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Shipping Deals

The right tools and partners help retailers vault over some of shipping's highest hurdles.

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Each season draws enthusiasts to the e-commerce site of Altrec.com Inc. looking for sports gear and apparel. Winter brings skiers and skaters, spring hikers and campers, summer surfers and snorkelers. By fall, the holiday shopping season puts everything into play for gifts. One thing all those shoppers have in common is they want their purchases as soon as possible. Part of the excitement of each sports season is planning for it, and nothing embellishes those plans like having the latest gear in hand.

Satisfying that desire is one of the best ways to keep customers coming back, says John Hnanicek, vice president of merchandising and chief information officer. "We focus on building customer satisfaction through our short lead time to deliver a product," he says. "That's one of the highest contributors to repeat purchases and customer loyalty."

Achieving that, while remaining profitable, requires working closely with suppliers who will subsidize free shipping promotions, if they're convinced those deals are boosting sales. Altrec has found a technology supplier that can fill the bill, and provide savings in other ways.

And just as providing fast shipping without undermining profit margins is among e-retailers' biggest challenges, so, too, is shipping abroad for the growing number of North American web retailers trying to boost their foreign sales. Those foreign sales were a nightmare for web-only retailer ThoughtFish Media—until it found a vendor that could drain the pain from the process.

These examples illustrate the growing sophistication of the shipping services available to online retailers, and the ways that intelligent application of these services can increase sales and profits.

Expanding markets

The right shipping system can also go a long way toward expanding a retailer's market reach, says Andrew Simmons, owner of retailer ThoughtFish Media. An outsourced system of warehouse space and shipping management has enabled ThoughtFish Media to overcome past problems it had in shipping to foreign markets, he says.

ThoughtFish Media makes and sells online software that customers in dozens of countries use to design everything from mosaic tile murals for their bathrooms to beadwork for customized purses. It sells its products through 15 e-commerce sites, including ThoughtFishMedia.com, TileCreator.com, BeadCreator.com and MuralCreator.net.

Business is booming, Simmons says, but only since he found the right shipping and warehousing provider to smooth out fulfillment hassles that had made overseas delivery hardly worth the effort.

"I hated shipping to Canada," he says. "Shipping via FedEx or UPS often cost more than the software, and while the U.S. mail was cheaper, sometimes packages didn't arrive and I'd have to re-ship." Shipping to the United Kingdom was no better. "A third to a half of orders would have some issue, and then there'd be chargebacks by customers who claimed they didn't receive an order."

But Simmons, who runs his business in a rural area outside of San Diego, Calif., now leaves the shipping and warehousing to Shipwire Inc., which maintains his software CDs and manuals in warehouses in Los Angeles, Chicago, Toronto and London for shipment to customers in the U.S., Canada, Europe and elsewhere.

As orders come into ThoughtFish-Media.com or one of its niche sites, all of which Simmons developed in-house with a shopping cart platform from FastSpring, they're transmitted through an XML data feed to Shipwire's warehouse management system. The Shipwire system automatically chooses the nearest warehouse with the ordered product and the best parcel carrier and route to expedite delivery at the lowest cost, Simmons says.

By shipping to foreign customers from Shipwire's overseas warehouses, he adds, ThoughtFish Media has greatly reduced the cost of local shipments—to about \$3 per shipment to the U.K., a fraction of the cost when he was shipping from the U.S.—and improved its order fulfillment rate, while virtually eliminating chargebacks caused by shipping problems.

Now, even though most of his sales are to overseas customers—with 26,000 of them in 77 countries—Simmons says he rarely deals with shipping problems or chargebacks.

Shipwire, which serves more than 10,000 clients, charges its clients a monthly fee starting as low as \$30, Schecter says.

While ThoughtFish Media's problem had to do with foreign sales, for Altrec.com the challenge is developing a shipping strategy that lets it cost-effectively promote hundreds of brands to U.S. consumers.

Pushing brands

Altrec has learned that shipping promotions, such as free standard ground or two-day delivery with the purchase of a particular brand of hiking gear or alpine ski package, are more effective than price discounts, says Kevin Bauer, Altrec's vice president of business development and product marketing.

And Altrec's brand suppliers often will pay for part of those shipping promotions in order to push their products. But to get suppliers' full cooperation the retailer must provide them with specific information on sales and shipping costs tied to those promotions, says Hnanicek, the retailer's chief information officer.

Indeed, while Altrec knows well the value shoppers place on shipping promotions, it—and its suppliers—also routinely check the effect of those promotions on sales and profit margins.

To provide Altrec and its brand suppliers with an up-to-the-minute view of the impact that the cost of shipping promotions has on sales volume and profit margins, the retailer has deployed the web-based Flagship shipping management system from Kewill Inc. The system provides real-time information on the cost of shipping by matching current carrier rates—in Altrec's case, from UPS and FedEx—with the weight and distance of each order.

"With that level of granularity, we're not just making guesses," Bauer says. "I know the shipping price for each unit before it goes. If we didn't have that level of detail, we'd be making broad assumptions about the cost of shipping to each shipping zone. We might charge \$7 when we only needed to charge \$5."

Altrec uses this information to constantly update the shipping information on its web site, ensuring that it's providing the lowest shipping rates it can to customers. That helps keep sales up, as customers are sensitive to shipping costs, Bauer says.

Crunching shipping costs

The Flagship system, which integrates with Altrec's Epicor order management system, also allocates each order to the carrier with the best mix of cost and delivery time.

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