THIRD-PARTY LOGISTICS BRAND RECOGNITION 2018

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ABOUT ARMSTRONG & ASSOCIATES, INC.

Armstrong & Associates, Inc. (A&A) was established in 1980 to meet the needs of a newly deregulated domestic transportation market. Since then, through its leading third-party logistics (3PL) market research and history of helping companies outsource logistics functions, A&A has become an internationally recognized key information resource for 3PL market research and consulting.

A&A's mission is to have leading proprietary supply chain knowledge and market research not available anywhere else. As proof of its continued work in supporting its mission, A&A's 3PL market estimates are the most often cited in securities filings by publicly traded 3PLs, media articles and trade publications. In addition, A&A's email newsletter currently has over 62,000 subscribers globally.

A&A's research complements its consulting activities by providing a continually updated detailed database for analysis. Based upon its unsurpassed knowledge of the 3PL market and the operations of leading 3PLs, A&A has provided strategic planning consulting services to over 30 3PLs, supported 19 closed investment transactions, and provided advice to numerous companies looking to benchmark existing 3PL operations or outsource logistics functions.

Introduction

Since 2002, Armstrong & Associates has surveyed third-party logistics provider (3PL) managers, customers, and others associated with the 3PL industry to identify the most recognizable brands in third-party logistics.

We received 278 responses to our 2018 survey. Once again, in our measure of brand strength, DHL/Exel came out on top. XPO and C.H. Robinson rounded out the top three.

We asked respondents about the operational strengths of their top choices. DHL/Exel stood out in Value-Added Warehousing and Distribution and International Transportation Management, while respondents consider Ryder strong in Dedicated Contract Carriage and XPO as a leader in Domestic Transportation Management.

This year, RFPs were the most common process for identifying 3PL partners. The procurement or purchasing department is typically involved, though we received mixed responses on the effectiveness of focusing on cost management at the expense of value. Contracts typically range from one to three years, depending on the 3PL segment.

When you think about leading 3PLs, what five companies first come to mind?

DHL/Exel continues to lead...
Fifty-six respondents ranked DHL/Exel as the first 3PL that came to mind.

...But XPO and C.H. Robinson are quickly catching up.
Compared to our 2013 results, the brand strength score of the top three is clustered much closer together.

XPO's 2015 merger with Menlo helped boost its brand strength.
XPO's ranking became the highest in its history after merging with Menlo in 2015. XPO is now 92% of DHL/Exel's brand strength. While respondents weren't as likely to rank XPO number one, in total the company actually received 11 more votes than DHL/Exel.

C.H. Robinson's brand strength has climbed steadily over the last decade.
Number three on the list, C.H. Robinson, had a brand strength of just 50% in 2007. That number has risen steadily since, with a 77% strength in 2013 and 88% in this year's survey.

A wide range of 3PL providers is now top-of-mind.
Besides the top 20 list, 161 companies were mentioned in the survey—many more than in our 2007 and 2013 surveys, showing the variety of new players in the 3PL industry.

Rank	3PL Provider	Total Votes and Top-5 Votes	Brand Strength*
1	DHL/Exel	130	100%
2	XPO**	141	92%
3	C.H. Robinson	113	88%
4	UPS/Coyote	125	70%
5	Kuehne + Nagel	87	55%
6	FedEx/Genco	66	38%
7	Ryder	62	38%
8	Echo	45	28%
9	GEODIS***	41	25%
10	Penske	37	24%
11	DB Schenker	44	21%
12	CEVA	40	20%
13	Expeditors	28	14%
14	Kenco	21	13%
15	Transplace	24	13%
16	Saddle Creek	20	10%
17	Panalpina	20	10%
18	TQL	17	9%
19	DSV	18	9%
20	J.B. Hunt	15	8%

Question: When you think about leading 3PL providers, what five companies come to mind?" (Please don't include your company.) (Unaided)

See full top-20 data in the appendix

*Brand strength calculated as total points/maximum total points. Total points were computed as follows: 1st Place = 5 Points, 2nd Place = 4 Points, 3rd Place = 3 Points, 4th Place = 2 Points, 5th Place = 1 Point

**The votes for XPO include 5 votes for Menlo.

***The votes for GEODIS include 6 votes for OHL.

What are the operational strengths of the top five 3PLs?

Value-Added Warehousing and Distribution

1. DHL/Exel
2. Kuehne + Nagel
3. DB Schenker
4. GEODIS
5. CEVA
6. Expeditors
7. Kenco
8. Saddle Creek
9. NFI
10. DSC

Dedicated Contract Carriage

1. Ryder
2. Penske
3. Kenco
4. J.B. Hunt
5. Hub Group
6. XPO
7. NFI
8. Schneider
9. Werner
10. Landstar

Domestic Transportation Management

1. XPO
2. UPS/Coyote
3. C.H. Robinson
4. Ryder
5. FedEx/Genco
6. Echo
7. Penske
8. Transplace
9. J.B. Hunt
10. TQL

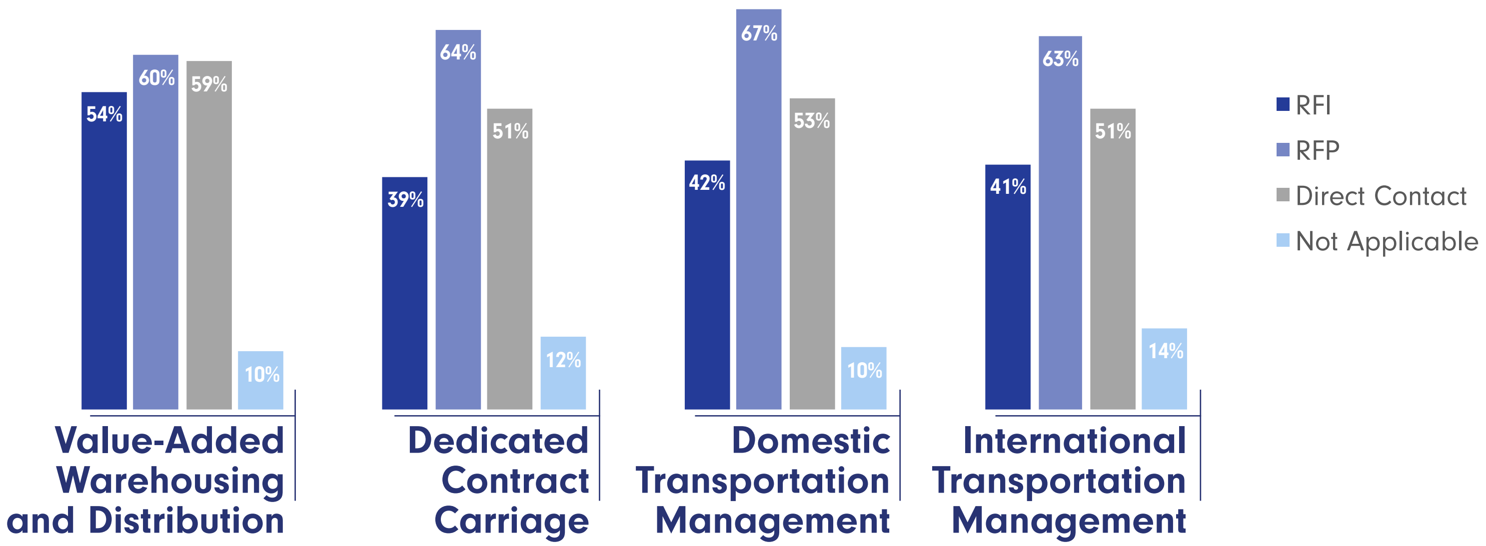
International Transportation Management

1. DHL/Exel
2. UPS/Coyote
3. C.H. Robinson
4. Kuehne + Nagel
5. FedEx/Genco
6. DB Schenker
7. Expeditors
8. Panalpina
9. DSV
10. GlobalTranz

Question: What are the operational strengths of the companies in Question 2? (Select a number with 1 being the company's greatest strength and 4 being its lowest.) We evaluated the strength of perceptions by using average points lower than 2 and then rank based on their votes.

What methods are used in the process of finding the right 3PL to work with?

Across the board, RFPs are the most prevalent process for identifying 3PL partners. Direct contact and RFIs are the second and third most common methods. This is a change from our 2013 results—the most popular method in 2013 was direct contact, followed by RFPs and RFIs. Sales process methods used by 3PLs, by segment, are shown below.



"Purchasing techniques have a place but are no substitute for meeting and assessing individuals and teams that will deliver your objectives. People and processes win the day."

"Direct contact is always the best way to get the best quality service. This may be old fashioned but I still feel it is the best way to get results."

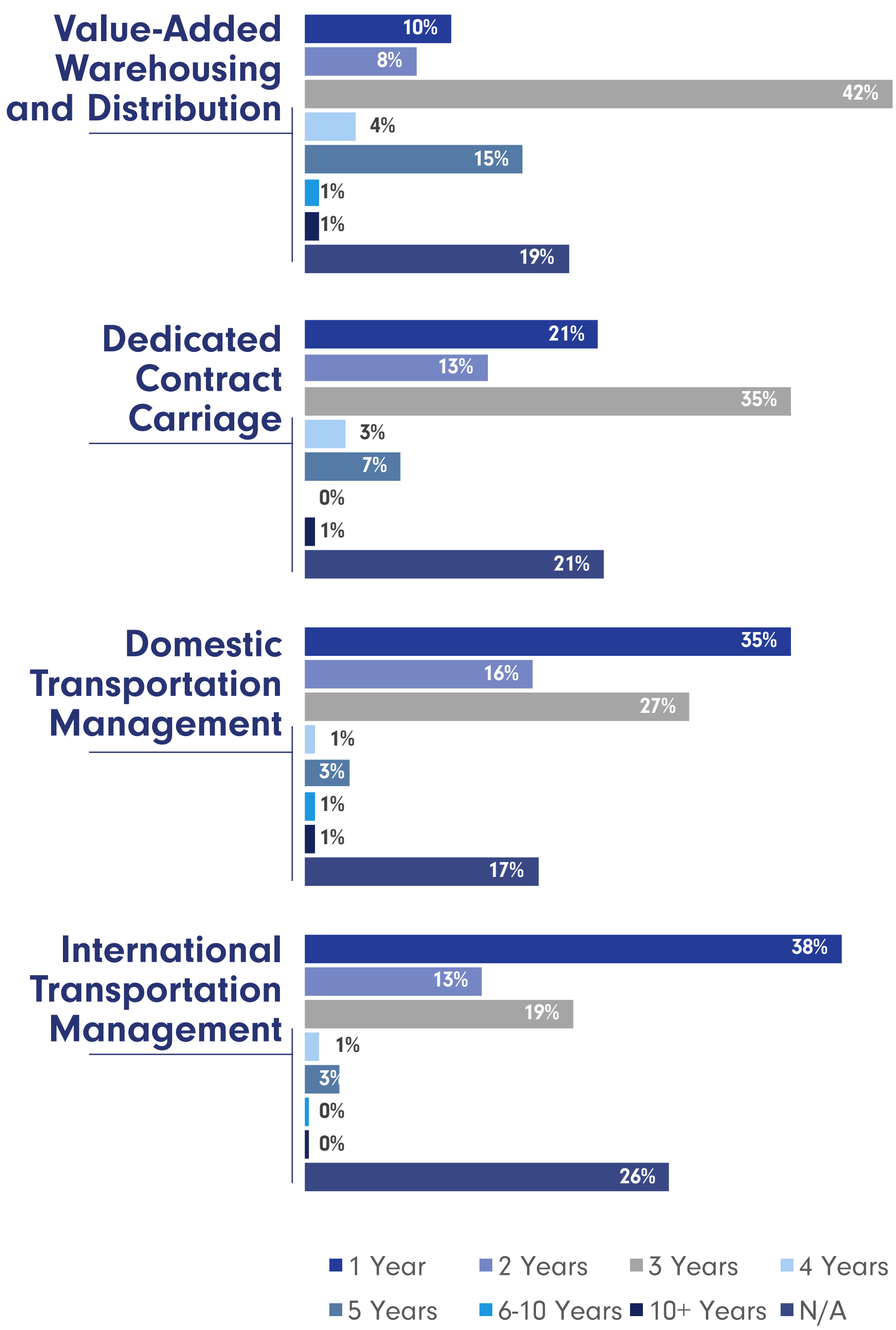
"An RFI lets you know what's out there to develop direct contact."

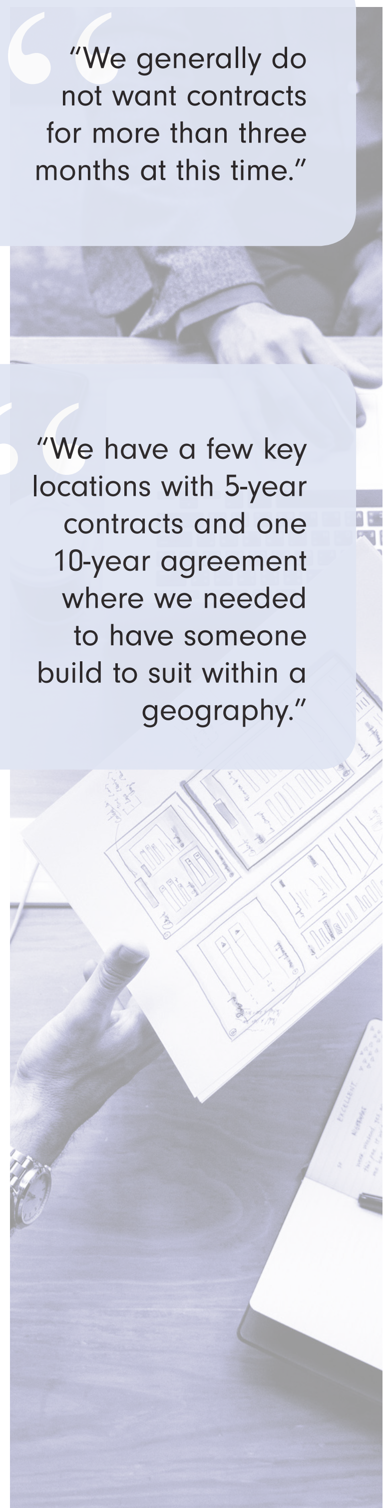
"Our company uses both Inside and Outside Sales personnel to find leads and contacts for our 3PL services. We also use data providers such as Zoominfo, data.com (Jigsaw), or Dun & Bradstreet (Hoovers) to find possible leads for us to target."

Question: What methods are used in the process of finding the right 3PL provider to work with in each of these segments?

What is your typical contract length?

Value-Added Warehousing and Distribution and Dedicated Contract Carriage 3PL/customer relationships are typically arranged as 3-year contracts. Domestic Transportation Management and International Transportation Management, for the most part, are 1-year renewable contract businesses. Typical contract length, by segment, is shown below.





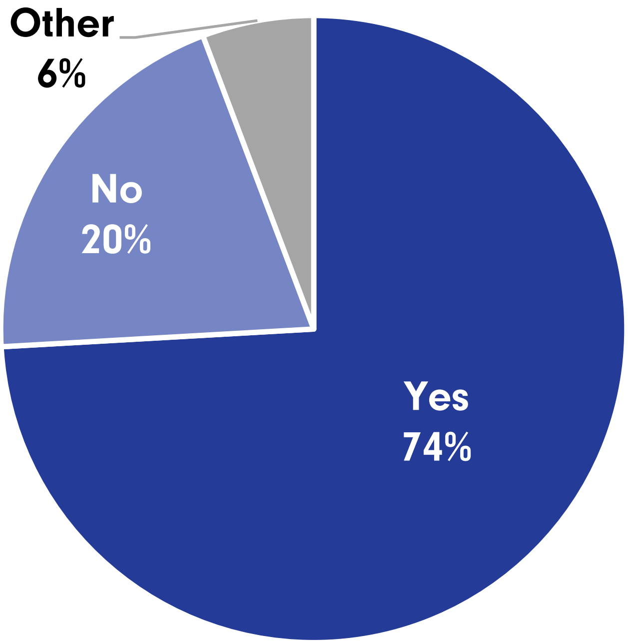
"We generally do not want contracts for more than three months at this time."

"We have a few key locations with 5-year contracts and one 10-year agreement where we needed to have someone build to suit within a geography."

Question: What is your contract length in years in each of these segments?

Is the Procurement/Purchasing department involved in 3PL selection?

The procurement or purchasing department has a role in the majority of 3PL selection processes, but opinions vary. Respondents indicated the necessity of making decisions based on value, not simply cost management.



"Yes, but they should not make decisions as they struggle to get past cost to value. Value includes the likelihood of success in achieving objectives, reducing cost and managing risk."

"Unfortunately more often than not, we are having supply chain experience with too much emphasis on numbers."

"The majority of our new business transactions require at least the approval of a Procurement/Purchasing/Sourcing division. However, most seem to originate with an end-user."

"Only to validate the compliance and legal aspects. Operational knowledge and network experience with candidates keeps the BS to a minimum."

Question: Is the Procurement/Purchasing department involved in 3PL provider selection?

Appendix

Full results for the top-20 3PL rankings are shown below.

		Rankings						Brand Strength	
Rank	3PL Provider	Total Votes and Top-5 Votes	1st Place	2nd Place	3rd Place	4th Place	5th Place	Total Points*	Brand Strength
1	DHL/Exel	130	56	29	26	9	10	502	100%
2	XPO**	141	34	37	25	22	23	460	92%
3	C.H. Robinson	113	61	17	9	16	10	442	88%
4	UPS/Coyote	125	14	30	28	24	29	351	70%
5	Kuehne + Nagel	87	13	29	16	16	13	274	55%
6	FedEx/Genco	66	8	15	16	18	9	193	38%
7	Ryder	62	14	11	16	9	12	192	38%
8	Echo	45	4	11	19	8	3	140	28%
9	GEODIS***	41	12	6	3	13	7	126	25%
10	Penske	37	7	11	8	4	7	118	24%
11	DB Schenker	44	3	6	10	11	14	105	21%
12	CEVA	40	4	7	7	9	13	100	20%
13	Expeditors	28	3	6	1	8	10	68	14%
14	Kenco	21	8	2	3	2	6	67	13%
15	Transplace	24	1	7	3	8	5	63	13%
16	Saddle Creek	20		3	6	9	2	50	10%
17	Panalpina	20	2	1	7	5	5	50	10%
18	TQL	17	1	4	4	6	2	47	9%
19	DSV	18	2	2	3	5	6	43	9%
20	J.B. Hunt	15	3	1	2	4	5	38	8%

Question: When you think about leading 3PL providers, what five companies come to mind?" (Please don't include your company.) (Unaided)

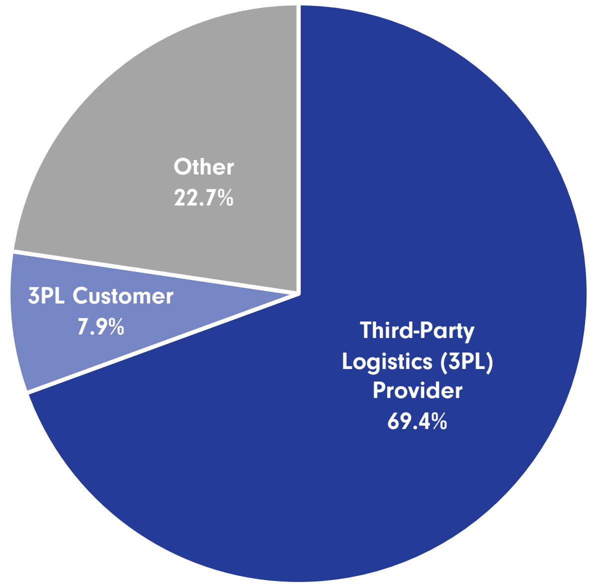
*Brand strength calculated as total points/maximum total points. Total points were computed as follows: 1st Place = 5 Points, 2nd Place = 4 Points, 3rd Place = 3 Points, 4th Place = 2 Points, 5th Place = 1 Point

**The votes for XPO include 5 votes for Menlo.

***The votes for GEODIS include 6 votes for OHL.

Appendix

We received 278 responses to our online survey. The majority, 69.4%, are third-party logistics providers. Another 7.9% are customers of 3PLs, and 22.7% indicated “other.” “Other” includes those in consulting, financial, real estate, recruitment, private equity, investment banking, marketing & research, IT, transportation, government, and education.



For brevity, we refer to 3PLs by shortened versions of their formal names. The table below contains a key with shortened and full company names.

3PL Provider	3PL Full Name
DHL/Exel	DHL Supply Chain & Global Forwarding/Exel
XPO	XPO Logistics
C.H. Robinson	C.H. Robinson
UPS/Coyote	UPS Supply Chain Solutions/Coyote
Kuehne + Nagel	Kuehne + Nagel
FedEx/Genco	FedEx Trade Networks/Supply Chain/SupplyChain Systems/Genco
Ryder	Ryder Supply Chain Solutions
Echo	Echo Global Logistics
GEODIS	GEODIS
Penske	Penske Logistics
DB Schenker	DB Schenker
CEVA	CEVA Logistics
Expeditors	Expeditors
Kenco	Kenco Logistic Services
Transplace	Transplace
Saddle Creek	Saddle Creek Logistics Services
Panalpina	Panalpina
TQL	Total Quality Logistics
DSV	DSV
J.B. Hunt	J.B. Hunt (JBI, DCS & ICS)

