



A Moment of Truth and New Logistics

Helen Cardenas

Director – Governmental and Postal Development – Latin America

February 7, 2012



WE ♥ LOGISTICS™

Today's Discussion

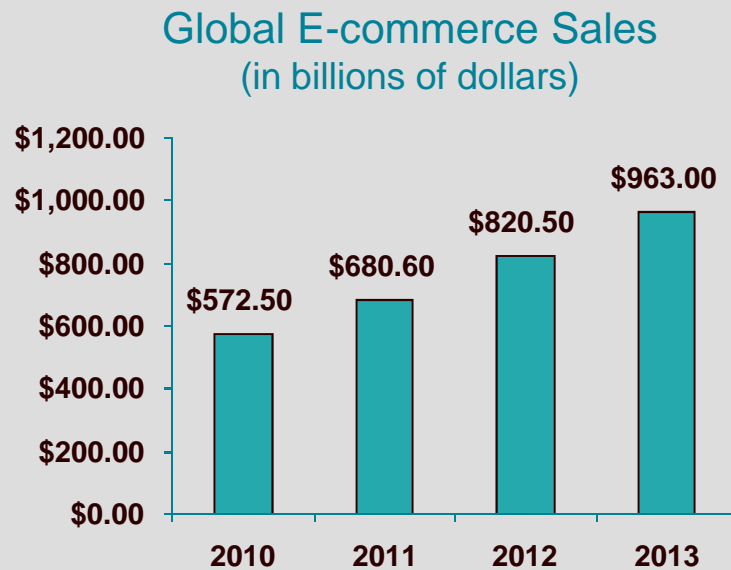
- What global trends can Posts anticipate?
- How can Posts and UPS seize these opportunities?
- How can it become a win-win for each of us?
- Is there a best-practice methodology toward successful collaboration?



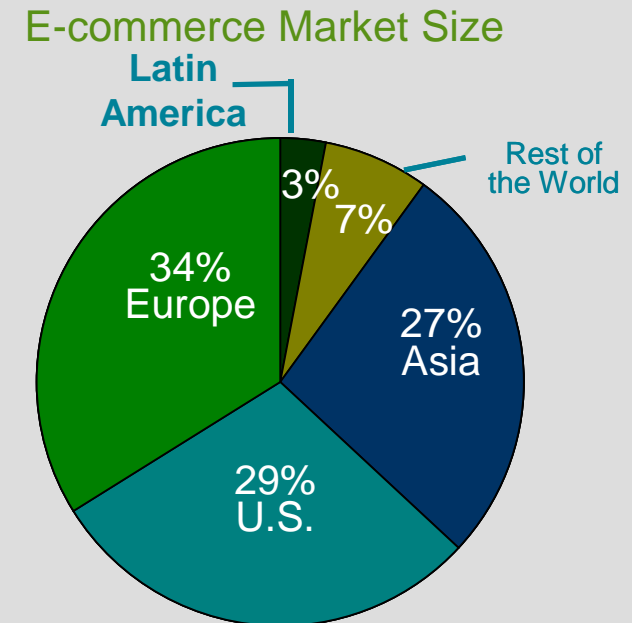
Posts and private sector express operators are exploring ways to transform their businesses through expanded and enhanced service offerings.

Global Trends That Posts Face

Declining mail volume has led to cost-reduction efforts, but it's not enough to address revenue losses. On the other hand, expansion beyond core mail activities is expected to accelerate. Electronic mail, new products and consumer-pull demands are driving innovation. As a growth engine, B2C is expanding three times faster than B2B



Annual Growth
19%



Source: Goldman Sachs

WE LOGISTICS™

How the Posts and UPS Can Each Seize Opportunities

New Revenue Generation, Access Enhancement, Operational Efficiencies

POST SERVICE

- **Opportunities**
 - Last-mile deliveries
 - Revenue growth
 - Sale of premium products
 - Pickup/drop-off service
 - Alternate delivery location
- **Operational Efficiencies**
 - Improved asset utilization
 - Increased foot traffic

LOGISTICS PROVIDER

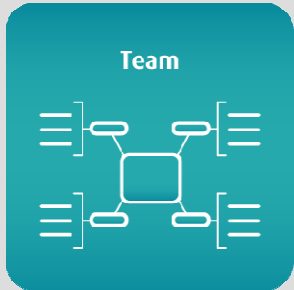
- **Opportunities**
 - Sale of premium products
 - Worldwide transportation
- **Operational Efficiencies**
 - Improved operating leverage
 - Final-mile delivery
 - Reduced send-agains
 - Induction into postal networks
 - Options for new B2C alternatives
 - Access points
 - Alternative delivery locations

A Best-Practice Methodology for Collaborating



Case Study: Our Methodology for Developing Collaboration

Senior Management Direction
Marketing
Commercial
Legal
Network Management — Operations



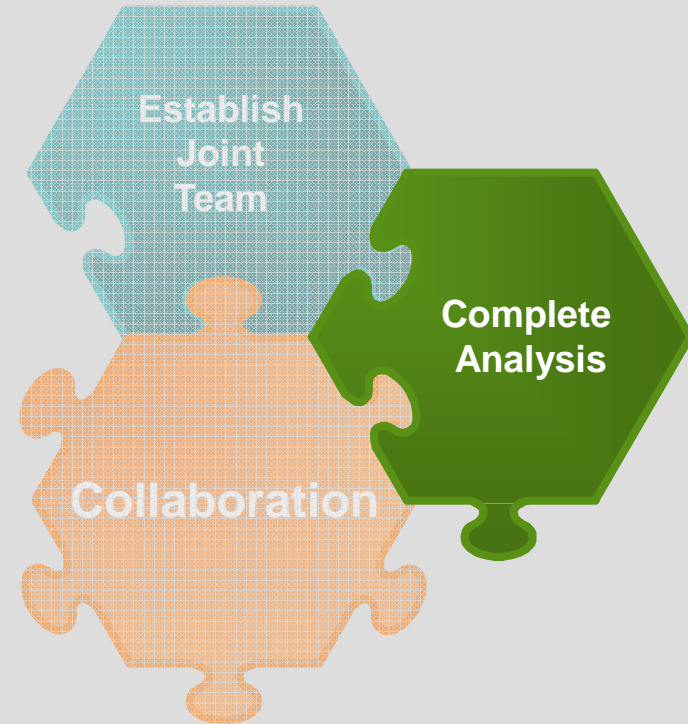
Case Study: The Facts

Post

- >\$30 billion operator
- 14,000+ post offices
- Provides banking services
- Open to expanding through innovation & collaboration
- Has customer demand for premium service

UPS

- Market share is relatively small
- Operating with multiple OSPs
- Vehicles are UPS branded
- Operates multiple daily dedicated flights to/from country — underutilized
- Significant percentage of residential deliveries require 2nd/3rd attempts



Case Study: Analysis

Compatibility Assessment

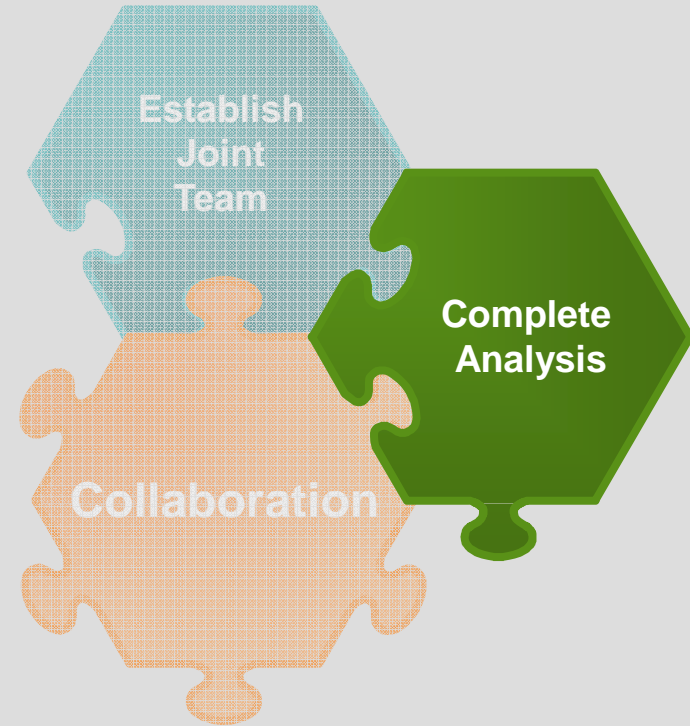
Market Summary

Opportunity Analysis

SWOT Diagram

Competitive Comparison

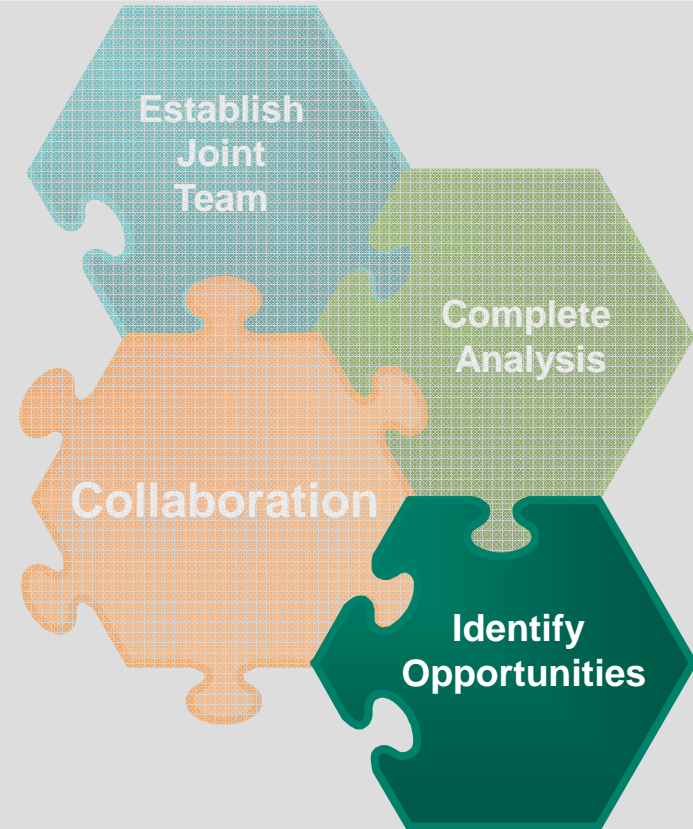
Decision-Making Tools



Case Study: The Process

Whiteboard Sessions (3 days)

- Coverage models
- Leverage infrastructure
- Product offerings
 - New products
- Technology
- B2C — Last-mile delivery
- E-commerce solutions
- Customs brokerage capabilities
- Landed cost calculations
- UPS retail strategy
- Conveyance



Case Study: The Process

Began Drafting the Business Case

- Discussed parameters and working assumptions

Established Expectations

- Scope
- Phases
- Timelines

Discussed Capital and Banking Alternatives

- E-commerce support



Case Study: The Expected Results

B2C — Last-Mile Delivery
Conveyance — Line haul
UPS Retail Strategy
Express Package



Case Study: The Expected Results

- OSP to handle urban and 2B network; Post to handle remote and 2C areas. UPS gains savings. Post, efficiencies
- UPS lift used on lanes with capacity; Post gains savings. UPS, efficiencies
- PUDO locations established. Reduces UPS “send-agains.” UPS gains savings; Post, revenues
- New premium product offering launched; Post gains higher margin revenue stream; UPS, increased volume



Case Study: The Approvals

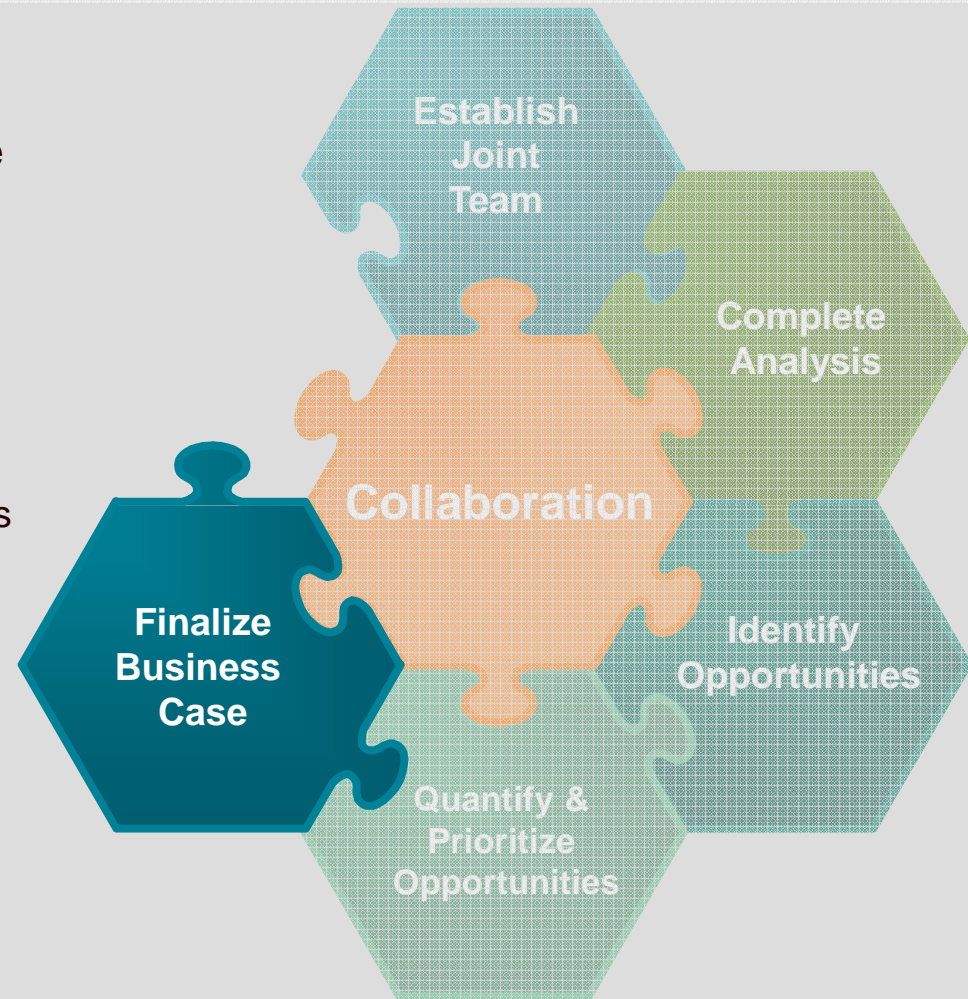
- Rules of Engagement**
- Resource Requirements**
- Clearly Defined KPIs**
- Technology Integration**
- Timeline and Key Milestones**
- Synergies Agreement**



Case Study: The Approvals

90-Day Phased-In Start-Up Plan

- Post is primary export customer interface
- 14 UPSers, 12 postal staff dedicated to implementation
- 5-year contract
- UPS technology (Tundra, WorldShip®) connectivity
 - Two technicians on-site to create seamless tracking (Post label/UPS label)
- Worked through SLA requirements
 - Tracking, on-time delivery performance, timely volume availability from off-load



Case Study: Taking Action

100-Day Implementation Plan

- Absolute priorities

Performance Reporting

- Customer satisfaction
- Financial results

Reviews with Senior Management



Case Study: Taking Action

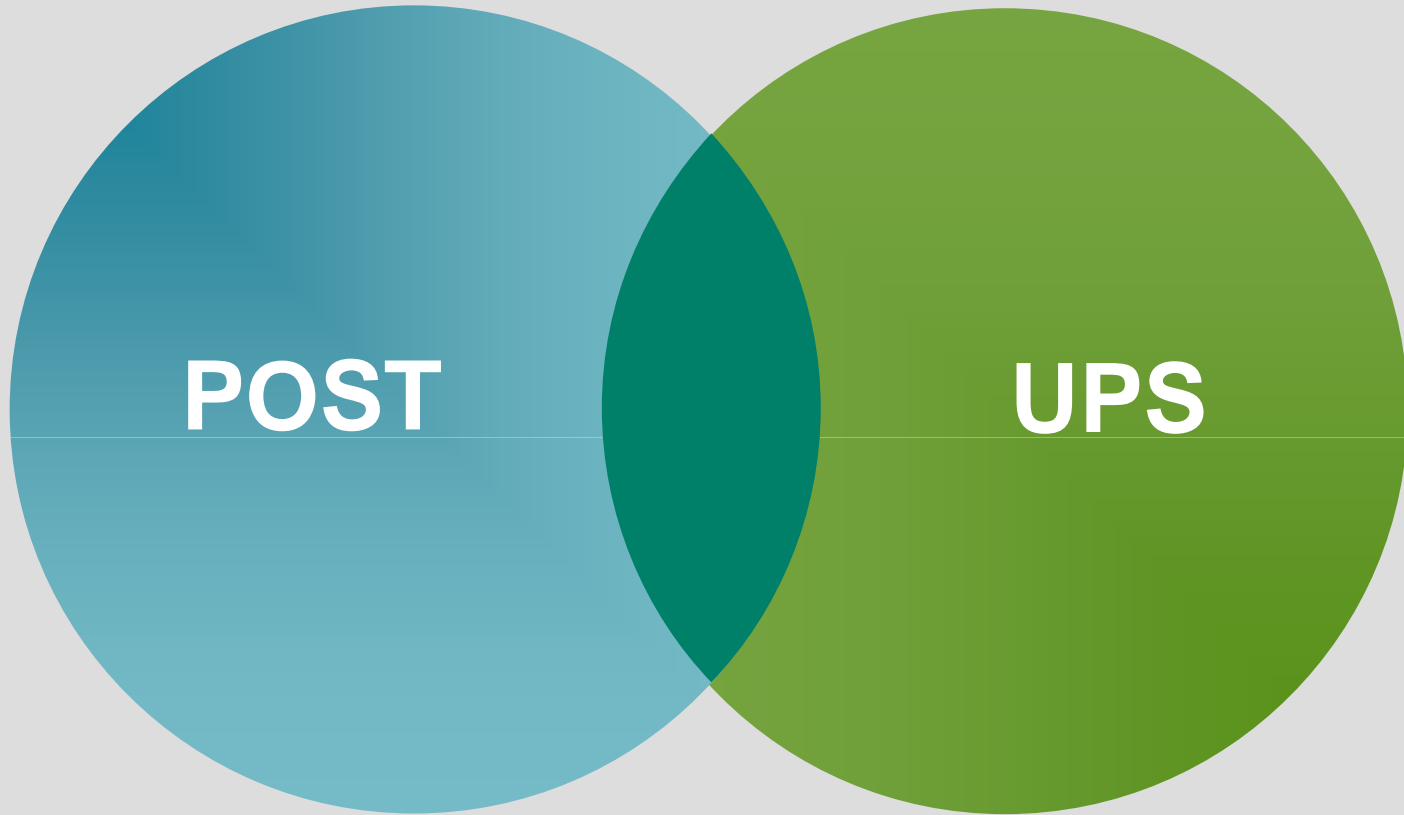
- Trained Postal and UPS employees
- Established launch plan by phase
- Prioritized multiple work streams
- Determined the no-regrets work for fast start-up
- Began technology implementation
- Itemized gateway procedures
- Made antitrust/competition law filing



Together We Can



Together We Can



Increase Efficiencies Add Reach Ensure Sustainability Improve Flexibility
Enhance Customer Experience Expand Market Opportunities

WE  LOGISTICS™

**“The only way to
navigate a new world
is with a new map.”**

— Scott Davis, UPS Chairman and CEO

WE  LOGISTICS™



Thank You

© 2011 United Parcel Service of America, Inc. UPS, the UPS brand mark and the color brown are registered trademarks of United Parcel Service of America, Inc. All rights reserved.



WE ♥ LOGISTICS™