

Industry Insights

New Location Announced for 2006 NASSTRAC Logistics Conference and Exhibition

NASSTRAC announced recently that its annual conference and exhibition will take place at the Renaissance Orlando Resort at SeaWorld April 30 – May 3, 2006 in Orlando, FL. The event is tailored for logistics, transportation or supply chain management professionals who want to learn and network with leading veterans and progressive peers in the industry. "This new venue addresses the needs of attendees, presenters and exhibitors like never before," says NASSTRAC Executive Director Brian Everett. Located across from SeaWorld Orlando, the Renaissance Resort offers an excellent forum for learning and more room for an expanded exhibition. For presentation submissions, exhibition details and general information, visit www.NASSTRAC.org or call Member Services at (952) 442-8850 x208.

From Washington

Gauge the Impact of Fuel Surcharges on Your Budget

With the tremendous escalation in fuel prices and the corresponding increase in carrier fuel surcharges, one important question shippers must answer is: How do I budget for increases in fuel surcharges? In order to budget properly, you will need to calculate the average fuel surcharge for this year and the projected cost for 2006. Next, calculate the impact of this increase on your truckload and LTL spend. While this may sound complex, there are some practical "how to" steps to gauge the impact of fuel surcharges on your transportation budget. For calculation how-tos, stats, graphs and forecasts, read an executive briefing on "Fuel Surcharge Calculations" in its entirety. Visit Memers Only/Info You Can Use at www.NASSTRAC.org.

Mike Regan, CEO of Tranzact Technologies and NASSTRAC's Advocacy Chair can be reached at martranz@aol.com.

NASSTRAC Shipper of the Year: J&J's Deep Bench

The Global Transportation Organization changed the way Johnson & Johnson viewed transportation— and groomed a diverse, talented staff in the process.

By Michael A. Levans, Chief Editor, *Logistics Management Magazine*

What can you say about an organization that revolutionized the transportation practices of a company that did \$47.3 billion in sales in 2004? You can say that it clearly deserved to win the 2005 NASSTRAC/LM Shipper of the Year Award.

The Shipper of the Year Award is presented annually to a member of NASSTRAC, an organization serving transportation and logistics professionals, for outstanding achievement in transportation and distribution. This year's winner is the Global Transportation Organization (GTO) of Johnson & Johnson Sales and Logistics Company, a division of Johnson & Johnson Consumer Companies Inc. The 2005 award was presented to members of the GTO team on September 26 at NASSTRAC's Fall Conference in Baltimore, Maryland.

The GTO's accomplishments are so numerous that it's hard to do them justice in just a few pages. But one achievement in particular stands out as being both unusual and unusually effective: The organization has realized much of its success by making staff development a top priority, and it's a strategy that's paying off in millions of dollars in cost improvements.

A One-Stop Shop

Formed in July of 2000, the Global Transportation Organization is the product of a corporate initiative to consolidate transportation management and leverage transportation spending across Johnson & Johnson's three key business sectors: Consumer Products, Medical Devices & Diagnostics, and Pharmaceutical Products, explains George Harry, Director, Global Transportation for the GTO.

As part of that initiative, the GTO was tasked with the mission of becoming the provider of choice for Johnson & Johnson companies. Harry was the GTO's first Director, and over the past five years, the group has established itself as a one-stop transportation shop.

Among the GTO's many offerings are supplier sourcing and performance management, export services, hazardous materials and customs compliance services, freight payment, claims management, and software support. "The GTO is changing the way people view and utilize transportation at Johnson & Johnson," says Harry.

Since its launch, the team has realized such improvements as a 20 percent reduction in one business unit's cost per case shipped; developed near real-time shipment-status reporting; launched certification training for the Customs-Trade Partnership Against Terrorism (C-TPAT); introduced a scorecard for carrier-performance management; and consolidated LTL rate bases into one standard, to name just a few of its accomplishments.

(Continued on page 2)



Logistics Management magazine's October edition featured this article on Johnson & Johnson, NASSTRAC's 2005 Shipper of the Year.

NASSTRAC Carrier of the Year Awards Announced

NASSTRAC announced the recipients of its 2005 Carrier of the Year Awards at the association's annual fall conference September 25-27 at the Sheraton Inner Harbor Hotel in Baltimore, Md.

The annual award recognizes carriers that have demonstrated excellence in transportation. Through the program, NASSTRAC members grade eligible carriers on a quantitative scale in five key areas: customer service, operations, pricing, business relationship, leadership and technology.

"NASSTRAC continually encourages performance excellence in the transportation industry, and the Carrier of the Year Awards Program is one way NASSTRAC is doing so," says Terri Ferraro, Director of Supply Chain and Transportation, Famous Footwear, who is NASSTRAC's current Provider Relations Chairperson.

Award recipient Mike Smid, President and CEO of Roadway Express says, "The dedication of the entire Roadway workforce drives our performance in all aspects of the business, especially partnering

with our customers to consistently understand and effectively meet their needs. We are gratified by this recognition and look forward to providing personalized service and effective transportation solutions for NASSTRAC members in 2006."

The Carrier of the Year program is co-sponsored by NASSTRAC and *Logistics Management* magazine.

Receiving the prestigious NASSTRAC Carrier of the Year Awards in 2005 are:

- National Category – Roadway Express*
- Multi-Regional Category – Jevic Transportation*
- Regional-East Category – New England Motor Freight*
- Regional-West Category – Oak Harbor Freight*
- Parcel Category – UPS*



Leaders receiving the 2005 NASSTRAC "Carrier of the Year" award were on-hand to share what it takes to deliver premium service. Top row, from left to right: Mike Smid of Roadway Express, Dave Gorman of Jevic Transportation. Bottom row, from left to right: John Karlberg of New England Motor Freight, David Vander Pol of Oak Harbor Freight and Randy Newby of UPS.

(Continued from page 1)

Even more remarkable is the fact that the GTO has achieved these feats and more with a largely homegrown staff whose transportation experience ranges from as little as one month to nearly four decades.

Strong Value Proposition

Today, some of Johnson & Johnson's operating companies maintain transportation "mini-departments." Those organizations have a lot of leeway when it comes to choosing who will provide their transportation support. "Johnson & Johnson companies actually choose how they manage transportation; they're not told how to manage it," Harry explains. "They can do it themselves, they can use the GTO, or they can choose outside providers."

This competition for internal business keeps the 38-member GTO on its toes. It's up to the team to deliver measurable business results, meet high customer service standards, develop new services, and market the benefits to Johnson & Johnson's 200 operating companies. "I'm taking the approach that we need to earn every day the business that we have," says Harry. "We haven't grown by forcing companies to use us. We've grown by having a value proposition and a reputation that facilitates growth."

The strength of that value proposition and reputation depends on a team that's watching for opportunities to match its multifaceted capabilities with specific needs throughout the company. It's Harry's contention, though, that the single most important success factor is the ongoing development of the GTO's diverse team— a group of evangelists who preach the benefits of productivity gains through smart transportation management.

The GTO's members come from diverse backgrounds in the company's customer service, planning, and distribution organizations. "We have people ranging from four weeks to 37 years of experience," says Harry. To round out the staff's experience and give them an opportunity to learn all facets of transportation, they rotate through various functional areas.

"That's the beauty of the GTO," says Harry. "Members have the opportunity for rotational moves that will enable them to grow their transportation expertise. They make a contribution, and they carry the transportation gospel with them throughout the company. They're always listening for opportunities to say, 'Hey, maybe our team can add some value here.'"

Developing Talent

The experiences of Al Davis, Suzanne Beall, and Bianca Alarcón provide three examples of how the GTO has leveraged diverse backgrounds and transportation knowledge to develop its deep bench.

Davis, the GTO's Operations Business Leader, is known for keeping his ear to the ground and always being on the lookout for cost-saving opportunities. Davis joined the team after 32 years with Ortho-McNeil Pharmaceutical,

one of the largest companies within Johnson & Johnson. While with Ortho-McNeil, he was in charge of its inbound logistics program. "It was my job to look at where the freight spend was being generated and to find opportunities to improve on-time performance and cost," Davis says.

One of Davis' contacts at Ortho-McNeil eventually went to work for Johnson & Johnson's Pharmaceutical Research and Development (PRD) company. When faced with a transportation issue at PRD, the contact gave Davis a call—a decision that led to significant improvements in several areas. "I was invited into the PRD to take a look at the ongoing costs for a number of their clinical trials worldwide," Davis recalls. "We found some immediate cost savings, but we also found ways to reduce delays by improving customs compliance, so I suggested we bring in our compliance expert as well."

Davis and a group of GTO support members got down to work, with impressive results. "We started tracking each project that we worked on with them, and the savings rolled up in the millions of dollars, based on the hundreds of new clinical drug trials that support new-product development worldwide," says Davis, who now "owns" the relationship with PRD.

While Davis joined the GTO as a wily transportation veteran, Suzanne Beall gained experience by working her way up through the ranks. Beall majored in business logistics at Penn State University and joined Johnson & Johnson after graduation. She spent her first six months in the customer relations department, moved on to become an analyst in the collaborative demand management group, and two years later joined the GTO as a senior analyst. She was later promoted to team leader, then became a manager last June. She now leads the Supplier Sourcing and Performance Team.

Beall has a passion for spreading the GTO gospel. "We went on a 'road show' in 2003 and 2004 to build awareness of the hours-of-services changes with our distribution partners," she says. "We explained the regulations in a language that could be understood and keyed in on the impact of dock time for drivers, whether it was loading or unloading."

Beall and the GTO team taught the group the benefits of drop trailers and driver-friendly unloading methods. "We made sure our distribution people and retailers understood the impact of keeping the driver detained," says Beall. "And as a result, we also saw conversions to drop trailers at our retailers and we got a lot of additional drop-lot space at our own facilities."

Bianca Alarcón is one of the newest additions to the GTO cast. The transportation organization is only her second assignment inside Johnson & Johnson, following time in customer support. "I was curious to see how my experience could translate," says Alarcón, who had

completed an internship with a 3PL prior to joining the consumer products giant. "I had heard a lot of good things about the GTO, especially how they developed their people, and I wanted to be part of that."

Alarcón now owns the GTO's relationship with the company's skin-care product division and is part of an effort to integrate BabyCenter LLC, Johnson & Johnson's online resource for new parents, into a multi-year GTO relationship. "BabyCenter is an organization that we've bumped up against in several forums," says Alarcón. "We started talking about inbound freight management, and we made a presentation about what we could do for them. Now we're in the final stages of putting together a service-level agreement with them ... but at the end of the day, it remains their decision."

Harry believes that helping talented people develop their knowledge and skills, regardless of their length of tenure, provides long-term benefits for the GTO. "An objective that I have is for people like Bianca to come in here, eyes wide open," he says. "If they choose to stay, that's great. But if they don't, there's also a benefit for us. They take transportation with them, and then there are more people inside Johnson & Johnson who know more about what we do and why we do it."

A New Way of Thinking

When Harry considers everything the GTO has accomplished so far—delivering millions of dollars in cost improvements, implementing numerous best practices, developing a staff with broad expertise—he finds it difficult to single out his proudest achievement. Instead, he prefers to consider the benefits the GTO will bring to the table five years down the road.

"We're very good at identifying and delivering cost-saving projects, but I think we're playing a much bigger role than that now," Harry says. "We're developing capabilities, like expanding shipment visibility, that allow us to take a broader supply chain approach."

The GTO is ideally positioned to help its customers achieve the benefits of such an approach. As the only operations organization with a view of what's going on in all three business sectors, the GTO's competencies ultimately may pull those businesses closer together. "GTO members see similar issues in the three business sectors," he observes. "We have initiatives going on now where we're trying to tie those business together in certain areas, like dedicated fleets and integrated systems. That wouldn't have happened five years ago." ●

At A Glance: Johnson & Johnson



Corporate Headquarters:

New Brunswick, N.J.

Revenue:

Worldwide sales \$47.3 billion in 2004.

Business:

Johnson & Johnson is a manufacturer of healthcare products and a provider of related services for the consumer, pharmaceutical, and medical devices and diagnostics markets. More than 200 Johnson & Johnson operating companies employ approximately 113,800 people in 57 countries.

Logistics Best Practice:

In 2000, the company launched the Global Transportation Organization (GTO) of Johnson & Johnson Sales and Logistics Company, a Division of Johnson & Johnson Consumer Companies Inc. The GTO is an internal transportation management company that has established itself as a one-stop shop offering supplier sourcing and performance management, export services, hazardous materials and customs-compliance services, freight payment, claims services, and software support.

Johnson & Johnson

NASSTRAC provides advocacy, education, provider relationships, and professional networking for today's supply chain professional.

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NASSTRAC Fall Conference Highlights



NASSTRAC 2005 Fall Conference • September 21-23

Dealing With The Issues Legislation | Capacity | Collaboration

Government officials, industry executives, and media representatives collaborated around hot issues that are being shaped on Capitol Hill that will influence logistics for years to come during the 2005 NASSTRAC Fall Conference held September 25-27 in Baltimore, Md.

"Advocacy for shippers continues to be a priority for our agenda," says NASSTRAC Executive Director Brian Everett. "We chose close proximity to Capital Hill to feature the experts and focus on critical legislative developments that are having an impact on logistics, as well as capacity issues and the need for collaboration between shippers and suppliers."

During a special executive briefing on legislative issues, FedEx Freight President and CEO Doug Duncan says the industry needs to be more proactive in getting things done: "We need to shape the agenda going forward rather than just accept what's given to us as an industry. Rather than always arguing against issues, we need to be *for* issues."

Executives from the U.S. Chamber of Commerce, UPS, and Tranzact Technologies shared their perspectives on the panel with Duncan. Ed Mortimer, Director of Transportation Infrastructure with the U.S. Chamber of Commerce and Executive Director for Americans for Transportation Mobility (ATM) says the bottom line is: "We need to promote proper investments to ensure we have a transportation network that safely and efficiently moves people and goods."

In August, President Bush signed a \$286.4 billion transportation bill that lawmakers lined with plenty of cash for some 6,000 pet projects back home. Mortimer's concern is that the monies collected for infrastructure improvements could be shifted to non-transportation spending, and he stressed to NASSTRAC members that the need for a unified, sustained effort in support of a safer and more efficient transportation network is critical. Mortimer encouraged the industry to back such initiatives.

During the conference, the education sessions, industry expert participation, and networking brought a sense of renewed energy to NASSTRAC members. "We need to take advantage of this," says newly elected NASSTRAC President Gail Rutkowski of AIMS Logistics. "This meeting was very encouraging.

Hearing important insight from Capitol Hill folks, gaining a better understanding of the issues, and solidifying how important it is to be involved and engaged in the issues gives membership an active and strategic focus."

Keynotes John Steinhoff, Special Assistant to the Deputy Administrator for the Federal Motor Carrier Safety Administration (FMCSA) and the Honorable Francis P. Mulvey, Commissioner of the Surface Transportation Board presented issues and updates on what their government agencies are doing to combat challenges in the industry.

In addition, Tim Podvin, General Manager of Global Procurement and Freight Payment for Ryder System Inc. offered concrete tactics for the shipper in terms of what can be done in a capacity-constrained environment. He emphasized establishing a group of core carriers, nurturing those relationships, and relying on the outlets that they can deliver— both in good economic times and bad.

A panel of logistics experts shared their tips on career pathing and the importance for logisticians to sell themselves internally to top management. Heather Sheehan, Corporate Director of Transportation & Logistics for Danaher Corporation, says logisticians need to make their voice heard and be engaged in all areas of the supply chain. "Don't sit back in your office and wait for them to come to you," she says. Panelists stressed the importance of selling the function of transportation and making management understand that outside forces, including government issues, affect transportation. The basic conclusion: these factors can go right to the bottom line of any organization.

Carriers addressed their challenges to shippers about their changing landscape. Key executives from small, mid-sized, and regional carriers as well as package/parcel carriers shed light on how consolidation is having an impact on their businesses and what they're doing for their customers. Dave Gorman, President and CEO of Jevic Transportation, Inc. says amidst strategic consolidations which do impact LTL motor carriers, his company is working to improve profitability and expand through organic growth, process and technological innovation.