

# Transportation Landscape

March 2015



# Enterprise Solutions



## Intermodal

Best-in-class service and fuel efficiency with the largest private container fleet and most extensive rail network in North America.



## Dedicated

Partnering with companies of all industries to provide custom-fit fleet solutions that guarantee optimal efficiency and safety, all supported by a team of logistics experts.



## Truckload

Backed by logistics experts, an industry-leading safety record, well-trained driver core and exceptional service, we optimize and bring scalable service to our customers' operations.



## Final Mile

Managing one of the largest cross dock networks in the United States, we offer specialized delivery and installation solutions.



## Refrigerated

A wide array of temperature-controlled solutions, from truck-trailer to intermodal container, all tailored to your specific needs.



## Flatbed

Comprehensive flatbed services that ensure capacity and a safe delivery while driving down cost and increasing efficiency.



## LTL

Highly customized Less than Truckload solutions of all sizes with our proven consolidation and distribution expertise.



## Single Source

Utilize our many enterprise services in a single, integrated management system. Put control of the entire supply chain at your fingertips.

# Supply Chain Landscape

- Record increase in capacity demands on dwindling supply
- Supply is constrained by demographics and regulations
- Regional supply is seasonally inelastic
- Mode optimization is increasing and competitive
- Shippers are focused on budgets, risks, bottlenecks & tradeoffs



# Market Challenges

- Drivers retiring, recruitment deficit and focus on retention
- Government regulations are evolving: **CSA, Map21 , HOS, CARB**
- Risk mitigation from company liability, compliance and capacity
- Equipment age, higher cost basis and availability of capital
- Cost of fuel and the challenge of forecasting budgets



# Driver Shortage Worsening

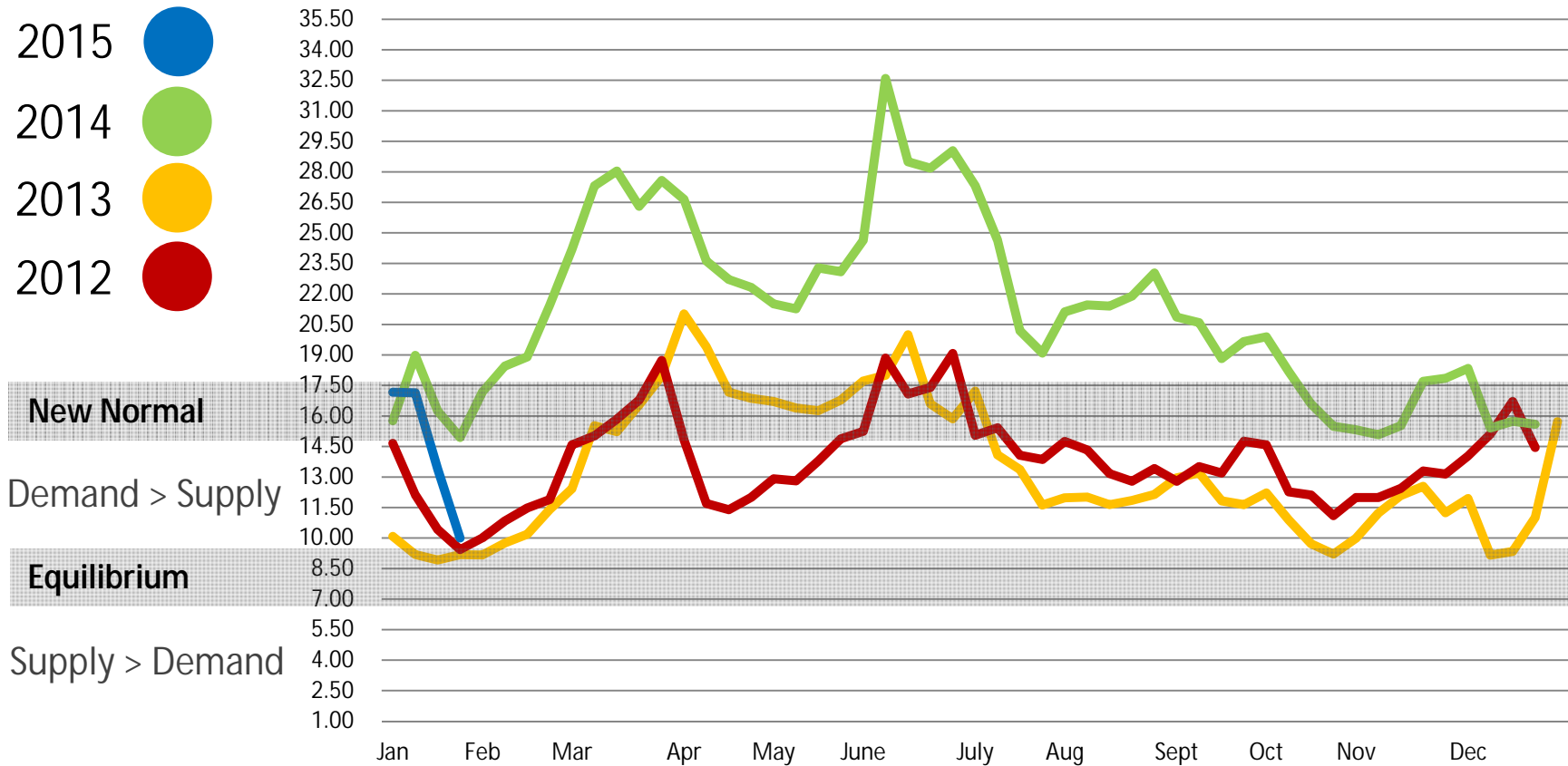
The industry needs to find roughly **96,000 new drivers annually to keep pace with demand**. If freight demand grows as it is projected to, the driver shortage could balloon to **nearly 240,000**, according to ATA data.





# Market Demand Index (MDI)

The index measures incremental transportation services demand compared to the incremental supply. When a given reading is above a prior years' level, it means there is even more freight demand relative to available capacity.



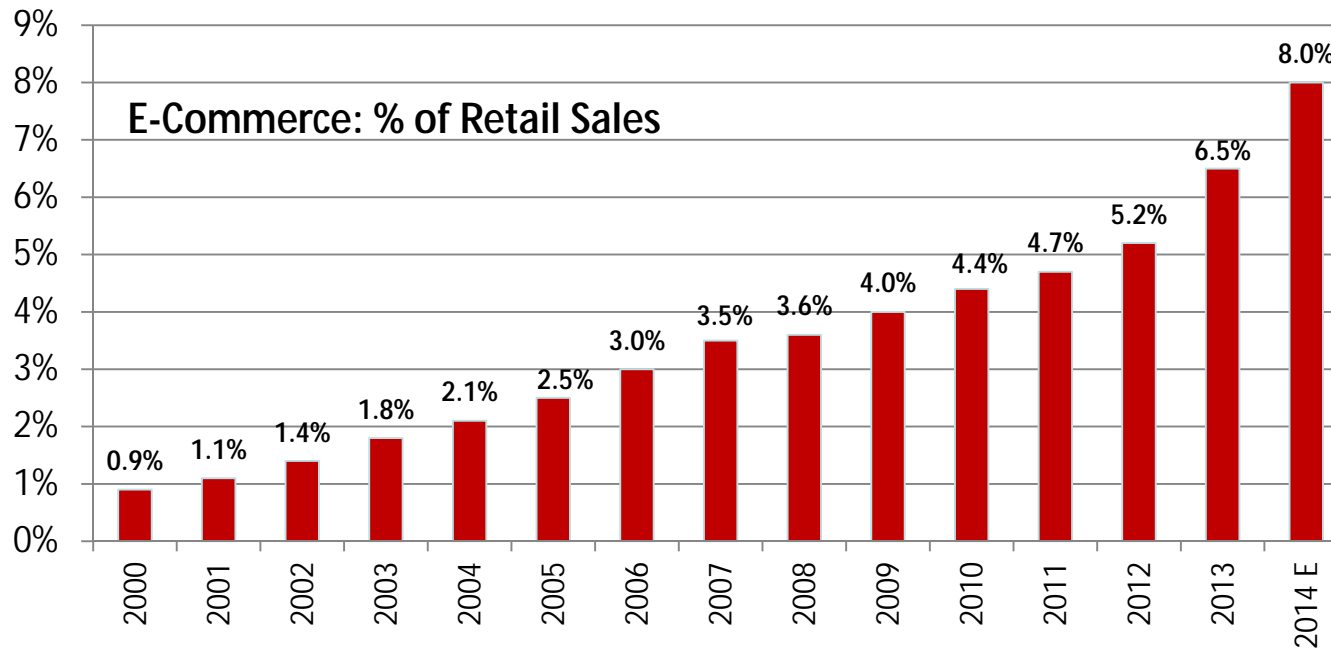
Source: Trans4cast.com



# Consumer Demand

2014 Holiday Conclusions of e-Commerce

- Brick-and-mortar retail sales were down 11%
- Online retail sales were up 21%
- UPS: 45% of its deliveries are tied to e-commerce, and this is expected to be 50% in less than two years



Sources: Thom Albrecht, CFA BB&T Capital Markets Presentation; US Census Bureau for e-Commerce figures; UPS comment from company press release.



# Commerce Demand Forecast

- Emphasis on user experience and customer service
- Mobile no longer just an option - integrated set of experiences
- Social media becoming more influential – peer and herd influence
- Same day delivery or faster – gap abandonment opportunities
- Thinning distinction between eCommerce and brick-and-mortar

