A SPECIAL SUPPLEMENT TO:
SUPPLYCHAIN MANAGEMENT REVIEW

2017 TOP 50 3PLs:

INVESTMENT AND CONSOLIDATION MAINTAIN TRACTION

The trend set over the past few years for mergers and acquisitions has hardly subsided, and a fresh injection of equity investment is transforming the marketplace. At the same time, shippers may expect to see 3PLs continue to purchase high-tech "solutions" and hire young professionals for implementation.

By Patrick Burnson, Executive Editor

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SPECIAL REPORT

2017 Top 50 U.S. and Global 3PLs

Leading industry analysts maintain that the "mega-deals" witnessed over the past two years in the third-party logistics provider (3PL) sector have abated, but that certainly doesn't mean that mergers and acquisitions (M&A) will fall out of the picture.

According to Evan Armstrong, president of the consultancy Armstrong & Associates, the 3PL market is also still ripe for equity investment. "The one outstanding example of this was when Aerospace, Transportation and Logistics [ATL Partners] bought a controlling share of Pilot Freight Services late last year," he says. "We also anticipate more M&A activity as 3PLs strive to expand geographic scale and provide integrated solution offerings."

At the same time, says Armstrong, technological changes are having a dramatic impact on 3PL operations. Companies such as project44, MacroPoint and others are driving improved transit status data and carrier capacity information from transportation providers to lead logistics companies.

"This year's electric logging devices [ELD] mandate could also be a boon for shipment tracking and carrier capacity monitoring information," says Armstrong. "These types of advances allow for more process automation and increased operational efficiencies. They're also increasing the quality of information available to customers of non-asset based transportation managers."

Specifically, industries such as pharmaceuticals are increasing their digitalization needs, Armstrong's research reveals, putting more emphasis on 3PLs to match these new technological demands. To better ensure counterfeit products are not being sold within established sales channels, for example, the pharmaceuticals industry has a 2017 mandate to begin capturing product serial numbers across its supply chains.

"While this mandate has presented a challenge for many value-added warehousing 3PL operations, the ones we've met with are implementing the required operations changes and will meet the deadline," says Armstrong.

2017 Top 50 3PLs

Armstrong & Associates Top 50 U.S. 3PLs (April 2017)

2016 Rank	Third-party Logistics Provider (3PL)	2016 Gross Logistics Revenue (USD Millions)*
1	C.H. Robinson	13,144
2	XPO Logistics	8,638
3	UPS Supply Chain Solutions	6,793
4	J.B. Hunt (JBI, DCS & ICS)	6,181
5	Expeditors	6,098
6	Kuehne + Nagel (The Americas)	4,909
7	DHL Supply Chain North America	4,200
8	Burris Logistics	3,629
9	Hub Group	3,573
10	FedEx Trade Networks/SupplyChain Systems/GENCO	2,916
11	Ryder Supply Chain Solutions	2,659
12	DB Schenker (The Americas)	2,630
13	Coyote Logistics	2,360
14	Total Quality Logistics	2,321
15	CEVA Logistics (The Americas)	2,310
16	Panalpina (The Americas)	2,209
17	GEODIS (The Americas)	2,200
18	Schneider Logistics & Dedicated	2,125
19	DSV (The Americas)	1,798
20	Echo Global Logistics	1,716
21	Transportation Insight	1,710
22	Landstar	1,632
23	Transplace	1,620
24	Americold	1,555
25	Penske Logistics	1,500
26	Swift Transportation	1,431
27	NFI	1,250
28	Werner Enterprises Dedicated & Logistics	1,156
29	OIA Global	1,150
30	BDP International	1,090
31	APL Logistics Americas	1,055
32	Yusen Logistics (Americas)	1,044
33	Cardinal Logistics Management	1,006
34	Mode Transportation	949
35	SunteckTTS	900
35	syncreon	900
35	Lineage Logistics	900
36	Radial	800
36	TransGroup Global Logistics	800
37	Ruan	796
38	Nippon Express (The Americas)	790
39	Radiant Logistics	783
40	Damco (The Americas)	773
41	Neovia Logistics Services	763
42	Worldwide Express	750
43	ArcBest	677
44	Odyssey Logistics & Technology	650
45	Hellmann Worldwide Logistics (The Americas)	640
46	Kenco Logistic Services	626
47	Crane Worldwide Logistics	616

*Revenues are company reported or Armstrong & Associates, Inc. estimates and have been converted to US$ using the average annual exchange rate in order to make non-currency related growth comparisons.
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Special Report

2017 Top 50 3PLs

A SPECIAL SUPPLEMENT TO
SUPPLY CHAIN MANAGEMENT REVIEW

Armstrong & Associates Top 50 Global 3PLs (April 2017)

2016 Rank	Third-party Logistics Provider (3PL)	2016 Gross Logistics Revenue (USD Millions)*
1	DHL Supply Chain & Global Forwarding	26,105
2	Kuehne + Nagel	20,294
3	Nippon Express	16,976
4	DB Schenker	16,746
5	C.H. Robinson	13,144
6	DSV	10,073
7	XPO Logistics	8,638
8	Sinotrans	7,046
9	GEODIS	6,830
10	UPS Supply Chain Solutions	6,793
11	CEVA Logistics	6,646
12	DACHSER	6,320
13	Hitachi Transport System	6,273
14	J.B. Hunt (JBI, DCS & ICS)	6,181
15	Expeditors	6,098
16	Toll Group	5,822
17	Panalpina	5,276
18	GEFCO	4,800
19	Bolloré Logistics	4,670
20	Kintetsu World Express	4,415
21	Yusen Logistics	4,169
22	CJ Logistics	3,662
23	Burris Logistics	3,629
24	Agility	3,576
25	Hub Group	3,573
26	Hellmann Worldwide Logistics	3,443
27	IMPERIAL Logistics	3,352
28	Kerry Logistics	3,097
29	FedEx Trade Networks/SupplyChain Systems/GENCO	2,916
30	Ryder Supply Chain Solutions	2,659
31	Damco	2,500
32	Coyote Logistics	2,360
33	Total Quality Logistics	2,321
34	Sankyu	2,275
35	Schneider Logistics & Dedicated	2,125
36	Wincanton	1,720
37	Echo Global Logistics	1,716
38	Transportation Insight	1,710
39	APL Logistics	1,700
40	NNR Global Logistics	1,676
41	Mainfreight	1,640
42	Landstar	1,632
43	Transplace	1,620
44	arvato	1,615
45	Americold	1,555
46	Fiege	1,550
47	Penske Logistics	1,500
48	Swift Transportation	1,431
49	Groupe CAT	1,328
50	NFI	1,250

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"Adapt or die"

Logistics managers should also expect more 3PL consolidation, says Armstrong, pointing out that the global market is finding it exceedingly hard "to grow and scale" their networks organically.

"Acquisitions are required to leapfrog into and move upward within the Top 50 Global 3PL rankings," says Armstrong. "This will continue to drive acquisitions like we have seen with DSV/UTi; XPO/Norbert Dentressangle, and Con-way with Geodis/OHL."

Finally, the "adapt or die" imperative is still with us—and will be for the foreseeable future. To keep pace with omni-channel fulfillment and disruptive technologies like drones, 3D printing, Internet of Things, driverless vehicles, advanced robotics and wearable technology, it's become painfully clear that 3PLs must constantly evolve to anticipate shipper demands.

> **"Acquisitions are required to leapfrog into and move upward within the Top 50 Global 3PL rankings."**
>
> *—Evan Armstrong, president, Armstrong & Associates*

"Fortunately, 3PLs are amazingly good at embracing change," says Armstrong. "For example, we've been in operations utilizing PINC Solution's drones for improved trailer yard management and Google glasses for warehouse picking. In addition, many applications, such as HubTran, are adapting machine learning to automate mundane freight bill payment tasks."

In the meantime, Armstrong adds that 3D printing remains mired in its growth stage, but will continue to impact spare and service parts logistics operations. "However, we will see some type of human-overseen driverless vehicles hit the streets in the near term, and that could be especially beneficial in long-haul trucking operations."

For Armstrong, the "Uberization" of trucking, or what he prefers to call "digital freight matching," is still trying to find its legs. "However, we see that there's significant progress being made to build improved real-time lane pricing information with companies such as CargoChief, and improved carrier management applications from industry stalwarts such as C.H. Robinson and Coyote Logistics," he says.

Building a portfolio

Many of the same observations are shared in Gartner's annual "Magic Quadrant" report that was released last month at its supply chain conference in Phoenix. The aim of the report is to provide a qualitative analysis of the market, its direction, maturity and its participants.

Greg Aimi, Gartner's director of supply chain research and co-author of the "Magic Quadrant," says that logistics managers are still pressing for consolidation in their 3PL portfolios, but not until providers can demonstrate that they have a truly global network.

"For this to happen," says Aimi, "there must be a significant air and forwarding capability. Furthermore, 3PLs in the Asia Pacific region have yet to get started with western acquisitions—but I assume they will." He adds that the report revealed that logistics managers are seeking out a high-degree of industry vertical expertise and specialized solutions, thereby driving a number of "tuck-in" M&As.

"At the same time, the technology area for 3PLs is just getting started," adds Aimi. "Let's just forget that they were laggards when it came to unifying software systems to a single global platform in the past. Today, global operational transparency requirements and digital business drivers from their shipper customers are just going to increase the need for 3PLs to be top dogs when it comes to tech and innovation."

New journey

According to Aimi, this is the second iteration of the "Magic Quadrant" for North American 3PLs. Since the first report, Gartner made significant changes in the criteria definitions to better identify what makes a 3PL valuable to shippers seeking a North American regional provider.

Researchers note that the 3PL industry is "progressing along a maturity spectrum," and trying hard to accommodate increasing shipper requirements

through a combination of acquisition and organic growth strategies. However, not all are at the same place in their journey.

According to Gartner, there's a transformation underway across today's logistics industry, and perceptions of logistics service providers are changing. Relationships historically have been transactional, pragmatic and "physical activity oriented."

Researchers note that 3PLs contributed by

competing head-to-head in low-margin pricing wars and assumed the role of an interchangeable commodity. Consequently, the idea of leveraging specialized services seemed out-of-reach—until recently.

"As acceptance has grown for an increased amount of logistics outsourcing, companies are

3PL: Cultural shift underway

Gartner analysts note that in the North American logistics market, most 3PLs started business by predominantly providing deep capabilities in one of three major logistics service roots: transportation services, warehousing and fulfillment services, or international freight forwarding and customs brokerage.

In fact, many providers today still predominantly offer services from just one of these main service lines or "root services." Other providers, especially the larger ones, have expanded their offerings to include services from one or both of the other roots to have a more comprehensive offering.

The truckload brokerage business, for example, has been regarded as one of the stodgier business models in the logistics sector for some time. However, one firm that appears to be breaking out of that mode recently came to our attention when we learned of its "new age" culture and young leadership.

Nolan Transportation Group (NTG) is a company in this high-growth, fast-paced industry, providing third-party logistical services to over 8,000 customers across the United States, Canada and Mexico. Founded by Kevin Nolan in 2005 as a truckload brokerage with a box of cash and two employees, the company posted $278 million in revenue in 2016.

According to Nolan, it's all about culture. He notes that the brokerage business is built on effective sales with a high volume of transactions happening every minute of every day. He's built a successful sales organization by hiring recent graduates who believe in a high energy, collaborative work culture with ample opportunity for growth and promotion from within.

Supply Chain Management Review (*SCMR*) recently sat down with Nolan to gain his observations on the journey so far.

***SCMR*: Do you expect barriers to entry in the 3PL space to come down, or will it be tougher for new players to emerge?**

Kevin Nolan: I believe the legal—bond, insurance and background—barriers to entry will stay consistent with current levels due to the new administration. However, the difficult barriers to compete with players of scale will grow as consolidation and investments continue. Examples of this are technology, hiring and paying vendors faster.

***SCMR:* What advice can you give to new players breaking into this business?**

Nolan: Balance…plain and simple. Being a 3PL means we're in the middle of customer and vendor. Treat carriers and customers the same, because you can't exist without either. It's easy to gravitate to the customer side more, but the great 3PL sees both sides as equals.

***SCMR:* How important is trust in the supply chain?**

Nolan: For non-asset and asset light, trust is everything. Production, construction time lines, and end-user satisfaction are all based on delivery of product. If you don't give correct information, the trickle down will ruin your reputation across their whole organization. In supply chain, surprises and breakdowns happen. You have to face these problems head on and communicate with all parties so they can plan accordingly as well.

—Patrick Burnson, executive editor

realizing that their performance is more dependent on not only their 3PL providers' capabilities and execution, but also the manner in which they are managed," says Aimi. "This mandates a transition in the roles and responsibilities of tomorrow's logistics professional from being a master of logistics execution to a master of provider orchestration; and it puts an importance on the relationship between customer and 3PL."

> **"Logistics managers should be ever mindful that 3PLs are partners who are re-examining their supply chains and looking for useful ways to innovate and transform."**
>
> *—John Langley, Jr., Ph.D, clinical professor of supply chain management, Penn State University*

Shareholder pressure

Interestingly, while the importance of resource integration is widely acknowledged, it's not uncommon for logistics companies to continue to operate their systems separately, notes John Manners-Bell, chief executive of the London-based consultancy Transport Intelligence (Ti).

For example, Manners-Bell notes that companies like DHL, UPS, Deutsche Bahn and SNCF continue to operate despite the fact that there is little integration between many of their operations or functions. He maintains, however, that this is a less than optimal situation and has often led to a significant lag in the realization of costs savings or to the absence of expected cooperation.

"What's more," says Manners-Bell, "this lack of cooperation makes disposals likely if and when management comes under pressure from shareholders. While contract logistics companies typically integrate well, due to their asset-light nature, they still need to work on the daunting challenge of integrating the IT systems of the acquired company."

Ti researchers say that the logistics industry maintains the consolidation trend, suggesting that acquisition remains the most favored route towards building global portfolios of integrated services. Their analysts agree with Armstrong and

Examples of major contracts in early 2017

Client	Company	Duration	Sector	Country	Region	Description
Mercedes-Benz	CEVA	3 years	Automotive	Brazil	South America	CEVA renewed its existing contract with Mercedes-Benz for a further three years. It also signed two new agreements which will extend elements of the contract for three and five years respectively.
Carlsberg	DHL Supply Chain	2 years	Consumer/Retail	UK	Europe	Carlsberg awarded a two-year contract to DHL Tradeteam for the management of UK distribution services.
Groupe SEB	XPO Logistics Europe		Consumer/Retail	Global		XPO secured a multi-million pound, long-term contract with global domestic appliances and cookware giant Groupe SEB.
SAS Scandinavian Airlines	Kuehne + Nagel (K+N)	3 years	Aerospace	Global		SAS Scandinavian Airlines extended its contract with K+N for global logistics services until 2020. K+N will manage the international transport of spare parts for the SAS airplane fleet.
Neue Halberg-Guss (NHG)	Yusen Logistics		Industry and Manufacturing	Germany	Europe	Yusen Logistics won a contract for a total supply chain solution for NHG. The contract covers the movement of engine blocks from Germany to the production plant of a car manufacturer in Ohio, as well as the provision of a closed loop supply chain back to Germany.

Source: Ti database of major contracts

2017 Top 50 3PLs

Gartner that the level of consolidation in 2017 is estimated to drop compared to 2016, both in terms of total deal value and volume.

"However, looking ahead, the outlook for consolidation activity in the industry remains positive," says Manners-Bell. "In addition to being driven by the search for growth through global presence and expertise in high-margin sectors, the continued growth of e-commerce will also drive M&A activity in the logistics industry."

John Langley, Jr., Ph.D., clinical professor of supply chain management at Penn State University, agrees with many of the points raised by Armstrong, Gartner, and Ti, but concludes that logistics managers must be aware of other imperatives as well.

"Three factors will contribute to a greater reliance on technology as 3D or additive manufacturing comes into play," says Langley. "We have the same forecast for issues related to block chain, visibility, and optimization."

At the same time, Langley cautions managers to consider disruption and risk when choosing a global 3PL, particularly if they're operating in a politically unstable environment.

"Also of significance is that the 'Amazon concept' is resulting in a great need for providers of all types to reassess their existing capabilities and essentially transform their strategies and operations to better fit into the future needs of shippers," says Langley. "Logistics managers should be ever mindful that 3PLs are partners who are re-examining their supply chains and looking for useful ways to innovate and transform."

Patrick Burnson is executive editor of SCMR

New Transport Intelligence report finds that Asia's outsourcing needs accelerated contract logistics

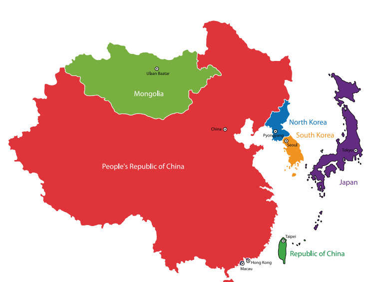
According to "Global Logistics 2017," a recent report released by the London think-tank Transport Intelligence (Ti), the overall contract logistics market is estimated to have grown by 3.9% in real terms in 2016.

Despite stronger global growth during this period, many developed markets struggled to match even the modest growth rates seen in their contract logistics markets in 2015. This reflects trends in the global economy, where growth rates in advanced economies slowed overall.

According to Ti analysts, it would be "too easy" to match these struggles to the impacts of political events such as the U.S. presidential election and the Brexit vote. In 2016, Barack Obama was still U.S. president and the European Union had 28 members. Instead, weak real wage, productivity and consumption growth dampened global economic growth.

"Manufacturing production and retail sales volume growth remain fundamental drivers of contract logistics," says Ti Economist, David Buckby. "Manufacturing expansion in advanced economies remains weak while Asia Pacific, including China, is seeing the lion's share of growth."

According to Buckby, retail is a different story. "To an extent, e-commerce has bailed out contract logistics in advanced economies," he said. "And I expect these trends to continue to shape the background of the contract logistics sector for the next few years at least."



Despite stronger global growth in 2016, many developed markets struggled to match even the modest growth rates seen in their contract

logistics markets in 2015. This reflects trends in the global economy, where growth rates in advanced economies slowed overall.

Meanwhile, multinational manufacturers increasingly consider options outside China (especially nearby ASEAN) as production locations, primarily thanks to cheaper labor costs, all the while ingraining Factory Asia more deeply, a spur for the region's manufacturing contract logistics.

That being said, even with rising wages, manufacturing in China is still undeniably strong, add Ti analysts. As low cost manufacturing has departed, this has been offset by China moving up the chain to more value-added production.

"While Europe and North America suffer from both stagnating retail sales and manufacturing production growth, Asia is taking advantage, driving growth for the global market as a whole," adds Buckby. •

—Patrick Burnson, executive editor

Damco unveils new digitized service for freight forwarders

While a bevy of high-tech outfits have threatened to disrupt the current freight forwarding marketplace with its their digitized offerings, older established players are hardly standing still as far as innovation is concerned.

Witness, say analysts, the recent moves made by Damco, the third-party logistics subsidiary of Danish shipping conglomerate A.P. Moller/Maersk. Starting last month, "Twill," the provider's digital freight forwarding startup, became openly available to shippers in the U.K. market and will later be open to shippers worldwide.

John Klompers, the Damco's global head of freight forwarding, told Logistics Management that he sees the modern freight forwarder changing into a global freight supply chain "orchestrator."

"Service reliability, space allocation guarantees and a multi-carrier platform have become much more important to spread risks and to avoid supply chain disruptions," said Klompers. To that effect, Damco has positioned itself to compete with Twill by enabling logistics managers to book, manage and monitor shipments online with a simple keystroke.

"Damco is a frontrunner in the digitalization of the supply chain and does this by co-creating with customers," says Klompers. "The focus is on the customers' immediate need, using technology to provide insights and trends and to spot potential problems and supply chain stresses before something goes wrong. We have developed Apps to provide the visibility needed to effectively manage supply chains."

Klompers noted that, as the supply chains become increasingly more complex, one may never be able to take risk completely off the table. "But we believe freight forwarders are the key solution for logistics managers to avoid supply chain disruptions in the ever changing freight market," he added.

So far, the beta model has been focusing on managing ocean shipments within the China to U.K. trade lane. Damco spokesmen said that it will add more shipping routes and products over the coming months—and, in the first part of Twill's expansion, all of Asia-Europe trade will be addressed.

—Patrick Burnson, executive editor

CBRE data shows decent, but changing trends for logistics & industrial real estate in the Americas

While many key market themes remain intact as they relate to the industrial real estate market, there are also some apparent changes as well, according to the recent edition of CBRE's "Americas Industrial & Logistics Trends Report."

The report's data points, which are based on feedback from more than 950 CBRE brokerage and investment professionals, highlight the current

state of the industrial real estate market, which continue to hit, or approach, all-time highs for certain benchmarks, including:

- net absorption growth of America's industrial and logistics space continued for the 28th consecutive quarter in the first quarter, with occupancy at 95.2% for its highest level since 2002, while slowing on the heels of near-record user demand in 2016;
- while net absorption fell sequentially and annually, the vacancy rate dropped 10 basis points to 4.8%, with the availability rate up slightly at 8%;
- due to tight supply, the net rent index rose 1.6% in the first quarter and 6.7% annually to $6.24 per square-foot, its highest level since 1980;
- new development at 46.5 million square-feet in the first quarter was down 11% compared to fourth quarter of 2016 and up 17.4% annually; and
- industrial and logistics was the only CBRE sector to see a gain in investment volume, up 3.2% to $13.9 billion in the first quarter, with individual asset sales rising 15% annually.

David Egan, CBRE head of industrial and logistics research in the Americas, told *Logistics Management* that the biggest takeaway is the first quarter decline in user demand in leasing across the Americas markets, specifically in the United States.

"It is low and noticeably lower than the numbers that came before it," says Egan, "and it raises some red flags, with people wondering if it is an ominous sign for the state of the market. In fact, there isn't a slowdown in users looking for space in the market. It

has more to do with there not being much space left, and vacancy rates are so low that the ability to get a deal done is getting difficult."

CBRE says the dominant users leasing space in most markets are in the e-commerce, 3PL and food & beverage markets. The needs for users in these markets, says Egan, are getting more diverse, with those three markets "dominating" demand in the industrial space.

Earlier in this cycle, from 2012-2014, most of their attention was focused on super big box facilities that were 500,000 square-feet and above and largely in major core markets like Chicago, Los Angeles, Dallas and Atlanta with big regional population centers.

"There is still plenty of activity happening in those types of buildings and markets, but we have seen a significant shift in the diversity of demand from those types of users from the major markets to secondary and tertiary markets, which are smaller and don't have as big of population centers," added Egan.

—Jeff Berman, group news editor

XPO Logistics takes steps to expand last mile network in Chicago area

Taking steps to expand its last-mile logistics network, freight transportation and logistics provider XPO Logistics announced that it has expanded its "Chicagoland" facility in Bollingbrook, Ill.

Company officials say that this new facility doubles the capacity of XPO's Chicago-based market delivery center (MDC), which serves

large retailers, e-commerce service providers, and heavy goods manufacturers, to almost 100,000 square feet.

XPO defines the MDC as a facility that receives product, schedules product, and, as needed,

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prepares and assembles product at that site before it heads out to delivery. It also takes care of customer service issues, and conducts a "check in" of product that comes off of trucks for reverse logistics products that need to go back to a retailer or manufacturer for any reason.

In an interview with *Logistics Management*, Charlie Hitt, president of XPO's last mile business unit, said that Chicago is one of XPO's three busiest and fastest-growing markets nationwide. "We need to invest in what our customers are having happen in the growth of their business, particularly in e-commerce."

The impact of a rapidly growing e-commerce market on the last mile sector, especially for heavy goods, is something that cannot be overstated, stressed Hitt.

For XPO, that e-commerce activity, in terms of client relations, continues to grow.

"We have had 15% to 20% growth in the last quarter alone in e-commerce business," Hitt says. "Traditional brick and mortar retailers are expanding out with more e-commerce offerings, and they want it to be seamless and they want it fast."

Prior to this announcement, the Chicagoland MDC was roughly 50,000 square-feet and handled last-mile for retailers, as well as business that came in from Internet sales than can plug into the XPO system.

"We think this business will grow 30% to 40% next year in Chicago, but it could be more and we're going to be opportunistic about that if that happens," said Hitt. He explained that this forecast is reflective of an ongoing "do it for me" theme among consumers in that they don't want to do something like pick up a TV at a store and hook it up on their own.

"Now, they want someone to take the old TV or washer and dryer away or have it done for them," notes Hitt. "That is what they want; they want things to be simple."

—Jeff Berman, group news editor

UPS rolls out new service in Europe for time-critical shipments

Last month, UPS announced that it rolled out a new service in Europe focused on urgent, time-critical shipments requiring special handling. Called UPS Express Critical, the company said examples of these shipments include things like aircraft parts or surgical tools that are particularly germane to the industries like healthcare, manufacturing and aerospace.

As for how this service works, UPS explained that a UPS team assesses a shipping request though a 24x7 contact center and then identifies transportation alternatives and implements a delivery plan meeting customer time and cost requirements. Services provided through UPS Express Critical include air, charter and surface, as well as a personal courier who can carry the shipment by hand from origin to destination on a commercial flight.

Daniel Gagnon, vice president of global logistics and distribution for UPS, told *Logistics Management* that increasing customer demand drove the development of this new service.

"Most major market segments UPS serves often require overnight express services," says Gagnon. "This service appeals to customers when next-day service is not fast enough. Highly specialized services are needed to meet the unique requirements of customers shipping extremely valuable or time-critical—and this is the case in growing industries such as life sciences, aerospace and high-value retail."

Prior to introduction of the Express Critical Service in Europe, Gagnon explained that the UPS forwarding group offered services on a shipment-by-shipment basis, whereas now the network of third-party couriers and air carriers will be integrated into the new system.

When asked what the competitive advantages of this service are from a UPS perspective, Gagnon cited the company's experienced industry teams are able to quickly assess a cost effective delivery solution that meets its customers' specific time and delivery requirements. "Having this flexibility from a single, trusted source is an advantage," he added.

—Jeff Berman, group news editor

INSIGHT

Global 3PL Management: Factors to keep top of mind

Global third-party logistics providers (3PLs) are not a dime a dozen; in fact, there are only a few truly global supply chain managers—and they are a part of large, diverse global transportation networks. Most of the major players, such as UPS, FedEx, DHL and DB Schenker, all have IT platforms interfacing with their customers to provide global

visibility from origins to destinations; they're experts at Customs clearance around the globe; and they're active in all transportation modes and regularly adjust between ocean, air, trucking and same-day delivery to best accommodate individual orders.

However, global shippers need to keep in mind that supply chain management capabilities—even those managed by the most expansive global 3PLs—vary greatly between countries. The biggest challenge is often managing expectations within a region's physical limitations.

Managing geographical expectations

Advanced economies generally have better highways, ports and railways as well as better communication systems and technology. Political changes can especially complicate matters, but those issues are normally limited to emerging market and developing economy countries.

As a general rule, logistics costs as a percent of GDP are lower in advanced economies and higher in emerging market/developing countries. Not surprisingly, the countries with the largest economies dominate infrastructure statistics.

The United States has the most miles of highways, railways and pipelines. Meanwhile, China, with the second largest economy, has the third largest amount of highways and railways. India is second in the total miles of roadways; however, only 2% to 3% of India's roadways are modern highways. Even some of these, like Highway 9 from Mumbai to Pune, have uneven surfaces and transportation obstacles.

These persistent infrastructure challenges create opportunities for modern, sophisticated 3PLs. Global shippers who seek to succeed in today's landscape should remember the following: Even when a global supply chain is managed by an experienced and expansive global 3PL, many regions and countries have limitations such as infrastructure, technology and carrier service levels. It's important to manage expectations based on your areas of operation and seek out "true" global 3PLs that know the lay of the land.

—Richard Armstrong,
Armstrong and Associates