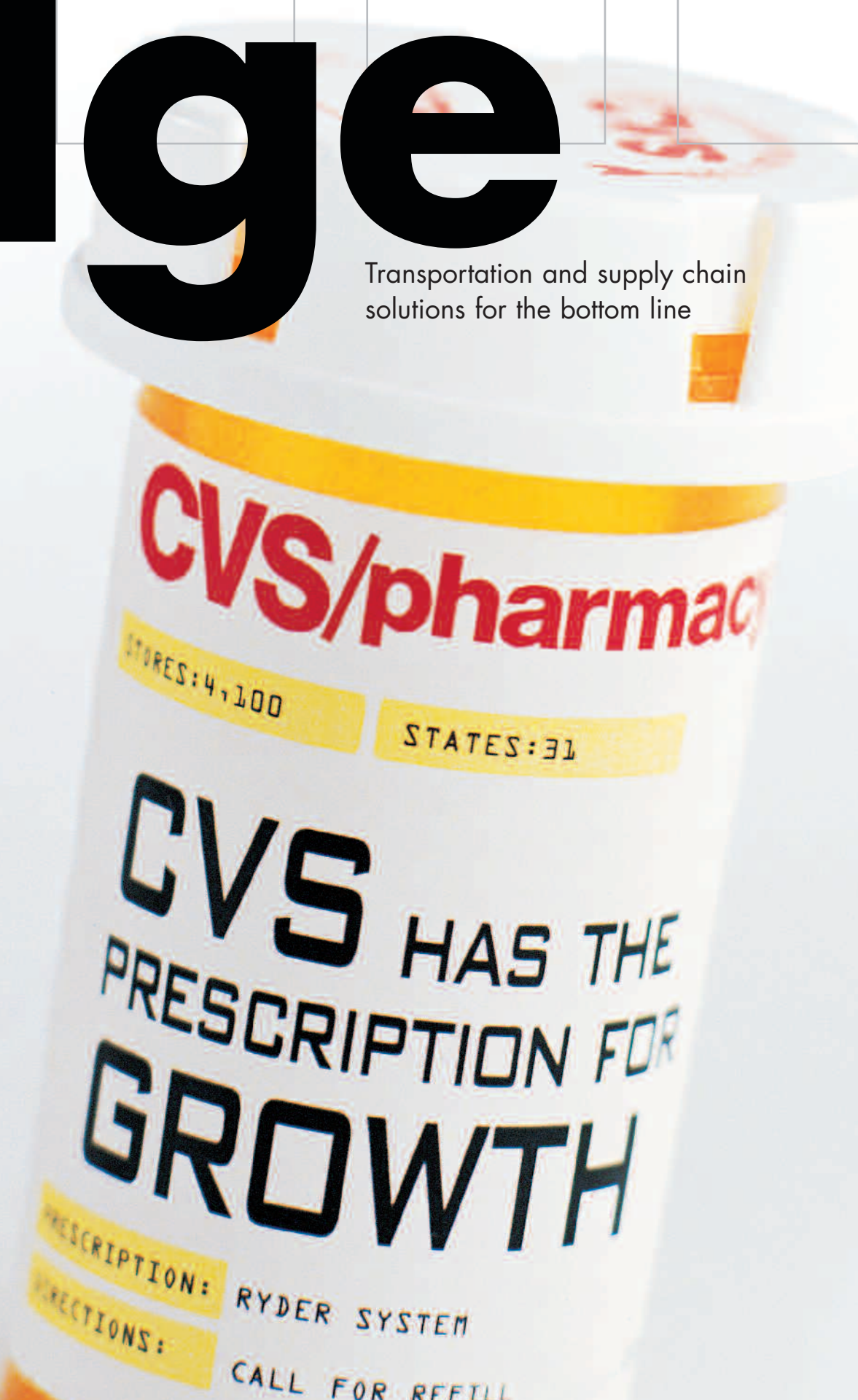
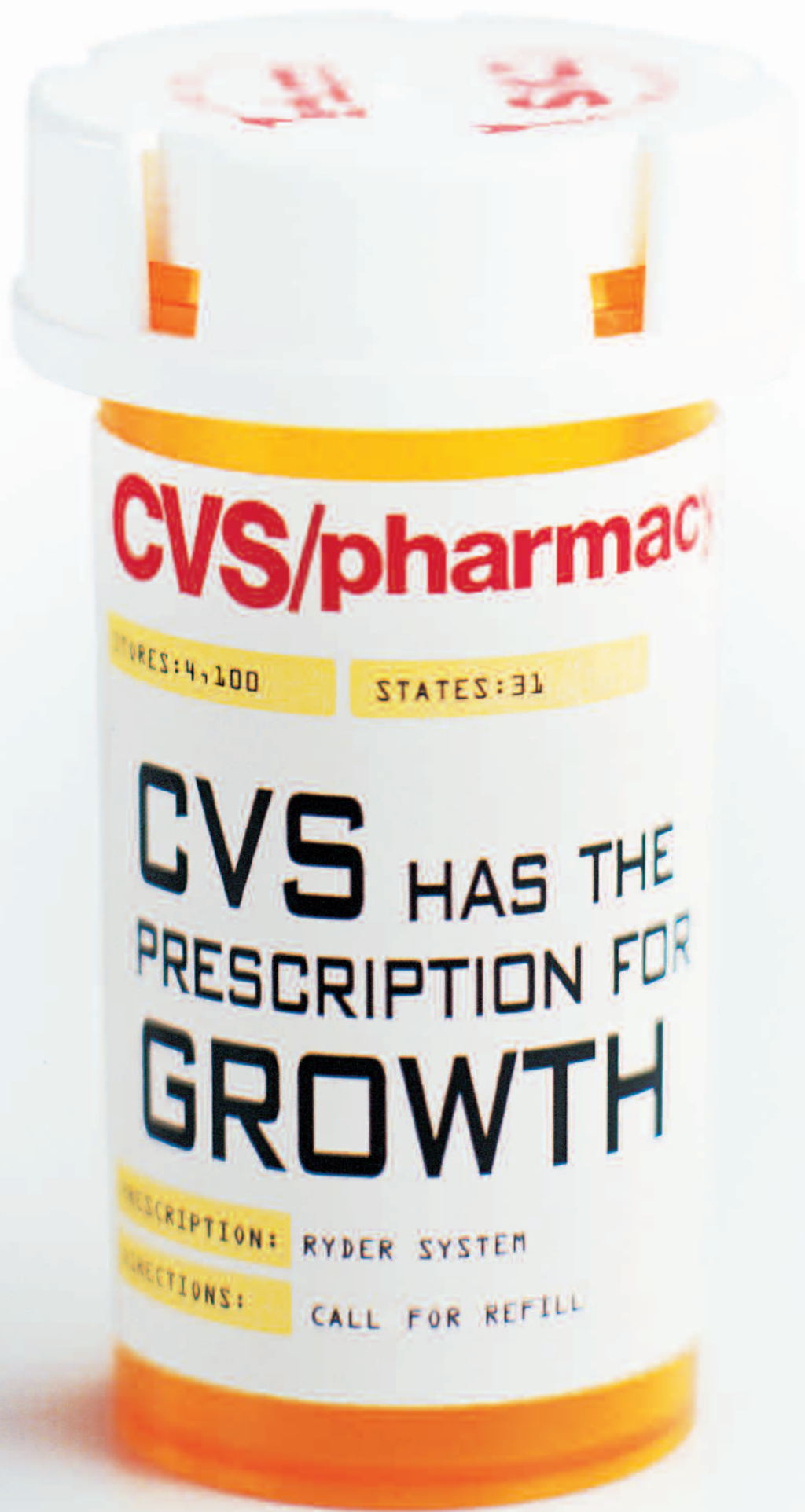


a Ryder System, Inc. publication

edge

Transportation and supply chain solutions for the bottom line





A VITAL COMPONENT OF CVS' SUCCESSFUL GROWTH HAS BEEN THE ABILITY TO PROVIDE ITS CUSTOMERS WITH A VARIETY OF PRODUCTS AND PRESCRIPTIONS THAT MEET THEIR NEEDS EACH TIME, EVERY TIME THEY SHOP. IN RECENT YEARS, RYDER HAS BECOME THE MAJOR THIRD-PARTY SUPPLIER SUPPORTING CVS WITH TRANSPORTATION AND SUPPLY CHAIN SOLUTIONS. THE RESULT? A FIRST-CLASS PRODUCT DISTRIBUTION SYSTEM THAT'S KEEPING CVS AHEAD OF DEMAND.



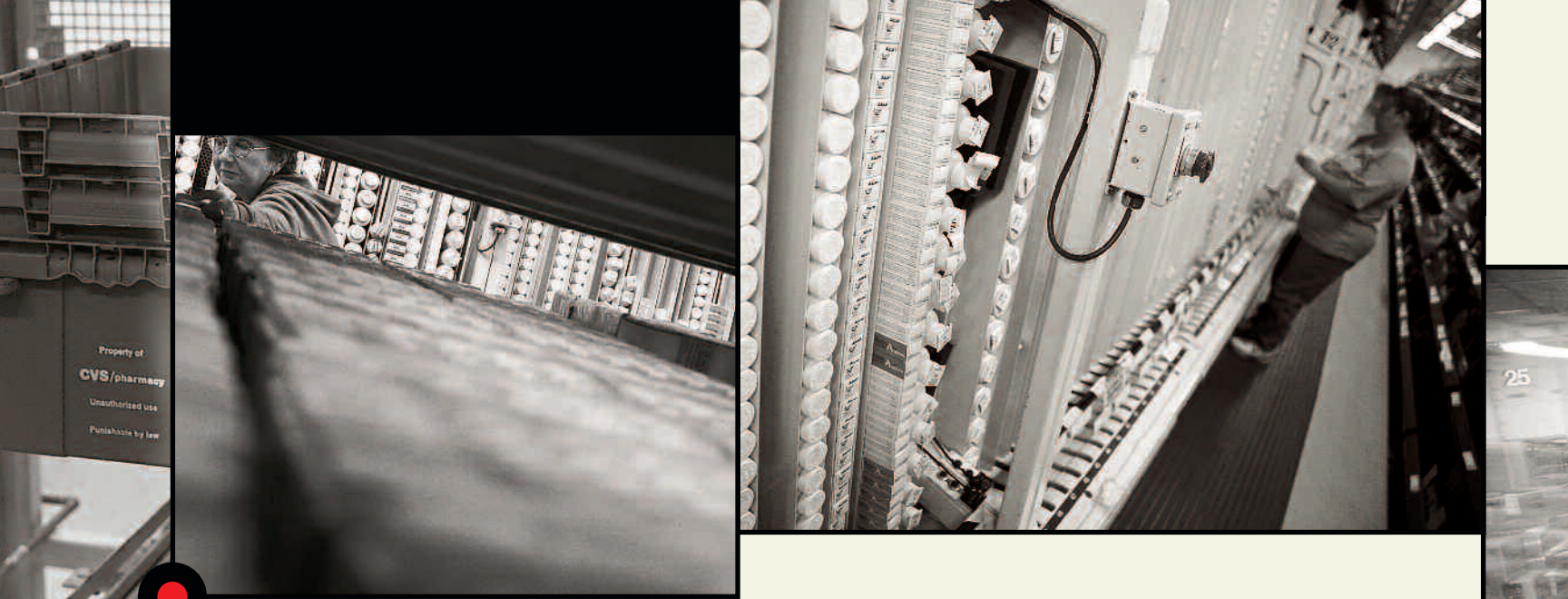
In 1963, the first "Consumer Value Store" opened its doors in Lowell, Massachusetts. The general merchandise, health and beauty aids store enjoyed enormous popularity back then with its large selection of products, good prices and quality customer service. As a testimony to its success, customers simply began referring to the store as "CVS." Today, CVS has 4,100 stores and is the nation's largest provider of prescription drugs through its stores and Internet pharmacy. One of every nine prescriptions in the U.S. is filled by CVS.



JOE ESTRELLA

CVS Director of Transportation and Logistics Network

"CVS HAS ITS FINGER ON THE PULSE
OF WHAT DRIVES THE MARKETPLACE."



**A STATE-OF-THE-ART
DISTRIBUTION SYSTEM
HELPS CVS PROVIDE
ONE OF EVERY NINE
PRESCRIPTIONS FILLED
IN THE UNITED STATES.**

CVS experienced steady growth in the New England area, and in 1990 it acquired Peoples Drug, adding new major markets to its network. Success at assimilating Peoples Drug into the CVS culture inspired the acquisition of drugstore giant Revco in 1997 and Arbor Drugs in 1998. In 1999, CVS added Soma.com and became the only major drugstore chain with the ability to provide a complete online pharmacy and retail store offering. Today, CVS is the market share leader in 34 of the nation's 100 largest markets. And it continues to grow.

“SHOP, STOCK AND SERVICE”

A vital component of CVS' successful growth has been the ability to provide its customers with a variety of products and prescriptions that meet their needs each time, every time they shop.

Henry Peloquin, CVS' Senior Manager of Transportation, remembers the first CVS stores. “The typical CVS store back then had about 4,000 square feet and relied heavily on traffic generated by nearby grocery stores. Today, many of our stores are free-standing, 12,000-square foot buildings that generate their own traffic.”

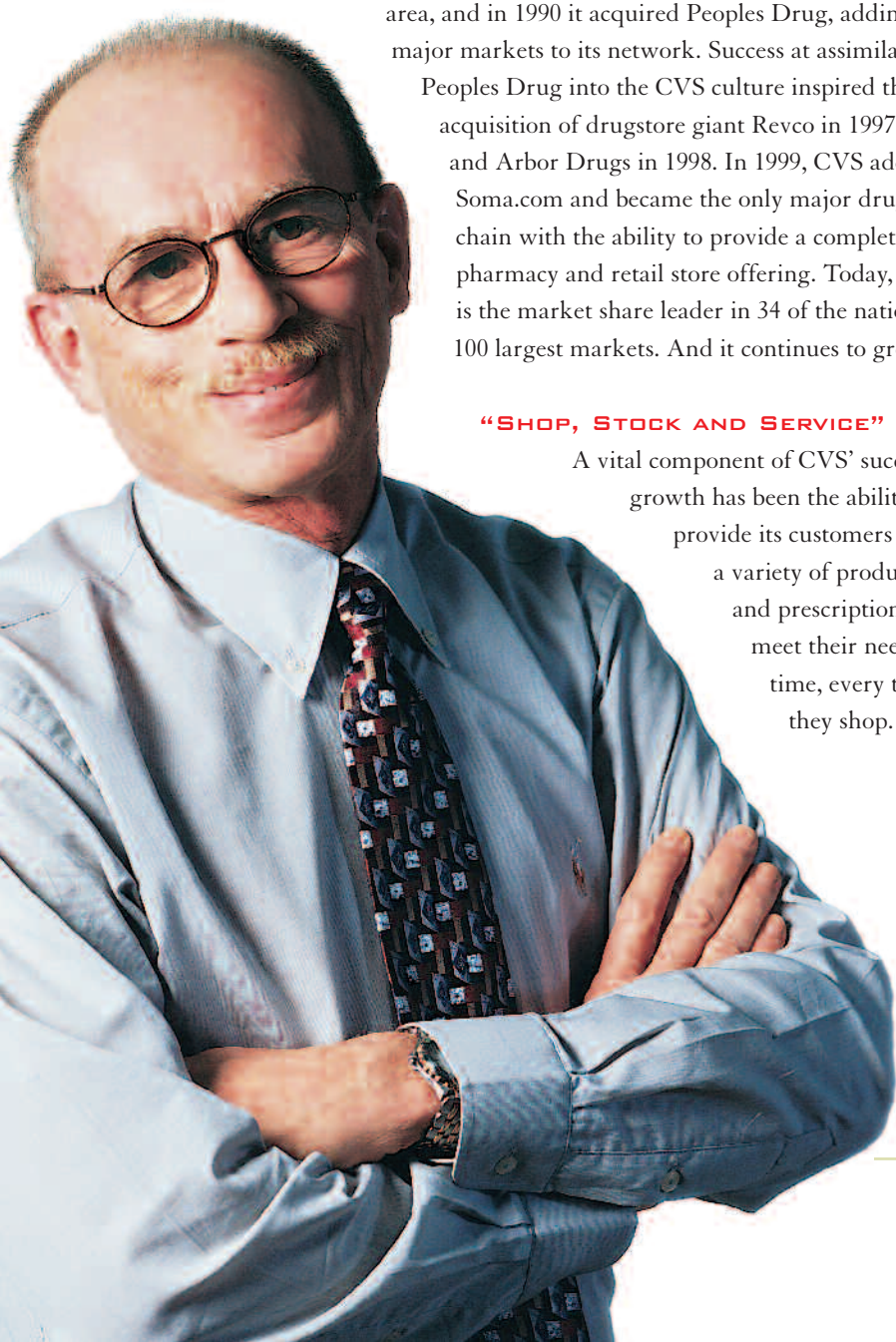
He adds that the average store carries up to 16,000 SKUs of merchandise and more than 2,000 prescription drugs, so keeping the stores stocked is no easy task. In addition, CVS has taken store customization to another level, matching individual store promotional products to market demographics and adjusting to holiday season fluctuations in demand and product mix. Product variety and its neighborhood convenience allow CVS to compete with the “megastores.” This is the CVS Triple S Initiative – “Shop, Stock and Service.”

“CVS has its finger on the pulse of what drives the marketplace,” said Joe Estrella, Director of Transportation and Logistics Network for CVS. “The company continues to look for ways of increasing existing store volume, even in the places where we have market leadership. At the same time, we're expanding into new markets such as Florida, Texas, the Chicago metroplex and Las Vegas. This puts considerable pressure on the CVS distribution system, which must ensure that products are replenished on time to avoid out-of-stock situations.”

Estrella has some unique credentials when it comes to overseeing a transportation/distribution network. A 17-year career with Roadway Express (the large common carrier) saw him move steadily up the organization with stints in sales, operations, terminal management and even

HENRY PELOQUIN
CVS Senior Manager of Transportation

“WHEN WE'RE FACED WITH A NEW OR EMERGENCY SITUATION, RYDER GIVES US OUR OPTIONS; THEN THEY GET THE JOB DONE.”





labor relations. Seven years with Staples, the office supply superstore chain, prepared Estrella well for the world of retailing. "I can relate to the operations folks because I've been there, and the retail experience gives me the customer perspective," says Estrella. And, just to round out his credentials, Estrella acquired his law degree attending evening division classes at the New England School of Law in Boston while working full time. Couple this with Henry Peloquin's 31 years of experience with CVS, and there is a near-perfect match of professional skills and know-how.

Under their leadership, a key underpinning of CVS' outbound distribution strategy has been its reliance on outside supplier-partner experts to complement and supplement CVS' own system. In recent years, Ryder has become the major third-party supplier supporting CVS with transportation and supply chain solutions. "Ryder has more than doubled its business with us because of its performance and willingness to be a flexible partner," noted Estrella.

The relationship started in 1997 at CVS' Woonsocket, Rhode Island and Lumberton, New Jersey Distribution Centers when Ryder began providing dedicated contract carriage (DCC) services. DCC is a private fleet substitute that supplies vehicles and vehicle support services, as well as drivers, dispatch and general management. Arbor Drug had also used Ryder's DCC services at its Novi, Michigan distribution facility, so that responsibility continued after Arbor's acquisition by CVS in 1998. That same year, Ryder added Revco's Distribution Center in Bessemer, Alabama as a DCC customer.

In addition to DCC activities, Ryder has supported CVS' private fleet since 1998, providing full-service truck leasing services to CVS Distribution Centers in North Augusta, South Carolina, Somerset, Pennsylvania and Knoxville, Tennessee. This support includes financing, preventive maintenance, emergency road service, administrative support, insurance and safety services. In total, Ryder supplies 207 drivers, 130 tractors and 250 trailers to CVS. Director of Customer Logistics, Ed Caulfield, heads Ryder's administrative and management staff that supports CVS. The team includes eight logistics managers, four customer service managers, two administrative assistants and a dispatcher. "Eddie is our one central contact, and he knows our business nearly as well as CVS does," says Peloquin. "When we're faced with a new or emergency situation, he doesn't say 'we'll get back to you on what it will cost' – he just gives us options and gets the job done. The cost has always been



ON-BOARD COMPUTERS, SAFE DRIVERS AND RELIABLE EQUIPMENT KEEP CVS STORE DELIVERIES ON TRACK AND ON TIME MORE THAN 95 PERCENT OF THE TIME.





fair. He does a terrific job of coordinating the Ryder resources required to meet our needs." Likewise, Caulfield thanks CVS "for making me part of their team."

ON-TIME DELIVERY, EVERY TIME

As the CVS-Ryder relationship has evolved, the companies have worked together to establish key performance indicators that are continually monitored to assure that the right products are delivered on time, every time at each store.

"Ryder has done an exceptional job working with us to support our outbound (store delivery) operations," said Estrella. "CVS requires that deliveries to the first store on a delivery route be made within a 15-minute window of the scheduled delivery time. All subsequent deliveries on a route, after the first stop, are to be delivered within a 30-minute window of the scheduled time. Our routes can't be late because we have store personnel assigned at the prescribed time to unload the truck and

stock the store shelves." Estrella notes that the unload times vary from store to store, a factor that is figured into CVS' routing and scheduling model. "Ryder's drivers help us monitor the on-time system by loading information into on-board computers. The use of 'On-Boards' was part of Ryder's original recommendations, allowing us to measure performance and continually adjust the system."

Estrella recalls proudly that, "Last year, we achieved a 98.9 percent on-time delivery performance for the first stop and a 95 percent on-time delivery rate for subsequent stops. Those results are even more impressive when you consider that CVS made more than 234,000 deliveries last year from vehicles that traveled over 20 million miles. I never have to challenge Ryder to do better. They actually get upset when we don't improve on those results. They want it to be perfect."





TO KEEP PRODUCTS
AND PRESCRIPTION
DRUGS SECURE, ONLY
STORE MANAGERS
HAVE THE CODE TO
OPEN TRAILER DOORS
TO ACCEPT A DELIVERY.



RELIABLE FLEET, PROFESSIONAL DRIVERS

Estrella points to several factors that have led to this success. “Whether the vehicles are leased to our private fleet operations, or are part of a dedicated contract carriage system, Ryder’s maintenance gives us the reliability we need. We deliver at all hours of the day, and in order to adhere to our delivery schedule, Ryder schedules preventive maintenance to match our delivery schedule. The Ryder staff keeps the equipment clean, which helps maintain the CVS image and, when we do have a breakdown, they repair the vehicle or provide a substitute immediately.

“Ryder also supplies fuel for a large portion of our fleet which saves us time and money,” he continues. “Ryder’s safety program supplements and complements our own safety program. Ryder drivers are continually

striving to improve their performance in order to be recognized among the industry’s elite. Ryder drivers play an important part in the distribution of CVS products to our stores and overall, they do a terrific job.”

Estrella defines CVS as a people-oriented company. “At CVS, being people-oriented not only means treating your employees well but helping drive everyone in the organization toward the achievement of superior results. Ryder has the same philosophy and that’s how we have been able to create something very powerful together – powerful in that we both strive for the same goals. If there’s an issue, Ryder has proven to be very flexible and creative. When we ask Ryder people to jump through hoops, they do so without a second thought. That’s the same response we want CVS employees to give our customers.”

CVS is America’s premier pharmacy, dispensing prescriptions in more stores than any other retailer. With annual revenues exceeding \$22 billion, CVS has created innovative approaches to serve the healthcare needs of all of its customers through more than 4,100 CVS/pharmacy stores; CVS ProCare, its specialty pharmacy business; CVS.com, its online pharmacy; and PharmaCare, its pharmacy benefit management company.

CVS STORES HAVE
LITTLE INVENTORY
STORAGE SPACE.
DELIVERIES GO
RIGHT FROM THE
TRUCK TO THE
STORE SHELF.

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**Ryder provides a complete array of leading-edge logistics,
supply chain and transportation management solutions worldwide.**

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