



2021 Third-Party Logistics Warehouse Benchmark Report

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FOREWORD

In August 2021, 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. As the first and only report 100% focused on the third-party logistics warehouse industry, 3PL Central's Benchmark Report aggregates data from more than 200 3PL warehouses and provides insight on more than 30 industry-specific topics. This information builds on data collected in 2020 and provides year-over-year changes or trends where applicable. The Benchmark Report examines best practices, trends, current issues, and opportunities facing 3PL warehouses.

KEY FINDINGS

1

GROWTH OPPORTUNITIES

3PLs have an optimistic outlook for 2022—viewing opportunities to win new customers, diversify operations, and harness continued ecommerce growth, all while improving profitability.

2

LABOR SHORTAGE

Labor shortages compounded by the increased need for workers has resulted in significantly higher costs and has impacted the ability to attract and retain new warehouse workers.

3

SPACE LIMITATIONS

Warehouse space constraints continued to challenge 3PLs with many struggling to find new warehouse space or manage already-at-capacity existing footprints.

4

TECHNOLOGY INTEGRATION

Technology adoption quickens as 3PL warehouses look to automate and optimize their operations to address labor shortages and build scalability for their organizations.

5

SUCCESS MEASUREMENTS

Heightened focus on success metrics and key performance indicators (KPIs) has influenced core parts of the business, including billing, invoicing, and profitability.

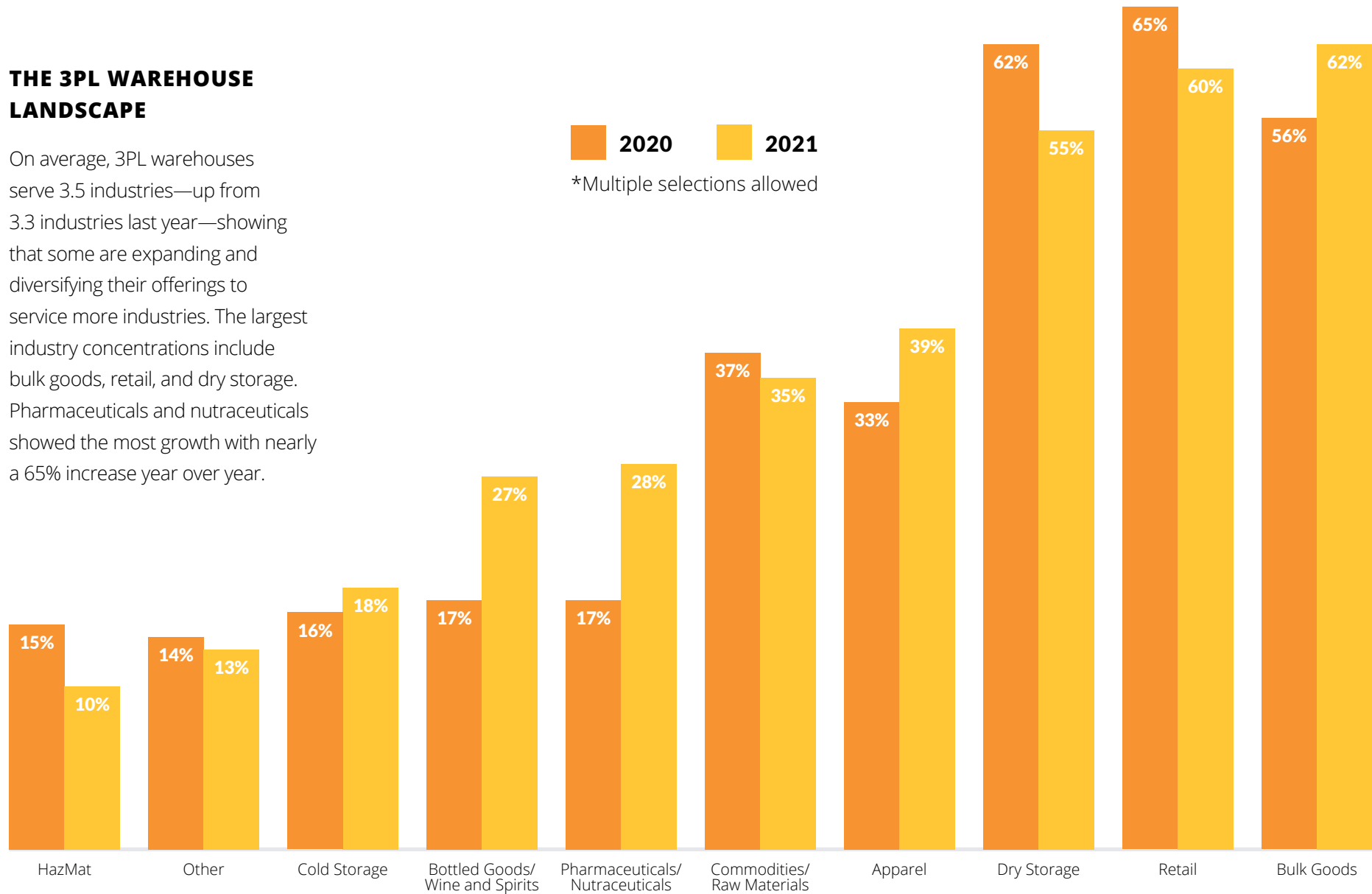


THE 3PL LANDSCAPE



THE 3PL WAREHOUSE LANDSCAPE

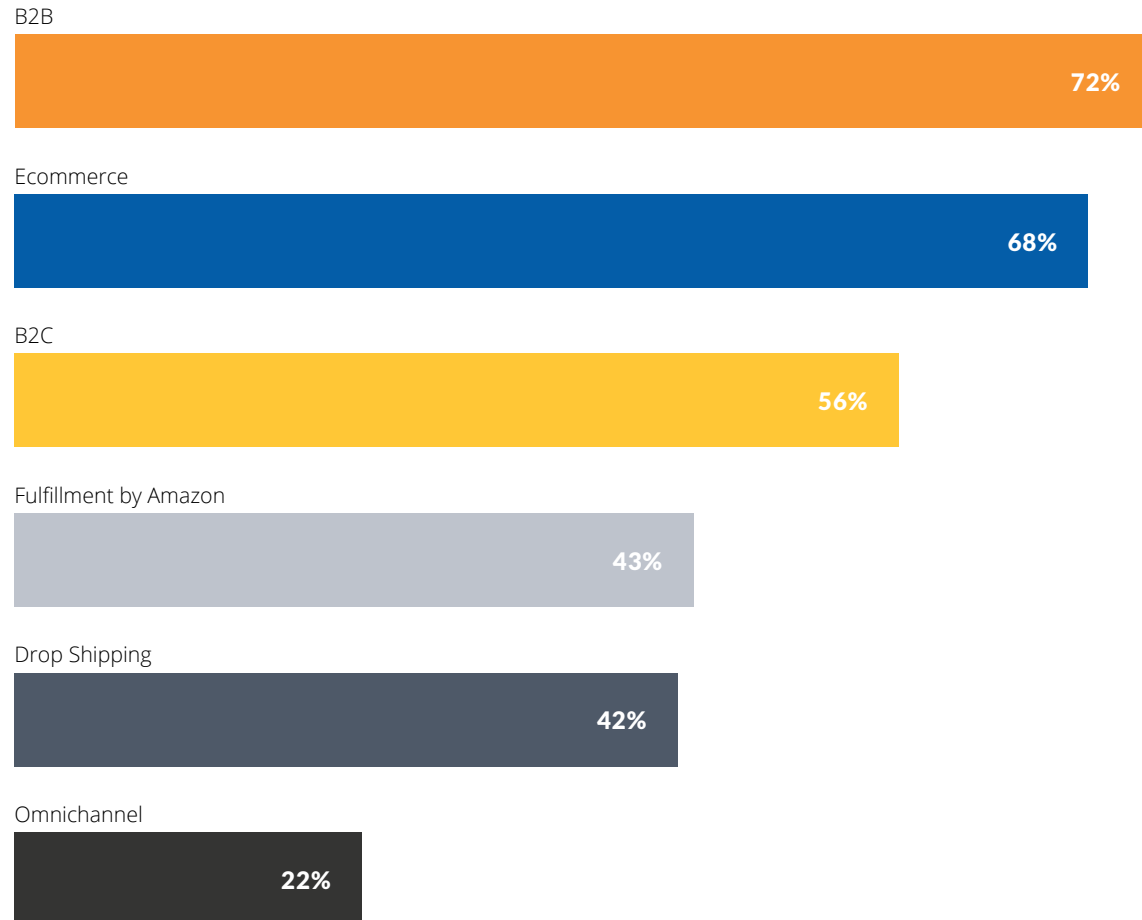
On average, 3PL warehouses serve 3.5 industries—up from 3.3 industries last year—showing that some are expanding and diversifying their offerings to service more industries. The largest industry concentrations include bulk goods, retail, and dry storage. Pharmaceuticals and nutraceuticals showed the most growth with nearly a 65% increase year over year.



FULLFILLMENT TYPE

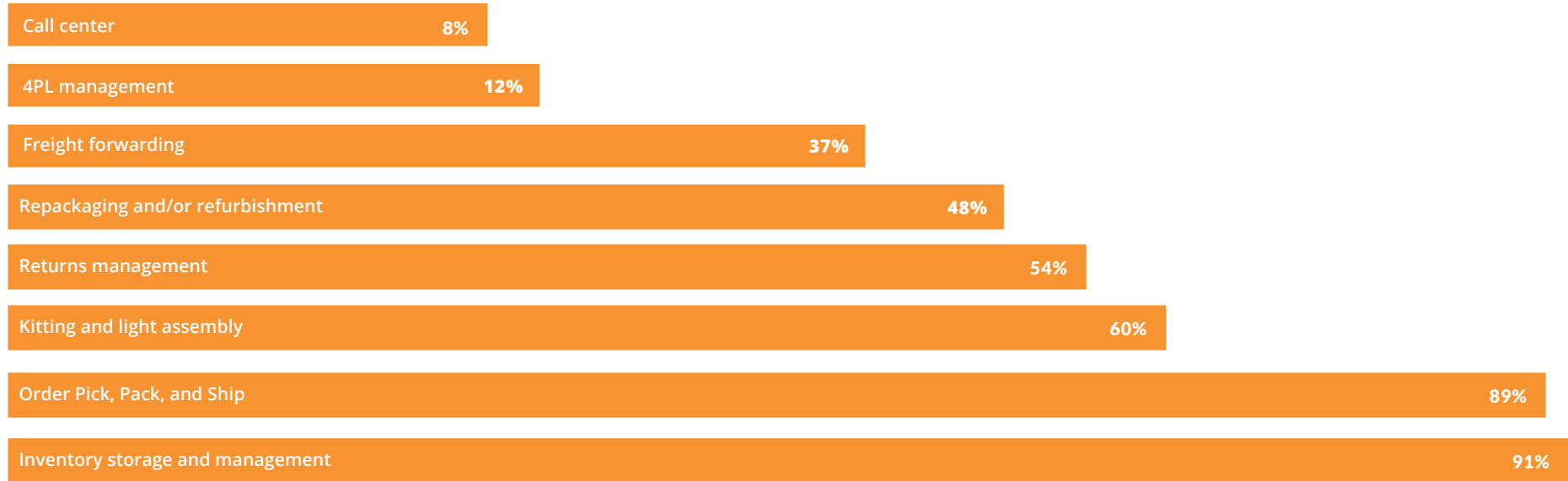
While B2B (72%) remained the largest fulfillment type, it decreased 14% from 2020, demonstrating a continuing shift to ecommerce (68%) and B2C fulfillment (56%). Fulfillment by Amazon (FBA) (43%), drop shipping (42%), and omnichannel (22%) rounded out the fulfillment types. On average, 3PLs offered three different fulfillment types.

Note: Omnichannel fulfillment denotes supporting orders from the many different purchasing channels available to consumers (e.g., online, in-store pickup, 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.



*Multiple selections allowed

SERVICES



*Multiple selections allowed

SERVICES

Inventory storage and management (91%) and order pick, pack, and ship (89%) were the primary services for most 3PLs with kitting and assembly (60%), returns management (54%), and repackaging and refurbishment (48%) following closely behind. Of note, freight forwarding (37%) decreased 19% from 2020.

While only 12% offered [fourth-party logistics \(4PL\) management](#), many 3PLs who have extended into 4PL territory have leveraged this model to combat warehouse capacity constraints and to extend regional footprints. These 4PL networks have given 3PLs the ability to extend a more robust service to customers that allows for faster time to consumer and lower overall shipping fees for the brand and the consumer.



BEST PRACTICE: Diversifying services or industries that a 3PL serves can create new opportunities for growth and profitability. An overwhelming 89% of 3PLs view diversification as an important step to future growth and profitability plans.

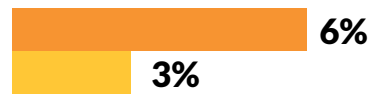
GROWTH OPPORTUNITIES



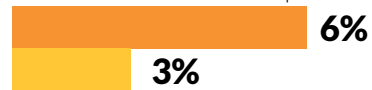


BEST PRACTICE: As order volumes increase, monitor and optimize [customer-level profitability](#). With many 3PLs running on slim margins, times of high demand can offer the opportunity to adjust pricing levels and ensure you have the right customers for your business.

No, our volume declined more than 10%



No, our volume declined up to 10%



Our volume is flat



Yes, 0%–9%



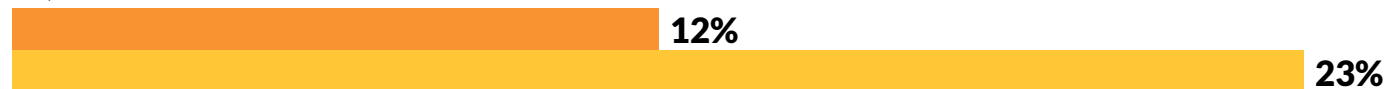
Yes, 10%–24%



Yes, 25%–49%



Yes, more than 50%



2020 2021

*Multiple selections allowed

ORDER VOLUME GROWTH

With the COVID-19 pandemic, a rapid increase in ecommerce drove 2020 order volumes. Much of this carried over into 2021 and even intensified, as shown by year-over-year changes in order volume growth..

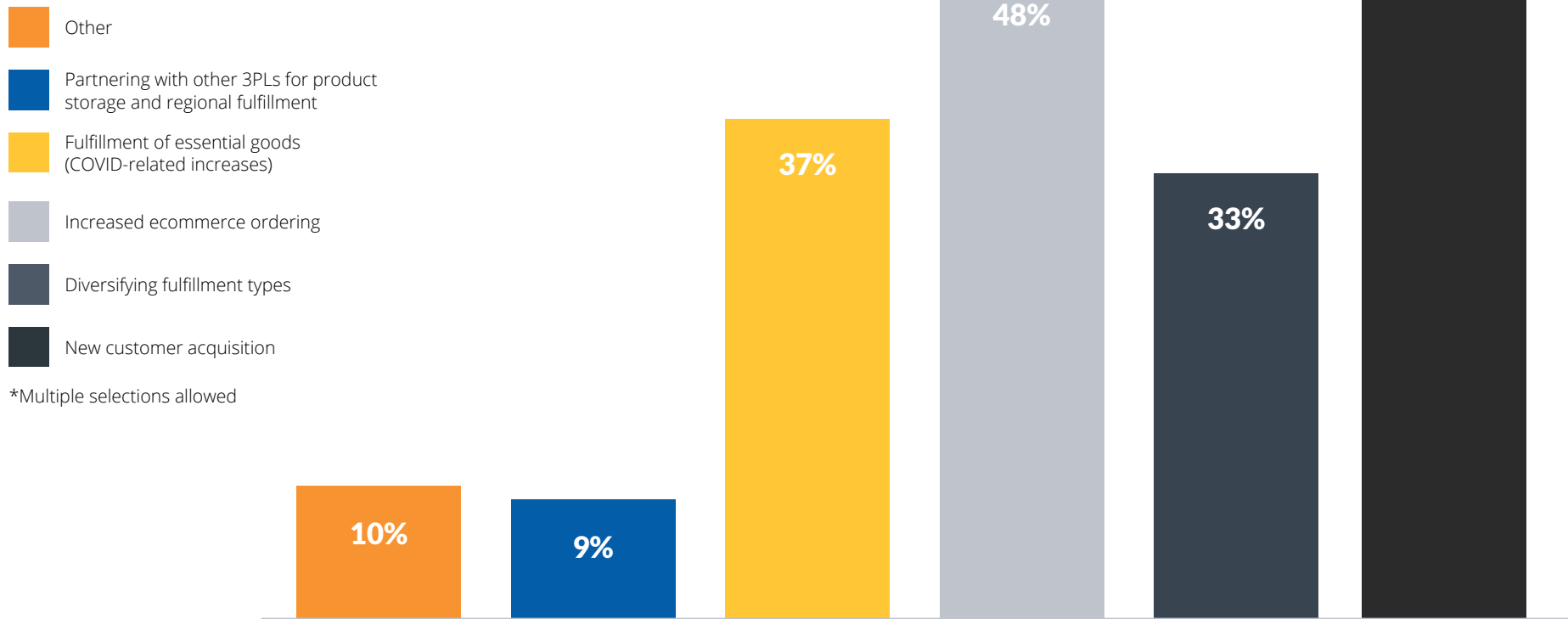
In 2021, nearly 85% of 3PLs experienced volume growth, while those offering omnichannel fulfillment marked the highest percentage with nearly 92% seeing order volume growth. For the remainder of this report, “high-growth 3PLs” will denote the 49% of companies who experienced more than 25% order volume growth.

Of note, order volume increases did not always equate to profitability growth. In fact, 13% of the participants indicating medium order volume growth (10–24%) indicated they had no or negative profitability growth.

GROWTH DRIVERS

This year marked a year of tremendous opportunity for most 3PL warehouses, with 71% indicating new customer acquisition and 48% indicating ecommerce ordering as primary drivers of their growth. Diversifying fulfillment types and new customer acquisitions showed the largest increases from 2020, while fulfillment of essential goods showed the largest decrease from 2020.

Supply chain irregularities, ability to handle vessel offloads, and existing customer volume growth were among other notable growth drivers.



NEW BUSINESS CHANNELS

With new customer acquisition central to 3PL warehouse growth, understanding the channels that direct new business for 3PLs can offer additional insight into growth drivers. Customer experience and loyalty is critical for 3PLs, with 76% of new business coming from referrals. The company website (67%) and inbound calls and emails (55%) followed closely behind as new business drivers. With so much demand for 3PL services, less than a third of companies relied on outbound selling or paid advertisements.



BEST PRACTICE: Consider implementing a customer referral program so that loyal customers can benefit from recommending new customers to your business.

Referrals

76%

Through a 4PL network

15%

Outbound calling

30%

Events

21%

Paid advertisements

28%

Company website

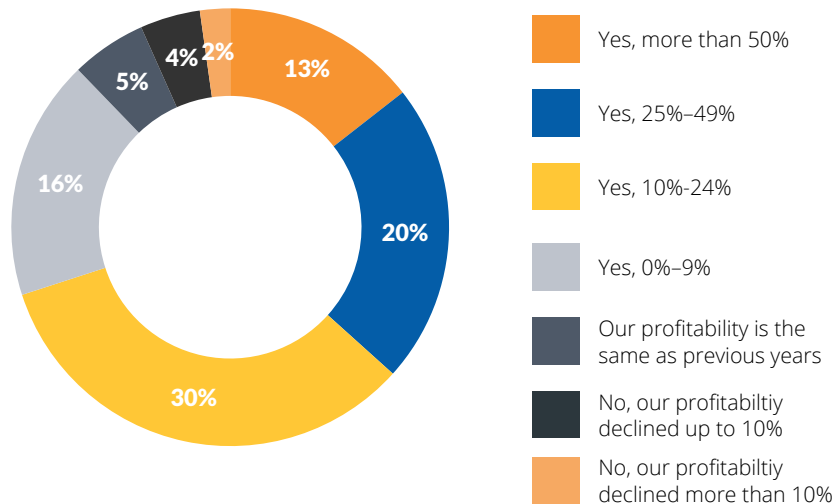
67%

Inbound calls or emails

55%

*Multiple selections allowed

IMPROVED PROFITABILITY

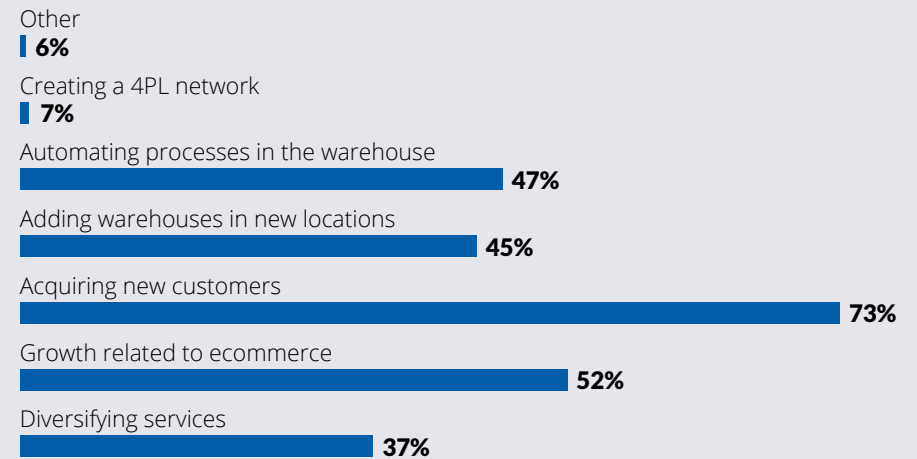


IMPROVED PROFITABILITY

Feedback from last year's report indicated that 3PLs wanted to understand profitability growth amongst their peers. Many 3PLs used 2021 as an opportunity to shore up or improve profitability—capitalizing on scarcity of warehouse space and workers.

When asked if their profitability improved during the past year, 79% indicated yes, with 33% indicating “high” profitability growth of more than 25%. Thirty percent (30%) indicated medium profitability growth of 10–24%. Participant responses suggest that those who experienced high order volume growth were five times more likely to experience medium to high profitability improvements.

BIGGEST OPPORTUNITIES



*Three selections allowed

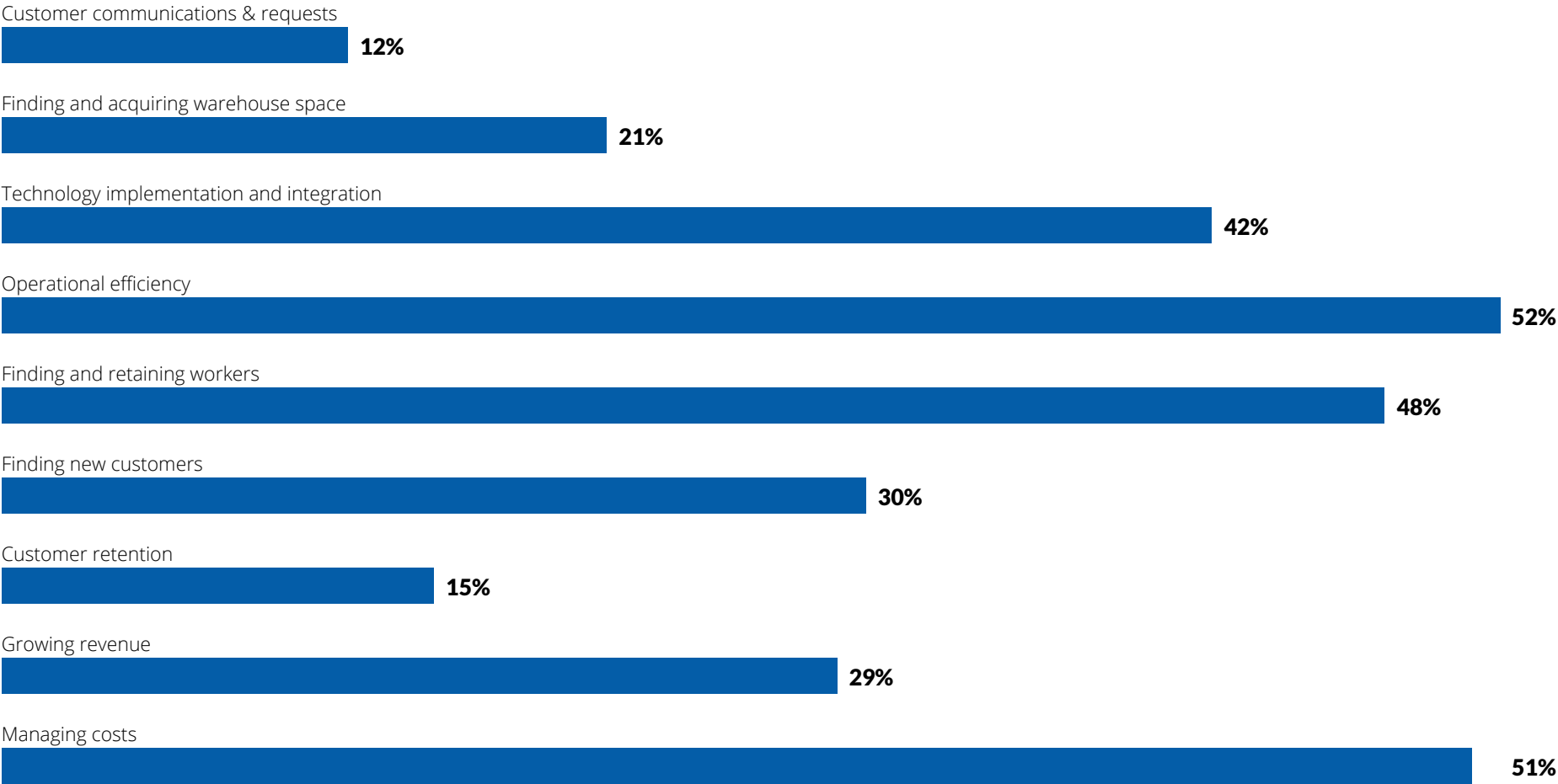
BIGGEST OPPORTUNITIES

Similar to this past year, 73% of 3PLs view acquiring new customers as the single largest opportunity in 2022. Growth related to ecommerce (52%), automating warehouse processes (47%), and adding warehouses in new locations (45%) round out the top four biggest opportunities in the coming year. Expanding existing warehouse space and adding new software or technology were notable additions in this category.

Although much optimism still exists, some participants believe ecommerce gains may have peaked, with growth related to ecommerce decreasing from 65% in 2020 to 52% in 2021.

TOP 3 CHALLENGES

While 2022 appears ripe with opportunity, 3PLs agree on the top three most pressing business challenges: operational efficiency (52%), managing costs (51%), and finding and retaining workers (48%). Following close behind, technology implementation and integration (42%) dropped slightly from last year's top three to this year's fourth largest challenge.



*Three selections allowed

LABOR SHORTAGE



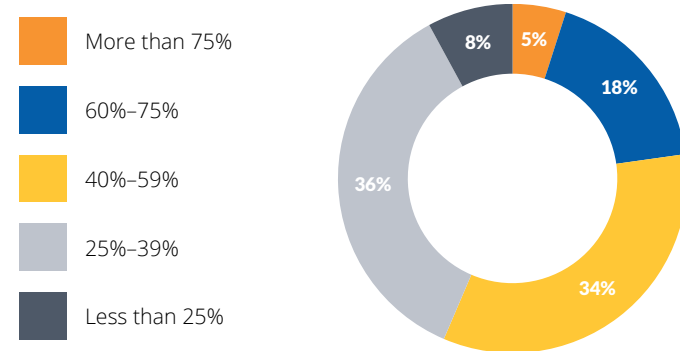
LABOR AS A PERCENTAGE OF TOTAL COSTS

With finding and retaining workers ranking in the top three challenges for 3PL warehouses, labor emerged as a considerable area of concern this year. Nearly every supply chain publication has highlighted concerns about [supply chain disruption and the worker shortage](#). It's no surprise that this has impacted the 3PL warehouse industry severely. Fifty-seven percent (57%) of 3PLs cite that labor makes up 40% or more of their total costs, while 18% say it accounts for 60% to 75% of total costs.

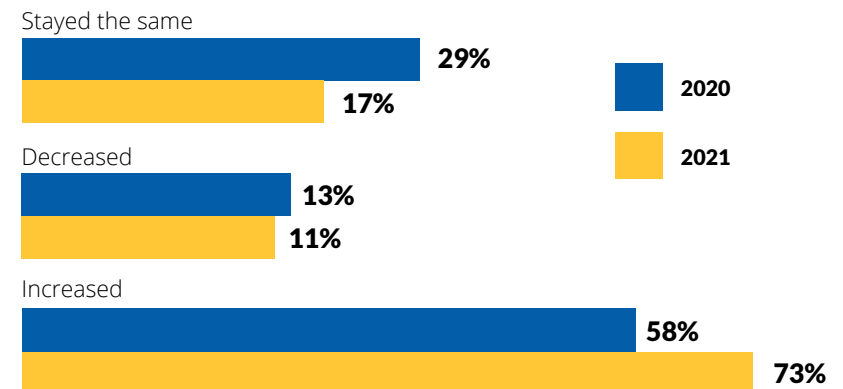
LABOR COST CHANGES

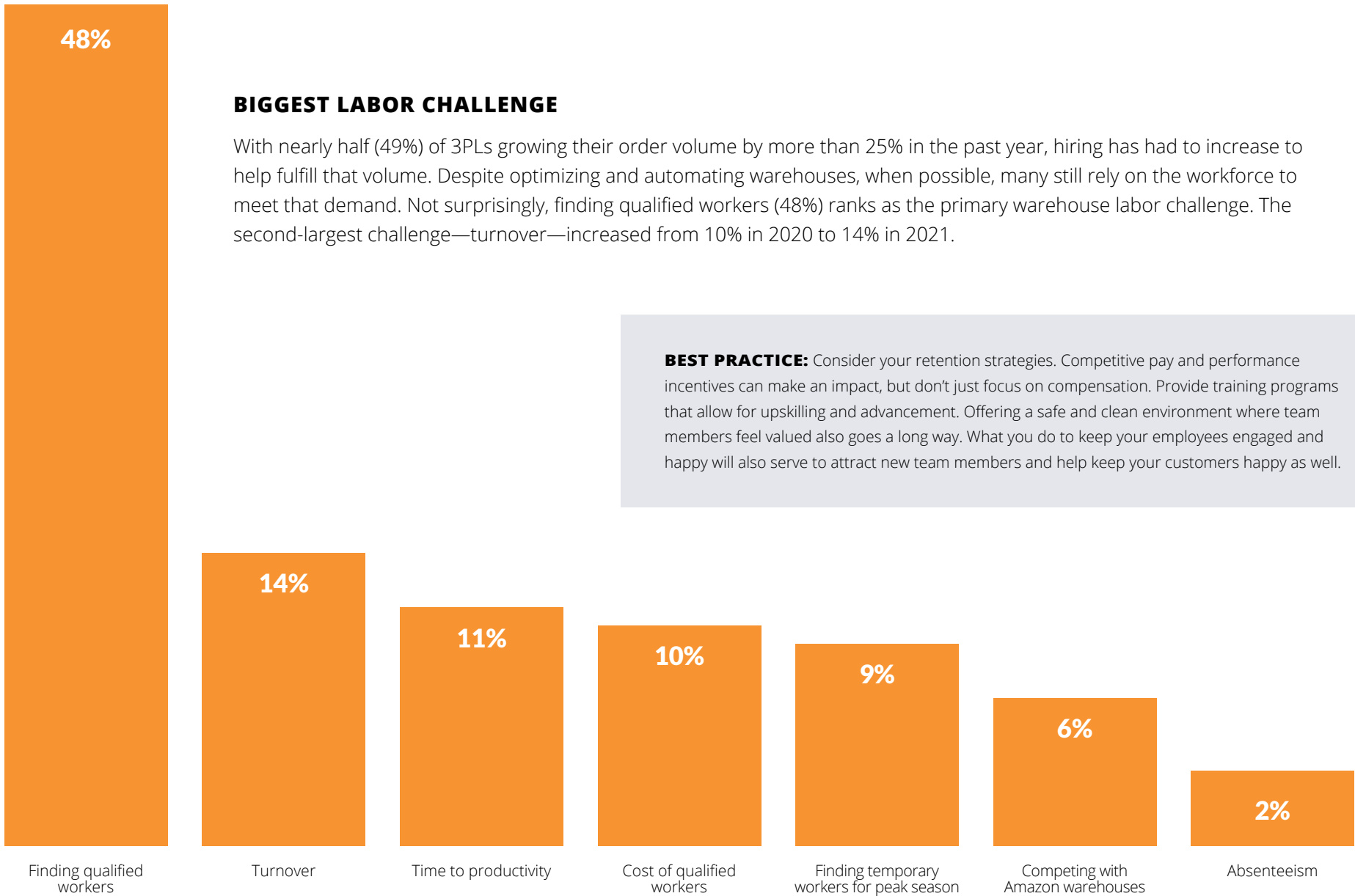
With even [Amazon facing profit pressure](#) from rising labor costs, 3PLs have felt rising labor costs acutely, with 73% of 3PLs saying that labor costs increased for them in the past year. In fact, this number grew from 58% in 2020, demonstrating the pace of rising labor costs accelerating. It's no surprise that 52% of 3PLs say driving operational efficiency represents their number one challenge while they look to optimize processes, reduce manual workloads, and automate workflows to save time in the warehouse.

LABOR AS % OF TOTAL COSTS



LABOR COST CHANGES






BIGGEST LABOR CHALLENGE

With nearly half (49%) of 3PLs growing their order volume by more than 25% in the past year, hiring has had to increase to help fulfill that volume. Despite optimizing and automating warehouses, when possible, many still rely on the workforce to meet that demand. Not surprisingly, finding qualified workers (48%) ranks as the primary warehouse labor challenge. The second-largest challenge—turnover—increased from 10% in 2020 to 14% in 2021.

BEST PRACTICE: Consider your retention strategies. Competitive pay and performance incentives can make an impact, but don't just focus on compensation. Provide training programs that allow for upskilling and advancement. Offering a safe and clean environment where team members feel valued also goes a long way. What you do to keep your employees engaged and happy will also serve to attract new team members and help keep your customers happy as well.

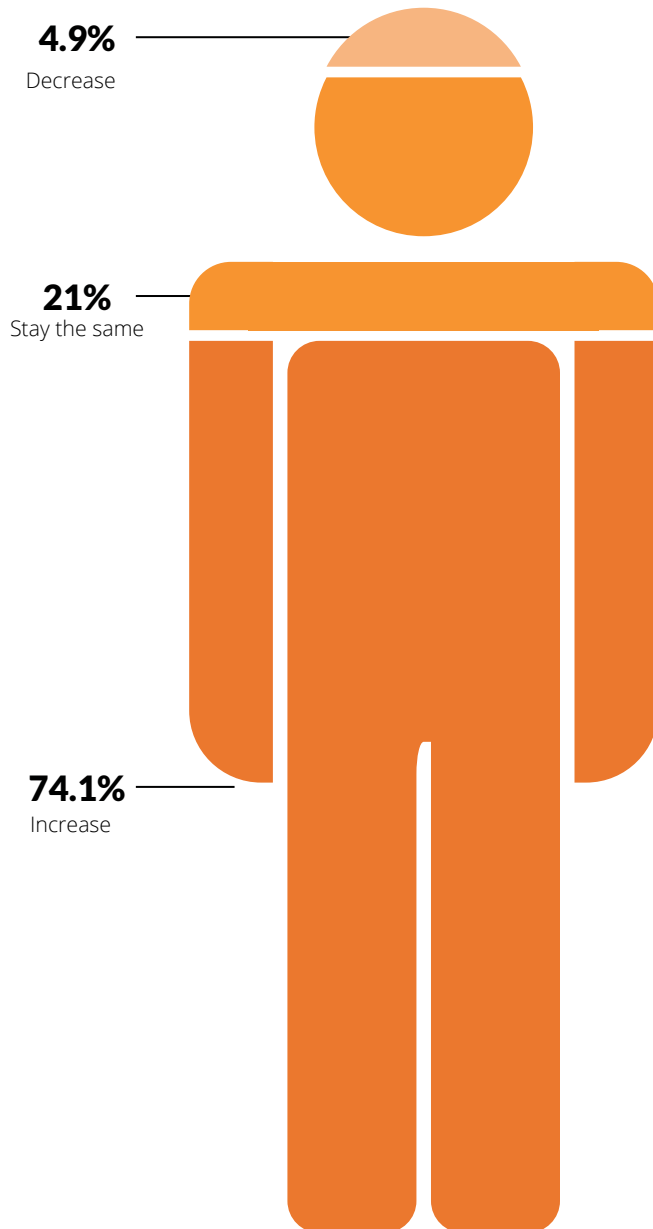


WORKFORCE SIZE IN 2022

Data suggests participants experiencing medium to high growth are twice as likely to identify finding qualified workers as the biggest challenge related to warehouse staffing. With nearly 73% of 3PLs planning to acquire new customers in 2022, this will boost demand for workers—with 74% expecting to expand their workforce in 2022.

United States unemployment rates rapidly declined during the past 12 months, with [September 2021 coming in at 4.8%](#). Historically, many economists used to consider [full employment at 4–5%](#) unemployment (although this definition is currently in flux with the Federal Reserve targeting new maximum employment goals as of 2021). Regardless of the terminology, this could signal that the warehouse worker shortage may become more acute in the coming year if unemployment continues to fall.

In the coming year, 3PLs will need to heighten focus on hiring and retention strategies to ensure they can expand their workforce and increase service demand or find new ways to automate and reduce manual processes through technology.



SPACE LIMITATIONS



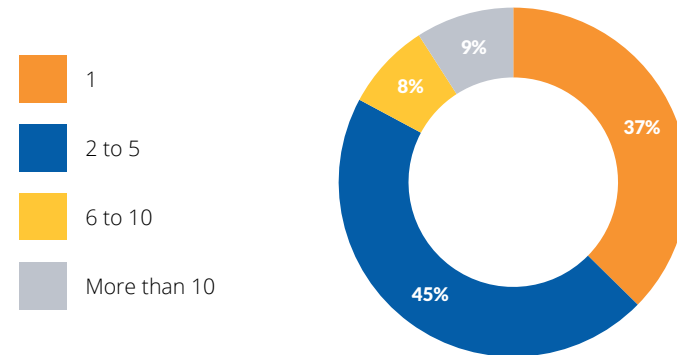
SPACE LIMITATIONS

Last year, [warehouse real estate](#) dropped to near all-time low vacancy rates. Compounded with increasing lease and purchase prices, this leaves many 3PLs struggling to find space to expand. Concern about warehouse space limitations has continued. This year, 45% of 3PLs identified adding warehouses in new locations as one of the most significant opportunities in the coming year, while 21% identified finding available warehouse space as one of their biggest challenges.

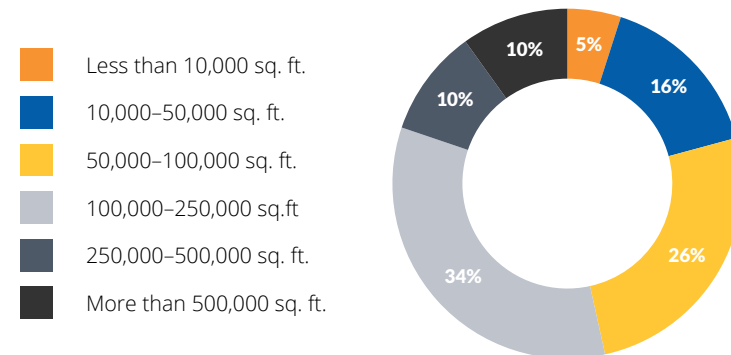
Let's start with understanding the current footprint. Seventeen percent (17%) of 3PL respondents have more than six warehouses, while 45% have two to five, and 37% have one warehouse. Forty-seven percent (47%) have less than 100,000 square feet of space, 34% operate between 100,000 and 250,000 sq. ft., and the remaining 19% have more than 250,000 sq. ft.

Of note, participants with two to five warehouses experienced medium to high order volume growth—four times more than participants with more than six warehouses. Participants with five or fewer warehouses were four times more likely to experience medium to high profitability growth compared to participants with more than five warehouses.

NUMBER OF WAREHOUSES



TOTAL WAREHOUSE SPACE



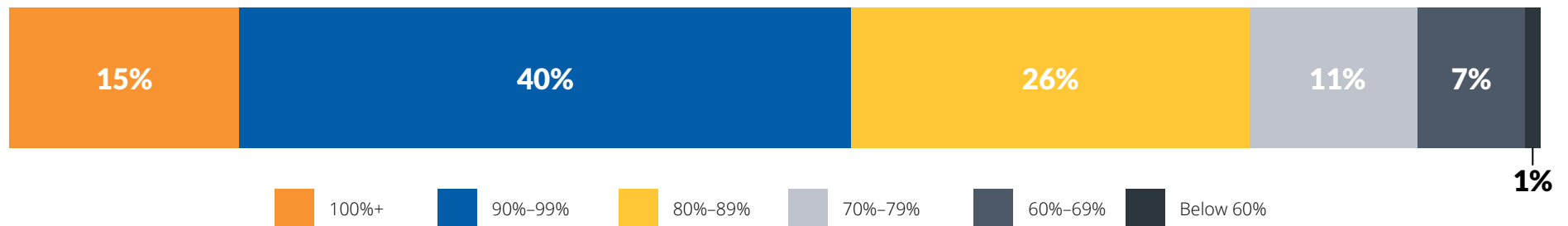
WAREHOUSE CAPACITY

Once they reach [80-85% space utilization](#), many warehouses find that efficiency drops in the warehouse in terms of movement and storage. This also indicates a level beyond where some 3PLs might struggle with adding new customers or managing seasonal fluctuations.

This year, more warehouses are operating at or beyond capacity than ever before—with 15% indicating they are operating beyond 100%. In fact, the number of warehouses operating above 90% capacity increased from 50% in 2020 to 55% in 2021, showing the demand for warehouse space continues to prove challenging for 3PLs.

Although more than half of participants keep their warehouses at 90% capacity or more, not all of them profited. One out of three in this group saw little to no profit growth.

CURRENT WAREHOUSE CAPACITY



BEST PRACTICE: Evaluate slow-moving inventory. 3PLs can increase revenue and persuade customers to reduce stock of slow-moving inventory by pricing long-term storage at a higher rate, thereby preserving valuable space in the warehouse.

TECHNOLOGY INTEGRATION



SYSTEMS IMPLEMENTED

As the 3PL warehouse industry continues to grow and service more order volume every year, technology adoption and integration has become even more important. Volume increases, compounded by the challenges in the labor market, have led to greater adoption of technology to reduce manual workloads and enhance process efficiencies.

This year, [warehouse management systems \(WMS\)](#) ranked as the most (84%) implemented technology for 3PLs, followed by [mobile barcode scanning](#) (53%) and [order management system](#) (52%). Mobile barcode scanning saw the largest year-over-year increase in adoption—increasing from only 39% adoption in 2020. 3PLs had 3.6 different technologies implemented within their companies on average, with the high and medium profitability 3PLs typically having more than four systems installed.

Robotics



Yard Management



ERP / Accounting Integrations



Shopping Cart / Marketplace Integrations



Dock Scheduling



Labor Management / Time Management



EDI



Transportation Management System



Order Management System



Mobile Barcode Scanning

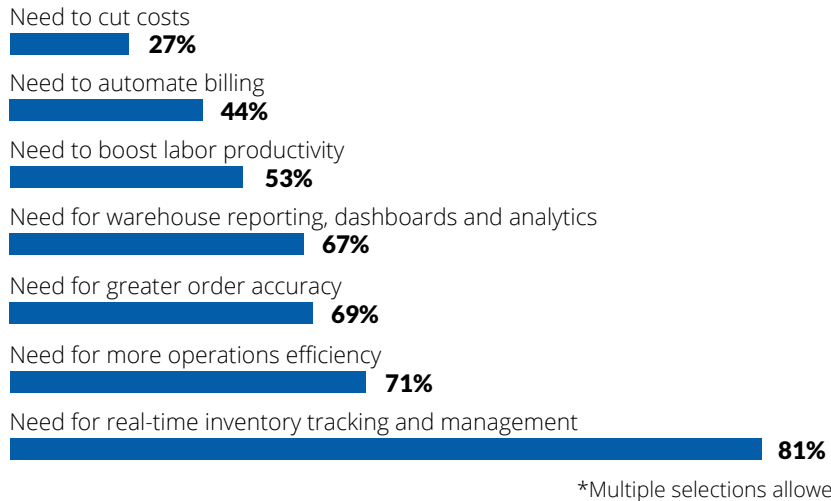


Warehouse Management System

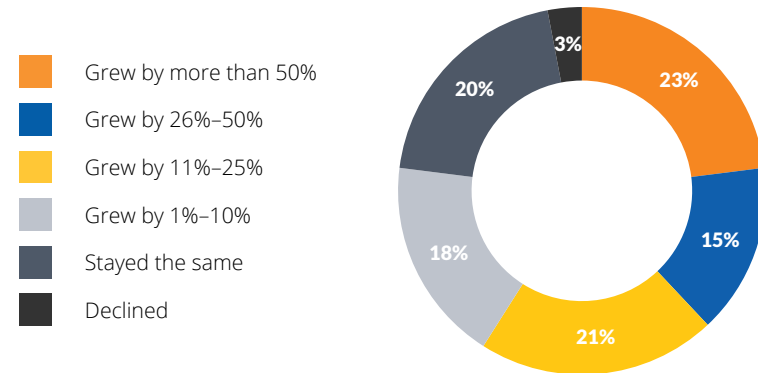


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REASONS FOR IMPLEMENTING A WMS



ORDER VOLUME SINCE WMS IMPLEMENTATION



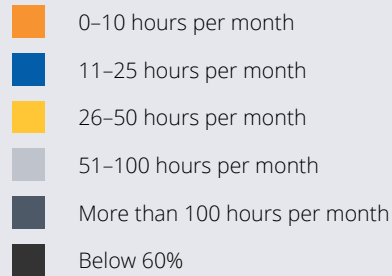
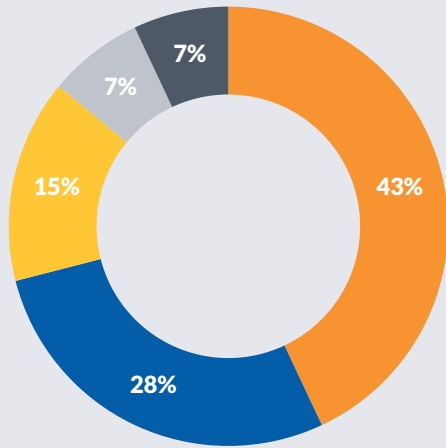
REASONS FOR IMPLEMENTING A WMS

3PLs have many reasons for implementing warehouse management software, including real-time inventory visibility, operational efficiency, order accuracy, reporting, labor productivity, automated billing, and more.

ORDER VOLUME SINCE WMS IMPLEMENTATION

With the current labor shortage, 3PLs have used WMS adoption to drive efficiency and scalability, with 69% of respondents leveraging the technology to grow 10% or more. As compared to 2020—when only 17% of companies who used a WMS grew order volume by more than 50%–23% of 2021 respondents grew by 50%+.

TIME SAVED USING A WMS



TIME SAVED USING A WMS

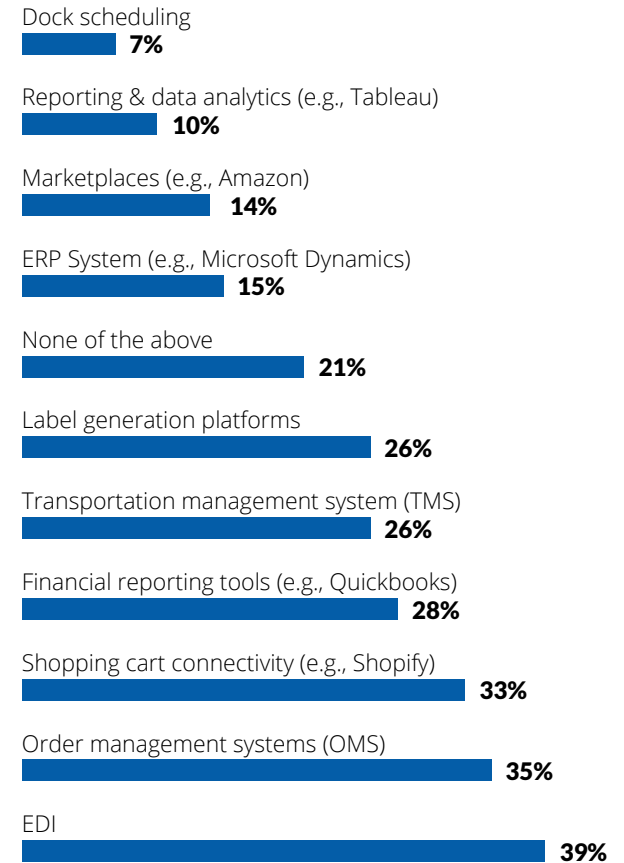
With 71% of respondents sharing they implemented a WMS in order to save time and improve operational efficiency, data shows that 3PLs have received significant returns in time savings. More than 57% of users saved 11+ hours per month, with 14% saving more than 50 hours per month.

SYSTEM INTEGRATION

While WMS implementation alone provides significant benefits, 3PLs have used integrations to expand their system reach and provide a better customer experience. On average, respondents had 2.3 additional systems integrated with their WMS. EDI (39%), order management (35%), and shopping cart integrations (33%) are the top three systems integrated with WMS.

Data suggests that respondents who experienced medium to high order volume growth were, on average, four times more likely to have integrated management systems or a combination of systems. High growth companies were also 10 times more likely to have integrated shopping carts and order management with their WMS than negative growth organizations.

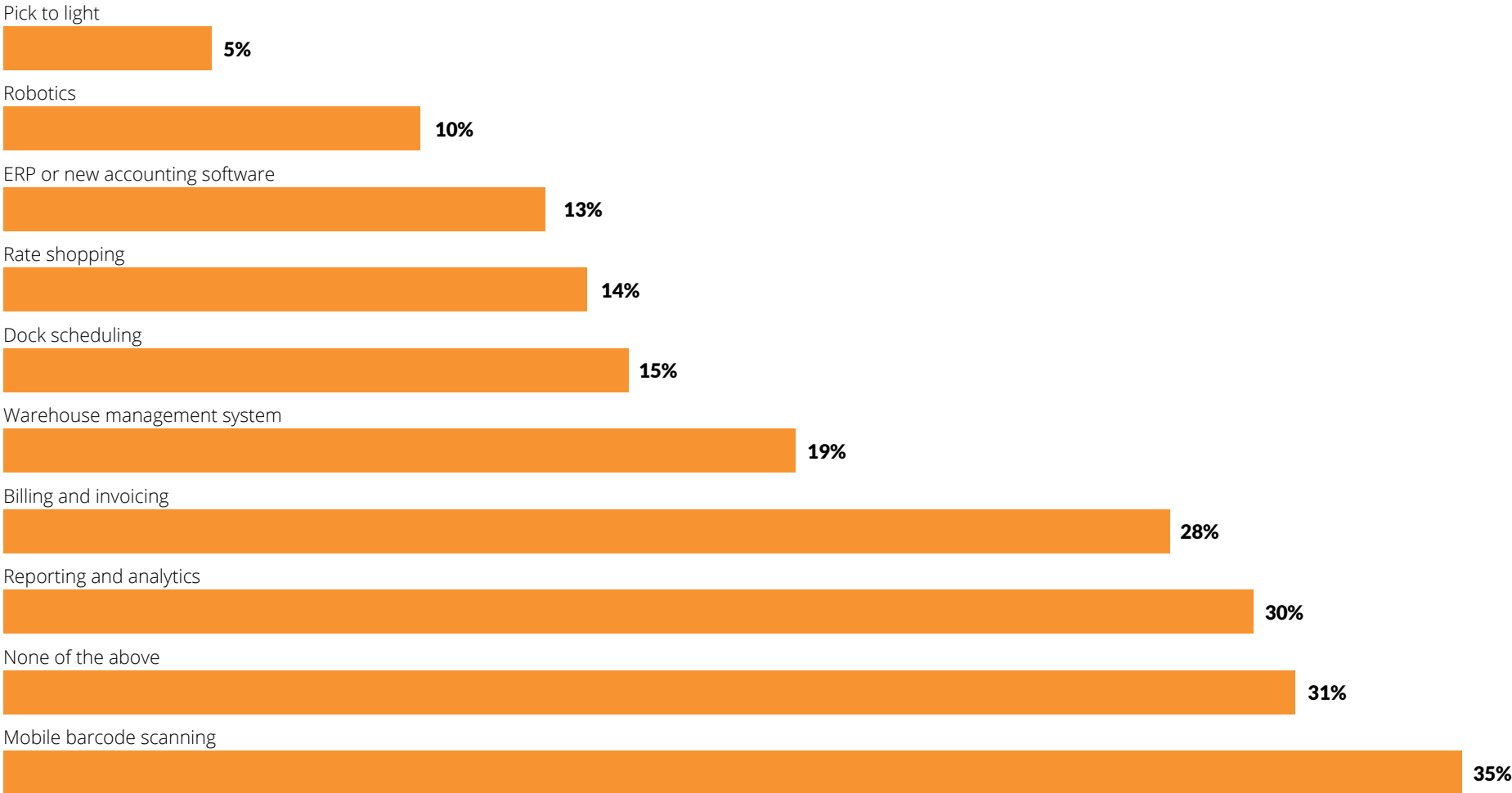
SYSTEM INTEGRATED WITH WMS



BEST PRACTICE: Consider the markets you serve and the connectivity required to be successful. Leveraging various connection methods like API and EDI can create an ecommerce ecosystem that is scalable and expansive enough to meet rising customer demands.

TECHNOLOGY TO IMPLEMENT IN 2022

Respondents demonstrated an optimistic outlook for 2022 with more than 70% looking to acquire new customers. As such, many are planning to implement new systems to drive performance and efficiency for their business in 2022. Mobile barcode scanning (35%), reporting and analytics (30%), and billing and invoicing (28%) led the systems most likely to be implemented in the coming year.



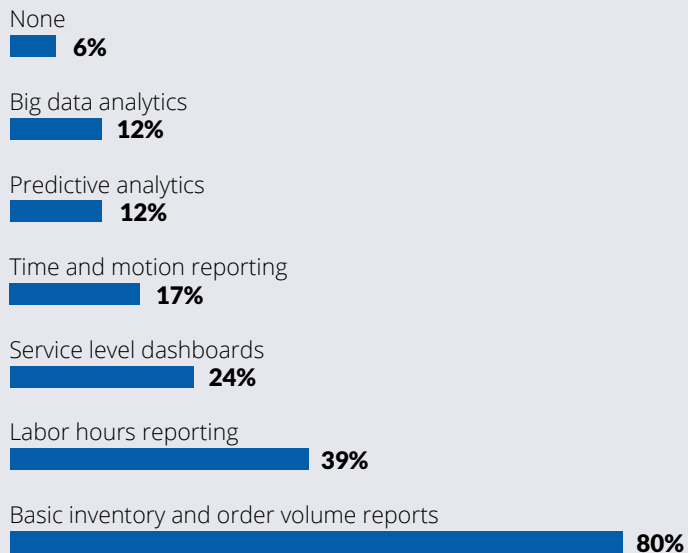
SUCCESS MEASUREMENTS



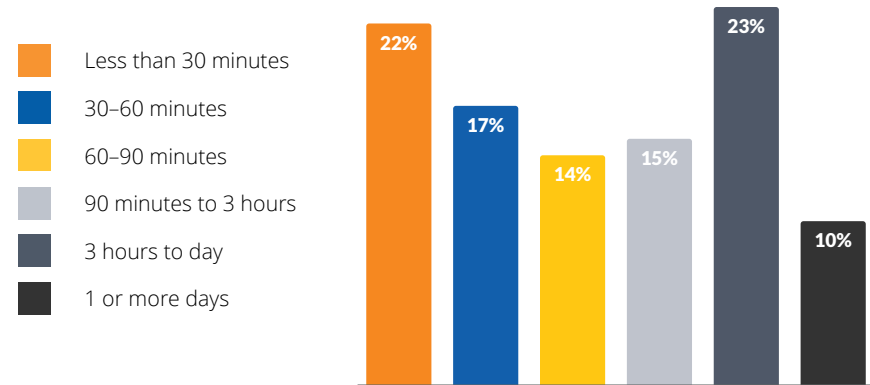
REPORTING USED TO RUN BUSINESS

As the third-party logistics industry scales to support increasing volumes and rising consumer expectations, understanding the metrics and measurements that drive success has become even more critical. Businesses have integrated more daily measurements and key performance indicators (KPIs) than ever before.

For 3PLs who have implemented greater success measurements, it shows in their volume and profitability growth. High profitability growth companies were nearly 4.5 times more likely to use inventory and order volume reports and 6.5 times more likely to use labor hours reporting than negative profitability 3PLs.



TIME TO FULFILL AN ORDER



TIME TO FULFILL AN ORDER

As consumer demand puts pressure on companies to offer more same and next day delivery options, that pressure passes on to 3PLs to expedite their pick, pack, and ship processes—making time to fulfill crucial. In fact, 53% of 3PLs fulfill orders in less than 90 minutes.

Seventy-two percent (72%) of participants who reported fulfilling orders within 30 minutes experienced medium to high profitability growth, indicating a high level of optimization of their processes. Fifty percent (50%) of participants involved in Fulfillment by Amazon (FBA) responded they take more than three hours to fulfill orders, while 17.9% of those respondents take more than a day to fulfill orders. According to the data collected, FBA orders take the longest to fulfill compared to all other fulfillment types. Second to that is omnichannel at 46.6%, taking longer than three hours to fulfill orders. Eighty-six percent (86%) of participants who fulfill orders within 30 minutes experienced medium to high order volume growth.

PERFORMANCE AND METRICS

While every 3PL measures success differently, a few key metrics stand out as conventional measurements—revenue, order volume, worker productivity, and operational costs. Surprisingly, with labor costs rising, labor hours ranked only sixth for most common metrics tracked (down from fifth in 2020), and worker productivity decreased from second in 2020 to third in 2021.

OVERALL RANK*		SCORE
1	Revenue Generated	887
2	Order Volume	714
3	Worker Productivity	702
4	Operational Costs	700
5	Average Single Order Pick Time	632
6	Labor Hours	618
7	Percentage of Orders Fulfilled	531
8	Carrier Fees	484
9	Days Sales Outstanding (DSO)	381

*Respondents were asked to rank the following metrics in order of most important (1) to least important (9)

CONCLUSION

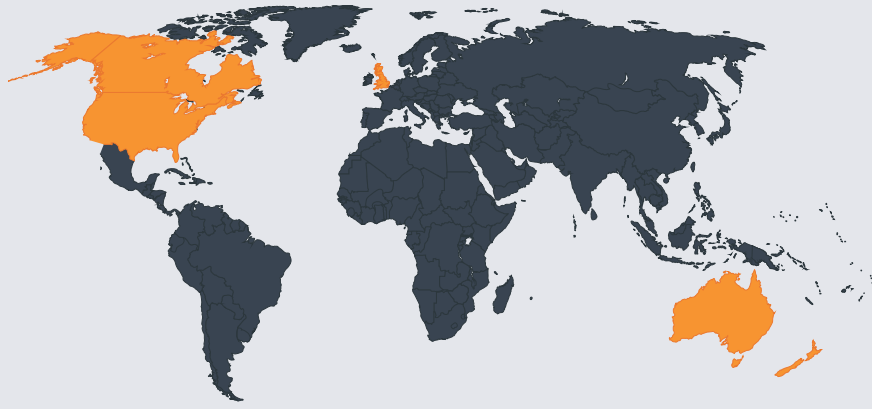
This year marked a unique time for 3PL warehouses—both an exciting and challenging time. Exciting because 3PLs overwhelmingly grew order volumes, profits, and customers. Challenging because most 3PLs were operating at or above warehouse capacity and couldn't find new space as a result of some of the lowest warehouse vacancy rates in history, unending supply chain backlogs, and a workforce shortage that left many with higher labor costs and fewer people to address the higher volumes.

Despite these challenging dynamics, 3PLs have thrived, innovated, and diversified to support growth and harness the market opportunity. From building out more robust training and talent management programs to optimizing warehouse space, building out 4PL networks, and implementing new technology, this industry has shown that it can and will evolve as new market dynamics arise.

In conclusion, the outlook for 2022 remains optimistic for both customer acquisition and order volume growth. By implementing the best practices recommended above and focusing on continuous improvement, 3PL warehouses can build long-term scalability to position themselves for growth, success, and greater profitability.

METHODOLOGY





RESPONDENTS

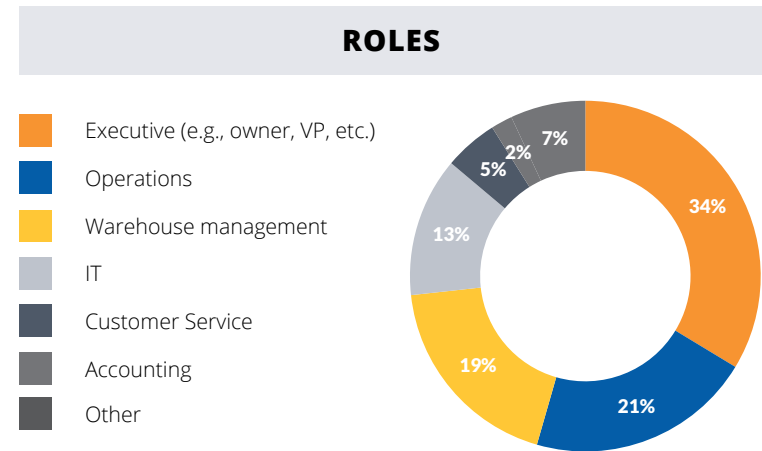
The survey was conducted online between August 11, 2021 and September 6, 2021. There were 207 respondents who identified as third-party logistics warehouses from across the United States, Canada, United Kingdom, Australia, and New Zealand—with approximately 75% of respondents being US-based. Of the respondent companies, 88% were traditional 3PL warehouses and 12% were hybrid private and public warehouses.

FORMAT

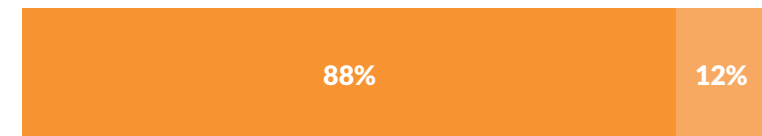
Survey questions included multiple choice, multiple selections, and open text. Figures may not add up to 100 percent due to rounding or multiple-selection questions.

ROLES

Approximately 40% held roles in Operations and Warehouse Management, 34% of respondents were Executives or Owners, and the remainder came from across other parts of the business.



ARE YOU A 3PL OR HYBRID WAREHOUSE?



- Yes, I service multiple clients from my warehouse
- Yes, I fulfill and store orders for both my own business and other clients

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 customers 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 our customers' systems.

CONTACT US

For more information, please call us at 888-375-2368 or visit us online at www.3PLCentral.com

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Interested in learning how 3PL Central can help you business implement a comprehensive WMS platform and build best practices across your warehouse in 2022?

