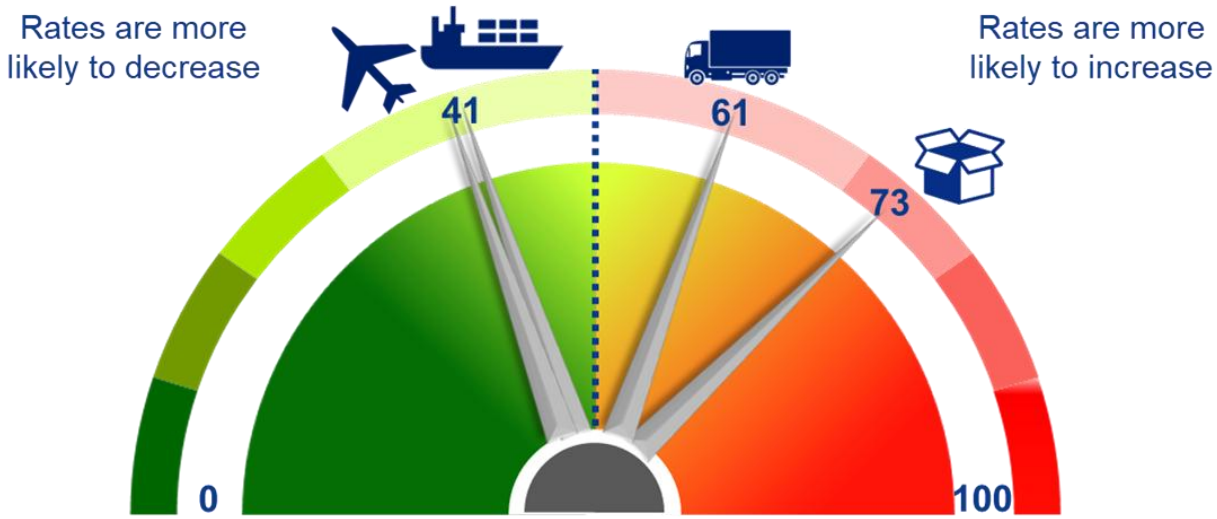
The BCI Transportation Monitor, Edition 13

About the BCI Transportation Monitor



Freight Managers Index: When above 50, rates are likely to increase

The BCI Transportation Monitor has been developed to provide a comprehensive overview in the past and expected future development of transportation rates. BCI publishes this monitor bi-annually in spring and autumn for the transportation modalities road freight, parcel freight, air freight and ocean freight. This BCI Transportation Monitor includes an overview of:

- the historical freight rate development
- a projection of the future freight rate development per mode
- recommendations how to use the monitor

Historical Freight Rate Development

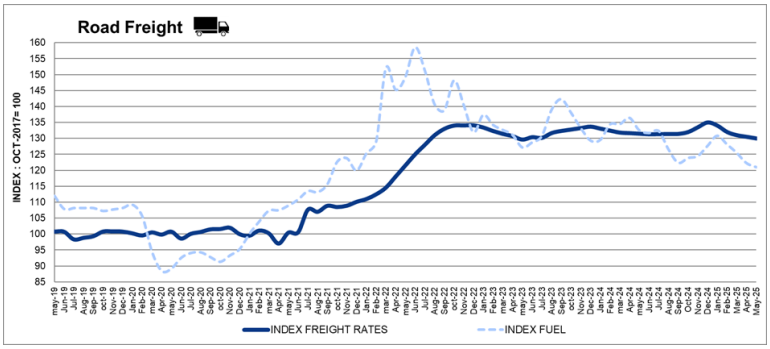
The historical freight rate development consists of historical price indices for the transportation modalities road freight, parcel freight, air freight and ocean freight. The monitor portrays the average rate development per modality since October 2017.

Future Freight Rate Development

The forward-looking rate development consists of a projection of the future freight rate development for the four transportation modalities. The future freight rate development is based on the expectation of transportation procurement and management professionals, who have responded to and participated in BCI's Transportation Monitor Survey. The feedback from this group of experts is translated into a *Freight Managers Index score (FMI-index)*, similar to the Purchasing Manager Index (PMI). If the FMI-score is equal to 50, there is an even number of transportation professionals expecting an increase as a decrease. Above 50 and more closely to 100, it is more likely that there will be an increase in the freight rates in the next three months. Below 50 and more closely to 0, it is more likely that there will be a decrease in the freight rates in the next three to six months. The future expectation per modality is a weighted expectation of different routes. Information on specific routes can be found in the appendix.

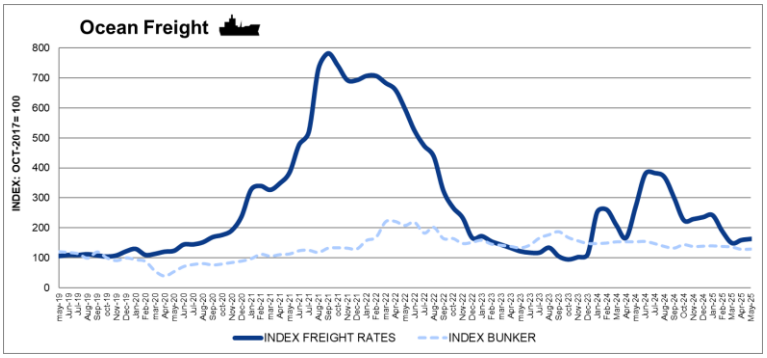
This edition's special topic: "Data driven"-approach of transport RFQs; how market information and data analytics can support transport procurement

Historical Freight Rate Development



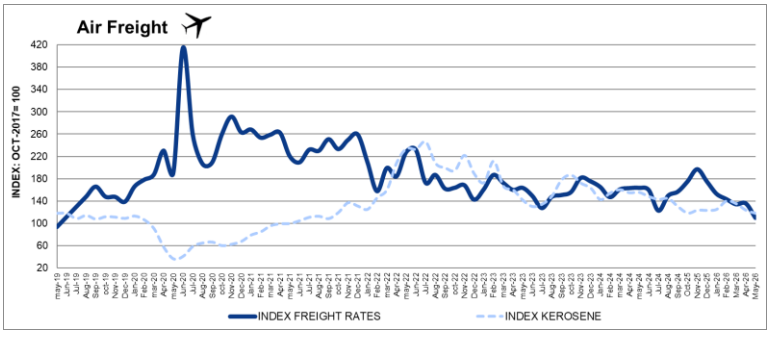
Road Freight: limited increase then decrease

The expected rate increase that BCI's transport monitor panel predicted in October 2024 (FMI: 91) initially materialized. However, after January 2025 the rates reduced. This trend was supported due to the fact the fuel cost reduced significantly. Also the economic slowdown in Europe is strengthening this decrease. The decrease is partially flattened by the structural factor like driver shortage and increase in road taxes.
See further the freight rate development section for Road.



Ocean Freight: volatile

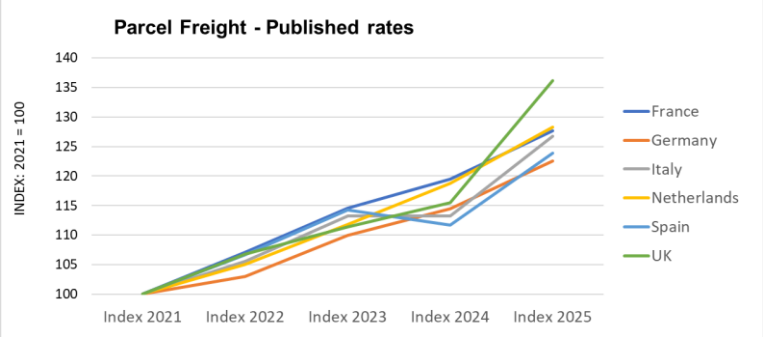
Over the last six months, ocean freight rates have been volatile with an overall decline. Especially, the tariffs on international trade and constant changes in these tariffs caused a significant variability in the demand for Ocean freight. In general, there is overcapacity at the Ocean liners keeping pressure on the rates, but this disbalance varies per trade lane. See further the rate development section for Ocean



Air Freight: volatile

The increase that BCI's transport monitor panel expected in October 2024 (FMI: 67) materialized the first months. After that the airfreight rates declined. The expected high e-commerce demand and peak season have been less high.
The outlook has also changed and the transport monitor panel predicts a decrease in the coming months.
See further at the freight rate development section for Air.

Historical Freight Rate Development (continued)

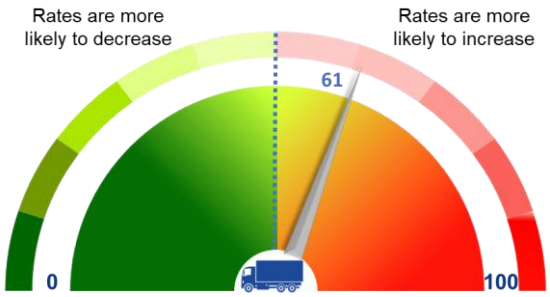


Parcel Freight: slightly increasing

The expected strong increase materialized partly over the last months. However, E-commerce boom seems over (also due to the new regulations). Especially the new costs related to customs and admin charges are reducing the transported volumes and the related parcel rates. Increase in UK rates are partly due to strong British pound.
See more information in the Parcel future freight rate development section.

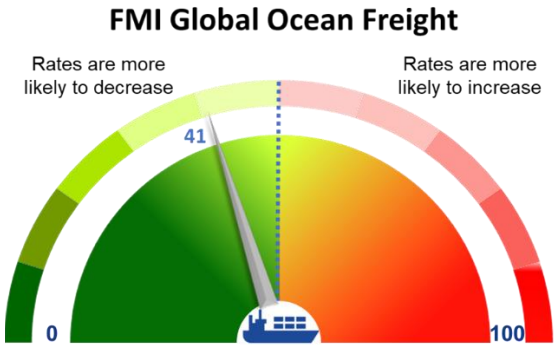
Future Freight Rate Development

FMI European Road Freight



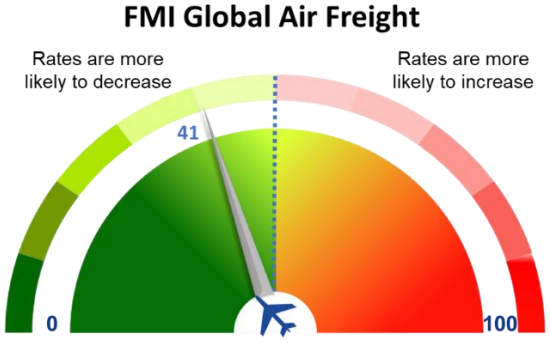
Road transport rates are expected to soften across Europe (FMI: 61 compared to 91 in October 2024). Important factor is the slowdown of the European economy. However, a decrease is not expected (1-3% increase). The economic slowdown is expected to be off-set by a new German Maut tier, ongoing driver shortages and post-Brexit checks & fees.
Furthermore, the extended roll-out of Road taxes in Austria, the Czech Republic and Denmark has an increasing effect on the rates.

FMI Global Ocean Freight



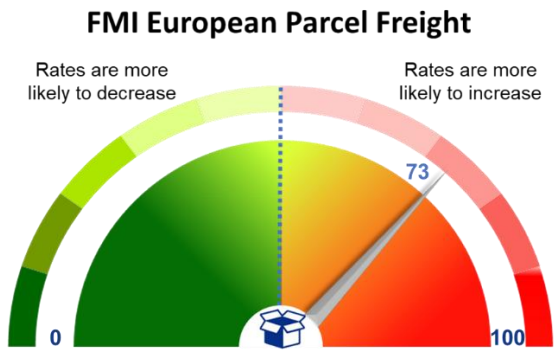
The Ocean FMI of 41 indicates rate decreases over the coming months. Ocean liners are still on high capacity. Also the demand slowdown and uncertainty due to the constant tariff changes are pushing the rates South.
The lanes affected most are on high-tariff lanes like China to the US. This also has an impact on other lanes, for example China to Europe.
The expectation is that the market will stay volatile and that decreasing rates can on short notice turn into increasing rates. Keeping a “close-eye” on the market is advised..

FMI Global Air Freight



An FMI-score for Airfreight of 41 indicates that rates are expected to remain stable or show a limited price decrease. Air freight rates are low due to low demand, however geopolitical tensions may keep rates volatile.
Global air freight volumes fell by 7% linked to holiday season. The removal of "de minimis" exemption expected to reshape e-comm logistics, potentially reducing the volume of low-value shipments via Airfreight.
Some forwarders have moved cargo earlier in anticipation of tariffs (in April). This may happen again with possible new announcements.

Future Freight Rate Development (continued)



With an FMI-score of 73, BCI's Transport Monitor panelists expect a slight increase on parcel rates. Expectations are that domestic parcel rates will on average grow with 1.5% and cross border parcel rates with 3%.
Key reasons are new regulations linked to parcel orders and on-going inflation. For the UK and Germany or any transit that includes them will rates increase due to toll/customs/ admin charges.
Reduction of the E-com boom is flattening the expected rate increases.

Results and recommended actions

In summary, the results of the 13th BCI Transport Monitor and the recommended actions:

European Road and Parcel

- Transport rates of Road and Parcel are expected to increase slightly 1-3%, due to taxation, inflation and lack of drivers
- Companies need to make steps forward in logistics procurement and negotiations, as well as in other cost saving opportunities
- **Recommendation**:
  - For road transport; important to select the right lanes, meaning you should do benchmarking prior to tendering
  - For parcels; a tender may give opportunities. However, pick right market and execute before coming high season

Global Air and Ocean

- Air and Ocean both expected to flatten or slightly decrease.
- Economic uncertainty is main reason for volatility
- **Recommendation**: secure current opportunities through an RFQ as soon as possible. Opportunity window might be short

In general, for all modalities: in case a tender is planned make sure a well-structured, "data-driven"-approach is taken including the available data analytics and market information.

"Data driven"-approach of transport RFQs; how market information and data analytics can support transport procurement

"In a logistics market where road transport rates are at least volatile and mostly increasing, a scientific-approach in transport tender processes is beneficial, if not mandatory". This approach includes combining solid market information, transport cost modeling and extended data analytics to enable a balance between competitive transport rates, solid service levels and extended partnerships with transport companies.

Global market situation is putting increased pressure on transport market

In general, transportation related costs account for a significant percentage of total supply chain costs of a company's products (often 50-60%). The developments in global trade (increases of tariffs and other barriers) in combination the ongoing supply chain disruptions, make it difficult to keep these costs under control. Combined with the ongoing challenges in the European road transportation market (e.g. driver shortage, increasing fuel prices and additional road taxes) create "the perfect storm" for shippers.

"Scientific approach"; tools available for shipper's transport procurement

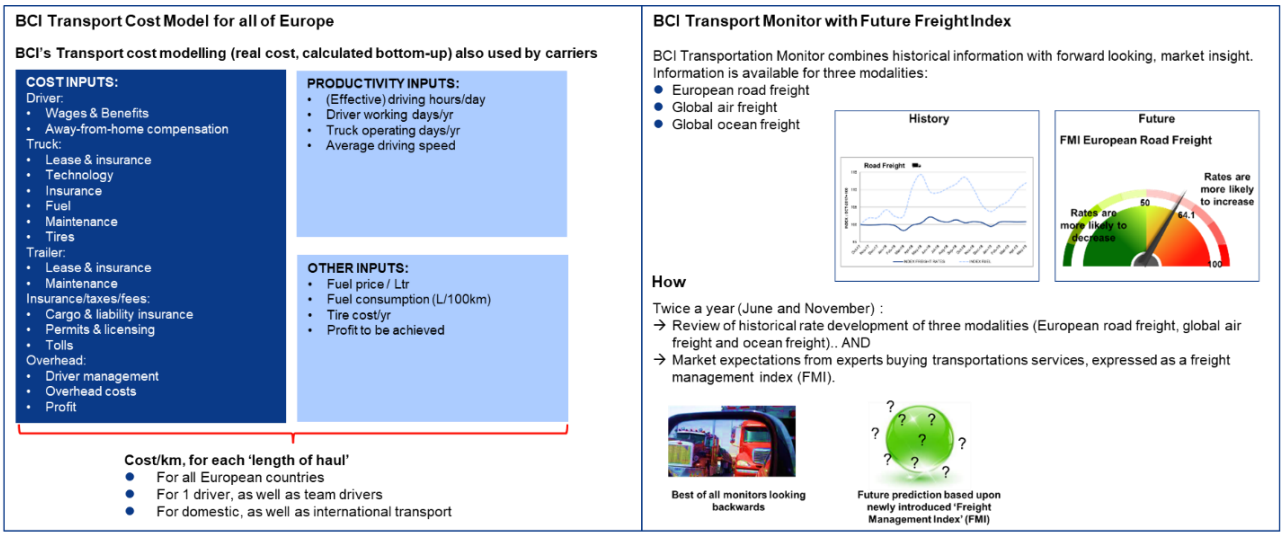
BCI Global has developed a toolbox to support its clients with improving their transport management in general and the transport procurement in particular. The core of BCI's transport RFQ-toolbox are the in-house developed transportation cost model and the transport monitor. These tools are the enablers to make RFQs make fact-based and more aligned with the actual transport market situation.

BCI Global's Transport Cost Model enables to calculate the expected shipment costs by taking into account all major drivers, like:

- Driver wages and benefits (including differences in labor conditions in the various European countries)
- Equipment costs like lease, maintenance, tires and of course fuel
- Insurance and (road transport related) taxes
- Overhead costs

The model is especially useful for FTL and LTL shipments, but with the correct adjustment factor the model can also be used for groupage shipments, or any in-house fleet solution.

The second tool BCI uses, is the Transport Monitor for expected future developments of road transport capacity and rates. This monitor is published twice a year and the set-up is comparable to the Procurement Managers Index (PMI). The developments in transport costs are based on BCI's Transport Monitor panel, consisting of a large number of transport specialist from across the globe. Combined with several external sources, this Transport Monitor enables to "predict" the future road transport rates in an RFQ.



Next to the transport cost model and the transport monitor, BCI includes the following elements to support today's transport procurement:

- Advanced data analytics including the use of dashboards for faster analysis and carrier negotiations
- Specialized transport tender tool (nowadays, Excel is not sufficient)
- A scenario based approach; from "cherry picking" to access the maximum potential to specific carrier shipment bundles

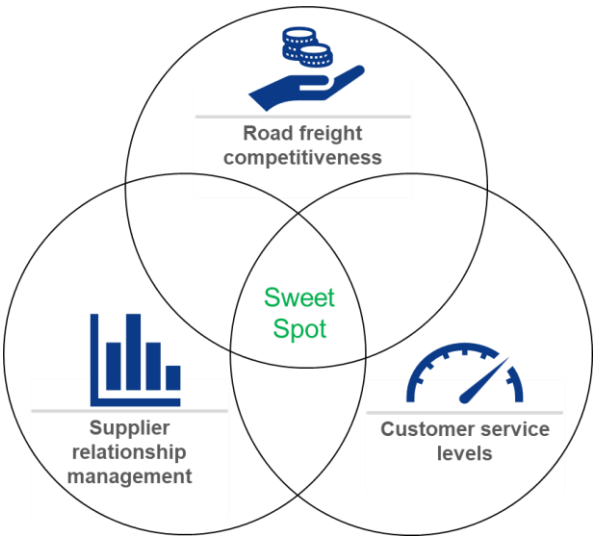
A final topic, is that the current market place requires close cooperation and extended partnerships with carriers. This also means that carriers should bring their optimization ideas to the table. BCI's experience is that the carrier input and results of these discussions are rather limited.

Impact scientific RFQ approach on transport solutions and related procurement; Amcor case

How should you handle this situation when you procure transport in the current market situation? How do you keep the balance between road freight competitiveness, customer service levels and supplier relationship management with your transport companies?

This is a challenge that procurement leaders like Danny Jäger of Amcor face in their day-to-day practice and specifically in transport RFQs.
The scope of Amcor's European road network consists of:

- Over 40 manufacturing sites
- More than 100,000 shipments per year divided in approximately 4,400 lanes
- Road shipment services: FTL, LTL and groupage. Also other modes of transport used
- Large number of site and customer specific requirements



According to Danny Jäger (Global Category Procurement Manager Road Freight & Logistics), transport request for quotations (RFQs) is "one important option to keep the European transport within the sweet spot of balancing the transport related objectives of Amcor".

Related to BCI Global's methodology, Danny comments: "Comparison with the carrier offers with the market rates and calculated costs clearly improves the quality of the decisions to be made based on the results of a transport RFQ".

The results of the most recent Amcor RFQ which BCI supported with the tools and methods described in this article resulted in:

- Overall transport cost reduction above the targets
- Significant service improvement: 1-2% increase in the "On-Time Delivery"-KPI
- Over 10% additional volume towards the already sizeable share of the key transport partners

Conclusions

Concluding, transport procurement in the current market environment is challenging. However, by combining reliable market information, transport cost modeling and extended data analytics the balance between competitive transport rates, solid service levels and extended partnerships with transport companies is definitely possible.

We at BCI Global are ready to support you in mastering the transport (cost) related challenges. In case you are interested feel free to contact us.

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About BCI

Special thanks to the transportation professionals who took part in the survey.

If you want to participate in the next survey and would like to receive the BCI Transportation Monitor on a regular base, please send an email to carlo.peters@bciglobal.com with your name, company and function.

About Buck Consultants International

Buck Consultants International (BCI, www.bciglobal.com) is a leading International boutique location selection and supply chain management consulting and implementation firm. BCI offers consulting and implementation services all over the globe in the area of: Supply chain strategy, Network design, Global Trade Management, Transport benchmarking, Transport Procurement and Carrier optimization, Control tower strategy and implementation, Inventory management, S&OP, Insourcing/outsourcing of logistics and manufacturing, facility design and location/site selection. BCI has offices in the US, Europe and Asia Pacific. Clients include Unilever, P&G, Amazon, ExxonMobil, BP, Ashland, J&J, Pfizer, Amgen, ABB, Komatsu, Mitutoyo, Canon, Cisco, Lenovo, Bose to name a few. More info can be found at www.bciglobal.com.

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Appendix – Future Freight Rate Development

Below are the weighted expectations (FMI-scores) of the future freight rate development for each specific route per transportation modality for the coming three months. The FMI-scores are based on the opinions of transportation professionals, whether the rates would increase, decrease or remain the same. If the FMI-score is equal to 50, there is an even number of transportation professionals expecting an increase as a decrease. Above 50 and more closely to 100, it is more likely that there will be an increase in the freight rates in the next three months. Below 50 and more closely to 0, it is more likely that there will be a decrease in the freight rates in the next three months. When the FMI-scores are green, the expected increase or decrease is below the weighted average FMI for that transportation modality. When the FMI-scores are red, the expected increase or decrease is above the weighted average FMI.

FMI European Road Freight								
	BE	DE	ES	FR	GB	IT	NL	PL
BE		62.5	54.5	54.5	66.7	59.1	54.5	54.2
DE	59.1		59.1	59.1	66.7	58.3	65.4	54.2
ES	65.0	72.7		65.0	77.3	66.7	65.0	70.0
FR	58.3	59.1	54.5		66.7	54.5	61.5	54.2
GB	59.1	65.4	59.1	59.1		59.1	59.1	54.2
IT	59.1	62.5	54.5	54.5	66.7		55.0	54.2
NL	62.5	71.4	65.4	65.4	76.7	57.1		53.8
PL	50.0	60.0	57.1	57.1	63.3	50.0	53.8	

FMI Global Ocean Freight					
	West Europe	Mediterranean	US East Coast	US West Coast	Asia
West Europe			47.4	55.3	50.0
Mediterranean			43.8	43.8	28.1
US East Coast	36.1	31.3			26.5
US West Coast	34.4	30.0			20.6
Asia	50.0	46.9	38.9	44.4	

FMI Global Air Freight			
	Asia	Europe	North America
Asia		47.2	41.2
Europe	38.2		32.4
North America	41.2	43.8	

FMI European Parcel Freight						
	Blux	FR	DE	IT	ES	GB
Blux		70.0	77.8	75.0	75.0	88.9
FR	64.3		78.6	75.0	75.0	83.3
DE	68.8	75.0		75.0	75.0	83.3
IT	64.3	75.0	78.6		75.0	83.3
ES	64.3	75.0	78.6	75.0		83.3
GB	68.8	75.0	78.6	75.0	75.0	