

Pain in the Wallet

Shipping costs are another hurdle for online retailers to overcome

by WILLIAM F. KENDY

Shopping at a bricks-and-mortar retail store and shopping online offer different customer experiences but they do have one thing in common — shopping carts.

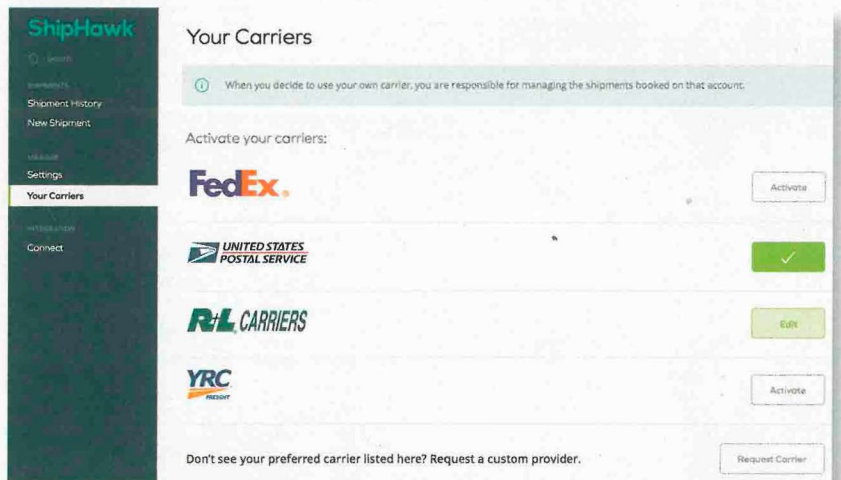
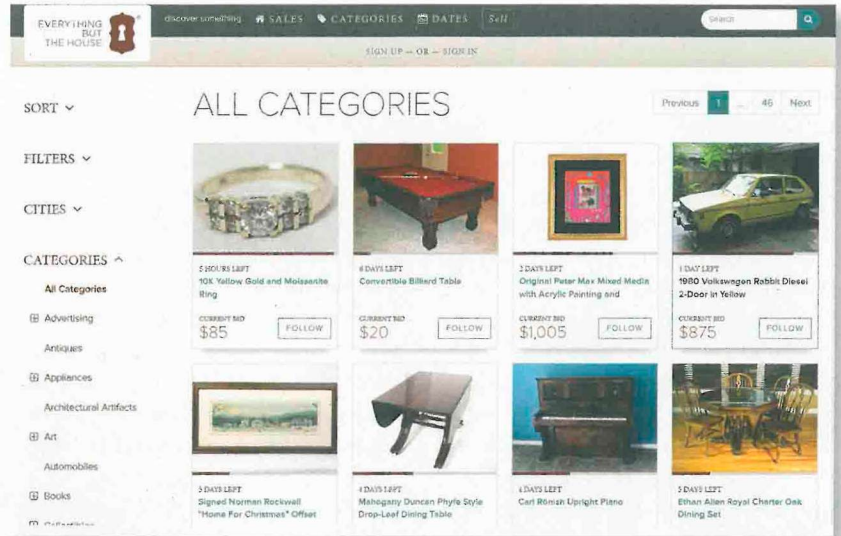
Be it a physical store or an e-commerce operation, all retailers want to see that shopping cart full of merchandise — and a completed transaction. Unfortunately for e-commerce retailers, the vast majority of customers who come to the party never dance.

The Baymard Institute, an independent web usability research company, recently compiled and analyzed data from 31 different studies and found that 69 percent of all online shoppers abandoned their shopping carts. Industry estimates place the value of that un-purchased merchandise at approximately \$4 trillion.

Why do only 31 percent of consumers actually complete their online shopping? According to a June 2014 study by BI Intelligence, 58 percent of shoppers abandoned their carts because shipping costs made the total purchase more than expected. In addition, 50 percent said that their order value wasn't large enough to qualify for free shipping, 37 percent reported that shipping and handling costs were listed too late during the checkout process and 28 percent felt that the estimated shipping time was too long for the amount they wanted to pay.

MEETING EXPECTATIONS

Andy Nielsen, president and CEO



of online auction company Everything But the House, agrees that customers are looking for value. Shipping — including price, presentation of the package and time — contributes to a positive shopping experience, which increases conversion rates.

“It adds up to an all-encompassing positive feeling when the customers receive their orders, and the excitement and value component that is there when everything meets expectations,” says Nielsen. “Because we are converting a retail consumer who has e-commerce expectations and are drawing them into an auction experience, we have to match the fulfillment experience offered by the Amazons of the world.”

EBTH has somewhat more unique

challenges when it comes to shipping customers' purchases. The company, an online estate and consignment sale marketplace, handles every aspect of estate sales from photography and cataloging to payment and pickup. Auctioning an entire estate's worth of possessions, ranging from jewelry and pianos to home furnishings, textiles and even automobiles, requires different shipping capabilities than overnighting a pair of shoes.

Jeremy Bodenhamer, co-founder and CEO of e-commerce shipping system provider ShipHawk, believes shipping success is all about fulfilling customer expectations.

“People that purchase items online have high expectations ... set by companies like Federal Express and

EVERYTHING BUT THE HOUSE discover something SALES CATEGORIES DATES Sell Search

STAY LOGGED IN OR SIGN IN

YAMAHA ELECTRIC ORGAN

1 OF 199 ITEMS FROM GARLAND, TEXAS PERSONAL PROPERTY SALE

5 HOURS LEFT
Wednesday, July 1st 2015 @ 8:02pm EDT

CURRENT BID
\$50

9 BIDS
View Bid History

PLACE BID FOLLOW The Bidding Process

Get it shipped! Estimated shipping: \$355

Enter your zip code below to get a customized shipping quote.

Destination Zip
45202 GET A QUOTE

Local buyer? Pick up this item

8 photos available
●○○○○○○○

ITEM DETAILS

A Yamaha electric organ. The organ comes with a pedal and bench. Also comes with religious hymnal sheet music. The organ has been tested and works. There are some scuff marks on edges. Model number is 9K-7C U.S.

CONDITION
Good

in the price they will have to pay to ship the goods that they're bidding on if they win that item.

"The auction industry is unique and presents additional shipping hurdles that we have to overcome to present a really great fulfillment experience," he says.

While expensive or poor shipping can kill deals, creatively combining products and shipping costs can be an effective marketing tool.

"If I put a watch online offering two options — one being buy a watch for \$100 and pay \$25 shipping, or buy a watch for \$130 with free shipping — I guarantee that the majority of purchasers will choose the \$130 option," Bodenhamer says. "And since it is a combined offer, the retailer is making a better margin on the freight."

He says there are three main things that are important to e-commerce merchants when it comes to shipping.

"The first area is higher conversion rates. Merchants spend a fortune driving people to their websites and if they can get five, 10 or even 20 more people a day to visit and make a purchase, their return on investment will tremendously improve," he says. "Secondly, because of the increase in volume, they will receive lower shipping rates from carriers."

"Finally, automation allows them the opportunity to enter an order, automatically book with the carriers, generate the labels or bill of lading, dispatch to the carrier and then have a tracking number record to notify and update the customer at proper intervals," Bodenhamer says. "They don't have to think about the shipping component and [can] focus on selling more of their products." **STORES**

William F. Kendy writes, consults and speaks on retail, marketing, advertising, sales, customer service and best practices.

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— BI Intelligence

Amazon," he says. "Federal Express is a carrier with a robust infrastructure [that] knows where goods are when they are in transit and is able to update deliveries and supply customers with accurate current information. Amazon has set the customer expectations that shipping is 'free' and even though they have lost money on their Prime program, other retailers like Walmart and Target are following them down that black hole."

Right or wrong, perception is reality and for online customers a significant part of the purchase decision is about value. That means they view and gauge the cost of a product and shipping expense together.

Bodenhamer points out that the deep selection of merchandise available online requires utilizing carriers that are able to adapt to items outside standard shipping parameters.

"The established carriers ... are good at handling only a small portion of that inventory which are basically parcels," he says. "They are great at

what they do, which is putting goods on a truck and making sure that that truck goes from point A to point B. But they don't have the technological infrastructure to accurately quote prices and make their services available at the point of sale, especially for items that are out of the norm."

Most e-commerce merchants don't know where their customers are located, what their time frame is and what is in their shopping cart until the end of the selling process. When they make the decision to offer free shipping, they are running the shipping operation blind.

"They don't know which truck the order is going to go on, what box or boxes to use, cannot assemble an order and get a shipping price, so they don't have an accurate read and [can't] make an intelligent decision as to what they are going to subsidize it for against reality, and aren't maximizing their margins," says Bodenhamer.

COMBINING COSTS

Diversity of product is one of the major factors that compelled EBTH to team with ShipHawk. "ShipHawk allows us to provide instantaneous shipping information on any item from a coin to a car at the click of a button," says Nielsen. "That enables us to give the bidder on our platform confidence