



Case Study

*A report summarizing Panalpina's
experience in implementing
XDS™ services from Ex Works, Inc.*

PANALPINA, INC.

Prepared September, 2006



"A mountain of paper and challenging data was taken for granted as the required cost of running a large network of specialized truckers. But we found a way to keep our network and gather the operational data - while slashing the administrative cost..."

--Tom Outwin,
Managing Director,
Panalpina, Inc.

CASE STUDY: PANALPINA, INC.

Opportunity

Panalpina's CEO wanted his over 2,100 employees in North America to devote more of their energy to their clients, and less to valueless administration. *More customer service, no additional staff.*

One of Panalpina's managing directors identified the administration of trucking transactions – chasing PODs, processing invoices – as a promising area of opportunity. An informal study in a couple of stations revealed that:

- Stations expended an average of over four minutes to receive, code, audit and data enter each trucking transaction
- Another couple of minutes was spent chasing PODs and updating information into the tracking system

With over one million trucking transactions a year, the math was simple. If an automated solution could be found, hours of employee energy could be redirected to bringing value to Panalpina's clients.

Criteria

Panalpina had identified extraordinary opportunity in automating their trucker transactions, but fully recognized the innate limitations of so many of the small truckers which were critical to their service. Their managers identified challenging criteria for any potential solution:

1. **It should work for large majority of truckers.** Panalpina's local branches are free to select trucking partners that best provide value and service to its customers. The solution needs to be adaptable to a wide variety of truckers – from the largest to the smallest.
2. **Implementation for Panalpina stations should be easy.** With so many employees in over 40 locations, complex software requiring "train the trainer" programs, travel and manuals could create significant additional costs which would compromise any savings and distract the company from its mission.
3. **Truckers should accept the system.** If reducing Panalpina's administrative cost is achieved by increasing the trucker's own cost of doing business, those costs will ultimately roll back to Panalpina in higher rates or worse service. Only a win-win solution will achieve the ultimate goal.



"I'm skeptical about technology. But the fact is, Ex Works is easy to use, it saves us money - and we get paid more efficiently. This is definitely the way to go."

--Joe Sarcona,
owner, JJS
Transportation
Company, Inc.
(large trucker
based in JFK)

The decision

Panalpina recognized in Ex Works a business process, technology and service component which appeared to have the capability of solving their problem and meeting the criteria established. Managers noted, in particular:

- ✓ **Efficient for truckers.** Ex Works had devoted considerable resources to providing the most efficient possible on-line application for small truckers. It had been refined to the point where data input for each transaction was a mere 20 seconds. In addition, larger truckers can connect electronically with Ex Works.
- ✓ **Free to truckers.** Ex Works is entirely free to every trucker, whether the trucker uses the web or electronic connection.
- ✓ **Strong support for truckers.** Every trucker is individually trained, and every Ex Works employee on the phone is experienced in the forwarding industry.
- ✓ **Linkage of billing with POD.** The Ex Works business process guarantees virtually 100% of PODs will be input, because truckers are prevented from processing their invoice until the POD is complete.
- ✓ **Efficient and simple for Panalpina stations.** Station employees dealt only with billing exceptions, and did so from a single screen with an intuitive accept/reject button.

The test

Panalpina selected one of their New York operations teams and a large JFK-based trucker, JJS Sarcona Trucking Inc., as the first test subject. Joe Sarcona, JJS's owner, agreed to the test, but made it clear to both Panalpina and Ex Works that he was dubious about using a computer system to automate POD and his billing for the dozens of shipments he processed each day for Panalpina.

After a few weeks, both Panalpina New York – and JJS – reported that the system was working effectively and was already less work. PODs were loaded directly into Panalpina's system without a minute of labor by any Panalpina employee. Dealing with billing exceptions was proving simple, and training the station employees to use Ex Works took only few minutes.

Not surprisingly, JJS quickly became – and remains – an enthusiastic supporter.

Based on a solid start, Panalpina rolled out the system to other truckers in New York, and then to several other stations, including BOS, BDL, ORF, BWI and PHL. The results were similar. Station



employees found it relieved them of all effort on PODs, and most effort on approving invoices.

An anonymous survey of the truckers revealed that JJS' experience and conclusions were echoed by the other truckers serving the test stations:

- 71% said they would recommend Ex Works to other forwarders
- 83% said the system is "great, very fast"

The results of the test appeared clear: a win/win had been achieved.

The roll-out

In May, 2006, Panalpina began a nationwide roll-out of Ex Works to every station in the U.S. By September, 25 of Panalpina's 41 U.S. offices were actively using the system, as Ex Works trained each of their core truckers, one-by-one.

To date, fully 99.2% of the truckers trained are actively using the system. Panalpina anticipates having their entire U.S. office network using Ex Works with their major truckers by the end of the 2006. Secondary truckers will be brought into the system throughout 2007.

Of Note

- **Accuracy.** The audit test compares the invoice against the operational cost estimate ensuring 100% accuracy. The tariff charge can always be overridden by a spot quote.
- **Reporting.** Built in reports make it simple for local managers and for the truckers themselves to see how each trucker performs in getting the PODs entered quickly.
- **Computer Integration.** Exchanging information with Ex Works proved to be relatively painless – a routine exchange of flat files.

"Ex Works appears to be exactly the kind of home run we were looking for: it improves our service quality, gets our people focused on clients instead of paper - and saves Panalpina money."

--Peter Merath,
CEO, Panalpina, Inc.

Interested parties may contact

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