

INDUSTRY SPOTLIGHT

3RD PARTY LOGISTICS & SUPPLY CHAIN MANAGEMENT



3RD PARTY LOGISTICS OVERVIEW

Outsourced logistics services such as warehousing, forwarding, packing, consultancy, order fulfillment, brokerage, and transportation paperwork are provided by operators in the **Third-Party Logistics (3PL) market**. Customers can also combine and tailor their services with 3PL operators. **Growth was hindered by an estimated 9.7% revenue decline in 2020 during the COVID-19 pandemic**. Over the five years to 2026, the industry's revenue is expected to increase at a **5.9% yearly rate to \$261.3 billion**.

SUPPLY CHAIN MANAGEMENT OVERVIEW

Supplier relations, distribution channels, and marketing strategies are all managed by businesses in the **Supply Chain Management Services (SCMS) industry**. Manufacturing, retail, wholesale, utility, and agricultural industries all benefit from the SCMS. SCMS have become more seamless and efficient as technology has advanced, resulting in increased demand. Industry firms can improve the quality of their services by using more advanced software and supply tracking technology. Over the four years to 2025, SCMS revenue is forecast to **grow at an annualized rate of 3.9% to \$9.2 billion**.

3PL KEY EXTERNAL DRIVERS

1 Consumer Spending - When consumer spending increases, companies, such as retailers, require 3PL services including order fulfillment and warehousing. The recent U.S. supply chain crisis has demonstrated the need for additional investments in this industry as consumer spending continues to increase.

2 Freight Transportation Services Index - The freight transportation services index measures the annual output of the U.S. transportation sector. When the economy grows and consumer spending increases, industrial, retail and trade activity levels rise. As a result, demand for goods transportation, including 3PL services, increases.

3 E-Commerce Sales - The value of online retail sales in the US is measured by e-commerce sales. Because things purchased online are often smaller and distributed more frequently, there is a desire for industrial solutions. In recent years, the growth of e-commerce sales has been a benefit to the business.

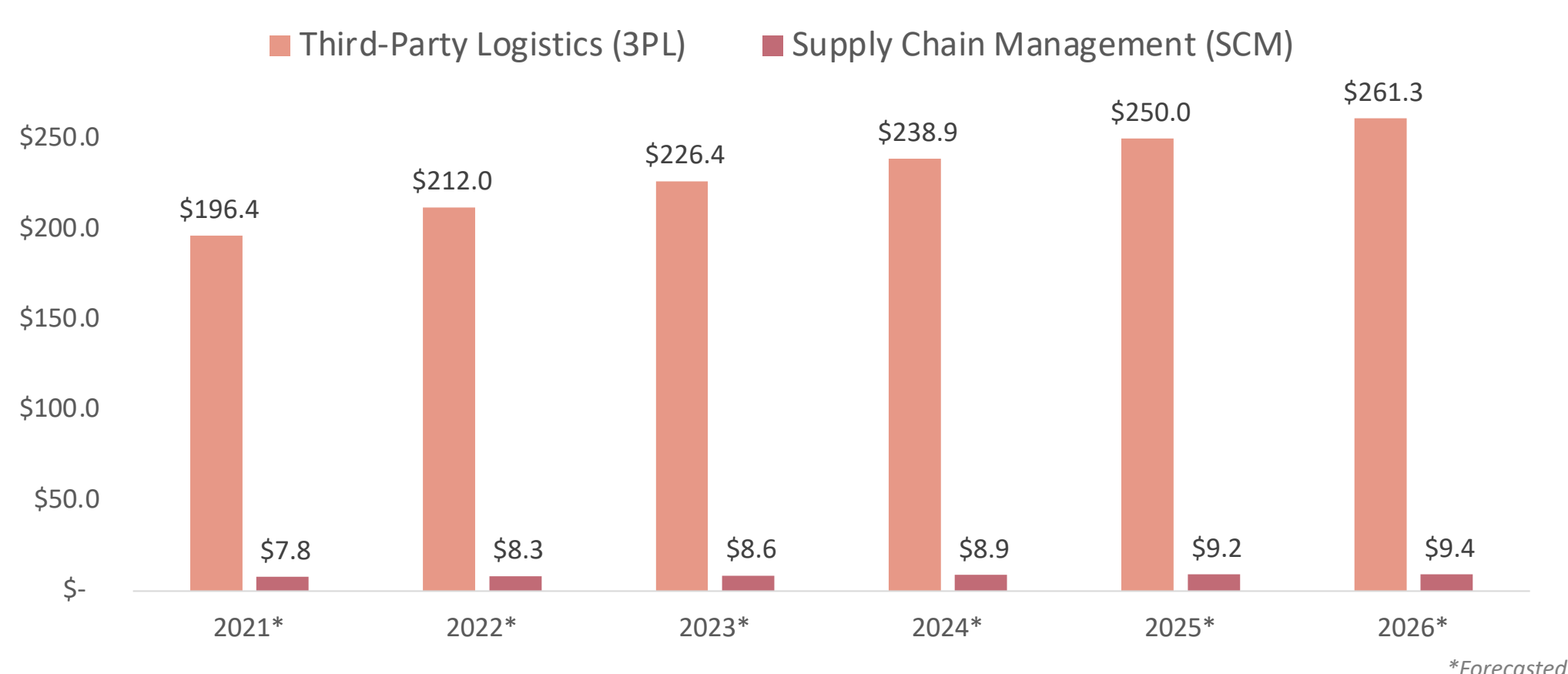
SCMS KEY EXTERNAL DRIVERS

1 Aggregate Private Investment - Aggregate private investment measures spending by individuals and businesses on software, equipment and physical structures. Typically, as private investment levels rise, businesses expand operations and need the services of supply chain management service companies.

2 Corporate Profits - Businesses have more money to spend on capital, including industry services, as corporate profit rises. While the long-term effects of the coronavirus pandemic remain to be seen, when the pandemic abides, pent-up demand is expected to contribute to rising corporate profit as we have already observed during 2021.

3 Manufacturing Capacity Utilization - Manufacturing capacity utilization is a measurement of how much of a manufacturing facility's production capacity is being used. When manufacturing output rises there is the need for a stronger supply chain and distribution management by industrial firms.

PROJECTED REVENUES IN BILLIONS, 2021-2026



CONCLUSION

The value of the 3PL market is much greater than the value of the supply management market. Industry profit is generally slim as 3PL providers operate in a highly competitive market. Consequently, many companies will likely seek to merge with or acquire competitors to achieve economies of scale, expand into growing markets and offer more comprehensive logistics services. As a relatively new and popular industry, the SCMS industry is in the growth stage of its life chain cycle. Companies in both 3PL and SCMS work with businesses throughout the economy, so performance in both industries is largely supported by growth in the economy. After a significant disruption in 2020, the 3PL and SCMS industries are expected to recover robustly over the five years to 2026.

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