



THE STATE OF SHIPPING REPORT, 2022

WHY FASTER SHIPPING MATTERS

In association with the
SANTA CLARA UNIVERSITY
RETAIL MANAGEMENT INSTITUTE



As Amazon doubles down on making one-day shipping the default service level for Prime members, every online retailer must wake up to the fact that the days of treating expedited delivery options as an expensive paid add-on for affluent buyers are rapidly fading. Today's Gen Z and Millennial shoppers have grown up in the digital realm and they expect every brand to offer a fast, reliable, customer-centric delivery experience. Fast is now a key imperative of the brand experience that is critical to unlocking continued growth of the online channel post pandemic.

To better understand how the availability and cost of expedited shipping options impact consumers' online purchasing behavior, X Delivery partnered with the Retail Management Institute at the Leavey School of Business to perform a research study of online shoppers in the United States. This report looks at how standard and expedited shipping programs are currently deployed by leading US retail brands and examines the delta between consumer expectations for delivery speed and cost vs the reality of what leading online retailers offer.



Free Shipping Has Long Been Table Stakes for Brands & Consumers Alike

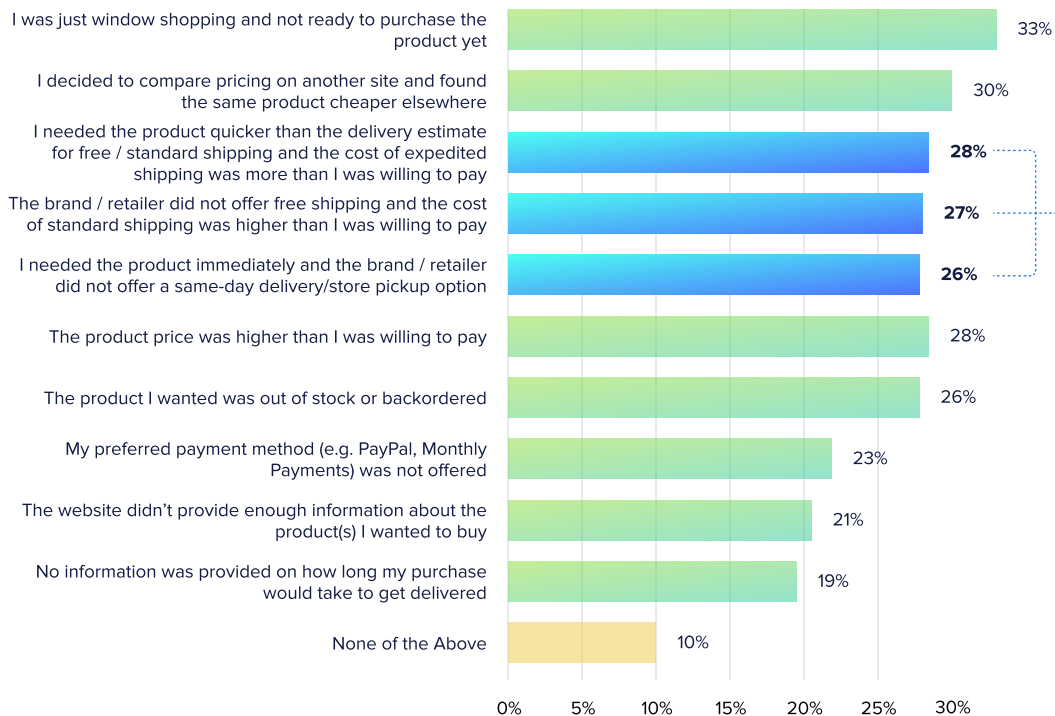
Our research found that a whopping 56% of all abandoned carts are due to shipping related concerns during checkout. These are shoppers that have indicated serious intent to buy a product by adding it to their cart and starting the checkout process only to abandon their purchase because either they:

- 1 **Discovered shipping was not free** and the cost of standard shipping was higher than they were willing to pay.
- 2 **Needed their product faster** than the delivery estimate for free / standard shipping and the cost of expedited shipping was more than they were willing to pay.

- 3 **Wanted the convenience of picking-up** or have their product delivered same-day but the retailer did not offer these option(s) during checkout.

While the ROI of free shipping is well understood by digital marketers, perhaps less understood is the importance of providing affordable and convenient expedited shipping options to consumers.

Thinking about a recent time when you put items in your shopping cart but did not complete the online purchase, which of the following describe why you did not complete the transaction?



56% of all abandoned carts are shipping related

715 US online shoppers abandoned their cart for at least 1 of 3 reasons related to shipping concerns

Base: 1278 US Online Shoppers (ages 16 and older) who purchase physical products online at least once per month

¹ As defined by the Digital Commerce 360 Top 1000 Report

As part of our research, we examined the shipping policies of the top 100 US fashion and apparel online retailer brands¹. We found that across this sample, 96% offered free shipping, albeit with spend thresholds or registration requirements to qualify.

Free Shipping Programs Offered by the Top 100 US Fashion and Apparel Brands (June 2022)

| | |
|--|----|
| No Free Shipping | 4 |
| Free Shipping (No Spend Threshold) | 20 |
| Free Shipping (Required Spend Threshold) | 65 |
| Free Shipping (Required registration, loyalty membership or branded credit card) | 11 |

Although free shipping is now ubiquitous, not all free shipping programs are created equal. Our research found a growing number of retailers are tying the eligibility of free shipping or enhanced shipping benefits to loyalty. Under Armor, DSW, Nike, Sketchers, Columbia Sportswear, Aritzia and Levi's all use free shipping as a carrot to get customers to register for an account, join their VIP / loyalty program or apply for a branded credit card.



▲ Under Armor encourages customers to create an account during checkout with the offer of qualifying for free shipping

We found these retail brands offered a diverse range of shipping related program benefits for consumers willing to embrace the brand more closely, including:

Lower or no spend threshold for free shipping.

Eddie Bauer reduces the free shipping spend threshold from \$75 to \$50 for customers that sign up for an adventure awards account (free to join). Forever 21 waive their \$50 free shipping threshold for customers using their branded credit card.

Free shipping for orders placed via the app. Levi's

uses free shipping as an incentive to drive downloads and usage of their native app. Customers that place an order via the app qualify for free shipping saving the standard \$10.99 shipping fee applicable on the web.

Faster standard shipping. Ralph Lauren shoppers who create an account get free 3-4 business day shipping as an upgrade from the standard 5-9 business day free shipping for un-registered customers.

Cheaper expedited shipping. RoadRunner Sports lowers the cost of their 2-day expedited shipping from \$7 to \$5.99 and their next day shipping from \$20 to \$14.99 to members of their VIP club (\$1.99 annual fee to join). Nike lowers the cost of their expedited and express shipping options from \$20 to \$10 and \$30 to \$20 respectively for signed-in Nike members (free to join).

Free Shipping tied to spend. Toms provide unfettered free shipping to members of their Toms Reward program that reach the top tier of loyalty status "Goodest" by earning over 350 points (i.e. \$350 of annualized spend). Gap provides express 2-3 business day shipping for free to "Icon" members that spend over \$50 (Icon is Gap's top tier loyalty status level, requiring over \$1,000 annual spend). Macy's waive the spend threshold for free shipping for customers that spend more than \$500 annually on their Macy's credit card.

Free shipping for a limited time. Shoppers that create an account on Rue La La and pay \$9.99 standard shipping on their first order, get free shipping on all subsequent orders for 30 days. Optionally they can pay a \$30 annual subscription to get free shipping on all orders for a year.

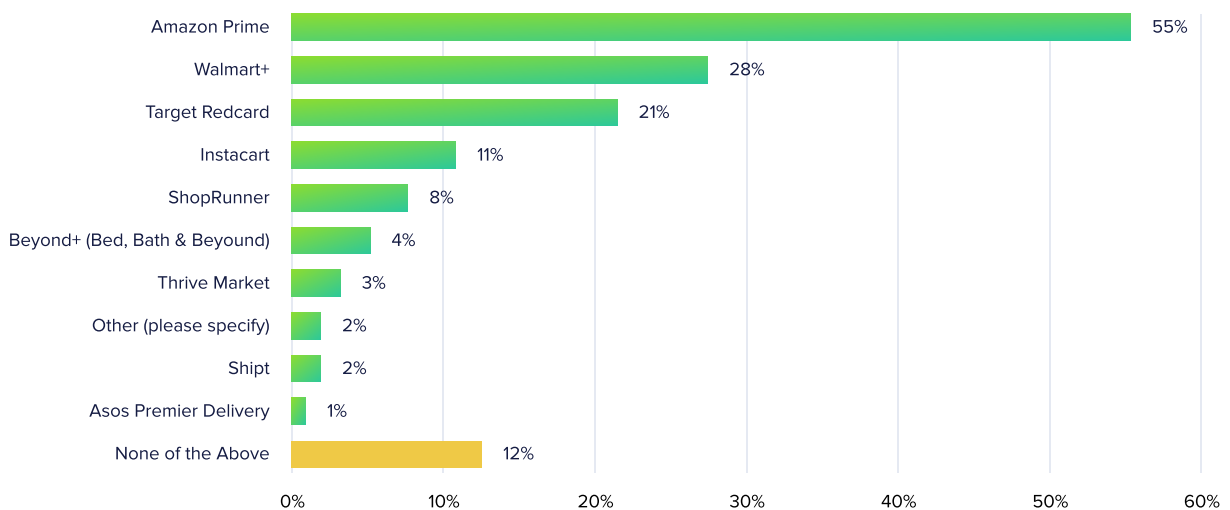
The approach of tying shipping benefits to loyalty is not something consumers are averse to. Twenty one percent of consumers in our research cited they would be interested in joining a retailers loyalty program to receive shipping benefits. While making free shipping a loyalty benefit is an emerging tactic, the majority of online retailers still meter the availability of free shipping against a minimum spend threshold. Of the top 100 fashion and apparel retailers we studied, the average threshold to qualify for free shipping was \$58, with only 20 of the 100 offering unfettered access to free shipping, however it should be noted that the majority these were luxury, high margin brands with few low-priced SKU's in their product assortment.

Using free shipping qualification thresholds is a great way for retailers to drive up AOV on their sites. Twenty two percent of consumers in our study cited they have bought items they had not planned to buy in order to qualify for free shipping. Digital marketing teams regularly A / B test their free shipping threshold against different customer cohorts to find the optimal balance between high AOV and cart abandonment caused by unwillingness to pay standard shipping fees. Temporarily lowering the free shipping threshold is a popular promotional marketing tactic used in conjunction with sale events to both increase demand generation and to drive increased conversion metrics.

Amazon Has Habituated Consumers to Free & Fast

Fifty Five percent of US online shoppers have an active Prime membership in their household, with 28% and 21% also being members of Walmart Plus and Target Redcard respectively. Combined, 76% of US online shoppers, are members of one of these three leading membership programs while only 12% of US households, do not subscribe to any kind of paid retail membership program.

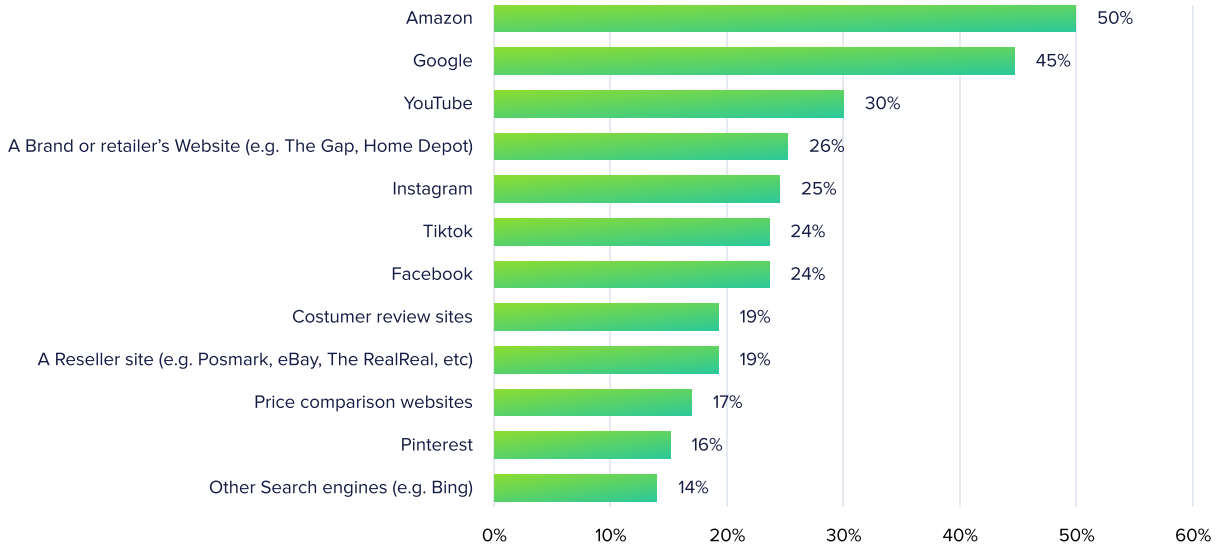
Are you or anyone in your household currently a member of any of the following paid membership programs (select all that apply)



Base: 1187 US Online Shoppers (ages 16 and older) who purchase physical products online at least once per month

The influence and mindshare that Amazon has on US shoppers is staggering. 50% of all consumers start their product research directly on Amazon, vs only 45% on Google and just 26% on a brand or retailer's site. The number of consumers that start their shopping journey on Amazon jumps to a staggering 67% when the consumer has access to Prime in their household. Interestingly, 58% of consumers start their product research on social platforms (YouTube, Instagram, TikTok, Facebook and Pinterest), with this number rising to 70% for Gen Z shoppers.

When considering an online purchase, which of the following places do you usually start your research?



Base: 1189 US Online Shoppers (ages 16 and older) who purchase physical products online at least once per month

For the 26% of shoppers that do start their discovery on a Brand or retailers’ site, 48% say they always leave the brand or retailers site to check to see if the same product is available on Amazon and a further 48% say they sometimes check. In fact, 82% of all shoppers admit having done exactly this at some point in the past. This behavior of “checking on Amazon” represents probably the biggest challenge to retail brands in the post pandemic era. Keeping a customer on your site and stopping them bouncing to compare pricing on Amazon is not a new phenomenon, but what is often missed is that consumers are bouncing to Amazon to compare not only the cumulative total price of the product including shipping costs, but also to see if they can get their purchase faster.

Which of the following are reasons you sometimes check to see if a product is also available on Amazon?



Base: 1282 US Online Shoppers (ages 16 and older) who purchase physical products online at least once per month

To further highlight the problem, we asked consumers about their use of filtering tools on Amazon. We found that 84% of consumers that shop on Amazon filter their search results to limit results to only those that are Prime eligible. When turning on Prime filters, 32% filter to see only products available in 2 days, 35% filter to only see products available in 1 day and 36% filter to only see products that are available for same-day delivery.

Although consumers pay \$14.99 a month (or \$139 a year) for their Prime Membership, few customers factor their subscription fee spend into their daily purchasing decisions; they are in the mindset that they get Free and Fast when they shop on Amazon (even though they are actually paying for it). What should keep retail brand digital marketers and ecommerce leaders up at night is that the delta between Amazon's shipping service SLA and everyone else's continues to widen. In his April 2022 letter to shareholders, Andy Jassy made it clear that Amazon is doubling down to transition Prime to be primarily a 1-day service.

*"Ironically, just before COVID started, we'd made the decision to invest billions of incremental dollars over several years to deliver an increasing number of Prime shipments in one day. This initiative was slowed by the challenges of the pandemic, but we've since resumed our focus here. Delivering a substantial amount of shipments in one day is hard (especially across the millions of items that we offer) and initially expensive as we build out the infrastructure to scale this efficiently. But, we believe our over 200 million Prime customers, who will tell you very clearly that **faster is almost always better**, will love this."*



Andy Jassy, Amazon CEO
2021 letter to shareholders

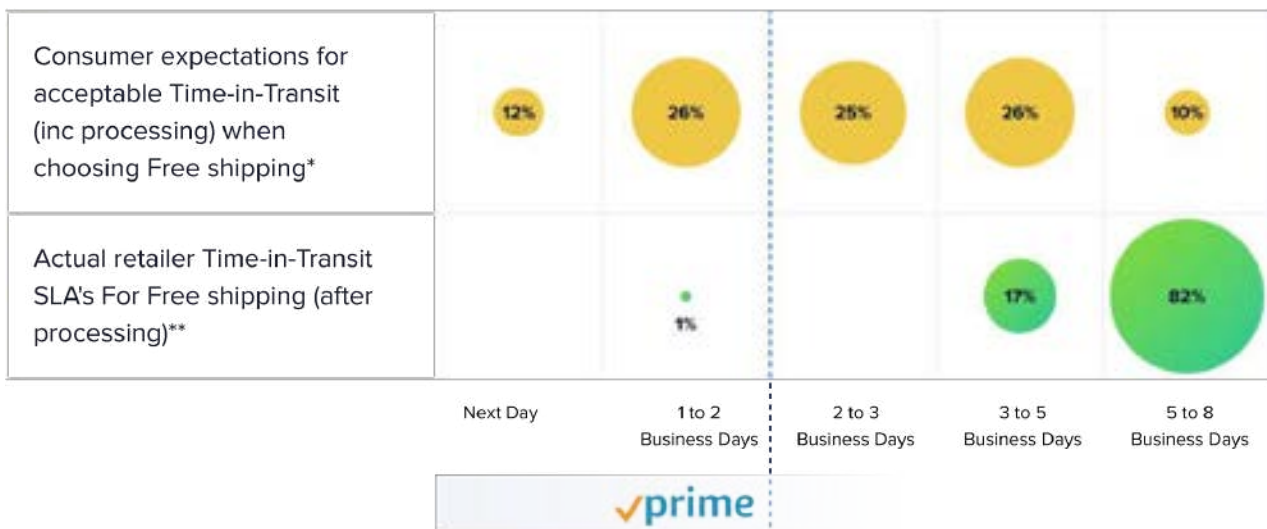


The Unfortunate Truth: Most Retailers and Brands Are Still Practicing Free & Slow

Most brands and retailers are falling short of consumer expectations when it comes to the speed of their standard / free shipping program. Of the top 100 fashion and apparel retailers we researched, the average published time-in-transit SLA (after order processing – i.e. from when the carrier picked up the consumers package) was 5.5 business days, but a closer examination revealed that 82% had worst case delivery SLA's in excess of 5 business days.

In stark comparison when asked what an acceptable timeframe for free shipping was (from placing an order to completed delivery), 90% of consumers cited delivery should take fewer than 5 business days, 62% less than 3 business days and 38% less than 2 business days. There is a vast disconnect between what retailers and consumers consider is an acceptable time-in-transit for free shipping which has undoubtedly transpired as consumers have become accustomed to 2-day, 1-day and same-day delivery experiences when shopping with a Prime membership on Amazon.

Consumer expectations for free shipping time-in-transit vs actual retailer published time-in-transit



*Base: 1186 US online consumers (aged 16 and older) who purchase products online at least once per month

**Free/Standard shipping published time-in-transit service levels of the top 100 US fashion and apparel brands (June 2022) - Worst case SLA

Of these top 100 fashion and apparel brands, **only one**, Revolve, offered a nationwide 2 day service level for free to all customers, nationwide. The slowest service level we found was JustFab with a 6-14 business day SLA for their free / standard shipping.



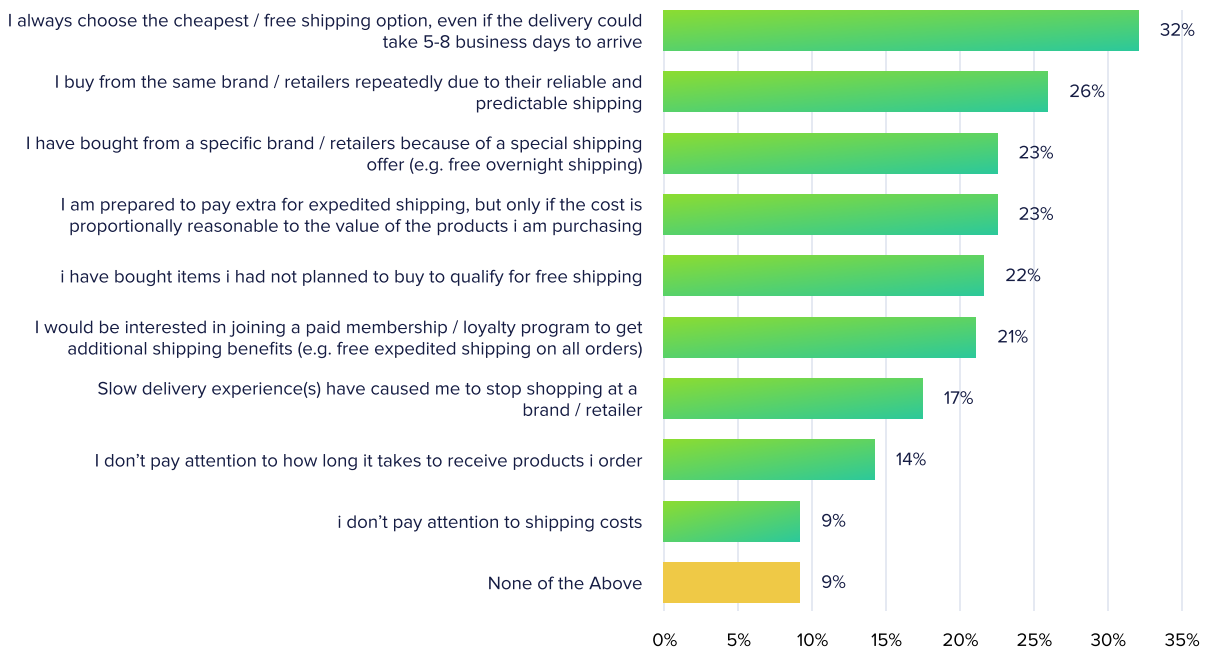
Revolve offers 2 business day as their standard free shipping option

Very few of the retailers we studied provided actual delivery date estimates based on delivery zip code on either the product detail page, in the cart or checkout. Most retailers simply provide vague language, e.g. “5-8 business days”, leaving the consumer at the point of purchase decision with zero insight on which end of the SLA spectrum their delivery may be subject to, or ability to plan on when their product will arrive. Only days later, after their order has been processed and tendered to the retailer’s chosen carrier is the consumer likely to get further insight into the estimated delivery date once they start receiving tracking notifications.

Adding to the bewilderment shoppers face, many retailers insist on describing their delivery SLA’s in terms of business days, leaving the consumer to do the math and guess when their delivery might occur based on the day they are placing the order. It is not uncommon for an order that is placed on a Friday to wait until the following Monday / Tuesday (due to the backlog of orders from the weekend) to be processed, then if that order is going across the country (i.e. a zone 7 or 8 delivery) via a deferred ground service, the total cumulative timeframe from click to doorstep can be up to two weeks – a far cry from Amazon’s 1 and 2 day Prime service levels.

Despite the reality that standard shipping is for the most part a disappointingly slow proposition for consumers when shopping off Amazon, for many customers, price still trumps service level. Thirty two percent of consumers we surveyed cited they always choose the free option, even if they know it will be slow (5-8 business days).

Thinking about the shipping of products that you order online, which of the following statements about shipping apply to you (select all the apply)?



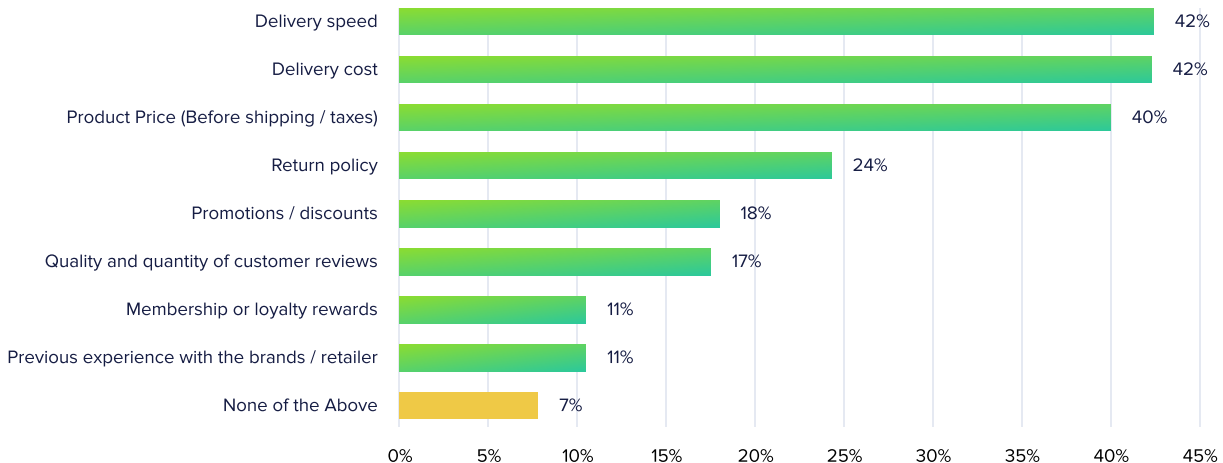
Base: 1278 US Online Shoppers (ages 16 and older) who purchase physical products online at least once per month

Unraveling Free & Slow

While every retailer will openly acknowledge they need to reduce the time-in-transit for their standard / free shipping and/or offer more economically priced expedited shipping options on their site, few have a cohesive strategy of how to achieve these goals or have a sense of urgency to solve the problem of shipping speed.

Some retailers and brands we spoke to were in denial that that their customers care about the speed of shipping, yet our research suggests otherwise. When asked about the top three most important factors when considering a purchase online, consumers ranked delivery cost, product price and delivery speed as all equally important considerations, with returns policy and loyalty programs ranking in a distant 4th and 7th place respectively.

Which of the following are the three most important factors that you consider when deciding to shop on a brand / retailers website?



Base: 1276 US Online Shoppers (ages 16 and older) who purchase physical products online at least once per month

For many retailers and brands, solving the dilemma of how to speed up their standard shipping to compete with Prime and / or lower the price for expedited shipping is proving to be a major headache. Opening additional distribution centers across the country to be able to shorten the average parcel journey such that 2-3 day delivery SLA's can be met by leveraging ground based carrier services is more complex and costly than first meets the eye due to challenges with inventory distribution, split shipments, required investment in technology (OMS platforms etc.), not to mention the operational and capex costs of opening and operating multiple distribution center facilities, even if they are outsourced via a 3PL.

While most retailers obsess about tweaking their free shipping qualification strategy to optimize costs against cart abandonment and AOV, few retailers have invested in A / B testing to determine how delivery speed and cost of expedited shipping impact their customers purchase behaviour. Our research found that while 25% of consumers have abandoned their cart due to the cost of shipping being too high, anxiety around slow delivery estimates is equally detrimental to a successful order completion:



of consumers have abandoned their cart because they needed their purchase quicker than the provided delivery estimate for free / standard shipping and the cost of expedited shipping was more than they were willing to pay



of consumers have abandoned their cart because they needed their purchase immediately and the retailer did not offer either same-day delivery or in-store pickup options



of consumers cite that slow delivery experiences have caused them to stop shopping on a brand / retailer's site

The Tide Is Changing for Free Returns

The popular belief among online retailers is that consumers expect both free shipping and free returns, but our research shows that consumers rank the speed of shipping as almost twice as important as the availability of free returns, with 24% of consumers citing free returns as an important factor when shopping online vs 40% that cited delivery speed as important.

We also asked consumers the following question:

“When return shipping is FREE, have you ever purchased more than one size, color or style of apparel with the intention of trying them all on at home and returning the ones you don't want / don't fit?”

We found that 9% regularly do this, 42% occasionally do this and 49% never do this, however surprisingly the response rates did not change when asked if their behaviour would differ if they had to **pay** for return shipping. This strongly suggests that the cost of returns does not change consumer buying behavior and retailers like Zara are taking note. Since last year the Spanish clothing retailer has been rolling back free returns in most of their markets, most recently in the UK where consumers must now pay a fee of £1.95 for mailed returns (returns to stores are still free). The tide is turning, free return policies were a great way to get consumers comfortable shopping online, but post pandemic retailers are refocusing on profitability and sustainability and pivoting investment on tactics that reduce return rates such as better product descriptions, higher quality images, customer reviews and accurate sizing charts rather than encouraging bad (return) behaviors.

Consumers want expedited shipping, and are happy to pay for it within reason

When asked, 75% of consumers say they have previously paid extra for expedited shipping to get their order faster than available with the retailers free / standard shipping. This figure rises to 90% for higher income earners (over \$160k annual household income). Probing further, 23% percent of consumers said they are prepared to pay for expedited shipping but only if the additional cost is proportionally reasonable to the cost of goods they are purchasing.

Online retailers have long offered expedited shipping options on their sites, however from discussions we have on a regular basis with these brands, adoption of expedited shipping is nascent, typically representing no more than 2-5% of total orders. We found the median cost for expedited 2 business day services at the top 100 fashion and apparel retailers was \$20, and the median cost for 1 business day / overnight services was \$25.50. Thus it should come as no surprise that only a small cohort of affluent shoppers, or those in dire need of their purchase for an pre-planned event are prepared to pay for expedited options at these price points.

The underlying problem is that online retailers have historically prioritized cost of shipping over speed of shipping. Expedited options have been viewed as either:

a

Something only a few customers want.

Exedited options are commonly viewed by online retailers as luxury add-on, that only a small sub-set of their customers care about for purchases that are needed within a finite time window, typically for an event such as a night out. However, our research shows this not to be the case, only 14% of consumers say they never pay attention to the time-in-transit service level.

b

A means to help subsidize the cost of providing free shipping.

The pricing of expedited options (be that 2-3 day, guaranteed 2 day or overnight options) are typically priced as a blended passthrough of the actual cost of the service from the carrier. The assumption and working model for most transportation and small parcel teams has been that for every customer willing to pay for an expedited option, it's a customer they don't need to provide any subsidy for. In effect, retailers are taking a robin hood approach, those willing to pay are (in part) subsidizing those that won't. The downside of this approach is that for most customers, slow is the only way to receive their online purchase.

The problem with this logic is it looks at shipping through the lens of a cost center, not a strategic customer experience imperative and driver of top line growth. The growing problem for retailers is that Amazon has accustomed consumers to free & fast, and they now expect free & fast everywhere they shop online.

Only a handful of the top 100 fashion and apparel retailers we researched subsidize their expedited shipping by the equivalent cost of providing free shipping. Eddie Bauer for example charge \$9.99 for standard shipping for orders under \$99. When spending more than \$99, the retailer rebates the cost of providing free shipping (\$9.99) against all service levels, lowering the cost of their three expedited offerings to \$5, \$7, and \$12 respectively. This practice is not common; almost all of the retailers we researched charge the same “full” price for expedited even when the qualification threshold for receiving free shipping has been met.

| | < \$99 Spend | > \$99 Spend |
|------------------------------|--------------|--------------|
| Standard (5-7 Business Days) | \$9.99 | Free |
| 3 Business Days | \$14.99 | \$5.00 |
| 2 Business Days | \$16.99 | \$7.00 |
| Overnight (1 Business Day) | \$21.99 | \$12.00 |

Eddie Bauer discount their expedited shipping offerings when customers meet the threshold for Free Standard shipping

In our research we asked what consumers would be willing to pay to upgrade from a free / standard shipping service with a 5-8 business day time-in-transit to an expedited 2-3 business day time in transit. We found that for an online order of between \$50 - \$99, on average consumers would almost always be prepared to upgrade to faster shipping when priced no more than \$7.37, but would never be prepared to upgrade at a price point above \$8.99. We found that even when asked the same question with a higher cart value (\$100 - \$199) the maximum consumers were willing to pay to upgrade to an expedited 2-3 day service had the same ceiling of just under \$9. Lower-income households had a slightly lower tolerance of what they would be prepared to pay to upgrade to an expedited service.



Simply put, today's 2 day and 1 day (overnight) expedited shipping options are priced way beyond reach of what consumers are willing to pay. However if retailers can find ways to offer expedited 2-3 day shipping below a key \$7 threshold, then our research shows that a considerable portion of online shoppers would be willing to pay for this upgrade.

Base: 1276 adult US Online Shoppers who purchase physical products at least once per month

Same Day Delivery – North Star or Niche Solution For Retailers With Deep Pockets?

While retailers with nationwide store networks have long offered in-store or curbside pickup options, only a few of the largest fashion and apparel brands we researched currently offer same-day delivery options. Same-day delivery remains a niche solution, limited to certain SKU's, available only in major metropolitan city locations and subject to early afternoon cut-off times. However, the biggest barrier to adoption is that compared to Amazon where same-day delivery (when available) is a no-cost option, the same-day offerings provided by major retailer and brands today are expensive (on par with next-day shipping costs) and therefore are only accessible to higher income shoppers or those with immediate needs that don't have the time or access to transport to leverage a store pick-up service.

The screenshot shows a checkout interface with delivery options on the left and a summary of charges on the right.

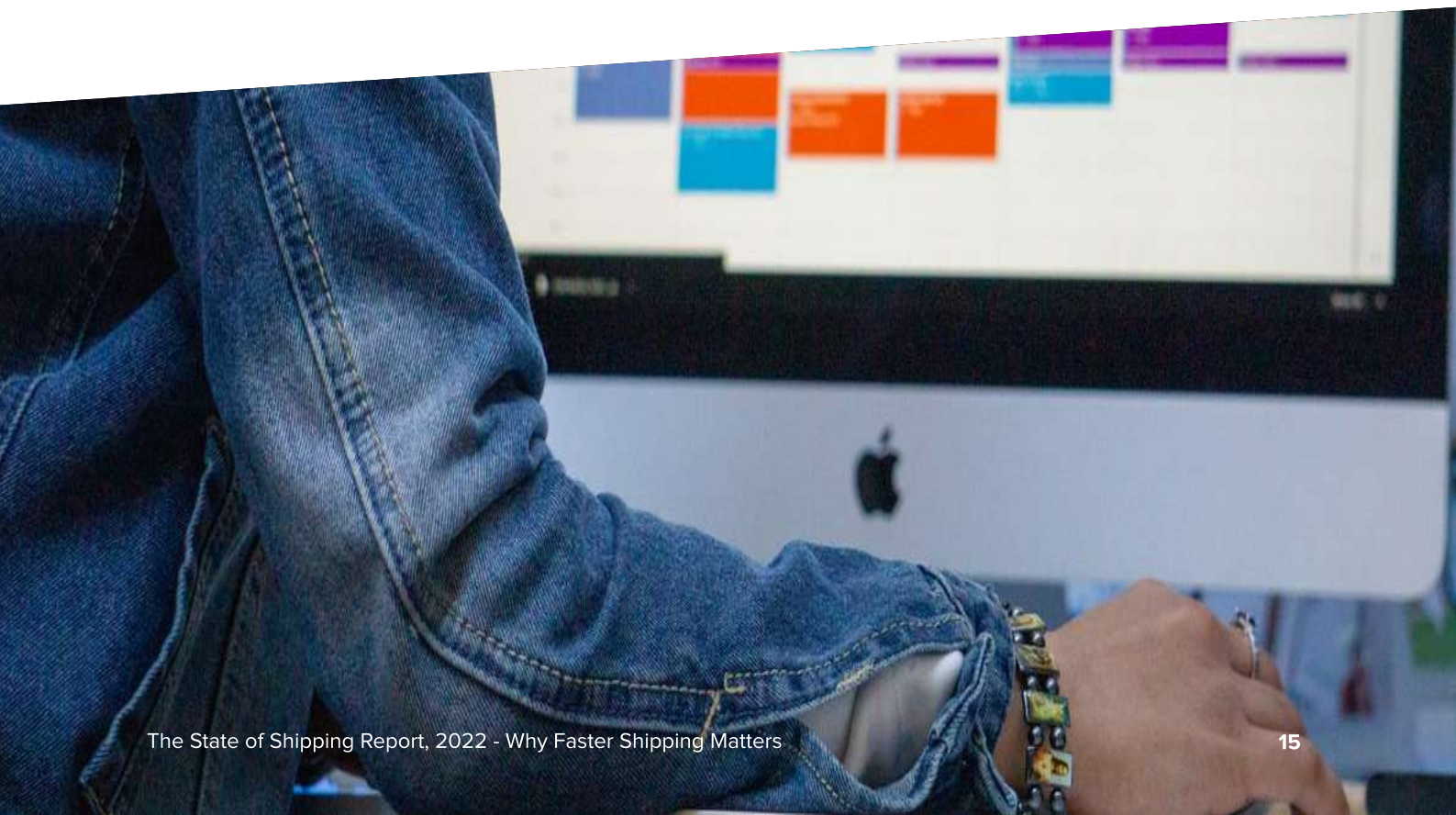
| Delivery Option | Cost |
|--|---------|
| <input checked="" type="radio"/> Next Day Delivery <small>Get it Tomorrow</small> | \$15.00 |
| <input type="checkbox"/> Have DoorDash text me delivery updates for this order | |
| <input type="text" value="Phone Number"/> | |
| <input type="radio"/> Standard <small>Transit time: 3-5 business days</small> | Free |
| <input type="radio"/> Premium <small>Transit time: 2-3 business days</small> | \$10.00 |
| <input type="radio"/> Express <small>Transit time: 1-2 business days</small> | \$15.00 |

| | |
|---|---|
| Subtotal | \$33.59 |
| Shipping | \$19.00 |
| Dasher Tip | \$5.00 |
| Promo code: FRIEND - | \$14.40 |
| Estimated tax | \$1.49 |
| Order total | \$58.08 |
| <small>You saved</small> | \$20.41 |
| Delivery Instructions | Optional |
| <input type="text" value="Leave it by the door, ring bell, etc."/> | |
| Thank your Dasher with a tip | 100% goes to your Dasher |
| None | <input checked="" type="button" value="\$1"/> <input type="button" value="\$2"/> <input type="button" value="\$3"/> <input type="button" value="Custom"/> |
| <input type="button" value="Please review the Payment section. Scroll to section"/> | |

Macy's offers same-day pickup in select areas for the \$15 fee as their express (next business day) delivery. The service is provided by DoorDash and allows the consumer to provide detailed delivery instructions, get delivery updates via txt and leave a tip for the Dasher in advance.

| Retailer | Cost | Delivery Area | Cut Off Time | Days of Week | Last Mile Partner |
|--|---|-------------------------|--------------|---------------|-------------------|
|  Saks | \$25 | Manhattan | 1pm ET | 7 Days / Week | |
|  Macy's | \$15 (>\$25 spend) \$25.95 (<\$25 spend) | 500+ locations | Noon | 7 Days / Week | DoorDash |
|  Bloomingdales | Standard Shipping + \$20 | 500+ locations | Noon | 7 Days / Week | DoorDash |
|  Neiman Marcus | \$20 | Store location vicinity | Noon CT | Mon - Fri | Fedex |
|  Nordstrom | \$20 | New York | 4pm | 7 Days / Week | |

Only a handful of luxury-orientated fashion and apparel retailers currently offer same-day shipping options.



Conclusion & Recommendations

Fast is now a consumer imperative - speed matters

The status quo of free & slow is not a sustainable strategy as the percentage of US retail sales online grows from 15% in 2022 to over 21% by 2026 . Much of this growth will be driven by the expanding spend influence of Gen Z consumers. They are digital natives who grew up in the “new normal” of the pandemic and our research shows they have fundamentally different expectations about how quickly they want to receive their online orders, with 69% of Gen Z shoppers citing they have paid to upgrade to expedited shipping in the past, vs just 61% of millennials and 48% of Gen X shoppers. Furthermore, the threat of Amazon’s move to expand the availability of Prime 1-day means that unless retailers and brands intend to become a submissive to Amazon (listing their product assortment on Amazon’s marketplace, switching away from their 3PL relationships to FBA and embracing “Buy with Prime” on their own ecommerce site) then they must establish a roadmap to provide faster, economical shipping to their customers, but how?

Source: Insider Intelligence / eMarketer US online retail forecast 2022 - 2026

1 Learn to crawl & walk before you run.

Few retailers have excess marketing budget or margins to simply make a wholesale upgrade of their free shipping to an expedited service. Before digital marketers and ecommerce leaders can make fast shipping central to their brand value promise, they should consider starting with a “surprise and delight” approach of upgrading long-zone, slower ground shipments so that select consumers that were expecting their orders in 5+ business days get them in 2-3 days instead and measure the impact that change has on CSAT and repeat purchase behavior. Next test lower (consumer amenable) price points for expedited 2-3 day shipping against known customer cohorts to quantify the impact on conversion rates, customer lifetime value, average order value and cart abandonment.

2 **Build customer experience oriented objectives.** All too often in our conversations with retailers we find organizational silos between the digital marketing / ecommerce teams and the transportation and logistics groups. Shipping is a cost center for transportation & logistic leaders and as such they are goaled on reducing spend on outbound parcel deliveries, which invariably means finding the cheaper carrier(s) to work with trumps time-in-transit. Digital marketers and ecommerce leaders are obsessed with website functionality CX initiatives that drive improvements against revenue metrics of AOV, conversion rates and customer lifetime value, but they face operational and technical constraints that restrict experimentation of alternative shipping methods. Put bluntly, neither group has a good understanding of the other’s objectives, KPI’s or operational constraints. Setting up regular business review meetings between these groups to get alignment on how faster shipping can support the broader revenue and customer experience objectives of the business is critical to ensuring everyone is rowing in the same direction.

- 3 Explore alternative carrier options to lower the cost of fast.** For years, retailers have been told that the only way to economically speed up shipping is to open new distribution centers across the country and distribute their inventory across them to get the bulk of deliveries into a 2-3 day ground delivery zone. While this approach can work well for very large retail brands with significant online sales volume or D2C brands with small SKU counts, it is not a fit for all retailers, especially those in the fashion and apparel vertical that must manage SKU complexity across styles, sizes and colors. An increasing number of alternative carrier options exist in the market today that enable rapid 2-3 day delivery even across long zone lanes, allowing retailers to meet consumer expectations for fast without the need to build out a complex multi-node, distributed fulfillment strategy.
- 4 Revisit the rationale for free return shipping.** Fashion and apparel retailers need to continue to invest in providing a seamless return process to their stores and other convenient drop off locations provided by vendors like Happy Returns and Narvar. However, our research clearly shows that consumers care more about affordable expedited shipping than they do about free return shipping. Consider A / B testing cheaper (or free) expedited shipping instead of free return shipping to determine if cohorts of your customer base would react more positively to this feature, or better even let them choose their preferred benefit during checkout, faster shipments or free returns?
- 5 Look at international markets for innovation inspiration.** Benchmarking your shipping strategy against Amazon and your domestic retail competitors is important but it may not unlock any disruptive big ideas. In China, same-day and next-day delivery are mainstream even in rural areas as the major marketplace platforms JD.com, Alibaba and Pinduoduo have invested huge sums in micro fulfillment warehouses, AI driven demand forecasting, in-house logistic capabilities and even delivery bots. Furthermore, AliPay payments are held in escrow until the shopper receives their purchase – this creates a very real cash-flow incentive for the CFO of Chinese online retailers to ensure products arrive fast.





About The Retail Management Institute

Founded in 1980, Santa Clara University’s, Retail Management Institute (RMI) partners with today’s leading retail innovators including national brand leaders - Cost Plus World Market, DFS Group, Gap, inc., HUGO BOSS, IBM, Macy’s, Sephora, Trader Joe’s, Williams-Sonoma and start-up Silicon Valley and San Francisco Bay Area ecommerce companies. For 30 years, RMI has prepared its students with the qualifications, expertise and real-world experience necessary to launch a successful career in the retail industry.



About X Delivery

X Delivery is an expedited 2-3 day, nationwide carrier solution designed to help leading retailers offer fast and affordable shipping to their customers. Our technology continuously optimizes the routing of deliveries from the point of pickup to the customer’s doorstep by leveraging an extensive ecosystem of in-motion supply chain assets including trucks, passenger airlines and last mile carrier partners to ensure rapid time in transit, scale and low costs.

Methodology

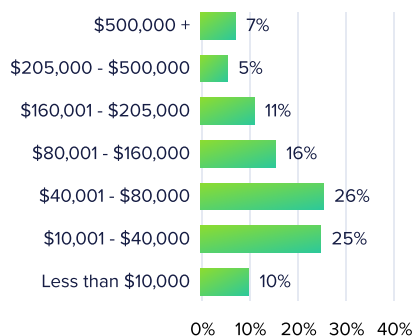
In June 2022, Santa Clara University’s Retail Management Institute undertook two consumer research panel surveys in collaboration with X Delivery (one of 1,194 and the other of 1,284 US adults who purchase physical products online for delivery to their home at least once per month) to gain insights into the importance of delivery speed when deciding to make a purchase online. A survey platform was contracted by X Delivery to collect the data in this study.

Disclosures

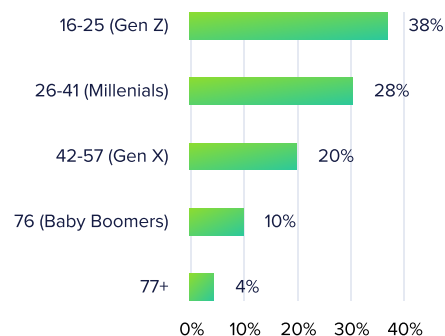
X Delivery did not compensate the Retail Management Institute or Dr. Kirithi Kalyanam for participation in this study. Mark Lavelle (the CEO of X Delivery) is also a member of the Board of Advisors of the Retail Management Institute.

Demographic Information

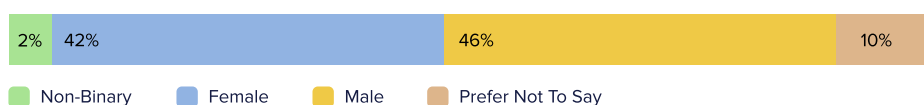
Income Level



Age



Gender



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