BARCLAYS

The UK Logistics Confidence Index H2 2016

Slight increase in confidence despite headwinds

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.

Logistics sector sees slight increase in confidence despite headwinds

More than 100 senior decision-makers from across the logistics sector provided their views and insights for this survey. Respondents include chief executive officers, managing directors and finance directors, over 70 of whom have taken part in at least six of our surveys, giving us valuable consistency of participation.

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 H2 2016. The survey was undertaken from mid-July to early September 2016.

Slight upturn in confidence

This is our ninth biannual survey of the UK logistics sector and the first to be carried out since the EU referendum. Our overall Confidence Index has risen for the first time after four successive drops in confidence, indicating slightly more optimism within the sector. Increasing to 53.0 from 51.8 in H1 2016, the change in the Index is, however, fairly small (+2.3%) and it remains well below the levels seen during 2014 and 2015.

The Index has risen for the first time after four successive drops in confidence, indicating slightly more optimism within the sector.

Logistics operators remain fairly cautious about the future, generally focusing on strategies to consolidate their current positions within the market, rather than on growth or expansion. However, views on a range of key indicators, including turnover, profitability, investment, capital expenditure and employment, suggest that despite concerns over Brexit, the sector is cautiously optimistic over the short term.

Looking to the future, operators appear to be giving consideration to some of the broader challenges they face in order to sustain performance over the longer term.

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

Rob Riddleston
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How confident is the logistics sector?

While our Index has not yet returned to its H2 2015 level, confidence has increased slightly to reach 53.0.

Our latest survey suggests a fairly resilient logistics market with confidence levels perhaps higher than expected.

Almost half of respondents (43.9%) believe that business conditions have stayed the same over the last six months. Meanwhile, 14% think they are somewhat more favourable – an increase compared to H1 2016 and the first such increase for some time. While a significant minority (37.4%) believe that conditions are somewhat more difficult, the number of respondents in this category has fallen. Overall this represents a discernable swing towards a more optimistic outlook; with more people believing current business conditions are better than those over the past six months.

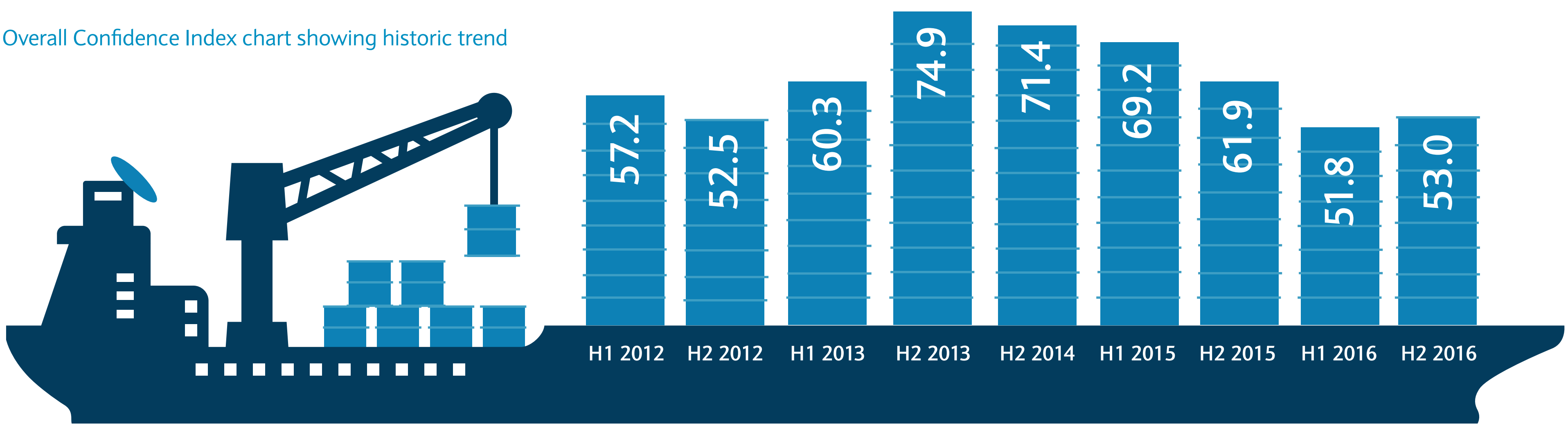
Positive data

The fluctuations in our Confidence Index since its inception show a strong correlation with UK economic fortunes as measured by growth in GDP.

Similarly, the results for H2 2016 are in tune with PMI manufacturing data showing a jump to 53.3 in August from 48.3 in July to reach a 10-month high. This is the biggest month-on-month increase in the survey's history, though it may be largely down to July's 41-month low of 48.3, following the EU referendum. Manufacturing production increased at its fastest pace in seven months during August, with a marked increase in the level of new work won from both domestic and overseas clients. This was followed by another increase in UK Manufacturing PMI to 55.4 in September.[1]

UK GDP rose 2.2% in Q2 2016 compared to Q2 2015, despite the uncertainty over Brexit.[2] While the International Monetary Fund (IMF) has cut its growth forecasts,[3] the UK economy is still expected to grow by 1.3% in 2017, while the latest data from Moody's confirms that the UK is now expected to avoid a recession, in part due to an anticipated fall in sterling contributing to stronger exports.[4]

Overall Confidence Index chart showing historic trend



The government has taken a number of measures since the EU referendum to support the economy, including a £70bn bond buy-back scheme and a £100bn term funding scheme for banks. The Bank of England's rate cut in August brought the UK base rate to 0.25%, its lowest ever and the first cut since 2009, with further steps widely anticipated if required.

Keep calm and carry on

The increase in our Confidence Index suggests a more positive climate in the logistics industry than might have been expected, given the outcome of the referendum and the prevailing mood of uncertainty since the result. Although the upturn in confidence is marginal compared to the steady fall in confidence seen over the last few surveys, it may simply reflect a realisation within the industry that despite the referendum result nothing has actually changed yet – and may not change for some time. This gives operators some breathing space to prepare for the potential impact.

While there are clearly concerns over Brexit within the industry, particularly around the overall impact on the economy, the UK's future trading arrangements and the availability of skilled employees, a number of operational concerns continue to preoccupy operators, notably driver shortages and limited warehouse capacity.

The increased collaboration, investment in IT and value-added services can potentially be the solutions to these challenges.

At the same time, our respondents continue to recognise the potential benefits of increased collaboration, investment in IT and value-added services as potential solutions to these challenges.

After the initial concerns immediately following the referendum result, the sector seems to have breathed something of a collective sigh of relief over its short-term prospects. Perhaps these latest survey findings tell us, above all, that for now at least it's business as usual.

[1]Market/CIPS UK Manufacturing PMI, September 2016.
[2]Office of National Statistics.
[3]www.imf.org
[4]Moody's Investor Services.

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

Much more difficult	Somewhat more difficult	The same	Somewhat more favourable	Much more favourable
4.7%	37.4%	43.9%	14%	0%

Business outlook

Almost half of respondents (48.6%) expect the outlook for the sector to be somewhat more difficult.

Looking at respondents' views on the outlook for the next six months, opinion appears to be fairly evenly divided. While 48.6% believe that conditions may become somewhat more difficult, a very similar percentage believe that the situation will either remain the same or improve.

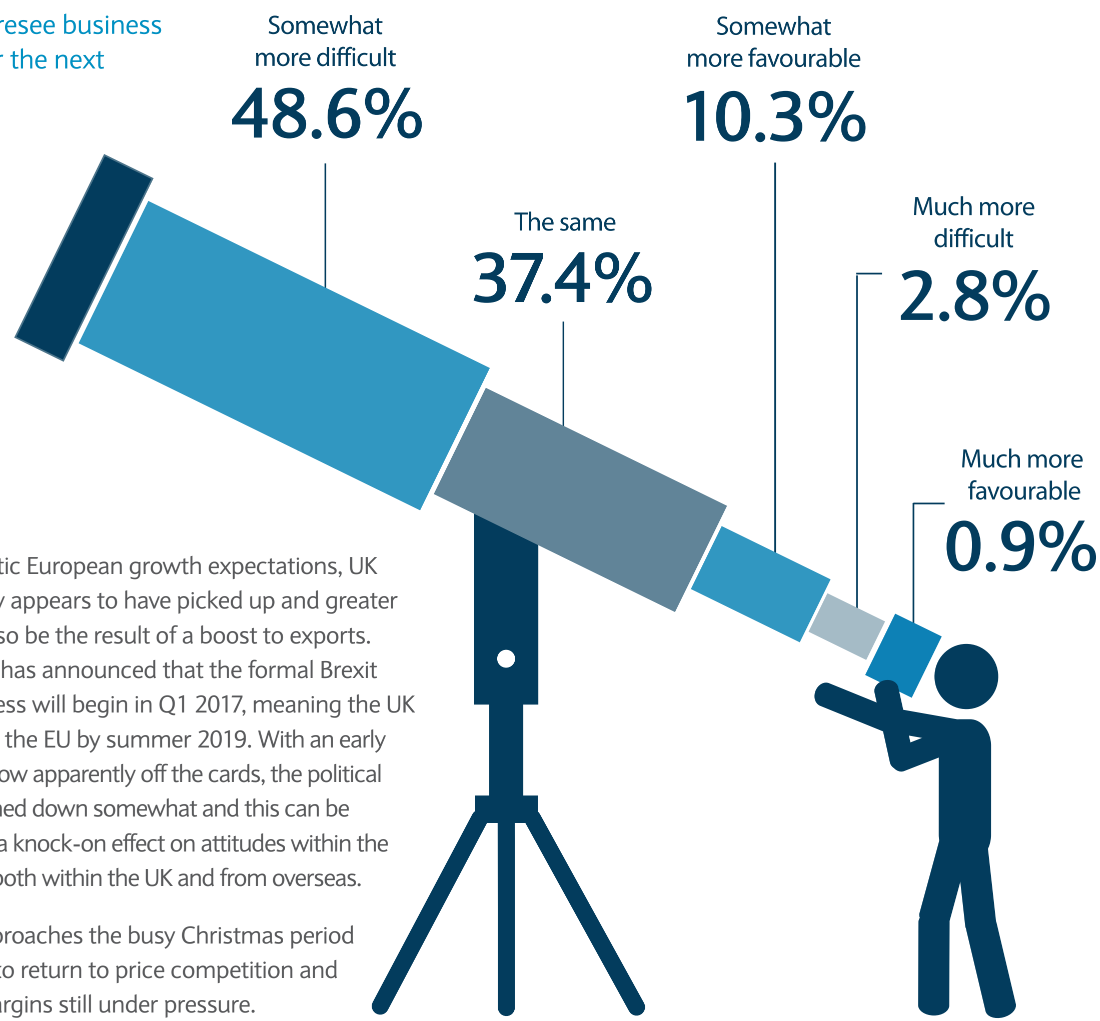
Improving wider economic indicators

Although there has been a swing towards the more negative side of the scale, with the number of respondents indicating a favourable outlook, 3.8 percentage points down on H1 2016, there has also been a shift towards the middle ground.

The latest figures show that the number of respondents who believe that business conditions are likely to become much more difficult is 3.2 percentage points down compared to the first half of the year – and while the percentage expecting the situation to become somewhat more challenging is up 7.6 percentage points, overall pessimism is increasing at its slowest rate for two years.

Overall, it looks as if the improving economic indicators may have gone some way to mitigating initial concerns following the referendum vote, with operators now adopting a more 'middle of the road' response. In other words, the situation is not as bad as many businesses might have expected.

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



Despite pessimistic European growth expectations, UK economic activity appears to have picked up and greater optimism may also be the result of a boost to exports. The government has announced that the formal Brexit negotiation process will begin in Q1 2017, meaning the UK looks set to leave the EU by summer 2019. With an early general election now apparently off the cards, the political situation has calmed down somewhat and this can be expected to have a knock-on effect on attitudes within the logistics sector – both within the UK and from overseas.

As the sector approaches the busy Christmas period its focus is likely to return to price competition and capacity, with margins still under pressure.

Continued pressure on profitability

Overall, there has been a gradual downward trend in expectations for profitability since 2013, with fewer respondents anticipating an increase (from 73.4% in H2 2013 to the lowest ever level of 43.9% in H2 2016). Likewise, there has been a steady upwards climb in the number of respondents expecting profitability to fall since 2015.

An increasingly competitive environment within the logistics sector has made it more difficult to pass on cost increases to customers and improve margins.

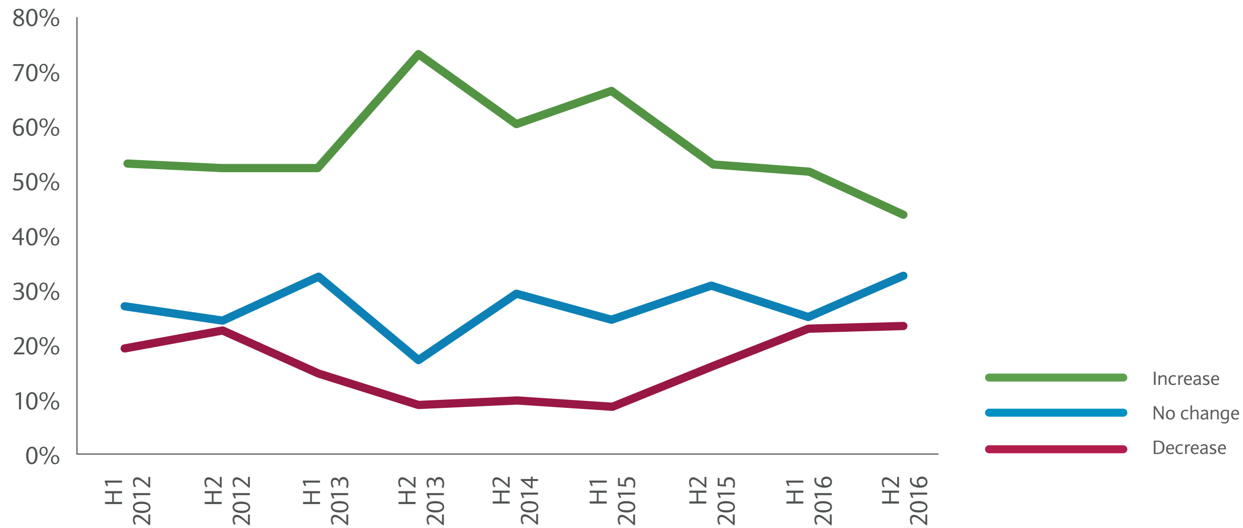
However, these latest survey results suggest a rather guarded attitude and a significant proportion of operators (32.7%) believe there will be no change in profitability over the next 12 months. Of the remainder, almost twice as many expect an increase compared to a decrease (43.9% versus 23.4%). Although respondents are rather less positive compared to the first half of the year, the trend towards more negative sentiment is less pronounced than it has been in the last few surveys.

Size matters for the turnover

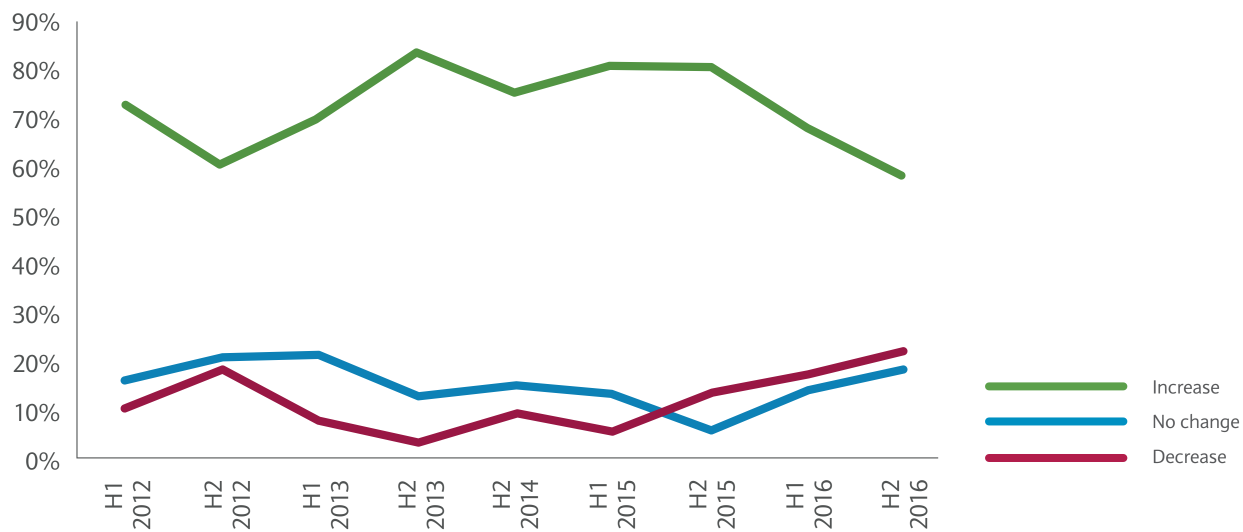
There is a more optimistic outlook for turnover over the next 12 months, with over half (58.9%) of operators expecting revenues to increase – although the majority of these respondents anticipate growth of just 2–5%. However, this is still more than the 22.4% who expect revenues to decline and the 18.7% who think turnover will stay the same.

Perhaps unsurprisingly, smaller companies are more concerned over a decline in turnover, while fewer smaller firms (37%) expect an increase in profits over the next year compared to larger firms (52%) – reflecting the intense competition felt by many smaller operators in the market.

Trends in profitability expectations



Trends in turnover expectations



Expenditure and employment

Capital expenditure expectations are more positive in H2 2016 than in the previous six months, with three quarters (74.8%) anticipating they will spend significantly over the next six months, compared to a quarter of respondents who think this is unlikely.

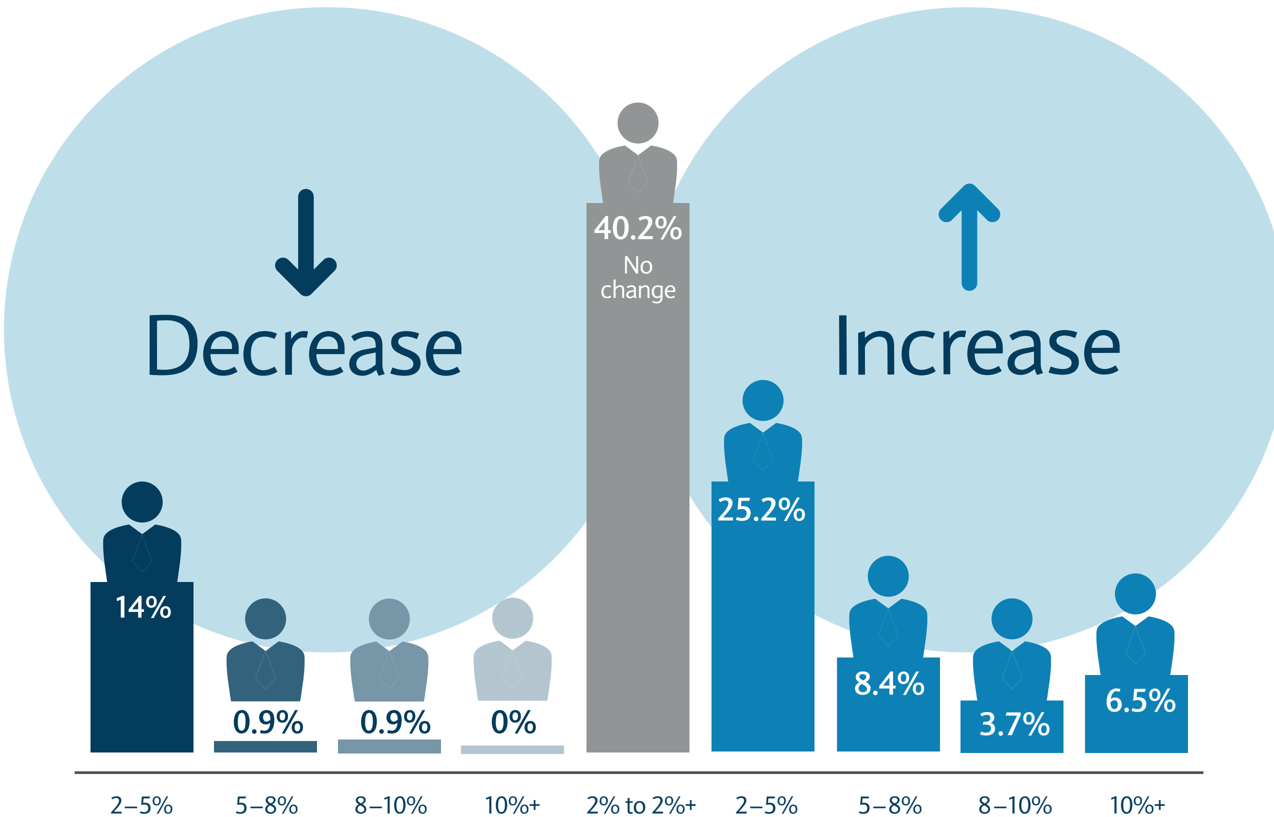
This is an upturn from expectations in the first half of the year and again suggests an overall modest increase in confidence. In fact, the number of respondents saying that such investment is 'unlikely' is down 4.1% compared to H1 2016, while 3.7% more operators are very likely to see expenditure rise. This could be in response to concerns over current warehouse and logistics capacity as well as planned investment in IT and technology infrastructure to gain a competitive advantage.

43.9% of our survey respondents say that they expect to increase headcount over the next six months.

This more optimistic view is reflected in a strong outlook for employment, which is also more positive than the first half of the year. Perhaps recognising the impact of skills shortages and potential issues over skilled labour, a number of larger logistics firms have been busy with recruitment campaigns and 43.9% of our survey respondents say they expect to increase headcount over the next six months. Just 15.9% expect headcount to decrease.

Despite concerns over profitability, plans to increase capex and staff numbers suggest that companies may be preparing themselves for the challenges ahead and implementing long-term strategies to maintain a competitive edge and ensure their skills base remains supported should access to labour become more restricted.

Will you be increasing or decreasing headcount over the next six months?



Key challenges

Key issues facing logistics businesses in the coming six months revolve around customer price pressure and driver shortages.

Price pressure

"Resisting pressure from customers to depress prices is key to maintaining confidence and investment throughout the industry," says one logistics company representative. Although pressure on prices is clearly an ongoing concern, cited by 40.8% of respondents as their most important issue, in fact its importance has reduced slightly, with 8.1% fewer respondents identifying this factor as their key concern compared to the previous six months. The fact remains, however, that the consensus view is that there is still too much capacity chasing too little freight.

Skills shortage

Lack of skilled staff remains one of the logistics industry's biggest concerns. Around a third (35%) of survey respondents are worried about a driver and/or skills shortage – a 5% increase compared to the previous six months. This presents a major challenge to the sector, given operators' desire to take on more people over the next six months.

"Driver shortages remain a key issue for the industry to resolve," says one respondent. "By far and away, the supply of drivers is, and will remain, the industry's long-term problem," agrees another operator. The difficulties of retaining skilled people and high recruitment costs are highlighted by many other respondents. Some point to the impact of the National Living Wage and compulsory enrolment of employees into company pension schemes as an additional cost on employers.

Recruitment and training

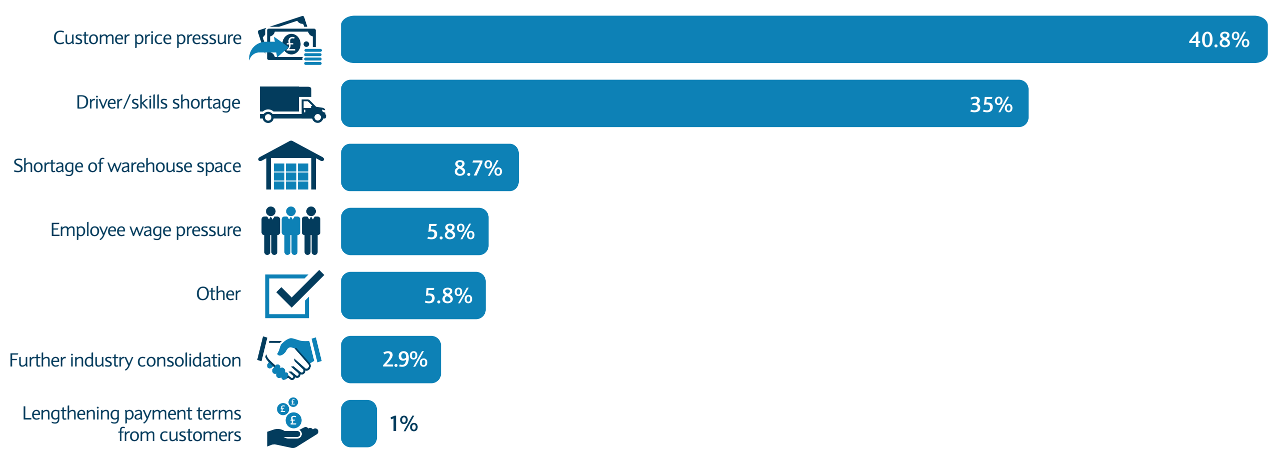
Now, more than ever, the industry will need to focus on attracting new talent and employee retention, as well as on training and development from within to counteract the skills shortage. Many respondents talk about the importance of attracting more young people to the sector and providing good training and development opportunities on the job. This applies not only to drivers, but to management and other skilled roles, particularly in IT.

There is a general feeling among survey respondents that the logistics industry is not putting enough emphasis on developing talent, with some advocating a more recognised training or qualification route. "Without doubt our greatest challenge… is to encourage school and university leavers to view logistics as a genuine career path," says one of the industry's senior figures.

Warehouse space

Another issue that appears to be growing in importance is a shortage of warehousing. This reflects the continuation of a long-term trend that has continued into H2 2016. While speculative developments have increased availability to a certain extent, with ongoing planning obstacles and few new builds coming to market this is likely to be an issue that won't go away any time soon.

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



Brexit – what next?

Our survey shows the logistics industry is uncertain about its post-Brexit prospects, but there is some consolation in a short-term boost to exports.

Uncertainty reigns

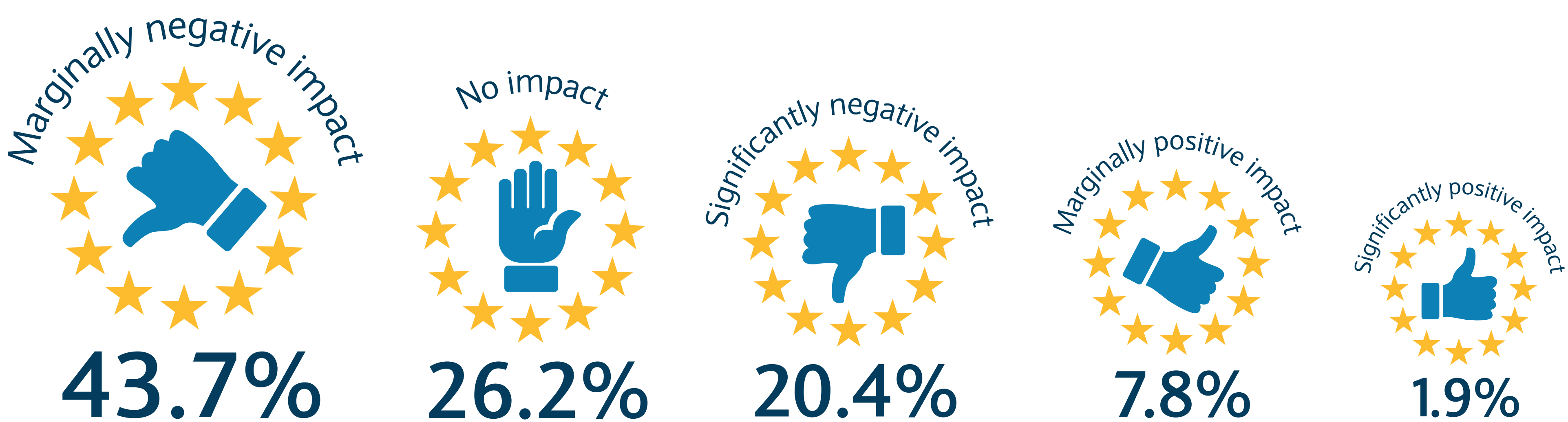
The potential repercussions of Brexit on the UK economy and political landscape have clearly caused considerable uncertainty across the business world – and the logistics sector is no exception. The government's announcement that it will trigger the formal process for leaving the EU by the end of March next year is unlikely to allay these concerns in the short term.

Overseas customers are now uncertain of volumes going into the UK in the future and what restrictions might apply to the free movement of goods. Domestic operators are concerned about a possible decline in the levels of inward investment and its impact on the UK economy as a whole. "Uncertainty regarding future deals continues to hinder growth," confirms one respondent. "Investment decisions in the UK are likely to be delayed until the smoke clears," warns another.

Many operators say they expect demand to fall, but by how much and for how long is unclear. "Much of our new business is reliant on significant capital investment plans that are likely to be reduced as a result of the EU referendum," says one respondent. "We have seen a marked decline since Brexit – although at this stage it is difficult to determine if it is likely to be a sustained downturn," suggests another.

> "There will be nothing holding the UK back from trading with the rest of the world."

How do you perceive the outcome of the recent EU referendum will affect your business?



Labour and skills

The impact on access to skilled labour is a key concern over Brexit for our respondents. Employers fear that drivers may not be able to come to the UK, causing labour shortages and pushing up wages, while truck and fuel prices may also rise if the pound continues to weaken.

Border controls and customs duties will almost certainly slow the movement of trucks and create greater administrative burdens and new skill requirements for logistics companies, which will add pressure to an already low margin environment.

Only time will tell what type of trade agreements are put in place with the EU and the full impact on customs clearance and potential time delays, but some respondents anticipate that some driver accompanied service operators may revert back to unaccompanied services.

Currency volatility

The devaluation of sterling since the referendum has already benefited export volumes and those companies with significant dollar earnings may continue to benefit from weaker sterling, which could give them a competitive edge over UK and Europe-focused firms. However, the higher cost of imported goods may have a detrimental impact on the wider economy.

Hedging against currency risk may give some operators a significant advantage by protecting them from further volatility. "Hedging to the end of this year has almost enabled me to forget about currency exchange," says one respondent.

Vulnerable sectors

Brexit is likely to impact some sectors more than others. The grocery segment, for example, is expected to remain more resilient ("people have to eat!"), but consumer uncertainty and the fall in sterling are likely to have a bigger effect on import-reliant sectors such as the car industry. Car registrations in the UK are expected to decrease[5] compared to the first half of the year and this could have serious repercussions for logistics operators with significant exposure to the automotive sector. "As 85% of our car registrations are imported we expect an impact which cannot be made up by cars manufactured in the UK," warns one operator.

Silver lining?

Some respondents tend towards a view of short-term pain potentially bringing long-term gain. For companies who do most of their business within the UK, the primary concern is the overall performance of the UK economy, rather than specific Brexit fears or concerns over free trade agreements. Some operators remain confident that regardless of the UK's future relationship with the EU, new trade agreements with the rest of the world will provide interesting new opportunities.

Although general uncertainty may be having a negative impact on volumes for some operators, many say they have seen little or no impact so far and for those with no direct EU exposure the effects may be minimal. "Life goes on," is the sentiment expressed by several participants in our survey. Until there is greater clarity on what happen next in the Brexit process, the mood is one of business as usual.

What our clients say

"European clients are uncertain of volumes into the UK going forward and what restrictions might apply to the free movement of goods. Currency volatility is unhelpful."

"We foresee an increase in UK manufacturing that will increase storage requirements and possibly export volume."

"We have significant dollar earnings, so will benefit from the weakness of sterling."

"Demand will fall; rates will fall. Eastern European drivers will stop coming to UK, causing labour shortages and wage rates to increase. Truck prices and fuel prices will increase with devaluation of pound."

[5]www.thisismoney.co.uk/money/cars/article-3676757

Winning new business

Commercial imperatives are taking precedence over soft benefits such as personal relationships in today's challenging market environment.

Intense competition continues to be a defining feature of the industry. Well over half (57.7%) of respondents said that customers switching from other service providers is their main source of new business. However, the significance of this source of business has slipped somewhat, with fewer (4.4%) citing it as a factor compared to H2 2015.

Another interesting trend is the sharp increase in new business generated by current customers expanding. In the last six months, around a quarter of new business was derived from current customers expanding – a jump of 9.1% from the previous survey.

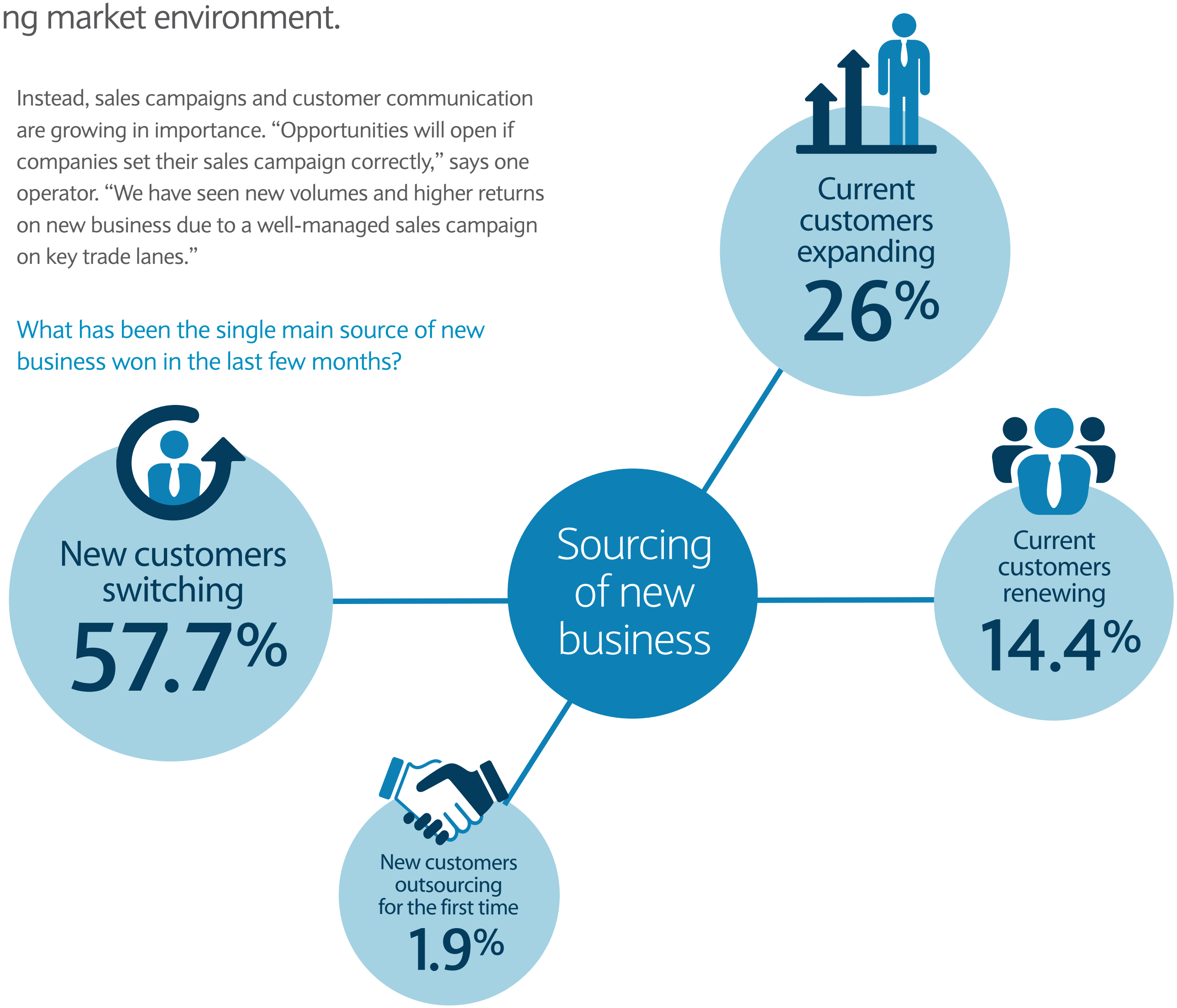
Attracting new customers

Although price competitiveness remains the key factor behind contract wins for nearly a third (29.5%) of respondents, this too has slipped in significance, with the number of respondents citing price as a key factor falling for the first time in two years.

Personal relationships appear to be less important in winning new business in the current climate, according to respondents, as commercial imperatives take precedence. The number of participants who see personal relationships as a key driver behind their contract wins fell by 6.4% this half, the biggest fall since the start of 2015.

Instead, sales campaigns and customer communication are growing in importance. "Opportunities will open if companies set their sales campaign correctly," says one operator. "We have seen new volumes and higher returns on new business due to a well-managed sales campaign on key trade lanes."

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



Value-added services

Service quality is viewed as a key differentiator in today's environment, with operators citing "high levels of service quality and delivery" and "total value proposition" as important elements in contract wins. As such, value-added services are increasingly seen as one of the primary factors in winning new business: with almost one in three respondents emphasising their importance – the highest number since the first half of 2015.

This is reflected in a growing reluctance to get involved in pricing wars, with a focus instead on maintaining margins and getting a firm grip on costs. Demanding customers are driving higher service levels, which is forcing companies to focus on costs and efficiencies in order to streamline operations and meet customer requirements without eating into profit margins.

For those companies considering an acquisition over the next six months, improving their service offering was the second most important factor – cited by 23.1% of those seeking to expand through M&A.

Economies of scale

Over recent surveys, the scale of operators' networks has been growing in importance in terms of its contribution to winning new business from customers.

Achieving economies of scale is also the key driver of M&A activity in the sector – accounting for almost half of the 25% of companies who say they intend to make an acquisition. This is a major jump from the previous half, with 15.9% more respondents citing scale as the reason behind their external growth strategies.

"Economies of scale are crucial and size definitely matters in today's competitive environment."

Although only a quarter of companies expect to make an acquisition in the next six months, lower than in the first half of the year, there is a significant split depending on company size. Smaller companies are notably less likely to make an acquisition compared to larger firms.

> "For smaller suppliers such as ourselves there are potential gains in new business when smaller companies are taken over and absorbed into larger conglomerates. Many customers prefer a personal touch that is lacking in huge organisations where staff move around and long-term relationships are impossible."

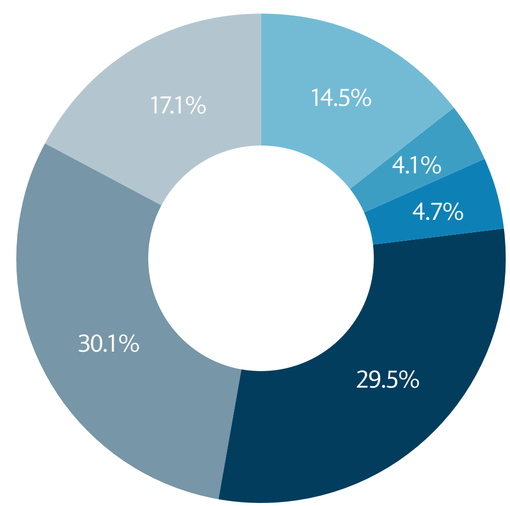
In the last six months, what are the key drivers behind your contract wins?

Value-added services	30.1%
Price competitiveness	29.5%
Personal relationships	17.1%
Scale of network	14.5%
Market consolidation of service providers	4.7%
Other	4.1%

The loyalty factor

Although winning new contracts continues to be a focus for operators, consolidation and customer loyalty are equally important and maintaining their existing customer base remains the top priority for service providers.

When asked to rank their main goals in order to achieve growth over the next six months, cost control came third while margin improvement came fourth, suggesting that although new business is important, growth is also reliant on operational efficiency and competitive pricing. Interestingly, although value-added services was a key factor behind contract wins over the last six months, offering new services comes relatively low down the list of priorities for future growth.



Embracing technology

Technology is seen as the key to gaining competitive advantage and avoiding unproductive price wars.

The results of our latest survey demonstrate that technology is a crucial issue in the logistics sector, and one that is growing in significance. Almost all respondents highlight the importance of technology to help gain a competitive advantage, with almost two thirds citing it as very important.

Cost-effectiveness

Greater operational visibility and reporting was cited as the most important benefit of logistics technology, allowing firms to streamline their operational costs and positively impact their profit margins.

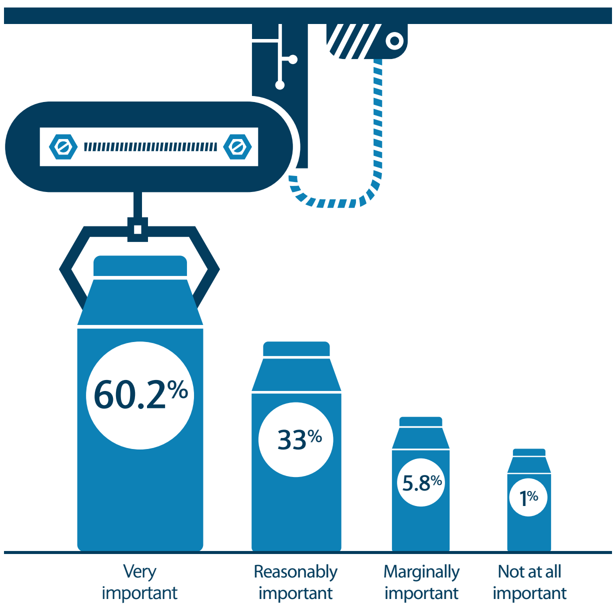
An operational advantage

Interestingly, the key perceived benefits of technology appear to be primarily internal rather than external, with participants focusing on the advantages in terms of operation and distribution rather than communication and collaboration. Only 12.4% of respondents cited improved customer communication as an important benefit of technology, while only 7.2% highlighted improved collaboration opportunities – either with customers or competitors.

Improved distribution

Although around a quarter of respondents (24.7%) highlighted more efficient distribution operations as a key area of benefit, the impact on warehouse operations is given less emphasis. The focus seems to be on using transport technology rather than in storage and warehousing, despite the growing advantages of warehouse automation.

How important is the use of technology to help your business gain a competitive advantage?



Transport planning management software is a key area of development, as are telematics, which can help companies to reduce fleet costs, boost driver safety and improve customer service. Installing telematics in fleet vehicles can help remote monitoring of driver behaviour, real-time goods tracking, vehicle diagnostics and early warning systems and GPS routing for dynamic scheduling.

> "People do not accept or fully understand the impact of technology and how it is going to transform logistics in the next 10 years."

Embracing and investing in new technologies is clearly important to enhance service and efficiency to help improve margins. The ability and willingness to invest in these capabilities ahead of the market can provide operators with a unique selling point that helps to differentiate them from competitors. This can shift the emphasis away from price in the buying decision.

With three in four companies expecting to increase capital expenditure over the next six months, these survey findings suggest that a good proportion of this is likely to be directed towards improvements in IT infrastructure and investments in new technology.

The collaboration conundrum

Collaboration is growing in importance, becoming a key focus for operators looking to improve efficiency.

Although acquisitions and joint ventures are key characteristics of the logistics sector, they are not always the most effective method of improving efficiency. With competition in the sector as fierce as ever, many see increased collaboration between operators as the key to efficient and effective logistics solutions at competitive and achievable rates. Our latest survey suggests that collaboration is growing in importance and becoming a key focus for operators keen to improve efficiency and reduce empty running. Three out of four operators say they have seen an increase in collaboration over the past 12 months.

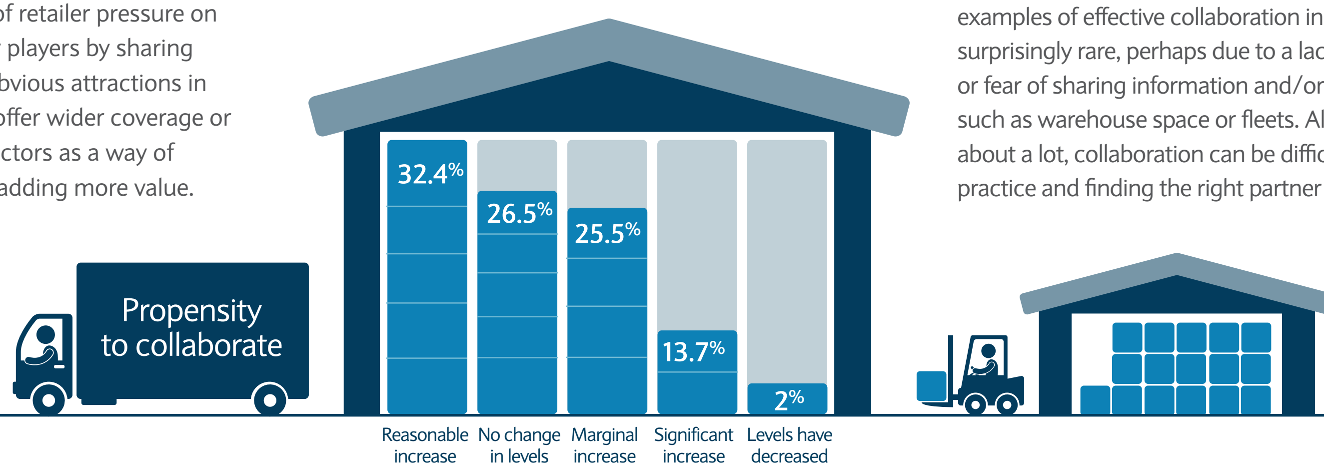
Key drivers

Collaboration has long been seen as a way for smaller operators to potentially offer a full service on a larger scale to help meet the challenge of retailer pressure on prices and to compete with larger players by sharing resources. In addition, there are obvious attractions in forming alliances or networks to offer wider coverage or specialise in particular industry sectors as a way of developing greater expertise and adding more value.

Opportunities for collaboration include shared services such as personnel and warehouse staff and increased back-hauling to optimise vehicle usage. Distribution improvements are one of the biggest benefits of increased collaboration, with advantages in outbound (secondary) distribution outweighing those of inbound (primary) distribution. “There is still an unacceptably high level of unnecessary empty running,” notes one respondent.

Warehouse operations are another area of opportunity, especially given the current concerns over warehouse capacity and shortage of space.

Have levels of collaboration with customers/service providers increased in the last 12 months?



Ecommerce opportunity

Ecommerce logistics is an area where collaboration is likely to grow in the future, with 12.1% of respondents seeing it as an area of increasing focus. The number of ecommerce players and their outreach continues to grow, stimulating the need for more effective logistics solutions to keep up with demand. One of the key trends in this area is collaboration between global firms, such as Amazon Logistics, and local service providers in order to provide same-day delivery. More advanced collaborations on planning and forecasting systems and even drone-based delivery services are also beginning to gain traction.

Competitive concerns

Despite the logistics industry’s best intentions, however, examples of effective collaboration in the sector are still surprisingly rare, perhaps due to a lack of confidence, trust or fear of sharing information and/or supply chain resources such as warehouse space or fleets. Although it is talked about a lot, collaboration can be difficult to implement in practice and finding the right partner is crucial to success.

Industry insight: customer-led innovation

CEO Dwain McDonald of DPD explains the story behind the company's innovative delivery systems.

While some parts of the parcel delivery market appear not to have moved on from the days of catalogues, there are pockets of incredible innovation. DPD has been at the forefront of many of these developments.

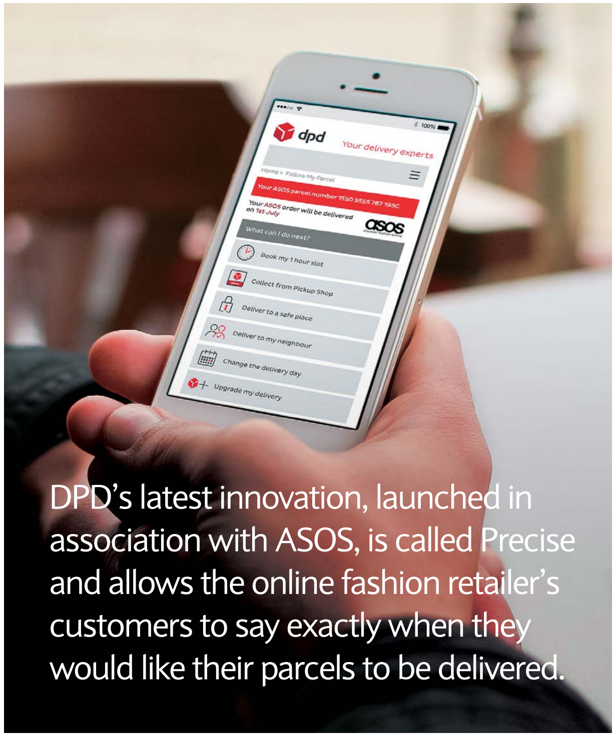
The story began in 2009, when DPD introduced a unique service called Predict, which gave customers advanced notification of exactly when their parcel would arrive. Instead of waiting in all day for a delivery, DPD customers receive a text or an email to give them their one-hour delivery slot. The notifications are generated automatically when drivers scan their parcels each morning in the depot. The system calculates the driver's exact, optimised route for the day, which in turn triggers the one-hour slots for each customer.

Personalised deivery

Retailers love Predict because their customers know exactly when their parcel is coming and can manage their own deliveries using a series of 'in-flight' options, which are available in the Predict text or email. These offer the ability to divert to a specified neighbour, leave in a specified safe place or at a DPD Pickup Parcel Shop.

The big challenge for the industry moving forward is to personalise the delivery experience even further. Every single customer's personal situation is unique – from the home they live in, to the way they work – and the old 'one size fits all' approach to delivery doesn't work anymore.

This means providing more information for the customer about their parcel, enabling more real-time, two-way dialogue and offering a wider range of delivery options to suit each individual's circumstances. This puts investment in IT at the forefront of everything the sector needs to do going forward.



UK retailers are busy reinventing what retail means by innovating both the in-store and online experience. The delivery sector needs to work in partnership with these retail innovators to constantly reimagine the delivery experience. The focus for the delivery sector should be on ensuring that it not only matches customers' expectations, but leaves them saying; "Wow, that's really cool."

DPD's latest innovation, launched in association with ASOS, is called Precise and allows the online fashion retailer's customers to say exactly when they would like their parcels to be delivered. With Precise, ASOS customers can accept their original delivery slot via the Predict notification, or select their preferred delivery day and their own specific one-hour delivery slot via DPD's 'in-flight' options.

Precise deliveries can be arranged for anytime in the following seven days, with customers choosing the one-hour time slot between 11am and 5pm that suits them best.

By focusing on making parcel delivery as personal as possible you are putting customers in complete control of their deliveries – something that is both genuinely liberating for consumers and helping to turn what was once a commodity service into a competitive advantage for retailers.

Key takeaways

- The H2 Logistics Sector Confidence Index shows a 2.3% increase in optimism compared to H1 2016 and now stands at 53.0
- The results of our latest survey suggest a resilient sector, with an increase in the number of respondents citing more favourable current business conditions, though the outlook remains challenging
- Logistics operators' biggest concerns are price competition, skills shortages and capacity, with continued pressure on profit margins
- Three quarters of companies expect to increase capital expenditure over the next six months, while almost half expect to increase headcount
- A shortage of good quality drivers and warehouse space are growing concerns
- Our survey respondents are generally uncertain about the impact of Brexit but there is some consolation through a short-term boost to exports
- Price competitiveness, value-added services and scale of networks are the key drivers of new contract wins
- Technology is seen as vital to gaining competitive advantage and differentiation in a cost-conscious market
- Collaboration is growing in importance, becoming a key focus for operators looking to improve efficiency.

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 16 years.

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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 the 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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