



# KEEP IT RUNNING

## The Quintessential Spare Parts Logistics Report

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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 resource for 3PL market information and consulting.

A&A's mission is to have leading proprietary supply chain knowledge and market research not available anywhere else. As proof of our continued work in supporting our mission, A&A's 3PL market research is frequently cited in media articles, publications, and securities filings by publicly traded 3PLs. In addition, A&A's email newsletter currently has over 30,000 subscribers globally.

A&A's market research complements its consulting activities by providing continually updated data 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 16 closed investment transactions, and provided advice to numerous companies looking to benchmark existing 3PL operations or outsource logistics functions.

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## Global Spare Parts Logistics Market

Supporting the machinery and devices of modern globalization has required the development of sophisticated worldwide spare/service parts logistics (SPL) networks. A handful of third-party logistics providers (3PLs) have answered the market's demand and service most of earth's area and population. As a result, the spare parts logistics network, which relies on companies like UPS, FedEx, DHL, DB Schenker, Ryder, SEKO, and CEVA has grown to \$52.7 billion a year, representing approximately 6.9% of total 3PL revenue.

The major vertical industries in the spare parts logistics network are Automotive, Industrial, and Technology. In short, the spare parts logistics market is driven by high-value manufactured products and their maintenance. To a smaller extent, the Elements and Healthcare sectors also play in the spare parts logistics space.

To arrive at estimates for the spare parts logistics market, we begin with some basic Armstrong & Associates' research results. Each year, Armstrong & Associates estimates global third-party logistics market revenue. We then split total revenues by Fortune 1000 industry verticals. We also apply assumptions based on industry trends and growth rates.

Table 1. Global 3PL Revenues by Select Industries &amp; Sub Segments (US\$ Billions)

Vertical Industries and Sub Segments	2016E SPL Revenue	Industry % of Total SPL Revenue
<b>Automotive Total</b>	<b>\$18.1</b>	<b>34.3%</b>
<b>Elements</b>		
Energy	\$1.3	2.6%
Mining, Crude-Oil Production	\$0.5	0.9%
Petroleum Refining	\$1.5	2.9%
Utilities	\$0.6	1.1%
<b>Elements Total</b>	<b>\$3.9</b>	<b>7.4%</b>
<b>Healthcare</b>		
Medical Products and Equipment	\$2.1	4.0%
<b>Healthcare Total</b>	<b>\$2.1</b>	<b>4.0%</b>
<b>Industrial</b>		
Construction and Farm Machinery	\$8.0	15.1%
Industrial Machinery	\$2.1	4.0%
Oil and Gas Equipment	\$0.5	0.9%

Geographically, 3PL spare parts logistics revenues follow the distribution of major markets and industrial production. Asia Pacific accounts for \$18.2 billion (34.5%)...

**Table 2. 3PL Spare Parts Logistics Revenue by Region - 2016E (US\$ Billions)**

Region	Country	2016E 3PL SPL Revenue (US\$ Billions)	2008-2016E CAGR
North America	Canada	1.0	2.7%
	Mexico	1.2	7.4%
	United States	10.9	4.1%
<b>Region</b>		<b>13.1</b>	<b>4.2%</b>
Europe	France	2.0	0.4%
	Germany	2.5	2.8%
	Italy	1.4	-2.1%
	Netherlands	0.6	-1.0%
	Spain	9.0	-5.2%
	United Kingdom	1.7	-0.4%
	Others	1.9	-4.6%
<b>Region</b>		<b>10.9</b>	<b>-0.8%</b>
Asia Pacific	China	12.0	16.8%
	Hong Kong	0.1	6.1%
	India	1.0	9.8%

# Major Players

## UPS Post Sales

### Overview

UPS's SPL business, referred to as "Post Sales" is part of UPS Supply Chain & Freight. Post Sales operates five global central stocking locations (CSLs) to run its network complemented by 1,000+ global field stocking locations (FSLs), which serve as local inventory sites. The network is leveraged to ensure that the right type and quantity of parts are in optimal locations to best meet the needs of UPS customers' end-clients in order to maximize service while reducing costs.

This network is continually adapted in size to meet client needs and serves over 125 countries. UPS has clients across many segments including High Tech, Medical Equipment and Devices, Industrial Manufacturing, and Aerospace. UPS has a multi-functional global group 100% dedicated to managing this business within the larger Supply Chain organization. The group defines the Post Sales Strategy and Mission as outlined below.

Figure 1. UPS Post Sales Mission

*Post Sales Mission: To provide innovative solutions for our customers' global post sales supply chain challenges across multiple industries*

#### Strategy Elements

-  Global Connectivity
-  Customer Equipment
-  Business Integration

#### Current Projects

-  Operational Analytics
-  Reverse Logistics
-  Trade Operations