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Growing Global Marketplace Creates Increased Opportunities for Shippers and Third Party Logistics Providers to Collaborate Across Borders, Global Study Reveals

The 18th Annual Third-Party Logistics Study Showcases Continued Importance of Shipper and 3PL Relationship

Paris, October 21, 2013 – Capgemini Consulting, the global strategy and transformation consulting brand of the Capgemini Group, in cooperation with Penn State University, executive recruiting firm, Korn/Ferry International, and global logistics and supply chain management provider, Penske Logistics, today announced findings from the *2014 18th Annual Third-Party Logistics (3PL) Study* which examines the global outsourced marketplace across topics such as big data, preferential sourcing, smart growth and shipper-3PL relationships. The latest worldwide report reveals an increasingly global marketplace, with shippers continually focused on globalization, competition and shifting economic conditions, leaving many to re-evaluate their supply chain strategies, in order to meet demand. Encouragingly, shippers continue to recognize the important role 3PLs can play in the new normal, as nearly all shipper respondents (91 per cent) stated they regard their relationships with 3PLs as important or strategic in today's global marketplace.

Based on responses from over 1,300 shippers and logistics service providers in North America, Europe, Asia-Pacific, Latin America, the report found there is a growing emphasis on worldwide trade management and operations, with extra-regional trade strongly outpacing intra-regional trade in many regions. This has left shippers in a position to revisit sourcing and distribution decisions to take advantage of expanding opportunities, and opens the door for 3PLs, on a global level, to provide shippers with new paths for growth, sourcing and/or distribution relationships across borders. However, it was found that shippers still take a tactical, rather than strategic approach to Global Trade Management (GTM), relying on traditional departments, namely logistics (**23 per cent**), compliance (**13 per cent**) and procurement (**12 per cent**), to lead the charge. By investing further in global operations and experience, 3PLs have positioned themselves to support shippers in their GTM needs and help them to overcome common obstacles to global trade.

“As global operations expand, it's important for shippers to think collaboratively and build long-term relationships with 3PLs, setting a standard for cost-effective and efficient operational practices while

opening the door to greater success on a worldwide scale,” said Dan Albright, Vice President and North American Supply Chain Leader at Capgemini Consulting. “As the latest iteration of our study found, although shippers are increasingly working with 3PLs, there is an over-emphasis on short term goals at the expense of long-term, partner-focused relationships. This is hindering their ability to attain a more highly functioning and cost effective supply chain, as well as a solid foundation for mature, strategic 3PL relationships.”

The study found that with an increase in global trade and cross-border operations, a number of international firms have looked toward Africa as a growth market, as it presents a similar landscape of opportunities that characterized Asia in the 1970s. Cited in the most recent findings, the International Monetary Fund forecasts that 11 of the world’s fastest-growing economies through 2017 will be African. Promising traits seen across the continent not only include fast-growing economies, but also an abundance of low-cost labor and a commitment to improve infrastructure and remove barriers to trade. However, challenges remain as Africa still sees high logistics costs and clearance of goods at ports can often be slow, cumbersome, and bureaucratic. Shippers and supply chain leaders must remain open to operations across the continent, and as many suppliers, carriers and 3PLs already in the African logistics industry operate differently due to unique environments, there is an opportunity for logistics processes to become more standardized.

“With continued growth not only in local markets, but across-borders, organizations need to remain committed to building their skills in order to remain relevant and ensure a continued success in the new normal, global marketplace,” said Zack Deming, Consultant, Global Logistics & Transportation Services Practice, Korn/Ferry International. “However with that comes a need for increased transparency across 3PLs and shippers, as the annual report still sites a discrepancy between shippers and 3PLs rating of agility and flexibility to accommodate current and future business needs and challenges.”

The study also found that shippers are relying on centralized sourcing in 3PL selection more so than in past years, as **48 per cent** of shippers and **61 per cent** of 3PLs say centralized procurement functions play a much bigger role in the selection process, compared with three years ago. Shippers are seeking strategies to control costs while striving for optimal 3PL relationships by seeking a balance between centralization and decentralization. Those that can properly balance cost and quality and strive for strategic, collaborative relationships with 3PLs stand to gain the most advantages.

“Shippers and 3PLs successfully endured the downturn through greater collaboration,” said Penske’s Sherry Sanger, Senior Vice President, Marketing. “Today, shippers and 3PLs view their relationships as much more strategic, closely aligned, and collaborative than just three years ago. Logistics service providers are well-positioned to help shippers continue to drive continuous improvement, savings and supply chain innovation as the economy continues to gradually improve.”

Importantly, for the last 12 years the study has been tracking the “IT Gap” – the difference between the percentage of 3PL users indicating that IT capabilities are a necessary element of 3PL expertise (**98 per cent**) and the percentage of the same users who agree that they are satisfied with 3PL IT capabilities (**55 per cent**) – and has found that percentage beginning to stabilize. However, proper management of Big Data – which has increasingly grown in its importance across the supply chain with **97 per cent** of shippers and **93 per cent** of 3PLs feeling strongly that improved, data-driven decision-making is essential – still faces significant internal hurdles. These include a disconnect between internal supply chain and IT operations and a lack of supporting IT infrastructure.

For more information and to access the full study please log onto:

<https://www.capgemini.com/resources/2014-third-party-logistics-study-the-state-of-logistics-outsourcing>

About the 2014 Third-Party Logistics Study

For 18 years this study has documented the significant transformation of the 3PL industry. In that time 3PLs have evolved from tactical service providers to become, in the most evolved relationships, collaborative partners delivering in many instances a comprehensive suite of integrated logistics services. Dr. C. John Langley, Clinical Professor, Supply Chain Information Systems and Director of Development, Center for Supply Chain Research at Smeal College of Business at The Pennsylvania State University, initiated this study to capture and measure this rapidly evolving industry. This year’s survey circulated in mid-2013, garnering 812 usable responses, from both users and non-users of

3PL services, as well as responses to a separate, related version of the survey by 581 respondents from the 3PL sector. The study report and additional materials are also presented via its own Web site, www.3PLstudy.com.

About Capgemini Consulting:

Capgemini Consulting is the global strategy and transformation consulting organization of the Capgemini Group, specializing in advising and supporting enterprises in significant transformation, from innovative strategy to execution and with an unstinting focus on results. With the new digital economy creating significant disruptions and opportunities, our global team of over 3,600 talented individuals work with leading companies and governments to master Digital Transformation, drawing on our understanding of the digital economy and our leadership in business transformation and organizational change.

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About Penn State University

Penn State University Penn State is designated as the sole landgrant institution of the Commonwealth of Pennsylvania. The University’s main campus is located in State College, Pennsylvania. Penn State’s Smeal College of Business is one of the largest business schools in the United States and is home to the Supply Chain & Information Systems (SC&IS) academic department and the Center for Supply Chain Research (CSCR). With more than 30 faculty members and over 600 students, SC&IS is one of the largest and most respected academic concentrations of supply chain education and research in the world. SC&IS offers supply chain programs for every educational level, including undergraduate, graduate, and doctorate degrees, in addition to a very popular online, 30-credit professional master’s degree program in supply chain management. The supply chain educational portfolio also includes open enrollment, custom, and certificate programs developed by Smeal’s Penn State Executive Programs and CSCR, which helps to integrate Smeal into the broader business community. Along with executive education, CSCR focuses its efforts in research, benchmarking, and corporate sponsorship. CSCR corporate sponsors direct the Center’s research initiatives by identifying relevant supply chain issues that their organizations are experiencing in today’s business environment. This process also helps to encourage Penn State researchers to advance the state of scholarship in the supply chain management field. Penn State’s Smeal College of Business has the No. 1 undergraduate and graduate programs in supply chain management, according to the most current report from Gartner.

For more information, please visit www.smeal.psu.edu/scis and www.smeal.psu.edu/cscr.

Penske Logistics

Penske Logistics is a wholly owned subsidiary of Penske Truck Leasing. With operations in North America, South America, Europe and Asia, Penske Logistics provides supply chain management and logistics services to leading companies around the world. Penske Logistics delivers value through its design, planning and execution in

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Korn/Ferry International is a premier global provider of talent management solutions, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa. The firm delivers services and solutions that help clients cultivate greatness through the attraction, engagement, development and retention of their talent. Visit www.kornferry.com for more information on Korn/Ferry International, and www.kornferryinstitute.com for thought leadership, intellectual property and research.

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