

Executive Corner

Welcome to our latest issue of Client Connection. I want to personally thank all of our customers who sent e-mails and letters about our initial issue. We realize that your time is valuable and we certainly appreciate you taking time to tell us how helpful you found the information we provided. Whether it's about our Client Connection

or any other issues you wish to raise, don't hesitate to contact me or any member of the management team at Data2Logistics.

Sincerely,

Daniel P. Ryan
CEO

Small Package Myths

For years, we have heard FedEx and UPS emphasize the importance of guaranteed on-time delivery. FedEx built its brand around service performance refunds. In order to compete with FedEx, UPS felt they also had to offer guarantees. Now, these carriers are telling their customers to waive these guarantees as part of their new contract negotiations. Has guaranteed on-time delivery become less important? What's the motivation for FedEx and UPS to pressure their customers to give up those guarantees?

The answer is found in basic economics – they can keep more revenue. The value carriers offer to shippers, as a concession, is less than the actual savings you would gain from claims. Our experience has been that on-time performance ranges from 96 percent to 98 percent on average. When a customer waives service performance guarantees, they are forgoing the opportunity to reduce their transportation cost with those carriers by two percent to four percent. Even shippers who are receiving outstanding on-time performance today will relinquish the

opportunity to make claims if the carrier's service performance declines in the future.

As part of our audit procedure, Data2Logistics identifies service failures and manifested, but not shipped, conditions. Before you waive your rights to potential refunds, we strongly recommend that you contact your Data2Logistics Client Relationship Manager to discuss this matter.

Another small package myth is the software that those carriers promote to help companies pay their bills. These software tools promise to provide customers with reporting, account coding and rating. However, what is typically glossed over is the need for the customer to provide the support necessary to maintain rates and update account-coding logic. The reporting available is limited and does not provide the ability to create a wide range of ad-hoc reports. This software is often tied to a request to waive service failures as described above. It's the old story... If it looks too good to be true... it usually is!

Rail Rate Alert

Lowell Tanner, site manager of our Kansas City Rail Facility, wants to ensure our customers are aware of trends that we are seeing in rail rates. According to Tanner, “A number of rail contract rates and quotes are higher than public published tariff rates. This is particularly apparent when you calculate the net rate from tariffs that provide for the payment of rail car mileage.”

Data2Logistics’ rail contract analysts are observing rail shippers getting hit with significant rate increases at contract renewal

time. Many proposed rate increases are equal to, or greater than, the STB published Rail Cost Adjustment Factor that considers the railroad’s annual increase in operating costs. In addition to the rate increases, the railroads are proposing renewals that provide for fuel surcharges. Rail shippers interested in cost containment should contact us for assistance from our team of rail contract analysts. You can reach Roger Moseman at 816-483-9000 x318 or via e-mail at roger.moseman@data2logistics.com.

UPS Late Fees!

UPS plans to strictly enforce a five-percent late fee for customers that do not make payments in accordance with current contract terms. UPS will begin to assess these late fees to their “major customers” beginning in July 2003. We do not know how UPS will apply their stricter credit terms to each customer’s account.

For many companies the standard processing, funding and mailing cycle will not allow sufficient time to pay your UPS invoices within current contract terms. To avoid the exposure to late fees, contact your UPS representative immediately. Be certain that you have a clear understanding,

in writing, of how this policy change affects your company. If needed, you may want to renegotiate your UPS contract to extend your credit terms. Be sure to take into consideration your company’s internal processing requirements and how your funding procedures may impact your ability to meet these new guidelines.

For Data2Logistics customers, we offer an alternative process to avoid the imposition of late fees. Please advise your Client Relationship Manager of your company’s direction to ensure you avoid the added cost of late charges by UPS.

Flint Processing Facility Moves

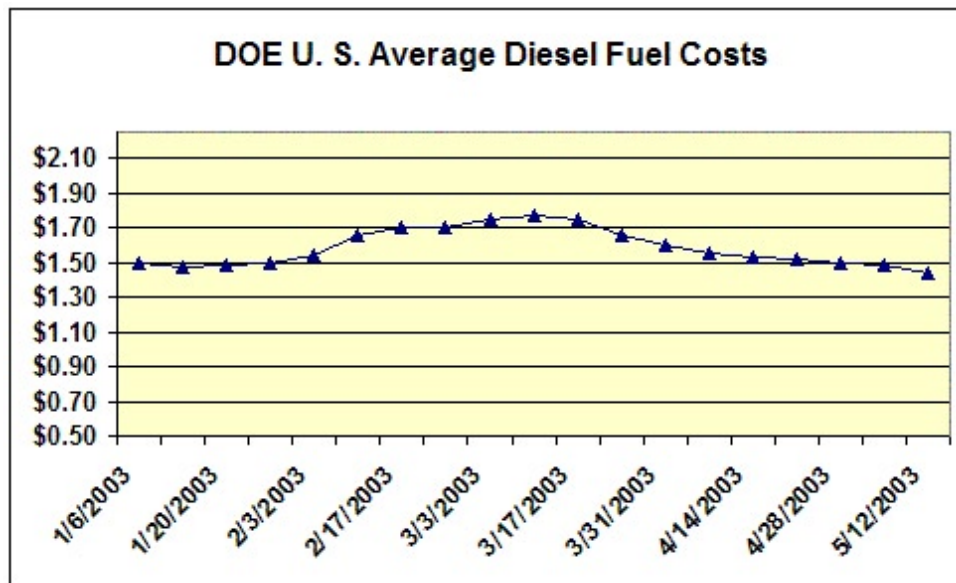
Our Burton, MI facility moved to a new location designed specifically to meet the needs of our freight bill processing operations. “The construction of our new 16,000-square-foot facility demonstrates our continued commitment to investing in our operations and our commitment to our

business”, said Daniel P. Ryan, President and CEO. “As the industry leader, we will continue to invest in infrastructure and technology to improve efficiency as our business grows”, Ryan added. The new facility is located at 4501 E. Hill Road, Grand Blanc, MI 48439.

Diesel Fuel Costs

With the war in Iraq coming to an end and the cost of crude oil reducing, we are seeing a steep decline in diesel fuel cost. Diesel fuel costs that peaked on March 10th of this year at \$1.77 per gallon have retreated to their lowest level since the beginning of 2003. For the week ending May 12, the average cost for diesel fuel fell to \$1.44 per gallon.

Effective June 1, 2003, Union Pacific's fuel surcharge program is based on the Department of Energy (DOE) On-Highway Diesel Fuel Price (U.S. average). Similar action was taken by the BNSF. Previously, West Texas Intermediate Crude was used as the fuel surcharge baseline. The move to the DOE U.S. Average results in a projected fuel surcharge of three percent, rather than 0 percent if the West Texas crude calculation was used for the June 2003 calculation.



Upcoming Events

September 21-24, 2003

Trade show: Council of Logistics Management (CLM) 2003 Annual Conference - Software Education Track Chicago, IL

Contact Us

If you have any questions, comments or concerns, please go to our Web site at www.data2logistics.com or contact Harold Friedman at 609-683-3917 or via email at harold.friedman@data2logistics.com

