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Annual Trends Report

NAVIGATING TOMORROW 2025

The transportation management agenda: innovate or execute better?

Innovate

Execute

Contents

NAVIGATING TOMORROW 2025 is Alpega's annual trends report on the forces shaping the transport management industry.

Based on multiple data sources and analyzed by industry experts, this report is designed to summarize the global forces that all logistics leaders need to understand to set an effective agenda for the year ahead.

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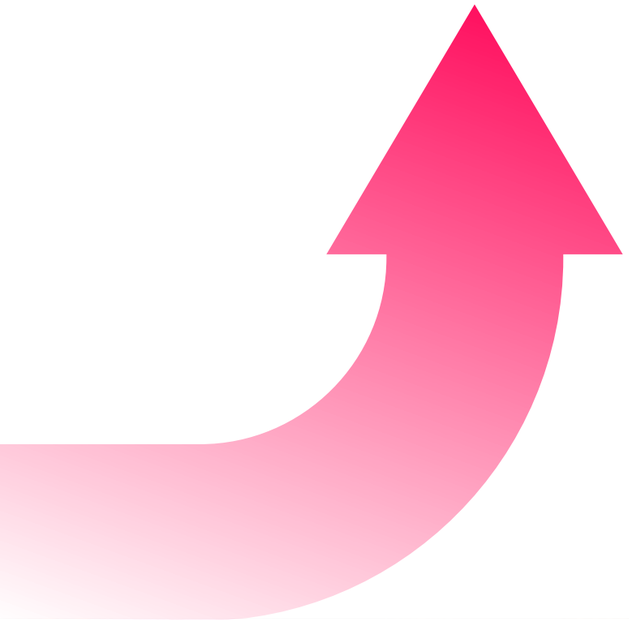
The more things change, the more they stay the same.

The 19th-century French writer and critic Jean-Baptiste Alphonse Karr wrote that line (in French, of course) in 1849. He was referring to society in general, but he might as well been talking about transportation management.

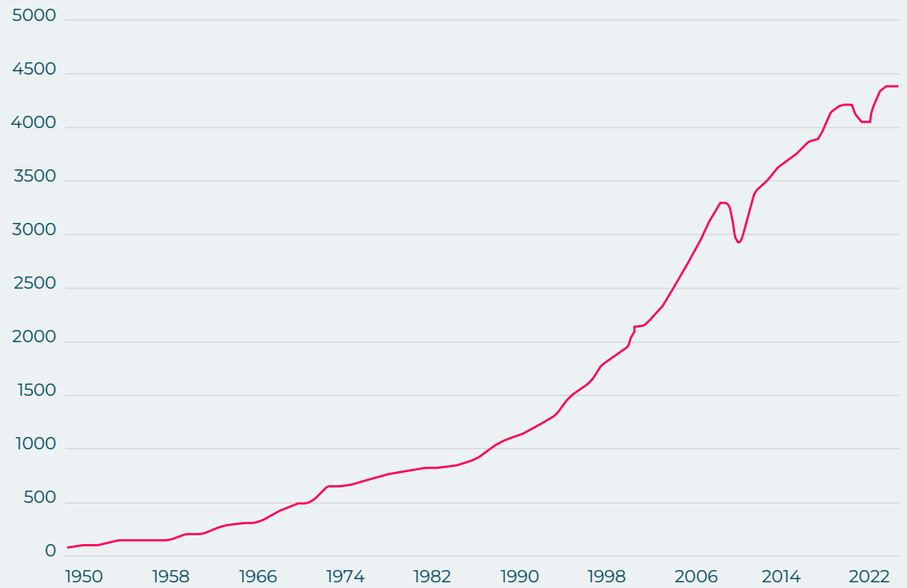
Over the past 45 years, there has been tremendous change in the transportation realm. Consider, for example, the explosive growth in global trade. As the chart below **from the World Trade Organization** shows, world trade volume is more than 5X greater today than in 1980 (and world trade value has increased more than 10X over the same time period).



5X World Trade Volume
10X World Trade Value

World trade volume is now more than 5 times greater than in 1980, while trade value has increased more than 10 times over the same period.

Evolution of World Trade
1950-2023



Source: https://www.wto.org/english/res_e/statis_e/trade_evolution_e/evolution_trade_wto_e.htm

There are many factors contributing to this growth, such as the formation of the European Union; the adoption of regional and global trade agreements; China becoming a member of the World Trade Organization; the growth of global procurement and manufacturing outsourcing; and the rise of e-commerce.

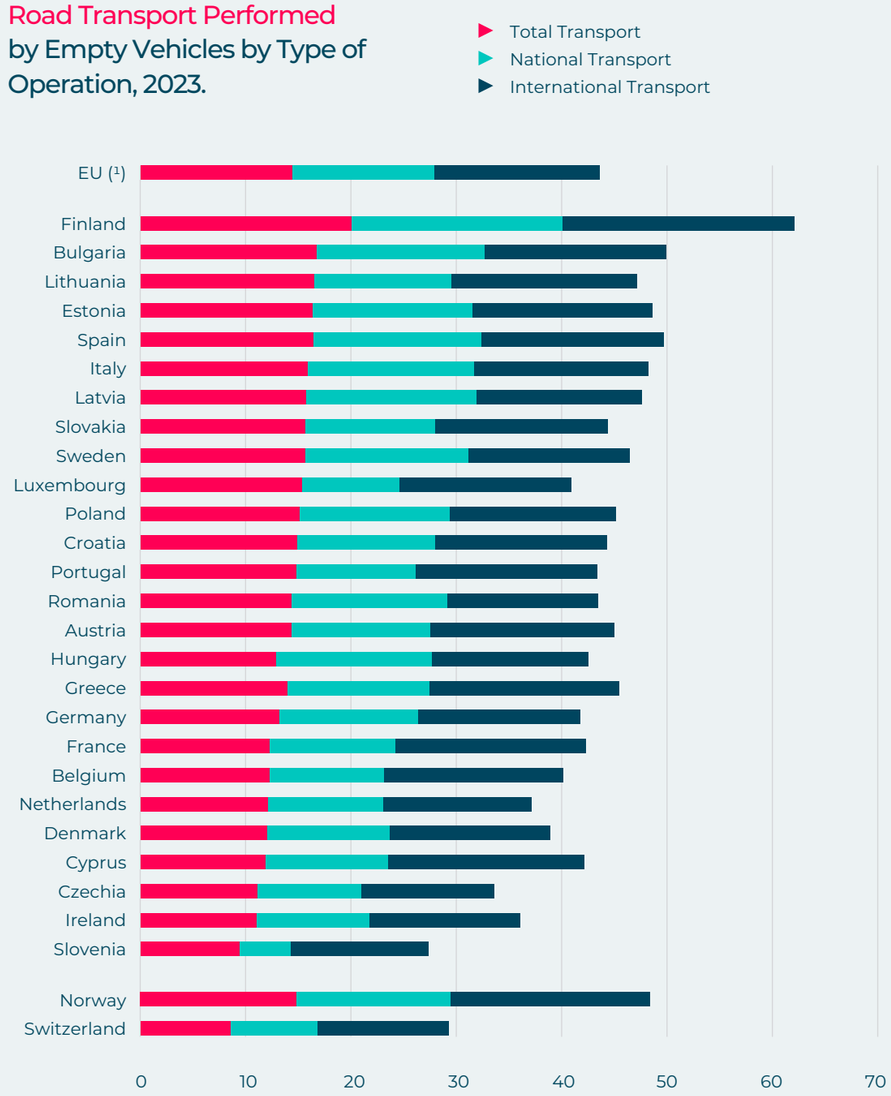
This has translated into increased shipping volumes across all modes of transportation -- trucking, parcel, rail, ocean, and air -- and the globalization of transportation operations. As a result, this has required companies to become more proficient in planning, optimizing, executing, and tracking multimodal, cross-border shipments.

These trends led to the development of transportation management systems (TMS), which early adopters (both shippers and carriers) started implementing in the 1980s. Over the past 40 years, TMS solutions have evolved from standalone applications running on desktop computers to today's single instance, multi-tenant solutions running in the cloud. Today's TMS solutions also provide broader and more sophisticated capabilities than earlier versions, such as Artificial Intelligence (AI) and predictive analytics.

Despite all this change, however, certain things have remained the same.

That is, a lot of waste and inefficiencies still exist in the industry. For example, consider the problem of empty miles (aka "empty running") in trucking. According to **Eurostat**, more than one fifth (21.8%) of total road freight vehicle-kilometres were carried out by empty vehicles in 2023. The percentage was higher for national transport (25%) compared to international road transport (13.1%).

Road Transport Performed by Empty Vehicles by Type of Operation, 2023.



Source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Road_transport_performed_by_empty_vehicles_by_type_of_operation,_2023_(%25_share_in_vehicle-kilometres).png

Compare that to Eurostat data from 2008: As cited in a **2010 paper** published by **The European Automobile Manufacturers' Association (ACEA)**, empty miles ranged between 12% and 37% for different countries that year.

Simply put, this problem has not improved much in at least 15 years -- and it has been a problem for much longer.

Another symptom of waste and inefficiency is detention time (or waiting time) at shipper facilities and border crossings. In a **September 2024** report published by **The American Transportation Research Institute (ATRI)**, "truck drivers reported being detained in 39.3 percent of all stops [in 2023]," as **reported** by TheTrucker.com.

"Truck drivers were detained between 117 and 209 hours per year, depending on the sector. In for-hire trucking alone, the total time lost to truck driver detention exceeded 135 million hours in 2023...As a result, the trucking industry lost $3.6 billion in direct expenses and $11.5 billion in lost productivity from driver detention in 2023."

While similar statistics regarding detention time at shipper facilities are not available for the EU, this is certainly an issue on the continent too. In addition, shippers and carriers have to deal with long wait times at border crossings. In a **resolution** adopted in April 2024, "the European Parliament [called] for EU action to address the long waiting times for heavy goods vehicles at EU borders."

According to the **press issued** by the Parliament, "various factors including insufficient technical capacity, staff shortages, and time-consuming checks on freight, hundreds of goods vehicles are held up every day at the EU's internal borders, including the borders between Schengen and non-Schengen EU Member States, where vehicles face extremely long wait times and delays."

Philip Pensaert, Executive Director at EY, highlighted this growing challenge in an interview we conducted:

> We are seeing a huge trend where more and more countries are closing their borders again, which will impact lead times. Different transportation companies and associations are working with the European government to see [if there is a way] to not do these checks because it will mean that truck drivers will have to wait at the borders as they go from country to country. To put this into perspective, if a truck goes from Belgium to the Netherlands, a [distance] of 200 kilometers, they might have to wait at the border for two hours to clear border control. This [type of border control] hasn't happened for the past 20-30 years, and now countries are starting to do it again, so that's huge.

Philip Pensaert
Executive Director at EY

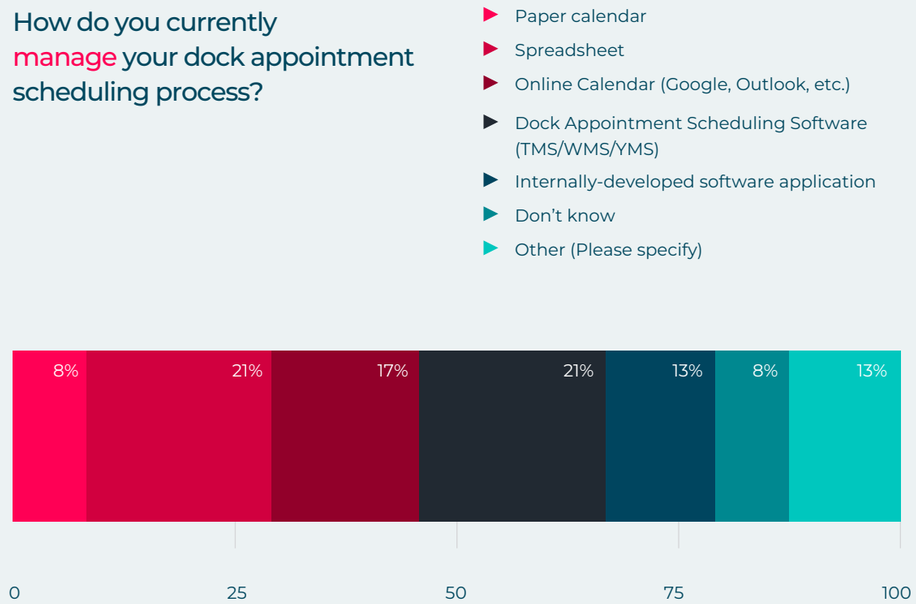
Pensaert added, “Countries like Germany, the Netherlands, and France have already said they will start doing [border control] again. This is causing a lot of frustration and anxiety with transportation companies and shippers because the whole free flow of goods is now at risk.”

Finally, despite the decades-long availability of transportation management systems, which have become easier and more affordable to implement thanks to cloud deployment and subscription-based pricing, many companies are still relying on manual processing and low-tech tools to manage their transportation operations. The net result is wasted time and inefficient use of labor.

For example, according to a **January 2021 Indago survey** of supply chain and logistics executives from manufacturing, retail, and distribution companies, only 21% of the respondents were using dock appointment scheduling software from a TMS, WMS, or YMS vendor. An equal percentage (21%) were using spreadsheets, with others using paper calendars (8%) and commonly available online calendars like Google Calendar (17%).

21% of the respondents were using dock appointment scheduling software from a TMS, WMS, or YMS vendor.

How do you currently manage your dock appointment scheduling process?



Source: January 2021 survey of 24 qualified and verified supply chain and logistics executives from manufacturing, retail, and distribution companies.

While a **June 2024 Indago survey** showed an increase in the adoption of dock scheduling software, a relatively large number of respondents (33%) are still using spreadsheets or commonly available online calendars like Google or Outlook. Therefore, it’s not surprising that more than half the respondents (52%) said their dock appointment scheduling process was either “Average” (30%) or “Poor” (22%).

As we enter 2025, we know one thing for sure: the transportation market will continue to change in the weeks and months ahead. But will companies change the way they manage their transportation operations or will they “stay the same” and resist change?

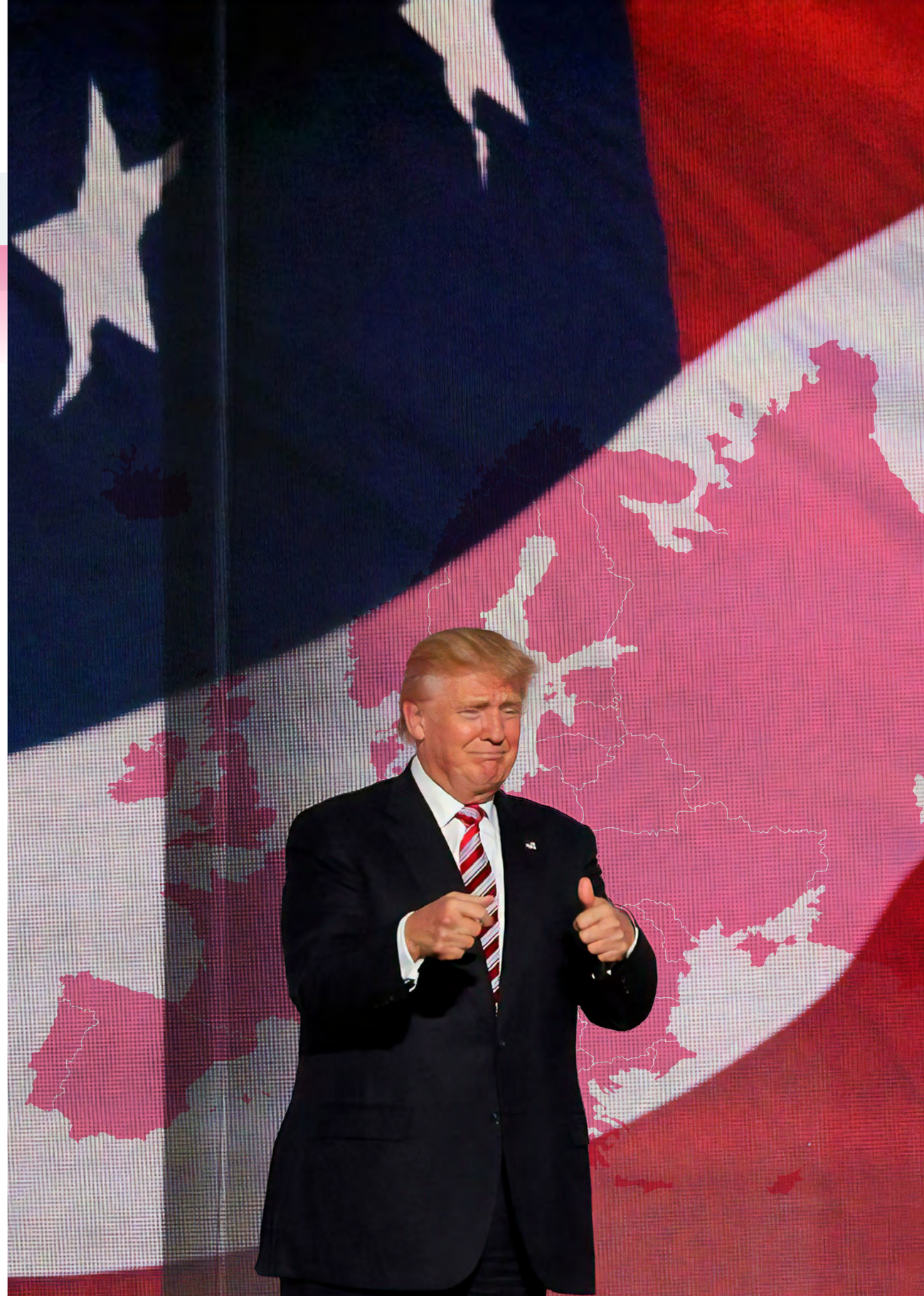
Top of Mind Trends for Logistics Executives

Tariff War and Red Sea Disruptions

Geopolitical trends are certainly top of mind for logistics executives heading into 2025. In addition to the Russia-Ukraine war, which will enter its third year in February 2025 and continues to create risk and uncertainty for supply chains in Europe, companies are bracing themselves for a tariff war, especially after the re-election of Donald Trump as U.S. president. While it remains to be seen whether Trump will follow through on his campaign promise of imposing a blanket 10% to 20% tariff on all U.S. imports, the risk for U.S. trading partners is certainly high enough to take seriously.

"Donald Trump's U.S. election win has left Europe scrabbling to work out how it will be able to contain or counter highly probable tariffs on its exports to the U.S. once the president-elect enters the White House," reported Holly Ellyatt in a **November 11, 2024 CNBC article**. "There have been calls in Europe for the bloc to prepare retaliatory measures now, with the director of Germany's Ifo Center for International Economics calling on Germany — which relies heavily on trade with the U.S., particularly in terms of vehicle exports — and the EU to 'strengthen their position through measures of their own.'"

And as reported by Reuters on December 3, 2024, "Import tariffs expected to be implemented by the administration of U.S. President-elect Donald Trump could lower economic growth and inflation in the 20 nations sharing the euro, European Central Bank board member Piero Cipollone said on [December 3]."



As the economy goes, so does the transportation market, so any negative economic consequences due to a tariff war between the U.S. and EU, as well as between the EU and China too, can have a negative impact on freight demand and capacity.

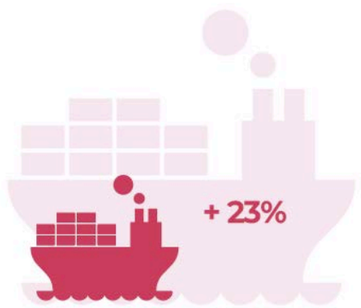
Another geopolitical factor on the radar screen for logistics executives is the conflict in the Middle East, especially the disruptions caused by the terrorist attacks in the Red Sea. These disruptions are forcing ocean shipments from Asia to Europe to travel around South Africa via the Cape of Good Hope instead of using the Suez canal, a reroute that increases transit time by 10-14 days.

"The Red Sea crisis is causing a huge increase in lead times and costs and it's [affecting] logistics capacity," says Philip Pensaert from EY. "We've had many companies reach out to us asking, 'What can we do?

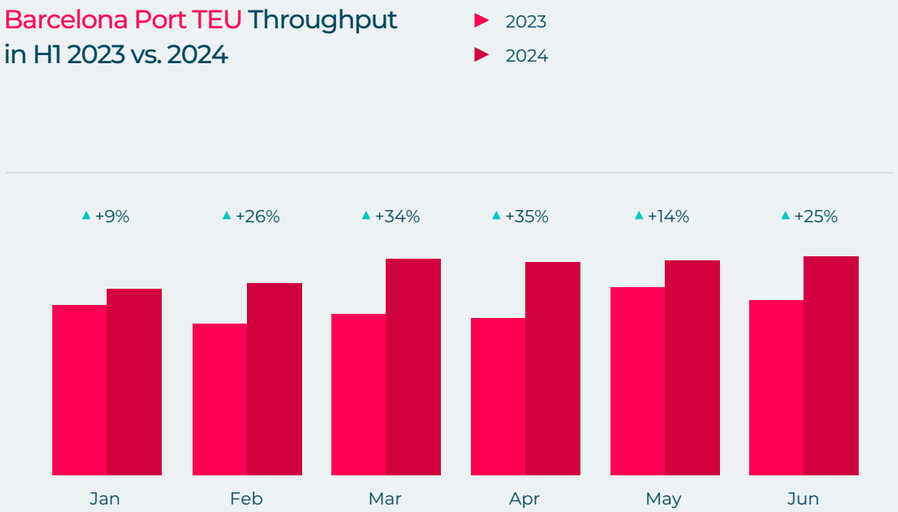
What alternatives do we have to mitigate everything happening due to the Red Sea crisis?'"

A report published by BCG in October 2024 ("How Europe's Road Freight Companies Can Capitalize on the Recovery") provides additional insights on the impact Red Sea disruptions are having on freight activity and other ocean ports:

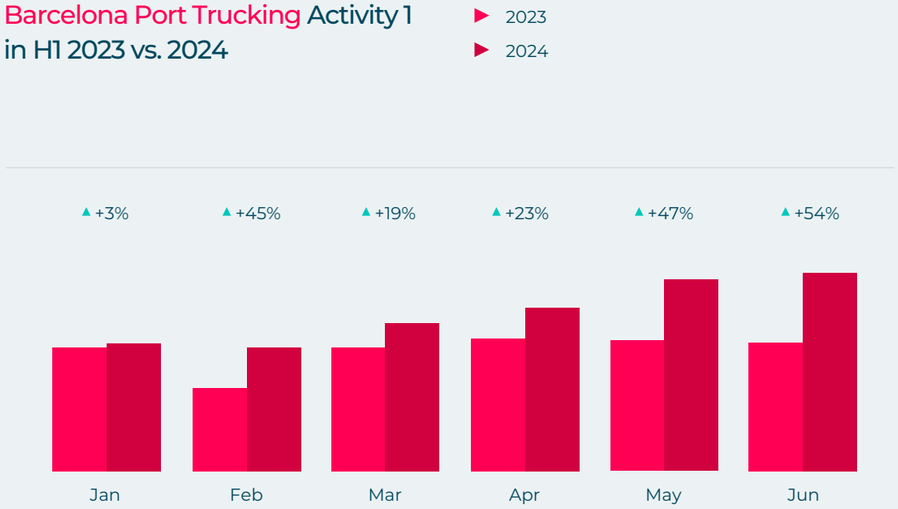
> "Red Sea diversions in ocean freight continue to boost road freight activity around specific European ports, as large container ships from the Far East offload at ports in the western Mediterranean. For example, Barcelona, Sines, and Valencia are all experiencing a surge in volume. This additional demand is pushing spot rates up but also causing issues such as port congestion and longer wait times.



Barcelona Port TEU Throughput in H1 2023 vs. 2024



Barcelona Port Trucking Activity 1 in H1 2023 vs. 2024



Source: "How Europe's Road Freight Companies Can Capitalize on the Recovery," BCG, October 2024

Sustainability: Scope 3 Emissions and Alternative Fuel Vehicles

“There has been a lot of emphasis on Scope 1 and Scope 2 emissions, but now reporting on Scope 3 emissions is coming into play,” says Philip Pensaert from EY. “What this basically means is that shippers will now have to report the CO2 emissions across their supply chain. To do this, they will have to work with their logistics partners to understand how much CO2 these partners are emitting in support of their business. This will create a lot of pressure on logistics companies to accurately [measure and report] these emissions.”

Pensaert adds that shippers are now approaching their logistics partners and asking, “Can you use more electric vehicles? Can you switch to hydrogen trucks? Can we look into doing modal shifts? Can we put more shipments on rail?”

Alvaro González-Escalada, General Manager at **Logista Freight**, a logistics service provider headquartered in Spain with operations across southern Europe, also highlighted sustainability as a key trend that is top of mind for their clients, which span across multiple industries (Produce, Pharmaceuticals, Tobacco, Textiles, Technology, and others).

“Maybe three years ago customers were asking questions to learn what kind of solutions were available in the market to reduce emissions, but it was just [information gathering],” says González-Escalada. “In the last year or two, however, some companies are taking sustainability into account in their purchasing decisions. So, this is now becoming a competitive differentiator for logistics service providers that can reduce CO2 emissions. Some customers in the industries we work in are starting to allocate budget to [more sustainable forms of transport] because it is more expensive than traditional transport.”

Regulations are another driving force, such as the revised CO2 emissions standards for heavy-duty vehicles ratified by the Council of the European Union on May 13, 2024. Per the **International Council on Clean Transportation**, “The original CO2 standards required the emissions from most new trucks to be 15% lower by 2025 and 30% lower by 2030 than the 2019 reporting period. The revised standards maintain the CO2 reduction target of 15% for 2025 and raise the 2030 target to 45% while introducing a 65% reduction target for 2035 and a 90% target for 2040.”

Economic Conditions/Impact on Transportation Market

Again, as the economy goes, so does the transportation market, and the outlook for 2025 is cautiously optimistic at the moment.

In a November 26, 2024 **report**, economists at S&P Global "project eurozone GDP growth of 0.8% in 2024 and 1.2% in 2025, with Germany lagging eurozone peers, and Spain continuing to outperform." They also expect inflation to be "marginally lower in 2025 than we had anticipated (2.4% versus 2.5% previously) due to a more pronounced drop in energy prices."

However, they also caution that "a long period of very stable macroeconomic forecasts might come to an end as new leaders in the U.S., the EU, and Germany could take decisions early next year on tariffs, defense, and general spending that could reshape the economic outlook."

This outlook aligns with the one **published by the European Commision** on November 15, 2024.

> The EC expects growth in the EU "to pick up to 1.5% in 2025, as consumption is shifting up a gear and investment is set to rebound from the contraction of 2024."

Manufacturing activity, however, provides a different (less optimistic) perspective. If you look at the Manufacturing PMI Output Index for the Eurozone, a reading above 50 indicates a growing manufacturing economy while a value under 50 indicates a shrinking manufacturing economy.

> For more than two years, the Manufacturing PMI Output Index has been below 50.

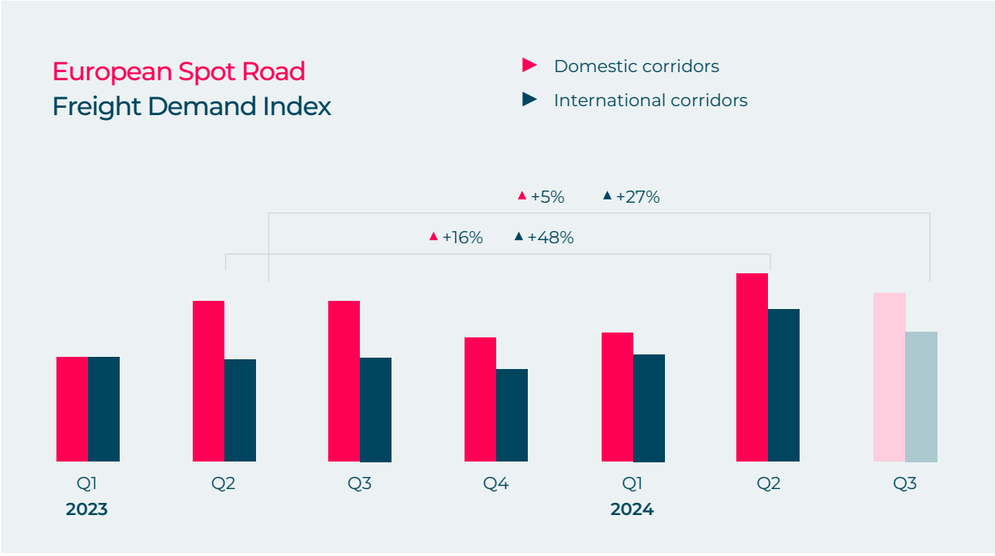
In November 2024, **the index fell to 45.2 from 46.0 in October 2024**, "thereby signalling a sharper deterioration in manufacturing conditions across the single-currency union."

Commenting on the PMI data, Dr. Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, said:

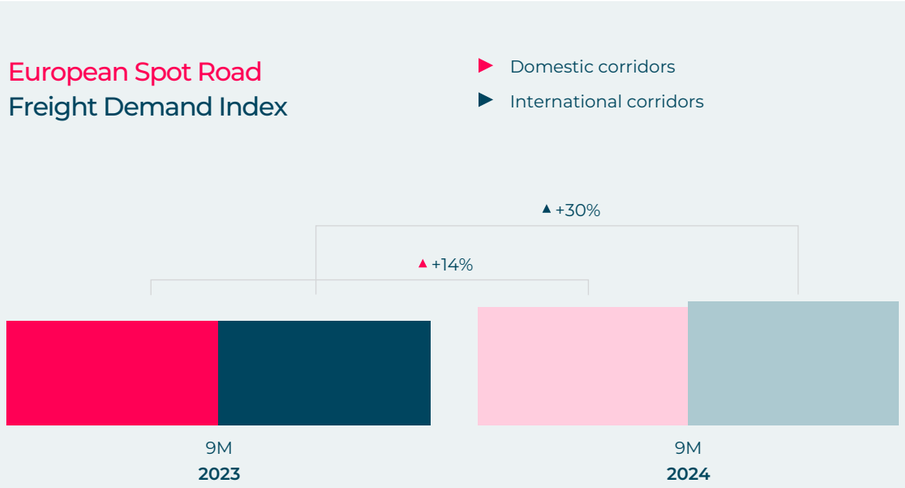
"These numbers look terrible.
It's like the eurozone's manufacturing recession is never going to end. As new orders fell fast and at an accelerated pace, there's no sign of a recovery anytime soon...The downturn is widespread, hitting all of the top three eurozone countries. Germany and France are faring the worst, and Italy is not doing much better."

Simply put, the EU economy is expected to be better in 2024 than in 2024, with varying degrees of growth by country, but there are also several factors (e.g., manufacturing activity, export tariffs) that could diminish economic growth. With regards to the transportation market, improving economic conditions are leading to a rise in freight demand. As highlighted in the BCG report referenced earlier, "spot freight demand continued to grow in the second quarter of 2024 -- for both domestic and international routes -- driven by growth in overall GDP and consumption across Europe."

The authors believe this growth will continue, but they also caution that "the recovery could be at risk, particularly given recent dips in some key indicators like the Purchasing Managers' Index, softer government consumption, and economic uncertainty in some markets such as Germany."



Meanwhile, spot supply remained flat in 2024 due to (among other factors) market consolidation, increased carrier pressure, and a growing driver shortage. This imbalance between spot demand and spot supply has led to an increase in spot rates in both domestic and international corridors, per the analysis conducted by BCG based on data from Alpega freight exchanges. Assuming current trends continue -- that is, improving freight demand and freight capacity remaining flat or gradually decreasing -- spot rates should continue to rise in 2025, and this ultimately will put upward pressure on contract pricing too.



Source: "How Europe's Road Freight Companies Can Capitalize on the Recovery," BCG, October 2024

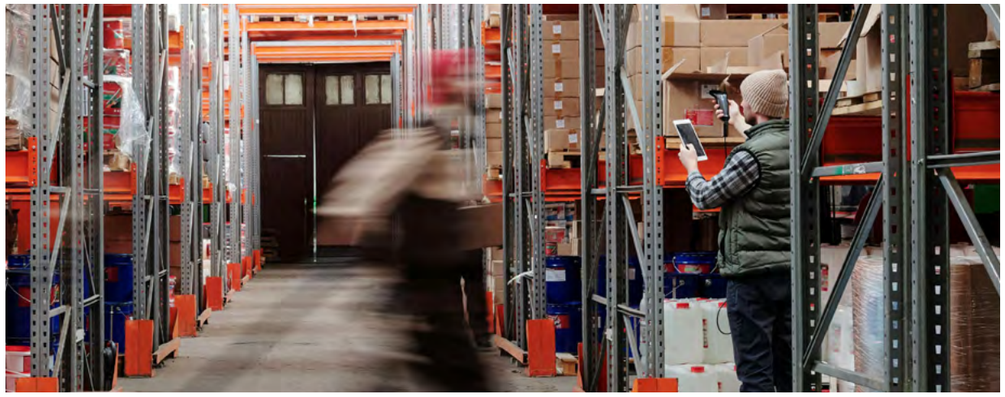
Innovate or Just Execute Better?

Considering all the trends discussed above, should companies focus their time, money, and resources on innovation in the coming year to achieve their objectives or should they focus more on just executing better with the systems and processes they already have?

Put differently, which approach do you believe is more likely to deliver the best outcomes in transportation management at your company next year?

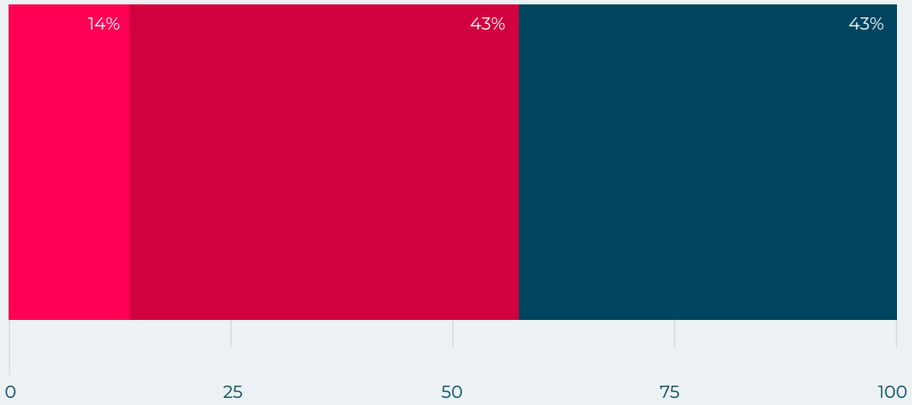
We asked members of **Indago's supply chain research community**, who are all supply chain and logistics executives from manufacturing, retail, and distribution companies, and members of Alpega's customer community that question in a November 2024 survey.

Only 14% of the respondents selected "Innovation" while 43% chose "Optimizing current technologies and processes" (the remaining 43% selected "Both equally).



Which approach do you belive is more likely to deliver the best outcomes in transportation management for your company netxt year?

- Innovation (New technologies and processes)
- Optimizing Current Technologies and Processes
- Both Equally

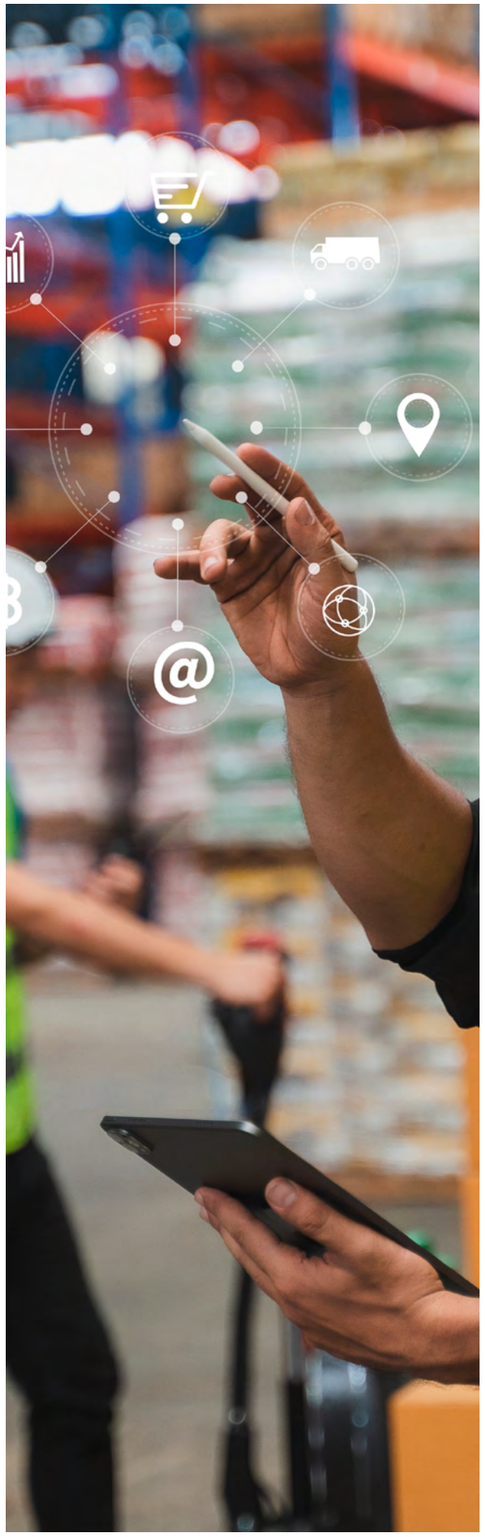


Source: November 2024 survey of 37 qualified and verified supply chain and logistics executives from manufacturing, retail, and distribution companies.

“A lot of this depends on the maturity/ sophistication of the company's supply chain and logistics activities as well as the market dynamics of their industries,” said a Logistics Manager at a leading pharmaceuticals company. “From my perspective, we have very limited IT resources and good (if not great) systems. Therefore, my response is heavily weighted towards execution while still keeping an eye on innovation.” Here are comments submitted by other executives:

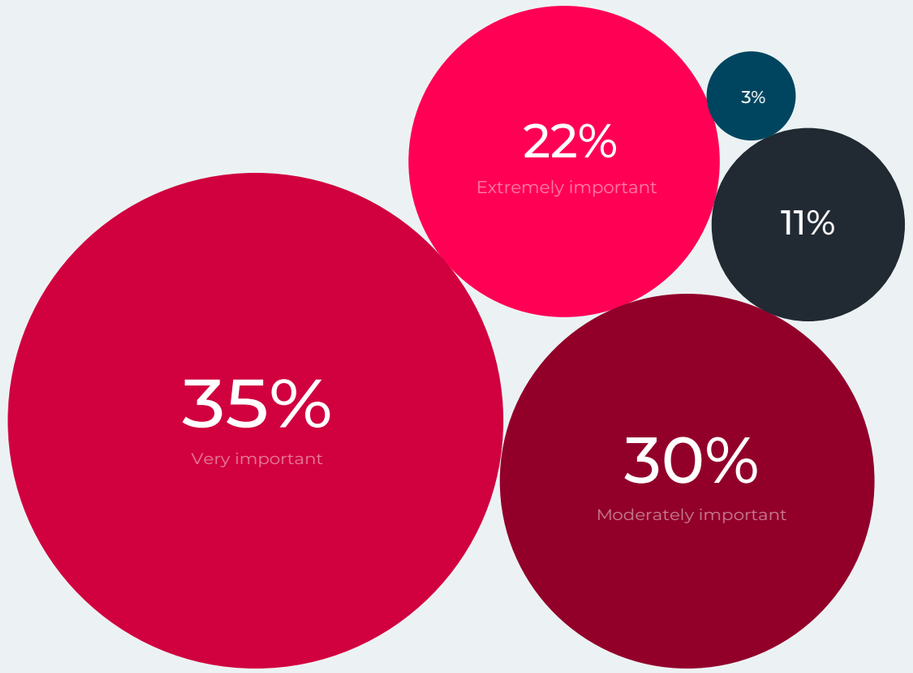
> We tend to be followers in the technology field. Our focus is primarily on optimizing existing systems and improving execution.
>
> Execution. Budgets are expected to be tight for the next 2 years so we need to focus on better execution.
>
> We are not fully utilizing the technology we have, so most of our resources should go to integration rather than innovation.

However, in response to “How important do you believe investing in new technologies and processes is for achieving your transportation objectives in the next 1-3 years?”, more than half the respondents (57%) said they believe it is either “Very important” (35%) or “Extremely important” (22%). As one executive put it, “There needs to be more innovation; things have remained stagnant.”



How important do you belive investing in new technologies and processes is for achieving your transportation objectives in the next 1-3 years?

- Extremely important
- Very important
- Moderately important
- Slightly important
- Not important at all



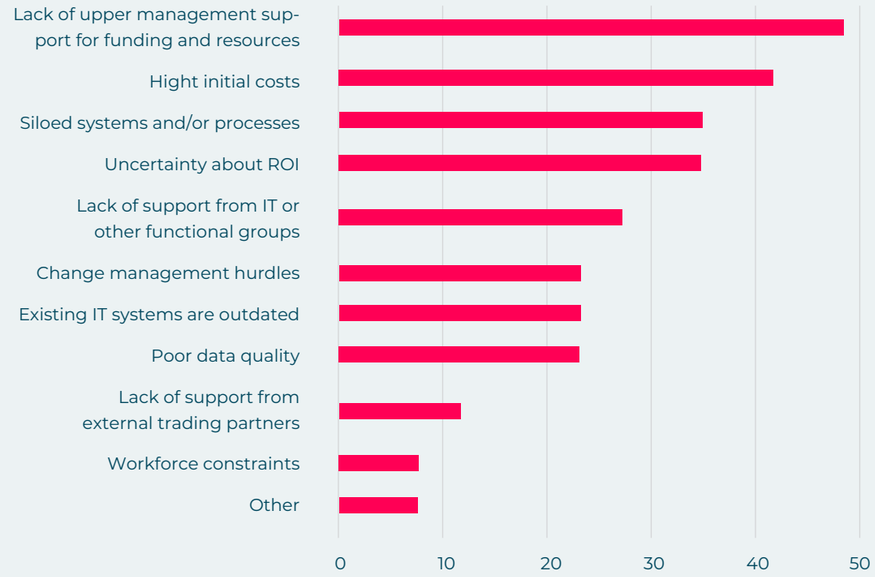
Source: November 2024 survey of 37 qualified and verified supply chain and logistics executives from manufacturing, retail, and distribution companies.

It's important to note that the first question asked about companies achieving their transportation objectives in 2025 (within a year) while the second question focused on "the next 1-3 years." This suggests that companies view improving execution as a way to achieve business benefits faster, while innovation is viewed as something that is necessary, but requires more time and investment to bear fruit. The following comments submitted by two supply chain executives underscore this perspective:

> "Better execution is the key in the current situation where logistics challenges are at an all-time high. At the same a considerable portion of resources needs to be allocated to innovation to build up for the next 3 years. Our organization is focusing more on execution than innovation. However, it is a shortsighted decision. While we do need to 'focus on the basics', if we do not change the mindset of what digital can do for us, we will continue to find ourselves behind in the evolution of technology...The amount of [progress] we can make in transportation is huge if we were to focus on how we should be operating in the future in a digital-first world.

There are also, arguably, more barriers to enabling innovation than to improving execution. The top barrier according to the survey respondents is "Lack of upper management support for funding and resources," followed by "High initial costs."

What are the top barriers to enabling innovation in transportation management at your company today?

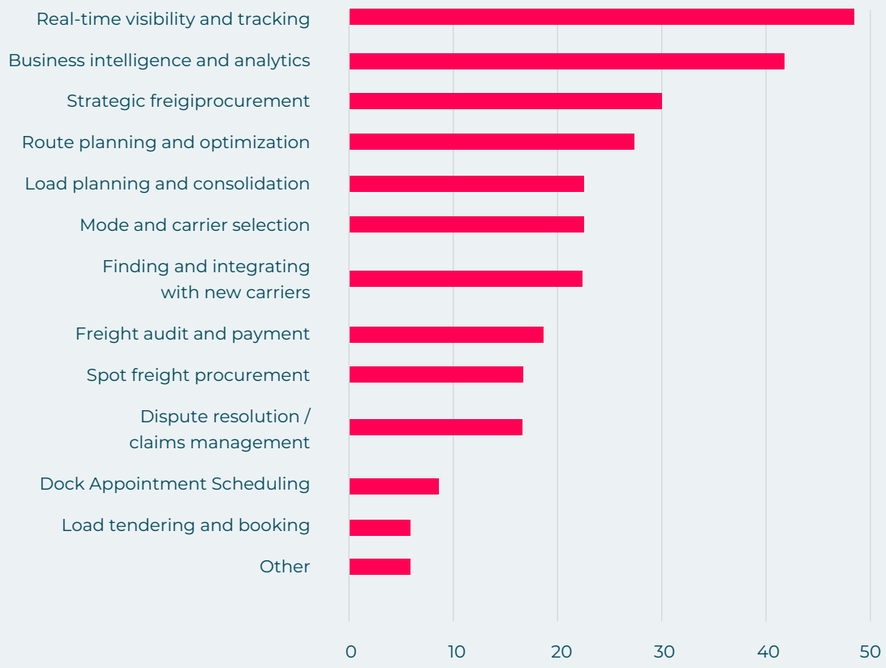


Source: November 2024 survey of 37 qualified and verified supply chain and logistics executives from manufacturing, retail, and distribution companies.

“The ROI for new technologies can be so nebulous it can be hard to justify without being able to show [upper management] that the organization has already done its best to execute at the highest level possible without the need for new technology,” said the Director of Supply Chain and Logistics at a furniture manufacturer. “And with more of a focus on both short- and long-term profitability, there is less flexibility from a leadership perspective to make bets on technologies with longer ROI cycles.”

Assuming those barriers to innovation are overcome, what transportation management processes/functions are in most need of innovation -- that is, would deliver the greatest improvements in terms of cost, quality, cash, and/or service? Topping the list

What transformation management processes/functions are in most need of innovation at your company today -- that is, would deliver the greatest improvements in terms of costs, quality, cash and/or services?



Source: November 2024 survey of 37 qualified and verified supply chain and logistics executives from manufacturing, retail, and distribution companies.

The fact that real-time visibility and tracking topped the list of innovation opportunities does not surprise Alvaro González-Escalada from Logista Freight.

What we are hearing from customers is the need for real-time information about what’s happening on the road [with their shipments], what’s happening in the warehouse, what’s happening everywhere [along their supply chain],” he says. “Providing this visibility is still difficult because there are no standards regarding the technologies used in the market.

You still have many small carriers, González-Escalada says, that lack the necessary technology or don’t like to use technology, so a lot of manual processing is still involved to enter data.

González-Escalada adds, “Many of our customers have moved beyond KPIs that focus mostly on On-time Delivery or On-Time In-Full. Now customers are tracking many more KPIs. They want data/notifications about when you accept a load, when the truck arrives at the warehouse, when it finishes loading, when it departs from the warehouse, and so on. For every load, we now have to report on 10 to 12 different milestones, and I'm not I'm not exaggerating. We are now trying to automate this process.”

Real-time visibility to what's happening across your supply chain, along with business intelligence and analytics, are foundational capabilities to becoming a more data-driven organization, which is a priority for most companies today.

The fact that "Strategic freight procurement" ranked high on the list of innovation opportunities is not surprising either. For several years, shippers and carriers have both agreed that there needs to be a better way to conduct procurement engagements than the traditional approach, which for many companies involves emailing spreadsheets back and forth to each other. In an October 2020 Indago survey, for example, the vast majority of the respondents (91%) either Agreed (61%) or Strongly Agreed (30%) that the time had come to **transform the transportation procurement process.**

While much progress has been made on this front on the technology side, the results suggest that some companies are either not aware of these new freight procurement solutions or they're still trying to overcome the "change management" hurdle.

The Transportation Management Agenda for 2025

The "innovate vs. just execute better" choice is really a false one. The fact is that both are critically important.

"I think if companies only focus on execution, they will become operationally excellent but they will miss, or not be prepared for, what comes next," says Philip Pensaert from EY. "So, if you only focus on execution, you will be good in the next year or two, but you will not be prepared for the future. On the other hand, if you invest heavily in innovation, considering the current costs and uncertainty in the market, you risk going out of business, So, you need to find the right balance between the two."

A survey respondent, a Senior Director of Global Logistics at a manufacturing company, said something similar: “I believe there is a need to fine tune the mix between [driving better] execution in the tech stack we have in place and using emerging technologies to benefit the organization. This will inevitably be fluid and change over time. Sometimes we’ll need to focus on solidifying the process/execution and sometimes we’ll need to focus on innovation, emerging tech, and evolution.”

If you could allocate your resources, how would you divide them between focused on Innovation vs. focused on better Execution to achieve your transportation management objectives in 2025?

Source: November 2024 survey of 37 qualified and verified supply chain and logistics executives from manufacturing, retail, and distribution companies.

Three agenda items for transportation executives in 2025:

A main takeaway from the survey results, therefore, is that supply chain and logistics executives know that they need to do both -- that is, they need to execute better to realize business benefits in the short term, but also innovate to remain relevant and competitive in the longer term. Or as one survey respondent put it, “Technology is evolving quickly, and it is going to be a game changer in supply chain management. If a company misses the pace, it will lose competitiveness in the near future.” Therefore, as a way to balance executing better with innovation.

1. Clearly define your objectives and desired outcomes for 2025

As discussed in the report “**Generative TMS: An Outcome-Driven Approach To Selecting And Deploying A TMS**,” many companies spend more time and effort developing a long list of functional requirements, which they send to technology vendors as a Request for Proposal (RFP), than they do in clearly defining their desired outcomes and how to measure success. That is why many companies experience “**buyer’s remorse” with IT purchases**.

The Roman philosopher Seneca famously said, "If one does not know to which port one is sailing, no wind is favorable." To put this in transportation management terms, if you do not know which KPIs you want to improve in the year ahead and why, you run the risk of spending your time, money, and resources in areas that will provide little or no business value -- or that don’t move you forward to where you need to be to remain relevant and competitive in the market.

2. Answer the following questions to identify where you can execute better

The following questions are not a comprehensive list, but they highlight some of the most common areas where companies can achieve cost, service, and/or productivity benefits relatively quickly by just executing better.

- Are we leveraging our total transportation spend when negotiating with carriers, or is our spend fragmented across departments, business units, or Logistics Service Providers?
- Are we engaged with the right set of carriers, or are there other carriers that can meet our service level expectations at a lower cost?
- Are we consistently using contracted carriers and paying contracted rates (i.e., complying with our routing guide), or is there a lot of “maverick” spending taking place?
- Are tender rejection rates with primary carriers increasing, and if so, why?
- Are we using rail or intermodal where possible?
- Are the trucks leaving our warehouses loaded to their maximum legal capacity?
- Are we being invoiced correctly?
- Are our transportation costs aligned with the rest of the market, or are we paying more or less than other companies?
- Have we properly trained our employees on our systems and processes? How often do we refresh that training?

3. Empower a team to define and execute an innovation project aligned with your defined objectives and desired outcomes

This team should include members not just from transportation and logistics, but also from IT and finance to ensure a holistic perspective and get internal buy-in. It should also include representatives from key external partners -- such as carriers, suppliers, customers, and technology vendors -- that share a similar commitment to innovation and continuous improvement. Start small with a pilot project to evaluate its feasibility and ROI before deploying it more broadly, leveraging feedback and data to fine-tune the approach.

Finally, stay informed about emerging technologies and trends, such as AI-driven analytics and **open carrier networks**, to ensure investments are forward-looking and scalable. By focusing on targeted, incremental innovations, you can adapt to changing market demands while maximizing your existing resources. Have we properly trained our employees on our systems and processes? How often do we refresh that training?

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