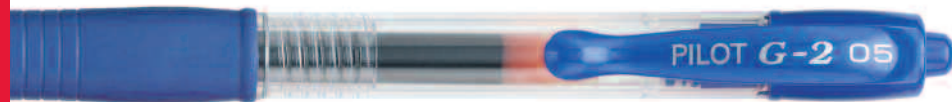




Pilot Pen



PILOT PEN MEXICO



WRITING UP A BETTER DISTRIBUTION PLAN





TO DISTRIBUTE ITS QUALITY WRITING INSTRUMENTS IN MEXICO, PILOT CORPORATION OF AMERICA RELIES ON RYDER NOT JUST FOR STORAGE AND TRANSPORTATION, BUT ALSO INSPIRATION. RYDER HANDLES THE DISTRIBUTION OF PILOT PEN WRITING INSTRUMENTS TO RETAIL STORES IN MEXICO CITY AND OTHER MAJOR MEXICAN MARKETS. MORE THAN THAT, HOWEVER, RYDER IS HONING A COMPETITIVE EDGE THAT COULD HELP PILOT PEN SLICE OFF A BIGGER SHARE OF THE MARKET SOUTH OF THE U.S. BORDER.



REWRITING DISTRIBUTION



AT A GLANCE

Pilot Pen

CHALLENGE

Establish a customer service infrastructure to import, store and ship Pilot Pen products to all customers in Mexico.

SOLUTION

A multi-client warehouse, transportation and distribution network tailored to succeed in Mexico's complex business environment.

BENEFITS

A complete and efficient customer service and distribution operation without the investment of corporate assets.

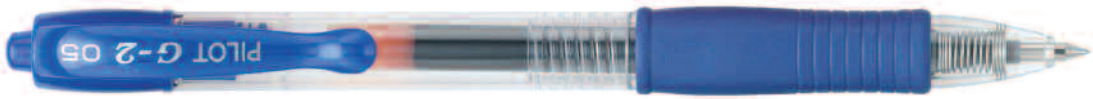
“Ryder suggests ideas for improvements. They don't just sit there and get a paycheck from us,” says Juan Estrella, director of supply chain for Pilot Corporation of America. He oversees Mexico operations from the company's manufacturing and distribution facility in Jacksonville, Fla., and he likes what he sees in Ryder.

“They have an established network. They're very reliable. Their cost structure is very compatible with ours,” Estrella says. “We wouldn't be able to do what they're doing.”

Trumbull, Conn.-based Pilot Corporation of America is the U.S. subsidiary of Tokyo, Japan-based Pilot Pen. The Japanese parent company, founded in 1918, has had a U.S. opera-

tion since 1970. Privately held, the parent company also has subsidiaries in Canada, the United Kingdom, France, Germany, Hong Kong, Indonesia, Italy, Malaysia, Singapore, Taiwan, Brazil and Russia.

Pilot Corporation of America is authorized by its parent company to sell in the United States and in Mexico. Pilot Pen Mexico, a business unit of Pilot Corporation of America, has been purchasing products made by Pilot Pen in Jacksonville and arranging for their distribution in Mexico since 2000. Pilot Pen's Mexico Operations are based in Guadalajara, Mexico. “We sell pens to that entity and they sell it and make their own profit,” Estrella explains.



Pilot Pen does business in Mexico without dedicating major corporate assets to the market by relying on Ryder to distribute its Florida-made goods there. “It all comes from Jacksonville, Florida,” Estrella says. “We try not to carry any Mexican inventory here in Jacksonville.”

Pilot Corporation of America prides itself on being a leading manufacturer and marketer of quality writing instruments in the United States and Mexico. The full line of Pilot Pen writing instruments spans 12 different categories: gel ink pens, rolling ball pens, ball point pens, mechanical pencils, marker pens, permanent markers, permanent ink ball pens, creative markers, highlighters, fountain pens, multi-function markers, and a mixed bag of supplies including refills, lead and erasers.

In Mexico, a limited portion of the Pilot Pen line is distributed. For example, Estrella explains, “we don’t have number 2 pencils. It’s mainly refillable pens and markers.” “Markers, for some reason, do very well in Mexico.”

Equally focused is the geographic concentration of Pilot Pen in Mexico. While it directs distribution operations throughout Mexico, the company’s “bread and butter market” is the capital city. “We cover the whole country,” Estrella says, “but our main market is Mexico City.” Other

major markets for Pilot Pen products include Guadalajara and Monterrey.

The pen manufacturer contracts with Ryder to select Mexican ground transportation carriers and to provide other operational support. Indeed, one of the most important services that Ryder provides Pilot Pen is its expertise in screening, selecting and monitoring Mexican motor freight carriers serving Mexico City. Pilot Pen depends on motor freight carriers “who can consistently make it to Mexico City within a certain time window,” Estrella says.

The Pilot Pen relationship with Ryder in Mexico began about three years ago. Pilot Pen had relied on another logistics company to handle its product distribution in Mexico until they filed for Chapter 11. Ryder took over the lease on an inventory-handling facility in Guadalajara signing new contracts with most of the former customers who moved merchandise through the facility, including Pilot Pen Mexico.

“Ryder wanted us to stay with them as a customer” in Mexico, Estrella recalls. And Pilot Pen is glad it did. Before their relationship blossomed, “we didn’t know Ryder that well,” Estrella says. “We have been pleasantly surprised by Ryder. The staff they have is totally professional.”

The transition to Ryder was so smooth it seemed Pilot Pen had written the script. “We didn’t want to diminish customer service,” Estrella notes. “That’s always the scary part: How long are you going to be down? Well, we weren’t down at all.”

In making its transition to Ryder, Pilot Pen protected the short-term stability of its operations and the long-term viability in its distribution cost structure in Mexico, Estrella says. Ryder maintained smooth shipping to key markets and melded its management information system and Pilot Pen’s with minimal disruption. “It was pretty much seamless,” Estrella recalls.

Ryder handles order processing, customer service functions, inventory storage and management, motor carrier selection and billing, and shipment tracking for Pilot Pen in

WEEKLY MEETINGS ARE HELD BY THE RYDER AND PILOT PEN TEAM TO FINE-TUNE DISTRIBUTION. SHOWN BELOW FROM RYDER (LEFT TO RIGHT) GELA SALGUERO, ERNESTO DONNADIEU, IVAN GONZALEZ AND LEOPOLDO DELGADO.





Mexico. Ivan Gonzalez and Gela Salguero, Ryder operations supervisors, have been instrumental in the Pilot Pen relationship. In addition, Ryder also provides services related to importation of U.S.-made Pilot Pen goods in Mexico. “We have our own import broker,” Estrella says, “but Ryder does the follow-up” such as ensuring that extra import documents are provided, if necessary, and that import duties are paid promptly so that Pilot Pen products can pass quickly through Mexican customs processing.

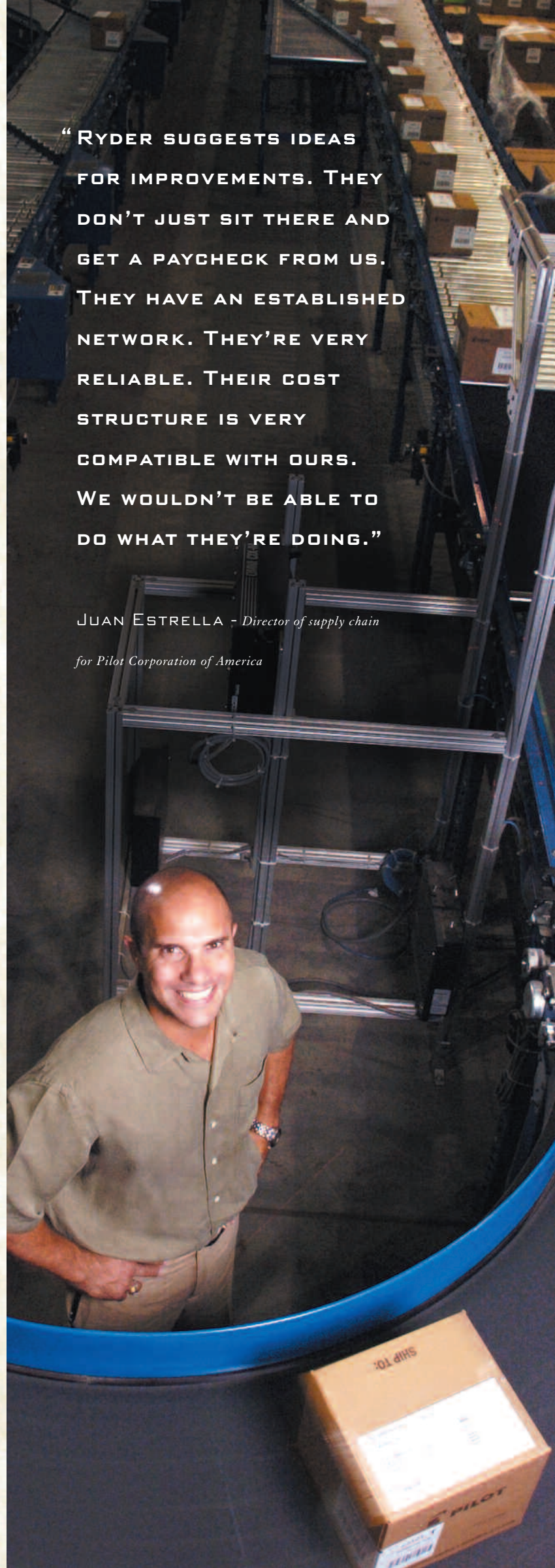
All of the Pilot Pen products sold in Mexico pass through Ryder’s warehousing and distribution facility in Guadalajara, where security is a top priority. “There’s no pilfering in Ryder’s facility. Ryder does the best job we’ve seen in securing the inventory,” Estrella says.

In addition, weekly meetings are held by employees of Pilot Pen and Ryder to fine-tune the distribution of Pilot Pen products in Mexico. Ryder works so closely with Pilot Pen in Mexico that customers tend to see them as one company. The Ryder manager who supervises its facility in Guadalajara responds to calls from Pilot Pen customers as if he were a Pilot Pen employee, Estrella says. “When he picks up the phone, he answers, ‘Pilot Pen.’ ”

Ensuring order execution is critical to keeping

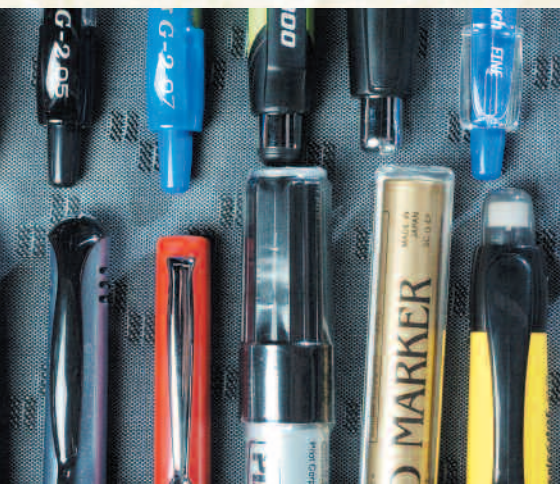
“ RYDER SUGGESTS IDEAS FOR IMPROVEMENTS. THEY DON’T JUST SIT THERE AND GET A PAYCHECK FROM US. THEY HAVE AN ESTABLISHED NETWORK. THEY’RE VERY RELIABLE. THEIR COST STRUCTURE IS VERY COMPATIBLE WITH OURS. WE WOULDN’T BE ABLE TO DO WHAT THEY’RE DOING.”

JUAN ESTRELLA - *Director of supply chain*
for Pilot Corporation of America





(ABOVE)
RYDER OPERATES
THE PILOT PEN
OPERATIONS WITHIN
ITS GUADALAJARA
MULTI-CLIENT FACILITY.
(LEFT) LEOPOLDO
DELGADO LEADS
THE TEAM OF PEOPLE
WHO SUPPORT
PILOT PEN MEXICO.



major customers and attracting new ones in Mexico. “When Pilot went into Mexico, we guaranteed our service. We always do,” Estrella notes. “Our culture is: we’re going to get the merchandise there, wherever the customer wants it.”

One of the biggest Pilot Pen customers in Mexico, Office Depot, is a demanding retailer that insists on timely order execution, which Ryder has delivered. “Office Depot does not accept back orders,” Estrella says.

With Ryder at its side, Pilot Pen hopes to capture the business of another U.S.-based retailer in Mexico: department store operator Wal-Mart. “We’ve been approaching them for a couple of years, and we recently got some very positive feedback from them,” Estrella says.

Pilot Pen may have nowhere to go but up in Mexico, given its relatively short five-year presence in the market. “We’re essentially still in the infancy stage there,” Estrella notes.

Holding down distribution costs in Mexico is critical to accelerating its growth there, so Pilot Pen works closely with Ryder to develop more efficient ways to do business. One potentially money-saving idea under consideration would let Ryder handle Pilot Pen order-taking in Mexico, replacing a current two-step process in which Pilot Pen takes orders and then forwards them to Ryder for processing.

Although the companies have maintained separate management information systems, Pilot Pen Mexico and Ryder may combine them to boost efficiency. Pilot Pen Mexico inputs customer orders into its own IBM server, an AS400 system, and the orders are then transmitted in a transfer protocol designed specifically for Ryder’s management information system.

“We look at every order to make sure it’s correct before we send it to Ryder,” says Estrella, adding that the process includes running credit checks on certain



Pilot Pen Mexico Distribution

customers before executing orders.

But as Pilot Pen has become more comfortable working with Ryder, the pen manufacturer has begun to consider funneling customer orders in Mexico directly to Ryder.

That step would allow Pilot Pen to further delegate its distribution work in Mexico, freeing the company to devote more internal attention to other operations.

“The main challenge is to provide excellent service. Doing business in Mexico is very complex compared to the United States,” says Ryder’s Ernesto Donnadieu, citing the regulatory environment in particular. Fortunately, he adds with a smile, “we understand all the rules we Mexicans have made.”^e



PILOT PEN MEXICO RELIES ON RYDER TO HANDLE ALL IMPORT, WAREHOUSING AND DISTRIBUTION OF ITS PRODUCTS IN MEXICO.



Worldwide Headquarters

Miami, FL - USA

Regional Headquarters

Asia - Singapore

Canada - Toronto

Europe - London, U.K.

Latin America - Miami

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- ▶ *Sao Paulo, Brazil*
- ▶ *Buenos Aires, Argentina*
- ▶ *Santiago, Chile*

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

Supply Chain Solutions

- ▶ *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*

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- ▶ *Dedicated Contract Carriage*
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Fleet Management Solutions

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