

Navigating the Top 8 Challenges Facing Logistics Service Providers Today





Foreword



It's an age of uncertainty for Logistics Service Providers (LSPs). Supply chains are undergoing a structural revolution, driven by economic and technological forces.

On the demand side, consumer behavior is experiencing rapid change. Digital transformation upended old shopping habits, giving rise to the e-commerce boom we're all experiencing. On top of that, there's a growing desire to address concerns about sustainability and ethical consumption. These evolving preferences are reshaping the expectations placed on LSPs.

On the supply side, a perfect storm of factors is not just causing disruptions — it's threatening to tear apart the very fabric of global logistics as we know it:

- **Labor shortages:** As older workers retire, there's an insufficient pool of younger workers to fill the gap. This demographic time bomb poses a significant challenge and is expected to worsen.
- **Industry consolidation:** A tsunami of 3PL and 4PL consolidation is intensifying competition, forcing LSPs to evolve or risk being left behind.
- **Climate change:** Climate change is wreaking havoc on global logistics, with extreme weather causing significant global delays. Simultaneously, the escalating climate crisis is prompting countries to implement more stringent regulations on methods of transport and is increasing consumer concern throughout the supply chain.
- **Regional instability:** Global conflicts and political tension are causing a shift to nearshoring and are rewiring trade routes.

On the technology front, AI and robotics are not just emerging, they're exploding onto the scene. The question is no longer whether to adapt, but how quickly LSPs can embrace these changes before they're left in the dust of their more tech-savvy competitors.

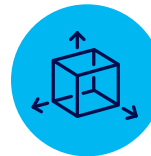
LSPs find themselves at a critical juncture. This ebook is your guide to navigating the turbulent waters of modern logistics. We'll dive deep into the top challenges facing LSPs today, offering actionable insights and innovative solutions to transform these obstacles into opportunities for growth.



Challenge #1

Technology silos

Imagine a chain where each link is unable to connect. That's the reality for supply chains today. Despite the interconnected nature of global commerce, supply chains and the solutions that run them typically operate as isolated links. Unlike the seamless integration seen in CRM or ERP systems, supply chains remain stubbornly disconnected, creating a fragmented landscape of data, applications, and processes.



Opportunity: Harness a cloud data platform for cross-functional excellence

Supply chain efficiency is fundamentally a data problem. To achieve true interoperability — with end-to-end visibility, faster coordination, and better decision-making — it's essential to break down your data silos.

A data cloud aligns and centralizes WMS, TMS, OMS, client data, and third-party data (such as commodity prices and weather patterns), empowering LSPs to coordinate, collaborate, and orchestrate in near real-time across the entire supply chain to make the best business decisions.

Benefits of cloud transformation include:

- Rapid detection and resolution of issues
- Multinational collaboration
- Reduced risk
- Dynamic scalability
- Synchronized decision-making
- Consolidated reporting and analytics
- Reduction in operating costs

“Shippers continue to rewire their distribution networks and supply chains, looking at these systems as a whole and redesigning them to unlock powerful sources of new savings and strategic advantage.”¹



Challenge #2

Supply chain disruptions

Geopolitical events and extreme weather are causing frequent supply chain disruptions, adding instability to the marketplace.

Opportunity: Leverage AI to anticipate, detect, and resolve issues

AI is changing supply chain management in unprecedented ways. These cognitive technologies can analyze vast amounts of data to forecast disruptions and recommend preemptive actions, enhancing supply chain resiliency and ensuring greater operational stability.

Benefits of AI include:

- **Forecasting & fulfillment:** Predictive analytics powered by AI can revolutionize transportation, warehouse, order, and inventory management. By analyzing past trends, current demand, and external factors, these tools can predict arrival times (ETA), labor requirements, and stock requirements with higher accuracy. This ensures optimal resource planning, stock levels, and delivery, and allows for earlier handling of disruptions, reducing logistics, carrying, and penalty costs and preventing stockouts.
- **Smart yard management:** Automating yard management can significantly streamline the movement of vehicles within a facility's property. By using cameras and machine learning, LSPs can automate gate check, monitor vehicle locations in real-time, predict docking needs, and automate vehicle assignments, ensuring efficient space utilization and quicker turnaround times.

- **Carrier performance monitoring:** AI algorithms can evaluate a carrier's historical performance, on-time rates, and feedback. If a carrier's performance starts declining, LSPs can be alerted in advance, allowing them to choose alternate carriers or address issues before they escalate.
- **Seamless coordination:** By integrating AI, LSPs can better coordinate with clients, carriers, and third parties. If a client's demand surges unexpectedly, AI-driven insights can enable swift actions like reallocating resources or adjusting transport schedules to meet these demands.





91%

91% of global organizations that have used generative AI say it's effective in optimizing supply chain processes and decision-making²



Challenge #3

Labor shortages

The logistics sector is now facing a workforce crisis. As warehouse and transportation veterans retire, younger workers are gravitating towards remote-friendly jobs. This shift has left the US logistics industry grappling with a shortfall of workers. 57% of 3PLs surveyed state they have a serious concern finding, training and retaining qualified labor.³

Opportunity: Employ robotics and automate labor-intensive processes

Robots are becoming cheaper and more abundant. LSPs are leveraging robotics, collaborative robots (cobots), drones, and other automation tools such as picking bots to complement their human capabilities. These technologies can handle repetitive tasks, reduce errors, and increase productivity.

As variability inevitably occurs, it is much easier and more cost-effective to scale robotics up and down, compared to the investments required to recruit and train new associates. Meanwhile, existing workers can manage and maintain automated systems, providing new job opportunities for those already within the industry.



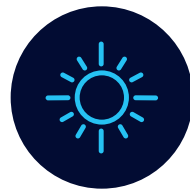
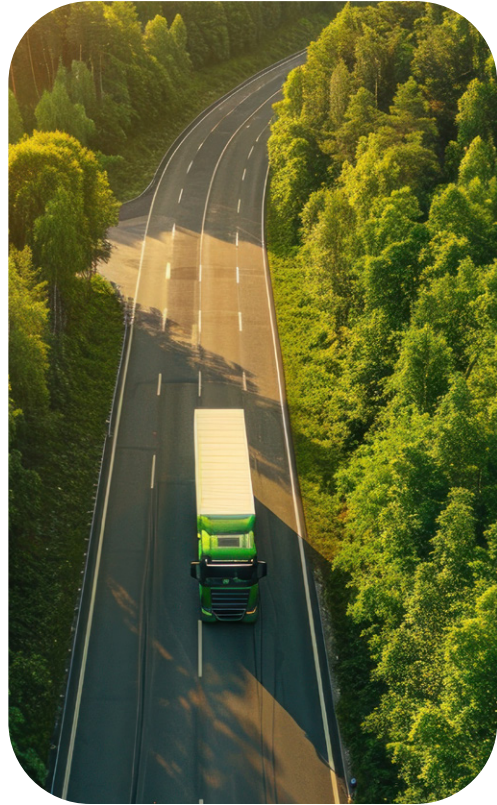
57% 57% of 3PLs state they cannot find or retain talented workers.³

“Big investments in emerging technologies such as artificial intelligence, end-to-end visibility, and advanced automation are expected to drive competitive advantage in the logistics sector.”⁴

³Blue Yonder and EY: Evolving Global Logistics for Success: Making the Move to Automation. Copyright 2023

⁴CSCMP 2024 State of Logistics Report





Challenge #4

Increasing demand for sustainable solutions

Governments are implementing stricter regulations to combat climate change. The EU is aiming for climate neutrality by 2050, with a 55% emissions reduction by 2030. Meanwhile, the US plans to cut emissions 50-52% below 2005 levels by 2030.

Clients and investors are also demanding sustainable solutions. LSPs are now expected to reduce carbon emissions, minimize waste, and optimize resource use across their operations. From electric vehicles and alternative fuels to eco-friendly packaging and energy-efficient warehouses, sustainability is reshaping every aspect of the supply chain.

Opportunity: Embrace innovation to root out inefficiencies in your supply chain
LSPs delivering on green expectations stand to gain a significant competitive edge in an increasingly eco-conscious market. This can be achieved through the strategic use of optimization solutions and cloud computing to decrease your carbon footprint.

Software systems can use proprietary algorithms to analyze vast amounts of data to optimize route planning, reducing fuel consumption and emissions by identifying the most efficient paths and consolidating shipments more effectively than traditional methods. These systems can adapt in real-time to changing conditions, such as traffic or weather, further enhancing efficiency.

Cloud-based logistics platforms enable better collaboration across the supply chain, allowing for improved inventory management and demand forecasting, which can reduce overproduction and waste.

44%

44% of global organizations increased their sustainability initiatives last year.⁵

“[The] commitment to supply chain sustainability appears to sometimes thrive when supply networks are unexpectedly broken.”⁶

⁵2024 Supply Chain Executive Survey

⁶MIT: State of Supply Chain Sustainability 2023



Challenge #5

Industry consolidation can cause integration headaches

There has been significant industry consolidation in the LSP space. Major providers like DHL, FedEx, UPS, DSV, and XPO have all expanded their offerings through acquisitions. While consolidation has strategic advantages, it often causes technological gaps that negatively impact operational efficiency and customer satisfaction.

Opportunity: Integrate seamlessly with a cloud-based, API-first platform

A cloud-based logistics platform can serve as the foundation for overcoming integration challenges posed by industry consolidation. By leveraging the power of the data cloud, LSPs can create a centralized repository for all data, making it easier to integrate information from various sources. This approach offers superior flexibility and scalability, allowing providers to quickly adapt to changing business needs and accommodate future system additions or changes.

An API-first approach can further enhance system integration. APIs enable seamless communication between disparate systems, allowing for the creation of a unified technology ecosystem.

A cloud-based, API-first approach offers several key advantages:

- Enables seamless communication between disparate systems
- Allows for real-time data exchange and visibility
- Facilitates the creation of a unified technology ecosystem
- Supports scalability and future system additions or changes

M&A deal value in the logistics sector:



\$150B in 2021

\$95B in 2022

\$63B in 2023⁷



Challenge #6

Clients want to move away from cost-plus pricing

Historically, LSPs have relied on cost-plus pricing. This approach can inadvertently discourage efficiency because higher expenses yield higher profits. Today, many clients are looking for partners that emphasize productivity, strategic collaborations, and eco-friendly practices. This shift is causing LSPs to rethink their pricing strategies.

Opportunity: Implement performance-based pricing that's mutually beneficial.

By tying compensation to performance metrics, LSPs can clearly show their value to clients, making it harder for competitors to poach business based solely on price.

Client-centric transparency is vital to success. Equip your clients with a dashboard that displays their KPIs in real time. This will alleviate their anxieties and empower them with the information they need.

Your roadmap to performance-based pricing:

Step 01

Establish KPIs such as on-time delivery rates, inventory accuracy, or cost per unit shipped

Step 02

Create a tiered pricing system where the compensation increases as you meet or exceed agreed-upon performance targets

Step 03

Ensure open communication about costs and performance with periodic reviews to adjust targets and pricing as needed

LSP Insider Tip: Build trust by providing your clients with unified dashboards that show their KPIs in real time.



Challenge #7

LSPs struggle with the “Build vs. Buy” decision

It’s an age-old question. Should you buy off-the-shelf solutions? Or develop your own software capabilities in-house? Both approaches have their merits:

Advantages of building software in-house:

- Complete control over the development
- Customized and differentiated
- Perfect for the unique needs of your clients

Advantages of buying ready-made solutions:

- Faster time to market
- Shorter time to value
- Proven and battle-tested
- Scalable and extensible as needs change
- Ease of integration, management and support
- Faster new product capabilities
- Professional support

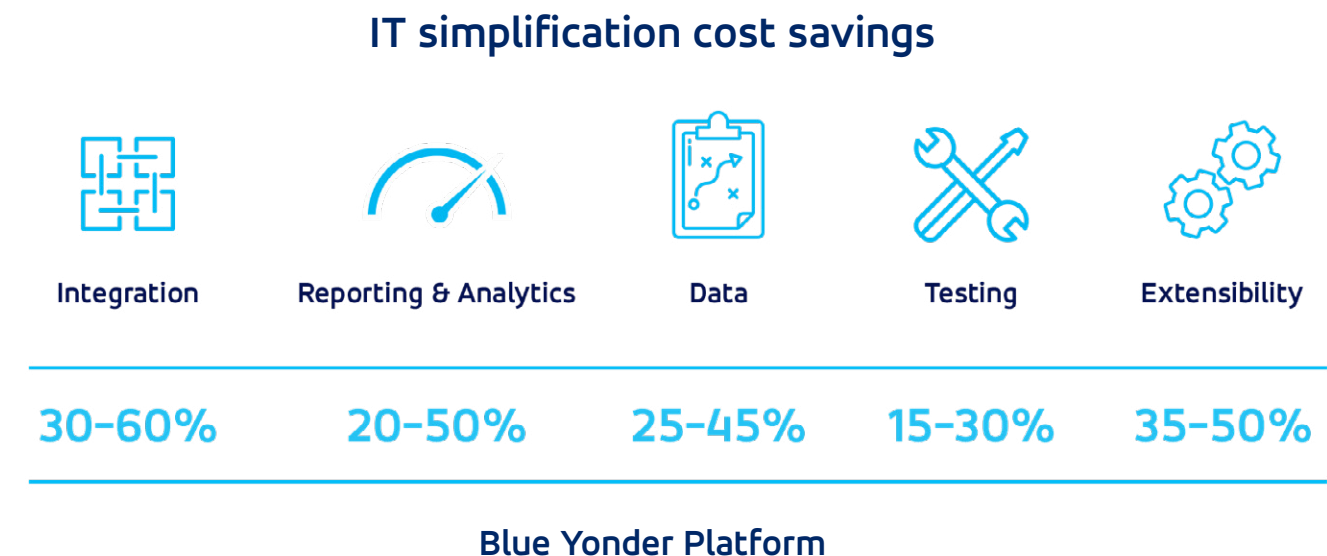
Opportunity: Adopt a hybrid approach that’s the best of both worlds.

Thanks to microservices, you can create tailored software solutions with the benefits of buying and building. You can start small by purchasing a few essential services and gradually scale as needed, rather than overhauling your entire system.

Microservices are small, autonomous applications that communicate with your existing tech stack via standardized APIs. Each microservice can be tailored to your priorities and pain points. This “plug and play” model integrates in-house and third-party systems into one extensible system.

Another benefit of microservices is rapid deployment. Implementations that once took 9 to 18 months take 3 to 6 months leading to a faster speed-to-value.

Microservices can cut integration times 30-60% and lead to significant cost savings⁸



⁸Blue Yonder Icon, London 2023



Challenge #8

Not knowing where to start

Opportunity: Embrace an incremental approach to change.

Begin by assessing your needs. Triage your pain points to determine the key areas you need to focus on to meet your customers' demands. Define what you have in place, what is required to get started, and what would be nice to have down the road.

Address your critical needs first. According to a study by [Blue Yonder and Ernst and Young](#), these are the 8 most common areas of focus for LSPs looking to innovate:

1. Technology integration and software platform strategy
2. Generative AI leadership
3. Client-centric approach
4. Supply chain visibility
5. Labor strategy
6. Sustainability and ESG
7. Current and future talent development
8. Data security and protection

79%

of global organizations increased investments in supply chains.

Most sought-after technologies:

Generative AI

45%

Supply Chain Visibility

43%

Robotics and Automation:

40%

“The [3PL] market has experienced a significant degree of innovation, marked by the adoption of advanced technologies such as blockchain, artificial intelligence, and predictive analytics.”¹⁰

⁹2024 Supply Chain Executive Survey

¹⁰Grand View Research Third Party Logistics Market Trends





Give us your challenges, and Blue Yonder will give you a roadmap to the future.

Blue Yonder understands the immense pressure LSPs face in today's rapidly evolving logistics landscape. The challenges may seem daunting, but we offer a path forward, transforming obstacles into opportunities for growth.

With the Blue Yonder Platform, you can quickly adopt and integrate all the innovations outlined in this ebook. Imagine consistently staying ahead of your clients' needs. That's the power the Blue Yonder Platform puts at your fingertips.

Ready to take the next step? Contact us today to schedule a personalized consultation and discover how Blue Yonder can help you turn "what ifs" into "why nots" and your business visions into reality.

Let's roll up our sleeves and get started.