

Shipping in Today's Retail

Free and fast shipping has become the expected when it comes to online purchases. After all you are competing with Amazon, the company that turned effective shipping into a competitive edge. In fact, free shipping has become a big enough issue that 74% of shoppers claim it is an important factor to motivate them to shop online.² For the most part retailers have listened. The Omni-1000 study showed that 75.7% of global retailers offers free shipping with a minimum basket size of about \$62.¹

But free shipping is never *really* free, and the quicker the shipping the more it will cost. In fact, revenue per eCommerce package hasn't grown, but rather it has declined by 0.5% from 2013 to 2015.⁶ What this means is that retailers' margins are continuing to decline steadily.

Shipping Rate Brokering can help restore margins. It is the process by which an Order Management System checks shipping rates across a variety of carriers to choose the least expensive option that meets the needs and specifics of the order.



Retailers Offering Free Shipping Per Country¹

How Does It Work?

In days past a retailer had online shipping rates that were tied to a specific carrier and rate type such as Fed Ex Next Day or UPS Ground. Retailers dealt with this in a number of different ways. For example, having a set fee contract via a dedicated carrier or using an ad hoc system, booking shipments as they came in. This would mean losing out on many cost and time-saving opportunities.

Shipping Rate Brokering changes the way retailers deal with shipping. When a retail customer reaches the check out point, they will see a number of different shipping options with prices, as usual. This could be free shipping, two day shipping, same day shipping etc. With Shipping Rate Brokering, the price the customer sees can be either a fixed or live rate.

The biggest change that this brings, however, takes place in the back-end. Each of the shipping options will have

a number of linked rates from various carriers. The Order Management System evaluates all associated real-time carrier rates. Here, both timing and price is taken into consideration. The least expensive rate that can fulfill the order within the necessary time limit will be selected for that order.

If changes are made, for example to the timing or location of the shipment, the rates are re-evaluated. This ensures that the most up to date information is used when choosing the shipping carrier.

When dealing with a single customer order resulting in multiple shipments, a feature such as Shipping Rate Brokering can make a huge difference. Each of the individual shipments for the order is evaluated to choose the best rate/carrier based on the conditions of the individual shipment location. Multiple shipments could mean multiple savings.



Why All Retailers Need It

Promise Time:

Customers are demanding. They want free or cheap shipping, but they also want it quick. All in all, instant gratification plays a big role in retail purchase choices. So it is very important to offer your customers what they want, when they want it. But if you cannot manage what you have promised your customer, you could be damaging your brand. Deliver retail purchases within the promise window with real-time Shipping Rate Brokering.

No 3rd Party Integration:

The Order Management System is the heart of your omnichannel fulfillment strategy. This is where your order orchestration takes place, ensuring that the order gets to the customer as efficiently and effectively as possible. This is why you want the Shipping Rate Brokering feature as part of your solution. It should be a core function of your Order Management Solution, avoiding extra costs and delays by integrating with external systems.

No Lock In:

Shipping Rate Brokering expands your choice of carriers, for a single level of service. Being locked to one carrier at one rate per service level is no longer necessary. You can now ensure that your business still runs, even when the carrier's doesn't. Moreover, you always get the best shipping rate available, in real time, everytime, for every order.

Reduce Shipping Costs:

There is a simple but critical reason you need Shipping Rate Brokering - it saves on shipping costs. eCommerce sales are expected to reach \$436 Billion in 2017 in the US alone.⁷ Add to that the fact that, on average, 2 - 3 packages are delivered for a six-unit order.⁵ This makes the current omnichannel retail world one where shipping plays a major role in a retailers' operating costs. The savings that Shipping Rate Brokering could mean for your retail business could significantly increase your margins and ensure your omnichannel strategy succeeds.

Shipping Rate Brokering (SRB) Cost Saving

A quick calculation using actual shipping rates shows a 6.25% saving when using an automatic least cost shipping algorithm. The calculation below looks at five shipments across different delivery distances with a two day shipping promise, with all items shipped on the same day.

For a mid-sized retail chain with annual online sales of \$30 Million, at a reasonable average order value of \$85, there are about 353,000 annual orders. Presume that most orders will be shipped within a short distance (less than 12km / 7.5 miles) and the chain negotiated solid shipping rate discounts such that combined the typical actual shipping cost is about \$9.00 per order. With the dynamic SRB function running, the further 6.25% savings across all orders works out to about **\$200,000 annually**.

This is a \$200,000 of cost savings that go straight to the bottom line. The Net Margin Impact on your business is 0.67%. An OrderDynamics Advanced OMS saves you money and improves margins!

Scenario 1: Fixed Shipping Carrier

Package	Delivery Distance	List Price
1	11.6km	\$22.09
2	31.1km	\$22.09
3	101.6km	\$41.20
4	141.4km	\$41.20
5	439.8km	\$42.14
Total		\$168.72

Scenario 2: Shipping Rate Brokering

Package	Delivery Distance	List Price
1	11.6km	\$20.85
2	31.1km	\$20.85
3	101.6km	\$33.96
4	141.4km	\$41.20
5	439.8km	\$41.31
Total		\$158.17

Note: Shipping Costs based on 3 well-known shipping firms' list prices, and 13 different shipping rate possibilities.⁸

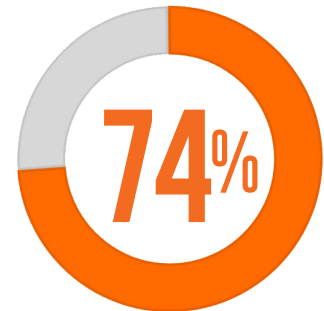
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6.25%

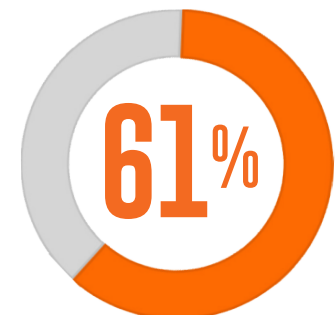
How much Shipping Rate Brokering cuts your shipping costs



of shoppers say free shipping is an important option when purchasing goods online²

\$25

Average increase in online ticket price if free shipping is offered⁴



of shoppers abandon their cart when extra costs (shipping, taxes fees) become too expensive³

Contact Us:

Connect with OrderDynamics to discuss how to get started with Order Consolidation!

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