



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.

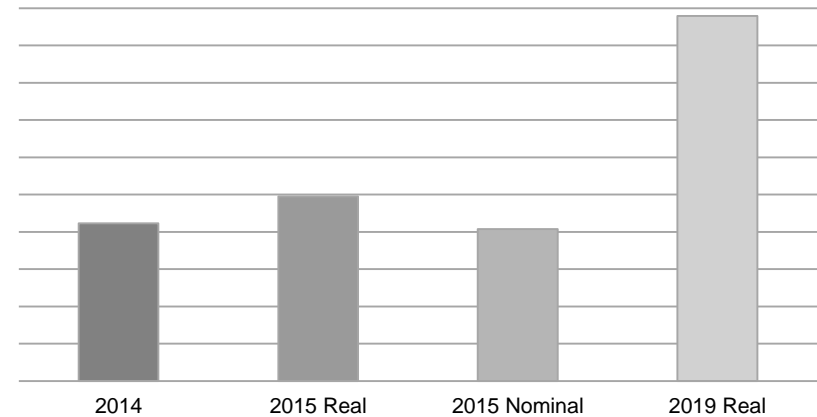
Unfortunately, many forwarders, even some of the largest, lack the tools that would give them the visibility and hence the agility to prosper in this challenging market environment. In this report we will discuss the key trends that have shaped the freight forwarding industry as it exists today; we highlight 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.

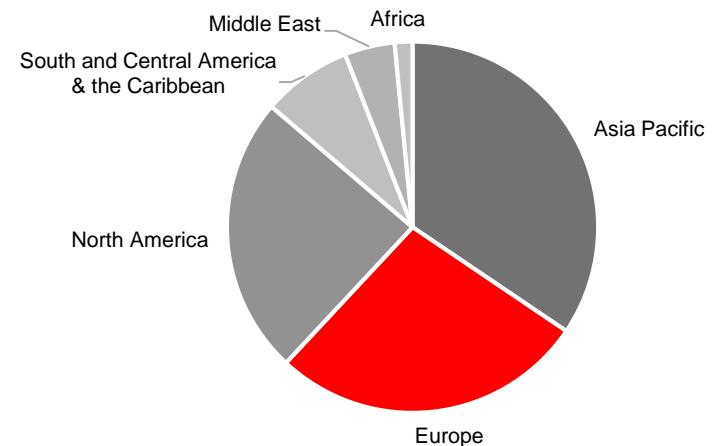
The underlying volume growth performance of the market was undoubtedly weaker year-on-year, though growth was still in positive territory. Growth of the air freight forwarding market in real terms is estimated at just 2.1% in 2015. IATA data asserts that global freight tonne kilometre growth was just 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

All provider profiles within Global Freight Forwarding 2016 include the following information: Strategic background, technology overview, the latest years' financials, a strategic outlook and SWOT analysis.

Strategic outlook – Sample

Nippon Express conducted a major internal reorganisation in 2015 for the first time in over 50 years, with the aim of strengthening its sales structure and improving efficiency. This involved restructuring some of its businesses into regional blocs (rather than units based on transport mode), each providing a one-stop shop for land, sea and air transport. It also reorganised its headquarters into three divisions: Global Sales Strategy, International Business (including new Global Forwarding Planning & Development and Global Logistics Solutions divisions) and Administration.

Nippon Express stated that by implementing this large-scale organisational reform, the company can move ahead to create an organisation that is able to provide one-stop services and establish a customer-oriented, account-based sales structure that handles processes, from sales to operations, in an integrated manner.

As previously mentioned, Nippon Express is targeting South Asia to spearhead its international growth. In 2015 it won a contract with Brahim's, to transport halal airline meals from Malaysia to Japan. In order to take advantage of the growing number of manufacturers of automobiles, automobile components and consumer goods in Indonesia, Nippon Express established its own subsidiary in the country in April 2015. At the end of the year it opened a heavy equipment logistics centre close to the Port of Laem Chabang, in Thailand, in order to exploit the influx of automobile companies and associated steel manufacturers, which are likely to utilise the company's freight forwarding capabilities for exporting goods.

6.10 Kuehne + Nagel – Background

Kuehne + Nagel (K + N) is a freight forwarding and logistics group headquartered in Switzerland, with operations located throughout the world. The company has over 67,000 employees spread across 1,250 locations.

Freight forwarding is the main focus of the company's operations, primarily in the sea freight and air freight forwarding markets. The bulk of these forwarding operations are performed by the company's sea freight division, though the company's air freight enterprise is also among the largest in the industry. As a freight forwarder, K + N offers a range of services, including:

- contract logistics (20.3%) and overland (17.1%).
- Although the company is strongest within its core European markets, Kuehne + Nagel has grown organically in the Asia-Pacific rim and through acquisitions in other regions, including the Americas (23.4%) and Asia-Pacific (13.1%).

Sea Freight Forwarding

Revenue in global top 20 markets

Global (€bn)	200
Global - Asia (€bn)	320

6.10 Kuehne + Nagel – Background (continued)

Additionally, the company offers a sea-air traffic service, which combines the economy of sea transportation with the speed of air transport to create a more cost-effective solution for its customers.

Air Freight Forwarding

Within air freight, K + N offers three categories of service: KFI Express, KFI Expert and KFI Eminent. These service options relate to speed of delivery, which equates to 1-3 days, 3-5 days and 6+ days, respectively. In addition to this, the company provides dedicated service offerings for aerospace, pharmaceuticals, high value products, imports and perishables. KFI ErgoChain, KFI PharmaChain, KFI SecureChain, KFI CMA and KFI FreshChain.

Kuehne + Nagel's main technological offering to customers is its web-based supply chain management platform, KNI Login. The tool helps customers optimise processes by providing end-to-end visibility and real-time monitoring as well as collaboration in planning and execution, and compliance reporting.

It gives a complete birds-eye view of an entire inventory in motion and can pinpoint the current location of goods, whilst providing historic status details, thus helping users to manage their stock more efficiently.

Authorized parties can access commercial documents such as packing lists and invoices, and users are proactively alerted about

6.10 Kuehne + Nagel – Strategic outlook

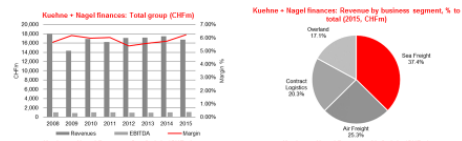
In 2015, K + N continued its 'Focus and Excellence' strategy, launched in 2014, which aims to strengthen its global networks, scale up its industry-specific solutions and improve productivity.

To strengthen its position as an integrated logistics provider in the US, Canada and Mexico, the company acquired AllTrax, a provider of intermodal overland solutions, in August 2015. The transaction marked an important step in the expansion of its overland forwarding activities outside of Europe, as well as expanding its product range to include intermodal solutions.

As part of its expansion policy in Asia, K + N opened a new logistics hub in Singapore at the end of 2015. The 50,000 sq m site, which is the largest of its kind in the region, will be used to launch new services and improve productivity.

Such industry solutions have won K + N new customers in the pharmaceuticals, automotive, hi-tech, perishables, industrial, consumer goods and aerospace industries. Contract wins relating to freight forwarding operations include a two-year deal with GlaxoSmithKline to provide global logistics services, which was awarded in January 2016. The company also completed operations in the UK at a 150,000 sq ft warehousing and office unit located at Heathrow Airport's South Cargo Centre in the same month, thereby increasing its capabilities across the KNI

6.10 Kuehne + Nagel – Finances



6.10 Kuehne + Nagel – SWOT analysis

<p>Strength</p> <ul style="list-style-type: none"> • Well established global network. K + N maintains high corporate governance over shippers, particularly in sea freight for which it is the world's largest provider. • Major contracts for global logistics operations, such as the deal signed with GlaxoSmithKline, emphasise K + N's ability to manage complex global supply chains for the biggest shippers. • Sea and air freight operations are complemented by overland and contract logistics divisions, although not as established. • Sea and air freight revenue rose each year between 2008-2014 and maintained in 2015, making the growth rate seen in the wider market. • The introduction of the KNI regional trade platform represents a successful response to the issue of services for freight forwarding, relative to industry competitors. • 10th EBITDA margin of 22% in 2015, the company's one of the most profitable operators in the sector. • Increase of EBITDA up 3.9% in 2015, despite revenue decline of 4.4% against a significant market expansion. This is testament to operational margins, increased efficiency and cost rationalisation, and improved management. • The company's Asia-Pacific customers grew region accounted for 11.2% of revenue and 22.1% of EBITDA in 2015. 	<p>Weakness</p> <ul style="list-style-type: none"> • K + N is operations in the European region accounted for 63.4% of total revenue in 2015, but this region has seen a decline in revenue growth in each of the last four years and is expected a decline in 2016 (data). This was impacted by economic fluctuations. • Four countries accounted for over half of Kuehne + Nagel's net revenue for 2015: Germany (17.0%), the USA (15.2%), Box (8.0%) and France (8.3%). • K + N has been unable to make meaningful gross revenue contributions from its most profitable region, Asia Pacific, which has only grown to CHF 3m since 2008. Relative to its share of the company's total revenue, the region is up by only 2.6 percentage points.
<p>Opportunity</p> <ul style="list-style-type: none"> • Overland and sea freight divisions are well placed to capture growth, as shippers move to cheaper options from air freight, either in combination with other modes, or as a replacement option. • Industry-specific solutions and a core offering of K + N allow it to offer alternative and differentiated services. This is particularly true of the automotive, pharmaceuticals and aerospace sectors from which K + N derived increasing air freight volumes during 2014. • Global presence will allow K + N to capture volumes on growing trade lanes, such as sea-to-sea ports. 	<p>Threat</p> <ul style="list-style-type: none"> • As a freight forwarder, K + N is exposed to global trade patterns and dynamics, limiting capacity to develop business on certain routes and/or in certain regions and destinations. This has meant development of air freight volumes in 2015, for example, with some regions growing strongly while others have stagnated. • Inability to benefit from regional growth will reduce growth opportunity. K + N is subject to the same market forces and trends as its competitors. • The company's revenue growth in 2015 was 4.4%, which is lower than the industry's 12.5%. • Global presence will allow K + N to capture volumes on growing trade lanes, such as sea-to-sea ports. • The continued decline of Chinese exports will constrain volume growth on Asia-Europe and Asia-North America trade lanes.