor costs of an operation).

Define & Measure

Analyze

Improve

Control

- Define & Measure**
- Analyze**
 - SKU/Velocity Analysis
 - Full Utilization of WMS Capabilities
 - Inventory Accuracy
 - Honeycombing Reduction
- Improve**
 - Velocity Zoning
 - Inventory Segmenting
 - Pick Row
 - Slotting
 - Dock Door Optimization
- Control** (SOP)

- Benefits** – travel time reduction which equates to higher productivity, shorter cycle times, lower labor costs, lower equipment costs.

KENCO
LOGISTIC SERVICES
THE RIGHT PEOPLE, THE RIGHT SOLUTIONS.

Why is Warehouse Travel Important



- Travel typically accounts for 65% of labor in a large unit warehouse
- Typically 20% of your SKUs accounts for 80% of your volume



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Minimize Warehouse Travel



- Begin by understanding current state, creating measurement system, and defining objective – travel reduction
- Analyze sku mix, velocity, layout, WMS functionality and settings, honeycombing factors, etc
- Improve by developing optimal layout which can include velocity zoning, inventory segmenting, slotting, pick row, dock door optimization, etc
- Control by developing SOP with clearly defined roles and responsibilities

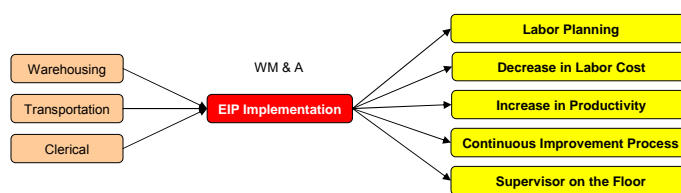
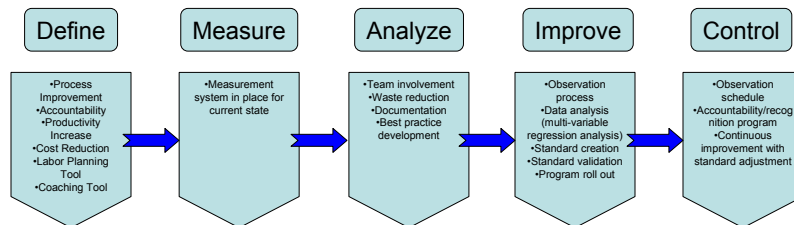
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Labor Management Work Measure & Accountability

- Provides a disciplined and standard approach to reduce costs and improve processes year over year in the areas of safety, quality, and productivity.



Results

Efficiency Improvement Program (EIP)



- EIP uses DMAIC approach
- Every piece of what we do (warehouse, trans, clerical, etc) can be positively affected by EIP
- Kenco developed controlled procedures for site implementations which includes corporate support, training, and auditing



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EIP Steps

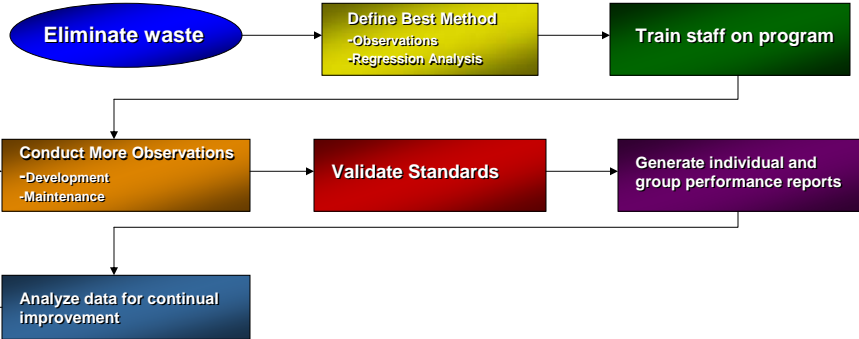


1. Collect historical information (Baseline)
2. Conduct process review and observe all applicable procedures, layouts, workstations, equipment, and systems
3. Train all employees
4. Collect data in order to record work produced, hours worked, and exception time for the creation of individual and group performance reports
5. Create performance, activity, and exception reports for management review
6. Conduct regularly scheduled maintenance observations in order to validate or change existing processes and standards, and to keep the process running
7. Conduct data analysis based on reports and develop action plans ensuring continual improvement
8. Provide regular and constant performance feedback at the individual and group level



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Efficiency Improvement Program Process



- Kenco's unique program for management, measurement, and improvement of productivity



Closing



- Dynamic Load Planning & Route Optimization
- Warehouse Travel Reduction
- Labor Management
Work Measure & Accountability

Note: Support materials for each topic will be provided on www.iwla.com.

