



Global Freight Forwarding 2016 - Sample

The 2016 edition of Ti's Global Freight Forwarding report contains market sizing and forecasting data, profiles of the 15 largest freight forwarders, as well as trade lane analysis and an examination of the technology supporting and disrupting the industry.



Ti's Origin and Development

Ti is a leading logistics and supply chain market analysis company developed around five pillars of growth:

- Logistics Briefing
- Ti Market Research Reports
- Ti Insight portals
- Ti Consulting
- Ti Conferences and Training

Ti acts as advisors to the World Economic Forum, World Bank, UN and European Commission and have 14 years worth of providing expert analysis to the worlds leading manufacturers, retailers, banks, consultancies, shipping lines and logistics providers.

What Sets Ti Apart?

- Globally recognised and trusted brand
- Global Associate Network provides a multi-country, multi-disciplinary and multi-lingual extension to Ti's in-house capabilities
- More than fourteen years of knowledge delivery to global manufacturers, retailers, banks, consultancies, shipping lines and logistics providers
- Unique web-based intelligence portals
- Interactive dashboard
- On-going and comprehensive programmes of primary and secondary research

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- The global freight forwarding market is estimated to have contracted by 1.6% in nominal terms in 2015. In both air and sea freight, all the global metrics point to a year-on-year slowdown in volume growth.
- Ti forecasts a real 15-19 CAGR of 4.6% for the global freight forwarding market. Europe's market share of this is expected to contract whilst emerging regions gain share in its place.
- Intra-regional trade dominates the global picture, with the top three intra-regional trade lanes alone accounting for 52% of global trade. However, new trade deals such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership are likely to boost trade between APAC and North America, and the EU and the US.
- Combined, the 20 leading forwarders are thought to represent almost 58% of the market, but small forwarders continue to effectively compete against the largest in the industry, demonstrating that economies of scale are not the be-all and end-all of the business.
- For SMEs to prosper they must exploit the opportunities that the democratization of technology has brought in order to grow and lock in customers.
- Disintermediation from cloud-based technology start-ups is unlikely, but the technology itself will become increasingly important for freight forwarders.
- A collaborative supply network, driven by software and with a scope beyond individual supply chains, could transform the industry.
- Mergers and acquisitions in the industry have disrupted the global, air and sea freight rankings. DSV's acquisition of UTi caused the most impact with the combined entity's forwarding revenues estimated to be around €2bn larger than DSV a year ago. Looking ahead, it would be surprising if there were no significant deals to alter the landscape of the market even more. Further consolidation seems inevitable.
- The systemic impact of low global oil prices has been a double edged sword for freight forwarders; whilst some have been able to increase their profit margin, others have taken a substantial hit to revenues as a result of declining demand for industrial projects.
- With low demand in the market, several companies look to be focussing their efforts on improving profitability rather than growth. This has been manifested through rationalisation, investments in software, and an emphasis on high value contract opportunities.

Welcome to the 2016 edition of Ti's Global Freight Forwarding Report. Since Ti started to cover the freight forwarding sector ten years ago, the industry has undergone a remarkable development. Riding the boom times of China's 'economic miracle', freight forwarders benefited from increasing globalization and the soaring volumes that went with it. However since the global downturn of 2008-9 the industry has experienced bumpier times. Trade volumes have weakened and air and sea freight rates have fallen due to systemic over-capacity. The economic outlook is also unclear as China's woes impact on the whole of world trade.

Despite this the freight forwarding sector is certainly not in the doldrums. Acquisitions have continued apace, with companies building out globally and adding in specific trade lane capabilities. In addition, new, exciting technologies are being developed which have the potential to transform forwarding and trade processes. They could also allow small and medium size forwarders to compete more effectively against the big corporates as technology becomes increasingly cheap and democratized.

More than ever, forwarders need to be agile and adaptive to their customers' needs. The next few years could see root and branch changes in the composition of the industry as new market entrants, such as Amazon, eye up opportunities and efficiency savings. Global Freight Forwarding 2016 provides industry stakeholders with the necessary market intelligence to plot their strategies to take advantage of the opportunities and avoid the pitfalls in a constantly changing market environment.

Introduction

In many respects the international freight forwarding sector has changed very little over the past few decades. A freight forwarder's role is to facilitate the movement of goods around the world, acting on behalf of importers and exporters. In addition to dealing with Customs organisations, preparing documentation and finding the best, cheapest or quickest routes, a forwarder also buys and sells space on board ships or airplanes. It is the latter role that accounts for the majority of their revenues and hence largely characterizes the dynamics of their business model.

Unfortunately this buy/sell 'middle man' role, means that margins can be very thin in a hypercompetitive market. Opportunities to differentiate product offering can be few and far between and success or failure of a forwarder can come down to its buying power in the market (to drive down rates) and its ability to execute efficiently and with the lowest possible overheads.

The importance of technology to freight forwarders cannot be overstated. Freight rates and oil prices are highly volatile; the market is undergoing structural changes as patterns of demand evolve with opportunities disappearing as quickly as they arise; and an uncertain global economic situation means that forwarders need to be attuned and responsive to macro-trends.

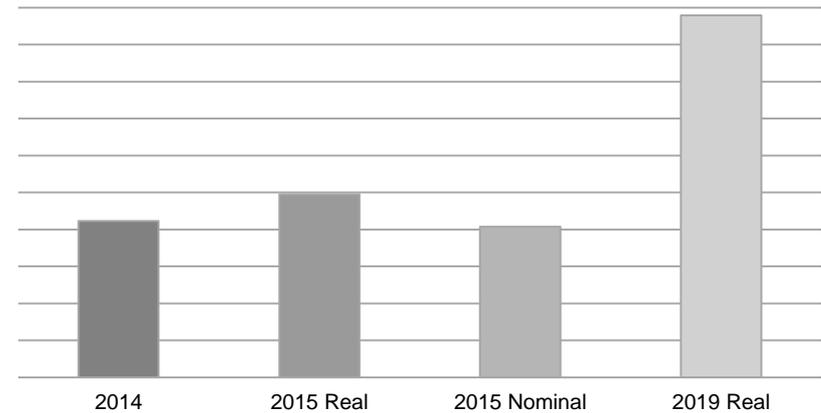
Unfortunately, many forwarders, even some of the largest, lack the tools that would give them the visibility and hence the agility to prosper in this challenging market environment. In this report we will discuss the key trends that have shaped the freight forwarding industry as it exists today; we highlight some of the problems facing the industry and discuss how the latest technology innovations can help forwarders navigate a successful path through uncertain times ahead.

The value of the global air freight forwarding market is estimated to have contracted by 0.4% in nominal terms in 2015. The collapse in the price of oil and excess capacity meant that carrier rates fell, but this did not seem to impact freight forwarders' revenues too drastically. As outlined in Chapter 2, forwarders' sales tended to grow by more than (or decline more slowly than) forwarders' purchased transportation costs. An easy conclusion to reach is that this is because forwarders did not pass on the lower rates charged to them by carriers to their customers, though it is also possible that revenue growth held up relatively well because forwarders' mix of business was more favourable. The reality lies somewhere in-between. Overall, with the issue of overcapacity more acute in sea freight, air freight was not hit as badly.

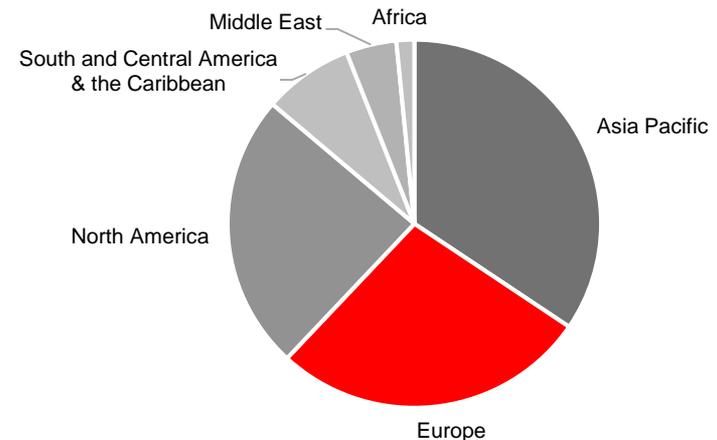
The underlying volume growth performance of the market was undoubtedly weaker year-on-year, though growth was still in positive territory. Growth of the air freight forwarding market in real terms is estimated at just 2.1% in 2015. IATA data asserts that global freight tonne kilometre growth was just 2.2% in 2015, compared to 4.5% in the previous year. ACI data indicates that global international air freight tonnage increased by 2.5% in the year, compared to 5.7% growth in 2014. World ACD data suggests similar numbers: tonnage growth declined from around 6% in 2014 to approximately 2% in 2015. ACD suggested that 2015 growth would have been even lower if not for the "windfall on the Transpacific in Q1", referring to US West Coast port disruption which shifted some sea freight to air in the first quarter of the year.

Looking forward, the outlook is better. IATA anticipates that global freight tonnes and freight tonne kilometres growth in 2016 will be 2.7% and 3.0% respectively. For the air freight forwarding market specifically, Ti forecasts a real 15-19 CAGR of 4.0%, though it should be noted that this is down from the corresponding 14-18 CAGR of 4.8%.

Global air freight forwarding market size and forecast (€m)



Air freight forwarding market size by region



Source: Ti
Note: Graphics have been adjusted for the sample slides of the report

