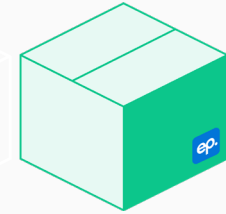


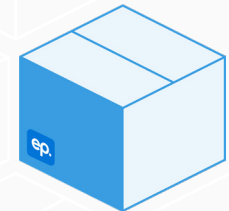


easypost.



EasyPost Ebook

How to Streamline Your E-Commerce Shipping Strategy



Introduction

Modern retail runs on e-commerce. It's predicted that the global e-commerce market will exceed \$5.55 trillion in 2022, according to eMarketer. That's 20% of all retail sales, with a 12% increase in sales over 2021.

Trends show e-commerce continuing to rise in prominence over the coming years – making now the best time to start planning to streamline your shipping strategy.

You don't have to go it alone. We've written this e-book to help you understand how the e-commerce market has evolved in recent years, where we think it's headed, and the best strategies to help you keep up with the competition.

Many businesses are at different stages of their e-commerce journey. Some are just getting started, while others are fine tuning their processes. We've included a bit of something for everyone, so whether you're shipping thousands of parcels or a few hundred, you will have the tools to begin streamlining your shipping strategy.

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\$5.55 T





Looking Back at the E-commerce Industry Peak Season

When Covid hit, many factories in China switched to producing PPE (personal protective equipment, masks, gloves, gowns, etc.). They did this because they were able to put a premium markup on those products. Restrictions on working meant that production of raw materials also slowed down.

Before COVID, many e-commerce shippers (anyone who sourced goods from Asia) were doing what is called 'Just in time inventory'(JITI) or close to it. This means that they had a schedule of when to order more products based on their 'burn rate' or the average number of purchases made through their website. So if they had enough inventory to last 30 days, they would place an order with their factory. With JITI, the product 'should' arrive within a day or two of them running out of the old inventory. Hence, just in time.

So when there was a slow down on the production of raw materials, factories switching to making other products, and shipping congestion at the ports, this meant some companies were months behind on inventory. So even if you didn't do JITI and you kept a couple of months of inventory on hand, you could still end up without stock. So this leads to another issue.

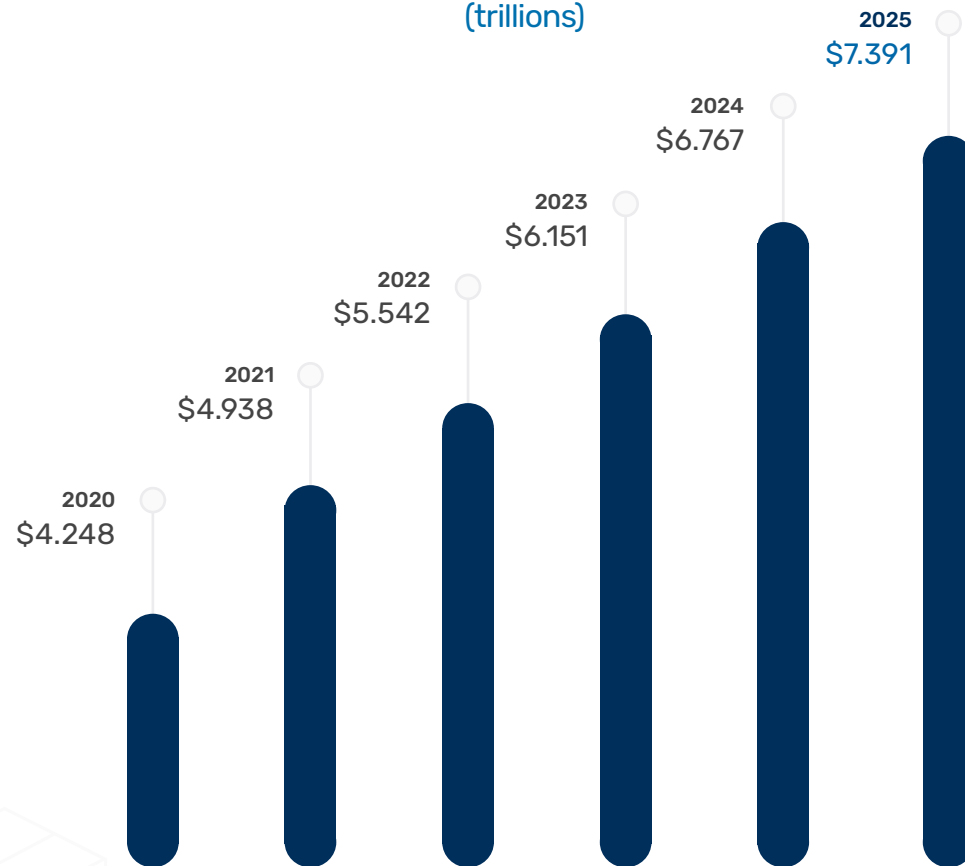
Retailers started placing orders with factories for way more inventory than they usually ordered, once again, increasing containers being sent to the US and clogging more ports. Also, since many of these factories switched over to making PPE, many e-commerce businesses' ended up flooding other factories with orders, so they became even further backlogged.

Where is the E-Commerce Industry Headed?

As cheesy as it sounds, the future of e-commerce is now. Decisions companies make today will snowball into how consumers will view their brand for years to come – will yours be at the top of the newsfeed or will it fall to the wayside?

With online shopping sales projections surpassing \$7 trillion by 2025, according to eMarketer, we expect e-commerce to play an increasingly valuable role in retail. Of course, this isn't a groundbreaking take by any means. Still, it should emphasize the value of brands staying ahead on logistical strategies to meet customer demand in the future.

Retail E-Commerce Sales Worldwide
(trillions)



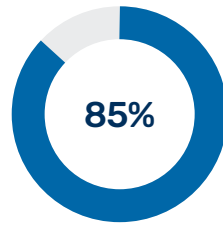
Supply Chains and Shortages

In 2021, the U.S. experienced supply chain shortages unlike ever before – and it’s unlikely these problems will be completely solved overnight. As a result, we expect shipping and manufacturing delays and costs to continue to be a concern for businesses soon.

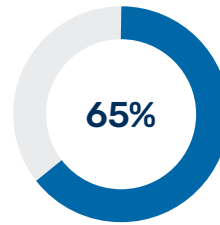
Because of this, many retailers will have to battle consumer expectations with reliable customer service. Enticing shoppers who are willing to wait a little longer with lower shipping costs may be a way to keep them on board in the meantime. But long-term businesses should focus on reconfiguring their supply chains to be broader and more modern to build resilience into the future.

Protecting the Planet

It’s not easy being green, but the challenges are worth it. The Global Sustainability Study 2021 conducted by Simon-Kucher & Partners shows 85% of people say their purchasing behaviors have become more sustainable in the past five years. Although price and quality



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of people rated sustainability as an important purchasing factor

continue to be top priorities for consumers globally, 65% of people rated sustainability as an important purchasing factor.

This shows that consumers are more likely to put their money behind the causes they support, and it’s on the shoulders of retailers to be transparent about their sustainability efforts. This involves reducing your carbon footprint, which is often done by offsetting emissions, transitioning delivery fleets to run on electricity, and reexamining fulfillment processes. We also suggest transitioning to more recyclable, compostable, or reusable packaging to avoid excessive materials from ending up in landfills. Set realistic goals and communicate them to your customers. Don’t

overdo it and end up greenwashing – however, if you show genuine concern for the climate, customers will often appreciate these efforts.

Clear Customer Communication

Lastly, consumers are expecting more when it comes to transparent communication. Fast and free shipping has become the norm for Amazon Prime subscribers – now, other retailers feel pressure from consumers to keep up. At the very least, it’s essential to show estimated delivery times at checkout. Doing this will help prevent potential customers from abandoning their carts at checkout.

Clear communication presents a trustworthy appearance to consumers. Even if you cannot turn around two-day delivery, be upfront with what customers expect and then over-communicate that information. Then, update them as their order moves from processing to fulfillment to shipping and arrival. Brands that bet on transparency in their communications will be more likely to keep customers happy in both the long and short runs.



Creating an Effective E-commerce Strategy


When designing your e-commerce shipping strategy, it's important to note whether your business is starting small or if it's in the process of scaling for bigger shipping needs. If your e-commerce business is shipping large amounts (or at least plans to), even small adjustments to your strategy can equate to big changes in profit margins. So it's important to look at the process holistically, then drill down on each process to make sure each piece fits accordingly.

E-commerce shipping includes a wide span of processes from processing orders, packing and packaging products, printing shipping labels, verifying customer addresses, and managing returns. As a result, many moving pieces need to be synced to have a streamlined shipping process so that your e-commerce business saves

costs where it can while providing a seamless and enjoyable experience for the customer.

Choosing the Right Carrier

Newcomers to the shipping space can likely identify a handful of major carriers like UPS, FedEx, DHL, USPS and a few others. These are the partners you choose to work with to help get your product from Point A (your business, warehouse, retailer) to Point B (your customer), in a timely and efficient manner. But just like with any complex system, there is hardly a one-size-fits-all solution. The carriers that will benefit your online business most are completely dependent on what you're shipping, where you're shipping from (and to), and what expectations your customer has.



For instance, if you're selling locally or in a specific region of the US, you may be better off working with a regional carrier that has reach over a certain area - therefore you can stick with ground shipping to keep costs lower. But if you're offering your product internationally or across the country, you may have to work with carriers that offer expedited shipping. That's why it's best to figure out where you're shipping to and how fast your customers expect your product to determine the best carrier(s) for your business.

Negotiating Carrier Rates

Negotiating carrier rates can often be a complex thing, and if you don't know what you're doing, you might end up spending more than you need - and at scale, it can hurt your profit margin.

At a glance, you may be able to find standard rates a carrier has for shipments, and it might even seem reasonable. But just like shopping for a car or a house, there are potential hidden

fees and surcharges that you aren't privy to unless you have a professional or an API help negotiate before signing an agreement. For instance, if you have a high volume of shipments, you have some leverage to negotiate a lower rate.

Another good example of this is negotiating DIM divisors/factors if your packages have a higher dimensional weight than the actual physical weight. Dimensional weight is used to determine the amount of space your package takes up in a shipping container, which is based on the formula below:

(Parcel Height x Parcel Width x Parcel Length)/DIM Factor = DIM Weight

As seen in the formula above, the DIM factor or divisor can drastically affect the overall DIM weight of your package. So even if your large product is physically light, the DIM weight will outweigh the costs because you haven't negotiated a better DIM divisor.

Choosing Packaging Materials

Choosing the wrong packaging materials can also affect the shipping rates your carrier offers you. Keep costs low by choosing packaging that will keep physical and dimensional weight minimal.

Then there are things like fragility of the product and branding to consider. For instance, sometimes it makes sense to send a package in just the original packaging to save money on dimensional weight, additional packaging costs, and practice sustainability by not using too many materials. Other times, you may need to pack your product in an additional box with internal packaging (i.e., packing paper, bubble wrap, airbags, etc.) to keep more delicate or high-value products safe during the shipping process. So again, it's all about what kind of product you're shipping and where you can save on shipping costs to get the product to the customer safely and efficiently.

Why Choosing the Right Service Level Matters

Now that we've established the criteria for selecting the right carriers, it's time to go deeper into choosing the right SLA or service level agreement. This is where you set the standard for what you are paying for, what to expect consistently, and what to expect when those standards are not met. Below is a list of some of the key items when choosing a service level with your selected carriers.

- What objectives will be achieved and what the deliverables are
- What the performance standards are and how ongoing reporting will work to measure expected performance
- When those standards are not achieved, what to expect as compensation or remediation
- Where there is an opportunity to review or change the service levels over the course of the agreement

Understanding your customer base and what they expect from your e-commerce business is crucial when deciding what kind of shipping service level to utilize with your carrier. Also, keep in mind the weight, shape, and size of your products, as this will help guide you in your decisions.

Flat Rate Shipping

Flat rate shipping is both simple for the shipper and simple for the shopper. Weight doesn't matter, so long as it fits in the box being shipped. Generally, this is a great option for small businesses because it doesn't require weighing or measuring and is predictable in price so your customer knows what they'll pay before checkout. Aside from certain prohibitive materials that can't be mailed based on USPS restrictions, which offers flat rate boxes, "if it fits, it ships".



Real-time Carrier Rates

Flat rate shipping makes sense for small businesses that have products that are consistent in size and customers in predictable locations to ship to. However, shipping rates will vary if your e-commerce business has products in various shapes, sizes, and weights and ships all over the country (or world). Real-time carrier rates help calculate accurate shipping costs based on multiple variables so that the customer isn't overpaying on shipping and your business isn't losing money on certain products.

A great way to keep these costs as low as possible for your customers and your business is rate shopping across multiple carriers in real-time. This way, you can cross-reference and always find the lowest price and the fastest shipping.

Free Shipping

Everyone prefers free shipping when it comes to online shopping. A 2021 Consumer Trends Report from Jungle Scout reports 66% of consumers to expect free shipping on every

purchase made online, with 80% expecting it when ordering at a higher dollar amount.

But nothing in this world is free. Someone has to cover that cost, and that would be your business. Most often, companies 'bake' the shipping cost into the product's price or have a minimum order requirement to ensure they aren't taking a hit when covering the cost of shipping for their customer. The benefit is that this boosts your average order and creates customer loyalty because you provide free shipping, which is expected and appreciated in today's e-commerce world.

Expedited Shipping

Aside from free shipping, the other unicorn in the shipping world is same-day or two-day delivery. This is where expedited shipping comes into play. According to a study from Clutch.co, 48% of online consumers say they receive orders within 2-3 days.

On top of that, 27% of customers will choose one retailer over another if they have better

delivery options, whether it's due to pricing or delivery speed. So if you want to be competitive in your space, it is up to you to find out how to cut shipping costs so that you can cover the added cost of expedited shipping.

Local Delivery

Most likely, the fastest way to get your goods to consumers is through local delivery services. This service is beneficial for retailers who also sell through e-commerce because in-store inventory can be leveraged to get products to local customers on the same day.

According to Retail Touch Points, 51% of retailers have already offered same-day delivery since 2019. But the good news for those who haven't adopted this strategy is that 88% of consumers will pay extra for same-day delivery to cover the costs. So your goal as an online seller is to figure out how to lower that cost and provide a transparent, stress-free process for your customers.

How to Save on Shipping Rates

When considering strategies on operational efficiency, cutting labor costs is often one of the first places decision-makers look. However, it turns out shipping and parcel costs can outweigh labor expenses by as much as seven times, which is why one of the first areas you should look for cost savings is in the shipping rates you're paying.

Having options

Visibility on multiple carriers at the same time can truly give you a leg up in comparing prices. Instead of being connected to only one carrier where you're at the mercy of their pricing (especially during peak season when rates go up), why not choose certain carriers that make

sense in specific situations. There are so many variables that can affect the shipping rate not limited to package dimensions and weight, destination, time of year, and delivery promise (ie; next-day guarantee vs. 2-3 day), you're leaving money on the table if you always go with one carrier with limited flexibility on pricing.

Sometimes USPS, FedEx, UPS, or DHL makes the most sense, but other times using regional carriers can cut shipping costs and help your bottom line. Always have options.



Negotiate discounts with carriers

The art of negotiating is not lost when finding shipping rates for your company. Remember to do your homework or leverage the knowledge of an expert to find ways to negotiate your rates down.

Tracking

Without visibility, you might as well do guesswork and hope for the best. For example, did you know some carriers issue at least a partial refund for late shipments? Unfortunately, it's up to you to start the process, and there is a deadline after the late shipment was delivered. However, by constantly tracking the performance of your carriers, you can make sure you're always eligible for refunds when applicable. Not to mention you can hold them accountable when negotiating your rates or considering switching your carrier(s).

Shave off excess weight & dimensions

Every inch counts. Every ounce counts. Even if you're just shipping 100 products, the excess dimension and weight will add up quickly and help limit extra costs.

Insurance

Did you know that 1-in-10 packages shipped are either damaged or lost? Many carriers offer insurance for this very reason, but sometimes it makes sense to use a third party for shipping insurance. Make sure to shop around for the best insurance policies at prices that don't hurt your overhead.

Real-time rate shopping

When it comes to finding the best savings for any service, it's all about shopping for the best prices that guarantee a level of excellence.

It's no different for shipping rates. But instead of manually searching for pricing at multiple carriers for different types of service levels, there are technology solutions that can automate the search to help you find the best service level at the best rate - every time.

Consider a shipping optimization API like SmartRate, which allows you to understand the likelihood of on-time delivery based on historical on-time delivery percentiles. Because sometimes, paying more for a specific service level won't get your package delivered any faster than a lower-priced one.

E-commerce Shipping Best Practices

Your e-commerce shipping strategy should consider what products you are offering, what your customers expect, and the experience you promise (and uphold) when they purchase your products. With so many moving parts to consider when lowering your cost margins while simultaneously providing the best customer experience, here are a few best practices for e-commerce shipping to keep in mind.

Know what customers expect from your business

Many statistics demonstrate the importance of transparency, from ordering a product from your website to regular updates about their package en route to their doorstep.

- Up to 24% of online shoppers will abandon their order if no delivery date is provided when approaching the end of their order journey.
- 25% of consumers will abandon their cart due to unexpected shipping costs being added before checkout

It's too easy for consumers to find a better deal or experience online; therefore you need to be upfront and offer the best possible choices as soon as you can.

This can range from strategies like always offering free shipping, offering a flat rate fee to providing choices for five days, 2-3 days, or sometimes same-day shipping - as long

as you're showing them the accurate cost for each delivery time-table.

If your e-commerce store also has retail, maybe offering BOPIS is the way to get products to customers quickly and in a cost-efficient manner. If not, using something like SmartRate or rate shopping can help identify the priority of an individual customer (ie; delivery speed or added shipping costs). You want to have all the information at hand for any given website visitor, and there are tools to help you display what your business can offer.

Keep operational costs low in shipping and order fulfillment

You may feel like there's no way to offer this kind of transparency while meeting all your customers' expectations without breaking the bank. A study by Efulfillment Service shares that between labor, overhead, returns, and other expenses, the average cost to fulfill an order is about 70% of the average order value. But by leveraging smarter technology and efficient processes, this margin can be cut significantly to ensure your business holds on to a bigger piece of the pie while also satisfying consumer expectations.

Making it easy for you and your customers

Automate processes where you can. There are technology solutions that can help prevent manual (and sometimes costly) errors and provide consumers with the data they want concerning their orders.

FOR YOUR CONSUMER

Address Verification

Make sure the address you are shipping to doesn't have any typos, is missing any vital information, or that the address exists! Up to 20% of packages struggle to get delivered due to errors in address validation.

Tracking

When an order is submitted, the best way to be transparent is to provide visibility of the package a customer orders. Don't allow for surprises by offering real-time shipment updates and accurate shipping notifications.

FOR YOUR BUSINESS

Rate Shopping

Rate shop between more than just one, two or three carriers so you can find the best prices and the fastest delivery times for any given scenario.

Create Shipping Labels

Only a few entities allow you to print labels for USPS, and EasyPost is one of them. It's as simple as entering package details to rate-shop between carriers and service levels for the right price and speed.

Ultimately, your e-commerce business wants to save money where it can without sacrificing customer experience. Knowing what your customers expect and utilizing technology solutions to make sure they get that experience is how your e-commerce strategy helps your business run smoothly and efficiently for you and your customers.



EasyPost's best-in-class shipping APIs provide end-to-end flexibility and more control over parcel shipping and logistics processes for e-commerce retailers, fulfillment centers, marketplaces, and enterprises. Founded in 2012, EasyPost has 200 employees and is based in Lehi, Utah.

For more information, visit [EasyPost.com](https://www.easypost.com) or email us at sales@easypost.com.