QUARTERLY OPERATIONS REVIEW

Distribution & Fulfilment Division

Q3 Performance and Cost Report

Prepared by: N. Sullivan, Operations Analyst

Reviewed by: N. Osei, Regional Director

August 27, 2026

Contents

1 Executive Summary

Fulfilment cost per order fell 6.2% quarter-on-quarter, driven primarily by the new carrier contract signed in July. On-time delivery held steady at 96.1%, within target but not improving, and warehouse labour cost per unit rose slightly due to seasonal overtime. No corrective action is required this quarter, but the labour cost trend is flagged for Q4 monitoring.

2 Key Metrics

Table 1: Quarter-on-quarter operational metrics

Metric	Q2	Q3	Change
Cost per order ($)	4.82	4.52	−6.2%
On-time delivery rate	95.9%	96.1%	+0.2pp
Warehouse labour cost/unit ($)	1.14	1.21	+6.1%
Order accuracy rate	99.2%	99.4%	+0.2pp
Return rate	3.1%	2.9%	−0.2pp

3 Cost Drivers

3.1 Carrier contract renegotiation

The new carrier contract, effective from the start of the quarter, reduced per-parcel shipping cost by 9% on our two highest-volume lanes (Northeast and Midwest). This is the single largest contributor to the quarter's overall cost reduction, accounting for roughly two-thirds of the total $0.30 drop in cost per order.

3.2 Seasonal labour overtime

Warehouse labour cost per unit rose due to overtime coverage during the back-to-school volume spike in August, which required temporary staff at a 1.4× pay premium for 11 shift-days. This is a recurring seasonal pattern and is budgeted for; it does not represent an underlying cost trend.

4 Risks and Watch Items

- **Carrier capacity for Q4 peak:** the renegotiated contract includes a volume cap that our projected Q4 peak volume would exceed by roughly 8%. Overflow volume would revert to the prior, more expensive per-parcel rate unless a peak-season addendum is signed before November.
- **Warehouse overtime trend:** if overtime hours in Q4 exceed the Q3 level (likely, given historical peak-season patterns), labour cost per unit could erode a meaningful share of this quarter's cost improvement.

5 Recommendations

1. Begin peak-season addendum negotiations with the carrier immediately, given the 8-week lead time the carrier has historically required for contract amendments.

2. Pre-approve a fixed overtime budget for Q4 rather than approving overtime reactively, to keep the labour cost trend visible against a plan rather than discovered after the fact.