UK Business Survey: Importance of Express Services

A York Aviation Report

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AICES International Express

York Aviation

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Executive Summary

UK Business Survey: Importance of Express Services

Introduction

In 2023, the Association of International Courier and Express Services (AICES) commissioned York Aviation to conduct research into the importance of international express services to UK businesses. Express operators provide fast, time-definite, door-to-door movement of shipments which are tracked and controlled throughout the journey. Each year, AICES members import and export over 250 million international shipments to and from the UK. They are highly dependent on night flights to provide this connectivity.

The primary purpose of this report is to add further detail to previous economic analysis conducted by York Aviation in 2021 on the impact of night flying in the UK, which showed that flights in the night period (23:00 to 06:59) generated a total economic impact of £16.5 billion in terms of GVA in 2019, supporting approximately 213,200 jobs. This report also detailed the economic impact of curtailing these flights, with even a 50% reduction of aircraft movements resulting in a total economic impact of £5.1 billion and with 62,000 jobs being put at risk.

The present study adds further context to these findings by obtaining feedback from UK companies who use express services as part of their business processes via a customer survey, which received 255 responses. Six in depth interviews were also conducted to produce case studies across key sectors including healthcare and life sciences, manufacturing, electronics, engineering and the automotive industry. The goal was to build a picture of how and why UK businesses use express services, and consequently their relevance to the UK economic growth and international competitiveness.

Most of the businesses surveyed use express parcels services every day or at least once a week – with speed of delivery being the most commonly cited reason for using express services. This demonstrates why aviation capacity and in particular night flights are so important to express customers.

Key Findings

1) **Express services are essential to doing business in the UK**, with 95% of businesses surveyed stating that they were vital to or important for their business operations.

2) **Express services are essential to UK international competitiveness**, with 93% of businesses surveyed saying that express services were very important or important to their competitiveness. 89% said that this was because of speed of delivery and 62% valued reliability of service as integral to their own reputation.

3) **The curtailing of express services would have real implications**. 80% of respondents saying that if express services were not available it would have a serious or very serious impact on their businesses. 68% said that orders could be lost and 42% said that UK operations could be reduced.

4) **Growing demand of express services is expected in the future**, with 49% of companies expecting to use express services more. This demonstrates the need for an increase in cargo and bellyhold capacity, particularly during the night period.

1) Express Services are Essential to Doing Business in the UK

95%
Vital to or Important to business operations

82%
Use express services at least once a week

"These services play an indispensable role in today's fast-paced and interconnected global economy."

"To operate successfully internationally and to grow the business, the availability of express services is simply non-negotiable…"

"If more express services were available around the world this could potentially open up new markets for B2C sales."

"We compete in the USA where we can make deliveries from the UK faster than ground services in the USA. We compete in Australia and express deliveries makes this possible, without express we wouldn't have exports to send."

Survey responses

Express operators provide an essential service to companies of all sizes in the UK, across a multitude of industry sectors including manufacturing, digital services, electrical and engineering, healthcare and life sciences, and the retail sector. **The companies responding to the survey have an estimated annual turnover of over £15 billion in the UK and employ over 75,000 people**.

55% of all the companies that responded to the survey stated that they used express services every day, with a further 27% using these services at least once per week. **Overall, 95% of the companies surveyed stated that express services were important to their business operations, with 50% of these respondents saying that it was vital.** This suggests that based on respondents to this survey alone over £7.5 billion in revenues for UK companies are critically reliant on express services and that these services are important for a further £6.8 billion. The in-depth interviews conducted for the case studies gave concrete examples of the importance of these services for businesses, including:

- A healthcare company producing diagnostic screening kits which depends on express services for all of its distribution including many perishable items;
- A high end, niche car manufacturer which depends on express services to guarantee next-day delivery of parts from a UK distribution centre to dealerships worldwide;
- An electronics components company which uses express services for outbound goods where customers require urgent receipt of their products;
- A manufacturer of home safety and security equipment which depends on goods imports to keep production lines running;
- A mechanical components manufacturer which uses express for most of its exports; and
- A digital manufacturing services company specialising in injection moulding and 3D printing, which uses express services for nearly all of its exports.

It is significant that 79% of the survey respondents said that they use express services for **business to business** purposes. This could be, for example:

- The shipping of raw materials to the company for manufacture;
- The shipping of manufactured products to a company for retail sale; or
- For the recipient to use a manufactured part to repair their own production line machinery.

This shows how interwoven the supply chain is in UK industry, and if one part of the chain suffers, this can have significant consequences both downstream and upstream. Given the interconnectivity of UK supply chains any changes to night flights must consider the wider, catalytic economic impacts.

2) Express Services are Essential to UK International Competitiveness

93%
Very Important or Important to competitiveness

89%
said speed of delivery was important

53%
Consider express services global reach to be important

The UK's prosperity for centuries has been based on its ability to trade globally and to act as a bridge between Europe and the East and North America. Express services play an **essential role in the international competitiveness of UK companies**. 93% of all respondents stated that express services were important or very important to their competitiveness.

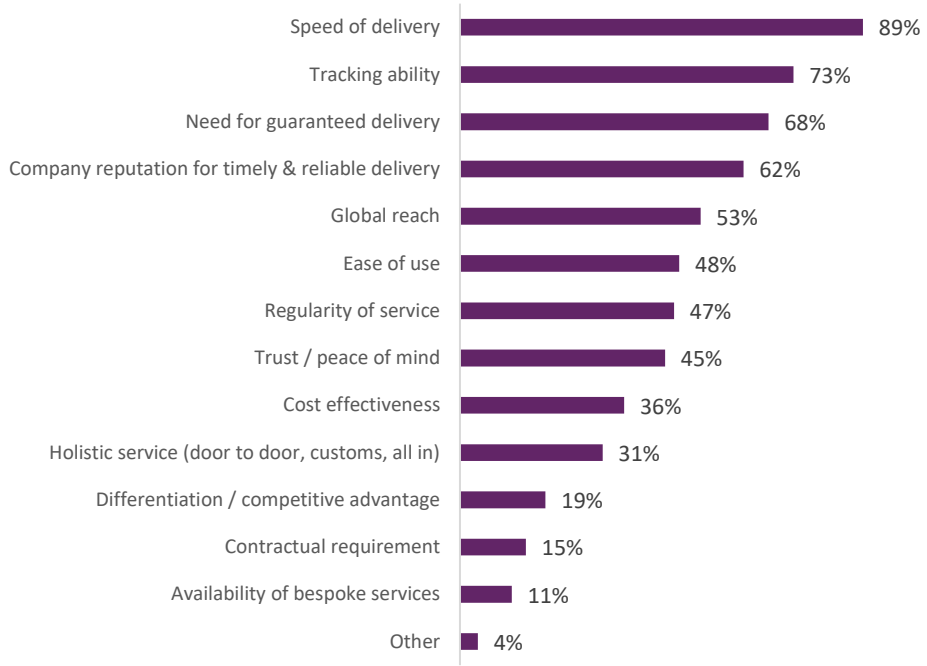
Speed of delivery was the most commonly cited reason for using express services, driven in the main by the ability to offer next day delivery to international markets. Other reasons cited for using express services included the trackability of the products, the cost effectiveness, ease of use and regularity of the service.

"If express did not exist, we would have to explore opportunities to manufacture outside the UK and the UK business would be shrunk to focus on the UK domestic market."

"We need to get freight to anywhere in the world as quickly as possible. The most common request is as early as possible the next day. Without express services, we would find it almost impossible to satisfy those requests."

Survey responses

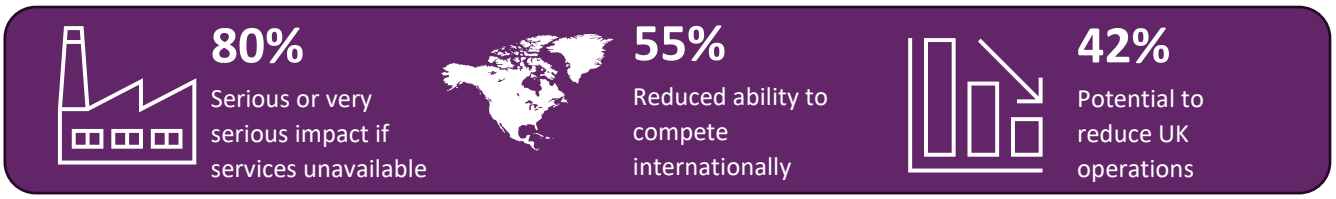
Why are express services important to you?



When asked why speed was important, 71% cited customer expectations, 46% the high value of the goods, 38% said it was their unique selling point, 28% said it facilitated just in time production lines and 8% said it was because the goods were perishable.

The case studies supported this emphasis on speed of delivery with a key theme being the high degree of value placed on late afternoon pick-ups and early morning deliveries. For the late pick-ups, this enables a company to operate more efficiently, maximising the number of shipments in one day, and providing them with enough time to put all necessary documentation in place. For early morning deliveries, the early delivery of a spare part, for example, can minimise downtime on a production line. Our interview with a specialist in the design and manufacture of mechanical components – Case Study #5 – highlighted the importance of customer expectations and maintaining production lines as being a key reason for using express services. The company explicitly stated, "speed of delivery is how we win our business".

3) Loss of Express Services has Real Implications



80% of respondents replied that it would have a serious or very serious impact on their businesses if express services were not available.

68% of respondents expected a drop in orders, and 55% anticipated a reduced ability to compete in international markets. 42% envisaged a reduction in UK operations, 21% said staffing levels would reduce, and 24% foresaw a reduction of further investment into the UK operations. 17% considered that the non-availability of express services could cause their relocation away from the UK to maintain their competitive position.

The case studies reinforced the potential consequences with two in particular highlighting **the possibility of needing to expand distribution centres outside of the UK** to maintain the same level of speed of delivery, whilst others envisaged a directly **attributable loss of income** and another said it would have to **move elsewhere**.

"I cannot conceptualise no express services. We would be out of business."

Survey response

Again, several case study discussions highlighted the importance of **pick-ups being as late as possible**, providing companies a competitive edge, even against some companies in mainland Europe. Some interviewees spoke about the risk to their competitiveness if the pick-up time was made earlier, which could be a consequence of night flying curfews being brought forward or extended.

The evidence strongly indicates that there would be **real and long-term damage** to the UK economy from a loss of capacity for express services.

4) Growing Demand in the Future

The use of express services has grown strongly in recent years and a significant proportion of companies expect their use to grow in the future. **49% of companies suggested they would use these services more.** This highlights the need to ensure that express services' operations are not adversely impacted in the future, for instance as a result of any future changes to night flying restrictions, as the consequences of this would likely be significant, such is the importance of express services and the speed of delivery to many companies across the UK. As we found in our 2021 report, flying at night is fundamental to the business model of express operators. It is simply not possible to offer the time definite, next-day delivery services that are in such high demand in modern economies without being able to fly at night.

The results of this survey highlight the need for **an increase in cargo and bellyhold capacity**, particularly during the night period, if the government's export and growth targets are to be met. To ensure there is resilient national infrastructure for express services consideration should be given to ringfencing night slots for cargo flights.

1. Introduction

Background

1.1 The Association of International Courier and Express Services (AICES) commissioned York Aviation to conduct research into the importance of international express services to the UK's economy, and how UK industry is reliant on express service companies to provide next-day delivery.

1.2 Express operators provide fast, time-definite, door-to-door movement of shipments which are tracked and controlled throughout the journey.

1.3 There are several express service operators in the UK, some operating as specialists in particular business segments, such as pharmaceuticals, providing specialist services, and some operating in specific geographies. These include DHL, FedEx and UPS, who operate in several business markets, offering global connectivity with their ground fleet of trucks and their own aircraft. Large domestic carriers such as DPD, Evri and Parcelforce Worldwide also offer international services, and there are a large number of small and medium sized couriers predominantly based at Heathrow who rely on Courier Facilities Ltd (CFL) to offer an express service product.

Figure 1.1: The express operating model

Source: AICES.

1.4 The express sector in the UK is heavily reliant on being able to operate air services at night. Their operating model, and perhaps more importantly, their customer promise, is based around delivery on the next possible working day. Their model, as shown in **Figure 1.1**, demonstrates the ease of using express services, providing a full door-to-door service, taking care of export and import clearance formalities, and providing a next day service wherever this is possible.

1.5 This report sets out the findings from this research.

Our Approach

1.6 The study focussed on obtaining feedback from UK companies who use express services as part of their business processes, including those that import or export (or both).

1.7 This analysis involved two main workstreams:

- **Customer Survey** –an electronic survey to the customer base of the three largest express services companies (DHL, FedEx and UPS), CFL customers and a number of other AICES members. The survey contained 12 questions, helping us to gain an understanding of the reasons why respondents use express services, the level of importance they place on express services, and the potential impact on the company should express services no longer be able to promise a next-day service as a result of tighter night-flying restrictions. Most of the answers to the questions were in a multiple choice format, enabling us to tabulate and graphically present our findings, but customers were also able to provide free-style answers at the end of the survey as well. Some of these have been quoted in grey boxes throughout this report;

- **Case Studies** – a small sample of customers were also interviewed via MS Teams, to obtain a deeper understanding of their use of express services. This enabled gathering of more qualitative responses, giving a better understanding of why express services are important to each business.

1.8 In total, 255 survey responses were received and six detailed case studies conducted.

Structure of this Report

1.9 The remainder of this report is set out as follows:

- **Section 2** presents a profile of express service users based on the survey responses;
- **Section 3** analyses companies' use of express services;
- **Section 4** considers how important express services are to users and why they are important;
- **Section 5** examines the potential effects of the loss or curtailment of express services and users' expectations around their future use; and
- **Section 6** provides our conclusion.

2. A Profile of Express Service Users

Introduction

2.1 The survey sought to understand the type of companies that use international express services.

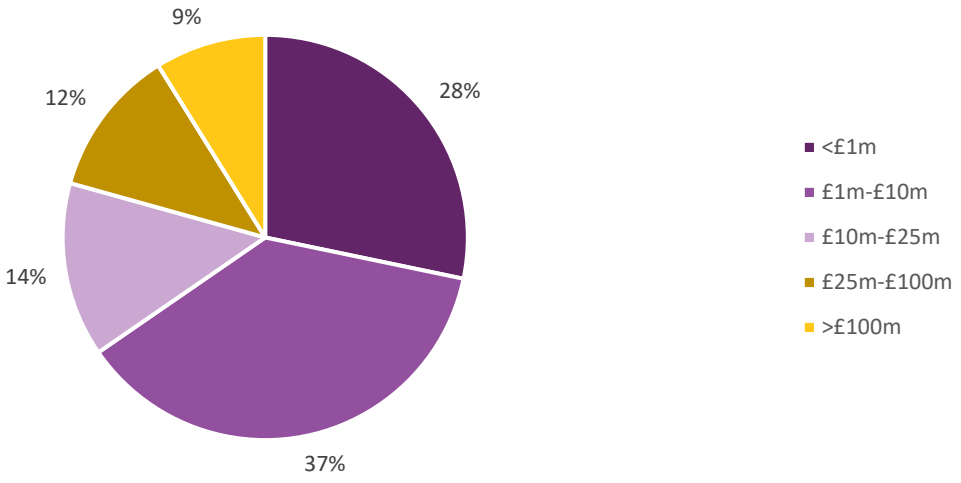
2.2 This section covers the responses received from the questionnaire that focus on the profile of the companies surveyed. This includes the size of the company, in terms of employees and annual income, and the industry sectors in which they operate.

Company Size

2.3 Companies of various size use express services. The survey received 255 responses from companies with a turnover ranging from £40,000 up to £2.6 billion. In total, the annual revenues of respondents' UK businesses was in excess of £15 billion. The number of staff employed ranged from a sole trader through to 36,000, and a total of over 75,000 jobs were directly supported by respondents.

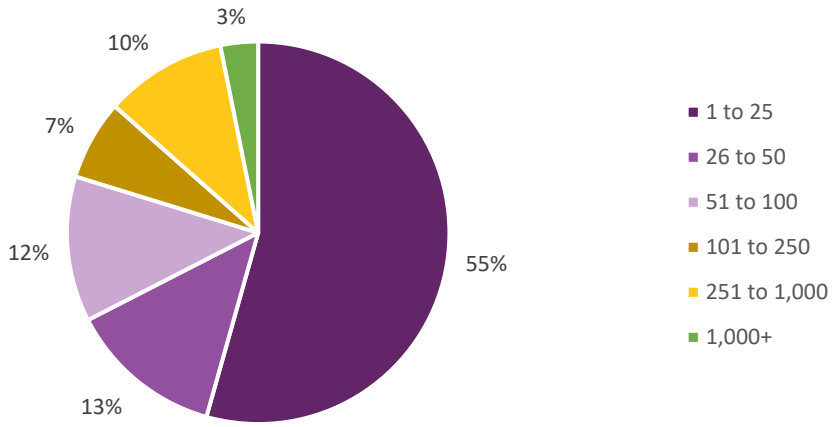
2.4 **Figure 2.1** shows the range of company sizes. 28% of all responses were from companies with an annual turnover of less than £1 million, and almost two thirds of the responses were from companies with an annual turnover of less than £10 million. However, there was still a significant response from organisations with an annual turnover of >£100 million, with 9% of all responses falling into this category.

Figure 2.1: Annual revenues of express users



2.5 **Figure 2.2** shows the range of surveyed company sizes in terms of their staff numbers. 55% of companies have 25 or fewer employees, and 87% classify as Small and Medium Enterprises (SMEs) with fewer than 250 employees. 13% have a headcount of greater than 250, with 3% having over 1,000 employees.

Figure 2.2: Number of employees of express users



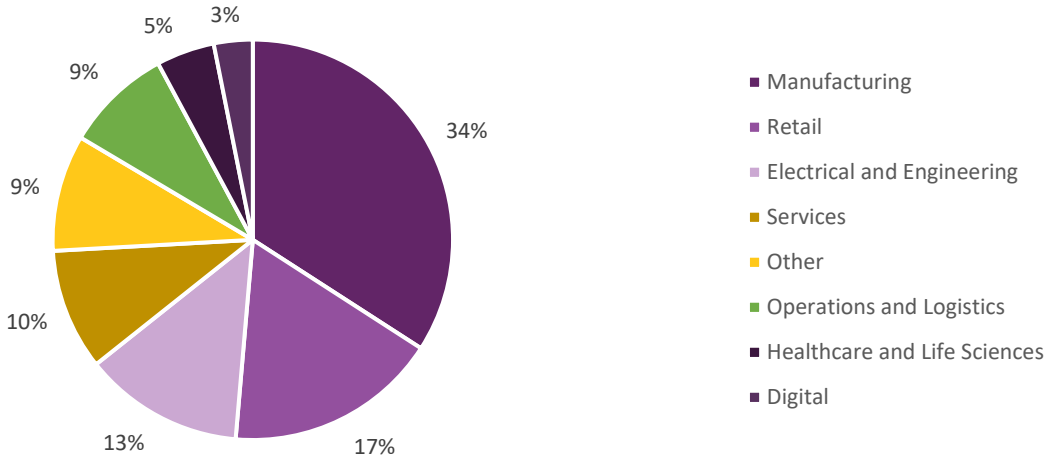
2.6 The results from the company income and company employee number questions indicate that express services are used by micro, small, medium and large companies alike.

Company Sectors

Survey Respondents

2.7 **Figure 2.3** shows the wide range of sectors that use express services. The largest sector was manufacturing, albeit there is considerable variety within this heading (e.g. bicycles, shoes, jewellery, fishing tackle and glass), but there were also responses from companies in a wide range of other market segments, such as IT and Digital, Electrical and Engineering, Healthcare and Life Sciences, Operations and Logistics, Retail and Other Services.

Figure 2.3: Sector of activity of express users



Case Study Mix of Companies

2.8 In addition to the wider survey, several case studies were undertaken with users of express services to obtain a deeper understanding of their use of these services. This enabled gathering of more qualitative responses, giving a better understanding of why express services are important to each business, and to understand particular issues and challenges that companies from specific industry sectors may face. The case study companies also reflect a broad range of economic sectors from across the economy, with the studies representing the majority of the above market segments, including:

- Healthcare and Life Sciences;
- Manufacturing;
- Electronics;
- Engineering; and
- the Automotive Industry.

Conclusions

2.9 The survey results and case studies demonstrate that express services are used by a wide range of different companies, both in terms of size and economic sector.

3. Use of Express Services

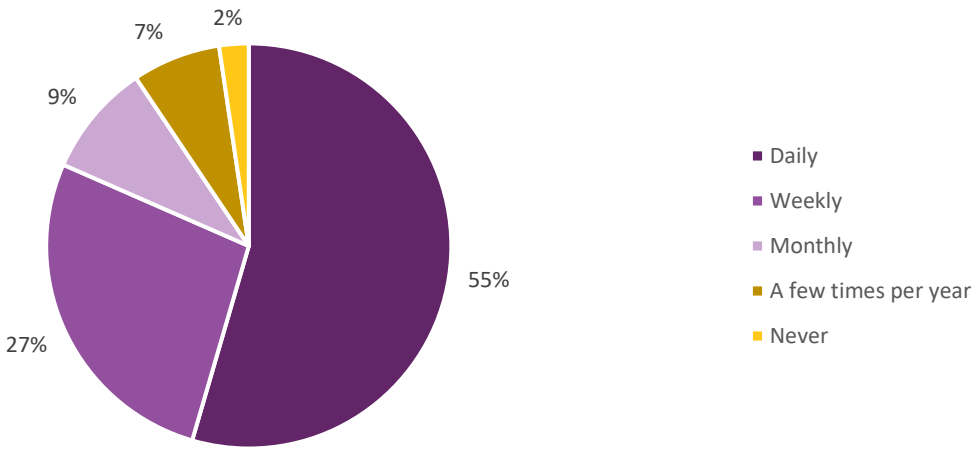
Introduction

3.1 The survey sought to understand the use of express services by each company. This section covers the responses received from the questionnaire that focus on the frequency of use of these services, the type of recipient of exports, and specifically what these services were used for.

How Often are Express Services Used?

3.2 **Figure 3.1** below shows the frequency of use of express services. The majority of companies – 55% – said they used these services every day, whilst a further 27% of responses indicated that they called on express services at least once per week. Therefore, 82% of survey respondents use express services at least once a week. These results clearly show how important these services can be to the operations of many companies in the UK.

Figure 3.1: How often does your company use express services?



Who are Users Sending Items to?

3.3 **Figure 3.2** below shows how express services are being used:

- **Business to Business** - 79% of the respondents said that they use express services for business to business purposes. This could be, for example:
  - The shipping of raw materials to the company for manufacture;
  - The shipping of manufactured products to a company for retail sale; or
  - For the recipient to use a manufactured part to repair their own production line machinery.

  One company response stated that it provides critical engineering support in an industry where the non-delivery of a part could close down production, costing a business up to £2.5 million per day.

Another company, as described in Case Study #1 below, produces diagnostic screening kits for private and public health organisations, without which, some of their processes could not function effectively.

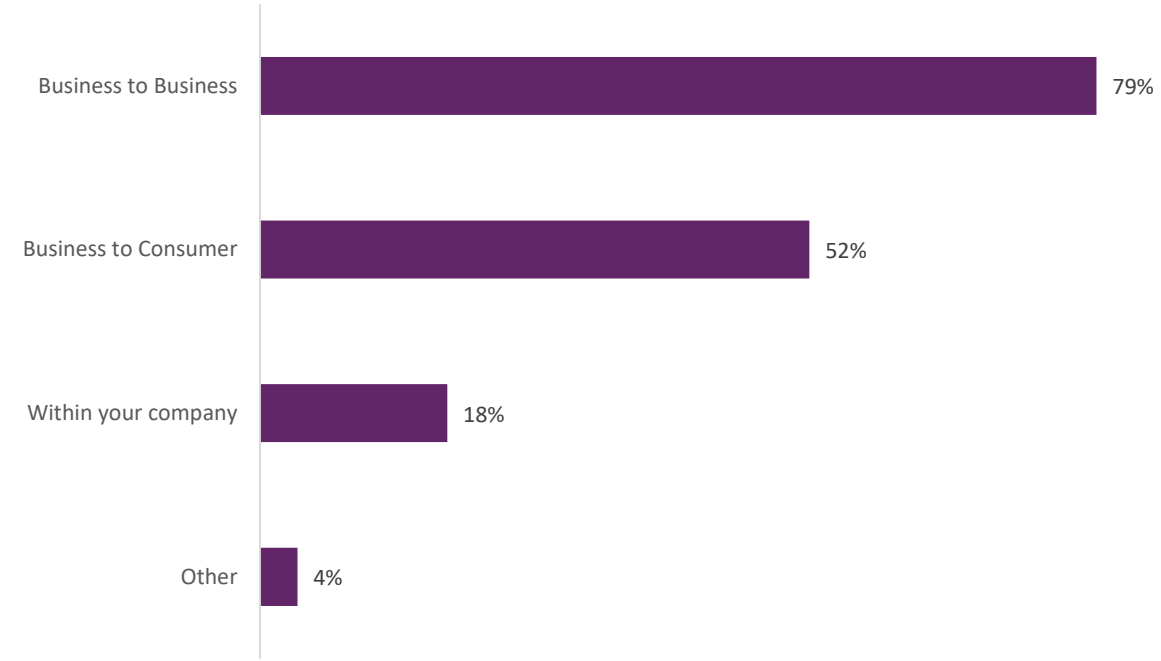
The 79% response shows how interwoven the supply chain is in UK industry, and if one part of the chain suffers, this can have significant consequences both downstream and upstream. These responses were not mutually exclusive, i.e. companies were able to provide more than one answer here, as clearly a company can use express services for more than one purpose.

"In a niche industry such as ours, supplying refuelling equipment, the amount of stock available in the UK is limited. Express services are therefore vitally important when customers need niche products quickly to maintain their operations."

Survey response

- **Business to Consumer** – 52% of respondents said they use express services to ship their products to end consumers. The feedback received from both the surveys and also the case studies clearly indicates that customer expectations are for their products to be sent to them as quickly as possible, and in many cases, within 24 hours – something only express services can guarantee in a UK to Europe context.
- **Within a Company** – 18% of respondents said they use express services for moving products around within their company. Given that many of the respondents were likely to be single-site businesses – 55% of respondents had less than 25 staff for example – this is a significant proportion. This movement of stock enables companies to maintain presence in both the UK and overseas markets, but with reduced stock levels in some locations, and avoids the need to duplicate stock holdings.

Figure 3.2: Which markets do you use express services for?



Case Study 1: Healthcare Company

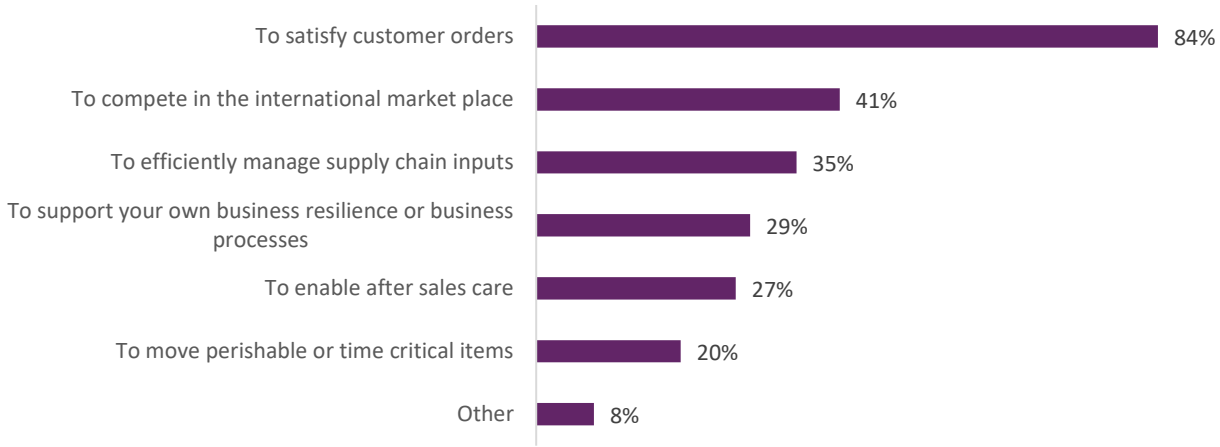
The Company:	Develops and manufactures a portfolio of diagnostic screening tests for various conditions, ranging from diseases such as cystic fibrosis, a patient's likely response to a cancer treatment and antenatal screening during pregnancy.
Size:	The company was formed in 2013. It is rapidly growing, with revenue for the year ending March 2022 double that of the previous year. The business is growing its product portfolio, expanding its customer base and is moving into new geographies. As a result, they expect to use express services more in the future.
Geographic Focus:	The company's global head office is in the north of England, but they have operating sites and direct commercial presence throughout Europe, Asia and North America. They manufacture their products in the North of England and Vancouver, selling them directly or indirectly via a distributor model to the NHS, private and public hospitals and clinical laboratories. They are currently developing their manufacturing capabilities in their UK HQ to enable them to produce all product lines for the UK and European markets. The company sells its 100+ products to customers in over 65 countries. Most of its sales are to customers overseas, and of that, around two thirds of exports are to Europe. They generally do not sell to the public, but operate in a Business to Business (B2B) mode.
Use of express services:	The company uses express services for all of its distribution, both in the UK (truck) and overseas (air). Many of the products the company exports are perishable, in particular those containing reagents used for various tests. These products require dry ice packing.
Why are express services important?	The company is reliant on the speed of the door to door product that express operators can offer, picking up the packages from their UK HQ, flying them to the required country and then transporting them to the end customer. The company greatly values late pick-ups – with the express company collecting the consignments as late as 5pm. This helps the company to maximise the number of fulfilled orders in a day, and enables them to accurately compile all relevant paperwork (especially for goods going to the USA) in advance of the late pick-up, which may otherwise not be achieved. Other qualities the company values are the reliability of services, the management of the customs clearance process – which because of the technical complexity of many of the products they export, can cause delays if products are not labelled correctly - and also the ability to carry temperature-controlled goods, additionally topping up the dry ice on route if required.
The impact of curtailed express services:	If express services were unable to operate overnight, or if services were severely reduced, this could adversely impact the speed of delivery for some of the perishable products to reach some parts of the world, thus affecting the company's global reach. For some of the products, such as technical instruments and other machines, a delay to their delivery can halt the relevant care or testing service for which the product is to be used.

What are Express Services Used For?

3.4 Companies were asked what they use express services for. **Figure 3.3** shows the range of answers provided.

- The vast majority – 5 out of every 6 respondents (84%) – advised that the use of express services was for satisfying customer orders. The definition of 'customer', of course, can be interpreted as either an end customer in the context of retail, but can also be another business, requiring for example, a part to repair a production line or a component as part of a more complex end product;
- The second most popular reason was to enable the company to compete in the international market place, with 41% of responses citing this as a reason for using express services. Later in this report the speed of delivery, in particular, is highlighted as a critical part of this ability to compete effectively in the international marketplace;
- **Figure 3.3** also demonstrates that there are other important reasons for using express services, such as the efficient management of supply chain inputs (35%), supporting business processes and resilience (29%), to enable after sales care (27%) and the movement of time-critical or perishable goods (20%).

Figure 3.3: What do you use express services for?



3.5 Case Study #2 below shows how a niche, high end motor manufacturer uses express services to minimise stock levels around the world, helping it to remain competitive whilst maintaining the fastest service for its customers.

Case Study 2: Niche, High End Car Manufacturer

The Company:	The company is renowned worldwide for the manufacture of luxury motor vehicles and has a global presence with dealerships across 53 countries.
Size:	While relatively small compared to other manufacturers, this company thrives in the niche luxury market. With an annual output below 10,000 cars, exported across the world, the company's unique positioning prevents the economies of scale enjoyed by larger peers.
Geographic Focus:	With production sites located in the UK, the company supports a substantial number of highly skilled jobs, directly and through its UK supply chain. The UK also serves as the hub for managing the company's global logistics operations. The company exports its cars and parts around the world.
Use of express services:	The limited size of the company becomes most apparent in stock management, as maintaining extensive global stock-holding centres is not economically viable for a company of its size. Instead, express air services enable rapid delivery of car parts from a UK-based central distribution centre to dealerships worldwide.
Why are express services important?	Dealerships typically stock fast-moving parts and products, while less common items are centrally held in the UK. Exporting these components to international markets necessitates a dependable, expedited service, efficiently facilitated by express carriers, primarily operating from Stansted Airport.
The impact of curtailed express services:	A potential disruption to express air services in the UK, preventing timely deliveries to international customers, could prompt the company to contemplate relocating their distribution centre to mainland Europe. Such a move would not only jeopardise UK jobs but also contribute to the ongoing trend of the UK motor industry's gradual shift to other countries. Any disruption to express air services in the UK, and any potential requirement for the company to consider the location of their distribution facility would, in part, be driven by their legal obligations in other countries. For example, in the USA the "Lemon Law" requires a manufacturer to fix a problem or repair a vehicle within a timeframe, and failure to do so can subject them to other penalties and compensation payments to the customer.

4. How and Why are Express Services Important?

Introduction

4.1 The survey sought to understand the degree of importance that companies place on express services.

4.2 This section covers the responses received from the questionnaire that highlight the proportion of their import/export activities that avail of express services, and the specific reasons as to why they consider express services to be so important to their company.

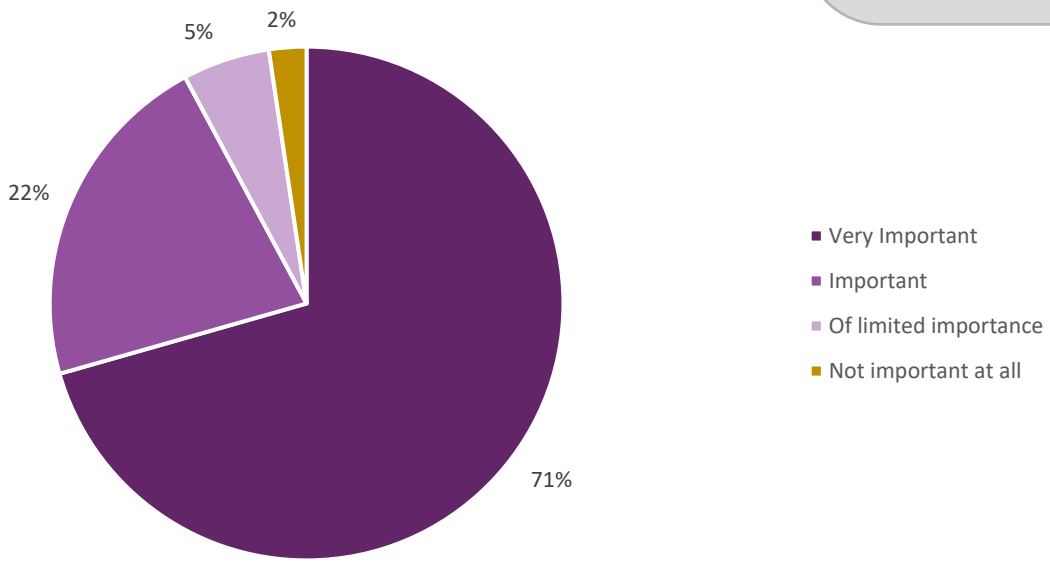
"In a world where businesses are increasingly reliant on just-in-time inventory systems and meeting customer demands within shorter timeframes, the need for a reliable and expedited shipping solution cannot be overstated. Express services provide a means to meet these demanding expectations."

Survey response

The Importance of Express Services

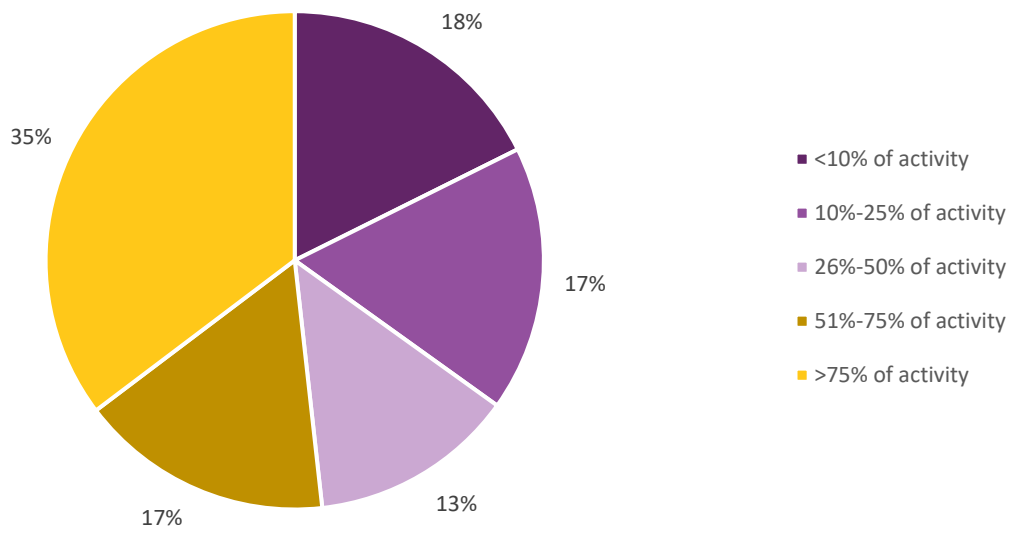
4.3 The survey also sought to provide an understanding of how important express services are to UK businesses. **Figure 4.1** below shows that 93% of all respondents consider express services to be important to their competitiveness, and, of this number, 71% assess this service as being very important.

Figure 4.1: How important are express services to your competitiveness?



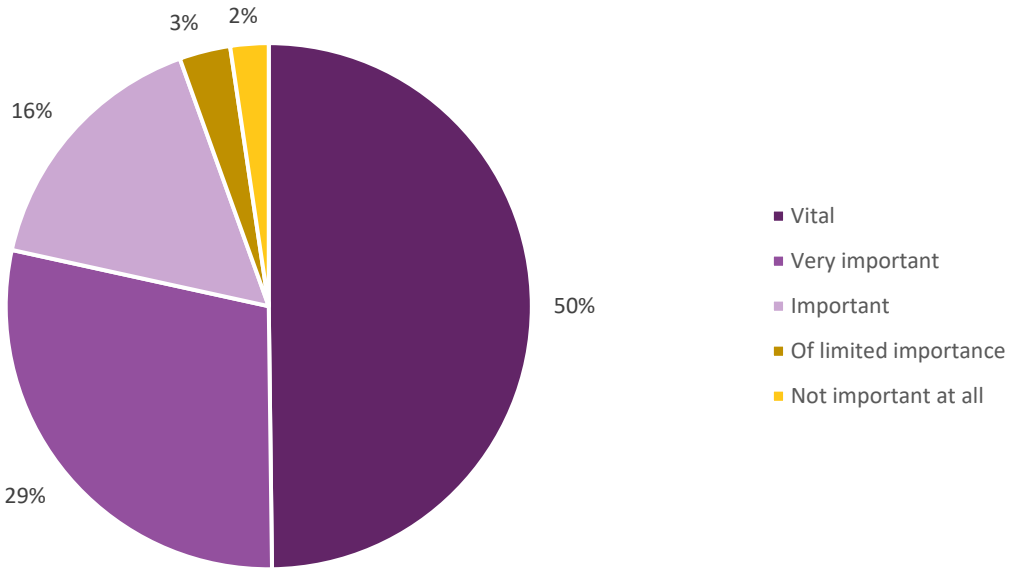
4.4 **Figure 4.2** helps to elaborate this point, showing the amount of export/import activity that requires express deliveries. 35% of all respondents stated that over 75% of all activity required express services. 52% of companies were reliant on express services for at least 51% of their shipping.

Figure 4.2: What proportion of your (import/export) activities requires express delivery?



4.5 A slightly different question was asked with regards to the importance of express services to their business operations. **Figure 4.3** below shows the responses, where 95% of the companies stated the express services were important, with half of the respondents saying that it was vital to the business.

Figure 4.3: How important are express services to your business operations?



4.6 Case Study #3 below provides an example of a company that is extremely reliant on express services, shipping thousands of items each day to customers, with express services being used for nearly all of its exports.

Case Study 3: Electronic Component Distribution Company

The Company:	The company is a major player in the electronic components distribution business.
Size:	This company is based in the North of England with around 2,000 staff based in the UK and a further 2,500 overseas. Its main distribution centre covers 400,000 square feet and employs around c800 people.
Use of express services:	The company states that express services are critical for their business, with around 30,000 deliveries per day and with the majority heading overseas. Nearly all exports are dispatched using express air services. They generally import electronic components in bulk, which is less time-critical and more likely to be via sea freight, whilst their use of express air services is for outbound goods, in smaller batches where customers require urgent receipt of their products.
Why are express services important?	They have a wide range of customers, from hobbyists to global tech companies, but regardless of the size and importance of the customer, their commitment to the customer is the same – speed – offering a next day service when achievable. They also advised that they use express air services for the following reasons: • Productivity - late pick-ups from their distribution centre, enabling next-day orders to be made up as late in the day as possible; • Sales enabler - they are in a competitive market; and • Reliability of service - confidence that the package will get there next day. Their two main competitors are both based in the US, so they naturally have the competitive edge over them in terms of delivery times in the European market – but this is only achievable because of next day deliveries facilitated by overnight express services.
The impact of curtailed express services:	If next day express services were not available, the company has stated that their competitive edge versus US competitors would be eroded, threatening sales volumes to Europe. This could force them to look outside of the UK for a new global distribution centre, moving stock and jobs away from the UK, and into mainland Europe, in order to remain competitive in the vital European market. Speed of delivery is their key selling point. The absence of express services and the next day promise would erode their competitiveness. The UK would no longer be an optimal location for distribution.

Why are Express Services Important to Companies?

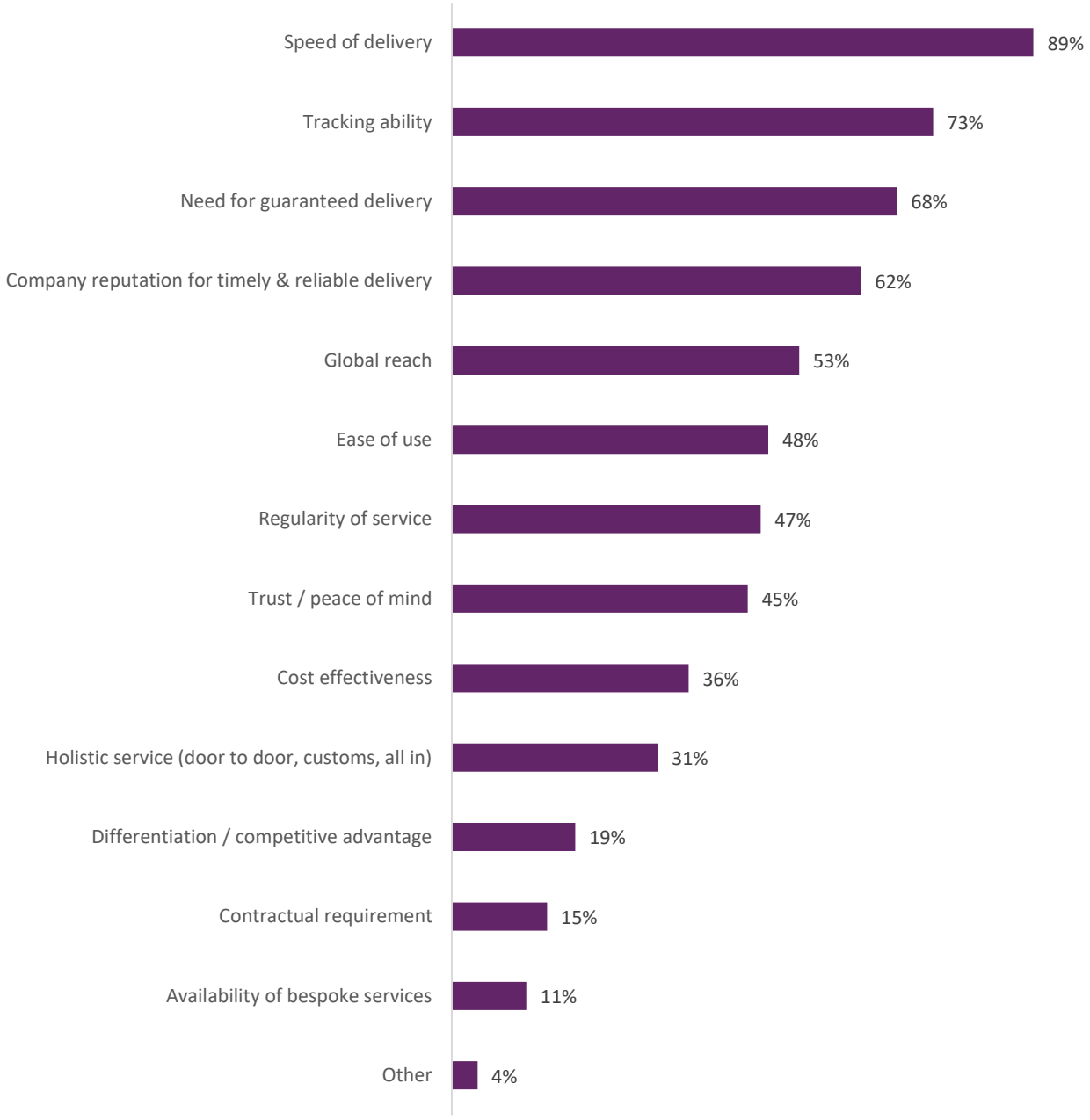
4.7 The survey contained a question that sought to understand exactly what it was about express services that companies valued as being important. A range of options were provided to respondents, along with the ability for them to provide a free form answer.

4.8 **Figure 4.4** shows that speed of delivery is the most common reason cited (89% of respondents). This was also reflected in all of the case studies. However, there were several other reasons that companies considered as important. These included:

- 73% of respondents valued the ability to track a consignment;
- 68% of respondents valued the need for a guaranteed (date and time of) delivery;

- 62% of respondents said the reliability of the delivery was deemed important as it directly reflected on the company reputation;
- Global reach, ease of use, regularity of service, peace of mind, the holistic door-to-door service and cost effectiveness also featured high on the list of reasons for using express services.

Figure 4.4: Why are express services important to you?



4.9 In addition to the answers (provided as a pre-selected list) above from the survey, some of the case study discussions highlighted the importance the companies place on late pick-ups in the evening and early deliveries the following day. In particular, having a late pick-up from the factory/distribution centre enables the company to receive customer orders as late in the day as possible, and still offer a next-day delivery. The latest possible pick-up time gives a company a potential competitive edge, and is only made possible because of the overnight air transportation of their goods.

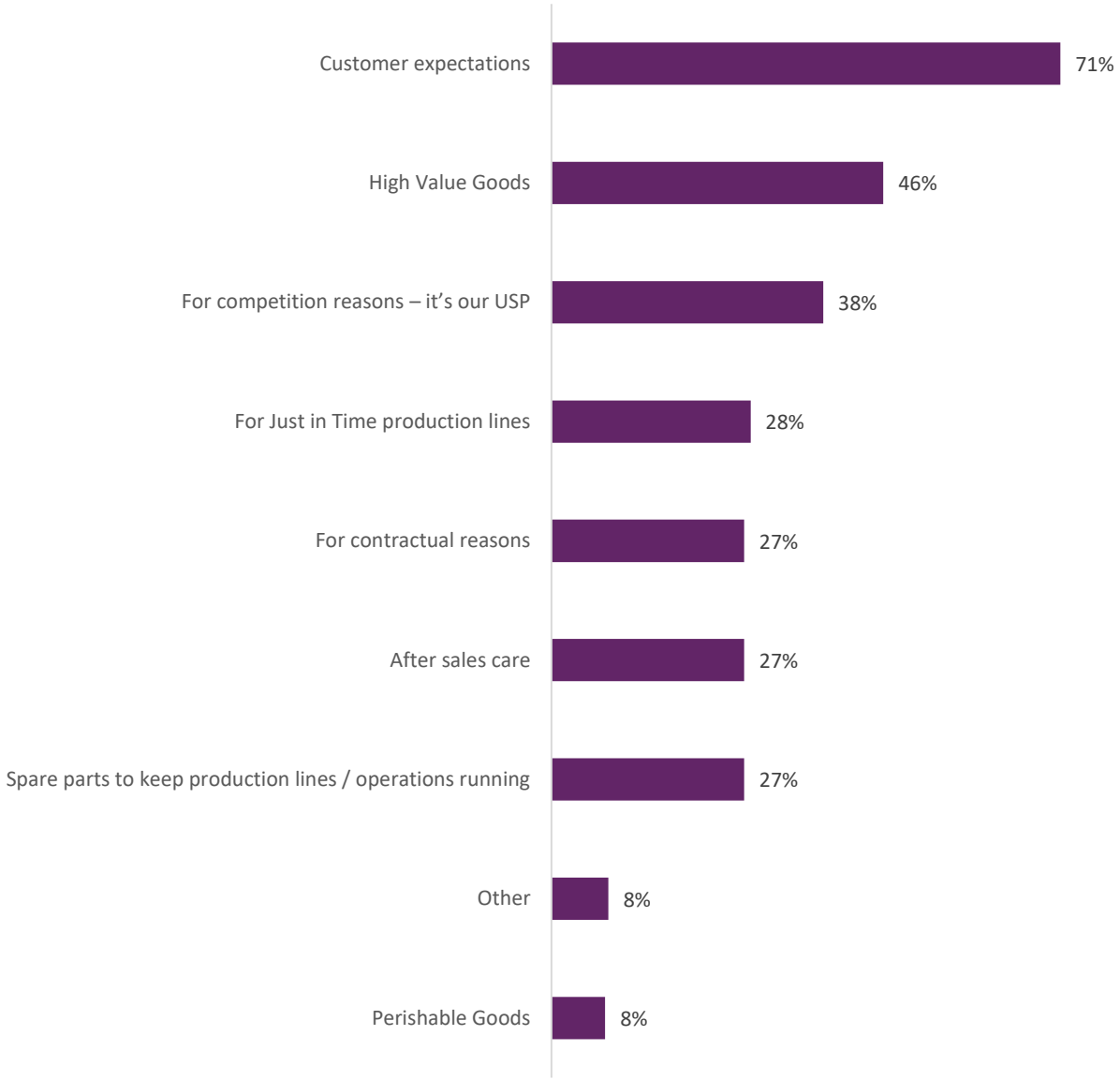
4.10 The case study conversation with a leading manufacturer and developer of technology (Case Study #4) is a good example of a company valuing several facets of express services, including the speed of delivery, the door to door service, and customs clearance support.

Case Study 4: Manufacturer of Home Safety and Security Equipment

The Company:	The company is a leading manufacturer and developer of technology-driven products that provide safety and security solutions to homes globally.
Size:	The company has its global headquarters in the USA, with the company reporting a turnover in 2022 of between $5-10 billion.
Geographic Focus:	The UK headquarters and distribution centre are in the South East of England, with a distribution centre in the Midlands, and factories in Scotland and at locations in Mainland Europe, including in Germany, the Netherlands, the Czech Republic and Hungary.
Use of express services:	The main use of express air services is for importing goods. They sell most of their products to retailers and major housing developers.
Why are express services important?	The biggest driver for the use of express air services is the speed of delivery, but the company also cited ease – door to door service and customs clearance support – and cost effectiveness as being a major consideration. In addition, they value the early morning deliveries that an overnight flight facilitates, enabling, for example, a part to be sent to a factory that could minimise production line downtime. They consider express services to be good value, easy, reliable and fast.
The impact of curtailed express services:	If overnight express air services were curtailed, the company would have to work with longer lead times and would become less competitive. An example is if there was a shortage of microchips or a bad batch of parts, the company could lose a day's production, perhaps equating to a loss of c£100,000 per day. Depending on the time of the year, they could find it difficult to catch up with its production commitments, in particular during the months of August/September when they are preparing for the winter 'heating' season.

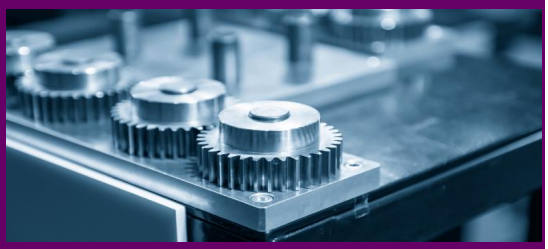
4.11 As speed of delivery is the most commonly cited benefit of express services, the survey explored its importance in more detail. **Figure 4.5** below shows the responses, clearly highlighting that customers expect fast delivery, with 71% of respondents who highlighted speed as being important saying that customer expectations are key. Several other reasons for speedy delivery were also cited as important, including the high value of the goods (46% - in part linked to customer expectations), to enable them to compete effectively in their market (38%), for maintaining production lines and in order for products not to perish.

Figure 4.5: Specifically, why is speed important to you?



4.12 Our interview with a specialist in the design and manufacture of mechanical components – Case Study #5 – highlighted the importance of customer expectations and maintaining production lines as being a key reason for using express services. The company explicitly stated ***"speed of delivery is how we win our business".***

Case Study 5: Mechanical Components Manufacturer



The Company:	The company is a specialist in the design and manufacture of mechanical components and support systems. The business covers several sectors, including oil and gas, pharmaceuticals, pulp and paper, and medical.
Size:	It employs 450 staff throughout the UK – with the majority of posts being high quality specialist engineering and design roles, notably in the north of England. Overall, the company employs 1,800 people globally (including Germany and the US), with total worldwide revenues reaching £262m last year (approx. £64m in UK).
Geographic Focus:	Its global headquarters is in Northern England.
Use of express services:	The company manufactures the vast majority of its products – with much of the remaining share manufactured by a subsidiary in the US. Most of the products are exported, where they are sold into group companies, who then sell on to the end users covering around 124 countries. Nearly all of their exports are shipped using express companies.
Why are express services important?	Most products are built to order, with the company's key customer service promise being to have built and shipped the product within 48 hours in Europe, and with a 98% on time delivery target, and to the USA within 72 hours. Part of this is because they apply a modular methodology to their designs and builds, meaning they carry fewer parts (circa 25 products) in their stock, and resulting in smaller stockholdings. Their reason for using express services was very clear – speed and customer service: *"Speed of delivery is how we win our business."*
The impact of curtailed express services:	If express services were seriously limited, this would cause a significant problem for the company. In this scenario, it would likely need to hold more stock, especially in Europe. Its German operations would likely grow at the expense of the UK. In addition, with longer turnaround times, it could undermine their competitive edge, potentially losing market share, exports, and, therefore, potentially costing the company some UK jobs. Some manufacturing might be lost to the US, where they currently only manufacture for the US market.

5. The Impact of Curtailing Express Services and the Future

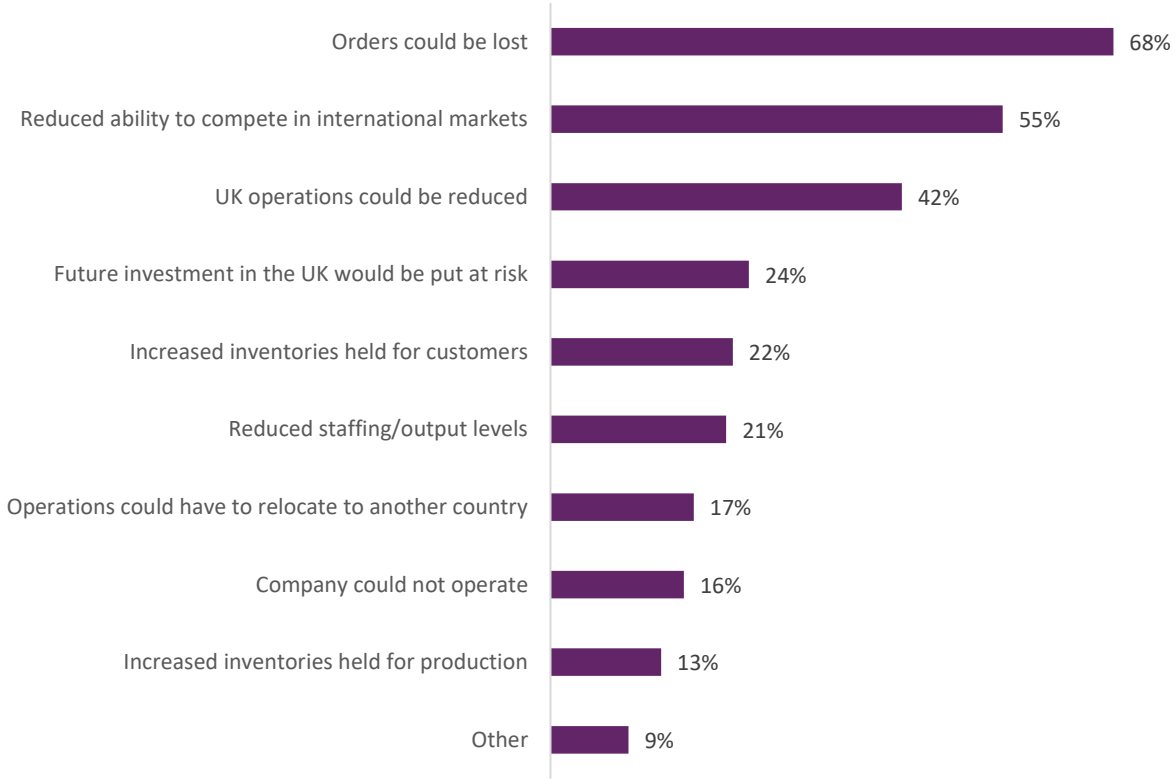
Introduction

5.1 The previous sections have clearly demonstrated how important express services are to many companies, both large and small, and how there can be many reasons for valuing these services. Building on these clear messages, the research sought to understand the risk to the respondents' businesses should the service that express companies offer be curtailed in some way. For example, by having a reduced night flights capacity due to increasingly stringent night flying rules. The analysis then moves on to consider companies' future plans in terms of their use of express services and, consequently, the likely future demand.

The Impact of Curtailing Express Services

5.2 **Figure 5.1** below shows the responses to the question covering the impact on the company if express services were not available.

Figure 5.1: What would be the impact on your company if express services were not available?

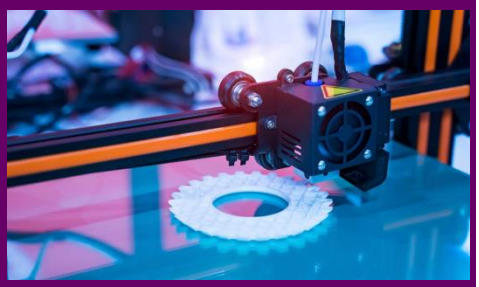


5.3 The theme running through the responses is that most companies highlighted an adverse impact if express services were not available. UK businesses envisaged a drop in orders, which could have consequential impacts of reductions on UK operations, reduced staffing levels, increased inventories held, and a risk to future investment. Respondents to the survey also felt that this could reduce their ability to compete in international markets, and one of the ways of combatting this loss of competitiveness would be to potentially increase investment in overseas operations, e.g. mainland Europe.

5.4 Case Study #6 below highlighted the criticality of express services to their success and the consequence of the non-availability of such services. The company, a provider of digital manufacturing services based in the Midlands, explained that the speed of delivering their products to their customers was their unique selling point (USP), and without the ability to ship their products rapidly to their customers, they would lose their competitive edge over the competition and seriously consider moving parts of their business away from the UK.

Case Study 6: A Digital Manufacturing Services Company

The Company: The company is a leading provider of digital manufacturing services. They are an e-commerce-based company that offers injection moulding, CNC (computer numerical control) machining, 3D printing, and sheet metal fabrication to product developers, engineers, and supply chain teams across the globe.



Size: The company has turnover in its UK business of over £40 million each year and employs over 400 people.

Geographic Focus: Headquartered in the USA, the European division's head office is in the Midlands. The injection moulding and CNC manufacturing processes are based in the Midlands, with 3D printing taking place in Germany. As a subsidiary of a US company, the UK factory predominantly serves the UK domestic market and European export market.

Use of express services: The company is not primarily a high-volume manufacturer - their exports are generally individual bespoke products for a wide range of customers in various sectors such as aerospace and defence, medical, consumer electronics, electronic vehicles, through to the individual entrepreneur at home. Delivery of these high-value, bespoke products is done via express services. The company articulated the importance of late pick-ups from the factory, enabling customers to place orders late in the day and still receive goods the following day.

Why are express services important? The business is built around speed – it considers speed its USP versus the competition and they confidently promote themselves as "the fastest and most comprehensive manufacturing service in the world." Their turnaround times from design to manufacturing are rapid, so to potentially limit their competitive edge through slow delivery would likely adversely affect their sales. Some products are manufactured for designers who may require multiple iterations of the same piece with small amendments made each time. Other customers require bespoke-manufactured products to keep production lines running. For both scenarios, the speedy delivery of a part is essential.

The impact of curtailed express services: If next day delivery from the UK was constrained, the implications for the company are clear:

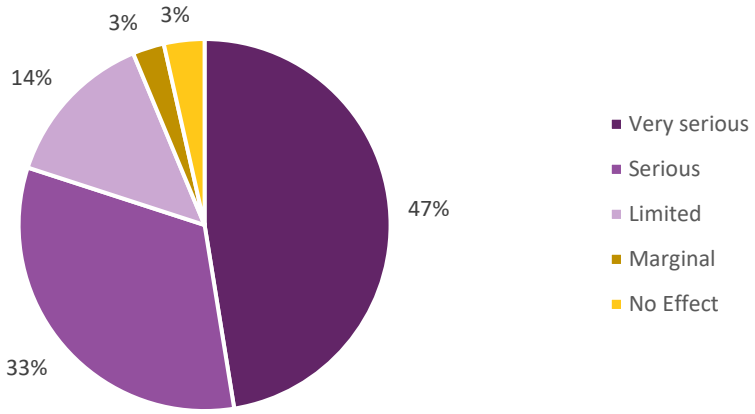
"If express did not exist, we would have to explore opportunities to manufacture outside the UK and the UK business would be shrunk to focus on the UK domestic market. If we can't do things quickly, it reduces our competitive advantage and ultimately limits the business."

The company also re-iterated the importance of the late pick-ups in the evenings which, if these late pick-ups were made earlier as a result of earlier airport night curfews or restrictions, this could damage the company's ability to compete in Europe.

5.5 Several case study discussions also highlighted the importance of pick-ups being as late as possible, providing companies a competitive edge, even against some companies in mainland Europe. Some interviewees spoke about the risk to their competitiveness if the pick-up time was made earlier, which could be a consequence of night flying curfews being brought earlier.

5.6 80% of respondents said the non-availability of express services would have a serious or very serious effect on the business. **Figure 5.2** below shows the results to this question.

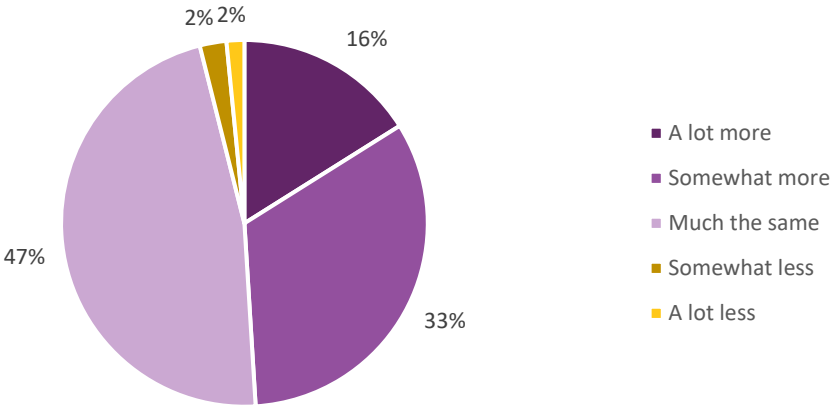
Figure 5.2: How serious would the effect on the company be if express services were not available?



Demand for Express Services in the Future

5.7 In terms of the future anticipated use of express services, **Figure 5.3** below shows that 49% of companies expect to increase their use of express services in the future and only 4% anticipate a reduction. This highlights the need to ensure that express services' operations are not adversely impacted in the future, for instance as a result of any future changes to night flying restrictions, as the consequences of this would likely be significant, such is the importance of express services and the speed of delivery to many companies across the UK. The results highlight the need for an increase in future express capacity, and it would be advisable for this to be factored into aviation capacity planning if the government's export targets are to be met.

Figure 5.3: Do you think you will use express services more or less in the future?



6. Conclusions

6.1 The goal of this study was to build a picture of how and why UK businesses use express services, and consequently their relevance to UK economic growth and international competitiveness. It is clear from the survey as well as the in depth case studies that express services are part of everyday business for many UK companies. As express services provide key infrastructure for the UK economy, this should be reflected in the Government's infrastructure planning across all modes, and in particular with regards to aviation policy.

6.2 Express services are essential to UK international competitiveness, with 89% saying that speed of delivery was a key factor. Late afternoon pick-ups and early morning deliveries are highly valued because of the productivity benefit they provide, which in turn supports UK growth at a time of high inflation. Reliability of service is a further attribute that is valued, showing the importance of system resiliency in order to ensure that business needs can be met.

6.3 The evidence strongly indicates that there would be real and long-term damage to the UK economy from a loss of capacity for express services, including if this impacted late pick-ups and early deliveries. Most companies highlighted an adverse impact if express services were not available, including a drop in orders, which could have consequential impacts of reductions on UK operations, reduced staffing levels, increased inventories held, and a risk to future investment.

6.4 As we found in our 2021 report, flying at night is fundamental to the business model of express operators. It is simply not possible to offer the time definite, next-day delivery services that are in such high demand in modern economies without being able to fly at night. The present report further highlights the need to ensure that express services' operations are not adversely impacted in the future, for instance as a result of any future changes to night flying restrictions. The consequences of this would likely be significant, such is the importance of express services and the speed of delivery to many companies across the UK.

6.5 It has also been made clear that there is a demand for increased express capacity in future, and it would be advisable for this to be factored into aviation capacity planning and slots policy, including ringfencing night slots for cargo flights at key hubs, if the Government's export and growth targets are to be met.

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