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2017 Global State of Logistics Outsourcing Study Reveals Evolving Role of Shippers and Logistics Providers

Third-Party Logistics Study from Capgemini Consulting, Penn State University and Penske Logistics reveals that shipper, third-party logistics provider relationships drive efficiency and value within supply chains

Kissimmee, Florida, September 26, 2016 – [Capgemini Consulting](#), the global strategy and transformation consulting organization of the Capgemini Group; [Penn State University](#); and global logistics and supply chain management provider [Penske Logistics](#), today announced findings from the [2017 21st Annual Third-Party Logistics Study](#), which examines the global outsourced marketplace of shippers and third-party logistics providers (3PLs) in the logistics industry.

Today's rapid pace of change is adding complexity to the roles of shippers and their logistics providers. As a result, researchers for this year's report found that many 3PLs have evolved from tactical service providers to collaborative partners that take on greater accountability and control. Providers have also increased their technology expectations, and 3PLs are responding with increased capabilities.

The 2017 global report shows that shippers and their 3PLs continue to move toward meaningful partnerships and steady improvement in the strategic nature of relationships. Both parties—91 percent of 3PL users and 97 percent of 3PL providers—reported that their relationships are successful and that their work is yielding positive results. This is an increase from 2012, when 88 percent of 3PL users and 94 percent of 3PL providers reported that their relationships were successful.

Strategic 3PLs and shipper relationships create value throughout the supply chain.

The 2017 study showed that 75 percent of shippers and 93 percent of 3PL providers said the use of 3PL services has contributed to overall logistics cost reductions, and 86 percent of shippers and 98 percent of 3PL providers said the use of 3PLs has contributed to improved customer service. Moreover, the majority of both groups—73 percent of shippers and 90 percent of 3PL providers—said 3PLs offer new and innovative ways to improve logistics effectiveness.

This year's results show that as 3PL offerings mature, shippers are increasingly taking advantage of logistics providers' expertise. As seen in previous studies, the most frequently outsourced activities continue to be those that are more transactional, operational and repetitive. Activities that are strategic, IT-intensive

and customer-facing tend to be outsourced to a lesser extent. However, this year even outsourcing in those categories is increasing over historical values. For example, in the 2017 study, 19 percent of shippers are taking advantage of supply chain consultancy services, compared to 11 percent last year and 17 percent of shippers in the 2017 study are utilizing IT services, compared to 11 percent last year.

"This year's report paints a new picture about what successful collaborations look like," said Frank D Monte, Principal, Strategy & Operations, Capgemini Consulting. *"Shippers continue to push their 3PLs to become more innovative in the areas of logistics technology and advanced analytics, while also developing the appropriate capabilities for geographic expansion. 3PLs are responding by offering advanced and relevant technology to help shippers better serve their customers."*

Investing in technology, analytics provides opportunity for 3PLs as shippers continue to rely on 3PLs for IT needs.

Fluctuating capacity, increased shipper demands and disruptions within the industry are creating a volatile decision-making environment for shippers and logistics providers trying to optimize the supply chain. Both parties are increasingly using information and analytics to drive their decisions. Nearly three-fourths of shippers (71 percent) said real-time analytics from 3PLs help them better understand shipping alternatives, and 61 percent valued 3PLs' assessments of trade lanes and origin-destination pairs in terms of cost and service levels.

In this year's survey, nearly all 3PLs (98 percent) said improved, data-driven decision-making is essential to the future success of supply chain activities and processes, and 93 percent of shippers agreed. Both groups—86 percent of 3PLs and 81 percent of shippers—said the effective use of big data will become a core competency of their supply chain organizations.

The types of technology that 3PLs use is becoming an advantageous, differentiating factor. Shippers continue to rely heavily on 3PLs' IT services. While the "IT Gap"—the difference between what shippers feel is important and their ratings of their 3PLs' current IT capabilities—has stabilized, further opportunities for improvement remain.

"Data-driven decision-making is certainly an increasing trend in the supply chain," remarked Tom McKenna, Senior Vice President of Engineering and Technology for Penske Logistics. *"Among the biggest challenges that come with increased visibility and more data is determining how to best use that information to drive improvements that benefit the customer."*

3PLs broadening service offerings, expand geographical coverage through mergers and acquisitions.

Third-party logistics providers have turned to mergers and acquisitions to fill gaps in service areas, expand their global network, and leverage leading practices and technology globally. The value of M&A deals nearly doubled from 2014 to 2015, growing to \$173 billion from \$87 billion. Also, cross-border deal values have quadrupled from 2014 to 2015, growing to \$115 billion from \$28 billion.

3PLs help shippers transform supply chains for competitive advantage.

Shippers that invest in gaining an overall competitive advantage have shown significant interest in doing so through supply chain transformation initiatives. Successful transformation efforts rely on a wide range of people, resources and technology, and 3PLs and 4PLs are playing an important role in the transformation process due to their ability to collect and analyze information related to shippers' operations.

Among respondents, 73 percent of shippers indicated meaningful involvement of 3PLs in processes relating to supply chain transformation. Transformation and continuous improvement will be a priority as shippers look for new and innovative ideas to reduce costs, enhance service and improve the management of complex supply chains. Going forward, there will likely be greater importance on the role of meaningful analytics and data within transformation initiatives.

About the 2017 Third-Party Logistics Study

For the past 21 years, the *Annual Third-Party Logistics Study* has documented the significant transformation of the global 3PL industry. Since the study was first published in 1996, the overall business environment and the logistics sector has experienced considerable change, and its evolution continues. 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-2016, garnering 194 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 148 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, the global team of over 3,000 talented individuals work with leading companies and governments to master Digital Transformation, drawing on their understanding of the digital economy and leadership in business transformation and organizational change. Find out more at: <http://www.capgemini-consulting.com>.

About Pennsylvania State University

Penn State is designated as the sole land grant institution of the Commonwealth of Pennsylvania. The University's main campus is located in University Park, 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, Center for Supply Chain Research (CSCR), and Penn State Executive Programs. With more than 30 faculty members and more than 800 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.

About 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.

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