



3PL Central

2021 State of the Third-Party Logistics Industry Report

Trends for Becoming a Resilient
and Innovative 3PL

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IN JANUARY OF 2020, THE LOGISTICS INDUSTRY WAS RIPE WITH OPTIMISM.

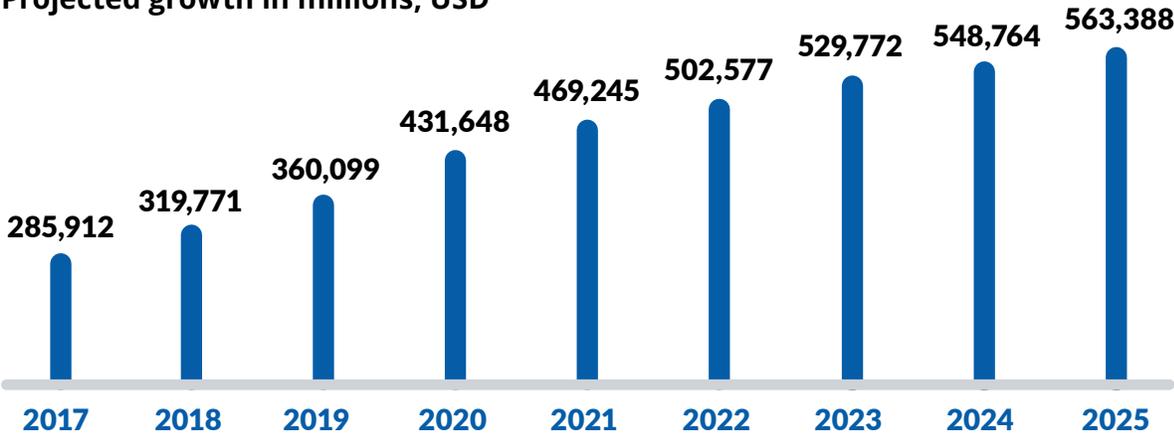
This was especially true for third-party logistics warehouses who were hopeful to take advantage of what was predicted to be a year of growth.

Fast forward only a few months into the new year and the world changed. Many logistics and supply chain businesses experienced unprecedented challenges and were left to navigate a quickly evolving landscape due to a global pandemic. Overall, the impacts to the supply chain were varied based on the fulfillment or services offered. For businesses who were able to pivot, the latter half of 2020 offered valuable opportunities. For example, many warehouses who offered ecommerce fulfillment actually thrived in spite of an uncertain economy in the background.

With **ecommerce revenue** seeing a record 45% jump from Q1 to Q2 in 2020, the challenges of last year bring to light just how crucial the supply chain truly is and how third-party logistics businesses must prepare for flexibility and growth in 2021.

REVENUE IN THE ECOMMERCE MARKET

Projected growth in millions, USD



Source: Statista

Now, as we enter another new year, the 3PL industry continues to develop amid a shifting landscape. One of the greatest opportunities for growth will be for businesses who are looking to transition to offer ecommerce and omnichannel fulfillment, as well as warehouses who have proved their abilities to adapt and diversify. Whichever bucket a 3PL warehouse is in, they must continue to meet the rising demands of consumers and learn how to maneuver the COVID-19 era of logistics.

2021 State of the Third-Party Logistics Industry Report

This year's State of the Third-Party Logistics Industry Report shares the latest trends and best practices today's warehouses need to consider to be successful in 2021—including technology, outsourcing, and Amazon. It also reveals why **51% of warehouses** polled have already invested in creating long-term shifts in diversifying their warehouse businesses to adopt ecommerce and omnichannel fulfillment.



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Ecommerce and Omnichannel Fulfillment: The New Norm for 3PLs

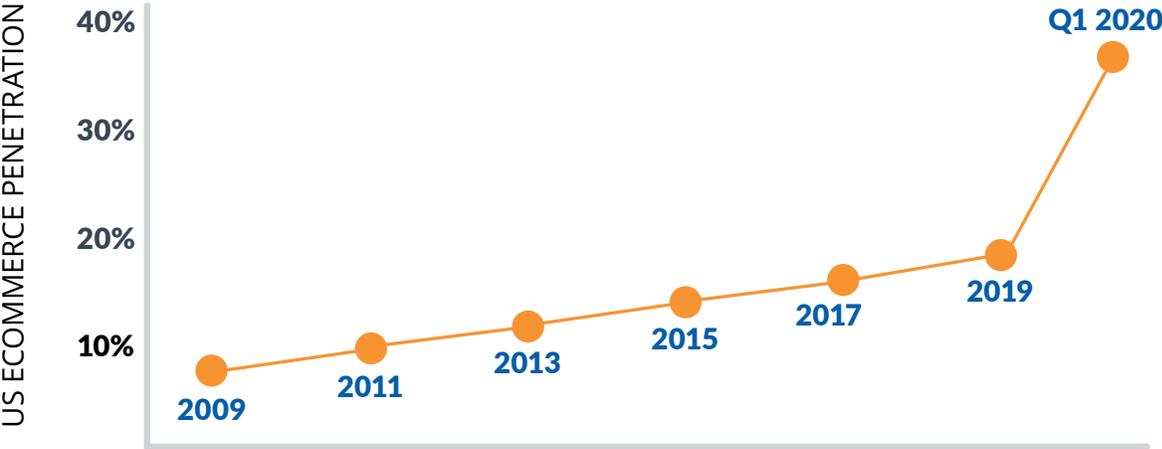
Ecommerce and Omnichannel Fulfillment: The New Norm for 3PLs

With unprecedented growth and disruptions facing many players in the supply chain, third-party logistics warehouses must look for new strategies to meet revenue goals and remain competitive in an already assertive marketplace. In many cases, this means new customer acquisition and finding fulfillment opportunities. The most common in 2020 was ecommerce.

Ecommerce fulfillment comes in many shapes and sizes. For 3PLs, it is the process behind fulfilling orders placed online for their customers. Basic services include storing inventory, picking, packing, and shipping orders placed on websites that are linked to shopping carts integrated with their **warehouse management system (WMS)**.

In a recent McKinsey analysis, the United States experienced **10 years of ecommerce growth** in just 90 days due to the pandemic.

10 YEARS OF ECOMMERCE GROWTH IN THREE MONTHS

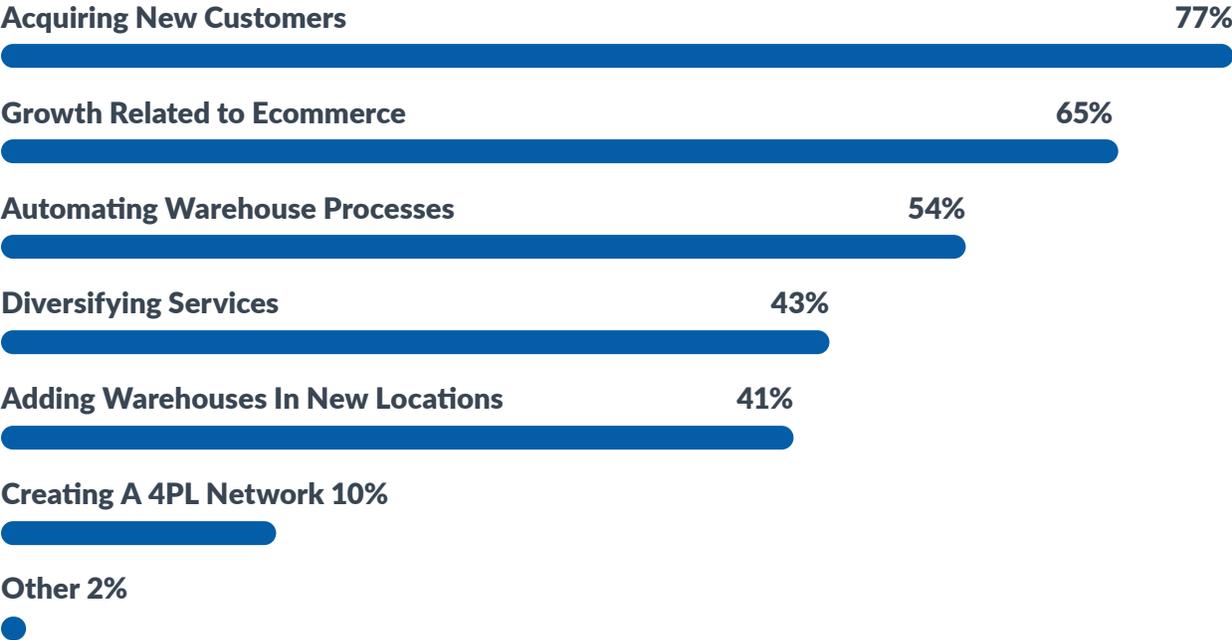


Source: McKinsey

In addition to the 79% growth seen by 3PLs linked to ecommerce fulfillment, warehouses who also offered omnichannel fulfillment were 271% more likely to be fast growers as noted in the **Third-Party Logistics Benchmark Report**. It's no surprise that 65% of warehouses also shared that their 2021 top opportunities were related to ecommerce or that 43% are planning to diversify their services.

Omnichannel fulfillment is one of the biggest growth opportunities as it revolves around a warehouse's ability to fulfill orders from multiple channels. This includes ecommerce orders via shopping carts, as well as marketplaces or store fulfillment and direct-to-consumer (D2C). A 3PL's ability to properly capitalize on these opportunities is driven by having the right technology that allows them to **integrate via APIs** and meet growing consumer demands.

TOP OPPORTUNITIES IN 2021



From how consumers shop to where and when they buy, a 3PL's ability to support ecommerce fulfillment is a must for 2021. In fact, the rapid adoption of ecommerce-buying is slated to transform the entire supply chain with an influx of new buyers. In 2020, **29% of buyers** are now over the age of fifty-five—and let us not forget about the **expectations of Gen Z** and their purchasing power. Overall, the demand for **3PL services will nearly double to \$408 billion** in the next five years. 3PLs must be ready to offer comprehensive solutions for optimized productivity, inventory management, and improved efficiencies for picking, packing, and shipping for their customers in order to remain relevant in a growing ecommerce marketplace.

Key Takeaways

Omnichannel fulfillment will be a major growth driver for 3PLs. Ensure your warehouse can fulfill from multiple channels or purchase options to remain competitive.

3PLs who offer ecommerce and omnichannel fulfillment should offer a variety of add-on services that not only showcase their value but also build extra revenue. These include kitting and assembling, personalized experiences, as well as multiple shipping options or last-mile delivery.

Utilizing warehouse technology that allows for easy and quick integrations will be key to a 3PL's success and their ability to meet customer demands. From small parcel shipping needs to custom invoicing, a warehouse must use a WMS that meets the needs of today's consumers.



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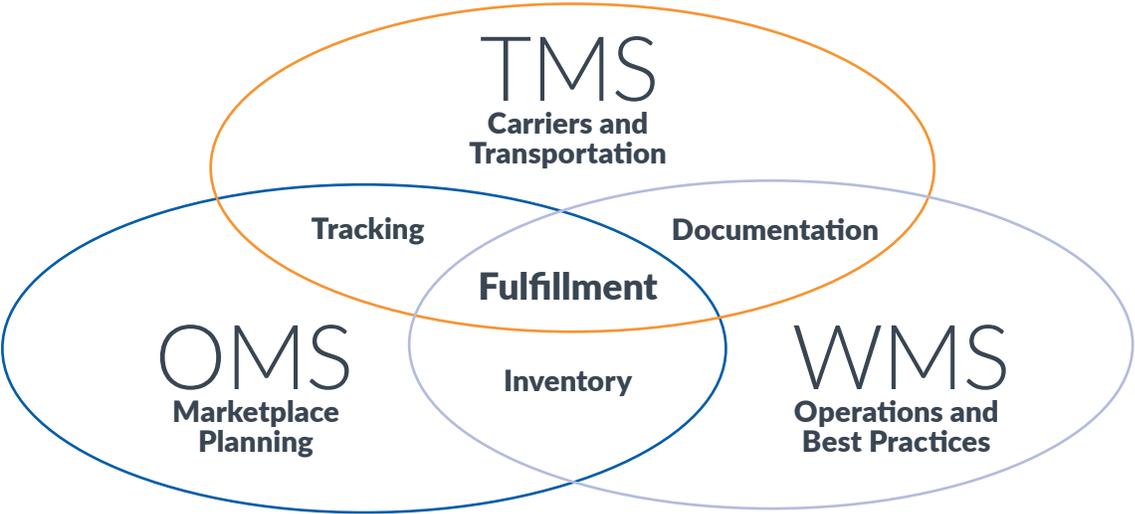
Technology and Integrations: Meeting Customer Demands

Technology and Integrations: Meeting Customer Demands

As mentioned, the rise of ecommerce and omnichannel fulfillment is

slated to make a direct impact on 2021. For third-party logistics warehouses, that means they must have the right technology to meet customer demands for a seamless experience. It is also expected that modern 3PLs will be able to help guide their customers to new opportunities—such as new marketing channels or marketplaces to increase order volume.

However, 3PL warehouses must make sure their investments and strategies will do double duty. Warehouses need to adopt technology that will not only improve their own customers' experiences but also optimize the experience for consumers. For many 3PLs, this starts with their WMS software—which ranked as the **number one system** used to manage warehouse activities, serving as the backbone of their operations. One of the best ways to scale a warehouse business is to consider which additional systems need to integrate into a warehouse management system to improve efficiency throughout the supply chain and **ecommerce lifecycle**.



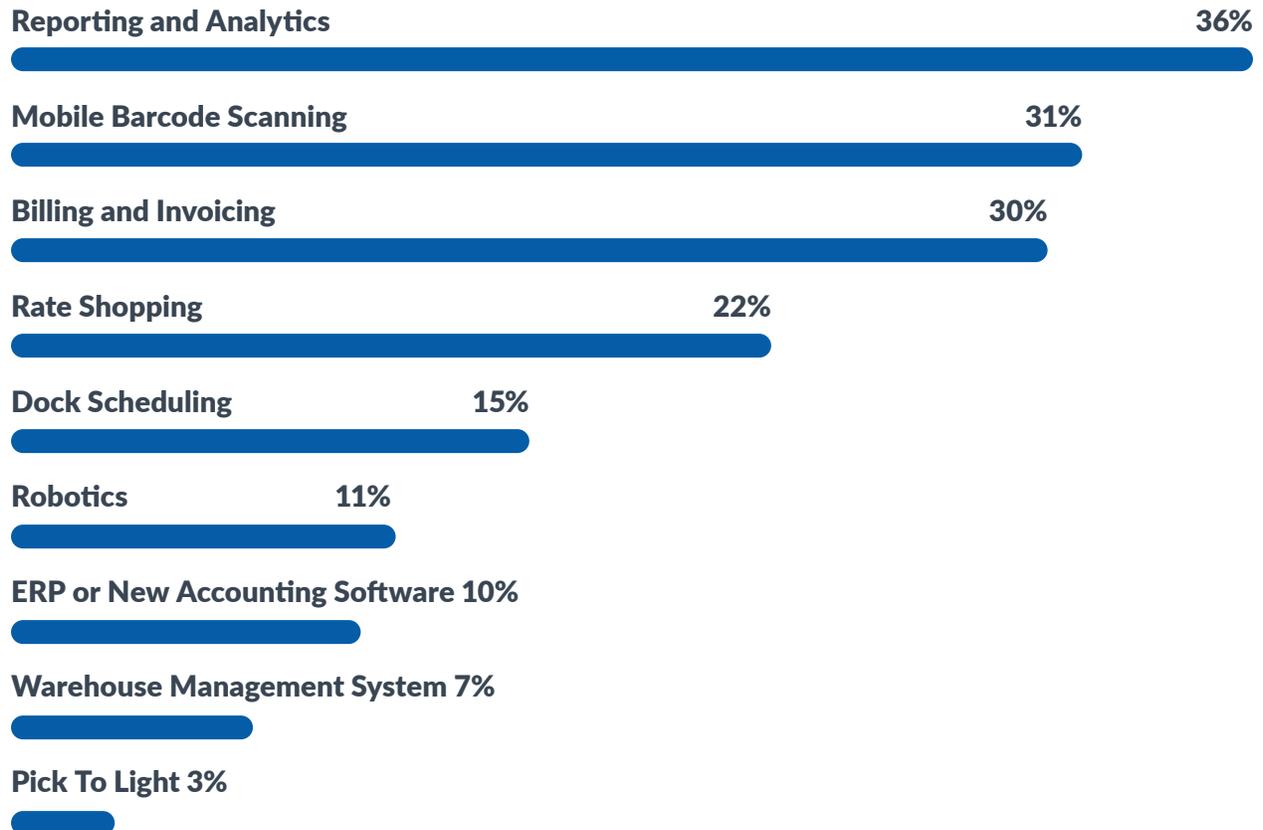
When considering which **warehouse management system** should be positioned at the center of a 3PL's **fulfillment ecosystem**, it is important to understand what operations need to be optimized. Whether it's better handling of increased order volume, **dock scheduling**, or revising labor inefficiencies, using WMS technology increases productivity and accuracy—enabling warehouses to grow and remain competitive in this changing landscape. For this reason, it is crucial for a warehouse to understand the current and future needs of their business and their clients.

“THE MOST SUCCESSFUL DIGITAL TRANSFORMATIONS ARE PHASED OVER TWO TO THREE YEARS AND PRIORITIZE THE BUSINESS AREAS PROVIDING THE BIGGEST BENEFIT DURING THE INITIAL PHASES OF IMPLEMENTATION.”

— Mark Burstein, president and chief strategy officer for NGC Software, who blogged in Forbes that “retail supply chains are broken—here’s how to fix them.”

It is not just major systems that need to be considered either. Technology evaluations should also include **mobile scanners** or consumer-grade devices like tablets and smartphones, accounting and invoicing integrations, small parcel shipping and label solutions, or other future integrations built on REST APIs.

TECHNOLOGIES TO IMPLEMENT IN 2021



While it has been noted that 3PLs have been slow to adopt new technologies, they are often seen as experts when it comes to innovation, services, consulting, and more. In most cases, technology is key to how 3PLs appeal to their customers and defines what services they can offer to create a beneficial relationship. When third-party logistics warehouses were asked how to measure their success metrics, 3PLs called attention to their innovative ways to improve logistics effectiveness and the impact on the customer. With more and

more retailers looking to implement curbside pickup or BOPIS (buy online, pickup in store) buying programs, the relationships 3PLs build with their customers must be solid to ensure consumers are satisfied with their current ecommerce options.



Key Takeaways

To meet the rising demands of today's consumers, third-party logistics warehouses must use a variety of best practices and technologies to accommodate ecommerce fulfillment—including shopping carts, marketplaces, and other systems like order or transportation management.

Choosing systems that use REST APIs to successfully build and control the entire fulfillment network is essential in creating the connections needed by warehouse customers to appeal to their consumers.

Assess the needs of both customers and prospects, understand what systems competitors are using, and choose partners that will help offer greatest opportunity success and scalability.



IoT and Big Data: End-to-End Visibility

IoT and Big Data: End-to-End Visibility

It was not that long ago when the entities in the supply chain captured

and reported “their” portion of data. Manufacturers, retailers, warehouses, and transportation providers operated separately and focused solely on their areas of expertise within the ecosystem. As with many things in logistics, ecommerce connected these fulfillment chains. The demand for data to improve customer experience led to the need to optimize the supply chain network and turn the players into collaborative partners.

In a study of 400 logistics professionals, **62% of third-party logistics warehouses** placed an emphasis on data and analytics. Today, many 3PLs already use dashboards for real-time visualization to track daily productivity—but it is the historic data that plays a vital role in future ventures. Analyzing data can help warehouses learn where to automate, invest, cut back, and more importantly, build predictive business models for growth.

For some, this brings the Internet of Things (IoT) or Big Data to the forefront—especially when considering the complexities of typical logistics warehouses. In fact, **26% of logistics businesses** use machine-to-machine technology and 46% plan to deploy this in the future.

The **IoT** generally refers to anything connected to the internet and the information we can gather from using such a device, which is then analyzed and used to create an actionable workflow. 3PLs are already using applications like this to track the fulfillment and shipping processes for complete visibility.

BENEFITS OF IOT TO THE SUPPLY CHAIN



Big Data, on the other hand, is quite literally what it suggests—large volumes of data. It is categorized as volume, velocity, and variety—otherwise known as the three V’s.

VOLUME

Data is collected from a variety of sources such as IoT or smart equipment.

VELOCITY

Speed in which data is collected and handled.

VARIETY

Formats of data from structured databases to unstructured documents or emails.

While these types of technologies are often thought of for larger logistics and supply chain businesses, the reality is that many 3PLs are already utilizing the IoT and Big Data to optimize services, provide visibility, and improve operations. For example, inventory data captured in warehouses or fulfillment centers is gathered instantaneously, measured in sufficient granularity, and available for reporting in near real-time. When you consider wearable technology or robotics, the IoT is already working hard for logistics businesses.

And what do you do with all that Big Data? Many of today's warehouses are analyzing this data to share with their networks to improve productivity, quality, and efficiency for their customers.

TRANSPARENT DATA
TIMELY DATA



Key Takeaways

The IoT can help 3PLs increase transparency and enhance visibility throughout their entire supply network and improve ROI of technology and customer satisfaction.

Capturing data from all parts of a third-party logistics warehouse business will help measure performance and show where improvements can be made for service-level tracking, receiving operations, order fulfillment, and other business results.

Timely and transparent data is key for developing sustainable customer relationships to build healthy and profitable businesses from beginning to end.



The Amazon Effect: Why 3PLs Need to Prepare

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The Amazon Effect is the disruption to conventional physical retail locations caused by the exponential increase in online shopping.

The Amazon Effect impact on the retail market—both online and brick and mortar—shows no signs of stopping. While this past year offered unique challenges for many logistics business, Amazon registered a record-breaking 2020 fourth quarter with a year-over-year **revenue increase of 39.3%**—solidifying the term “The Amazon Effect”. In addition, Amazon continues to dominate the ecommerce marketplace and accounts for **39% of all retail ecommerce sales** in the United States alone.

US TOP 10 RETAILERS, RANKED BY RETAIL ECOMMERCE SALES, 2020

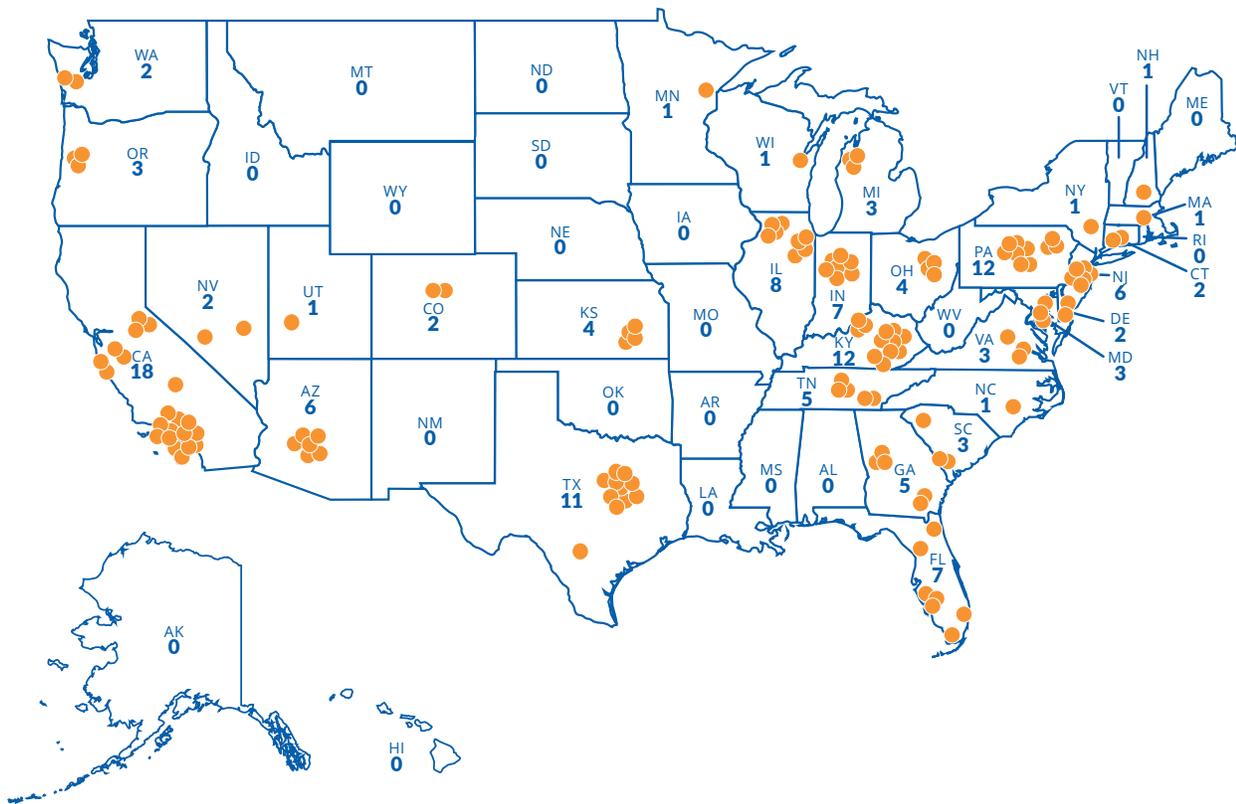
	Retail Ecommerce Sales (in billions, USD)	Percent Change	Percent of Total Retail Ecommerce Sales
1. Amazon	\$309.58	39.1%	39%
2. Walmart	\$46.20	65.4%	5.8%
3. eBay	\$38.80	26.2%	4.9%
4. Apple	\$27.51	32.3%	3.5%
5. The Home Depot	\$16.71	71.2%	2.1%
6. Best Buy	\$15.70	105.5%	2%
7. Target	\$13.82	103.5%	1.7%
8. Wayfair	\$11.66	51%	1.5%
9. The Kroger Co.	\$11.28	79.2%	1.4%
10. Costco Wholesale	\$11.18	60.3%	1.4%

Note: This represents the gross value of products or services sold via the internet (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets.

Source: [eMarketer.com](https://www.eMarketer.com)

Love them or hate them—Amazon offers consumers unmatched convenience when looking to shop and buy online. With **110 fulfillment centers** and 300 delivery centers in the United States, Amazon is the king of free two and next-day shipping, as well as last-mile delivery. In addition, Amazon continues to remain competitive with third-party logistics warehouses as they **extend their service offerings**.

AMAZON'S FULFILLMENT NETWORK



Source: CNBC

However, during the height of the pandemic, **Amazon's delivery predictability** took a turn for the worse. Overwhelmed with the surge in demand for both essential and non-essential goods, consumers were left without delivery guarantees. This led to a poor customer experience and impacted third-party sellers who relied on Fulfillment By Amazon (FBA) and were left to look for **alternate sales and fulfillment options**. In some cases, sellers were left to diversify channels or build their own ecommerce stores without much notice.

With online retailers continuing to look for alternatives to FBA, 3PL warehouses have an enormous opportunity to help pick up where Amazon left off. For example, Amazon's **Seller Fulfilled Prime** (SFP) program allows qualified third-party logistics companies to fulfill orders for sellers on their marketplace. Currently, this program is not accepting new registrations, but there is an opportunity to join the mailing list. Yet, Amazon made significant changes to this program in August of 2020. **Effective February 1, 2021**—all SFP sellers must be able to guarantee two-day shipping throughout the country, along with Saturday pickups and deliveries. Performance is expected to be monitored to ensure speed for Prime purchases. For 3PLs who are willing to go the extra mile for sellers, this could be worth it. But it does seem that Amazon is pushing logistics businesses back to FBA.

Sellers can also choose to use a 3PL for all their fulfillment needs if they are willing to forgo the “Prime” badge. For warehouses who have diversified to support ecommerce, there are opportunities to suggest alternative marketplaces that support a seller’s fulfillment needs outside of Amazon—or just connect directly to a seller’s own storefront. The truth is, 3PLs are true partners to their customers and can offer the services and flexibility required to support their growth and ultimate consumer experience.

Key Takeaways

3PLs should diversify technologies to accommodate **API** or **EDI** integrations to multiple marketplaces for sellers looking for alternatives to Amazon.

Understand the opportunities to partner and compete with Amazon—3PLs can do both! Whichever you choose, ensure you have a clear understanding on how you can better market and sell your services to warehouse customers looking to save on Amazon referral fees.

Build a network of partners to help support and drive fulfillment. This will help reduce fulfillment and shipping costs to compete with two-day, next-day, and in some cases, same-day shipping.



Supply Chain as a Service: The Wave of Outsourcing

Supply Chain as a Service: The Wave of Outsourcing

Many logistics professionals are familiar with and likely use Software as a Service (SaaS). SaaS solutions offer businesses an opportunity to increase efficiency, speed, reliability, and savings. The same is true for Supply Chain as a Service (SCaaS).

Supply Chain as a Service is not new to the logistics industry. It made headlines in 2016 when cloud-based systems began permeating the logistics and supply chain ecosystem. As adoption of these solutions grew, supply chain management (SCM) began to transform and the idea of outsourcing became a reality.

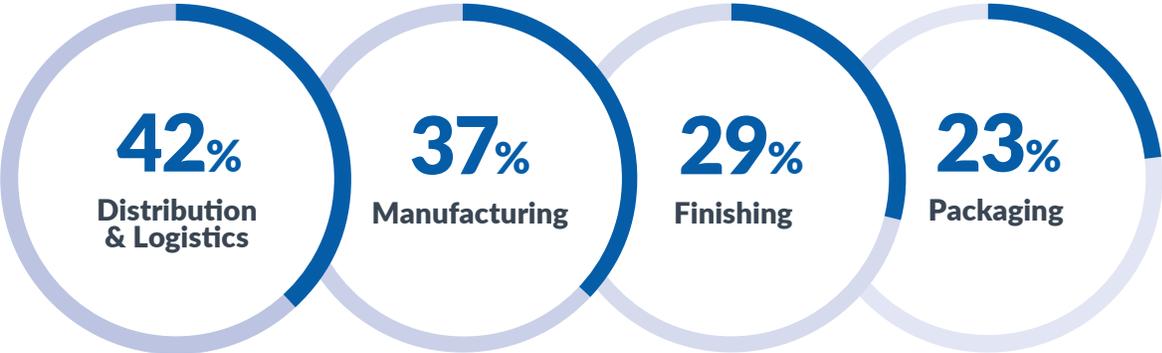
SCAAS IS A VIRTUAL SUPPLY CHAIN THAT ALLOWS COMPANIES TO GENERATE A 4-5X RETURN ON INVESTMENT BY PARTNERING WITH ONE SERVICE PARTNER TO SUPPORT ALL OR PART OF THEIR SUPPLY CHAIN NEEDS—INCLUDING PROCUREMENT, PRODUCTION CONTROL, MANUFACTURING, QUALITY, WAREHOUSING, AND LOGISTICS.

Source: IndustryStar

While many businesses are still handling supply chain activities in-house, last year taught us that companies can still be productive with remote workforces—even logistics. It is

predicted that as technology evolves, especially the IoT and Big Data, **Supply Chain Management teams are expected to shrink**. Supply chain businesses are already experiencing faster growth, more customer-centric improvements, and smarter technology. As access to these processes becomes more readily available across multiple channels, it is expected to see outsourcing grow.

SUPPLY CHAIN AREAS WITH THE HIGHEST OUTSOURCING

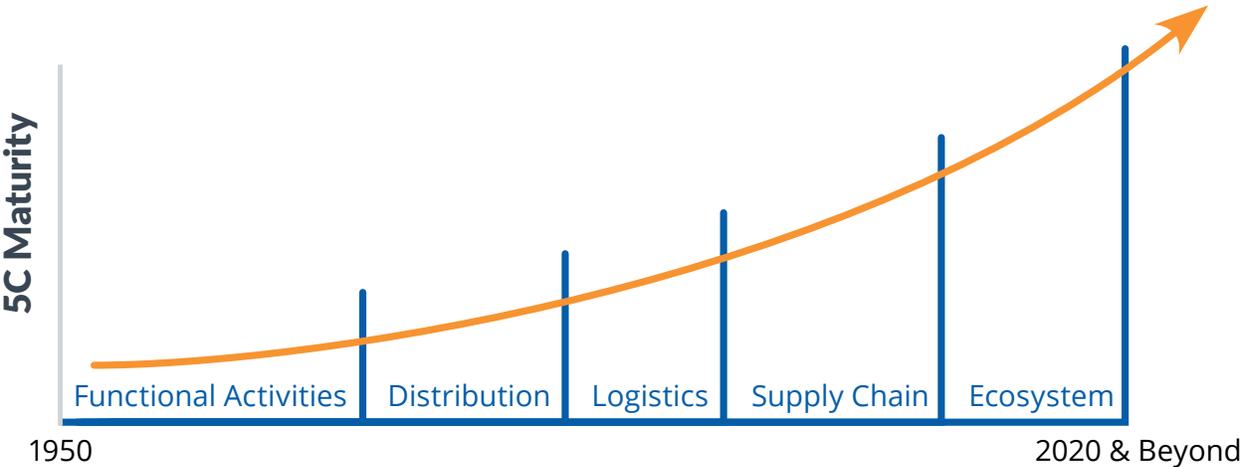


Last year, **IDC predicted that by 2022**, firms will dedicate 35% of their logistics business process outsourcing services budget to process automation—focusing on order, inventory, and shipment tracking. Third-party logistics businesses looking to reap the benefits of these potential new business opportunities must be prepared to showcase an optimized and efficient warehouse with integrated technologies that allow for end-to-end process automation.

In addition, they predicted that supply chain “micro-application extensions” will entail one-third of all new technology investments in manufacturing and retail. **Microapps** are

perfect for both industries where these applications can help businesses do one task well, which is especially helpful for niche markets like ecommerce. While IDC expects this to become more commonplace by 2023, logistics businesses and their partners are already creating **developer communities** and reducing complexity for many of their users. For 3PL warehouses, this opens a variety of new opportunities to build directly onto warehouse management systems with APIs and create bolt-on capabilities that appeal to their customers.

THE 3PL INDUSTRY HAS EVOLVED OVER THE PAST 70 YEARS



Supply Chain Perspective

Source: C. John Langley Jr., Ph.D., 2020

Warehouses are also using technology to create networks that help better serve their customers. 3PLs who want to broaden their opportunities can become leading logistics providers, or **fourth-party logistics** (4PL) providers, for a more cost-effective supply

chain. As a 4PL, warehouses will have more direct control of their customer's supply chain by working a variety of key players with access to much more data. This evolution will allow warehouses to work in their customers' best interest and oversee the entire process for a seamless experience—including inventory, warehousing, transportation, and more.

Key Takeaways

SCaaS will offer growth opportunities for 3PLs looking to expand beyond their traditional customer base to improve their bottom lines.

Third-party logistics warehouses should leverage cloud-based platforms for systems such as warehouse, order, or transportation management where they can easily "plug and play" new connections via APIs to address the future needs of the supply chain.

SCaaS helps the supply chain ecosystem bridge the gap between people, process, and technology. 3PLs can easily utilize their core strengths of efficient inventory management and product delivery to consumers to improve the customer experience.

LAST YEAR OFFERED SEVERAL LOGISTICS BUSINESSES UNFORESEEN CHALLENGES, AND IT ALSO BROUGHT TO LIGHT JUST HOW VITAL THE SUPPLY CHAIN IS.

It helped many 3PL warehouses uncover hidden risks, locate opportunities for growth, and unveil vulnerabilities. But overall, it demonstrated that resiliency and innovation are the hallmarks of the logistics industry.

For warehouses looking to succeed in 2021, they must focus on planning, innovation, and building resiliency to remain competitive—whether it is from diversifying with ecommerce and omnichannel fulfillment, building new business models like Supply Chain as a Service, adopting new technology, or using the IoT or Big Data to drive new revenue opportunities.

Now is the time to cultivate a clear path to meet customer demands head-on in this evolving landscape. 3PL businesses who can expand or build upon existing warehouse operations, invest in new growth opportunities, or use innovation to get ahead of the curve will gain an advantage over others. 3PL warehouses who develop the muscle to quickly pivot will separate themselves as the definitive winners in the coming year.

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>.

Contact Us

For more information, please call us at **888-375-2368** or visit us online at [3PLCentral.com](https://3plcentral.com).

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a comprehensive WMS platform and share our expertise in building best practices across your warehouse in 2021?

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