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Omni-Channel Retailing Driving Third-Party Logistics Opportunity, as Relationships with Shippers Thrive, Global Study Reveals

The 19th Annual Third-Party Logistics Study Suggests Innovation Lies Ahead but Industry Must Catch up With Expectations

Paris, September 22, 2014 – [Capgemini Consulting](#), the global strategy and transformation consulting brand of the Capgemini Group; [Penn State University](#); global talent advisory firm [Korn/Ferry International](#); and global logistics and supply chain solutions provider, [Penske Logistics](#), today announced findings from the *2015 19th Annual Third-Party Logistics (3PL) Study* which examines the global outsourced marketplace of shippers and 3PLs in the logistics industry.

The latest worldwide report shows that shipper-3PL relationships continue to grow, as a new omni-channel retailing landscape opens up. With consumers looking for always-on, shopping opportunities, retailers are starting to invest in technology, supply chain resources and fulfillment strategies that will provide a seamless experience across all retail sales channels.

Due to an inconsistent global economy, shippers report an average of 36% of their total logistics expenditures are related to outsourcing, compared to 44% last year. However, 67% of shippers are increasing their use of outsourced logistics services this year (72% in 2013). Fifty three percent of shippers are reducing or consolidating the number of 3PLs they use.

For almost one-third (32%) of respondents from the pool of shippers and 3PL providers surveyed, customer service is the driving force to invest in omni-channel.

The report, based on responses from over 770 shippers and logistics service providers in North America, Europe, Asia-Pacific, Latin America, found that while the importance of the omni-channel network is well understood, omni-channel supply chains are still maturing – leaving a wide gap between consumer / retail expectations and companies adopting a ‘wait and see’ approach.

In addition, customer service (32%), service levels (23%) and freight costs (11%) are mentioned as key drivers to adopt an omni-channel approach. However, one-third of respondents (33%) are not prepared to handle such forms of retailing. Only 2% of respondents rated themselves as high performing in the omni-channel space. Half of the survey respondents (50%) are testing or investing

in new fulfillment strategies to enable the growth of the omni-channel network but 16% are utilizing or considering home delivery from local store, 15% do or plan Sunday delivery, 12% are using or investigating customer delivery in which an in-store shopper delivers goods, 11% are using or considering locker pick-up.

“As customers continue to demand more from retailers and ultimately from 3PLs, it is likely that the 3PL business model will evolve further. If companies continue to creatively invest in omni-channel fulfillment solutions and embark on new partnerships, these new solutions have the potential to alter the way existing 3PLs do business,” commented Shanton Wilcox, Vice-President Supply chain Management, Capgemini Consulting.

As 3PLs plan to transform their business models, more are looking to cloud-based CRM solutions to help support their customer relationships.

Both shippers (75%) and 3PL providers (77%) agree that the 3PL sector could benefit significantly from the availability of industry-tailored Customer Relationship Management (CRM) capabilities: for 3PLs, streamlining global workflows and processes, providing executive-level visibility to commercial leaders and identifying inefficiencies and bottlenecks in commercial operations; for shippers, real-time information regarding topics such as shipment visibility. For 40% of shippers, the bid processes place emphasis on whether or not 3PLs utilize capable CRM technologies.

With retailers increasingly dependent on technology for real-time visibility into operations, shippers and 3PL providers are investing in warehouse management systems (58%), enterprise resource planning software (54%), transportation management systems (54%), supply chain visibility (43%), warehouse management system add-ons (33%) and Radio Frequency Identification (RFID) (21%). They are also investing in technologies that allow them to personalize and customize the shopping experience, such as mobile apps (33%).

“CRM and mobile technologies can create value for 3PLs and their customers. The challenge will be getting more experienced, productive sales executives to embrace these new technologies,” said John Langley, Clinical Professor, Supply Chain Information Systems and Director of Development, Center for Supply Chain Research at Smeal College of Business, The Pennsylvania State University.

Mexico continues to provide opportunities for manufacturers and 3PLs

Mexico’s rise as a near-shore manufacturing destination continues in 2014 with 40% of shippers in the study indicating they have moved some operations to Mexico. Shippers indicated they are moving to Mexico from the U.S. (55%), China (36%) and Canada (9%).

“Mexico’s location and free-trade agreements have been incentivizing manufacturers to continue investing there,” said Penske Logistics President Marc Althen. *“We have been operating in Mexico for*

nearly 20 years and we continue to see a favorable business environment for logistics in the short- and longer-term.”

Shippers in the study indicated Mexico provides them with lower operating costs, favorable tax and tariffs, reduced freight transit time, and a closer proximity to sources of supply. Shippers also noted key business challenges remain in Mexico including: crime, security, infrastructure and complex regulations.

Strategic workforce management will be particularly important for the 3PL industry as it is expected to face a shortage of talent

In the study, 62.6% of all survey respondents said they are already having difficulty in finding or attracting talent, and the average hiring growth rate within the supply chain industry is expected to be higher than the average growth rate across other occupations. Estimates show that 60 million people will exit the industry by 2015, but there are only 40 million people to fill the gap. This is due to existing positions within both the supply chain industry and the dynamics of supply chain professionals changing rapidly.

“The evolving omni-channel supply chains are now taking this model of business seriously and starting to look at ways to optimize their 3PL supplier,” said Zack Deming, expert in Logistics & Transportation Services, Korn/Ferry International. *“Optimizing workforce management through the use of analytical planning tools can help prepare businesses for potential talent shortages.”*

About the 2015 Third-Party Logistics Study

For 19 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-2014, garnering 433 usable responses, from both shippers (users of 3PL services) and non-users of 3PL services, as well as responses to a separate, related version of the survey by 337 respondents from the 3PL sector. The study report and additional materials are also presented on a dedicated Website, 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 transportation, warehousing and freight management. To learn more visit www.PenskeLogistics.com. Connect with Penske Logistics on social media: [Move Ahead Blog](#), [Facebook](#), [Twitter](#), [LinkedIn](#), [Google+](#) and [YouTube](#).

About Korn/Ferry International

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.