

Global Logistics Pricing Study 2017

Companies have too little focus and not enough guidance when it comes to pricing

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Simon-Kucher & Partners at a glance

Best consultancy in marketing and sales

<i>manager magazin</i>	<i>brand eins Thema</i>	
Marketing and sales	Marketing and pricing	Sales and CRM
1 Simon-Kucher & Partners	Simon-Kucher & Partners	Simon-Kucher & Partners
2 Boston Consulting Group	McKinsey & Company	McKinsey & Company
3 McKinsey & Company	Boston Consulting Group	Boston Consulting Group

Source: *manager magazin* survey of top managers in Germany, August 2007 and 2011/IMB

Source: *brand eins Thema/Statista* survey of approx. 1,500 partners and project leaders from consulting firms and approx. 1,500 C-level managers from German companies, May 2014, 2015 and 2016

World leader in pricing

<p><i>World leader in giving advice to companies on how to price their products</i></p> <p><i>BusinessWeek</i></p>	<p><i>The world's leading pricing consultancy</i></p> <p><i>The Economist</i></p>
<p><i>Pricing strategy specialists</i></p> <p><i>The Wall Street Journal</i></p>	<p><i>In pricing you offer something nobody else does</i></p> <p>Professor Peter Drucker</p>

Global presence

33 offices worldwide, 1,000 employees, €240m revenue in 2016



> 3,000 projects in the last 3 years

Strategy	Marketing
Sales	Pricing

- Growth and competitive strategies
- Product portfolio (re-)design
- Pricing excellence
- Customer relationship and customer value management
- Sales strategies and sales channel optimization

Broad track record in logistics and supply chains

Not exhaustive

Road & Rail Freight



- | | |
|---------------|-----------------|
| Azkar | Logwin |
| CHEP | MXD |
| DB Schenker | Noerpel |
| Delovye Linii | OBB |
| Deutsche Bahn | Palletways |
| Geodis | SBB Cargo |
| hasenkamp | SNCF |
| Hellmann | TFG Transfracht |
| Hoyer | Virgin Trains |
| Kuehne+Nagel | WLC |

Air & Sea Freight



- | | |
|-----------------------|-----------------------|
| British Airways | Hellmann |
| World Cargo | Kuehne+Nagel |
| Borusan | Köln-Bonn Airport |
| DHL Global Forwarding | Lufthansa Cargo |
| Etihad Airways | Maersk Line |
| Envirotainer | Port of Antwerp |
| Fiege | Spirit of Tasmania |
| Fraport | U.N. Ro-Ro |
| Geodis | Virgin Atlantic Cargo |
| Hapag-Lloyd | |

Parcel, Express & Postal Services

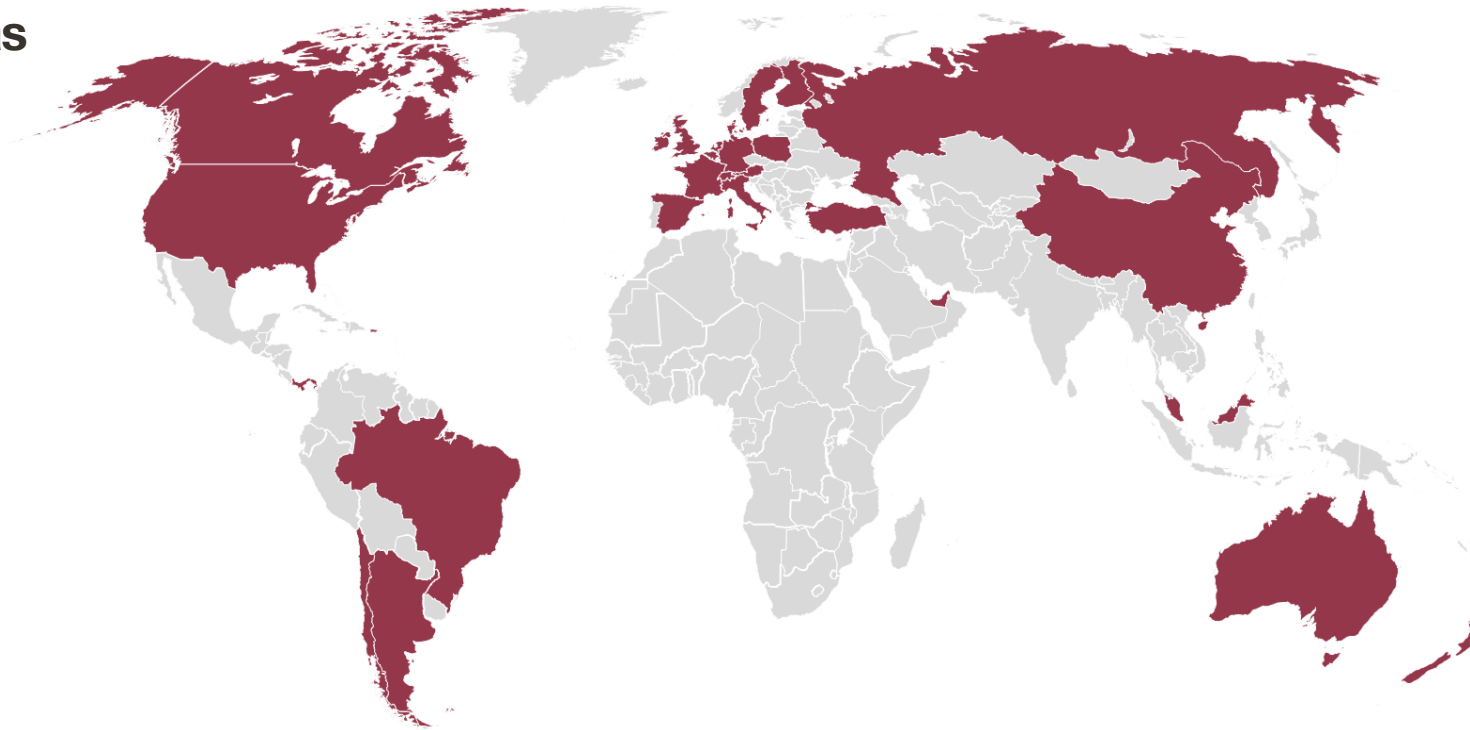


- | | |
|---------------|----------------------|
| Belgian Post | La Poste |
| Canada Post | Österreichische Post |
| Chilexpress | Parcel Force |
| Chronopost | Suoramainonta |
| Correos | Taxicolis |
| Deutsche Post | time:matters |
| DHL Express | TNT Express |
| Die Post | TNT Post |
| DX | trans-o-flex |
| Hermes | |

In recent years, Simon-Kucher has conducted projects for the logistics/transportation/postal industry across the globe

Americas

Argentina
Brazil
Canada
Chile
Panama
USA



Asia-Pacific/ the Middle East

Australia
China
Hong Kong
Malaysia
New Zealand
Singapore
UAE

Europe

Austria	Finland	Italy	Sweden
Belgium	France	Poland	Switzerland
Denmark	Germany	Scotland	The Netherlands
England	Ireland	Spain	Turkey

Executive summary: Companies have too little focus and not enough guidance when it comes to pricing

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Strategy & Marketing Consultants

I Pricing strategy

- **Objectives:** More than 60% of the pricing strategy is driven by objectives other than profitability
- **NPS*:** More than 50% of all respondents are not sure about Net Promoter Score tracking

II Price setting

- **Tool/guidelines support:** Majority of respondents have no tool or guideline support for price setting
- **Price drivers:** 70% of respondents' pricing decisions do not consider willingness to pay criteria as key price drivers

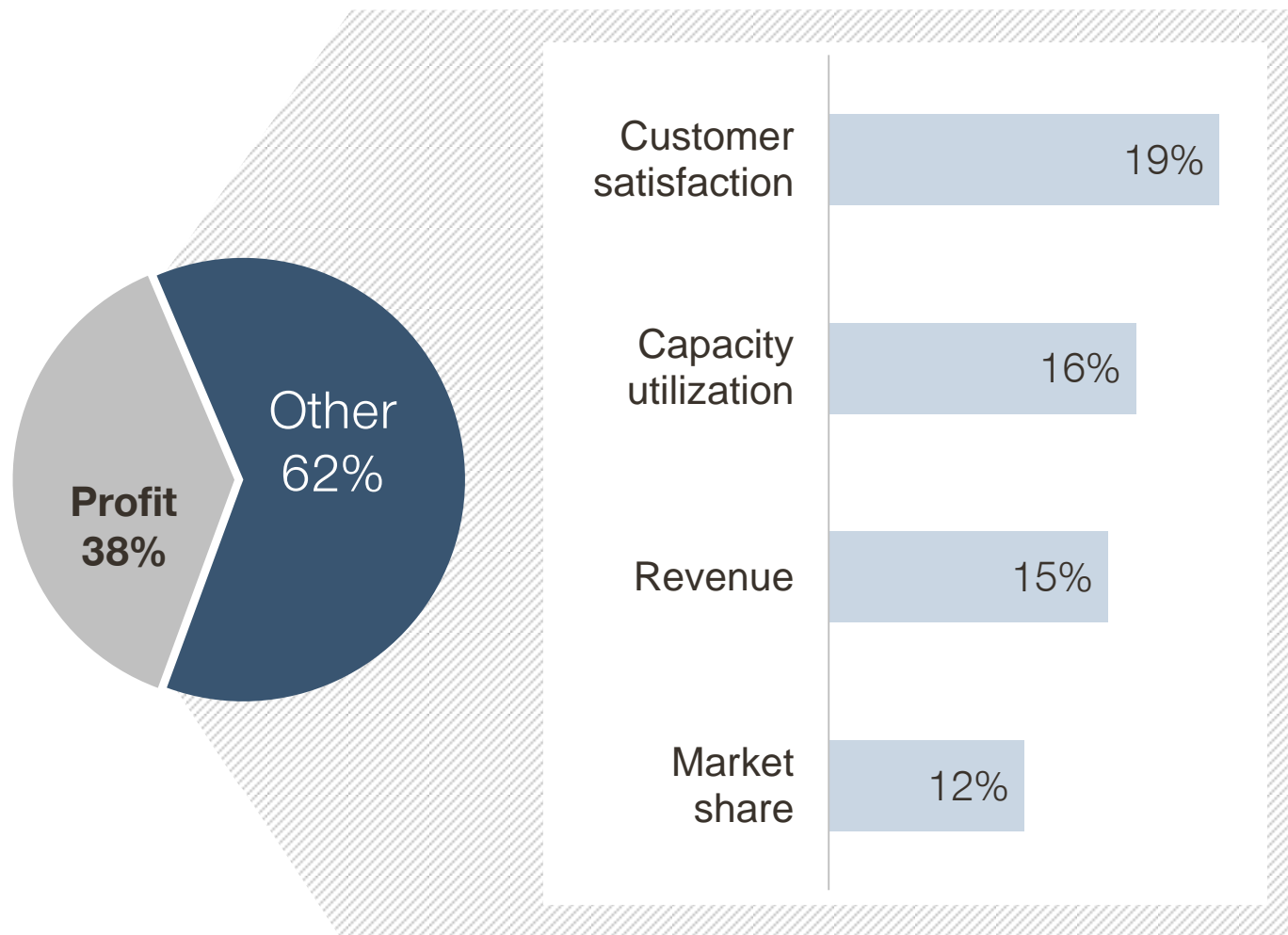
III Price implementation

- **Price increase transparency:** Majority of respondents are unsure about historical price increases
- **Margin development:** More than 30% of managers experience decreasing margins in their companies

IV Pricing power

Parcel/express is overall outperforming in pricing, followed by air freight

I More than 60% of the pricing strategy is driven by objectives other than profitability



- **Parcel/express** segment has the highest focus on **profitability (~50%)**
- **Rail freight/intermodal** segment has a key focus on **capacity utilization**
- **Customer satisfaction is rated particularly high** in the trucking and ocean freight segments, as well as in **Southern Europe** (compared to other regions)

I More than 50% of respondents are not sure about Net Promoter Score tracking

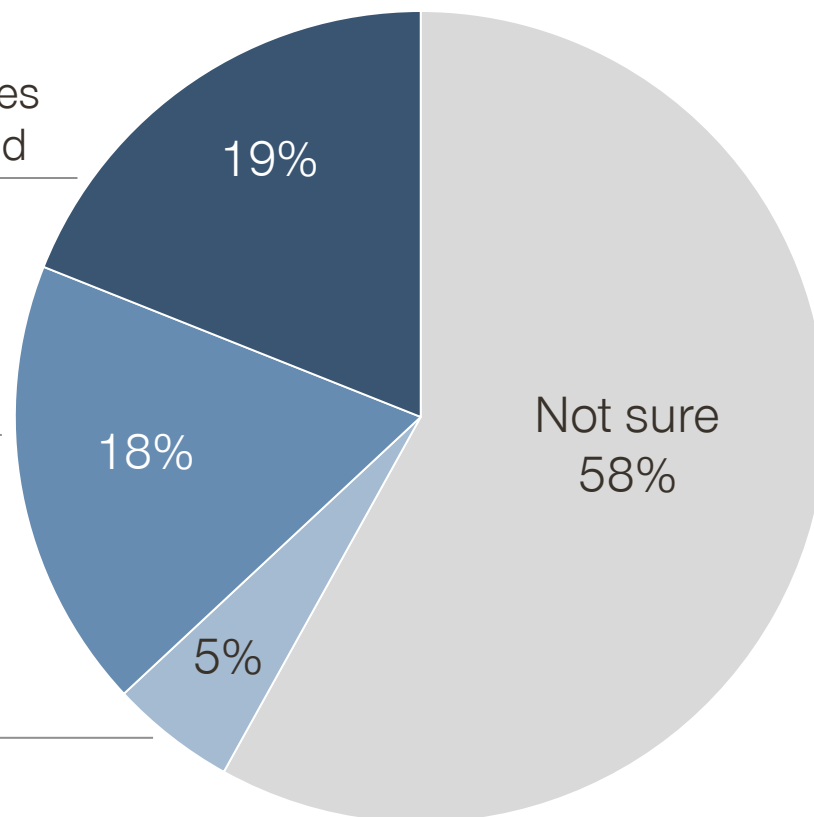
Net Promoter Score (NPS) measures the willingness of customers to recommend a company's products. It is used as a proxy for gauging the customer's overall satisfaction. The NPS is calculated by Promoters (%) – Detractors (%).

NPS* tracked...

...regularly and measures for improvement derived

...regularly

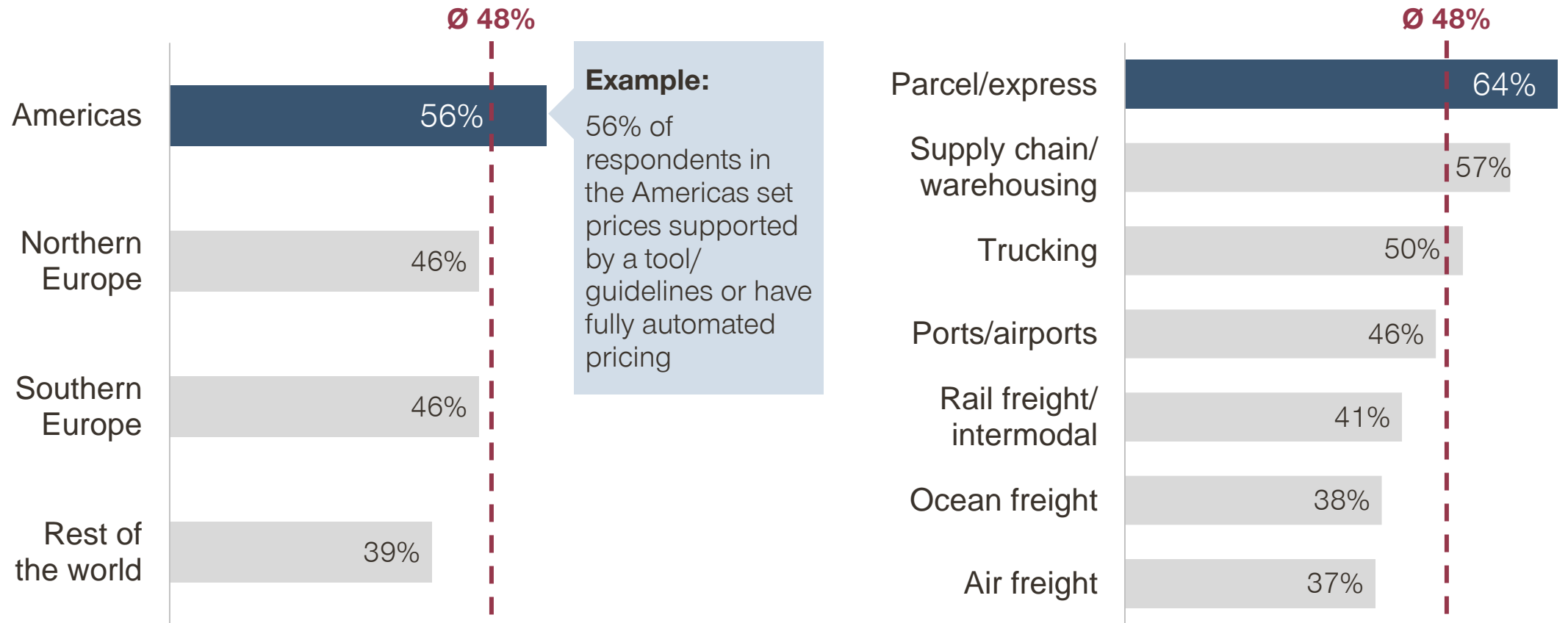
...but no knowledge of frequency



- Only **19%** of respondents **measure the NPS value and derive implications from it**
- **Parcel/express** segment has the best **knowledge and application of NPS**

* Net Promoter Score
Survey question: How often do you track your NPS (net promoter score)?
Source: Global Logistics Pricing Study 2017 (n = 270)

II Majority of respondents have no tool or guideline support for price setting

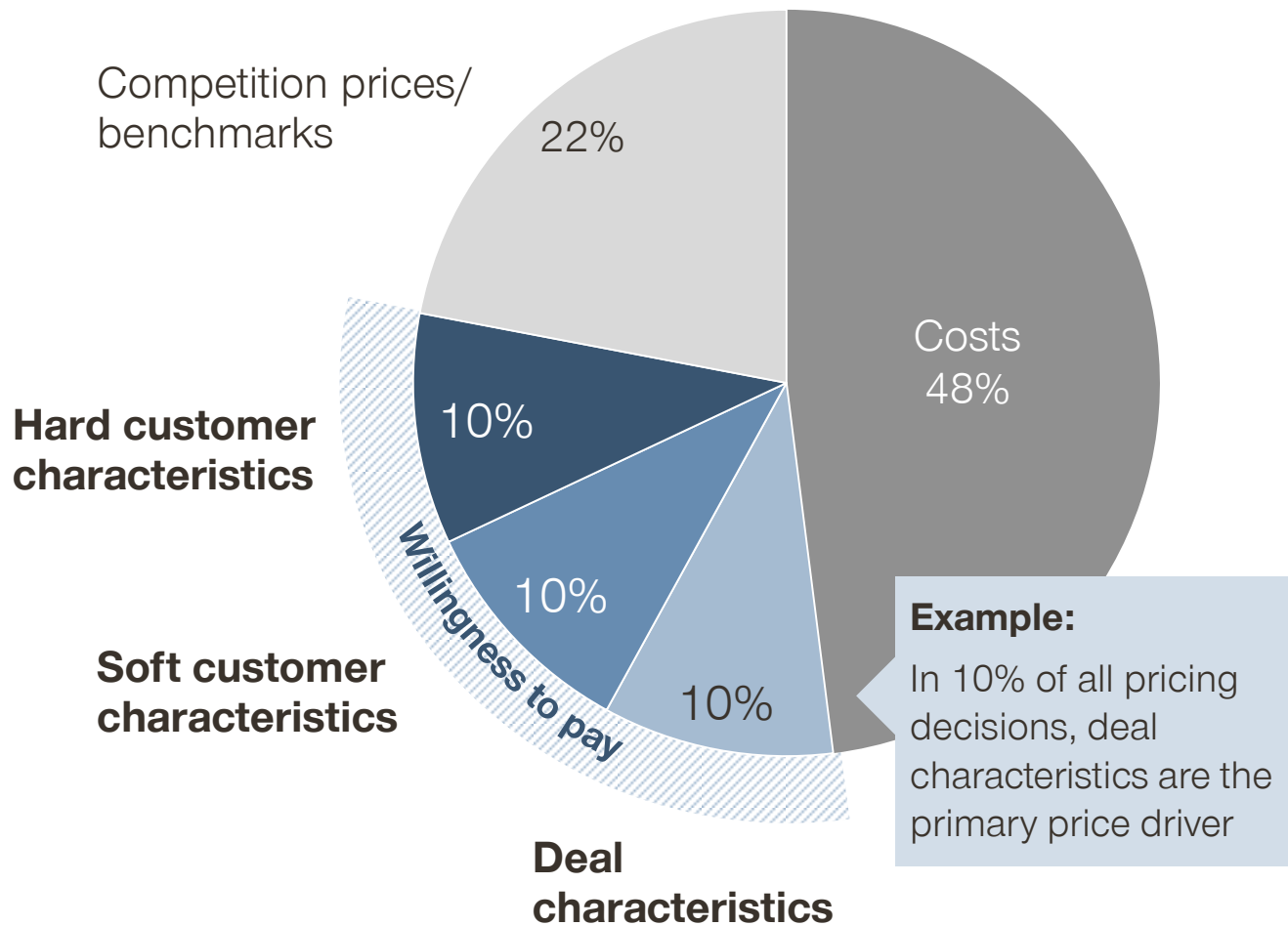


European and Asian logistics companies still have more human-based price setting than in the Americas. Ocean and air freight industries are the least advanced when it comes to price setting tools

Survey question: When setting a price/margin (or a tariff) for a customer, on how many occasions (in %) do the following measures influence the pricing decision? Possible answers: Fixed prices; human decision-making; supporting tools/guidelines for human decision-making; fully automated pricing decision

Source: Global Logistics Pricing Study 2017 (n = 270)

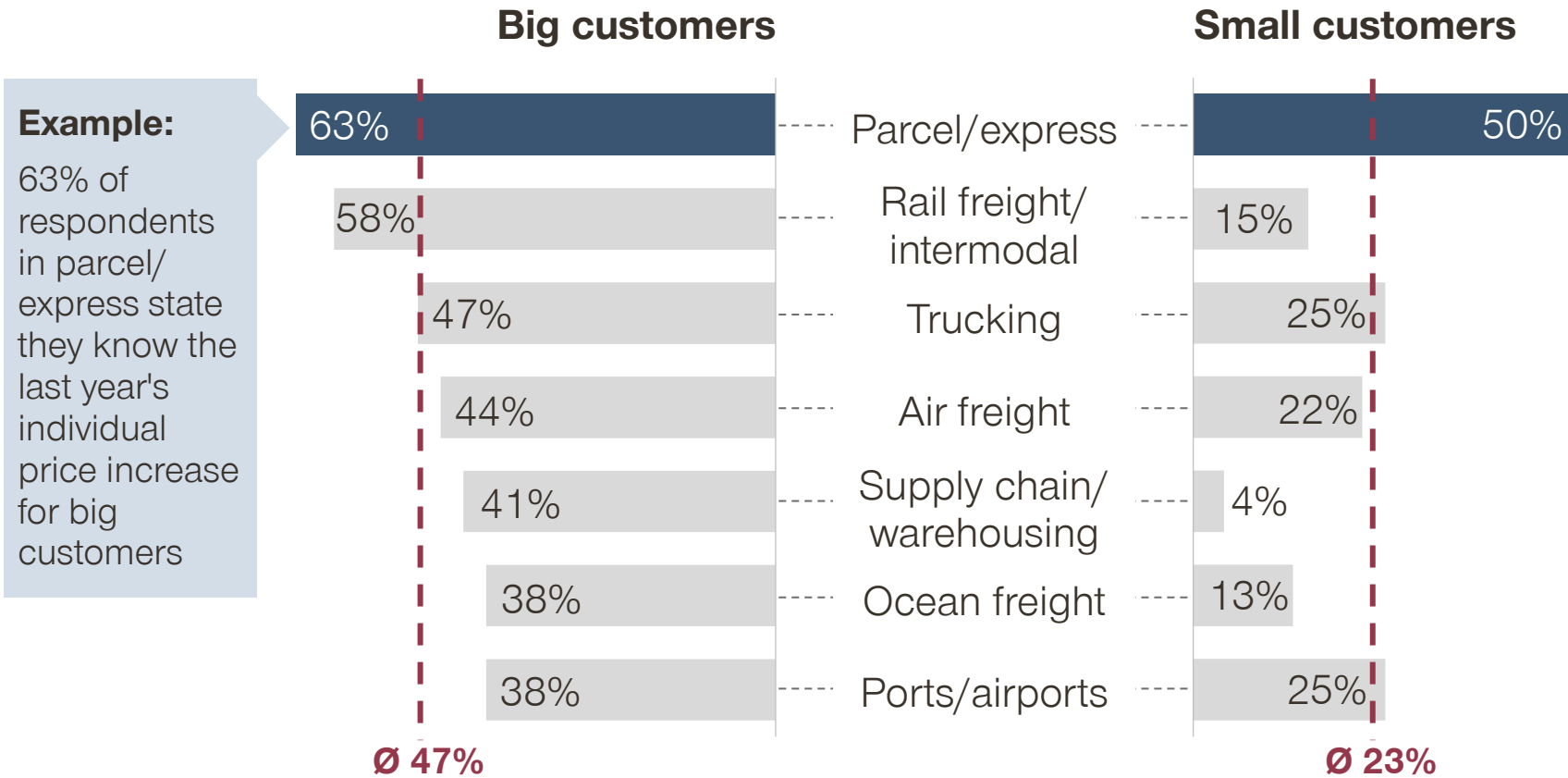
70% of respondents' pricing decisions do not consider willingness to pay criteria as key price drivers



- In almost 50% of all pricing decisions, costs are the primary driver
- **Global pricing decisions** (e.g. global tenders) have the **highest focus on willingness to pay criteria***

* Willingness to pay criteria include hard customer characteristics, soft customer characteristics, and deal characteristics
Survey question: To what extent is the final price decision of your tools/guidelines/pricing team based on the following factors?
Source: Global Logistics Pricing Study 2017 (n = 270)

Majority of respondents are unsure about historical price increases



No significant differences in price increase transparency **across geographic regions**

Survey question: How well do you know about your company's achieved price increase for last year?
Source: Global Logistics Pricing Study 2017 (n = 270)

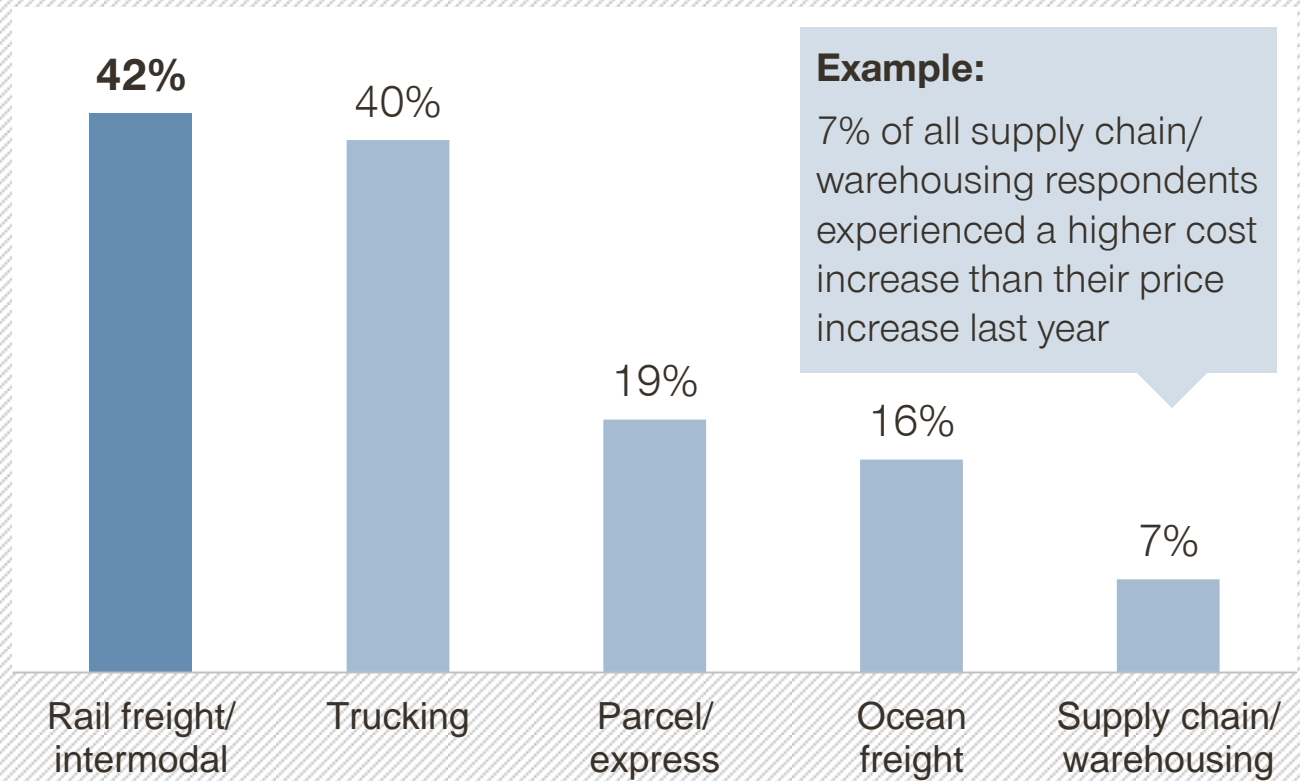
III More than 30% of managers experience decreasing margins in their companies

5%

Don't measure price and/or cost increases at all



% of respondents whose companies experienced decreasing margins (by segment*)



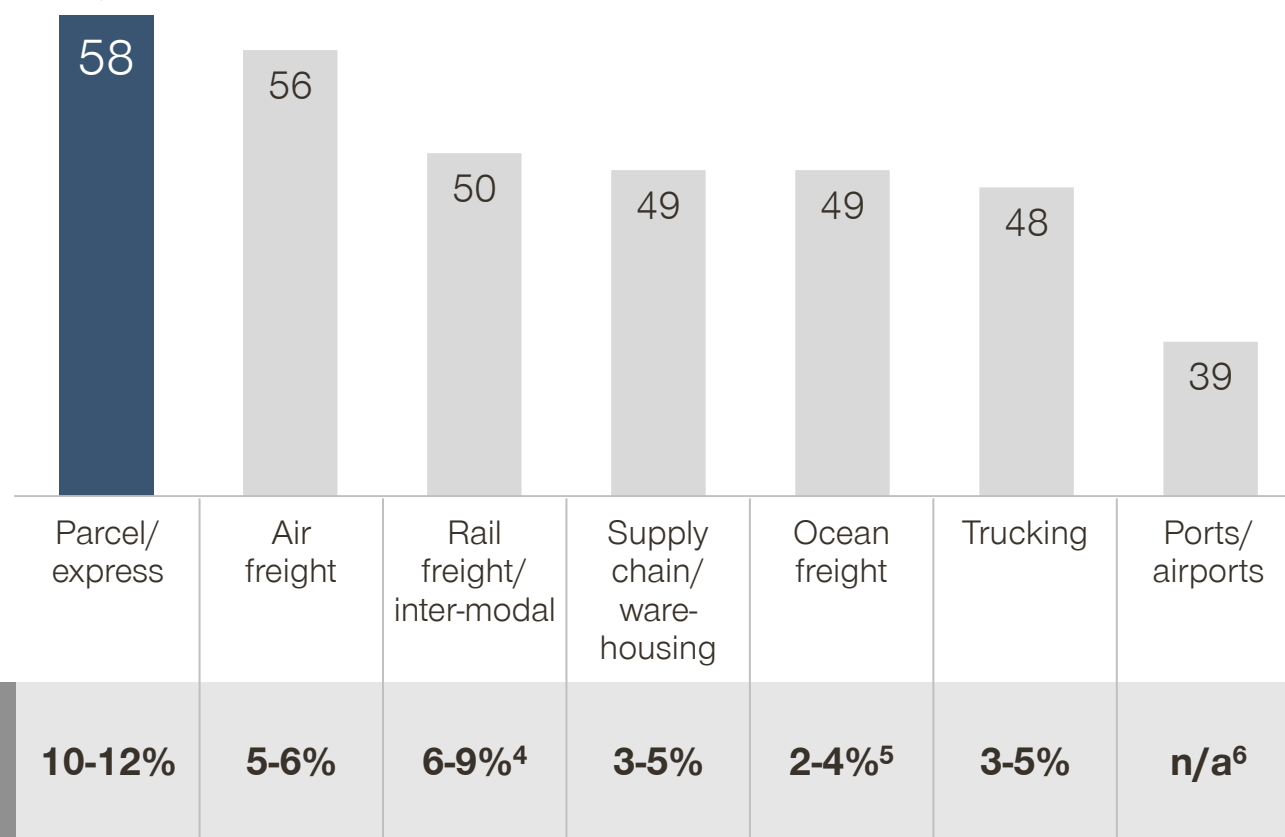
Example:
7% of all supply chain/warehousing respondents experienced a higher cost increase than their price increase last year

* Only segments listed with n>= 25 (~10% of respondent base)
Survey question: How high was last year's achieved price increase in comparison to your cost increase?
Source: Global Logistics Pricing Study 2017 (n = 270)

IV Parcel/express segment is overall outperforming in pricing, followed by air freight

Example:

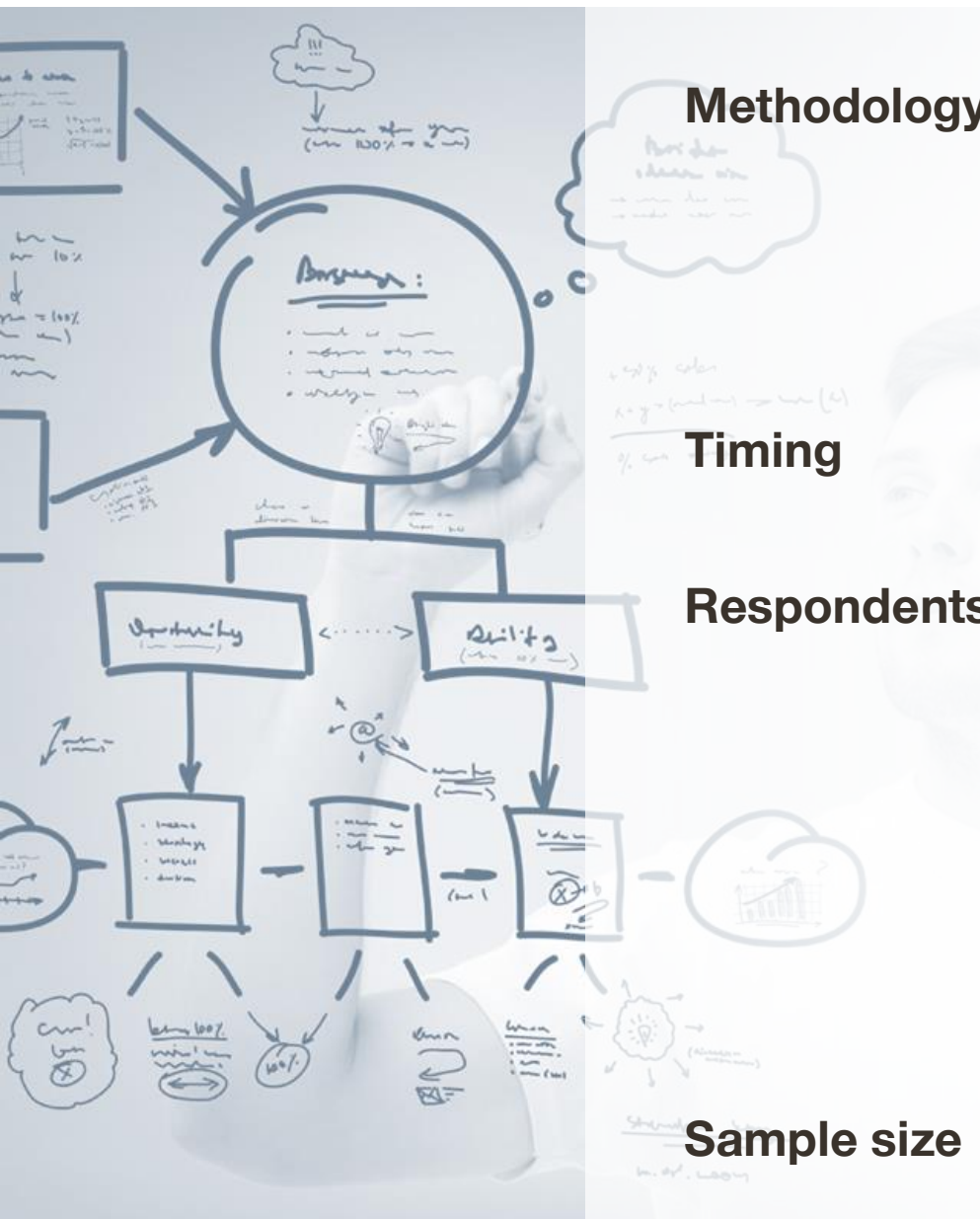
Pricing power score¹ of parcel/express is 58 out of 100



- **Parcel/express** segment has the **highest knowledge of price increases and NPS²** and tools to support human pricing decisions
- **Parcel/express is also the most profitable segment**
- No significant differences in pricing score between geographic regions
- For domestic business (e.g. trucking, rail) margins in America are higher than in Europe within the same segment

¹ Pricing score calculated by Simon-Kucher based on survey results; ² Net promoter score; ³ Based on Simon-Kucher & Partners project experience and secondary research; ⁴ Based on North American companies. European companies with avg. margin of 1-3%; ⁵ Margins of forwarders slightly higher than carriers ⁶ Segment not comparable to other segments due to extreme variance and the fact that most ports/airports are owned by the state; Source: Global Logistics Pricing Study 2017 (n = 270)

Set-up and methodology of the Global Logistics Pricing Study



- Global online survey, translated into 9 languages
- 11 questions on company set-up, pricing practices, and pricing performance
- February 2017
- Over 20 countries, mainly from Europe and the Americas
- 53% management executives, 41% sales and pricing executives
- More or less even split between logistics segments, with trucking slightly overrepresented and ports/airports slightly underrepresented
- 270 valid responses

Conclusion: Still large room for pricing improvement for logistics companies



- ! **Pricing strategy:** Stronger focus on a profit-oriented pricing strategy can help logistics companies to boost their margins
- ! **Net promoter score:** Systematic tracking and understanding of NPS is important for market positioning
- ! **Price decision:** Considering willingness to pay for price setting increases profit margins for logistics companies significantly
- ! **Price setting:** Tools and guidelines in price setting speed up the pricing process and minimize gut-feeling, thereby further improving response time/hit rates and profitability
- ! **Price transparency:** Full transparency of price increase information helps logistics companies to better assess the pricing potential in the future
- ! **Margins:** A systematic process for regular price increases significantly improves outcomes in logistics and achieves price increases much higher than cost increases
- ! **Pricing power:** Although the parcel/express segment slightly stands out from the rest, all logistics segments still have large room for pricing improvement

Your contacts

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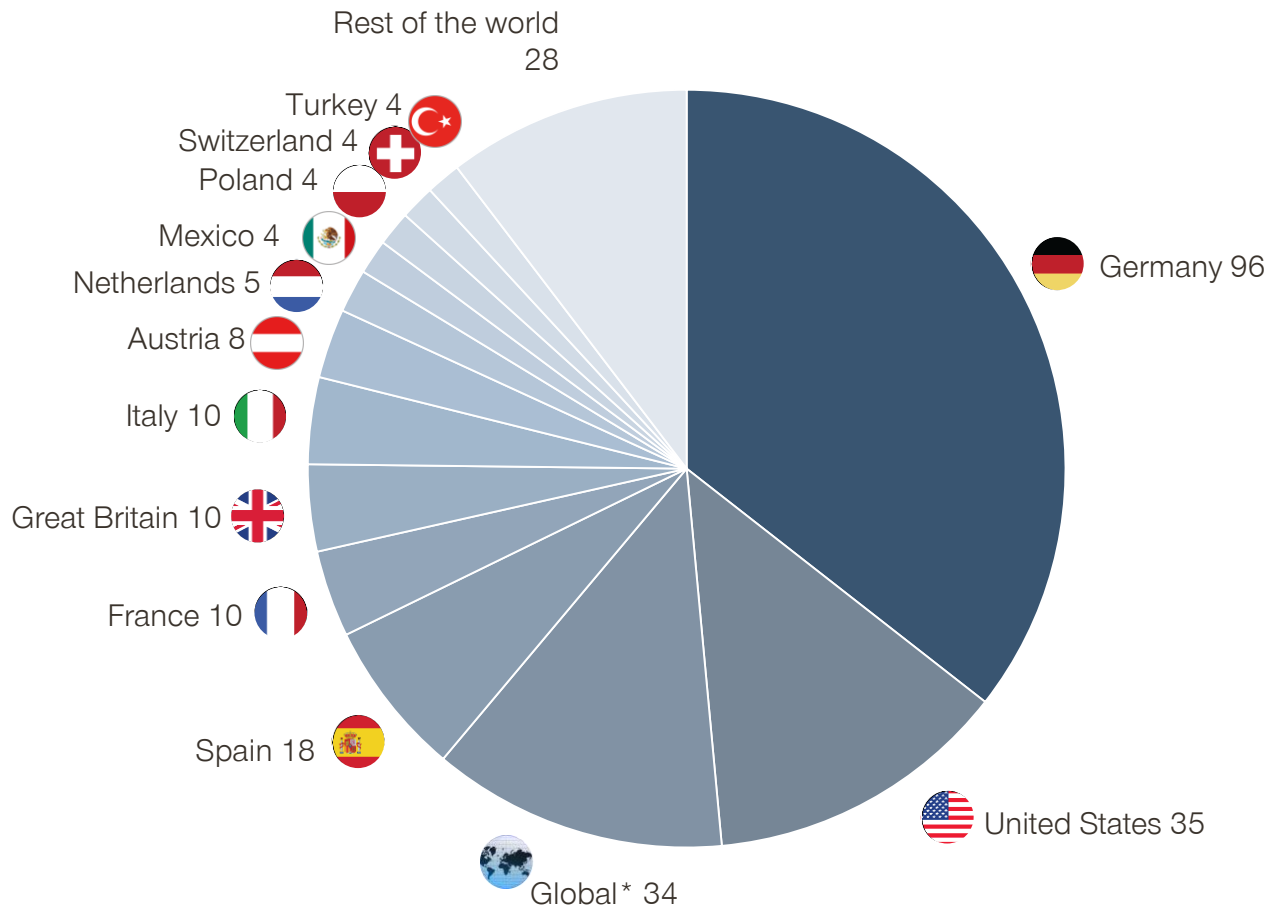
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Back up

Geographic and industry distribution

Over 20 countries



From all major industries

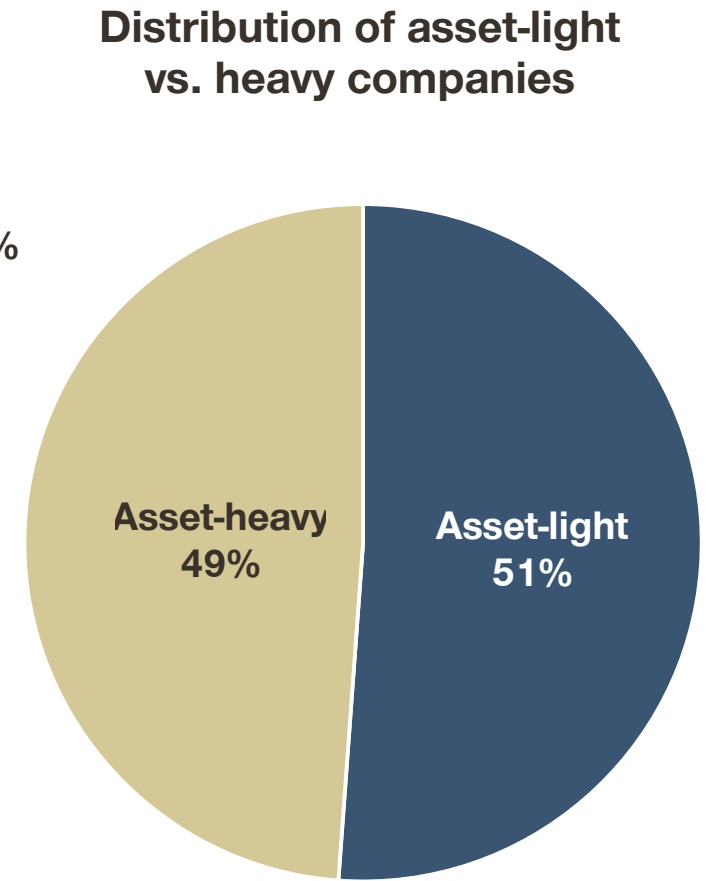
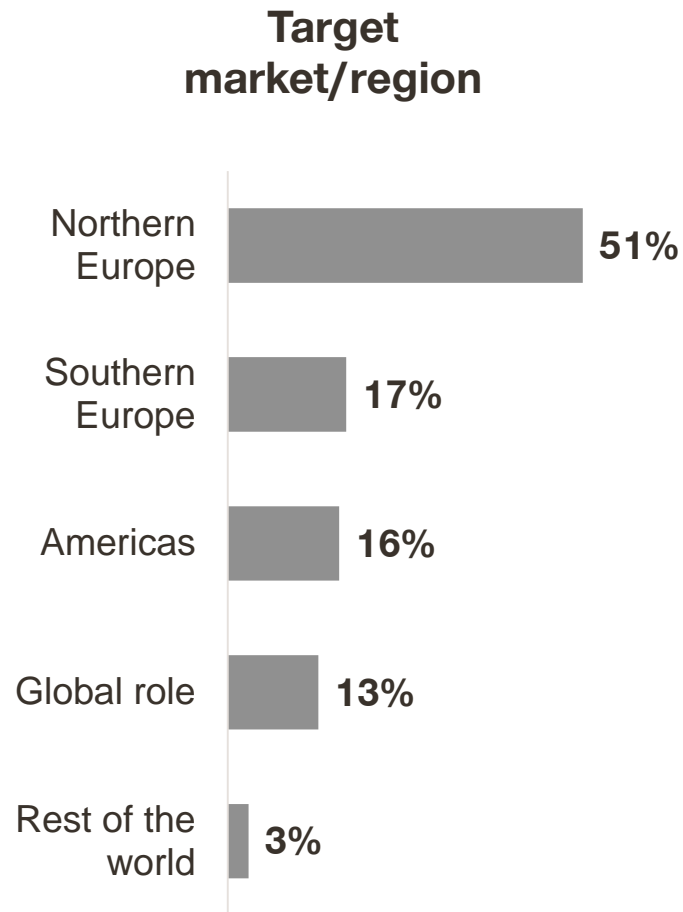
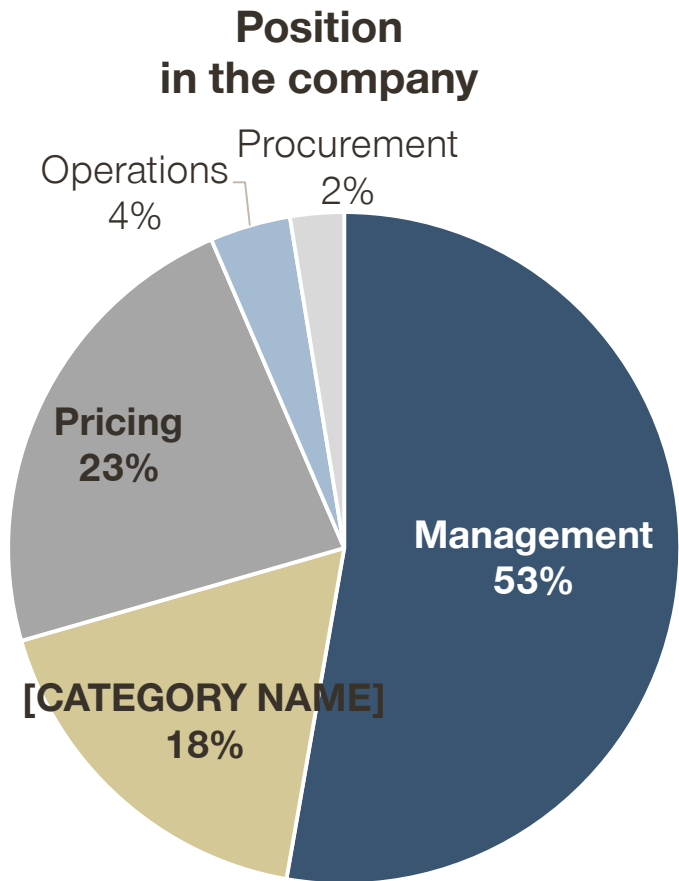
Industries	% of total
Trucking	33%
Ocean freight	17%
Parcel/express	12%
Supply chain/warehousing	10%
Rail freight/intermodal	10%
Air freight	7%
Ports/airports	3%
Other**	9%

* Global = global role/responsibility

** Especially respondents who are active in more than one segment

Source: Global Logistics Pricing Study 2017 (n = 270)

Profile of respondents and their companies



Source: Global Logistics Pricing Study 2017 (n = 270)

Segment split

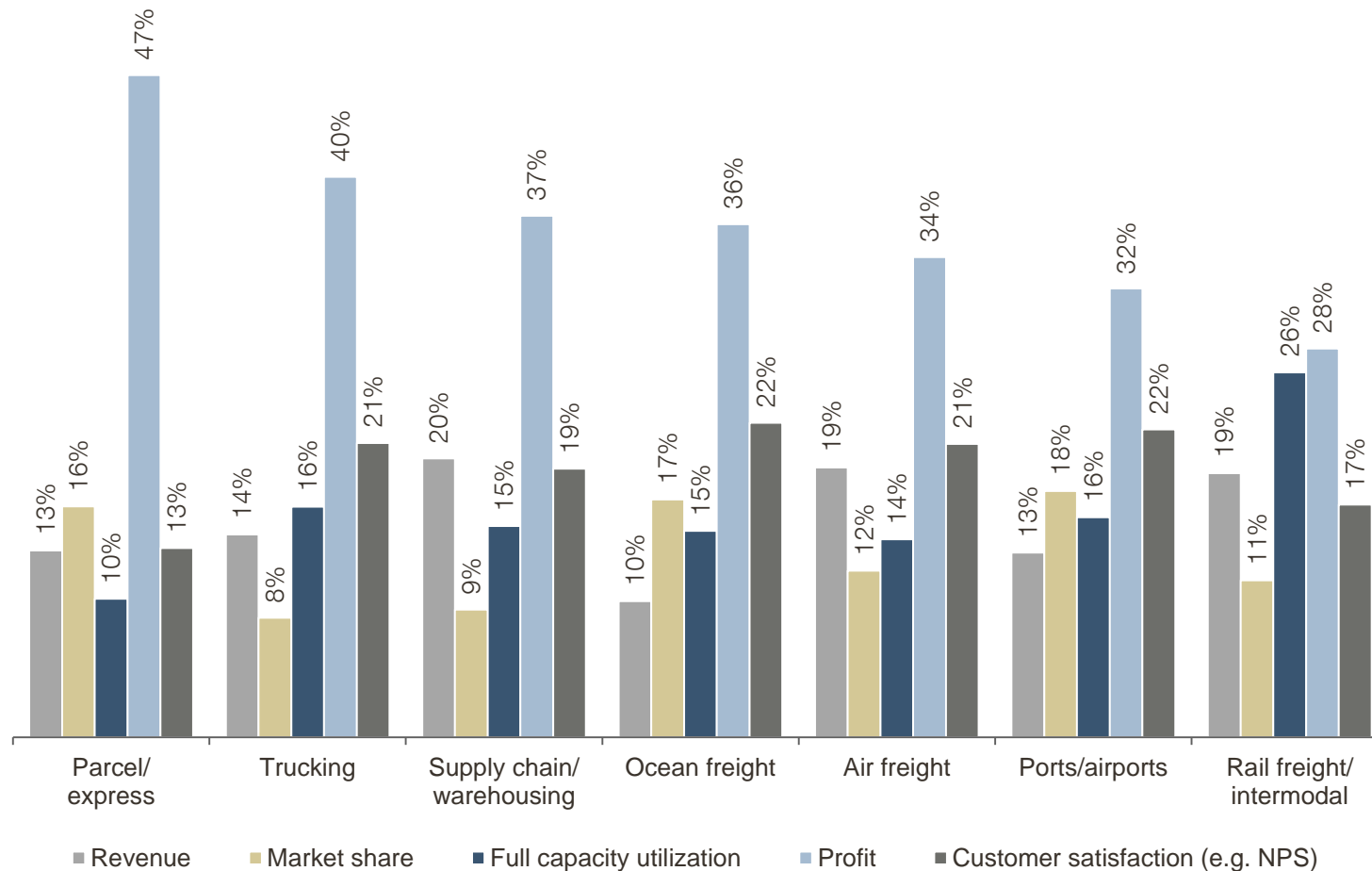
Regional split

Asset split

High profit is the primary objective, especially in the parcel/express segment

Importance of pricing strategy objectives *

Percentage of respondents in the specific segment



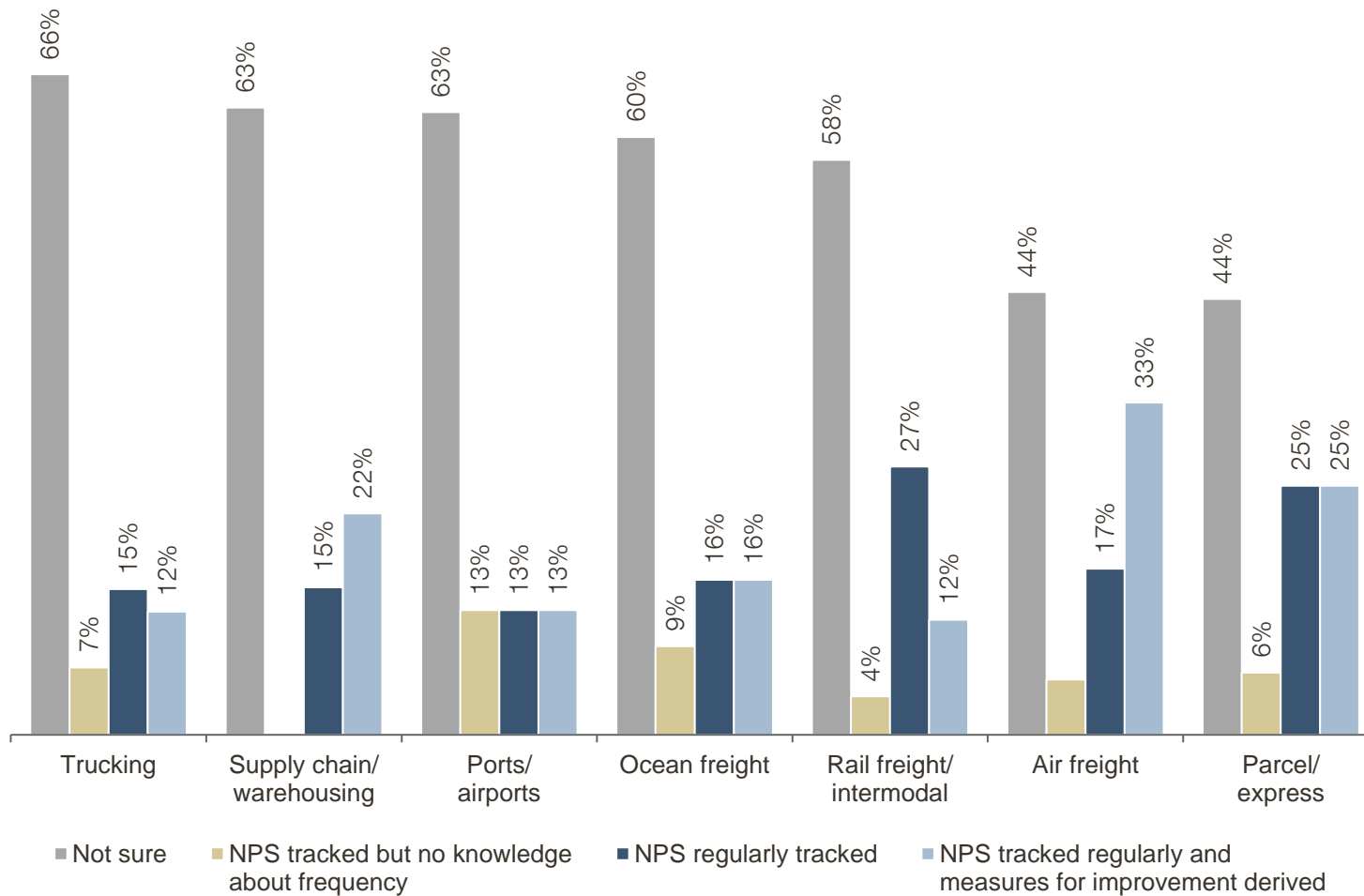
- **Over 60% of logistics companies don't have profitability as a primary objective**
- **Customer satisfaction is especially important in the ocean freight segment**

* "Other" segment excluded from the graph
Survey question: What is the main objective of your pricing strategy?
Source: Global Logistics Pricing Study 2017 (n = 270)

Parcel/express has the highest level of NPS* tracking

Frequency of NPS* tracking**

Percentage of respondents in the specific segment



- Knowledge of NPS tracking is very low, with on average 58% of companies not tracking the NPS* frequency
- NPS* tracking knowledge is the lowest in the trucking and supply chain/warehousing segment

* Net Promoter Score

** "Other" segment excluded from the graph

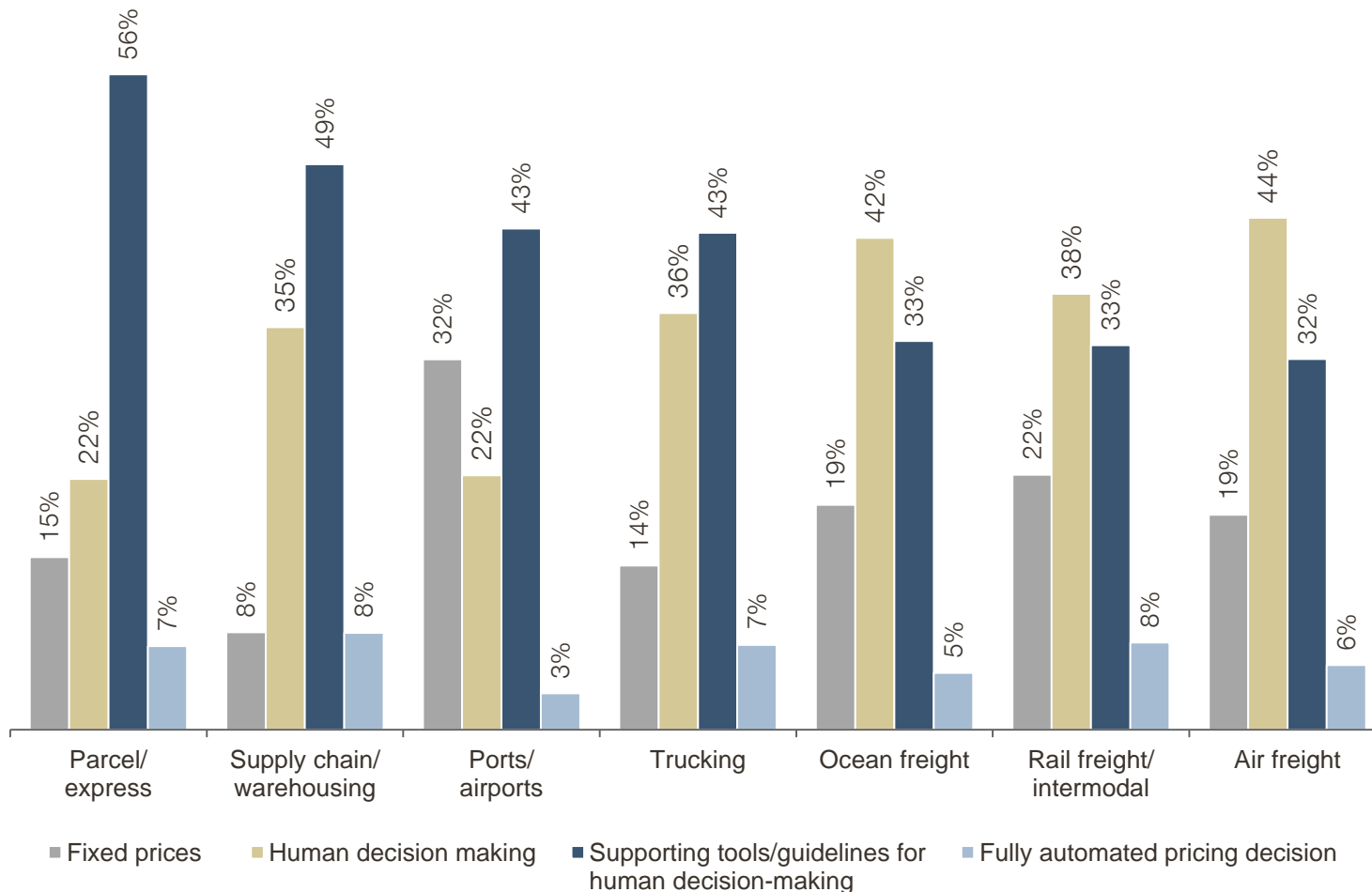
Survey question: How often do you track your NPS (net promoter score)?

Source: Global Logistics Pricing Study 2017 (n = 270)

Companies in parcel/express are most advanced in terms of price setting

Measures that influence the pricing decision*

Percentage of respondents in the specific segment



- Majority of companies are not using tool or guideline supported price setting methodologies
- Rail freight/intermodal and air freight are the least advanced segments in terms of price setting

* "Other" segment excluded from the graph

Survey question: When setting a price/margin (or a tariff) for a customer, on how many occasions (in %) do the following measures influence the pricing decision?

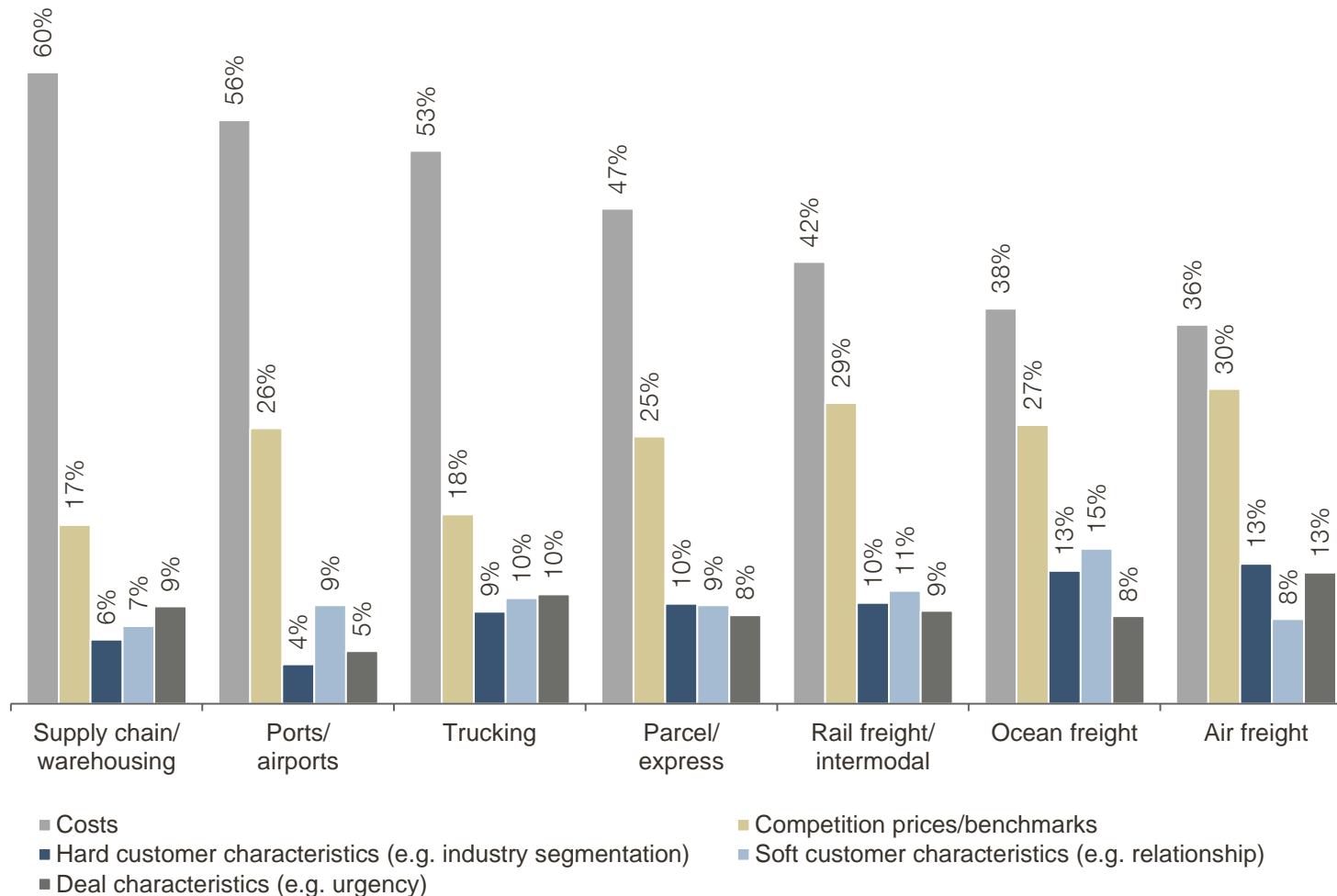
Source: Global Logistics Pricing Study 2017 (n = 270)

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Costs are especially important for pricing in the supply chain/warehousing segment

Factors that determine the final price decision*

Percentage of respondents in the specific segment



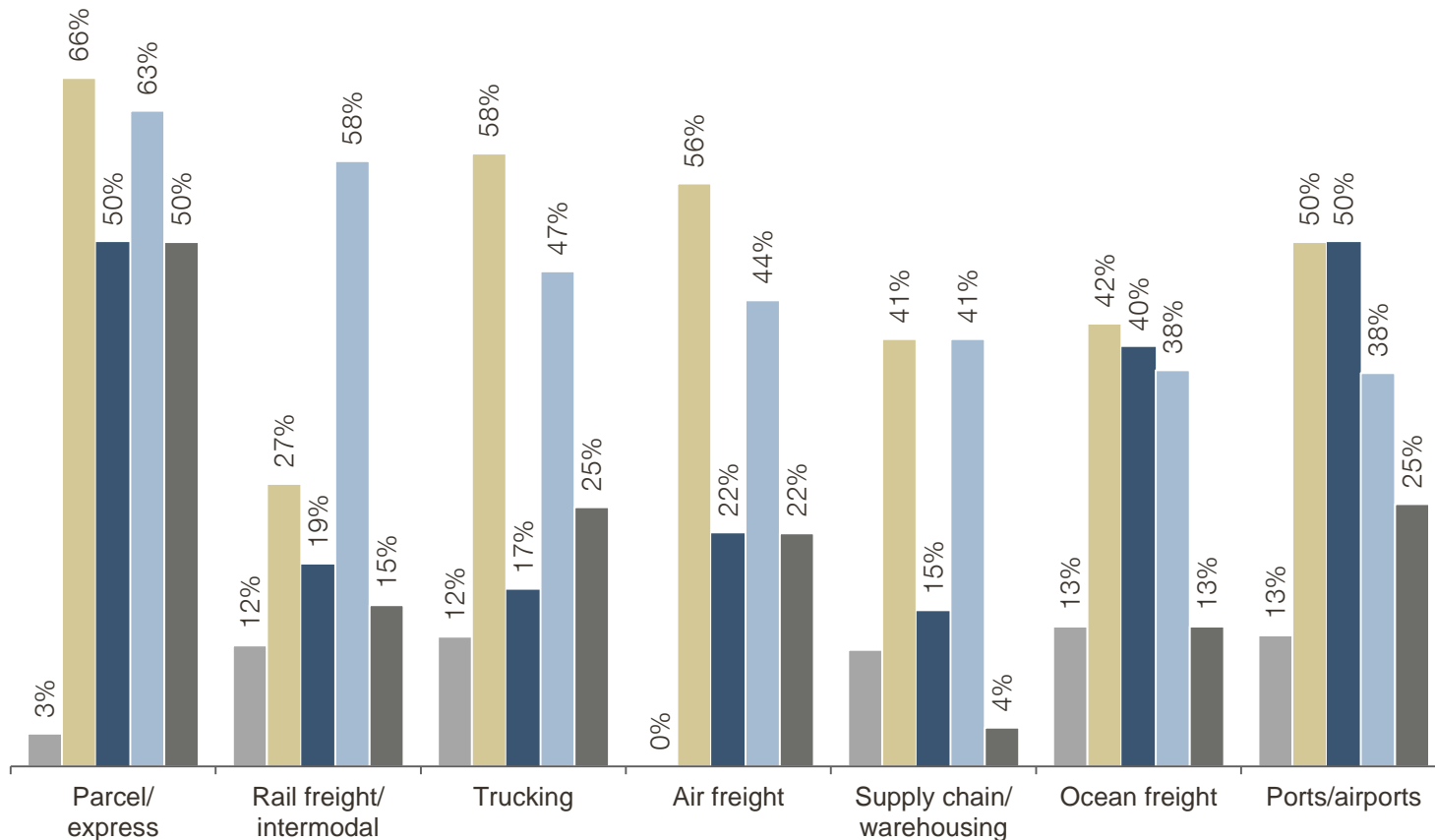
- **Costs are the most important factor to influence the pricing decision**
- **In the ocean and air freight segments, costs are least important for the final price decision (in comparison to other segments)**

* "Other" segment excluded from the graph
Survey question: To what extent is the final price decision of your tools/guidelines/pricing team based on the following factors?
Source: Global Logistics Pricing Study 2017 (n = 270)
OH_034008_Global Logistics Pricing Study.pptx

Price increase knowledge is highest in the parcel/express and rail freight/intermodal segments

Knowledge of last year's price increases *

Percentage of respondents in the specific segment



- Not (fully) aware of last year's price increase
- Knowledge of total accomplished price increase last year
- Knowledge of individual price increases per product category
- Knowledge of price increase for small customers

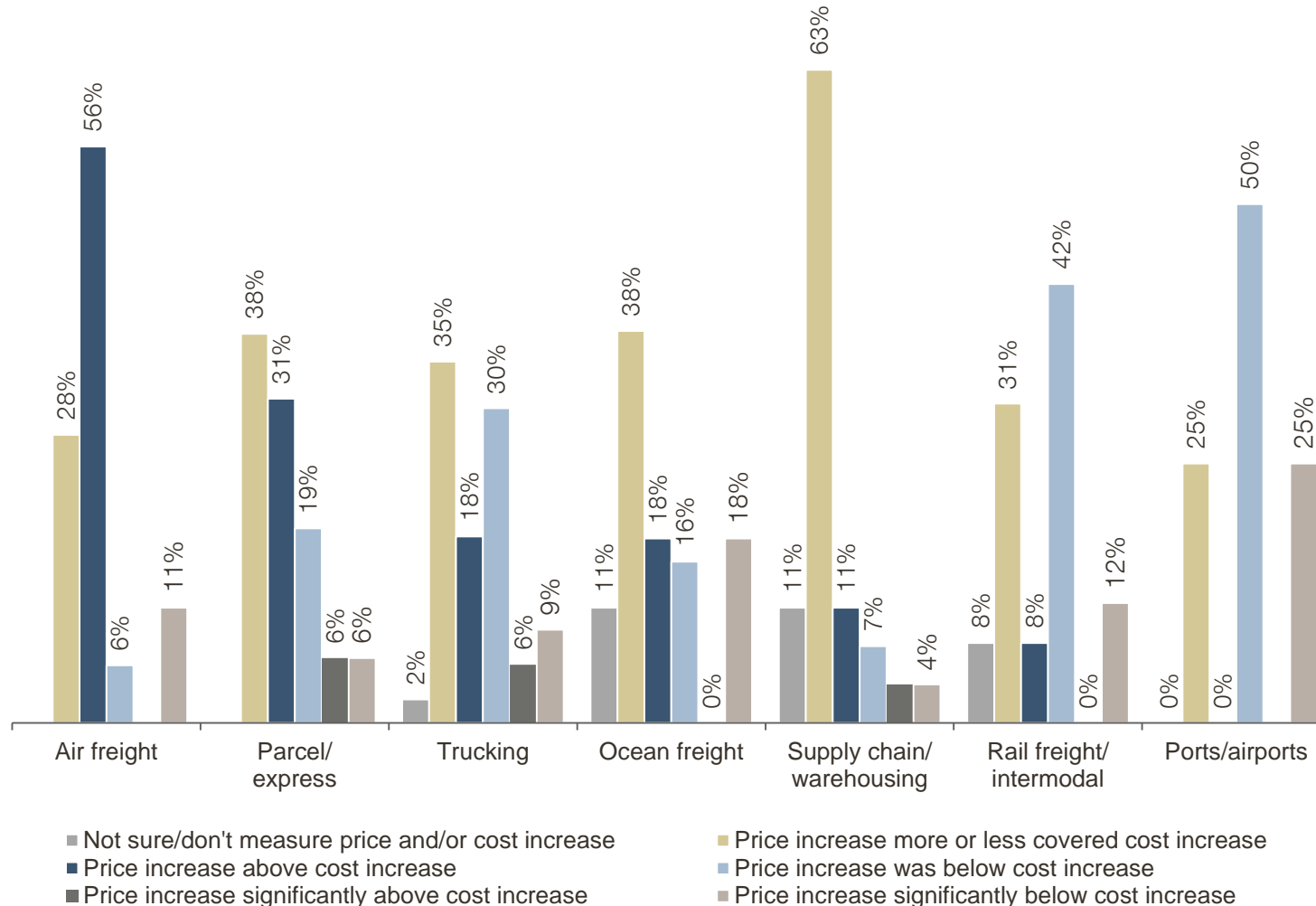
* "Other" segment excluded from the graph
 Survey question: How well do you know about your company's achieved price increase for last year?
 Source: Global Logistics Pricing Study 2017 (n = 270)
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- Price increase knowledge for small customers is the highest in parcel/express segment (50%)
- The trucking and ocean freight segments have the highest share of respondents who are unaware of last year's price increase

Margin deteriorated for 42% of all rail freight/intermodal companies

Last price increase in comparison to cost increase*

Percentage of respondents in the specific segment

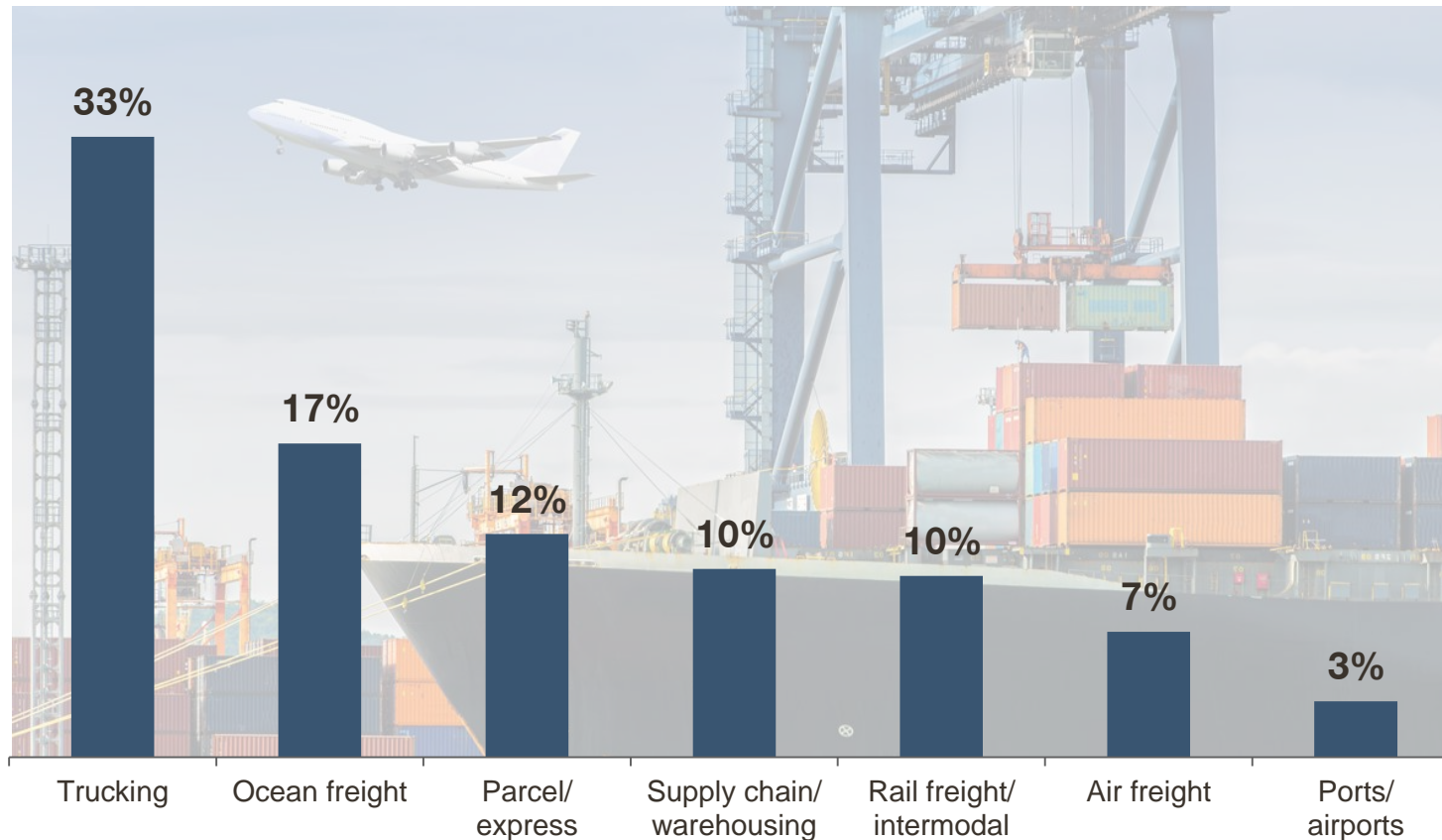


Only one out of four logistics companies managed to increase prices higher than costs last year

* "Other" segment excluded from the graph
Survey question: How high was last year's achieved price increase in comparison to your cost increase?
Source: Global Logistics Pricing Study 2017 (n = 270)

Distribution of companies by segment*

Percentage of respondents



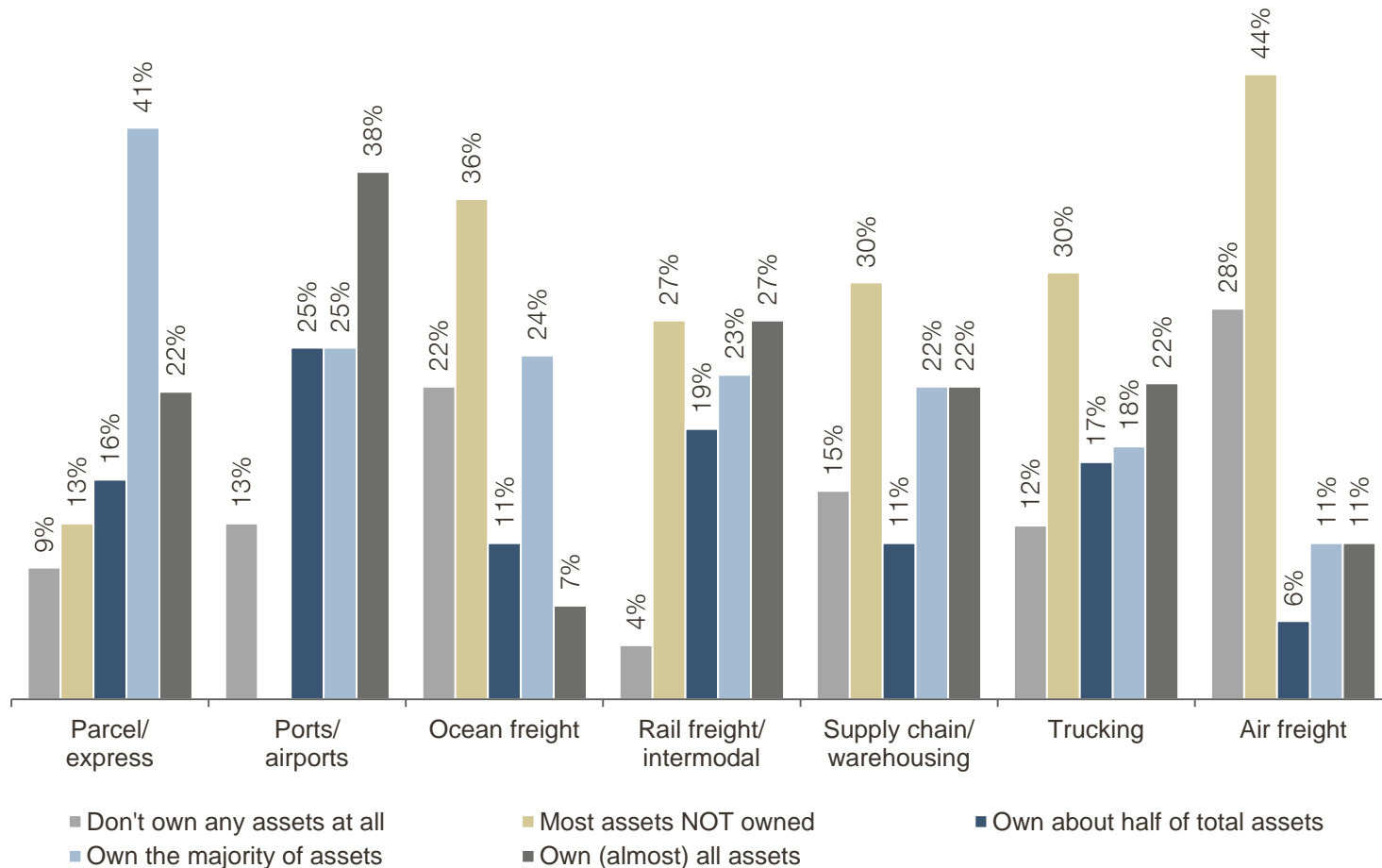
- Majority of respondents are from the trucking segment (33%)
- The remaining segments, with the exception of air freight and ports/airports, are all similarly represented

* "Other" segment excluded from the graph
Survey question: What is the main (most important) logistics segment that YOU work in?
Source: Global Logistics Pricing Study 2017 (n = 270)

Parcel/express has the highest share of owned assets

Asset ownership by segment*

Percentage of respondents in the specific segment



- The ocean freight segment has the lowest share of asset ownership
- Parcel/express and rail freight/intermodal have the highest share of asset ownership

* "Other" segment excluded from the graph
 Survey question: What is the share of your owned assets (vs. third party assets) in %?
 Source: Global Logistics Pricing Study 2017 (n = 270)

Agenda

Segment split

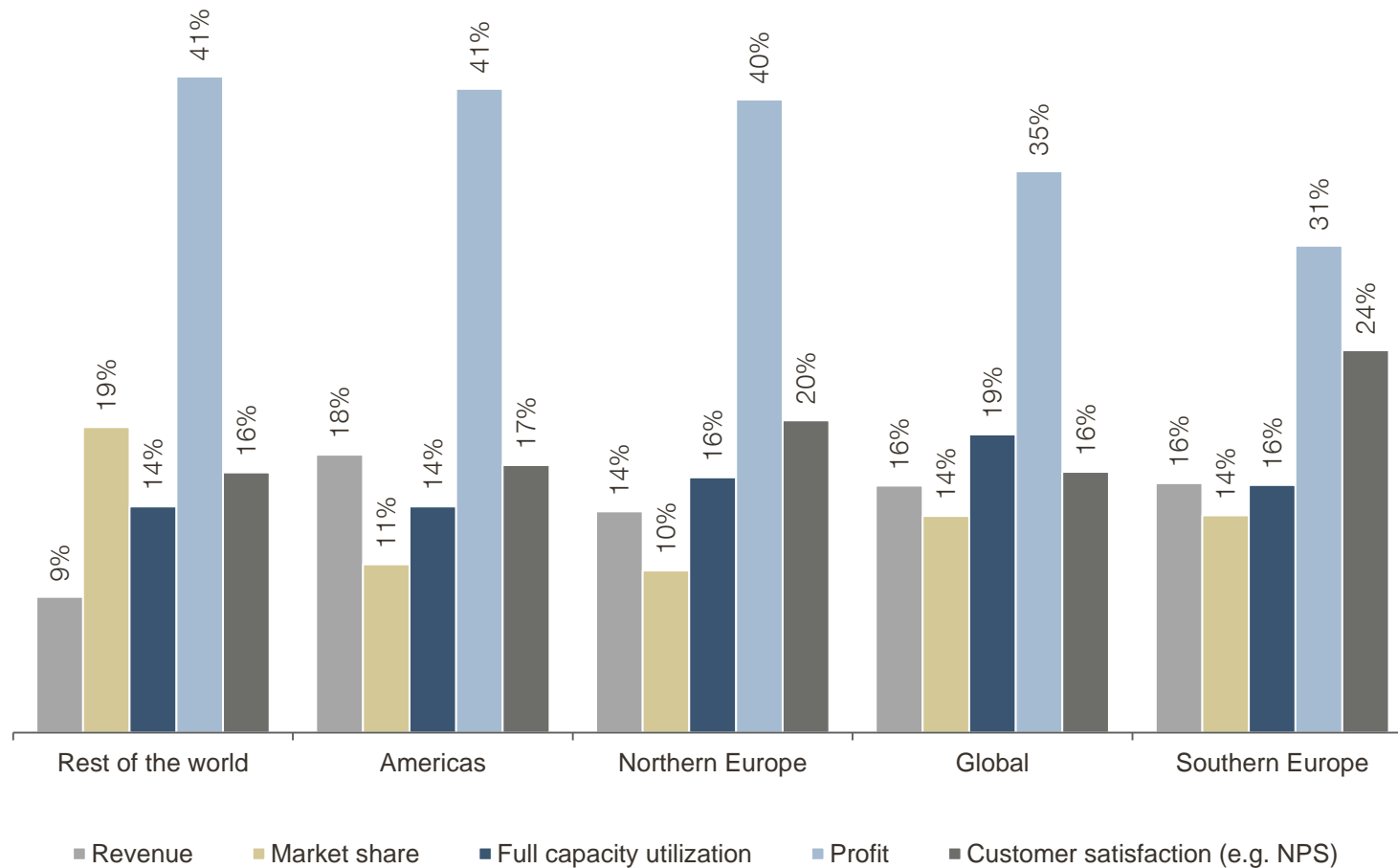
Regional split

Asset split

Profitability is most important in the Americas and the rest of the world

Importance of pricing strategy objectives

Percentage of respondents in the respective region



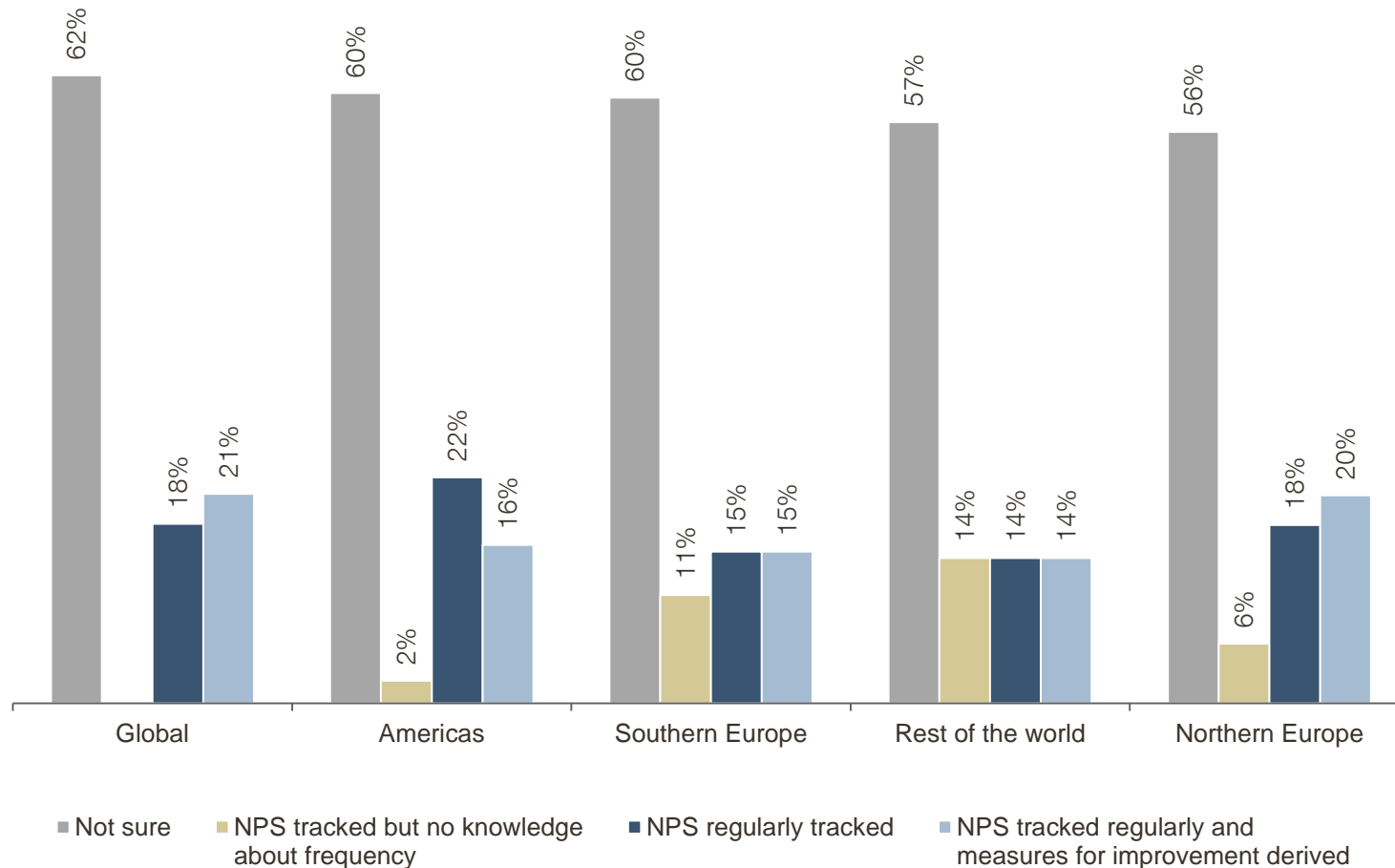
- Although high profit is the main pricing objective, over 60% of logistics companies don't have profitability as a primary objective
- Especially in Southern Europe, customer satisfaction is rated very high

Survey question: What is the main objective of your pricing strategy?
Source: Global Logistics Pricing Study 2017 (n = 270)

All regions have a low level of knowledge of NPS* tracking frequency

Frequency of NPS* tracking

Percentage of respondents in the respective region



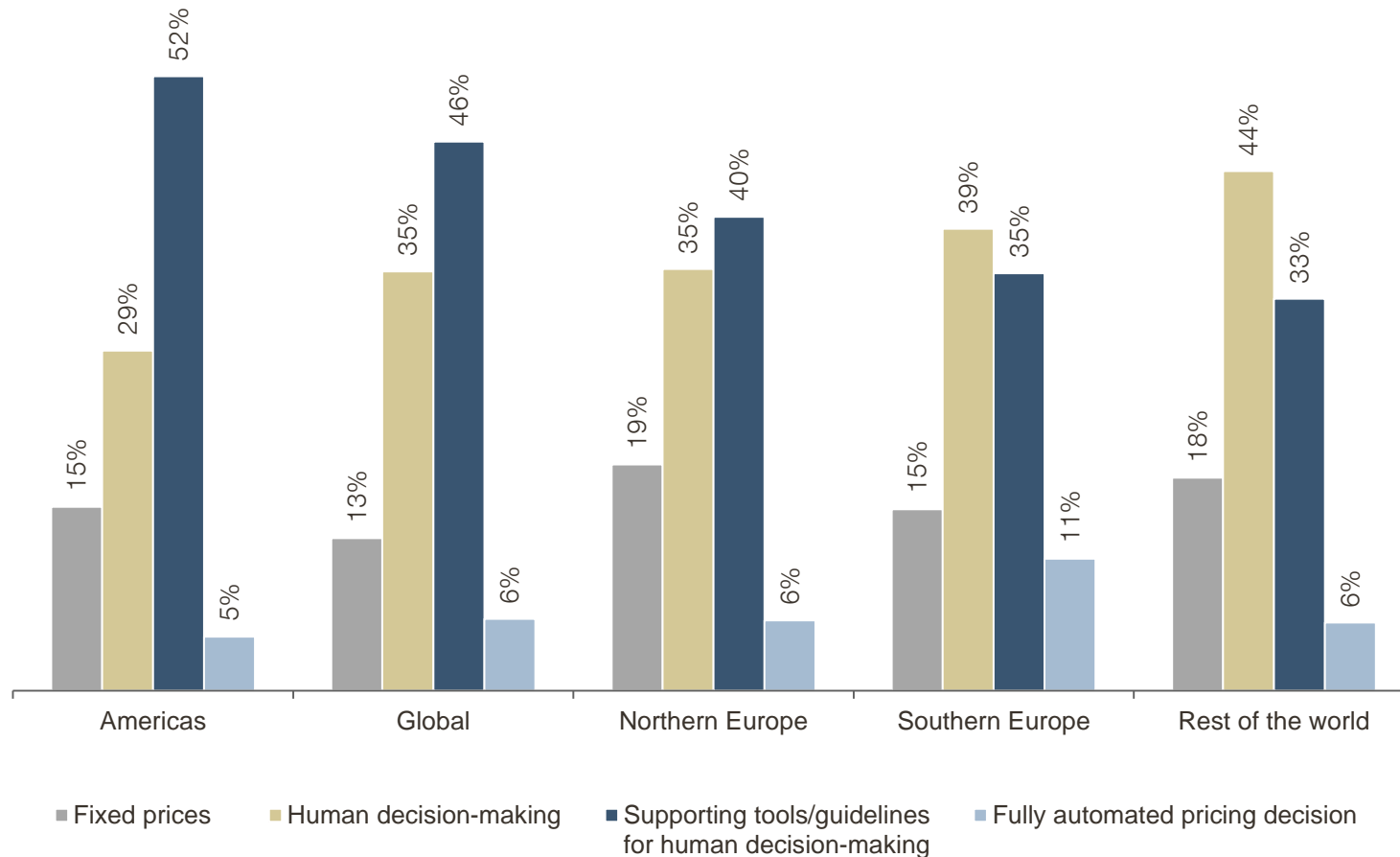
- **Just marginal differences in NPS* tracking knowledge across regions**
- **Companies in the Americas are slightly better at NPS* tracking**

* Net Promoter Score
Survey question: How often do you track your NPS (net promoter score)?
Source: Global Logistics Pricing Study 2017 (n = 270)

Companies serving clients in the Americas are most advanced in terms of price setting support

Measures that influence the pricing decision

Percentage of respondents in the respective region



- Northern Europe and Southern Europe are the least advanced regions in terms of tool/guideline supported price setting
- In the Americas, prices are mainly set with tool support

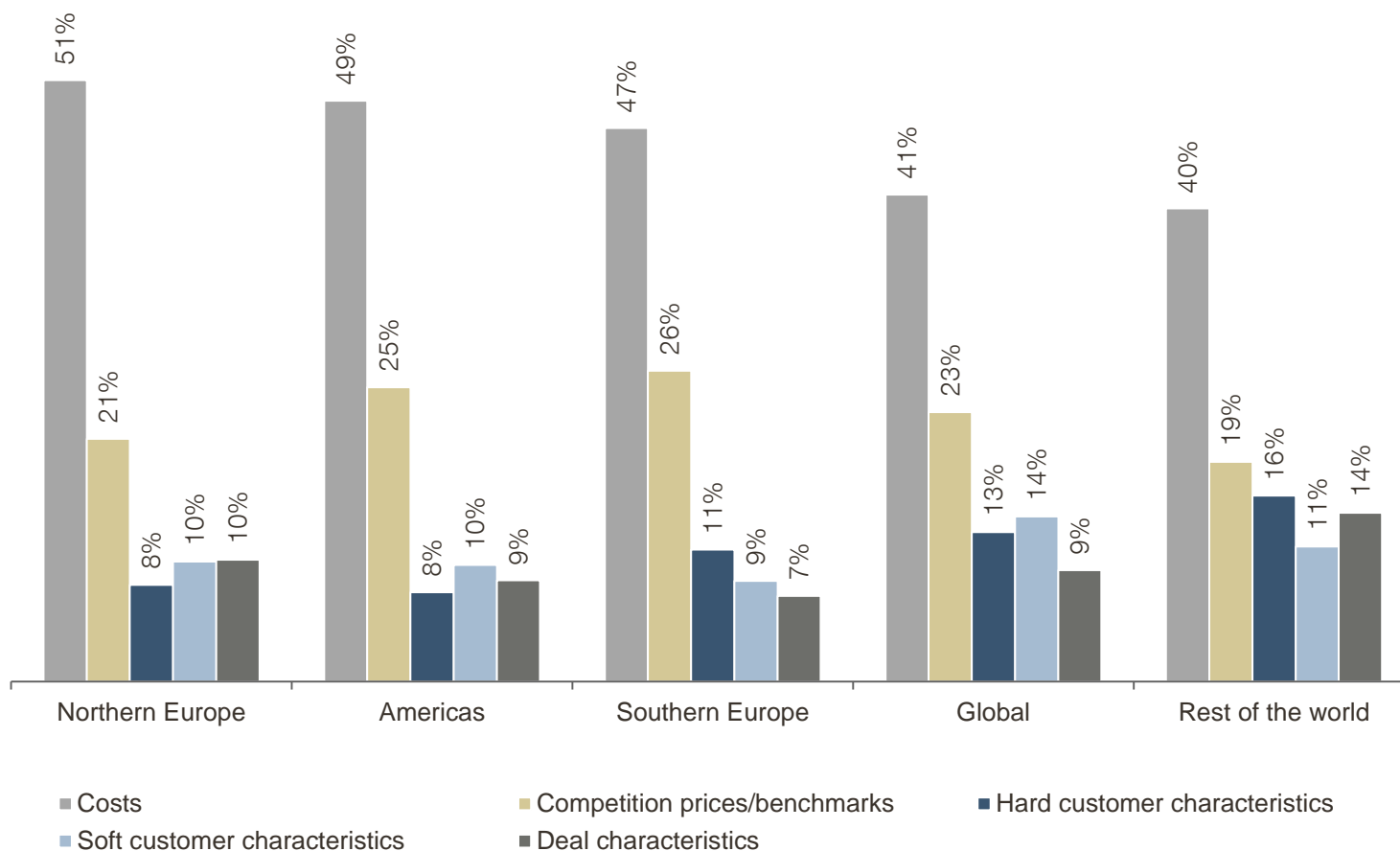
Survey question: When setting a price/margin (or a tariff) for a customer, on how many occasions (in %) do the following measures influence the pricing decision?

Source: Global Logistics Pricing Study 2017 (n = 270)

Costs are the most important pricing factor in every region

Factors that determine the final price decision

Percentage of respondents in the respective region



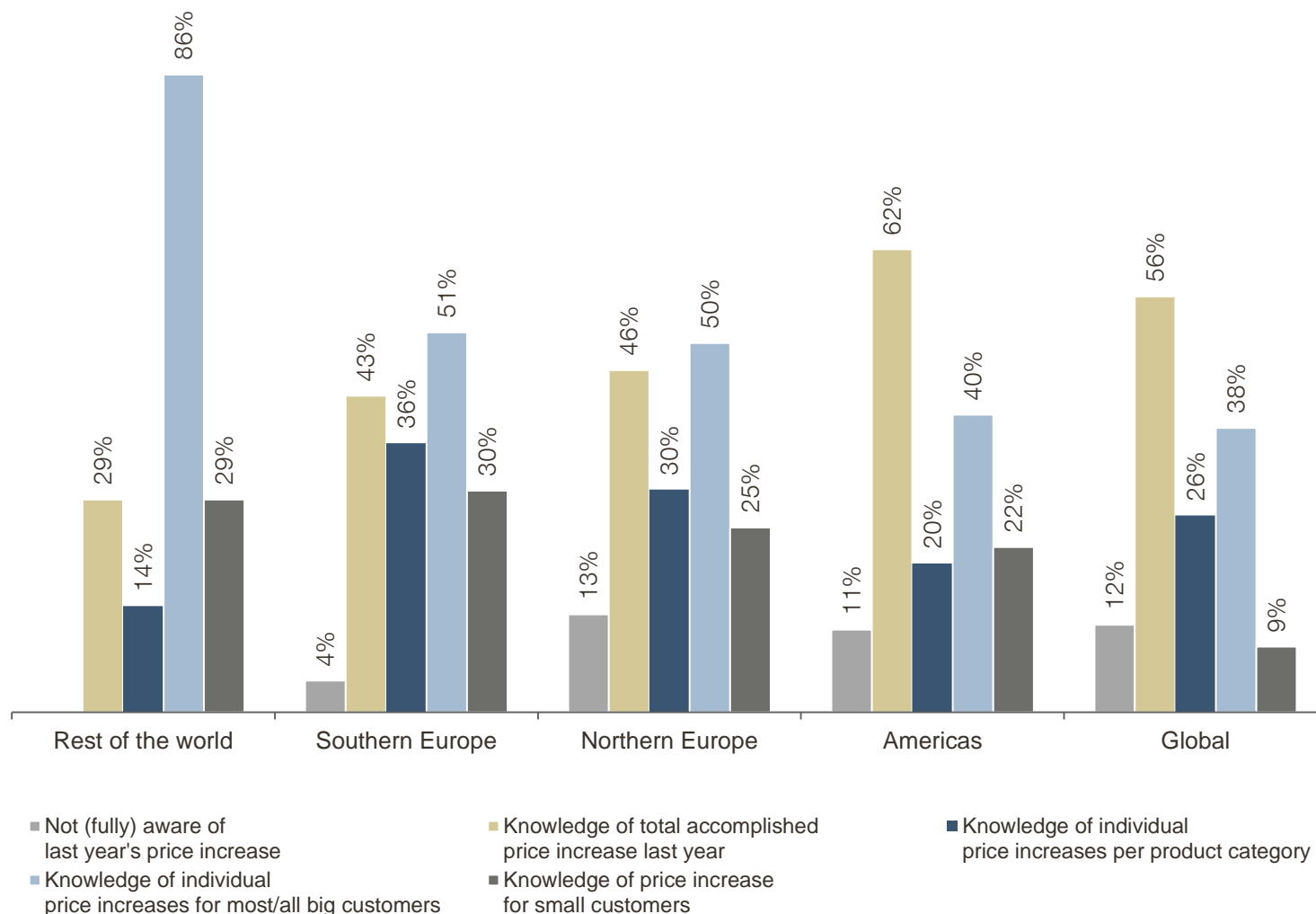
- Especially Northern Europe has a high focus on costs
- Competition prices/benchmarks are most important in Southern Europe

Survey question: To what extent is the final price decision of your tools/guidelines/pricing team based on the following factors?
Source: Global Logistics Pricing Study 2017 (n = 270)

No significant differences in price increase knowledge across geographic regions

Knowledge of last year's price increases

Percentage of respondents in the respective region



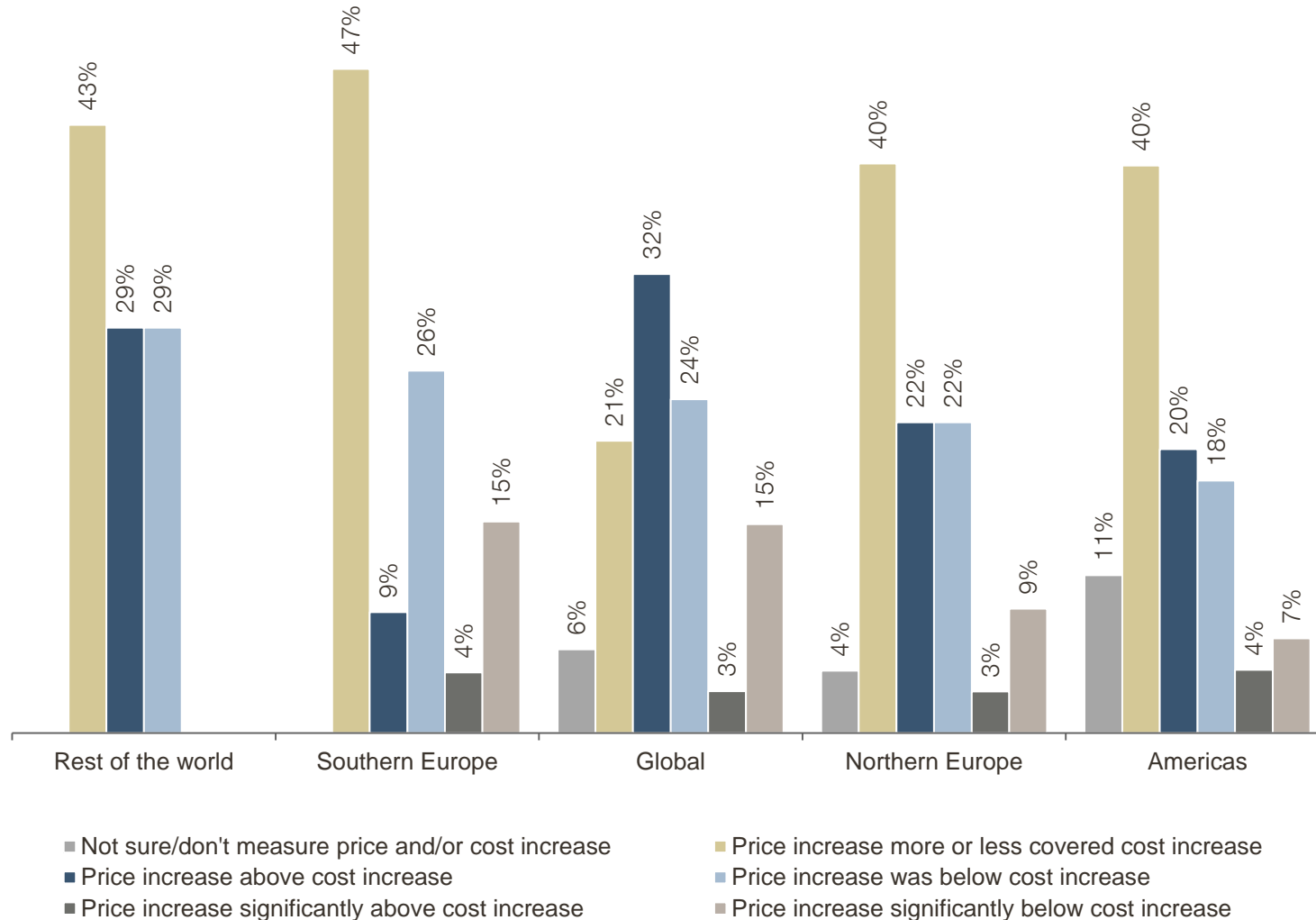
Survey question: How well do you know about your company's achieved price increase for last year?
Source: Global Logistics Pricing Study 2017 (n = 270)

- Companies serving clients in the rest of the world have the highest knowledge of individual price increases for big customers
- Price transparency in general is very low

Especially companies in Southern Europe were unable to improve their margins

Last price increase in comparison to cost increase

Percentage of respondents in the respective region

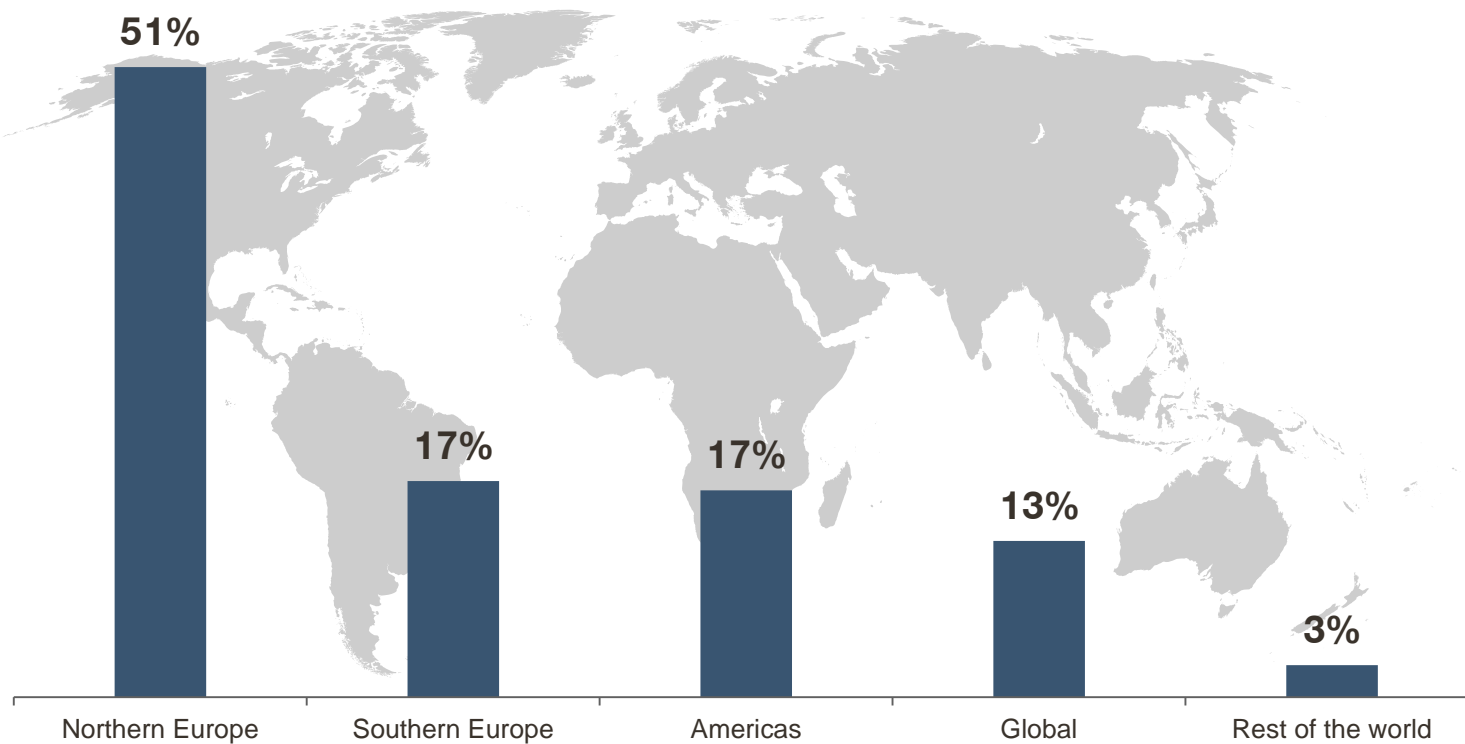


- The Americas has the lowest share of respondents with deteriorated margins
- Southern Europe and the rest of the world have the highest share of respondents who state that their margins deteriorated

Survey question: How high was last year's achieved price increase in comparison to your cost increase?
Source: Global Logistics Pricing Study 2017 (n = 270)

Distribution of companies by region

Percentage of total respondents



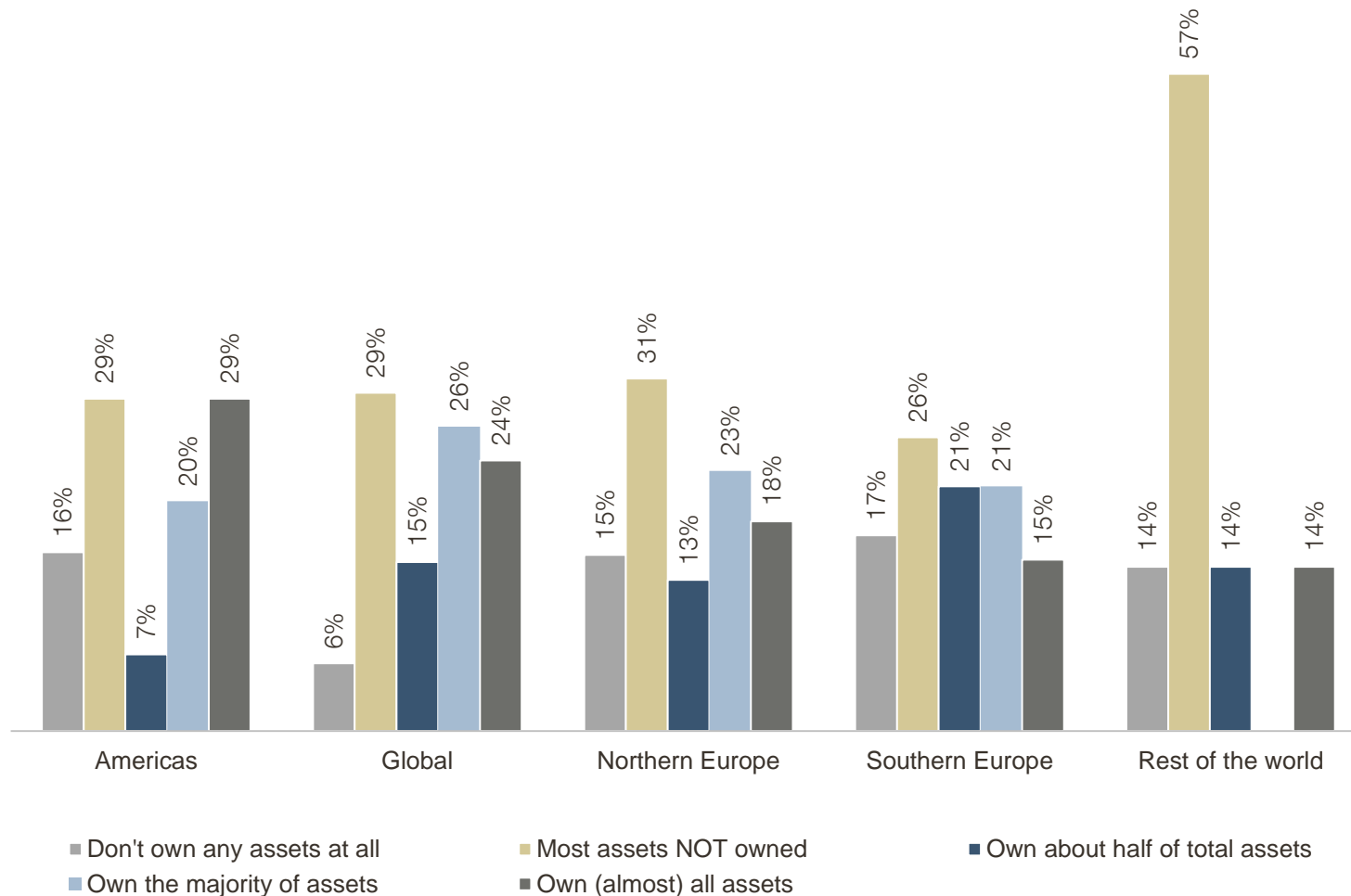
- Majority of respondents have clients in Northern Europe
- Rest of the world is only marginally represented

Survey question: Which countries are most of your clients from?
Source: Global Logistics Pricing Study 2017 (n = 270)

Ownership of assets is higher in the Americas than in Europe

Asset ownership by segment

Percentage of respondents in the respective region



- Southern Europe has the lowest share of asset ownership
- For global companies, the share of respondents who state that they do not own any assets is the lowest

Survey question: What is the share of your owned assets (vs. third party assets) in %?
Source: Global Logistics Pricing Study 2017 (n = 270)

Agenda

Segment split

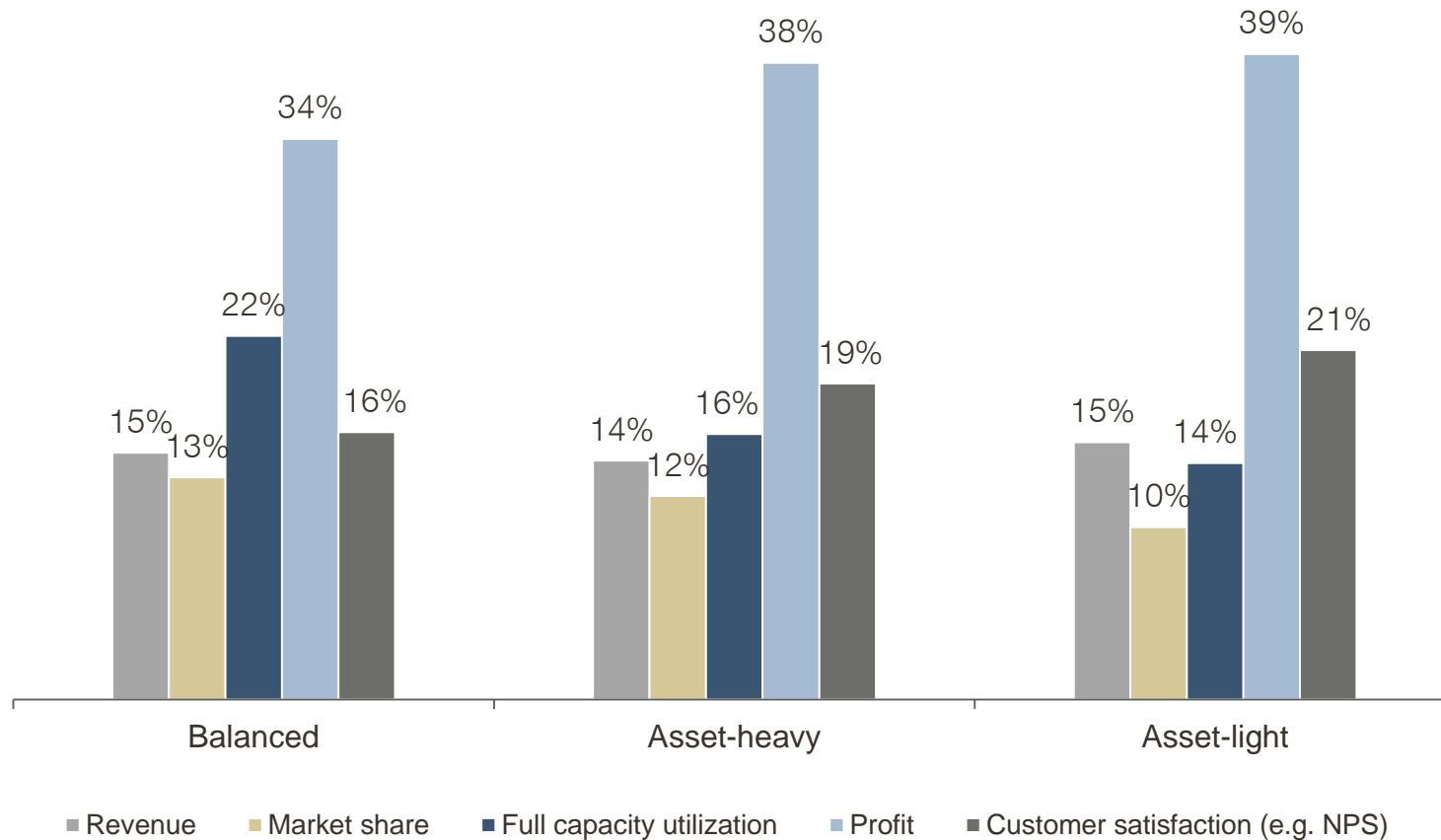
Regional split

Asset split

No significant difference in pricing objectives between asset-heavy and asset-light companies

Importance of pricing strategy objectives

Percentage of respondents in the respective segment



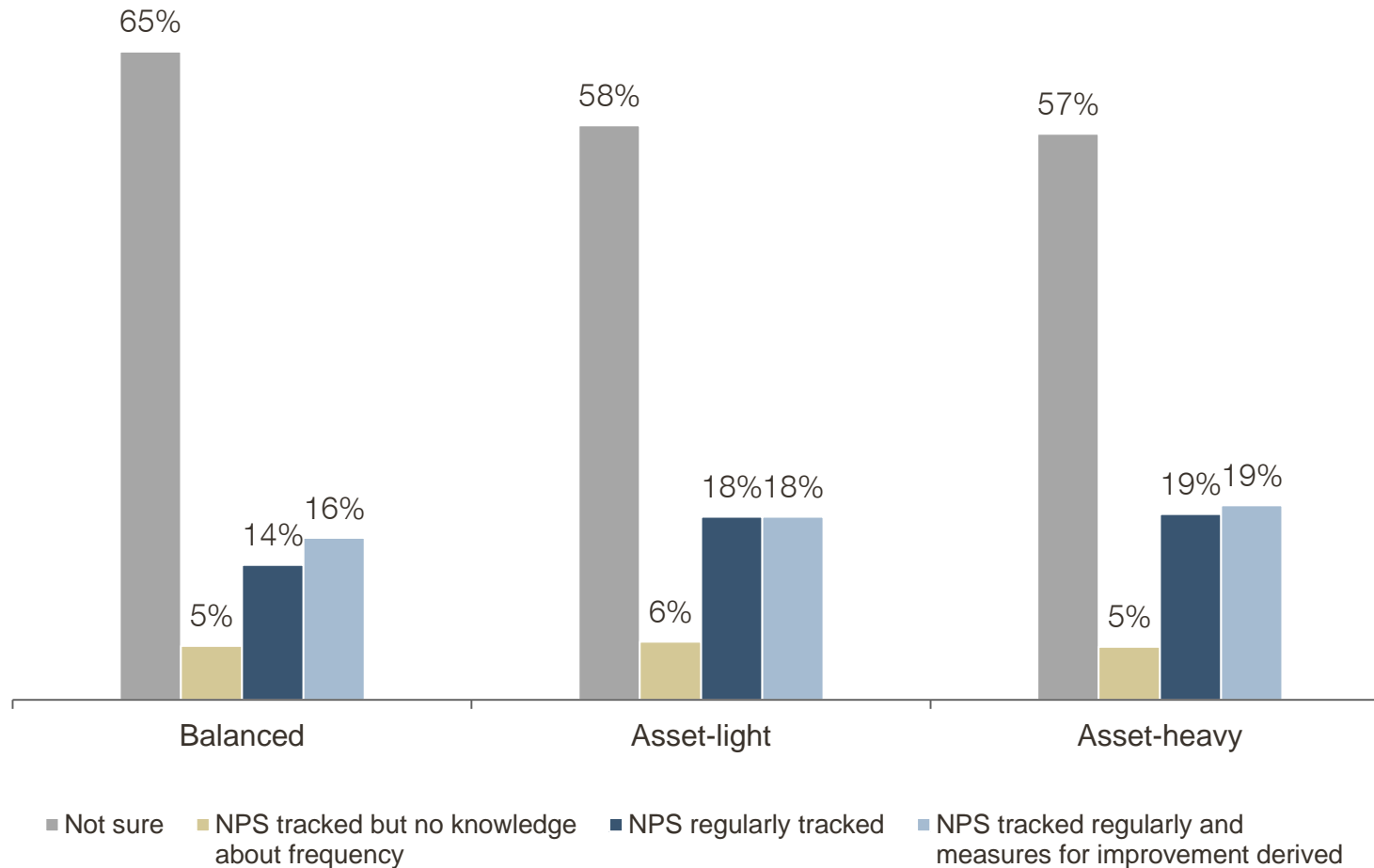
Asset-light companies have a marginally higher focus on profit and customer satisfaction

Survey question: What is the main objective of your pricing strategy?
Source: Global Logistics Pricing Study 2017 (n = 270)

Knowledge of NPS* tracking frequency is low in both asset-heavy and asset-light companies

Frequency of NPS* tracking

Percentage of respondents in the respective segment



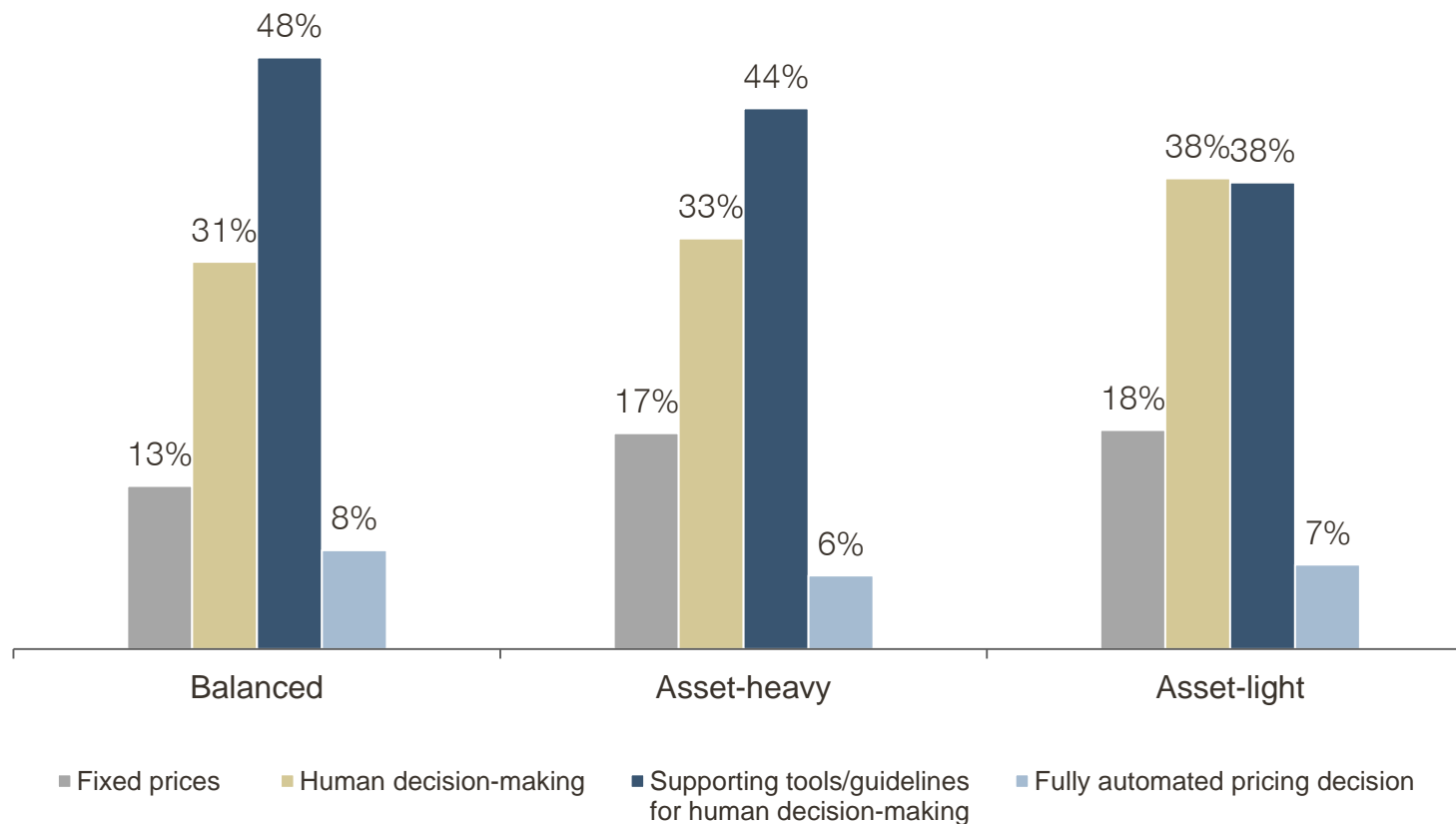
No significant difference between asset-heavy and asset-light companies with regards to NPS* tracking

* Net Promoter Score
Survey question: How often do you track your NPS (net promoter score)?
Source: Global Logistics Pricing Study 2017 (n = 270)

No significant difference in the pricing decision process in terms of asset split

Measures that influence the pricing decision

Percentage of respondents in the respective segment



Asset-heavy companies have a slightly more automated pricing process

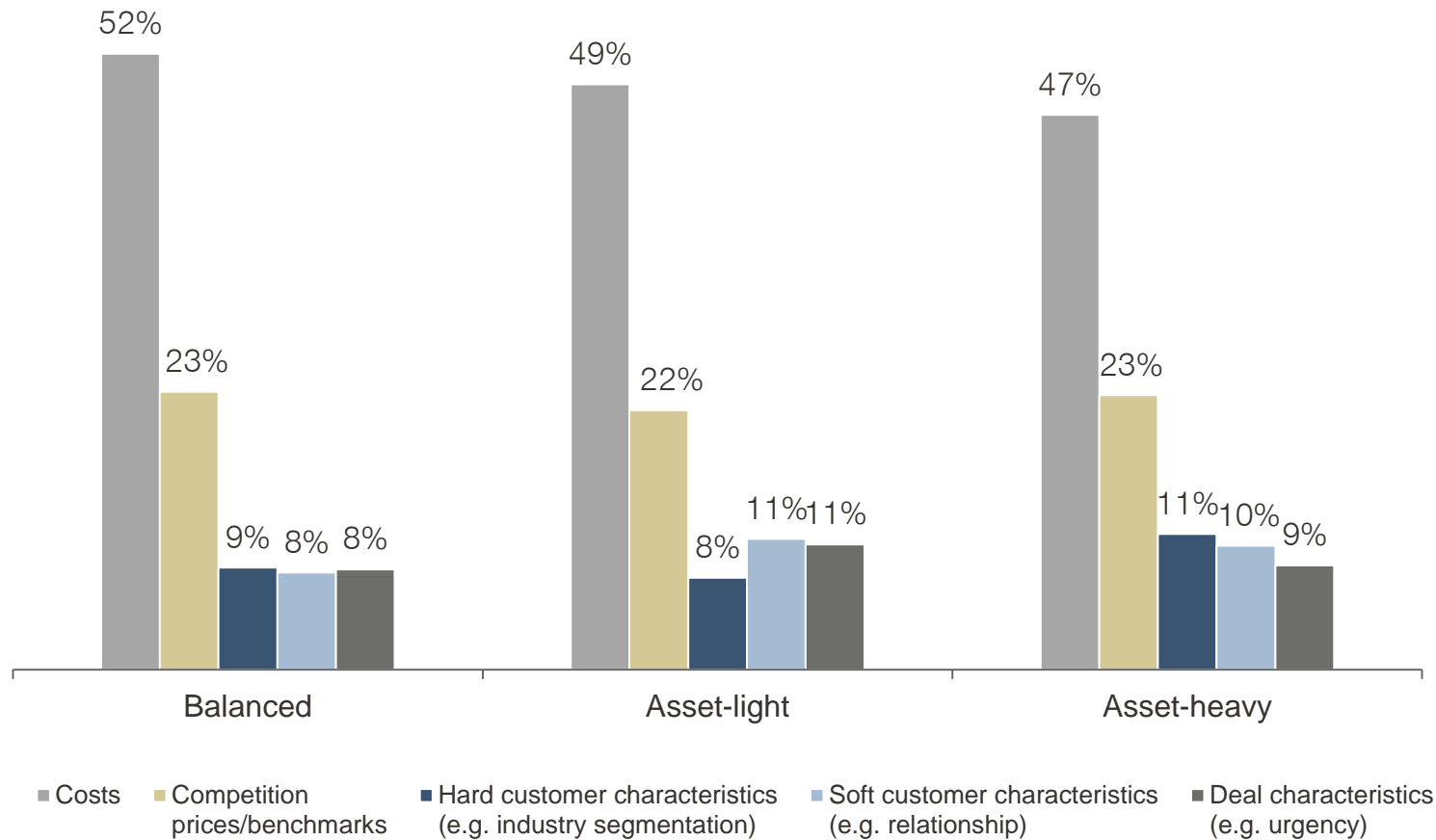
Survey question: When setting a price/margin (or a tariff) for a customer, on how many occasions (in %) do the following measures influence the pricing decision?

Source: Global Logistics Pricing Study 2017 (n = 270)

No significant difference in pricing decision factors in terms of asset split

Factors that determine the final price decision

Percentage of respondents in the respective segment



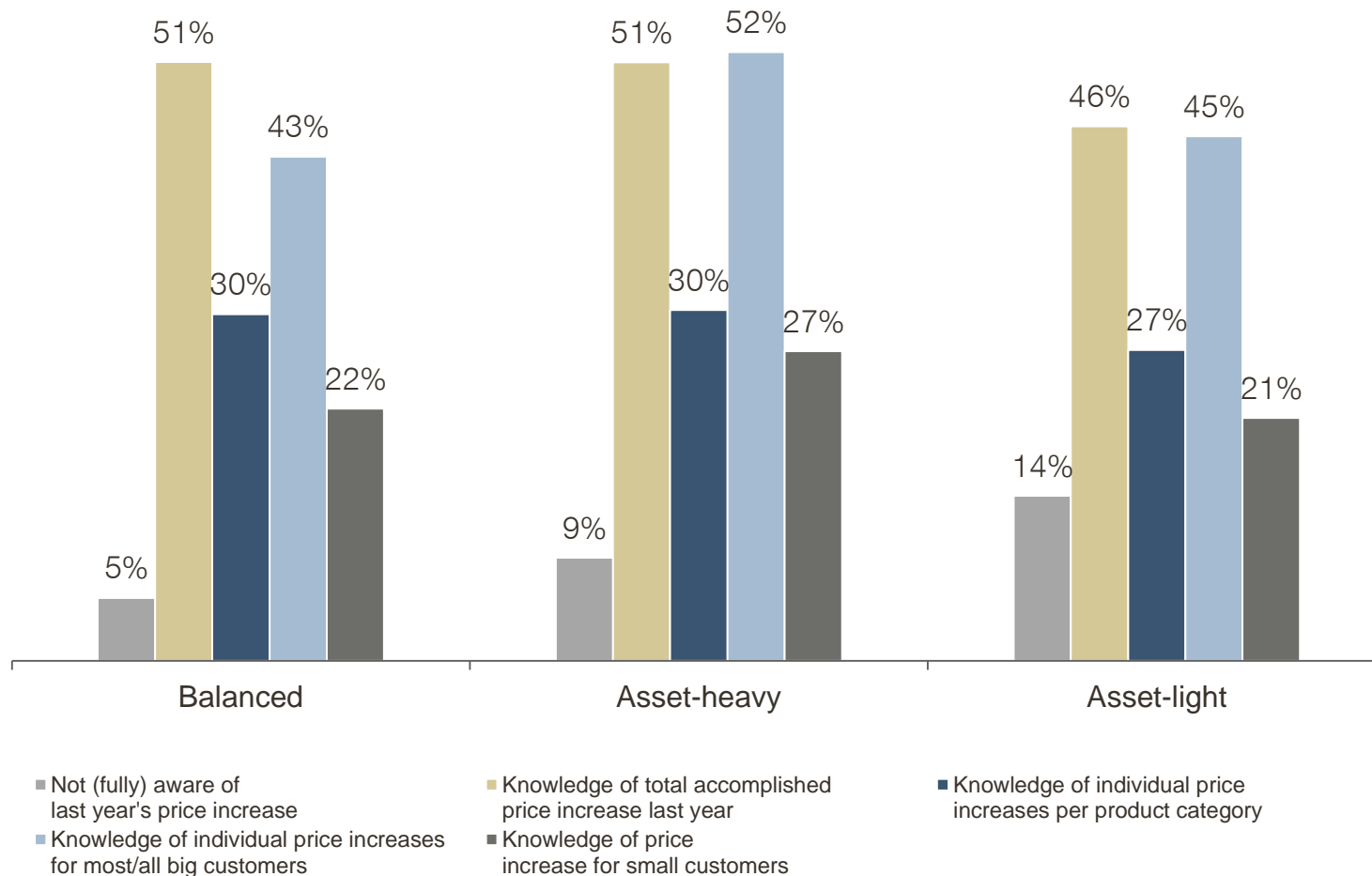
No significant difference in terms of pricing factors between asset-heavy and asset-light companies

Survey question: To what extent is the final price decision of your tools/guidelines/pricing team based on the following factors?
Source: Global Logistics Pricing Study 2017 (n = 270)

Asset-heavy companies have slightly higher price transparency

Knowledge of last year's price increases

Percentage of respondents in the respective segment



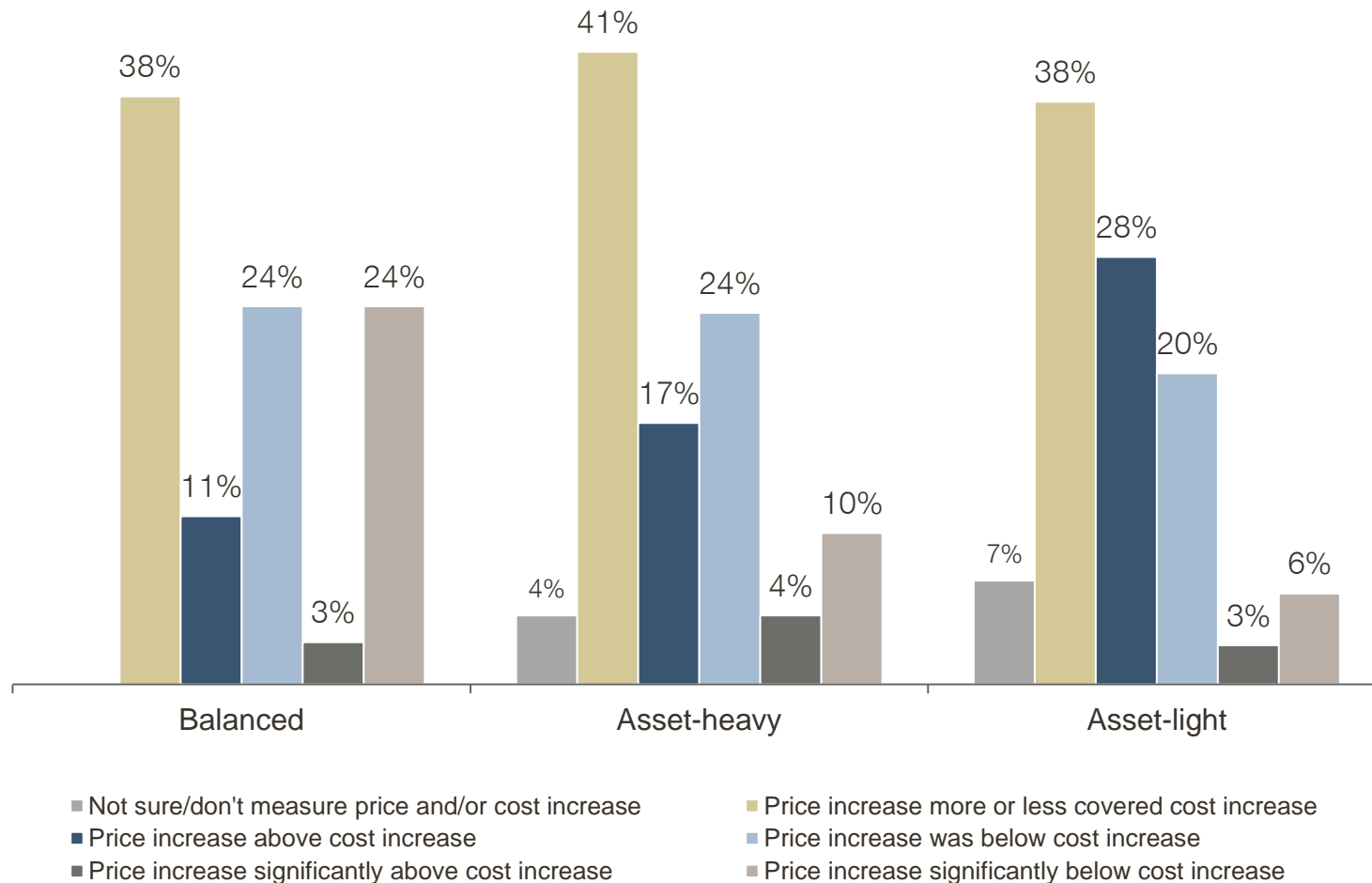
No significant difference in terms of pricing transparency between asset-heavy and asset-light companies

Survey question: How well do you know about your company's achieved price increase for last year?
Source: Global Logistics Pricing Study 2017 (n = 270)

Asset-light companies were able to increase their margins slightly more than asset-heavy companies

Last price increase in comparison to cost increase

Percentage of respondents in the respective segment

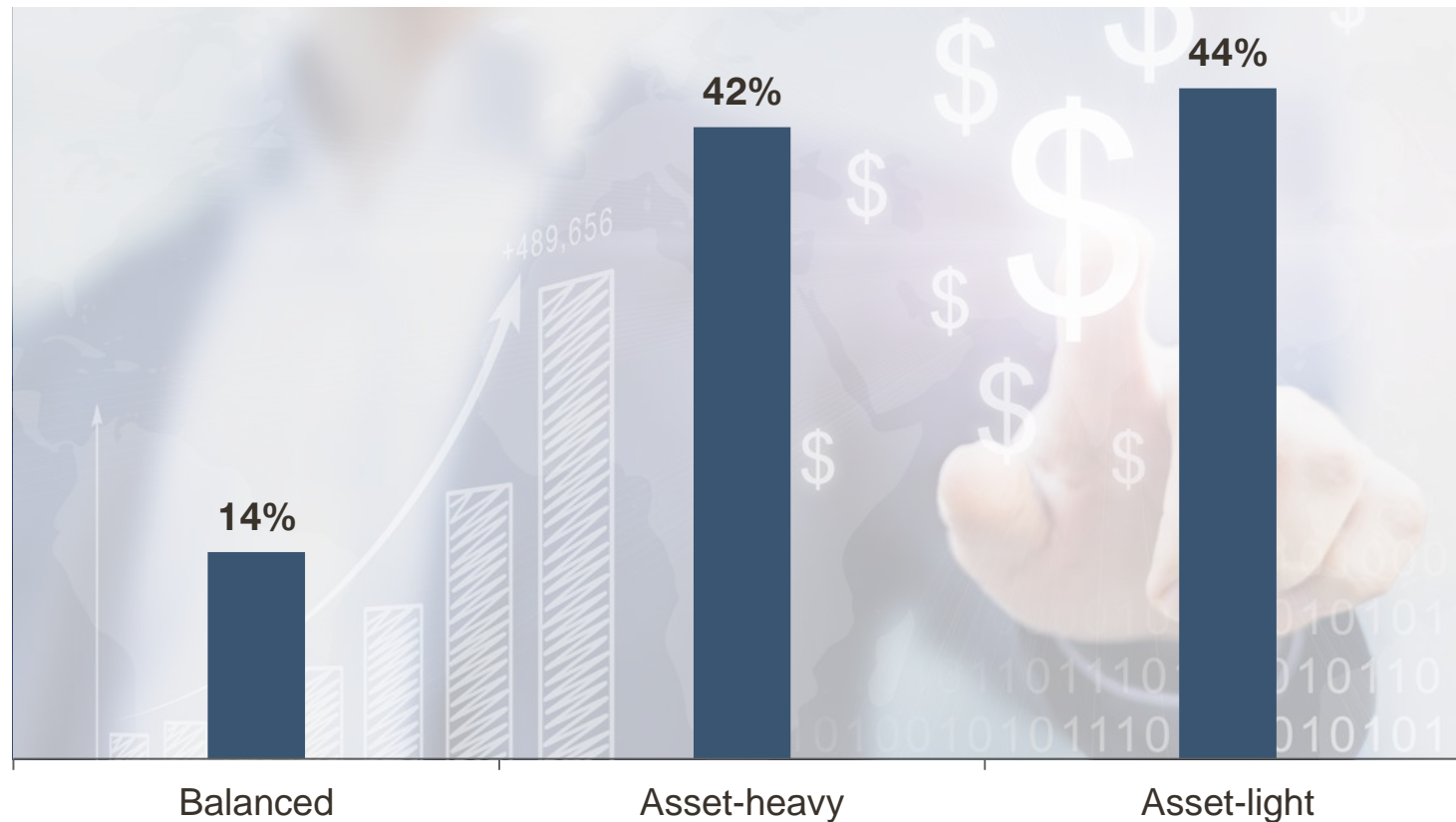


No significant difference between asset-heavy and asset-light companies with regards to the price/cost increase

Survey question: How high was last year's achieved price increase in comparison to your cost increase?
Source: Global Logistics Pricing Study 2017 (n = 270)

Distribution of companies by asset ownership

Percentage of respondents



Almost equal share of asset-heavy and asset-light companies

Survey question: What is the share of your owned assets (vs. third party assets) in %?

Source: Global Logistics Pricing Study 2017 (n = 270)