

CEI

Women's

Business Center

# Shipping Strategies

MANAGEABLE AND ECONOMICAL SHIPPING SOLUTIONS COVERING DECISIONS ON PRODUCT DEVELOPMENT, ASSEMBLY AND MATERIAL COSTS, MARKETING, & PACKAGING

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# Table of contents

- 1) Introduction
- 2) The “unboxing” experience
- 3) Choosing the right box
- 4) What is a return policy?
- 5) Pricing “handling” charges
- 6) Shipping considerations & pricing
- 7) Who should pay for shipping?
- 8) Shipping strategy checklist
- 9) Summary

Image: pexels.com



This is an overview of different criteria that could be helpful in determining your shipping choices. There are many factors to be taken into consideration in creating manageable and economical shipping solutions. Shipping strategies often reflect a culmination of decisions and preferences on product development, assembly and material costs, marketing, packaging, and business philosophy.

These topics will be addressed, as well as a checklist to help create a shipping action plan that can be tailored to a variety of products.

# The “Unboxing Experience”

Due to the ongoing impact of Covid-19, more small businesses are considering growing their presence online. According to US Dept of Commerce Data (8/2020), **“online spending was up 30.1% for the first 6 months of 2020 compared to the same period in 2019”**. This is a marketing opportunity that is increasingly attractive to businesses selling products and should not be ignored.

Different from establishing a relationship with “brick and mortar” store owners, sellers need to find new ways to create a connection with the anonymity of online customers. Trends now focus on the “unboxing” experience to share your brand and your “story”. This helps to insure a good first impression that hopefully will keep your customer coming back. This is an under-utilized marketing opportunity for sellers to take advantage of without much risk.

**52%**

**of customers are likely to repeat purchases from online merchants that deliver premium packaging**  
(Dotcom Distribution)

# Packaging Considerations



Image: pexels.com

- Wow” the customer! Be selective, memorable, intentional in choices
- Use this as an opportunity to promote your brand and create a unique connection
- View online “unboxing” YouTube videos for brainstorming ideas
- Include discount offers, limited gifts, samples of new product lines, personal notes
- Request product reviews and/or social media share requests
- Consider COVID-19 restrictions, requirements preferred by customer and/or vendor
- Include receipt/return policy, special instructions
- Packaging materials to enhance brand:
  - Tissue paper/Tape in natural or colored, print or plain
  - Protective cushioning if product is fragile
  - Custom form boxes are available and can eliminate loose packaging materials
  - Consider eco-friendly packaging

# Choosing the right box for shipping

Once you have decided on what kind of inside packaging materials will fit your needs, it is also equally important to consider the outside shipping box or envelope. One can look at utility or generic boxes/envelopes versus branded custom shipping boxes/ envelopes.

The plain, generic choice offers a variety of standard sizes and is often lower in cost to purchase than the custom box that is designed specifically to fit your product dimensions. Additional costs can also accrue if anything extra is applied to the outside of the box or envelope such as printed logos, barcodes, and special handling labels. One advantage to using a custom box alternative is that you could eliminate additional packaging by having a single box created for a multi-use purpose such as, presentation, protection, and shipping.

In either choice, it is best to size a shipping box or envelope as small as possible, as you can reduce packaging materials. Additionally, consider the weight of your product in selecting the weight restriction of a box.

# What is a Return Policy?

A return policy is a response to a customer who wants to return a purchased item for cash, receive a replacement product or store credit. Your return policy should be clear and concise in defining how your customer can “successfully” have a positive experience in returning an item.

This policy will clarify the logistics of the return process and establish who pays for the delivery costs.

Be aware that **“68% of customers review a return and refund policy before they make a purchase from an online store”** (UPS) This is a notable indicator that the content of the return policy should be given serious attention.

**68%**

**of customers review a return and refund policy before they make a purchase from an online store (UPS)**

# Considerations for writing your return policy:

- Consider product type (e.g. food spoilage, defects)
- Specify which items can be returned and those that cannot
- Time limits and warranty periods on returning items
- Are refunds available? Cash, credit, replacement? 100% or percentage of purchase
- Who is responsible for shipping costs?
- How will the return be processed and the shipping label be supplied?
- Review online marketplace requirements for return policies
- Return policy templates available online

# Pricing “Handling” Charges

Every second it takes to package your product to shipping it out the door is labor that can be considered as part of your handling charge. It is common for sellers to ignore their time when it comes to handling and shipping an item. This is especially true if volume is relatively low and inconsistent.

This handling time and potential financial loss becomes more recognizable when volume increases, and production and delivery becomes more demanding. If you are considering enhancing your online presence, then it is important to streamline handling and shipping processes to save time and costs.

# Assembly line production for multiple boxes:

Image: pexels.com

- Create a designated fixed workspace for assembly line
- Arrange packaging and shipping materials systematically for easy assembly
- Weigh all packages at one time and record on inner box flap
- Prepare invoice and shipping labels for multiple packages
- Do time trials to estimate cost per minute and/or seconds



# Expenses to include in handling charges:

- Packaging materials
- Message cards
- Shipping box
- Labels
- Sealing tape, ink
- Administrative costs

Image: pexels.com



# Calculating handling/shipping assembly cost:

## Example:

- Package product in box = 3 min
- Outside box prep, seal, weigh = 2 min
- Create invoice = 5 min
- Ship and print label = 5 min

"Handling" charge per box

Hourly rate \$25.00/hr =  
\$0.42/min 15 min x \$0.42/min =  
\$6.30 per box + shipping

60 min

Image: pexels.com



*Note the handling cost per box in this example is substantial. Your labor and materials for "handling" should be considered in your overall pricing!*

# Tips for reducing costs:

- Utilize free shipping materials from carriers (e.g. boxes, envelope mailers, labels)
- Use alternative packaging (e.g. flex and seal shipping roll to reduce materials)
- Purchase “zebra” thermal label printer. Economical printing labels for high volume
- Pack product into a standard or custom shipping box that fits product size

Resource: <https://emergeapp.net/wholesale-business/calculate-handling-fees/>

# Shipping Considerations and Pricing

## CHOOSING A CARRIER

Creating a shipping strategy is interconnected to a wide variety of factors. Initially if your product volume is low and inconsistent, you may entertain starting with a simple online account with a major carrier like USPS, UPS and/or FedEx. Each of these carriers has an easily navigable site with full tech support. Packaging and shipping discounts like flat rates are available, as well as promotional discounts and insurance. Check for surcharges on residential versus commercial delivery. Consider pickup costs and/or convenient drop-off location, delivery times, and international shipping restrictions.

As your business “scales up” and shipping demands become more apparent, other online e-commerce shipping platforms may be more attractive and cost effective. These platforms offer comprehensive and integrated logistical services that can include shipping discounts with major carriers, inventory and billing management, and packaging and shipping supplies. Online help is readily available and makes using this service a viable option to help streamline shipping challenges and costs. Monthly charges are often required but are calculated for different levels of service provided.

# Shipping Considerations and Pricing

If you are selling your product on an online marketplace, Facebook and/or Instagram there may be shipping options to choose from or requirements to consider. Some of the larger vendors may ask that you use a specific integrated shipping software.

Third Party Logistics (3PL) is another option if you are shipping high volume that goes beyond the capacity of the standard carriers. These companies often expand their integrated shipping services to include warehousing inventory and palletizing for large shipments with common carriers.

Shipping internationally offers an ideal opportunity to expand your product volume. Each of the carriers offers information on country specific restrictions and shipping regulations. The Maine International Trade Center (MITC) offers consulting to small and medium businesses who need help navigating the global markets. Check their site for more information and the wide variety of products that are now being exported from Maine. <https://www.mitc.com/>

Resource: Carrier comparisons <https://fitsmallbusiness.com/fedex-vs-ups-vs-usps/>

Ecommerce sites <https://goshippo.com/>

<https://www.shopify.com/>

<https://www.squarespace.com/>

<https://www.try.shipbob.com/>

<https://shippingeasy.com/>

<https://www.stamps.com/>

# Who should pay for shipping?

## SELLER VS BUYER?

The answer to this question will obviously differ for each seller and their circumstance whether or not they can afford to offer free shipping. Whatever choices you make, it is important to be transparent and clear with your shipping fees at the checkout.

### **Calculate all of your costs!**

Marketing efforts + product costs + assembly/manufacturing + packaging & shipping materials + handling + return policy expectations + online shipping platform monthly fees + administrative support + transaction fees + profit margin = CAN YOU AFFORD FREE SHIPPING?

The pressure to offer free shipping is certainly apparent. It is definitely an attraction to customers if you can afford to offer this option. However, there are also other hybrid options that could also be satisfying to buyers and offer some cushioning for the seller.

**61%**

**of shoppers abandon shopping carts because of high or unexpected delivery charges. It is the #1 reason shoppers give for backing out of an online sale.**

(The Baymond Institute)

# Who should pay for shipping?

## SELLER VS BUYER?

### Conditional free shipping:

- Add conditions to your free shipping, such as minimum order value, select items, or economy delivery
- Offer free shipping as a promotional event for a limited time
- Special offers for customer appreciation
- Reward return customers by offering free shipping on next order

### Unconditional free shipping:

- Expensive items that have a higher profit margin can absorb shipping costs
- Offer no limits for free shipping to separate yourself from competitors
- Attract more return customers and eliminate customer complaints

### Flat rate shipping:

- Rate can be a combination of exact shipping plus your “handling” costs
- Offer a range such as purchases below \$100 will cost \$15 for shipping and handling

# Shipping Strategy Checklist

- How will you share your “story” about your business and product line in your packaging considerations?
- Have you researched unique “unboxing” experiences online?
- What economical choices will you make to purchase the correct shipping box or envelope keeping in mind weight, size and durability to provide safe delivery?
- How can you streamline your packaging/ shipping assembly to reduce costs?
- In creating a return policy, what options will you offer to help make this a simplified process for your customers and affordable for you?
- Have you looked at your expenses and included them in your “handling” charge?
- What carrier(s) will you choose? Have you compared costs and services?
- If you plan to enhance your visibility and sell on online marketplaces, are you prepared for increased production?
- Have you considered using an online integrated ecommerce shipping platform to help simplify your shipping logistics? Have you used the online tutorials and support to streamline your choices for shipping logistics?
- Will you ship your product domestically and/or internationally?
- Have you considered options for conditional versus unconditional free shipping or flat rate shipping?
- What will your overall shipping strategy include?

# Summary

- Handling & shipping strategies are a reflection of your business.
- First impression is a lasting impression.
- Balance design and branding choices with handling & shipping costs.
- Experiment and be creative.
- Educate yourself. Do the research on available options.
- Customize your services to be sustainable and profitable for you.
- Give consideration to your customer in establishing pricing & policy. You need them for you to succeed!

The more you can integrate your product logistics and interconnect the processes, the more you can streamline efficiency and cost. This does not need to be an arduous process. Tailor your handling and shipping strategies to fit your needs. Discover solutions that mitigate the challenges and can steer you towards successful resolve, profitability, and sustainable growth.

*"A small business is an amazing way to serve and leave an impact on the world you live in."* - Nicole Snow

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