PLAYBOOK

2025 Retail Logistics Trends

Adapting to New Realities

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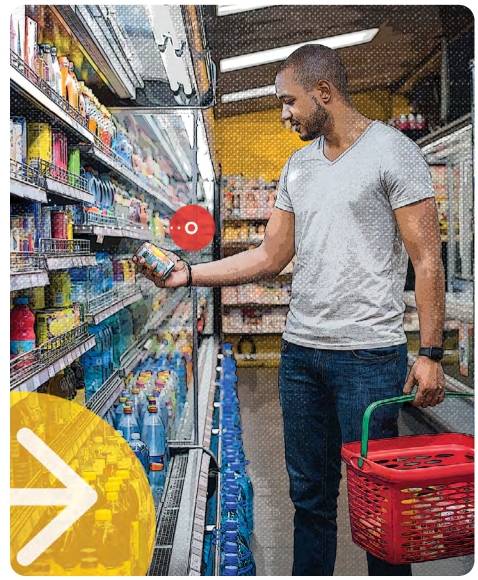

Retail brands face increasing pressures from all directions: the economy, consumers, new technology, and competition. To cover expenses while reinvesting in growth, it has never been more important to protect margins and preserve profitability — despite the hurdles that can make logistics more challenging.

Based on current and projected trends, these future-forward insights about retail logistics will help you prepare for what's ahead. We've asked our supply chain experts to weigh in on what shippers can expect and how to stay competitive in 2025 and beyond.

The Economy Drives Consumer Behavior — and Consumer Behavior Drives the Economy

This year is set to be another whirlwind of economic and political upheaval beyond what retailers have seen in recent years.

"2025 will be more challenging than years past," explains K.B. Ng, a supply chain professor at George Brown College's School of Management and supply chain consultant. "We face so many unfamiliar complexities and unknowns as a result of the current economy and a new administration, along with the potential for tariffs, and hence face inflation risks and reduced interest rate relief. These will significantly impact the flow of goods and the workforce, which ultimately impact consumer spending."

Four key factors that could drive up costs for retailers and logistics providers

Tariffs
Imports from China and various other major trading partners will be hit with tariffs, amplifying expenses for U.S. businesses that rely on imported goods to stock shelves.

Section 321 reform
A suspension of Section 321 de minimis rules requires more imported goods to go through customs and be subject to duties and taxes. For example, retailers shipping direct-to-consumer (D2C) from another country or foreign trade zone may incur duties and taxes on goods valued below the current threshold of $800. Such changes could have sweeping impacts on cross-border ecommerce activities from Canada, Mexico, China, and other countries.

Domestic labor expenses
Imports from China and various other major trading partners will be hit with tariffs, amplifying expenses for U.S. businesses that rely on imported goods to stock shelves.

Shipping expenses
Shipping costs for ecommerce delivery are on the rise as major U.S. parcel carriers continue to hike rates.[1]

What this means for retailers

"These all result in a higher cost of doing business, especially for retailers exclusively selling online," explains Sean Kim, Vice President of Ecommerce & Parcel at WSI, a third-party logistics (3PL) provider. "Businesses will have to make the difficult decision on whether to pass increases on to the consumer or absorb them and erode margins."

Businesses must pay special attention to customer service as they consider how to manage rising costs associated with regulatory changes. How a brand handles increased tariffs and Section 321 reform will directly impact customer relationships.

These changes can cause seismic shifts in purchasing decisions if shoppers find items suddenly priced higher or unavailable altogether. And, for **53% of consumers, a bad experience or poor service means they'll spend even less, according to a 2025 report from Qualtrics.**[2]

Consider shipping as an example: "The tracking experience from a trusted brand with a trusted carrier is much more important for many consumers than a faster shipping experience," says Kim. "We're even seeing a rise in consumers willing to pay for shipping to a certain point from brands they like and trust."

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Sean Kim
Vice President of Ecommerce & Parcel at WSI

The Price is Wrong: Rising Costs Could Squeeze Profits

Interest rate cuts by the Federal Reserve in late 2024 initially led brands and logistics stakeholders to believe that borrowing costs would fall in 2025, but those wishes didn't survive into the New Year. The Federal Reserve held interest rates steady in January, with no signs that they will hurry to continue rate reductions.[3]

Higher borrowing rates directly impact everything from speculative construction and new facility leases to general business expansion. Put simply, it will cost more for retailers and their logistics partners to expand operations in 2025.

After a few years of slumped activity, the freight market is also expected to begin recovering in 2025, driven by strong consumer demand, ecommerce activity, and reshoring. As rates climb and carriers get out of cost-cutting mode, they may pursue investments in artificial intelligence (AI), automation, and visibility solutions to better adapt to future volatility and meet the demands of the retailers and shippers they serve.

"Improvements like real-time visibility to enhance efficiency and customer service are becoming a must in any supply chain operation," explains Ng. "The ability to track shipments in real-time allows companies to accurately update customers, reduce delays, and optimize routes to make sure they stay on schedule and avoid potential disruptions."

Unfortunately, such investments also mean that trucking companies will increase rates as they strive to cover their own rising costs. Other factors, like rising fuel costs and an ongoing trucking labor shortage, could contribute to higher rates and longer delivery times.

"As carriers try to manage costs, many are rumored to offset them by passing them on to retailers while also slowing down shipping and delivery," Kim explains. "The USPS has already reduced its footprint of sortation centers and extended delivery expectations. Brands chasing the two-day delivery experience may now have to pay more to achieve this beyond a ground network."

To guard against potential increases in shipping rates, brands can partner with a third-party logistics company to help offset rising shipping costs. "3PLs have the volume to negotiate deeper with carriers. A savvy 3PL will also be able to offer advice on changes happening that could impact their business and consult on economic solutions like inventory movement, carrier diversity and services," Kim says.

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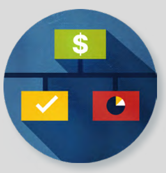
Retailers could also consider:

Shifting to a multi-node fulfillment network to reduce long-zone shipments and bring inventory closer to consumers.



Investing in a demand planning solution to optimize onshore inventory management, especially when operating across a multi-node network.

Negotiating long-term contracts with carriers to establish fixed rates or caps.

Labor Is Hard to Find and Even Harder to Fund

It's no secret that the U.S. logistics sector is dealing with ongoing labor shortages that impact supply chain efficiency and customer service. Contributors like an aging workforce, lower immigration rates, and competition with other industries all play a role.

"We're seeing shortages throughout the distribution chain, from sourcing to production and delivery," explains Ng. "These are critical gaps. As manufacturing moves back to the United States to support onshoring efforts, retailers and logistics providers will need to find even more workers, which will only intensify the shortage."

Matt Schroeder, Vice President of Investments at WSI, sees progress when it comes to filling hourly material-handling positions, but says it's still a challenge to meet end-customer demand.

"Because they don't want to bear the costs of these things, companies have less of a big push to build inventory and ensure extremely fast delivery times," he says. "The mad dash to secure labor has lessened a bit; however, overall ecommerce growth has sustained. It's not as impossible as it once was, but it's still not easy."

In a tight labor market, workers also feel comfortable changing jobs frequently, which can create issues — especially since onboarding workers to new processes and systems takes time and drives up costs, no matter how simple the tasks are.

"You can't bring in 100 new employees and expect them to be 100% productive immediately," Schroeder points out. "The hope is that, as technology improves, worker productivity can also improve, regardless of experience level. "

Barring a broader recession, Schroeder doesn't see the labor situation changing anytime soon. In fact, he predicts another spike in labor demand and wages in the near term. In the long term, however, he estimates that wages will normalize, especially as more automation enters the workplace and lowers the demand for workers.

The gig economy and short-term/temporary work are other labor areas to watch. Brands need to pay attention to who is truly an "employee." Worker misclassification can lead to legal disputes and penalties.

"This creates a bit of a have-and-have-not situation because it's harder to hire temps who aren't considered employees," explains Schroeder. "Unless you have a large HR department and want to deal with large numbers of employees or temps, it may be better to outsource logistics to a 3PL that has the size and scale to handle the associated administrative and HR challenges."

Retailers who grow their in-house capabilities may continue to struggle to maintain a large, stable workforce. Though brands can make it happen, they must pay a premium for workers.

As Logistics Become Digital, Security Becomes the Priority

Technology is making its mark on every link in the supply chain as retailers, logistics providers, and freight haulers rely on it to close labor gaps, make smarter decisions, reduce costs, and improve customer service. A recent survey of 1700+ U.S. supply chain executives by MHI[4] shows that companies are ramping up technology investments.

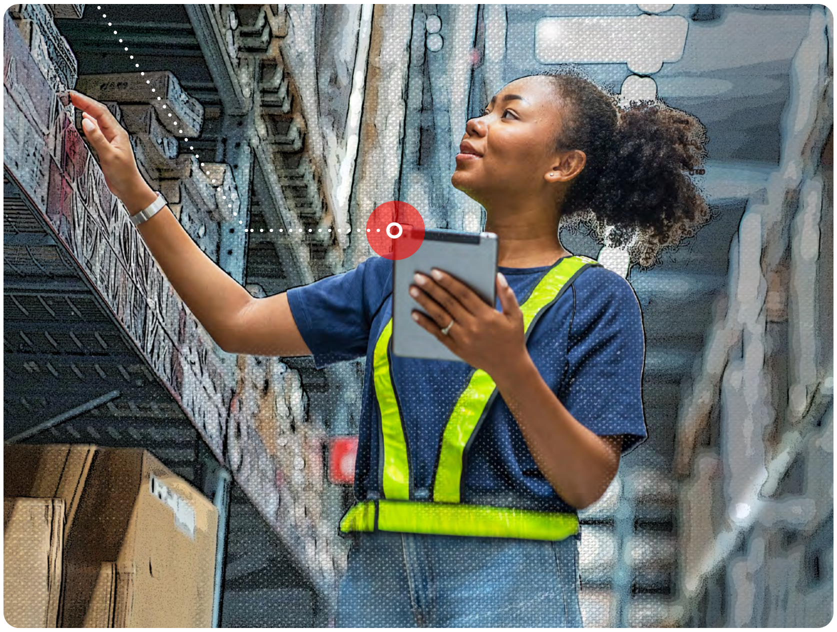
Technology enables agility and resiliency. Without it, you can’t forecast risk, accurately scenario plan, facilitate transparency among partners, enable insights across the supply chain ecosystem, or respond to changing demands quickly.

According to the survey, **85% of supply chain leaders plan to invest in AI and the Internet of Things in the next five years, while 83% plan to invest in robotics and automation**. These investments will significantly impact logistics companies and the brands that partner with them. Errors will decrease, efficiencies will improve, and new services will be possible, such as using drones for last-mile delivery.

“The technology conversation can’t happen without AI in the picture,” says Sebastian West, Vice President of Information Technology at WSI. “AI is transforming retail and logistics by bringing greater efficiency and precision to operations. Predictive analytics powered by AI help businesses forecast demand more accurately and ensure optimal inventory levels.”

“Retail is leveraging AI to personalize the customer experience and provide recommendations,” says West. “At WSI we leverage AI to improve our operational processes across the organization and are constantly exploring ways to give our customers valuable insights into opportunities to improve their own business.”

But AI also brings a new priority to the table: good data. Data is the foundation that AI relies on to learn, adapt, and make decisions. Putting the proper controls in place to protect this data is a must. Whether at rest or in transit, data from network-connected devices — including anything from automated guided vehicles to HVAC systems — is a target for bad actors.



As investments in technology are made, Sebastian advises that retailers and 3PLs should consider these steps to protect themselves:

Implement a reliable security framework

that allows the organization to build a cybersecurity strategy, such as NIST, CIS, or SOC 2.

Invest in education

to help all employees understand the consequences of security failure. Key stakeholders should recognize the potential impact of a breach — not only in terms of finances but also in terms of PR fallout and credibility loss among customers.

Communicate the steps being taken

to protect data. Help customers understand what you're doing to keep their data safe and why and when you're doing it so they know you have their best interests at heart.

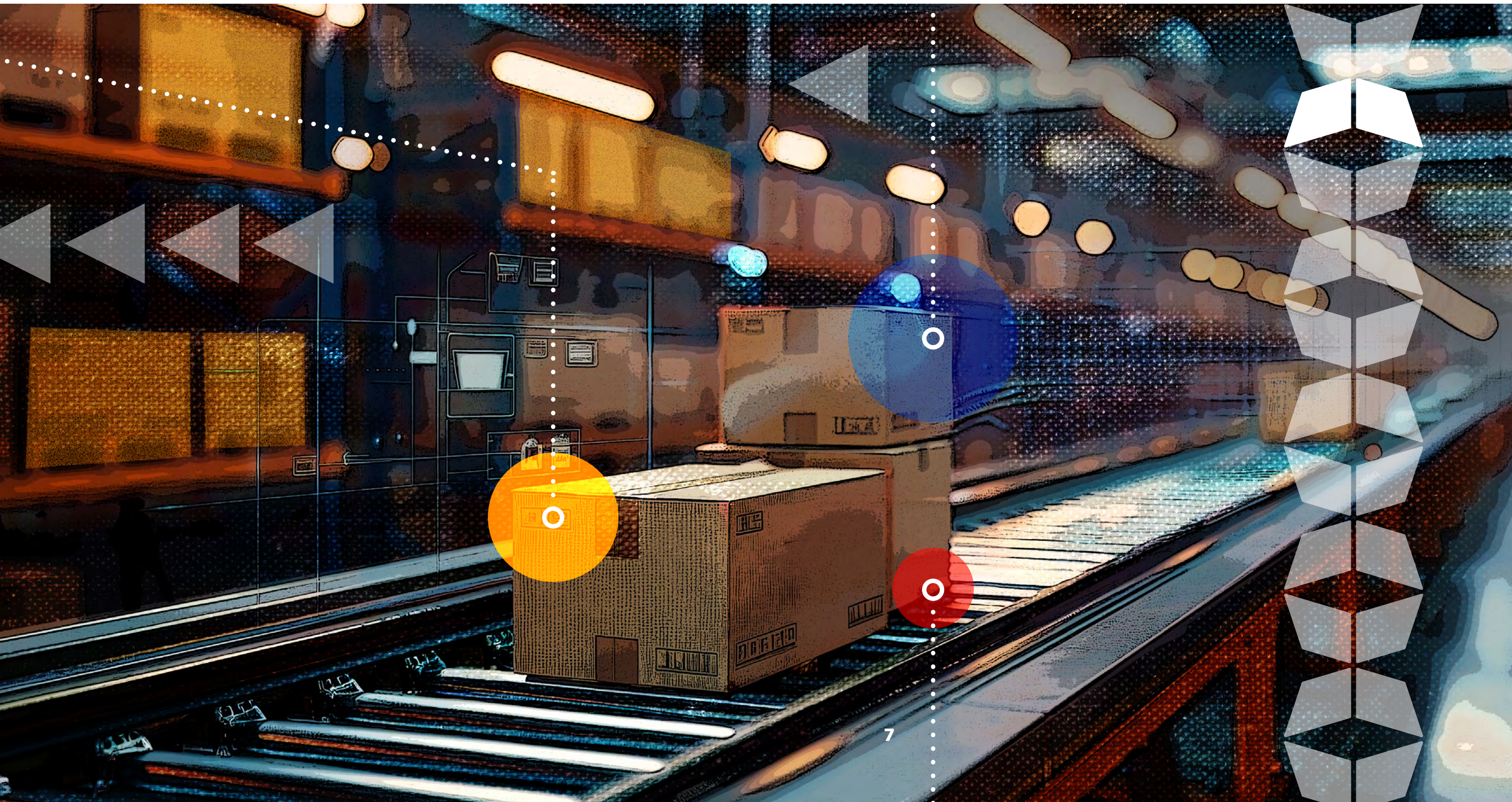
Don't cut corners

on cybersecurity efforts. There is little compromise when it comes to security.

The initial outlays are significant but necessary for any company that invests in automation and the security infrastructure required to protect sensitive information. Even as technology becomes more cost-effective, a full return may not happen for several years.

"Understand that you have likely underestimated the true total cost of the investment," says Sebastian. "Technology doesn't just get installed and start working. Upkeep, process optimization, support, and labor all play a part in the total cost of ownership. Don't invest in technology without doing the homework and proving the value and return. Toss out anything that doesn't give you a clear return on investment."

Partnering with a 3PL can help retailers add capacity and grow their networks without directly investing in warehouse space or logistics technology.



3PL Demand Will Grow, Even as Some Providers Close Their Doors

Many of the challenges mentioned throughout this playbook drive the need for third-party providers that can manage increasingly complex logistics for retailers.

"With all the changes on the horizon, most retailers won't have enough time to figure out alternative approaches to many of these challenges," says Ng. **"They'll have no choice but to pay the higher fees associated with tariffs, Section 321 reform, or labor and freight costs.** Demand for 3PL services will grow for this reason. And importers will start using 3PLs to bring in their goods directly to the country, which will likely be faster and cheaper than the alternatives."

He adds that ecommerce retailers often require up to three times as much warehouse space as traditional retailers. As ecommerce growth continues, how much more warehouse space will online sellers need to fulfill orders successfully? Many brands won't want to make that investment. Instead, they'll turn to a logistics partner.

Given this demand, why are some 3PLs shuttering? Because it takes resilience, innovation, and resourcefulness to keep pace as competition stiffens. Not all logistics providers excel at adapting to and overcoming disruptions or changing market conditions, so it's important to do your due diligence when selecting a provider.

"Especially in today's world, retailers can create more risk when they attempt to handle logistics themselves," Ng says. "As markets and consumer patterns change, retailers will have to rely more and more on full supply chain solutions to support customer needs. They have the systems, technology, and processes in place. They've been operating for many years. They're the experts."

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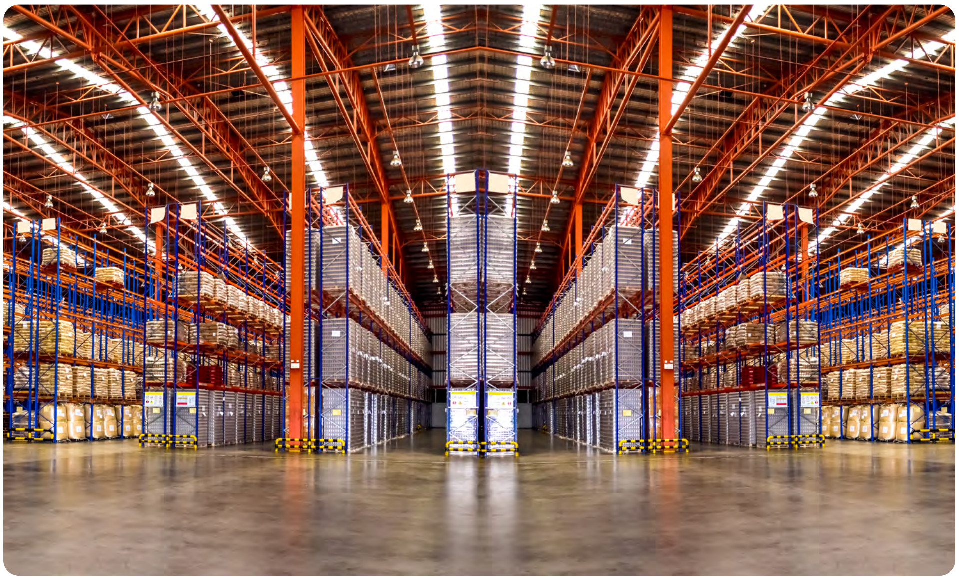

About WSI

Warehouse Specialists, LLC (WSI) is a leading 3PL provider delivering reliable fulfillment and supply chain solutions nationwide. With the perfect mix of people, processes, and technology, WSI empowers brands to make the most of their supply chain operations. We help retailers optimize their logistics spend, streamline their operations, and improve customer satisfaction via a collaborative partnership.

About studioID

studioID is Industry Dive's global content studio offering brands an ROI rich tool kit: Deep industry expertise, first-party audience insights, an editorial approach to brand storytelling, and targeted distribution capabilities. Our trusted in-house content marketers help brands power insights-fueled content programs that nurture prospects and customers from discovery through to purchase, connecting brand to demand.

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