
Automotive Logistics & RPM finished vehicle logistics survey Q2 2022

The finished vehicle logistics sector is continuing to be buffeted by headwinds from a number of different directions. The lingering impact of the Covid pandemic continues to stem the supply of semiconductors, which has limited production at the leading carmakers and forced many to revise their annual production forecasts.

The impact of the pandemic and the zero-Covid policy taken by China has also impacted the accuracy of container transit and arrival times, leading to further delays in the delivery of goods to the production lines.

There are further uncertainties created by the ongoing war in Ukraine, the impact of severe inflationary effects on businesses and consumers, all of which is now likely to be compounded by a period of recession across most advanced economies. Those inflationary pressures have led to a higher incidence of strike threats and actual action in different parts of the supply chain.

Added to which, the automotive and logistics industries are struggling with staffing levels and recruitment. This is having a major impact on the production and transit of goods, not least in the transport of finished vehicles by road and rail.

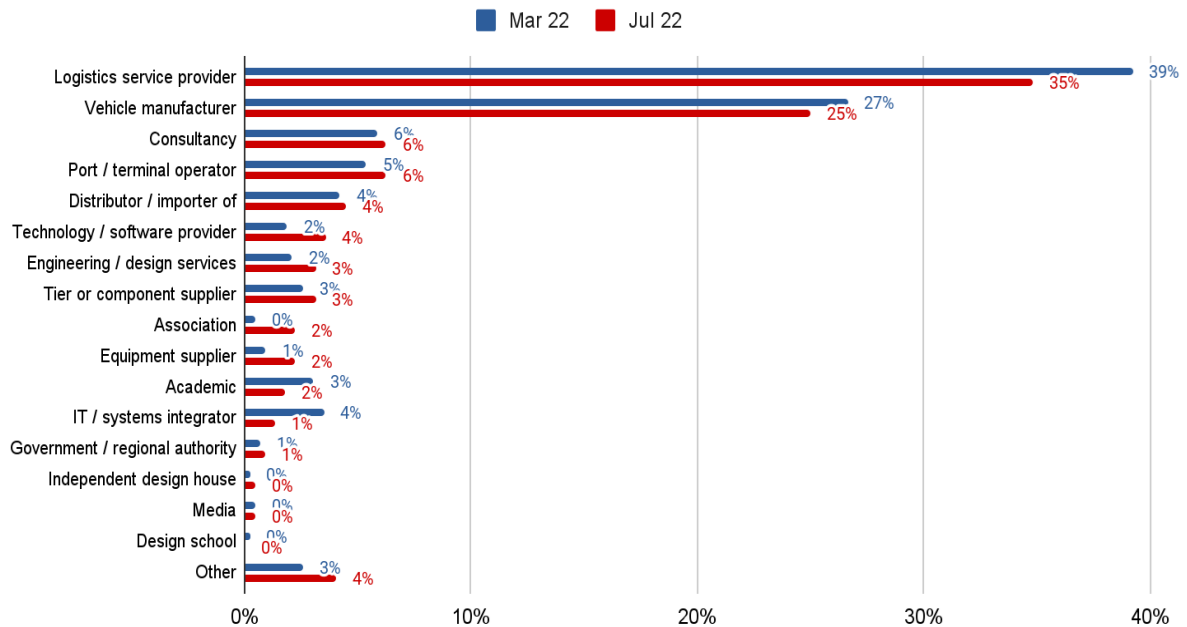
To more accurately measure the main concerns of those using and providing finished vehicle services around the world, Automotive Logistics teamed up with finished vehicle and freight transport expert RPM to research the sector and provide data on the findings on a quarterly basis starting in 2022.

This report is the 2nd survey in the series covering Q2 and where applicable, compares and contrasts the result with the survey results from the previous quarter.

Survey respondents

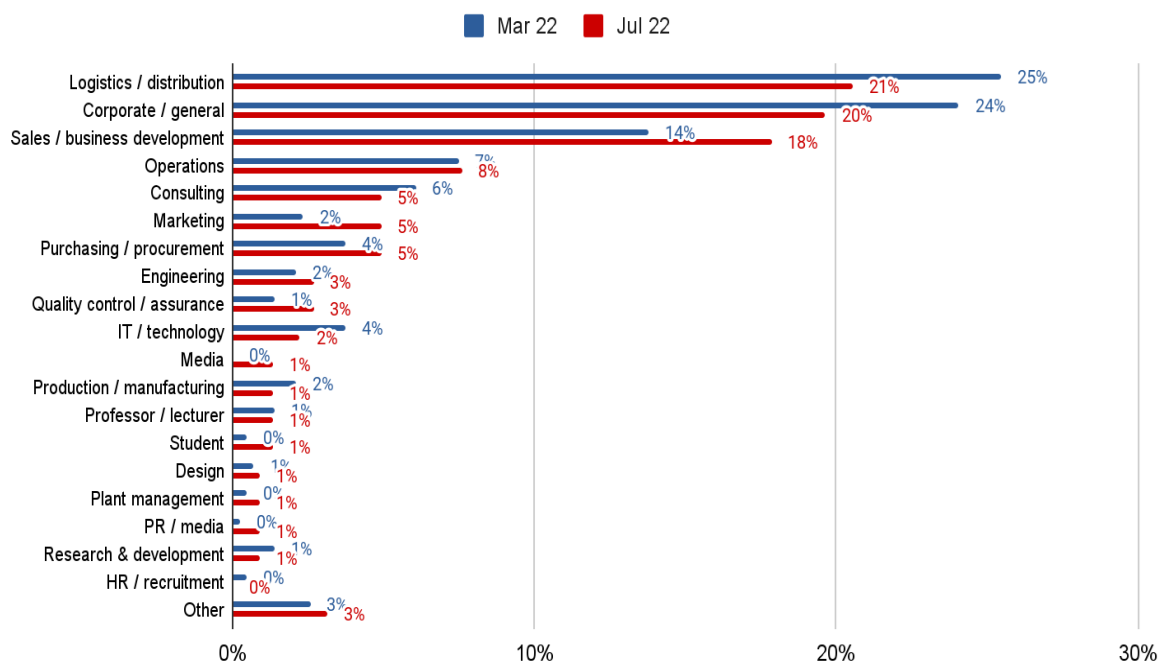
Of the 325 respondents to our second quarterly survey on current trends in finished vehicle logistics (FVL), logistics service providers (LSPs) (35%), and carmakers (25%) again made up the two largest company types.

Figure 1 Company Type



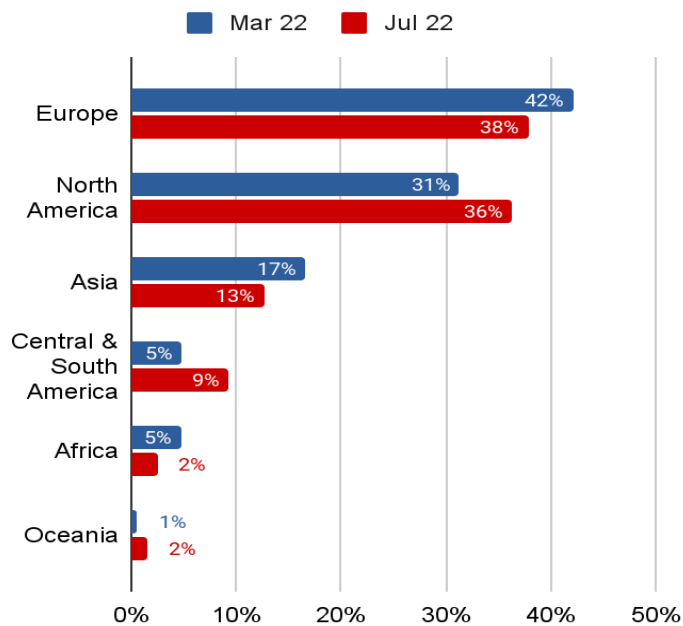
In terms of job function, there was a strong showing from those responsible for logistics and distribution (21%), corporate level functions (20%) and sales/business development (18%).

Figure 2 Job Function



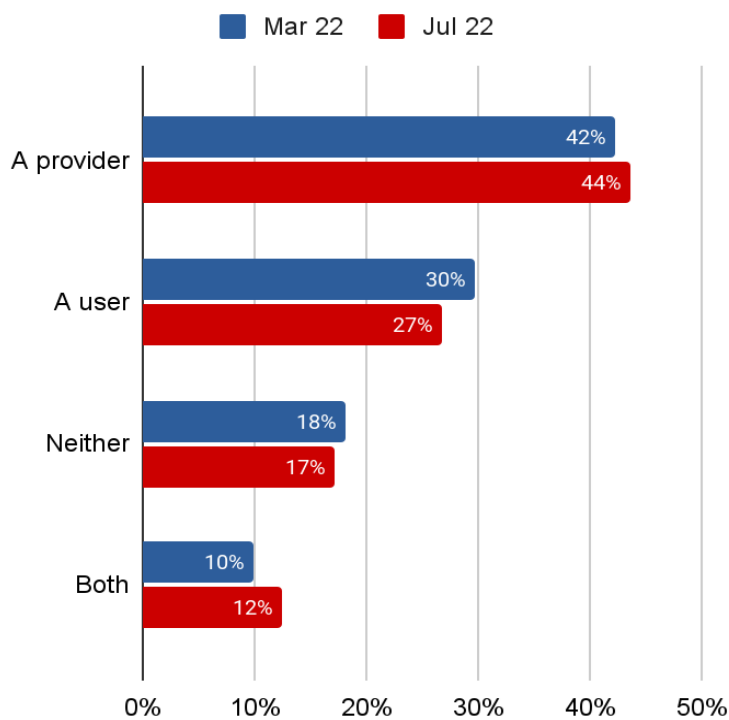
Those respondents were based in Europe (38%) and the North America (36%) mainly, with a significant number also based in Asia (13%),

Figure 3 FVL Region



Respondents were either FVL services providers (44%) or FVL users (27%) and those being both (12%). For clarification in this survey, users of finished vehicle logistics are the OEMs, distributors and importers. The providers are those offering logistics services.

Figure 4 FVL role



The survey did display a heavy weighing towards truck-based finished vehicle logistics in the responses with FVL providers (53%) and FVL service users (82%).

Figure 5 FVL service providers

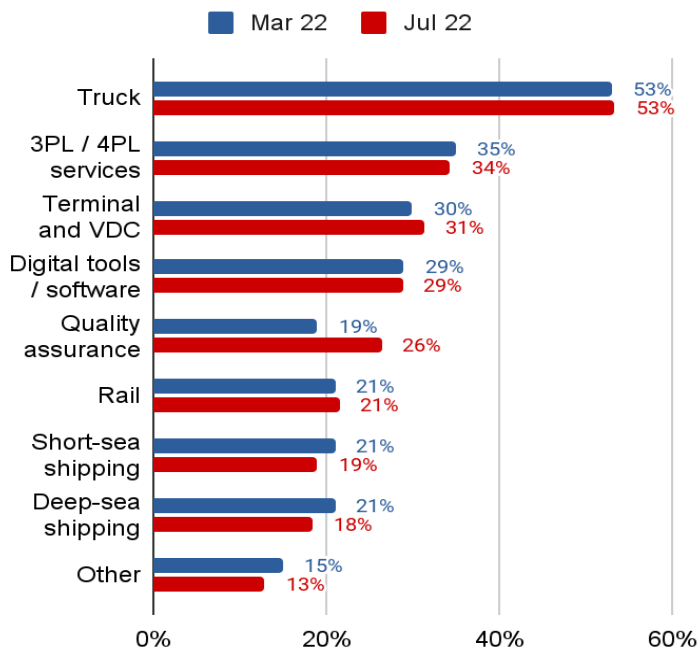
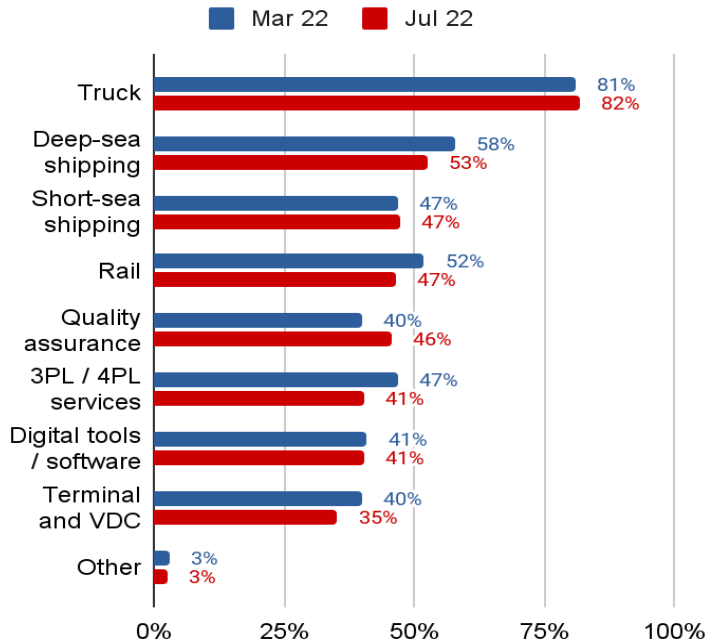


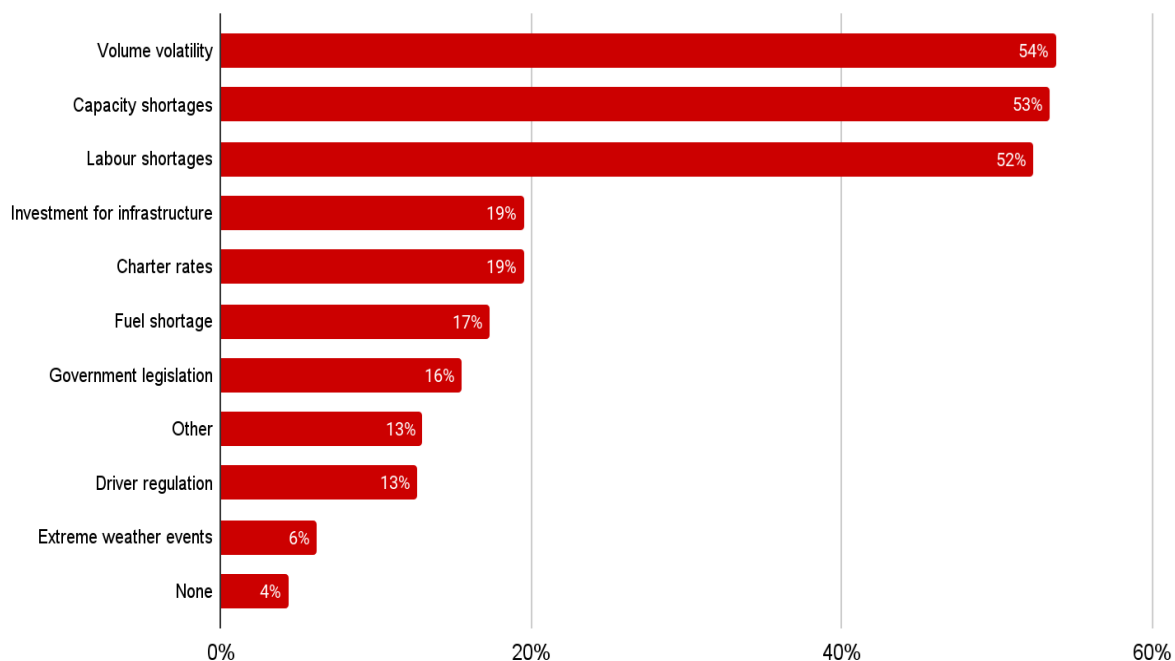
Figure 6 FVL service users



Industry challenges

In terms of the global outlook for industry challenges, volume volatility (54%), labour shortages (53%), and capacity shortages (52%) dominated the responses. Other significant causes of concern for the finished vehicle industry were investment for infrastructure (19%), charter rates (19%), fuel shortages (17%), government legislation (16%) and driver regulation (13%).

Figure 7 What are the biggest Industry challenges impacting your business over the next three months?



In Asia, volume volatility was the leading industry challenge (61%), followed by capacity shortages (42%) and charter rates (26%). Notably only 19% of Asians cited labour shortages as a challenge. However, there was some regional variation with a slightly different emphasis on the major issues. For example, in Europe, labour shortages have become the leading industry challenge (63%), with capacity shortages (62%) and volume volatility (52%). In North America, the leading industry challenge was also labour shortages (63%) followed by capacity shortages (54%) and volume volatility (53%).

Table 1: Top 3 industry challenges by region

Asia	Europe	North America
1 Volume volatility 61%	1 Labour shortages 63%	1 Labour shortages 63%
2 Capacity shortages 42%	2. Capacity shortages 62%	2. Capacity shortages 54%
3 Charter rates 26%	3 Volume volatility 52%	3 Volume volatility 53%

For FVL service providers the major industry challenges were volume volatility (59%), labour shortages (57%) and capacity shortages (50%).

For FVL service users the, the three major industry challenges were the same, but with a slightly different emphasis with capacity shortages (71%), volume volatility (59%), and labour shortages (53%).

Table 1: Top 3 industry challenges: FVL providers vs FVL users

FVL Service Providers	FVL Service Users
1 Volume volatility 59%	1 Capacity shortages 71%
2 Labour shortages 57%	2 Volume volatility 59%
3 Capacity shortages 50%	3 Labour shortages 53%

In terms of the steps companies are taking to adapt to the industry challenges, the responses were quite wide ranging and varied with no single dominant answer. For example, respondents indicated they were investing in staff benefits and training (13%), improving supply chain monitoring (13%), shopping around for more providers (12%), improving customer service (11%), diversifying delivery modes (9%), and investing in technology/digitalisation (9%).

Costs

On the major issue of rising costs, fuel/energy costs remained dominant as the leading challenge (73%), with labour costs (52%), equipment and fleet (41%) and materials (29%) following in importance.

Figure 8 In which of the following areas are you MOST concerned about rising costs impacting your business over the next THREE MONTHS?

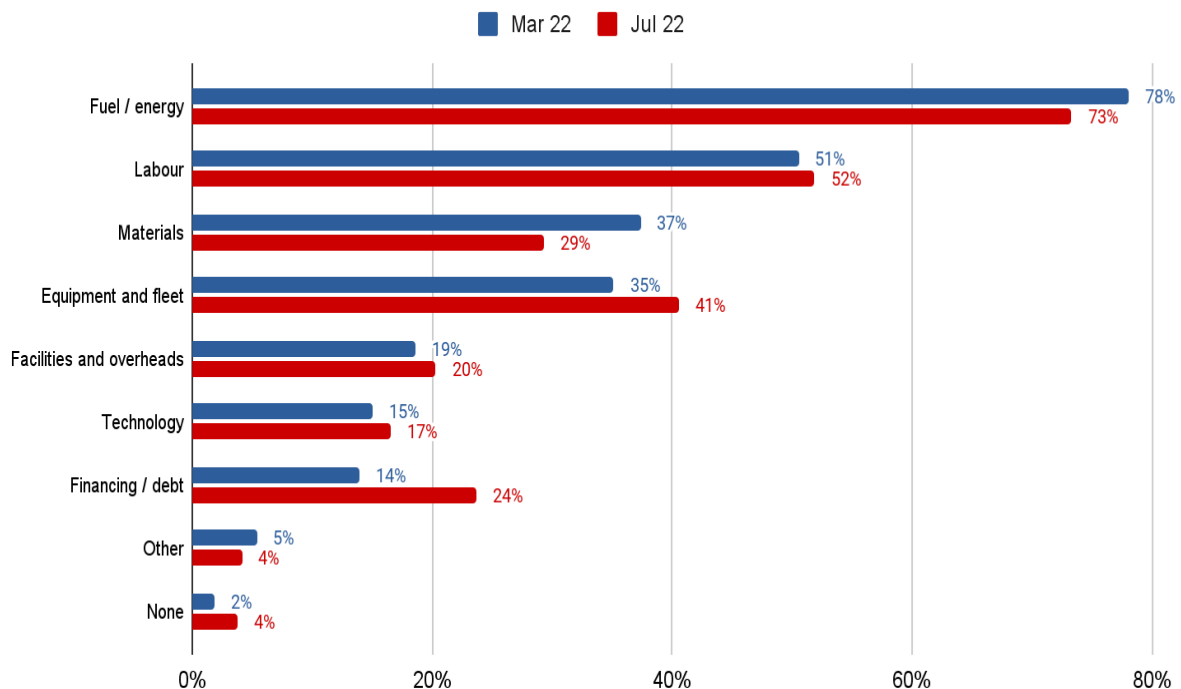


Table 1 Rising costs by region

Asia	Europe	North America
1 Fuel and Energy 73%	1 Fuel and Energy 83%	1 Fuel and Energy 69%
2 Equipment and fleet 27%	2 .Labour 61%	2 Labour 57%
3= Materials & facilities, overheads, financing & debt 27%	3 Equipment and fleet 44%	3 Equipment and fleet 40%

Globally, the biggest cost concern by far remains fuel and energy (67%) and unsurprisingly this was also the leading concern across all regions. However, beyond that dominant issue, there was some regional variance. For example, in Asia the leading issue was fuel and energy costs (73%), followed by equipment and fleet (27%). Costs related to materials and facilities, overheads, financing and debt were equally tied in third place (27%).

Within Europe, far and away the dominant issue was fuel and energy costs (83%) followed by labour (61%) and equipment and fleet (44%). Whilst in North America, the major issue was fuel and energy costs (69%), followed by labour (57%) and equipment and fleet (40%).

However, when it came to labour costs, there were significant regional divergences, with only 20% of those from Asia selecting labour costs as a concern compared to 61% from Europe and 57% from North America.

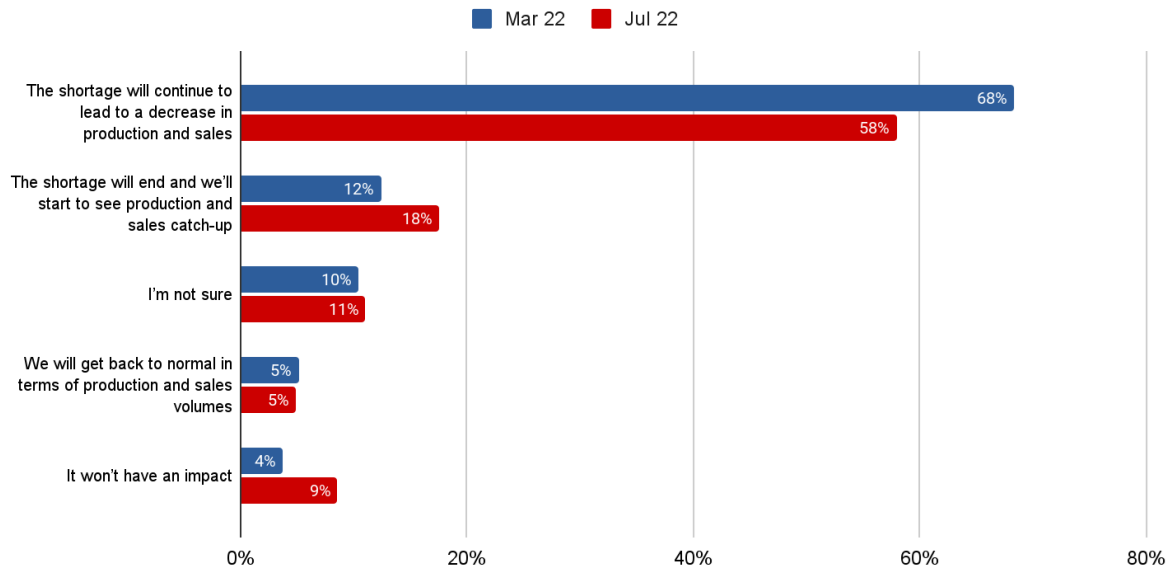
However, providers of FVL services (63%) were more likely than FVL users (46%) to select labour costs as a top-three concern.

Regarding the steps companies are taking in adapting to these rising costs, increasing rates/shortened payment terms (26%), and actively optimising processes (17%) were the three leading responses.

Semiconductors

The chronic issue of semiconductor shortages remains one of the major problems for the automotive industry. The dominant response was still that the shortage will continue to impact production and sales (58%), and those feeling more optimistic that the shortage will end. However, there was more pessimism that the industry will start to see production and sales catch up any time soon (18%).

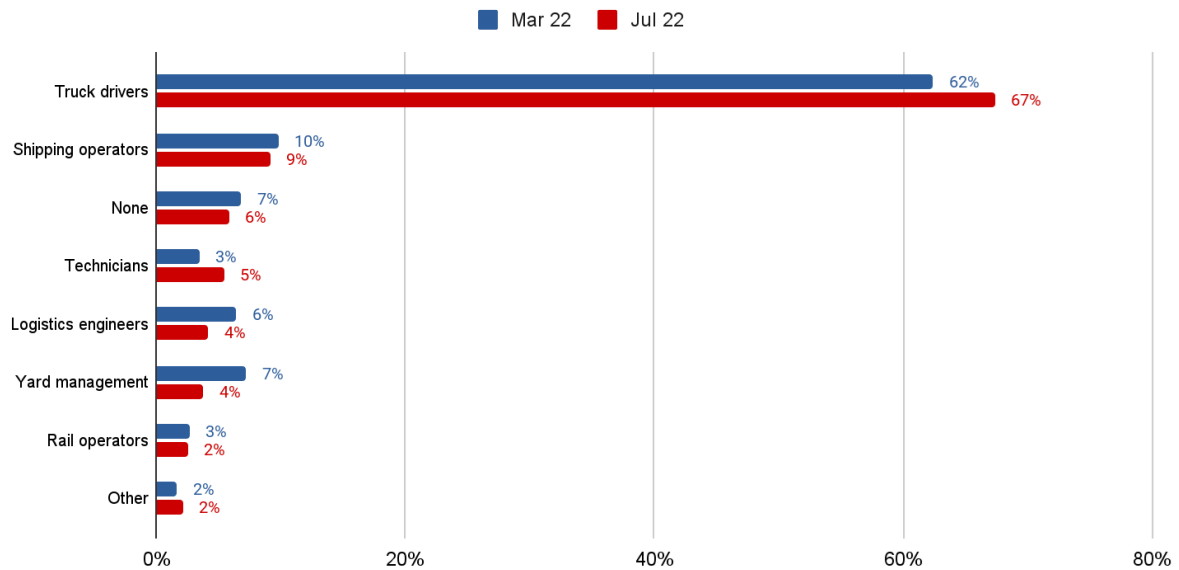
Figure 9 How do you expect semiconductor supply to impact your business in the next THREE MONTHS?



Labour concerns

Globally, the biggest labour concern by far remains the ongoing truck driver shortages (67%).

Figure 10 In which area do you think labour shortages are likely to be the most severe in the next THREE MONTHS?



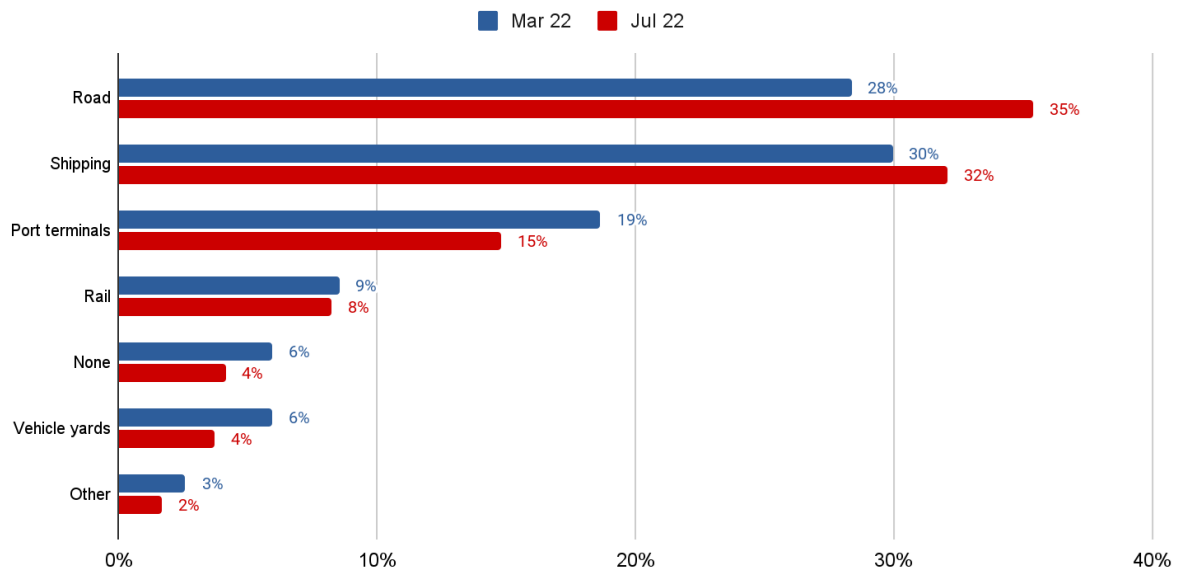
However, there are regional differences. Those concerned about truck driver labour shortages varied with those from Asia (44%) compared with Europe (74%) and North America (75%).

FVL providers (79%) were more concerned about truck driver shortages than were FVL users (61%), but it remains the top concern for both.

Capacity

Globally, in terms of capacity constraints, the most severe impacts were thought to be in road (35%), followed by shipping (32%), with port terminals (15%) also identified as a capacity concern.

Figure 11 In which area do you think capacity constraints are likely to be most severe in the next THREE MONTHS?'



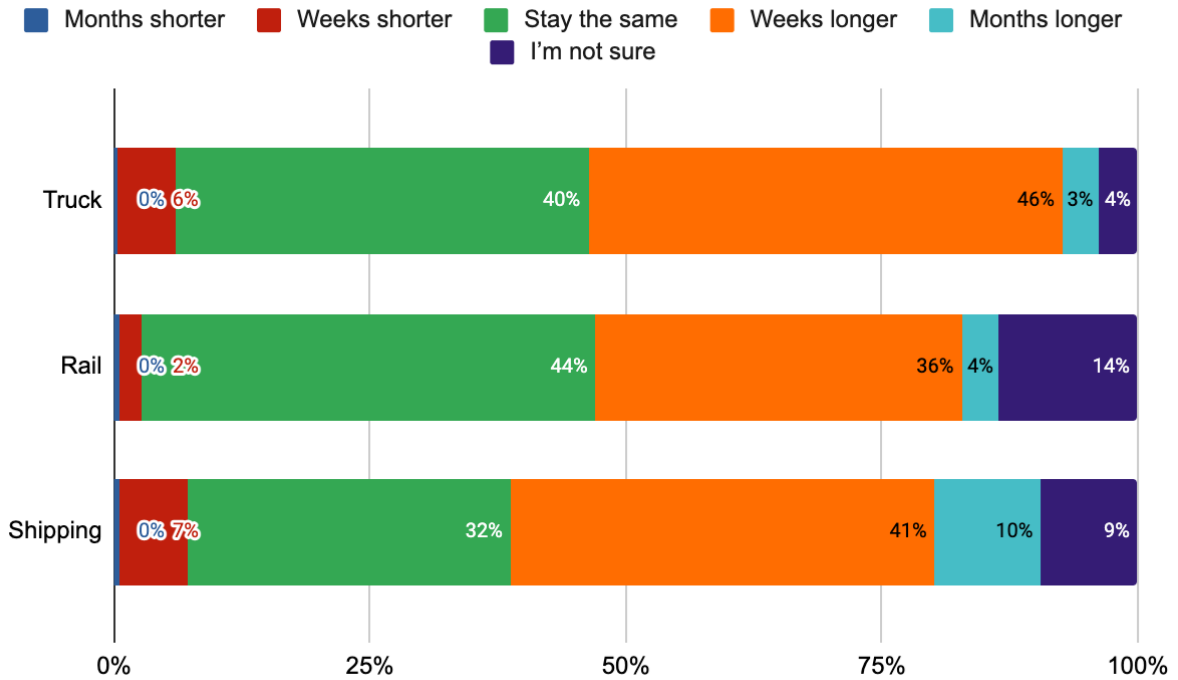
In terms of regional differences, road capacity is a capacity concern for North America (39%), with road capacity remaining the top concern for those in Europe; whilst shipping remains the top concern for those in Asia.

Freight rates and lead times

The vast majority of respondents, across all transport modes, thought that freight rates would remain relatively stable, with a variance of around <10% but not exceeding 25%.

With regard to lead times, the general opinion across the modes varied between staying the same as the previous quarter or increasing to some weeks longer, rather than months.

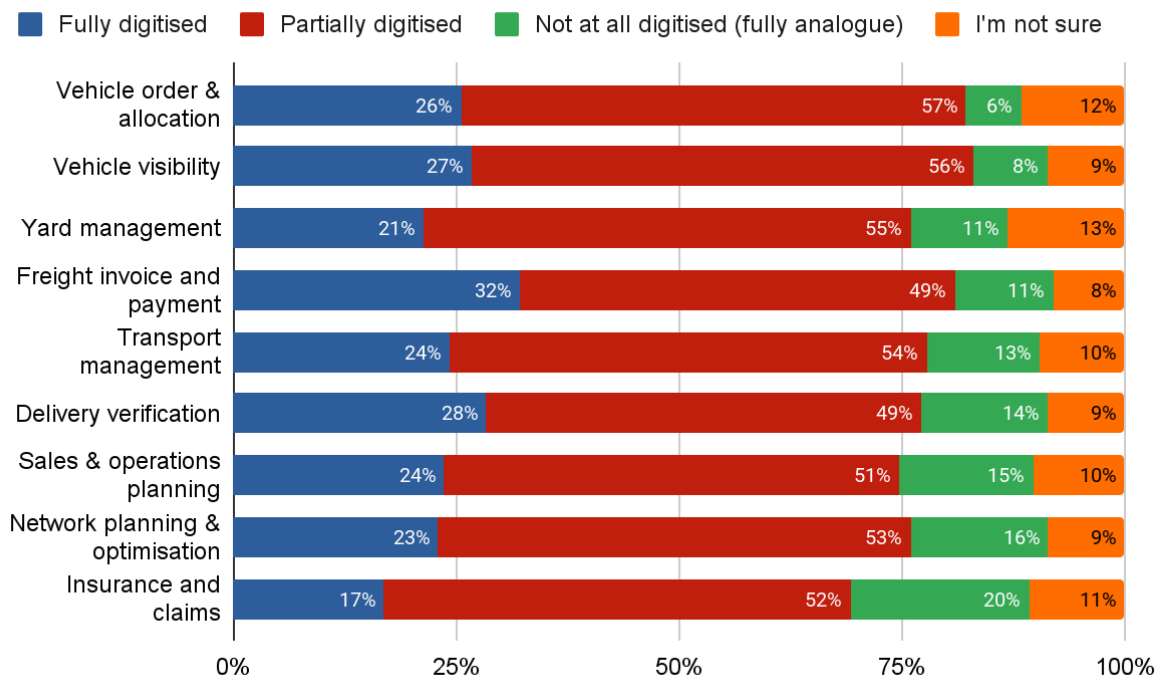
Figure 12 Are you expecting shorter or longer lead times for the following logistics modes over the next THREE MONTHS?'



Technology, innovation and digitalisation

On the question of technology innovation and digitalisation, progress is being made but it does not appear to be a major priority in the current climate and across the various logistics functions the uptake of digital tools remains partial rather than complete. Across their businesses, respondents cited that a range of 17-32% of operations are fully digitised, and a larger proportion 49-57% are partially digitised.

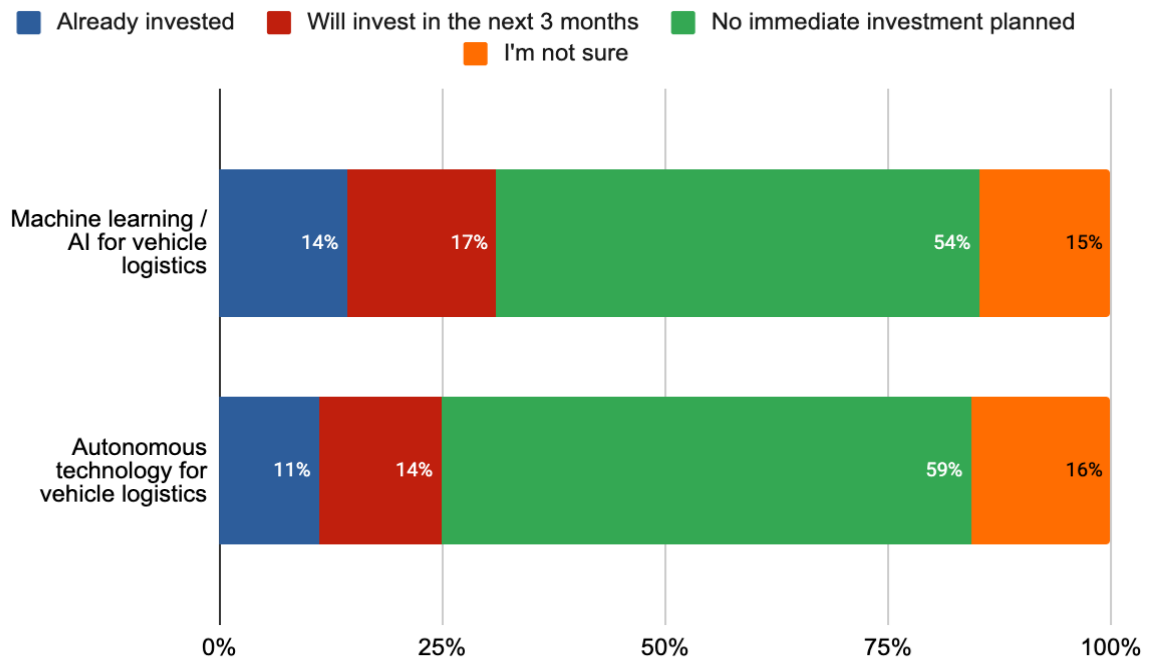
Figure 13 Digitalisation: Where are you now, in the following areas?



AI and autonomous vehicles

In terms of machine learning, AI and for autonomous vehicles, the level of investment in these areas remains relatively low.

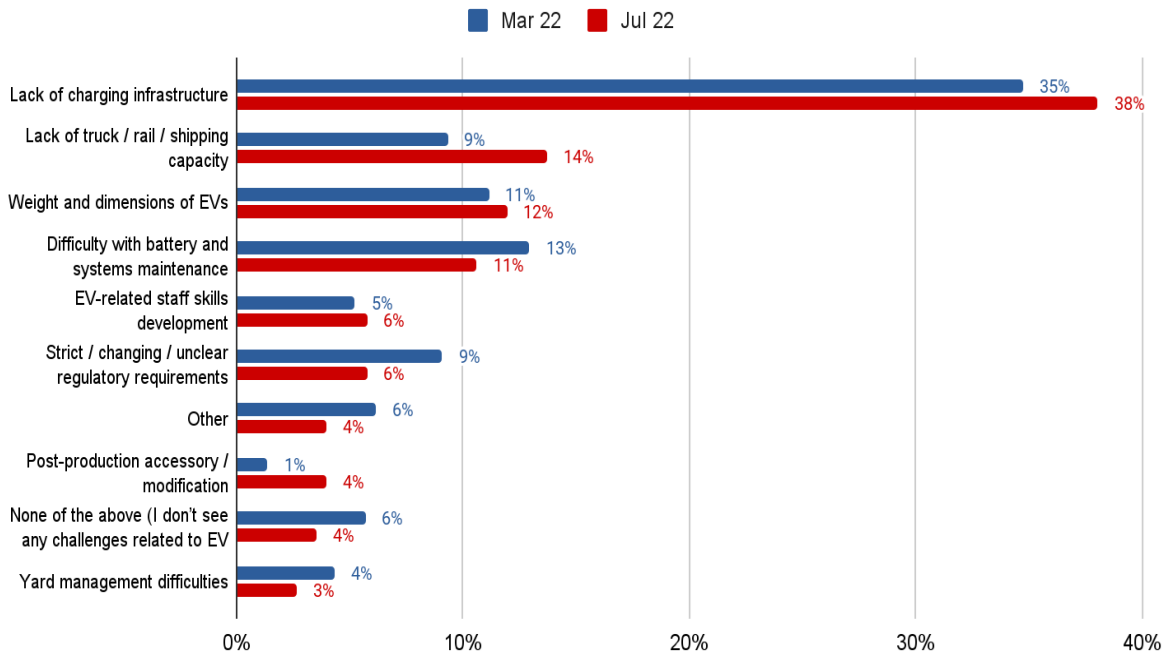
Figure 14 What are your plans to invest in the following areas, in the next THREE MONTHS?'



Electric vehicles

Meanwhile, the major concern for most when it comes to the adoption and movement of electric vehicles (EVs) is the adequacy of the charging infrastructure. Charging anxiety has replaced range anxiety for consumers, OEMs and providers alike, and there is a clear margin in the result of the survey between a concern for the lack of charging infrastructure (38%) and other logistics issues such as the lack of truck / shipping capacity (14%) and weight and dimensions of EVs (12%).

Figure 15 Which of the following poses the biggest challenge when it comes to EV logistics, as volumes increase over the next THREE MONTHS?'



Notably, North Americans had seemingly become more concerned about the weight and dimensions of EVs (22% selected vs. 8% for Europe and 4% for Asia).

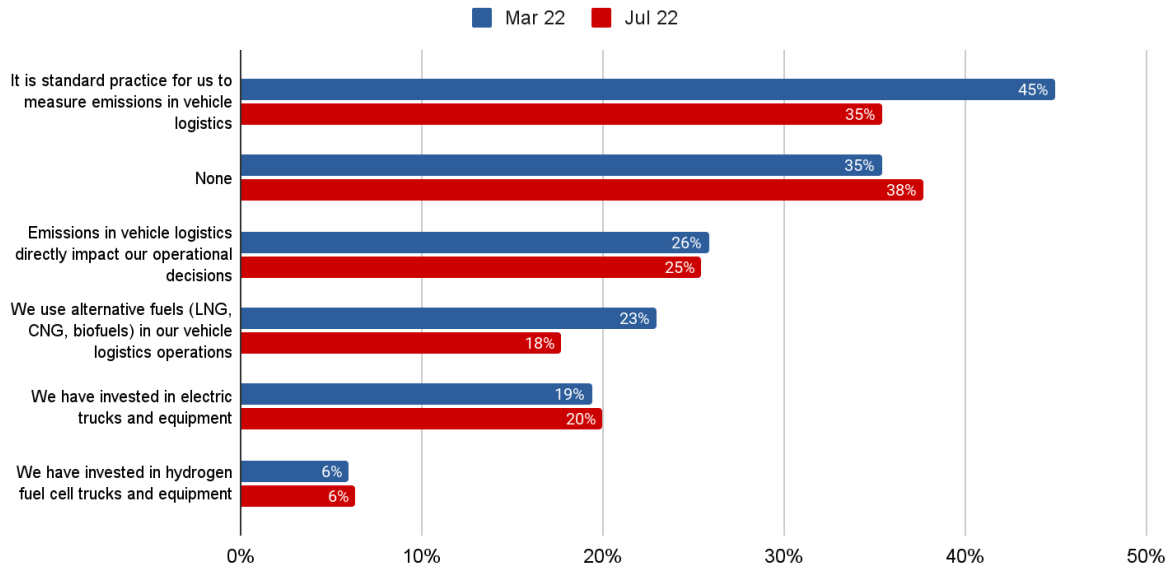
Meanwhile, Europeans were more concerned about lack of EV shipping capacity. (22% selected vs. 11% for North America and 8% for Asia).

For FVL providers (19%) selected it as a top concern vs. FVL users (7%).

Sustainability

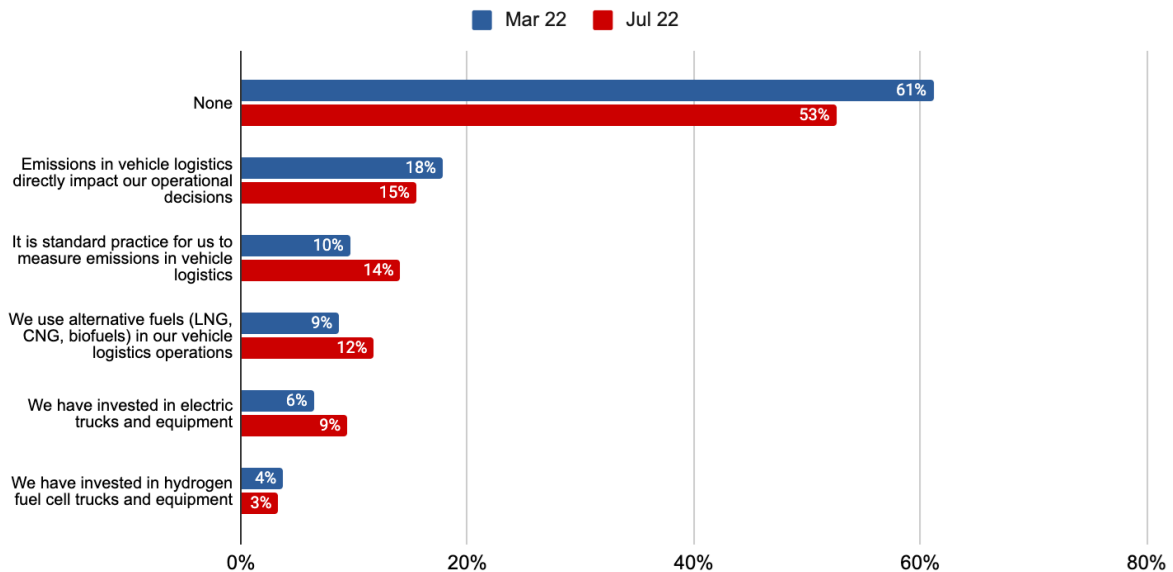
On the increasingly important topic of sustainability, there was a clear indication from respondents to the survey that measuring emissions was standard practice in vehicle logistics (35%). Respondents in North America (30%) said it was standard practice to measure vehicle emissions, vs. Asia (26%), however it was much higher in Europe (43%).

Figure 16 Sustainability: Which of the following statements are already true of your business?



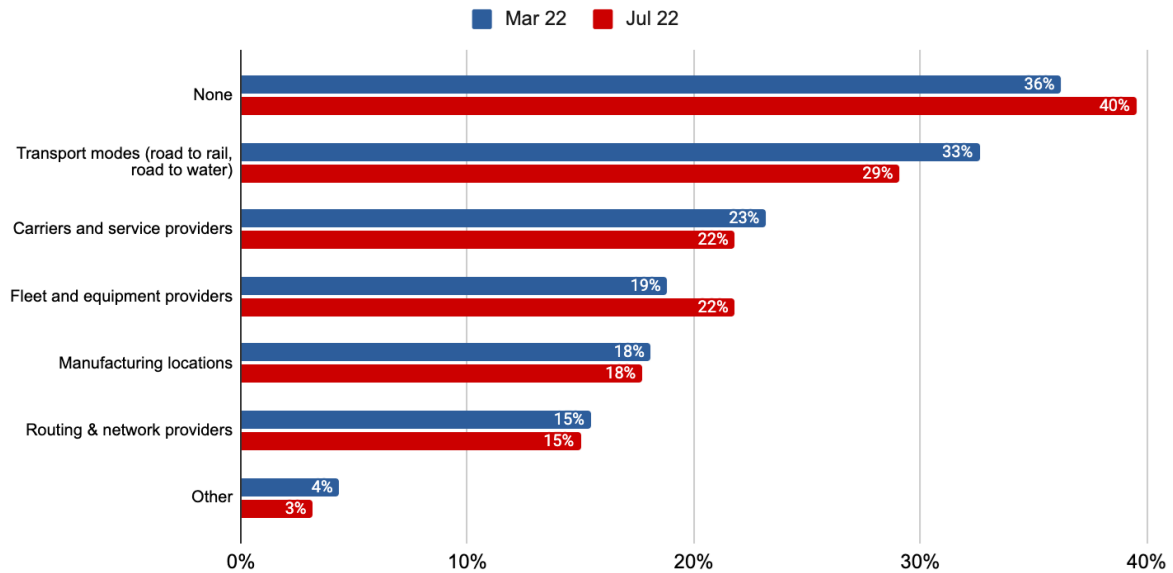
It was less the case that the results directly impacted operational decisions (15%) and there appeared to be little further progress expected in the short term towards switching to green providers, with one-third of respondents still yet to switch. Only 22% of those from Asia said they hadn't switched to any green providers, and 25% from Europe, vs. 57% of those from North America.

Figure 17 Which of the following do you think will become true in the next THREE MONTHS? (Answer options shown were those NOT selected in response to the previous question.)



In terms of the areas where companies had already switched to green providers, the largest response was that 40% had not done so, followed Transport modes (road to rail, road to water) (29%) and jointly carriers and service providers (22%) and fleet and equipment providers (22%).

Figure 18 In which of the following areas have you already switched to ‘greener’ providers?

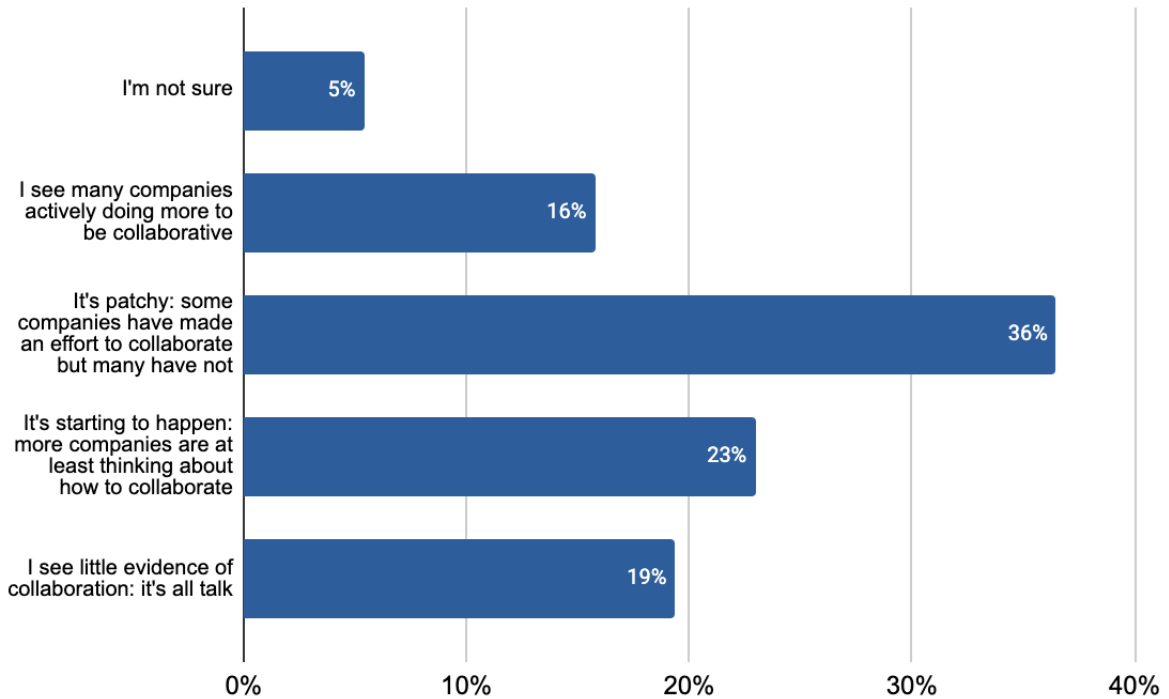


Regarding the barriers to switching to renewable fuels, the respondents cited high costs (43%), lack of infrastructure (18%) and limited options/availability (18%) and lack of government drive/clarity (16%) as the main concerns.

Collaboration

In terms of industry collaboration and cooperation, this remains relatively low with only 16% of respondents stating that they see many companies actively doing more to collaborate.

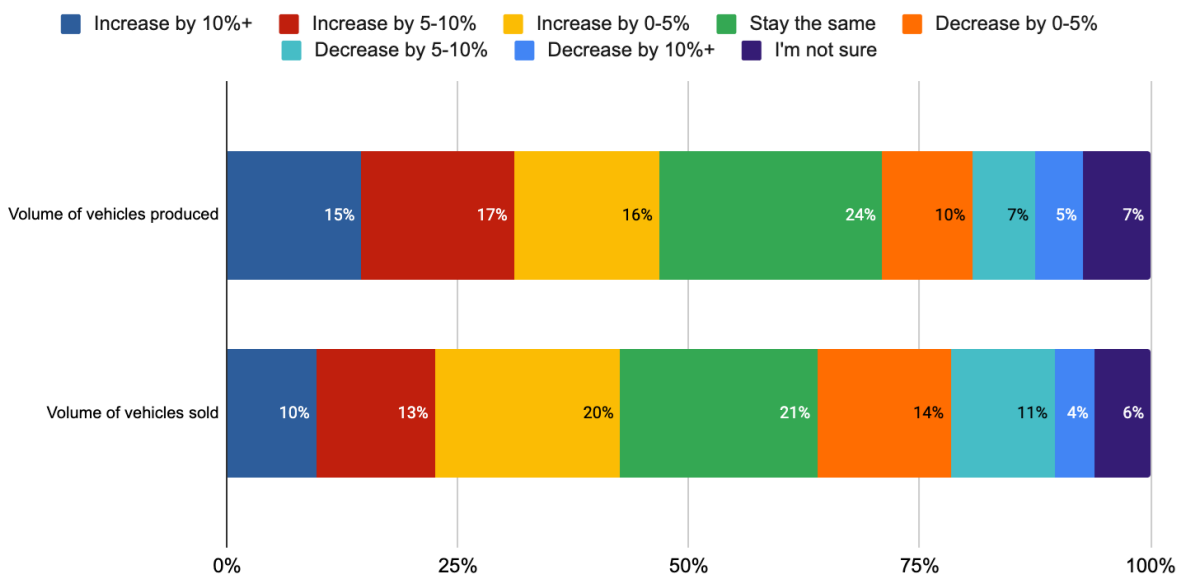
Figure 19 We're hearing a lot about how essential collaboration is becoming in our industry. But is it happening? With which of these statements do you most agree?



Production and sales volumes

Overall, the percentage of respondents that predicted an increase in vehicle production was 47%. However, there were remained significant regional variance. Asia remained the most optimistic compared to other regions, with 69% expecting an increase in production compared to 51% of North Americans and 39% of Europeans.

Figure 20 Vehicle production and sales outlook: How do you expect the following to change IN YOUR REGION over the next THREE MONTHS?



In terms of vehicle sales, Asians (56%) remained the most hopeful for an increase in sales in the next three months, with Europeans (37%) and North Americans (45%).

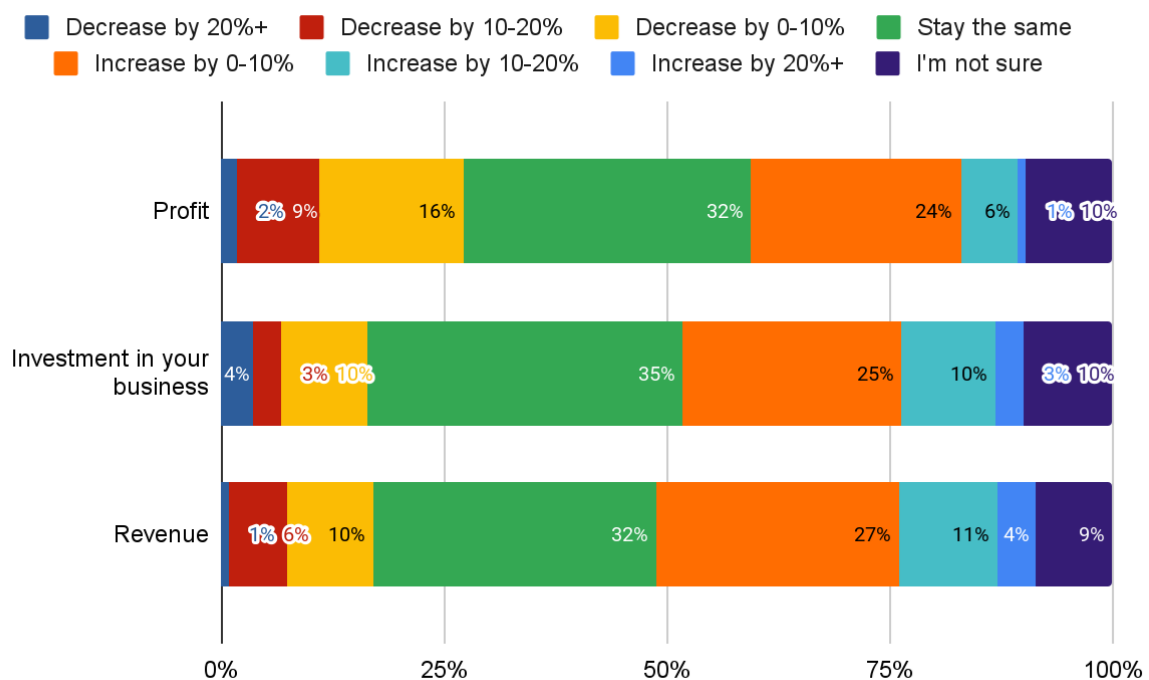
Company outlook

Globally, despite the numerous challenges, headwinds and macroeconomic uncertainties, respondents were broadly positive in the business outlook for finished vehicle logistics, particularly regarding revenue and profitability.

Some 41% of company's were predicting profits to increase, 32% stay the same and 27% to decrease. In terms of investment, 48% were predicting an increase, 35% stay the same, and 17% a decrease. For overall revenues, 51% of companies were predicting an increase, 32% stay the same and 17% a decrease.

Europeans were more pessimistic when it came to the predicted outlook for their company over the next three months. They were more likely to predict revenue and profit decreases, and higher ones at that, and less likely to predict increased investment in their business.

Figure 21 How will your company fare in the following areas, in the next THREE MONTHS?'



Similarly, FVL users (39%) were more hopeful of seeing a profit increase in the next three months compared to FVL providers (24%).

Stay posted for the results of the next quarterly review of the FVL sector from Automotive Logistics and RPM.



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