

2024 | **INDUSTRY** INSIGHTS

Current Cost of Doing Business

2024



Objective

Understand how different cost pressures have increased and impacted the distribution industry, including home medical equipment and durable medical equipment providers. Develop “macro-level” research to understand and articulate to various stakeholders how these pressures shape the way we do business.


WAGES

Warehousing seeing pay rate hikes leading to higher overall operational costs.

- According to the US Bureau of Labor Statistics civilian workers compensation costs (Wages/Salaries + Benefits) have increased roughly 4% from September 2023 to September 2024.¹
- Consistent with other industries, warehousing has seen increases in hourly pay rates to keep up with labor shortages and remain competitive.²
- Companies will continue to combat inflation and workforce shortages with increasing wages, directly effecting overall operational costs.³

Compensation costs have increased roughly

4%



ENERGY

Electricity prices have been rising and are expected to continue increasing.

- CBRE group published a 2023 report indicating that Facilities Management costs would increase by 2.5% throughout 2024. Since 2022, electricity prices in the United States have continued to increase and are expected to into the future.⁴

Facilities management cost to increase by

2.5%



¹ Compensation costs up 3.9 percent from September 2023 to September 2024: The Economics Daily: U.S. Bureau of Labor Statistics

² Reports: 2024 Pay Increases Projected to Exceed Inflation | WorldatWork

³ Reports: 2024 Pay Increases Projected to Exceed Inflation | WorldatWork

⁴ Facilities Management Cost Trends 2022 | CBRE

⁵ UPS prepares 5.9% rate increase starting at peak season's end | Supply Chain Dive

FREIGHT / TRANSPORTATION

Increased rates expected across major carriers.

- FedEx and UPS will be increasing rates by 5.9% heading into 2025 which significantly increases this expense category overall. Fedex and UPS have increased surcharges by up to 69.4% in 2025. ⁵

FedEx and UPS rate
increase by

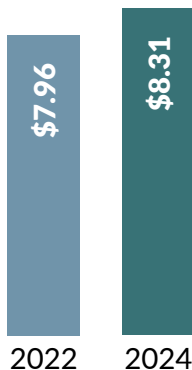
5.9%

FedEx and UPS surcharge
increase by up to

69.4%

GENERAL COSTS

Warehouse space cost increased per square foot by 8.3% from 2022 to 2024. ⁶



Corrugated cardboard price per ton has increased by roughly 34% since 2020. ⁷



Industrial rent increased by 4.3% from 2023 to 2024. ⁸

4.3%

SUMMARY

At a macro level, there are several core components increasing the cost of business for the distribution industry, including home medical equipment and durable medical equipment providers. These components include increased wages, rising energy and facilities costs, freight/transportation rate increases, and other operational expense increases like cost per square foot, corrugated cardboard, and industrial rent.

⁶ Study: U.S. Warehouse Costs Jumped 8.3% from 2022 to 2024 - Modern Distribution Management

⁷ Surging Corrugated Box Prices Propel Suppliers' Revenues - News and Statistics - IndexBox

⁸ U.S. Industrial MarketBeat Report | US | Cushman & Wakefield

VGM Industry Insights provides data-driven analysis and trends within the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) sector. Our focus areas include market trends, innovation, and strategic decision-making, helping stakeholders stay informed and competitive. We are committed to a forward-thinking approach, continuously monitoring industry developments to drive progress and innovation.



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