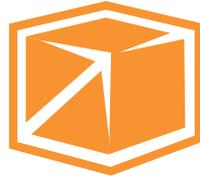




2020 Third-Party Logistics Warehouse Benchmark Report

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FOREWORD

In September 2020, 3PL Central distributed an online survey to logistics professionals who own or operate third-party logistics (3PL) warehouses. The aggregated responses to this survey comprise the information found in the following report. The first and only report 100% focused on the third-party logistics warehouse industry, 3PL Central's Benchmark Report aggregates data from 250+ 3PL warehouses and provides insight on 30+ industry-specific topics. The Benchmark Report examines best practices, trends, current issues, and opportunities facing 3PL warehouses.

KEY THEMES

1

GROWTH OPPORTUNITIES

2020 offered unique opportunities driven by shifting buying behaviors and increasing ecommerce adoption. 3PLs demonstrate optimism that growth will continue into 2021.

2

CAPACITY CONSTRAINTS

Warehouse capacity constraints have governed the speed at which 3PLs can grow, driving many 3PLs to seek new facilities with additional space and broader geographic footprints.

3

WORKFORCE IMPLICATIONS

Labor costs have risen as a result of the warehouse hiring surge required to meet the increased demand on the supply chain, making skilled warehouse workers hard to find.

4

TECHNOLOGY ADOPTION

3PL warehouses have sought out new technologies to drive operational efficiencies and reduce costs. Integration with their core warehouse management system (WMS) plays a big role in adoption.

5

MEASUREMENT & METRICS

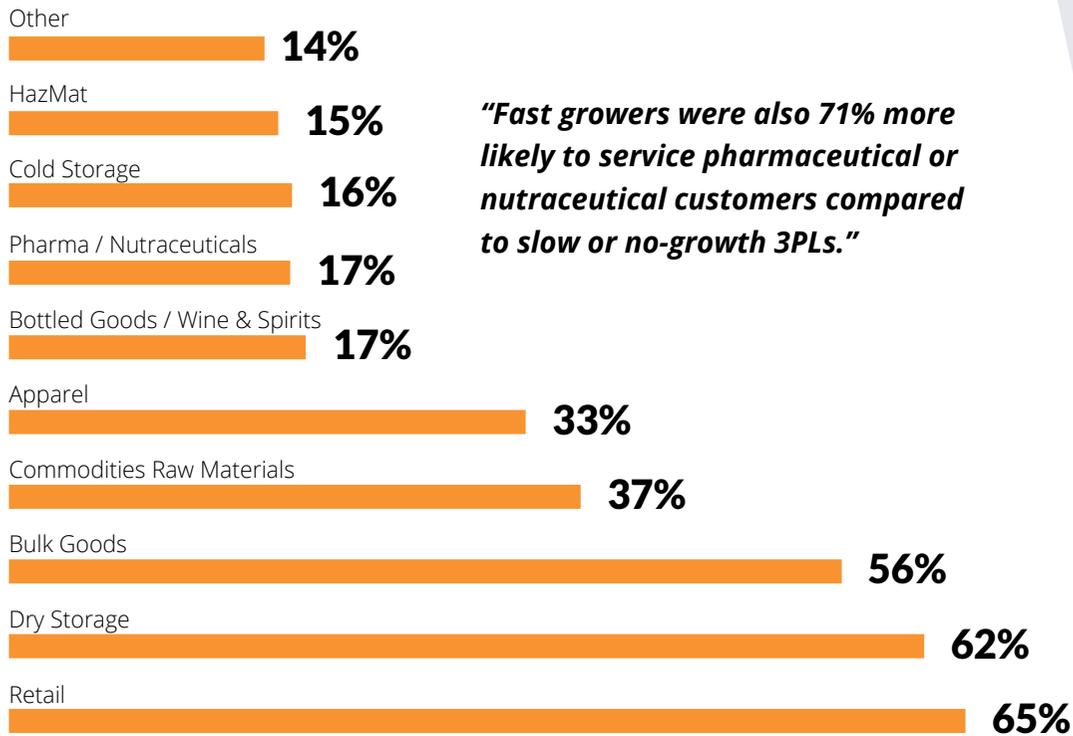
Measuring key performance indicators (KPIs) varies significantly by warehouse, with many still relying on basic reporting rather than service level dashboards or more advanced analytics.



THE 3PL LANDSCAPE

INDUSTRIES SERVED

On average, 3PLs fulfill for 3.3 different industries—with retail, dry storage, and bulk goods being the most commonly served. The fastest-growing 3PL warehouses have significantly higher concentrations in retail and apparel fulfillment versus lower or no-growth 3PLs. Fast growers were also 71% more likely to service pharmaceutical or nutraceutical customers compared to slow or no-growth 3PLs.



“Fast growers were also 71% more likely to service pharmaceutical or nutraceutical customers compared to slow or no-growth 3PLs.”

**Multiple selections allowed*

82%

B2B

71%

ECOMMERCE

59%

B2C

47%

DROP SHIP

43%

FULFILLMENT BY AMAZON

25%

OMNICHANNEL

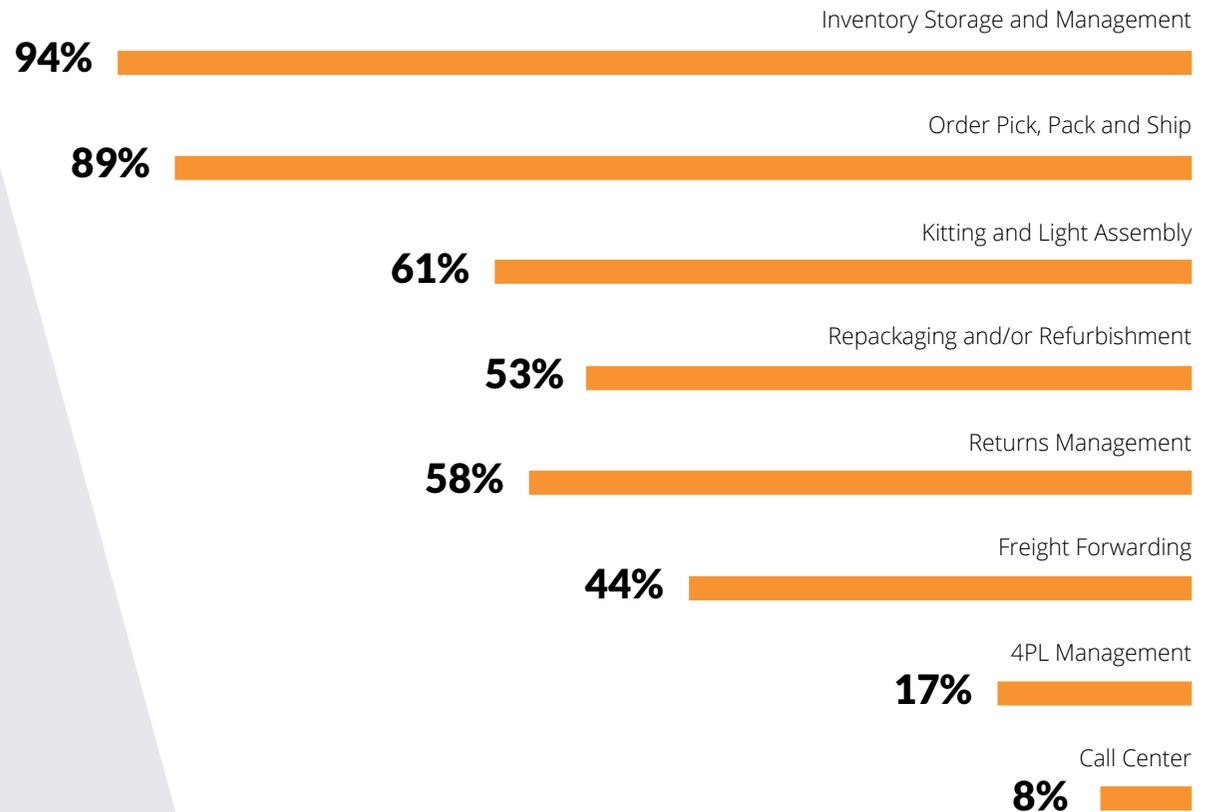
TYPES OF FULFILLMENT

It is no surprise that respondents revealed B2B as the most common type of fulfillment offered at 82%. Ecommerce followed closely behind at 71%. Only 25% of 3PLs indicated performing omnichannel fulfillment. Omnichannel fulfillment denotes supporting orders from the many different purchasing channels available to consumers (e.g., online, to the store, marketplaces, shopping carts, etc.) through platforms, like a 3PL’s [warehouse management system \(WMS\)](#), that seamlessly interact with different applications, shopping carts, marketplaces, or other order management software to manage multiple supply chain processes.

SERVICES PROVIDED

Universal to almost all 3PLs, standard [inventory management](#) and order pick, pack, and ship services ranked the highest across all growth ranges. For the fastest-growing 3PLs (25%+ growth) in 2020, 63% engaged in kitting and light assembly and 69% also managed returns—both far higher percentages than those 3PLs experiencing no growth or negative growth at 55% and 48% respectively.

Surprisingly, mid-growth 3PLs (between 1% and 25% growth) had the highest likelihood of engaging in 4PL management. Fourth-party logistics (4PL) management in this case refers to managing the logistics contract with a customer and then outsourcing or managing a series of 3PLs for additional warehousing storage or fulfillment. With 13% of 3PLs responding they are running at 100%+ capacity presently, more 3PLs have sought to identify relationships for inventory overflow storage.



**Multiple selections allowed*



LESS THAN 10 CUSTOMERS



10-25 CUSTOMERS



26-50 CUSTOMERS



50-100 CUSTOMERS



100-200 CUSTOMERS



200+ CUSTOMERS

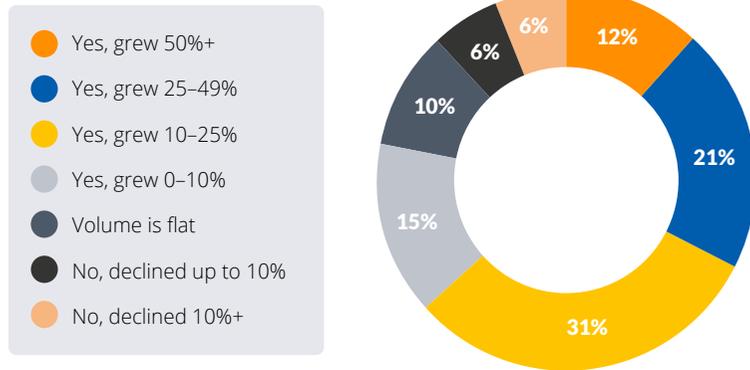
NUMBER OF CUSTOMERS

Sixty-five (65%) of respondents had fewer than 50 customers and 77% of 3PLs expect to add new customers in 2021. However, more customers does not necessarily mean more growth. Survey results indicated a closer relation between growth and types of industries served (e.g., retail) rather than the size of the customer base. Instead, the size of a 3PL's customer base appeared to directly correlate with the types of fulfillment performed. Those 3PLs engaging in omnichannel fulfillment had larger customer bases, with 45% having 50+ customers.

**GROWTH
OPPORTUNITIES**

GROWTH IN 2020

In 2020, 79% of 3PL warehouses grew, which mapped closely to the [growth seen through 3PL Warehouse Manager WMS in the first half of 2020](#). Fast-growing 3PLs had a higher likelihood of performing ecommerce or omnichannel fulfillment, while those 3PLs with declining or no growth were 271% less likely to perform omnichannel fulfillment.

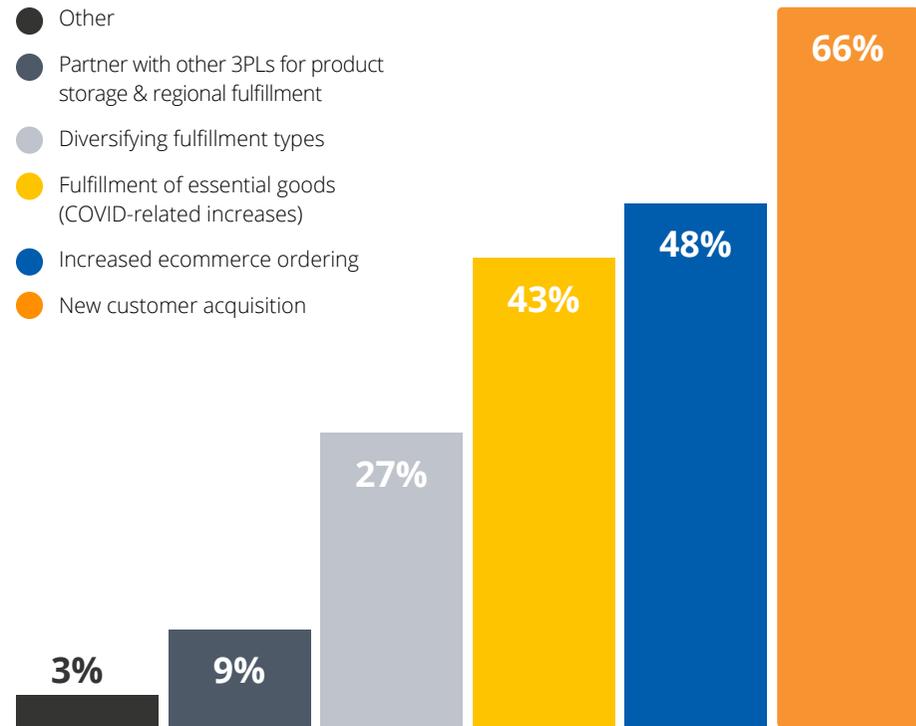


BEST PRACTICE

Consider [diversifying your fulfillment types](#) for greater growth opportunities.

GROWTH DRIVERS 2020

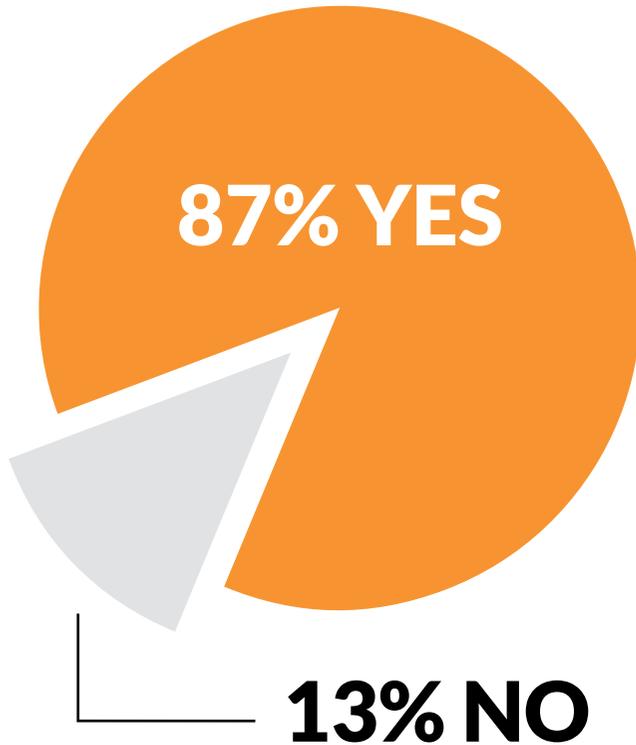
With so many businesses having to re-evaluate how they market, sell, and deliver to customers and with [ecommerce purchases increasing more in Q1 2020](#) than it did in the previous 10 years, it is no surprise that 3PLs reaped the benefits of new customer acquisition (66%) and ecommerce fulfillment (48%) this year. Also, with COVID-19 driving demand for essential goods, many (43%) 3PLs played a vital role in the supply chain by supporting the distribution and fulfillment of those much-needed products.



*Multiple selections allowed

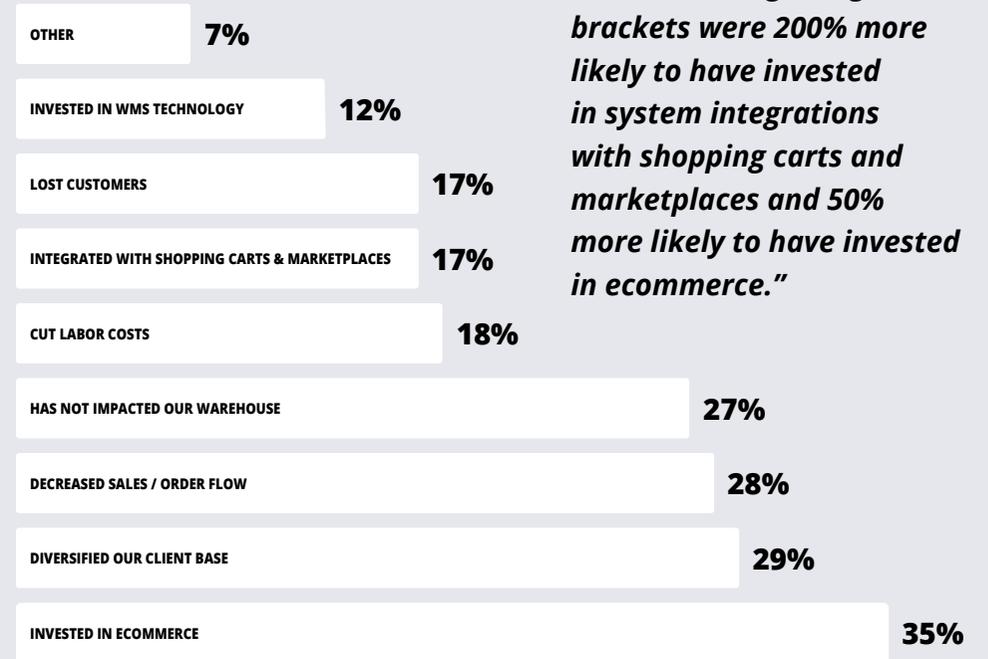
WANT TO DIVERSIFY REVENUE STREAMS

Surprisingly, with only 27% of 3PLs citing diversifying fulfillment types as a primary growth driver in 2020, future diversification of revenue streams stood out as a common theme among many 3PLs—with 87% citing diversification as important to their business in 2021.



HOW HAS COVID-19 IMPACTED 3PLS

With COVID-19 having the single largest impact on the US economy in 2020 and forcing wider spread adoption of ecommerce purchasing, many 3PLs harnessed changing buying behaviors to drive growth in their businesses. Those 3PLs who primarily focused on B2B fulfillment were twice as likely to have seen lost customers and decreased order volumes compared to 3PLs who focused on omnichannel fulfillment. Those 3PLs in the highest growth brackets were 200% more likely to have invested in system integrations with shopping carts and marketplaces and 50% more likely to have invested in ecommerce.



“3PLs in the highest growth brackets were 200% more likely to have invested in system integrations with shopping carts and marketplaces and 50% more likely to have invested in ecommerce.”

**Multiple selections allowed*

OTHER

2%

CREATING A 4PL NETWORK

10%

ADDING WAREHOUSES IN NEW LOCATIONS

41%

DIVERSIFYING SERVICES

43%

AUTOMATING PROCESSES IN THE WAREHOUSE

54%

GROWTH RELATED TO ECOMMERCE

65%

ACQUIRING NEW CUSTOMERS

77%

TOP OPPORTUNITIES IN THE COMING YEAR

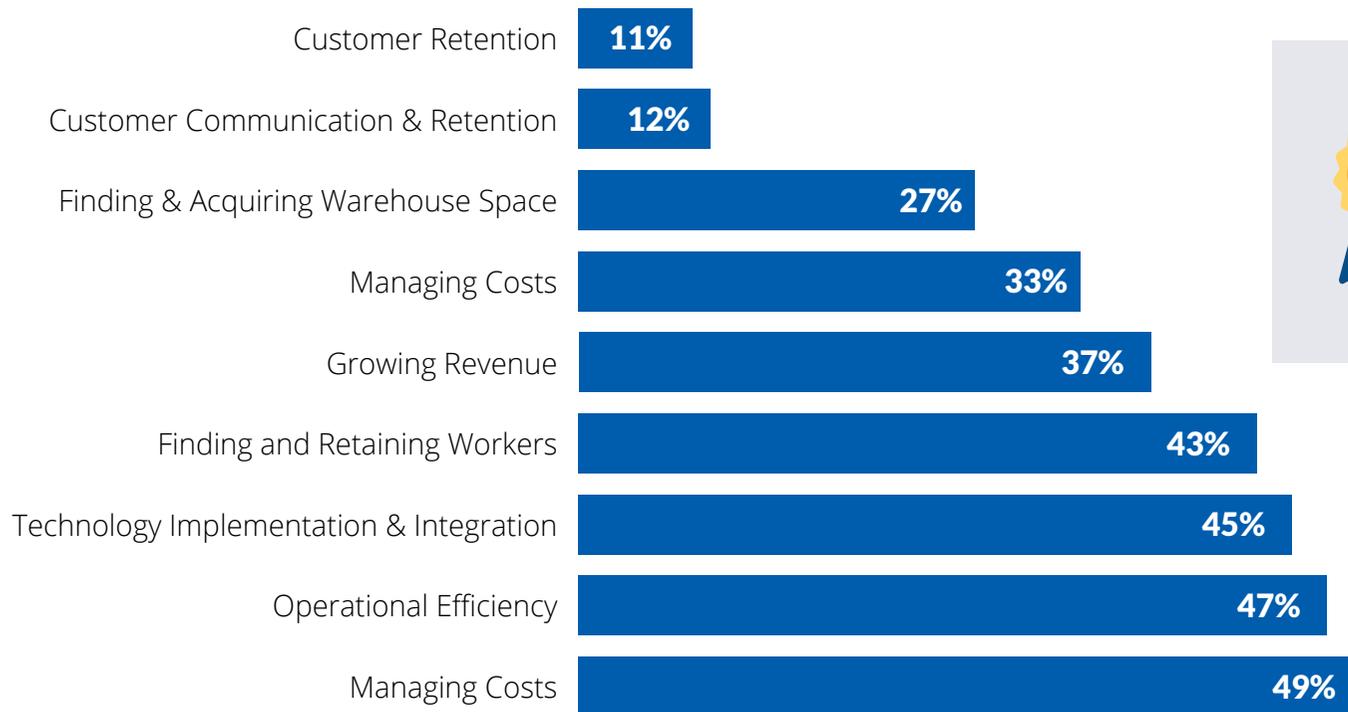
Although faced with many challenges this year, many 3PL warehouses indicated optimism moving into the new year based on emerging opportunities. With predictions that a COVID-19 vaccine may not have broad availability until 2021, ecommerce purchases are expected to continue double-digit growth into the new year. As such, 3PLs have continued to show optimism for opportunities to acquire new customers (77%) and drive ecommerce-related growth (65%). Although a strong third (54%) among all 3PLs, mid-growth 3PLs (those who experienced between 1% and 25% of growth) emphasized automating warehouse processes as a higher priority than other groups.

**Multiple selections allowed*

TOP BUSINESS CHALLENGES

This year's pandemic presented 3PLs with numerous challenges that led to the revamping of safety protocols, intermittent stay-at-home orders, competitive demand for experienced warehouse workers, and business financial constraints or closures. While these challenges prompted growth and opportunity for some parts of the supply chain, it led to instability and uncertainty for others and even magnified existing business challenges.

Survey respondents cited managing costs (49%), driving operational efficiency (47%), and technology implementation / integration (45%) as the top three challenges within their businesses today— finding and retaining workers came in as a close fourth (43%). **Fast-growing 3PLs were 38% more likely to include finding and acquiring warehouse space as a challenge because of expansion and customer needs.**



**Respondents selected their top 3 challenges*

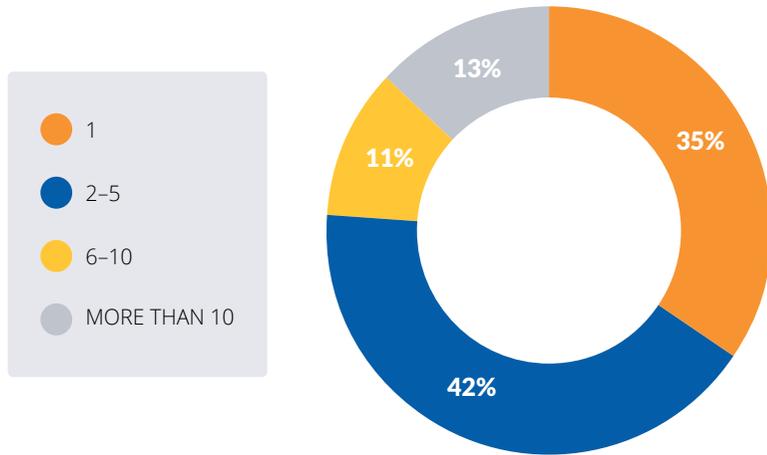


BEST PRACTICE

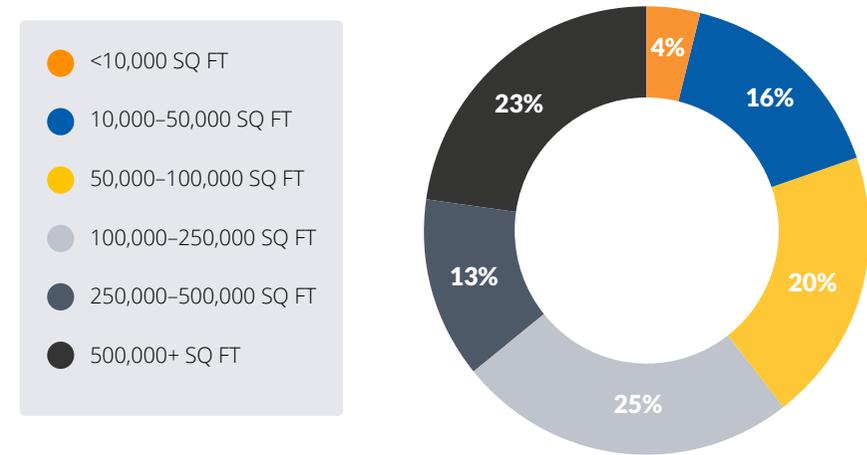
To better facilitate growth, automate warehouse processes to build scalability and efficiency.

CAPACITY CONSTRAINTS

NUMBER OF WAREHOUSES



WAREHOUSE SPACE



CAPACITY CONSTRAINTS

Tremendous opportunities exist for 3PL growth in 2021, but these may be tempered by warehouse capacity and available warehouse properties. With 77% of 3PLs operating five (5) or fewer warehouses and 62% having less than 250,000 sq. feet of warehousing space, bringing on new customers or expanding

lines of fulfillment may require expanding warehouse facilities. In fact, **27% of 3PLs say finding and acquiring additional warehouse space ranks as one of their top business challenges.**

WHAT ARE YOUR LARGEST EXPENSE AREAS?

LARGEST AREAS OF EXPENSE

Costs for rent, lease, or facilities compound the concerns around warehouse capacity. With warehouse space making up the single largest expense for most 3PLs, adding space can take a toll on the bottom line—especially as rent costs have gone up an average of 2.5% in 2020.

OVERALL RANK*		SCORE
1	Rent, Lease, or Facility Costs	718
2	Labor	660
3	Equipment	523
4	Systems & Technology	521
5	Shipping Costs	453

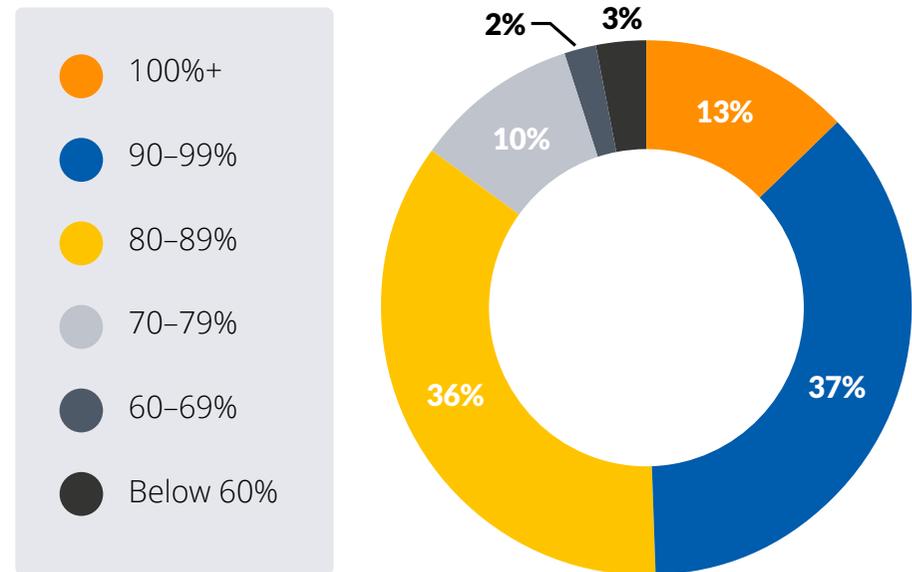
* Rank 1 to 5, with 1 being the largest expense and 5 being the smallest expense

WAREHOUSE SPACE

Increased volume has led to significant capacity constraints on warehouse space. Thirteen percent (13%) of 3PL warehouses report running above 100% capacity, which means many have had to begin searching for overflow space or to partner with other 3PLs to handle the capacity. Another 37% of warehouses are running at 90%–99% capacity, which is above the [85%–90% capacity recommended](#) to allow for demand surges and shifting business conditions. With 50% of 3PL warehouse operating at greater than recommended capacity, it has driven 41% of 3PLs to look to expand warehouse capacity or geographic footprint in 2021.

With historic low commercial [warehouse space available at nearly 5%](#) and demand for space at near high, it may account for why 9% of 3PLs have had to partner with other warehouses for product or storage overflow and 10% of 3PLs plan to build out a network and begin their evolution to becoming a 4PL in the next year.

WAREHOUSE CAPACITY



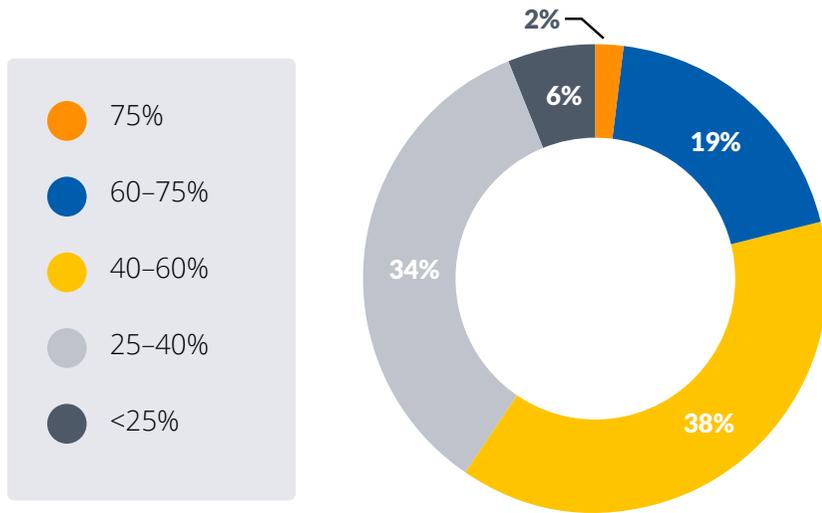
BEST PRACTICE

Start capacity planning now and build networks to help accommodate additional growth opportunities.

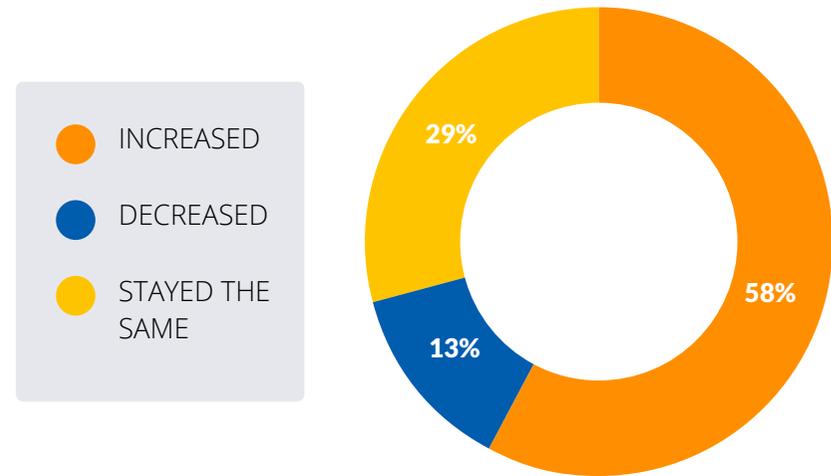


WORKFORCE IMPLICATIONS

LABOR AS A PERCENT OF TOTAL COSTS



HOW LABOR COSTS CHANGED THIS YEAR



LABOR AS A PERCENT OF TOTAL COSTS

After facilities, labor ranks as a very close second for the largest 3PL warehouse expense area—so close that, for many, facilities and labor are nearly tied for the largest expense—with 59% of respondents saying that more than 40% of their costs come from labor alone. Especially during [peak season](#), 3PLs are often hit hard with labor costs as a result of overtime hours.

HOW HAVE LABOR COSTS CHANGED THIS YEAR

With 79% of 3PLs growing and demand for fulfillment services on the rise, it is no surprise that the competition for skilled warehouse labor has driven up labor costs as well. Earlier in 2020, [Amazon raised pay](#) for almost all warehouse workers—setting in motion a trend felt through logistics organizations. Nearly 58% of 3PL respondents indicated that labor costs had increased this year.

BIGGEST WAREHOUSE STAFFING CHALLENGE

Despite recent struggling job reports, warehouses continue to see [hiring surges](#) driving competition for qualified workers. In a Wonolo temporary staffing report, it showed a [475% increase](#) in demand for job requests at fulfillment warehouses and distribution centers for the 2020 peak season. Considering the unprecedented demand, it is no surprise that finding qualified workers (47%) represents the biggest workforce challenge for warehouses, followed by the cost of qualified workers at 18%. These challenges underscore the need to build a talent pipeline to [attract new talent](#) into supply chain and logistics careers.



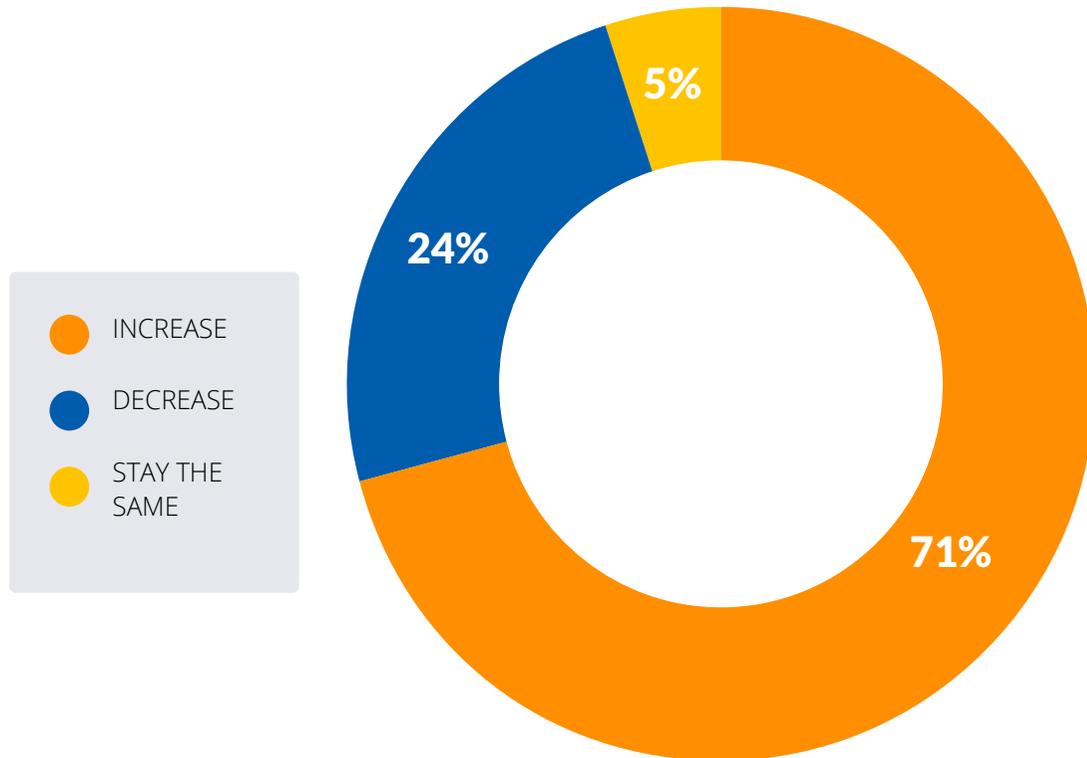
BEST PRACTICE

Build a talent pipeline that considers how you develop people through different positions and responsibilities for growth, while also building a plan to attract new entrants into the workforce to supply chain and logistics positions.



HOW WILL YOUR WORKFORCE CHANGE NEXT YEAR?

The demand for warehouse workers will continue into 2021. Third-party logistics warehouses overwhelmingly (71%) indicated that they plan to increase their workforce in the next year. With qualified workers already in short supply—and in some cases, causing [backups throughout the supply chain](#)—it is important to recognize that using the same approaches to attract and retain workers may not support the increased demand for the workforce.



BEST PRACTICE:

Implement technology and automation to increase productivity and the efficiency of the existing workforce in order to establish sustainable growth.

TECHNOLOGY ADOPTION

WHAT SYSTEMS HAVE 3PLS ALREADY ADOPTED

With labor and facility costs increasing, 3PL warehouses must look for ways to drive scalable efficiency, which often comes in the form of technology and automation. On average, 3PLs have installed 3.8 systems across their business. By far, warehouse management systems (87%) rank as the number one system in place and often serve as the technology backbone for running and managing all warehouse-related activities.

The fastest-growing 3PL warehouses have a 57% higher likelihood of having an [order management system \(OMS\)](#) and a 67% higher likelihood of having shopping cart and marketplace integrations versus no-growth organizations.

Other

1%

Robotics

6%

Yard Management

12%

ERP / Accounting Integrations

22%

Shopping Cart / Marketplace Integrations

23%

Dock Scheduling

27%

Labor Management / Time Management

31%

Transportation Management System

38%

EDI

39%

Mobile Barcode Scanning

39%

Order Management System

49%

Warehouse Management System

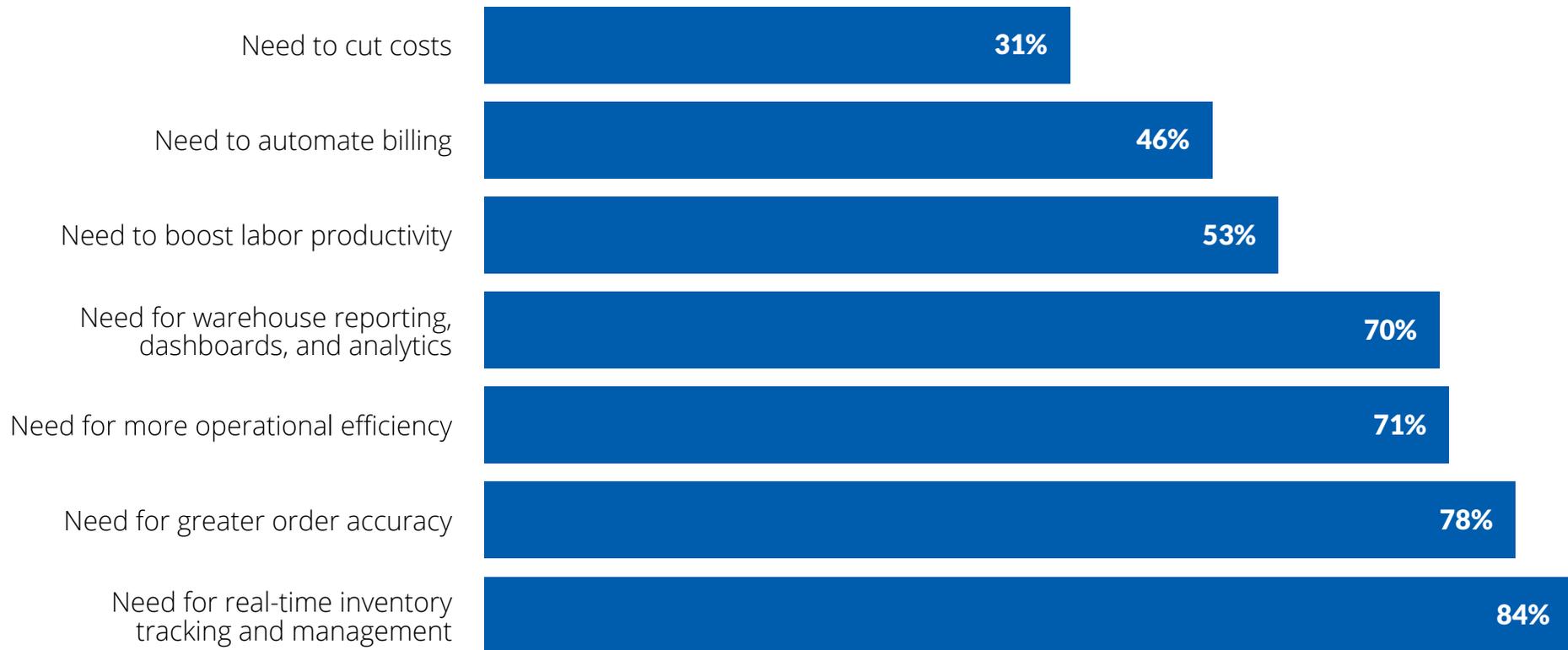
87%

**Multiple selections allowed*

“Warehouse management systems (87%) rank as the number one system in place and often serve as the technology backbone for running and managing all warehouse-related activities.”

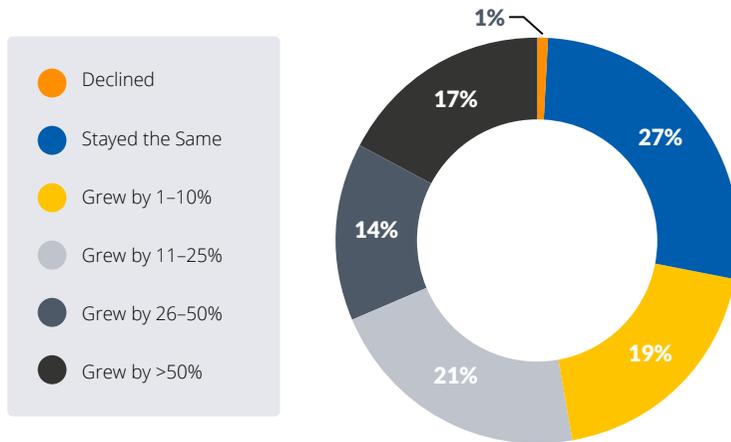
WHY 3PLS ADOPTED A WMS

With usage of WMS software nearly universal across most 3PLs, respondents attribute the adoption to a desire for real-time inventory tracking (84%), greater order accuracy (78%), and operational efficiency (71%). Surprisingly, cutting costs (31%) ranked the lowest of reasons for WMS adoption—however, the emphasis on efficiency-related reasons would imply profitability as an implied emphasis. Respondents that indicated a role type of **executive or owner were 118% more likely to view boosting labor productivity as a primary driver of WMS adoption.**

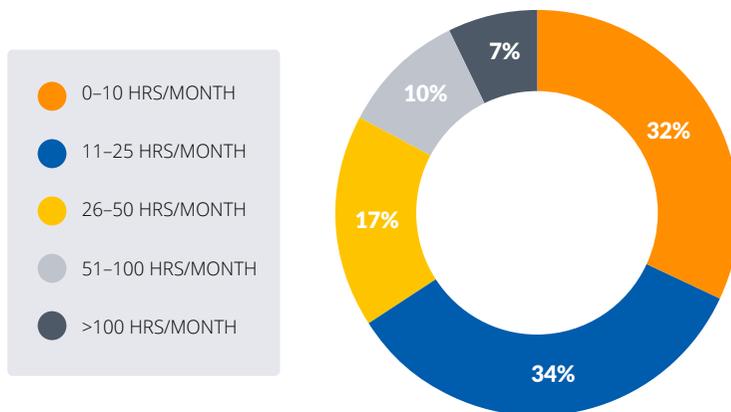


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ORDER VOLUME CHANGE SINCE IMPLEMENTING WMS



TIME SAVED BY ADOPTING A WMS



ORDER VOLUME CHANGE SINCE IMPLEMENTING WMS

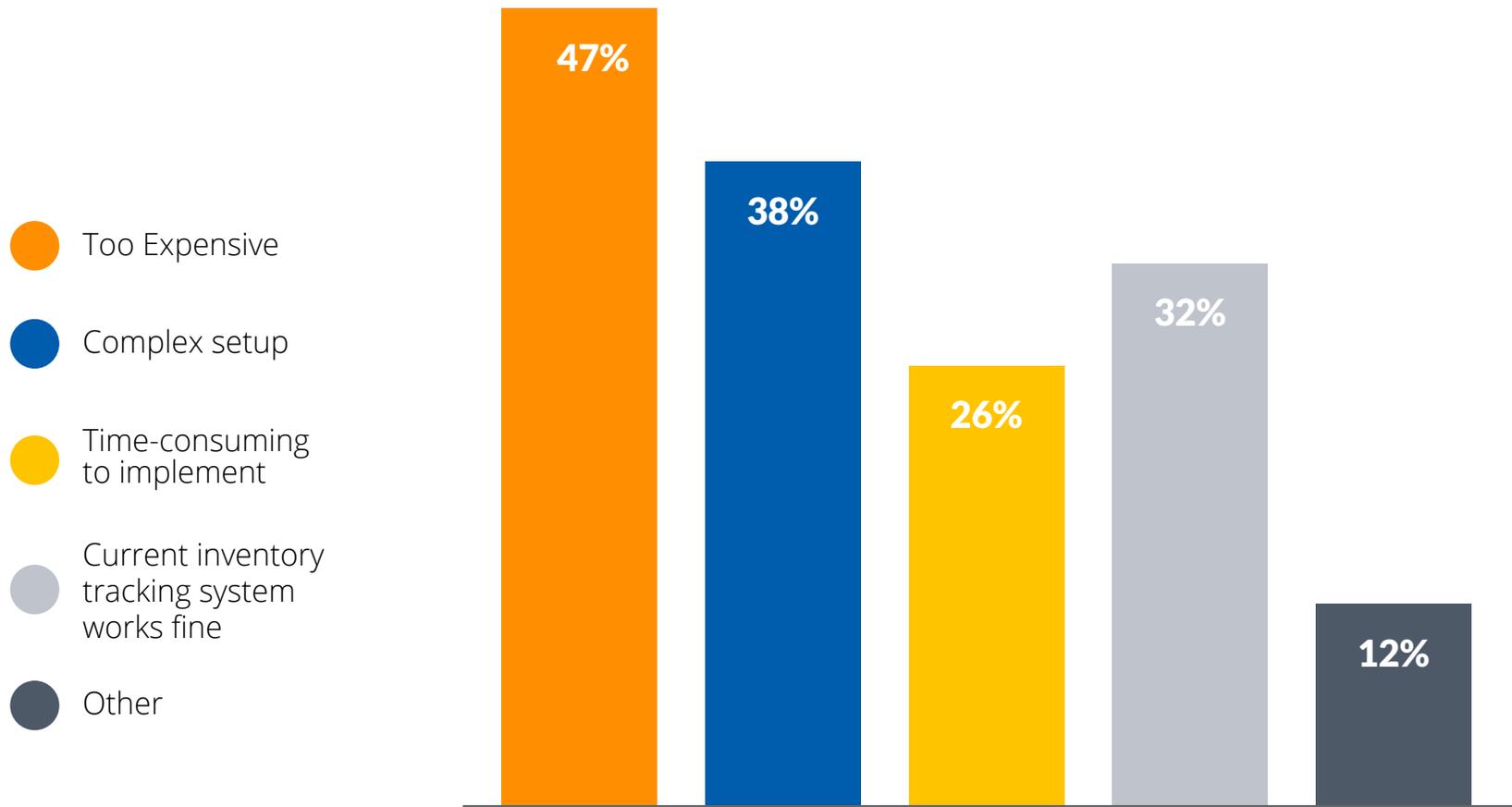
With such high adoption of warehouse management system software, 3PLs naturally need to see a return on investment from the technology either in terms of growth, profitability, or quality metrics. On average, 72% of companies saw order-volume increases upon WMS implementation, with 17% seeing 50%+ growth.

TIME SAVED BY ADOPTING A WMS

In addition to facilitating growth, many 3PLs use warehouse management systems to drive productivity or time savings. In fact, 17% of 3PLs who have implemented WMS software have seen time savings in excess of 50 hours per month.

WHY HAVEN'T THEY ADOPTED A WMS

While an incredibly small sample size, those 3PLs who have not implemented a WMS indicate expense (47%), complexity of set up (38%), and legacy [inventory management systems](#) (32%) as the primary reasons for non-adoption. Those 3PLs that indicated no growth or declining volumes had 150% more chance of citing expense as a reason for not using a WMS. Please note sample size (N=34) may not be statistically significant.



**Multiple selections allowed*

BEST PRACTICE

Implement warehouse management technology to drive growth, scalability, and time savings.



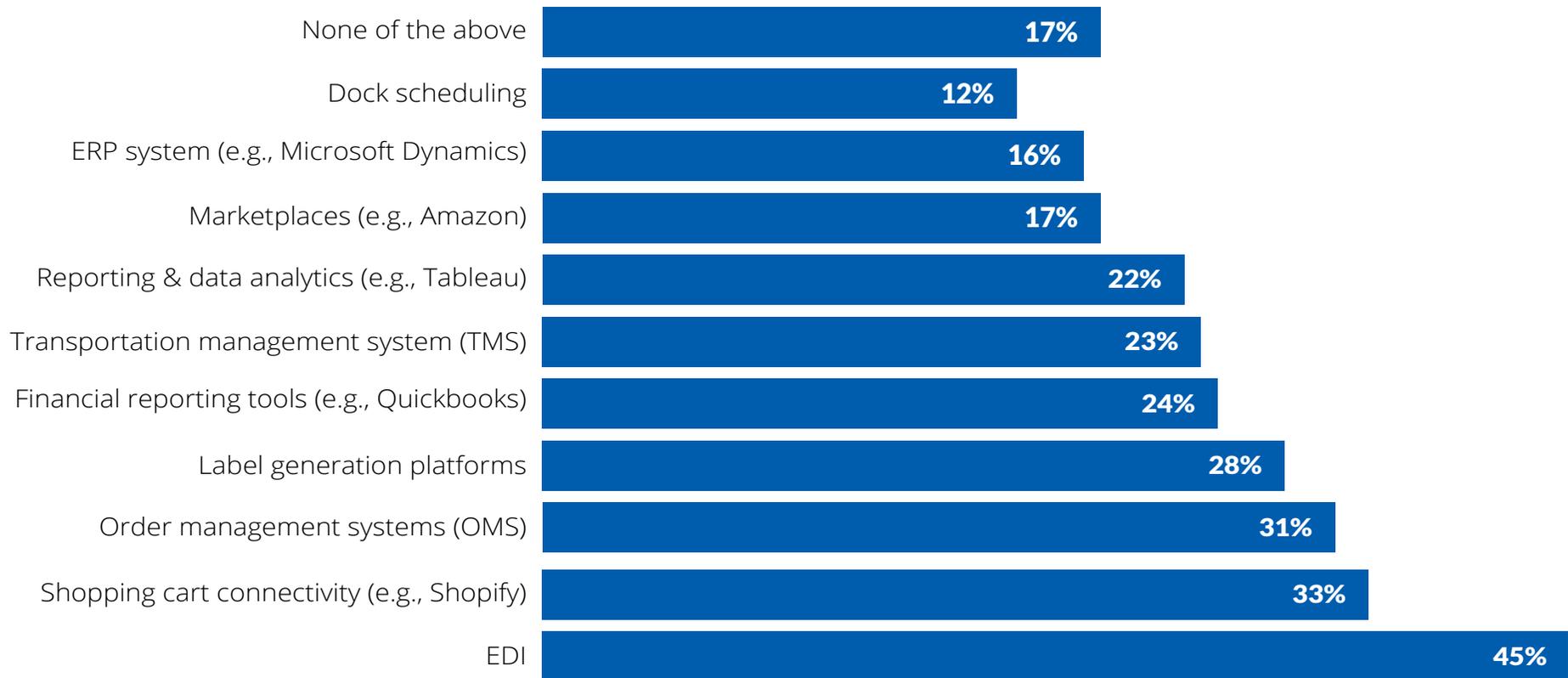


BEST PRACTICE

Ensure seamless integration of shopping cart and marketplaces with WMS to harness ecommerce growth.

SYSTEMS INTEGRATED WITH A WMS OR ERP

Often used as the core operational system for many 3PLs, a WMS can serve as the system central to all other technologies and integrations. Especially important in ecommerce and omnichannel fulfillment, having visibility across the entire [technology lifecycle](#) can drive a better consumer experience for a 3PL's customers and their consumers. Most common integrations of a WMS or enterprise resource planning (ERP) involve typical retail or online commerce systems, including EDI (45%) and shopping cart connectivity (33%). The fastest-growing 3PLs are 2.4x more likely to use shopping cart integrations with their WMS.

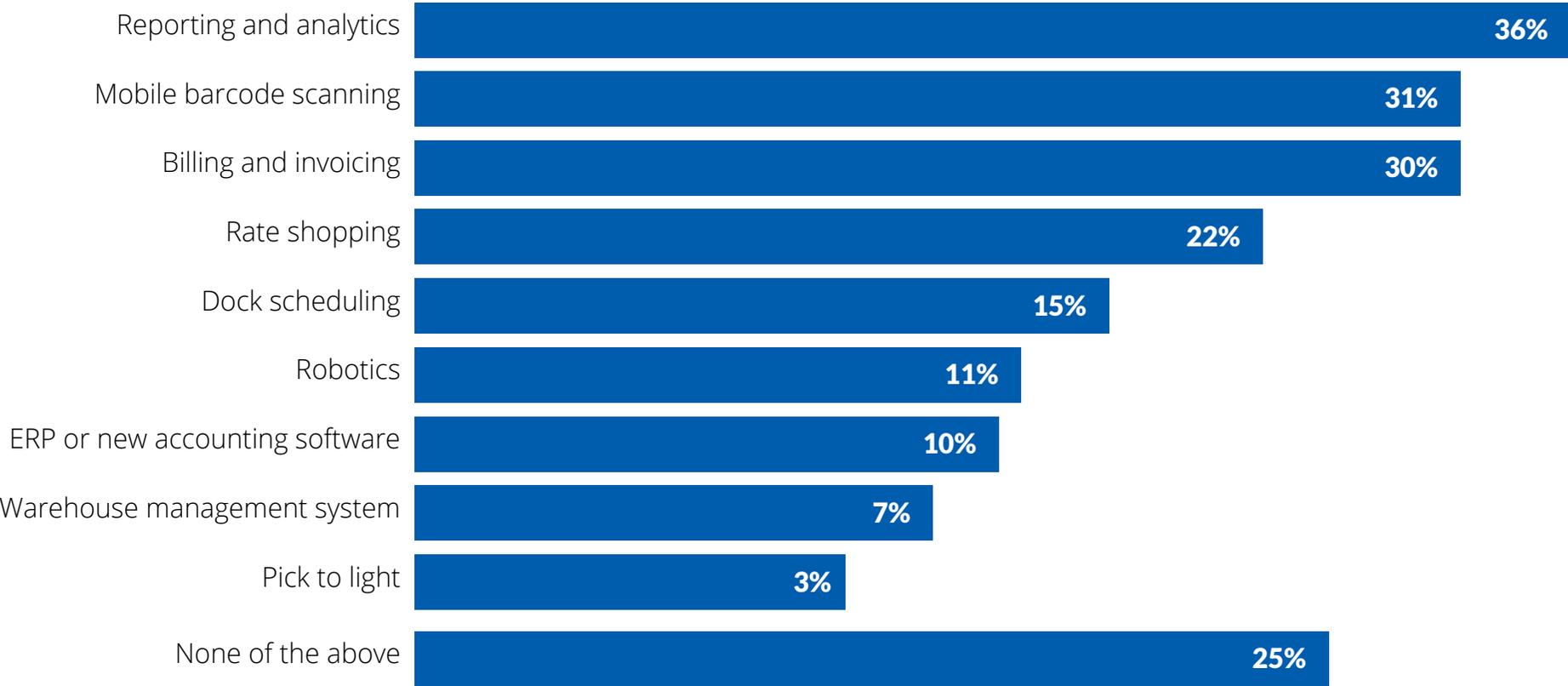


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TECHNOLOGY PLANNED TO IMPLEMENT IN 2021

Technology adoption will continue as a trend into 2021 with a focus on reporting and analytics (36%). In a close second and third, mobile barcode scanning (31%) and billing and invoicing (30%) round out the top investments planned. Of the top three, all focus on providing greater visibility and accuracy for 3PL warehouses. Billing and invoicing marks the top-planned investment at 43% for the fastest-growing 3PLs.

Some 25% of respondents say they will not make additional technology investments in the coming year, with nearly 35% of companies with no or declining growth choosing to not invest.

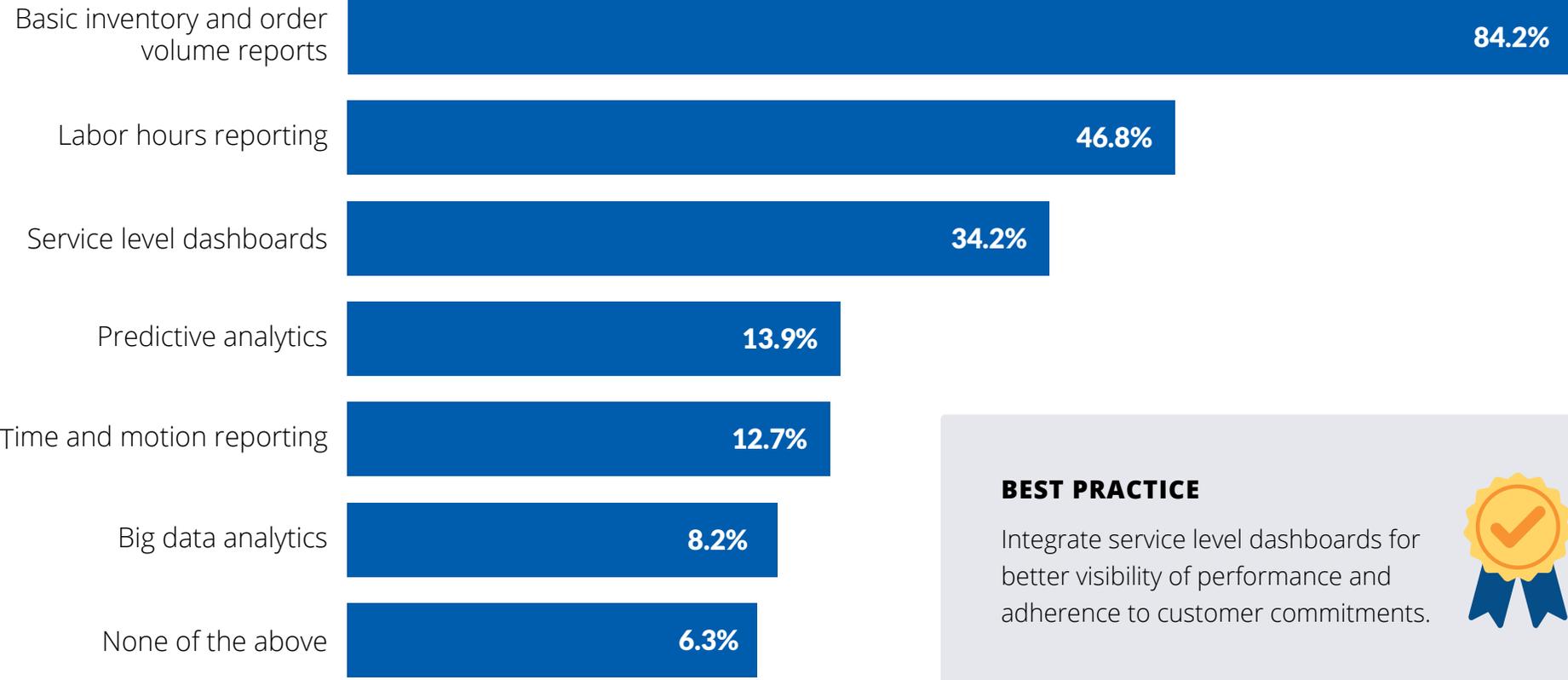


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METRICS & MEASUREMENTS

REPORTING USED

Reporting and analytics ranks as the top-planned investment for 3PLs in 2021. However, in the current environment, many 3PL organizations primarily rely on inventory and order-volume reporting (84%), with only 8.2% integrating big data analytics and 14% using predictive analytics. High-growth companies demonstrate a higher likelihood of using big data analytics and have **133% more chance of using service level dashboards as a core part of their KPI management**. This represents a large opportunity for the average 3PL to gain better visibility into their transactional workflow across their customer base.



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BEST PRACTICE

Integrate service level dashboards for better visibility of performance and adherence to customer commitments.



PERFORMANCE AND METRICS

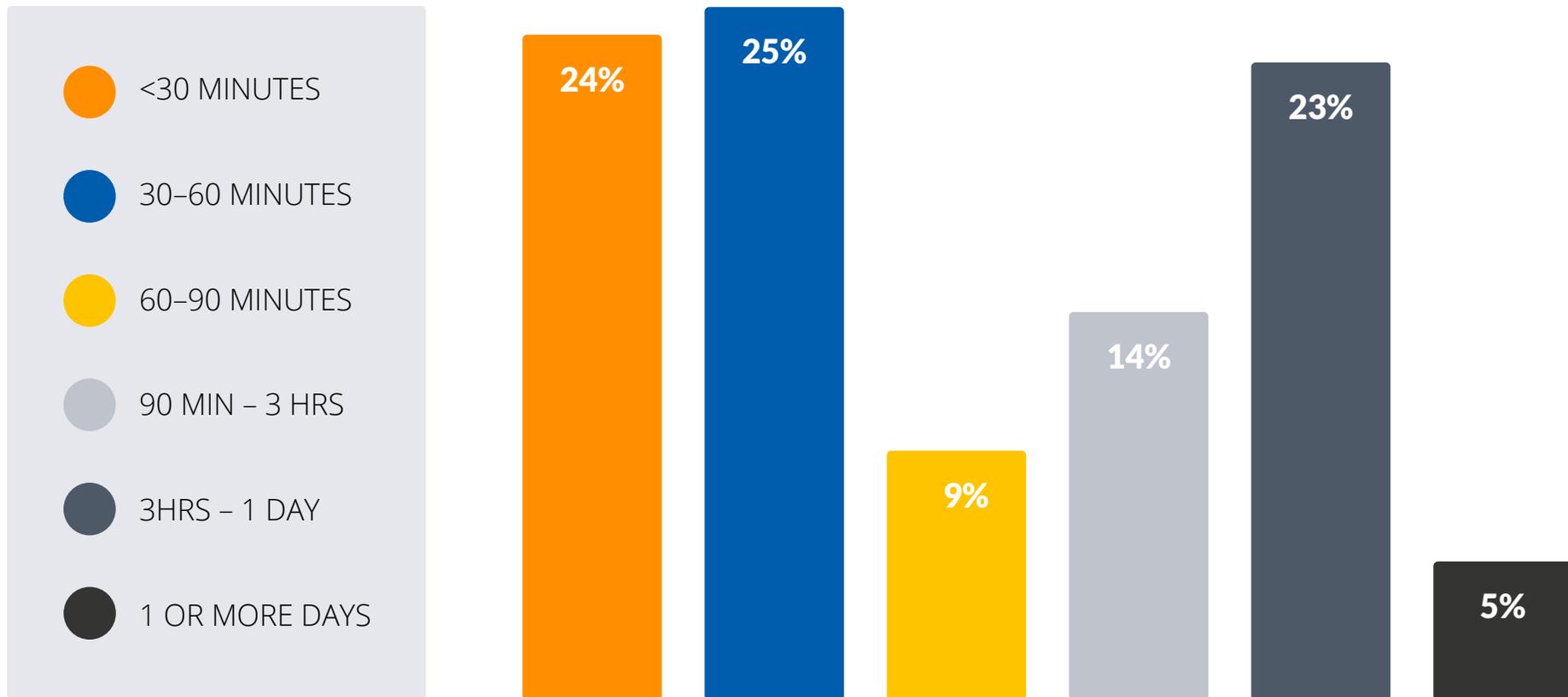
Third-party logistics warehouses blend top-level business [key performance indicators \(KPIs\)](#) with tactical operational metrics to drive the best performance. Revenue ranks first as the clear winner in measuring success. With ~1% difference between rankings, worker productivity, order volume, and operational costs follow closely behind revenue as the top metrics tracked. With labor costs showing a steady increase, worker productivity highlights the need for efficient processes to manage overall business expenses.

OVERALL RANK*		SCORE
1	Revenue Generated	1,035
2	Worker Productivity	908
3	Order Volume	889
4	Operational Costs	882
5	Labor Hours	815
6	Average Single Order Pick Time	752
7	Percentage of Orders Fulfilled	695
8	Carrier Fees	595
9	Days Sales Outstanding (DSO)	494

*Rank the following metrics in order of most important (1) to least important (9)

TIME FROM ORDER RECEIPT TO FULFILLMENT

A key metric tracked for most 3PLs is the time from order receipt to fulfillment, with approximately 49% of 3PLs demonstrating tremendous speed to fulfillment in less than one hour. With rising consumer expectations for next-day delivery (or sometimes even same-day), it is no surprise that time from order receipt to fulfillment is closely measured to ensure customer satisfaction. Only 5% of companies report taking more than a day to complete order fulfillment.



CONCLUSION

CONCLUSION

This year has presented both unique challenges and opportunities for the third-party logistics warehouse industry. Between the change in buying behaviors driving more volume through ecommerce and an increasing demand for essential goods, more than ever before businesses have had to turn to 3PL warehouses to fill this vital role in the supply chain.

With the expectation of a significantly record-breaking peak season in 2020, 3PLs will face volume demands that will test systems, processes, and teams like never before. What does this mean for 3PLs? Warehouses will have to reflect on 2020 peak season as they plan for 2021, evaluating performance using metrics and measurements that determine where they can drive additional efficiencies through process redesign or technology implementation.

To harness the expected continued growth, 3PLs will have to create well-defined workforce and warehouse space strategies to address these two key areas that threaten to limit growth potential.

Overall, the outlook for 3PL warehouses remains positive moving into 2021. By following the strategies implemented by the fastest-growing 3PLs outlined in the report above, more 3PLs can expect to reap the benefits of increased demand throughout the supply chain.

METHODOLOGY

RESPONDENTS

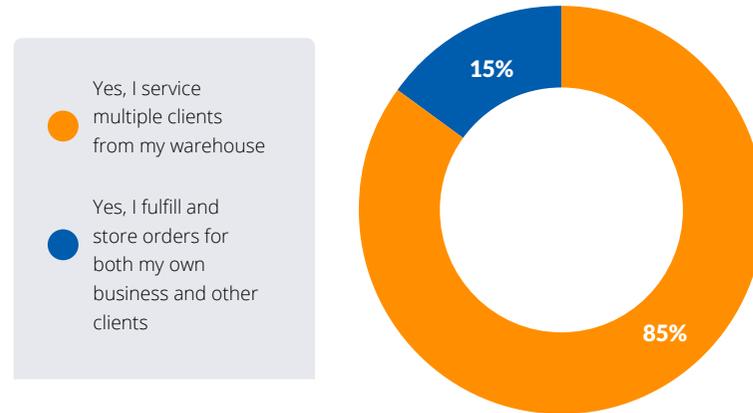
The survey was conducted online between September 11, 2020 and October 1, 2020. There were 273 respondents who identified as third-party logistics warehouses from across the United States, Canada, the UK, Australia, and New Zealand—with more than 90% of respondents being US-based. Of the respondent companies, 85% were traditional 3PL warehouses and 15% were hybrid private and public warehouses.

Nearly 44% of respondents were Executives or Owners, 30%+ held roles in Operations and Warehouse Management, and the remainder came from across other parts of the business.

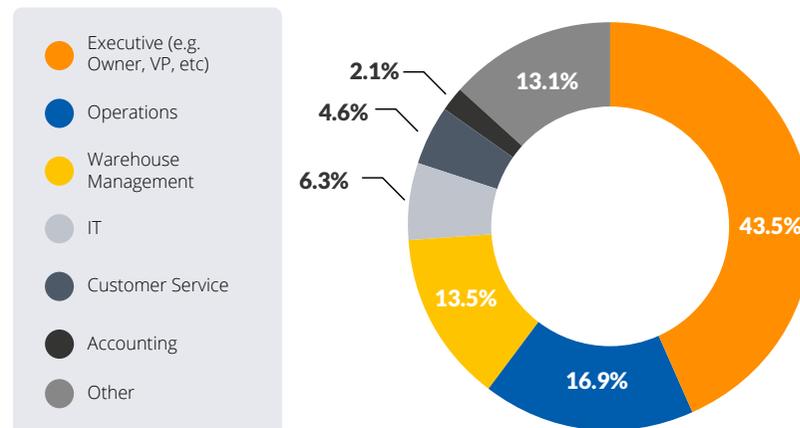
FORMAT

Survey questions included multiple choice, multiple selections, and open text. Figures may not add up to 100 percent due to rounding or multiple-selection questions.

ARE YOU A 3PL OR HYBRID WAREHOUSE



RESPONDENT ROLE



ABOUT 3PL CENTRAL

3PL Central is the leader in cloud-based warehouse management system (WMS) solutions built to meet the unique needs of the 3PL warehousing community. Serving as the backbone of our customer's operations, our platform quickly transforms paper-based, error-prone businesses into service leaders who can focus on customer satisfaction, operate more efficiently, and grow faster. Offering a comprehensive warehouse management platform, we make it easy for 3PLs to manage inventory, automate routine tasks, and deliver complete visibility to their customers. As the proven industry leader for over a decade, 3PL Central accurately manages billions of dollars in inventory and processes more than 1 million orders a week from any of our customer's and their customers' systems. To learn more, please visit <https://3plcentral.com/>.

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Interested in learning how 3PL Central can help your warehouse implement a comprehensive WMS platform and share our expertise in building best practices across your warehouse in 2021?

Click below to request a free demo with 3PL Central.