

⦿ Fulfillment

The hidden costs of *Fulfillment* by Amazon (FBA)

PATTERN.COM/FULFILLMENT



Introduction

If you're a third-party seller on Amazon, you know that Fulfillment by Amazon (FBA) is the best way to interact with customers and save on logistics. On the surface, it seems simple to let Amazon handle all the details of logistics and fulfillment. But if you look more closely, there are lots of details and complexities that go into the fees you pay for this service—and you may not even be aware of them. As Amazon's #1 3P seller, we'll walk you through the hidden costs of FBA.





It shouldn't require a PhD to *figure out* fee structure

While Amazon's fee structures used to be much simpler, they have dramatically increased in complexity and variability.

Of course, you'll pay an FBA fulfillment (pick and pack) fee, which is a per-unit fee charged to fulfill items purchased on Amazon. This fee varies based on item size, weight, and category. And, fees may vary based on whether you're enrolled in [Multi-Channel Fulfillment](#) or [Low-Price FBA rates](#).

Add into the mix the following details, and you'll see why it's important to understand your profitability at the ASIN level to properly calculate your costs.

- **Referral fees:** Amazon deducts the applicable referral fee percentage calculated on the total sales price, which can range from 6% to 20% of the total sales price, depending on the product category.
- **Storage fees:** These can vary based on the time of year and type of products, but they can amount to hundreds of thousands of dollars each month.
- **Fulfillment fees:** Again, these depend on the size and weight of your product.

“I had to have ChatGPT explain [the fees] to me.”

Amazon 3P Seller



Another curve ball with *inbound* placement fees

Amazon just [recently announced](#) changes to inbound placement fees, which are causing significant cost increases for many sellers. Essentially, if sellers ship their products to just one Amazon warehouse, Amazon is now charging for the work of splitting up shipments and sending them to multiple fulfillment centers. Many sellers have to choose between paying these fees or paying to ship to multiple Amazon distribution centers themselves, which can add complexity to their already-taxed logistics teams.

Inbound placement fees can vary based on:

- **Item size** (small standard, large standard, large bulky)
- **Weight** (unit weight for small standard and the greater of dimensional weight or unit weight for large standard and large bulky)
- **Number of locations tier** (minimal, partial, or Amazon-optimized shipment splits)
- **Inbound location** (location of fulfillment center)

Depending on the factors above, inbound placement fees may have more of an impact on some products than others.



“I ship 1-2 full truck loads per week to Amazon FCs. It used to cost about \$600 shipping per full truck. Now it costs \$600 shipping + about \$3,000 inbound placement fee per truck... this is going to be so painful for my business and so many other businesses.”

Amazon 3P Seller



Inbound *transportation* costs

Inbound transportation costs can get tricky when you start comparing the cost of sending multiple shipments to different locations to the cost of paying Amazon's inbound placement fee.

Let's say you have 24 pallets that could be shipped in one truckload. But with Amazon's new inbound placement fee structure, Amazon may recommend that you ship smaller "less-than-truckloads" (LTLs) to multiple fulfillment centers to avoid inbound placement fees. Of course, LTLs are more costly for you to ship. And if you're not co-merging shipments, you are likely paying higher carrier fees. It's important that you do the calculations to decide which option is cheapest for you.

Also, consider the length of time it takes to get your shipments into Amazon and get them unloaded. This timeline can be impacted based on the number of units, the type of product, and whether it's peak shipping season. Many brands and sellers are painfully aware that it can be difficult to get the appointment you want, causing delays in getting products to your customers.

Brand Scenarios (Amazon 3P)



- No inbound placement fee
- Brand makes smaller shipments to more locations (LTL or Small Parcel)



- Ship to slightly fewer locations per shipment
- Inbound placement fee
- Likely still low volume LTL shipments



- Better shipment density (cheaper freight)
- High inbound placement fee



- Higher likelihood of FTLS
- Always ship to same 1 or 2 locations
- No inbound placement fee



Even *more fees* to consider

The inbound placement fee is new, but Amazon has other fees that sellers need to think about:

- **Low inventory fee:** This can be levied if you don't always have at least 4 weeks of inventory with Amazon.
- **Returns processing fees:** Again, these fees can be variable, and you may be missing out on opportunities to recover inventory.
- **Long-term storage fees:** These fees apply to inventory being stored in FCs for more than a year, and are based on cubic footage of the inventory and the specified fee rate per cubic foot. These fees are in addition to the standard monthly storage fees.

“Basically, it doesn’t matter if your item is seasonal, discontinued, phased out, replaced by a new product, or whatever. You’ll pay the Low Inventory Fees on every unit you sell once you are below the threshold.”

Amazon 3P Seller



What if I'm already using a *3PL*?

If you're already using a 3PL for fulfillment, then a lot of the complexity of logistics is taken out of your hands. However, many 3PLs raise their fees on a regular basis, and the level of service you receive doesn't always match the fees. If you are using a 3PL, it's worth investigating some other potential fees and costs:

- Labeling and shipping to Amazon
- How long it takes your 3PL to get inventory to Amazon and how long it takes to check it in
- Setup fees
- Step costs as your volume grows
- Additional charges for kitting (for multi or variety packs)

As you're calculating the true costs of your 3PL relationship, you should also watch for these issues:

- Your customer order error rate is increasing
- You can't reach your 3PL representative for timely troubleshooting
- Your 3PL is small and seems to struggle as your business grows
- You're not seeing new or updated technologies, service, or operations
- You don't have full transparency or reliable reporting





How do I *navigate and manage* all these costs?

The best way to understand your fulfillment costs is to calculate ASIN-level profitability, taking into account all the factors above. However, as you may have guessed by now, this is easier said than done. To truly understand your Amazon FBA costs, you need to regularly download and analyze at least six reports from Amazon and factor in Cost of Goods Sold (COGS). Also, factor in that Amazon fees are charged 45 days after your shipment reaches Amazon.





How *Pattern* can help

Although you may know Pattern as a leader in ecommerce acceleration, you may not realize that we are the #1 Amazon seller. We're in the same boat as many 3P sellers, and have an in-depth understanding of not just all the Amazon processes for sales and marketing, but everything related to fulfillment as well. As the world's largest shipper into Amazon facilities across the globe, we're shipping millions of units each week. And we can help you get your product into marketplaces 70% faster than average.

We've already done all the work of figuring out how to navigate the complexity—so you don't have to. In fact, we often work with sellers to calculate their ASIN-level savings, taking into account all the fees, complexity, and ever-shifting factors above.

We have 14 warehouses across the globe, and because we ship so much product to Amazon, you can tap into our network and get your products sent to Amazon faster, with no hidden fees. Because of our volume, Pattern has standard daily receiving appointments at Amazon fulfillment centers. And because your products are received faster, you can avoid out-of-stock or slow shipping speed messaging on your detail pages.

We've built the tech and have the scale to handle virtually any fulfillment need. And while we're experts at Amazon, we can also handle any other marketplace since we were built to be marketplace-agnostic.

“We have scale that allows us to invest like no one else can. Our fulfillment centers have been optimized with conveyance, prep stations, and automated sortation that enables our network to process and depart loads at record speeds—resulting in faster delivery to the marketplace.”

Rob Hahn, COO, Pattern



Pattern *Fulfillment* Products

⦿ Marketplace Prep

Send your product to us, and we'll take care of the prep, pack, and shipping. No pre-prep required, and we'll match your shipments with the best options for speed and pricing. Our proprietary technology ensures that your products move as quickly as possible from our warehouse to your customers.

⦿ Middle Mile

If you don't need prep but want to avoid inbound placement fees, you can send your orders into one of our warehouses at a single low price, and we'll manage transportation to Amazon. We send full truckloads every day, so your inventory will get to Amazon faster and cheaper.

⦿ DTC

Simply ship your products to us and we can fulfill any order from any retail platform or marketplace, to any customer anywhere.

⦿ ReLo

We reinspect your inventory and find more inventory that is sellable on average about 35% of the time.



Fulfillment

Ready to learn more?

We're here to consult on your specific needs and find you a solution that eliminates the headaches of hidden fees. Reach out today at pattern.com/contact-us and we'll get started.