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Third-Party Logistics Providers Play Key Role in Integration, Sustainability and Security of the Supply Chain

*Capgemini, Georgia Institute of Technology, Oracle and DHL release the thirteenth annual
Third Party Logistics Study*

Paris, October 6, 2008 – Capgemini, one of the world’s foremost providers of consulting, technology and outsourcing services, in cooperation with the Georgia Institute of Technology, Oracle and DHL today released an in-depth study into the current state of logistics outsourcing. The study is based on a survey of 1,644 logistics executives from North America, Europe, Asia Pacific and Latin America and identifies a number of key findings:

- Green supply chain initiatives are essential for future business success according to 98% of logistics executives, yet the majority are unwilling to invest any additional funds in the greening of the supply chain.
- The theft of material goods continues to be the top security concern. But the changing business environment means that companies must focus more attention on other causes of supply chain disruption from the theft of intellectual capital and natural disasters, to the closure of ports and product tampering.
- Underpinning sustainability and security are strong relationships across the different parties in the supply chain achieved through integrated systems and services. Through deliberate efforts to form solid relationships with logistics providers using detailed contracts and metrics, companies can achieve significant cost savings, shorter order cycles, better customer service and improved business efficiency.

Although the survey shows that 3PLs and their users believe the associated costs of creating a more secure, integrated, environmentally-friendly supply chain should be split, there is continued resistance to collaboration and the unspoken assumption that costs will ultimately be carried by the customer.

Green supply chain:

Companies are almost unanimous in their belief that green supply chain initiatives, such as local sourcing, are important but there is widespread uncertainty about how to move forward with sustainable supply chain

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operations. However, companies must begin to act before it is too late. The survey shows that the ‘greening’ of the supply chain will have an increasing impact on network design, transport modes used, selection of equipment, business processes, behaviors and balance sheets. Yet few users rate green capabilities as a deciding factor when choosing 3PL partners. Only 46% of respondents said that the effect of supply chain operations on the environment was a factor considered when selecting a 3PL. Collaboration is key; only when the source and impact of emissions can be accurately assessed can 3PLs and their customers become accountable and will the supply chain become more environmentally friendly.

“3PLs and their customers must be open about expectations and capabilities, if they are to find innovative ways to improve supply chain security and green credentials,” said Hans Hickler, CEO, DHL Global Customer Solutions. *“When companies cooperate with 3PLs, there is often limited readiness for both parties to adequately learn current practices, develop joint solutions and share the benefits. But those willing to advance the 3PL-customer relationship beyond today’s sticking points stand to be rewarded with supply chain efficiencies that deliver competitive advantage and customer satisfaction.”*

Security in the supply chain:

Although 76% of respondents called their 3PLs secure, the survey reveals a gap between 3PL users’ expectations and the current security capabilities of their 3PLs. Companies are becoming increasingly concerned about the costs of meeting compliance mandates designed to enhance supply chain security in the face of terrorist threats. However, by working closely with 3PLs and setting up the right processes, companies can stand to gain considerable benefits that help recoup costs and improve the efficiency of the supply chain.

“Though the overall 3PL picture is similar to last year, it has become clear that green supply chain and supply chain security are increasingly becoming key drivers for success,” said Dennis Wereldsma, Global Leader of Capgemini’s Distribution Sector. *“As compliance and regulation around green and security practices becomes increasingly prevalent, 3PLs and users that are greener and can tout their security capabilities can gain significant market advantage.”*

Integrated Logistics

The benefits of supply chain collaboration and logistics integration can be huge, but this can only be achieved by putting aside fears over loss of control, visibility, internal competency, and of being too dependent on a third party service provider. However, through the use of comprehensive service level agreements that balance costs and risks and 3PLs investing in their own service offerings, companies will begin to experience the payoffs of working so closely together. By adopting integration-enabling, open standards-based technologies together with 3PLs, companies will be able to increase agility, lower costs and ensure stronger relationships.



Dr. John Langley from the Georgia Institute of Technology reiterates, *“The greatest shared challenge is that of forming and growing successful collaborative relationships between users and providers of logistics services. Without a commitment from both sides little progress can be made in the greening of the supply chain and supply chain security. More than three quarters of 3PL users rate consolidation, routing, and mode selection as the top services 3PLs can contribute to green strategies. However, just 31% indicate that their 3PLs currently offer these capabilities.”*

Finally, technology is also a high priority for 3PL users. 3PLs continue to outsource web-enabled communications, visibility tools, warehouse/distribution management, and transportation management/execution. However, the IT expectation/performance gap persists, with only 38% of the respondents satisfied with their 3PL providers’ information technology capabilities.

“The gap between customer’s expectations and the current IT capabilities of 3PLs is a significant challenge to the industry,” said Jon Chorley, Vice President Product Strategy, Oracle. *“3PLs must standardize and modernize their applications and IT infrastructure so they can offer innovative, repeatable and cost effective services to the market. This applies particularly in the areas of green supply chains and supply chain security, where IT technology is a key enabler.”*

About the 2008 Third Party Logistics Study

A total of 1,644 logistics executives from North America, Europe, Asia Pacific and Latin America participated in the web-based survey. A small number of executives in other areas such as South America and the Middle East also responded although there was no in-depth analysis of these geographies. The findings were then supplemented with the results from in-depth ‘focus interviews’ which were a new feature in this year’s study. Interviews were conducted with industry observers and experts, primarily relating to the special topics identified in this year’s report; integrated service offerings, “green” supply chain, and supply chain security. The Capgemini Accelerated Solutions Environment® (ASE) was also leveraged as a brainstorming setting where executives could collaborate on shared issues. Survey recipients were asked to think of a 3PL as a company that provides one or more logistics services for its clients and customers and a ‘fourth party logistics (4PL) provider’ of logistics services as one that may include more advanced logistics outsourcing services than a conventional 3PL normally would provide.

About Capgemini

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working - the Collaborative Business Experience - and through a global delivery model called Rightshore®, which aims to offer the right resources in the right location at competitive cost. Present in 36 countries, Capgemini reported 2007 global revenues of €8.7 billion and employs over 86,000 people worldwide. More information is available at www.capgemini.com.

Capgemini is committed to creating business value in logistics outsourcing. Its Distribution practice serves 14 of the top 20 global Logistics Service Providers (LSPs) and has spent more than 30 years helping LSPs successfully navigate a rapidly evolving business environment. Capgemini’s Supply Chain practice works with LSPs, their customers, and other trading partners to create an end-to-end system that supports supply chain visibility, transportation and network optimization, and collaborative connectivity.



About the Georgia Institute of Technology

The Georgia Institute of Technology, located in Atlanta, is a leader in logistics and supply chain and logistics education. Through its School of Industrial and Systems Engineering (ISyE) and the Supply Chain and Logistics Institute (SCLI), Georgia Tech is committed to serving logistics educational needs through its degree programs and its comprehensive professional education program. Georgia Tech also conducts a fully accredited Executive Masters in International Logistics (EMIL) program, a Supply Chain Executive Forum, and a Leaders in Logistics Research Program. Global involvement is facilitated through TheLogistics Institute Asia-Pacific, a program in partnership with the National University of Singapore. For more information, please visit www.isye.gatech.edu and www.scl.gatech.edu, as well as www.scl.gatech.edu/scef for information about the Supply Chain Executive Forum at Georgia Tech.

About C. John Langley, Jr., Ph.D.

Dr. C. John Langley Jr. is The Logistics Institute Professor of Supply Chain Management and a member of the faculty of the School of Industrial and Systems Engineering at the Georgia Institute of Technology. He serves as Director of Supply Chain Executive Programs at Georgia Tech and as Executive Director of the Supply Chain Executive Forum. Dr. Langley is a former President of the Council of Logistics Management and a recipient of the Council's Distinguished Service Award. The Richmond Events Logistics and Supply Chain Forum named him one of the "Outstanding Logistics Professionals" in 2004. Dr. Langley received the Ph.D. degree in Logistics from Penn State University, and he is a noted author and frequent presenter at professional meetings and forums. He is a co-author of *Supply Chain Management: A Logistics Perspective* (8th edition published in 2008), as well as a number of other textbooks. In addition to his university duties, Dr. Langley consults with both logistics user and provider firms, and serves on the Boards of Directors of several major corporations.

About Oracle

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For more information, please visit www.dhl.com.