UPS Pulse of the Online Shopper™

Tech-savvy shoppers transforming retail

A UPS white paper

U.S. Study » June 2016

These are tumultuous times for retailers

While e-commerce offers new, unparalleled opportunities for accelerated growth, most retailers also are facing unprecedented challenges, and their very survival is in question. They must keep pace with ever-evolving technology and customer expectations. And omnichannel retailers are being pushed by shoppers to deliver a compelling, seamless experience across all channels. The lines of distinction between brick-and-mortar and digital experiences are forever blurred.

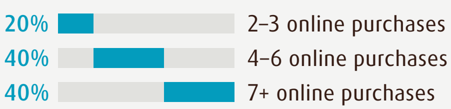
Excellence across all channels is considered table stakes, and organizations are struggling with how best to accomplish these objectives while remaining profitable. With change at a rampant pace, there is no longer a universal set of answers for how a retailer sets priorities and thrives. However, this much is clear: It is more essential than ever to understand the actions and motivations of today's increasingly savvy, tech-driven shopper. That is exactly what this study offers — insights on today's well-connected, in-control shopper.

Retailers of all sizes are experiencing tensions within their organization about prioritizing the changes needed to remain competitive. The insights offered here are designed to help them determine the best path forward as they navigate the intricacies of a market that's never been more challenging.

> Those retailers who can't elevate their game won't be on the playing field for long.

About the study, UPS, comScore and the e-tailing group, inc.

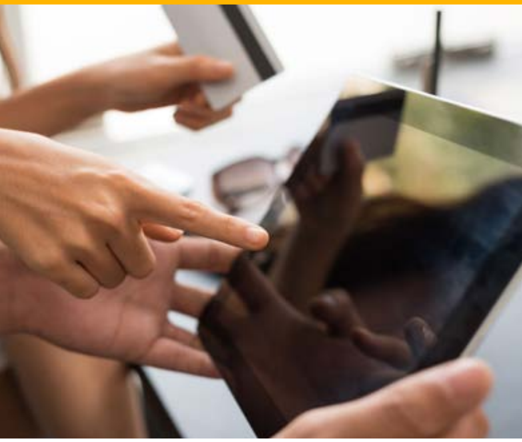
For the fifth year, UPS developed this study with comScore, Inc. Input was collected from 5,330 qualified comScore panelists in January and February, 2016. Shoppers had to have made at least 2 online purchases in a typical 3-month period. Shopping frequency dictated classifications:



UPS also worked with the respected Chicago-based consultancy, the e-tailing group, inc., to develop questions, conduct analysis and define retailer recommendations.

Throughout this report:

* Indicates a significant difference between the referenced time frame and the previous time frame at the 95% confidence level.




Key takeaways

The research results in this study are divided into four sections:

Evolved shoppers

One certainty is clear — the shopper is taking more and more control. The first section, *Evolved Shoppers*, looks at two groups of shoppers who stand out for doing more shopping online and seizing even greater control of the process. This year, the research was expanded to take an in-depth look at the *Power Shopper*. Their seemingly expert-level shopping expertise has important financial implications for every retailer.

The second group, *Millennial Marvels*, also stands out by making technology and social media central to their lives and their shopping process. They recently became the largest group of shoppers with the most buying power, now surpassing Baby Boomers.

Shiny new objects

The consumer's infatuation with everything new makes for a natural audience on which to test an array of innovations. New technologies and business models are being introduced to the retail landscape, including showrooms, growing marketplace offerings, wearable devices and connected home products.

The Internet of Things (IOT) is here now, providing both well-connected homes and products. With exponential growth forecasted, IOT is definitely something retailers need to understand.

Channel dynamics

Mobile is arguably having the most significant impact on shopping with growing levels of use for researching, purchasing and transacting business in store, at home and on the go.

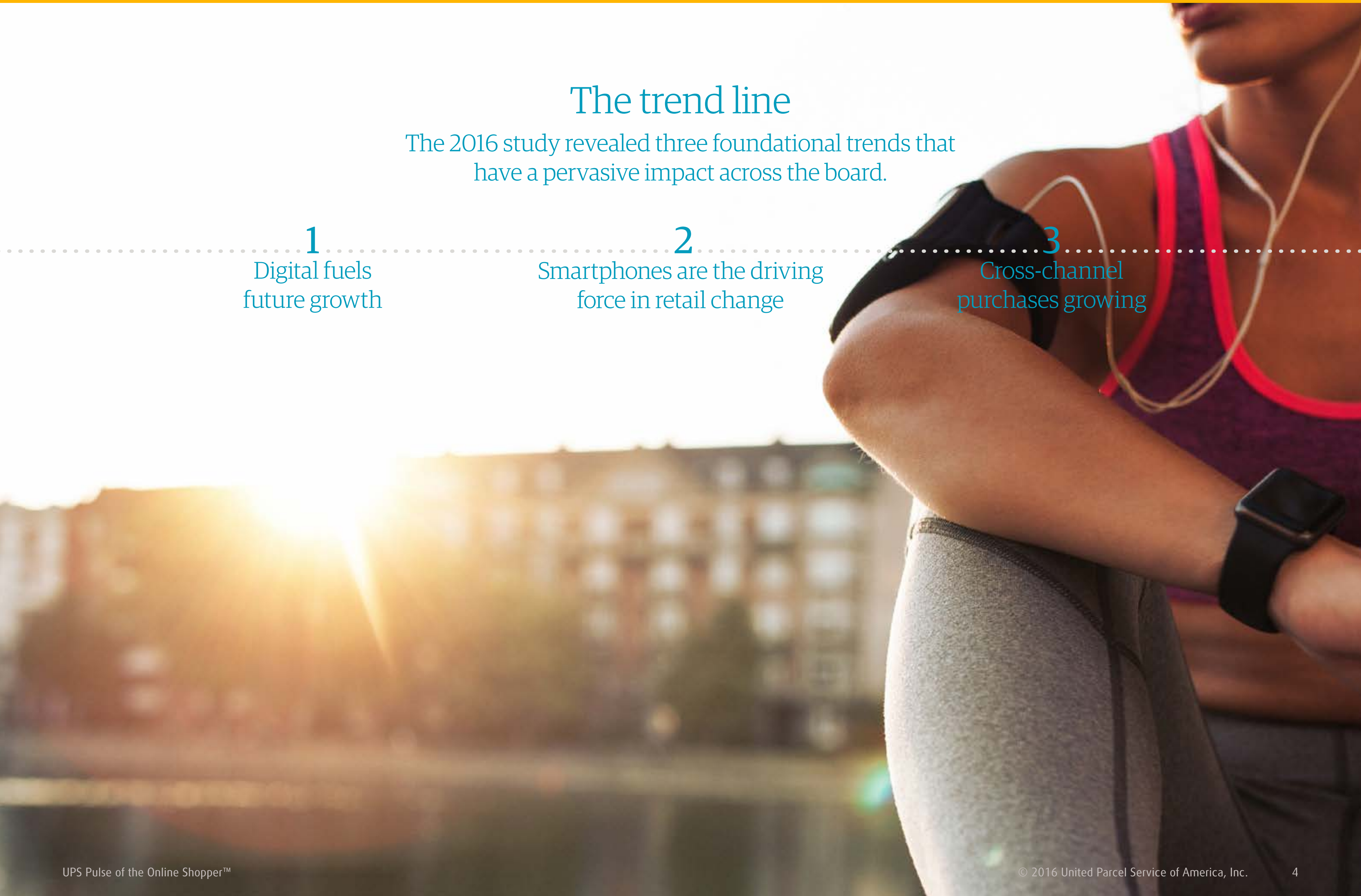
Retailers must *Reimagine The Store* of the future to once again excite the shopper. From inventory transparency to associates armed with mobile POS devices that can check out shoppers faster than ever, retailers must embrace new technologies to ensure exemplary shopping experiences.

The use of social media by *Social Butterflies* in growing numbers is increasingly important to retailers — both online and in stores.

The ready retailer

Retailers must step up their game to compete by first ensuring *The Fundamentals* that shoppers insist on are at peak performance.

The New Logistics Reality provides sometimes surprising insight on what retailers need to deliver in an era where consumers increasingly "Want It Now." Shoppers need delivery choices, more control and flexible alternatives to home delivery in their relentless search for convenience and a better price.



The trend line

The 2016 study revealed three foundational trends that have a pervasive impact across the board.

1. Digital fuels future growth
2. Smartphones are the driving force in retail change
3. Cross-channel purchases growing

1 Digital fuels future growth

2 Smartphones are the driving force in retail change

3 Cross-channel purchases growing

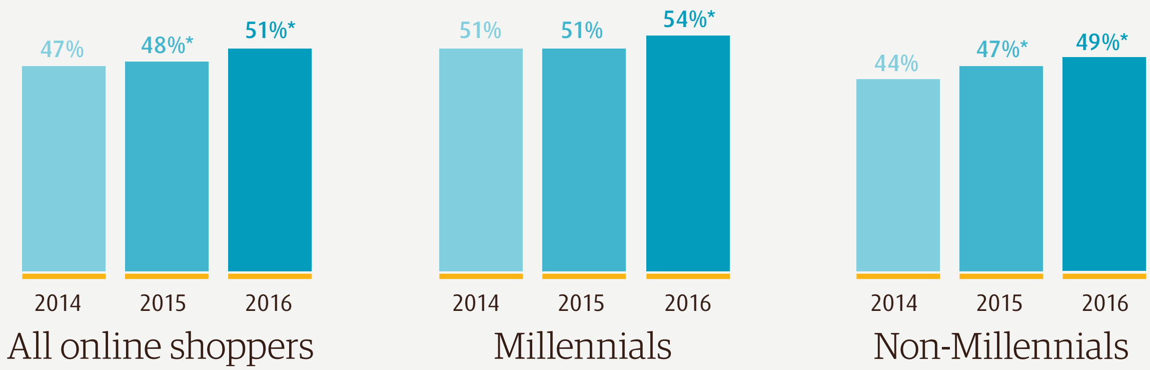
Shoppers are shifting transactions to digital

For the first time, online shoppers in this survey now state that on average just over half of their purchases were made online.

Increase in use of digital tools projected

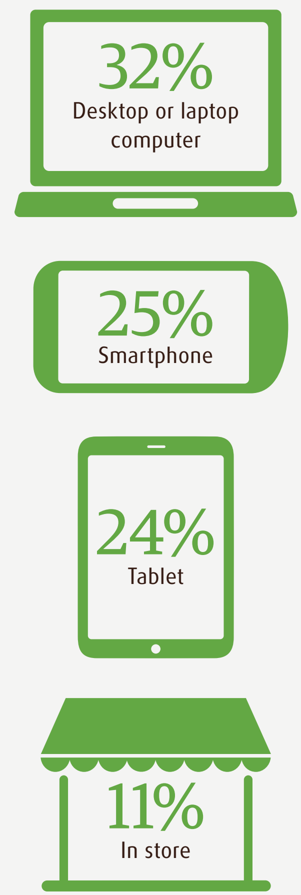
While the PC remains a stalwart, one in four shoppers are projecting more shopping on smartphones and tablets. Since 2014, user intentions to shop more have increased each year for both PCs and smartphones.

Online purchases made in the last three months (excluding groceries)



Millennials
On average, Millennials now make 54% of purchases online versus 49% of non-Millennials

Percent who project "more" frequent shopping by channel



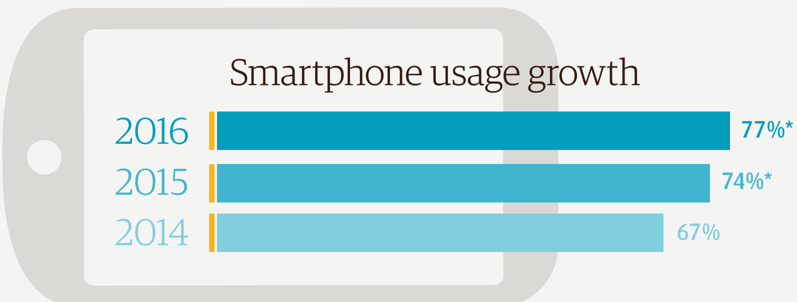
1 Digital fuels future growth

2 Smartphones are the driving force in retail change

3 Cross-channel purchases growing

Mobile means business

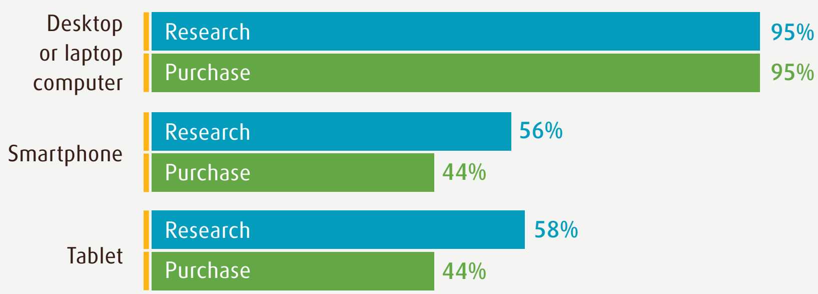
Purchasing on mobile is increasing, so retailers must continue to optimize their online experience via these devices. The study shows that customers are often using their smartphone as the glue that connects all shopping interactions — from PC to tablet to store.



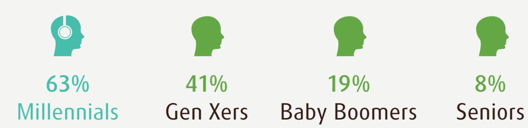
3%
Smartphone purchasing is up 3 points from 41% in 2015 to 44% among device users

2%
Tablet purchasing is down 2 points from 46% in 2015 to 44% among device users

Devices used to research and complete online purchase

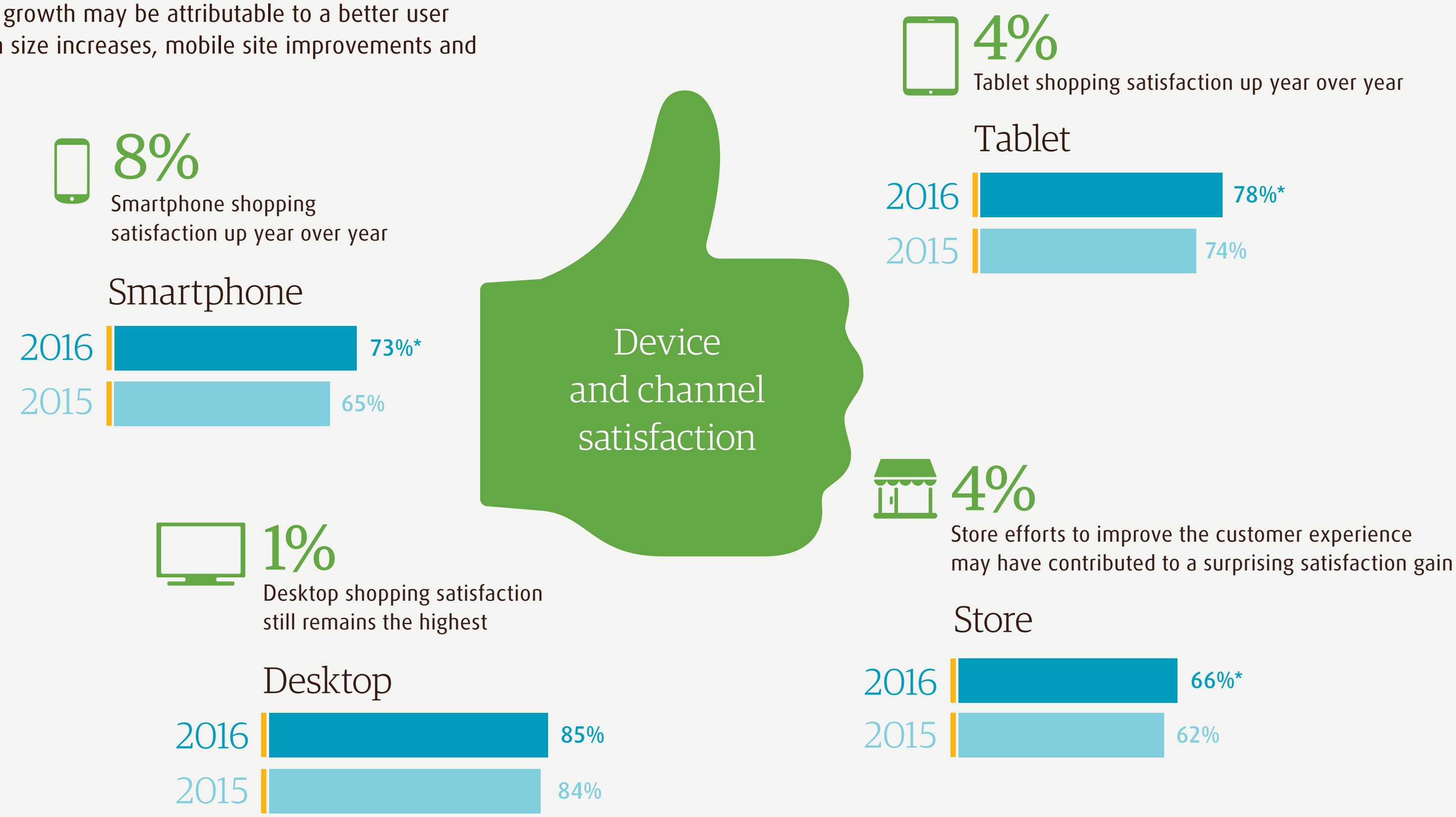


Purchasing on a smartphone by generation (among device users)



Smartphone satisfaction grows

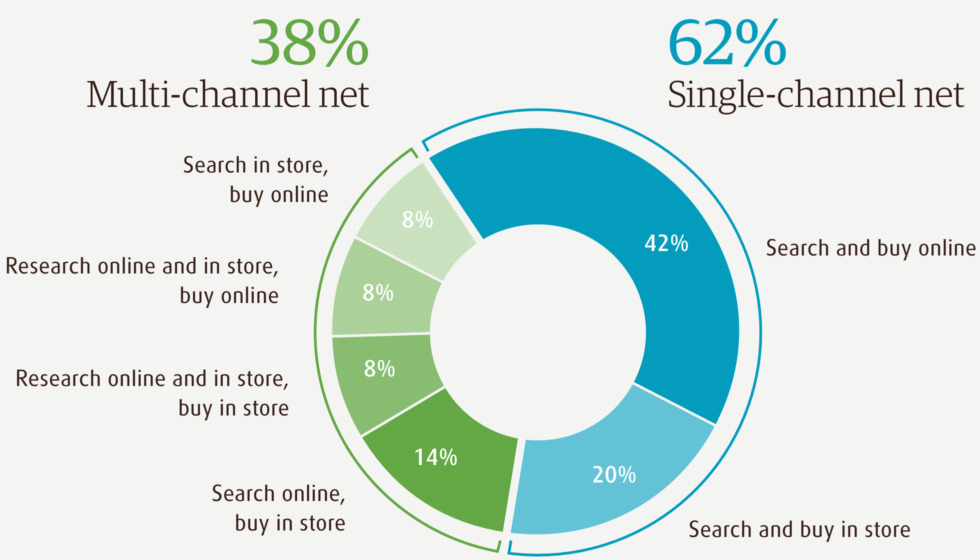
As satisfaction for smartphone use catches up to PC use, expect to see even faster growth. Current growth may be attributable to a better user experience driven by screen size increases, mobile site improvements and user-friendly apps.



Multi-channel shopping is on the rise

It's grown from 36% in 2015 to 38% in 2016. Four in 10 purchases were made using *only* an online channel for searching and buying.

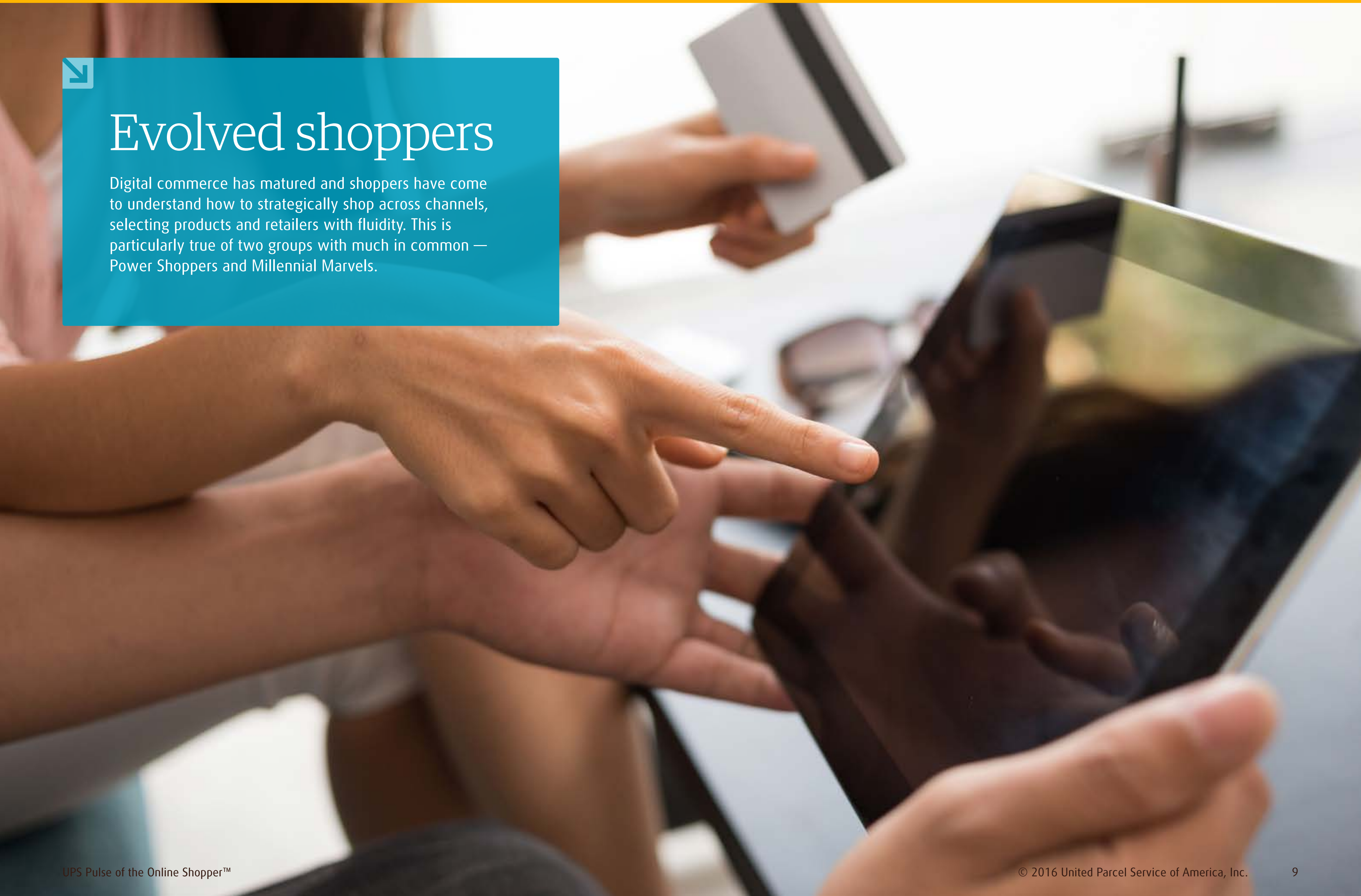
Frequency of purchases by method



20%
Store-only purchases declined from 22% to 20% from 2015

Evolved shoppers

Digital commerce has matured and shoppers have come to understand how to strategically shop across channels, selecting products and retailers with fluidity. This is particularly true of two groups with much in common — Power Shoppers and Millennial Marvels.



Power shoppers

An important set of shoppers has learned the ropes and honed their digital skills making a significant contribution for retailers who smartly engage this audience. In this survey, anyone who has made nine or more purchases in a typical three-month period qualifies as a Power Shopper.

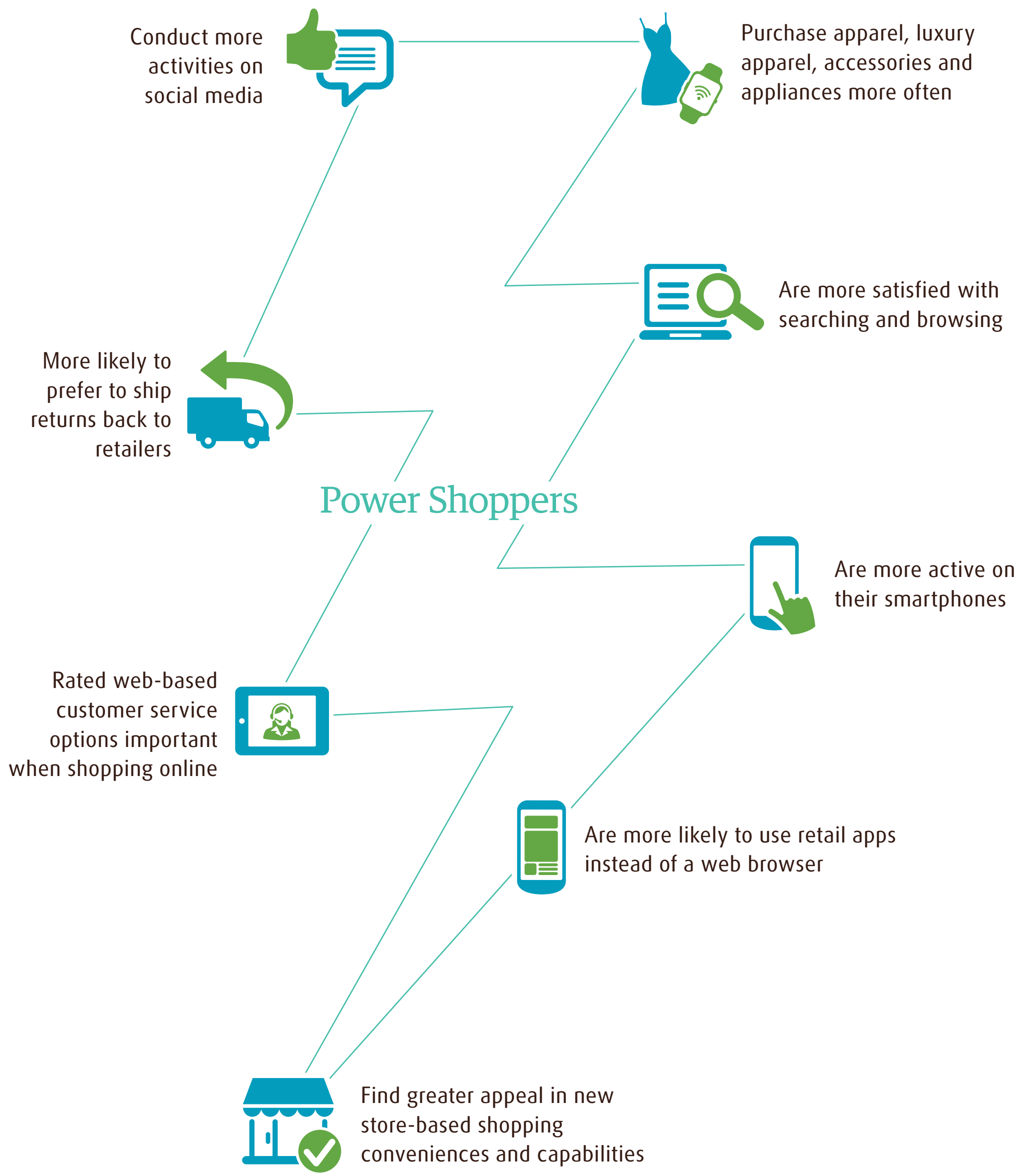
Power shoppers

Shopping experience yields retail results

The research shows that an important audience has emerged, the Power Shopper. They are seasoned shoppers who have learned the nuances of shopping online and across channels. They use more technology, more often, to do more things.

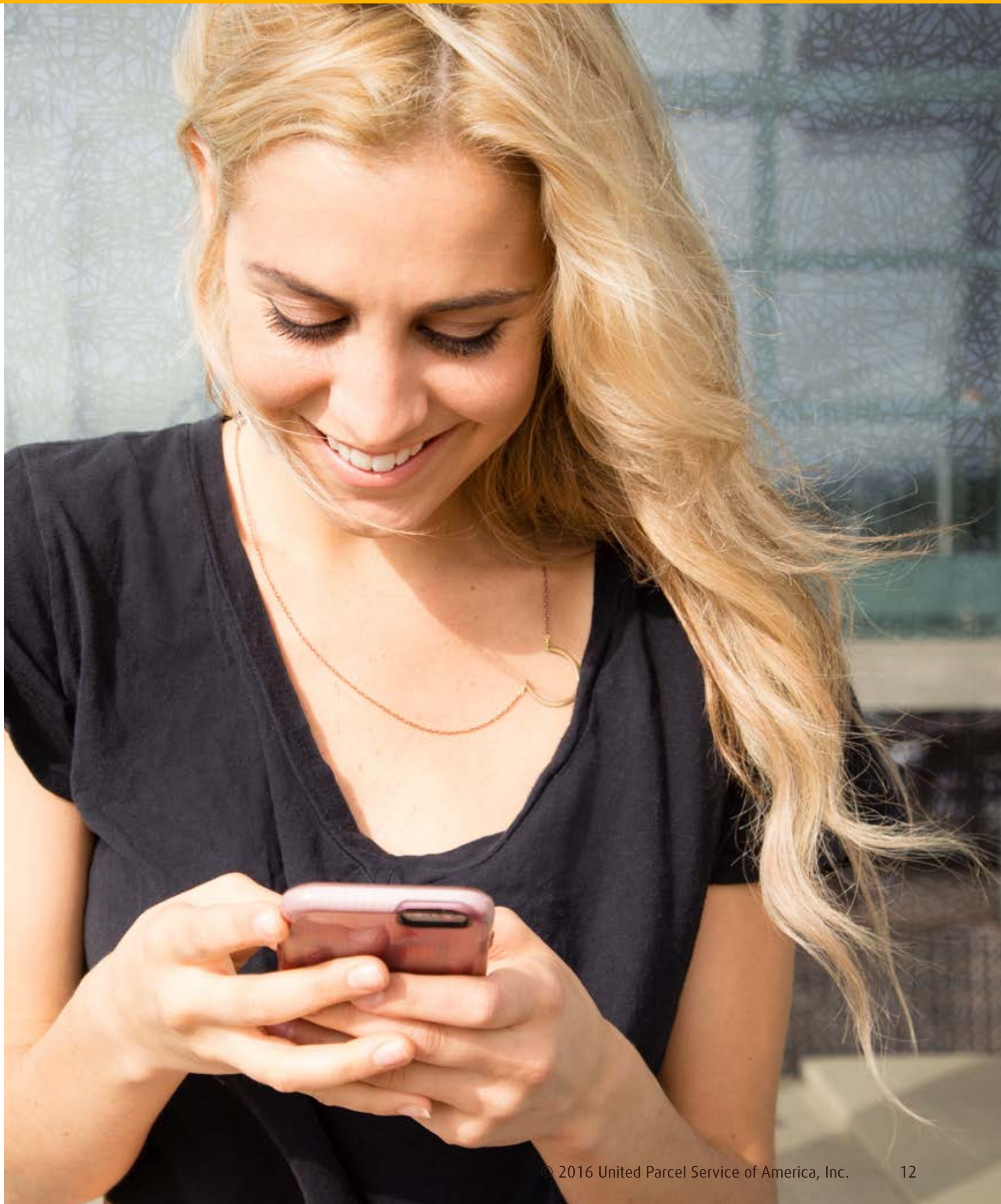
Satisfaction from this segment is higher than their counterparts, as they are confident in their ability to utilize the web to shop seeking customer service as needed. They over index on omnichannel activities including ship to store. These shoppers are socially active and find greater appeal in new shopping conveniences and capabilities. This is a segment that merits considerable attention for both their spending power and their influence.

Power Shoppers
Look for this icon throughout the study for more Power Shopper data points



Millennial marvels

The younger population is having a profound impact on shopping as their adoption of new technology and willingness to embrace all things digital will result in strong lifetime value for retailers.

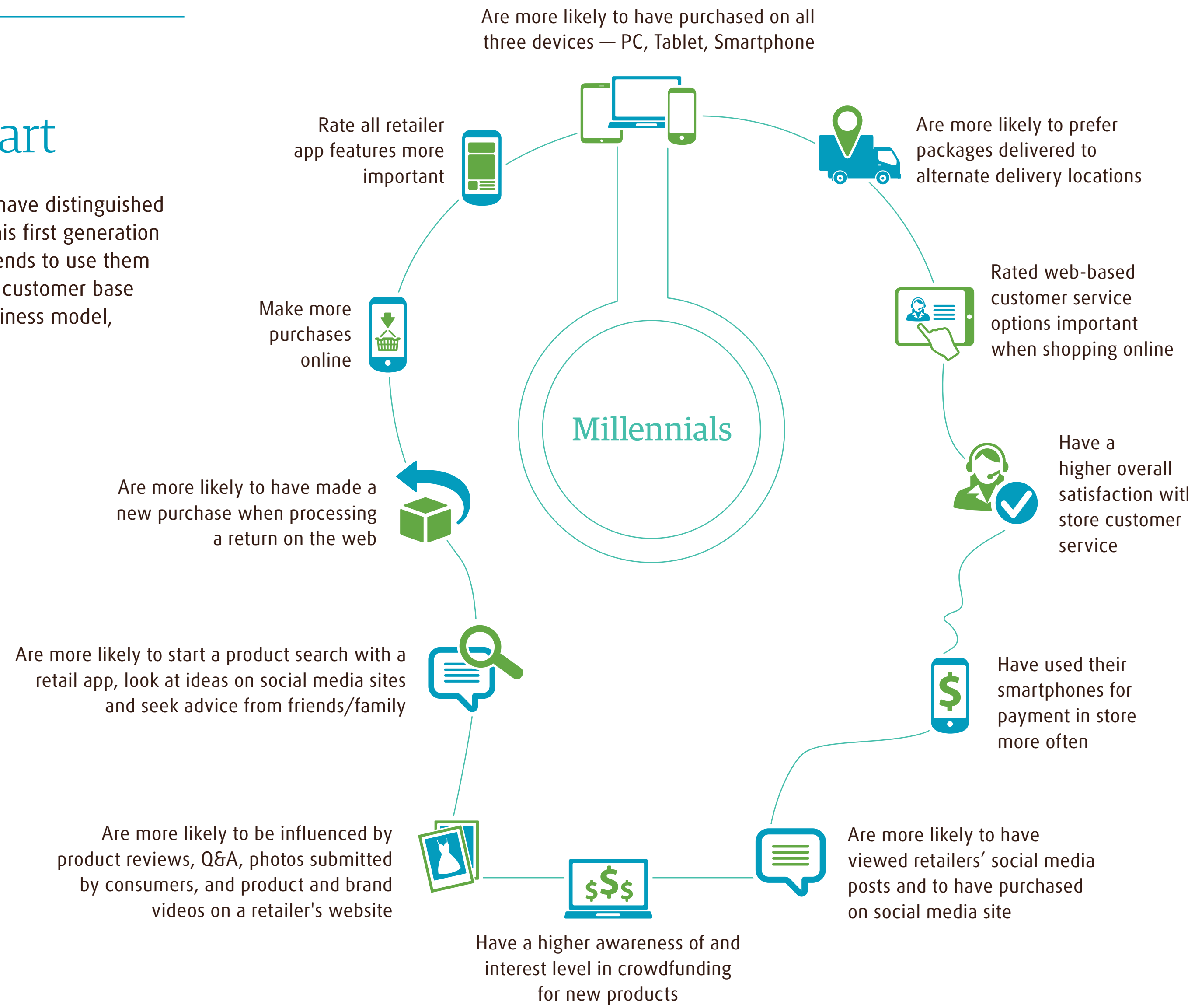


Millennial marvels

Millennials leverage technology to shop smart

Millennials, classified as individuals 18–34 years old, have distinguished themselves with their prowess in using technology. This first generation of digital natives has grown up with these tools and tends to use them as their default option. Retailers should evaluate their customer base to understand the impact of this behavior on their business model, merchandising and the overall customer experience.

Millennials
Look for this icon throughout the study for more Millennial data points



Millennial marvels

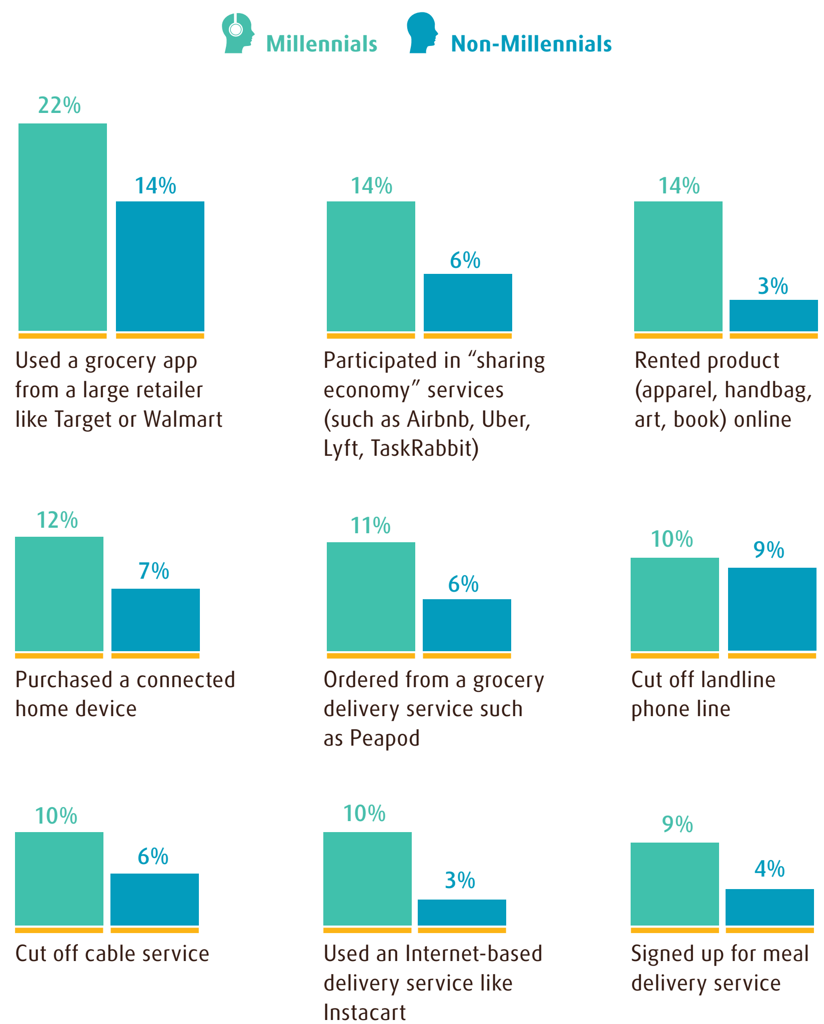
Millennial technology behavior a disruptor

Millennials are adopting devices and participating more in technology services overall, including shopping-related activities, resulting in consumer behavior shifts that have implications for all retailers. These "tech natives" will become even more prevalent in years to come, as Generation Z emerges with even more of the same tendencies.

Power Shoppers & Females

A higher percentage of Power Shoppers and females have used grocery apps

Activities done within the past year

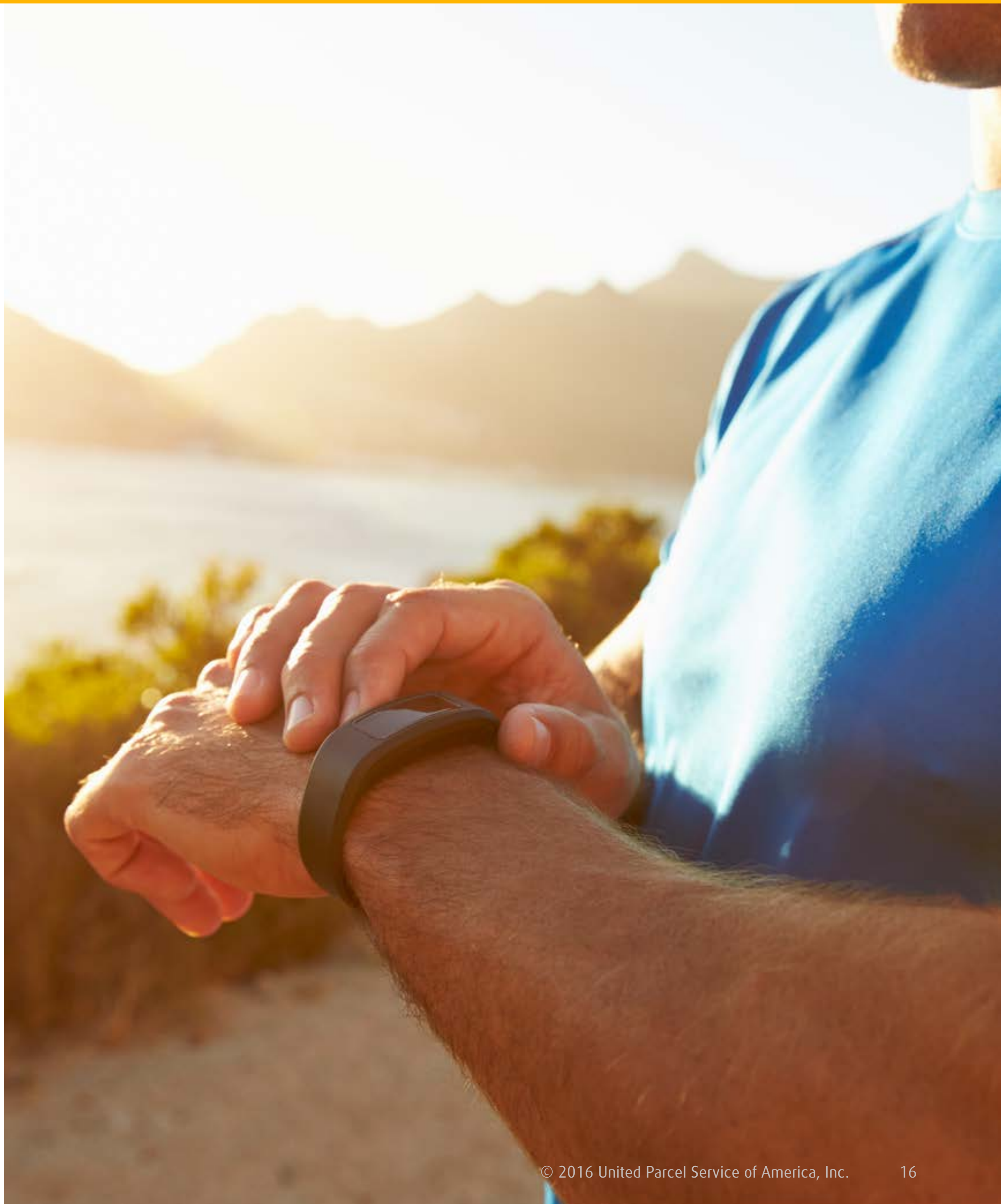


Shiny new objects

Shopper infatuation with everything new makes for a natural audience on which to test an array of experiences. Some innovations can become core to the shopping experience, while others can have a more fleeting existence.

New technology

An entire new market, centered on products that promise to improve our daily lives on the go and at home, is making important inroads with shopping implications on the horizon. From new devices like smartwatches and wearables that offer the ultimate convenience to well-connected homes and products that work smarter, retail is a proving ground for exciting technologies.



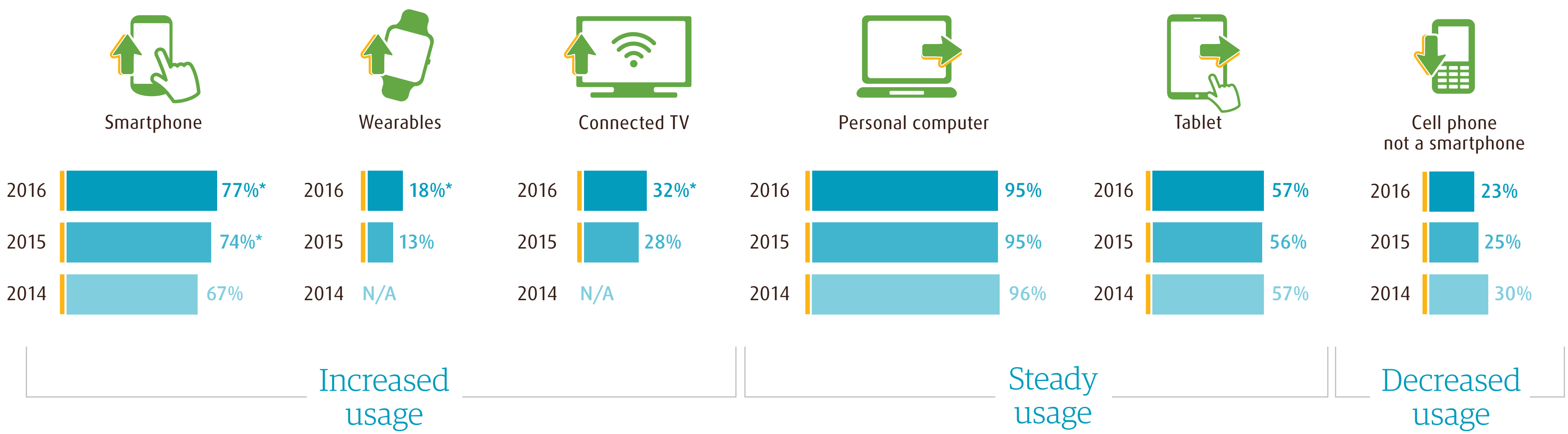
New technology

Device adoption rates telling

A three-year comparison of adoption rates among online shoppers reveals that many new technologies — including smartphones, connected TVs and wearables — are up. Adoption rates of personal computers and tablets are stable.

What's up? Use of smartphones, connected TVs and wearables.

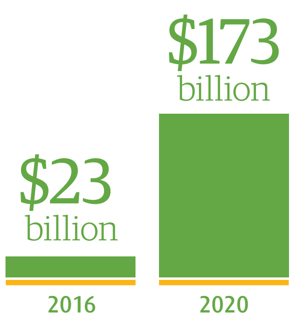
Devices used from 2014 to 2016



New technology

Wearables interest strongest with males and Millennials

Manufacturers are investing heavily in wearables. Global analyst MarketsandMarkets estimates that this sector will grow from $23 billion today to $173 billion in 2020. Wearables use is up 5% from 2015 to 2016 and varies by age and gender.



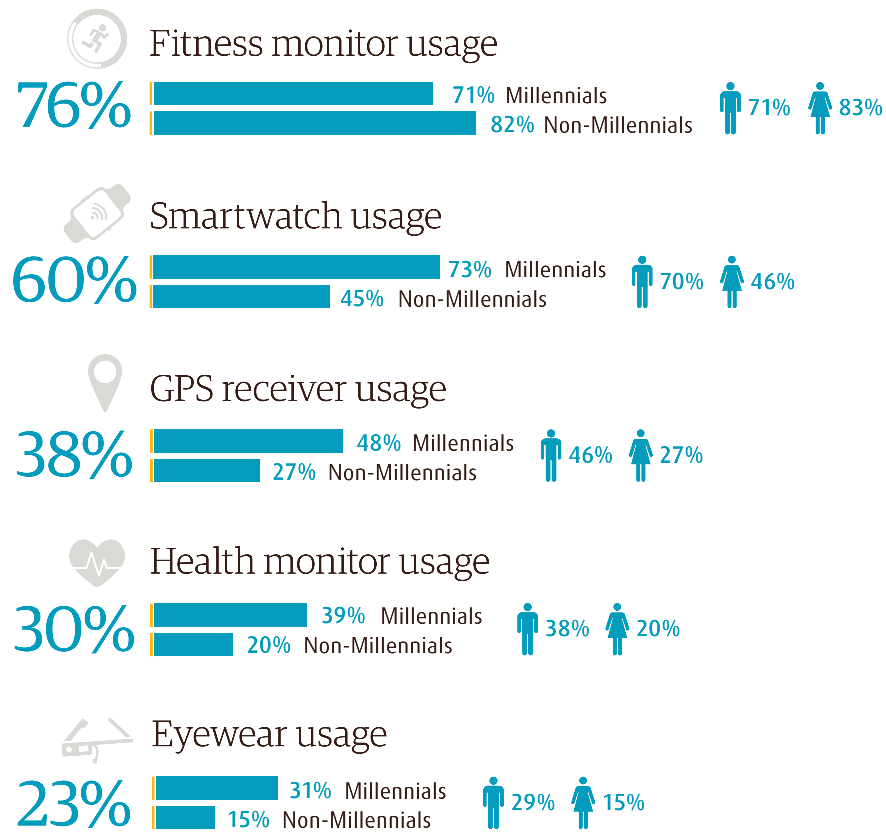
Wearables market growth

Millennials

2x more likely to plan to purchase most wearables and 3x more likely to purchase a smartwatch

1 in 6 who do not currently own a wearable show interest in purchasing one in the next year.

18% of shoppers use a wearable device
Among those users:



New technology

Craving better health, convenience and new technology drives wearables growth

Beyond health and fitness, one in two wearable owners seek up-to-date technology and convenience. While not among the top reasons, shopping capabilities play a role in why they are purchased. Receiving delivery alerts, making payments at retail stores, and accessing apps have the most relevance of the factors related to shopping.

> While not among the top reasons, shopping capabilities play a role in why devices are purchased.

Important factors when purchasing a wearable device

- **62%** Establishing better fitness and health habits
- **47%** I like to have the most up-to-date technology
- **47%** Offering more convenient access than other devices I own
- **47%** Listening to music
- **45%** Checking the weather
- **45%** Accessing my apps
- **44%** Checking my email
- **43%** Connecting to my social networks
- **43%** Receiving delivery alerts
- **40%** Wanting to be trendy
- **40%** Making payments at retail stores
- **38%** Receiving product alerts

Millennials A higher percentage of Millennials than non-Millennials rate each factor as important

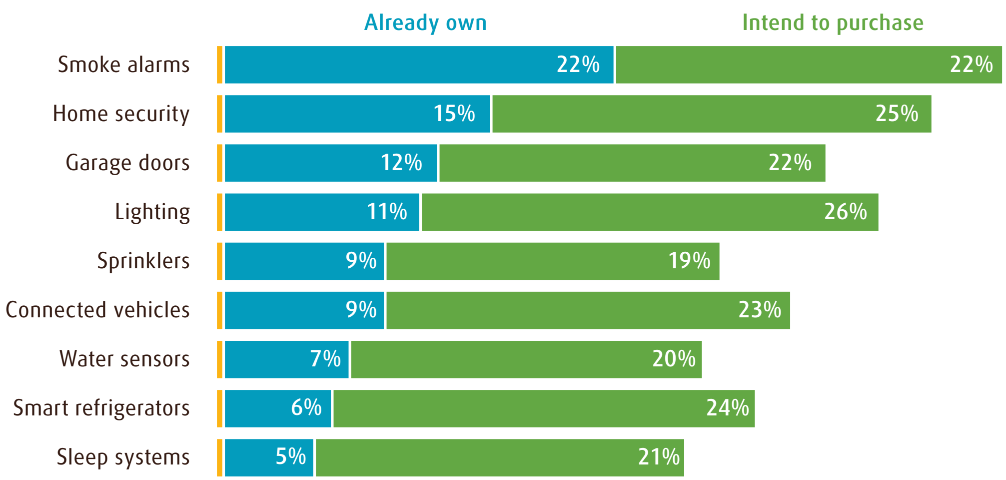
New technology

Connected home device ownership low – so far

A smart home is a home that is equipped with a special connected platform that enables its occupants to remotely control and program an array of automated home electronic devices — from lighting control to energy management. The growth of the smart home market in the coming years is expected to be strong with the market size poised to reach $58.7 billion by 2020, according to MarketsandMarkets. In the not too distant future, industry analysts expect that smart home residents will be able to place online orders via voice activation from any room.

Today, however, this survey reveals that residents are just beginning to recognize the value of many connected home devices.

Ownership and purchase intent of connected home devices



Most important features of a connected home device

70% Security

69% Price

66% Ease of installation

62% Customer support

New technology

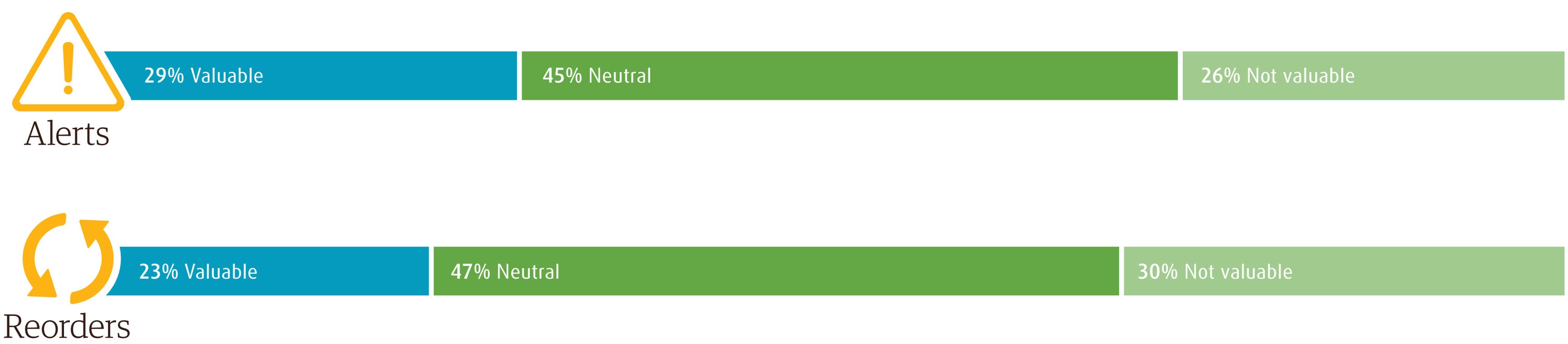
Automated product alerts and reorders: not yet living up to the hype

Amazon's "Dash" button is just the start of product reorder solutions. Products that restock themselves or remind you to are in the works. Preliminary numbers indicate that only around one in four shoppers find automated product alerts and reorders valuable. Most are "neutral," so this is likely to follow the early adopter curve and begin to gain acceptance as the practicality and convenience are recognized by consumers.

Millennials

More than twice as many Millennials find both automated alerts and reorders valuable

Value of automated alerts and reorders



New markets

Retailers can more readily showcase product, using marketplaces to sell to new audiences. Or understanding them better as competitors. Also, discover surprising data on how audiences are searching for new products — and not usually on search engines.

New markets

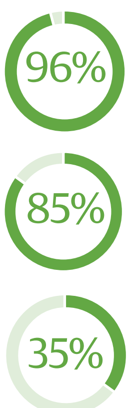
Marketplaces have strong appeal – and retailers must closely evaluate participation

Marketplaces are a retail force with 90% of U.S. independent online retailers selling through them. ChannelAdvisor estimates that marketplace sales account for approximately 25% of total online retail sales. 85% of online shoppers in this study had made a purchase from one or more in the past year, including Amazon (70%), eBay (53%), Sears (18%), Etsy (17%), Newegg (12%) and newcomer Jet (6%).

Millennials
Etsy and Newegg have a solid following with Millennials

1 in 4
online shoppers expects to use marketplaces more to research and purchase in the coming year

Marketplace breakdown of online shoppers

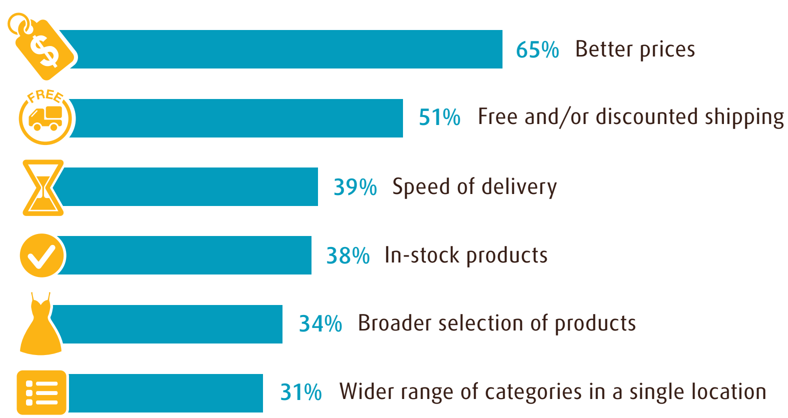


96% are aware that some products are sold through third parties on marketplaces

85% have made a purchase at a marketplace

35% start their searches at a marketplace

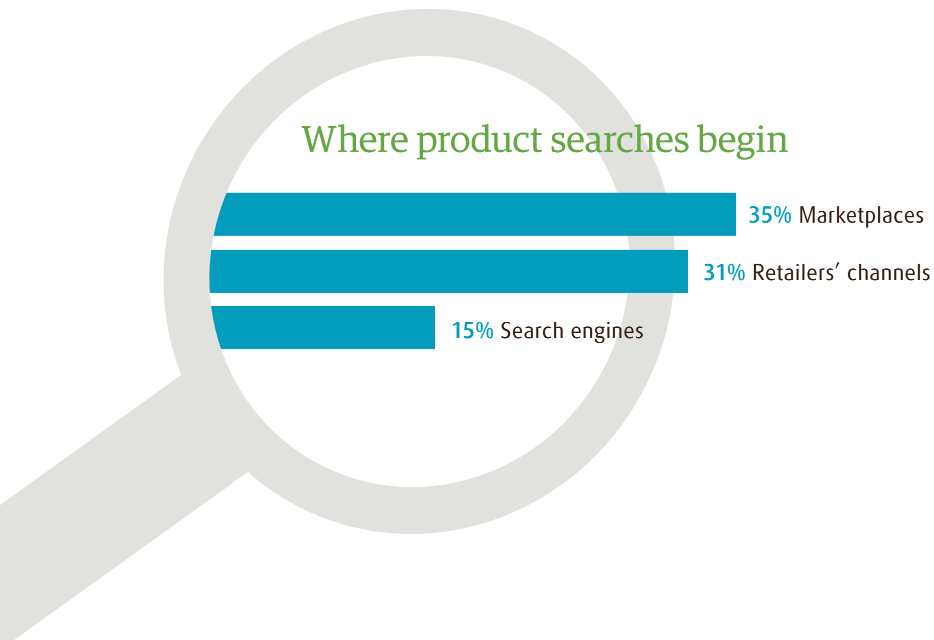
Why shoppers choose marketplaces over other retailers

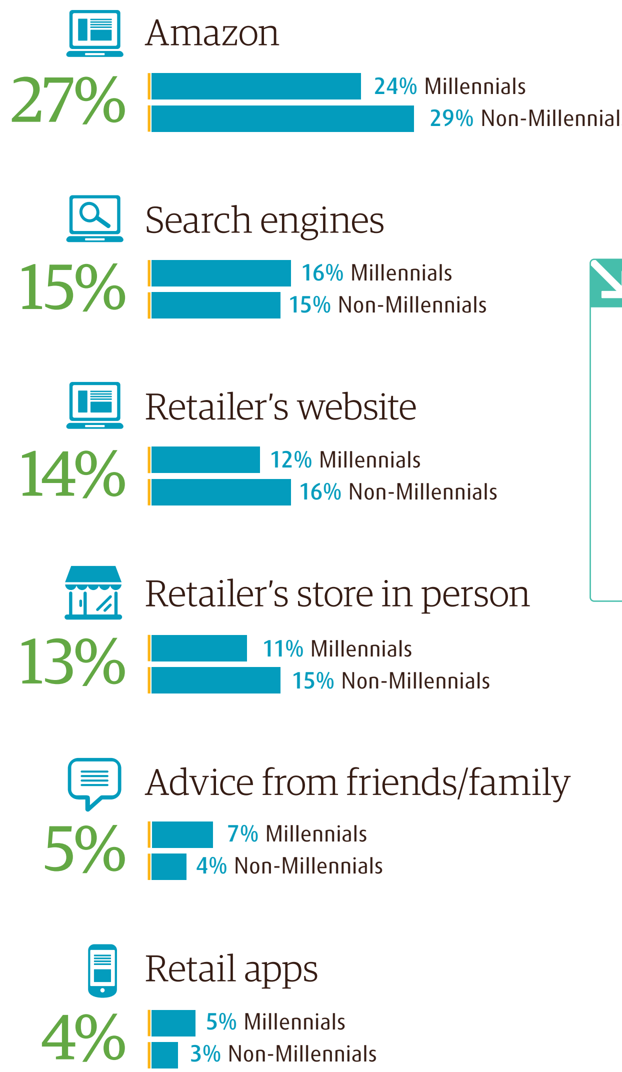


New markets

Product searches usually don't start with search engines

Contrary to findings from other sources, the avid online shoppers in this survey started just 15% of their product searches with Google, Bing, etc. Instead, product searches were started 35% of the time at marketplaces (27% Amazon and 8% others), 31% at retailers' channels (14% website, 13% in store, 4% app), 6% with catalogs and circulars and 4% at a social network.





Starting a search at a retailer's store is down from 18% to 13% over a two-year period.

New models

New selling approaches are being introduced that push the envelope and test alternative and compelling ways to reach customers.

New models

“Showrooms” without inventory visited by one in six shoppers

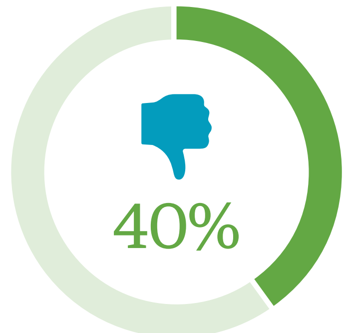
A new retail model that is seeing favor from retailers are physical stores (showrooms) that don’t stock inventory for shoppers to take home. Examples include previous pure-play retailers like Bonobos, Blue Nile and Tie Bar. Despite a limited footprint, this study shows they have been generally well received, particularly by Millennials.

It is interesting to note that not everyone who has visited these “showrooms” becomes convinced of their appeal though. Four in 10 shoppers find retail showrooms frustrating, but 17% of online shoppers have made a purchase in a showroom. Millennials, women and urban shoppers are more likely to report having a positive experience.

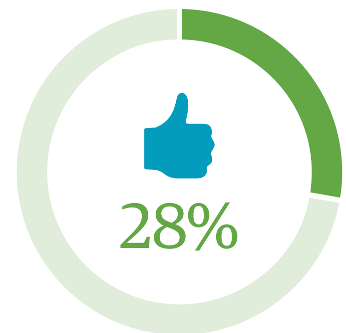
Millennials

Millennials are two times more likely to have visited and purchased from retail showrooms with no inventory

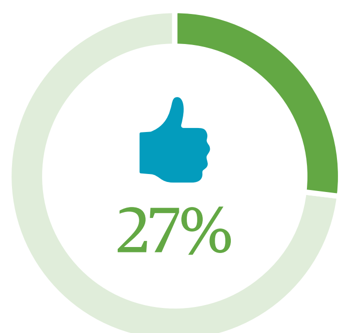
Shoppers’ reaction to retailers with no stocked inventory at physical location



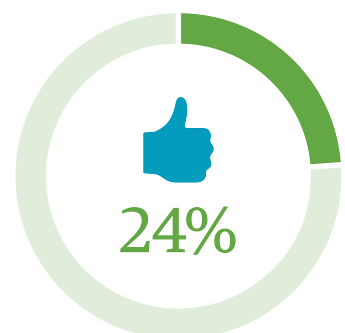
Prefer to bring the merchandise home so would find it frustrating to do business with this type of retailer



Fine with visiting the physical store and placing an order while there



Can learn about the brand and may ultimately consider making a purchase in their online store



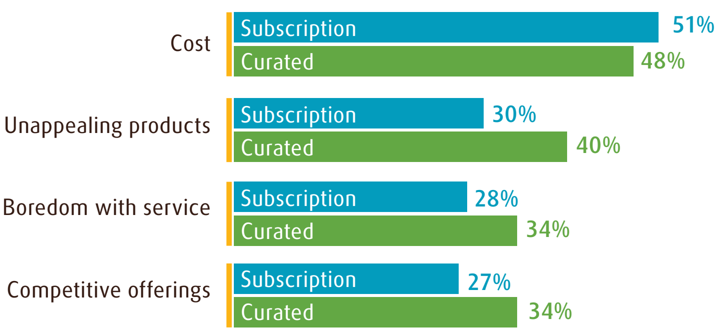
Would not likely stumble upon these brands online, but since they have a physical presence, it is a better way to get familiar with the brand

New models

Online curated and subscription services popular but volatile

Shoppers have embraced both online curated services and subscription service models. The challenge for sellers is retention. Both cancellation and lapsing of subscriptions is commonplace.

The top reasons for cancelling an online curated/subscription service:



1 in 10

shoppers have enrolled in an online curated service, while 1 in 3 would consider enrolling

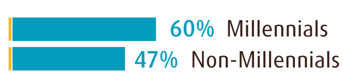
Among those now enrolled in curated services:

4 in 10 are enrolled in health/beauty services

1 in 2 are enrolled in 3 or more services

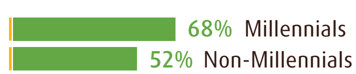
23% have signed up for online subscription service

53% cancelled subscription service



10% have signed up for online curated service

61% cancelled curated service



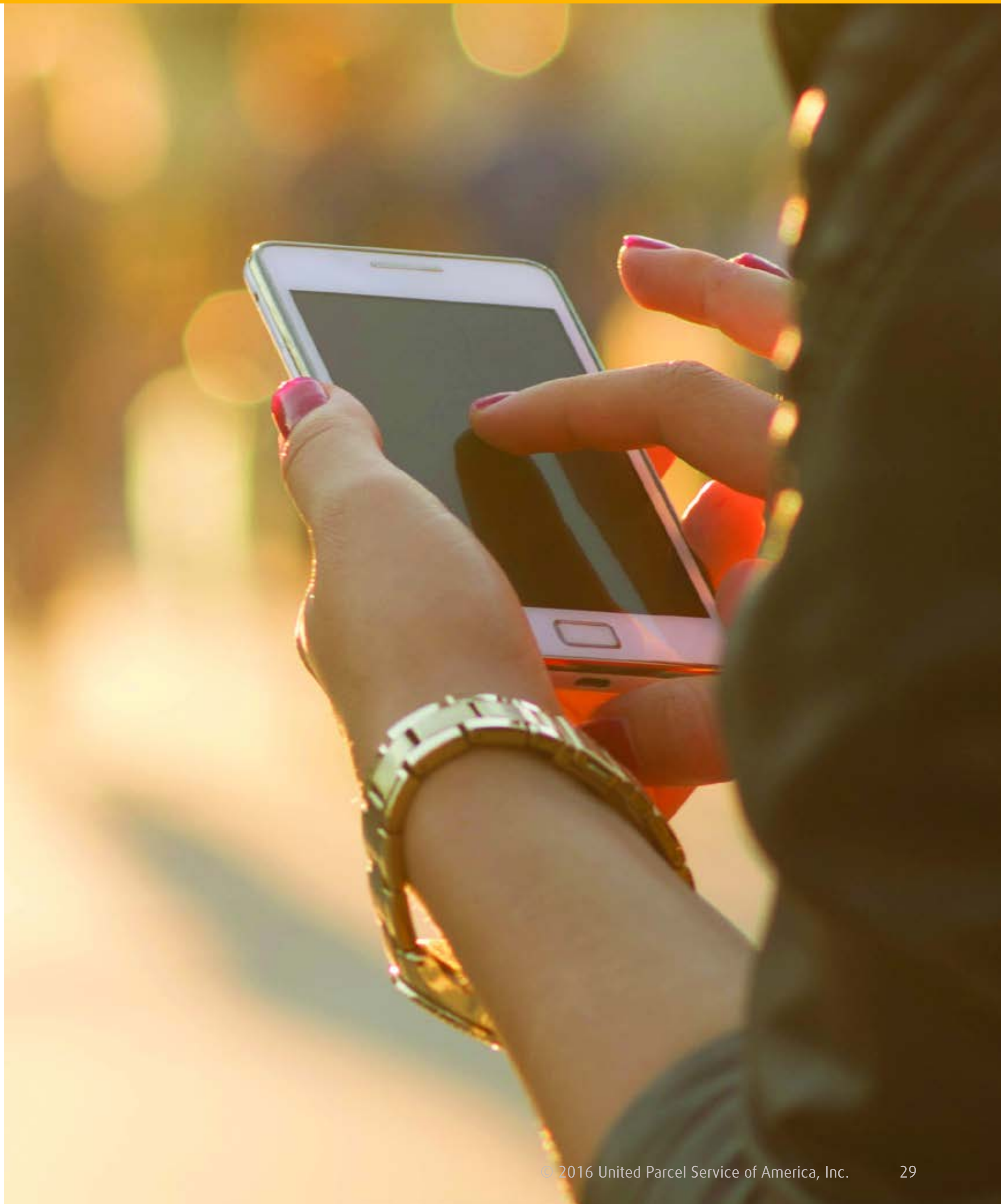
Channel dynamics

Behavior continues to shift as mobile devices connect shoppers, mandating that retailers are well integrated across every channel.

Mobile-ready shoppers

Mobile shopping continues to grow. Mobile commerce reached 18% of total digital commerce during the 2015 holiday season, up 59% over 2014, according to comScore.** Criteo also reported that shoppers view the same number of products on smartphones and desktops.***

Advances in mobile technology have allowed the mobile shopping experience to gain momentum. The mobile phone is firmly entrenched in shopping DNA. User interfaces are now tailored to the device, the imagery is better and the checkouts are simply quicker. Additionally, smartphone users find convenience in researching on their device before store visits and while in store.



** comScore, "Final 2015 Holiday Sales Press Release," January 8, 2016
*** Criteo, "State of Mobile Commerce QI," March 2015

Mobile-ready shoppers

Those who purchase on smartphones also use them more when in store

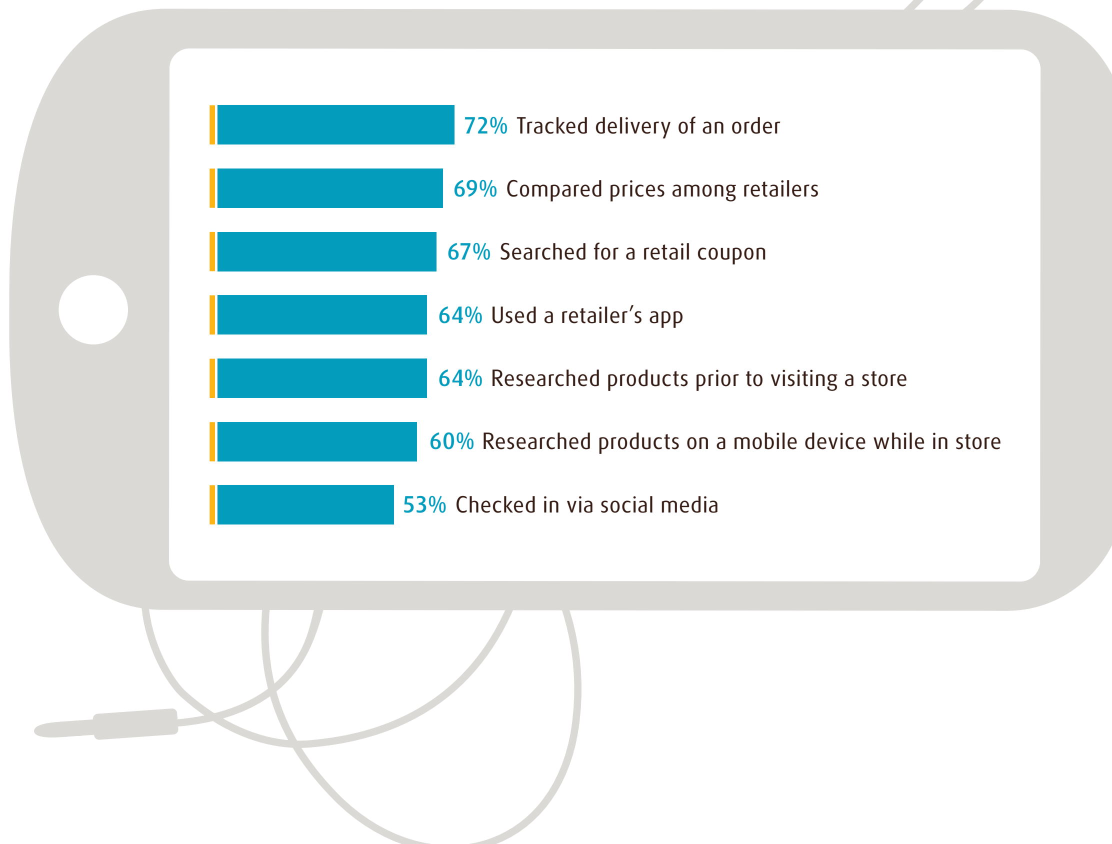
Most enlightening are the reasons that shoppers cite for why they choose to use a smartphone instead of another device.

31% of "smartphone purchasers" say they are often on the go and **always have their smartphone with them** as it's more convenient

28% of "smartphone purchasers" say they **have their smartphone in the store when they need to use it for researching or shopping,** making it more desirable to use their phone

22% of "smartphone purchasers" **don't want to turn on other devices** if their smartphone is already at hand

Shopper mobile device monthly usage

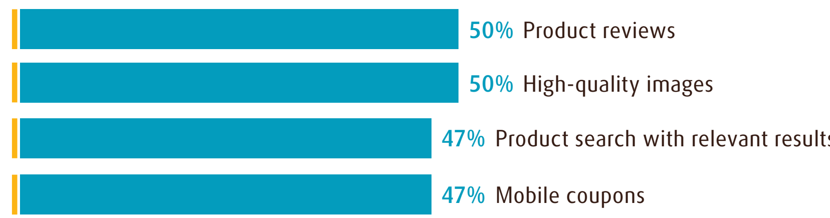


Mobile-ready shoppers

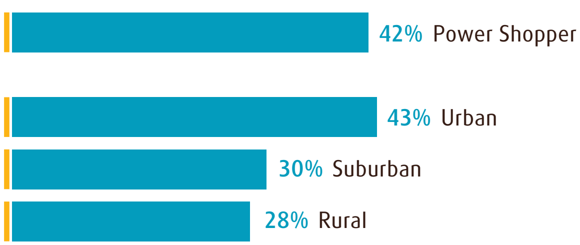
Mobile shoppers gravitate to retailer apps – more retailers should consider making them available

Many shoppers are receptive to apps, and four in five mobile shoppers have used a retailer's app instead of a web browser. App use tends to skew toward a retailer's most loyal customers, reinforcing the value.

Most important retailer app features

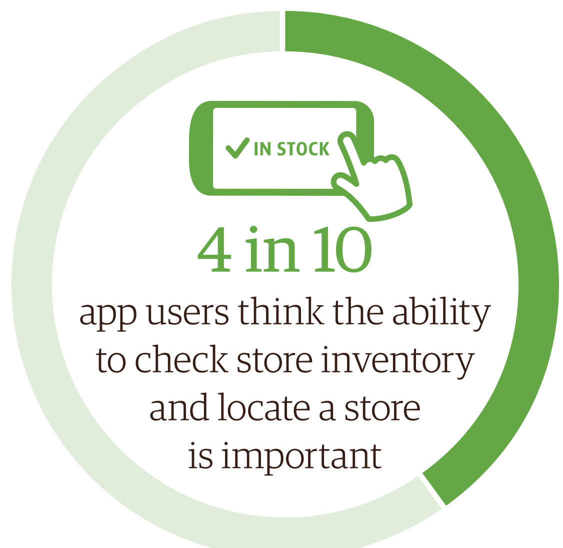


Always/often use their retail app instead of a web browser



Power Shoppers

Apps are a great way for individual retailers to reach their most loyal and frequent shoppers



Mobile-ready shoppers

Retailer app use high, but there are reasons some don't command shoppers' attention

Just one in five shoppers indicate they never use a retailer's app (18% smartphones and 21% tablet).

www.

1 in 2

shoppers who don't use apps say they prefer using websites

Reasons for not using retailers' apps

53% I like using the website better

31% I'm concerned about security

- 17% Millennials
- 34% Non-Millennials

28% Apps take up too much space on my mobile device

- 36% Millennials
- 26% Non-Millennials

19% Shop with several retailers and do not want to download a separate app for each one

17% I'm not very comfortable with the technology

- 6% Millennials
- 20% Non-Millennials

10% I tried but it didn't work or it was hard to use

9% I'm concerned the app does not offer the complete store experience

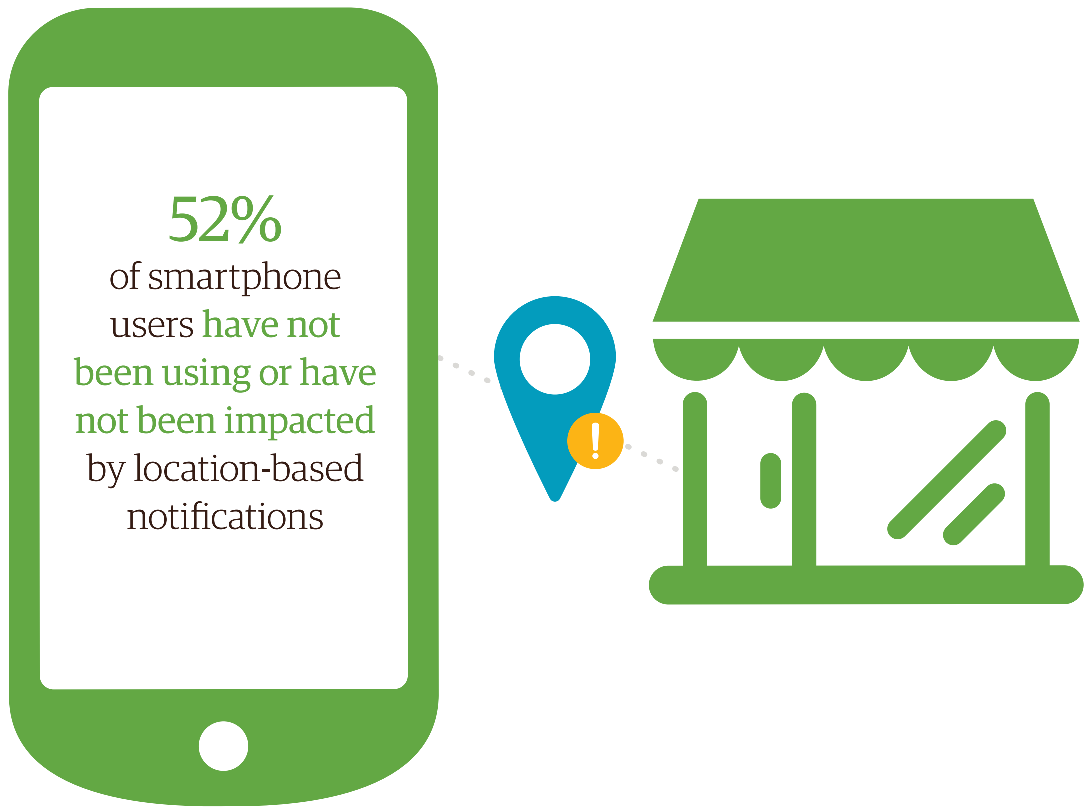
3% The retailers that I buy from do not have apps

Mobile-ready shoppers

Shoppers slow to adopt location-based notifications

One in five smartphone users say these messages help them find products of interest more quickly. Location-based notifications are a marketer's dream, pairing the loyal customer with a relevant message. Current shopper acceptance remains low but is beginning to gain traction with almost half of smartphone users finding value.

Impact of location-based notifications among smartphone users



Reimagining the store

Online shopping will continue to shift from store to digital channels. Retailers must make adjustments as the role of the store changes. For some retailers, their stores may serve primarily as pickup destinations, while for others they will embody the soul of the brand and deliver a vibrant shopper experience. Associates will have to be trained to better service the customer with a keen understanding of technology. There must be reasons to visit and then a desire to return to ensure the store's viability.

Reimagining the store

Stores continue to play a major role even among avid online shoppers

Almost half (45%) of the avid online shoppers agree that shopping in store is still a major part of their shopping routine.

45% 42% 49%
of shoppers love the thrill of hunting for and finding great deals

36%
Shopping relaxes me

34%
I use store visits to gather new ideas for future in-store purchases

23%
I use store visits to tap into the knowledge of the sales associate

32%
I make less impulse purchases than I used to when I visit brick-and-mortar stores

30%
I browse less than I used to when visiting brick-and-mortar stores because of research I do in advance of my visit

30%
I use store visits to get ideas for future purchasing that ultimately is done online

Reimagining the store

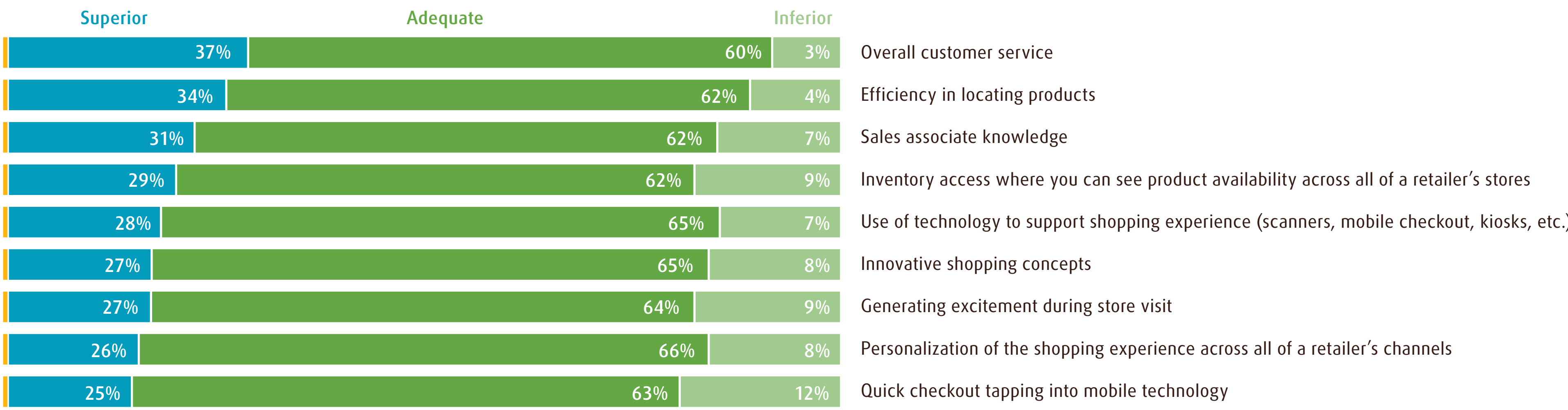
Service upgrades mandatory for survival

If a store is to survive, its best chance is to stand out for its products and/or its customer experience. While Millennials lead in the adoption of digital usage, they also see value in experiential elements that only the store can offer.

Millennials & Urban shoppers
Overall in-store customer service is rated highest among Millennials (45%) and urban dwellers (42%)

> Only a third of shoppers rated their overall store experience as superior, while the majority believe it is simply adequate.

Rating of in-store shopping experiences in the past three months



Reimagining the store

Ship to store in favor

Since 46% of those who have shipped to store indicate they have made another purchase when doing so, it's a great way for retailers to drive sales with an omnichannel experience.

Reimagining the store

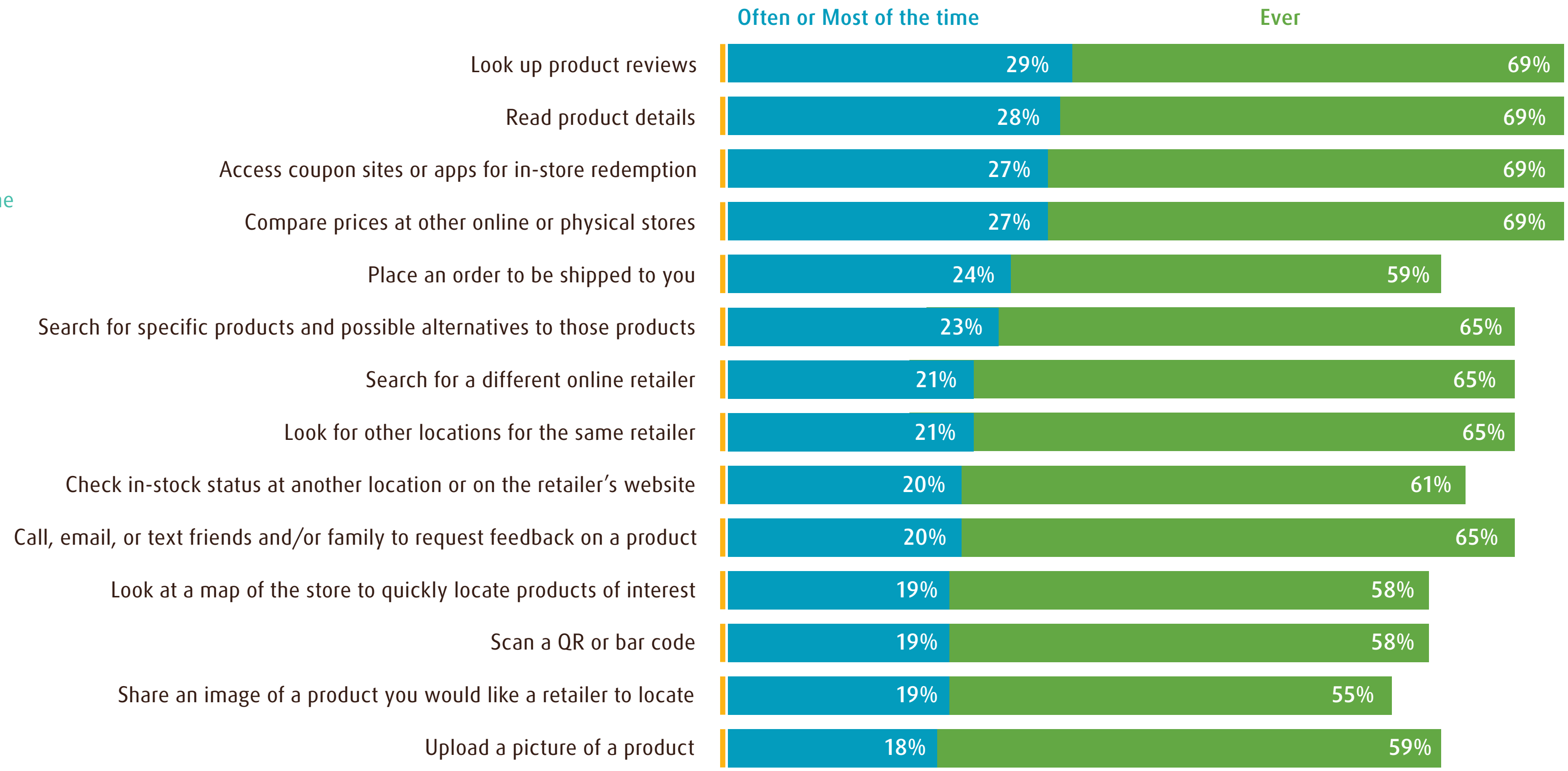
In-store smartphone usage is about information gathering

Shoppers are using their smartphones in store for a full range of actions. While a significant number use their devices "often" or "most of the time", more than half have used them for all activities listed at some point ("ever").

Millennials

A higher percentage of Millennials conduct each of the in-store smartphone activities often or most of the time

Smartphone in-store usage



Reimagining the store

Smartphone use to make payments low, but seeing traction

Security and privacy concerns by both the retailer and the shopper have slowed adoption. Millennial usage points toward higher future acceptance levels.

The mostly frequently stated reasons for not using smartphone for payment

43% Lack of interest

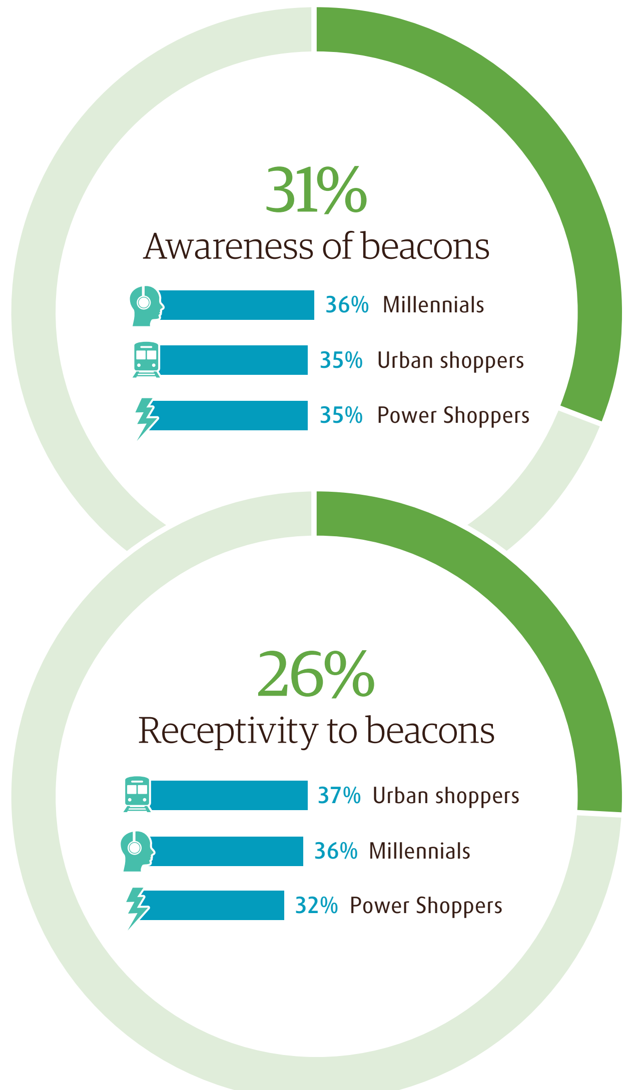
33% Concerns over security

27% Concerns over privacy

Reimagining the store

Beacons strongest with niche audiences but not yet mainstream

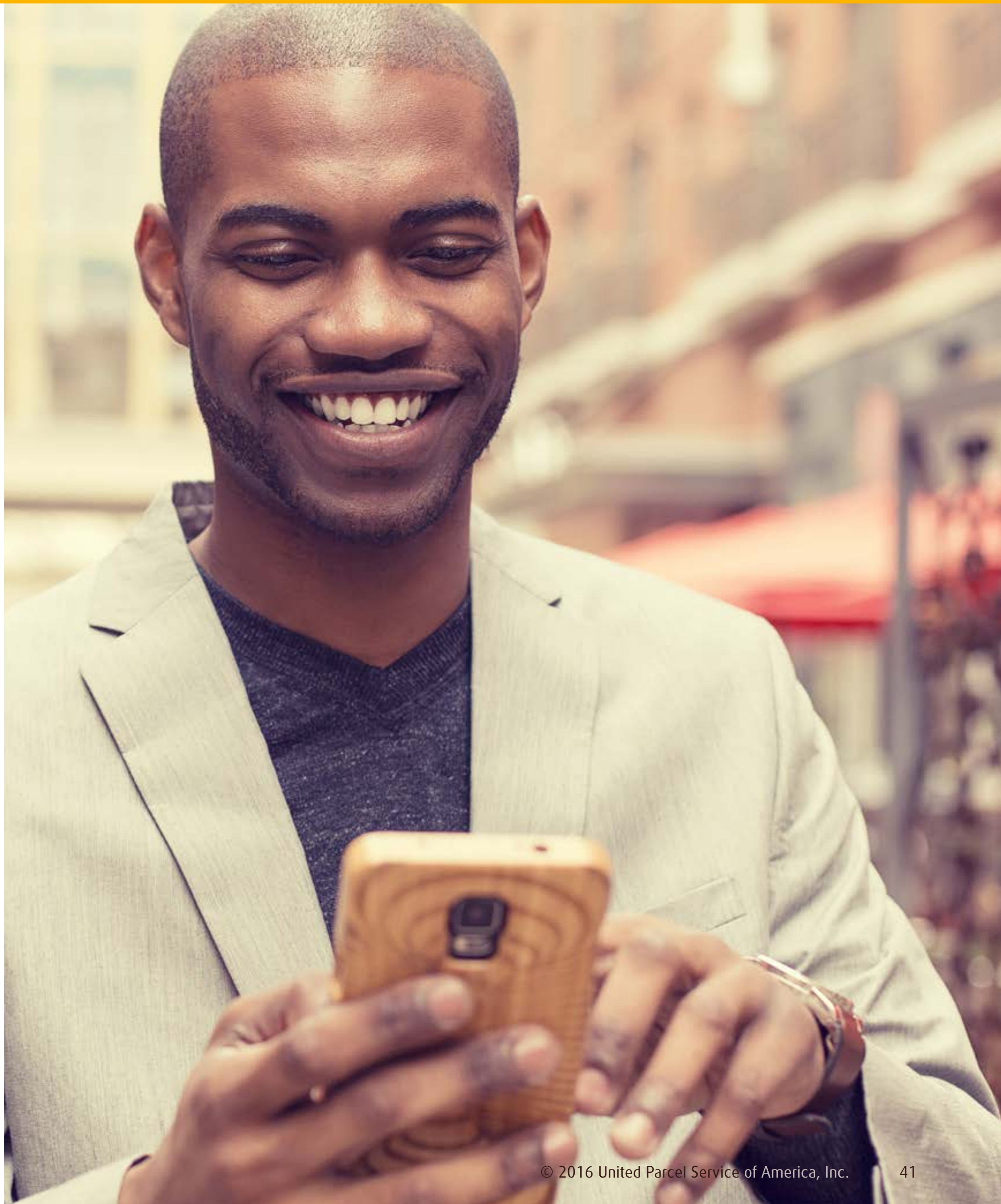
Beacons — miniature, store-based transmitters that communicate with a retailer's mobile app — are a great way to enhance the in-store experience with online immediacy. The push notifications that they trigger were expected to influence over $4 billion in retail sales in 2015, according to Business Insider (BI) Intelligence estimates.



Social butterflies

Social media is just beginning to come into its own as a driver of retail sales in much the same way it has emerged the last few years as an effective advertising vehicle. While initially disappointing marketers and retailers, it has become a solid platform that influences and facilitates purchases.

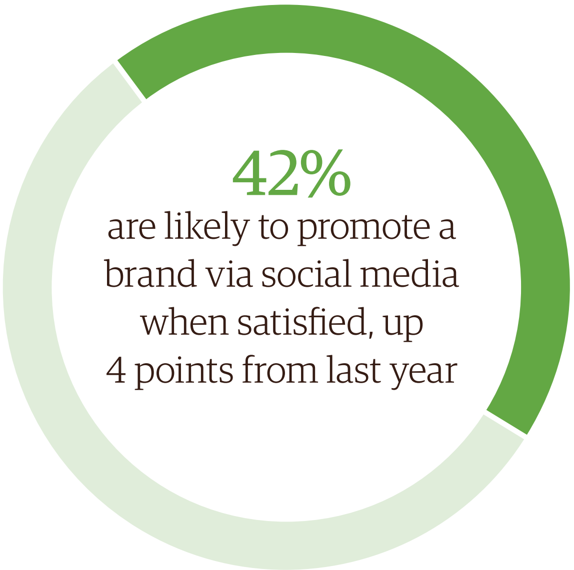
Social networks are now aggressively pursuing the technology interfaces and the agreements with retailers needed to work as a place to make purchases. Power Shoppers and Millennials are more engaged, as may be expected, in making social media part of their "always on" retail experience.



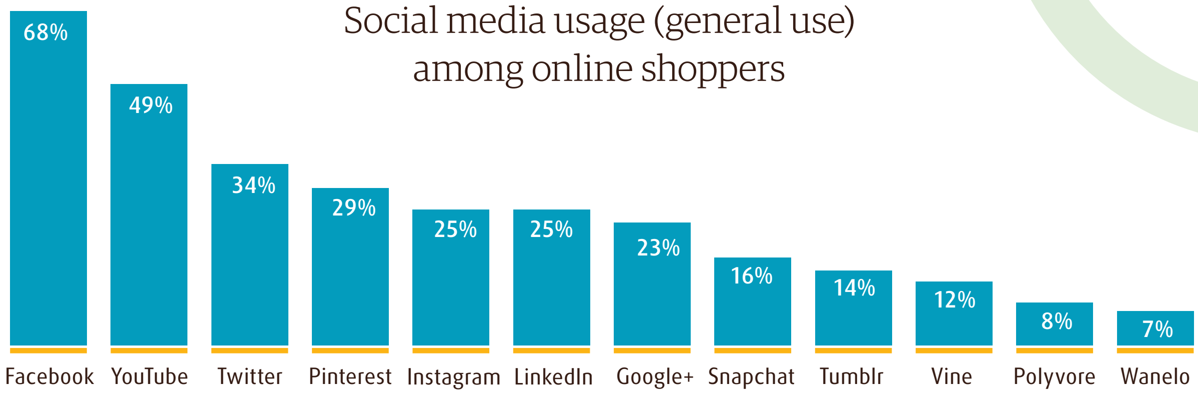
Social butterflies

Social media use differs widely by network and generation

Survey results indicate that over three-quarters of online shoppers (77%) use social media, with almost seven in 10 using Facebook. Use differs widely between generations with overall engagement lower among older audiences.



Social media usage (general use) among online shoppers

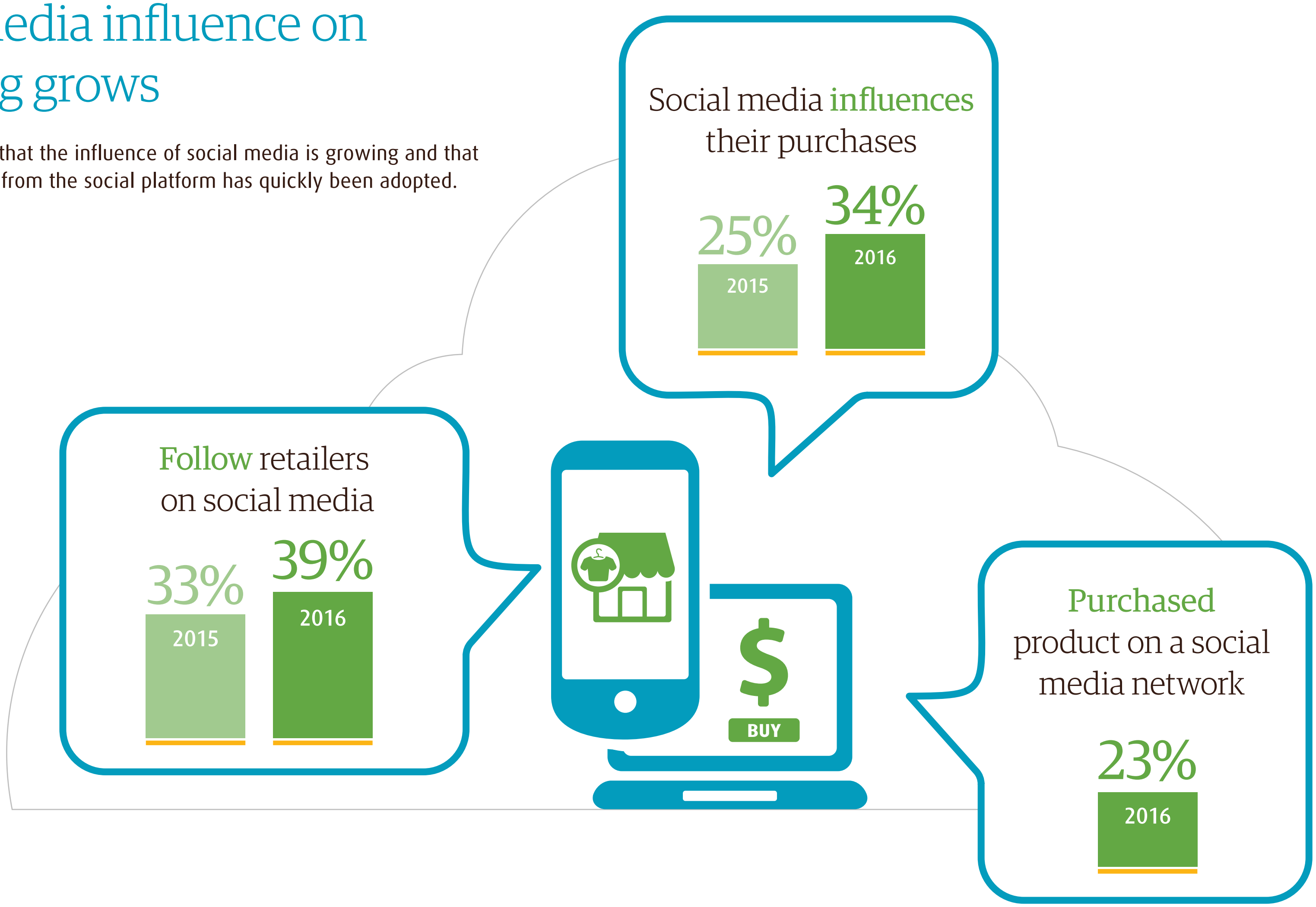


83%	79%	71%	56%
Millennials	Gen Xers	Baby Boomers	Seniors

Social butterflies

Social media influence on shopping grows

Study results show that the influence of social media is growing and that purchasing directly from the social platform has quickly been adopted.



Social butterflies

Convenience and peer influence reasons for making purchases on social media

Buying directly from social media sites is a relatively new phenomenon. Facebook, Twitter and Pinterest launched enhancements in 2015 to encourage it. The reasons shoppers like buying there are similar to marketplaces — convenience and a diverse product selection play key roles.

Reason for making online purchases on social media site

- 17% I enjoy looking at a range of products from multiple retailers
- 14% It's faster as I'm frequently on social networks
- 12% Products I'm interested in are available in the context of my visits to social media sites
- 12% I can buy products as part of my routine browsing on social media sites
- 11% I can see what others are purchasing
- 11% It's easier to share with friends/family
- 10% It's more convenient than buying direct from the website

Millennials

Millennials more frequently selected all these reasons for making online purchases on social media

DISLIKE

Dissatisfied shoppers are increasing the use of social media, while traditional methods such as emailing and calling the company are stable or have declined.

28% of online shoppers are likely to comment on social media when dissatisfied

55% of online shoppers tell friends and family when dissatisfied, the top action

52% 59%

LIKE

23% of online shoppers found the ability to add an item to a cart by using a hashtag on social media appealing

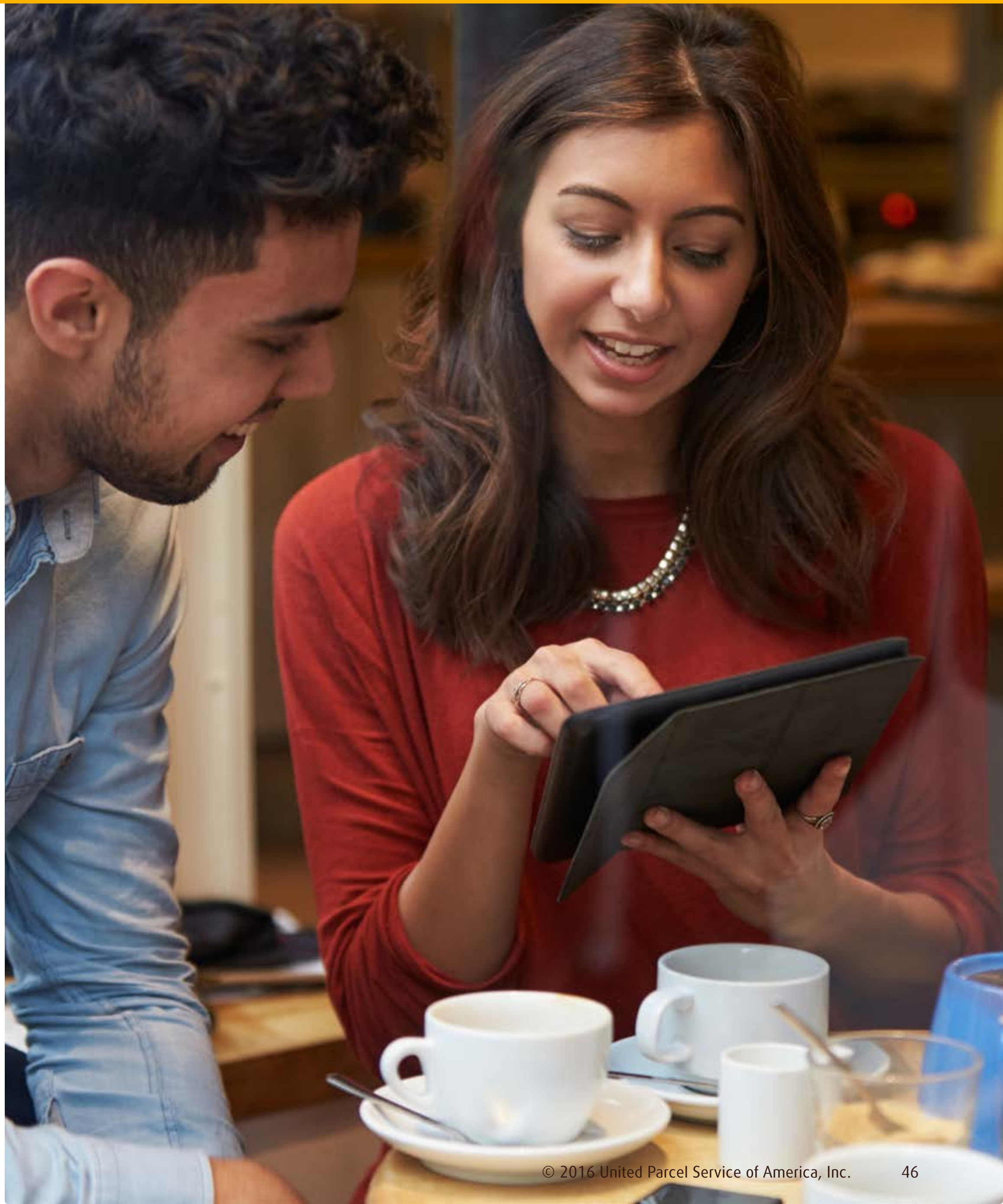
24% When looking for new products, social media is more influential for online shoppers, up 4% to 24% in 2016

The ready retailer

Understanding what online shoppers want can help retailers deliver on the fundamentals. Shoppers need delivery choices, more control and flexible alternatives to home delivery in their relentless search for convenience and a better price.

The fundamentals

This year's study results show the importance of content, customer service and returns process performance.



The fundamentals

Satisfaction with product search and browse experience up slightly but not strong overall

While most elements have improved slightly from the 2015 study, overall the level of satisfaction with the search/browse experience is relatively low across the board.

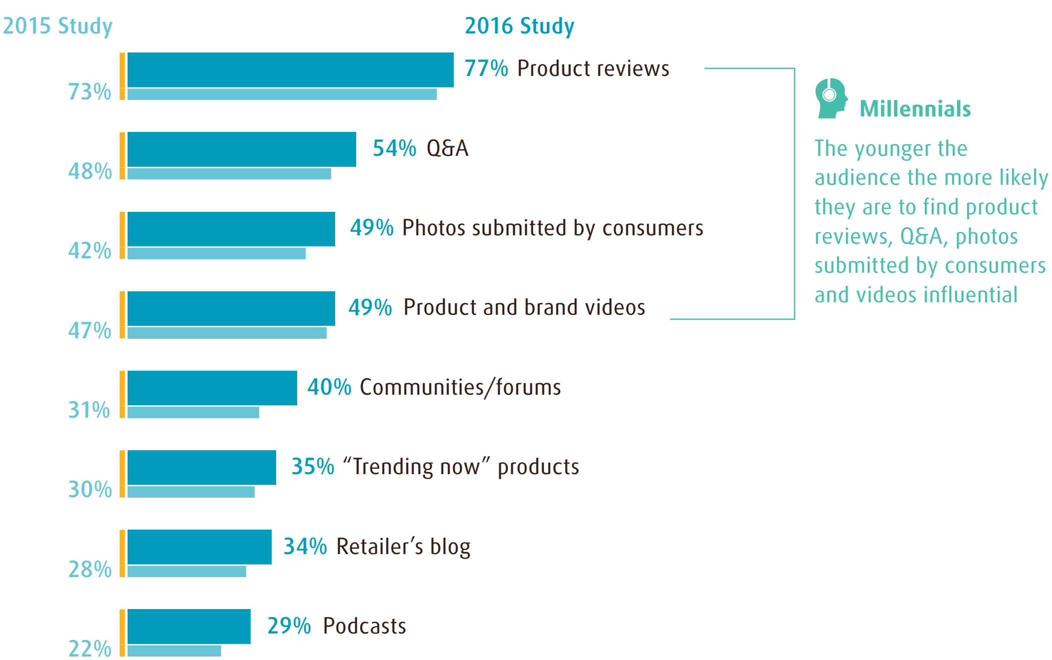
Power Shoppers
Heavy shoppers are the most satisfied, having honed their shopping process through experience

The fundamentals

Shoppers find increasing value in peer and retailer content

Product information is highly valued — both from retailers and other shoppers.

Influence of different types of content on a retailer's website



Only 57%
of shoppers are satisfied with the ability to see user-generated content or uploaded consumer images

Only 59%
of shoppers are satisfied with the ability to receive product recommendations based on past browsing and buying behavior

The fundamentals

Product selection prominent in the mind of shoppers

No matter the location or the channel, product selection ranks high in choice of retailer or location where buyers ultimately shop.

Shoppers often do additional research online to seek out better prices and selection.

Top reasons to shop at small retailers

50% Unique products
- 45% Millennials
- 53% Non-Millennials
- Men 44% · Women 57%

34% Community support
- 29% Millennials
- 37% Non-Millennials
- Men 31% · Women 37%

33% Inability to find from traditional sources
- 28% Millennials
- 36% Non-Millennials
- Men 31% · Women 36%

Top reasons to shop internationally

42% Unique products

38% Unavailable brands/products

The fundamentals

Take stock of inventory needs or disappoint many time-sensitive shoppers

Shoppers are particularly sensitive to having inventory available in store, and digital tools can quickly help them locate products of interest. Inventory software and modern tools like RFID in stores can provide retailers the up-to-date information that shoppers have come to expect.

> Retailers must invest in inventory transparency to ensure access is available across the enterprise or shoppers will likely go elsewhere to more efficiently meet their needs.

Inventory transparency

62% are satisfied with the ability to see the inventory status of the products selected

58% find it important to have the ability to view a retailer's inventory status online when searching/selecting products

53% view back-in-stock product alerts valuable

43% find the ability to check store inventory on a retailer's app important

41% have abandoned a cart when products are out of stock

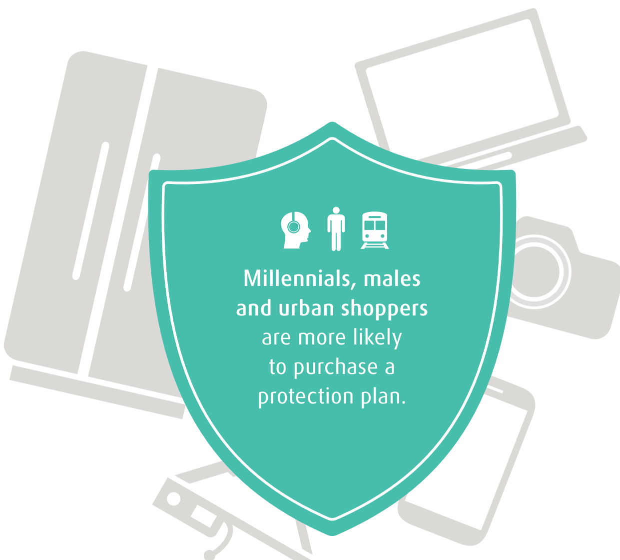
38% choose marketplaces instead of retailers due to in-stock status of products

20% of smartphone users have checked in-store inventory status in another location or on the retailer's website while in store

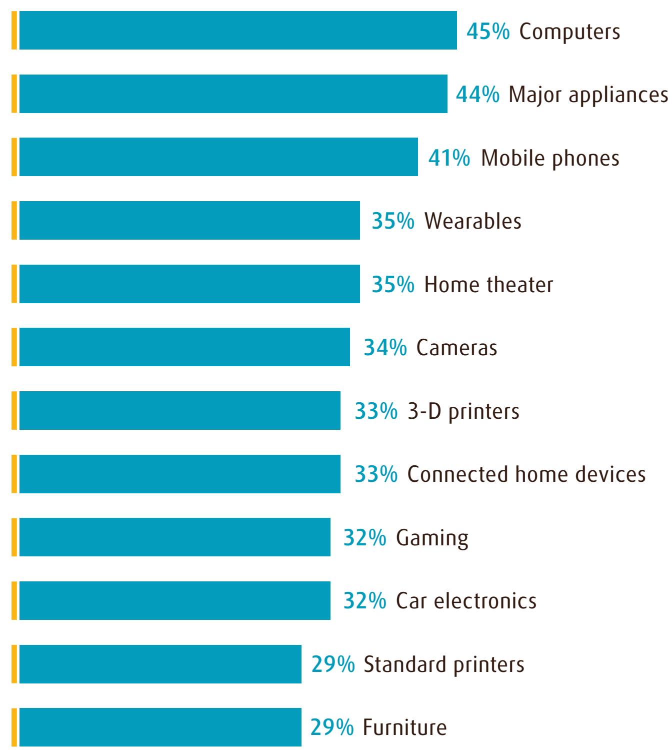
The fundamentals

Product warranties most popular with high-ticket items

Online shoppers are more likely to purchase a warranty plan for higher-priced items like electronic products and major appliances. Given the strong margin associated with warranties, retailers should continue to put in place both online and in-store initiatives that foster their sale.



Likelihood to purchase protection plan for online purchases



The fundamentals

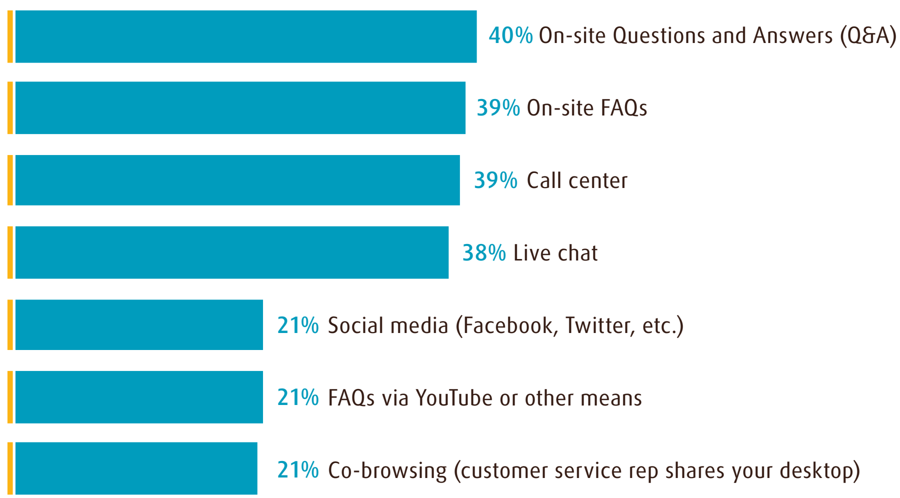
Shoppers gravitate to self-service and web-based tools, even though not available from many retailers

Today's shoppers, especially Millennials and Power Shoppers, often prefer to take matters into their own hands when it comes to customer service. The most important customer service option when shopping online is on-site Questions and Answers (Q&A) at 40%, a relatively new feature accessible via retailer product pages. In fact, according to the e-tailing group's 2015 annual Mystery Shopping review of 100 retailers, only 45% made that service available to their shoppers. Shoppers rate the self-service, on-site FAQs, a standard of shopping online, the same as the traditional call center, while live chat comes close to matching its importance.

Power Shoppers & Millennials

A higher percentage of Millennials and Power Shoppers rated self-service customer service options important when shopping online

Importance of customer service options when shopping online

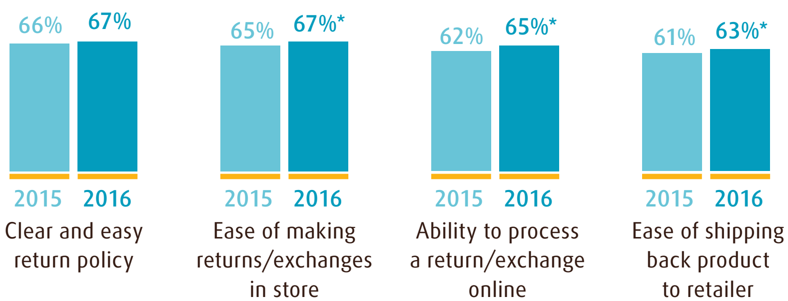


The fundamentals

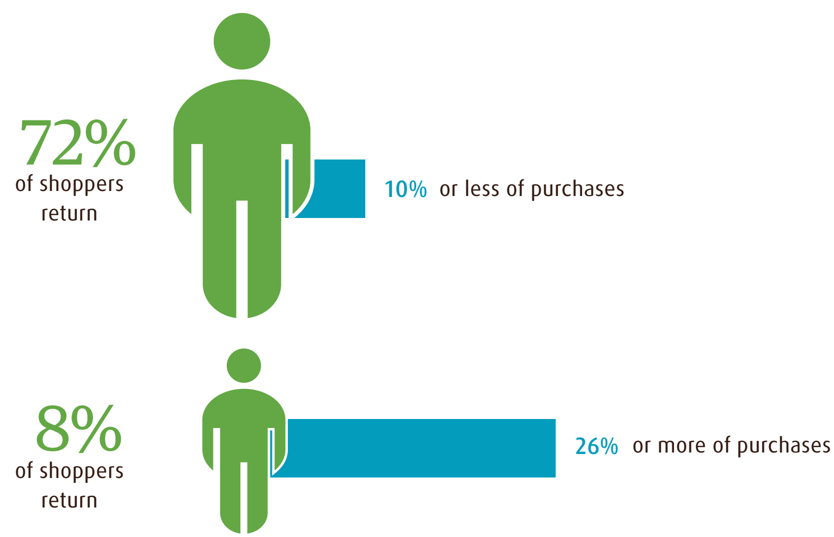
Returns satisfaction increases but experience still ripe for improvement

Returns are three times more prevalent for online retailers, according to the NRF, and have been among the area of lowest satisfaction with shoppers over this five-year study. While there has been a minimal increase this year, returns are an area that most retailers should improve.

Modest increase in satisfaction from 2015 to 2016



A few shoppers drive a high percent of returns



The fundamentals

Preference for store returns remains

Although 68% of online returners have shipped items back to the retailer, 60% prefer to return items to a physical store when given a choice. The reason for the difference may be based on the efficiency of the online return process. What used to be an intrusive process is now flawless among many of the best retailers.

40%
prefer to ship back to the retailer

60%
prefer to return to the store

Elements of a best returns experience

60% Free returns shipping

51% Hassle-free policy

44% Easy-to-print return labels

42% Timely refunds

40% Return label in the box

The fundamentals

Reaping rewards with in-store returns

Store returns provide an opportunity for retailers to save the sale or develop a loyal customer. A successful experience starts with order fulfillment that includes the necessary paperwork to complete the transaction. The in-store experience must include well-trained and helpful associates, short lines, and accessible counters that facilitate convenient shopping.

70% Made an additional purchase when returning in store

45% Made an additional purchase when processing a return on a website

Millennials

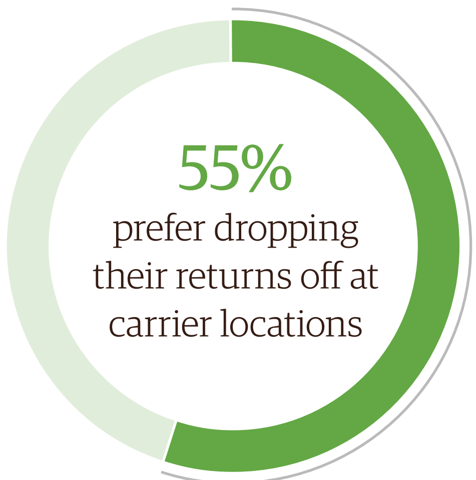
Higher percentage of Millennials have made a new purchase when processing a return on the web (53% vs. 42%) and in store (75% vs. 67%)

Experiences with in-store returns of online purchases

The fundamentals

Returns location preferences varied

Among those who prefer to send returns back to retailers, a total of 55% prefer dropping their returns off at carrier locations.



Preferred way to get return to shipping carrier

21% Leave it in my mailbox or by my front door

13% Schedule a pickup from my home or office, so I can hand it to a driver (a pickup fee may apply)

6% Hand the package to the carrier's driver when I see them

5% Bring it to my office to include in my company's regularly scheduled pickup

36% Bring it to the carrier's **retail store** (UPS Store, etc.)

- 41% Suburban
- 30% Urban
- 31% Rural

10% Bring it to the carrier's **drop box**

9% Bring it to a **local business** near my home that accepts packages (i.e., independent pack-and-ship stores)

- 14% Millennials
- 7% Non-Millenials

The new logistics reality

Shoppers have grown to count on reliable delivery, so retailers need to focus on making the logistics process a customer experience advantage.

The new logistics reality

Offer delivery options that meet the needs of the "I Want It Now" shopper

The average shopper is willing to wait up to six days when they pay for shipping and seven days for free shipping. The key for retailers is to offer delivery speed options. Customers have been conditioned to push the envelope on faster delivery times, and extended ordering window deadlines for next-day and same-day delivery.

1 in 3
say speed of delivery is a reason they choose to buy from marketplaces

46%
abandoned a shopping cart due to a shipping time that was too long or not provided

72%
are satisfied with the ability to see the expected delivery dates of the products selected

48%
find guaranteed delivery dates important when checking out online

NEXT DAY
2 in 3
expect to be able to place an order up to 5 p.m. the night before for next-day delivery

SAME DAY
51%
are satisfied with availability of same-day delivery options

Urban shoppers
Urban shoppers expect to be able to buy at a later time and still receive same-day delivery

SAME DAY
3 in 5
believe orders that are placed by noon should be delivered the same day, while 1 in 4 believe that orders placed at 4:00 p.m. or later should still receive same-day delivery

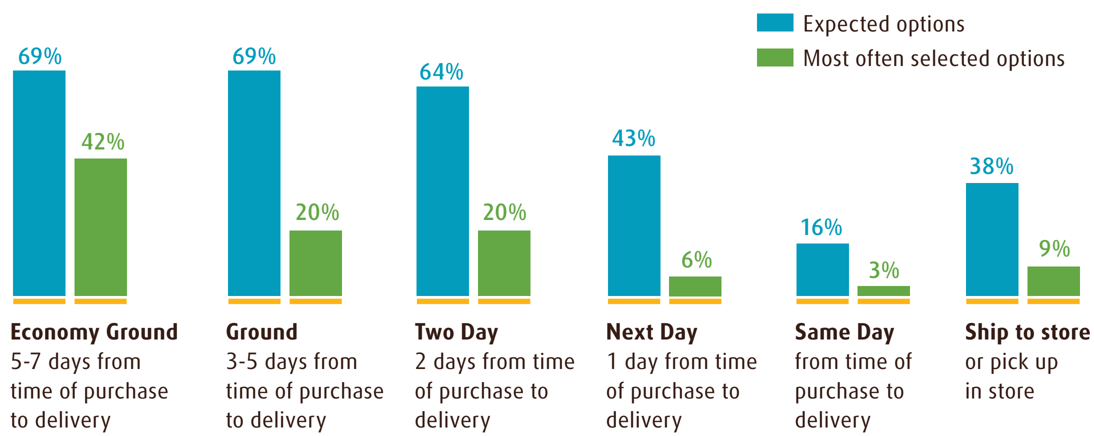
The new logistics reality

Speedy options expected, but economy ground selected most often

Study results reinforce that most shoppers are looking for the best deal on shipping. While a variety of shipping options are expected, economy ground delivery is selected most often. Two day, a mainstay of Amazon Prime, comes in at a solid 20%. Next day (6%) and same day (3%) are relatively modest in terms of preference, likely due to the limited availability demand for these services. Same day is currently only available in urban areas, and shoppers expecting this are an important niche.

Two-day delivery preference is up significantly (20% in 2016 vs. 16% in 2015 and 10% in 2014). Amazon Prime is likely driving this increase as members select two-day shipping 31% of the time, on average, compared to an average of only 8% for non-members.

Expected and most often selected shipping options - U.S.-based retailers



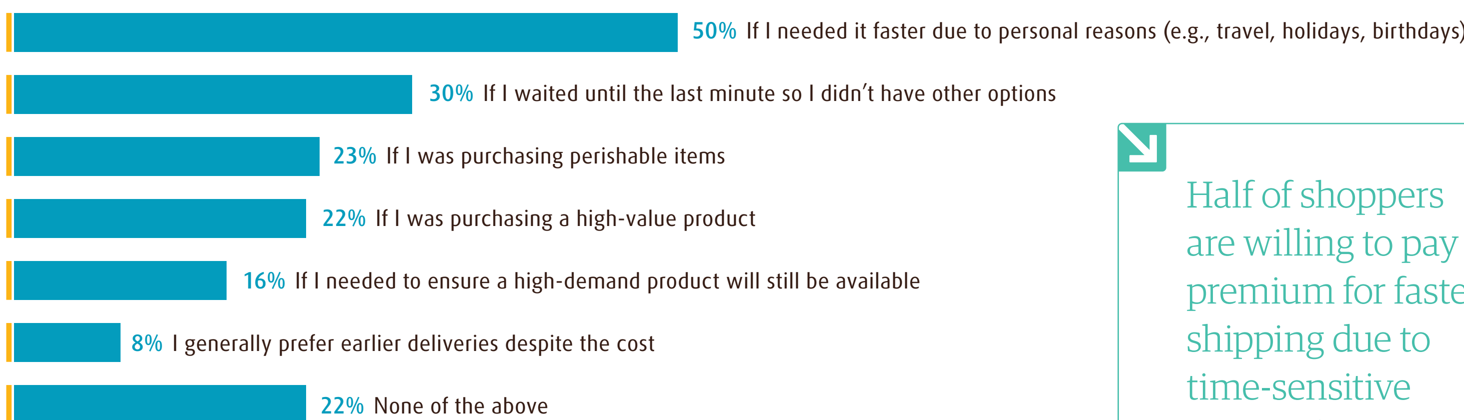
Millennials

34% Millennials (and 46% non-Millennials) most often select Economy Ground

The new logistics reality

Personal reasons dictate expedited delivery needs

Circumstances under which shoppers are willing to pay a premium for faster shipping

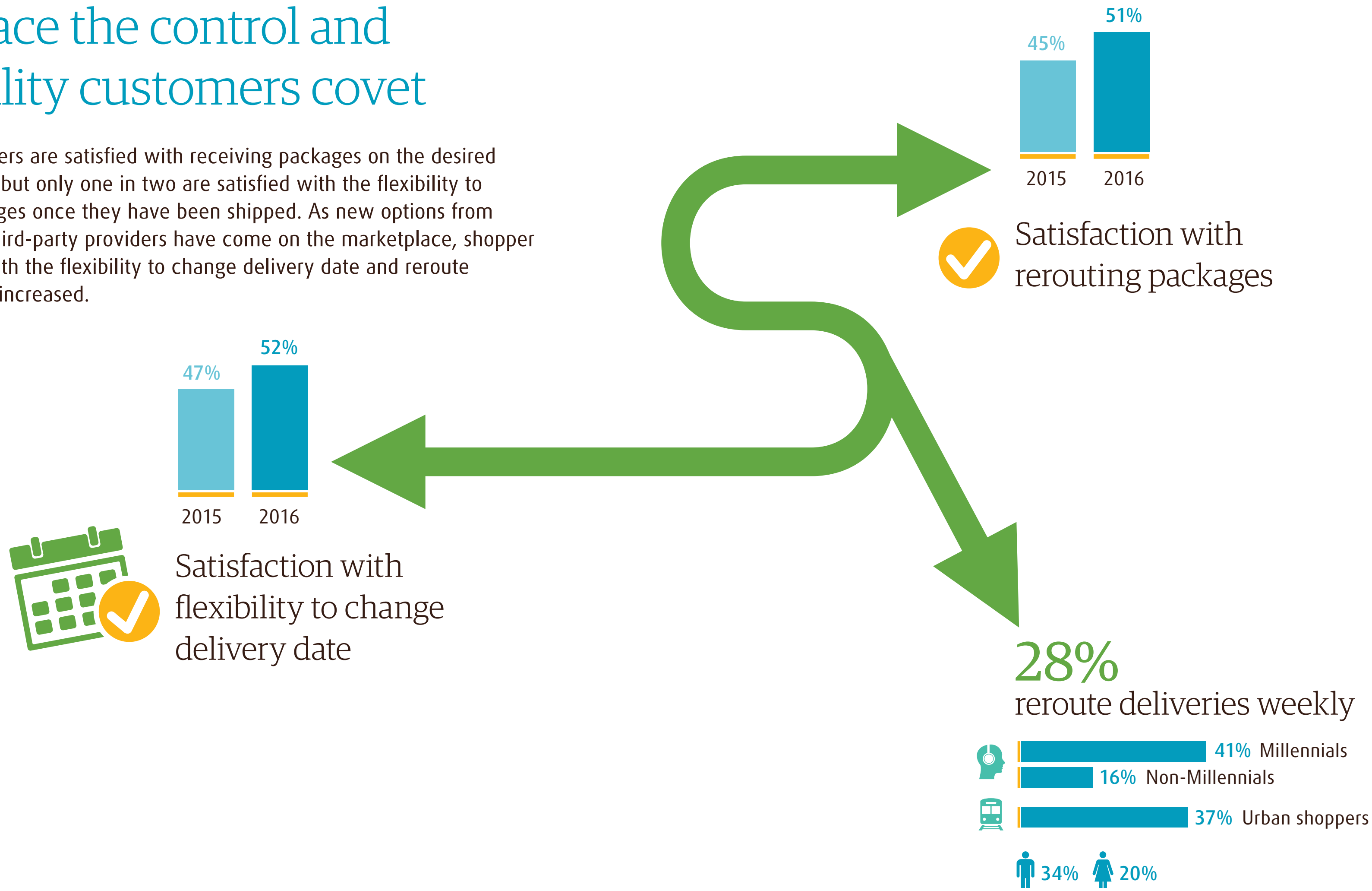


Half of shoppers are willing to pay a premium for faster shipping due to time-sensitive personal reasons.

The new logistics reality

Embrace the control and flexibility customers covet

71% of shoppers are satisfied with receiving packages on the desired delivery date, but only one in two are satisfied with the flexibility to reroute packages once they have been shipped. As new options from carriers and third-party providers have come on the marketplace, shopper satisfaction with the flexibility to change delivery date and reroute packages has increased.

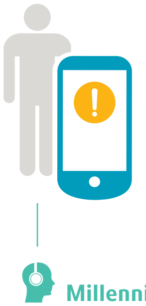


The new logistics reality

Delivery text notifications trending

Email notifications still lead the way but are decreasing as a preference, while four in 10 now prefer text notifications for some types of delivery information.

A higher percentage of females and non-Millennials prefer email confirmations than their counterparts



Millennials

Millennials and males prefer text or mobile-app notification

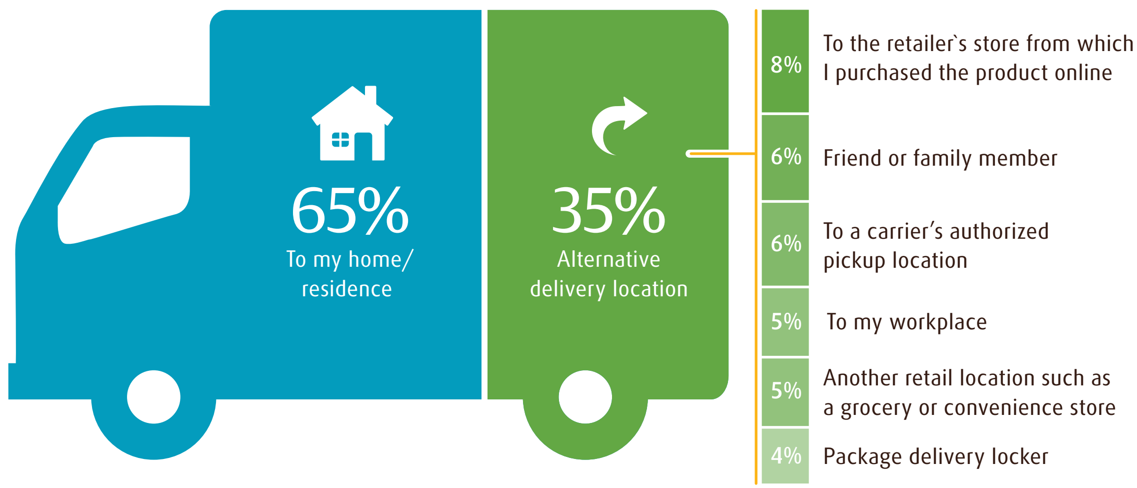
The new logistics reality

Preference for alternate delivery locations continues to grow

While home delivery is still preferred for 65% of purchases, many consumers value flexible options that meet their needs when they can't be home and deliveries cannot be left for a variety of reasons, such as in condos, apartments or urban settings with no direct access to the residence. Online shoppers preferred alternate delivery locations for 35% of purchases, growing from 26% in 2014.

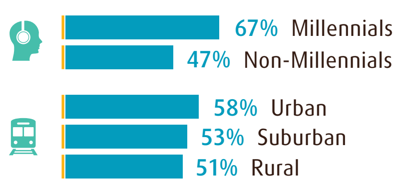
54% of shoppers are interested in an alternative pickup location that has extended hours if shipping fees were less expensive.

Preference in delivery location

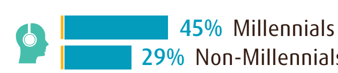


Over half of shoppers are interested in an alternate pickup location with extended hours and lower fees.

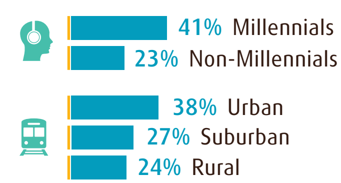
Interest in shipping to alternate locations



Preference for alternative delivery locations



29% of purchases delivered to alternate locations



Methodology

Online panelists were sent emails inviting them to participate in this survey. Each participant completed a 47-minute custom online survey designed by comScore in conjunction with UPS. Data collection occurred between January 30 and February 9, 2016. Ultimately, a total of 5,330 respondents were surveyed with gender and age balancing taking place and purchase behavior quotas as defined below.

Frequency	% Surveyed
2–3 online purchases in a typical 3 months	20%
4–6 online purchases in a typical 3 months	40%
7+ online purchases in a typical 3 months	40%

Contact info

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