Forwarders face profitability test as freight markets look set to stabilise

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Key Figures

This story is anchored to specific dates or periods such as 2020. Those reference points make it easier to track how the situation develops over time.

- **Date / period:** 2020 Carriers still hold considerable pricing power on key lanes, and forwarders must often absorb margin compression to retain volumes from shippers seeking budget certainty.Elevated rates and capacity squeeze Freight Images (14)Although container…

A paradox is taking shape across global logistics: freight markets are hinting at stability for the first time in months, yet the profitability of the world’s largest forwarders is coming under renewed pressure. The warning from OntegosCloud, a specialist in freight profitability software, underscores that steadier demand and slightly looser supply chains do not automatically restore margins. First-quarter financial disclosures from major freight forwarders reveal that earnings are being squeezed by a combination of stubbornly high rates, tight capacity, and ongoing geopolitical friction.

Market stabilization masks underlying strain

Freight Images (13)

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Recent indices suggest ocean and air freight rates are retreating from their pandemic-era peaks, but the descent has been uneven and far from predictable. For forwarders, this translates into continued volatility in procurement costs, as many remain locked into higher-priced contracts negotiated during the disruption.

Revenue streams may appear healthier on the surface, yet the underlying cost base has not declined in step. Carriers still hold considerable pricing power on key lanes, and forwarders must often absorb margin compression to retain volumes from shippers seeking budget certainty.

Elevated rates and capacity squeeze

Freight Images (14)

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Although container spot rates have softened in some corridors, they remain well above pre-2020 benchmarks. Air cargo capacity, meanwhile, is only slowly returning as passenger belly-hold space recovers, leaving forwarders with limited options to drive down transport spend.

Ocean carriers continue to manage capacity through blank sailings and slow steaming, further constraining supply. For forwarders, this means less flexibility to optimize routings and a heavier reliance on expensive ad-hoc solutions when contracted space falls short.

Geopolitical risks reshape supply chains

Conflict-related disruptions, notably in the Red Sea region, have forced widespread rerouting around the Cape of Good Hope. Longer transit times not only inflate fuel and charter costs but also inject uncertainty into inventory planning for shippers, who then demand more complex logistics services.

Trade friction and sanctions also compel forwarders to continuously reassess compliance risks, adding layers of administrative burden and specialized handling that erode the profitability of what might otherwise be routine shipments.

Profitability benchmarks under scrutiny

OntegosCloud’s analysis highlights a growing gap between top-line growth and bottom-line performance among leading forwarders. Early quarterly filings point to tighter operating margins despite sustained throughput, signaling that cost-control measures are struggling to keep pace with external pressures.

Profitability software tools are increasingly being deployed by forwarders to model scenarios and pinpoint where margins are leaking, yet the broader market environment suggests a sector-wide margin reset may be unavoidable if current conditions persist through the second half of the year.

What remains unclear is how long this margin squeeze will last. Peak-season demand could provide a temporary lift, but unless structural cost pressures ease—through capacity expansion or a resolution of geopolitical hotspots—forwarders may face a prolonged period of profitability tests that challenge their traditional business models.

Why This Matters

The warning signals a structural shift in freight forwarding economics: even as supply chains stabilize, the industry may no longer count on rapid volume growth to mask thin margins. Forwarders will need to invest in digital profitability tools and rethink pricing models to navigate an era of persistent cost headwinds and fragmented trade lanes.

FAQ

Why are forwarders struggling with profitability even as freight markets stabilise?

Market stability does not automatically reduce the high operating costs that forwarders now face. Many are locked into elevated contract rates from the disruption period, and capacity remains tight, forcing them to absorb extra expenses instead of passing them on to shippers in a competitive market.

What role does OntegosCloud play in this story?

OntegosCloud provides profitability software that monitors forwarders' financial performance. The firm issued the warning that recovering markets are not translating into easier profits, based on its analysis of first-quarter results from major logistics companies.

Which large freight forwarders are affected?

The warning applies broadly to the world's largest forwarders—typically publicly traded groups such as Kuehne+Nagel, DSV, and DB Schenker. Their first-quarter filings indicate margin pressure across the sector, though specific company figures were not detailed in the initial alert.

When might profitability improve for forwarders?

A recovery could materialize in the second half of the year if peak-season demand drives volumes and if geopolitical disruptions ease. However, given persistent capacity constraints and elevated rates, any improvement is likely to be gradual and heavily dependent on external factors.

Sources

- theloadstar.com
- ontigoscloud.com
- reuters.com

Source: The Loadstar

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