Dispatch Management Services

On November 7, 1997, Linda Jenkinson and Greg Kidd walked up the steps to their company's Long Island boarding house known as the "Swamp" feeling more dejected than at any time during the ten years of their business relationship. An hour earlier, Jenkinson, Dispatch Management Services' (DMS) CEO, had received word from Rudy Gatewood, a managing director at Smith Barney, that his bank was no longer interested in taking DMS public. After an intensive "bake off" between a number of investment banks, DMS had carefully selected Smith Barney to execute the IPO no later than March of 1998. The public offering was needed to trigger the concurrent consolidation transactions that would instantaneously make DMS the owner of 25 on-demand courier businesses. Jenkinson glanced at the calendar on the wall and realized that there were less than five months remaining before the expiration of all purchase agreements that DMS had made with the companies set to be consolidated under the DMS umbrella.

The news from Smith Barney was a bitter pill to swallow for the New Zealand born Jenkinson. Not only did the investment bank's IPO cancellation affect the roll-up of DMS' courier partners, but it also tarnished the credibility of the company in the eyes of other prospective financial partners and raised questions about DMS' consolidation business model. Jenkinson, Kidd and the rest of the DMS management team had made many sacrifices in pursuit of building the world's largest on-demand delivery business and the phone call from Gatewood threatened to make their hard work all for naught. As she took a seat at the kitchen table, Jenkinson wondered how she should address the courier firm owners she was courting with the IPO proceeds, her original investors, her fellow employees and the investment community at large.

Kiwi Roots

Greg Kidd and Linda Jenkinson first joined forces in 1987 while working as consultants to a consortium of New Zealand banks. While their consulting engagement was focused on streamlining back-office check processing, it was the delivery of checks to banks that caught their attention. New Zealand laws specified that all checks be processed overnight. As a result, checks needed to be moved from banks to one of three central processing locations between 3 p.m. and 10 p.m. each night. To satisfy the banking requirements, an extremely efficient courier delivery model had been developed. Checks written anywhere in New Zealand (roughly the size of California) were delivered to the appropriate clearinghouse before the start of the next business day. The productivity of New Zealand couriers was, in fact, four times greater than that of couriers operating in the U.S. In 1990, Kidd began to diligently research the best practices of the New Zealand couriers in an effort to identify the source of their productivity advantage and to see if their methods were transferable to other markets. Kidd's analysis uncovered many differences between the methods used by couriers in New Zealand and the rest of the world.

Entrepreneurial Studies Fellow Matthew C. Lieb prepared this case under the supervision of Professor William A. Sahlman and Lecturer Michael J. Roberts as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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The most dramatic difference in operations between New Zealand couriers and their U.S. counterparts was in the method of dispatching. In the U.S., centralized dispatchers served in a command and control function where they were responsible for allocating deliveries to couriers. Typically, a call would come in from customers wanting to have a package picked up at one point and delivered to another. Under the U.S. model, the dispatcher would utilize his or her knowledge of the metropolitan area combined with an understanding of the availability of couriers to allocate the job to a specific courier by telephone or radio. This methodology was wrought with inefficiencies. Dispatchers controlled the allocation of commission-based work that led to a competition among couriers to "befriend" the dispatcher. Those couriers who were allied with the dispatcher got the good jobs and those who were not were stuck with the less profitable deliveries. Because of their command over the operations, dispatchers held a great deal of power. If a dispatcher threatened to quit, finding a replacement with the necessary skills and experience was not an easy task.

New Zealand's courier industry tipped the traditional dispatching model on its head. Rather than allocate deliveries through a centralized dispatching authority, New Zealand firms conducted a delivery "auction" with the dispatcher acting as the auctioneer and the couriers playing the role of bidders. This dispatching methodology, known as "free call," allowed couriers to pick specific jobs while the dispatcher simply broadcasted pickup opportunities over an open channel on the portable radios carried by the couriers. In this situation, it was the courier's responsibility to only take jobs that they could deliver on time. Any late delivery would not be rewarded with a commission. By providing incentives and granting significant decision making authority to the couriers, the free call system dramatically improved morale, efficiency of delivery allocation and capacity.

Kidd became so intrigued with the productivity advantages of the New Zealand model, that in 1991 he purchased a stake in a Wellington, New Zealand courier company. Kidd methodically studied the best practices of New Zealand firms in an effort to standardize their successful operating procedures. Later in 1991, Kidd and software developer, Erik Westra, wrote a proprietary software package specifically for dispatching. The software allowed dispatchers and customer service representatives to track deliveries, classify deliveries, estimate delivery times and segment pricing more efficiently. Kidd formed KiwiCorp Inc. to continue the development of the dispatching software as he turned his attention to the fragmented on-demand delivery industry in the United States.

On-Demand Delivery Industry

The over 4,000 on-demand courier companies in the U.S. utilized bicycles, cars and "walkers" to deliver goods from one point to another (see **Exhibit 1** for market size information). Typical firms in the on-demand delivery segment made 600 deliveries per day generating approximately $2.5 million in revenue per year. The $4 billion U.S. on-demand industry grew 10% annually during the ten years preceding 1997 as a result of deregulation in the transportation industry, the increasing need for speed in conducting business and the trend toward outsourcing internal delivery functions to more specialized courier firms.

Deregulation, in particular, changed the industry landscape dramatically. Prior to 1995, state regulations restricted access to markets and determined price points for delivery firms. Deregulation removed these protective barriers that safeguarded inefficient firms and opened the doors to competition across state borders. The results of increased competition included improved pricing for customers and, consequently, increased demand.

Innovations in facsimile and electronic mail technologies also impacted the on-demand courier industry in the early 1990's. As a result, courier firms found themselves delivering fewer documents and more packages. The initial loss in business from the advances in technology was offset by the changing perceptions of consumers. The advent of Federal Express, electronic mail and other services and technologies heightened consumer desire for speed across all types of transactions. As customers came to expect everything faster, the demand for courier services increased.

On-demand courier companies represented a $4 billion subset of the $15 billion same-day delivery industry, which, in itself, was a part of the $100 billion U.S. delivery business (see **Exhibit 2** for industry breakdown). Internationally, on-demand delivery firms generated nearly $8 billion in worldwide revenue each year. On-demand delivery differed from same-day delivery and other express delivery businesses such as Federal Express and the United Postal Service in a number of ways. First, on-demand delivery filled the most time-sensitive niche in the delivery business. While deliveries in this segment were usually no longer than two hours, many customers required delivery in less than twenty minutes. Second, because of the time-sensitive nature of the deliveries, on-demand businesses used a point-to-point routing model as opposed to the hub and spoke system utilized by the nationwide "overnight" competitors. Third, the on-demand segment did not historically benefit from economies of scale and the corresponding barriers to entry associated with the hub and spoke model. Unlike the hub and spoke system, which required significant capital investments to reach efficient scale, the on-demand business was more locally focused. The low capital intensity and local nature of the courier business made it possible for essentially anyone with a cellular phone or beeper to become a messenger. As a result, the industry was highly fragmented and characterized by wide variations in service quality and enormous employee turnover. DMS' goal was to consolidate and "professionalize" the on-demand delivery business.

The DMS Business Model

In developing the business model, Jenkinson and Kidd organized the business into three discreet functions. The first piece, known as Dispatch Management Services (DMS) focused on back office operations and dispatching. The second part of the strategy, called Road Management Services (RMS), dealt with the incentives and operations of the courier fleet. The last piece, known as Marketing Management Services (MMS), addressed branding issues as well as the continued participation of the original courier owner/operators (see **Exhibit 3** for a description of operating model). A coherent integration of these three functions would, in the minds of Kidd and Jenkinson, result in significantly improved margins. A typical on-demand delivery company generated $2.5 million in revenue and an operating profit margin close to 7.5% of sales. Jenkinson and Kidd believed that efficient adoption of the DMS model would improve the operating profit margin of participating firms to 20% of revenue.

Element 1: Dispatch Management Services (DMS)

DMS included the back-office functions such as telephone answering, order taking, problem resolution, dispatching and accounting. The business model called for a centralized DMS center within each major metropolitan region that would handle the back-office functions for several independent brands operating in that region. The crux of the DMS operating model was the "donut" workstation used in the DMS centers (see **Exhibit 4** for DMS center configuration). Six to eight people would work at each donut relying on constant communication between all parties to broadcast and track orders. Jenkinson and Kidd measured the capacity for a single donut to be close to 1,500 transactions per day and each DMS center could increase capacity by simply adding additional donuts. Employees within the DMS centers would be cross-trained to handle order capturing, job auditing, payment processing, and dispatching.

Kiwi Express' proprietary software would be utilized in the DMS centers to facilitate delivery dispatching. Under the agreement with Kiwi Express, DMS Corporation had the right to purchase Kiwi Express at any time. This arrangement effectively prevented competitors from gaining control of the software component while allowing Kiwi Express' software developers to work independently while Jenkinson and the management team focused on other areas of the courier business. The software (see **Exhibit 5** for an illustration of the software interface) would allow members of the donuts to standardize customer information, segment pricing, view delivery progress (via a color-coded countdown clock) and capture orders more efficiently than the traditional method of tracking orders on paper tickets. If run efficiently, DMS centers would increase capacity while reducing headcount and other expenses. Kidd and Jenkinson remained confident that their operating model

could reduce back office costs from between 20% and 30% of sales to only 12% of sales (see **Exhibit 6** for DMS cost estimates).

Element 2: Road Management Services (RMS)

RMS encompassed the facilities, equipment and people who deliver the packages. Under the DMS business model, a single RMS center would operate within each geographic region to service the independent brands operating in that area. RMS centers would manage the training, hiring, firing, radios, uniforms and pay for all couriers operating under the DMS umbrella. The fundamental concept behind the RMS model was that all costs of "running the road" would be charged back to couriers on a user-pays basis. The company anticipated employing full-time road administrators in each market to supervise six or more team leaders on the road.

One of the key objectives of the RMS component was to "professionalize" the courier trade. Many courier firms experienced annual turnover of over 300% for cyclists and 150% for vehicle drivers. DMS"s goal was to develop a whole new image and sense of pride regarding the courier fleet through improved uniforms, equipment, training and pay. DMS' revised compensation structure for couriers was a drastic departure from the typical system of paying a percentage of the delivery revenue to the courier responsible for the delivery. Under the old model, couriers were motivated to take on the most expensive deliveries which were not always the most profitable jobs for the company. DMS planned to implement a cost-based pricing/effort-based costing system to manage compensation. Fundamentally, DMS wanted to price jobs based on the dollar amount that must be paid to couriers to make it worth the courier's time to take the job. Commissions would then be structured to fairly compensate the couriers based on their efforts. Couriers would receive no pay for deliveries that were not made on time.

Jenkinson and Kidd were well aware of the short-term ramifications of adjusting the courier compensation structure. They fully anticipated losing a portion of the courier fleet after the restructurings as couriers who were "favorites" of the dispatcher realized that the dispatcher-courier relationship no longer affected compensation. Additionally, they predicted that a small amount of customers would be lost as a result of the new pricing model. Jenkinson commented on the expected loss of customers:

> We know that a few customers will switch to a new courier firm. While that will be difficult to manage in the near-term, we know that over the long haul it is for the best. The customers who will leave will be those that are receiving such dramatic volume discounts that they are not profitable accounts. Our new pricing model will generate greater profitability on fewer deliveries.

Jenkinson believed that outsourced and streamlined road related services would enable DMS Corporation to cut RMS related expenses from 60% of revenue to slightly over 50% of total revenue (see **Exhibit 7** for RMS costs).

Element 3: Marketing Management Services (MMS)

The company's plan to consolidate on-demand couriers did not call for an elimination of the individual brands. Instead, Jenkinson was eager to capitalize on the particular market niches and goodwill that the established courier brands had developed within their respective markets. Under the MMS model, former owners of the consolidated DMS couriers would sign Brand Manager agreements giving the Brand Managers control over brand-specific sales and marketing teams. The brand managers would be responsible for increasing the penetration of existing accounts as well as increasing revenue by adding new accounts. In instances where former owners did not want to become brand managers, DMS would appoint specific sales and marketing teams to manage the brands under a performance based contract. The majority of the MMS expenses for each brand would consist of sales commissions and advertising related costs.

The MMS strategy was central to the success of DMS. While the company had built a better "mousetrap" for dispatching and other back office operations, the corporate culture and the future participation of the founders, two issues that plagued many consolidations, remained areas of great uncertainty. In an effort to encourage dedicated participation from the former owners, Jenkinson developed an earn out structure where compensation was determined by allocating dispatch, road and administrative and corporate overhead expenses in proportion to either revenue or total jobs generated by each brand. Under this arrangement, DMS would receive the first 7.5% of all profits and the brand manager would get the second 7.5% (see **Exhibit 8** for payout diagram). Any profits in excess of 15% of revenues would be split 25% to the brand manager and 75% to DMS. Jenkinson saw the brand management agreements as an important short-term necessity in the consolidation strategy. Longer-term, however, she hoped to limit the brand manager agreements:

> Early on it will be important for the former owners to stay active in managing the brands because, in many ways, this is a relationship business and they have the relationships with the customers. Eventually, as our operating model becomes well entrenched and the business is running smoothly, our service will speak for itself and the need for the proposed brand manager agreements will not be as important.

Marketing Management Services was the only one of the three prongs of the DMS operating model forecasted to increase as a percentage of revenues. Jenkinson intended to grow overall revenue by increasing marketing expenditures. As a result, MMS expenses were forecasted to increase from 5% of revenue to 6% (see **Exhibit 9** for MMS costs).

While Jenkinson believed that local brand managers could best exploit opportunities in specific niches, she also understood that there was, for the first time (because of industry deregulation), an opportunity to develop a national brand. To that end, DMS Corporation planned to develop 1-800-DELIVER as a national on-demand delivery brand. The brand would compete with other brands out of the same dispatch facilities. The 1-800-DELIVER development effort would initially be handled by former courier owners who explicitly wanted to operate under the 1-800-DELIVER brand. These managers would have to meet specific requirements that Jenkinson deemed necessary for achieving premium positioning of the brand (See Table A for national brand services).

Table A 1-800-DELIVER Services

Requirement	Description
Guaranteed Delivery Service	Premium pricing will be justified by "delivery within x minutes" guarantees or a full refund will be awarded.
Unified Image	Unified and professional branding for uniforms, bags, vehicles and sales material.
Professional Workforce	Increased pay for couriers who, through productivity enhancements and incentive packages, achieve revenue per courier figures approaching FedEx.
Premium Technology	Utilization of technologies such as two-way data, remote terminal software, and tailored billing.
National Sales & Marketing	Coordinated service offering targeted at both corporate accounts looking to make single-source purchasing decisions and firms seeking to coordinate complex multi-market deliveries.

A full integration of the DMS, RMS and MMS operating models would eventually, in Jenkinson's view, improve operating margins significantly (see **Exhibit 10** for sample proforma operating budgets).

Growth Options

While the management team's attention was drawn to the opportunities in the on-demand delivery business, Jenkinson and her colleagues also had their sights set on other businesses that required dispatching. Both Jenkinson and Kidd saw an opportunity to expand their dispatch management capabilities to limousines, taxis, ambulances, tow trucks and other similar businesses (see **Exhibit 11** for future growth opportunities). Kidd commented on the opportunity to serve as a dispatching center for a variety of businesses:

> We are definitely looking at the opportunity to expand our business by tapping into other dispatch-related services. Fundamentally, there is very little difference between the way ambulances could be dispatched and the way we plan to handle courier dispatches. Our methodology will give us a lot of dispatching capacity and adding additional capacity will be as easy as adding one more donut to the dispatch center. In addition to the economies of scale that would arise from engaging in other dispatching businesses, we could also take advantage of the complementary peak and off-peak work periods for businesses like couriers and limousines. The courier business is extremely busy during the day, but drops off quickly at night. Limousines, however, are busiest at night when passengers are being driven home from work or the airport.

Implementing the Business Model

In 1994, Kidd moved back to the U.S. with his sights set on implementing the DMS model. Following her 1991 graduation from Wharton, Jenkinson worked as a consultant in New York City. In 1994, she took a job with A.T. Kearney in their San Francisco office in order to be more accessible to Kidd in launching the business. Jenkinson's salary from A.T. Kearney was used to bankroll DMS' U.S. effort while Kidd worked full-time for the company. Kidd's first approach was a natural one; he decided to license the Kiwi Express software to courier firms and to act as a consultant, training the licensing firms in the best practices he had studied in New Zealand.

Kidd began his efforts in San Francisco, one of the largest and most competitive courier markets in the United States. By mid 1994, Kidd had signed deals with five courier firms generating a combined $1 million in annual revenue. The agreements called for Kidd to assist the five participating firms in the integration of "free-call" and other best practices learned in New Zealand. Under the agreement, Kidd would also install the Kiwi Express software. In exchange for Kidd's efforts, the participating firms would give DMS 1% of their total revenue.

Productivity improvements occurred quickly as the DMS model allowed participating firms to cut back-office staff and improve service. Increased productivity resulted in increased pay for couriers (eventually rising to 40% above the San Francisco courier market average). The increased service levels that the DMS system delivered allowed the couriers to move from their traditional practice of discounting to segmented pricing based on the level of service. One example of improved service and pricing flexibility was the introduction of a downtown 15-minute service that was priced at a significant premium. Early success in San Francisco convinced Kidd to target larger courier firms in other markets.

In Seattle, Kidd signed a licensing agreement with Fleetfoot, the largest operator in the city. Fleetfoot's operations used paper dispatch tickets, hourly employees, and company owned vehicles. Perhaps more significantly, despite being the market leader, Fleetfoot's employees exhibited extremely low morale. For three years, Fleetfoot had failed to grow profits, which led management to agree to convert to the DMS system. Successful implementation of the DMS model took longer than expected and was hampered by the lack of support that the model received from the head dispatcher. Eventually, the dispatcher was replaced and the improvements took hold. Margins improved 5% from 1994 to 1995. Productivity (as measured by number of jobs processed) improved 46% following the conversion. Additionally, headcount was reduced and courier pay increased dramatically from $250 to $450 per week for bike couriers and from $300 to $610 for vehicle couriers. Despite short-term

personnel difficulties, DMS' experience in Seattle proved the company was capable of delivering significant improvements at a large-scale courier firm.

1995 was a breakout year for DMS. By the end of the year, Kidd had signed agreements with one or two established courier firms in Boston, New York, Philadelphia, Washington and Atlanta. Many of these firms exceeded $1 million in annual sales. 1996 produced even more impressive growth in licensing agreements. Deals were struck with firms in each of the remaining Tier 1 cities (defined as the thirteen largest cities in the United States) as well as firms in London. All told, by early 1997, DMS partners generated over $35 million annually.

Consolidation Strategy

In May of 1996, Kidd and Jenkinson decided that consolidation of the on-demand courier industry was a viable strategy. Fueled by the success of the early DMS conversion companies, Wall Street's admiration for consolidation plays and a desire to assert more control over courier operations, Jenkinson and Kidd began to develop a coherent roll-up strategy. Jenkinson commented on the decision to consolidate:

> We knew we needed to get more control over the process if we wanted our business to be really big. We had seen the negative side of being a consultant where the courier companies had a lot of freedom to say yes or no to some key operating issues in the implementation of the DMS operating model. To really reap the benefits of the DMS model, you need to commit 100%. If we owned the firms, we could implement the necessary changes more quickly and decisively.

In February of 1997, the management team enlisted the services of Gordon Tunstall, a Florida-based investment advisor who had been instrumental in "selling" the business plans of several new ventures to large financial institutions. DMS' management team and Tunstall worked together to develop a business plan that would appeal to the types of institutional investors needed to make an initial public offering a success. Tunstall sent the business plan to over forty investment banks that could take DMS public. Kidd, Jenkinson and Tunstall met with a number of banks personally, including Prudential Securities, CIBC Oppenheimer and Smith Barney. In the end, it was the stellar reputation of high growth stock analyst, Jennifer Cameron, which led Jenkinson to choose Smith Barney:

> It was tough to differentiate the banks based on their valuations of DMS and their experience, so at the end of the day we decided that Cameron's reputation would mean a lot. We knew that a "buy" recommendation from the top analyst in the high-growth sector would give us a boost.

Delivering the Deals

Once the decision to consolidate had been made, the management team faced the daunting task of structuring terms for a buyout of each target courier company. Significant difficulties in determining cash flow and net income figures in an efficient manner led the team to conclude that the most effective acquisition tactic would involve a purchase based on a multiple of revenue. Kidd and Clive Holmes, an investment banker in Morgan Stanley Dean Witter's Mergers and Acquisitions department, developed a simple formula for determining the multiple to be paid to each courier company based on such factors as previous growth rates, percentage of the firm's business that was "pure" urgent on-demand delivery and the courier company's credit rating. The end result of the formula was an average purchase price equaling the trailing seven months revenue. DMS would make acquisitions using 33% cash and 67% DMS stock for each deal. In addition to the initial buyout, individual courier owners would become subject to the brand management agreements. With a buyout formula in place, Jenkinson and the DMS management team set out to acquire on-demand courier firms representing a combined $100 million in revenue.

The task of actually constructing deals under which the on-demand delivery businesses would be consolidated was an arduous one. Taking the company public required that certain financial reporting guidelines be followed. To that end, the Securities and Exchange Commission (SEC) insisted upon complete audits of the majority of the firms to be consolidated (the SEC required a comprehensive audit of 90% of revenue and profit). To satisfy these requirements, Jenkinson enlisted the services of Price Waterhouse. Marko Bogoievski, DMS' chief financial officer, struck a deal with Price Waterhouse where DMS would pay the auditors $200,000 up front and all other fees, totaling $3.8 million, after the IPO. With an auditing team on board, Jenkinson, Kidd and Lever Stewart (head of Business Development) hit the road to sell the final plan for consolidation to the prospective courier firms. Six weeks later, after countless hours spent on the phone, dozens of meetings with lawyers, accountants and courier firm owners, DMS was poised for its initial public offering. When the dust settled, DMS had deals structured with 25 courier firms representing over $136 million in revenue (see **Exhibit 12**). Jenkinson hoped to raise $100 million by selling 50% of the company to the public. The proceeds of the sale to the public would be used to fulfill the cash portion of the pre-established courier acquisitions, to repay the company's debts, to fund working capital and to acquire other on-demand delivery firms (see **Exhibit 13** for the DMS revenue growth components). The remaining 50% was to be split between the founding courier companies, who would receive 30%, and the management team, who would retain the remaining 20%. Jenkinson's optimism regarding an IPO was due in part to the market's receptivity to other consolidation plays over the past 20 months. In 1996 alone, consolidators sold more than $3 billion in equity. The market for roll-ups had remained strong in 1997 (see **Exhibit 14a** and **14b**).

Conclusion

Jenkinson, Kidd and the rest of the DMS team were now in a difficult position. A meeting was scheduled with key advisors including investors from Walnut Capital (Fred Mayerson & Larry Horwitz) and Gordon Tunstall (a financial consultant who had helped package the Company) to work out next steps. With no bankers on board, they needed to decide how to proceed with the consolidation. Jenkinson expressed her concern over the recent developments:

> It isn't very common for investment bankers to back out of deals, especially after all of the work that went into the "bake-off." We've worked so hard over the past few years to make this happen, but now I wonder if there is something fundamentally wrong with our plan to roll-up this industry.

Exhibit 1 DMS Corp U.S. Target market Consolidation Opportunity

Exhibit 2 DMS Corp U.S. Target Market Size: $4 Billion Annually

Exhibit 3 The DMS Operating Model

City A City B

Exhibit 4 Phone/Dispatch Layout for 5,000 transaction per day DMS Center

Exhibit 5 Kiwi Express Software Interface

Dispatch Window "Main" [⌘2]

Unassigned Jobs

Madison Square Garde	0:22	7th Avenue	
Booz Allen & Hamilton	B30	CO	Tickets for tonights Knicks/Bulls game
1st District Court Hou	0:46	44 Wall Street	
Morgan Stanley	B1H	CO	
American Express	0:47	18th Floo	
Johnson Travel	B1H	CO	Plane
Feinsteins	0:48	Floor 66	
Booz Allen & Hamilton	B1H	CO	Pick u
American Express	0:56	18th Floo	
Ticketron	B1H	CO	
Booz Allen & Hamilton	1:42	Level 19	
McKinsey & Co	V2H	CO	Cake

1 Jake 5 jobs

Morgan Stanley		0:13
Ticketron	CO	B30
1st District Court		0:46

2 Sandy 2 jobs

Morgan Stanley		0:14
Nathans	CO	B30
American Express		0:27

The Resolver [⌘3]

Who American Express

What Ticketron

Where All

Look In Assigned

When Today 6/14/96 12:00 AM to 6/14/96 11:59 PM

Search | Go Through Jobs | Clear Search | Sort by Job Number

A112	B1H	6/14/96 8:02 PM	Ticketron	- American Expre
A121	B30	6/14/96 8:12 PM	American Express	- Ticketron

1050

2 Jobs

Exhibit 6 DMS Cost Model vs. DMS Target Cost Model

Full-scale $12 million DMS Center

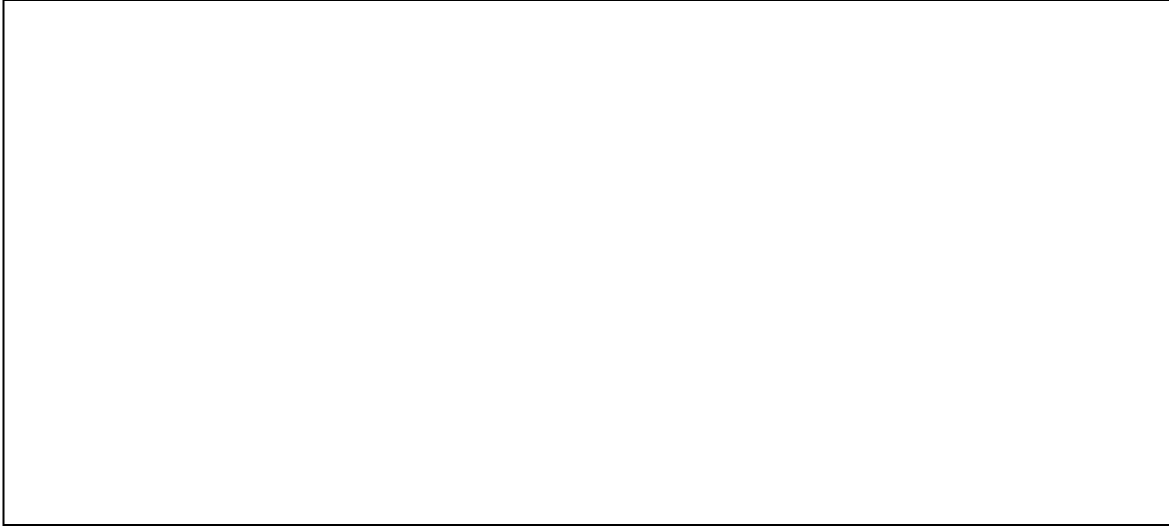

Exhibit 7 RMS Cost Model vs. RMS Target Cost Model

Full-scale $12 million DMS Center

Exhibit 8 Brand Manager Compensation Diagram

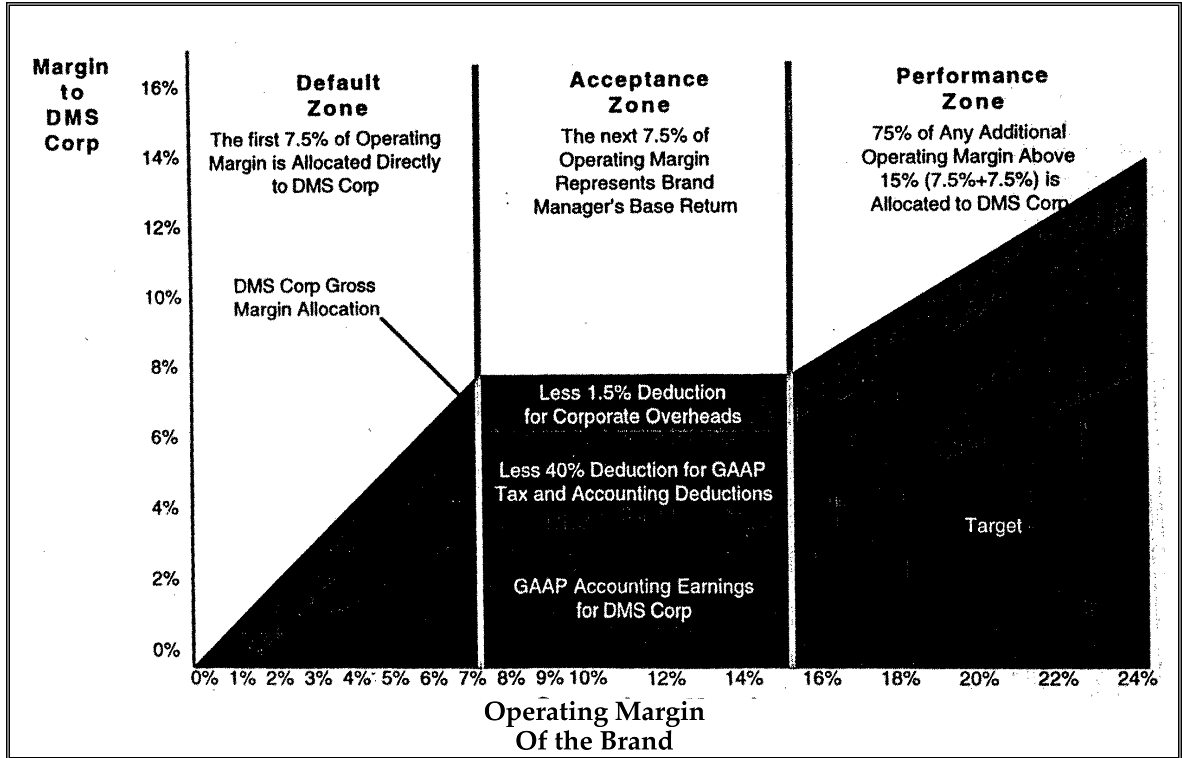

Exhibit 9 MMS Cost Model vs. MMS Target Cost Model

Full-scale $12 million DMS Center

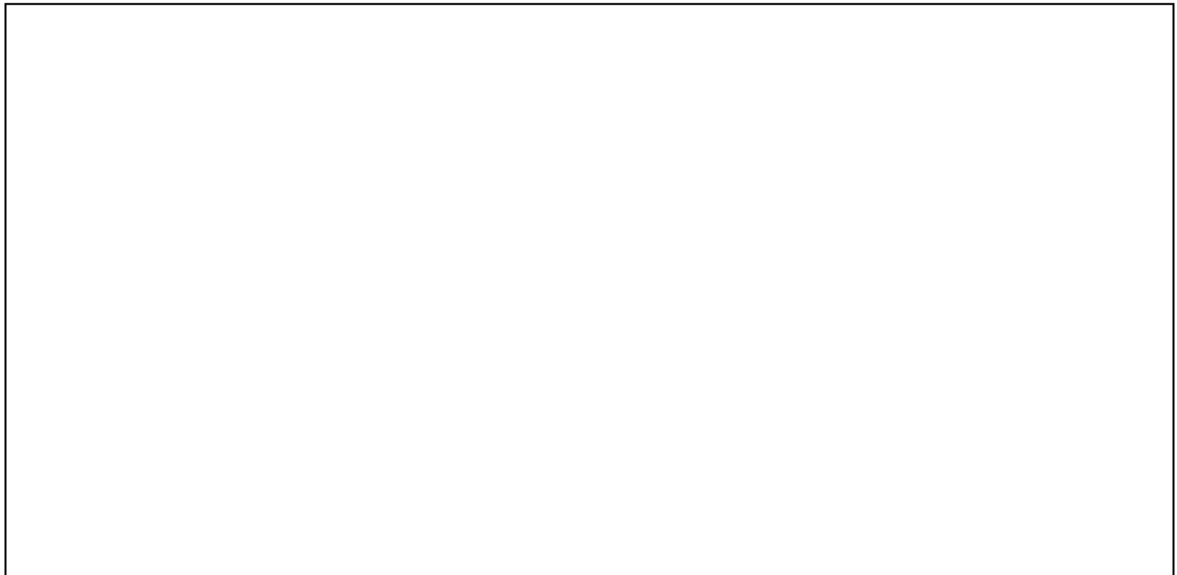

Exhibit 10 DMS Center Pro Forma Operating Budget

Revenue	$2,500,000	100.00%
Road administration	50,000	2.00
Courier commissions	1,250,000	50.00
Total RMS Expenditures	**1,300,000**	**52.00%**
Sales commissions	$ 75,000	3.00%
Marketing expenditures	75,000	3.00
Total MMS Expenditures	**$ 150,000**	**6.00%**
Rent	$ 25,000	1.00%
Telephone	12,500	0.50
Depreciation	6,250	0.25
Printing & postage	7,500	0.30
Contingency	12,500	0.50
Systems R&D and support	25,000	1.00
Training	11,250	0.45
Management	50,000	2.00
Phones & dispatch	150,000	6.00
Total DMS Expenditure	**$ 300,000**	**12.00%**
Operating Margin	**$ 750,000**	**30.00%**

Exhibit 11 Dispatch/Delivery Market Segments

Exhibit 12 Pre-IPO Courier Firms ($ thousands)

	1996	
	Revenue	**Operating Income**
New York Metro Area		
Earlybird Courier Service	$ 13,189	$1,362
Atlantic Freight Systems	8,728	(513)
Zoom Courier	8,404	(338)
Bullit Courier Service	7,696	(65)
London		
West One	24,148	1,752
Security Dispatch	9,440	1,296
San Francisco		
Aero Special Delivery	10,998	(109)
S-Car-Go Courier	1,263	14
Battery Point	732	157
Zap Courier and Crosstown Messenger	941	141
Studebaker	342	69
Atlanta		
A Courier	6,020	446
MLQ Express	5,310	117
Minneapolis/Phoenix		
American Eagle/1-800 COURIER	8,536	594
Washington, D.C.		
Washington Express	5,800	140
Denver		
Kangaroo Express	2,650	25
1-800 COURIER	1,247	33
Los Angeles		
National Messenger	2,413	260
1-800 COURIER	1,212	(67)
Seattle		
Fleetfoot	2,172	132
Detroit		
Express Messenger	1,612	40
Houston		
A&W Couriers	1,560	(9)
Boston		
1-800 COURIER	1,343	(25)
Chicago		
Deadline Express	1,177	(6)
Software Company		
Fleetway	1,048	(82)
Other Founding Companies (4)	8,719	215
TOTAL	**$136,700**	**$5,579**

Exhibit 13 DMS Revenue Growth Plan

Exhibit 14a Industry Consolidators—Equity Issuance: 1992-1997 ($ millions)

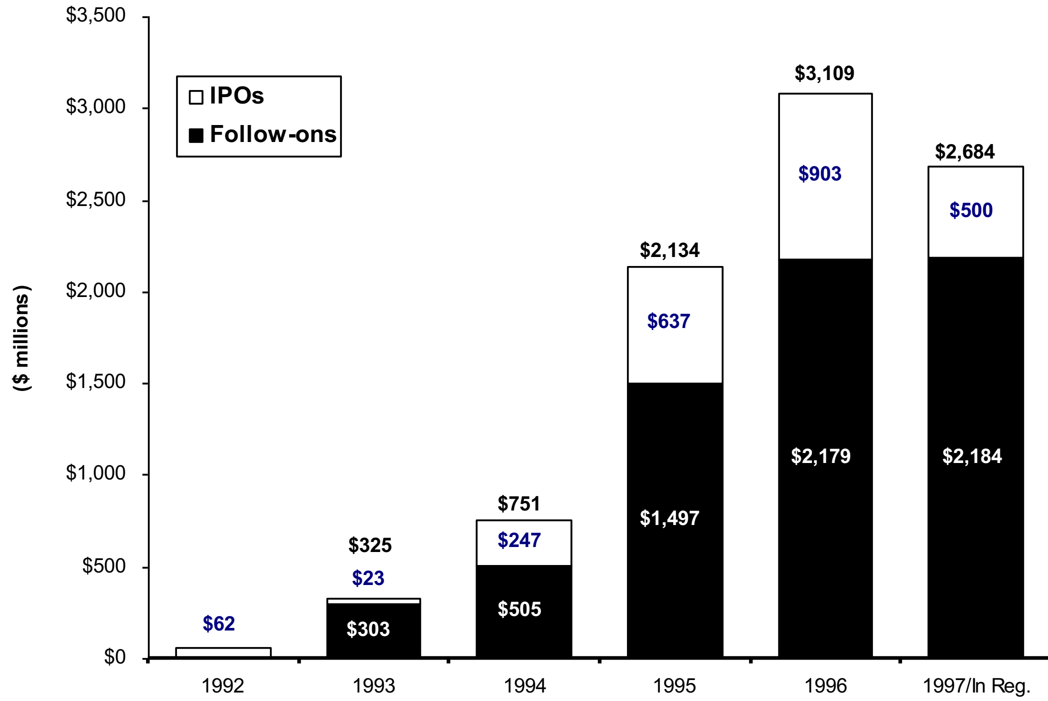

Exhibit 14b Montgomery Securities Consolidator Index versus the S&P 500 and NASDAQ

Source: FactSet as of 8/26/98. Consolidator index is market weighted.