

# The free shipping report: Benchmark data and analysis for e-mail marketers

Free shipping trends and strategies for successful e-mail marketing

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# The free shipping report

## Introduction

In the current online marketplace, more businesses are offering deeper discounts and stronger promotions to stay ahead of the competition. In light of this trend, many consumers now expect incentives such as free shipping when making online purchases, and e-mail marketers are increasingly offering these incentives to meet expectations and make sales.

Free shipping is a vital topic of consideration for most businesses, as it often involves the business itself incurring the associated, and often expensive, distribution cost. To help you decide if free shipping offers are right for your organization, Experian® CheetahMail® conducted a study posing the following questions: Are more companies deploying free shipping e-mails? Are free shipping e-mails as effective now as they were in the past? And which factors can positively or negatively affect a free shipping promotion?

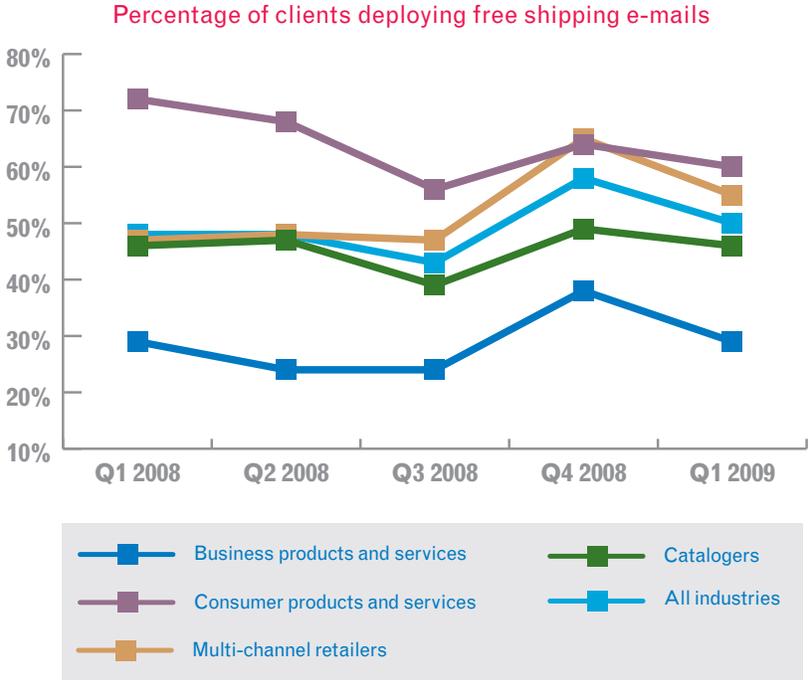
This white paper contains findings from the study and related best practices, providing deeper insight into the trends and fundamentals of free shipping as they specifically pertain to e-mail marketers.

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## Free shipping benchmarks and trends

### Volume over time

With the exception of the consumer products and services industry, the number of businesses promoting free shipping in their e-mail campaigns was equal to or higher in the first quarter of 2009 compared to the same time frame in 2008. As might be expected, the sharpest increase occurred at the end of the year during the holiday shopping season. Of all industries, multi-channel retailers had the largest year-over-year boost in free shipping offers, jumping from 47 percent in the first quarter of 2008 to 55 percent in 2009.



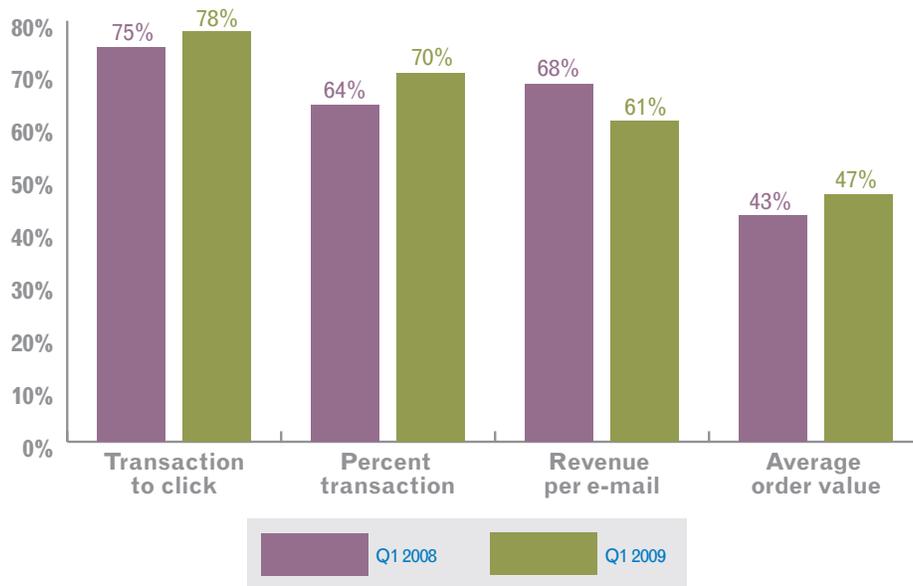
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## Free shipping versus other mailings: All industries

Seventy percent of the businesses surveyed found that in 2009, e-mails promoting free shipping offers resulted in higher transaction rates compared with non-free shipping e-mails. Of this group, 78 percent also saw an increase in the transaction-to-click rates and 47 percent experienced higher average order values.<sup>1</sup>

When it came to revenue per e-mail, which is arguably the most important metric for gauging the success of an e-mail offer, free shipping campaigns garnered an average 31 percent increase across all industries, while 61 percent of businesses experienced a significant boost in this metric.

All industries: Year-over-year percentage of clients whose free shipping e-mails outperformed other mailings



<sup>1</sup>Transaction metrics are based only on 116 clients who have implemented Experian CheetahMail's Track-to-Purchase functionality.

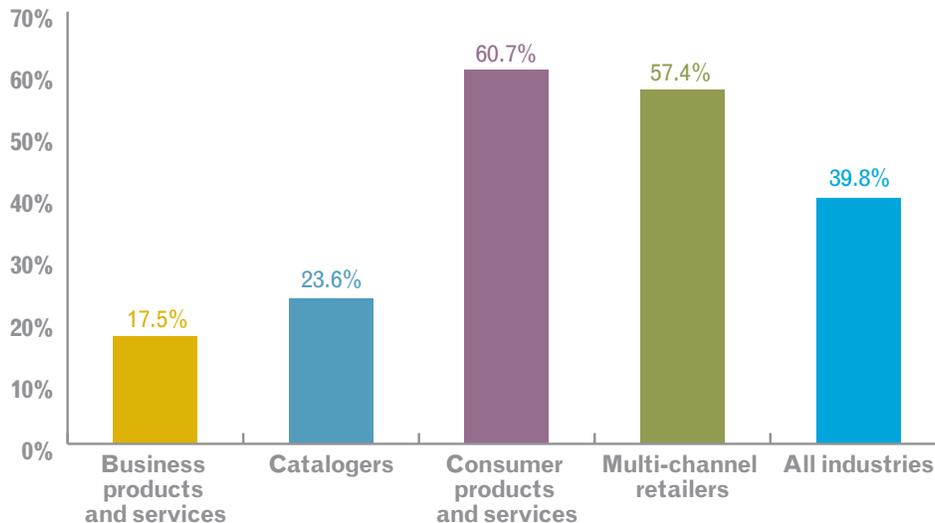
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## Free shipping versus other mailings: By vertical

The all industries data illustrated above confirms that free shipping has remained a popular and successful tactic for all types of businesses. When looking at industries side by side, however, it is clear that different industries experienced varying degrees of success. For example, free shipping e-mails provided the business products and services vertical with a respectable 17.5 percent lift in transaction-to-click rates (the percentage of transactions compared to the number of unique clicks), while the consumer products and services vertical enjoyed a whopping 60.7 percent lift in that same metric.

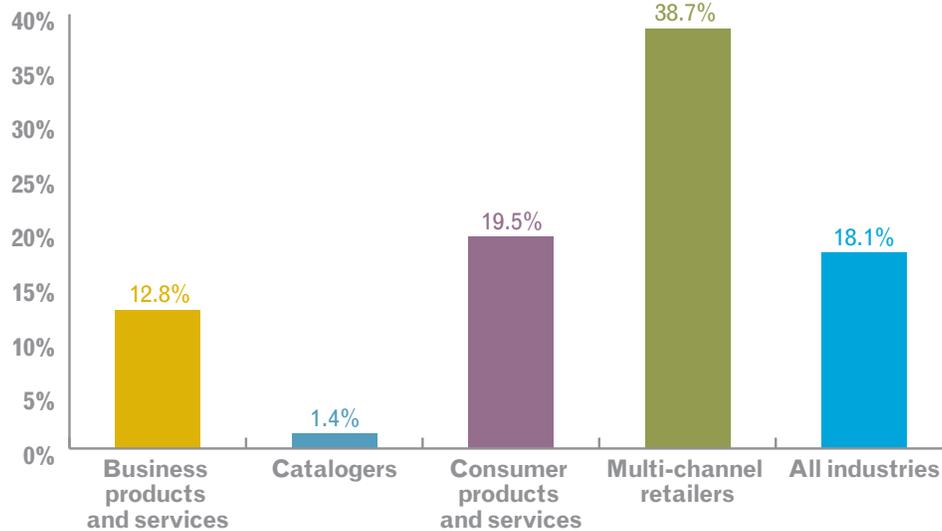
In addition to the lift in transaction-to-clicks, transaction rates (the percentage of delivered messages that resulted in transactions) also showed heavy increases – rising by 18.1 percent across all industries and confirming that a link between free shipping and transactions exists. Additionally, the increases in transactions for catalogers across the same time period, although low, remained positive at 1.4 percent. The range of transaction rates per quarter for catalogers was notably wide – with many experiencing swings from as low as 10 percent to as high as 26 percent. Additionally, the first quarter in each year had the best results for this metric.

Free shipping versus non-free shipping mailings:  
Transaction-to-click percentage change



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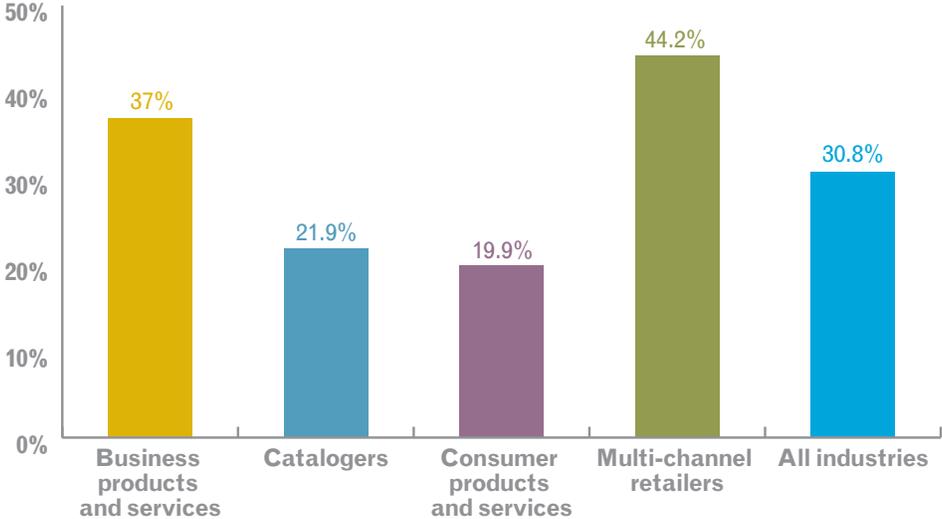
Free shipping versus non-free shipping mailings:  
Percentage transaction charge



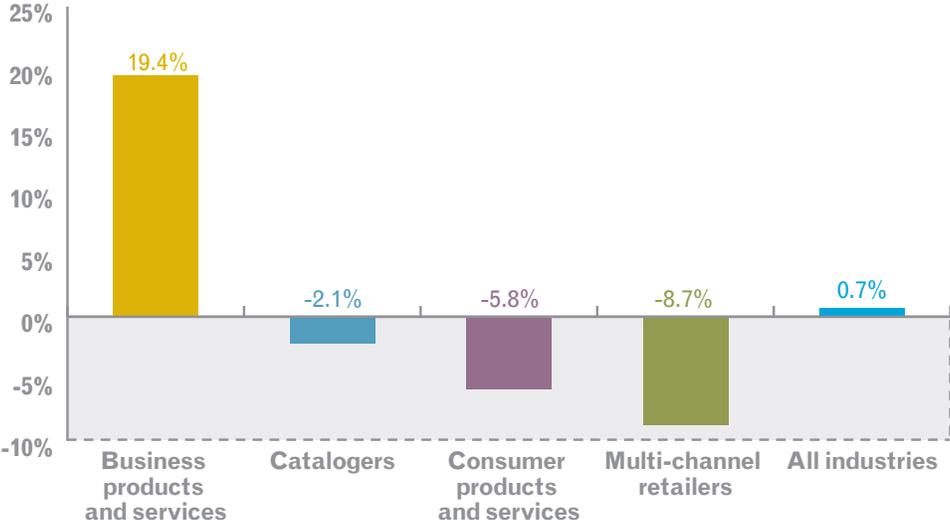
In contrast to most of the key performance indicators evaluated, the trend for average order value was decidedly negative. In fact, average order values declined for all industries except business products and services. Looking at the data on a more granular level, a few possible causes for this decline can be identified. For example, a large number of the free shipping offers were coupled with deep clearance discounts or sales specials, thus lowering the average order value. Also, many companies typically require a minimum spend to qualify for free shipping, and in some cases we found that companies dropped these requirements or even removed them completely. Thus, consumers were able to buy lower-priced items and still benefit from free shipping, leading to overall decreases in the average order value.

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Free shipping versus non-free shipping mailings:  
Revenue per e-mail percentage change



Free shipping versus non-free shipping mailings:  
Average order value percentage change



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## Free shipping best practices

While the benchmark and trend data fully indicates that free shipping is more prevalent than it was a year ago, free shipping continues to be an extremely effective offer, outperforming non-free shipping e-mails on multiple key transaction metrics. It also must be noted, however, that free shipping offers do not always succeed. Customers have become highly attuned to the perceived value of the offer, and marketers must follow best practices in order to ensure that free shipping promotions successfully garner response.

The following best practices draw from the benchmark data and trend analyses contained in this document as well as the expert advice of our experienced e-mail marketing professionals. In this section, we provide e-mail marketers and online retailers with proven strategies for increased revenue generation, competitively advantageous campaign optimization and deeper customer engagement.

## Feature the right products

E-mails providing free shipping of overstocked products tend to be low performers, indicating that the offer does not override consumers' lack of interest in a particular item. In order to garner the best possible response from your e-mail campaigns, make sure to pair free shipping offers with in-demand products your customers actually would be interested in.

## Keep free shipping promotions short and special

Mixed results loom for brands that strongly tout free shipping by always offering it on their web sites or featuring it in most of their e-mail campaigns. This trend indicates that constantly running free shipping promotions may have a negative impact and dilute the offer's effectiveness over time.

Furthermore, data indicates that providing a free shipping offer for a short period of time (one week or less) is typically more successful than featuring the same offer over a lengthier term. This is particularly true for international promotions and announcements of "new" products or "new" collections.

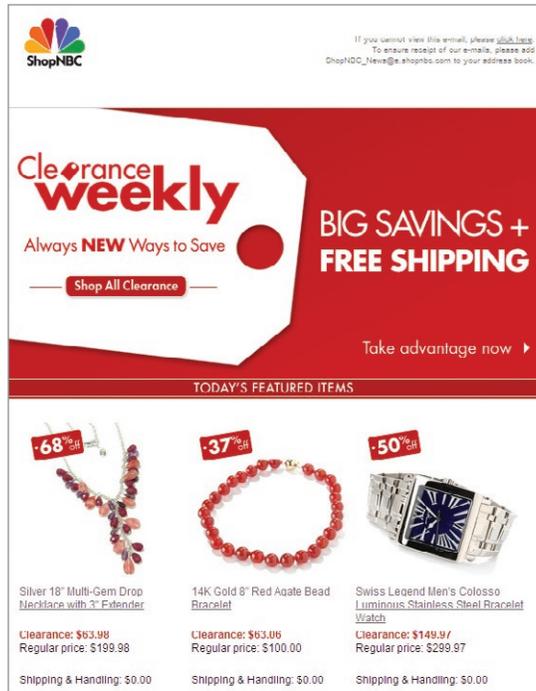
Make sure to be selective when choosing the portion of subscribers to receive this type of offer as well as the small window of time that the promotion will run. Consumers who have shipped internationally in the past should be part of this pool, in addition to those with the highest customer lifetime value. The offer may incur a large loss of potential revenue on your end otherwise.

Also, keep in mind that even if you are presenting your offer over short durations of time, follow-up e-mail reminders with strong calls to action such as "Last day for free shipping," or "Final four hours," can be particularly good performers.

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## Couple-up with a sale

Sales and clearance e-mails featuring free shipping tend to be high performers, significantly more so than if there were a shipping charge for the same discounted offer. If you want to deepen the impact of a special sale or ensure strong sales of clearance items, it is worth eliminating shipping charges in tandem.



The image shows a promotional email graphic for ShopNBC's 'Clearance Weekly' event. At the top left is the ShopNBC logo. To its right is a small disclaimer: 'If you cannot view this e-mail, please [click here](#). To ensure receipt of our e-mails, please add ShopNBC\_News@e.shopnbc.com to your address book.' Below this is a large red banner with the text 'Clearance Weekly' in white and red, followed by 'Always NEW Ways to Save' and a 'Shop All Clearance' button. To the right of the banner, it says 'BIG SAVINGS + FREE SHIPPING'. Below the banner is a 'Take advantage now' link with a right-pointing arrow. Underneath is a section titled 'TODAY'S FEATURED ITEMS' which displays three products with their respective discount percentages and prices.

Item	Discount	Clearance Price	Regular Price	Shipping & Handling
Silver 18" Multi-Gem Drop Necklace with 3" Extender	-68% off	\$63.98	\$199.98	\$0.00
14K Gold 8" Red Agate Bead Bracelet	-37% off	\$63.06	\$100.00	\$0.00
Swiss Legend Men's Colosso Luminous Stainless Steel Bracelet Watch	-50% off	\$149.97	\$299.97	\$0.00

Pictured is an example of how ShopNBC successfully combines free shipping with its "Clearance weekly."

## Segment at the product level

Some of the best-performing campaigns are sent to small, highly targeted segments of subscribers, with both the product and free shipping offers geared to the selected audience. Use any data you know about your customers – purchase history, preference center data or demographic information, for example – to divide your subscriber list into specific groups of product interest, and then tailor your e-mail content accordingly. The use of dynamic content to automatically populate the most relevant product images and copy also can significantly strengthen this tactic and make it easier to employ.

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## You don't have to keep the minimum at a minimum

Businesses that provide free shipping on purchases above relatively low thresholds of \$60 or less typically do not reap as many boosts in key campaign performance indicators – open rates, click-throughs and transaction rates — as businesses with higher minimums. The only way to precisely gauge the most beneficial spending requirement for your business and your customers is through testing. As a rule of thumb, do not assume that you have to keep spending requirements low in order to succeed. You actually may be making your offer less enticing by doing so.

The advertisement is for Jackson & Perkins, featuring a navigation bar with links for Garden Roses, Garden Perennials, Flowering Gifts, and Internet Specials. The main headline reads "Free Shipping on Roses with your order of \$75 or more!" with a "More Details" link. The central focus is the "AMERICAN HEROES COLLECTION," which includes a "Set of 4" for \$52.99 (a 22% savings from the individual prices of \$19.95 for Veterans' Honor, \$17.95 for Memorial Day, \$14.95 for Peace, and \$14.95 for Mister Lincoln). A "Shop All Hybrid Teas" button is also present. At the bottom, there are two promotional banners: "New 2009 Roses" and "Bulb Gift Blowout" (now \$19.95 with free shipping).

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Pictured left, Jackson & Perkins uses a \$75 minimum purchase with its free shipping offer.

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## Tier your offer

E-mails with tiered shipping prices tend to result in higher average order values than those offering one flat rate. For example, an e-mail with \$7 shipping for orders of \$20 or more, \$5 shipping on orders over \$10, and free shipping for total amounts higher than \$100, typically would garner a better response than an e-mail offering only one of those three options. This finding especially holds true for catalogers, as customers took advantage of the perceived increase in cost savings.

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## Conclusion

As consumers become more discerning toward the messages and offers they receive, free shipping remains an important tool for many of today's e-mail marketers. As with any promotion, however, it is important to test if free shipping is right for your specific business needs as well as the needs of your customers, and in what capacity. Remember to consider the best practices mentioned above in addition to factors such as seasonality, product mix, customer behavior and the timing of other promotions. This way you are sure to build a cost-effective and engaging e-mail program that your customers will continually respond to.

## Methodology

Data in this report was collected by Experian CheetahMail, based on the e-mail campaign performance of 198 clients in the business products and services, catalogers, consumer products and services, and multi-channel retailer verticals from the first quarter of 2008 through the first quarter of 2009. All participatory clients mentioned free shipping in multiple campaigns per quarter.

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