

Target slices free-shipping minimum in half to \$25

February 23 2015, by Marley Jay

(AP)—Target has sliced its minimum online purchase to qualify for free shipping in half to \$25 as the Internet becomes a bigger and bigger sales hub for retailers.

The minimum takes aim at competitors Wal-Mart and Amazon.com, both of which have higher minimums for standard purchases, and could be another step in a slow march among retailers toward eliminating separate shipping fees.

Target said free shipping is now available to all online orders coming from the continental U.S. or from military postal facilities. The company says handling fees may still apply to some orders.

Amazon and Walmart may follow suit or cut their minimums even further, said Brian Sozzi, CEO and chief equities analyst for the research firm Belus Capital Advisors.

"The U.S. consumer now views free shipping as a right," said Sozzi. He said he thinks retailers will do away with the charges altogether in a few years. They can do that, Sozzi said, because they are building more distribution centers, which makes it easier and cheaper to ship items.

"For now, there has to be a minimum," Sozzi said in a telephone interview. "Over time, I think you'll see the companies use their data better and open up more distribution centers, so this minimum won't be in play."

Target began offering free shipping for Target.com orders worth \$50 or more in June, and it offered free shipping on all items over the holiday shopping season. Target also provides free shipping on most online purchases for shoppers who participate in its REDcard loyalty program.

Amazon offers free shipping in the U.S. for some items when the value of the order exceeds \$35, for those without a free-shipping Prime membership.

Customers who order more than \$50 worth of merchandise from Wal-Mart Stores Inc.'s website can get free shipping if they're willing to wait six to eight days for delivery.

Target and Walmart also allow customers to have their orders delivered to stores for free.

Marshall Cohen, chief retail analyst for the market research firm NPD Group, said online retailers like Amazon are forcing companies like Target, which runs physical stores, to change their methods.

"Online (retailers), because of their advantage of generally lower overhead, gives them the ability to change the rules of engagement," he said. "Now the stores are learning that they have to play by the same rules to keep the consumer engaged."

Cohen said that eliminating shipping charges will also help online retailers because it will allow them to increase impulse sales. Right now, he said, online shoppers can suffer sticker shock when they see shipping and handling charges added to their bills. If shipping charges go away, consumers will spend more on impulse items.

Amazon Prime customers can get free shipping on many items, and so can members of services like Overstock.com if their orders are large

enough. Those programs charge an annual membership fee: \$99 a year for Amazon Prime, and \$19.95 for Overstock.com.

Target has been working to win back customers since a 2013 data breach in which hackers stole millions of customers' credit and debit card records. Target's reputation took a hit and the company is facing lawsuits from consumers and financial institutions.

The company announced in January that it will close all 133 of its Canada stores because they were struggling and losing money. Target said it expects to take a fourth-quarter charge of \$5.4 billion in connection with the closings.

Shares of the Minneapolis-based retailer fell 30 cents to \$76.57 in afternoon trading. Target stock set an all-time high of \$77.75 in January.

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