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How to Guide



How to maximise delivery promotions this Christmas

By Nate Gilmore, VP Marketing at Shipwire e-commerce order fulfillment with warehouse locations in the U.K., Canada and the U.S.



Online retailers are faced with a host of obstacles this holiday season. Consumers aren't buying and when they are they are much more demanding.

They aren't so frivolous with their hard earned pound in the global recession and this behaviour shows no sign of easing as we approach Christmas. In addition, online retailers are having to battle with a looming postal strike by Royal Mail workers which, for the unprepared, could prove disastrous.

To contend with these obstacles, retailers should be prepared to implement a solid and thorough marketing plan that will appeal to new and returning customers alike.

Promotional offers, from discount vouchers to new customer introduction incentives, are sure to entice. However, one type of offer that is often overlooked by retailers is delivery offers.

Endless arguments can be made about whether a small retailer should offer delivery promotions or not. Suffice to say, if you think one could help your business you should consider it.

Delivery promotions drive conversions as they can address the main differences between online and offline – delivery cost and time to buyer gratification. Buyers want products fast and preferably free, so if you can bring the following marketing text to the front of your website - 'fast and free delivery' - then you can increase conversions.

The important question is which delivery promotion is right for your business and will honestly allow you to market 'fast and free' without killing your margin. What are some of the 'free' delivery options available? Which one will work best with your business? How are you going to communicate 'fast and free' and make it drive the right sales?

Types of delivery promotions

Take a look around and you will see all sorts of delivery promotions. Many are based on some type of 'membership' with the website. Many customers dislike having to register if they want to buy something from a new merchant, so for now let's think about new customer acquisition.

The purpose of this list is not to say which one is better but rather to help you to identify which one may work best for you and your business. While there are countless permutations, below are six options I've seen widely employed.

1. Free delivery on everything in stock.
2. Free delivery on orders over a certain amount.
3. Flat rate delivery with an expedited delivery special offer.
4. Flat rate delivery on the whole order. 'One price. Unlimited items.'
5. Tiered flat rate delivery based on order value.
6. Free delivery to certain regions.

Notice some of these address 'free' and some address 'fast'. If you normally include a handling cost in addition to delivery you have another component that you can play with for discounts.

Many of these deals don't give away all delivery revenue; the customer is still accountable for a portion of these costs. You should be able to quickly test these options in your shopping cart or order taking software.

Which delivery promotion is right for your business?

If you have time to test more than one, you will be doing yourself a favour. Depending on your daily or weekly average

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order volume, you can offer some special offers tied around delivery and see if your conversion rate increases. Pay attention to the cart abandonment rate – does it increase when the buyers see your delivery costs?

Investigate your competition. Are your products unique and exclusive to your business or are they readily available elsewhere? If your customers can get your products relatively easily at a local brick-and-mortar, your offer may need to be more substantial to address both 'fast' and 'free'. If you have more pricing flexibility, you can test free delivery and simply mark up your product costs to cover the difference.

Look at your average product margins. Low margin products are hard to justify free delivery on, unless the total cart checkout value is high. So for low margin products, maybe just offer free delivery for orders over 'X' amount.

Where are your products being delivered from? If your warehouse is far away from most of your buyers, then it will cost you more money to get your products the 'last mile'. Flat rate delivery or free delivery to select regions may be your best bet.

Most delivery carriers use pricing based on package dimensions/volume and weight. So if your products are big, bulky or just heavy you really need to look at margin before you offer free delivery on the whole catalogue.

If you have bulky and heavy products and your warehouse is not strategically located close to buyers, then maybe you should look at optimising your best selling products. By moving products closer to your end-buyer you can drastically reduce the cost of parcel delivery. Even if your customers pay for delivery, you need to drive this cost down because it decreases conversions.

How to communicate the offer

Be up front and clear. If you can offer some type of free delivery option for certain orders then definitely market 'free delivery'. If you offer some type of expedited delivery option then specifically market the offer, e.g. 'free overnight delivery'.

If you want to inspire your current customers to return, provide them with a discount coupon. If you want your current customers to invite others to shop from you, give them a discount offer and a chance to pass on the offer to a friend or two as a thank you for their continued business.

If you don't have time to test multiple options perhaps just try 'free domestic delivery on orders over 'X' amount'. Choose the amount by looking at what you want the average value of each checked out order to be. This offer allows you to market 'free' and hopefully increase your average order amount.

By taking the time to test the conversion rates for these offers and work out which best suits your products, making a few small changes could make a big impact this Christmas.

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