# 2013's REVENUE BUSTERS

**THE RAPID DECELERATION** in revenue growth evident among the world's 50 largest transportation and logistics companies last year is still with us in 2013, with a few fluctuations and twists.

Foreign exchange rates that hurt companies last year are proving more helpful in 2013, and the largest ocean carriers, which reported comparatively strong growth in 2012, have seen sales slip. Overall, however, the picture is the same: a sputtering economy and minimal revenue growth.


■ *Michael D. Scheid*

Revenue at European-based third-party logistics providers declined 2 percent in 2012 and year-to-date results for 2013 are similar. Through the first half of 2013, revenue at DHL — the world's largest logistics company — was flat, while revenue at DB Schenker and CEVA Logistics declined 2.8 and 5.6 percent, respectively.

In 2008, DHL became the first transportation service provider to hit $60 billion in annual revenue — a mark that's yet to be matched by anyone — but total sales dropped steeply during the global recession, and 2012 revenue was off 9.5 percent from its pre-recession peak. Kuehne + Nagel and Panalpina are faring slightly better in 2013, with revenue for both companies up about 2 percent during the first nine months of the year.

One factor aiding the revenue growth of European companies is a favorable foreign exchange rate. A weakening euro dampened revenue growth in 2012, but a strengthening currency is aiding the comparison in 2013. Even with the beneficial exchange rate fluctuation, however, year-end revenue for European 3PLs are still likely to be flat compared with 2012.

Revenue growth for the six major North American railroads included in the Top 50 list has decelerated from 5 percent in 2012 to about 3 percent this year. Ocean carriers, which had growth similar to that of the railroads in 2012, also have seen a large drop in sales. Combined ocean carrier revenue was up 5.8 percent in 2012 but has since reversed into a revenue decline in 2013 despite relatively steady demand.

Negative pricing is putting pressure on some carriers' top-line growth, while unfavorable foreign exchange rate fluctuations are impacting others. Maersk Line's revenue is down 4.2 percent this year, primarily because of a 5 percent decline in average revenue per container. Other European-based ocean carriers, including CMA CGM and Hapag-Lloyd, also are displaying slower growth than in 2012.

**Not all of the largest transportation service providers have been negatively impacted by the feeble economy.**

Revenue growth for Asian-based ocean carriers is also down this year. Japan's Big 3 carriers, NYK Line, "K" Line and MOL, are showing positive growth in their native currency, but the weakening yen is translating into negative revenue on a U.S. dollar basis. Carriers based in other Asian countries also are suffering a tepid economic environment. Revenue for China Ocean Shipping Co. is down 15.5 percent this year, and OOIL has seen a 3 percent drop. Overall, ocean carriers are on track to nearly reverse their revenue growth of 2012.

But not all of the largest transportation service providers have been negatively impacted by the feeble economy. One company whose top-line sales have seen minimal impact from the global slowdown is J.B. Hunt Transport Services, which has shown strong revenue growth in the past several years. In 2012, J.B. Hunt was the third-fastest-growing company on the Top 50 list. Unaided by acquisitions, J.B. Hunt's revenue growth has been fueled primarily by the increase in its rail intermodal business. Intermodal revenue climbed 12.6 percent in 2012 and contributed to the company's 11.7 percent jump in total sales. Growth in intermodal, coupled with a 13.2 percent increase in the company's dedicated trucking division, has helped to push total company revenue up 10.8 percent through the first nine months of 2013.

Other companies that have felt less of an impact from the economic deceleration are the global parcel carriers, namely UPS and FedEx. UPS revenue has risen 2.3 percent this year, a slight increase from the 1.9 percent growth reported by the company in 2012. This small spurt puts UPS on pace to surpass DHL as the largest transportation service provider in 2013.

UPS already generates more operating income than any other company — more than DHL and FedEx combined, in fact — but the company hasn't held the top revenue spot since it was ousted by DHL in 2007. Like UPS, FedEx is experiencing minimal growth in 2013. Although revenue is up just 3.2 percent, the company likely will show the largest absolute dollar increase in 2013 of the Top 50 companies, primarily from an increase in FedEx Ground revenue. Based on year-to-date growth, FedEx is on track to add about $1.4 billion to its top line.

Considering the year-to-date results of all of the major industry segments comprising the Top 50 transportation service providers list, combined revenue for the major companies is projected to be flat in 2013. Top-line revenue is unlikely to show meaningful growth until the world's largest economies generate higher output. JOC

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