



2007 CSCMP Supply Chain Innovation Award

Bon-Ton Stores Integrated Logistics Program Powers Growth From Acquisition

Co-Nominees: The Bon-Ton Stores, Inc. & Shippers Commonwealth LLC

For further information, email to info@shipperscommonwealth.com

Executive Summary:

Between March and October 2006, Bon-Ton Stores ("Bon-Ton" - NASDAQ: BONT) and Shippers Commonwealth ("ShipComm") as its lead logistics automation provider, jointly designed, developed, and executed a fully integrated, "end to end" logistics program (coordinating and synchronizing business functions across its expanded supply chain), to support doubling of the store network and tripling of the sales and operating income with this Fortune 1000 retailer, immediately following its acquisition of the Saks Northern Department Store Group. The program was completed in record time and has enabled cost savings with economies of scale, while providing for on-time, defect free delivery of goods at lowest landed cost in support of increased profitability (258% EBITDA growth 2006 vs. 2005) on dramatic sales volume growth (\$1.3 B to \$3.4 B over same year-over-year period).

Background: The Bon-Ton is leading retailer (currently #581 on the most recent Fortune 1000 list) and growing rapidly. The Bon-Ton offers a broad assortment of brand-name fashion apparel and accessories for women, men and children, as well as cosmetics and home furnishings. Headquartered in York PA, Bon-Ton operates 279 department stores in 23 states in the Northeast, Midwest and Upper Great Plains under the Bon-Ton, Bergner's, Boston Store, Carson Pirie Scott, Elder-Beerman, Herberger's, Parisian and Youngkers nameplates. Bon-Ton's acquisition of the Northern Department Store Group from Saks Incorporated in March 2006 created the one of the largest regional department store retailers in the United States, with annual sales of \$3.4 billion. The Bon-Ton store network reaches 30% of American households under these eight (8) nameplates, with 26 million square feet serving twenty-three (23) contiguous states, supported by over 25,000 employees. For further information, please visit the Company's website at www.bonton.com

During the fourth quarter of 2005, Bon-Ton Stores conducted an intensive search for its next-generation Transportation Management System (TMS), culminating in the selection of Shippers Commonwealth as its turnkey logistics automation provider in March 2006. ShipComm is a marquee provider of TMS solutions to both the Fortune 1000 and mid-market shippers and receivers, for both inbound and outbound applications. The company focuses on bringing complete TMS solutions on the most affordable basis to shippers of any size, via its expert team and advanced value-added solutions programs, tailored to client needs. Key clients include

leading firms such as Alcoa, Stage Stores, Sonoco Products, UPS Freight, Boscov's Department Stores, North American Salt, Four Seasons, Energizer, Safelite, Johns Manville, O.C. Tanner, Jeld-Wen, Garden Ridge, and Metro Canada. Further information on Shippers Commonwealth is available on the Web at www.shipperscommonwealth.com

The Challenge: Simultaneous to the contract execution with ShipComm, the Bon-Ton corporate office announced its major acquisition of the Saks Northern Department Store Group. This expansion would triple company sales and double its store count, and increase its distribution center network from two (2) to five (5) primary Distribution Centers after acquisition. The original TMS program to handle just Bon-Ton freight needed to be immediately expanded to cover the enlarged enterprise, and to multi-plex the group savings.

At the end of March 2006, Bon-Ton and Shipper's Commonwealth were faced with a unique challenge - develop and execute a fully integrated supply chain network solution for the newly merged businesses, with a firm go-live date of September 2006. This mandate had to be coordinated with Bon-Ton's migrating of all its enterprise systems for commonality with Saks, in order to provide seamless coverage while generating immediate benefits from the new supply chain economies of scale of the enlarged company.

In the high velocity "design-to-deployment" program which followed, the first tier of TMS implementation was launched for the pre-acquisition company shipments in April 2006 and successfully went live by early June for the Corporate Load Center established in Whitehall PA. Concurrent with the above, it was determined that Bon-Ton would use the new TMS to replace legacy systems utilized by Saks, and use this TMS as the hub for the inbound supply chain to be integrated with single shared platform. Along with a new enterprise-wide TMS and centralized transportation center for the company, Bon-Ton would migrate to the legacy systems utilized by the Saks Northern Group: specifically the Warehouse Management System (WMS) program (Catalyst), Purchasing system and Accounts Payable/General Ledger (AP/GL) program (Walker); while deploying Bon-Ton Compliance Management System (CMS) from Compliance Networks for the enterprise. Additionally EDI and Web trading was implemented with a newly restructured core carrier base for further empowering low cost capacity to serve the company.

To address gaps in the legacy systems and have the entire supply chain mesh as a single integrated logistics network, a new *Web Gateway*, as supplier-to-DC-to-store hub was developed by ShipComm for Bon-Ton to incorporate all these programs. At same time, a new labor forecasting tool driven by the TMS and new visibility tools were rapidly implemented. A Freight Payment module of the TMS was extended by ShipComm with its new Cost Allocation Post-Processor (CAPP) to be deployed concurrently its state-of-the-art reporting suite (Shipment Intelligence Center) to handle all settlement, performance measurement, and management functions for the new Transportation Network.

Challenge to Innovation to Solution: The challenge was met with innovation in supply chain synchronization, using dynamic optimization with interactive execution, to **bring the new program to support this expansion to fruition on-time and within budget as fully operational when the corporate acquisition and system transition (called the “Big Bang” within the company) was activated. Dramatic cost savings and throughput benefits were also realized**, as further documented below. With the required integration speed mandated by the acquisition timetable, there was zero margin for error, as all new integrated systems had to be operational and go live concurrently, in this single and unprecedented “Big Bang” driven by business needs. The results, as summarized below, contributed to the over \$14 Million in first year synergy and efficiency savings from the acquisition.

The New Synchronized Supply Chain Network: The integrated logistics network as designed and successfully deployed in less than six (6) months (to support trebling of company sales volume and maximize savings from economies of scale), to put the entire enterprise on a single consolidated supply chain platform, is summarized in the diagram below (**Exhibit A**). The TMS and Web Gateway serve to power optimized shipment planning, execution, visibility, receipt, freight payment with automated settlement and cost allocation, while fully integrating suppliers, purchasing, warehouse systems, back office accounting programs, and vendor compliance system.

**See Summary of Key Results & System Flow
– following pages**

The Results: Results from this landmark supply chain innovation are summarized below:

The Challenge	The Innovation	The Results
Immediately Support Quantum Jump in Growth: 161% sales growth realized fiscal 2006 over 2005 (\$1.3B to \$3.4B in annual sales); gross profit and operating income also tripling, with store count doubling	Design and rapidly deploy Integrated Logistics Network for entire inbound supply chain of the expanded company, as outlined above	All suppliers, carriers, and DC's linked in automated logistics network for seamless support of massive growth while reducing freight costs and improving on-time deliveries and supplier-DC-store pipeline visibility
Reduce Freight Costs	Optimized mode, route and plan via TMS with automated "lights out" execution; mode shifting, consolidation on direct ship vs. pools, reduced cost and improved transit time	19% savings in TL costs alone 4Q 2006 over 4Q 2005 just on Bon-Ton core freight alone, with significant incremental savings in freight cost per carton being realized for enlarged enterprise; system investment paid for itself in 3 months after go live
Manage Growth with Controlled Headcount	Centralized and automated transportation planning, management, and freight audit/payment with supplier-to-DC network directed by central computer-based corporate Load Center	Shipments handled per capita went from 40 – 50 per planner per day to 200 per day per capita, thus supporting 3X the merchandise shipments with less overall headcount
Improve Service & Throughput While Reducing Costs	Trading partner systems of TMS activated with Reporting (Shipment Intelligence Center & Trade Partner Measurement Program) for KPI	Carriers measured on On-Time Pickup, On-Time Delivery, Dwell Time, Load Acceptance Rate, and Cost metrics to tune system further for incremental improvements, manage by exception. Performance & Availability improved along with new carrier program and performance reviews for insuring service goals met or exceeded at lower landed cost
Vendor Compliance	Integrate TMS with company-wide Vendor Compliance System	Improve supplier and carrier measurement and performance, with automated supplier chargebacks for not meeting goals, supplier recognition for meeting goals
Make The Enterprise Accountable through Visibility & Control	On-line visibility for all buyer and all DC personnel via Digital Tracker and Web Gateway components of TMS program. Introduce a new labor forecasting tool based on the TMS and inbound shipments	Buyer and warehousing personnel have visibility and real-time information exchange as stakeholders and beneficiaries of smarter logistics decisions in purchasing and movement of goods.
Quality of Delivery	Link TMS to WMS and CMS for over, short, damaged information for remedy, claims, quality improvement	Six Sigma initiatives advanced on control and improvement of quality of critical delivered merchandise in transit
Continuous Improvement	Expand initial system - enhanced reporting, augment program with automated yard management & dock scheduling	Advanced reporting suite deployed, other continuous improvement programs in process

Exhibit A: Integrated Supply Chain Network

