

## Comparing Warehouse Providers

**‘The essential guide to compare warehouse providers -  
learn the tricks, save thousands!’**

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A warehousing or Fulfilment solution can be a complicated process from a suppliers perspective, and even more so for the customer.

Exalt has have therefore prepared this free guide to assist with the comparison process, highlight hidden charges, and allow a business to accurately compare multiple providers to identify the lowest overall cost, and highest possible service level.



### Overall Cost

Each Warehouse provider has a different method of charging, and refers to their own activities or charges with different terminology. When comparing rate schedules side by side, it is important to consider the overall cost, rather than focussing on particular charges which may be higher or lower. We therefore **STRONGLY** advise building a simple cost model to calculate the total annual charge for each provider. A sample cost comparison model is freely available and can be supplied upon request.

Whilst the overall activity determines the annual cost, the key costs are usually **STORAGE**, **ORDER PROCESSING**, **PICKING**, and **PACKAGING** charges, which will result in around 80% of the total cost of the warehousing. Be sure to enquire about **SETUP COSTS**, weekly admin fees, pallet hire, and most importantly annual freight charges, which are normally more expensive from anywhere other than Sydney, into the rate model.

### Storage

Storage costs are calculated based on the amount of space occupied per week. This space is usually calculated around the number of pallets or shelving, but can sometimes be per carton, per shelf, or per square metre. A lower capability provider may offer a cheaper storage rate, however it is important to check if the provider can hold mixed products per pallet, if not this can result in a full pallet storage charge being applied to the very last carton of your product. This will result in a much higher overall cost, and demonstrates the system capability of your supplier.

Also ensure that you enquire about pallet hire charges which apply on top of storage, and the cost for any shelving occupied to assist the pick process.

## Order Processing and Picking

The order processing and picking fees are the costs associated to the despatch of orders from the warehouse. This is often where most costs are incurred in the process, and similarly where the greatest variance between providers occurs

Different charge methods suit some business profile more than others, for a company shipping lots of small orders each week a low order processing fee, which may include one or more items per order would usually work best, where businesses shipping smaller numbers of bulk or full pallet shipments should focus on a lower pallet pick rate

Using a cost model would be advisable when comparing providers, also checking whether your provider will be charging all picking per item, or per carton when a full carton is ordered, the number of inclusive picks, and how the cost per order decreases as the order volumes increase

## Packaging

Most customers will require packaging to be supplied for the despatch of some, if not all orders. Packaging charges can vary wildly between providers, whilst other suppliers recommend a customer supplies their own materials.

The cost of new cartons can vary between one and five dollars each, other packaging can be up to or more than one dollar, plus bubble wrap or void fill in addition. A good provider should be able to supply a range of packaging cost effectively.

Recycled cartons are a low cost, and environmentally friendly alternative ensuring good freight utilisation, and the quality in most cases is as good as new. Supplying your own materials is an option, however your purchase cost will not be as good as the provider purchasing in bulk, the range will be limited, resulted in increased freight costs, plus capital is tied up and storage may also apply.

## Freight Charges

As important as the overall warehousing cost, is the total freight or distribution cost of orders. An annual freight bill is likely to run at a similar overall cost to the warehousing charges, therefore it is very important to consider this as part of any warehousing selection.

A good Fulfilment provider should be able to offer a range of freight options, at competitive rates beyond what the customer could achieve individually. Using more than freight provider will deliver the best overall service at the lowest cost.

The location of the freight or storage should also be strongly considered. Based on average population density across Australia, Sydney will deliver the lowest freight costs around 15 percent cheaper than Melbourne or Brisbane, and much less than Adelaide or Perth. This saving will outweigh the cheaper cost of storage in those states, and results in a Sydney provider normally always being the cheapest option.

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