SCOTTS INTERNATIONAL

Russia 3PL - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

Market Report | 2024-02-17 | 150 pages | Mordor Intelligence

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Report description:

The Russia 3PL Market size is estimated at USD 35.71 billion in 2024, and is expected to reach USD 46.97 billion by 2029, growing at a CAGR of 5.63% during the forecast period (2024-2029).

Key Highlights
-The Russia-Ukraine conflict has affected the 3PL market on every level. The effects of the pandemic on warehouse capacity and container availability had just recently started fading when the Russia-Ukraine war started impacting the industry. The war impeded the flow of goods and fuelled cost increases and product shortages. The supply chain disruptions have increased freight charges, created container shortages, and lowered the availability of warehousing space.
-According to experts, the logistics sector in Russia accounts for more than 15% of the economy while the 3PL market accounts for less than 10% of the logistics' share of GDP. While the 3PL services account for more than 50% share in the markets, such as China and other Western European countries, they account for less than one-third of the share in Russia. The lack of maturity in the market also opens it up for international investment and expertise.
-The emergence of Big Data and the availability of industry-specific logistics services are expected to be key driving factors in boosting the industry's growth in the next few years. The implementation of automatic systems has led to improved logistics performance and increased efficiency. The producers of raw materials, such as chemicals and minerals, have developed their own insourced logistics network structures due to the lack of specialized logistics providers in the market. Outsourcing logistics services in commercial organizations in Russia has considerable potential. Companies are looking for outsourcing more and more logistics services to achieve greater cost-effectiveness.
-The Russian government is actively investing in the country's infrastructure development by establishing better roads, rail, and waterways within the country and with other countries. Russia spend USD 6.8 billion from the wealth fund on infrastructure projects in 2022. Moscow has previously announced that it plans to invest in creating new highways and expanding its railway

network which will significantly boost the market.

Russia Third-Party Logistics (3PL) Market Trends

The Rise in the E-Commerce Sector

Russia is the twelfth largest market for eCommerce in 2021. In the Russian eCommerce market, the number of users is expected to amount to 75.4m users by 2027 and the user penetration will be 47.3% by 2023 end and is expected to hit 52.2% by 2027, according to Statista.

The Russian e-commerce companies are expanding aggressively, in terms of warehousing space and collaborations with logistics companies for faster deliveries of goods. The Belgian logistics provider Ahlers opened a warehouse in Orientir Park in Moscow region, Russia. Orientir and Ahlers concluded a deal to lease 10,000 sq m of warehouse space and 700 sq m of office space in Orientir North-4. Ahlers said this is an important milestone for the company to further develop its business in the Moscow region, centralizing services for its customers, whilst improving quality and speed in today's growing e-commerce market in Russia.

The coronavirus (COVID-19) outbreak in 2020 caught off guard most industries, not only in Russia but all over the world. E-commerce, on the other hand, was among the few industries that benefited from the global pandemic to some extent. Namely, the Russian e-commerce market, which has been transitioning from slow to accelerated development in the past decade, is projected to experience enhanced growth over the post-pandemic period. Online orders made from the capital Moscow accounted for more than one-third of the total orders placed in Russia during the pandemic.

The unrelenting growth of e-commerce is fundamentally changing the third-party logistics (3PL) landscape. To stay competitive and meet increasing consumer expectations for on-time and accurate deliveries, more e-commerce retailers are outsourcing mission-critical components of their distribution and fulfillment operations to 3PL partners. Thus, 3PL is also increasing with the growth of e-commerce.

Increasing Storage Infrastructure Demand is Driving the Market

To fulfill the ever-increasing demand for storage space by the manufacturing, retail, e-commerce, and logistics companies, the underdeveloped warehousing market in Russia is now, under development. Backed by government initiatives, private investments, and FDI in the country, the warehousing space is expected to increase significantly during the forecast period. In the year 2020, FM Logistics opened the second stage of its warehouse in the Noginskdistrict, near Moscow, Russia offering 12,500 sq. meters of additional space, bringing the facility's total surface to 66,000 sq. meters and its storage capacity to 85,000 pallet spaces. In December 2021, Tablogix has announced the closing of the acquisition of 100% of Itella Logistics' warehousing and transportation business in Moscow and the Moscow region. Tablogix has acquired over 180,000 sq m of Itella's warehousing facilities located in Krekshino (60,000 sq m), Odintsovo (40,000 sq m), and Khimki (80,000 sq m). As a result of the deal, the total warehousing facilities of Tablogix now make some 400,000 sq m making the company the second largest player in the Russian warehousing market.

Along with the growth in the general warehousing space, the development of cold storage facilities is also speeding up. In October, during the COVID-19 pandemic, Maersk launched the construction of its new cold storage facility in St. Petersburg to address the needs of increasing demand of the Russian market that will be focusing on offering specialized solutions extending the life cycle of perishable goods.

The warehousing service as compared to the transport service is relatively underdeveloped and is currently under development.

Simple logistic operations like transportation and freight forwarding by all modes of transport are developing dynamically in Russia as compared to complex logistics services like end-to-end integration and supply chain management. As of the first half of 2021, Moscow had the highest number of warehouses of fulfillment operators in Russia, with 65 properties. Next was Saint Petersburg, where 33 fulfillment warehouses were located. Vacancy rates in St. Petersburg are some of the lowest in Europe. The demand for modern large-scale logistics facilities has been increasing and expanding in recent years in Russia.

Russia Third-Party Logistics (3PL) Industry Overview

The Russian 3PL market is relatively fragmented with many local and international players, including Eurosib, Nienshants Logistics, STS Logistics, and RZD Logistics, a subsidiary of the RZD state-owned railways. Foreign logistics companies are entering the Russian outsourced logistics industry and some key players include DHL, Kuehne + Nagel, UPS, DP World, and DB Schenker. The Russian third-party logistics market is expected to increase as service providers move toward the use of automated freight payment and audit services to lower their costs. Despite the advantages and cost savings that 3PL services offer, they are generally undervalued in Russia. For 21% of Russian companies, transportation accounts for 11-20% of their operating costs, and for a further 18%, this rises to the 21-30% range. This indicates a very high share of the companies' operating revenues. As such, the 3PL market in the country has very significant growth potential.

Additional Benefits:

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

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