



Gaining the Edge in Ecommerce with Free Shipping

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2009 COMSCORE SURVEY

Ecommerce is a thriving industry with fierce competition. One of the best ways to achieve success in this dynamic, competitive environment is to have a strong marketing mix with a most recent phenomenon — free shipping. How has free shipping become a new marketing staple and what is the best way to implement it? To find the answers, let's explore free shipping trends, benefits and variations.

Free Shipping: A Trend on the Rise

Free shipping is a growing trend in the ecommerce industry. Each year it becomes more and more prevalent, especially during the holiday season. Leading online retailer Amazon® is believed to owe much of its success to Amazon Prime™, a customer program that offered a low-cost year of free two-day shipping. In 2010, Walmart® expanded its marketing mix with the introduction of free shipping and the promotion was met with great response and success.

How many other ecommerce retailers have taken to the trend? A lot. There's overwhelming evidence that free shipping promotions are continuing to flourish and are becoming a permanent marketing resource. In 2009, comScore® reported that 42 percent of all ecommerce transactions completed in the U.S. included free shipping, up from 31 percent in 2008. Additionally, a Practical Ecommerce® survey revealed that 52.2 percent of respondents offer free shipping on some orders. With the numbers on a rise, ecommerce retailers looking to compete in the ever-changing marketplace should explore free shipping promotions, starting with the benefits.

Benefits of Free Shipping

Free shipping, like any marketing promotion, can enhance your relationship with your customers, help grow your business and give you a competitive edge. These benefits have been researched in recent years and have impacted today's ecommerce.

By how much does your average order increase with "Free Shipping"?



It does not increase
12%



Less than \$1 per order
1%



\$2 to \$3 per order
6%



\$4 to \$6 per order
15%



Greater than \$7 per order
37%



I'm not sure
30%

"Free shipping orders produce an average of 15-20 percent higher order values than orders without the promo."

2009 COMSCORE SURVEY

What is your most effective holiday sales promotion?



Customer satisfaction directly affects your bottom line profits. As such, finding ways to appeal to your customers is crucial. Free shipping is a great way to make a positive impact on consumers. Recent studies have shown that customers value free shipping and use it to determine their purchases. A 2010 comScore® survey revealed that 55 percent of respondents would be at least somewhat likely to abandon their shopping cart without a free shipping promotion. In a Stamps.com® survey, 64 percent of respondents indicated that a free shipping promotion was the most effective holiday promotion. Therefore, offering free shipping can help greatly improve your consumers' shopping experience and, in turn, their buying behavior and loyalty to your brand.

Free Shipping Can Grow Sales

Free shipping also can effectively grow your business by driving activity. With savvy consumers looking for and making purchases with free shipping, ecommerce retailers can expect higher

responses from such promotions.

The profits can be quite impressive, as studies show. In the 2010 Stamps.com survey, 37 percent of respondents reported an increase of \$7 and more with orders including free shipping. Additionally, comScore reported that free shipping orders produce an average of 15–20 percent higher order values than orders without the promo.

When in direct competition for sales, free shipping can be used as a catalyst to gain the edge. Free shipping promotions often appear with special graphics or highlighted text on price comparison sites, which drive a lot of traffic from consumers actively looking for the best deal. The widespread popularity of free shipping is likely to persuade buyers to select free shipping offers, resulting in higher website traffic and sales for businesses offering such promotions. With such tremendous benefits, it's in the best interest of every ecommerce retailer to learn about the different types of free shipping.

The Different Varieties of Free Shipping Promotions

When considering offering free shipping, you have three basic options to choose from:

1 Limited-time

Limited-time free shipping allows consumers to receive free shipping on orders for a designated period of time. For example, offering free shipping during the holidays has become a popular and profitable promotion. This type of promotion generates higher sales activity.

2 Minimum order

Free shipping with a minimum order allows consumers to receive free shipping on orders of specified amounts. For example, offer free shipping on orders of \$50 and more. This type of promotion typically generates higher sales activity and orders with larger grand totals.

3 Specified products

Free shipping on specified products allows consumers to receive free shipping on a limited amount of products. For example, offer free shipping on your best-selling items or high-margin products. This type of promotion promotes higher sales activity, generates orders with larger grand totals and depletes excess inventory.

Your Future in Free Shipping

Incorporating free shipping into your ecommerce marketing mix gives your business unlimited potential for establishing a competitive edge, engaging your consumer base and increasing profits. Trend or not, free shipping promotions have earned a spot amongst the most effective marketing tools. Your decision to offer free shipping should always include an analysis of the return on investment. You may find that you too can offer free shipping and reap all the benefits.



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