Transport Market Monitor

Recovery of transport prices still far away

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Capgemini Consulting

TRANSPOREON THE LOGISTICS EFFICIENATOR.

European transport market faces economic uncertainty

This is the eleventh edition of the Transport Market Monitor. It outlines developments in European road transport rates and includes figures for the first quarter of 2012.

- The price index decreased by 7.9% in Q1 2012 (index 92.7), compared to the price index in Q4 2011 (index 100.6).
- Compared to the index level of the previous year, Q1 2011 (index 96.4), the price index decreased by 3.8%. The diesel index increased by 2.9% in Q1 2012, compared to Q4 2011. This increase however did not cause transport prices to rise.
- Another factor with a high impact on transport prices is the capacity index, which increased by 41.5% in Q1 2012 (index 120.1), compared to Q4 2011 (index 84.9).
- The price decrease in Q1 fits the pattern of the price index in previous years. The effect is relatively strong this year, caused by decreasing economic activity and an uncertain outlook for the near future.
- The development of the price and capacity index over the next two quarters is likely to be influenced by the development of the economic situation in both Europe and the USA. The current uncertainty causes hesitant and nervous behaviour throughout the industry. On the other hand, the oil price which causes fuel prices to reach historically high levels will be need to be monitored closely as well.
- Both market dynamics and the expected cost increase of transportation emphasize the need to monitor transport price developments very closely, to mitigate the risk of any unexpected negative impact on company results.

These are the conclusions of the Transport Market Monitor by TRANSPOREON and Capgemini Consulting, a quarterly publication, which aims to track transport market dynamics.

This report is the eleventh edition of the Transport Market Monitor. Each quarter, a new edition will outline the developments during the past three months and reviews additional themes in transportation.

All indices in this report are based on the logistics platform TRANSPOREON, which handles a yearly transport volume (different truck types, mainly FTL and LTL) of more than €2 billion, covering all European countries. Information is anonymously exported from the platform and aggregated analysed by Capgemini Consulting.

The figures in the Transport Market Monitor date back to January 2008: the earliest point of measurement of the index figures. For all indices, the average figures of the 6 months period January 2008 till June 2008 have been set as the basis for comparison (Index 100).

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A 7.9% price decrease in Q1 2012

The price index is calculated by comparing the average price per kilometre over time.

The Capacity Index is an indicator for "available capacity", the ratio between absolute demand and capacity. The capacity index is calculated by comparing the average number of bids in response to a transport request over time.

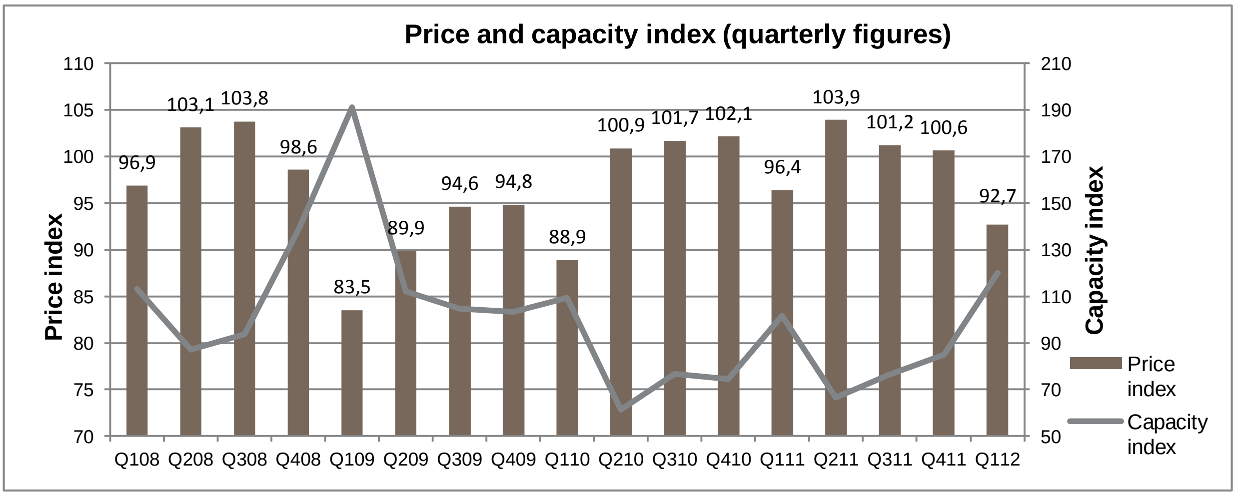
This section of the Transport Market Monitor outlines the quarterly developments of the price and capacity index, based on a time span from 2008 until the first quarter of 2012.
The price index (see figure 1) decreased by 7.9% in Q1 2012 (index 92.7), compared to the price index in Q4 2011 (index 100.6). When comparing the index level of the previous year, Q1 2011 (index 96.4), the price index decreased by 3.8%. In July 2011 a first deviation from the trend of increasing prices year on year was witnessed, since then each month's prices have been lower than the previous year despite the effect of inflation.

A price decrease between Q4 and Q1 is a recurring trend in the history of the Transport Market Monitor. In previous years prices decreased on average between 5% to 7% between Q4 and Q1, with the exception of Q1 2009, when a price fall of more than 15% was observed. A decrease in the price index is a seasonal effect caused by a relatively lower demand for transportation in Q1 in multiple markets e.g. consumer products and construction material. This trend is either caused by peak season or impacted by the winter period in Q4. Less demand for transportation drives an increase in available capacity and has a downward price effect.

The relatively large fall in Q1 of the price index could also be a result of the increased economic instability which is discussed in previous editions of this report. Also the slight decrease of oil prices at the beginning of 2012, after peak levels in 2011, shows that economic growth is slowing down.

The capacity index increased by 41.5% in Q1 2012 (index 120.1), compared to Q4 2011 (index 84.9). Last year an increase of over 36% was observed. The only time we saw such a large fluctuation between two consecutive quarters, was in 2008-2009. The index is 18.3% higher compared to the capacity index of the previous year, Q1 2011 (index 101.6). Large capacity index increases are a regular pattern in the index between Q4 and Q1.

Figure 1: Price and capacity index, quarterly (Q1 2008 – Q1 2012)



High volatility in the capacity index during Q1 2012

This section of the Transport Market Monitor depicts the monthly developments in the price and capacity index over the last 12 months. Analysing Q1 2012 (see figure 2), January and February showed a prolongation of decreasing price levels, while March demonstrates a recovery. Following the reverse pattern, the capacity index was at an unusual high level in February 2012 (index 136.2) this has not been witnessed since March 2009.

After a decrease in November and December of 2011, prices continued to decrease in January by 3.8% (index 92.7) and in February by 3.9% (index 89.0). March picked up to a price index of 95.1 (6.8% month-on-month increase).

The development of the capacity index has been extremely volatile between January and March 2012. The capacity index increased by 26.4% in January (index 125.5), compared to December 2011 (index 99.3). In February it increased further to a capacity index level 136.2 (8.6% increase). And from February to March 2012 the capacity index decreased again by 24.9% to index 102.3, just above the December 2011 level.

This decreasing trend, in the last months of the year until February, has been observed in other years as well while the recovery around March matches the historic pattern.

Figure 2: Price and capacity index, monthly (Apr 2011 – Mar 2012)

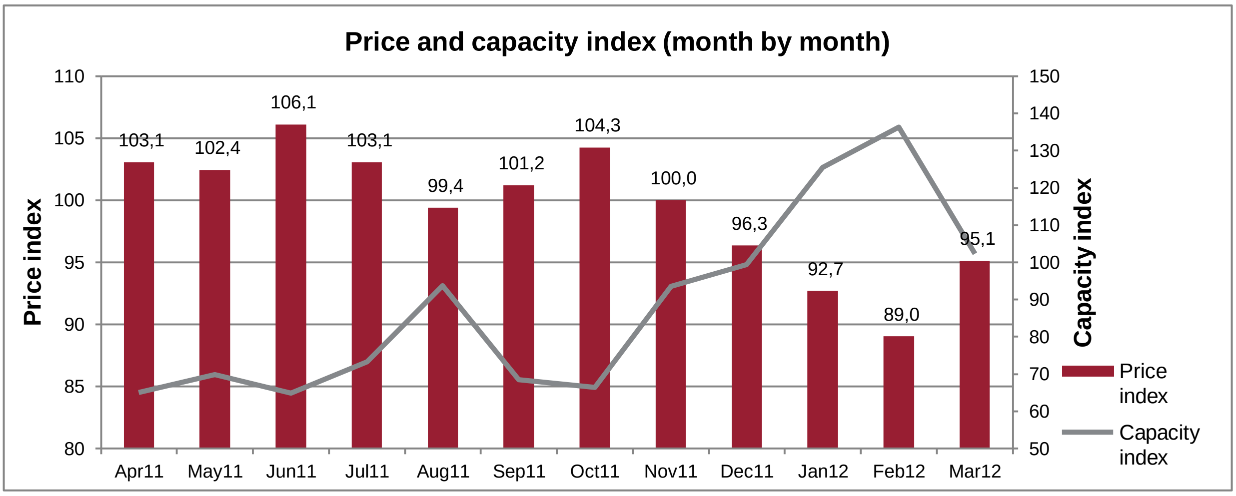


Figure 3 compares the monthly developments of the price index over the last 12 months, with the same period one year before. The deviation from a trend of increasing prices year on year has continued. As of July last year, prices have been lower than the levels of the preceding year. Especially in the period December until February transport prices were significantly lower than in 2010-2011. The price decrease in 2011-2012 is more extreme, but also the recovery in March is stronger. We can conclude that the transport market is more volatile than before.

In the yearly comparison this volatile price development is clearly visible: in Q2 of 2011 price levels were higher than in Q2 of 2010. This difference slowly diminished, up to November when the index faced a large decrease compared to 2010. Although the transport prices increased substantially in March, it is still below the price index level of last year.

Figure 3: Price index comparison, monthly (Apr 2010 – Mar 2012)

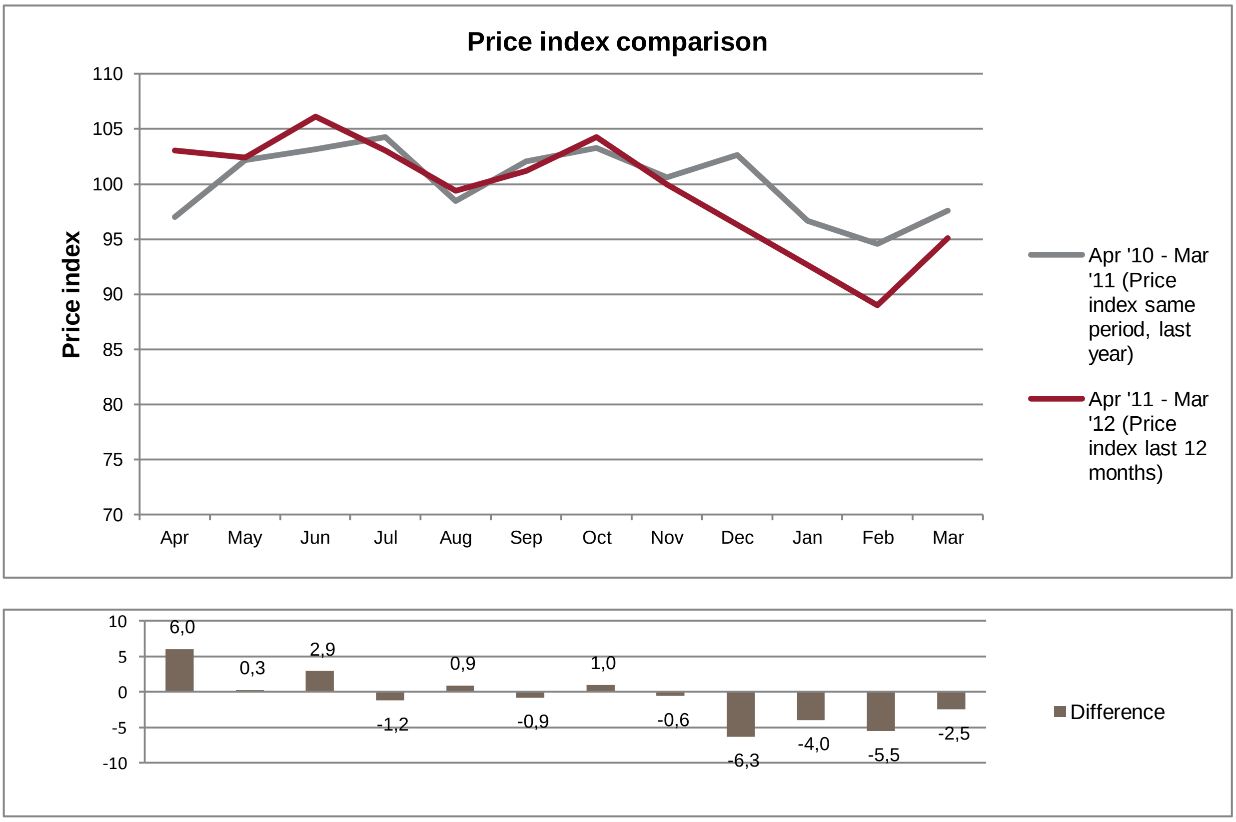
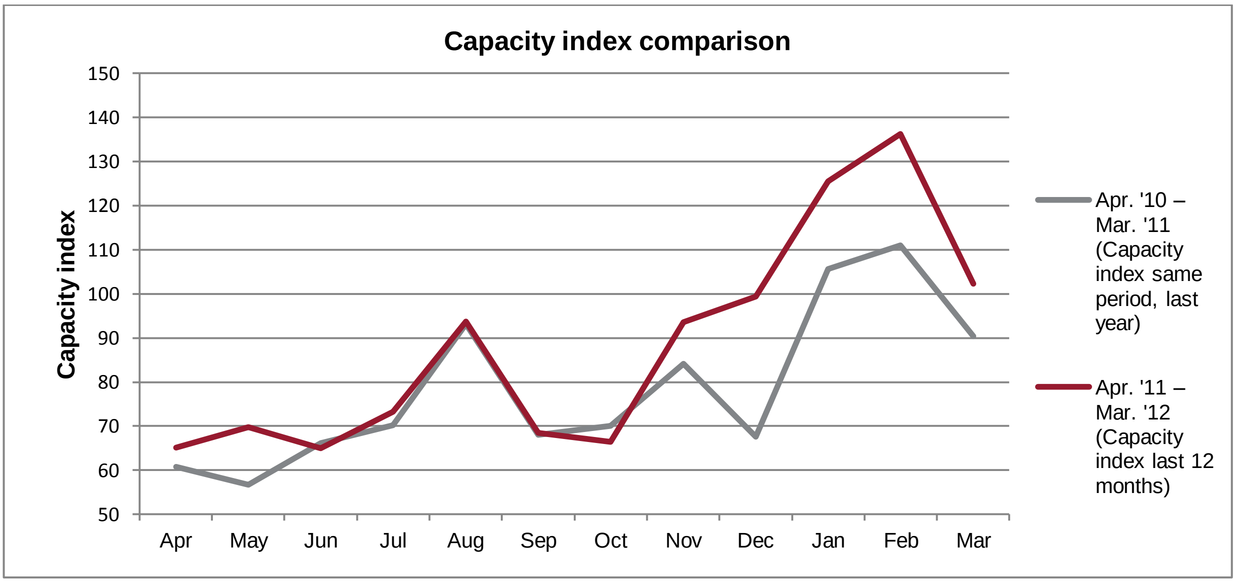
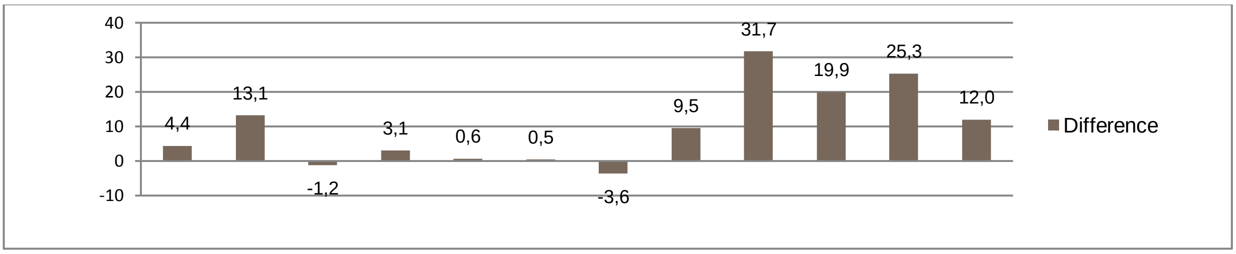


Figure 4 compares the monthly developments of the capacity index during the previous 12 months, compared with the same period one year before. In the last five months of 2012, the capacity index has been significantly higher than the previous year. Especially in the months when the index experienced a large price drop, capacity was much higher. This difference diminishes again over the last month in Q1 2012.

Figure 4: Capacity index comparison, monthly (Apr 2010 – Mar 2012)





The seasonal pattern in both, the capacity and price index, is in line with last year, however stronger. In particular the capacity index is more variable; this is the result of uncertain economic circumstances. Both shippers and hauliers act more emotionally and have difficulties in planning. The cautious behavior of shippers increases uncertainty for hauliers. These effects magnify the volatility in both price and capacity.

Industry focus

General economic conditions apply to most industries, but trends may be stronger or weaker in individual industries. Analysis of the price index by the type of industry identifies these differences, shown graphically in figure 5.

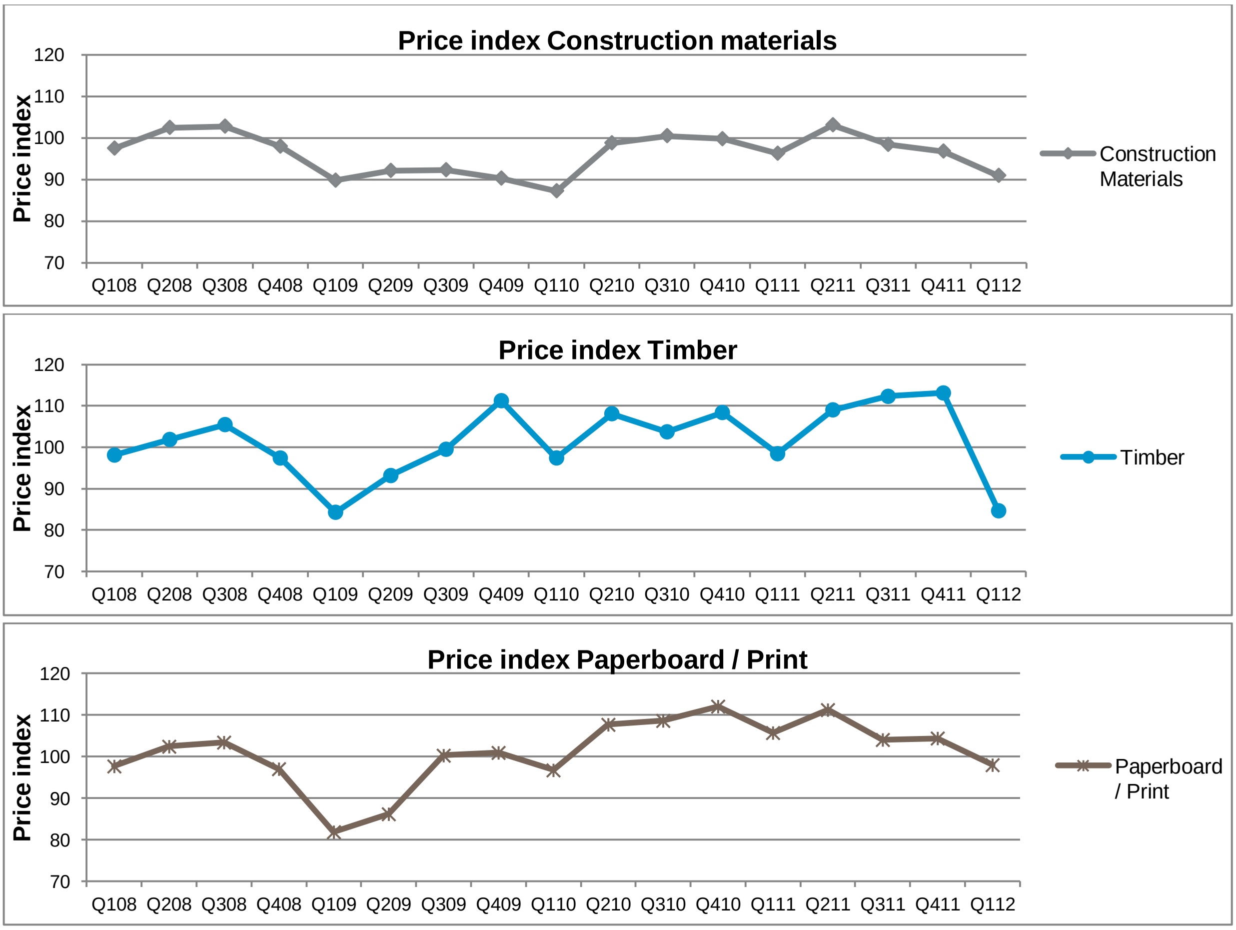
The TRANSPOREON platform handles transport for almost all industries. For this edition of the Transport Market Monitor, different industry types have been analyzed individually.

Each chart in figure 5 depicts the price development for that particular industry, indexed against the industry baseline (H1 2008)

The development of the price index for construction materials and paperboard / print is in line with the development of the overall price index during Q1 2012, but the price decreases were smaller. Where the overall price index decreased by 7.9% between Q4 and Q1, the index for construction materials decreased by 6.0% to 91.0 (index 96.8 in Q4). Paperboard/Print decreased by 6.2% over the same period, to a price index of 97.9.

Timber shows an extreme fluctuation from index 113.1 in Q4 2010, to 84.7 in Q1 2012 (a 25.2% decrease). The winter weather is named the main reason for the collapse of this market, due to the difficult working conditions in forests and the large slow down in building activities. These factors caused the amount of goods transported to shrink which increased spare capacity leaving hauliers with a lot of overcapacity.

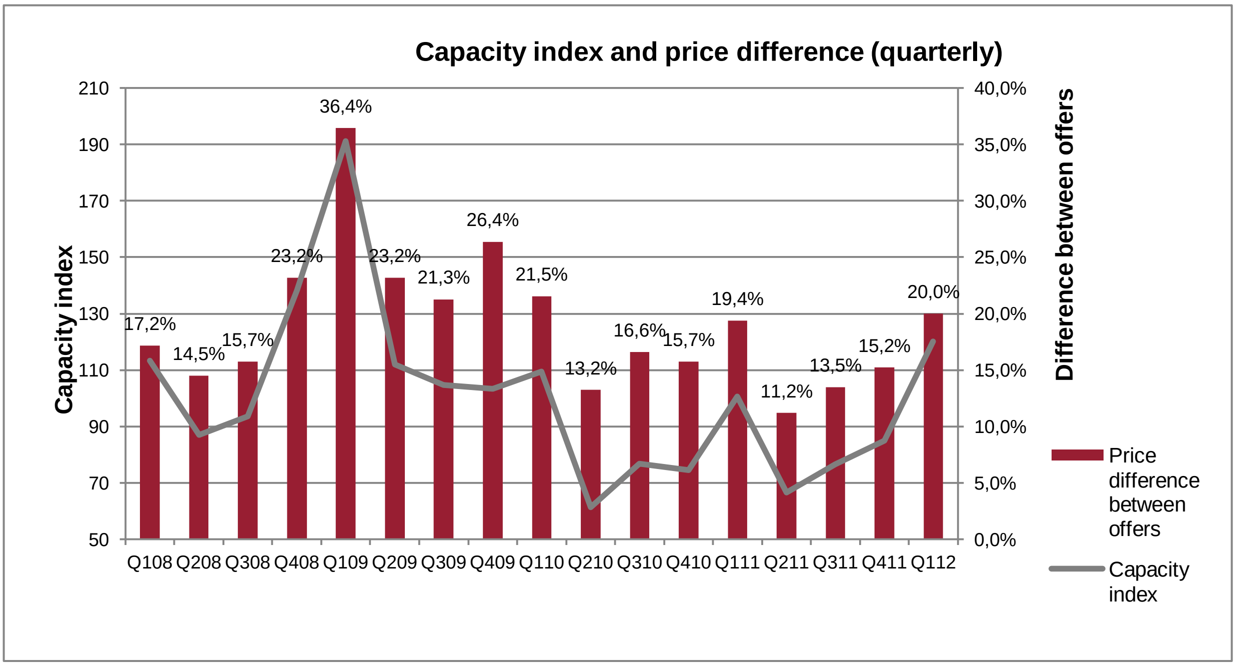
Figure 5: Price index for different industries (Q1 2008 – Q1 2012)



Price differences between offers increased

This section outlines transport dynamics, by analysing the price difference between the highest and the lowest price offered per transport order. Figure 6 illustrates the price difference between offers, and the development of the capacity index. Q1 figures show the trend for higher capacity and high price difference. The large differences between prices as well as the high capacity available, underlines the point made about uncertainty in the transport market. In a volatile market shippers and hauliers are challenged to optimize transport assignment strategy.

Figure 6: Capacity index and price difference (Q1 2008 – Q1 2012)



In line with the clear increase in available capacity, price differences between the highest and the lowest offered price increased from 15.2% in Q4 2011 to 20.0% in Q1 2012. The price difference is an average figure. In general, price differences increase with the distance to be travelled (see TMM, edition 1).

Diesel index increased

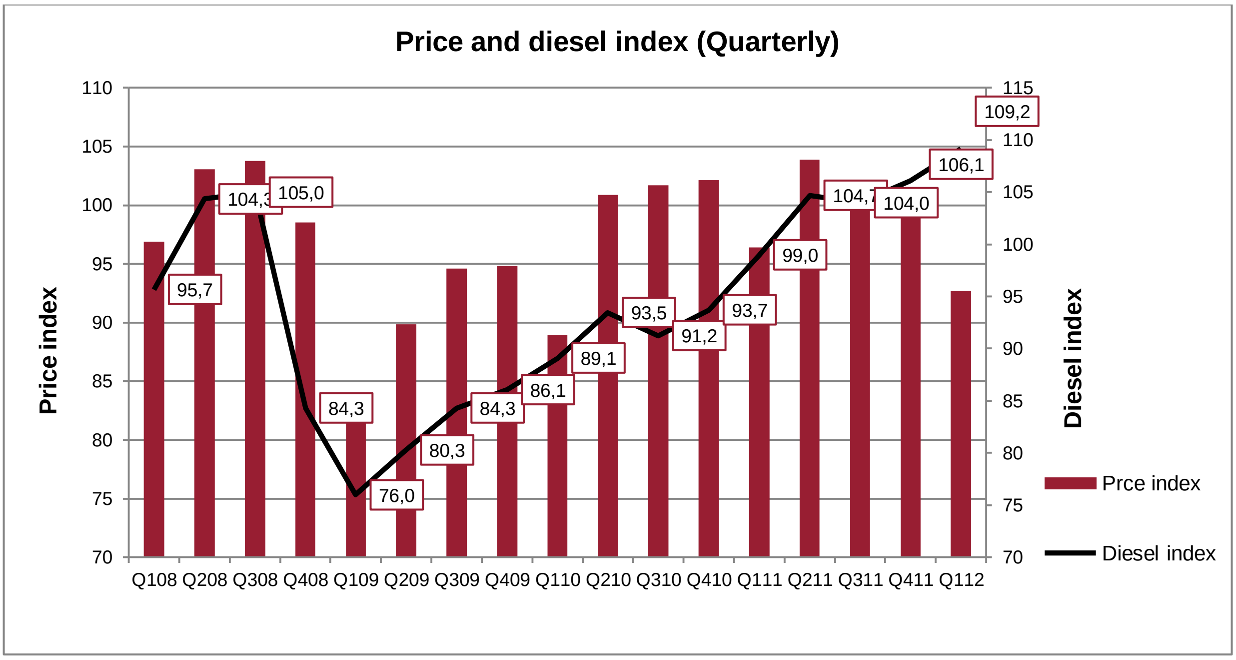
This section compares the price index with the diesel index (see figure 7). In general there is a positive correlation between the diesel index and the price index, clearly indicating the impact of diesel prices on transportation costs and consequently prices. This was not the case during Q1 2012. The diesel price index increased by 2.9% and the transport price index decreased by 7.9%, compared to Q4. This shows the impact of increased capacity has greater leverage on the transport prices, than the effect of diesel prices.

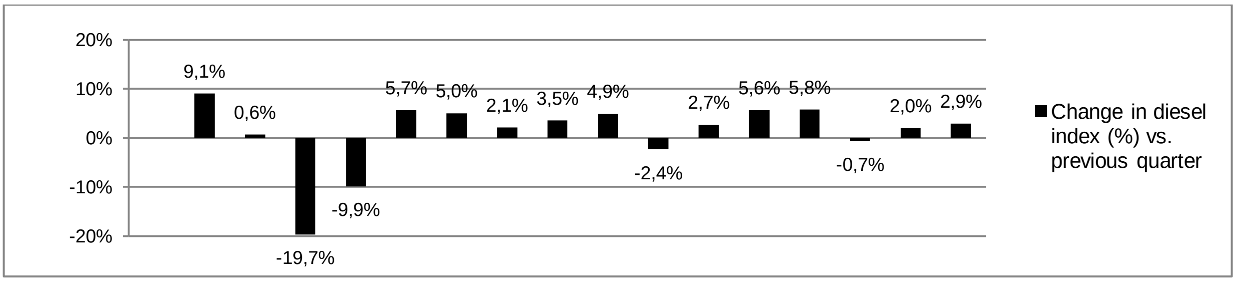
The increase of diesel prices is in line with the pattern we have seen since 2009. With the exception of Q3 2010 and Q3 2011, diesel prices have been increasing substantially.

For the diesel index, the average figures of the 6 month period January 2008 till June 2008 have been set as the basis for comparison (index 100), similar to the other indices used in this report.

The calculation of the diesel index is based on diesel price figures in Germany, obtained from www.aral.de. We assume that the index pattern, based on the above figures, is representative for Europe for the purpose of this report.

Figure 7: Price index and diesel index (Q1 2008 – Q1 2012)





Transport Market Monitor on LinkedIn

Not only updates on the transport market are given via the quarterly publication of the Transport Market Monitor. Lively discussions on the Transport Market Monitor group take place on LinkedIn. Therefore join the group and participate in the discussion about the next statement:

"Price decreases in Q1 are caused by low demand from shippers"

React on this statement at LinkedIn by clicking on the button below:

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Next edition

This edition looked at the price and capacity developments since the beginning of the Transport Market Monitor in 2008. It outlined price decreases in Q1 2012 compared to Q4 2011 and in the same period one year before. The next edition, number 12, will include the figures for Q2 2012 and will closely monitor the possible impact of the uncertain situation in the European and US economies on the transport business. It will be published in August 2012.

About the Transport Market Monitor

The aim of the Transport Market Monitor is to provide insights into the development of transport prices, and other transport market dynamics to logistics executives and other interest groups. It is a joint initiative of TRANSPOREON and Capgemini Consulting.

The indices in the Monitor are based on the logistics platform TRANSPOREON, on which shippers tender and process their transport needs to their preferred transport partners on a daily basis. The platform handles a yearly transport volume of over €2 billion in all European countries. Anonymously, information is unlocked from the platform and analyzed by Capgemini Consulting. This results in monthly indices which are published on a quarterly basis. In addition to each publication of the Monitor, one or more market themes are discussed, supported by detailed analysis.

TRANSPOREON and Capgemini Consulting can help you to find the right strategy between static and dynamic prices. Additional information about both companies and their service offerings is available upon request.

This report is available at http://www.transportmarketmonitor.com. More information about the products and services of both TRANSPOREON and Capgemini Consulting can be obtained via the contact information provided at the back of this report.

About Capgemini and TRANSPOREON

About Capgemini

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About TRANSPOREON

The logistics platform TRANSPOREON connects shippers from industry & trading companies with carriers, drivers & consignees – and optimizes and accelerates logistics processes. Users of our platform receive web-based SaaS (Software-as-a-Service) solutions as electronic transport assignment, time slot management and transport visibility. TRANSPOREON allows to reduce dispatch and freight costs, while minimizing waiting times during loading and unloading.

Currently more than 650 industry shippers industry and trading companies, more than 28,000 carriers and more than 60,000 users from 70 countries are connected via the TRANSPOREON platform. The platforms as well as the customer service are available in 18 languages.

Operating company of the logistics platform TRANSPOREON is the international TRANSPOREON Group. Other solutions the group is offering are the tender platform TICONTRACT and the retail logistics platform MERCAREON. Presently freight orders with a volume of 8.5 billion EUR are organised via the solutions of the TRANSPOREON Group. The company is on site in 22 locations throughout Europe and the U.S.A.

Learn more about us at: www.transporeon.com

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