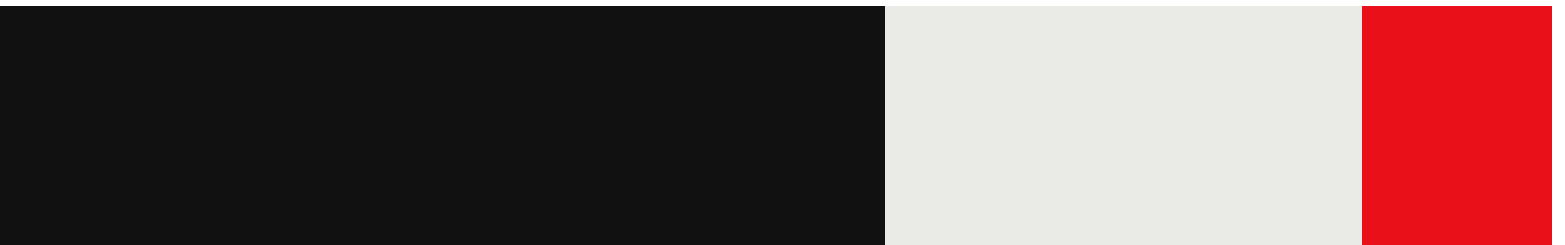# Three ecommerce delivery challenges—and how brands and retailers can respond

Article

"When retailers can offer a delivery experience that the consumer expects, the consumer is less likely to abandon their cart," said our analyst Blake Droesch. More than one-third (36%) of

US consumers abandoned an order last year because shipping costs were too high and another 29% did so because their items wouldn't arrive on time, per an August 2023 report by Digital Commerce 360.

Here's how retailers can tackle three common delivery challenges.

1. Consumers' expectations are on the rise

"Consumers don't want fast shipping. They want free shipping as fast as possible, and that's becoming the baseline," Droesch said.

An increasing number of consumers worldwide say the cost of delivery, the speed of delivery, and having flexible returns are important when they order online, according to an April 2024 report by ShipStation.

"[Amazon](#) has continued to up the bar in terms of free and fast delivery," Droesch said. Almost three-quarters (72.7%) of US households are Amazon Prime members.

2. Shipping expenses are impacting margins

The cost of fulfillment through the major carriers such as FedEx is up due to the growing number of packages and macroeconomic influences like the price of gas. "Those costs are falling back on the retailer, who is then passing them onto the consumer in order to keep margins healthy," Droesch said.

3. The burden of returns is complicated and costly

Last year, nearly half (49%) of US retail executives said returns were a severe problem for their business, compared with only 2% who said the same the year prior, according to an October 2023 report by goTRG.

US consumers will return $264.12 billion worth of goods this year, up 5.9% YoY, per our November 2023 forecast. Even though the ecommerce return rate will continue to decline from its pandemic-driven peak in 2021, retailers still face challenges with bracketing and return fraud.

How brands and retailers can respond:

- **Increase the efficiency of delivery times.** Consumer insights and AI-powered demand forecasting can help retailers identify which items are selling and where, to better strategize with their regional fulfillment centers.

- **Improve delivery economics.** Adopt pricing models and encourage bundled purchases to increase order value to offset the cost of shipping and returns.

- **Reduce return rates.** Invest in technology such as AR and <u>chatbots</u> that will enhance the website experience and let the consumer know exactly what they're buying. Experiment with the return policy and see how return windows and fees affect cart abandonment.

Learn more in our <u>The Ecommerce Delivery Opportunity</u> report.

Report by Blake Droesch May 23, 2024

The Ecommerce Delivery Opportunity

THE ECOMMERCE DELIVERY OPPORTUNITY

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