UPS PULSE OF THE ONLINE SHOPPER™

A Customer Experience Study

Conducted by

comScore.

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Contents

Welcome to the *UPS Pulse of the Online Shopper Study*

Online retail growth (Figure 1) continues to significantly outpace that of overall retail, making a competitive online shopping experience essential for retailers seeking to capture their share of the thriving e-commerce market. That's why UPS has commissioned research with comScore for the second consecutive year on what elements of the online shopping customer experience drive brand preference, customer loyalty, and recommendations. Once again, the *UPS Pulse of the Online Shopper* study goes beyond topics covered by other studies, which tend to focus on purchase or web usability, and provides insights from pre-purchase to check-out to post-purchase.

In addition to covering the entire online shopping experience, this year's study has been expanded to delve deeper into how mobile and social are shaping the online shopping experience. It explores what today's demanding consumers expect from retailers seeking to provide an integrated omnichannel shopping experience.

Topics addressed in the 2013 study include the following:
- ✓ What do consumers want in an online shopping experience?
- ✓ How are mobile and social media channels changing consumers' shopping habits and expectations?
- ✓ What do consumers want from retailers in the online check-out and delivery experience?
- ✓ How important are returns in the overall online shopping experience?
- ✓ How is omnichannel retailing changing consumer purchasing and returns expectations?
- ✓ What drives repeat customers and retailer recommendations?

Figure 1: U.S. Retail e-Commerce Sales Growth ($B)
Source: comScore e-Commerce Measurement
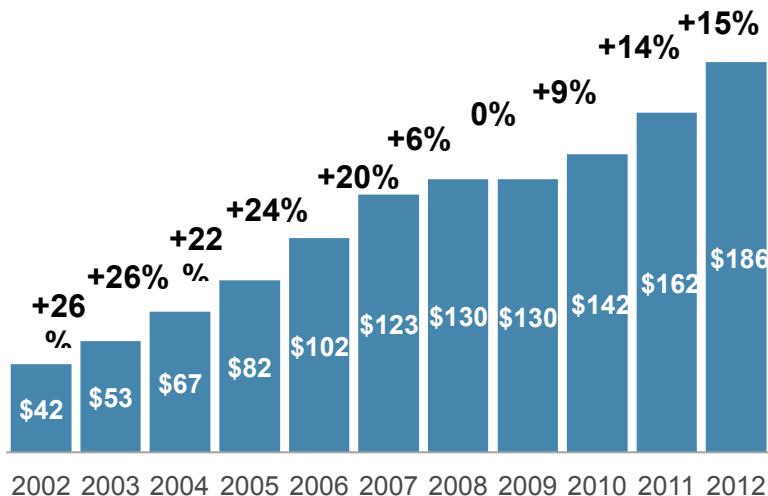
In 2012, retail e-Commerce spending in the U.S. surged 15% to reach $186 billion, its second consecutive year of growth in the mid-teens. To put that growth rate in perspective, it was seven times greater than the corresponding growth rate for total U.S. retail spending. In the fourth quarter last year, retail e-Commerce reached 10% of all discretionary spending for the first time ever.

Methodology

The study analyzes data from a survey of more than 3,000 U.S. online shoppers conducted in February 2013. These results are compared to results of a similar survey of 3,100 U.S. online shoppers conducted in February 2012. All shoppers surveyed had to meet the criteria of making at least two online purchases in a typical 3-month period. Among those surveyed, 41% indicated they made 2-3 online purchases, 33% made 4-6 purchases, and 27% made 7 or more purchases (Figure 2).

Figure 2: Respondents (n=3,043)
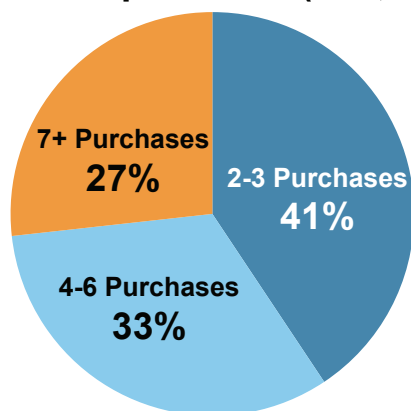
In addition, an online focus group was held on January 8, 2013 to gain supplemental qualitative insight about the customer experience. Participants met in a virtual online forum where they were asked about a series of topics related to online shopping and logistics, including shipping and returns preferences. This forum allowed participants to respond to online discussion questions as well as other participants' comments throughout the course of the focus group.

Through the quantitative and qualitative research contained in this study, retailers will gain essential new insights into today's omnichannel shopper and how to keep pace with consumers' constantly evolving expectations.

Key Findings

This study contains detailed insights for retailers on improving the customer experience from pre-purchase through delivery and returns. Some high-level insights and takeaways include the following:

- **Shoppers Want an Improved Post-Purchase Experience**
  While overall online shopping satisfaction is high, there is room for improvement in the post-purchase experience area – a key area for driving repeat customers and brand loyalty. Areas for improvement include: flexibility of shipping options; flexibility to choose delivery date and re-route packages; and the ability to pick up orders at convenient locations such as retail stores.

- **Retailers Should Communicate Clear Expectations on Package Delivery Timing**
  Communicating early regarding package delivery and executing on the promise of delivery once communicated leads to advocacy for the retailer. When retailers communicate the expected delivery date of the order, customers are surprisingly patient and are willing to wait an average of a week for their orders. Timely arrival of shipments encourages shoppers to recommend an online retailer. Package tracking services are considered either "essential" or "nice to have" by almost all consumers.

- **Improved Returns Process Offers Opportunity for Retailer Differentiation**
  Returns continue to be an area of low satisfaction for online shoppers, even as the volume of returns increases. The number of people that have returned a package in 2013 has grown from 2012 – as has the number of consumers that view a retailer's returns policy before or after purchase. Our study findings unveil consumers' specific returns policy preferences as well as the overall importance of returns in the online customer experience, including where returns rank on the list of factors driving retailer recommendations.

- **Integrated Omnichannel Experience Drives Value for Consumers**
  Retailers must keep pace with the rapid adoption of mobile and tailor their offerings to an increasingly mobile consumer – while extending the shopping experience across channels. Most omnichannel shoppers prefer online methods of access to retailers, but they are also looking for a seamless cross-channel experience. Key elements of that experience include: the ability to shop online and return to a store; receipt of coupon offers via smartphone when consumers are in close proximity to the store; and the ability to shop online and pick up in store. Online shoppers are social. That is, they are highly likely to not only use social media platforms but actively engage in seeking out updates and promotions for sites they follow.

The State of Online Shopping Satisfaction

Consumer satisfaction with online shopping overall is high at 83% (those survey respondents selecting the top 2 boxes on a 7-point scale, Figure 3). The dynamics of online shopping with which respondents are most satisfied are those related to the retailer website – product variety and ease of use. Online shoppers are least satisfied with control and flexibility in receiving their purchases, which is shown across four of five lowest-rated elements. Shoppers want the ability to control where they receive their package and when, and they also want the option to re-route their package after it has shipped. A green/environmentally friendly shipping option is the area where shoppers are the least satisfied.

Figure 3: Satisfaction With Aspects of Online Shopping
7-point scale (n=3,043), Top 2 Box

Overall Satisfaction	83%
Ease of check-out	81%
Variety of brands and products offered	80%
The ability to track online purchases while in transit	76%
The number of shipping options offered	73%
The number of payment options available	71%
Availability of free or discounted shipping	69%
Ability to create an account	69%
Clear & easy to understand return policy	68%
Ease of making returns/ exchanges	62%
Ability to purchase through a tablet application	61%
Ability to contact a live customer service rep	58%
Ability to purchase through a smartphone application	55%
Ability to pick up at a retail location that is convenient	55%
Flexibility to choose my delivery date	49%
Ability to choose a specified time of day for delivery	44%
Flexibility to re-route packages	44%
A green/environmentally friendly shipping option	43%

Shoppers appear to want more control over their delivery experience.

Q10. Overall, how satisfied are you with your previous online purchasing experiences in the past three months?
Q11. Based upon your previous experience, how satisfied are you with each of the following aspects of online purchasing?

Understanding which elements are important for consumers will help retailers seeking to improve their shoppers' satisfaction and increase loyalty. To better understand which elements drive satisfaction, a quadrant analysis was performed, plotting the "derived" importance of each factor versus the satisfaction rating. Derived importance was calculated using statistical modeling techniques and indicates which attributes of the online shopping experience examined in this study were better predictors of overall online satisfaction versus others. Higher derived importance indicates that the attribute has a stronger impact on overall satisfaction versus attributes of lower importance. To hone in on factors that will drive a high level of satisfaction, the quadrant analysis below is plotted using "top box" satisfaction (those survey respondents selecting the top box on a 7-point scale, Figure 4).

Items in the upper-right quadrant – product variety, ease of checkout, and online tracking – are those with both high importance and high satisfaction, making them particularly crucial elements for retailers to deliver in order to maintain high levels of satisfaction.

The upper left quadrant of the chart contains the factors driving satisfaction that are highly important but currently have low satisfaction. In this study, three factors fall into this quadrant: shipping options offered, ability to create an account, and a clear and easy to understand returns policy. These should be key areas of focus for retailers looking to increase their overall customer satisfaction.

The factors in the bottom half of the chart are of lower "derived" importance in driving overall online shopping satisfaction. While frequently cited by consumers as a must-have, free or discounted shipping is actually less important in driving overall satisfaction than those factors stated above, including shipping options and a clear and easy to understand returns policy. While free or discounted shipping is always rated highly, its low "derived" importance could be explained by the fact that free shipping is no longer a differentiator, but is often an expectation. Plus, consumers will typically indicate on a survey that they want something for free.

Figure 4: Quadrant Analysis: Attributes (Top Box Satisfaction)
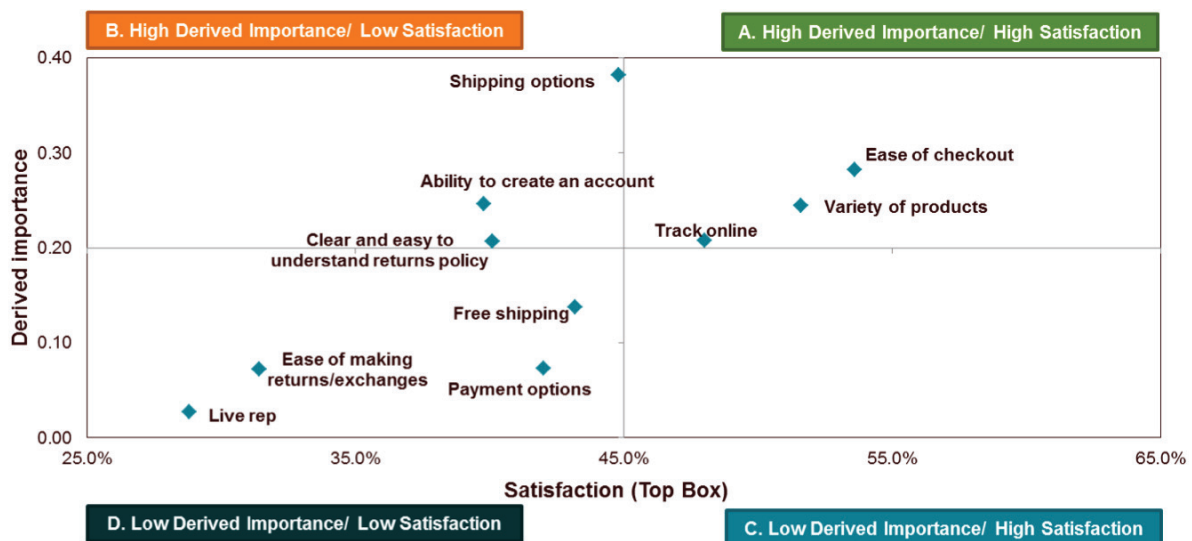
Factors Driving Retailer Recommendations

In addition to retaining satisfied customers and acquiring uncommitted potential customers, another way retailers can increase their business is through customer advocacy and referral. When asked what has led to a shopper recommending a particular retailer, the availability of free shipping or discounted shipping was cited as the top factor, followed by timely arrival of shipments, and free or easy returns (Figure 5). While cost savings is perhaps a predictable factor in retailer referral, the other leading factors are less obvious. Retailers should take note that not only do consumers value timely delivery and seamless returns, but they are willing to advocate on their behalf should they meet customers' expectations in this regard.

Figure 5: Drivers of Positive Recommendations

	2013 (n=3,043)	2012 (n=3,128)
Free shipping	68%	65%
Receiving my product when expected	47%	41%
Free returns	34%	29%
Easy returns and exchanges	34%	28%
Tracking Services	29%	27%
Fast credits/refunds if I return products	25%	23%

> More than 90% of respondents have recommended an online retailer to others.
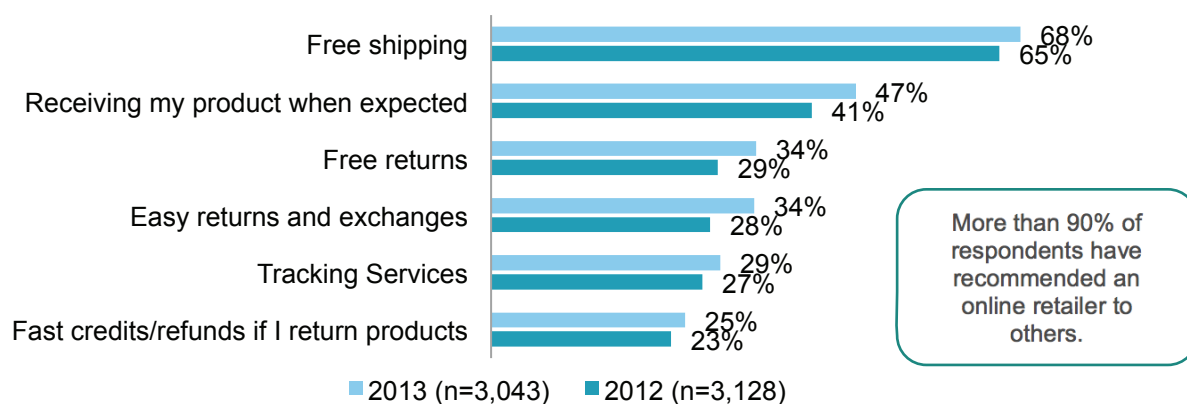
Q17. Assuming you are happy with the product you purchased, what service features have actually led you to recommend an online retailer? Select all that apply.

On the other hand, certain factors can drive a poor customer experience that leads to negative word-of-mouth. The top such factor was shipping costs being too high based on the product price (59%, Figure 6). Other important factors include shipping costs being too high based on the expected delivery date (45%), products arriving damaged (43%), and delivery taking longer than promised (40%).

Figure 6: Drivers of Negative Recommendations
(n=3,043)

Shipping costs too high based on product price	59%
Shipping costs were too high based on expected delivery date	45%
Products arrived damaged due to shipping/ packaging	43%
The delivery took longer than I was told	40%
I could not get a refund, only credits	37%
Bombarded with e-mail offers I didn't want	35%
Getting a refund/credit took too long	34%
Unreliable shipping made it hard to anticipate delivery dates	31%
Could not find a phone number to contact customer service	31%
Dealing with the retailer on returns was too cumbersome	29%
Difficulty getting package because I am not home to sign for it	27%
Check-out process was way too long	24%

Q19. What experiences (not including price or the product itself) would most likely lead to a negative recommendation to friends/family?

Valued Options for Omnichannel Shoppers

When examining aspects driving likelihood to shop with a retailer, shoppers demonstrated a distinct preference for retailers who deliver an integrated omnichannel experience – both in terms of online/in-store working together and availability of mobile shopping features. The single most important factor, cited by 62% of respondents, was the ability to buy online and make returns in-store, while the third most important factor was availability of in-store pickup (Figure 7).

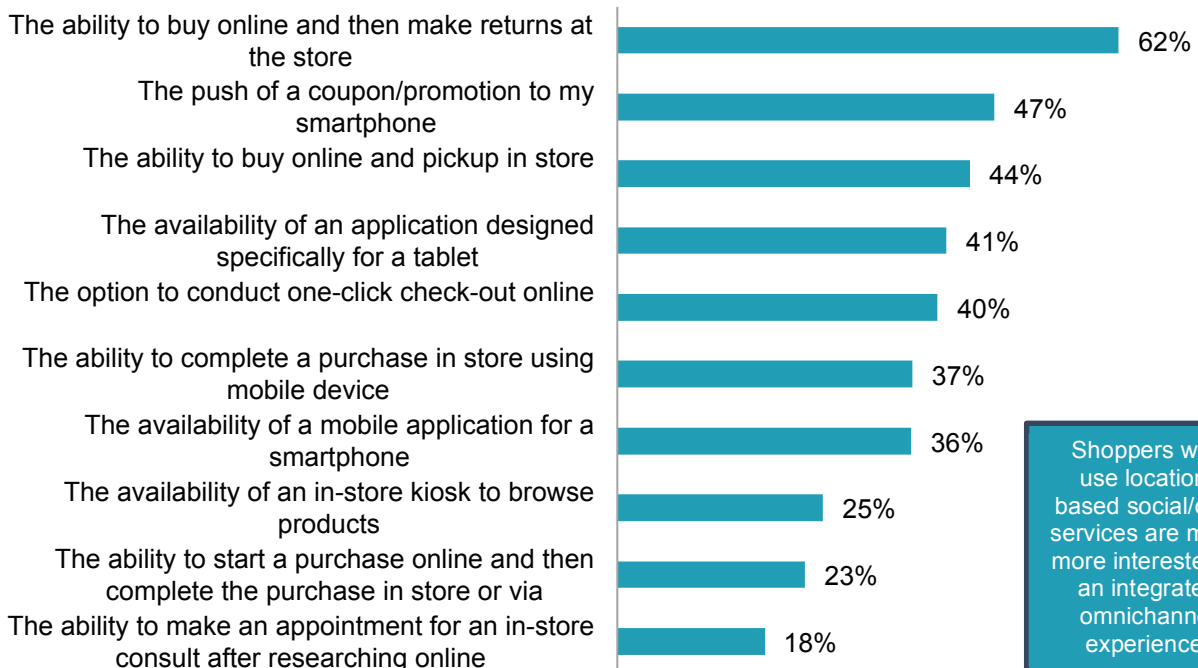## Figure 7: Aspects Driving Likelihood to Shop with a Retailer
7-point scale (n=3,043), Top 2 Box

The ability to buy online and then make returns at the store	62%
The push of a coupon/promotion to my smartphone	47%
The ability to buy online and pickup in store	44%
The availability of an application designed specifically for a tablet	41%
The option to conduct one-click check-out online	40%
The ability to complete a purchase in store using mobile device	37%
The availability of a mobile application for a smartphone	36%
The availability of an in-store kiosk to browse products	25%
The ability to start a purchase online and then complete the purchase in store or via	23%
The ability to make an appointment for an in-store consult after researching online	18%

> Shoppers who use location-based social/deal services are much more interested in an integrated omnichannel experience.

NEWQ_OC3. On a scale of 1 to 7, how likely would you be to shop with a retailer if the following were made available to you?

On the mobile side of the equation, 47% of smartphone owners said they were likely to shop with a retailer who provides location-enabled coupons or promotions to their smartphone, while 41% of tablet owners said the availability of a tablet app increased their likelihood to shop with a retailer (Figure 7). Further emphasizing the desire for an integrated omnichannel experience, more than one-third of shoppers want to be able to purchase in store with their mobile device and want a mobile application for their smartphone (Figure 7).

"Ship to store" services tend to be viewed by consumers as a means to avoid shipping costs, while leading to incremental sales gains for retailers. 51% of all online shoppers have selected "ship to store" and more than one-third (38%) of those said they have purchased other items while in the store, highlighting an incremental sales opportunity for retailers with the availability of this option (Figure 8).

Figure 8: Attitudes Toward "Ship to Store" Service
(n=1,494)

> 51% of online shoppers have selected "ship to store" on a past purchase. Of these, 38% have purchased other items while in the store for pickup.

38%	37%	25%	21%	17%	14%	12%
I choose ship to store to qualify for free shipping	Convenient if the retailer has a store nearby	Inconvenient - I shop online because it means I don't have to go to a store	Convenient for some items but not for others	Not important to me	It decreases convenience, but I like having the option	Neither convenient nor inconvenient since shopping for best price/ deals is my #1 priority

NEWQ_OC4. When purchasing online, have you ever chosen to "ship to store" for pickup?
NEWQ_OC4B. When you selected "ship to store" in the past when purchasing online and then actually picked up the item, typically did you end up purchasing more items while you were there for the pickup?
Q48. Of the choices below, which do you find best match your attitude toward buying online and picking up at a store? Please select top 2 choices only.

Mobile: The Next Frontier for Digital Commerce

The past year saw mobile media consumption grow exponentially as smartphone adoption surged nearly 30% to more than 130 million owners, while tablets emerged as one of the fastest selling devices in history to reach nearly 50 million owners. Tablets have already achieved a level of adoption in three years that it took smartphones nearly a decade to reach from when they were originally introduced.
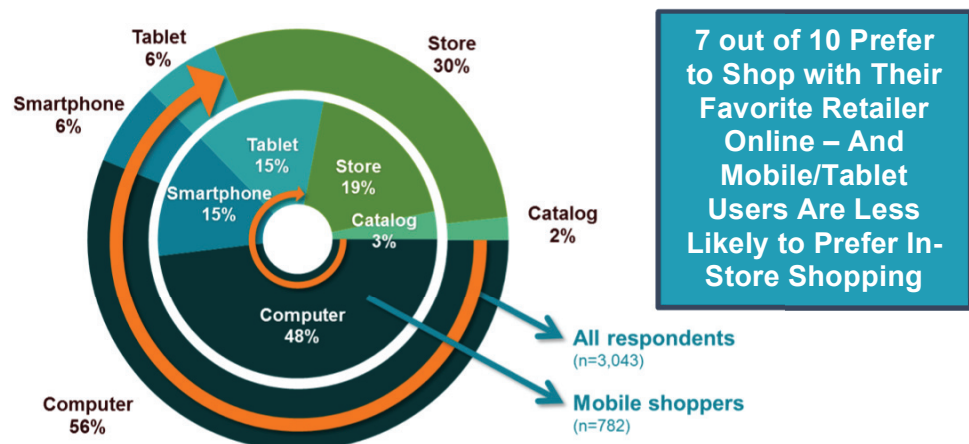
While smartphones are becoming disruptive to the traditional retail environment through showrooming, tablets are changing shopping behaviors in somewhat different ways. Because their functionality more closely resembles that of computers, tablets are not influencing the in-store shopping experience as much as they are driving in-home shopping behavior. In fact, tablet users were significantly more likely than smartphone owners to engage in various shopping behaviors, such as researching product features and comparing prices. Perhaps most importantly, tablet users were twice as likely to purchase items on their devices (38%) than smartphone owners (19%), according to comScore MobiLens, US, December 2012.

Mobile Playing a Significant Role

Of the shoppers surveyed, 59% had a smartphone and 40% owned a tablet. Among those who own a tablet, 59% make purchases on the tablet in a typical three month period compared to 49% of smartphone owners. Seven percent of the shoppers surveyed are the commerce equivalent of "cord-cutters"; all of their digital purchases occur via mobile devices and none on PCs.

Also noteworthy is that nearly 7 in 10 online shoppers prefer to access multi-channel retailers via digital channels. Of those who shop on a mobile device, 30% prefer to access their favorite retailer via smartphone or tablet (Figure 9). Half of the online shoppers surveyed who use a smartphone (59%) make purchases on a smartphone in a typical three-month period, and nearly 60% of online shoppers surveyed who use a tablet do so on a tablet. Given the relatively high buying penetration within these channels – particularly as adoption of devices continues to increase – it has never been more important for retailers to ensure they are at the forefront of mobile commerce strategies.

Figure 9: Retailer Access Preference

Tablet 6%
Smartphone 6%
Store 30%
Tablet 15%
Store 19%
Smartphone 15%
Catalog 3%
Catalog 2%
Computer 48%
Computer 56%

All respondents (n=3,043)
Mobile shoppers (n=782)

7 out of 10 Prefer to Shop with Their Favorite Retailer Online – And Mobile/Tablet Users Are Less Likely to Prefer In-Store Shopping
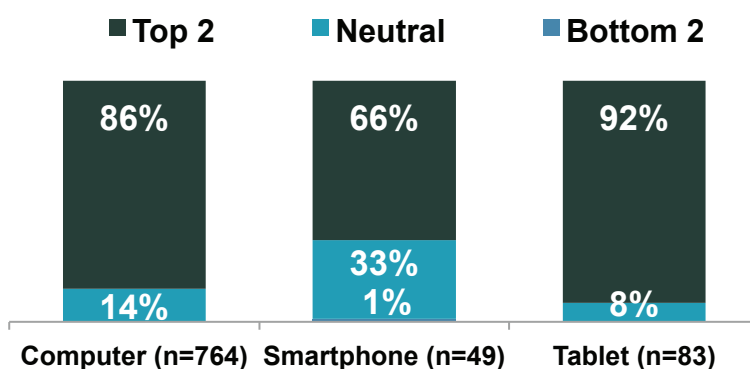
NEWQ_OC1. Thinking of your favorite retailer that has physical stores and an online presence (website/app), how do you prefer to access them? Please select your preferred method.

Mobile Shopping Habits

One area of opportunity for retailers is to improve the shopping experience on smartphones. Among heavy shoppers, satisfaction is high for both computers (86%) and tablets (92%) but is markedly lower for smartphones (66%, Figure 10). While some of this lower satisfaction may be unavoidable due to smartphones' smaller screen size, there are methods of optimizing the experience for the smartphone that can add value for mobile consumers.

Figure 10: Satisfaction by Device
(Among Heavy Shoppers)

■ Top 2 ■ Neutral ■ Bottom 2

Computer: 86% / 14%	
Smartphone: 66% / 33% / 1%	
Tablet: 92% / 8%	

Computer (n=764)   Smartphone (n=49)   Tablet (n=83)

Q10. Overall, how satisfied are you with your previous online purchasing experiences in the past three months?

In particular, it is extremely important for retailers to have a user-friendly app. Nearly half of consumers using a retailer's mobile app are less likely to comparison shop when using an app versus a browser (Figure 11). This finding underscores the importance of having an engaging mobile app.

Figure 11: App-Based Mobile Comparison Shopping
(n=782)

46% of shoppers say they are less likely to comparison shop when using a mobile app.

42%	23%	23%	12%
Yes - leave app to comparison shop	Not as frequently as I do when I shop within a web browser	No - don't leave app to comparison shop	I only use browsers
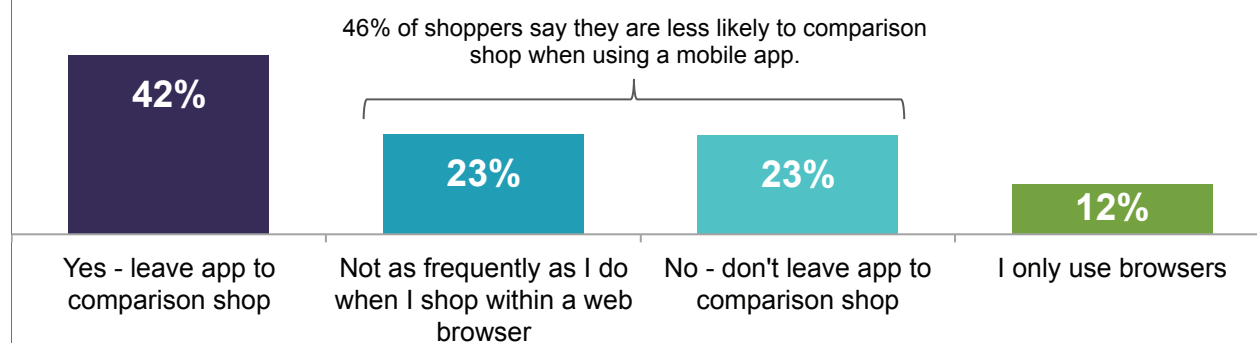
NEWQ_MOB1. When you shop within a retailer's mobile app, do you leave that app to comparison shop across other retailers?

In addition, a mobile app allows retailers to provide deals and promotions according to the user's location. Of the nearly 50% of shoppers who use location-based deals services (Figure 12), 60% would like to receive deals and promotions based on their location and/or transaction history (Figure 13).

Figure 12: Use of Location-Based Social/Deal Services
(n=3,043)

49% of respondents use a location-based social/deal service.

Service	Percentage
Groupon	35%
LivingSocial	22%
Facebook Check-In	14%
Yelp!	11%
Foursquare	8%
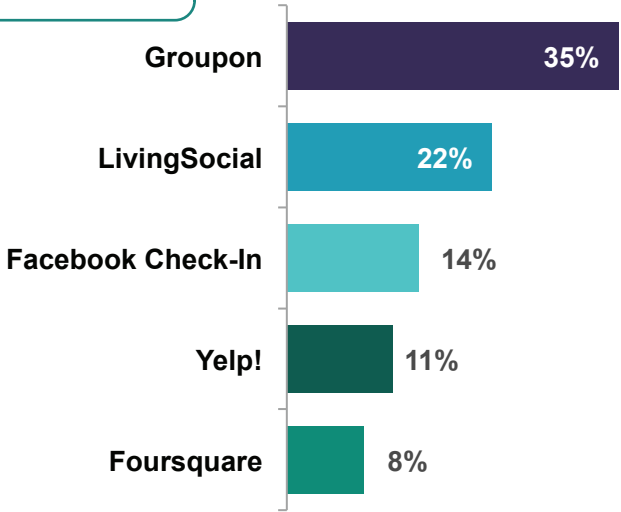
Figure 13: Interest in Having Deals/ Promos Sent by Retailer
(Using Location & Transaction History) (n=1,300)

- I would like this
- I would neither like nor dislike this
- I would dislike this

- 60% — I would like this
- 8% — I would neither like nor dislike this
- 31% — I would dislike this
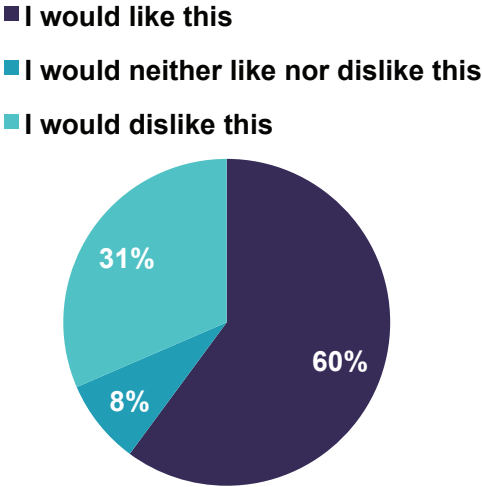
SM6. Do you use any of the following location-based social/deal services? Please select all that apply.
SM7. You indicated having used a location-based social/deal service. How would you feel if your retailer were to use your location and/or transaction history to serve you relevant deals and promotions suited to your interests?

Improving apps, particularly in terms of facilitating the browsing and transaction processes, can help retailers reduce friction and improve mobile conversion. With the inclusion of value-added features that leverage what's unique about the mobile medium – namely location-enabled services – retailers can significantly enhance their customers' mobile experience.

Social Commerce

Usage of social networking sites continues to be led by Facebook, which accounted for 5 out of every 6 minutes spent in the social networking category in 2012. While Facebook, Twitter and LinkedIn remain the established leaders in the soci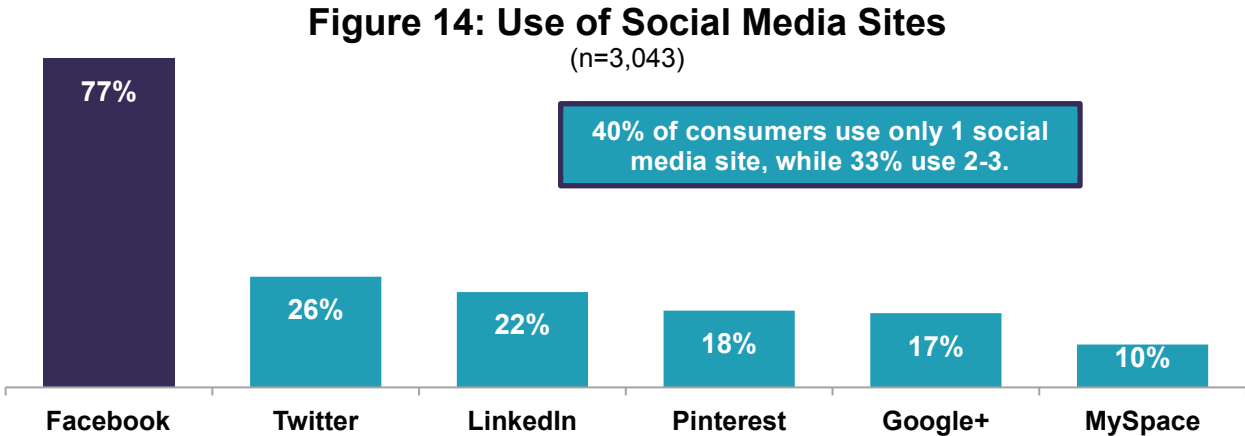al networking space, 2012 saw several sites competing for an increasing amount of attention, establishing themselves as notable players in the market drawing tens of millions of visitors each month. Tumblr, Pinterest and Instagram each gained more than 10 million visitors over the course of the year, in part by catering to a desire for more visually appealing content in a trend that comScore calls "the rise of the visual web."

Each of these social networks has either demonstrated a strong connection to the broader social commerce trend or has significant potential in this regard. Facebook is already a well-established touch point for many brands through their fan pages, while Twitter is also widely used as consumers follow their favorite retailers. Meanwhile, LinkedIn users have the highest propensity to buy online among these social networks, spending an average of 135% more than the average internet user (comScore Media Metrix, U.S., February 2013). And the three players in the "visual web" space are all paving the way towards a new brand of social commerce, particularly Pinterest and its orientation towards sharing visually-engaging retail products.

Social Media Drives Retailer Engagement

The social media component of the survey revealed certain insights about how and why consumers engage with retail brands on the various channels. Of the shoppers surveyed, 84% indicated using at least one social media site. Facebook ranks as the most popular by a considerable margin, followed by Twitter, LinkedIn and Pinterest (Figure 14).

Figure 14: Use of Social Media Sites
(n=3,043)

40% of consumers use only 1 social media site, while 33% use 2-3.

Facebook	Twitter	LinkedIn	Pinterest	Google+	MySpace
77%	26%	22%	18%	17%	10%

SM1. Do you use any of the following social networking sites? Please select all that apply.
SM2. Do you `Like` any retailers on Facebook?

Two-thirds of Facebook users said that they "like" a brand on the site, with two-thirds of those users saying they have done so to receive a promotion or incentive from that brand (Figure 15). Among those who "like" a brand on Facebook, 86% said they pay attention to retailers' updates (Figure 16). This finding highlights the importance of Facebook as a marketing channel for retailers given its combination of audience reach and engagement with promotional content.

Figure 15: Reasons for "Liking" a Retailer/ Brand on Facebook
(n=1,493)

Reason	Percentage
The retailer occasionally offers special promotions for its Facebook fans	60%
The retailer incentivized me to "Like" its Facebook page/application	47%
I find it's an easy way to stay up to date with a retailer	36%
I am a fan of all (or most) brands that I am associated with	32%
I like to actively voice my opinion to the brand on Facebook	25%
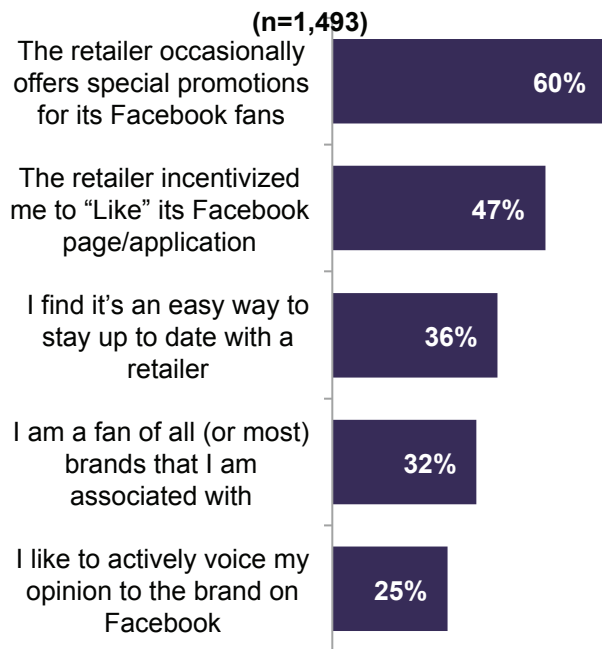
Figure 16: Amount of Attention Paid to Retailer's Updates
(n=1,493)

Amount of Attention	Percentage
I pay a little attention to updates (i.e., I briefly skim for information)	52%
I pay a lot of attention (i.e., I read the update as if it were from one of my friends)	34%
I don't pay attention to updates (i.e., I skip over updates)	8%
I don't even notice updates	6%

86% pay some attention to retailers' updates, giving retailers a channel for engagement.
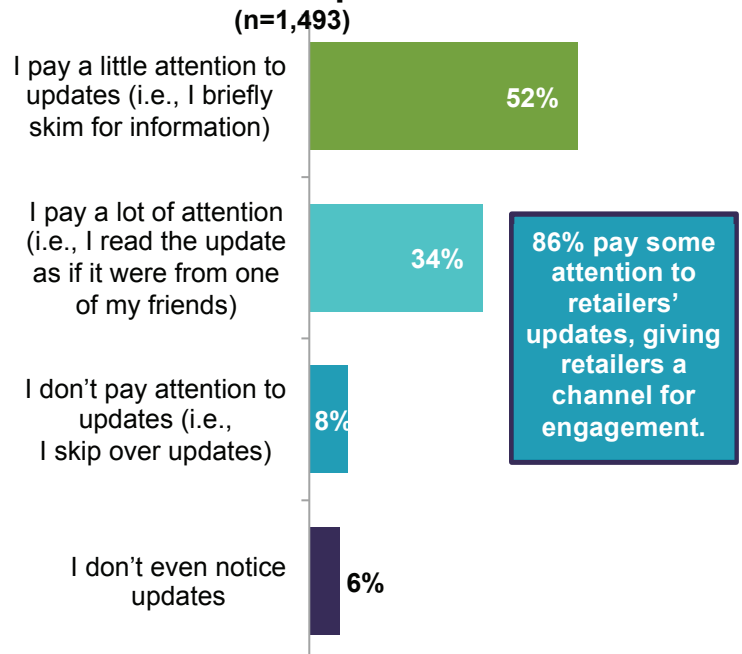
SM3. Why did you decide to "Like" a retailer/ brand on Facebook? Please select all that apply.
SM4. When you see updates from the retailer on your Facebook newsfeed, how much attention do you generally devote to the update?

Check-Out Process

Study results also highlight the importance of the check-out process for retailers. While all retailers seek to maximize conversion, the different drivers behind shopping cart and check-out behaviors are not always widely understood.
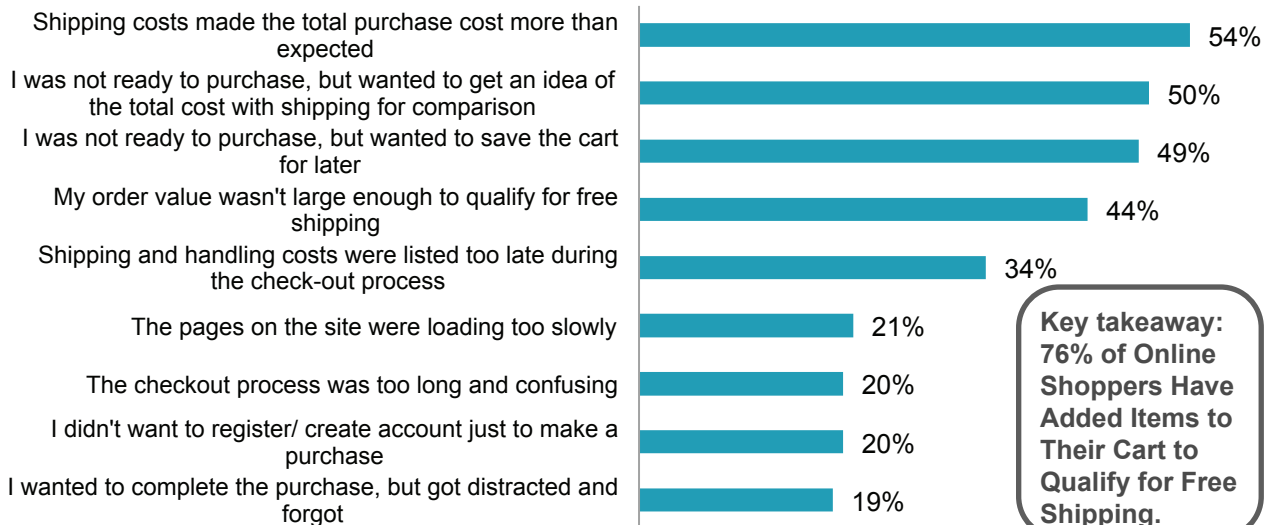
Factors Driving Cart Abandonment

With 88% of online shoppers indicating that they have placed items in the shopping cart and left the site without making a purchase, clearly shopping cart abandonment is a significant issue that represents lost opportunity for retailers. Not only is the issue a large one, but it is also growing – up 7 percentage points compared to last year's survey.

Among those who have abandoned their shopping carts, shipping cost was the most oft-cited reason among 54% of these respondents (Figure 17). On the other hand, more than three-quarters of online shoppers said they have added items to their shopping cart in order to qualify for free shipping, suggesting that retailers minimum spending thresholds for free shipping are effective at inducing consumers to spend more.

In 2013, 88% of online shoppers say they have abandoned a cart vs. 81% in 2012

Figure 17: Abandonment of Cart
(n=2,713)

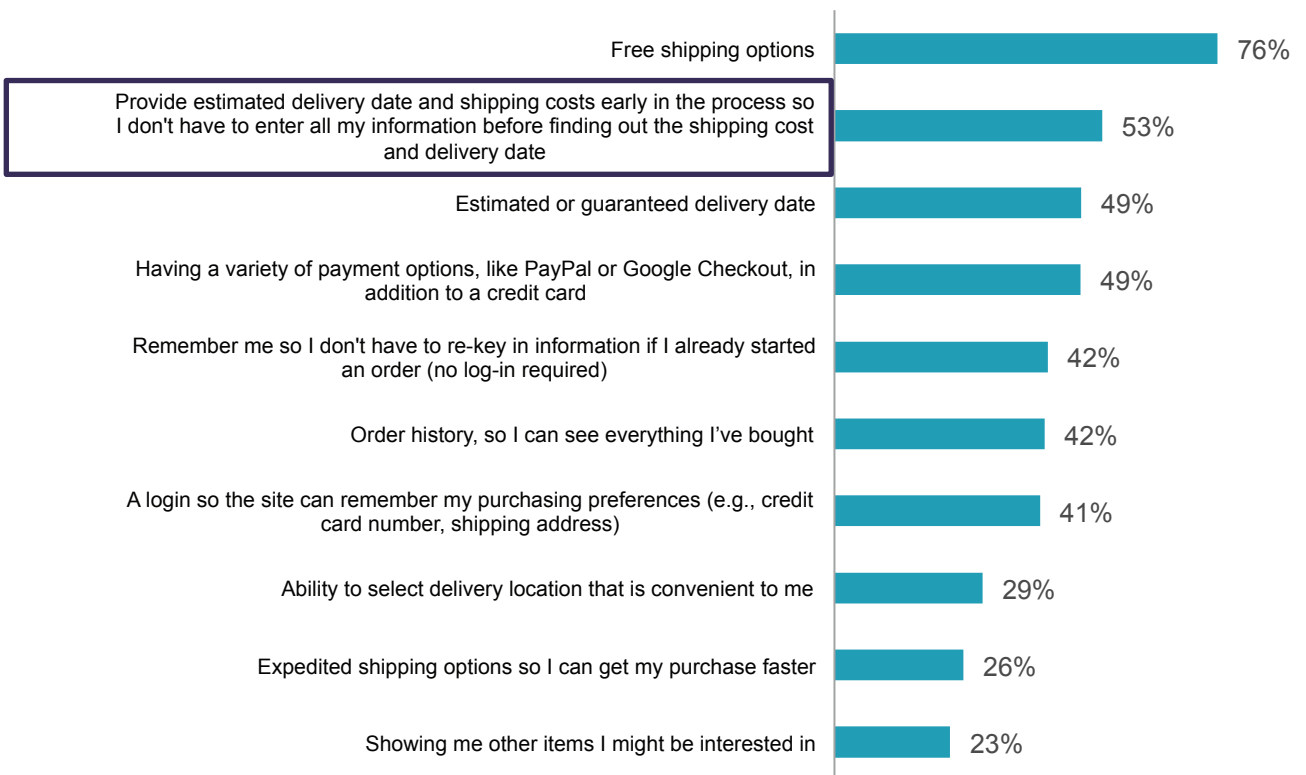|	
Shipping costs made the total purchase cost more than expected	54%
I was not ready to purchase, but wanted to get an idea of the total cost with shipping for comparison	50%
I was not ready to purchase, but wanted to save the cart for later	49%
My order value wasn't large enough to qualify for free shipping	44%
Shipping and handling costs were listed too late during the check-out process	34%
The pages on the site were loading too slowly	21%
The checkout process was too long and confusing	20%
I didn't want to register/ create account just to make a purchase	20%
I wanted to complete the purchase, but got distracted and forgot	19%

Key takeaway: 76% of Online Shoppers Have Added Items to Their Cart to Qualify for Free Shipping.

Q24. When shopping online, have you ever placed items in the online cart or basket but then left the site without making a purchase?
Q25. What are some of the reasons that you have abandoned a shopping cart with items you've added for purchase?

Looking at what information or options are important to online shoppers when going through an online check-out process, nearly three-quarters say they want to see free shipping options at check-out (Figure 18). The second most important consideration (among 53 percent of respondents) is being provided with estimated delivery date and shipping costs early in the process without having to enter all of their information. Consumers prefer to have their expectations set early in the process to save them time or unnecessary hassle.

Figure 18: Options Considered Important in Check-Out Process
(n=3,043)

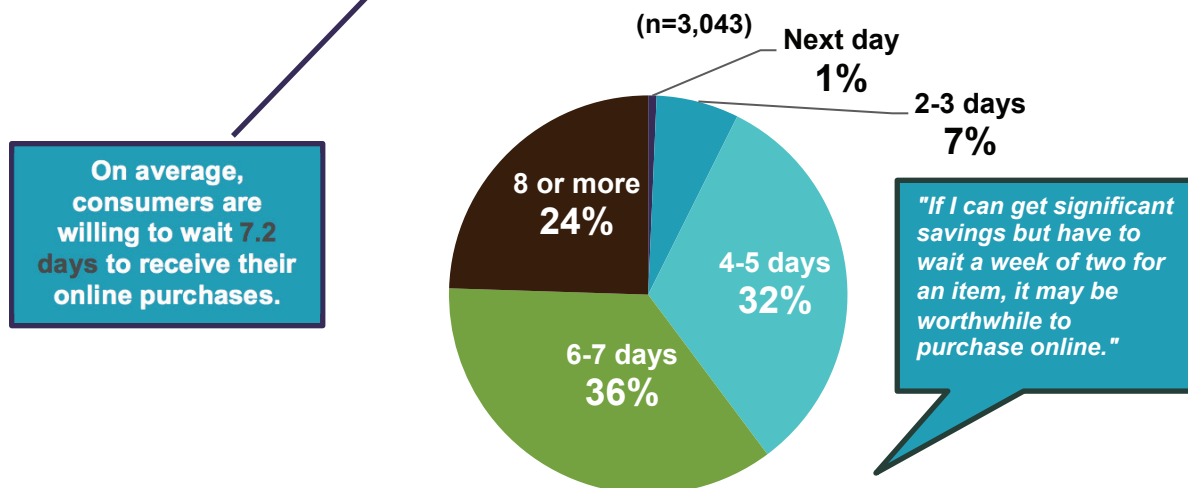| Option	Percent
Free shipping options	76%
Provide estimated delivery date and shipping costs early in the process so I don't have to enter all my information before finding out the shipping cost and delivery date	53%
Estimated or guaranteed delivery date	49%
Having a variety of payment options, like PayPal or Google Checkout, in addition to a credit card	49%
Remember me so I don't have to re-key in information if I already started an order (no log-in required)	42%
Order history, so I can see everything I've bought	42%
A login so the site can remember my purchasing preferences (e.g., credit card number, shipping address)	41%
Ability to select delivery location that is convenient to me	29%
Expedited shipping options so I can get my purchase faster	26%
Showing me other items I might be interested in	23%

Q23. What information or options are most important to you when going through an online check-out process?

More than half of shoppers prefer to see estimated shipping costs and delivery dates early in the process.

Setting Delivery Expectations

As shown above, half of online shoppers say that an estimated or guaranteed delivery date is important at check-out (Figure 18). However, consumers are also willing to wait an average of approximately one week to receive their online purchases. While 40% of customers stated that they are not willing to wait more than 5 days for most of their purchases, 24% said that they would be willing to wait 8 days or more (Figure 19). Men prefer to receive their packages somewhat faster than women and are more likely to abandon a cart if shipping time is more than four days.

Figure 19: Days Willing to Wait for Most Purchases
(n=3,043)

On average, consumers are willing to wait 7.2 days to receive their online purchases.

Next day 1%

2-3 days 7%

4-5 days 32%

6-7 days 36%

8 or more 24%

"If I can get significant savings but have to wait a week of two for an item, it may be worthwhile to purchase online."

Q40. What is the number of days that you are usually willing to wait for most of your online purchases to be delivered? If unsure, please give your best estimate.

The "Speeders" Profile

8% of online shoppers fall into the "speeders" segment, defined as those who are not willing to wait longer than three days to receive their shipments. Interestingly, this segment of shoppers tends to vary from the average online shopper in the following ways: they are more likely to be Millennials, they are more likely to have children in the home, they are more likely to use Facebook and Facebook check-in, and they often have products delivered somewhere other than home.

Despite the relative patience of the majority of online shoppers, the profile of these 'high-urgency' shoppers may lend some insight into the recent industry buzz about same-day delivery. Same-day delivery is currently offered or being tested in select locations by several influential e-commerce players. Most recent consumer surveys suggest that same-day delivery only appeals to a small niche of consumers, and the jury is still out on how much consumers are willing to pay for same-day services. Given the younger demographic and more sophisticated profile of these shoppers, these companies may be positioning themselves for a potential future growing demand for faster service and banking on faster delivery as a key differentiator to create a superior online customer experience.
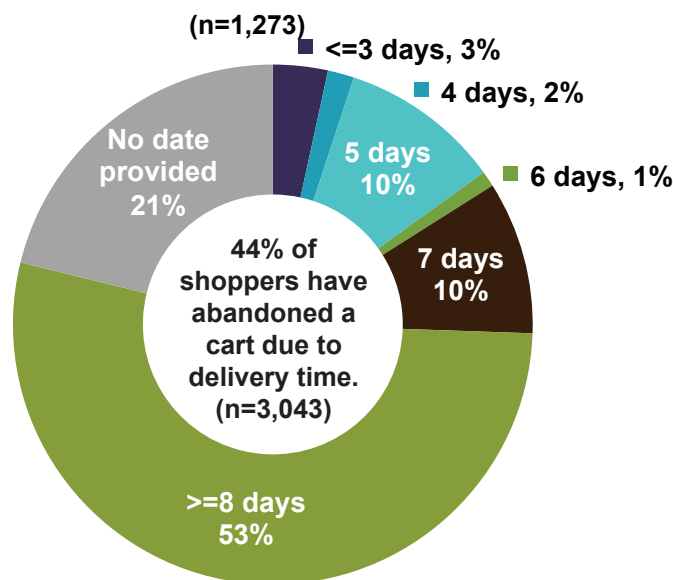
Delivery Dates Can Drive Cart Abandonment

Forty-four percent of online shoppers indicated that they have abandoned their shopping cart due to the estimated delivery date (Figure 20). Of online shoppers that have abandoned their cart due to estimated delivery time, 21% indicated that no estimated delivery was shown. With many purchases having

> **Key Takeaway: 21% of shoppers who abandoned their cart due to delivery time did so because no estimated delivery date was provided.**

some time consideration – even if that timing is not urgent – such cart abandonment is understandable. Consumers prefer certainty to uncertainty.

Among those who were shown an estimated delivery date and abandoned their cart, two-thirds of the time the estimated delivery time was 8 days or more (Figure 20). So while there is some overall tolerance for longer delivery times, in a competitive shopping environment consumers may seek alternatives when the delivery time is not satisfactory.

Figure 20: Length of Time Resulting in Abandonment
(n=1,273)

- <=3 days, 3%
- 4 days, 2%
- 5 days 10%
- 6 days, 1%
- 7 days 10%
- >=8 days 53%
- No date provided 21%

44% of shoppers have abandoned a cart due to delivery time. (n=3,043)

Q41. Have you ever decided not to make a purchase because the estimated time when you would receive your item(s) was too long or not provided?
Q42. What was the estimated delivery time from purchase (in days) that caused you not to make your purchase?

Many shoppers exhibited a willingness to make the trade-off of time savings for cost savings. Specifically, those consumers who value free shipping are significantly more tolerant of longer shipping periods than those who do not value free shipping as strongly. Among those who value free shipping most, only 15% abandoned a cart because of an estimated delivery time of seven days or less. Compare that to 29% for the rest of the online shopper population.

The Delivery Experience

Shipping and delivery are key value drivers in the online shopping experience, with consumers preferring different options to meet those needs. Online shoppers expect several delivery options to be available, with two-thirds expecting both economy ground and ground, and more than half a 2- or 3-day air option (Figure 21). Nearly half (46%) also expect a next-day shipping option. Online shoppers stated they chose the most economical shipping option more than three-quarters of the time, and the fastest option only 1% of the time. More than 20% of online shoppers say they "most often" choose to pay an additional fee for faster delivery when making a purchase.

Figure 21: Shipping Options – Expected vs. Selected
(n=3,043)

■ Expected   ■ Most often selected

	Expected	Most often selected
Economy ground (5-7 day time in transit)	87%	78%
Ground (3-5 day time in transit for an additional fee)	67%	16%
2- or 3-day air (for an additional fee)	58%	5%
Next-day air (for an additional fee)	46%	1%
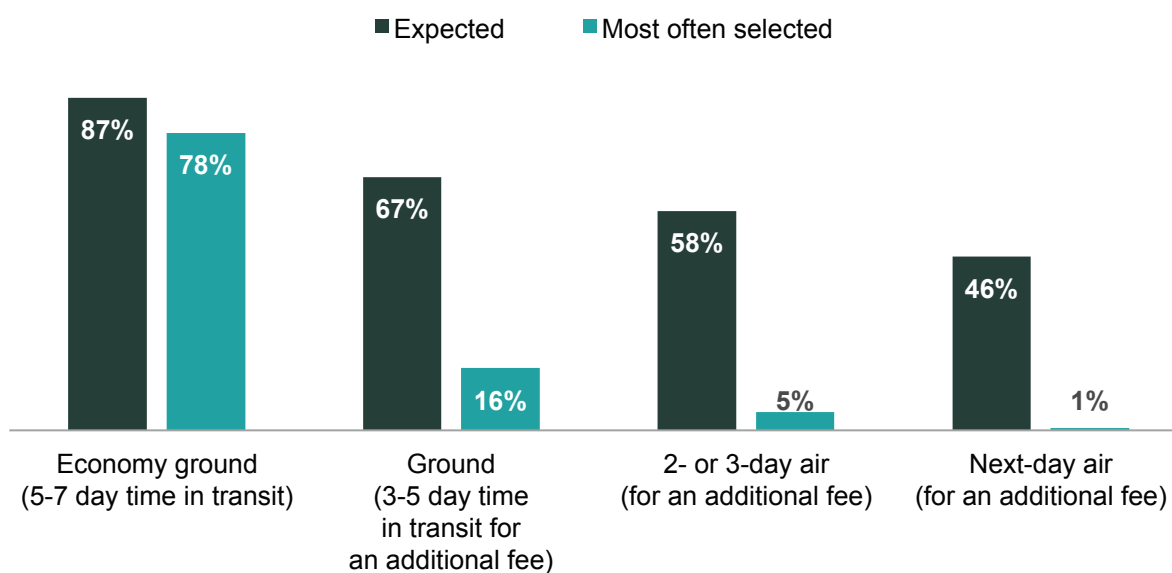
Consumers for whom computers, mobile devices and gaming devices are among the most frequently purchased categories are most likely to select 2-. 3- or Next-Day Air.

Q38. When shopping online, which of the following shipping options do you expect online retailers to offer? Choose all that apply.
Q39. When shopping online, which shipping option do you choose most often?
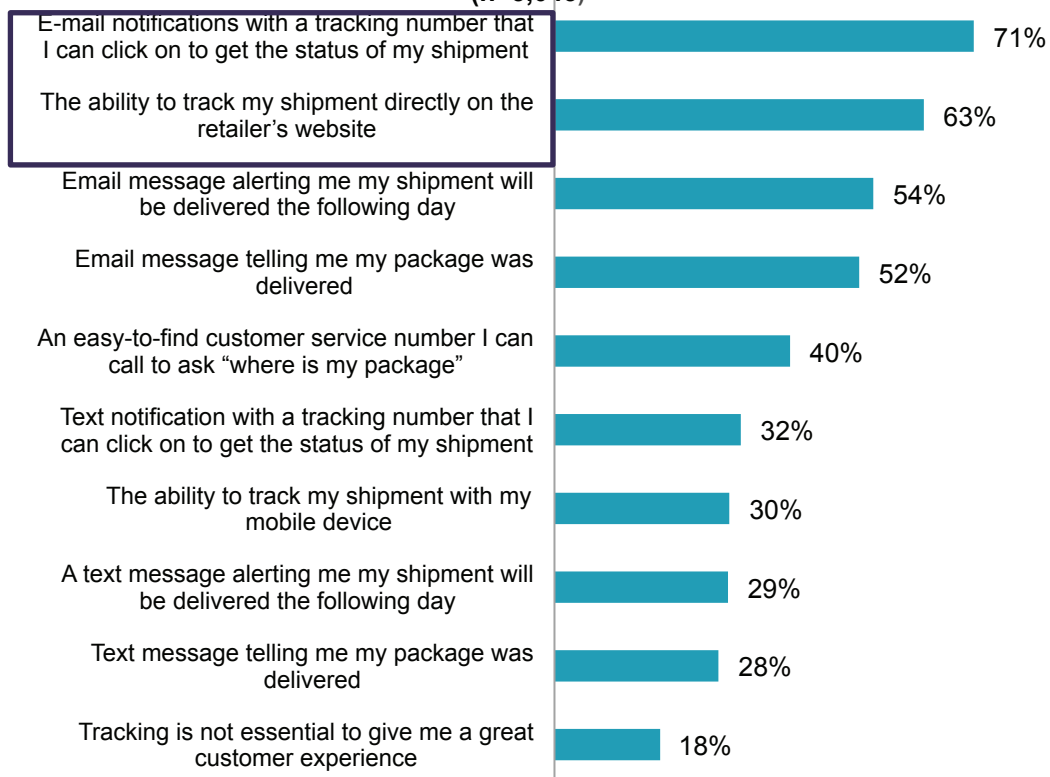
Package Tracking an Important Feature

As illustrated in the quadrant analysis (Figure 4), the ability to track packages is an important factor in online shopping satisfaction, with half of online shoppers indicating that tracking is an essential service (Figure 22). The most important tracking-related services for shoppers were e-mail notifications with a link to track and the ability to track directly on the retailer's site (Figure 23).

However, mobile is also emerging to play an important role in shipment tracking. Consumers also indicate a desire for text notifications with their tracking number, text alerts when their package will be/has been delivered, and the ability to track their shipment on their mobile device.

Figure 22: Relevance of Tracking Services
(n=3,043)

It's not important 3%	It's nice to have 47%	It's essential 50%

Figure 23: Most Important Tracking Services
(n=3,043)

Service	Percentage
E-mail notifications with a tracking number that I can click on to get the status of my shipment	71%
The ability to track my shipment directly on the retailer's website	63%
Email message alerting me my shipment will be delivered the following day	54%
Email message telling me my package was delivered	52%
An easy-to-find customer service number I can call to ask "where is my package"	40%
Text notification with a tracking number that I can click on to get the status of my shipment	32%
The ability to track my shipment with my mobile device	30%
A text message alerting me my shipment will be delivered the following day	29%
Text message telling me my package was delivered	28%
Tracking is not essential to give me a great customer experience	18%

Returns and Exchanges

Returns play an even larger role for online retailers because online shoppers want to lower risk for goods purchased without the opportunity to see, touch, or feel them. While returns and exchanges represent the last phase of the consumers' purchase process, it is often their first consideration when visiting a new retailer site. Two-thirds of customers say they look for the return policy prior to making a purchase online, suggesting that retailers risk losing customers without an easy-to-find policy on their website (Figure 25).

Evidence also suggests that returns are becoming a more important part of the online shopping experience. Nearly two-thirds (62%) of online shoppers said they have returned a product purchased online, up 11 percentage points in the past year alone (Figure 24). The increase in return activity is likely due to many retailers making the process easier – and in some cases cheaper -- for their customers.

> **Key Takeaway: 62% of online shoppers have returned a product purchased online.**

Figure 24: Have Returned an Online Purchase

2012 (n=3,128)	2013 (n=3,043)
51%	62%
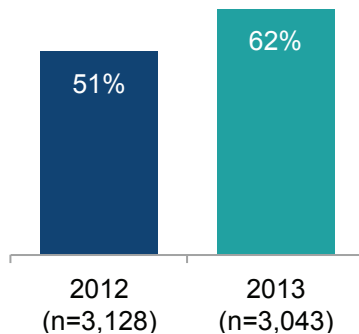
Figure 25: Review of Retailers' Returns Policies

Legend:
- Not at all
- After, if I need to return an item
- Both Before and After
- Before I purchase an item

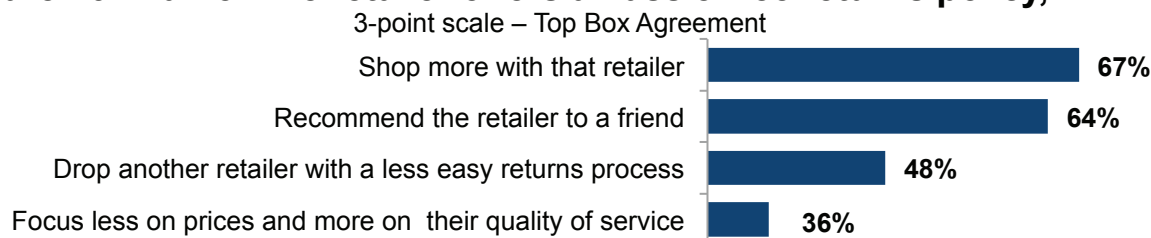|	2012 (n=3,128)	2013 (n=3,043)
Not at all	17%	14%
After, if I need to return an item	20%	20%
Both Before and After	30%	28%
Before I purchase an item	33%	38%
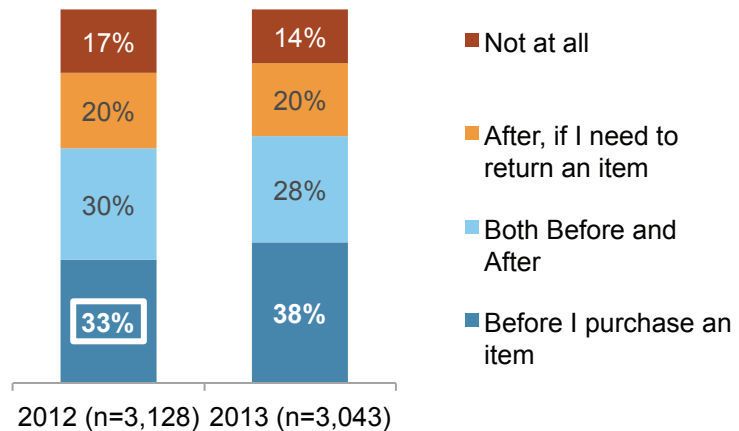
Q55. Have you ever returned a product you purchased online for a refund or exchange?
Q56. Do you look for an online retailer's returns policy before or after purchasing an item?
A box around a score indicates statistical significance at the 95% confidence level.

Hassle-Free Returns Drive Recommendations

A hassle-free returns policy is likely to lead to recommendations and repeat business from online shoppers. It also means that consumers will shop more frequently (67%) with a particular retailer, and advocate for that retailer (64%, Figure 26). In addition, 74% of online shoppers said that a hassle-free returns policy would influence their decision to buy from a retailer from which they are shopping for the first time.

Figure 26: If an online retailer offers a hassle-free returns policy, I will…

3-point scale – Top Box Agreement

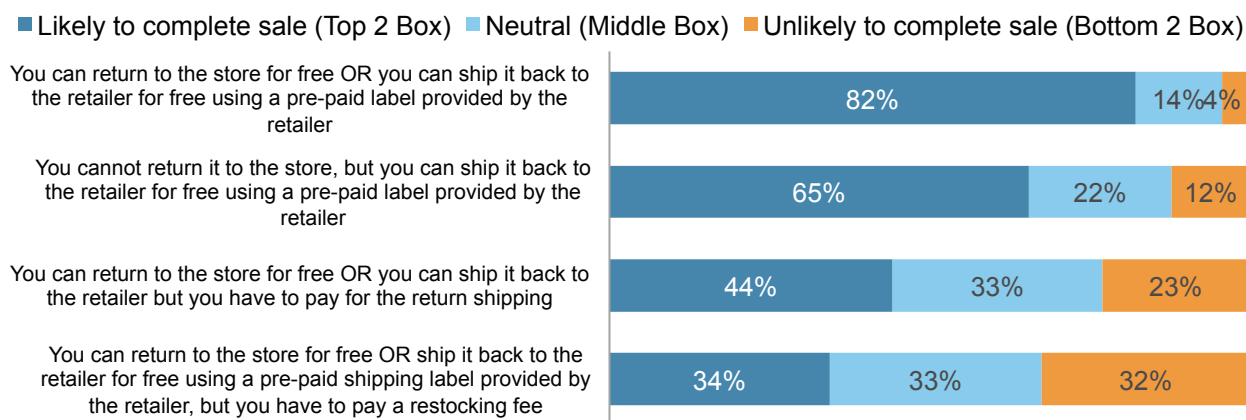|	
Shop more with that retailer	67%
Recommend the retailer to a friend	64%
Drop another retailer with a less easy returns process	48%
Focus less on prices and more on their quality of service	36%

Q59. How much do you agree with the following statements? Having a hassle-free returns policy impacts my decision to make an online purchase from…
Q60. How much do you agree with the following statements? If an online retailer offers a hassle-free returns policy, I will …

Consumers prefer a returns policy that allows them to return the purchase to the store for free or ship it back to the retailer for free. If both of those options are not available, consumers would prefer free shipping back to the retailer over returning to the store. Consumers are least likely to make a purchase if they have to pay a restocking fee, even if the return shipping is free (Figure 27).

Figure 27: Return Policy Impact on Likelihood to Purchase
5-point Scale (n=2,058)

■ Likely to complete sale (Top 2 Box)   ■ Neutral (Middle Box)   ■ Unlikely to complete sale (Bottom 2 Box)

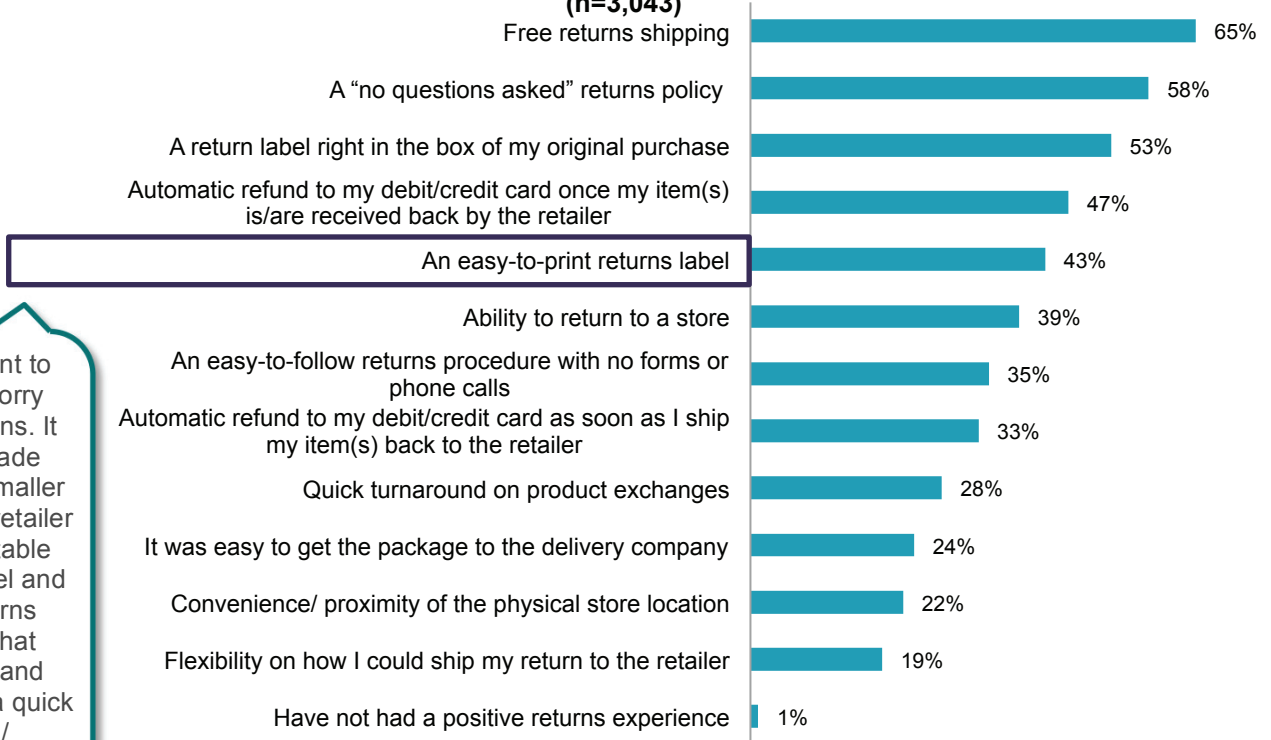|	Likely	Neutral	Unlikely
You can return to the store for free OR you can ship it back to the retailer for free using a pre-paid label provided by the retailer	82%	14%	4%
You cannot return it to the store, but you can ship it back to the retailer for free using a pre-paid label provided by the retailer	65%	22%	12%
You can return to the store for free OR you can ship it back to the retailer but you have to pay for the return shipping	44%	33%	23%
You can return to the store for free OR ship it back to the retailer for free using a pre-paid shipping label provided by the retailer, but you have to pay a restocking fee	34%	33%	32%

Q56a. You indicated that you look at an online retailer's return policy before purchasing an item. Thinking of what you look for in a retailer's returns policy, would you complete the sale online if the retailer's "returns policy" stated the following?

Elements of a Positive and Negative Returns Experience

A good returns experience is as important as a good returns policy. Online shoppers who have made returns want free returns shipping, a "no questions asked" return policy, and the inclusion of a return label in their original package or access to an easy-to-print label (Figure 28). An automatic refund is also very important in ensuring a good returns experience.

Figure 28: Elements Included as Part of Best Returns Experience
(n=3,043)

Element	%
Free returns shipping	65%
A "no questions asked" returns policy	58%
A return label right in the box of my original purchase	53%
Automatic refund to my debit/credit card once my item(s) is/are received back by the retailer	47%
An easy-to-print returns label	43%
Ability to return to a store	39%
An easy-to-follow returns procedure with no forms or phone calls	35%
Automatic refund to my debit/credit card as soon as I ship my item(s) back to the retailer	33%
Quick turnaround on product exchanges	28%
It was easy to get the package to the delivery company	24%
Convenience/ proximity of the physical store location	22%
Flexibility on how I could ship my return to the retailer	19%
Have not had a positive returns experience	1%

"I don't want to have to worry about returns. It can be made easier on smaller items if the retailer has a printable prepaid label and easy returns process that promises and delivers on a quick refund / exchange."

Q58. Thinking of the best returns experience that you have had, what elements were included as a part of this experience? Select all that apply.

What constitutes a bad returns experience for consumers, besides having to pay for return shipping, are paying a restocking fee and waiting too long for a credit (Figure 29).

Figure 29: Issues Faced When Returning Online Purchases (n=1,827)

Issue	Percentage
I had to pay for return shipping	60%
It took too long for me to receive credit/refund	37%
I had to pay a restocking fee	35%
I could not return to a store	30%
The returns policy was too restrictive	25%
I couldn't reach customer service for help	22%
I had trouble getting the returned item to the shipping company specified by the retailer	21%
The returns policy was hard to understand	17%
I couldn't find the retailer's returns policy	16%
I had to fill out a long form	15%

Q57. What are some of the issues you have faced when returning a product that you purchased online? Select all that apply and identify the top issue.

Conclusions

As today's e-commerce spending increases, so do the expectations of online shoppers:

- Increased need for more convenience and control
- Increased desire for easy returns
- Increased demand for free shipping – and returns
- Increased call for social and mobile channels to work harder
- Increased desire for all retail channels to work together seamlessly

To deliver on what today's online shoppers want, it's crucial to understand the key factors that drive consumers' shopping habits, purchasing behaviors, brand loyalty and retailer recommendations.

Factors such as offering free and discounted shipping continue to be an important way to recruit, reward, and retain shoppers – but these are not the only factors. Given the ubiquity of free shipping offers, consumers have come to expect free shipping at least as an option or at a certain threshold. While free shipping strategies are certainly worth a retailer's time to test and see what combinations of promotions will drive greater cart conversion, this survey also reveals that retailers may get a better return by focusing on other areas of importance to differentiate themselves from their competitors.

Consumers want more information up-front, more options during check-out and delivery, and more channels for interacting with their favorite retailers. Despite increasing expectations, consumers are also willing to wait an average of a week to receive purchases. They are also willing to spend more with a retailer to take advantage of free shipping offers and to expedite shipping of certain items on certain occasions. Overall, consumers continue to value flexibility and control, with high expectations around not only the number of options available during the pre-purchase process, but also in the delivery and returns experience.

Cart abandonment is on the rise, often driven by higher than expected shipping costs, a desire to understand total cost for comparison shopping, and order values not qualifying for free shipping.

Retailers can win shoppers over by:

- Following them wherever they are – social and mobile
- Facilitating a seamless cross-channel experience
- Providing information on delivery options and shipping costs with options that accommodate both value seekers and "speeders"
- Providing tracking information with order and keeping shoppers informed proactively on delivery status
- Delivering products when expected
- Enabling a "hassle-free" returns experience in the shopper's channel of choice

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