

Who's Who in Global Logistics & Freight Forwarding 2005

Trade Analysis and Profiles of Leading Global Logistics Companies and Freight Forwarders, 2005

Table of Contents and Sample Profile



“Who’s Who in Global Logistics & Freight Forwarding 2005”

Published by:

Analytiqa Associates Limited
Gate House
Fretherne Road
Welwyn Garden City
Hertfordshire
AL8 6NS
Tel: +44 (0)1707 37 22 11
Fax: +44 (0)1707 37 22 99
www.analytiqa.com
Email: info@analytiqa.com

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ABOUT ANALYTIQA

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Global Logistics Industry

The global logistics industry has emerged as one of the most important and dynamic industries in global business. More than a decade ago, logistics was seen largely as a support function. Now, logistics is an integral and key part of global business strategy. The companies operating in the logistics industry are the unseen enablers of modern global business, ensuring products arrive on shelves, often from the four corners of the world.

One of Analytiqa's aims is to promote the global logistics industry within world commerce as a whole. Companies providing logistics services are large multi-nationals and provide more than just 'sheds and trucks'. Consolidation in the industry on a European and Global basis has seen the emergence of some very large players, with turnovers and market capitalisations to match.

As, the market is expanding, outsourcing continues to be a key driver of the logistics industry and rationalisation of logistics providers will continue to drive a wedge between the smaller, regional logistics companies and the large, global logistics players. Information technology is playing a more important role, as visibility is essential to customer satisfaction.

Analytiqa supports logistics providers by helping them understand their marketplace, their competition and their customers. It also supports their business development activities by understanding their operations and helping them take a pro-active approach to winning new business.

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12.0 EXPEDITORS INTERNATIONAL OF WASHINGTON, INC

12.1 Company Details



Expeditors International of Washington, Inc.

1015 Third Avenue

12th Floor

Seattle

WA 98104

US

Tel: +1 206 674 3400

Website: www.expeditors.com

12.2 Introduction

Expeditors International of Washington, Inc. (Expeditors) provides global logistics services, including the consolidation or forwarding of air and sea freight, as well as additional services such as distribution management, vendor consolidation, cargo insurance, purchase order management and customised logistics information. The Company's main business focus in the early eighties was on air freight shipments from the Far East to the US, as well as related customs brokerage and import services. The Company then began to expand its services within the export air freight, sea freight and distribution areas.

12.3 Key Management

Table 12.1: Expeditors Senior Management, 2005	
Name	Title
Peter J. Rose	Chairman and Chief Executive Officer and Director
Peter J. Rose	Chairman & Chief Executive Officer & Director
James L.K. Wang	President, Asia & Director
Glenn M. Alger	President & Chief Operating Officer
Sandy K.Y. Liu	Chief Operating Officer - Asia
R. Jordan Gates	Executive Vice President - Chief Financial Officer & Treasurer & Director
Timothy C. Barber	Executive Vice President - Global Sales
Rommel C. Saber	Executive Vice President - Europe, Africa & Near/Middle East
Robert L. Villanueva	President - The Americas
Eugene K. Alger	Senior Vice President - North America
Philip M. Coughlin	Senior Vice President - North America
L. Manfred Amberger	Senior Vice President - Continental Europe
Jean Claude Carcaillet	Senior Vice President - Australasia
Daniel R. Wall	Senior Vice President - Ocean & Cargo Management Services
Rosanne Esposito	Executive Vice President - Global Customs
Roger A. Idiart	Senior Vice President - Air Cargo
Scott M. Kelly	Vice President - Global Ocean Services
Jeffrey J. King	Senior Vice President - General Counsel & Secretary
Jeffrey S. Musser	Senior Vice President & Chief Information Officer
Charles J. Lynch	Senior Vice President - Corporate Controller
Added from 2004	
Robert L. Villanueva	President - The Americas
Rosanne Esposito	Executive Vice President - Global Customs
Daniel R. Wall	Senior Vice President-Ocean & Cargo Management Services
Jeffrey S. Musser	Senior Vice President & Chief Information Officer
Scott M. Kelly	Vice President - Global Ocean Services
Removed from 2004	
Robert L. Villanueva	Executive Vice President - The Americas
Rosanne Esposito	Senior Vice President - Global Customs
William J. Coogan	Senior Vice President - Ocean Cargo
David M. Lincoln	Senior Vice President & Chief Information Officer
<p>Note: Personnel stated as 'Removed from 2004' refers to the contact no longer being included on the list of relevant Corporate Officers in Annual Report. As a result, the contact may or may not still be in employment with company.</p>	
<p>Source: Analytiqa / Company</p>	

12.4 Headline Financials

In 2004, Expeditors total gross revenues stood at US\$3,317.5 million, an increase of 26.4% from 2003. Net revenues in 2004 stood at US\$906.2 million, compared to US\$750.5 million in 2003. Net profit in 2003 amounted to US\$156.1 million, up from US\$121.9 million in 2003, a rise of 28.1%.

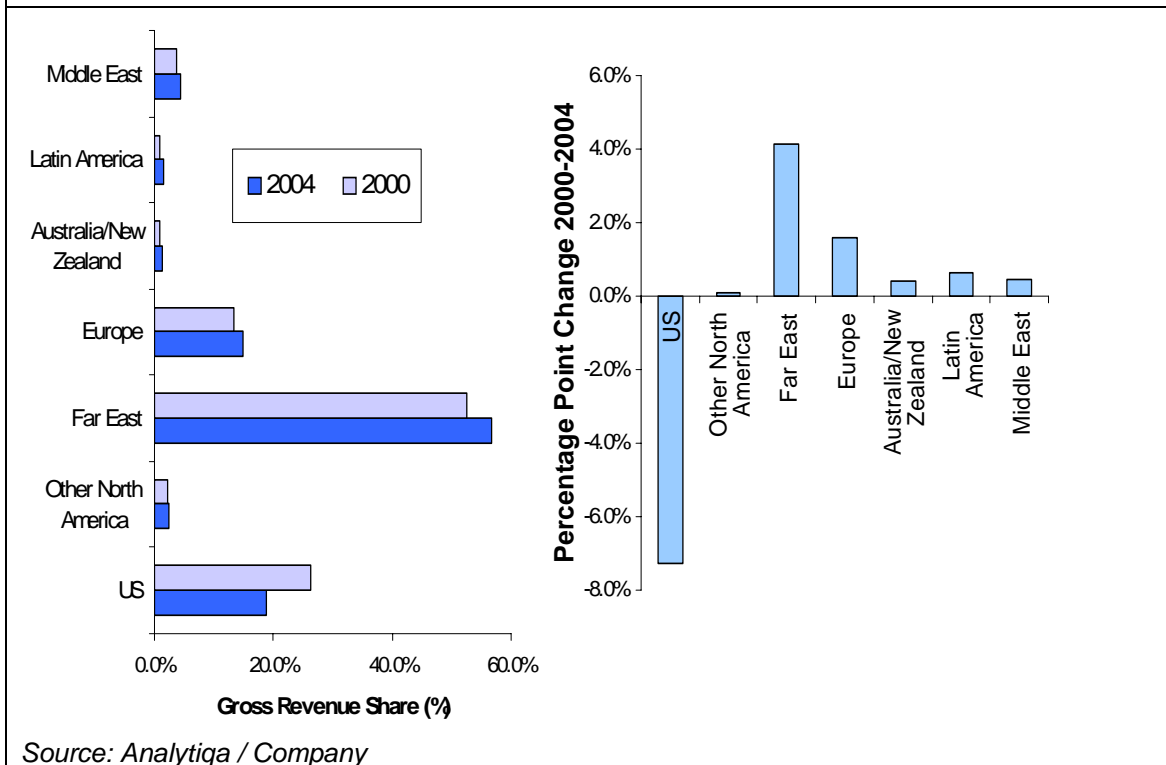
Table 12.2: Expeditors Headline Financials (US\$ m), 2000-2004					
US\$ m	2004	2003	2002	2001	2000
Gross revenue	3,317.5	2,624.9	2,296.9	1,883.1	1,906.7
Net revenue	906.2	750.5	682.2	606.5	548.4
Net profit	156.1	121.9	112.5	97.2	83.0
<i>Source: Analytiqa / Company</i>					

12.5 Geographical and Divisional Analysis

In terms of gross revenues, Expeditors' largest geography is the Far East, which generated US\$1,446.8 million in gross revenues in 2003, accounting for 55.1% of total gross revenues. The US is the Company's second largest geographic area, accounting for US\$519.5 million.

The share of gross revenues attributable to the US is declining, as growth in Far East revenues progresses. In 2000, US share of gross revenue stood at 26.2% and in 2003 this share was 19.8%. Similarly, in 2000, Far East share of gross revenue stood at 52.5% and in 2003 this share stood at 55.1%.

Chart 12.1: Expeditors' Gross Revenue by Geography (%), 2000-2004



Source: Analytiqa / Company

Table 12.3: Expeditors' Gross Revenue by Geography (US\$ m), 2000-2004

Gross Revenue US\$ m	2004	2003	2002	2001	2000
US	628.1	519.5	469.9	476.1	500.0
Other North America	77.7	65.8	60.6	52.1	43.1
Far East	1,880.1	1,446.8	1,294.1	958.7	1,001.8
Europe	492.7	406.2	314.6	272.5	253.0
Australia/New Zealand	44.0	32.1	23.5	17.7	17.8
Latin America	52.4	37.5	29.5	24.7	18.4
Middle East	142.5	117.1	104.7	81.3	72.8
Total	3,317.5	2,624.9	2,296.9	1,883.1	1,906.7
Share %	2004	2003	2002	2001	2000
US	18.9%	19.8%	20.5%	25.3%	26.2%
Other North America	2.3%	2.5%	2.6%	2.8%	2.3%
Far East	56.7%	55.1%	56.3%	50.9%	52.5%
Europe	14.9%	15.5%	13.7%	14.5%	13.3%
Australia/New Zealand	1.3%	1.2%	1.0%	0.9%	0.9%
Latin America	1.6%	1.4%	1.3%	1.3%	1.0%
Middle East	4.3%	4.5%	4.6%	4.3%	3.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Analytiqa / Company

Air freight forwarding is the Company's largest activity, accounting for US\$1,553.9 million in gross revenues in 2004, up 28.1% on 2003. Sea freight forwarding generated 2004 gross revenues of US\$1,179.0 million (up 23.5%) and customs brokerage and other activities accounted for US\$584.6 million in gross revenues (a rise of 27.9%).

Table 12.4: Expeditors' Gross and Net Revenue by Activity (US\$ m), 2000-2004

Gross Revenue US\$ m	2004	2003	2002	2001	2000
Air Freight Forwarding	1,553.9	1,213.2	1,206.1	972.0	1,053.5
Sea Freight Forwarding	1,179.0	954.5	728.2	590.7	542.4
Customs Brokerage and Other	584.6	457.2	362.7	320.4	310.9
Total	3,317.5	2,624.9	2,296.9	1,883.1	1,906.7
Cost of Transportation US\$ m	2004	2003	2002	2001	2000
Air Freight Forwarding	1,204.9	934.2	921.1	717.5	828.0
Sea Freight Forwarding	968.0	763.4	564.1	451.8	427.4
Customs Brokerage	238.3	176.8	129.5	107.3	102.9
Other	665.3	563.7	511.2	n/a	n/a
Total	3,076.5	2,438.1	2,125.9	1,276.5	1,358.4
Net Revenue US\$ m	2004	2003	2002	2001	2000
Air Freight Forwarding	349.0	279.0	285.0	254.5	225.4
Sea Freight Forwarding	211.0	191.1	164.1	138.9	115.0
Customs Brokerage and Other	346.3	280.4	233.1	213.2	208.0
Total	241.0	186.8	171.0	606.5	548.4

Source: Analytiqa / Company

Table 12.5: Expeditors' Net Revenue Margin by Activity (%), 2000-2004

Net Revenue Margin %	2004	2003	2002	2001	2000
Air freight forwarding	22.5%	23.0%	23.6%	26.2%	21.4%
Sea freight forwarding	17.9%	20.0%	22.5%	23.5%	21.2%
Customs brokerage and other	59.2%	61.3%	64.3%	66.5%	66.9%

Source: Analytiqa / Company

12.6 Analysis of Operations

Expeditors provides non asset based international freight forwarding and consolidation for both air and sea freight. The Company acts as a customs broker in all domestic offices and in many of its international offices. Expeditors only provides domestic forwarding services in conjunction with international shipments. The Company's operations are subject to a seasonal trend, with the first quarter the weakest and the third and fourth quarters the strongest.

12.6.1 Air Freight Forwarding

Air freight net revenues in 2004 increased 25.0% compared with 2003 primarily because of an increase in air freight volumes. Global air freight tonnages in 2004 increased 23.0% compared with 2003. The 1.0% decrease in air freight yields in 2004 was primarily a result of air carriers increasing their rates such that the Company was unable to increase its corresponding rates to customers in a timely and effective manner. As with the second half of 2003, the Company elected to absorb these short-term decreases in the interest of maintaining long-term customer relationships.

The Company's North American export air freight net revenues increased 25.0% in 2004 compared to 2003. The increase is partly a recovery of the prior year decrease and partly the result of increased exports from the US due to the weakening of the US Dollar. Air freight net revenues from the Far East and from Europe increased 37.0% and 23.0%, respectively, for 2004 compared with 2003. These increases are the result of market price increases, partially offset by yield declines of less than 1.0%, and increased tonnage of 26.0% from the Far East and 18.0% from Europe, primarily as a result of increased sales success.

12.6.2 Sea Freight Forwarding

Sea freight volumes, measured in terms of forty-foot container equivalents (FEUs), increased 29.0% over 2003 while sea freight and ocean services net revenues increased only 10.0% during the same period. The difference in these two growth rates is a result of a 200 basis point reduction in sea freight yields. The reduction in a yield is a function of two major factors:

- Revenue from Expeditors Cargo Management (ECMS) in 2004 increased only 2.0% over 2003 because of rate pressures on vendor consolidation fees.
- A series of rate increases put forward by direct sea freight carriers throughout 2004. Due to market conditions primarily related to capacity, these rate increases, because of magnitude and frequency, could not be passed on to customers in a timely manner.

The Company's North American sea freight net revenues increased 8.0% in 2004 compared to 2003. Sea freight net revenues from the Far East and from Europe increased 22.0% and 8.0%, respectively, for 2004 compared with 2003.

12.6.3 Customs Brokerage and Other

Customs brokerage and other services net revenues increased 23.0% in 2004 as compared with 2003. The Company attributes this largely to a growing reputation for service and consolidation within the customs brokerage market. In addition, increased emphasis on regulatory compliance benefited the Company's customs brokerage offerings.

12.6.4 Information Systems

The Company believes that its customers have exhibited a trend towards more sophisticated and efficient procedures for the management of the logistics supply chain by embracing strategies such as just-in-time inventory management. This has resulted in customers using fewer service providers with greater technological capacity and consistent global coverage. Accordingly, sophisticated computerised customer service capabilities and a stable worldwide network have become significant factors in attracting and retaining customers. Developing these systems and a worldwide network has added a considerable indirect cost to the services provided to customers. The Company believes that smaller and middle-tier competitors, in general, do not have the resources available to develop customised systems and a worldwide network. As a result, there is a significant amount of consolidation currently taking place in the industry.

Expeditors provides a range of tracking, shipping and reporting tools. These include exp.o, Frontier Release Management, PNM, Quota Monitor, sn@p, Trace, TradeFlow and VendorReferrals.

exp.o is Expeditors' internet tracking and reporting tool. It is designed and built to serve the needs of logistics professionals and provides information on order status at origin, shipments in transit, entry details and warehouse inventory levels.

Quota Monitor combines technology with customs data to make monitoring US textiles and apparel quota status convenient, whilst Frontier Release Management is Expeditors' web-based system that allows management and control of the process where simplified entry procedures exist and several freight forwarding agents provide customs services to the importer.

Sn@p allows the booking of repetitive shipments as well as the creation of export documents and maintenance of export compliance records. The Transportation Risk Analysis Centre (Trace) provides users with tools to manage transit related risks, whilst TradeFlow is a suite of collaborative supply chain tools designed to assist importers and exporters in managing their international trade challenges including features like estimated landed cost calculations, denied party screenings and customs classification searches.

VendorReferrals is an exception management, analysis and reporting tool and Prior Notice Management (PNM) is an internet based tool created to assist importers in the management of imports into the US that are subject to FDA Prior Notice requirements under the 2002 Bioterrorism Act.

12.6.5 Sales and Marketing

Expeditors coordinates its marketing activities to reach both domestic importers and their overseas suppliers. Marketing efforts are focused on their traffic, shipping and purchasing departments. The District Manager of each office is responsible for marketing, sales coordination and implementation. Approximately one-eighth of Expeditors' employees are engaged in sales, marketing or customers services roles.

12.7 Industry Sector Specialism

Expeditors mainly carries out shipments of computer components, other electronic equipment, housewares, sporting goods, machine parts and toys. Typical import customers include computer retailers and distributors of consumer electronics, department store chains, clothing and shoe wholesalers, manufacturers and catalogue stores. According to Expeditors, no single customer accounts for 5.0% or more of revenues .

12.8 Global Resources

Expeditors employs over 9,445 staff in 57 countries around the world, although the most recent breakdown by geography is based on 9,000 employees. In 2004, the number of people employed in South America rose (albeit from a small base) by 50.0%, to reach 450.

Table 12.6: Expeditors Employee Count by Geography, 2003-2004

Region	Employees '04	Share %	Employees '03	Share %
US	3,400	36.17%	2,800	35.00%
Far East & Australasia	2,500	26.60%	2,200	27.50%
Europe	1,450	15.43%	1,300	16.25%
Near/Middle East	800	8.51%	700	8.75%
Other North America	600	6.38%	500	6.25%
South America	450	4.79%	300	3.75%
Africa	200	2.13%	200	2.50%
Total	9,000	100.0%	8,000	100.0%

Source: Analytiqa / Company

The Company opened two start-up offices during 2004, in Canada and Vietnam.

Table 12.7: Expeditors Main Global Property Locations, 2004

US:	
Seattle, Washington	Office
Near Seattle-Tacoma International Airport	Office
Nassau County, New York	Office and Warehouse
Middlesex County, New Jersey	Office and Warehouse
Near San Francisco International Airport	Office and Warehouse
Near Los Angeles International Airport	Office and Warehouse
Near O'Hare International Airport	Office and Warehouse
Far East:	
Tsim Sha Tsui East district of Kowloon, Hong Kong	Office
Taipei, Taiwan	Office
Seoul, Korea	Office
Europe:	
Brussels, Belgium	Office and Warehouse
Dublin, Ireland	Office and Warehouse
Cork, Ireland	Office and Warehouse
Near Heathrow Airport (in London, England)	Acreage
Latin America:	
Alajuela, Costa Rica	Office
Middle East:	
Cairo, Egypt	Office and Warehouse

Source: Analytiqa / Company

In addition to the major offices and properties, the Company leases and maintains 60 additional offices and satellite locations in the US and 189 offices throughout the world, each located close to an airport, ocean port, or on an important border crossing. The majority of these facilities contain warehouse facilities. Lease terms are either on a month-to-month basis or terminate at various times through 2014.

12.9 Recent Developments

February 15, 2005 - Expeditors reports Q4 earnings

Expeditors International of Washington, Inc. announced quarterly net earnings of US\$43,563,000 for the fourth quarter of 2004, compared with US\$36,365,000 for the same quarter of 2003, an increase of 20.0%. Net revenues for the fourth quarter of 2004 increased 17.0% to US\$241,160,000 as compared with US\$205,374,000 reported for the fourth quarter of 2003.

Total revenues and operating income were US\$934,795,000 and \$66,571,000 in 2004 compared with US \$731,413,000 and \$58,548,000 for the same quarter of 2003, a revenue increase of 28.0% and an operating income increase of 14.0%, respectively.



Gate House
Fretherne Road
Welwyn Garden City
Hertfordshire
AL8 6NS
Tel: +44 1707 37 22 11
Fax: +44 1707 37 22 99
Email: info@analytiqa.com
Website: www.analytiqa.com

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