DAT Freight & Analytics

2025 FREIGHT FOCUS

The Transportation & Logistics Outlook

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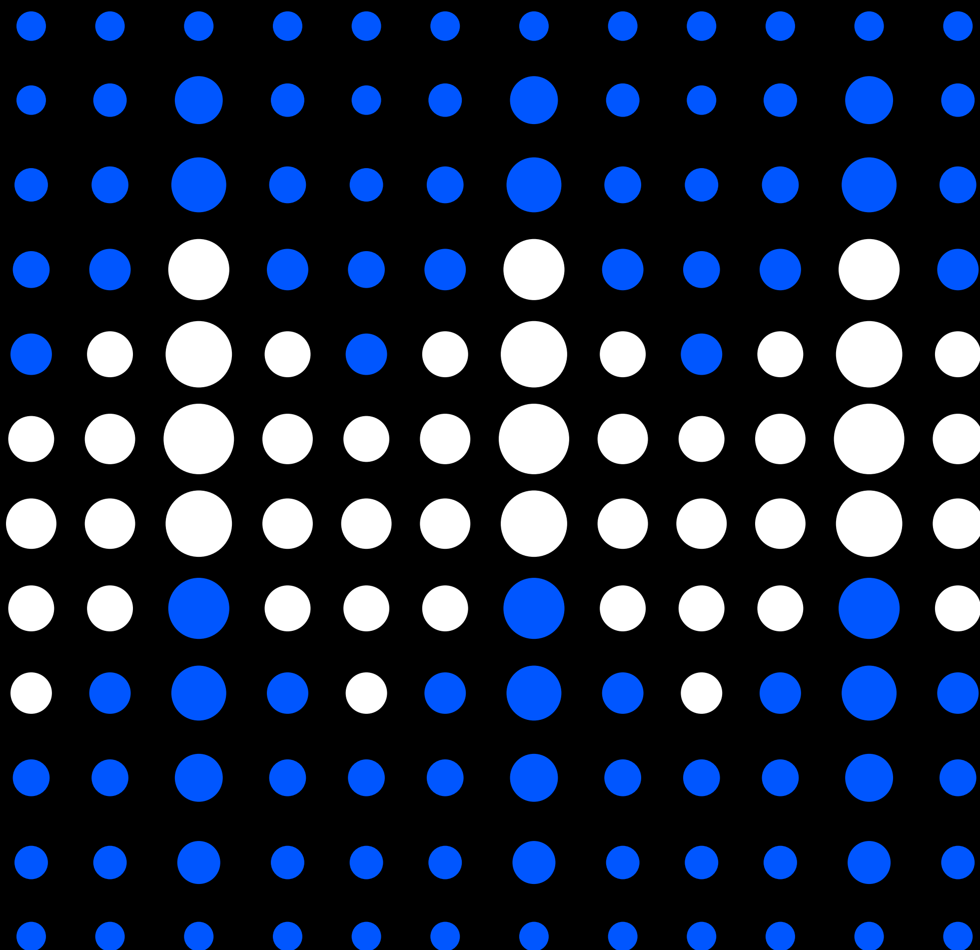

Pattern Recognition

EXECUTIVE SUMMARY

Let’s state it plainly: 2025 will not look like 2024.

Change is in the air, and not just in the White House. The new administration will obviously influence the direction of the freight markets, but when combing through the data and indicators, patterns had already emerged. Those signals suggest that, after two years of low rates and loose capacity, the transportation industry is likely to tighten in 2025.

For all the uncertainty and volatility that define the trucking industry, the ebbs and flows of the business cycle are constant. At the close of 2024, we finally entered the next cycle.

The path won’t be a straight line. While the cycle points to broad trends when zoomed out, the actual path ahead will be full of detours and backtracks. *The 2025 Freight Focus* is devoted to finding the patterns in the mixed signals – to removing uncertainty and adding confidence to the year ahead.

Now and next

The challenges of the past two years won't simply fall by the wayside. DAT is committed to providing transportation and logistics professionals the tools to overcome the obstacles of today while prepping for tomorrow. It defines our priorities for 2025.

Trust and confidence

Fraud exploded post-COVID for all industries, but transportation became a frequent target. In an industry built on relationships, the ability to make trusted connections is fundamental. All the enhancements we're making with the DAT One network are with those goals in mind: to provide the most trusted and reliable resource for building and managing business networks.

Predictive analytics

The DAT iQ database recently eclipsed $1 trillion in collected freight transactions, but we're not in the business of just collecting data. The value is in elevating these data points into insights that predict where the markets are heading, arming logistics teams with the ability to plan and execute with confidence.

Intuitive automation

AI doesn't have to be about doing more with less – it can be about doing more with more. Freight has traditionally been a hands-on business, but automating some of these manual processes gives businesses the ability to devote more time and talent to critical areas that bolster their bottom lines.

The final mile

As we close the books on 2024, the coming year promises a dynamic freight environment – one driven by change but full of opportunity. In the following pages, our team of analysts pores over the data and key metrics to take the uncertainty out of freight.

Thanks for reading. Here's to a safe and successful 2025.

Jeff Clementz

President and CEO
DAT Freight & Analytics

DAT BY THE NUMBERS 2024

235M+
Load posts

32M+
Truck posts

115K+
Carrier subscribers

4.15B
Rate lookups

$1 Trillion Market Transactions

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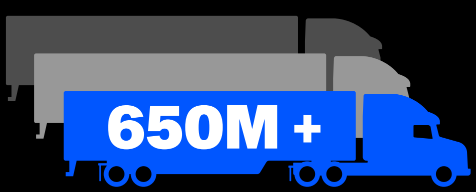
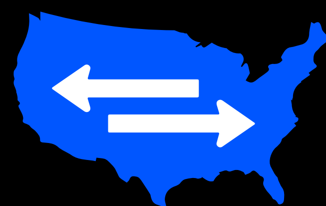
Breaking down $1 trillion in transactions



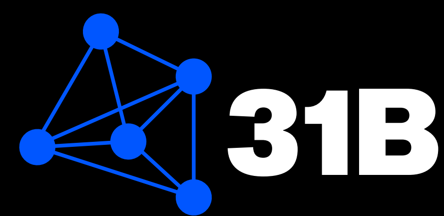
Shipments

Deep insights based on more than 650 million shipments.



Every lane

Covering every corner of the supply chain.

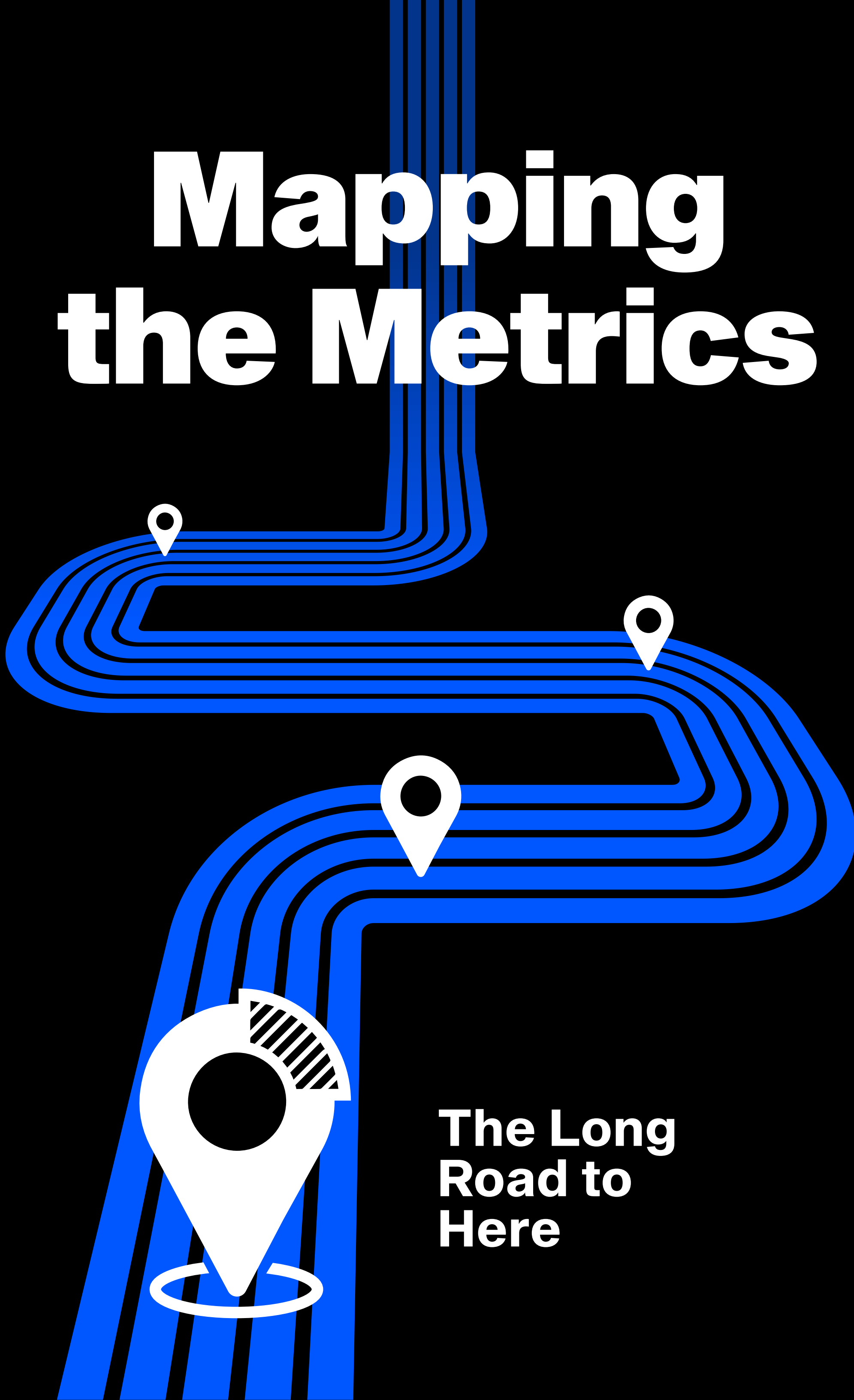


Data points

The most comprehensive database in the industry.

Mapping the Metrics

The Long Road to Here



After a couple years of idling, the truckload marketplace is poised to shift gears.

That leads to two questions: What should we expect in 2025, and what took so long?

Like other industries, transportation experiences distinct market cycles. Typically, a complete market cycle in transportation spans around three to five years, navigating through phases of expansion, peak, contraction, and trough. Each cycle is influenced by a number of factors such as macroeconomic conditions, technological advancements, regulations, consumer demand, etc.

Since 2010, the truckload industry has seen four distinct cycles of growth followed by a downturn. In the past two cycles, outside events accelerated those shifts. In late 2017, major storms led to rebuilding efforts which was followed by the ELD mandate. Those events along with macroeconomic factors tightened capacity, sending rates upward. In 2020, it was the COVID-19 lockdowns.

What's different this time is how long the down market has lasted. So to better understand where we're going, let's take a moment to remember how we got here.

The COVID-19 impact and market correction

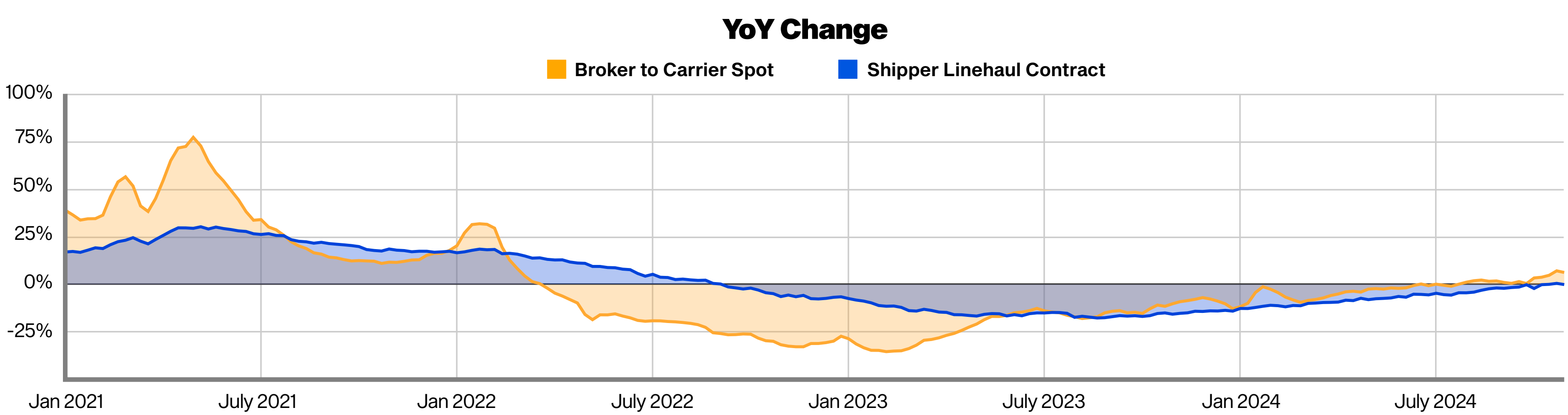
It's impossible to overstate the disruptions caused by COVID-19. Entire supply chains and transportation networks were upended in countless ways, laying waste to routing guides.

The combination of lockdowns, stimulus spending, shifts in consumer behavior, and a host of other factors led to record-high truckload rates. Those rates attracted a record number of new entrants to this space – the number of for-hire interstate carriers nearly doubled.

The pandemic, while similar to the previous cycles, had higher peaks and lower valleys. During the pandemic freight cycle, the year-over-year change in dry van spot rates peaked at over 50%. None of the previous three cycles exceeded 40%. Similarly, the pandemic cycle bottomed out at below -30% year-over-year spot rates, while the previous cycles were between -10% and -20%.

The duration of the pandemic cycle was also about 6 months longer than the previous three cycles: 42 months versus 48. As with all cycles, the duration of the contracting or deflationary period is slightly longer than the expanding or inflationary period. So the length of this most recent deflationary period is due in part to the height of its peak – it takes longer to come down.

Once the market finally softened, truckload capacity was in oversupply. Given the historic nature of the spike in new carrier entrants, it's taken a much longer time for supply to find equilibrium with demand. As a result, we've seen a historically long inverted market – one where the average spot rates are below average contract rates. At 30 months and counting, the deflationary market has put transportation providers in a squeeze.



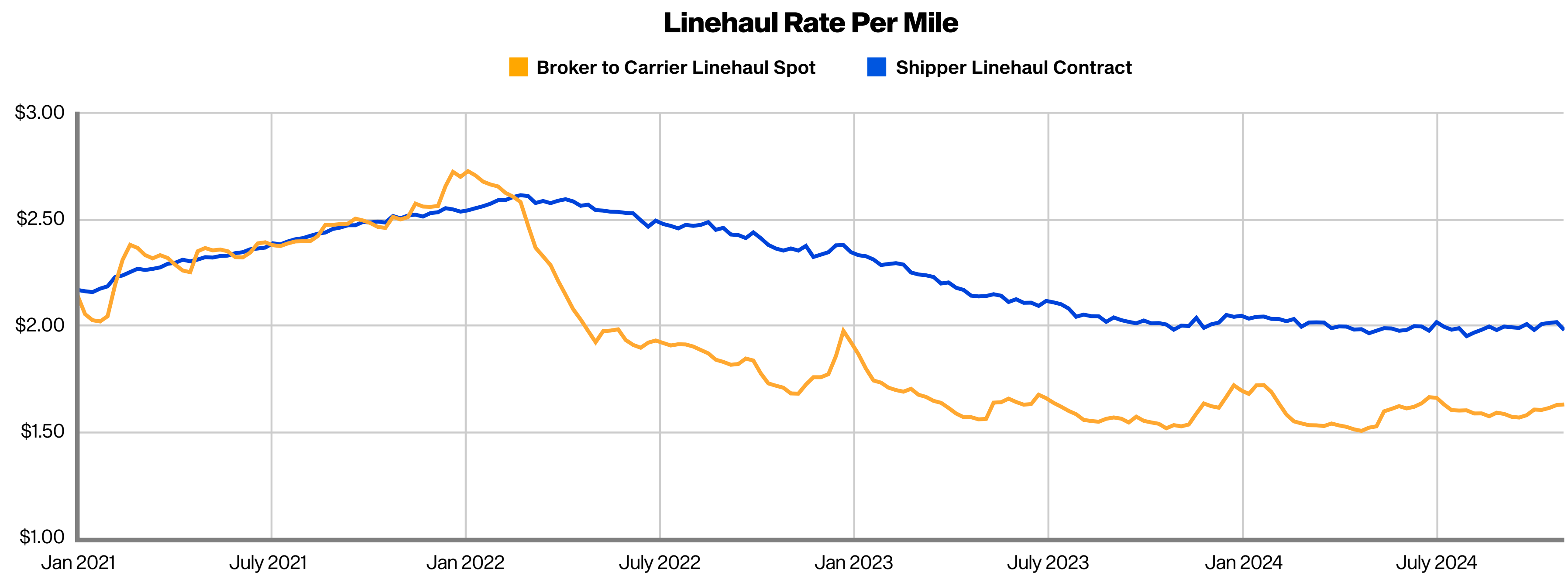
Peaks and valleys on the road ahead

The inverted marketplace has been particularly favorable for shippers.

New RFPs saw double-digit percentage rate decreases throughout 2021 and 2022. Shippers have still enjoyed cost savings with spot rates remaining significantly lower than contract rates.

This inverted market is unsustainable for transportation providers, though. The duration of this market trough has been unusually long, as it has taken over a year to begin a notable recovery towards equilibrium. During this period, many carriers were forced to tighten their operations or exit the market entirely due to unsustainably low rates.

That reversal won’t be a linear path, however. Instead, it will involve a series of peaks and valleys shaped by myriad influencing factors, from trade policies and consumer confidence to fuel costs and the weather.



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Top 10 Truckload Markets 2024

Rank	Dry Van	Temp-Control	Flatbed
1	Chicago, IL	Fresno, CA	Houston, TX
2	Dallas, TX	Chicago, IL	Fort Worth, TX
3	Los Angeles, CA	Los Angeles, CA	Dallas, TX
4	Atlanta, GA	Atlanta, GA	Cleveland, OH
5	Fort Worth, TX	Philadelphia, PA	Atlanta, GA
6	Joliet, IL	Fort Worth, TX	Chicago, IL
7	Ontario, CA	Dallas, TX	South Bend, IN
8	Houston, TX	Joliet, IL	Birmingham, AL
9	Allentown, PA	Ontario, CA	Savannah, GA
10	Charlotte, NC	San Francisco, CA	Los Angeles, CA

Note: Based on the DAT iQ database of over $1 trillion in transactions for both spot and contract truckload freight.

New Year, New Cycle

Factors and Trends That Will Shape 2025

The truckload marketplace is entering a new phase, and the business landscape is changing.

But this won't be as simple as flipping a switch. To navigate the ebbs and flows, it pays to keep an eye on key indicators that will influence the nature of this next business cycle.

Tighter markets in 2025

One key metric we watch is the New Rate Differential (NRD). This analyzes all new contract rates entering the DAT iQ database and compares them to the rates they're replacing. From May 2022 to July 2024, this number was negative, meaning that shippers were enjoying savings in their new RFPs.

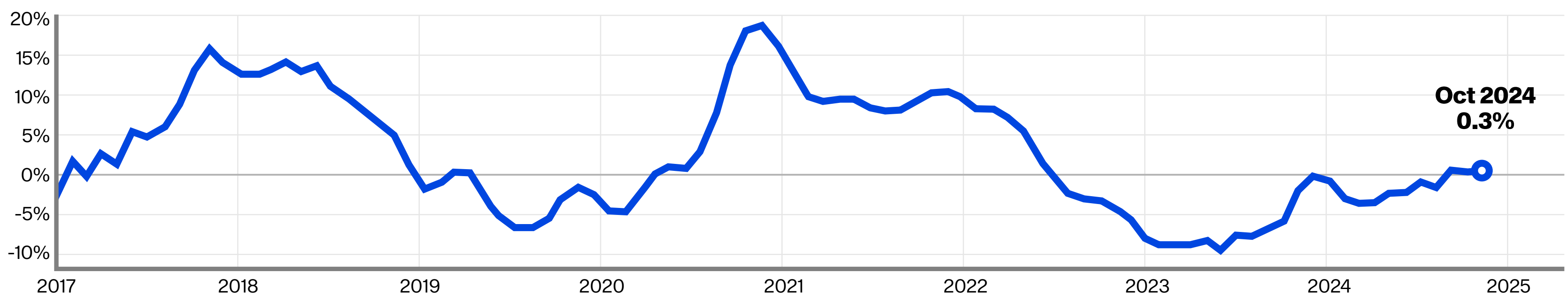
The NRD turned positive in August, meaning that, on average, shippers' new contract rates were now higher than the ones they previously negotiated. As carriers continue to exit the marketplace, we expect this trend to continue.

The barrier for entry for new carriers is also likely the highest it's been in the deregulation era. Operating costs for new carriers are nearly 20% higher than for more established carriers. That's due to both higher insurance premiums and the financing costs associated with the inflated used truck market of 2021/22.

With fewer new carriers replacing the ones exiting the marketplace, truckload capacity tightens. As a result, analysts should anticipate rate increases akin to pre-pandemic levels, offering potential advantages for larger carriers with robust networks and negotiating power.

Which leads us to the million dollar question: When is the market going to flip? Barring a major disruption that accelerates the process, current DAT iQ forecasts predict Q2 at the earliest.

New Rate Differential: Dry Van



Possible headwinds?

While the market is broadly (and perhaps slowly) moving in the favor of carriers, transportation providers are still facing uncertainty.

Trade policies

The new Trump administration's focus on tariffs and renegotiated trade deals may lead to changes in supply chain sourcing and shifts in truckload demand.

Global geopolitics

As we saw with the spike in oil prices after Russia's invasion of Ukraine, global events can have downstream effects on trucking, with ongoing conflicts creating more uncertainty.

Regulations

While the regulatory climate is expected to be more lax under a Trump administration, Trump did choose an AB5 supporter for labor secretary, and more states may pursue similar policies along with tighter emissions standards.

Labor strife

Recent worker strikes at the ports and elsewhere put strain on supply chains, which could carry over into 2025.

Immigration

Mass deportations could affect workforces in California farms and Midwest packing plants, which could lead to lower truckload volumes.

Key indicators to monitor

Understanding and predicting the trends in the transportation market requires careful attention to a range of metrics and indicators.

Here is a list of key data points to keep an eye on:

Spot vs contract rates: Tracking fluctuations in these rates within the DAT database will offer insight into short-term and long-term pricing trends.

Market Conditions Index: Along with load-to-truck ratios, this is a crucial indicator of market demand and capacity constraints, providing early signs of changing conditions.

Fuel prices: Regular updates from sources such as the U.S. Energy Information Administration can highlight cost pressures on transportation providers

Class 8 truck orders: Monitoring industry reports on truck manufacturing orders can indicate future capacity increases or decreases.

Employment rates in the logistics sector: Insights from the Bureau of Labor Statistics on employment trends will affect the availability of drivers and operational efficiency.

Global trade volumes: Data from the World Trade Organization or national customs agencies can shed light on international shipping and its effect on domestic transportation.

Interest rates: Expected rate decreases would affect consumer behavior.

Other trends that will shape 2025

1
Automation and AI

Companies can stream-line their operations to respond quickly to market changes thanks to accelerated technological advancements in logistics.

2
Data and analytics adoption

The analytics revolution hit transportation in full force in recent years, changing the way many businesses procure transportation. These real-time insights will allow more players to ride the ups and downs of truckload pricing waves.

3
Trust and confidence

The post-COVID surge in fraud underscored the importance of trusted partnerships. Heightened vetting practices will be put to the test when markets heat up.

Keys to Success

Shippers

Balance predictability with flexibility

Brokers

Customer service through trusted networks

Carriers

Line of sight into opportunities

Keys to success: Shippers

First thing's first: Transportation is likely to cost more in 2025. That in and of itself probably wouldn't come as a surprise – transportation and logistics professionals have been waiting for that shoe to drop for a while. But many of the processes top shippers use to procure transportation on volatile lanes have evolved.

These were trends that had been growing but were accelerated by the disruptions caused by the pandemic. The result is a new set of rules that rework long-established practices, allowing businesses to ride pricing waves thanks to the amount of data and analytics that have entered this space.

There are four key adjustments to consider as we enter an inflationary market, all designed to take some of the inherent price risks off the table. The first is considering pre-bid awards on key lanes to core carriers at reasonable target rates. Both shippers and carriers crave consistency. Keeping incumbents on important lanes rather than subjecting these lanes to the open bid provides consistency of service to both shipper and carrier at a market-adjusted rate.

The second is to tamp down "savings" expectations for a bid. Saving a percentage or two during a bid while heading into an inflationary period can lead to service and capacity problems as the market tightens.

Third, consider a longer contract duration. Carriers might be interested in shorter contracts, just as shippers preferred them when the market loosened. Pairing a longer contract with pre-bid award language could provide both the shipper and carrier some level of consistency with a flexible rate mechanism.

Finally, the carrier mix and size should be calibrated. While reducing the carrier base dramatically during deflationary cycles to leverage volume with a carrier is tempting, shippers do not want to be caught short when the market tightens. This does not mean a shipper should double their carrier base, but rather consider having multiple carriers awarded some level of business throughout the cycle. Similarly, ensure a mix of asset and non-asset providers to leverage as the market tightens.

New rules for shippers

1

Data and tech are no longer optional

Utilizing comprehensive data analytics is crucial for predicting market changes and making informed procurement decisions.

2

Engage the C-suite

The pandemic put a spotlight on transportation, and the procurement process often isn't fully understood by executives in other parts of the business.

3

Agility and risk management are top priorities

Plans and strategies should be in place to navigate market uncertainties, geopolitical events, consumer spending, etc.

4

Procure dynamically

Adopt procurement strategies beyond RFPs for greater agility and resilience, incorporating data-driven strategies to optimize cost and service levels.

Taking a portfolio approach

Most shippers had a primary carrier acceptance rate of 95% or higher in 2024. That number will drop as capacity tightens. Diversifying the transportation portfolio will minimize risk of spot market premiums once the current inverted market finally flips.

By using a mix of asset-based and non-asset providers, shippers create resilience in their networks for times of scarcity and when market conditions are less predictable. Fostering relationships with multiple providers can also enhance bargaining power and service reliability.

Ride the wave

The other key to maintaining flexibility and predictability is to take a more dynamic approach to procurement, specifically on lower volume lanes that tend to be the most volatile from a pricing standpoint. Lumping those in with other lanes in the RFP often leads to future tender rejections.

With current capabilities in market analytics, shippers can handle those lanes through mini-bids or other strategies that keep costs more in line with the broader market.

Keys to success: Brokers

The current inverted market – with spot rates below contract rates – has put the squeeze on freight brokerages and 3PL margins.

The oversupply of capacity puts shippers in the driver seat in terms of pricing, with average margins dropping below 15% for small-to-mid-sized brokerages. But margins and market cycles are related, and we entered a new cycle in Q4 2024.

Margins aren't the only challenge facing transportation intermediaries. Fraud surged for all industries in 2023 and continues to pose a major challenge for brokers. The increased risks impact both financial performance and carrier relationships, and network management is a key focus for brokers in the coming year.

Buy-side blueprints

The post-pandemic freight space has created an opposite effect compared to 2020-21. With oversupplied capacity, maintaining strong partnerships with trusted carriers has become crucial. When the market begins to tighten again, shippers will undoubtedly need reliable capacity, and brokers who have already fostered trustworthy carrier networks will thrive.

Reinvesting in relationships now can set brokers up as the go-to solution when space becomes constrained once more.

- **Prioritize trust:** Earn a reputation for fairness to attract top-tier carriers: timely payments, resolve disputes quickly, and honor commitments.
- **Create value for carriers:** Offer perks such as continuous freight opportunities or access to discounts through your network.
- **Make communication easy:** Open lines of communication during every step of the process to build reliability and respect.

Sell-side strategies

Shippers refine their transportation RFPs annually, particularly during Q4 and Q1. Here's how you can position yourself for success:

- **Analyze market data**: Broader market cycles gloss over lane-specific trends. Granular analytics are required for accurate pricing.
- **Highlight differentiators:** Demonstrate your ability to handle specialized lanes, faster turnarounds, or extensive partnerships.
- **Seek out small shipper opportunities:** Freight markets with midsize shippers often get overlooked but present significant opportunities for incremental growth.

The spot market remains the focal point for brokers, though. Many brokers have underpriced loads in order to capture volume, but maximizing margins requires a pivot.

- **Leverage advanced analytics:** Access market benchmarks in order to offer competitive quotes without compromising profitability.
- **Understand shipper behavior:** Prioritizing customer priorities yields premiums – shippers will pay to have their hardest problems solved.
- **Dynamic pricing models:** Adopt technology-driven tools to adjust quotes quickly as spot rates respond to real-time market shifts.

Keys to success: Carriers

Low rates and high costs are not exactly a recipe for success for carriers. The oversupplied transportation market has created major headwinds for carriers, as many have treaded water while waiting for the market to rebalance.

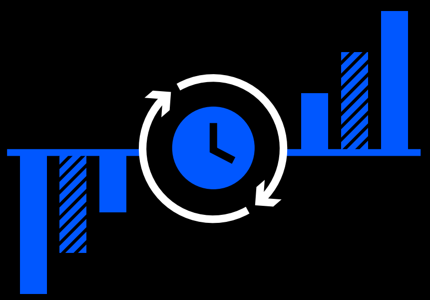
While signs point to a market-flip in 2025, it's been slow-going. Carriers that prioritized cost controls and relationships are poised to take advantage.

The extremely difficult business climate has led to many small to midsize carriers either downsizing or exiting. But the sheer number of new carriers who entered the market when COVID-19 pushed rates skyward led to a massive supply and demand imbalance once the disruptions eased and demand leveled off.

Investing in the long haul

There are proactive steps that carriers can take to better position themselves when the market recovers. Cost control is still the name of the game, but one investment that yields returns is route optimization tools. These help reduce deadhead, and when combined with best practices to control fuel consumption, carriers can maximize assets.

Now is also the time to focus on business relationships. Making deep connections with reliable partners now will pay dividends down the road. Putting extra emphasis on service is one way to put those partnerships on firm ground.



When will the market turn?

How far away is the light at the end of this tunnel? Current DAT iQ forecasts suggest Q2 at the earliest. Major disruptions could speed up this timeline, but either way, carriers will likely still be operating under austerity measures for a few more months at least.

Carriers can thrive in the new business cycle with two main areas of focus:

1 Minimize risk

2 Maximize opportunities

Risk: Fighting fraud

Fraud remains a significant challenge for carriers. Businesses can lower their risk profile by incorporating modern cybersecurity technologies and making sure they're following best practices in everything from the passwords they use to making sure devices always have the latest security updates.

Employee training is also critical. Phishing attacks are routinely targeting the transportation industry, with would-be fraudsters pretending to be DAT or other legit businesses.

Opportunity: Where to find it

While we can't know the exact timing of the next market cycle, carriers will still need to be able to respond quickly. Carriers can use tools like the Market Conditions Index on the DAT One platform to get a quick glance of where individual markets are headed.

Investing in data and analytics tools allows carriers to identify which markets are poised to flip in their favor and pinpoint where their services are most in demand.

DAT Freight & Analytics

Get a 360-view of the transportation marketplace

DAT Freight & Analytics delivers solutions that provide the most accurate insights into truckload markets, with the deepest and broadest data in the industry and the largest on-demand freight marketplace in North America.

Since 1978, DAT has been the source for market trends and data insight solutions for shippers, brokers, carriers, media, and industry analysts alike.

To learn more, visit DAT.com

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