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PUTTING IT ALL TOGETHER

FOR SOME TIME, ALEX SPINOS THOUGHT HIS COMPANY'S FREIGHT COSTS WERE HIGHER THAN THEY SHOULD BE, BUT HE LACKED THE DATA AND TOOLS TO REDUCE THEM. SPINOS, GLOBAL LOGISTICS MANAGER AT NOVEON INC., WAS LOOKING FOR A CENTRALIZED TRANSPORTATION MANAGEMENT PLAN THAT WOULD PROVIDE THE CRITICAL INFORMATION. NOVEON, A GLOBAL PRODUCER AND MARKETER OF HIGH-PERFORMANCE SPECIALTY CHEMICALS, TURNED TO RYDER FOR THAT SOLUTION AND HASN'T LOOKED BACK SINCE.

noveon

AT A GLANCE

CHALLENGE

Difficulty in capturing and analyzing data on a centralized basis for North American operations had resulted in high transportation costs, inefficient processes and an inability to plan effectively.

SOLUTION

Ryder's Transportation Management suite of services including carrier procurement and contracting, carrier performance monitoring, damage claims management, customer service, and freight bill audit and payment.

BENEFITS

Significant decrease in overall transportation costs, centralized data capture and management, and a dynamic planning process that continually drives efficiencies.



INCREASED DATA
VISIBILITY IMPROVED
FREIGHT SHIPMENT
EFFICIENCIES FOR
THE MYRIAD OF
NOVEON PRODUCTS.

“We had problems with our freight payment systems because we didn’t have good, visible data available,” Spinós explains.

“Ryder provided a solution that reduced costs immediately and gave us the information we need to continue finding greater efficiencies and cost reductions.”

Noveon’s products include chlorinated polyvinyl chloride (CPVC) resins and compounds along with specialty liquids that are used in industries spanning from personal care and pharmaceuticals, to food and beverage, electronics, packaging, adhesives and beyond.

Noveon is a leading global producer of high-performance polymers for specialty paper, graphic arts, architectural and industrial coatings, and textile additives.

Noveon’s legacy of technological achievement and product innovation goes back to the 1870s when it was The BFGoodrich Company. Noveon began operating as an independent company March 2001, following its sale by BFGoodrich. Today, Noveon continues to build upon its successful foundation as a wholly owned subsidiary of The Lubrizol Corporation, as of June 3, 2004.

Noveon has annual global revenues of \$1.7 billion and has facilities located in 29 sites around the world, with global headquarters in Cleveland, Ohio.

Ryder Relationship

Ryder was selected as Noveon’s third party logistics provider through a competitive bid process.

The Noveon-Ryder relationship was established in September of 2003.

Today, Ryder manages all of Noveon’s packaged freight for all of its North American locations. This

includes less-than-truckload (LTL), truckload and ground expedite shipments. A Ryder team working on-site at Noveon headquarters is responsible for carrier procurement and contracting, monitoring carrier performance and issues, damage claims management and freight bill audit and payment.

Ryder’s winning proposal was developed after extensive research into Noveon’s operations.

“Noveon appreciated the time and effort we put into understanding the unique nature of their business, especially their transportation issues. As a result, they were confident that we would provide the service they needed,” says Andy Millspaugh, of Ryder.

Ryder’s reputation was also a plus in the eyes of Noveon management.

“Trust was a big factor in our choice of Ryder,” says Spinós. “There was some resistance about the idea of outsourcing, but Ryder has an excellent reputation, and their value proposition was good, yet realistic. They’ve developed a transportation management solution specifically for us, and it’s proving to be very effective.”

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ALEX SPINÓS

Global Logistics Manager, Noveon, Inc.



Transportation Challenges

When Ryder first entered the picture, Noveon was facing several transportation challenges. The company was paying freight bills through a payment company and separately at individual plants. The absence of centralized data reporting and freight bill payment and auditing led to a lack of overall transportation cost visibility.

“Rather than build competency in freight management ourselves, we decided to look for outside expertise,” says Bill Ehrbar, Noveon’s manager of North American transportation. “It allowed us to focus on areas like cost improvements and customer service.”

“A big part of what my team does is to manage our inbound freight,” he adds. “Before Ryder, we were managing our own bidding process, but we didn’t have the leverage or expertise that Ryder provides.”

Noveon was concerned that the poor visibility meant it could be frequently overpaying or paying freight on shipments that it wasn’t obligated to pay according to the terms of a purchase.

“We weren’t capturing our inbound freight on a database, so we didn’t have a place to get all of our freight information,” says Ehrbar. “As a result, our transportation cost visibility was poor.”

The timing was right for Ryder’s effective, customized solution.

“Noveon was facing carriers coming in with price increases, so it was an opportune time for both of us. There

was a desire on their part to both avoid the increases and find additional cost reductions,” says Ryder’s Millspaugh.

Cost Reductions

Ryder developed a customized solution for Noveon that, in just over a year, has driven substantial reductions in its transportation costs. The procurement savings realized by Noveon through November 2004 for Ryder-managed freight totaled nearly 8 percent.

First, Ryder was able to leverage its size and buying power to provide Noveon with substantial savings on its LTL freight. Ryder’s combined purchase of \$2 billion in freight on behalf of all of its customers resulted in procurement savings for Noveon against contracts that it had negotiated back in 2001.

“Every year we’re able to convert freight terms from inbound vendors to take advantage of the lower rates Ryder is able to negotiate,” says Noveon’s Spinosa. “We were never able to do that before, and every year it’s led to decreases of 10 percent or more in the rates we pay.”

Despite a total increase of 18 percent in the producer price index since 2001,

AN EXTENSIVE EVALUATION INTO NOVEON OPERATIONS LED RYDER TO ESTABLISH A DEDICATED ON-SITE TEAM THAT PROVIDES A HIGH LEVEL OF ACCURACY AND EFFICIENCY IN MANAGING CARRIER PROCUREMENT AND CONTRACTING.





IN ADDITION TO EFFICIENCY, THE RYDER RELATIONSHIP HAS ALSO PROVIDED NOVEON THE OPPORTUNITY TO FOCUS ON THE PRIMARY ORDER OF BUSINESS — MEETING THE DEMANDS OF A DIVERSE AND DYNAMIC CUSTOMER BASE.

Noveon will be paying approximately 2 to 3 percent less for LTL transportation in 2005 than it did four years ago.

“Ryder’s negotiation leverage, as well as changes they’ve made in the modes of shipment, has had a strong positive impact,” Spinos says.

From a process standpoint, each night Noveon transmits a file containing the bill of lading numbers for all outbound prepaid customer shipments. In addition, the company also provides the purchase order numbers for supplier orders where Noveon is responsible for the freight charges. As freight bills are received from carriers into Ryder’s system, the process matches up the reference numbers provided by the carriers with those received from Noveon.

At the end of each week, Ryder provides Noveon with a summary invoice of all the freight bills processed throughout the week as well as an electronic file of shipment level details. Noveon uploads this into its Enterprise Resource Planning (ERP) system, providing it with complete visibility of all transportation-related costs.

This match-pay system confirmed Noveon’s estimate that 2 to 3 percent of its annual transportation budget was spent on unjustified payments. The problem has now been eliminated, providing Noveon with savings of 2.3%.

More From Damage Claims

Spinos says Ryder’s damage claim system has also provided substantial benefits.

“Claims management used to be handled at the plant level, but we knew a centralized process would give us

greater control and visibility,” he says.

A jointly developed, centralized process now allows for the accurate and timely filing of damage claims. When a damage claim is necessary, a Noveon plant advises Ryder. A Ryder employee then files the claim, follows up with the carrier and handles any legal issues that arise. In 2003, Noveon filed only a handful of damage claims, but in 2004 the new system processed 80 claims and recovered \$100,000 for the company.

Noveon has also realized additional benefit and savings from the increased visibility of its inbound supply chain and the resulting ability to monitor vendor compliance regarding the use of preferred carriers. Ryder’s solution allows Noveon to see if a supplier failed to use a preferred carrier, and what, if any, premium was incurred as a result.

Once this information became available, Noveon found that in some cases it had unknowingly been paying a premium of 500 percent for vendor noncompliance. Today, Ryder can provide Noveon with the information it needs to debit the responsible supplier.

Spinos says the improved supply chain visibility has been the catalyst for many other improvements.

“Obviously, Ryder’s initial, expected cost savings are great,” he says.

“But really, the biggest plus is that with Ryder’s solution we’ve realized extra, unexpected savings because by having so much information visible and available, we’re able to make process improvements that save us even more.”



Continuous Improvement

Planning for continuous process improvement is a cornerstone of the Noveon-Ryder relationship.

Early on, the relationship jointly developed a strategic plan to guide the improvement efforts of Ryder's on-site management team, with the goal of bringing additional value to Noveon and strengthening the partnership. The plan has four areas of focus: reducing logistics costs; enhancing the service Ryder provides; performance metrics; and communication. Ryder's team meets quarterly with Noveon management to measure their progress against objectives.

"Our strategic plan for 2005 includes projects and initiatives within each area that we'll work on with the Ryder team," Spinos says. "The total value identified for the initiatives is between \$400,000 and \$500,000, so their impact will be substantial."

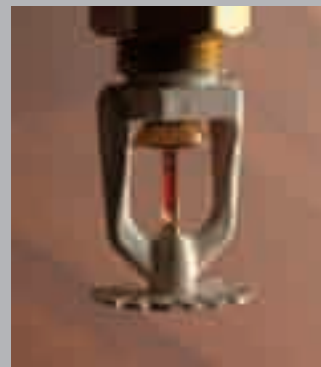
Ehrbar and Spinos say that a year into the Noveon-Ryder relationship, they're extremely pleased with the performance of the Ryder team.

"The on-site team, of Matt Reitz and Larry Bagley, is fantastic" Ehrbar says. "They get involved in many aspects of our business, and come up with positive suggestions and ideas for improvement. We really view them as being part of Noveon; they're just as concerned about our success as we are."

Spinos says having Ryder people on staff has been a key to Noveon's success. "They participate in our meetings and discussions and really operate as an extension of us," he says. "I can't say enough about how effectively the relationship is operating." e



ONGOING COMMUNICATION EFFORTS, COUPLED WITH STRONG PERFORMANCE METRICS, PROVIDE THE GROUNDWORK FOR CONTINUOUS IMPROVEMENT.



Worldwide Headquarters

Miami, FL - USA

Regional Headquarters

Asia - Singapore

Canada - Toronto

Europe - London, U.K.

Mexico - Mexico City

South America - Buenos Aires, Argentina

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

Supply Chain Management

- ▶ *Lead Logistics Management*
- ▶ *Inbound Manufacturing Product Flow*
- ▶ *Network Design*
- ▶ *Professional Services*
- ▶ *Integrated Logistics*

Warehouse Solutions

- ▶ *Warehouse Facilities Management*
- ▶ *Cross-docking*
- ▶ *Vendor-managed Inventory*
- ▶ *Multi-client/Shared Facilities*
- ▶ *Facility Network Design and Planning*
- ▶ *Facility Design*
- ▶ *Professional Services*

Transportation Solutions

- ▶ *Dedicated Contract Carriage*
- ▶ *Carrier Procurement*
- ▶ *Shipment Planning and Execution*
- ▶ *Freight Bill Audit and Pay*
- ▶ *Mode Optimization*
- ▶ *Freight Brokerage*
- ▶ *Transportation Management System (TMS)*
- ▶ *Global Trade*

Fleet Management Solutions

- ▶ *Full Service Leasing*
- ▶ *Lease Financing*
- ▶ *Programmed Maintenance*
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