

GLOBALIZATION ADDS COMPLEXITY TO SUPPLY CHAIN MANAGEMENT

BY PROACTIVELY ADDRESSING TRENDS, GRAEBEL MANAGES A STRONG SUPPLY CHAIN AND DELIVERS TOP-NOTCH SERVICE, WORLDWIDE.

In today's world, managing supply chains is a fluid process. Increasing globalization opens the door to incredible opportunities, but it also increases risk. Any company operating across multiple borders must understand the importance of properly managing their supply chains in the face of this ever-changing world.

With 80-percent of the U.S. economy driven by service-related industries, supply chain management is no longer strictly the domain of manufacturers.¹ Businesses providing services, including relocation companies, must pay close attention to their supply chain to ensure services are delivered consistently throughout all operating locations.

For companies relocating employees internationally, choosing a relocation company that has a strong supply chain is critical to ensuring expectations are not only met – but exceeded.

CREATING STRONGER SUPPLY CHAINS

The current worldwide economic downturn has unfortunately created supplier instability, but it has also enabled organizations to strengthen their supply chain by identifying and partnering with the strongest suppliers.



One year ago, rising transportation costs were weighing heavily on the minds of supply chain managers. Supplier failure was hardly on their radar.² What a difference a year makes. Now supplier failure is the number one concern.³

According to Mark Short of Ernst & Young LLP TAS, "Supplier risk is an order of magnitude greater than it has been in decades. A supply chain is only as secure as its weakest link."⁴

To reduce supplier-focused risk, companies need to truly understand their partners – and that requires due diligence and attention. Companies should qualify their suppliers to ensure they meet the company's requirements and values in a variety of areas including:

- > Finance
- > Corporate and environmental responsibility
- > Fair labor
- > Health and safety

Once initial qualification of suppliers is complete, companies should engage in a continual monitoring process. Not only does performance monitoring address regulatory concerns, but it also provides insight into the strength and safety of the supply chain.⁵ From this insight, companies can learn how to better collaborate with their suppliers and address issues before they escalate into problems.

"A well-managed supplier monitoring process, coupled with a proactive action plan to work with troubled suppliers or quickly resolve distressed supplier situations, will positively affect a company's relationships with its customers," according to Ernst & Young.⁶

PLANNING FOR THE UNEXPECTED

Along with supplier failure, other risks exist within the supply chain. To minimize the potential for supply chain disruption, supply chain contingency planning or supply chain resilience should be a critical consideration for every company.

¹ Donavon Favre and John McCreery. "Coming to Grips with Supplier Risk." Supply Chain Management Review, September 1, 2008.

² Kevin O'Marah. "Supply Chain Risk, 2008-2009: As Bad As It Gets." AMR Research, May 21, 2009.

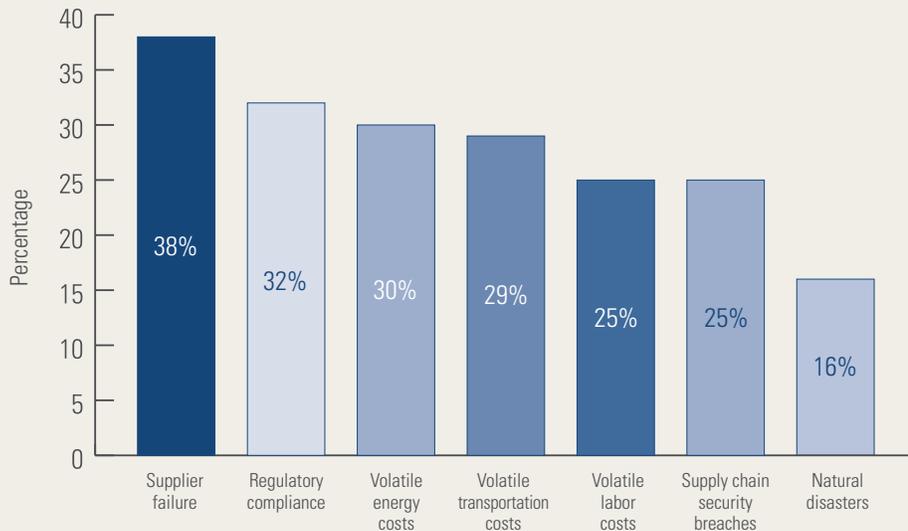
³ Ibid.

⁴ "Uncertainty around Supply Chain Stability Puts Added Strain on U.S. Companies." Reuters, February 17, 2009.

⁵ Donavon Favre and John McCreery. "Coming to Grips with Supplier Risk." Supply Chain Management Review, September 1, 2008.

⁶ "Uncertainty around Supply Chain Stability Puts Added Strain on U.S. Companies." Reuters, February 17, 2009.

2008 - 2009 SUPPLY CHAIN RISKS⁷



Disruptions come in multiple forms and can strike at any minute. Today's supply chains face threats from natural disasters, accidents and disasters caused by people, and the effects of global trade (i.e., labor disputes, geopolitical unrest, trade regulations, etc.). However, companies that have built redundancies and flexibility into their supply chains can achieve some level of resilience.⁸

PROTECTING THE GLOBAL SUPPLY CHAIN

In this post-9/11 world, ensuring the security of the global supply chain is a major priority – for supply chain managers, companies, and governments. Many organizations have taken voluntary and involuntary measures to protect their supply chains from possible terrorist infiltrations.

Public and private entities identified cargo containers as vulnerable to tampering by terrorists.⁹ This concern directly impacts international relocation companies, as cargo

containers are the primary means of transferring household goods. With this in mind, relocation companies must include increased security measures into their processes.¹⁰

The U.S. Department of Homeland Security established Customs-Trade Partnership Against Terrorism (C-TPAT) to protect America and the global supply chain, without jeopardizing the efficiency of international commerce.¹¹ Through C-TPAT, members of the trade community voluntarily partner with U.S. Customs and Border Protection (CBP).

To become a member of C-TPAT, members must demonstrate strong supply chain security by establishing solid processes in the following areas:¹²

- > Personnel
- > Physical and procedural security
- > Access controls

- > Education and training
- > Manifest and documentation processing
- > Threat awareness

This partnership proves beneficial to both sides by strengthening supply chain security and encourages cooperation between the government and trade community. According to CBP, members receive low-risk designations based on their past history of customs compliance, security profile, and the validation of sample international supply chains. Low-risk organizations face less scrutiny at border crossings, thereby allowing CBP to focus its resources on areas of high risk.

GREENING THE SUPPLY CHAIN

As the world grows more focused on environmental issues, consumers are pressuring the companies with which they do business to pay closer attention to their environmental and corporate responsibilities. In the coming years, companies that do not take an active interest in meeting these obligations will likely be punished by their customers – losing business and revenues.¹³

For many companies, this emphasis on responsibility does not end within their walls. They must recognize that the organizations with which they do business reflect on them – and that means paying closer attention to their suppliers' environmental and corporate responsibility initiatives.¹⁴ Businesses should not choose their suppliers solely based on price, quality, and reliability. Now, they must consider labor practices, ethical practices, and environmentally friendly materials and processes.

Gartner estimates that by 2011, "suppliers to global enterprises will need to prove their green credentials via an audited process to retain preferred supplier status."¹⁶

⁷ Kevin O'Marah. "Supply Chain Risk, 2008-2009: As Bad As It Gets." AMR Research, May 21, 2009.

⁸ Yossi Sheffi. "Resilience Reduces Risk." LogisticsQuarterly.com, March 2006.

⁹ Matthew Harwood. "GAO Finds Problems in Supply Chain Security Practices." Security Management, May 27, 2008.

¹⁰ Shenail Waduge. "Emerging trends in global logistics." Financial Times.

¹¹ "Securing the Global Supply Chain." U.S. Customs and Border Protection.

¹² Ibid.

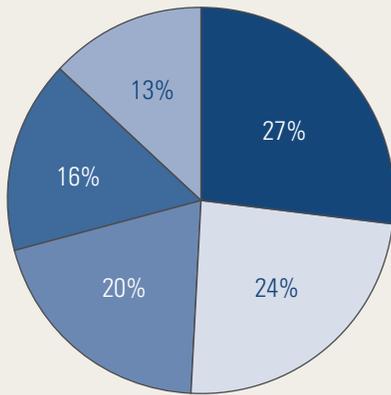
¹³ Andrew K. Reese. "Building the Green Supply Chain." Supply & Demand Chain Executive, July 8, 2008.

¹⁴ Jari Tavi. "The Green Supply Chain: Forcing Corporations to Take Stock." Supply Chain Management Review, June 16, 2008.

¹⁵ "Global Supply Chain Trends 2008-2010." PRTM Management Consultants.

¹⁶ Jari Tavi. "The Green Supply Chain: Forcing Corporations to Take Stock." Supply Chain Management Review, June 16, 2008.

TOP REASONS FOR A GREENER SUPPLY CHAIN¹⁵



27% - Regulatory compliance
 24% - Customer requirements
 20% - Increased customer confidence
 16% - Better company image
 13% - Competitive differentiation

However, one major challenge organizations face with environmental and corporate responsibility initiatives is convincing suppliers to change their practices. First, an organization must integrate green values into their own culture. For example, worldwide relocation provider Graebel has incorporated the following environmentally responsible practices into its services:

- > Employing reusable plastic crates and other moving equipment for workplace relocations
- > Maintaining equipment in top-notch form to decrease emissions
- > Reducing paper waste by using electronic systems
- > Purchasing post-consumer material without compromising container integrity

- > Recycling packing materials, office equipment, and furnishings wherever possible by law
- > Focusing on practices that reduce landfill waste
- > Performing an ongoing review and eco-analysis of facilities, equipment, and moving processes
- > Reducing carbon footprints by pre-planning logistics and effectively utilizing van capacity

RESPONSIBLE SUPPLY CHAINS?¹⁷

59% of CEOs recently surveyed believe their supply chains should incorporate **ENVIRONMENTAL, SOCIAL, AND GOVERNANCE** considerations – but only **27%** currently do.

Graebel's companywide commitment to the environment stems from executive management. Bill Graebel, chief executive officer of the Graebel Companies, Inc., encourages the relocation leader to aggressively seek and foster eco-friendly initiatives. "Our values and culture are based on corporate and social responsibility," explained Mr. Graebel. "We believe it is our responsibility to provide outstanding customer service, to be stewards of the environment, and to be involved in our community. All divisions share the same objective to find and adopt conservancy, and specifically, when performing clients' services."

In 2007, Colorado-based Graebel Movers International, Inc., a division of Graebel Companies, earned its ISO 14001 certification. Created to help organizations identify and control the environmental impact of their activities, products, and services, ISO 14001 provides a framework for policies, plans, and actions.¹⁸

Additionally, Graebel Movers International was recently awarded the Tetra Laval 2009 Environmental Award for outstanding progress and commitment to the environment. Headquartered in Lausanne, Switzerland, Tetra Laval is an industry leader in the field of food equipment, and consists of three independent industry groups – Tetra Pak, DeLaval, and Sidel.

In supporting environmental responsibility internally, Graebel serves as a role model to its partners, thereby making it easier to enforce expectations and requirements.

PROTECTING THE SUPPLY CHAIN FROM UNNECESSARY RISK

Today, the most successful risk mitigation strategy is closer collaboration with trading partners.¹⁹ As unsound supplier relationships threaten a business' success, a strong, stable supplier network enhances resilience.²⁰

Graebel understands the importance of establishing strong relationships with its suppliers, and therefore, established an invitation-only alliance of world-class, financially stable relocation leaders in 1999. The Graebel Relocation Alliance provides Graebel with a strong presence throughout the world, as well as a solid foundation with its suppliers. Alliance members know their territories and provide high-quality logistics, facilities, and on-the-ground services in more than 150 countries.

¹⁷ Andrew K. Reese. "Building the Green Supply Chain." Supply & Demand Chain Executive, July 8, 2008.

¹⁸ International Organization for Standardization (ISO).

¹⁹ Kevin O'Marah. "Supply Chain Risk, 2008-2009: As Bad As It Gets." AMR Research, May 21, 2009.

²⁰ Yossi Sheffi. "Resilience Reduces Risk." LogisticsQuarterly.com, March 2006.

To qualify for membership in the Alliance, companies must comply with a stringent global supply management process. Requirements are dynamic and include compliance with:

- > C-TPAT
- > Environmental conservation (ISO 14001 and other green initiatives)
- > Identity protection (ISO 27001)
- > Quality processes (FAIM and ISO 9001)
- > Anti-bribery best practices through TRACE International

By working only with these vetted companies, Graebel can ensure customers relocating internationally receive the same first-class service and attention as stateside customers. Additionally, by working with trusted third-party suppliers that know the ins and outs of their countries' security requirements, Graebel can clear hurdles and successfully pass inspections more easily.

Known worldwide for its unrelenting commitment to service, Graebel "works to maintain consistency across all service lines and divisions with managers who operate with the same set of goals and functions. Performance standards are rigorously tracked, measured to ensure ongoing improvements companywide."²¹ Additionally, suppliers are measured against strict service-level agreements in the areas of claims severity and frequency, timely service performance, customer satisfaction scores, and prompt communication.

Graebel monitors its suppliers to ensure compliance to its high-quality service standards and financial stability. Among the steps Graebel takes to maintain a strong chain of third-party suppliers are:



- > Monitoring suppliers' performance through customer surveys and post-move evaluations
- > Conducting onsite visits
- > Watching for negative publicity or press
- > Evaluating suppliers' financial information

"By having our customers complete surveys in real-time, we are able to establish the exact link in the chain to prevent a future issue," explained Mr. Graebel in a recent article for *Supply Chain Solutions*.²²

Through a formal due diligence policy, Graebel requires that current and potential suppliers document their technology processes, scope of services, security procedures, business continuity plans, and financial information. Pure financial data is carefully evaluated to gauge the supplier's financial health, and to ensure Graebel does not represent more than 50-percent of the supplier's annual business, should cause or reason be found to limit or discontinue engagement with the supplier. An onsite visit enables Graebel to see firsthand the procedures a supplier takes to ensure physical, data, and technology security.

In 2004, Graebel became one of the first two household goods members of C-TPAT, and was recertified in 2007. As a condition of its C-TPAT certification, Graebel is responsible for keeping its supply chain in compliance with agreed-upon security standards. To do so, Graebel takes great steps to self-police itself and its suppliers, as well as extensively background check each Graebel employee.

By adopting the best practices established by C-TPAT, Graebel reduces the risk of loss, damage, and theft, and also lessens the risk that its supply chain will be attacked by terrorists. Furthermore, customers receive the benefit of reduced wait times and inspections as their goods clear customs.

EDUCATING THE SUPPLY CHAIN

Internal training helps staff successfully manage the operations of a global supply chain.²³ Graebel continuously trains its employees and guides suppliers to help them prepare for the challenges of relocating individuals in a globalized world.

Every year, Graebel hosts a conference for the Alliance to share best practices and trends. Over the years, the conference has featured keynote speakers from the U.S. Department of Homeland

²¹ Brooke Infusino. "Triple Threat: Corporate Relocation Firm Graebel Companies Inc. Uses a Three-Pronged Approach to Guide Its Logistics Operations." *Supply Chain Solutions*, June 2009.

²² Ibid.

²³ "Global Supply Chain Trends 2008-2010." PRM Management Consultants.



Security and globally active corporations highlighting relocation issues and solutions. Additionally, senior management maintains ongoing two-way communication with suppliers throughout the year.

Graebel employees and suppliers take advantage of educational opportunities offered through industry associations and certification programs.

A commitment to continual development is not solely focused on education and training. Graebel emphasizes that its suppliers continually invest in improvements “from maintaining rolling stock of new trailers and IT applications and upgrades to developing new web portals for its clients.”²⁴

ALWAYS STAYING PREPARED

To help Graebel withstand disruptions and prepare for the vagaries of the marketplace, contingency planning is crucial. Proper preparation on the part of Graebel and its suppliers ensures no serious breaks in operational performance ever occur.

As part of Graebel’s due diligence process, Graebel reviews business continuity plans for each

supplier. If suppliers do not currently have a plan, Graebel provides guidance as to what a proper plan should include and encourages the supplier to establish a procedure as soon as possible.

Graebel has implemented numerous redundancies within its business and processes to ensure operations continue in the event of any disaster. Its servers are equipped with state-of-the-art security and environmental systems, and backed up on a regular basis. All systems are protected by firewalls and password access. Furthermore, all relocation documentation including invoices, estimates, orders, and client correspondence is kept in a secure record storage system.

KEEPING AN EYE ON THE SUPPLY CHAIN

Visibility into all aspects of the supply chain helps improve customer service and proactively accommodate any potential problems. Graebel takes special steps to track each shipment throughout the entire process. Specifically, Graebel developed the proprietary technology, globalCONNECT[™] and RITS.net, to provide

alerts in the event of a problem. Companywide color-coded alerts clarify if the problem needs immediate attention or if monitoring is necessary to prevent any further issues.

Graebel tracks and analyzes all alerts, and provides summaries to each supplier in an effort to keep them aware of their current performance measurements. Overall performance is evaluated against service-level agreements, and Graebel may incentivize or penalize suppliers as appropriate.

PEACE OF MIND. WORLDWIDE.[™]

Graebel’s strong global supply chain ensures customers receive top-notch service and that their expectations are exceeded throughout the relocation process. By maintaining a secure and productive supply chain, Graebel reduces delays and the chance that customers will experience damage, loss, or theft of their valuable possessions. Most importantly, customers benefit from fair, transparent pricing without any hidden fees or middleman mark-ups and best-in-class customer service regardless of where in the world they are moving.

²⁴ Brooke Infusino. “Triple Threat: Corporate Relocation Firm Graebel Companies Inc. Uses a Three-Pronged Approach to Guide Its Logistics Operations.” Supply Chain Solutions, June 2009.

TO LEARN MORE ABOUT GRAEBEL MOVERS INTERNATIONAL, INC., CONTACT:

Graebel World Headquarters | 16346 Airport Circle | Aurora, CO 80011 | 800.723.6683 | 303.214.2156 (fax) | marcom@graebel.com | www.GRAEBEL.com

The information contained in this document represents the current view of Graebel Companies, Inc. on the issues discussed as of the date of publication. Because of changing market conditions, Graebel cannot guarantee the accuracy of any information presented after the date of publication.

© 2009, Graebel Companies, Inc. All rights reserved. All trademarks are property of their respective owners.