The UK Logistics Confidence Index 2024

Moving in the right direction

Sector sees a more positive outlook

IDEAS | PEOPLE | TRUST

Contents

About this research

All figures and data relating to the UK Logistics Confidence Index within this report have been researched by Analytiqa. The index calculation is based on the proportion of respondents reporting either an improvement, no change or deterioration within the sector, scored from 0 to 100. Therefore, a number over 50 indicates an improvement, while below 50 suggests a decline. The further away from 50 the index is, the stronger the change over the period.

Analytiqa

The big picture

Confidence built on the resilience of operating in a challenging environment

Welcome to this year's Logistics Confidence Index report

It's encouraging to see the sector acclimatise to the challenging and uncertain trading environment of the last couple of years. Sentiment has bounced back, with a positive outlook for the coming year. This confidence appears to be based on the expectation of a more stable and manageable trading environment and the resilience built up across the industry having navigated and operated essential supply chains every day in the constantly changing conditions that businesses have experienced in recent times.

While operational staff and talent will always be a priority for businesses in this sector, it is interesting to see the need for clear succession planning and investment in future leaders. These leaders will help shape the future of our sector as it continues to tackle issues such as decarbonisation, the demand for systems integration and AI – with a focus on further investing in defence against cyber security threats.

It is discouraging to see a drop in anticipated investment. It is widely accepted that global interest rates have stabilised and will continue to decline, making way for a more favourable economic environment, which will in turn provide more confidence to drive investment. With the election of a new Government, we await further detail on the initiatives, policies and support that may help drive the sector to invest more for future growth.

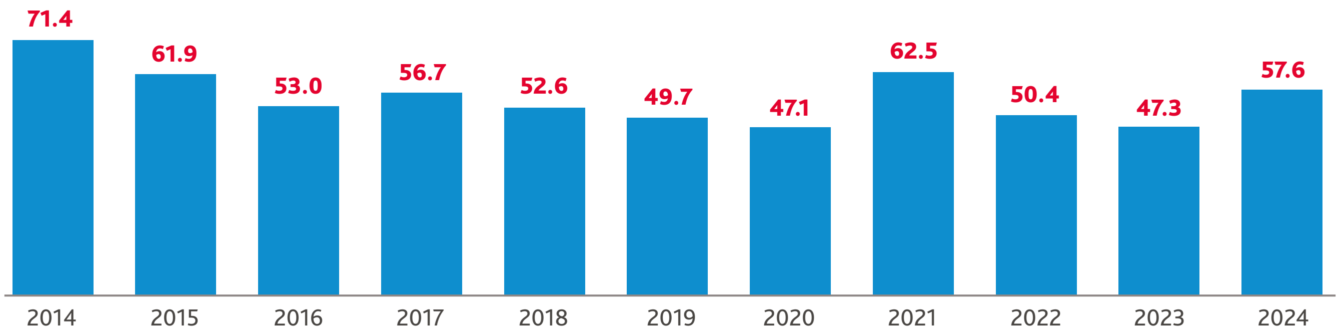
Interestingly, M&A activity appears to be off the agenda for many this year. However, we continue to see consolidation across the industry, with many major players being bought, particularly by overseas investors. A declining cost of finance, coupled with more stability and confidence in earnings, will likely deliver the required alignment between buyer and seller expectations to create more opportunities for the further anticipated consolidation at all levels in this fragmented market.

We would like to thank all our respondents for their input, and for helping to shape insights that are invaluable to our industry.

Jason Whitworth
Partner,
M&A Advisory,
BDO LLP

James Lean
Industry Director,
Barclays Corporate
Banking

Logistics sector confidence 10-year trend



Our latest research on the logistics sector

Barclays and BDO, in conjunction with specialist sector research agency Analytiqa, have once again undertaken research to assess confidence and expectations in the UK logistics sector.

More than 100 senior decision-makers – including chief executive officers, managing directors and chief financial officers – provided their views and insights during July and August 2024.

Our participants represent a wide range of logistics businesses – from small, family-owned haulage operators to publicly listed companies and the UK subsidiaries of the world's biggest full-service multi-modal 3PLs, representing total UK revenues of approximately £19.6 billion.

Their responses have been compiled to create the UK Logistics Confidence Index 2024. We are extremely grateful for the insights provided by our respondents in this, the 17th report and 12th year of the index.

Confidence Index 2024

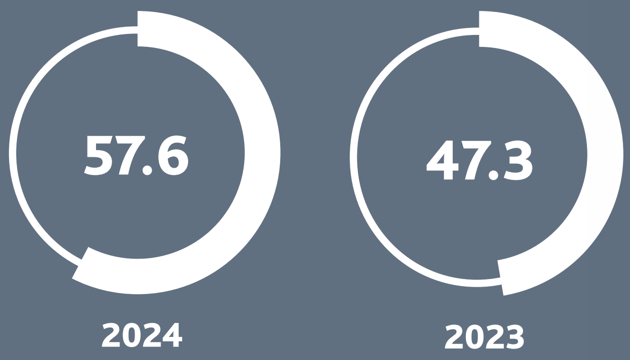
Better economic conditions bring cautious positivity

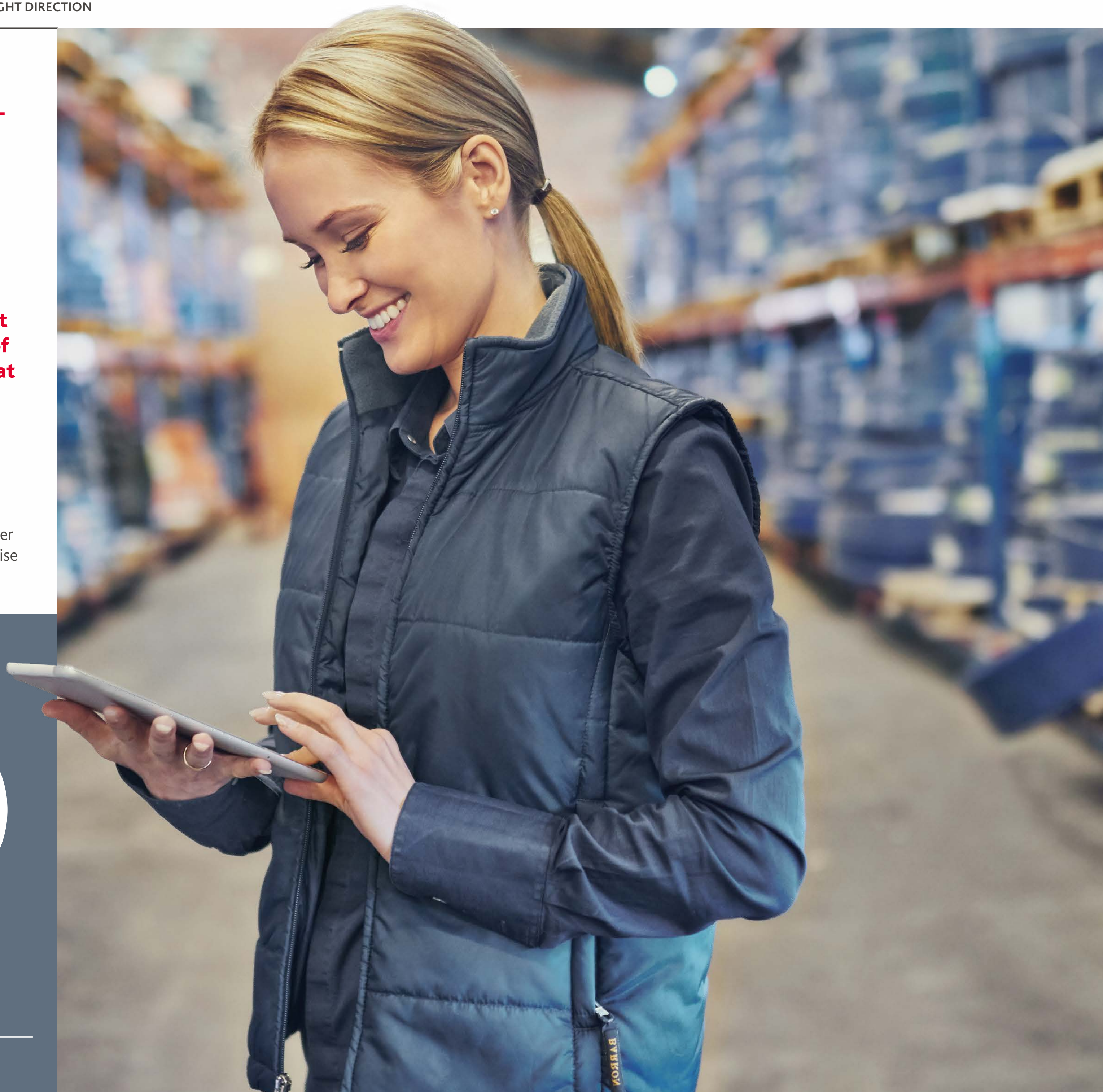
This year's Logistics Confidence Index result is a remarkable recovery from 2023, when we saw our second lowest score ever, showing that businesses believe the challenging conditions of the last year or so may be behind them, and that they are planning for growth, albeit marginal.

With the exception of the Covid bounce-back score recorded in 2021, this is the highest result since H2 2015, reflecting a more stable business environment, with interest rates having peaked, and inflation abating.

However, there is still caution around uncertainties, such as wider geopolitical turmoil, and potential policy changes which may arise from the new Government.

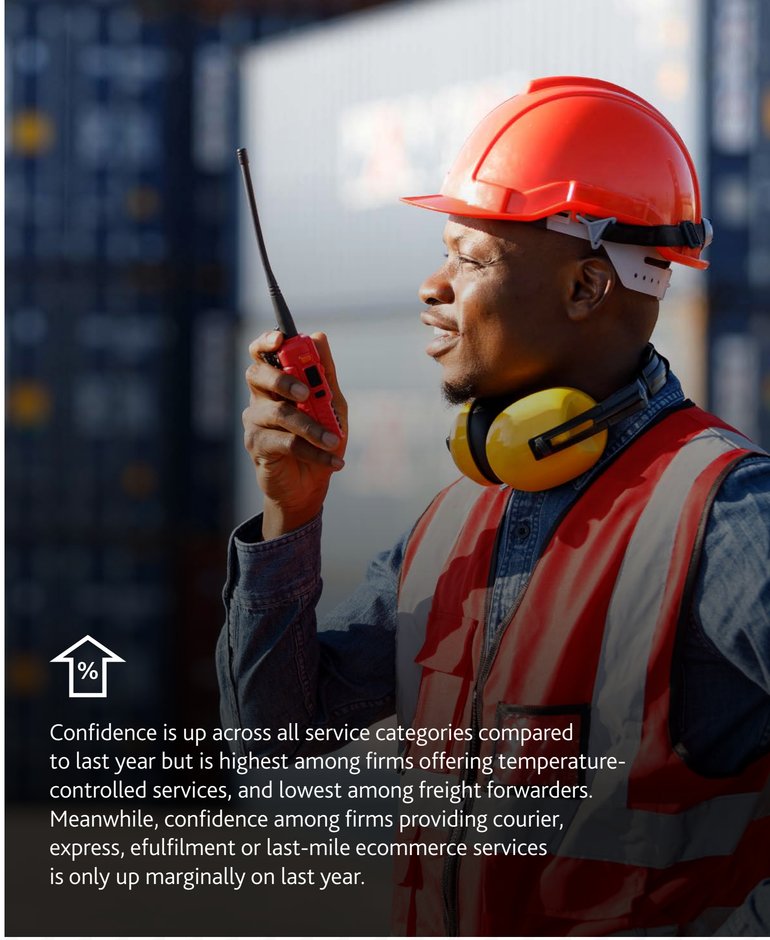
Confidence Index Measures: 2024 v 2023





Confidence Index 2024

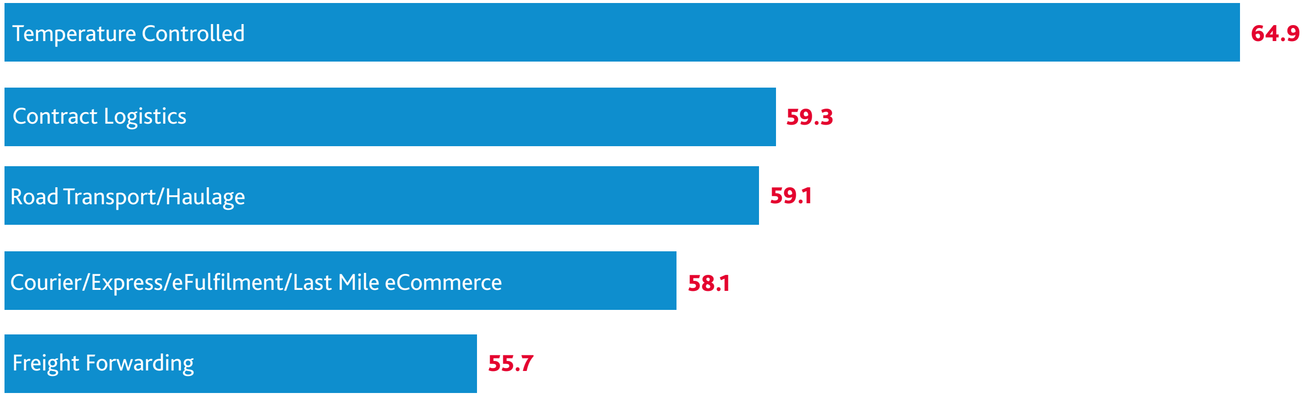
Confidence peaks where end markets offer stability and growth



Confidence is up across all service categories compared to last year but is highest among firms offering temperature-controlled services, and lowest among freight forwarders. Meanwhile, confidence among firms providing courier, express, efulfilment or last-mile ecommerce services is only up marginally on last year.

Breakdown of confidence scores

Confidence by company service offering



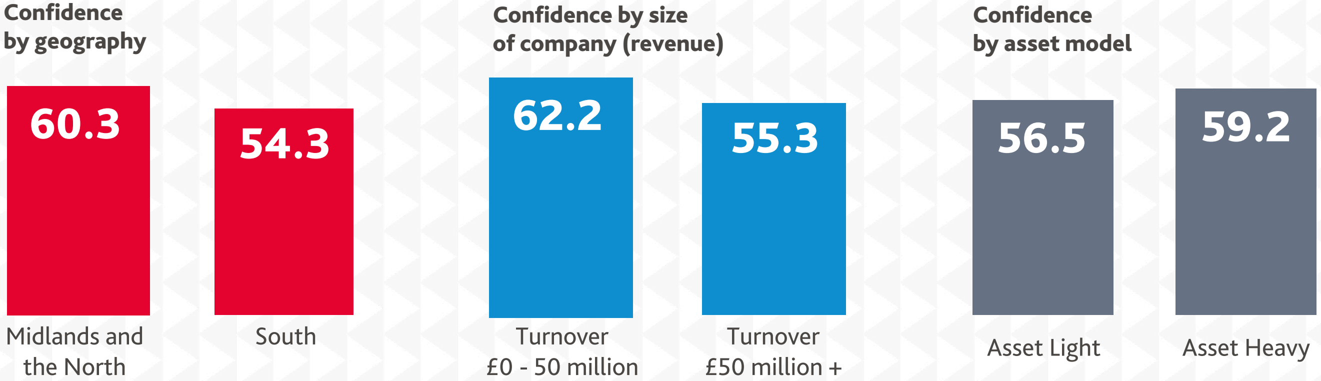
Key research findings:

Firms in the Midlands and North score **60.3** compared to **54.3** in the South

Confidence is higher among smaller operators **(62.2)** than larger firms **(55.3)**

Asset-heavy businesses appear more confident **(59.2)** than asset-light providers **(56.5)**

Operators focused on the UK and Ireland are more confident **(64.1)** than global businesses **(51.4)**

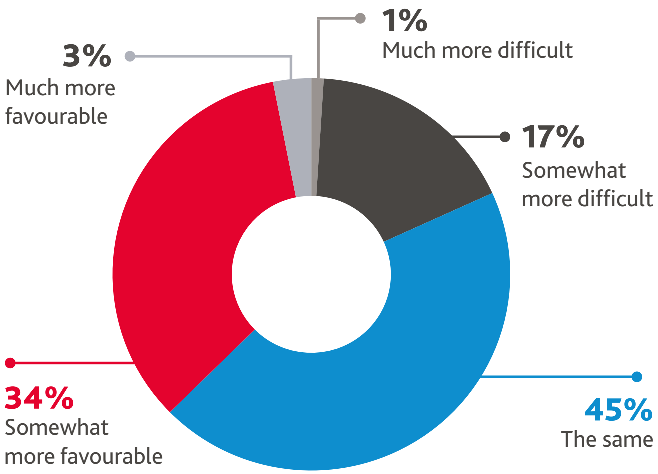


Confidence Index 2024

Favourable expectations on future business conditions

Changing business conditions

How do you see business conditions to be in 12 months' time?



Key research findings:

52% say current conditions are the same or somewhat more favourable than a year ago

82% expect business conditions will be the same or better in the year ahead

Encouragingly, the percentage of respondents who say current business conditions are somewhat more favourable is up 12% on 2023 and up 10% on pre-Covid figures, but nearly half feel conditions are more difficult now than a year ago.

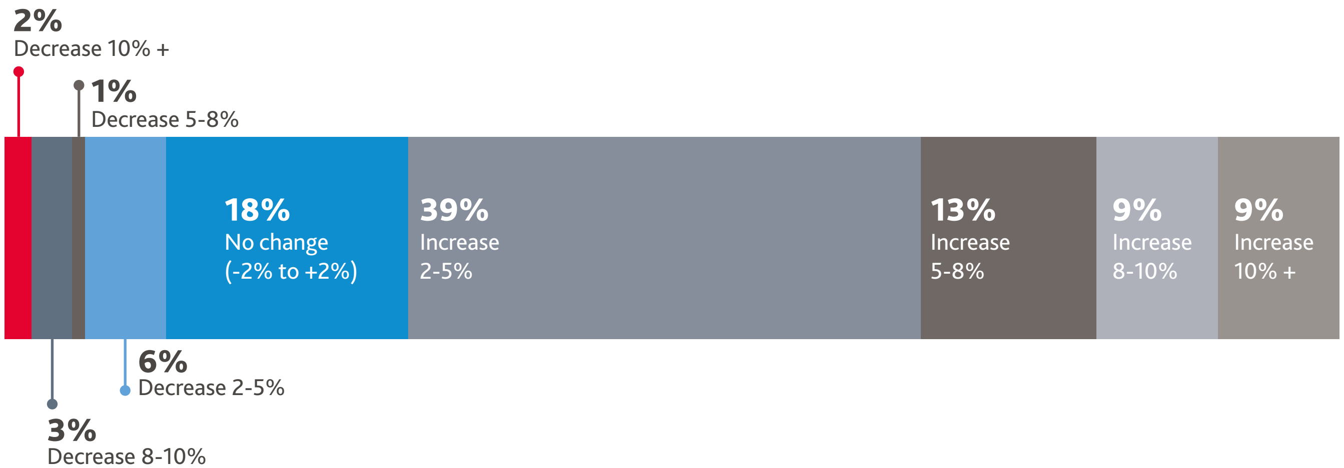
With the above graph looking forward to the next 12 months, the high proportion of businesses who believe conditions will be the same or better probably reflects expectation that labour, fuel and energy costs will be more stable, and consumer demand will increase as the economy moves in a more positive direction. More than a third of businesses go so far as to say conditions will be somewhat more favourable, up 21% on last year, but future sector sentiment could be impacted by the broader economic outlook.

Confidence Index 2024

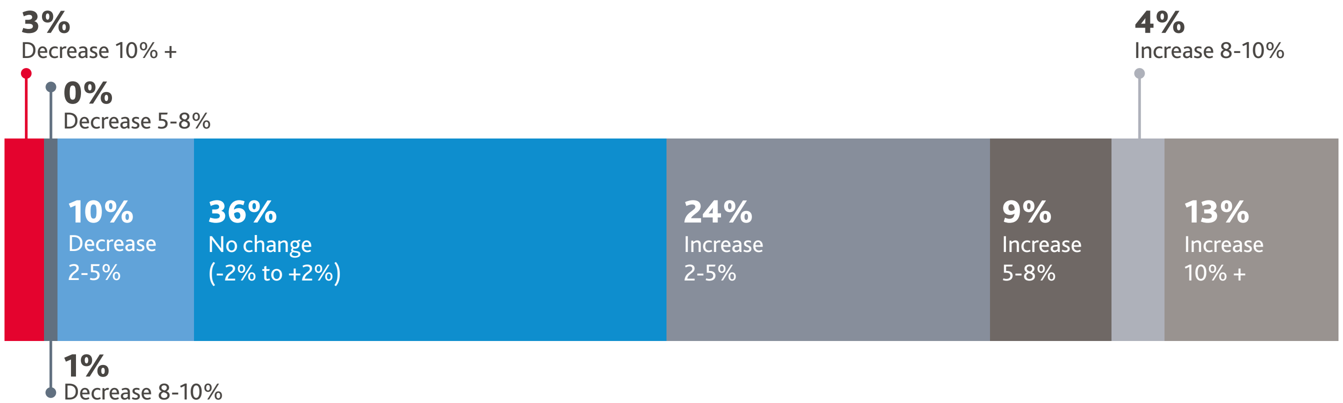
Positive growth expectations for turnover and profitability

Turnover and profitability expectations

Do you expect an increase/decrease in turnover in the next 12 months?



Do you expect an increase/decrease in profits in the next 12 months?



Key research findings:

70% say their turnover will increase during the next 12 months

50% predict a rise in profits

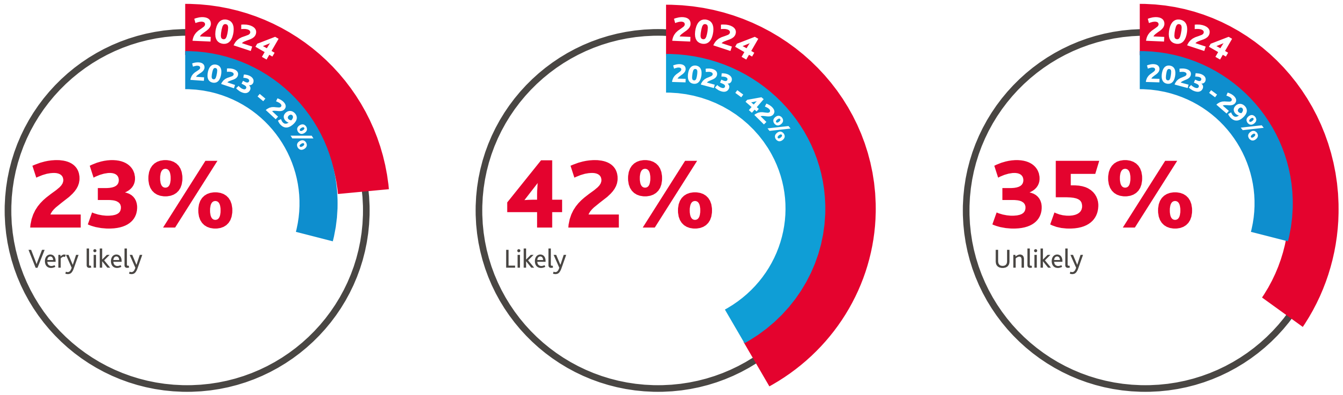
There's positive news on turnover and profit expectations for the next 12 months but roughly a third (35%) of logistics businesses expect no change in profitability – a less bullish response on profits reflects the cost of assets and energy above inflation, together with resistance from customers to increased pricing. Our respondents pointed towards the importance of regular, accurate and timely monthly management account reporting.

Confidence Index 2024

Decline in appetite to invest

Capex and headcount

How likely is it your company will make significant capital expenditure over the next 12 months?



Key research findings:

65%
of logistics operators expect significant capex over the next 12 months

60%
of firms predict no change in headcount, while 12% expect to make a cut

Our research reveals the number of firms very likely to make significant capital expenditure in the next year is down 6% compared to 2023, a decline in investment appetite that could reflect caution against a backdrop of interest rates that are still relatively high. Certainty on the Government's Industrial Strategy and future trading relations with Europe could alleviate this challenge, but not until further detail is confirmed.

It is possible logistics leaders may also be delaying investment decisions, particularly with regard to fleets, because of a lack of financial incentives to pursue greater sustainability and uncertainty around infrastructure to support sustainability, such as increased electric charging capacity.

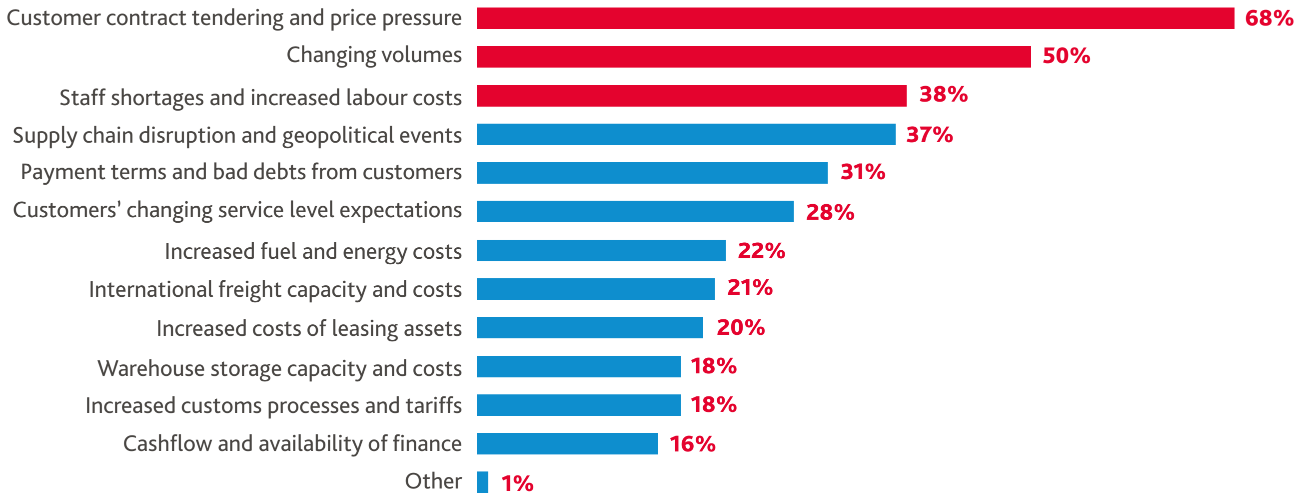
In line with the underlying wait-and-see theme, most firms don't anticipate significant changes in headcount in the next 12 months, a 21% rise on last year.

Confidence Index 2024

Cautious optimism given continued market challenges

Key challenges

Where in your business do you see the greatest challenges over the next 12 months?



Share of respondents selecting each category – will not add up to 100%

Customer price pressure is always a concern in a fiercely competitive sector, but this year it takes top spot as the biggest challenge for the year ahead, cited by 68% of respondents. It replaces concerns over changing volumes, which slips to second place (50%) and is a significantly less marked concern than in 2023 (down 22%).

Concerns about staff shortages and increased labour costs continue to ease, down from just under half of respondents in 2023 and nearly all respondents in 2022. This is no surprise given reduced volumes at many firms. However, the sector's well-documented talent and skills gap is a perennial one and will likely come to the fore again if consumer sentiment improves. (See more on page 14).

A marked rise in the number of logistics operators worried about supply chain disruption, up 13% compared to 2023, comes against a backdrop of the war in Ukraine, conflict in the Middle East, other geopolitical threats and uncertainty about a possible redefined trading relationship with the EU. It is, however, important to recognise that supply disruption could amount to increased business for some operators, particularly those within expedite freight.

In terms of leadership and governance challenges, meeting enhanced regulatory requirements is identified by respondents as a significant challenge. This reflects new rules and regulations impacting the sector around safety and welfare, such as the changes to direct vision standards for HGV drivers.

“

Whilst my outlook is positive for next year, I don't underestimate the underlying geopolitical challenges which have the potential to adversely dominate the next 12 months.

Interest rates being so high is slowing capital investment.

Due to the high cost of borrowing, we are working to increase our cash position so we can outright purchase to avoid costly finance charges.

Regulatory requirements are a real challenge, which seem to get greater and greater as the business grows.

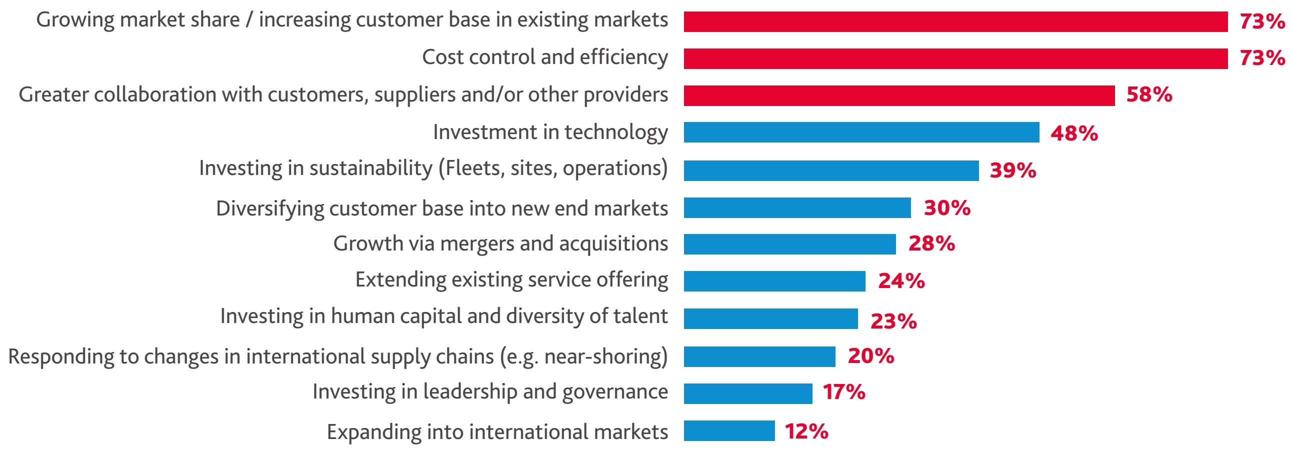
Respondent quotes

Opportunities for growth

Focus on customer growth, cost control, and collaboration

When asked about strategic priorities to achieve growth in the next 12 months, two choices jointly topped the list – cost control and increasing market share in existing markets. Growing market share is a priority theme among many respondents' comments and is also highlighted in our industry insights (see more on pages 22-27). A number of respondents noted international investment in geographies such as Eastern Europe and Northern Mexico as their respective customers set up in lower cost regions.

What are your strategic priorities to achieve growth in the next 12 months?



Share of respondents selecting each category – will not add up to 100%

Key research findings:

73%
of logistics firms say cost control and increasing market share are strategic growth priorities

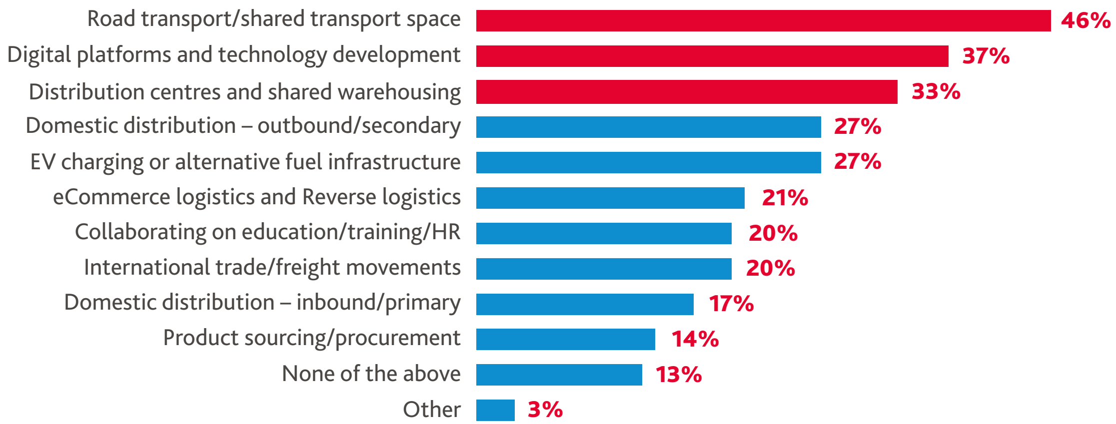
58%
pick collaboration as a growth priority

46%
choose shared road transport/transport space as an opportunity for collaboration

Opportunities for growth

Searching out areas for greater collaboration

Where do you see opportunities for collaboration in UK logistics?



Share of respondents selecting each category – will not add up to 100%

Collaboration

Greater collaboration with customers, suppliers and/or other providers is also seen as an important growth strategy.

Our findings show 46% of logistics operators think road transport/shared transport space is an opportunity for collaboration, while 37% point to digital platforms and technology development.

A third (33%) select distribution centres and shared warehousing, perhaps reflecting a need on the part of some businesses to optimise revenues from underused warehouse space.

> Working closely with the customer base in order to understand future requirements and efficiencies in the supply chain.

> Increasing our share of work with existing customers whilst looking for other opportunities as and when they arise.

> Collaboration is a big thing for us, we do it with customers and increasingly with similar businesses where because of market fragmentation we do not really overlap but can benefit from synergy.

Respondent quotes

Opportunities for growth

Expectation of M&A falls, but appetite for consolidation remains strong

Key research findings:

% of logistics firms likely to make an acquisition over the next 12 months

28% say M&A is a strategic priority to achieve growth

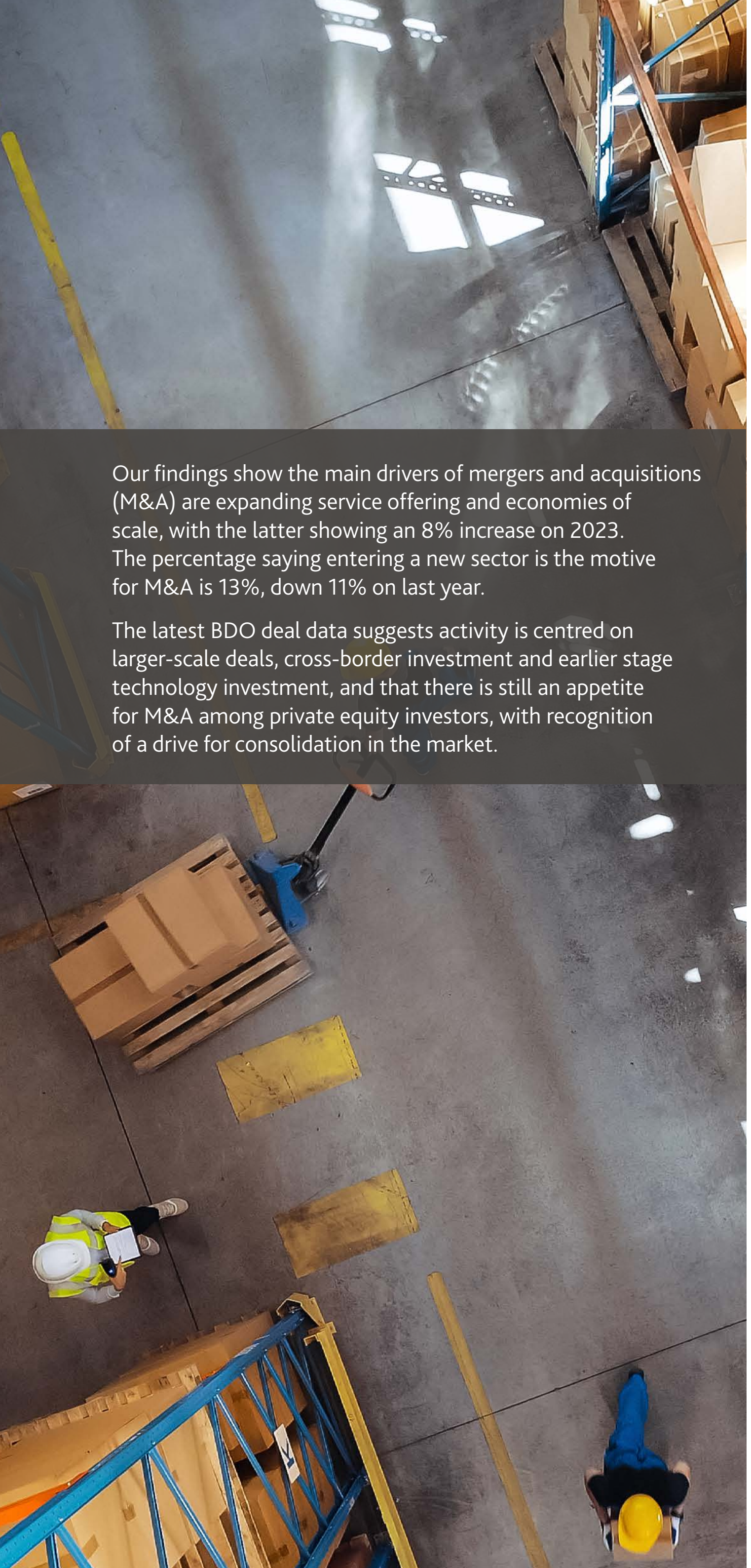
The expectation for M&A in the next 12 months is at its lowest level since 2019, which reflects a number of factors: high interest rates, trading challenges and a relatively short supply of appropriate quality assets at an acceptable price.

Although the more difficult business conditions over the past 12 months mean some assets in the logistics sector are now available for sale, there appears to be some misalignment between buyer and seller expectations, partly driven by businesses trading down on historic financial performance.

Against this backdrop, many logistics leaders appear to be more focused on 'getting the basics right' and optimising operational performance, although there will always be room for more opportunistic acquisitions for some. As one respondent says: "…only if the relevant acquisition has assets attached to any pending sale, such as freehold warehouse space or land…"

However, 73% of respondents select growing market share and increasing customer base in existing markets as one of their top strategic priorities – ambitions that can be achieved through M&A.

> Oversupply is driving out margin, so industry consolidation is needed to correct the position and drive focused investment.
>
> The quality of [M&A] opportunities that arise is minimal and consistently overpriced.
>
> Respondent quotes



Our findings show the main drivers of mergers and acquisitions (M&A) are expanding service offering and economies of scale, with the latter showing an 8% increase on 2023. The percentage saying entering a new sector is the motive for M&A is 13%, down 11% on last year.

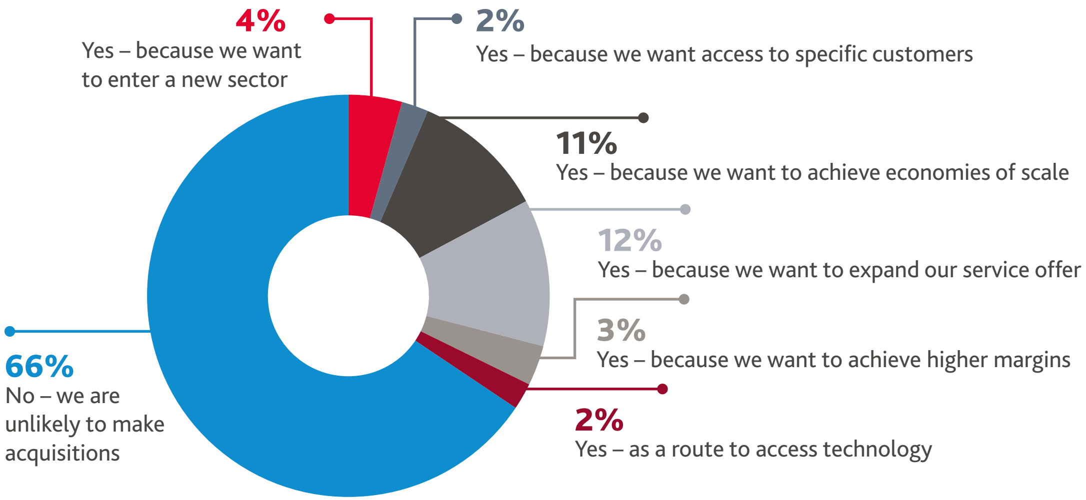
The latest BDO deal data suggests activity is centred on larger-scale deals, cross-border investment and earlier stage technology investment, and that there is still an appetite for M&A among private equity investors, with recognition of a drive for consolidation in the market.

Opportunities for growth

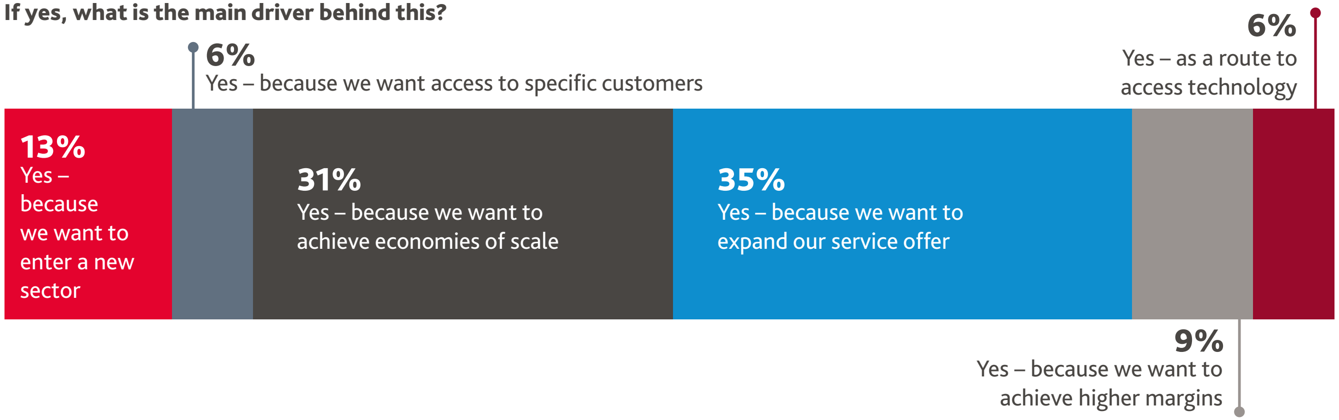
Access to economies of scale and margin improvement are key drivers for consolidation

M&A activity

Are you likely to make an acquisition over the next 12 months?



If yes, what is the main driver behind this?



People are the key

Access to leadership skills and succession planning are increasing priorities

Concern about senior management roles

Difficulty finding HGV drivers is once again having the biggest impact on business for logistics operators, particularly in the South East, but there is increased concern this year about a shortage of senior management and leadership talent.

Recruiting and retaining senior managers is central to the challenge of succession planning, which is listed by just over half of our research respondents as a leadership and governance priority in the year ahead. This illustrates the importance of identifying the next generation of industry leaders, particularly for family businesses, and attracting the best people into the industry. Respondents have alluded to working hard to promote their individual brands and increasing their networking presence in order to recruit new talent.

Improved pay and conditions is the most common strategy cited by logistics businesses to tackle the industry's talent/skills shortage, as it was in 2023. It's an approach mentioned by Priority Freight's Andrew Austin in one of our industry insights, who says competitive pay packages, along with a willingness to embrace changing expectations around work/life balance, are important factors in attracting and retaining staff.

The higher ranking of the impact of a shortage of IT skills reflects logistics firms' growing reliance on an array of digital systems, the need for cyber security expertise to help protect those tools and the potential applications of artificial intelligence (AI).

Focus on training

Working with younger people and introducing apprenticeship schemes is still an important strategy for tackling talent/skills shortages and is up 2% on 2023. Firms are also still keen to improve the volume and quality of training for their people with many leaders surveyed providing examples of apprentice schemes for drivers, and some for engineers too in response to a lack of engineers to support vehicle maintenance.

Rank in order of importance the areas where the industry's talent/skills shortage is having an impact on your business

	2024	2023	2022	2021	2020	2019
Drivers	n/a	n/a	1	1	1	1
Drivers - HGV	1	1	n/a	n/a	n/a	n/a
Junior/middle management	2	2	4	4	4	2
Senior management/leadership	3	4	6	5	3	2
IT-related staff	3	5	5	7	5	4
Office-based roles (accounts, admin, sales and marketing)	5	3	3	6	7	6
Warehouse staff	6	6	2	2	2	4
Drivers - Vans/LCV	7	7	n/a	n/a	n/a	n/a
Temporary/seasonal based roles	8	8	7	3	6	7

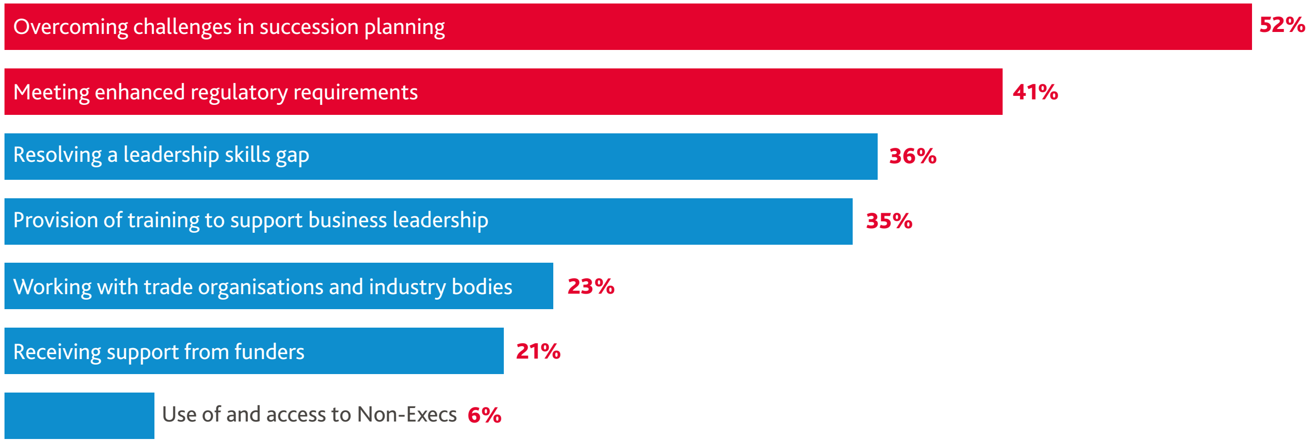
What are the most important actions that you are undertaking now to address the talent and skills shortage in your business?

Share of respondents selecting each category – will not add up to 100%

People are the key

Access to leadership skills and succession planning are increasing priorities

What are the priorities in the year ahead regarding the leadership and governance of your business?



Share of respondents selecting each category – will not add up to 100%

Key research findings:

62% of logistics firms are improving pay and conditions to address talent/skills shortage.

49% are working with younger people and introducing apprenticeship schemes.

42% are enhancing the volume and quality of training.

52% list succession planning as a leadership and governance priority.

Driver shortages remain a key issue, but on a geographical basis…in the South East the problem is very acute. Driver shortages is one of the hardest things to manage.

As a people business, we are constantly training and upskilling our workforce. This goes to all areas of the business.

Focus on developing young people is a priority for the business as a longer-term investment.

Investing in driver welfare will help attract and retain HGV lorry drivers.

The directors are not getting any younger!

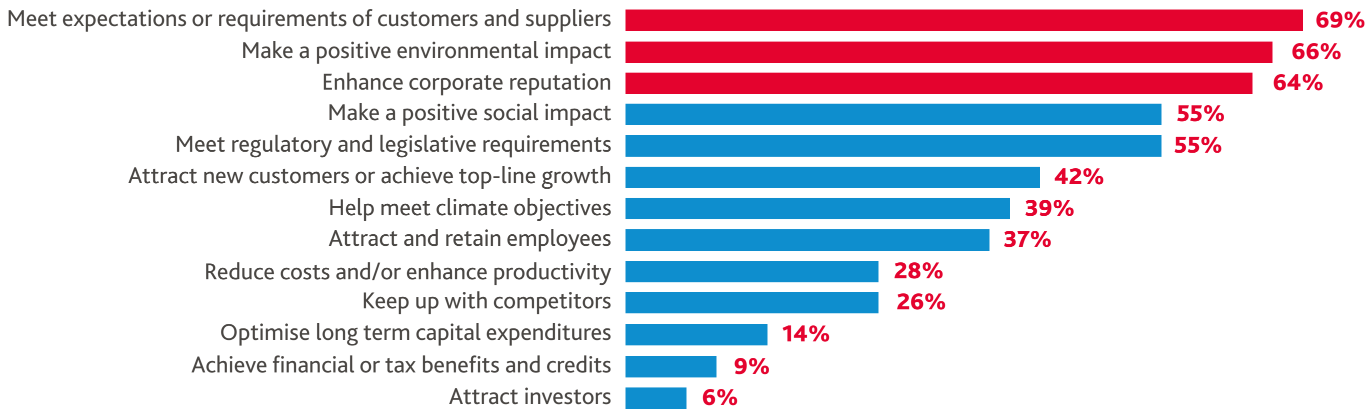
Respondent quotes

Driving sustainable change

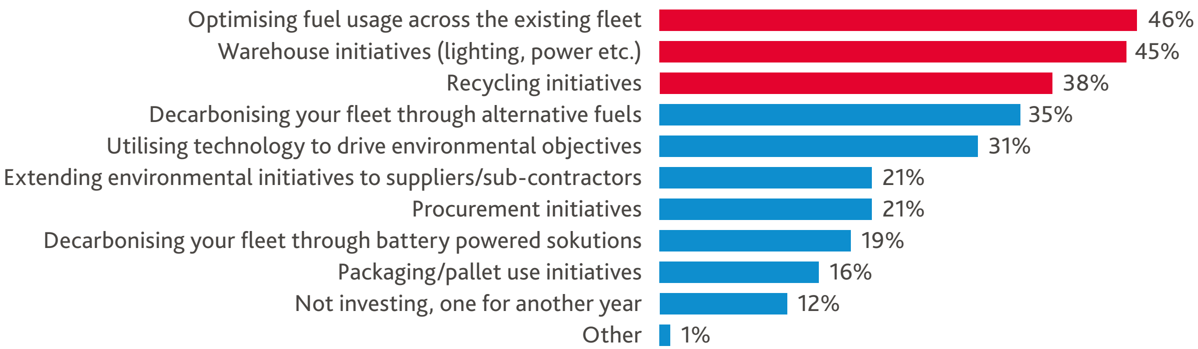
Driven by customer requirements and a strong moral sense of doing the right thing

Seven out of 10 of our research respondents say it is the expectations of customers and suppliers that is the biggest driver of ESG activity at their firm, a theme referenced by Chris Welch of Welch Group in one of our industry insights. Making a positive environmental impact is a key driver of ESG activity, while corporate reputation is also an important factor, up 45% on last year, reflecting logistics leaders' recognition of the importance of how their business is viewed by stakeholders.

What are the key factors driving ESG activity in your business?



If investing in any sustainability projects, where is your investment focused?



Share of respondents selecting each category – will not add up to 100%

Focus on fleets

Fleet operations comprise the lion's share of most logistics operators' carbon footprint and our research shows that firms' sustainability projects are focused on optimising fuel use (46%), then decarbonising their fleets through alternative fuels (35%) or battery-powered solutions (19%).

However, EVs and alternative fuels are not the only option, as one of our respondents reminds us: "[We're] investing in top-end high spec diesel trucks that have cleaner engines rather than alternative fuels...". Respondents have called for a consistency of approach across the sector, together with incentives to support the transition.

Measures to make warehousing more sustainable, through more efficient lighting and power, remains a popular sustainability investment with 45% of the companies surveyed, while over a third of respondents say they're focused on recycling initiatives – up from around a fifth in 2023.

Key research findings:

69% of respondents say the expectations of customers/suppliers drive ESG activity in their business.

66% say ESG activity is driven by making a positive environmental impact.

64% point to corporate reputation as a driver for ESG activity.

46% of firms pick optimising fleet fuel use as their sustainability focus.

70% see cost as the biggest barrier to cutting carbon.

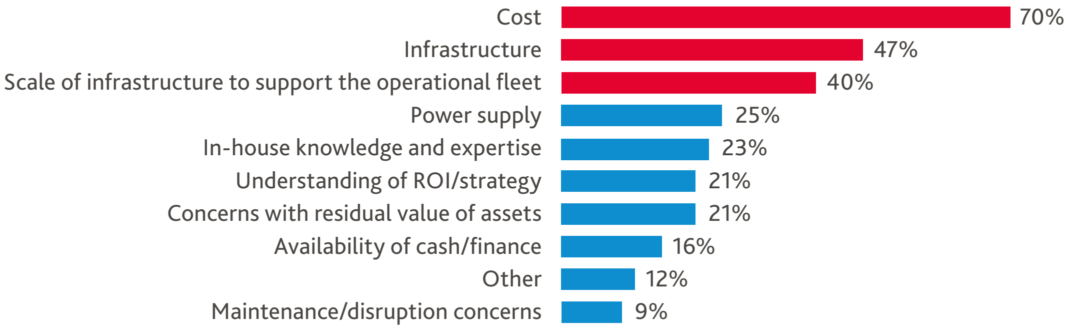
Driving sustainable change

Call for increased collaboration to meet ESG goals

ESG barriers

Cost is the biggest barrier to reducing carbon emissions, according to 70% of logistics businesses, while infrastructure (47%) and scale of infrastructure to support the operational fleet (40%) are also obstacles. It is interesting to note a number of survey respondents calling for increased collaboration in order to work towards net zero, including the sharing of charging infrastructure and joint procurement to achieve improved pricing on ESG purchasing.

What are the biggest barriers to reducing carbon in your business?



Share of respondents selecting each category – will not add up to 100%

Sustainability has always been a key area of investment, and this is increasing as we head on our journey to become the first net zero supply chain partner in our sector.

There is a cost vs sustainability conflict that demands societal change to fully address.

The Government needs to focus on greater initiatives to enable businesses to move to more environmentally friendly methods of delivering freight. Without the support and investment, it is far too difficult and cost prohibitive to make the move to alternative fuel vehicles for a reasonable proportion of the fleet.

[We're] ...looking to play our part in meeting sustainability goals and to support our customers with their own ESG goals.

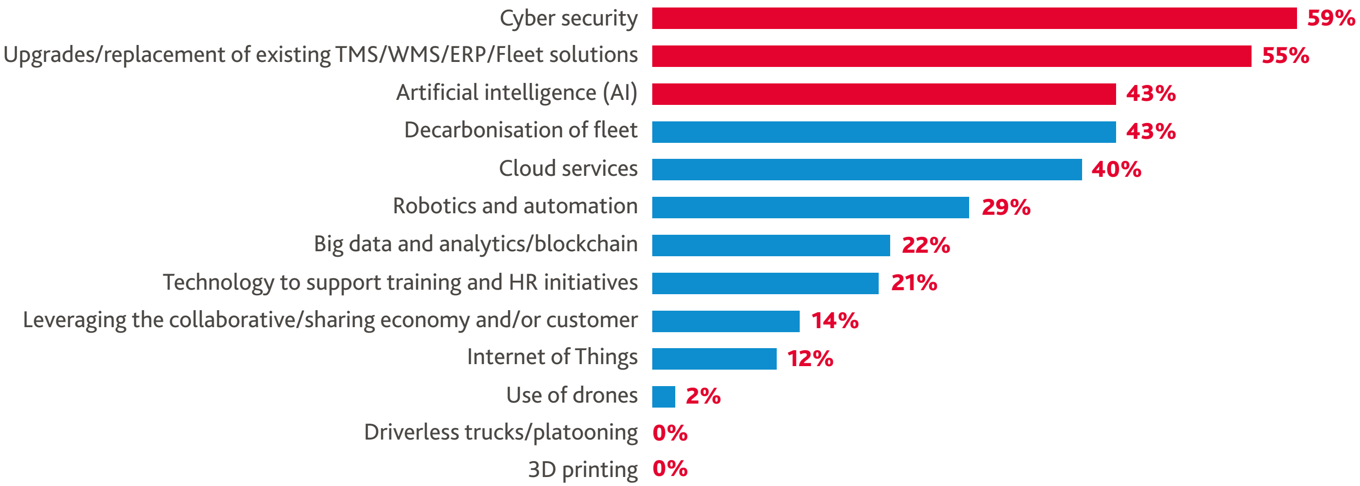
Costs of [alternative fuel] vehicles are very high and there is not enough infrastructure to charge up electric vehicles or the standard of hydrogen to run these vehicles.

Respondent quotes

Technology and AI trends

Cyber security and AI among the key investment targets

Which supply chain technology applications are you looking to invest in over the next three years?



Share of respondents selecting each category – will not add up to 100%

> Never before have our systems and way of operating been under such threat of potential cyber-attack – so we spend a considerable amount of time and money keeping the system safe.
>
> Andrew Austin
> Priority Freight

Key research findings:

59% of respondents say investing in cyber security is one of their top priorities for technology investment

55% pick spending on technology upgrades to their existing systems

43% pinpoint AI for investment

57% of logistics businesses say cost is the main barrier to technology investment

Cyber threats against organisations of all kinds around the world continue to hit the headlines, so it's no surprise that so many logistics firms say they will invest in protection against that danger over the next three years – a response that's up more than 20% on last year.

With logistics providers now reliant on digital technology in so many areas – from vehicle tracking to APIs linking them with clients and suppliers – any kind of disruption is likely to seriously affect operations, impacting reputation and margins.

The second most important area of tech investment, according to our research, is in upgrades and replacements of existing technology, which could reflect an inward focus on operational performance and updating core systems. Joint third spot goes to AI and technology spend aimed at fleet decarbonisation.

Technology and AI trends

Cyber security and AI among the key investment targets

AI use cases

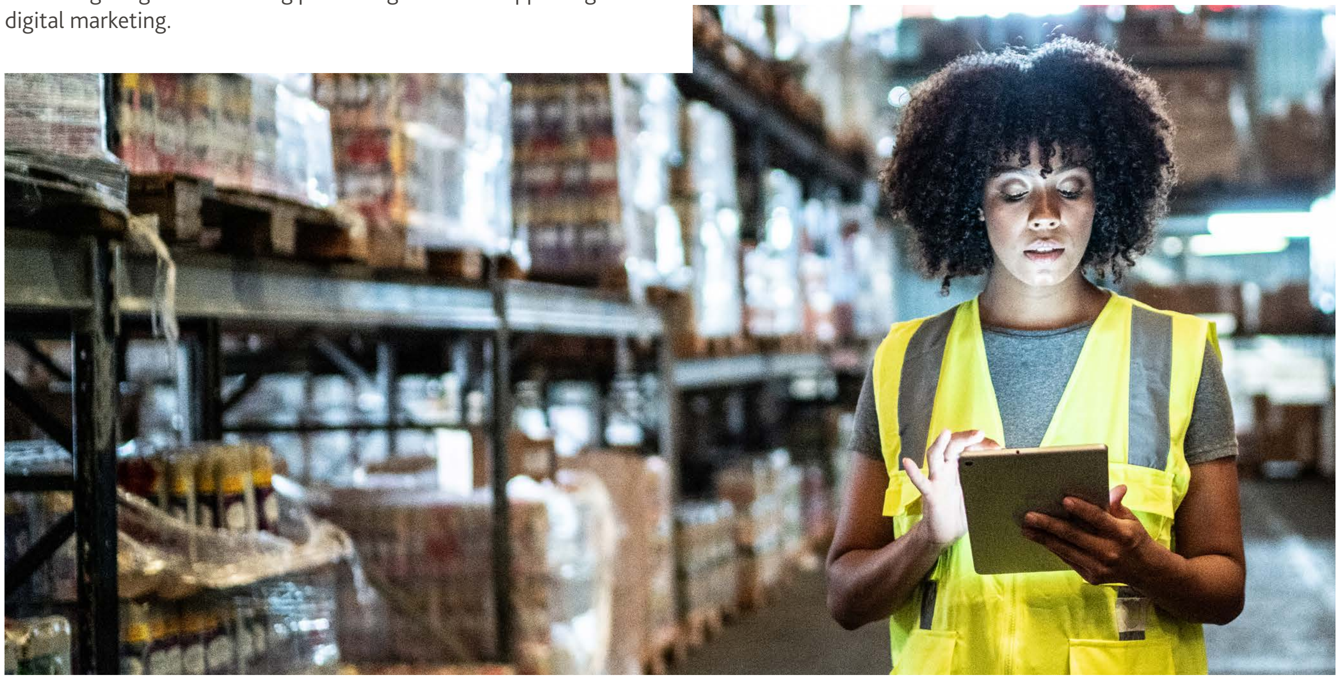
Our research shows that the majority of firms who responded to an open question on their specific investment in AI indicated they haven't and don't plan to invest in AI in the next 12 months, but several businesses said they are beginning to look at it and how to exploit its potential.

While many logistics providers are still at a very early stage with AI, several firms say they are already deploying AI, including David Mulligan at DX, as mentioned in one of our industry insights. Survey respondents cited use cases ranging from customer interface chatbots, route mapping, monitoring energy usage and marketing insights to reducing processing time and supporting digital marketing.

Cost barriers

With cost control identified by our research as a key opportunity for growth, it's understandable that the most common barrier to further technology investment is cost (57% of respondents), as it was last year.

A lack of in-house expertise is the second most common barrier identified by our respondents, which is reinforced by our findings on page 14 that an IT skills gap is having an increasing impact on the performance of logistics businesses.



> Cyber security is way more important than any other area listed.

> What is AI? It can be a spreadsheet through to robots.

> We haven't invested [in AI] yet but open to ideas of how we could generate some efficiencies from doing so, if we can implement at a reasonable capital investment.

> We are building AI into our platform to reduce cost-to-serve and automate warehouse management tasks. Securing the platform against cyber threats is a priority.

> We have invested in AI, predominantly for machine learning and back-office task automation. We are testing conversational AI for customer service, but conscious of the need to retain a human relationship with our clients.

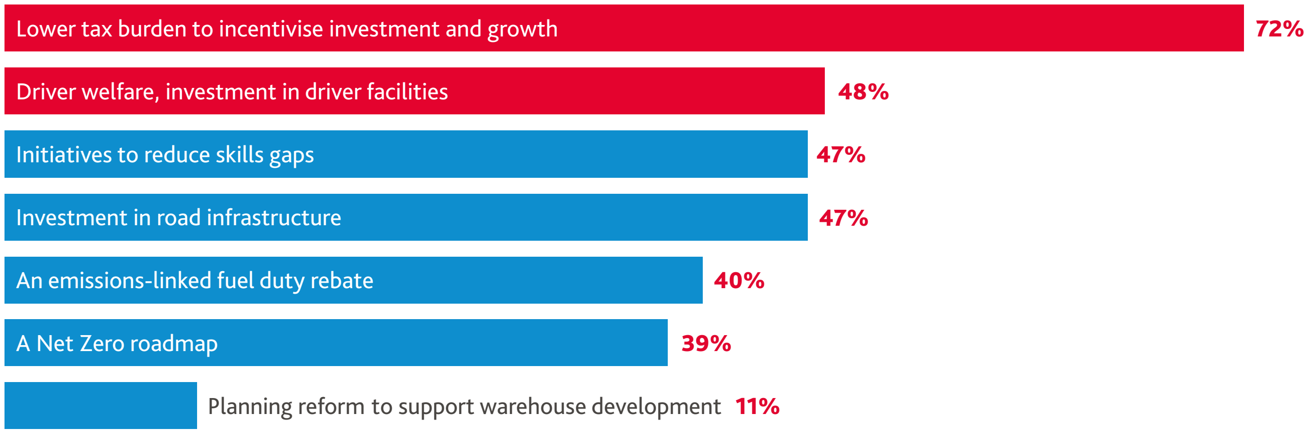
> [We're] ...investing in dynamic route planning systems to improve vehicle efficiency.

Respondent quotes

Priorities for Government support

Fiscal support, driver welfare and better roadside facilities top the wish list

What are the key areas and issues you would like the Government to prioritise over the next five years to support growth in the logistics sector?



Share of respondents selecting each category – will not add up to 100%

According to the businesses in our research, the Government has an important role to play in shaping the future of the sector and providing the conditions to support future growth.

Unsurprisingly, the top priority for Government support, according to our research, is a lower tax burden to incentivise investment and growth.

Investment in driver welfare and facilities is the second most important issue for respondents and is seen as one way to tackle the sector's ongoing lack of drivers and to create more diversity in its workforce. As one of our respondents' comments, a "lack of public toilets on the A road network is a major problem for drivers", while another says: "Driver facilities for secure parking and amenities are way behind our European counterparts."

Nearly half of respondents also want the Government to prioritise initiatives to reduce skills gaps, a topic addressed in more detail in the People section of this report, while the same percentage want investment in road infrastructure.

Key research findings:

72% of respondents want the Government to support logistics growth through a lower tax burden

48% suggest Government support for better driver welfare/facilities

47% seek investment in road infrastructure and initiatives to reduce skills gaps

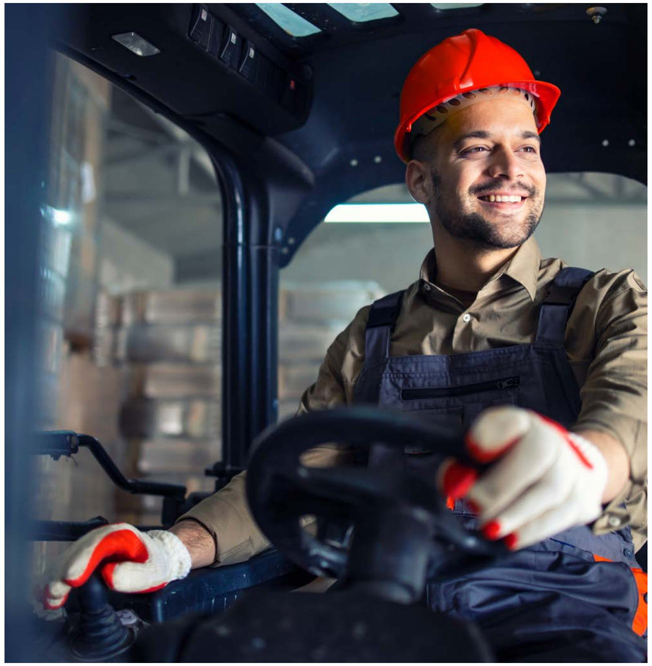
Priorities for Government support

Net zero roadmap a priority

Sustainability leadership

A net zero roadmap is on the priority wish list for nearly two fifths of logistics operators, something which could help industry leaders make investment decisions for the future, especially if it comes with a timescale for change that allows businesses to absorb the costs.

Greater Government leadership on decarbonising the logistics sector is also a theme of our industry insights with calls for the Government to clarify the 'direction of travel' in the debate about battery-powered electricity versus hydrogen fuel as an alternative to diesel.



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By lowering the tax burden, it will allow us to invest more in our business, infrastructure and staff development. The Government want business to invest in reducing emissions but without a roadmap business doesn't know what technology to invest in.

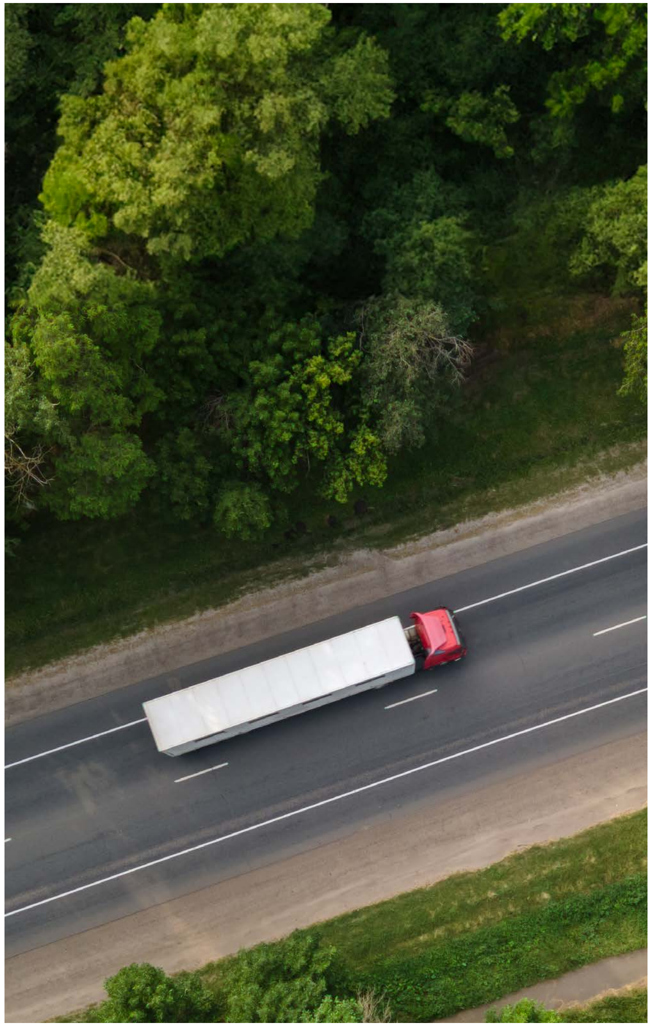
Investing in driver welfare will help attract and retain HGV lorry drivers.

A redefined relationship with the EU through the new UK Government will be key.

The industry needs low carbon fuel tax relief to incentivise the use of HVO as an example. The benefits at 93% less CO2 are significant and should be actively encouraged and promoted by Government.

In the EU the public look up to HGV drivers as a vital and important career, but this is not the case in the UK.

Respondent quotes



Industry insights: DX Group

Gearing up for growth

DX Group's Chief Financial Officer (CFO) David Mulligan is confident about the future after its recent public-to-private acquisition and highlights ESG opportunities, a focus on customer experience and how AI is already helping to boost efficiency.

A positive 'new chapter'

Specialising in irregular dimensions and weights (IDW) logistics, DX Group has seen a revival in fortunes in recent years, both in its core business and as a result of diversifying into other service areas. The result, prior to the cost of acquisition, was an underlying operating profit of close to £35m for the year 2023-24.

CFO David Mulligan says he is positive about 'a new chapter' for the business after it was taken private by US private equity firm HIG in January 2024.

> We've experienced significant growth in the past four or five years, and the outlook is for a robust trading performance for our IDW business.
>
> 
>
> **David Mulligan**
> Chief Financial Officer
> DX Group

New opportunities

DX will look to grow its developing courier service focusing on SME customers, and its 'two-man' business specialising in delivering white electrical goods, furniture and garden equipment for retailers on an outsourced basis.

There is also an ambition to expand bespoke logistics solutions, building on the warehousing and final-mile services that DX already provides for Euronics, the Europe-wide network of independent shops selling white goods.

David is convinced the key to capitalising on these opportunities is continuing to offer high levels of customer service at each of DX's 100-plus depots across the UK and Ireland: "That's something that makes us very distinct."

ESG challenges offer opportunities

Besides meeting its own commitments to the environmental, social and governance (ESG) agenda, DX is also helping its corporate customers do the same. "We produce carbon-per-delivery data that we can feed into the way our customers calculate their own carbon footprints," says David.

With its fleet representing 95% of its carbon footprint, DX has also introduced some 3.5-tonne electric vehicles and is working with subcontractors to follow suit. "We've started our journey and we're continuing with further investment."

Industry insights: DX Group

Gearing up for growth

Financial incentives

David hopes the new Government will begin to clarify the "direction of travel" in the debate about decarbonising fleets through either electric or hydrogen fuel. "Once that's clear, we'd like the Government to offer financial incentives to encourage the alternatives to diesel and a programme of change with a sensible timescale so businesses can absorb the costs of investment." He also believes the Government could still do more to promote logistics: "Covid showed just how dependent we are as a nation on the people who deliver products to our doors every day and we should value and respect this more."

'Warehouse to wheels' training

In tackling the logistics industry's long-standing driver shortage, DX is proud of its efforts to nurture home-grown talent.

"Our philosophy is very much that we grow our own – we have a 'warehouse to wheels' training initiative in which we take people on the journey from working in the warehouse with us initially, understanding what it is we handle, and then we take them through their professional driving qualifications."

Consumer empowerment

David highlights the fact that DX's customers increasingly want a logistics solution that empowers the end consumers they serve by allowing them to interact with and manage their delivery.

"The customer experience is increasingly important: the ability for the consumer to track and rearrange their delivery, by email, web chat or whatever channel is most comfortable and familiar, is certainly where we're seeing the market continue to evolve."

Getting ahead with AI

Artificial intelligence (AI) tools are already helping DX to boost efficiency by tapping into the firm's activity data and predicting demand, which then allows better resources planning.

DX is using AI in the form of machine learning to help with other manual tasks: "That includes cleansing data, making sure your data is sound and making sure you're compliant from a general data protection regulation (GDPR) point of view," says David.

Besides continually investing in the right platforms to manage and protect its data, DX is also building its mobile capability, improving the functionality of the handheld devices that its employees use when making a delivery or working in a warehouse.

Future trends

David sees the trend for consolidation in the logistics sector continuing in the years ahead, with one key factor being the ability of larger operators to invest more in new technologies.

He suggests there could also be new approaches to the use of warehouses: "UK logistics firms have a significant property footprint and maybe we'll see more effective use of that with online exchange platforms that give multiple organisations access to short-term warehouse space."

Another trend set to continue is retailers looking to outsource their transport fleets.

> Retail customers are beginning to trust firms like DX to run logistics for them – it's certainly a cost-effective solution for them, without diluting their own brand.

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Industry insights: Priority Freight Group

Putting people first

Priority Freight Group's Chief Quality Officer (CQO) Andrew Austin discusses what the firm is doing to attract and retain the best talent, its plans for growth and how it's guarding against cyber-attacks.

Growth trajectory

A successful family-owned business, Priority Freight has seen revenues suppressed a little over the past two years as a result of prevailing economic conditions, but CQO Andrew Austin says its market share is still increasing as it adds new customers and new locations across the UK and Europe.

Specialising in automotive industry logistics, Andrew expects continued growth in the business largely due to increasing global demand for cars.

He adds:

> We're already one of the largest emergency automotive freight firms in Europe – and now we're working to further grow our global footprint.

Andrew Austin
Chief Quality Officer
Priority Freight Group

People are the key

Andrew puts much of the firm's success down to its people: "We take investment in our people very seriously because in reality it's our people that are our real revenue generators."

He says the business has ensured competitive pay packages, has increased communication with employees and embraced changing expectations around work/life balance.

Andrew adds: "We also spend a lot of time trying to make jobs as interesting as possible for our staff by giving people tasks that plug into their strengths. We're finding it really helps with staff retention and the quality of recruits we're able to attract."

Automotive opportunities

Andrew explains that original equipment manufacturers (OEMs) and components suppliers across the automotive industry are facing significant flux, which continues to present business opportunities for Priority Freight.

"Our customers now source components from all sorts of geographies, with supply chains that can be disrupted by an array of geopolitical events. At the same time, there are the new parts needed for electric vehicles.

"Put that together with all the components needed to meet motorists' demand for greater customisation of their cars, and these factors improve demand for our services as an emergency delivery operator because a missing part, for whatever reason, can mean a costly halt in production."

Industry insights: Priority Freight Group

Putting people first

Sustainability expectations at a new level

Andrew says growing customer expectations on logistics firms to operate in a sustainable way means "we now need to be much more accountable for the resources we're consuming."

Priority Freight has already taken great strides in this area: "Some years ago we decided to defleet and outsource to a very select number of transport suppliers. We impose rigorous conditions on these suppliers, including use of the latest-generation vehicle engines for reduced emissions."

The firm is continuing its sustainability journey with targets to make all its office space carbon neutral and by encouraging all its other suppliers to decarbonise, plus it holds the ISO 14001 Environmental Management Systems accreditation, among others.

Guarding against cyber-attack

Andrew recognises the many potential applications of artificial intelligence (AI) in logistics but says it's equally important for Priority Freight to protect the data assets of its existing transportation management system – technology developed inhouse that has become the bedrock of what they do.

He explains: "Never before have our systems and way of operating been under such threat of potential cyber-attack – so we spend a considerable amount of time and money keeping the system safe."

UK trading relationships

Andrew says he hopes the new Government's focus on change will go beyond domestic issues and include improving the UK's global trading relationships.

"We're a trading nation and we need to re-examine trading relationships and tariffs with countries across the world to make it easier to import and export goods – and I hope the Government will be negotiating on that."

On potential new employment legislation, he says: "We welcome some of what's proposed but we're also a bit concerned that some measures might have an unwelcome impact for employers."

When asked what he sees for the future, Andrew predicts more logistics mergers and acquisitions as firms compete for market share, but doubts this will lead to any "dominant transport superpowers".

He sees a possible new pressure point on where goods are sourced, with a knock-on effect for logistics: "Depending on legislation, our customers might find they have to choose more expensive products because they're manufactured in locations closer to them, rather than in low-cost developing economies further away."

Of the outlook for logistics more generally he says:

> Successful logistics operators will need to be nimbler on their feet and more environmentally accountable.

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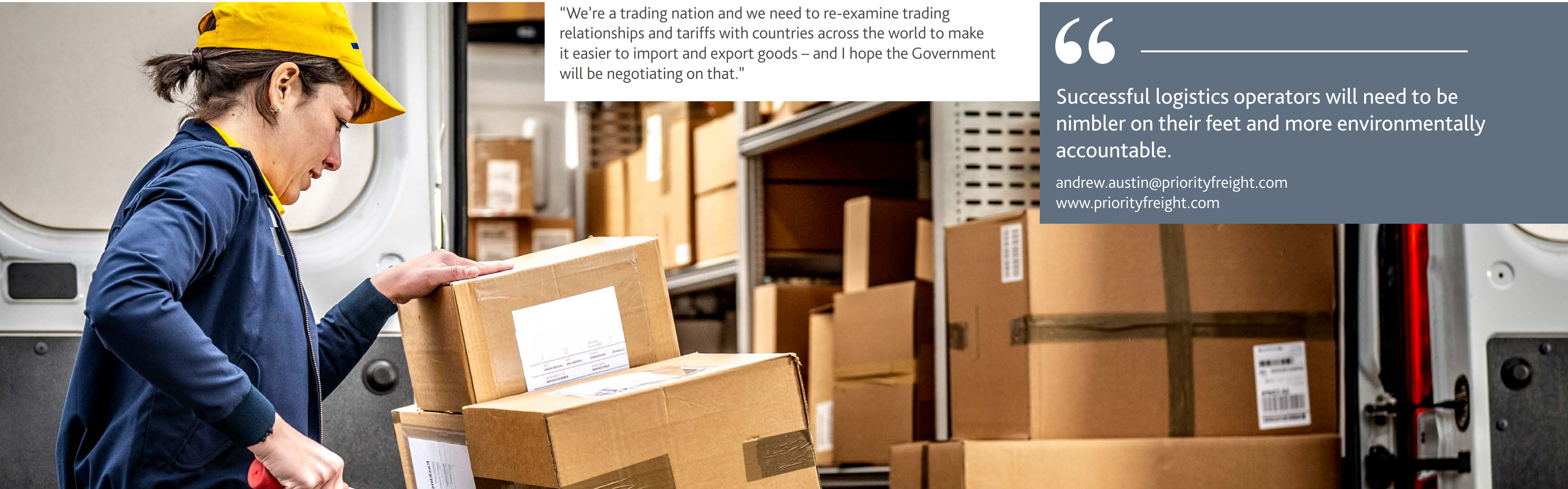


Industry insights: Welch Group

Flying the flag for EVs

Welch Group Managing Director Chris Welch discusses the business's early adoption of EV technology, as well as highlighting opportunities for growth and the benefits of owning logistics assets outright.

Decarbonisation journey

Fourth generation family-run regional haulier Welch Group may have been founded 90 years ago, but it's certainly focused on securing its future by becoming an early adopter of electric vehicle (EV) technology as it begins the journey to decarbonise its fleet.

With three depots in Cambridgeshire and Bedfordshire, the £17m-turnover business began running a 19-tonne rigid EV in 2023 and installed the first HGV-accessible supercharger in the country the same year.

With Government funding as part of the £200m zero emission HGV and infrastructure demonstration (ZEHID) project, Welch has ordered two 42-tonne articulated EVs and will be building high-power charging hubs at two of its depots.

Group Managing Director Chris Welch says:

> We're committed to decarbonisation because it's about making the business sustainable over the long term, reaping the rewards for our family and providing local people with a good place to work.

Chris Welch
Managing Director
Welch Group

Ahead of the pack

Chris says that with the ban on sales of new petrol and diesel vehicles presently set for 2035, the firm wants to "get ahead of the pack" in its decarbonisation journey.

He adds: "The industry faces fundamental change – having to change your fleet to either EV or potentially hydrogen is a massive undertaking, and I think a lot of people are still burying their heads in the sand.

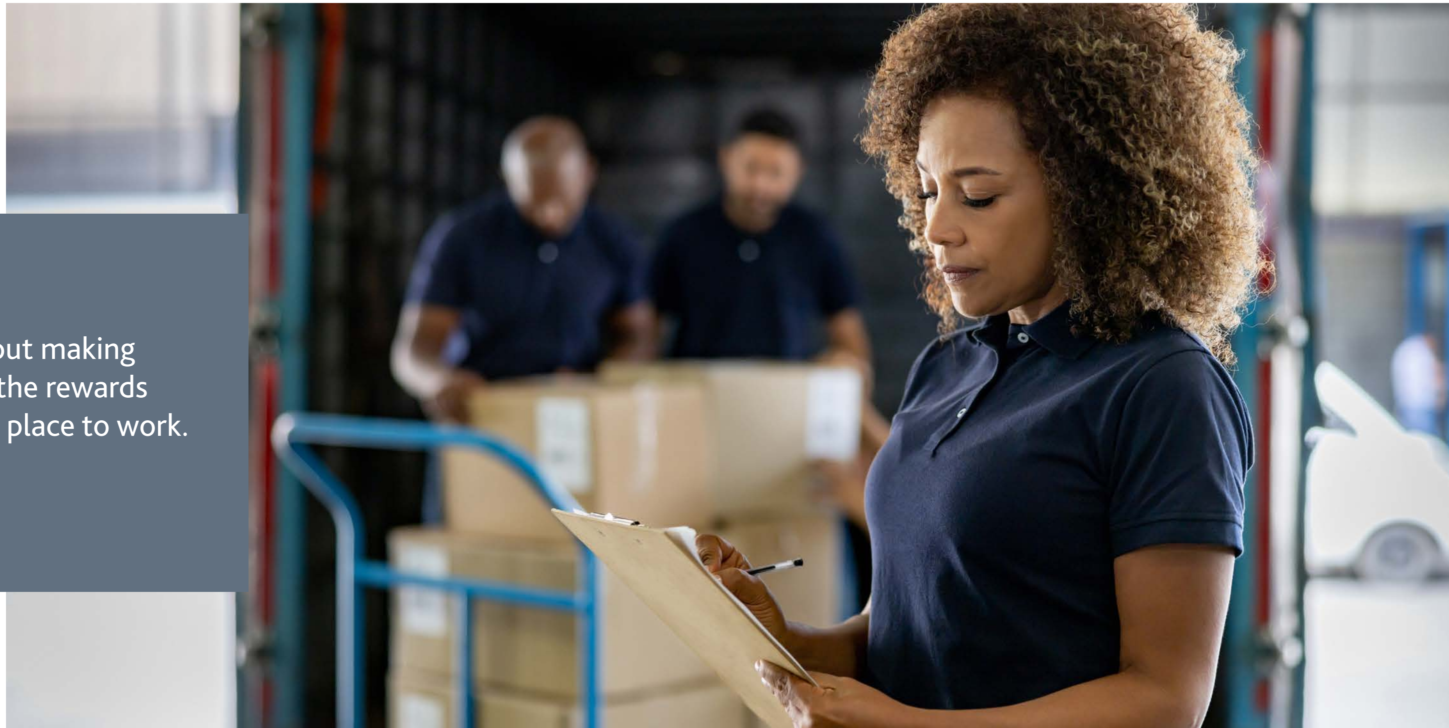
"If you do nothing, customers are going to start floating away because they're going to want you to demonstrate that your business can help with the decarbonisation of their supply chain."

EV v hydrogen

Chris is convinced the road ahead is powered by electricity rather than hydrogen for logistics operators at this moment in time. "It'll be some years before we see the first hydrogen-powered vehicle on sale," he says, "and it looks like hydrogen fuel cells are three times more expensive to make and run than an EV battery."

Highlighting the advantages of EVs, he says: "If you look at bus companies that have run EVs for a decade, they show maintenance is less costly."

With electricity prices starting to come down, he also expects energy costs savings of 20% or more, compared to diesel, could be on the horizon.



Industry insights: Welch Group

Flying the flag for EVs

Need for clarity

Greater clarity on the hydrogen versus electric debate, and with weights and measures, is needed sooner rather than later from the new Labour Government to give logistics firms the confidence to plan, suggests Chris.

Chris also advocates more education for logistics operators around all the issues involved in the decarbonisation debate, as well as incentives such as subsidies for a firm's first electric HGV and measures to simplify and speed up the applications process for infrastructure projects.

Strategies for growth

After the peaks and troughs of recent years, Chris says 2024 is a return to 'business as usual' and now, looking ahead, the Welch Group is focused on continuing to develop other service opportunities in response to new customer needs.

Part of that is a 30,000 sq ft expansion of its warehousing and an e-commerce division that makes the business less dependent on its distribution customers, while Chris is also keen to capitalise on raising awareness among existing customers about the wider range of services it provides.

Emissions reporting

Chris says there is mounting expectation from Welch's larger customers to help them align with the goals of the environmental, social and governance (ESG) agenda.

"Scope 3 emissions, which cover logistics operators, is the last hurdle for many businesses in terms of ESG and we're seeing more interest in CO_2 reporting from customers – in fact, we've been doing this for about 18 months now."

The group has also been taking strides in reducing its own greenhouse gas emissions through relatively 'easy wins' such as LED lighting, solar panels on its buildings and is now also using artificial intelligence (AI) to optimise fleet movements and reduce mileage.

Buying outright strategy

Chris acknowledges the challenges of a highly competitive and fragmented market, with too many logistics operators and too much warehousing space forcing down prices.

He's confident Welch will weather any storms – as it has before – partly because of its 'derisking' strategy of buying assets and property outright, with the option of extending or reducing the life of the assets depending on economic factors.

Keeping hold of people

Welch has been offering driver apprenticeships for close to a decade, but there's also plenty of training and career progression opportunity available for every other part of the business. Chris says:

> I believe you keep hold of good people and attract good recruits that way.
>
> Two of our depot general managers started with us in their 20s and worked their way up to that position – that's a great example of the kind of career progression we encourage.

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Key takeaways

Our Logistics Confidence Index has increased to 57.6 this year, a rise of 10.3 points. Aside from the Covid bounce-back score of 2021, this is the highest level of confidence since H2 2015.

Cost control/efficiency and increasing market share are top strategic growth priorities, says 73% of respondents.

Lack of HGV drivers is ranked as the No.1 impact of the talent/skills shortage – but there's growing concern about filling roles in senior management and IT.

Expectations of customers/suppliers drive ESG activity, say 69% of our research respondents.

Cost is the main barrier to technology investment, according to 57% of our research respondents

Our research respondents suggest that a lower tax burden should be a priority area for the Government over the next five years, to support growth in the logistics sector – picked by 72% of research respondents.

82%

of logistics operators expect business conditions to stay the same or get better in the next 12 months.

34%

of logistics firms likely to make an acquisition over the next 12 months.

49%

of logistics providers are working with younger people and introducing apprenticeship schemes, and 42% are enhancing the volume and quality of training.

70%

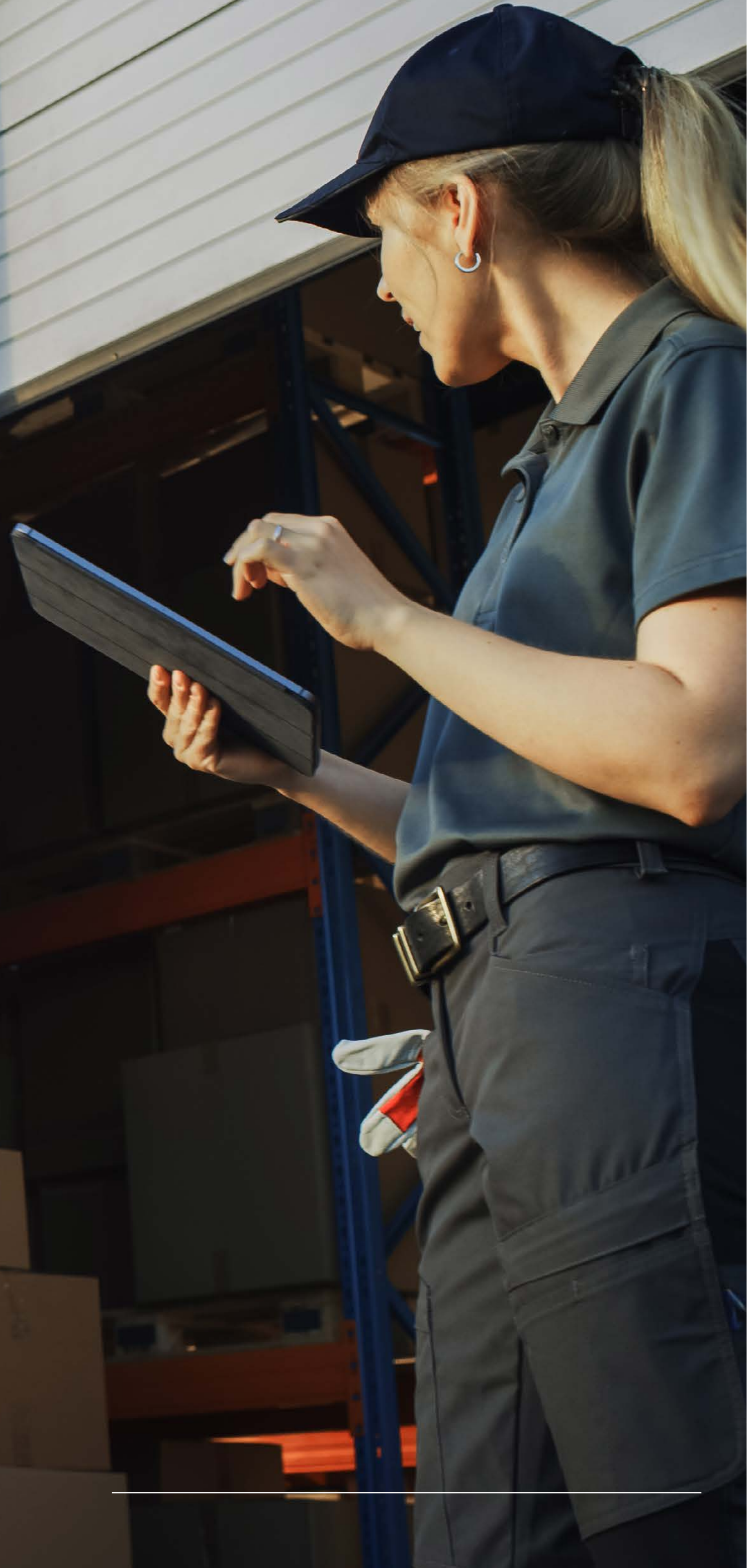
of logistics operators say cost is the biggest barrier to cutting carbon, while 47% say infrastructure.

59%

of respondents say they'll invest in cyber security, 55% say technology upgrades, while investment in AI is selected by 43% of logistics businesses.

58%

say collaboration is a priority growth strategy, with the biggest opportunities in shared road transport/transport space.



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