ECG Academy

Thesis

Foreign vehicle Transport Company to Finnish market, possibilities for Assistor OY Ab

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First name, surname: Madis Enok

Address: Rae põik 11, 76806 Paldiski Estonia

E-mail: madis.enok@assistor.ee

Phone: +372 52 49 766

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Abbreviations

LF – Load factor

OEM – Original Equipment Manufacturer

OY Ab - company with limited liability

1. Introduction

Assistor OY Ab is on of the leading finished vehicle logistics provider in Finnish and Baltic market. Assistor has three logistics centres (HUB's), located in Hanko, Turku Finland and Paldiski, Estonia. Also it has smaller hub in Nurmijärvi near Helsinki, where used ex-leasing company cars are inspected and fixed.

Also Assistor is offering to his customers spare parts logistics service, with storages in Helsinki area (Piispankylä, Suutarila and Lommila).

Assistor's core business has always been, offering logistics services for new vehicles entering to Finnish, Baltic and also to Russian market. Besides standard activities like transport arrangement from OEM factories to destination markets, port operator activities (Inspections, storage, Pre delivery inspections, Post production options) , also transport up until the dealerships has been organized by Assistor. Important to note that Assistor has never owned his own trucks, all transports have been subcontracted.

Assistor OY AB shares belongs 100% to the Veho Group OY, owned by the Aminoff family. Veho Group companies are distributors for Mercedes-Benz, Citroen, Peugeot, Smart in Finland, also dealers for Honda, Ford, Škoda.

Totally eleven dealerships trough out the Finland, Veho Group is a leading car sales company in region.

In Baltic states Veho Group is a distributor for Citroen and owns a dealerships for Honda in Estonia and Lithuania.

Assistor has been leading logistics provider in Finnish market in last decade. Competition undo has been still pretty tough, as the total volume of handled vehicles has dropped because of the economic slow downs. Other players in the market are ARO Yhtymä, Uuttera and SE Mäkinen(SEM). From named companies only SEM owns fleet of trucks.

Situation in the finished vehicle logistics Finnish market, changed drastically in November 2011, when Assistor OY bought 100% shares from Avelon Group, namely the car terminals in Turku and Nurmijärvi. Avelon Group who was a key player in the market, handling best selling makes like Ford, Opel and Mazda, kept his vehicle transport business for a while.

Undo Assistor had a option also to buy Avelon Group's vehicle transport unit, Assistor did not see it as their core activity and deal was not done.

Shortly after the announcement of a Assistor – Avelon deal, SEM announced that they have reached in to agreement with Avelon Group, to buy their vehicle transport unit.

This deal meant that SE-Mäkinen became the biggest car transporting company in Finnish market. Before the transaction with Avelon shares, SE-Mäkinen and Avelon basically shared the market with approximately SEM 55% and Avelon 35% respectively. All the rest of the market was divided between smaller transport companies. It became clear to everybody that now, when SEM had a majority of the market, pricing in this sector will be guided by one company.

That move started the new era in Finnish vehicle transport sector, because there was numerous customers and competitors who acknowledged that now monopoly ruled the pricing. Monopoly is not the ideal situation for any business sector and that is why also Assistor who now had to subcontract SEM services to get his customers cars in to dealerships, started to analyse whether to start their own transport company or make a joint venture with companies abroad.

This thesis will analyse the possibilities for Assistor, with foreign transport company who owns a fleet of European standard 18,75m trucks/road-trains and other possible options to organize transport to their customers vehicles.

2. Market situation March 2012

Geographically Finland has always been a market, where new cars have been transported from factories with vessels to different ports in Finland. Hanko, Turku and Helsinki mainly for Finnish market vehicles. Transit cars to Russia have been mainly unloaded to Hanko and Kotka.

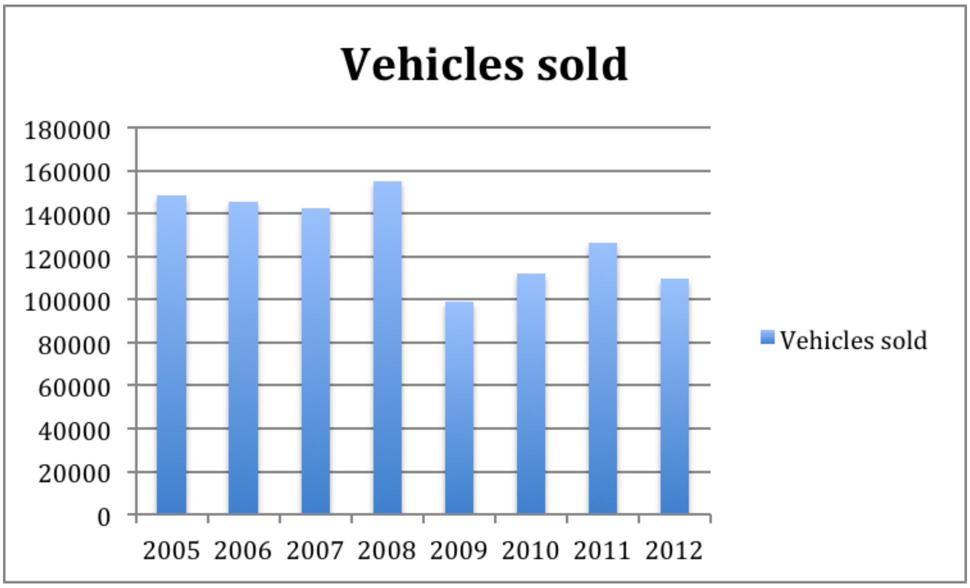
Majority of the cars are sold in Helsinki area 28%, second largest area is Southern Finland cities Tampere and Turku with 7,2%. All the rest of the volume is sold in the area which is spread through out Finland.

Distances from entry ports to dealerships vary from 20 km up to 800 km to Oulu, Northern Finland.

Trucking is essential part of the logistic chain in Finland, there are basically no alternative transport modes available. Train is used from time to time to deliver vehicles to Northern Finland, but train used for this purpose is also used for public transport so the price is very expensive.

Total market volume in Finland 2005-2012(estimated) (Source: www.aut.fi):

Table 1



After the SEM bought 100% from the Avelon group transport unit, SEM has 95% of the whole market of vehicle transports.

3. Market requirements, specialties

Finnish car transport market has always been and will most probably remain unique.
As in most of the Central European countries standard length of the truck(road train) is limited to 18,75m and height is limited to 4m. In Finland the maximum length of the truck is 25,25m and height 4,20. Similar truck length is allowed only in Sweden. This automatically means that you will have extra space available for vehicles and this means more efficiency comparing to standard European trucks.

Standard 18,75m European road-trains:

Special 25,25m Finnish type road-trains :

Undo legally it is allowed to road-trains to be as long as 25,25m, this is only on trucks which are registered in Finland and have special structure for this length.
Trucks that are registered elsewhere and their structure is a standard European type are allowed maximum of 20,75m of length.
More efficiency means average additional two vehicles can be loaded to truck. Also additional 20 cm in height, will give a benefit comparing to standard Euro trucks.

Loading factor (LF) for standard truck is average 7-8 cars and LF for Finnish type of truck is 9-10 cars.

4. Regions and volumes.

As described earlier most of the sales is done in Uusimaa area, which contains Finlands capital Helsinki.

New vehicle sales 2011.

Table 2

Inland regions	Passenger cars	Vans	Trucks	Busses	Caravans	Total
Uusimaa	54,244	6,196	1,239	183	440	62,302
Varsinais-Suomi	10,394	1,198	254	25	157	12,028
Satakunta	4,338	588	145	9	51	5,131
Kanta-Häme	3,567	373	109	15	48	4,112
Pirkanmaa	9,293	1,016	264	38	156	10,767
Päijät-Häme	3,826	540	106	13	63	4,548
Kymenlaakso	3,980	380	113	7	36	4,516
Etelä-Karjala	2,923	293	92	8	45	3,361
Etelä-Savo	2,688	334	94	22	14	3,152
Pohjois-Savo	4,561	539	129	16	78	5,323
Pohjois-Karjala	2,435	301	72	4	19	2,831
Keski-Suomi	4,645	510	154	10	76	5,395
Etelä-Pohjanmaa	3,269	500	148	7	86	4,010
Pohjanmaa	3,074	349	100	10	90	3,623
Keski-Pohjanmaa	1,081	126	79	1	34	1,321
Pohjois-Pohjanmaa	5,955	642	156	15	167	6,935
Kainuu	1,175	173	40	3	11	1,402
Lappi	3,014	433	119	12	75	3,653
Total:	**124,477**	**14,491**	**3,413**	**398**	**1,646**	**144,425**

Finland’s political map by regions.

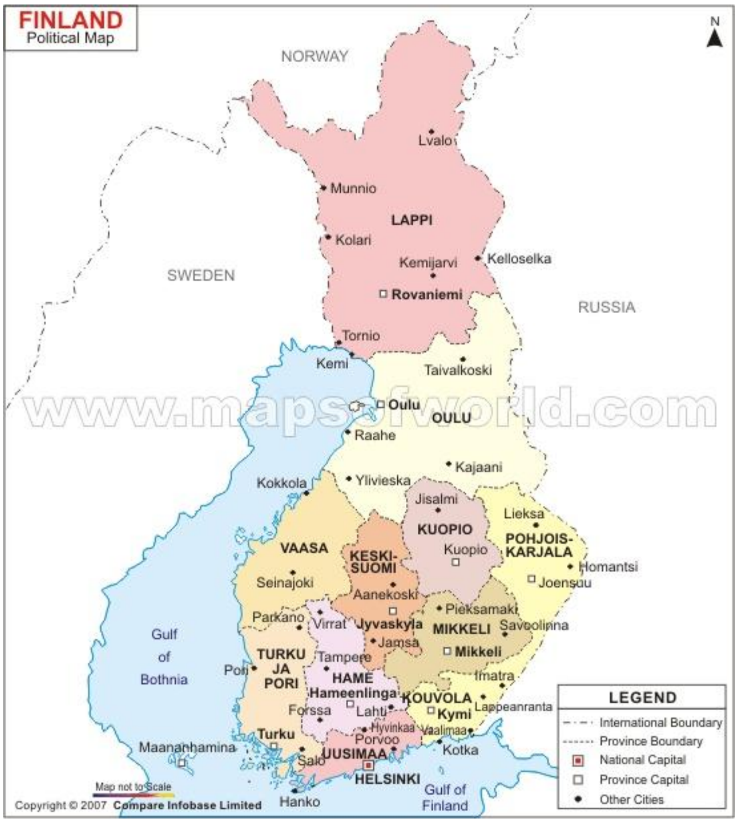


Figure 1

Makes where Assistor is responsible for the transportation:

Table 3

Make	Yearly volume, vehicles	Market share %
FORD	10688	8.47
OPEL	5247	4.16
MERCEDES-BENZ	4975	3.94
PEUGEOT	4149	3.29
CITROEN	3567	2.83
MAZDA	2119	1.68
CHEVROLET	1425	1.13
LAND ROVER	165	0.13
JAGUAR	113	0.09
PORSCHE	100	0.08
SMART	100	0.08
JEEP	89	0.07
DODGE	35	0.03
CHRYSLER	14	0.01
TOTAL:	**32786**	**26.00**

5. Transportation analysis

Assistor has a important share in Finnish vehicle transport market. Mainly due to own Veho Group cars, but also organising transports for the OEM's.
Due to geographical reasons described earlier, lead times from major entry ports in Hanko, Turku vary from 2-5 days. This makes transport planning extremely difficult if you have small fleet of trucks available. Even transport from Hanko/Turku to main sales area in Helsinki is difficult to organize, because basically with driving times allowed for truck drivers, they can make no more than two round trips per day.
That leads us to the first crucial figure when planning transport, trucks available.

Another crucial figure is, that cars are sent from two different locations Hanko and Turku. From Turku 49% and from Hanko 51% of cars by Assistor are transported to dealers. As there is 146km between those two cities, no mix of loads is possible, even tough the road from Turku to Helsinki is crossing with road from Hanko at the midpoint.

Weekly loadings from Hanko and Turku, with different load factors(LF8 and LF10), according to 2011 volumes:

Table 4

	Make	Yearly volume	Entry port	Vehicles weekly	LF8	LF10
1	MERCEDES-BENZ	4975	Hanko	96	12.0	9.6
2	PEUGEOT	4149	Hanko	80	10.0	8.0
3	CITROEN	3567	Hanko	69	8.6	6.9
4	MAZDA	2119	Hanko	41	5.1	4.1
5	CHEVROLET	1425	Hanko	27	3.4	2.7
6	PORSCHE	100	Hanko	2	0.2	0.2
7	SMART	100	Hanko	2	0.2	0.2
8	JEEP	89	Hanko	2	0.2	0.2
9	DODGE	35	Hanko	1	0.1	0.1
10	CHRYSLER	14	Hanko	0	0.0	0.0
			TOTAL:	**319**	**39.8**	**31.9**

Table 5

	Make	Yearly volume	Entry port	Vehicles weekly	LF8	LF10
1	FORD	10688	Turku	206	25.7	20.6
2	OPEL	5247	Turku	101	12.6	10.1
3	LAND ROVER	165	Turku	3	0.4	0.3
4	JAGUAR	113	Turku	2	0.3	0.2
			TOTAL:	**312**	**39.0**	**31.2**

It is visible that from both entry ports there are reasonably steady volumes going out weekly. In real world of course the situation varies from high selling seasons in April-June and September – November, sometimes also December. Also loads vary with vehicles types, passenger cars, vans, trucks etc. For the calculation we have considered only passenger cars, as they make 86% of all vehicles sold (see Table 2).

It is really difficult to calculate the number of trucks you need to serve whole Finnish market area, but in my calculations I will consider only the main market area.
So if we can make two round trips from both locations we will have to have total eight trucks when the loading factor is 8 vehicles per/truck to serve daily need. Instead with load factor of 10 vehicles per/truck, we would only need six trucks.
Also, because the structure of the 25,25m truck, it is much more easier to load cars to this kind of truck. It does not require so much "packing", but you can basically drive the vehicle directly to truck and lash it. When distance from both entry ports is approx. 150km in one direction, you shall not waste time to difficult loading and unloading process, in order to keep up with the scheme of two loading per day.

Not less important when planning transportation, is empty loads. It is a fact in Finland, that trucks do not have backloads to entry ports. Due to this fact it is even more important to have as much is possible the trucks loaded even in one way.

6. Conclusion

It is quite clear without more specific calculations that usage of Euro standard type of trucks in a specific market as Finland is not feasible. Major factor is the length, which gives a benefit average 2 vehicles per/load. Also the structure of the trucks which is allowing faster loadings and unloading.
At the same time Euro standard trucks are more usable around the Europe, this gives a benefit to transport company to expand their business or when renewing the fleet.

Another option for Assistor could be to establish own transport company. There is reasonable volume for six 25,25 long road-train type of trucks. During the last tender processes by the OEM's, it is clear trend that OEM's would like to have door to door service, including services: shipping, port activities, PDI, storage, transport to dealerships. Assistor already has most of the required services in their control but some of the services are still subcontracted.
Having a own fleet of trucks means at first stage serious investments, as the 25,25m trucks are only built in Finland and Sweden delivery time could easily be as long as 2 years. Also the fact that OEM's continuously raising their standards for trucking, this requires continuous improvement and renewal of trucks, which is financially demanding. Those specially built road-trains can be sold only to countries where they are allowed.
Even tough having own fleet of trucks, would not execute the fact of empty loads.
Biggest risks of having own fleet of trucks are economic slow downs and contract periods. Latest economic crises have shown that the impact of lower car volumes will affect drastically on trucking companies. OEM's usually renew their contracts after 3-5 years, which means that having your own fleet can be a risk if you will not renew your contract.
In the other hand owning your own fleet, could be a benefit to your business, when chasing new customers or planning your production processes.

Finnish transport market is to big for one trucking company and in the other hand it is to small for three ore more companies. It is always a risk when one company rules a market and pricing, if something happens to this company or economy, everybody will suffer in the result. Ideal solution would be two companies owning proper fleet of trucks and maybe both having a same customer base in order to have mix loads to all directions.

As it is for Assistor, my opinion is that they will have to remain in their core business and not take the risk at this stage. Economy is still pulling out from the last crisis and it is not clear that crisis is over yet. Volumes where Assistor is currently organizing transport are relatively high, in order to be interesting to transport companies. There are already rumours in the market that few smaller transportation companies from Finland and one Norwegian famous transport company are looking to make a joint venture for the Finnish market. This will definitely bring more competition and knowledge to the market.

Nonetheless important that this Norwegian company is also working in Baltic countries, where Assistor has subsidiary, this could bring a good synergy in all of those markets.

In future Assistor could still consider the possibility of own fleet of trucks, but fleet should be available for other brands also, not only brands that are processed thru Assistor workshops.

Literature

www.aut.fi - The Finnish Information Centre of Automobile Sector (AuT)

www.malkkioy.com - Malkki OY Ab, Vehicle transporter builder

Word of honour statement

I declare that I have written the thesis with the title

Foreign vehicle Transport Company to Finnish market,
possibilities for Assistor OY Ab

on my own. Information from other sources or ideas from other persons are marked.

16.04.2012

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Signature of writer