

UPS Supply Chain Solutions

**New Trends in Logistics and
Supply Chain Management**

Jeff Fairbairn

Managing Director - Australia



Agenda

- **UPS at the 2008 Beijing Olympics.**
- **UPS snapshot and UPS in China.**
- **Developments we see in Supply Chain Management globally.**



北京2008年奥运会物流和快递赞助商
Official Logistics and Express Delivery Sponsor
of the Beijing 2008 Olympic Games

UPS Engagement with BOCOG- Summary of Service Items



- **Olympic Logistics Center (includes Marshalling and Logistics Command Center)**
- **Olympic Venues Logistics Operation (includes test events)**
- **Olympic Villages Logistics Service**
- **Games Time Express Milk Run**
- **Ticket Material Delivery**
- **Consulting**
- **IT System**
- **Boat Transportation**
- **Support for the recent torch relay.**



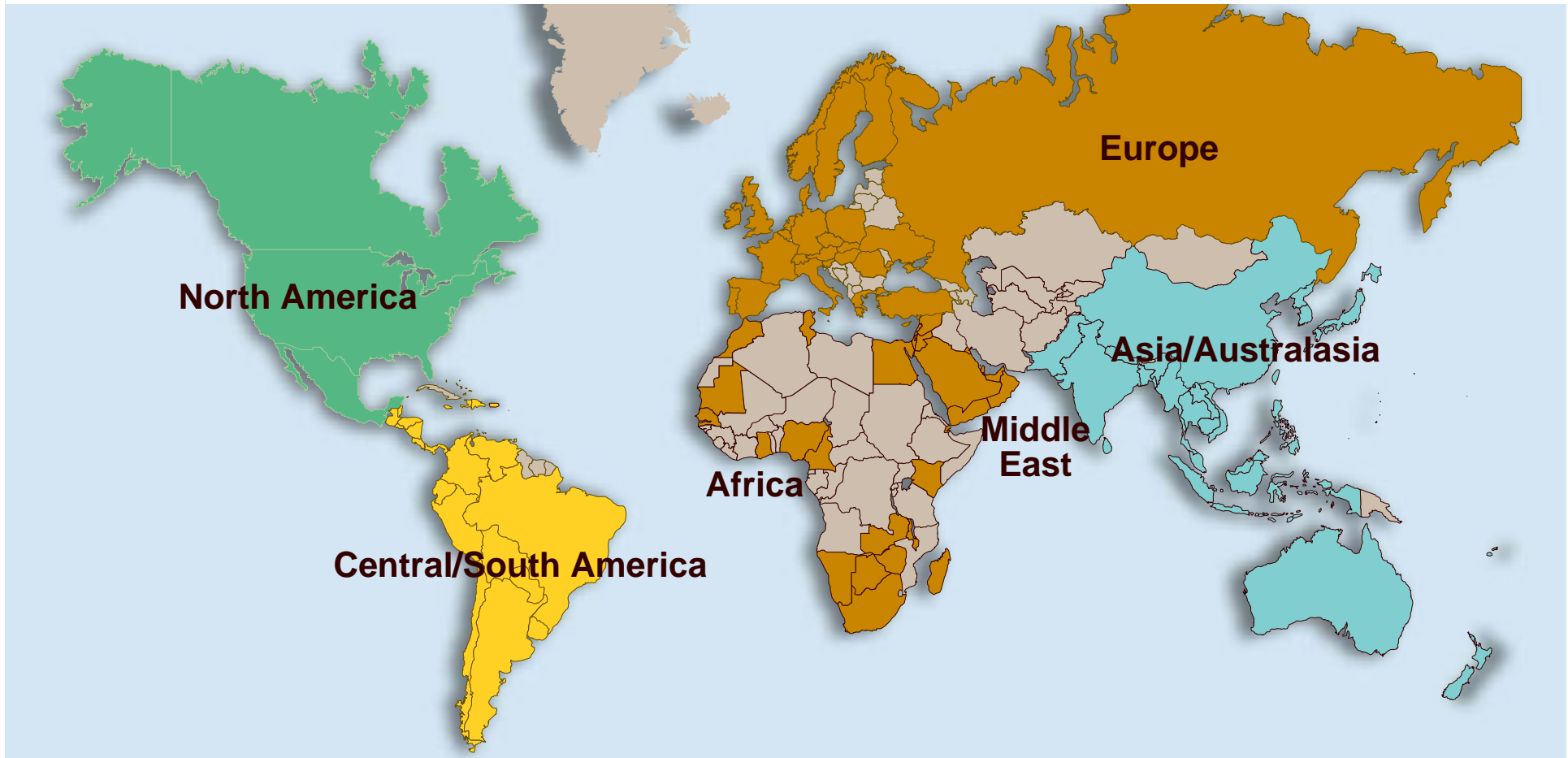
OLC - The Heart of Beijing Games Logistics



- **Located in the Airport Logistics Park in Shunyi District of Beijing**
- **Over 1 million sq ft - 4 warehouses; 1 marshalling and security clearance yard for vehicles**
- **16 Freight elevators and 112 loading and unloading platforms**

Global Reach

Network of over 930 facilities in more than 220 countries.



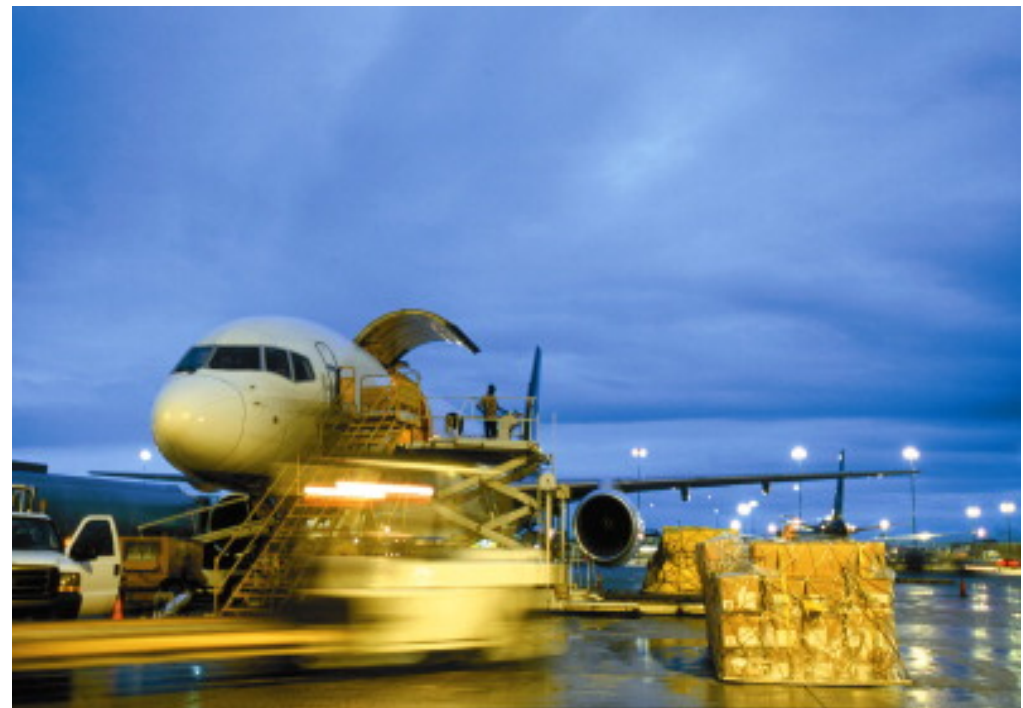
Overview of UPS China



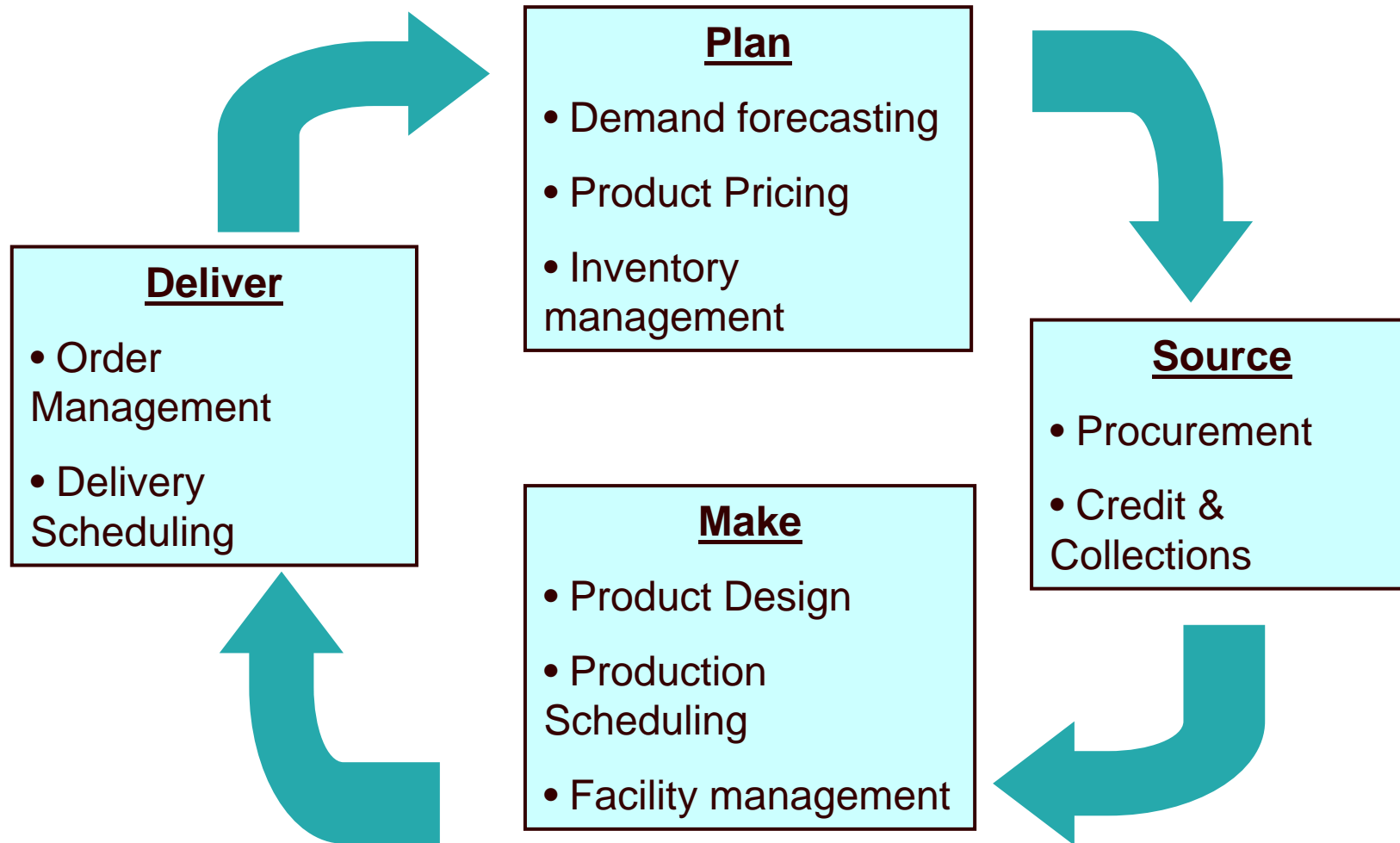
The evolution of “Logistics”



- “Logistics” is one of those widely used terms that refers to a variety of different operations.
- Typically logistics refers to activities that occur within the boundaries of a single organization.
- Logistics focuses its attention on activities such as procurement, distribution, maintenance, inventory management and even manufacturing.



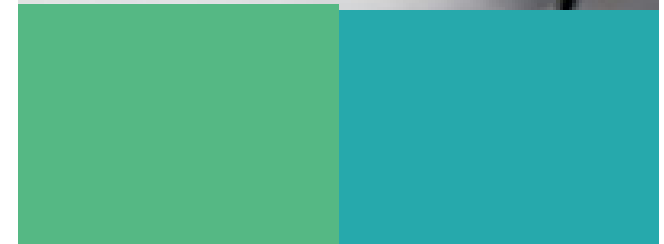
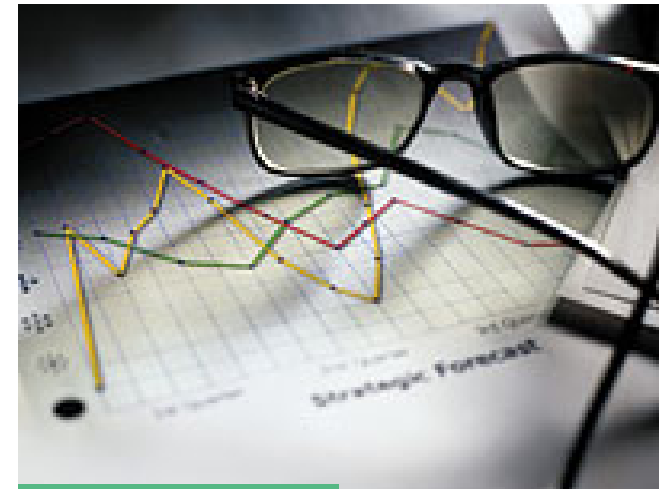
Four categories of Supply Chain Operations



Source: Essentials of Supply Chain Management, Michael Hugo

Supply Chains and Financial performance

- Inventory spread across the world
- Assets are in constant motion
- How well you deliver products when and where customer need them, and do so with a minimum of inventory buildup, and at a minimum cost...strongly impacts financial performance.



Supply Chain Affect on Market Capitalization

Wall Street is watching supply chain metrics

Nokia's average production and selling costs are 18% below those of its rivals.



“An efficient supply chain translates into competitive advantage. If I can get to market faster, cheaper, before my competition, with a better product, of course, I am going to be the market leader in that segment.”

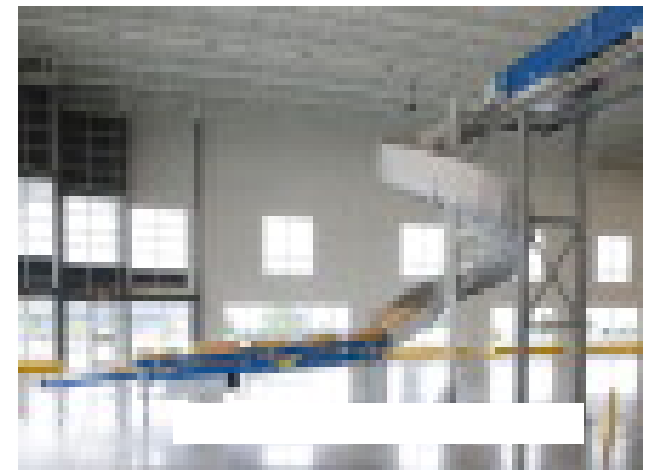
Anonymous CFO, Electronics Supply and Manufacturing,
October 2005

The Battle of the Supply Chains

Supply Chain competency stimulates shareholder value

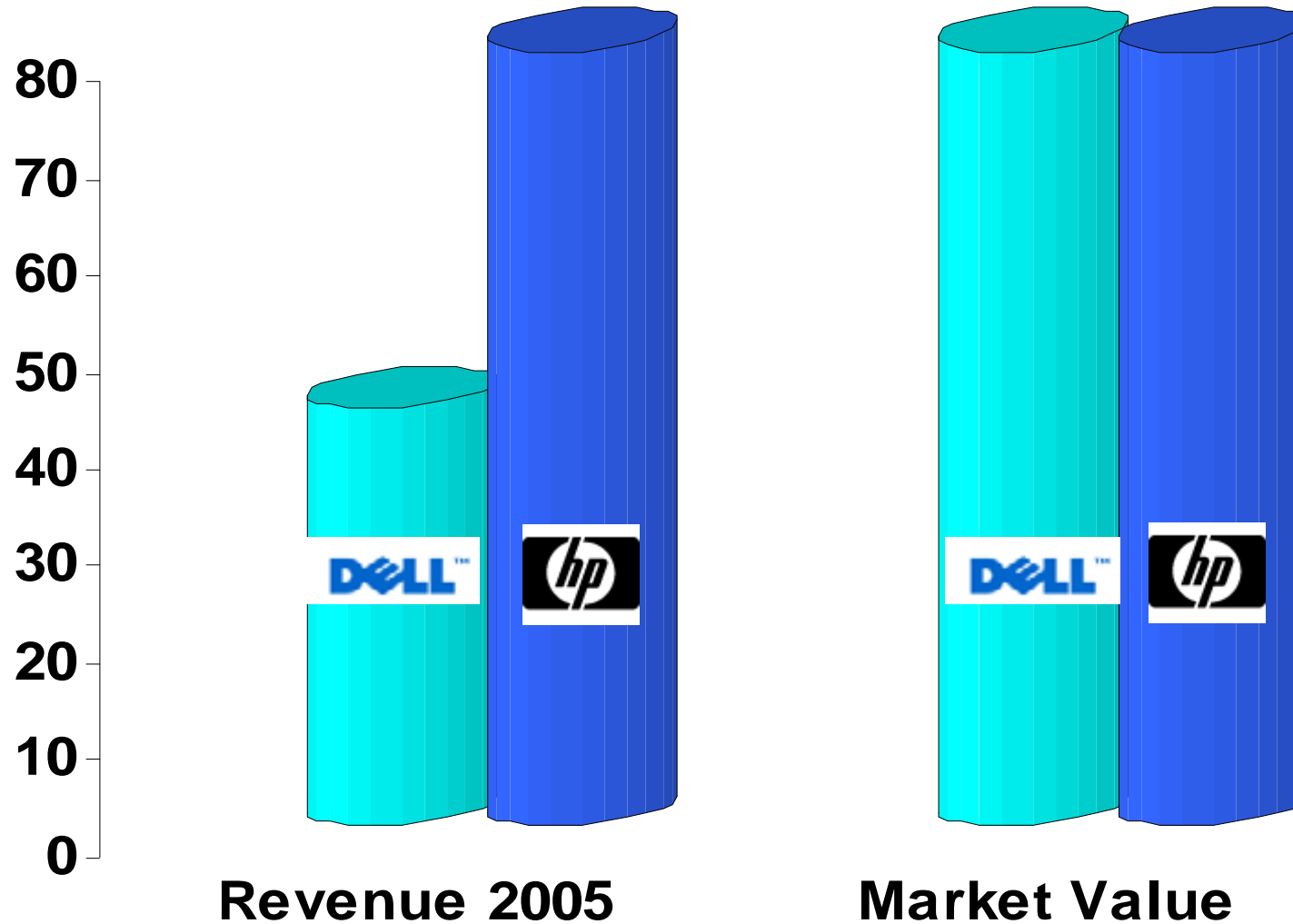
According to Booz Allen, a leading global consulting firm :

Companies that make the biggest financial commitment to supply chain management also get the most back.

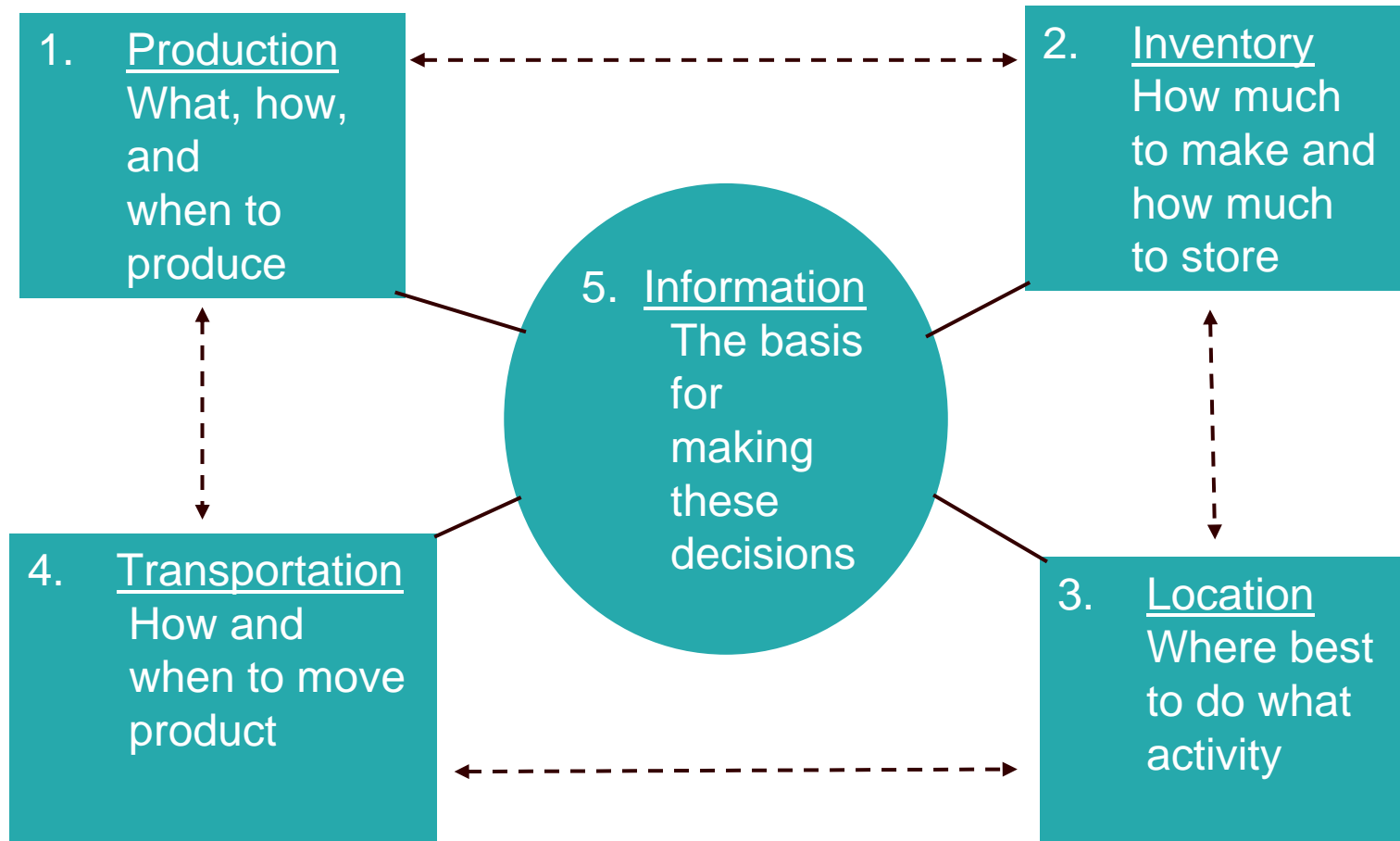


The Battle of the Supply Chains

Supply Chain competency becomes a cash flow tool



The Five Major Supply Chain Drivers



Source: Essentials of Supply Chain Management, Michael Hugo

Supply Chains Reduce Business Cycles

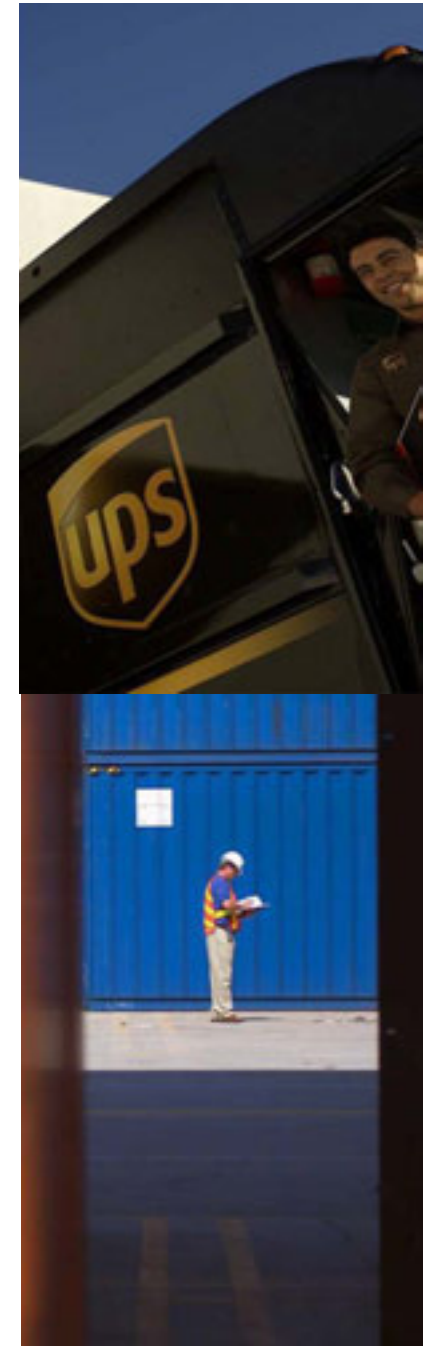


Benefits

- Increases responsiveness to market demand of the flow of inputs into production
- Reduces investment in inventory
- Frees up capital for other uses
- Higher velocity of inventory transfer creates demand for more services

Value of Supply Chain Strategies

- By a margin of 79% to 21% senior corporate executive agreed that effective management of their supply chains would have a large impact on the ability of the companies to achieve future strategic objectives
- 37% say the most important supply chain objective was to stimulate sales and increase market share
- 66% said they are still managing supply chains in-house
- 33% said their companies suffer from “unclear lines of authority” for supply chain management



The Supply Chain's Power

Research of the last 10 years has shown:

- The supply chain can directly impact, on average, 75% of a business' operating results
- Corporations identified as having best-in-class SCM practices manifested market cap growth 7-26% above industry average
- Companies identified as having poor supply chain operations experienced market cap growth 2-25 percent below their peers

**Supply chains
require lines
of business to
act in concert
vs. the
traditional
silo structure.**



Supply Chains Essentials

All the right elements should be in sync



- Visibility through technology
 - Better supply chain coordination/control
- Collaboration
 - The right partners can help to create value
- Funds
 - Visibility and collaboration with the right partners mitigate risks and provide innovative ways of funding today's global supply chains

Linking Through Globalization

Bringing together people and businesses

Growth in world trade has exceeded the rate of output every year since 1950

1973 - 1999: World trade grew at an annual rate nearly **three** times higher than world GDP

Trade to GDP Ratio:

- U.S.: tripled since 1970
- World: doubled since 1970



Supply chains wrap around the world



“Supply Chain” is contradictory

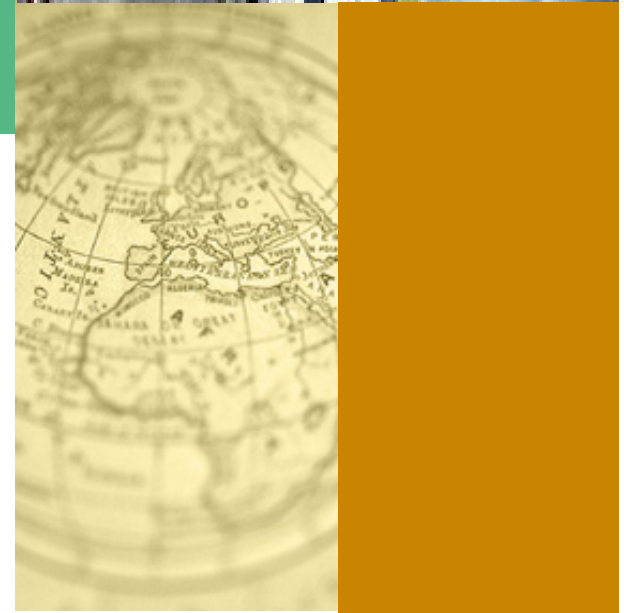
A supply chain must always bend, give, contort in any direction, and reshape to match the business landscape.



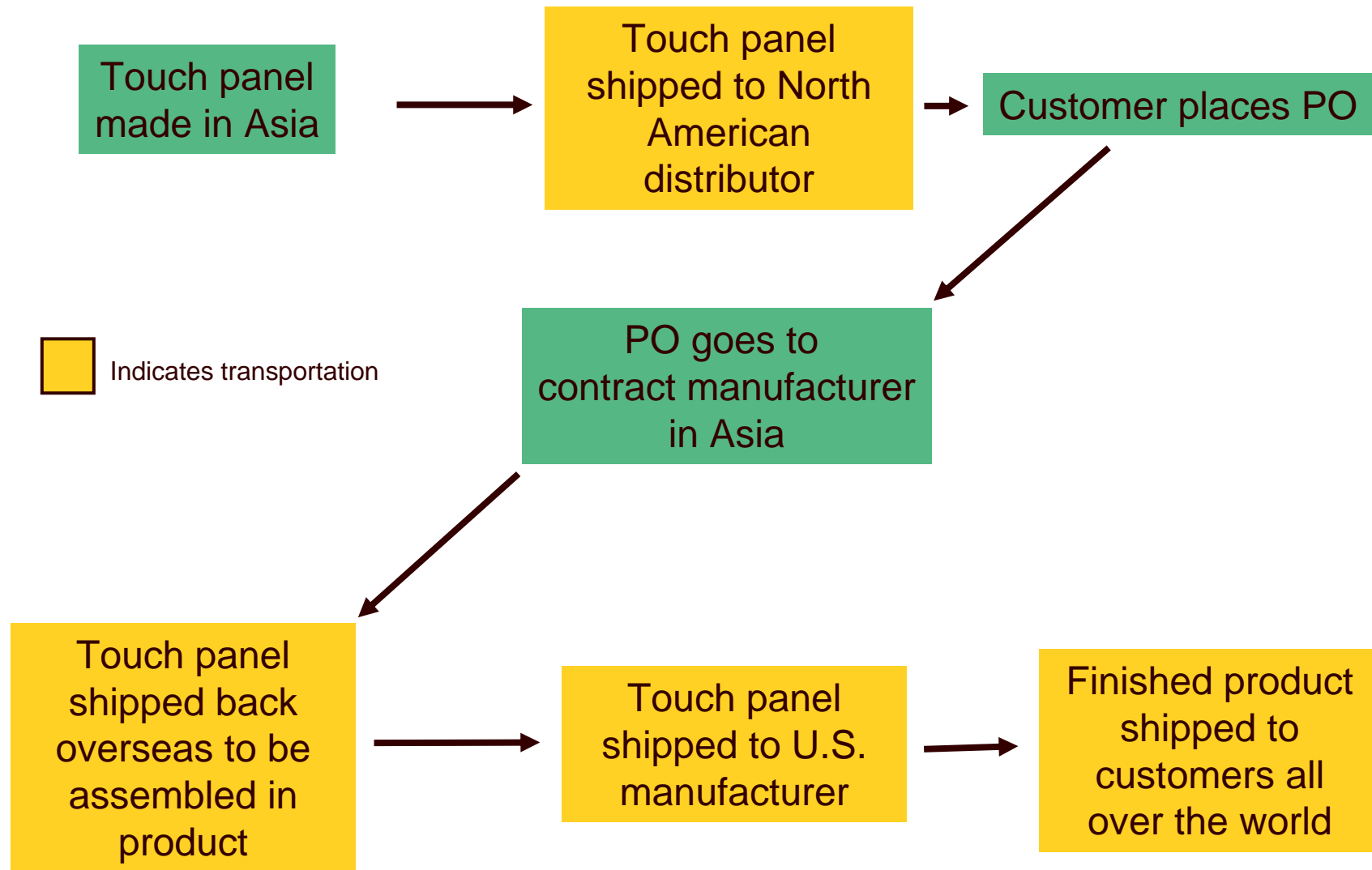
In the supply bungee cord...partners quickly come and go

Do longer supply chains = more risk?

Today's supply chains can be likened to long conveyor belts with operations spread across the world.



Supply Chain gymnastics create efficiency



The Supply Chain Stretch Is Well Underway



- Changes in the management of supply chains have helped create an outsourced logistics market estimated to be \$800 billion with a 18% annual growth.
- This is good news for all collaborating partners when companies like UPS help with the visibility and physical possession of goods.



What's Needed



Visibility



Collaboration/Partnerships



Financial Support

In closing some key point to consider.....



- China is important to us all today. Understand your partners capabilities in this vital market.
- Logistics to supply chains – constantly evolving and changing.
- Collaboration with partners. Flexible but solid.
- Technology consistent capabilities across the supply chain that delivers visibility.