



UPS Pulse of the Online Shopper™

A customer experience study



A UPS White Paper, June 2014
U.S. Study

Conducted by





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I. Introduction



In a world of constant connectivity, amidst the frenetic pace of technological change for both consumers and retailers, today's "flex shopper" has been born. This flex shopper is ruthlessly efficient, switching channels and devices to best suit personal convenience when evaluating and purchasing products. Information and control are paramount and retailers must offer near-perfect shopping experiences across every channel and device to thrive.

To provide perspective for retailers on consumer behavior in today's fluid shopping culture, UPS commissioned this research with comScore for the third consecutive year. The opportunity and the challenges are here in equal measure for today's retailer. Consumers continue to gravitate to Internet channels as desktop retail e-commerce reached \$211 billion in 2013, up +13% year/year. Mobile or m-commerce is growing and now accounts for 11% of retail e-commerce as of 1Q14.¹

A. Study Goals

This year's study goes beyond other retail industry studies to give a 360° perspective of consumer shopping. The scope has been expanded on key customer experience topics and now explores what drives the full consumer path to purchase. It delivers insights into shopping preferences and current levels of satisfaction with online and omnichannel shopping, taking the consumer's pulse on what tactics influence positive shopping experiences – from pre-purchase to purchase to post-purchase. Featured throughout this study is a series of "Retail Watch" recommendations that can help drive retail sales.

B. Methodology

An extensive survey designed by comScore in conjunction with UPS was fielded between February 27 and March 9, 2014. Panelists were sent emails inviting them to participate in a custom online survey. The survey was blind, that is, participants were not informed that UPS was a sponsor. All shoppers surveyed had to meet the criteria of making at least two online purchases in a typical 3-month period and targets for usage levels as outlined below. Ultimately, a total of 5,849 respondents completed the survey, which were distributed as outlined below.

Purchases in 3-month period	% of participants
2-3	20%
4-6	40%
7+	40%

This year, the e-tailing group, an industry-leading e-commerce consultancy, worked with comScore and UPS to develop questions and analyze research results, bringing additional insights to the study. The e-tailing group mystery-shops 100 retailers (EG100) each holiday season and, where appropriate, shares highlights of these 4Q13 results to augment the findings and provide additional perspective.

¹comScore; 2014

C. 2014 Research Focus Areas

- What do consumers want in an online shopping experience?
- How are mobile and social media channels changing consumers' shopping habits and expectations?
- How important is product and customer service information when making a purchase, and when and where should it be presented?
- What do consumers want to see from retailers in the online checkout and delivery process?
- How important are returns in the overall shopping journey and when do consumers access this information while shopping and post-purchase?
- What drives customer retention and subsequent retailer recommendations?
- What are consumers interested in as it relates to emerging capabilities?
- What elements of the online experience are consumers receptive to when shopping in store?
- What do omnichannel shoppers value most in loyalty programs?

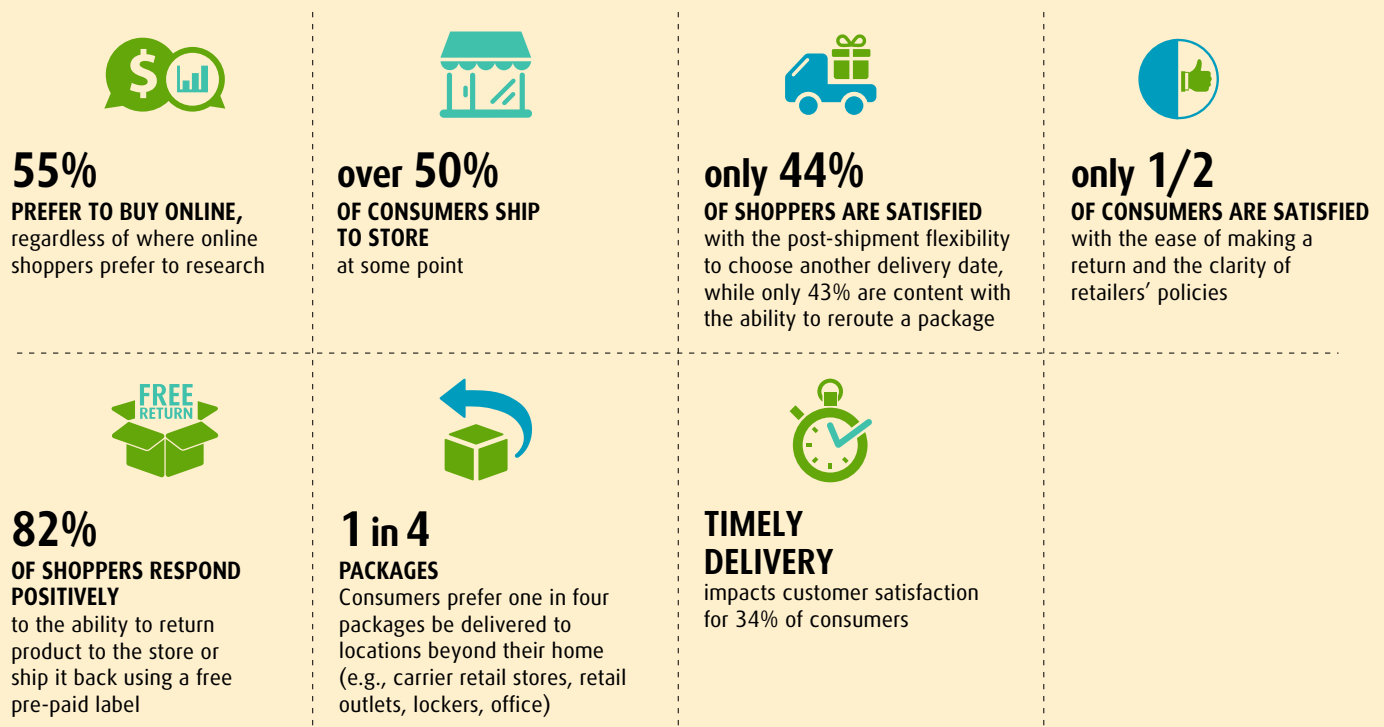
D. Key Takeaways: The Flex Shopper Emerges in a Fluid Multi-Device, Multi-Channel World

Following are key findings from the study, highlighting some of the critical steps in the flex shopper's path to purchase.

1. Convenience Dominates the Shopping Landscape Online and In Store

Rather than favoring one channel over another, convenience often drives that selection. With retailers continually improving on fulfillment and delivery times, the differences among channels are less critical for consumers. Under this scenario, retailers are pressed to create compelling online and in-store shopping experiences coupled with exceptional service.

Choice of channel is based on many variables and is in a constant state of flux as shoppers weigh personal circumstances, shopping needs and logistics (or shipping) options



Mobile gains ground as consumers seek convenience in accessing online shopping and connecting to retail stores for a variety of tasks



25%
OF MOBILE USERS RESEARCH
 prior to store visits via mobile devices on a weekly basis



22%
OF MOBILE USERS RESEARCH
 while in store via smartphones on a weekly basis



22%
OF MOBILE USERS SEEK OUT
 store locator information, including location or checking inventory weekly



51%
OF TABLET USERS AND
41%
OF SMARTPHONE USERS
 have made purchases on these devices

2. Comprehensive Information Is Essential

Information is central to decision-making and each retailer makes choices about how much information is ideal to satisfy the shopper. Investments in content – from photography to educational tools – must be weighed carefully. This information may never replace a well-informed sales associate, but can support researching in advance of store visits. Information in the context of customer service is also a concern for shoppers wanting easy access and clarity on policies.

Retailers are not always supplying enough information to facilitate shopper decision-making – from imagery to customer service elements (especially returns), which often results in a lost sale



43%
OF MOBILE USERS PREFER
 computer-based shopping vs. mobile, as they can't get clear product images



27%
OF MOBILE USERS READ
 peer reviews and feedback on smartphones when in store



only 68%
OF SHOPPERS ARE SATISFIED
 with the amount of product detail to determine what would best meet their needs



only 59%
OF CONSUMERS ARE SATISFIED
 with the ability to find a customer service phone number or other contact option during the search/browse phase of their shopping experience



COMPARISONS MATTER
 When comparing retailers where they might make a purchase, consumers value detailed product information and photos almost as much as product selection (the top choice)



88%
SHOPPERS WILL REVIEW
 a retailer's return policy and 66% will do so before purchasing



only 60%
OF SHOPPERS ARE SATISFIED
 with the ability to find a retailer's return policy



only 53%
OF SHOPPERS ARE SATISFIED
 with access to customer service information within the checkout process



only 45%
OF SHOPPERS ARE SATISFIED
 with the availability of click to chat

3. Technology Adoption Is Changing the Dynamic in Unexpected Ways

Web and mobile facilitate the ability to comparison shop at every stage of the shopping journey. Price comparison engines are powerful, and Amazon.com serves as the de facto price check for shoppers. Technology enhancements are continually made available to consumers and present new ways of shopping that are taking product recommendations and personalization to new levels. Retailers must now make it a top priority to deliver an efficient shopping experience for all devices – desktop/laptop, smartphone and tablet.

Price-sensitive shoppers, living in a promotionally charged retail climate, take advantage of technology to secure best prices via every means possible



4 in 5
CONSUMERS FEEL
 that free shipping is an important factor when making a purchase online



57%
OF SHOPPERS ABANDON
 carts to comparison shop



40%
OF MOBILE USERS LOOK
 for or redeem coupons on these devices



36%
COMPARE PRICES
 on their smartphones when in store

Shoppers will make tradeoffs to save money and time, including a willingness to wait for packages



DELIVERY SPEED 4th
 most important factor when comparing retailers (after selection, product information and reputation)



93%
OF SHOPPERS TAKE ACTION
 to qualify for free shipping, and the leading action taken is adding items to a cart (58%).

New technologies are making the shopping experience in store more dynamic while bringing some of the informational and personalization advantages of online shopping to brick-and-mortar stores



24%
OF SHOPPERS PREFER
 self-checkout at retail locations



36%
OF CONSUMERS FIND
 e-receipts appealing, while 32% express interest in using in-store kiosks for stock-outs



17%
OF SHOPPERS ENJOY
 having a store associate automatically recommend products based on smartphone data about products purchased in the past



22%
CURRENTLY SUBSCRIBE
 to "curation services," where products or samples are selected based on individual preferences, and 47% said they would consider doing so in the future

4. Logistics Plays a Key Role All Along the Path to Purchase

Logistics – defined here as fulfillment, delivery and returns – plays a major role in customer experience in the pre-purchase, purchase and post-purchase phases. The availability of free or discounted shipping is an important factor for many shoppers at the outset of a product search. Consumers’ desire for a full range of delivery options at checkout, as well as convenience and flexible returns should be key areas of retailers’ focus.

While online shoppers seek out free shipping, successful retailers have to develop strategies to incent, reward and retain customers



50%
OF CONSUMERS CHOOSE
 a slower transit time to
 qualify for free shipping



83%
OF CUSTOMERS SAY
 they will wait an additional 2 days
 or more to receive free shipping

Shoppers are surprisingly willing to wait for most deliveries but want the option for expedited service



7 days
IS AVERAGE TIME
 shoppers are willing to
 wait for delivery



85%
OF ONLINE SHOPPERS
 will wait 5 days or
 more for delivery



50%
OF CONSUMERS ABANDONED
 a cart due to lengthy delivery
 times or when no delivery date
 provided

Returns remains an area highly valued by consumers but underserved by retailers



only 58%
OF SHOPPERS SATISFIED
 with the ease of making online
 returns/exchanges



52%
OF CONSUMERS
 want to see a return
 label right in the box



68%
SAY FREE RETURNS SHIPPING
 is key to a positive returns
 experience

II. The Retail Landscape

A. State of the Industry

Today's connected consumer has heightened the demands they place on retailers. Despite desktop's reign, mobile's emergence as a significant revenue channel and social media's ability to influence means retailers must up their game and differentiate to compete in an omnichannel world.

The following were the most frequently cited categories in which shoppers have purchased in the last three months.

CATEGORY	% PURCHASED
Books/Music/Movies	57%
Apparel	56%
Shoes	37%
Toys and games	36%
Cosmetics/Personal Care	33%
Other Consumer Electronics (TVs, gaming devices, cameras, etc.)	27%
Office Supplies/Products	25%

This study reveals that boutique-in-a-box e-commerce (also known as curation services) is an emerging personalization tactic. Online subscription services are already adopted by 22% of online shoppers and 47% say they would consider enrolling. The adoption rates are much higher for Millennials and urban dwellers. One beauty boutique-in-a-box company recently announced that it now has more than 400,000 subscribers. Each participating consumer pays either \$10 or \$20 a month for a selection based on specific criteria.

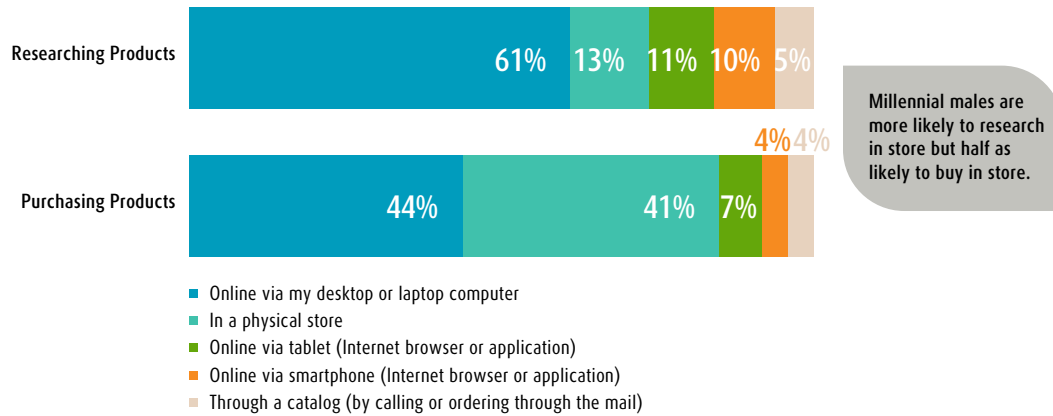
Over 40% of Shoppers Start Their Search Directly through a Retailer's Channel

In order to find products of interest, many consumers begin their search for products on Amazon.com (28%) or through a search engine (19%), but retailer channels account for 43% of product searches via onsite browsing (18%), in-store visits (18%), or catalog shopping and promotional circulars (7%). For efficiency purposes, most consumers tend to have their favorite retailers and have honed their shopping behavior by going directly to those retailers of choice. This, of course, plays a greater role when a proprietary product is involved.

Desktops/Laptops are Still the Preferred Method for Online Researching and Buying

Consumer preference for researching and purchasing products remains online via desktop or laptop. With greater device adoption and improved mobile-centric presentation, a shift to mobile purchasing will likely follow suit. This pattern is similar to the gradual adoption online shopping that transpired during the early years of e-commerce.

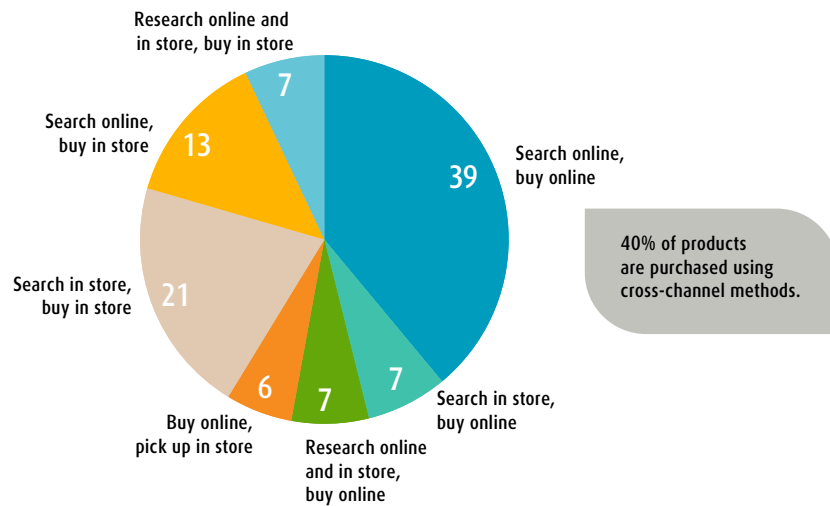
► **Figure 1: Preferred Method of Access to Multi-Channel Retailers** (n=5,849)



RB1X1. Thinking of your favorite retailer that has both physical stores and an online presence (i.e., website or mobile application), what channel do you prefer for researching products?

Regardless of where online shoppers research, 55% prefer to buy online. Convenience is a driving force, so delivery is often a better fit. In other circumstances, consumers need to literally touch and feel or try on the goods. Thus, it's not surprising to see that many shoppers will typically visit the store, and mobile may in fact be accelerating this behavior shift. This includes accessing store information – from directions to store hours, checking inventory and even reserving product prior to their store visits. Despite these dynamics, it's important to remember that nearly 90% of retail purchases in the U.S. are still transacted in physical stores, and even the avid online shoppers surveyed in this study frequently shop in stores.

► **Figure 2: Most Frequently Used Paths to Purchase with Multi-Channel Retailers** (n=5,849)
Avg. Chip Allocation Out of 100



RB6. Thinking of all the purchases that you make, both online and in stores, how often do you purchase in the following ways?

Ship-to-Store Assumes Vital Role in Omnichannel Success

This year, 52% of all U.S. retail sales will either be influenced by or occur as a result of online visits.² Over half of consumers who purchase items online have opted to ship to store for pickup at some point, according to results of this study. These store visits are valuable, as two in five consumers have made additional purchases during those trips. Mobile also plays a role in facilitating these on-the-go purchases, and retailers must be in a position to accommodate consumers in every way possible. While some retailers were pioneers in cross-channel capabilities, long-term infrastructure investment will be required to support growing customer demand. This often starts with distribution centers, fulfillment and enterprise-wide systems that allow for transparency across channels. The underlying technology must deliver desired efficiencies and ensure high performance standards are met.

B. Mobile's Emerging Impact

The most significant trend impacting retailers over the past few years has been rapid mobile adoption and smartphone use for shopping. In Q4 2013, m-commerce accounted for 12% of all retail e-commerce; m-commerce nearly hit \$25 billion in 2013 and grew +22% vs. 2012.² A look at a few industry facts further confirms its importance:

More than one in four U.S. e-commerce orders last holiday season came from mobile devices.⁴

Tablet and smartphone share of e-commerce orders grew from 8% in 2012 to 11% in 2013.⁵

More than half of Amazon customers shopped using a mobile device during holiday 2013.⁶

Consumers Accelerate Mobile Behavior and Retailers Reap Rewards

The desktop/laptop still reigns supreme when it comes to online purchases, although about 46% of mobile and tablet users have made purchases on those devices. Expectations are for mobile to grow rapidly. In a survey of over 100 retailers, conducted by the e-tailing group this year, retailers indicated that mobile now accounts for at least 20% of traffic for the majority of retailers and, for one in five, it represents more than 30% of their business. More importantly, revenue derived from mobile results had year/year gains – with 50% of retailers reporting a 5% contribution rate and 32% reporting at least 10%.⁷ The payback is powerful, and mobile's ability to fuel omnichannel access is unmatched.

Mobile Device Usage Is Multi-Dimensional

Mobile behavior occurs in all stages of shopping. On a weekly basis, 28% of users are tracking packages, 25% are researching products prior to store visits, and 22% are taking advantage of in-store research to make those trips more productive. Mobile has also served as a conduit to connect shoppers to retail stores, as 22% are seeking out store location information or checking inventory to select their store of choice. The role of email should not be underestimated, as one in every five consumers made a purchase after opening a retailer's email on a mobile phone. This is particularly significant, as 65% of marketing emails were opened on mobile devices during 4Q13.⁸

²Forrester Research; 2014

³comScore; 2014

⁴Custora; 2014

⁵Custora; 2014

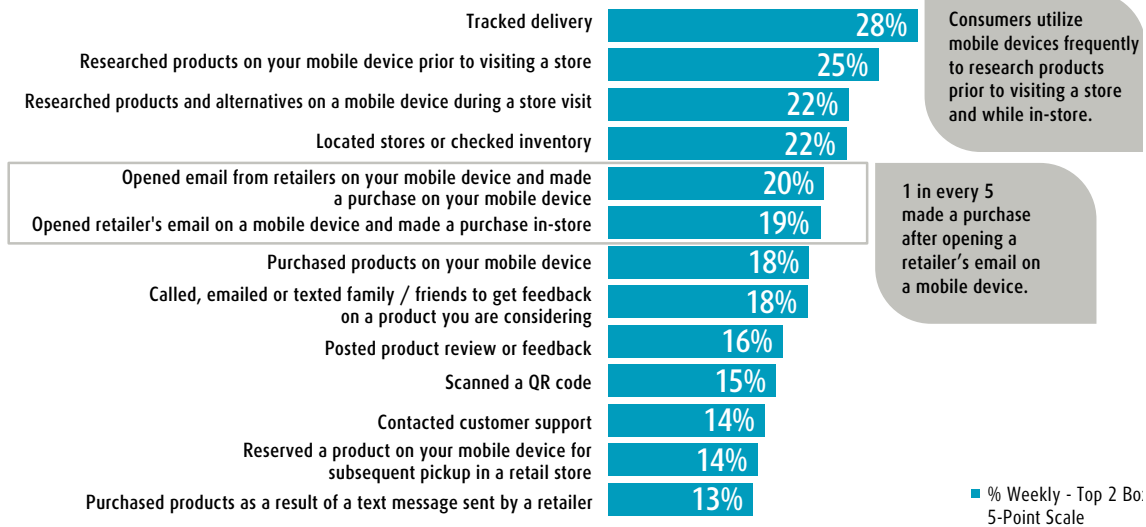
⁶Amazon; 2014

⁷E-tailing group 2014 Merchant Survey

⁸Movable Ink; U.S. Consumer Device Preference Report; 2014

Retailers must ensure that email renders properly on all mobile devices to capture this traffic. Though these numbers seem relatively small, it's surprising to see that consumers are contacting customer support (14%) and posting reviews (16%) on mobile devices on a weekly basis as well. Expect mobile engagement for customer service and social media to grow even more as shoppers become more comfortable with mobile access.

► **Figure 4: Frequency of Mobile Activities - Weekly** (n=4,343)

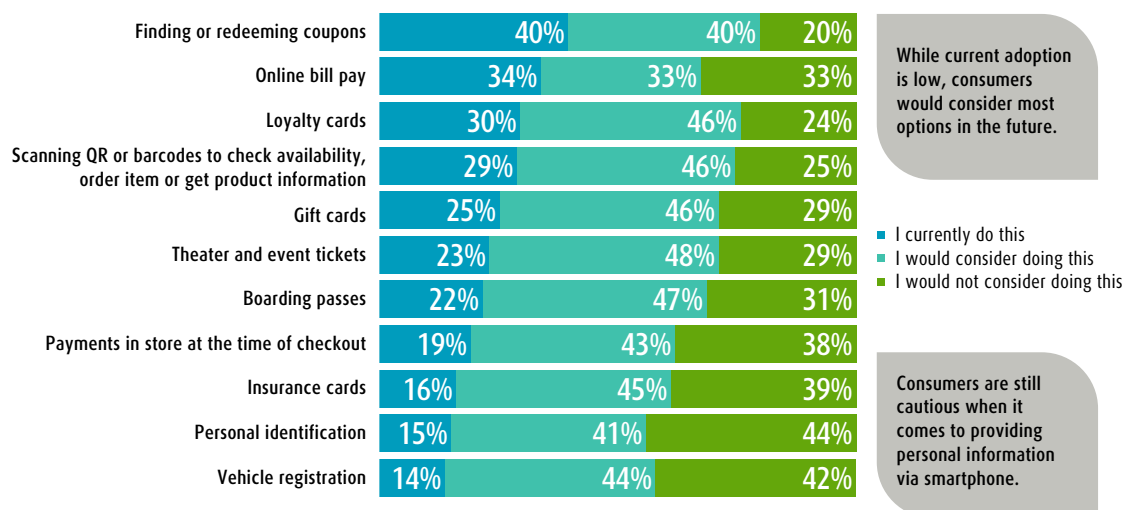


MOB2. Thinking about the last three months, how often did you do each of the following via a mobile device (e.g. smartphone or tablet)?

Shoppers Embrace Mobile Wallet Activities

Coupons (40%), paying bills (34%), along with storing loyalty cards (30%), storing gift cards (25%) and purchasing tickets (23%) are catching on for smartphone users. And many consumers are open to considering such activities in the future. However, most consumers are reluctant to use their smartphone for payments in store or to hold personal identification, insurance cards and vehicle registration.

► **Figure 5: Smartphone Activities Conducted Among Smartphone Users** (n=3,598)



MOB5. Which of the following capabilities do you currently use or would you consider using your smartphone for?

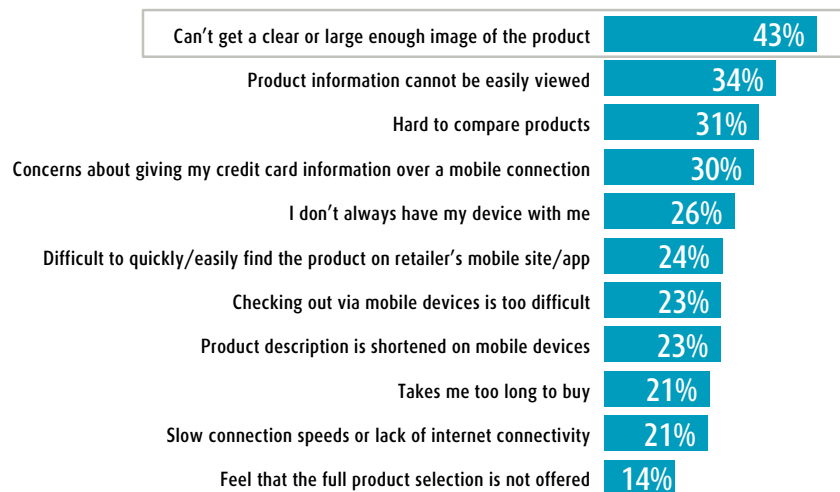
Retail App Usage Lowers Abandonment Propensity

Almost half of smartphone/tablet owners take advantage of retailer mobile apps. Despite the consumer’s mission to seek out the lowest price, mobile apps deter users from comparison shopping. In fact, only 41% of survey respondents report that they sometimes will leave these apps to comparison shop, but not as frequently as they do when they shop within a web browser. The notion of being a click away from any site is not as true with apps, given the selection of retailer apps may be relatively limited. Additionally, shoppers who have chosen the retailer app route may be mission-driven with defined retailer preferences and less likely to abandon their cart.

Early Stage Mobile Faces Challenges and Leads Some to Continue Shopping via PC

First and foremost, information is necessary to complete any purchase, and this includes both imagery and product details. The top reason (43%) consumers move away from mobile is that the image of the product is simply not clear or large enough, so they lack confidence to complete their purchase. Retailers have work to do to ensure that the imagery they present is device-appropriate and that the product descriptions and details are ample and well displayed for all devices. Both of these reasons make it difficult to compare products, pushing consumers to seek other options.

► **Figure 3: Reasons for Shopping on Computer vs. Mobile Device** (n=3,827)

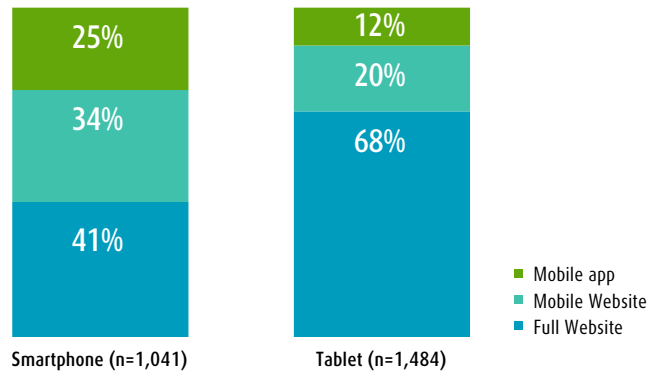


MOB1. What reasons lead you to shop on a desktop or laptop instead of on a mobile device (smartphone or tablet)? Please select all that apply.

Consumers Prefer Using a Retailer’s Full Website Even When Shopping on Smartphones and Tablets

Shoppers have long expressed reservations about the fear of missing out, and this likely contributes to consumer preference for viewing a retailer’s full website when given a choice. Shoppers in this survey are clearly signaling to retailers here that the mobile customer experience is not up to the quality of a full website. The inability to zoom in on photos on a mobile website or app may also lead to consumer preference for the full website. The trend also extends to tablet users, as 68% prefer the full website.

► **Figure 6: Preferred Method of Shopping by Device, Among Consumers Who Made a Purchase On a Mobile Device**

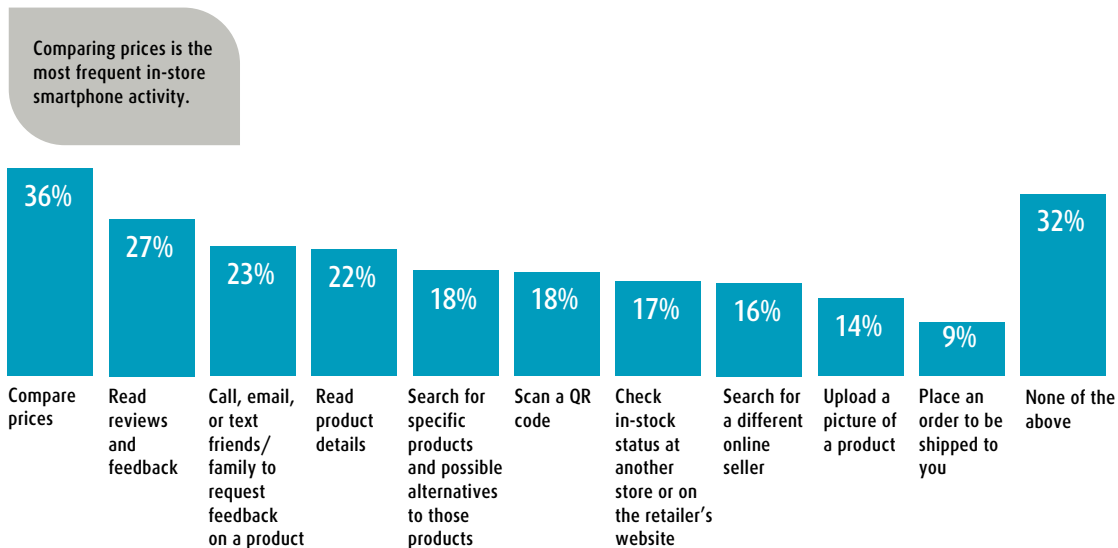


MOB3. When shopping on your smartphone or tablet, from which format do you prefer to purchase?

C. Changing Store Dynamics

Channels are converging and mobile has a unique ability to serve shoppers who are researching products. In fact, 2 out of 3 smartphone owners use them in store to expand shopping capabilities. Becoming better informed is the driving force for in store usage, and savvy consumers are taking advantage of the ability to secure the right information prior to purchasing. The price-conscious nature of the on-the-go flex shopper is revealed, as 36% report that they compare prices on their mobile phones while in store. To ensure making the right selection, 27% are reading reviews and feedback from their peers while in store. Beyond that, just under one in four is calling, emailing or texting friends for further product approval. The impact of one-fourth of online shoppers reaching out in this way carries exponential value into their networks. Shoppers also report reading product details (22%) and often will search for alternatives to products in consideration (18%).

► **Figure 7: Use of Smartphone In-Store, Among Smartphone Users (n=3,598)**

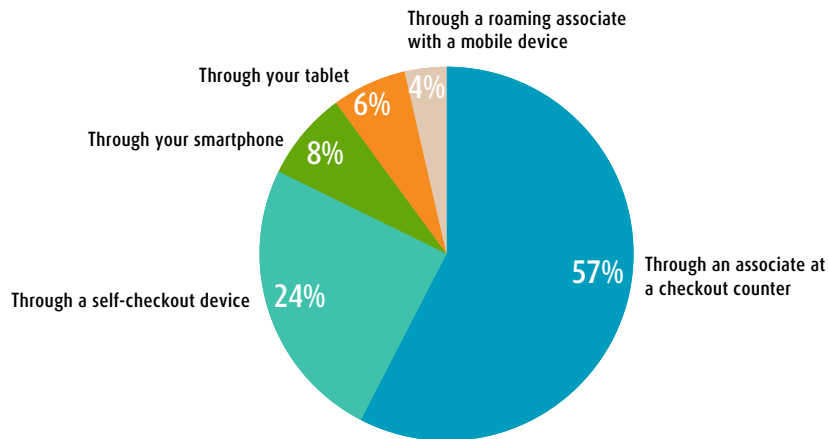


MOB4. When shopping in retail stores, how do you use your smartphone? Please select all that apply.

Retailers Begin to Leverage Mobile to Enhance Store Shopping

Technology enhancements frequently make for superior experiences, and retailers are taking notice. Checkout was first to get the attention of consumers, with many taking advantage of grocery self-checkout. They are now gravitating to the same option at other retailers (24%). Many shoppers have not yet taken advantage of checkout beyond associates at a traditional counter, and 61% still desire a personal touch in stores. Limited preference is seen for mobile options at this point in time; however, this may be because these options are not yet widely available.

► **Figure 8: Purchase Method Preference In-Store** (n=5,849)

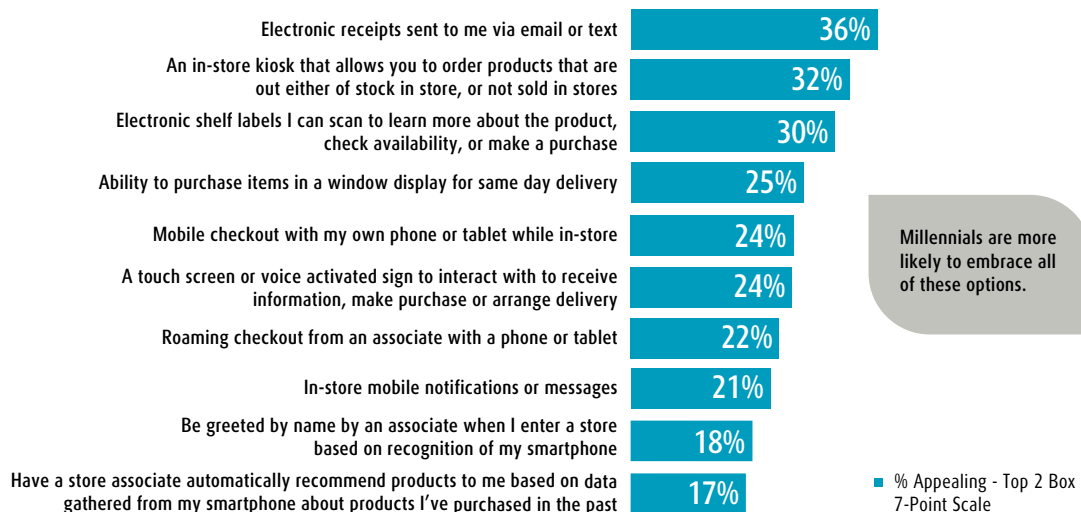


RB8. When shopping in a retail store, assuming all of the following are available to you, how would you prefer to complete your purchase?

One in Four Interested in New Technologies that Bring Customized and Personalized Online Shopping Benefits to the Store

Thirty-six percent of consumers are interested in e-receipts, which are already core to the checkout process at many retailers. Consumers value in-store kiosks to order out-of-stock items. In the past, such sales were usually lost, as consumers typically had to rely on associates to facilitate this process. Electronic shelf labels take third place, reinforcing in-store phone usage tendencies, noted elsewhere in this study. The notion of self-service takes on a new twist, as consumers already find appeal in controlling the shopping experience by being able to interact via touch screen or checkout via a roaming associate. In-store mobile notifications and messages also are expected to grow, too, as a limited number of retailers (28% of EG100) are collecting mobile phone numbers for subsequent marketing. With new technologies like iBeacon on the horizon, opportunities to engage with consumers will expand exponentially within brick-and-mortar retail.

► **Figure 9: Appeal of Shopping Conveniences and Capabilities** (n=5,849)



FUT6. Technology is making advances in how we shop. On a scale of 1 to 7, how appealing are the following conveniences or in-store capabilities with "1" being Not at all appealing and "7" being Very appealing?

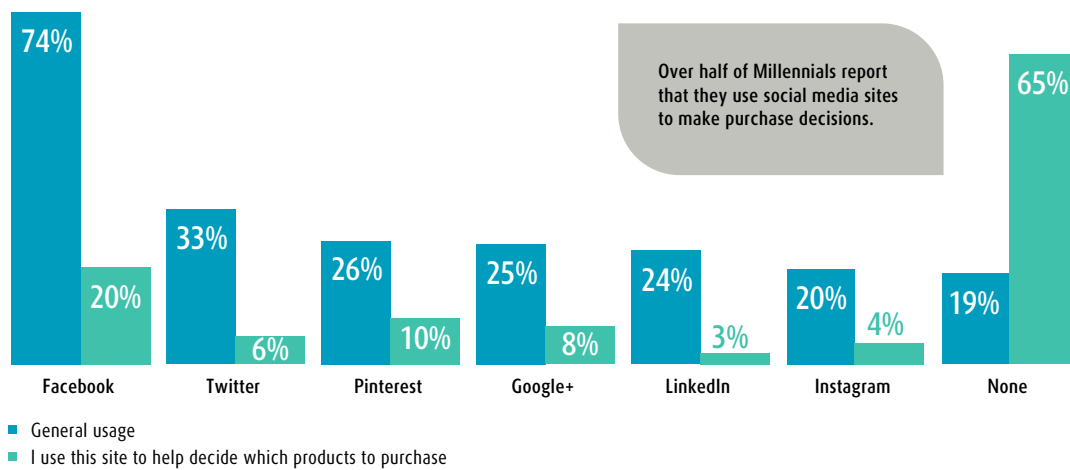
D. Social Exerts Influence

It has been challenging for retailers to directly link social media exposure to product buying decisions. While consumers say that they are influenced by what they see on social media sites, the non-linear buying journey of the flex shopper makes it difficult to attribute the purchase to social media exposure. It is also important to remember that this consumer social behavior is first and foremost about communication. Therefore, it is significant to note the influence uncovered by this study.

More than One-Third of Online Shoppers use Social Media to Make Purchase Decisions

When asked in the survey, one in three of all shoppers and over half of Millennials said their purchases are influenced by social networks. This points to a growing influence of social media on retail in the future. The dominant network is Facebook, where three out of four (74%) of the online shoppers surveyed participate. The next closest network is Twitter, embraced by 33% of respondents. Though their numbers are significantly lower, Pinterest and Instagram may have an accelerated importance in the future for retailers, given their visual approach and/or focus on products.

► **Figure 10: Social Media Usage** (n=5,849)



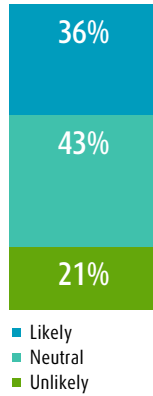
SM1. Do you use any of the following social networking sites? Please select all that apply.

Social Media Extends Reach via Viral Means

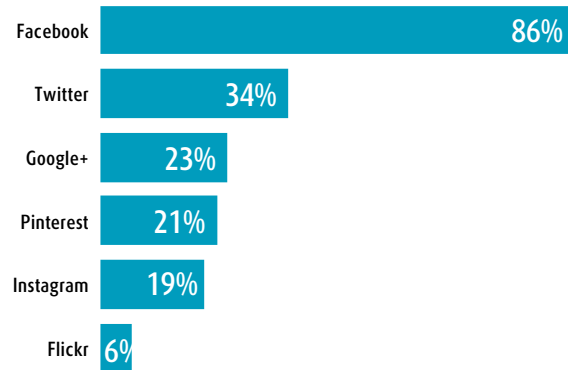
Close to two-thirds of Facebook users have “liked” a retailer and about four in five pay some attention to retailer updates. This additional influence may be significant, as viral reach results from information sharing with friends and family, particularly among younger segments.

Over one-third of consumers who are happy with their purchase are very likely to promote that purchase on social media (Figure 11), primarily on Facebook and then Twitter (Figure 12).

► **Figure 11: Likelihood to Promote a Brand/Product on Social Media When Satisfied with Purchase (n=4,601)**



► **Figure 12: Social Medium Chosen to Promote Brand/Product (n=1,524) Among Shoppers Likely to Use Social Media to Promote Brand/Product**

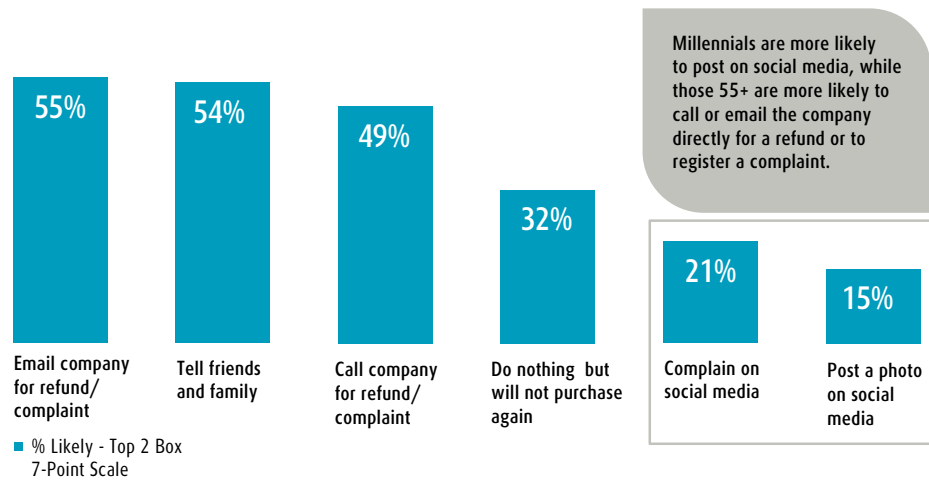


SM5. When satisfied with a brand or product you have purchased, how likely are you to promote the brand or product via social media?
 SM6. Which social media site would you choose to promote a brand or product? Please select all that apply.

One in Five Consumers Complains via Social Media If Dissatisfied with a Purchase

Shopper dissatisfaction most often comes in the form of emails to companies. Just over half are likely to email a company for a refund/complaint. Almost half (49%) will call companies and a third will simply do nothing but will not purchase again. While social media complaints scored just 21%, retailers should be on guard as a small but vocal minority post their dissatisfaction. Telling friends and family elevates the reach and influence and can be very detrimental to brands if service levels are poor and response times to social media are lacking. Retailers need to be even more vigilant and aggressive in addressing shopper concerns, always being cognizant of how one’s brand is being portrayed.

► **Figure 13: Likelihood in Taking the Following Actions When Dissatisfied with a Purchase (n=5,849)**



SM7. When you are not satisfied with a brand or product you have purchased, how likely are you to respond in any of the following ways?

RETAIL WATCH: THE RETAIL LANDSCAPE



The following suggestions should be assessed in the context of one's business and adopted as appropriate.



MOBILE

- Leverage responsive site design to deliver a mobile-optimized experience
- Make sure emails render properly on all mobile devices
- Define the optimal user experience for mobile and build a roadmap to achieve those goals
- Review imagery needs and upgrade to ensure customers gain a clear view of the product to facilitate decision-making
- Evaluate the role of apps for your business



STORES

- For store-based retailers, explore the technology that can be deployed to educate, inspire and service the shopper in store
- Allow shoppers to have choice in receipts (electronic, paper or both)
- Utilize product locators online and in store to find inventory and deliver it to the customer
- Be forward-thinking with POS (point of sale) systems and evaluate mobile tools



SOCIAL

- Be creative in your marketing strategies to grow your social channels and utilize them to market, message and merchandise to your fans
- Monitor social media for both positive feedback and complaints and respond in a timely fashion
- Encourage consumers to "like" your brand through onsite placement and extended marketing efforts
- Reward those who "like" your brand with deals and offers

III. The Path To Purchase: Expectations and Satisfaction

A. The Shopper and Their Mindset

The Flex Shopper Covets Control and Convenience When Making Choices

Based on consumer expectations, retailers need to deliver exemplary customer experiences throughout the shopping journey (pre-purchase, purchase and post-purchase) to achieve superior levels of satisfaction, and logistics are an important part of that foundation. Satisfying today’s demanding shopper is no small feat and successful retailers have learned, often through trial and error, how to provide the desired level of services sought by shoppers. Over the years, much research has been done around what is now coined “omnichannel,” where the value of a shopper who uses multiple channels is exponentially greater.

Flex Shopper Demands Direct Retail Initiatives

In order to frame what’s important to individual shoppers, elements of the research have been summarized in the following at-a-glance table.

Flex Shopper Demands	Research Findings
Convenience	<ul style="list-style-type: none"> • Only 53% of shoppers are satisfied with access to customer service information within the checkout experience • Only 59% are satisfied with the ability to find a customer service phone number or other contact option during search/browse phase of the shopping experience • Only 45% are satisfied with the availability of live chat to ask a question • 51% of customers rank storing profile information (name, address, preferences) important when checking out online • 52% of shoppers want to see a return label in the box • Among consumers who review returns policies before purchasing, 82% would be likely to complete their purchase if free store returns were in place or a free pre-paid label was provided by the retailer • Only half of consumers are satisfied with the ease of actually making the return and the clarity of policies which is important to convenience • Only 44% are satisfied with the flexibility post-shipment to choose another delivery date and 43% with the ability to reroute a package
Efficiency and Communications	<ul style="list-style-type: none"> • Delivery speed was the fourth most important factor when comparing retailers prior to selecting where to shop – behind product selection, product information and reputation • 56% of shoppers prefer to see the expected date of arrival (Tuesday, March 4) in the cart • 50% of shoppers have abandoned a cart due to lengthy delivery times or no date provided • One in three shoppers report that customer satisfaction post-delivery hinges on whether the items were delivered on time
The Right Information	<ul style="list-style-type: none"> • 61% of shoppers find ratings and reviews about products they want to buy helpful • When comparing retailers where they might make a purchase, consumers value detailed product information and photos almost as much as product selection (the top choice) • 88% of shoppers will review the return policy and 66% will do so before purchasing
Personalized Shopping	<ul style="list-style-type: none"> • 17% of shoppers find appeal in having a store associate recommend products based on smartphone data about products purchased in the past • Only 67% are happy with the ability to save purchase history and personal information as part of the search/browse experience • 25% find value in having retailers use their personal information to send offers • 30% of shoppers appreciate seeing recommendations on screen for items based on listed preferences while 28% enjoy seeing those purchased by others • When checking out online, 51% find it important for retailers to “remember them” by saving items already added to the cart and order information previously selected during an abandoned shopping session

B. Pre-Shopping: Search and Browse

Customer Satisfaction Scores Significantly Higher Online

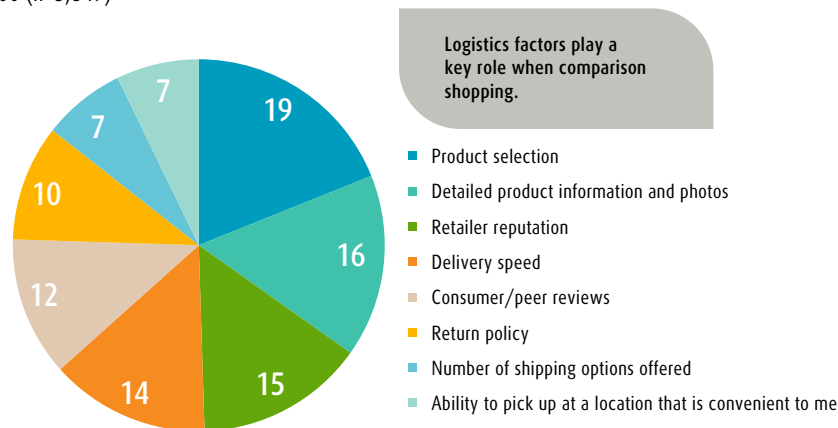
This survey reflects the views of omnichannel shoppers – those who shop online and in store. In fact, cumulatively they report having made over half of recent purchases in store. Having the benefit of both online and in-store shopping experiences, 83% of all shoppers expressed satisfaction with the online shopping experience, while 63% were satisfied with in-store shopping. Consumers continue to gravitate towards non-store channels while expecting stores to evolve to meet their needs by integrating with online channels.

Product Information and Search Tools Power Productive Shopping

Shoppers were directed to share the factors that are important to them when searching for products. They were asked to allocate 100 chips based on the value they placed on each item. Product product selection topped the list and Figure 14 reflects research findings that show information, speed, influence of peer reviews and a focus on return policies are recurring themes.

Access to detailed information extends through the purchase journey, where detailed product information and photos was almost as important as product selection. Consumers express that they won't have the confidence they need to complete the sale without such information. The retailer reputation remains paramount to completing the sale as well. While these initial three factors are brand- and front-end focused, logistics factors also play a key role when comparison shopping.

► **Figure 14: Considerations When Comparison Shopping**
Avg. Chip Allocation Out of 100 (n=5,849)



RB5. Thinking of factors you might take into consideration when searching for products (excluding product cost and shipping fees), how likely are you to consider each of the following factors?

Satisfaction is reasonably high overall for shoppers as they search and browse online (Figure 15). The highest satisfaction is with product assortment, followed by the ability to find products. Those include everything from on-site search, customer reviews, product details and personal profiling, along with customer service aspects of the shopping experience. Consumers express dissatisfaction in their ability to find a retailer's return policy and are often challenged to locate appropriate contact information in order to connect with a retailer.

The e-tailing group's 2013 Mystery Shopping report indicates that 76% of retailers have their phone number visible on their home page while 82% list customer service hours, going one step further to best serve the customer. Live chat, in contrast, was only available on 59% of the sites surveyed. Shoppers are gravitating to live chat and, for some, it has become their preferred method of contact, yet as indicated in Figure 15 only 45% are satisfied with current offerings.

► **Figure 15: Satisfaction With Aspects of the Search/Browsing Experience Online** (n=5,849)



RB3. How satisfied are you with each of the following aspects of your search/browsing experience when shopping online? Please indicate your satisfaction on a scale of 1-7, where "1" is Not At All Satisfied and "7" is Extremely Satisfied.

Factors Beyond Product Information, (Particularly Privacy) Impact Buyer Behavior

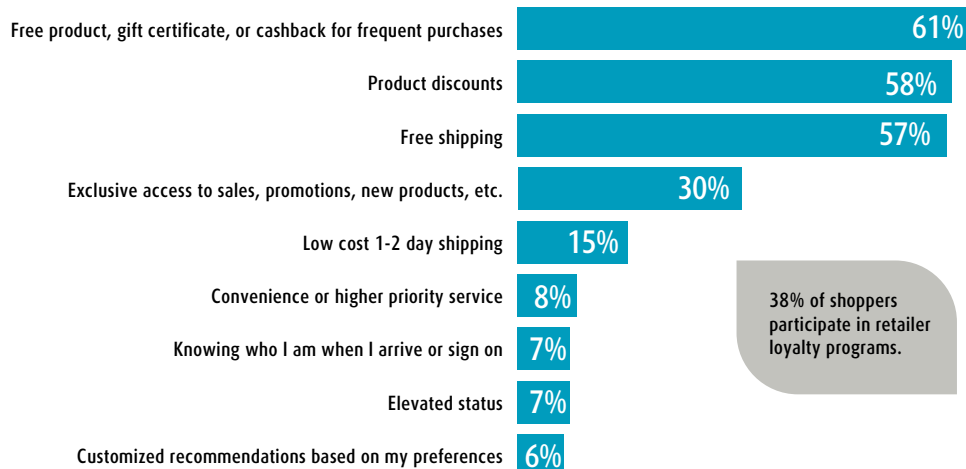
When selecting retailers to do business with, consumers often look beyond shopping-related elements and other values come into play. "Privacy protection" is the top non-product influencer (74%) in consumers' likelihood to shop with a retailer, closely followed by their track record on fraud protection (54%). A focus on "Made in USA" exerted influence for less than half (45%).

Despite the turmoil that has taken place and the media attention to retail security breaches, the level of trust has not wavered for 69% of shoppers and, in fact, more consumers have gained trust (18%) in online shopping than have lost trust (13%) in the past year.

Loyalty Lures Shoppers Where Savings and Access Spur Participation

This study reveals that 38% of online shoppers participate in retailer loyalty programs. Among participants in loyalty programs, shoppers most value savings and exclusive access to goods or promotions. From a savings perspective, 61% favor free products, gift certificates, or cash back based on purchase frequency, while product discounts (58%) and free shipping (57%) also exert strong appeal.

► **Figure 16: Rewards and Benefits Valued Most from Loyalty Programs** (n=5,174), Among Participants of Loyalty Programs



LOYAL2. Which of the following types of rewards and benefits do you value most from a loyalty program? Please select up to five options

RETAIL WATCH: SEARCH AND BROWSE



Much of the initial shopping time is spent searching and browsing, so consider these tips to help capture shoppers in the early stages of their path to purchase.



- Invest in photography with zoom capability and create copy with complete product information for both PC and mobile channels
- Integrate peer-based ratings/reviews within the shopping journey
- Evaluate if a loyalty program is right for your brand and if so how best to build and market
- Ensure your contact information, including hours of operation, are accessible via the home page and checkout page as part of a one-stop customer service destination
- Embrace touch points that are in line with shopper interest, such as live chat to solve problems quickly and efficiently

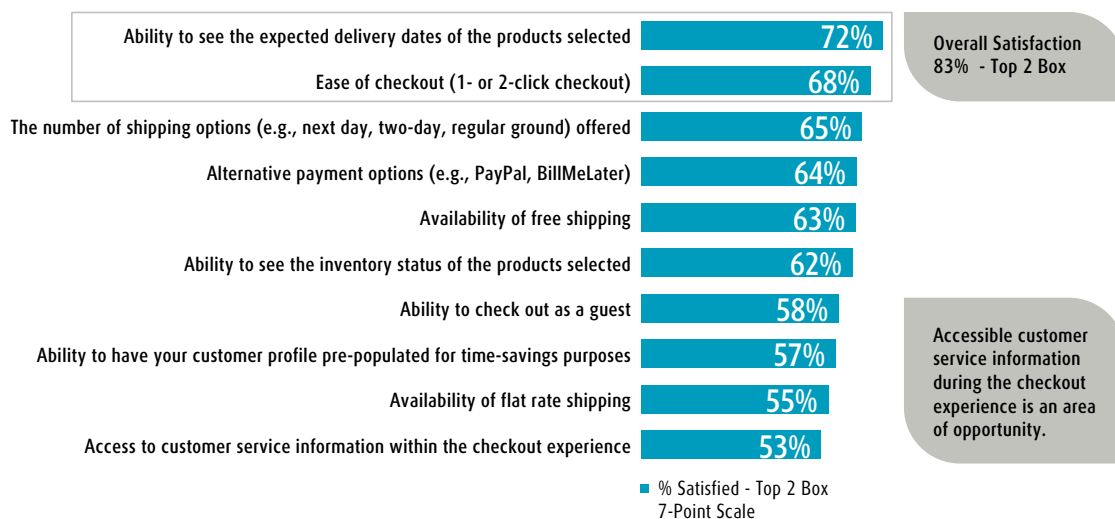
C. Checkout and General Shipping Preferences

Checkout Satisfaction Centers on Efficiency and Transparency

It is essential in today's competitive landscape that checkout is quick and easy. Over half of retailers surveyed in the e-tailing group's 2014 Merchant Survey of 108 retailers reported seeing 2-3% conversion rates. From a cart abandonment perspective, rates are close to 50%, so there is still room for improvement.

Overall consumer satisfaction in the shopper experience is relatively high. Consumers are most satisfied by transparent delivery dates and an ease of checkout (facilitated by one- and two-click checkout, the number of shipping options and alternative payments). Just over half of shoppers are satisfied with access to customer service information at checkout.

► **Figure 17: Satisfaction With Aspects of Purchase Experience** (n=5,849)

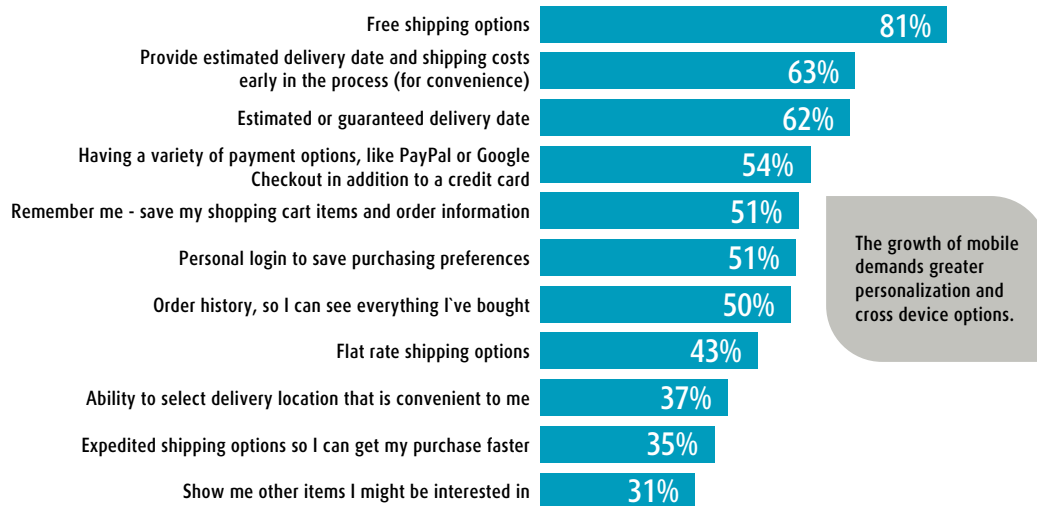


Q10. Overall, how satisfied are you with your previous online purchasing experiences in the past three months?
CHECK1. How satisfied are you with each of the following aspects of your checkout experience when shopping online?

Cross-Device, Cross-Channel Profile Information a Plus

When checking out online, 51% find it important for the retailer to “remember me” by saving items already added to the cart, including order information previously selected during an abandoned shopping session. As mobile plays an increasingly important role in omnichannel shopping, transferring a customer’s cart and profile information across channels becomes more valuable.

► **Figure 18: Importance of Options When Checking Out Online** (n=5,849)



CHECK2. What information or options are most important to you when going through an online check-out process? Please select all that apply.

93% of Shoppers Take Action to Quality for Free Shipping

Four in five consumers feel that free shipping is an important factor when making a purchase online, and shoppers will go to great lengths for free shipping, as seen in Figure 19. Placing additional items in the cart is the most common action taken to qualify for free shipping, as 58% of consumers stated they have done this. A best practice is for retailers to prompt shoppers to add to their carts by showing the incremental spend needed to meet the free shipping threshold.

Choosing slow transit times (50%) and searching online for promo codes are also common actions taken by consumers to qualify for free shipping. Retailers should evaluate how to position these promo codes from on-site to third party aggregators of coupons and other affiliate models. 35% have chosen “ship-to-store” as a means to avoid paying shipping costs, which often benefits retailers since additional products are often purchased while in store.

► **Figure 19: Actions Taken to Qualify for Free Shipping** (n=5,849)

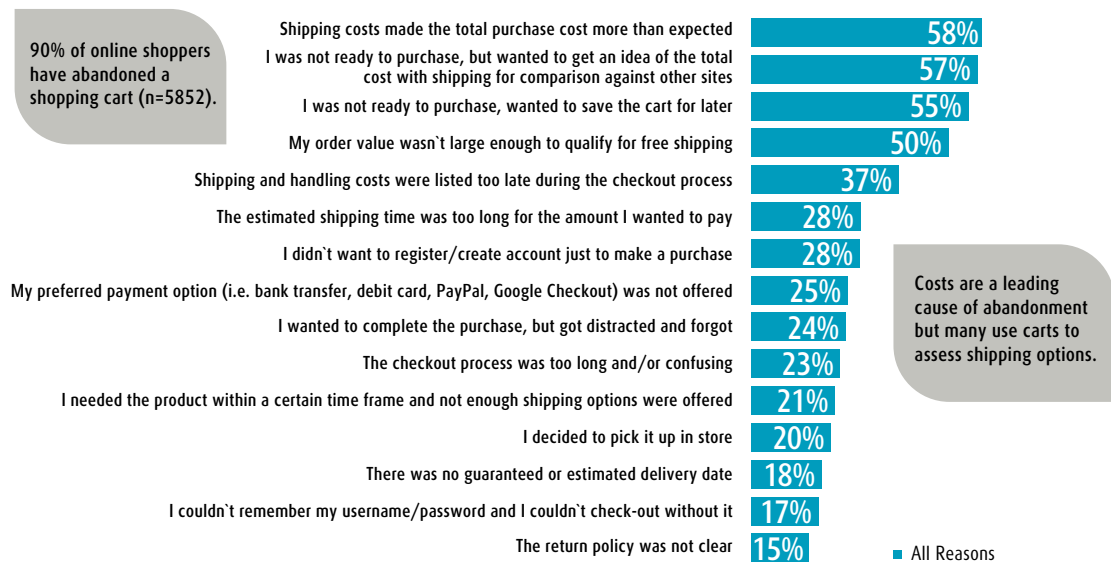


CHECK4. Which of the following actions, if any, have you taken in order to qualify for free shipping? Please select all that apply.
CHECK3. How important is free shipping when you are making a purchase online?

Cart Abandonment Driven by Consumers' Desire to Research Products Any Time and the Total Purchase Cost

Today's flex shopper is frequently in browse mode, searching for products when there is spare time throughout their busy day. To keep track of products they will consider buying, many use the cart like a wish list, so many carts do not turn into conversions. Of those who have indicated they have abandoned a cart in the past, one in two shoppers stated they have done so because their order value was not high enough to qualify for free shipping. Logistics also plays a role in consumer thinking, as there are trade-offs based on time to deliver the product and associated costs.

► **Figure 20: Reasons for Abandoning Shopping Cart v (n=5,241)**

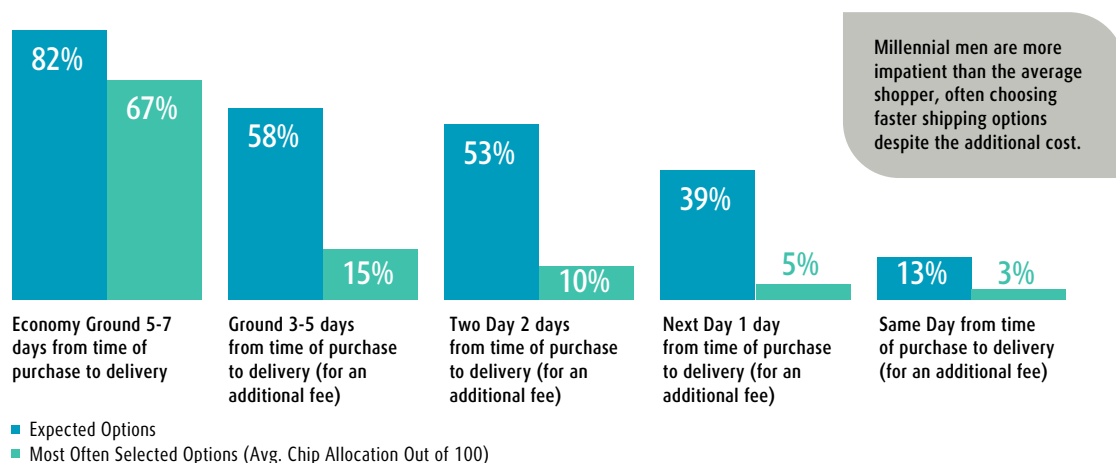


DEL4. Have you ever purchased additional items from a seller based on information, coupons or samples the seller included with your purchase shipment?
 CHECK13. When shopping online, have you ever placed items in the shopping cart or basket but then left the site without making a purchase? Please select all that apply and identify the top reason.

Choice in Delivery Options and Clarity of Timing are Optimal when Shoppers Contemplate Purchases

According to survey results, while most consumers expect to see a range of shipping options (from economy ground to next day), they still select economy ground two-thirds of the time. E-tailing group research found on average EG100 retailers typically offer 3-4 shipping options.

► **Figure 21: Expected and Most Often Selected Shipping Options for U.S.-Based Retailers (n=5,849)**



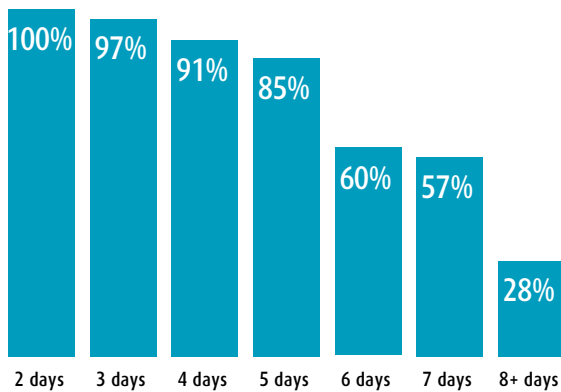
CHECK5. When shopping online with U.S.-based retailers, which of the following shipping options do you expect online retailers to offer? Please select all that apply.
 CHECK6. When shopping online with U.S.-based retailers, how often do you choose each of the following shipping options? Please select all that apply.

Consumers Will Trade Longer Delivery Times in Exchange For Free Shipping

On average, consumers are willing to wait about 7 days for their online purchases. These results are consistent with the past two years of this study. 85% are willing to wait at least 5 days for delivery (Figure 22). There are two steep drop offs in the percentage of customers willing to wait – one after five days and another after seven.

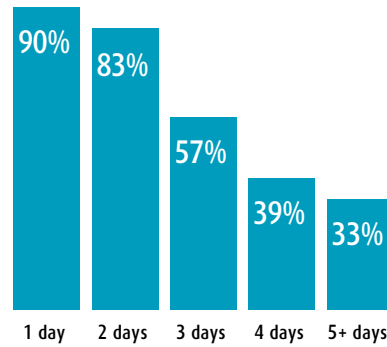
Free shipping again adds an interesting twist into the shipping equation, as shoppers clearly are willing to make trade-offs in the hope of spending less. In fact, 83% of consumers are willing to wait an additional two days for their packages to arrive to receive free shipping (Figure 23). Consequently, retailers may have a wider window to get their products to consumers than is perceived in the marketplace. Patience with shipping times is also dependent on the type of product sold. For example, retailers selling commodity goods that are readily available at local retailers may want to deliver quicker, while others that sell proprietary goods may have more leeway with their delivery times.

► **Figure 22: % of Consumers Willing to Wait by Number of Days** (n=5,833)



CHECK9. What is the number of days that you are usually willing to wait for most of your online purchases from point of purchase to delivery from U.S.-based retailers?

► **Figure 23: % of Consumers Willing to Wait Additional Days for Free Shipping** (n=5,849)

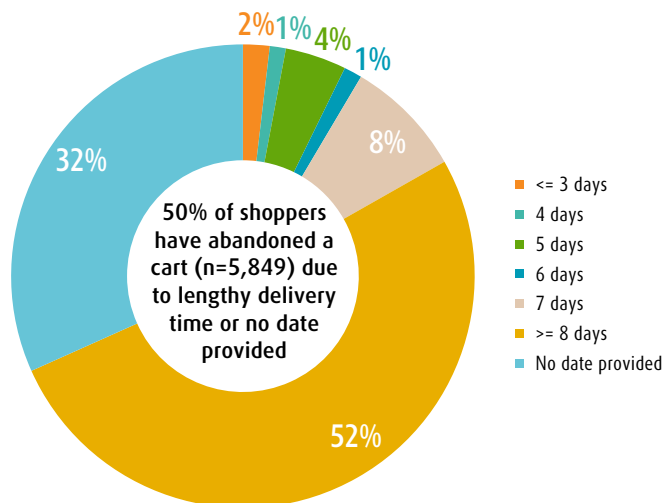


CHECK10. How many additional days are you usually willing to wait to receive free shipping from U.S.-based retailers?

Long Delivery Estimates Cause Cart Abandonment

Despite indications that shoppers are willing to wait, retailers have to balance this with cart abandonment stats. Half have abandoned a purchase due to lengthy delivery times or no date provided at checkout. That abandonment most often occurred when estimated delivery times exceeded five days. Not providing a specific delivery date appears to be the surest way to lose sales.

► **Figure 24: Estimated Delivery Time that Resulted in Purchase Abandonment 2014** (n=2,827)



CHECK14. 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?
 CHECK15. What was the estimated delivery time (in days) from purchase that caused you not to make your purchase?

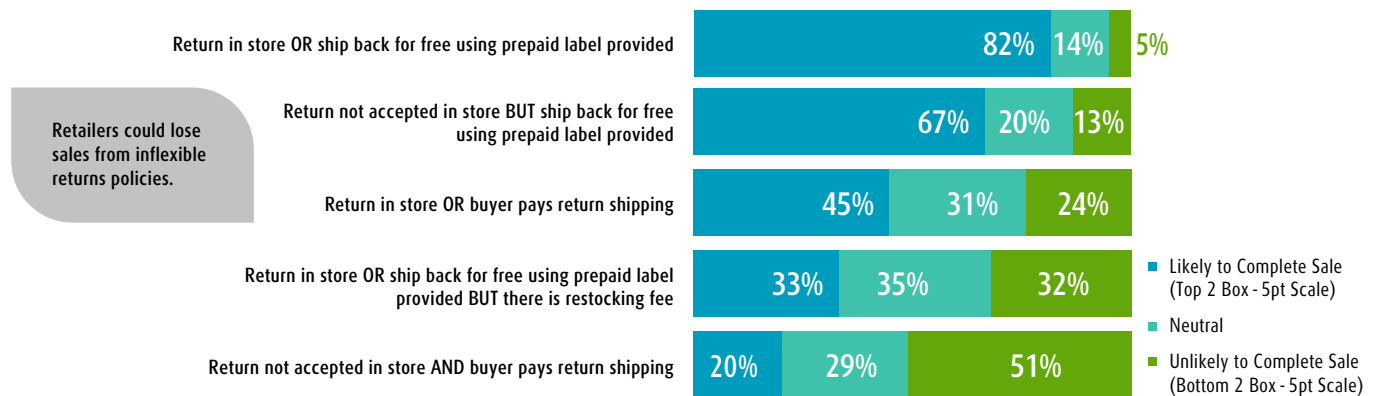
Customer Service Information Is Critical to Retailer Selection

There are typically choices to be made, as many retailers sell similar products. Reading the fine print is on the minds of today's savvy shoppers. 88% of shoppers review these policies and 66% do so before making a purchase, which may influence which merchant will secure the sale. The trend toward viewing return policies before making a purchase may be due to retailers having multiple policies, often due to the complexity of the category. In fact, 38% of the EG100 retailers have multiple return policies so consumers who have encountered this may be conditioned to check the returns policy beforehand.

Cost and Convenience Are Top Returns Factors Influencing Purchase Decisions

Lost sales may result from inflexible returns policies. Shoppers favor options to return product to the store for free or shipping it back with a convenient pre-paid label supplied by the retailer. When it comes to having to pay for return shipping, less than half (45%) are likely to complete the transaction. Further, consumers find restocking fees to be the most offensive inhibitors with only 33% willing to complete a sale if a restocking fee is involved. For multi-channel retailers, acceptance of returns in the store not only is customer-centric but often results in incremental sales.

► **Figure 25: A Return Policy's Impact on Purchase Intent**, Among Consumers Who Review Retailers' Return Policy Before Purchasing (n=3,959)

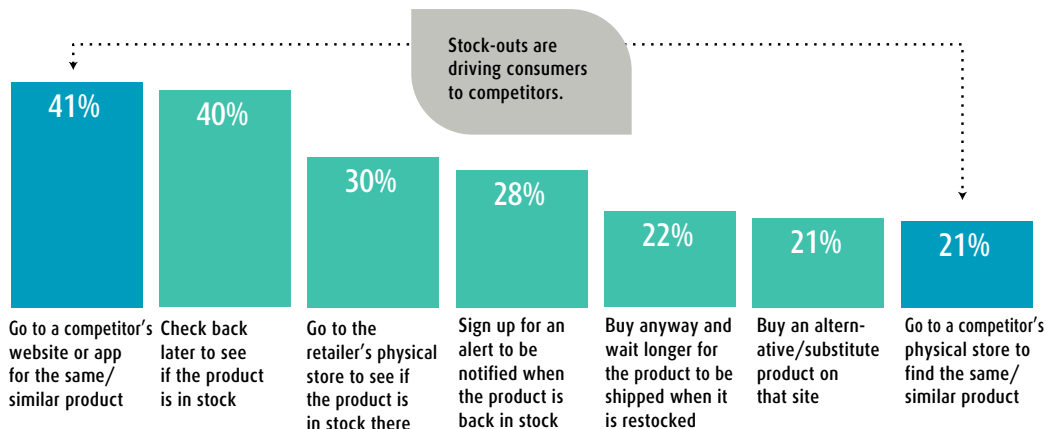


RET3. You indicated that you look at an online retailer's return policy before purchasing an item. Thinking of what you look for in a retailer's return policy, would you complete the sale online if the retailer's "return policy" stated the following?

Shoppers Are Divided Between Waiting and Turning to Competitors When Items are Out of Stock

Stock-outs are a challenge for retailers across many product categories. The real danger with stock-outs is that 41% of consumers go to a competitor's website or app and 21% go to a competitor's physical store to find the same or similar product. This equates not only to lost sales today, but could also result in missed sales opportunities in the future if a competitor is able to win them over. Surprisingly, many consumers are patient when faced with a stock-out. Some 40% will check the website at a later time to see if the stock status has changed, and 30% are even willing to make a trip to the retailer's physical store.

► **Figure 26: Action Taken When Item is Out of Stock When Shopping Online** (n=5,498)



RB4. When shopping online and you encounter products that are out of stock or backordered, what is your typical course of action?

RETAIL WATCH: CHECKOUT AND GENERAL SHIPPING PREFERENCES



The final step in the process is integral to securing the sale, so careful consideration in customer service and policies at this juncture are advisable.



CUSTOMER SERVICE

- Review return policies for clarity and access throughout the site and via post-order communication
- Integrate “Shop with Confidence” messaging within the all-important shopping cart that includes phone number, return policies and contact touch points
- Highlight contact phone numbers and links to touch points like live chat onsite



SHIPPING

- Offer choices in terms of shipping options to accommodate shopper needs
- Show shoppers the expected delivery date in the shopping cart (Tuesday, March 4)
- Invest in logistics to provide faster, more efficient options



FREE SHIPPING

- Understand the patterns that matter and how long shoppers are willing to wait for free shipping
- Monitor your free shipping model and understand time frames to receive products while staying keenly aware of the competitive landscape
- Assess whether you can absorb these costs as a marketing expense and what strategies will be put in place to preserve desired margin yet still remain competitive



RETURNS

- Reread your current returns policy to ensure it is clear, concise and customer-centric
- Position the policy in your customer service page as well as in the shopping cart to avert abandonment
- Assess whether supporting free returns is viable where retailers cover the cost of shipping the product back
- Consider including a return label in the box, or at a minimum make it convenient for shoppers to print a return label right from your website



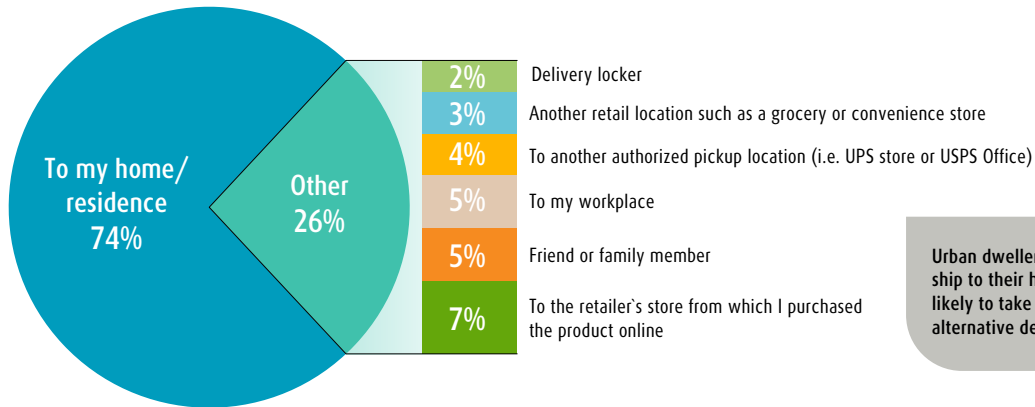
STOCK-OUTS

- Make shoppers aware of the status of products at both the product page and shopping cart junctures
- Put in place tools such as email when stock comes available to capture the sale
- Invest in smart inventory and fulfillment strategies to minimize stock-outs

D. Delivery and the Post-Purchase Experience

Alternate Delivery Locations are the Preferred Place of Delivery for One in Four Packages

► **Figure 27: Preference in Delivery Location**
(Avg. Chip Allocation Out of 100) (n=5,849)



Urban dwellers are less likely to ship to their homes and more likely to take advantage of alternative delivery locations.

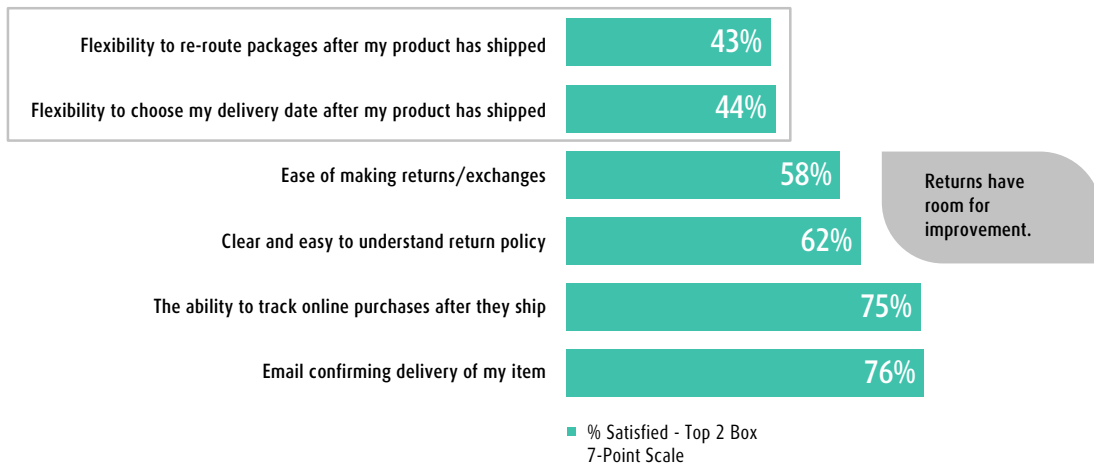
DEL1. Which of the following locations do you prefer your online orders be delivered to?

Consumers prefer to have one in four of their online orders delivered to non-residential locations (e.g. The UPS Store, USPS office, grocery store, delivery locker, their workplace and to the retailer's store). That's one more indication that today's on-the-go shopper is seeking convenience that may change based on personal circumstances and location.

Only Half of Shoppers Are Satisfied with the Ease of Product Returns

Once the "submit order" button is selected, there are many post-purchase aspects that come into play. While satisfaction is high for emails confirming delivery and the ability to track purchases, other aspects remain challenging in the consumer's mind. Just over half of shoppers are satisfied with the ease of making the return and the clarity of the policies. The lack of delivery options also can negatively impact the post-purchase experience as well, where low satisfaction stems from lack of flexibility to re-route packages or the ability to alter delivery dates once they are en route.

► **Figure 28: Satisfaction with Aspects of the Post-Purchase** (n=5,849)



Returns have room for improvement.

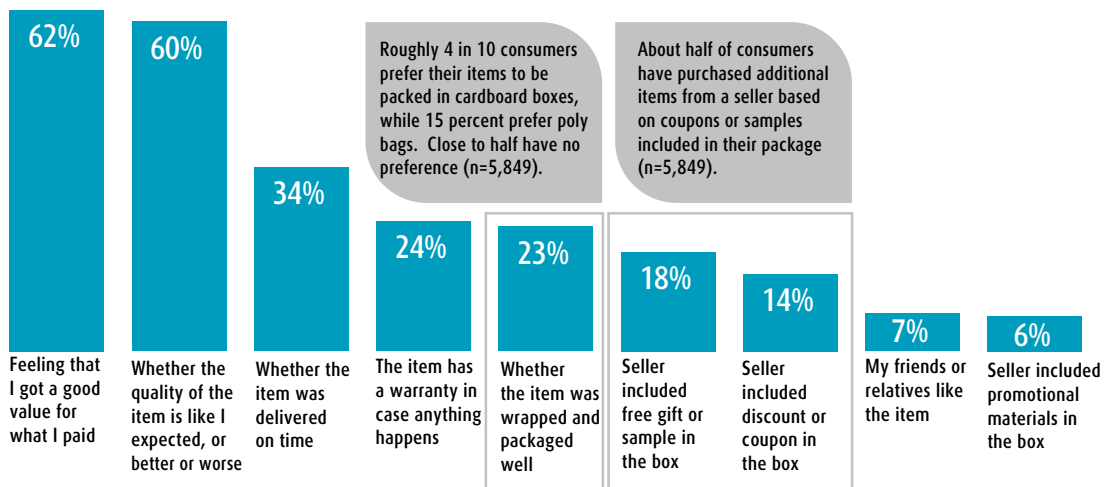
■ % Satisfied - Top 2 Box 7-Point Scale

TRACK1. How satisfied are you with each of the following aspects of the post-purchase experience when shopping online?

One in Three Shoppers Reports That Customer Satisfaction Post-Delivery Hinges on Timely Delivery

Receiving a good value and a high quality product are intrinsic expectations that come with shopping, so it's important to look beyond the basics. One in four consumers feels more satisfied when a warranty is in place to protect them. Other forms of protection also include the wrapping and care the retailer takes to ensure the package arrives in good condition (23%). On a side note, it never hurts to surprise the shopper as 18% enjoyed receiving a free gift or sample with their purchase. Retailers will be rewarded as about half of all consumers surveyed have purchased additional items from a seller based on coupons or samples included in their package.

► **Figure 29: Factors that Influence Customer Satisfaction – Post Delivery**, Among Consumers Who Have Returned Products Bought Online (n=3,682)

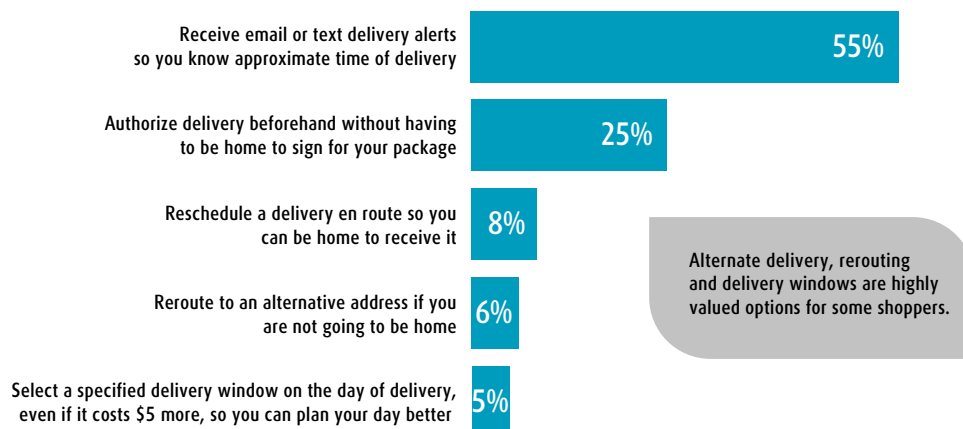


RET9. Which of the following factors most influence how satisfied you are after you receive your purchase? Please select all that apply.

Shoppers Desire Flexibility in Delivery Service Options

Setting delivery expectations and giving consumers control is important. Receiving email or text delivery alerts with approximate time of delivery tops the list for 55% of shoppers. Alternative delivery locations, rerouting and delivery windows are highly valued options for some shoppers as well. With consumers continually on the go and for those living in apartments, condos and some urban locations, these types of conveniences go a long way towards influencing satisfaction.

► **Figure 30: Preferred Delivery Service Convenience Options** (n=5,372)

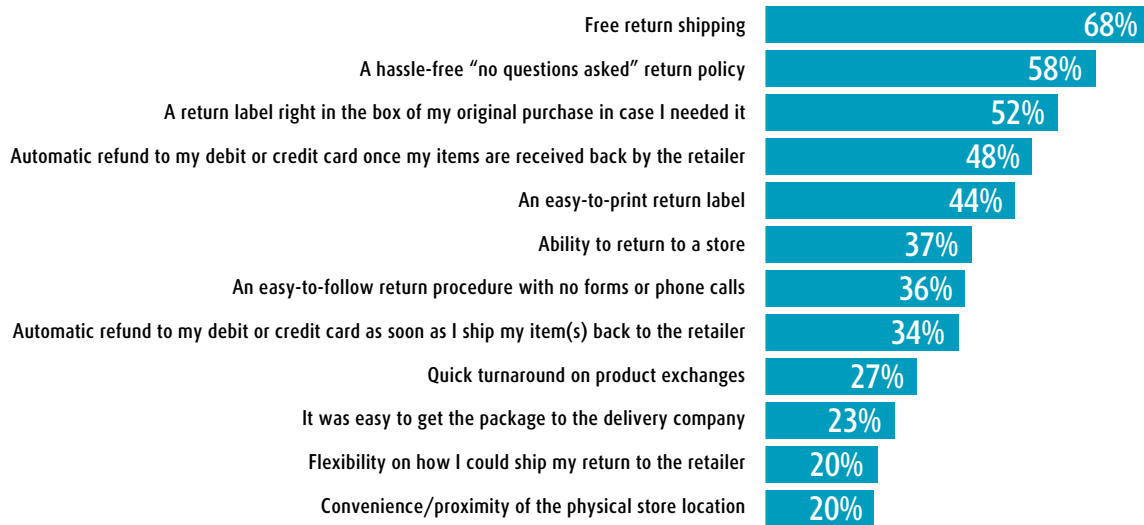


FLEX1. When waiting for your purchase, which service would you find most convenient?

Free Returns and Hassle-Free “No Questions Asked” Policies Power Positive Returns Experiences

The majority of shoppers want the return label included in the box, which again speaks to convenience. They also are aware of the length of time it takes to refund their goods, so “quick and easy” sums up post-purchase expectations.

► **Figure 31: Elements of the Best Returns Experience, Among Consumers Who Have Returned Products Bought Online (n=3,682)**



RET6. Thinking of the best return experience that you have had, what elements were included as part of this experience? Please select all that apply.

Paying for return shipping and restocking fees are the top negatives when returning products. 63% cited paying for return shipping as problematic. Generally speaking, consumers want hassle-free return options and the ability to contact customer service for purchases made online.

► **Figure 32: Issues Encountered When Returning a Product Online, Among Consumers Who Have Returned Products Bought Online (n=3,682)**



RET5x1. What are some of the issues you have faced when returning a product that you purchased online? Please select all that apply.

RETAIL WATCH: DELIVERY AND THE POST-PURCHASE EXPERIENCE



Delivery is top-of-mind for shoppers, so ensuring smart logistics and plenty of conveniences are in place is essential.



LOGISTICS

- Be timely with your delivery and communicate clearly and often with shoppers when delays may occur
- Evaluate implementing systems that allow for customer choice on delivery dates and/or the ability to reroute



RETURNS

- Make returns policies easy to find and easy to follow
- A satisfied shopper who has an easy time with returns is likely to become a loyal customer
- Consider free return shipping – it has been shown to pay back over the long-term⁹

⁹Journal of Marketing, Vol. 76, No. 5 Source: Amanda B. Bower, James G. Maxham, III (2012)

IV. Conclusion

A. Reflections on the Flex Shopper

Today's flex shopper is continually in a state of flux. While their comfort zone with digital commerce still relies on their desktops and PCs, it won't be long until mobile makes further inroads. Technology innovations will continue to lead shoppers in new directions. Retailers may yet find ways to tap into the strength of social to drive sales, and strong influence among Millennials will impact mass behavior over time.

The constants for consumers are likely to remain in place as shoppers gravitate to channels that provide comprehensive information, customer-friendly policies and pricing that plays to the deal-seeker in every shopper. Convenience will continue to be critical, from cross-channel capabilities like ship-to-store to simplified return policies, as well as prepaid return labels and in-store options.



Despite high customer satisfaction for online shopping, room for improvement exists in every stage of the shopping journey.

Retailers are pressed to elevate satisfaction throughout the entire path to purchase. They, too, must understand the role that each of their channels and technology plays for their customers and continue to deliver more channel-appropriate and compelling experiences accordingly.

Omnichannel retailers will ratchet up the store experience, embracing convenience-minded logistics and policies, while introducing information technology services, often associated with the online purchase experience into the everyday shopping environment. Transparent policies and comprehensive information will ensure digital growth and best-in-class customer experiences, starting with search, which will resonate throughout and as part of the post-order experience.

Ultimately, choice will direct shoppers to the channels that work best, where fluid paths are in place to compel the flex shopper to give a greater share of wallet to those retailers that deliver exciting products, shopping efficiency and superior execution.

About comScore, Inc.

comScore, Inc. (NASDAQ: SCOR). Through its Audience Analytics, Advertising Analytics, and Enterprise Analytics product suites, comScore provides its clients with a variety of on-demand software, real-time analytics and custom solutions to succeed in a multi-platform world. The proprietary comScore Census Network™ (CCN) leverages a world-class technology infrastructure to capture trillions of digital interactions a month and power big data analytics on a global scale for its more than 2,000 clients.

About UPS

UPS (NYSE: UPS) is a global leader in logistics, offering a broad range of solutions for the transportation of packages and freight, including innovative delivery options for the global consumer market; the facilitation of international trade; and the deployment of advanced technology to more efficiently manage the world of business. Headquartered in Atlanta, Georgia, UPS serves more than 220 countries and territories worldwide.

About the e-tailing group

The e-tailing group is a Chicago-based consultancy that helps retailers deliver the right customer experience across all channels, while assisting technology companies to create and execute go-to-market strategies that simultaneously educate the retail community.

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