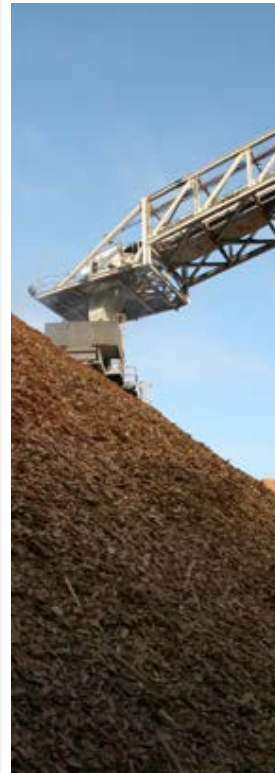
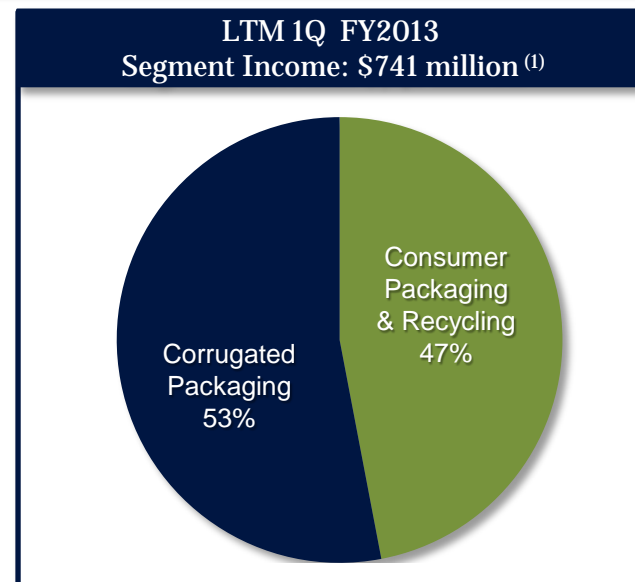
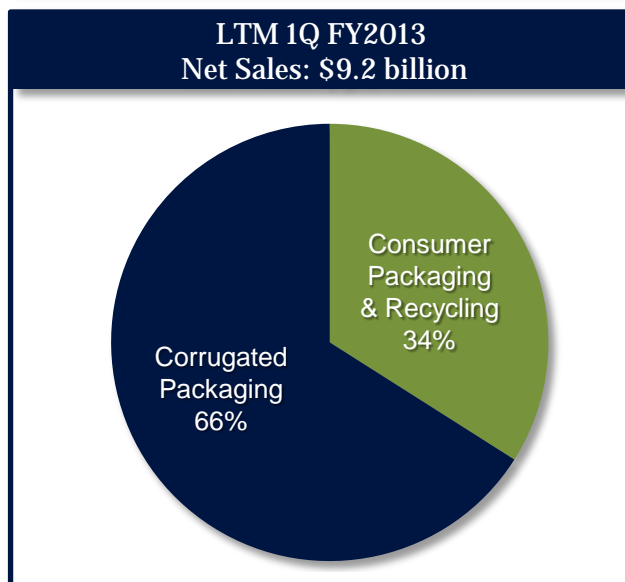


Carrier Capacity and Commitment



Who We Are – RockTenn

Overview	<ul style="list-style-type: none"> ◆ One of North America's leading integrated manufacturers of corrugated and consumer packaging
Net Sales	<ul style="list-style-type: none"> ◆ \$9.2 billion (LTM 1Q FY2013)
Employees	<ul style="list-style-type: none"> ◆ 26,000
Production	<ul style="list-style-type: none"> ◆ 9.3 million tons of mill capacity ◆ 100 billion square feet of converting production ◆ Approximately 60% integrated
Locations	<ul style="list-style-type: none"> ◆ 213 operating facilities, primarily in North America



(1) Excludes \$6.7 million of post-closure losses at Matane and \$0.4 million of acquisition inventory step-up expense

RockTenn's Core Business Principles

RockTenn will be the most respected company in our business by:

- ◆ Providing superior paperboard, packaging and marketing solutions for consumer products companies at very low costs
- ◆ Investing for competitive advantage
- ◆ Maximizing the efficiency of our manufacturing processes by optimizing economies of scale
- ◆ Systematically improving processes and reducing costs throughout the company
- ◆ Seeking acquisitions that can dramatically improve the business

Who We Are

Containerboard Mills	Recycling	Consumer	Corrugated Packaging
<ul style="list-style-type: none"> ◆ 2nd largest North American producer of containerboard ◆ Largest producer of white top linerboard ◆ 4,500 employees ◆ 13 mills in the U.S. and Canada ◆ Approximately 70% integrated ◆ All North American mills are certified to the SFI Fiber Sourcing standard and Triple Chain-of-Custody (SFI,FSC and PEFC) certified 	<ul style="list-style-type: none"> ◆ One of the largest paper recyclers in North America managing over 8 million tons of recycled fiber annually ◆ Net sales of \$1.15 billion (LTM Q1 FY 2013) ◆ 850 employees ◆ 32 U.S. recycling plants ◆ Trading operations headquartered in Atlanta ◆ 3 international trading offices ◆ Manage 100% RockTenn fiber supply and marketing 	<ul style="list-style-type: none"> ◆ 2nd largest North American producer of coated recycled paperboard (CRB) ◆ Net Sales approximately \$925 million (LTM 1Q FY2013) ◆ 11 mills in the U.S. ◆ Approximately 45% integrated ◆ All wholly-owned North American mills are certified to the SFI Fiber Sourcing standard and Triple Chain-of-Custody (SFI,FSC and PEFC) certified 	<ul style="list-style-type: none"> ◆ 2nd largest North American producer of corrugated packaging ◆ 2nd largest North American ◆ Net Sales of approximately \$6.2 billion (LTM 1Q FY2013) ◆ 15,780 employees ◆ 101 converting facilities throughout U.S., Canada, Mexico ◆ Products include: <ul style="list-style-type: none"> ◆ Corrugated containers ◆ Preprint linerboard ◆ Retail ready packaging ◆ Food service packaging ◆ All North American mills are certified to the SFI Fiber Sourcing standard and Triple Chain-of-Custody (SFI, FSC and PEFC) certified

RockTenn and OTM

- ◆ Upgraded to version 6.2.8 on June 8, 2013
- ◆ For 11 US corrugated mills, orders are planned for outbound rollstock shipments and inbound recycle shipments
- ◆ 150 active carriers
- ◆ Plan orders into shipments on receipt
 - Orders can create one or many shipments
- ◆ Tender via EDI and e-mail
- ◆ Receive shipment status updates via EDI from carriers
- ◆ Receive shipment status updates from internal systems
- ◆ Receive actual shipment data, re-rate and settle without invoices from carriers
- ◆ Return shipment cost data to upstream systems for use in product invoicing

Carrier Capacity & Commitment: OTM Options

	Definition	Pros/Cons	RockTenn Implementation
Capacity Management	Maximum number of shipments per carrier in a defined time period	Ensures that carriers will not be overwhelmed with shipments	Current State
Commitment Count	Minimum number of shipments per carrier in a defined time period	Prioritizes Commitment Count carriers before lowest cost	(Near) Future State
Commitment Allocation	Shipments spread over carriers by lane by defined percentage	Splits the lane volume across carriers Can be problematic if volume is volatile	Past State

RockTenn's Business Requirements

- ◆ Driven by Logistics Operations and Procurement
- ◆ Business Goals
 - Improve capacity and service while remaining cost neutral
 - Be a more shipper friendly company
 - Allocate a specific number of shipments per day per carrier
 - Improve tender acceptance percentage
 - Reduce number of spot shipments
 - Better alignment of logistics operations and procurement
 - First right of refusal for preferred carriers regardless of cost

Current Configuration – Capacity Limits

◆ Capacity Limits

- Prevents any single carrier from being flooded with shipments
 - Daily volume is volatile as it is driven by customer demand
- May vary by day, carrier, and location
- Effective during tender process rather than when shipments are built
- Can be executed without bulk planning

◆ Rate Quality Factor

- Used to prefer capacity carriers over non-capacity carriers

Current Configuration – Capacity Limits

◆ Planning Parameters

– Set commitment parameters

SERVICE PROVIDER ASSIGNMENT		
Parameter	Default Value	Parameter Value
APPLY COMMITMENT ON THE MOST SPECIFIC LANE	TRUE	TRUE <input type="checkbox"/>
CARRIER CAPACITY WEIGHTING FACTOR	0.7	<input type="text" value="0.00"/>
CARRIER RESOURCE REASSIGNMENT TYPE	0.If re-assign fails, do not re-plan	<input type="text"/>
DECREASE COMMITMENT USAGE WHEN TENDER DECLINE	FALSE	TRUE <input type="checkbox"/>
EVALUATE SPA FOR SHIPMENTS FROM SPLIT ORDERS	TRUE	<input type="checkbox"/>
FAVOR HIGH DEFICIT SERVICE PROVIDER IN TRANS OPT	TRUE	<input type="checkbox"/>
MODE PROFILE ID FOR CARRIER COMMITMENT	TL	TL <input type="checkbox"/>
PLAN SHIPMENTS WITH CARRIER COMMITMENT	FALSE	TRUE <input type="checkbox"/>

◆ Rate Quality Factors

– Set on Rate Offerings to determine carrier order for tendering

◆ Time Period Definition

– Set to Day of Week

OTM Set up Steps

- ◆ Define the lane
- ◆ Create capacity group ID's
- ◆ Create capacity limits
 - When done thru UI, OTM automatically creates capacity usage
 - Define time window for limit
- ◆ Update rate offering with capacity group and check box to track capacity usage

Capacity Limit 1 of 1 Finished

Capacity Limit ID	Capacity Group ID	Equipment Type ID	Lane ID				
99450601FAKE 0130303	99450601 FAKE	53FT_DV_ET	99450601_USA_LN				
Effective Date	Expiration Date						
2013-03-03	2014-03-01						
Capacity Limit	* Sun.	* Mon.	* Tue.	* Wed.	* Thurs.	* Fri.	* Sat.
	2	3	3	3	3	2	2

Rate Header	Attributes	Accessorial	Special Services	Involved Parties	Comments	Remarks	Rules and Terms	CM Rule Data
Offering ID	FAKE TL_99450601_20130205	Service Provider ID	FAKE	Rate Service ID	SINGLE_DRIVER	Version	20130205_20140204	
* Offering ID	FAKE L_99450601_20130205	* Offering Type	TL	Service Provider ID	FAKE	Region Group ID		
* Rate Service ID	SINGLE_DRIVER	Rate Group ID		* Transport Mode	TL	* Perspective	Buy	
* Version	20130205_20140204	Equipment Group Profile ID	TL_RATES_EGP	Corporation Profile ID		* Exchange Rate ID	DEFAULT	
User Description One		User Description Two		User Description Three		User Description Four		
Active	<input checked="" type="checkbox"/>	Recalculate Cost	<input type="checkbox"/>	Capacity Group ID	99450601 FAKE	Track Capacity Usage	<input checked="" type="checkbox"/>	

On-going maintenance

- ◆ Update capacity limit
 - Increasing capacity presents no issues
 - Decreasing the existing limit is challenging
 - Set current limit to expire and create new limit
 - Manually update capacity usage table
 - Check box for override has no effect
- ◆ Remember to set up when adding new carriers, if applicable

Capacity Limit Issues

- ◆ Auto-numbering
 - Exceeded maximum threshold
 - Check capacity usage auto numbering rules
- ◆ Communication - Procurement, OTM, Carriers
 - What does the capacity limit mean?
- ◆ Changing carrier
 - If a carrier is at maximum capacity, the carrier will not display when changing Service Provider unless ignore constraints is enabled
 - OTM may change shipment date to accommodate capacity limit if the LPD (Late Pick Up Date) is not populated
- ◆ When expiring capacity, OTM asks “Do you want to deactivate commitments already in use?”
 - Can’t have overlapping usage
 - Doesn’t impact shipments that are already built

Commitment Allocation

◆ Commitment Allocation

- Also known as SPA (Service Provider Allocation)
- % by lane
- Executed at time of shipment build
- Should add up to 100%
- Parameters can be configured as to how a tender decline is tracked against Commitment Allocation

Commitment Allocation Example

- ◆ Example (with parameter 'decrease commitment usage when tender decline' set to true):
 - Carrier A = 50%
 - Carrier B = 50%
 - Shipment 1 goes to A; A accepts; 100:0
 - Shipment 2 goes to B; B accepts: 50:50
 - Shipment 3 goes to A; A declines; shipment 3 proceeds to B 33:66
 - Shipment 4 goes to A because they are under their 50%;

Commitment Allocation 1 of 1 [New](#) [Actions](#)

Commitment Allocation ID	Commitment Lane Object Type	Lane ID	Allocation Type
OB_99450901_ASTON_PA_20130120	SHIPMENT	99450901_ASTON_PA	SHIPMENT
Effective Date	Expiration Date	Per	
2013-01-20 00:00:00	2013-02-04 23:59:59		

Service Providers	
Service Provider ID	Percentage
FAKE1	50.00
FAKE2	50.00

Commitment Allocation Issues

- ◆ Tender Declines
 - Carrier A has declined substantial number of loads. Carrier A will receive all tenders on lane in an attempt to reach % commitment due to parameter setting
- ◆ High volume on a lane for a time period may cause more loads to tender to a carrier than can handle
- ◆ Mode Profile must be defined in planning parameter set

Commitment Count

◆ Commitment Count

- Minimum number of loads per carrier per time period
- Executed at time of shipment build
- Highest priority is fulfilling commitment regardless of cost

Commitment Count 1 of 1 [New](#) [Finished](#)

Capacity Commitment

Only commitment with lane object type of SHIPMENT and primary count type of Num of Shipment can be used in planning when assigning carriers. Other types of commitments are used for statistics only.

Commitment Count ID:
 * Capacity Group ID:
 Commitment Lane Object Type:
 * Lane ID:
 * Effective Date:
 * Expiration Date:
 Recurring:
 Per:
 * Primary Count Type:

Contract

Record Number of Shipments:
 Record Mileage: MI
 Record Equipment Group Profile ID:
 Record Total Weight: LB
 Record Monetary: USD
 Record TEU Equivalents:
 Record Total Volume: CU FT
 Record FEU Equivalents:
 Record Equipment Group Profile Count:

* Day Of Week	Number Of Shipments	Total Weight	Total Volume	Mileage	Monetary	FEU Equivalents	TEU Equivalents	Equipment Group Profile Count	Save
SUN	<input type="text" value="2"/>	<input type="text"/> LB	<input type="text"/> CU FT	<input type="text"/> MI	<input type="text"/> USD				
MON	<input type="text" value="3"/>	<input type="text"/> LB	<input type="text"/> CU FT	<input type="text"/> MI	<input type="text"/> USD				
TUE	<input type="text" value="3"/>	<input type="text"/> LB	<input type="text"/> CU FT	<input type="text"/> MI	<input type="text"/> USD				
WED	<input type="text" value="3"/>	<input type="text"/> LB	<input type="text"/> CU FT	<input type="text"/> MI	<input type="text"/> USD				
THU	<input type="text" value="3"/>	<input type="text"/> LB	<input type="text"/> CU FT	<input type="text"/> MI	<input type="text"/> USD				
FRI	<input type="text" value="2"/>	<input type="text"/> LB	<input type="text"/> CU FT	<input type="text"/> MI	<input type="text"/> USD				
SAT	<input type="text" value="2"/>	<input type="text"/> LB	<input type="text"/> CU FT	<input type="text"/> MI	<input type="text"/> USD				

Commitment Count Example

	Commitment	Lane A	Lane B	Lane C
Carrier 1	1	300	600	600
Carrier 2	1	550	700	675
Carrier 3	1	400	900	800

Low Cost: \$1500

Cost with Commitment: \$1675

- ◆ OTM determines the lowest cost solution while filling commitment
 - 1st order is for lane A
Carrier 3 is selected
 - 2nd order is for lane B
Carrier 1 is selected
 - 3rd order is for lane C
Carrier 2 is selected

Commitment Count Issues

- ◆ Explaining how the process works is difficult
- ◆ In order to generate best cost solution, bulk planning is required
- ◆ Carrier may be flooded on high volume lanes
- ◆ Determining commitment count is difficult if your volumes fluctuate
- ◆ Insufficient volume on a lane will not fill commitments
 - Example: 10 commitment count and only 5 shipments

Overall Lessons Learned

- ◆ Business requirements need to be clearly defined
 - Is the goal to spread shipments across carrier base?
 - Is the goal to always award to lowest cost carrier?
 - Is the goal to guarantee loads per carrier?
- ◆ Definition of commitment
 - Procurement versus OTM
 - Actual pick up versus planned pick up
- ◆ Requires tuning and maintenance
- ◆ Education
 - Why is OTM working this way?

Questions?