



Common Supplier Mistakes to Avoid



What keeps Costco programs in good standing — and the early warning signs that momentum is slipping.



Every Supplier Wants to Get Into Costco

The real work is sustaining an ongoing program and understanding what it takes to keep earning the floor space.

Costco is a performance environment. If an item sells, executes cleanly, and protects member value, it has room to grow. If it creates friction, loses velocity, or becomes difficult to execute at scale, it can be replaced quickly.

More often, performance declines when small issues compound over time and become harder to manage at scale.

This playbook outlines the most common mistakes suppliers make — and what to watch for before momentum slips.

MISTAKE 1: Designing for Shelf Appeal Instead of Pallet Reality

Costco does not sell from traditional shelves. It sells from steel, pallets, and warehouse floor space.

That means packaging designed only for shelf appeal often misses the operational reality of Costco.

Common issues include:

- **Inefficient pallet utilization**
- **Compromised structural integrity**
- **Graphics that do not read from a distance**
- **Packaging that looks good full but poor after sell-through**
- **Displays that are difficult to move, stock, or replenish**

A simple test:

If it is hard to move inside the warehouse, it is hard to defend in a buyer review.

Costco packaging has to be designed for the floor it will actually live on.



MISTAKE 2:

Treating Packaging as an Afterthought

This is one of the most common and costly mistakes.

When packaging decisions happen after product development and pricing, flexibility disappears.

At Costco, packaging affects:

- Margin
- Freight
- Labor
- Pallet efficiency
- Compliance
- Sustainability
- Replenishment
- In-store performance

When packaging is considered too late, suppliers often find themselves trying to fix cost, cube, damage, or labor issues after key decisions have already been finalized.

That is when programs become harder to scale.



**It is not “just a box.”
It is operational
infrastructure**

MISTAKE 3:

Overengineering Packaging and Diluting Value

More packaging does not always mean more value.

Extra components, premium finishes, unnecessary inserts, and complicated structures can quietly increase cost without improving the member experience.

At Costco, value has to be visible.

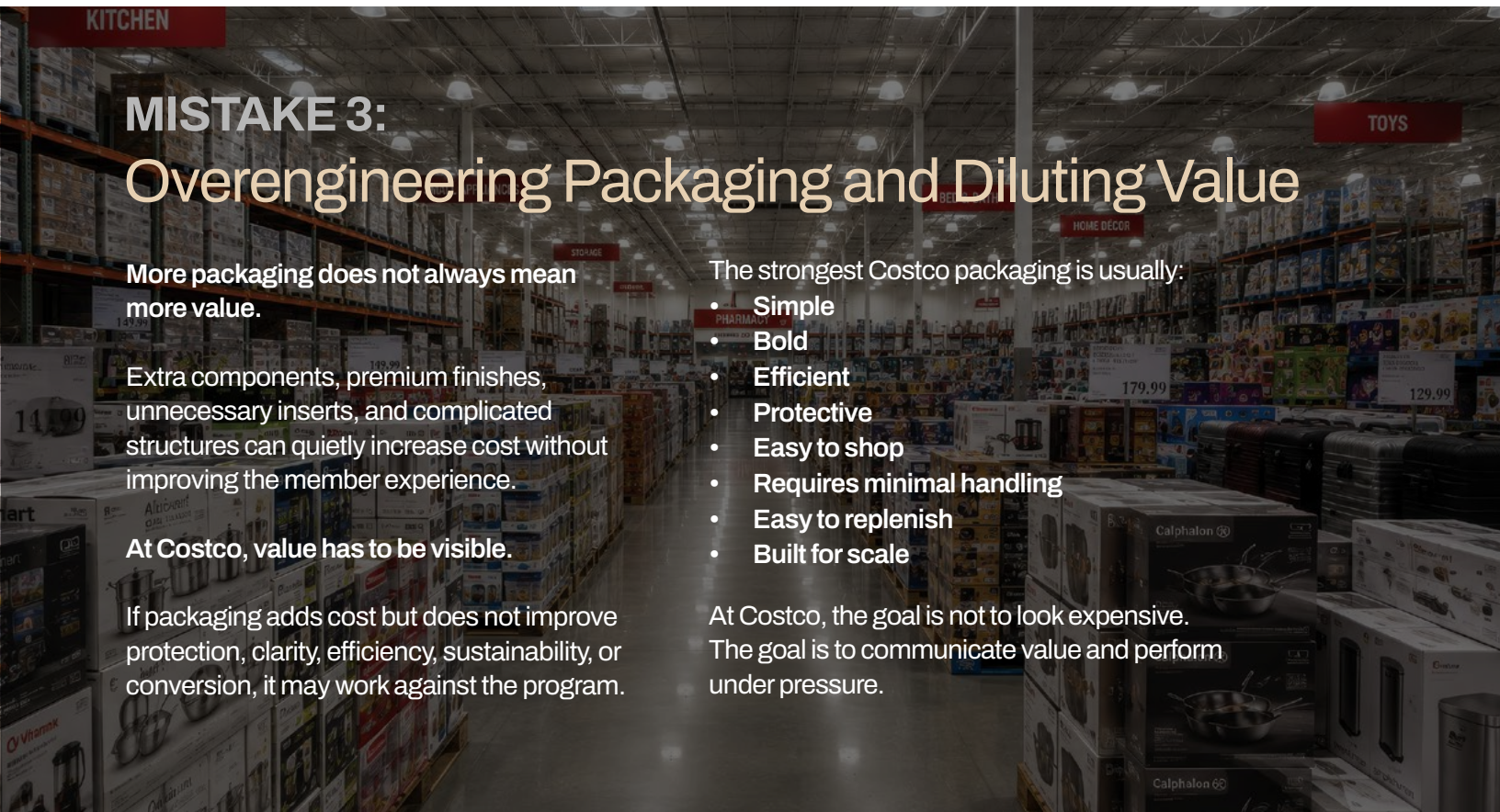
If packaging adds cost but does not improve protection, clarity, efficiency, sustainability, or conversion, it may work against the program.

The strongest Costco packaging is usually:

- Simple
- Bold
- Efficient
- Protective
- Easy to shop
- Requires minimal handling
- Easy to replenish
- Built for scale

At Costco, the goal is not to look expensive.

The goal is to communicate value and perform under pressure.



MISTAKE 4: Ignoring Scalability



Some packaging works during a small test but breaks down once volume increases.

Common scalability issues include:

- Hand-packed processes
- Fragile structures
- Too many components
- Labor-intensive displays
- Packaging that is difficult to reproduce consistently
- Designs that do not hold up under warehouse handling

A small run can hide inefficiencies. Costco scale exposes them.

The question is not just,
“Can we launch this?”

The better question is:
“Can we still execute this cleanly as the program moves from a regional test to a national rollout?”





MISTAKE 5: Underestimating Freight, Cube, and Pallet Impacts

Small dimensional decisions can create major cost consequences.

Packaging influences:

- Units per pallet
- Units per truck
- Freight cost per unit
- Pallet stability
- Warehouse handling
- Replenishment efficiency
- Margin protection

A package that is slightly oversized may reduce pallet count. A display that is hard to stack may increase handling. A poor TI/HI can affect both cost and stability.

These details may not feel dramatic during development. But at Costco volume, they compound quickly.

MISTAKE 6: Forgetting That Velocity Decides Everything

Costco does not offer a long runway for underperformance.

Because the SKU count is limited, every item is constantly being evaluated.

If it sells, it stays. If it does not, it gets replaced.

That means suppliers need to design for early velocity.

Packaging, pricing, pallet presentation, roadshow strategy, and launch timing all need to support fast conversion.

Costco is not the place to slowly build awareness over time. It is the place to prove demand quickly.

MISTAKE 7:

Treating Sustainability as a Later Conversation

At Costco, sustainability is not a separate initiative—it is increasingly becoming part of how products, packaging, and programs are evaluated for long-term success.

Suppliers who wait too long to address sustainability may face issues with:

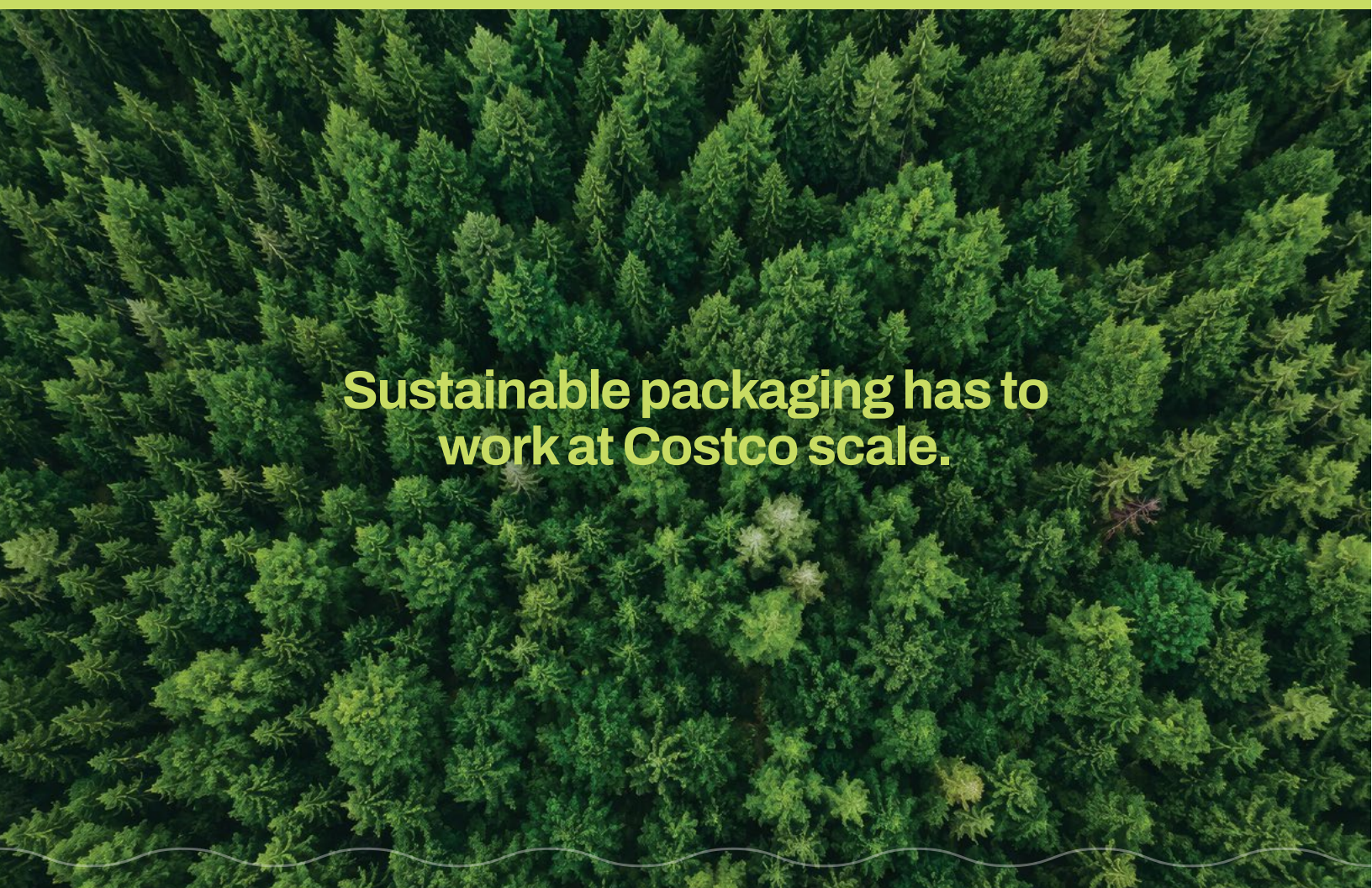
- Excess plastic
- Non-recyclable materials
- EPR requirements
- SB 54 implications
- Material reduction pressure
- Retailer scorecards
- Packaging redesigns after launch

Sustainable packaging has to work at Costco scale.

That means it needs to be recyclable where possible, efficient to manufacture, strong enough for the warehouse, and cost-effective enough to protect member value.

The suppliers who think ahead build trust.

The suppliers who wait often end up reacting.



Sustainable packaging has to work at Costco scale.



MISTAKE 8: Not Preparing for Peak-Season Pressure

Costco standards become especially visible during peak periods.

During peak and holiday periods, warehouses enter one of their most intense operating windows. Seasonal inventory is set. Member traffic is high. Displays are shopped hard. Operators are moving quickly.

This is when execution gaps become impossible to hide.

Packaging and pallet displays need to answer:

- Does the pallet still read from 20 feet away?
- Can it be dropped cleanly by forklift?
- Does it hold structure after heavy member traffic?
- Does it remain shoppable when half empty?
- Is the value proposition still obvious?

If packaging works under peak pressure, it is built correctly. If it only works when conditions are perfect, it is not ready for Costco.

MISTAKE 9:

Overlooking Supplier Code of Conduct Expectations

Costco evaluates trust across the entire supply chain.

Suppliers can create risk when they do not have:

- **Approved facilities**
- **Clear documentation**
- **Audit-ready records**
- **Labor compliance**
- **Health and safety controls**
- **Environmental responsibility**
- **Transparency into subcontracting**

The same expectation should extend to packaging partners.

If your packaging partner is part of your supply chain, they need to operate with the transparency and discipline Costco expects.

Early Warning Signs a Costco Program Is Slipping

Suppliers should watch for early signals that a program may be losing momentum.

These may include:

- **Packaging damage increasing**
- **Pallets arriving unstable or inconsistent**
- **Displays looking worn down too quickly**
- **Replenishment becoming difficult**
- **Warehouse labor complaints**
- **Chargebacks or corrective actions**
- **Freight costs exceeding assumptions**
- **Sell-through slowing**
- **Sustainability concerns emerging**
- **Buyers asking for repeated revisions**
- **Cost structure no longer supporting the retail price**



Most Issues Start Small.

The key is catching them before they become program-level problems.

Costco does not reward good intentions. It rewards performance.

A strong product can fail if the packaging cannot scale.

A great pitch can stall if operations are not ready.

A promising test can lose momentum if freight, labor, or replenishment issues surface.

The suppliers who succeed are the ones who design for Costco from the beginning.

Not after approval.

Not after the first PO.

From day one.

Are you maximizing how your products are getting noticed in-store?

Bay Cities is a full-service designer and manufacturer of packaging and in-store displays that drive sales at major retailers nationwide. Our Los Angeles headquarters offer comprehensive solutions for brands looking to move products off the shelf. This includes in-house design and structural engineering, manufacturing, fulfillment, logistics, and distribution to retailers. Bay Cities is committed to sustainability which is why our corrugate is SFI™- and FSC™-certified, 100% recyclable, and is made with 99% post-consumer waste.

As leading experts in retail design, we have assembled the TrendSpotters — a unique team of our top structural, graphic and brand designers, combined with our top marketers. We are consistently tracking trends such as shopper behavior, technology, new or unique products and brand innovations. We use this data to validate our design decisions and marketing efforts and share with our customers for continued collaborative success in retail.



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