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Building value in logistics outsourcing

The future of the logistics provider industry

Supply Chain Management



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Building value in logistics outsourcing

The future of the logistics provider industry

Executive summary

Customers* of logistics services are seeking greater reliability at lower total cost consistently – whether across the globe or in one sub-continent. But as higher performance from greater end-to-end integration, supported by better visibility tools, becomes more attainable, the approaches of providers are diverging.

More customers are recognizing that to realize the full value of the potential trade-offs from outsourcing, they need to broaden their span – from purchasing many piecemeal transportation and warehousing services, to fewer, bigger contracts with much wider scope.

In response, the Logistics Provider industry has been evolving to offer greater scope and more complex solutions. However, for the more demanding customer segments – those seeking greater integration and higher degrees of process conformance – there is often a gap between buyer needs and provider capabilities. Often, providers market and represent capabilities that they have not yet implemented, so they over promise and under deliver. The business model of most providers traps them because of their inability to scale offerings, thus failing to generate returns which will allow them to meet the expectations of high process conformance buyers. High process conformance, in this context, is the ability to deliver end-to-end supply chain integration and synchronization repeatedly for many customers, establishing *de facto* process and technology standards.

**In this paper we have used “customer” and “buyer” interchangeably to refer to customers (buyers) who buy services from logistics providers.*

For the more demanding customers, the provider model must be reinvented. So providers increasingly must innovate to profitably serve as big a footprint as possible across the large commodity segment and the growing, but more demanding, high process conformance segments.

The payoff for providers is tighter integration with customers along the supply chain, delivering greater value and increased “lock-in.” Increased complexity offers more opportunities to sustain higher margins. Success will be measured by their customers, in terms of how well they increase reliability and overall service performance at a reduced total cost.

An increasingly important criteria for buying logistics services will be the ability to obtain more global sources of supply and customers’ own outsourcing of manufacturing and other activities. The extended logistics network will require visibility from the off-shore manufacturer to final consumption, with synchronized and blended service level attainment.

The battle among providers will be for the middle ground – for the more demanding buyers who tactically outsource while continuing to retain planning and control in-house. The journey toward value starts with having strategic clarity about the market segments in which to participate – and how – profitably. It involves an overlapping sequence of activities to develop enhanced provider capabilities, including:

- *Strategic clarity* – Rigorously align target market segments and value propositions with organizational culture, business model, core competencies, asset planning and performance measures.
- *Standardization and integration* – Proactively sell the value of standardized and integrated global processes and shared user services – internally and externally. They will have to help ensure commonality of data definitions and service performance indicators.

- *Componentization* – Provide customized solutions from a set of standardized – but configurable – process, information, work flow and value-added components. They will harvest knowledge, and discover how to make it readily accessible across the organization.
- *Global governance* – Improve global deal consistency by moving such contracts to global Profit and Loss statements (P&L's) and reserving traditional country P&L's for narrow scope activities.
- *Service innovation* – Invest in new capabilities (such as visibility, supply planning and control; dynamic synchronization and optimization of business processes; a virtual supply chain information platform). They will need to enhance existing capabilities in transport planning and control, and extend into more areas of procurement. This will necessitate deep integration with their customers to provide end-to-end supply chain capabilities and visibility
- *Teaming capability – for the emerging “Synchronized Providers”* – They will need to invest in teaming skills in the new era of “co-opetition,” where the value and breadth of services offered to their customers will amplify as the service provider's network of partners grows.

The future Logistics Provider industry will be more global, more concentrated, more segmented around customer types and universally better at execution. Business processes will be standardized and systems integrated. There will be better visibility of end-to-end supply chain information, and integration with partners and customers. And, providers can develop a single view of their larger global customers.

The rest of this report sets out in more detail our view of the future of the Logistics Provider industry, through:

- Why the needs of buyers are diverging
- What is shaping the future industry structure
- The journey to value, and who should find it easier to pull ahead in creating value.

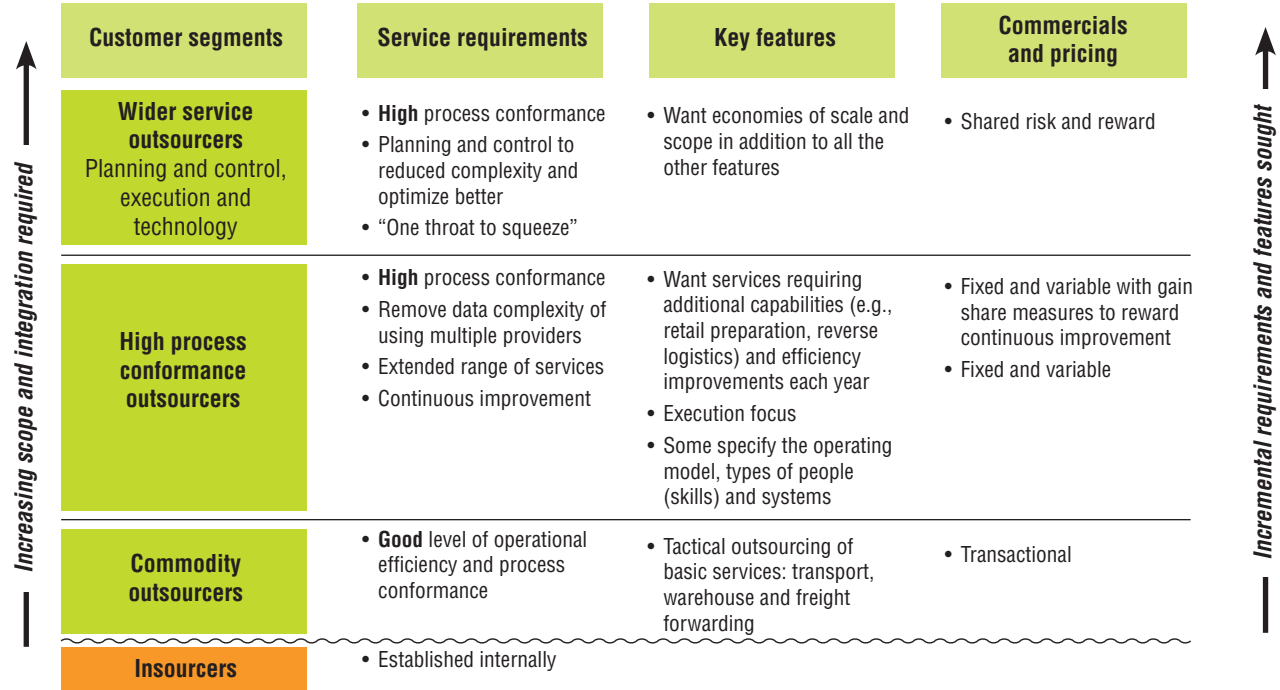
Industry structure and challenges

As end-to-end integration, supported by better visibility tools, becomes more attainable, the needs of customers of logistics service providers are diverging (see Figure 1).

In order of their increasing demands, four customer segments can be identified:

1. *Insourcers* – Manage and operate most of their own logistics activities in-house. Some companies operate in-house either by accident or design. That is, some of them insource because they think of these activities as “back-office” functions without recognizing that there is high leverage potential through a more strategic, corporate focus.
2. *Commodity outsourcers* – Focus on the very tactical outsourcing of non-core activities: transport, warehousing and freight forwarding. They expect a *good* level of operational efficiency. They call for more innovation but are not prepared to pay for it. They have a large number of providers serving niche needs primarily based on cost of service and are willing to switch more readily to lower prices.
3. *High process conformance outsourcers* – Operate in a framework where processes are very clearly defined and conformance is tightly measured. So they want demonstrably greater depth of people with *high* process and target conformance and consistency. They seek a wider range of services, such as special packaging configuration, shelf stacking and reverse logistics. They expect their Freight Forwarders to remove data complexities where multiple carriers are used. Within this segment are buyers who dictate the operating model and often require use of systems that they have selected. There are also buyers who demand not only a *high* level of operational effectiveness, but also demonstrable efficiency improvements every year. This segment expects the provider to specify much more of operating model and systems. It tends to be more open to gain-share financial results to reward continuous improvement.

Figure 1. Future customer segments.



Source: IBM Global Business Services analysis.

4. *Wider service outsourcers of process, planning and control, execution and technology.* These buyers have concluded that to realize the full scope of the potential trade-offs (among transport, storage, inventory and service levels) they need to move to fewer, bigger contracts allowing for more scale economies. This is combined with process improvement and better process interfaces in order to reduce complexity (fewer providers), and focus on process simplification and standardization. They are looking for evidence of effective end-to-end integration and more tightly engineered synchronization and optimization, as well as the “traditional” qualification of industry specialization.

This segment will outsource complete processes (physical and technology) embracing planning, control and execution. This implies moving the boundaries of outsourcing beyond tactical execution and into strategic planning and control. Above all, they want a single point of control. Another attribute is that these buyers have an appreciation of where their logistics operations fit inside their entire enterprise value chain, and they appreciate the competitive advantage that can be achieved by carefully selecting a sophisticated partner to drive their integrated processes.

The Provider industry is evolving to offer greater scope and more complex solutions. Providers increasingly need to choose between serving a large commodity segment and the more demanding, yet faster growing, high process conformance segments.

The Logistics Provider business model has evolved to offer greater scope and deeper integration (see Figure 2). Over the past 30 years, the industry has expanded its scope and grown in stature from low complexity foundational services providing basic services (trucking, warehousing), first moving into “core services” organizations which combine different execution capabilities, and then into “extended services” supporting a wider range of capabilities. This tactical, execution-focused outsourcing typically reduces the buyer’s logistics costs by 10 percent.¹

As customers seeking wider services have emerged, Lead Logistics Providers (LLP) and, more recently one or two “Big Brands,” have developed to serve them. Big Brands are defined as very large global logistics groups (greater than a 10 percent share of the customer segments which they serve) with the capability to execute all of the activities within their own organization.

Despite the emergence of LLPs and Big Brands, most organizations today still procure logistics services on a piecemeal basis. In so doing, they may forego the

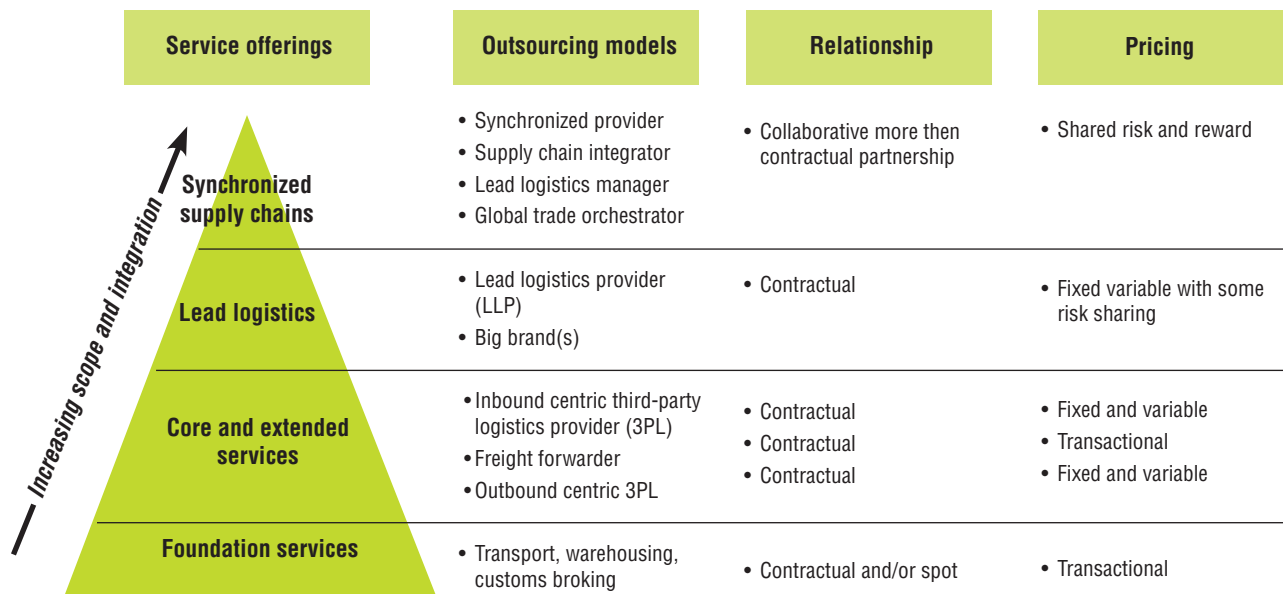
As this trend plays out, information providers must learn to appeal to highly diverse sets of needs.

benefits of reducing inventory carrying costs, which can be realized by the end-to-end management of the supply and transport chain. These costs are in the order of US\$750 billion globally, equivalent to over 25 percent of total freight logistics costs.²

Financial returns in the Logistics Provider industry are typically rather poor, and make it relatively hard to attract capital (see Figure 3).

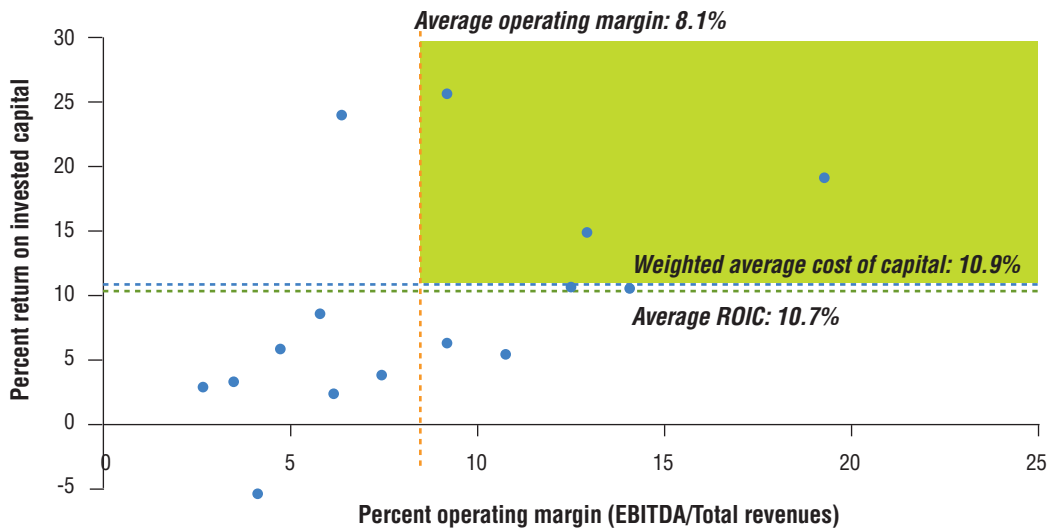
Very few companies in this industry make it into the highlighted box shown within Figure 3, with returns on capital above approximately 11 percent and operating margins above 8 percent.³

Figure 2. Evolution of logistics provider business model.



Source: IBM Global Business Services analysis.

Figure 3. Financial returns in the logistics provider industry.



Notes: ROIC and operating margins are average values calculated for the latest five years, mostly to 2004. ROIC is defined as net income/total capital. Averages are the simple averages of all players plotted on the graph. Weighted average cost of capital is based on U.S. industry average. Source: IBM Global Business Services analysis, Thomson Financial for financial data, WACC data from Ibbotson & Associates.

Historically, typically 50 percent of the valuation of shares is associated with a provider's growth.⁴ A credible growth rate, backed by attractive returns (such as twice the weighted average cost of capital) allows leaders to fund growth and innovation more readily than their competitors.

Margins among providers vary, but the highest rewards for market share gains tend to lie in activities driven by scale economies. If the economics of an activity are scale-driven (for example, parcel carrier, shared user third-party logistics (3PL), full truck load), then relative market share growth can be rewarded by higher profit margins.

An example of scale-driven activity:

As the density of stops per on road day increases, the inter-drop distance decreases, allowing a single vehicle to do more stops. This increasing productivity can drive up margins.

Conversely, where activities are primarily driven by economies of scope, growth can generate more revenue and an increase in net profit, but typically at similar margins. In these cases, such as warehousing and dedicated user 3PL, there is very limited margin gain from growth in volumes.

Five drivers of change

The Logistics Provider industry is evolving quickly, driven by customers' increasing and diverging demands, growth in global trade, continued outsourcing, technology and further industry consolidation. Also driving this expansion is the recognition of the supply chain as a driver of enterprise-wide performance improvements and greater competitive advantage.

1. Customers have more demanding and diverging requirements

What buyers of logistics services expect will vary depending on their industry, organizational maturity, business model and preferred operating style. Looking

across all buyer types, the key buying criteria are, in order of greatest importance:

- Greater reliability
- Lower total costs
- End-to-end integration and visibility globally
- Speed through more tightly engineered synchronization
- Flexibility
- Consistent capability globally
- Industry specialization
- Optimization and data warehousing
- Deeper integration with buyers and partners.

Logistics outsourcing – Key buying criteria

- *Greater reliability of service* (delivery to promise) which allows buyers to reduce inventories and provide greater service levels to their customers.
- *Lower total costs*. Customers traditionally focus on individual logistics transactions; as a result, costs become optimized in silos but can end up being higher overall.
- *End-to-end integration and visibility globally*. Achieving effective end-to-end integration is another enabler of greater reliability. Automated visibility, coupled with work flow, allows exception reporting and alerts management when intervention is needed on a key-event basis.
- *Speed through more tightly engineered synchronization*. With good data integration and automated sensing, process synchronization and automated responses can follow. This entails the massive orchestration by the Logistics Service Provider (LSP) to simultaneously manage volumes of informational and physical logistics transactions within a diverse global network. The end result can include improved speed and efficiency of the physical and financial flows, while performance criteria for time, delivery and cost are met.
- *Flexibility* to respond seamlessly to changes in demand and changes in sources of supply.
- *Consistent capability globally* is an enabler of greater reliability. The growth model of providers has largely been via acquisition. The post acquisition integration challenges of processes and systems seem minor compared to the organizational and cultural adjustments. The organizational alignment needs to tolerate high degrees of freedom and diversity in terms of delivery performance, processes, business rules and systems. More demanding buyers want process conformance.
- *Industry specialization*. Customers increasingly put a premium on this knowledge.
- *Optimization and data warehousing*. Even with a good degree of synchronization, there is typically scope to optimize further. Data warehousing capabilities can enable regular and *ad hoc* root cause and performance analyses to drill down much more effectively.
- *Deep integration with Buyers and Partners*. To access logistics data and information, customers want deep, but straight-forward, integration with the service provider and expect that the providers' transportation partners will be similarly connected.

2. Global sourcing is here to stay – but it is more challenging

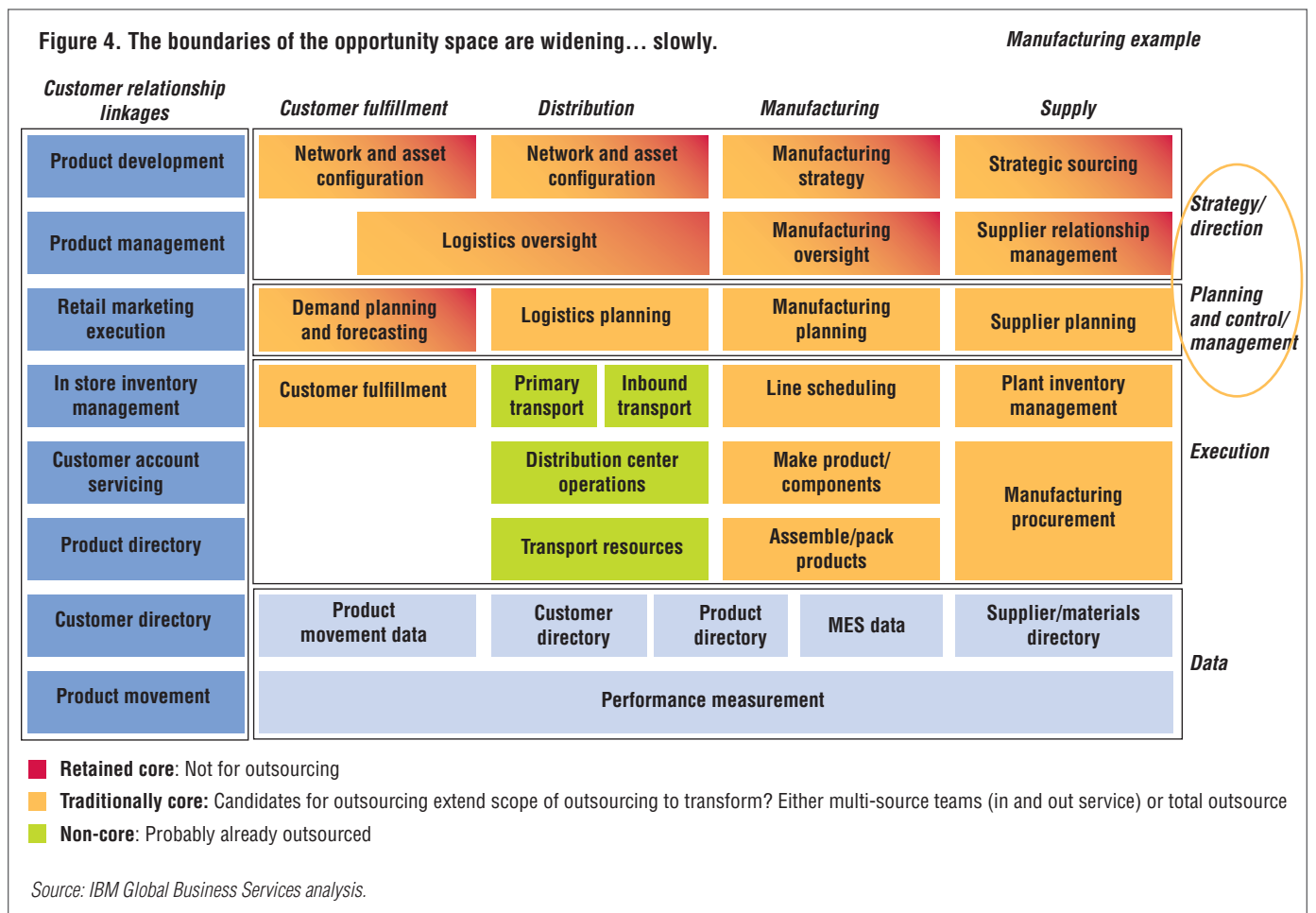
Public policy is generally encouraging freer trade. The immediate attractions are differential wage rates, skill availability and favorable taxation. Among the challenges are that longer transport routes are harder to manage. Infrastructure capacity lags changes in demand, causing bottlenecks. Capabilities and standards are less consistent. These challenges can drive up inventory costs and dramatically shift the overall sourcing economics.

Global sourcing typically leads to more frequent switching of source locations. Uninterrupted supply requirements place greater demands on process standardization to

allow seamless switching. It also puts more pressure on the speed and accuracy of providing landed cost information. In turn, this requires access to dynamic rate tables and transit times from carriers.

3. The outsourcing envelope is finally widening... slowly

The boundaries of the opportunity space for outsourcing in logistics have slowly widened in recent years but not as fast as investors have been promised (see Figure 4). Until recently, manufacturers and retailers have limited outsourcing to “non-core” execution processes on a tactical basis: transport, consolidation, warehousing and freight forwarding.



Two forces are operating. First, the drive to achieve lower costs is leading buyers to rethink some of their assumptions. The innate conservatism of many buyers is being challenged. Labor practices made it easier to consider outsourcing physical execution, but most draw the line at outsourcing the more managerial planning and coordination. This is beginning to change.

Second, lowest unit costs will not automatically deliver lowest total costs. The latter requires proactive trade-offs among transport, warehousing and inventory. Piecemeal outsourcing offers less opportunity to realize those trade-offs. Many firms are not truly capable of bringing the parties together across different internal functional areas to examine the full potential value of business trade-offs and to focus beyond price. In other words, they lack sophistication to make highly complex integration analyses and “Make vs. Buy” decisions.

The challenge is for providers to grow their capabilities as fast as “the doors open.”

Electronics, automotive and apparel’s role in widening the envelope

The electronics, apparel and automotive industries have been trendsetters in widening the envelope. Contract manufacturers in the electronics segment and procurement specialists in apparel segment, already used to working with demand data and balancing supply, may become the new sources of convergence in the supply chain. The automotive industry has pioneered the extension of the Manufacturing Resource Planning (MRP II) line of sight beyond first-tier suppliers. These leading global industries are now more willing to outsource some of the planning and control activities.

4. The synchronized, demand-driven supply chain requires standardization and pervasive technology

There are three related sets of challenges in supply chain strategy which demand seamless interfaces, fast responses and complex trade-offs:

1. Tight coupling of the major supply chain functions – plan, source, make, deliver and repair/return

2. The ability to respond faster as companies focus on being driven by actual demand, rather than forecast demand (the plan)
3. The pressure to meet service objectives leads customers to operate multiple supply chains. Cost reduction, however, pushes them to share assets – implying some trade-offs among the service objectives.

Synchronization and visibility challenges

- Planning is challenged with fragmented information, making it difficult to synchronize supply and demand efficiently.
- Buying is complicated by a lack of visibility of product in the pipeline globally, all the way to the first line supplier. Often, a lack of integration with the manufacturer’s systems makes it nearly impossible to receive in-transit order status information (once product is moved or shipped).
- Sales teams are hampered from optimizing sales (cross-selling, up-selling, suggested selling based upon supply) by lack of product availability information.

5. Consolidation and convergence will increase... but so will the challenge to integrate effectively

Publicly quoted providers have to communicate a “growth story” to drive their share price upward. Doing “more of the same,” meaning doing more globally, meets part of this need. Convergence among inbound and outbound logistics by combining services such as transportation, consolidation, warehousing and freight forwarding, is another element – but still low margin. Adding capabilities up the value chain into planning and control activities is expected to increase customer lock-in and margins.

In terms of their asset profile and core competency, the four traditional provider activities are quite different (see Figure 5). They require different management priorities and styles. Hence, managing such a portfolio for consistent profitability is a challenge, as is agreeing upon common standards for key interfaces of customer solutions.

Figure 5. Key characteristics of logistics provider segments.

Provider segments	3PL/ customized distribution	Freight forwarding	Network transport: Packages and LTL	Point-to- point and charter transport
Relative asset profile	High	Low	High	Medium
Core competency	Customer intimacy	Buying	Yield management	Capacity management

Source: IBM Global Business Services analysis.

A view of the future

The relative size of the market segments will change, in favor of the more strategic buyers

A fifth customer segment “Strategic Outsourcers” is likely to evolve in addition to the four segments described earlier (see Figure 6). Below, we have given our view on how the segments will evolve in the period to 2015 and our view of the potential market share of each of these segments.

1. *Insourcers*. Most industry trends and research indicate that companies in virtually all industries and sizes are outsourcing more and more of their logistics functions.

Figure 6. Future customer segments.

	Service requirements	Key features	Commercials and pricing	Indicative outsourced market share 2015
Emerging	<ul style="list-style-type: none"> Plan and deliver inventory requirements Shared formulation of supply chain strategy End to end scope 	<ul style="list-style-type: none"> Strategic relationship with “shared direction” 	<ul style="list-style-type: none"> Shared risk and reward 	5-10%
Today's customer segments	<ul style="list-style-type: none"> High process conformance Planning and control, execution and technology Reduced complexity – “one throat to squeeze” 	<ul style="list-style-type: none"> Want economies of scale and scope in addition to all the other features 	<ul style="list-style-type: none"> Shared risk and reward 	20-25%
	<ul style="list-style-type: none"> High process conformance Remove data complexity of using multiple providers Wider range or services Continuous improvement 	<ul style="list-style-type: none"> Want services requiring additional capabilities (e.g., retail preparation, reverse logistics) and efficiency improvements each year Executorial focus Some specify the operating model, types of people (skills) and systems 	<ul style="list-style-type: none"> Fixed and variable with some risk sharing Fixed and variable 	30%
	<ul style="list-style-type: none"> High level of operational efficiency; adequate process conformance 	<ul style="list-style-type: none"> Tactical outsourcing of foundation services: transport, warehouse and freight forwarding 	<ul style="list-style-type: none"> Transactional 	40%
Insourcers	<ul style="list-style-type: none"> Established internally 			

Source: IBM Institute for Business Value.

2. *Commodity Outsourcers* will broadly behave very much as many do today. The less efficient will employ 3PLs and freight forwarders, but will be ready to switch to gain lower prices. Those with greater competencies, including a good understanding of pipeline visibility and provider capabilities, are likely to disintermediate the 3PLs, in favor of direct use of foundation service providers. They will likely implement a control tower solution to manage their providers. In either case, brands will not matter.

Indicatively, they are expected to represent around 40 percent of total outsourced volume.

3. *High Process Conformance Outsourcers* will continue much as today. Many will adopt more widespread use of reward mechanisms for continuous improvement. This segment could represent 30 percent of outsourced volume.

4. *Wider Service Outsourcers – Process, Planning and Control, Execution and Technology.* This group of customers is expected to widen. It will be comprised of large, often global, enterprises renowned for supply chain management excellence. For them, the brand matters. They could represent up to 20-25% percent of outsourced volume.

5. *Strategic Outsourcers - Buyers looking for a strategic relationship with “shared direction.”* They are ready to trust the partner to plan and deliver inventory availability for one or more of their supply chains. The scope will uniquely include shared formulation of the supply chain strategy, with extensive outsourcing of planning, control and execution of their total supply chain. Execution will include all logistics, and could include specific procurement responsibility and manufacturing. The scope will be end-to-end, and include demand and supply balancing, embracing the range of physical and technology dimensions of the supply chain. This segment will be limited to organizations with centralized supply chain management. They will require above average flexibility (“plug and play”) to accommodate the variability in their business portfolio and demand swings – an on demand business structure.

These buyers will typically be either large global enterprise whose strategy is to only engage directly in design and marketing, or significant enterprises which are not in the upper quartile of performers and find it hard to attract the best talent. This group could represent up to 5 to 10 percent of market volume.

The battle will be for the middle ground: High process conformance buyers

The business models and organizational values required to address these segments are quite different. In the period to 2015, the provider industry will likely shake out to comprise five provider types.

- *Foundation providers.* This large group of operators will continue to thrive. Traditionally mostly small scale, it is expected that very large scale enterprises will emerge, especially in transport, as new ways of achieving scale economies are identified. There will be very little product differentiation, though highly specialized niche-market providers will exist. Geographic reach will be mostly, but not exclusively, national.
- *Core Service Providers.* Inbound logistics centric 3PLs, freight forwarders and outbound centric 3PLs focused on commodity buyers. They will focus on specific capabilities and be “famous for fewer things.”
- *Extended Service Providers.* Inbound logistics centric 3PLs, freight forwarders and outbound centric 3PLs will seek to provide a wider range of services, such as special packaging configuration, shelf stacking and reverse logistics. They will acquire additional capabilities. They will “deliver what they advertise,” with higher quality execution than Core Service Providers.

- *Lead Logistics Providers and Big Brands.* They will be focused on the Wider Service outsourcers – Process, Planning & Control, Execution and Technology – segment. But critically they will need a significant share of the largely, tactical high process conformance buyer segment to attain sufficient scale advantage. They will try to retain a share of the commodity buyers. They will drive more industry consolidation, and be good at acquiring scale and scope in emerging parts of the world. They will aspire to provide a globally integrated offering, with seamless physical and information services, which is hard to replicate. With a “global control tower” in place, they will provide supply chain performance metrics, key event status and alerts to customers on a global basis. They will need to be good at continuous improvement. Unless they are much better at integrating with customer processes and systems, they will not escape competition from the foundation and value-added service providers. They will aim to “mass customize” logistics.
- *Synchronized Providers.* A small number of “Synchronized Providers” (SP), who are capable of becoming supply chain managers, is likely to emerge. They will serve buyers looking for a strategic relationship with shared direction. They will aim to manage inventory availability, balancing demand and supply end-to-end. The SPs will deliver end-to-end supply chain integration, visibility, synchronization and broad-based business process capabilities for global customers. They will do this repeatedly for several customers, establishing *de facto* process and technology standards – or reinforce acceptance of existing ones. Processes could include supplier management, procurement, contract manufacturing, logistics services, global trade financial and tax management, performance management and customer service. Service offerings will be standardized, provide ease of integration and yet, provide flexibility in customization. The solutions will be scalable with

componentized processes, enabling customers to “plug and play” responses to growth opportunities or changes. This category of provider will also exhibit an internal culture that seeks and rewards ongoing innovation, and it will need to have a wealth of existing intellectual property it can leverage as part of solutions for its customers.

Synchronized Provider uncertainties

How SPs will emerge is less certain. The future Synchronized Providers are likely to emerge from Lead Logistics Providers and the “Big Brands.” The most likely path is that they will arise out of a set of progressive “reinventions” of a few leading providers. They are likely to need to reinforce the proposition by teaming with banks for trade and project finance, process improvement firms and global technology companies.

The speed of SP emergence has been retarded by buyers and providers each doubting the other. More buyers would migrate toward centralized supply chains if they believed the providers with matching capabilities existed. Conversely, providers have been reluctant to invest in the capabilities for lack of evidence of a market. The emergence of the Big Brands is likely to break this log-jam.

Each provider is likely to prioritize one buyer segment – the one for which it wishes to “be famous.” However, players from all segments are likely to seek High Process Conformance and Commodity customers to achieve scale economies. Core Providers will seek a share, too, of the higher margins – and become “market spoilers.” The Extended, Lead Logistics, Big Brand and Synchronized Providers therefore have a vested interest in differentiated market messaging and positioning.

For more information on the implications for these various provider categories, please reference the Supplement to this publication, planned for publication in first quarter 2006.

Journey to value

There is more than one way to make money in logistics services. So, whichever core buyer segment(s) you choose to focus on, developing and executing these capabilities will shape your competitiveness, and ultimately determine how much value you will create for shareholders.

The journey toward future success – for providers that are focused on more strategic and high process conformance customers – typically involves an overlapping sequence of activities to develop enhanced capabilities (see Figure 7):

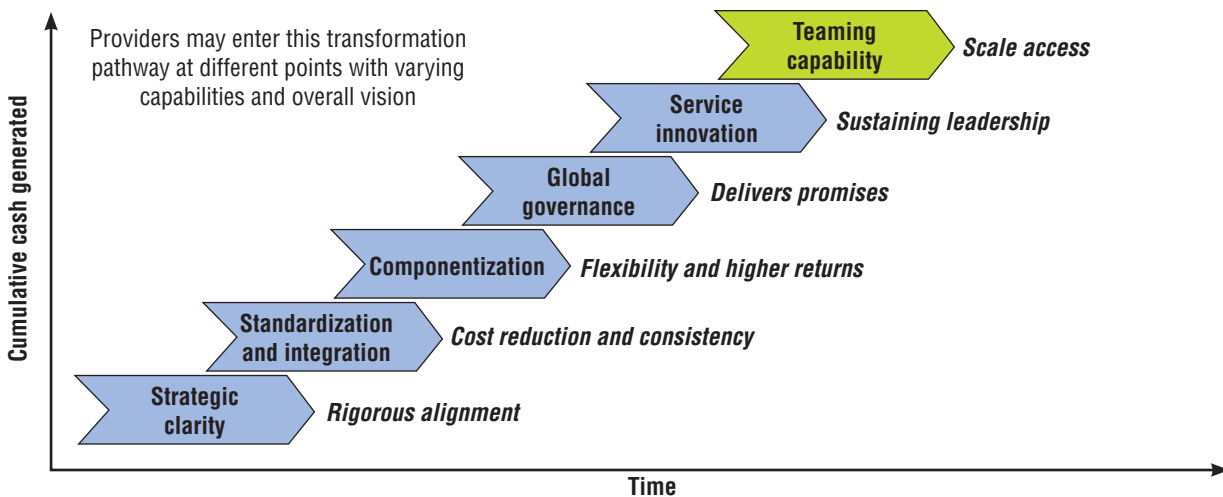
- Driving the standardization and integration of processes and systems to reduce costs and provide a platform to achieve scale economies
- Componentizing the service portfolio will then give providers the means to deliver customized solutions at higher margins
- Supplementing country governance with global governance processes will allow providers to relate to their large global customers on an equal footing

- Making an ongoing investment in service innovation will be essential to sustain leadership
- Developing effective teaming capabilities (applies to the few aspiring to become Synchronized Providers).

Rationale for the value journey sequence

1. Strategic priorities will lead to quite different priorities and investments.
2. Standardization and integration come before componentization because the latter economically depends upon standardization having been achieved.
3. Componentization comes before global governance because the latter is a big control upheaval. While it needs to be addressed, we judge that the cash-flow impacts of componentization are likely to be faster.
4. Service innovation is investing for leadership – the investments are likely to deliver lower returns than if the basis of standardization, integration and componentization have been realized beforehand.

Figure 7. The journey to value.



Source: IBM Global Business Services analysis.

No provider today can complete this transformation as a “single project.” It is a strategic journey. The journey will need to be broken into manageable chunks of initiatives which can be realized in well-defined timelines and at relatively low risk. Where any one provider begins will depend upon its own business goals, market pressures and the maturity of existing capabilities.

Providers who can draw upon the standardization capabilities of sister package divisions (such as DHL and UPS) should find it easier to pull ahead in creating value – if they foster a culture of shared learning. They can more easily face down the change resisters, drawing on the proof points of the package experience, growth rates and scalable economics.

The future logistics provider industry will be more global, more concentrated, more segmented around customer types and universally better at execution. Business processes will be standardized and systems integrated. There will be better visibility of end-to-end supply chain information and integration with partners and customers. The industry will have effective, shared metrics to continuously measure performance and handle exception management more easily through event monitoring linked to business rules. And at long last, providers will have a single view of their larger global customers.

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References

- ¹ IBM Global Business Services estimate.
- ² IBM Global Business Services analysis.
- ³ IBM Global Business Services analysis; Thomson Financial for financial data; WACC data from Ibbotson & Associates.
- ⁴ IBM Global Business Services estimates this to be typically up to 50 percent.



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