

The Ins and Outs of Free Shipping

Strategies for aligning marketing and operations with the customer in mind.



What's Inside

5 profitable reasons to offer free shipping



7 ways to promote free shipping to your customers



How to differentiate with free return shipping



6 things to consider before offering free shipping



The true costs of free shipping

Should I Offer Free Shipping?

These 5 reasons say you should.

1

It's the Standard

8 of 10 consumers say free shipping is the
No. 1 incentive to shop online more

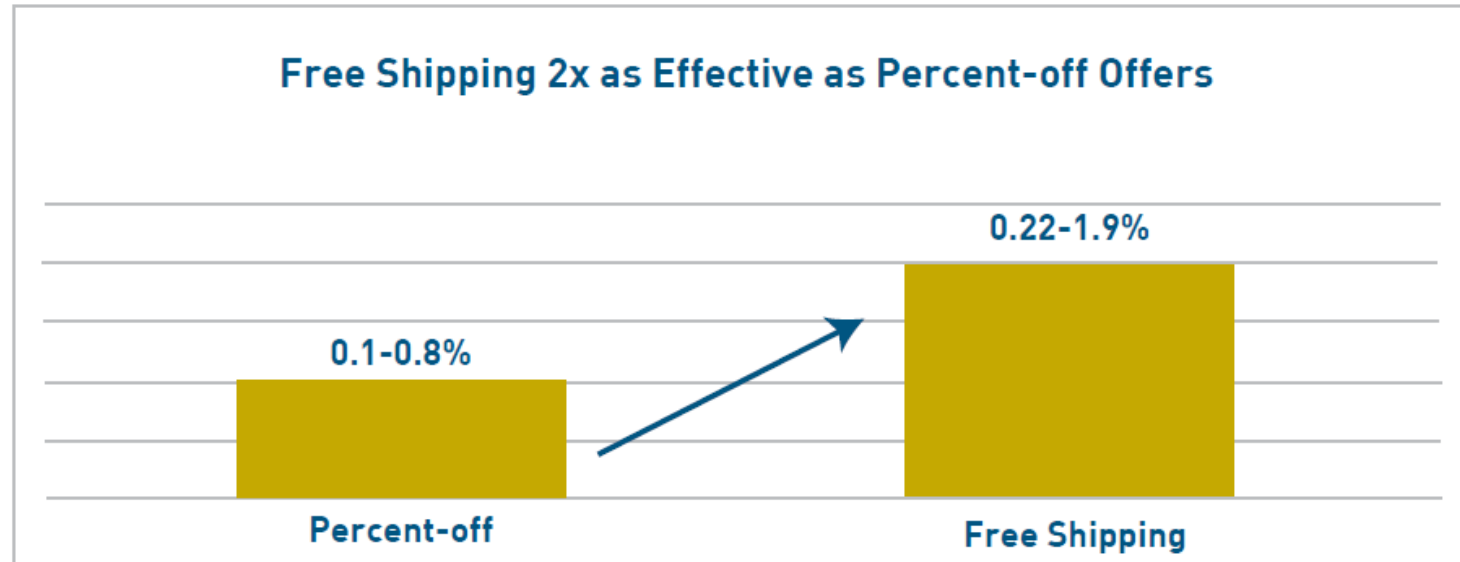


Most top retailers have a free shipping offer:
Zappos, Kohl's, Apple, Sephora

2

Plus, Free Shipping minimums are an enticing way to increase your average order value.

It Boosts Online Sales



3

It Reduces Shopping Cart Abandonment

Average cart abandonment rate is 75.6%

- No.1 reason for cart abandonment is UNEXPECTED costs like shipping

- 63% of consumers abandon their cart after seeing shipping charges



4

It Encourages Repeat Business and Increases Average Order Value

According to research from David Bell of the Wharton School of Business at the University of Pennsylvania, one of the best ways to **increase repeat purchases** and **average order value (AOV)** is to offer discounted shipping for customers who meet a contingency. Bell discovered that **threshold shipping discounts** are viewed more favorably than product-specific discounts.

5

It Enhances the Customer Experience

73% of U.S. consumers cite free delivery as a top factor that would improve their online shopping experience.

Customer Insight

With fast and free shipping as a key driver for online and cross-channel purchases for the fifth year in a row, the biggest opportunity for brands and retailers lies with creating more efficiencies in the supply chain.

More frequent online purchases have driven consumers to explore new routes for delivery and pickup, like two-day, one-day, same-day and even two-hour shipping.

– Walker Sands 2018 Future of Retail Report

7 Ways to Promote Free Shipping

Marketing strategies to increase conversion rates.

1

Free Shipping on Everything

Viable strategy for smaller, lighter weight products

•
Stipulate delivery method (e.g., ground) and destination (e.g., within the contiguous U.S.)

**Examples:
Nordstrom, Adidas,
Neiman Marcus**



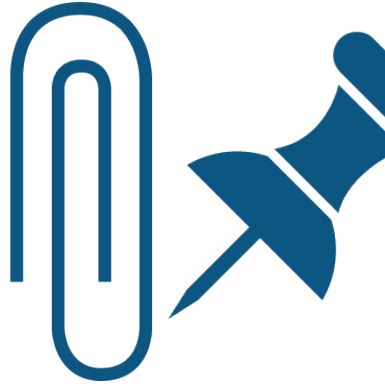
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Free Shipping with Minimum Thresholds

Set minimum order value to encourage larger orders and reduce risk

•
Stipulate delivery method (e.g., ground) and destination (e.g., within the contiguous U.S.)

**Examples:
Staples, LEGO, L.L. Bean**



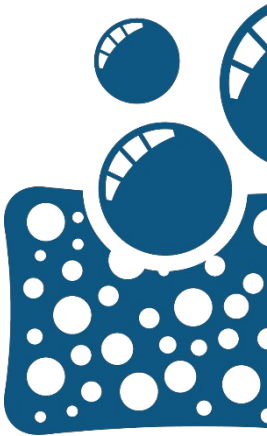
3

Free Shipping on Certain Items

Promotion for higher margin items only

Stipulate delivery method (e.g., ground) and destination (e.g., within the contiguous U.S.)

**Examples:
RiteAid, Costco,
Alibaba**



4

Free Shipping at Certain Times of the Year

Promote for seasonal shopping holidays or special sales to be more competitive

Stipulate delivery method (e.g., ground) and destination (e.g., within the contiguous U.S.)

**Examples:
Best Buy, Nordstrom,
Target**



5

Free Shipping from/to Certain Locations

Offer Free Ship-to-Store to encourage in-store purchases

Promotions to contiguous U.S. only or certain states, regions

**Examples:
Macy's, Wal-Mart,
Ace Hardware**



6

*Examples:
Amazon, Bed Bath &
Beyond, NewEgg*

Free Shipping to Build Loyalty

Free Shipping on some or all orders in exchange
for annual fee Membership Program

Loyalty program members get points
and Free Shipping to encourage repeat sales

Stipulate delivery method (e.g., ground) and
destination (e.g., within the contiguous U.S.)

%

7

Not Really “Free” Options

Bake shipping fees into the product price



Offer flat rate shipping tiers to encourage larger orders



Free shipping as a credit card perk (Target)



From the Parcel Expert

“In one example...through detailed analysis of my client’s shipping patterns and costs, we were able to determine which service levels and packages were most profitable to ship and which were not. With this information, they could **reduce the amount they charge their customers** for shipping for some items as well as eliminate shipping charges altogether for many others.

“Our analysis helped them **understand the impact to profit margins** that a subsidized shipping program would have and helped them maintain a certain level of profitability – all while **winning new customers!**”

Jeff Eischen, Senior Partner, Parcel Solutions



It's the Standard

Free returns differentiate your business.

Free Shipping on Returns = Repeat Business and Increased AOV

Nearly 70% of shoppers say their most recent returns experience was “easy” or “very easy,” and 96% would shop with a retailer again based on that experience.



69% of consumers are less likely to make additional purchases on sites that charge them for return shipping

**Examples:
Neiman Marcus, Sunglass Hut,
Bonobos**

Retailer Insight

“In the United States, we offer free shipping both ways to make the transaction as easy as possible and risk-free for our customers. A lot of customers will order five different pairs of shoes, try them on with five different outfits in the comfort of their living rooms, and then send back the ones that don’t fit or they simply don’t like – free of charge. The additional shipping costs are expensive for us, but we really view those costs as a marketing expense. We also offer a 365-day return policy for people who have trouble committing or making up their minds.”

Tony Hsieh, CEO, Zappos

Delivering Happiness: A Path to Profits, Passion, and Purpose

From the Parcel Expert

“Through intense analysis, I was able to provide a client with a matrix showing **how the average order value related to shipping tiers by volume**. This showed us at what dollar amount they could offer free shipping.

“In this exercise, we also realized that it made more sense to send all clearance items to sell through its brick-and-mortar stores. Shipping these discounted items with the possibility of being returned by mail was causing a major loss.”

Charles Moore, Vice President, Parcel Solutions



Am I Ready to Offer Free Shipping?

6 things to consider first.

FREE SHIPPING

3 Things to Consider

1. What are your profit margins by product?



2. How would the size and weight of your product(s) impact a Free Shipping offer? Larger, heavier products cost more to ship. You may need to restrict your Free Shipping offer accordingly.



3. Should you experiment with your average order value?
If AOV is \$50, test Free Shipping on orders that are at least \$60.

3 More Things to Consider

1. Where are your customers located?

Customers outside the continental U.S. may need to be excluded due to high shipping costs. Maybe Free Shipping can be easily offered to customers closer to your DCs or stores.



2. What's your competition doing?



3. Don't forget other investments! E-commerce programming dollars. Marketing dollars to generate awareness.

From the Parcel Expert

“In my experience, a full analysis of a program is required to **determine if a free shipping option is needed or feasible**. In one instance, my retailer client wanted to reduce costs so that they could introduce free shipping.

“One way that helped them a lot was to create an **add-on program**. By suggesting additional sale items to the consumer, my client was able to consolidate packaging to improve density, which, in turn, reduced shipping costs.”

Shawn Emery, Associate Consultant



How Much Will Free Shipping Really Cost You?

Don't let transportation costs kill your orders.

\$\$\$?

Feeling the Pressure

MARKETING GOAL:

Increase conversions

Free shipping is an
essential key to success!

OPERATIONS GOAL:

Faster/Cheaper

Free shipping
is not FREE!

Does This Sound Familiar?

Sales and Marketing create a free shipping promotion to hit their targets



●
Logistics teams scramble to figure out how to make it happen with the least impact on the budget

●
Finance analyzes the total cost to serve, and the promotion has actually cost more than gained.



YOU NEED RESOURCES TO BRIDGE THE GAPS!

There Is No Silver Bullet

It takes time, analysis and years of experience to engineer the right free shipping strategies for your organization.

**Transportation Insight
Can Help!**

Analyze Your Transportation Distribution



—
PACKAGE WEIGHT DISTRIBUTION

+

ZONE MIX

=

DISTRIBUTION MATRIX

Leverage your distribution matrix to take advantage of your best price-per-pound scenario.

We Can Help!

From the Parcel Expert

“I worked with an omni-channel B2C and B2B retailer to design custom parcel shipping solutions for each business unit. By leveraging their global shipping volume and by streamlining operations, the company was able to reduce its annual parcel expenditure by **\$14.3 million** and ultimately realize **13.1% in hard-dollar savings.**”

Todd Bengel, Vice President, Parcel Operations



Audit Your Spend

Carrier invoicing adds a level of complexity that takes a lot of time to address



Most shippers do not have the resources to check each and every invoice for complete accuracy



And most auditors don't help you identify ways to improve your program

We Can Help!



From the Parcel Expert

“One of the world’s leading providers of office products relies on our auditing capabilities to help keep parcel shipping costs down.

“Our innovative invoice and service audits have **saved them over \$6 million in 10 years**, and our compliance audits have helped them gain control over parcel shipping expenses by closing dormant carrier accounts, discovering fraudulent charges and identifying a voiding shipment problem that was costing them **\$500,000 per year in overage charges.**”

Toni Caputo, Director, Audit Recovery



Use Your Data

Your shipping and invoice data reveals business intelligence that you can use to support smarter shipping and better decision-making.



We Can Help!

From the Parcel Expert

“We partnered with a Fortune 50 omni-channel retailer to engineer a parcel shipping program to drive down costs – and improve business unit service levels. **By engineering a new parcel shipping solution and implementing analytical and auditing tools**, our team helped create a **14% reduction** in parcel shipping expenses.

“But more importantly, our client was able to gain unprecedented visibility into shipping data and **improve accrual and budgeting processes** for transportation.”

Cory Griffiths, Product Manager





Evaluate. Innovate. Dominate.

Learn how a proven combination
of industry expertise, technology and analytics
can give you the inside edge in parcel shipping.

Sources:

[Walker Sands Future of Retail 2018 Study](#)

[Narvar Consumer Report 2018](#)

[Retention Science](#)

[Why Do People Abandon Shopping Carts? - SalesCycle 2019](#)

[Primary Reason for Abandoning Carts U.S. - Statista 2018](#)

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