



Oct. 24, 2005

Users demand more strategic approach from their 3PLs to help reduce supply chain costs

New Research Suggests Third-Party Logistics Providers Offer Tactical Services, While Users Demand Deeper Collaboration and More Strategic Offerings

San Diego and London, (OCTOBER 24, 2005) --- A report into the third-party logistics (3PL) industry launched today highlights that 3PL providers need to 'reinvent' themselves to offer more strategic and standardized solutions to users. For the first time in the 10 year history of the survey price has overtaken value-added services to become the most important attribute in selecting a 3PL provider, reflecting the emphasis on the pressure of logistics cost reduction in the supply chain. At the same time that 3PL users closely examine cost, they also are demanding more strategic offerings.

The report stresses the importance of the use of technology in the 3PL supply chain process to balance cost concerns and strategic needs. While 90% of respondents agreed that IT capability is a necessary element of overall 3PL provider expertise, only 38% are satisfied with their providers' capabilities. This suggests that as more firms progress further into outsourced logistics relationships, the complexity of these relationships necessitates the use of effective IT services for a broad spectrum of supply chain processes. Survey respondents identified the top three future requirements of IT-based services as being Radio Frequency Identification, Internet-based transportation/logistics markets, and supplier management systems.

Erik van Dort, Global Sector Leader for Distribution at Capgemini, explains: "In the current 3PL landscape, there is far too much diversity when it comes to processes and IT systems. There are good reasons for this—but with consolidation ever-increasing, global coverage a must, and intense pressure to remain profitable—change is essential. 3PL providers need to invest now to streamline their operations and reduce overall operating costs so they can afford to compete more aggressively to gain market share. Given the current performance of many 3PL providers, achieving profitability and establishing a leadership position will require some bold steps from the management."

The findings come from the 10th Annual Third-Party Logistics Study, published today by Capgemini and the Georgia Institute of Technology, in collaboration with SAP and DHL. The study was launched in San Diego at the 2005 Annual Council of Supply Chain Management Professionals Conference as well as in London at the Eye for Transport Conference later this week. The study 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 surveyed 1,091 logistics and supply chain executives. While about half of responses (516) came from North America, almost one-third (339) came from Western Europe, and approximately one-tenth (144) came from Latin America. Responses also were received from Asia-Pacific (53), South Africa (31), and the Middle East (8). More than two-thirds of overall respondents came from the manufacturing sector, with significant responses from the automotive, chemical, consumer products, food and beverage, high tech/electronics and life sciences (pharmaceutical) industries.

The survey responses confirmed that the proficiency of a 3PL provider's core services was considered more important than the provider's ability to deliver value-added services during the selection of a provider. This shift from frills to core services is a major change, likely driven by recent global consolidation that may have given the perception of weakened core services. Therefore 3PL providers need to get the basics right, yet have the capability to support users on more strategic initiatives if they are to retain contracts in the long term.

"3PL providers cannot be all things to all people; they need to clearly define their customer satisfaction strategy," says C. John Langley Jr., Ph.D., Professor of Supply Chain Management and 3PL study leader at Georgia Institute of Technology. "It is essential for 3PL providers to focus on offering a global set of core services at the right price, and then to build a close relationship with the user to offer more strategic services in line with the client's evolving business needs, by transforming their offerings portfolio to include strategic management services."

The study confirms that the 3PL industry continues to evolve. Not only are 3PL providers and their capabilities ever-changing, but the expectations that user firms have of their 3PL providers and their services are becoming more strategic. "In the short term we expect most 3PL providers to follow the trend and offer two-tiered relationship models that combine both tactical and strategic components," adds Alec Ang, Supply Chain Logistics Director for DHL Asia-Pacific Global Customer Solutions. "3PL providers also need to move up the value chain to provide expertise in the area of supply chain management, beyond traditional asset-focused capabilities. These enhancements will position 3PLs more effectively as LLPs that help customers to reduce supply chain complexity."

Scott Sykes, Principal with SAP America, concludes: "There is a clear opportunity for 3PL providers to gain market share by leveraging IT to enable low-cost standardized technology solutions. Once core processes are streamlined globally, 3PL providers can introduce new IT-based services to differentiate themselves to offer and, more importantly, effectively deliver the advanced services that users increasingly demand."

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 of mutual success and the achievement of tangible value, the company helps businesses implement growth strategies, leverage technology and thrive through the power of collaboration. Capgemini employs approximately 60,000 worldwide and reported 2004 global revenues of 6.3 billion 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 education. Through its School of Industrial and Systems Engineering (ISyE) and The Logistics Institute (TLI), Georgia Tech is committed to serving logistics educational needs through its degree programs and its comprehensive professional education program. Included are two short course series—the Logistics Professional Series and the Logistics Management series—and a fully accredited Executive Master's in International Logistics (EMIL) program. Also, TLI sponsors a Global Logistics Program, a TLI Asia-Pacific program in partnership with the National University of Singapore (a partnership with the National Science Foundation and more than twenty corporations and government agencies), and a Leaders in Logistics Program. Georgia Tech and The Logistics Institute impact logistics and supply chain direction setting and strategy formulation through its Supply Chain Executive Forum, founded in 2003. Information about Georgia Tech's ISyE programs may be found on the web at <http://www.isye.gatech.edu>, while information about The Logistics Institute and the Supply Chain Executive Forum may be found at <http://www.tli.gatech.edu> and <http://www.tli.gatech.edu/scef>, respectively.

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 *The Management of Business Logistics: A Supply Chain Perspective*, a 7th edition textbook published in 2003, 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 solutions*. Today, more than 28,200 customers in over 120 countries run more than 96,400 installations of SAP® software—from distinct solutions addressing the needs of small and midsize enterprises to suite solutions for global organizations. Powered by the SAP NetWeaver® platform to drive innovation and enable business change, mySAP™ Business Suite solutions are helping enterprises around the world improve customer relationships, enhance partner collaboration and create efficiencies across their supply chains and business operations. SAP industry solutions support the unique business processes of more than 25 industry segments, including high tech, retail, public sector and financial services. 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 solutions as comprising enterprise resource planning and related software solutions such as supply chain management, customer relationship management, product life-cycle management and supplier relationship management.

About DHL

With annual revenues of over € 24 billion in 2004, DHL is the global market leader of the international express and logistics industry, specialising in providing innovative and customised solutions from a single source.

DHL offers expertise in express, air and ocean freight, overland transport and logistics solutions, combined with worldwide coverage and an in-depth understanding of local markets. DHL's international network links more than 220 countries and territories worldwide. Over 170,000 employees are dedicated to providing fast and reliable services that exceed customers' expectations.

DHL is 100% owned by Deutsche Post World Net