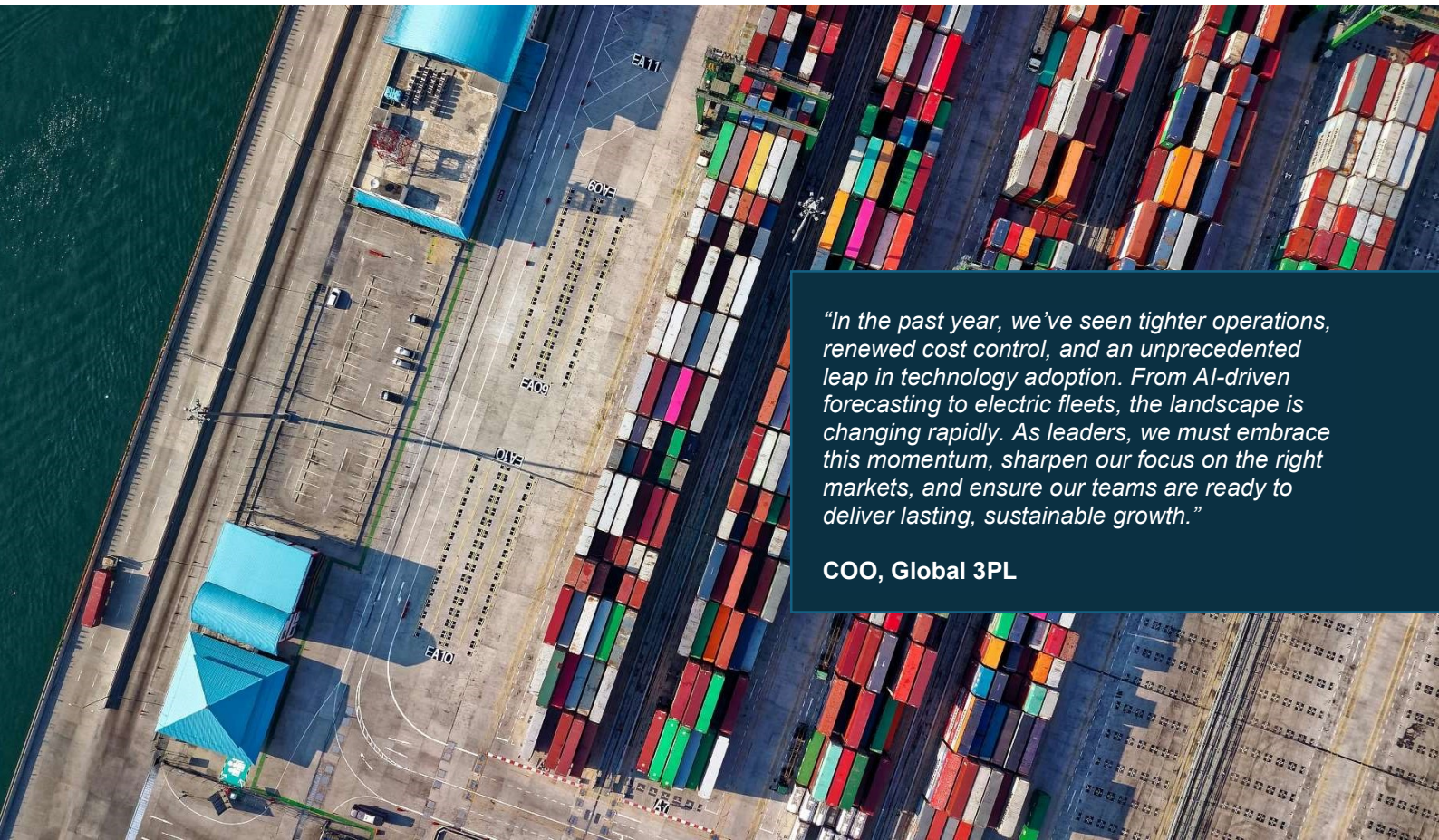


Market Overview

CEOs have coined the mantra "survive to 2025," reflecting the challenging year businesses endured, facing similar headwinds as in 2023. Many SMEs struggled, leading to closures. Major acquisitions, such as DSV's acquisition of DB Schenker and GXO's potential acquisition of Wincanton (pending CMA approval), reshaped the landscape. Optimism is moderate, as businesses have implemented changes aiming for success in the coming year. However, the market remains cautious, with prolonged decision-making processes and conservative approaches to hiring and performance management.



"In the past year, we've seen tighter operations, renewed cost control, and an unprecedented leap in technology adoption. From AI-driven forecasting to electric fleets, the landscape is changing rapidly. As leaders, we must embrace this momentum, sharpen our focus on the right markets, and ensure our teams are ready to deliver lasting, sustainable growth."

COO, Global 3PL



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Organisational Performance and Transformation

Performance across the sector has been mixed, with many organisations facing EBITDA challenges. Smaller companies are seeking investment or divesting to focus on higher-performing markets. Major organisations have undergone significant structural changes, centralising decision-making or decentralising to individual countries. Many large organisations are focused on operational efficiencies, cost transformations, and streamlining to be future-ready.

Notable changes at the Board and executive levels are occurring in some smaller organisations. Long-standing employees are retiring or exiting, often without internal successors, creating leadership gaps.

The most significant trend is widespread investment in technology. Organisations of all sizes are prioritising new Warehouse Management Systems (WMS) and Transportation Management Systems (TMS). The logistics industry is being revolutionised by AI and machine learning for predictive analytics and dynamic pricing, robotics and automation in warehouses, IoT for real-time tracking and fleet management, and blockchain for supply chain transparency.

Additionally, big data is optimising routes and providing customer insights, while sustainability technologies like electric vehicles and carbon tracking are gaining traction. Innovations in last-mile delivery, such as drones and micro-fulfilment centres, along with cloud computing, 5G connectivity, and AR/VR for training, are enhancing operational efficiency.

Recruitment Trends and Market Sentiment

The market has improved significantly from last year, with a notable increase in new roles at Board, Board-1, and Board-2 levels. Initially, sales roles led the demand, but transformation and technology skills quickly became dominant. Logistics organisations are increasingly seeking talent from consulting backgrounds to lead transformations or major programmes. Sales roles have shifted towards a more strategic focus, with organisations looking for leaders who can identify new markets, forge new partnerships, and expand into new geographies.

Moreover, many organisations are bringing in talent from outside the sector. This is particularly true for central functions, but even in traditionally risk-averse areas like operations, there is an increasing trend of hiring professionals from manufacturing and retail environments.



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Decision-making has been slow. For 70% of searches delivered in the last six months, roles had been identified over 12 months prior, often to replace incumbents. Despite recognising capability gaps, organisations were cautious about exiting individuals without having ready successors, resulting in delayed decision-making.

Candidate appetite to move roles remains high. In 92% of searches we delivered, candidates moved for a salary increase, however the greatest motivation to move is the desire to impact change.

Many candidates feel their organisations are in a state of flux and are becoming frustrated, prompting them to seek new opportunities.

Many organisations have sought progressive leaders who can set a vision, inspire teams, and drive change, particularly in the SME and midmarket segments, where there may have been limited transformation in recent years.

92% Moved for salary increase

70% Roles identified over 12 months prior

Strategic Priorities and Economic Factors

Businesses are still operating under tight conditions, despite some benefiting from ocean freight rates increasing significantly due to factors such as the Red Sea conflict and port congestion, leading to varied performance across companies.

ESG and technology-led initiatives remain crucial. Many UK businesses with a turnover of £100 million and below are struggling to maintain momentum with ESG topics. The rise in National Insurance costs has significantly increased their operating costs, shifting priorities towards addressing financial pressures over ESG commitments. Despite these challenges, some businesses report that customer demands for ESG information persist, creating a dilemma on how to afford ESG initiatives versus the potential cost of not implementing them.

There has been no substantial change in the business environment following the election, and companies are hoping for greater stability next year.



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Mergers and Acquisitions

This year, the logistics sector has been marked by significant M&A activity, highlighted by two major deals. DSV's potential acquisition of DB Schenker is valued at approximately €12 billion, and GXO's offer to acquire Wincanton is worth £762 million, pending CMA approval. In addition to these high-profile deals, there has been a trend of smaller organisations rationalising and divesting to better position themselves for future success. Within Contract Logistics, several mid-sized companies are embarking on buy-and-build strategies to offer potential customers something different in a consolidated market.

Private equity interest in the logistics sector remains high. PE firms are particularly targeting privately-owned businesses where founders are considering stepping aside after challenging years. However, valuation disputes continue to be a significant challenge in these transactions. Cold chain and temperature-controlled logistics have emerged as especially attractive areas for investment, driven by increasing demand and the need for specialised services in these segments.

Conclusion

In the face of significant challenges and cautious optimism, the logistics sector is navigating a period of transformation and strategic realignment. Major acquisitions, technological advancements, and shifts in recruitment trends are reshaping the landscape. Organisations are prioritising operational efficiencies and investing in advanced technologies while facing economic pressures and a complex market environment. The emphasis on ESG and sustainability continues to be crucial, despite financial constraints. As the sector evolves, the focus on innovative solutions, strategic leadership, and targeted investments positions it for potential growth and resilience in the coming years.



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