

North America Contract Logistics Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The market for contract logistics in North America is anticipated to record a CAGR of 1.23% during the forecast period (2022-2027).

The slowdown in international trade, restrictions due to the COVID-19 pandemic, and drop in the output of industries like manufacturing and automotive have led to a sharp decline in the contract logistics market in North America. The recent relaxation of lockdown in the United States and Canada has increased the manufacturing activity, leading to a surge in contract logistics.

Many business organizations prefer not to allocate in-house human resources and divisions to warehousing and transportation. As a result, warehousing services are outsourced to logistics players.

In recent years, there has been a sharp rise in warehouse leasing from logistics players across North America. The increasing service levels, such as e-commerce and same-day delivery, are influencing retailers to outsource their services.

As the United States reopened after a strict shut down due to the COVID-19 pandemic, the logistics industry is showing signs of recovery, according to the December 2021 Logistics Manager's Index Report. The logistics industry is recovering from an all-time low overall score of 67.2 in January 2021, with an overall LMI score of 75. While December 2021 recorded an LMI score of 70.1.

The border between Mexico and the United States is one of the busiest globally due to the cross-border movement of people and cargo vehicles between Mexico and the United States. Cargo trucks represent 7.9% of the total number of motorized vehicles that cross the northern border. The monthly figure fluctuates around 550,000 units, where almost 72% travel loaded and the remaining 28% circulate empty.

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DHL, Ryder, and XPO are some of the major contract logistics players in the North American market.

North America Contract Logistics Market Trends

Growing E-commerce in the Region is Driving the Contract Logistics Market

Among the three countries in the region, the e-commerce market in Canada is the fastest growing market, while the US market is the largest and steadily growing market. The e-commerce user penetration is relatively low in Mexico. However, the Mexican e-commerce market is expected to witness healthy growth through the forecast period.

In 2021, there were over 27 million e-commerce users in Canada, accounting for 72.5% of the Canadian population. This figure is expected to reach 77.6% in 2025. Increased online shoppers are leading to a continuous increase in retail e-commerce sales in Canada, both in real terms and as a proportion of total retail. In 2021, the United States was the second-largest market for e-commerce by revenue, placing it ahead of Japan and behind China. The e-commerce revenue may continue to increase in the coming years. E-commerce has a share of 13.3% of the total US retail online sales.

Most e-commerce companies award contracts to logistics service providers for warehousing and distribution service. The high velocity e-commerce business models necessitate the companies to have technological solutions that increase the speed of the fulfillment processes.

With the emergence of e-commerce, start-ups related to on-demand and cloud-based warehousing are gaining popularity. These companies offer flexibility to the companies in terms of using the warehousing space according to the seasonal demand instead of long-term contracts for a fixed space. Few examples of such companies include Stord, Flexe, and FlowSpace. These companies are also being awarded long-term projects by their customers. Some companies also offer fulfillment services, presenting tough competition to the existing traditional contract logistics service providers.

The traditional commercial real estate companies are also investing in technology. For instance, ProLogis, the logistics real estate giant, has its own venture fund designed to invest in contract logistics technologies.

Manufacturing and Automotive is Expected to Witness High Growth During the Forecast Period

Manufacturing companies spend a great deal of time looking for ways to beat their competition in new and innovative ways, either through new manufacturing processes, better products, or improved supply chain management.

Logistics for the manufacturing industry comes down to proper routing management. Logistic companies assist with bills-of-lading and freight scheduling to reduce the costs of shipping products to the vendors. In addition to reduced shipping costs, by contracting services to a logistics partner, manufacturers eliminate payroll, benefit, and liability costs that are necessary with in-house staff.

The manufacturing industry is at continued risk for disruption amid ongoing volatility in costs and policy decisions and the COVID-19 pandemic. Due to the pandemic-related shortages, there is pressure on US manufacturers to start producing critical supplies domestically, relying less on European and Asian countries.

The 2022 trajectory for US manufacturing due to the pandemic is positive. The recovery gained momentum in 2021 due to vaccine rollout and rising demand, and industrial production and capacity utilization surpassed pre-pandemic levels in mid-2021. Strong increases in new orders for all major subsectors may lead to further growth in 2022. As per industry sources, the GDP

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growth in manufacturing in the United States is estimated to reach 4.1% in 2022. With lockdowns being relaxed in Canada, there was a surge in manufacturing activity in 2021.

Logistics companies play a predominant role in managing the North American automotive supply chain. Most of the vehicle production in Mexico depends on several key components such as engine and gearbox, which are sourced from the United States.

North America Contract Logistics Market Competitor Analysis

The contract logistics market in North America is fragmented, with a large number of players operating in the market and providing services at various levels. DHL, XPO Logistics, UPS, FedEx, DB Schenker, and Ryder Systems are some of the prominent players in the market. The companies are following the trends of consolidation and expansion to gain a foothold in the market. They are investing in new warehouses and technologies like blockchain and AI. Many mergers and acquisitions took place in January 2022. For example, Schneider acquired Midwest Logistics System to expand its market. In January 2022, Ryder acquired Whiplash for a transaction of USD 480 million to expand its e-fulfillment network with scalable e-commerce and omnichannel fulfillment solutions.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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