

Medallion Fulfillment & Logistics

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Why Offering Free Shipping will Increase Your Online 2011 Holiday Orders

Shipping plays a huge role in e-Commerce. Free shipping is increasingly the number one promotional tool used to entice [online shoppers during the holiday season](#). Many of the major online players including Amazon and Walmart offer free shipping. Free shipping is a major tool retailers use to attract new customers and keep existing customers.

According to comScore, a leading Internet marketing research company, during the first three weeks of the holiday season in 2010, 45 percent of transactions included free shipping, the percentage rose to 50 percent by the 21st of November, increased to 55 percent in the week ending November 28 and was still at a high rate of 51 percent in the week ending December 5. It's important to note, transactions using free shipping for the week ending December 5, 2010 averaged \$125.20, 45 percent higher than orders using paid shipping.

Consumers Expect Free Shipping

Due to the prevalence of [free shipping in online retailing](#), consumers expect it when shopping on the Web. A recent comScore survey showed 84 percent of consumers indicated free shipping was somewhat or very important when making purchases during the holiday season.

Jeffrey Grau, principal analyst at eMarketer, said "Free shipping makes e-commerce more appealing. A lot of people won't buy from a website if there isn't some sort of free shipping. It's almost a requirement." He went on to say "Retailers have to decide for themselves whether the potentially higher sales can justify absorbing the shipping costs. They're going to hope for higher volume and slightly lower margins. They'll try to make up the cost in higher volume" (E-Commerce Times).

Free Shipping Day, held on the 17th of December, is an example of the power free shipping has on consumers. In 2009, Free Shipping Day accounted for \$586 million non-travel retail spending and surged to \$942 million in 2010, a 61 percent increase (comScore).

Azita Arvani, principal of the Arvani Group, said "The biggest friction points in online shopping are payment and shipping. By offering free shipping, it reduces a key friction point, which should result in more sales, provided the offer is not too restrictive to a point of being meaningless to the consumer" (E-Commerce Times).

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Don't Ignore the Trend

The free shipping strategy includes the prospects of thinner margins or higher prices on merchandise, however online retailers who ignore the trend will likely have lower transaction volumes. By enticing consumers with free shipping, retailers may be able to avoid offering deep discounts on their merchandise.

Charles King, principal analyst at Pund-IT stated "Free shipping is always a bonus, especially when money is tight, consumers are getting creative. They want a high-dollar item that won't have a stiff shipping fee. Getting the shipping free makes sense" (E-Commerce Times).

Free Shipping, a Daily Promotion

Increasingly, free shipping has become a daily promotion in [online retailing](#). According to comScore, in the third quarter of 2010, 41 percent of all online retail transactions included free shipping. Gary Reblin, Vice President, Domestic Products, U.S. Postal service, believes the growth trend in e-commerce transactions coupled with free shipping in the business-to-consumer segment continues to be the number one compelling force in the shipping industry (Source: PARCEL).

Free shipping is a great way to stay competitive and increase sales. Free shipping is also a good way to get rid of last year's merchandise. However, to keep a healthy profit margin it's vital for retailers to partner with a savvy, experienced fulfillment service such as Medallion Fulfillment and Logistics to keep shipping costs low. A knowledgeable fulfillment company knows how to take care of a large increase in orders and can negotiate based on volume for the lowest packaging and shipping rate possible.

As you plan your 2011 holiday season selling strategy, consider that consumers have come to expect free shipping during the holiday season - free shipping can make or break your own holiday shopping season projections.

About the Writer Jan Stewart

Jan Stewart is a professional writer for [Medallion Fulfillment & Logistics](#), a family owned [Los Angeles based fulfillment](#) firm. She writes exclusively for Strategies for Success on topics of business tips, how to promote your business online, and establishing your brand in the marketplace.