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2023 Benchmarks Report

E-commerce Shipping and Fulfillment

What is the Benchmarks Report?

The 2023 Benchmarks Report is an annual report developed by Shippo that takes a comprehensive look at how mid-market e-commerce merchants are measuring up when it comes to key shipping and fulfillment data points. By looking at this internal data and comparing it to macro-level data, we can break down why certain product categories are performing the way they are and what mid-market merchants can do to perform better when it comes to shipping and fulfillment.

For this year's edition of the Benchmarks Report, we're partnering with ShipHero, a leading logistics provider with expertise in fulfillment services and warehouse management systems. We're going to look at data points across the entire customer lifecycle - from the time a customer places an order, through the package's shipping journey, and throughout the post-purchase experience. We've also chosen to focus on six major product categories this year (apparel, beauty/skincare, electronics, health/wellness, jewelry, and sports/outdoors), but most key takeaways can be applied to merchants of similar retail product categories.

NOTE ON SHIPPO BENCHMARKING DATA: Aggregate totals represent all Shippo customers across industries. Individual industry figures (apparel, beauty/skincare, electronics, health/wellness, jewelry, sports & outdoor) do not collectively include all Shippo customers in those categories; that data was collected through random sampling of merchants of different sizes and geographic bases. Data represents activity from April 1 of the preceding calendar year to March 31 of the year cited (i.e. 2023 data represents April 1, 2022 to March 31, 2023).

Snapshot of What This Year's Data Is Telling Us

Economic factors are affecting e-commerce businesses differently

Changes in average order value (AOV) varied year-over-year with the greatest increase coming in at 28% (beauty/skincare) while the greatest decrease came in at -12% (Jewelry). Economic factors such as inflation have affected different product categories differently e.g. discretionary product categories like electronics actually saw a 12.9% price decline YoY while critical product categories like personal care saw a 6.1% increase YoY. These pricing changes directly affected merchants' AOV numbers. However, merchants' ability to lower shipping spending this year despite rate increases by carriers proves that you can maximize your profit margins with the right shipping strategy and partner.

Merchants are exceeding customer expectations

Shipping cost is not the only factor that customers consider before making an online purchase – they also look at transit time, delivery reliability, package protection, and visibility into the package journey. Merchants have reacted positively to all these factors with transit times decreasing to 3.1 days on average among all major product categories. Shipping insurance usage also increased 3-4% YoY on average among the six product categories examined. Also, all product categories had a majority of merchants using order tracking pages, with the lowest usage rate of 75% (apparel). Yet, despite these favorable stats to the customer, merchants are still missing golden opportunities to save money and capitalize on these areas of the post-purchase experience.

Outsourcing fulfillment is key to meeting customer demand

Due to the ***scarcity of commercial real estate***, mid-market merchants have had to consider growing their businesses in different ways. Outsourcing fulfillment to a 3PL provider has been a popular method to keep transit times and shipping costs low. For example, by using a 3PL with just three distribution centers in the U.S. you can reach 90% of the country's population in just two days. Learn more about ShipHero's fulfillment recommendations for 2023.

Merchants are cracking down on returns and consumers have noticed

Nearly six out of 10 retailers changed their return policy in 2022 in an effort to curb returns. While it may seem tempting to do the same, keep in mind that 80% of Americans surveyed said they would switch from a retailer they regularly shopped with to a different retailer if they had a more favorable return policy. We uncover how merchants can strike a balance between lowering their return rate, while also creating a positive returns experience for their customers.

Domestic shipping destinations are clear but international shipping is underutilized

When looking domestically, 37% of all U.S. shipments are being delivered to just five states (CA, TX, FL, NY, and PA) with California taking the majority of shipments at 12.65%. Merchants in all major categories are shipping to these states and the U.S. mainland, but not all are shipping internationally. The ***global e-commerce market*** is projected to reach $4.11 trillion in 2023. Yet among the six major product categories we examined, the highest percentage of merchants shipping internationally was just 53.29% (electronics). Find out which countries to target when trying to grow your business's audience beyond the U.S.

Economic Factors are Affecting AOV and Shipping Spending Differently for Merchants

Two of the key metrics all e-commerce merchants should be paying attention to are average order value (AOV) and total cost of shipping (shipping label + fulfillment costs). By looking at both, it allows you to get an accurate picture of how your total shipping costs might be impacting your overall profit margins every time someone makes a purchase from your business. This ratio of total cost of shipping and AOV can differ greatly depending on industry.

While AOV will still be different for merchants within the same own category (for example, televisions vs. cell phones in electronics), these numbers offer an approximation of what businesses should expect.

Keep in mind that the AOV shown does not include taxes.

INDUSTRY	Average order value (cart value)	Average shipping label cost	Shipping cost as % of AOV
APPAREL	$109.57	$9.27	7.82%
BEAUTY/SKIN-CARE	$94.22	$8.38	8.34%
ELECTRONICS	$152.92	$16.45	9.94%
HEALTH/WELLNESS	$71.90	$8.19	10.48%
JEWELRY	$78.79	$8.01	9.45%
SPORTS & OUTDOOR	$137.77	$16.12	10.81%

Some data that jumps off the page is that, while health/wellness products have the lowest AOV, they have the second-highest percentage spent on shipping labels. A number of factors could explain this, including that health products may require expedited shipping, signature confirmation, or even dry ice to protect products while they are in transit – all of which add additional shipping costs. Later in the report, you'll see that health/wellness products have the fastest delivery times among all major categories at 2.7 days per shipment. Expedited shipping services come with a higher price tag, but products within this category may have to arrive sooner due to customers' needs or the temperature-sensitive nature of the products.

For products in the Sports & Outdoors, Electronics, and Jewelry category, the higher percentage spent on shipping is due to the weight/bulkiness of sports and outdoor items and the additional cost of insuring products in all three categories. Merchants in these three categories all had a higher rate of shipping insurance adoption than the other three categories. For example, 32% of jewelry merchants used shipping insurance at least once in the past year while only 18% of apparel merchants did. We discuss this added service in greater detail further in chapter three of this report.

While thinking about the total cost of shipping, it is important to consider fulfillment costs as well. Whether you're fulfilling orders internally, or with a partner, factors such as storage, labor, and sorting all add to the overall shipping costs and can cut into your net profits. This is why it's important for merchants to understand what is necessary for them to fulfill orders and what additional services they can avoid.

For example, apparel merchants can lower shipping costs by using poly mailers to package their products while those in the beauty/skincare, jewelry, and health/wellness product categories can use smaller boxes or even free boxes from carriers to lower their shipping costs. Those selling expensive products will want to look at how often their packages are damaged or go missing in order to gauge how often to apply for shipping insurance. And you'll want to determine if expedited shipping is something you need to offer and if not, will your customers bear the additional cost to get their items sooner.

By taking these steps to minimize their average shipping spend, merchants can maximize their overall profit margins and make the most of their average order values.

For merchants who want to routinely monitor their shipping spend throughout the year, Shippo offers **Shipping Analytics**. You'll be able to not only see how much your net label spend has been over time, but also filter to see which destinations are causing the highest label amounts, which carriers you're spending the majority of your label spend on, and which service levels your shipping spend is going towards.

Buying patterns changing year-over-year

Each year comes with its own challenges and trends, so reviewing metrics year-over-year is critical. Take AOV, for example. The benchmarks have certainly shifted for two product categories specifically: Beauty/Skincare saw the greatest AOV increase (28%) while jewelry saw the largest decrease (-12%).

One factor that may have contributed to these changes is that ***the rate of inflation has increased*** this past year. In June 2021, the U.S. inflation rate was 5.4%; by June of the following year, it had nearly doubled, reaching 9.1%. This caused higher business costs, which in turn created higher prices for customers and contributed to higher average order values throughout the year.

Prices for electronics specifically **fell roughly 12%** year-over-year

It's important to note though that inflation hasn't been affecting all businesses equally. In ***Adobe's latest digital price index***, they found that online prices had fallen for eight consecutive months for primarily discretionary items such as electronics, sporting goods, jewelry, appliances, and more. Prices for electronics specifically fell roughly 12% year-over-year. The opposite was true for non-discretionary items such as groceries, apparel, personal care items, non-prescription drugs, etc. For example, grocery prices were up 9.3% year-over-year.

With the prices of daily necessities going up for consumers, this has given them fewer funds to spend on discretionary items and luxury items. That has then resulted in major retailers and sellers of discretionary items ***sitting on too much inventory***, which caused them to provide discounts in order to incentivize consumers to buy. This may help explain why a category like beauty/skincare (aka personal care items) saw an increase in AOV while a category like jewelry (aka luxury items) saw a decrease in AOV.

However, it's also important to recognize that with discretionary categories needing to lower their prices in order to incentivize consumers to buy, customers may also be adding more items to their orders (creating a higher AOV). With multiple items discounted, consumers may see it as a better value to add more items to their cart, which may explain a higher AOV for discretionary items like electronics (5% increase YoY).

Signs point to inventory levels continuing to rise for retailers, which means there will be downward pressure on prices in the months ahead as supply chain bottlenecks from Covid have eased. You'll want to be cautious about how you price your products in the second half of 2023 so you're not caught in a race to the bottom and can maximize the AOV your business sees.

Another factor is that customers are growing more cost-conscious as inflation increases. To increase revenue, merchants often offer free shipping on orders above a certain threshold. In order for customers to save on shipping, they could be more willing to buy multiple products in one order rather than pay shipping on multiple orders. According to data compiled by ***invespcro***, 58% of customers are willing to add items to their cart to qualify for free shipping.

In short, AOVs have changed in large part due to economic factors out of merchants' control. However, there are still techniques you can use to increase AOV, with a free shipping threshold being one of many possibilities.

58% of customers are willing to add items to their cart to qualify for free shipping

	2022	2023	
INDUSTRY	**Average order value (cart value)**	**Average order value (cart value)**	**Year-Over-Year % change (rounded)**
APPAREL	$96.36	$109.57	14%
BEAUTY/ SKINCARE	$73.79	$94.22	28%
ELECTRONICS	$146.05	$152.92	5%
HEALTH/ WELLNESS	$77.75	$71.90	-8%
JEWELRY	$89.08	$78.79	-12%
SPORTS & OUTDOOR	$132.91	$137.77	-4%

Similar to AOVs, the amount spent on shipping also increased significantly for some in the past year. Carriers announce rate changes at the start of every year, usually increasing by incremental amounts. This year was no different, with rates increasing across most carriers and service levels. Additionally, surcharges for things such as fuel, delivering to a residential address, or incorrect dimensions or weight can increase average shipping costs.

	2022	2023	
INDUSTRY	**Average shipping label cost**	**Average shipping label cost**	**Year-Over-Year % change (rounded)**
APPAREL	$8.29	$9.27	12%
BEAUTY/ SKINCARE	$10.39	$8.38	-19%
ELECTRONICS	$15.90	$16.45	3%
HEALTH/ WELLNESS	$9.29	$8.19	-12%
JEWELRY	$7.66	$8.01	5%
SPORTS & OUTDOOR	$13.97	$16.12	15%

However, looking at year-over-year shipping spend it's clear that despite carriers raising rates, there are still actions that merchants can take to lower shipping spend. For example:

1. **Comparing carrier rates:** Carriers will often charge different rates when shipping packages of equal weight, size, and delivery distance. By comparing similar service levels among multiple carriers (such as UPS® Ground, USPS Ground Advantage™, and FedEx Ground® Economy) you can ensure you're getting the best rate every time.

2. **Adhere to carrier compliance:** Providing the correct weight and dimensions of your package and the correct destination address at the time you create your shipping label will help you avoid additional fees. Similarly, making sure you don't go over the limits set by each carrier will also help you avoid "over maximum" surcharges.

3. **Offer merchants credit for using slower transit times:** Service levels that take 3-7 days to arrive at customers' doorstep will often cost less than those that will take two days or overnight. Customers in the past year have shown an increased willingness to select this option, which will be discussed later in the report.

4. **Using flat rate boxes when applicable:** Using Flat Rate boxes means your shipping rate won't be affected by the weight of your product. As long as your products fit inside carriers' boxes they will ship for a steady rate, which in many instances, will be cheaper than using your own package.

5. **Use proper packaging:** You'll want to use boxes that leave only a little space for dunnage. Shipping price is determined by package size, so the smaller the box the cheaper the rate. You'll also want to consider using free packaging supplies provided by carriers when possible.

Using a shipping partner like Shippo can also help you avoid common surcharges such as fuel, residential, and peak surcharges.

	2021	2022	2023
	Shipping cost as % of AOV	**Shipping cost as % of AOV**	**Shipping cost as % of AOV**
ALL-COLLECTIVE	12.07%	8.37%	10.95%

Another aspect to note is the volatility of the average spent on shipping year-over-year. Our 2021 data represents the peak of the pandemic, which caused carriers to raise rates and introduce new surcharges to keep up with the massive demand. Because of so many new merchants emerging at that time, a lack of knowledge on how to achieve the lowest shipping rates also may have contributed. The following year the market settled, new merchants from 2021 were more seasoned, and carriers were more capable of handling demand. As a result, the percent spent on shipping dropped back down to under 8.5%. But, in our data this year, we find some merchants are spending more on shipping due to economic factors like high inflation once again.

Key Takeaway:

Average order values have fluctuated year-over-year, and the amounts by which they have fluctuated vary greatly between product categories. The one aspect that remains similar for all merchants is the need to combat growing shipping costs in order to maximize their profit margins per order.

Despite carriers raising rates YoY, certain product categories showed the ability to lower their shipping costs in the same time period (beauty/skincare & health/wellness). Certain strategies you can implement to do the same include **identifying optimal service levels for each shipment, using better packaging more fitted to your products or free boxes provided by carriers, using a 3rd-party shipping insurance provider when the use of the service is necessary, and making sure your fulfillment team adheres to any rules set by carriers to avoid common fees/surcharges**. Shippo helps in all these areas. Plus, with pre-negotiated discounts from the nation's leading carriers, you can ensure you're getting the lowest rates for all your shipping needs. Major carriers have increased their discounts on Shippo multiple times in 2023 alone.

Outsourcing Fulfillment is Key to Meeting Customer Demand

written by shiphero™

As your business grows, you have more to manage. What seem like small parts of a larger business become departments and organizations of their own. This is especially true when it comes to fulfillment. Managing people, processes, and inventory can become overwhelming when trying to do so in-house and any slip-ups can become visible to your customers before yourself. Outsourcing to a trusted partner allows you to focus on growing your business while your partner can ensure inventory is managed correctly, handled with care, and customer satisfaction stays as high as possible.

Multi-warehouse inventory allocation cuts down on delivery times

Commercial real estate was scarce throughout 2022, and while the demand for e-commerce ***warehouse space*** is slowing in 2023, merchants still need to diversify their inventory locations in order to get their products closer to the end customer. One sustainable solution for e-commerce brands is to partner with a third-party logistics (3PL) or full-service fulfillment providers that already have warehouse locations. Distributing inventory across multiple warehouses means products are closer to their final destination, reducing delivery costs and delivery times.

By using just 3 distribution centers in the U.S., you can reach **90% of the country's population** in just 2 days

Keeping fulfillment costs low increases customer satisfaction

By using a full-service fulfillment provider, delivery times are shortened and delivery costs are lowered. For example, ***by using just 3 distribution centers in the U.S. you can reach 90% of the country's population in just two days***. You don't need to have an Amazon presence of 100+ distribution centers. You simply need the right partner and there are several options for that, including regional 3PLs and specialized 3PLs. Lower costs and quicker deliveries are two major ways to increase customer satisfaction. Additionally, with lower shipping costs, merchants can increase their profit margins or pass these savings to the customer. In either scenario, it's a win-win. While year-over-year fulfillment costs have increased by 10% or more in some cases, the market should correct itself, and these costs should ease as commercial real estate becomes more available in the latter part of this year.

Allow experts to help you meet and exceed customer expectations

Another reason many merchants choose to outsource their fulfillment is due to overall cost. Expertly fulfilling customer orders at scale is difficult for the average e-commerce brand, and once merchants have hit a certain daily order threshold, fulfilling orders in-house can result in diminishing returns. However, ***fulfillment providers*** optimize warehouse processes, including picking and packing and training their employees to work efficiently, keeping labor costs low. Using a third-party logistics provider means that the everyday e-commerce brand doesn't need to worry about labor costs, picking and packing, or even maintaining their own warehouse. By outsourcing the effort of running a warehouse, many merchants are streamlining costs and leaving a very key, but expensive process to the experts. However, the experts you choose to handle your fulfillment operations will depend on your shipping volume and your overall shipping strategy. For example, if you're shipping 10,000 orders a month, primarily in the southeast of the U.S., a regional 3PL with warehousing space and fulfillment operations in Atlanta may be your best option. But if you're shipping over 50,000 packages a month worldwide, you'll likely need the help of a fulfillment partner with an international presence to serve customer expectations in multiple markets.

Key Takeaway:

Outsourcing fulfillment can be a great way to cut down on costs and increase customer satisfaction. You'll need to carefully consider where your current customers are, what your current shipping volume is, where you're looking to expand your business, what extra services you'll want to offer, and what your overall supply chain will look like with that fulfillment partner. For example, if you're shipping less than 10,000 packages a month, you'll want to first get the basics down by having processes or partners in place to help get forecasting right so that you better manage inventory and make sure you stock up appropriately. You'll want to avoid the potential of having excess inventory sitting at fulfillment partners' facilities.

Once that has been established, **you'll want to choose a 3PL partner with operations close to your customer base and who offers the extra services that are important to you such as kitting, 24/7 visibility into inventory, package tracking, accepting returns, etc**. In a different example, if you're shipping closer to 50,000 packages a month and have customer bases in different locations, you'll need to choose a fulfillment partner that can help scale your business as it grows. You'll need to have a partner with sophisticated technology that can ensure the proper inventory levels are held at multiple locations, gives you access to detailed reporting, and has partnerships with both national and regional parcel carriers specific to those multiple locations/markets.

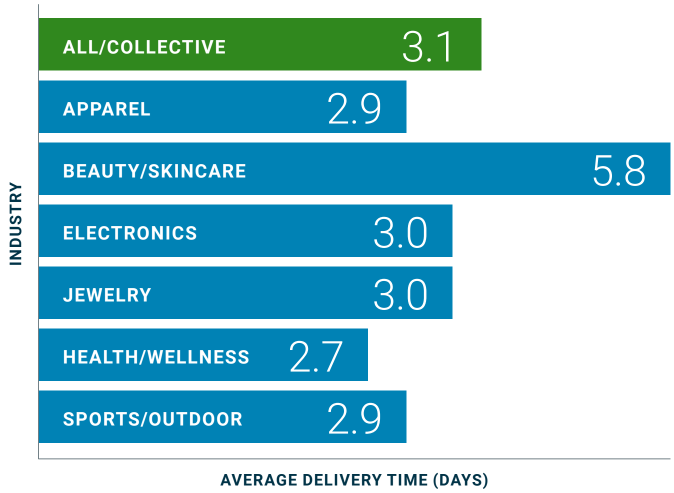
Merchants Are Exceeding Customer Expectations When Shipping

The post-purchase experience matters greatly for customers, and can increase merchant revenue. In fact, 86% of online shoppers report that the ***post-purchase experience is fundamental*** to purchasing again. On top of that, ***returning customers spend 30% more than new customers***. Merchants are starting to realize this, which is reflected in the faster delivery times year-over-year, increased willingness to protect their customers' shipments, and high visibility into the package's journey.

Delivery times are getting quicker, exceeding customer expectations

For years, the race to have the fastest shipping options is what dominated many e-commerce sellers' shipping strategies, and rightfully so. Merchants sought to mimic the 2-day standard that was set by Amazon Prime and have even pushed for overnight or same-day delivery in order to keep up with the increased demand that came from the pandemic.

So it's no surprise that average delivery times are less than a week for all product categories.



It's also not a surprise that the average delivery time for all collective merchants have gotten faster year-over-year for the past three years.

	2021	2022	2023
	Average delivery time (days)	Average delivery time (days)	Average delivery time (days)
ALL CATEGORIES	3.8	3.4	3.1

85% of customers opt for free or lower-cost shipping over faster shipping

However, with the cost of shipping changing so much year-over-year, customers have shown more patience when it comes to receiving their orders. In our ***2023 State of Shipping Report***, merchants surveyed reported that 85% of customers opt for free or lower-cost shipping over faster shipping. In fact, 38% of customers said their preferred shipping speed is 4-7 days for orders, an increase of 4% from the previous year.

This shows that merchants are exceeding customer expectations when it comes to this category. This means as a merchant you can work with your customers to offer slower transit times and cheaper shipping options while still delivering a positive customer experience. You could also provide them credits or incentives to choose these slower and more affordable shipping options as a means to build trust and keep engagement going.

2022: What is your preferred shipping speed when you buy item(s) online?

52%

I can wait 2-3 days

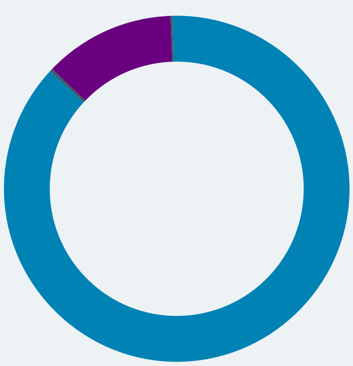
38%

I can wait 4-7 days

10%

I want same day

2022: Do more customers opt for faster or lower cost/free shipping options?



85%

Free or lower cost shipping

15%

Faster shipping

You can also experiment with multiple carriers and service levels. Just because a certain service level has an estimated window of 2-5 business days doesn't mean it will always take 5 days. For example, 90% of UPS® Ground shipments are delivered in 3 days or less. Also, in USPS's latest ***Delivering for America Second-Year Progress Report***, they highlighted that on average 99.9% of packages were delivered in less than three days. These fast delivery times can be attributed in large part to upgrades in facilities and equipment that have resulted in more efficient carrier networks. By experimenting with different carriers and service levels you can find the right balance between cost/transit time for your products.

Merchants are protecting their packages more

Shipping insurance can be overlooked during the label creation process. This is especially true in times when merchants are trying to find ways to limit expenses amid the rising cost of doing business.

Yet, despite inflation increasing the cost of operations, merchants across the board have increased their willingness to use shipping insurance. Ironically, this could be due to the need to save money. Even though shipping insurance will cost a small fee, the cost of losing a package or having one damaged in transit can outweigh the cost of shipping insurance. The package isn't the only thing being lost in those incidents. The time sacrificed filing a claim with carrier support and waiting months for a refund could result in an unhappy customer who won't shop again at your store. The cost then extends to the labor costs for your CS team and the lifetime value of that customer. Those unfortunate incidents occur more than you may think.

Most estimates suggest that **up to 10% of packages** in the U.S. arrive damaged

Most estimates suggest that up to ***10% of packages in the U.S. arrive damaged***. Furthermore, ***49 million Americans*** have reported having had a package stolen in the last 12 months.

To put this into context, if you were selling cameras for $200 each, shipping insurance through Shippo would be 1.25% of that item's value, making it $2.5 extra to ship. Now let's say you ship 10 cameras and one goes missing. Without shipping insurance, your business would be out $200. But, let's say you insured all 10 packages. In that case, you would have spent $25 on insurance and gotten reimbursed $200 for the missing camera, ultimately saving you $175.

Let's look at this example at scale using merchants' AOV.

INDUSTRY	Average order value (cart value)	Gross revenue with 10,000 shipments per month	Sum of 3% of packages lost	Sum of adding shipping insurance to 3% of packages	Difference between 3% of packages lost and insuring 3%	Sum of adding shipping insurance to all packages	Difference between insuring all packages and losing 3
APPAREL	$109.57	$1,095,700.00	$32,871.00	$3,287.10	$29,583.90	$10,957.00	$21,914.00
BEAUTY/ SKINCARE	$94.22	$942,200.00	$28,266.00	$2,826.60	$25,439.40	$9,422.00	$18,844.00
ELECTRONICS	$152.92	$1,529,200.00	$45,876.00	$4,587.60	$41,288.40	$15,292.00	$30,584.00
HEALTH/ WELLNESS	$71.90	$719,000.00	$21,570.00	$2,157.00	$19,413.00	$7,190.00	$14,380.00
JEWELRY	$78.79	$787,900.00	$23,637.00	$2,363.70	$21,273.30	$7,879.00	$15,758.00
SPORTS & OUTDOOR	$137.77	$1,377,700.00	$41,331.00	$4,133.10	$37,197.90	$13,777.00	$27,554.00

In this example, we're looking at merchants of a mid-market size, shipping 10,000 orders a month with each order being sold at each merchant's average order value. We're assuming in this example that shipping insurance only costs 1% of the package's value (the price Shippo Pro/Premier users pay).

You'll see that if 3% packages go missing a month, apparel merchants would stand to lose $32,871 per month if those packages were not insured. However, if 3% of their packages were insured they would only be spending $3,287.10 each month and if they chose to insure all their packages, they'd only be paying $10,957. The difference between insuring all packages and losing packages would be $21,914, which is a substantial amount for a business of any size.

	2021-2022	2022-2023
INDUSTRY	% of merchants who have used shipping insurance	% of merchants who have used shipping Insurance
APPAREL	15%	18%
BEAUTY/ SKINCARE	14%	18%
ELECTRONICS	23%	26%
HEALTH/ WELLNESS	15%	19%
JEWELRY	30%	32%
SPORTS & OUTDOOR	21%	25%

Given the potential financial impact of lost, damaged, or stolen packages, it's no surprise to see that a larger percentage of merchants in all six major categories chose to use shipping insurance.

The financial cost, the time needed to file a claim, and knowing what qualifies for insurance can seem daunting for merchants developing their overall shipping strategy. However, ***Shippo simplifies the entire process***. Pro and Premier plan users only pay 1% of the value of their products while typically insurance directly from a carrier costs 3% of the value of your products on average. Also, on average it takes just five business days to file a claim, have it processed, and receive a reimbursement for your product. This allows you to refund your customer quickly, keep your books organized, and turn what could've been a bad customer experience into a positive one that builds trust in the buyer.

Merchants are providing visibility where it matters

The customer experience isn't over after the sale is made, especially in e-commerce. Order tracking emails are often the next engagement your customers have with your business. In fact, ***according to a recent survey***, 96% of consumers track deliveries after ordering online. On top of that, 43% of customers track deliveries daily, 17% check several times per day, and 37% of consumers reported they check order tracking pages a few times before the item has been delivered.

Given such a high demand for order tracking pages, it is reassuring that most merchants are providing this option for their customers.

INDUSTRY	% of customers who have racking pages
ALL/COLLECTIVE	76%
APPAREL	75%
BEAUTY/SKINCARE	78%
ELECTRONICS	77%
HEALTH/WELLNESS	76%
JEWELRY	82%
SPORTS/OUTDOOR	78%

While more than three-quarters of merchants are meeting consumer demand for visibility into the package journey, most of them are not fully utilizing this customer touchpoint.

On average, only 3% of all merchants are using branded tracking pages. Shippo's Pro and Premier users have access to this functionality, allowing them to create order-tracking pages that can include their brand's colors/logos, promotional sales, related product recommendations, as well as other helpful information like a reply-to-email and refund policy.

Approximately **1 out of 4 consumers** click on a recommended product when they are tracking their order

Approximately 1 out of 4 consumers click on a recommended product when they are tracking their order. This not only gives a more positive post-purchase experience but can also lead to more sales, creating yet another win-win scenario for merchants and consumers alike.

Estimates show the success rate of ***selling to an existing customer is 60-70%***, while the success rate of selling to new customers is only 5-20%. And studies suggest that depending on what product category you sell, obtaining a new customer ***can cost 5-7 times more*** than retaining an existing customer. The cherry on top of all of it is that by increasing your customer retention by just 5%, you can ***increase profits from 25-95%***.

Branded tracking pages are an essential way of selling to existing customers and retaining them through a positive post-purchase experience without having to break the bank to do so.

Key Takeaway:

When it comes to delivery times, consumers are showing increased patience. According to our State of Shipping Report, 90% of customers are willing to wait 2-7 days to receive their order. By using the improved ground shipping options from multiple carriers as opposed to 2-day or overnight delivery, **you can give your customers cheaper shipping options while still meeting or exceeding their delivery time expectations**.

When it comes to shipping insurance, adding the service to your shipments could save your business thousands and help maintain a healthy profit margin. It could also save your business time and increase the willingness of customers to shop again after an incident. And for order tracking, since 96% of consumers check order tracking pages, making them branded and **adding product recommendations can help you target your existing customer base which is 60-70% more likely to buy from you vs new customers**.

Consumers Are Paying Attention to The Returns Experience. Are You?

Returns are an essential part of most e-commerce businesses. In fact, according to the *National Retail Federation*, online returns accounted for $212 billion in 2022 (16.5% of all online sales). What's more, according to a June 2023 consumer survey conducted by The Harris Poll on behalf of Shippo, 21% of Americans who have made online purchase returns in the past 12 months expect those returns to increase in the next 12 months.

That presents a potentially formidable scenario for merchants: Some estimates peg the cost of returns to the seller at ***66% of the original item's price***. While it may be tempting to try and discourage returns, that strategy may be a mistake.

It's worth noting that the rate at which you'll experience returns might differ depending on what you sell. Let's look at return rates for common items, provided by our partner Loop's E-commerce Returns Benchmarks Report.

Online returns accounted for **$212 billion in 2022** (16.5% of all online sales)

Average return rate by industry

17% APPAREL	9% ELECTRONICS
8% JEWELRY	4% BEAUTY/SKINCARE

The consumer perspective

As much as merchants are increasing their focus on the returns side of their e-commerce business, so too are consumers seeing it as part of their regular e-commerce experience – which means that changes won't go unnoticed. According to the same Shippo/Harris Poll survey, nearly three in four Americans who have made online purchase returns in the past 12 months (72%) have noticed retailers making online purchase returns more difficult over that time span, and more than half (54%) have felt blindsided by a retailer changing their online purchase return policy.

How Americans who have made online purchase returns in the past year have noticed retailers making returns more difficult during that time	
Only allowing exchanges or offering store credit (i.e., no longer offering refunds to the original payment method)	35%
No longer offer free return shipping	33%
Shorter return window	31%
Requiring returns to be made in person	18%
Other	1%

Those policy changes are no accident. ***Nearly 6 out of 10 retailers changed their return policy last year*** in an effort to save on return costs. Those changes had an effect on overall return rates with online returns dropping from 20.8% to 16.5% YoY. While it might be tempting to join other retailers in this trend, you'll want to tread lightly on how you tweak your return policy.

Beyond just noticing policy changes intended to curb returns, shoppers are taking action. According to data from the Shippo/Harris Poll survey, four out of five Americans (80%) say if an online retailer they regularly purchase from made their return policy more difficult, they would purchase from a different retailer with a more favorable return policy instead. Brand loyalty is hard won – the last thing that merchants want to do is damage their own reputation with customers through a hasty reaction to what first looks like a challenge, but could turn into an opportunity.

Making returns a competitive advantage

According to our latest ***Returns Report***, 96% of customers are more willing to make a purchase if free returns are on the table. However, offering free returns with no strings attached is an increasingly untenable ***returns management strategy*** for sellers – it's costly and can itself increase return rates. The question, then, is this: how to find a middle ground that makes customers feel they're being treated fairly and keeps them coming back to your business?

1. **Provide incentive:** If your business is integrated with a returns platform and the returns platform incentivizes exchanges over returns, that may also affect your returns rate. Approximately 83% of consumers would be very or somewhat likely to switch their return to an exchange if they were incentivized with $10 extra dollars to shop with.

2. **Dig into your own data:** Offering customers the ability to make returns with a QR code at a drop-off location instead of printing a return label may also affect your return rates. ***About 30% of American households don't have a printer*** while ***85% of Americans own a smartphone***. Making the returns process more accessible in this way may increase returns. However, 91% of consumers say that the overall ease of their returns experience impacts their willingness to shop with a retailer again, and ***existing customers spend 67% more*** than new customers. Making the returns experience easier could, in effect, increase overall profitability from returning customers. If you work with a returns software company that has this feature, it might be an area worth testing.

   If you want to make the customer experience easier and you also want to decrease return rates, extending your returns window might be the trick. According to a study conducted by the ***University of Texas-Dallas***, researchers found that for merchants who increased their returns window (ex. up to 30 or 60 days), return rates dropped. They pointed this to being part of an "endowment effect" where customers who have possession of the item for longer feel more attached and less likely to return. A longer deadline to return also creates less urgency on the customer's end, making it more likely for them to forget to return the item. You may want to incrementally increase your returns window and measure the effectiveness of this strategy over time to see how it affects your business's overall return rates.

3. **Get creative:** The returns environment is a complicated one for merchants without a one-size-fits-all solution, which makes creativity key. For example, many merchants find the cost of a return outweighs the benefit of reselling an item – so how can they satisfy consumers while limiting their financial exposure?

   Chewy, the online pet care product retailer, is one of a wave of companies telling their customers to donate their unwanted products or give them to a friend rather than send them back. According to data from the Shippo/Harris Poll survey, 55% of Americans who have made online purchase returns in the past 12 months would prefer to shop with a retailer that encourages the donation of unwanted items and offers a store credit rather than one that refunds to the original payment method once they receive the returned item.

   That method might not be right for every merchant, but there may be other solutions that limit the financial impact of returns while building brand loyalty.

4. **Weigh the value of the initial purchase and the likelihood of getting repeat business vs the cost of returns:** The first aspect to look at is cost of returns. As mentioned before, surveys and reports have estimated this cost to be around 66% of the item's price. Industry experts have also claimed that 10% of returned items can't be resold, and for the ones that can, they are often discounted since they are used. You'll need to look at a number of different factors when calculating your return costs, including your average return label cost, labor costs for inspection/restocking, percentage of returns that can be resold, and discounts to be applied to used goods. For some, it makes more financial sense to initiate a refund or store credit without receiving the original

item back. Before you rush to make your returns policy more stringent, you'll need to weigh those costs against initial and repeat purchases.

54% of shoppers are unlikely to buy a product if a business has an unclear or unfavorable return policy

When it comes to the likelihood of an initial purchase, keep in mind that 84% of customers look at a return policy before buying, and ***54% of shoppers are unlikely to buy*** a product if a business has an unclear or unfavorable return policy. When it comes to the likelihood of an initial purchase, keep in mind that 84% of customers look at a return policy before buying, and 54% of shoppers are unlikely to buy a product if a business has an unclear or unfavorable return policy. When it comes to repeat purchases and brand loyalty, remember that, per the Shippo/Harris Poll survey, 80% of Americans would choose a retailer with a more favorable return policy over one that they'd regularly shopped with before that made their return policy more difficult. Retaining the customers you have is crucial since acquiring a new customer can cost 5-7 times more than an existing customer, and by increasing your customer retention by just 5%, you can increase profits from 25-95%. E-commerce merchants that want to differentiate themselves from the competition and use their returns policy to increase sales can look to make the returns experience one that their customers want.

In our latest Returns Report[2], we partnered with Loop to find that customers' most preferred returns experience is to have a pre-printed return label included with the original shipment. By including a return label, customers can go directly to carrier drop-off locations to initiate their return. There is no friction caused by the customer needing to go through an online portal, print labels at home, or stand in line at a post office/carrier store. This creates a positive returns experience, and by providing that, ***97% of customers are more likely to purchase again***. The convenience provided appears to give customers more confidence in making an initial purchase.

	2023
INDUSTRY	**Percent of users with return labels printed at Shippo**
APPAREL	33.41%
BEAUTY/SKINCARE	16.27%
ELECTRONICS	41.45%
HEALTH/WELLNESS	20.00%
JEWELRY	23.82%
SPORTS & OUTDOOR	36.07%

With Shippo, you can ***print return labels at the same time*** as shipping labels so that you can include them inside your packages. For carriers that support scan-based return labels, you'll only be charged for returns if that return label is scanned by the carrier delivering your products back to you. This instills confidence in the customer and allows you to not break the bank in doing so. Many e-commerce businesses across product categories have tried this method in the past year, and there is still an opportunity for plenty of other merchants to try this simple return method.

Key Takeaway:

The total return rate for all online retail sales in the U.S. has reduced year-over-year from 20.8% to 16.5% as merchants look to curb returns. But the need to have a thoughtful returns strategy remains given shoppers' willingness to abandon brand loyalty and change purchase decisions based on a more or less favorable returns policy. There are two strategies to consider most when trying to strike this balance of business and customer needs. The first is to **include the return label in their initial package**. This is a favorable return strategy for customers as it allows them to stick the label on the parcel and drop it off at the carrier or drop-off location you set.

You could also take the strategy of **using returns software and making your customers go through an online portal where you can collect data (such as why they're making the return), promote exchanges, and allow customers to either print a label at home or send them a QR code to use at a drop-off location.** You'll want to look at your previous returns data before choosing your strategy. You'll also need to monitor return rates and compare them to sales data throughout the year to see if those who made returns ordered again and, if so, at what rate. No matter the strategy you choose, you'll need to consider the possible effects it will have on your customer as this will inevitably affect your bottom line. Look at your own data and your customers' behavior to help find a return policy that saves money, retains customers, and builds your shipping operations for success for years to come.

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[1] *Survey methodology: This survey was conducted online within the United States by The Harris Poll on behalf of Shippo from June 6-8, 2023 among 2,054 U.S. adults ages 18 and older, among whom 1,396 have made online purchase returns in the past 12 months. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within +/- 2.7 percentage points using a 95% confidence level. This credible interval will be wider among subsets of the surveyed population of interest. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact* ***shippo@missionnorth.com****.*

[2] *"Consumer data is based on responses from 1,000 US-based e-commerce shoppers gathered by a third-party survey platform in January, 2022."*

CHAPTER 5

Popular Shipping Destinations Have Been Identified but International Shipping is Underutilized

written by shiphero™

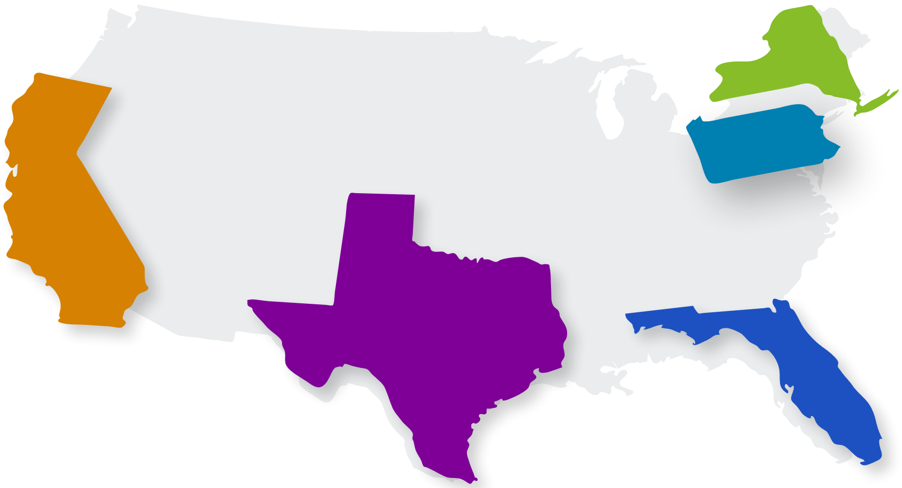
In order to grow your business, it's critical to know where your current customers live as well as where your potential customers reside. Doing so can inform you where you should set up your fulfillment/warehousing operations and where to sell your products. Based on the data, fulfillment operations should be set up in the four corners of the US and centrally in Texas. When looking for other countries to sell in, you should look to Canada, U.K., and Australia in that order.

Unsurprisingly, most packages are being delivered to the most populous states in the U.S.: California, Texas, Florida, and New York top the list for the most shipments in 2022-2023. With more than one out of every 10 packages shipping to California, it makes sense that so many merchants have warehouses near the major ports of San Diego, Los Angeles, and Long Beach.

Data also shows that e-commerce merchants ship everywhere. In all of the major merchant categories, including apparel, beauty, health & wellness, sporting goods and toys & games, packages were delivered to all 50 states throughout the year. Additionally, the majority of packages in each category were sent to California.

In all of the major merchant categories, **packages were delivered to all 50 states** throughout the year

Shipments by State (%)



12.65%	CALIFORNIA
8.52%	TEXAS
6.32%	FLORIDA
5.87%	NEW YORK
3.68%	PENNSYLVANIA

Five states make up approximately **37% of all shipping volume** being delivered in the U.S.

The top five states make up approximately 37% of all shipping volume being delivered in the U.S. You'll notice however, that geographically they are spread out across the country. This further proves the necessity of having warehouses and fulfillment centers spread throughout the nation. For example, to best serve their merchants, our 3PL partner ShipHero has warehouses set up in Las Vegas to serve the massive California market, Fort Worth to serve the Texas market, Jacksonville to serve the Florida market, and Allentown, PA to serve both the Pennsylvania and New York markets. They also have warehouses set up in other areas of the country as well as Canada to limit transit times and shipping costs for most North American merchants/shoppers.

Where merchants are shipping internationally

written by shippo

Before we dig into where exactly merchants are sending their products, we should take a look to see what percentage of them have taken the leap and begun to ship internationally. You'll notice that for most categories, less than half of merchants are shipping outside of their own countries.

There could be a few factors leading to this. For example, shipping internationally does tend to come with more rules and restrictions for certain products, especially those that may qualify as hazardous materials (HAZMAT). Since some beauty/skincare products or health and wellness products might contain things like alcohol or be packaged in an aerosol can, it may eliminate their possibility of being shipped internationally.

INDUSTRY	% of merchants shipping internationally
APPAREL	40.13%
BEAUTY/SKINCARE	32.76%
ELECTRONICS	53.29%
HEALTH/WELLNESS	34.64%
JEWELRY	48.71%
SPORTS & OUTDOOR	51.14%

Another reason for the lower number of international shippers could stem from a lack of education in the types of documents and processes needed in order to sell and ship to a different country.

Luckily, Shippo merchants now have access to new cross-border shipping features that eliminate many of the roadblocks to international shipping.

There is now less redundancy in the user flow when filling out shipment information. Merchants can now send important customs information directly to customs agencies at the time of label purchase with ***UPS Paperless™ Invoice***. They also have additional discounted international shipping services like ***FedEx International Connect Plus®*** to choose from, which merchants didn't have the year prior.

With these changes, merchants now have an even greater ability to reach the ***$4.11 trillion dollar global e-commerce market projected for 2023.***

Largest number of packages shipped to from the U.S.

INDUSTRY	Country #1	Country #2	Country #3	Country #4	Country #5
APPAREL	Canada	UK	Australia	Germany	France
BEAUTY/SKINCARE	Canada	Germany	Australia	UK	France
ELECTRONICS	Canada	UK	Australia	Germany	China
HEALTH/WELLNESS	Canada	UK	Australia	New Zealand	Switzerland
JEWELRY	Canada	UK	Australia	Germany	France
SPORTS & OUTDOOR	Canada	Australia	UK	Germany	Switzerland

Top 5 most popular international markets

As far as where merchants are shipping internationally, there are commonalities between industries. Right off the bat, you'll notice Canada is the most popular country to ship to, due to a number of factors.

The first is that the majority of our data comes from merchants who are U.S.-based, making Canada the closest international country to ship to. Rates are lower for Canadian shipments thanks to ground shipping being an option. This makes cost less of a barrier to shipping internationally. Canadian consumers are also inclined to shop online. In 2022, there were over 27 million e-commerce users in Canada, accounting for ***75% of the Canadian population***. They are also not shy when it comes to spending on online purchases. Revenue in the Canadian e-commerce market is ***projected to reach $62.12 billion in 2023***.

The next two most popular options are the U.K. and Australia, despite there being several countries located closer to the U.S. One large factor that could explain these next two countries is the fact that they are both English-speaking countries and also are more apt to shop online.

The U.K. for example, hosts the second-largest amount of online shoppers of any European country, and Australia is ***projected to reach $43.21 billion*** in e-commerce revenue in 2023, making it an enticing opportunity for those looking to grow their business outside their own borders.

In 2022, there were **over 27 million e-commerce users in Canada**, accounting for 75% of the Canadian population

Key Takeaway:

In the U.S., it's clear where e-commerce shoppers are located. Those looking to offer more affordable shipping and faster deliveries to all U.S. customers will need to set up fulfillment operations in or near, California, Texas, Florida, and New York. California boasts the largest number of shipments, which is the reason major retailers like ***Amazon plan to operate 35 distribution centers in that state alone***. If you're not sure where to start storing and fulfilling your inventory, California will likely be a good start, but you'll need to assess where the majority of your shipments are going first. Working with a 3PL partner with multiple fulfillment centers will allow you to service your existing base faster while also allowing you to scale your operations over time.

When it comes to shipping internationally, three countries have proven their willingness to buy products shipped from the U.S. Those countries are Canada, the U.K., and Australia. However, Germany and France also boast two of the top 10 largest e-commerce markets in the world (***6 and 7 respectively***) and have also proven to be in the top-five destinations for U.S. merchants shipping internationally. For U.S. merchants looking to expand business internationally, beginning in Canada will be the fastest, lowest-cost option due to ground shipping being an option. When looking overseas, starting with the English-based countries of the UK and Australia will allow you to sell easier. After that, you'll want to look more into France, Germany, and other countries with an established e-commerce market. As your customer base grows in other countries, you'll want to look into fulfillment partners with an international presence which will allow you to provide the same fast, cost-effective shipping options that your U.S.-based customers have.

CHAPTER 6

The Global Supply Chain is Easing and the Inflation Rate is Shrinking

written by shippo

When taking a look at the e-commerce landscape from a bird's eye view, we'll notice some positives when compared to last year as well as some new challenges. Let's start with the good news.

Since the start of the pandemic, supply chain disruptions have caused issues for merchants getting their inventory. This has added a stressor for the overall fulfillment process and has ultimately resulted in longer wait times for customers getting their orders delivered. Even though these issues still exist, there is now a light at the end of the tunnel.

As of December 2022, the New York Federal Reserve's ***Global Supply Chain Pressure Index***, which measures global supply chain disruptions using a range of indicators, was as low as 1.0. The lower the pressure index, the smoother the overall global supply chain is and vice versa. This is down from a pandemic high of 4.0 in 2021, and the consensus from industry leaders is that the pressure index will only go down even more in 2023. On top of that, ***the price of shipping containers*** is going down, which signals slowing demand and will ease port congestion.

Inflation rate still high, but slowly shrinking

Now, for the bad news. Tying back into that "slowing demand," the rate of U.S. retail sales has taken a dip. This can ultimately be pointed back to one thing - the rate of inflation. The growing cost of many everyday necessities has caused consumers to think twice about discretionary spending.

The U.S. Bureau of Labor Statistics pegged the ***rate of inflation*** for the month of May 2023 at 4.0%. But not all is doom and gloom for e-commerce merchants, as we're down from a high of 9.1% less than a year ago, and the inflation rate has shrunk every month since the start of 2023.

The U.S. Census Bureau has also reported that e-commerce sales **grew nearly 8% year-over-year** for Q1 of 2023

Retail sales also look improved with the current U.S. retail sales level set at $598.59 billion, up 1.54% compared to the same time last year. The ***U.S. Census Bureau*** has also reported that e-commerce sales grew nearly 8% year-over-year for Q1 of 2023.

In short, the market is starting to slowly recover in favor of e-commerce merchants everywhere. However, the tactics and strategies needed to take advantage of this changing landscape will differ depending on what you sell.

One thing you'll want to be cautious about is how you price your products among these changes in the market. Because larger retailers have excess inventory this year due to previous surcharges in demand and a lack of warehousing space, they have been offering off-season sales unlike in the past. You'll want to be careful about product assortment so you don't get caught in the discounting crossfire of larger merchants.

written by shiphero™

Cutting costs and overcoming macro-level challenges

Logistics costs are one of the key areas in e-commerce impacted by market fluctuations. The rising cost of fuel, the shortage of truck drivers, and the increased cost of packaging materials (as well as difficulty in sourcing them) are all specifically impacting e-commerce merchants' bottom line.

In many cases, these costs are inevitable - trucks need fuel anddrivers, and boxes are necessary to ship items safely and securely. So with these prices so integral to the e-commerce seller, what can be done to counterbalance these costs?

Planning is the best defense.

1. **Avoid rush fees for your own inventory:** With better inventory management, understanding your products and how and when they sell will make it easier to plan ahead. You want to keep your warehouse shelves full of the items that move quickly - your most in-demand products. By using inventory forecasting tools, you'll be able to order well in advance of stock shelves coming up empty and avoid having to wait the extra 2-4 weeks (and pay rush delivery) for products due to any delays.

2. **Keep your supplies stocked:** There's a reason there was a rush on toilet paper in early 2020 - everyone was worried it would run out and the restocking would take too long. When you're shipping hundreds or thousands of shipments a day, having all the packing tape, boxes, and dunnage you need to keep your operation running smoothly is just as important as a well-stocked linen closet circa 2020. Even as supplies become more plentiful, nothing can put a wrench in your well-run e-commerce shipping operation than a lack of packing materials. To keep costs low, be sure to take advantage of free boxes and packing materials provided by carriers, use boxes made from recycled material, or use poly mailers if your items are not fragile.

3. **Distribute your inventory to get it closer to customers:** The quickest way to get your orders into the hands of your customers is to get your product as close to them as possible. Your goal is to cut down on the last-mile delivery distance where a majority of shipping costs are incurred. Multi-warehouse allocation and load balancing are two well-used tactics in e-commerce that move your inventory closer to the customers who will most likely order it. They get faster deliveries while you get to choose lower-cost ground services from carriers instead of using expedited shipping services that require air transportation.

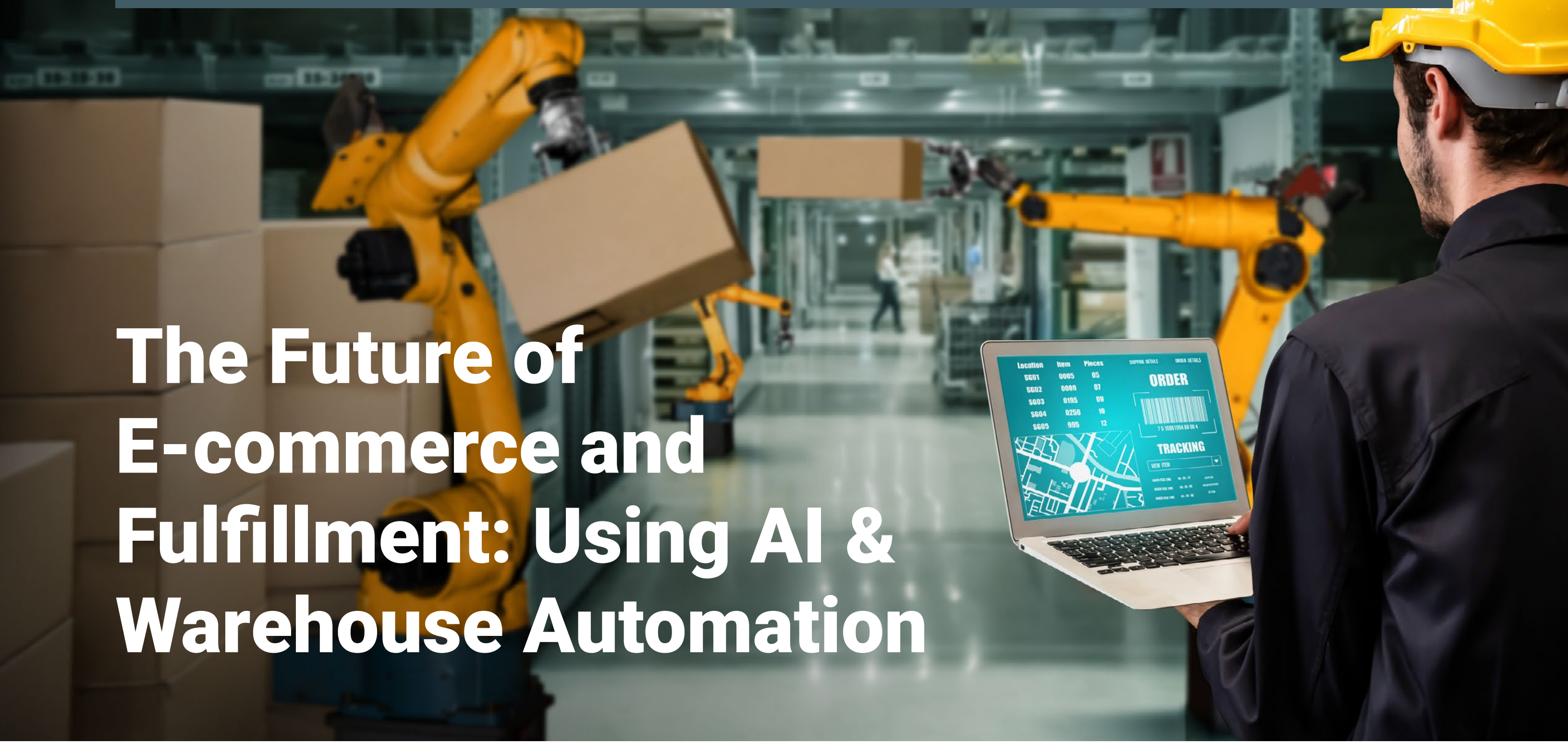
4. **Offering refunds or credits on low AOV products:** Return costs can not be ignored when looking at your overall logistics costs. Not only will you have to factor in the cost of the return label, but you'll also need to consider the time and labor costs involved in your fulfillment partner to inspect returned items, restock them, store them, and ship them once again. In certain cases, these return costs will outweigh the value of selling that item again, which is why some retailers (especially those who already have too much inventory) have turned to returnless refunding. Not only could you potentially save on return costs, but research has shown that more than 50% of shoppers say getting a returnless refund made them want to purchase from that brand again. You'll want to inspect this strategy on a product-by-product basis to see where and if this makes sense for your business.

5. **Renegotiate your 3PL contracts later this year:** As mentioned before, warehousing trends point to excess capacity hitting the market, especially for merchants selling discretionary items. This is likely to cause a need for additional warehousing space to store excess inventory. By renegotiating your contracts, you may be able to save on this inventory, rather than having to sign an additional contract to store inventory that you'll ultimately have to sell at a discount to get rid of.

Key Takeaway:

The e-commerce market is trending in a positive direction for all merchants no matter the business size or product category. With global supply chain delays becoming a thing of the past and with the U.S. inflation rate shrinking every month, **merchants are able to stock up on time and charge prices that will attract more customers.** However, merchants will still need to work hard in order to take advantage of the favorable conditions playing out this year.

With supply chains easing, e-commerce businesses can now stock up before the holiday season so they can avoid backorders and rush fees at a time when consumers are the most eager to purchase. Inflation rates shrinking also means more favorable prices that will entice customers to buy. However, high shipping rates can be a deterrent so merchants must find ways to lower those costs as well by choosing more affordable packing materials and distributing inventory closer to their customers. And with all these sales looming in the future, it will inevitably mean more returns. Merchants will have to assess which products are even worth accepting returns for and if a strategy such as returnless refunds makes sense.



The Future of E-commerce and Fulfillment: Using AI & Warehouse Automation

written by shippo

Artificial intelligence (AI) has been making headlines all year long. According to a recent IBM study, 35% of companies reported using AI in their business and 42% reported they are exploring how to use AI in their business. The latest innovations in AI are most popular for writing and design, but there are many ways in which it can help e-commerce businesses sell more and better serve their customers.

AI will power the future of e-commerce

Artificial intelligence (AI) has been making headlines all year long. According to a ***recent IBM*** study, 35% of companies reported using AI in their business and 42% reported they are exploring how to use AI in their business. The latest innovations in AI are most popular for writing and design, but there are many ways in which it can help e-commerce businesses sell more and better serve their customers.

1. **Selling more with AI:** One of the most effective ways to convert a potential buyer to a paying customer is by creating persuasive product pages and informative web copy. With AI writing tools like ChatGPT, Jasper, and others, online store owners can create content on their sites faster and more efficiently than ever before. According to a ***Forbes survey***, 29% of businesses are using AI to write website copy, and that number is increasing. The need to outsource and wait days for copywriting will slow down as more business owners adopt AI for their marketing needs. Furthermore, AI can also help when tracking user data on websites. This means your site can create a more personalized experience by recommending products related to those that potential customers are searching for. About 55% of businesses are using AI for personalized services like product recommendations and the trend is only pointing towards a larger percentage in the future.
2. **Using AI to handle customer support:** For years, e-commerce merchants have been using chatbots to handle common customer service issues. They often direct people to FAQ pages or other help articles related to customer input. This has allowed CS reps to devote more time and attention to bigger, more complicated issues. However, AI will allow these simple chatbots to learn and improve, so the more questions they get from customers, the more personalized experiences they are able to create, all while limiting support costs. About 73% of businesses are already using chatbots in some capacity, so the improvements AI will have on this function will be felt almost immediately.

35% of companies reported using AI in their business and 42% reported they are exploring how to use AI in their business

written by shiphero™

Warehouse automation (including robotics) are on the rise

Streamlining warehouse operations has become the norm for forward-thinking e-commerce brands. A few key factors have led to this increase in automation.

- **Warehouse Management Systems with Automation Rules will Drive Productivity:** A majority of packing tasks in the warehouse can be automated, which is where brands can save time and money. Automation rules remove the uncertainty at a key moment in the fulfillment process - the packing station. Many automation rules cover things like inserts, custom packaging requests, and more.

  Automation rules can also help to route more complicated warehouse tasks like wholesale fulfillment. No matter how they're used, the successful execution of automation rules can lead to more efficient processes. It also frees up your employees to work on higher-level and more creative tasks, keeping them engaged.

- **The Warehouse Robotics Revolution has Begun:** Automated mobile robots (AMRs) have become a larger part of warehouse operations in the past two years. Robots have evolved into a must-have for many e-commerce merchants.

  At ProMat 2023, ShipHero COO, Maggie M. Barnett spoke with inVia Robotics CEO, Lior Elazary to discuss the implementation of robots in ShipHero's Jacksonville warehouse. A key takeaway from that discussion: robotics have decreased the cost of key tasks in the warehouse, while also elevating the employee experience by transitioning repetitive tasks to robots and freeing up employees to work in more stimulating roles.

  According to a report by ***McKinsey***, investment in AMRs and automation, in general, will account for at least 25% of spending through 2028. With a quarter of annual warehousing budgets being dedicated to automation and robotics, the importance and value of robotics have been vetted by the industry as a whole, and its implementation will continue to rise.

Investment in AMRs and automation, in general, will account for **at least 25% of spending through 2028**

Key Takeaway:

AI is set to transform e-commerce by revolutionizing content creation and customer support. AI-powered writing tools enable online store owners to create persuasive product pages and informative web copy quickly and efficiently. This reduces reliance on outsourcing and speeds up content creation, while **personalized product recommendations based on user data enhance the customer experience**. Additionally, AI-driven chatbots handle common customer inquiries, freeing up human representatives to focus on more complex issues. With 55% of businesses already utilizing AI for personalized services, the impact of AI in e-commerce is poised to grow.

In parallel, **warehouse automation, including robotics, is becoming increasingly prevalent in the e-commerce industry**. Automation rules streamline packing tasks, saving time and money, while robots, such as automated mobile robots (AMRs), reduce costs and enhance the employee experience. AMRs perform repetitive tasks, allowing human workers to focus on more stimulating roles. With the industry investing a significant portion of their budgets in automation and robotics, the implementation of these technologies will continue to rise, reshaping the warehousing landscape in e-commerce.

About Us

Founded in 2013, Shippo provides a leading shipping platform designed for growing e-commerce businesses and connects seamlessly to e-commerce platforms, marketplaces, and warehouses. The company helps more than 100,000 businesses get real-time shipping rates, print labels, automate international paperwork, track packages, facilitate returns, and more. Shippo's multi-carrier platform provides access to 85+ carriers and helps businesses navigate the complexities of shipping so that they can achieve their highest potential.

Learn more about Shippo and sign up for your free account ***here***.

ShipHero offers an industry-leading warehouse management system (WMS) and a full-service fulfillment solution to e-commerce brands and 3PLs looking to make their warehouses more efficient and cost-effective. Our software gives brands the tools and processes they need to streamline their processes and procedures. From inventory management to order management to work orders to automation rules and more, our WMS has been recognized as a leader by G2 for e-commerce businesses.

Our full-service fulfillment solution gives clients the chance to outsource their entire fulfillment operation and leave the headache to us. With your fulfillment handled by ShipHero, you'll have time to focus on the tasks and activities that really grow your business. We own and operate 8 warehouses across North America and leverage our network and our own software to lower fulfillment costs by increasing operational efficiency.

To learn more about ShipHero, ***schedule a call*** with our sales team today. Let's get shipping.