



STORE LONGER, FOR LESS IN FLEXE FACILITIES

Reduce FBA storage fees by positioning inventory next-door to Amazon fulfillment centers

Selling on Amazon Is Critical for Many Businesses

No other sales channel can match Amazon's reach and audience size—especially in North America. At its core, Amazon is a logistics company that removes the burden of eCommerce fulfillment logistics for brands of all sizes.

For many, it's a powerful opportunity, but in order to truly leverage Amazon's reach, brands must be sure their products list as eligible for Amazon Prime's free, two-day shipping, and they must make sure their product is in stock.

Amazon strives to store minimal inventory from its vendors for short periods of time, which means though you can sell through Amazon, it's expensive to store your inventory within its network, and small, frequent shipments can eat into profit.

Amazon FBA Storage Fees Have Increased

Amazon's Fulfillment by Amazon (FBA) program has continued to evolve since its inception. In April 2018, Amazon once again increased its storage fees for sellers. With these changes to FBA regulations, sellers are getting squeezed by increased storage costs and tighter inventory regulations, putting significant pressure on their business models.

It's no secret that Amazon runs a tight ship. Amazon sellers have little flexibility for storing inventory in the Amazon network and face tighter windows to replenish products. Brands using FBA face high, long-term storage costs at Amazon facilities, and during the high-traffic holiday season, space in the network may not even be available.

FBA Storage Rate Estimates¹:



	January - September	October - December
Storage costs	\$0.69 per cubic foot	\$2.40 per cubic foot
Storage costs per pallet	\$21.39 (\$0.69 * 31 cubic ft/pallet)	\$74.40 (\$2.40 * 31 cubic ft/pallet)

*Rates are based on standard-size pallet costs in Amazon network

“ Amazon’s storage rates increase more than 300% in Q4. ”

amazon in Numbers

100+ Million

Number of Amazon Prime Members²

48+%

Amazon’s Share of 2017 eCommerce Holiday Sales³

2.4 Billion

Sales from 2017 Prime Day⁴

52%

Percent of Amazon Retail Sales from Marketplace Sellers⁵

328

Number of Amazon facilities in North America⁶

900+

Number of warehouses in the FLEXE network

Save on Storage with FLEXE FBA Distribution Program

Amazon's physical distribution network isn't growing exponentially. Space is limited, which is why premiums are placed on storage and services.

With FLEXE, the savings are clear. FBA sellers can offset the costs of pallet storage by storing inventory in a FLEXE facility and replenishing into a FBA center as-needed. Adding FLEXE locations near Amazon fulfillment centers enables retailers and brands to take advantage of lower storage costs, as well as reduced transportation costs and replenishment times.

The primary advantage of using the FLEXE FBA Distribution program is to avoid out-of-stocks by keeping inventory available through fast, simple replenishment. Below, are the FLEXE rates for five major U.S. regions, but only represents a sample of FLEXE's more than 900 warehouses across North America.

Additionally, FLEXE warehouse rates do not fluctuate as dramatically as Amazon's, which can increase up to 300+% in Q4, nor do customers incur long-term storage fees or premiums. Instead, merchants can store goods at a fraction of the cost and distribute into FBA facilities to replenish inventory faster and more easily.

JANUARY – SEPTEMBER (Q1-Q3): Average FLEXE Rates and Cost Savings in Five Major U.S. Markets

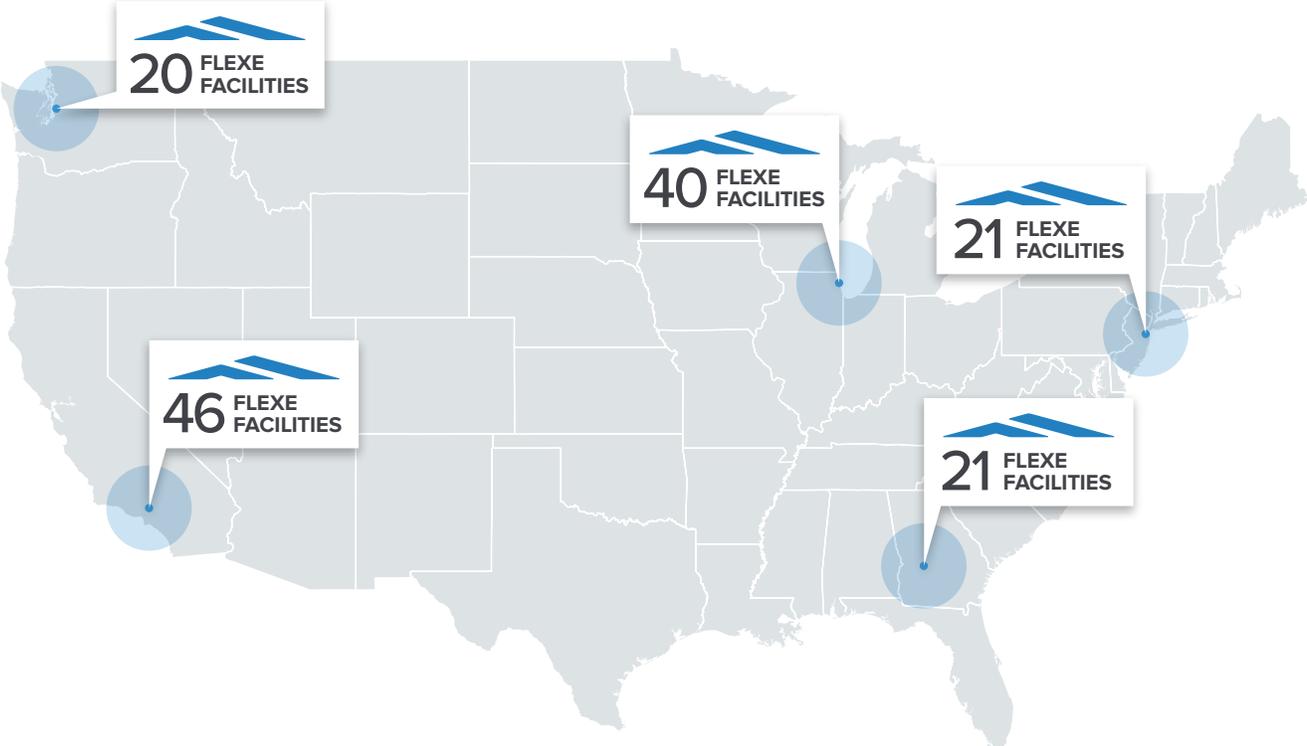
	Northwest (Seattle)	Southwest (LA)	Midwest (Chicago)	Northeast (NY/NJ)	Southeast (Atlanta)
 avg per-pallet cost*	\$9.45	\$11.14	\$8.59	\$9.63	\$9.91
 avg per-pallet cost	\$21.39	\$21.39	\$21.39	\$21.39	\$21.39
Storage Savings	56%	48%	60%	55%	54%
Number of FLEXE facilities within 25 miles of FBA center	20	46	40	21	21

*FLEXE handling rates are not included in storage fees

OCTOBER – DECEMBER (Q4): Average FLEXE Rates and Cost Savings in Five Major U.S. Markets

	Northwest (Seattle)	Southwest (LA)	Midwest (Chicago)	Northeast (NY/NJ)	Southeast (Atlanta)
 avg per pallet cost*	\$11.34	\$13.37	\$10.31	\$11.56	\$11.89
 avg per-pallet cost	\$74.40	\$74.40	\$74.40	\$74.40	\$74.40
Storage Savings	85%	82%	86%	84%	84%
Number of FLEXE facilities within 25 miles of FBA center	20	46	40	21	21

Number of FLEXE Facilities within 25 Miles of FBA Facilities in Five Major U.S. Markets



Driving Down Costs and Out-of-Stocks with FLEXE

With FLEXE FBA Distribution, retailers and brands can save between 40–80% on storage fees throughout the year. Additionally, storing inventory in FLEXE facilities that are closer to FBA centers reduces shipping times, and makes it easier to avoid out-of-stocks when inventory levels are low.

With shorter replenishment windows and tighter inventory requirements, see how Company X is offsetting storage and transportation costs with FLEXE.

Company X Profile

- Company X imports goods to LA from China to sell through Amazon
- Every month, Company X has to send 25 pallets to an FBA facility in Southern California and 25 pallets to a facility in New Jersey
- Company X currently has one FLEXE facility in Southern California and uses FLEXE FBA Distribution to replenish goods each month

Scenario A: Current State

Because Company X uses FLEXE for on-demand storage, it is avoiding high FBA storage fees for the bulk of its goods. Throughout the year, it is saving between 48–82%.

Average Costs/Pallet/Month & FLEXE Storage Savings

	January - September	October - December
	\$11.14	\$13.37*
	\$21.39	\$74.40
Cost savings	48%	82%

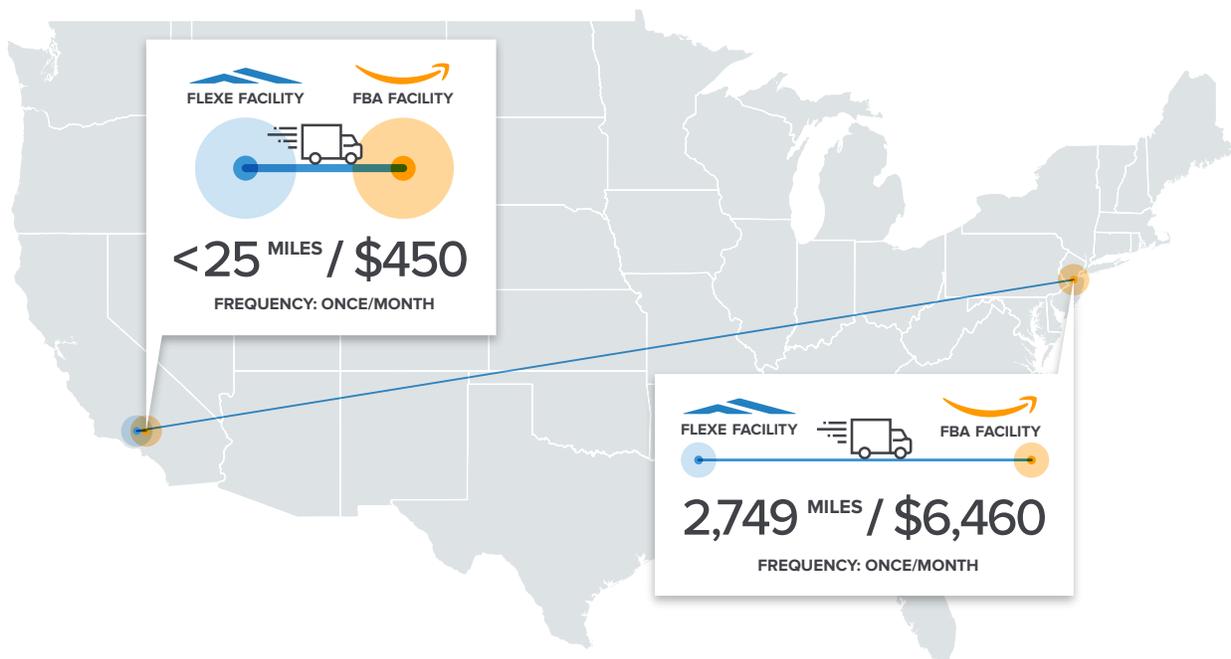
*Assumes a 20% premium for Q4 demand

Replenishing Once a Month

Company X sends full truckload (FT) replenishment shipments to each Amazon facility once a month in 25-pallet increments. The proximity of the FLEXE facility enables same-day replenishment for the FBA facility in California. However, replenishing to New Jersey takes four or more days, and costs more than \$6000 to transport.

	Frequency	Number of Pallets	Transportation Distance	Day(s) to Reach FBA center with ground transportation	Sample Transportation Costs for Full Truckload
From FLEXE California facility to FBA California facility	Once/month	25 pallets	<25 miles	Same-day	\$450
From FLEXE California facility to FBA Cranbury facility	Once/month	25 pallets	2,749 miles	4+ days ⁷	\$6,460 Average rate/mile is \$2.35 x 2,749 ⁸
Monthly Transportation Cost per Pallet					\$138.20

*This value covers the maximum rate for local, full truckload delivery. A standard range for local delivery is up to 75 miles.



Scenario B: Reduce Transportation Costs

Company X is spending nearly \$7000 on transportation costs every month. To drive down storage and transportation costs, it adds a second FLEXE facility near the New Jersey FBA facility to reduce the frequency of cross-country shipments.

With two FLEXE locations, Company X can reduce transportation timeframes and costs for replenishment. Even if the company's goods are imported through LA, Company X can send larger shipments to the east coast, instead of sending smaller, incremental replenishments into Amazon's network.

Average Costs/Pallet/Month and Storage Savings with FLEXE

	LA FACILITY		NJ FACILITY	
	January-September	October-December	January-September	October-December
	\$11.14	\$13.37*	\$9.63	\$11.56*
	\$21.39	\$74.40	\$21.39	\$74.40
Cost savings	48%	82%	55%	84%

**Assumes a 20% markup for Q4 demand*

Splitting Replenishments to Reduce Cross-Country Transportation Costs

Instead of sending replenishment shipments every month to Amazon's New Jersey facility, Company X stacks 50 pallets for transportation to its FLEXE warehouse every other month. It stores 25 pallets with FLEXE and replenishes 25 pallets into the Amazon network, and reduces transportation costs by nearly half.

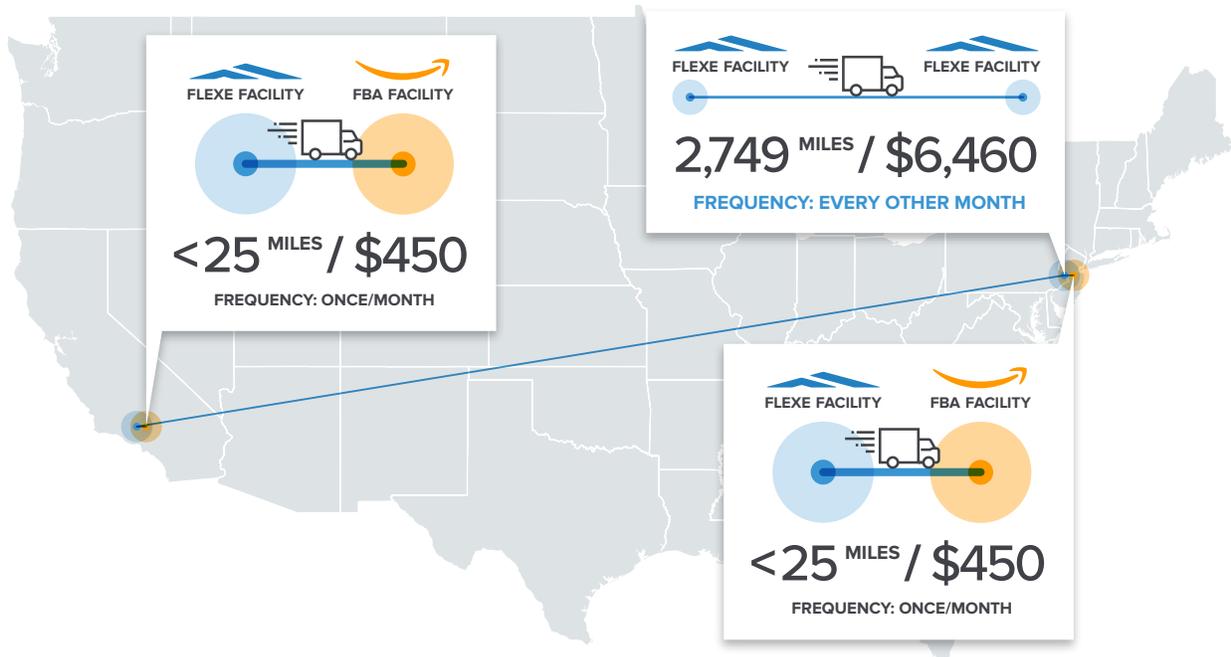
CALIFORNIA

	Frequency	Number of Pallets	Transportation Distance	Day(s) to Reach FBA center with ground transportation	Sample Transportation Costs for Full Truckload
From FLEXE California facility to FBA California facility	Once/month	25 pallets	<25 miles	Same-day	\$450* (30-60 pallets)
Monthly Transportation Cost per Pallet					\$18

NEW JERSEY

	Frequency	Number of Pallets	Transportation Distance	Day(s) to Reach FBA center with ground transportation	Sample Transportation Costs for Full Truckload
From FLEXE California to FLEXE New Jersey	Every other month	50 pallets	2,749 miles	4+days	\$6,460 Average rate/mile is \$2.35 x 2,749 ⁸
From FLEXE New Jersey facility to FBA New Jersey Facility	Once/month	25 pallets	<25 miles	4+ days ⁷	\$450*
Monthly Transportation Cost per Pallet					\$82.60
Total Monthly Transportation Costs per Pallet (CA + NJ)					\$100.60

**This value covers the maximum rate for local, full truckload delivery. A standard range for local delivery is up to 75 miles.*



Why Use FLEXE?

FLEXE is the leading on-demand warehousing and fulfillment solution. We've been doing bulk storage and retail distribution for years. With FLEXE, you can reduce storage fees, use only the space you need, avoid high replenishment costs, and strategically grow into your own distribution and fulfillment network.

The proximity between FLEXE's network of warehouses and Amazon fulfillment centers makes transporting goods faster and more affordable when it's time to replenish inventory into Amazon facilities.

Reduce Storage Fees

With FLEXE FBA Distribution Program, you can save a considerable amount on storage fees by keeping the bulk of your inventory out of Amazon fulfillment centers and at a FLEXE location. During peak season, you can save up to 80% in storage costs; during the down season, you can still save upwards of 40%.

Avoid Stock-Outs

The benefit of selling through Amazon is its customer base, but because of its increasing pressure on sellers and commitment to keeping minimal inventory in its network, it is getting more difficult to maintain high inventory levels at all times. But, you can't sell your goods on Amazon if they aren't available.

With FLEXE, retailers and brands can optimize their supply chain to reduce the cost of maintaining 100% in-stock levels in the Amazon network by placing the bulk of goods nearby. Instead of having to store more goods with Amazon and/or replenish more frequently,

at longer distances, retailers and brands can optimize storage allocation in a FLEXE facility that is just a few miles from their target FBA center.

No Long-Term Leases or Commitments

Traditional warehousing and distribution requires a lot from a company: sourcing, procuring, and then signing a contract for years at a time. If more than one location is needed, that effort is doubled and so on as network size grows.

Not with FLEXE. Because FLEXE is an on-demand solution, pricing for warehousing space and services is variable, meaning FLEXE customers pay only for the space and services they need, when they need them. Every warehouse provider in the FLEXE network is subject to the same terms of services, so FLEXE customers can scale quickly and add to their distribution network as-needed.

Deliver On-Time and In-Full

Amazon has a lot of inventory to track and move throughout its network. In an effort to organize operations and optimize floorspace, Amazon is not only increasing its pricing and regulations for sellers, but also tightening replenishment windows. Sellers must comply or face fines for missing the deadline to replenish goods.

As major retail channels tighten inventory controls and shorten delivery windows, retailers and brands can use FLEXE to enhance inventory visibility and automate retail replenishment from a single platform.

So Now that Amazon is Mastered, What's Next?

FLEXE offers retailers and brands a flexible, dynamic solution for distribution. With the FLEXE platform, it's possible to solve for Amazon FBA Distribution, distribution into other retail channels, as well as direct-to-consumer fulfillment.

Take another look at Company X. As the business grows, it wants to extend its logistics operations to include direct-to-consumer fulfillment, in addition to being an Amazon seller.

Because it is set up in the FLEXE network, Company X can start running eCommerce fulfillment operations

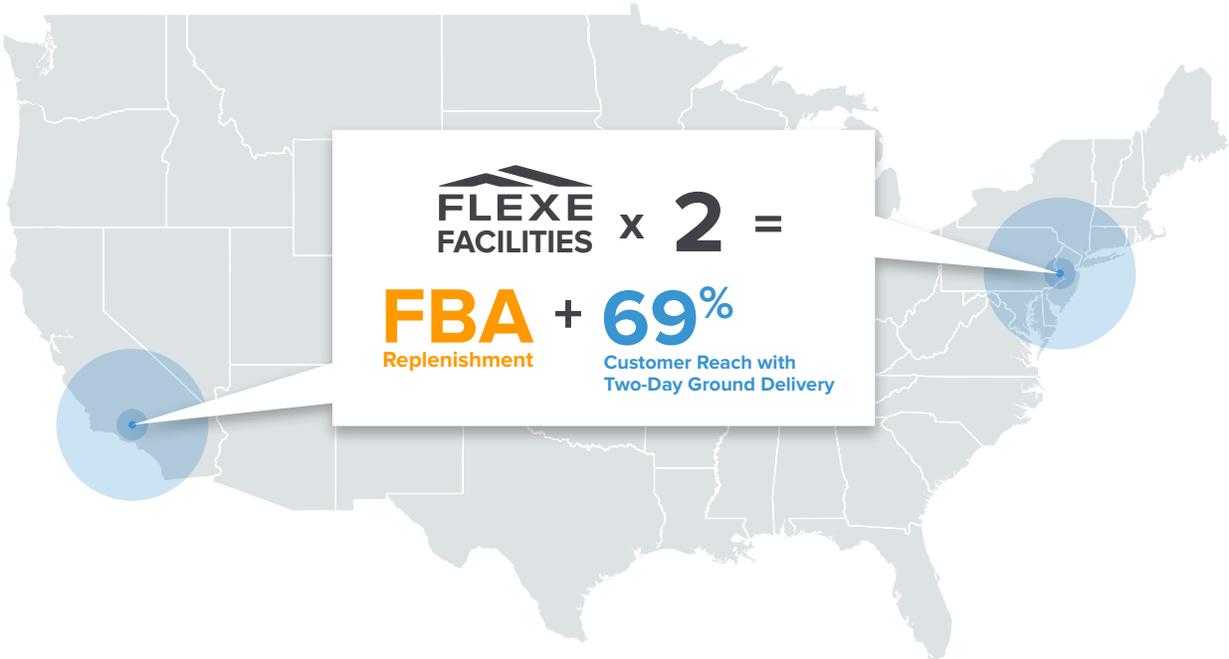
through its two current FLEXE facilities in California and New Jersey.

With FLEXE, not only is Company X able to reduce storage and transportation costs for FBA replenishment, it can also use the same logistics technology platform to strategically grow into new channels.

With even just two FLEXE locations, Company X can create a dynamic distribution & eCommerce fulfillment network that services FBA replenishment and 69% of customers with two-day ground delivery.

Number of facilities	Next-Day	Two-Day	3+-Day
1	18.81%	34.56%	46.64%
2	28.73%	40.83%	30.44%
3	38.51%	45.56%	15.93%
4	58.61%	28.56%	12.83%

**Assumes a 20% markup for Q4 demand*



Whatever your logistics strategy may be, FLEXE gives retailers and brands the opportunity to transform the supply chain from being an operational cost centers into strategic growth drivers for business.

Getting Set Up with FLEXE

You can get up and running (and saving on storage fees) in a matter of weeks—just in time for Amazon Prime Day and the Q4 holiday rush. Working with FLEXE is easy:

1. FLEXE will help you identify the right locations for warehouses
2. Our solution engineers will scope the operations, implementation dates, and launch strategy
3. FLEXE Operations team provides system training & drives go-live prep activities
4. **Go Live!**

About FLEXE

FLEXE is the leading provider of on-demand warehousing and fulfillment services. Backed by a team of technology and logistics experts in Seattle, FLEXE connects retailers and brands to a network of more than 900 warehouses through a single software platform. Unlike traditional solutions, FLEXE makes warehousing available on-demand and uses software to streamline the entire process from sourcing staffed operators through centrally managing inventory across the entire network. As a result, FLEXE customers easily resolve their warehouse capacity constraints, scale retail distribution operations, and dynamically expand their eCommerce fulfillment networks.

More information on the company and its services can be found at www.flexe.com.

CITATIONS/NOTES

1. Amazon Seller Central. "Inventory storage fees." Retrieved from: https://sellercentral.amazon.com/gp/help/external/200612770?ref=asus_fba_pricing_feehelp&Id=NSGoogle
2. 2018. CNNtech. "Amazon reveals it has more than 100 million Prime members." Retrieved from: <http://money.cnn.com/2018/04/18/technology/amazon-100-million-prime-members/index.html>
3. 2017. MarketWatch. "Prime helps Amazon capture nearly half of all holiday e-commerce sales." Retrieved from: <https://www.marketwatch.com/story/prime-helps-amazon-capture-nearly-half-of-all-holiday-e-commerce-sales-2017-12-27>
4. 2017. DigitalCommerce360. "Amazon Prime Day analysis in 5 charts." Retrieved from: <https://www.digitalcommerce360.com/2017/07/20/amazon-prime-day-analysis-in-5-charts/>
5. 2018. Marketplace Pulse. "It Cost Amazon \$150 Billion." Retrieved from: <https://www.marketplacepulse.com/articles/it-cost-amazon-150-billion>
6. 2018. MWPVL International. "Amazon Global Fulfillment Network." Retrieved from: http://www.mwpvl.com/html/amazon_com.html
7. UPS. "U.S. Ground Maps." Retrieved from: https://www.ups.com/maps/results?loc=en_US
8. DAT; Rates for full truckload shipments. Retrieved from: <https://www.dat.com/industry-trends/trendlines/van/national-rates>