



2019

STATE OF SHIPPING REPORT

E-commerce Continues to Be A Bright Spot in the Retail Industry

U.S. e-commerce sales amounted to \$501 billion USD in 2018 and are forecasted to surpass \$740 billion USD by 2023 (Statista).

Despite intermittent fears about the economy and trade wars—less than 50 percent of consumers feel like the economy is doing better than it was a year ago—folks continue to be optimistic about the future (OpenX). More than 70 percent of consumers report feeling confident the economy will improve next year.

Although e-commerce sales trend upward and to the right, online retailers experience stiff competition from other businesses to snag a piece of this e-commerce pie.

In order to compete, businesses are expected to exceed customer expectations, particularly around shipping.

Shipping has its complexities: Consumers will make purchasing decisions based on shipping and return policies. However, the fast, affordable shipping that consumers demand comes with logistical costs and hurdles for e-commerce businesses.

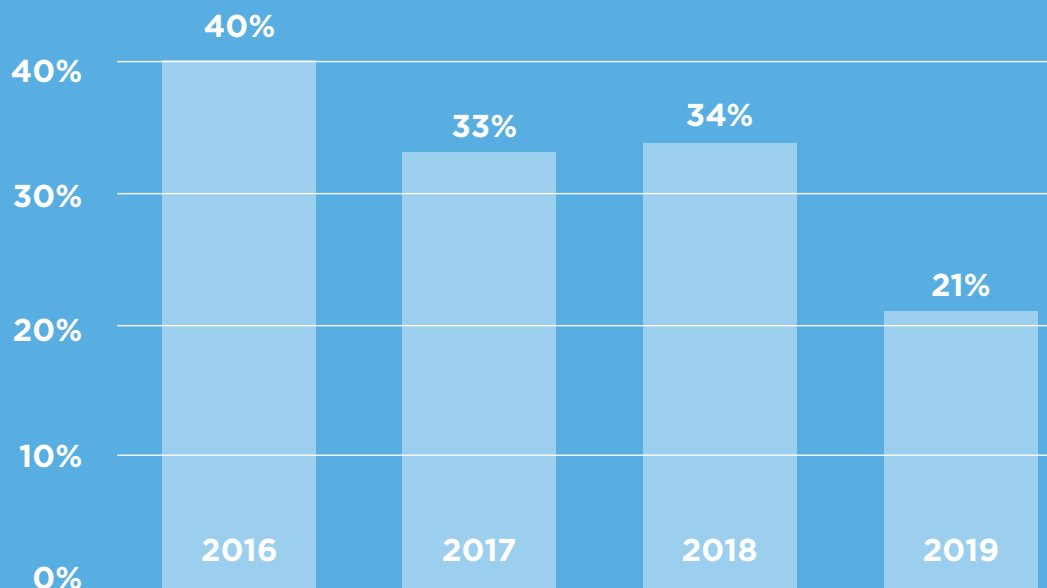
In its fourth annual survey, Shippo looks at changing consumer expectations around shipping, and whether retailers are meeting, not meeting, or exceeding these expectations.

The report also measures efforts by small and medium-sized online retailers to offer free shipping, returns, as well as same and next-day delivery.

Retailers Get Creative With Free Shipping Frequency

Free shipping used to be binary. Either you always offered free shipping or you didn't. Nowadays, small and medium-sized businesses are less likely to offer free shipping all the time. Instead, retailers are leveraging free shipping strategically—offering it occasionally or more than half the time—to entice customers. In 2019, a mere 21 percent of small and medium-sized online retailers say they always offer free shipping.

PERCENT OF SMBs THAT SAY 'WE ALWAYS OFFER FREE SHIPPING'



Consumers' Preference For Free Shipping Remains Strong

Although fewer retailers are always offering free shipping, consumers continue to make purchasing decisions based on shipping costs.

Almost half of consumers prefer stores that offer free shipping, stating they will only purchase online with free shipping (**27 percent**) or will swap stores for free shipping (**20 percent**).

WHAT CONSUMERS SAY



WHAT ONLINE RETAILERS SAY



Retailers Still Expect Consumers to Pay for Return Shipping, But That Number is on the Decline

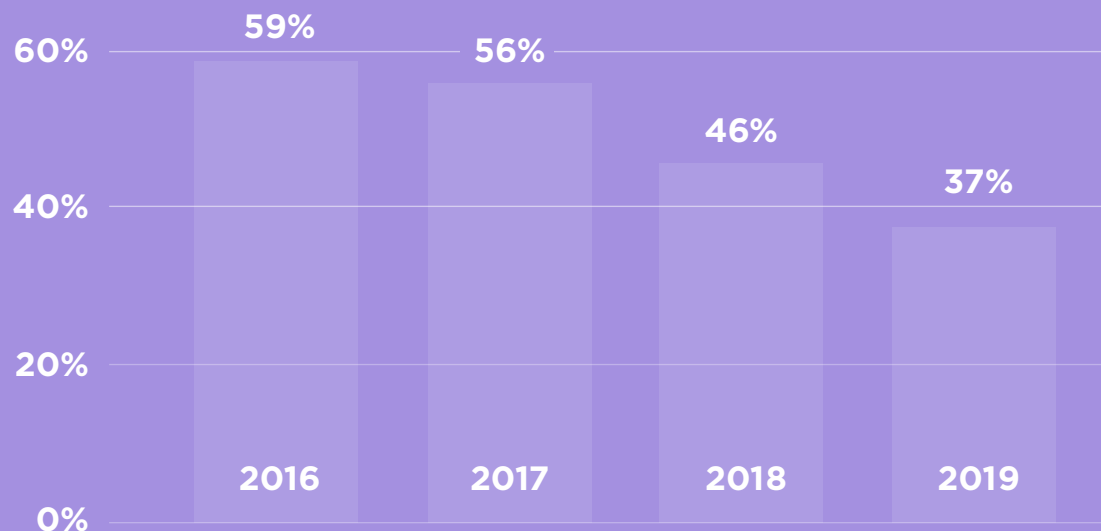
In 2016, the majority of retailers expected consumers to cover the cost of return shipping (**59 percent**). Since then, customers have increasingly considered a business' return policy when deciding whether or not to make a purchase.

In order to attract customers, businesses are introducing new, varied return policies. This year, only 37 percent of businesses expect the consumer to pay for return shipping.

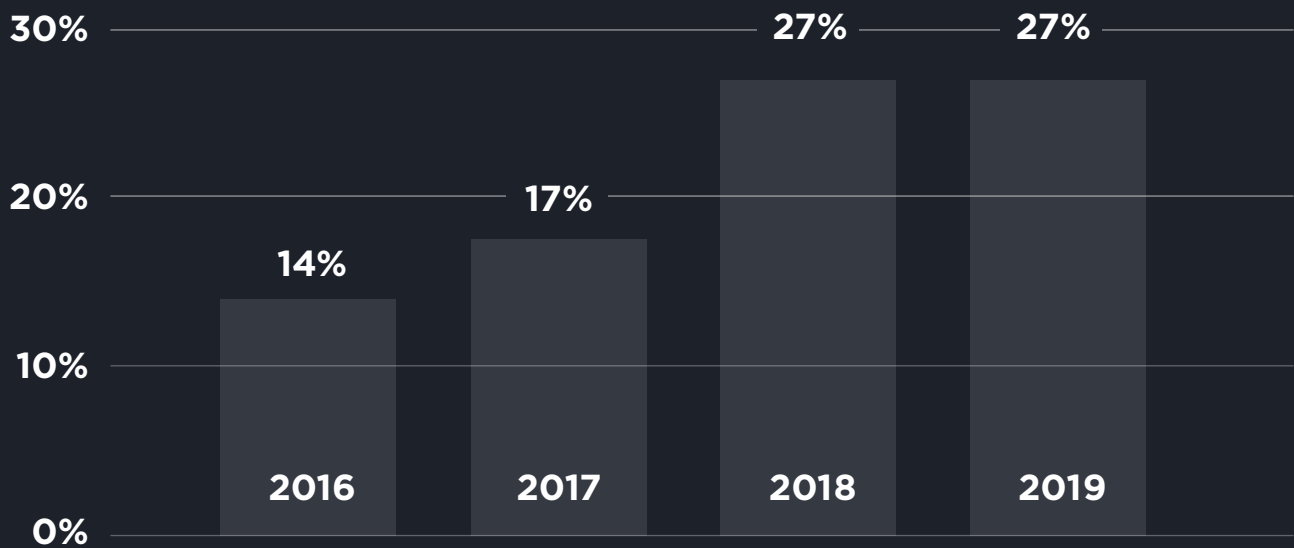
On the contrary...

27% of retailers now cover the cost of return shipping, up from 14 percent in 2016.

HOW MANY RETAILERS SAY THAT THE CONSUMER IS RESPONSIBLE FOR PAYING FOR RETURN SHIPPING?



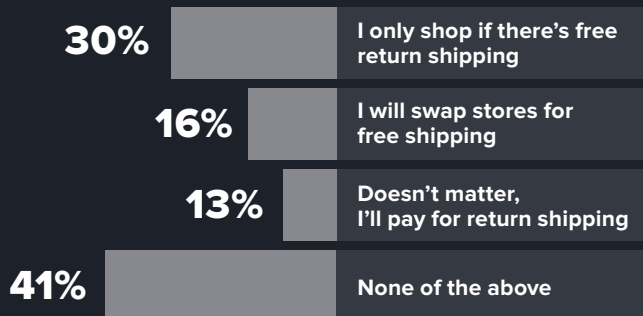
Q: HOW MANY RETAILERS COVER THE COST OF RETURN SHIPPING?



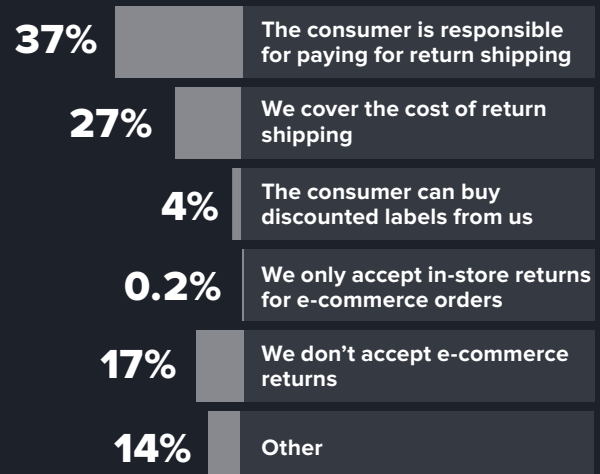
How does this compare to consumer demand? Almost half of consumers expect free return shipping, with 30 percent stating they only shop if there's free return shipping and 16 percent saying they will swap stores for free return shipping.

But, 41 percent of consumers selected "none of the above" when prompted to choose between paying for return shipping and not paying for it. One potential explanation is that consumers may have a more nuanced approach—only concerned about the cost of return shipping some of the time.

WHAT CONSUMERS SAY



WHAT ONLINE RETAILERS SAY

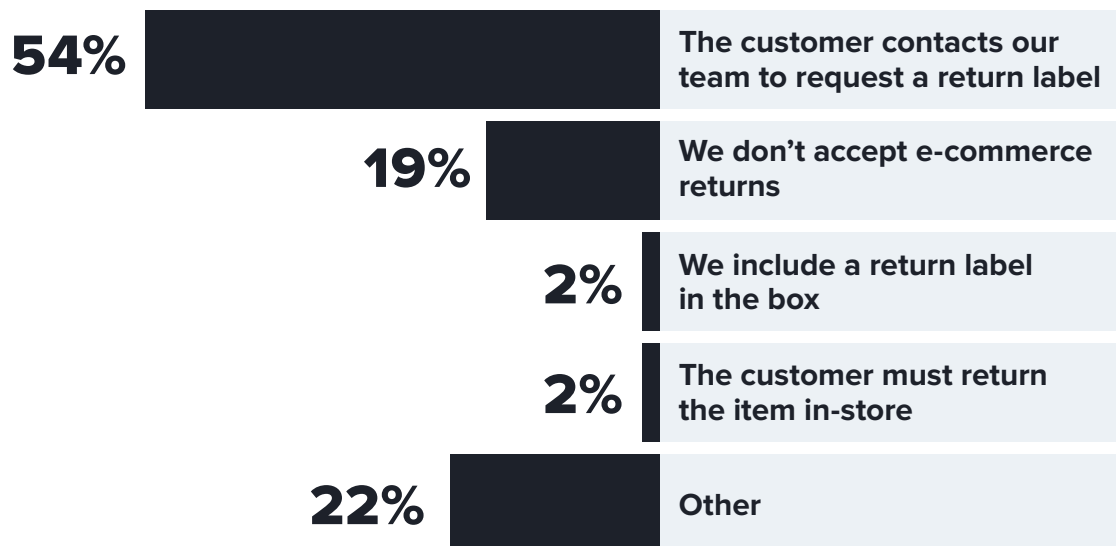


Retailers Offer a Manual E-commerce Return Process

When it comes to return shipping, most online businesses (**54 percent**) require customers to contact them to request a return label. A mere 2 percent include a return label in the box sent to customers.

Another 2 percent make the customer return the item in-store. A whopping 19 percent don't accept e-commerce returns at all.

Q: HOW DO ONLINE RETAILERS HANDLE RETURN SHIPPING?

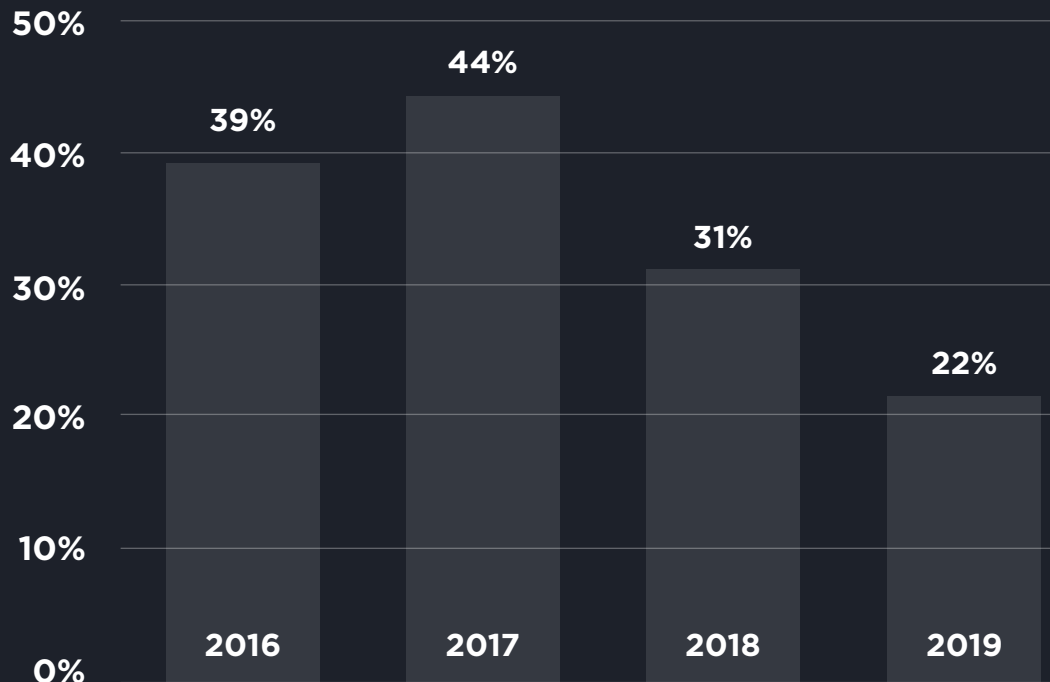


Consumers Put Slow Delivery Times Out to Pasture

Once commonplace in e-commerce, slower delivery times are now becoming increasingly obsolete. Amazon is the likely culprit, shifting consumer expectations as it speeds up its delivery options, and most recently announced its expansion of one-day delivery with Amazon Prime.

In 2017, retailers said that 44 percent of their customers select 4-7 day delivery. Today, that number has dropped to 22 percent of consumers.

**ACCORDING TO RETAILERS,
CUSTOMERS ARE CHOOSING
4-7 DAY DELIVERY**



Consumers Pay Attention To Same or Next-day Delivery

A notable difference between e-commerce offerings and consumer expectations is enthusiasm for same or next-day delivery. While 17 percent of consumers say they want same or next-day delivery, less than one percent of retailers think it's important to their customers.

Smaller direct-to-consumer and online brands may not have the resources and networks to offer such speed. Regional carriers such as Axlehire and CDL are quickly developing same and next-day services aimed at small and medium-sized businesses. They are partnering with innovative shipping technologies to make these services widely available.

Still, the most-popular delivery time is 2-3 days, with 54 percent of consumers and 50 percent of businesses preferring it.

WHAT CONSUMERS SAY

I can wait 2-3 days **54%**

I can wait 4-7 days **29%**

I want same or next-day delivery **17%**

WHAT ONLINE RETAILERS SAY

My customers choose 2-3 day service **50%**

My customers choose 4-7 day service **22%**

My customers choose same or next-day delivery **0.2%**

We won't give them the option **28%**

RETAILERS AND CONSUMERS AGREE:

Be Up Front About Shipping Costs

The majority of retailers (**54 percent**) and consumers (**58 percent**) expect product pages to include the cost of shipping. Average fulfillment time was also a popular request for the product page, with 38 percent of retailers and 24 percent of consumers looking for it.

And, 34 percent of businesses will list the carrier delivering the item, but only 18 percent of consumers think that's the most important information to see.

Q:

WHAT INFORMATION IS MOST IMPORTANT TO SEE ON THE PRODUCT PAGE?

WHAT CONSUMERS SAY

Shipping cost	58%
Average fulfillment time	24%
Carrier who will deliver item	18%

WHAT ONLINE RETAILERS SAY*

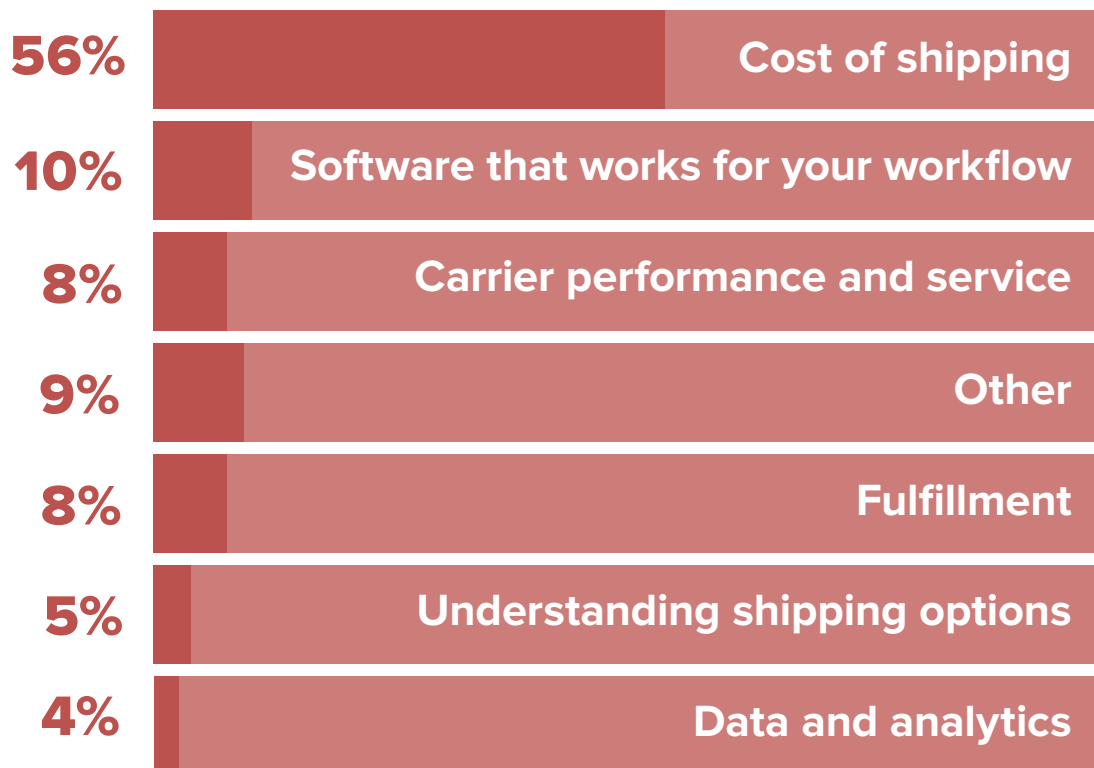
Shipping cost	54%
Average fulfillment time	38%
Carrier who will deliver item	34%
When the item will ship	25%
Expected delivery date to customer	21%
Special promotion around action needed to qualify for free shipping	17%
Other	28%

*CHECKING ALL THAT APPLY

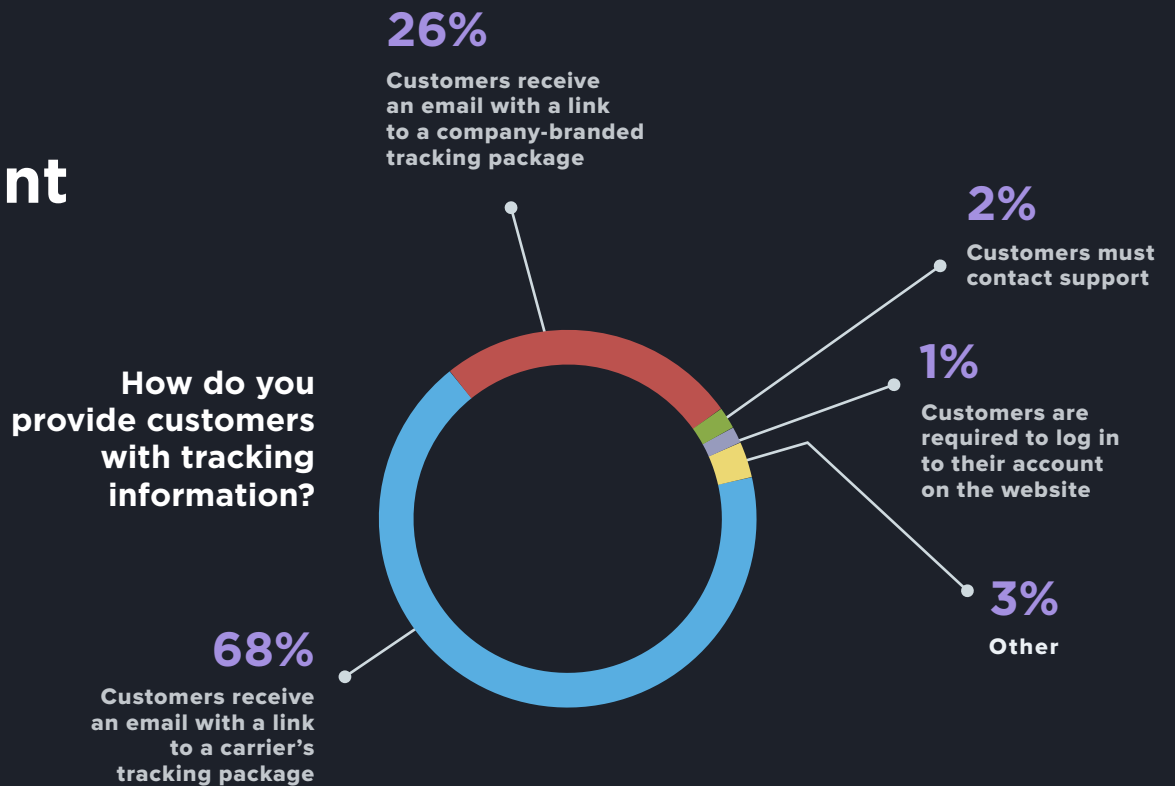
Retailers Find Cost to be Biggest Challenge

Q:

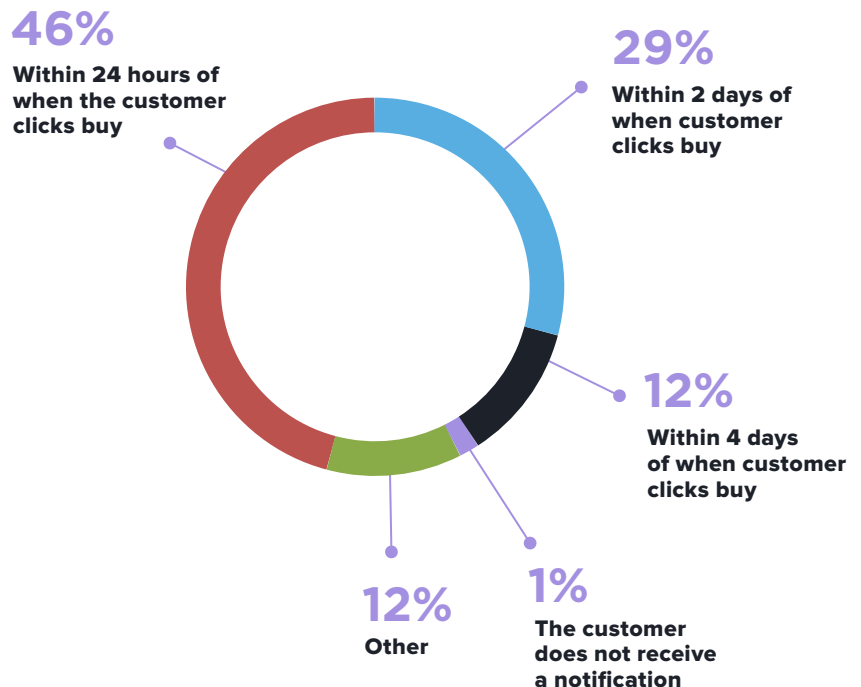
**WHAT IS THE BIGGEST CHALLENGE
FOR YOUR BUSINESS?**



Order Fulfillment Stats



How quickly do you fulfill orders and let customers know that their shipment is on the way?



Survey Demographics: Online Retailers

Shippo's survey was conducted in September 2019 among 500 small and medium-sized online retailers and 500 consumer respondents.

Q: WHAT MOST CLOSELY DESCRIBES YOUR FULFILLMENT OPERATION?

We fulfill orders from our home	53%
We fulfill orders from our office	22%
We have our own warehouse	15%
We have a mix of our own inventory and drop shipping	7%
We have a mix of our own inventory and 3PL/FBA	3%
We use a 3PL fulfillment service	0.4%
We are mostly drop shipping	0.2%

Q: AS A PERCENTAGE OF TOTAL COST FOR AN ORDER, HOW MUCH DOES SHIPPING MAKE UP?

1-5 percent	20%
6-10 percent	35%
11-15 percent	16%
16-20 percent	15%
21-25 percent	7%
26-30 percent	3%
Greater than 30 percent	4%

Q: HOW MANY CARRIERS DO YOU WORK WITH?

1	44%
2-4	55%
5+	2%

CONTINUED:

Survey Demographics: Online Retailers

Q: WHICH BEST DESCRIBES YOUR
ONLINE RETAIL STORE?

Specialty items	21%	Pet	3%
Hobbyist items	12%	Jewelry	4%
Health and beauty	11%	Baby and kids	3%
Women's apparel and footwear	10%	Men's apparel and footwear	3%
Home and office	10%	Medical/medical supply	2%
Food products	8%	Hardware (computer & electronics)	2%
Sport and outdoor	8%	Games and entertainment	0.8%
Auto and accessories	3%	Hardware	0.6%

Q:
HOW CONFIDENT ARE YOU IN
YOUR SHIPPING PROCESS?

Very confident; I know my process is optimized for my business	23%
Somewhat confident; I feel good about our process but am open to ideas	64%
Neutral; I don't give much thought to my shipping process	4%
Somewhat uncertain; it needs improvements, but haven't had the time	9%
Very uncertain; I'm feeling overwhelmed but don't know where to start	0.88%

Looking To Optimize Your Shipping?

Get started for free with Shippo's Pay As You Go plan and only pay five cents per label that you print or start a 30-day free trial of Shippo's Professional Plan.

Visit www.goshippo.com/pricing/ to learn more.