



Dedication at every turn.

Executive Summary And Regional Comparisons 2009 3PL CEO Surveys

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The surveys discussed below mark a continuation of a series of annual surveys of the CEOs of major 3PL service providers that began in 1994. During 2009, three separate surveys were conducted—one of the CEOs of large companies serving the North American 3PL marketplace, another of those serving the European market, and a third of companies serving the Asia-Pacific 3PL marketplace. Thirty-five CEOs were involved in the surveys, and collectively their companies generated in excess of \$64 billion in 3PL revenues in those three markets during 2008.

- Sixteen of the 35 companies failed to meet their revenue growth projections during 2008 (nine in North America, six in Europe, one in APAC).
- Nevertheless, 33 CEOs reported their companies were at least moderately profitable during 2008, with only one reporting his company was unprofitable.
- Only three CEOs believed that the 3PL industry in the geographic region in which they operated had been unprofitable during 2008.
- However, the global recession has clearly influenced the revenue growth projections provided by the CEOs for not only their companies, but also the regional 3PL industries for the next three years. Their projections have become much more modest.
- From a company standpoint, the one-year revenue growth projections were 6.9% for North America (12.6% in 2008), -3.3% for Europe (10.8% in 2008) and 12.9% for APAC (21.4% in 2008).
- The average three-year company growth projections were 11.8% for North America (13.4% in 2008), 8.7% for Europe (10.0% in 2008) and 16.7% for APAC (23.1% in 2008).
- The one-year regional 3PL industry revenue growth projections averaged 3.5% for North America (9.0% in 2008), -1.4% for Europe (7.3% in 2008) and 10.7% for APAC (11.2% in 2008).
- The average three-year regional 3PL industry growth projections were 7.9% for North America (9.8% in 2008), 4.9% for Europe (6.5% in 2008) and 11.7% for APAC (12.9% in 2008).
- Further evidence of the impact of the global recession on the 3PL industry is provided by the industry's actions during the past year with respect to layoffs, recruiting, training, and sending executives to industry conferences. Twenty-eight of the 35 CEOs reported layoffs of some employees during the past year. For the companies reporting layoffs, the percentage of the workforce that was laid off during the year averaged 13% in North America, 12% in Europe and 9% in the Asia-Pacific region. Many of the CEOs also reported the institution of hiring freezes by their companies. Twenty-seven CEOs reported that their companies had reduced recruiting efforts during the year. Interestingly, only six CEOs reported cuts in training programs. Twenty-six reported a reduction in executive trips to industry conferences.
- Not surprisingly, 33 CEOs indicated that the economic downturn had intensified price compression issues within the industry. That had been a long-standing problem in the industry before the global recession began.

- The impact of the global recession on business relationships in the three regions was also addressed in the surveys. Not surprisingly, in all three regions the CEOs reported about one-quarter of their business relationships with their clients had become more adversarial as a result of the recession. However, in some cases that was at least partially offset by the emergence of more collaborative relationships with other customers. North American CEOs reported more collaborative relationships with more than one-third of their customers; European CEOs reported the same development with approximately 20 percent of their customers; and APAC CEOs reported more collaborative relationships with approximately 13% of their clients.
- Many customers of the 3PLs involved in this survey took steps during the past year to shorten their supply chains. The CEOs surveyed in North America and Europe reported that, on average, nearly one-quarter of their clients had taken such steps during the past year. For the APAC region, the reported average was 9%.
- Twenty CEOs reported that some of their major clients had shifted some of their manufacturing activities from Asia to North or Central America or Eastern Europe. The scale of that shift is small at this point, but many of the CEOs expect the trend to grow over the next several years as many companies seek to shorten supply chains.
- Despite the global economic downturn, 3PLs continued to pay substantial attention to “green” and environmental sustainability issues. It was established in the 2008 surveys that many of the companies involved in the surveys had formal sustainability programs, formal sustainability statements, leaders designated to head company efforts in the area, and had made major changes in the operations to pursue “green” goals. Interestingly, 25 of the 35 companies involved in this year’s surveys reported that their companies had launched new sustainability initiatives during the year, 22 had expanded existing sustainability programs, and none reported scaling back any of their existing sustainability programs.
- Only nine of the 35 companies were involved in significant merger/acquisitions during 2008. While many of the CEOs believe that industry consolidation will continue in their regions, on average the CEOs in all three regions expect less than 9% of their revenue growth to come from acquisitions over the next three years.
- Only three of the 35 CEOs indicated that their companies had expanded the scope of their “branding” efforts during the past year. Twenty others reported that their branding activity remained at approximately the same level as the previous year, and 12 said that their level of branding activity had decreased from the previous year. Such branding efforts have often been used by these companies to offset the perceived “commoditization” of the 3PL industry.
- The CEOs identified the global recession and pricing pressures as the two most important industry dynamics in all three regions.
- The most important opportunities identified by the CEOs varied by region. In North America, the CEOs focused on growth opportunities related not only to a possible influx of new users, but also to the potential ability to take clients from smaller providers, possible talent upgrades tied to layoffs among other 3PLs and customers, and opportunities to build more collaborative relationships with their clients. The opportunities identified by European CEOs included the possible growth of outsourcing and their ability to gain market share, opportunities related to Eastern Europe and growth related to the possible expansion of their service offerings. The CEOs involved in the APAC survey highlighted opportunities involving domestic growth in China, expansion of logistics outsourcing volume in the region and opportunities in India.

- Those surveyed were also asked to identify the most important problems facing their companies. The problems identified in North America included the recession and its related impact on volume, price compression, and the loss of talent tied to layoffs and hiring freezes. The European CEOs focused on problems related to volume fluctuations, price compression and the financial instability of some important customers. The problems identified by the CEOs in the APAC survey included an ongoing lack of management talent in the region, the region's "weak" infrastructure, cost pressures, and problems with government bureaucracy and corruption.
- Finally, the CEOs were asked what they believed would be the most important changes that would occur in the 3PL industry in their region over the next three years. The North American CEOs forecast a slow recovery, continued consolidation in the 3PL industry, some 3PL failures and a continuation of the movement toward "reverse globalization." The European CEOs also expect a slow recovery, business failures among both the 3PL and the 3PL service user communities, and continued consolidation of the 3PL industry in the region. The APAC CEOs also expect continued 3PL consolidation in the region and strong intra-Asian growth.
- **What do we expect?**
 1. Slow recovery of 3PL business, particularly in Europe
 2. In many cases adversarial clients are likely to become ex-clients
 3. Stronger relationships to emerge with many key 3PL customers
 4. More emphasis on "quality" customers and solid verticals
 5. Less aggressive posture on mergers and acquisitions
 6. Slower pace of geographic expansion
 7. More emphasis placed by large 3PLs on alliances with other 3PLs, carriers and middlemen
 8. Failures among small/medium size 3PLs in all regions
 9. Chronic management shortage lessened due to provider and user layoffs
 10. Sustainability issues to receive greater attention, particularly in the Asia-Pacific region