

CSCMP'S ANNUAL
STATE OF LOGISTICS REPORT

AUTHORED BY *AT Kearney*



Cresting the Hill



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State of Logistics Report 2019
Top 12 Takeaways



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Macroeconomics: Economic slowdown expected, and trade uncertainty volatile

The US economy is flashing warning signs, as economic growth is forecast to slow and short-term optimism belies more long-term concerns. Trade uncertainty ripples through logistics markets, as even fears of trade tensions can cause inventory buildups that shift demand for logistics services.



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Motor Carriers: Excess demand, tight capacity, high rates

After a mid-2018 peak, freight rates are easing back to “normal” levels, with more capacity now available. Carriers are realizing that the challenge in finding drivers is a structural problem: a generational change in the labor pool combined with competition from well-paying jobs such as working at e-commerce fulfillment centers. Carriers and shippers will need to adapt.



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Parcel and Last Mile: Relentless competition

Amazon is training customers to expect ever-faster deliveries—and training its competitors to chase those expectations. That chase sparks a furious pace of last-mile innovations, partnerships, and technology advances—but the bigger question is where the shippers will choose to compete.



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Rail: Finally profitable, although...

Precision railroading is driving profits for the railroads, which are using a disciplined approach to asset and labor productivity. But the process has caused shippers to experience localized service failures and extended transit times. Can railroads retain profitability while improving service to retain long-term customers?



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Water and Ports: Turmoil coming from IMO 2020 sulfur regulations

Transpacific carriers were among the chief beneficiaries of US-China trade tensions—their expanded 2018 peak season saw some rates double. They will likely settle this year, at levels higher than last year. But in Q4 carriers must gear up for the implementation on January 1, 2020 of the IMO 2020 sulfur regulations, which will require significant capital expenditures or purchase of expensive low-sulfur fuel.



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Air: Soaring on e-commerce and making strides in digitization

Despite near-term weakness, e-commerce—and consumer demands for quick delivery—continue to fuel a longer-term positive outlook for air freight. The industry has also made strides in digitization to eliminate paper. Additionally, online freight exchanges offer shippers unprecedented transparency into rates while carriers are now starting to price dynamically.



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Warehousing: Automation at the forefront

Warehouse rents nationwide continued to increase, albeit at a slower rate than in the past six years. With stable rent increases, warehouse developers are adding to supply, although not yet robustly enough to meet skyrocketing demand.

Warehousing automation is increasingly being driven by the need to overcome labor force scarcity in addition to the traditional drivers such as operational cost and service level improvements.



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3PL: Increasingly strategic role

Third-party logistics providers offer their clients increasingly essential benefits: management of speed, costs, and transparency in value-added warehousing and last-mile deliveries. But to provide those benefits, 3PLs must differentiate themselves with technology. Amid the uncertainty, and despite the role's importance, most shipper-3PL relationships remain at tactical levels rather than deep partnerships.



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Freight Forwarders: Customer service crucial

Freight forwarders' focus on customer services and needs will be pivotal to their endurance and continued profitability. Will escalating trade tensions leave a mark on their fortunes? Perhaps more importantly, will DSV successfully integrate its recent acquisition, Panalpina? Answers to these questions will help determine the industry's shape and fate.



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Pipeline: Catching up

Pipeline capacity is catching up to strong growth in oil and gas production and demand. Significant oil and gas pipeline capacity was added in 2018 and more is expected in 2019, as the sector continues to attract interest from private equity. These additions should alleviate capacity constraints—especially from the Permian basin to the Gulf coast—to boost exports.



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Blockchain: Beyond the hype

The value of blockchain can only be realized with a robust network of companies that are willing and able to adopt a joint solution. Thus today's hype is sometimes unrealistic about the problems that blockchain can solve. The big hurdle is not technology but participation—and clearing that hurdle requires ensuring the confidentiality of member data to minimize risks and incentivize enrollment.



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5G: **Setting the standard for logistics of the future**

In the near term (0–3 years), 5G will reduce the cost of operations and increase visibility for all stakeholders across the supply chain. Huge improvements in transfer speeds, latency, and device density can improve execution efficiency. With greater network deployment and technological maturity in the longer term (3+ years), 5G's increased networking capabilities will enable massive IoT, robotics, AI-based tools, and real-time tracking. Seamless execution and unassisted operations will transform the fundamental business economics of the industry in ways that will generate higher margins.



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The Council of Supply Chain Management Professionals (CSCMP) released the **30th Annual State of Logistics Report[®]** during a press conference at the National Press Club in Washington, D.C. on Tuesday, June 18, 2019.

This report is a CSCMP member benefit and available to CSCMP members for complimentary download each year after its release in Washington D.C.

Non-members may [purchase a copy](#) of the report for \$350, or [join CSCMP as a professional member](#) for only \$325 to receive full access to the State of Logistics report and exercise additional members only networking and educational benefits.

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