2015 3PL Contracting Report

The 2015 3PL Contracting Report comes at the intersection of two significant forces affecting supply chain – a burgeoning availability of cutting-edge technology and a sputtering economic recovery. Discussion over the last 18 months in supply chain has been dominated by the potential of many new technologies on the industry – 'the 3rd industrial revolution/industry 4.0' etc. During this time, we've seen a major shift in business strategy as companies seek to take advantage of industry disruption from eCommerce to Big Data. However, during the summer of 2015, a number of significant economic crises have cropped-up affecting global demand, and causing many in the industry to re-think their global strategies. As these two forces develop, how will supply chain executives on the front lines respond?

This report explores all the questions surrounding these major industry developments including how supply chain executives (logistics providers, manufacturers and retailers) are reacting to the global economic situation and how their expectations and strategies are evolving at the hands of new cutting-edge technologies.

1. Looking ahead at the next 12 months

How optimistic are you regarding the general economic situation in the next 12 months?

- Optimism in supply chain and logistics appears to have dampened executives' expectations on the general economic situation over the next 12 months. When compared year on year, 2015 respondents have shifted towards cautious optimism compared with 2014 and 2013. To date, 2015 has been marred by a number of economic uncertainties: while low oil prices are set to stick around for the next few years, according to many analysts the Greek crisis has put strain on Europe's continued economy stability and highlighted both the weakness of the region economically and the continued difficulties it is likely to face before truly returning to strong positive growth. Over-leveraged speculators and weak growth in China have possibly been of greater concern for supply chain executives as the expected benefits of a burgeoning Chinese middle class have dampened, alongside strong Chinese export manufacturing.

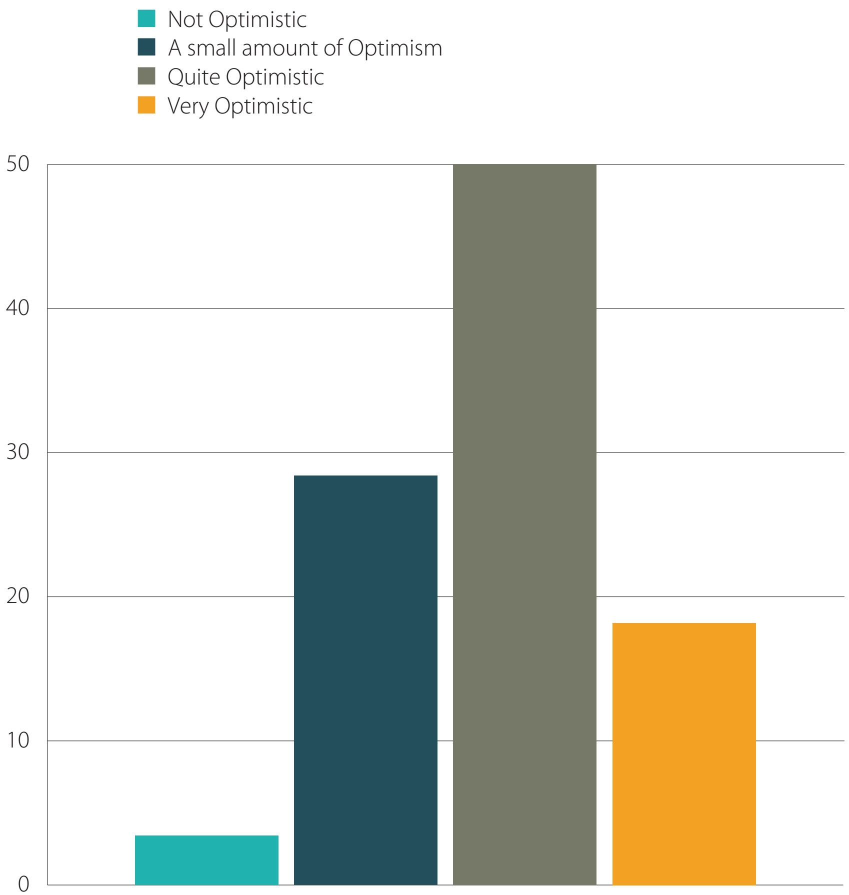
How optimistic are you regarding your company's business prospects in the next 12 months?

- Despite difficulties in the world economy, shippers – that is manufacturers and retailers – are on the whole positive about the outlook of their businesses. Manufacturers and retailers were confident overall on the abilities of their organizations to weather any economic uncertainties.

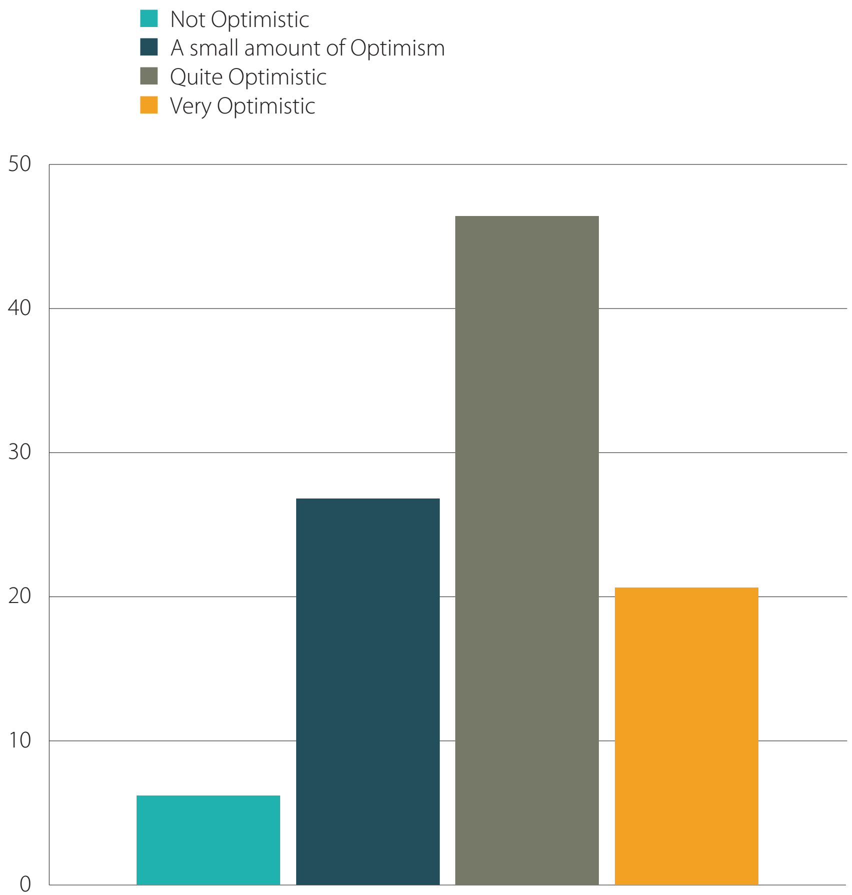
- 3PLs appear split on their company's business prospects in the next 12 months. Optimism seems to be squarely routed moderately with 'quite optimistic' with 25% apiece of respondents selecting 'very optimistic' or 'a small amount of optimism'. Year on year however, there has been a significant drop in 'quite optimistic' as respondents choose one of the answers on either extreme. This is likely due to general economic uncertainty, and the confidence – or lack thereof - of organizations on their abilities to deal with these challenges. In addition, the 3PL industry is going through significant shifts in terms of consolidation, technology advancement and challenges from non-traditional logistics providers. The likely outcome of these shifts is the emergence of clear winners and losers amid the change. As such the polarized answers provided may reflect the ultimate outcome of the changes.

How optimistic are you regarding your company's business prospects in the next 12 months?

2015 shippers

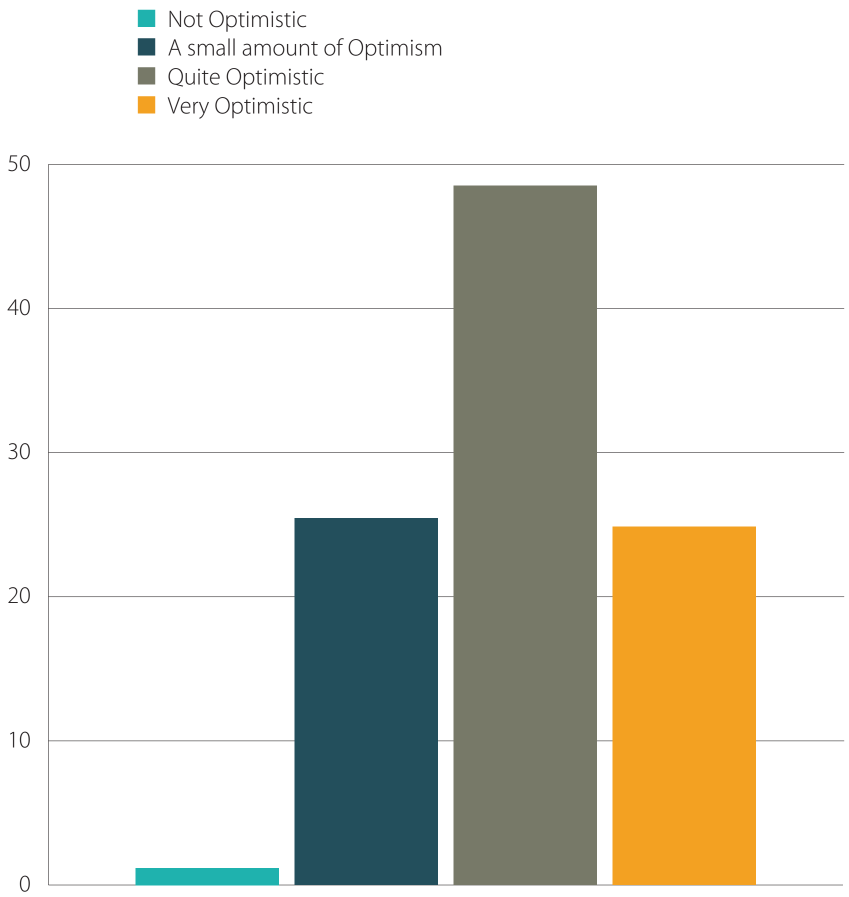


2014 shippers

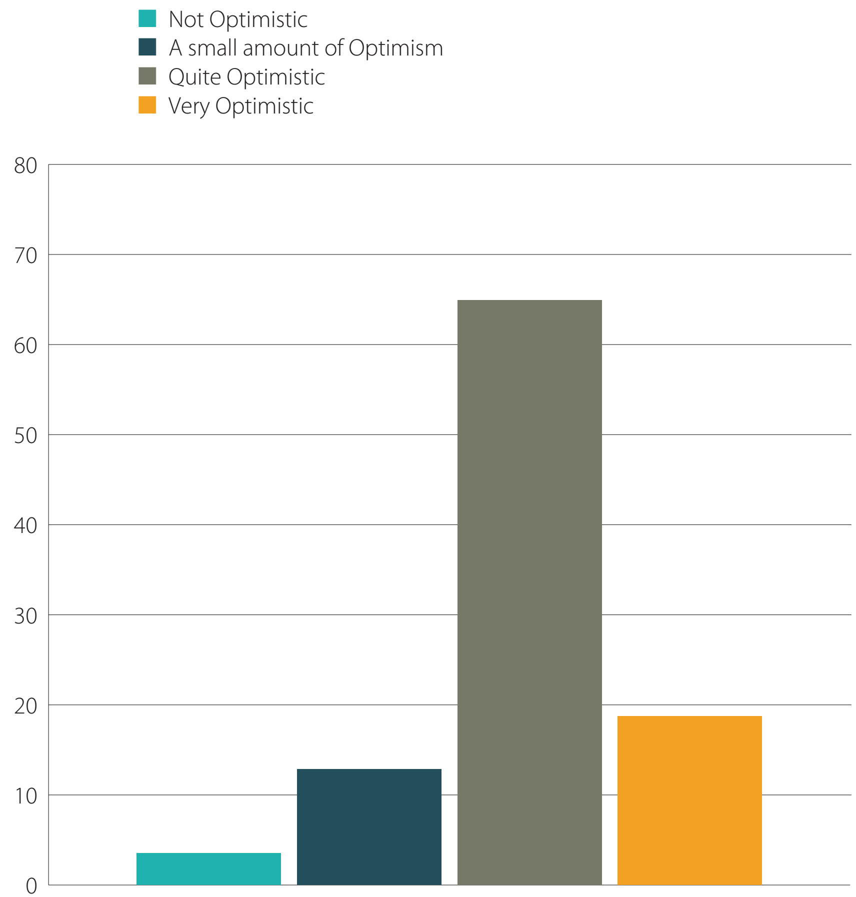


How optimistic are you regarding your company's business prospects in the next 12 months?

2015 3PLs



2014 3PLs



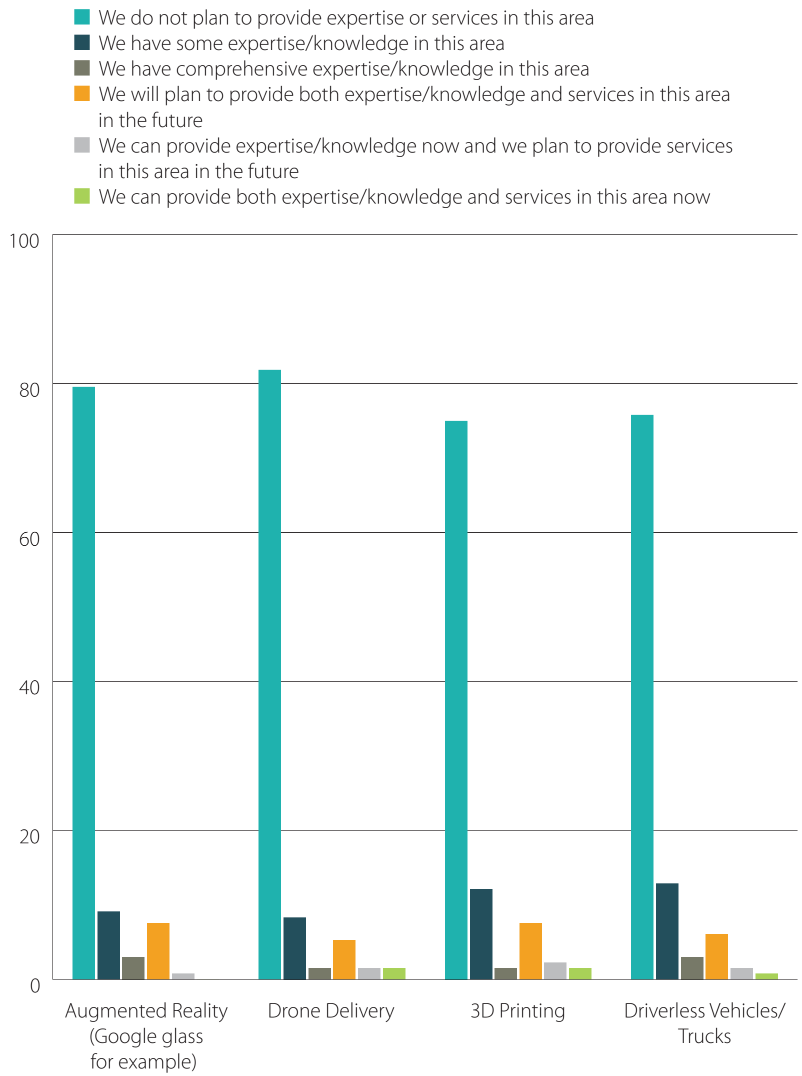
2. New innovative business models & technology

Do you expect to provide either expertise and/or services to your customers in each of the following areas?

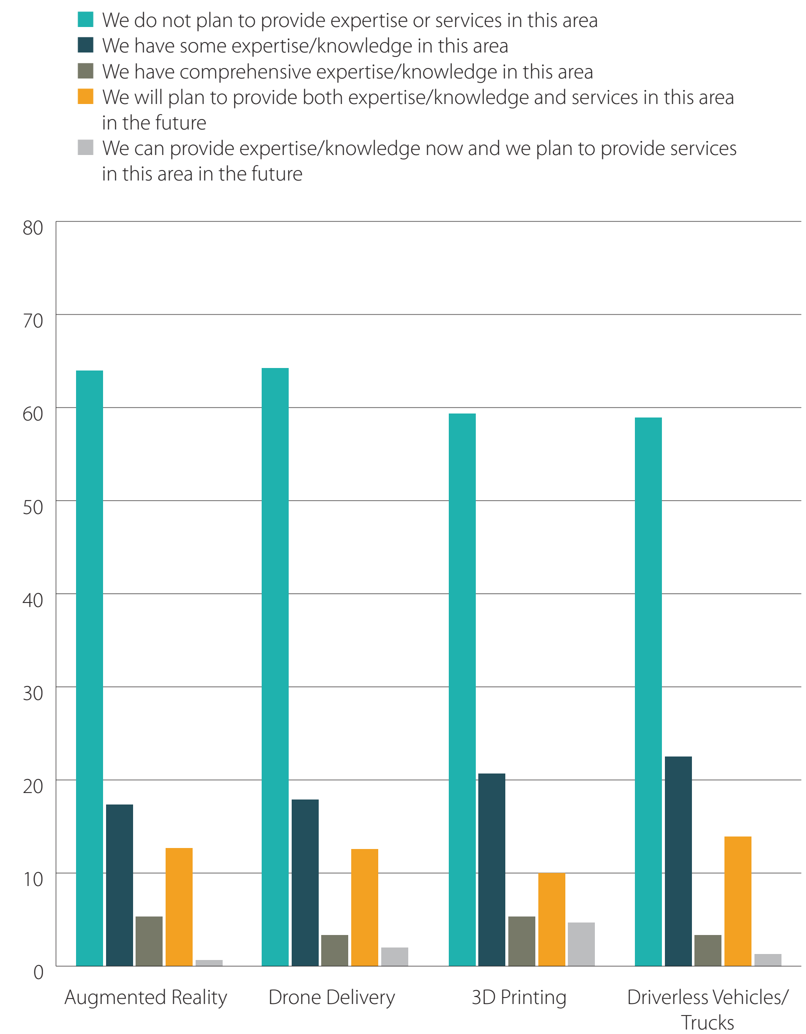
- Technological advances are coming to supply chain and logistics and they're coming fast. When we initially conducted a survey exploring the impact of cutting edge technology on supply chain and logistics, under 25% of respondents acknowledged these technologies as playing any role in their businesses currently or in the future. A year later, this number has jumped to over 40% for 3D Printing and Driverless Vehicles with Drone Delivery and Augmented reality still registering on the radars of at least 36% of respondents as being a component or a future component of their business. With real-life examples of all these technologies used in-industry, we are going to see a major increase in these numbers allowing us to drill down into drone best practice, augmented reality ROI etc.

- Perhaps one of the biggest drivers for 3PL adoption of such technologies is shipper demand for them. On the shipper side of the survey, respondents were resoundingly demanding their 3PLs have at least some expertise or knowledge on the listed technologies. In 2014, we saw a similar situation in which shippers seemed to be the drivers for adoption of this technology. Despite years of trying to break from this mold and pursue innovation, 3PLs have notoriously been second or even third adopters of innovation. As the below technologies evolve, and even newer ones take hold – including IoT, analytics etc. when will 3PLs start driving innovation rather than taking a back seat?

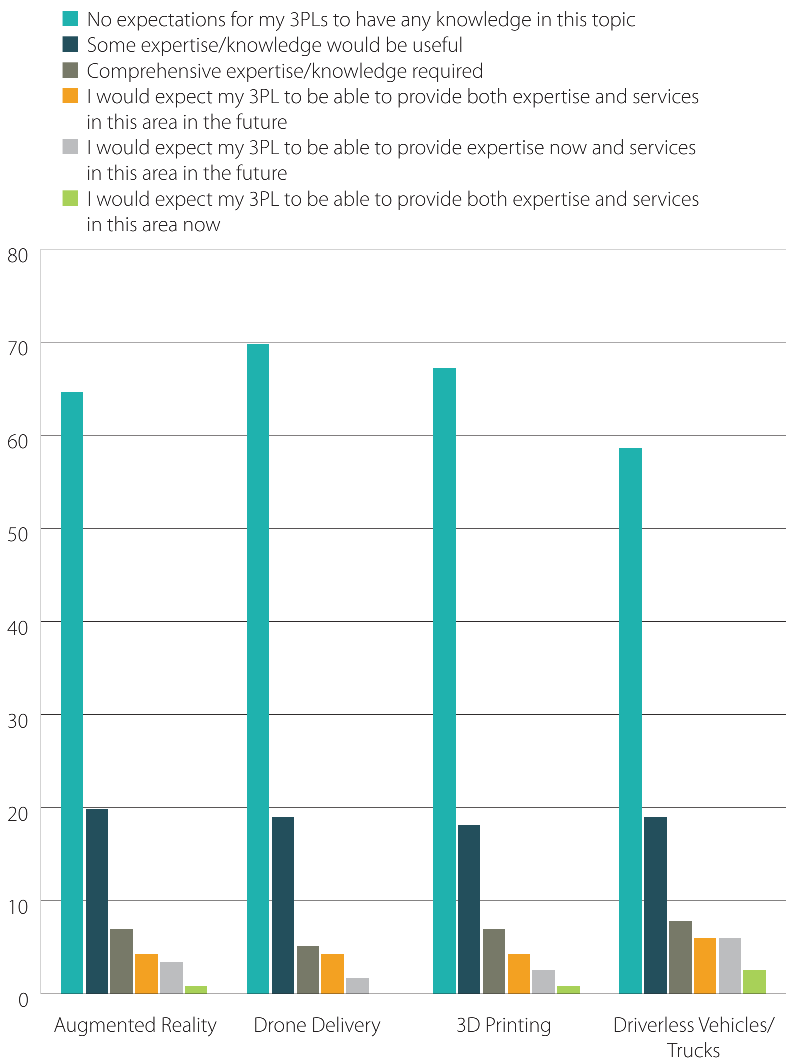
2014 3PLS



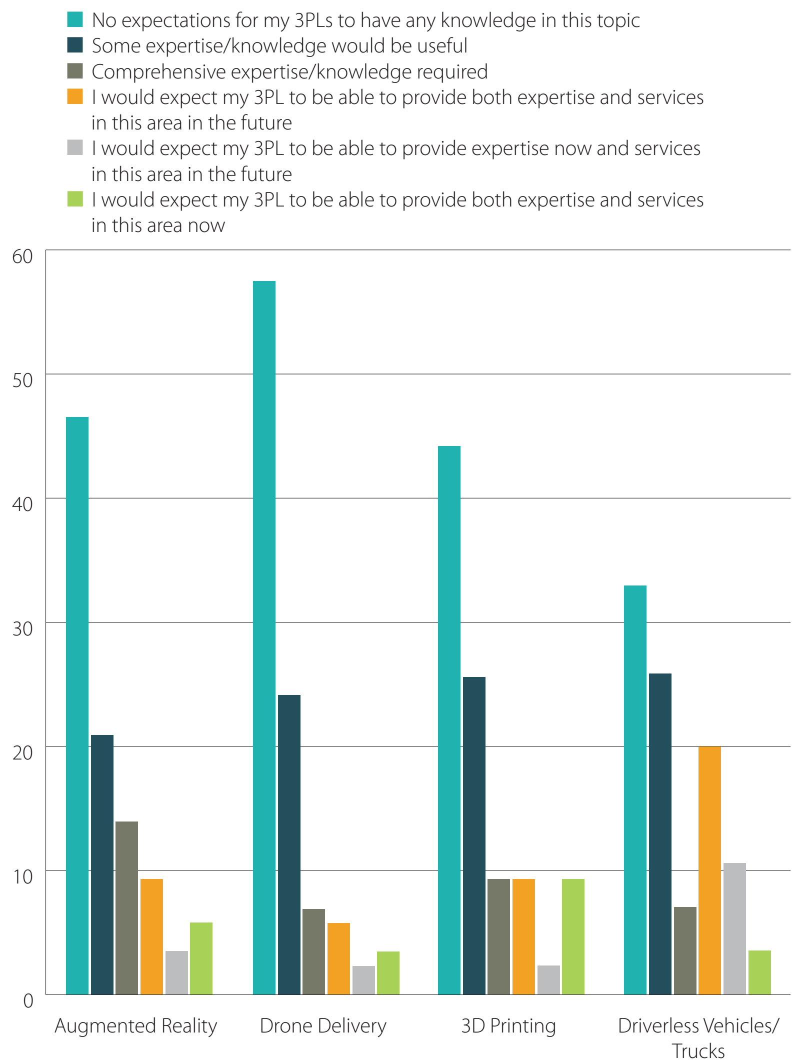
2015 3PLS



2014: Expectations shippers have of their 3PL

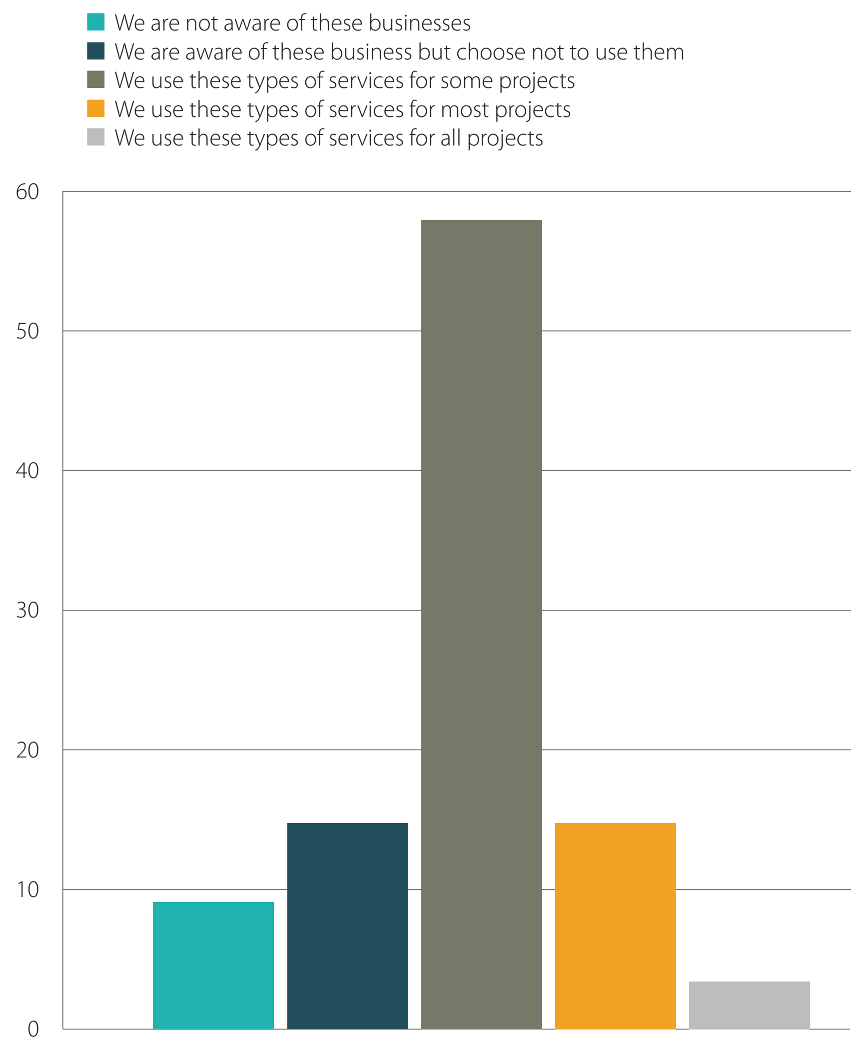


2015: Expectations shippers have of their 3PL



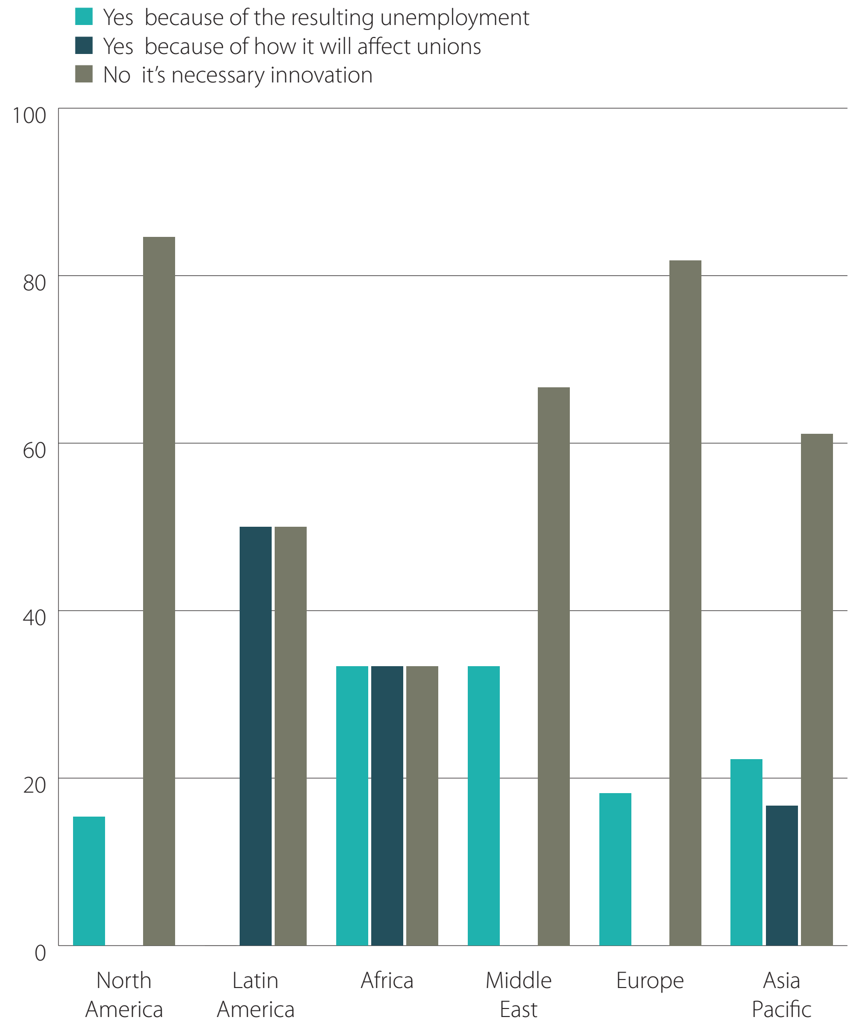
When you select a logistics provider, do you also consider new innovative business models and marketplaces that use technology and the sharing economy?

- This was a slightly loaded question in that in eft's day to day dealings, we were well aware of the role new innovative tech-driven business models were having on both supply chain and logistics, but we wanted to know how big an impact the young, tech-driven businesses were having. The answer is clear and speaks volumes for the role technology is playing in permanently changing the industry. More than three out of every four manufacturer or retailer asked is already using innovative, tech-driven business models and marketplaces for at least some of their projects. This represents a huge percentage of business for an industry sector that is relatively nascent. We expect to see these businesses drive both solution investments by shippers as well as consolidation on the 3PL side as traditional LSPs look to upgrade the technology they use through the acquisition of new innovative businesses.



Are driverless vehicles a threat to the economy in your region?

- Driverless vehicles have taken over headlines around the world but perhaps nowhere as much as in the US which is currently experiencing a driver shortage as well as some vocal uproar over the potential job losses as a result of automating such a core industry of the US. On the back of this, though, the dominant feedback was that driverless vehicles is necessary innovation. Being such a nascent technology, we have yet to truly see the full impact it has on jobs, on the industry and on infrastructure. The introduction of driver-assist technologies will be step one before we truly see driverless take-off. We expect the next 10 years to be a critical in defining driverless in supply chain and logistics, to seeing new business models develop and adapt to this technology and to see the true economic impact this technology will have on the industry.



Conclusion

Supply chain executives seem to be cautious on displaying any optimism towards the current economic climate. However, most respondents are still looking to new, innovative technology for driving change in the industry. To a degree, these foundational technological shifts have helped buoy some optimism in supply chain given the new markets they've opened-up, the proven ROI they've demonstrated and the efficiencies they've created. Technology clearly can't out-pace macroeconomics, but it can certainly help reinvigorate businesses by allowing them to reassess strategies, increased agility through small investments and improve visibility through predictive analytics and real-time information.

Many of the technologies addressed in this survey are still nascent, and as such their full potential is yet to be realized. As the drawn-out after-shocks of economic instability continue to cause investors worry, it will be the role of supply chain executives to leverage the very latest capabilities to ensure their ability to react effectively to instability and risk. Europe's continued slow growth and China's economic woes are not going to be solved overnight, as such, supply chain executives are going to be encouraged to ensure their business is best placed to adapt to a continuing dynamic global demand.

Want to learn more?

The European 3PL Summit is the most elite gathering of C-level logistics and supply chain executives in the region.

The unique nature of the event, bringing together CEOs of Europe's leading 3PLs alongside shipper customers allows the industry's most prominent leaders from both the customer and provider side, to debate their concerns and thoughts on the industry's future.

The 3PL Summit and Chief Supply Chain Officer Forum, taking place in Venlo, October 14-16.

Join this year's event to explore how the business of logistics is changing explored from three viewpoints – The Economic Landscape, New Technology and Customer Relationships.

These Leading Speakers will Share Insight on the Future of Logistics and Supply Chain

- Essa Al Saleh, Global CEO, **Agility Logistics**
- Kris van Ransbeek, CSCO, **Maxeda DIY**
- Hervé Montjotin, President & CEO Europe, **XPO**
- Edward van Kuijk, Director Global SCM Sales & MarketingVodafone Procurement Services, **Vodafone Procurement Services**
- Boris Dobberstein, VP Contract Logistics, **UPS**
- Edwin Van Der Meerendonk, Vice President European Operations, **Walt Disney Home Entertainment**
- Joeri Kuik, VP Global Head of DHL Lead Logistics Partner and Chief Innovation Officer, **DHL Global Forwarding, Freight**
- Danny Hendrikse, VP Intercompany Operations, **Pfizer**
- Chaim Huijsman, Member of the Board and Head of Corporate Sales, **Gebrüder Weiss**
- Tom Rose, Head of International Operations, **SPAR**
- Bart Beeks, Managing Director Benelux, **CEVA**
- Fred Hartung, VP Supply Chain, **Jabil**
- Jeroen Eijsink, President Europe, **C.H. Robinson**
- Henri-Xavier Benoist, VP LSCM (Logistic and Supply Chain Management), **Bridgestone**

For more information about the 3PL Summit and CSCO Forum, including agenda topics, latest speakers and sponsorship opportunities, visit www.3plsummit.com/eu or contact the event director, Sarah Reynolds on sreynolds@eft.com

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