Understanding Commercial Warehouse Pricing

How shippers can turn pricing knowledge into lower rates

Pricing Summary

Carton Dim
Stack Height
Turn Rate

What's Inside?

Section 1

Our thoughts on commercial warehouse pricing and how shippers can benefit from a greater understanding of how this pricing is calculated.

Section 2

Pricing calculations for the three cost components of warehouse pricing, including examples of how changes to storage or handling characteristics can reduce costs.

- Receiving inbound products
- Storing products
- Preparing orders for shipment

Section 3

Summary and conclusion.

Appendix

Typical questions 3PLs will ask you in order to calculate warehouse pricing.

Section
ONE

Some Thoughts About Commercial Warehouse Pricing

Commercial Warehouse Pricing
Why you should care

Okay, so you've just begun reading an eBook with the title "Understanding Commercial Warehouse Pricing."
A few questions:

- **Do you have insomnia problems and feel this eBook could be the cure?**

- **Are you a Guinness World Book researcher looking for "the world's most boring eBook?"**

- **Or maybe, just maybe, are you as nerdy as we are and believe the more you know, the smarter you can become at evaluating rates and saving your company money?**

Let's assume we've nailed it with that last guess. Now, why are we writing this guide?

Mainly, it's because companies with warehousing needs (shippers) who are knowledgeable about pricing make our job, as a third party logistics company (3PL), easier. How? Because a knowledgeable shipper will give us the detailed information we need to price accurately. Also, that knowledge leads to fair cost comparisons between competing 3PLs. We hate losing out on your business, but when we lose we want to lose fair and square.

The problem is that 3PLs have different pricing methodologies and don't always account for costs in the same way, so that makes it difficult for shippers to do an apples-to-apples price comparison. This eBook provides an overview of how 3PLs determine warehousing rates. With this understanding, companies that use commercial warehouses can work more effectively with their providers and can even learn how to **reduce their costs by changing the way inventory is stored and handled.**

Why Do Companies Use Commercial Warehouses?

Commercial warehousing is a popular solution because many 3PLs can offer transactional rates. Most businesses don't have predictable requirements for space and labor. Volume fluctuates for different reasons – the season of the year, the economy or just whether the new product is a hit with consumers. So, rather than invest in a logistics infrastructure, companies "rent" space and services, giving them a variable cost model where distribution costs parallel their revenue streams.

Think parking meter. It allows you to park and pay only for the time you need. With commercial warehousing, you pay for space and services as needed.

Is Warehouse Pricing Simple?
Well, yes and no.

At one level, warehouse pricing is very simple in that it considers just two basic components: the amount of SPACE needed and the TIME it takes to perform certain tasks. So, if you know your space costs and labor costs, coming up with a rate should be straightforward.

Whoa… not so fast.

Tasks can be performed in different ways – with or without automation, with or without computer systems, with or without engineered process flows. All of which impact time. And products can be stored in different ways – unstacked on the floor, stacked several levels high on the floor, or in racks as high and as deep as the building and business profile will allow. The storage method will dramatically impact space required and ultimately, the storage rate.

Detailed information is required to determine how much space and labor will be required. Gathering this data can be tedious, but the more information that can be extracted and shared, the more accurate the pricing will be.

On Apples and Oranges
Why it's tough to compare competitive warehouse bids

When evaluating transportation rates from carriers, rate comparisons are easier than those for warehousing. Trucking companies have published tariffs for services. As rates are requested, these carriers will ask about the commodity, the originating address, the destination address, and whether the product is palletized or floor loaded. With this information, carriers can reference their tariffs and quickly provide a quote.

Apples to apples.

But precise warehouse rates require a more detailed analysis. Companies often cannot provide all the data requested, so 3PLs have to make assumptions in order to complete the pricing profile. Different 3PLs make different assumptions, and these differences are reflected in different rates for the *same exact volume and services*.

Apples to oranges.

In the absence of good data up front, providers may protect themselves by assuming a "worst case" scenario. A simple example would be stackability. Without detail that pallets can be stacked on top of each other 3 high (taking up less floor space per pallet), the provider may assume it can't be stacked and base the storage pricing on 30,000 sq. ft. instead of 10,000 sq. ft.

Other providers will do the opposite. They will assume a "best case" scenario in order to lowball rates and get the business. In three months, they'll ask for an increase after showing you how the actual operations are very different from initial assumptions.
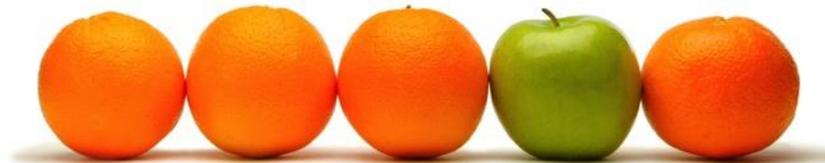
Accurate Rates
The importance of good data

3PLs utilize profile worksheets to calculate rates. Each 3PL has its own worksheet, but the approaches are similar. They look at a variety of data, including product volume, case size, pallet size and weight. See **Typical Pricing Worksheet Questions** in the appendix section.

Understandably, shippers often can't provide all the details requested. Here are some *actual shipper responses* to worksheet questions:

> *"I'm not sure about the number of pallets, but it's 25,000 pounds."*

> *"I don't have access to this information. Would need to talk to the systems department to get it, and they're busy."*

> *"I think it will be 500-1,000 orders a day, I think."*

> *"I don't have any of this data, they just asked me to find a warehouse in your city."*

> *"For number of orders, just use the average orders for your others customers who are like me."*

> *"Can I just be charged one all-in rate no matter what the volume, (I don't really know the exact volume)?"*

Missing or incorrect data will result in inaccurate rates. For example, let's say a shipper does not know if products can be stored 2 pallets high or 3 pallets high. If the 3PL needs to charge $15 per pallet footprint, then the rate for 2-high storage would be $7.50 per pallet. But if the product can be stored 3-high, the rate would drop to $5.00 per pallet.

> *"I think it will be 500-1000 orders a day, I think."*

"Can You Lower Your Rates?"

Hmmm, we get that question a lot.

If the characteristics of the project are not changing, then the real question being asked is, **"Can you lower your profit?"** Well, we could, but then we'd have little or no money to reinvest in the business. Eventually, quality would suffer and we'd go out of business. Bad for us, but bad for the customer as well, who now needs to find another provider and move their inventory at a significant cost and disruption. (Did we mention, bad for us?)

That's why the right response to the warehouse rate question is to *discuss ways to change how the product is stored or handled in order to be more efficient.* It's here that understanding the details of warehouse pricing really helps. The more you know about how rates are determined, the more ability you have to adapt how your product is ordered, stored and shipped in order to reduce these costs.

How Determining Warehouse Rates Is Like Preparing Your Tax Return

Too often, companies assume that the rate is the rate. Not true. You have the power to control and reduce your warehousing costs.

An analogy might be preparation of your yearly IRS tax return. If you keep poor records and have no knowledge of allowable deductions for health expenses, business travel, and the like, you may pay more than you should. In contrast, if you keep meticulous records and have a solid understanding of IRS allowances, you're more likely to get that fat refund.

In warehouse pricing, as in tax accounting, knowledge can translate into significant savings.

How much savings? According to the Department of Transportation, total logistics costs represent about 10% of a company's revenue. Warehousing costs, not including inventory carrying costs, are around 9% of that logistics spend. For a billion dollar company that spends $9 million a year on warehousing, a 15% reduction in these costs adds $1.3 million to company profit. For a smaller, $50 million dollar company, a 15% reduction in warehousing costs translates to about a $68,000 profit increase – still nothing to sneeze at.

OK, enough of this general stuff. Let's get into the details about warehouse pricing. The next section of our guide details cost components and calculations for the three cost buckets of commercial warehousing:

- Receiving products into the warehouse – **INBOUND PROCESSING**
- Storing the product – **STORAGE**
- Picking and preparing orders for shipment – **OUTBOUND PROCESSING**

In each case, we'll present base characteristics and pricing, and then look at how changing these characteristics can impact the price.

Attention Distribution Pros:

Sorry, this guide is written to be helpful to a broad range of shippers – experienced and inexperienced. So you might find some of the concepts and examples simple. Stay tuned for the sequel: "Advanced Concepts in Warehouse Pricing!"

(To be clear, there *won't* be a sequel.)

Section
TWO

Pricing Calculations and Examples

NERD ALERT:
Reading beyond this point may be harmful
to your social status.

Inbound Processing

It all starts with an inbound shipment. How do products arrive at the warehouse? A simple question with lots of answers. Inbounds can arrive via truckload, LTL, box car or parcel, and each inbound will have its own characteristics. To provide pricing, here are just some of the things a 3PL would want to know:

- How many inbounds are received each month/year?
- What is the average number of SKUs (stock keeping units) per inbound?
- Are products on pallets or slipsheets, or are they floor loaded?
- If palletized, how many SKUs are on each pallet?
- What is the average number of cases per inbound and how many units are in each case?
- What is the average weight of an inbound?
- How does the product arrive: % Truckload? % Import Container? % LTL? % Parcel?

Let's look at characteristics for a sample inbound load, then review how it's priced:

- Full import container in
- 100% floor loaded
- 2,000 cubic feet per inbound
- Average case size is ½ cubic foot
- Average 4,000 cases per inbound
- Average 108 cases per pallet
- Average 38 pallets per inbound
- Average 4 units (eaches) per case
- Average 30 SKUs per inbound
- Pallet height is 54 inches

Inbound Processing

Specific actions must be taken to process the container, and each of these labor functions takes time. Your 3PL needs to account for all of this time. They should use accurate productivity factors for each process step based on an engineering analysis. The following table breaks out a detailed handling process for our sample inbound load. The numbers used are hypothetical and simplified for illustration purposes.

Process Steps	# of Times	Minutes Per Time	Total Time
Verify seal number	1	1	1
Open the trailer doors	1	1	1
Retrieve stacks of pallets to put the product on	2	8	16
Place empty pallet	38	.50 min	19
Hand stack cases onto pallets	4000	.168 min	672
Sort SKUs – 1 SKU per pallet	30	5	150
Unload pallets onto dock	38	1.1	41.8
Count products	38	.50 min	19
Look for damages/QC	38	.15 min	5.7
Apply labels to pallets	38	.25	9.5
Stretch wrap each pallet	38	3.5	133
Put away each pallet into stock	38	4	152
Record locations	38	.10 min	3.8
Receive into system to make inventory available	1	10	10
		TOTAL	1,233.8 min

In this example, it will require 1,233.8 minutes (20.56 hours) to unload and receive the container into inventory, or 18.5 seconds per case.   At 4 units per case, this equates to 4.63 seconds per unit. The 3PL will apply the following formula to determine a handling rate, per case: **(fully loaded productive hourly rate x hours to unload trailer) / # of cases.**

Inbound Processing
Changing characteristics to lower costs

Using this same volume of product, let's look at how changing the way product is shipped can reduce the rate. Let's say your customer base has changed. While you once served many mom-and-pop stores who ordered in small quantities, now most of your orders are for 25 or more of each SKU ordered. In this situation, you could afford to put more units in each case. The following table compares our original process with a new process if there were 12 units in a case, not 4. We note in RED where the change impacts labor.

Process Steps	# of Times		Minutes /Time		Total Time	
	Before	After	Before	After	Before	After
Verify seal number	1	1	1	1	1	1
Open the trailer doors	1	1	1	1	1	1
Retrieve stacks of pallets to put the product on	2	2	8	8	16	16
Place empty pallet	38	38	.50	.50	19	19
Hand stack cases onto pallets	4000	1333	.1698	.172	672	229.3
Sort SKUs – 1 SKU per pallet	30	15	5	5	150	75
Unload pallets onto dock	38	38	1.1	1.1	41.8	41.8
Count products	38	38	.50	.50	19	19
Look for damages/QC	38	38	.15	.15	5.7	5.7
Apply labels to pallets	38	38	.25	.25	9.5	9.5
Stretch wrap each pallet	38	38	3.5	3.5	133	133
Put away each pallet into stock	38	38	4	4	152	152
Record locations	38	38	.10	.10	3.8	3.8
Receive into system to make inventory available	1	1	10	10	10	10
					TOTAL	716.1

The new process requires just 716.1 minutes to unload and receive the container, or 11.94 hours. Applying the same pricing formula, this rate will equate to 32.2 seconds per case, or 2.6 seconds per unit. **This one change would save 42% on inbound handling costs.**

Inbound Processing
Questions to ask providers when evaluating pricing

- What time value are you using for putting pallets away into stock?

- What time value per case are you using to hand stack floor loaded containers onto pallets?

- How much time are you allocating to stretch wrapping?

- How soon after the product is received is it ready for shipping? Is data RF driven or manually input?

- Is the decision on where to put away products after receipt driven by the Warehouse Management System or does the warehouse person decide?

- What are your labor rates?

- What percent of your labor is full-time staff versus temporary workers?

Storage
How do 3PLs determine space costs?

When a 3PL calculates your storage rate, that rate reflects the costs for the space itself, plus insurance, building maintenance, communication systems, material handling equipment, utilities, trash disposal, security, janitorial, taxes and other expenses that go into operating the facility.
In a multi-client distribution center, these overhead costs are shared across multiple customers.

The 3PL will divide all these costs by the facility's total square footage to develop a total cost per square foot rate, used to calculate your pricing. For pricing purposes, the 3PL will consider two types of space:

- **Direct space** – the square footage required to store your product, also known as "footprint."

- **Indirect (shared) space** – the square footage the 3PL will use to service your account that is ALSO used for other customers in the building. Shared space could include travel aisles, office space and staging areas near dock doors. (See warehouse floor illustration on the right.)

The customer pays for 100% of the space they use as direct space, plus a portion of the indirect space costs, to arrive at their **cost per square foot**. The formula used:

Cost per square foot = Total cost per square foot / direct space %

If the total cost per square foot is $0.80 and direct space equals 80% of the total DC space, then:

$0.80 / 80% = $1.00

(This hypothetical $1.00 rate per square foot is the one we will use for subsequent examples.)

Command Center Area
(shared)
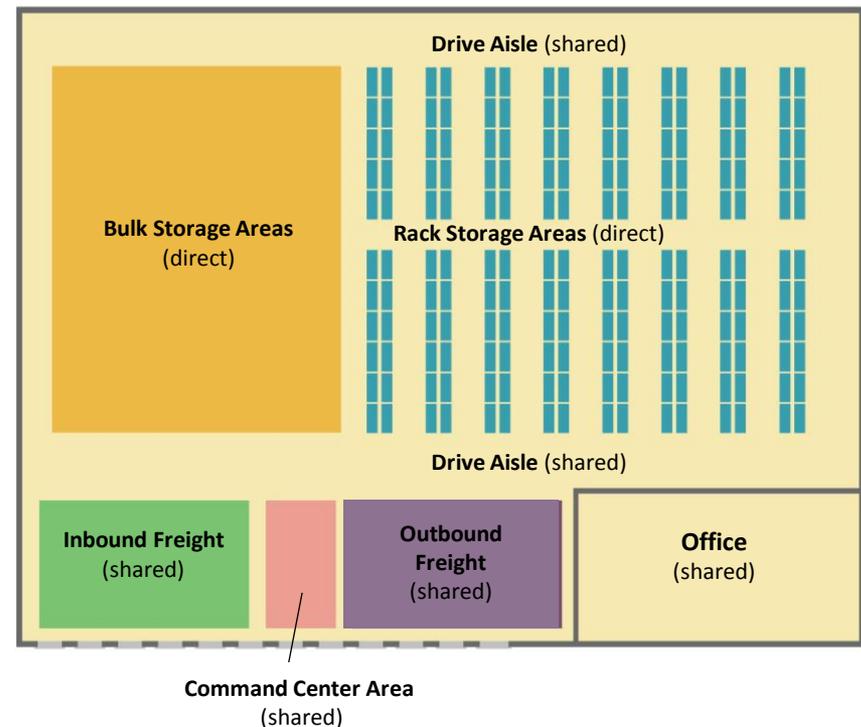
Storage
## Other factors that impact space cost

Your storage costs will be impacted by several other factors:

Stackability relates to exactly how the pallets are stored. Floor or racks? Unstacked or stacked? The higher you can stack pallets, the less floor space you occupy for the same amount of inventory, therefore the less you pay.

Inventory Turn Rate = total annual inventory shipped / average inventory on hand. So, if average inventory is 1,000 pallets and 12,000 pallets ship during the year, your turn rate is 12. Storage costs are calculated monthly, so *the cost of storing an item will decrease as your turns increase*. Pallets that occupy storage space for only part of the month may incur less costs.

Honeycombing Factor relates to the percentage of storage space lost to partially filled pallets, or a partially filled row of a storage location. For instance, if there is a warehouse location that fits 3 pallet positions (for the same material/batch) and there are only 2 pallets available for that combination, the warehouse will keep this position empty as you cannot merge different batch or materials in the same location.

3PLs must factor this required extra room into their rates to recoup their building costs. NOTE: If the storage rate is calculated on a per-case basis for pick and pack accounts, the same honeycombing principle applies. So if the pallet rate for storage is $10.00 and there are 40 cases per full pallet, the storage rate per case would be $0.25 per case per month. However, if the average cases per pallet is 35, due to this honeycombing on the pallet, the rate would be $0.285 per case.

Honeycombing
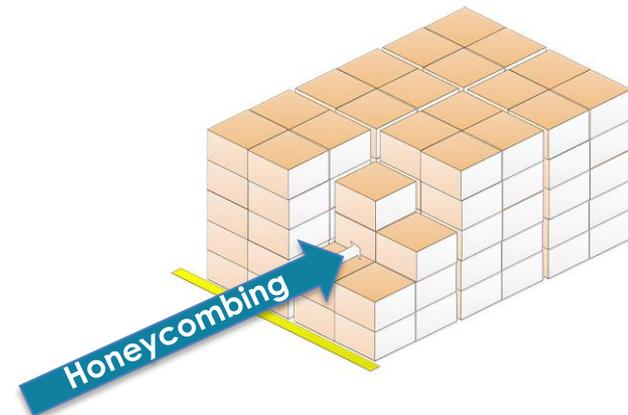
Storing Products
Coming up with a rate

Warehouse rates can be developed per pallet, per case, or per unit. Let's walk through a calculation for a pallet rate, with the following assumptions:

- 10 pallets of standard pallet size (40" x 48")
- 5 pallets deep configuration (5 pallets in a single row)
- Square feet required per pallet = 20.8
- Direct square footage is the space under the pallets stored, plus part of the aisle associated with this product (in bulk storage, the aisles are normally 12 feet wide)
- Direct storage rate is $1.00 per square foot

Here is the calculation you would use to determine the square footage required:

- ((5 pallets deep x 4 feet for pallet length) + 6 feet for ½ the aisle) x 4 feet for pallet width
- (20 feet for product + 6 feet for ½ the aisle) x 4 feet for the width of the pallet = **104 square feet per bulk storage row**
- Then calculate the stackability factor. In this case, the pallets can be stored 2 high, so the 3PL can store 10 pallets in this 5 deep configuration. The direct square footage per pallet at 100% capacity is therefore 10.4 square feet per pallet (104 square feet / 10 pallets).
- Honeycombing factor. At a cost per square foot of $1.00, the cost per pallet at 100% utilization is $1.00 x 10.4 square feet, or $10.40 per pallet. Assuming a honeycombing factor of 15%, there will be an average of 8.5 pallets stored within this space. The rate per direct square foot with honeycombing is $10.40 divided by 85%, or $12.24 per pallet.

It may be possible to influence turn rates and stackability to alter the costs. Let's look at two separate examples of how such changes impact rates.

Storing Products
The impact of stackability on rates

3PLs charge you mostly for floor space, not the air above it. So the higher you can stack product in that space, the lower your storage cost will be. Following is an actual example of a company that, at the suggestion of its 3PL partner, proactively upgraded its corrugate in order to improve stackability.

The floor loaded product had a maximum stack height of 12-feet-high, which limited the company to 2 pallets high. Placing any more pallets on top crushed the cardboard and damaged product. But the 3PL suggested investing in a heavier, albeit higher-priced, corrugate in order to stack higher and reduce space and storage costs. The chart to the right shows the before and after costs, and an analysis of the ROI after factoring in the additional cost of corrugate.

	Before	After
Pallets	10,000	10,000
Stack height	2-high	3-high
Depth	5 deep	5 deep
Square feet occupied	122,350	82.000
Cost/square foot	$1	$1
Monthly storage cost	$122,350	$82,000
Monthly savings on storage	--	$40,000
Annual savings on storage	--	$480,000
Annual incremental cost of upgraded corrugate	--	$200,000
Annual net savings in storage costs	**--**	**$280,000**

Condensing the inventory also reduced travel time and handling rates due to less travel time to stock and pick products.

Storing Products
The impact of reduced inventory on storage costs

If you ship 30,000 pallets of inventory per year with an average on-hand inventory of 10,000 pallets, your turn rate would be 3. But what if 40% of that inventory does not move? These are storage costs you are paying with little hope of a future return. Too often distribution managers assume that they have little control over inventory decisions. And that could be the case. But it's also often the case that no one is really paying close enough attention to:

1) the length of time certain products sit in a warehouse

2) the storage costs for this dead inventory

Distribution managers are in a prime position to put a spotlight on these two issues and push for a change.

The following chart examines the cost implications of liquidating the dead or slow moving inventory, thereby increasing the turn rate from 3 to 5.

	Before	After
Pallets shipped per year	30,000	30,000
Average inventory on hand	10,000	6,000
Turn rate (annual pallets shipped/avg inventory on hand)	3	5
Space required	100,000 sq. ft.	60,000 sq. ft.
Monthly storage cost at $1/sq. ft.	$100,000	$60,000
Monthly storage cost savings	--	$40,000
Annual storage cost savings	--	**$480,000**

Storing Products
The impact of inventory turns on storage rates

Now let's see what happens if we maintain the same amount of inventory in the warehouse, but replenish the stock more frequently, thereby increasing the turn rate. We will assume a cost per square foot of $1.

The formula for calculating the per-pallet rate is:

PALLET RATE = Storage revenue / (pallets of inventory on hand + pallets received per month)

Following is the pallet rate calculation for both our baseline 3-turn storage environment and a 5-turn environment where pallets are being received and shipped more frequently. Since there are 10,000 pallets on hand in both examples, the required storage revenue would be $100,000.

3-Turn Example
Pallet Rate = $100,000 / (10,000 + 2,500)
Pallet Rate = $100,000 / 12,500
Pallet Rate = $8/pallet

5-Turn Example
Pallet Rate = $100,000 / (10,000 + 4,167)
Pallet Rate = $100,000 / 14,167
Pallet Rate = $7.05/pallet

Storing Products
Questions to ask providers when evaluating pricing

- What is the honeycombing ratio being used in my storage rate?

- What percentage of products is being bulk stored versus rack stored?

- What is the logic for storing my products in your warehouse in order to create the fastest, most efficient picking process?

- How can I check what inventory you have on hand and ready to ship?

Outbound Processing

So far in this pricing guide, we've reviewed the labor cost to receive products and the cost to store the products. Now let's review the cost to prepare orders for shipment and what you might do to impact this cost.

Outbound orders typically include the following:

- Picking orders
- Checking orders
- Labeling cases and pallets
- Stretch wrapping pallets
- Constructing boxes for pick and pack (some providers automate this)
- Parcel processing
- Routing orders
- Loading orders

It used to be that most outbound orders were full pallet, one SKU shipments, making it easy to calculate a price to pick, stage, check and load the pallet. The outbound processing rate would be calculated using this formula:

Total minutes to pick and ship X labor cost per minute = total outbound processing costs

Today, hundreds or thousands of SKUs might ship in a variety of modes, from truckload to parcel, making the transaction fee more complicated. Characteristics that need to be gathered to arrive at an accurate outbound processing rate include:

- What number of orders are shipped per day?
- What number of cases are shipped per day?
- How many SKUs are shipped per day?
- What percentage of the shipments are full pallet?
- What percentage of the shipments are picked by the case? By single units?
- Are the products controlled by lot numbers, serial numbers or expiration dates?
- Are there any special label requirements?

Outbound Processing

The answers to these and other questions will impact the labor required to get products out the door. Following are three examples of order profiles that will have very different pricing for the EXACT same volume of product.

	Example 1	Example 2	Example 3
Order Characteristics	10 orders per day One SKU per order 250 cases 50 cases per full pallet 5 full pallets per order LTL shipment	50 orders per day 20 SKUs per order 100% full case picking 100% retail compliant labels per case shipped 100 cases per order 3 pallets LTL shipment	500 orders per day 4 SKUs per order 100% each pick 6 eaches per order 100% pick and pack 100% parcel shipping
Pricing Implications	These characteristics would result in the lowest cost per unit because full pallet picking and shipping will require the least labor.	These characteristics would result in a slightly higher cost per unit because there will be more labor required in case picking than in example #1.	These characteristics would result in the highest cost per unit because there will be more labor required to pick and pack individual units and to process parcel shipments.

Outbound Processing
How changing order patterns can impact cost

Now let's look at how you might proactively impact the cost of processing orders.

Changing customer order patterns may not be feasible, but significant savings could be achieved if it were. Let's say your customer orders 100 cases of 4 SKUs three times a week – 25 cases of each SKU (50 cases per SKU makes up a full pallet). In order to pick this order, the warehouseman needs to travel to 4 different locations and hand stack 25 cases onto pallets.

If the orders were placed once per week for the same quantities, the order would be 300 cases of 4 SKUs – 75 cases of each SKU per week. The warehouse associate would then be able to travel to each location and pick full pallet quantities. There would be some hand stacking, but not nearly as much. This reduced travel time and labor will translate into significant savings in warehouse labor costs per case (see chart), not to mention the transportation savings from fewer freight runs. Perhaps having minimum ordering quantities with your customer may help reduce logistics costs.

	Before	After
Orders per week	3	1
# of cases per order	100	300
Labor requirements	Hand stack cases onto pallets and stretch wrap pallets	Pick full pallets and hand stack fewer cases
Time to pick/ship order	~30 minutes	~40 minutes
Minutes per case	.30	.13
Cost per minute	$0.50	$0.50
Cost per outbound case	$0.15	$0.067
Savings	–	55%

Outbound Processing
Questions to ask providers when evaluating pricing

- What time values are you using to pick and ship an average order?

- What is the travel time to pick a typical order?

- Did you account for picking multiple orders on one trip?

- How many cases per hour do you anticipate picking?

- Is every order physically checked?

- How much time have you allowed to load outbound orders?

- Does your warehouse have Radio Frequency (RF) capabilities?

Section
THREE

Conclusion

On Price and Value

Well my blurry-eyed friend, you've made it this far and you are, assumedly, still awake. Congratulations. Hopefully, we've helped you gain a little better understanding of how us distribution folk translate *our* costs into *your* price.

We'll close by talking about, what else, electric drills. The one purchased cheap last year that burned out after 6 months. And the one which cost just a few bucks more when first purchased and is still going strong after 16 years.

When it comes to drills, and warehousing services, the best *price* doesn't always result in the best *value*. Find a logistics partner you can trust that sets a high bar for quality. Then use your new-found pricing knowledge to work with that partner to create the best, most efficient receiving, storage and fulfillment processes possible.

Once you do that, then go ahead…ask them…you know you want to… "Can you lower your price?"

"Price is what you pay. Value is what you get."

- Warren Buffett

Want a price quote that isn't just hypothetical?

When we are not writing pricing guides, Weber Logistics provides warehousing, distribution and transportation services to companies in the consumer products, food and beverage, retail and chemical industries, including some of the world's most recognized brands. We'd welcome the opportunity to discuss your logistics requirements and provide a quote for our services.

Get a price quote

Got a follow up question or comment on this eBook? Email us.
We actually *love* talking about this stuff.

About Weber

Founded in 1924, Weber Logistics is a third-party logistics company that provides warehousing, transportation, and port logistics services on the West Coast. With distribution centers throughout California and a fleet of trucks for dry and temperature-controlled deliveries, Weber gives growing companies flexible, scalable distribution solutions for their West region customers.

WEBER
LOGISTICS
The Strongest Link

E: sales@weberlogistics.com
P: 855-GO-WEBER
W: www.weberlogistics.com

Appendix
Pricing Worksheet Questions

The questions in the chart that follows are all questions you may be asked by a 3PL during the pricing phase. You most likely won't know the answers to all of them.

Don't sweat it.

The more comprehensive and accurate your data is, the more accurate your price will be right from the start. But experienced logistics providers understand the data that is truly essential to developing a price. They'll work with you to uncover this data and provide advice on where and how to answer the remaining questions.

Beware of 3PLs who don't press you for details to develop pricing. The fewer assumptions required to calculate the rate, the more likely that the pricing will fit with your business characteristics. If the pricing is off, the last thing you want is for the 3PL to come back with a price increase because the initial data was incomplete or inaccurate.

Typical Pricing Worksheet Questions

Inbound Characteristics	Storage Characteristics	Value-Added Services	Outbound Characteristics

Inbound Characteristics

GENERAL

What is the average volume of pallets and cases per inbound?

What is the average weight per inbound?

What is the average lines/SKUs per inbound?

What is the average # of cases per pallet?

What is the average weight per case?

Is there a pallet exchange program?

What is the total annual # of:

- Inbound shipments?
- Pallets received?
- Cases received?
- Annual weight received?

TYPE OF CONTAINER

What % of product will arrive by:

- Truck?
- Piggyback trailer?
- Ocean container?
- Small parcel?

LOAD CHARACTERISTICS

What % of the loads are:

- Mixed pallets?
- Palletized?
- Floor loaded?
- Slipsheeted?

What % of product is received via box car?

Storage Characteristics

GENERAL

What is the estimated square footage required?

How many line items/SKUs in inventory?

How many pallets in inventory per month?

What is the average case count per pallet?

How many total cases in inventory per month?

What is the average value of a case?

STORAGE CHARACTERISTICS

What % of storage is racked vs bulk?

What is the allowable stack height?

What is the average inventory on hand?

What is the inventory turn rate?

PRODUCT CHARACTERISTICS

Does the product require temperature control? If yes, what is the degree range?

Is product hazardous?

Does product require lot control or serial number control?

Is demand seasonal?

Does that product have an odor or is it susceptible to odors?

PRODUCT DESCRIPTION

Will product be stored by pallet, case or unit and what is the percentage of each?

What is the length, width, height and weight of the units being handled?

Can pallets be stacked?

How many cases on a pallet?

Value-Added Services

EDI REQUIREMENTS

What are all the specific EDI communications requirements?

What specific EDI feeds are required?

INVENTORY MANAGEMENT

What are the stock rotation requirements?

How many physical inventories are required per year?

What are the cycle count requirements?

% counted monthly?

Locations counted monthly?

OTHER

Is returns processing required?

If so, what is # of cases shipped?

Is QC inspection required?

Details?

Is copacking required?

Details?

Is kitting required?

Details?

Is UPS processing required?

Details?

Outbound Characteristics

VOLUME

What is the average volume of pallets/cases/lines/eaches per shipment?

What is the average # of eaches per line?

What is the average annual # of shipments/orders?

What is the annual # of:

- Pallets shipped?
- Cases shipped as cases?
- Units shipped as cases?

What is the annual weight shipped?

What is the annual # of lines shipped?

What is the average per order value?

SERVICE REQUIREMENTS

Is labelling required? Details?

Is repackaging required? Details?

Is shrink wrap required?

Is serial number recording a requirement?

Does product have MSDS sheets?

RECEIPT METHOD

What % of orders are received by the following methods:

- On site customer computer?
- EDI?
- Phone?
- Other?

PICK METHOD

What % of orders are picked by the following methods: Pallet? Case? Each? Other?

SHIPMENT METHOD

What percent of shipments are: Truck? USPS? LTL? Small parcel? Will calls?

What % of orders are required to ship: Same-day? Next day? Future date?