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THIRD PARTY LOGISTICS PROVIDERS ARE DRIVING TRADE GROWTH IN CHINA
3PL Users Rely on Their Current 3PL's to Help With Their Expansion Plans According to
New Study from Georgia Institute of Technology, Capgemini, DHL and SAP

San Antonio and London (OCTOBER 16, 2006) – A new study investigating the third-party logistics industry shows that China is the key country for growth in international sourcing and trade, and that 3PL providers are a major factor in enabling this. This is one of the major conclusions in today's published annual survey.

The study found that 53% of the respondents intend to further expand their activities into China. Most commonly their plans call for importing and exporting of finished goods to and from China (51%), closely followed by outsourcing production to third parties in China (47%) and creating production facilities (41%). In addition a vast majority of the senior supply chain executives surveyed for the report indicate that they use their current 3PL providers to help them dealing with the substantial logistic challenges that exist as part of their expansions into China.

"With these extensive expansion plans in China 3PL providers will not only benefit from the international sourcing and trade growth in China, but also drive it," says Erik van Dort, Global Distribution Leader at Capgemini. "Opening a new market has many challenges, leading 3PL user companies to rely heavily on their existing 3PL providers and seek their help in their expansion operations."

The results come from the 11th Annual 3PL study, published by Capgemini and Georgia Institute of Technology, in collaboration with SAP and DHL. The study is launched today at the annual Council of Supply Chain Management Professionals Conference in San Antonio, Texas. The report provides a strategic assessment of the use of 3PLs across several key geographies and major industry segments and offers insight into the future of the 3PL industry.

The study also shows declining satisfaction around 3PL providers' IT capabilities. Results from previous years have indicated a gradual decrease in the satisfaction rate and this year it reached an all-time low, with only 35% of users saying they are satisfied with their 3PL providers IT skills. This is a significant drop from 2003 when 75% of the North America respondents indicated they were satisfied (this data was not measured in the other regions in 2003). This decline should be



cause for concern since overall 92% of this year's respondents agreed that IT capabilities are a necessary element of 3PL provider expertise.

"Information technology is a major cornerstone in the evolution from today's 3PL business models to future models," said Scott Sykes, Supply Chain Principal, SAP Americas. "All models will interact and be interdependent, and at the same time they all require a different view and strategy on IT. "As a result, it will become even more important that one integrated IT platform can support various business models and help them to streamline operations, achieve financial and strategic objectives and meet customer expectations."

Traditional 3PL services, such as transportation, warehousing, and customs clearance, are most often outsourced. 3PL users characterize their relationship with 3PL providers as generally successful but also indicated that they expect continual improvements in service levels and IT capabilities, something they believe is not happening. Two of the key challenges for the 3PL industry in the future will be capacity management and innovation. Just over half of the respondents (58%) agreed with the statement "3PL providers provide us with new and innovative ways to improve logistics effectiveness". The 3PL users require a more proactive approach from their suppliers and want them to demonstrate a broad set of skills, both tactical and strategic.

John Langley from Georgia Institute of Technology explains: "Generally speaking, 3PL customers have significant expectations of global 3PL providers, particularly in the areas of supply chain integration and information technology. While a majority of customers would like to see the 3PL sector take a leadership role in these areas, their experience to date suggests there are areas where improvement is needed."

The findings from the new study show that price is still the first factor when selecting a 3PL provider (87%). The second most important factor is quality of "tactical, operational logistics services" (85%).

DHL Ulrik Topp, Global Head of Marketing Services with DHL says: "Today, more and more customers are price sensitive but are also demanding a high quality. To be successful within the 3PL Logistics market you definitely cannot focus on one or the other, you have to have both and above all create real value for the customers".

This year 1,430 logistics and supply chain executives responded to the survey, an increase of 31% over last year. Around a third of the respondents (515) came from North America, 257 came from Asia-Pacific (82 from China), 341 from Europe and 82 from South and Latin America.



Insights into the 3PL industry also came from three workshops held with key executives. The sessions took place in the U.S. (Chicago), Europe (Paris) and Asia (Shanghai).

About Capgemini

Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, which it calls the Collaborative Business Experience. Through commitment to mutual success and the achievement of tangible value, Capgemini helps businesses implement growth strategies, leverage technology, and thrive through the power of collaboration. Capgemini employs approximately 61,000 people worldwide and reported 2005 global revenues of 6,954 million euros. More information about individual service lines, offices and research is available at www.capgemini.com

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 The Logistics Institute Asia-Pacific, a program in partnership with the National University of Singapore. For more information, please visit www.isye.gatech.edu and www.tli.gatech.edu, as well as www.tli.gatech.edu/scef for information about the Supply Chain Executive Forum at Georgia Tech.

About C. John Langley, Jr, PhD

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 forthcoming in 2007), 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 SAP

SAP is the world's leading provider of business software*. Today, more than 34,600 customers in more than 120 countries run SAP® applications—from distinct solutions addressing the needs of small and midsize enterprises to suite offerings for global organizations. Powered by the SAP NetWeaver® platform to drive innovation and enable business change, SAP software helps enterprises of all sizes around the world improve customer relationships, enhance partner collaboration and create efficiencies across their supply chains and business operations. SAP solution portfolios support the unique business processes of more than 25 industries, including high tech, retail, financial services, healthcare and the public sector. With subsidiaries in more than 50 countries, the company is listed on several exchanges, including the Frankfurt stock exchange and NYSE under the symbol "SAP." (Additional information at <http://www.sap.com>)



(*) SAP defines business software as comprising enterprise resource planning and related applications such as supply chain management, customer relationship management, product life-cycle management and supplier relationship management.

About DHL

DHL is the global market leader of the international express and logistics industry, specializing in providing innovative and customized solutions from a single source.

DHL offers expertise in express, air and ocean freight, overland transport, contract logistic solutions as well as international mail services, combined with worldwide coverage and an in-depth understanding of local markets. DHL's international network links more than 220 countries and territories worldwide. 285,000 employees are dedicated to providing fast and reliable services that exceed customers' expectations. For more information, please visit www.dhl.com.

DHL is a Deutsche Post World Net brand. The group generated revenues of 45bn euros in 2005.

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