



CASE STUDY: TRANSPORTATION MANAGEMENT OUTSOURCE SOLUTION

When Pilot Chemical Company (www.pilotchemical.com), a global chemical company producing specialty chemicals primarily for the household and industrial detergent and personal care industries, began experiencing high “cost-to-serve” issues in 2006 with its vendors and customers, the company realized it needed to get a better handle on its freight costs and activities.

Optimizing Pilot Chemical Company’s Logistics Operations

With five production plants based in OH, NJ and TX and distribution facilities in CA and Europe, Pilot Chemical Company utilizes a variety of freight modes to globally transport product to customers and between plants. Most freight is liquid bulk, trucked by independent carriers throughout the United States. The Company also relies on rail and barge shipments, and uses ISO container shipments for imports/exports.

While Pilot Chemical has utilized the services of ChemLogix, LLC to manage freight payment and automate billing since 2001, freight spend, two years ago, was not centrally controlled, tracked or monitored. Logistics control, at that time, actually was distributed among the plants, with each site operating essentially independently to each other. As there was no system for mode comparison and limited carrier specificity, plants did things their own way, unaware of how they may be impacting Pilot’s other plants.

Lacking centralized control, management relied on individual plants to provide data on freight costs. Updating data on a regular basis proved difficult as manufacturing personnel were primarily focused on making product, not data analysis. Without direct access or visibility to freight data at a corporate level, management couldn’t accurately evaluate current and potential business operations.

As a result, the Company could not account for the cost-to-serve elements of individual transactions. It could not determine if rising costs were a result of freight costs by carriers, fuel surcharges, or, perhaps, a mix change of using LTL vs. other shipping modes. “We didn’t have the technology to efficiently update load status and capture ongoing, itemized costs for our logistics,” notes Mike Rohrbaugh, Supply Chain Manager, Pilot Chemical Company. “We also didn’t have the resident expertise to effectively manage our logistics network.”

SUMMARY



Challenge:

Increase visibility of transactional freight cost components, automate shipment management processes, and enhance oversight to mitigate rising “cost-to-serve” issues.

Solution:

Design and implement a customized, web enabled On-Demand TMS in less than four months with minimal impact on existing operating procedures, and integrate a proactive, centralized and expert team of logistics professionals to support the transportation management processes.

Results:

- Optimized freight operations in key areas such as carrier management, route guide design and compliance, tender management, and vendor compliance.
- Significant reduction in variances between freight accruals and actual costs
- Improvement in carrier performance from a low of 90% to an overall level of 98%
- Generated substantial savings in excess of self-funding goals



Looking for a solution that would improve management of freight and increase customer service, Pilot Chemical decided to upgrade their logistics functions by implementing a Transportation Management System (TMS). Pilot had several goals for its TMS:

- It must provide enhanced visibility to freight costs, including historical spend, available market pricing and competitive market intelligence.
- The system must cascade or broadcast tender and send updates and notifications to increase efficiency in load tendering and coverage.
- It must offer the flexibility to consolidate all freight scheduling responsibilities to a single person at a centralized location.

Rather than install and manage its own TMS implementation, Pilot Chemical opted to outsource to a third-party logistics provider (3PL). "The goal was to implement a TMS with minimal impact on existing operating procedures" notes Rohrbaugh.

Pilot's selection criterion was based on the 3PL's capability to provide a solution that would:

- Control and provide visibility to accessorial costs
- Automate carrier selection and load tendering
- Address settlement and reporting
- Provide actionable freight data
- Be self funding

Pilot also wanted a 3PL that could provide strategies to increase efficiency and outline opportunities for short- and long-term savings.

After evaluating several resources, Pilot Chemical chose ChemLogix, LLC (www.chemlogix.com), a leading provider of integrated logistics solutions for the chemical industry, to provide a web-based transportation management solution and the logistics management resources that would address all its logistics challenges without the need for an IT and logistics management personnel investment.

"We chose ChemLogix based on their reputation, best-in-industry technology and the expertise that its seasoned professionals can bring to the table," notes

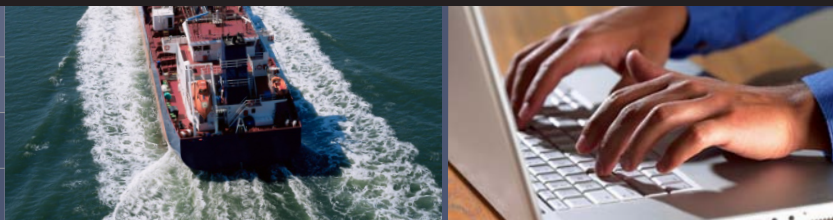
Rohrbaugh. "Having maintained our freight payment and billing since 2001, ChemLogix already had established a close, trusting working relationship with us and understood our business and people."

ChemLogix provided a fully customized On-Demand TMS solution that combined its logistics expertise with the advanced transportation technology available through Sterling's Transportation Management System (TMS). With a web-based system, Pilot Chemical did not need to add servers or databases required by a client server-based system. And by using ChemLogix to implement and manage the system, the Company could tap into the 3PL's resident expertise to provide strategic and tactical directions for supply chain strategy and execution.

After Pilot Chemical installed a new ERP system in the beginning of 2007, ChemLogix designed, built, integrated, tested and implemented the company-wide TMS in less than four months. Since implementation, the web-based system has optimized Pilot's freight operations in several key areas such as carrier management, route guide design and compliance, tender management, and vendor compliance in addition to providing full visibility into freight spend through online access to data and custom reports generated by ChemLogix.

"We developed a series of reports supported by TMS data that provide enhanced visibility of Pilot's key operational elements and their associated costs," notes Ed Hildebrandt, ChemLogix Senior Vice President, Operations. "For example, we created a monthly Top 10 Accessorial Cost Report by plant to drive continuous cost improvement. In addition to identifying the cost items, we are also involved in monthly conference calls with the plants focused on reviewing the cost items and developing methods to either reduce or eliminate them."

Other reports depict detailed client level transportation data by cost per pound, mode, and lane enabling Pilot management to determine the cost to serve their



clients. In the past, Pilot's assumptions for moving freight were well below actual cost, resulting in high freight cost variances.

"When shipping chemicals, especially commodity products, a variance of one cent per pound can mean the difference between a profit and loss," explains Hildebrandt. "With a granular view of individual activities, Pilot Chemical can better control costs for each specific customer."

Advanced carrier contract management functionality offered by the ChemLogix On-Demand TMS provides for highly accurate, real-time freight accruals for accurate reconciliation. In the past, freight costs were often inaccurately estimated, resulting in errors in freight accruals. With wide variances between the estimated and actual cost of freight, Pilot Chemical was often surprised when closing its books at the end of each month. With event-driven freight accrual information uploaded from the TMS, reconciliation between estimates and invoices are more consistent, eliminating surprises with cost variances.

Automatic tracking of freight activities also has improved carrier performance from a low of 90% to 98%. By tracking and managing carrier activities on a daily basis, ChemLogix maintains higher levels of performance from Pilot Chemical's transportation vendors.

Through the industry knowledge offered by ChemLogix logistics experts, Pilot Chemical also has exceeded its goal for carrier reporting compliance. ChemLogix' expertise in handling hazardous materials in all modes of transportation has resulted in a reduction in liability exposure for Pilot Chemical. "In many situations, Pilot Chemical was unaware of all the risk and liability issues associated with specific modes of transportation," states Hildebrandt. "Our logistics subject matter experts understand and build contingencies to deal with the compliance requirements and risks associated with transporting products in all modes and geographic regions. Armed with that knowledge, we are able to provide our clients with a comprehensive process that will be utilized to ensure outstanding customer service while minimizing risk."

Pilot Chemical has gained substantial savings through the level of control, management and visibility offered by the ChemLogix Logistics Management and TMS solution. More than proving to be self funding, this web-enabled transportation management solution has significantly exceeded Pilot Chemical's cost-savings goal while improving customer service and enhancing its ability to gain control over its logistics operations. In essence, Pilot Chemical was able to outsource a TMS with the added value of an expert logistics team at no additional cost.

About ChemLogix

ChemLogix, LLC is a leading provider of comprehensive chemical industry transportation management, technology, and supply chain consulting services that enable its clients to improve performance and drive economic value. ChemLogix is dedicated to solving its customers' most vital logistics challenges by leveraging chemical industry expertise, best-of-breed technology and a personalized, high-touch approach to deliver measurable, sustainable value. For more information, visit www.chemlogix.com or email information@chemlogix.com.

CHEMLOGIX The Leading Provider of Logistics Strategy and Solutions to the Chemical Industry.

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