



# A divided sector

Operators look for a clear route forward



IDEAS | PEOPLE | TRUST

UK Logistics Confidence Index 2025



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# The big picture

## Welcome to this year's Logistics Confidence Index report.

Our findings this year suggest that the significant challenges facing logistics operators as a result of the current UK economic climate and global geopolitical tensions have dented the sector's optimism to an even greater extent than expected.

The level of confidence shown by our index score of 40.4 is a fall from last year's result and the lowest we've ever seen across the 14 years of this research – significantly below the previous Covid-related low of 47.1 in 2020.

While our frequent conversations with logistics businesses suggest that many are still performing well, and it's clear the sector is doing lots of things right to drive change, our analysis reveals an unprecedented level of uncertainty. There is clearly frustration around a series of roadblocks to growth in the current economic and political environment, which have left many feeling under pressure.

Labour market pressures, in particular, continue to weigh on operators, with rising hiring costs, partly reflecting higher employers' National Insurance Contributions, adding to market challenges.

However, the industry has repeatedly proved its resilience and ability to bounce back from adversity over the many years we have been tracking sector sentiment.

We would like to thank all our research respondents for their invaluable insights.



**Jason Whitworth,**  
Partner, Deal Advisory – M&A and Logistics  
& Supply Chain Management,  
BDO LLP



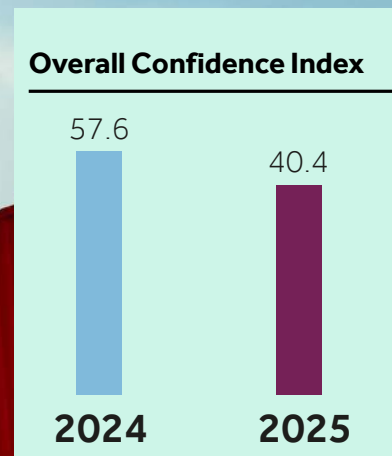
**James Lean,**  
Industry Director – Manufacturing, Transport  
and Logistics,  
Barclays Corporate Banking

### 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 2025.

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 £15.6 billion. Their responses have been compiled to create the UK Logistics Confidence Index 2025, the 18th report and 14th year of the index.



# Unpacking our findings

**Tough trading conditions**

Our research over the years has shown that logistics industry confidence broadly mirrors the performance of UK plc more generally. Margins for many operators are currently under pressure, thanks to higher costs, sluggish GDP growth – just 0.3% in Q2 2025 – and cautious consumers, meaning lower volumes for some operators.

A key factor behind the notable fall in this year’s LCI score is a sizeable swing in respondents’ views on current trading conditions and the outlook for the next 12 months. Overall, nearly 7 in 10 think current conditions are more difficult than last year, while the lowest-ever percentage, just 8%, say they are more favourable. This is in sharp contrast to our 2024 research, which showed plenty of optimism.

Looking ahead, 52% of respondents in our research expect business conditions to remain tough in the next 12 months. More than half of businesses (56%) still expect to increase turnover, but this is itself the second lowest percentage on record and likely to be primarily achieved through price increases.

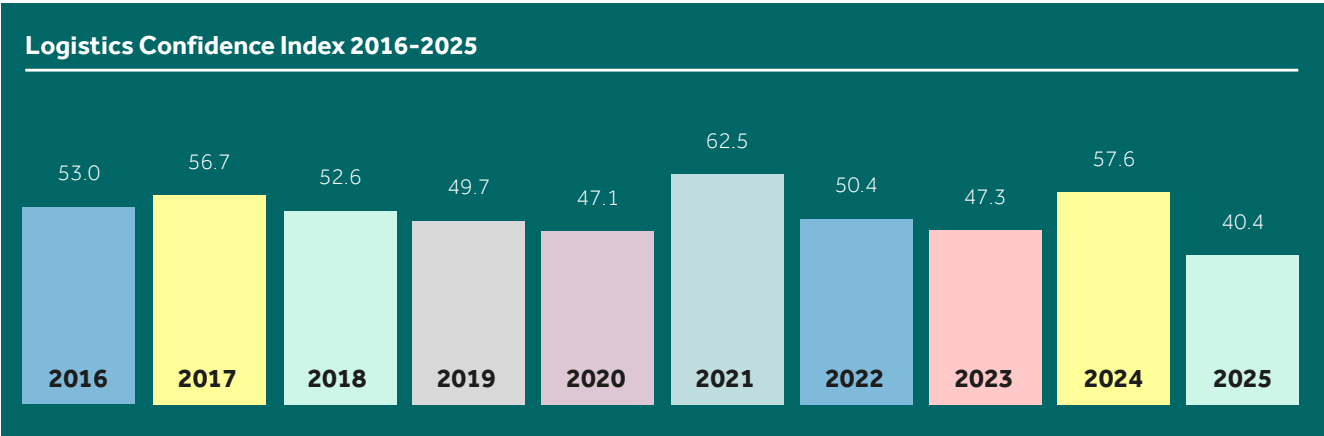
The number expecting higher profits (38%) is also the lowest percentage ever, and part of a longer-term downward trend in profitability expectations since 2021, only interrupted by a more positive result in 2024.

**New fuel in the tank?**

Many of the logistics providers we talk to are confident they will come through the current difficult environment – especially those that continue to embrace change and are ready to take advantage of an economic upturn, as reflected in the case studies in this report.

“Someone once sang 'things can only get better' and I think that's the case, in the mid-term. Barriers to entry are increasing, which is good, but at the same time, costs are also going up.”

Respondent comment





## The UK Logistics Confidence Index 2025

Our findings suggest we may be seeing increasing polarisation in the market between those operators able to invest in future-proofing themselves and a long tail of smaller operators who are focused on just getting by, which may lead to further industry consolidation.

While there is clearly frustration with the current trading landscape, logistics business leaders can take some small comfort from the fact that the UK economy at least appears in better shape than some other G7 countries and is not, for the time being at least, facing the prospect of a full-blown recession.

The logistics sector perhaps needs some new fuel in the tank, both literally and metaphorically, to capitalise on the opportunities that still exist for many businesses to win on quality of service for the right customers in the right markets.

### A divided sector?

A deeper dive into this year's overall Logistics Confidence Index score shows that larger businesses (£50m+ turnover) are more confident, with an index score of 43.1, compared to 37.4 for smaller operators, for whom the cost barriers to automation and energy transition are likely to be most significant. Perhaps unsurprisingly, providers with exposure to global markets are less upbeat about the future, with an index score of 37.7, compared to those focused only on the UK and Ireland (42.8).

The most confident businesses by service offering operate in the courier/express/e-fulfilment/last mile e-commerce sub-sector (41.1), while the least confident by some distance is the temperature controlled sub-sector (33.9).

### M&A in defensive mode

Only a quarter of respondents say they have engaged in M&A in the past year, which is below the industry trend we've seen in recent years. There is slightly more appetite for M&A over the next 12 months, with 30% likely to make an acquisition, but this is again relatively subdued.

Those operators with M&A intentions have a lower average confidence score, suggesting M&A is being driven by defensive plays to capture market share and boost turnover, while reducing costs through synergies and economies of scale.

Given the greater confidence among larger operators, we can probably expect further M&A interest in the year ahead, but M&A generally appears to be being held back by a scarcity of quality acquisition targets and lower confidence about future earnings and return on investment, which all leads to a 'wait-and-see' approach.



# 40.4

the lowest-ever  
Logistics Confidence  
Index score

# 52%

record lowest  
percentage of  
business leaders  
expecting significant  
capital expenditure  
in the year ahead

# 56%

still expect turnover  
to increase in the  
year ahead

## The UK Logistics Confidence Index 2025

### Protecting the bottom line

Close to 9 out of 10 business leaders' plans are focused on reducing costs, according to our research, whether through reducing headcount, driving efficiency through automation or other technologies, or making savings through collaboration and shared services with other operators.

Measures to control costs and increase market share – with the ultimate aim of protecting margins – are the top strategic priorities for the sector.

Fierce competition around pricing and tendering for new contracts in a market struggling to achieve growth perhaps explains some of the frustration evident in respondents' comments.

### Capital expenditure on hold

A record 48% of businesses say it's 'unlikely' they will make significant capital expenditure in the 12 months ahead – continuing a downward capex trend that has become more marked every year since 2021 – with many citing a lack of available cash and requesting further Government incentives to support investment.

Investment in technologies ranging from automated warehousing to data analytics can of course deliver much-needed cost savings in the long run, but many operators, particularly the smaller ones, appear to be facing a Catch

22 dilemma: needing to invest for growth, but reluctant to commit to capex due to a lack of financial resources or confidence in return on investment.

While it's clear from our research that there is much greater sector awareness around the potential of AI and the importance of cyber security, capex intentions suggest that those that invest in technology are likely to gain a competitive edge – and those that don't may risk getting left behind.

### Recruitment down but skills gaps remain

With volumes under pressure, many operators say they are not replacing staff who leave, in order to cut costs, while just 25% of logistics providers expect to increase headcount in the year ahead. Again, this is a downward trend we've seen since 2021, when headcount expectations were at a record high.

However, finding staff with the right skills is still a big issue for logistics operators, likely exacerbated by businesses being more discerning about recruitment in light of higher employment costs, among other factors. A continuing difficulty in recruiting suitably skilled managers perhaps reflects the importance of quality leadership in the current tough environment and the continuing challenge of making logistics an attractive career proposition.

"We need resilience to stay in the game. It's not about 'winning' the game, it's about staying in it. In the short term, at least."

"Our biggest problem is staff and the quality of those staff, which I am hoping technology will help overcome."

"Generally, volumes are depressed, operating costs have increased... new employment legislation on horizon – all leads to companies adopting survival mode rather than [an] invest for future attitude."

Respondent comments



## The UK Logistics Confidence Index 2025

Given the current focus on cost control measures, it is perhaps unsurprising that the logistics businesses we surveyed say that working with younger people is now more important than improving pay and conditions as a way of addressing the skills shortage. The sector is also seeing a significant increase in operators using temporary staff to help manage the rise in National Insurance Contributions.

### **Pulling together**

Nearly half of operators say they see the potential benefits of greater collaboration with customers, suppliers or other providers as a growth priority. Many regional operators are increasingly sharing EV charging stations – an infrastructure challenge that should be one of the key targets for Government support, according to our respondents.

Logistics leaders highlight the opportunities to cut costs and improve margins through shared transport and warehousing, especially for domestic inbound logistics, which can be particularly beneficial for smaller operators.

Collaboration can also reduce the barriers to entry that smaller providers face around technology solutions, potentially allowing them to access transformative software tools more easily.

### **Sustainability slipping down the agenda**

While still a key issue that logistics business leaders are clearly concerned about, investment in sustainability has moved down their priority list in terms of near-term capex this year, with the number of respondents selecting it as a priority down to 25% from 39% last year.

This could be because 'quick wins' – such as solar panels, EV company cars and charging points – have already been completed by many businesses in the sector, many of whom lack the financial resources for more complex and costly investments such as warehousing initiatives, decarbonising fleets and optimising fuel usage. These are the key investments among those businesses pursuing sustainability, but our findings suggest that operators are finding it increasingly difficult to pass on additional costs to customers through higher prices, or indeed to afford the initial outlay.

Despite the potential long-term savings of sustainability measures, some business leaders appear to be finding it hard to see a clear return on that investment.

"Our major focus following last year's Budget is on cost reduction and margin improvement."

"Very difficult to raise prices and grow due to everyone fighting to retain customers. Service excellence is paramount."

"Increased labour costs have reduced the ability to spend in other areas."

Respondent comments

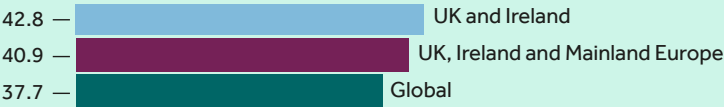
# Into the detail

UK economic conditions and global geopolitical tensions have hit optimism.

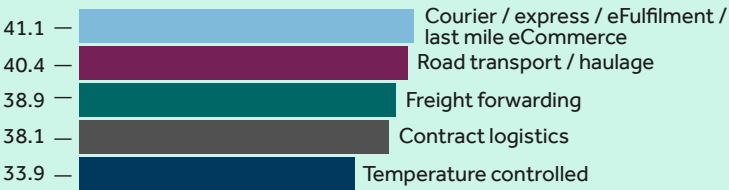
Confidence by location



Confidence by service geography



Confidence by service offering



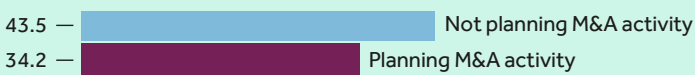
Confidence by company size



Confidence by asset category



Confidence by M&A intention





# The UK Logistics Confidence Index 2025

Over two-thirds of logistics leaders see current trading conditions as tougher than 12 months ago.

"The current climate is very difficult as consumer spending is slowing down."

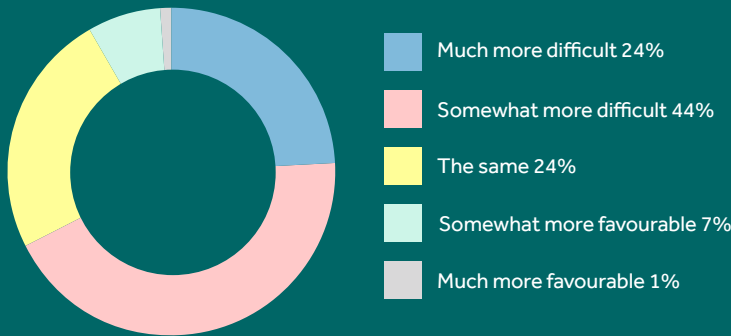
Respondent comment

Over half of operators expect business conditions to be more difficult in the year ahead, with higher costs and uncertain demand.

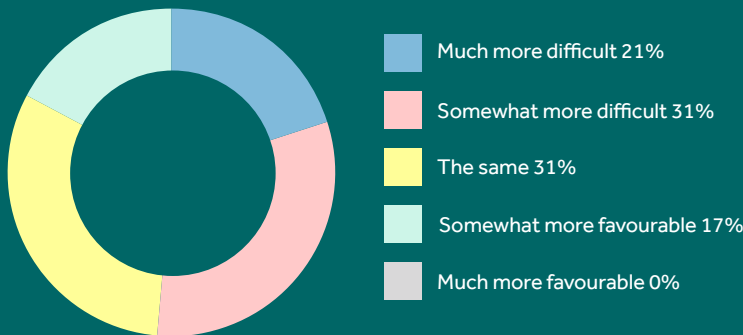
"[We have] reset [our] focus on cost control [and a] revised new business/sales structure."

Respondent comment

## How do you view current business conditions vs 12 months ago?



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



# The UK Logistics Confidence Index 2025

More than half of logistics businesses still expect to increase turnover – most likely through price increases.

"Growth is focused on existing business, and areas of niche service requirements."

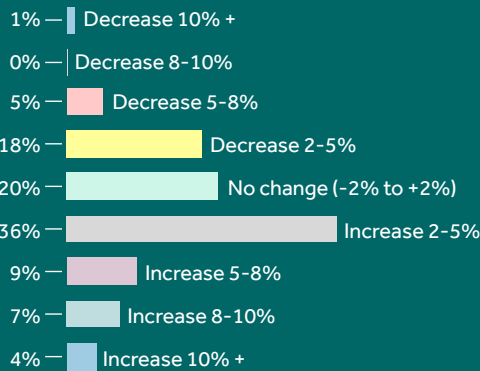
Respondent comment

Logistics leaders' expectations for increased profitability in the next 12 months are at a record low.

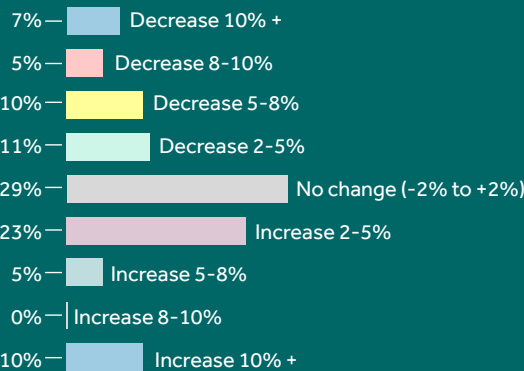
"[Our] priority [is] controlling and reducing the cost base, targeting specific volume flows in order to bring efficiencies to the fleet."

Respondent comment

## Do you expect an increase or decrease in turnover in 12 months' time?



## Do you expect and increase or decrease in profit in 12 months' time?



# The UK Logistics Confidence Index 2025

Nearly half of logistics operators appear either reluctant or unable to commit to capital expenditure.

"...rising employment costs are inhibiting companies' ability to invest for the future."

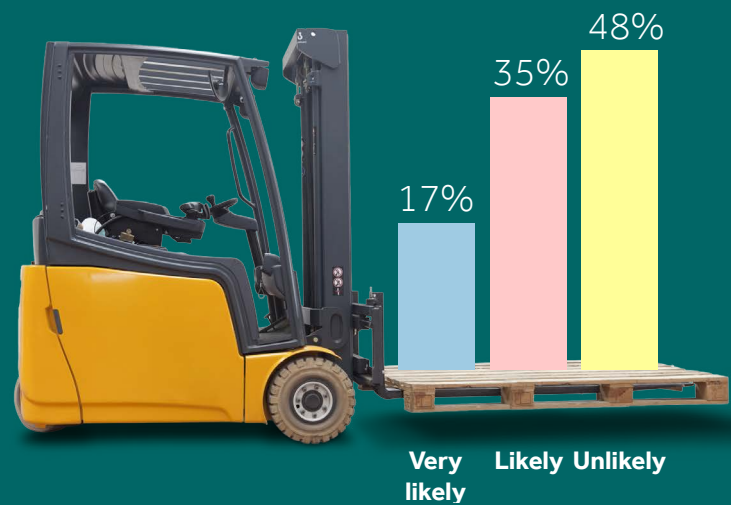
Respondent comment

Headcount expectations are at their lowest-ever level.

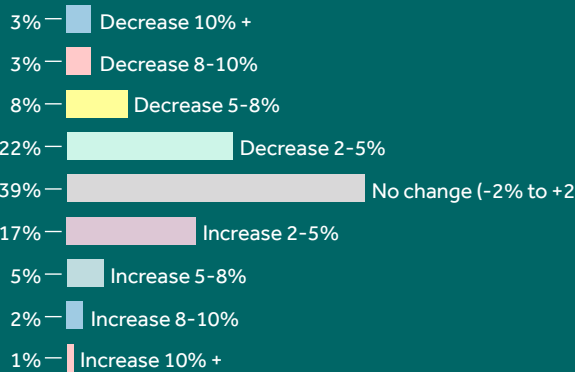
"Maintaining profit has to be the most important objective and, unfortunately, that can only be achieved at the moment at the expense of jobs."

Respondent comment

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



## Do you expect an increase or decrease in headcount in 12 months' time?





# Business strategy

Against a backdrop of tough economic headwinds, with logistics operators competing over lower volumes, many businesses are pursuing strategies to cut costs and boost turnover.

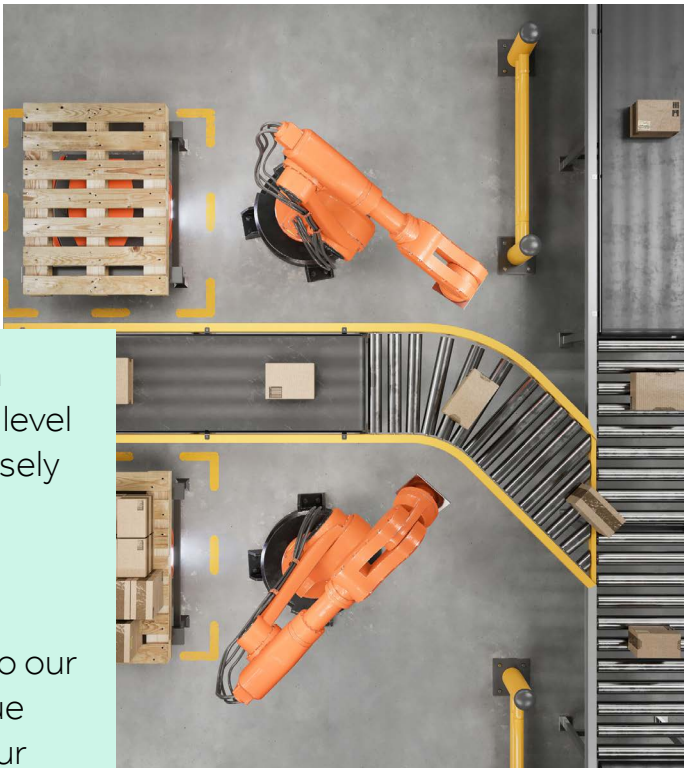
### Priorities for growth

Controlling costs and increasing market share are the top growth priorities for logistics providers in a bid to bolster both the top and bottom lines.

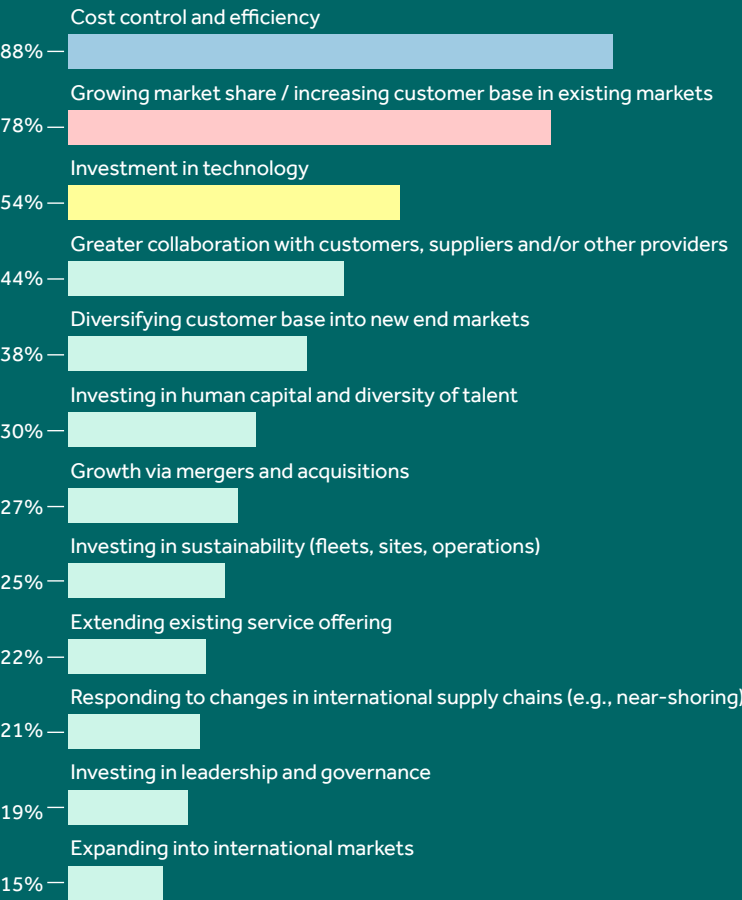
"We are looking for future growth in existing markets by offering a high-level service at a fair price. Allied with closely managing our costs."

"Our core strength lies in building strong relationships and upselling to our existing customers, so we'll continue to maximise opportunities within our current client base while targeting new business."

Respondent comments



### 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%

## The UK Logistics Confidence Index 2025

### Opportunities for collaboration

Logistics leaders recognise shared transport and warehousing can cut costs, while EV charging and alternative fuel infrastructure also present key collaboration opportunities.

"Collaboration to cut empty running [can help by] boosting efficiency and impacting carbon emissions too."

Matthew Kilner, Expect Distribution Group

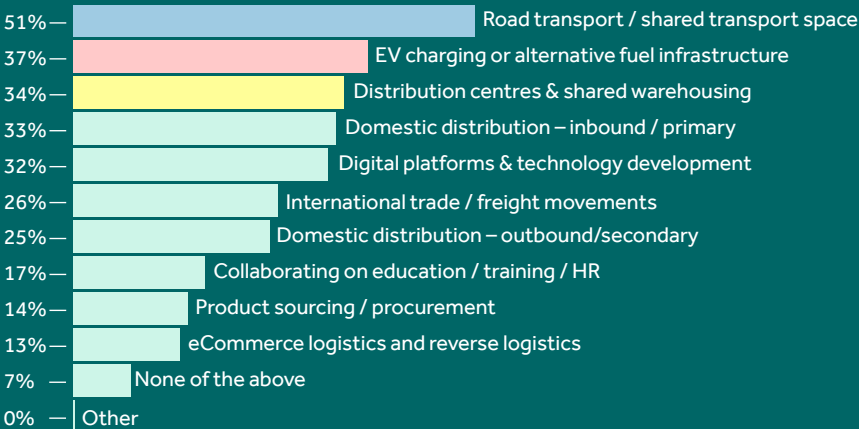
### Greatest challenges

Logistics providers see fierce competition over pricing and tendering for new contracts as their greatest challenge.

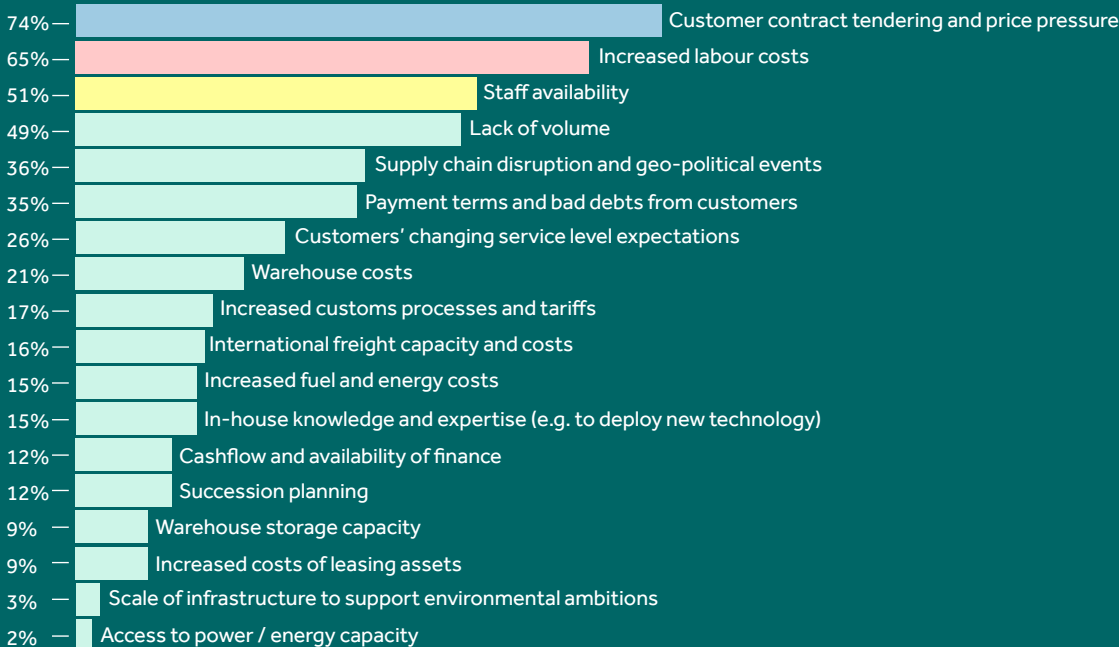
"Customers experiencing the same [challenges] are now more inward cost and cash flow focused and reluctant to accept rate increases."

Respondent comment

### Where do you see opportunities for collaboration in UK logistics?



### Where in your business do you currently see the greatest challenges for growth?



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

# Mergers and acquisitions

Our research suggests those considering M&A are largely driven by defensive strategies to capture market share, while reducing costs through synergies and economies of scale.

## M&A in the last 12 months

Engagement in M&A activity in the past year has been below par, and primarily linked to expanding operators' service offerings and achieving economies of scale.

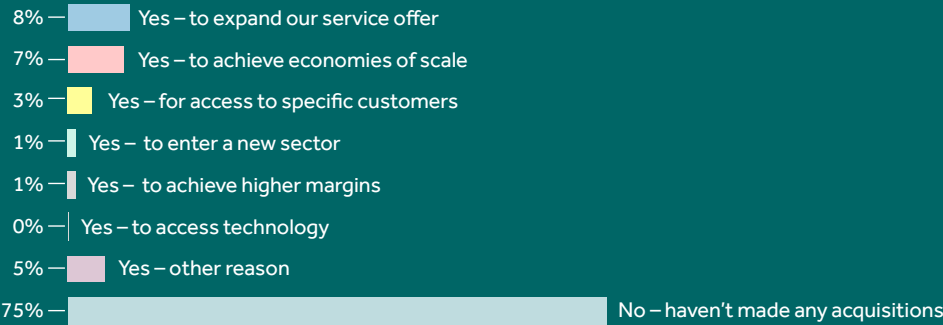
"We were presented with an opportunity we couldn't refuse."

"We're expanding our service offering through M&A."

"The main reason for the acquisition was for much larger growth and capability overseas."

Respondent comments

Have you completed, or initiated, any acquisition(s) over the last 12 months and if so, what was the main driver behind this?



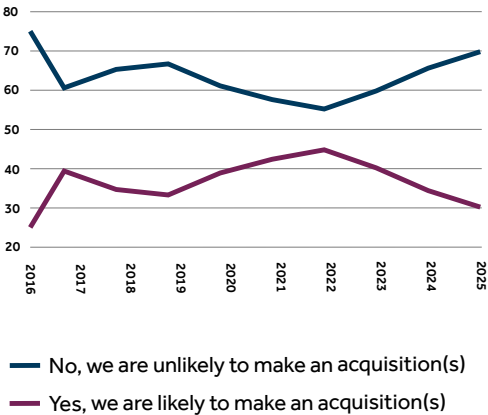


# The UK Logistics Confidence Index 2025

## M&A in the next 12 months

While the appetite for future M&A is slightly higher, and investment interest in high-performing, market-leading businesses remains very strong, a lack of quality acquisition targets and caution over return on investment is contributing to a 'wait-and-see' approach.

## Acquisition plans over time

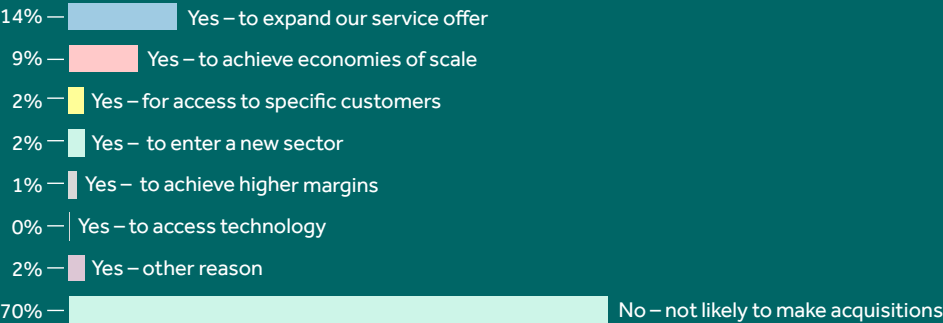


"Not [making acquisitions] unless there are truly scalable benefits for the acquisition."

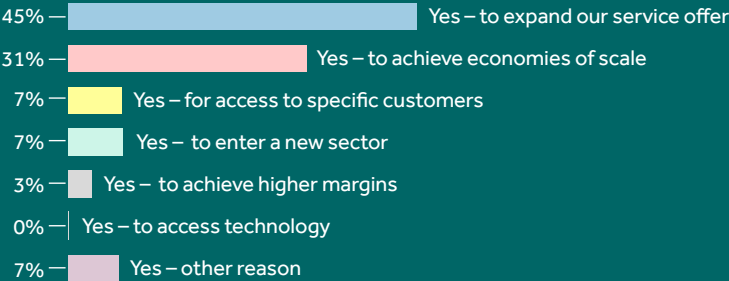
"We are continuing to acquire to ensure we move forward with a growth mindset."

Respondent comments

## Are you likely to make any acquisition(s) over the next 12 months and if so, what is the main driver behind this?



### Of the 'Yes' answers only



# Sustainability

Investment in sustainability has slipped down the agenda for logistics business leaders, who are focusing on weathering the difficult trading conditions.

**Sustainability investments**

Logistics businesses are still pursuing sustainability initiatives but are finding it increasingly difficult to justify the costs – despite the potential long-term savings.



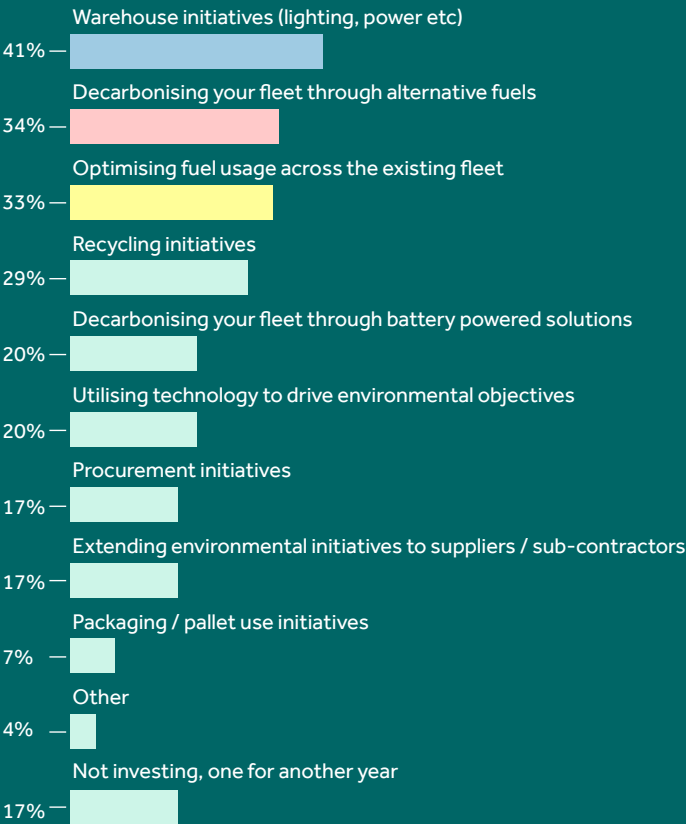
"We have an internally designed CO<sub>2</sub> calculator which measures CO<sub>2</sub> data for every shipment we complete for customers. This is real-time data which will be hugely beneficial for our customers and should help us secure new business."

"To realistically reach decarbonisation targets, incentives/grants need to be made available to bridge the gap in investment cost."

"We are looking at battery powered solutions to replace our TRUs (transformer rectifier units) and using technology to streamline our processes to make us more efficient."

**Respondent comments**

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



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

# People

Finding staff with the right skills is still a challenge, perhaps exacerbated by businesses being more discerning about recruitment because of higher employment costs.

**Impact of skills shortages**

An increased focus on management skills reflects the importance of quality leadership in the current tough trading environment.

"Quality people are essential for the business – becoming more difficult to find."

"Staff availability, and availability of trained, skilled staff, is the biggest challenge we face."

Respondent comments

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

|   | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|------|------|------|------|------|------|------|
| Drivers   | n/a  | n/a  | n/a  | 1    | 1    | 1    | 1    |
| Drivers HGV   | 1    | 1    | 1    | n/a  | n/a  | n/a  | n/a  |
| Junior / middle management                                | 2    | 2    | 2    | 4    | 4    | 4    | =2   |
| Senior management / leadership                            | 3    | =3   | 4    | 6    | 5    | 3    | =2   |
| Office-based roles (accounts, admin, sales and marketing) | 4    | 5    | 3    | 3    | 6    | 7    | 6    |
| Warehouse staff   | 5    | 6    | 6    | 2    | 2    | 2    | 4    |
| IT-related staff  | 6    | =3   | 5    | 5    | 7    | 5    | 4    |
| Drivers - vans / LCV                                      | 7    | 7    | 7    | n/a  | n/a  | n/a  | n/a  |
| Temporary / seasonal based roles                          | 8    | 8    | 8    | 7    | 3    | 6    | 7    |



# The UK Logistics Confidence Index 2025

## Addressing the skills gap

Businesses are focusing on working with younger people and improving pay and conditions to address the skills shortage.

"Apprenticeship training has been key to recruitment for the past 5-6 years."

"There will be a massive skills shortage in years to come. The age demographic of driving staff is far too high, which will result in driver shortages within the next 10 years."

Respondent comments



## What are the most important actions that you are undertaking now to address the talent/skills shortages in your business?



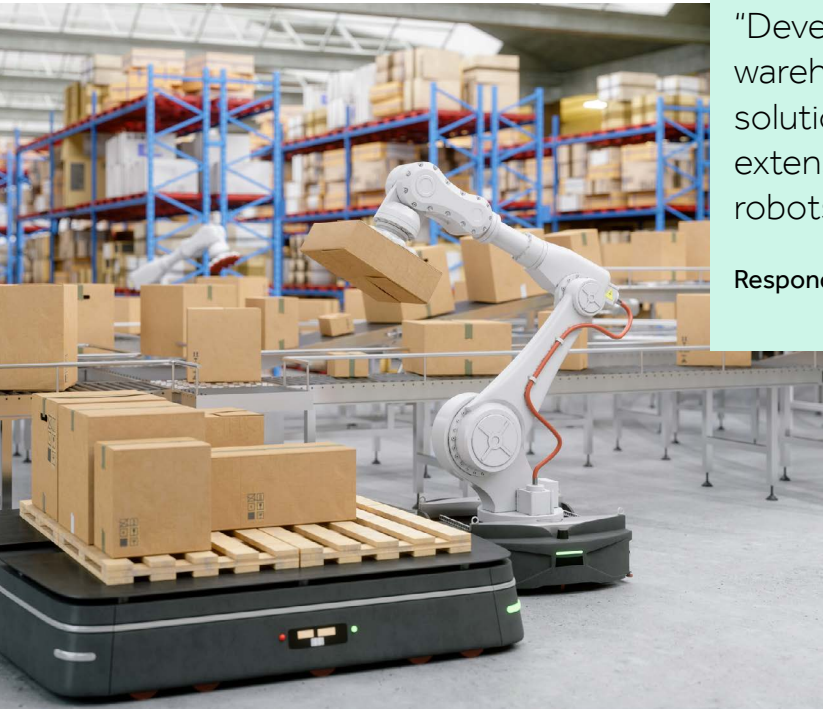
Share of respondents selecting each category – will not add up to 100%

# Technology

Logistics providers see the benefits of investing in technology but often lack the necessary financial resources in the current climate.

**Focus of investment**

The potential for savings through efficiency and better customer services are persuading logistics operators of the benefits of artificial intelligence (AI) and automation.



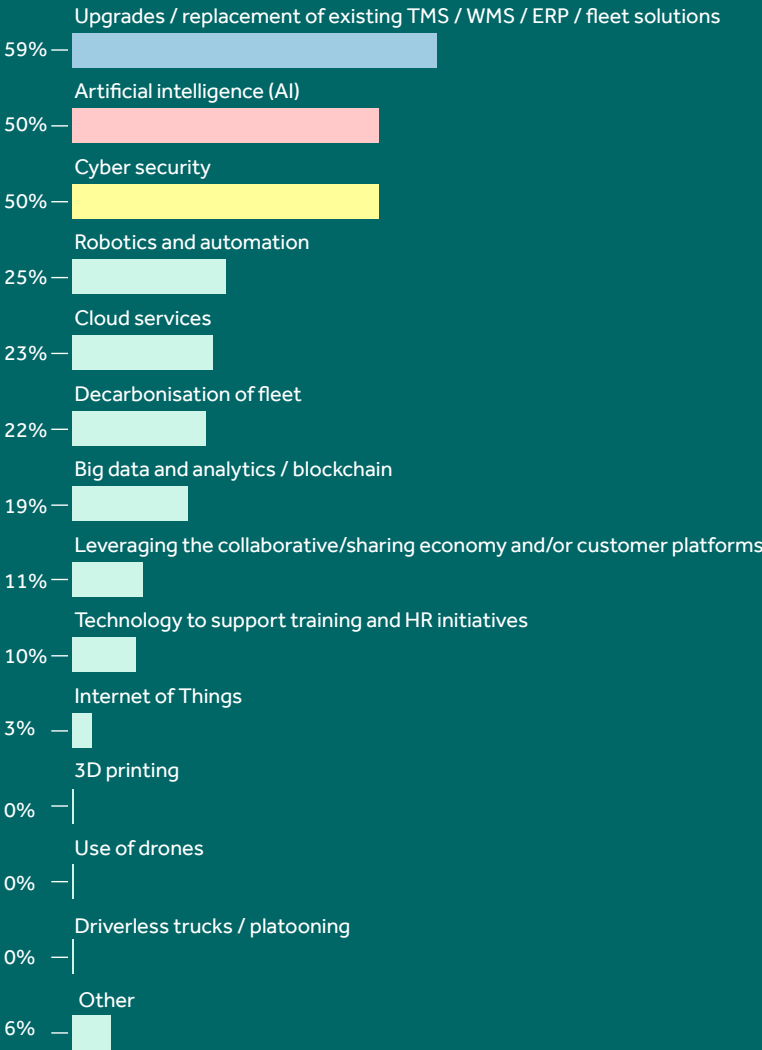
"Focus on AI, robotics and automation to drive new levels of efficiency."

"Improve end-to-end efficiency, data analytics and customer engagement."

"Developing AI-driven warehouse automation solutions, coupled with extensive deployment of robots."

**Respondent comments**

**Which technology applications are you currently prioritising for investment?**



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

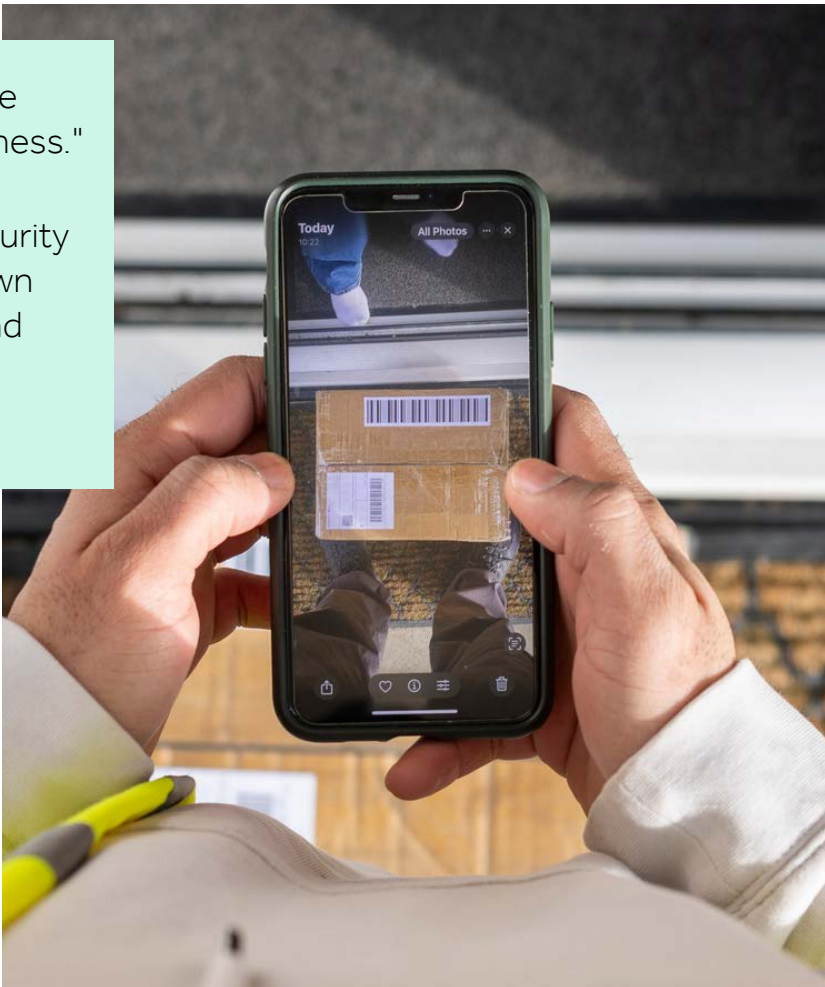
Cyber resilience

The sector’s clear commitment to building cyber security and resilience shows that logistics leaders increasingly recognise the threats to their businesses.

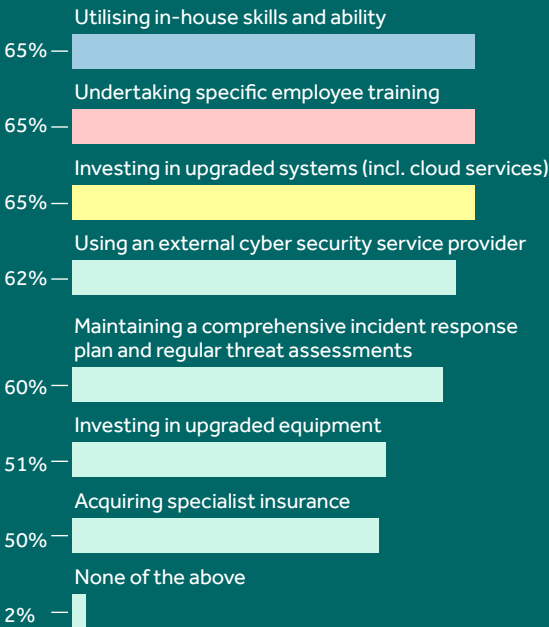
"This [cyber security] is the biggest threat to our business."

"[We're making] cyber security improvements for [our] own benefit and to reassure and attract customers."

Respondent comments



What actions are you taking to mitigate risk and ensure cyber resilience for your business?



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



# Government support

Under-pressure business leaders in the logistics sector want to see more support from the Government to help it through the challenges the industry faces now and in the future.

**Priorities for Government support**  
Logistics leaders want the Government to lighten the sector’s tax burden and offer more support for the transition to a low-carbon economy.



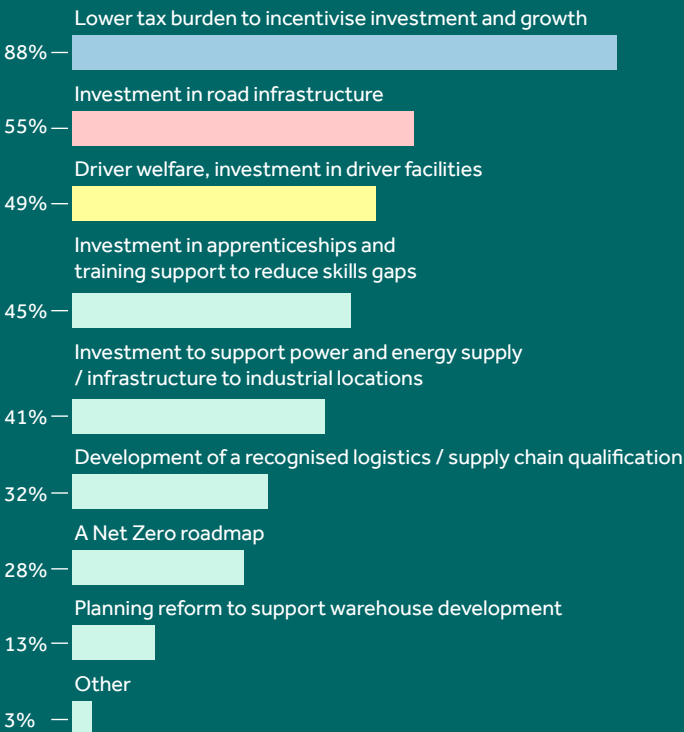
"The tax burden on logistics businesses has been huge in recent years, and this is stifling growth ambitions."

"It is important that a net zero roadmap is in place as it will enhance our market significantly if we can get there."

"Investing in transport infrastructure – particularly road, port, and rail connectivity – to reduce congestion and improve reliability."

Respondent comments

What are the key areas and deliverables you would like the Government to prioritise over the remaining term of this Parliament to support growth in the logistics sector?



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

# Industry insights: Europa Worldwide Group

## Turning challenges into opportunities

Post-Brexit customs solutions for customers exporting to Europe, driving efficiency through AI and expanding geographical reach are among the top priorities for Rob Jones, CFO for Europa Worldwide Group.

### Positive thinking

Whether it's tackling Brexit red tape or working out how best to deploy AI across the business, Rob says Europa Worldwide's focus is "to see every challenge as an opportunity".

As a market leader in groupage services for UK business customers exporting to mainland Europe, Europa's road division currently accounts for around 75% of revenue, with a network that routes principally through its transit warehouse in Dartford – the UK's largest groupage hub – and partners across 42 European locations. The Group also plans to further expand its dedicated full-load and part-load road transport into Europe, with 17 locations across the UK and Ireland, as well as branches in Belgium and the Netherlands. Additionally, it operates a rapidly expanding air and sea freight operation, and 3PL warehouse businesses.

### Beating the post-Brexit delays

Europa's delivered duty paid (DDP) shipping solution, Europa Flow, has played a key role in protecting and growing the Group's European operations post-Brexit, with customers' export duties paid upfront, allowing its trucks to go straight through customs and into the EU zone without delays.

Rob says: "After Brexit the big challenge was how to maintain our service levels around delivery times. We saw an opportunity in offering the DDP service – we were a pioneer in introducing it and it's taken a while for our competitors to catch up."

### Grappling with the AI challenge

AI will become a big part of the logistics sector's future and could bring huge benefits, says Rob – in particular the ability to leverage data to understand what's happening in a business and in the wider market to help make better decisions.



"As you'd expect, our software platform is a big driver of a lot of what we do," says Rob. "It's our own bespoke system, called Leonardo, and we've recruited a great team of developers who are constantly improving it and adding new functionality, such as linking into customs systems."

"If AI can automate and speed up our processes it could potentially free up people's time and mean customers get a higher level of service at a lower cost, which is better for us, and better for the customer."

## The UK Logistics Confidence Index 2025

Europa has also invested in the development of its IT and customer services functions that are based in Cape Town, where costs are significantly less than a similar set-up in the UK, whilst services levels remain high, says Rob. Meanwhile, back at its Corby warehouse, the Group has made a £12 million investment in sophisticated automated picking and packing.

### Expanding into new markets

Rob says Europa is ambitiously growth-oriented and plans to expand mainly by organic means “although you can never say never on acquisitions”.

“We want to remain the biggest and best in groupage – and expand the full-load and part-load business with greater geographical reach.” Europa has opened new sales offices in Belgium and the Netherlands to extend its services from those markets into the rest of Europe and back into the UK.

Europa has invested heavily in expanding its overseas footprint since 2023, particularly in its air and sea division, where Rob believes its USP is again its technology and tracking capabilities. It has sales offices in Hong Kong, Shanghai and Singapore and recently set up in Shenzhen, Delhi and Dubai as well. “We expect to add a couple more offices in Europe next,” says Rob, “and then our aim is a bigger footprint in North America after that.”

### Staying at the top

As a market leader, one of the challenges Europa is always facing is disruptors looking to grow their market share – a situation exacerbated by the fact that while trade volumes between the UK and Europe have stabilised more recently, they are still below pre-Brexit levels, with the result that logistics operators are competing over a smaller number of customers exporting to Europe.

“The macro-economic and geopolitical picture are not in the best place at the moment. The uncertainty over US tariffs, for example, has an indirect impact on us because it affects customer confidence.”

Making Europa's operations more sustainable remains another key challenge. Rob fears a viable alternative to diesel-powered trucks on the UK to Europe route is still some way off. In the meantime, Europa is installing solar panels at its warehouses, has fitted LED lighting, recycles more waste and all its company cars are electric.

Unsurprisingly, employment costs are something Rob would like the Government to address, while he also thinks it could do more to agree common business standards with other countries to reduce the complexities that companies like Europa face in opening overseas subsidiaries.

### Good shape

Europa is on track for a £300 million turnover this year, matching its results in 2022. Rob says: “We're in pretty good shape, but the market is very competitive, as always, so we're constantly having to be nimble and looking for ways to stay one step ahead of the game.”



### Contact

[rob.jones@europa-worldwide.com](mailto:rob.jones@europa-worldwide.com)  
[www.europa-worldwide.com](http://www.europa-worldwide.com)

# Industry insights: Expect Distribution

## Still room for growth

Expect Distribution Group CEO Matthew Kilner discusses opportunities for growth in contract logistics, how to achieve synergies after an acquisition and the cost challenges of converting to electric vehicles.

### **Making contract logistics a priority**

Bradford-based operator Expect Distribution is making expansion of its contract logistics service one of its key strategic priorities, taking advantage of growing demand for outsourced dedicated warehousing and transport solutions.

The Group recorded a £65 million turnover last year, providing networked general distribution, contract logistics and warehousing for both large and small customers across a range of industries.

Matthew, who led a management buyout at Expect in 2021, says the business has grown 16% on average over the past five years through a combination of organic expansion and acquisition.

This year saw a “subdued” first quarter before the business picked up from around April onwards, thanks to a bounce back in consumer spending. However, Matthew points out: “It’s not clear if that spending is the new norm and that’s the uncertainty across logistics generally – is it going to last?”

Whatever the current trading challenges, contract logistics has been growing fast for Expect and Matthew believes that trend will continue. “More businesses will ask themselves if they should outsource logistics to a specialist that could do a better job at a reasonable price – and we’re ideally positioned to pick that up for them.” He adds: “Contract logistics is scalable and while it requires investment, it’s relatively low risk in terms of what you have to put into it to get a return.”

### **Alignment is the key to synergies**

Two years ago, Expect acquired logistics operator Pallet Plus and its depot in Colchester, Essex, adding £10m in turnover and widening the business’s network range. Matthew explains: “Managing a depot from 200 miles away can be difficult but we have a great general manager and team who have played a big part in making it work.





"Acquisitions like this are designed to deliver synergies, but that means ensuring the two businesses really align as much as possible – that's everything from systems to the way people work and making sure everyone is singing from the same hymn sheet."

Expect has also increased its warehousing capacity from 100,000 sq ft to 650,000 sq ft in recent years, but while Matthew feels growth has now slowed for warehouse space, Expect has been able to maintain good occupancy levels.

### **The cost of developing new technology tools**

On the technology front, Matthew sees a future role for AI in improving route planning and warehouse profiling, but says Expect isn't yet deploying AI, or warehouse automation, because the cost of developing these new tools is currently "prohibitive" for all but the largest logistics operators.

Expect is instead continuing to improve its inhouse transport management system and Matthew stresses the importance of having the inhouse knowledge to do that. "Technology is vital but if you don't have skilled people who also have an eye for the real-world operational intricacies, you won't succeed with it."

### **Opportunities and challenges**

Matthew is convinced there are opportunities for greater collaboration within the logistics industry, pointing to Expect's partnerships with other operators to extend its operational reach and examples of shared warehousing. "Collaboration to cut empty running is another possibility," he says, "boosting efficiency and impacting carbon emissions too."

Converting to electric vehicles is of course another potential carbon-cutting initiative and Expect is deploying four EVs for one of its contract customers, while most of its forklift trucks are electric. However, Matthew says range and payload are still key issues when comparing to diesel engines.

Other sustainability measures include using renewable energy and LEDs at premises, and there are also plans to install solar panels at warehousing sites.

The motivation for these sustainability efforts, says Matthew, is a "mix of doing the right thing, customers asking about our sustainability strategy and the fact that a lot of these things do reduce your costs".

### **Focus on staff benefits as well as pay**

A significant cost, and challenge, for every operator will obviously be attracting and retaining the best people. Finding younger people to take on driving roles remains a particular worry, Matthew admits. "The job is what it is but Expect maintains a modern fleet in great condition, so the working environment is good, as is the overall package."

The business also offers driving apprenticeships and provides training for employees who want to change roles and become a driver.

### **Room to grow market share**

Looking ahead, Matthew is optimistic about the future: "External factors like Covid have taught us a new resilience to deal with any challenges, but my view about Expect Distribution specifically is that there's more market share to go after and while that's true there's always the potential to grow and be successful."



### **Contact**

[Matthew.Kilner@expectdistribution.com](mailto:Matthew.Kilner@expectdistribution.com)  
[www.expectdistribution.com](http://www.expectdistribution.com)

# Industry insights: Palletline

## Uncertainty impacts investment decisions

Palletline's Chief Financial Officer Bali Bandha talks about the paramount importance of customer service, gaining decarbonisation accreditation and the impact that economic and geopolitical uncertainty is having across the logistics sector.

### **Growth despite economic and geopolitical concerns**

Wholly owned by a diverse membership of 75-plus logistics operators, Palletline provides a largely B2B delivery service for palletised freight with 100% coverage across mainland Britain and Northern Ireland.

Palletline expects to achieve growth of 3.5% turnover this year, yet like many logistics businesses, decisions about further expansion are being impacted by uncertainty over UK economic conditions and geopolitical developments, says Bali.

While current trading levels for Palletline are positive, Bali says it's a "mixed bag" of responses when he talks to the network's members: "Some are doing really well, some not so well."

"Our focus is retention of our members' customers by working closely with them, understanding their issues and supporting them as best we can as a collaborative partner."

Aside from existing trading headwinds, Bali says the biggest overarching challenge for logistics providers is uncertainty about what the future holds in terms of the UK's economic environment and geopolitical issues such as US tariffs.

"If you're sure about what's round the corner it's of course easier to make decisions about the future, but at the moment it's unclear if we're on the road to recovery or not. Should we invest, when and how much – thoughts about this are changing almost daily."

### **A focus on core principles**

Palletline's strategic plan is continually evolving, says Bali, but the priorities for growth centre on its core principles of providing flexible and agile solutions and maintaining services levels, including the best possible UK-wide delivery coverage.



"We want to offer the best possible service and that is fundamental to us. All members have to sign up to our charter which is quite prescriptive – they need to ensure they can service their geographical area to the highest levels."

Palletline continues to win new business and is focusing on bigger accounts, while its seven directly owned logistics operators have been restructured and "re-energised", offering a wide range of services to meet customer demands.

Bali adds: "We're also working with members, especially those that were losing business, to see how we can support them. Part of why we can be so agile is because we're very close to our members, helping them, but also learning from them."

### Continuing the decarbonisation journey

Another priority for growth is continuing a decarbonisation and sustainability programme, which has already seen Palletline achieve ISO 50001 accreditation and, through a series of decarbonisation projects, it has reduced carbon emissions by 20-25% at its central hub.

There are also plans to install solar panels at its main site in Birmingham.

In partnership with Auditel, the network is also drilling down into the data on its fuel and energy use, says Bali. "This will help us capture our entire carbon footprint in line with GHG/ISO14064 protocols; I believe we're the first network to do this."

However, it remains the case, says Bali, that customers generally don't want to pay for decarbonisation and sustainability measures, which leaves logistics providers with the tough decision of whether they pick up the bill themselves.

"Addressing some of the issues stopping businesses from investing in decarbonisation would be a big help from the Government. For example, there needs to be a policy decision made between electric, hydrogen and LPG gas. Until there is, many operators will stick with diesel."

### Enhancing the customer experience through tech

Palletline is currently investing in upgrading its network management tools, making them accessible on a single platform and also linking to an online data warehouse.

"Ultimately, deployment of technology is firstly about enhancing the customer experience," says Bali, "and then, secondly, it's about optimising efficiencies. To do that you have to keep investing in IT and stay on top of it."

### Opportunities for mutual benefits

With Palletline's entire business model based on its members working collaboratively, it's perhaps unsurprising that Bali believes it's inevitable there will be more collaboration in the logistics sector.

He points to the sharing of EV charging infrastructure as one "fantastic" opportunity but warns: "Business leaders will be wary if they feel they are giving away a competitive advantage to competitors."

"Where collaboration is mutually beneficial there are big opportunities, but you need to marry up the expectations of everyone involved to make sure they're all getting what they want from it."

### Developing talent internally

Developing and retaining talent is another important aspect of Palletline's strategy for growth and the company has recently recruited a new Head of HR, who has already launched a very ambitious training programme.

Initiatives will initially focus on "developing our own talent" says Bali. "We feel there's lots of talent already here, but we've perhaps not spent enough time on developing it – and we think our people can deliver more with the right support and training. If there are still gaps, we will recruit externally."

### Up for the challenge

Bali says Palletline expects to see its strategic plans deliver at least 5% growth in turnover next year, despite ongoing uncertainties over economic conditions and geopolitics. His advice is: "Keep up with the latest news and be prepared to change tomorrow what you decided yesterday, if things change. It's a tough ask and it's the same for many operators but we're certainly up for the challenge."



### Contact

[Bali.Bandha@palletline.co.uk](mailto:Bali.Bandha@palletline.co.uk)  
[www.palletline.co.uk](http://www.palletline.co.uk)

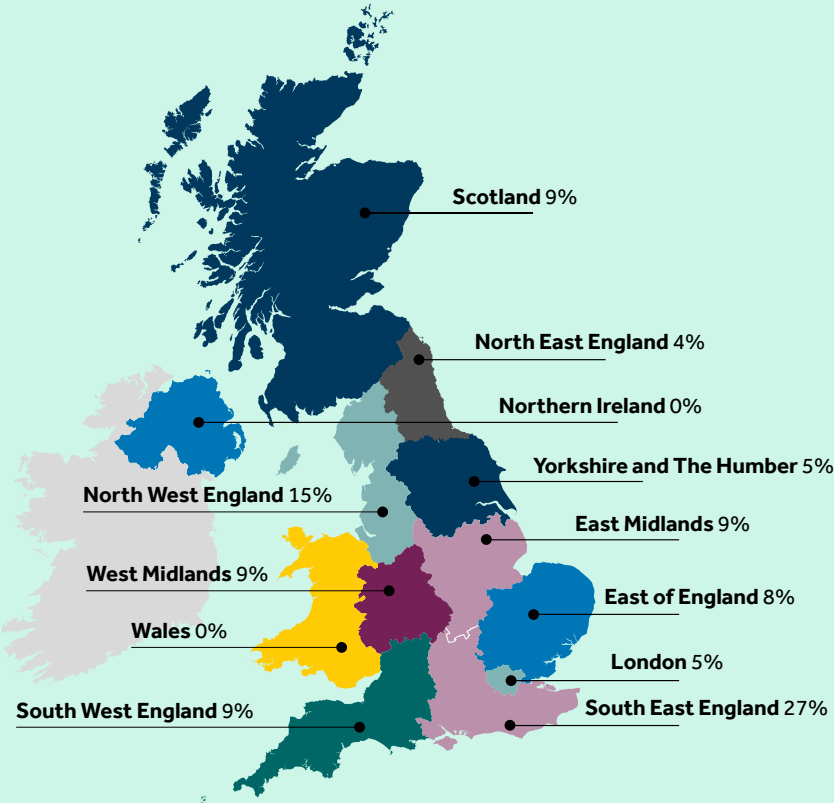
# Key takeaways

- ✓ Our Logistics Confidence Index has slipped to **40.4** this year, the lowest level ever, with the previous low-point being a Covid-influenced score of 47.1 in 2020.
- ✓ **68%** of logistics operators think current conditions are more difficult than last year while the lowest-ever percentage, just **8%**, say they are more favourable. **52%** foresee conditions being more difficult in the next 12 months.
- ✓ More than half of businesses (**56%**) still expect turnover to increase in the year ahead, while the lowest percentage ever (**38%**) expect higher profits.
- ✓ A record **48%** of business leaders say it's 'unlikely' they'll make significant capital expenditure in the 12 months ahead.
- ✓ Just **25%** of logistics providers expect to increase headcount in the year ahead, another lowest-ever result.
- ✓ Cost control and efficiency is the **number one** priority for growth in the next 12 months for the logistics businesses surveyed.
- ✓ **Half** of respondents see opportunities for collaboration around road transport and shared transport space, while **37%** point to EV charging or alternative fuel infrastructure.
- ✓ Customer contract tendering and price pressure are top of the list of greatest current challenges for the sector – selected by **74%** of respondents.
- ✓ Appetite for M&A has slipped – just **25%** of our respondents say they have been involved in deals in the past year, and only **30%** are likely to make an acquisition over the next 12 months.
- ✓ Investment in sustainability has lost ground in the sector, with the number of logistics leaders selecting it as a priority for growth down from 39% last year to **25%** this year.
- ✓ In line with previous years, a shortage of HGV drivers remains the **number one** skills challenge in the sector, while finding the right junior and senior managers is ranked second and third respectively.
- ✓ **59%** of businesses are working with younger people and introducing apprenticeship schemes to address the skills shortage in the sector, putting this approach ahead of improving pay and conditions.

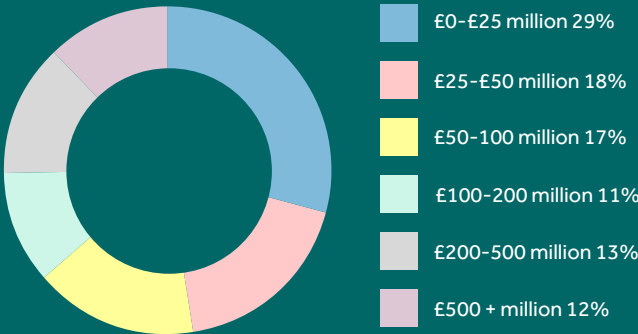


# About our survey respondents

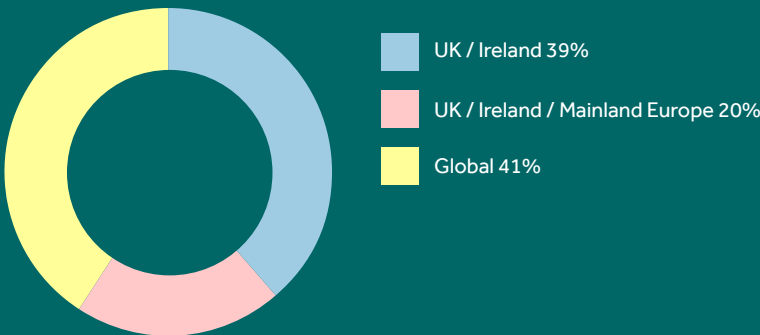
Location (HQ)



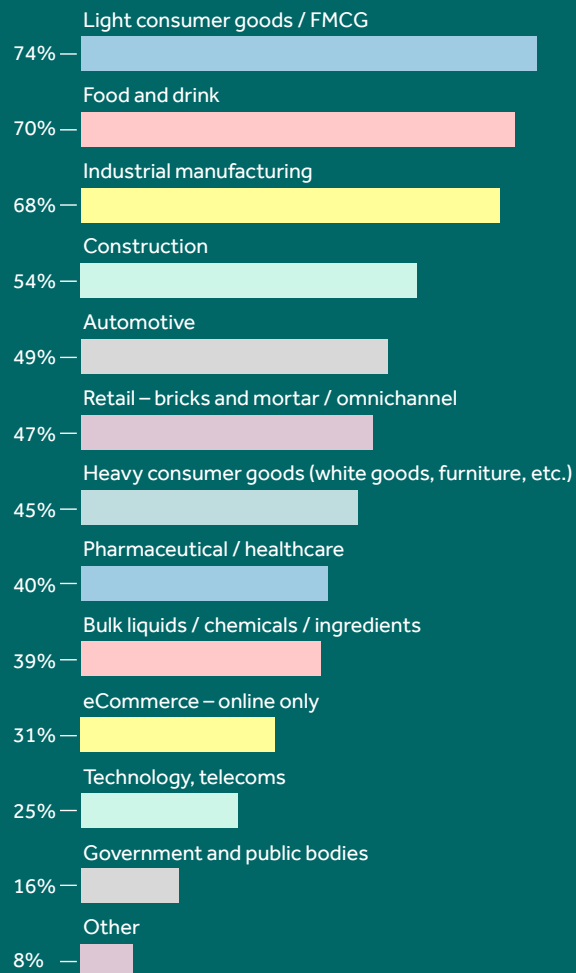
Company size (UK revenue)



Geographic coverage

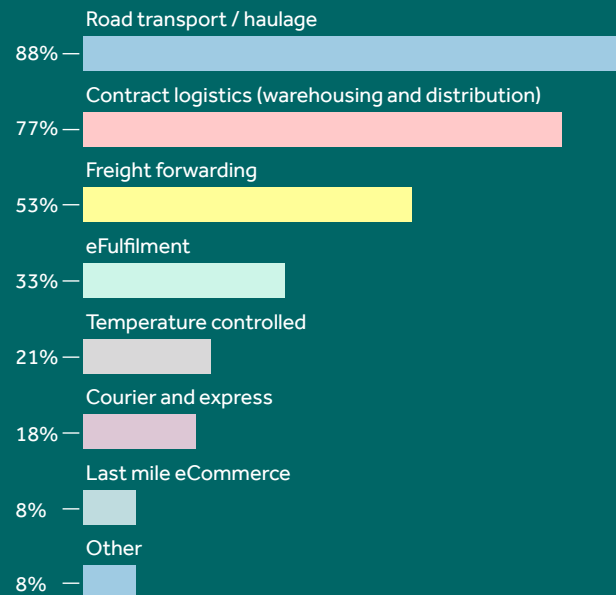


## Industry sector coverage

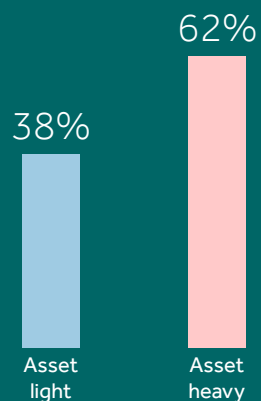


Share of respondents selecting each category – will not add up to 100%

## Service offering



## Asset model



## About this research

All figures and data relating to the UK Logistics Confidence Index within this report have been researched by Analytixa. 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.

# Get in touch

## Barclays Corporate Banking

**Lee Collinson**

Managing Director and UK Head of Manufacturing, Transport and Logistics

T: +44 (0)7775 544733  
E: [lee.m.collinson@barclays.com](mailto:lee.m.collinson@barclays.com)



**James Lean**

Industry Director, Manufacturing, Transport and Logistics

T: +44 (0)7825 377610  
E: [james.lean@barclays.com](mailto:james.lean@barclays.com)



**Nikki Barrington**

Relationship Director, Transport and Logistics

T: +44 (0)7900 737258  
E: [nikki.barrington@barclays.com](mailto:nikki.barrington@barclays.com)



## BDO LLP

**Jason Whitworth**

Partner, Deal Advisory – M&A and Logistics & Supply Chain Management

T: +44 (0)7990 532296  
E: [jason.whitworth@bdo.co.uk](mailto:jason.whitworth@bdo.co.uk)



**Vinod Patel**

Partner, Deal Advisory – Transaction Services

T: +44 (0)7800 682482  
E: [vinod.patel@bdo.co.uk](mailto:vinod.patel@bdo.co.uk)



**Gary Chiang**

Director, Deal Advisory – M&A

T: +44 (0)7823 768537  
E: [gary.chiang@bdo.co.uk](mailto:gary.chiang@bdo.co.uk)



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