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HOW TO LOWER FULFILLMENT COSTS WITHOUT SACRIFICING SPEED OR ACCURACY

The real drivers of fulfillment costs are easy to miss. For example, hidden fees that are buried in contracts and inventory mismatches that trigger expensive reships create inefficiencies in your supply chain that eat away at your margin.

For growth-focused brands, the challenge isn't just how to lower fulfillment costs. It's finding ways to reduce spend without losing speed, accuracy, or customer trust. That means moving beyond basic rate comparisons and digging into the real drivers of your fulfillment costs.

This guide breaks down the six areas where costs most often get out of control, and shows you how to evaluate, fix, and prevent them.

NUMBER 1:

UNEXPECTED FEES ADD UP FAST.

Fulfillment costs often look straightforward on the surface. The proposal lists storage, pick and pack, and shipping rates, and it all seems clear. The reality is that many of the most expensive cost drivers appear later in the relationship, tucked inside project work, relabeling charges, or administrative tasks that weren't defined upfront.

Here are practical ways to make sure those costs don't quietly erode your margin:

- Review invoices regularly and compare actual billing to the original scope of work.
- Clarify in advance how value-added services like kitting or relabeling will be billed, whether by unit, hour, or project.
- Define what triggers a scope change and how those changes will be reviewed before new charges appear.

When you understand how fees are structured and where they show up, you gain a clearer picture of your true cost per order. That clarity makes it easier to budget accurately, compare providers on more than just headline rates, and avoid surprises that can throw off financial planning.

NUMBER 2:

INACCURATE INVENTORY IS EXPENSIVE.

Inventory mistakes are one of the fastest ways to increase costs. When system data does not match what is on the shelf, the result is backorders, reships, and extra labor to fix the problem. Over time these errors frustrate customers and quietly reduce margin.

You can reduce these risks by tightening how inventory is tracked and reconciled:

- Run cycle counts consistently and tie the results directly to financial reporting.
- Schedule full physical inventories at least once a year, with double verification to catch discrepancies.
- Make sure ERP, WMS, and order platforms are syncing in real time across every location.
- Use predictive tools to spot demand shifts before they create costly stockouts.

It seems obvious that inventory should always be accurate, yet it is also one of the easiest areas to overlook as operations scale. Small mismatches are often dismissed as routine, but those gaps turn into backorders, reships, and unplanned freight costs that eat into your margin. The brands that stay disciplined with cycle counts, reconciliations, and real-time visibility avoid those hidden costs and keep their fulfillment predictable.

NUMBER 3:

POOR WAREHOUSE LAYOUTS INCREASE LABOR COSTS.

Labor is one of the largest drivers of fulfillment cost, and much of it comes down to how products are slotted in the warehouse and how pickers move through the floor. When high-demand SKUs are stored in bulk locations or spread too far apart, every order takes longer and requires more labor than necessary. Over time, this inefficiency shows up directly in cost per order.

Here are a few straightforward ways to improve efficiency without adding headcount:

- Use ABC slotting so the fastest-moving SKUs are placed closest to packing and shipping stations.
- Group SKUs that are often ordered together to shorten travel paths.
- Audit pick and pack performance regularly to identify slow zones or layout bottlenecks.
- Consider batch or zone picking strategies that cut down on unnecessary movement.

Most teams assume that once a warehouse layout is set, it doesn't need to be revisited. In reality, product lines shift, order profiles change, and what worked last year often creates waste the next. When slotting and picking strategies are reviewed regularly, labor costs come down and orders move through the building faster without adding staff.

NUMBER 4:

ORDER MISTAKES DOUBLE YOUR COSTS.

Order mistakes cost more than just the product. They create return shipping fees, extra labor to reprocess items, and customer service time that pulls attention away from other priorities. For brands with growing volume, even a small drop in accuracy leads to real margin loss.

The way to keep this from becoming a hidden expense is to make accuracy part of the oversight you expect from your provider:

- Accuracy rates should consistently stay above 99.5 percent.
- Reports should show where errors happen and how they are corrected.
- Errors should be traced back to a root cause instead of being fixed in the moment.
- Automation and verification should be in place to prevent issues from repeating.

Accuracy is often treated like an operational detail, but it has direct financial impact. The brands that hold their providers accountable here avoid paying twice for the same order and keep fulfillment costs predictable.

NUMBER 5:

RETURNS CREATE HIDDEN EXPENSES.

When returns are not processed quickly, costs build in ways that are not always visible. Inventory takes up space that could be used for active stock, labor hours are spent managing items that should already be resolved, and customers are left waiting longer than they should.

There are a few ways to make sure returns stay efficient and do not create extra expense:

- Set clear service level agreements so returns are processed within hours instead of days.
- Establish rules for what gets restocked, refurbished, or scrapped to prevent inventory from piling up in limbo.
- Automate customer notifications so updates happen as soon as items are received.
- Review returns reporting to spot recurring product or packaging issues that create unnecessary costs.

Returns are often treated as a back-office task, but they have a bigger impact than most people think. When they move slowly, storage costs rise, inventory that could be resold is stuck in limbo, and customers wait longer than they should. Having clear SOPs for returns keeps the process moving, limits extra costs, and avoids customer frustration.

NUMBER 6:

CARRIER PLANNING GAPS INCREASE COSTS.

Shipping is one of the biggest variables in fulfillment costs, and it often becomes more expensive than it should be. Relying on a single carrier, waiting too long to secure rates, or failing to track performance by zone can all drive costs higher without anyone noticing until invoices arrive.

The easiest way to keep shipping costs predictable is to confirm how your provider manages carriers and rates:

- Capacity should be secured ahead of peak so you are not paying premiums at the last minute.
- More than one carrier should be in use, with orders routed based on both cost and performance.
- Shipping spend should be modeled by zone, weight, and dimensions so you can see where costs are concentrated.
- Rates should be benchmarked regularly against the market and reviewed with you.

Carrier strategy may feel like something only the fulfillment partner manages, but it directly affects your cost per order. When it is handled proactively and reviewed often, brands avoid unnecessary spend and keep delivery commitments intact.

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THE BIGGEST COSTS IN FULFILLMENT COME FROM THE ROUTINE AREAS THAT ARE EASIEST TO MISS.

The more consistently these six areas are managed, the fewer surprises you face and the easier it becomes to keep costs in check. This guide is meant to give you a starting point for evaluating those areas, spotting gaps early, and putting processes in place that keep problems from destroying your margins.

If you find that you want to explore 3PL options, schedule a discovery call.

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If it's the right time to understand your options, contact us directly at (866) 232-6533 or email at sales@idsfulfillment.com.