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The North American Third Party Logistics Industry In 2010: The Provider CEO Perspective

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INTRODUCTION

The recent global recession had a broad range of effects on third party logistics (3PL) service providers in the North American marketplace. In many instances, customers failed, volume fell, and pricing pressures increased. Typically, the 3PLs responded with cost cutting efforts, layoffs, and postponement of expansion programs. As economic conditions have improved, the 3PLs have generally re-examined their service offerings and strategies, and begun to rebuild their workforce. This paper, which is based on a survey conducted in mid-2010, focuses on the state of the North American marketplace for 3PL services at that time, and the steps being taken by large 3PLs to adjust new market realities while formulating long-term strategies.

The data presented in this paper was gathered in the seventeenth annual survey of the CEOs of many of the largest 3PL companies in the world that are serving the North American marketplace. We conduct similar annual surveys in Europe and the Asia-Pacific Region. All companies included in the surveys rank among the 50 largest 3PLs in the world, based upon annual revenues.

Many of the individuals contacted initially agreed to participate in the surveys, and have continued to share their perceptions of regional market dynamics with us each subsequent year. Collectively, the results of the three annual surveys allow us to provide a truly global overview of the 3PL industry from the perspective of the CEOs of many of the major participants in the industry. We have continued to follow the regional approach since 2004, and this paper focuses on the results of a 2010 survey of the CEOs of 16 major logistics service providers operating in the North American market.

The 2010 survey focused on a variety of issues including the key marketplace dynamics in the North American 3PL industry, the industry's service offerings in the region, and the current status and future prospects of the industry in the region. It also gave considerable attention to a number of other important issues including the 3PL industry's continuing involvement in "green" and environmental sustainability issues, and, the industry's response to improving economic conditions.

The CEO of each of the companies included in the survey was contacted by telephone or e-mail and asked to participate in a Web-based survey. An initial target group of 20 companies was contacted, and the CEOs of all those companies agreed to participate. However, only 16 of the CEOs subsequently completed the survey online. **Exhibit 1** lists the companies that participated in the 2010 North American survey.

Two points should be noted before proceeding. First, due to individual company policies concerning financial disclosure, some respondents did not answer all the questions included in the survey. Second, in a number of instances, average industry data is presented in the paper, but there is often substantial variability around those averages. That variability reflects a number of factors, including differences in company strategies, operating policies, and market segments served.

Revenues and Profitability

Several North American 3PL provider revenue and profitability issues were addressed in the 2010 survey and each is discussed below.

Annual Provider Revenues. Sixteen companies reported revenue data in responding to the survey. Collectively, these companies generated in excess of $23 billion in North American revenues during 2009, with five companies reporting 2009 revenues in excess of $1 billion. The annual revenues for 2009 survey participants averaged $1.327 billion.

Success in Meeting Growth Projections. Those surveyed were also asked about the success of their companies in meeting their North American revenue growth projections during 2009. Only one CEO reported his company had exceeded company revenue growth projections for the year, seven indicated that their companies met their projections and eight indicated their companies failed to meet their projections. These results were quite similar to those of last year's surveys, when two companies reported exceeding their projections, six met their projections, and nine companies failed to meet those projections.

Company and Industry Profitability. The CEOs were also asked to categorize the profitability of their companies' North American business units during 2009, and their responses were mixed. Three CEOs said their companies had been very profitable, 10 classified their companies as marginally profitable, two said their companies broke even, and one said his company was marginally unprofitable. In the previous year's survey, six indicated that their companies had been very profitable, 10 categorized their performance as marginally profitable, two reported breaking even for the year, and only one CEO categorized his company's performance as marginally unprofitable.

In the 2010 survey, the CEOs were also asked to categorize their views of the profitability of the North American 3PL industry as a whole in 2009. Six of the 16 CEOs believed the industry to be marginally profitable, three said that it had broken even, while seven categorized the industry as marginally unprofitable for the year. Last year, only two of the 17 respondents believed the industry had been unprofitable for the year.

Geographic Shifts of Customer Manufacturing Activities

For several years we have been monitoring the scope of the movement toward "near-shoring" involving the customers of the North American 3PLs involved in our surveys. In this year's survey the CEOs were asked if any of their major manufacturing accounts had participated in such a movement, and the percentage of the CEOs saying "yes" has grown steadily over that time period going from 55 percent in 2008 to 71 percent in 2009, and reaching 88 percent this year (14 of 16). This year the CEOs who have witnessed that development indicated that an average of 13 percent of their major manufacturing accounts are now participating, to various degrees, in this movement. Those surveyed were asked which industries were most frequently involved in this movement, and four CEOs mentioned high tech, two each mentioned electronics and industrial manufacturing. The automotive, retail, and aerospace industries were each mentioned once.

Mergers and Acquisitions (M/A)

The worldwide consolidation movement in the 3PL industry continues. This movement is dramatically affecting the structure of the industry, and in recognition of this fact, several questions related to that restructuring were included in the 2010 survey.

Percentage of Revenue Growth Expected from Acquisitions. Those surveyed were first asked what percentage of their companies' revenue growth over the next three years was expected to come from acquisitions. The average response was 11.3 percent (8.6 percent last year). Interestingly, for the second year in a row, five CEOs indicated that they do not expect any of their companies' growth over that time period to come from acquisitions.

Extent of M/A Activity. Only five of the 16 CEOs indicated their companies had been involved in significant mergers or acquisitions in the region during the past year. Collectively, the 3PLs acquired four 3PL companies, one IT service provider, and one freight forwarder/customs brokers.

Branding Activities

In the intense marketplace in which they compete, 3PLs are generally very aware of the value of their brand, and how their brand is differentiated from those of their competitors. In this year's survey we asked the CEOs what specifically differentiates their brand from those of their competitors. The most frequent response was the global coverage of their operations that was mentioned by five CEOs. Four noted the scope of the solutions offered to customers. Experience in the marketplace was mentioned twice. Among the other differentiation factors mentioned were better TMS technology, better process management, the company's lean approach that minimizes waste in transportation and warehousing, the asset base of the company which offers a company owned and operated solution at every step of the global supply chain, the company's collaborative approach to its customers, and the company's experience as an LLP.

Impact of the Global Recession

Obviously, the global recession has had a dramatic impact on not only the 3PL industry in North America, but also its customer base. Interestingly, the CEOs involved in this survey were divided in opinion as to whether a significant economic recovery has occurred in the North American marketplace. Ten CEOs said "yes" and six said "no." Those surveyed were also asked which of the industry verticals their companies serve have "recovered" fastest, and the most frequently mentioned industry was fast-moving consumer goods which was cited by four CEOs. The retail and automotive industries were each mentioned three times, and high-tech and health care were each mentioned twice.

Layoffs, Recruiting and Training. In responding to our 2009 North American survey, 15 of the 17 CEOs involved company reported layoffs, with the average being approximately 13 percent of the workforce. This year, the CEOs were asked if their companies had begun to rebuild their workforces, and 15 of the 16 CEOs said "yes." Their responses to a question concerning where the new hires were originating were quite interesting. On average, 7.7 percent of the new hires were former employees of their companies, 43.2 percent were former employees of other 3PLs, 22 percent came from the university community, 7.3 percent came from consulting companies, and 31.3 percent came from many other sources including customers, the military, and other industries.

Introduction of New Services and Consulting Services. Fourteen of the 16 CEOs indicated that their companies had introduced new services during the past year. Those service offerings took a variety of forms and included the following:

- establishment of a new business unit focused on small and medium sized businesses
- expanded freight forwarding and value added services at company facilities
- purchase order management

- co-pack services
- consolidation services in Asia
- 4PL and LLP services
- closed-loop reverse logistics services
- supply chain network optimization services
- high-level electronics repair and refurbishment services
- value-added services specifically focused on health care

The CEOs were also asked if their companies had established a separate business consulting unit, and seven CEOs indicated their companies had done so. However, the revenues generated by those business units are relatively low, and in no case do they exceed five percent of the total logistics revenues of the companies.

Selling Along the Supply Chains of Existing Customers. Increasingly, large 3PLs are selling their services to the supply chain partners of their existing clients. With respect to this survey, 13 of the 16 respondents indicated that they do so, and on average those efforts produce an average of 37.3 percent of their total revenue base.

Changes in 3PL Provider Strategies. When the CEOs were asked if the global recession had led to long-term strategy changes within their companies, seven of 16 said "yes." Those that responded affirmatively were then asked identify those strategy changes. They included the following:

- preparing for slower growth and control expenses and hiring
- shifting to transportation margin based pricing versus management and transaction fee pricing
- focusing on alignment with the evolving needs of customers and readiness
- placing more emphasis in future acquisition efforts on similar businesses rather than more distant or adjacent products
- being more conservative with cash
- adding greater flexibility to our network and service offerings
- expanding market share in verticals that are less susceptible to economic drivers
- focusing on organic growth

The CEOs were also asked if the outlook for long-term prospects in the North American 3PL had changed as a result of the recession. While five said "yes," the changes they expected varied widely. While one projected slower growth and diminished profits in the market, the other four were rather optimistic about the future. The changes they highlighted bode well for 3PLs in the region. Among their observations were:

- many customers have "leaned" their infrastructure and inventories, and are not looking to add them back; this provides 3PLs with opportunities and growth
- customers are more willing to consider options that they previously dismissed
- more companies are willing to consider the outsourcing option due to the financial problems they encountered during the recession
- key customer relationships are more important than ever

Capital and IT Spending Programs. Those surveyed were also asked several questions related to the behavior of their companies concerning capital spending and IT upgrades during the recession. Nine of the 16 CEOs indicated that their companies had postponed capital spending programs during the downturn, and four reported that those spending programs have since resumed. Interestingly, only two of the 16 reported that their companies had postponed IT upgrades during the recession. That not only reflects the perceived importance of IT capabilities in the marketplace, but also the pressures exerted by key customers for more robust IT support from their 3PLs.

Lessons Learned. The CEOs were also asked if there were any corporate lessons learned as a result of the recession, and 15 of the 16 said "yes." Their responses touched on a broad range of topics including the following:

- be careful adding fixed costs and warehousing space to your network
- "partner" with your customers
- the outsourced model sells well in an economic downturn if you can produce savings quickly with little or no upfront costs to the customer
- the ability to forecast and manage proactively allows a company to anticipate challenges and take actions in advance of a crisis
- stay focused, stay lean, and develop contingency plans
- asset planning and management is critical in surviving unpredictable market downturns
- having products and services that have a transactional pricing structure is incredibly important to customers
- spend more time qualifying revenues; keep a watchful eye on the financial health of customers
- be less heavily invested in market verticals that are dependent upon robust economic activity to remain stable
- in an economic downturn, avoid rate only discussions with customers
- maintain flexibility in the labor force, staffing with temps wherever possible

Business Continuity Planning

Fifteen of the 16 CEOs indicated that their companies have formal business continuity plans at the corporate level. Eleven reported similar plans at the regional level. They were also asked to identify the most important components of their plans. In response they listed the following:

- full operational plan in the event of a disaster
- disaster recovery plan
- succession planning programs, several levels down, with related training
- back up data center
- systems redundancy
- work from home plans
- periodic test of continuity plans with and without key customers
- crisis management team
- formal management and employee procedures in the event of a catastrophic event
- relationship with large warehouse leasing plan to quickly take new space in an unaffected geographic region

Risk Management Programs

Nine of the CEOs reported that their companies had launched new risk management programs during the past year. Those programs generally reflected the experience of those companies during the economic downturn. Three CEOs implemented new programs that focused on the financial stability of existing and potential clients as well as the industries in which they operate. Another reported institution of a program that focuses on the qualifications of carriers. Financial concerns were also the focus of a new program that adds more layers of financial review prior to making company investment decisions. The other new programs emphasized such matters as safety and ethics training, response to terrorist attacks, company response to large-scale disruption of fuel supplies, homeland security related procedures and technology affecting a truck rental business, compliance, and internal auditing efforts.

Performance Based Contracts

Considerable attention has been given to the perceived expansion of performance-based contracts in the 3PL industry. Fifteen of the 16 CEOs reported that their companies had such contracts covering an average of 31.2 percent of their customers. When asked what form those contracts take, 13 CEOs mentioned gain-sharing plans, four cited penalties for service failures, three mentioned various forms of "pain-sharing," and two highlighted the inclusion of bonuses for superior performance in their contracts.

Green/Environmental Sustainability Issues in the 3PL Industry

Over the past three years we have included a wide variety of questions related to environmental sustainability in our regional 3PL surveys. The responses to those questions have clearly shown that most of the companies involved in these surveys have made significant commitments in pursuing "green" goals no only within their companies, but also in helping their customers reach similar goals. Many of the 3PLs have written formal sustainability statements, hired a person to direct their sustainability activities, and have launched a broad range of sustainability initiatives within their companies. The responses have also shown that the commitment of these companies to sustainability goals was maintained throughout the global economic downturn. In fact, eight of the 16 CEOs involved in the survey believe that their companies' sustainability capabilities differentiate them from their competitors in the marketplace. The 2010 North American survey again addressed a broad range of environmental sustainability issues that are discussed below.

Establishment of Formal Company Sustainability Groups. Twelve CEOs reported that their companies have established formal environmental sustainability groups within their organizations. The groups are typically cross-functional in nature. Among the functional representatives mentioned were engineering, operations, sales, marketing, transportation, management consulting, sourcing, inventory management, operations, reverse logistics, supply chain solutions, quality, and customer care. In some organizations the team members are from the same management level, in others the team consists of a cross-section of the organization from vice president to analyst levels. While the vice president or director of Environmental Sustainability in these companies is typically a full-time position, committee membership varies across these companies from full-time to part-time. Five of the companies reported that the members of these groups work on sustainability on a full-time basis.

Industries with Strong Interest in Environmental Sustainability. Those surveyed were asked if there were particular industries in which existing or potential 3PL customers expressed strong interest in sustainability issues, and 12 of the 16 CEOs said "yes." They identified a broad range of industries, with four industries each being mentioned by three CEOs. They were retail, fast-moving consumer goods, high tech, and CPG. The only other industry that was mentioned more than once was electronics that was mentioned twice. Among the other industries mentioned were: durable goods, industrial manufacturing, pharmaceuticals, health care, and appliances.

Sustainability Issues Most Frequently Raised by Customers. The CEOs were asked which specific sustainability issues were raised most frequently by existing or potential customers in meetings with company representatives. Again the responses covered a broad range of topics. They included:

- LEEDS certification for buildings
- hazardous waste capture/disposition; hazardous waste transportation
- reverse logistics
- new fuel efficient engines and their impact on miles-per-gallon
- Smartway carrier usage
- continuous improvement programs
- recyclable packaging and "green" disposal of obsolete products
- paperless information flows
- reconciling sustainability projects with ROI requirements
- network redesign
- measurement of carbon footprint
- facility energy usage

Those surveyed were also asked which percentage of their existing customers have asked their companies to analyze their existing supply chain practices in terms of their environmental impact/cost. The responses ranged from zero to 50 percent, with the average being 15 percent.

Expansion of Existing Sustainability Programs. Eleven of the 16 companies involved in the survey reported that they expanded their existing sustainability programs in the past year. These expansion program included expansion of company participation in the EPAs Smartway program (2), expansion of the use of hydrogen fuels cells, extension of carbon footprint monitoring at all locations, adding LEEDS certification to all new buildings, global certification of a company at the ISO 14001 level, and a variety of programs addressing such issues as lighting, waste disposal, recycling, and upgrade of related IT platforms.

New Sustainability Initiatives. Eight of the 3PLs also reported starting new sustainability initiatives during the past year. Among the more interesting initiatives were introduction of:

- returnable containers to specific customer locations
- process improvements to reduce landfill-bound material at customer locations
- a carbon footprint calculator
- a hybrid demo vehicle program
- a no-idling policy at all logistics centers
- a "green" task force to study and understand customer initiatives
- a corrugate recycling program at all company DCs
- monthly fuel saving webinars and forums

Most Successful Sustainability Initiative. The CEOs were asked to identify the "most successful" of their companies' sustainability initiatives to date. Interestingly three specific initiatives were mentioned by more than one company. Three CEOs identified their participation in the EPAs Smartway program as their most successful effort. Two CEOs highlighted company efforts to reduce the use of electricity as their most successful initiatives, with the same number citing company work in network optimization as their most successful "green" endeavor. Among the other "most successful" initiatives mentioned by the CEOs were: recycling, achieving ISO 14001 certification, the generation of fuel savings through driver behavior adjustments, hydrogen fuel cell deployment, and moving disposition decisions on returned/surplus products much earlier in the reverse logistics process, which reduced the handling, transport costs, and time involved in moving those products to their final destination.

Sustainability Initiatives Most Likely to Generate Future Cost Reductions. Those surveyed were also asked to identify the sustainability initiatives that were most likely to generate future cost reductions. Again, their responses were quite varied. They included:

- process improvements to reduce handling
- reduction in miles operated
- improvements in MPG
- reduction in fuel costs
- inventory reductions
- reuse of materials that are currently used once then disposed of
- smarter freight consolidation programs
- network optimization efforts applied to the number and locations of DCs
- high efficiency lighting upgrades

SCM Processes and Practices Generating Highest Environmental Costs. Many of the supply chain management processes and practices implemented by companies during the past decade were adopted with relatively little concern about their environmental costs. We asked the CEOs to identify which of those practices have generated the highest environmental costs. In response several of the respondents focused on transportation practices such as the substitution of air freight for inventory, the use of air freight to support JIT programs, and the movement toward LTL versus TL shipments. Among the other issues mentioned were SKU proliferation in many industries, emergence of "straight to landfill" programs by some manufacturers in dealing with returns, poorly designed distribution networks, variable space contracts for warehousing often leading to larger than necessary facilities with higher related costs, and smaller, more frequent deliveries to retailers.

Current Status and Future Prospects of the Industry

In each annual North American survey the CEOs are asked a series of questions concerning their perceptions of the current status and future prospects of the 3PL industry in the region. Specifically, they are asked to identify the most important 3PL industry dynamics, opportunities, and problems. They are also asked to indicate the most important developments within their companies and within the 3PL industry during the past year.

Industry Dynamics. In any industry, managers are challenged to understand the dynamics of the marketplace in which their companies operate. In recognition of this, the CEOs were asked to identify and rank order the three most important industry dynamics operating in the North American 3PL marketplace in 2010. A first-place mention was given three points, a second-place mention was given two points, and a third-place mention was given one point. These points were used in calculating the total weighted points shown in Table 1.

According to the respondents, the most significant dynamic operating in the North American 3PL marketplace was continued downward pressure on pricing which ranked first with 27 total weighted points, and the most first-place mentions with seven. It should be noted that this dynamic has ranked first in the North American survey in five of the last six annual surveys, only being displaced last year by the global recession. It was also awarded top three status by

12 of the 16 CEOs participating in the survey. Despite the signs of a global recovery, the global recession still ranked second this year with 19 total points, three first-place votes, and 10 top three mentions. In third place for the third year in a row was the increased involvement of procurement professionals in the 3PL selection process. It accounted for 17 points and was given top three status by nine CEOs. Rounding out the top five dynamics were increased CEO/CFO participation in the 3PL selection process and increasing customer expectations with respect to IT support which accounted for eight and seven total weighted points respectively.

Industry Opportunities. In this year's survey, the CEOs were asked to identify the three most significant opportunities that exist for 3PL service providers in the North American market, and there was little consensus. In fact, while there were 48 top three choices available (3 x 16 respondents), no opportunity was mentioned more than four times. The growth of the market for outsourcing was mentioned four times, and five other opportunities were mentioned three times each. They were: supply chain integration for customers, multi-client collaboration, IT support, environmental sustainability, and expansion of service offerings. Reverse logistics was the only other opportunity mentioned more than once (twice).

Industry Problems. The CEOs were also asked to identify the three most important problems facing their companies in the North American 3PL industry, and their responses are summarized in Table 2. According to the CEOs, the industry's most important problem is continuing downward pressure on prices that garnered six first-place mentions and 21 total points. That had also had been ranked as the industry's top problem in the 2009 survey. Not surprisingly, finding and keeping managerial and operational talent ranked second with three first-place votes and 13 total points. That has been a chronic problem in the industry that has been exacerbated by the layoffs caused by the recession. That had ranked fourth in the 2009 survey. In third and fourth places were the growing role of procurement in the 3PL selection process, and customer expectations with respect to IT support, with eight and six points respectively.

Major Changes Expected During the Next Three Years. The CEOs were then asked what major changes they expected to take place in the North American 3PL industry during the next three years, and 15 responded to this question. As was the case in our six most recent annual surveys, the merger and acquisition movement dominated their thinking, and six CEOs indicated that they believed the movement will continue to accelerate in North America. No other change was mentioned more than twice. Among those being mentioned twice were: the financial failure of marginal 3PLs in the region, increased focus on sustainability and "green" initiatives, continued improvements in IT software, and increased costs due to health care reform. Among the changes mentioned by a single CEO were: more pressure from customers to share risks, a return to performance rather than price-based decisions, government intervention or public response to environmental disasters, upsell of more integrated service solutions, some shifts of key global sourcing areas affecting North American customers, increased private equity activity.

Estimated Company and Industry Growth Rates

Finally, the CEOs were asked to estimate annual company and industry revenue growth rates for the one and three-year periods, and 15 CEOs provided those estimates. Their projections are shown in Tables 3 and 4, and discussed below.

The average company revenue growth projection for the next year was 10.4 percent (6.9 percent last year), with the projected three-year company revenue growth average being 10.6 percent (down from 11.8 percent last year). The estimates once again varied significantly from company to company, with the one-year company projections ranging from five to 15 percent, and three-year projections ranging from six to 15 percent.

In terms of industry growth projections, the CEOs projected that the industry's one-year revenue growth rate would average 7.3 percent (more than double last year's projection of 3.5 percent. They forecasted an annual average growth rate of 7.8 percent over the next three-year period (7.9 percent last year). Individual CEO projections of the industry's growth rates ranged from zero to 20 percent for the one-year period, and zero to 17 percent for the three-year period.

Summary

This paper has discussed the results of a 2010 survey of the CEOs of 16 of the largest 3PL service providers operating in the North American marketplace. Collectively these companies generated more than $21 billion in North American 3PL revenues during 2008. For the second year in a row, more than half of the respondent companies failed to meet their revenue projections during 2009. Nevertheless, 13 of them were at least marginally profitable for the year. Reflecting optimism about the recovery, 14 of the 16 companies reported introducing new services in the past year.

Reflecting better economic conditions, the CEOs were quite optimistic concerning the growth prospects for the market over the next year. On average, they projected that the revenue base of their companies would grow by an average of 10.4 percent during the next year. At the same time, they projected that the revenue base of the North American 3PL industry would increase by 7.3 percent during the next year.

They were similarly optimistic about prospects for their companies and the North American 3PL industry in the three-year time frame. Their average annual company revenue growth projection for the three-year period was 10.6 percent, and their three-year annual projection for the North American 3PL industry was 7.8 percent.

While slightly less than one-third of the CEOs reported their companies were involved in significant merger/acquisition activity during the past year, most believe that the consolidation movement will continue in the North American 3PL industry.

Fifteen of the companies reported that on average nearly one-third of their contracts now include performance based elements. Thirteen sell logistics services to the supply chain partners of existing customers and on average this generates in excess of 37 percent of their logistics revenues.

The involvement of these companies in environmental sustainability projects has continued, with eight of the 16 companies beginning new initiatives during the year, and 11 expanded existing programs. Half of the CEOs believe that the sustainability capabilities of their companies differentiate them from their competitors in the marketplace.

Ten of the CEOs indicated that they believed the economic recovery has begun in the North American marketplace, and 15 of the 16 companies have started to rebuild their workforce. The respondents reported that their companies learned many lessons during the downturn, and typically mentioned the need to spend more time qualifying customers and carriers, taking more time to evaluate capital projects, and the need to focus more attention on controlling costs, particularly with respect to labor outlays.

Continuing downward pressure on pricing, the recession, and the increasing role of procurement professionals in the 3PL selection process were identified as the three most important North American market dynamics. The most important opportunities were identified as the continuing growth of the market for outsourcing services, market differentiation through sustainability capabilities, and possible expansion of integrated SCM services. The CEOs identified the three most important problems facing their companies in the North American 3PL marketplace as continuing downward pressure on prices, difficulties associated with rebuilding their workforce, procurement's expanded role in the 3PL selection process, and "dumb" competition in the marketplace.

Fifteen of the companies reported that they have business continuity plans in place at the corporate level, and nine companies reported putting new risk management programs in place in the past year.

What Do We Expect?

This survey was conducted between May and July 2010, and the economic recovery had clearly made the CEOs involved in this survey more optimistic about the short-term prospects in the North American 3PL industry. Based upon the data generated in this survey we expect:

- a resumption of strong market growth in the demand for 3PL services in the region
- much more attention to be given by the 3PLs to "qualifying" customers and carriers
- the 3PLs to move more slowly on major capital projects
- the merger and acquisition movement to resume in the region, with private equity money again becoming a factor in the restructuring of the industry
- environmental sustainability to become a much more important source of market differention for 3PLs operating in the region
- new market opportunities as "near-sourcing" achieves significant scale
- continuing downward pressure on pricing forcing 3PLs to focus on cost reduction efforts
- many of the large 3PLs in the region to attempt to "right size" their North American operations to reflect new market realities

Exhibit 1

Third Party Logistics Companies Included in the 2010 North American 3PL Industry CEO Survey

Cardinal Logistics	Landstar	Schenker
DSC Logistics	Menlo Logistics	Schneider Logistics
DHL Exel Supply Chain	NYK Logistics	Transplace.com
Genco	Panalpina	UPS Supply Chain Solutions
Kuehne & Nagel Logistics, Inc.	Penske Logistics	UTi
	Ryder	

TABLE 1

CEO Perception of the Three Most Important North American 3PL Industry Dynamics, 2010

Industry Dynamic	# of CEOs Ranking It #1	# of CEOs Ranking It #2	# of CEOs Ranking It #3	Total Weighted Points
Continuing downward pressure on pricing	7	1	4	27
The global recession	3	3	4	19
Growing procurement involvement in 3PL selection process	1	6	2	17
Increased CEO/CFO involvement in 3PL selection process	1	2	1	8
Increasing customer expectations with respect to IT support	1	1	2	7

TABLE 2

The Most Important Problems Facing 3PLs in North America, 2010

Problem	# of CEOs Ranking It #1	# of CEOs Ranking It #2	# of CEOs Ranking It #3	Total Weighted Points
Continuing downward pressure on pricing	6	1	2	22
Talent shortage	3	1	2	13
Growing procurement involvement in 3PL selection process	2	1		8
Increasing customer expectations with respect to IT support		3		6

TABLE 3
2010 Survey CEO One and Three-Year Revenue Growth Projections for Their Companies, North America, and Comparisons with 2009 Projections

One-Year Company Projection, 2010	One-Year Company Projection, 2009	Three-Year Company Projection, 2010	Three-Year Company Projection, 2009
10.4%	6.9%	10.6%	11.8%

TABLE 4
2010 Survey CEO One and Three-Year Revenue Growth Projections for the North American 3PL Industry, and Comparisons with 2009 Projections

One-Year Industry Projection, 2010	One-Year Industry Projection, 2009	Three-Year Industry Projection, 2010	Three-Year Industry Projection, 2009
7.3%	3.5%	7.8%	7.9%