BARCLAYS

The UK Logistics Confidence Index H1 2016

Barclays and Moore Stephens explore the logistics industry

MOORE STEPHENS

Contents

All figures and data relating to the UK Logistics Confidence Index within this report have been researched by Analytiqa.

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Introduction

Barclays and Moore Stephens, in conjunction with specialist sector research agency Analytiqa, have undertaken the latest in a series of biannual surveys to assess confidence and expectations in the UK logistics sector.

More than 100 senior decision-makers, including chief executive officers, managing directors and finance directors, provided their views and insights for this survey, with many having completed each of our past surveys. We greatly value this loyal following.

Our survey respondents have evaluated the recent performance of the sector, as well as their expectations for the near term. Their responses have been compiled to create the UK Logistics Confidence Index H1 2016.

Confidence slips to the lowest point since Index began

This is our eighth biannual survey of the UK logistics sector since 2012 and our overall Confidence Index has fallen significantly to 51.8 for H1 2016, compared to 61.9 in H2 2015. This fourth successive drop in confidence is the biggest the report has ever recorded and takes the Index to its lowest point since it began four years ago and below the previous lowest recorded Index of 52.5 in H2 2012.

Despite continued, albeit slower growth of the UK economy, it is clear that respondents' big concern is the impact of downward price pressure from customers on revenues and margins. A fiercely competitive market and rising costs in all areas apart from fuel are still putting severe pressure on profit margins and may well lead to further falls in confidence in the short term.

Nervousness about the faltering global economy, particularly the performance of China and the eurozone, plus the upcoming referendum on UK membership of the European Union also appear to be adversely affecting operators' confidence.

It is clear that respondents' big concern is the impact of downward price pressure from customers on revenues and margins.

It should be noted that any Index score above 50 indicates that confidence is still in positive territory and operators remain optimistic, as evidenced by respondents' expectations for key indicators such as turnover, profitability, investment, employment and merger and acquisition activity.

Nevertheless, the Index has fallen considerably from the H2 2015 survey and is now close to the key benchmark figure of 50, a score below which would mean that the logistics sector has entered into a pessimistic mode. For now, the key questions are whether the Index is currently at its low point and whether it will bounce back in the immediate future.

We trust that you will find this report informative and helpful.

Rob Riddleston
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Confidence Index H1 2016

Our Index has fallen for the fourth successive time, dropping to 51.8, the lowest level it has ever reached.

Our latest survey shows a striking trend of falling optimism about the outlook for UK logistics, with 49% of respondents saying current business conditions are tougher than they were six months ago.

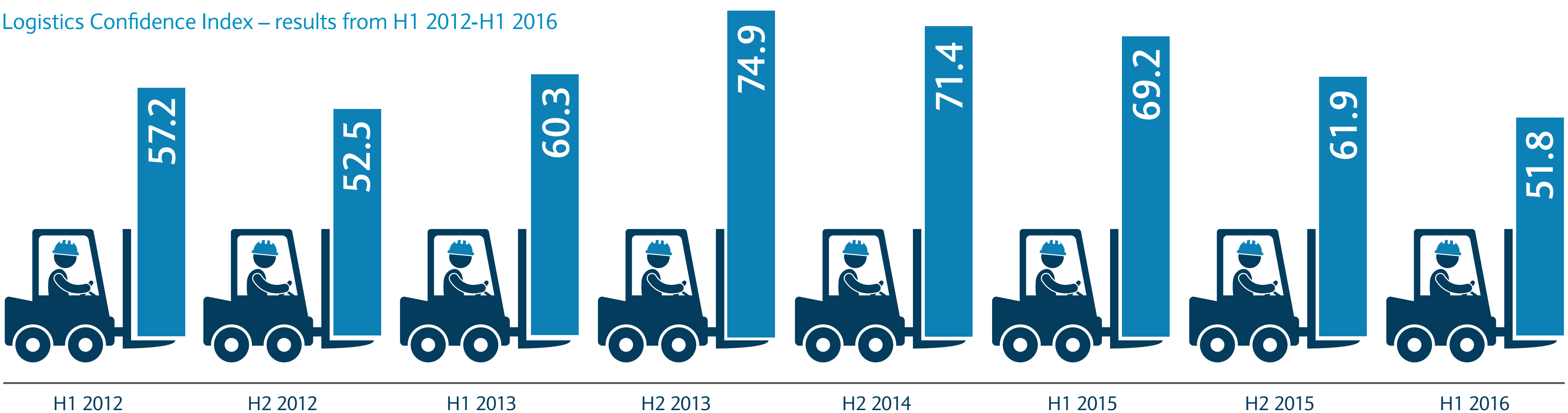
Respondents reveal that while ongoing industry issues, such as driver and skills shortages and a lack of warehouse space, are still important factors, their biggest concerns in the short term are customer price pressure and cost control. While 40% of respondents say that business conditions have stayed the same, 43% believe they are 'somewhat more difficult' – an increase of 27 percentage points compared to H1 2015 and 17 percentage points compared to H2 2015. A further 6% go so far as to say the situation is 'much more difficult', which is 3 percentage points rise on both our surveys last year.

Just 11% of respondents say that business conditions are 'somewhat more favourable', a decrease of 26% compared to sentiment this time last year. However, a majority of respondents still believe turnover and profits will rise. This mixed message shows the differing challenges the economy is throwing at the sector.

Economic drivers

The significant fall in the overall Confidence Index takes our biannual barometer of optimism to its lowest level since we started the Index in 2012. This is perhaps surprising given that although the UK economic recovery is slowing and the overall picture is more mixed, on the face of it, the UK economy is stronger than it was four years ago.

Logistics Confidence Index – results from H1 2012-H1 2016



Note: Index calculations do not include Q3 (turnover expectations).

In his March Budget speech, the Chancellor, George Osborne, revealed that the UK economy is now expected to grow 2% this year, compared to a previous 2.4% forecast in November 2015. He added that although the UK is "not immune" to the global slowdown, it is still expected to grow faster than any other major Western economy.[1]

"It's a challenge convincing customers that lower fuel prices do not necessarily mean lower transport prices – the driver shortage and increased costs outweigh the fuel benefit."

However, respondents answered our survey against a continuing backdrop of unease about the global economy, with a dramatic slowdown in China and doubts over the future of the eurozone. As a key part of a trading nation, UK logistics companies are, unsurprisingly, expecting to feel the pinch from these global economic concerns, despite the fact that they have yet to have a dramatic impact on the UK.

The possibilities of Brexit, and the as yet unknown consequences, are undoubtedly further cause for uncertainty. The forthcoming EU referendum may well have prompted many businesses, particularly those involved in European trade, to put key business decisions about their future on hold, as was the case with the Scottish referendum in 2014.

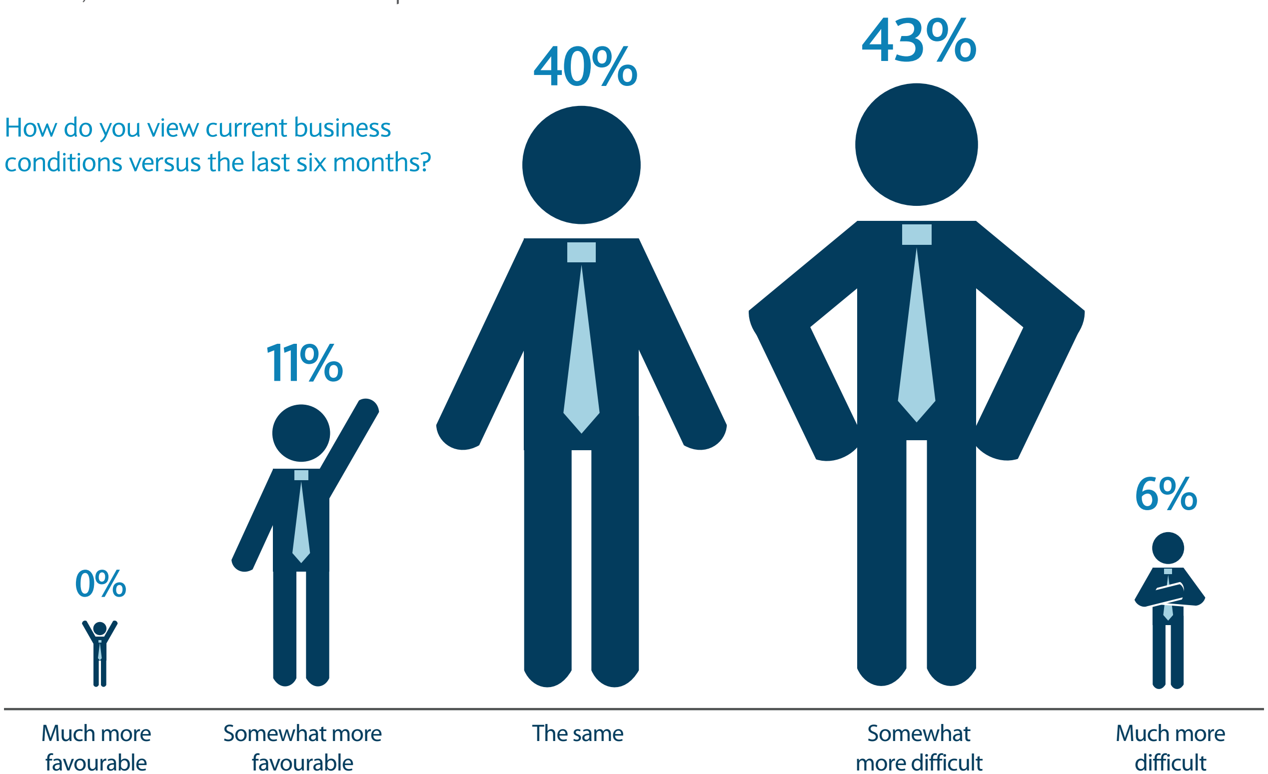
[1]www.bbc.co.uk/news/uk-politics-35819797.

Downward price pressure and rising costs

Our survey respondents' views clearly highlight the impact of continuing downward price pressure from customers. Ever-present and increasing competition is clearly continuing to squeeze prices, with many retailers and manufacturers themselves under pressure to reduce their costs.

Some survey respondents say that falling fuel prices are prompting their customers to demand lower rates. But increases in other business costs for logistics operators are cancelling out lower fuel prices. One such concern, highlighted by our respondents, is staff costs, perhaps exacerbated by the new National Living Wage of £7.20 an hour, which came into effect on 1 April.

How do you view current business conditions versus the last six months?



Outlook for the next year

Just under half of respondents (47%) expect the outlook for the sector to get tougher.

While our survey results show there is still a narrow majority of respondents (53%) who predict the short-term outlook for the sector won't deteriorate further, the number of operators who are worried has risen significantly.

14% think that business conditions in the next six months will be 'somewhat more favourable' in the next six months, which is a fall of 20% on the number that held this view a year ago.

However, the biggest change can be seen in the share (41%) who think the outlook will be 'somewhat more difficult'. This is a 23% rise on the figure for this time last year and a 30% increase compared to H1 2013. Our latest results show a further 6% of companies feel conditions will be 'much more difficult'.

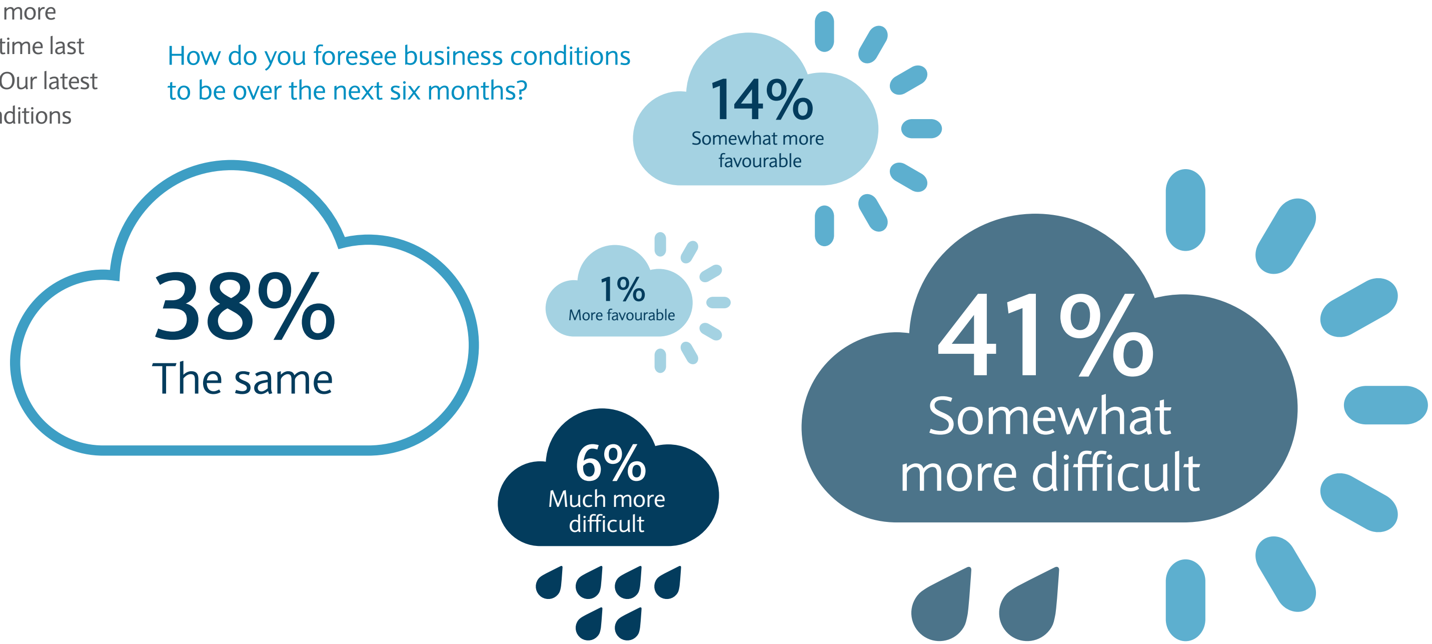
Based on these responses, we might expect our next Confidence Index, for H2 2016, to fall further.

However, it is worth noting that our respondents' forecasts ahead of the peak trading activity of Christmas 2015 show just how difficult it can be for logistics companies to predict future business conditions. For example, 52% of respondents told our H2 2015 survey that they expected volumes to go up. In fact, our H1 2016 survey found that only 37.5% actually experienced a rise.

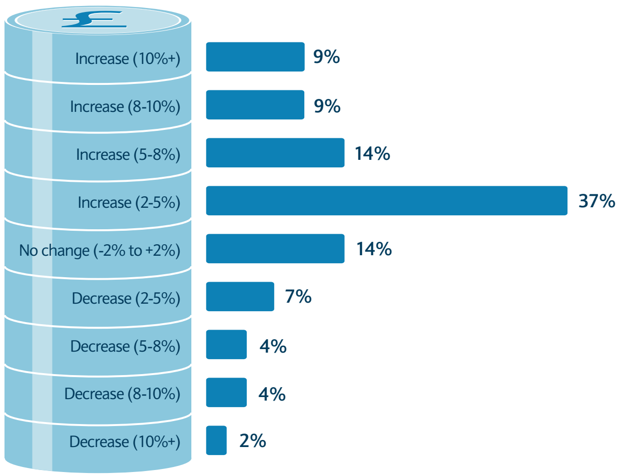
Turnover and profitability

A large majority of those surveyed (69%) still expect their turnover to increase in the next 12 months. This may seem counterintuitive when compared with the increasingly pessimistic overall outlook. 37% of respondents forecast their turnover will rise 2-5%, while 14% expect a turnover increase of 5-8%.

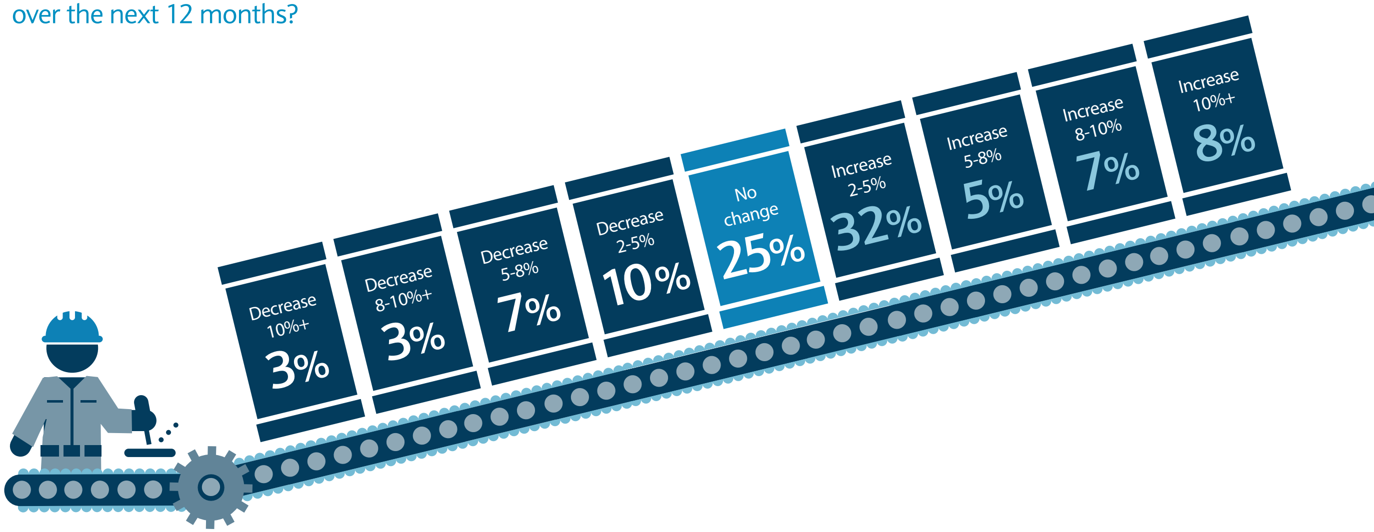
How do you foresee business conditions to be over the next six months?



Do you expect an increase or decrease in turnover over the next 12 months?



Do you expect an increase or decrease in profit over the next 12 months?



However, the biggest change from our H2 2015 survey six months ago is an 11.8% fall in the number of operators forecasting higher turnover. It's also the case that the last time our survey produced a comparable result was the first half of 2013 at 70%.

Perhaps of greater significance is the fact that just 52% of respondents forecast profitability will increase over the next 12 months – the lowest such figure since our survey began and down 14.7% compared to H1 2015. The share expecting a fall in profitability is 23%, which is an increase of 14% compared to this time last year.

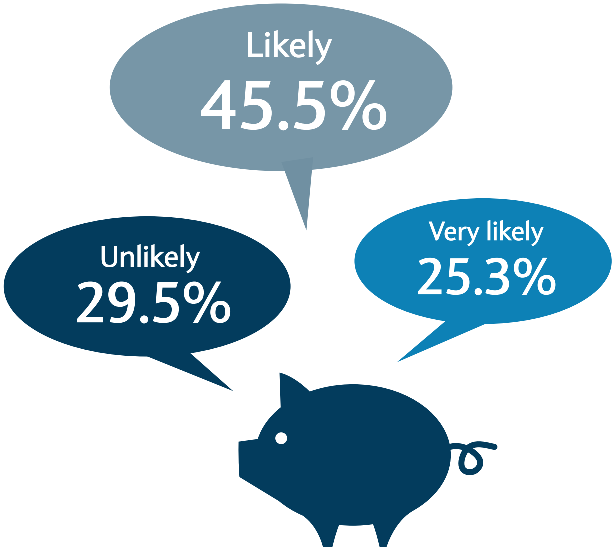
Investment forecasts

Close to 71% of logistics operators feel sufficiently confident to be planning to invest in capital expenditure over the next six months. However, in line with the more cautious trend emerging in our latest survey, the number who say they are 'very likely' to invest is down 12% on six months ago and down close to 16% compared to the H1 2015 survey.

There is still a need for investment in more warehouse capacity.

A continued willingness to invest partly reflects the sector's need for investment in technology to drive greater efficiency and productivity, reduce costs and to improve client service – critical to winning and keeping new business. Our survey also confirms there is still a need for investment in more warehouse capacity. However, analysis of anticipated capital expenditure by size of company shows that whereas previously it has been smaller players more willing to declare themselves 'unlikely' to make significant capital expenditure in the short term, our most recent results illustrate smaller companies and larger companies now showing equal reluctance to do so, at 29% and 30% respectively.

How likely is it that your company will make significant capital expenditure over the next six months?



The competitive environment

Just 52% of respondents forecast profitability will rise over the next 12 months – the lowest such figure since our survey began.

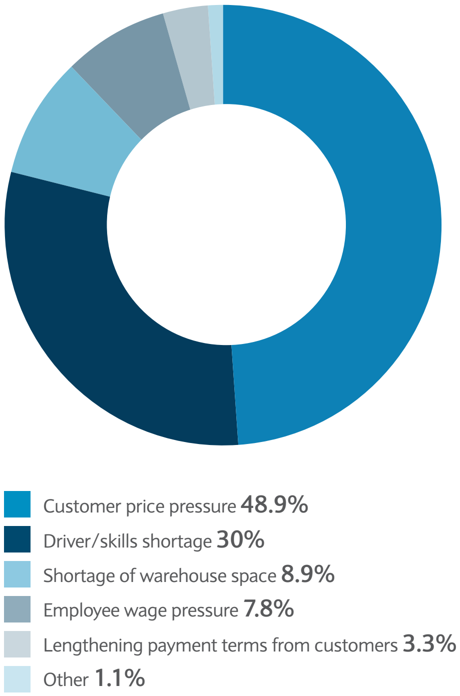
Respondents' turnover and profitability predictions reflect concern that customers are squeezing prices. Customer price pressure is identified by 49% of survey respondents as the most important issue facing their businesses in the next six months, a rise of 12.5% on H2 2015 results.

Operators' comments paint a picture of aggressive contract negotiations and purchasing departments pushing prices down, with some respondents reporting that prices have "collapsed".

Customer price pressure is now the most important issue facing businesses over the next six months.

Falling prices even eclipse the long-running issue of lack of drivers and other skills in the industry as the most important issue facing operators. 30% of respondents indicate that driver and skills shortages is the most important issue facing businesses over the next six months, down 14% on figures for H2 2015.

What will be the most important issue facing your business in the next six months?



Nevertheless, logistics operators voice their concern about the shortage of not only drivers and warehouse staff but of suitably qualified people in management and leadership roles. The industry struggles with a reputation for long hours and low rewards for drivers and other staff, and continues to debate how to attract the next generation of logistics professionals.

Lack of warehouse capacity is still a concern

A lack of warehouse capacity in the UK is also still a worry for some respondents, although the number citing this as the most important issue facing their business in the next six months has fallen slightly to 9%.

The apparent disparity between falling confidence and continued, albeit reduced, turnover and profitability growth may hint at a divergence in fortunes between different types of logistics business. Some 3PL operators, for example, may be better able to cope with pricing pressure due to a broader service offering and the ability to provide value-added services, compared to, say, more traditional haulage businesses offering a narrower service range.

This possible polarisation of the sector has in the past been partially explained by the different experiences of larger and smaller operators. Analysis of previous survey responses by size of company showed that smaller companies were markedly less confident about the outlook for turnover and profit.

However, our latest survey shows a convergence of views, with 70% of smaller companies and 68% of larger companies expecting an increase in turnover over the next 12 months. It is the same picture with profitability: 53% of smaller companies forecast an increase and 51% of larger companies agree.

While the share of smaller and larger companies that expect no change or a fall in profitability is almost identical, a higher share of smaller companies (21%) expect a fall in turnover than larger companies (13%).

Winning new business

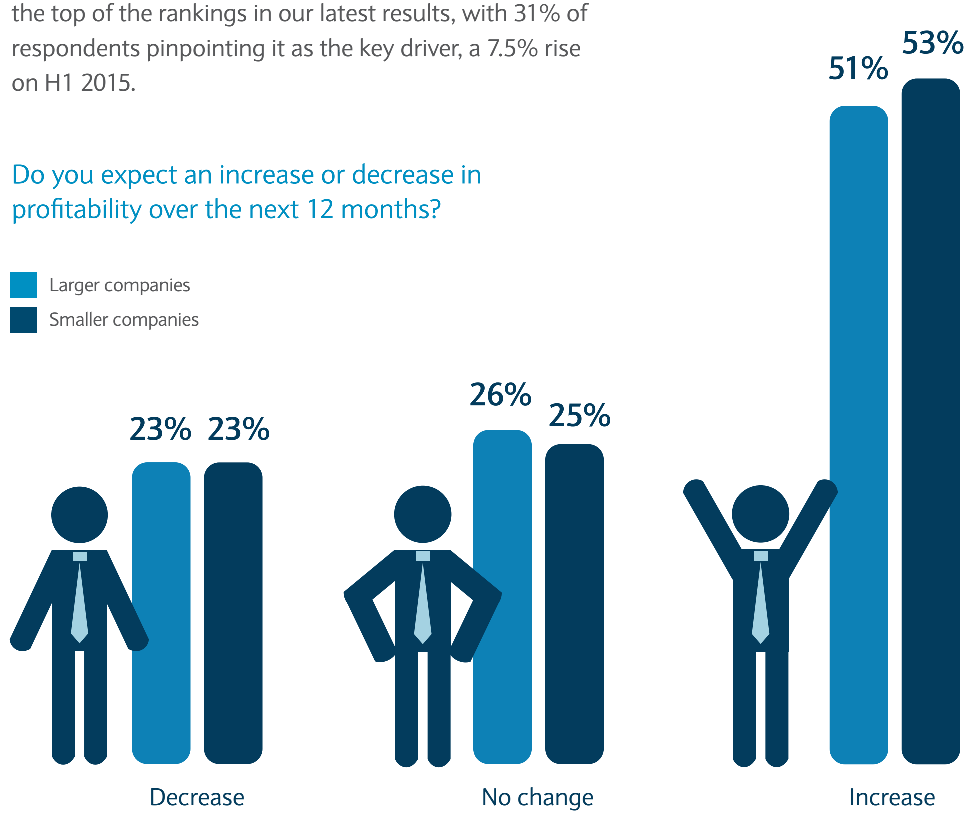
Our survey emphatically demonstrates the intense competition in the sector by showing that winning business from rivals through price competitiveness is vital for logistics operators. Figures for the main source of new business wins in the past six months show 62% are a result of new customers switching from other service providers, a rise of 9% on this time last year.

> Some respondents are concerned that a sustained price war could cause long-term damage to the logistics industry.

This increase appears to be prompted by a fall in new business coming from current customers who are expanding, with the H1 2016 figure at 17%. This is down 11 percentage points on six months ago and 16.5 percentage points on 12 months ago.

The squeeze on prices from both customers and competitors is demonstrated by our survey results for the key drivers behind contract wins in the past six months. While offering value-added services has often previously been the key factor, price competitiveness has risen to the top of the rankings in our latest results, with 31% of respondents pinpointing it as the key driver, a 7.5% rise on H1 2015.

Do you expect an increase or decrease in profitability over the next 12 months?



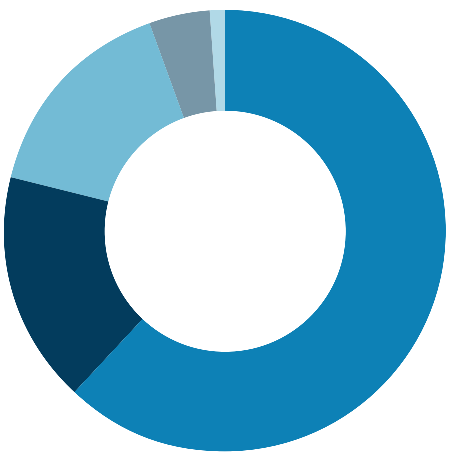
Customer expectations

Anecdotal comments from our survey respondents reinforce the message that there is continuing pressure on prices from customers. Several highlight a customer expectation that prices will go down because of lower fuel costs. However, according to our respondents, customers seem unaware or unwilling to accept that the benefits of cheaper fuel have been cancelled out by higher costs of staff, vehicles, insurance and new technology. Some respondents are concerned that a sustained price war could cause long-term damage to the logistics industry, highlighting that operators will struggle as a result to find funding to invest for the future in people and equipment.

The ability to offer valued-added services still ranks as the second most important key driver for contract wins at 26%. Observations from operators suggest that even here price pressure looms large as many major retailers and manufacturers not only want extra services but want more for less before they will agree a new contract.

According to 24% of operators, the importance of personal relationships – often associated with a track record of delivering on promises and going the extra mile – is still important to business wins. This figure is up 7% on H1 2015.

What has been the single main source of new business won in the last six months?



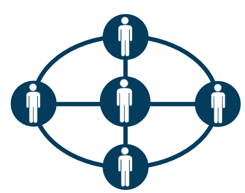
- New customers switching **62.1%**
- Current customers expanding **16.8%**
- Current customers renewing **15.8%**
- New customers outsourcing for the first time **4.2%**
- Other **1.1%**

In the last six months, what are the key drivers behind your contract wins?

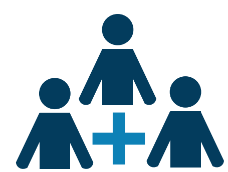
Price competitiveness
30.7%

Value-added services
25.6%

Personal relationships
23.9%



Scale of network
11.4%



Market consolidation of service providers
5.7%

Other
2.8%

A changing supply chain

New digital technologies, automation and innovation are changing the make-up of the supply chain.

From our latest survey results, there is a strong sense of recognition among logistics business leaders of the impact of new technologies, automation and innovative supply chain solutions.

With customers apparently demanding more and more for their money, respondents clearly recognise the potential for technological innovations to both cut their costs and add value.

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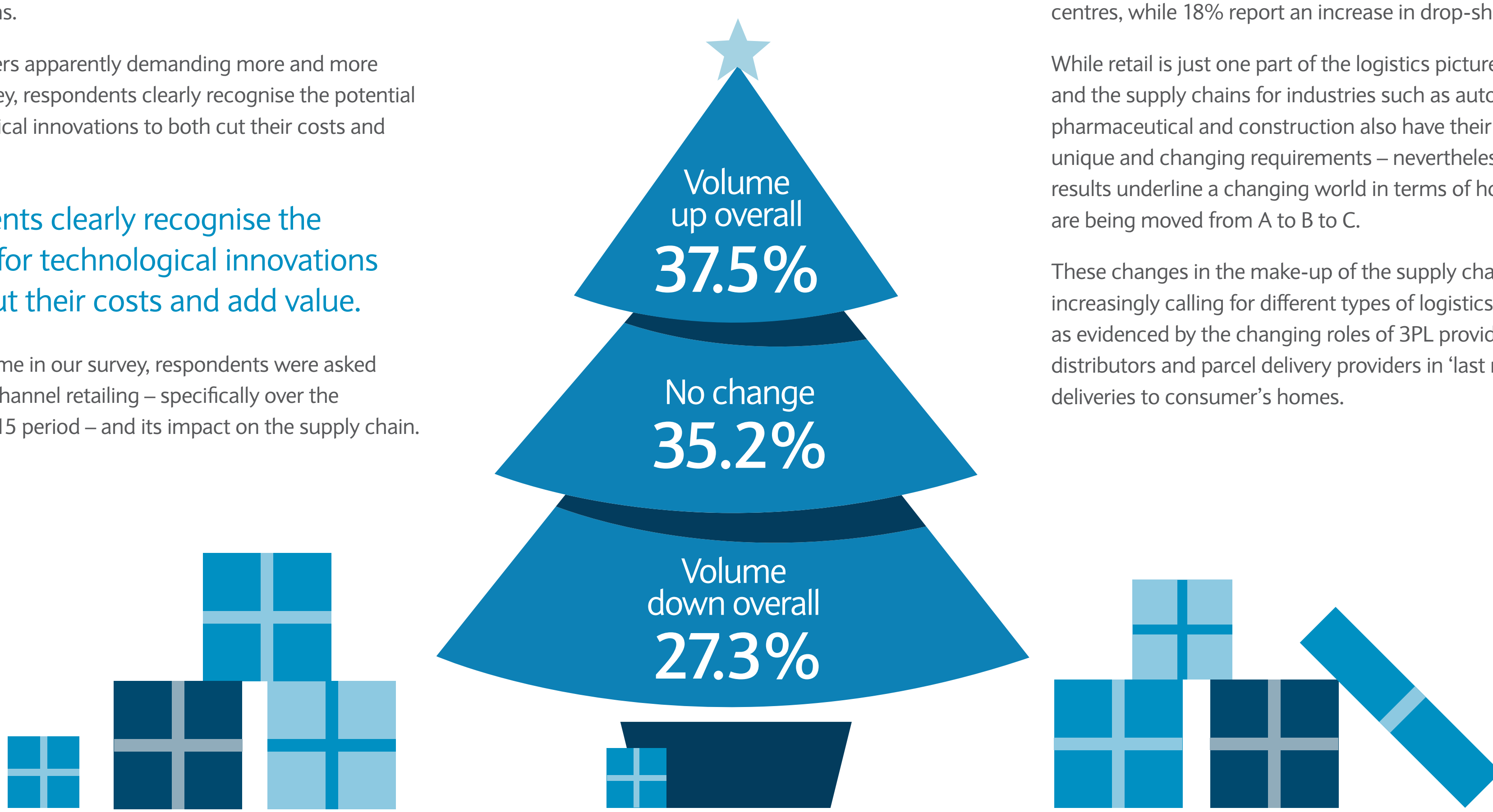
For the first time in our survey, respondents were asked about omni-channel retailing – specifically over the Christmas 2015 period – and its impact on the supply chain.

How did the shape of the 2015 Christmas peak activity and volume of trading differ this year in comparison to previous years?



A majority confirm that the share of retail sales through stores is on the wane. 34% respond that retailers increased the use of delivery direct to customers from distribution centres, while 18% report an increase in drop-shipping.

While retail is just one part of the logistics picture – and the supply chains for industries such as automotive, pharmaceutical and construction also have their own unique and changing requirements – nevertheless, these results underline a changing world in terms of how goods are being moved from A to B to C.

These changes in the make-up of the supply chain are increasingly calling for different types of logistics operator, as evidenced by the changing roles of 3PL providers, distributors and parcel delivery providers in 'last mile' deliveries to consumer's homes.

Innovative solutions

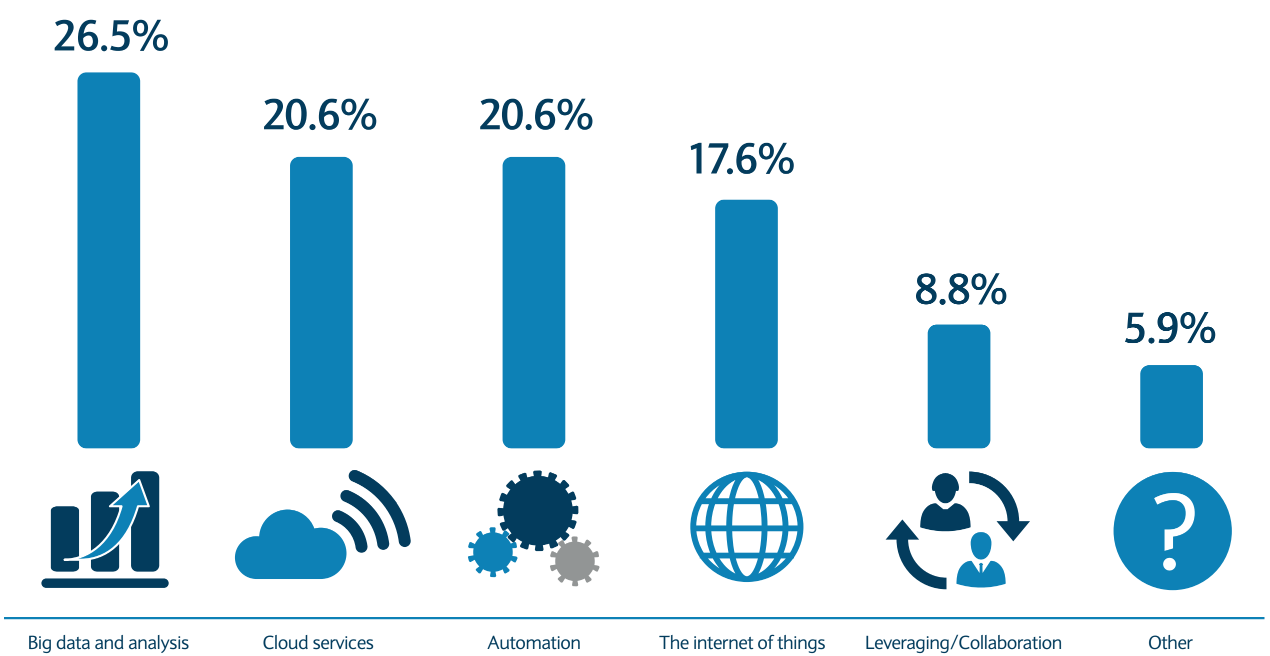
Asked if they will be implementing any new innovative supply chain solutions over the next 12 months, the majority of survey respondents, 58%, say they will. The most popular choices for innovative solutions are the technologies around so-called big data and analytics (26.5%), automation (20.6%), cloud computing services (20.6%) and the Internet of Things (IoT) (17.6%).

It's vital that operators keep up to speed with shifting logistics trends and use technology to work smarter rather than harder to relieve pressure on margins.

While big data and analytics tops our respondents' wish list, some industry observers suggest companies may still be at the beginning of a journey to fully understand the potential solutions that can be developed from the real-time data that is starting to be generated by the IoT. However, lack of awareness may present significant barriers to greater uptake of these new technologies.

Analysis of responses by company size seems to underline smaller companies' caution, with just 50% saying they will implement innovative supply chain solutions over the next 12 months, compared to the 67% figure for larger companies.

Will you be implementing any new innovative supply chain solutions over the next 12 months?



Strategies for survival and growth

Respondents see value-added services and better use of technology as the major opportunities for growth.

Continuing a trend from 2015, our survey reveals that holding on to their existing customers is the main focus for logistics operators in order to achieve their growth plans in the next six months. This focus is clearly a response to the intense competition in the sector and the threat of customers switching service provider.

But while operators are determined to keep what business they already have, it is not surprising that our survey results show winning new contracts also ranks highly in plans for growth.

Given the importance of winning new customers, how are operators changing with the times, adapting to new delivery methods and to the impact of new technology on the supply chain? In our survey we asked logistics operators about the factors that can lead to higher profit margins.

Value-added services

Not surprisingly, the factor that ranks highest in addressing cost pressure and profit margin issues is negotiating price increases. This is, of course, easier said than done, and it is noteworthy that the next most highly ranked factors are offering higher value services and improved use of technology, with similar scores.

Once again, our H1 2016 survey results show that value-added services are a key driver behind contract wins and many respondents see value-added services as a key opportunity for the sector.

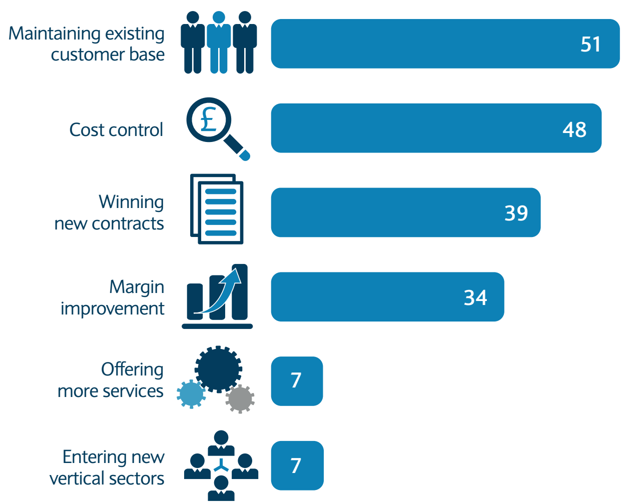
> “The factor that ranks highest in addressing cost pressure and profit margin issues is negotiating price increases.”

Value-added services, such as co-packing, returns management, labelling, or even basic assembly and manufacturing, are key to matching customers’ requirements in a rapidly changing logistics environment.

The continuing practice of some couriers to offer spare part delivery or even installation services is another interesting example of operators providing value-added services to meet customer needs.

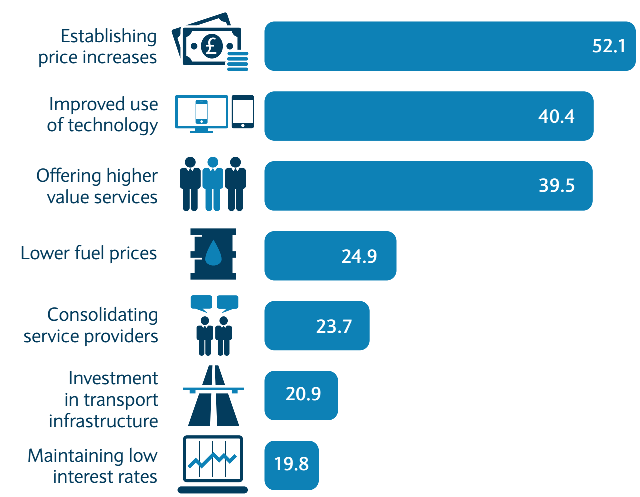
What is the main focus for your company over the next six months in order to achieve your growth plans?

(Number of responses of top two ranking)



What factors can assist logistics companies to achieve sustained, higher profit margins?

(Score of ranking in order)



New technology

Better use of technology is highlighted by an increasing share of respondents as an opportunity for the logistics sector. New technologies like the IoT, big data analytics and advances in tracking are beginning to have a significant impact on supply chain operations.

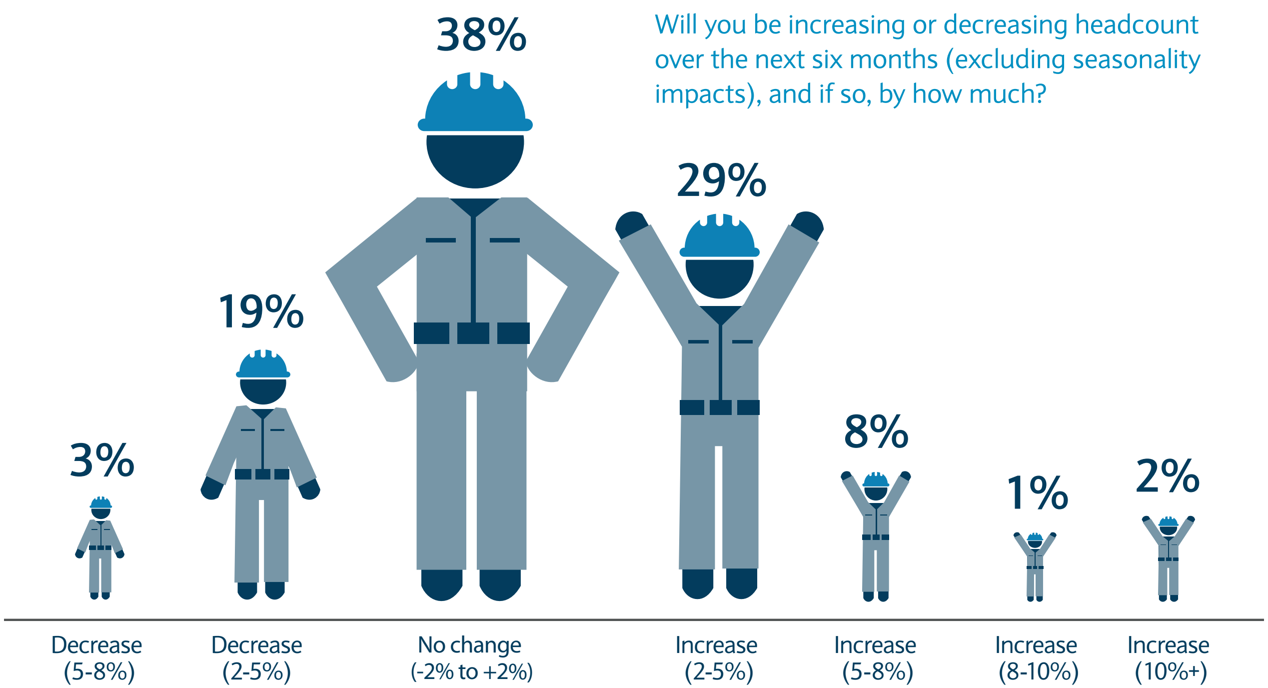
The implementation of these technologies – for example, switching to cloud services instead of buying office hardware or the use of big data to enhance forecasting and planning – can have a major impact on reducing overhead costs. Satellite technology is now commonly used to provide real-time information on the arrival time of delivery vehicles, while Amazon is already using robots to improve warehouse operations.

Better communication with end customers and a wider range of delivery options are also offering an improved experience for consumers.

Operators comment that customers want new, more efficient booking and payment systems, that technology improvements allow greater network efficiencies and that innovative IT systems can be used to gather information to help run their businesses and add value for customers.

Some companies, particularly at the smaller end of the scale, can find it hard to justify the capital investment required in new technologies without a proven track record of return on investment, preferring instead to take the more familiar route of investing in their fleets.

Will you be increasing or decreasing headcount over the next six months (excluding seasonality impacts), and if so, by how much?



Some may also be discouraged by the sometimes high-profile difficulties that larger companies have experienced in implementing new technology.

> "There is a lack of understanding from regional carriers of their need to make massive investments in IT. The ones that do will change things very quickly and there could be a rapid consolidation of carriers."

Controlling costs

Cost control is a key focus for profit growth in the next six months, say our survey respondents. Some operators say they will look to reduce headcount – often their largest cost – to counter the pressure on prices.

While 40% of survey respondents plan to increase headcount in the next six months, 22% of respondents are looking to cut staff numbers – a significant rise of 13.2% on this time last year and the highest such figure since the Index commenced in 2012.

With high employment and a shortage of skilled staff, it is no surprise that rising salaries feature as a key challenge for the industry. Employee wage pressure is identified by 8% of our respondents as the most important issue they face in the next six months, a rise of 3% compared to H2 2015 figures. Respondents also continue to report that the industry's shortage of drivers is seeing a growth in the use of agency labour.

With an eye on margins, operators comment that strategies for reducing empty vehicle running miles should also be a priority for the logistics sector.

Fuel prices

Keeping fuel prices and interest rates low are seen as key factors to enable sustained higher profit margins in the next six months – unsurprising given the reliance of many operators on leasing and other funding arrangements. Hedging underlying exposure to the price of oil and other fuels has long been common practice in the European transport industry, where this exposure makes up a significant portion of an operator's cost base. However, with prices dropping more than 50% in the past 18 months, operators whose exposure is not as large are looking to lock in fuel prices well below those of recent years, and thus secure a lower cost base and improved profit margins.

Keeping fuel prices and interest rates low are seen as key factors to enable sustained higher profit margins in the next six months.

Mergers and acquisitions

The proportion of respondents who say they are likely to acquire another business over the next six months is 35.5% – the second highest result since our surveys began. Just half a percentage point down on the figure for H2 2015, it reflects a continuing trend of consolidation in the market over recent years. Analysis by company size shows that larger operators are more interested in acquisitions (43%) than their smaller counterparts (29%), who appear more risk-averse in this area. According to our survey, the key drivers for mergers and acquisitions are expanding service offering (16.1%) and achieving economies of scale (10.8%). Against a backdrop of downward pressure on prices and falling margins, this acquisition activity is likely to be part of operators' strategy to increase efficiencies – or to create new revenue streams through access to new customers, new assets such as warehousing and vehicles, new geographic regions or through offering a broader range of services. Consolidation of service providers is recognised as the fifth most likely factor that can assist logistics operators to achieve sustained, better profit margins. Several transactions already in 2016 reflect the continuing consolidation in the sector, including the acquisition of Great Bear Distribution by Culina, Bidvest's acquisition of Caterfood and Palletforce's acquisition of UK Freight Masters.

Collaboration

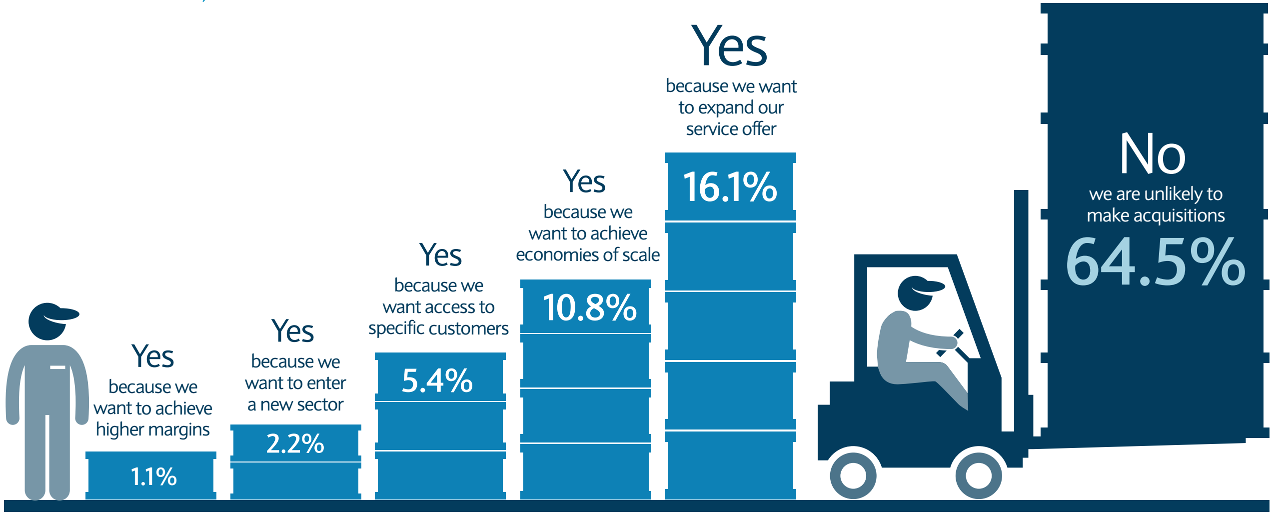
Our survey shows that collaboration among logistics operators is seen as an opportunity for growth by a significant share of our respondents. Collaboration potentially delivers a wider and more complete service on a larger scale to help meet the challenge of customer pressure on prices and enables smaller operators to compete with the larger ones.

In addition, there are obvious attractions in forming alliances or networks to offer global coverage as a way of developing greater expertise and adding more value However, examples of effective collaboration are still relatively few and far between in the sector, perhaps due to a lack of confidence, trust or fear of giving away trade secrets.

Black Friday lessons learned

Logistics industry observers note that the sector coped much better with the Christmas peak and Black Friday in 2015 than it had in 2014 – and that the lessons learned point the way to strategies for the future. This was partly due some major retailers withdrawing from Black Friday sales offers, reducing the levels of consumer activity. However, logistics operators were also better prepared in 2015, communicating with their clients to better understand their needs and demands. There also appears to have been more sharing of information with other participants in the supply chain.

Are you likely to make any acquisition(s) over the next six months and if so, what is the main driver behind this?



Industry insight: Understanding the ‘connected customer’

Professor Neil H. Ashworth, CEO of CollectPlus, offers his insights into the future of logistics.

This UK Logistics Confidence Index is full of challenge and paradox, with optimism countered by the sense of a broad range of concerns and pressure points.

The latest survey contains a number of points that are echoed both within the CollectPlus business and by many of our trading partners. Many are seeing downward pressure on pricing at a time when expectations of customers are (rightly) increasing.

The market is becoming more competitive and it is therefore important that well-judged investment is pursued to ensure that growth is maintained and, wherever practicable, accelerated. This is a challenging set of circumstances, which is mirrored across the length of the supply chain.

The new normal

The period of time over which the authors have collaborated on this research has seen the move to prominence of the ‘connected consumer’, a phenomenon that has been evident since 2010, but which has accelerated through the period of these surveys since 2012. This fundamental decentralisation of retail and shift of power to the customer has created a ‘new normal’, and I believe that many of the apparent dichotomies in the review are driven by this shift in focus. We are now, as extolled by the financial experts, in a period of long-term low economic growth with stable, historically low interest rates and it is against this backdrop that we must set our future expectations.

There are multiple factors driving downward cost pressure across our industry. Whether that be the impact of the ‘value’ retailers creating pressure on the more established market leaders to reduce price and therefore cost, or the growing expectation for free delivery for almost any speed of service, we are now in a cycle of increasing margin squeeze.

There has never been a better time to be in this increasingly dynamic industry where the UK sets the global pace.

For participants of this survey to see increasing profitability and revenue growth against this backdrop of cost pressure, there must be an expectation of substantial volume growth. A follow-on conclusion is that business will be won from the competitive market at lower rates, thereby increasing the likelihood of weaker operators falling by the wayside and increasing rates of consolidation. Times are tough and only the best will survive – but there has never been a better, more exciting time to be in this increasingly dynamic industry where the UK sets the global pace.

Network thinking

It is now time for logistics leaders to think less as logisticians and more as fast-start entrepreneurs. Thinking like players with unique skills and competencies in a broader service ecosystem is what will set organisations apart in the coming years, and will enable success in an increasingly competitive arena.

It is time to collaborate, to innovate and to operate for the customer – to get under the skin of clients (both current and potential) and to work towards making them the very best organisation that they can be. In other words, to be a partner in helping them to delight their customers.

It is this service focus throughout a networked supply chain that will create cost advantage in the coming years, and the last Black Friday was a case in point.

In 2014 the UK struggled to deliver satisfactory service to consumers over this period of 'spiked' trading as the supply chain was vertically oriented. It was siloed and key interfaces did not communicate and share insight in a way that was conducive to a satisfactory service outcome. In 2015 this changed – the chain became horizontal as participants were more connected and shared data, insight and expectation.

If the industry were to take this to the next level – a networked or 3D chain – the potential for all players to succeed would be enhanced, to the detriment of the laggards. The principle of organisations considering the implications of both their own and their supply chain partners' activities in the context of the broader market will, I feel, be a significant future dynamic. The interconnectedness of behaviour of the customer, the retailer, their competitors and the supply chains that support them is growing inexorably, and network thinking is essential to manage cost and service variables.

Collaboration for the customer

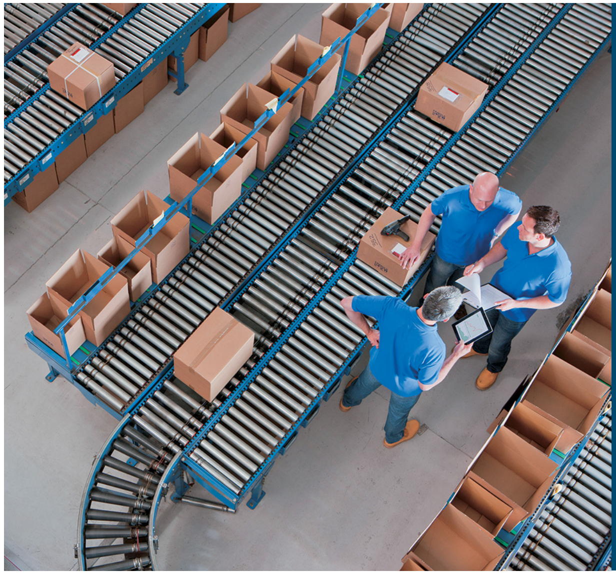
The differentiator is, more than ever before, a laser-like focus on the end customer. Roger Staubach of the Dallas Cowboys is reported to have said that "there are no traffic jams along the extra mile", and I like the USP implications of this phrase – the emergence of a 'collaboration for the customer' is a trend that I continue to refer to, and am increasingly seeing. Supply chain partners are not what they once were – as an example, five years ago, who would have put eBay and Argos together as fulfilment bedfellows?

Logistics is, as never before, the essential link between everyone and everything. When you consider this proposition against the traditional image of trucks, warehouses, sea containers, rail freight, picking and packing, I am certain that we become a much more attractive career proposition to younger generations.

In many ways, I believe that staff shortages across the various sectors of the logistics industry are being accentuated by the language of a bygone generation. It is time for action to address these issues.

> Logistics is, as never before, the essential link between everyone and everything.

Across this survey, there is broad recognition of a recruitment challenge, but I see little action across the industry to address the problem. It is, therefore, time for industry bodies and associations to come together to create an action plan rather than another conference or discussion. We are blessed with some of the best operators on the planet, and it is time for them to act together to provide inspiration for the one in 12 people who will work in our exciting industry in the future.



CollectPlus

CollectPlus is the UK's largest independent store-based parcel delivery and returns service. It offers a simple and convenient way for people to collect online purchases from or return unwanted items to more than 300 high street and online retailers, including John Lewis, New Look and ASOS – all at their local convenience store.

Founded in 2009, CollectPlus now handles over 333,000 parcels a week and in July 2015 handled its 50 millionth parcel. CollectPlus is a joint venture between PayPoint, the leading retail payment network, and leading independent parcel carrier, Yodel.

collect+
parcels made easy

Professor Neil H. Ashworth
CEO
CollectPlus

Key takeaways

- Our Confidence Index has fallen by 16% to 51.8 for H1 2016, compared to 61.9 for H2 2015, its lowest point since its launch four years ago
- Respondents' biggest concern is downward price pressure from customers, with intense competition and higher costs also impacting profit margins
- A narrow majority of respondents (53%) predict that the short-term outlook for the sector will not get worse, but the number of operators who do has risen significantly
- Respondents see offering value-added services and better use of technology as the key opportunities for growth
- The Index shows that maintaining the existing customer base is the top focus for logistics companies over the next six months
- Pressure from customers to cut prices has overtaken driver and skills shortages as the key challenge in the next six months
- The number of operators – especially larger companies – planning to make an acquisition over the next six months is the second highest figure ever recorded (35.5%)
- New technologies, automation and supply chain innovations are seen as critical to help logistics operators work smarter and improve margins.

About the authors

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Rob Riddleston is Head of the Transport and Logistics team for Corporate Banking at Barclays. The team manages banking relationships with corporate clients in the UK, providing access to the full range of services and products available from Barclays, including investment banking in the UK and overseas.

Rob has 30 years of corporate banking experience and has specialised in the Transport and Logistics sector for 15 years.

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Philip is a Partner in the Moore Stephens Corporate Finance team where he is responsible for corporate finance lead advisory services. He has over 20 years' corporate finance experience, advising on mergers and acquisitions, private equity transactions, fund raising as well as providing general strategic advice.

Over the last 10 years Philip has focused on the Transport and Logistics sector and has worked with a wide range of clients, including major listed global logistics groups as well as privately held companies.

Philip has been heavily involved in the Logistics Confidence Index report since its inception and he has also written numerous articles for the trade and financial press on issues that affect he logistics sector.

Prior to joining Moore Stephens, Philip worked with Grant Thornton, Royal Bank of Scotland, Hawkpoint and Bank of America.

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