

3PL Summit & CSCO Forum USA

2016 June 20-22



Conference roundup: a high-level overview of the 3PL Summit and Chief Supply Chain Officer Forum

Challenges and opportunities: insight into key themes including: Transformation, Brexit, TPP, Mexico, M&A, Data-Driven Transformation and Drone, 3D Printing and Robotics

Live survey results: gauge the sentiment of your industry peers on the challenges and opportunities ahead

Introduction

Eyefortransport held its 14th Annual 3PL Summit & CSCO Forum USA 2016 over 20-22 June in Chicago. The 3PL Summit is North America's largest and most high-level gathering of logistics executives and their manufacturer and retailer supply chain counterparts. With over 650 attendees and 90+ speakers engaging in 50 sessions, the Summit brings together the leading thinkers and practitioners in logistics and supply chain to network, learn, debate challenges, discuss trends and share ideas.

This event came at a critical juncture in the evolution of the 3PL and Supply Chain industries. 2016 represents a new era of opportunity and threats to Logistics Service Providers (LSP), supply chains, and manufacturers. Below is a high-level account of the presentations that highlight a few key trends discussed over the 3 days of the Summit.



Beyond Transformation

Jim Tompkins, Chairman of Tompkins International led an invigorating discussion focused on the simple question of “how do we maintain viability?” The answers were not as simple as the question; however Jim attempted to break the problem down into a few targeted areas.

The *Circle of Life of for Companies* has changed in previous generations a successful company could rely on continuous improvement for success. However, that model has become outdated over time and *transformation* became necessary for continued survival. Transformation is not the end of the process in order to maintain viability; rather *metamorphosis* is the key to evolving in an increasingly dynamic global economy. Jim pointed to Apple as an organization that has gone through the complete circle of life while maintaining a robust identity.

The essential elements for success that Jim suggested were the *ability to Change, Transform, and Create Total Metamorphosis* and in order to implement supply chain excellence some core values are necessary. *Consistency, Cost Effectiveness, Customer Service, Continuous Improvement, Commercial Competitiveness, Culture, Commitment to Excellence, Cognizance, Collaboration, Creativity, and Courage.*

Disrupt Logistics Hackathon

“Logistics faces two major challenges right now - innovation, and attracting the best talent. We want Disrupt Logistics to drive the solution to both these challenges forward.”- Haley Garner, Head of Research and Content, eft

The conference kicked off with the start of the Hackathon which brought together students, new members to the logistics industry, and established veterans to advise and cultivate a lively discussion. The teams were meant to answer a basic question. *How do we tackle the collaboration conundrum (the challenge of collaboration between LSPs and shippers?)*

6 teams worked with mentors to solve a problem, the resounding theme was innovation in technology to create increased efficiency and value. The winning solution was *Driver Spot: Truck Parking Made Simple* developed by Jacob Gariup, Caleb Welchans, Michael MacDonald and Sachin Bhat mentored by Shawn Graves, Vice President, J.B. Hunt. The solution was essentially *Spothero for truckers: A comprehensive listing of all parking spaces available with truck stop tie-ups allowing for advanced booking of parking spots, and significantly increasing trucker efficiency.*



Globalization, Trade Agreements, Brexit, and the US Economy

Brexit

“This wasn’t supposed to happen” from global consultants to British bookies the prevailing wisdom close to the June 23rd United Kingdom EU referendum was that the vote would be close but that the “Remain” side would win. Well, the UK has voted, and a Brexit besiege is a closer reality. Quantifying its impact is difficult, and speculation is inevitable, given the volatile, unpredictable and unprecedented political scenario. The country has already lost its triple A credit rating as the ramifications of the vote begin to emerge.

The referendum result has brought into sharp relief the deep divisions and polarized opinions in many sections of the UK population – dividing young and old, rich and poor, north and south – leading to a period of shock and soul-searching across the UK. The country has entered uncharted waters with many questioning the country’s identity in the 21st century, its social values and future role in the world. While the details of Brexit may be unique to the UK and the EU the underlying tensions and concerns of increasing globalization are echoing throughout boardrooms, living rooms, and halls of government worldwide.

Following the Leave vote, the UK has entered a period of uncertainty with many unknowns, notwithstanding the election of a new Prime Minister and the timeline for Brexit, once a decision is made on the triggering of Article 50 of the Lisbon Treaty that allows for member states to withdraw.

Euromonitor International’s macro model shows a 2% fall in GDP growth over five years to 2020 stemming from a Brexit, with the biggest impact felt in 2017 and a return to the baseline forecast by 2023, meaning it will take several years for the UK economy to return to normal.

What can business do in uncertain markets to continue growth and strategic expansion? The need for a diverse portfolio with a global presence becomes ever more important to minimize the effects of geopolitical events of which Brexit is the latest. To utilize the quintessentially British statement “Keep Calm and Carry On” is now more prudent than ever.

TPP

Matt Goodman, President of Global Trade Management at Livingston International, addressed numerous concerns regarding TPP during the *What will this year’s US Economy and Trade Agreements Mean for your Business?*

The hotly debated Trans-Pacific Partnership (TPP) trade deal signed by 12 Pacific Rim countries in February 2016 now needs to be ratified by all signatories. Shrouded in secrecy and surrounded by controversy, some are questioning just why this trade deal has caused such a furor given we are living in a globalized and more connected world where trade deals have become the norm. On the one hand, the TPP aims to liberalize trade and promote economic growth through the cutting of over 18,000 tariffs but on the other hand, it could encourage protectionism through fear of a loss of jobs or production.

The answer as to why the TPP is so important is simple – this is the largest multilateral trade deal the world has ever seen. Its members include the biggest and third largest economies globally (USA and Japan) but notably, excludes China, the second largest economy in the world leading some analysts to see its main objective as a way of preventing Chinese dominance in the region. TPP members accounted for 37.5% of global GDP in 2015 and just over one-in-ten global consumers. Yet member states are widely varied in terms of standards of living and economic development adding to the pros and cons that such a far-reaching trade deal offers.

US Economy

In 2015, the USA continued to be the world’s largest economy in US\$ terms and was able to withstand the weakness within the global economy. It benefited from improved housing and labor markets, a rise in consumption expenditure, as well as investment and a reduced budget deficit. However, the country’s high public debt level, the slowdown in China, and increased uncertainty in emerging markets, due to the rise in interest rates by the Federal Reserve, will weigh on its economic growth.

The USA posted a modest annual real GDP growth of 2.4% in 2015. Although economic activity remains resilient, growth will moderate due to tightening of monetary policies and an ailing global economy. Apart from fears of economic stagnation, other major risks for the US economy are an ailing global economy and higher than expected appreciation of the US dollar.

The Trans-Pacific Partnership agreement in October 2015 will diversify its export destinations while the country will also benefit from the Transatlantic Trade and Investment Partnership (TTIP) being negotiated with the European Union (EU).



Mexico Panel

Mexico weathered global economic headwinds well during the 2010-2015 period, owing to strong demand for its manufacturing goods. However, the country is highly dependent on the success of the US economy to drive its exports progression. Nevertheless, the depreciation of its currency could help exporters in the short term. The government plans to reduce the budget deficit through expenditure cuts, which has widened owing to lower oil prices. This may adversely hit infrastructure investment.

Given that Mexico is well integrated within the world economy specifically the US there have been increasing cross-border opportunities. Greater infrastructure investments in Mexico have increased the attractiveness of near shoring opportunities for the US and foreign companies looking to service the US market. NAFTA (North American Free Trade Agreement) now over 20 years old has integrated the US and Mexican economies to such a great degree that we have reached a point of no return and despite current rhetoric from some US political candidates, our economies will likely remain interdependent.

Both rail and truck traffic has increased at the border with rail growing at the fastest rate. There are however still many challenges to overcome. Concerns with border wait times, the amount of cross docking that still occurs at the border, the need to position more intermodal containers in Mexico, and the lack of double-stack and track infrastructure in Mexico are all areas in need of improvement. The good news is that there is a commitment to improving infrastructure by the Mexican authorities and in collaboration with the US government to reduce truck transit times at the border.

Mergers & Acquisitions: What's the Lay of the Land After a Banner Year?

"Money is still cheap and there are lots of deals in play for 2016." – Doug Waggoner, CEO of Echo Global Logistics

While 2015 was a banner year for M&A activity in the 3PL industry, 2016 looks to follow in a similar fashion. This was the sentiment expressed by much of the panel as well as the audience. Logistics giants like XPO Logistics and Echo Global Logistics made headlines last year through large-scale acquisitions. The likes of UPS and FedEx have made their share of headlines with the acquisition of Coyote Logistics and TNT Express N.V. respectively. Even monolithic logistic companies only represent a fraction of market share and with an intensely competitive environment; the conditions are ripe for more consolidation within the industry.

One discussion point that was universal amongst the speakers was that the truly difficult work comes after the acquisition has been completed and the integration is set to begin.

Providers are very strategy focused on adding expertise, scale, density, technology through their acquisitions. There will likely be continued acquisition activity in 2016 as LSPs look to fend off potential acquirers, expand market share, and position themselves for the challenges ahead. The main theme expressed by the panel was that acquisitions need to be focused on a strategy that allows for more than increased cost efficiencies. Rather, mergers and acquisitions require a strong cultural fit that allows the organization to grow organically post-merger.

The Threat of Disrupters, Established Players and the Rush to Enablers

“Technology needs to be part of your organization’s DNA.” – Ben Braverman, CRO, Flexport

This two part discussion panel discussed exploring investment, the acquisition of technology, the threat to your business, and the next possible logistics service to be targeted by tech.

Part 1 of the panel began with members of the *disrupt team* and represented newer technology based entrants to the logistics industry. Their quest is to create solutions that leverage data to react quicker and create value added services to unique problems facing the industry. Currently, there is a lack of data and visibility plaguing many organizations in the industry. Newer companies have struck out to change this dynamic by capturing and analyzing more data to ensure continuous improvement and transforming an industry of infinite complexity. One topic that came up several times was how to monetize data in a way that builds value and ease of use for the customer.

Part 2 of the panel represented the so called *establishment* within the logistics industry. Both panels to a certain degree rejected the labels of disrupters and established players, rather they each thought of themselves as innovators looking to fulfill customer objectives in the best possible way. Innovation is essential and the role of technology in the logistics industry has seen a significant change in importance. Leadership and attracting the right talent in a mature industry presents many challenges. Many of the panelists discussed innovation incubators within their organizations that lead the charge in faster development of technology solutions.

The role of technology has evolved and is now more important than ever before in order to maintain viability in a quickly changing industry. LSPs need to utilize technology to enter new markets, expand existing market share, and increase collaboration across their organizations. In adapting technology they will inevitably create greater value for their customers and themselves.

Data-Driven Transformation

Despite the talk of big data (BD) and the need for more data, there is a need for further collaboration. Since the segment is still a relatively niche and specialist domain, there is a significant lack of human resources able to implement the necessary technical and operational aspects of BD. This is especially an issue in emerging economies where IT personnel are already in high demand due to a deficit in expertise.

A secondary issue is the input cost necessary to develop the requisite BD infrastructure, a particular challenge for small and medium-sized companies. Although cloud computing resources and specialist software packages have raised affordability of IT operations, the process of locating, extracting and organizing raw data can in itself be highly capital intensive. Investing in external BD consultancy can ultimately pay off in the long run, but for many the industry is still taking shape and presents a speculative venture. Getting into BD and its big rewards will require some big risks. Data and analytics are here to stay and a key challenge is how to integrate and protect data to improve operations and customer experiences.

Drones, 3D Printing, Robotics, and Advanced Technologies

New technologies come and go, but some can lead to industry-transforming breakthroughs as they become cheaper, convenient in usage and more accessible. Topics discussed by the esteemed panel covered a vast array of new technologies that are already changing the market landscape and are poised to continue to revolutionize the way commerce is conducted.

With the advent of 3D printing and the commercial applications being explored currently the possibility to quickly reproduce detailed parts at the push of a button can raise efficiency, lower labor costs and have a massive impact on the global manufacturing industry. The technology is still being implemented in relatively experimental or limited use settings, but has the promise to expand in numerous industries.

The US is one of the world's leaders in drone technologies, and the drone industry is anticipated to post significant growth over the next five years. However, as some of the panelists pointed out that the definition of a drone is more nuanced than popular perception. Drones in this discussion were essentially

any autonomous or semi-autonomous vehicle (flying drones, robotic equipment, automated forklifts, etc.)

IoT (internet of things) has become the corporate buzzword of 2016 among digital businesses, LSPs, supply chains, and manufacturers, driven by the sector's potentially borderless opportunities. Trade sources forecast the IoT market to reach a global worth of US\$7.1 trillion by 2020. The storage and warehousing industry will continue to be reshaped by new data management tools, the emergence of the IoT yet challenged by strained transportation systems. Wearable computing technologies such as Google Glass allow workers to increase productivity and respond to changes in the workplace faster. This technology also creates greater visibility and control mechanisms for managers all while contributing to the IoT.

Interconnected connectivity is the primary goal of IoT and it seeks to integrate data, systems, and personnel to drive efficiency and create stronger collaboration. Technology is the future and drones, robots, automation, 3D printing and the IoT all have a part to play. As technology continues to develop business will need to assess what technology to adopt and where the best ROI can be found.

"What is the cost of not investing in technology?" – Kaylan Sakthi, Vice President of IT, DHL



Amazon Enemy of LSPs', Partner, Customer, or Threat to all Industries?

Amazon is the leading online player in the US and is focused on strengthening its position in the channel by continuously improving the customer experience. The company claims to be customer focused rather than competitor focused. It is for this reason that aggressive marketing activities will be used by the retailer to maintain and drive growth. To provide the best possible customer experience, the company will remain focused on offering competitive prices and a very wide range of products. It is also expected that Amazon will continue to focus on fast and free delivery as many store-based retailers are taking advantage of physical outlets to deliver products quickly to consumers, free of charge.

Amazon's retailing operations remain its core business but the company has also diversified to offer a variety of business services. Amazon uses acquisitions and heavy investment in research and development to grow its business. It has become so adept at innovating that it is able to sell its services to other businesses. Many large companies, such as Barnes & Noble or Target, have since moved away from using Amazon as a partner as their

relationship with the online giant has become increasingly competitive. However, many small and medium-sized businesses rely on Amazon to take advantage of its superior fulfillment and marketing capabilities.

Amazon has consistently proven itself to be the best performing e-commerce player, often competing with omni-channel retailers like Wal-Mart, Target and Costco. While it remains the leader in the fast growing e-commerce space, it ranked 12th in retailing overall in 2015 behind retailers such as Wal-Mart, Target, grocery giants Kroger and Albertson's and other channel leaders.

In early 2012, Amazon acquired Kiva Systems, a provider of automation technology widely used in fulfillment centers. However, besides Amazon, many other retailers also employ Kiva automation tools and the change in ownership from an independent company to major competitor places it in a difficult situation. Amazon has also recently entered the logistics market with the purchase/lease of vehicles, trailers, cargo planes, and major investments in more distribution centers and technology. The overall sentiment of the attendees was that depending on your position Amazon can be a threat, a customer, and partner. The only way to maintain viability is continuous innovation.



Understanding Millennials

What defines a millennial, how do I hire, retain, and potentially work for a millennial? These were just some of the pressing questions that Chris Saynor, Founder and Strategic Advisor at eft tried to address at the last workshop of the 3PL Summit & CSCO Forum 2016.

There has been much discussion recently of millennials both in the workforce and as consumers, but what exactly is a millennial? Generally defined as persons born between 1980 and 2000, millennials now represent the largest generation in the United States. Cultural differences abound and, more than this, millennials, like any other demographic, are individuals spanning a range of personality type and represent a diverse group of individuals.

That said, there is some common ground between most millennials. This group is more homogeneous than older demographics, due to the powerful leveling influence of the internet, which exposes young people the world over to the same cultural icons and lifestyle trends. Furthermore, they are linked by their powerful connection to the internet: their familiarity with social media, with being permanently in contact, with living more public lives.

What do millennials really want at work? "A growing body of evidence suggests that employees of all ages are much more alike than different in their attitudes and values at work. To the extent that any gaps do exist, they amount to small differences that have always existed

between younger and older workers throughout history and have little to do with the millennial generation per se." - Harvard Business Review

For millennials, while health, family and financial security remain the most important facets of a happy life, as they do with the overall population, some shifts in priorities are visible compared to other age groups. For this age group, health, family, children, spirituality, financial security and long-term goals are less important than they are to others. However, friends, social status, work satisfaction, career success, and wealth are more important than they are to the population as a whole.

Some of this is likely to be as much a factor of age as it is of generation. A relative lack of concern about health (though this still ranks number one), for example, is in part due to the stage of life. This same generation may well score this higher as they age. However, the downgrading of the importance of family and children is more telling: this is the age group that traditionally would be having or planning to have children, and so this reflects a significant change in attitude. For millennials, it is clear that friends and peers are more important than they have been to other generations, although they do still rank below the importance of family and children.

A shift is also apparent in work attitudes. Financial security remains the priority here, closely followed by satisfying work, as it does across the age groups. Millennials are widely touted as the generation that has been brought up to believe they can do anything, and this seems to be reflected to some degree in their ambition and optimism.



Conclusion

The global logistics industry is expected to accelerate in growth in 2016. However, global logistics industry will continue to experience turbulences through 2016. The main concerns are slowing economic growth in China which could ripple through economies in Asia Pacific. Overall, the IMF reduced economic growth forecasts for 2016, subdued by weak productivity and investment growth. Global GDP is forecast to expand by 3.6% in real terms in 2016, with emerging markets expected to grow by 4.2%. For the past three years, a slowdown in growth has been observed in the global logistics market, affected by construction slowdown in a number of economies. With global manufacturing of intermediate goods also at a slower pace, this is also negatively reflecting on logistics providers. At the same time, positive growth and improved growth patterns are

observed in global non-durable goods, water transportation, and road transportation industries.

Growing digitalization and technological improvement of logistics solutions will be at the core of the increasingly competitive global logistics market. The rise of e-commerce will continue to demand sophisticated solutions in terms of both warehousing and product delivery platforms. Companies will need to be prepared for constant transformation as the cycle of new technology, shifting consumer demands, and an increasingly interconnected world come to fruition. There is much promise for LSPs, supply chains, manufacturers, and collaborative partners to engage in closer and more profitable relationships. Events such as the 3PL Summit & CSCO Forum allow for knowledge sharing, networking, and empowerment for our respective industries and the world we look forward to a profitable future.



Which party is going to create the best environment for the supply chain?

33

Republican



Democrat



None of the above



Independent

3 %

When do you expect to see the first driverless trucks in your operations?

54

2021-2025



Beyond 2025

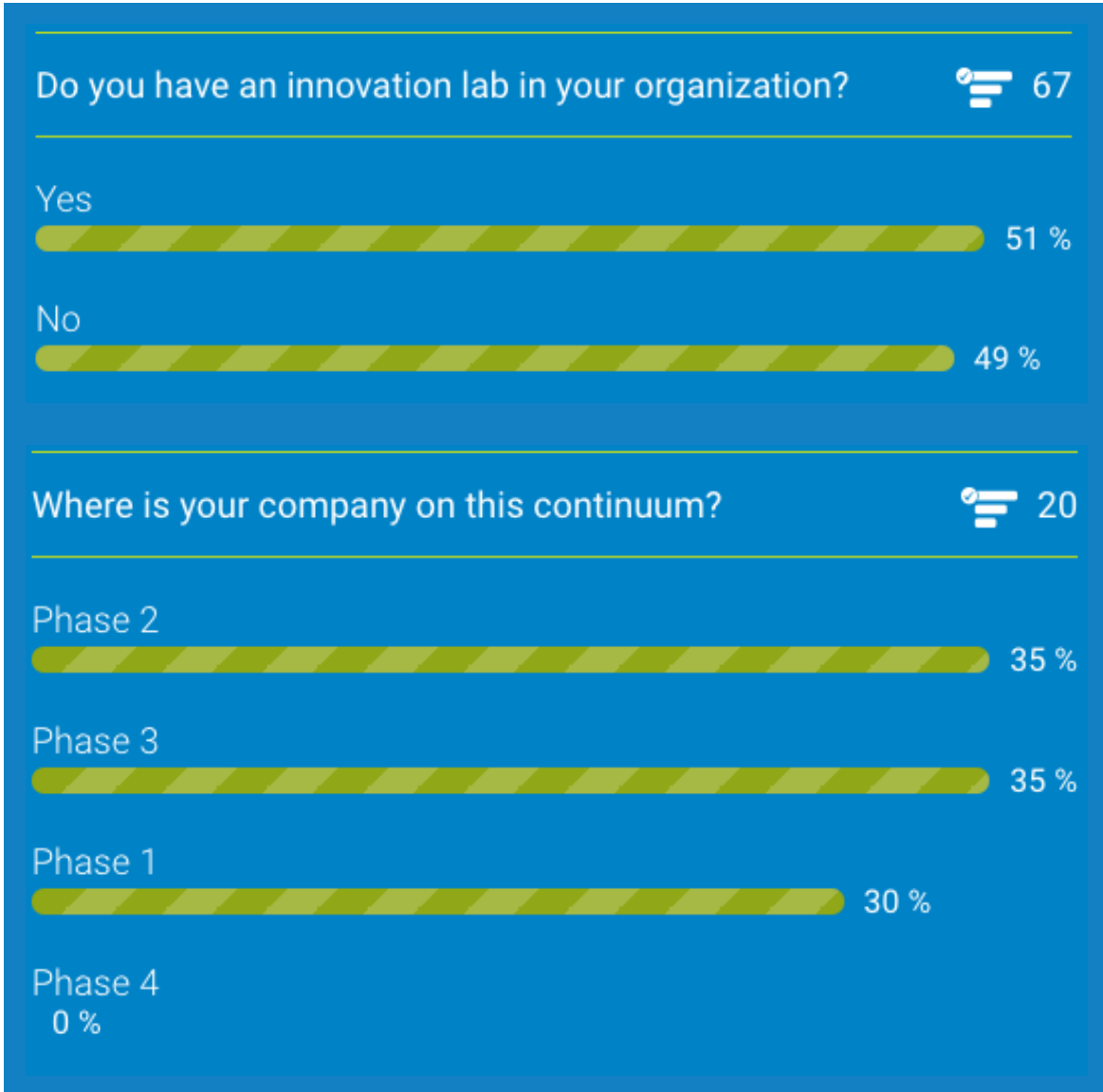


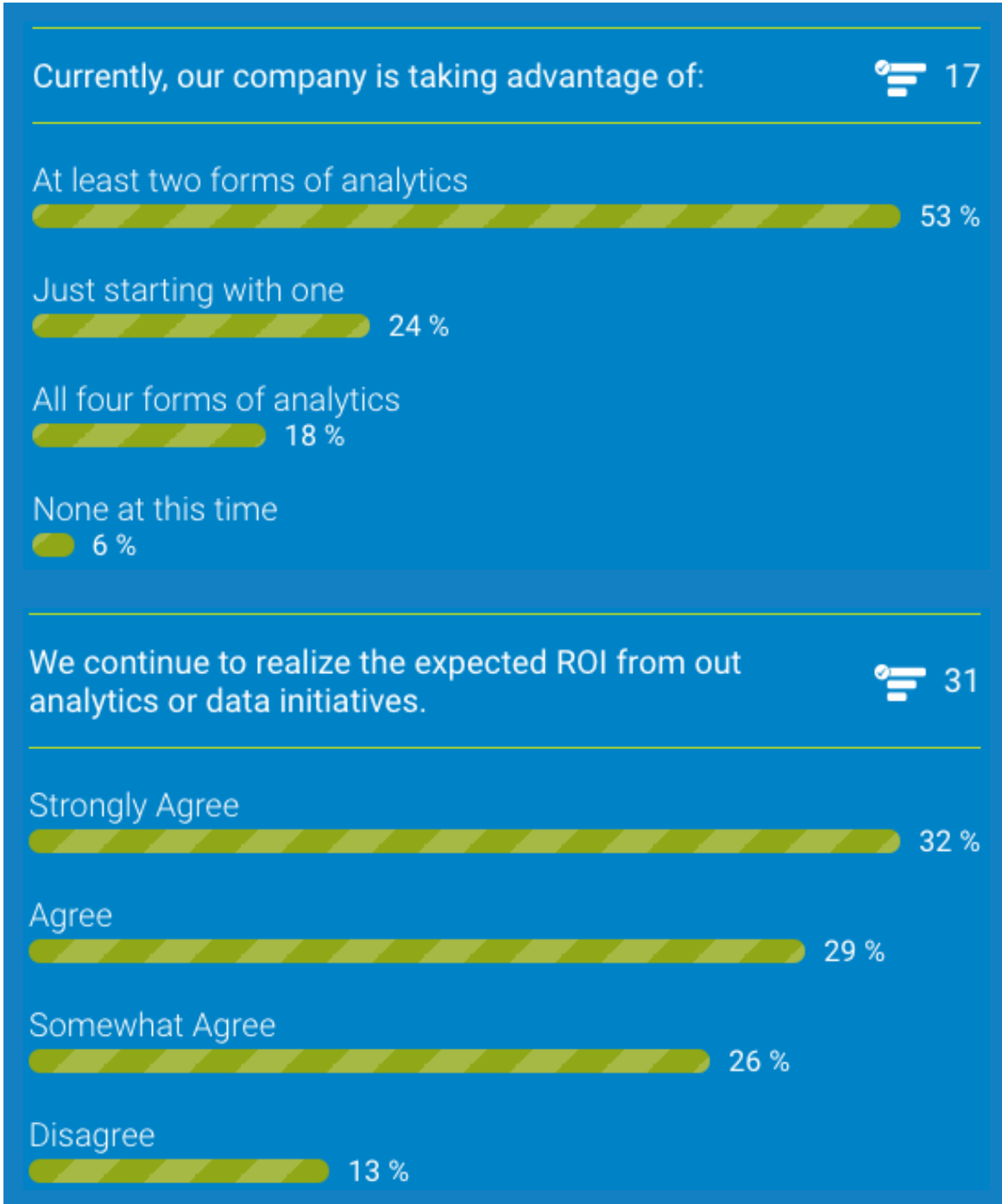
now-2020



Never







Placing more emphasis on Data Governance would have significantly helped with adoption of our analytical findings and cross-functional buy-in.

 27

Strongly Agree



Somewhat Agree



Agree



Disagree

0 %

Currently, our company is taking advantage of:

 27

At least 2 forms of analytics



Just starting with one



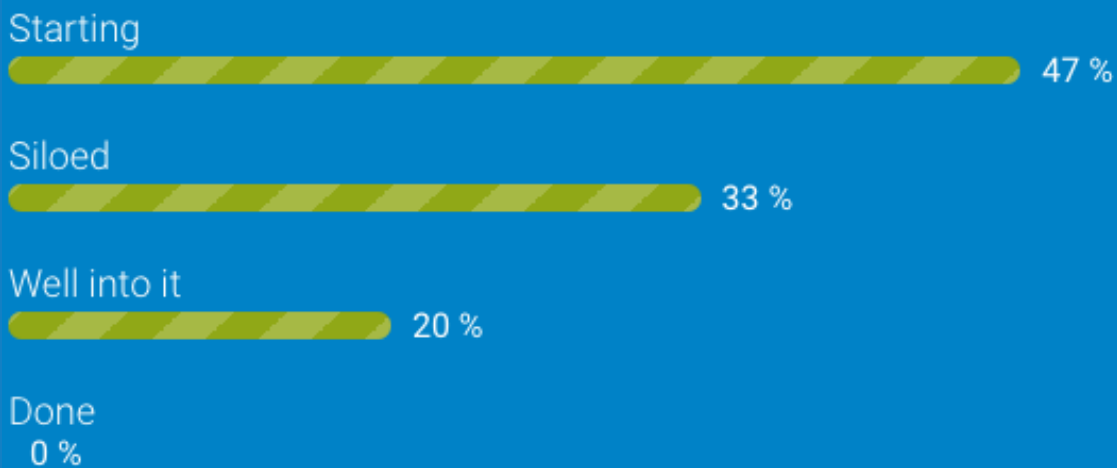
All 4 forms of analytics



None at this time

0 %

Where is your company with regard to end-to-end visibility? 15



Does your company have strategic initiatives to embrace the power of mastering end-to-end supply chain data? 11

