



# NEW HORIZONS IN E-COMMERCE

How businesses turn products into services to increase their shipping volumes

**C**arly Strife of Brooklyn, NY, likes to delight her dogs Cooper and Roxy with new treats and toys. But shopping at pet stores for merchandise didn't satisfy her desire to surprise her pets.

To change that, she and some dog-loving friends created BarkBox in 2011. Through its website, BarkBox.com, customers order a subscription for regular shipments of new treats, toys and other surprises selected by her company for their dogs, such as bone-shaped ice cube trays for making frozen canine treats.

Dog owners loved the idea. Within a few months, BarkBox was shipping to all 50 states, and the New York City-based company now employs 26 people and has signed up more than 55,000 customers.

BarkBox is more than just a pet supply shipper, Strife said. It's a service that adds a new appeal to buying pet products—the joy of surprise.

"We call it a 'discovery experience,'" she said. "It's a service, and it's an experience."

BarkBox banks on the simple pleasure of receiving a package in the mail

containing a surprise toy or tasty treat to open and share with an eager four-legged friend. E-commerce trend-watchers call this kind of business model "discovery commerce," and it is growing fast.

Strife's business is one of many web-based companies that are taking e-commerce to new heights. These companies are doing more than sell the same products as brick-and-mortar stores—they are adding a new level of service to their products, such as an element of surprise, customized or hand-picked items to match their tastes and subscriptions for regular delivery.

With each new idea, e-commerce moves further away from the days when buying online was just an alternative to store shopping. Today's web-based sellers are combining the power of the Internet and the universal service of the Postal Service to give customers access to new products and services.

The trend is part of why e-commerce is projected by some analysts to continue to capture an even larger share of retail sales, sustaining the growth in Postal



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—CARLY STRIFE

A monthly box of dog goodies.

GET STARTED

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BarkBox

How it works

1. Choose dog size. Select how big your dog is to see the goodies for every dog size.
2. Choose plan. Monthly, 3-month or 6-month plans available. Cancel anytime. Free shipping.
3. Get BarkBox. BarkBoxes are shipped on the 1<sup>st</sup> of each month. Get excited!

Service package delivery business. It also brings a new opportunity for the Postal Service to build its partnership with Internet sellers by enhancing service on the delivery side of the equation.

### MAIL SUBSCRIPTIONS KEEP THE PANTRY FULL

Browse the web for a while and you’ll find hundreds of cutting-edge e-commerce business models with novel approaches to adding value to their wares through service.

Many e-commerce companies are building a steady revenue stream—and a steady source of package business for the Postal Service—by offering subscriptions that keep customers supplied with desired items. It’s a throwback to the days when the milkman brought dairy products to customers’ doors, with a modern twist.

Businesses selling subscriptions to products have popped up everywhere on the web, offering beauty and hygiene products, clothing, toys, art and craft supplies, video games—anything customers want on a regular basis.

DollarShaveClub.com sells its monthly subscriptions to razors on price along with the convenience of automatic monthly delivery of an essential item many men forget to buy in advance. SentHerWay.com sends out feminine hygiene products every month. Have a new baby or a friend with one? You can buy a year’s supply of diapers and wipes, delivered monthly and automatically sized for the child’s growth, at BabyShowersByMail.com.

Consumers like the concept so much that e-commerce king Amazon.com has jumped in by offering subscriptions for regular delivery of products such as laundry detergent, coffee and baby supplies.

### CUSTOMIZED PRODUCTS WHENEVER YOU WANT

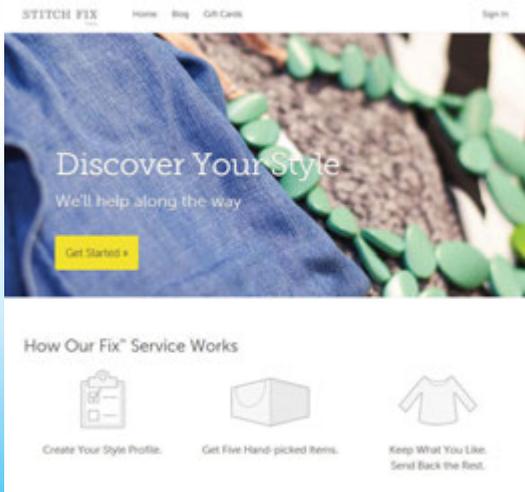
Other e-commerce ventures use the power of computers to make and ship custom-made products, expanding the market for customized merchandise by adding convenience and low cost.

CafePress is a pioneer in print-on-demand technology. Through its website, CafePress.com, customers can upload their own designs and buy a wealth of items printed with their art—clothing, mugs, tote bags, stickers, buttons, baby bibs—or offer them for sale to others. By printing an item only when it is ordered, the company minimizes inventory costs.

The savings and convenience of selling custom products through the Internet and mail have spurred entrepreneurs to dream up new products. At CastToo.com, which sells tattoo-like stickers to decorate casts on broken arms or legs, you can send an image of your X-ray to be made into a sticker to paste over the cast for a see-through view. To adorn your cell phone, laptop or tablet, you can choose from the designs at iStyles.com, or upload your own art or photo and the company will send you a one-of-a-kind case or skin.

And bespoke suits, once only for the rich, are now widely available even for a man on budget—a man can get a stylish, custom-made suit and dress shirts by visiting indochino.com and entering his measurements. His clothes will arrive at his doorstep in a few weeks.

CustomInk, based in Tyson’s Corner, VA, has built a custom-printing business around T-shirts. At CustomInk.com, customers anywhere in the country can use the company’s artwork to create a



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—KATRINA LAKE

design, or upload their own, and shipping is free. Businesses were printing customized T-shirts before the Internet Age, of course, but CustomInk’s web-based service attracts customers who probably wouldn’t bother to buy custom shirts the old way, said Wendy Connell, CustomInk’s vice president of marketing.

“We see that many of our new customers have never ordered custom T-shirts before, yet they come to CustomInk because it’s so fun and easy to design T-shirts online,” Connell said.

Connell anticipates that more and more Americans will embrace the kind of service CustomInk and similar online retailers provide. “We’ll be shopping more and more online,” she said. “CustomInk has a great deal of repeat and referral business because after our customers use us once, they’re hooked on the ease and convenience of designing T-shirts online.”

As businesses come up with new ways to exploit the capabilities of the Internet, service on the delivery side needs to keep pace, CustomInk Vice President of Supply Chain Aimee Henkle said. Reductions in mail service proposed by some in Congress and at postal headquarters could prompt her business to choose a competitor like UPS or FedEx, she said.

“We are concerned about cutting some services such as Saturday delivery,” she said. “Our business is focused on fast turnaround times, so cutting a service such as Saturday delivery would impact our ability to utilize USPS as our shipper of choice.”

### ‘CURATED’ SHOPPING—SELECTIONS JUST FOR YOU

In a twist on customized products, online retailers are turning to business models that involve “curating”—select-

ing products for each customer based on his or her individual preferences.

Birchbox.com delivers monthly packages of beauty, skin care and grooming products to sample based on preferences customers give the company. At Gentology.com, men can select from groups of products chosen by their favorite sports star or entertainer. With these models, the customer gets just what he or she wants or discovers new products that match his or her personal style or needs.

Stitch Fix, a startup based in San Francisco, is marrying the curating model to the convenience of Postal Service last-mile service to create a personalized clothes-shopping experience for women. Customers give Stitch Fix basic information, such as their dress size and tastes in fashion, through its website, StitchFix.com. Armed with that basic data, the company mails each customer a handpicked package of clothes and accessories each month. Customers can try on the items and keep what they like, returning the rest by mail using a prepaid envelope the company sends with each order, and are charged only for what they keep.

Each time a customer chooses some items and returns others, Stitch Fix learns more about the customer’s preferences and refines its offerings in the next shipment. It’s like hiring a personal shopper, but at an affordable price.

“Our service delivers these great brands to the everyday woman who often does not have the time or money for a personal styling service,” Stitch Fix founder and CEO Katrina Lake said.

Before creating Stitch Fix, Lake worked at a fashion website where bloggers wrote about fashion ideas. “I was amazed at how these bloggers were finding unique, niche brands that

were really on trend and affordable,” she said. To create Stitch Fix, Lake added the value of the Postal Service’s universal service to the power of the Internet. She made the leap to selling both personalized fashion advice and the apparel to go with it, with a nationwide customer base and at prices within reach of most women.

“E-commerce was the easy choice for the service,” Lake said, “as it is an efficient and convenient way for busy women to find personalized, stylish items, all from the comfort of their homes.”

A retailer is mailing clothes just for shoppers to try on! It’s an exciting trend for the Postal Service, especially since both delivery and returns are essential for the Stitch Fix model to work.

“The convenience of returns to a mailbox is a great service for our customers,” said Mike Smith, the company’s chief operating officer. Of course, each return also represents additional business for USPS.

#### OPPORTUNITIES FOR POSTAL INNOVATION

Like BarkBox, Stitch Fix relies on the excitement of receiving a package with a surprise inside along with other competitive factors such as convenience and price. Harnessing the good feelings that come with receiving a surprise in the mail puts these businesses a step above companies that focus solely on discount prices or delivery convenience. And since letter carriers make the deliveries, they have an opportunity to play a part in that emotional moment.

“The delivery is such an important part of the BarkBox experience,” said Strife. Some customers send her photos or videos of their dogs eagerly awaiting the arrival of their letter carrier—not to

bark or bite, but wagging their tails in anticipation of a box of doggy treats. The Postal Service, Strife said, might think of a way to enhance that crucial transaction for her company.

“The mail carrier is the only person who gets to meet our customers face-to-face,” she said. “What if the mail carrier could take on more of the face of our company?”

It isn’t difficult to imagine ways the Postal Service could offer simple fee-based services to e-commerce companies such as BarkBox to take advantage of the letter carrier’s face-to-face contact with customers and knowledge of their routes that could bring new revenue for the Postal Service and offer an additional incentive for shippers to choose USPS over competing shippers.

With a little creative thinking and talks with e-commerce leaders, the Postal Service could enhance its own unique service just as Internet pioneers are creating new services to build their business. The Postal Service might even take Customer Connect to a new level—letter carriers could suggest ways for local stores interested in expanding their market reach to use Internet sales and postal delivery, perhaps using services like delivery subscriptions.

“Whether it’s a new way to sell things or entirely new products to sell, the Postal Service and the Internet are both essential infrastructures for e-commerce,” NALC President Fredric Rolando said. “Combining the power of the Internet with the unique last-mile fulfillment that the Postal Service provides, entrepreneurs are reinventing the products we buy and how we buy them. It’s a huge part of our economic future, and the Postal Service should adapt to serve its needs—and borrow some of these companies’ entrepreneurial spirit.” PR

## USPS REBRANDS PACKAGE PRODUCTS

The Postal Service has numerous opportunities to better serve the fast-growing e-commerce market.

“It would be great if the USPS was better aligned with businesses such as appointing account representatives and partnering with businesses to develop logistic solutions,” CustomInk’s Henkle said.

“Another improvement would be to offer guaranteed delivery dates,” she added. “Our business model at CustomInk guarantees delivery to our customers by a certain date. In several cases we will choose a more expensive option via UPS or FedEx because of their ability to guarantee a date.”

Henkle will be glad to learn that in this case, the USPS is listening to its customers. In July, the Postal Service announced that it now offers day-specific delivery.

Depending on the origin and destination ZIP Codes for the Priority Mail Express (the new name for Express Mail) or Priority Mail shipments, customers now get day-specific delivery information, such as 1-Day, 2-Day, 3-Day, Military or DPO. The information is prominently located on customer shipping labels, retail receipts and Track & Confirm at [usps.com](http://usps.com).

USPS also plans to insure expedited shipments at no additional charge. Pending approval by the Postal Regulatory Commission, the Postal Service will include insurance with most Priority Mail pieces. Retail and commercial customers will receive \$50 and \$100 insurance coverage, respectively.

All characteristics of the current Express Mail service remain unchanged under the new name of Priority Mail Express. In addition, Express Mail International is now Priority Mail Express International and the Express Mail Corporate Account is called USPS Corporate Account. Boxes and envelopes now highlight USPS Tracking, insurance and Package Pickup. PR