



## COST MANAGEMENT STRATEGIES IN SALES AND FULFILMENT

### Abstract

With the rapidly rising popularity and demand for omnichannel e-commerce experience, cost management in sales and fulfilment has become crucial to maintaining profitability while meeting or even exceeding customer expectations. Understanding the various factors, like setup, labour, packaging, equipment, and rent and utilities, that contribute to the cost of the order fulfilment process can help businesses optimise their cost management strategies. Taking steps to enhance worker productivity, embrace automation, streamline [inventory management](#), and leverage economies of scale can help modern retailers lower their sales costs. Integrating these into the sales strategies will not only enhance efficiency and lower costs but also help businesses stay competitive and agile to meet the evolving expectations in the modern e-commerce landscape.



## Introduction

In the digital age, the perfect omnichannel presence and execution are non-negotiable for modern retailers. With global e-commerce sales set to reach \$7.4 trillion by 2025, retailers (operating online and in physical stores) have to adjust their sales strategies and order

fulfilment processes. Customers today expect quick access to the brand and its products, personalised recommendations, fast deliveries, real-time updates, and a hassle-free return process. As a result, retailers are focusing more on establishing an omnichannel presence, diversifying

logistics to be closer to customers, and increasing their e-commerce budgets. However, these steps come at a cost and can affect the retailers' bottom line without proper cost management strategies.

## Fulfilment trends driving sales strategies in 2024

The e-commerce industry is proliferating, and retailers are shifting their focus from in-person shopping to online shopping. This has had a significant impact on the logistics and fulfilment strategies that retailers adopt to deal with the high volume of moving packages and the associated sales costs.

Here are the key fulfilment trends that are shaping the sales strategies for modern retailers:

- Focus on the entire customer journey
- Cross-border fulfilment
- Integration of eFulfilment solutions
- Real-time tracking and updates
- Anticipatory logistics management

- Personalisation
- Sustainability
- Fulfilment centre automation
- Big data and analytics integration

These trends are focused not only on enhancing consumer experience but also on optimising the order fulfilment process and managing sales costs.

## Common order fulfilment and sales costs

When designing cost management strategies in sales, it is crucial to scrutinise the entire order fulfilment process and understand the different factors that can affect the costs. Each of these costs can vary significantly depending on the type of order fulfilment.

Let us take a closer look at different types of order fulfilment costs businesses need to be mindful of.

### Setup costs

These are often one-time costs to establish your fulfilment workflow – either setting up a warehouse operation or initial software implementation. You may also incur these costs when trying to upgrade your operations, set up new distribution channels, or diversify logistics.

### Labour costs

Despite the prevalence of automation in fulfilment operations, picking and packing orders often requires human intervention—whether packing individual orders or using machinery for large orders. As a result, labour costs can quickly add up, especially for fulfilment operations dealing with large volumes of inventory.

### Inventory and storage costs

Carrying and storing inventory is one of the biggest sales costs any retailer has to bear. This includes costs associated with spoilage, expired products, product shrinkage, or even slower-moving

inventory. Without proper planning and inventory management to ensure optimum inventory levels, these costs can significantly impact the company's profits.

### Kitting fees

Kitting fees apply if retailers need packaging and promotional materials for ready-to-ship sets or when creating specific packages or assemblies for bulk orders. The complexity of the kitting process can directly affect labour and material costs, adding to the overall sales costs.

### Equipment costs

Fulfilment centres need equipment, from complex conveyor systems for e-commerce to heavy machinery like forklifts for bulk distribution. The purchase, operation, and upkeep of these equipment contribute to the overall fulfilment cost.

### Material costs

These involve investment in everything, from product boxes and protective materials to packing tape and shipping labels. E-commerce or retail order fulfilment processes may see higher material costs due to different product types and sizes, while wholesale fulfilment centres can offer bulk purchasing discounts due to standardised packaging sizes.

### Shipping costs

Shipping costs can vary significantly depending on the product, shipping distance, weight, and more. Direct-to-

consumer and expedited shipping are often more expensive than bulk orders. Additionally, you have to account for the logistics and shipping costs associated with receiving and returns. Building relationships with carriers and negotiating favourable shipping rates can help optimise these costs.

### Software fees

Apart from the initial setup for an e-commerce fulfilment operation, selecting the right warehouse management system is another hefty upfront cost. However, you need to focus on the long-term payoff—enhanced inventory control, better accuracy, and improved productivity—which can significantly lower the overall fulfilment costs per order.

### Miscellaneous costs

These include recurring expenses like rent, utilities, and security, depending on the type of fulfilment operation. Wholesale order fulfilment might need more space for storage, resulting in higher rent, or an e-commerce fulfilment operation with diverse high-value items will incur more costs for security systems.

Each of these sales costs needs careful consideration when developing cost management strategies to ensure the fulfilment efficiency does not suffer as you focus on cutting costs.





## Cost management strategies in sales and fulfilment

Many fulfilment costs may seem static. But in the constantly evolving landscape of supply chain, logistics, and order fulfilment, sales strategies that optimise costs and create a resilient operational framework can adapt to dynamic market needs.

Here are nine strategies to optimise fulfilment and sales costs, enhance efficiency, and stay competitive:

### Enhance worker productivity

Focusing on worker productivity can help optimise labour costs while establishing a framework for a streamlined, efficient, and effective order fulfilment process. This involves training your team for proficiency, equipping them with the necessary tools, and embracing robotic process automation.

### Embrace automation

Repetitive and redundant processes represent a significant portion of the order fulfilment workflow and can cause bottlenecks, increasing fulfilment costs. Leveraging technology to enhance automation where possible can not only contribute to direct cost savings but also free employees to focus on other critical tasks to further optimise the workflow and add value to fulfilment.

### Optimise shipping and logistics

Strategic shipping and logistics management can help you optimise shipping costs, lower the overall fulfilment costs per order, ensure swift delivery, and enhance customer experience. Exploring multi-carrier shipping and freight options to compare costs and ensure flexibility in distribution, leveraging shipping aggregator platforms to get wholesale

rates, and integrating order fulfilment software are the key strategies to optimise shipping and logistics and manage costs.

### Leverage economies of scale

Understanding and leveraging economies of scale is a great way to optimise your sales costs and improve profitability. Consolidating your purchasing across multiple suppliers can help you negotiate better rates or receive discounts on bulk orders. On the other hand, partnering and sharing warehouse space with other distributors can help you save on rent, utilities, maintenance, and security costs. However, transparent communication and collaboration are essential for this strategy to succeed.

### Optimise layout and space

A well-organised warehouse is vital to a smoother order fulfilment process, which has a direct impact on fulfilment time and cost. Meticulously planning warehouse layout can help transform your storage operation, maximise ROI on real estate, streamline movement, and optimise fulfilment operations.

### Optimise packaging

Packaging material is one of the biggest contributors to fulfilment costs, especially when retailers ship individual orders directly to consumers. You can start by understanding the cumulative cost of packaging materials you use and then reduce and simplify packaging to not only lower your costs but also enhance customer experience.

### Streamline inventory management

Inventory management is another substantial cost when it comes to order

fulfilment. Holding on to too little or too much inventory can significantly impact the fulfilment cost per order. It can lead to lost sales and unhappy customers or increased storage costs, tied-up working capital, and the risk of carrying outdated products. Reviewing your current inventory management practices and optimising them with software solutions can help you reduce costs while improving efficiency.

### Diversify sales channels and inventory distribution

In a world where omnichannel experience is non-negotiable, diversifying sales channels can help businesses ensure operational efficiency and cost optimisation. Strategically placing inventory at locations closer to customers can reduce shipping costs and delays, contributing to an enhanced customer experience while reducing overhead costs and accelerating market access.

### Implement energy-efficient practices

Energy and utility bills can raise sales costs and affect the bottom line. Implementing energy-efficient practices can not only lower your utility and maintenance costs but also help establish your commitment to sustainability.

Understanding the different factors that affect the costs in your order fulfilment process and implementing these cost management strategies can help you streamline and optimise your sales and fulfilment operations, stay competitive, and boost profitability without compromising on quality and customer satisfaction.



## Conclusion

Implementing effective cost management strategies in sales and fulfilment is critical for modern businesses to boost profitability without compromising on quality or customer experience. Strategies such as focusing on worker productivity,

embracing technology, leveraging economies of scale, optimising packaging and inventory, diversifying sales and inventory channels, and implementing energy-efficient practices can help businesses manage and optimise their

sales costs. Understanding and addressing the factors that contribute to the cost of [the order fulfilment process](#) is vital to ensuring efficient sales strategies that will help you stay competitive and thrive in today's market.

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