



EFFICIENT SHIPPING STRATEGIES

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HOW TO MAKE FREE SHIPPING PROFITABLE

AS YOUR BUSINESS GROWS, SO DOES THE NEED FOR SHIPPING PROCESSES THAT MAKE SENSE AND THAT HELP YOU STAY ORGANIZED.

You may have been focused on developing your marketing strategy to ensure the profitability of your products, so figuring out how to streamline shipping may feel daunting. Taking the time to think about logistics and to refine your processes can have a surprising impact on your overall efficiency and can produce financial benefits. It can also likely reduce the pressure of getting your products quickly from your customer's order to their door.

This guide will help you with throughput—the art of getting things picked, packed, and on their way to your customer anywhere in the world. We'll give you tips and strategies that help you become a shipping pro. From organizing your shipping station to refining your customer's experience, these solutions help you succeed at efficient shipping.



CHAPTER 1

OPTIMIZE SHIPPING FROM ORDER TO DOOR

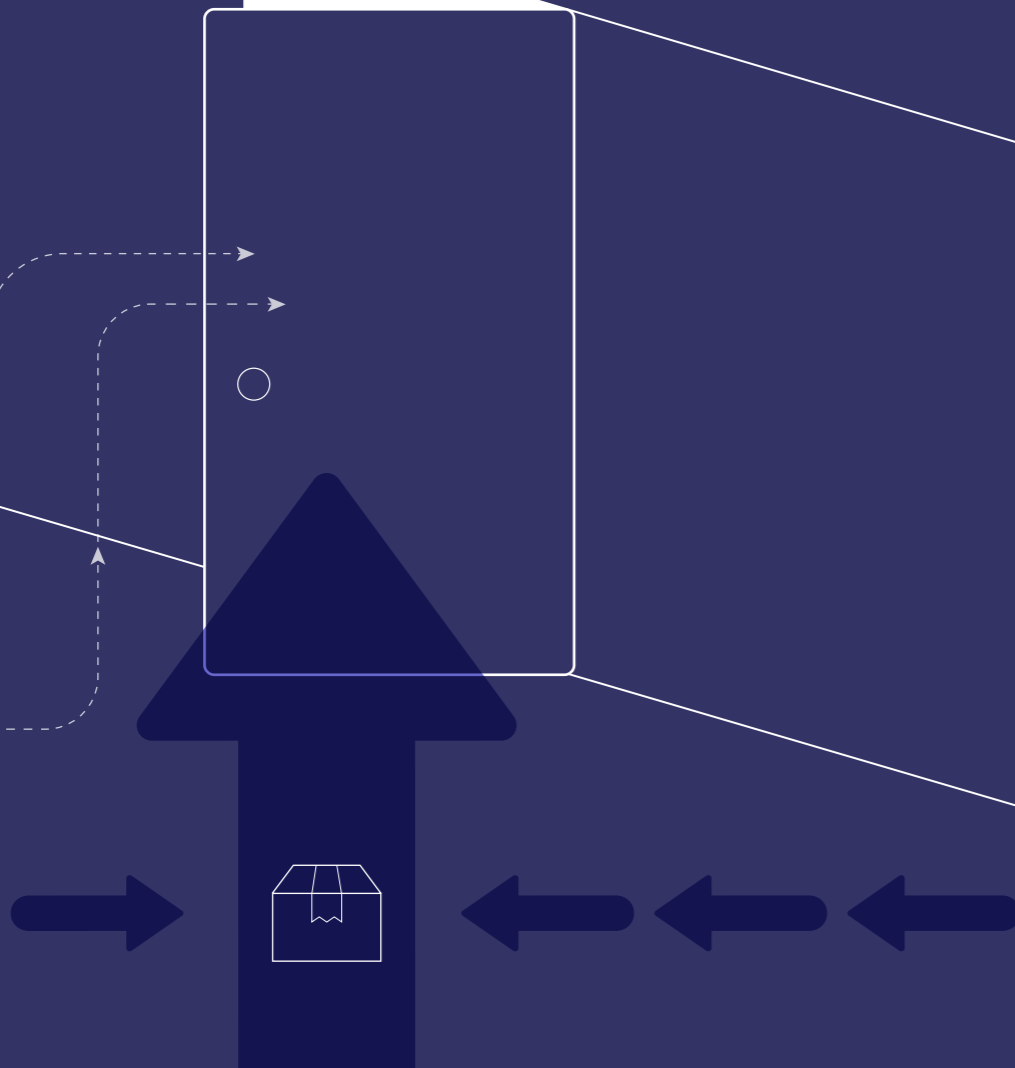
Organize your shipping station.

Simple and planned organization is one of the most elusive yet important first steps when you are creating an efficient shipping process. Everything—from products to supplies—must have an exact place, and efficiency of movement is of the utmost importance. Precision is key.

Good customer service starts when you pack your goods. How you handle your inventory says a lot about how you care for your customers. Careful organization at this stage helps you increase your shipping speed, reduce fulfillment errors, and protect the integrity of your products.

Create a dedicated, well-thought-out space where all outbound goods can be scanned, packed, labeled, and sealed—using appropriately sized boxes and optimal packing for each product with all the necessary shipping supplies at hand.

The following four strategies can help you to reengineer this critical space. By implementing these suggestions, you can likely significantly cut down on the time you spend fulfilling orders and reduce your return rate by decreasing packing errors.





Tip: It's important to maintain the integrity of your container and interior packing to ensure safe delivery of your goods.



Choose the right packaging.

Your choice of packaging can greatly impact your margins. Shipping boxes full of air can end up costing more than expected, especially because of dimensional (DIM) weight pricing, which is based on the amount of space a package occupies in relation to how much it weighs. Your goal should be to try to reduce your container size and packing to a minimum. This helps you reduce your carbon footprint and cut down on shipping costs along the way.

Begin by examining all the elements of your current package to determine if you can use less. Can you use a smaller container? If so, your costs for corrugated boxes along with the cost of cushioning or void fill will go down. Plus, you will save space in your shipping station.

“When you really roll up your sleeves and try to figure out how to mitigate packaging waste, you can make a big difference. You might end up having a 50 percent cost savings improvement just by changing the package.”

— *Dennis Nicoski, USPS Director, Field Strategy and Contracts*



Packaging alternatives.

Interior protective materials. Low-density void fill like inflatable air cells or inflated packing material may give you the same protection with less density and weight. Making this change can shave ounces or even pounds off of every package and reduce the overall size of the container needed.

Box options. If you're using a number of stock-sized boxes for pick-and-pack operations, you could add a few intermediate sizes without incurring excessive handling or inventory costs. You may also consider if you really even need a box. Many products can be safely shipped using any number of types of padded and non-padded envelopes.



Tip: Be careful. Reducing packaging size and fill can pose a risk. You don't want to threaten the safe shipment of your products. Any savings you may achieve through packaging reduction strategies could be offset by the costs of replacing damaged goods.



Place frequently sold items closest to the shipping station.

By arranging your shipping station with the most commonly sold items in close proximity, you reduce the time it takes for fulfillment. This savings in minutes and seconds adds up and helps reduce the physical impact on your fulfillment personnel.

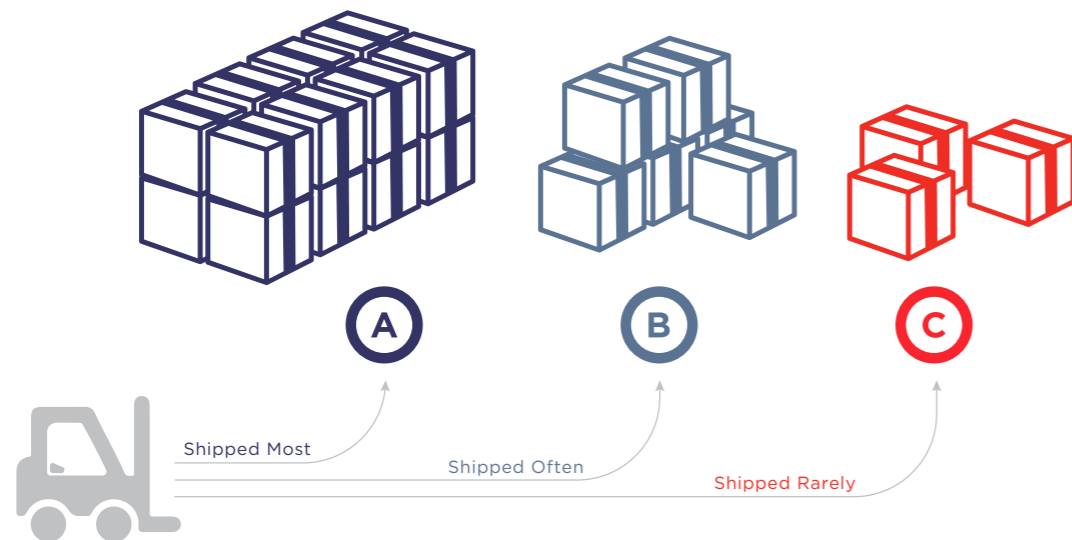
The ABC classification method.

Classifying your products as either A, B, or C helps you evaluate your stock and identify what's performing well and what is not.

Product A: Shipped most often along with closely paired products

Product B: Shipped less frequently and stored in the next closest area

Product C: Shipped most infrequently and stored farthest away from your shipping station



Keep the right tools and supplies handy.

Stocking your shipping stations with the right supplies can help increase speed and accuracy. The simplest glitch, like running out of tape, can impede your whole operation.

- ★ Have boxes, bags, envelopes, void-fill material, and small items like scissors and tape handy.
- ★ Make sure you have flat areas that are wide enough to accommodate all your typical packages.
- ★ Mark your table with measuring tape to create a guide so you can quickly assess package sizes.
- ★ Use a pin board to keep your tools and supplies organized and within easy reach.



Tip: Study your sales velocity and order characteristics. Place items that are commonly sold together next to each other—for example electronic devices and their cases or shoes with their matching belts.



Tip: Store most of your boxes flat, but always keep a few made up and accessible so you'll be ready to go in case an order has to get shipped out immediately.



Packing materials and supplies.

Develop a master list to make resupply easier.



Boxes (list each size and the flat size)



Bags and envelopes (list each size)



Void-fill material (list each type, roll width, and diameter or amount of space required for storage)



Miscellaneous supplies (list tapes, labels, envelopes, pens, markers, and other small items)

As your shipping center grows, make sure that each packing station has its own set of tools and supplies. Moving tools back and forth between stations will slow down progress and make it easier to misplace important items needed for shipping. Sometimes, even within a small packing and shipping operation, the workstations vary due to the size and scope of packaging.



Create an operational flow chart.

Create a simple flow chart to clearly outline your packing operation. Defining your operational flow will give you a visual overview so you can consolidate and condense all the functions into a streamlined working model. Properly designed, it can help reduce wasted movements, eliminate extra handling of items, and show you where to store all the equipment and supplies.

The most efficient packing systems are usually arranged in packing order sequence. This allows the packer access to all orders on one side of the packing station.



Packing order sequence.

Once the items are packed, designate a convenient and centralized place to stage or collect packages ready for transport. Set up your skid or cart next to the shipping table so your packer doesn't need to carry items but can slide them onto a cart heading to your outbound shipping area.

When your packing stations need to be resupplied with materials, the packer should not have to stop while fresh supplies are placed on the bench. In many cases, restocking can take place from the back of the table or by simply using portable supply carts. Every shipping station is different, but a creative, forward-thinking approach can save significant time.



Tip: Manage craft paper, inflated packing material, and plastic and flat fill on hanging rolls with cutting bars that are easy to access and quick to measure needed lengths.



Ideas for a better customer experience.

If you include a packing slip in your shipping box, you can easily add some information that makes it a marketing tool. Be creative.

- ★ Include a coupon or special discount.
- ★ Include a prewritten or handwritten thank-you note.
- ★ Suggest that the buyer write a testimonial or follow you on social media.
- ★ Surprise your customer with something unexpected.

Looking for ways to customize your packaging may also be worth the effort. Consider how much you're currently spending, calculate your average order size and profit margins, and assess what you can do to deliver a better experience to your customers that compels them to shop again as well as share their experience.

“The value of premium packaging extends far beyond the customer experience into residual marketing effects. The experience goes beyond the online order to when the customer actually opens the beautifully wrapped package and shares that experience across social networks. That act of online and social recommendations drives loyalty from your customers and promotes brand awareness.”

— Maria Haggerty, CEO of Dotcom Distribution <https://www.shopify.com/blog/16991592-how-to-create-a-memorable-and-shareable-unboxing-experience-for-your-brand>



Tip: Capitalize on the “unboxing” trend on YouTube where people film themselves opening the boxes of certain retailers because of the exceptional experience the packaging creates.



Collaborate with your carriers to improve systems.

To remain competitive, you need to collaborate with your carriers within a single, agile supply chain built around shared data, business processes, and stellar customer service. Your key transportation providers can be valuable if you form strong relationships based on trust, information sharing, and performance goals that benefit you both.

When evaluating carriers, three things to keep in mind:

- ★ You need a way to reach customers everywhere—whether in a city or a remote rural area.
- ★ You need a way to track every order and keep your customers happy.
- ★ You need a reliable carrier that both you and your customers trust.



CHAPTER 2

ANALYZE YOUR NUMBERS

This chapter is designed to empower you with shipping strategies that can help you boost efficiency and your bottom line. From analyzing your invoice to knowing your options to using automation technology, these best practices can help you get the most bang for your shipping buck.

Your shipping invoice is your business ally.

Shipping expenses can make or break a business. However, many companies tend to underestimate the financial impact that shipping can have on their bottom line. When a company ships in volume, basic rate changes and ancillary surcharges can add up quickly, leading to significant increases in shipping spend.

By carefully analyzing the line items on your shipping invoices, you can identify unexpected surcharges as well as savings opportunities—without sacrificing service. This information can also come in handy when it comes time to handle contract and rate negotiations.

Key invoice areas to evaluate include:

- ★ Surcharges
- ★ Address corrections
- ★ Minimum net charges
- ★ DIM weight occurrences





Surcharges are a big deal.

Unmonitored surcharges can account for a large percentage of your—and your customers’—shipping costs. You could be paying for additional services (fuel, rural delivery, etc.) when there are alternate carriers that don’t charge extra for the comparable services.

Common ancillary surcharges include:

- ★ Residential delivery
- ★ Delivery area surcharges (DAS), Extended DAS
- ★ Fuel (ground and air)
- ★ Large packages
- ★ Saturday delivery
- ★ Return fees (print and electronic return labels, pickup attempts)
- ★ Package pickup and intercept
- ★ Confirmation of delivery



Verify addresses before you ship.

It doesn’t take much for a package to be delivered to the wrong address—a typo in the street name, a missing apartment number, a wrong digit in the ZIP Code™. These mistakes can mean costly surcharges and take valuable time to correct. Not to mention they delay delivery, which can disappoint customers.

Address verification is a necessary component of any successful shipping operation, and many private carriers tack on surcharges for this service. Consider including a comprehensive address verification technology system into your shipping program, making it easier to ensure that your packages are headed in the right direction.



Understanding minimum net charges.

The minimum net charge is often one of the most overlooked and least understood areas when negotiating terms in a shipping contract. To ensure a minimum revenue amount per package, most carriers specify the published rate for a particular zone and weight as the minimum net charge. This charge oftentimes prevents you from receiving the full benefit of your negotiated discounts. That’s why it’s important to ask your carrier how it affects your shipping contract.



Get into the nitty-gritty.

Looking at factors such as your freight/weight classifications, total costs, and benchmark carrier pricing can help you make better choices in the future. For example, you could be paying for commercial shipments that were tagged by the carrier as residential, as well as address corrections, dimensional weight charges, and so on. To avoid paying for services that you do not need or those you aren’t even aware of, it’s critical to check your invoices carefully.

For many, this task can sound cumbersome. That’s why it is critical to work with carriers that can help you evaluate your package-level data and find savings opportunities. They do this by showing you what to look for on your invoice while comparing against your contract.

Steps to make shipping a business advantage:

1. Evaluate your business shipping needs.
2. Analyze your invoice to make sure you are getting the best rates.
3. Be aware of ancillary surcharges.
4. Conduct carrier service comparisons and know the differences.
5. Research the basis behind competitor rate changes.
6. Understand competitor payment choices, tracking abilities, and account setup.



CHAPTER 3

LOOK AT THE BIG PICTURE

Make shipping work for you, not against you.

Knowledge really is power when it comes to shipping. When you understand your shipping data and processes, you can use that understanding as an advantage when determining your service and carrier levels.



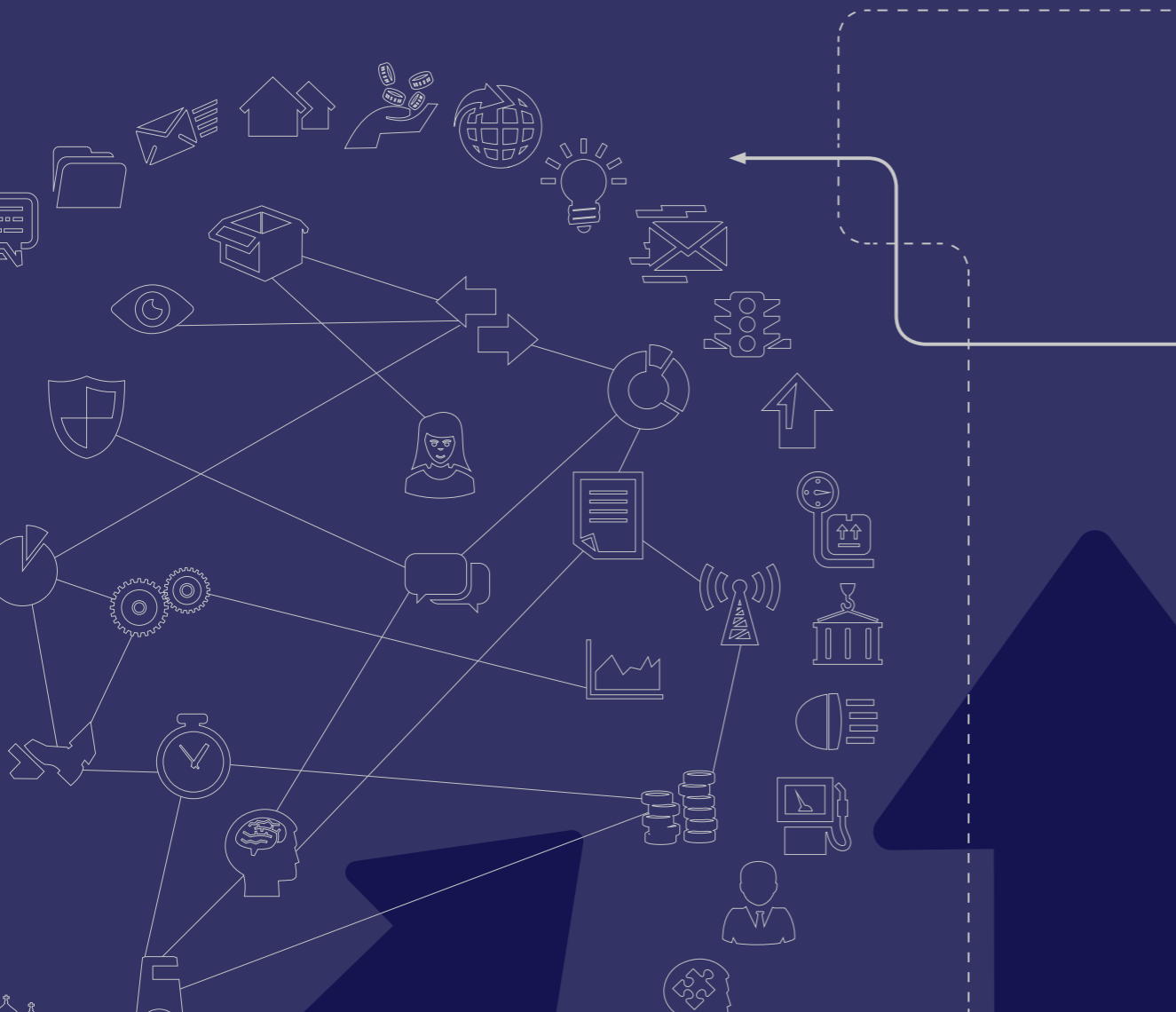
Take the “human factor” into consideration.

We all make mistakes. So it’s a good idea to check and double-check all human-involved shipping tasks like picking, packing, phone calls, replying to refund-related emails, etc.



Compare carriers.

No one shipping company can be effective in every category. For example, one carrier may be cost-efficient for heavyweight international shipments, while another offers the best price on lightweight local deliveries. So it’s important to carefully compare your options.





Follow up on guarantees.

If your carrier guarantees to deliver on time or to give your money back, you should check if they are meeting their obligations. If not, you can claim your right to get a refund.



Choose the best delivery option.

It pays to evaluate how frequently your distribution can benefit from one-day ground shipping instead of using overnight delivery. Overnight is typically delivered by 10:30 a.m. and one-day ground is delivered by end of day.



Know your data.

Here are some important questions to ask when evaluating your shipping processes:

- ★ What percentage of your current shipments are subject to charges for address correction?
- ★ What percentage of your shipments are subject to dimensional weighting?
- ★ What percentage of your shipments go to business vs. residential addresses?
- ★ What percentage of your current shipments are returned as undeliverable?
- ★ What percentage of your customers live in ZIP Code™ areas that are designated for DAS or Extended DAS?
- ★ How much did you pay for fuel surcharges in the previous year?
- ★ What is your current experience with “Where is my order?” (WISMO) calls?
- ★ What is your experience with redelivery requests and “notice left” situations?
- ★ What issues are you having with claims for damaged or nondelivered shipments? Have you noticed any trends in this area?

Asking the right questions and gathering related information is worth your time. It can save your business money in the long run.

CHAPTER 4

BEST PRACTICES FOR EFFICIENT SHIPPING

Get to know your shipping options.


Know what your options are so that you can make the best decision for your business. Understanding how your package weight is being calculated is a good place to start.

Dimensional weight 101.

Recently there's been a lot of talk in the shipping industry about dimensional (DIM) weight. So what exactly is DIM weight and how does it influence your shipping costs?

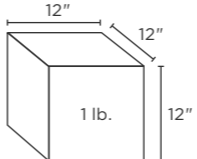
DIM weight is a measurement used by the transportation industry worldwide for establishing a minimum charge for the cubic space a package occupies. This pricing method used in shipping and freight takes into account the length, width, and height of a package.

DIM weight formula


$$\text{DIM} = \frac{\text{L''} \times \text{W''} \times \text{H''}}{\text{volumetric divisor}}$$

(parcel's cubic volume)
(parcel's density)

For example: A 1-pound domestic box with 12" x 12" x 12" dimensions could be billed at the 11-pound rate. Note: The industry frequently uses a volumetric divisor of 166 or 194. This example uses 166.


$$= \text{1 pound actual weight}$$

$$= \text{11 pounds billable weight}$$

DIM weight reflects package density, which is the amount of space a package occupies on a delivery truck or plane in relation to its actual weight. Space is important for shipping carriers since they want to be efficient by filling their delivery vehicles with as many packages as possible. Shippers need to be keenly aware of DIM weight, because box size and weight impact how much you pay.

Simplifying the new DIM weight pricing rules.

These rules are applicable to virtually all packages that are shipped via ground and air. When comparing DIM weight vs. the actual weight, whichever is larger is the billable weight.

- ★ Each carrier has its own volumetric divisor for domestic and international shipments. The higher the volumetric divisor, the lower the dimensional weight and vice versa.
- ★ Packages with cubic space greater than 130 inches may be subject to a large package surcharge. They may also be subject to a minimum billable weight of 90 lbs.

What does this all mean for your business?

When the DIM weight is larger than the actual weight, you may be paying extra for nonexistent weight.

Not all carriers charge DIM weight pricing across the board.

It pays to do your homework and compare how shipping carriers apply DIM weight. That way, you can choose a carrier that best fits your shipping needs—and budget.

**Tip:** To help lower DIM weight shipping costs:

- ★ Make your package as small as possible. The larger the volume of your package, the larger its DIM weight. Your aim should be to make the DIM weight smaller than the actual weight.
- ★ Pack boxes as tightly as you can without sacrificing the safety of your products. Use packing materials that do not expand or bulge.
- ★ Know what your carrier's volumetric divisor is. The higher the volumetric divisor, the smaller the DIM weight.
- ★ Request a higher cubic threshold. A higher cubic threshold increases the space you can use without increasing the costs. For example, your carrier's DIM weight might have a 1-cubic-foot threshold.
- ★ Where possible, avoid shipping low-weight goods in large boxes. The DIM weight of high-volume, low-weight goods is much more than their actual weight. This can make them more expensive to ship.



Tip: Get the most bang for your shipping buck.

- ★ **Know** your package data and review invoices.
- ★ **Get data** on box sizes—if not through your systems, then from your current carrier—or collect box usage data.
- ★ **Evaluate** packaging usage compared to weight—i.e., how many boxes of each size vs. how many shipments of each weight.
- ★ **Watch** for bulging packages and fill packaging voids.
- ★ **Make sure** you measure packages correctly so you aren't paying for wasted space.
- ★ If possible, renegotiate your contract to set a new DIM factor, phased approach, or minimum net charges.



Use automation to maximize shipping efficiency.

Taking too long to complete a task or spending time correcting mistakes can impact your bottom line. Shipping technologies can help automate tasks so you can spend more time focused on growing your business. To find the right technology, take a look at your specific business needs and then consider the following:



Scalability.

While it's important for automation software to be easy to use, it also needs to be able to support your growth. Look for technology that offers basic and advanced features or that easily integrates with your other e-commerce applications so that as your business grows, your shipping capabilities can grow with it.



Tracking.

Today's connected customers want to know where their packages are and when they are going to be delivered. As a result, package tracking has become a key factor in customer service satisfaction. Tracking also helps cut down on WISMO calls, which can help lower call center costs.

You can automate this task by using software that provides buyers with tracking information once their shipment is prepared. You can also look for a carrier that offers this service for free.



Know your transit time.

In an on-demand world, transit time matters and can vary greatly between carriers based on freight mode and carrier systems.

Having a carrier that will work within your business's unique structure for pickup times and that has dedicated drivers and informed representatives is part of the shipping success equation. It's also important to consider business days vs. delivery days. If a carrier offers two-day delivery that includes Saturdays at no extra charge, it could shorten overall delivery time. This way, your customers don't have to wait until the following Monday (the next business day) to receive their package.

Customers care most about when their package will be delivered rather than when it will be shipped or what service level or carrier you use. Providing a calendar that illustrates this graphically, with choices of delivery dates along with shipping prices, helps paint a clear picture and build trust. Widgets are also available to help you clearly demonstrate shipping time to your customers.

Call in the experts.

As you can see, knowing the ins and outs of your shipping practices can mean big savings. By carefully auditing your invoices; educating yourself on how the weight of your packages is calculated; and, where possible, automating your shipping processes, you can help ensure that you're getting the most value from and return on your shipping investment.

Having an additional set of expert eyes to analyze and assess your shipping profile can greatly improve the accuracy of your evaluation process. Shipping experts know what to look for and can help raise red flags. Ask your carrier to help you conduct an audit and highlight potential areas for savings and increased efficiency. It can make all the difference.





CHAPTER 5

HOW TO MAKE FREE SHIPPING PROFITABLE

Free shipping and free returns can make or break a sale.

Knowing from the get-go what their items will cost and being confident they can send it back without a penalty are major selling points for consumers.

However, as an online retailer, you know that free shipping is not really free. And returns costs can quickly add up. So how do you absorb the costs without eating into your profit margins? And how do you determine whether the bounce you get from offering free shipping to satisfy your customers is worth it in the long run?

Before you decide what sort of shipping promotion to offer, crunching numbers and testing a mixture of shipping strategies during a period of weeks or months can help you determine the best strategy.

For example, in determining where to set the minimum order to qualify for free shipping, David Redlich, cofounder and director of sales at ReStockIt.com, an online seller of office and restaurant supplies, said:

“The sweet spot comes from being analytical, knowing your competition and your average order value, and seeing if you can get customers to a higher order threshold.”

— Paul Demery, “Go Figure: Online Shoppers Dearly Love Free Shipping, But E-Retailers Must Coldly Calculate Its Value,” *Internet Retailer*, October 1, 2010. <https://www.internetretailer.com/2010/10/01/go-figure>

Consumers have begun to count on free shipping either as a bonus for spending a certain amount of money or as an automatic feature. It’s not so much that people expect it, but that they actively seek free shipping when they search for products.

Shoppers overwhelmingly said free shipping would increase their likelihood of purchasing online. That means that footing the shipping bill could result in boosting new sales in a big way. Eliminating shipping costs altogether is not feasible, but you shouldn’t underestimate the power of a free-shipping promotion.

A study by Retention Science determined that free-shipping offers convert twice as often as price discounts.

— New Research Uncovers Which Email Promotions Generate the Most Revenue for Online Retailers, *Retention Science*, October 7, 2013



Potential strategies to help you cover the cost.

1. Increase product prices to cover the costs of shipping. This option works best if you have uncommon or original products. It's not a great option if you are selling items that are easily compared or if your strategy is to sell items at a lower cost than your competition.
2. Pay the full cost of shipping out of your margins. With this option you would look at the cost of free shipping much like you look at your marketing budget or other overhead costs—part of the cost of doing business. You'd also want to put a strong marketing campaign in place to communicate this benefit to your customers.
3. Increase the price of your products slightly to cover partial costs of shipping. In this scenario you take less of a direct hit because the customer shares immediately in the cost. This option must include the ability to be competitive at slightly higher prices as well as careful planning to cover the remaining cost in your margins.
4. You could offer free shipping on a minimum order amount. This strategy can help offset the costs of shipping by helping to increase your average order size; however, the costs still come out of your margins.

Let your customers choose the current rate.

Another effective shipping strategy is to charge current carrier rates for shipping. Many e-commerce platforms can integrate with various carriers to fetch shipping options and live pricing. Your customers then have a choice and can decide which service they want. By putting the choice in your customers' hands, they not only feel empowered to choose a faster service or less expensive option, but they also accept the actual costs of shipping. This strategy would be most effective if your prices are competitive.

Whatever option you choose, be up-front and straightforward with your customers and don't make them go through a maze of pages or register on your site just to see your shipping policy. If you have a good policy, you can help avoid the dreaded shopping cart abandonment.



Tip: Bump up your free-shipping threshold to increase orders. Incrementally increase your free-shipping threshold over a set time frame.

Estimate your average order value and average shipping cost. Then offer free shipping on your average order value plus 10 percent (or an amount that covers your average shipping cost and provides enough of a profit to slightly increase your average order value).

If you repeat this process periodically (every three or four weeks or so), your average order value may increase within a few months. The idea is that a percentage of your return customers will be willing to spend more with you on each transaction in order to trigger the free-shipping option.



When it makes sense to use ground shipping.

Another factor to consider and discuss with your carrier is how much can be saved by using ground service vs. air service. Determining this can depend on distance shipped, the weight and size of the package, and its value. It's also important to look at the carrier's tariff schedule and compare prices.

When shipping time is not an essential factor, ground transport is typically more affordable than air. Once you've chosen a shipping service provider, it helps to work with your representative to match their fees and services with common shipping requirements for your business.



Make your shipping experience exceptional, from order to door.

Many times the only physical connection that exists between you and your customers is the package they receive from you. Empowering your business with sound shipping strategies can help you boost efficiency, decrease shipping time, and manage costs—to positively impact your business and customer service. Because satisfied customers are return customers.



Tip: Use Flat Rate shipping to reduce costs and simplify your shipping process.*

Consider using Flat Rate products to quickly get your products out the door, especially during the peak season. This option helps simplify the shipping process because there's no need to weigh the item before shipping. As long as the product can fit in the box (and many offer various-sized boxes), you can just pack it, add the label, and ship.

*Flat Rate shipping is only available for packages 70 pounds or under.

