Global Business Services Index Annual Report 2024

Logistics and Distribution

November 2024

Foreword

Since taking on the role of leading PwC's Global Business Services industry, I have been amazed to discover fully what a diverse, inventive and resilient industry this is.

For PwC, Business Services represents one of the largest global industries, and our fastest growing. We have over 45,000 clients in more than 50 countries, and are ourselves a constituent of a global industry which is growing at an average of about 8% per annum.

The economic and social impact of this industry is staggering. It employs more than 1 billion people worldwide and many of its constituents are the glue which binds broader industrial ecosystems and societies together. From legal advice to logistics, catering to security, harnessing AI to supporting education, delivering sustainability to testing for health and safety, business services firms fulfil a vital role in all our economic futures.

Despite its importance, we have found the business services industry to be generally understated and under-profiled in thought leadership and research.

Which is why we felt the need to develop this index – to provide a platform for understanding and benchmarking the performance of leading global business services firms.

I hope you will enjoy reading this report and its subsequent iterations. In compiling it, we have used our deep sector knowledge and research teams across our global network. If you are interested in finding out more about the industry, our methodology, or how your business services firm might perform better in the market, please do get in touch.

Mark Anderson
Global Business Services Leader

The 8 strategic sectors covered in PwC's Global Business Services Index based on the performance of global leading firms in each sector/sub-sector

Group	Sectors	Sub-sectors	Description
Business support services (BSS)	Logistics and distribution	Logistics providers	Providers of delivery, logistics and transportation services with B2B focus
		Distribution and wholesale	Providers of distribution services and wholesalers
		Supply chain solutions and freight arrangement	Providers of supply chain (SC) solutions and freight forwarding services
	Business process outsourcing (BPO)	Technology business process outsourcing	Providers of pure play BPO services that focus on technology-related functions (IT, tech-support)
		Non-technology business process outsourcing	Providers of BPO services that focus on non-tech functions (admin, finance, operations)
	Testing, inspection and certification (TICC)	Inspection and certification	Providers of testing, inspection and certification services to verify content, quality and/or compliance standards
		Healthcare diagnostics and testing	Providers of testing and diagnostic services for healthcare sector
	Human capital management (HCM)	Recruitment solutions	Third-party service providers specialising in permanent recruitment services
		Staffing solutions	Providers of temporary or contract staff as needed
	Digital and education services (D&E)	Education services	Providers of learning and upskilling services, excluding institutes and universities
		Data providers	Providers of data and specialised digital services
	Built environment services (BES)	Facilities and real-estate management	Providers of facility management, building and landscaping services, contract catering and cleaning, real-estate consultants
		Security solutions	Providers of physical and digital security solutions
		Waste management	Providers of waste disposal and management services
Legal and professional services (LPS)	Legal services (LS)	Legal service providers	Law firms providing services such as legal advice, document review, contract management, legal research, e-discovery, compliance support, and other legal tasks
	Professional services (PS)	Consulting, tax and audit	Providers of management/ technology consulting services, auditing and risk services

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Executive summary

Disruptive Megatrends are shaping the business services industry and driving transformative growth

Business services play a crucial role in enhancing operational efficiency and organisational performance across various sectors. In order to continue delivering value, companies need to address the global Megatrends impacting their businesses and deliver differentiated growth.

46%

of business services CEOs do not think that their current business model will be viable in 10 years.

76%

of business services CEOs have changed the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey

Macroeconomic Megatrends

including inflation, have significantly impacted the business services firms. Rising inflation increases operational costs and pressures businesses to optimise their expenditure. Additionally, economic uncertainty drives companies to seek more cost-effective solutions and flexible service models to navigate fluctuating market conditions.

Technological advancements

are revolutionising the sector, with automation and Artificial Intelligence (AI) becoming central to business operations. Firms are integrating these technologies to improve efficiency, reduce costs, and offer data-driven insights. In addition, companies are leveraging AI to deliver tailored client solutions and enhance operational capabilities.

Changing customer preferences

are influencing the sector's evolution, as clients demand niche and sustainable solutions, with a growing emphasis on customised services. In response, business service providers are adopting strategies that focus on optimising costs, reducing carbon footprints and offering specialised services that align with their clients' expansion goals and unique needs.

Over the past four years, the logistics and distribution sector has experienced exceptional growth and profitability

The sector's index score is 124 (normalised to the base year of 2019 = 100), with the greatest improvements recorded in the growth, profitability and cash flow dimensions, mainly due to supply chain disruptions amidst the pandemic, enabling firms to raise prices and pass inflationary pressures on to customers. Greater income levels have improved liquidity positions and enabled sector leaders to fund expansion from operations. However, process automation and optimisation efforts have resulted in flat productivity. Inflation, digitalisation and sustainability have been factors influencing sector performance, urging innovation, and more diversified and tech-enabled service offerings as the business landscape evolves.

Index Score

124 Base year (2019) = 100

Logistics and distribution sector performance, by dimension:

Growth	**157**
Business services industry average	142

Benefits from price surges during the pandemic, but as growth normalises in 2023, firms are looking to grow specialised customer segments and services to stay relevant.

Profitability	**121**
Business services industry average	109

Most businesses saw growth in margins by passing on higher costs to customers and leveraging excess capacity, but are investing in tech solutions to stay profitable in the long-term.

Productivity	**101**
Business services industry average	102

Many players began downsizing as demand slowed in 2023 after expanding during the pandemic to support growth. Others are looking into process innovation to drive productivity in the long term.

Cash Flow	**120**
Business services industry average	105

Liquidity ratios increased overall, owing to significant improvements in net incomes and optimised working capital allocation, allowing companies to invest cash in capacity expansion, fleet upgrades and better tech capabilities.

To sustain and enhance differentiated growth, sector leaders are focusing on the following priority areas…

Sector leaders continue to leverage technology to drive productivity and capture new growth avenues. Upskilling and training talent in high-demand skills, such as generative artificial intelligence (GenAI), data analytics, cloud is seeing growing importance, as well as building a strong climate mandate and providing sustainability-related offerings to clients.

…and building thorough, foundational risk management practices to capitalise on new growth opportunities

Innovative avenues of growth can increase exposure to new risks, which need addressing via a strong foundation in risk management practices to foster resilience.

Technology

Leverage technology for growth and operational efficiency

Businesses have invested in digital tools to offer end-to-end visibility for customers on orders, shipments, and emissions, as well as automation and cloud computing to improve productivity and drive efficiency gains and cost savings.

Talent

Recruit and cultivate talent to meet evolving organisational needs

As players integrate AI and tech into their operations, and look to offer more sophisticated climate-friendly products, upskilling and training employees with the essential knowledge and subject matter understanding of these topics will be vital.

ESG

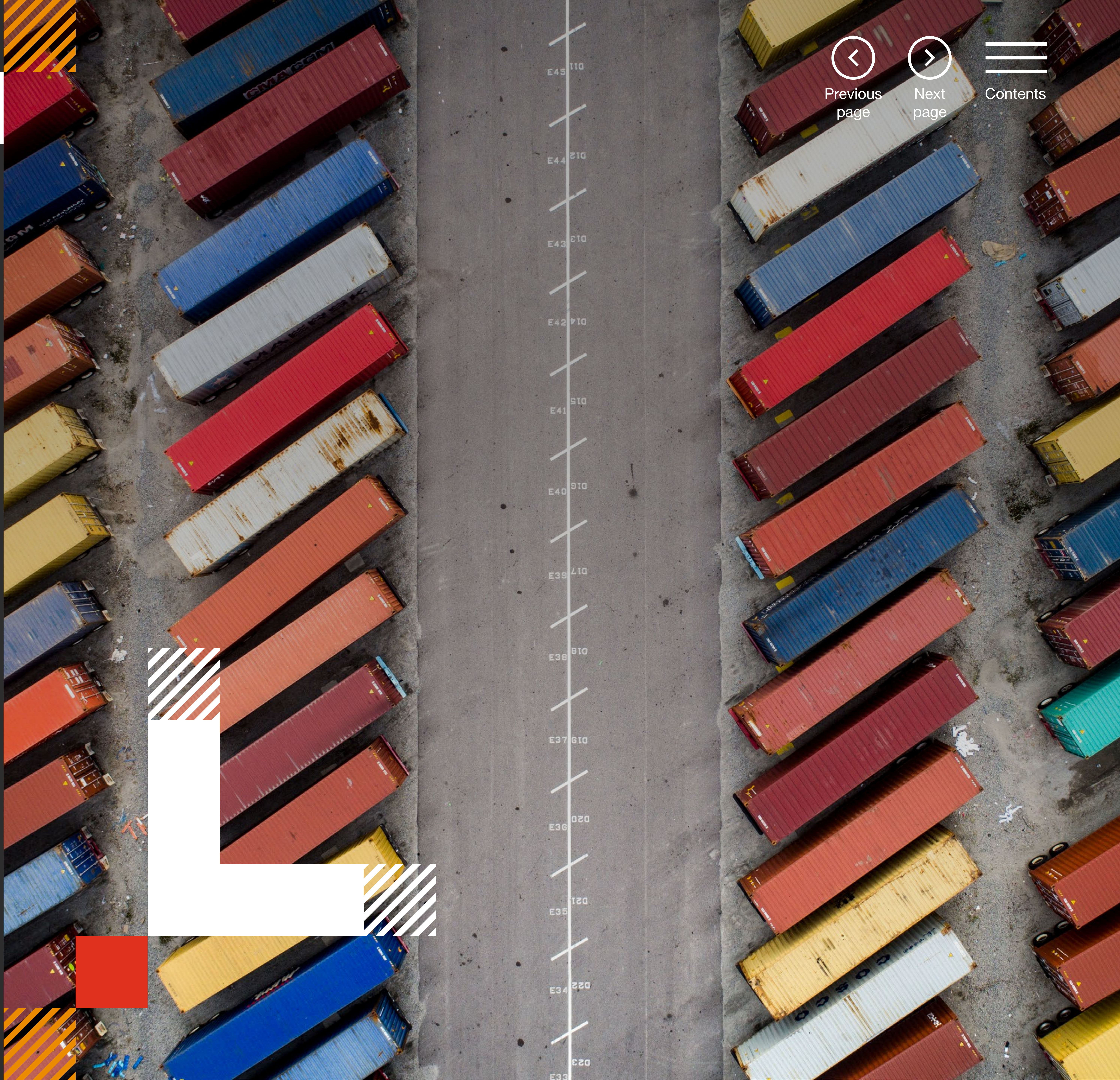
Develop a strong climate mandate to stay relevant

Companies are investing in environmental, social, and governance (ESG) initiatives such as fleet electrification and alternative fuels, to reduce consumption and costs. Some have also introduced "green" services to their portfolio, such as carbon dashboards to track emissions, supporting clients in their transition to carbon neutrality.

Build a thorough risk management practice to seize opportunities

01

The imperative for change



Organisations are transforming their own businesses to support clients in tackling disruptive Megatrends and driving transformative growth

Economic events and Megatrends are transforming the global business environment

Over the past years, several Megatrends have led to a series of disruptions, from a global pandemic to outbreaks of conflict, from extreme weather to the sudden advent of AI. The Megatrends of climate change, technological disruption, demographic shifts, and others have been aggravating the challenges faced by leaders.

Supply chain disruptions, new technology that threatens to make entire categories of jobs obsolete and rapidly evolving government regulations are creating an imperative for businesses of all types to reinvent their delivery models to enable long-term growth.

Aside from disrupting business plans and operations, they have also led to increased cost and inflationary pressures.

Inflationary pressures are expected to continue impacting businesses

1 in 4

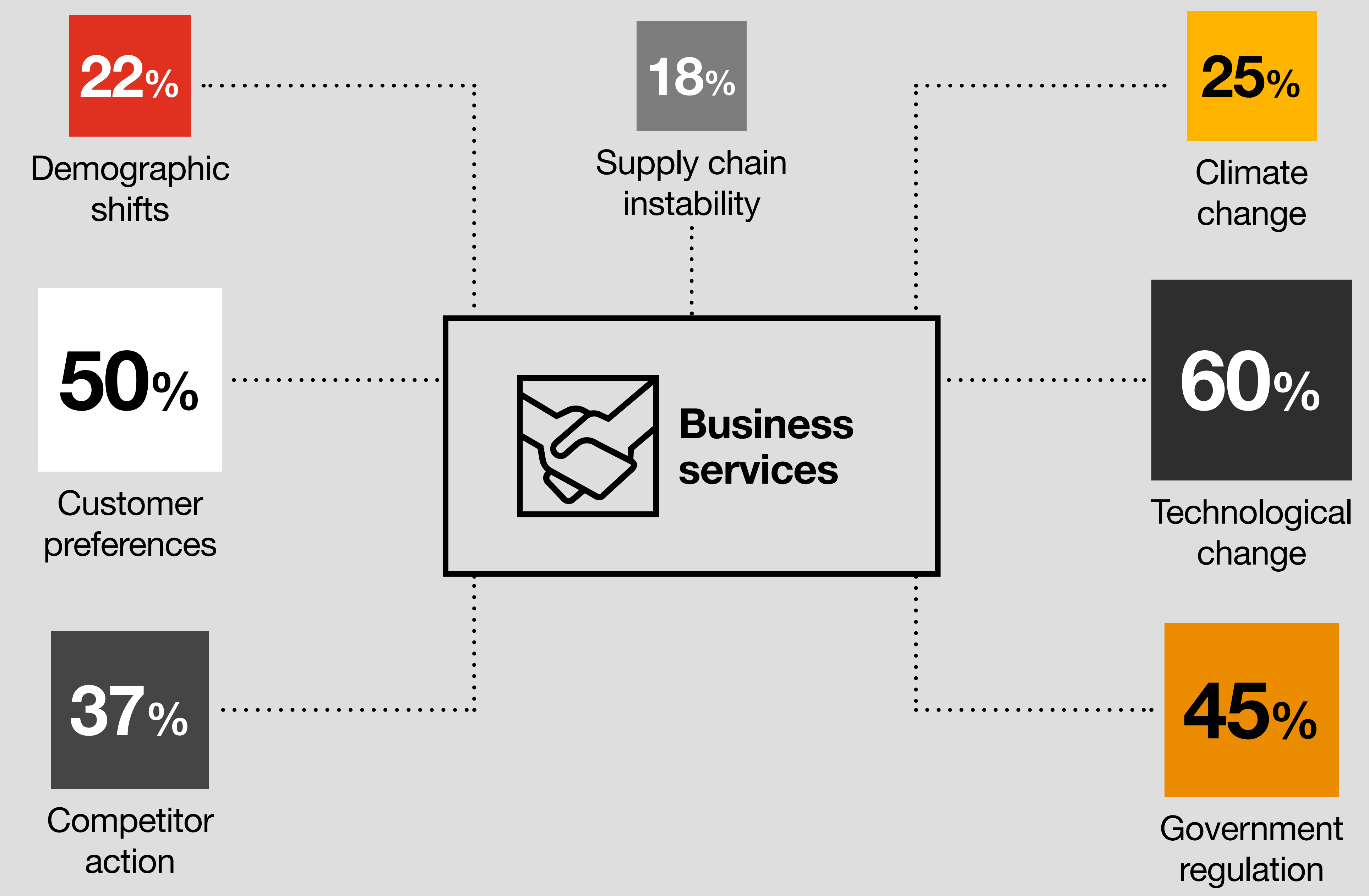
global business services CEOs believe their company will be highly or extremely exposed to inflation in the next 12 months.

Source: PwC 27th Annual Global CEO Survey

Highly competitive sectors are increasingly affected by inflationary pressures impacting costs and profitability.

By offering differentiated services, global leaders are driving a premium pricing strategy to pass these cost pressures on to their customers.

Global business services leaders see technology change and customer preferences as top factors that will drive them to change the way they create, deliver and capture value over the next three years:



Source: PwC 27th Annual Global CEO Survey. Percentage values reflect the percentage of global business services leaders who indicated that the following factors will drive changes to the way their company creates, delivers, and captures value in the next 3 years

In today's market, logistics and distribution services play a crucial role in helping companies respond to Megatrends and foster growth...

Logistics and distribution services play a pivotal role in keeping supply chains operating seamlessly across borders.

Pure play logistics providers have expanded into supply chain solutions to provide clients with a one-stop solution, providing greater convenience.

Firms are also innovating and introducing new, sustainably-focused solutions, which are supporting clients in their energy transition journeys, ensuring greater visibility and control over Scope 3 emissions.

Beyond traditional offerings, players are also providing value-added services, such as advisory on inventory and supply chain management.

...but there is an increasing need for logistics and distribution service providers to transform their own businesses to deliver value to their clients

With changing customer preferences towards increased transparency in logistics, the demand for shipment and delivery tracking is rising. Providers of traditional logistics and distribution services are therefore required to build digital infrastructures and capabilities, along with specialised offerings to increase customer acquisition.

To scale and drive customer growth, businesses are reinventing their own practices in the areas of technology and specialised offerings

76%

of business services CEOs report having taken some steps to change how they create, deliver and capture value over the past five years.

Source: PwC 27th Annual Global CEO Survey

Business leaders need to focus on several key areas to drive both financial and operational growth

Leverage technology to enhance capabilities and service quality

Companies can leverage technology to define new service offerings and optimise workflows to provide high-quality services.

Focus on core functions to streamline workflows

Companies should prioritise core business and leverage outsourcing to streamline workflows and promote productivity.

Expand into new markets and customer segments, develop new service offerings

Companies should explore new customer segments and markets to drive transformative growth.

Acquisitions and divestitures can help drive differentiation, allowing companies to scale, specialise and capitalise on high-growth opportunities.

Free up capital to fund investments

Companies can optimise their cash position and profitability through near-term cost-cutting measures or major organisational restructuring to move towards leaner operations.

Percentage of respondents who indicated the following as top strategic priorities for their company in the near future:

51%	Investing in new technologies
51%	Investing in GenAI specifically
40%	Leverage data and analytics to develop new offerings
40%	Major reorganisation of operating model
33%	Entering new markets
30%	Changing the workforce composition
30%	Cost-cutting
29%	Using tax credits to fund investments
28%	Acquisitions or divestitures

Source: PwC Global Pulse Survey 2024

To track performance, PwC's Global Business Services Index will help leaders evaluate the effectiveness of their value-creation strategy

Tracking the financial and operational performance of the sector is essential for informed decision-making and sustained growth

Regular monitoring facilitates proactive adjustments to strategies, resource allocation, and service improvements, assisting companies to remain competitive and capable of delivering value in a dynamic market environment.

Emphasising data-driven decision-making enables companies to continue driving value and supports sustainable growth for the organisation.

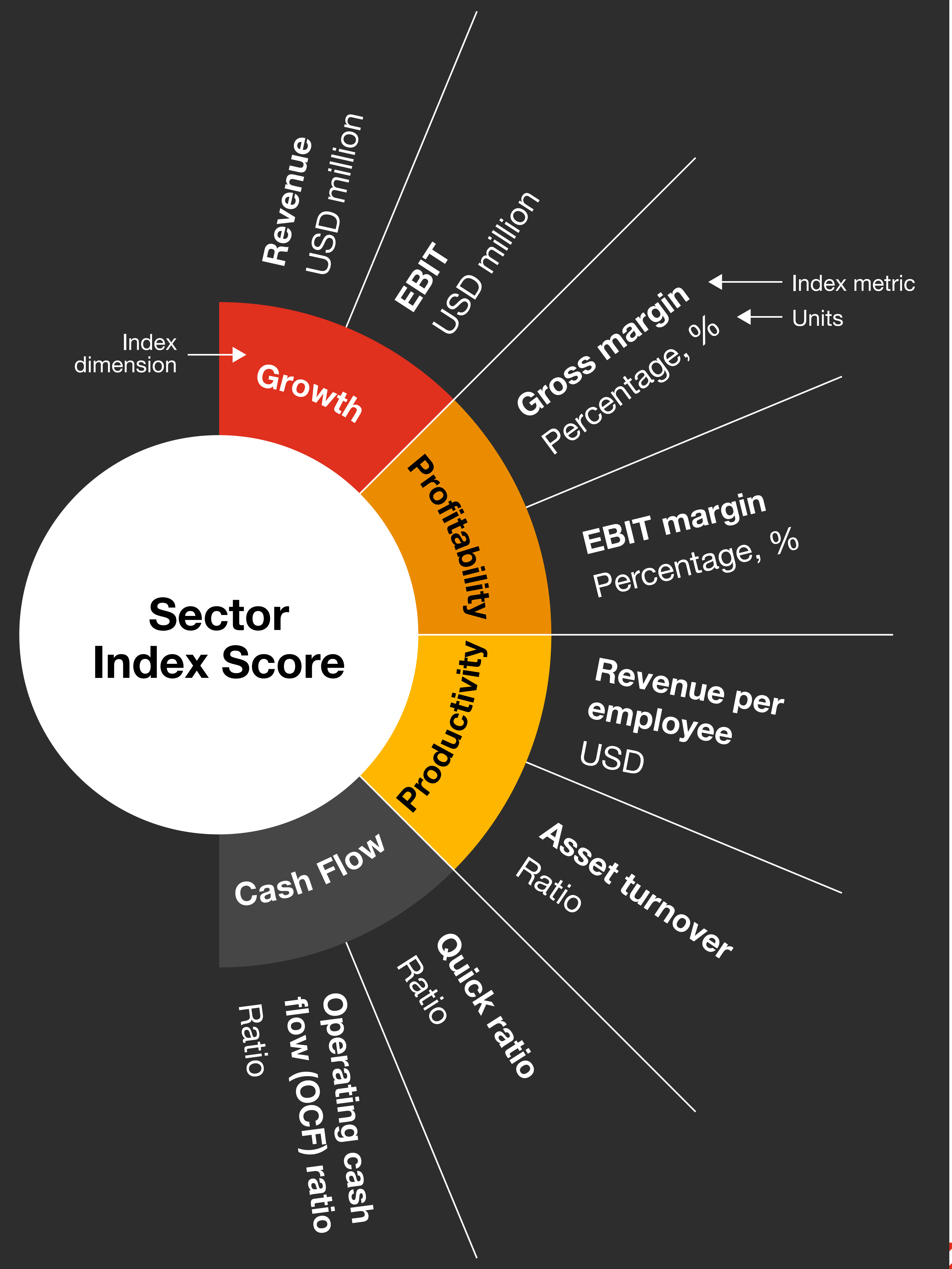
An index for business services can serve as a strategic tool for benchmarking, allowing business leaders to compare their own performance against industry peers and identify areas for improvement

The PwC Global Business Services Index consolidates key metrics such as **growth, profitability, productivity and cash flow.**

The Index provides a thorough view of market trends and competitive benchmarks, aiding in strategic decision-making.

By benchmarking against industry standards, leaders can identify operational inefficiencies, streamline processes, and enhance service quality.

This data-driven approach helps prioritise investments, mitigate risks, and capitalise on emerging opportunities, enabling sustainable growth and maintaining a competitive edge in the marketplace.



Note: Sector index reflects a normalised score relative to the base year of 2019 (= 100)

02

Sector Index

Logistics and distribution sector at a glance

Logistics providers

Providers of delivery, logistics and transportation services with B2B focus.

Distribution and wholesale

Providers of distribution services and wholesalers.

Supply chain solutions and freight arrangement

Providers of supply chain (SC) solutions and freight forwarding services.

Overall, the logistics and distribution sector experienced strong improvements in growth and profitability

The sector's index score is 124 (normalised to the base year of 2019 = 100), with growth, profitability and cash flow showing strong performance. Growth and profitability peaked in 2021-22 given higher prices as a result of supply chain disruptions during the pandemic.

Efforts to drive sales, and automate and optimise processes have resulted in flat productivity gains. High incomes from improved demand and pricing have supported cash flows.

Inflation, digitalisation and sustainability have shaped the performance of the logistics sector

Inflation

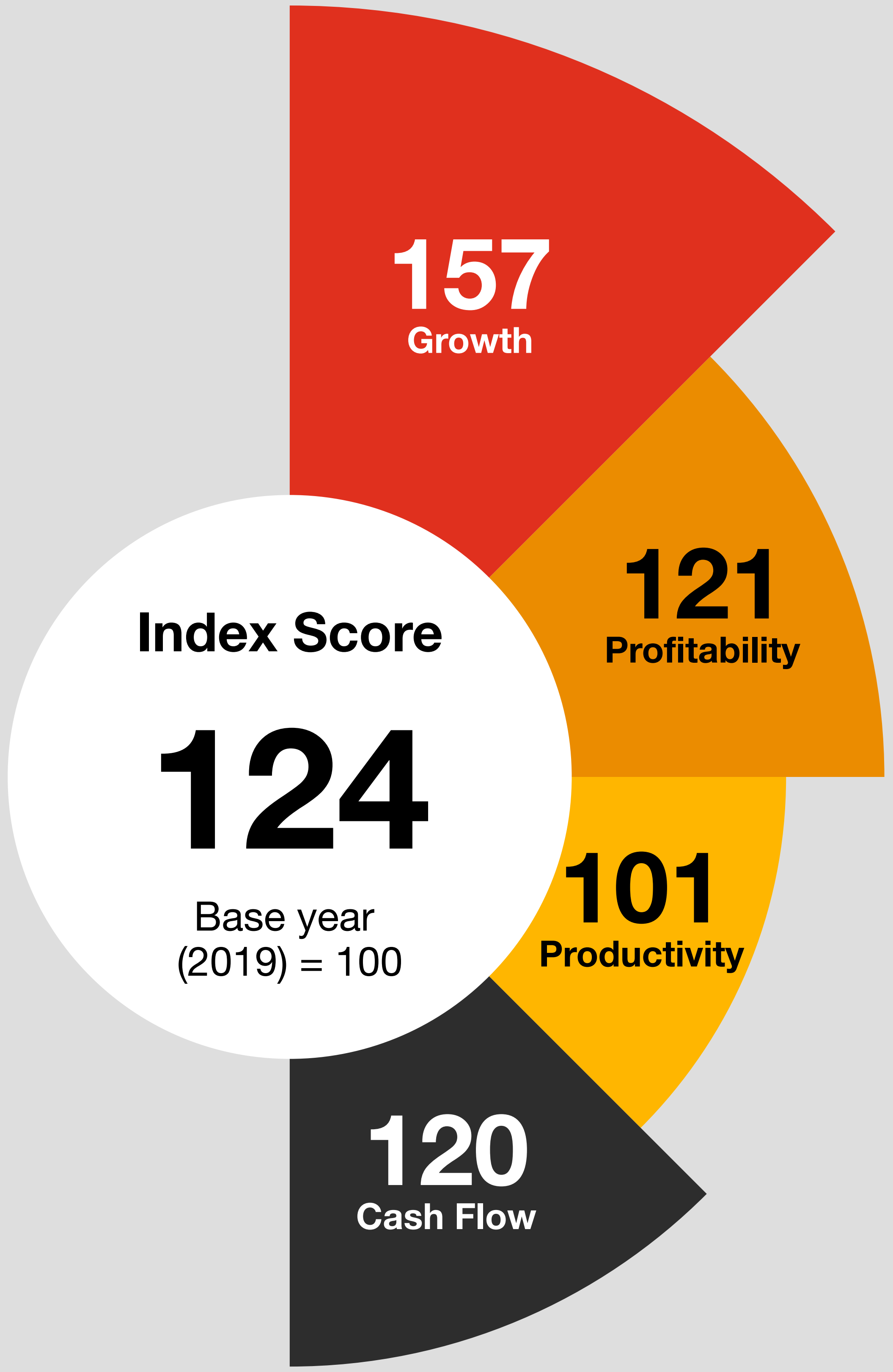
Supply chain disruptions during the COVID-19 pandemic have allowed businesses to benefit from higher prices, fuelling much of the growth in the lead-up to 2023. Declining prices and volumes are normalising growth, with players starting to see overcapacity in 2023.

Technology

Companies are leveraging robotics and automation to improve fleet and warehouse management, as well as customer service capabilities. Some firms are expanding into e-commerce, while others are utilising technology to digitalise sales to improve customer visibility on bookings and shipments.

Sustainability

Sustainability is becoming increasingly important. Players have been commercialising electric fleets or building internal capabilities to provide sustainability-related offerings to customers, including carbon emission dashboards for clients to track the emission levels per order.



.... = 100 (base score for each dimension with 2019 as reference year)

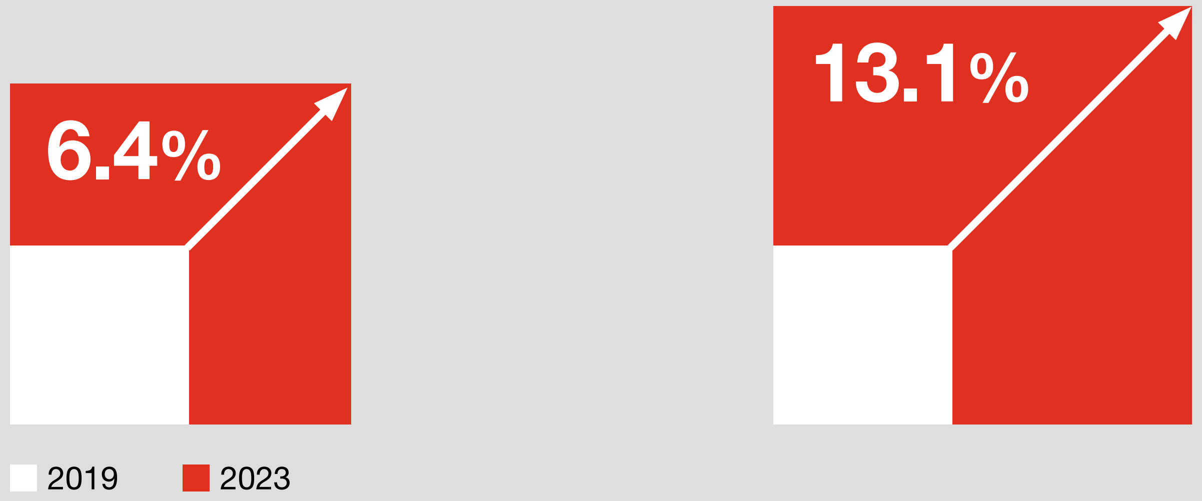
Growth

Dimension Score: **157**

The sector saw massive growth during the COVID-19 pandemic but has seen a declining trend 2023 onwards as demand normalises leading to overcapacity.

Avg. revenue growth, %
(CAGR 2019-23)

Avg. EBIT growth, %
(CAGR 2019-23)

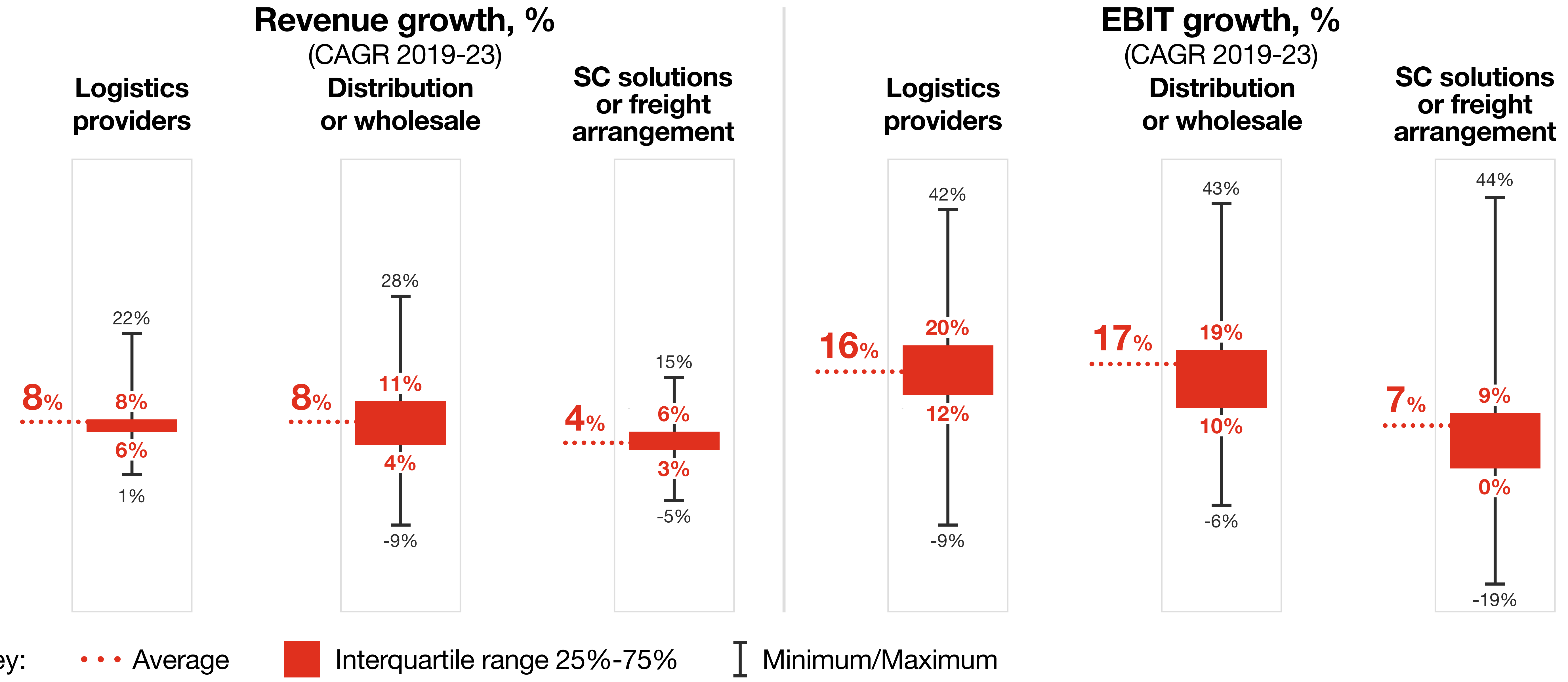


Growth in the sector peaked during the pandemic but began normalising in 2023

Global disruptions and supply chain shortages during the pandemic allowed organisations to benefit from increased utilisation and high prices. But post the pandemic, freight rates and volumes saw a decline in 2023.

Businesses are looking to acquisitions, sustainability, and a focus on niche segments for future growth opportunities

Some players are focusing on specialised customer segments, such as aerospace and defence, oil and gas, and semiconductors to drive future growth. Logistics players explored acquisitions to expand and integrate sustainability-related services, as well as exploring supply chain and e-commerce solutions.



Growth has been highest among the logistics providers and distribution segments, primarily driven by higher volumes and price increases during the COVID-19 pandemic

Players saw high demand for ocean freight, with North America emerging as a strong market. The trend is normalising 2023 onwards with air and road freight seeing improvement and demand from other markets growing.

As demand normalises, customers are prioritising their own internal capacities and are less dependent on the use of outsourced providers. As a result, sector players saw a decline in revenue in 2023 owing to capacity underutilisation.

With high demand during the pandemic and relatively stable overheads, firms managed to achieve high EBIT growth

Higher demand during the pandemic improved capacity utilisation and pricing with consistent overheads costs, with margin growth outpacing revenue growth across sub-sectors.

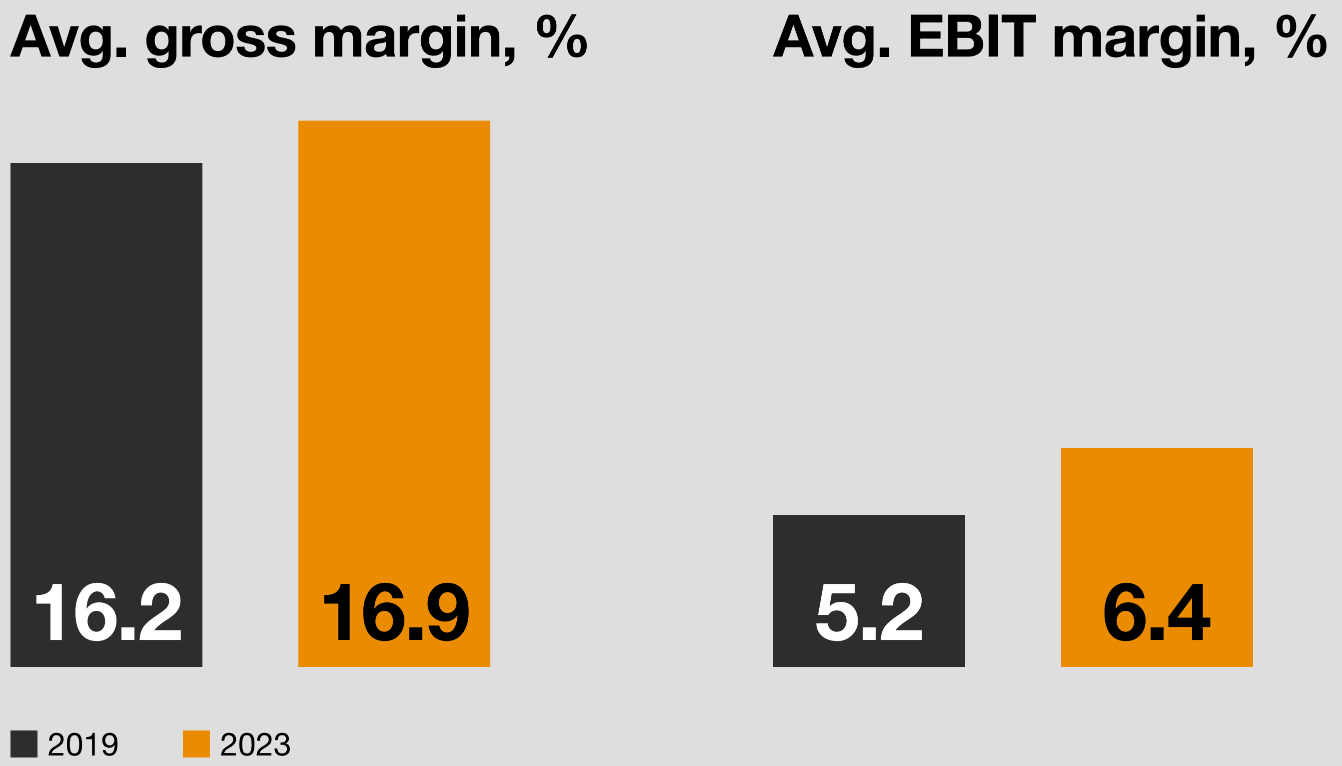
Distribution of smaller essential supplies supported higher volumes per container, further reducing variable costs and hence operating expenses.

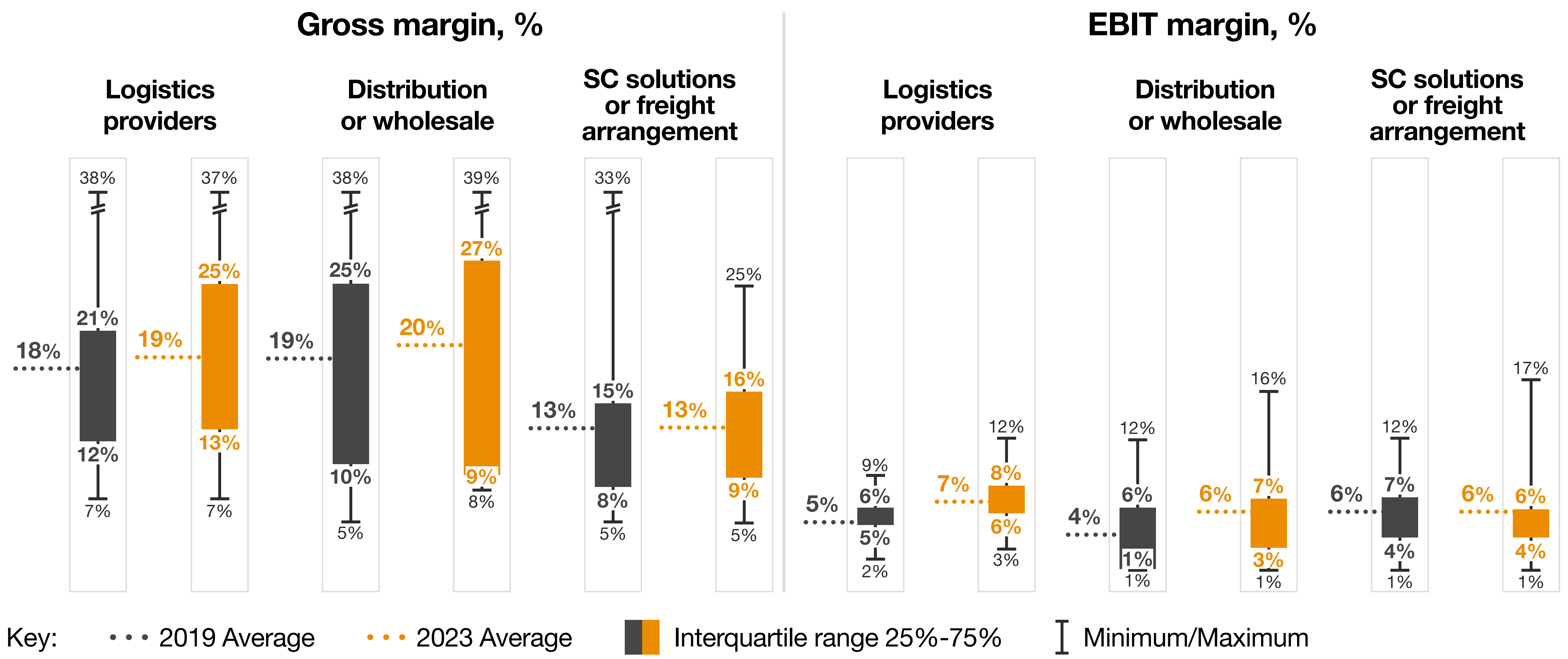
Sources: Company annual reports, PwC analysis
(for detailed methodology, refer to Appendix)

Profitability

Dimension Score: **121**

Firms remained profitable as price increases and utilisation of excess capacity during the COVID-19 pandemic outpaced increases in costs.





Organisations were able to maintain positive margins by passing on higher costs to customers

In general, inflation on cost of goods was passed on to customers via increased prices, which allowed the sector to remain profitable in the short term between 2019 to 2023.

To sustain profits moving forward, firms have also been exploring investments in technology, high-margin acquisitions and restructuring.

Price increases have supported high gross margins up until 2023

Businesses in the sector were able to maintain high profit margins by raising prices due to supply chain disruptions during the pandemic and wars.

In addition, expansion into high-margin segments and new markets, through acquisitions and partnerships, have further supported growth in gross margins.

With EBIT margins improving until 2022, most firms saw a decline in 2023; players have taken to technology and electrification, among others to sustain margins

Improved capacity utilisation between 2019 and 2022 and slower increase in overheads despite inflation in costs, facilitated improved EBIT margins.

Logistics providers continued to invest in sustainable practices including hybrid or electric vehicles to lower fuel consumption. Some supply chain players invested in digital tools to offer end-to-end visibility, and to improve efficiencies in their orders and shipments.

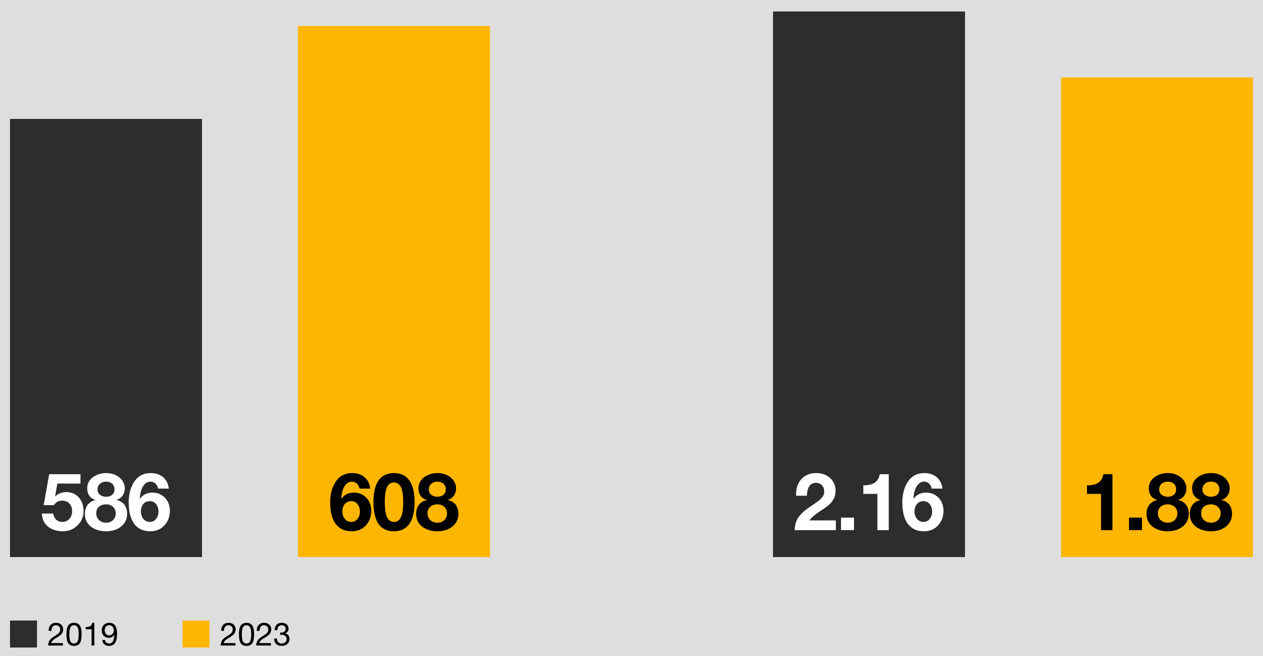
Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Productivity

Dimension Score: **101**

Productivity gains were minimal with revenue-proportionate increases in headcount and faster increase in assets targeted at operational efficiency, rather than driving sales.

Avg. revenue per employee, $000 / **Avg. asset turnover ratio**

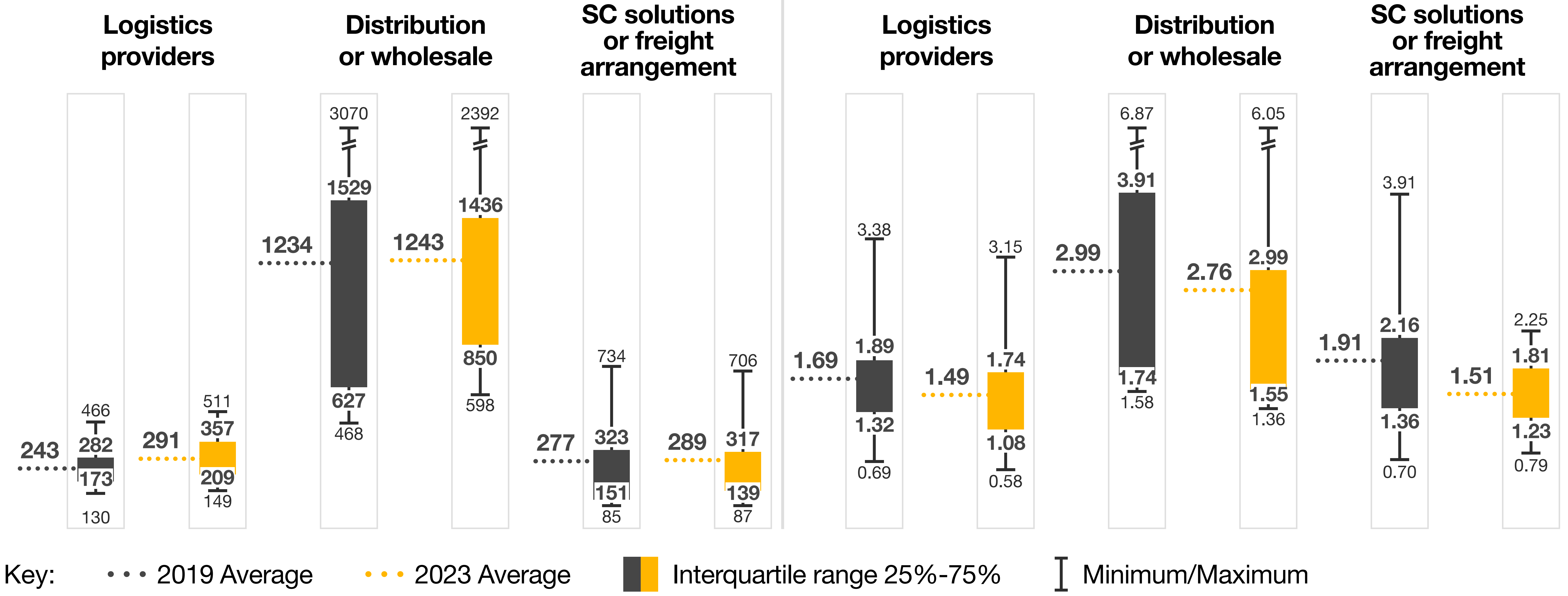


Revenue per employee has improved slightly; asset turnover ratios, though healthy, have seen a decline

To support accelerated demand during the COVID-19 pandemic, the majority of firms expanded headcount during 2020-22, which strongly supported revenue per employee. However, many players resorted to downsizing as demand slowed down from 2023 onwards.

Though investments in assets aggressively increased during the pandemic, these have been primarily focused on optimising operations and cutting costs rather than generating sales, which has led to a slight decline in asset turnover ratios.

Revenue per employee, $000 / **Asset turnover ratio**



Most businesses see an increase in revenue per employee, with logistics providers seeing the highest change

Over the last four years, there has been an aggressive headcount expansion across segments to support growth, but this is slowing down post-pandemic as demand normalises.

Sector participants have recently undergone restructuring or downsizing to adjust to the slower demand after the pandemic, which may help to further support employee productivity in the long run. Furthermore, in mature markets, employment attractiveness on the sector is putting pressures of talent availability and impacting headcount growth.

Asset investments have been more focused on cost optimisation to meet changing customer demands

To support the growing near-shoring trend as customers look to hold stock closer to end markets to avoid supply chain disruptions, logistics and distribution businesses have also invested in increasing fleet and warehouse capacity to support demand growth and deliver at faster fulfilment speeds.

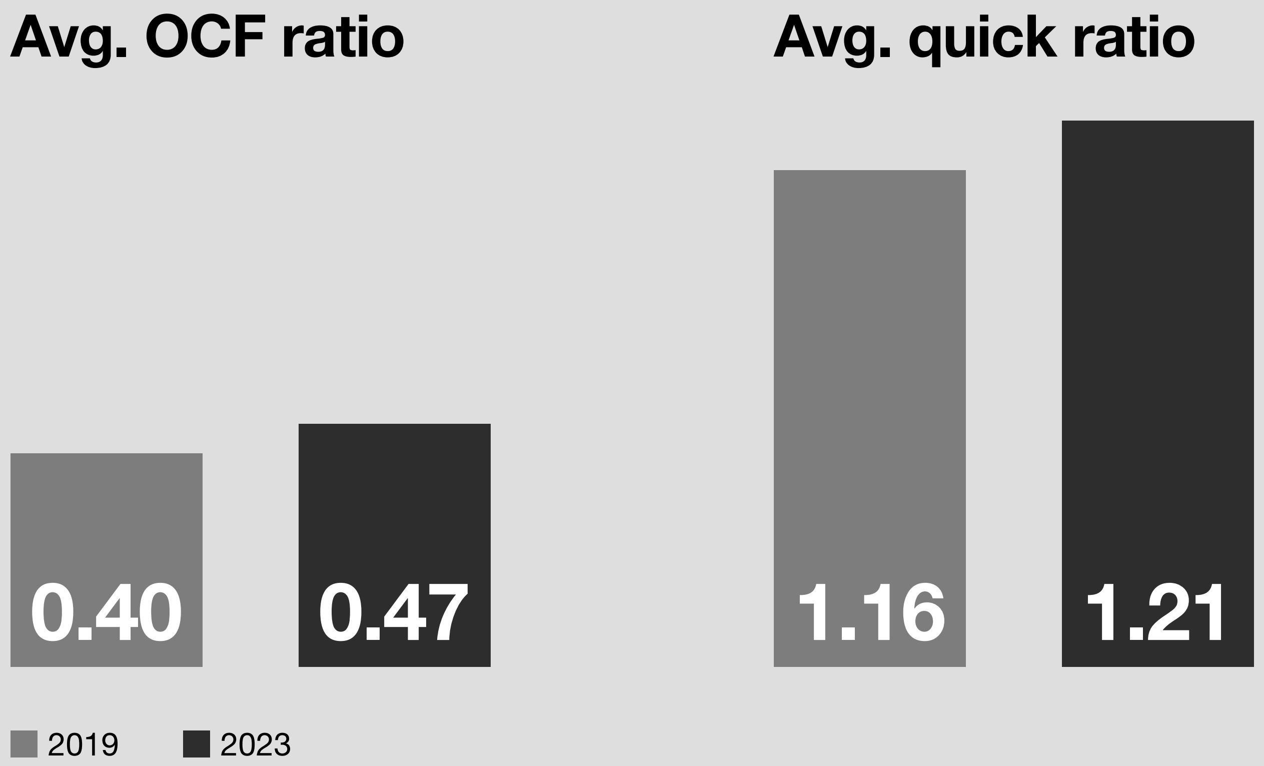
Also, most firms have invested into process innovation, such as cloud computing capabilities, fleet electrification and warehouse automation, to optimise operational efficiency and cost structure, rather than driving sales.

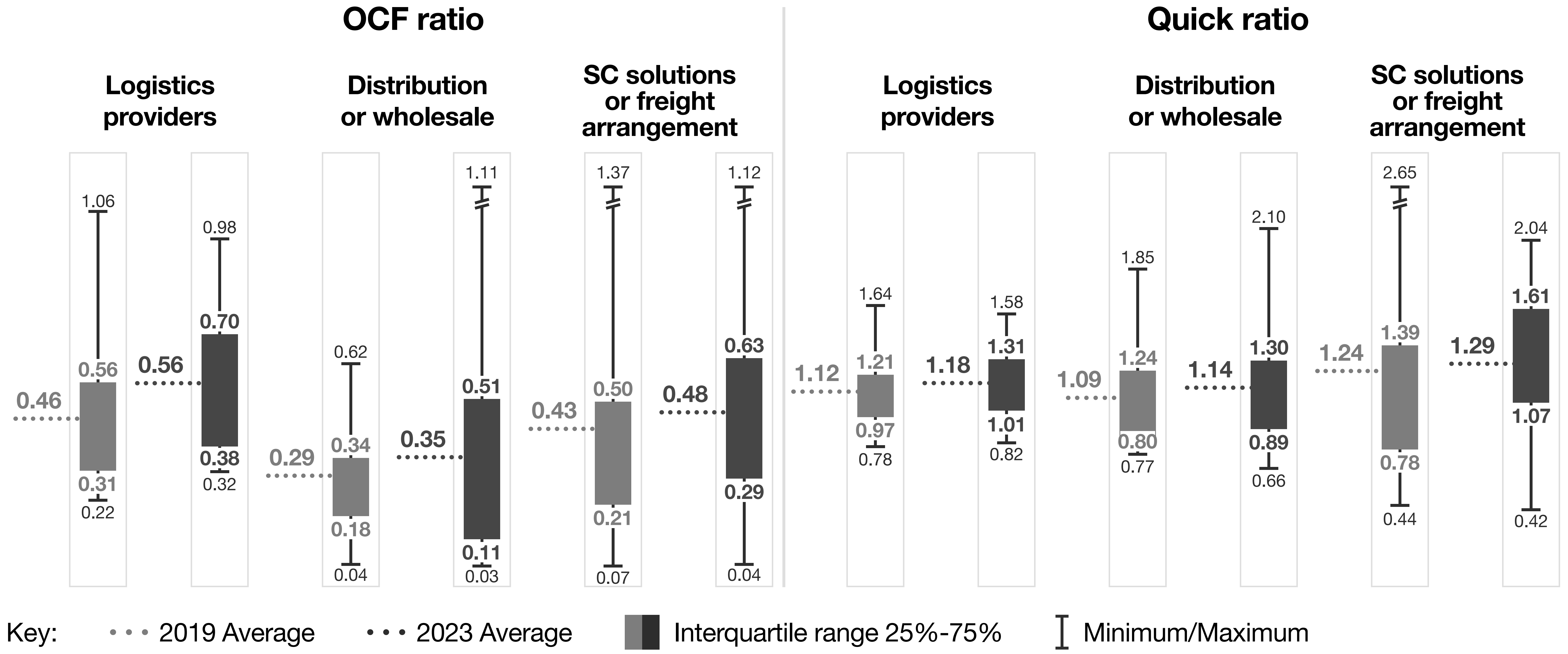
Sources: Company annual reports, PwC analysis
(for detailed methodology, refer to Appendix)

Cash Flow

Dimension Score: **120**

Liquidity ratios have increased across all sub-sectors, owing to significant improvements in net incomes and optimised working capital allocation.





Most organisations have seen favourable improvement in net incomes but are cautious in light of recent headwinds

Healthy net incomes have supported most companies to invest cash in capacity expansion, new fleet, digital and technology capabilities and make acquisitions to scale growth.

With slowing incomes, businesses are following a more conservative approach towards utilising their cash balances.

Exceptional growth in cash generation from operations has helped fund continuous expansion and investments

Greater cash generation from increased demand during the global pandemic has enabled businesses to repay short-term liabilities while increasing working capital, resulting in improved OCF ratios.

As most acquisitions in the sector are funded through cash balances, firms are not tapping into additional lines of short-term debt.

Short-term liquidity positions have improved due to increasing cash balances and receivables

As current assets have grown at a higher pace than their payable counterparts across sub-sectors, average quick ratios have seen a moderate increase.

Especially for supply chain and freight forwarding service providers, asset-light business models are a key reason for higher quick ratios, partially owing to greater liquid cash positions and lower working capital requirements.

Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Focus on automation remains imperative to the sector in order to drive operational excellence and reduce costs

Firms have leveraged technological advancements to substantially improve profitability through automation and they continue investing in R&D

- Companies are benefitting from these initiatives and are able to increase margins owing to efficiency gains across workflows such as order and warehouse management, billing, logistics, and customer services
- Most players continue to invest in R&D to explore and build thorough and sophisticated AI and cloud integrated solutions, reduce manual errors and drive both sales and productivity
- While technology facilitates efficiency gains, it also creates opportunities for logistics providers to offer automation services to their customers for warehouse and inventory management

Success story

A leading logistics provider rolled out various initiatives across warehouse management and customer servicing that helped the company grow its EBIT margin by ~500 bps between 2019 and 2023

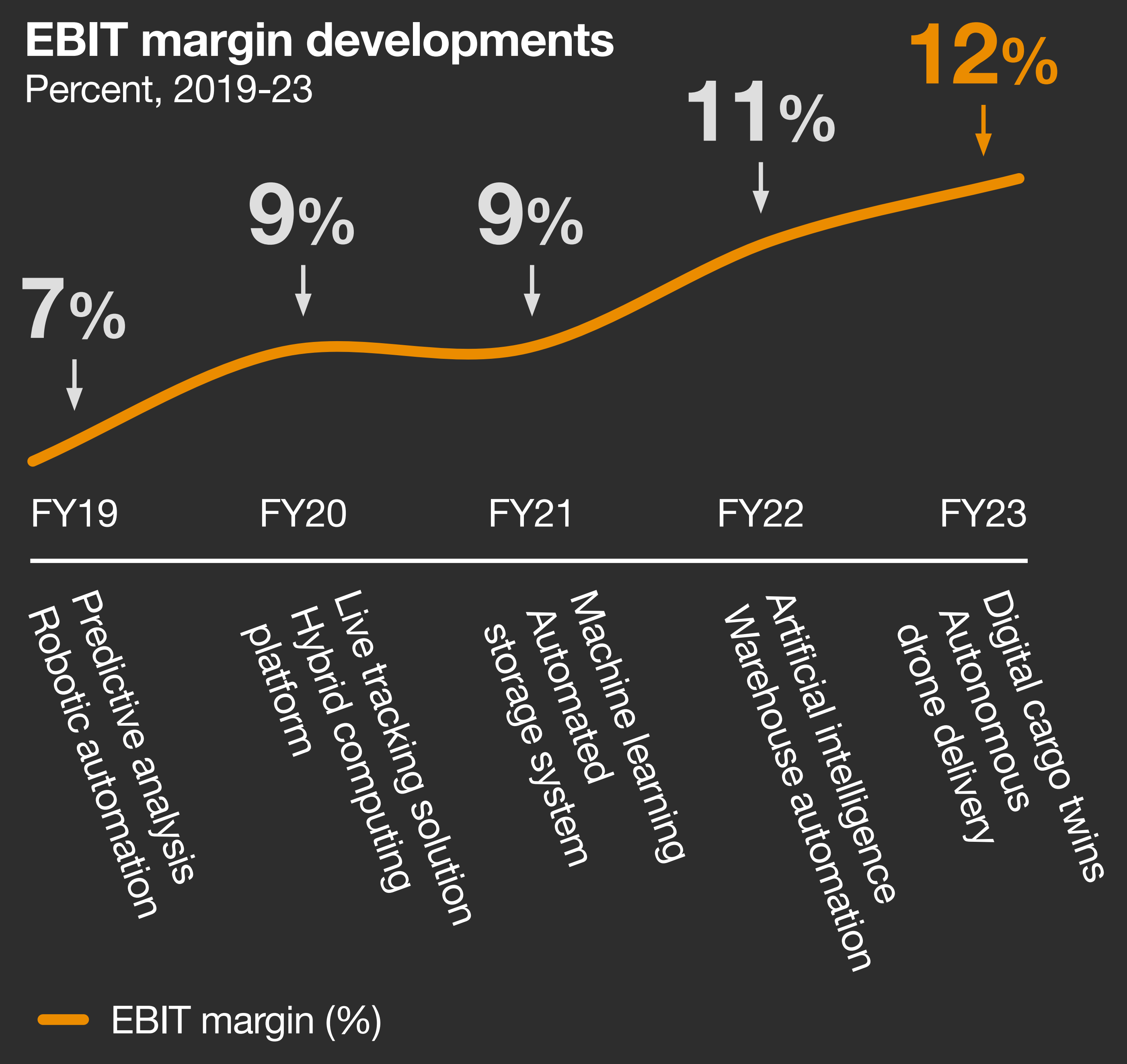
To increase margins, the **firm launched an arsenal of profitability initiatives in parallel**, such as acquisitions, activity-based costing, IT system consolidation, service standardisation, automated warehousing, autonomous drones for delivery, etc.

As a result, the company was able to optimise its labour-intensive workflows, increase warehouse utilisation, and upgrade service quality, **ultimately boosting EBIT margin by over 500bps**.

Looking ahead, the company is **continuously testing disruptive technologies** such as semi-autonomous driving and Power-to-X technologies, wearables, etc. to further automate and grow profits.

Source: Company annual reports and PwC analysis

EBIT margin developments
Percent, 2019-23



03

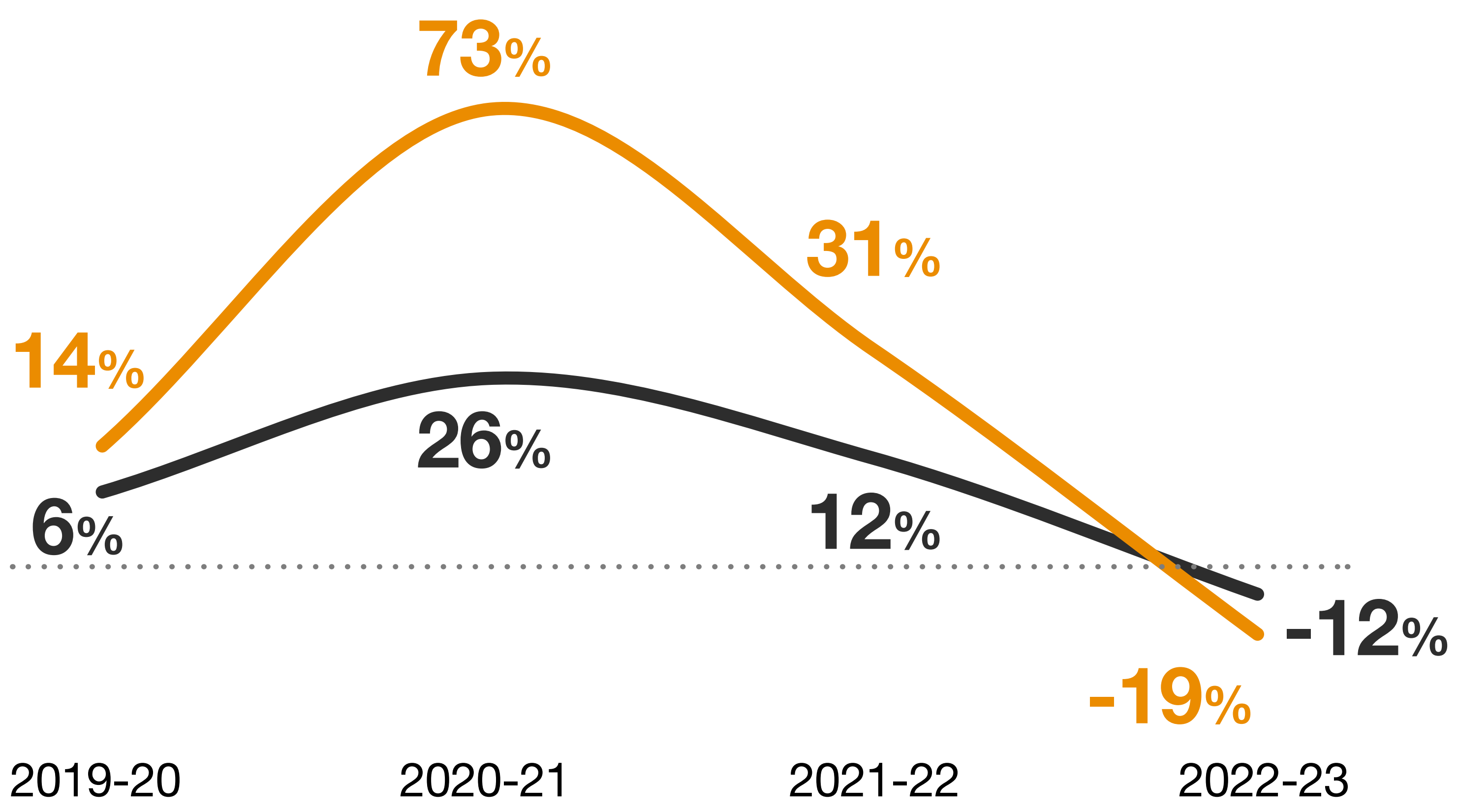
Priorities for success

Technological integration and sustainable services are major growth levers for the sector

The logistics and distribution sector achieved accelerated bottom-line growth, mainly attributable to price hikes, technological integration and process optimisation

Fuelled by increased demand during the pandemic most logistics firms were able to take advantage of supply chain disruptions and increase prices during 2020-22. Furthermore, technology and automation investments favoured efficiency gains.

Average revenue and EBIT growth, y-o-y % change



Average revenue growth, y-o-y % change
Average EBIT growth, y-o-y % change

Sources: Company annual reports, PwC analysis (for detailed methodology, refer to Appendix)

Organisations are bullish about technological advancements in the future

Having benefitted from technologies that enable process automation and productivity increases, companies anticipate these developments to further impact their operations and value delivery.

~50%

of logistics leaders agreed that **technological change** has altered the way their company creates, delivers and captures value **over recent years and will continue to do so in the future.**

Source: PwC 27th Annual Global CEO Survey

Demand trends towards sustainable and innovative solutions have prompted businesses to support clients in their net zero transition

As businesses pursue a reduction in carbon footprints, the sector is expected to deliver sustainable transportation services to their clients through initiatives such as electrification of fleet and “green” logistics services.

Percentage of logistics leaders who see **energy transition as a risk versus an opportunity** for their organisation:

Source: PwC Global Risk Survey 2023

58%

of logistics leaders state that they are currently developing or selling products, services or technologies that **support customers' climate-resilience efforts.**

Source: PwC 27th Annual Global CEO Survey

Leaders are focusing on these key priorities to enable differentiated and resilient growth:

Using technology to create new growth avenues and more sophisticated service offerings, as well as **enhance operational efficiency** to reallocate human capital towards high value-added activities.

Recruit and cultivate a future-proof workforce to develop advanced technological capabilities and meet evolving organisational needs.

Companies are offering innovative solutions, to help their clients **develop a strong climate mandate to stay relevant.**

Experiencing an increasing level of volatility and uncertainty, firms are expected to **build a thorough risk management practice** to seize opportunities.

Leverage technology to create new growth avenues and enhance operational efficiency

Technological disruptions such as GenAI could change the way logistics and distribution businesses create, deliver and capture value

The adoption of technology has emerged as a pivotal factor for business leaders aiming to excel in today's competitive landscape. By integrating advanced tools, companies can optimise operations, leverage data-driven insights, and drive both top- and bottom-line growth. Embracing these innovations not only helps enhance operational efficiency but also fosters scalability and adaptability, positioning firms for sustained success in an evolving market.

1 in 5 business services CEOs believe that the lack of technological capabilities is an inhibiting factor in changing the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey

Organisations need to embrace disruption and leverage new technologies to find new growth opportunities

~80% of business services leaders took major action[1] towards adopting new technologies:

Not at all/ very limited extent	Limited extent	Moderate extent	Large or very large extent
3%	14%	35%	44%

Source: PwC 27th Annual Global CEO Survey

Companies are leveraging technology to enhance operational efficiency through automation and data analytics. For example, AI-driven predictive analytics optimise inventory management, reducing stockouts and overstock situations. Robotics and automation streamline warehouse operations, speeding up order fulfilment and reducing errors. Real-time tracking systems improve transparency and customer satisfaction by providing accurate delivery updates. These technologies collectively drive cost savings, efficiency, and competitive advantage.

[1] Major action includes survey responses 'to a large extent' and 'to a very large extent'

GenAI has been a huge disruptor but firms are adopting AI to find gains in revenue and margins

71% of business services CEOs believe GenAI will change the way their company creates, delivers and captures value in the next three years.

While a vast majority of business services leaders acknowledge the importance of GenAI, only 37% of them have adopted GenAI in their operations, according to PwC's 27th Annual Global CEO Survey. This mismatch in recognised potential and adoption highlights the scope for further integration of GenAI into existing operations to drive efficiency and growth.

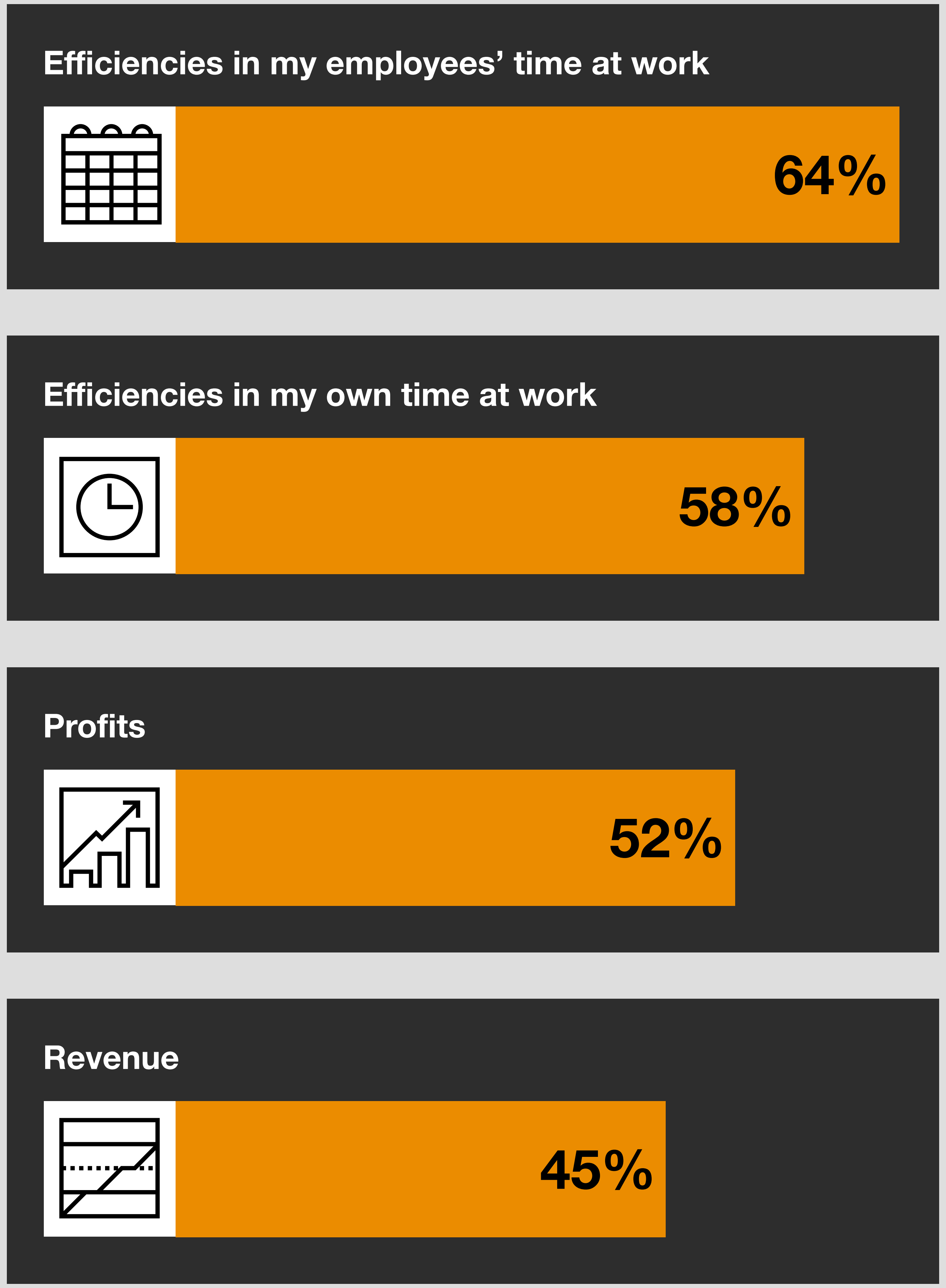
25%

of business services leaders believe that GenAI will help them reduce headcount by at least 5% or more in the next 12 months.

Adoption of AI can facilitate increased sophistication in portfolios paving way for high-value and high-margin services. Furthermore, automation, data analytics and workflows can be standardised and streamlined through AI integration, allowing leaders to refocus on core capabilities and achieve operational efficiencies by increasing resource and employee productivity.

Source: PwC 27th Annual Global CEO Survey

Percentage of business services CEOs that believe GenAI will increase the following in the next 12 months:



Recruit and cultivate talent to meet evolving organisational needs

Talent needs are evolving as business services companies reinvent how they deliver differentiated value

23%

of business services CEOs believe that lack of skills within their workforce is an inhibiting factor to changing the way they create, deliver and capture value.

Source: PwC 27th Annual Global CEO Survey

Logistics players can meet evolving business needs by strategically hiring for emerging roles like data analysts and automation engineers while upskilling existing employees in areas like digital tools and process optimisation. For instance, the adoption of automated sorting systems necessitates a workforce adept in managing and maintaining advanced machinery.

71%

of business services leaders believe that GenAI will require most of their workforce to develop new skills in the next three years.

Source: PwC 27th Annual Global CEO Survey

Percentage of business leaders who have either planned or already progressed on upskilling/reskilling their workforce for climate-driven changes to their business model:

No plans/ not sure	Planned but not started	In progress	Completed
35%	21%	39%	6%

Source: PwC 27th Annual Global CEO Survey

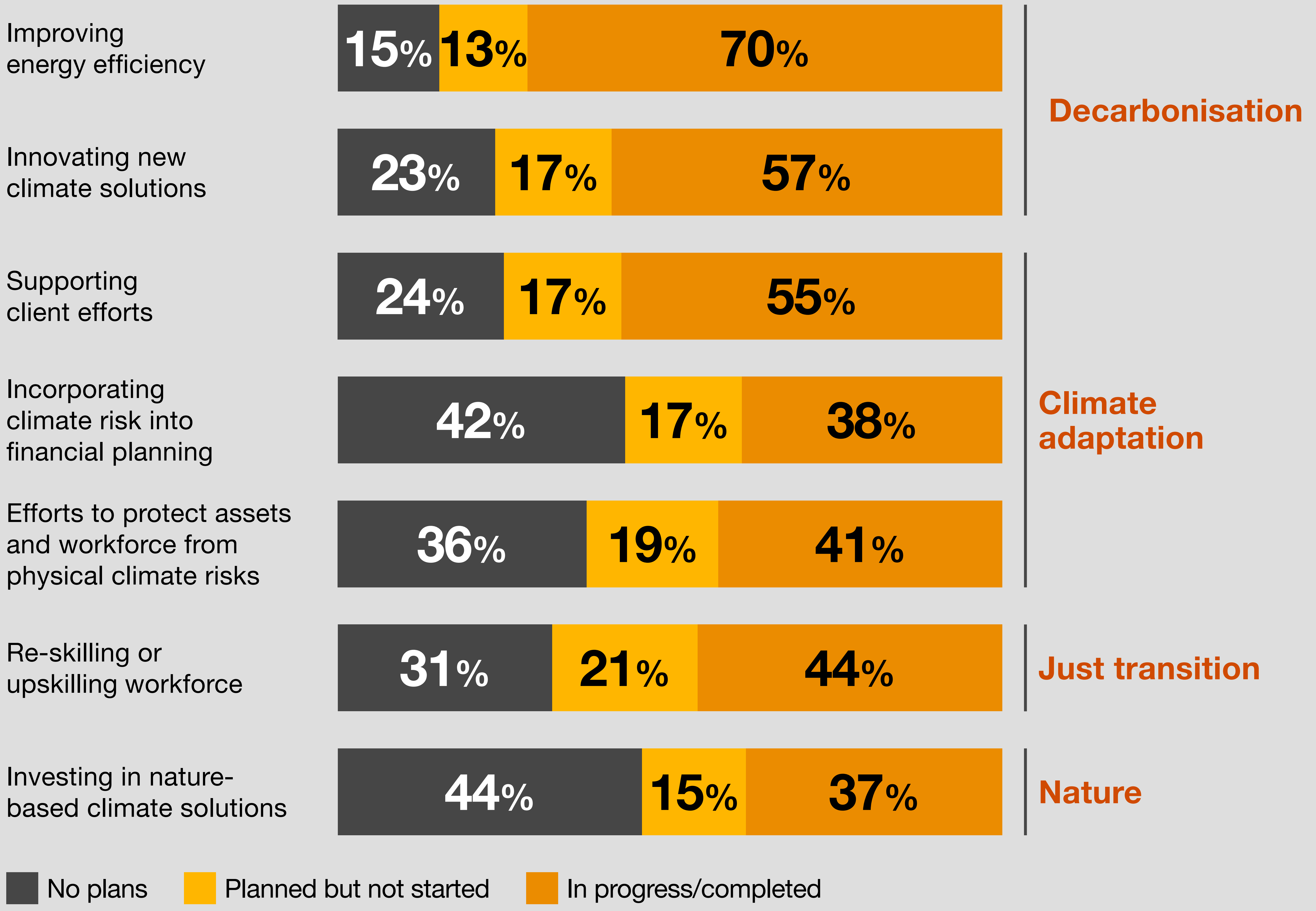
Develop a strong climate mandate to stay relevant

Develop a strong climate mandate to address changing consumer preferences, and government regulations and discover new growth opportunities

There is a growing importance of having a strong climate mandate in view of global developments and net zero commitments. Several business services companies have already undertaken efforts to improve energy efficiency and innovate new climate solutions, and support clients in their climate action journeys.

Logistics companies are combatting climate change by adopting electric vehicles and optimising routes to reduce emissions. For instance, use of electric delivery vans and route-planning software significantly cut carbon footprints, advancing sustainable logistics practices.

The majority of business services leaders have taken major action towards climate change, especially in decarbonisation and climate adaptation efforts:



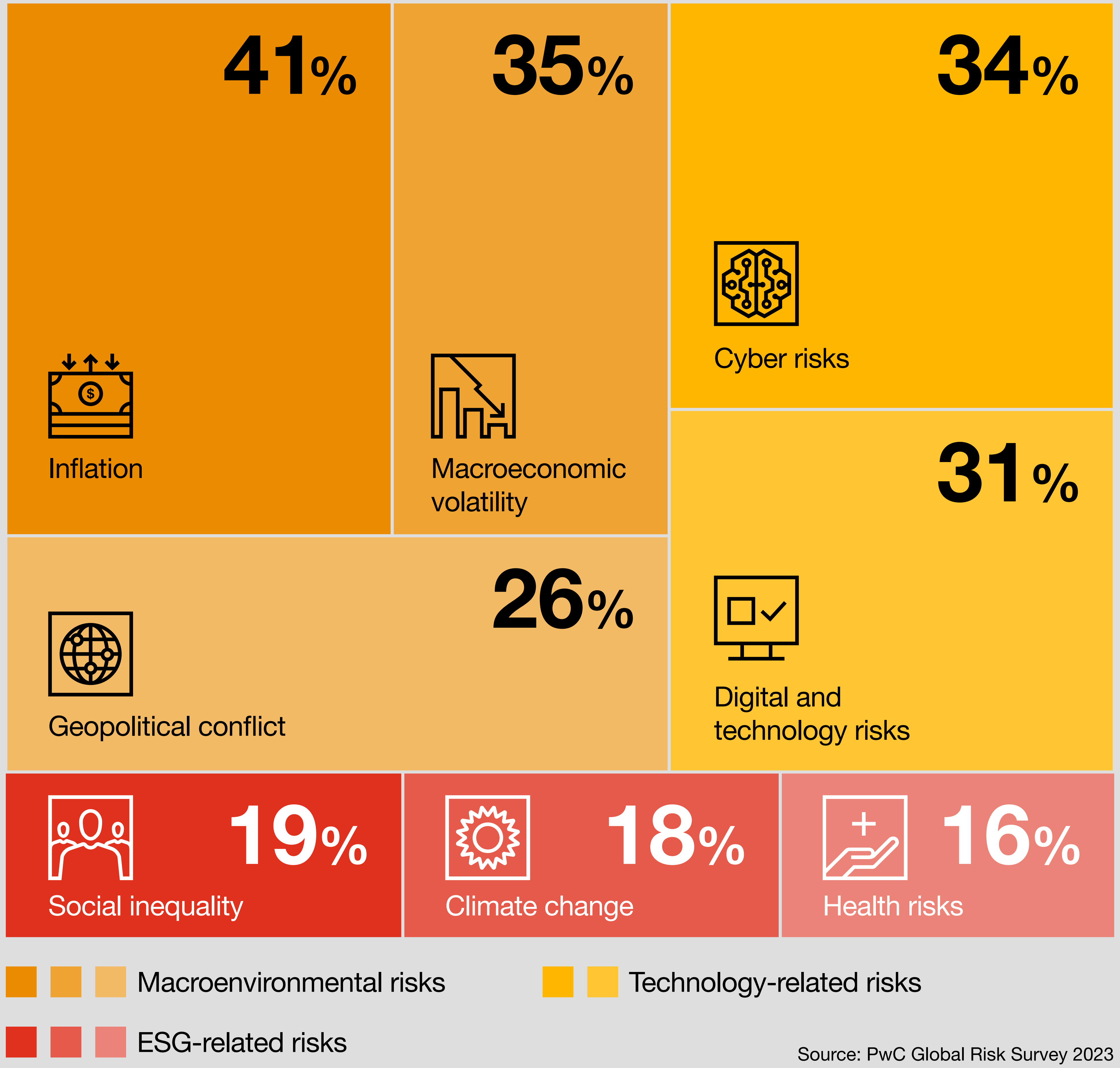
Source: PwC 27th Annual Global CEO Survey

Build a thorough risk management practice to seize opportunities

Reinvention comes with risk, therefore, logistics and distribution businesses must build a strong foundation in risk management practices to grow resiliently

Effective risk management is crucial for stability and growth as it helps shape and guide the future trajectory of growth. It identifies and addresses threats like geopolitical tensions, which can disrupt supply chains; cyber risks, threatening data security; and climate change, impacting operations. By proactively managing these risks, businesses can safeguard assets, achieve regulatory compliance, and maintain operational resilience.

Top risks that business services leaders believe their company to be most exposed to:



Source: PwC Global Risk Survey 2023

ESG-related risks

Take a long-term view of climate risks and prepare your workforce for health risks

Logistics and distribution players must invest in technology to accelerate climate actions and support data collection and reporting. They should factor the financial materiality of physical and transitional climate risks into the company's bottom-line, and the impact on supply chains in the long term. Companies can leverage the energy transition for cost savings from lower consumption needs and seize opportunities for growth in new segments.

61% of business services companies have invested in digital communication tools to support business continuity in the event of a pandemic.

Firms must establish flexible working arrangements and digital communication tools for remote working to enable business continuity in case of a global pandemic or other disruptive events.

Source: PwC Global Risk Survey 2023

Macroenvironmental risks

Use predictive risk management capabilities alongside advanced technology and data, and strengthen supply networks

Logistics leaders can integrate existing data analytics capabilities with enterprise resource planning platforms to proactively identify risks in critical areas: IT, supply chain, workforce sentiments, among others. They can also diversify their footprint for operational continuity in the event of global crises.

10% of business services CEOs are exploring or have just started using technology and data for risk management.

49% of business services companies have invested in network expansion in the last 12 months for strong supply chain resilience.

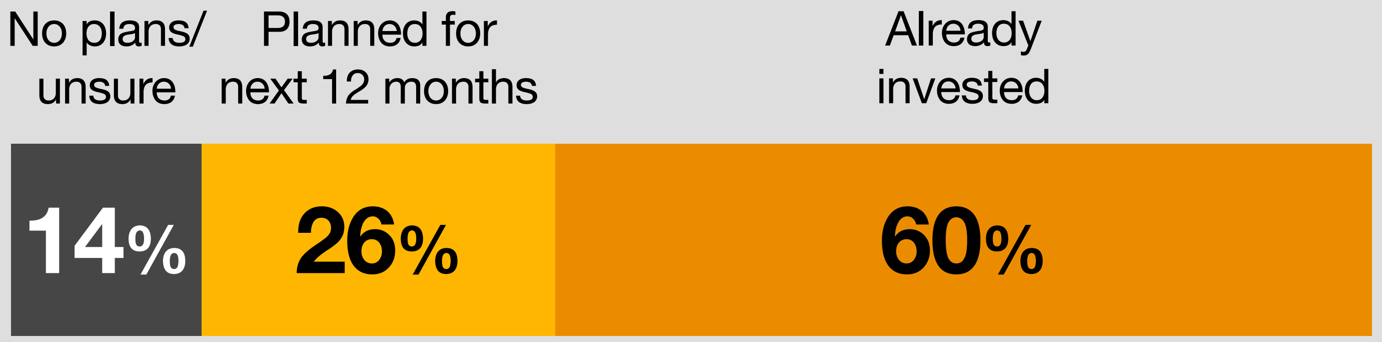
Source: PwC Global Risk Survey 2023

Technology-related risks

Upgrade critical systems to safeguard against cyber attacks and establish protocols for incident recovery

To thrive in today's digital landscape, technology-related risks must be strategically mitigated. This entails investing in cutting-edge cybersecurity measures, continuously updating systems, and fostering a culture of digital vigilance. By conducting proactive risk assessments and implementing thorough data protection strategies, firms can safeguard their operations and fortify client trust.

Percentage of business services leaders who have invested in upgrading their cyber systems in the last 12 months:



Source: PwC Global Risk Survey 2023

Link responsible GenAI to the business strategy

Organisations also need to consider the impact of GenAI on data protection, cognitive biases, and workforce implications. Embracing responsible AI practices aids in the responsible use of technology, promoting transparency and fairness while protecting stakeholder interests.

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In conclusion…

The logistics and distribution sector performed extraordinarily well compared to 2019 levels

With skyrocketing demand conditions during the COVID-19 pandemic, businesses were able to take advantage of supply chain disruptions and increase prices for their services to boost capacity utilisation as well as profits. However, with the recently normalising volumes and prices, businesses have been investing in productivity-enhancing tools to improve their operational efficiency and sustain bottom-line numbers. Moving forward, the growing relevance for sustainable logistics is encouraging logistics players to incorporate "green" solutions into their portfolios, along with diversifying into value-added offerings such as supply chain solutions, warehouse and inventory management, and other advisory services.

Business Services Enabling Differentiated Growth for Industrial Players

In addition, the overall business services industry, including the logistics and distribution sector, can play a crucial role in supporting industrial companies aiming for differentiated growth.

With this, organisations can focus more on core activities and innovation, as well as access advanced technologies and best practices that drive efficiency and competitiveness.

To know more, download the **Business Services Enabling Differentiated Growth for Industrial Players** report.

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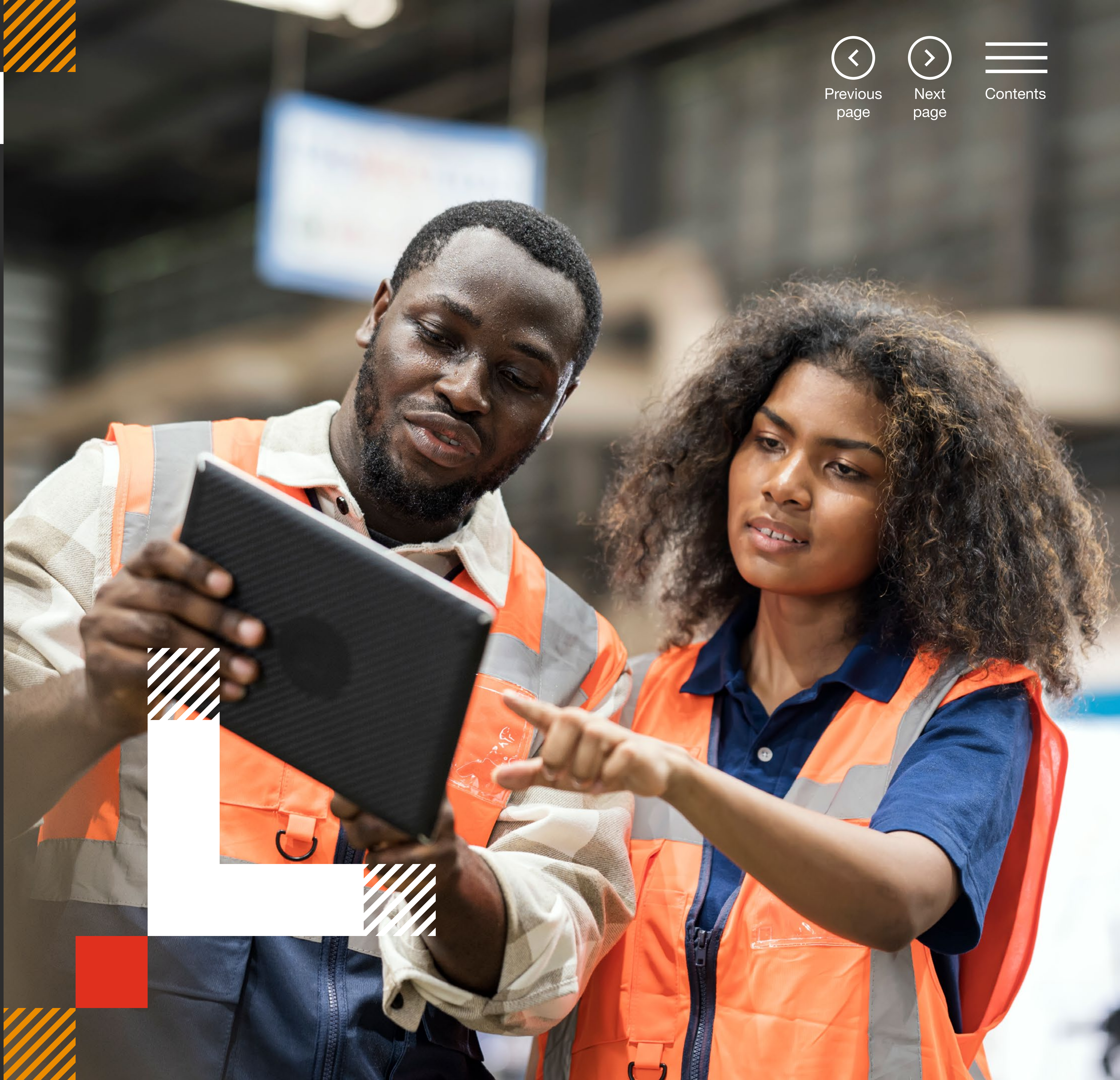
Appendix



Methodology

I. Overview

- This report presents an outside-in view of the Business Services industry and the performance across 8 key sectors: (i) Logistics and Distribution, (ii) Business Process Outsourcing, (iii) Testing, Inspection and Certification, (iv) Human Capital Management, (v) Digital and Education Services, (vi) Built Environment Services, (vii) Legal Services; and (viii) Professional Services
- 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 30 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 247 companies)

II. Index calculations

1. **Time period and baseline –** The index calculation is based on company data for both 2023 (FY23) and 2019 (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 2019 and 2023 to derive a **ratio**
   - The ratios were aggregated across all 30 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 2019 benchmark
     - If the sector score = 100, results were at par with 2019
     - If the sector score <100, it underperformed against the 2019 benchmark

III. Key sources

- The key sources referred to throughout the report include the following:
  - Company websites and annual reports
  - Databases such as S&P Capital IQ, Bloomberg, EMIS
  - Company registrar portals such as Companies House (UK), Securities and Exchange Commission (US)
  - PwC 27th Annual Global CEO Survey
  - PwC Hopes and Fears Survey 2024
  - PwC Global Risk Survey 2023
  - PwC Global Pulse Survey 2024

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