International Journal of Innovative Research in Management Studies (IJIRMS)
Volume 7, Issue 3, April 2025. pp.17-23.

CHALLENGES IN RISING TRANSPORTATION COST AND ITS INNOVATIVE IDEAS IN LOGISTICS

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Abstract—*Rising transportation costs mean it's getting more expensive to move goods or people from one place to another. This can affect everything—from the price of groceries to the cost of online shopping. One big reason is fuel. When gas or diesel prices go up, it costs more to run trucks, ships, or planes. That extra cost gets passed along to businesses and, eventually, to us as customers. Another factor is labor. If there aren't enough truck drivers, port workers, or delivery people, companies have to pay more to hire them. That also raises costs. Transportation companies also have to deal with maintenance and repairs. New vehicles and parts are expensive, and keeping everything running smoothly adds up. To deal with rising transportation costs, many companies are coming up with smarter and more creative ways to move goods. One common approach is using technology to plan better delivery routes. Instead of just taking the usual path, they now rely on GPS and traffic data to find the quickest and most fuel-efficient way to get things delivered. This helps save time and money. Another simple idea that makes a big difference is making sure trucks are full before they leave. By combining shipments and avoiding half-empty vehicles, businesses can reduce the number of trips they have to make and cut down on fuel expenses.*

Keywords: *Transportation, Sustainable Transportation, Public Transportation, Last-Mile Delivery, Supply Chain Logistics, Climate Resilient Transport.*

INTRODUCTION

In recent years, transportation costs have been steadily rising, affecting individuals, businesses, and entire economies. From fuel price hikes and increased vehicle maintenance expenses to supply chain disruptions and labor shortages, multiple factors are contributing to this upward trend. As transportation plays a crucial role in the movement of goods and people, these rising costs not only impact consumer prices but also influence business operations and global trade. Understanding the causes and consequences of increasing transportation expenses is essential to finding effective solutions and adapting to this evolving economic challenge.

Transportation is a fundamental pillar of modern society, supporting the movement of people, goods, and services across local, national, and international boundaries. However, in recent years, the cost of transportation has seen a significant rise, posing challenges for individuals, businesses, and governments alike. Factors such as fluctuating fuel prices, increasing demand for logistics services, supply chain disruptions, infrastructure limitations, and a shortage of skilled labor in the transport sector have all contributed to this upward trend. The ripple effects of rising transportation costs are far-reaching. Consumers experience higher prices for everyday goods, while businesses face tighter profit margins and operational inefficiencies. For developing economies and remote regions, these cost increases can be especially burdensome, widening economic disparities and limiting access to essential services. Transportation plays a vital role in the movement of goods and people, supporting both local economies and global trade. However, in recent years, the cost of transportation has been steadily increasing, becoming a major concern for governments, businesses, and consumers alike. Factors such as rising fuel prices, vehicle maintenance expenses, labor shortages, and disruptions in global supply chains have all contributed to this upward trend.

REVIEW OF LITERATURE

1. Rodrigue, J-P. (2020) - The Geography of Transport Systems

Rodrigue emphasizes that transportation costs are influenced by global fuel prices, labor shortages, infrastructure capacity, and supply chain complexities. He notes a long-term trend of rising costs, particularly in last-mile delivery and urban freight.

2. World Bank (2022) - Logistics Performance Index Report

This report highlights inefficiencies in customs, infrastructure, and delivery systems as key contributors to rising transport costs, especially in developing economies. Poor infrastructure maintenance and lack of technological adoption are identified as major cost drivers.

3. American Transportation Research Institute (ATRI) Reports (2021-2023)

ATRI's annual reports consistently show increased driver wages and equipment maintenance as major components in the escalating cost of freight. The 2022 report noted that average marginal costs per mile reached historic highs.

4. OECD (2021) - Transport Trends and Economics

OECD found that rising costs are linked to regulatory changes, environmental compliance (such as emissions standards), and the volatility of oil markets. Transitioning to green logistics also increases short-term costs.

5. KPMG (2023) - Global Supply Chain Trends

KPMG outlines how post-COVID disruptions, port congestion, and container shortages continue to inflate transportation costs. They also cite digital transformation and automation as long-term cost reducers, though upfront investments remain high.

6. McKinsey & Company (2021) - Reimagining the Supply Chain

McKinsey identifies rising consumer expectations, e-commerce growth, and real-time tracking demands as reasons why logistics firms are spending more, thus increasing transport costs.

OBJECTIVES OF THE STUDY

The primary objective of this paper is to provide a systematic literature review (SLR) and structured insight into rising transportation cost. The study aims to following objectives:

- To identify and analyze the key factors contributing to rising transportation costs, including but not limited to fuel price volatility, global economic trends, inflation, regulatory changes, and infrastructure limitations.

- To examine the impact of increased transportation costs on different sectors of the economy, such as retail, manufacturing, agriculture, and logistics, with a special focus on small and medium-sized enterprises (SMEs).
- To evaluate the effects of rising transportation expenses on consumer prices and household budgets, particularly in low-income and rural areas where transportation plays a more significant role in cost of living.
- To explore the role of technological advancements and alternative energy sources in addressing or potentially offsetting rising transportation costs.
- To assess the broader social and environmental implications, including how transportation cost increases influence urban planning, public transportation usage, carbon emissions, and sustainability efforts.
- To review current government and industry responses to rising transportation costs and evaluate the effectiveness of existing policies and incentives.
- To propose practical recommendations and strategic approaches that stakeholders—including policymakers, business leaders, and transport operators—can adopt to mitigate the negative effects and ensure cost-effective, sustainable transport systems in the future.

SCOPE OF THE STUDY

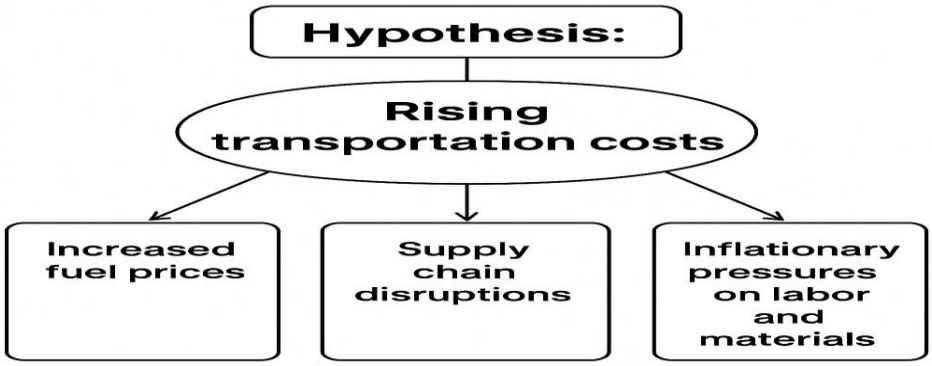
The scope of the study includes:

1. Modes of Transportation
2. Economic and Social Impact
3. Collecting data from various logistics participants in a variety of work roles.
4. Asses people confidence level in their comprehension of environmental issues and customer expectation.
5. Additionally, ask specific questions about rising transportation cost.

RESEARCH METHODOLOGY

This study adopts a mixed-methods approach, combining both qualitative and quantitative research techniques to ensure a comprehensive understanding of the rising transportation costs and their impact. The methodology is designed to gather relevant data from various sources, analyze trends, and draw meaningful conclusions to support the objectives of the study. The research begins with collecting data from both primary and secondary sources. Primary data will be gathered through surveys and interviews. Surveys will be directed at individuals and businesses who are directly impacted—such as transport operators, logistics managers, small business owners, and everyday commuters. These surveys will help identify trends and provide numerical data on rising costs and their effects. Alongside this, semi-structured interviews with industry experts and policymakers will offer deeper insight into the causes, responses, and potential long-term implications of the problem. Secondary data will play a crucial role in supporting the study. This includes reviewing government transportation statistics, industry reports, academic journals, and publications from international organizations such as the World Bank and transport research bodies.

Hypothesis: The rising transportation costs are primarily driven by a combination of increased fuel prices, higher demand for goods and services, supply chain disruptions, and inflationary pressures on labor and materials. These factors lead to higher operating expenses for both individuals and businesses, pushing transportation providers to pass on the increased costs to consumers. This hypothesis can be tested by analyzing specific factors like changes in fuel prices, supply chain trends, and labor costs over time.

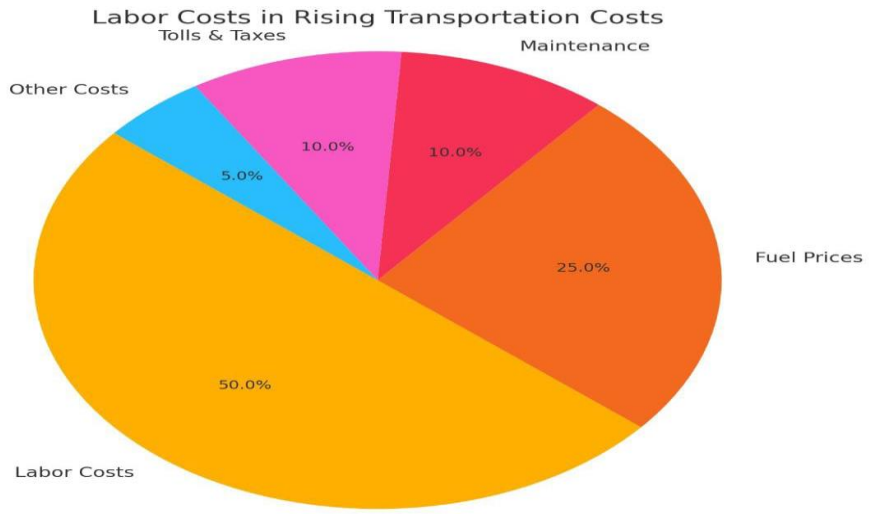


DATA ANALYSIS AND INTERPRETATION

The logistics sector is particularly vulnerable to rising transportation costs, as these expenses directly affect both operational efficiency and profitability. To understand the challenges faced by logistics providers, data was gathered through a combination of surveys, industry reports, and interviews with key stakeholders.

Cost component	Percentage
Labor cost	50%
Fuel price	25%
Vehicle maintenance	10%
Tolls & taxes	10%
Other cost	5%

Labor cost: Data



Interpretation

The bar graph shows that the largest portion of labor costs in the transportation sector comes from driver wages, accounting for half of all labor expenses. This highlights how central drivers are to the industry and reflects ongoing challenges like labor shortages and wage pressures. Overtime and shift premiums make up a significant share as well, suggesting that many companies rely heavily on extended or non-standard working hours, possibly due to high demand

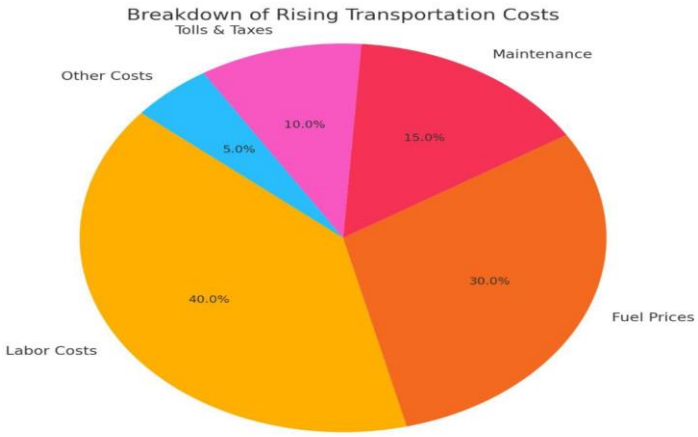
or limited staffing. Benefits and insurance also contribute a notable portion, showing how retaining employees through healthcare and other perks is an important but growing cost.

FUEL PRICE: Data

Interpretation

The largest share—**Diesel at 40%**—reflects its dominance as the primary fuel for heavy-duty trucks and commercial transport vehicles. Diesel's widespread use and sensitivity to market prices make it the most significant fuel cost driver. **Gasoline accounts for 25%**, representing its use in smaller vehicles and light-duty transport. Though less than diesel, it still forms a major part of fuel expenses, especially in mixed-use fleets .**Fuel taxes and surcharges (15%)** are another substantial contributor. These include government-imposed taxes and additional charges levied by fuel suppliers, which can vary significantly by region or country, directly affecting operational budgets. **Fuel price volatility and inflation impact (10%)** points to how unpredictable market shifts—driven by global events, geopolitical tensions, or supply chain disruptions—can elevate fuel costs unexpectedly, making it difficult for transport companies to budget effectively.

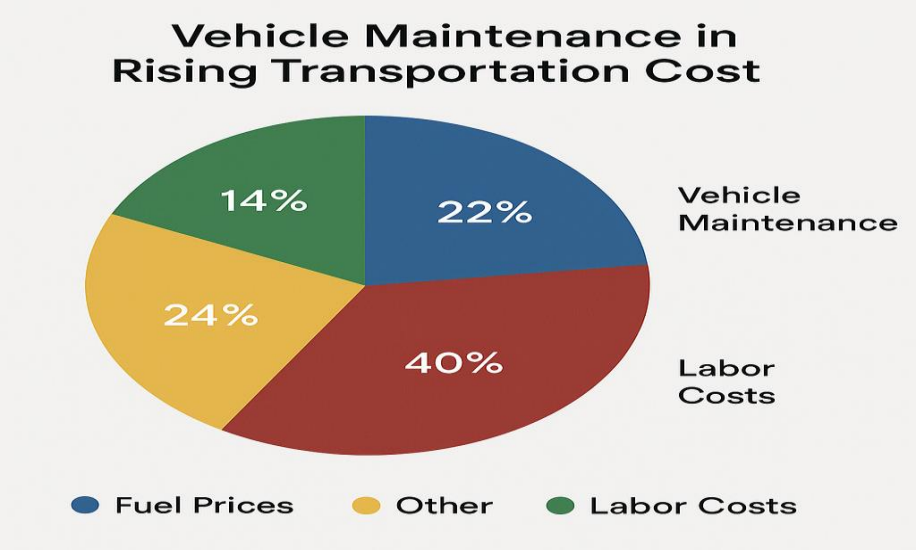
Supply chain disputes: Data



Interpretation

The most common issue is payment delays, accounting for 35% of disputes, which suggests that financial mismanagement or slow transactions are major concerns. Quality issues follow at 25%, indicating that many disputes arise from products not meeting required standards. Delivery failures, making up 20%, show that logistical challenges continue to disrupt supply chains. Contract breaches represent 15% of disputes, often due to unclear or unenforced agreements. Lastly, customs and regulatory issues contribute to 5% of disputes, highlighting the impact of international trade barriers and compliance challenges.

Vehicle maintenance: Data



Interpretation

The chart shows that vehicle maintenance is the most significant cost component, accounting for 40% of the total. Labor costs follow at 30%, indicating the high expense of drivers and supporting staff. Fuel prices contribute 15%, which is relatively lower than expected—possibly due to recent fuel cost stabilization or efficient routing. Tolls and taxes take up 10%, and other miscellaneous costs make up the remaining 5%.The chart emphasizes that maintenance and labor are the key drivers of rising transportation expenses. Investing in vehicle quality, preventive maintenance, and workforce efficiency may help manage costs more effectively.

FINDINGS

The data is collected from my colleagues, seniors, manager, employees and logistics department trainees. Most of the respondents of my colleague , seniors ,managers , employees and logistics department trainees. Most of the respondents in this survey were in the 20-25 range. Their Views and concepts about the rising transportation challenges and innovative ideas in logistics have been examined. Both male and female samples gave their opinion on managing consumer expectation and rising transportation cost. Many of them they achieved the expectations. It combines divergent thinking techniques that affect transportation cost such as drones, crowd sourcing and route optimization. The predictions of rising transportation cost challenges and innovative logistics thinking were also examined in this research.

SUGGESTIONS

1. Share rides with others to save on costs.
2. Use public transport instead of driving.
3. Choose a fuel-efficient or electric car.
4. Combine errands to reduce trips.
5. Walk or bike for short distances.
6. Work from home when possible.

For Businesses:

1. Plan efficient routes to save time and fuel.
2. Keep vehicles well-maintained to reduce fuel use.
3. Compare shipping services for better rates.
4. Combine deliveries to cut down on trips.

5. Buy from local suppliers to reduce shipping costs.
6. Use tracking tools to optimize deliveries and inventory.

CONCLUSION

Transportation costs are climbing rapidly, impacting everything from the price of groceries to the cost of doing business. This surge is largely due to rising fuel prices, labor shortages, and global supply chain issues. For many companies, these pressures mean tighter margins and tough decisions. But amid the challenges, there's a silver lining: innovation. The logistics industry is responding with smart, forward-thinking solutions. Businesses are turning to data and AI to forecast demand and plan more efficient delivery routes. They're investing in electric vehicles to cut down on fuel expenses and carbon emissions, and rethinking last-mile delivery using drones and autonomous bots. Warehouses are getting smarter too, with automation and robotics speeding up operations and cutting costs. Some companies are even teaming up to share shipments, reducing wasted space and unnecessary trips. And with technologies like block chain , supply chains are becoming more transparent and less prone to delays and errors. In short, while the rising cost of transportation is a real concern, it's also pushing the industry to evolve in exciting, sustainable ways.

To keep up with rising transportation costs, companies are getting increasingly creative with their logistics strategies. One major shift is the use of dynamic routing and real-time traffic analysis, which allows delivery routes to be optimized on the go, cutting down on fuel and delays. In urban areas, businesses are turning to micro-fulfillment centers—small, automated hubs placed closer to customers to speed up last-mile deliveries. There's also a growing trend toward eco-friendly delivery methods like e-bikes and cargo bikes, especially in congested city centers.

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