

Free Shipping Is Latest Casualty Of Tariff Conflict

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Retailers are cutting back on free shipping to offset the steep costs of tariffs.

Some online merchants are eliminating free shipping. Others are raising the amount customers must spend to qualify for the perk as part of efforts to pass along higher costs to consumers.

Modern Picnic, which sells lunchboxes designed to look like handbags, recently raised the threshold for shoppers to qualify for free shipping to \$300 from \$150.

"It was a tough decision," said Ali Kaminetsky, the company's founder. "We just had to offset these increases somewhere, and shipping seemed to be one of the more logical places."

The company now charges \$15 for shipping on orders under \$300. The fee doesn't cover all of Modern Picnic's delivery charges, but it helps mitigate the increased expenses from tariffs and rising shipping costs, Kaminetsky said.

The tactic is one way retailers are looking to cope with tariffs imposed this year by the Trump administration. The administration has set a baseline 10% duty on most countries and 30% on China and has threatened to raise levies further in the coming months.

Walmart and other big retailers plan to pass along some of the costs to customers with higher prices but haven't announced changes to their delivery policies. Some companies are asking suppliers to share some of the cost burden. Others are moving production out of China to limit their exposure.

Small businesses that sell directly to consumers online are tinkering with their free shipping thresholds to counteract rising expenses without increasing prices, said Anisa Kumar, chief executive of retail-technology provider Narvar.

Retailers "don't know how the backlash is going to be if you just show tariffs right there," Kumar said. Instead,

companies are "trying to tighten up on lines like transportation and returns and things that are not as front-facing to consumers as that first shopping price," she said.

The average minimum-order threshold for retailers to offer free shipping rose to \$103 this year from \$82 in 2023, according to Narvar.

Orthopedic-shoe seller KURU Footwear recently changed its free-shipping poli-

cies in addition to raising prices and shifting some manufacturing out of China. Online shoppers can now either register with a loyalty program to receive free shipping or pay \$8.99.

The charge doesn't cover the company's full delivery cost, which is more than \$10 a package, Chief Financial Officer Matt Barnes said. Still, charging the fee is helping KURU absorb the new levies.

The strategy comes with

the risk of driving away online shoppers accustomed to the perk.

Satish Jindel, president of ShipMatrix, which analyzes package-shipping data, said a lack of free shipping "is one of the biggest reasons people abandon a cart."

"To not have free shipping with any threshold is a recipe for a serious decline in sales," Jindel said.

KURU's conversion rate, which measures how many

shoppers on the website actually make a purchase, has fallen in recent weeks. "We suspect that it is the shipping that's causing that," Barnes said, adding that KURU is re-evaluating the policy.

The average cost to ship a parcel including surcharges is \$12.50 today, up from \$9.53 in 2019, according to ShipMatrix.

Parcel carriers **United Parcel Service** and **FedEx** this year raised their average prices 5.9%.



VINCENT ALBAN/REUTERS

Parcel carriers United Parcel Service and FedEx this year lifted their average prices 5.9% amid rising costs.