

The trend towards outsourcing business processes is here to stay. An increasing focus on core competencies as well as the pressure to rationalise and cut costs is forcing industrial and commercial firms to outsource logistics services more and more. While standard activities such as transportation, handling and warehousing have dominated in recent years, today companies are looking further afield by outsourcing more complex functions. Long-term contracts tailored to the specific needs of each customer make up a special type of logistics services: **contract logistics**.

- Are you familiar with the contractually relevant aspects of your customers' market and industries?
- Do you only take on projects that increase the value of your company?
- Can you reliably assess all contract risks?

Contract logistics – a market full of opportunities

The contract logistics sector is taking off. According to recent data, the market volume for contract logistics services stands worldwide at over 900 billion euros with the biggest markets in Europe (over 300 billion euros), North America (over 250 billion euros) and Asia Pacific (over 230 billion euros). In the foreseeable future, annual growth is expected to reach double digits.

In many cases the requirements for outsourcing complex functions cannot be adequately laid out in traditional standard contracts (developed for the systems business). On the one hand, businesses are increasingly demanding customized service offerings, while on the other, they seek long-term collaboration with their partners. The bottom line: new solutions are needed.

The potential to shift complex service packages from being insourced to being outsourced has remained largely untapped – about 80 percent of logistics services are still sourced internally today. For logistics providers, this presents an attractive source of revenue. With the right approach, you can take advantage of the opportunities the contract logistics market has to offer to achieve a considerable increase in turnover and equally high profit margins.

Successfully plan and implement outsourcing projects

If you want to take part in the growing contract logistics market, you have to be customer- and process-oriented in addition to mastering finance and cost management. Meeting your customers' needs largely takes contract-specific investments.

Existing transport networks and distribution centres only form the foundation of the contract logistics business. Contract-specific investments are generally of no or only limited use to other business partners and must therefore be amortised over the duration of the individually negotiated contract. Ensuring this is the main challenge for your company.

Logistics service providers who are or wish to be active in the contract business market need extensive expertise at their command. They must possess sound knowledge of the industry(ies) where the outsourcer (contractual partner) is active, have to evaluate alternative courses of action based on net present value, and build and implement a controlling and reporting system for project management. Furthermore, it is imperative that they reliably assess project risks and safeguard against opportunistic behaviour on the part of the contractual partner.

Our value management approach for your projects

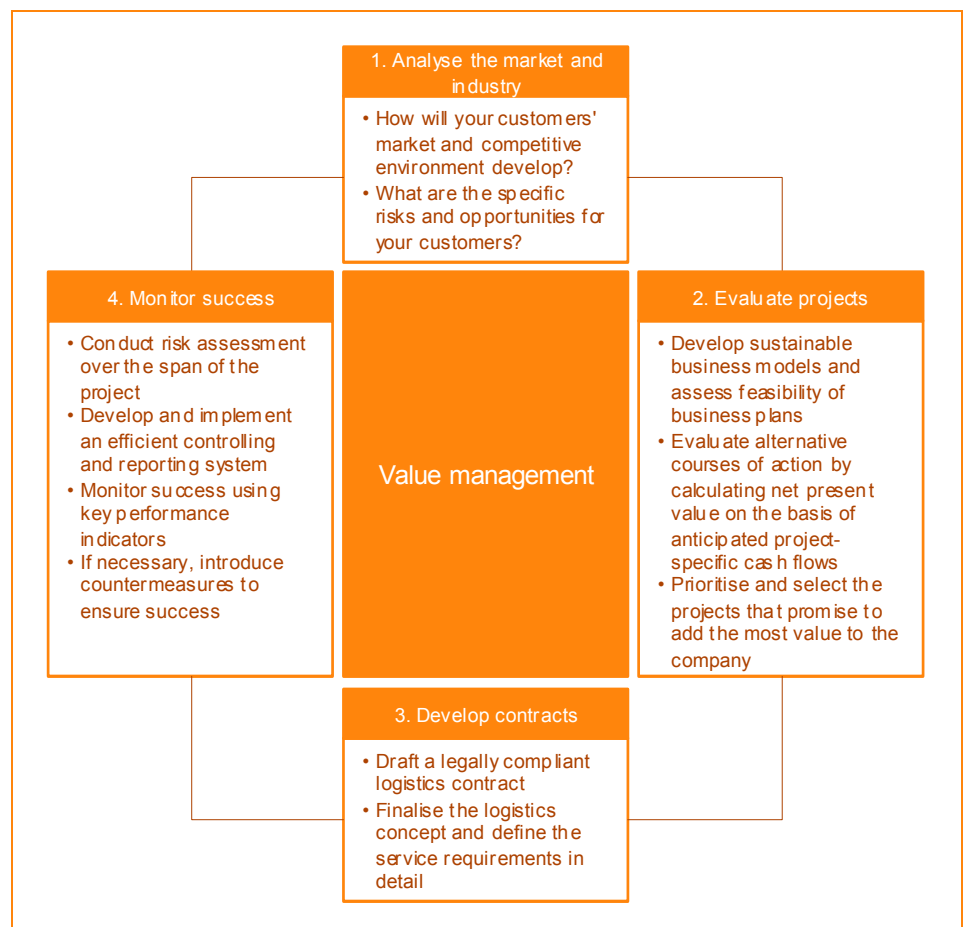
PricewaterhouseCoopers supports you in planning and implementing contract logistics projects with a comprehensive value management approach. As one of the largest and most respected firms for the assessment of investment projects worldwide, we are able to consult interdisciplinary specialists from a large pool of (industrial) engineers, business people, chartered accountants, tax advisors and lawyers.

We leverage our industry experience and look at your individual situation to provide you with an appraisal of your contract logistics projects. Using our approach, you can select the right partners, identify alternative ways to optimize your network capacity, create synergies and implement effective logistics processes along the entire value chain.

From the beginning of your project we are there to help you assess potential risks, develop contracts that comply with all laws and requirements, and monitor success using key performance indicators. For a contract logistics project to increase the value of your company in the long term, it must be based upon strategic value management, which in turn is grounded in comprehensive expertise.

Four steps to success

Our value management approach for contract logistics comprises four steps, which you can take individually or in their entirety with us at your side:



Our value management approach in brief

Our approach demonstrates how individual contract logistics projects affect the assets, financial and profitability situation of your company. It forms a solid basis from which to make decisions and allows you to easily monitor their success.

Act now

With our help, you can build upon the value management approach shown above to ensure that future contract logistics projects:

- achieve your profit and return targets with manageable risk,
- optimize your network capacity usage,
- build customer loyalty,
- improve your long-term competitive position, and thus
- add lasting value to your company.

About us

With some 8,900 employees and a turnover of around 1.47 billion euros, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft is one of the leading auditing and consultancy companies in Germany. Experts at 28 locations work on behalf of national and international clients of every size. The focus is on assurance and business advisory services, tax services as well as transaction services and consulting. The company's activities are marked by an emphasis on high quality, forward thinking and timely action.

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