# LOGICSOURCE ANALYSIS:
# SOURCING TRENDS Q2 2025

**Produced by LogicSource Indirect Category Leaders and Center of Excellence**
This report leverages insights from 180+ indirect category experts and $150B+ in pricing data to provide actionable insights and strategies for optimizing procurement, mitigating risks, and addressing supply chain trends.

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# EXECUTIVE SUMMARY

As we navigate Q2 2025, organizations are confronting a rapidly evolving indirect spend landscape shaped by economic pressures, shifting regulatory demands, technological advancements, and changing workforce expectations. Finance and strategic sourcing teams must remain agile and proactive, balancing cost containment with innovation and compliance across diverse categories — from logistics and IT to marketing, facilities, and employee benefits. This report outlines key sourcing trends and market dynamics across critical spend areas, providing data-driven insights and cost impact projections to help procurement leaders optimize supplier strategies, drive savings, and reduce operational risk.

While recent tariff changes play a role in many of the trends highlighted, this report centers primarily on the broader market forces impacting high-dollar indirect spend categories. For a comprehensive analysis of the evolving tariff landscape and its specific effects on corporate indirect spend, please refer to LogicSource's dedicated **Tariff Report**.

# FACILITIES

## Skilled Trades

### Large Shortage of Skilled Workers (HVAC, Plumbing, Electricians)

The construction industry continues to grapple with a significant shortage of skilled labor. In 2025, it's estimated that the industry needs to attract approximately 439,000 net new workers to meet demand. This shortfall is driven by factors such as an aging workforce and a decline in apprenticeship participation.

Compounding the issue, nearly 40% of the skilled trades workforce is projected to retire within the next decade, highlighting the urgency for recruitment and training initiatives.

Recent LogicSource data indicates that roughly 50% of all on-demand service requests for skilled trades are experiencing double the typical response time to get technicians on-site. Additionally, due to the ongoing labor shortage, the cost of skilled trade services has risen between 5% and 10%.

## Office Space

### Rising Rental Prices and Increased Build-Out Costs

As companies transition back to in-person work, demand for office space has intensified, leading to increased rental prices. In December 2024, the average U.S. office listing rate was $33.11 per square foot, marking a 4.5% year-over-year increase.

Despite this demand, the national office vacancy rate reached 19.8% at the end of 2024, indicating a complex market dynamic where certain areas experience high demand while others see surplus space.

Additionally, tenant expectations for enhanced in-office amenities and designs have escalated build-out costs. Factors such as rising material prices and labor shortages contribute to these increased expenses, impacting overall project budgets.

LogicSource is observing rental prices rising by 5% to 15% while build-out costs are climbing by 10% to 15%. These increases are being further exacerbated by recent tariffs on imports from China, which are driving up the cost of equipment and materials.

## Design and Construction

### Rising Costs Due to Various Factors

The design and construction sector faces escalating costs influenced by multiple factors:

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| **Utility and Material Costs** | • The national average for material costs in the U.S. decreased by 0.4% over the past quarter<br>• Material costs increased by 0.6% over the past 12 months<br>• This indicates ongoing volatility in material pricing |
| **Labor Expenses** | • Labor costs increased by 0.7% over the past quarter<br>• Labor costs rose by 3.8% over the past 12 months<br>• This reflects the impact of the skilled labor shortage on expenses |
| **Tariffs and Supply Chain Disruptions** | • 25% tariffs reimposed on steel and aluminum imports as of March 2025<br>• This results in an increase in construction material costs<br>• U.S. Midwest duty-paid aluminum premium surged nearly 60% since the start of 2025 |
| **Increased Demand from AI Data Centers** | • AI data center expansion is driving up demand for construction services<br>• This further strains resources and contributes to rising costs across the industry |

LogicSource is seeing overall new construction costs rise significantly, with increases ranging between 15% and 25%. This upward trend is being driven by a combination of inflationary pressures and the reintroduction of tariffs on key construction materials such as steel, aluminum, and other imported goods.

As inflation expectations remain elevated through 2025, the cost of raw materials, transportation, and labor continues to escalate. In particular, recently imposed tariffs on imports from countries like China are adding substantial cost burdens to building materials and equipment, further tightening contractor margins and pushing project budgets higher. These dynamics are expected to continue driving construction costs upward through the remainder of the year and into 2026.

# FF&E (Furniture, Fixtures, and Equipment)

## Impact of Tariffs and Regulatory Changes

The FF&E sector is experiencing cost pressures due to new tariffs and regulatory shifts:

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| **Imported Fixtures and Aluminum Costs** | • 25% tariffs on aluminum imports have significantly raised costs for aluminum-reliant fixtures and components<br>• The U.S. Midwest duty-paid aluminum premium has increased to:<br>+ Over 40 cents per pound<br>+ Nearly $900 per metric ton<br>• This represents a 60%+ increase compared to the same period last year |
| **Fluorescent Lamp Bans and LED Conversions** | • Regulatory bans on fluorescent lamps are accelerating the shift to LED lighting<br>• As replacement bulbs become unavailable, organizations are:<br>+ Investing in LED conversions<br>+ Facing upfront costs for new fixtures and installation<br>• LED solutions offer long-term energy savings despite initial investment |

As a result of newly imposed tariffs and evolving regulatory changes — such as the aluminum import duties and bans on fluorescent lamps — LogicSource is expecting FF&E costs to rise by approximately 8% to 15% in 2025. These increases reflect higher material costs, particularly for metal-based fixtures, and the accelerated demand for LED conversions as fluorescent lighting components are phased out.

# PRINT

## Paper

### Price Increases Driven by Supply Shifts and Input Costs

The paper market is experiencing sustained upward pricing pressure, with multiple increases announced since December 2024 and taking effect from January through April 2025. These hikes are primarily driven by mill capacity reductions in traditional printing and writing paper as mills shift focus toward higher-margin packaging products like containerboard. This strategic shift is shrinking supply availability for commercial and office-grade paper, tightening the market.

Additionally, rising global energy prices and raw material costs — especially pulp — are fueling the increases. According to Fastmarkets RISI, North American uncoated freesheet producers implemented a price hike of $60 to $80 per ton during Q1 2025, while coated paper grades have seen similar escalations. Energy-intensive production processes have become more costly amid elevated electricity and gas rates across mill regions in the U.S. and Europe.

LogicSource data demonstrates that office paper, commercial print materials, and label costs are expected to increase between 6% and 12% through mid-2025, depending on paper grade, volume, and contract terms. Spot market purchases and smaller volume buyers will likely see the higher end of that range or beyond.

## Postage

### USPS Proposes Another Significant Hike Amid Industry Pushback

The United States Postal Service (USPS) has announced its intent to raise postage rates by 9% to 11%, with implementation expected in July 2025. This proposed hike follows USPS's decision to skip its typical January increase, as it now exercises the authority to adjust rates twice per year under reforms allowed by the Postal Regulatory Commission (PRC). Compounding the impact, a recent rule change permits USPS to count the value of promotional mail discounts toward its revenue loss calculation — effectively expanding its justification for price increases.

The postal industry, particularly direct mail-heavy sectors like retail and financial services, is pushing back aggressively. The Alliance of Nonprofit Mailers and other business groups are lobbying against the hike, citing significant volume declines and the risk of driving more users away from physical mail. However, USPS continues to cite inflationary cost pressures and labor obligations under union contracts as key drivers for the proposed increase.

Assuming the hike is approved, LogicSource anticipates postage costs for marketers and transactional mailers will increase by 9% to 11% starting in mid-2025. For high-volume mailers, this could translate into millions in added annual postage spend, further incentivizing shifts to digital alternatives and print/mail optimization strategies.

## Corrugate

### Steep Increases Driven by Mill Disruptions and Demand Forecasts

The corrugated packaging market is under significant cost pressure, with prices rising by $120 per ton since January 2024. The most recent increase, announced in February 2025, is attributed to a combination of mill closures, extended machine downtime (both scheduled and unscheduled), and a projected uptick in demand heading into Q2 2025.

These price hikes are occurring even as box demand softens slightly in some sectors, reflecting the tightness in containerboard supply. Major producers like International Paper and WestRock have reduced output as they reconfigure assets or exit less profitable segments. At the same time, input costs — particularly recycled fiber and energy — are rising, further contributing to the pressure. According to Fibre Box Association data, linerboard prices are now nearing levels not seen since the 2021 e-commerce surge.

LogicSource data demonstrates corrugate pricing will rise 8% to 15% in 2025, depending on box size, board grade, order volume, and supplier contracts. Custom or specialty packaging users may see even higher increases. These trends are expected to continue through Q2 and possibly stabilize in the second half of the year if supply begins to normalize.

# DISTRIBUTION & LOGISTICS

## Truckload Market

**Soft Rates and Stable Capacity Despite Forecasted Tightening**

Despite earlier predictions of tightening conditions by late Q1 2025, the North American truckload market remains in a favorable state for customers, characterized by soft rates and ample capacity.

As of March 2025, national spot rates have stabilized around $1.58 to $1.65 per mile, down roughly 15% year-over-year, according to DAT Freight & Analytics. Contract rates have also seen downward pressure, albeit to a lesser extent. Carriers have adjusted to prolonged lower volumes by reducing fleet sizes or exiting the market altogether, but new capacity has not yet been constrained enough to create upward pressure on rates.

Looking ahead, inflationary drivers — particularly rising diesel prices (up 12% YTD) and potential Q3 retail restocking — could reverse this softness by late Q3 or Q4. In anticipation, LogicSource customers are accelerating sourcing events and locking in favorable contract terms before a rate rebound. LogicSource is seeing rates remain flat or decline slightly (0% to -5%). However, by Q3 or Q4, inflation and seasonal demand could drive a 5%–10% increase, especially in lanes with tight capacity or long-haul freight.

## Ocean Market

### Early Sourcing Season Shows 15% Rate Spike, But Negotiations May Soften Costs

Ocean freight is in its annual contract sourcing season (typically late January to May), and early 2025 contract offers are coming in 15% - 20% higher than last year's average long-term rates.

This surge is largely being driven by a combination of geopolitical and operational factors:

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| **Tariff Concerns** | • Anticipation of reimposed or expanded U.S. tariffs — particularly on Chinese goods — is impacting logistics<br>• Resulting in a spike in pre-shipping volumes as importers rush to beat potential increases<br>• This surge has temporarily inflated freight rates |
| **Carrier Alliances & Network Changes** | • The collapse of the 2M alliance (Maersk + MSC) is disrupting global shipping dynamics<br>• Realignment among carriers is leading to:<br>+ Volatility in capacity<br>+ New service patterns<br>• Fewer vessel-sharing agreements<br>• Shippers are facing less predictability and reduced flexibility in routing options |
| **Panama Canal Restrictions** | • Drought conditions continue to limit the number of ship transits through the canal<br>• This constraint is diverting cargo to alternative routes<br>• Alternate paths are often more expensive and less efficient |

Despite proposed rate hikes, LogicSource has been effective in leveraging competitive RFP processes and tailored, customer-specific negotiation strategies to bring proposed carrier increases closer to 2023 rate levels.

Corporations should anticipate initial Q2 2025 rate proposals reflecting 15% to 20% increases but are strongly encouraged to conduct formal RFPs to create competitive tension and reduce the impact of these proposed hikes.

# INFORMATION TECHNOLOGY

## AI/Automation Integration

### Embedded Tools Offer Efficiency Gains and Cost Offsets

The rapid adoption of artificial intelligence in enterprise applications is reshaping sourcing strategies. While AI integration costs can vary significantly depending on scope and vendor, many organizations are achieving cost efficiencies by embedding AI functionality into existing platforms — most notably through Microsoft 365 Copilot.

Microsoft Copilot, now widely available, leverages OpenAI's technology to offer embedded automation, data analysis, and productivity enhancements directly within tools like Excel, Word, and Teams. Instead of licensing disparate platforms like Tableau (BI), Asana, or Monday.com, organizations are consolidating functionality under a single enterprise agreement. According to Microsoft, organizations using Copilot report productivity gains of up to 29%, with many reducing spend on overlapping SaaS solutions by 10%–20%.

From a sourcing perspective, integrating Copilot into Microsoft Enterprise Agreement (EA) renewals allows companies to bundle services and secure volume-based discounts, reducing per-seat AI costs while improving standardization and user adoption across the business. These bundled models also enable easier compliance and governance across data access and usage.

LogicSource is seeing incremental AI licensing costs of $30–$40 per user/month for AI technology like CoPilot, but those expenses can often be offset by reducing or eliminating redundant tools. Net IT savings of 5%–15% in software and licensing categories are achievable when AI capabilities are rationalized across the SaaS portfolio and incorporated into negotiations.

## Cloud-First Strategies

### Controlling the Cost Hangover of Rapid Cloud Adoption

The “cloud-first” movement — where enterprises moved workloads quickly to public cloud platforms (AWS, Azure, GCP) — delivered speed-to-market but often lacked foundational cost controls and governance structures. As a result, many organizations are now facing ballooning cloud bills and operational inefficiencies due to overprovisioning, fragmented services, and idle resource consumption.

This shift has led to a growing emphasis on FinOps (Cloud Financial Operations) — a discipline that merges financial accountability and operational control for cloud resources. According to a 2025 report by the FinOps Foundation, over 60% of enterprises admit to wasting 20%–30% of their total cloud spend due to mismanagement, lack of visibility, and decentralized purchasing decisions.

LogicSource is now partnering closely with IT and finance stakeholders to centralize governance, implement cost-allocation tagging, right-size resources, and develop internal chargeback models. Additionally, contract optimization efforts — such as leveraging reserved instances and enterprise discount programs — can reduce long-term commitments by 20%–40% compared to on-demand usage.

Without intervention, cloud spend can rise 10%–20% annually, driven by expanded usage and poor controls. However, LogicSource data shows that a FinOps strategy combined with portfolio optimization can reduce total cloud costs by 15%–30% while increasing visibility and accountability across departments.

## Hardware/Electronics

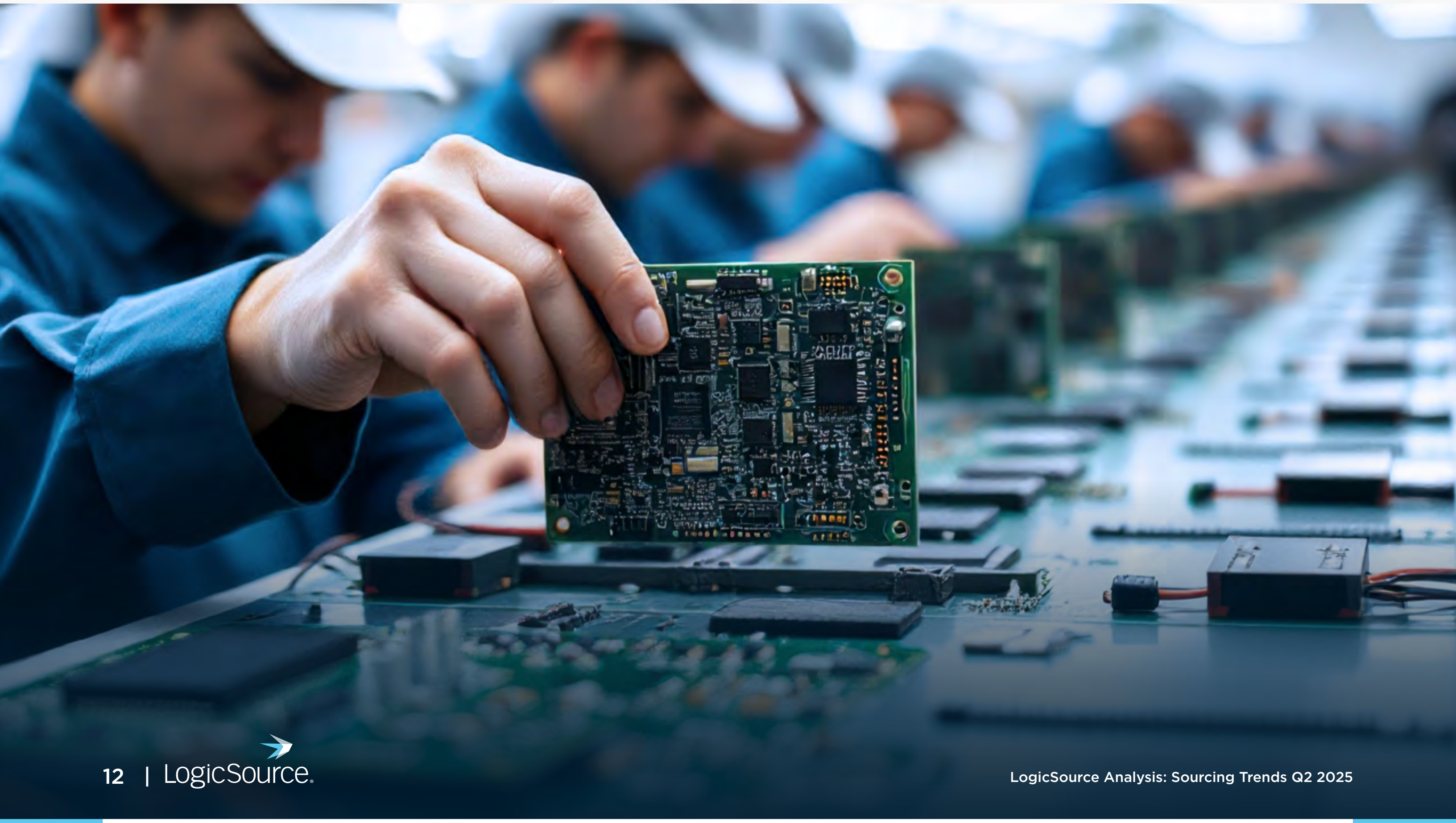
### Rising Costs Due to Tariffs and Geopolitical Pressures

The cost of IT hardware and electronics is trending upward in 2025, driven primarily by additional 20% tariffs on Chinese imports and broader geopolitical tensions that are impacting global supply chains.

As a result, distributors and OEMs are passing these costs through to enterprise buyers. According to the Consumer Technology Association, tariff-related import costs for electronics have increased by 7%–12% year-over-year, with categories like network switches and server chassis seeing the highest impact. Lead times for certain components have also increased due to supply chain disruptions in Southeast Asia and ongoing chip supply volatility.

To mitigate cost increases, LogicSource is pursuing multi-pronged strategies: negotiating pricing protections in hardware refresh agreements, evaluating alternate suppliers outside tariff-impacted regions (e.g., Mexico, Vietnam, Taiwan), and bundling purchases through channel partners for volume discounts. LogicSource has also achieved favorable outcomes by negotiating the delayed implementation of tariff-related cost increases — extending pass-through timelines by up to six months — and securing agreements where OEMs absorb as much as 50% of the tariff impact.

Corporations should plan for hardware and electronics price increases of 8%–15% in 2025, depending on the product category and sourcing region. However, strategic sourcing and diversified supply partnerships can help limit exposure to the lower end of that range.



# MARKETING

## Creative Agency of Record (AOR)

### Decline of the Traditional Model in Favor of Specialization and Cost Control

The traditional Creative Agency of Record (AOR) model — where a single agency handles end-to-end brand and campaign responsibilities — is steadily losing relevance in today's fragmented media and content landscape. As brands pursue omnichannel strategies and demand faster turnaround across platforms like TikTok, YouTube, programmatic, and influencer marketing, many are moving away from a centralized AOR model in favor of a modular partner ecosystem.

This shift is driven by two main factors:

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| **Cost Efficiency** | • Full-service AORs often come with:<br>+ High overhead costs<br>+ Slower delivery models<br>• Specialized agencies or freelancers can:<br>+ Deliver niche work (e.g., social creative, influencer content)<br>+ Offer faster turnaround at a lower cost |
| **Control and Agility** | • In-house creative studios are expanding, especially among Fortune 1000 brands<br>• Internal teams are leveraged for high-volume, fast-paced content creation<br>• External partners are brought in for:<br>+ Brand refreshes<br>+ Innovation projects<br>+ Campaign amplification |

According to the Association of National Advertisers (ANA), over 82% of brands now use multiple agency partners for creative work, and more than 60% have expanded in-house capabilities in the past three years. This trend is being amplified by economic pressure, where CMOs are asked to do more with less and maximize ROI.

LogicSource has helped numerous organizations shift away from the traditional AOR model, resulting in creative production savings of 15%–30%, particularly in digital-first campaigns. However, this requires greater internal coordination and vendor management, which may increase administrative overhead unless centralized through a strategic sourcing or marketing operations function.

## Marketing Technology

### Moving Away from Monoliths Toward Flexible, Modular Stacks

Marketing organizations are rethinking their technology ecosystems by moving away from expensive, all-in-one enterprise platforms like Salesforce Marketing Cloud or Adobe Experience Cloud in favor of modular, composable architectures. This is particularly true for digital and IT teams seeking agility, better integration, and more transparent pricing.

Emerging platforms like Braze, Segment, Iterable, and Bloomreach are gaining adoption because they offer:

- Greater flexibility in swapping in and out tools for customer engagement, personalization, analytics, and content delivery.
- More control over customer data via Customer Data Platforms (CDPs) that aren't locked into a single vendor.
- Improved leverage in negotiations — allowing clients to push back on high renewal costs from legacy platforms by showing credible alternatives.

While managing multiple MarTech vendors adds integration complexity and requires a stronger internal architecture strategy, the payoff is better agility, lower total cost of ownership (TCO), and increased bargaining power.

LogicSource has successfully implemented modular MarTech strategies that have driven cost reductions of 15%–20% over legacy platform renewals, with additional savings possible by eliminating underused modules. However, integration and transition costs may temporarily offset some of the savings in the first 6–12 months, underscoring the need for careful change management and vendor governance.

# CORPORATE SERVICES

## ESG Requirements

### Rising Costs Amid Expanding Reporting Mandates and Compliance Pressures

Environmental, Social, and Governance (ESG) strategies are now becoming compliance-driven imperatives, especially for companies operating in states like California. With the California Climate Corporate Data Accountability Act (SB 253) and GHG Emissions Disclosure Law (SB 261) taking effect in 2026 (with reporting beginning as early as 2025), large companies will be required to publicly report Scope 1, 2, and eventually Scope 3 emissions, regardless of where their headquarters are located.

Retailers and distribution-intensive businesses are prioritizing emissions tracking across their supply chain — from store operations to logistics — as they prepare for these requirements.

The near-term sourcing implications are significant:

- Mandatory ESG Audits are creating demand for qualified third-party assessors, driving up fees by 15%–25% due to limited supplier capacity and high demand.
- Sustainability Certifications (e.g., LEED, ENERGY STAR, TRUE Zero Waste) are increasingly requested by corporate clients and municipalities.
- Transportation Emissions are under increased scrutiny, accelerating the push for electric fleets, route optimization, and low-emission freight solutions.

The market is also seeing a surge in ESG-focused consulting firms and sustainability tech platforms, but reputable providers are becoming more selective, often prioritizing long-term clients or those with executive-level sponsorship.

Near-term ESG compliance costs are expected to rise 10%–20% in 2025 due to audit, software, and consulting expenditures. However, LogicSource has been successful in mitigating a large % of these increases by aggregating ESG services under a single provider, locking in multi-year agreements, and integrating ESG criteria into broader procurement strategies (e.g., supplier scorecards).

## Employee Health Benefits

### Rising Costs Driven by Specialty Drugs, Mental Health, and Fertility Care

Employers are experiencing a continued rise in health benefit costs, with U.S. employer-sponsored health plans projected to increase by 6.5%–8.5% in 2025, according to Willis Towers Watson and Mercer.

Several factors are contributing to this sharp increase:

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| **High-Cost Specialty Drugs** | • Biologic and gene therapies (e.g., cancer, autoimmune, rare conditions) now account for over 50% of pharmacy spend<br>• Some individual treatments can cost over $1 million |
| **Expanded Mental Health Services** | • Post-pandemic expectations have normalized broader mental health coverage<br>• Coverage now includes:<br>+ Therapy sessions<br>+ Crisis care<br>+ Tele-behavioral platforms |
| **Virtual & Hybrid Care Models** | • Employees increasingly expect 24/7 access to:<br>+ Telemedicine<br>+ Virtual primary care<br>• These services add new cost layers to benefits programs. |
| **Family & Fertility Benefits** | • Employers are expanding support for:<br>+ IVF<br>+ Surrogacy<br>+ Adoption-related services<br>• This is often driven by competitive labor markets and DEI goals |
| **Inflation & Provider Reimbursement** | • Healthcare providers are negotiating higher reimbursement rates<br>• Key drivers include:<br>+ Clinical labor shortages<br>+ Rising hospital operating costs due to inflation |

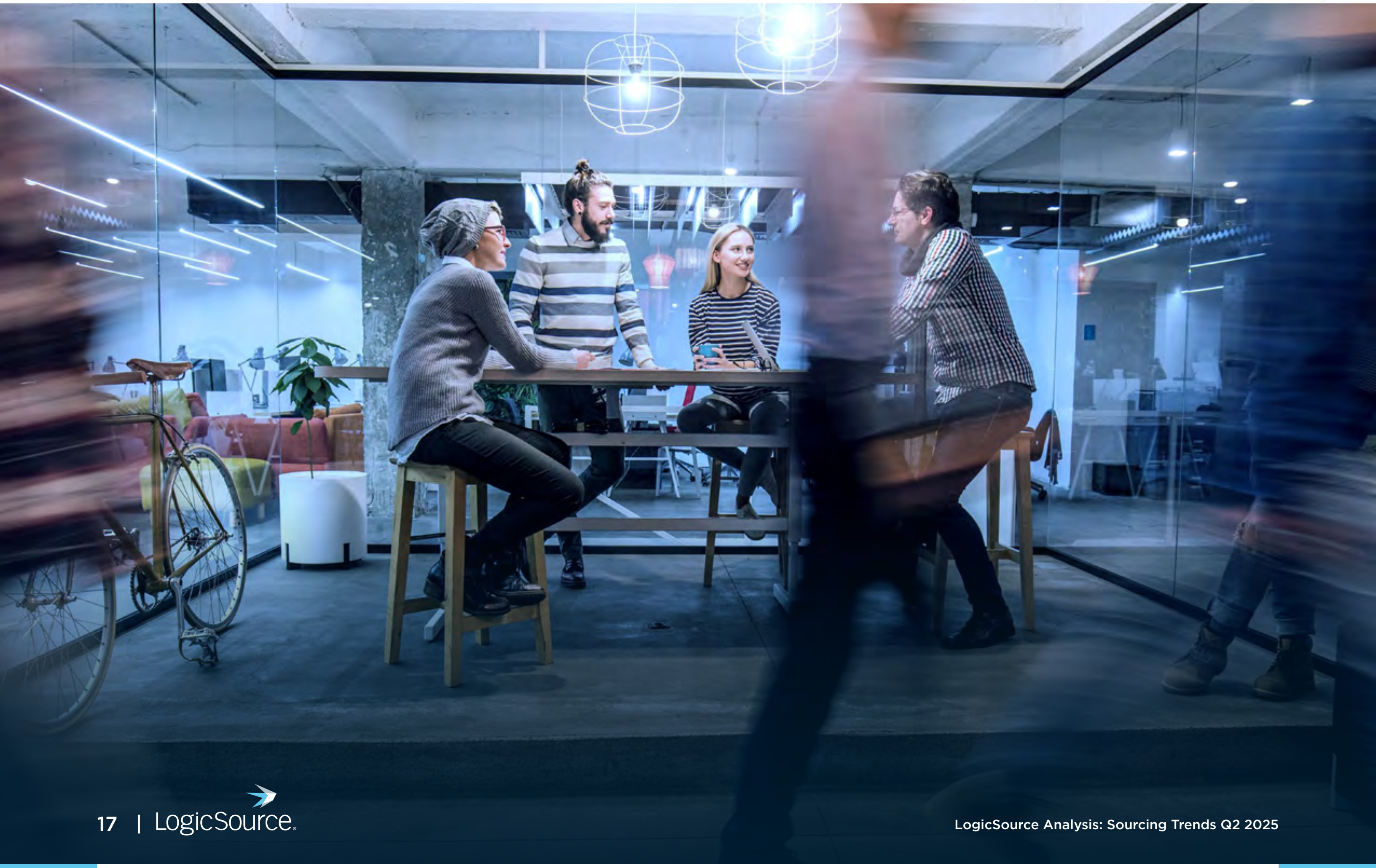
Employers are responding with strategies like narrow network plans, tiered pharmacy benefit designs, on-site or near-site clinics, and dependent eligibility audits, but costs continue to rise.

In 2025, employers should anticipate overall health plan cost increases of 6%–9%, with specialty pharmacy spend growing as much as 15% year-over-year. Where most companies falter is when Procurement/Sourcing are not involved in benefits planning. While it's expected for HR/Total Rewards to own decision-making, LogicSource recommends a Procurement Governance approach.

By ensuring Procurement actively supports HR in managing the broker relationship and evaluating custom benefits products, you can ensure procurement best practices are incorporated into benefits strategies. This allows for Procurement to pressure test broker recommendations, challenge savings projections, ensure SLAs are being met, and provide ancillary negotiation support.

Employers with calendar-year benefit plans are beginning to plan for their 2026 offerings now, making it essential for Procurement to be actively involved in those planning discussions. Early engagement helps ensure that brokers are held accountable and that any new benefit solutions are thoroughly evaluated from both a cost and performance perspective.

LogicSource's customers are typically able to reduce their overall benefits expense between 1% to 3% by allowing for the Procurement Governance model to be deployed in benefits planning.



# CONCLUSION

In this increasingly complex sourcing environment, success hinges on an organization's ability to leverage real-time market intelligence, align sourcing strategies with business goals, and negotiate from a position of informed strength. From managing rising costs in cloud infrastructure through FinOps strategies to navigating consistently escalating health benefits costs, procurement has a unique opportunity to drive both cost savings and operational resilience.

By taking a proactive, cross-functional approach to category management and supplier engagement, procurement teams can deliver greater value, ensure compliance, and help their organizations remain competitive in 2025 and beyond.

LogicSource®

## ABOUT LOGICSOURCE

The innovative leader in procurement services and technology, LogicSource is purpose-built to drive profit improvement, mitigate risk, and ensure supply chain continuity through better buying. LogicSource focuses exclusively on the sourcing and procurement of indirect goods and services, which typically represent 20% of an organization's revenue and the area of greatest spending inefficiency.

These include complex categories like marketing, packaging, corporate services, facilities, information technology, distribution and logistics, and more, for which organizations often lack the capacity, focus, and scale to achieve best-in-class buying. Unlike traditional advice-based consultants, LogicSource is a purpose-built buying utility with assets that are configurable to their clients' needs and ready to deploy.

By combining decades of sourcing and procurement expertise, superior market intelligence, cross-portfolio spending leverage, and their OneMarket® Source-to-Pay technology, LogicSource executes customized solutions that deliver immediate savings and sustainable value. For more information, visit **logicsource.com**.

## ABOUT THE AUTHORS

This Sourcing Trends report was produced by the LogicSource Indirect Category Leaders and Center of Excellence, which leverages decades of expertise and data to help organizations navigate global trade trends and optimize their procurement strategies. With a dedicated team of 180+ indirect category experts and access to $150B+ in indirect pricing data, LogicSource equips our clients with the insights and tools needed to make informed decisions, mitigate risk, and drive sustainable value.

For more information or to discover how LogicSource can help your organization achieve best-in-class buying, visit **logicsource.com**.