

Demand Drives 3PLs to the Best Growth and M&A Year on Record

MILWAUKEE, WISCONSIN, UNITED STATES, July 14, 2022 /EINPresswire.com/ -- According to [Armstrong & Associates, Inc.](#) (A&A's) newest report, "[A Roaring 2021: Demand Drives 3PLs to the Best Growth and M&A Year on Record](#) – Latest Third-Party Logistics Market Results and Predictions for 2022" strong consumer demand, continued supply chain bottlenecks, and tight carrier capacity sent air, ground, and ocean transportation rates soaring to historic levels in 2021 as shippers leaned on Third-Party Logistics Providers (3PLs) to bolster inventories and avoid product stock outs.

After the volatile 2020 U.S. COVID-driven Third-Party Logistics Market (3PL) created growth opportunities for 3PLs, in particular those with strong carrier management, e-commerce, and air freight forwarding capabilities, year-over-year 2021 saw the fastest 3PL growth since we began estimating the market size in 1995. However, 3PL Market segment growth was uneven.

To meet demand, 3PLs in both ITM and DTM increasingly tapped the spot market to source carriers to cover shipments. While strong demand drove growth across the 3PL Market, the true leaders were those 3PLs with strong carrier management skills that have technologically innovated allowing them to efficiently tap long-standing carrier relationships to cover shipper demand versus being over reliant on using load boards or traditional means to buy capacity at spot market rates.

International Transportation Management (ITM), which consists of air and ocean freight forwarding, customs brokerage, and complementary value-added services, led all 3PL segments with revenue growth.

Overall, ITM realized an unheard-of 74.9% gross revenue gain in 2021 increasing to \$122.4 billion, while underlying global ocean carrier container rates more than doubled from 2020 and air freight rates trended up peaking in December of 2021. While having a lower growth rate than overall gross revenue due to a tight carrier capacity market and high spot market rates, net revenue increased a healthy 44.6% to \$35.6 billion.

Non-asset based Domestic Transportation Management (DTM) includes Freight Brokerage which is 84% of segment revenues and Managed Transportation which accounts for 16%. Like its ITM brethren, DTM 3PLs scrambled to find carrier capacity to meet shipper demand in 2021. Year-over-year gross revenue increased 52.4% to \$139 billion and net revenue increased 50.2% to

\$19.8 billion as strong demand and volatility in motor carrier capacity quickly increased spot market rates compressing segment gross margins to 14.2% from 16.1% in pre-pandemic 2019.

The Value-Added Warehousing and Distribution (VAWD) 3PL segment did very well in 2021. Gross revenue increased 17% to \$54.6 billion and net revenue expanded 15.2% to \$41.1 billion. Most VAWD 3PLs have full warehouses and have participated to some extent in the rapid growth of e-commerce fulfillment which continues to be one of the fastest growing domestic 3PL subsegments with annual growth of 24% from 2017 to 2021.

The asset-heavy Dedicated Contract Carriage (DCC) 3PL segment rounded out the 2021 growth story with more modest growth. Gross revenue increased 15.3% to \$23.1 billion and net revenue growth was 14.7% to \$23 billion. Unlike its non-asset DTM brethren, DCC's growth is limited by each provider's ability to attract drivers and invest capital in equipment. Those 3PLs with freight brokerages which could handle "overflow" business from DCC operations tended to do well.

Total 3PL Segment net revenues (gross revenues less purchased transportation) grew 27.8% to \$119.4 billion reflecting gross margin compression due to a volatile carrier sourcing market and transportation management 3PLs spending more to secure hard-to-find carrier capacity. The overall gross margin for all segments declined from 40% to 35%.

Global 3PL market revenues reached \$1.4 trillion in 2021 resulting in a bounce-back increase of 41.8% versus the mere 7.7% increase seen in 2020 over 2019. The ITM segment led the way at 60.8% year-over-year growth due to continued COVID-19 response and increased international freight rates. While air freight volumes are now above pre-COVID-19 pandemic levels, even with ongoing additions to increase air carrier capacity, it is still under pre-COVID-19 pandemic levels.

There were an astounding 25 large M&A transactions, with purchase prices over \$100 million, among 3PLs in 2021. This is over eight times the number of large acquisitions made in 1999, when we first started tracking them, and over three times the number of transactions seen just last year. The most notable being Kuehne + Nagel's purchase of Apex Logistics International for approximately \$1.5 billion. The combination not only made Kuehne + Nagel the largest global air freight forwarder handling over 2.2 million metric air tons in 2021, it is also the largest 3PL globally, replacing DHL Supply Chain and Global Forwarding in both instances, and continues to hold its place as the largest ocean freight forwarder.

For more information on A&A's newest report, "A Roaring 2021: Demand Drives 3PLs to the Best Growth and M&A Year on Record – Latest Third-Party Logistics Market Results and Predictions for 2022" and other market research, please visit: <http://www.3plogistics.com/product-category/guides-market-research-reports/>.

ABOUT ARMSTRONG & ASSOCIATES, INC.

Armstrong & Associates, Inc. (A&A) was established in 1980 to meet the needs of a newly deregulated domestic transportation market. Since then, through its leading Third-Party Logistics

(3PL) market research and history of helping companies outsource logistics functions, A&A has become an internationally recognized key resource for 3PL market information and consulting.

A&A's mission is to have leading proprietary supply chain knowledge and market research not available anywhere else. As proof of our continued work in supporting our mission, A&A's 3PL market research is frequently cited in media articles, publications, and securities filings by publicly traded 3PLs. In addition, A&A's email newsletter currently has over 88,000 subscribers globally.

A&A's market research complements its consulting activities by providing continually updated data for analysis. Based upon its unsurpassed knowledge of the 3PL market and the operations of leading 3PLs, A&A has provided strategic planning consulting services to over 40 3PLs, supported 24 closed investment transactions, and provided advice to numerous companies looking to benchmark existing 3PL operations or outsource logistics functions.

Evan Armstrong
Armstrong & Associates, Inc.
+1 414-545-3838
[email us here](#)

This press release can be viewed online at: <https://www.einpresswire.com/article/581281042>

EIN Presswire's priority is source transparency. We do not allow opaque clients, and our editors try to be careful about weeding out false and misleading content. As a user, if you see something we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.

© 1995-2022 Newsmatics Inc. All Right Reserved.