

Four Shipping Price Strategies for Your Online Furniture Business



**TIPS & TACTICS
FOR E-COMMERCE
FURNITURE SELLERS**



INTRODUCTION

In the age of retail giants like Amazon, today's online consumer has come to expect fast, cheap delivery — even when it comes to oversized items such as furniture. In fact, a report from uShip, *Realities in Oversized E-Commerce Delivery in the Amazon Era*¹, shows that 47 percent of furniture buyers say high delivery costs caused them to look elsewhere for the same item.

In this environment, having a delivery price strategy is critically important for every online furniture seller — from emerging shop owners on Etsy to established antiques retailers and everything in between. But finding the right approach can be challenging. Displaying high product prices with shipping costs baked in can turn potential buyers away. On the other hand, a free or low set shipping price is more buyer-friendly but may require the seller to cover or subsidize delivery costs, cutting into margins.

47% OF FURNITURE BUYERS SAY HIGH DELIVERY COSTS CAUSED THEM TO LOOK ELSEWHERE FOR THE SAME ITEM.

— *Oversized E-Commerce Delivery Insights Report* by uShip

So, how do e-commerce furniture sellers set a delivery pricing strategy that works for their unique business?

This paper offers information, tips, and examples to help you choose the right approach to shipping rates for your online furniture business. Topics include:

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¹ <https://go.uship.com/rs/544-ZAR-489/images/Realities%20in%20Oversized%20E-Commerce%20Delivery%20in%20the%20Amazon%20Era.pdf>

FOUR SHIPPING STRATEGIES FOR ONLINE FURNITURE SELLERS

In the online world, free delivery may seem like the new norm. But when it comes down to it, there's no such thing as "free" shipping – it's just a matter of who pays. For online furniture sellers, the challenge is in finding the right pricing approach for their specific business.

The first step is understanding basic pricing strategies. Here are four delivery pricing approaches and the pros and cons associated with each.



FREE SHIPPING/SHIPPING INCLUDED

How it works

The seller offers free shipping by folding the cost of shipping into the price of the product, by covering the entire cost of shipping, or by some combination of the two.

Pro

This approach directly meets today's consumer expectations for free shipping, effectively leveling the playing field with online retailers such as Amazon, Walmart and Wayfair. It helps to move customers through the checkout process faster and reduces cart abandonment rates because the price customers see for the product is the price they see at checkout.

Free shipping can help set customer expectations since it suggests basic delivery service versus the white-glove service that fee-based shipping suggests.

Con

For sellers who fold the cost of shipping into the price of the product, the higher product price tag may turn off customers who are comparison shopping based primarily on price.

For sellers who cover the cost of shipping, they must find a way to make up the cost elsewhere – such as in higher volume sales.

SUBSIDIZED SHIPPING

How it works

The seller offers a low, standard delivery price by subsidizing the shipping fee. In some cases, the seller may offer an additional “bulk discount” for customers who purchase multiple items.

Pro

The seller can offer an attractive shipping price to customers. This approach helps put sellers on equal footing with big, high-volume retailers and helps ease customers through the checkout process because no matter what size or price of the items they put in their shopping cart, they know the shipping cost will be reasonable.

This approach also helps set customer expectations. A low shipping price suggests basic delivery service versus the white-glove service that a high-priced shipping fee suggests.

Con

Retailers must continually keep their actual shipping costs as low as possible. This can be challenging for smaller retailers without the volume they need to negotiate low pricing from carriers, or for those without the ability to subsidize indefinitely.

BREAKEVEN SHIPPING

How it works

The seller charges the customer for the actual cost of shipping.

Pro

This is a straightforward approach that covers the seller’s cost for shipping. If positioned transparently and communicated effectively, this strategy can establish trust with the buyer, and potentially result in more sales.

Con

Customers may not realize how much shipping oversized items can really cost and therefore may doubt that the seller is being honest about the actual shipping price. This may lead to higher cart abandonment rates.



REVENUE SHIPPING

How it works

The seller charges the customer more than the actual shipping charge.

Pro

This approach turns shipping into an additional revenue stream for the seller. It also covers sellers should they incur overage or accessorial charges from carriers who need to perform freight services outside the norm, including inside delivery, waiting time, fuel surcharges, storage charges and more.

Con

This approach may lead to higher cart abandonment rates when customers see the total price of the item with shipping added.

Another possibility: The carrier may find out about the marked-up shipping fees, ultimately harming the relationship between the seller and the carrier.



CHOOSING THE RIGHT DELIVERY PRICING STRATEGY FOR YOUR BUSINESS

When it comes to setting shipping rates, one approach does not fit all. As an online furniture seller, it's important to consider the pros and cons of each pricing strategy and weigh them against various characteristics of your business. Here are four questions to ask yourself as you think about setting or updating the pricing strategy for your online furniture business.

01 What is your average sale price?

The price of your average sale can make a big difference in your approach to delivery pricing. Customers who are making higher-priced, often one-of-a-kind purchases may be willing to pay more for shipping, while those with lower-cost purchases may expect low-cost or free shipping.

02 What is your target market?

Similar to your average sale price, your target demographic may help you determine your pricing approach. For example, furniture companies targeting budget-conscious young adults or new families furnishing their first home likely will find more success with a low cost, or free, shipping option. Customers purchasing high-end pieces are likely to be less cost-sensitive when it comes to shipping fees although they will also have higher service expectations.

03 How unique is your product?

In general, if your products are unique, custom built or one-of-a-kind, customers likely will be more willing to pay a higher shipping charge. However, if for example, you sell discounted furniture brands that are sold on multiple retailer websites, you may have more competition to close the sale. This is when free or low-pricing shipping can be extremely important.

CONSIDER THIS

As you think about these questions, you may find that one business characteristic is more significant to your business than another. You may find that it makes sense to have more than one pricing strategy depending on the particular product that is being purchased. You may want to change your shipping strategy as your business evolves.



04 What are your customers' options?

If your customers have the option to purchase the same or a similar item on Amazon, or find that item in a local retail store, they will be more inclined to take other factors like shipping cost into account. On the other hand, if you are selling a custom or unique piece that your customers become emotionally attached to, they likely will be more inclined to pay a higher shipping fee for that beloved item.

05 What are your business goals?

Your business goals are another important factor in establishing your shipping price strategy. E-commerce business goals for large items like furniture may include increasing conversion, reducing cart abandonment or decreasing losses on shipping. A free or low-price shipping option can increase conversion and reduce cart abandonment by allowing you to better meet customer expectations and compete with large, higher-volume retailers. In contrast, if you sell items with a low margin and want to decrease your losses on shipping costs, or if you are looking for new revenue streams, you may choose to mark up the price of shipping.

Shipping Strategies Quick-Reference Chart

While it is important to thoughtfully weigh a variety of factors when choosing your shipping strategy, the following chart offers a helpful quick-reference guide as you think about your options.

Business characteristic:	Free/Included (no fee)	Subsidized (low fee)	Breakeven (actual fee)	Revenue (higher fee)
AVERAGE SALE PRICE				
Expensive	•	•	•	
Lower priced	•	•		
TARGET MARKET				
Higher end	•	•	•	
Lower end	•	•		
PRODUCT UNIQUENESS				
Unique		•	•	•
Commonly available	•	•		
BUSINESS GOAL				
Reduce cart abandonment rate	•	•		
Compete with big box retailers	•	•		
Generate new source of revenue				•

EXAMPLES: SHIPPING RATE STRATEGIES IN THE REAL WORLD

Sometimes, it helps to see how others are tackling a business challenge. Here are three examples of actual online furniture sellers and their approaches to shipping rates.



FREE SHIPPING/SHIPPING INCLUDED

A small online seller offering modern furniture was using breakeven shipping, passing the actual shipping cost through to the customer. For example, a couch that cost \$1600 had a shipping fee of \$275 to move from their East Coast warehouse to a customer's Texas home. The company was finding that customers were abandoning their shopping carts after seeing the total combined price of the furniture and shipping in their cart. After a cost analysis on each item, the seller decided to increase their item prices to include shipping. By displaying a single price and no shipping fee (positioned as "shipping included"), the seller saw a reduced cart abandonment rate.

BREAKEVEN SHIPPING

An online seller of high-end new and vintage furniture was not looking to make money on shipping. Since their items trend towards a higher price point, and because their customers come to them to find unique items, the company is passing the shipping cost through to their customers at checkout.

REVENUE SHIPPING

An e-commerce marketplace sells items via online auction. Items sold are often unique yet they sell for pennies on the dollar. While the company does not always make a great deal of money on the sale of each item, they make up the shortfall by marking up the shipping cost. As a result, they've been able to turn shipping – historically a cost center for most companies – into a revenue stream.

BEYOND PRICING: 3 TIPS FOR YOUR SHIPPING STRATEGY

Setting your pricing strategy is just one aspect of the overall shipping experience you create for your customers. Consider these three tips as you think about your delivery strategy.

01 Audit your shipping policy

Make sure you're setting accurate shipping expectations for your customers. For example, if a buyer's shipment will take 14 days to arrive, be sure to set their expectation for 14 days. Otherwise, they may be dissatisfied and ask for fee concessions. Also be sure to regularly evaluate how accurately those expectations are being met. If you promise 14 days, but 60 percent of your shipments arrive in 20 days, it may be good to adjust your customer expectations to a 14-20 day window. In addition, be sure to have a clear shipping policy on your website. For example, if you advertise "fast shipping," explain what you mean by that. Is it processed within one business day? Is it guaranteed to arrive within a certain number of days? Is assembly included? Will the item be delivered to the front door or will an appointment be made for in-home delivery? The more accurately you set your customer expectations, the better their experience will be.

Of consumers who have made an oversized e-commerce purchase in the past year, **one in five (21%) have ordered something that arrived damaged.**

— Oversized E-Commerce Delivery Insights Report by uShip



02 Address shipping-related damages

You want to say that your products will arrive safely. But accidents happen, so be sure to let your customers know their purchase is protected by insurance. Also, provide a place for customers to find information about what the coverage includes and how to get help. When accidents do happen, have quick-acting customer service in place to address the problem. Customers tend to be more forgiving of such issues if they are addressed quickly and professionally.

PRO TIP: If an issue with delivery occurs, the easy way out is to point a finger at the transport company and not take responsibility. However, customers appreciate when you step up to help address and ideally resolve the problem, even if you weren't directly responsible for the snafu. Carrier management can be handled behind the scenes, out of customer view.

03 Automate the shipping process

You're in the business of selling furniture, not shipping it. Make the entire shipping process as smooth as possible for you and your customers by automating it. Look for a modern shipping technology solution that:

- Uses shipping intelligence algorithms and historical data to recommend delivery rates that increase sales and reduce cart abandonment rates
- Displays delivery rates or free shipping right in your buyer's shopping cart
- Gives you access to a network of reliable carriers
- Has carrier tracking capabilities so your customers have visibility into their delivery experience



TAKE THE NEXT STEP

Amazon has set the pace for today's consumer expectations. Fast and free are the new normal, forcing all other online sellers to keep up. Online furniture sellers who thoughtfully consider the right delivery pricing strategy for their specific business will be well on their way to winning over buyers and competing in the Amazon era.

uShip In-Home Delivery is a suite of logistics technology tools that supports your shipping strategy by automating your shipping process – ultimately reducing your shipping costs and increasing your sales. We provide integrated, instant shipping rates right into your checkout, give you access to a curated network of mobile-enabled, feedback-rated carriers, and offer managed services so you can focus on your business of selling furniture.

Find out more: uship.com/in-home-delivery



ABOUT USHIP

uShip makes it quick, easy, and affordable to ship large or bulky items. From cars to cranes and furniture to freight, our straightforward and transparent platform helps people, businesses, e-commerce sellers, and multinational logistics companies ship with greater speed and efficiency. Launched in 2004, uShip is based in Austin, Texas.

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