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## CEO LETTER



One thing is for sure, there has been no shortage of exciting developments for Sunland in 2017, and the year isn't over yet. After closing out our FY at the end of July, we are proud to say we've achieved 100% growth since beginning our Destination 2018 journey in 2013.

We've been building momentum: launching a new site in Alabama for a large manufacturer, completing a successful start up for our new Scotts operation in Georgia, and scaling our e-commerce offering. In addition to being named one of South Carolina's Fastest Growing Companies, we continue to get industry recognition as we were included again this year in Inbound Logistics Top 100 3PLs and one of Global Trade Magazine's Leading 3PLs in America.

Sunland celebrated 35 years in business this past summer. But, with all the new talent we've on boarded, it's like we have the energy of a fresh start-up. Our senior leadership team recognized, in order to get to the next level, it was time to make some significant investments in our talent, our technology, and ultimately our customers - so that's just what we did. We've brought on a team of top notch solutions engineers and IT specialists who will help us continue to innovate and generate even more value for our customers. The system that will take us into the future is Infor SCE – a cutting edge, cloud based WMS, TMS, and LMS suite. The advanced functionality and visibility it will provide our team and our customers will help improve the quality and velocity of our operations.

With the right people on the bus and the right support tools, I believe we're continuing on the path to greatness and pushing down on the accelerator. I am grateful to all of our team's hard work and openness to change as we navigate our way into the future. I look forward to seeing all the ways we help our customers do what they do better in the upcoming months.



Enjoy the Journey,

Arch Thomason

## Did You Know?



Sunland has introduced what we think is a real differentiator for our customers - Infor SCE. Infor is a WMS, LMS, and TMS all rolled into one dynamic system that will position us well for future growth, especially as we focus on dedicated clients who have a need for more robust systems capabilities. Our team plans to deploy this system with existing customers where and when there is agreed upon mutual value to implement.

One benefit of the WMS is its advanced Inventory Control Visibility—Inventory snapshots can be provided and the information can be detailed or summarized based on our customer's preferences. These can be reported daily via e-mail or accessed through a web portal or mobile device.



## Sunland's Footprint is Growing



With space available & a quality team in place Sunland is ready to help our customers do what they do...better!

## Value Added Services

- **Packaging solutions**
- **Returns Management**
- **Sub-assembly**
- **Kitting**
- **Order fulfillment**
- **Shuttle Services**
- **Advanced systems solutions**
- **Cross-trained associates with multiple shift options**



Sunland has a new affiliate company,

Innocreed, LLC. Innocreed is a certified Minority business Enterprise specializing in providing in-plant logistics and warehouse value added services for manufacturers across multiple industries.

[Innocreed.com](http://Innocreed.com)



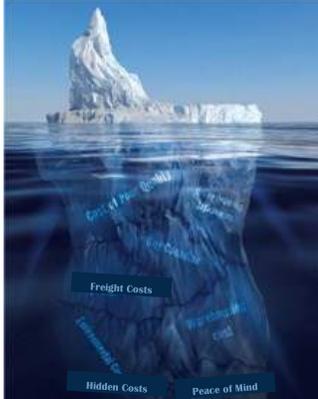
## QUALITY MOMENT

# THE COST OF QUALITY



**ELIJAH RAY, CHIEF CUSTOMER OFFICER**

Is it worth having a dedicated Quality Auditor for an operation? How many references should you get before hiring that new associate? Do you need a security guard onsite or are surveillance cameras sufficient? The answers to these questions depend on a number of factors and, ultimately addresses cost of quality. The amount of prevention and appraisal costs necessary greatly depend on the magnitude of the possible repercussions if the system fails. What is the cost of good quality vs. the cost of bad quality?



**Cost of quality is defined as:** *The difference between the actual cost of making and selling products and services, and the cost if there were no failures during manufacture, service, use, or any possibility of failure.*

*Many of the costs of quality are hidden and difficult to identify by formal measurement systems. The iceberg model is very often used to illustrate this matter: Only a minority of the costs of poor and good quality are obvious (or appear above the surface) while a large amount remain hidden—identifying and improving these costs will significantly reduce the costs of doing business.— isixsigma*

### Cost of Quality Categories:

**1. Prevention**

**“The Good”**

Costs incurred to prevent or avoid quality problems. These costs are associated with the design, implementation, and maintenance of the quality management system. They are planned and incurred before the actual operation. Ex. Training.

**2. Appraisal**

**“The Bad”**

Costs associated with measuring and monitoring activities related to quality. These costs are associated with the suppliers’ and customers’ evaluation of purchased materials, processes, products, and services to ensure they are conforming to specifications. Ex. Quality Audits

**3. Internal or External Failure**

**“The Ugly”**

Costs incurred to remedy defects before products or services are delivered to customer (internal) or defects discovered by customer (external). These costs occur when the results of work fail to reach design quality standards. Ex Rework or Returns

**If leaders are using “cost of quality” thinking to communicate and make decisions, chances are their teams are well informed on the impact of their actions on customers and their organizations.**

## OPERATIONS UPDATE



Hari Sivaprakasam, COO

Between multiple start ups, implementing our new Infor WMS, and identifying cost savings opportunities across our network, our operations team has been focused on a number of initiatives we believe will generate significant value to our customers. We are focused on driving an annual growth rate of 20 - 30% in a sustainable fashion while performing at a level that exceeds our customers' expectations. In order to be successful in this endeavor, we must have organization wide alignment. This is why we have rolled out our Sunland Management System.

Two key developments at Sunland are enabling us to increase our intensity and level of service as we fast scale to a national provider:

1. **Complete organizational alignment with The Sunland Management System**
2. **Investment in technology & an expanded top notch Solutions Team comprised of 7 new IT / engineering specialists**

## THE SUNLAND MANAGEMENT SYSTEM

To clearly align organization wide goals and objectives, we have developed what we are calling The Sunland Management System. Ultimately, the five core components work in a cycle that all revolve around our customers and begins with a High Performance Team.

**High Performance Team:** 80% of success depends on having the right team with the right attitude. By recruiting the best talent who fit our culture and expanding our associate engagement programs such as ICARE and 2 Second Lean, we are able to grow our associates and execute to our goals.

**Process Leadership:** This is the foundation of what we do and represents the most minimum of our customer expectations in today's business. Our communication boards with KPIs and our 10 Deliverables of Process Leadership help us to ensure we're performing to standard.

**Innovations & Continuous Improvement:** Change is the only constant in life, so challenge everything we do every day, think creatively and never be satisfied with current performance. Whether it's a continuous improvement project that originates from a 2 second lean initiative from the floor, an A3 project at the site level, or a complex project driven by our solutions team, we are looking to take a consultative approach to serving our customers. Now with our newly established Solutions Lab and Solutions Team, we are positioned to deliver quantified value for our customers.

**Quantified Value to Customers:** If we focus on improving quality, raising service levels, and controlling costs, then we will be generating quantified value for our customers; in turn, we will develop customer loyalty that leads to organic growth. Customers' memories are as fresh as last month, and we cannot rest on past laurels. Generate, track, and communicate quantified value every day. Earning customer loyalty is one of our core values, and to do this, we must be able to show the value we're creating.

**Financial Performance:** Essentially, we aim to maximize the value we're creating for all of our stakeholders. Hitting our financial targets keeps the Sunland Management System wheel turning, so we can continue to make investments back into our talent and technology and fund start-ups and other projects that help us to achieve our goals and reach our Destination 2018 & 2023 targets.



# THE SOLUTIONS LAB



If you've had a chance to visit our corporate office lately, you may have noticed a number of new faces. Sunland has recently recruited a top notch Solutions Team and added seven IT and engineering specialists to ensure we are able to drive innovation for our customers and support continuous improvement initiatives throughout our operations.

With a consultative approach, The Solutions Team is involved and actively listening to the voice of the customer throughout the life cycle of a customer.

## LEAN TIP

### TAKE LEAN HOME WITH YOU

1. Find something that you touch every day
2. 5S it: Sort, Set in order, Shine, Standardize, Sustain
3. Think about how you can improve the way it's organized
4. Improve it!

*Visual Communication can empower a toddler to help put his or her own clothes away and can prevent daddy from putting the pants where the PJs belong.*



## Enjoying the Lean Journey

Sunland's grassroots approach to LEAN....



"I've studied lean, and now I'm living it!"



We are underway in rolling out our 2 Second Lean Program across Sunland's network. Associates at 4 sites are now making ICARE Improvement videos and holding Friday Kickoff meetings. If 2 Second Lean hasn't made it to your site yet, then get excited—it's coming soon!

**TOTAL Improvement Videos: 320**

## SAFETY MOMENT



### OSHA Reveals Top Ten Cited Categories for 2017

More than 4,500 workers are killed on the job every year, and approximately 3,000,000 are injured. Consider this list as a starting point for workplace safety:

1. Fall protection
2. Hazard communication
3. Scaffolds
4. Respiratory protection
5. Lockout / tagout
6. Powered industrial trucks
7. Ladders
8. Machine guarding
9. Electrical wiring
10. Electrical, general requirements



## McDonough Team Helps Raise Awareness and Funding for Breast Cancer Prevention



- One in eight women in the U.S will be diagnosed with breast cancer in her lifetime.
- Although breast cancer in men is rare, an estimated 2,470 men will be diagnosed with breast cancer and approximately 460 will die each year in the U.S.
- On average, 1 woman will die of breast cancer every 13 minutes in the U.S.



In honor of Public Service Appreciation Week, our SunRaisers committee led our teams across our network in thanking our public service workers with baked goods and thank you cards. In partnership with some of our loyal customers and vendors, we also had a cookout at our corporate office where we invited local police officers, fire fighters, and EMS workers to join us for a complimentary lunch and gratitude. Thank you everyone who participated!

\* All proceeds from the cookout will be donated to The Thornwell Children's Orphanage in Clinton, SC on behalf of our upstate Public Service workers.

## Back by popular demand:

**Angel Tree 2017**



**Angels have arrived & gifts will be collected  
December 8th**



## PEOPLE

Sunland believes that the quality of our processes and the strength of our company are dependent on our ability to develop the talent and leadership skills of our associates. The ICARE Program is designed to encourage and reward performance excellence.



### ICARE Award Winners

#### 2nd Quarter Winner: **Mandy Fridley**

Ingevity Site | Covington, VA



It is with great pleasure that we announce the winner of the ICARE award for 2016/17 second quarter to Mandy Fridley. Mandy is a Customer Service Representative at our Covington, VA facility. Mandy's primary responsibilities

entail planning/coordinating customer shuttle trailer movements, as well as quality checking, cycle counting and preparing all inbound and outbound order paperwork. Mandy has been a lynchpin to Sunland's 99.87% accuracy rate on cycle counts. She helps ensure quality is high, and has established a great work relationship with our customer's load planners. Additionally, she has taken a vested interest in learning the entire shipping process from customer specs to batch selection. During Mandy's free time, she likes to volunteer and visit residents at the Brain Center Rehab & Nursing Center. Mandy is a crucial member of this team and is instrumental to this site's success.

#### 3rd Quarter Winner: **Leigh Craigo**

Corporate | Simpsonville, SC



It is with great pleasure that we announce the winner of the ICARE award for 2016/17 third quarter to Leigh Craigo. Leigh is a HR Coordinator/FTZ Administrator at Sunland's Corporate Office. Leigh is a servant-leader. She has demonstrated this by assisting the leadership team at the Trinity operation, the associates, and whenever she is called upon to provide support in other areas, she does it with a smile. Leigh's approach to every request is to make sure that other people's highest priority needs are being served. Leigh achieved a 100% rating on the most recent FTZ Audit. Leigh's knowledge of inventory control, payroll, invoicing, and HR has contributed to her ability to support in many areas, making her a valuable asset to the Sunland family. Leigh is very involved with her church, her grandkids, and serves as a mother figure to many of our Trinity associates. Leigh's attitude is infectious, and have you tried her cakes?

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***Please join us in congratulating Mandy & Leigh on winning this award, and thanking them for their outstanding service to Sunland and our customers!***

# CELEBRATE!

*Congratulations, Sunland Team!*



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## INDUSTRY RECOGNITION



## HAPPY BIRTHDAY



**Sunland celebrates 35 years in business!**

Whether you've been here from the beginning or just joined the team last month, Sunland is a strong company because of the quality of its people and the loyalty of our customers. Thank you to everyone who has helped make Sunland the company it is today and the company it will be tomorrow.

## HAPPY ANNIVERSARY

A special heartfelt thank you for all the hard work and dedication to Sunland & our customers.

Carla Graham	10 YEARS
Billy Hall	5 YEARS
Willie Phelps	5 YEARS
Adam Stone	1 YEAR
Everette Samuels	1 YEAR
Jennifer Smith	1 YEAR
Josh Latimer	1 YEAR
Michael Trombley	1 YEAR
Brittany Holmes	1 YEAR
Hari Sivaprakasam	1 YEAR
Darius Davis	1 YEAR
Marcus Davis	1 YEAR
Mandy Fridley	1 YEAR