Comprehensive Report on Shipping Cost Coverage and Pricing Strategy Australia June 2024

# Introduction

This report provides an analysis of the current shipping cost coverage and pricing strategy. The goal is to ensure that the shipping costs are adequately covered without significantly impacting overall revenues. The analysis includes key metrics, observations, and recommendations for optimizing the pricing strategy. *The numbers may be slightly skewed because of the data accuracy in shopify.*

# Key Metrics

The key metrics derived from the analysis are as follows:

|  |  |
| --- | --- |
| Adjusted Increase Percentage | **6.04%** |
| Orders Covering Shipping Costs | 648 |
| Total True Coverage Difference | $72,481.26 |
| Orders Not Covering Shipping Costs | 28 |
| Total False Coverage Difference | $3,394.29 |
| **Net Positive Coverage Difference:** | $72,481.26 |
| **Total Shipping Costs:** | $32,914.88 |

# Observations

The analysis of the adjusted increase percentage and shipping cost coverage has led to the following observations:

**1. High True Coverage Difference:** The total additional revenue from orders covering shipping costs ($72,481.26) significantly exceeds the shortfall from orders not covering shipping costs ($3,394.29). This indicates a net positive impact on overall revenue due to the 6.04% increase.

**2. Small Orders Impact:** Smaller orders tend to have higher shipping costs relative to their subtotal, leading to a higher percentage increase needed to cover these costs. Smaller orders make up a relevant portion of the orders not covering shipping costs.

# Conclusion

Implementing a **6.04%** required increase is a solid initial step towards offering free shipping for states with lower shipping costs. This strategy could be well-received by customers, especially since the majority are located within the free shipping zone. While this move is likely to enhance customer satisfaction in the short term, it is important to consider that a more refined pricing strategy may be needed in the long run to balance costs and maximize profitability.

# Recommendations for Next Steps

Based on the findings, the following recommendations are proposed to optimize the pricing strategy and improve shipping cost coverage:

**1. Minimum Order Value for Free Shipping:** As alternative implement a minimum order value to qualify for free shipping, encouraging larger orders and reducing the impact of high shipping costs on small orders.

# Required Increase Percentage Imbalance

The small orders needs a balanced increase on the pricing distribution.

# 

# Imbalance of the cost distribution for the customer

Having a weighted averaged price increase may effect some customers more than others.

