

2020 24th Annual 3PL Study

September 2019



SUPPLY CHAIN
CONFERENCE & EXHIBITION
SEPTEMBER 15-18 | ANAHEIM, CALIFORNIA



Overview of this year's special topics

Analytics for Shippers & 3PLs

- The use of analytics has become an area of significant priority for both shipper and 3PL organizations. This topic focuses on the extent to which analytics are relevant to shipper – 3PL relationships

Green Logistics

- Shippers and 3PLs have been striving to reduce waste and pollution for decades. This section focuses on the latest approaches for greening the supply chain

Supply Chain Finance

- This section explores how 3PLs and shippers are striving to improve their financial understanding of their ever lengthening supply chains and minimize the costs of the added complexity and globalization

Contemporary Topics

- As the scope of supply chains continue to evolve, this section focuses on how logistics service providers are increasing their capabilities and service offerings along with the emergence of the terminology 5PL

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About the Study



2020 Annual 3PL Study – Major Research Thrusts

Purpose: Investigate leading trends in logistics and supply chain and how shippers/3PLs can collaborate to drive value



Customer Study

- E-mail Survey
 - Shippers
 - 3PL/4PLs
- Global
- Major Industry Verticals



Special Topics

- Leading Research
 - Industry
 - Infosys Research
- Key Industry Experts



Facilitated Discussions

- Workshops
 - Roundtables
 - Focus Interviews
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“Special Topics” featured in recent annual 3PL studies

- Emerging Markets
- Electronics
- Talent Management

2012

- Supply Chain Innovation
- Supply Chain Disruption
- IT Gap
- Talent Management

2013

- Preferential Sourcing
- Smart Growth
- Big Data
- Growth and 3PL Relationships

2014

- Omni-Channel
- Strategic Workforce Planning
- CRM and Cloud
- Business in Mexico

2015

- 3PL Competitive Landscape
- Labor Shortage
- Multi-Enterprise Relationships

2016

- Logistics Service Providers: Decision Time
- 3PL Utilizing Big Data and Analytics
- Roles in Supply Chain Transformation
- End-of-Life Supply Chain

2017

- Blockchain for Supply Chain
- Automation/Digitization in Transportation
- Risk/Resilience in Shipper-3PL Relationships
- Logistics Talent Revolution

2018

- Keeping the Supply Chain Alive and Nimble
- The Last Yard
- Omni Channel Revisited
- Dealing with Disruption Revisited
- Shipper-3PL Data Sharing

2019

- Analytics for Shippers & 3PLs
- Green Logistics
- Supply Chain Finance

2020

www.3plstudy.com

Current State of 3PL Market

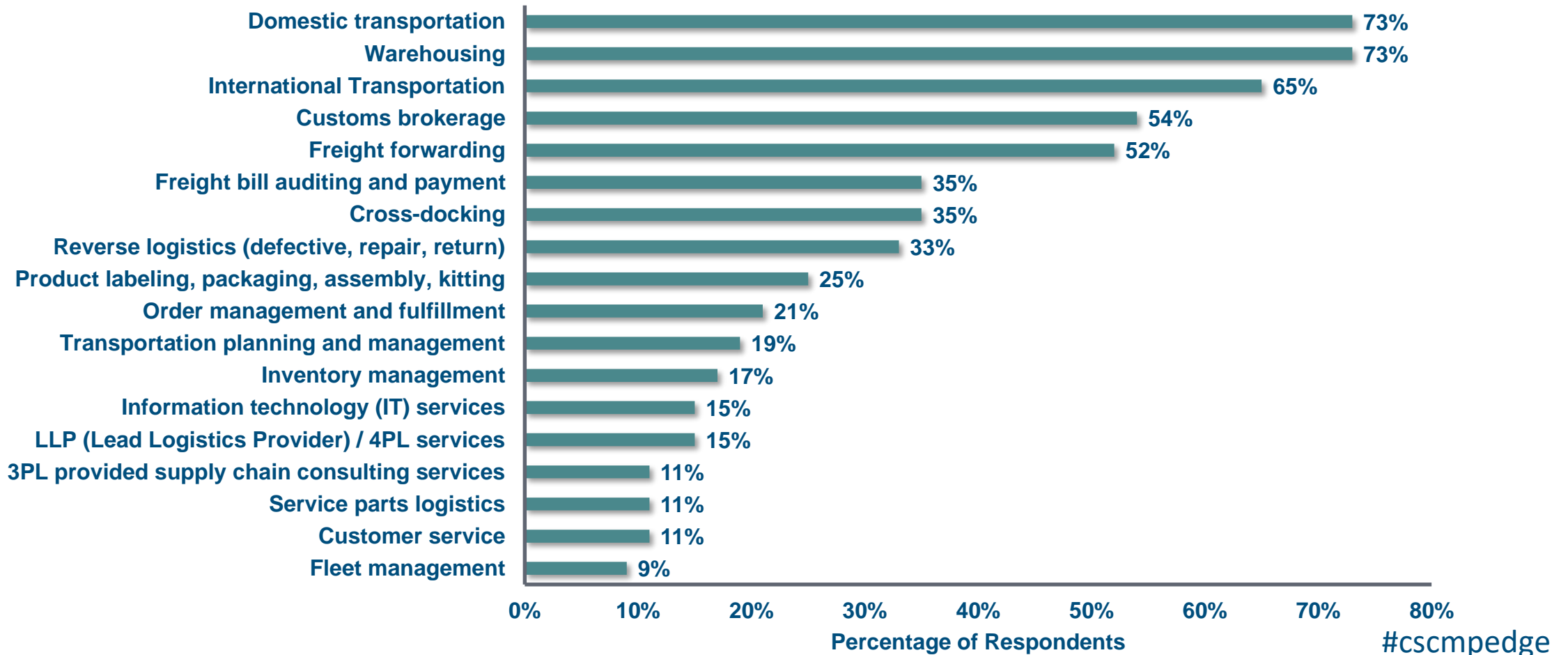
Industry spend on logistics and 3PL expenditures has remained consistent in recent years

Selected Information	2018 Study	2019 Study	2020 Study
Total Logistics Expenditures as a Percentage of Sales Revenues	11%	11%	11%
Percent of Total Logistics Expenditures Directed to Outsourcing	50%	51%	52%
Percent of Transportation Spend Managed by Third Parties	55%	49%	55%
Percent of Warehouse Operations Spend Managed by Third Parties	39%	35%	43%

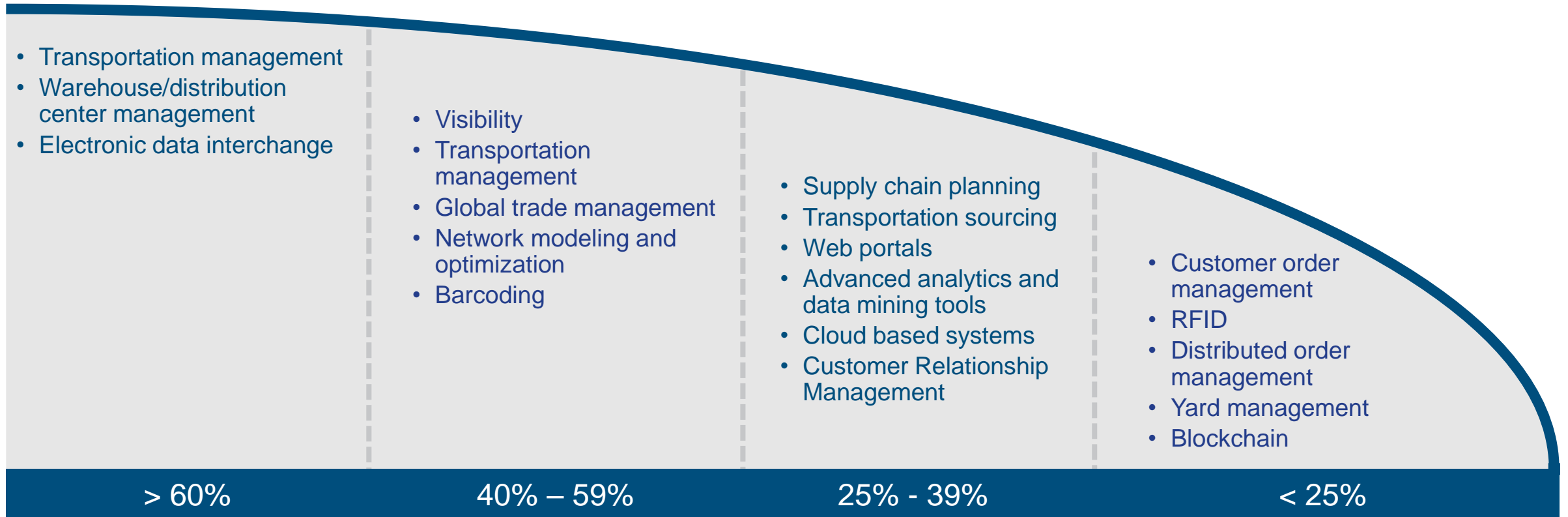
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Customers currently outsource a wide variety of logistics services

Logistics Functions Outsourced

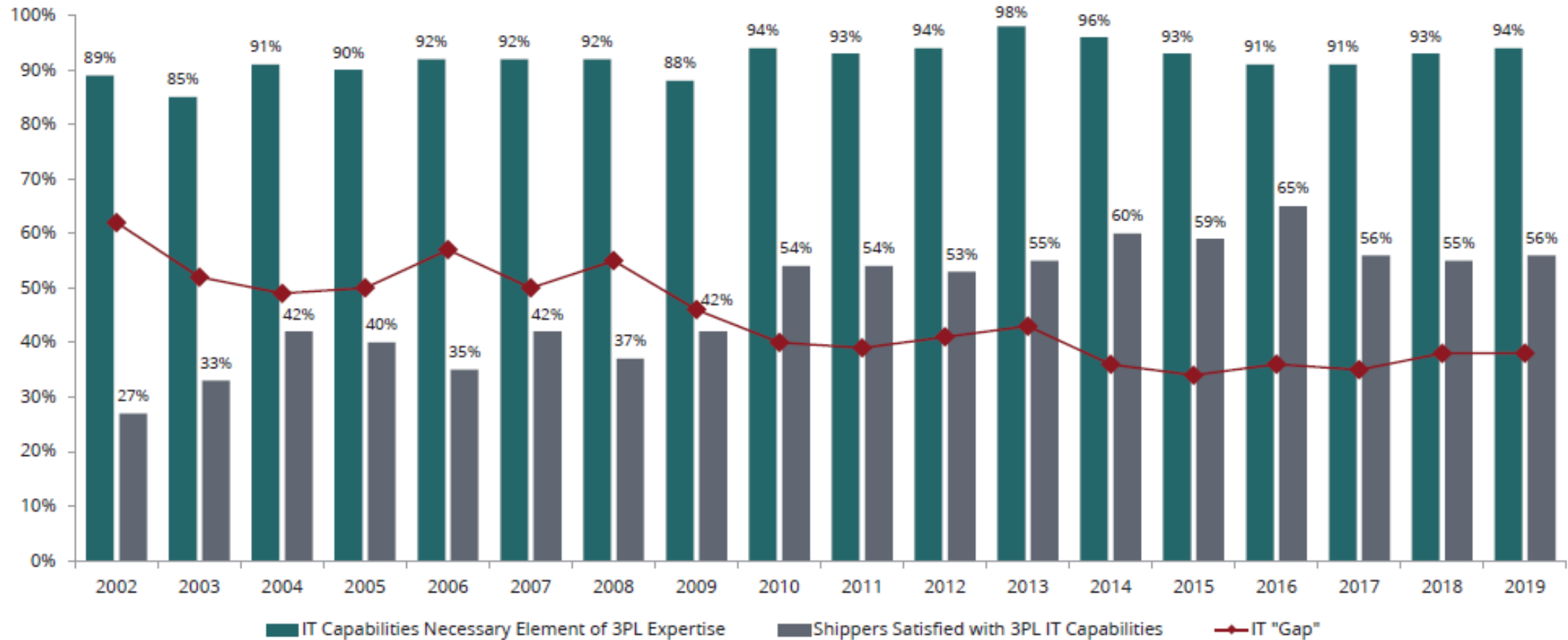


Essential IT capabilities suggested by 3PL users



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The "IT Gap" provides useful insight...



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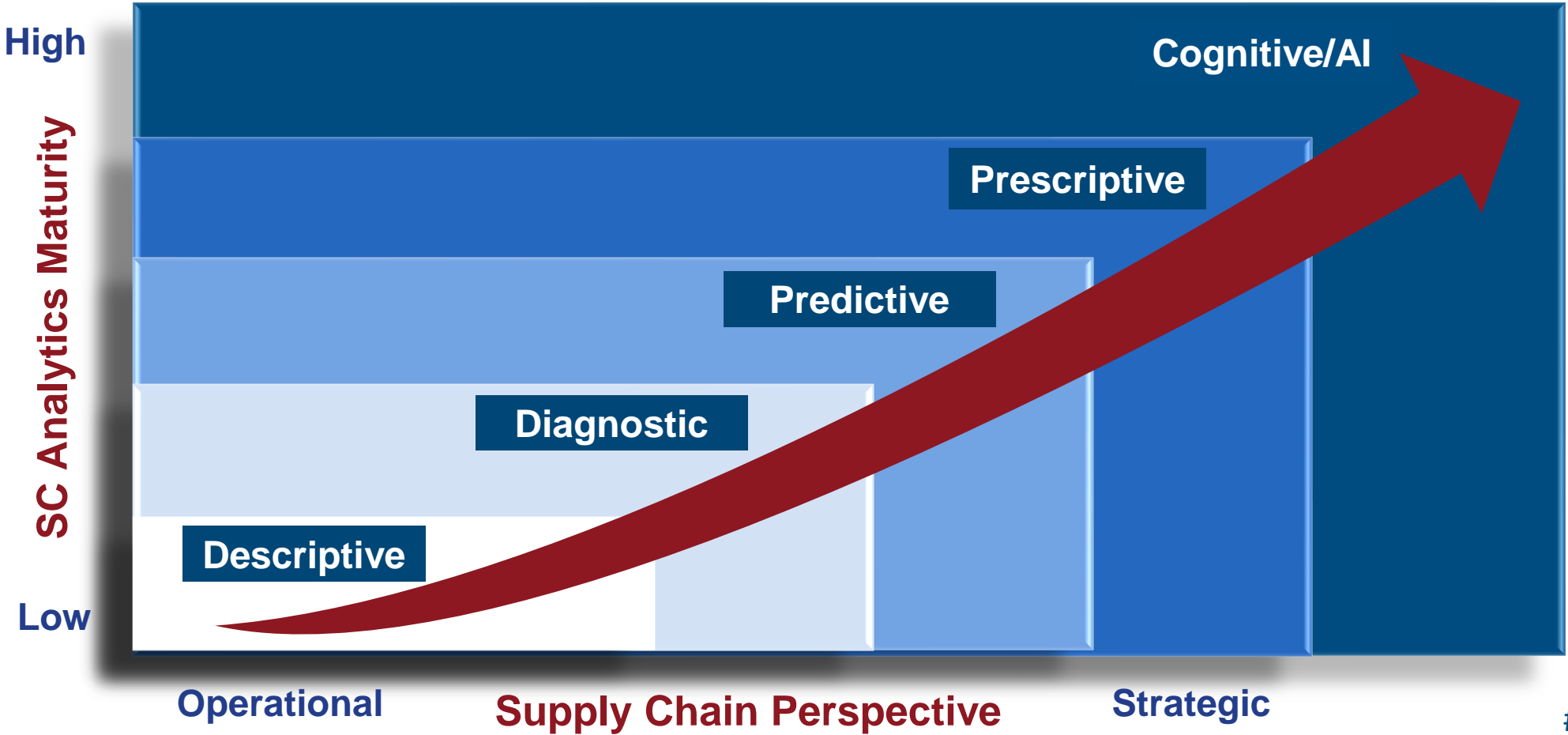
Shipper / 3PL Analytics



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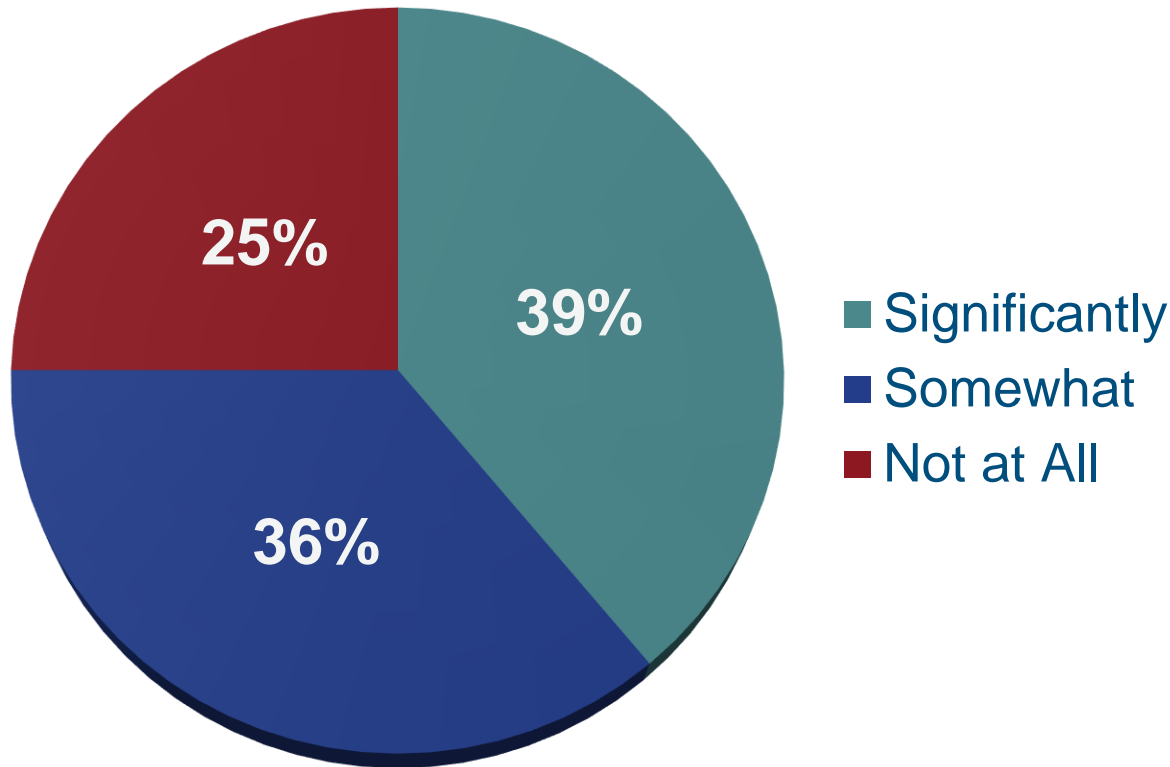
As maturity of analytics increases, the insights shifts from operational to strategic



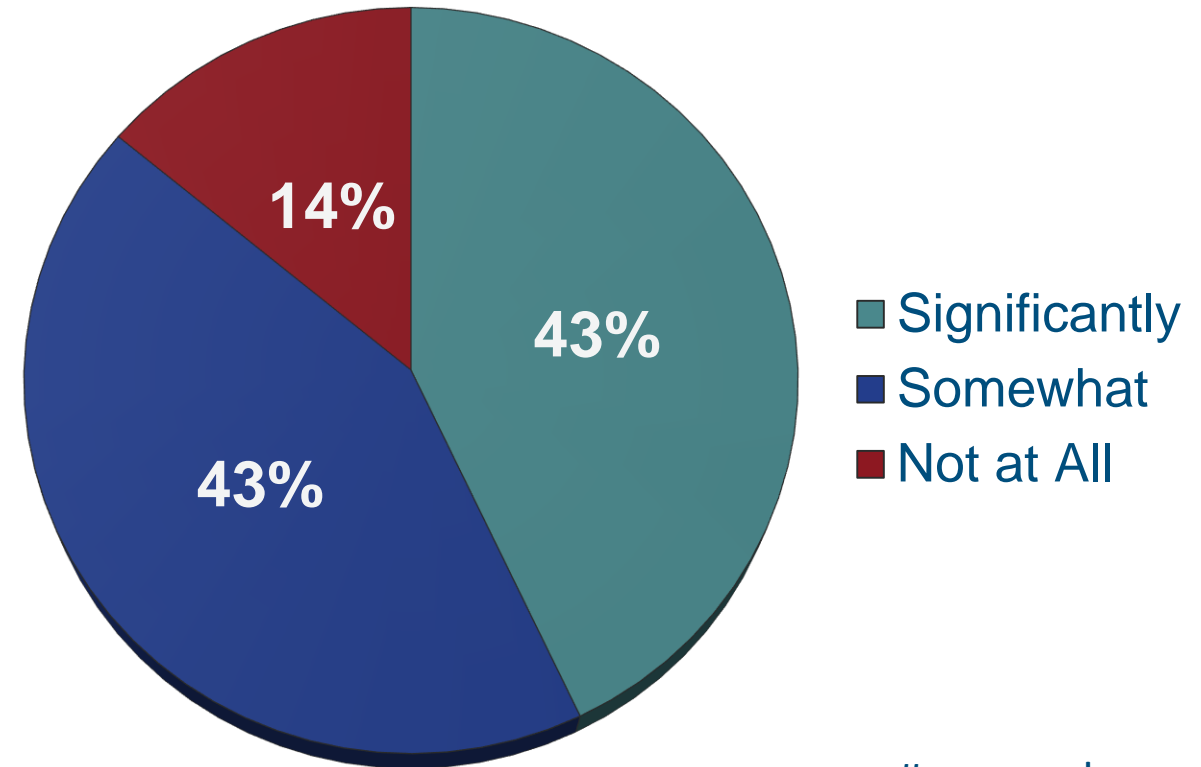
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Involvement with analytics to support planning and operations

Shippers Involved with 3PLs

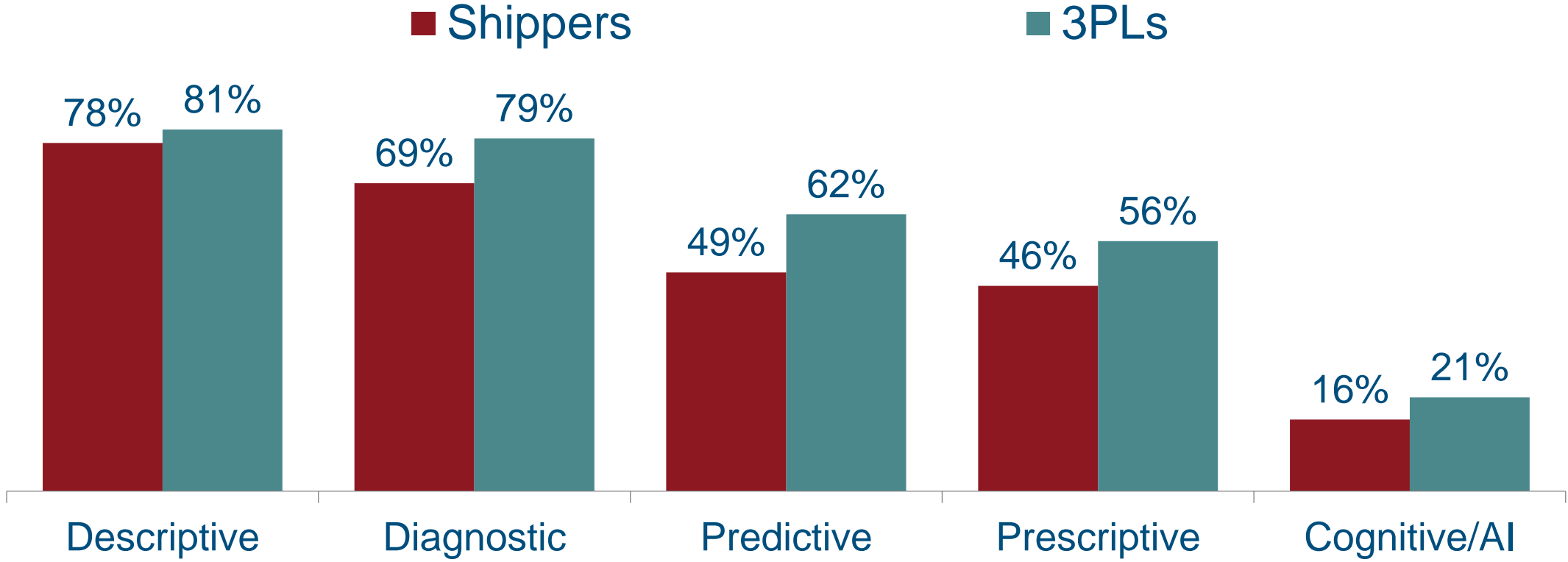


3PLs Involved with Shippers



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Backward-looking analytics are used at a higher frequency for support planning & operations



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Few Shippers are satisfied with their current 3PL analytics capability, yet both Shippers and 3PLs strongly agree it is a necessary element

% Shippers Agree

Statements

% 3PLs Agree

95%	Analytics capabilities necessary element of overall 3PL expertise	99%
26%	Satisfied with the analytics capabilities of our 3PLs	27%
58%	We have carefully-defined KPI's to measure 3PL performance	75%
68%	Our 3PLs have input into the KPI's used	72%
76%	Agreement with 3PLs on the KPI's used	74%
66%	Analytics a key to success with our 3PL providers	74%
45%	We have data scientists or other specialists in analytics	51%

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“Clean” data readily available is the top issue when implementing analytics among shippers/3PLs

% Shippers Agree

Types of Problems

% 3PLs Agree

77%	Availability of “clean” and useful data	82%
59%	Insufficient analytics resources	53%
41%	Need for additional expertise and talent	40%
41%	Software difficulties	36%
37%	Need for structured, formal plan for implementation	39%
36%	Lack of agreement with shippers or 3PLs on what is to be done and how	39%
34%	Shippers/3PLs do not have the needed analytics capabilities	42%
24%	Security concerns	30%

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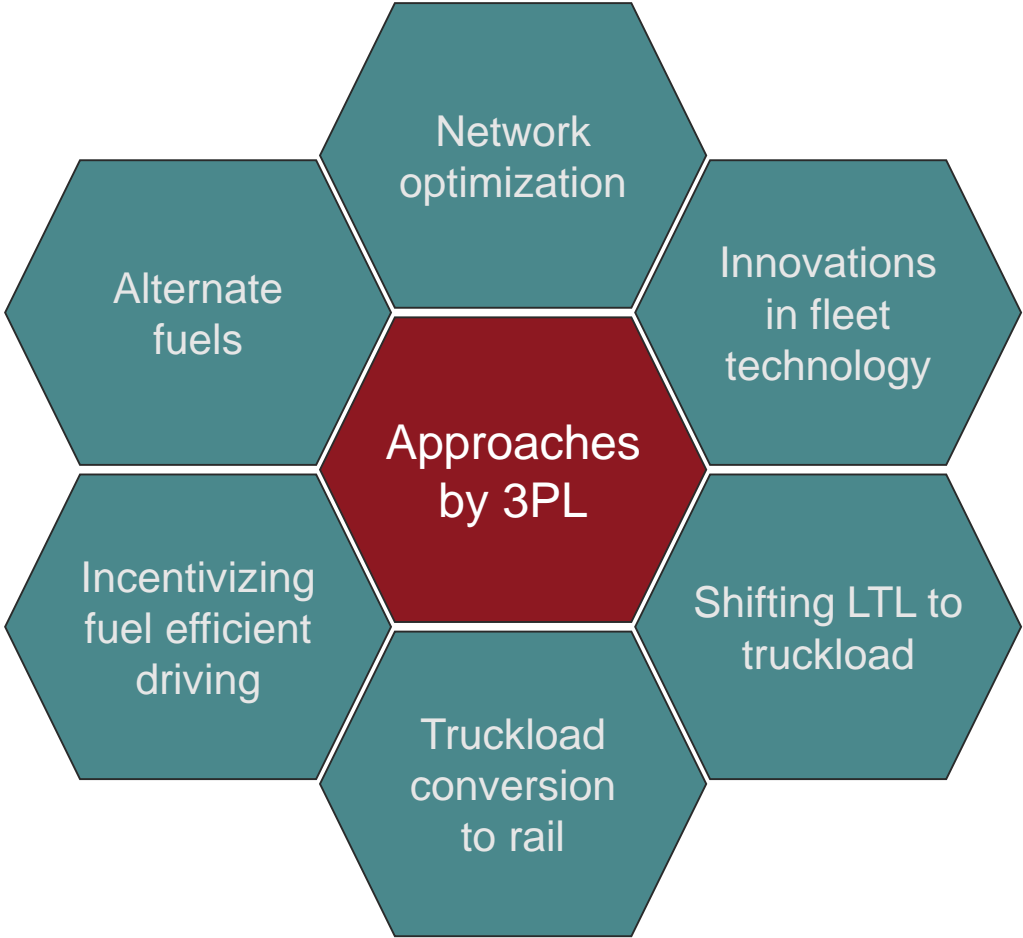
Shippers and 3PLs agree on the topics analytics can most improve

Types of Problems	% Shippers	% 3PLs
On-time and complete order fulfillment	69%	66%
Shipment visibility	63%	65%
Freight costs per shipment	60%	65%
Transit time	59%	55%
Cost to serve	58%	65%
Order-to-delivery cycle time	58%	63%
Flexibility and adaptability	47%	54%
Inquiry response time to shippers	28%	40%
Sustainability - use of approved carriers	24%	29%
Damage-free shipments	23%	22%

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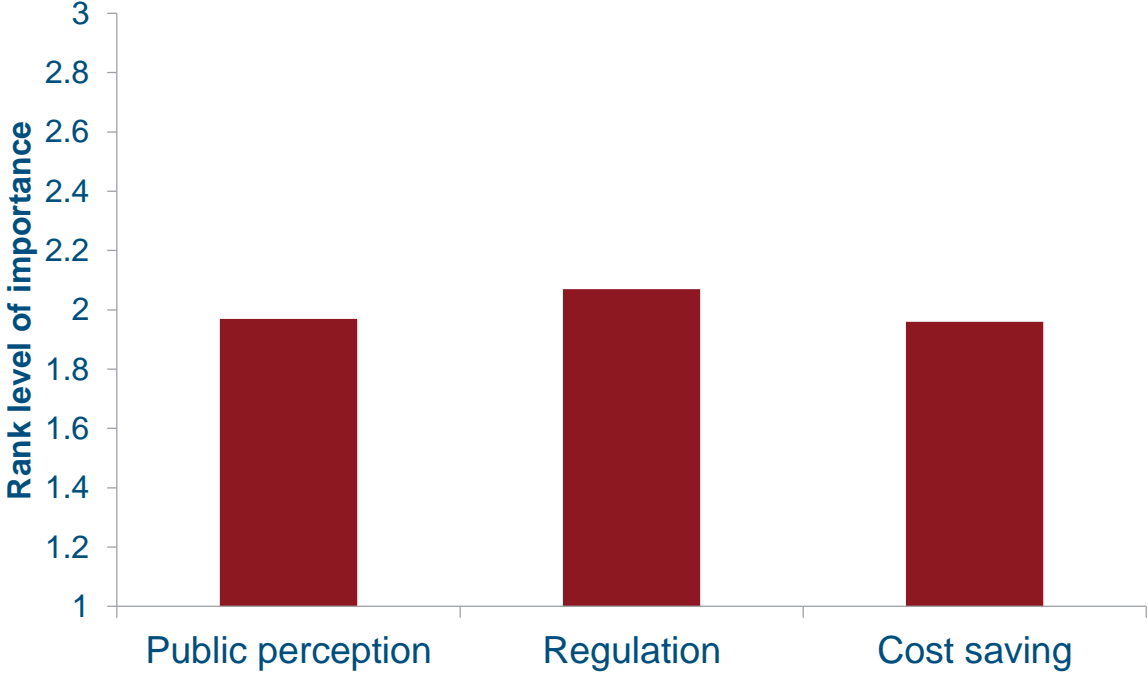
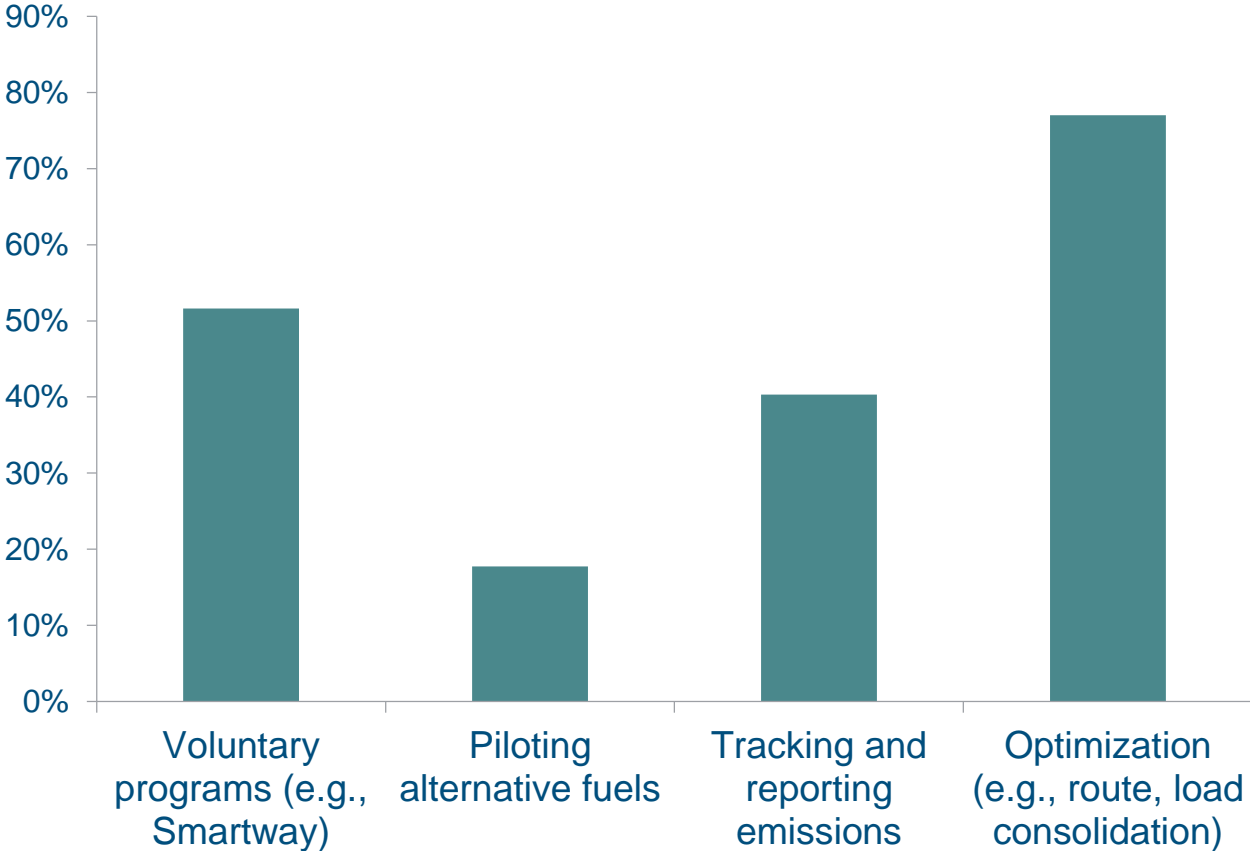
Green Logistics

As companies become more serious about sustainability, 3PLs are focusing on greening efforts to attract shippers



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How companies are pursuing greening efforts and the driving motivations behind it



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Optimization is forecasted to continue to be the most utilized greening technology in logistics operations

Greening Technology	Currently Use	Launch Within 5 Years
Optimization (e.g., route load consolidation)	86%	80%
Alternative fuels (e.g., electric, CNG)	29%	39%
Autonomous vehicles or platooning technologies	6%	22%
Other	19%	6%

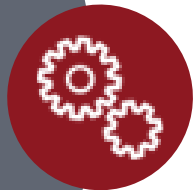


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Shippers are pursuing alternative fuel options and sustainable technologies even as the price of oil remains modestly priced due to customers demands



Electric and natural gas powered vehicles



Improved diesel technology



Vehicles of the future



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Supply Chain Finance



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As the global operating environment continues to be volatile, supply chain finance is emerging as a must-have capability

Added Financial Risks / Challenges from Globalization	Financial Tools for Globalization
Tariffs / Customs / Duties	Global Trade Management
Free Trade Agreements	Total landed costs
Insurance / compliance / quality risk	Working capital calculations
Letters of credit / Open accounts	FX market exposure

U.S.-China Trade Talks to Resume, but New Tariffs Could Complicate Them

Trump Says Dow Would Be 10,000 Points Higher Without Trade War

Hundreds of US trucking companies have failed so far this year, more still to come

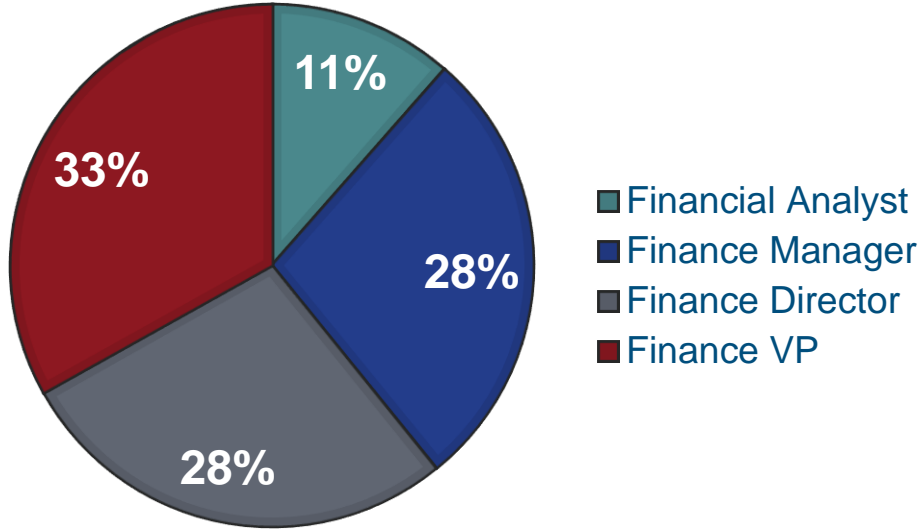
Hong Kong airport faces 2nd day of disruption

Hurricane Dorian: A look at the billion-dollar ports in the storm's path

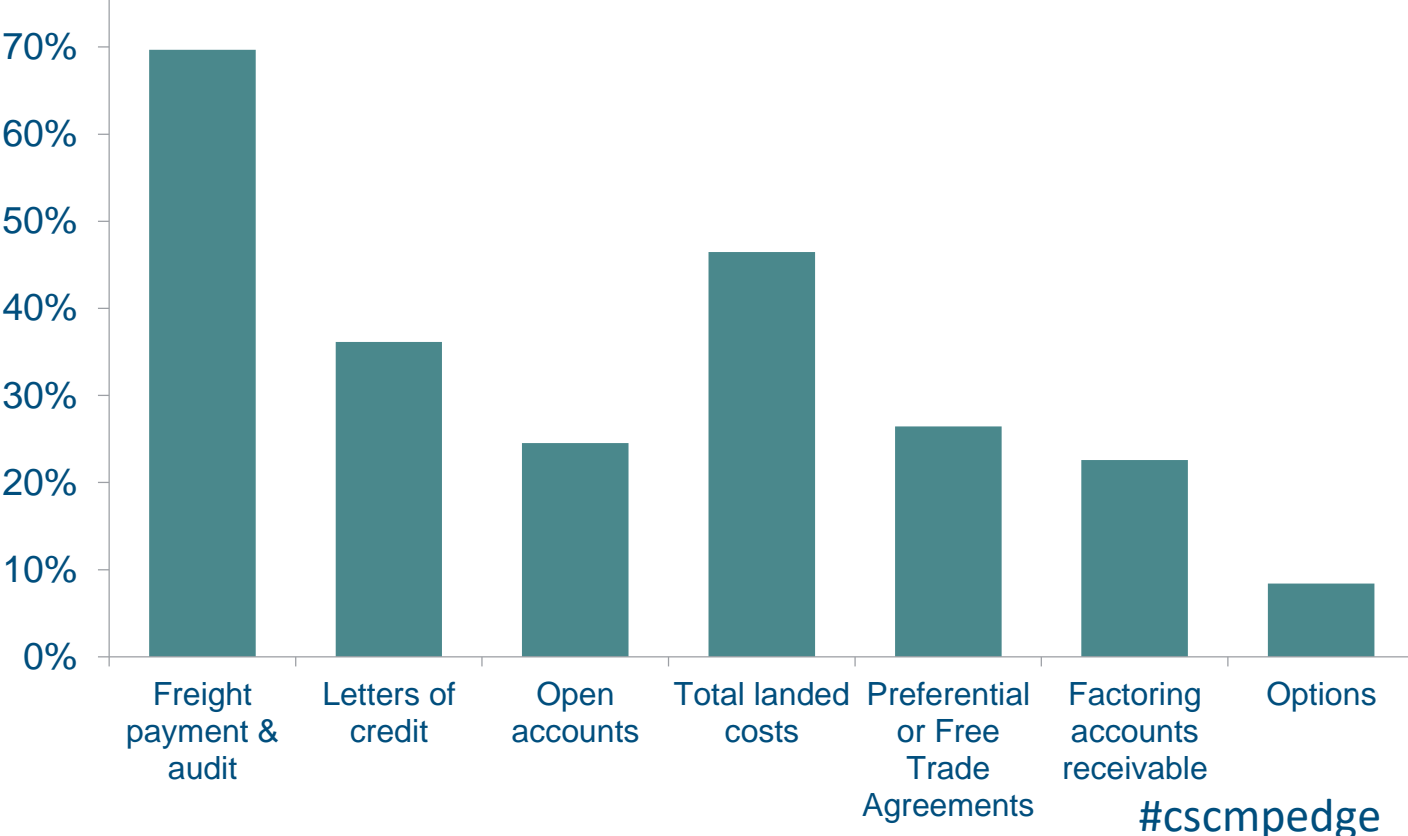
Globalization creates new business opportunities yet also exposes companies to financial and political instability that few fully understand

Supply chain leaders need their own finance capability to manage the growing number of factors that impact supply chain costs

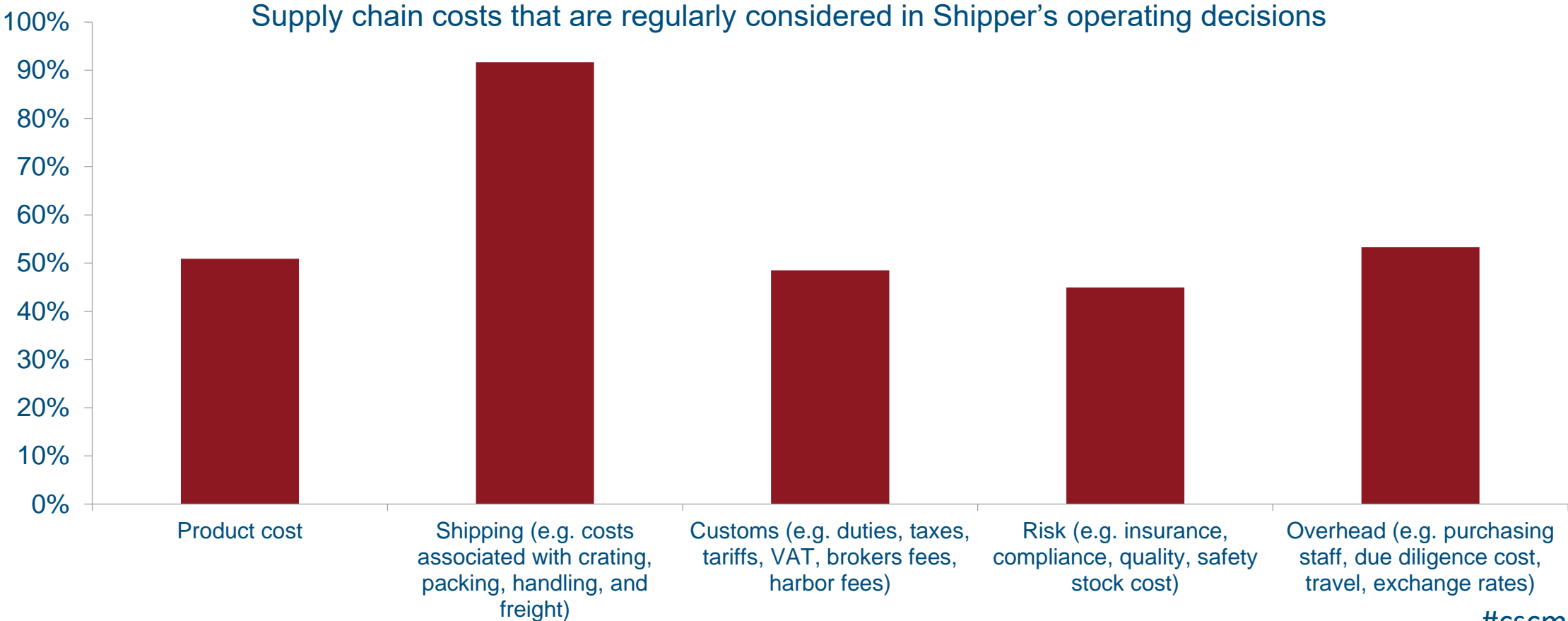
Most senior finance title in Shipper's supply chain / logistics organization



% of Shippers that manage activities within supply chain



The ability to model and manage the financial impacts of operation decisions within and outside the company's control is a growing need



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Global Trade Management is one of the most promising solutions for the simplification and de-risking of international operations

One central point of management, control, and reporting

- GTM provides visibility and control over both orders and shipments to ensure adherence to global trade regulations and streamlines processes related to cross-border trade
 - Ensures regulatory compliance
 - Increases working capital utilization
 - Customs management and visibility
 - Global trade intelligence
 - Estimated landed cost

4.4%

Average growth rate of global trade volume

5%

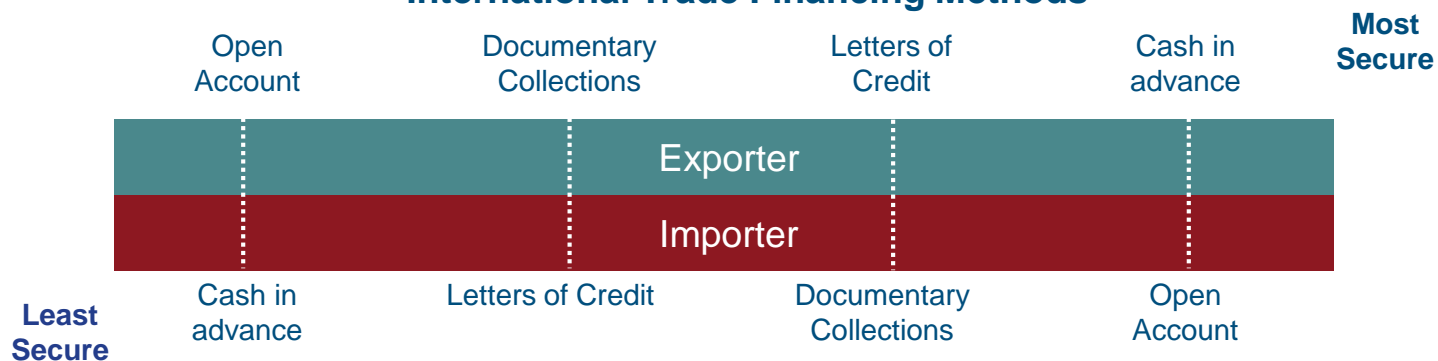
B2B trading is credit insured, meaning 95% of global transactions are at risk

40%

Average percent of a company's assets are in the form of trade debts

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International Trade Financing Methods



Contemporary Issues

The roles of logistics service providers are ever evolving as supply chains continue to advance

Asset vs. non asset based services

Precision vs. management of logistics services

The “Amazon” effect and the rise of the omni-channel



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The current trend of thinking of supply chains as ecosystems instead of processes will impact LSPs

Emergence of “5PL” Terminology

- Develop and implement best possible supply chains or networks
- Plan, design, and implement complete logistics solutions
- Manage networks of supply chains



Customer expectations of delivery speed and accuracy are ever increasing

Shippers are increasing visibility and predictability within their operations

- Dictating narrower delivery windows – the smallest being 15 minutes
- Tracking to the minute of a loads arrival to improve yard and dock management
- Penalties and chargebacks for late appointments can be as high as \$500 or more
- Increased collaboration between fleets, shippers, and receivers enable better dock appointment scheduling and improved routing
- Geo-fencing allows carriers to notify shippers when loads have picked up or delivered



Continuing the conversation

Shipper – 3PL Management of RFPs

43

Percent of 3PLs that track the cost of qualifying and responding to RFPs

40-80

Range of estimates on the hours spent on the RFP process for 3PLs

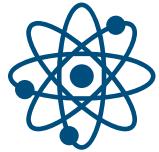
1-1.5

Percent of potential contract value the RFP process costs the 3PL



Continuing the conversation

Parcel delivery – E-commerce growth shapes offerings



AI & ML technology investment for route optimization and warehouse fulfillment



Re-emergence of decentralized hub and spoke distribution networks.



Last mile fulfillment represents 73% of industrial real estate market



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Thank You

