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3PLs in the container supply chain – past, present and future

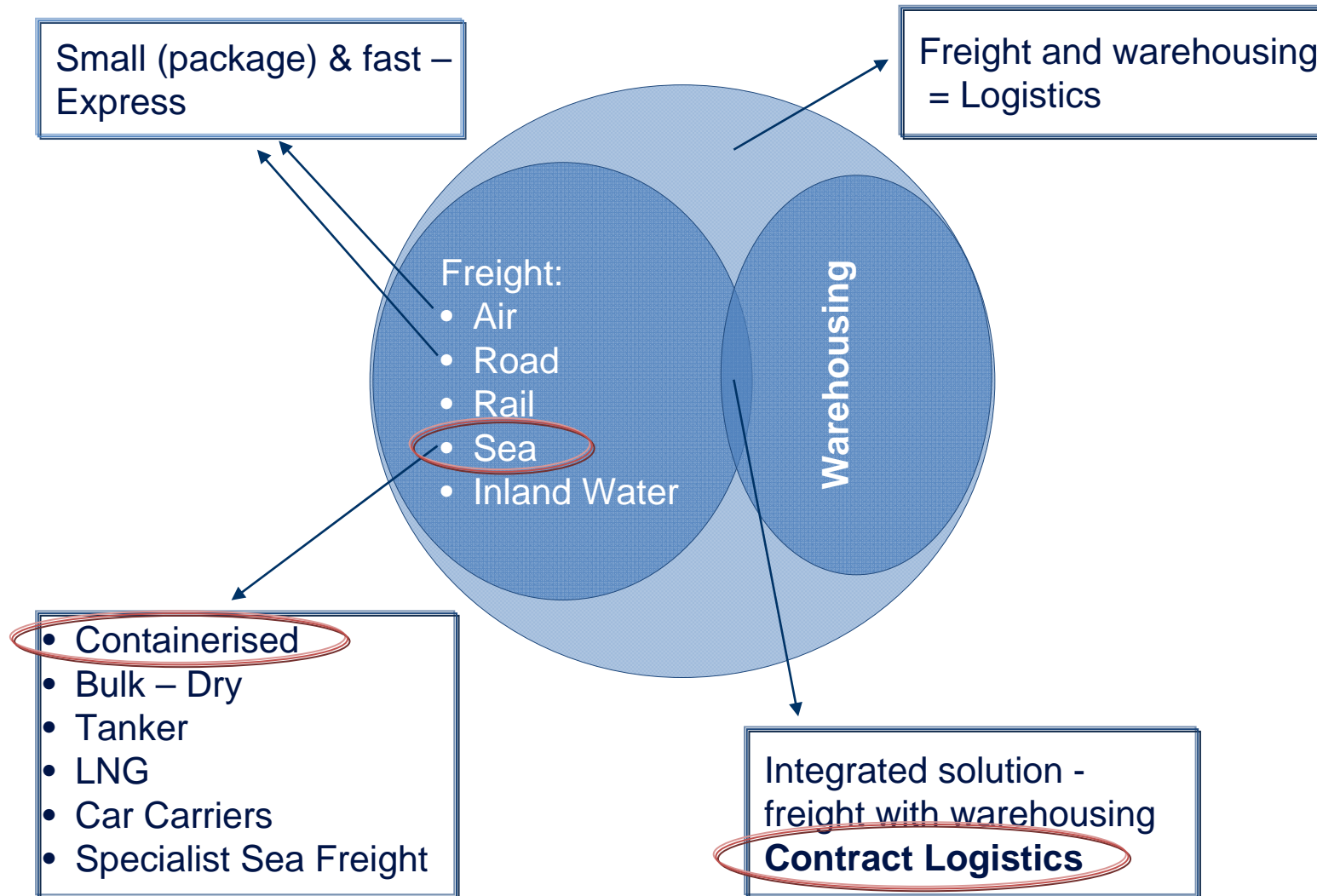
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8 June 2011

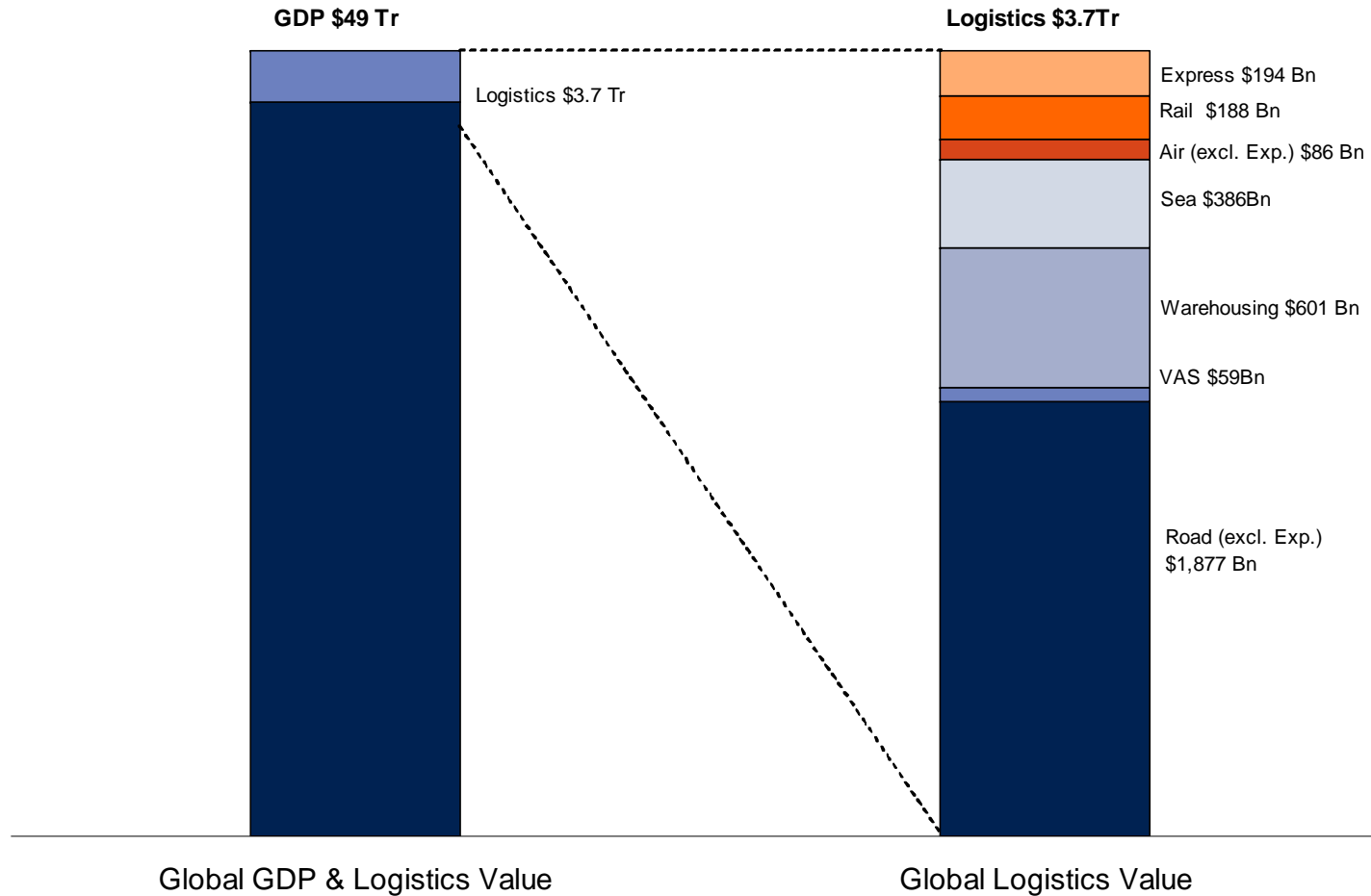
Agenda

- Overview of the transport industry (Logistics & Express market)
- Global trends affecting the transport industry
- 3PL position in the global transport industry
- Key trends that have driven the build-up of 3PL market share in global ocean container freight.
- Has a tipping point been reached for 3PL influence in the container supply chain and what lies ahead for the shipper-3PL-carrier relationship?

Overview of the transport industry - Segmentations



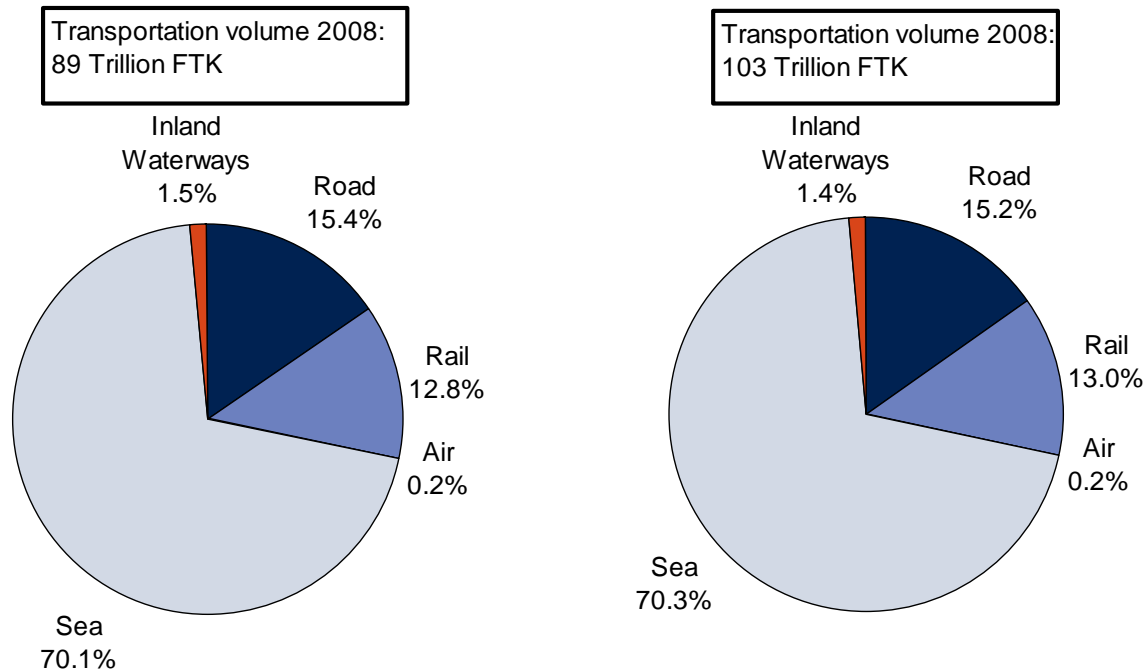
Overview of the transport industry - Value



Source: Datamonitor, GLEA / IMF

Overview of the transport industry - Volume

Sea freight to consolidate its domination of global transportation

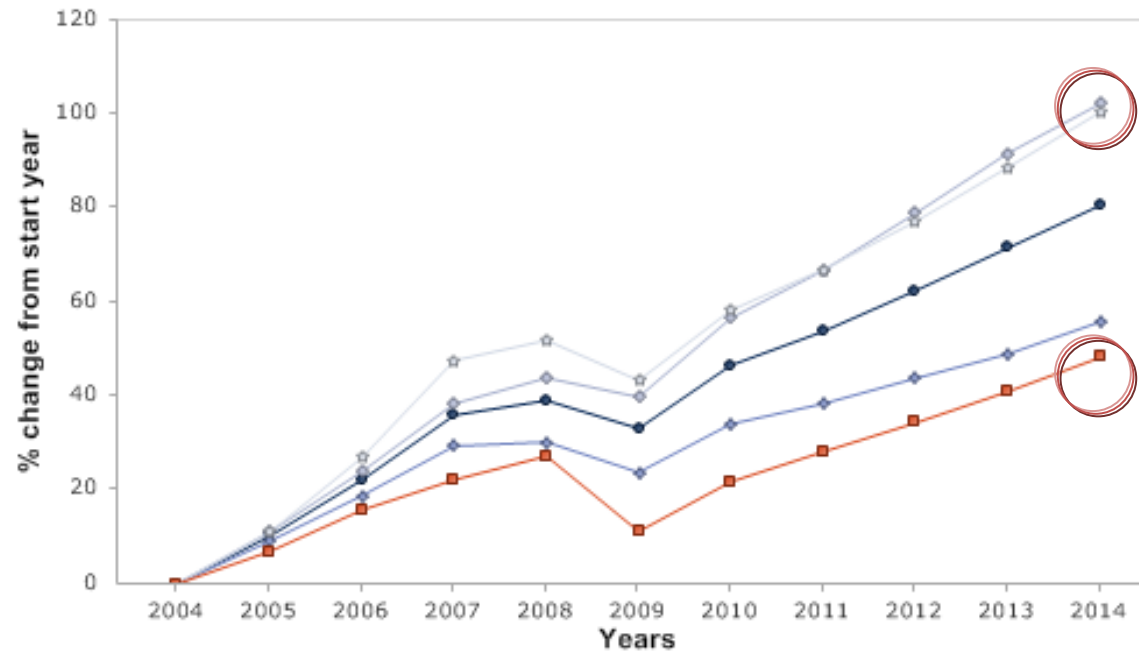


- Sea is the dominant mode in terms of volume as can be seen.
- Over time a shift is taking place towards more cost-effective, more environmentally friendly modes of transport (sea and rail)

Source: Datamonitor, Global Logistics and Express Analyzer / IMF

Modal Shift – Freight Growth by Mode/ Market

Growth Rates Freight vs Contract Logistics



- Global - Contract Logistics, Value
- ◆ Global - Contract Logistics, Warehousing, Value
- ◆ Global - Contract Logistics, Transport, Value
- ★ Global - Contract Logistics, Value Added Services, Value
- Global - Freight, Total, Value

Source: Global Logistics and Express Analyzer

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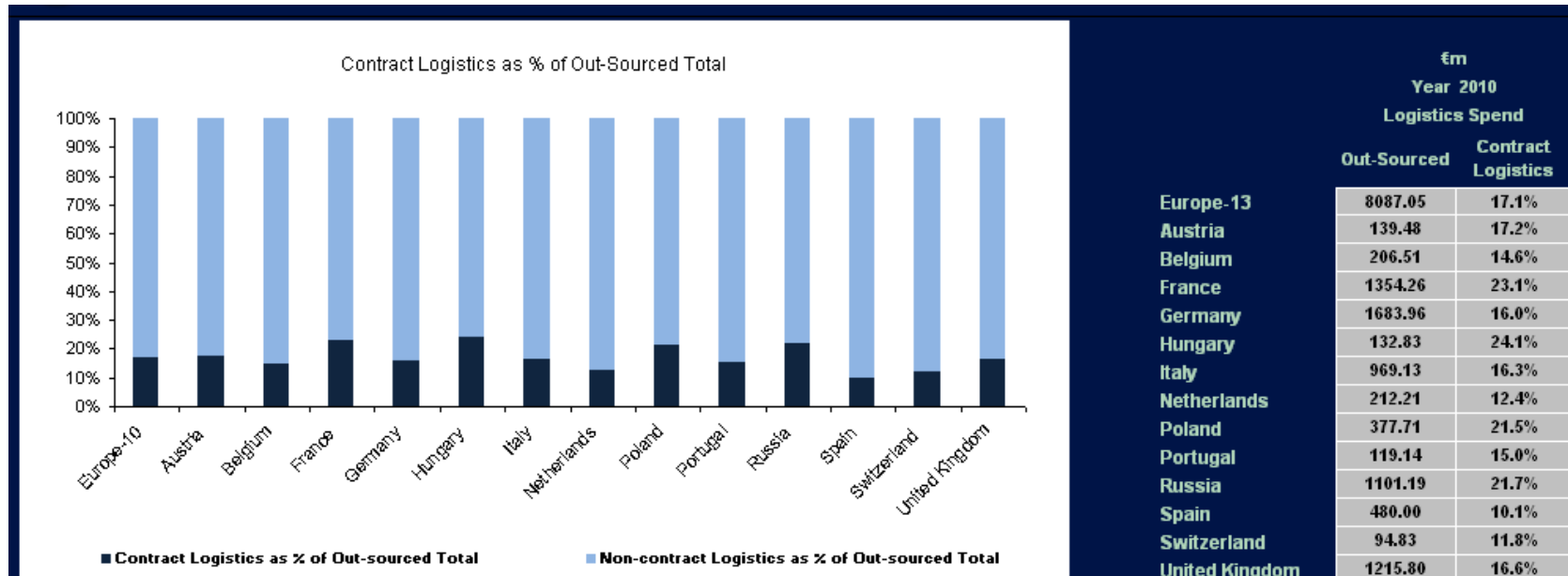
Outsourcing (3PL)

Outsourcing of non-core activities evolves; creates need for Contract Logistics

- Level of outsourcing going up across industries/ regions
- Contract logistics going up proportionally
 - Warehousing
 - Transportation
 - Value Added Services

Outsourcing (3PL) - EU

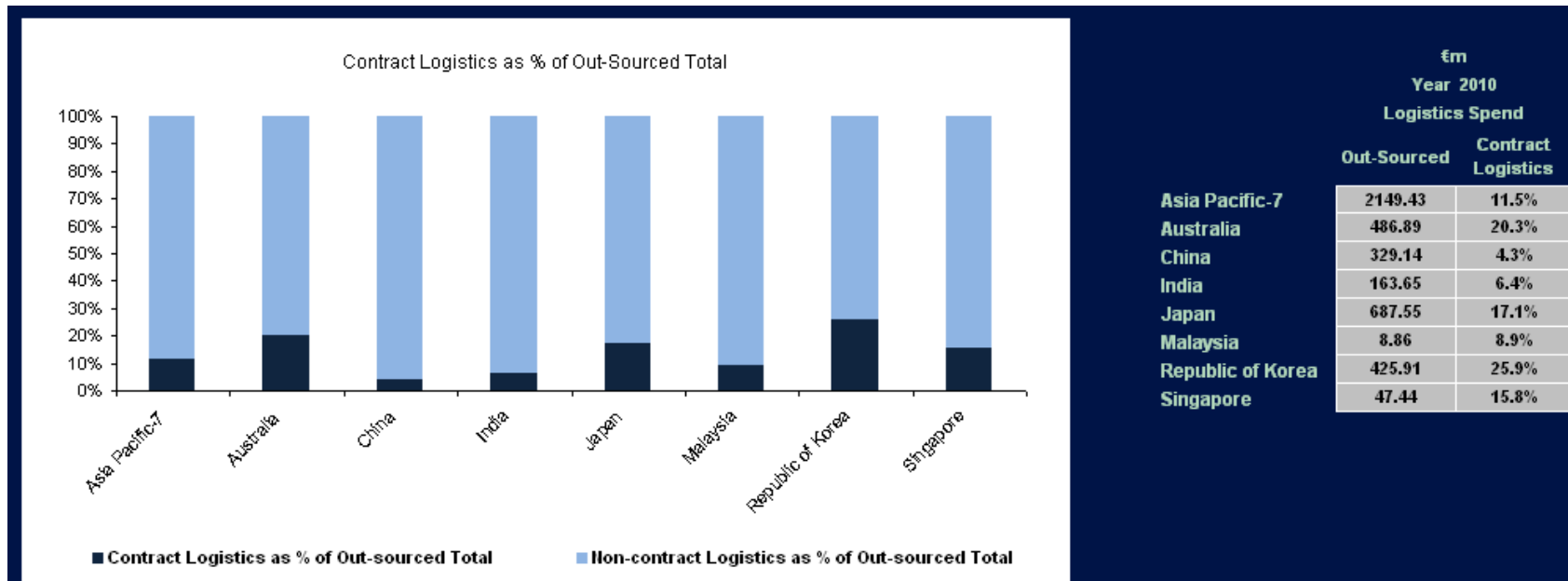
Almost a fifth of outsourced logistics spent on Contract Logistics in EU-13



Source: European Retail Vertical Market Map, Datamonitor 2011

Outsourcing (3PL) - APAC

Level of outsourcing varies across APAC countries, generally lower

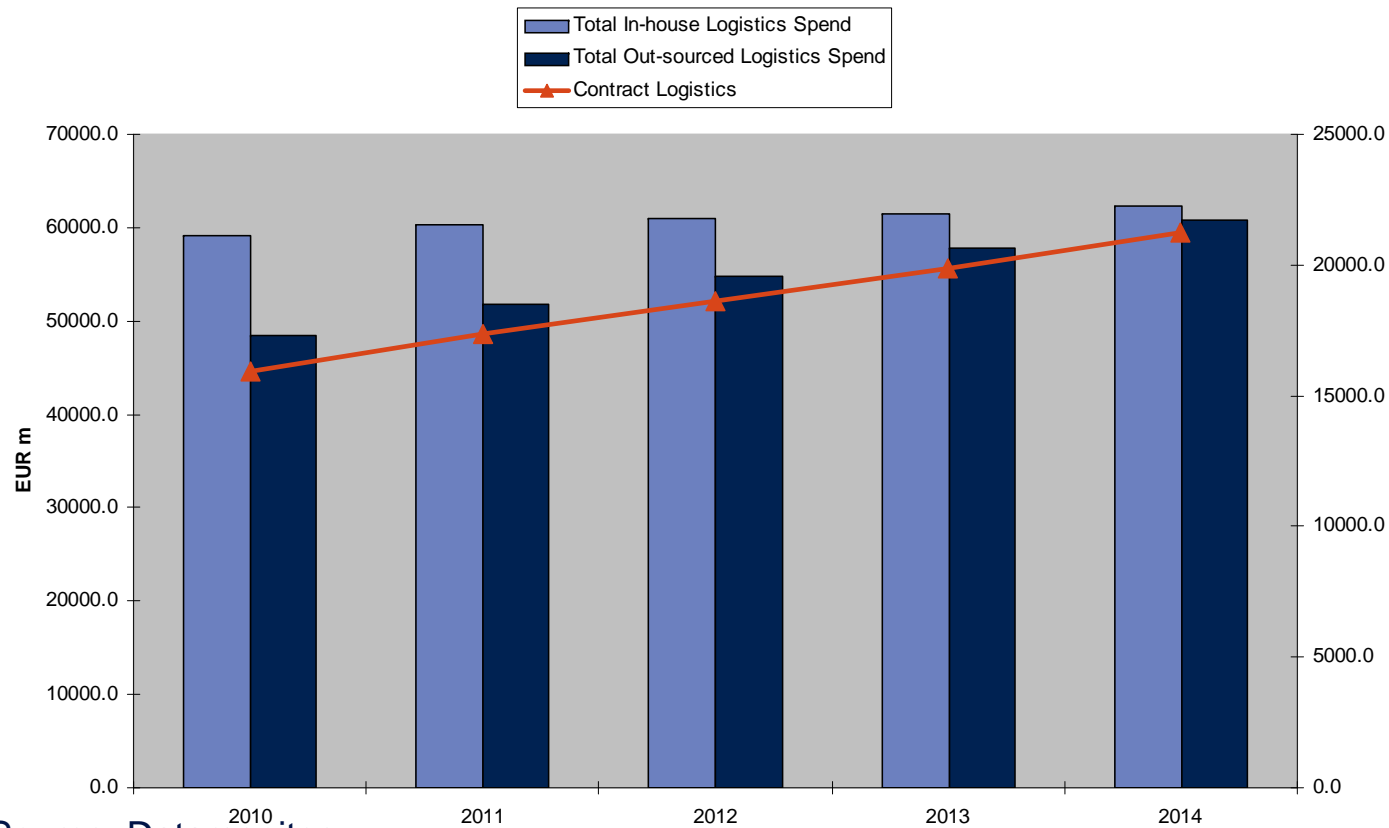


Source: Asia-Pacific Retail Vertical Market Map, Datamonitor 2011

Outsourcing (3PL) - EU

Outsourced logistics spend growing annually at 6% versus just over 1% on in-house activities

EU Retail Logistics Spend

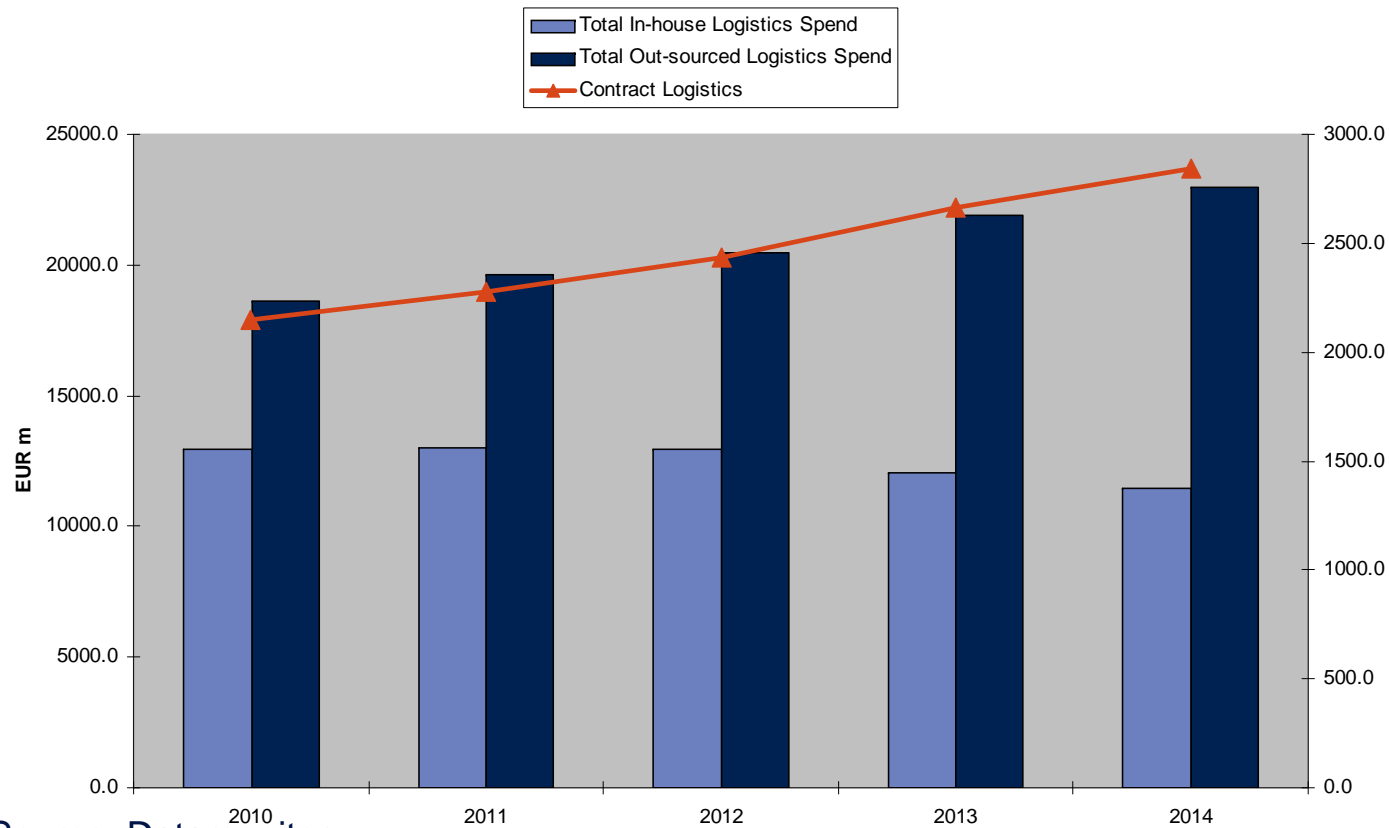


Source: Datamonitor

Outsourcing (3PL) - APAC

Outsourcing of logistics slowly outpacing or substituting in-house activities over next few years

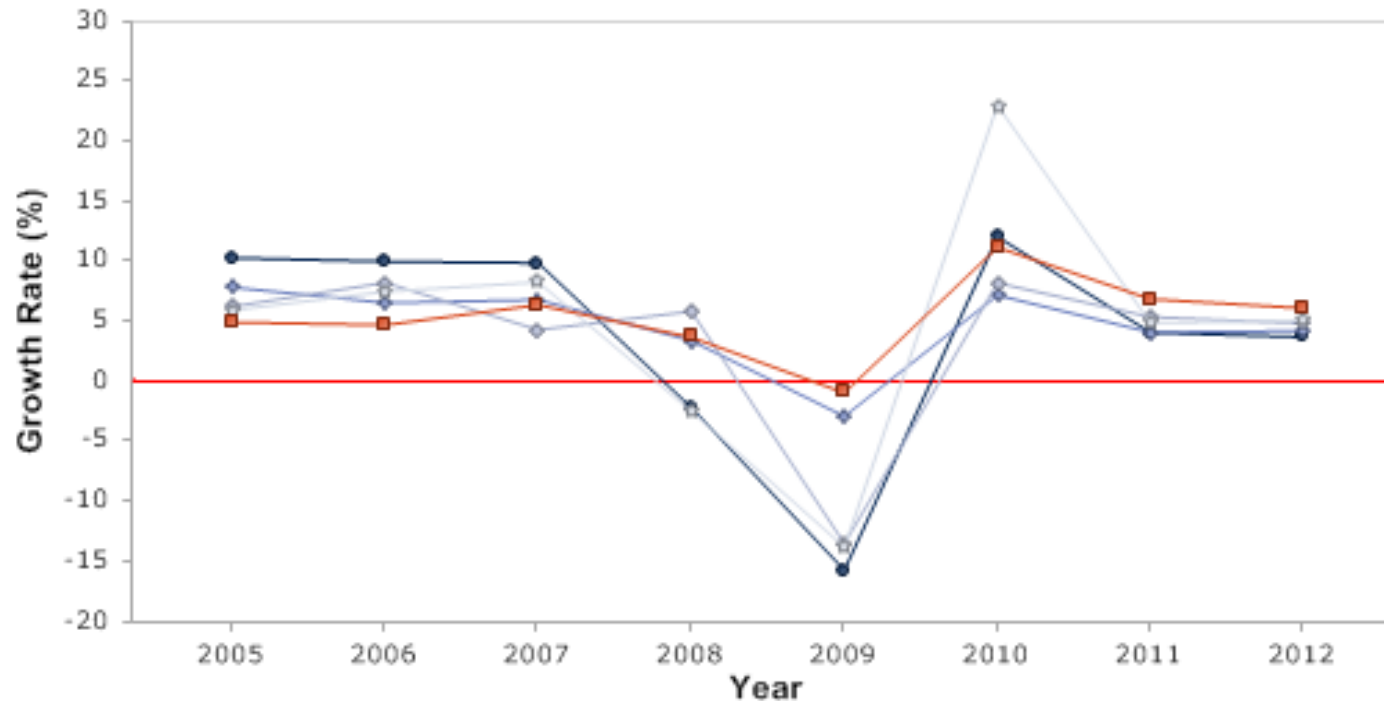
Asia-Pacific Retail Logistics Spend



Source: Datamonitor

Modal Shift – Freight Growth by Mode

Freight Growth Rates by Mode of Transport



XAxis: Years; Y Axis: Value (Growth); Series :Mode

● Sea ♦ Rail ♦ Road ★ Air ■ Inland Waterways

Source: Global Logistics and Express Analyzer

Several factors influencing modal changes

- Globalisation of manufacturing
- Demand for more cost-effective solutions (e.g. air to sea)
- Sustainability
- Supply chain rationalisation
- Investments in infrastructure

...are all factors involved in the shift in transport modes that is taking place

Role of 3PLs in this?

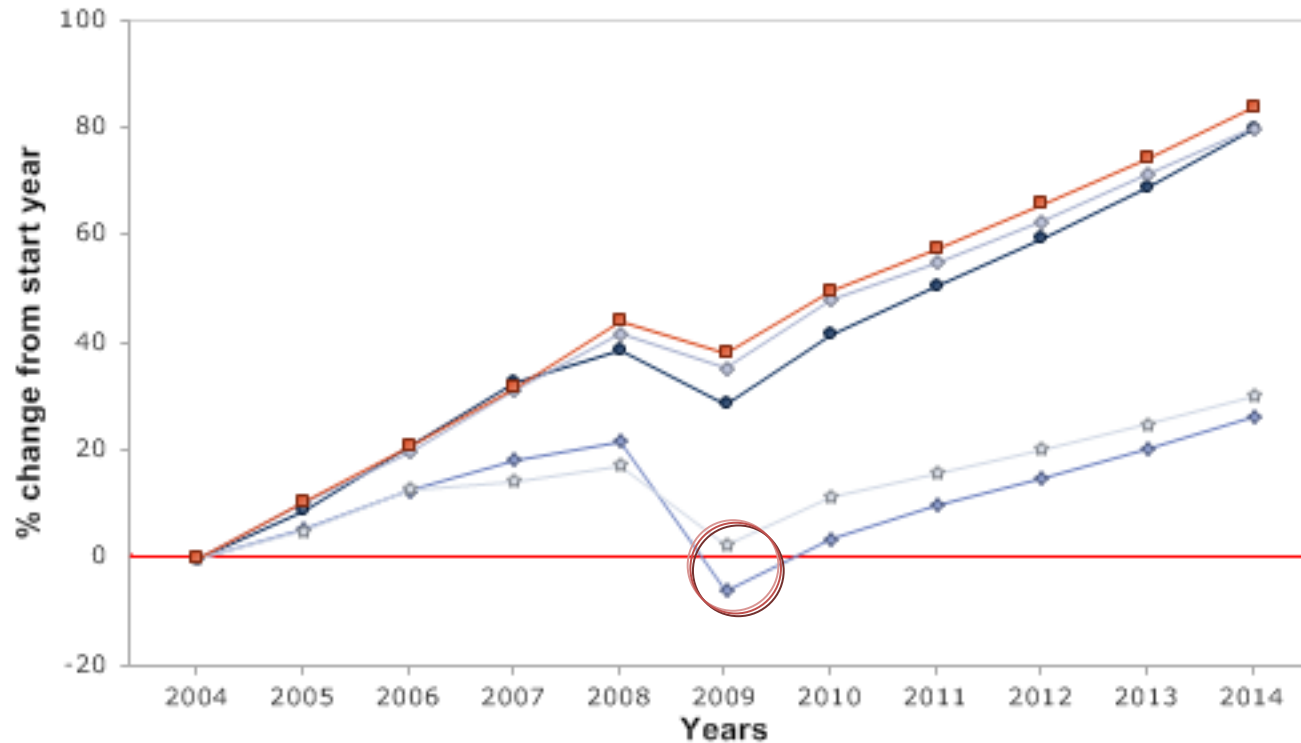
Globalization another key growth driver

- Global picture is changing but international trade main growth engine for the logistics industry
- Underlying drivers:
 - Rationalisation
 - Outsourcing to low-cost countries
 - Lean manufacturing
 - World Trade agreements

Role of 3PLs in this?

Globalisation – Freight Growth by Region

Freight Growth Rates by Region



- Total Asia-Pacific - Freight, Total, Value
- ◆ Total Europe - Freight, Total, Value
- ◆ Total Middle East and Africa - Freight, Total, Value
- ★ Total North America - Freight, Total, Value
- Total Latin America - Freight, Total, Value

Source: Global Logistics and Express Analyzer

More consolidation and cross-over expected

- Overall market still fragmented
- Blurring of boundaries between different sectors
 - Express – Freight (weight limit)/ Premium – Economy (service level)
 - Express – Freight Forwarding (type of service)
 - Freight forwarding – Contract Logistics
- Cross-sector collaboration

Fundamental changes in customer behaviour

- Customers looking for more:
 - cost-effective solutions
 - sustainable solutions
 - flexible solutions
 - more technologically sophisticated... and reliable!

Green Logistics is one of the key corporate themes for transport firms

- EU emission targets
- Green products
- Green(er) Fleet (LNG, Electric)

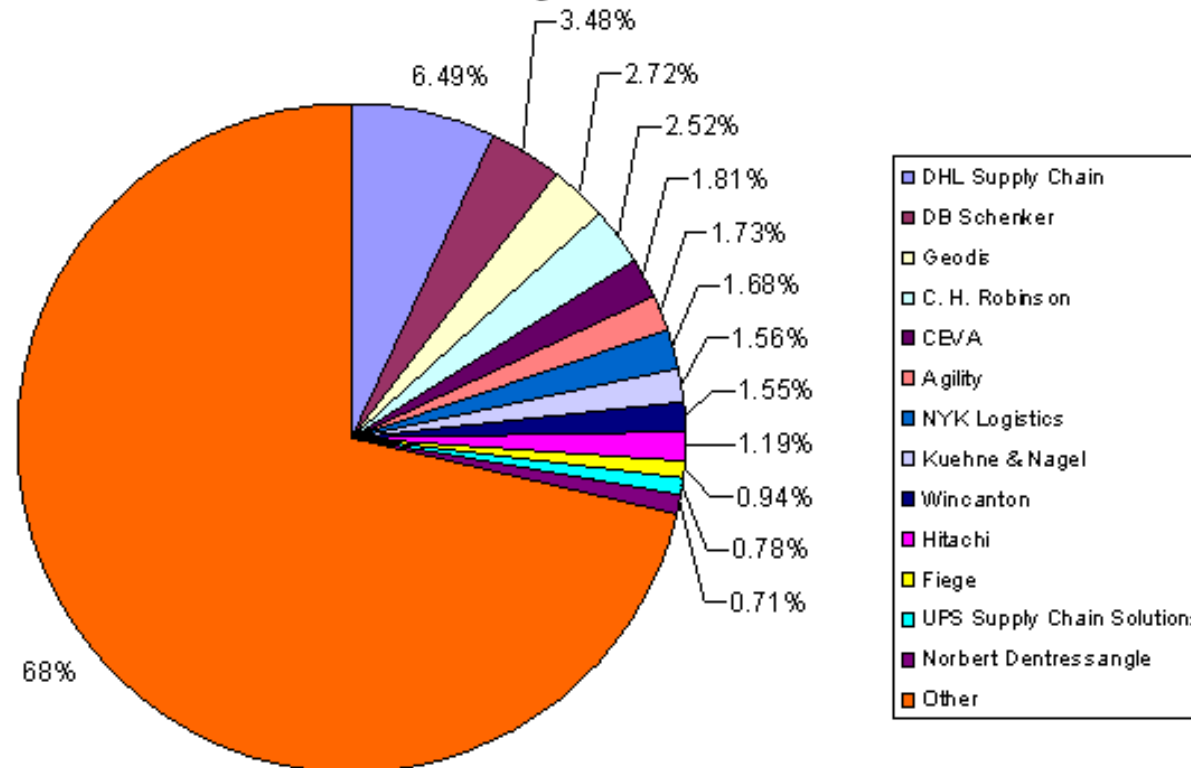
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Market position - CL

Majority of the Contract Logistics market not accounted for by top 3PLs

Market Shares in Global Contract Logistics



Source: Global Contract Logistics through the Downturn, Datamonitor 2010 report

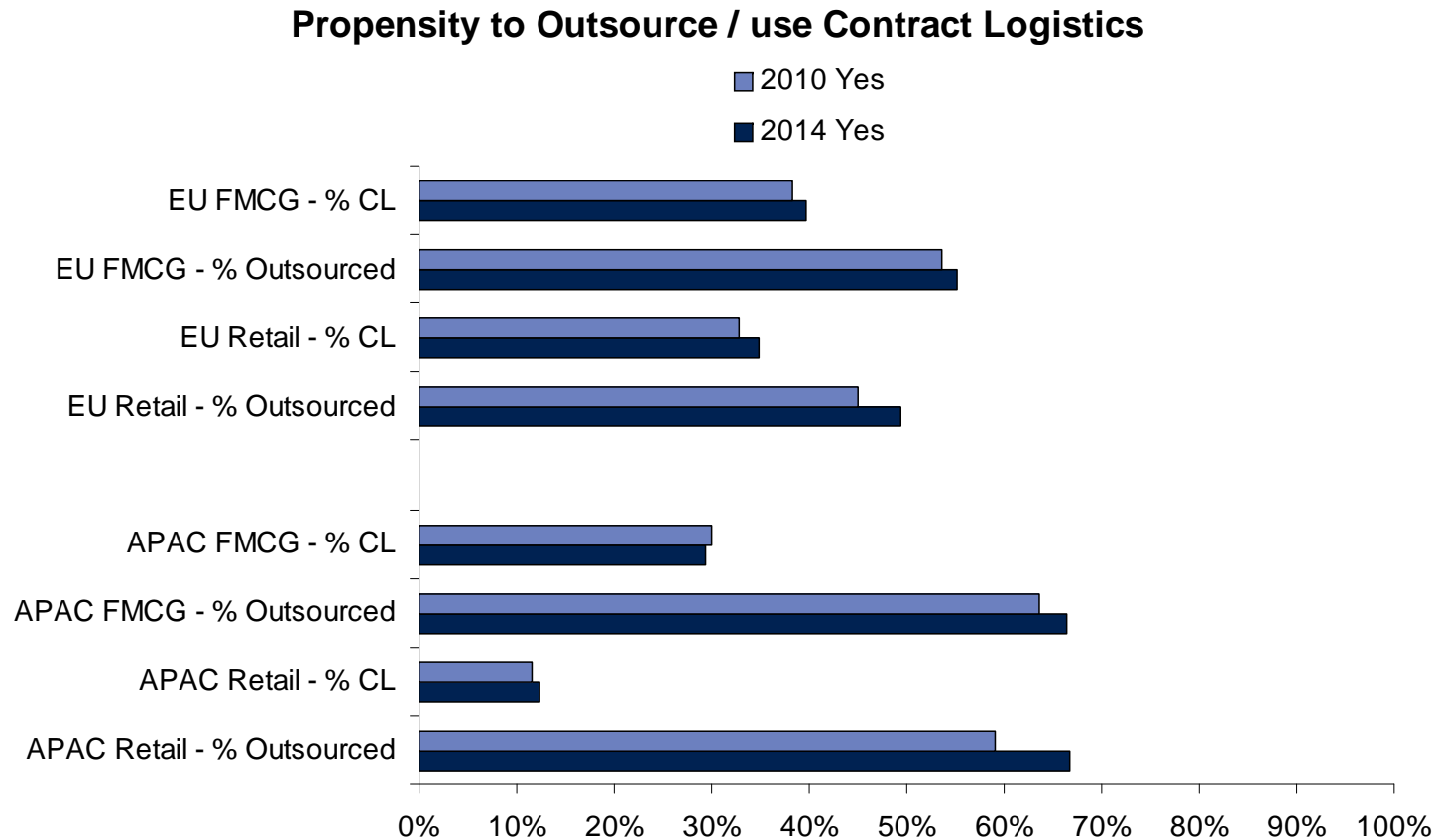
Competitive landscape: changing role of logistics services behaviour

- Generally still fragmented
- Local markets traditionally served by national posts, small couriers/ hauliers, local warehouse operators under threat from global operators such as integrators, 3PLs
- Market shifting towards management of information as well as flow of goods; advent of 4PLs, consulting / technology firms taking over as orchestrators of the supply chains of customers is changing industry

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- Key trends of the transport industry (Logistics & Express market) global ocean container freight.
- Global trends affecting the transport & PL influence in the container supply chain and what lies ahead for the shipper-3PL-carrier relationship?

Overall retailers and consumer goods manufacturers are increasing their use of outsourcing arrangements, specifically 3PL arrangements.

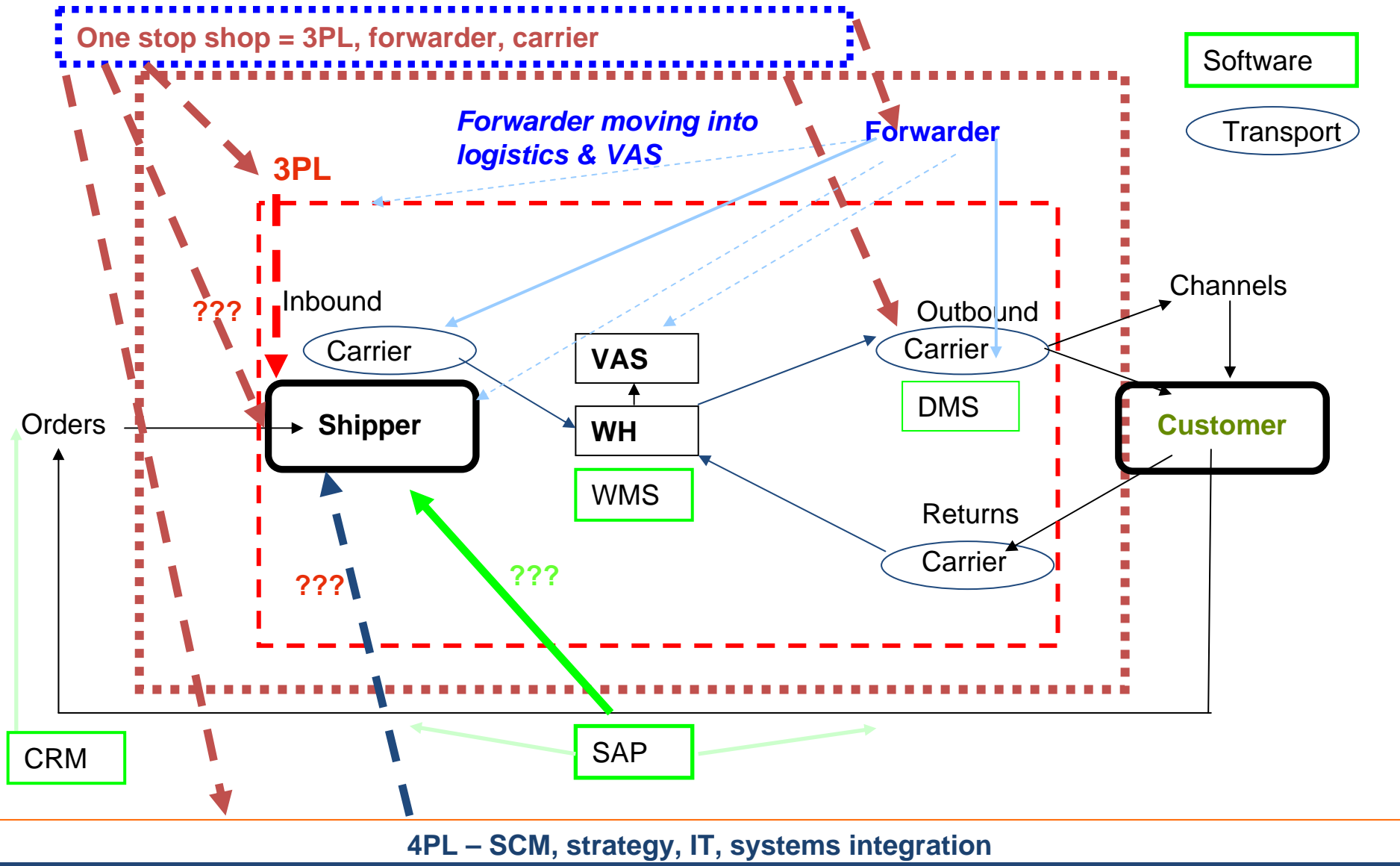


Source: Datamonitor

Key trends that have driven the build-up of 3PL market share in global ocean container freight

- Logistics becoming part of strategic planning process; SCM strategic priority
- Advantages of Outsourcing to shippers:
 - Looking for efficiencies / cut costs
 - Shippers are operating increasingly complex supply chains with continued expansion of global sourcing, transport and distribution systems
 - Requires increased visibility across supply chain
 - Demand patterns fluctuate more, fuel prices, difficulty of compliance (security)
 - Reduce risks of delays, theft, additional costs
 - Consolidation of operations under one contract
- Advantages of 3PL:
 - Economies of scale
 - SCM know how/ Track record/ Industry focus
 - IT systems/ network/ human resources

Who is controlling the shipper relationship?



Has a tipping point been reached and what lies ahead for the shipper-3PL-carrier relationship?

- Evolution of Outsourcing:
 - From Transactional towards Process outsourcing role
 - 3PLs taking over shipper relationship from 'forwarder' / carrier
 - Forwarder taking on logistics service provider role
 - Value of Supply Chain Activities / Margin
- Tipping point not yet reached:
 - Contract Logistics still growing (absolute and relative terms)
 - Still very fragmented market place
 - Reaching 'maturity' in certain industries/ geographies and regional differences do occur
 - Scale is required to support global shippers
 - Mid-sized generalist companies being acquired
 - Still room for niche players and innovative small firms

IT, external factors, macro-economic and industry changes that can alter dominance

- Still long way to go for 3PL in terms of what they can offer...
- Technology/ IT/ SCM changing relationship again
- Setting overall strategy for shipper
- Change in SC strategy? Change in distribution model?
- This will impact underlying SC activities
- Scale required to support shippers' global operations



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