Transport Intelligence

Market Intelligence for the Transport and Logistics Industry

# Asia Pacific Logistics Survey 2008

A whitepaper discussing the trends and developments highlighted by a major new survey on the Asia Pacific transport and logistics markets

Sponsored by Agility

November 2008

# About Transport Intelligence

With offices in UK, Hong Kong and USA, Transport Intelligence is the world's leading provider of expert research and analysis dedicated to the global logistics industry. Utilising the expertise of professionals with many years experience in the mail, express and logistics industry, Transport Intelligence has developed a range of market leading web-based products, reports, profiles and services used by all the world's leading logistics suppliers, consultancies and banks as well as many governmental organisations.

Transport Intelligence products and services include:

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- Unparalleled access to TI's entire research output through the ground breaking Global Supply Chain Intelligence website www.gscintell.com
- Dedicated research and client surveys
- Acquisition/agent/partner search and marketing due diligence

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# About Agility

Agility is one of the world’s leading providers of integrated logistics to businesses and governments. It is a publicly traded company with $6.3 billion in annual revenue and more than 32,000 employees in 550 offices and 100 countries. Agility brings efficiency to supply chains in some of the globe’s most challenging environments, offering unmatched personal service, a global footprint, and customized capabilities in developed and emerging economies alike.

Agility’s commercial division, Agility Global Integrated Logistics (GIL), is headquartered in Switzerland and provides supply chain solutions to customers in technology, retail, chemicals, and other industries. Agility Defense & Government Services (DGS), based in Washington, offers logistics services to governments, relief agencies and international institutions worldwide. Agility Investments, based in Dubai, draws on local insights from Agility’s global network to identify real estate and private equity opportunities in Asia, Africa and the Middle East.

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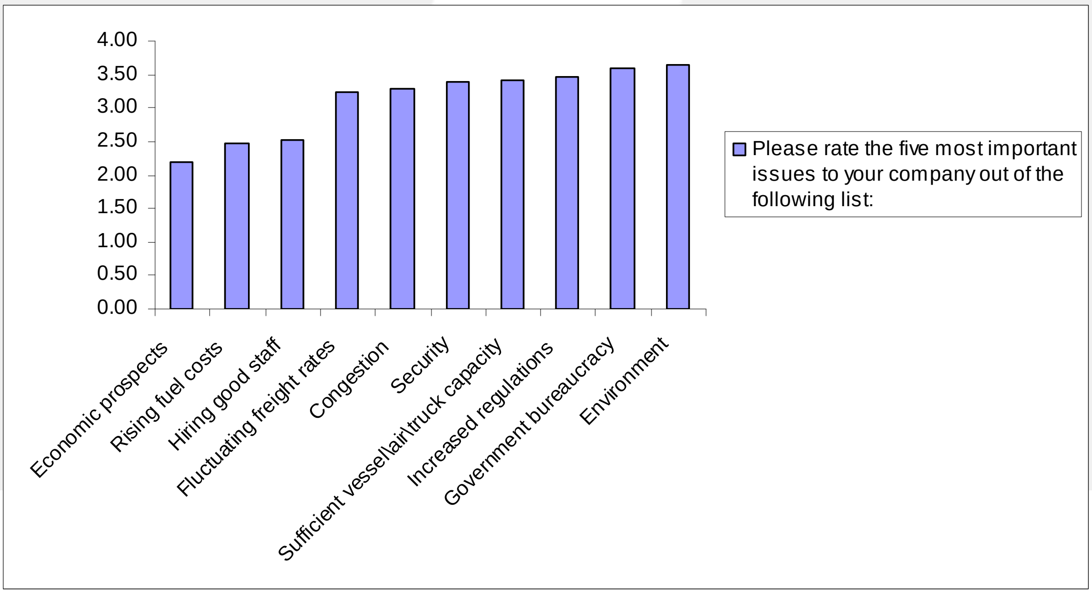
# Asia Pacific Logistics Survey

## Executives fear for the future…

In October 2008 Transport Intelligence undertook a major survey, sponsored by leading logistics provider Agility, examining perceptions and trends amongst Asia Pacific shippers and logistics service providers. Almost 300 executives took part in the survey, providing a view of the market both from companies based in the region, and those trading with it.

One of the key findings which the survey established was the depth of concern over 'Economic Prospects', indicating that the region has not been immune from the global credit crunch. Executives were also concerned about the impact of 'Rising Fuel Costs', the second most highly rated issue. This is despite the price of oil dropping by over 50% from its peak earlier in 2008. Both shippers and logistics service providers are obviously nervous about the volatility in the market, which continues to fluctuate wildly

**Most important issues to your company**




*Source: Transport Intelligence*

*1=Very Important 5=Of no importance*



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The survey results also revealed a less obvious challenge. ‘Hiring good staff’ was the third most important issue which respondents faced. Surprisingly, and indicating the importance of the issue, this factor was rated more highly than ‘congestion’, ‘capacity availability’, ‘security’ and even ‘fluctuating freight rates’.

Despite the high profile which green issues have attained in the last decade, the ‘Environment’ was rated as least important of all the challenges which respondents faced. It seems that the more immediate concerns over the economic downturn have helped to push ‘softer’ issues such as the environment to the bottom of the agenda.

Also interestingly, survey respondents were not unduly concerned with ‘Government Regulation’ and ‘Bureaucracy’, issues which were ranked only marginally more important than the environment. This perhaps corroborates earlier research by the World Economic Forum which placed key markets such as Hong Kong and Singapore amongst the easiest to trade with in the world. It also suggests that countries such as China and Vietnam have considerably improved the environment in which shippers and logistics companies do business.


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# …but volumes still positive

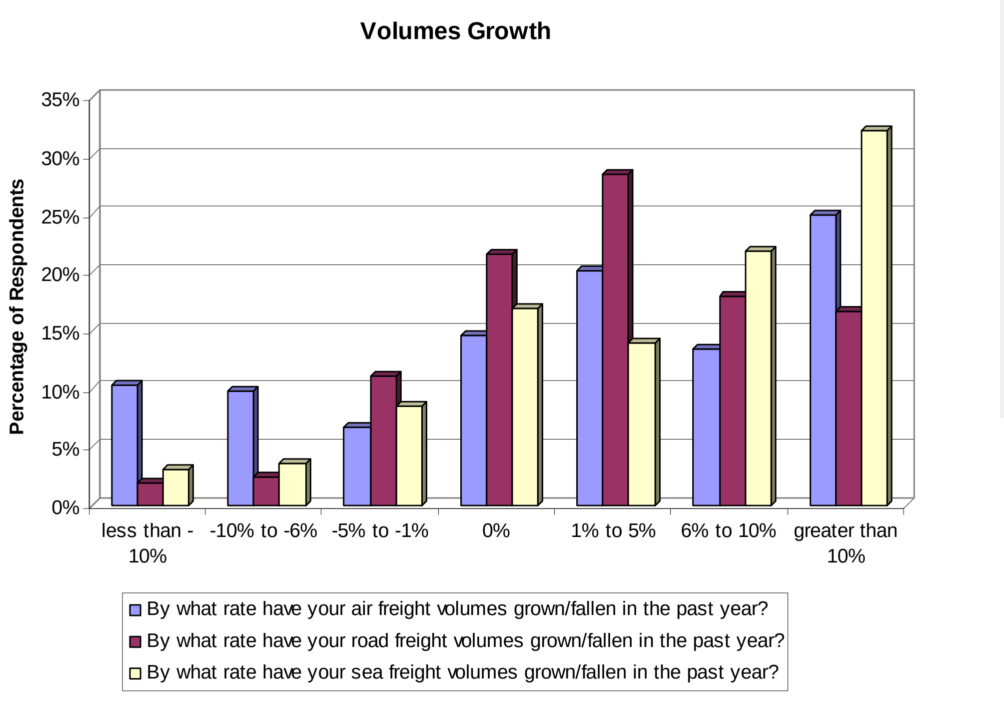
Despite the reservations over the future prospects for the sector in the region, the actual experience of most respondents in the last year in terms of volumes is largely positive.

Sea freight shippers have seen the highest rise in volumes. 68% of shippers had seen an increase in volumes, with almost a third experiencing growth rates in excess of 10%. This compares with just 15% reporting a drop in volumes.

Meanwhile 59% of air freight shippers stated that they had seen a growth in volumes, 25% of these in excess of 10% a year. 15% had seen volumes unchanged, whilst 26% had seen volumes fall. This latter figure is still a major increase from earlier years and a major worry to forwarders and carriers.

Road freight shippers also reported positive developments over the past year. Almost two thirds experienced growth in volumes, although on average this was at a lower level than either air or sea freight. 50% of respondents saw growth of between just 0-5%.

**Air, sea and road volume growth/decrease comparison**




*Source: Transport Intelligence*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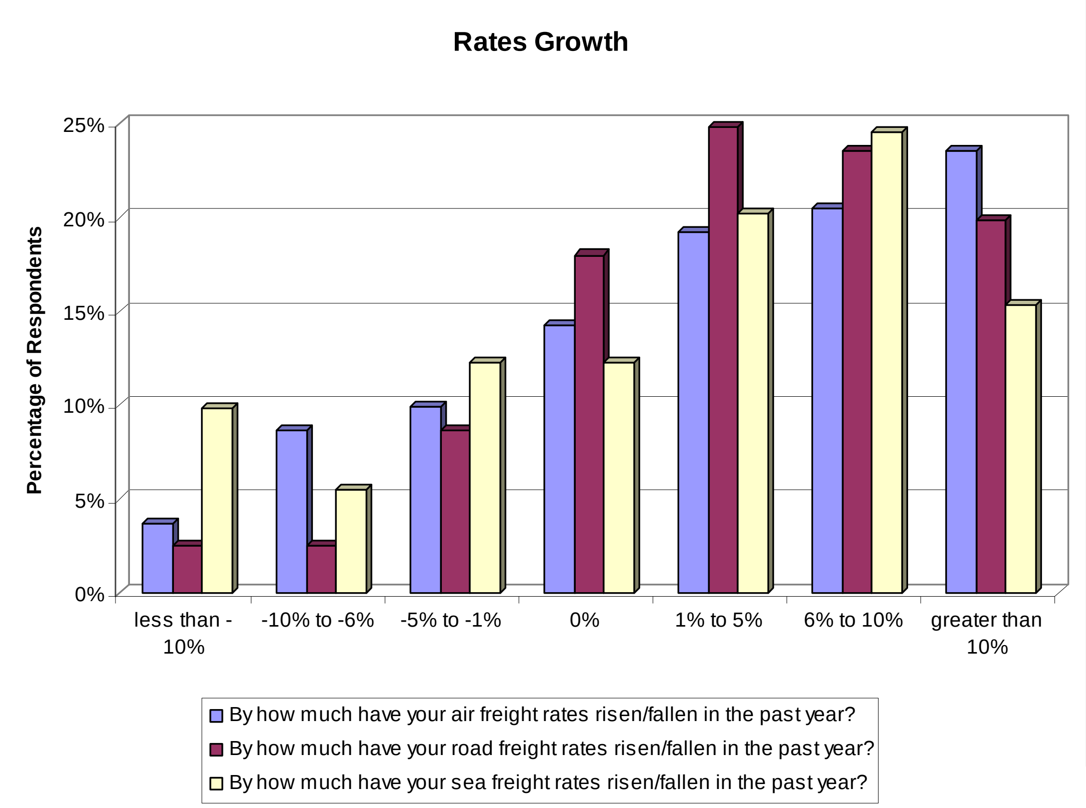
As far as rates are concerned, the majority of air, sea and road shippers have continued to experience increases. 63% of respondents had seen air freight rates increase in the past year. In comparison 60% had experienced growth in sea freight rates, and 68% for road freight. It seems that any surplus of capacity which is being reported in the market has been more than made up for by rising fuel surcharges. The highest levels of decreasing rates were reported by sea freight shippers, with 28% stating that rates had fallen. 23% of air freight shippers had seen rates fall, and just 14% of road freight shippers.

**Air, sea and road rate growth/decrease comparison**




*Source: Transport Intelligence*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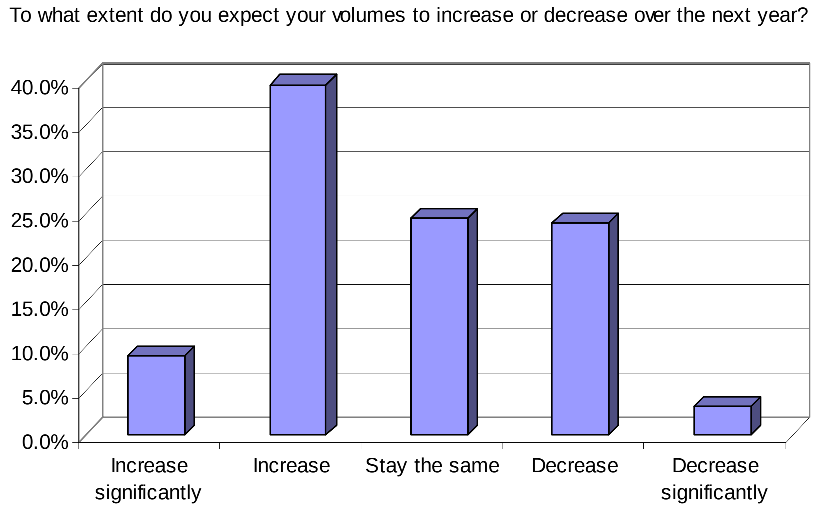
Looking to the future, respondents were optimistic about developments in volume levels. 40% thought that volumes would increase, with an additional 9% believing that they would 'increase significantly'. About a quarter thought that volumes would decrease, and just 3% thought that volumes would 'decrease significantly'.

**Forecast volume growth**

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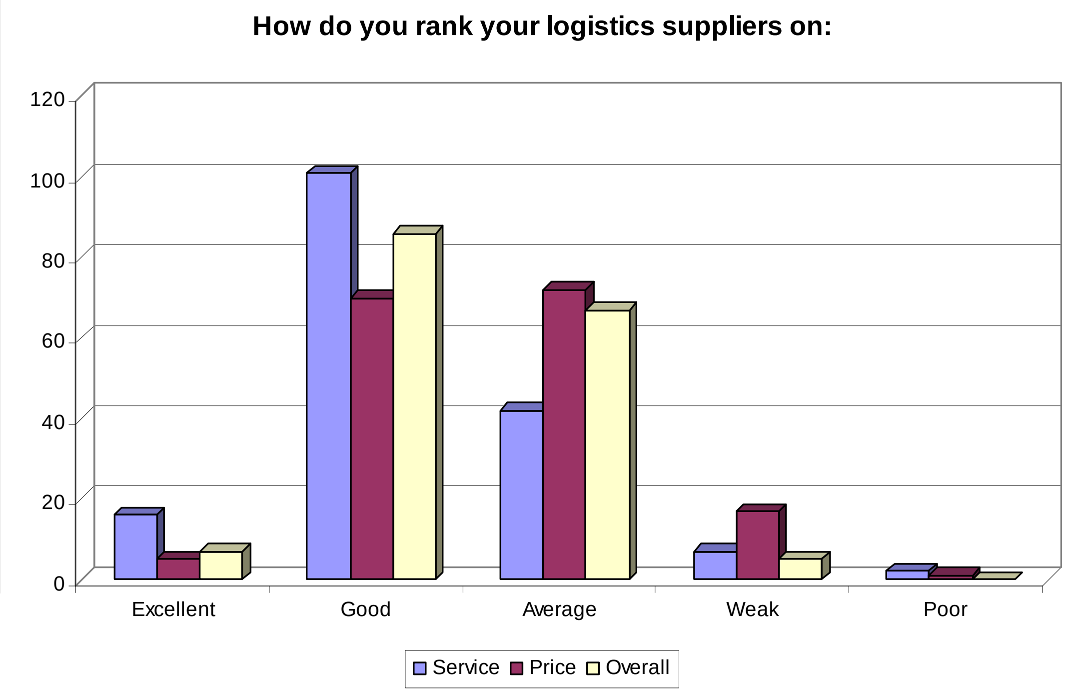
# LSPs 'Good' - but still room for improvement

The next part of the survey dealt with customers' rating of logistics service providers. The findings are, on the whole, positive with 60% of respondents rating the service they receive from their LSPs as 'good' and a further 10% as 'excellent'. When it comes to rating their suppliers on 'price', however, customers are far less complimentary. The highest number of responses (43%) stated that performance was merely 'average'.

When asked how their suppliers rated overall, 51% of survey respondents responded 'good' although 40% judged performance as only 'average'. The fact that only 4% were judged as 'excellent' shows that only a very small number of logistics companies are exceeding customer expectations. This certainly gives most providers a goal to which to aspire.

**Ranking logistics suppliers**

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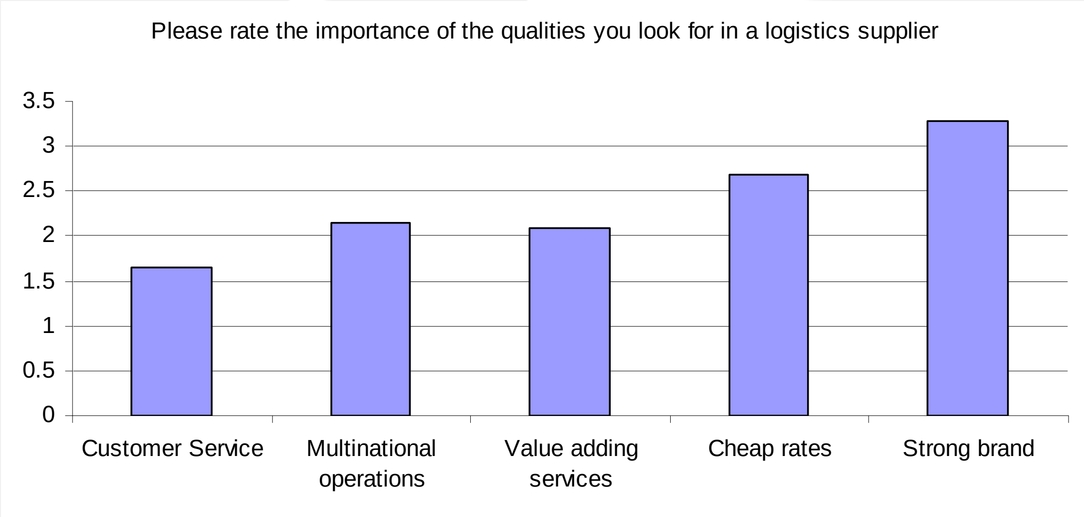
'Customer Service' is rated by clients as the most important attribute for logistics service providers. It was rated significantly higher than 'Value Adding Services' and 'Multi-national operations' which were second and third on the list. 'Cheap rates' were ranked fourth, an interesting outcome, as most logistics companies would suggest that many contracts were awarded on this basis alone! Finally, brand strength was not seen as a particularly important quality, a result which will disappoint many marketeers in the industry.

**Rating logistics supplier qualities**




*Source: Transport Intelligence*

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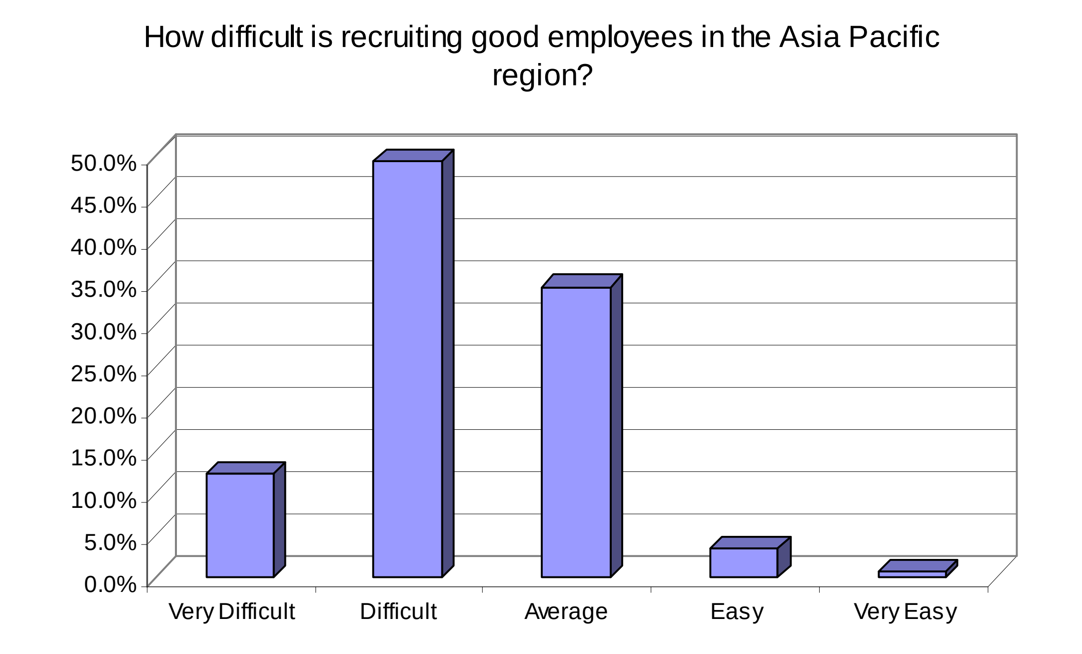
# Challenging labour market

The survey examined in more detail the human resources challenge which logistics companies face in the Asia Pacific region. When asked 'how difficult is recruiting good employees?' just under 50% responded 'difficult' with a further 12% stating 'very difficult.'

**Recruiting good employees**




*Source: Transport Intelligence*

On balance the challenge is getting harder, with 25% saying that they found it harder than in the previous year, compared with just 8% who found it easier.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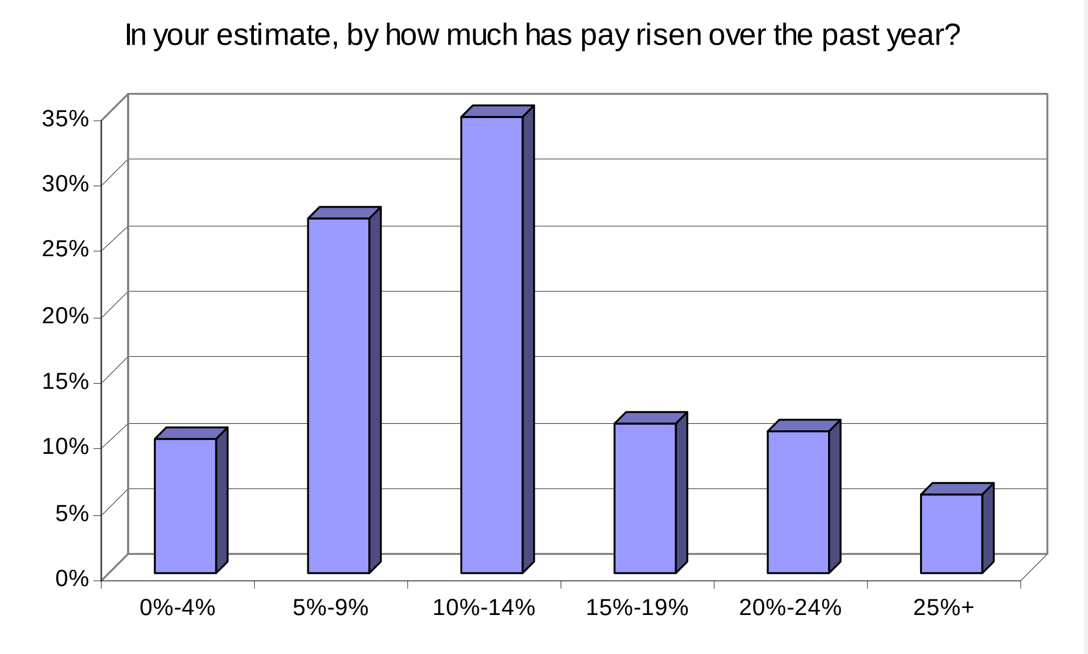
The difficulty which companies are having in finding staff in a tight labour market seems to have translated itself into spiralling pay costs. The survey found that the average increase in wages which companies were paying equated to around 10%.

**Spiralling pay**




*Source: Transport Intelligence*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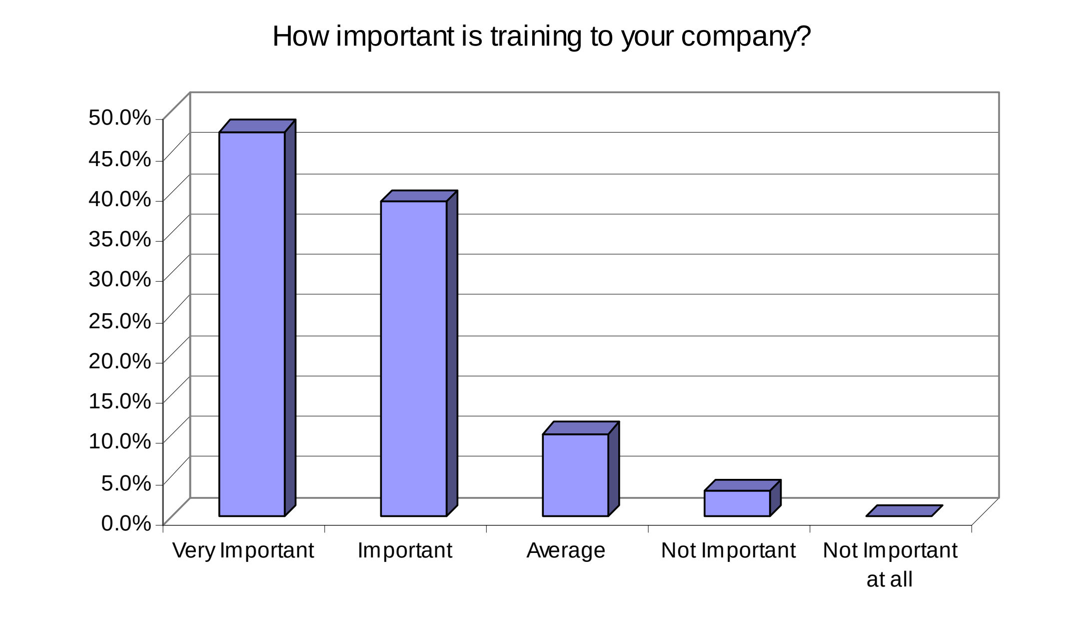
The challenge of finding new staff, and the cost of retaining them, has meant that the importance of training to Asia Pacific logistics companies has not been lost. Almost half (48%) said training was 'very important' with a further 39% claiming it was 'important'.

**Importance of training**




*Source: Transport Intelligence*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# Conclusion

The results of the survey suggest that although many in the Asia Pacific logistics industry – shippers as well as service providers – are fearful for the future, most are continuing to experience positive growth trends, be it shipping by air, sea or road. Clients are still looking for logistics companies who can provide strong customer service as well as value adding services, two attributes which are more important than price alone. On the whole service providers are doing a good job, but there is still plenty of potential for the best-in-class to move into the ‘excellent’ bracket. Finally, one of the key challenges faced by the industry is recruitment of good staff. This undoubtedly is a driver of spiralling wage costs, and a factor in the high importance which companies in the region place on training existing staff.


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# Contact Transport Intelligence

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