# Case Study: Implementing Free Shipping Threshold at Glow Skincare

### **Background and Update Proposal**

Glow Skincare, a rapidly expanding brand recognized for its premium skincare products, is currently facing rising supply chain costs. These increasing expenses—spanning logistics, warehousing, and shipping—are beginning to affect the company’s profit margins. To address this challenge, the management team is exploring strategies to encourage larger customer purchases while minimizing the impact on cost-sensitive shoppers.

One proposed solution is to introduce a minimum order value of $35 for free shipping. Historically, Glow has offered free shipping on all orders, regardless of size. However, management believes that this new policy could offset the rising supply chain costs and simultaneously increase the average order value. The leadership team projects that this update could lead to a **30% increase in the average order amount** from existing customers.

### **Rationale for the Update**

The decision to explore a free shipping threshold is based on several key factors:

* **Supply Chain Costs**: Recent internal analysis shows a steady increase in shipping and fulfillment costs, making small, frequent orders increasingly unprofitable. Implementing a minimum threshold for free shipping could help mitigate these costs and improve margins.
* **Increase in Order Value**: By setting a $35 minimum for free shipping, the expectation is that customers will be incentivized to add more products to their carts to meet the threshold, thus raising the average order value.
* **Market Competitiveness**: Many competing skincare brands have already implemented similar minimum order thresholds for free shipping, and evidence suggests that this practice encourages upselling while helping reduce shipping-related expenses.

### **Reservations and Concerns**

Despite the potential benefits, the management team has several concerns regarding the proposed update:

* **Impact on Customer Loyalty**: Glow’s long-term customers are accustomed to receiving free shipping on all orders, regardless of size. Implementing a threshold may cause dissatisfaction among loyal customers, potentially damaging the brand’s reputation.
* **Loss of Small Order Customers**: A significant portion of Glow’s customer base consists of shoppers who frequently make small purchases. These customers may be deterred by the new shipping policy, leading to a reduction in sales volume.
* **New Customer Hesitation**: New customers may be hesitant to try Glow’s products if they perceive that they have to meet a minimum spend to avoid shipping costs. This could hinder growth and customer acquisition.

### **The Need for A/B Testing**

Given these reservations, Glow’s management has decided to implement an **A/B test** to better understand the impact of the proposed free shipping threshold before proceeding with a full-scale rollout.

As the product analyst, your responsibility is to design and run the A/B test over a two-month period.