

Ship Angel eBook Predictions 2025: The Future Landscape of Freight Rates



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Introduction

In the years since COVID-19 disrupted global trade, volatility in freight rates has reached unprecedented levels. This shift has upended traditional forecasting methods, leaving shippers and carriers grappling with a range of unpredictable variables—from fluctuating demand to sudden geopolitical shifts, surging fuel costs, and evolving regulatory landscapes. Rates that once moved within stable margins now swing widely, creating uncertainty that complicates logistics planning and profitability for shippers, especially those operating on a global scale. For BCO (Beneficial Cargo Owner) shippers and logistics managers, adapting to these changes is no longer a matter of efficiency but one of survival in a fast-paced and challenging market.

As we move toward 2025, technology has emerged as the most effective lever to tame this volatility and bring a level of control to rate management that was once unimaginable. In particular, **advancements in Artificial Intelligence (AI) and data analytics are creating new ways to process complex rate data**, predict market fluctuations, and optimize decisions in real time. These tools don't just support logistics teams—they fundamentally transform their approach, enabling them to manage rates dynamically and reduce exposure to sudden, adverse changes. In this ebook, we explore how technology will shape the future of rate management, focusing on three key areas poised to drive the next era in freight logistics: rate volatility, rate management systems, and artificial intelligence.

Rate Volatility

Introduction to Rate Volatility

The history of containerized shipping spans less than 70 years, yet the maritime industry's roots extend as far back as recorded history. Transporting cargo by sea provides an almost 300% cost advantage per unit compared to truck transport over equivalent distances. Over the last decade, the largest vessels in the container fleet have grown by approximately 5% year-over-year, adding about 1,000 TEUs annually. During the same period, the overall container fleet expanded by nearly 75%, with an anticipated 10% year-over-year growth by the end of 2024. When combined with GDP fluctuations, these growth trends contribute significantly to the economic factors driving containerized freight rates.

In the past 70 years, container costs have generally followed predictable patterns based on these economic influences. However, **COVID-19 disrupted this trend**, though the market is expected to stabilize soon.

Historically, the shipping industry has not generated substantial returns on investment (ROI). From 2010 to 2015, the EBITA (Earnings Before Interest, Taxes, and Amortization) of the top 10 ocean carriers ranged from -12% to 10% quarterly. The following five years were similar, with carriers often yielding less than a traditional savings account. During this time, Hanjin Shipping—the world's 7th largest carrier—declared bankruptcy, reporting EBITA of -5%, -9%, -7%, and -1% over its final four quarters, a challenging scenario for any CFO.

Rate Volatility

Rate Volatility Today

The bulk shipping industry, both liquid and dry bulk, faces similar challenges with low ROI. The largest companies in this space are often vertically integrated. For instance, Vale, a mining company, owns its own ships to transport its cargo. Similarly, Chevron, though smaller in fleet size compared to Vale, also owns ships to ensure efficient transport of its products. The primary reason these bulk shipping companies—and companies like Amazon—are investing in their own vessels and container assets is to mitigate **risk associated with unpredictable yearly cost fluctuations**. By owning their fleet, these companies can control operating costs rather than rely on market rates, which can vary between 2-8% in historical EBITA for ocean carriers.

BCOs aim to reduce their exposure to year-over-year rate changes. The challenge with achieving cost stability is that the containerized shipping industry, for the 20 years prior to COVID-19, was **largely driven by pure supply and demand**. When demand grew without a corresponding increase in supply, rates rose; similarly, if demand was reduced without a change in supply, rates declined. This macroeconomic factor determined shipping costs on major east-west trade routes. However, other factors, such as idle capacity, regulatory changes, and war risks, also impact the market on a macroeconomic level.

Rate Volatility

Rate Volatility Today

In addition to supply and demand, every TEU added must generate revenue for carriers. Idle or empty TEUs on vessels neither generate income nor reduce unit costs across the entire ship. This principle underscores the idea that, at some point, moving more TEUs at a lower rate yields greater revenue than moving fewer TEUs at a higher price—an application of economies of scale, where moving larger volumes drives cost efficiency. This “arms race” emerged in the 2000s and 2010s, with vessel sizes increasing by over 10% annually, adding millions of TEUs to supply. This **rush to fill larger ships drove down rates**, contributed to Hanjin’s downfall, and ultimately sacrificed stable rates for BCOs.

A clear example of fleet growth impacting rates occurred in 2011 when Maersk, then the world’s largest shipping conglomerate, announced the construction of its “Triple E” class ships—18,000 TEU vessels once dubbed the “Starship Enterprise” of shipping. The first of these, the Maersk McKinney Moller, launched in Q3 of 2013, 2.5 years after the announcement. Such a lag, typically three years and costing around \$190 million per ship, has become standard in today’s complex and costly shipping industry.



Rate Volatility

Rate Volatility Today

Since about 2000, **containerized shipping rates have generally declined**, driven by economies of scale and decreasing unit costs. Slow but steady capacity growth, around 3-5% per year, combined with similar GDP growth, has helped balance demand for current fleet sizes. **This trend shifted dramatically in 2020**, benefiting carriers with higher profits and fueling above-average fleet expansion. In 2024, fleet size surpassed 30 million TEUs, with idle capacity (TEUs not in service) falling below 1%. This low idle rate indicates **high global demand and sufficient rates** to push carriers to deploy any available TEU capacity. This percentage is a key indicator for future rate trends, showing the availability and utilization of spare capacity.

Rate Volatility

Rate Volatility in 2025

Currently, nearly all available capacity is in use. However, **rates are beginning to decline**, with some rate indexes showing double-digit drops. The primary reason is a pre-“peak season” rush by U.S. importers to move cargo before a **U.S. port strike and the U.S. presidential election**. Rates for the U.S. West Coast trade peaked in June 2024 but have since fallen by about 35%. If this trend continues, market equilibrium may be reached by late Q1 2025. During this period, the charter market for available container vessels has also declined by over 20% in USD value, suggesting a weaker short-term outlook and potentially reduced vessel demand.

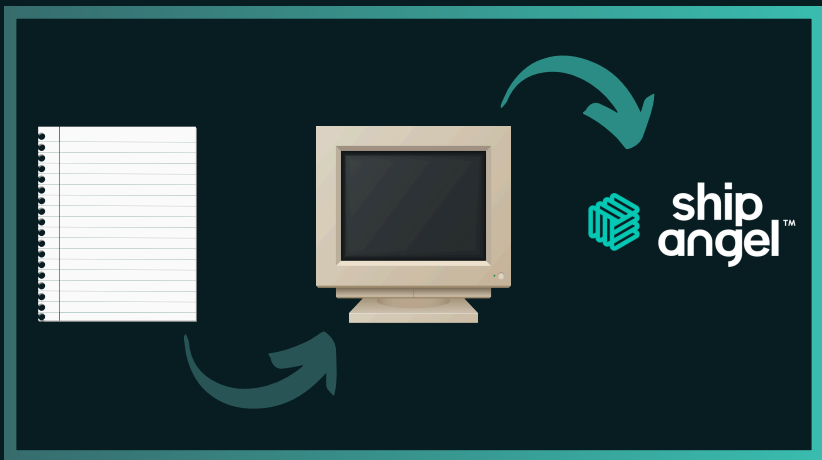
The **containerized fleet is expected to grow by about 6% in 2025**, following a 10% growth in 2024. Global throughout, or TEUs actually carried, is starting to decelerate, with a projected **slowdown of 0.5% in 2025**. In economic terms, the containerized shipping market is experiencing decreased demand and increased supply, leading to an inevitable decrease in prices. The temporary blockage of the Red Sea and Suez Canal absorbed some excess capacity in the market, which helped to support rates temporarily. However, the impact of this event will shift from solely affecting rates and costs to influencing transit times, inventory carrying costs, and insurance costs going forward.

Rates are projected to decline in 2025 compared to 2024; this is a clear and likely outcome. As for where rates will ultimately settle, they are expected to be at least 20% lower than the peak rates seen in 2024.

Rate Management

Introduction to Rate Management

The history of freight rate management traces back to forward-thinking entrepreneurs from the earliest days of human civilization, when people led nomadic lives. The concept of “you pay me X to move Y to Z location” may not be refined, but the way we manage this process has transformed dramatically in the past 20 years. Digitally managing shipping rates only became popular in the 1980s with the introduction of Excel-style spreadsheet systems, about 30 years after Malcolm McLean introduced containerized shipping. Prior to that, shipping managers recorded rates with pencil and paper, sharing this information with the rest of the company manually.



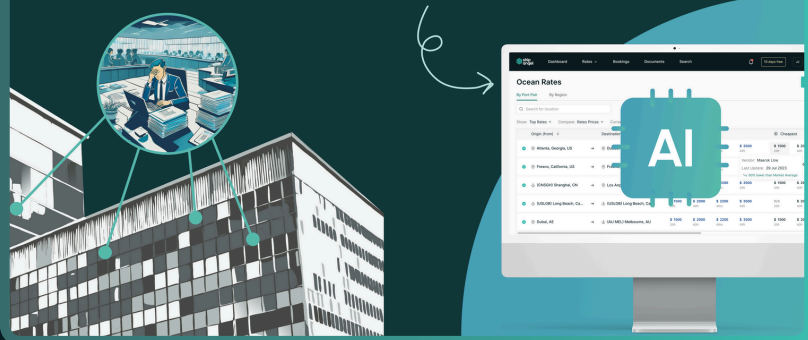
Now, imagine receiving a new rate sheet from a freight provider by email before breakfast, instantly processed by Ship Angel's AI. By lunchtime, colleagues across every continent can not only view the rate but gain a full understanding through Ship Angel's comprehensive suite of layered data.

Rate Management

Rate Management Today

Today, the way shipping rates are managed for a 100 TEU-a-year shipper and the world's largest shippers, like Amazon or Tesco, is not vastly different. **Both rely on tools created in 1965 (email) and 1985 (Microsoft Excel)** to understand their rates and make decisions worth hundreds of millions of dollars. Freight providers email rates thousands of times a day globally in hundreds of different formats, all of which need to be “translated” into apples-to-apples comparisons for a BCO to truly understand what the rates mean. This process is neither easy nor quick, and some large BCOs have analytical departments whose **combined salary rivals that of the 132nd-ranked player in the NFL at \$4 million a year.** These BCOs also often employ business process outsourcing (BPO) centers around the globe to handle the data crunching and processing, sometimes operating 24/7.

BPO Centers are fading into the past. Ship Angel SaaS solution is **the way forward**



Rate Management

Rate Management Today

In the past 8-10 years, a recent development in the market has been the introduction of third-party software companies offering solutions to digitize the procurement process. This software provides both the provider and the BCO with a common interface and language to view, review, and negotiate rate data. These systems ensure that everyone is not only viewing the same data but also understands the total impact of the rate offer. Despite the benefits of this software, the fatal flaw is that the provider must **input their rates in the exact format required by the third-party system**. As a provider, you must alter “your rates”, in “your language”, “your format”, and “your style” to convey your intent in the third-party format. The time and effort this requires can be substantial, and for the top 25% of BCO “bids”, this **work is often done in the same BPO centers, 8 time zones away**.

One beneficial development in the freight management landscape in the last 5-6 years has been the refinement and expansion of data visualization systems, which allow non-technical users to generate advanced data insights with the click of a few buttons. Systems like Power BI, Qlik, Tableau, and Metabase, among others, assist anyone in an organization in understanding data, usually without the need for a 50-person strong analytics department. However, these systems are **not designed for shipping**, nor do they solve the input process, which still requires the slow, manual input of data into an apples-to-apples format.

Rate Management

Rate Management Today

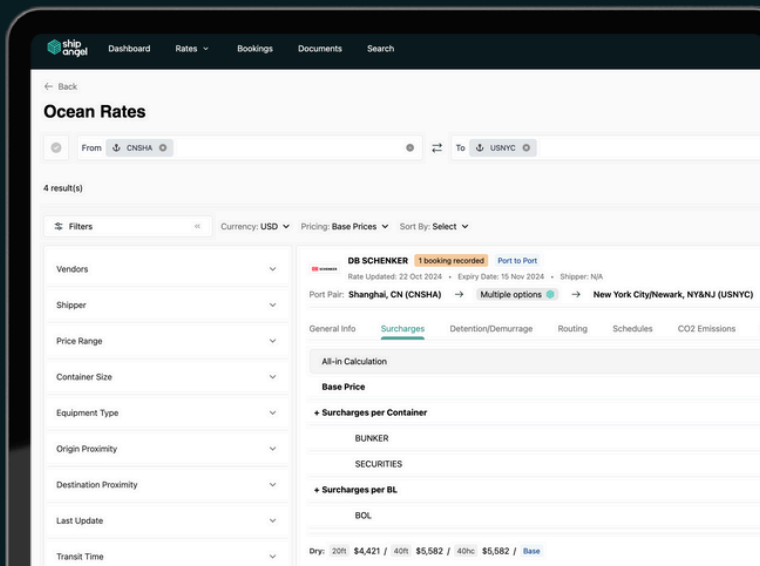
The last major addition to the rate management landscape is the use of cloud storage to centralize data locations. Fifteen years ago, data was stored in an on-location server in a basement somewhere, managed by your company's 4-8 person IT department, with hundreds or even thousands of team members having access, organized like a simple drive on your computer. Today, with cloud storage, that same setup is possible, with the added benefits of scalability, more robust access controls, significant UI improvements, and the ability to "share" files containing freight rates with any and all departments. For example, I can create a document in Google Drive that is shared with thousands of team members, giving everyone access to our rate data. Despite this connectivity benefit, these sheets **still need to be updated**, and some of your less "logistically" or "spreadsheet" inclined team members would **need training to understand what the data means**.



Rate Management

Rate Management in 2025

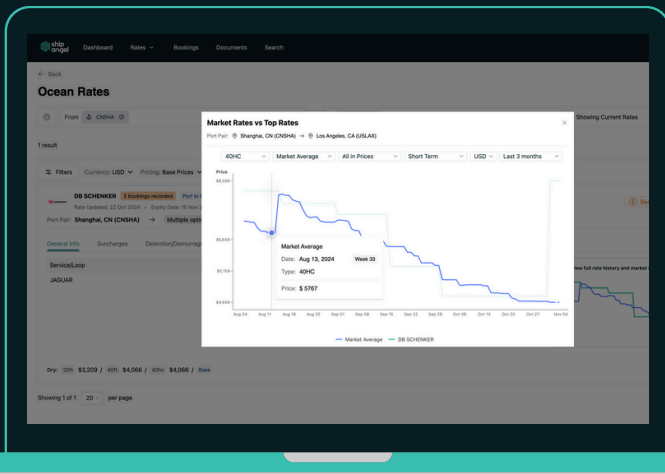
With Ship Angel's AI-powered rate management platform, all the pitfalls of the solutions the industry uses day to day are improved. No longer do rate managers need to translate each provider's rates into an apples-to-apples format—**Ship Angel does that for you.** No longer does the business need to employ a team of 50 analysts or a BPO center 8 time zones away to crunch and input new rates—**Ship Angel shows you that.** No longer does the supply chain team need to use data visualization software to find data points that the system was not designed to show—**Ship Angel was built for that.** No longer do you need to worry about having 4 business units across 6 continents and in 15 countries all inside a shared Excel document with 10 versions and complex formulas ripe for breaking—**Ship Angel replaces that.** No longer do you need to mandate your shipping providers fill out their rates in a common 300-column document, listing every surcharge, free time, port, value, transit time, etc. **Ship Angel utilizes its custom-built AI model to seamlessly solve these issues.**



Rate Management

Rate Management in 2025

All the solutions that enhanced rate management in the last 40 years were **built on faulty, outdated tech**. Ship Angel has designed not just a **single source of truth for your rates**, not only industry data layered on top of your rates, but Ship Angel has **redefined how the rate process should be run**. Stop spending time managing data, rate sheets, new offers, changing rates, and new surcharges, and start focusing on the parts of the business that can drive value and growth. The future is here, and Ship Angel is the captain now.

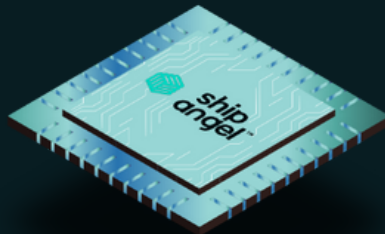


Artificial Intelligence

Introduction to Artificial Intelligence

The post-COVID landscape has accelerated digital transformation in the supply chain, spurred by the need to address the inefficiencies COVID-19 brought into sharp relief. Shipping rate management, in particular, finds itself at a crossroads. We're now facing a world where every vendor utilizes their own rate format, lacking any industry-wide standardization. This complexity is compounded by an overwhelming **300% increase in surcharge types** and an unprecedented frequency of contract amendments, leaving shippers and freight buyers to navigate an intricate and often chaotic landscape.

This situation presents a prime opportunity for Artificial Intelligence (AI) to address these challenges, marking a true generational leap in technology. At its core, AI's ability to analyze and process data from any format, anywhere, and at any time positions it as the perfect solution for the complex, fragmented world of freight rate management. Initially, AI systems will focus on ingesting, standardizing, and organizing disparate rate data, **saving hours of manual processing and eliminating costly errors**. But the real transformative potential of AI lies in its capacity to analyze these vast datasets, uncover hidden patterns, and generate predictive insights that were previously impossible to discern.



Artificial Intelligence

Artificial Intelligence Today

As AI systems become adept at processing large volumes of diverse data, they are transforming rate management into a streamlined, highly responsive operation. Unlike traditional methods that rely on human intervention to interpret rate sheets, AI can instantly **convert vast amounts of unstructured data into a structured format**, making rate analysis faster and more precise. This means that rather than spending hours manually decoding rate sheets, teams can focus on strategic decisions, confident that their data is accurate and up-to-date. In fact, AI's ability to automate these labor-intensive tasks allows even small or mid-sized companies to operate with the efficiency previously accessible only to enterprises with large analytics departments.

Moreover, AI acts as a powerful tool for benchmarking and comparative analysis. By aggregating rate data from multiple vendors and across different timeframes, AI can offer insights into fair market prices and provide clear visualizations of pricing trends, helping companies avoid overpaying and enhancing their negotiating power. For instance, by identifying fluctuations in freight rates related to geopolitical events or fuel price changes, an AI-driven system can recommend the optimal time to secure long-term contracts or identify alternative routes that mitigate risk. These insights go beyond simple cost comparisons, providing a strategic understanding of the factors shaping the rate landscape and empowering shippers to make more informed decisions.

Artificial Intelligence

Artificial Intelligence in 2025

By 2025 and beyond, AI will become a foundational component in the supply chain tech stack, fundamentally reshaping how shippers, carriers, and third-party providers approach rate management and strategic planning. **AI systems are expected to evolve from reactive tools to proactive advisors**, capable of generating complex market outlooks and scenario planning models. Advanced AI will integrate historical data, real-time market conditions, and predictive analytics to provide shippers with insights into the optimal times to secure contracts or adjust routing strategies based on anticipated rate volatility.

In the future, AI will be indispensable not only for individual businesses but also for the industry as a whole. Industry-wide adoption will lead to greater data sharing and, ultimately, to the establishment of **more standardized rate management practices** across the supply chain. The outcome will be a more efficient, transparent, and resilient global freight system, where companies of all sizes can make data-driven decisions with unprecedented accuracy and confidence.

Will you pick up the phone in 2025...?



Conclusion

The freight industry stands at a critical juncture, with rate volatility, outdated management systems, and the rising importance of AI reshaping the future. As we've seen, post-COVID market shifts and economic uncertainties have intensified rate fluctuations, creating a landscape where only those with agile, data-driven strategies will thrive. Shippers who rely on legacy systems risk falling behind, facing mounting costs and missed opportunities as rates move beyond their control.

Embracing AI and advanced rate management tools is no longer optional—it's essential for survival in 2025's fast-paced, unpredictable market. Those prepared to act now can secure a foothold in this new era, gaining the foresight and flexibility to outmaneuver competitors. But for those who wait, the consequences will be steep, and the cost of inaction may soon be too high to recover.

About Ship Angel

Ship Angel is a cutting-edge rate management platform designed to streamline logistics operations for BCO shippers. Focused on solving complex supply chain challenges, Ship Angel provides innovative solutions for rate management, amendment guard, invoice auditing, and sustainability reporting. At the heart of Ship Angel is its **AI-driven technology**, which empowers shippers to manage rates more efficiently, ensure contract accuracy, and optimize cost savings. With a commitment to transparency and efficiency, Ship Angel's platform **helps companies avoid costly delays and disruptions**, making it an invaluable tool for managing the modern supply chain. Driven by a vision to revolutionize logistics, Ship Angel works closely with clients across various industries. By offering personalized support and advanced tools, Ship Angel helps companies stay ahead in an ever-evolving global trade environment. **For more information, visit shipangel.com**

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