

How to

*Choose*

the **Right**

**Warehouse**

for Your

**DTC**

**Brand**

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# *When to Start, Scale, or Switch – and What to Consider*

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## *01* Introduction

Over the past several years, the rapid growth of direct-to-consumer (DTC) eCommerce has fundamentally reshaped fulfillment and logistics. In the United States alone, eCommerce sales grew by approximately **7–8% year-over-year in 2024**, following years of accelerated expansion during and after the pandemic. At the same time, consumer expectations around fast, accurate, and affordable shipping have continued to rise.

For DTC brands, this growth presents both opportunity and operational pressure—particularly when it comes to warehousing.

Warehousing is no longer just a storage decision. It is a strategic investment that directly impacts:



Delivery speed



Customer satisfaction



Operating costs



Scalability

We will outline the most common scenarios DTC brands face—whether you are just starting out, scaling rapidly, or considering a switch—and provide a practical framework for evaluating warehouse options.

Yet many brands approach this decision under pressure—whether due to rapid growth, rising costs, or operational inefficiencies—often without a clear framework for evaluating their options.

From a logistics perspective, the challenge is clear:

**choosing the wrong warehouse—or choosing at the wrong time—can create long-term constraints on growth and profitability.**

This is especially important as warehouse costs continue to fluctuate. At the same time, labor shortages and rising transportation costs have made in-house fulfillment more complex to manage.

As a result, DTC brands are increasingly faced with critical questions:

- When does it make sense to invest in your own warehouse?
- How do you know when you've outgrown your current setup?
- What factors actually matter when choosing a new facility?

This whitepaper is designed to provide clarity around those decisions.

# 02 Key Situations:

## When Warehouse Decisions Matter Most

For DTC brands, warehousing decisions are rarely made in a vacuum. They are typically triggered by specific stages of growth or operational challenges. Understanding these key inflection points is critical to making the right decision at the right time.

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### Situation 1: You're Just Starting Out

In the early stages of a DTC brand, flexibility is often more valuable than ownership.

At this stage, businesses typically face:

- Limited capital and cash flow constraints
- Unpredictable demand patterns
- A high risk of overcommitting to fixed costs



According to industry benchmarks, early-stage eCommerce brands often experience significant demand variability, particularly in their first 12–24 months. This makes long-term infrastructure decisions – such as leasing warehouse space – especially risky.

## Common Mistakes

Many brands entering this phase make similar missteps:



- Committing to long-term warehouse leases too early
- Overestimating inventory needs based on optimistic forecasts
- Underestimating the operational complexity of fulfillment

Warehousing is not just about storage—it requires processes, labor, systems, and ongoing management. These hidden complexities can quickly consume time and resources that would otherwise be spent on growth.

## Recommended Approach

At this stage, the priority should be flexibility and efficiency:

- Utilize short-term, shared, or outsourced warehousing options
- Focus on improving inventory turnover rather than increasing stock levels
- **Establish basic, reliable fulfillment workflows**

Avoid heavy upfront investments in infrastructure, equipment, or long-term leases until demand becomes more predictable. Maintaining operational agility allows brands to adapt quickly as they learn more about their customers and sales patterns.

## Situation 2:

### You're Scaling (Outgrowing Your Current Warehouse)

As order volume increases, the limitations of an existing warehouse setup often become more visible.

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#### Common Signs of Strain

- Order volume is growing faster than fulfillment capacity
- Inventory overflow leads to disorganization or inefficient storage
- Shipping times begin to slow
- Picking, packing, or inventory errors increase

This stage is particularly critical because growth can expose inefficiencies that were manageable at smaller volumes.

Research shows that fulfillment errors and delays increase significantly when operations scale without corresponding improvements in systems and infrastructure.



## Why This Matters

Fulfillment is directly tied to customer experience. Slower delivery times or inaccurate orders can lead to:

- Increased return rates
- Negative reviews
- Lower customer retention



In a competitive DTC landscape, where consumers expect fast and reliable shipping, operational breakdowns can quickly impact brand perception.

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## Recommended Approach

Brands in this phase should take a structured approach to evaluation:

- Compare current warehouse capacity against projected growth
- Identify operational bottlenecks (space, labor, systems, workflows)
- Assess whether incremental expansion is sufficient or if a larger transition is required

At this stage, scalability becomes the primary consideration.

This includes:

- Flexible storage capacity
- Efficient warehouse layouts
- Robust warehouse management systems (WMS)
- Streamlined order-processing workflows

The goal is not just to accommodate current demand, but to build an operation that can support continued growth without repeated disruption.



## Situation 3: You Want to Switch Warehouses

In some cases, the issue is not growth—but misalignment. Brands may find that their current warehouse no longer supports their operational or financial goals.

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### Common Triggers

- Rising warehousing and operational costs
- Inefficient processes or inconsistent service levels
- Poor location relative to suppliers or customers
- Limited ability to scale with the business

Over time, even small inefficiencies can compound into significant costs. For example, suboptimal warehouse location can increase shipping expenses and delivery times, while outdated systems can reduce operational visibility and control.



## Recommended Approach

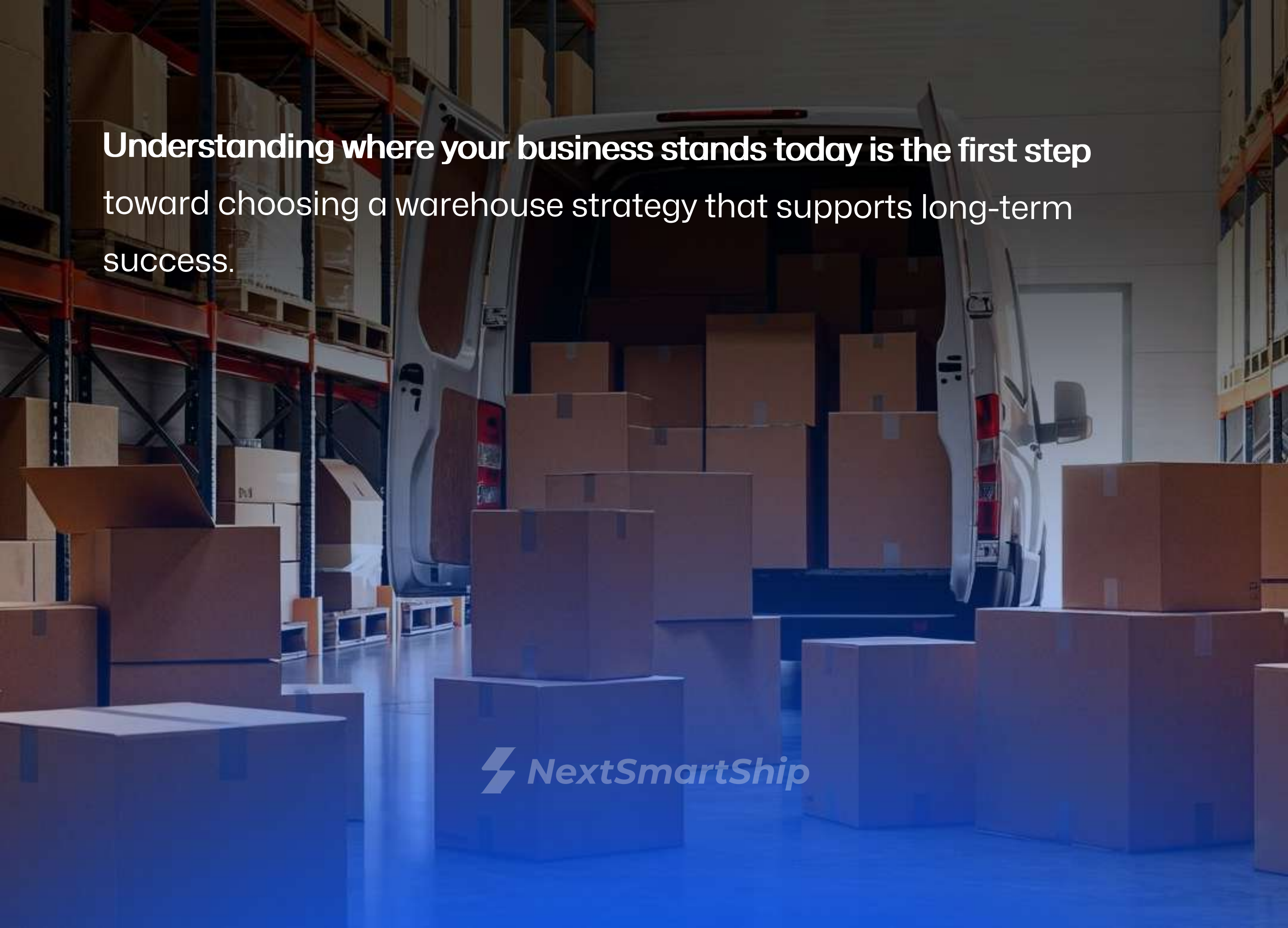
Before making a switch, it is essential to conduct a thorough audit of current performance:

- Total warehousing and fulfillment costs
- Average delivery times and shipping zones
- Order accuracy and error rates

From this analysis, brands can:

- Identify performance gaps
- Clarify operational priorities
- Define non-negotiable requirements for the next warehouse

Entering the search process with clearly defined criteria helps prevent repeating the same issues in a new location.



**Understanding where your business stands today is the first step** toward choosing a warehouse strategy that supports long-term success.

# 03 How to Find the Ideal Warehouse

Selecting the right warehouse is a multidimensional decision that goes beyond simply securing space. The ideal facility must align with your operational requirements, customer distribution, and long-term growth strategy.

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## 3.1 Space Size

Determining the appropriate warehouse size starts with a clear understanding of your inventory profile.

Key inputs include:

- Total inventory volume
- Number of SKUs
- Storage type (e.g., palletized goods, shelving, bins)

However, one of the most common mistakes brands make is planning only for storage. In reality, storage is just one component of warehouse operations.

A well-functioning warehouse must also accommodate:

- Receiving areas for inbound shipments
- Picking and packing stations
- Staging zones for outbound orders

Industry best practices suggest that **20–40% of total warehouse space should be allocated to non-storage activities**, depending on order volume and operational complexity.



## 3.2 Location

Warehouse location has a direct and measurable impact on both cost and customer experience.

When evaluating location, brands should consider three primary factors:

- Proximity to headquarters (for oversight and coordination)
- Distance from suppliers (to reduce inbound freight costs and lead times)
- Proximity to customers (to optimize delivery speed and shipping costs)

Strategically located warehouses can:

- Reduce average shipping distance
- Lower transportation costs
- Enable faster delivery times

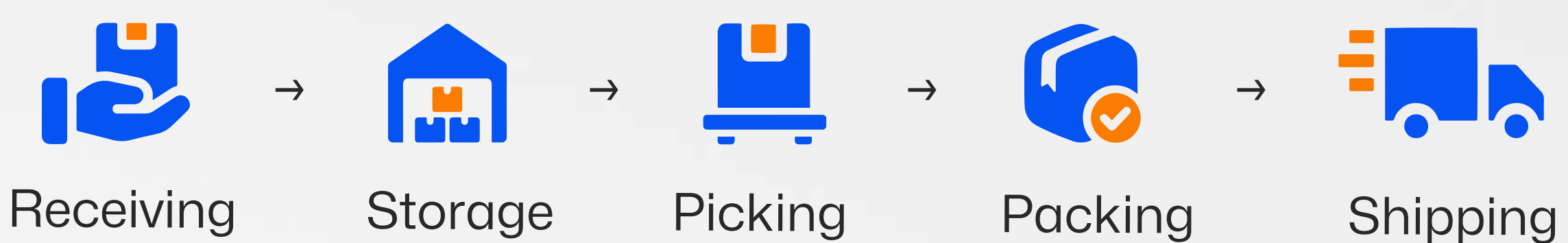
For growing brands, location decisions should also account for future expansion into new markets or regions.



### 3.3 Layout, Partitioning, and Features

The internal design of a warehouse is just as important as its size or location.

An effective layout supports a logical and efficient flow of goods:



Key elements to evaluate include:

- Racking systems and storage configurations
- Clearly defined workflow zones
- Adequate aisle spacing for movement and equipment
- Loading docks and access points
- Ceiling height (which affects vertical storage capacity)

Safety and compliance should also be considered.

A poorly designed layout can create bottlenecks, increase labor costs, and reduce overall throughput—especially as order volume grows.



### 3.4 What's Included vs. What's Extra

Not all warehouse leases or facilities offer the same level of included services and infrastructure.

Before committing to a space, brands should clearly understand what is included and what will require additional investment.

Key areas to clarify:

- Utilities (electricity, water, HVAC)
- Maintenance and repairs
- Equipment (e.g., racking, forklifts, conveyors)
- Security systems (cameras, access control)
- Technology infrastructure (internet, networking, system compatibility)

These factors can significantly impact both upfront setup costs and ongoing operational expenses.

# 04 Operational Planning Steps

Selecting a warehouse is only part of the decision. To ensure long-term success, brands must align their space with operational realities—both current and future.

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## A. Satisfy Immediate Needs

Start with a clear understanding of your current demand.

Use your **inventory turnover ratio** to estimate:

- Required stock levels
- The physical space needed to support them

The goal is to ensure your warehouse can handle baseline operations without constraint. Choosing a space that cannot support current demand will quickly lead to inefficiencies and disruptions.



## B. Consider Order-Processing Workflows

A warehouse is not just for storage—it is a dynamic environment where inventory is constantly moving.

Plan for all key workflows:

- Receiving inbound inventory
- Picking and packing orders
- Processing returns



This requires:

- Dedicated space for operational flow
- Supporting technology such as a warehouse management system (WMS) or automation tools

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## C. Plan for Future Growth

Warehousing should be approached as a long-term investment.

In addition to current needs, account for:

- Year-over-year growth
- Seasonal demand spikes
- Expansion into new sales channels

The ideal warehouse supports your business today while leaving room to grow—reducing the likelihood of needing to relocate in the near future.

# 05 Solutions & Best Practices

Choosing the right warehouse requires more than evaluating space—it requires a structured, strategic approach. The following best practices can help DTC brands make more informed and scalable decisions.

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## 5.1 Make Data-Driven Decisions

Warehouse decisions should be grounded in operational data, not assumptions.

Key inputs include:

- Year-over-year growth trends
- Seasonal demand patterns
- Customer distribution
- Current fulfillment and shipping costs



Using this data allows brands to more accurately determine:

- Required warehouse size
- Optimal location
- Cost-efficiency thresholds

The result is a more precise, scalable warehousing strategy that aligns with actual business performance.

## 5.2 Set Your Priorities

In practice, no warehouse will perfectly meet every requirement. Tradeoffs are inevitable.

Before beginning your search, define:

- Must-have criteria
- Flexible or negotiable factors

Common tradeoffs include:

- Location vs. cost
- Size vs. flexibility
- Proximity vs. scalability

Establishing clear priorities ensures that decisions remain aligned with your broader business goals, rather than being driven by short-term convenience.

## 5.3 Consider Partnering with a 3PL

For many DTC brands, managing a warehouse internally can become increasingly complex and resource-intensive over time.

Operating a warehouse requires ongoing investment in:

- Space and infrastructure
- Labor and training
- Technology and systems
- Process optimization



Partnering with a third-party logistics (3PL) provider offers an alternative approach—providing access to established infrastructure, experienced teams, and scalable systems without the need for long-term real estate commitments.

From a warehousing perspective, a 3PL can offer:

- Flexible storage capacity that adjusts with demand
- Strategically located facilities to reduce shipping costs and delivery times
- Integrated technology and fulfillment workflows
- Reduced operational burden, allowing brands to focus on growth

For brands evaluating whether to build, expand, or transition their warehouse operations, working with a 3PL can provide a more flexible and scalable path forward.

Effective warehousing is not just about securing space—it is about building an operation that can adapt, scale, and support long-term growth.

# 05 How NextSmartShip Warehouses Power eCommerce Growth

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## Global Warehouse Network

NextSmartShip operates a globally distributed warehouse network across North America, Europe, Australia, and Asia—giving eCommerce brands the ability to strategically position inventory worldwide.

With multiple warehouses, you can:

- Store inventory closer to your customers
- Reduce shipping times and last-mile costs
- Expand into new markets without setting up your own infrastructure

Across our global warehouse network, NextSmartShip provides end-to-end fulfillment capabilities:

### Global Fulfillment Capabilities

- Warehousing: Secure, scalable storage with real-time inventory tracking
- Order Fulfillment: Accurate pick, pack, and ship processes
- Kitting: Bundle products into ready-to-ship sets

- Custom Packaging: Branded packaging to elevate customer experience
- Labeling: Compliance with global shipping standards
- Global Shipping: Fast, cost-effective delivery worldwide

### **Key Benefits**

- Cost Savings: Reduce overhead and optimize fulfillment expenses across regions
- Faster Delivery: Reach customers globally in ~3-10 business days
- Lower Inventory Risk: Order smaller quantities and restock efficiently
- Scalable Operations: Flexibly expand across multiple markets as you grow



## China Fulfillment Center: Source-to-Customer Efficiency

One of the most powerful applications of our network is our China fulfillment center—enabling brands to ship directly from the source to their customers.

### What This Means for You

- Same-day shipping for faster delivery expectations
- Reduced shipping zones and last-mile costs
- Coast-to-coast coverage for nationwide reach
- Lower fulfillment costs with transparent pricing

## U.S. Fulfillment Centers: Speed & Cost Efficiency

For brands targeting the U.S. market, NextSmartShip provides fast, reliable, and cost-efficient domestic fulfillment.

### What This Means for You

- Same-day shipping for faster delivery expectations
- Reduced shipping zones and last-mile costs
- Coast-to-coast coverage for nationwide reach
- Lower fulfillment costs with transparent pricing

## Additional Global Coverage

Beyond China and the U.S., NextSmartShip supports fulfillment in:



Canada



Europe



Australia



Japan

This allows you to test, enter, and scale in multiple regions without operational complexity.

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## Built for Scaling Brands

NextSmartShip is designed to remove the biggest operational headaches for eCommerce brands:

- Free onboarding – no upfront setup costs
- Peak-season ready – no slowdowns during high demand
- 24/7 support – always-on support

# Ready to Explore Routes?

*Global*

Going global isn't complicated when you have the right partner. With NextSmartShip, your brand gains the infrastructure, expertise, and speed to scale internationally – without extra stress or cost.

Let's take your brand where the world is shopping.



Contact us today and go  
global with confidence.

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Contact