2024 State of the Third-Party Logistics Industry Report

Thriving in the Face of Changing Market Dynamics

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Introduction

Welcome to the 2024 edition of the state of the third-party logistics industry report!

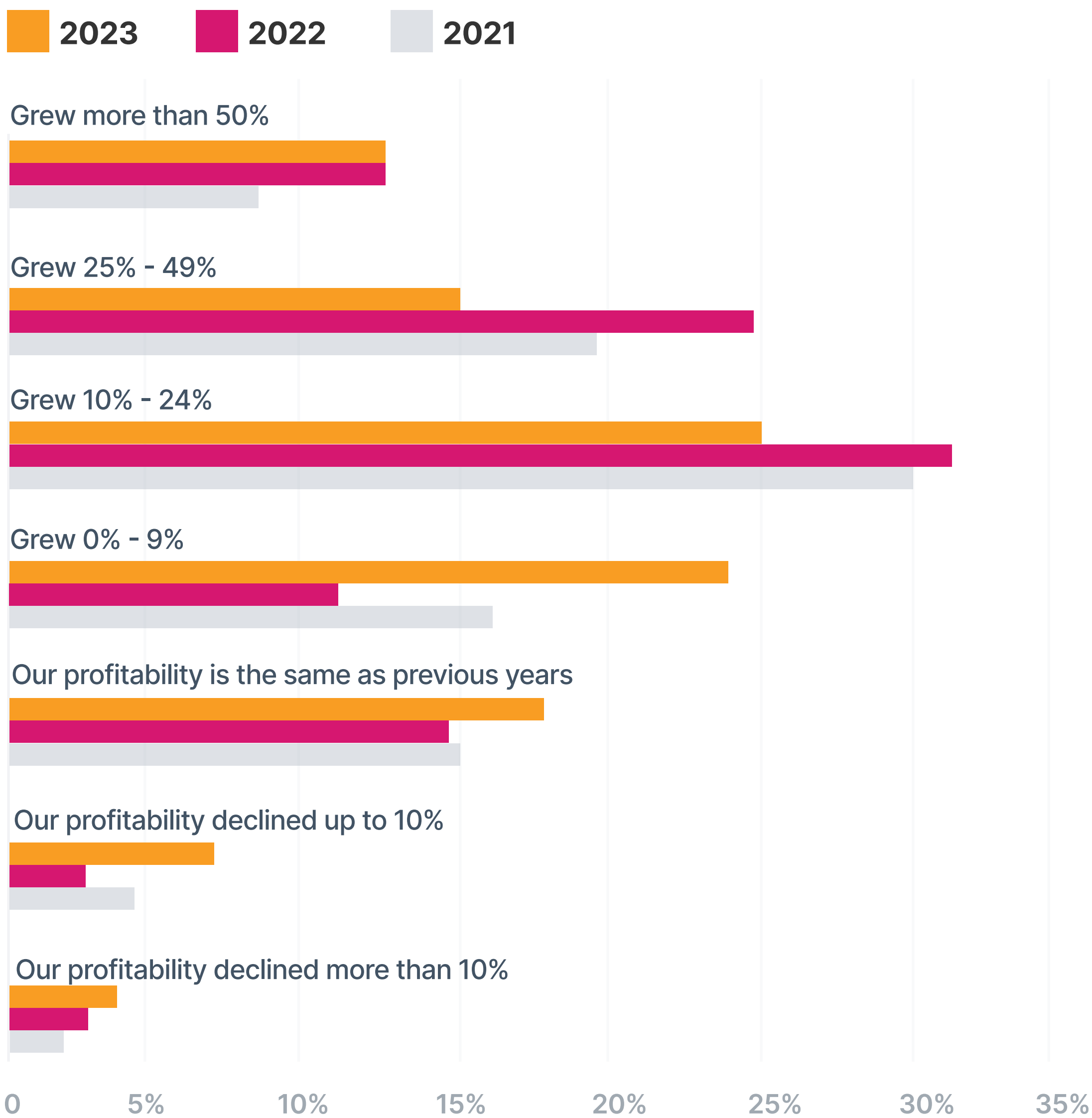
Last year's report started with a reflection on how pandemic-related disruptions continued to plague the warehousing and third-party logistics (3PL) community—and how many experts predicted the situation would persist through 2023.

A year later, we are all very thankful that the COVID chapter of human history is mostly over; vaccines are widely available, infection rates are down, and most people probably already lost—or discarded—their face masks. People are returning to public life—and in-person shopping, which has had some noticeable impacts on the logistics industry. Ecommerce sales slowed significantly in 2023 back to their pre-pandemic trajectories, with online sales growing by 9.3% per Insider Intelligence, and brick-and-mortar retail regained relevance as "physical stores are still expected to account for 72% of all U.S. retail sales by 2024." Even warehouse capacity rates are normalizing.

Unfortunately, a new year means new challenges.

While the pandemic may be over, many experts believe the supply chain is still at risk of an "everything shortage." There's no hard evidence to indicate that the logistics industry evolved or implemented new methodologies to promote supply chain resilience and agility. Dustin Jalbert, senior economist of wood products at FastMarkets RISI declared, "I don't think a lot has changed." Instead, consumer demand cooled from the climax seen in 2020-21, and businesses were able to scale without substantially shifting strategies to end the crisis. With emerging shipping disruptions in the Red Sea, 2024 may bring its own set of supply chain challenges.

This passivity has already created new hurdles in the 3PL space as economic conditions, geopolitical tensions, and consumer expectations constantly fluctuate. Highlighted in the 2023 Third-Party Logistics Warehouse Benchmark Report, 11% of respondents saw declining profitabilityin 2023 compared to 5% in 2022; if the pandemic was not a big enough sign that the industry needs innovation, this should be.



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As new complexities arise, Extensiv wants to help you prepare for the future. This year's State of the Third-Party Logistics Report consists of four sections outlining the key current challenges facing fulfillment today and forward-thinking solutions to equip your 3PL to thrive amidst turbulence.

Grappling with the Rising Cost of Doing Business

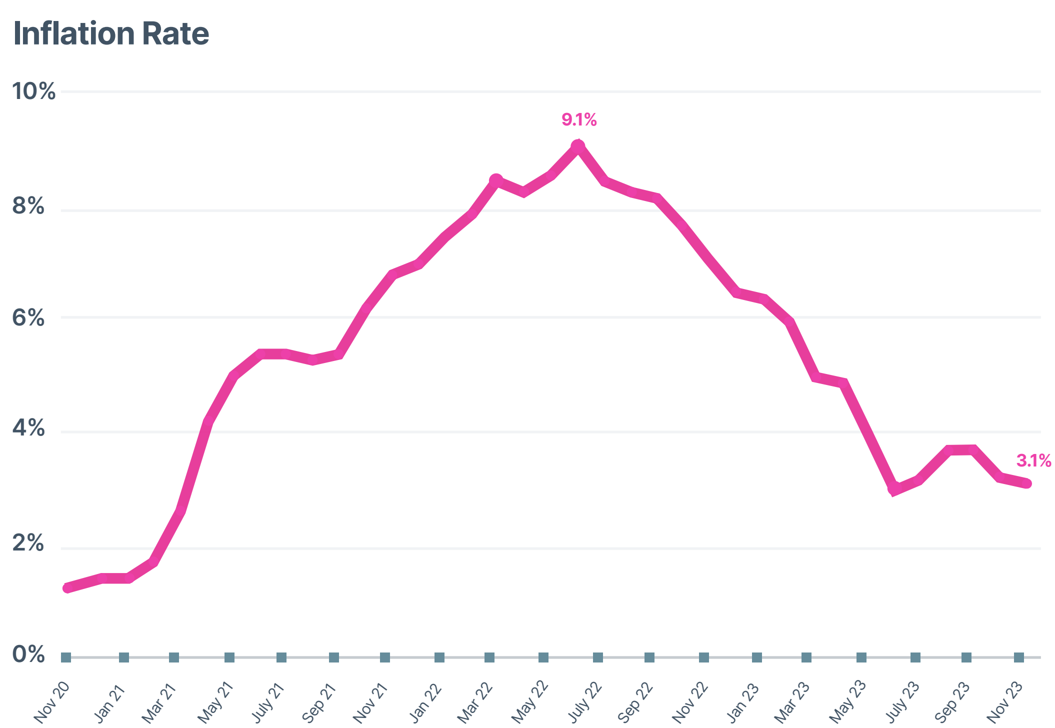
Grappling with the Rising Cost of Doing Business

Arguably the most alarming trend in global economics overall is the persistent rising costs of everyday life. Everything is more expensive than it used to be, and consumers and business owners alike can feel the pressure this creates on their wallets.

Zoning in on the third-party logistics sector, the 2023 3PL Warehouse Benchmark Report shows that managing costs ranked as the top business challenge respondents will need to overcome in 2024 at 48%. Meanwhile, operational costs—including facilities costs, labor, systems & technology, equipment, and shipping—continue to mount. In particular, warehouse rental costs are growing rapidly, outpacing inflation; prime rents rose by 11.8% in the 12 months to June 2023. Of course, rents are but a piece of the total cost pie, and labor costs are the largest slice. Warehouse worker wage costs rose by 7.4% over the same period, and tight labor markets continue to fuel their escalation.

Technically, inflation is improving around the world; the monthly inflation rate in the United States fell to 3.1% in November 2023, a massive improvement since it peaked in June 2022 at 9.1%. Meanwhile, the consumer price index (CPI) in the UK rose by 3.9% in the 12 months up to November 2023, significantly lower than the recent peak of 11.1% in October 2022. Similarly, on the other side of the Pacific Ocean, Australia's annual CPI rate fell to 5.4% in the September 2023 quarter (New Zealand's, to 5.6%), down from a high of 7.8% in the December 2022 quarter (whereas New Zealand's most recent peak was 7.3% in the June 2022 quarter).

Prices are still going up, but at least not as rapidly as they were.



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While the monthly inflation rate is a positive sign that the U.S. Federal Reserve's aggressive plan to curtail rampant inflation—instituting 11 massive interest rate hikes in the eighteen months leading up to Q4 of 2023—is working, higher rates create their own set of problems for individuals and businesses looking to borrow money from financial institutions. As stated in the 2023 3PL Peak Season Playbook (which provides actionable advice relevant outside of peak season as well), "the number one reason that businesses fail is because they run out of cash." For businesses needing to borrow money to create some flexibility in their cash flow—so they don't run out of cash—rate hikes make this option riskier or even unattainable for some. With previously low-interest loans now maturing at higher rates, minimum payments and the cost of capital are higher than in previous years.

Compounding this dilemma, lenders are getting stricter with their financing requirements, especially after two major regional banks went under in March of 2023, making it more difficult to obtain a loan that could be crucial for expanding a 3PL operation by acquiring new warehouse space. Although delinquency rates for commercial real estate remain historically low in 2023, a Federal Reserve survey showed that "small and mid-sized banks—holding most commercial real estate loans—reported tighter lending standards in the year's second quarter." For many 3PL warehouses, this takes adding new locations and/or enlarging their existing square footage off the table.

How can 3PLs achieve business growth while minimizing costs in 2024?

The most obvious solution for increasing cash flow is to optimize billing and payments processes. Using automated billing solutions, like Extensiv's Billing Manager, alongside a warehouse management system (WMS) to capture all chargeable events as they happen, not only boosts billing accuracy but also expedites invoice creation. Incorporating other technologies, such as a digital payment portal to shorten payment cycles so 3PLs get paid faster and the cutting-edge software developments presented later in this report, creates further opportunities for maximizing efficiency to save on operational costs.

BEST PRACTICE RECOMMENDATIONS

What tactics can 3PLs implement to combat rising operational costs in 2024?

Practice Smart Cost Management

Implement strategies to manage and reduce operational costs—and free up cash flow—without compromising on quality. This includes optimizing resource allocation, renegotiating contracts, improving efficiency, and consolidating debt where possible.

Diversify Revenue Streams

Explore new services, verticals, or markets to diversify revenue sources. This could include expanding into new geographical areas (more on that later) or offering in-demand value-added services.

Streamline Billing and Payments

Investing in automated billing solutions that capture all chargeable events in real time will enhance billing accuracy and expedite invoice creation. Don’t think you need software for this? Take a look at your customer payment behaviors and average days sales outstanding; chances are, non-automated methods are dragging out the time it takes you to get paid. Digitizing invoicing and payments with a digital payment portal will further shorten billing cycles.

Navigating the Shipping Landscape Chaos

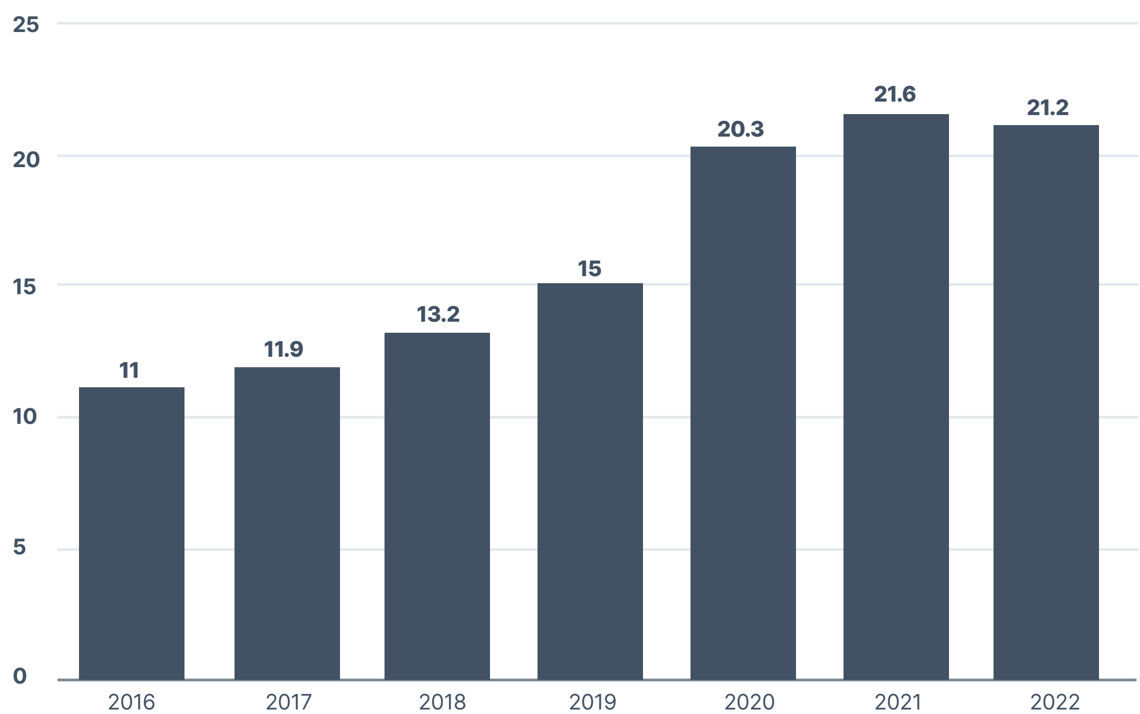
Navigating the Shipping Landscape Chaos

Can you ever believe that parcel shipping wasn't a super significant aspect of 3PL operations?

An article from Talking Logistics remarks that “relatively few companies were shipping via parcel” near the dawn of the millennium, and parcel shipping “was a niche mode appropriate for only a small segment of the market.” Pointing out that the industry has changed in two decades is expected and, frankly, insignificant. Almost nothing is the same as it was two decades ago.

What was unexpected was how rapidly parcel shipping would rise as a key mode of transportation for both retailers and manufacturers following the ecommerce boom triggered by the pandemic. While parcel shipping volume in the United States showed moderate annual growth between 2016 and 2019, the market exploded in 2020 with parcel shipping volume growing 35% over the previous year.

Volume in Billion of Parcels Shipped



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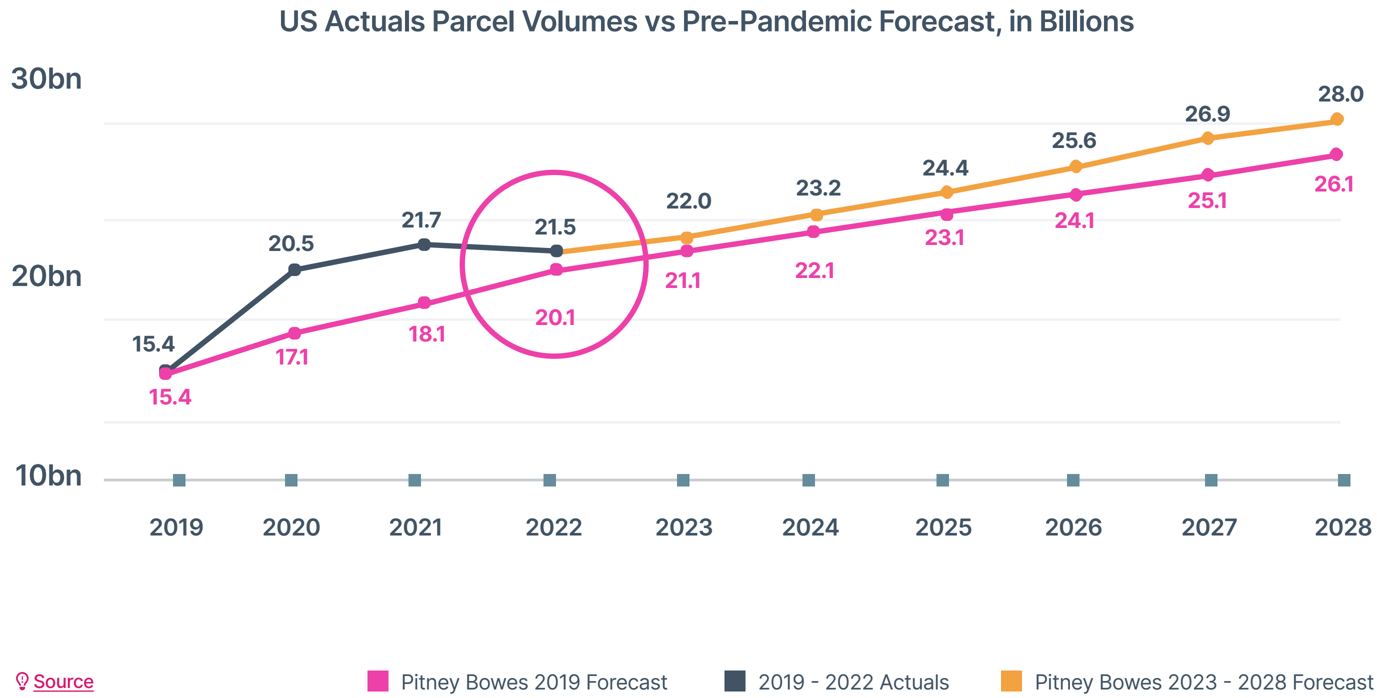
Simply put, no one—particularly any of the carriers—was equipped to handle this drastic increase in parcel volume, and they have struggled to catch up ever since.

Though the graph above shows that U.S. parcel shipping volume fell almost 2% from 2021 to 2022—which is consistent with the decline in consumer shopping as they faced record high inflation*—the 21.2 billion parcels shipped in 2022 was still 1.1 billion shipments more than what the pre-pandemic forecast by Pitney Bowes had predicted for the year. The parcel train may have slowed down some, but it was still a year ahead of schedule, hindering the carriers' power to keep pace with the new state of commerce.

2022 Parcel Volumes

A full year ahead of pre-pandemic predictions



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*This statement is seemingly at odds with the prevalent narrative that inflation did not noticeably affect consumer spending because retail sales continued to grow year-over-year throughout 2022. However, the statistics on retail sales rarely adjust for inflation and only consider the monetary value of sales, not the volume of items sold. For example, Insider Intelligence highlighted that retail sales grew 7.2% year-over-year in April 2022, not adjusted for inflation. But, later in the same article, they note that U.S. inflation rose 8.5%in March 2022, meaning that inflation was rising faster than retail sales were growing. Even though consumers were spending more money than in the previous year, it was not because they were buying a higher quantity of things. Instead, because the dollar had lost so much purchasing power, it took more money to buy the same—or fewer—items.

By 2023, the inability to adapt exposed vulnerabilities throughout the logistics industry. The train derailed, creating a shipping landscape defined by chaos.

The derailment on the consumer delivery side of the shipping equation revolved around labor union disputes with the major carriers. The summer was extra cruel for UPS, who narrowly avoided what would have been the largest strike against a single employer in U.S. history with a historic deal with the Teamsters. Sifted reports that the new agreement, estimated to cost UPS around $30 billion, isn't the only price the carrier has to pay following the intense negotiations. Fearing a work stoppage, many UPS clients switched to alternative carriers for their delivery needs, sending UPS volumes falling by roughly 2.2 million packages a day year-over-year in Q2, representing a 9.4% decrease.

Though FedEx directly benefited from the situation, claiming about a third of UPS' lost volume, both "FedEx and UPS grappled with soft demand throughout the year." Even with the influx of former UPS loyalists, FedEx's average daily volume still dropped (less than 1%) year-over-year for the quarter ending August 31. Now, FedEx is undergoing its own mediation with their pilots' union, reports Reuters. Other notable labor disputes include the more than 1100 DHL employees on strike at the Cincinnati/ Northern Kentucky International Airport following unsuccessful contract negotiations and the authorized strike by cargo pilots working for Amazon's largest air freight provider (though this walk out cannot begin until later in 2024). Amazon recently became the biggest delivery business in the U.S. and hopes to cement its position at the top of the parcel delivery industry with its newest service, Amazon Shipping, but a looming strike could upend their ambitions.

The derailment on the other side of the shipping equation, the supply side, hinged on the ongoing freight recession. Most notably, LTL freight giant Yellow suddenly shuttered in July, marking the demise of one of the top ten freight carriers in the country despite grossing over $6 billion in 2022, reports CNBC. While fallout from Yellow's end has been far less catastrophic for the industry than anticipated—the supply chain is realistically no more haywire than normal, and freight prices haven't skyrocketed—what's more concerning is how rapidly the freight recession is rippling through the logistics industry and how severely it is affecting such big players. Shortly following Yellow's bankruptcy, J.B. Hunt Transport Services reported dropping 30% in profits in Q3, and Convoy Inc. announced its end in October.

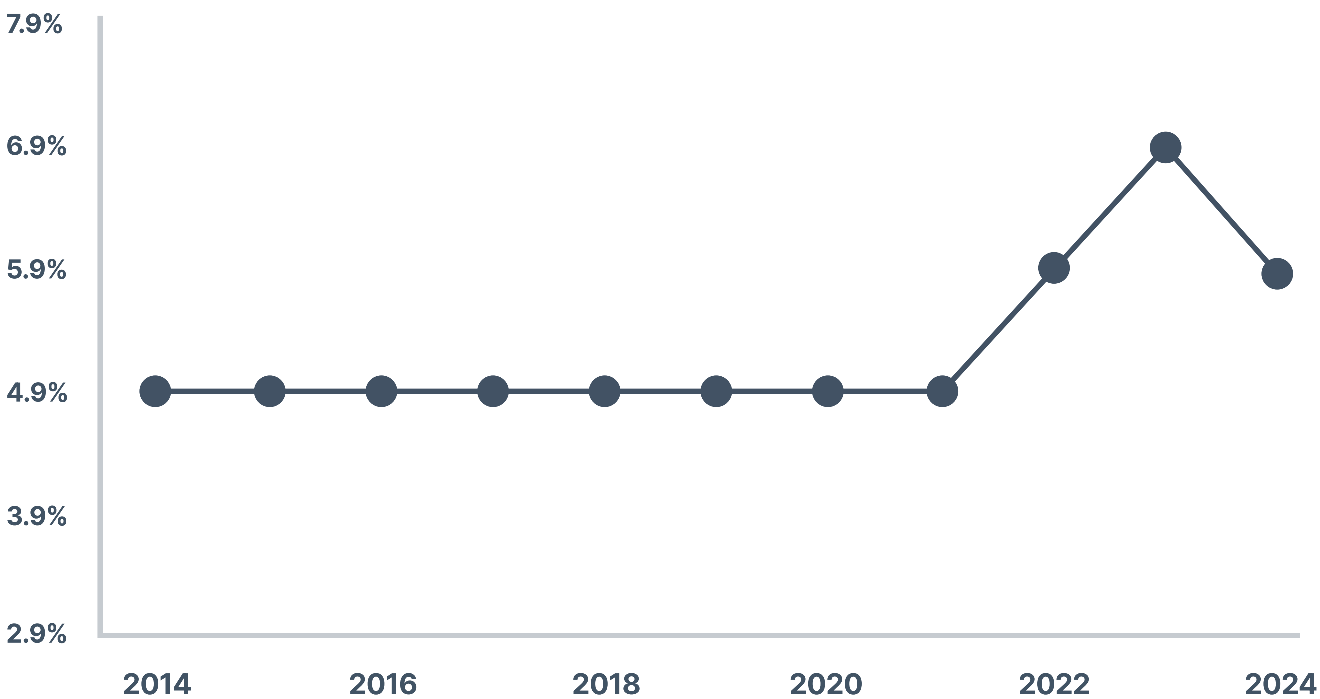
Yet, not everyone is too concerned. As Michael Belzer, an economics professor at Wayne State University and former over-the-road truck driver, puts it: "In a macro-sense, one company goes down, other companies rise up and take their freight." Perhaps the freight recession is more an opportunity for new companies to push the industry forward than a warning sign of a perpetually worsening economy.

If 2023 saw the shipping industry veer off course, how will it get back on track in 2024, and how should third-party logistics providers prepare to navigate this landscape?

While complete shipping data for 2023 is not yet available, if Pitney Bowes' updated forecast from last year is correct, parcel volume in the U.S. should have rebounded from 2022 and will continue to grow at a 3% compounded annual growth rate (CAGR) through 2028. This is a significant slowdown from the double-digit growth rate seen in the five years leading up to 2022, which will make scaling to meet demand much easier for carriers—assuming they developed new strategies for handling an ever-increasing volume of parcel shipments during the letup of 2022.

In any case, one silver lining that will continue through 2024 is more flexible pricing for shipping. In response to faltering shipping demand, both UPS and FedEx offered discounts to regain some business, causing ground parcel delivery costs to fall year-over-year for the first time since 2019, according to Supply Chain Dive. Additionally, both UPS and FedEx announced a general rate increase (GRI) of 5.9% for 2024, down from 6.9% in 2023, meaning that even though rates will still go up in 2024 (as they do every year), the increase is not as steep as it was last year. However, the GRI still poses a financial risk to companies trying to control costs.

The Last 10 Years: GRI Trendline



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What does this mean for 3PL warehouses? Most notably, while UPS and FedEx strive to retake some of their lost volume, they will be more responsive to rate negotiations; retailers including Macy's and Rent the Runway leveraged their increased bargaining power to secure more favorable delivery contracts in 2023. As the backbone of their customers' fulfillment operations, 3PLs should take advantage of this leniency on behalf of their customers; while 3PLs do not typically pay shipping costs, obtaining better rates for your customers will improve customer satisfaction and loyalty. Having high shipping volume and long-term relationships with carriers can empower your business in negotiations. But, if you are unsuccessful in clinching reduced rates for your shipping contracts, you can always turn to shipping aggregators or label providers, like Pitney Bowes or BUKU Ship, to reduce shipping costs.

With new carriers gaining steam, 3PLs should consider diversifying the carriers in their portfolio, especially to include more specialized and regionalized carriers. Some 3PLs have preferred carrier partners that they use all the time regardless of the cheapest available rates, while others will compare shipping costs to find the most affordable option, but the benefits of the latter approach are immense. Reported by Entrepreneur, "an internal Descartes study of September 2023 shipping volumes for 1,600 merchants showed that, on average, those who used rate shopping saved $4.39/shipment. This translates into average potential shipping savings of ~34%," amounting to much more in savings than from any negotiated rates with a single carrier. Adopting rate shopping technologies, like the Small Parcel Suite feature in Extensiv 3PL Warehouse Manager, makes this process much more efficient and enables 3PLs to better serve their customers.

Finally, remember that shipping costs are a major pain point for the brands and retailers that logistics providers serve in the wake of the Amazon Effect. As companies look to control costs in 2024, it is becoming increasingly more difficult for them to offer free *and* fast delivery to consumers. While some merchants are revamping their free shipping policies—for example, by adding fees for faster service, raising minimum purchase requirements, and/or switching to flat-rate shipping models for all orders—others are locating their products closer to consumers and adopting multi-point distribution frameworks to increase delivery speeds. Learn how you can participate in this geographic spread of modern fulfillment in the next section.

BEST PRACTICE RECOMMENDATIONS

How can 3PLs sharpen shipping strategies in 2024?

Assess Your Carrier Partnerships Regularly

Reviewing current carrier usage and shipping rates allows you to identify where shipping savings might exist. Additionally, building strong relationships with multiple carriers ensures reliability and improves your chances of negotiating better terms. While you may audit your carriers annually (around the time of contract renewals), doing this exercise more regularly (even on a quarterly basis) will help you adapt your shipping strategies to reduce costs and/or improve service levels with greater agility.

Expand and Diversify Your Carriers

Multicarrier shipping strategies are critical for risk mitigation and obtaining leverage for negotiating carrier rates. A “one size fits all” carrier and shipping strategy limits merchants’ ability to control their shipping costs while maintaining a high level of customer service, so as their logistics provider, you should explore different carriers to better serve your customers.

Invest in Shipping Technologies

Identify how your business can incorporate automated rate shopping into your order fulfillment process to get the lowest possible rates for each shipment. Furthermore, utilizing advanced shipping software equipped with analytics tools enables you to optimize routing, track shipments in realtime, and anticipate potential disruptions.

Exploring the Geographic Spread of Modern Fulfillment

Exploring the Geographic Spread of Modern Fulfillment

The logistics industry is cutthroat, and current market dynamics are driving changes in traditional 3PL models. Simply put, the old way of running a 3PL warehouse doesn't cut it anymore.

More and more single location 3PL warehouses are going out of business, selling their business, or looking for ways to partner. Continued consolidation—though less prevalent than in 2022 when there were 17 large 3PL acquisitions compared to just 4 merger and acquisition transactions in the first half of 2023, according to Modern Materials Handling—only heightens the competition. And as always, many 3PLsare actively looking for ways to contend with the big players in the logistics industry: both established giants like Amazon as well as well-funded newcomers like TikTok.

The solution? Exploring, and reshaping, the geographic spread of modern fulfillment.

Following years, more accurately decades, of intense globalization, many companies are rethinking their logistics strategies to enhance supply chain resilience and strengthen domestic risk mitigation strategies. These companies' supply chain shifts towards onshoring, nearshoring, and "friendshoring" are redrawing the map of global business in hopes to insulate themselves from geopolitical consequences, protect their companies from future supply chain disruptions, and reduce costs.

Geopolitical developments across every region of the globe are making the international flow of business a lot trickier. Both President Trump and President Biden have enforced significant tariffs on trade with China. In Europe, the ongoing conflict between Russia and Ukraine has deepened rifts between the U.S. and Russia. And, most recently, the erupting tensions in Gaza between Israel and Hamas are rippling throughout the Middle East. The world is on fire, and many fear that "geopolitical shocks pose the greatest threat to supply chain health," prompting many businesses to start moving operations closer to home.

Additionally, as production and logistics costs continue to rise across the board—influenced by rising wages in historically cheaper regions, global trade wars inflating the price of commodities, and international freight rates ramping up since the pandemic, among other factors—businesses are starting to home in on different indicators related to supply chain costs. Given these dynamics, tracking the landed costs of goods (the total price of a product or shipment once it has arrived at a buyer's doorstep) has become more important for retailers and merchants to understand their overall profitability and determine their supply chain strategies, including warehousing locations.

Country, Country Pair, or Region	Days to Market	Average Landed Cost
U.S. and Canada	1	0%
Mexico	1 to 2	-19%
Western Europe	10	13%
Eastern Europe and Mediterranean	14	-3%
South America	15	-8%
Japan and South Korea	15	-3%
China (with trade war tariffs)	17	21%
China (without trade war tariffs)	17	-4%
Southeast Asia	22	-18%
India	25	-15%
Australia	25	10%

Average landed costs are in comparison to a similar U.S. cost. In other words, average landed costs are 19 percentage points cheaper in Mexico than the United States.

For this analysis, landed costs included the cost of labor, logistics, tariffs, machinery electricity and fuel, among others. The "trade war tariffs" for China includes the maximum 25% duties on select imports from the country, under section 301.

Source

While manufacturing goods in one region may be cheaper than in another, the costs of bringing them to America vary greatly from region to region, so the landed costs may be higher if sourced from the region with the lowest production costs. Furthermore, moving supply chain operations closer to home offers other benefits like increased agility and adaptability. In an article from Supply Chain Dive, Harvey Kanter, CEO of DXL Group, explains:

> **There's 45 days to get goods from Asia to here, and there's a certain cost associated with it. It takes one week to get goods from Mexico. Mexico costs more money, but we have more agility to chase goods, and we have deep relationships.**

Striving to simultaneously mitigate the threat of supply chain disruption while optimizing logistics costs calls for rethinking the geographic spread of modern fulfillment on both an international scale and throughout North America. Even for third-party logistics companies specializing in domestic operations, these global themes in the supply chain—and especially in manufacturing—will trickle down to influence their approaches to both expansion and risk mitigation.

Consumer expectations aren't slowing down, and single-point distribution strategies are ill-suited for supporting brands that need to offer fast and free delivery nationwide. While fourth-party logistics (4PL) is one of the first examples that comes to mind when contemplating geographically dispersed fulfillment networks, there are multiple shapes this trend can take:

- **Multiple distinct 3PL warehouses partnering together to create a 4PL network**
- **Individual 3PLs incorporating additional nodes to their own operation**
- **Existing 4PL providers continuing their expansion**

3PL warehouses and 4PLs can use their expertise in global supply chain management as a foundation for future growth opportunities aimed at expanding their geographic footprints. Logistics providers have deep skill and experience handling the challenges associated with moving goods across a global supply chain beyond streamlining logistics for efficiency, including in-depth knowledge about global trade regulations, supply chain dynamics, customs processes, tax regulations, and different freight modalities. Just as 3PLs and 4PLs use this mastery to oversee international trade for their clients, they can apply similar techniques to building out multi-nodal networks across North America that optimize overall logistics costs and speeds domestically.

Of course, adding new locations to your operation also adds new challenges, first and foremost regarding network-wide visibility of your customers' inventory, orders, and transaction data. Luckily, emerging fulfillment software technologies engineered to bring multi-nodal logistics to life are attainable and more widely available than ever before. For example, Extensiv Network Manager is a combined program of software, services, and tools that empower multi-location 3PLs, existing 4PLs, and separate 3PL warehouses linked together to operate as a 4PL network to manage warehouse capacity, visibility, and order orchestration across multiple 3PL Warehouse Manager accounts. Technology inaccessibility is no longer a blocker to geographic expansion for 3PL warehouses, and, as we explore in the next section, logistics technologies are getting smarter.

BEST PRACTICE RECOMMENDATIONS

How should 3PLs prepare to participate in the geographic spread of modern fulfillment?

Consider 4PL Opportunities

Tools like Extensiv's Fulfillment Marketplace make it easier than ever to find 3PLs in complementary geographies that have similar workflows and are open to partnering up to create a 4PL network. Regardless of who actually owns the 4PL network, all participating 3PLs benefit not only by being able to offer enhanced service offerings to their customers but also by generating revenue on more orders fulfilled.

Study the Market

If you want to expand into multi-nodal operations, you must understand the market(s) you want to join. Adapting to regional market differences—which entails understanding local regulations, culture, and consumer preferences—will enable you to customize services accordingly and (most importantly) make informed decisions about how you disperse inventory across locations.

Sharpen Your Skills and Technology

It goes without saying that orchestrating multi-facility fulfillment operations is much more complex than running a single 3PL warehouse. Optimizing your processes and standardizing them across all locations in your network will go a long way toward providing consistent customer service regardless of the facility tasked with fulfillment. Additionally, leveraging the right technology that provides full visibility over your customers' inventory, order, and transaction data across all 3PL warehouses in the network is critical for making sure that all locations follow standard operating procedures and service level agreements.

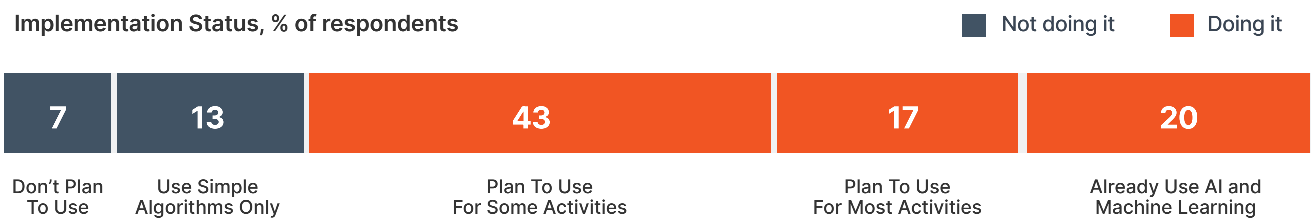
Embracing Cutting Edge (Software) Technologies

Embracing Cutting Edge (Software) Technologies

The specific date of November 30, 2022 may not make it into history books, but the launch of the world's most famous chatbot, ChatGPT, by OpenAI that day certainly will. Though artificial intelligence (AI) technology has been making progress for years, the arrival of ChatGPT ushered in a new era in software development. Everyone was talking about AI non-stop in 2023, discussing how the technology would affect not just the tech industry but all industries, including logistics.

AI has the potential to be a transformative force in the supply chain. At the beginning of 2022, McKinsey reported that spreadsheets were still the top tool used by supply chain leaders for demand forecasting and planning at 73%, but a whopping 4 out of 5 respondents expect to or already use AI and machine learning (ML) for planning.

Four Out of Five Supply-Chain Leaders Expect To or Already Use AI and Machine Learning for Planning



Top Applications Being Considered

1 Demand Planning
2 Sales and Operations Planning
3 Control Tower
4 Detailed Scheduling
5 Inventory Optimization

Source

While 3PL warehouses do not typically provide demand planning for their customers, their IT infrastructure is critical for enabling their customers to implement these innovative technologies. AI isn't omniscient. Before businesses can use fully automated, AI-driven frameworks, they need to train the AI on data to start the machine learning (ML) process. ML is the building block for AI. By learning from historical data, ML algorithms can predict future trends, optimize resource allocation, and enhance decision-making processes. Then, these ML algorithms can fine-tune themselves over time, continually improving efficiency and adaptability to changing market dynamics.

To collect the necessary fulfillment and order data to train AI-powered demand forecasting programs, retailers and merchants—3PLs' customer base—need to be able to access this information through system integrations. A connected network of AI, ML, and fulfillment software tools can provide a comprehensive overview of operations, from warehouse management to transportation logistics.

This interconnectivity enables seamless data flow and insights, fostering a more proactive and dynamic approach to logistics management. If a 3PL doesn't meet a certain threshold of technological sophistication, like using a WMS instead of manual inventory and order records, to allow this, its customers will struggle to progress their own technology adoption. In this way, the software a 3PL uses has a direct impact on how well their customers can run their businesses.

But, AI is also growing more common in the technology that 3PLs use as well. AI's third-party logistics applications range from predictive analytics, which anticipates market trends and supply chain disruptions, to intelligent automation that enhances efficiency across various operational processes. For instance, AI-driven tools can optimize routing and inventory management, reducing costs and improving service levels. Moreover, AI's capability to process and analyze vast quantities of data in real time—the foundation for data analytics—enables 3PL providers to make more informed and strategic decisions.

In an industry where timing and precision are crucial, data analytics is particularly powerful.

Real-time data analysis offers a granular view of the supply chain, enabling 3PL providers to respond swiftly to changing conditions. This agility is crucial in maintaining service quality and customer satisfaction in an unpredictable market. Analytics tools can also dissect customer behavior and market trends, providing insights that drive tailored service offerings that can help 3PLs better serve their customers. Data analytics also help 3PLs enhance and streamline internal warehouse operations that directly impact profitability. The best WMS platforms now offer specific labor analytics dashboards that can help warehouse managers measure the performance of their staff, set productivity goals, and carefully track orders by customer and status from start to end of day. Additionally, 3PL opera-tions leaders can filter the information in these dashboards by customer so they can accurately track the cost to serve each and customer-level profitability, enabling them to make calculated decisions about customer pricing and retention strategies.

As we look to the future, the integration of these technologies presents both challenges and opportunities. The initial investment and the need for skilled personnel to manage and interpret the data and insights generated by these systems are notable challenges. Furthermore, as referenced earlier, AI isn't an out-of-the-box, ready-to-go tool; it takes time and data to train the algorithm to work well. If you plan on using AI in the future, approach 2024 as a building block year for accumulating algorithm training data to enable more robust AI adoption going forward.

The opportunities for efficiency gains, cost reduction, and enhanced customer satisfaction are immense. These technologies are not mere tools but pivotal elements that will define the future of the logistics industry. By harnessing their power, 3PL providers can transform challenges into opportunities, driving innovation and excellence in their operations. 3PL providers who successfully navigate these challenges and leverage these cutting-edge technologies will be well-positioned to lead in the rapidly evolving logistics landscape.

BEST PRACTICE RECOMMENDATIONS

What can 3PLs do to embrace the cutting edge of fulfillment technology?

Start Collecting Data Now

Even if the technology you have now does not have any AI-powered functionality yet, it probably will soon. Or you may be considering switching to a software platform that does. In any case, to prepare for this transition into the world of AI, you need data to start the ML process, and collecting that data as soon as possible will make this adoption smoother and much, much quicker.

Speaking of Data, Get in the Habit of Leaning on Data Analytics

It wasn't long ago that the third-party logistics industry ran entirely manually, and still, many warehouses are just now adopting advanced fulfillment software to replace spreadsheets. Software is, for many, a very foreign language, and there may be some resistance to turning many decisions over to computer systems. However, it is important to remember that software and data are tools to help human workers, not replace them. Data analytics are essential for allowing logistics providers to make informed and strategic decisions efficiently, so getting in the habit of trusting data analytics will enable you to keep up with the rapid pace of the modern supply chain.

Leverage System Integrations

Integrations are the foundation for eliminating data silos between systems—both yours and your customers'. You can adopt "the best" software platforms on the market, but if they do not communicate with each other, data inconsistencies will render them useless. Ensure seamless integration of all your software—both existing systems and new—for a unified approach to logistics management and to get the most out of your technology investments.

Conclusion

As the 2024 State of the Third-Party Logistics Industry Report closes, it's clear that the sector is at a critical juncture. Amidst economic, technological, and geopolitical shifts, the ability of 3PL providers to adapt and innovate remains paramount. This report has underscored the significance of embracing cutting-edge software technologies, rethinking geographic strategies in fulfillment, navigating the complexities of the current shipping landscape with agility and foresight, and approaching 2024 with cost saving strategies at top of mind.

Reflecting on the lessons of the past year, we see that adaptability has been key to navigating these turbulent times. The industry has faced multiple years of unprecedented challenges, and quite frankly, it does not seem like 2024 will bring a return to "precedented" times. Yet, despite (and sometimes because of) these trials, the logistics world has also uncovered new opportunities for growth and innovation. As we look forward to the rest of the year, it’s clear that 3PLs must continue to focus on strategic planning, leveraging technology, and building agile business models to stay competitive.

The need for 3PLs to be proactive is more pronounced than ever. Though the COVID crisis is largely over, instability persists throughout the supply chain, the economy, and global tensions. The introduction of this report stated that many industry experts don't think we learned our lesson from the pandemic; 2024 presents the opportunity to prove them wrong.

Whether it's through diversifying service offerings, enhancing technological capabilities, or developing new partnerships, the ability to anticipate and respond to market changes will be a defining factor in achieving success. 3PLs that can effectively integrate innovation into their operations, adapt to shifting consumer demands, and seize emerging opportunities will not only thrive but also lead the way in shaping the future of the logistics industry.

About Extensiv

In May 2022, 3PL Central, Skubana, Scout Software, and CartRover combined to become Extensiv. Extensiv is a visionary technology leader focused on creating the future of omnichannel fulfillment. We partner with warehouse professionals and entrepreneurial brands to transform their fulfillment operations in the radically changing world of commerce and consumer expectations. Through our unrivaled network of more than 1,500 connected 3PLs and a suite of integrated, cloud-native warehouse management (WMS), order management (OMS), and inventory management (IMS) software, we enable modern merchants and brands to fulfill demand anywhere with superior flexibility and scale without painful platform migrations as they grow. More than 25,000 logistics professionals and thousands of brands trust Extensiv every day to drive commerce at the pace that modern consumers expect.

About Extensiv 3PL Warehouse Manager

Extensiv 3PL Warehouse Manager is the leading cloud-based warehouse management system (WMS) solution 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.

About Extensiv Network Manager

Extensiv Network Manager provides the technology to connect and operate a reliable network of individual 3PL warehouses. For 3PL warehouses looking to scale their business and compete in today's market, Extensiv Network Manager delivers a fulfillment platform to build and manage a reliable network of partners that can extend geographic reach, offer greater services, and enhance SLAs—without impacting your or your customers' bottom lines.

Interested in learning how Extensiv can help your business not just survive but thrive amidst turbulent industry conditions to catalyze your logistics operation in 2024?

Request a Demo Here

For more information, please call us at **833.983.6748** or **visit www.extensiv.com.**