



# SHIPPING FOR MARKETPLACES

W H I T E P A P E R

## SHIPPING FOR MARKETPLACES

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### What is this guide and who is it for?

Shipping is often thought of as a backroom operation—necessary, but a very isolated component of the marketplace. However, if you dive into the operations of great marketplaces, you will find that they've leveraged shipping throughout their businesses, tying together sellers, buyers and other marketplace components.

This is a guide for fast-growing C2C, B2C, and B2B marketplaces who have found product-market fit, but are looking for ways to better use data to control and optimize their operations. We will explore how you can leverage shipping to bring together:

- Sales
- Buyer experience
- Seller experience
- Customer support
- Fraud prevention

In each section you can expect to see examples of both simple and in-depth ways that you can add shipping to your operations, as well as questions to consider, and things to watch out for.

## INCREASING SALES WITH STRATEGIC SHIPPING

You can increase sales from every customer in your marketplace in three ways:

1. Increase the number of items added to the shopping cart
2. Decrease cart abandonment
3. Increase conversions

The obvious way is to offer products that resonate with your target audience. But beyond that, marketplaces can leverage shipping to customers to buy more.

Customers care about shipping

### 6 of the 11 selections are shipping-related



What information or options are most important to you when going through an online check-out process? Please select all that apply. (Comscore US 2014)

A 2014 ComScore US Study found that the top three considerations for online shoppers during checkout are shipping related, with more than 80% of people citing free shipping as the most important factor while checking out.

Beyond using shipping to incentivize customers to put items into their carts, not factoring shipping into the checkout process may also be causing cart abandonment.

In fact, free shipping is so important to customers that 93% have taken actions to qualify for free shipping, 58% of whom added items to their cart specifically to qualify for free shipping.

### Shipping is the #1 reason for cart abandonment



When shopping online, have you ever placed items in the shopping cart or basket but then left the site without making a purchase? Please select all that apply and identify the top reason. (Comscore US 2014)

The Pulse of the Online Shopper Survey found that the number one reason shoppers abandoned their carts without purchasing items was shipping costs increasing the total purchase cost to more than they were expecting to pay.

We're about to show you many options to choose from, but don't be overwhelmed! Chances are, you already have the tools to make them happen. Majority of the work comes down to figuring out who your customers are, where they're getting stuck, and using shipping to help them make the decision.

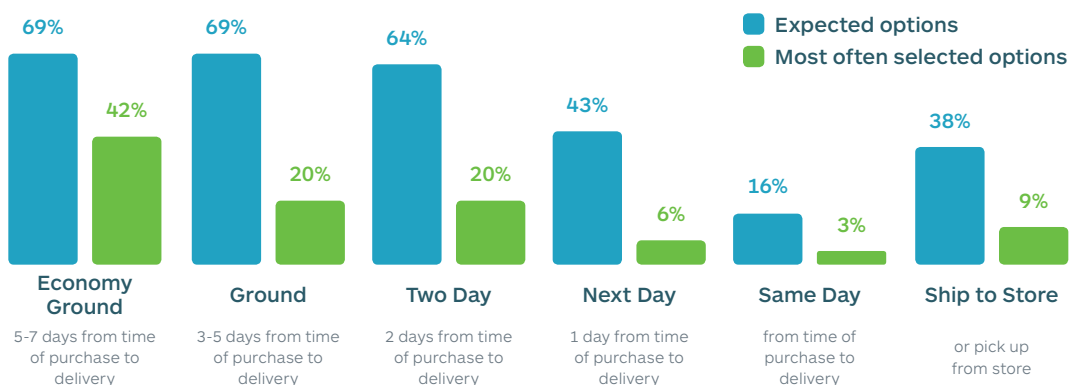
## 1. Remove friction at checkout by offering several different shipping options

Different customers have different needs. Some may choose to pay for expedited delivery because they need their purchase for an event, while others may have no time constraints and opt for a cheaper (or free) delivery option. The most common shipping options range from same day delivery to economy ground, which usually takes about 5-7 days.

Never let shipping be an obstacle at checkout.

Here are three simple ways to ensure shipping is a seamless part of the online purchasing process.

### Expected versus most often selected shipping options



— U.S.-based retailers (Comscore US 2016)

Beyond being varied, shipping options should also be easy to understand. Take Amazon for example:

Note how Amazon calls out the specific delivery date that customers can expect their purchased items. They don't mention carriers, service levels or business days.

Displaying shipping this way at check out is beneficial for two reasons:

**Choose your Prime delivery option:**

- Tuesday, June 14**  
\$6.99 - One-Day Shipping
- Wednesday, June 15**  
FREE Two-Day Shipping
- Friday, June 17**  
FREE Standard Shipping
- Monday, June 20**  
FREE No-Rush Shipping  
Get a \$5.99 credit for Pantry Prime. [Details](#)

1. It sets clear expectations for customers, removing a potential hurdle.
2. Not displaying the carrier or service level gives sellers the flexibility to send the package with any shipping carrier, as long as the product gets there by the delivery date.

## 2. Allow customers to predict the delivery date and cost of shipping early in the online purchase process by offering flat rate shipping.

Flat rate shipping lets customers know of estimated delivery date and shipping costs up front. It can be incorporated in many different ways:

**\$10 SHIPPING**

Take advantage of \$10 shipping for the month of April! Order any amount of wine and we will ship it to you for \$10. If you reorder any of the wines in your shipment within 30 days you will get an extra 5% discount on those wines.

**\$5 SHIPPING - \$99 MINIMUM ORDER**

USE PROMO CODE DURING CHECKOUT 36SPRING

Flat shipping for a minimum order.

Flat shipping as a marketing promotion or coupon.

Shipping Method & Estimated Arrival	Cost
<b>Standard OVER \$100</b> (2-8 business days)	<b>FREE</b>
<b>Standard UNDER \$100</b> (2-8 business days)	<b>\$7</b>
<b>Express</b> (2 business days)	<b>\$15</b>
<b>Next Business Day</b> (on order placed before 1p PST)	<b>\$25</b>

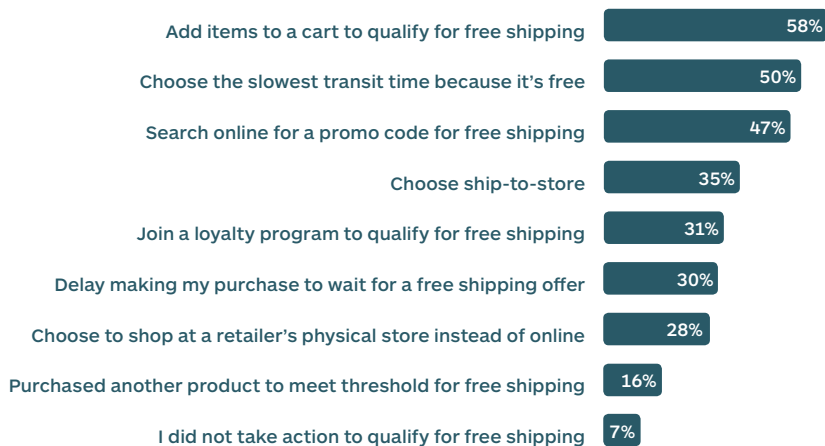
In order to calculate flat shipping costs, you need to identify some basic shipping information, know the average cart size and understand your customers and their purchasing patterns.

Flat shipping for each service level and estimate arrival.

### 3. Use “free shipping” to incentivize customers to purchase more and purchase now.

Free shipping is the most important factor for customer when they are checking out online and the majority of them are willing to add more items to their cart in order to qualify for free shipping.

#### Customers are willing to do many things to qualify for free shipping



Which of the following actions, if any, have you taken in order to qualify for free shipping? Please select all that apply. (Comscore US 2014)

The ComScore US Study highlights how free shipping can be used to incentivize your customers to perform specific actions at key points of the purchasing cycle.

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**Adding a free shipping option during checkout, even if the delivery time is longer, will convert more customers at checkout.**

- 50% of customers will choose a slower transit time to qualify for free shipping.
- 83% of customers will wait an additional 2 days or more to receive free shipping.

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<p>Ground</p> <p>Free</p> <p>6-8 business days</p>	<p>Regular</p> <p>\$6</p> <p>3-5 business days</p>	<p>Express</p> <p>\$25</p> <p>2 business days</p>	<p>Overnight</p> <p>\$40</p> <p>Next business day</p>
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Find out your average order value and set the free shipping threshold slightly above it to entice people to buy additional items.

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**Offering free shipping over a certain purchase value will drive an increase in items added to the checkout cart.**

- 93% of customers take actions to qualify for free shipping.
- 58% of whom added items to their cart to qualify for free shipping.

**On orders \$75+, FREE Shipping to the US.**

Free shipping for U.S.-based customers on any orders over \$80. Orders are shipped via USPS Priority Mail, and typically arrive within 1-3 business days.



**For marketplaces with higher price-point products, also consider offering free shipping for all items so that the cost of shipping will never be a blocker for customers deciding whether or not they want to purchase.**

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To cover the cost of shipping, you can include a flat shipping cost directly into the price of your products.

Keep in mind that this method is best for more expensive and unique items where customers are less cost sensitive.

**For instance:**

Adding \$5 for shipping a \$10 phone case will seem like a lot because it's 50% of the cost of the product itself. But adding \$20 for shipping a \$500 purse will go unnoticed because it's only 4% of the original cost.

## Questions

### Evaluate what may be best for your marketplace

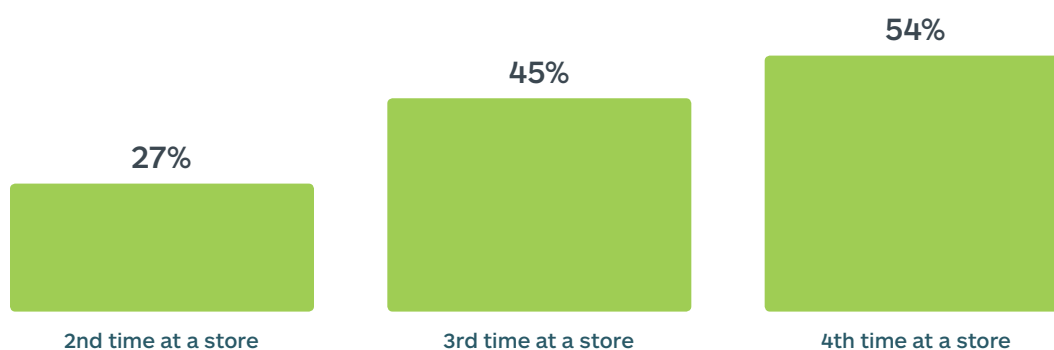
1. How cost sensitive are your customers?
2. What type of items do you sell?
  - What's your price-point to shipping rate ratio?
3. How competitive is your space?
  - What are your competitors offering?
4. Do you have seasonal lows that needs a boost?
5. What's your current shipping policy like?
  - How do you remit shipping costs to sellers?

## IMPROVING BUYER EXPERIENCE

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It's well-established that providing a good buyer experience is very important to sales. As a marketplace, you likely do a lot for these buyers when they're going through the pre-purchasing and purchasing process. But there's often a big gap after they've completed a purchase.

### The chance a customer will make a purchase at a store they've purchased at before



But most marketing budgets are spent on new visitors - who only generate 41% of revenue. (Shopify 2016)

Especially as a marketplace, most of the time you rely on your sellers to fulfill the order and ship the package. However there's a lot you can do to service your customers, and it's all about setting the right expectations and solving their problems before they arise.

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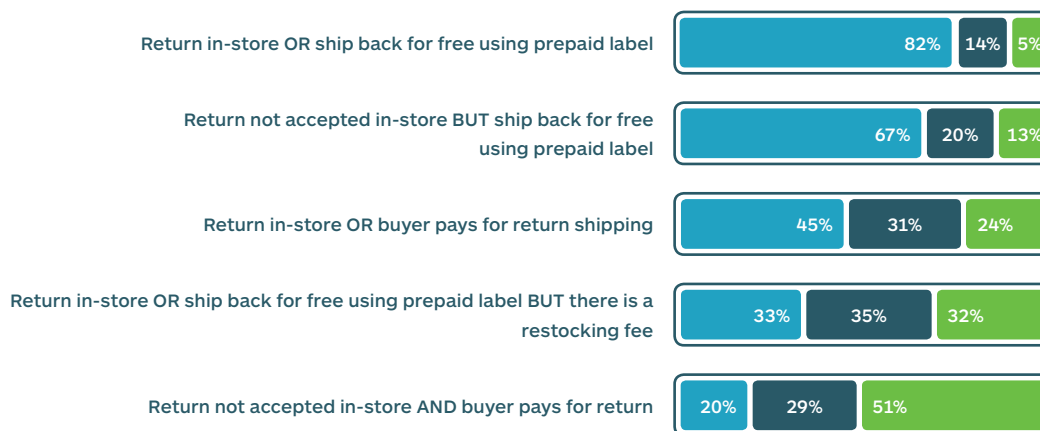
### 1. Make it easy for customers to return items, and make the return policy clear.

According to ComScore, only 50% of customers are satisfied with the information available to them about making returns and their actual ability to make a return. Unfortunately, you could lose sales from inflexible and/or unclear return policies.

- 88% of customers will review the return policy, and 66% will do so before purchasing.
- 52% of customers want to see a return label right in the box.

### Inflexible return policies cause loss in sales

■ Likely to complete a sale  
 ■ Neutral  
 ■ Unlikely to complete a sale



You indicated that you look at an online retailer's return policy before purchasing an item. Thinking of what you look for in a retailer's return policy, would you complete the sale online if the retailer's "return policy" stated the following? (Comscore US 2014)

Some shipping providers offer pay-on-use return labels, which are great for putting right in the box when you ship a product. You only pay for the label if the customer uses it to return the item.

## 2. Share the tracking number with customers early, make shipment delivery estimates very clear, and help your customers self-serve.

One in three shoppers report that customer satisfaction post-delivery hinges on whether the items were delivered on time, so it's important that you are proactively communicating the estimated delivery time.

The most obvious is to provide your customers with an accurate tracking number, but

Amazon went a step further. Here's what their Track Package page looks like:

[Your Account](#) > [Your Orders](#) > [Order Details](#) > [Track Package](#)

## Track Package

**Arriving Jul 5 - Jul 11** [Why a date range?](#) ▾  
On time

**We've got your order** [Edit order](#)

**Ordered** Jun 27 **Shipped** **Arriving Jul 5 - Jul 11**  
965 Mission St., Fourth floor, San Francisco

We've highlighted the components that are especially important to note:

- Expected delivery date: not just “transit time” but the date that your customer can expect the package.
- Trigger points at every stage of the process: order received, fulfilled, enroute, out for delivery, delivered.

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Amazon has realized that customers start calculating transit time from the moment they click buy, so they want to make sure that customers have somewhere to go to check on the status.

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## Questions

Think through these operational questions before implementing

1. Where are return shipments going? Back to your sellers or to a different location?
2. If you were able to provide a pay-on-use return label, how can you systematically get them to your sellers to have them put it inside the box?
3. Are your sellers currently giving you valid and accurate tracking numbers in timely fashion?

## SELLER EXPERIENCE

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Marketplaces are not just one-sided. You also want your sellers to have a great experience working with your platform so that they will put more inventory online.

However, most marketplaces are only able to capture half of the experience. After the customer clicks “buy”, the data goes offline and it’s hard to support your sellers - but it’s not impossible.

Here are some ways you can support your sellers before and after the sale.

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### 1. Allow sellers to create labels directly from your platform

To keep the experience consistent, you can bring shipping in-house and walk your sellers through the shipping process. This will also help you:

- Minimize shipping errors such as bad addresses.
- Get accurate and correct tracking numbers to send to your customers without relying on sellers to provide them.
- Negotiate better shipping discounts for your marketplace, and gain more visibility into actual shipping costs.

Ways that you can do this:

1. Send your seller a direct link with the label. All they have to do is print and stick it on the package.
2. Provide sellers a shipping dashboard where they can input order information and purchase labels alongside managing orders.

## 2. Simplify shipping into flat-rate tiers so sellers are able to select their shipping option as they upload a product

For example: Mercari, the peer-to-peer mobile shopping application

Collect sender and buyer address from customer profiles first, and verifies them.

Shan

Lian

465 Mission St

Ste 425

ZIP code

City

State

**Error**

Oops!

We could not verify your address. Please check your address and try again.

OK

Save

Shan

Lian

965 Mission St

Ste 425

ZIP code 941032501

City San Francisco

State California

We've standardized your address.

Save

When sellers list items, they choose from 4 different shipping tiers, with suggested items that works well.

<b>Condition</b>	New >
<b>SHIPPING</b> <span style="float: right; color: red;">?</span>	
<b>Fee</b>	USPS 0 - 0.5 lbs / \$4 >
<b>Paid by</b>	Seller >
<b>Ships from</b>	California >
<b>Ships within</b>	1-2 days >
<b>PRICING</b> <span style="float: right; color: red;">?</span>	
	\$0
<b>Shipping</b>	Seller pays \$4

**FedEx.**  
\$100 insurance, better tracking, & safer handling

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**0.5 - 3 lbs / \$6**  
Purses, shoes, clothing, & small electronics

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**3 - 10 lbs / \$9**  
Coats, bags, boots, & game consoles

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**10 - 20 lbs / \$15**  
Musical instruments & large electronics

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View shipping options >

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**UNITED STATES POSTAL SERVICE**

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**0 - 0.5 lbs / \$4**  
Accessories, hats, & beauty products

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**0.5 - 3 lbs / \$6**  
Purses, shoes, clothing, & small electronics

## Questions

Consider these before bringing shipping in-house

1. What types of sellers do you have?
  - Enterprise, SMBs, individuals?
2. How are you currently connected with your sellers?
  - If you were to provide shipping for them, how will you send them the shipping labels?

## RATE SELLER QUALITY

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Marketplaces are unique because they connect buyers and sellers while ensuring that everyone has a good experience with one another as well as with the platform itself.

*“While 'trust' sounds like a subjective term, building it is highly tactical.”*

— Head of Product at ThreadFlip

In addition to product quality and responsiveness, shipping data can also be used to examine how your sellers are doing.

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### 1. Amount of time between when an order is placed and when it's fulfilled

Calculate the time between when an order is placed and when a tracking number is sent to the customer.

Sellers who fulfill faster will also be able to save money since they won't need to purchase last-minute expedited shipping to delivery goals.

#### Out of 4 ratings for eBay Sellers, two are shipping related.

Detailed seller ratings Criteria	Average rating
Item as described	★★★★★★
Communication	★★★★★★
Shipping time	★★★★★★
Shipping and handling charges	★★★★★★

eBay advises: “Offer either same business day or 1 business day handling whenever you can. Offer handling times that are longer than 1 day only for exceptions and special items.”



## 2. Measure validity of tracking numbers given by sellers

Ensure that sellers are providing you with accurate tracking numbers so that you are communicating correct information to buyers.

Amazon has a specific Valid Tracking Rate metric for sellers.

Valid Tracking Rate (seller fulfilled orders only) <a href="#">Learn more</a>			
	7 days (Jun 9, 2016 to Jun 16 2016)	30 days (May 17, 2016 to Jun 16, 2016)	Target
Valid Tracking Rate - All Categories <a href="#">[?]</a>	98%	98%	>95%
Delivered on time <a href="#">[?]</a>	<a href="#">97%</a>	<a href="#">97%</a>	>97%

Below are reasons why Amazon recommends sellers provide valid tracking numbers.

### Fewer buyer contacts

Providing tracking numbers can help reduce the amount of time you spend answering shipping-related questions. Approximately 40% of buyer contacts are about shipment status, and the Where's My Stuff contact rate is 35 times greater for untracked shipments than it is for shipments with a valid tracking number.

### Decreased order defects

The order defect rate for untracked shipments is 1.7 times greater than the rate for tracked shipments.

### Protection from A-to-Z guarantee claims

Without tracking, a seller automatically loses any "Order not received" A-to-Z claim. Tracking helps you represent yourself against these claims and may prevent loss. Additionally, because tracking gives buyers the ability to track the exact location of the shipped package, you may receive fewer claims.

### Improved seller feedback ratings

Buyers tell us that being able to track their packages is one of the main reasons to leave positive feedback.

### Reduced lost shipment costs

Tracking can significantly reduce the costs associated with a lost shipment. If a package is lost in transit, sellers can use tracking to find out where it was lost and then determine responsibility.

**Improved conversion**

When you use tracking on 98% of your shipments and your on-time delivery rate is 97%, you become eligible to reduce handling and transit promise times. This is proven to increase conversion and revenue.

**Eligibility for exclusive programs**

Sellers who provide tracking for their packages and meet their delivery promises can qualify for programs such as Premium Shipping Options, which are proven to increase conversion and drive sales. Learn more about Premium Shipping Options.

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**3. Track if an order is delivered on-time**

48% of customer find guaranteed delivery dates important when checking out online. (ComScore US 2016) so it's important that sellers are fulfilling quickly, and the correct service level is used to get shipments to customers on time.

Shoppers are willing to wait, so long as their expectations are set correctly.

**Milestones to measure:**

- Date and time that the order was placed, and the estimated delivery date at checkout
- When the tracking number was sent to the customers
  - If the tracking number is valid
- When the package arrived
  - If it arrived by the estimated date at checkout
  - If the seller is willing to share, determine what service level was purchased.

Collecting information about the fulfillment process can allow you learn more about your marketplace. Use data from these milestones to provide sellers with ways they can improve their services and save money.

## Questions

### Lessons that can be extracted from collecting data

1. Are sellers taking a long time to fulfill orders then needing to pay more for expedited shipping to get their packages to buyers on time?
2. Are your sellers consistently giving you accurate tracking numbers?
  - If it's a problem, why are they incentivized to give you incorrect information?
3. Can you provide sellers with an easier way to purchase shipping labels?
  - Perhaps through their marketplace dashboard, or a direct email from you.

## CUSTOMER SUPPORT

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Empower your customer support team with easily accessible shipping information. Let them provide the highest quality of service to your customers at the lowest cost of time and resources.

According to Amazon, approximately 40% of buyer contacts are about status such as:

- “Where’s my package?”
- “What’s my tracking number?”
- “Has my order shipped?”

The best way to help your support team is to make sure that they have complete and accurate information about shipments.

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### 1. Ensure that the customer support team has all shipping information at hand

Arm your customer support team with the following information:

- Date and time the order was placed
- Estimated delivery date shown at check out
- Date that package was picked up/dropped off with the carrier
- Valid tracking number
- Service level and estimated delivery date given by carrier
- Cost of shipping

To decrease the number of support tickets, it can be helpful to automatically send customers some of this information so that they have it on record.

It can also be helpful to inform customers if you know that their shipment will arrive later than initially communicated.

## 2. Bringing shipping in-house and provide support with access to the system

Bringing shipping in-house can remove many shipping unknowns and keep everything consistent across your platform. Details such as getting valid tracking numbers, and purchasing the correct service levels can be easily controlled to create a better experience for customers.

For customer support teams, bringing shipping in-house also means that they will have more accurate information at their fingertips without having to chase after sellers.

Providing the support team with the option to override and adjust shipping as needed will also go a long way if shipping is brought in-house. Since sellers may now also submit support tickets for shipping, the support team will want the ability to adjust shipping as necessary.

### Questions

#### Ask these before implementing any new process

1. What types of support tickets are coming in?
  - Can you provide customers with the answers to their questions before they ask in an automated way?
2. What types of services are your customers expecting?
  - Are you a luxury goods marketplace?
  - Did they pay to receive top-level support?
3. How reliable are your sellers at providing you with the necessary information for your support team?
  - How do you share information with them?
  - Is it also automated and collected in an easily accessible database for your support team?

## FRAUD PREVENTION

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There are often shipping patterns that can be used to prevent fraud in your marketplace. Having an understanding of your customers and familiarizing yourself with their buying patterns can help you detect anything out of the ordinary.

Here are some common examples of fraud patterns that can serve as warning signals for fraudulent activities:

- Shipping address to a high-risk country or location that's known for fraud
- Exceptionally large order
- Shipment rerouting after a purchase
- Abnormally large amount of international orders within a short timespan
- Abnormally large number of order during off hours within a short timespan
- Several orders from different customers shipped to the same address
- Orders with an unusual number of the same item
- Orders from suspicious or undeliverable emails

While these fraudulent patterns don't automatically mean that these orders are definitely fake, they can help you identify unusual behaviours within your marketplace.

## CONCLUSION

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As you can see, shipping is closely tied to many marketplace components. From driving sales and improving buyer and seller experiences to internal operations such as seller rating, customer support, and fraud, the entire online shopping experience can be tied together with shipping.

Many of these operations can be improved by collecting the right information and presenting them in a different format. Depending on your resources and specific requirements, it can be easy to revamp shipping into a tool across multiple operations.

Test it out, find out what clicks with your audience, and do some more. Get started now.

## ABOUT SHIPPO

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If you're looking to bring shipping in-house to help you with your operations, check out Shippo. Using our multi-carrier shipping API and web app, you'll be able to implement all the shipping tactics discussed in this guide.

With Shippo, you can connect with multiple different shipping carriers across North America, Europe, and Australia. In one integration you'll be able to:

- Access different shipping options from ground all the way to on-demand services
- Get discounted shipping rates
- Print shipping labels – or send them directly to your sellers
- Purchase pay-on-use return labels to put right inside the box
- Verify tracking numbers
- Use push-based webhooks to get notified when tracking statuses change

If you're interested in having a conversation on how you should implement shipping, contact us at [sales@goshippo.com](mailto:sales@goshippo.com).