



THE ULTIMATE GUIDE TO

Profitable Free Shipping

Get **50 Proven Strategies** in This Ultimate Guide

For any online seller wanting to get ahead of the pack, it is a must to offer free and fast shipping. But shipping is not really free for you and can creep into your margins. We have created THE ultimate guide on how to offer free shipping and still make a profit. Keep reading to learn 50 proven ways you can offer free shipping profitably and radically improve your order fulfillment.

PART 1 | TOP 5 STRATEGIES

PART 2 | PRICING STRATEGIES

PART 3 | CARRIER OPTIONS

PART 4 | MARKETING STRATEGIES

PART 5 | 3RD PARTY LOGISTICS

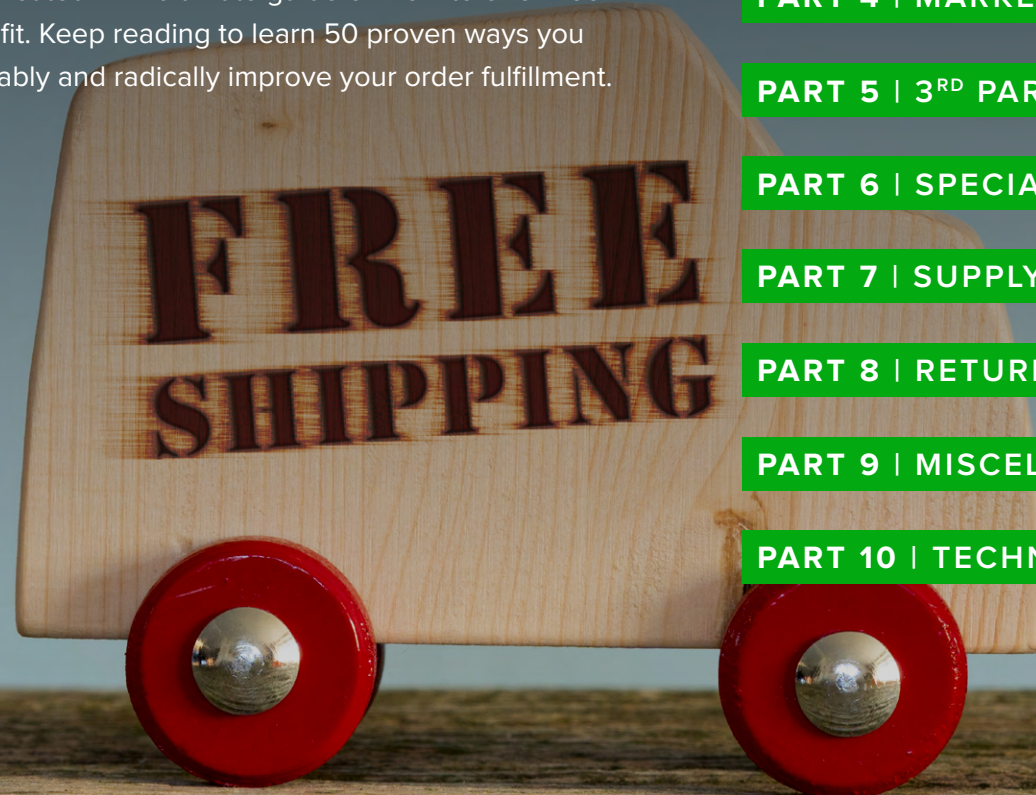
PART 6 | SPECIAL CARRIER SERVICES

PART 7 | SUPPLY CHAIN OPTIONS

PART 8 | RETURNS OPTIMIZATION

PART 9 | MISCELLANEOUS OPTIONS

PART 10 | TECHNOLOGY INNOVATIONS

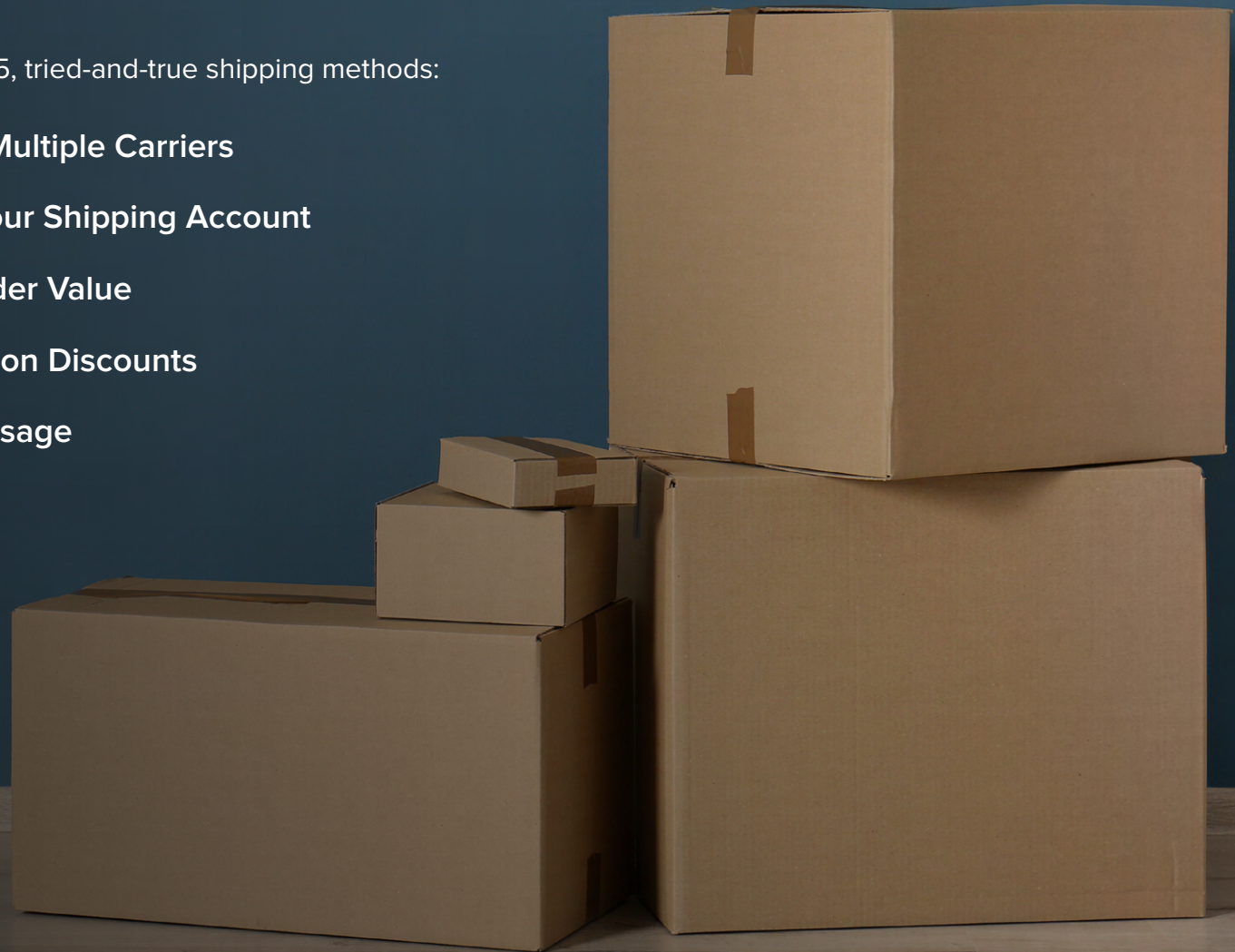


PART 1

Top 5 Strategies

To kick it off, we're starting with our top 5, tried-and-true shipping methods:

- 1 Structured Negotiation with Multiple Carriers
- 2 Convince Suppliers to Use Your Shipping Account
- 3 Intelligently Set Minimum Order Value
- 4 Use Trade or Group Association Discounts
- 5 Maximize Ground Shipping Usage



1

Structured Negotiation with Multiple Carriers

Carrier label fees comprise the majority of your shipping costs. Therefore, it makes sense to get the best deal possible from your carriers. Businesses that sell online most likely already have some negotiated rates with their top carrier. However, understanding your shipping profile intimately is key to getting a well-negotiated contract with your carriers.

▶ PROS

Taking the time to assess your needs and building an RFP will pay off because it comes with a few benefits:

- ✓ It becomes easier to negotiate with multiple carriers at once.
- ✓ The RFP can be repurposed to negotiate with suppliers, warehouses and software solutions.

▶ CONS

Negotiating a contract seems like a solid way to lower your shipping costs but there are a few things that you should keep in mind:

- ✗ You get locked-in with the carrier. This might mean you lose out on any short-term discounts other or new providers give out.
- ✗ Your shipping needs may change. If you change your SKU assortment, you might no longer be able to ship at the negotiated rates for new sizes and weights.
- ✗ If the carrier is sloppy with your deliveries, even if you get reimbursed, few unhappy customers can really drive your business into the ground.

First, understanding the true cost of your packages is essential. Second, focus on the fees that impact your business the most and lastly, compare carriers via a structured process. Carriers are looking for reliable sources of repeat business, and are willing to negotiate with reputable businesses.

[READ MORE](#)

2

Convince Suppliers to Use Your Shipping Account

Most sellers get inbound shipments from their suppliers for inventory replenishment or direct order fulfillment. Suppliers typically invoice you for transportation costs separately. Convincing your suppliers to use your carrier account allows you to take advantage of your negotiated rates and adds more shipping volume on your account.

▶ PROS

There are two major advantages:

- ✓ It increases your sales volume so that you can negotiate better rates.
- ✓ It also prevents suppliers from marking up transportation costs in the invoice.

▶ CONS

However, you should exercise some caution. Your carrier account numbers are like a credit card number. Things can go wrong such as:

- ✗ If you have multiple suppliers or change your suppliers over time, your account could end up paying for someone else.
- ✗ It is often difficult and time-consuming to comprehensively audit your carrier invoices and claim reimbursements.
- ✗ It is also difficult to track which service levels the suppliers are using. They may end up using a more expensive shipping method over the most practical.

There are third-party solutions such as Boxtton which let you securely manage account access rights for shipping with various partners. It allows multiple users to print labels and track packages without giving up full control of your account.

[READ MORE](#)

3

Intelligently Set Minimum Order Value

Delivering low-cost items for free hurt the most as shipping costs eat into the already thin margin. By compelling your customers to make a bigger purchase, you can recover your shipping costs. One study revealed that about half of shoppers will add items to their shopping cart just to qualify for free shipping. So, there is merit to setting a minimum order value for free delivery.

▶ PROS

The advantages of having a minimum order value are:

- ✓ You don't lose all your profit margin by spending it away on shipping cost.
- ✓ Your average cart size goes up, meaning on average your customer spends more every time she buys from your store.

▶ CONS

There are a few things you should keep in mind while using this approach:

- ✗ There's a chance of your core customer base abandoning you for a better alternative and not coming back.
- ✗ If you are in growth mode, subsidizing shipping may be the only way to get your products out there and create a great track record of customer service. And hence, setting a minimum order value may not be in your best interest at this early stage.

There's a fine line between setting a minimum order value that will increase total sales and setting a value that will drive away potential customers. There are different ways to test what that optimum value is. Don't set a limit too high from your average order value. It should be just enough for customers to add a couple of items at the most.

[READ MORE](#)

4

Use Trade or Group Association Discounts

Trade organizations aren't just good for the annual conferences and galas; there are a host of other advantages that you can enjoy if you're a member. Shipping discounts is a perk offered by several trade organizations.

▶ PROS

The advantages building a relationship with carrier through a professional association are:

- ✓ You don't have to build a separate relationship with the carrier to get the discounts and other benefits.
- ✓ The carrier will be able to provide the same discounts to you at trade shows organized by your association.

▶ CONS

But there are a couple of things to keep in mind while doing this:

- ✗ You may not stay on as a member of the organization forever. Building a direct relationship may be a possible alternative for a long-term solution.
- ✗ Savings from the member shipping discount may be less than the cost of membership. However, you might receive other intangible benefits from associations such as the network and learning opportunities.

While carriers don't advertise the associations they offer discounts to, don't hold back from asking your account manager or your association whether your business qualifies. Depending on the size of the organization, you could be eligible for discounted rates of up 50 percent with UPS and FedEx.

[READ MORE](#)

5

Maximize Ground Shipping Usage

According to a 2017 survey by Bizrate Insights, nine out of 10 shoppers are willing to wait longer for a free shipment. Hence, using ground shipping to provide free delivery is a viable option. Offer a no rush delivery option to customers who are willing to wait a little for free shipping.

► PROS

In the end, using ground shipping for your order fulfillment has its benefits:

- ✓ Compared to a 2-day guaranteed delivery service, ground shipping saves online sellers more than 50% in shipping cost.
- ✓ A slower shipment using ground shipping makes sense for products that do not fall under the 'instant gratification' category, in which delivery speed is very important.
- ✓ Ground shipping is the greener choice for the environment because truck and lorry deliveries produce up to 85% less emissions compared to air cargo.

► CONS

Ground shipping is not the ideal method for delivery though. If you stick to ground shipping, be ready to deal with the following issues:

- ✗ Buyers increasingly opt for the faster shipping method due to the norms set by marketplaces such as Amazon Prime.
- ✗ If your items are perishable, they might not be able to survive the long journeys in a truck across the country.
- ✗ There could be delays due to unexpected stoppages and detours caused by weather conditions or accidents, affecting your customer experience.

Ground shipping allows more time for carriers to transport their packages. Furthermore, it's greener and more economical compared to air cargo. Ground shipping options include FedEx Ground, FedEx Home, UPS Ground and UPS Parcel Post.

[READ MORE](#)

PART 2

Pricing Strategies

Pricing is one of the most determining factors of a customer's buying decision. While customers naturally gravitate towards the lowest price, this expectation is now the norm thanks to marketplaces placing a high importance on low final prices (which includes the list price and shipping cost). If you look at any product page in Amazon, very likely the seller who has the buybox also has the cheapest offer. This price expectation puts pressure for online sellers to set a "just right" price that is both low but enough to provide free shipping. Shipping charge is an important component of online product pricing.

Points 6 through 10 will talk about five ways to recover your shipping costs by strategically setting your prices:

- 6 Include Shipping Costs in Product Prices
- 7 Offer Free Shipping on Select Items Only
- 8 Enable Free Shipping on Large Orders
- 9 Introduce Flat Rate Shipping Charge
- 10 Adopt a Dynamic Shipping Charge

6

Include Shipping Costs in Product Prices

Customers perceive a separate shipping charge at checkout as an unpleasant surprise. A 2019 study by Baymard Institute shows that 53 percent of shoppers abandoned their carts because of extra fees like shipping cost. To avoid such shocks, consider baking shipping costs into the item price. You can add the shipping costs directly to items above your free shipping threshold.

▶ PROS

The advantages of including shipping costs in the product price are:

- ✓ The rate of cart abandonment goes down as there is more transparency from search to checkout.
- ✓ Your marketplace stands out with the tag of free shipping against other stores irrespective of the prices they are offering.

▶ CONS

There are other factors that you might want to keep in mind before using this method:

- ✗ Landing customers on your page can become tougher with slightly higher prices; there is a potential to offset any advantage gained by removing shipping charges at the end of checkout.
- ✗ If the customer initiates a return, you need to refund the listed price including a part of the shipping cost baked into it.
- ✗ Customers buying multiple quantities would prefer a separate shipping charge on the whole purchase than higher prices.

Imagine having to pick between these two offers for something you're ready to buy:

- Option 1: \$25 + \$6 shipping charge
- Option 2: \$31 with free shipping

Bill D'Alessandro of Rebel CEO, a consulting firm, ran this very test for a skincare product. Option 2 converted twice as many sales.

[READ MORE](#)

7

Offer Free Shipping on Select Items Only

It's not always profitable to offer free shipping on all the items in your product catalog. It can be problematic with low-priced items or very large and bulky items. You can, however, pick out which items you can offer free shipping on. The key to this strategy is to communicate the offer effectively to the customer.

▶ PROS

Offering free shipping to a limited selection of SKUs has its benefits, such as:

- ✓ Offering free shipping increases your sales volume, effectively negating any decrease in margin per single item.
- ✓ Free shipping as a way to recruit new customers, there will be upsell-opportunities when satisfied customers come back to your store.

▶ CONS

However, keep in mind these few things while implementing this strategy:

- ✗ Free shipping on select items works best when you have at least one high-selling item with a low shipping cost.
- ✗ Promoting free shipping on one item may signal the customer that you specialize in that item only.

The key to this strategy is to communicate the offer effectively to the customer. Cahoot has also tested this strategy extensively and found a marked improvement in net profits despite lower margins per SKU. This is because of the increase in sales and a positive margin per order.

[READ MORE](#)

8

Enable Free Shipping on Large Orders

Setting a minimum order value to qualify for free shipping increases your sales so that you may be able to recover your shipping costs. Requiring a minimum order value forces the customer to find items to meet the price threshold. It's easier to gently nudge the customer with a prompt that says, "buy 3, get free shipping."

▶ PROS

The advantages of bulk/quantity based free shipping method are:

- ✓ It's easier for customers to add one more item of a product they already want to buy and will need to repurchase in the future.
- ✓ Packing multiple items is also time and cost-effective.

▶ CONS

A possible hindrance to something like this would be:

- ✗ It is mostly applicable only to marketplaces which sell items customers regularly repurchase over time.
- ✗ It will not be profitable for items that cannot be shipped together to reduce packaging and shipping cost.

This is especially true in the case of items that customers buy regularly, like personal care or household products. For such products, customers are used to expecting savings when buying in bulk. The end goal is similar to minimum order value in that the merchant can increase average order value and ship the items together for a low cost.

[READ MORE](#)

9

Introduce Flat Rate Shipping Charge

If it's still not possible for you to bake shipping costs into your product prices, there's another way to manage customer expectations. With a flat-rate shipping offer, customers are aware of the total price they'll be paying, irrespective of what items they buy. The shipping cost transparency would motivate them to find an item they want and complete the purchase.

▶ PROS

Some of the advantages of flat rate shipping are:

- ✓ Sales increase as the customers will increase their average order value to make the most of the flat rate.
- ✓ The shipping options on the product page are much easier to configure.

▶ CONS

However, you should be careful about a couple of things:

- ✗ Flat rate shipping is not suitable for low margin items, depending on the flat rate you charge, such margin might not be enough when customers only order a single item during check out.
- ✗ It is also not profitable for items that have high shipping costs such as ones with bigger size, are heavy or need special packaging.

Consider your average profit per unit and average shipping cost to calculate a flat rate that works for both your customers and your desired margin. Having a flat shipping charge also provides an option for customers who aren't interested in spending above a certain amount.

[READ MORE](#)

10

Adopt a Dynamic Shipping Charge

If your fulfillment center is located close to where the customer resides, you might be able to charge a lower shipping cost than the average computed across your entire customer base. With a dynamic, real-time shipping rate, you can make sure you're charging the lowest possible shipping cost and remain competitive in all markets.

▶ PROS

The big benefits of having this system are:

- ✓ You can rest assured that you won't lose money from shipping costs, no matter the location of customer or change in carrier rates.
- ✓ A portion of your customers will be rewarded for their proximity to your order fulfillment location, assuring you of their business.

▶ CONS

However, there are repercussions to imposing a dynamic shipping charge:

- ✗ If your fulfillment location is away from the concentration of your target customers, you will end up charging your core market more-than-average shipping cost.
- ✗ Temporary spikes in shipping rates may result in a customer lost for good, establishing your reputation for high costs.

Connect your shipping solution directly to the shopping cart and checkout page, and then each customer will be shown the most accurate shipping cost tailored to them. This [blog](#) by Squarespace explains one way to do it in great detail.

[READ MORE](#)

PART 3

Exploring Your Carrier Options

Carriers are one of the most important stakeholders in running an eCommerce business successfully. Although every order involves some action through your carrier, you might not be using all the services that your carrier has to offer in fulfilling those orders. Selling on online marketplaces can be exhausting, and you don't always have the time to figure out what's best for you.

In this part, we list down the most effective ways you can lower your shipping cost by exploring your carrier options:

- 11 Take Advantage of 'Hybrid' Shipping Services
- 12 Consider a Regional Carrier or Regional Rates
- 13 Support Local Courier Services Like Postmates, Uber, Instacart, Etc.
- 14 Use Online Shipping by Carriers
- 15 Avoiding Residential Addresses Surcharge

11

Take Advantage of 'Hybrid' Shipping Services

Hybrid services like Surepost by UPS and Smartpost by FedEx can help you cut your costs by half if you qualify for their weight and size restrictions. Hybrid shipping services are ideal for packages weighing between 2 to 10 pounds that don't meet the criteria for a postal flat rate shipment. Packages lighter than 2 pounds should use USPS first class shipping or Priority Flat rate box and packages heavier than 10 pounds should use Standard shipping methods.

▶ PROS

The advantages of using a hybrid shipping service are:

- ✓ Enjoy the long-distance speed of private carriers and last-mile efficiency of USPS, saving you up to 50% in cost.
- ✓ No surcharges for residential deliveries or special territories.

▶ CONS

However, there are some things you might want to keep in mind while going for hybrid deliveries:

- ✗ Slower than standard shipping and it lacks a guaranteed delivery date.
- ✗ Availability is limited. Due to hybrid's lower margins compared to standard shipping, carriers only offer this service to select merchants.

Hybrid services are a great example of **how competitors work together to increase value** by working in their area of expertise. The most expensive component of shipping is the last-mile delivery.

[READ MORE](#)

12

Consider a Regional Carrier or Regional Rates

Some carrier services operate in specific regions only, they are often less expensive compared to FedEx or UPS because they operate in a smaller area and use mainly ground transportation for delivery. Their delivery networks are typically limited, but many of them cover wide ranges of states and fast deliveries as well.

▶ PROS

The advantages of going with a regional shipper are:

- ✓ You can save about 10% to 40% on your shipping costs compared to UPS and FedEx.
- ✓ Options for same-day or next-day delivery are greater when compared to the national carriers.
- ✓ The service windows are more flexible with earlier pick-ups and later deliveries when compared to the national carriers.

▶ CONS

There is always a risk of partnering with regional carriers due to their relative inexperience and size:

- ✗ The consistency of service over a longer period of time may vary depending on the maturity and financial state of the often-smaller regional carrier.
- ✗ The services are only available in a geographically bound area. You will have to use national carriers or other regional carriers for different areas, adding complexity to your order fulfillment.
- ✗ You might lose out on volume-based discounts with FedEx or UPS. Carefully analyze the impact on discounts before diverting some of your deliveries to a regional carrier from national carriers.

Regionals carriers typically provide better services than national carriers because they specialize and operate in a smaller area.

[READ MORE](#)

13

Support Local Courier Services Like Postmates, Uber, Instacart, Etc.

Courier services enable an “on-demand economy” where customers seek instant gratification from the convenience of their home. It has grown beyond food ordering & ride-hailing and now anything available locally can be ordered on demand.

▶ PROS

The major advantages of using an on-demand courier service are:

- ✓ It is the fastest way to deliver products to your customers.
- ✓ The delivery costs are split between the customer and the local business, reducing the burden of shipping costs.

▶ CONS

- ✗ An online seller must be available to pack and ship the order throughout the day for the hours listed on the app.
- ✗ The delivery experience for the customer may be erratic due to the on-demand workforce compared to standard delivery service by carriers.

One study shows **41% of the adult population** had used one of these apps in 2017, and it is a great way for a seller to increase their online footprint. It makes a great case for adopting instant courier delivery for your store, especially for ecommerce sellers catering to urban customers with an order fulfillment center in the area.

[READ MORE](#)

14

Use Online Shipping by Carriers

Online shipping is an easy alternative for sellers who are new to ecommerce and haven't reached the volume to qualify for negotiated rates or discounted 3PL services yet. You can print your shipping labels online instead of at the post office counter and enjoy reduced rates. It can be done via USPS' website or through authorized USPS postage services like Endicia.

▶ PROS

There are a host of advantages when you buy shipping online:

- ✓ Online shipping makes it easier for merchants to compare and select the right service for the desired delivery window and affordability.
- ✓ If you go with USPS, you can have your package picked-up directly from your location for free — no more trips to the post office.
- ✓ Easily add extra instructions such as 'signature required' or other services such as redirecting the package while on its route right from your own computer.
- ✓ Email notifications, so you have updates sent to you instead of checking tracking numbers one by one on their website. This way, you can update customers on delivery status quickly.

▶ CONS

Online shipping is a great starting tool. But there are a few things to worry about as you scale:

- ✗ It can be time-consuming to do it yourself manually as you grow and send more packages. You may need to explore more sophisticated solutions like multi-carrier shipping software and 3PLs.
- ✗ Express and guaranteed deliveries over long distances will still be expensive, so you will need to explore other ways to reduce those costs.

Endicia claims savings of **up to 40%** on USPS orders, whereas Stamps.com can save you **up to 30%** on priority mails.

[READ MORE](#)

15

Avoiding Residential Addresses Surcharge

UPS and FedEx, the biggest national carriers, add a surcharge for all shipments to residential addresses. Carriers' definition residential addresses aren't always clear, but you can reduce some of your costs by planning around residential surcharges.

▶ PROS

The advantage of doing this is:

- ✓ You save some per order but can amount to sizable savings on your total volume.
- ✓ You can use address type of customer to personalize messaging for your targeted advertisements.

▶ CONS

However, doing this does bring in a hassle.

- ✗ In the absence of a good shipping software doing it for you, you will end up spending a lot of time correcting and sorting addresses for a large volume.
- ✗ Each carrier has their own identification for an address being either commercial or residential, and when comparing service types across carriers, this can be inconsistent.

Choosing the right carrier strategy is important in keeping costs low but still provide good service. Cahoot's shipping software and order fulfillment network automates this process and provides you the most affordable options for the desired level of service every time.

[READ MORE](#)

PART 4

Marketing Strategies

Innovative marketing is essential for any online seller to stand out in today's world of fierce competition. In the headphones category on Amazon, for example, there were seven new products from two new brands added to the top 100 list every day last year.

Free shipping can be leveraged as an excellent tool in clever marketing campaigns by treating shipping cost as a customer acquisition expense. This part of the ultimate guide will focus on using promotions ed around free shipping to acquire new customers while preserving your long-term profits.

Below are five ways to offer free shipping through smart marketing strategies:

- 16 Offer Free Shipping with Loyalty Programs
- 17 Offer Free Shipping for a Limited Time Window
- 18 Offer Free Shipping at Peak Seasons of the Year
- 19 Offer Free Shipping on Returns Only
- 20 Offer Free Shipping to First-Time Customers Only



16

Offer Free Shipping with Loyalty Programs

Loyalty programs are customer memberships offered by retailers in exchange for various perks, including free shipping. The customer is charged a fee or must collect points against regular orders to enjoy the perks of the membership. It is designed to encourage repeat purchase, enabling retailers to absorb the shipping costs.

▶ PROS

The advantages of this strategy are:

- ✓ Sellers can offer 'free shipping' while recovering the shipping costs from customers at the same time.
- ✓ Customer data acquired through loyalty programs can be used to drive other marketing campaigns and to design future products.
- ✓ Customer behavior data can help you improve your user experience by conducting different experiments on the same customers.

▶ CONS

A few things to keep in mind while offering loyalty programs:

- ✗ Sellers should be wary of customers using loopholes to extract the maximum value against their membership, such as multiple people using one account.
- ✗ The success of loyalty programs is difficult to assess over a short period, given the need for customer longevity.

Some big retailers offer the membership to customers solely in exchange for their basic personal details such as email account, name, address, gender, and birthday. Retailers use this information to encourage more purchases through targeted marketing efforts.

[READ MORE](#)

17

Offer Free Shipping for a Limited Time Window

If you're not yet set to offer free shipping all the time, free shipping for a limited time serves as a great marketing tool in many cases. The purpose of providing free shipping here is to encourage additional purchase and build a relationship with the customer for future business.

▶ PROS

- ✓ Limited time offers of free shipping require relatively fewer changes in order fulfillment operations.
- ✓ Free shipping promotions can be added on top of your existing discount promotions to make them more effective.

▶ CONS

- ✗ Running limited time offers frequently may accustom the customers to expect free shipping all the time.
- ✗ Free shipping promotions being so commonly available these days can get lost amongst the host of other promotions.

Very simply, you need to set a target of future incremental sales from customers who have used the free shipping promotion. The margins from incremental sales should cover the costs of shipping during the offer and help you assess the success of your campaign. Additionally, just acquiring more customers could increase brand awareness, which will attract new prospects organically in the future.

[READ MORE](#)

18

Offer Free Shipping at Peak Seasons of the Year

Free shipping is not a value creation strategy if you do not have enough sales to increase your bottom line with reduced unit margins. Therefore, offering free shipping during peak season could be a better idea. One, there is potential for more sales and two, you need to be competitive when everyone is offering some kind of promotion. Free shipping is cherry on the top of any other promotion.

▶ PROS

- ✓ It is relatively safe to offer temporary free shipping as the increase in sales volume will guard against the downside in margins.
- ✓ This strategy does not set unrealistic customer expectations of free shipping all year round.

▶ CONS

- ✗ Running peak season promotions to acquire customers at loss may create uncertainty of pay-off if the off-peak sales are lower than anticipated.
- ✗ It is a busy time for both carriers and online sellers. The sheer volume spike can cause delays when on-time delivery is crucial (e.g. gifts shouldn't arrive a day or two after Christmas). Make sure you're prepared to handle fulfilling this sales jump and not disappoint your customers.

Every business has a seasonality to it. Depending on your products, test out free shipping offers during different times of the year such as Christmas, Mother's Day, Valentine's Day, Amazon Prime Day and Back-to-School.

[READ MORE](#)

19

Offer Free Shipping on Returns Only

Online shopping prominence has made returning products much more critical in the last few years. Customers care about the ability to return the item if they are not satisfied with it **almost as much as free shipping**. Hence, there is an opportunity to attract customers by offering free shipping on returns as a feature of shopping with you.

▶ PROS

- ✓ By offering free shipping on Returns only, not all orders will incur the cost of additional shipping expense.
- ✓ It attracts customers who are wary of shopping online altogether because of the fear of getting duped by product presentation.

▶ CONS

- ✗ A free returns policy can encourage unwanted consumer behavior such as wardrobing or ordering an item without serious intent to keep it.
- ✗ A free returns policy must be accompanied by investment in product visualization and additional product description to ensure minimum surprises to the customer.

There are few categories, where the customer thinks about returns even before they have made the purchase. These are the products that conventionally require a trial. Anything in the fashion category, house décor, and jewelry fit into this.

[READ MORE](#)

20

Offer Free Shipping to First-Time Customers Only

Getting customers to try your products can be the biggest hurdle in growing your ecommerce business. Offering free shipping could be the nudge that customers need to buy from a new online seller. Such an offer makes sense for a retailer who is looking to broaden its base or acquire new customers.

▶ PROS

- ✓ A way to get new products in the hands of the customers or for a new store to gain visibility in front of customers.
- ✓ Paves the way to a long-term relationship when coupled with consumables/regularly purchased items.

▶ CONS

- ✗ May be vulnerable to exploitation if not executed properly (e.g. multiple fake accounts).
- ✗ May not be enough to entice new customers depending on what competitors are offering and which season is the promotion.

It is a simple but effective strategy. Many successful businesses, such as Postmates or Grubhub, have used it in the past to get the customer on board. Once the customer realizes the value of the service, they stay on to become regular paying users.

[READ MORE](#)

PART 5

Third-Party Logistics

Fast shipping is just as important as free shipping. Amazon has conditioned customers to expect 2-day shipping and is continuing to push one-day delivery as the norm. As a third-party seller, it can be costly and sometimes impossible to deliver on such expectation. Thankfully, several third-party logistics services help you relocate inventory to different parts of the country to fulfill customers in under two days. They provide services from inbound freight to final shipping.

In this section, we will focus on different models of third-party logistics (3PL) services:

- 21 Fulfilled by Amazon (FBA)
- 22 Traditional 3PLs
- 23 One-Stop Outsourced Service Partner
- 24 On-Demand Warehousing
- 25 Emerging 3PL Solutions for Sellers

21

Fulfilled by Amazon (FBA)

Fulfilled by Amazon (FBA) is a logistics service focused on products sold on Amazon marketplace by third-party sellers. FBA enables online sellers to reach their customers as fast as possible through warehouses across the nation, along with Amazon's renowned customer-obsessed service. Also, items fulfilled by FBA are eligible for Amazon Prime two-day shipping, free shipping, besides other benefits.

▶ PROS

- ✓ Most of the product fulfilled by FBA automatically qualify for Prime badge and more likely to get the buy box.
- ✓ Service fee includes deeply discounted shipping rates and world-class customer service available 24/7/365 to your buyers.
- ✓ Ecommerce Sellers get protection in terms of their ratings and reviews on Amazon in case of unsatisfactory deliveries due to issues in order fulfillment or shipping.

▶ CONS

- ✗ It is expensive for fulfilling orders from other sales channels due to higher fees and lack of custom branding on the package. Walmart has even prohibited its sellers from using FBA to fulfill orders received on Walmart.com.
- ✗ It is not suitable for heavy items as handling costs can be very high.
- ✗ Storage costs can add up quickly; therefore, seasonal or slow-moving items can incur high charges.
- ✗ Online retailers have no control over order fulfillment operations and must keep up with strict ever-changing guidelines from Amazon.

FBA assumes all responsibility of fulfilling an order right from storage to handling returns. Along with basic order fulfillment services, it offers 24/7 customer service, and shipping costs are included in the FBA fees.

[READ MORE](#)

22

Traditional 3PLs

FedEx Fulfillment, UPS Supply chain solution, and C.H. Robinson are some examples of 3PL providers that also provide end-to-end solutions for ecommerce businesses from inbound freight to white-glove last-mile delivery and returns management. They have an extensive network of distribution centers around the world with infrastructure to support large-scale logistics.

▶ PROS

- ✓ Discounted pricing on shipping and freight for large volumes.
- ✓ An end-to-end solution with everything from in-bound freight to last-mile delivery.
- ✓ Ecommerce sellers can service orders originating at different marketplaces and support multi-channel sales through easy integration with popular online platforms like **Magento**, **Shopify**, and **BigCommerce**.
- ✓ Some 3PL providers have extensive networks that cover even international markets.
- ✓ Support for reverse logistics from processing customer refunds to the liquidation of returned inventory.

▶ CONS

- ✗ It is expensive for fulfilling orders from other sales channels due to higher fees and lack of custom branding on the package. Walmart has even prohibited its online sellers from using FBA to fulfill orders received on Walmart.com.
- ✗ It is not suitable for heavy items as handling costs can be very high.
- ✗ Storage costs can add up quickly; therefore, seasonal or slow-moving items can incur high charges.
- ✗ Ecommerce sellers have no control over order fulfillment operations and must keep up with strict ever-changing guidelines from Amazon.

Traditional 3PLs offer custom pricing to customers based on volume. One can get better pricing with higher volume.

[READ MORE](#)

23

One-Stop Outsourced Service Partner

Whitebox and Cpg.io are examples of outsourced third-party solutions that go beyond the scope of logistics and provide an all-inclusive solution for online sellers looking to outsource their entire ecommerce operation.

▶ PROS

- ✓ Their scope of services goes beyond just order fulfillment; this may be an attractive choice for online retailers with little or no experience or ones not looking to actively manage their ecommerce operations.
- ✓ Products can get the 'Prime' badge without the hassles of managing FBA requirements directly yourself.
- ✓ Sellers benefit from the partner's experience and know-how in implementing best practices in listing optimization and order fulfillment from the get-go.

▶ CONS

- ✗ They do not cover the freight logistics for inbound shipping, requiring you to hire another service provider for that.
- ✗ Ecommerce sellers have less freedom to implement their own ideas on marketing their products on the marketplaces.
- ✗ Outsourcing nearly all your operations will cost you more vs. other operating models.

They set up the seller account and support all the day-to-day tasks from product listing to inventory replenishment. It includes quality control, kitting, warehousing, order fulfillment, optimizing product listings, and managing reverse logistics.

[READ MORE](#)

24

On-Demand Warehousing

On-demand warehousing is a relatively new concept that connects online sellers with multiple warehouses and 3PLs across the country. Solutions such as Flexe, FlowSpace, and Ware2Go utilize a two-sided platform model akin to Uber or Airbnb. On the supply side, warehouse operators and 3PLs list their unused space, and on the demand side, sellers can rent warehouse space and purchase order fulfillment services.

▶ PROS

- ✓ Online sellers only pay for warehouse space they need without the long term commitment.
- ✓ The storage fees may be cheaper than conventional 3PL models because warehouses on the platform mostly list their unused space.
- ✓ Sellers get access to many more facilities than those available via a typical 3PL.

▶ CONS

- ✗ The space availability in a region is subject to the availability of warehouse providers on the platform.
- ✗ The service level beyond a minimum standard (guaranteed by the platform) may vary depending on the warehouse provider.
- ✗ Not always a solution for smaller ecommerce sellers. Some platforms require a minimum number of orders per month.
- ✗ Is more expensive than a traditional 3PL because both the warehouse and the platform needs to charge and make money in order to make this service available to sellers.

The advantage of using on-demand warehousing is the ability to get distributed warehousing without committing to a capacity long-term. You can change your mind about how much space you need on short notice and scale up or down as needed.

[READ MORE](#)

25

Emerging 3PL Solutions for Sellers

There are a few models on the market that specialize in catering to new online sellers and emerging brands. They do not provide a one-stop solution but help out in costly order fulfillment through services and pricing for new sellers. Let's talk about two interesting players in the limelight: ShipBob and Deliverr.

▶ PROS

- ✓ They enable distributed order fulfillment for new online sellers without large minimum volumes.
- ✓ They are a cost-effective solution for sellers who require assistance with fast order fulfillment but are adept at handling sourcing and marketing.

▶ CONS

- ✗ The quality of service provided by the underlying facility could be inconsistent since they rely on third-party infrastructure and their operational maturity.
- ✗ They do not provide order fulfillment solutions for international markets or personalized branding and unboxing experience.
- ✗ Ecommerce sellers may need to manage several other operations such as freight and returns.

ShipBob offers a package of 3PL services designed for newer small businesses. Deliverr focuses solely on fast deliveries through a lean order fulfillment network.

[READ MORE](#)

PART 6

Special Carrier Services

We have covered a variety of methods to ship, and increase profitability while doing so. However, there are some more methods to ship profitably if your online business has certain features such as concentrated sales in a region or an international customer base.

Here, we cover 5 special carrier services that may well just be the right fit for you:

- 26 Use Zone Skipping for High Volume Zones
- 27 Ship Directly from Overseas Using the Global Mail program
- 28 Use International Freight Forwarders to Fulfill International Orders
- 29 Selling Internationally Through Full-Service Cross-Border Solutions
- 30 Amazon Logistics

26

Use Zone Skipping for High Volume Zones

Zone skipping is a practice of consolidating orders and shipping them together to a destination region. From there on, the parcels can be shipped individually within the destination region. The shipping cost is often calculated by the number of regions or 'zones' a package travels through to reach the destination. Through zone skipping, the parcel is injected into the carrier's network directly into the destination zone. Hence, the term Zone-Skipping.

▶ PROS

- ✓ Online retailers can save more than 10% on their shipping costs which can be substantial for many orders.
- ✓ Zone skipping enables sellers to access additional discounts through Parcel Select.

▶ CONS

- ✗ Online sellers must arrange for transportation of parcels in bulk to the destination zone.
- ✗ It is slower than Ground Shipping if the volumes are not large enough to fill a truck in a day.

This is ideal for online sellers with a large volume of sales within a region. If you have close to a truckload of orders from a zone every day, zone skipping is for you. Your objective should be to get your orders as close to the destination as possible, from where the shipping carrier can pick-up and deliver each package to the final destination.

[READ MORE](#)

27

Ship Directly from Overseas Using the Global Mail Program

Sourcing from overseas can seem like a costly affair because of the obvious reasons. But there is an international mail program that makes it incredibly inexpensive to ship from some countries, including China.

▶ PROS

- ✓ Sellers don't have to set up a warehouse in the US if your supplier can drop ship directly at such low costs.
- ✓ Sellers can compete with the Chinese sellers on prices in certain categories (weighing less than 4.4 pounds).

▶ CONS

- ✗ The deliveries can take up to 20 days, making it suitable for certain categories only.
- ✗ ePacket is valid for items weighing less than 4.4 pounds.
- ✗ Managing and reselling returns can become a complex operation.
- ✗ This program may be short-lived and replaced with higher rates as the U.S. government renegotiates its contracts under the United Postal Union (UPU).

Under a program called ePacket, ecommerce sellers can ship products that weigh less than 4.4 pounds for a low rate. It is governed by a century-old treaty called Universal Postal Union (UPU) between major nations wherein postal services have agreed to deliver mail coming from other countries for a fee called terminal fee.

[READ MORE](#)

28

Use International Freight Forwarders to Fulfill International Orders

Shipping international from the US can be a costly affair. Besides, international shipping can be an operational headache too. There are several things to consider. You need enough manpower and time to manage different aspects of international shipping.

▶ PROS

- ✓ Sellers get discounted freight rates along with simplified cross-border charges.
- ✓ Sellers maintains control over the checkout process for international customers including pricing and marketing.

▶ CONS

- ✗ It is hard to monitor and audit cross-border fees if there is no transparency from Freight Forwarder.
- ✗ The delivery time can be incredibly long, making it unsuitable for some product categories.

International Freight Forwarding services carry out the logistics operations on behalf of a firm. These generally involve, as the name suggests, large orders. But with the increase in ecommerce, a lot of freight forwarding agencies offer services tailored to ecommerce sellers.

[READ MORE](#)

29

Selling Internationally through Full-Service Cross-Border Solutions

While delivering domestically can be taken care of using other strategies we've discussed in our guide, selling and delivering to customers in other countries is a whole other ball game.

▶ PROS

- ✓ Online sellers can increase their market reach to include international customers without having to deal with all the operational complexities.
- ✓ Sellers save on additional costs for website development that includes local payments and locale-specific content and customer service for international customers.

▶ CONS

- ✗ Limited control over customer experience for international customers due to complete dependence on a third-party service provider.
- ✗ The program may not be profitable, at least in the beginning, if your products do not have sufficient demand in the overseas market.

Aside from accurately calculating shipping charges and various import fees, there are a few other things that an online seller needs to do. To avoid surprises, your customer must understand your product's pricing and the different tariffs included in the final landed cost. Additionally, having familiar payment options at checkout would reduce hesitancy, for example, allowing payment via China Union Pay, WeChat, or Alipay.

[READ MORE](#)

30

Amazon Logistics

Amazon Logistics is newest last-mile shipping service meant to complement and partially replace existing national providers like UPS, USPS, and FedEx. It started by servicing Fulfilled by Amazon (FBA) orders, but of late, high performing retailers without FBA have also been invited to use Amazon Logistics at low teaser rates. If you are a top-rated seller on Amazon and haven't got any such invitation, you should reach out to your Amazon contact and try to make your case for it.

▶ PROS

- ✓ It allows retailers to take advantage of Amazon Lockers and potentially other logistic innovations from Amazon.
- ✓ Sellers can enjoy expedited shipping such as same-day delivery and two-day delivery with rates lower than popular carriers.

▶ CONS

- ✗ The delivery experience for the end customer may vary depending on the logistics partner as they are independent contractors as opposed to full-time Amazon employees.
- ✗ Sellers cannot choose or avoid a DSP based on their past experience.

Amazon logistics can be even cheaper than the discounted shipping rates that Amazon offers to merchants using its FBA program. With total control over operations and contracted workforce, Amazon can run an efficient and lean operation and pass on incredible savings to its participating merchants.

[READ MORE](#)

PART 7

Supply Chain Options

There are many ways an online seller can orchestrate the flow of products from manufacturers to consumers. With big competitors operating with best practices in supply chain management, it's almost imperative for you to continue improving yours to stay competitive. Any cost reduction from an optimal supply chain can alleviate the costs of offering free shipping to end customers.

Points 31 through 35 talk about ecommerce-friendly supply chain options that will help you fulfill your orders profitably:

- 31 Minimize Delivery Time with Ship from Store
- 32 Minimize Inventory Storage Through Just in Time
- 33 Buy Online Pick Up in Store
- 34 Zero Inventory Through Dropshipping
- 35 Streamlining Your Supply Chain



CLICK +
COLLECT

31

Minimize Delivery Time with Ship from Store

If you already have a brick-and-mortar presence, your stores can be turned into mini-order fulfillment centers. Through this method, people working in stores will be the one picking, packing, and shipping your orders. Having more locations to send from can cut the distance your package needs to travel.

▶ PROS

- ✓ Brick and mortar stores can increase their sales by adding an additional channel of sales.
- ✓ Online sellers can reduce costs and increase delivery times by shipping from stores closest to the customers.
- ✓ Shared inventory reduces safety stock in case of split inventory.

▶ CONS

- ✗ It requires an integrated inventory management software to get real-time visibility and requirements for offline and online operation.
- ✗ The physical spaces in stores need to be redesigned and retooled to enable packaging and shipping online orders.
- ✗ Employees need to be trained to fulfill online orders.

Leading brick and mortar retailers such as Target have adopted the strategy to fulfill orders received on its site. A well-established network throughout major cities reduces costs & delivery time by shipping from the nearest store.

[READ MORE](#)

32

Minimize Inventory Storage Through Just in Time

Just-in-Time inventory Stocking (JIT) is a common inventory management technique and a lean methodology to increase efficiency. A successful example is Zara with its “mind-spinningly supersonic” supply chain. Zara operates in an industry where inventory “spoils” quickly so they commit less than a quarter of a season’s line and produces about half of its line at the start of the season. The remaining? They were designed and produced during the season.

▶ PROS

- ✓ Lower inventory holding costs leading from smaller storage space needed and less deadstock.
- ✓ Free up cash flow, money not used to stockpile inventory can be reinvested elsewhere.

▶ CONS

- ✗ Very accurate estimation of demand is needed to minimize stockouts.
- ✗ Buying inventory all the time makes you more sensitive price shocks, margins will slump if prices suddenly go up.

Today online sellers can quickly gather and process historical sales data to make better demand predictions. As a buffer, some safety stock is still needed but sellers won’t have to dedicate ample space for storage. With proper planning, deliveries may not be fast, but you can provide a guaranteed delivery date to all customers.

[READ MORE](#)

33

Buy Online Pick up In Store

This is not a strictly an option to improve 'Shipping' as in delivering to customer but can help you in satisfying the customer need at a low cost. Buy Online Pick-up in Store or BOPIS enables customer to pick-up their items from a physical location nearby either at your store. The key here is eliminating shipping altogether by getting the customer to pick up their order.

▶ PROS

- ✓ Online retailers can eliminate their last mile shipping costs and returns cost.
- ✓ The store pick-up can be used to drive more traffic to a retail location.
- ✓ The parcels are more securely delivered to the end customer without the risk of theft from doorstep.

▶ CONS

- ✗ Customers can get frustrated and dissatisfied if the pick-up is not convenient or involves waiting in line.
- ✗ BOPIS needs dedicated space for customers to pick up, some investment may be needed.
- ✗ BOPIS requires training and staff time to prepare orders.

Customers expect free and fast shipping and in some categories such as grocery, healthcare products and some household items, fast shipping is a priority over free shipping. In such a case, BOPIS bypasses the shipping process, cutting delivery from days to mere hours.

[READ MORE](#)

34

Zero Inventory Through Dropshipping

Dropshipping is a popular order fulfillment method used by many online sellers. Dropshipping sellers don't stock up the items in their warehouse, effectively making it a zero-inventory business. Whenever an order is placed on their online store, the seller purchases the item from a third-party (such as a wholesale supplier) and has it directly shipped to the customer. Sellers don't handle or even see the product in the whole process.

▶ PROS

- ✓ All order fulfillment operations from including shipping and returns are handled by the supplier.
- ✓ Less capital is required to start the business as the seller does not need to hold inventory to sell.
- ✓ Operating costs are also lower since there is no need for the warehouse or fulfillment facilities.
- ✓ Because of lower costs and low requirement of infrastructure, it is easier to start an online business with drop shipping.
- ✓ It makes it easier to switch product in and out of product portfolio and list many SKU's.

▶ CONS

- ✗ The margins are very low as it is a competitive space. Since it is easier to start, many online sellers are present in the space with very low prices.
- ✗ Dropshipping is frowned upon by leading marketplaces such as Amazon and may incur suspension or penalty.
- ✗ The order fulfillment can be unreliable as you are not always aware of the inventory in stock at suppliers.
- ✗ Order fulfillment quality can vary as the suppliers have different priorities to yours depending on the size of your business.

Under the dropshipping model, the suppliers assume the risk of unsold inventory and cost of packaging and shipping.

[READ MORE](#)

35

Streamlining Your Supply Chain

We discussed some tactical strategies such as JIT inventory and store deliveries. And we know supply chain, in general, is not an easy puzzle to crack. Whether you're a veteran on the space or just starting out, it is always good to step back and reassess your supply chain for improvements.

Here are a few high-level recommendations to streamline your supply chain:

- **Optimize Sourcing:** When you start out your online store, you go with the easiest option to start sourcing your items. As you scale and increase your bargaining power, you should look beyond the current sourcing and look for alternative suppliers that align with your selling strategy.
- **Optimize Order Fulfillment Location:** E-commerce allows businesses to operate from anywhere simply with an internet connection. But as you scale, the inbound and outbound shipping becomes a significant cost as already discussed.
- **Reduce Inventory:** As an ecommerce business grows, the common reaction is to increase warehousing facility and inventory size to meet the customer demand. But inventory is a cost trap and increasing inventory should be avoided as much as possible.
- **Consider Costs of Splitting Inventory:** Distributed warehousing seems to be a mainstream solution for satisfying the customer expectation of fast shipping. However, the costs of splitting inventory are often overlooked.
- **Multi-Channel Sales:** it is a good practice for retailers as many studies have shown the advantage of selling through multichannel is huge. You reach more customers and the topline sales growth increases.

Due to high growth in the past few years, online sellers have not realized the need to examine and solve inefficiencies. Looking for purposeful improvements in the supply chain can help you improve your cost structure and allow you to offer free shipping.

[READ MORE](#)

PART 8

Returns Optimization

Returns can quickly become a major cost center if not appropriately handled. Higher returns mean higher shipping costs overall, thus offering free shipping becomes even more expensive. As mentioned earlier in the post, 95% of online customers will prefer an online store with a free return policy. That makes free returns an indispensable tool to stand out against the competition.

Points 36 through 40 talk about five ways to optimize returns in order to cut down it's costs and increase profitability:

- 36** Eliminate the Root Cause for Your Returns
- 37** Offer Local In-Store Returns to Save on Shipping and Drive Traffic
- 38** Use Returns Consolidator Services to Reduce Logistic Complexity
- 39** Restrict Returns from High-Risk Profiles
- 40** Listen to Your Customers Via Comprehensive Customer Feedback

36

Eliminate the Root Cause for Your Returns

Prevention is the best medicine; our best-case scenario is for customers to have no reason to return products at all. Before we go on enhancing returns efficiency, let's look at what we can do to prevent returns. There are three major preventable reasons why customers return a product (1) the product doesn't match their expectations when buying, (2) they don't like the product right away but they still might in time, and (3) they bought the product by mistake.

▶ PROS

- ✓ Stop returns before you incur fulfillment and return costs.
- ✓ Successfully preventing returns also mean more satisfied customers.
- ✓ Better product page helps increase the perceived quality of your online store.

▶ CONS

- ✗ There's only so much visualizations and descriptions can do.
- ✗ Being proactive with customer needs will prevent returns but would take time and money (if you decide to make a support team).
- ✗ Not as applicable to products that rely on touch-and-feel or try-on to convey its characteristics.
- ✗ It may require investment in professional photography and videography.

It all boils down to having a killer product page. Building it is an interactive process, and it is important to understand why returns happen, so you can take the right steps towards improving your product page.

[READ MORE](#)

37

Offer Local In-store Returns to Save on Shipping and Drive Traffic

Now that you've finished dealing with the main reasons for product returns, it's time to look into making returns more efficient and profitable. Offering returns to the store has two significant benefits. First, you (or the customer) won't need to pay for return shipping. Second, it opens up the opportunity for more sales and makes up for restocking fees.

▶ PROS

- ✓ No return shipping fees needed by either party. Stores can pool restocked products into one bulk shipment to the warehouse vs. a myriad of small boxes.
- ✓ In-store returns reduce the hassle of repackaging and shipping unwanted products.
- ✓ It is an opportunity to retain a dissatisfied customer by offering an instant exchange, upsell, or store credit to buy more stuff, recovering the lost sale.

▶ CONS

- ✗ Partnering with stores that don't sell your products may result in cannibalization.
- ✗ Impractical for customers located far away from the designated return stores.
- ✗ Stores would need to be able to restock inventory and ship back to warehouse if needed.

Returning at a store is easier for customers who dislike the hassle of repackaging and shipping the product back to the seller. As long as customers don't mind going to a store, it's also faster for smaller issues such as a T-shirt size exchange.

[READ MORE](#)

38

Use Returns Consolidator Services to Reduce Logistic Complexity

If you sell internationally, returns can be a massive logistical headache. Not only is it expensive and complicated with different carriers, but it also includes dealing with border customs. Moreover, if you are selling on marketplaces such as Amazon, you are required to offer local return addresses in countries you're selling to and free return services.

▶ PROS

- ✓ Helps retailers meet marketplace requirements such as a local return address and free returns.
- ✓ Customers are more likely to purchase if returns are available within the country.

▶ CONS

- ✗ The returns take a longer time to reach back to the seller so it may not be suitable for fashion (not efficient for exchanges) and perishable products.
- ✗ Customers are more likely to purchase if returns are available within the country.

However, international returns can be very pricy through carriers or forwarders or FBA. Some solutions exclusively handle international returns such as InterCultural Elements, or Salessupply, or ReBOUND. They pool product returns to cut down return shipping costs.

[READ MORE](#)

39

Restrict Returns from High-Risk Profiles or Categories

Segmentation is a practice adopted by marketers to design different strategies to attract and retain customers who have different personalities and traits. The same technique can be used to prevent returns by identifying high-risk customers and offering free return promos to customers who are unlikely to return.

▶ PROS

- ✓ Sellers can dodge malicious attempts of returns.
- ✓ Sellers can use the results of analytic studies to improve their product selection further.
- ✓ Sellers can offer free returns for different products to different groups of customers.

▶ CONS

- ✗ Sellers cannot offer free returns as a store policy but only through email or notification campaigns.
- ✗ Sellers need to develop or hire expert analytic resources to efficiently execute this strategy.

The idea is to analyze data from previous returns and identify the commonality between the customers with the highest number of returns. You can do this using R to perform a segmentation analysis, or perform regressions to predict factors that contribute to returns, or advanced data science techniques like **differences in differences**.

[READ MORE](#)

40

Listen to Your Customers via Comprehensive Customer Feedback

The key here is getting a deeper understanding of why returns happen. We need to make customer feedback the central element of the whole returns process. First, by enriching the quality of reasons why the return happened at all. A simple questionnaire makes the returns process easy but short simple answers don't really explain the root cause of returns.

▶ PROS

- ✓ It reduces frivolous return requests from impulsive customers.
- ✓ Potentially reverse dissatisfaction if it's a minor error.
- ✓ You can get more visibility into what causes dissatisfaction with the products.

▶ CONS

- ✗ A few customers may get frustrated and end up never buying from the online seller again.
- ✗ The seller may need to employ additional resources or spent more time processing returns.

This can have three benefits. One, you will be able to get explicit and detailed reasons for the dissatisfaction. The insights can then be used to improve the selling process or catalog. Two, if the reason for return is easily fixable like an assembly error, support can help problem-solve and reverse the dissatisfaction. Three, customers will only make the effort to call and email to initiate returns if they are absolutely certain.

[READ MORE](#)

PART 9

Miscellaneous Options

We have covered different aspects of ecommerce through a number of ways you can reduce your shipping costs or offer free shipping profitably. There are some things a retailer can do which do not strictly fit into anyone criteria but can trim down costs depending on your online business.

Points 41 through 45 talk about five things a seller should explore implementing for their online business:

- 41 Optimize the Packaging
- 42 Reuse Packaging from Inbound Orders
- 43 Use Prepaid Shipping
- 44 Consolidate and Deliver on Fixed Dates
- 45 Offer Date-Certain Shipping Options

41

Optimize the Packaging

Packaging is an often-overlooked area in optimizing shipping costs. Shipping costs are dependent on the size and weight of the package, and online sellers should look to cut down on both while choosing the optimal packaging.

▶ PROS

- ✓ Sellers can reduce the shipping rates as well as the cost of packaging at once.
- ✓ Smaller packages are easier to dispose and produce less waste.

▶ CONS

- ✗ Reduces negotiation power with carriers with a lower volume of a single size of packaging.
- ✗ It adds the complexity of continually assessing and changing the packaging required to fit the ordered quantity and new SKU's.

If you are using small cardboard boxes, you can cut down on weight and size both by going with poly bubble mailers. Poly mailers are versatile can accommodate different shapes and sizes of items while keeping the volume and weights low. Another source of cost-cutting is using carrier boxes or packaging. All carriers give away free packaging for specific classes of mail. If you are shipping within that service, buying a separate box and affixing the label on to it may be more costly than just going with the carrier boxes.

[READ MORE](#)

42

Reuse Packaging from Inbound Orders

There are two main benefits of reusing supplies from inbound orders, one is reducing waste and two is reducing the supplies you need to buy. Packaging supplies like boxes, fillers, or padding may look trivial but can pile up in costs. Mainly because they apply to every parcel shipped.

▶ PROS

- ✓ Retailers can reduce expenses while reducing the overall waste produced by their business.
- ✓ It reduces the risk of carrying additional supplies for new online sellers in case the sales are erratic.

▶ CONS

- ✗ The unboxing experience for the buyer may not be great with reused packaging.
- ✗ Ecommerce sellers should be wary of not compromising on the integrity of product safety over saving a few cents.

If you offer fragile or sensitive items that require special packaging, chances are some materials from your inbound shipments can be reused. Reusing fillers like bubble wrap, peanuts, paper, or crinkled paper can reduce your spending on new supplies while reducing waste. Of course, the amount you can reuse may vary from each seller, but it's generally a better idea to reuse before finally recycling them.

[READ MORE](#)

43

Use Prepaid Shipping

Businesses have used prepaid shipping in the context of returns and business reply mails. But prepaid shipping can be equally applicable for certain online stores to ship items to the customer. If a seller uses national carriers such as FedEx and UPS, using prepaid shipping can discount the shipping rate up to 20 percent as opposed to printing labels for each parcel individually. How it works is that you order and prepay shipping labels in bulk ahead of time to get volume discounts, then use it to fulfill orders.

▶ PROS

- ✓ Prepaid shipping is a good option for small online sellers without contracts and a few SKU's.
- ✓ It minimizes the effort to ship the items eventually.

▶ CONS

- ✗ Sellers can get better discounts for larger volumes.
- ✗ It does not make a huge difference for sellers using USPS as their carriers.

Of course, this only works if you know your shipping destinations and therefore is applicable to businesses who work on subscription models. In such a case, the deliveries are scheduled at regular intervals to fixed customers. A good estimate of the kind of packages you are going ship (in terms of weight and volume) can prevent you from buying too much.

[READ MORE](#)

44

Consolidate and Deliver on Fixed Dates

Explore the possibility of consolidating all your orders and ship them all together on dedicated days. This strategy can be used in conjunction with zone-skipping mentioned earlier. There are 2 ways of doing this, (1) is to fulfill end customer orders, like in crowdfunding campaigns and preorders and (2) when transporting goods between your warehouses to retail outlets.

▶ PROS

- ✓ It consolidates order fulfillment into one dedicated shipping day/period for preorders.
- ✓ It improves shipment efficiency between warehouses or warehouse to retail outlets.
- ✓ Consolidated shipping reduces the touchpoints for all the parcels from a seller to buyer reducing the risk of damage.

▶ CONS

- ✗ Not recommended for end-user shipping due to rising fast shipping expectations, except for preorder items/crowdfunding.
- ✗ Online sellers will need careful estimation to replenish stocks at full truckloads and ample safety stock.
- ✗ It requires negotiation and management of bulk shipping with a logistic provider.

For the first one, Boardgame Kickstarter projects often use this method to offer the cheapest shipping options possible. For the second one, this works well if you have a brick and mortar presence. The main idea is delaying inventory replenishment until you have a full truckload of goods per shipment.

[READ MORE](#)

45

Offer Date-Certain Shipping Option

When free shipping is not an option, showing guaranteed delivery dates helps manage customer's shipping expectations. Online sellers should explore offering customers options for different delivery dates with different shipping charges. The slowest one might be offered free, but it still has a guaranteed date of delivery.

▶ PROS

- ✓ Showing dates takes out the mental math of delivery dates from customers.
- ✓ Customers can make decisions for themselves on how important money vs urgency of delivery.
- ✓ Retailers don't have to target a specific customer profile and provides options for all types of customers.

▶ CONS

- ✗ It creates complexities of shipping the same SKU through different carrier services for different customer.
- ✗ The chances of cart abandonment may increase as customers take more time to decide and find other options.

Guaranteed dates also help customers to make decisions faster because it takes out the mental math of "delivers in 5-7 business days". Amazon and Walmart have used this strategy for its marketplace. Amazon has increased the accuracy of delivery date moving from a range to a specific date because of this very reason.

[READ MORE](#)

PART 10

Look to the Future

As we conclude The Ultimate Guide to Profitable Free Shipping, the last section is going to look at the future of shipping. Innovations in the sector have been driven by the rising cost of last mile shipping and warehouse management. They are already being implemented by big players in the order fulfillment industry in some capacity and, with time, most of them will trickle down to every ecommerce seller. So you should be aware of how these technologies will shape the future.

Points 46 through 50 talk about technological innovations that are driving the shipping industry forward:

- 46** Warehouse robots
- 47** Drone Delivery
- 48** Robotic Last-Mile Delivery
- 49** Amazon Key
- 50** Peer-to-Peer Shipping Network™



46

Warehouse Robots

Autonomous mobile robotics (AMR) is an exciting innovation in warehousing operations. Amazon is leading the way with large scale deployment of robots in its order fulfillment centers to reduce the costs of the pick-and-pack and sorting.

▶ PROS

- ✓ It decreases order fulfillment cycle time, which means after the orders are received, they leave the warehouse earlier than before.
- ✓ Along with the decrease in costs, automation helps increase safety in the warehouse.
- ✓ Robots can work around the clock, increasing the productivity of a warehouse.

▶ CONS

- ✗ Currently, the return on investment is profitable for high volume fulfillment operations only.
- ✗ Additional resources for implementing and maintaining the technology products are required.

The robots help in eliminating the cost of employing human labor and increase the efficiency. There are less mistakes and more speed when a robot conducts an operation. Currently, order fulfillment centers have robots work alongside humans to transport many items at once, in some cases the complete racks, to stations manned by humans.

[READ MORE](#)

47

Drone Delivery

Drones are unmanned aerial vehicles (UAVs) that can be used to deliver lightweight items over short distances. Currently it is being piloted all over the world for critical deliveries such as medicines to remote areas. In some cases, though, they are being tested to replace the conventional last-mile delivery in postal services.

▶ PROS

- ✓ Reducing congestion as delivery vehicles will not operate on the road.
- ✓ Better routing of packages as air-travel does not depend on roads and traffic.
- ✓ Improved safety as less touch-points along the way from warehouse to the customer.

▶ CONS

- ✗ The regulations are, currently, very rigid regarding the public use of drones.
- ✗ Drones have fundamental limitations to operate in certain conditions such as apartments and unplanned neighborhoods.

Retailers can hope to benefit from the efficiency of drone deliveries once the carriers roll them out. It will help lower the cost of last-mile shipping overall. Another possibility could be an aggregator service for local deliveries that replaces current services such as Postmates and Doordash. It will at least reduce the dependence on carriers for local deliveries.

[READ MORE](#)

48

Robotic Last-Mile Delivery

The biggest challenges in last-mile delivery are low capacity of conventional postal systems, cost of labor, cost of repeat deliveries and increased traffic congestion. All of these contribute to high cost of last-mile fulfillment currently. There has been no innovation in this part of shipping process for decades, until now.

▶ PROS

- ✓ Delivery robots are one-to-one replacement of current last-mile delivery mechanisms, and therefore are able to operate seamlessly with existing supply chain.
- ✓ Delivery robots have less regulatory limitations and therefore, easier to commercialize.

▶ CONS

- ✗ The robots may face limitations in dealing with complex situations such as new constructions and dealing with different acceptance mechanisms in buildings.
- ✗ The robots are also prone to damage from sudden weather events or unpredictable events involving humans.

Some of the early innovators in the space are Boxbot, Marble, Nuro and Starship. Even Amazon and FedEx are testing their robotic systems for last-mile order fulfillment. FedEx has partnered with DEKA which also invented Segway while Amazon is testing its robot Scout for deliveries in southern California.

[READ MORE](#)

49

Amazon Key

Amazon launched its program Amazon Key in conjunction with GM and Volvo, two major players in Automotive across North America and Europe. It operates under prime delivery that allows deliveries to cars parked on the streets or other accessible parking. It works with the car's central locking and GPS systems which can be accessed through the cloud.

▶ PROS

- ✓ It reduces the overall shipping rates by decreasing the costs associated with repeat deliveries because of unavailability of the customer during delivery.
- ✓ It increases the value for customers with smart homes and connected cars by providing more convenience.

▶ CONS

- ✗ There are concerns of privacy and safety by giving access to personal space to external providers.
- ✗ The service will not be directly available to individual sellers as it requires high level of technological integration between companies and associated security measures.

If the customer has a smart lock at their homes, Amazon key also enables deliveries right inside the homes. The cost associated with repeated deliveries and inconvenient trips to post office for collecting packages are eliminated if the customer opts-in to this service.

[READ MORE](#)

50

Peer-to-Peer Order Fulfillment Network™

Throughout the Ultimate Guide we have seen various manners of relationships and technologies being used to offer convenient forms of shipping. For example, the hybrid shipping service illustrated the concept of collaboration between competitors. However, we haven't seen collaboration between ecommerce sellers themselves to address their shipping concerns.

▶ PROS

- ✓ Increased profitability and speed enables online sellers to offer free and fast shipping across the country, increasing their sales.
- ✓ It enables instant inventory replication at multiple warehouse without any investment, virtually creating endless inventory.
- ✓ The retailers within the network are able to increase the profitability and sales for each other at the expense of retailers outside the network.
- ✓ There is much greater visibility into every step of the shipping process including the partner and carrier actions.
- ✓ The sellers don't need to change any of their order fulfillment capabilities or practices.
- ✓ It integrates with the existing shipping software to increase the overall value.

The unique advantage of using Cahoot is that online sellers can scale their shipping capability using their existing order fulfillment facilities. The shipping costs decrease by 40% while the delivery times reduces as well by up to 2 days. There are no additional costs of inventory distribution and outsourced fulfillment.

[READ MORE](#)



www.cahoot.ai



+1-203-625-1111



sales@cahoot.ai



855 Main Street
Bridgeport, CT 06604, USA

79 Madison Ave, 17th Floor
New York, NY 10016, USA



Offer 1-Day & 2-Day Shipping at **Less than Ground Rates**

Peer-to-Peer Ecommerce Order Fulfillment

[CONTACT US NOW](#)