

OXFORD ECONOMICS

The Economic Impact of Express Carriers in Europe

Country Report: United Kingdom

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Executive Summary

The express industry in UK makes a substantial contribution to the UK economy ...

- The express industry contributed £2.3 billion to GDP in UK in 2010. The industry's gross value added (GVA) accounts for £1.1 billion of this total: the remainder is the GVA that the express industry supports in other sectors of the economy.
- 82,000 full time equivalent jobs were supported by the UK express industry in 2010. Over 38,000 people are directly employed in the express industry, while the express industry supports more than 43,000 jobs in other sectors of the economy.

... helping the development of the Single Market...

- 38% of UK companies surveyed frequently send shipments to other EU27 countries.
- Out of a total of 59 million cross-border express shipments sent from the UK, 30 million are sent to other EU27 countries.

...enabling European businesses to compete in the global market...

- One of the most important contributions that the express delivery industry makes to the European economy is to help firms compete in an increasingly global market.
- Out of a total of 59 million cross-border express shipments sent from the UK, 29 million shipments are sent to destinations outside the EU27.

... and plays a critical role in facilitating business processes for UK companies...

- Express delivery services are mostly used in business to business (B2B) markets.
- Many UK companies deliver items that are time-critical using express delivery services, and these services are integral to their business models.
- 34% of express customers surveyed in the UK indicate that express delivery options were important for their implementation of "just in time" inventory management.
- 55% of survey respondents said that they used express delivery because it offers an all-inclusive service that handles customs clearance for cross-border shipments.

...making it an essential service to many UK businesses

- UK businesses rely on express services for 28% of their sales revenue. A significant minority of UK businesses surveyed (28%) rely on express services for over 50% of their sales revenue.

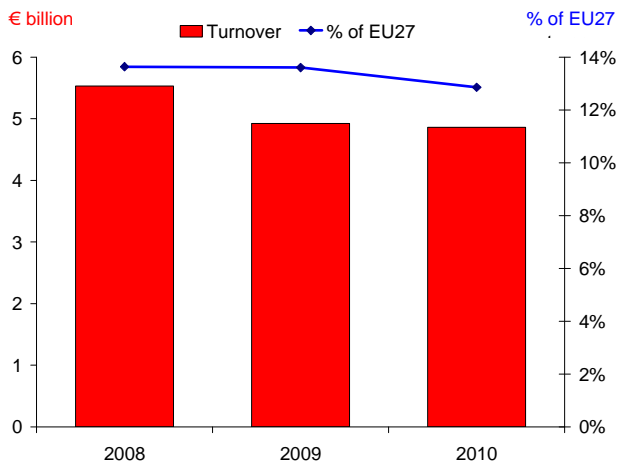
- Over 80% of UK businesses surveyed state that their businesses would be badly affected if international next-day delivery services were no longer available.
- Almost 80% of UK businesses surveyed expect to continue or increase their spending on express delivery services over the next five years. 20% expect to increase their spending by over 10%.

The express industry in the United Kingdom

UK Overview		
	UK	EU27
GDP (billion £)	1,455	10,513
GDP per head (£)	23,431	20,949
Population (million)	62	502

UK is a leading European economy. In 2010, GDP in the UK was £1.46 trillion, or 14% of the EU27 GDP. GDP per head, at around £23,400, is 12% higher than the EU27 average.

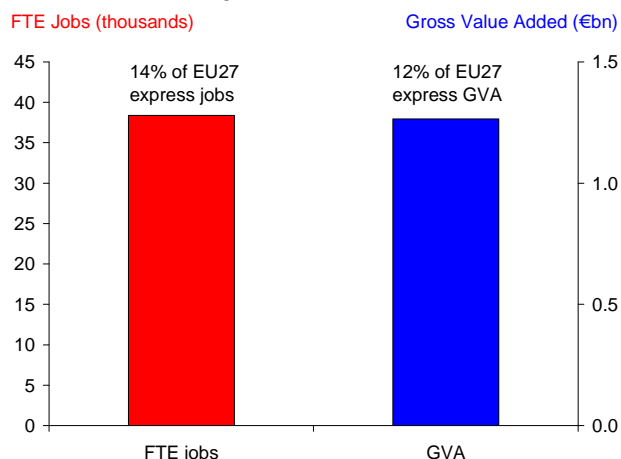
Chart 1: Industry's turnover in the UK



Source : Oxford Economics, industry data

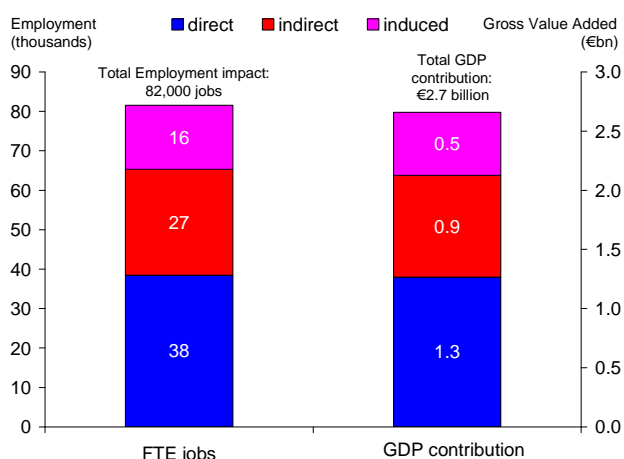
The UK express industry was hit hard by the global downturn in trade and GDP. Total turnover for the express industry was £4.2 billion in 2010, 12% lower than in 2008 (Chart 1). The UK's share of express industry turnover in the EU27 fell by 1 percentage point over that period.

The UK express industry directly contributed £1.1 billion to UK GDP and directly employed 38,400 people in 2010 (Chart 2).

Chart 2: Direct impacts in the UK, 2010

Source : Oxford Economics and industry data

Once the indirect supply-chain and consumer spending impacts are considered, the UK express industry supports around 82,000 UK jobs and contributes £2.3 billion to UK GDP (Chart 3).

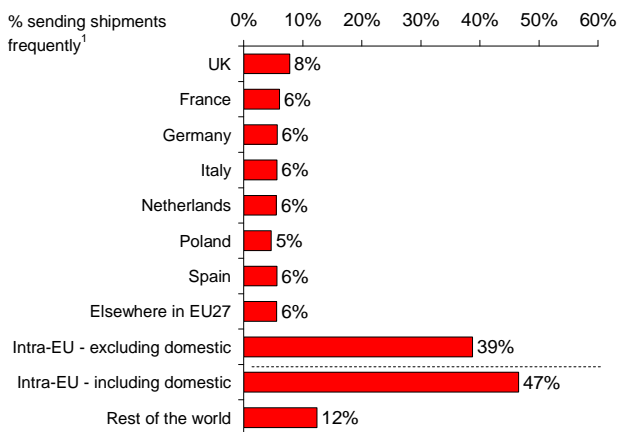
Chart 3: Total impacts in the UK, 2010

Source : Oxford Economics, industry data

The express delivery industry plays an important role in facilitating cross border trade within the Single European Market and trade to the rest of the world. Around 40% of respondents in the UK business survey¹ frequently send shipments to other countries in the EU27, and 12% frequently send shipments to countries outside the EU27 (Chart 4).

¹ The importance of the express delivery industry in European trade is highlighted by the results of a survey of UK companies. Conducted in June 2011 by an independent research group, NSM Research, the survey asked UK companies about their use of express delivery services. Companies were drawn from all sectors of the economy, and covered small, medium, and large enterprises. Questions explored the extent to which European companies rely on the express delivery industry to get timely shipments of production inputs, deliver finished goods to their customers, and remain competitive within domestic and international markets. The findings of similar surveys for France, Germany, Italy, the Netherlands, and Poland are described in their own country reports.

Chart 4: UK express industry customers sending shipments frequently to various destinations in 2010

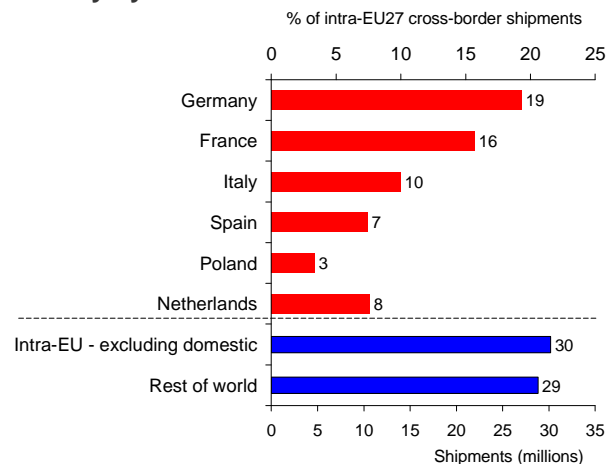


Source: Oxford Economics, NMS survey

¹ frequently defined as sending a shipment at least once a month

In 2010, express customers in the UK sent 30 million shipments to other EU27 countries, and 29 million shipments to destinations outside the EU27 (Chart 5).

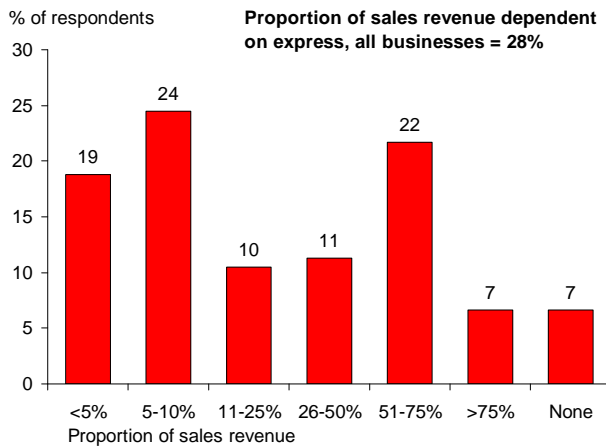
Chart 5: Shipments sent by the UK express industry by destination in 2010



Source : Oxford Economics, Industry data

Survey evidence shows that UK businesses rely on express delivery services for 28% of their sales revenue (Chart 6). A significant minority of firms (28%) reported that over 50% of their sales revenue is dependent on express delivery services. Only 7% of firms reported that their sales revenue did not depend to some extent on express delivery services.

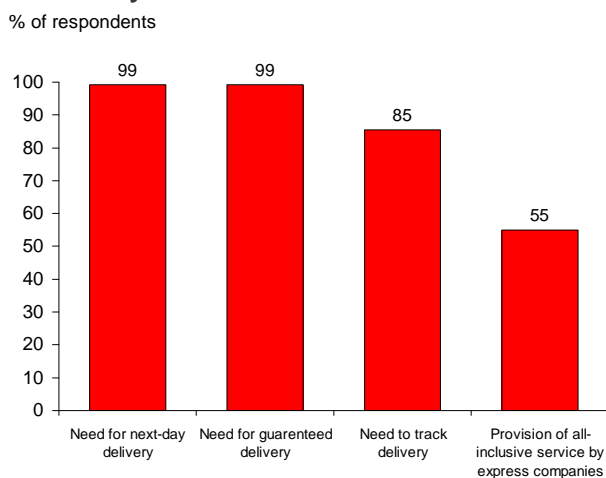
Chart 6: Proportion of UK company sales revenue dependent on express delivery services



Source : Oxford Economics, NMS survey

Nearly all UK businesses reported that they use the express services because it offers guaranteed next-day delivery (Chart 7).² Over 55% reported that the ability of the express delivery services industry to provide integrated value-added delivery services (e.g. dealing with customs clearance) is also an important factor in determining their use of the express delivery industry.

Chart 7: Reasons for using express delivery services by UK businesses



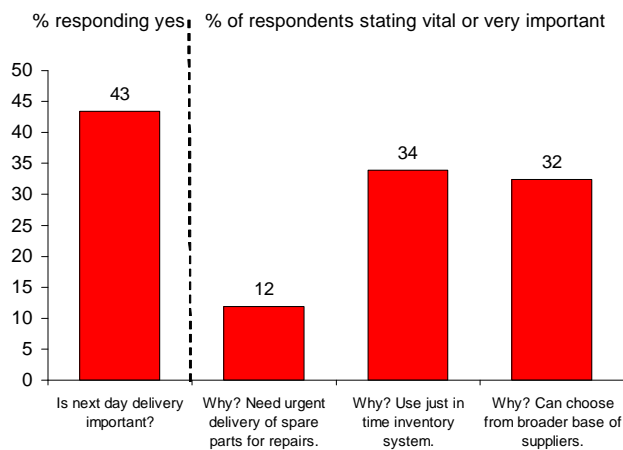
Source : Oxford Economics, NMS survey

² This report defines express services as those that guarantee delivery within a specified period, known as 'time-definite delivery'. In addition to next-day delivery, express also covers deferred services where delivery is guaranteed within a specified number of days, usually 3 or 4.

43% of UK companies report that next-day delivery is an important factor in their decision to use express delivery services. Companies gave a number of reasons for why next-day delivery is so important for them (Chart 8). It enables firms to:

- **Provide a better after-sales service**, providing a next-day delivery of urgent spare parts or a quick turnaround of repairs (12%).
- **Operate just-in-time inventory management**, reducing firms' storage costs, losses due to stock-outages and disruption caused by failure of machinery on production (34%).
- **Reduce purchasing costs**, by increasing the area from which inputs can be sourced and facilitating sourcing from cheaper suppliers (32%).

Chart 8: How UK firms use express delivery to aid their production processes

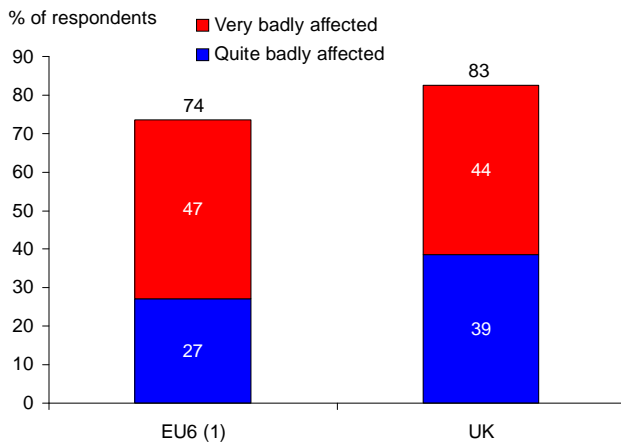


Source : Oxford Economics, NMS survey

Restrictions on international next-day delivery services not only have an adverse impact on the efficiency of the express delivery companies. They also damage the competitiveness of companies across the whole economy and have a substantial overall economic cost.

The wider costs of restrictions on express delivery services are clear from the survey of UK businesses across Europe (Chart 9).

Chart 9: Impact if international next-day delivery services were no longer available



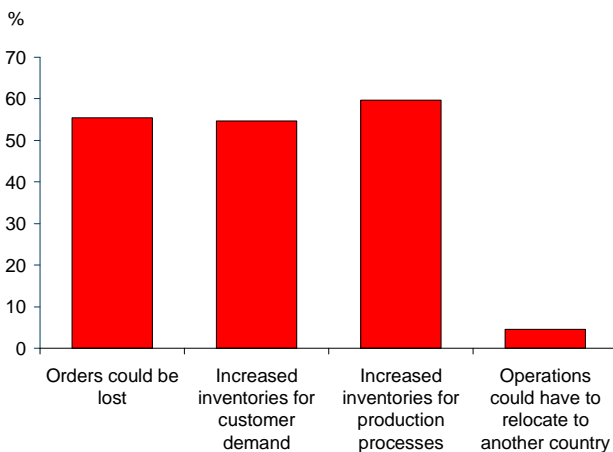
Source : Oxford Economics, NMS survey

(1) EU6 comprises Germany, France, Italy, Netherlands, Poland and the UK

Respondents believe that their companies would be seriously affected if government regulations were to mean that international next-day delivery services were no longer available:

- 83% of UK companies reported that their business would be badly affected, higher than the EU6 average of 74%.
- Over half of companies in the UK would expect their sales revenues to fall by around 15%, and another 55% of firms reported that they would have to hold increased levels of inventories to meet customer demand, hence experiencing higher costs of doing business.

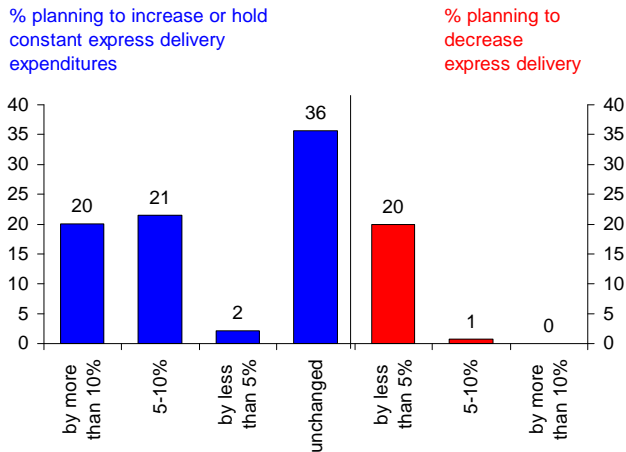
Chart 10: Impact of losing next-day express delivery



Source : Oxford Economics, NMS survey

Most UK companies expect to continue or increase their use of express delivery services. Almost 80% of UK businesses surveyed expect to continue or increase their spending on express services over the next five years: 20% expect to increase their spending by over 10%. Of the 20% that expected to reduce their spending, almost all expected to do so only marginally by less than 5%.

Chart 11: Future spending on express delivery services among UK businesses



Source : NMS survey data

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