Tritax Symmetry (Hinckley) Limited

HINCKLEY NATIONAL
RAIL FREIGHT INTERCHANGE

The Hinckley National Rail Freight Interchange Development Consent Order

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INDUSTRY REPORT H49.410

Freight Road Transport in the UK

Bumpy road: Enterprise numbers are set to fall owing to scarce labour

John Griffin | August 2022

Contents

Recent Developments

Russian invasion of Ukraine causes increase in oil prices

Russia's invasion of Ukraine has compounded supply chain disruptions and worsened oil price inflation. In retaliation to the invasion, the UK announced that Russian oil will be phased out and European leaders stated that the majority of Russian oil imports will be blocked by the end of 2022. Despite around only 6% of the UK's oil supply being imported from Russia, world wide sanctions have resulted in an increase in oil prices globally, including in the UK, with the price of Brent crude oil increasing by around 39% over the year through July 2022 according to Trading Economics. Consequently, this has resulted in significant inflationary pressures, with increases in transport costs stemming from rising motor fuel prices being the largest contributor to inflation in the UK during the 12 months through June 2022. This has also driven price increases in other oil industries and sectors which consume oil, resulting in increased costs for both consumers and businesses.

IBISWorld analysts continually monitor the economic impact of current events. The above headlines are expected to impact this industry. The content in this report will soon be updated to reflect their significance.

This section last udpated August 10, 2022

About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you, your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

About This Industry

Industry Definition

This industry transports freight by road. This includes the haulage of bulk, stock and heavy, as well as both liquid and refrigerated transport. The industry also carries vehicles, waste materials and logs. The operation of terminals, packing and courier activities are not included in the industry.

Major Players

DHL Supply Chain Ltd

Main Activities

The primary activities of this industry are:

Transporting freight by road

Hiring road haulage vehicles with drivers

Haulage of refrigerated and liquid goods

The major products and services in this industry are:

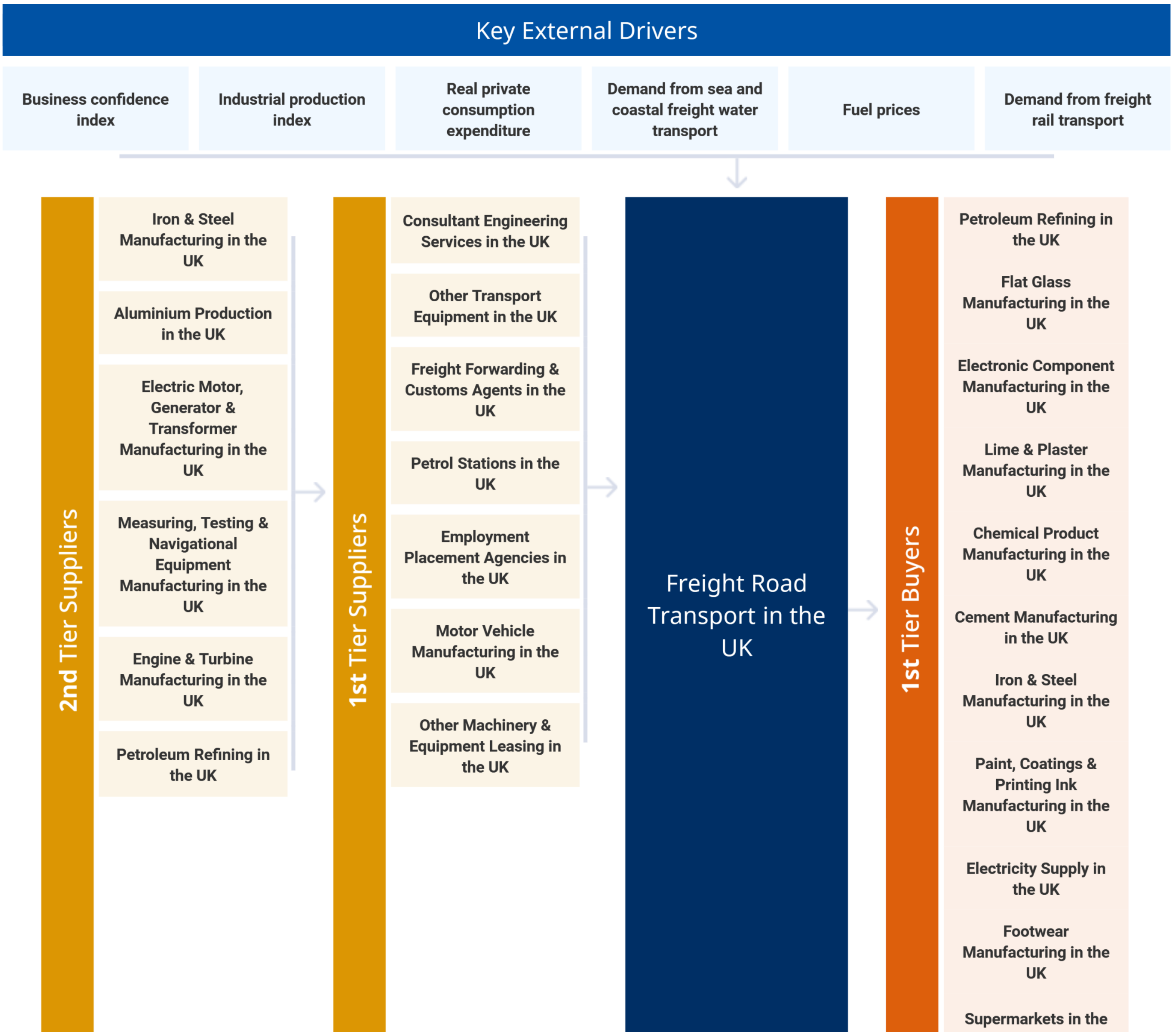
Transport by articulated lorry

Transport by rigid lorry

Transport by light goods vehicle

Other

Supply Chain



SIMILAR INDUSTRIES

Freight Rail Transport in the UK
Competitor

Removal Services in the UK
Complementor

Warehousing & Storage in the UK
Complementor

Freight Forwarding & Customs Agents in the UK
Complementor

RELATED INTERNATIONAL INDUSTRIES

Local Freight Trucking in the US
Long-Distance Freight Trucking in the US
Local Specialized Freight Trucking in the US
Vehicle Shipping Services
Long-Distance Refrigerated Trucking
Dump Truck Services
Road Freight Transport in Australia
Freight Trucking in China
Local Freight Trucking in Canada
Long-Distance Freight Trucking in Canada
Road Freight Transport in New Zealand
Freight Road Transport in Ireland

Industry at a Glance

Key Statistics

£33.3bn
Revenue

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
2.2%	1.7%	

£3.0bn
Profit

Annual Growth 2018–2023	Annual Growth 2018–2023
-7.8%	

9.1%
Profit Margin

Annual Growth 2018–2023	Annual Growth 2018–2023
-6.1pp	

58,874
Businesses

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
4.1%	-0.5%	

274k
Employment

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
1.6%	-0.9%	

£8.6bn
Wages

Annual Growth 2018–2023	Annual Growth 2023–2028	Annual Growth 2018–2028
3.2%	-0.2%	

Key External Drivers

% = 2018–23 Annual Growth

-0.2%
Business confidence index

0.9%
Industrial production index

1.2%
Real private consumption expenditure

5.3%
Fuel prices

0.1%
Demand from freight rail transport

-0.9%
Demand from sea and coastal freight water transport

Industry Structure

POSITIVE IMPACT

Concentration
Low

MIXED IMPACT

Life Cycle
Mature

Capital Intensity
Medium

Regulation & Policy
Medium / Increasing

Technology Change
Medium

Industry Globalization
Medium / Steady

NEGATIVE IMPACT

Revenue Volatility
High

Industry Assistance
Low / Steady

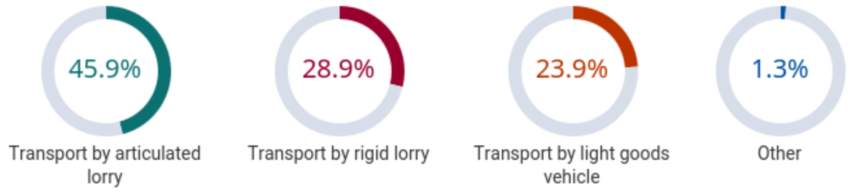
Barriers to Entry
Low / Increasing

Competition
High / Increasing

Key Trends

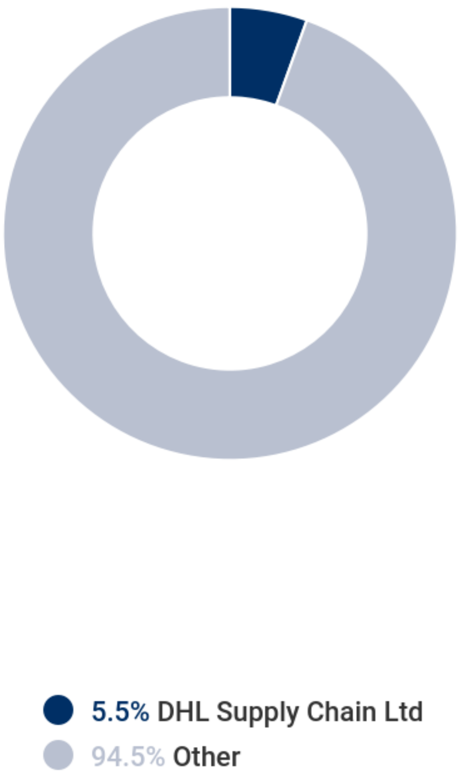
- In 2021-22, the reopening of the economy supported a strong rebound in demand for industry services
- Enterprise expansion has been limited throughout the past five years due to an undersupply of qualified drivers
- Domestic freight volumes are expected to remain subdued through 2022-23, owing to lingering supply chain disruption
- The UK's exit from the EU customs union is likely to have a dragging effect on the industry over the next five years
- Driverless technology is a major development expected to be introduced to the industry over the next five-year period
- One of the main challenges to affect the industry over the next five years is the introduction of longer HGVs

Products & Services Segmentation



Freight Road Transport
Source: IBISWorld

Major Players



Freight Road Transport
Source: IBISWorld

SWOT

S **STRENGTHS**

Low Imports
High Profit vs. Sector Average
Low Customer Class Concentration
Low Product/Service Concentration
High Revenue per Employee

W **WEAKNESSES**

Low & Increasing Barriers to Entry
Low & Steady Level of Assistance
High Competition
High Volatility
High Capital Requirements

O **OPPORTUNITIES**

High Revenue Growth (2018-2023)
Industrial production index

T **THREATS**

Low Revenue Growth (2023-2028)
Low Performance Drivers
Business confidence index

Executive Summary

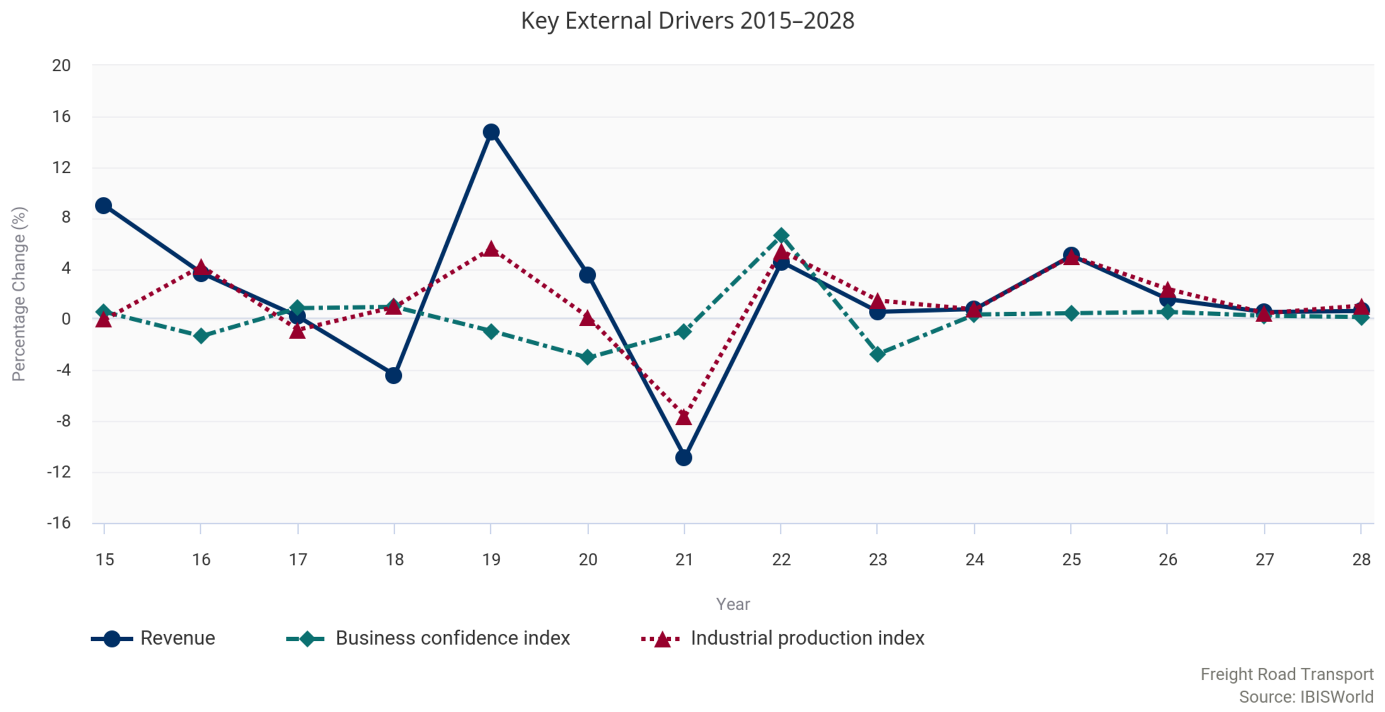
Bumpy road: Enterprise numbers are set to fall owing to scarce labour

The Freight Road Transport industry operates the most extensive transport network of all freight modes, providing much-needed flexibility and the convenience of door-to-door haulage. The industry has historically offered faster and more reliable delivery times and less damage to goods than other freight methods. According to the latest data from the Department for Transport, road transport accounted for 77.4% of all goods moved in the United Kingdom in 2020. The industry is highly competitive and fragmented, with only one company, DHL Supply Chain, accounting for a market share greater than 5%.

Industry revenue is expected to increase at a compound annual rate of 2.2% over the five years through 2022-23 to reach £33.3 billion. Domestic freight volumes increased over the two years through 2019-20, aided by robust downstream industrial output. International freight volumes increased in 2018-19, before recording a notable dip in 2019-20, owing to the initial effects of the COVID-19 (coronavirus) pandemic on international trade. Reduced domestic and global economic activity compounded restrictions placed on capacity to spur a significant decline in industry revenue in 2020-21. Despite recovering from initial coronavirus-induced lows, freight volumes are expected to remain below pre-pandemic levels over the two years through 2022-23. Revenue is expected to grow by 0.6% in 2022-23, with demand constrained by stalled UK economic growth. Industry profit margins are expected to contract in the current year, as a result of record-high fuel prices and a severe shortage of qualified drivers.

Industry revenue is forecast to rise at a compound annual rate 1.7% over the five years through 2027-28 to reach £36.3 billion. Freight volumes are expected to remain constrained in the near-term, with economic conditions forecast to continue to deteriorate. Continued efforts made by the government to promote less fuel-intensive transport methods, such as rail and sea transport, is expected to reduce the industry's overall share of freight movements in the United Kingdom. The extension of the Mode Shift Revenue Support scheme, which offers additional funding to companies when the operating costs associated with running rail or inland water freight transport instead of road are more expensive, until March 2025 is expected to support this aim.

Industry Performance



Key External Drivers

Business confidence index

The business confidence index is an indicator of businesses expectation of the future and drives decisions on inventory levels. When confidence declines, firms expect trade to reduce in the future and likely to demand less industry services as they allow stock levels to fall. The business confidence index is expected to decline in 2022-23, as inflationary pressures and geopolitical tensions weigh on sentiment. This presents a threat to industry demand.

Industrial production index

The industrial production index can be used as a proxy for the demand of total freight transport of inputs and finished goods by production industries. When manufacturing activity rises, freight transport is required to move both inputs and outputs, supporting industry demand. IBISWorld expects the industrial production index to increase in 2022-23, presenting an opportunity to industry operators.

Real private consumption expenditure

Private consumption levels affect demand for food, manufactured goods and petroleum products, which are often transported by industry operators. Increasing private consumption expenditure benefits demand for industry services and boosts industry revenue. In 2022-23, IBISWorld expects real private consumption expenditure to rise, which is likely to result in more demand for industry services.

Demand from sea and coastal freight water transport

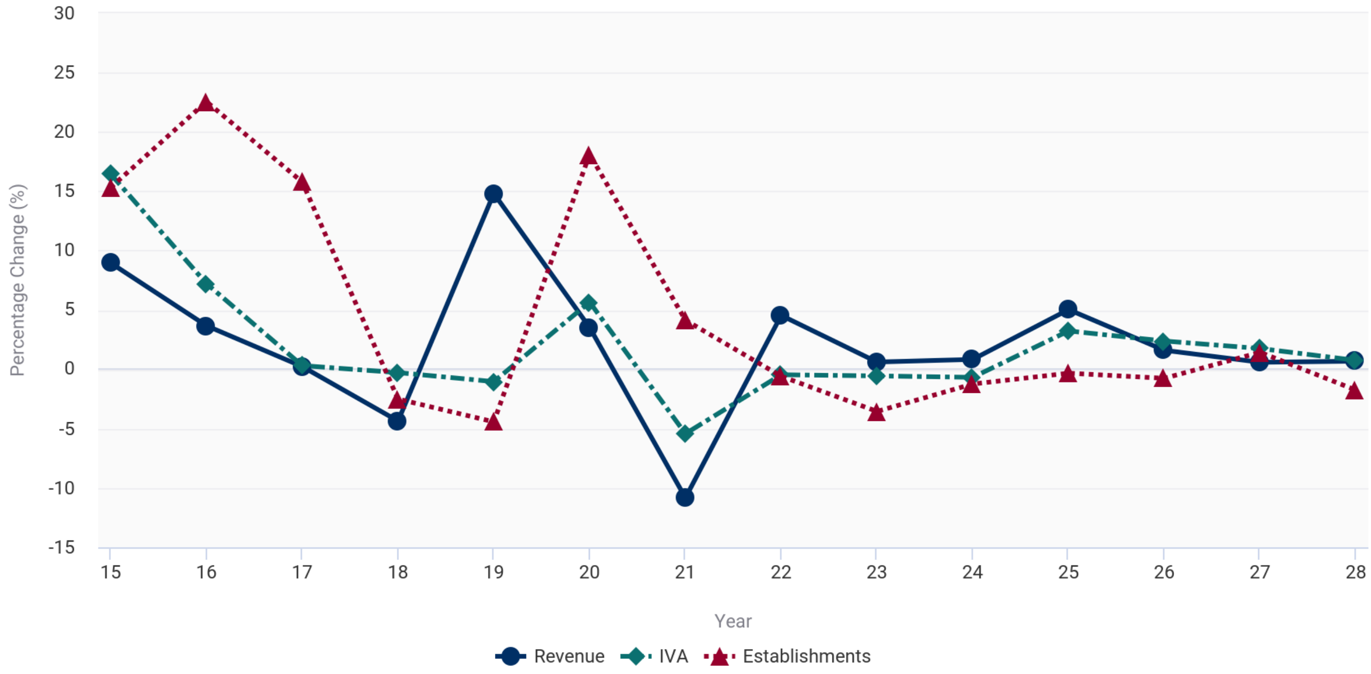
Sea and coastal freight water transport is the second most prevalent form of freight transport, according to the Department for Transport, and is therefore the industry's largest competitor. A rise in demand from sea and coastal freight water transport is likely to reduce demand for road freight transport. Over 2022-23, demand for freight water transport is expected to increase, which could limit freight road transport to account for a smaller proportion of total freight transport.

Fuel prices

Fuel is a significant cost for the industry and changes in fuel prices can significantly affect the viability of a road transport business. Network Rail estimates that rail transport is nearly three times more fuel efficient than road transport, and that both the rail and road industries are less fuel-efficient than coastal sea transport. Hikes in fuel prices increase operating costs for the road freight industry more than for rail and water. In 2022-23, the rise in fuel prices is likely to hinder industry profit margins.

Demand from freight rail transport

Demand from the Freight Rail Transport industry (IBISWorld report H49.200) competes with freight road services. Data from the Department for Transport states that rail freight is the third most prevalent method to move goods in the United Kingdom. As demand for rail freight increases, it is likely to constrain demand for road freight. Demand from freight rail transport is expected to rise in 2022-23.



Freight Road Transport
Source: IBISWorld

Current Performance

Roads are the main method of transporting freight within the United Kingdom.

According the Department for Transport (DfT), road transport accounted for 77.4% of all goods moved in the United Kingdom in 2020. Industry revenue is expected to increase at a compound annual rate of 2.2% over the five years through 2022-23, reaching £33.3 billion. Domestic road freight recorded a strong rise over the two years through 2019, reaching 153.8 tonne kilometres. Additionally, international road freight by UK registered heavy goods vehicles (HGVs) increased over the two years through 2018, before declining by 12.4% to five billion tonne kilometres in 2019. The COVID-19 (coronavirus) pandemic led to a significant decline in both domestic and international freight volumes in 2020, as operational disruption caused by strict public health restrictions was compounded by a contraction in downstream economic activity. Increased freight rates, renewed growth in international trade volumes and a rebound in downstream economic activity is expected to have supported revenue growth in 2021-22. Industry revenue is expected to increase by 0.6% in 2022-23, though lingering supply chain disruption and a severe shortage of HGV drivers is expected to maintain revenue and profitability below pre-pandemic levels in the current year.

TRADE FLUCTUATIONS

Demand for industry services is linked to international trade volumes and downstream business activity.

Despite widespread economic uncertainty following the outcome of the EU referendum, industrial production activity increased during the opening part of the period, supporting a rise in demand for domestic freight services over the two years through 2019-20. This growth was largely underpinned by stockpiling activity among UK firms in the lead up to planned exit dates between the United Kingdom and the European Union. Widespread stockpiling among downstream operators also provided an unseasonal boost to international trade volumes, with the value of goods imports, excluding precious metals, recording a 9.9% increase over the three months through March 2019, prior to the initial exit date proposed of 29 March 2019, according to the Office for National Statistics (ONS). Subsequent delays to the exit date, firstly to October 2019, then to 30 January 2020, spurred ongoing stockpiling activity throughout 2019-20, most notably during the first half of the year, supporting demand for both domestic and cross-border industry services.

COVID-19

Demand for industry services began to be affected by the coronavirus outbreak in the final quarter of 2019-20, with origin of the outbreak causing a reduction in the volume of goods arriving from Asia.

This contributed to a 30.6% reduction in international road freight by UK-registered vehicles in the final quarter of 2019-20, compared with the same period in 2018-19, according to the DfT. As the outbreak reached Europe and the United Kingdom in 2020-21, the decline in freight volumes accelerated. Domestic freight volumes declined by 20% in the first half of 2020-21, compared with the same period in 2019-20. This decline was underpinned by reduced demand from downstream automotive, aviation and hospitality markets, as well as social distancing measures, which limited operational capacity. However, demand from certain parts of the retail sector, particularly food retailers, is expected to have mitigated the decline in demand. International freight volumes declined by almost 25% over the same period, owing to reduced global economic activity and restrictions placed on international movements. Domestic freight volumes recovered close to seasonal averages in the second half of 2020-21. However, international freight transport was stunned in December 2020, following France's decision to close its border with the United Kingdom, preventing UK registered vehicles from accessing the continent. Much of this was quickly worked through, though the implementation of new trade arrangements between the United Kingdom and the European Union spurred a further decline in demand for international road freight services in the latter part of 2020-21.

The reopening of the domestic and global economy supported a strong rebound in demand for industry services during 2021-22. According to the DfT, domestic freight volumes increased by 58.1% in the first quarter of 2021-22. International freight volumes recorded more modest growth of 7.4%, as the UK's adjustment to its new trade relationship with the EU continued to weigh on import and export volumes. International freight volumes are expected to recover throughout the remainder of 2021-22, post EU-exit trade volumes gathering pace as downstream firms adjust to new trade volumes. According to the ONS, the value of goods exports and imports, excluding precious metals, increased by 13.3% and 20.8% respectively in 2021-22, though this is measured against a coronavirus-induced slump recorded in the previous year. However, domestic freight volumes are expected to remain subdued through the current year, owing to lingering supply chain disruption, most notably caused by a severe global shortage of semi-conductors, in key downstream markets.

ON THE ROAD

The industry is dominated by microbusinesses that consist of a single owner-driver or have only one or two employees.

According to the latest data from the Office for National Statistics, approximately 83.8% of businesses employed fewer than five staff members in 2021. Profit contributes to the owner's equity in a business, providing them with an income stream separate from wages. In general, as owners cut the number of employees, wages proportion of revenue decreases and profit increases. Attracted by the low fuel costs and lower cost of capital, the barriers to entry dropped for the industry over the beginning of the period, resulting in the number of enterprises and establishments in the industry increasing at compound annual rates of 4.1% and 2.4% respectively over the five years through 2022-23. Much of this growth is expected to have been accounted for by small businesses, with the number of Light Goods Vehicles on British roads increasing over the four years through 2020 to reach 4.2 million.

The ability for enterprise expansion has been limited throughout the period due to the now chronic undersupply of appropriately qualified drivers. A report by the Freight Transport Association found that 15% of firms did not expect to fill vacancies in 2019, which reiterates the findings of a 2017 report. More recently, this shortage has exacerbated by the coronavirus pandemic and the end of the transition period between the United Kingdom and the European Union, as a significant testing backlog has been accompanied by an exodus of EU workers and reduced access to EU labour markets. In October 2021, the Road Haulage Association estimated that there was a shortage of more than 100,000 qualified drivers in the United Kingdom. Pressures eased during the latter part of 2021, aided by increased funding for HGV driver tests and the introduction of temporary visas for 5,000 lorry drivers to work in the United Kingdom. This is expected to have led to an accelerated rise in average wages across the industry during the current year. In addition to record high fuel prices, this is expected to have contributed to a significant contraction in average industry profit margins in 2021-22. Operators responded by increasing prices, with the average price-per-mile for haulage and courier vehicles in the United Kingdom increasing by 15% between January 2021 and January 2022, according to Transport Exchange Group's road transport price index. This trend is expected to continue through the current year, with fuel prices continuing to rise following the implementation of sanctions on Russian oil in response to Russia's invasion of Ukraine. The economic implications of Russia's invasion of Ukraine and spiralling inflation is expected to weigh on activity in key downstream markets in the current year, constraining domestic freight volumes.

Historical Performance Data

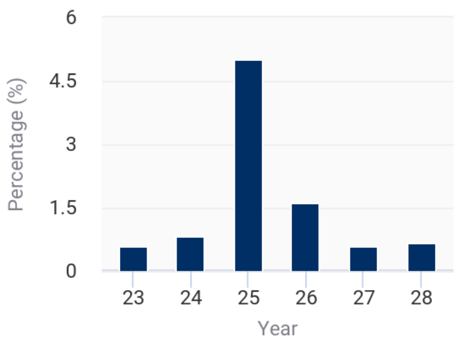
Year	Revenue (£m)	IVA (£m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (£m)	Imports (£m)	Wages (£m)	Domestic Demand (£m)
2013-14	27,573	11,277	33,493	31,858	227,457	N/A	N/A	6,579	N/A
2014-15	30,045	13,133	38,621	36,548	209,946	N/A	N/A	6,932	N/A
2015-16	31,148	14,081	47,332	44,563	241,255	N/A	N/A	7,540	N/A
2016-17	31,221	14,125	54,802	51,333	274,693	N/A	N/A	7,296	N/A
2017-18	29,860	14,086	53,430	48,132	253,431	N/A	N/A	7,352	N/A
2018-19	34,284	13,940	51,065	49,931	275,348	N/A	N/A	7,861	N/A
2019-20	35,493	14,730	60,323	58,818	277,971	N/A	N/A	8,243	N/A
2020-21	31,650	13,930	62,824	61,303	288,299	N/A	N/A	8,265	N/A
2021-22	33,088	13,866	62,454	60,989	285,421	N/A	N/A	8,572	N/A
2022-23	33,292	13,789	60,242	58,874	274,173	N/A	N/A	8,595	N/A

Industry Outlook

Outlook

The Freight Road Transport industry's revenue is expected to rise at a compound annual rate of 1.7% over the five years through 2027-28 to reach £36.3 billion.

Industry Outlook
2023–2028



Freight Road Transport
Source: IBISWorld

Freight volumes are expected to remain constrained in the near term as uncertainty surrounding nearcterm economic prospects persists. Government efforts to reduce emissions, road network congestion, fuel prices and barriers to introducing new technology may reduce the industry's competitiveness in the coming years. The number of enterprises is expected to decline at a compound annual rate of 0.5% over the five years through 2027-28, as the industry continues to contend with limited access to skilled labour. New technology being developed over the next five years includes fleet telematics and electrification.

UK'S EXIT

On 1 January 2021, the United Kingdom left the EU customs union and introduced a series of paperwork and regulation dictating EU-UK trade.

This is likely to have a dragging effect on the industry as hauliers and their customers continue adjust to the new relationship over the coming months and years, adding delay, cost and complication to international freight transport. Additionally, the agreement resulting the Northern Ireland Protocol, which in effect results in a border across the Irish Sea between Great Britain and Northern Ireland, with much of the same effects as that of the change in the EU-UK relationship. Following an initial slump in the immediate aftermath of the introduction of the EU-UK Trade and Cooperation Agreement (TCA), trade volumes have rebounded over the latter part of the past five-year period, with the effects of the new trade arrangements expected to continue to dissipate in the medium-term. The new immigration regime has also limited industry access to EU labour, compounding the current labour shortage. The new trade arrangements also include reduced cabotage for foreign-based operators, which are now only allowed to make one further drop-off and pick-up within the United Kingdom, down from three of each under membership and the transition period. However, this level of access was reciprocated, with industry operators only allowed up to two pick-ups and drop-offs within the European Union.

GOVERNMENT INVOLVEMENT

Government interventions are likely to be somewhat detrimental to the industry over the next five years, as the government continues to promote alternative freight transport methods to cut total emissions.

Less fuel-intensive methods, such as rail and sea transport, are expected to become more popular for moving goods to distribution hubs. The Mode Shift Revenue Support scheme is designed to support this aim, offering additional funding to companies running rail or inland water freight transport instead of road. Over 2018-19, the scheme is expected to have contributed towards a reduction of over 19,000 lorry journeys. The scheme was due to remain in place until March 2020, though this has been extended through to March 2025. The Office for Low Emission Vehicles and Innovate UK, via the Faraday Industrial Strategy Challenge Fund, are set to provide significant levels of funding to enable the commercialisation of LGVs and HGVs. This is expected to generate some new technologies over the next five years.

ELECTRIC SWITCH

Pressure to reduce carbon emissions has increased in recent years but few firms have opted to buy new electric or hybrid commercial vehicles.

Although the Plug-in-Van grant incentive of up to £8,000 was introduced in early 2012, range anxiety surrounding electric vans curbed interest in the scheme. In an effort stimulate demand the government extended the Plug-in-Van grant scheme to larger electric vans and lorries from October 2016, supplementing the fund with an additional £4 million. It is uncertain whether this scheme has supported and will likely continue to support a more successful than the initial attempt to entice companies to switch to electric vehicles. The scheme will be facilitated by the Automated and Electric Vehicles Bill, which aims to improve infrastructure for electric vehicles and increase the number of charge points on motorways through a £1.2 billion investment. Support for the adoption of electric vehicles is expected to be maintained in the coming years, as the government works towards its target for all HGV's to be zero-emission by 2040.

Driverless technology is another major development expected to be introduced in the industry over the next five years. This technology would enable a convoy of lorries to drive close together and coordinate their movements and speed. This would reduce fuel consumption and emissions while also decreasing road congestion.

HEAVY GOODS VEHICLES

One of the main changes to affect the industry in the coming years, is the introduction of longer HGVs, named longer semi-trailers (LSTs).

Following lobbying by road freight associations, the government began a trial of LSTs in January 2012. The trial is expected to last until 2027 and applies to just 2800 vehicles, which must also comply with the current domestic weight limit of 44 tonnes for vehicles with six axles. The benefits of longer trailers are reduced congestion and greater fuel efficiency, which would help lower industry carbon emissions. Longer vehicles would also improve productivity, enabling each vehicle to carry two more rows of pallets or three more rows of goods cages, thus making road freight more competitive against other modes of freight transport. However, the Freight Rail Transport industry (IBISWorld report H49.200) and community groups have called for restrictions on the operation of longer vehicles. Arguments against wider use of longer HGVs have focused on safety concerns. Longer lorries have a greater tail swing, more driver blind spots and less manoeuvrability compared with standard-length lorries, although, under the trail terms they must have the same 13.6 metre turning circle, often using real axle steering.

The Department for Transport's 2018 trial evaluation revealed promising figures for the industry, suggesting there was a 55% reduction in per kilometre personal injury collisions, while carbon emissions were successfully reduced. According to the report, the average percentage distance saving from using LSTs was approximately 7.5% to the end of 2018, equivalent to one in every 13 journeys. Additionally, over half of operators in the trial found a 10-15% saving in efficiency. However, campaign group Freight on Rail criticised the data and safety factors. Additionally, the trial is still a long time from complete, so different conclusions may be drawn as it continues. Employment is expected to decline at a compound annual rate of 0.9% over the five years through 2027-28, owing to continued improvements in productivity, reducing the need for additional drivers, and ongoing labour shortages.

Performance Outlook Data

Year	Revenue (£m)	IVA (£m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (£m)	Imports (£m)	Wages (£m)	Domestic Demand (£m)
2022-23	33,292	13,789	60,242	58,874	274,173	N/A	N/A	8,595	N/A
2023-24	33,570	13,696	59,497	58,190	269,667	N/A	N/A	8,292	N/A
2024-25	35,259	14,140	59,303	58,044	267,673	N/A	N/A	8,393	N/A
2025-26	35,824	14,477	58,853	57,648	264,549	N/A	N/A	8,459	N/A
2026-27	36,038	14,732	59,695	58,517	267,225	N/A	N/A	8,569	N/A
2027-28	36,286	14,842	58,649	57,536	261,457	N/A	N/A	8,492	N/A
2028-29	36,685	15,250	59,785	58,695	265,422	N/A	N/A	8,794	N/A

Industry Life Cycle

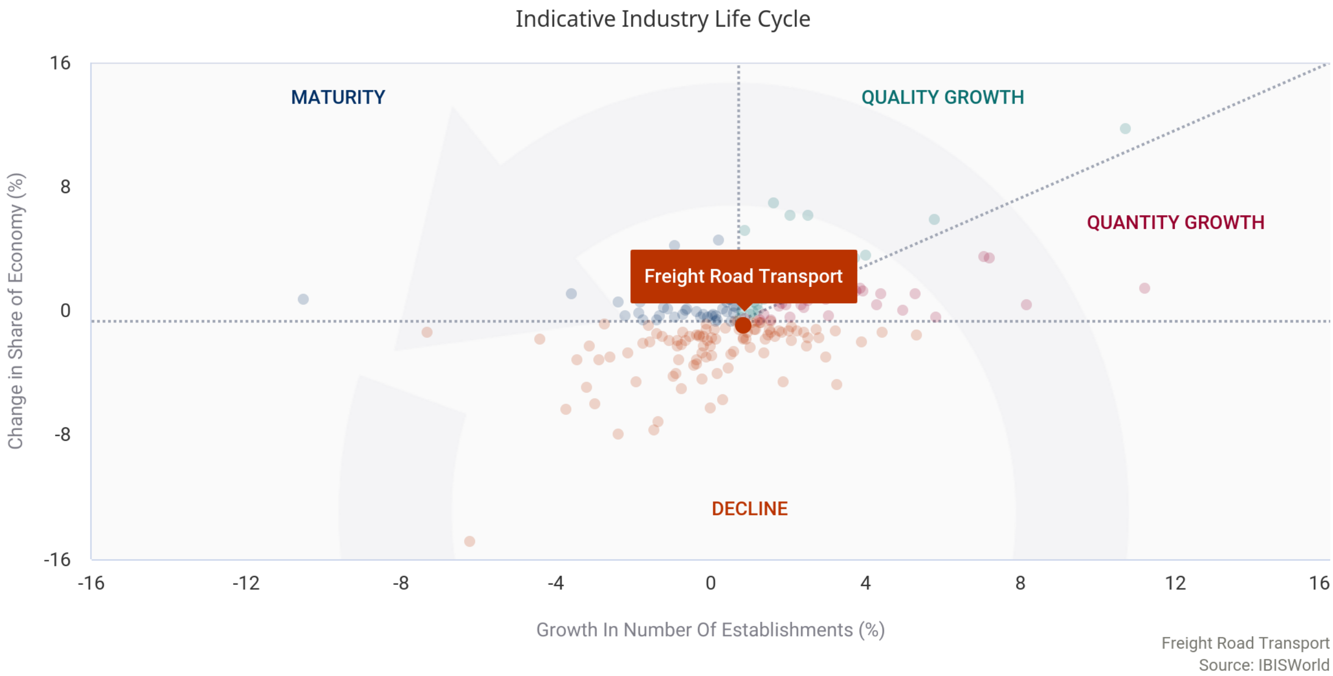
The life cycle stage of this industry is ⊖ Mature

LIFE CYCLE REASONS

Industry value added is expected to grow at a similar rate to UK GDP over the decade through 2027-28

The industry has not developed any significant new markets

Competition has intensified over the past five years



The Freight Road Transport industry is in the mature stage of its life cycle. Industry value added, a measure of the industry's contribution to the wider economy, is expected to rise at a compound annual rate of 0.5% over the 10 years through 2027-28. UK GDP forecast to grow at a compound annual rate of 1.4% over the same period. This suggests that the industry will grow at a similar rate to the UK economy over the period, indicative of an industry in the growth stage of its life cycle.

The transport sector has displayed changes in technology in the past decade, with the introduction of GPS mapping and location, telematics, radio-frequency identification and more fuel-efficient vehicles. However, this has not resulted in a new growth phase for the industry. This is partly because many of these alterations have been instated due to regulatory changes such as the Euro I to VI emissions standards and therefore do not reflect organic development. However, more disruptive changes are in the pipeline as the government strives to reduce greenhouse emissions. This includes increased adoption of electric vehicles in line with government targets, as well as developments in automated vehicles. Increased investment into innovation along the supply chain could potentially return the industry to growth over the next five years. However, industry demand is expected to continue to be dictated by levels of activity in downstream markets, while operators are expected to continue to be constrained by labour shortages in the coming years.

Products & Markets

Supply Chain

Key Buying Industries

1st Tier

- Petroleum Refining in the UK
- Flat Glass Manufacturing in the UK
- Electronic Component Manufacturing in the UK
- Lime & Plaster Manufacturing in the UK
- Chemical Product Manufacturing in the UK
- Cement Manufacturing in the UK
- Iron & Steel Manufacturing in the UK
- Paint, Coatings & Printing Ink Manufacturing in the UK
- Electricity Supply in the UK
- Footwear Manufacturing in the UK
- Supermarkets in the UK

Key Selling Industries

1st Tier

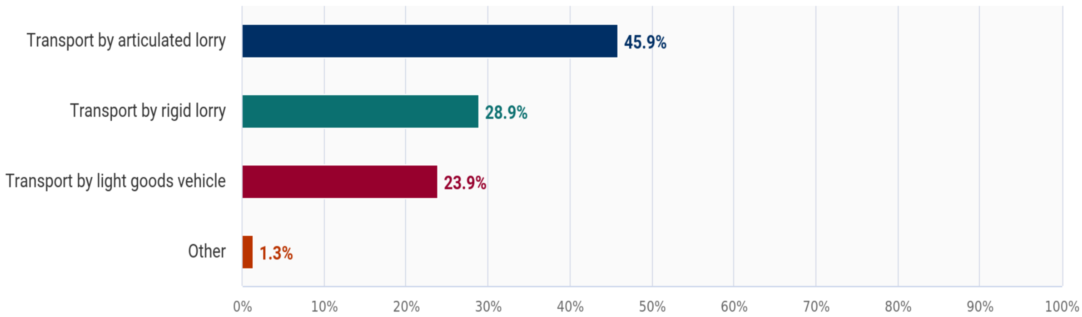
- Consultant Engineering Services in the UK
- Other Transport Equipment in the UK
- Freight Forwarding & Customs Agents in the UK
- Petrol Stations in the UK
- Employment Placement Agencies in the UK
- Motor Vehicle Manufacturing in the UK
- Other Machinery & Equipment Leasing in the UK

2nd Tier

- Iron & Steel Manufacturing in the UK
- Aluminium Production in the UK
- Electric Motor, Generator & Transformer Manufacturing in the UK
- Measuring, Testing & Navigational Equipment Manufacturing in the UK
- Engine & Turbine Manufacturing in the UK
- Petroleum Refining in the UK

Products & Services

Products and Services Segmentation



2023 INDUSTRY REVENUE

£33.3bn

Freight Road Transport
Source: IBISWorld

Industry operators use two main types of vehicles to transport goods both domestically and internationally; light goods vehicles (LGVs), which loaded weigh less than 3.5 tonnes and heavy goods vehicles (HGVs), which weigh more than 3.5 tonnes.

Road freight activity can be split between own account operators and public haulage operators. Public haulage operators usually carry a higher proportion of activity than own account operators, with public haulage operators representing 61% of HGV tonne kilometres in 2020 according to the Department for Transport (DfT).

TRANSPORT BY ARTICULATED LORRY

Articulated lorries are lorry and trailer combinations that are capable of carrying between 26 and 44 tonnes.

They are most commonly used for carrying long-distance road freight in the United Kingdom and their use is expected to account for 45.9% of industry revenue in 2022-23. Articulated lorries are the most common type of transport vehicle that passes between Britain and Continental Europe. Demand for freight carried by articulated lorries is expected to grow at a faster rate than overall demand for road freight, which means the share of revenue attributable to articulated lorries is anticipated to increase as a share of industry revenue over the five years through 2022-23. In 2020, the DfT reported that over 841 million tonnes of freight were carried by articulated vehicles.

TRANSPORT BY RIGID LORRY

Rigid lorries are single-tray vehicles, which loaded weigh over 3.5 tonnes and is no longer than 12 meters and account for 28.9% of industry revenue over 2022-23.

Rigid lorries have contributed a declining share of revenue over the past five years because more freight has shifted to both larger and articulated vehicles, small lorries and vans. Emissions regulations have increased the industry's capital requirements and fuel costs. As a consequence, smaller operators have pulled out of the segment in the past five years. The increased regulation governing the use of rigid lorries suggests future growth in this segment will come from large operators. According to the latest DfT figures, rigid lorries carried 431 million tonnes of freight in 2020.

TRANSPORT BY LIGHT GOODS VEHICLE

LGVs, such as vans and small lorries, are generalised freight vehicles that weigh less than 3.5 tonnes and are forecast to account for 23.9% of industry revenue over 2022-23.

These vehicles are the mainstay of logistics industries, shifting stock from warehouses and distribution centres to end markets, such as stores, across the United Kingdom. Renting of an LGV with a driver for use by households and small businesses is also included in this segment. In recent years, the number of LGVs has grown, and their contribution to industry revenue has increased.

OTHER

The industry also earns revenue from other services, including customs brokerage and distribution, but these contribute only a small share of industry revenue at 1.3% of industry revenue in 2022-23.

Revenue from these activities is dependent on overall activity in the industry so its share remains fairly constant.

Demand Determinants

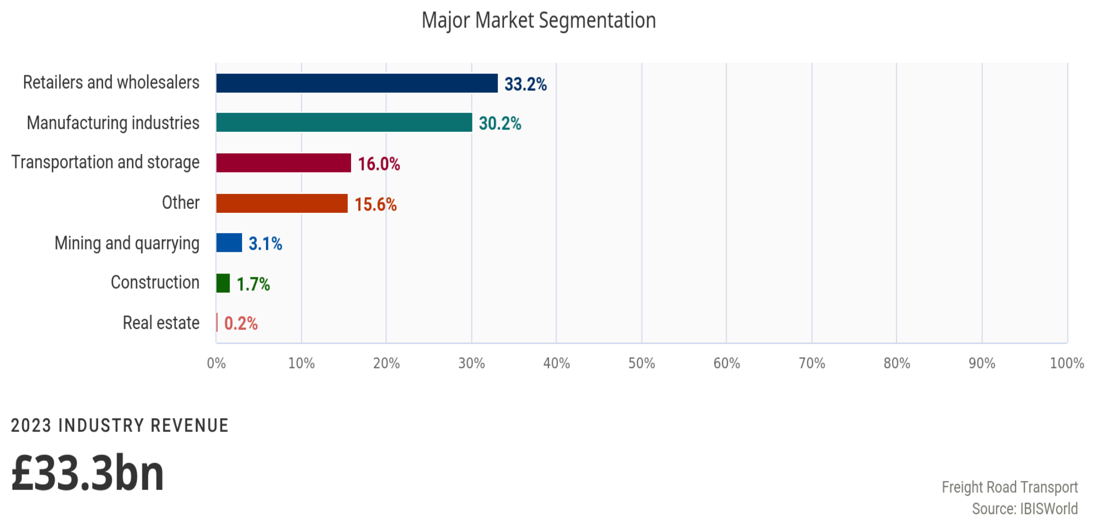
The performance of major markets is significant in determining demand for industry services.

Road freight transport is an intermediate industry, providing services along the supply chain that takes goods from growers, importers or manufacturers to consumers by way of wholesalers and retailers. It also transports goods to and from construction or mining sites. The transportation of industrial, household and municipal waste is also a major market. Business confidence, the level of industrial production, and the level of consumption are all therefore key drivers of demand. A slump in downstream industrial activity caused by the COVID-19 (coronavirus) pandemic contributed to a decline in freight volumes in 2020-21. Demand for industry services is expected to have increased in line with the reopening of the economy in 2021-22. However, the recovery in domestic freight volumes is expected to remain somewhat constrained over the two years through 2022-23, as lingering global supply chain disruption maintains industrial activity below pre-pandemic levels.

Demand for industry services is also influenced by international trade volumes. The UK's exit from the European Union has had a significant effect on UK trade volumes over the past five years. Stockpiling activity among UK firms the volume of imports with an unseasonal boost in the lead up to planned exit dates, in March 2019 and October 2019, supporting demand for industry services. Imports once again increased in the lead up to the end of the transition period between the UK and the European Union. However, the implementation of the new EU-UK trade deal in January 2021 weighed on demand for industry services in the latter part of 2020-21, as trade volumes, particularly with the European Union, recorded a sharp drop as downstream firms adjusted to the new trade rules. Trade volumes have recorded a sustained, albeit modest, recovery from this initial dip as firms have adjusted to the new rules, though annual imports and exports remained below 2018 levels in 2021 according to the Office for National Statistics.

Demand for industry services is also affected by the performance of alternative modes of transport. Over the past five years, the government has invested into promoting less fuel-intensive methods, such as rail and sea transport at the expense of road transport. The Mode Shift Revenue Support scheme is designed to support this aim by offering additional funding to companies when the operating costs associated with running rail or inland water freight transport instead of road are more expensive. This was introduced in April 2010 to replace the Rail Environmental Benefit Procurement scheme and will be in place in its current form until the end of March 2025. The rising cost of fuel over recent years has increased the competitiveness of the more efficient modes of transport, reducing industry demand.

Major Markets



The industry provides services to a wide range of markets, including food, drink and tobacco; hydrocarbons, minerals and metals; building materials; fertilisers and chemicals and machinery and manufactured goods for a diverse range of downstream markets.

The Department for Transport stated that road transport accounted for 77.4% of all goods moved in the United Kingdom in 2020. The major markets are estimated by million tonnes kilometres of product transported.

RETAILERS AND WHOLESALERS

The transport of goods for the retail and wholesale sectors is anticipated to have declined for much of the past five-year period, due to a rising demand from other areas of the economy, particularly manufacturing.

However, demand from this market is expected to rise during the latter part of the period. This can be attributed to increased demand from supermarkets in 2020-21, aided by the closure of food service establishments and panic buying activity during lockdown periods. The reopening of non-essential retailers supported continued growth in demand from retailers and wholesalers in 2021-22. The share of revenue attributed to retailers is expected to decline slightly during the current year, as inflationary pressures stifle growth in retail sales. Nevertheless, due to the essential nature of many of the goods transported by industry operators and high and persistent levels of consumerism in the United Kingdom, demand from this segment remains fairly stable. Demand from retailers and wholesalers is expected to account for 33.2% of industry revenue during the current year.

MANUFACTURING INDUSTRIES

This sector is forecast to account for the second largest proportion of revenue, at 30.2% in 2022-23.

Demand from this market recorded a robust increase prior to the COVID-19 (coronavirus) pandemic, as stockpiling activity among manufacturers in anticipation of proposed exit dates between the European Union spurred increased levels of industrial activity. However, demand from this market recorded a notable decline in 2020-21, as the COVID-19 (coronavirus) pandemic spurred a significant reduction in downstream manufacturing activity. Despite recovering from initial coronavirus-induced lows, manufacturing output remained below pre-pandemic levels in 2021-22, owing partly to a slump in motor vehicle manufacturing due to a global shortage of semi-conductors. The introduction of the new EU-UK Trade and Cooperation Agreement caused demand from manufacturers to decline following its implementation in January 2021. However, export volumes have improved as downstream firms have adjusted to the new trade arrangements. Demand from manufacturing industries is expected to remain constrained during the current year, as lingering supply chain disruption, most notably the ongoing global shortage of semiconductors, continues to weigh on industrial activity.

TRANSPORTATION AND STORAGE

Demand from this sector is expected to account for 16% of industry demand in 2022-23.

This is up slightly over the past five years. This is as many other industries in this sector make extensive use of the industry to carry goods between other modes of transport. As such, demand from this segment has been supported by rising levels of intermodal freight transport. Although, increasing use of rail freight and expansion of its capability is providing significant competition for the industry. This segment also includes the transportation of municipal waste.

OTHER

This segment covers the demand for industry services from all other sectors of the economy.

All other segments are expected to account for a fairly small proportion of industry revenue, such as mining and quarriers at 3.1%, construction at 1.7% or the real estate sector at just 0.2% in the current year.

Exports in this industry are ⊘ Low and Steady

Imports in this industry are ⊘ Low and Steady

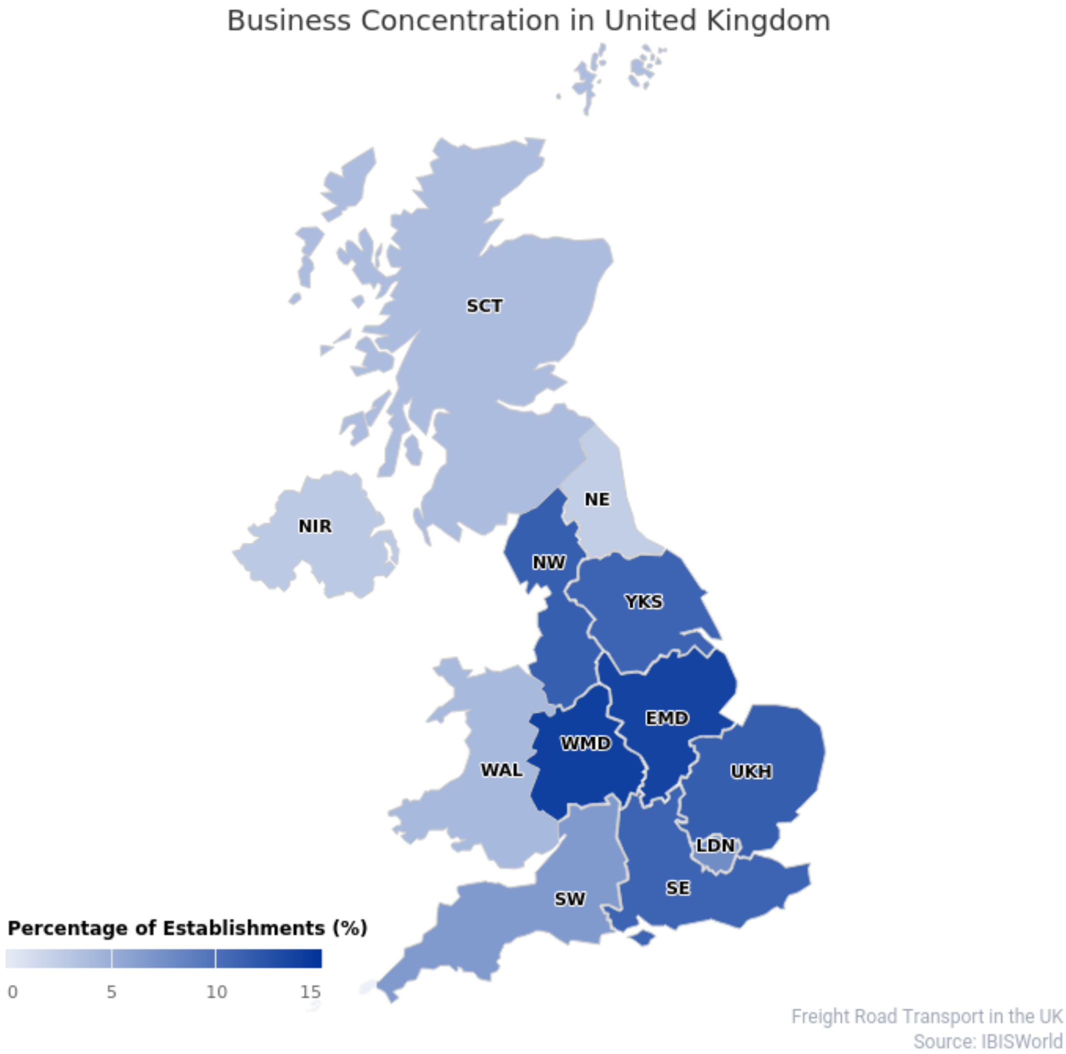
The amount of trade in the Freight Road Transport industry is not directly measured and is therefore considered to be low. However, significant numbers of goods vehicles enter and exit the United Kingdom on ferries. IBISWorld recognises the cross-border trade at the upstream manufacturing level, whereby the Freight Road Transport industry acts as an intermediary between the exporters and importers.

Over the 12 months through June 2021, 1.8 billion tonne kilometres crossed from Great Britain to other countries by UK-registered goods vehicles, representing a decrease of 14% on the same period in the previous year. These are mostly unloaded in Europe, generally to Ireland, France and Belgium. Foreign registered goods vehicles that lifted goods to and from the United Kingdom are also mainly from Europe. In 2019, HGV's registered in Poland accounted for the majority of goods moved and unloaded in the United Kingdom, at 32.3%, followed by Spain (19.1%) and Romania (7.1%).

International trade has been affected by the COVID-19 (coronavirus) pandemic. Both imports and exports recorded a significant decline during the initial coronavirus lockdown, reducing the need for cross-border services. Despite recovering from these initial lows, trade volumes remained supressed during 2020, owing to reduced economic activity and strict border controls imposed by individual countries. For example, France introduced the requirement for drivers to have tested negative for the COVID-19 (coronavirus) virus through a PCR test no earlier than 72 hours before arrival, causing significant delays at ports in late December 2020. According to the Office for National Statistics, the value of imports and exports declined by 16.9% and 16.6% respectively in 2020.

Britain's departure from the EU customs union on 1 January 2021 has led to increased regulation facing international travel, with UK hauliers now only able to provide one additional pick-up and drop-off in one EU member state, or two, if in multiple states. This is down from the three opportunities offered under EU membership. This is likely to lead to a long-term reduction in productivity when providing international freight transport, reducing profitability. Following an initial drop in EU-UK trade volumes following the implementation of the new rules, import and export volumes between the UK and the EU have returned towards seasonal averages. According to the ONS, annual imports and exports increased by 8.4% and 4.9% respectively in 2021.

Business Locations



The Midlands

The Midlands hold 27.7% of industry establishments, according to latest data from the Office for National Statistics. The East Midlands contains an estimated 13.7% of establishments and the West Midlands a further 14%. The Midlands offer road freight operators a number of advantages for distribution. Using the M42, M1 and M6 motorways, drivers can reach almost 90% of the population within four hours. The area is known as the logistics and distribution golden triangle. Another benefit of the area is the availability of land, particularly as manufacturing sectors in the Midlands have declined. The proportion of road freight establishments in the Midlands has increased in the past few years. Within the golden triangle, there is the Daventry International Rail Freight Terminal, Magna Park and Eurohub, which are all large logistics hubs. Many national distribution centres are also based there, including Tesco, Asda, Amazon and XPO Logistics. East Midlands Airport is the largest dedicated freight hub in the United Kingdom and a number of major transportation companies are based there, including DHL, UPS, TNT and Parcelforce. The region also has rail links to major UK ports.

The East of England

The East of England has the third highest number of establishments, accounting for 11.5%. This is largely because the region is home to Felixstowe, the largest container port in the United Kingdom and one of the largest container ports in Europe. The area is also home to the port London Gateway, with its logistics centre playing host to distribution centres for Lidl and various freight forwarding companies. Tilbury, in Essex, is home to an Amazon distribution centre and the Uniserve London Mega Terminal.

The North West

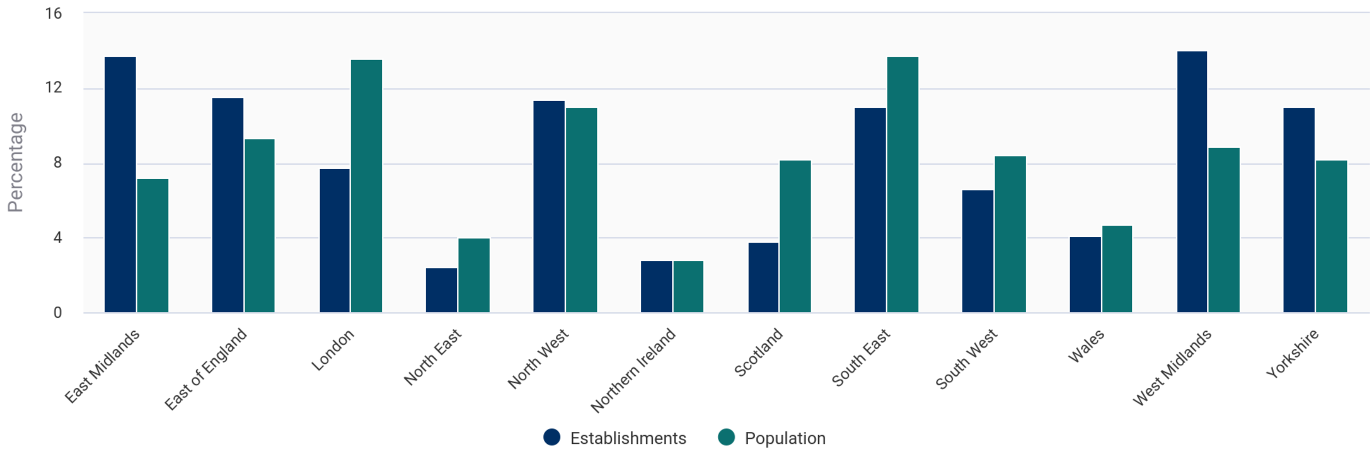
The North West is the fourth most important region for the industry, containing 11.4% of the industry's establishments. The region contains a large manufacturing hub, which is likely to benefit operators. The number of operators in the North West is expected to have grown over the past five years as the region sees a construction boom raising industry prospects. The area also has several large ports, such as Liverpool.

Other regions

Yorkshire is also an important region for the industry, accounting for 11% of the industry's establishments. The South East is also home to 11% road freight establishments as it is home to a fairly high proportion of the population and it is the location of the Channel Tunnel and the Port of Dover, the main port for lorries entering and leaving the United Kingdom.

London is underrepresented relative to the size of its population. Congestion and the high price of land makes London a less attractive site from which to operate a road transport business. Regions such as the North East, Northern Ireland and Wales do not have many industry establishments as they are less convenient for distribution and have a low population share.

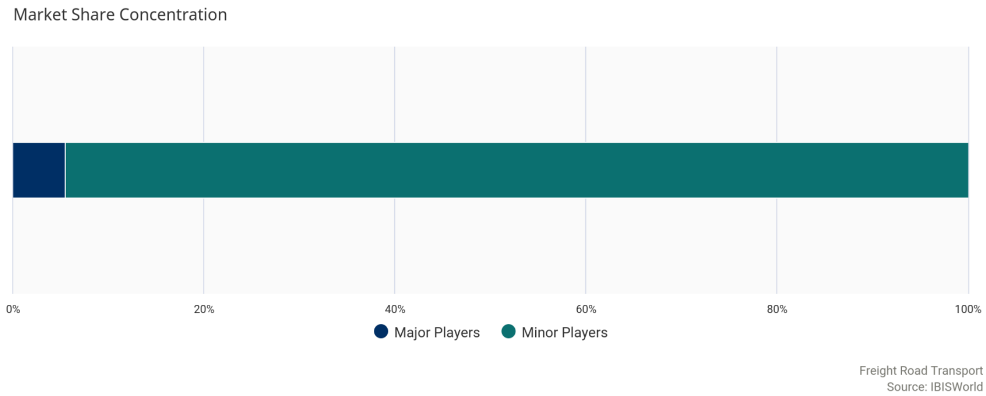
Distribution of Establishments vs Population



Freight Road Transport
Source: IBISWorld

Competitive Landscape

Market Share Concentration



Concentration in this industry is Low

The industry has a low level of concentration with only DHL Supply Chain Ltd expected to hold a market share greater than 5%. The four largest companies in the industry are estimated to control just 11.4% of the market in 2022-23. This is expected to increase in the final two years of the period, as XPO Transport Solutions UK purchases a significant proportion of Kuehne + Nagel's industry-related activities. The low level of concentration is mainly due to the low barriers to entering the industry, which facilitates the entry and exit of small businesses. In addition, the diversity of the services provided by the industry makes it more difficult for a few firms to dominate. This is reflected in the size of the majority of industry operators. In 2021, 93.7% of companies in the industry employed fewer than 10 staff members, according to the Office for National Statistics, while just 1% employed 50 or more staff. The industry covers a wide range of services and the level of competition varies between areas. Short-distance transport services are generally provided by small companies, while larger companies generally serve long-distance supply chains. Regulation raises the barriers to entry in some areas. For example, there is a significant level of safety and environmental legislation governing the transport of chemicals, hazardous materials and pharmaceuticals and complying with these can require complex supply chain solutions.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Output is sold under contract - incorporate long-term sales contracts:
Strong competition means long-term contracts are desirable. If a client is tied to a distribution system committing them to the operator's facilities and approach, it may be difficult and costly for the client to transfer elsewhere.

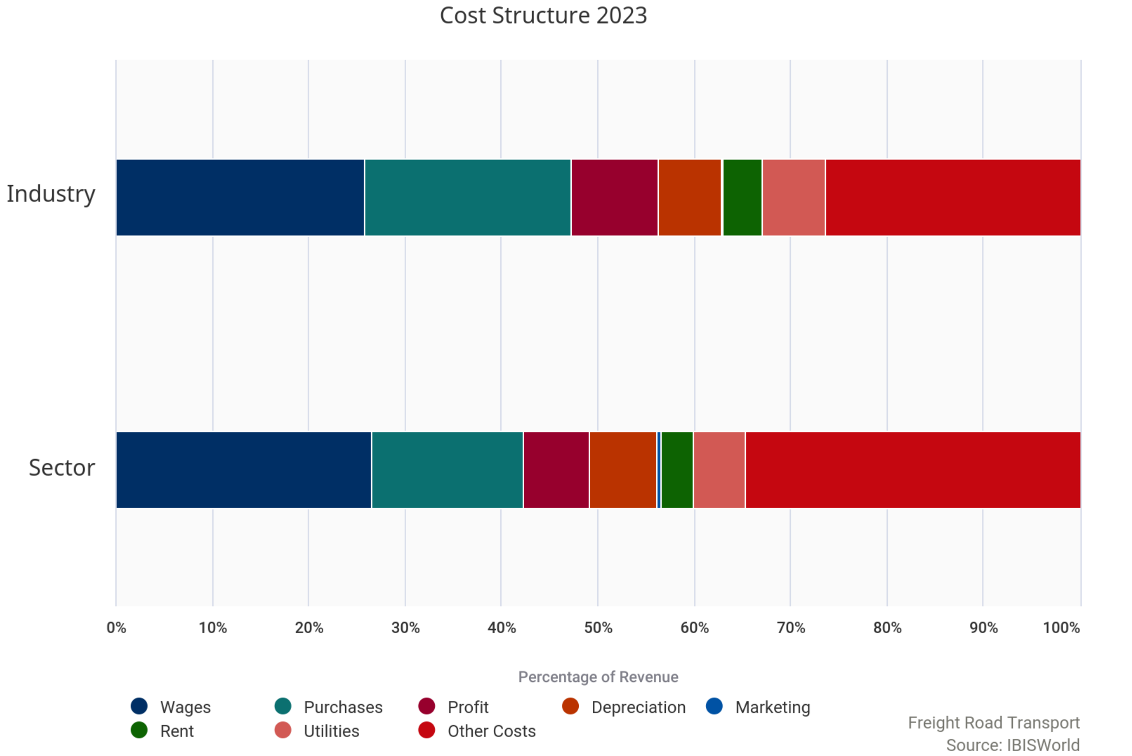
Optimum capacity utilisation:
Maximising capacity utilisation is crucial to raise revenue and profit. Operating significantly below capacity can narrow the gap between revenue and costs.

Effective cost controls:
Effectively managing costs is important to the success of a road freight business, particularly because one of the main expenses is fuel, the price of which can be volatile.

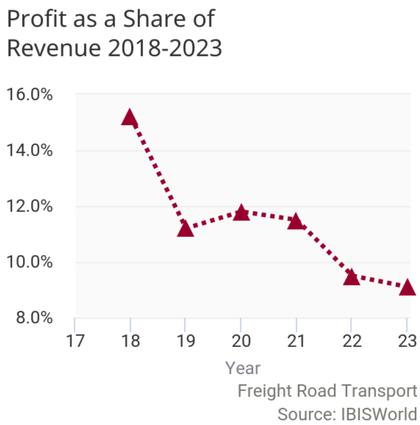
Ability to accommodate environmental requirements:
Operators in the industry are subject to regulations on vehicle emissions. It is important for firms to be aware of what their vehicles emit and how regulation could change in the future.

Economies of scope:
Road freight is often part of a longer and more complex logistics chain, so a business is likely to be more successful if it cross sell other services, such as warehousing.

Cost Structure Benchmarks



Profit



The average profit margin in the industry is estimated to be 9.1% in 2022-23. This is higher than the profit margin in the overall transport sector for three main reasons. Firstly, the profit figure represents the return needed to justify the capital investment and running costs of vehicles in an industry dominated by small and micro businesses. These small operators benefit from few economies of scale. Secondly, the industry also includes a large number of owner-drivers that reinvest heavily in their companies or that draw down on their equity to supplement their wage. Finally, many small firms specialise in regional or rural routes where lower levels of competition keep margins higher.

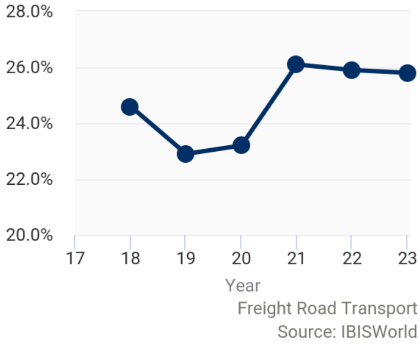
Margins are expected to decrease over the five years through 2022-23. This is as firms may have shifted their operating model to protect from input price volatility by charging input costs and a management fee to the consumer. Due to the lower risk to firms operating on this contract, it often has a lower profit margin. The COVID-19 (coronavirus) pandemic caused margins to decline in 2020-21, though a fall in fuel prices is expected to have limited the extent of the decline. Margins fell in 2021-22, as a significant rise in fuel prices is compounded by increased wage costs amid a severe shortage of skilled workers. Fuel prices have continued to increase during the current year, reaching record highs in July 2022. This is expected to cause margins to contract in the current year, though the rate of decline is somewhat limited due to firms hedging against fuel price fluctuations by incorporating input costs into contracts.

Wages

Wages are the industry's single largest cost and are estimated to account for 25.8% of revenue in 2022-23. The average wage has risen over the past five years, despite an increasing number of owner-operators enter the industry choosing to withdraw equity rather than a wage. Wage costs are expected to increase over the two years through 2022-23, as a combination of a backlog of HGV driver tests, an exodus of European drivers during the coronavirus pandemic and reduced access to EU labour markets following the end of the transition period between the UK and the European Union led to a severe labour shortage in the industry. In October 2021, the Road Haulage

Association estimated that there was a shortage of more than 100,000 qualified drivers in the United Kingdom. Pressures eased during the latter part of 2021, aided by the resumption of HGV driver tests and the introduction of temporary visas for 5,000 lorry drivers to work in the United Kingdom. Nevertheless, the number of HGV drivers continues to decline, contributing to a rise in the industry's average wage, as firms seek to attract new workers with more money.

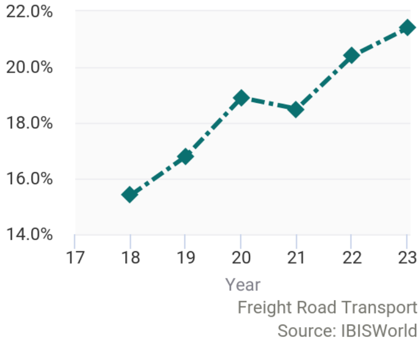
Wages as a Share of Revenue 2018-2023



Purchases

Purchases are expected to account for 21.4% of revenue in 2022-23. Maintenance and consumables expenses account for a significant share of industry revenue. Tyres are the most expensive consumable purchase for industry operators. Greater use of new technology, communication systems and radio tracking has raised the cost of maintenance over the past five years. However, fuel costs account for the largest proportion of revenue from this segment. Purchase costs have increased over the period, due to the base year having very low fuel costs. After declining during the height of the coronavirus pandemic, fuel prices are recorded a notable rise in 2021-22 and have continued to increase in the first half of the current year, with the average price of petrol and diesel rising to record highs of 191.6p and 199.2p per litre in at the start of July 2022 according to the Office for National Statistics (ONS). Fuel prices are expected to remain significantly above seasonal averages for the remainder of the current year, owing to sanctions placed on Russian oil following Russia's invasion of Ukraine. This is expected to contribute to a rise in the share of revenue attributed to purchases in 2022-23.

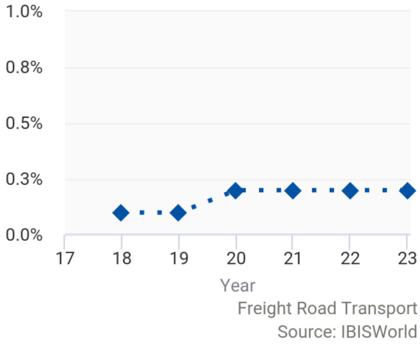
Purchases as a Share of Revenue 2018-2023



Marketing

Marketing costs for the industry are expected to have been fairly steady over the previous five years, accounting for just 0.2% of industry revenue in the current year. The industry has little need for substantial marketing campaigns, with local firms relying on word of mouth and recommendations or advertisements in local publications. For large firms, the tendering process for large contracts also eliminates the need for substantial marketing campaigns.

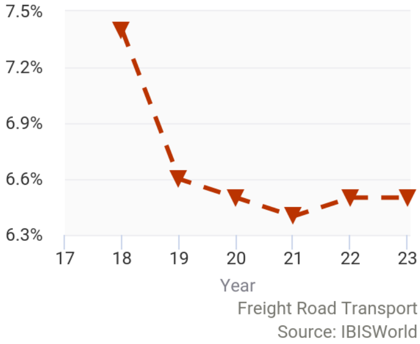
Marketing as a Share of Revenue 2018-2023



Depreciation

Depreciation is estimated to account for 6.5% of industry revenue in 2022-23. This is in line with the moderate level of capital intensity in the industry. Changes in emissions standards have increased investment in new vehicles, although many of these may be leased, reducing the capital investment required. Economic uncertainty is expected to have also dampened industry investment in capital goods, with large purchases being delayed until there is clarity, lowering deprecation costs over much of the period.

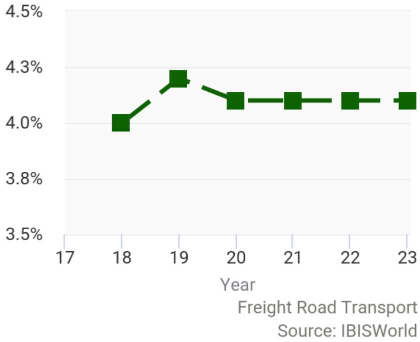
Depreciation as a Share of Revenue 2018-2023



Rent

Rent of buildings is estimated to account for 4.1% of industry revenue in the 2022-23, having risen over the past five years. The UK suffers a shortage of suitable warehousing for industry operations, which has resulted in higher rents over the period.

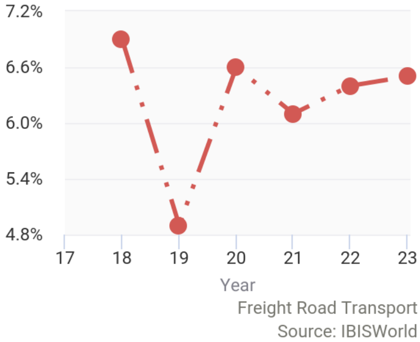
Rent as a Share of Revenue 2018-2023



Utilities

Utility costs are estimated to account for 6.5% of industry revenue in 2022-23. Utility costs cover the running of offices, depots and IT equipment. It is expected to have fallen slightly over the previous five years, as the industry continues to invest in reducing its environmental impact and increasing its energy efficiency, such as through the introduction of LED lighting.

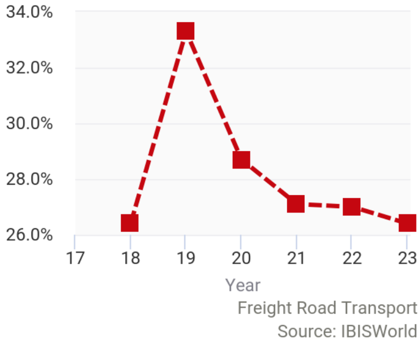
Utilities as a Share of Revenue 2018-2023



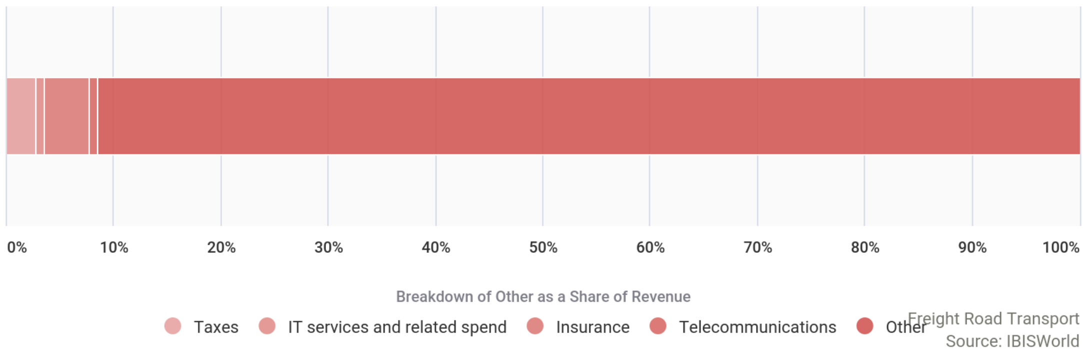
Other Costs

Subcontracting costs are significant in the industry as companies will often subcontract drivers for certain jobs rather than employing them directly. Vehicle rental costs are also expected to be fairly significant and rising, as more industry operators turn to leasing vehicles rather than outright purchasing. Other costs include auditing, computer systems, tax, insurance premiums and telecommunications.

Other Costs as a Share of Revenue 2018-2023



Other Breakdown (% of Total Other in 2023)



Basis of Competition

Competition in this industry is ⚠ High and the trend is Increasing

INTERNAL COMPETITION

Internally, competition is high and places significant downward pressure on freight rates.

Operators are continually searching for methods of carrying their customers' freight faster and more efficiently. Routine tasks with large volumes tend to become specialised over time as the industry adapts to clients' needs. However, many regional or rural routes allow for lower levels of competition as fewer firms will be operating in the region. The industry is dominated by small and medium-size enterprises, with only one operator holding a market share greater than 5%, DHL Supply Chain. Competition has increased as more operators have entered the market over the past five years.

EXTERNAL COMPETITION

External competition mainly stems from railways and, to a lesser extent, coastal sea freight.

These modes are more fuel-efficient and better suited to carrying bulk freight long distance. However, road transport remains the most prevalent mode of transporting freight in the United Kingdom, accounting for 77.4% of all goods moved in 2020, according to the Department for Transport. External competition has been on the rise over the past five years as the government has invested in promoting less fuel-intensive methods, such as rail and sea transport at the expense of road transport.

Barriers to Entry

Barriers to Entry in this industry are ⚠ Low and the trend is Increasing

The industry has low barriers to entry. The only requirements for establishing a new road freight business are a vehicle and the appropriate licence. In the United Kingdom, a driver requires the Driver Certificate of Professional Competence on top of a standard licence to drive a goods vehicle. The availability of vehicle leasing arrangements also helps to keep the cost of entry low. However, rising levels of environmental regulation have increased the barriers to entry as the cost of compliance rises. Overall, the industry contains a large number of small businesses and has a low level of market concentration. The level of competition in the industry is high, due to low barriers to entry.

Some sections of the industry have higher barriers to entry. In particular, barriers to entry are higher for the haulage of specialist products, such as petroleum and chemicals, which require specially adapted vehicles and are subject to more stringent safety regulations. Barriers to entry also depend on the markets served, as larger companies with complex supply chains often require multimodal transport services. Smaller operators are unlikely to be able to compete with larger players that have international operations.

Barriers to Entry Checklist

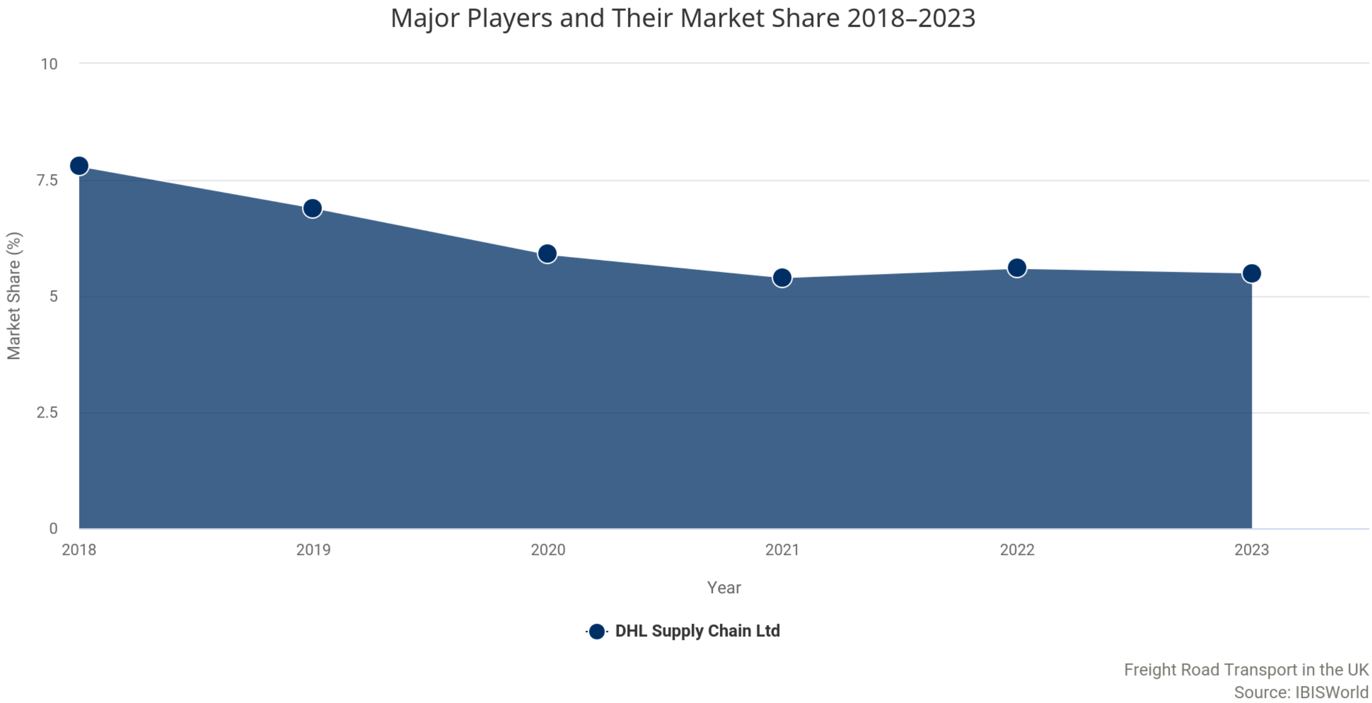
Competition	High ⚠
Concentration	Low ✓
Life Cycle Stage	Mature ⊖
Technology Change	Medium ⊖
Regulation & Policy	Medium ⊖
Industry Assistance	Low ⚠

Industry Globalization

Globalization in this industry is ⊖ Medium and the trend is Steady

The level of globalisation in the Freight Road Transport industry is medium. Although facilitating trade in other markets, the industry in itself does not engage in international trade. In addition to this, foreign ownership is limited to the top of the market as the industry is dominated by smaller local operators. However, many of the larger players are foreign owned. DHL Supply Chain Ltd, the industry's largest player, is the main UK trading entity for the supply chain division of Deutsche Post DHL, one of the world's leading mail and logistics groups. XPO Transport Solutions UK Ltd is the British subsidiary of XPO Logistics, a US-based logistics company. The company entered the UK Freight Road Transport industry in June 2015, when it acquired French Norbert Dentressangle SA, one of Europe's largest transport and logistics companies.

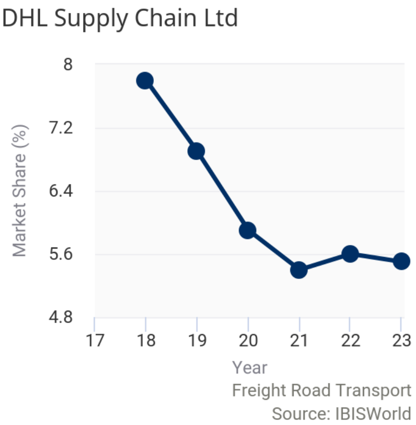
Major Companies



Major Players

DHL Supply Chain Ltd

Market Share: 5.5%



DHL Supply Chain Ltd, formerly known as Exel Europe Ltd, is the main UK trading entity for the Supply Chain division of Deutsche Post DHL Group, the German postal service and world's largest international logistics and courier company. Privatised in 1995, the group employed more than 565,000 employees across the world as of March 2022. It administers its operations from its global headquarters in Bonn, Germany. In 2020, Deutsche Post DHL posted total revenue of €81.7 billion (approximately £70.1 billion), of which 17% was generated from the global Supply Chain division.

DHL's operations are split into five corporate divisions: Post & Parcel Germany, Express, Global Freight Forwarding, Supply Chain and E-commerce Solutions. Only the supply chain division is relevant to the industry. DHL's supply chain division provides contract logistics solutions, including warehousing and transport services, for clients in a range of different industries. Most of the company's supply chain clients are in the consumer and retail industries. In 2020, retail businesses accounted for 29% of the company's total supply chain revenue, while the consumer sector contributed a further 22%. Other major markets include automotive and technology industries, which account for 14% and 13% respectively and the health care and life science sector, which accounts for approximately 12% of the division's revenue. DHL Supply Chain does not directly employ any staff, instead the company pays a management fee to DHL Services, which provides staffing to the group's UK subsidiaries. In August 2019, the company announced that it planned a large fleet expansion, leasing a further 1,000 units by the end of the 2019 at a cost of £90 million. The majority of these units are heavy goods vehicles with approximately 40 light goods vehicles. The company signed a £350 million contract with Mars UK in January 2021, where DHL Supply Chain will provide warehousing and logistics out of two hubs new and purpose-built sites in London and the East Midlands. While both of these hubs will not be operational until 2023, it provides an insight into the long-term health and planning of the company within the industry.

Financial performance

DHL Supply Chain Ltd last reported revenue of £2.8 billion from domestic supply chain operations in 2021, alongside an operating profit of £43 million. The company's industry-related revenue is estimated to have fallen at a compound annual rate of 2.3% over the five years through 2022 to £1.8 billion. Industry-related revenue is expected to have increased over the two years through December 2018. The COVID-19 (coronavirus) pandemic contributed to a significant reduction in revenue during 2020. The company noted limited disruption to downstream life sciences sectors and certain retail customers, though other sectors such as automotive, aviation and hospitality were more adversely affected. Despite some of these reductions continuing, albeit to a lesser extent, in 2021, the company's industry-related revenue is expected to recorded modest renewed growth during the year. DHL's global Supply Chain division posted revenue growth of 17.7% over the three months through March 2022, compared with the same period in 2021. This is expected to be reflected in the domestic operations of the company.

The company's operating profit has recorded significant fluctuations over the past five years. Profit declined by nearly 99% in 2018, due to the mishandling of the supply chain contract with KFC. The company gained negative media attention when KFC was forced to shut UK stores in March 2018, as there was a lack of contingency planning following a motorway closure next to the single depot. The KFC contract was subsequently passed on to Best Foods, as DHL did not re-bid for the tender in the following year. This is expected to have contributed to a decline in the company's industry-related revenue in 2019. Despite this, DHL was awarded a six-year contract with Morrisons in June 2018 to provide the logistics and warehousing for its new wholesaling venture. The company's profit rebounded in 2019, following the effects of these one-off expenses in the previous year. However, disruption caused by the coronavirus pandemic caused the company to record a loss in 2020. Despite reporting challenges caused by an industry-wide shortage of drivers, as well as increased fuel costs, the company returned to profitability in 2021. This was supported by strong revenue growth across the life sciences and retail and consumer sectors, with revenue in these sectors exceeding pre-pandemic levels during the year.

DHL Supply Chain Ltd - financial performance

Year*	Revenue (£m)	Growth (% change)	Operating Profit (£m)
2017	3,150.2	N/C	75.7
2018	3,271.8	3.9	0.9
2019	3,034.2	-7.3	134.0
2020	2,559.7	-15.6	-9.1
2021	2,757.0	7.7	30.8
2022**	2,882.5	4.6	43.0

Source: Companies House and IBISWorld
Note: *Year end December **Estimate

DHL Supply Chain Ltd - industry-related performance*

Year**	Revenue (£m)	Growth (% change)
2017	2,047.6	N/C
2018	2,126.7	3.9
2019	1,966.2	-7.5
2020	1,656.1	-15.8
2021	1,781.0	7.5
2022	1,820.5	2.2

Source: IBISWorld
Note: *Estimate **Year end December

Other Companies

Wincanton plc

Market Share: 2.8%
Wincanton plc is a UK-based integrated logistics provider that operates a network of warehouses, lorries and rail facilities. Its major clients include Sainsbury's, British Sugar, HMRC, Aggregate Industries and BAE Systems. The company began operations in the dairy industry and started transporting milk in the 1950s. In the following decades, it developed operations in areas of logistics such as temperature-controlled transport, warehousing and supply chain management as a subsidiary of Uniq plc. In 2015, Wincanton sold its records management business (WRM) to Restore for approximately £55.7 million. The company has a fleet of over 3,500 vehicles and 20,000 employees. Wincanton began trialling electric and LNG powered vehicles as a cost-effective and environmentally conscious method of delivery in 2018.

In 2015-16, the company entered a five-year contract with B&Q's distribution centres and a three-year contract for transport logistics with Halfords and also renewed several contracts, including contracts with HJ Heinz and Dairy Crest. The contract with Halfords was subsequently extended in April 2018 to cover a total of eight years. In July 2016, the company renewed a contract with The Co-operative Group for a further five years bringing their ongoing collaboration to 25 years. As part of the agreement, 700 Wincanton staff and a fleet of more than 500 vehicles will support Co-op's supply chain activities. In January 2019, the company also won new contracts with Weetabix, as well as contract renewals and extensions with Asda, British Sugar and Lucozade Ribena Suntory. In 2018-19, Wincanton renewed its contract with Halfords for a further five years and expanded the services provided to Micheldever Tyre Services with a new 10-year contract. In October 2019, the firm announced that it planned to explore the acquisition of Eddie Stobart Logistics plc, the parent company of a large industry operator; however, it failed to produce a bid and withdrew its intensions in November 2019. In the same year, the company also won a five-year contract with Morrisons to provide three transport operations and five vehicle maintenance operations, which was further expanded in June 2020 to account for a greater share of Morrison's logistical requirements. The company's experience of the COVID-19 (coronavirus) outbreak was mixed, with its strong retail base having a rise in demand, while the company also had to suspend its two-person home deliveries, limiting revenue in the first half of the year before expanding strongly. The company also won the e-fulfilment contract with supermarket, Waitrose, in 2020.

The company stated that revenue fell in 2018-19 due to a decline in revenue from its retail grocery and consumer product supply chain divisions. The company last reported revenue of just over £1.4 billion for the year through March 2022 representing a rise of 16.3% on the previous year. This strong growth was supported by continued strong volumes in retail and the positive effects of recent contract wins in e-commerce, infrastructure and the public sector. IBISWorld estimates that approximately 65% of Wincanton's revenue is relevant to the industry. Wincanton's revenue from freight road transport operations is expected to reach £942 million in 2022-23. Profit margins have been broadly stable over the period, increasing in 2020-21 despite the effects of the coronavirus pandemic. The company recorded further growth in operating profit in 2021-22, with fuel price escalation clauses built into a number of contracts sheltering the company's bottom line from the effects of rising fuel prices during the year.

Eddie Stobart Ltd

Market Share: 1.7%
Eddie Stobart Ltd is the road logistics operation of the Eddie Stobart Logistics plc. The group can trace its origins back to the 1940's, with its eponymous owner incorporating the business in 1970. It runs a rail freight company, Stobart Rail, the rail freight depot at Daventry, a port in the river Mersey and operated passenger flights for both Flybe and Air Lingus. Eddie Stobart is headquartered in Warrington, with a total of 43 distribution centres across the United Kingdom, Ireland and Belgium, from which it operates more than 2,000 vehicles and 3,500 trailers. Since the group's sale from the Stobart Group in March 2014, it has repositioned itself to serve the e-commerce, manufacturing, industrial and bulk and retail and consumer markets as an infrastructure and supports services firm. The company has been investing in technology, which has improved productivity. One of the company's largest contracts is with Tesco. Eddie Stobart also won a contract with Lallemand Biofuels and Distilled Spirits to deliver logistics support, effective from June 2019. However, over the latter half of 2019, the company came into trouble with the parent company coming close to administration, due to accused mismanagement and an accounting error. The company was rescued by private equity firm Dbay in December 2019, following an exploration of acquisition from Wincanton in the previous month. This resulted in the company changing its approach to consolidate its position and improve margins, releasing underutilised assets.

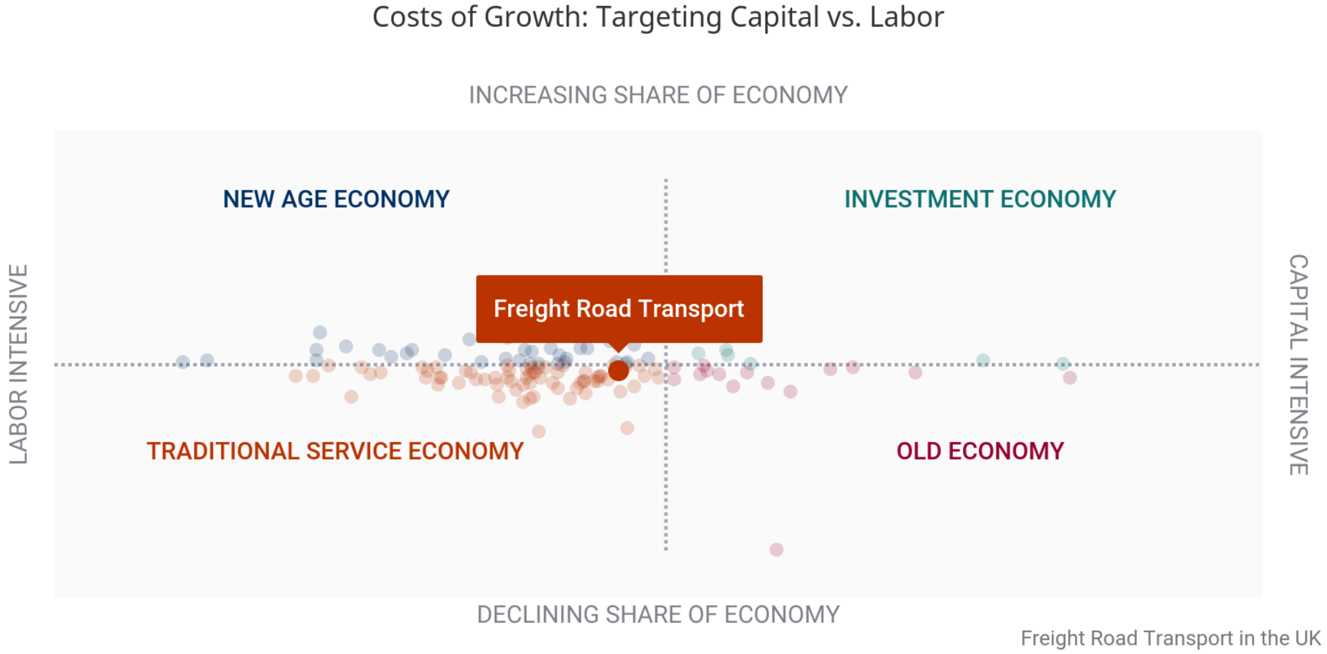
The company last reported revenue of £559.1 million for the year through November 2020, with an operating profit of £31.4 million. Revenue for the year was down 7.4% from the previous year due to the refocusing of the company approach. In the year through November 2019, the company secure a contract extension with Tesco. The company's revenue is expected to be inflated in the 2021, after it extended its accounting period to run through December 2021. The company is expected to report revenue of £580 million in 2022.

XPO Transport Solutions UK Ltd

Market Share: 1.4%
XPO Transport Solutions UK Ltd is the British subsidiary of XPO Logistics, a US-based logistics company. The company entered the UK Freight Road Transport industry in June 2015, when it acquired Norbert Dentressangle SA, one of Europe's largest transport and logistics companies. Founded in London in 1979, the global company was headquartered in France. In 2020, XPO Logistics reported total revenue of US$12.8 billion (£9.3 billion) globally. The UK subsidiary reported employing more than 3,000 staff in 2020, representing a decline on the previous year.

In June 2015, the company was acquired by XPO Logistics, to form XPO Transport Solutions UK Ltd in the United Kingdom. The company strengthened its position in the British logistics market after signing contracts with supermarket chains Iceland and Aldi in March 2016. However, only the Iceland contract includes industry-related activities. In January 2019, the company also renewed a long-term contract with Carlsberg UK. The UK firm last reported revenue of £418.7 million in 2020, with an operating profit of £1.5 million. The company attributed a 6.1% revenue decline on the effects of the COVID-19 pandemic during the year. In January 2021, the company completed its acquisition of the contract logistics operations of Kuehne + Nagel, this is anticipated to significantly boost revenue in the 2021 and beyond, depending on how revenue is accounted for, and support margins in the long term. This acquisition is anticipated to pave the way for the company to split its operations into two distinct segments, contract logistics and warehousing and road freight and freight brokerage. IBISWorld expects XPO Transport Solutions UK to generate industry-related revenue of approximately £480 million in 2022.

Operating Conditions



Freight Road Transport in the UK
Source: IBISWorld

Capital Intensity

The level of capital intensity is Medium

The Freight Road Transport industry has a medium level of capital intensity. The industry spends a large amount of revenue on wages, since each vehicle requires at least one driver. In 2022-23, businesses in the industry are expected to operate with a capital-to-labour ratio of 1:3.97. This means that for every £1.00 invested in capital, industry operators are expected to spend £3.97 on wages.

Depreciation costs have remained a significant cost for the industry throughout the period. For example, computerised tracking and communication and monitoring systems increased the cost of new lorries and vans. On the other hand, third-party lease operators provide an increasing amount of finance for vehicles, reducing the industry's capital requirements. Average wages are expected to increase over the period, as operators are forced to offer higher salaries amid a severe shortage of qualified HGV drivers. Far from a new phenomenom – a report released by the Freight Transport Association in May 2019 revealed that 15% of the firms served did not expect vacancies to be filled in the near future – these struggles have been exacerbated by the COVID-19 pandemic and the end of the transition period between the United Kingdom and the European Union, as operators face reduced access to EU labour markets to supplement reduced supply of domestic workers caused by a significant testing backlog. Rising average wages are expected to limit the degree of capital intensity over the five years through 2022-23.

Freight Road Transport
Source: IBISWorld

Technology & Systems

Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
Very Low	Rate of Innovation	Very Unlikely	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
Medium	Innovation Concentration	Potential	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
High	Ease of Entry	Likely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use.
Very High	Rate of Entry	Very Likely	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
Very Low	Market Concentration	Very Unlikely	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

Low levels of innovation limit the threat to incumbent operators from new technologies disrupting their operations. However, a low rate of growth in technology can also create exposure for incumbents as the trajectory of innovation in other markets could lead to unforeseen competitive disadvantages.

This technology trend is underscored by structural factors that support new entrants. An accommodative structure can create a situation where small entrants can focus on less profitable albeit innovative industry entry points. Or, large operators in other industries can leverage expertise in other areas to enter the industry from a new angle.

Major market segments for industry operators are relatively diversified. The spread of market segments suggests that there are limited entry points other than those already served my incumbent operators.

The industry's operations are not significantly affected by any external technological platforms or systems.

As a result, there are no technological disruptors relevant to this industry.

The level of technology change is Medium

The level of technological change within the industry is medium, with the vast majority of technology in the industry focused on the vehicles and tracking systems.

Operators are increasingly investing in fleet telematics systems. These devices are installed within industry vehicles or operate on mobile devices. Information from the devices is relayed to a central point via GPS, for example a head office. This technology allows operators to monitor their vehicles and provides information for supply chain management systems.

Driverless technology is another major source of technological development, with several tests of the technology taking place over the past five years. Many companies in the industry are also trialling electric and alternatively fuelled vehicles, at all sizes. This is likely to reduce fuel costs and improve the environmental impact of the industry, making industry operators more appealing to potential users.

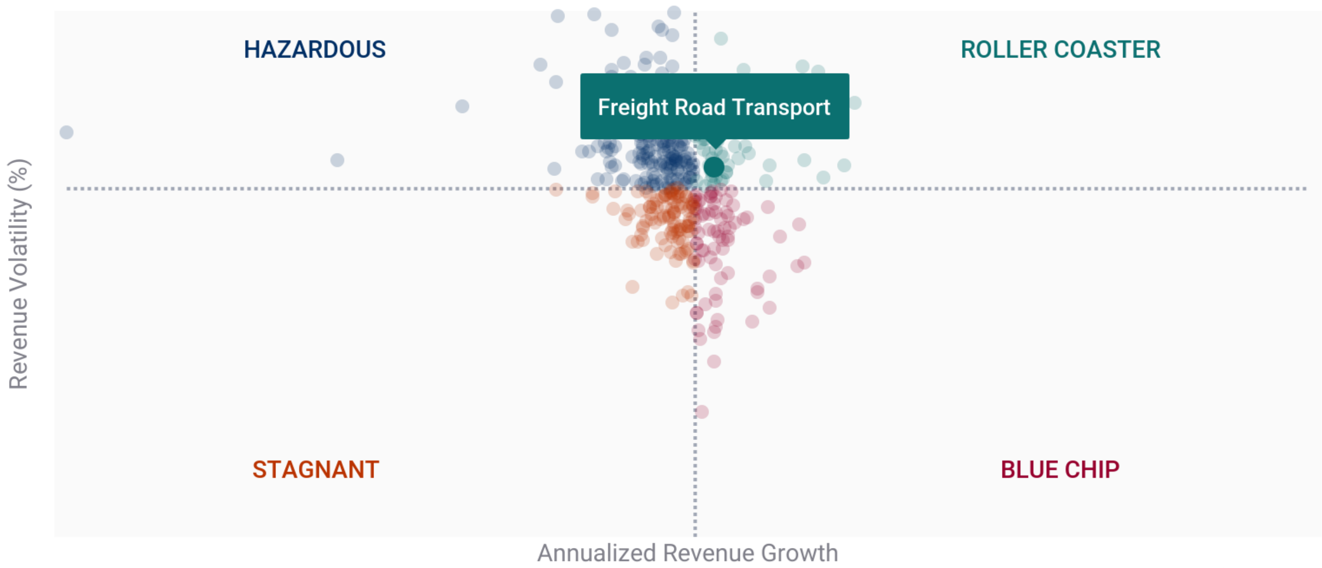
Industry technology is also improving with the types of vehicle used, such as the trial of Longer Heavy Vehicles, in which trailers are approximately two metres longer than standard articulated lorries. This enables vehicles to carry an extra four pallets onboard, with results from the latest stage of the 10-year trial stating that 53% of operators using these vehicles reporting savings of more than 10%.

Other technological developments include fuel types, with some downstream vehicle manufacturers developing use of LPG, CNG and integrating electric proportion; however, the full electric propulsion is often no suitable for industry use due to range issues related to the energy density of current battery technology.

Revenue Volatility

The level of volatility is ⚠ High

Volatility vs. Growth



Freight Road Transport
Source: IBISWorld

Over the five years through 2022-23, revenue volatility in the Freight Road Transport industry is expected to be high.

After declining in 2017-18, revenue recorded a significant rise in 2018-19, as higher fuel prices were passed on to consumers. Industry revenue also benefited from stockpiling activity among downstream firms in the lead up to planned exit dates from the European Union over the two years through 2019-20.

The COVID-19 (coronavirus) pandemic spurred significant disruption throughout the industry during the latter part of the period, increasing the degree of volatility. Reduced downstream economic activity led to a decline in demand for industry services in 2020-21, spurring a contraction in industry revenue. A stronger than anticipated initial economic recovery from the coronavirus pandemic is expected to support renewed growth in industry revenue during the current year. However, a severe shortage of qualified HGV drivers, in addition to ongoing coronavirus-related disruption in downstream markets is expected to ensure that demand remains below pre-pandemic levels in the current year, though increased fuel prices are expected to support revenue.

Regulation & Policy

The level of regulation is ⊝ Medium and the trend is Increasing

Industry operators require a licence in order to enter the market.

There are three types of goods vehicle operator's licences in the United Kingdom: international, national and own account. Moreover, drivers also require appropriate driving licences. The Driver Certificate of Professional Competence (Driver CPC) is a qualification for professional bus, coach and lorry drivers. Any drivers of lorries over 3.5 tonnes must usually obtain a Driver CPC. It has been introduced across Europe with the professed aim of improving road safety and helping to maintain high standards of driving and came into effect in the United Kingdom in September 2009. There is also regulations regarding maximum driving times, with drivers only able to exceed nine hours driving time per-day twice a week, with 10 hours driving time permitted during these days.

EMISSION STANDARDS

Over the past decade, there has been a consistent policy focus on the levels of emissions from HGVs affecting air quality, which led to the creation of Europe-wide maximum emissions standards.

The current Euro 6/VI emission standards were introduced by Regulation 595/2009 that came into force from September 2014. The limit values are different for each vehicle type, i.e. light vehicles, which includes cars and vans, or heavy-duty vehicles (HDVs). The convention indicating which is being discussed is that Euro 6 refers to cars and vans, and consists of whole vehicle emission testing, while Euro VI refers to HDVs and buses, and comprises engine-only emissions testing. London has introduced an Ultra Low Emission Zone, where only Euro 6/VI compliant diesel vehicles can enter freely, this is expected to be introduced to other cities. While there are other cities with low emission zones, such as Norwich and Oxford, these only affect busses. The government has also introduced legislation for all new HGVs sold to be zero-emission by 2040.

NEW TRADE REGULATION

From 1 January 2021, the United Kingdom left the EU customs union and single market, resulting in increased friction and industry regulation when providing cross-border freight transport.

Firms must ensure that the freight that they transport meets regulations and carries the correct documentation to avoid delays and even being turned away. Further, the agreement reached between the UK government and the European Union resulted in the Northern Ireland Protocol, which in effect results in Northern Ireland remaining in the customs union. However, the terms of the withdrawal agreement effectively make the Irish Sea border the main trade border between Great Britain and Ireland.

Industry Assistance

The level of industry assistance is ⚠ Low and the trend is Steady

The Freight Road Transport industry does not receive any direct government assistance.

However, the industry is indirectly affected by different areas of government funding. For example, government intervention to promote less fuel-intensive methods, such as rail and sea transport, over the past five years has been detrimental to the industry. On the other hand, £8.1 million in government funding was provided for the HelmUK project to develop and commercialise road truck platooning.

The industry also benefits from the heavy goods vehicle (HGV) road user levy, which helps domestic operators that move goods between the United Kingdom and Europe. The levy levelled the playing field for domestic road freight companies, which had been paying to use roads on mainland Europe even though foreign lorries could operate on UK roads for free. The government also provided support to help ease the shortage of qualified HGV drivers during the latter part of the period, with 5,000 temporary visas for foreign nationals to come to the UK and provide relief for the industry between September 2021 and February 2022, as well as £10 million investment to create new skills bootcamps to train up to 3,000 people to become HGV drivers.

The industry's activities are supported by several trade associations, such as the Freight Transport Association, Road Haulage Association or the Professional Drivers Foundation. The Driver and Vehicle Standards Agency is the executive agency of the Department for Transport that carries out driving tests, approves driving instructors and MOT testers, carries out tests to make sure lorries and buses are safe to drive, carries out roadside checks on drivers and vehicles and monitors vehicle recalls.

Key Statistics

Industry Data

Year	Revenue (£m)	IVA (£m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports (£m)	Imports (£m)	Wages (£m)	Domestic Demand (£m)
2013-14	27,573	11,277	33,493	31,858	227,457	N/A	N/A	6,579	N/A
2014-15	30,045	13,133	38,621	36,548	209,946	N/A	N/A	6,932	N/A
2015-16	31,148	14,081	47,332	44,563	241,255	N/A	N/A	7,540	N/A
2016-17	31,221	14,125	54,802	51,333	274,693	N/A	N/A	7,296	N/A
2017-18	29,860	14,086	53,430	48,132	253,431	N/A	N/A	7,352	N/A
2018-19	34,284	13,940	51,065	49,931	275,348	N/A	N/A	7,861	N/A
2019-20	35,493	14,730	60,323	58,818	277,971	N/A	N/A	8,243	N/A
2020-21	31,650	13,930	62,824	61,303	288,299	N/A	N/A	8,265	N/A
2021-22	33,088	13,866	62,454	60,989	285,421	N/A	N/A	8,572	N/A
2022-23	33,292	13,789	60,242	58,874	274,173	N/A	N/A	8,595	N/A
2023-24	33,570	13,696	59,497	58,190	269,667	N/A	N/A	8,292	N/A
2024-25	35,259	14,140	59,303	58,044	267,673	N/A	N/A	8,393	N/A
2025-26	35,824	14,477	58,853	57,648	264,549	N/A	N/A	8,459	N/A
2026-27	36,038	14,732	59,695	58,517	267,225	N/A	N/A	8,569	N/A
2027-28	36,286	14,842	58,649	57,536	261,457	N/A	N/A	8,492	N/A

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)
2013-14	-1.27	-5.18	9.29	8.73	-4.84	N/A	N/A	1.97	N/A
2014-15	8.96	16.5	15.3	14.7	-7.70	N/A	N/A	5.35	N/A
2015-16	3.67	7.22	22.6	21.9	14.9	N/A	N/A	8.76	N/A
2016-17	0.23	0.31	15.8	15.2	13.9	N/A	N/A	-3.24	N/A
2017-18	-4.36	-0.28	-2.51	-6.24	-7.75	N/A	N/A	0.77	N/A
2018-19	14.8	-1.04	-4.43	3.73	8.64	N/A	N/A	6.92	N/A
2019-20	3.52	5.66	18.1	17.8	0.95	N/A	N/A	4.85	N/A
2020-21	-10.8	-5.43	4.14	4.22	3.71	N/A	N/A	0.26	N/A
2021-22	4.54	-0.46	-0.59	-0.52	-1.00	N/A	N/A	3.71	N/A
2022-23	0.61	-0.56	-3.55	-3.47	-3.95	N/A	N/A	0.27	N/A
2023-24	0.83	-0.68	-1.24	-1.17	-1.65	N/A	N/A	-3.54	N/A
2024-25	5.03	3.23	-0.33	-0.26	-0.74	N/A	N/A	1.21	N/A
2025-26	1.60	2.38	-0.76	-0.69	-1.17	N/A	N/A	0.78	N/A
2026-27	0.59	1.75	1.43	1.50	1.01	N/A	N/A	1.30	N/A
2027-28	0.68	0.75	-1.76	-1.68	-2.16	N/A	N/A	-0.90	N/A

Key Ratios

Year	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee (£'000)	Wages/ Revenue (%)	Employees per estab. (Units)	Average Wage (£)
2013-14	40.9	N/A	N/A	121	23.9	6.79	28,925
2014-15	43.7	N/A	N/A	143	23.1	5.44	33,016
2015-16	45.2	N/A	N/A	129	24.2	5.10	31,251
2016-17	45.2	N/A	N/A	114	23.4	5.01	26,559
2017-18	47.2	N/A	N/A	118	24.6	4.74	29,009
2018-19	40.7	N/A	N/A	125	22.9	5.39	28,550
2019-20	41.5	N/A	N/A	128	23.2	4.61	29,653
2020-21	44.0	N/A	N/A	110	26.1	4.59	28,667
2021-22	41.9	N/A	N/A	116	25.9	4.57	30,033
2022-23	41.4	N/A	N/A	121	25.8	4.55	31,350
2023-24	40.8	N/A	N/A	124	24.7	4.53	30,747
2024-25	40.1	N/A	N/A	132	23.8	4.51	31,354
2025-26	40.4	N/A	N/A	135	23.6	4.50	31,974
2026-27	40.9	N/A	N/A	135	23.8	4.48	32,068
2027-28	40.9	N/A	N/A	139	23.4	4.46	32,480

Figures are inflation adjusted to 2022-23

Additional Resources

Additional Resources

Department for Transport
http://www.gov.uk/dft

Road Haulage Association
http://www.rha.uk.net

Freight Transport Association
http://www.fta.co.uk

The Transport Association
http://www.transportassociation.org.uk

Industry Jargon

HEAVY GOODS VEHICLE (HGV)
A freight vehicle that weighs more than 3.5 tonnes.

TAIL SWING
The distance between the rear axle and the rear of the vehicle.

TELEMATICS
The integrated use of telecommunications and information processing to measure and send data.

Glossary

BARRIERS TO ENTRY
High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY
Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labour. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than £0.333 of capital to £1 of labour; medium is £0.125 to £0.333 of capital to £1 of labour; low is less than £0.125 of capital for every £1 of labour.

CONSTANT PRICES
The pound figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the pound, leaving only the 'real' growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the Office for National Statistics' implicit GDP price deflator.

DOMESTIC DEMAND
Spending on industry goods and services within the UK, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT
The number of permanent, part-time, temporary and casual employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE
A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT
The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS
Total value of industry goods and services sold by UK companies to customers abroad.

IMPORTS
Total value of industry goods and services brought in from foreign countries to be sold in the UK.

INDUSTRY CONCENTRATION
An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA)

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%; medium is 5% to 20%; and high is more than 20%. Imports/domestic demand: low is less than 5%; medium is 5% to 35%; and high is more than 35%.

LIFE CYCLE

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.

VOLATILITY

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES

The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure

IBISWorld

WHERE KNOWLEDGE IS POWER

IBISWorld helps you find the industry information you need – fast.

With our trusted research covering thousands of global industries, you'll get a quick and intelligent overview of any industry so you can get up to speed in minutes. In every report, you'll find actionable insights, comprehensive data and in-depth analysis to help you make smarter, faster business decisions. If you're not yet a member of IBISWorld, contact us at 020 3008 6568 or info@ibisworld.co.uk to learn more.