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TRANSPOREON
THE LOGISTICS EFFICIENATOR.

Transport Market Monitor

Transport prices increased in Q2 2010

Edition: 4 (August 2010)

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Price increase of 13.5% in Q2 2010

This is the fourth edition of the Transport Market Monitor which outlines developments in European road transport rates including figures from the second quarter of 2010:

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

- Transport prices increased by 13.5% in Q2 2010, compared to Q1 2010.
- For the first time, price levels equal the levels of the pre-crisis period H1 2008, but are still 2.2 % below 2nd quarter 2008.
- The significant drop in available capacity is without doubt one of the main drivers for the price increase: the capacity index decreased by 44% when comparing Q2 2010 with Q1 2010.
- Based on the price developments that we see in this monitor, traditional sourcing strategies may not bring the expected financial benefits that logistics managers are aiming for.
- Both the economical outlook, but also the sustainability agenda will bring new and innovative transport sourcing strategies.

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

High demand for transport drives 13.5% price increase

This section of the Transport Market Monitor outlines developments in price and capacity over the longer term, based on a time window of several years.

Q2 2010 (see figure 1) shows a price increase of 13.5% (index 100.9) compared to the first quarter of 2010 (index 88.9). For the first time after the crisis, the price index passed index 100. This means that prices are around the levels that were monitored in the pre-crisis period H1 2008, but still 2.2 % below Q2 2008 price index.

Despite the fact that a price increase was expected (see edition 3 of the Transport Market Monitor), the increase of 13.5% is the highest since the start of our monitoring time window, January 2008. In comparison: the price increase from Q1 to Q2 2008 was 6.4%.

The significant drop in available capacity is without doubt one of the main drivers for the price increase: the capacity index decreased by 44% (48.1 index points), when comparing Q2 2010 with Q1 2010. The Q2 capacity index figure of 61.3 is the lowest level, we have measured since January 2008. Although fuel and labour costs have also increased since Q1, their impact is relatively less (see figure 7 for a comparison of the price index and diesel index).

What could be the main drivers for the drop in available capacity and the related price increase? The authors of this article consider that the capacity drop has been caused by several reasons. The most important would definitely be the increased demand for transportation. This is caused by the positive economic trend: sales are higher, production volumes are increasing and shippers are re-stocking their supply chains. We also recognise a clear seasonal pattern. The balance between supply and demand is different over the year. In recent years prices in Q2 always showed a clear increase compared to Q1. A third factor may be that the modal shift, away from road, stopped or reversed during the crisis. Shippers have not shifted their volumes from road to rail or water, due to the competitive road prices, but the reverse may have happened, resulting in additional demand. On the supply side, carriers have significantly reduced their capacity during the crisis and are cautious with any new investments. Sales figures of new trucks in Europe are also modest: they show an upward trend, but volumes are still lower than last year.

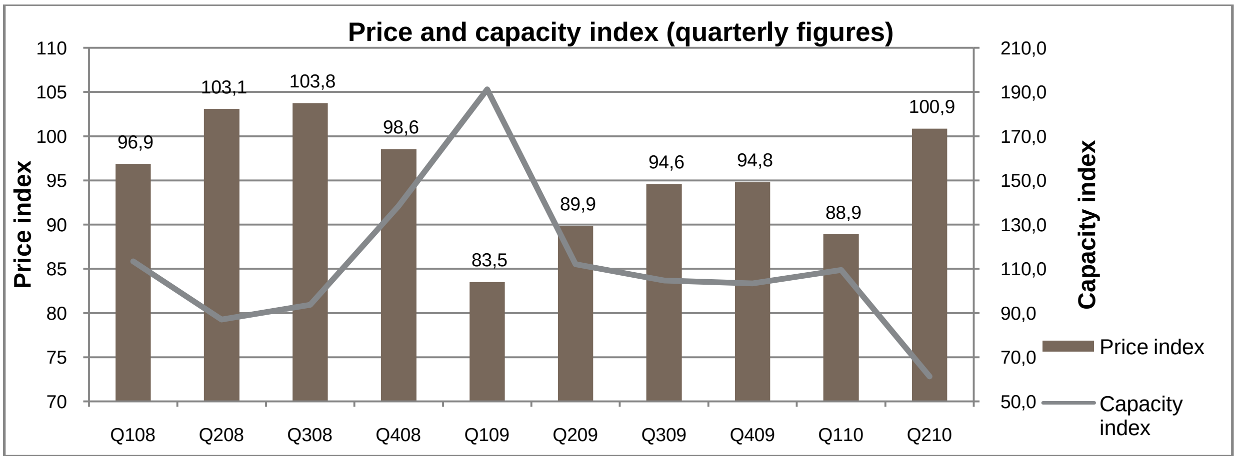
All indices in this report are based on the logistics platform of TRANSPOREON, which handles a yearly transport volume of more than €2 billion, covering all European countries.

Information is anonymously unlocked from the platform and analysed by Capgemini Consulting.

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

The capacity index is calculated by comparing the average number of bids in response to a transport request over time.

Figure 1: Price and capacity index, quarterly (Q1 2008 – Q2 2010)



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Comparing the Q2 2010, with Q2 2008, it becomes clear that the price index is 2.2 index points below the pre-crisis level of two years ago.

It is expected that the summer period of July and August will slow down the rising trend in transport prices. Carriers will also respond to the positive trend in demand and will increase capacity. On the other hand, carriers will try to follow the incumbent suppliers, who are announcing price increases of 3 – 5% to improve their yield.

Whether the price index will pass the index 100 mark during H2 2010 is difficult to predict. Q2 2010 may have peaked due to market dynamics and demand and capacity might be better aligned in the second part of this year. However, cost levels are expected to increase as well, both for diesel and labour. Sector organisations express their concerns about a foreseen capacity gap for skilled drivers.

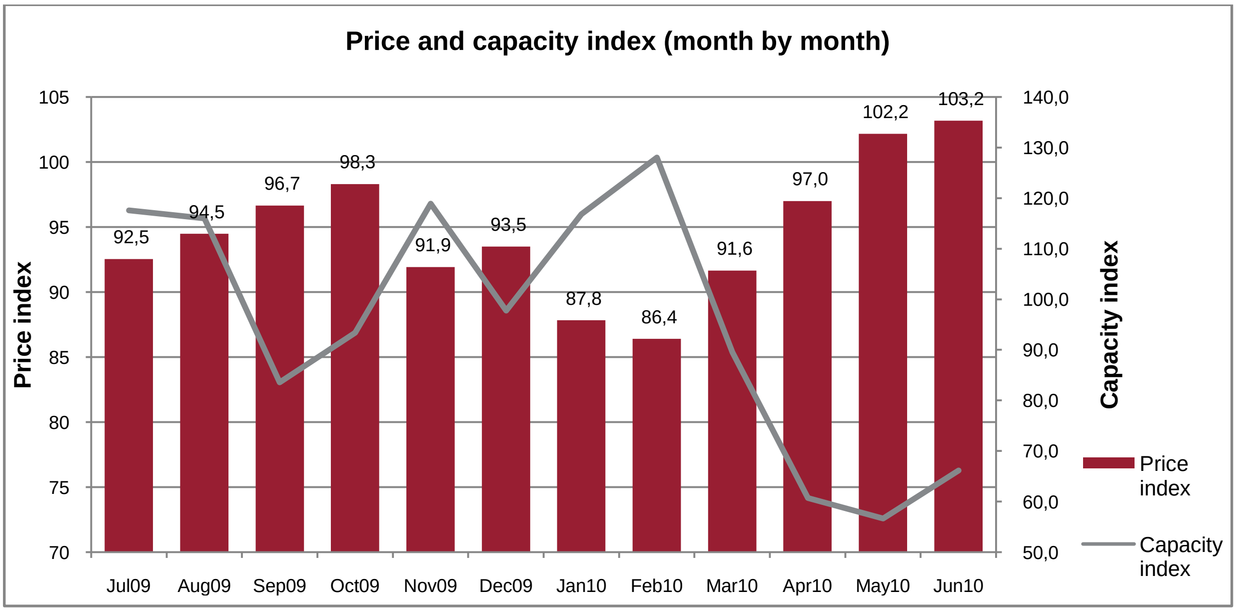
For all indices, the average figures of the 6 month period January 2008 till June 2008 have been set as the basis for comparison (Index 100).

The figures in the Transport Market Monitor date back to January 2008: the earliest point of measurement of the Index figures. In future releases the scope of the time window will increase.

Dynamics of February till May slow down in June

This section of the Transport Market Monitor depicts the monthly developments in price and capacity over the last 12 months. Figure 2 outlines that the price increase has been ongoing since February and is slowing down in June.

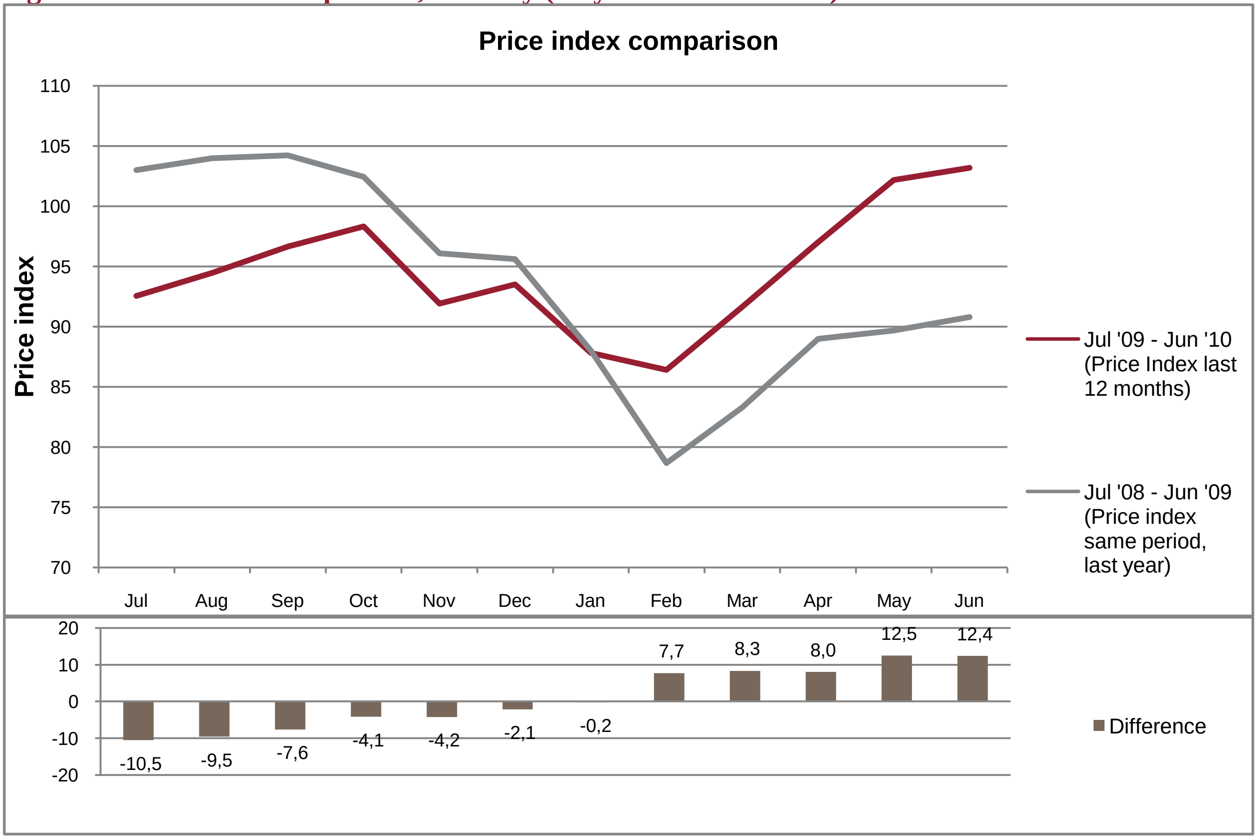
Figure 2: Price and capacity index, monthly (July 2009 – June 2010)



Since February, the capacity index has dropped in 3 months from the highest level over the last 12 months (128.0) to the lowest level in May (56.7). The last month of Q2 showed an increase of available capacity: the capacity index increased in June to 66.2, compared to 56.7 in May.

Figure 3 compares the monthly developments of the price index, during the last 12 months, with the same period one year before. Since January 2010, the price index caught up to the level of one year before and has now clearly passed it. During May and June 2010, the price index was more than 12 index points higher, compared to the same period last year (in percentages, transport prices were approximately 14% higher).

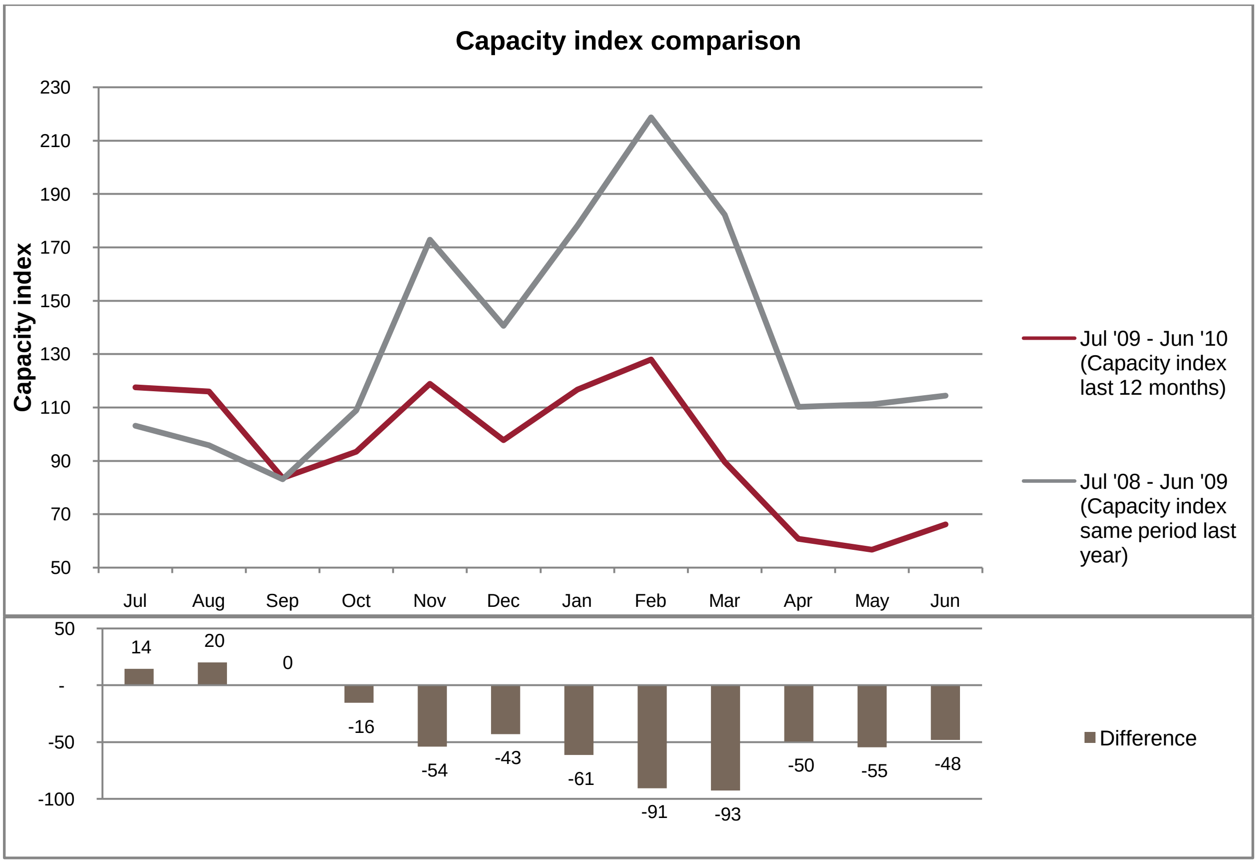
Figure 3: Price index comparison, monthly (July 2008 – June 2010)



Last year, prices have been increasing from July till October, followed by a decline from October to the first 2 months of 2010. Assuming that this pattern is partly seasonal, this is also an indication that prices may still increase during next quarter, followed by a decline in Q4 2010.

Figure 4 compares the monthly developments of the capacity index, during the last 12 months, compared with the same period one year before. After September 2009, the capacity index went below the level of the previous year. The capacity index pattern is seasonal. Last edition, we outlined the capacity peaks in the months of November and February. The drop in available capacity, that started in March 2010 and has continued until June, is a pattern that we have also seen last year. We may expect an additional run on capacity in September, which may impact transport prices as well.

Figure 4: Capacity index comparison, monthly (July 2008 – June 2010)



Different indices per industry

Analysis of the price index by industry type identifies differences between industries. This is shown graphically in figure 5.

Analyses across industries outline that transport dynamics apply to all industries, but trends may differ and dynamics may be stronger or weaker in individual industries.

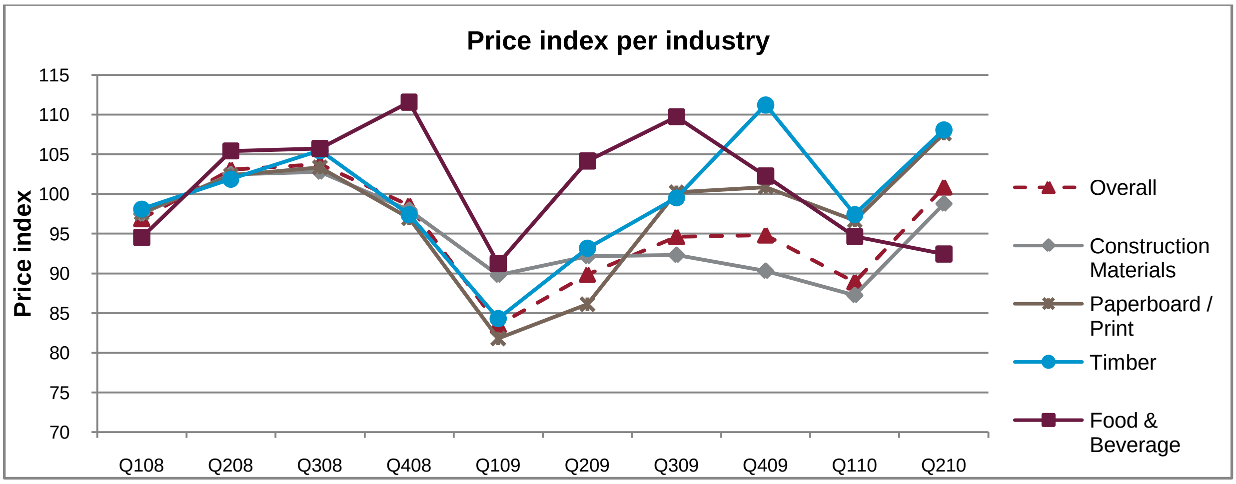
Note: The TRANSPOREON platform handles transport for almost all industries. For this edition of the Transport Market Monitor, four different industry types have been analysed.

The price index of Food & Beverage deviated from the other industry figures during Q2 2010, as it is the only industry that did not show the upward trend. It may have been a market correction, as the index has been relatively high, compared to other industries: compared to base index 100 (the average prices in this industry during the first 6 months of 2008), price increases have been higher. This deviation has now disappeared.

In both the timber industry and paperboard and print, it is visible that since the Q2 2009, price increases have been higher, compared to the overall index.

The situation in Q2 2010 displays that all industry indices are within 10 index points of the average.

Figure 5: Price index per industry (Q1 2008 - Q1 2010)



Less price differences, driven by low available capacity

This section further outlines transport dynamics by analysing the price difference between the highest and the lowest average offered price per transport request.

Figure 6: Price index and price difference (Q1 2008 – Q1 2010)

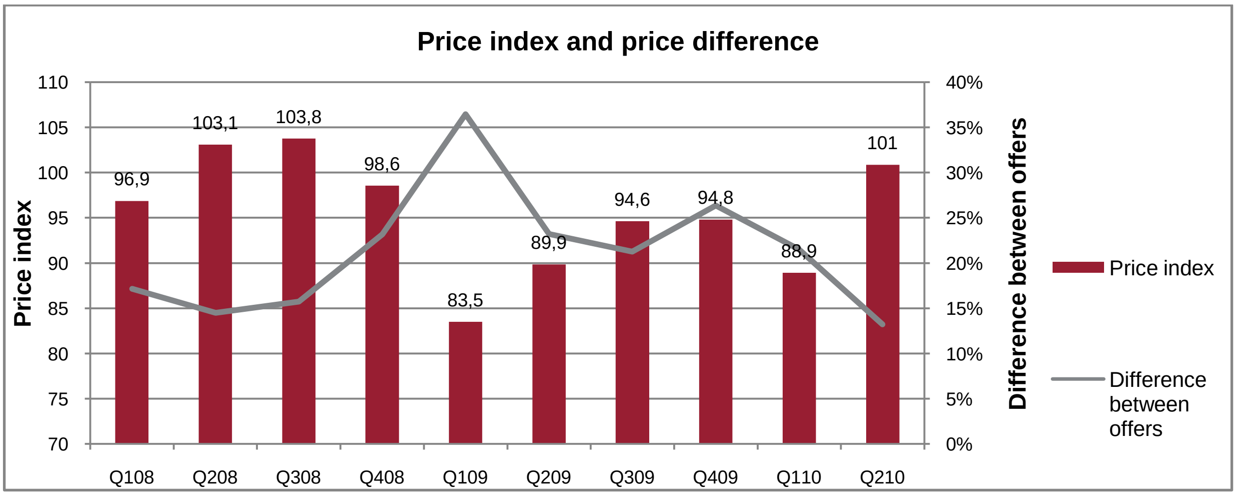


Figure 6 outlines that the price differences between the highest and the lowest offered price per transport, further decreased in Q2 2010 toward 13.2%. The decline in price differences demonstrates the effect of low available capacity in the market. It is expected that, based on alignment of transport demand and supply, price differences will increase again.

Diesel was not the main driver of Q2's price increase

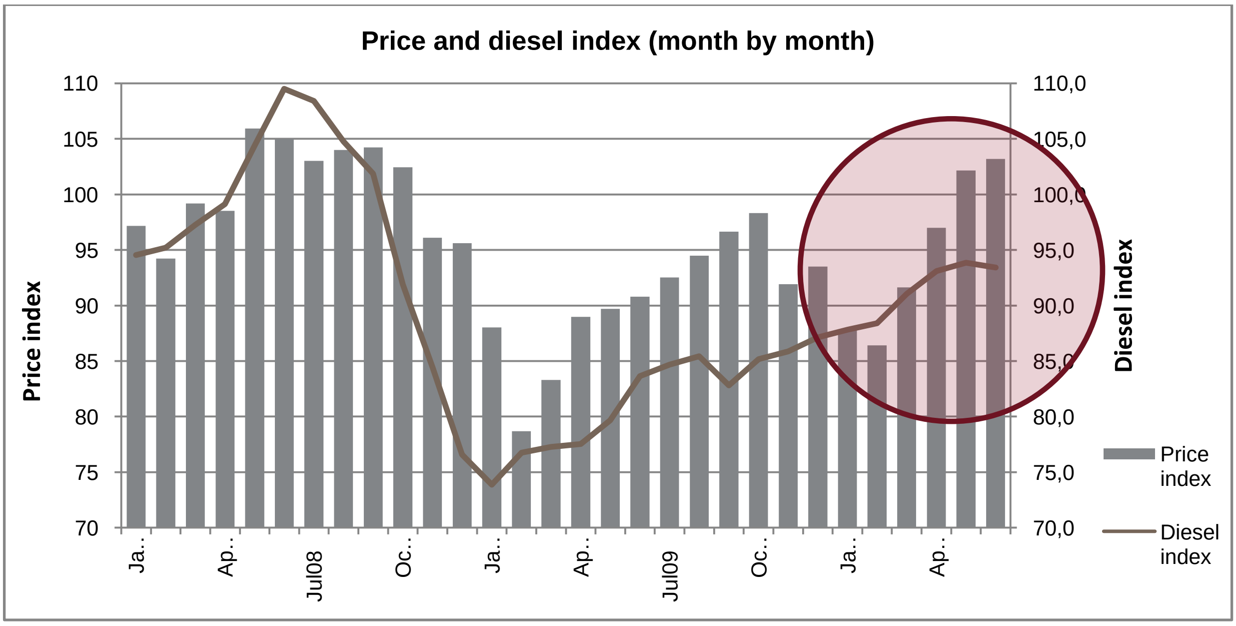
Also in this edition, fuelled by the positive responses from the subscribers to the Transport Market Monitor, we have compared the price index with the diesel index (see figure 7). In general the pattern of the diesel index appears to follow a similar pattern as the price index, clearly indicating the impact of the diesel prices on costs, hence prices.

When analysing the price index and diesel index during the months of 2010, diesel may have driven prices during the first months. However, the price pattern that we monitored in May and June clearly differentiates, as capacity may have been the determining factor.

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.benzinpreis.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 (January 2008 – June 2010)



New transport strategies will evolve

Heading towards the end of 2010, many logistics executives facing new budget rounds, are considering retendering their contracts or are working on mid to long term transport strategies. How will transport prices develop during H2 2010 and 2011? How to set my budget for transportation? How to contract with my suppliers in this dynamic market? These questions may be one of the main challenges that logistics executives face after the summer.

In Q2/Q3 2006 logistics managers had to cope with a similar situation. Many decided to retender their transport capacity for a longer period as transport prices were expected to increase even more in 2007. The opposite was the case: the freight prices dropped in 2007, but logistics managers were stuck in high 2006 prices.

Based on the price developments that we see in this monitor, traditional sourcing strategies may not bring the expected financial results at the moment. The authors believe that today's market dynamics require a reconsideration of the current strategy. Collaboration platforms between goods suppliers and manufacturers (whether vertically or horizontally) offer new potential for transport optimisation. Stepping away from traditional sourcing strategies may be another way to target market potential.

This will bring new and innovative transport strategies. These transformations are not only accelerated by the economic outlook, but also by the sustainability policies that are now firmly fixed in the company policies. As sustainability and transport optimisation do not contradict each other, it is also an enabler to explore opportunities that were not available to consider a couple of years ago.

Next edition

This edition outlined the significant price increase of Q2 2010, compared to Q1 2010. Price increases were expected (see edition 3), but the size of the increase was above expectations. It is expected that the upward trend in the economy will also impact transport prices, although slowed down during the holiday period. Edition 5 will be published in November 2010 and will include figures up to Q3 2010.

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 analysed 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 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

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies. Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™. The Group relies on its global delivery model called Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients. Present in more than 30 countries, Capgemini reported 2009 global revenues of EUR 8.4 billion and employs 90,000 people worldwide.

Capgemini Consulting is the Global Strategy and Transformation Consulting brand of the Capgemini Group, specializing in advising and supporting organizations in transforming their business, from the development of innovative strategy through to execution, with a consistent focus on sustainable results. Capgemini Consulting proposes to leading companies and governments a fresh approach which uses innovative methods, technology and the talents of over 4,000 consultants worldwide.

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 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 400 shippers, more than 19,000 carriers and more than 54,000 users from 70 countries are connected via the TRANSPOREON platform. The platform as well as the customer service are available in 16 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 6 billion EUR are organised via the solutions of the TRANSPOREON Group. The company is on site in 13 locations throughout Europe and the U.S.A.

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