



Contact: UPS Public Relations
404-828-7123
pressroom.ups.com



UPS UNVEILS NEW LOOK

ATLANTA, March 25, 2003 – UPS today unveiled a “new look” that includes the first redesign in more than 40 years of the company’s famous “shield” logo.

UPS said the change reflects the significant broadening of capabilities that has occurred in recent years as the company expanded across the globe and introduced a portfolio of new supply chain services. The company will continue to use the color brown for its operations, but the logo change includes elimination of the package with a string bow atop the shield.

“UPS is a vastly different company today than most people realize,” said UPS Chairman and CEO Mike Eskew. “Today we are bringing our look up to speed with our capabilities.”

Based on the scale of the project, changing UPS’s visual identity may be one of the most significant corporate identity transformations ever.

The UPS brand is one of the most seen and recognized on the globe. During the course of a year, UPS touches the doorstep of 98 percent of the homes in America and reaches customers in more than 200 countries. Eighty percent of the world’s population can be reached by UPS in 48 hours.

The logo appears on more than 88,000 vehicles, 257 large jet aircraft, 1,700 facilities around the world, 70,000 drop-off and retail access points, more than 1 million uniform pieces and more than 3 billion packages annually.

The visual changes will not be restricted to the logo alone. To further communicate the global reach and expanding capabilities of UPS, the phrase “Synchronizing the World of Commerce” will become part of the design of the company’s aircraft and familiar brown package cars. New advertising also will include the “synchronizing commerce” theme.

And while brown will remain the primary color representing UPS, other new, complementary colors will become part of the design of aircraft, packages and other company assets.

2-2-2

The various changes follow more than a year of research and planning and were to have been unveiled with a worldwide series of events in more than 30 countries. Plans for that aggressive external publicity effort were shelved due to current world events, although presentations to UPS employees began today as planned.

“Naturally, we’re disappointed that we weren’t able to shout this news to the world, but there are clearly much more important matters currently on peoples’ hearts and minds,” said Eskew.

The most visible change to the UPS logo is the removal of the bow-tied parcel that appears atop the shield. Ironically, even though the small bow had become one of the most recognized features of the company’s logo, packages with string have not been accepted by UPS for several decades because the string can get caught in high-speed sorting machinery.

The logo now being replaced was designed in 1961 by Paul Rand, a renowned brand designer who also was responsible for the logos of IBM, ABC, Westinghouse and Yale University, among others.

“Package delivery is and will remain the foundation of our business at UPS,” Eskew said. “But as we expand our capabilities and broaden the solutions we bring to our customers, we felt it was the right time to make our logo reflect the company’s evolution.”

For decades, UPS has been developing and acquiring new capabilities to broaden the global package delivery options it provides its customers. Today, the company offers freight services by any mode of transportation, international trade management, customs brokerage, consulting and supply chain management, financial services and e-commerce solutions. Most of these services are offered under the company’s recently formed Supply Chain Solutions business unit.

In addition, UPS has dramatically expanded its retail presence through the acquisition of Mail Boxes Etc. Last month, the company announced it would provide Mail Boxes Etc. franchisees within the United States the opportunity to rebrand their stores under the name *The UPS Store*.

“We believe that ‘synchronized commerce’ is the next evolution of global commerce, where the three flows of trade – goods, information and funds – are seamlessly connected to benefit businesses worldwide,” said Eskew. “Our capabilities give UPS a unique opportunity to lead this evolution, and our strong brand gives us a great foundation on which to move forward.”

UPS is the world's largest package delivery company and a global leader in supply chain services, offering an extensive range of options for synchronizing the movement of goods, information and funds. Headquartered in Atlanta, Ga., UPS serves more than 200 countries and territories worldwide. UPS's stock trades on the New York Stock Exchange (NYSE), and the company can be found on the Web at UPS.com.

#

Except for historical information contained herein, the statements made in this release constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements, including statements regarding the intent, belief or current expectations of UPS and its management regarding the company's strategic directions, prospects and future results, involve certain risks and uncertainties. Certain factors may cause actual results to differ materially from those contained in the forward-looking statements, including economic and other conditions in the markets in which we operate, governmental regulations, our competitive environment, strikes, work stoppages and slowdowns (or customer behavior in anticipation of such events), increases in aviation and motor fuel prices, cyclical and seasonal fluctuations in our operating results, and other risks discussed in the company's Form 10-K and other filings with the Securities and Exchange Commission, which discussions are incorporated herein by reference.



Building the Brand: Behind the Scenes

"UPS remains the world's premier package delivery company. However, our new logo reflects a world that expects more than packages from UPS – new capabilities and an innovative vision for enabling commerce around the world."

Mike Eskew
UPS Chairman and CEO

Expanded Capabilities

Based on the sheer scale of the project, changing UPS's visual identity will likely stand as the largest corporate identity transformation in history.

And it was not a simple process.

Working with FutureBrand, a global authority on branding and marketing, UPS spent nearly two years on strategic research and detailed planning to reach today's critical moment. The process began by recognizing the company's "look" no longer reflected its business strategy, its expanded capabilities, its growth as a global company or its role as a technology pioneer. The company was offering an extensive portfolio of worldwide transportation and supply chain services – and planning a retail presence that would change Mail Boxes Etc. to *The UPS Store* – and the public's perception remained locked on package delivery.

It was clear that the time was right to bring the company's look up to speed with its capabilities. This would require changing everything from UPS's logo and terminology to its packaging, air and ground delivery fleets, and even internal business forms.

The UPS Logo

"The new UPS logo still conveys the essence of UPS, the spirit of service and excellence we've built as the world's leading package delivery company. But it expands its meaning to reflect the broader services now available to customers."

John Beystehner
UPS senior vice president, worldwide sales and marketing

Although UPS was founded in 1907, its logo first appeared in 1919 in the design of a shield and the shield remains to this day. This design reflects integrity and reliability, not only of the company itself but also of the people behind it: drivers, management, front-line package handlers and today, thousands of other UPSers from consultants to warehouse managers.

Although the old logo failed to reflect the new capabilities of UPS, it was critical that any changes communicate an *evolution*, not a departure from the company's established expertise.

The result is a new shield designed to maintain the positive attributes of the old, while extending its meaning and giving it an energized look. The package with the bow above the shield has been removed, giving the logo room to communicate the many other capabilities of today's UPS. The actual look of the new logo gives it a stronger visual presence. Colors have been filled in for more impact and the UPS name increased in size. For even greater visual impact, the shield gained a three-dimensional appearance.

Defining UPS: "Synchronizing the World of Commerce"

FutureBrand concluded that no terminology existed for the unique approach UPS was applying to its customers' businesses, leveraging the package delivery network and intellectual capital to provide for the coordinated movement of goods, information and funds.

Thus the term "Synchronized Commerce" was developed to define the expanded category in which UPS competes. The phrase, "Synchronizing the World of Commerce," now will appear on UPS aircraft, delivery vehicles, packaging and other assets to remind customers that a broad portfolio of services is available - all from one company, UPS.

Keep the Brown

It's a little known fact that when UPS first began using motor vehicles for delivery, they were painted different colors so the public would know there was more than one package car at work. Brown was adopted as the color for uniforms and delivery vehicles in 1916 and by 1929, the entire UPS fleet was brown. UPS chose the brown that was used on Pullman rail cars because it reflected elegance and professionalism, and dirt is less visible on uniforms and vehicles. UPS registered two trademarks on brown, including one to prevent other delivery companies from using the color for vehicles or clothing.

Over the years, UPS branding executives have brainstormed the idea of changing the familiar chocolate brown package cars to tan, bronze, silver or even a multi-colored fleet. Khaki shirts also were reviewed once. But research among customers and UPS employees has always reinforced support for brown.

Instead of changing the primary color, UPS is adding vibrant colors to the company's master design palette - reds, blues and even bright green. By creating the new color palette, UPS can add a system of brand control while providing design flexibility that energizes various print designs.

The Management Challenge

We've always known that the UPS brand touches people millions of times worldwide each day, but the true magnitude of that truly came to life as we assessed how many places and how many ways our visual icon would have to change.

Gary Mastro
UPS vice president of brand and product marketing

It may seem quite simple to change a logo. But for UPS, changing the brand mark has a ripple effect across literally millions of branded assets and thousands of locations throughout the world. The costs could be staggering if the project were not managed with extreme diligence.

It is impossible to calculate how many places and how many times the UPS shield appears each day. There are more than 2,100 different internal and external forms alone on which the logo appears.

Once senior management approved the initiative, an extensive cross-functional team of branding experts, industrial engineers, plant engineers, procurement managers, technologists and communications managers were brought together to ensure the project's success. The team had a firm deadline of six months to finalize the application of the new look on branded UPS assets and to roll out the project internally and externally in a coordinated, synchronized unveiling. The decision was made from the beginning that it should be kept as confidential as possible, making the challenge even greater.

The team began the process with an exhaustive audit to determine what would change and when. Core areas were identified to provide a focused approach and sub-teams were established to address each area. The teams then set out to apply the new design strategy to everything from software packaging to print collateral to livery assets such as vehicles and aircraft.

- **Delivery Vehicles** – UPS's fleet of more than 88,000 vehicles includes a wide assortment of vans, trucks and over-the-road tractor trailers. This project alone required extensive coordination between the UPS automotive team and industrial engineering who were charged with devising a way to secretly deploy more than 1,300 newly adorned vehicles to facilities on Day One.
- **Aircraft** – Refreshing the look of the UPS planes required months of test painting, using a spare 727 aircraft, followed by design adaptations for each of the many aircraft types in UPS's fleet. One challenge alone appeared when applying the new three-dimensional logo design to their tails. To create this look, designers applied a special "masking" paint system to give the logo the unique three-dimensional appearance.

- **Uniforms** – After a great deal of research and design testing, it was decided the traditional UPS uniform would remain largely unchanged. Customers and drivers said they liked the traditional look of UPS “browns.” Therefore, uniforms will retain their classic look, but will receive the new logo.
- **Packaging** – UPS’s express packaging is one of the most visible brand assets customers touch around the world each day, which provided an exceptional opportunity to extend UPS’s new look in a bold way. The new packaging takes on the expanded color palette and graphic design system, providing greater use of energetic color.
- **Signage** – Replacing signs might seem fairly straightforward, but these changes affect more than 1,700 package delivery facilities, air hubs and office buildings. The new signage system applies consistent guidelines for these worldwide locations. The first sign change occurred at the historic 43rd Street facility in New York City. This location also provided the ideal set for the ceremonial unveiling of the new shield by UPS Chairman & CEO Mike Eskew.

From the UPS driver’s electronic clip board to computer-printed package labels, the list of other branded items that will undergo change over the coming years is extensive, and each has undergone the same rigorous review to ensure visual consistency, quality and prudent cost containment.

#

Contacts: UPS Public Relations
 404-828-7123
 pressroom.ups.com



Innovation Timeline

UPS has a history of constant re-examination and transformation. Throughout the company's 95 year history, we have served customers by staying ahead of commerce trends, employing technology in unique ways and developing increasingly complex business solutions.

In our timeline, you'll find highlights of UPS's innovation over the course of almost a century.

Today

Synchronized Commerce

From humble origins as a Seattle messenger service, UPS has grown into a sophisticated global business partner, managing the flow of goods, information and funds for its customers. Companies rely on UPS to manage their supply chain needs - from financing the purchase of raw materials to picking the final product from warehouse shelves.

- Today, UPS is the world's largest package delivery and supply chain management company, providing a full range of e-commerce and logistics solutions to synchronize the flow of commerce worldwide.
- UPS launches new look worldwide to reflect the company's expanded capabilities.
- UPS Exchange CollectSM, an electronic payment option for trading internationally, provides customers full visibility of goods and funds during each step of the transaction, which enables sellers to receive payment for their goods in 10 days or less rather than the customary 14-90 days.
- UPS rolls out re-branding program to Mail Boxes Etc. franchisees: Participating centers to offer new, lower prices under "The UPS Store" brand.
- UPS Logistics Group and UPS Freight Services are integrated into a new business unit, Supply Chain Solutions, to better deliver logistics, transportation and trade services around the world.

1990-2003

Enabling Global Commerce

For decades, UPS has been developing and acquiring new capabilities to broaden the global package delivery options it provides its customers. Over the last decade, the company has expanded its capabilities to include freight services by any mode of transportation, international trade management, customs brokerage, consulting and supply chain management, financial services and e-commerce solutions.

2002

- UPS WorldportSM, UPS's four million square foot all-points air hub, opens in Louisville, Ky U.S.A. It is one of the most technologically sophisticated facilities in the company's global transportation network.
- UPS deploys GPRS wireless network in 15 European countries to provide connectivity for approximately 10,000 hand-held tracking devices. UPS begins testing GPRS and CDMA in the United States.

2001

- UPS launched its inaugural flight to China improving time-in-transit and reliability to and from the world's most populous nation.
- UPS expands its products and services into new channels by acquiring Mail Boxes Etc., for greater retail presence; Fritz Companies Inc. for its global freight forwarding services and First International Bancorp to expand financial services.

2000

- UPS reaches a technology milestone on Dec. 19, when, for the first time, UPS.com received 6.5 million online tracking requests per day.
- UPS gives customers capability to calculate rates, to find transit -times and convenient drop-off locations for shipments on any digital wireless device in the U.S.
- UPS announces the Asia Pacific launch of its new international financial services arm, UPS Capital Global Trade Finance.

1999

- UPS becomes a public company with the largest initial public offering in the 20th century.

1998

- UPS deploys industry's first hybrid electric delivery vehicle in Huntsville, Alabama, making 150 daily pickups and deliveries on a 31-mile route.
- UPS Capital is established, launching the first financial services company specifically focused on companies' supply chain needs.
- UPS launches www.ec.ups.com, an innovative Web site to serve as an information clearing house for those exploring ways to transact business over the Internet.

1997

- The UPS e-procurement system expands globally to set the standard for other corporations. The system links more than 18,000 users with more than 600,000 vendors to process more than 3 million invoices per year online.
- The UPS Strategic Enterprise Fund is formed, enabling exploration of emerging markets and technologies to enhance UPS's evolving business model.

1995

- UPS begins online tracking from UPS.com.

1993

- The UPS Data Center installs the Satellite Earth station for tracking packages moving between the United States and Germany.
- UPS begins using real-time wireless network to gather signatures electronically for tracking.

1950 - 1990

Global Expansion

From Seattle to Shanghai, UPS grew its business to 200 countries and territories from the 1950s to the early 1990s.

To grow into such an extensive operation, UPS had to develop technology to transport packages more quickly and efficiently than ever before. It also came to depend on air delivery service to grow globally.

1988

- UPS launches its own airline – the quickest startup in aviation history – and extends international air service to 41 countries in North America, Europe and Asia Pacific.
- UPS links its Automated Brokerage Interface with U.S. Customs to transmit information in advance of an international shipment in order to speed the Customs clearance process and avoid delays.

1982

- UPS enters the overnight air express delivery business with UPS Next Day AirSM; rapid expansion of international air services follow.

1975

- UPS begins first international service in Canada.

1950s - 1970s

- UPS secures rights to operate across the U.S., one state at a time, and becomes the first delivery company to provide service to every street address in the 48 contiguous states. UPS remains the only carrier today that provides this extensive coverage.

1930 - 1950

U.S. Expanded Service

By 1930, UPS had expanded its services to the East Coast and moved its headquarters to New York City. By the mid 1940s, UPS was moving more than 100 million packages a year. Jim Casey and his partners saw opportunity in this expansion, and decided to diversify UPS, ensuring the company's long-term prosperity in a new time of change.

1946

- UPS delivers its one billionth package.

1930s - 1940s

- UPS builds a steady retail package delivery business.

1930

- Three New York retailers turn delivery operations over to UPS and the company begins expanding into cities throughout the East Coast and Midwest.

1907 - 1930

Messenger Service

In the summer of 1907, a teenage entrepreneur with a mature eye for detail made a bold business move. Having worked since age 11, the now-seasoned 19-year-old Jim Casey borrowed US\$100 to begin his own messenger service.

Although he didn't know it yet, his humble bicycle messenger service, American Messenger Co., would grow up to become the world's largest package delivery and supply chain management company.

1929

- UPS begins the world's first air express package service.

1920s

- UPS engineers invented the "**hub-and spoke**" system, a revolutionary sorting and delivery system.

1919

- Operations expand to Oakland, Calif., under the name United Parcel Service.

1913

- Casey merges with a competitor to create Merchants Parcel Delivery, which delivers packages to retail stores. He pioneers the concept of consolidated delivery ... putting all packages destined for a single area on one delivery truck.

1907

- Jim Casey borrows US \$100 to found the American Messenger Company in Seattle.

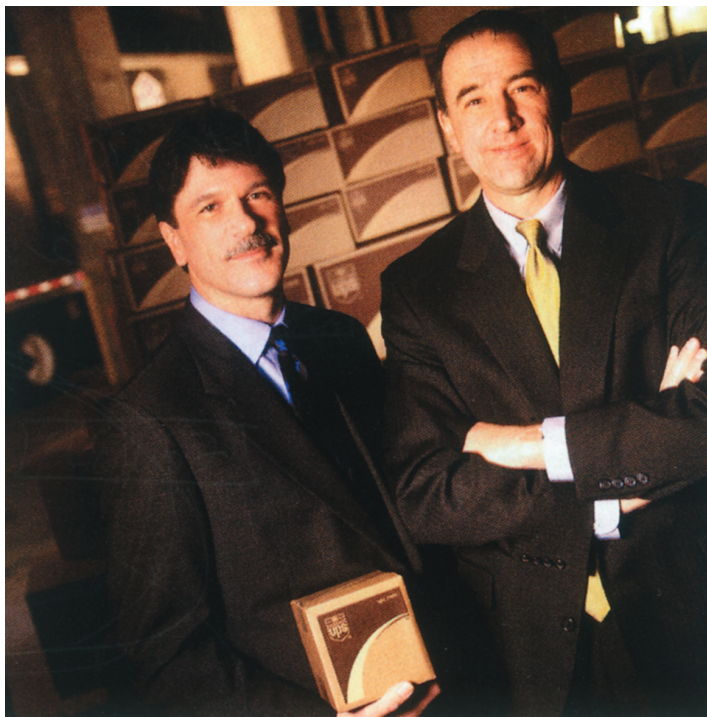
#

Contacts: UPS Public Relations
 404-828-7123
 pressroom.ups.com

“They’re getting some customer wins and awareness from the fact that UPS isn’t just little brown boxes.” — Satish Jindel, **SJ Consulting**

brand builders

Well-packaged: UPS marketers Meyer(L.) and Radermacher help drive the growth of new businesses.



Marketer:

UPS, Atlanta

Agencies:

The Martin Agency,
Richmond, Va.

Key players:

UPS:

Paul Meyer, group mgr-brand
communications

Rick Radermacher, national
advertising mgr;

Martin Agency:

Cliff Sorah, svp

STRATEGY

Up With Brown

The ubiquitous chocolate-brown delivery trucks and uniformed drivers of United Parcel Service qualify as genuine cultural icons, even playing cameo roles in movies such as *Charlie's Angels* and *Legally Blonde*. But early in its new “What can Brown do for you?” ad campaign, UPS kept its trucks and drivers on the fringes of TV spots that featured transportation managers and mailroom employees. The reason? The company did not want to distract from the

main goal of the marketing effort—to convince customers that UPS can do much more for their needs than simply deliver packages.

UPS still controls 80% of the \$60 billion package delivery market, but its overall shipments were down about 2% in 2002 and the company has lost ground in the last two years to a rejuvenated FedEx. During that time, however, UPS has been able to mine new revenue streams by offering its business-to-business customers a range of related logistical services, including preparing and financing shipments, tracking deliveries and consulting on supply-chain management issues.

Throughout the protracted economic downturn, companies have curtailed expenses including shipping services, contributing to a stagnant package delivery market. The \$3.2 trillion global logistics industry, meanwhile, continues to grow, boasting higher margins, fewer competitors and a distinct advantage for UPS: The ability to draw on its reputation and expertise in tracking and delivery.

UPS recorded \$2.4 billion in non-package services revenue in 2001, up 42% from 2000, on total revenues of \$31 billion. Through September 2002, non-package revenues were \$1.93 billion, an increase of 35% from the prior year period, per company figures.

Both company executives and industry observers say that Brown has accelerated UPS' diversification strategy. UPS credits the campaign with landing a series of major accounts in 2002, including a contract from Nikon outsourcing distribution of its entire digital camera business to UPS, and a deal with snap-and-button manufacturer Scovill Fasteners for services ranging from a revolving credit line to management of the company's distribution center in Laredo, Texas.

“We know there are companies six months or two years ago that would have called on long-distance trucking lines for some of these services who now are turning to UPS logistics,” said Satish Jindel, president of SJ Consulting, a Pittsburgh-based transportation marketing firm. “They’re getting some customer wins and awareness from the fact that UPS isn’t just about little brown boxes.”

Paul Meyer, group manager-brand communications for Atlanta-based UPS, said that Brown has “engaged people across the business landscape by giving them a new path for thinking about UPS and the role we could potentially play in their operations.”

Take Ford, for example. Part of the logistical problem for automakers has been tracking vehicles once they leave the plant. Several billion dol-

brand builders

lars are tied up in vehicle inventories that sit on transport trucks, in holding lots or dealer showrooms. UPS says the new online tracking system it customized for Ford saved the automaker more than \$1 billion in 2001, allowing the manufacturer to cut the number of vehicles it kept in distribution at any particular time.

UPS is finding such applications in widely diverging industries. In 1999, after signing a huge contract with Wal-Mart, breast feeding equipment maker Lansinoh Laboratories built a new warehouse at its headquarters in Alexandria, Va.



But president Resheda Hagen said she felt more like an inventory manager than the new product developer who had built Lansinoh into a \$10 million company.

After hearing from her UPS sales rep, Hagen soon turned over all of Lansinoh's inventory management to UPS, which she says significantly reduced her overhead. Hagen even contracted the importation of a proprietary line of breast pads to UPS, saving \$2,000 per oceangoing freight container, or a total of about \$6,000 per week.



UPS began moving toward diversification by investing in

new technologies back in the 1980s, and now manages operations in customer service, warehousing, Internet retailing and overnight parts repair at its logistics hub in Louisville. CEO Michael Eskew, a 30-year UPS veteran who took the reins in January '02, is accelerating the strategy initiated by his two predecessors.

"Because of the nature of our big brown trucks and drivers, people look at the company in a low-tech fashion," said Rick Radermacher, national ad manager for UPS. "But the company is as sophisticated as anyone in how we move 13 million packages a day, track them with almost constant visibility, flow that information to our customers . . . All of that was below the surface; we never told anybody or showed anybody."

Its sponsorship of the Winter Olympics in Salt Lake City last February, and its Nascar tie-in starting in 2001 gave UPS the necessary marketing platform.

Tongue-in-cheek TV/radio ads trying to persuade Nascar

driver Dale Jarrett to drive a brown UPS truck instead of his signature No. 88 Ford Taurus proved wildly popular with the sport's faithful. The spots, via Richmond, Va.-based The Martin Agency, stood out in the crazy-quilt world of Nascar marketing, say UPS execs.

Martin's research confirmed that many clients had no idea UPS could help them construct a system for e-commerce fulfillment, à la IBM or Oracle. Consumer surveys, meanwhile, kept turning up strong associations with the color brown. Drivers were called "Brownies" or "Brown," and positive references to the big brown trucks were nearly universal.

That came as somewhat of a surprise. "We thought 'Brown' conjured up 'small package' and 'ground,' and that there was almost a negative connotation to that," said Radermacher. "But we found that [those attributes were] an acknowledgement of what we do best."

UPS spent \$45 million in the first phase of the Brown campaign (it won't disclose subsequent outlays) in ads that debuted during the Olympics and the NCAA basketball tournament last March. Marketers continue to reach out to potential B2B clients with a nod to consumers. TV ad placements include shows such as *Friends* and *Frasier*, and various sports programs on Fox and ESPN.

Now, nearly every marketing message from UPS echoes Brown, including radio spots and print ads aimed at job recruits. "It's the right message," said Daniel McKinley, an analyst who follows UPS for McDonald Investments, a Nashville-based securities firm. "The challenge is to get it through to the right people."

That explains why several Brown ads are target specific. A logistics manager hails UPS for allowing her to communicate with suppliers online. "Other colors may be cute," she says, "but they don't call you back." Another spot involves a 50-ish CEO in wire-rim glasses who declares, "Brown's visibility helps me see my supply chain minute by minute." A herd of elephants traverses the screen in an allusion to trouble. "Brown shows me problems before they get bigger . . . [but] never says to me, 'You can't do that.'" He pauses. "That's what lawyers are for."

UPS has also used Brown to try to boost its core shipping business. Its "One" ad, for example, keys on the fact that a single UPS driver can handle any type of pickup, an unspoken comparison with the implied inconvenience of FedEx, which has three different networks of drivers. UPS acknowledges that Brown hasn't yet noticeably lifted the company in package delivery, where price and other variables dominate.

Still, Brown's momentum has begun to lead UPS in unanticipated directions. The company has launched a regional test rebranding of the Mailboxes Etc. chain of franchised packaging stores, which it acquired in 2000. The Nascar tie also built up speed when George Thorogood appeared in TV spots, begging Jarrett to drive the UPS truck while spoofing his own hit song "Bad to the Bone" as "Brown to the Bone."

The ads made great theater for UPS sales reps entertaining clients and even for potential customers watching at home. "Believe it or not," said Meyer, "the Nascar TV audience is a strong mixture of the kind of business decision makers we're trying to reach."

-Dale Buss

Spots tout the convenience of 'one' driver (top), and logistical services that can make managers downright giddy.



UPS: Synchronizing the World of Commerce

- At 3 a.m., a UPS plane flew basketball shoes from Shanghai to Los Angeles.
- At 8:30 the same morning, UPS kicked off the continent's business day by delivering thousands of packages and documents across London, Brussels and Paris.
- By noon, UPS had repaired hundreds of parts for a well-known computer manufacturer and shipped them back to its customers.
- Later that afternoon, 10,000 boxes of flowers UPS imported from Colombia cleared customs in Miami.
- At 4 p.m., UPS approved a \$2 million line of credit to help a Canadian company grow its business.

At every moment, all of these transactions were visible and managed by one of the world's most extensive information technology networks.

UPS: A World of Surprising Capabilities

UPS is the world's largest package delivery company – that fact remains the same. Today, however, UPS offers much more than its traditional small package business, ultimately offering strong ties with customers and providing new revenue streams for shareholders.

Expanded Capabilities

Logistics and Distribution

Freight: Air, Ocean, Rail and Road

International Trade Management

Mail Services

Retail Stores

Financial Services

Supply Chain Design

Customs Brokerage

Consulting

E-commerce Solutions

Why has UPS expanded its capabilities? To stay one step ahead of our customers' needs.

Today's businesses are pressured more than ever before to drive down costs, free up funds to fuel growth, streamline inventory and enhance market responsiveness.

UPS provides a broad foundation of experience, infrastructure and technology to manage global commerce – synchronizing the flow of goods, information and funds for its customers.

UPS's reputation for operational excellence has built a powerful UPS brand that symbolizes integrity, precision, high quality and commitment to customer satisfaction. As UPS's services continue to expand from its heritage of small package and express delivery, our new units will continue to support UPS's reputation and values around the world.

The following pages describe UPS's expanded capabilities in the areas of goods, information and funds.

Goods: Transfer of goods from seller to buyer ...

UPS and its business units have created a worldwide transportation and distribution network to move whatever our customers need, anywhere, by any mode.

- In addition to more than 1,700 small package operating facilities, UPS maintains more than 750 distribution centers around the globe to provide customers inventory and order management services. Some of those facilities also house specialized contract services such as technical diagnostics and repair, critical parts depots, simple subassembly and returns management.
- Businesses maximize efficiencies and contain costs by outsourcing their supply chain needs to UPS Supply Chain Solutions, which in turn manages complex movements of goods utilizing ships, planes, trains and trucks. The goal is to optimize loads, minimize costs and enhance reliability.
- UPS and its business units operate in more than 200 countries and territories. Services include not only shipment delivery, but also customs clearance, international trade documentation, and trade finance.
- The UPS small package network transports 13.3 million packages and documents every day.
- UPS Airlines, the primary "engine" of the global UPS network, is the 11th largest airline in the world.
- UPS's service parts logistics unit provides critical parts deployment in 1-4 hour delivery windows.
- UPS offers the industry's most extensive portfolio of returns services, from high-tech Web-based services to traditional returns processing options.

Information: Transfer of information about those goods ...

UPS information technology tracks and forecasts the movement of goods to ensure customers can monitor each step of the journey.

UPS's technology leadership gives customers tools to design and manage their supply chains for maximum profitability.

- UPS's global technological infrastructure is comprised of the largest private database and largest private wireless network in the world.
- UPS Supply Chain Solutions utilizes information systems to monitor the performance of customers' entire supply chain, providing visibility into the process so that delays, bottlenecks and problems can be quickly resolved. These systems connect beyond UPS to include other transportation carriers, trading partners, customer departments and vendors.
- Modeling software combined with engineering prowess enables UPS Supply Chain Solutions to create optimized transportation and distribution networks for its customers that satisfy both cost and service requirements.
- UPS Consulting provides strategic advice to help businesses design the most efficient supply chains using the best technology systems available for their specific needs - thereby saving clients time and money.
- UPS.com, available in 22 languages on 104 country-specific sites, provides customers an array of interactive services beyond package shipping and tracking, as well as a host of downloadable software options. The site handles 86 million hits and eight million tracking requests on a daily basis.
- UPS's databases and systems connect seamlessly with appropriate third parties to speed international trade and customs brokerage, plus streamline import and export documentation processing.
- More than 60,000 UPS customers have incorporated UPS OnLine[®] Tools into their own Web sites to provide UPS interactive technology directly to their customers. These are available in 46 countries and are downloadable directly from UPS.com.
- In addition to basic package tracking, UPS offers enhanced visibility services such as UPS Quantum View[®] and UPS Signature Tracking[®], as well as advanced customized supply chain visibility services through its business units.
- The sophisticated information technology of UPS World Ease[®] and UPS Trade Direct Ocean process multiple-piece international shipments as one unit for faster, more efficient shipping.

Funds: Exchange of funds to pay for goods ...

As goods and information move more rapidly, UPS and its units accelerate the movement of funds to keep the wheels of commerce turning.

- UPS Capital was established in 1998 and was the first financial services company to focus solely on financing supply chain solutions.
- Products offered by UPS Capital include C.O.D. accelerated payment services, working capital, commercial financing and insurance (through UPS Capital Insurance Agency, Inc.)
- Improved supply chains, when combined with financing from UPS, can lead to improved cash flow, lower capital requirements, minimized duties and taxes and quicker cash receipts, for example.
- UPS technologies such as UPS Signature Tracking[®] provide signature image proof of delivery to improve customers' receivables collections.
- UPS Worldship[®] shipping software provides shipment information across the business enterprise, such as accounting functions, to enable them to bill and receive payment more quickly.
- Large volume mailers can improve their cash flow with UPS's mail services. UPS helps customers improve the time-in-transit for important business communications. Not only are postage savings realized, but customer service is also enhanced.
- UPS Supply Chain Solutions and UPS Consulting redesign supply chains to strengthen a company's balance sheet, with benefits ranging from quicker cash-to-cash ratios, lower capital requirements and lower inventory costs.

#

Contacts: UPS Public Relations
404-828-7123
pressroom.ups.com



Synchronizing Commerce Through an Efficient Supply Chain

What is synchronized commerce?

In the early 17th century, the Greeks coined the word, “synchronize.” At its root, it means “to operate in unison,” and for the past 95 years, the UPS brand has become synonymous with this same precise, efficient execution for moving goods around the world. UPS’s commitment to provide reliable package delivery does not waiver.

But today, customers come in all sizes and with vastly varying needs. UPS recognizes that efficiency is equally as valuable to the at-home-entrepreneur as it is to the multi-national corporation.

To meet these growing demands, UPS now offers a broad portfolio of innovative services its customers can access from a single source to achieve many goals. These solutions can be as complicated as creating global cross-border visibility and clearance of international goods movements, or as simple as providing a signed proof of delivery – and thus, necessary proof for a receivables payment.

At either end of the spectrum, UPS is helping to “Synchronize the World of Commerce” through the movement of the three primary elements: goods, information and funds. Although assembling capabilities across these core areas is quite complicated, the basic concept of synchronized commerce is simple:

- The reliable movement of **goods** helps businesses avoid production delays, inadequate inventories and dissatisfied customers.
- The flow of **information** allows both buyers and sellers to know which goods are going where, and at what price.
- The efficient movement of **funds** which pay for those goods increases cash flow – and working capital – allowing companies to focus on growing their business.

How does synchronizing the flow of goods, information and funds affect global commerce?

Every second, millions of business transactions speed across telephone wires, computer networks and wireless equipment. This data triggers the movement of goods and funds connecting buyers and sellers, as well as all the intermediaries that make commerce work.

In a perfectly synchronized global supply chain, producers use only the resources required to meet existing customer demands. Intermediaries like merchants, transportation carriers, suppliers and governmental agencies all work together seamlessly to deliver the goods in an efficient timely manner so that currency flows across the economy.

A streamlined supply chain means that raw materials can be transformed into finished products quicker, leading to faster cash receipts and higher profitability. Improvements in efficiency can lower inventory requirements, economize transportation and other distribution costs, accelerate cash flow and strengthen receivables.

It means that more capital is available to help build and sustain the local economy, hire more workers, and find new and better ways to serve the marketplace.

It means that waste is minimal, both in terms of physical goods and time.

But the real world isn't like that.

The data that surrounds business transactions is often erroneous.

Customer demand is unpredictable. Market forces change on a minute-by-minute basis. Political and economic events can affect a neighborhood hardware store or grocery a half a world away as soon as the next day. Goods can be stalled, orders can be inaccurate, accounts can go into arrears, workers can be left idle.

The effects of inefficiency ripple across the economy and affect business's accounting books, government coffers and employees' paychecks.

It is estimated that an average 10 percent of the world's GDP are devoted to the supply chain activities that keep goods moving in the marketplace. Even incremental improvements in supply chain performance can have dramatic impact.

Increasingly, companies are looking for ways to connect more efficiently with their business partners so that each can benefit from the resulting savings in time and money.

UPS and the Synchronized Supply Chain

For years, UPS has seen its role as managing the flow of goods, funds and information.

The company's traditional business of transporting packages has evolved into managing supply chains - utilizing technology to overseeing the goods (and the funds they represent) as they move across the world. These goods are managed by UPS in a variety of ways - as components, as inventory, as orders and as shipments to name a few. UPS manages not only its own global transportation network that includes ground and air; it also manages other carriers by land, by air and by sea to ensure that customers' shipments arrive at the right place, at the right time for the right price.

Since UPS is involved in so many links in the supply chain, it is in a unique position to synchronize commerce by streamlining the flow between a buyer and a seller - resulting in a more efficient use of resources across the entire journey.

#

Contacts: UPS Public Relations
404-828-7123
pressroom.ups.com



Nikon Focuses on Supply Chain Innovation – and Makes New Product Distribution a Snap

AT A GLANCE

Company

Nikon Inc.

Industry

Consumer and professional photographic equipment

Geographic area served

United States, Latin America and the Caribbean

Challenge

Design and implement new distribution strategy to introduce Nikon product line.

Solution

Integrated system for managing inbound air and ocean freight, repackaging and kitting products for final distribution.

Results

- Significantly shortened Nikon's supply chain
- Increased speed to market
- Enabled higher level of service to retailers
- Improved product visibility across the supply chain

"Having the ability – and visibility – to predict how much merchandise is available and when it can be distributed makes the difference in staying ahead of customers' needs."

— Arnold Kamen, Vice President, Operations and Customer Service, Nikon Inc.

Top consumer goods manufacturers now recognize that success requires more than just making market-leading products. Having the right distribution network is just as critical. Nikon Inc. is the world's leader in precision optics, 35mm and digital imaging technology. So it's no surprise that when the company saw the next big trend in photographic technology – digital cameras – they were ready to deliver with some of the most advanced product designs in the marketplace. But to ensure that retailers could meet the demand of tech-hungry consumers and professional photographers, Nikon, with the help of UPS Supply Chain Solutions, reengineered its distribution network to keep them well supplied.

Client Challenge

To support the launch of its new digital cameras, Nikon knew that customer service capabilities needed to be completely up to speed from the start and that distributors and retailers would require up-to-the-minute information about product availability. While the company had previously handled new product distribution in-house, this time Nikon realized that burdening its existing infrastructure with a new, demanding, high-profile product line could impact customer service performance adversely.

"In our business, it's not enough just to produce leading-edge products," said Arnold Kamen, Nikon's Vice President of Operations and Customer Service. "Having the ability – and visibility – to predict how much merchandise is available and when it can be distributed makes the difference in staying ahead of customers' needs."

For Nikon, that meant applying its well-known talent for innovation to creating an entirely new distribution strategy and taking the rare step of outsourcing distribution of an entire consumer electronics product line. With UPS Supply Chain Solutions on board, Nikon was able to quickly execute a synchronized supply chain strategy that moves product to retail stores throughout the United States, Latin America and the Caribbean, and allows Nikon to stay focused on the business of developing and marketing precision optics.

Our Solution

Starting at Nikon's manufacturing centers in Korea, Japan and Indonesia, UPS Supply Chain Solutions manages air and ocean freight and related customs brokerage. Nikon's freight is directed to Louisville, Kentucky, which not only serves as the all-points connection for UPS's global operations, but also is home to the UPS Supply Chain Solutions Logistics Center main campus. Here, merchandise can either be "kitted" with accessories such as batteries and chargers, or repackaged to in-store display specifications. Finally, the packages are distributed to literally thousands of retailers across the U.S., or shipped for export to Latin American or Caribbean retail outlets and distributors, using any of UPS's worldwide transportation services to provide the final delivery.

With the UPS Supply Chain Solutions system in place, the process calibrates the movement of goods and information by providing SKU-level visibility within complex distribution and IT systems. UPS also provides Nikon advance shipment notifications throughout the U.S., Caribbean and Latin American markets. The result: a "snap shot" of the supply chain that rivals the performance of a Nikon camera.

Nikon has already seen the results of its innovation in both digital technology and product distribution. The consumer digital camera sector is one of Nikon's fastest growing product lines. In addition, supply chain performance and customer service are measurably improved. Products leaving Nikon manufacturing facilities in Asia can now be on a retailer's shelf in as few as two days. While products are en route, Nikon also has the ability to keep retailers informed of delivery times and to adjust them as needed, so that no retailer needs to miss sales opportunities due to lack of product availability.

UPS Supply Chain Solutions is forging a broad spectrum of creative solutions to support the Nikon supply chain, including logistics, transportation, freight and customs brokerage services. Synchronizing those pieces to work together gives Nikon a significant advantage in leveraging the competitive strengths of UPS Supply Chain Solutions.

"Through a combination of UPS services, we have been able to greatly shorten our supply chain," Kamen said. "Although we are achieving greater speeds, we have better visibility of our products, which enables us to provide a higher level of service to retailers and ultimately, the final customer." Once again, Nikon leads the market in leveraging the latest developments in technology.

#

UPS Supply Chain SolutionsSM

For more information please visit ups-scs.com or email us at info@ups-scs.com



National Semiconductor Gains Flexible Global Distribution to Move Billions of Chips Worldwide

At A Glance

Company

National Semiconductor

Industry

Semiconductors

Geographic area served

Global including Asia, Europe and North America

Challenge

Aggregate product from major manufacturing plants in Southeast Asia and ship to National's global customer base to meet time-sensitive requirements.

Solution

Manage 90% of inventory flow through a centralized UPS Supply Chain Solutions distribution facility.

Results

- Produced 15-20 percent annual savings on supply chain costs
- Significantly improved cycle times
- Increased inventory visibility
- Saved working capital and reduced inventory carrying costs

"We're saving approximately 15-20 percent in our supply chain costs on an annual basis."

- Kamal Aggarwal, Executive Vice President, Central Technology and Manufacturing Group, National Semiconductor

Few companies have realized the goal of true supply chain flexibility like National Semiconductor, a leading global manufacturer of chips for the computer, communications and consumer markets. Each year National Semiconductor distributes billions of chips from its manufacturing facilities in Southeast Asia. Fast, reliable delivery and low distribution costs are critical requirements for satisfying National's customers and keeping its bottom line healthy.

How does National Semiconductor energize its supply chain and contain costs? The giant chipmaker hired UPS Supply Chain Solutions to sort, store and ship the four billion chips it manufactures annually to over 3,800 customers worldwide. To accomplish this, UPS Supply Chain Solutions designed a new global distribution center in Singapore, where technology allows National to track each shipment around the world.

Client Challenge

Before joining with UPS Supply Chain Solutions, National Semiconductor relied on one third-party logistics (3PL) provider to distribute chips via its own international air express system. This arrangement restricted National's shipments to a single carrier's flights and routes. While National enjoyed some advantages of outsourcing distribution to a single provider, this transportation model provided little flexibility and burdened the company with uncompetitive cycle times and higher costs.

In addition to a limited transportation network, National was challenged by supply chain issues such as IT system capabilities and order-to-delivery times. The existing distribution network ultimately led to unnecessary inventory carrying and transportation costs.

Our Solution

In UPS Supply Chain Solutions, National Semiconductor identified a 3PL provider who could implement a flexible and efficient solution, coupled with inventory management and IT systems customized to the semiconductor industry. National's performance goals: reduce cycle times to accommodate rapid order fulfillment and achieve a sustainable reduction in costs.

A significant source of efficiency and savings is the 94,000-square-foot Global Distribution Center that UPS Supply Chain Solutions constructed to meet National Semiconductor's needs. This facility averages 12 million units a day and has capacity to warehouse 350 million units of inventory. To move this volume of semiconductor chips through a centralized distribution point, UPS Supply Chain Solutions devised a transportation model that utilizes different air carriers, freight forwarders and UPS's global network to deliver each shipment.

Craig Orput of UPS Supply Chain Solutions explained, "Our transportation model splits the globe into sections. Individual shipments within these geographies are consolidated into bulk shipments for freight forwarders. By consolidating shipments, National Semiconductor benefits from lower-cost modes of transportation and international customs clearance fees, which are lower for bulk shipments than for individual ones."

The Singapore facility is the nerve center for over 90% of National's inventory flow to its customers worldwide, processing more than 400,000 semiconductor orders per year. At this one facility, UPS Supply Chain Solutions receives millions of chips daily from National's final assembly plants, separates them into individual orders, and vacuum packs the orders for customer shipment, usually within 24-48 hours.

The distribution center is designed and equipped for processing semiconductor orders in a clean, static-free and secure environment. Each worker has access to a computer terminal, a handheld wireless computer or a wearable barcode scanner so that information about each chip can be transmitted easily and accurately through the building. Electronic transmission of data completely removes the need for paper documentation until the end of the process. The facility design also streamlines shipment handling by reducing the distance workers must travel within the warehouse to complete an order.

According to National Semiconductor's Kamal Aggarwal, Executive Vice President, Central Technology and Manufacturing Group, the company's results are impressive. "We're saving approximately 15-20 percent in our supply chain costs on an annual basis," said Aggarwal. "UPS Supply Chain Solutions has improved productivity, transportation flexibility and inventory visibility, enabling us to handle volume increases as well as lower cycle times for our customers. Beyond the high levels of quality and service that we require in any 3PL provider, UPS Supply Chain Solutions flexibility and application of engineering and systems have proven to be extremely valuable to National Semiconductor."

#

UPS Supply Chain SolutionsSM

For more information please visit ups-scs.com or email us at info@ups-scs.com



Carving Out New Markets for TheraSense

At A Glance

Company

TheraSense

Industry

Medical Devices

Geographic Area Served

North America

Challenge

Carve out niche for a start-up in a mature market by ensuring efficient distribution to multiple marketing channels.

Solution

Fully outsourced logistics network, including order and inventory management, transportation, accounts receivable and customer service.

Results

- Focus on core competency
- Successful launch of new product
- Retain working capital

“We wouldn’t have been able to take on as much as we did as fast as we did without UPS Supply Chain Solutions.”

– Claire Heiss, Vice President, Operations, TheraSense

A relative newcomer to a market ripe with veteran players, TheraSense manufactures and markets a revolutionary glucose monitoring system. Its introductory product, FreeStyle™, offers diabetics a virtually pain-free alternative to traditional glucose testing, enabling them to take blood samples from multiple sites on their bodies. FreeStyle requires only a fraction of the amount of blood that many other tests require.

TheraSense brings FreeStyle to its customers through multiple marketing channels, including traditional retailers, the Internet, a toll-free customer call center and professional healthcare outlets.

Client Challenge

As a start-up entering a highly saturated market, TheraSense felt strongly that a smooth entry was crucial to its ability to build credibility and compete successfully. Even the slightest glitch in distribution could overshadow TheraSense’s breakthrough product.

Adding to the challenge was the fact that TheraSense was bringing FreeStyle to the market through four separate channels. The nuances of operating within multiple channels are difficult for companies with years of distribution experience to master, let alone one just starting out.

The company decided early on to outsource its supply chain operations. Claire Heiss, Vice President of Operations for TheraSense explained, “We couldn’t make a heavy investment and end up with just a small logistics activity at first. But we did want to somehow get ourselves established so that we had an effective logistics operation that made us competitive—all at a minimum investment.”

Our Solution

TheraSense selected UPS Supply Chain Solutions as its logistics provider. The criteria for the decision included experience and expertise in the healthcare market, existing relationships with retailers and in-depth knowledge of how to structure retail accounts. UPS Supply Chain Solutions offered exactly what TheraSense was looking for to help get FreeStyle off the ground.

The solution provided by UPS Supply Chain Solutions is a comprehensive portfolio of services for TheraSense—order and inventory management, pick and pack operations, transportation management, accounts receivable, charge-back processing, and some customer service operations. All orders for the FreeStyle testing kit, regardless of distribution channel, are processed from the 100,000-square-foot UPS Supply Chain Solutions healthcare logistics facility in Newark, Delaware.

Orders are transmitted to UPS Supply Chain Solutions electronically via its logistics management system (LMS), which combines both order management and warehouse management capabilities with healthcare-specific features such as electronic license validation and lot number tracking. Even those rare orders that arrive at the UPS Supply Chain Solutions facility by phone, fax or mail are manually keyed into the LMS to ensure consistency and accuracy.

UPS Supply Chain Solutions also manages the transport of outbound orders. TheraSense customers have a variety of carrier and service-level options, based in part on the channel through which they place an order and the size of the shipment.

By tapping the healthcare and supply chain expertise of UPS Supply Chain Solutions, TheraSense has been able to concentrate on its own core competencies—developing and marketing leading-edge technology in the medical devices arena. And it certainly has achieved the early success it sought in the glucose monitoring market. They launched their FreeStyle product in June 2000 and recognized \$5.5 million in revenues for 2000. Revenues for 2001 increased by a factor of 13 to \$71.9 million.

As for the relationship between TheraSense and UPS Supply Chain Solutions, each is quick to give credit to the other for their success. Heiss insists, "We wouldn't have been able to take on as much as we did as fast as we did without UPS Supply Chain Solutions." Duane Sizemore, Vice President of Business Development for UPS Supply Chain Solutions, acknowledges, TheraSense is one of those rare clients that had expectations that were realistic at the beginning, and they executed according to their game plan."

#

UPS Supply Chain SolutionsSM

For more information please visit ups-scs.com or email us at info@ups-scs.com



TeddyCrafters: Inbound Distribution Management Increases Flexibility in a Challenging Retail Environment

At a glance

Company

TeddyCrafters

Industry

Retail

Geographic area served

United States

Challenge

Manage transportation and distribution of supplies sourced in Asia and the U.S. for fast-growing retail chain.

Solution

Comprehensive inbound distribution system that improves inventory management and replenishes retail outlets on a weekly basis.

Results

- Provides lower costs than internally managed distribution
- Allows company to focus resources on other business challenges
- Offers flexibility to expand operation as company grows

“UPS Supply Chain Solutions offered us a deal that bundled freight services, customs brokerage and inventory management. It was impossible to beat.”

– Fred Rubenstein, Co-founder and Vice President, TeddyCrafters

In a tough consumer environment, keeping stores stocked is just one of the many business issues any new retail operation faces. Fred Rubenstein, Co-founder and Vice President of TeddyCrafters, knew from experience that building a successful retail chain – one that grows from one store to seven in less than three and a half years – requires efficient allocation of resources and time. Avoiding unnecessary capital investment at the outset can help a retailer stay financially nimble and adjust to changing market conditions.

By choosing UPS Supply Chain Solutions to manage inbound transportation and inventory from the start, TeddyCrafters was able to focus its personnel and cash on developing and promoting a successful retail concept – and handle the challenges of rapid growth.

Client Challenge

TeddyCrafters began with the idea that children would cherish most a teddy bear they could create themselves. TeddyCrafters stores – located in upscale suburban malls – offer children (escorted by adults) the chance to choose their own teddy bear from a selection of about 30 styles. These pint-sized customers can select a special “heart” or voice and then help stuff, stitch and fluff the bear. The purchase is completed with the teddy’s “adoption” process, naming and the purchase of clothes and accessories to take home.

To supply a growing number of stores located mainly in California, TeddyCrafters sources the bears and accessories from Hong Kong. Initially, says Rubenstein, TeddyCrafters planned to set up its own distribution center and handle inventory management internally.

According to Rubenstein, “Then we started talking to UPS about handling the customs brokerage, and we quickly realized that there were quite a few more pieces to this than we thought. UPS Supply Chain Solutions offered us a deal that bundled freight services, customs brokerage and inventory management. It was impossible to beat.”

Our Solution

UPS Supply Chain Solutions now manages inbound deliveries from TeddyCrafters' suppliers, stocks needed items in a UPS-owned distribution center, and facilitates weekly replenishment of bears and accessories at all TeddyCrafters "factories." Replenishing once a week provides sufficient stocks for each location and allows the company to save on transportation costs.

Rubenstein appreciates the flexibility that this operation affords his company. "We can ramp up quickly and pay as we go for what we use without the burden of investing in our own facilities," he notes. As the company grows, UPS Supply Chain Solutions can easily handle the greater volumes TeddyCrafters will require and arrange for increased freight movements from Asia.

In addition, Rubenstein is pleased that UPS Supply Chain Solutions comes well within TeddyCrafters' cost targets. The company estimates it spends less than the 1.5 percent of sales that it had originally budgeted for distribution costs.

For TeddyCrafters, says Rubenstein, "There's great value in not having to worry about the whole inbound distribution end of the business. We live in a business environment where capital availability is questionable and growth rates are unsure. I need to be putting my time into making sure my business prospers in a tough environment. Knowing I have access to professionals who take responsibility for making things right for my company makes my job that much easier."

#

UPS Supply Chain SolutionsSM

For more information please visit ups-scs.com or email us at info@ups-scs.com