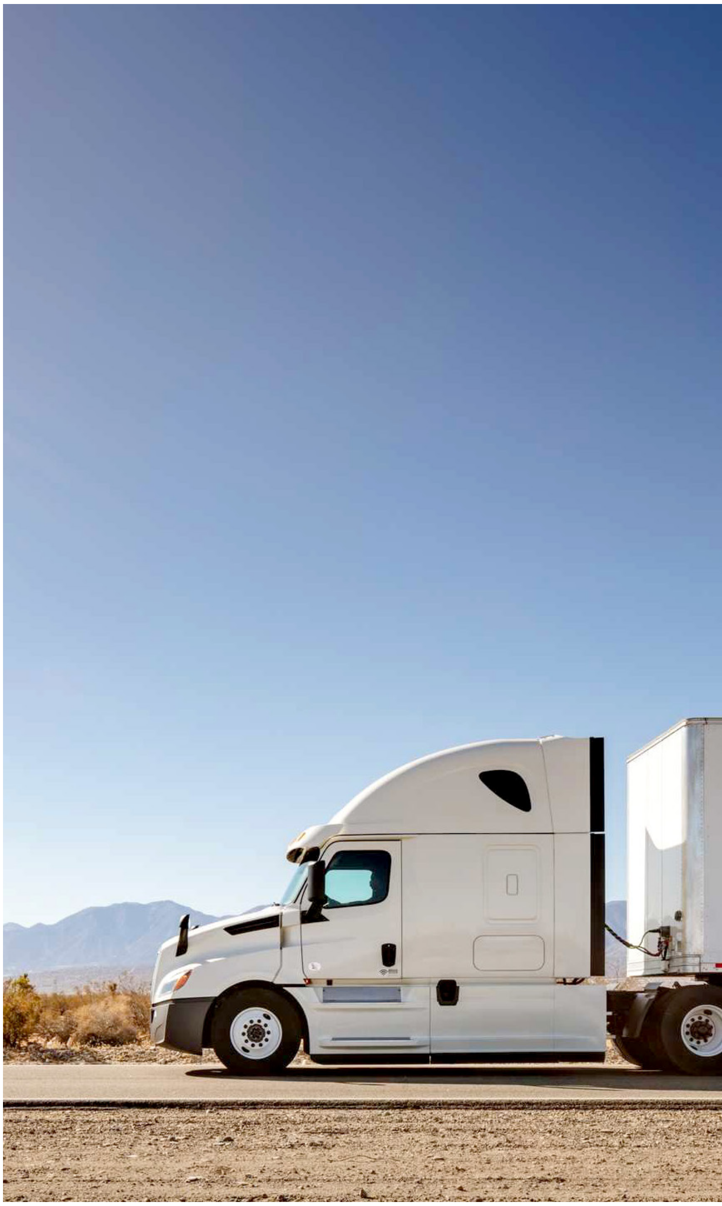


Top takeaways

State of Logistics 2021

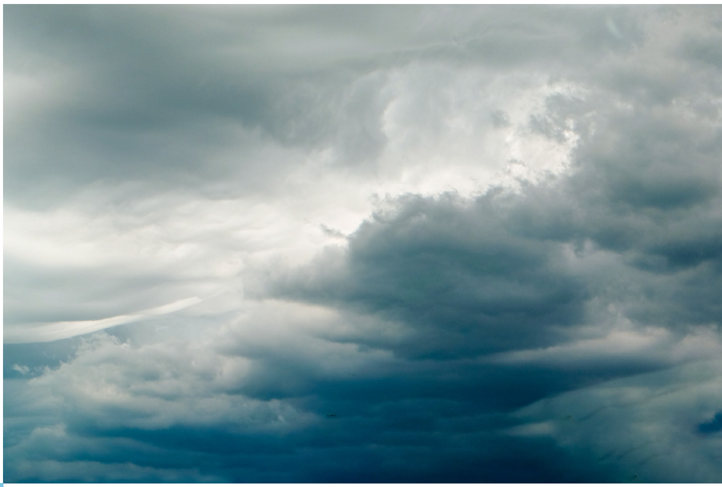
CSCMP'S ANNUAL
STATE OF LOGISTICS REPORT®

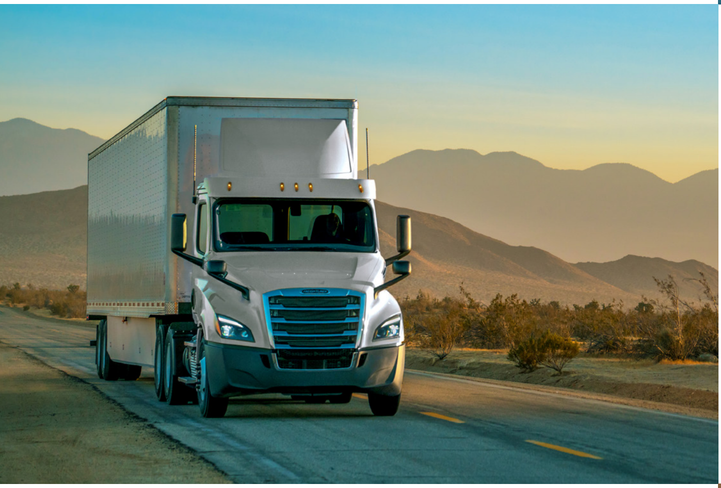
AUTHORED BY KEARNEY

PENSKE
Rental | Leasing | Logistics

Macroeconomics: a wild ride through pandemic recovery

US GDP should grow by more than 7.7 percent in 2021, supported by fiscal stimulus, dovish monetary policy, and rising consumer spending. However, COVID-19 remains a source of global risk, while rising inflation may prompt monetary tightening. Additional logistics wildcards include natural disasters, trade policy shifts, reshoring, and tight labor markets, so plans will change.



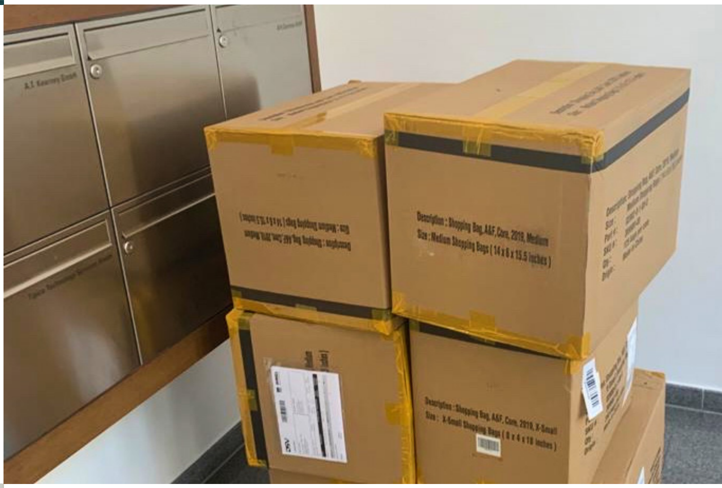


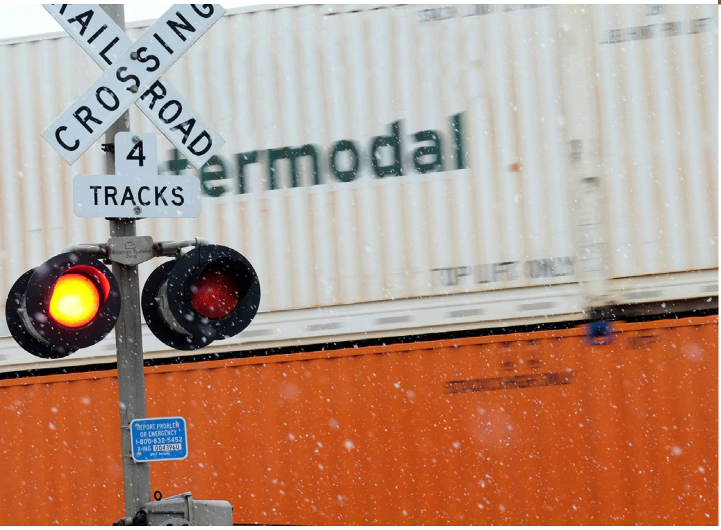
Motor carriers: tight capacity, high rates

After falling early in the pandemic, trucking volumes have rebounded strongly. Volatile rates have trended upward to reach record highs in H1 of 2021. Structural and cyclical factors will continue to constrain capacity, so shippers will need to adopt technology as a way to reduce costs through improved efficiency.

Parcel and last mile: tension at an all-time high

Stay-at-home consumers embraced e-commerce, exacerbating shippers' tensions to meet consumer expectations while managing costs and executing consistent delivery quality. Last-mile delivery models have evolved to include regional, crowdsourced, and autonomous delivery providers. Successful shippers are developing strategies to link delivery execution capabilities to their consumer promise and attempting to regain leverage with carriers.



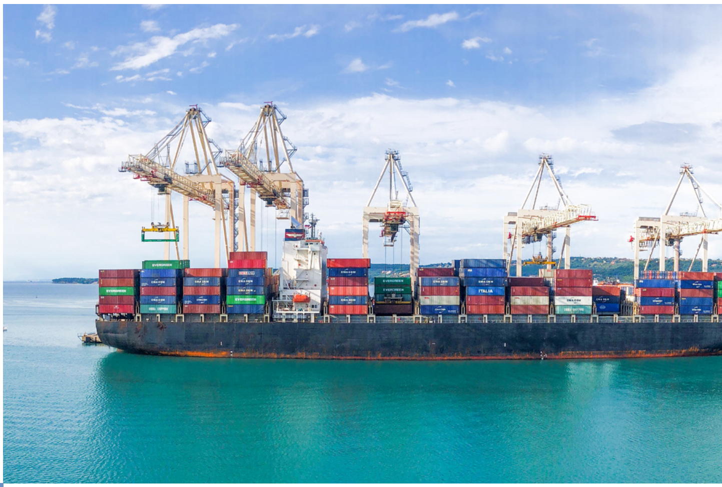


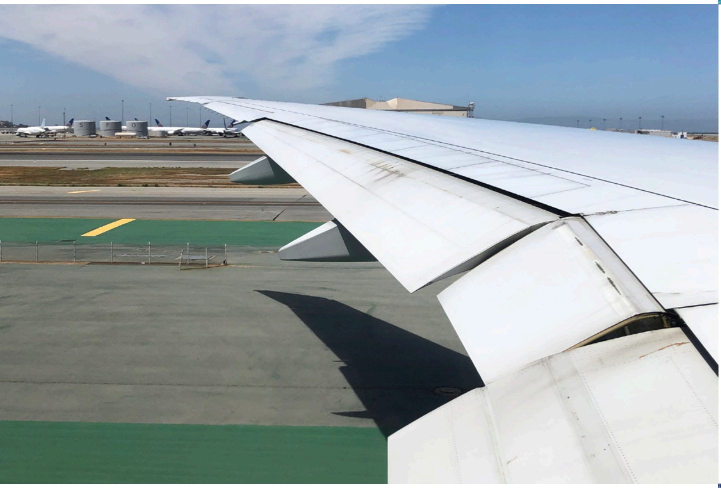
Rail: carload and intermodal diverge

Reduced 2020 freight volumes led to shrinking profits, despite slight improvements in operating ratios. Railroads' carload businesses suffered most and face long-term decline. By contrast, cost and sustainability advantages compared to trucking caused intermodal businesses to rebound strongly; railroads have targeted intermodal for investment. Recent merger activity signals railroads' efforts to think creatively about growth.

Ocean: congestion and high prices

Ocean rates have skyrocketed and show no indication of returning to pre-pandemic levels. That's good news for carrier profitability, but bad news for shippers, as prices will likely stay high until capacity catches up to demand. Meanwhile, record US port congestion created bottlenecks in strained supply chains.



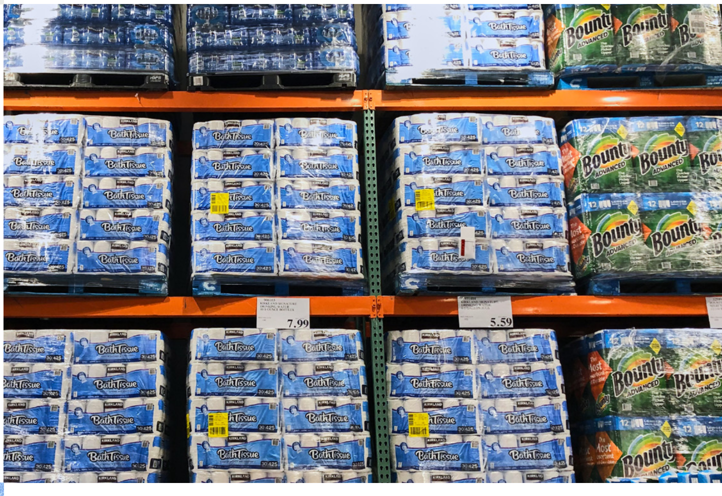


Air: tight capacity, more instability

The COVID-19 pandemic shook up the global air freight industry as much as any logistics sector. Cancellation of passenger flights gutted belly freight capacity, while demand, driven by daily urgencies, moved unpredictably. Capacity will recover, and conditions will stabilize—but slowly and erratically. Prices will likely remain high, requiring nimble shipper sourcing strategies.

Warehousing: surging growth from e-commerce

E-commerce is spurring demand for warehousing space, especially urban last-mile facilities. Capacity continues to grow, but not as fast as demand. E-commerce alters order profiles and SKU mix, so shippers are revisiting their standard operating procedures to gain increased productivity amid complexity. Many warehouses are automating, including with new robotics as a service (RaaS) solutions.

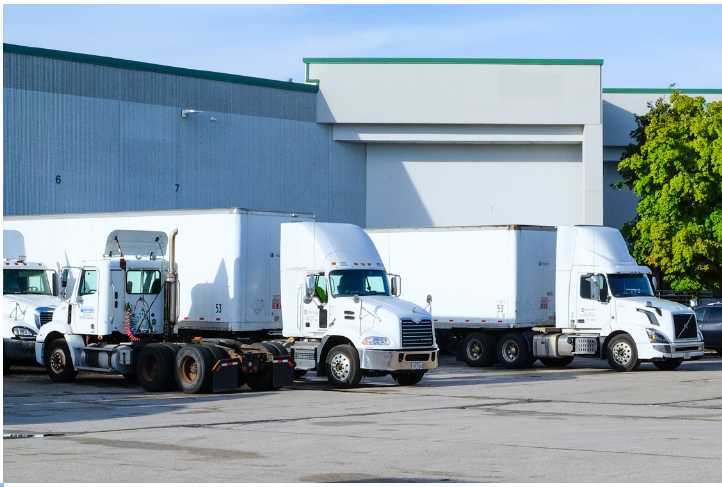


Freight forwarding: resilience in a volatile world

Although volumes declined, higher rates meant that many freight forwarders experienced increased 2020 revenues. As shippers seek visibility, digitization becomes paramount, and mergers blur the line between ocean carriers and freight forwarders. Although facing challenges from digital start-ups and digitally savvy shippers, forwarders stay valuable by providing resilience and adaptation as shippers change plans.

3PL: networks and visibility in turbulent times

In turbulent times, 3PLs have the scale, expertise, and extensive network to achieve needed resilience, and are doubling down in e-commerce fulfillment. The pandemic increased costs, disrupted efficiencies, and caused shippers' needs to diverge. But it also highlighted the value of end-to-end visibility, data, and analytics, which 3PLs are well positioned to provide.



Pipeline: in the doldrums

With the pandemic depressing demand for pipeline transport, 2020 utilization decreased. Looking forward, the clean energy shift puts pressure on the industry. Facing limited investment capital, operators will increase efficiencies, explore alternative uses such as hydrogen and carbon dioxide, and seek to bolster cybersecurity of this vital infrastructure.

Control tower: visibility and control, everywhere

To make smart, quick decisions, shippers want unified visibility into all aspects of logistics. Shippers and 3PLs are thus looking at control towers to collect actionable insights and metrics that matter from disparate sources. Complexities of standardizing data and managing organizational change mean that successful efforts often start as small-scale, low-cost hubs.

Sustainability: a challenge to the conscience of the industry

Companies—shippers, carriers, and financial institutions—increasingly grasp threats from climate change and are taking important steps to embrace sustainability in logistics. Shippers, carriers, and 3PLs can reduce their carbon footprints and establish themselves as environmental leaders by considering a framework of three pillars: sustainable supply, sustainable operations, and sustainable service.

Retail: charting new waters

Retailers seek to define a fulfillment model that exceeds the consumers' many expectations of speed, variety, and visibility in the shopping, product acquisition, and returns experience. Retailer strengths vary: assets such as stores that bring inventory closer to the customer, or store associates who can play a role in creating a differentiated e-commerce delivery experience. As consumers return to a post-COVID world, retailers will have an opportunity to shape the demand with unique service offerings and deploy their distribution strengths to define a winning fulfillment model.

Healthcare: new logistical challenges

COVID-19 accelerated consumerization of healthcare while at the same time the healthcare logistics industry has been capacity constrained due to its key role in COVID-19 vaccine and drug distribution. For shippers in the health value chain this poses an interesting challenge around building for growth while ensuring resiliency in distribution.

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