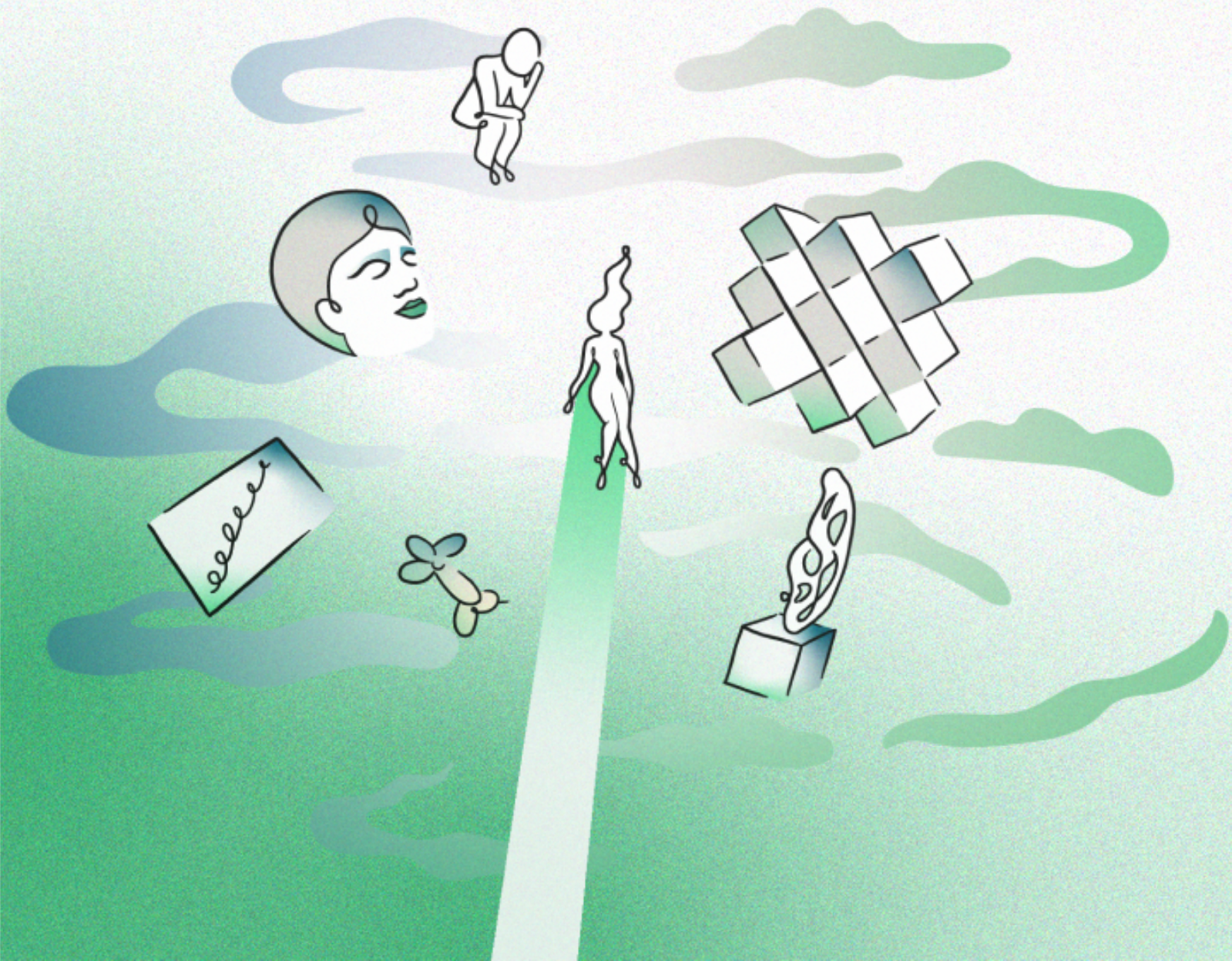


Arta

Free Shipping Isn't Free



Here's the deal

Delivery pricing and fulfillment has always been extremely tough for unique and high-value items. It is a large part of why we created Arta. The expectation that all retailers should offer Free Shipping has been a looming pressure on auctions, marketplaces and individual sellers alike.

We are here to call it like it is.

Free Shipping is here to stay, and it isn't free of costs. It is time to consider the opportunities that come with lowering delivery costs and learn how to tailor subsidized shipping to your business.

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Part I

The magic of Free Shipping

We are operating our businesses in the shadow of the world's largest marketplace that offers Free Shipping to all of its members¹. The precedent has been set, and customers are showing that they plan to hold every merchant to that standard. Customers are looking for a streamlined e-commerce experience from browse all the way to delivery, and that includes complicated commerce for high value goods, bulky furniture and one-of-a-kind items.

The figures are staggering. Almost 90% of customers have specifically made a purchase because shipping was free². More than 80% of customers have added items to their cart in order to receive free shipping³. Free shipping is instigating purchases and it is growing order values. Consumers have been conditioned to these behaviors, and if implemented correctly, can be a great advantage to sellers.

Free Shipping is also a driver behind choice. Nearly three quarters of customers are strongly influenced by the cost of shipping when deciding on a retailer⁴. If the business offers Free Shipping, 91% of customers are likely to purchase again⁵. Considering the competition of new sellers popping up every day, a shipping strategy can be used to differentiate your business.

If you are looking for the magic solution for driving transactions and growing revenue, it might be worth trying out the words 'Free Shipping'.

The 'necessary evil' for complicated commerce

Free Shipping and other subsidized shipping options are easiest to implement for businesses with high volumes, large margins, and easy to ship products. Transportation costs are low and a small fraction of revenue. However, now that 60% of customers prefer to buy online, a majority of retailers see discounted shipping as a “necessary evil” for all businesses⁶, with over half of retailers offering Free Shipping⁷.

Within the collectibles, art, and furniture industries, shipping is known to be a large percentage of the product costs and historically entirely coordinated and paid for by the customer. As we've watched sellers go through major digital transformations in the last 5 years, this approach is being pressure tested. As the experience of buying a one-of-a-kind, priceless, and grand collectibles begins to follow the same customer journey as buying fast fashion—click, autofill form, pay—it is easy to see why customers make assumptions about what their post-purchase experience should be, and how their frustration mounts when sellers deliver less than expected.

We know that how shipping costs are surfaced during checkout influence customer behavior and feedback. Customers want to understand all-in costs earlier, want faster options, clear expectations on delivery timing, and of course, cheaper shipping.

While you are playing checkers with constantly trying to secure lower rates, customers are playing a game of chess with the end game of free shipping.

Thinking of shipping subsidization as an investment towards growing revenue shifts the success metric—you're not taking a loss on shipping. You're increasing conversion.

Showing a direct correlation between costs spent on 'free' or 'flat rate' shipping to new customers acquired, increased cart size, higher conversion, and more returning customers sets up an effective argument for the spend. We will outline how to get there below.

Part II

From cost to investment

Despite the phrase, we know Free Shipping isn't actually free. Packaging, delivery, and insurance are all costly services, particularly for businesses selling high value, bulky, and unique items. Instead of itemizing these charges at checkout and frustrating your customer during checkout, there are a handful of approaches that result in better experiences for your customer, and improved bottom line for your business.



Shipping is included

A very simple method of offering Free Shipping without impacting your operating costs would be to include shipping in the product's cost. There is a psychological advantage when it comes to '\$20 with free shipping' versus '\$15 + \$5 shipping'—nearly 80% of customer are motivated by Free Shipping⁸. It is the satisfaction of getting something for free, a deal, a reward. Customers perceive this generosity from the seller, so they are more motivated to buy.



Free Shipping is marketing

When inflating product prices is not possible, business can opt to cover shipping costs for a select group of customers, or for all of them. Knowing that shipping costs are typically 6-10% of a business's total revenue⁹, it is not advantageous to think of this as a loss per transaction but a revenue driver, or targeted marketing. Free Shipping has been proven to drive up to a 20% increase in sales.¹⁰



Optimizing shipping costs

A clear way to mitigate the costs to your business and to your customers is to reduce the overall cost of shipping. Shipping solutions are not one size fits all. Building diverse supply chains tailored to your inventory can ensure you are paying only for the services you need for each item type. Small goods are best suited for common carriers but their rates skyrocket for heavy items, making trucking networks best for bulky goods. Bringing some of the labor in house (think boxing small items, labeling) can also reduce high handling fees charged for local collection, packing and release.



A little bit of everything

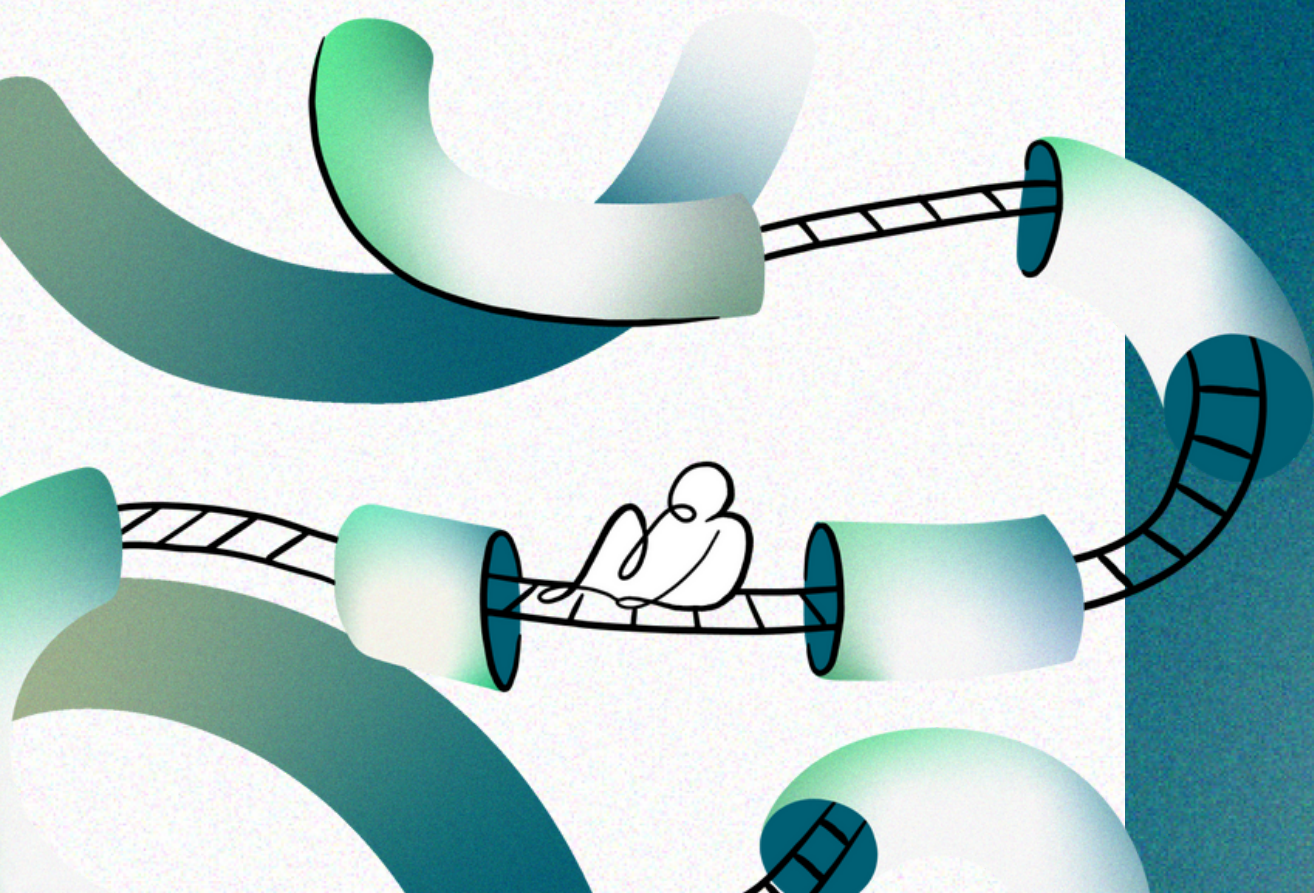
It is uncommon that one of these options alone will enable your business to offer Free Shipping on all of your products. A mix of these strategies to support reducing shipping costs to customers is more likely. When shipping costs are lower and your business is committed to investing in the incentive, Free Shipping is a palatable solution.

Assessing exactly when to implement subsidized shipping, and if it is worth investment, is something to consider. Only about 20% of retailers offer Free Shipping on all of their items¹¹, and one strategy won't fit all businesses. What's right for your business, and most importantly your customer, is the best strategy for you.

Finding your approach

Committed to growing revenue through subsidized shipping strategies?

Here are some tactics you can consider when evaluating what works best for your business, and considerations for each approach.



01

Flat Rates

Flat rate includes Free Shipping or other static shipping rates. If \$0 is not viable, it does not rule out a flat fee, like \$5 or even \$250, that might be significantly more appealing to customers than the true cost to ship.

- Consider:**
- Non-zero integers still feel like a universal cost and more 'fair' to customers
 - Flat Rates can be tiered based on the true shipping costs of various shapes, sizes and values
 - Flat rates can be limited to consistent, predictable items

02

Subsidizing

Reduced shipping does not need to be a flat rate to drive sales. Consider investing more on items that are at a higher price point, cheaper to ship, slow to sell, lingering sold inventory, or for different customer profiles.

- Consider:**
- Determining subsidies as a percentage of sales
 - Rates could vary between new and returning customers
 - Using subsidies to keep shipping costs a specific percentage of the object's value

03

Membership or Loyalty

Using the Amazon Prime model, membership (paid or free) and loyalty programs can be a great method to roll out subsidized or flat rate shipping options. This allows you to target a specific audience of customers.

- Consider:**
- Incentivizing future spending, driving up sales
 - Introducing net-new revenue stream with a paid membership program
 - Rewarding free shipping to customers who hit a certain spend amount or frequency threshold

04

Promotions

Another way to limit exposure to specific customers is to offer flat rate or subsidized shipping for a determined amount of time or items. How these items or periods are selected can be aligned with sales targets.

- Consider:**
- Increasing AOV by setting purchase minimums to earn shipping discounts
 - Maximizing value of existing low cost shipping solutions by only including eligible products
 - Learning for short durations if shipping subsidies have a strong impact on your customer

Optimizing your shipping costs

Reducing shipping rates and removing unnecessary expenditures helps make the balancing act between expenses and sales more achievable.

05

Bring it in house

One way to reduce shipping costs significantly is to package and label your inventory yourselves. This might not be feasible for all of your unique goods, but small or non-fragile items are often a great fit without adding a lot of staff.

- Consider:**
- Reducing the overall shipping costs in half with in-house packing and labeling
 - Controlling the customer unboxing experience, creating opportunity for additional branding and marketing inside
 - Regulating release cadence and providing opportunity for inspection

Identify a shipping aggregator

Diversifying your delivery options enables you to tailor shipping costs to specific products. This can help ensure you are not over-paying or putting your items at risk of damage, and makes it someone else's responsibility to find competitive rates.

Consider:	Unlocking various transportation options and speeds	Creating a single point of contact for all of your deliveries	Enabling access to discounts based on consolidate volume
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Find Your Fit

When considering which of these strategies is a best fit, the ultimate deciding factor should be the benefit it brings to your company. There are general statistics you can reference as a guideline but ultimately your team will need to look at the businesses' specific customer base to determine potential impact.

General customer feedback indicates:

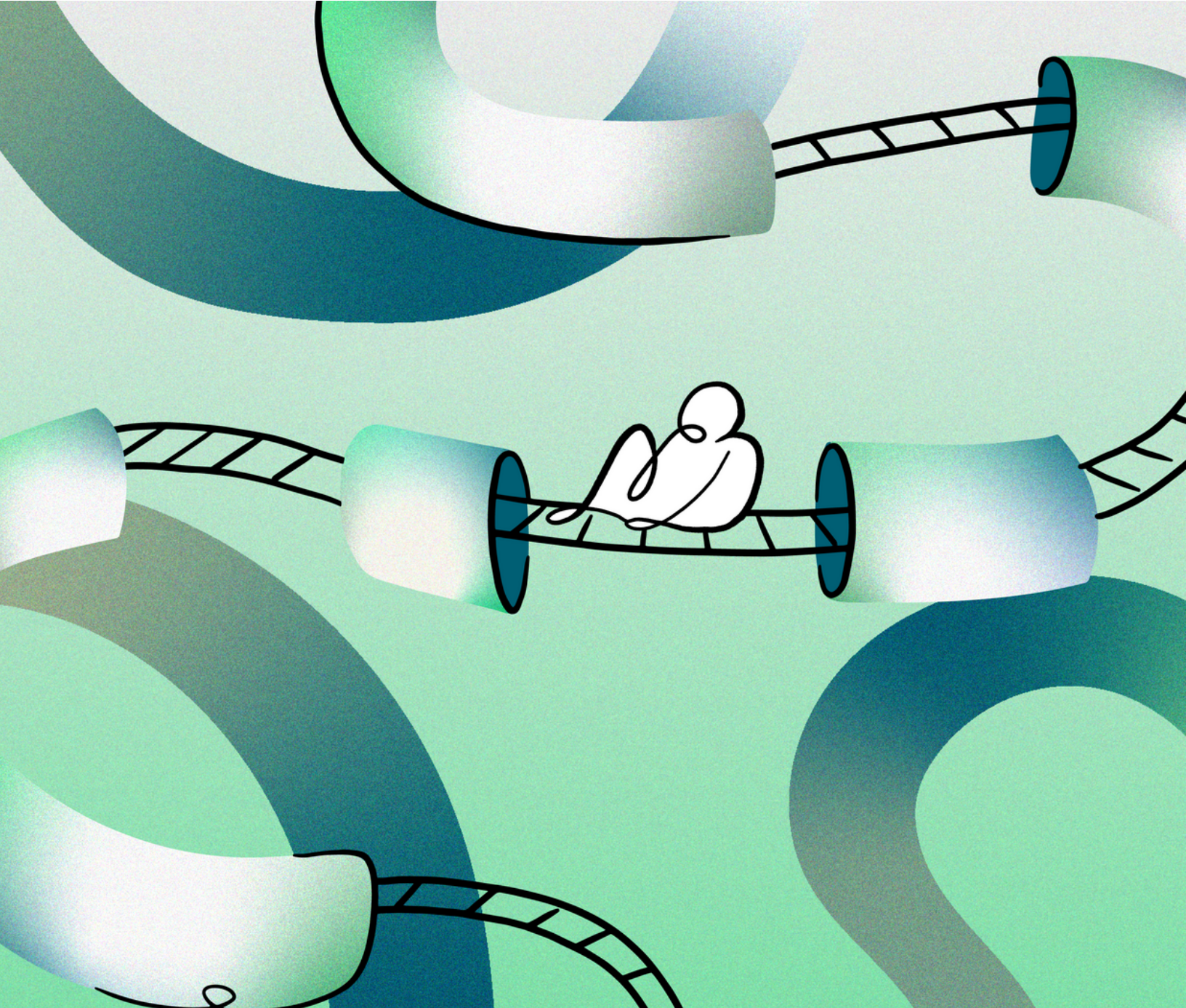
- 47% will spend a minimum amount on a purchase to earn free shipping
- 42% will join a loyalty or membership program
- 30% will wait to purchase the item during a promotion¹²

To focus in the impact, you'll want to consider both the measurable metrics and the shipping strategy that works best for your business.

Case Study

Betty Buyer & The Green Velvet Couch

[Case study for subsidized costs](#)



Part III

Measuring the success of subsidized shipping

We now understand the influence free shipping has on customer behavior and various shipping strategies to implement. So the next question is, what can this do for your business? The impact will vary by strategy, tactic implemented, amount subsidized, and customer profile. Regardless of approach, the key metrics below will let you know whether or not it's working.

62%

of customers won't purchase with a retailer without free shipping¹³

Lowering shipping costs drives new customer acquisition in a couple ways: attracting prospects to browse with the promise of free shipping, and not putting off already engaged customers with shocking shipping fees. Marketing your subsidized shipping as a unique value proposition is particularly influential in the collectibles, antiques, and art industries where even experienced customers have sticker shock for specialized logistics. Having a disclaimer about your free, flat rate, or reduced shipping on the product page will assure customers that there are no surprise costs waiting for them at checkout and give them the extra motivation they need to add to cart.

Metric: New customer acquisition rate

47%

of consumers will spend a minimum amount to get free shipping¹⁴

If you are offering discounted shipping with a minimum spend, clients will want to purchase more items to hit the threshold and avoid paying shipping all together, even if the next item costs more than shipping. It can drive customers back to the product catalog to browse, so offering suggestions on the checkout screen can be a targeted upsell for particular products. All of a sudden, "I need to spend \$X to get a discount on shipping", creates a new opportunity for higher purchase intent and cart size compared to casual browsing.


Metric: Average order value

66%

of shoppers expect free shipping¹⁵

Making customers aware of shipping costs on the product page is known to increase conversion. Many sellers are reluctant to do so, with concerns that additional costs will scare prospects off before they commit to the purchase. However, the perceived deception that comes with a “bait and switch” strategy—not showing the full cost of the purchase until later on—is detrimental to conversion and more. The loss of trust disrupts the client’s journey and lingers as their memory of the experience. Customers are clear—they want to know the total expected cost of their purchase as early as possible. Watch cart abandonment decline as customers proceed to payment with clear expectations in tow.

Metric: Conversion rate



Frequent shoppers are more likely to be influenced by the cost of shipping, free ground shipping, or free return shipping than light shoppers are.¹⁶

In an industry where customers are purchasing out of desire, not necessity, having devoted clientele can keep the lights on. Collectors defines themselves by their purchasing habits, making commitment from this unique consumer profile even more valuable. Building a purchasing experience that delights your customers will grow your repeat purchasers and expand lifetime value.

Metric: Increase in client lifetime value



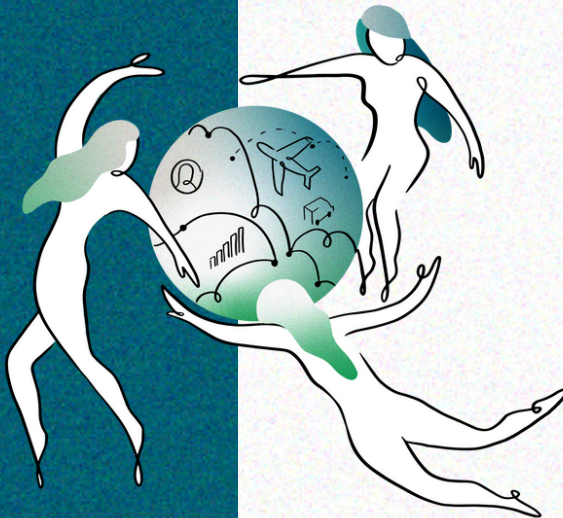
Metric Tips

- If deploying strategies for certain audiences, segment your tracked results the same way.
- Looking at absolute and proportional metrics is a good balance. Track the number of new customers acquired (absolute) along with the new customer acquisition rate (percent) to see how new strategies influence change.
- Tracking progress month over month is helpful to compare. Remember to keep track of the date new strategies launch!

It's not all in the numbers

Qualitative successes are just as significant. Low and consistent shipping costs build trust, an essential dynamic for a healthy client relationship.

Subsidizing shipping also builds the reputation of generosity, transparency, and reliability, enhancing the value you provide your customers. Retaining happy clients is easiest when they are highly satisfied with the entire purchase experience, not just the item itself. Customer advocates are a benefit to every business, so keep an eye on CSAT and watch it improve when you subsidize shipping.



Where to start?

Shipping subsidies as a broader business strategy requires buy-in from various stakeholders. Find some time on the calendar and get stakeholders together to discuss options for implementation, overall goals, and target customers to make sure there is alignment ahead of launch.

[Download our workshop guide.](#)

Need guidance on how to execute the ideas raised in your workshop? Experts at Arta are available to brainstorm how to drive revenue through thoughtful shipping strategies.

[Book a time to chat today.](#)

Arta

Sources

1. Amazon has 38% of the e-commerce market share ([Statista](#), 2023)
2. 84% have specifically made a purchase because shipping was free (Forbes)
3. 84% have added items to their cart in order to receive free shipping (BigCommerce)
4. 71% expect to be very or extremely influenced by the cost of shipping when deciding on a retailer (Shippo)
5. 91% of shoppers are likely to become repeat customers if a business offers free shipping. (MH&L)
6. 56% of buyers list surprised by 'unexpected' shipping and cart fees as their reason for abandonment (Practical Ecommerce)
7. Retailers interviewed said that shipping costs ranged from 5% to 20% of their total revenue (UPS)
8. [Free Shipping] results in retailers citing, on average, a lift in sales of about 10% to 20% as a result of the free shipping offer (UPS)
9. One-fifth of those [offer Free Shipping] on all purchases. (Forbes)
10. 60% vs 40% Prefer Buying Online vs In-store + the majority of retailers interviewed perceived free shipping offers to be a "necessary evil" of the eCommerce world. (Shippo)
11. 60% of merchants we surveyed say they offer free shipping as an option (Forbes)
12. (Shippo)
13. Small business trends
14. (Shippo)
15. (Shippo)
16. (UPS)
17. 79% Walker Sands