

2022 State of the Third-Party Logistics Industry Report

NAVIGATING THE FUTURE OF WAREHOUSING



3PL Central

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INTRODUCTION

Before the COVID-19 pandemic, many people took the supply chain for granted. In fact, many people didn't think of the logistics industry much at all. The New York Times even confessed to not having a logistics newsbeat before the pandemic. Today, manufacturers, warehouses, transportation providers, distribution centers, and retailers are all topics of mainstream media. Times are changing—so is the supply chain.

Now that the logistics industry has everyone's attention, what does 2022 have in store for [third-party logistics \(3PLs\)](#) businesses, warehouses, and their partners? From combatting supply chain disruptions and creating new omnichannel fulfillment strategies to benefitting from the evolution of 3PLs, 4PLs, and cutting-edge technologies, 2022 could be one of the most important years ever for businesses looking to play a pivotal role in how consumers receive goods. With 3PLs at the heart of the supply chain, their success will help expand new markets, grow emerging brands, and continue to inspire the rapid growth of today's supply chain.

In this year's State of the Third-Party Logistics Industry Report, you'll learn about our top predictions and recommendations for how 3PL warehouses can thrive in a quickly transforming marketplace.



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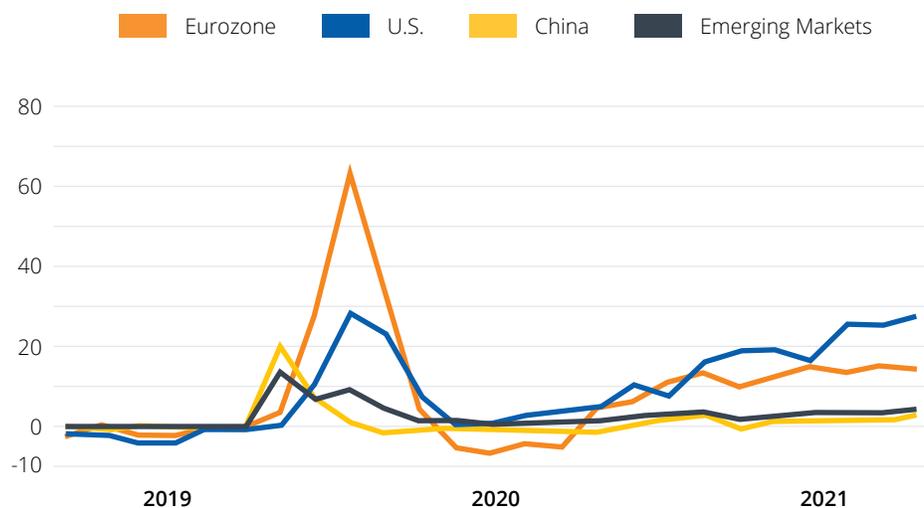
**SUPPLY CHAIN
DISRUPTIONS
CONTINUE**

SUPPLY CHAIN DISRUPTIONS CONTINUE

Disruptions to the supply chain aren't over yet. Transportation Secretary Pete Buttigieg predicted that supply chain issues facing the United States will continue into 2022—[citing demand](#) as one of the top contributors. The Ports of Los Angeles and Long Beach, which account for [40% of shipping containers](#) entering the U.S., have already started operating 24/7 to relieve supply chain bottlenecks. But with labor shortages in both warehousing and transportation, are consumers looking at something similar—or more disruptive than—the 2020 toilet paper shortage?

Supply Chain Disruptions Make a Comeback

Index of global supply chain disruptions (100 = most disrupted)



Based on the difference between the supply delivery times subindex and the supply delivery times based on manufacturing output subindex (both part of the PMI)

Source: [Statista](#)

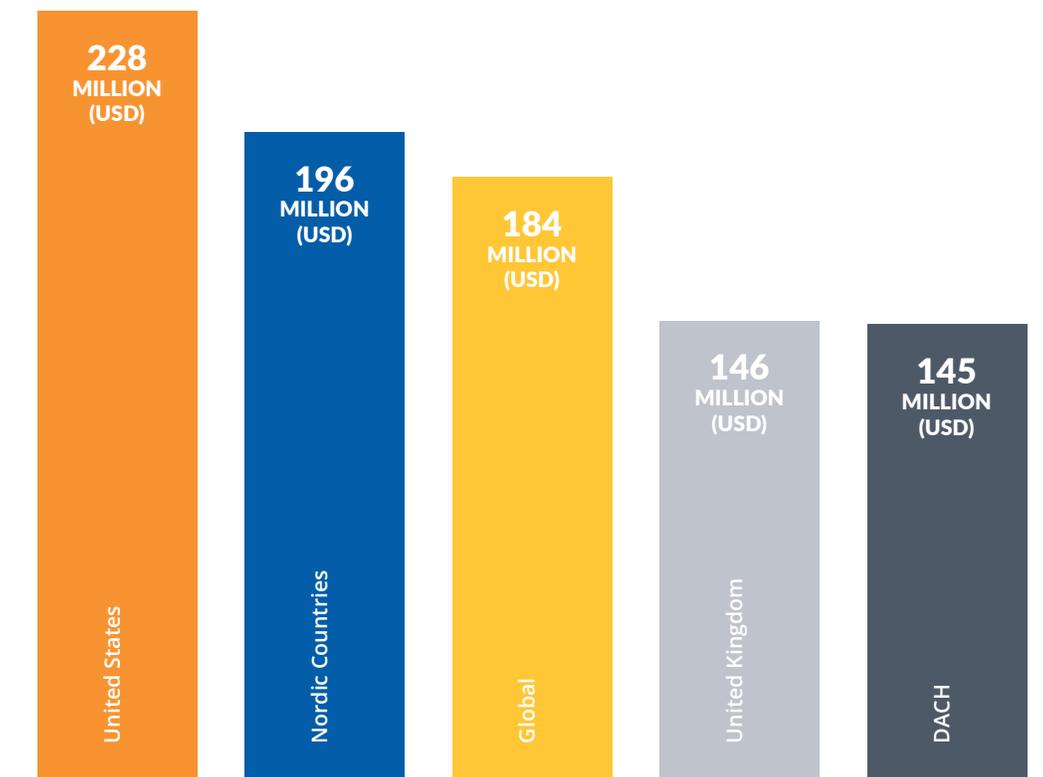
The answer is likely no, as global manufacturing continues to remain open. Yet, with a record [490,000 job openings](#) in July within the warehouse and transportation industries, the continued impacts of the Amazon Effect, and inundated American ports, it could be a major pain point for 3PL businesses looking to meet the growing fulfillment needs of their customers.

In 2021, supply chain disruptions cost the world an average of \$184 million, with the United States topping the list with an average \$228 million. Insurance company Euler

Hermes also reported that [logistics bottlenecks](#) are impacting 25% of global trade volume. But the good news is that supply disruptions are estimated to level out by mid-2022 as inventory levels begin to normalize to pre-COVID levels, consumers begin to shift to sustainable consumption, and shipping capacities begin to increase.

Estimated Average Annual Cost to Respondents' Organizations as a Result of Global Supply Chain Disruptions in 2021

By Region or Country



Source: [Statista](#)

3PL warehouses are key stakeholders and advocates for their customers when it comes to mitigating supply chain risks. Inventory management and transportation are obvious functions where 3PL warehouses help their customers. Yet, [41.5% of companies](#) who experienced supply disruptions received customer complaints and 36.1% lost revenue—this is where 3PLs can help. From navigating labor challenges



to unexpected weather or simply sharing their logistics technology and IT expertise, 3PLs improve the effectiveness of the supply chain for their customers.

Overall, third-party logistics warehouses are slated to help their customers manage supply chain disruptions by offering complete visibility into inventory, real-time access to data for better supply chain transparency, seamless workflows, and insights into future challenges or issues. Who better to ring the alarm when unexpected changes occur? 3PLs who take the time to invest in their customers' goals can be strategic partners and provide direction at the first sign of disruption.

BEST PRACTICE RECOMMENDATIONS

How Can 3PLs Help Customers Overcome Supply Chain Disruptions?

Bird's-Eye View: 3PLs must share an elevated view of the supply chain for their customers. Reports and analytics supplied by 3PL providers help their customers make data-driven decisions. 3PLs help customers by offering real-time visibility into inventory levels and tracking—from every order, inventory item, transaction, and beyond.

Risk Management: 3PL warehouses must be ready and able to help their customers visualize their supply chain operations, offer predictive analytics and reporting, and quickly identify hiccups. By utilizing proper warehouse management technology and analytics, customers can benefit from warehouse expertise and resources to make better business decisions. 3PLs should help their customers scale their businesses, along with their own.

Shipping Acumen: Transportation and freight expertise top the list as to why businesses look to partner with a 3PL. A customer can't beat a 3PL's knowledge when looking to find the best shipping rates, manage domestic and international shipping and transportation methods, or utilize carrier relationships 3PLs have spent years perfecting. A 3PL's expertise drives value where customers need it most.



02

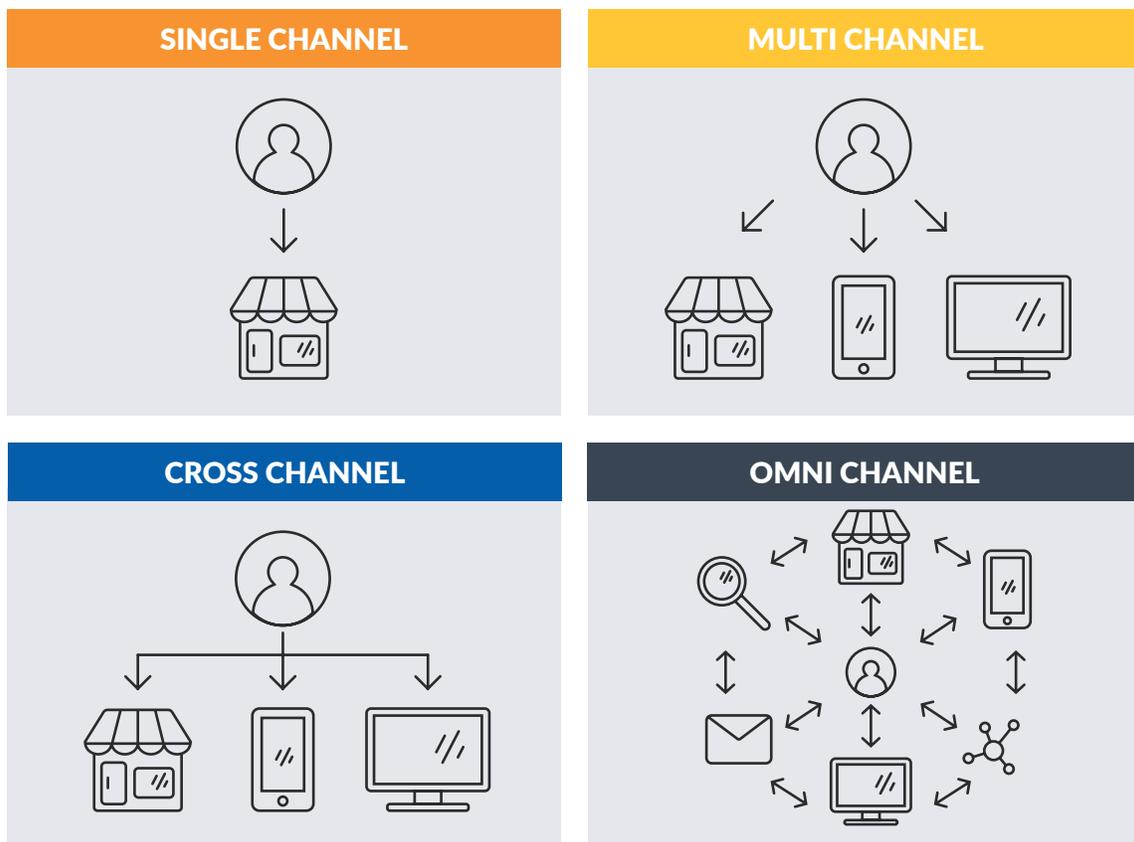
RISE OF OMNICHANNEL FULFILLMENT

RISE OF OMNICHANNEL FULFILLMENT

[Omnichannel fulfillment](#) may be one of the biggest buzzwords of 2021. Pre-pandemic, 3PL warehouses were focused on diversifying fulfillment for ecommerce—especially business-to-business (B2B) providers looking to capitalize on the rise of online shoppers. (And with good reason!) This surge is expected to continue through 2022 with retail ecommerce revenue predicted to reach [\\$502.5 billion](#).

These days, however, 3PLs who want to [increase profitability](#) must consider distribution for multiple channels to remain competitive—which makes omnichannel fulfillment one of the biggest opportunities for 3PLs looking to grow their business and scale.

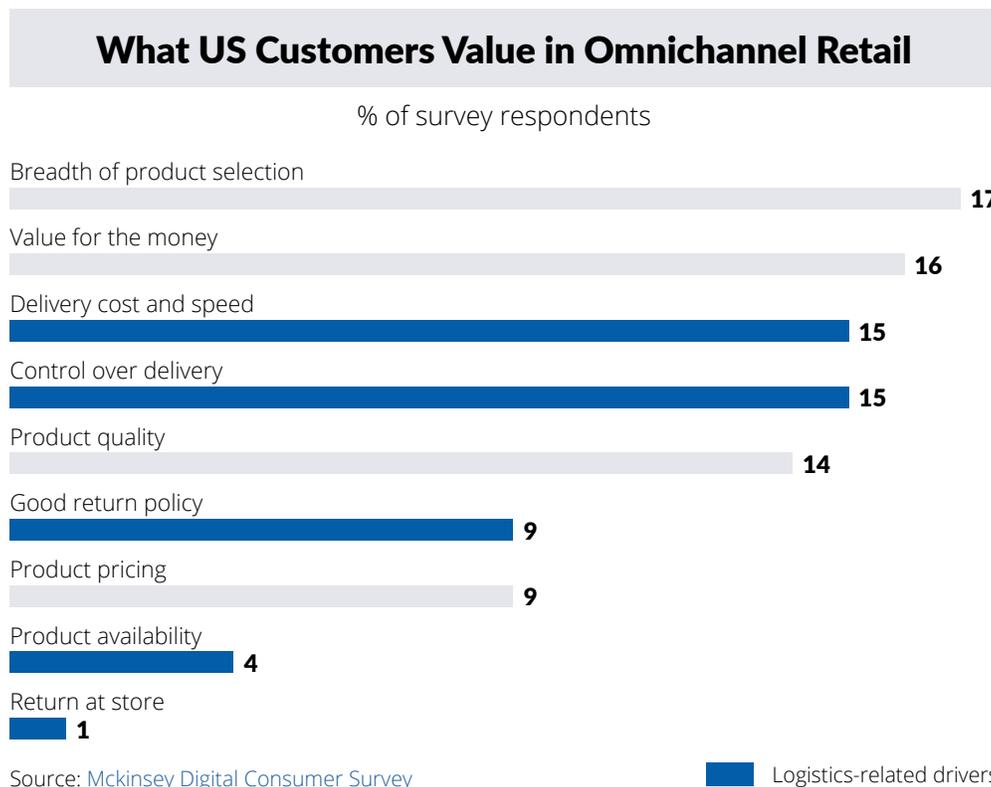
Omnichannel fulfillment is a strategy of having a unified approach to manage inventory and order processing from a variety of sales channels.



Using a unified approach, 3PL warehouses can streamline their fulfillment processes and distribution of orders from multiple selling channels for any of their customers wherever and however they sell.

While this may seem like an obvious approach for expanding logistics businesses, many 3PLs have been slow to adopt a complete omnichannel approach. As shared in the [Third-Party Logistics Warehouse Benchmark Report](#), B2B fulfillment remained the largest fulfillment type at 72% for 3PLs in 2021, with ecommerce (68%) and B2C fulfillment (56%) not far behind. Yet, only 22% of 3PLs called out omnichannel specifically as a strategic fulfillment type—even though 92% of 3PLs who identify as offering omnichannel fulfillment grew their order volume in 2021.

To be fair, many warehouses have spent time ramping up efforts for ecommerce, which plays a crucial role in omnichannel distribution. But is that enough to remain relevant in today's marketplace—especially if you work with retailers and omnichannel customers? This remains to be seen, but as the evolution of 3PL warehousing continues, 3PLs need to not only be ready to meet customer concerns but also end-consumer demands. In a survey conducted by McKinsey & Company, consumers care about delivery cost, speed, control



over delivery, and returns as well. This isn't surprising considering that [85% of consumers](#) prefer interacting with omnichannel brands that have both digital and physical channels.

3PL warehouses looking to position themselves as partners for their customers' multi-marketplace strategies will need to prepare to meet these demands head-on. Once prepared, a 3PL warehouse will be the most important asset for businesses looking to implement or enhance an omnichannel fulfillment strategy—increasing the demand for 3PL services exponentially.

BEST PRACTICE RECOMMENDATIONS

How Can 3PL's Help Customers with Omnichannel Fulfillment?

Delivery Choices: Same-day delivery is expected to reach [\\$20.36 billion](#) by 2027. 3PLs need to be able to accommodate this, as well as a variety of other delivery options, including buy online, pick up in store; dropshipping; buy in store with delivery from warehouse; and more. Utilizing a 3PL's multitude of delivery options is imperative for warehouse customers who require fast, efficient, accurate, and cost-effective delivery options. As a 3PL, you are your customer's best bet to offer the most efficient and cost-effective last-mile logistics.

Native Omnichannel Connectivity: Technology matters. 3PL customers are looking to their warehouse for expertise with Electronic Data Interchange (EDI) for compliance issues and chargebacks, inventory management tracking to [order management systems](#) (OMS), [shopping cart integrations](#), [warehouse management system](#) (WMS) software, or a number of other API connections to automate processes and workflows. Using optimized warehouse automation and connectivity, you offer transparency, the ability to reduce errors, and the ability to be a collaborative intermediary for your customers and their supply chain partners.

Reverse Logistics: Returns are essential. 3PLs who offer a complete omnichannel fulfillment strategy will include ecommerce—which not only drives large order volumes but also produces returns. 3PLs need to have smooth reverse logistics processes to help return items wherever and however consumers received them. Today's buyers are looking for easy returns, and warehouse customers are looking for ways to reduce costs. Your 3PL is squarely positioned to help deliver on customer demands, offer consistency, and improve the overall experience.



03

**EVOLUTION OF 3PL
AND 4PL SERVICES**

EVOLUTION OF 3PL AND 4PL SERVICES

With a quickly shifting marketplace, many companies are finding it increasingly difficult to navigate the intricacies of the supply chain. This has led to many businesses looking to outsource their logistics needs to third-party logistics warehouses and transportation providers. In 2021, users of 3PL services reported that [40% of their total logistics expenditures](#) were related to outsourcing. Much of this growth can be directly correlated to the rise of the ecommerce industry. Considering this push of online sales, expectations for the global third-party logistics market are expected to be valued at [\\$1.1 trillion](#) over the next six years. This leaves a lot of room to expand for the estimated [20,605 3PL businesses in the United States](#).

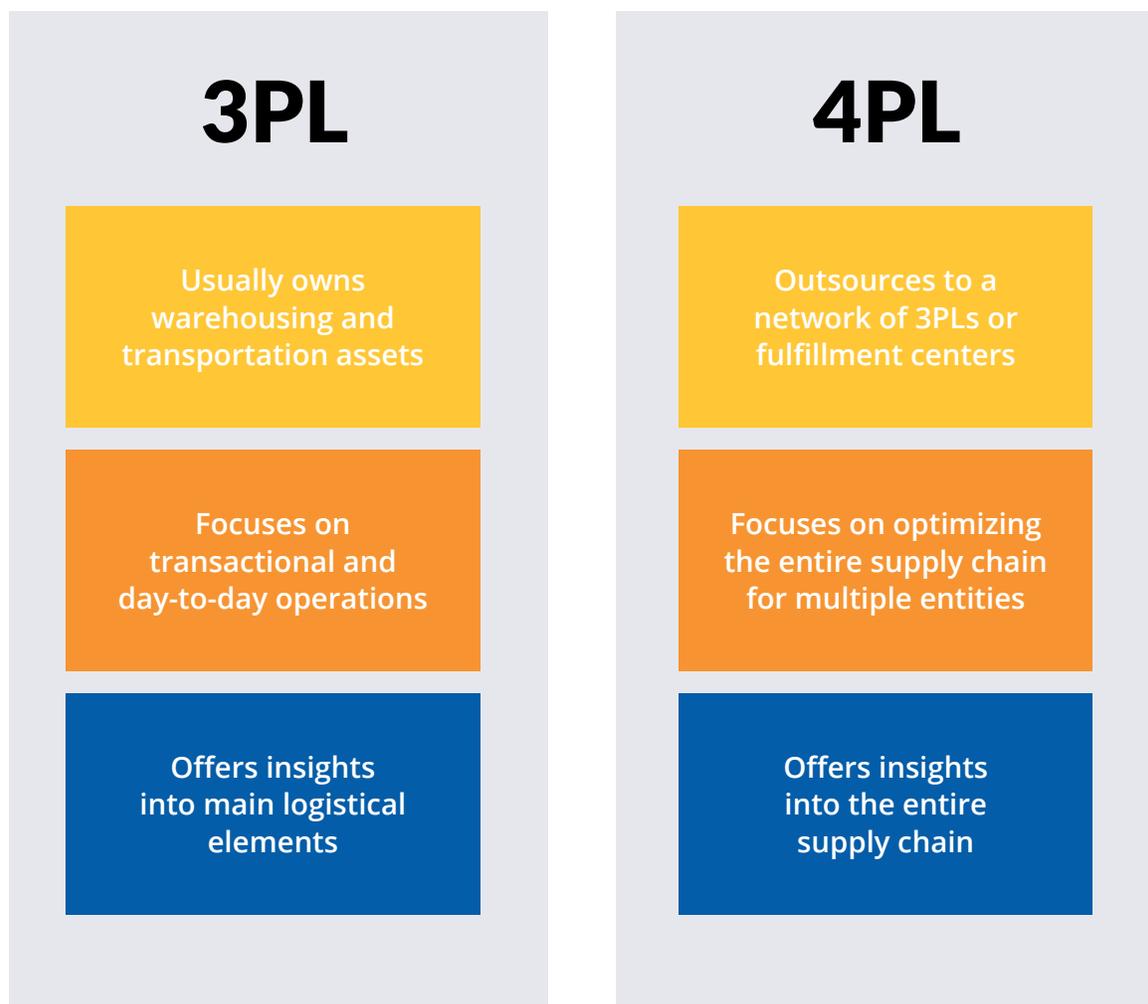
It is no surprise that as the marketplace continues to grow and develop, so does the evolution of 3PLs who serve as arbiters of efficiency for their customers. From transportation expertise and access to real-time supply chain data to vertical and fulfillment specialization, 3PLs are excellent logistics partners.

3PLs who seek to build networks for their customers must develop a services pipeline that ranges from warehousing and storage to inventory management, picking, packing, and shipping to technology and IT to meet rising needs. These are extremely important for small to mid-sized customers looking for help with logistical operations. Yet, as a 3PL provider evolves, so does their customers' businesses who hope to grow into mid-to-large-sized operations. As the increase in demand for services continues, many of the advantages of working with a 3PL tie in with the advancement of [fourth-party logistics](#) (4PLs).

4PLs are networks that offer visibility into the entire logistics journey for their customers. In most cases, relationships with 4PLs develop from their existing 3PL relationships. While 4PL networks offer many of the same services as 3PLs, they are often the single point of contact for customers and share additional insights into larger data analytics across the entire supply chain, can work directly with manufacturers or suppliers, and manage larger distribution networks.



Due to the level of sophistication in today's supply chain, many 3PL providers are looking to collaborate with other warehouses to help create integrated ecosystems—thus a [4PL network](#). This can range from using multi-warehouse distribution or alternative carriers and transportation networks with developed relationships to additional integrated technologies for deeper insights into day-to-day activities and larger growth opportunities. For 3PLs looking to partner with other 3PLs, they can take full advantage of the core competencies, technologies, vertical specializations (e.g., cold storage, ecommerce, hazmat, etc.), and partner relationships of the other provider(s).



According to a report published by Inbound Logistics, [54% of 3PLs](#) cited 4PL or Lead Logistics Provider (LLP) partnerships as a strategic initiative. Yet, 4PL networks are still a new idea for growing 3PL providers looking to expand. However, with many

warehouses operating at max capacity, [vacancy rates](#) continuing at less than 3.6% nationwide, and issues with finding [qualified labor](#), looking to partner with other like-minded 3PLs is a logical next step for 3PL businesses trying to expand.

BEST PRACTICE RECOMMENDATIONS

How Can 3PLs Help Customers by Creating or Using 4PL Networks?

Relationships: Great relationships are one of the defining factors of an excellent 3PL warehouse. [98% of 3PLs](#) believe they have successful relationships with shippers who, in turn, said they have 90% successful relationships with their 3PLs. Customers win when 3PL providers have effective relationships that lead to reduced costs, improved service, and additional data to drive long-term customer goals.

Resilient Supply Chain: 3PLs with the ability to resist, react, or recover from supply chain disruptions are the ideal partner for customers looking to mitigate operational risk and service interruptions. With a network of other 3PLs available to offer additional space for inventory overflow, shipping centers located closer to customer “hot spots”, or access to additional supply chain analytics, these networks can minimize interruptions. It is a win-win situation for 3PLs looking to scale or try new marketplaces.

Collaboration: 3PLs don't have to choose between continuing to operate as a 3PL or a 4PL. In reality, 3PLs can also function as a 4PL. While 3PLs take on more responsibility for the day-to-day activities, 4PLs provide a framework to enhance a 3PL's capabilities. A 3PL can handle asset-based services while utilizing a larger 4PL network and sharing an overall view of the supply chain from reporting, communication, and technology. A 3PL provider can decide on a customer-by-customer basis if leveraging a larger network will enhance their customer's experience.



04

**SUPPLY CHAIN
TECHNOLOGY
TRANSFORMATION**

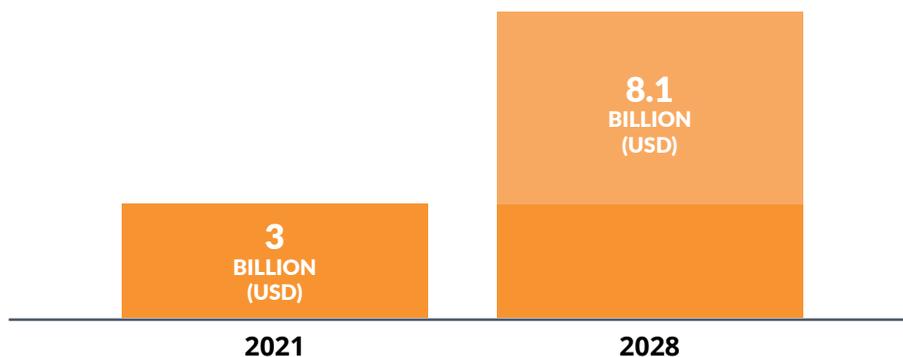
SUPPLY CHAIN TECHNOLOGY TRANSFORMATION

Once again, warehouse management system (WMS) software topped the list of [most implemented technology](#) for 3PLs at 84% in the Third-Party Logistics Benchmark Report. The top reason for implementing a WMS was the need for real-time inventory tracking and management (81%). Leveraging WMS technology isn't new or a surprise for those looking to enhance operational prowess—including real-time inventory visibility, efficiency, order accuracy, reporting, labor productivity, automated billing, and more. Yet, there seems to be a digital transformation within the supply chain towards cloud-based technology.

While cloud-based warehouse management systems are not new to the marketplace, there is an anticipated increase to the WMS market, which is expected to reach [\\$8.1 billion by 2028](#). Cloud-based WMS adoption is fueling this increase, especially among small to mid-sized businesses, due to consumer demand and ecommerce. By 2025, Gartner speculates that [80% of all B2B sales](#) will be digital as well—making ecommerce less siloed for B2C distribution. For transportation and logistics providers, having an omnichannel fulfillment strategy utilizing cloud-based technology is looking more like a must-have rather than a nice-to-have.

Warehouse Management Systems Market

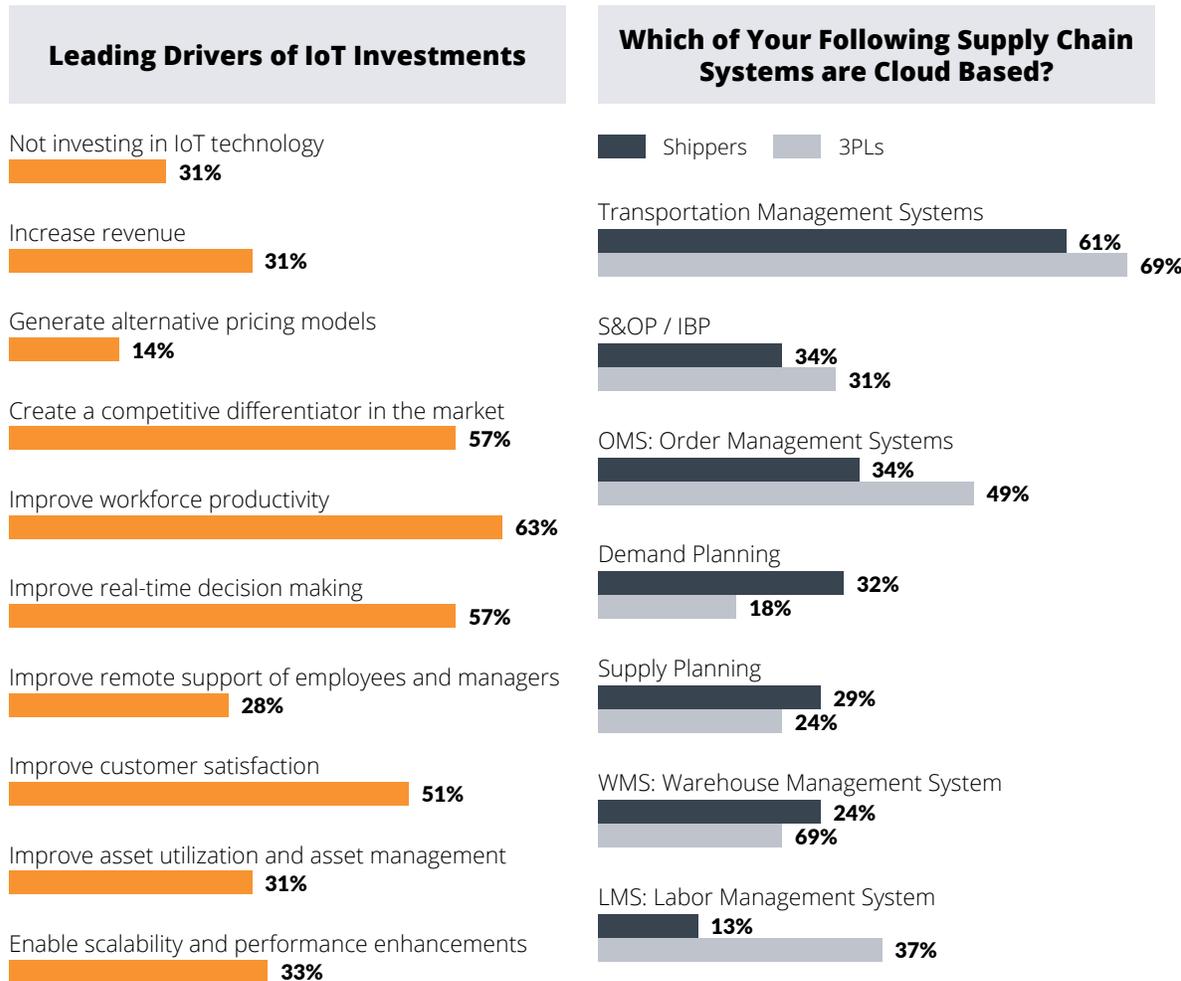
Market forecast to grow at a CAGR of 15.3%



Source: [Research and Markets](#)

When speaking about cloud-based technology, you can't forget the Internet of Things (IoT)—which refers to any technology, from hand-held mobile scanners to WMS software, connected to the internet. While 3PLs have been investing in IoT technology for some time, 3PLs are being influenced by supply chain disruptions and the rise of omnichannel

fulfillment to optimize the supply chain as a whole. In the [2022 26th Annual Third-Party Logistics Study](#), the top three reasons noted by 3PLs to invest in IoT were to improve workforce productivity (63%), improve real-time decision-making (57%), and create a competitive differentiator (57%).



Investment in new technology for many logistics businesses has primarily been attributed to the need for speed, scalability, and reducing operating costs. Today, 3PLs and their partners need to access real-time data for a competitive advantage. Technology is a requirement to offer intelligent data analytics and automation—especially for 3PLs looking to create smart warehouses to combat continuing labor challenges.

As the supply chain becomes more and more complex, the timeline for logistics businesses to adopt new technology is shortening, as seen now with how 5G is impacting

the logistics landscape. With more and more cloud-based technologies and integrations emerging, a highly responsive network is necessary for success. [DHL](#) stated that 5G is expected to revolutionize supply chains around the world as the industry shifts to a data-driven mindset. 5G is also being touted as a potential safety precaution to monitor real-time transactions, such as the location and condition of shipments. Regardless of the technology a 3PL has or plans to invest in, data security, the need to improve speed, and data reliability are requirements for 3PLs to effectively run their business.

BEST PRACTICE RECOMMENDATIONS

How Can 3PLs Help Customers with Cutting-Edge Technology?

Customer Impact: The customer experience trumps all, and the customer is always king. Using the best technology helps 3PLs reduce errors and improve customer satisfaction. Additionally, 3PL warehouses need to provide complete visibility while also easily scaling operations. Diversifying a 3PL business is not just about fulfillment types—it's also about meeting customer demands in a developing marketplace. Make sure you can meet demands head-on.

Move to the Cloud: Innovation in the marketplace and ecommerce are driving change for the logistics industry as a whole. [Cloud-based technology](#) enables 3PLs to scale on demand and usually at a lower cost than on-premise solutions, which helps reduce operating costs over time. With [43% of 3PLs](#) looking to increase profitability and reduce costs on a per-order basis, utilizing technology and automation are key.

Bring Along Your Partners: Who else is better suited than a 3PL to bring their partners along when it comes to technology? 3PLs are already known for having strong alignment with their shipping partners. 3PLs can also share the benefits of their partnerships with equipment and hardware suppliers, service providers, or even their own customers. The partnerships that 3PLs spend their time building and perfecting are invaluable resources. 3PL warehouses continue to prove to be resilient partners that help solve day-to-day challenges, offer innovation, and reduce costs for their customers.



CONCLUSION

Logistics has always been essential to the supply chain. Once a hidden industry of service, it is now a topic for highly notable news stories from package delivery delays, congested ports, or what Amazon is doing next. Yet, as the heart of the supply chain, logistics is transforming an industry with 3PL warehouses at the epicenter.

As the lifeline for many of their customers' businesses, 3PLs keep the flow of the supply chain running. They help businesses through disruptions and evolve new selling channels. 3PLs also advance their own businesses and fulfillment channels to meet the needs of their growing customer base. It is also a space for innovation and new technology. In fact, 73% of 3PL users agree that 3PLs provide new and innovative ways to improve logistics effectiveness. What's more, 64% of 3PL users also agree that the use of 3PLs has reduced overall logistics costs—making 3PL warehouses excellent strategic partners.

Whether it's through process automation, customer-centric fulfillment strategies, change management, or re-evaluated fulfillment networks, 3PLs are transforming the way consumers receive goods. For 3PL warehouses looking to drive innovation, build a profitable business, and accelerate change—the time is now. With a rapidly shifting marketplace, 3PLs have an opportunity to make 2022 their most inventive year ever.



ABOUT 3PL CENTRAL

3PL Central is a leader in cloud-based [warehouse management](#) (WMS), [inventory management](#) (IMS), and [order management](#) (OMS) solutions built to meet the unique omnichannel fulfillment needs of both 3PLs and brands. Serving as the backbone of our customers' operations, our platforms aim to quickly transform paper-based, error-prone businesses into service leaders that can focus on customer satisfaction, operate more efficiently, and grow faster. Offering comprehensive WMS, OMS, and IMS platforms, 3PL Central endeavors to make it easy for companies to manage inventory, automate routine tasks, and deliver complete visibility to customers and end-consumers. As an industry leader for over a decade, 3PL Central manages billions of dollars in inventory and processes more than 140 million orders a year from our customers' systems.

CONTACT US

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