



White Paper: Ryder XXI.

TO: Ryder System, Inc.'s Board of Directors.

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RE: How to position RSI for “..the emerging competitive reality: a reality in which the goal is to transform industries, not just organizations; a reality in which being incrementally better is not enough; a reality in which any company that can not imagine the future will not be around to enjoy it.” (“Competing for the Future,” Gary Hamel and C.K. Prahalad).

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IMPORTANT NOTE:

This document contains ideas developed by the author prior to his contractual engagement with Ryder System, Inc. (RSI). Furthermore, those ideas were refined into their final form (this document) during the author's personal time, for which he received no compensation from RSI whatsoever.

Therefore, the author hereby grants RSI the non-exclusive right to utilize any and all of the materials and recommendations presented herein. At the same time, the author reserves himself the right to distribute this document to other parties at his sole discretion.

1. Introduction.

This White Paper aims to present a strategic vision of where Ryder can be taken by its Board of Directors. The objective of the enclosed material is to propose new growth avenues to be explored, and to create interest in looking at long-term strategies. Those strategies, albeit they will NOT have an immediate financial impact, will most definitively impact Ryder's future performance.

Instead of spending Ryder's own resources to acquire and manage trucks and other capital-intensive assets, let's use Ryder's knowledge base to maximize the use of other people's assets, from individuals to the smallest business and up to the largest corporate fleets and asset bases.

Instead of fighting for a shrinking portion of a very competitive pie, mired in the Industrial Age, let's create a new Information Age pie that Ryder owns and has for itself.

Instead of looking at people as cost factors, let's see them as the source of a wealth of knowledge that can be capitalized on. That knowledge can be captured, packaged, and sold many times over, unlike physical assets that generate only one income stream at a time.

There are technological avenues available today that can empower Ryder to reach beyond its traditional market in a cost-effective and powerful way, for the benefit of Ryder, its shareholders, its employees, and the communities Ryder is immersed in.

We will briefly explore some of those new growth avenues now.

For a complete and more detailed presentation of these ideas, please contact Jose C. Laca at (305) 594-3221 or via e-mail at pepe@antequera.com

2. Background: Intellectual Capital, a Firm's Most Valuable Asset.

We propose to decouple Ryder's share value from its physical-asset tradition and into a new measure of shareholder value, ROI for Intellectual Capital. Companies like Microsoft and Netscape Communications are a perfect example of physical-asset poor, shareholder-value rich companies.

Physical assets:

- generate one revenue stream at a time (Ryder can only charge one monthly fee per truck per day);
- are geography-dependent (a truck can only be in one place at a time);
- have high deployment costs (if Ryder has to move the truck to a new location it is an additional expense);
- require a substantial up-front capital expenditure to be acquired;
- have a limited productive life (generally under five years for trucks).

Intellectual assets, on the other hand:

- generate multiple revenue streams per item available for sale;
- are instantly transportable anywhere in the planet;
- have near zero deployment costs;
- and have an unlimited revenue-producing life.

Both Microsoft and Netscape, for example, derive multiple income streams from their products, sold all over the world, distributed via e-mail or CD-ROMs, and where the one-time investment in creating those products is reaped back time and again, at almost no incremental cost to the company.

Ryder is very fortunate to have three highly valuable assets that might get little attention on a daily basis:

- a. It's people, hard working, with thousands of years of hands-on experience;
- b. the accumulated knowledge base that walks around in those people's heads;
- c. and Ryder's brand name, one of the most recognizable corporate names in America today.

From those assets we propose to create a New Ryder, Ryder XXI, centered on the creation, promotion and distribution of value-added knowledge, in the form of software and consulting services to a broad market of logistics- and transportation-centered customers worldwide.

Changing a physical-asset intensive, Industrial Age company (like Ryder today) into a knowledge-based, Information Age company (the Ryder we see in the future) is a massive undertaking, rarely done before. And yet, that is the challenge at hand.

Anything less than that will certainly condemn Ryder to stagnation in the highly competitive, profit-constrained business markets it is currently in.

Let's see.

3. Ryder's Present Market Position.

Ryder's Board of Directors, better than anybody else, can fill in the blanks here:

4. Ryder's Possibilities: Creating the Future.

Ryder's current market focus is in the logistics business. Now, as an intellectual exercise, let's analyze and define what "Logistics" means to us.

Definition: "Logistics" is the process of managing information about assets in order to maximize customer's results and minimize its downside."

- "process:" a series of discrete steps in accomplishing a goal that can be identified, codified and systematized for future successful repetition by people different from those who defined the steps in the first place (repeatability);
- "Managing:" a series of processes that encompasses from defining what data is relevant to the accomplishment of the mission, then capturing that data, to analyzing it for meaning and trends, to successfully acting on it, to following-up on it for deeper meaning. All of this should be done in as close to real-time as possible;
- "information:" all the elements of reality (dimension, weight, time, cost, origin, destination, shape) which are susceptible to become machine-readable elements (text, numbers, audio, video, photos) that describe a portion of that reality (car, bus, warehouse);
- "assets:" encompasses both physical (goods, facilities, transport systems, human resources) and intangible (know-how, brand names) sources of value;
- "maximize:" to get a measurable variable as close to infinite on a numerical scale as possible;
- "customer's results:" the customer is the only one who defines what are we looking for in this process, be it monetary profits, customer satisfaction, market share growth, etc.;
- "minimize:" to get a measurable variable as close to 0 on a numerical scale as possible;

- “downside:” conversely, only the customer knows what does s/he wants to avoid, be it lost merchandise, downtime, customers' complaints, etc.

Having so defined Logistics, we propose to extend the areas of business Ryder is currently involved into in order to pursue new markets for its intellectual capital base. Some of those markets do not exist today, and some are still in its infancy.

Ryder should look into the future and see what new business opportunities can be created within the expanded definition of Logistics presented above.

One of such opportunities is a concept called “Logistics of One.” This is a complete system to tag and trace individual packages from shipper to consignee on a constant basis, with additional revenue streams derived from turning raw data collected during the shipping process into marketable value-added information products.

This concept includes four areas:

- a. Shipper
- b. Vector
- c. Traffic Management:
- d. Consignee

a. Shipper:

- Use Ryder's Logistics software module (see RyderWare® below) in the shipper's accounting package to prepare shipping documents and instructions.
- Program re-usable Radio-Frequency (RF) electronic tag with all the necessary information.
- Attach RF tag to package(s) to be shipped.
- RF tag can act as a security beacon as well, in case the shipment gets diverted or stolen.

b. Vector:

- Defined as a truck, vessel, rail car, airplane or any other transportation vehicle.
- In the case of trucks, interface packages with truck's intelligent system once package(s) are loaded into truck. Mercedes-Benz offers such an Intelligent Truck system in Europe (called “Telligent”).
- The vessel's intelligent system will then interface with the on-board GPS-enhanced satellite communication system to provide dispatchers with real-time data indicating the vessel's (and consequently the package's) position, bearing, ETA, and traffic conditions.
- RF tag can also monitor and record the package's temperature and other variables (shock forces, vibrations, etc.) during shipment for sensitive cargo and for insurance / claim procedures. Especially useful for packages handled by more than one shipper.

c. Traffic Management:

- Now, if Ryder is tracking (in real-time) a certain number of intelligent trucks in a limited geographic area (say, Dade County) in order to insure JIT deliveries, then Ryder will be in the position to collect reams of data about traffic conditions wherever those trucks are being driven around.
- Then, Ryder can turn around and sell that data in the form of accurate traffic information directly to interested users of this value-added service. Among those users: emergency services (police, F&R, etc.); data carriers on top of audio radio signals (dashboard receivers coming into the market soon); traffic updates into alphanumeric pages; etc.
- Curiously enough, the quality of the data increases exponentially with every new intelligent truck that is added to the monitored fleet.
- Ryder, for an additional fee, can offer pre-emptive traffic information. Using AI (Artificial Intelligence) systems that analyze both historic and real-time data (from the intelligent trucks above), Ryder can offer users the option to receive up-to-the-minute directions to minimize traffic delays.

d. Consignee:

- Consignee can track his/her package(s) in real-time, a la FedEx, even when the package is going through several different carriers/vectors and distribution points outside of Ryder's direct control (an industry first).

The process that needs to be followed to implement such solution encompasses:

- Ryder must get involved in the standards-setting RF bodies and organizations.
- Develop a strategic alliance with one RF tag vendor (possible acquisition target).
- Get involved in the trucking industry's "Intelligent Truck" forums.
- Develop strategic alliances with satellite-based vehicle tracking companies.
- Package and modularize offerings in such a way that customers can buy as much or as little coverage as they desire.

Another thought-provoking idea is to use the traffic-management knowledge gained above and form a division geared towards optimizing traffic in cities like Mexico City, Hong Kong, Kuala Lumpur, Seoul, cities suffering from permanent traffic gridlock. Then Ryder can sell its brand of logistics know-how.

Finally for this point, let's introduce the concept of "Atomized Universal Logistics." The expanding reach of the Internet on a worldwide basis, combined with the growing acceptance of and use of electronic payment mechanisms (CyberCash's e-cash, DEC's Micropayments, First Virtual's merchant accounts, etc.) is leading us to what we call "Atomized Universal Logistics." Let's define it here:

- "Atomized:" anybody in the world with access to the Internet (even if it's limited to e-mail only) very easily and inexpensively can become, and is increasingly becoming, a seller of goods and/or services. That 'anybody' includes any person from the authors of shareware programs distributed freely from their website (with the hope of reaping a future royalty income from registered users), to the authors of customized analysis and research papers on an e-mail subscription basis, to a bakery in Texas that sells New Orleans-style cakes from their Website and ships them worldwide via parcel services. The Internet breaks down the traditional concept of "economies of scale" and makes it feasible and economical to have a one producer - one buyer transaction.
- "universal:" anybody in the world with Internet access can and is increasingly willing to purchase those goods and/or services being offered by sellers. Geographical distances are fast becoming meaningless.
- "logistics:" previously defined.

Let Ryder be the company that empowers individuals in the U.S. and around the world to use logistics in order to reach their personal and business needs. Why Ryder? Because Ryder is the brand name they know and trust.

5. Ryder®: The Power of a Brand Name.

Even in today's Internet-crazed society, the value of a well-known brand name is enormous. For example, we can confidently state that there are millions of people in both the U.S. and overseas who recognize both the name Ryder and what it stands for. More so than the name Netscape, maybe even Microsoft, or what those names stand for. For millions upon millions of consumers and business people, the name "Ryder" is ingrained in their collective minds as "the company with the yellow trucks."

One of the realities of life for companies doing business on the Internet (even for Microsoft and Netscape) is that it takes a substantial amount of both time and money to create a trusted brand name on the Internet. The fact that a company is popular on the Internet by no means ensures much recognition value among the consumer and business customers in today's marketplace.

Conversely, a well-known, trusted name in "real-space" (to differentiate it from cyberspace), such as the name Ryder®, has tremendous value when transported to the Internet. The name carries with it over 30 years of consumer and business brand awareness, as well as a solid presence in the marketplace, versus a "virtual" presence such as Netscape and Microsoft, whose assets are merely a series of campus-like buildings and lots of (fast depreciating) computers.

Therefore, we ask, how can Ryder capitalize on its accumulated goodwill in real-space and transfer that tremendous brand awareness into the Information Age, currently being lead by the Internet?

And a more appropriate question is: why is Ryder NOT capitalizing on the value of its brand name, passing over a tremendous, once-in-a-lifetime opportunity to deliver more value to its shareholders?

Ryder can take its present brand name, and ever so carefully and strategically, move that collective positioning from "the company with the yellow trucks" into a more appropriate market positioning, while exploiting that brand awareness' profit potential.

We propose the following options to capitalize in Ryder's intellectual assets and brand name.

6. Ryder On-line®

Here we propose the creation of an on-line brand of logistics called Ryder On-line®. We propose Ryder creates and markets a particular way of doing things in terms of logistics management, what we call "the Ryder way." This concept can be exploited as follows:

- Certify personnel (even the Clients' own staff) as Ryder's Certified Logistics Manager (CLM), whereby that person has demonstrated an ability to comply with and apply Ryder's advanced logistics techniques for the benefit of and within the Clients' operations.
- Even if the Client does not use the full range of Ryder's services, the mere presence of a CLM within the Client's operations will give the Client a good idea of what Ryder does and opens the door for future client acquisition moves.
- Again, the concept of CLM is another approach to recycling Ryder's less-than-bleeding-edge knowledgebase in order to derive additional revenue streams from such knowledgebase instead of just writing off the enormous costs associated with acquiring that knowledge in the first place.

It is advisable to study Corel Corporation's wonderfully imaginative and effective approach to generate recurring income streams by recycling outdated applications from their stable of existing software. Corel Corp. is a Canadian software company, developer of programs such as CorelDraw and others. Currently on version 7, Corel offers older versions of CorelDraw (3,4, 5 and 6) at reduced prices to entice customers to try its products. The beauty of this concept (unique to Corel Corp. so far) is that the company is able to sell otherwise "old" software and still derives an income stream from an already depreciated investment (the cost of developing each version). Therefore, the income from such older versions of CorelDraw (minus packaging expenses) is pure profit.

The basic concepts behind this idea are:

- Containerize knowledge into easily-teachable modules.
- Pay once to acquire and package the knowledge, and then reap multiple benefits.

- Train customers' staff to better utilize technology. After all, it is Ryder's responsibility to do the training.

Benefits:

- Build loyalty to Ryder at all levels within the Customer's company as more than a supplier, a trusted friend.
- Increase Customers' staff acceptance and embrace of technology as an empowering tool.
- Diffuse resistance to technological changes implemented by Ryder in the pursuit of Ryder's operational objectives (the reason Ryder was retained by the Customer in the first place).
- As a direct consequence of the above, Ryder will then be able to obtain the operational efficiencies needed to make this contract a profitable one.

Some executives within Ryder might question the benefit of dispensing Ryder's proprietary knowledge if that knowledge is precisely what the company sells to its customers in an indirect fashion. That is a very valid question, and we will address such valid concern.

- The concept proposed here is similar to the "investment seminars" put out by financial consultants / brokers. The idea is to give the potential customer a sampling of Ryder's knowledge, and to swamp her/him with the complexity of the issues involved.
- Furthermore, let's talk about the concept of "information's half-life:" the lapse of time that goes between the date knowledge is acquired and the date where 50% of that knowledge is obsolete because of recent advances or developments. We suggest that Ryder's knowledge half-life is less than 6 months.
- Therefore, Ryder can sell knowledge that is still usable to the Customer yet dated for Ryder's own use (i.e. not cutting edge). Ryder can then reap multiple financial benefits from technologies / systems / processes no longer in use by Ryder (because they have become obsolete), and whose acquisition and/or development costs represented a substantial up-front cost for the company. It is important to keep in mind that all knowledge has acquisition costs.
- As an added benefit, with this approach Ryder will, softly, reel in more customers who have been hesitant to try Ryder's services.

7. RyderWare®

A fact of business life is that there are a limited number of Saturns and Xeroxes out there to be had as Ryder customers. On the other hand, while Ryder services those large companies, it can take the knowledge gained dealing with those large enterprises and offer it to smaller companies. Those smaller companies, unable to afford Ryder's services on a Saturn-sized engagement, could nonetheless greatly benefit from Saturn's and Xerox's logistics processes.

We therefore propose the creation and development of Ryder Logistics Software, RyderWare®. Ryder can create a series of logistics software packages to act as plug-in modules to mainstream PC-based accounting software packages (such as Peachtree, DAC-Easy, Platinum, Macola, etc.).

Most businesses (small to large) need help with their logistics needs, be it a flower shop or a bakery, in order to optimize their delivery systems. Unfortunately, only the largest ones can afford to develop their own, like Domino's Pizza, to the detriment of the thousands of smaller pizza operators, for example.

We propose to bring Ryder's logistics expertise to those smaller companies that currently can not afford Ryder's personalized services. Those same customers can become future clients as soon as they out-grow the canned advice on the software module and they are ready to go for the personalized advice.

Some promotional ideas for RyderWare® come to mind:

- The registration card for the module will become a great marketing database for future Ryder's clients.
- Negotiate with truck manufacturers so that Ryder gives away the module to each buyer of a new truck, class 3 and above.
- Acquire a filtered DMV's (Division of Motor Vehicles) mailing list for each state and mail a coupon for a demo of the program to the truck's registered owner. Or it can be downloaded from Ryder's Website.
- Perfect potential customers: every company that has rented trucks from Ryder's commercial truck rental division. This is a perfectly accurate, cheap, highly-targeted database.

On a more far-sighted vein, let's consider a thought-provoking idea:

- Why don't we reverse the logistics process: become an individual's or firm's INCOMING logistics agent. Handle all incoming materials flow for a person or an institution. This concept is like taking on the USPS and Mail Box Etc. in a big scale, but make it mobile: the mail box goes to the Customer, wherever s/he is, instead of the Customer going to the mailbox.
- A substantial (and growing) number of U.S. residents are highly mobile in their personal lives nowadays, a process that is sure to accelerate tremendously; due to changing lifestyles, the pursuit of high-paying jobs, and other factors.
- A perfect database of potential clients is all those individuals that have used Ryder's one-way trucks for moving their personal belongings in the recent past. Did Ryder keep a copy of that database, or can it be acquired from the Canadian buyer?
- The big telecommunications companies (MCI, ATT, etc.) are developing concepts like a phone number for life, where they route any incoming calls to wherever the customer happens to be at that particular time. This is when the "voices" in a customer's life follow him/her wherever he/she goes.
- Our Marketing slogan for this idea is: "Think about Ryder as your personal logistics agent, and we'll make sure the *physical* things in your life will follow you wherever you are this week."

8. Ryder Virtual University®

Ryder Virtual University® (RVU) is a virtual (on-line only) University designed to educate Ryder's staff and customers by utilizing the latest Internet technologies. RVU is loosely modeled after Ziff-Davis on-line University [available at <http://www.zdu.com>].

Possible courses at RVU:

- Principles of logistics.
- Warehouse management.
- Electronic Data Interchange (EDI).
- Just-In Time (JIT) inventory and production.
- How to operate Ryder's own systems (RyderLINC, Oasis, etc.).

Gartner Group Inc, looking to further develop its interactive capabilities, has snapped a 40% stake in Fox Industries, an Internet-content provider and World Wide Web solutions company, based in Wilton, Conn. Gartner officials in Stamford, Conn., said Fox Industries played a key role in the development of Gartner's new Internet Learning Center Web site, which is accessible via Gartner's home page (www.gartner.com).

The center is an Internet-based resource that offers training courses for IT professionals and end users to acquire and maintain critical IT skills. The partnership gives Gartner full access to the Web resources necessary to continue to provide IT market research and analysis to clients, says Michael Fleisher, president of Emerging Business at Gartner. PC Week; January 6, 1997; p. 109

9. Conclusion.

- a.) Any company that succeeds at restructuring and reengineering, but fails to create the markets of the future will find itself on a treadmill, trying to keep one step ahead of the steadily declining margins and profits of yesterday's business.
- b.) RSI's Board should spend less time worrying about how to position the company in existing "competitive space" and more time creating fundamentally new competitive spaces. Do not waste time protecting the past; focus instead on creating the future.
- c.) Shareholders, and the stock market in general, reward innovators, aggressive players that create new industries. Look at Netscape Communications's IPO and current P/E ratio. Investors buy potential; let's make Ryder a potential-filled company.

10. Recommendations.

- a.) The creation of a Board-appointed "skunk-works" cross-functional team of 10 people or less charged with creating a vision of what future markets can RSI create for itself and profit from.
- b.) This team's vision must then be transformed into a company-wide strategy.
- c.) The Board's unwavering commitment to make Ryder successfully transform itself from an Industrial-Age enterprise into an agile, Information Age powerhouse.

The future is as bright as we make it. Let's make Ryder's future bright.

Rev. 02/24/97 15:00 hr.