Capgemini Consulting

TRANSPOREON
THE LOGISTICS EFFICIENATOR.

Transport Market Monitor

Upward price trend flattened out in Q3 2010

Edition: 5 (November 2010)

Limited price increases in Q3 2010

> *This report is the fifth 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.*

This is the fifth edition of the Transport Market Monitor. It outlines developments in European road transport rates and includes figures from the third quarter of 2010. Overall, the upward price trend which started in Q1 2010, has flattened out in Q3 2010 with transport prices showing only a limited increase during the third quarter of 2010 when compared to Q2:

- Transport prices increased by 0.8% in Q3 2010 (index 101.7), compared to Q2 2010 (index 100.9).
- The rise in available capacity after a period of capacity reduction is one of the main drivers for diminishing price increases. The capacity index increased by 25.1% between Q2 2010 (index 61.3) and Q3 2010 (index 76.7).
- The price index in Q3 2010 (index 101.7) is 7.5 % higher compared to Q3 2009 (index 94.6), but 2.0% lower compared to the same quarter in 2008 (index 103.8).
- As with the price index of Q2 2010 (100.9), the price index of Q3 2010 (101.7) is higher than the average price level of H1 2008 (100), the pre-crisis period.
- The capacity index in Q3 2010 (index 76.7), is 26.7 % lower compared to Q3 2009 (index 104.7), and 18.1% lower compared to the same quarter in 2008 (index 93.7).

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

Limited price increases in Q3 2010 due to an increase in available capacity

This section of the Transport Market Monitor outlines developments in price and capacity over the longer term, based on a time window from 2008 until the third quarter of 2010.

Q3 2010 (see figure 1) shows a limited price increase of 0.8% (index 101.7) compared to the second quarter of 2010 (index 100.9). The price index remained above the base index measure of 100, for the second quarter in a row after the economic crisis. This means that prices are at levels that were monitored in the pre-crisis period H1 2008, but still 2.0 % below Q3 2008 price index. The strong increase in Q2 2010 softened over the summer period mainly caused by the increase in available capacity and the decrease in diesel prices (see price and diesel index, page 11).

As expected (see also edition 4) the available capacity, which reached its lowest point in Q2, has recovered. The main reason is the seasonal drop in demand during the summer holidays. There may also be an impact of suppliers increasing capacity, in response to the positive economic outlook. The capacity index increased from 61.3 index points in Q2 2010 to 76.7 index points in Q3 2010. This is an increase of 25.1%. The rise of available capacity in Q3, flattened out the upward price trend which started from Q1 2010. The capacity index in Q3 2010 (index 76.7), is 26.7 % lower compared to Q3 2009 (index 104.7), and 18.1% lower compared to the same quarter in 2008 (index 93.7).

The changes in price between Q2 and Q3 2010 are similar to the changes between Q2 and Q3 in 2008: a slight price increase of 0.7%. This pattern was different in Q2 and Q3 2009, during the crisis: the price index increased with 5.3% from Q2 to Q3 2009. This different pattern was probably caused by the exceptional economic situation in 2009.

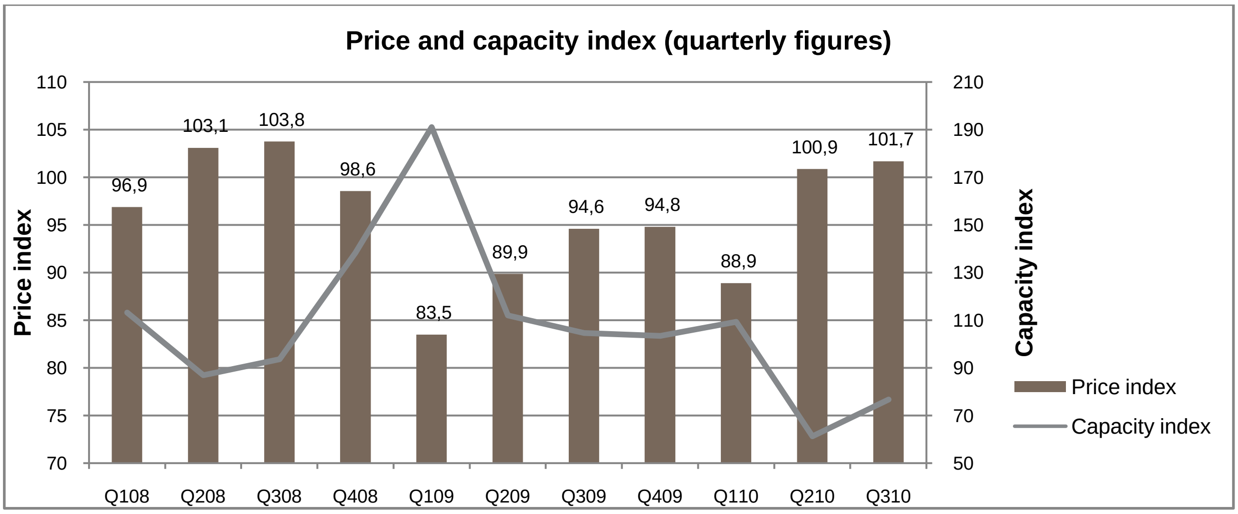
All indices in this report are based on the logistics platform TRANSPOREON, which handles a yearly transport volume of more than €2 billion, covering all European countries.

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. The Capacity Index is therefore an indicator for "available capacity", the ratio between absolute demand and capacity.

Figure 1: Price and capacity index, Quarterly (Q1 2008 – Q3 2010)



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.

Comparing the second and third quarters of 2010, with the second and third quarters of 2008, it becomes clear that the price index is stabilising at 2 index points below the pre-crisis level of two years ago. In 2009 the price index was at the level of 94.6 index points. The price index of Q3 2010 is therefore 7.1 index points higher than the price index of Q3 2009.

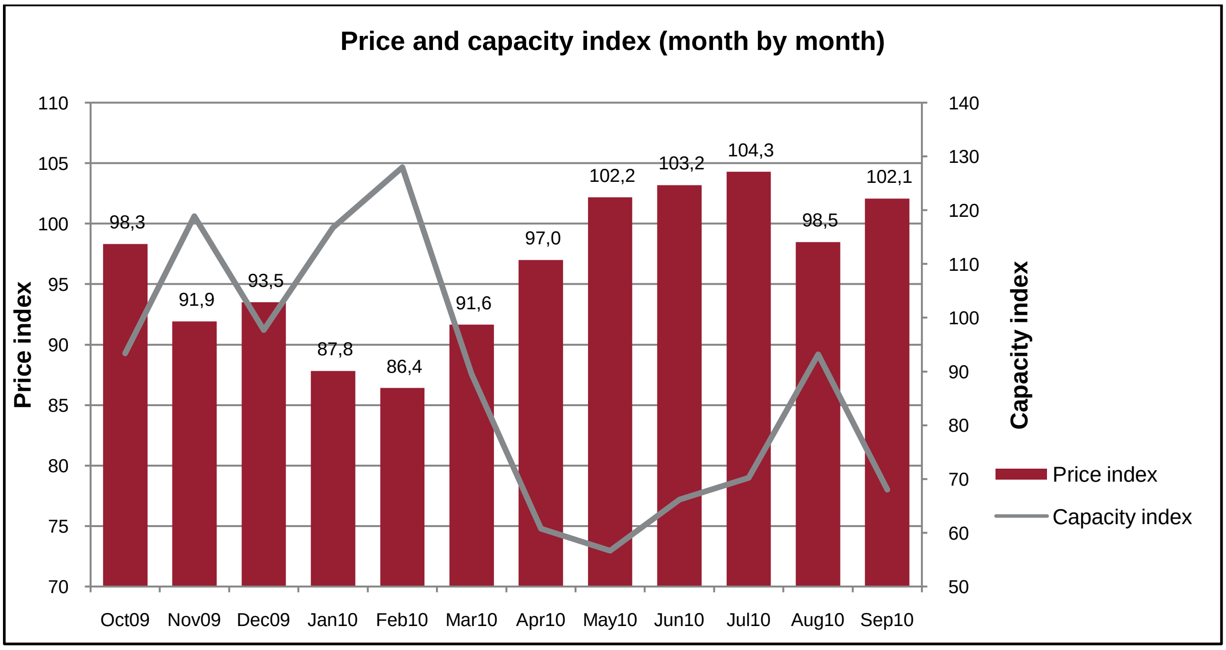
It is expected that trade volumes will increase however at a slower growth rate than during H1 2010. This keeps pressure on available transport capacity in the market. On the other hand it is expected that the capacity will increase, in response to the scarcity of capacity in Q2 [1]. It is therefore expected that the price level for Q4 2010 will remain close to the Q3 level, while available capacity is expected to recover slowly from the Q2 dip.

[1] New medium and heavy truck registrations have increased in Q3 2010 compared to Q3 2009 and show a positive trend. Source: European Automotive Manufacturer ‘s Association

Summer holidays effects prices in August

This section of the Transport Market Monitor depicts the monthly developments in price and capacity over the last 12 months. Figure 2 outlines that there has been a price increase from February till July, but prices dropped in August. The prices increased again in September, almost to the same level of May.

Figure 2: Price and capacity index, Monthly (Oct 2009 – Sept 2010)

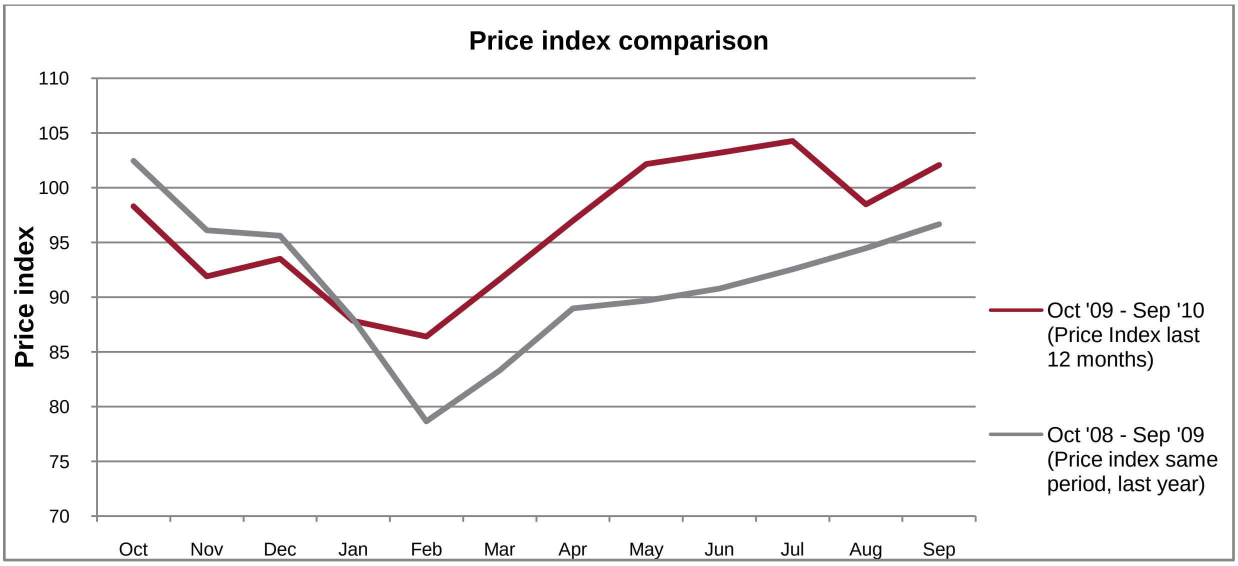


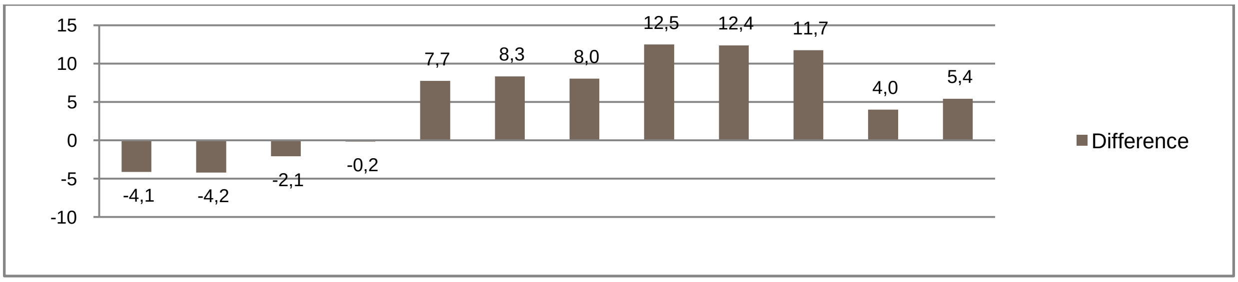
Since May, the capacity index has been rising in 4 months from the lowest level (56.7) till 93.2 index points in August. The last month of Q3 showed a decrease in available capacity: the capacity index decreased in September to 68.0 index points, compared to 93.2 in August (decrease of 27%).

A drop in available capacity in September also occurred in 2008 and 2009. Based on the patterns of previous years, it is expected that the available capacity will increase in October and November. December is expected to show a decline in available capacity.

Figure 3 compares the monthly developments of the price index, over the last 12 months, with the same period one year before. The price index has been above last year levels, since January 2010. From May till July 2010, the price index was more than 11 index points higher, compared to the same period last year (in percentages, transport prices were approximately 14% higher).

Figure 3: Price index comparison, Monthly (Oct 2008 – Sep 2010)

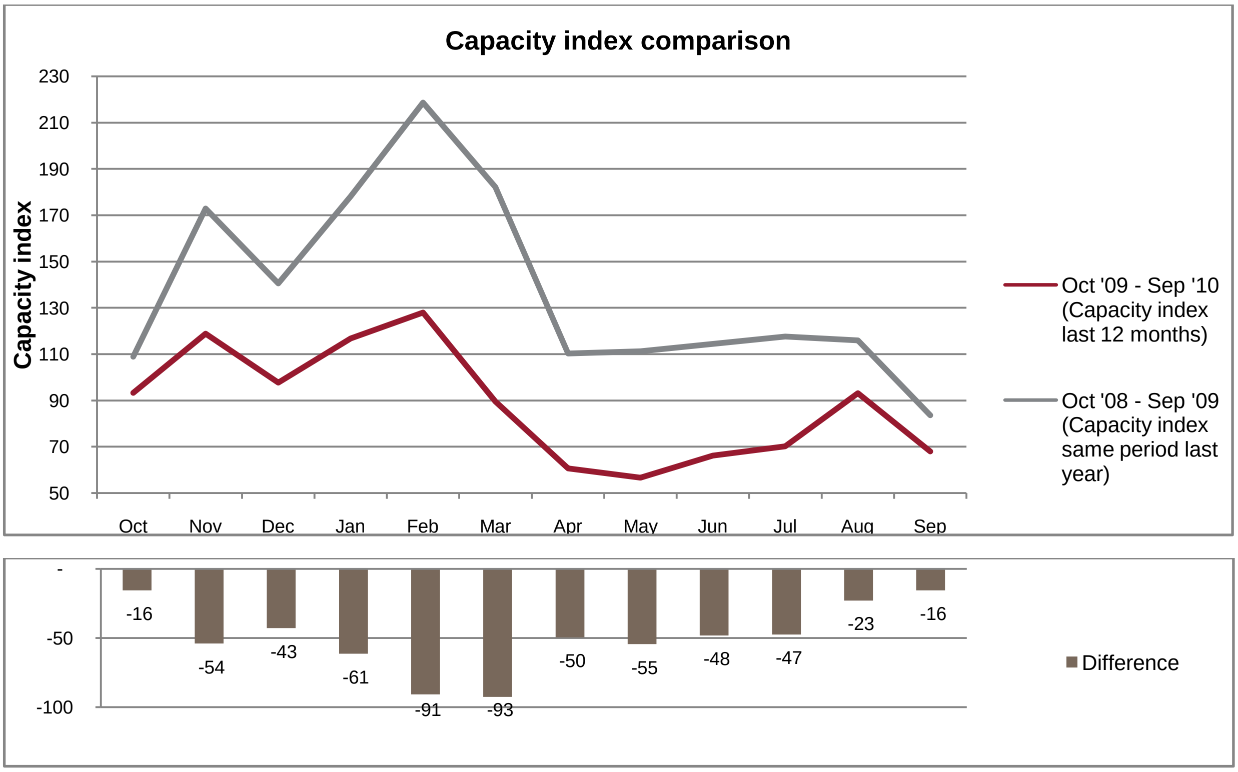




Last year, prices increased continuously from February to September. There was a different pattern this year. Prices increased as well from February till July, but decreased in August. The price decrease in August may be caused by two things. First, it can be considered as the normal seasonal effect. This effect may not have occurred last year, due the economic recovery. Secondly, companies may have finished the restocking of their supply chains, causing an additional fall in demand. Demand and supply are stabilising resulting in a less extreme impact on transport rates. This difference decreased to 5.4 index points, when comparing the price index of September 2009 and 2010.

Figure 4 compares the monthly developments of the capacity index, during the last 12 months, compared with the same period one year before. The capacity index pattern is seasonal as already outlined in the previous editions. For one year now the capacity index has been below the level of the previous year. The largest difference in the capacity index existed in March, when the 2010 index (128.0) was 91 points below the index of 2009 (218.8), but this was during an exceptional economic situation. This difference diminished to 16 index points in September.

Figure 4: Capacity index comparison, Monthly (Oct 2008 – Sep 2010)



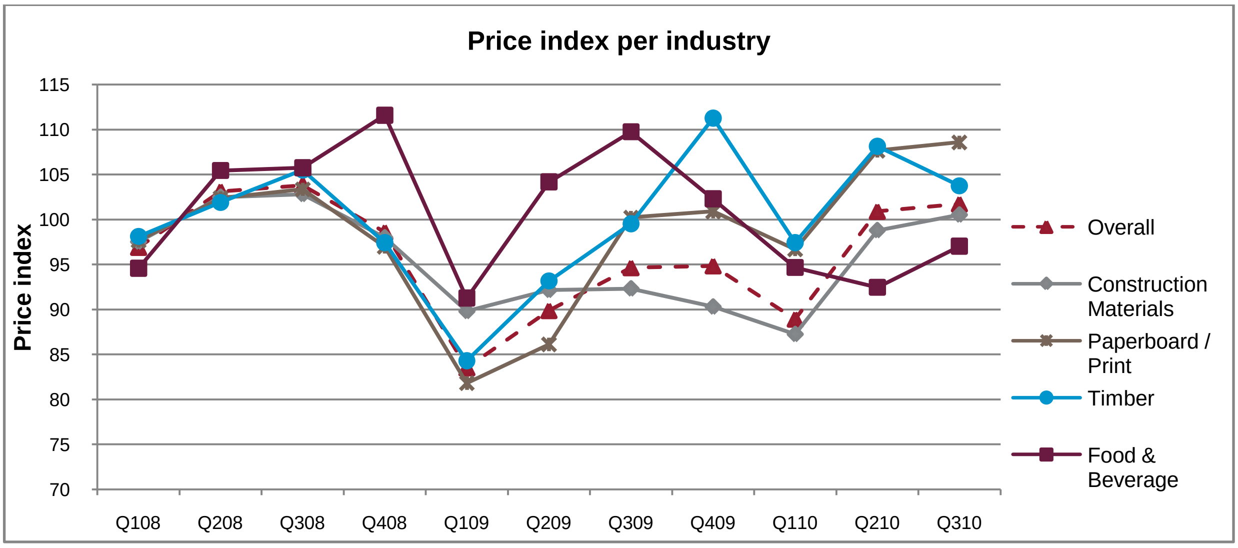
Industry focus

> *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.*

General dynamics apply to all industries, but trends may differ and dynamics may be stronger or weaker in individual industries. Analysis of the price index by industry type identifies differences between industries, shown graphically in figure 5.

The price index of the timber industry deviated from the other industry figures during Q3 2010, being the only industry that did not show an upward trend. However, average price index figures have still been higher in the timber and paperboard & print industries since Q2 2009, compared to the overall index. The situation in Q3 2010 shows that all industry indices are within 10 index points of the average.

Figure 5: Price index per industry (Q1 2008 – Q3 2010)



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Price difference increases driven by a rise in 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: Capacity index and price difference (Q1 2008 – Q3 2010)

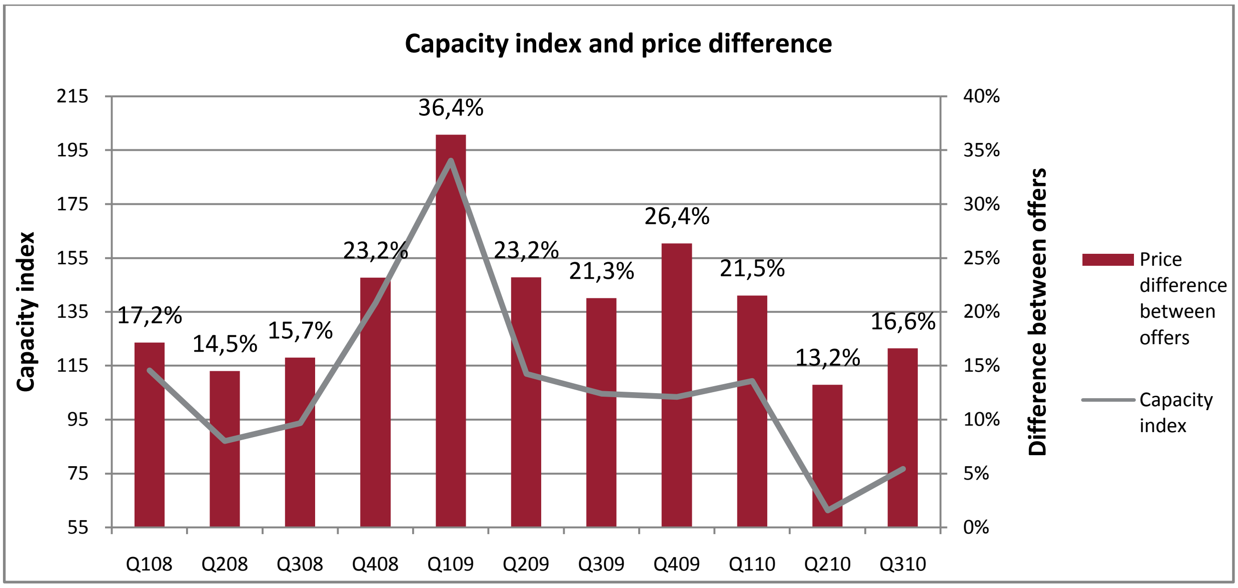


Figure 6 outlines that the price differences between the highest and the lowest offered price increased from a 13.2% price difference in Q2 2010 to 16.6% in Q3 2010. The increase in price differences is in line with the increase in available capacity when comparing the capacity index in Q2 2010 (61 index points) with the Q3 2010 numbers (76,7 index points). It is expected that, based on the alignment of transport demand and supply, price differences will increase again.

Diesel index decreased while the price index increased

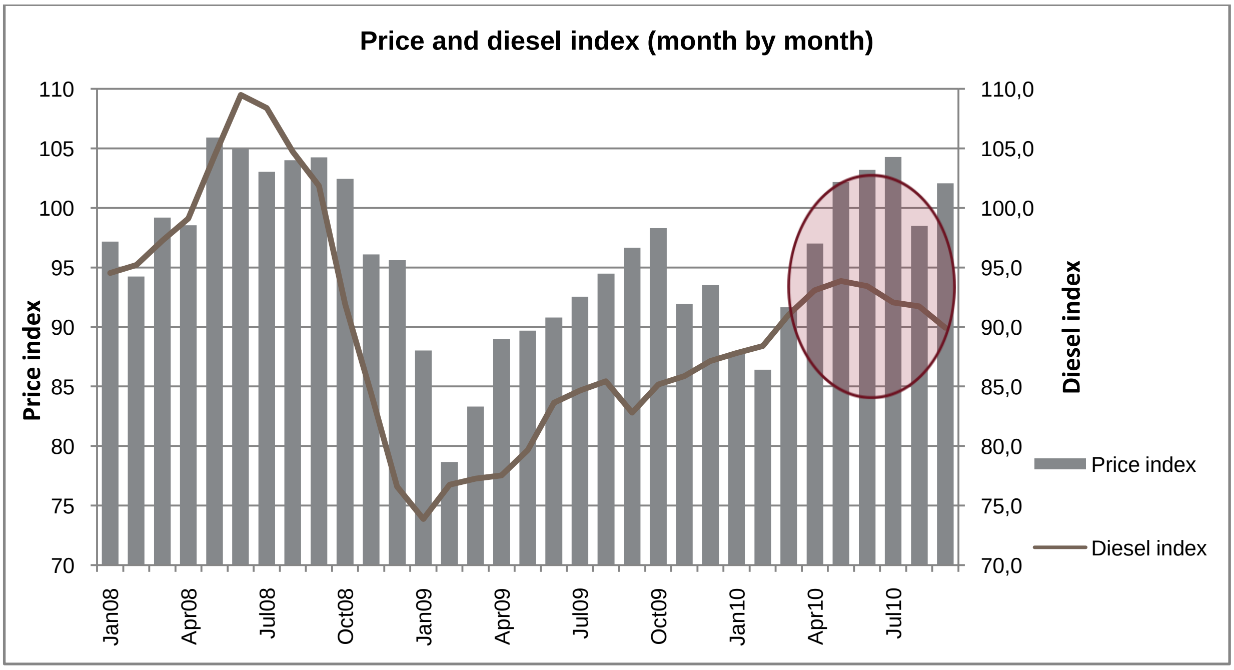
This section compares the price index with the diesel index (see figure 7). In general the pattern of the diesel index appears to follow a similar pattern as the price index, clearly indicating the impact of the diesel prices on costs, hence prices. Nevertheless, a detailed analysis of the development of diesel price index and transport price index shows that in the last quarter the impact of market developments on the transport prices is stronger than the impact of diesel prices.

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.

When analysing the price index and diesel index over 2010, diesel may have driven prices during the first few months. However, the price pattern that we monitored since May is clearly different: the diesel price decreased while the general price level of transport increased.

Figure 7: Price index and diesel index (Jan 2008 – Sept 2010)



Building Transport Market Intelligence

The Transport Market Monitor aims to provide logistics executives with valuable insights about transport price developments during the past three months. However, managing a supply chain requires insight into future developments. How to set my transportation budget for 2011 and what sourcing strategy to use are examples of questions that keep logistics executives currently busy. Answering these questions requires insight in future transport price developments. Fact based decision making is possible by building strong transport market intelligence capabilities in your organisation.

Market intelligence helps your organisation to optimise its logistics operations, take fact-based decision and become a more reliable partner for your sales departments by:

- Increasing bargaining power: clearer understanding of price and costs drivers as input for negotiation with carriers;
- Raising forecasting accuracy: scientific underpinned information and indicators to create a more accurate quarterly / yearly transport budget forecast and thereby provide reliable information for financial planning;
- Improving logistics contracting: determine optimal contracting tactics based on fact based transport price information. Information of future transport price developments helps logistics managers decide what to contract, what not to contract (but leveraging the market dynamics), when to contract, contract duration and contract details (e.g. how to cope with price developments);
- Optimising sourcing strategy and long term logistics strategy: potential improvement areas for sourcing strategy (and overall logistics) based on best practices;
- Showing optimisation potential of logistic costs by real-time sourcing close to the market and market transparency: more information gives more knowledge and insight into the market.

Solid transport market intelligence consists of information about all areas (drivers) that influence the future development of transport prices. Based on expected developments in market drivers (such as transport capacity, investments in trucks and trade volumes), costs drivers (such as fuel and labour prices, legal developments) and the supply base, the impact on transport prices can be forecasted.

Market intelligence will not provide you with a crystal ball, but will help you to better understand the market and thereby develop a winning transport sourcing strategy.

Next edition

This edition outlined the limited increase in prices of Q3 2010, compared to Q2 2010. However, the price fluctuations were larger when comparing the price index on a monthly basis. The limited price increase was expected over Q3 in the previous edition. Edition 6 will be published in February 2011 and will include all 2010 figures and compare the yearly averages prices for 2008-2010.

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 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 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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For more information Benelux:
Erwin den Exter
Tel: +31 6 502 43 667
E-mail: erwin.den.exter@capgemini.com
www.capgeminiconsulting.nl

For more information Germany/Switzerland:
Laurents A. Rupar
Tel: +49 151 4025 2531
E-mail: laurents.rupar@capgemini.com
www.de.capgemini.com

For more information UK:
Steve Wilson
Tel: +44 870 366 0236
E-mail: steve.wilson@capgemini.com
www.uk.capgemini.com

For more information Italy:
Roberto Brugnetti
Tel: +39 02 414931
E-mail: roberto.brugnetti@capgemini.com
www.it.capgemini.com

For more information Austria:
Laurents A. Rupar
Tel: +49 151 4025 2531
E-mail: laurents.rupar@capgemini.com
www.de.capgemini.com

For more information France:
Via: **Erwin den Exter**
Tel: +31 6 502 43 667
E-mail: erwin.den.exter@capgemini.com
www.fr.capgemini.com

For more information Nordics:
Kristoffer Arvidsson
Tel: +46 70 5305849
E-mail: kristoffer.arvidsson@capgemini.com
www.capgeminiconsulting.com

TRANSPOREON

For more information Benelux:
Michel Haenen
Tel: +31 6 123 95 308
E-mail: haenen@transporeon.com

For more information Germany/Switzerland:
Volkert Gasche
Tel: +49 4101 8316761
E-mail: gasche@transporeon.com

For more information UK:
Charlie Pesti
Tel: +44 (0) 785 094 11 70
E-mail: pesti@transporeon.com

For more information Italy:
Roberto Ostili
Tel: +39 050 552168
E-mail: ostili@transporeon.com

For more information Austria:
Alexander Sollman
Tel: + 43 (0) 664 5447 966
E-mail: sollman@transporeon.com

For more information France:
Stéphanie Koerwer-Italiano
Tel: +33 (0) 1 39 21 97 28
E-mail: koerwer@transporeon.com

For more information Nordics:
Volkert Gasche
Tel: + 49 4101 8316761
E-mail: gasche@transporeon.com

For more information Poland:
Michał Krzysik
Tel: + 48 (0) 12 / 631 20 85
E-mail: krzysik@transporeon.com

www.transporeon.com

TMM-team:

Capgemini Consulting: Rachida Bouzidi (NL), Janine Roes (NL), Martijn Gommers (NL), Hugo Haarman (NL), Richard Conway (GB), Laurents A. Rupar (DE), Erwin den Exter (NL).

TRANSPOREON: Peter Förster (DE), Michel Haenen (NL), Sandy Buch (DE), Mathias Edel (DE).

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