

Warehousing and Storage Services Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The warehousing and storage services market is expected to grow by registering a CAGR of about 10% during the forecast period. The growth of the industrial sector, increasing demand for manufactured products, processed and frozen food products, and the expansion of the e-commerce industry are among the significant factors driving the demand for warehousing and storage services.

Key Highlights

Warehousing and storage services provide storage for another company or organization's property, including parts, equipment, vehicles, products, and perishable goods. The increasing demand for an omnichannel model is expected to drive the market. Although customers embrace the online buying trend, offline stores still hold a significant market share, especially in the big-ticket products segment, such as furniture, which expands the warehouse and storage market.

With supply chains being reconfigured to meet demand faster than ever, warehouses are increasingly integrating logistics, as logistics services play a crucial role in this process. Additionally, with the globalization trend further expanding its scope, a significant portion of the inventory of industries that operate globally is delivered frequently from abroad to a warehouse to transfer finished goods through the supply chain, which in turn is also driving the demand for warehouse and storage services. The growth in demand and requirement to store new product types have significantly impacted the complexity of the warehouse service providers, who now have started to look for innovative technologies that can help them reduce the complexity and provide them with tools to manage the facility better. For instance, Warehouse Management System is one such solution that offers visibility into a business' entire inventory and works supply chain fulfillment operations from the distribution center to the store shelf.

Furthermore, warehousing/storage service providers are also focusing on optimizing their batching, handling, and picking processes to enhance delivery times further while ensuring the quality of delivery. Such trends facilitate the development of new

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warehouse construction and management techniques. Additionally, to compete with global players, many vendors are adopting emerging technologies, such as GPS, RFID, VoIP devices, digital voice, and imaging technology for warehouse operations. However, the higher investment required to set up warehouses and adopt advanced technologies is among the significant challenges warehouse/storage service providers face. Furthermore, a lack of awareness among SMEs and common global standards also challenges the market's growth.

COVID-19 resulted in many warehouses running busier than ever, mainly catering to food products, pharmaceuticals, and essential household goods. Amazon, Aldi, Asda, and Lidl have all reported a need to increase their capacities and hire an additional warehouse workforce. Although in some sectors, especially in the industrial and manufacturing domain, the demand declined, especially during the initial phase, the market is expected to recover gradually in the coming years.

Warehousing & Storage Services Market Trends

The Refrigerated Warehousing and Storage Segment to Grow Significantly

The refrigerated warehousing and storage facilities deal with products that require refrigerated and controlled rooms for storage. It also refers to where perishable products are stored or kept at low temperatures. Most of these cold storage rooms or refrigerated warehouses are designed with properties that can keep the items within optimum conditions. Establishments in the refrigerated warehousing and storage industry provide services, such as tempering, blast freezing, and modified atmosphere storage services.

Refrigerated warehousing and storage are showing positive trends toward market growth, mainly in the pharma and food and beverage sectors. The Care Quality Commission recommends that insulins, antibiotic liquids, injections, eye drops, and some creams must be stored between 2°C and 8°C to maintain the effectiveness of the medicines. According to the U.S. Census Bureau, 117.45 million Americans used eye drops and eyewash in 2021. This figure is projected to increase to 118.49 million in 2023. The increasing demand for liquid pharmaceutical products, especially after the pandemic, is expected to impact the market's growth positively.

Refrigerated storage is integral to Supply Chain Management (SCM) when transporting and storing temperature-sensitive products. New opportunities are also being created by bilateral free trade agreements, such as the North America Free Trade Agreement (NAFTA), which allows vendors in the United States to increase the trading of perishable food products with minimal import duties. Such trade agreements favor the market's growth.

Considering the growing demand for cold storage warehouses, the vendors operating in the market continuously focus on expanding their footprint. For instance, according to the International Association of Refrigerated Warehouses (IARW), Lineage Logistics was the most extensive refrigerated warehousing and logistics provider in the North American region, with 42,526.06 thousand cubic meters of temperature-controlled space.

North America is Expected to Hold a Major Share

Several factors also drive the warehousing and storage market in the North American region. An increase in logistics needs for storing raw materials and finished goods for distributors and retailers has been growing as manufacturing companies increasingly outsource warehousing services to focus on productional and operational expansions. Additionally, enhanced operational efficiency and cost savings encourage shippers to outsource the logistics portion of their activities to warehouse service providers. The presence of retail and e-commerce giants, such as Amazon and Walmart contributes significantly to the region's demand for warehouse and storage services. According to Walmart, as of 2022, the company uses 31 dedicated e-commerce fulfillment centers and 4,700 stores within 10 miles of 90% of the U.S. population to fulfill online orders.

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According to a survey of U.S. Amazon sellers, the three most significant pain points for sellers in upstream warehousing and distribution operations were complicated fee structures, high prices for storage, and insufficient storage capacity. To address these challenges, vendors are increasingly focusing on developing new business strategies to attract more customers. For instance, in September 2022, Amazon announced new services to enable sellers to use new, purpose-built facilities for bulk inventory storage and automated distribution.

With significant growth in the manufacturing, retail, and pharma units, the market shows potential growth in the United States. According to the U.S. Department of Commerce, the U.S. warehousing and storage industry's revenue increased to USD 50.49 million in 2021. With vendors continuously focusing on expanding their facilities, such trends are only expected to grow further. Furthermore, the adoption rate of new warehouse and storage technologies is expected to remain high in the North American region as the region is among the early adopters of new technologies. Additionally, the required infrastructure heightened awareness, and availability of a skilled workforce are other significant factors supporting such trends.

Warehousing & Storage Services Market Competitor Analysis

The warehousing and storage services market is competitive, mainly because of the presence of several players. The competition is expected to intensify because of the relatively low entry barriers. Long-term partnerships, mergers, acquisitions, and high investments in warehouse management software are the prime growth strategies adopted by companies to sustain the growing competition. Some major players operating in the market include DHL International GmbH, XPO Logistics Inc., and FedEx Corp, among others.

September 2022 - GXO Logistics Inc., a leading pure-play contract logistics provider, opened a new warehouse facility with Bayer. GXO will manage warehouse support, including all shipping and receiving activities, for Bayer's Crop Science division through its shared-space distribution network GXO Direct at the new 350,000-square-foot facility in Kearney, Nebraska.

May 2022 - Vertical Cold Storage, a developer, and operator of temperature-controlled distribution centers acquired three public refrigerated warehouses in Florida, Nebraska, and North Carolina from US Cold Storage. The company made these acquisitions to support its expanding protein business, including poultry, meat, poultry, and seafood.

Additional Benefits:

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

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