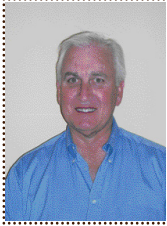


REGIONAL ALTERNATIVES

with **Rob Shirley**



The First Light of Day

Entrepreneurs have recognized that the recession presents major opportunities for offering new services. Some regional carriers are leading the way with many bold, new initiatives.

Estafeta is the largest small package delivery company in Mexico, a country that is second in exports from the USA and has a population of 120 million. Christian Bruns, GM for the US, says, "Estafeta is picking up from their customers in Mexico and then transferring delivery of 100 packages daily through Lone Star Overnight and 250 a day with Overnite Express. In July, Estafeta will expand further using air freight to additional partnerships with Eastern Connection, U.S. Cargo and Spee Dee Delivery.

"Delivery commitments are in 48 hours with prices at one-half of global carriers. Full tracking from shipper to recipient is part of the program. Lone Star Overnight and Overnite Express also offer service thru Estafeta to Mexico, with the other three targeted to offer southbound service in 2010," Bruns continues.

U.S. Cargo's CEO, Ralph Richter, comments, "We have been delivering packages for TNT that are picked up globally to every ZIP Code in Ohio, Pennsylvania and West Virginia along with the bigger cities of Indiana and Kentucky all the next day after receipt. A similar delivery for packages originating in Mexico starts this summer." U.S. Cargo has hubs in Harrisburg, Columbus and Pittsburgh.

Eastern Connection's Chairman, Ted Kauffman, says, "Estafeta will transport directly into our hub in Newark, New Jersey, which will allow us to deliver next day to our entire footprint from Maine to Virginia. Additionally, we are already receiving incoming packages on a regular basis from Europe, India and the Middle East from logistics companies that used to depend upon DHL."

My Analysis

Partnerships with regional carriers offer significantly reduced rates from $\frac{3}{4}$ of the USA to and from Mexico.

The Best Strategy

Major shippers should look closely at how their distribution centers are performing and make certain they are not all using the exact same cookie-cutter formula for each location. A mix of carriers that are global and regional makes the most sense.

Lone Star Overnight has successfully won the State of Texas contract for the first time along with incumbents FedEx and UPS. State awards include all cities, towns, counties and state owned schools. LSO has expanded to serve every address in Texas with overnight service using their uniformed employee drivers in company-owned vans.

Just how big is Texas? Bigger in geography than New England, New York, Pennsylvania, Ohio and Illinois combined with a population of 23 million, making up 13% of the USA. Fifty-eight Fortune 500 headquartered companies now rank Texas as first with more than any other state. Texas poured more concrete than the next 37 states combined in 2007, and the housing boom did not inflate prices to the extent experienced elsewhere.

Ed DiSalvo, President and CEO of Lone Star Overnight, comments, "The bottom line of lowest price combined with premium regional service trumps all other concerns and objectives, especially in this economy. Who doesn't have lowering costs as a key initiative right now?"

This kind of expansion during a recession is what free enterprise is all about. The concept of "think global and act local" is very much alive.

One of the aspects that make the whole logistics industry so interesting is its vibrancy. As the recession has deepened, it is becoming extremely clear that the world considers both FedEx and UPS to be market bellwethers for the economy as a whole. FedEx in particular has turned on the marketing buzz emphasizing that they understand that people want to spend less and have ground service just for that purpose. I have personally used their electronic document to print out proposals through FedEx Office and have their app loaded onto my iPhone. The technologies on both are incredible. ■

ROB SHIRLEY is CEO of ExpressShip, whose mission is to provide strategic insight to carriers, shippers and investors. He has been immersed in the supply chain, estimated at \$3.2T globally, since 1979. You are invited to contact Rob with comments on this column by emailing him at Rob@XPship.com