



Logistics & Distribution (L&D)

Global Business Services Index 2026



Logistics & Distribution: Global supply chains faced margin pressure despite stabilising trade volumes

Sub-sectors:



Logistics providers

Providers of delivery, logistics and transportation services with B2B focus



Distributors and wholesalers

Providers of distribution, services or wholesalers



Supply chain solution / freight arrangement

Providers of supply chain solutions and freight forwarding services

Sector performance summary

In FY25, the logistics and distribution sector experienced a widening gap between top-line sales growth and bottom-line earnings conversion. While shipment volumes stabilised, profit margins fell as operators absorbed rising labour costs and expensive facility optimisations and expansions. To counter this, leading companies are prioritising high-margin service portfolios such as biopharma and cold chains, and are deploying predictive data tools for planning.

While companies successfully defended worker productivity through headcount control, voice AI and automation, heavy capital expenditures diluted their overall capital efficiency. Operating cash flow remained resilient, but immediate liquidity remained tight across capital-intensive networks

Momentum drivers and pressure points

 Volume and nearshoring recovery Sales stabilised in FY25 as trade lanes normalised, while nearshoring boosted cross-border shipment volumes	 Sticky operating cost inflation Rising driver wages, facility rents, and regulatory toll hikes squeezed operating margins
 AI and automation efficiencies Deploying AI and warehouse automation protected labour productivity and worker efficiency	 Weakening capital efficiency Investments in warehouses, fleets, and acquisitions diluted overall asset returns
 Resilient cash flow generation Tighter working-capital control and inventory management successfully defended overall operating cash flow	 Compressed short-term liquidity High lease liabilities, inventory carrying costs, and capital spending tightened immediate liquidity

121 ⁻¹
year-on-year

GBSI sector score



▶ 100 (base score for each dimension with FY19 as reference year)

Sub-Sector Overview

Logistics providers

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Supply chain solution / freight arrangement

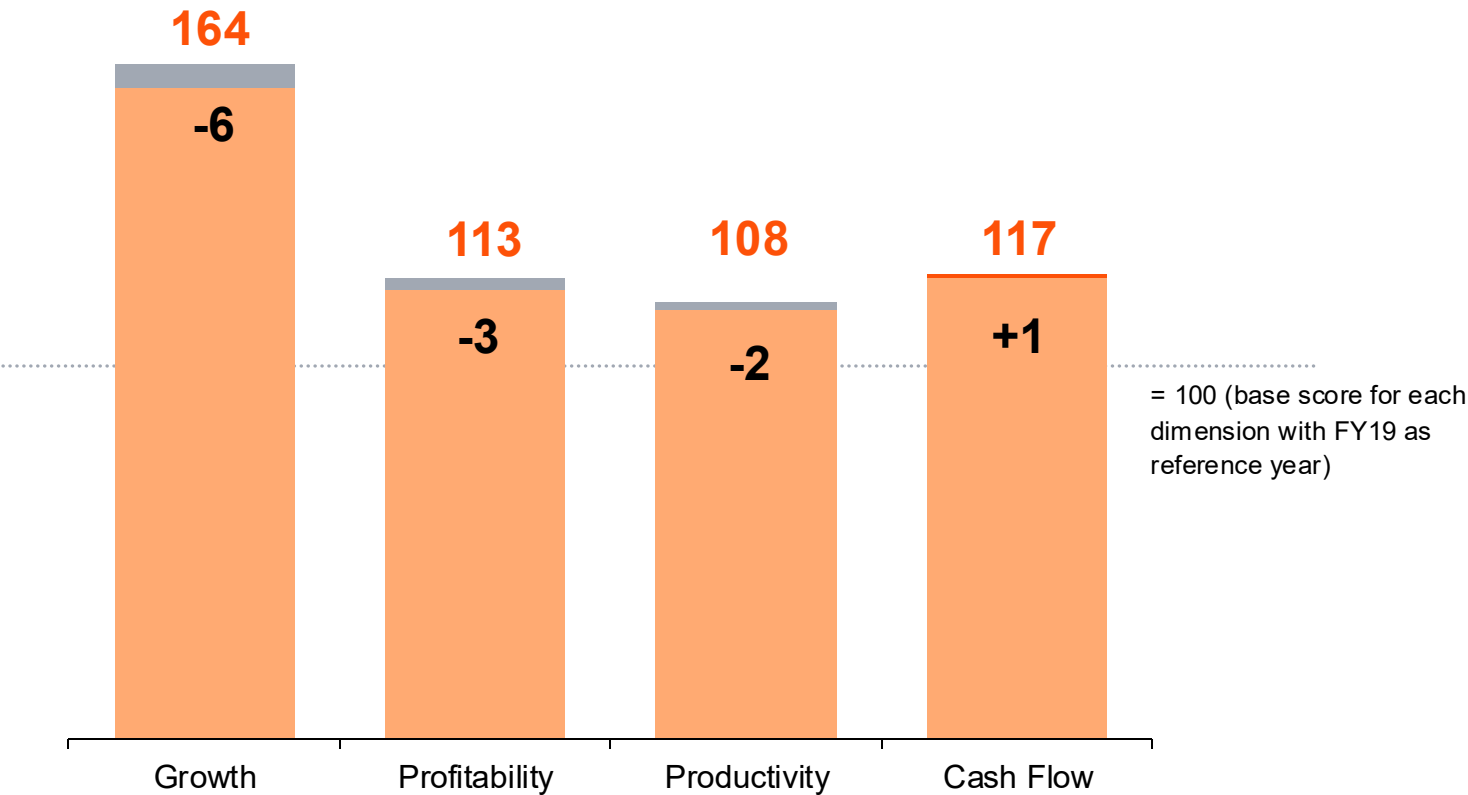
Providers of supply chain solutions and freight forwarding services



126

-2
year-on-year

GBSI Sub-sector Score



Logistics revenues improved, but operating profits fell on high cost inflation



Logistics providers



A wave of insolvencies and sustained geopolitical disruption is reshaping capacity and asset balance.

In FY25, margin pressure, high leverage, and rising insurance costs forced the exit of smaller operators, while disruption in the Red Sea and Strait of Hormuz extended transit times, increased fuel costs, and reduced effective capacity. Together, these dynamics tightened market conditions and drove spot-rate increases, benefiting stronger operators from early 2026.

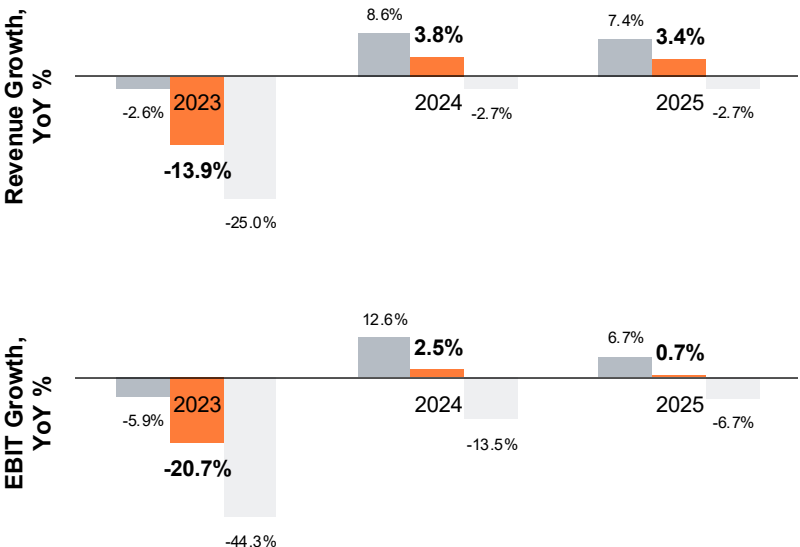
To protect profitability, carriers continue to focus towards higher-margin niches, such as healthcare and cold chain, while adapting business models to manage capital intensity, liability risk, and continued volatility.



Growth

164 -6

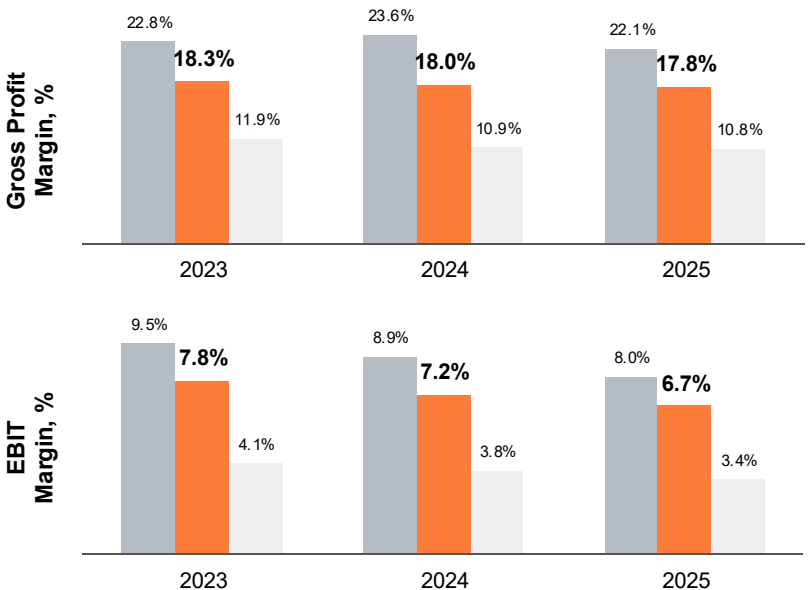
Global logistics providers saw a clear rise in revenue compared with the previous year, but overall operating profits fell. Stabilising trade lanes and a steady recovery in global shipment volumes supported sales growth, yet long-standing network inefficiencies across major shipping routes and persistent cost inflation put operating earnings under pressure and limited the benefit of that growth.



Profitability

113 -3

Gross profit margins held steady, but operating profit margins weakened, highlighting that cost pressures sat below core pricing. Earnings came under pressure from rising driver wages, higher facility rents, and increased toll fees, which hit businesses with physical fleets and long-term, fixed-price contracts that couldn't adapt swiftly.



Strong operating cash flow was offset by weak capital efficiency and liquidity

Logistics providers



Geopolitical shipping restrictions are increasing pressure on asset productivity and cash discipline

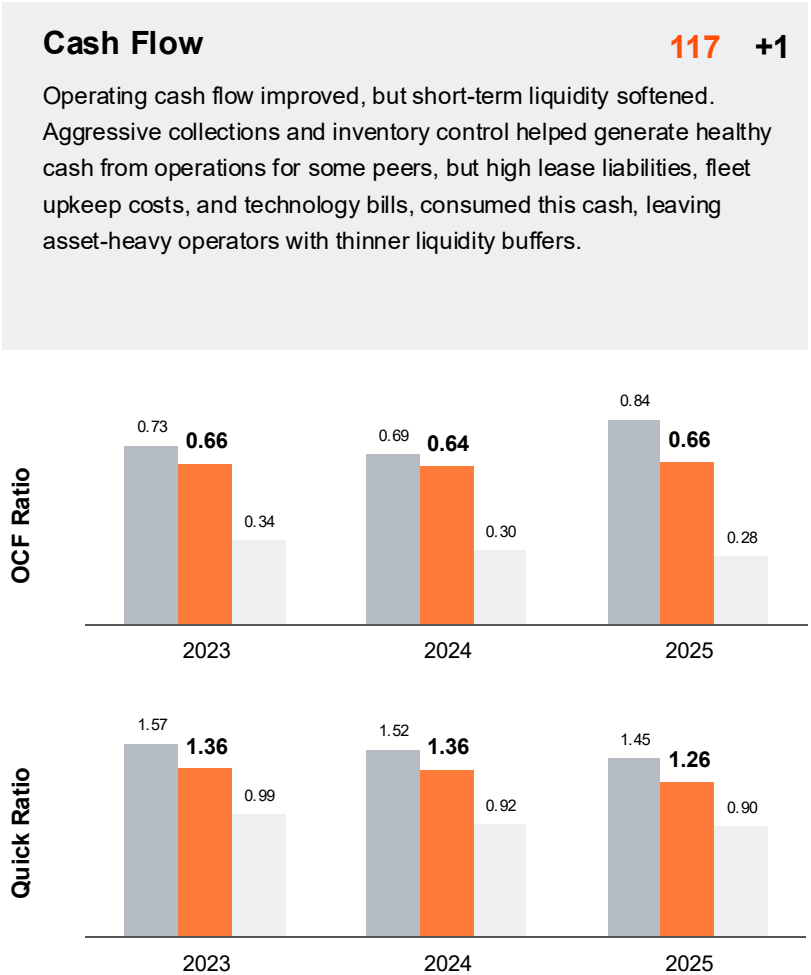
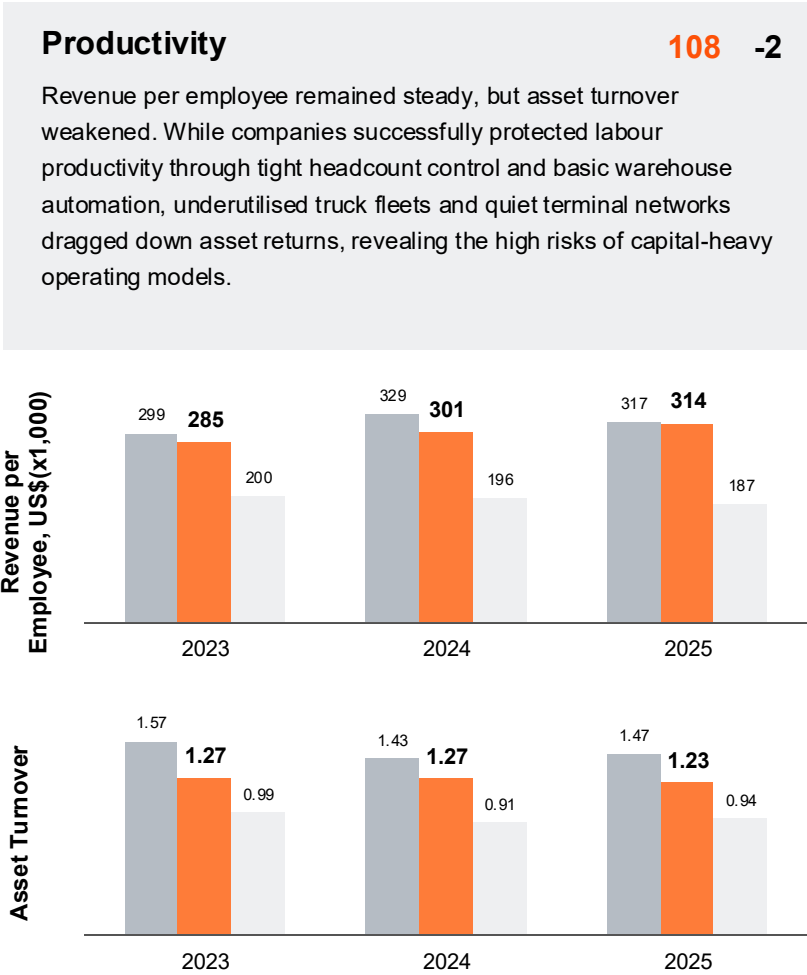
In FY25, many operators faced weaker asset utilisation, longer route cycles and tighter liquidity, even as they sought to protect labour productivity through selective automation and dispatch efficiency measures.

In 2026, continued disruption across key shipping corridors is further reducing asset turns, raising fuel and insurance costs, and stretching working capital. As a result, maximising fleet and equipment utilisation, improving network visibility, and preserving cash have become critical to maintaining profitability and resilience.

75th percentile

Average

25th percentile



Sub-Sector Overview

Logistics providers

Providers of delivery, logistics and transportation services with B2B focus



122 +0
year-on-year
GBSI Sub-sector Score

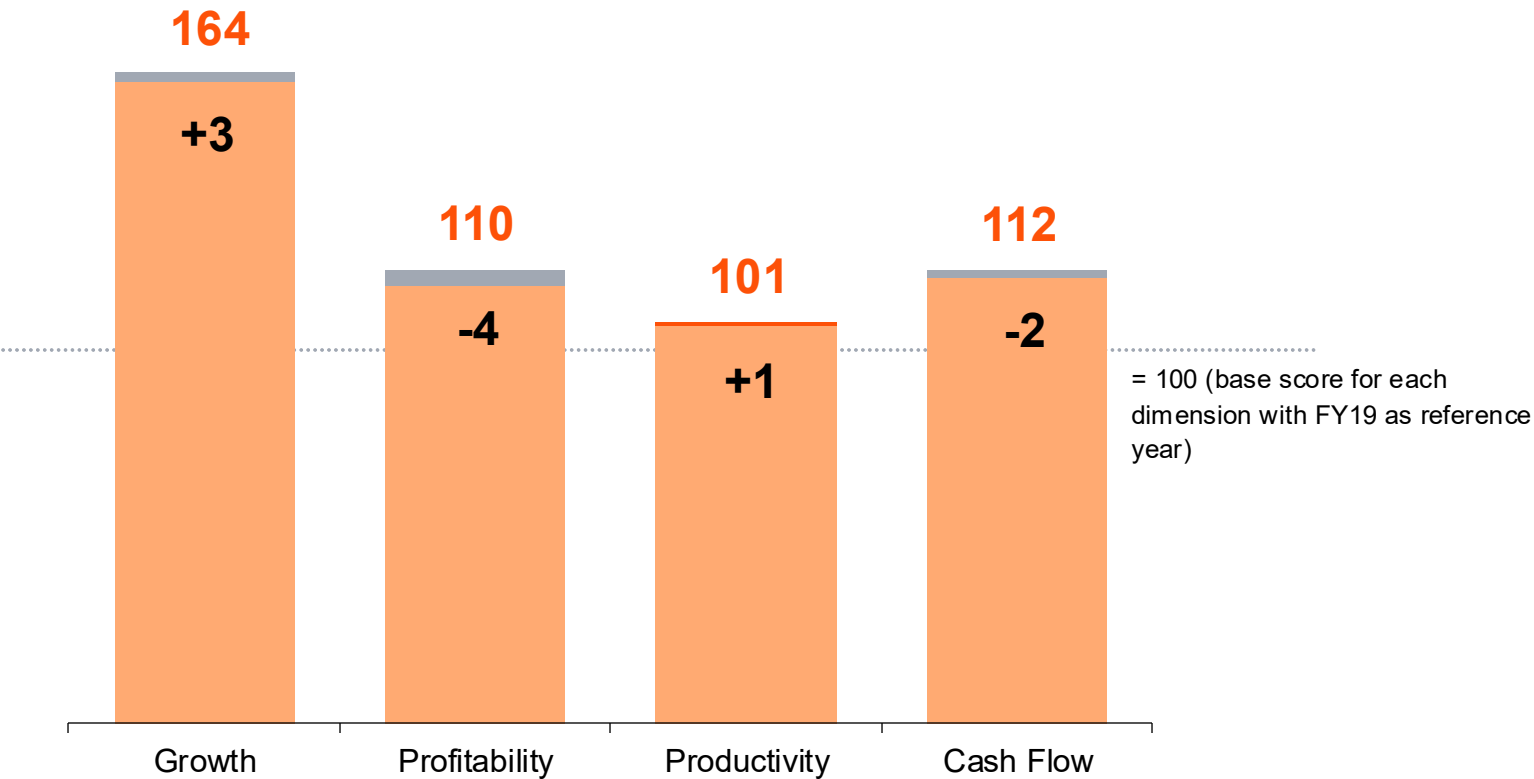
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Providers of distribution, services or wholesalers



Supply chain solution / Freight arrangement

Providers of supply chain solutions and freight forwarding services



Sales momentum improved, but profit conversion remained limited by margin pressures



Distributors and wholesalers



Distributors and wholesalers are rebuilding margins through better pricing, tighter inventory control and a more value-added mix.

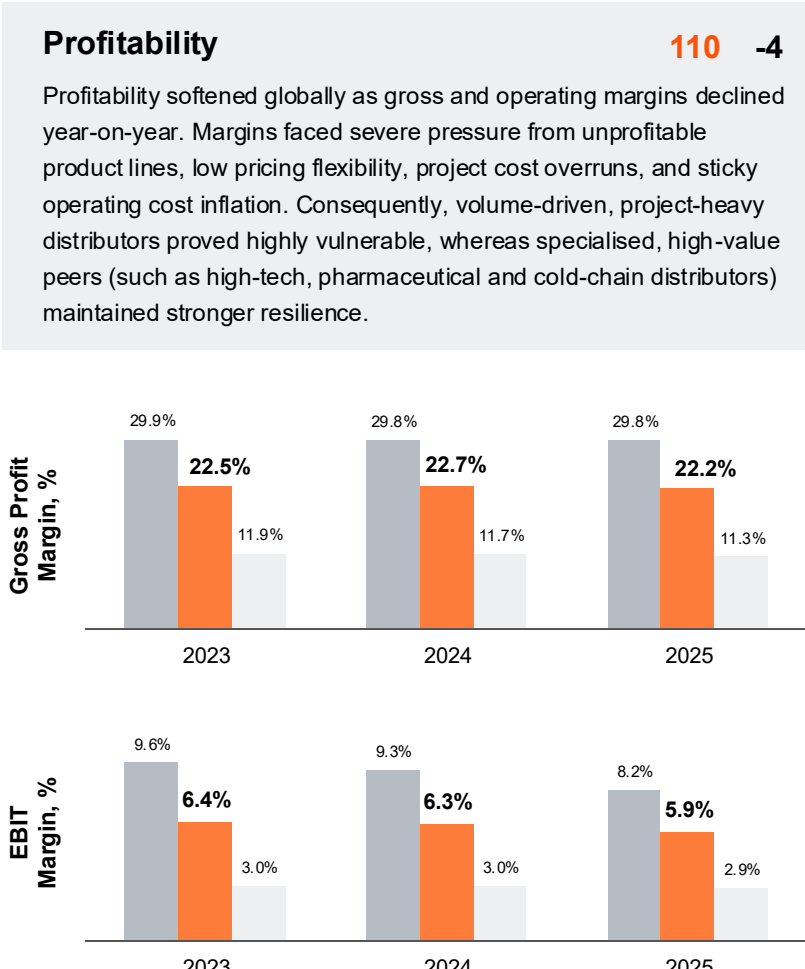
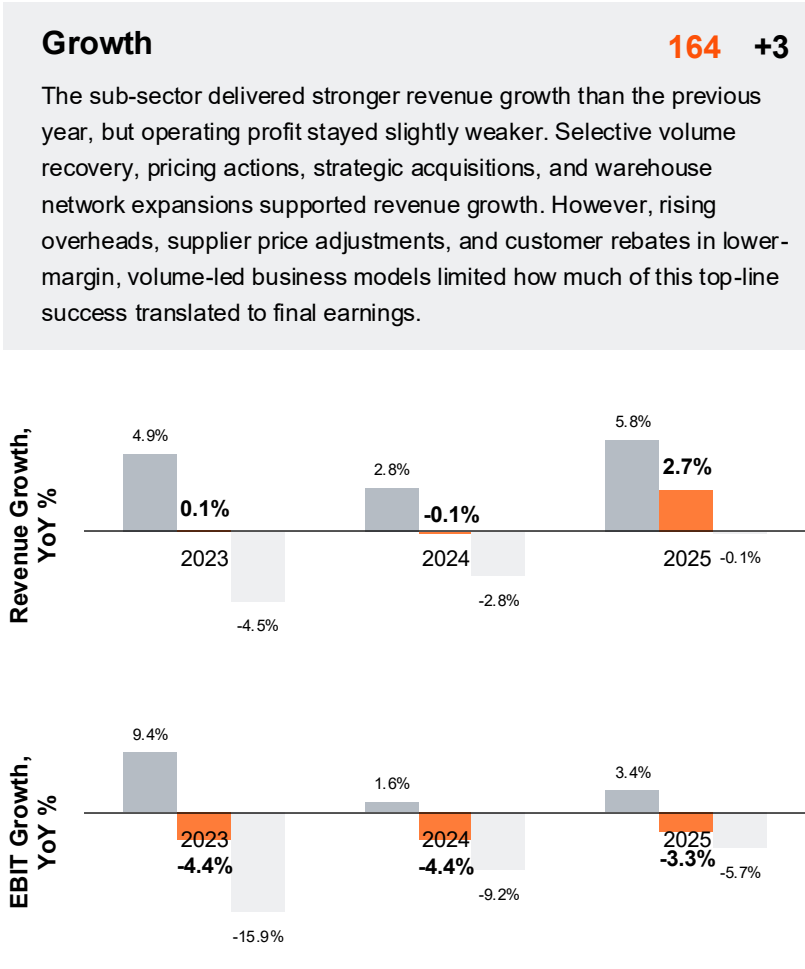
While nearshoring and customer restocking have supported topline growth, profits remain under pressure as vendor cost increases, freight inflation and slower inventory turns absorb much of the revenue benefit.

In response, stronger players continue to shift toward less commoditised, higher-margin categories—such as healthcare supplies, technical industrial products and private-label lines. Many players are also practising procurement scale and pricing discipline while investing in AI and data tools to improve pricing, replenishment and working-capital efficiency.

75th percentile

Average

25th percentile



Improving labour productivity was diluted by heavy inventory and working-capital demands

Distributors and wholesalers



Higher labour productivity is being offset by working-capital pressure and network investment

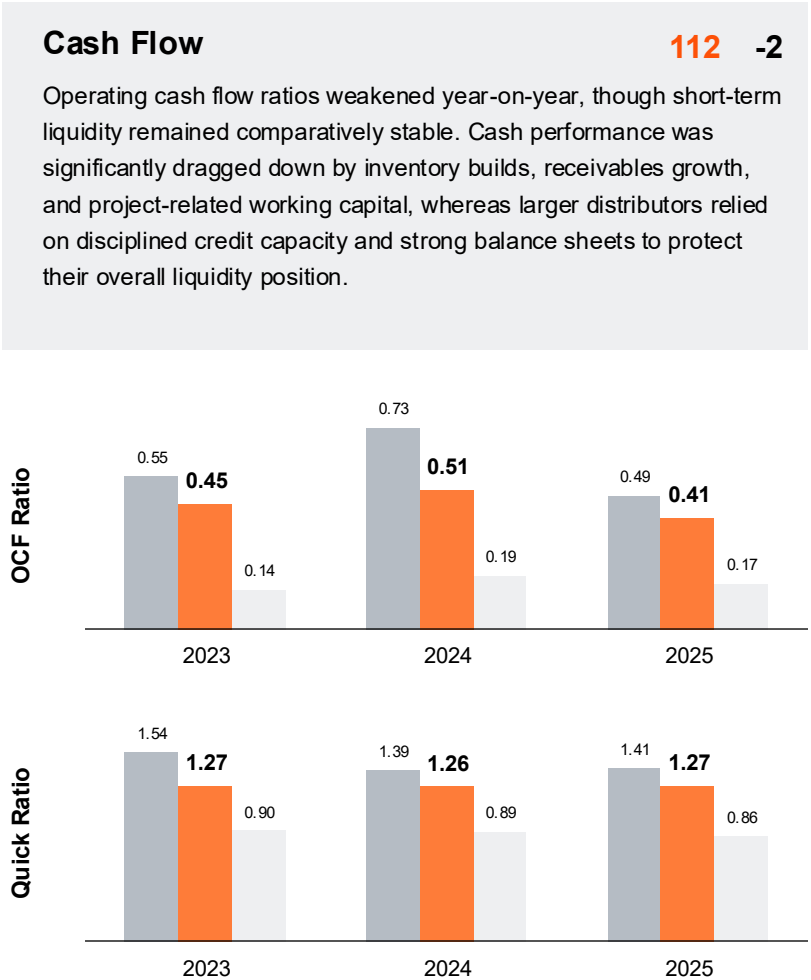
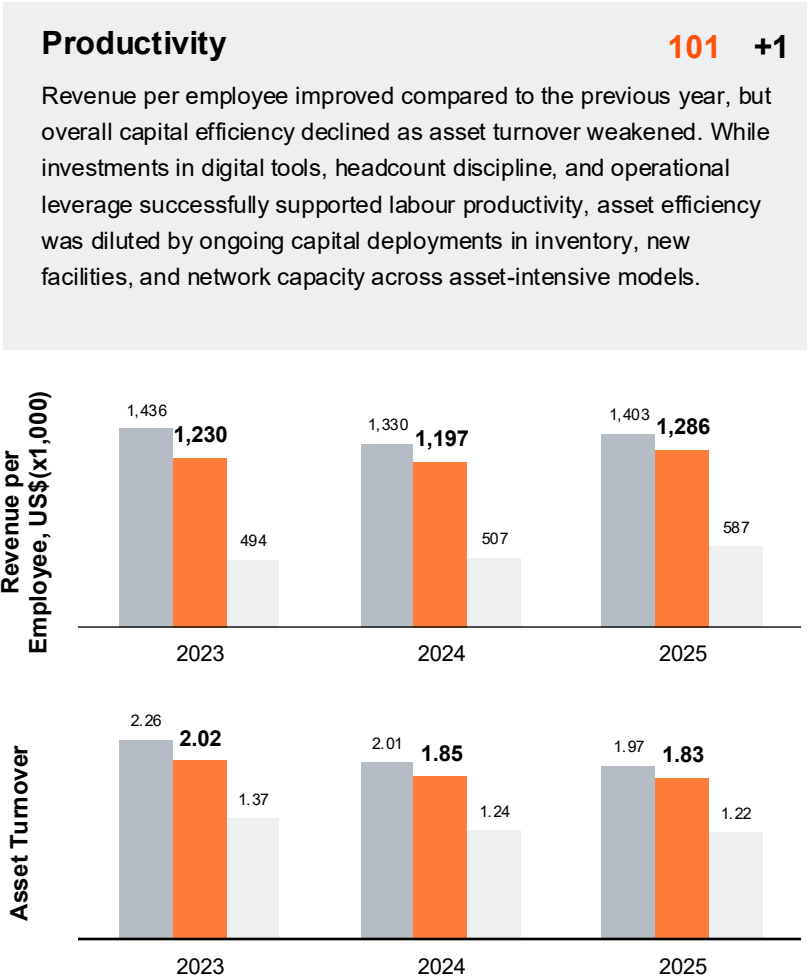
Distributors have improved fulfilment efficiency, but cash flow remains constrained as inventory builds and distribution-capacity investment absorb liquidity. Much of this reflects a deliberate trade-off: holding more stock to protect service levels amid tariffs and supply volatility.

To offset the drag, stronger players are using forecasting and replenishment tools to improve inventory turns, reduce carrying costs, and protect cash conversion.

75th percentile

Average

25th percentile



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Supply chain solution / freight arrangement

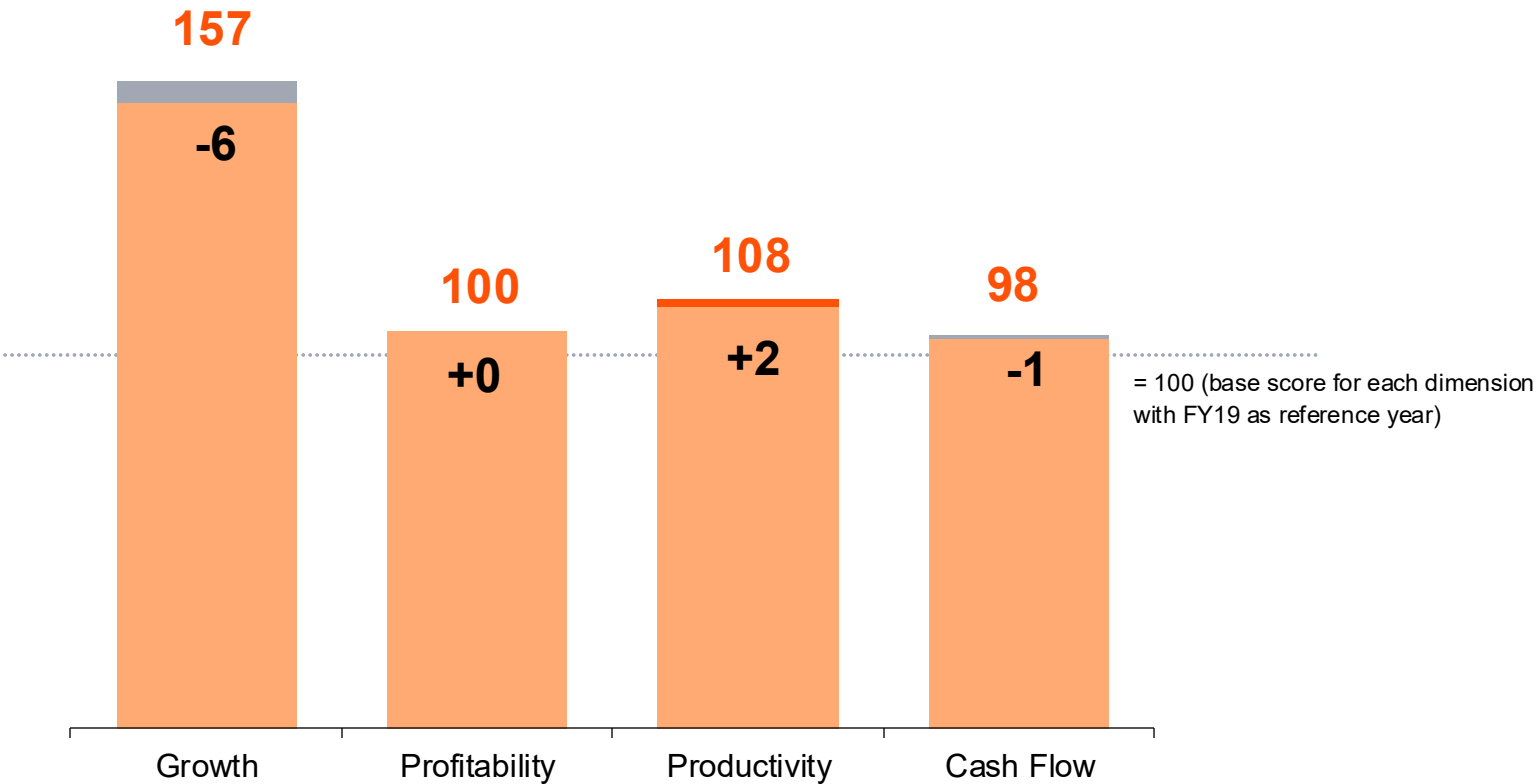
Providers of supply chain solutions and freight forwarding services



116

GBSI Sub-sector Score

-1
year-on-year



Revenues rose on nearshoring, but freight pressure and integration costs squeezed profits



Supply chain solution / freight arrangement



Forwarders are rebuilding margins through value-chain integration and tighter productivity.

Despite seeing stable revenue growth in the sub-sector, operating profits remain under pressure from weak pricing, route disruption, and integration-related costs.

In response, as leading players continue to build exposure to higher-yield niches such as healthcare, cold chain, etc., they are also expanding into adjacent services such as customs, warehousing, drayage, contract logistics, and control tower solutions. Together with AI-enabled workflow efficiency and better pricing discipline, these moves are helping reduce reliance on spot-market spreads and support margin recovery into 2026.



Growth

157 -6

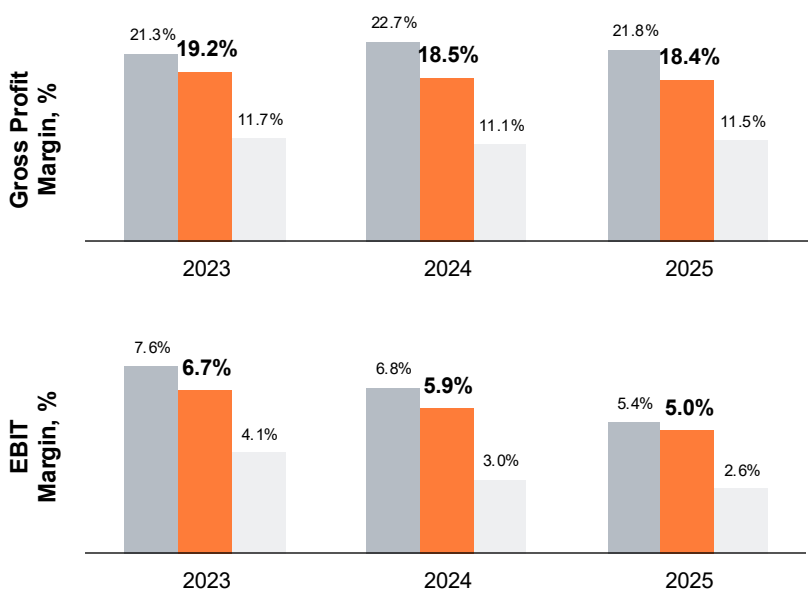
Sector revenue improved, but operating profits weakened. Nearshoring, strategic acquisitions, cross-border trade, and expanded technology services drove top-line growth. However, translating this growth into profit proved difficult. Operators faced a double-whammy of high M&A restructuring costs alongside asset and goodwill impairments from expensive acquisitions, heavily impacting restructuring operators, while well-diversified platforms remained resilient.



Profitability

100 0

Most providers experienced modest profitability declines, resulting in weaker YoY gross and EBIT margins. This compression stemmed from persistent cost inflation, depressed market rates, unfavourable shipping lanes, and higher operating risks. Expenses from mergers and restructuring also dragged down performance. Consequently, integrated, multi-service companies shielded their margins far better than volume-dependent or impairment-hit freight operators.



Operational gains advanced, but stronger returns still depended on tighter capital and cash discipline



Supply chain solution / freight arrangement



Productivity gains are being diluted by heavier investment and weaker cash conversion.

In FY25, freight-forwarding and supply-chain solutions players improved operating efficiency, but liquidity remained under pressure as capital spending increased and cash-conversion cycles lengthened.

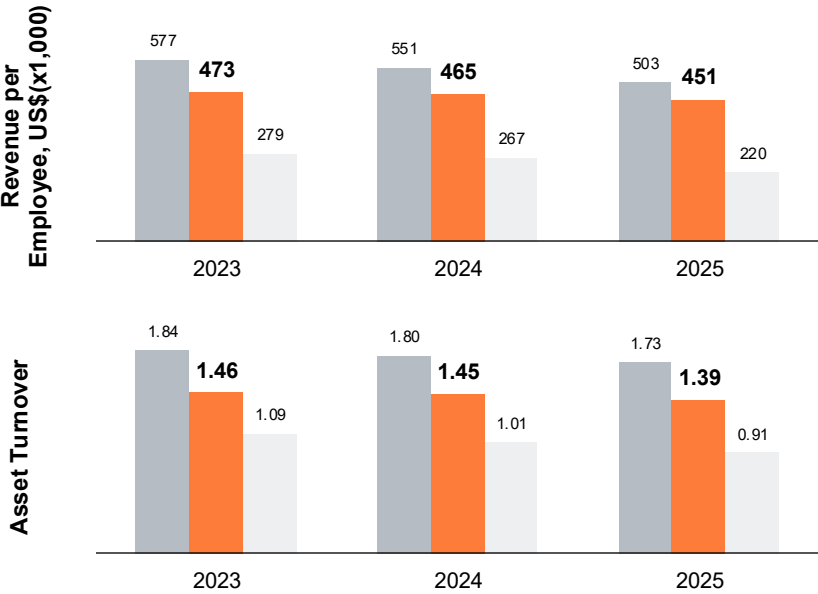
The priority is no longer automation in general, but targeted digital use cases: better control tower visibility, faster exception handling, tighter quote-to-cash discipline, and more integrated coordination across forwarding, customs, and warehousing. Players are prioritising these capabilities in 2026 as route volatility and capacity tightness continue.



Productivity

108 +2

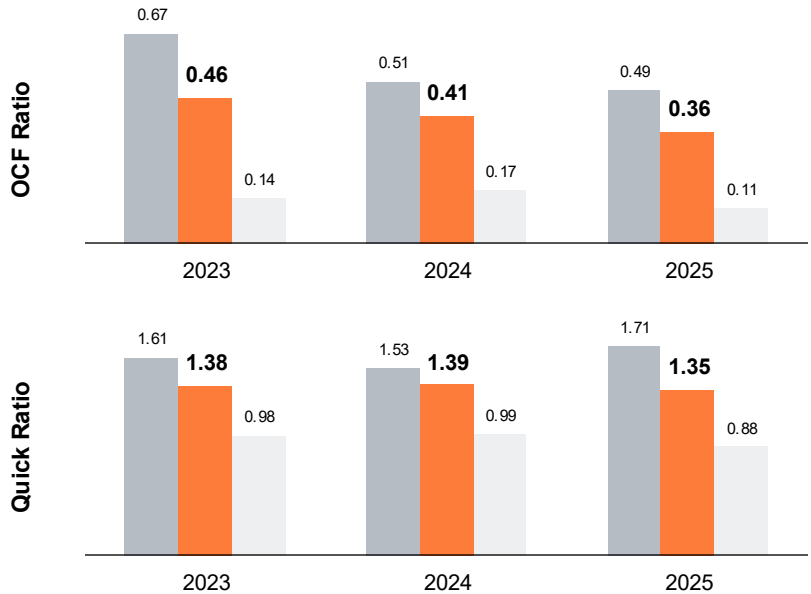
Revenue per employee improved compared to the previous year, but capital efficiency declined as asset turnover weakened. Labour productivity was successfully supported by automation, standardising workflows, and network optimisation. However, asset efficiency was diluted by aggressive capital spending on warehouse footprints, technology platforms, and goodwill from acquisitions, which expanded the capital base faster than returns grew.



Cash Flow

98 -1

Operating cash flow ratios and quick ratios weakened slightly across the sub-sector compared to the prior year. Cash generation was pressured by lower net earnings and unfavourable working-capital timing, including slower customer collections. Larger companies used their strong credit lines and cash reserves to protect their daily operations and pay their fixed bills to preserve their near-term liquidity and cover fixed obligations.



Future success will depend on resilient networks, broader capabilities and smarter asset utilisation

Future outlook

Despite geopolitical volatility, trade disruption and pricing pressure, logistics and distribution should remain resilient, supported by outsourcing, rising supply-chain complexity and demand for end-to-end solutions.

Leading providers are expanding beyond core transport into adjacent value-added capabilities to improve customer relevance and margin resilience.

Distributors and wholesalers remain supported by structural growth themes including healthcare, infrastructure, and electrification.

Across the sector, automation and AI should enhance service efficiency—mainly in support and workflow-heavy functions—while broader network capability, resilience, and asset discipline remain the bigger drivers of long-term performance.

Avg. revenue growth*, YoY %

3.0%

3-5%

FY25

FY26e

Avg. EBIT Margin*

5.4%

5-6%

*Based on analyst estimates and company guidance of 10 leading players per sub-sector

Priorities for success

As supply chains become more complex and interconnected, success will depend on how effectively firms strengthen network flexibility, broaden adjacent capabilities and maximise asset productivity.



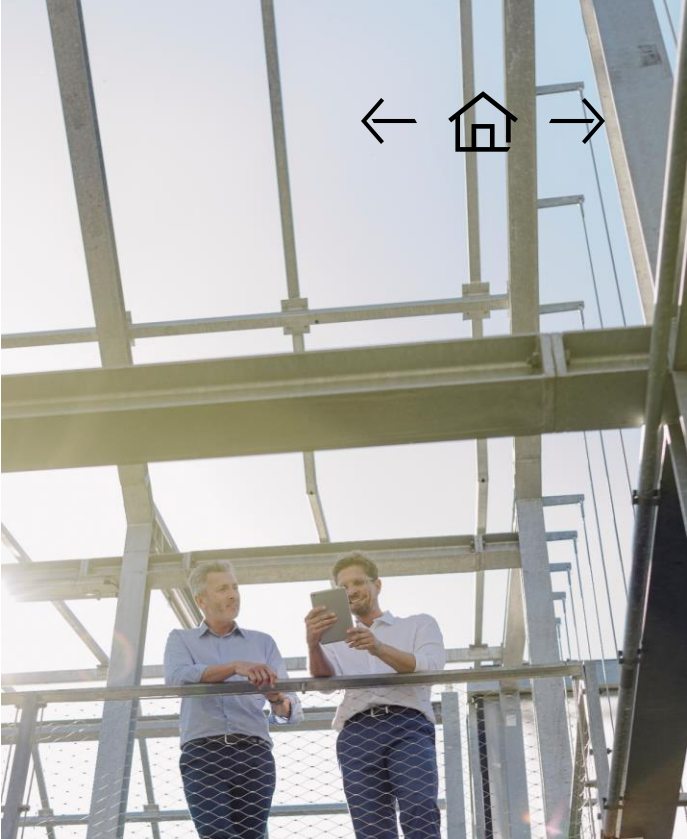
Build resilience and network flexibility: Strengthen routing agility, partner redundancy, facility flexibility and control-tower coordination to help operators manage disruption while supporting service levels and pricing.



Broaden horizontal capability: Expand across adjacent logistics services —through M&A and capability build-out—to capture more of the value chain and embed more deeply with customers.



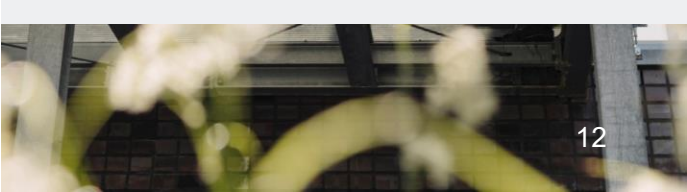
Utilise asset and capacity smartly: Maintain focus on network density, procurement discipline, warehouse productivity, selective automation, and targeted AI deployment in support and workflow-heavy functions to build margin resilience.





As supply chains become more complex, customers are seeking partners that can support a wider range of supply chain needs, making end-to-end capabilities a key driver of long-term growth

Richard Pugh, Director, PwC UK



Global Chemicals Distributor: Optimisation of global transport operations



Impact delivered

>€2m c. 35%

Annual transport savings identified

~15–20% of addressable annual transport spend across selected countries

Immediate quick win (no on-cost)

Changes to existing processes, fleet allocation, and customer alignment to improve transport efficiency

Our approach

- PwC was engaged to model and evaluate transport optimisation scenarios for client's chemical distribution business
- Using Optilogic's CosmicFrog platform, the team collected and validated transport data, baselined current operations, and modelled 3 scenarios focused on fleet efficiency, cost reduction, and transport planning
- A structured 3-step approach (Data Collection & Validation, Scenario Modelling & Baseline, Execution Planning) grounded outputs in operational realities, validated through workshops with Heads of Transport.

Focus areas



Increased loading windows

Amended loading windows allow pre-loading for the following day and maximise load fill, unlocking around 6% of addressable transport spend (gross).



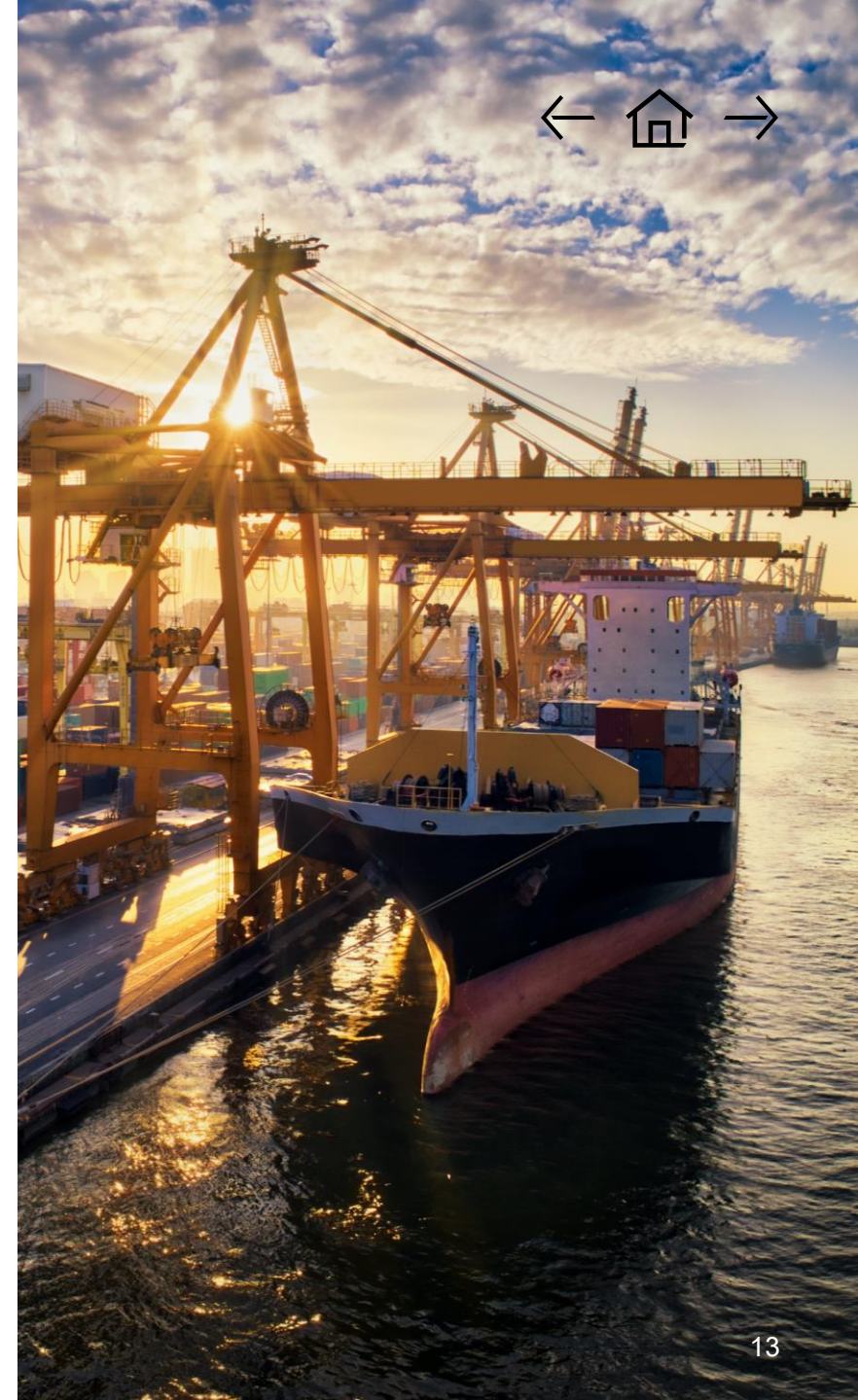
Optimised customer delivery patterns

Adjusted delivery frequency and planning windows increased multi-drop routing across the network, representing roughly 12% of addressable transport spend (gross)



Repositioned the existing fleet

Relocated vehicles to depots closer to the customers they served, cutting stem mileage without adding fleet, worth about 0.3% of addressable transport spend



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I. Overview

- This report presents an outside-in view of the Business Services industry and the performance across 8 key sectors: (i) Built Environment Services, (ii) Business Process Outsourcing, (iii) Digital and Education Services, (iv) Human Capital Management, (v) Legal Services, (vi) Logistics and Distribution, (vii) Professional Services; and (viii) Testing, Inspection and Certification
- The performance of each sector is measured by the '**Sector Index Score**', which has been developed based on an analysis of key metrics for a sample set of companies. This score considers 4 key dimensions and 8 metrics (2 metrics in each dimension), as outlined below:
 - **Growth** – (i) Revenue; (ii) EBIT
 - **Profitability** – (i) Gross margin; (ii) EBIT margin.
 - **Productivity** – (i) Revenue per employee; (ii) Asset turnover
 - **Cash flow** – (i) OCF ratio; (ii) Quick ratio
- A sample of 74 companies has been considered for this sector, and they have been selected based on multiple factors including size, geographic presence/coverage, availability of information, etc
- The **Global Business Services Index** is based on an aggregate of the 8 sector indices (considering a total sample of 438 companies)

II. Index calculations¹

1. **Time period and baseline** – The index calculation is based on company data for FY23 to FY25 and FY19, the latter being considered as a baseline and assigned a score of 100
2. **Metric scores**
 - Actual values for each metric were compared between FY19 and FY23 to FY25 to derive a **ratio**
 - The ratios were aggregated across all 45 companies to arrive at an **aggregated ratio** (to avoid larger-sized companies skewing the results)
 - **Metric scores** are calculated by multiplying the aggregated ratio by 100
3. **Dimension scores**
 - The dimension score is an **average of the metric scores** for metrics included in the respective dimension:
 - i.e., Dimension score (Growth) = Average [Metric score (Revenue), Metric score (EBIT)]
4. **Sector scores**
 - The sector score is an **average of the dimension scores**:
 - i.e., Sector score = Average [Dimension score (Growth), Dimension score (Profitability), Dimension score (Productivity), Dimension score (Cash Flow)]
 - If the sector score >100, it outperformed against the FY19 benchmark
 - If the sector score = 100, results were at par with FY19
 - If the sector score <100, it underperformed against the FY19 benchmark

III. Future outlook

- The FY26 outlook is based on analyst reports and company guidance for 10 leading companies in every sub-sector, selected on the basis of revenue, scale and availability of information
- Revenue growth and EBIT margin estimates were reviewed and aggregated to develop an indicative sector-level outlook

IV. Key sources

- The key sources referred to throughout the report include the following:
 - Company websites and annual reports
 - Analyst reports
 - Databases such as S&P Capital IQ, Bloomberg, EMIS
 - Company registrar portals such as Companies House (UK), Securities and Exchange Commission (US)

1. The scores for the 2023 and 2024 index were recalculated due to changes in sample size and the incorporation of revised financial figures of included companies

Thank you