

Who's Who in Logistics and Supply Chain Management - International

17th Edition



Armstrong & Associates, Inc.

Providing transportation and logistics expertise since 1980.

Who's Who in Logistics and Supply Chain Management - International

*** Seventeenth Edition ***

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Provider Profile

Company Name **Menlo Worldwide Logistics**
 Address: 2855 Campus Dr., Ste. 300, San Mateo, CA 94403 USA
 Phone Number: 866-466-3656 Email Address: info@menloworldwide.com
 Fax Number: 650-378-5484 Website Address: www.menloworldwide.com

COMPANY BACKGROUND

Parent Corporation: Con-way, Inc.
 Year Started in Logistics: 1990 Asset Focus: A, N
 Market Area: Int'l (A = Asset Based, N = Non Asset Based)
 Founding Business: Motor & Airfreight Transportation

Subsidiaries or Related Companies

Con-way Freight
 Con-way Truckload
 Con-way Multimodal

OVERALL CAPABILITY

Overall Capability of Provider: Tier 1 major markets global SCM and LLP.

KEY PERSONNEL

Robert Bianco	President		
Robert Bassett	VP Sales & Marketing	Joseph Tillman	VP Finance
Gary Kowalski	COO	John Herb	VP Human Resources

FINANCIAL INFORMATION (Latest Full Year)

Total Logistics Revenue (\$Millions):	1,512	Ticker Symbol	CNW
Total Net Logistics Revenue (\$Millions):	510 **	Exchange:	NYSE
Total Logistics Employees (Including Drivers):	6,500	* Financial information may be actual company reported or A&A estimates.	
Total Long-Term Contracts Held:	200	** Net Logistics Revenue is net of pass-through revenues for purchased transportation.	
Average Length of Logistics Contract (Years):	3-7	*** Average exchange rates for the respective year are used to convert revenues to USD.	

ASSETS

Dedicated Contract Carriage Power Units/Trucks:

Total Tractors:	34
Total Trucks:	55
Total Other:	9

Dedicated Contract Carriage Trailers:

Total Dry Van:	163
Total Reefers:	
Total Flatbeds:	2
Total Tankers:	
Total Other:	

Total Transportation Assets:

Total Tractors:	
Total Trucks:	
Total Trailers:	
Total Aircraft:	
Total Ocean:	
Total Other:	

Total Warehouses & Distribution Centers:

Total Warehouses/DC's:	119
Total Square Footage:	18 (Million)
Total with Rail Doors:	
Avg Truck Doors per DC:	

Asset Ownership v.s. Leased:

Transportation Equipment:	Mostly Leased
Warehouses/DC's:	Mostly Leased

FREIGHT FORWARDING/NVOCC VOLUMES

Total Annual TEUs:
 Total Annual Airfreight Tonnes: Total Licensed Customs Brokers:

MARKETS

(For functional specializations, see "Customers" section.)

Automotive	Consumer Goods	Elements	Food, Groceries	Healthcare
Industrial	Retailing	Technological		

INFORMATION SYSTEMS

Overall Information Systems Rating: **E** (E=Excellent, G=Good, C=Capable/Adequate, and I=Inadequate)

Software Type:

Software Vendor/Brand:

<input checked="" type="checkbox"/> Transportation Management System (TMS):	TMS, LMS, Infor/CAPS, TRAXi3
<input checked="" type="checkbox"/> Transportation Planning and Optimization:	LMS, Infor/CAPS
<input checked="" type="checkbox"/> Warehouse Management System (WMS):	Infor WM Provia (Menlo modified), SIMS
<input checked="" type="checkbox"/> Network Modeling/Site Location:	Infor/CAPS
<input checked="" type="checkbox"/> Freight Bill Audit/Payment Software:	TMS, LMS
<input checked="" type="checkbox"/> Order Management System:	LMS

TMS Optimization Routines:

<input checked="" type="checkbox"/> End-to-end Matching/Continuous Moves
<input checked="" type="checkbox"/> Mode Conversion/Optimization
<input checked="" type="checkbox"/> Many to Many Supply Network Optimization

Other Systems Capabilities:

<input checked="" type="checkbox"/> Bar Coding	<input checked="" type="checkbox"/> EDI Handling	<input checked="" type="checkbox"/> Integrated TMS & WMS	<input checked="" type="checkbox"/> Internet Customer Access	<input checked="" type="checkbox"/> Real-time Track & Trace
<input checked="" type="checkbox"/> Demand & Supply Forecasting	<input checked="" type="checkbox"/> ERP Interfaces	<input checked="" type="checkbox"/> Internet Order Fulfillment	<input checked="" type="checkbox"/> Radio Frequency Devices	<input checked="" type="checkbox"/> XML Data Handling

Provider Profile

TRANSPORTATION MANAGEMENT SERVICES

Transportation Planning

- Carrier Mgmt and Contracting
- Inbound Shipment Planning
- Outbound Shipment Planning
- End-to-end Load Matching
- Mode Conversion/Optimization

Transportation Execution

- Contract File Maintenance
- Exception Handling
- Load Tendering
- Loss/Damage Claims
- Tracking & Tracing

Freight Bill Payment:

- Pre-Audit
- Post-Audit
- Performed In-house
- Outsourced

Transportation Services

- Air Freight Forwarding
- Consolidation/Deconsolidation
- Dedicated Contract Carriage
- Freight Brokerage
- Home Delivery
- Less than Truckload (LTL)
- Ocean Freight Forwarding
- Rail
- Rail TOFC/COFC
- Small Package
- Specialized
- Truckload (TL)

WAREHOUSING & VALUE-ADDED SERVICES

Warehouse/Distribution Center

- Facilities Mgmt
- Frozen
- Refrigerated
- Rail Siding

Value-Added Services

- Call Centers
- Cross Docking
- Customization
- Inventory Control/Vendor Mgmt
- KanBan
- Kitting
- Labeling
- Lot Control
- Merge in Transit
- Manufacturing Support
- Pick/Pack
- Pool Distribution
- Repair/Refurbish
- Returnable Container Mgmt
- Reverse Logistics
- Store Support/Direct Store Delivery
- Sequencing/Metering
- Specialty Packaging
- Sub Assembly

OTHER 3PL SERVICES, SKILLS & HANDLING

Other 3PL Services

- Consulting/Process Reengineering
- Factoring/Financial Services
- Installation/Removal
- Order Mgmt
- Purchase Order Mgmt
- Project Logistics
- Quality Control
- Union Services

Special Skills & Material Handling

- Bulk Commodities
- Hazardous Materials
- Food Grade/Sterile
- Temperature Controlled

- ISO Certified Certification Locations: Select locations worldwide.

Other Services:

INTERNATIONAL SERVICES & PRIMARY AREAS SERVED

International Services

- AES/AMS/C-TPAT
- LCL Consolidation
- Customs Brokerage
- Export Crating
- Duty Drawback
- Foreign Trade Zone
- NVOCC
- Port Services

Areas Served

- Africa/Middle East
- Asia/Pacific
- Australia/New Zealand
- Europe
- Latin/South America
- North America

CUSTOMERS

TM-Transportation Mgmt WM-Whse/DC Mgmt VA-Value-Added DCC-Dedicated Contract Carriage
 Inte-Integrated TM&WM IM-Intermodal Intl-International SCM-Supply Chain Network Mgmt. Lead-Lead 3PL

A sample of 3PL clients.

Customer	Industry	Location	TM	WM	VA	DCC	Inte	IM	Intl	SCM	Lead	Other
3Com	Network, Communications Equipment	Santa Clara, CA, Netherlan	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A.O. Smith	Electronics, Electrical Equipment	US	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Advanced Micro Devices	Semiconductors, Electronic Components	Netherlands	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B&Q	Specialty Retailers	China	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bayer MaterialScience	Chemicals	US	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blue Coat Systems	Network, Communications Equipment	Netherlands	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bobcat	Industrial & Farm Equipment	China, Netherlands	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Braun GmbH	Household & Personal Products	China	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Canon	Computers, Office Equipment		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CHEP	Packaging, Containers	Netherlands	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cisco Systems	Network, Communications Equipment		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Curves International	Specialty Retailers	Australia, New Zealand	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Provider Profile

COUNTRIES with OFFICES

Countries served through owned offices or exclusive agents

Menlo

Africa/Middle East

Asia/Pacific

Australia/New Zealand

Europe

North America

Latin/South America

China
Hong Kong
India
Malaysia
Singapore
Thailand

Australia

Belgium
Czech Republic
Germany
Great Britain
Hungary
Ireland
Netherlands

Canada
Mexico
United States

Brazil
Chile

EDITOR'S COMMENTS

Menlo is one of the leading U.S.-based 3PLs. Menlo was recently selected as prime contractor for the U.S. Transportation Command's Defense Transportation Coordination Initiative. The contract is a major win for Menlo over strong competitors and is potentially worth \$1.6 billion. Menlo's two Asian acquisitions position it as a major 3PL in China and Southeast Asia and it has growing European operations. Menlo has solid inbound supply chain management and finished goods distribution. Menlo's proprietary LMS provides good technology and SCM solutions. Menlo now has more than 60% of its business is in multi-client facilities. This arrangement allows for improved labor efficiency. Parent Con-way has had strong, profitable, less-than-truckload and truckload operations.

Provider's Strengths

Combined and integrated SCM, 4PL and LLP capabilities, Pan-China presence and expanding global footprint.

Provider's Weaknesses

CASES & NEWS

Menlo Worldwide Logistics Expands its European Market Presence [To view in full html format, follow this link:
http://www.3plogistics.com/Menlo_Europe_7-2009.htm]

Eersel and Rotterdam, Netherlands Site Visits
July 10, 2009

Key Personnel:

Bob Bassett, Vice President of Sales and Marketing
Arthur van Gerven, Sr. Director of Business Development, Key Account Management and 4PL Services
André de Jong, General Manager - Eersel
Hein van Gastel, Logistics Manager – Eersel
Philippe Angeline, Warehouse Manager – Rotterdam

Menlo Worldwide Logistics Europe Overview

Menlo Europe's 2008 revenues were approximately \$80 million and its primary service offering includes both dedicated and multi-client warehousing and multi-modal transportation management. It has a staff of over 400 operating out of 14 Locations in seven European countries. The 14 locations include dedicated customer operations in: Germany, Belgium, Hungary, Ireland, and The Netherlands. Its total warehousing footprint is just over 60,000 square meters (SQM) with seven warehouses. It also manages two transportation management routing centers; one is in Eersel, Netherlands and one is in Budapest, Hungary. Menlo Europe's transportation management services include pan-European ground truckload, less than truckload (LTL), and last mile delivery services. Its key European customers are: 3Com, AMD, Blue Coat, Bobcat, Diebold, Lam Research, GE, MAQUET, NCR, New Era, Nike, Nike Golf, Powerwave, and Trimble.

In a recent visit, we had the opportunity to tour one of Menlo's main European operations in Eersel, Netherlands and a smaller warehousing operation in Rotterdam. These are detailed below.

Eersel Multi-Client Warehouse and Transportation Management Routing Center

Menlo's Eersel warehouse started as an Emery operation in 1998 for Nike and in 2002 was migrated to Menlo. It is approximately 35,000 square meters and has four separate walled off subdivisions. The ceiling height is 10.6 meters, and Menlo added two 1,400 square meter mezzanine levels in 2007 in one of the warehouse sections to manage order fulfillment for Nike's online Internet store. Menlo is a global lead logistics provider (LLP) for Nike Store and Nike Golf.

Today, Menlo's Eersel facility in total manages 35,000 SKUs, and processes over 500,000 orders per year for 12 different customers.

Menlo is driving "Lean" management principles throughout its organization and Europe is no exception. Inbound warehouse receiving and outbound shipping planning boards are utilized and numerous quality and productivity measures are tracked each day. Its approach is bottom-up quality improvement focused, and Eersel's staff initiated 95 Kaizen (process improvement) events in 2008. The Eersel operation earned Menlo's Silver Lean level (which runs Bronze through Gold) in 2007. It is also ISO 9002 and TAPA certified.

In approximately 3,200 SQM of warehouse subdivision "E", Powerwave network computer equipment is stored in racks. The equipment is received from manufacturing facilities in China and Estonia and Menlo fulfills European business-to-business orders of case and full pallet quantities. Menlo is using its proprietary SIMS warehouse management system (WMS) with interfaced radio frequency (RF) scanners to manage inventory and warehouse tasks for Powerwave. It is also managing all outbound ground and parcel transportation and performing some

Provider Profile

refurbishment and returns management work.

The remainder of the E warehouse subdivision is occupied by Nike Golf storage racks and a multi station pick/pack line, as well as the Nike Store (Nike.com) mezzanine operation. Both Nike Golf and Nike Store operations involve thousands of SKUs and order planners use Menlo's Provia WMS to drive cluster picking. Outbound orders are packed and shipped to retailers, consumers and individual stores. The operation's staffing runs from 60 to 120 people (depending on the season) working in single or double shifts, five days per week.

Menlo began working with a Europe based global health care and home care equipment and devices provider in 2007. It manages approximately 9,000 SKUs of product in 10,000 SQM of warehouse subdivisions "A" and "B". Menlo processes approximately 400 orders per day destined to hospitals, extended care facilities, and service technicians. The operation has a staff of 50 and almost all of the items and products are picked and packed prior to shipping. The service scope from Menlo includes returns processing and also value added services.

MAQUET, another Menlo customer in the health care industry, recently expanded its relationship with Menlo awarding it new warehousing and inbound and outbound transportation management business in Europe for its products manufactured in the United States. The new business will expand MAQUET's footprint in Eersel from its current 3,800 SQM operation to approximately 4,000 SQM in subdivision B. The Eersel facility will process over 10,000 outbound orders annually and perform all warehousing activities for some 350 separate products. The operation for this customer will include warehousing several thousand SKUs of finished goods such as ventilators and cardiovascular monitors and many lines of spare/service parts. Menlo will continue and grow its existing vendor managed inventory (VMI), kitting, and pick/pack operations and additionally the work scope will expand to include the transportation management of outbound orders to customers located in seven European countries.

In a small 3,000 SQM section of warehouse subdivision "D", Menlo is performing light assembly work for Trimble. Trimble is a manufacturer of survey and global positioning equipment. Components used in the assembly are received for short-term storage in nearby racks. Menlo receives daily work orders for 16 different configurations of two types of survey equipment machines from Trimble. It then assembles the machines, tests them to ensure they function properly, and packs them into kits with designated parts and accessories. Provia is used to manage the warehouse and assembly processes and approximately 20 to 40 people are working in the operation in a given day depending on order demand. Approximately 100 orders are processed each day. Menlo is also performing some returns processing as part of the operation.

The 3,000 SQM 3Com finished product warehousing and distribution operation in subdivision "D" was the last stop on our warehouse tour. Menlo receives products including routers, switches, and components such as power cords from 3Com's global suppliers. The inventory is putaway into rack storage. Approximately 80% of the products and components are VMI stock. As orders are received, product is picked and packed for shipping. Menlo is processing several thousand orders per year using its SIMS WMS. It is also processing returns and making software updates to products as value-added services.

The final stop on the Eersel tour was the 10 person transportation management routing center operation. The center is managing pan-European transportation for most of the warehousing customers. Modes handled include full truckload, LTL, small package, ocean and air.

Rotterdam Multi-Client Warehousing Operations

The Rotterdam warehouse is approximately 8,500 SQM and houses operations for Blue Coat Systems, CHEP and NCR. The facility is ISO 9001 certified, Menlo Lean Silver certified, and TAPA certified. It has an approximate staff of 35.

The first operation we reviewed was for Blue Coat Systems. It develops computer network security and management systems for web communications and corresponding applications and began working with Menlo this year. The eight person, 250 SQM operation programs individual network "firewall" systems from 16 work stations. Once programmed, the units are tested, packaged, and shipped. Several hundred units are processed and shipped each week.

Menlo processes approximately 15 orders for NCR point of sale (POS) retail equipment units per day. Menlo configures and programs each machine in a 15 person operation occupying approximately 1,200 SQM.

The rest of the warehouse was dedicated to multiple clients and the Rotterdam CHEP pallet and container hub operation.

Summary

With expanding European, Asian, and North American operations, Menlo has advanced to being a true Tier-One major market supply chain manager. With its Lean management focus, Menlo has been able to attract significant new business even in the current recessionary environment. Its Lean approach is making Menlo especially attractive to high-tech and healthcare vertical industry customers.

Menlo Worldwide Prospers in a "Lean" Environment [To view in full html format, follow this link:

http://www.3plogistics.com/Menlo_NSH_3-2009.htm]

Nashville, TN USA Campus Site Visits

March 23, 2009

Key Personnel:

Gary Kowalski, Chief Operating Officer

Bob Basset, Vice President of Sales and Marketing

Anthony Oliverio, Senior Director of Operations Strategy

Timothy Sroka, Lean Sensei

Jonathan Collier, Facility Manager

Jerome Wanke, Senior Logistics Manager

Overview

With 2008 revenues topping \$1.5 billion and a global workforce of over 6,500, Menlo Worldwide Logistics is a leading U.S.-based third-party logistics provider (3PL). 2007 was a pinnacle year for Menlo. It made acquisitions of Shanghai, China based Chic Logistics and Cougar Logistics in Singapore to position Menlo as a major Asian-Pacific 3PL. In addition, Menlo was selected as the prime contractor for the U.S.

Transportation Command's Defense Transportation Coordination Initiative. The contract was a major win for Menlo over strong competitors and is potentially worth \$1.6 billion.

Provider Profile

Menlo provides customers 3PL and 4PL services, including dedicated and multi-client warehousing; domestic transportation management on four continents, managed international transportation services; as well as a variety of value-added services including: inventory management, light assembly, kitting, foreign trade zone (FTZ) services, labeling, manufacturing support, pick/pack operations, packaging, service parts management, and reverse logistics. Its key customers include: Canon, Cisco Systems, Diebold, Danfoss, Embraer, Ford, General Motors, Hewlett-Packard, IBM, Navistar International, NCR, Network Appliance, Nike, Nortel, Toyota, and the U.S. Department of Defense.

Menlo has embraced the warehouse campus concept. It has transitioned from a customer-driven dedicated warehouse centric strategy to more flexible multi-client warehouse operations and now has more than 60% of its value-added warehousing operations in multi-client facilities. Campuses and multi-client arrangements allow for improved labor management efficiencies.

Menlo Lean Management Process

Menlo has also taken major steps to implement "Lean" management principals across its organization. "Lean" is a methodology that has grown out of major manufacturing companies and considers the expenditure of resources for any other goal than the creation of value for the end customer to be wasteful. Wastes are identified using a technique called Value Stream Mapping and once identified, are targeted for elimination through process improvements (also known as "Kaizen").

Menlo has grown its business using a project-by-project approach. Its overall strategy of standardizing Lean management process improvement principles across its organization and then deploying the requisite technology needed by each project fits well into this approach. It is a process driven operating and management style – enabled by appropriate IT applications – versus an IT driven operating environment. Lean warehouse standardization is intended to: institutionalize lean principles and techniques at the floor level where the work is performed, engage and empower hourly staff to make decisions and eliminate waste. It also focuses on increasing training effectiveness, improving productivity and operational throughput, reducing the total cycle time for new project start ups, and in-turn drives increased customer satisfaction levels.

Each Menlo logistics project starts with an analysis of the current state of operations. Then an improved future state, represented by a Value Stream Map, is developed as an operational goal. The current state is then analyzed and wasteful activities are eliminated to drive toward the future state Value Stream Map. Shikumi diagrams and process flow charting techniques are used to model the improvements. Once the operational processes are optimized, standard work instructions are developed for each individual work process.

As operations are deployed and mature, Menlo staff provide valuable input and feedback driving process improvements. In a Lean operating environment, Kaizen events are used to target process improvement areas. Menlo separates its Kaizen events into two types. "Process Kaizen" events focus on rapid process improvements on the logistics execution side to reduce waste and inefficiencies. "Flow Kaizen" events focus on larger network value-stream process improvements. Examples of Process Kaizen events include: increasing percentages of on-time deliveries, shortening order to fill lead-times, and reducing required inventory levels in a warehouse. Flow Kaizen event examples include: coordinating transportation moves between customers to build round-trip truckload moves and expanding the number of warehouse network campus operations to provide flexible workforces to meet customer needs.

In 2008, Menlo estimates it has saved over \$8 million through its Lean improvement activities which are detailed below.

Menlo's Lean Results	2005	2006	2007	2008
Kaizen Events	75	216	378	463
Assoc. Trained	80	220	1607	1325
Bronze Certifications	1	1	28	12
Silver Certifications	0	0	4	9
Lean Savings	\$1.59M	\$2.27M	\$5.75M	\$8.13M

As process improvements are made, Menlo tracks operational performance through multiple metrics and ongoing customer satisfaction surveys. Menlo provides individual Lean training to its employees and has implemented Bronze, Silver, Gold, and Platinum certification levels based upon specific rating criteria for its warehouse operations.

Nashville Warehouse Site Visit

Menlo has been operating in Nashville for over eight years. A primary customer for Menlo is one of the world's largest copier and office systems manufacturer's, for whom Menlo provides finished goods distribution and transportation management. The first service Menlo performed for this customer was a modeling exercise designed to optimize its U.S. distribution network. The result of this analysis, which Menlo then implemented, was to reduce the customer's overall costs and maintain its customer service levels by rationalizing the domestic network to three distribution centers from eight. After redesigning the network, Menlo began managing all three value-added warehousing operations. Its daily warehousing and distribution services include inventory management, processing orders for copiers, printers, and associated accessories and parts, returns processing, and transportation routing.

In its Nashville, TN campus, Menlo operates a 256,000 square foot dedicated warehouse. The operation employs 48 people and runs in two shifts. Over 14,500 stock keeping units (SKUs) of products, accessories and parts are maintained in on-hand inventory and approximately 665 outbound orders are processed each day. Orders are shipped to over 2,000 end customers. The operation recently received Menlo's Silver Lean Management Certification and participated in 12 Kaizen events in 2008.

As part of the Lean operation, standard work instructions (SWIs) have been developed for all warehouse tasks such as slotting, picking, and replenishment. Warehouse picking is performed to meet carrier pick-up "cut" times.

To support the operation, Menlo has deployed its Provia warehouse management system (WMS). Menlo receives orders every hour from its customer into the WMS for picking. The WMS is fully integrated with radio frequency (RF) devices for coordinated putaway, picking, and overall inventory management.

From Menlo's Lean process improvements, the facility has reduced labor cost per unit by 18% and has realized a 20% improvement in units processed per hour.

Summary

Through its Lean focus, Menlo is attracting new business and making significant process improvement gains that are reducing its customers'

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costs of doing business. Menlo seems to have found a very good business model in targeting high-tech, consumer and retail, heavy industrial, and manufacturing industry customers and developing strategic relationships. As Menlo continues its international expansion, we anticipate that it will leverage its domestic Lean approach in efficiently managing complex global supply chains.

Menlo Worldwide Expands its Domestic China Supply Chain Network [To view in full html format, follow this link:
http://www.3plogistics.com/Menlo-China_2008.htm]
Shanghai, China Site Visits
March, 2008

Key Personnel:

Frank Lange, Vice President of Global Development, Menlo Worldwide Logistics
Johnson Shen, Managing Director, Menlo Worldwide Logistics - China
Anny Wang, Sales Director, Menlo Worldwide Logistics - China
Lim Sau Hong, Operations Director, Menlo Worldwide Logistics - China
Marc Schneider, Director of Global Project Management, Menlo Worldwide Logistics
Thomas Lau, Account Management Director, Menlo Worldwide Logistics
Oliver Han, Operations Manager, Menlo Worldwide Logistics
Bob Basset, Vice President of Sales and Marketing, Menlo Worldwide Logistics
Tom Nightingale, Vice President of Communications and Chief Marketing Officer, Con-way, Inc.

In a recent visit to Shanghai, we had the opportunity to review Menlo Worldwide Logistics' expanding Chinese operations. Menlo Worldwide Logistics has over 45 years of experience in China. In 1962, it established a Hong Kong office and in 1999 Menlo Worldwide Logistics established a wholly-owned subsidiary, Shanghai-Menlo Worldwide Logistics (Shanghai) Company Ltd., in the Waigaoqiao Free Trade Zone. In 2006, Menlo formed a wholly owned foreign enterprise (WFOE) allowing it to provide domestic warehousing and transportation services.

In 2007, Menlo greatly expanded its domestic mainland Chinese supply chain management network through the acquisition of Shanghai based Chic Logistics. Chic was founded in 1997 by now managing director Johnson Shen. According to Frank Lange, vice president of global development for Menlo, Menlo reviewed approximately 150 Chinese based third-party logistics providers (3PLs) before electing to make an offer and finalizing the deal with Chic Logistics. Chic had approximate revenues of \$60 million in 2007 and is a significant domestic Chinese provider of non-asset based transportation management and value-added warehousing services. The combined Menlo/Chic operational resources are detailed below.

Chic Logistics and Menlo Worldwide Logistics Combined Mainland China 3PL Parameters:

Headcount = 1,535
Markets (cities) = 79
Operating Sites = 139
Footprint (m2) = 178,375
Note: Figures exclude Hong Kong
Source: Menlo Worldwide Logistics

Menlo, with its acquisition of Chic, has significant coverage in mainland China with large warehousing and transportation management operations in major cities including Beijing, Chengdu, Guangzhou, Hong Kong, Shanghai, Suzhou, Tianjin, Wuhan, and Xian. These are shown on the map (Figure 1) below. Key customers include B&Q, Bobcat, Braun shavers (Braun GmbH), ICI (Imperial Chemical Industries Limited), Mary Kay, Powerwave Technologies, Volvo, General Motors, and Procter and Gamble.

This network provides Menlo/Chic with good north-south transportation management capabilities for less than truckload and truckload shipments. It is also managing domestic air, in-land barge, and rail shipments for customers. In 2007, Chic managed approximately four million shipments in and between over 700 cities in China primarily utilizing the services of just over 300 contract carriers. In addition to outside carriers, Menlo/Chic has a fleet of 64 owned and dedicated capacity trucks.

The best example of Menlo/Chic's value-added warehousing and distribution capabilities is its Mary Kay cosmetics China operations. Menlo/Chic runs seven distribution centers and 73 Mary Kay direct sales counter operations throughout China. Examples of both operations are detailed in the following paragraphs.

Mary Kay Shanghai Distribution Center

In the Songjiang District of southwest Shanghai, Menlo/Chic is running a 23,000 square meter (247,570 square foot) warehouse for Mary Kay cosmetics. Two-thirds of the warehouse is dedicated to the central distribution center (CDC) operation that manages the replenishment of cosmetics inventories for seven Mary Kay regional distribution centers (RDCs). The Shanghai area RDC operation is collocated in the other third of the warehouse and fulfills orders for the 19 Chic Logistics run Mary Kay counter operations that it supports. All of the outbound transportation is managed by Menlo/Chic using outside carriers and with its own fleet.

The CDC operation is staffed with 18 people responsible for replenishing inventories in Mary Kay's seven China RDCs located in Beijing, Chengdu, Guangzhou, Shanghai, Shenzhen, Wuhan, and Xian. Approximately 1,000 stock keeping units (SKUs) are maintained in on-hand inventory in 2,700 pallet/rack positions. Menlo/Chic's proprietary warehouse management system (WMS) is interfaced with Mary Kay's JD Edwards enterprise resource planning (ERP) to ensure accurate inventory levels and is used in conjunction with radio frequency (RF) devices to manage the CDC work flow.

The Shanghai Mary Kay RDC has a staff of 48 and fulfills approximately 1,500 to 7,000 orders per day. Each order is delivered overnight to 19 Shanghai area direct sales counter operations. Most of the high-volume picking is performed in two main pick modules. Each pick module has seven picking stations and product is picked from cartons in rack positions and placed into cartons on a roller conveyor. Each module utilizes RF devices to increase picking accuracy and a radio frequency identification (RFID) tag is included in each pack out carton to identify the order and the carton contents.

Mary Kay Shanghai Pickup Counter Operation

The 73 pickup counter operations in China are managed by an approximate staff of 200 Menlo/Chic personnel and process 2,000 individual pickup orders per week.

We had the opportunity to visit one of the 19 Shanghai area Mary Kay pickup counter operations. It is located in an office on the fourth floor of a high-rise office building on Xin Zha Road in Shanghai. When you walk into the operation, you see a pickup counter to the immediate right and an open room with many pink Mary Kay sales related postings. Behind the counter in another room are racks containing Mary Kay products received from the RDC.

This is a mid-sized "Class B" operation in terms of order volume and processes approximately 70 pickup orders per week. It is open seven days from 10 A.M. to 6 P.M. Products picked and packed out of the Shanghai RDC by 1 A.M. are delivered to the counter operation by 10 A.M.

Waigaoqiao Multi-Client Logistics Center

A short drive from Shanghai city is the Menlo Waigaoqiao multi-client logistics center. It is a 26,400 square foot secure bonded warehouse operating in the Waigaoqiao Free Trade Zone.

Its main customer is Bobcat Company whose operation occupies 85% of the warehouse. Utilizing a staff of 14, Menlo builds kits of manufacturing parts to order, handles customs clearance and distributes the parts to Bobcat's manufacturing plant in Suzhou. At any given time, 4,000-5,000 SKU's are warehoused for Bobcat. Each kit contains approximately 800-1,000 parts used in manufacturing excavators and steel loaders. The quality of this operation mirrors many of those we have seen within the U.S.

Shanghai Operations Review Summary

Through its acquisition of Chic Logistics, Menlo Worldwide Logistics has taken a significant step in becoming a major 3PL in the domestic Chinese market. The newly combined enterprise is one of the largest players in contract logistics on the mainland and the level of sophistication of its operations is closer to those of Western 3PL operations when compared to most of the manual-intensive Chinese operations we have visited. By leveraging the local expertise and relationships developed by Chic and deploying its information systems, engineering, and contract logistics skill set, Menlo Worldwide Logistics has gained a solid footing for future growth in China. We anticipate that the next step will be to add international transportation management capabilities to this strong domestic compatibility.

Menlo Worldwide [To view in full html format, follow this link: <http://www.3plogistics.com/Menlo-7-06.htm>]
San Mateo, CA - Site Visit
January 20, 2006

Attendees:

Robert Bianco, President
Gary Kowalski, Chief Operating Officer
Bob Basset, V.P. Sales & Marketing
Joseph Tillman, V.P. Finance
Steve Hill, Marketing Manager
Joseph Dagnese, V.P. Consumer & Industrial Group
John Beckett, V.P. Global Operations

Has Menlo lost its edge? While its profit margins have steadily improved, there have been a series of major news stories that have made the marketplace wonder about Menlo's viability as a major 3PL. We went to our recent meeting with top management wondering if Menlo was a rudderless ship adrift and falling behind its fast-moving competitors.

There have been big changes at Menlo. First there were the chronic problems with its red ink air freight forwarding operation, Emery. Emery was finally unloaded to UPS. Then there was the slow process of choosing a new CEO at Menlo's parent company, Con-way, Inc. By the time the new boss was chosen, a cadre of key executives had left the company. What looked like a third strike was the news that GM wanted to take Vector, the joint 4PL venture with Con-way, back in house.

The big stories made us wonder what Menlo's role would be in the new North American limited ConWay. Could there be a Menlo Global without Emery? And who was this new guy, Bob Bianco, the new CEO? Would the loss of Vector reduce Menlo as an automotive 3PL?

Admittedly, I was skeptical after having been confronted with all of this news when I met with the new Menlo executive team. The simple answer to my questions turned out to be that the company is more focused, profitable and better run than the old Menlo.

Over the last two years, Menlo has been quietly re-making itself. The recent big news stories misrepresent where the company is today.

Major changes have been made in Menlo's business model. Menlo has embraced a lean logistics approach which has increased margins while revenues have grown. Last year turnover (gross revenue) reached \$1.34 billion. Net revenue was \$367 million. EBIT was \$47 million (12.8%). Revenues are up 12% and operating income has improved by 16% this year.

A second major change has been the migration away from single-client, contract logistics warehouse operations. Sixty percent of Menlo's customers are now in multi-client facilities. These operations are primarily at campuses with 3-5 buildings and flexible space for growth. The multi-client locations allow for allocating work forces in two-hour increments to meet client needs.

This flexibility is particularly evident at the Menlo Fremont, CA. campus. This operation benefits from quarterly and year-end peak variations among high-tech clients, allowing for particularly effective employee participation. Under the lean philosophy, team leaders own processes and designated areas within warehouses. All employees including hourly people get bonuses. Managers are incented for a significant portion of total compensation at all the Menlo campuses. Kaizen Events and continuous process improvement are now standard operating procedure. Other campuses employing Menlo's new lean philosophy include Atlanta, Chicago, Memphis, Nashville, Eersel (Netherlands), Shanghai and Mexico City.

Complimenting Menlo's improvement in warehousing is its expanded transportation management capability. Menlo's centralized TM operation is in Aurora, IL. It employs 150 people. These transportation coordinators each handle 50 loads a day on average. A quarter of the

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employees are cross trained and multi-client capable. Menlo uses its own LMS software, G-Log and other software to support the Aurora operations.

Global Transportation Management is replacing Emery's international freight forwarding ability. Menlo simply manages global air freight and ocean freight shipments for its clients using major global forwarders to handle shipments. The approach is a standard 3PL cooperate/compete as necessary service, common in automotive logistics.

Menlo does have significant operations in Europe and Asia. The overseas headquarters are in Amsterdam, Netherlands and Singapore. (These operations are described in site visit reports in Menlo's profile in Who's Who In Logistics.)

Menlo's overseas operations resulted largely from following its customer's activities. The expansion has been particularly successful because of Menlo's emphasis on the high-tech, automotive and consumer goods verticals.

For many of its customers, Menlo is a lead logistics provider and supply chain manager. It usually manages inbound transportation, warehousing, including inventory management and other value-adds, and distribution to customers. For Phoenix Brands, its role has expanded to include order planning, designing the product flow network and establishing 6 distribution centers. For a major sporting goods manufacturer, Menlo manages all the transportation events, warehousing, distribution and assembly of golf clubs. All logistics costs for this unique operation are charged on a "cost per club" basis.

The Fremont Campus consists of four buildings with 280,000 square feet and the option to expand into 80,000 more. These facilities are filled with Silicon Valley, high-tech customers.

One major OEM supported by Menlo at the Fremont campus manufactures sophisticated and expensive machinery used by the major semi-conductor manufacturers to produce semi-conductors from silicon wafers. For this OEM, Menlo handles raw materials, manages inventory, does just-in-time delivery to the assembly line, performs complex kitting, and ships the final product. In addition, Menlo provides transportation management including international forwarding control. Menlo provides similar services for other clients at the Fremont campus.

The Fremont campus has 135 full-time hourly warehousemen and 24 salaried staff. 95 temporary employees are utilized. Teamwork and morale is very good and productivity is high. As pointed out above, team leaders "own" processes and warehouse locations. Pay levels are better than those for most warehousing operations and employees receive yearly bonuses around Christmas. All full-time employees have the same medical benefits. In addition to English, 16 other native languages are spoken in the warehouse. Potluck dinners tend to be diverse and tasty.

Employees are heavily cross-trained. They are regularly moved to meet the most current customer requirements. Work quality and performance updates are posted throughout the warehouses.

A special feature of one warehouse is a large, Menlo operated clean room for working with semi conductors. TAPA security is tight within the campus and it is TS 16949 compliant.

Rock Magnan (Menlo Director of Operations), and his staff are currently experimenting with RFID, an inventory tracking model and personal device assistants (PDAs). The PDAs are scanners, cameras and Blackberries for warehousemen. LCAS, a logistics control assistance system, is used for tracking quality issues and doing root cause analysis. This system is a key tool for organizing Kaizen Events. Using these tools, Magnan and his staff memorialize improvements which are reported to customers. (For more on Menlo's warehousing operations, see "Menlo Gets Lean" in Menlo's profile in Who's Who In Logistics – North America. The article is a good description of the Great Lakes Lean Logistics Center.)

The new team at Menlo is clear about what it wants to accomplish. There is an emphasis on polishing vertical competencies and controlled global expansion. The new Menlo is more focused and less inclined to choose opportunities that don't match up. The improving financial results reflect the change.

Bob Bianco, the new CEO, is 42 years old. He has 20 years in the business. Bianco has a good grasp of third-party operations and the financial aspects of the business. He's a relatively low key team leader.

Gary Kowalski, COO, has over a dozen years with Con-way. Gary spent several years with GM in manufacturing operations, where he developed an appreciation for, and commitment to the Lean philosophy. Gary then served as President of Vector, building that business, before taking over as COO of Menlo Worldwide.

Other critically important line vice presidents are John Beckett, V.P. Global operations, Joe Dagnese, V.P. Consumer & Industrial Group, Greg Lehmkuhl, V.P. Automotive Group, Lonny Warner, V.P. High Tech Group, and Todd Johnson, V.P. International. Beckett knows the individual operations, tracks their results and is consistently involved in driving positive change through ongoing Kaizen events. Dagnese is strong on transportation management operations. He runs a tight ship for his vertical, and is leading Menlo's search for new verticals.

In summary, Bianco and his team have largely remade Menlo. This 3PL is better than it was 2-3 years ago. You can forget the negative press – Menlo is ready to play. The ship has a new crew and the captain can do the job.

Con-way / Menlo Worldwide Logistics [Merrill Lynch, Transport Thoughts, May 19, 2009]

Robert Bianco - President - Menlo Worldwide Logistics
Gary Kowalski - Chief Operating Officer - Menlo Worldwide Logistics
Frank Lange - VP, Global Development - Menlo Worldwide Logistics
Todd Johnson - VP, International Operations - Menlo Worldwide Logistics
Jess Goldberg - VP North Asia - Menlo Worldwide Logistics
Thomas Lau - Account Manager Director - Menlo Worldwide Logistics
Wang Huimin - Shanghai & Jiangsu Territory Manager- Menlo Logistics
James Wu - Logistics Manager - Account Manager - Menlo Worldwide Logistics

1% of Con-way, Inc.'s revenues are derived from China: Con-way had \$5.0 billion in revenues, 26,000 employees, and 10,500 tractors/trucks, and 33,800 trailers. Menlo Logistics' revenues were \$1.5 billion, or about 30% of Con-way's total (10% is Truckload and 60% is LTL). The division focuses on warehousing and transportation management. About 87% of its revenues are domiciled in America, 7% in Asia/Pacific, and 6% in Europe. As it targets gross revenues to fall to \$1.3 billion in 2009, it expects about \$100 million in revenues derived in Asia (7% of \$1.3 billion). Of the \$100 million in Asia Pacific revenues, about 40% is from China/Hong Kong/Taiwan, while 60% is from Singapore, Malaysia, Thailand, India, and Australia. Of the \$40 million in gross 2009e China revenues, 95% is purely domestic China services.

Of its \$1.5 billion in global gross 2008 revenues, Menlo Logistics spent \$1.0 billion on transportation (moving 3.3 million shipments) and it offers 18 million square feet of warehousing (which accounted for most of the remaining \$500 million in revenues). Of its \$1 billion

transportation spend, \$600 million is on truckload and \$300 million is on LTL.

Within Asia Pacific, Menlo Logistics has 164 locations covering 6 countries, 3.9 million square feet of warehousing, and 2,000 employees (at warehousing). Within Warehousing, it offers dedicated, multi-client, and temperature controlled services. Within Transport Management, it offers Domestic, Forwarding, and Cross Docking services. Domestic transport includes multi-modal (truck, air, barge, rail, dangerous goods), dedicated trucking network (mix of owned, dedicated contractors, and adhoc capacity), and full load and part (LTL) load services.

In 2008, Net revenues jumped from \$446 million to \$510 million, up 14.4% year-over-year, as new contracts fueled international expansion. New contracts jumped to 85 from 61 in 2007 and 43 in 2006. The group boosted its industry win rate to 46 from 41 in 2007 and 28 in 2006.

Offers tiered services. Menlo Logistics has three levels of services, ranging in structure from tactical to strategic, with (1) Discrete logistics services = 20% of total Menlo (transactional; includes multi-client warehousing, transportation management, and brokerage services), (2) 3PL = 60% of total Menlo (operates regional logistics projects that integrate discrete services, and (3) 4PL = 20% of total Menlo and is fastest growing segment (strategic design, implementation, and management of complex supply chains).

Menlo Worldwide began in Hong Kong in 1962. Menlo's founders established a Hong Kong office in 1962, a mainland China presence in 1983, and Chic Logistics (which Menlo purchased in 2007) began in Shanghai in 1997. In 1999, Menlo Worldwide opened its own office in Shanghai, and completed its integration of Chic in 2008. It has 322 tractors (owned, leased, and subcontracted), 640 trailers, 105 company drivers, and 125 carrier relationships.

Key end markets: Menlo Logistics focuses on a few end markets, including Automotive (smallest), Fast moving consumer goods (largest), High tech, Retail products, and industrial products.

Within China, connects 11 cities: With its head office in Shanghai, Menlo Logistics has 10 regional branches, covering Beijing, Tianjin, Suzhou, Guangzhou, Shenzhen, Hong Kong, Taiwan, Wuhan, Chengdu, and Xi An.

Key warehousing clients, with most services for domestic needs, include: B&Q, General Motors, ICI Paints, Kraft Foods, Mary Kay, PVM, Powerwave, and PPG.

- Menlo's management noted it is winning business at a record pace as companies look to outsource more in a recession. The recession has opened the pipeline larger today versus a year ago.

- Took a year to convert Chic onto Menlo's platform, but integration is now complete (its only acquisition since it launched the business in 1993). It has standard systems and processes in place, and is working on a LEAN culture. This was quite evident in the facilities we toured. Other logistics companies have gotten into trouble with too many acquisitions, they take a lot of time to adapt to proper systems and processes. Similarly, Menlo lost a lot of initial Chic customers, which represented the large writedown last year, as it eliminated a portion of its intangibles and goodwill for its acquisition. Thus, Menlo remains on an organic growth path for now.

- Noted it wins business on its service levels, not on pricing, as there are always regional/mom-pop operators willing to do for lower cost (on average about 30% less), but cannot provide the same level of service. 80% of Chinese trucking firms have fewer than 5 trucks and do not follow standard safety guidelines.

- Its focus is on logistics (warehousing and transportation management), not on forwarding.

- Menlo Logistics is focused on consumer demand within China as its main target segment. It has very little exposure to heavy manufacturing industries which have been hit hardest by downturn. It focuses on multinational companies with domestic operations (98% of its operations), to help them locally, and has just started to engage local customers.

- Competitively for bids, it noted that within Asia, it faces regional carriers Toll/Stadia, IDS, CML, Proctor & Gamble Logistics, Kerry Logistics, and multinationals APL, DHL/Exel (10% of the time), CEVA (formerly Eagle Global), and rarely sees UPS in the logistics market (recall that Con-way sold UPS its Menlo Forwarding division, renamed UPS Supply Chain Services), but not its Menlo Logistics (warehousing, transportation management services). Outside China, it noted it faces DHL in nearly 70% of the bids.

- While the domestic market was "on fire," the Guangdong region for export was effectively "dead," according to management.

- Top 10 customers represent 45% of revenues, but much less of net revenues as transportation costs are a large portion of spend.

Xin Qiao Warehouse Tour

We also toured Menlo Worldwide Logistics Xin Qiao Warehouse facility, which consists of 2 blocks of single story warehouse (24,000 sq meters) and administration office (1,400 sq meters). The facility had 7,800 selective pallet racking locations, 21 bays gravity flow racks, and conveyor and automated takeaway conveyor system. One-third of the location serves as a Central Distribution Center for Mary Kay, a retail/direct sales client (CDC, which receives pallets/goods directly from manufacturers), and then twice a week, distributes pre-set pallets to the 7 Regional Distribution Centers (RDC's), which was represented by another one-third of this Shanghai facility. The remaining third of the facility was used by other contractual customers.

Diebold Cashes in as It Outsources More and More [By Thomas A. Foster, Global Logistics & Supply Chain Strategies, May 7, 2009]

...Menlo operates all three of Diebold's regional DCs. Two are dedicated and one is a shared facility.

The DCs are in Tolleson, Ariz.; Pataskala, Ohio; and Greensboro, N.C.

An Evolving Role

While Menlo's original roles were to drive transformation of transportation management and network optimization to gain cost efficiencies and service improvements, it is increasingly operating as a lead logistics provider (LLP).

In this role, Menlo works in close concert with Diebold's corporate staff to provide supply chain expertise and sophisticated IT tools. Menlo's capabilities allow Diebold to perform value stream mapping—analyzing the end-to-end supply chain to see what value and cost are incurred by each activity and supply chain partner.

"By working backwards through the value stream from customer delivery to the supplier, opportunities for optimizing value and minimizing cost to all the stakeholders become much clearer," says Kushmaul. "We are doing a much better job of synchronizing sourcing and production to meet demand requirements."

Menlo's IT systems provide Diebold with a true vision of what is happening throughout its supply chain, and this capability has been the most important contribution that Menlo has made, both as a 3PL and LLP, according to Kushmaul.

"Having this IT capability has been like entering a dark house and turning on the lights as you move from room to room," he says. "We see

our operations more clearly than ever before, and we are finding opportunities to streamline our supply chain every day.”

Diebold is rapidly increasing its global business, so its relationship with Menlo is becoming even more important. As one of the world’s largest 3PLs, Menlo is a major buyer of international transportation services. Diebold can tap into Menlo’s global logistics expertise, or it can leverage Menlo’s worldwide volume to gain better rates and contracts.

For example, when Diebold bids out its ocean volume, Menlo collects all the requests for proposal information from the carriers and brings them to Diebold. Menlo analyzes the data for Diebold’s review and the final award of the ocean contracts. In some cases, however, Menlo actually holds the contracts in its name, especially where they are able to leverage the volume of other shippers.

“My team oversees the governance and compliance on our end to make sure that everything that happens is in the best interest of Diebold and that we are in compliance with our own policies,” says Kushmaul. “The hands-on logistics activity is managed by Menlo as our 4PL. The oversight, the governance and compliance are managed by Diebold.”

Global Expertise

Diebold is now integrating Menlo’s detailed global expertise into its logistics team, especially as it covers foreign countries where country-specific knowledge is crucial to serving these markets.

“We are finding regional synergies with carriers, new ways to serve manufacturing plants and better ways to optimize our distribution network,” says Kushmaul. The LLP activity that Menlo brings is centered on this approach of finding value through better information.”

As Diebold’s LLP, Menlo is increasingly assuming responsibility for projects, work streams, operating plans and management of service providers executing logistics functions, with the goal of further streamlining Diebold’s global supply chain, reducing logistics costs and improving product velocity and delivery.

“Menlo’s expanded responsibilities are especially focused on global warehouse network rationalization and optimization, and implementation of processes to identify and reduce waste and inefficiency,” says Kushmaul.

Diebold’s international network consists of a manufacturing plant in North Carolina that supports the globe, a plant in Budapest, Hungary, that primarily supports the Europe and Africa, and plants in Shanghai; Goha, India; and Brazil. Some plants make ATMs just for their region of the world and others make unique models to supply the global market. In Budapest, Diebold also has a warehouse managed by Menlo that serves Europe and other global markets.

Diebold has two paths for global distribution. It uses distributors for emerging markets such as Russia, Kazakhstan and Saudi Arabia. For established markets such as in Europe and parts of Asia, it ships from its plants to company-owned sales and service entities that handle final preparation and installation, as well as after-sales service. All service parts originate in the U.S. and are shipped globally through the Menlo transportation network.

Menlo has also been helping Diebold lower its foreign sourcing and inbound transportation costs. For example, after analyzing the pricing of inbound product from offshore suppliers that sold on Incoterms DDU [delivered duty unpaid], Menlo determined that the embedded logistics costs were too high. Menlo showed Diebold how it could buy the transportation for less than the supplier was charging if it changed the terms of sale.

But doing business in these emerging nations adds additional complexity. Such markets are literally a different world that requires a supply chain that can adapt to varying logistics requirements and customer needs. Change management is needed to be successful in building these markets, but it is equally important to understand and respect what is important to customers, suppliers and service partners to allow the change to happen. By working with Menlo’s experience in these emerging markets, Diebold has been able to create a vision where each party understands its role and responsibilities and can focus on customer satisfaction.

Emerging markets such as Russia and the CIS countries are huge opportunities for Diebold’s growth, according to Kushmaul, if the company can build the right infrastructure to manage those opportunities.

“Just as we optimized our North American network over the past year or two, we will do the same network reconfiguration in Europe and other markets in 2009,” he says.

Incremental Improvements

Diebold has already started to find incremental improvements by making changes to its supply chain operations outside the U.S. For example, Diebold is shifting away from a decentralized transportation model where each country organization chooses and manages its own freight forwarders and carriers. Instead, Diebold is centralizing the transportation responsibility under a Menlo transportation management team.

“We are able to leverage our spend across many markets with Menlo, which gives better rates to all of our country organizations,” says Kushmaul. “The challenge is to show our many foreign divisions that this change is beneficial to them.”

The divisions are giving up some hands-on control of orders and shipments, but they are gaining better rates and service throughout their network with Menlo managing the transportation. The division maintains the ability to review and audit invoices and to have oversight of transportation on their P&L statements, and they are relieved of the burden of managing carriers and 3PLs.

“By working with one logistics organization that provides total online transportation visibility, the divisions can track shipments and get delivery time updates from every carrier or forwarder from the Menlo TMS system. Any delay produces an advanced notice that can be passed on to the customer before the shipment is actually late. Or, the Diebold office can request expedited delivery through the Menlo routing center.

“Supply chain visibility extends to all warehouses in our network, including the three U.S. DCs, the Budapest warehouse or a consolidation center like the one we have in Greensboro, N.C., that is run by Schenker,” says Kushmaul. “Visibility includes shipments and inventory at rest in these facilities.”

Diebold has extended Menlo’s TMS capability to its Chinese domestic shipments, so it has full visibility into transportation costs and lead-times for delivery from Chinese suppliers into its Shanghai plant.

Kushmaul explains that its growing relationship with Menlo has been a journey where each success leads to another improvement.

“Without the three Menlo DCs, I would not have the opportunity to optimize transportation by converting LTL to TL shipments and milk runs,” says Kushmaul. “It is a never-ending process. When you have data, you see optimization opportunities and you can make the changes that make a huge impact in the transportation costs and the other logistics costs.”

The expanded work scope calls for Menlo to work with Diebold’s executive supply chain management team to further examine and recommend improvements to Diebold’s global logistics infrastructure, particularly its network of warehousing and fulfillment operations, initially in North America and Europe. As an LLP, Menlo will help Diebold redesign its global logistics footprint by analyzing material and information

flows, physical network layout and capacity needs, and then recommending new solutions and designs to streamline functional execution, operations and service.

Like many successful multinational manufacturing companies, Diebold has adopted a global strategy of employing best-of-breed logistics expertise from key providers, while focusing internal resources on the core competencies of designing, manufacturing and marketing its products. Diebold's work with Menlo has enabled the company to strategically re-engineer portions of its supply chain to derive better cost visibility and performance.

"We look forward to continuing our close relationship, and leveraging Menlo's expanded role into further benefits that improve supply chain speed and efficiency," says Kushmaul. "Together, we continue to lower our costs and increase our competitive advantage worldwide."

Menlo Worldwide Logistics Signs Contract With Curves International

3PL's Multi-Client Network Warehouse Management Solution Streamlines Operations in Australia and New Zealand; Offers Increased Efficiency and Flexibility

SAN MATEO, CA--(Marketwire - May 5, 2009) - Menlo Worldwide Logistics, the global logistics subsidiary of Con-way Inc. (NYSE: CNW), today announced it has gained Curves International as a new customer for its warehouse management and distribution services.

The global franchiser of women's fitness and weight loss centers is consolidating warehouses in Australia and New Zealand. It has retained Menlo to deploy its multi-client network warehouse management solution to reduce the complexity of managing inventory and improve order fill rates. Menlo is also providing transportation management services.

Following an analysis of its supply chain to determine the optimal number of facilities and strategic locations, Menlo consolidated Curves' operations to its 31,600-square-foot multi-client warehouse in Sydney near Port Botany. Curves will use approximately 25,000 square feet of warehouse space to house between 800 and 1,000 SKUs, which include replacement exercise equipment and spare parts, workout and casual apparel, diet aids, food supplements and other promotional items.

"Curves has a presence in 70 countries today, and we were looking for a provider with a similar international footprint and the experience to help us better optimize our supply chain to drive operational results," said Jim Johnson, chief operating officer, Curves International. "Initially, warehousing in Australia and New Zealand required our attention and Menlo quickly and professionally addressed our needs -- their multi-client facility and modifications to our carrier network have greatly improved our efficiency. They've brought a lot of expertise to the table and our relationship with them has been invaluable."

The engagement between Menlo and Curves also includes transportation management services. Menlo will manage inbound transportation from the ports to the warehouse and outbound transportation to fitness centers in both countries. By leveraging Menlo's asset-light business model, Curves no longer is saddled with a fixed-cost infrastructure for transportation, warehousing and distribution. Through Menlo, it is able to reduce the number of carriers servicing its fitness locations, and leverage more cost-effective pricing and appropriate modes of transportation.

Menlo's multi-client warehouse management solution also offers flexibility in contract commitment length, the ability to share existing IT platforms, an experienced management and labor infrastructure, requisite equipment and assets, and a more extensive geographic network of pre-configured warehouse operations.

"By consolidating into our multi-client facility in Sydney, Curves gained greater control over inventory levels and is delivering improved service to locations throughout New Zealand and Australia," said Robert L. Bianco Jr., president, Menlo Worldwide Logistics. "We look forward to working with them to explore additional opportunities to help them further optimize their supply chain and successfully grow their global operations."

In addition to Sydney, Menlo has multi-client facilities in Mexico, Canada, Asia and Europe. U.S. locations include Atlanta; Dallas; Aurora, Ill.; Cranbury, N.J.; Fontana and Fremont, Calif.; and Portland, Ore.