The realities of remaining a “ready retailer”

The pace of change in retail is staggering, especially online retail and its intersection with the in-store experience. The fourth annual UPS Pulse of the Online Shopper focuses on understanding these changes and delivering insights into how retailers can take action to address what consumers want now and in the future.

Shopper empowerment is propelling this accelerating change. Through technological advancements, particularly smartphone adoption and the expansion of its capabilities, shoppers are better equipped to confidently make buying decisions. U.S. m-commerce sales growth last year was a healthy 27.7%, while e-commerce numbers came in at the 13% mark.¹

Retailers are rapidly evolving to meet these changing consumer demands, while shoppers continue to hone their skills and are becoming more adept at finding the right products from the retailers with the best customer experience at the best price.

That’s why the definition of the “ready retailer” is evolving, too. Expectations are high for receiving a seamless shopping experience. The path to purchase has become a continuous loop with the speed of the whole process quickening.

Simultaneously, superior customer service supported by logistics excellence has become mandatory. The role of the store is forever changed. Inventory transparency, mobile excellence and prioritizing store technologies that enhance the shopping experience must all be evaluated. Every retailer’s mission is to know their customers best and put themselves in the best position to service these “empowered shoppers.”

¹ comScore m-Commerce Measurement, March 2015
Key takeaways

Today’s shopper is a moving target. The research results are broken into three core areas to highlight shopper trends and preferences:

The empowered shopper
Some are relentlessly searching for new and unique products. Others are steadfastly seeking the best price and customer experience. Today’s shoppers are sometimes motivated by speed. Other times by the desire to be exhaustively thorough in finding unique products or getting the best deal. This is creating new opportunities for small, local and international retailers.

Changing channels
When shopping, consumers readily shift from channel to channel to make purchasing decisions. They’re also fluidly shifting devices (PC, smartphone, tablet). Some are influenced by social media, while some embrace apps, and many others rely on retailer sites or marketplaces. Regardless, retailers must make shopping experiences cohesive, seamless and essentially interchangeable.

The ready retailer
There are some key areas of improvement that shoppers have identified for retailers wanting to stand out in an increasingly competitive e-commerce environment. From quality information to checkout and delivery to the returns experience, retailers must always be ready to stay ahead of evolving consumer expectations.

About the study: UPS, comScore and e-tailing group, inc.
UPS developed this study with comScore, Inc. Input was collected from 5,118 qualified panelists in January and February 2015. Shoppers had to have made at least 2-3 online purchases in a typical 3-month period. UPS also worked with the respected Chicago-based consultancy, the e-tailing group, inc., to develop analysis and retailer recommendations.
The empowered shopper

Dollars and sense
Hunt for the unique

Changing channels
Channel shift
Retailers elevate mobile experience
Cater to social activists

The ready retailer
The fundamentals
Logistics prowess prevails

Introduction
Key takeaways

Additional information
Methodology and contact info
Dollars and sense

**Consistent and competitive pricing breeds confidence**

Shoppers are in control, continually hunting for value and price. This may not always mean finding the lowest price but one that seems “right” in their minds. Value is a combination of many factors — from the on-site experience to the total cost of the order. Product pricing, timing, shipping and returns costs are all factored in when selecting a retailer, particularly when purchasing commodities, such as beauty products.

Shoppers have sharpened their skills at finding the best price in every channel and smartphones fuel that behavior — from researching products prior to store visits to scanning bar codes in stores.

Coupons and promotion codes can be found in abundance on the web and their cross-channel usage makes taking advantage of promotions a simple click of the mouse or swipe of a mobile device. Shoppers don’t want to have to worry that prices are different from one channel to the next, so opting for consistent pricing is recommended.
Dollars and sense

Seeking the best deal

The web has brought out the deal seeker in us all. Shoppers go to great lengths to save money, spending time comparing prices, choosing less expensive store-based delivery options and taking advantage of coupons through every available means and channel. They have a nose for the deal and every evolving channel is a new opportunity to find a lower price.

- **29%** compare prices at online or physical stores using a smartphone when visiting a store.
- **50%** say mobile coupons are an important feature of a mobile app.
- **38%** of smartphone users are redeeming coupons on their device.
- **47%** of Facebook users are likely to view a promotional post by a retailer.
- **53%** of shoppers are likely to take advantage of a discount offered in an email.
- **44%** have abandoned a cart because they wanted to get an idea of total costs (including shipping) to compare before buying.
Dollars and sense

Free shipping can be used as a strategic lever to drive sales

Product prices are rated as important more than any other factor in the search/browse experience — at 81%. Shipping costs come in a close second with 75% rating it important. Shoppers will go to varying degrees to secure free shipping, such as adding items to carts with the intention to keep them (52%). And 45% have abandoned a cart when they don’t qualify for free shipping.

The majority (57%) of shoppers say that the decision to pay for shipping is most often driven by the total cost of the order where they have a clear sense of what it’s worth. Alternatively, shoppers will pay for shipping when they absolutely must have a product, require expedited delivery or personal circumstances dictate.

A handful of retailers have chosen to offer free shipping year round. A selective approach can be offered instead to incent, reward and retain customers. This may include sporadic usage throughout the year, extending free shipping to loyal shoppers and last-minute, site-wide usage to ensure sales forecasts are met.

Evaluating how best to address free shipping means looking at the competitive landscape and also budgeting this expense as part of the cost of doing business. Weighing business dynamics — from assortment to financials — should drive this decision. Evolving it throughout the year ensures achieving desired results.
Free shipping as a lever to drive business

60% of shoppers paid for shipping when free shipping was not offered and they wanted the product.
Hunt for the unique and hard to find

Creatively merchandise product assortment

Shoppers hunt for unique product and will support a range of retailers in its pursuit — both locally and internationally. Influences and starting points vary by individual, but 29% shop with smaller businesses simply because they “like to try new retailers.” If assortments aren’t inspiring, shoppers will find many reasons to stray. While larger retailers dominate, interest in both smaller sellers and access to global retailers finds appeal among many shoppers.

If assortments aren't inspiring, shoppers will find many reasons to stray
Hunt for the unique and hard to find

The appeal of small, local and international retailers

Small and local

Consumers are aware of the tradeoffs when choosing smaller retailers. Many are willing to accept more costly shipping, longer delivery times and/or higher prices when selecting such businesses. Beyond the unique and hard to find, there remains an interest in supporting the local community. Additionally, some shoppers simply like to be the first to sample new retailers, and their influence can be impactful, particularly as viral channels can swiftly spread the word.

61% say “unique products” are the reason they shop at small retailers

Beyond borders

Many of the same reasons shoppers choose to do business with smaller retailers applies to their international counterparts. Once again, better prices internationally, lack of available product domestically and a search for the unique apply globally as well. The internet facilitates geographic reach, which can open new markets for retailers inside and outside the U.S.

Reasons for shopping with small vs. large retailers

- 61% They offer unique product
- 49% I couldn’t find what I needed from traditional sources
- 40% I want to support the community or small businesses
- 29% I like to try new retailers
- 26% They feature a broader assortment
- 24% They provide innovative shopping experiences
- 7% None of the above, I prefer to shop at large retailers

Better prices, unique or hard-to-find products are the top reasons for purchases from international retailers

Reasons to shop from international retailers

- 49% The price is better internationally
- 43% The brands or products I like are not available in the U.S.
- 35% I wanted something unique not found in stores in the U.S.
- 20% The quality is better internationally
- 11% I like the status that comes with shopping internationally
- 10% I want to purchase products found while traveling or living abroad
Hunt for the unique and hard to find

The power of marketplaces

Shoppers have evolved and there are a multitude of sources that influence their hunt for new products and retailers. These range from marketplaces that are making significant inroads online to traditional advertising and direct mail. Social media and mobile advertising are playing a role as well.

Shoppers have become accustomed to perusing products in marketplaces. Each retailer must determine their respective marketing goals. Marketplace participation will only be right for some. When electing not to pursue a marketplace model, additional spending for earned and paid search, banner advertising and SEO (Search Engine Optimization) along with other marketing vehicles can be used to drive sales.

Additionally, the research revealed that marketplaces are the most influential source for finding new products and retailers.

For 65% of shoppers, marketplace reviews or posts are influential on purchase decisions.

Influential sources when looking for new products and retailers:

- Marketplaces (Amazon, eBay, Newegg, etc.) - 47%
- Friends/personal network - 37%
- Television - 31%
- Direct mail - 25%
- Online advertising - 24%
- Social media - 20%
- Blogs and news articles - 19%
- Radio - 17%
- Mobile advertising - 16%
New business models and merchandising inspires shoppers

Online shopping has inspired new business models, including marketplaces, subscription services and crowdfunding.

Two types of subscription services have become popular in recent years. Some are “convenience commerce” that enable shoppers to receive the same products automatically at a predetermined frequency (e.g., monthly, weekly). “Discovery commerce” takes a different twist and surprises shoppers with new curated subscriptions, based on personalized criteria.

Large and small investors are also flocking to crowdfunding platforms. Here, sites raise money in small amounts from a large number of people to fund a new retail product or startup.
### Changing channels

**Channel shift**
Retailers elevate mobile experience
Cater to social activists

**Introduction**
Key takeaways

**The empowered shopper**
Dollars and sense
Hunt for the unique

**The ready retailer**
The fundamentals
Logistics prowess prevails

**Additional information**
Methodology and contact info

© 2015 United Parcel Service of America, Inc.
Channel shift

In last year’s study, the “Flex Shopper” was identified as a consumer that readily shifts from one channel to another. They change course based on circumstance, influences, channel comfort, device preference and convenience. The boundaries between channels are blurred more than ever, as the ease of shifting between them has been accelerated by smartphone usage.

Retailers are now forced to be more diligent in “knowing” their customer. An accessible, single view of the customer, complete with cross-channel data will be required to optimize marketing investments. Technology solutions are in place and on the horizon to address this growing concern.

Overall satisfaction with retail channels remains steady from 2014 to 2015 — 83% for online shopping and from 63% to 62% for stores. Device shopping satisfaction was looked at for the first time in 2015 and reinforces some limitations with smartphones. Shoppers cited screen/image size and security concerns.

Shopper satisfaction with channels and devices varies

- Physical store: 62%
- Online shopping: 83%
- Desktop/Laptop: 84%
- Tablet: 74%
- Smartphone: 65%

Shoppers project that their in-store shopping frequency will decline 7% while online shopping across all devices will increase.
Channel shift

Expect shoppers to shift from one channel to another

Once again, price and selection top the reasons why shoppers who have researched in store ultimately finish their shopping online. Additionally, the web lends itself to research and store visits can prompt new questions with answers best secured online. This leads to the third-most-mentioned reason for purchasing online, which is to conduct additional research before purchasing.

More than 4 in 10 shoppers research and purchase via smartphones. The 60%+ penetration for online research via smartphone by heavy and moderate shoppers suggests that retailers should optimize the mobile experience. Over half of heavy shoppers purchased via a smartphone, while penetration is somewhat less for moderate and light shoppers.

A look at shoppers’ weekly smartphone activities also sheds light on this channel-shifting trend

1 in 4 shoppers are looking to locate stores and find store-related information

22% use their mobile device while in the store for further research

23% research products prior to visiting a store

22% access emails while in the store via mobile devices, prompting in-store purchases
Information and services drive store traffic

The store's role is sometimes about convenience. For some shoppers, a store visit can actually save them money and/or time, evidenced by ship-to-store/pick-up-in-store options. Additionally, selection can come into play along with the excitement of visiting the store and the desire to see, touch and feel the products.

Logistical choices are a factor for some shoppers as well. Shopper expectations about physical stores will continue to evolve, ensuring that they remain relevant. As challenges to brick-and-mortar retailers come from many fronts, systems that support inventory transparency will be a requirement, forming the foundation for a myriad of other services, such as in-store pickup.

The role of the store associate will likely become even more critical as shoppers shift channels and elevate expectations of the store visit.

Part of shifting between channels involves the ability to access a shopping cart, saved lists or wish lists or to share these across channels. Only 67% of shoppers are satisfied with the ability to create an account to save personalized information/purchase history.

Mobile and social media allow easy access to store content

- 1 in 3 Facebook users are likely to view store-related content
- 46% of mobile users rate having a comprehensive store locator as an important feature in a retailer’s app
- 45% of mobile users rate the ability to check store inventory as an important feature in a retailer’s app

39% of shoppers who have purchased online after researching in store wanted to touch and feel the product before purchasing

4 in 10 of those who use retail apps rate having access to their shopping cart across all devices as an important feature
Channel shift

Ship-to-store and return-to-store services generate sales

One of the ways in which channel shift behavior can be best observed is in the use of store pickup. Four in ten shoppers expect a ship-to-store option to be available. Shoppers have long gravitated to this convenience. Pioneering retailers made this a reality as early as 1999. Today, almost half of shoppers (48%) have used ship-to-store options in the past year. Appeal stems from a combination of convenience and cost savings, and it has always been a means to avoid paying for shipping.

41% of shoppers who currently use ship to store plan to do so more often in the coming year

38% of shoppers will choose ship to store or pick up in store, up from 35% in 2014

29% will actually choose to shop at the store instead of online just to avoid shipping costs

33% find curbside pickups and returns appealing

45% have returned an item that was purchased online in the past year

61% of shoppers who have returned an item in the past year prefer to return items in store, and 39% prefer to ship back to the retailer

70% of those who return items to a store will purchase a new item

Almost half of shoppers have used ship-to-store options in the past year

45% have made a new purchase when picking up the purchase in store, among those who have used an in-store pickup option

See additional information: Channel shift
Retailers elevate mobile experience

The importance of mobile adoption and its multi-faceted nature have had an unprecedented impact on shopping. The smartphone dominates, having reached a U.S. population penetration of 75%.

While tablet’s growth rate is an admirable 17%, it is expected to slow dramatically in 2015, according to eMarketer.

From a revenue standpoint, m-commerce already makes up 13% of total digital commerce dollars. It is these facts that have caused retailers to pay attention and make adjustments to their mobile investments.
Shoppers embrace new technology

In this year’s survey, smartphone usage was 74% (up 7% year over year) and is in line with the previously referenced market share seen across the general population. Additionally, the penetration of Connected TV at 28% was strong, as was the 13% who indicated they were users of wearable technology.

Online shoppers are among the quickest to adopt new technologies, so retailers must stay in touch with customer preferences.
Retailers elevate mobile experience

Smartphone research and purchase power formidable

Shoppers continued their high level of shopping via PC. The research also reveals that more than half (56%) have researched on smartphones and 41% have made a purchase. Tablet stats are 58% researching and 46% purchasing.

For those who have purchased on their mobile devices, 38% indicate that the mobile website is their preferred method of viewing when they shop on a smartphone, followed by 36% who prefer the full website. 60% of tablet purchasers prefer the full website.

Though numbers may pale in comparison to the PC, when shoppers own both a smartphone and a desktop device, they have chosen to make 1 in 3 purchases on their smartphones. Purchases on smartphones are expected to increase 12% in 2015, based on projections from shoppers in this year’s survey.

Over the past few years, retailers have become more adept at delivering a mobile friendly user experience. Elevated visual execution, larger screen size and streamlined shopping bodes well for higher conversion.
Retailers elevate mobile experience

Convenience is the driver of smartphone usage

With two-thirds of U.S. smartphone users checking their phones within 15 minutes of rising and going to bed, the shopper’s attachment to their devices can’t be overstated.

The 65% satisfaction for smartphone shopping exceeds physical store satisfaction

A quick review of why shoppers gravitate to their smartphones solidifies its role as a ubiquitous shopping tool

Among those who have purchased on a smartphone:

- 40% shop on a smartphone over a desktop because they always have it with them and it’s more convenient
- 36% shop on a smartphone over a desktop since they have it with them in the store
- 30% use their smartphone because they usually read their emails on their smartphone and click through to retailer sites
- 24% have tracked delivery of an order weekly
- 23% when in store, search for a different online retailer
- 22% when in store, check in-stock status at another store
- 1 in 3 prefer a text notification that an order was delivered

7 Toluna, 8/14
Retailers elevate mobile experience

App interest strong

Apps can be effective for retailers because they tend to serve more engaged shoppers. In this study, 4 in 5 mobile shoppers have used a retailer’s app instead of a browser to access a retailer at some point. Heavy shoppers use apps more than others.

While many shoppers have become accustomed to accessing the web via mobile, 29% of those who do not use mobile apps cite security concerns. Interest in shopping with multiple retailers has also been cited as a barrier to retailer app adoption by some shopper segments.8

The quality of an app is vital to potential shopper usage, and issues deemed important to websites, such as product imagery, on-site search and product reviews, are also integral to apps. High marks were also given to store-based connectors and tools (store locator, ability to check store inventory, mobile coupons).

Apps can be effective but aren’t a must for every retailer. There is not always a compelling reason why a shopper would need to use an app. Apps for goods that are infrequently shopped (e.g., computers, cars, financial instruments) aren’t typically as effective as those verticals with wide product offerings, such as department stores, mass merchants or replenishment products. Retailers who invite price comparison are also likely to see greater traction among shoppers.

Importance of retail app features

- 54% Product images
- 53% Product reviews
- 50% Relevant search results
- 50% Mobile coupons
- 46% Store locator
- 45% Ability to check inventory

8 WWD, In Battle of Apps, Multibrands Win, 3/19/15

© 2015 United Parcel Service of America, Inc.
Retailers elevate mobile experience

In-store technology use shows promise

Retailers have begun to adopt new technology for everything from checking inventory to checking out shoppers. Industry research suggests that 55% of retailers say mobile’s purpose is to drive in-store sales, but use of mobile when customers are in store may present some of the most intriguing possibilities.

Since shoppers have proven to be accepting of so many new technologies, the next few years will present a wave of in-store mobile services. Some will become standards while others will quickly become relics. Shopper value will be one of the key factors in determining the rate of acceptance.

Since shoppers have proven to be accepting of so many new technologies, the next few years will present a wave of in-store mobile services.
Cater to social activists

While social media has underachieved as a direct driver of retail sales, it continues to excite as an influence among a niche group of passionate users to connect with their peers. A core group of social activists are seen among mobile users in particular. Predictably, Millennials have shown a greater preference for connecting shopping activities with social media.

26% of shoppers are more likely to shop with a retailer if they can connect with them via social media and get answers over the weekend

42% find photos of consumers using products influential when visiting a retailer’s website
Interest in social media is multidimensional

Three in four shoppers use social media, and Facebook and YouTube are the top sites. Shoppers also embrace new “visually oriented” sites, such as Pinterest, Snapchat, Vine, Polyvore and Wanelo. The upside for retailers is that Pinterest is leading in U.S. conversion rates from a social media perspective and ultimately accounted for 22% more sales than Facebook.¹⁰

The power of visuals should not be underestimated, just as its role in e-commerce has been extremely valuable. Smartphone and tablet purchasers follow retailers and are more influenced by social media than desktop only purchasers.

Though Pinterest’s initial usage base among respondents is significantly lower (67% vs. 30%), pinning products on Pinterest and liking retailers on Facebook are done at equal levels among their users. Social media’s role ranges from an important channel to capture emails to a vehicle for product discovery. Posting reviews and comments are also notable activities.

About half of Facebook users are likely to view promotions, while about two in five are likely to view new product announcements and sweepstakes


UPS Pulse of the Online Shopper™ © 2015 United Parcel Service of America, Inc.
Cater to social activists

The power and peril of social media

Behavior on social media can be favorable with shoppers actively “liking” and promoting brands when satisfied. Facebook dominates here, and promotion is the very essence of Pinterest. On the opposite end of the spectrum, retailers should know shoppers will be equally vocal when unsatisfied with their shopping experiences.

- **38%** of social media users rate reviews and posts on social media as influential
- **29%** are likely to promote a brand on social media
- **30%** will unlike/unfollow a retailer on social media when dissatisfied with purchase
- **38%** will do nothing but won’t purchase again when dissatisfied with purchase
- **42%** will unsubscribe from retailer emails when dissatisfied with purchase

See additional information: Cater to social activists
The ready retailer
The evolving demands of empowered shoppers offer retailers new opportunities to stand out. Getting the basics of customer experience right has never been more critical. The competition is fierce against a powerhouse of marketplaces, pureplays and well-heeled, store-based counterparts.

As originally outlined in last year’s UPS Pulse of the Online Shopper, “The Fundamental Four” along the path to purchase are again addressed in this year’s study, including information, transparency, customer service and logistics.
Robust information a requirement

Along the path to purchase, shoppers expect certain elements to be present that they have deemed “important.” Shoppers were asked how important a series of factors were when searching for and selecting products online.

At every stage of the journey, the role of information rises to the top of the list of what’s important to shoppers. Search and selection revolves around all of the product details that allow shoppers to make an informed purchase. Information ranges from product-based content, including copy to photography that aids in selling the product.

A retailer’s customer service and return policy play an important role. Visual layout and scannability grow in magnitude with mobile’s emerging role and should be factored into how product information is presented.

Importance of factors when searching and selecting products

- Detailed product information: 73%
- Retailer reputation: 66%
- Return policy: 62%
- Multiple images or zoom in: 59%
- Consumer/peer reviews: 55%
- Sizing tools: 54%
The fundamentals

Peer reviews are a shopper favorite

The strength of social media starts with reviews. Over half of shoppers rate consumer/peer reviews an important factor when searching for/selecting products online. Further, 30% of smartphone users look up product reviews while they are in store. Q&A along with consumers submitting photos of products are also influential parts of a retailer’s website.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5★</td>
<td>70% satisfied with ability to read a peer review before making a purchase</td>
<td></td>
</tr>
<tr>
<td>5★</td>
<td>73% find product reviews influential when visiting a retailer’s website</td>
<td></td>
</tr>
<tr>
<td>4★</td>
<td>53% find reviews on a retailer’s mobile app important</td>
<td></td>
</tr>
<tr>
<td>4★</td>
<td>48% find Questions &amp; Answers (Q&amp;A) influential when visiting a website</td>
<td></td>
</tr>
<tr>
<td>2★</td>
<td>30% look up product reviews on a phone when shopping in retail stores</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Type of Content</th>
<th>Influence Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product reviews</td>
<td>73%</td>
</tr>
<tr>
<td>Q&amp;A</td>
<td>48%</td>
</tr>
<tr>
<td>Product and brand videos</td>
<td>47%</td>
</tr>
<tr>
<td>Photos submitted of consumers using products</td>
<td>42%</td>
</tr>
<tr>
<td>Communities/forums</td>
<td>31%</td>
</tr>
<tr>
<td>“Trending now” products</td>
<td>30%</td>
</tr>
<tr>
<td>Retailer’s blog</td>
<td>28%</td>
</tr>
<tr>
<td>Podcasts</td>
<td>22%</td>
</tr>
</tbody>
</table>

Peer reviews are a shopper favorite.

The fundamentals

73% satisfied with ability to read a peer review before making a purchase.

73% find product reviews influential when visiting a retailer’s website.

53% find reviews on a retailer’s mobile app important.

48% find Questions & Answers (Q&A) influential when visiting a website.

30% look up product reviews on a phone when shopping in retail stores.
Checkout must be transparent

With checkout serving as a key step on the shopper’s path to purchase, retailers must be transparent by providing information as early in the checkout process as possible. Shipping costs are paramount as shoppers want to be sure fees are clearly articulated.

Choice comes into play with payment options as well, particularly as mobile grows in adoption and plays a greater role in purchasing. Logistically speaking, retailers should list an estimated delivery date and, better yet, a guaranteed date, since both are seen as favorable by half of shoppers.

Providing shipping costs early in the process is important to 59% of shoppers

Importance of factors when checking out

- 77% Free shipping options
- 60% Ease of applying promo code
- 52% Variety of payment options
- 51% Guaranteed delivery date
- 50% Showing additional dollars needed to receive free shipping
- 50% Estimated delivery date early in the process
**Superior customer service is nonnegotiable**

Customer service is a differentiator, since shoppers will select retailers solely on their ability to execute. While a degree of customer satisfaction is reported in certain areas of the post-purchase shopping experience, there is still room for improvement with everything from access to information to return policies.

- **59%** of shoppers are satisfied with finding a retailer’s return policies during the search/browse experience.
- **59%** of shoppers are satisfied with their ability to find a retailer’s customer service phone # or contact option during the search/browse experience.
- **44%** of shoppers are satisfied with the ability to find a retailer’s live chat to ask a question during the search/browse experience.
- **43%** of shoppers are satisfied with access to live chat within checkout experience.

Only **66%** of shoppers are satisfied with the availability of a clear and easy-to-understand return policy.
Return efficiencies can be optimized

According to the National Retail Federation, returned merchandise as a percent of total sales in 2014 was just under 9% for all channels, equating to $284 billion in value. The good news from this year’s research is that less than half of shoppers have returned an online purchase in the past year. Similarly, in this study, 3 in 4 shoppers indicate that they return less than 10% of their orders. Nonetheless, returns are an important part of customer satisfaction.

Ease of returns should be supported by an easy-to-print or in-the-box return label. Communication with shoppers that a return credit is forthcoming is also critical. Retailers can take comfort in the fact that 70% of shoppers have made an additional purchase while returning to a physical store. Driving an in-store visit has added value, since these shoppers are likely to need a similar item to what they are returning. Alternatively, 42% have done so when returning via the website.

67% of shoppers review an online retailer’s return policy before purchasing

The average shopper expects to have about a month to return an item to an online retailer

Elements of the best returns experience

- 66% are satisfied with free return shipping
- 58% are satisfied with a hassle-free, no-questions-asked policy
- 47% are satisfied with an easy-to-print or in-the-box return label

65% are satisfied with the ease of making returns/exchanges in store

62% are satisfied with the ability to process returns/exchanges online

61% are satisfied with the ease of shipping products back to retailers

See additional information: The fundamentals

UPS Pulse of the Online Shopper™
© 2015 United Parcel Service of America, Inc.
Logistics prowess prevails

Shoppers expect retailers to offer a flexible experience, including a choice of economical delivery options.

Delivery visibility begins with checkout. One in two shoppers indicated that a delivery date was important at checkout. Shoppers expect a narrow delivery window, having been conditioned by the best retailers to have logistical dexterity to accommodate last-minute purchasing.

Despite heightened expectations, only a few shoppers select expedited shipping options most often — 3% select same-day, 5% next-day, and 16% two-day shipping. Economy ground shipping is selected most often (46%). Shoppers are surprisingly patient as they are willing to wait on average six days with paid shipping versus eight days when shipping is free. In the end, it’s about tradeoffs that they find reasonable given personal circumstances.

Days willing to wait for purchases from U.S.-based retailers

When shipping is free, 85% of shoppers are willing to wait five days or more for delivery, while just 66% will wait that long with paid shipping.
**Provide flexibility for shoppers**

Shoppers expect that there will be flexibility as they look for convenient delivery and pickup solutions that meet their frenetic lifestyles. The majority of shoppers are not yet satisfied with flexibility once products are shipped.

***Alternate delivery***

1 in 3 prefer to have packages delivered to places other than home

- 52% yes
- 24% not sure
- 24% no

***Interest in shipping to alternate location with extended hours***

- 40% prefer consolidation of deliveries for multi-item orders
- 24% are content with receiving across multiple days
- 36% have no preference

***Flexibility satisfaction***

- Only 47% are satisfied with the flexibility to change delivery date
- Only 45% are satisfied with the flexibility to reroute package after product has shipped

***Flexibility interest***

- 40% are interested in rescheduling a delivery en route so you can be home to receive it
- 33% are interested in the ability to route to an alternate address if you are not going to be home

***Home delivery***

4 in 10 will take action when they are not home to receive their package

- 40% prefer having multiple items consolidated for delivery on one day

**Logistics prowess prevails**
Logistics prowess prevails

52% of shoppers are interested in alternate shipping locations that have extended hours. This includes shipping flexibility to stores and non-retail locations where extended hours support lifestyle choices, particularly for urban consumers.

Appeal of delivery service options when not home to sign for a package

- **Hold the package**: If out of town, tell the carrier to hold the package until I will be home to receive it.
- **Leave package**: Instruct the carrier to leave your package with a neighbor, at the backdoor, in the garage, on the porch/patio, etc.
- **Ship to a carrier’s location**: Ship to a carrier’s location (e.g., UPS Store or FedEx Office) near my home for pick up at my convenience.
- **Ship to another location**: Ship to another location, such as my office or another address of my choice.
- **Ship to a local retail location**: Ship to a local retail location authorized to hold packages for pick up at my convenience.
- **Secure delivery locker**: Secure a package delivery locker near my home for pick up at my convenience.

Considerable interest in alternate delivery locations, especially in urban areas.

- **Leave package**
  - Urban: 47%
  - Suburban: 49%
  - Rural: 55%

- **Ship to a carrier’s location**
  - Urban: 42%
  - Suburban: 36%
  - Rural: 27%
Brick-and-mortar stores are also feeling the pressure to expedite purchases. Store windows tout same-day delivery and shoppers covet these conveniences. In addition, customers are open to new technology-enabled services for the delivery of online orders.

**Delivery conveniences are appealing to 1 in 3 shoppers**

- 36% find it appealing to ship to another location when the recipient is not home to receive it
- 33% find curbside pickups/returns appealing
- 32% find it appealing to ship to a local retail location authorized to hold packages
- 33% find tracking the driver using GPS appealing
- 38% find same-day delivery appealing

Logistics prowess prevails
Assess the importance of free returns

Shoppers clearly don’t like to pay for free shipping on the front end, and they also like free returns. Free or discounted returns shipping can become part of the value proposition when selecting a retailer, so consideration is warranted.

The e-tailing group’s 2014 Mystery Shopping of 100 retailers revealed that 22% of the retailers offered free returns.

Shoppers also expressed a preference for quick refunds on returns. Elements of the best return experience include:

- **45%** Automatic refund once my items are received back by the retailer
- **33%** Automatic refund as soon as I ship my items back to the retailer
- **44%** Email from the retailer that the product was received and credited

34% said having to pay a restocking fee is an issue when making returns.

57% of shoppers consider having to pay for return shipping as an issue when making returns.
<table>
<thead>
<tr>
<th>The ready retailer</th>
<th>The empowered shopper</th>
<th>Changing channels</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>The fundamentals</td>
<td>Dollars and sense</td>
<td>Channel shift</td>
<td>Methodology and contact info</td>
</tr>
<tr>
<td>Logistics prowess</td>
<td>Hunt for the unique</td>
<td>Retailers elevate mobile experience</td>
<td></td>
</tr>
<tr>
<td>prevails</td>
<td></td>
<td>Cater to social activists</td>
<td></td>
</tr>
</tbody>
</table>

**The ready retailer**

- The fundamentals
- Logistics prowess prevails

**The empowered shopper**

- Dollars and sense
- Hunt for the unique

**Changing channels**

- Channel shift
- Retailers elevate mobile experience
- Cater to social activists
### Dollars and sense

**Actions taken to qualify for free shipping**

- **52%** Add items to a cart to qualify for free shipping with the intention of keeping the added items
- **49%** Choose the slowest transit time offered on a retailer’s site because it’s free
- **44%** Search online for a promo code for free shipping
- **38%** Choose ship to store or pick up in store
- **32%** Delay making my purchase to wait for a free-shipping offer
- **29%** Choose to shop at a retailer’s physical store instead of online
- **26%** Join a loyalty program to qualify for free shipping
- **17%** Purchase an alternative product that was priced above the retailer’s free shipping threshold
- **16%** Add items to a cart to qualify for free shipping with the intention of returning the added items
- **8%** I do not take action to qualify for free shipping

**Reasons for abandoning shopping cart**

- **56%** Shipping costs made the total purchase cost more than expected
- **45%** My order value wasn’t large enough to qualify for free shipping
- **44%** I was not ready to purchase, but wanted to get an idea of the total cost with shipping for comparison
- **43%** I was not ready to purchase, but wanted to save the cart for later
- **42%** The item was out of stock
- **34%** Shipping and handling costs were listed too late during the checkout process
- **28%** I needed the product within a certain time frame and the shipping options offered didn’t meet my requirements
- **27%** I didn’t want to register/create account just to make a purchase
- **26%** The estimated shipping time was too long for the amount that I was willing to pay
- **24%** My preferred payment (i.e. bank transfer, debit card, PayPal, Google Checkout) was not offered
- **23%** The checkout process was too long and/or confusing
- **22%** I decided to pick it up in store
- **19%** I wanted to complete the purchase, but got distracted and forgot
- **18%** There was no guaranteed or estimated delivery date
- **18%** I couldn’t remember my username/password and I couldn’t check out without it
- **16%** The return policy was not clear

**Compared to 2014, more people are choosing ship to store and pick up in store.**
Q: How likely are the following forms of retailer advertising to prompt you to shop with a retailer?

<table>
<thead>
<tr>
<th>Promotional Vehicle</th>
<th>Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emails offering free shipping</td>
<td>54%</td>
</tr>
<tr>
<td>Emails offering a discount</td>
<td>53%</td>
</tr>
<tr>
<td>Emails reminding you that you left items in your cart that includes an incentive</td>
<td>34%</td>
</tr>
<tr>
<td>Store events</td>
<td>31%</td>
</tr>
<tr>
<td>Direct mail with promotions</td>
<td>28%</td>
</tr>
<tr>
<td>Text messages with promotions</td>
<td>25%</td>
</tr>
<tr>
<td>Emails with product recommendations based on past purchasing behavior</td>
<td>23%</td>
</tr>
<tr>
<td>Emails reminding you that you left items in your cart without purchasing</td>
<td>22%</td>
</tr>
<tr>
<td>Emails with product recommendations based on what others have purchased</td>
<td>21%</td>
</tr>
<tr>
<td>Posts on social media</td>
<td>19%</td>
</tr>
<tr>
<td>Ads that seem to follow you around the internet showing you a product you recently viewed</td>
<td>18%</td>
</tr>
</tbody>
</table>

Q: How likely are the following forms of retailer advertising to prompt you to shop with a retailer?
### Channel shift

Reasons for purchasing online after researching in store:

- **57%** The price was better online with a different retailer
- **49%** The selection was better online with the same retailer
- **46%** I wanted to do additional research before purchasing
- **45%** The selection was better online with a different retailer
- **40%** The store didn’t have the size/color/model that I wanted
- **39%** I wanted to go to the store to touch and feel the product before purchasing online
- **33%** I was not ready to purchase the day I visited the store
- **25%** I was buying a gift and wanted to have it shipped to the recipient
- **21%** I didn’t want to carry it home
- **45%** Other

Q: You indicated you have searched for a product in store but then purchased it online. How often do you choose to buy online for the following reasons?
Q: What are some of the reasons that you would choose to shop on your smartphone instead of a desktop, laptop or tablet?

27% I have my smartphone in the store with me when I need to use it for research or shopping
36% I’m often on the go and always have my smartphone with me so it’s more convenient
26% I want to take or send a picture of a product to someone and it’s easier via smartphone
40% I usually read my emails on my smartphone and click through to the retailer’s website
19% I don’t want to turn on my other devices if my smartphone is already at hand
22% I use my smartphone to shop when I am at work
14% I find shopping on my smartphone faster
12% I usually only download retailers’ apps on my smartphone
19% Checkout is faster on my smartphone
11% The ability to compare products via smartphone is better
11% I only own a smartphone
10% Retailers have perfected their smartphone experiences/no longer a need to use other devices
8% None of the above

Email is a catalyst for smartphone use

Smartphone users

Smartphone purchasers
### Retailers elevate mobile experience

#### Weekly mobile activities

1 in 4 mobile shoppers used a retailer’s app

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tracked delivery of an order</td>
<td>24%</td>
</tr>
<tr>
<td>Used a retailer’s mobile app</td>
<td>24%</td>
</tr>
<tr>
<td>Located stores or store-related information</td>
<td>24%</td>
</tr>
<tr>
<td>Researched products on mobile device prior to visiting store</td>
<td>23%</td>
</tr>
<tr>
<td>Researched products and alternatives on mobile device during a store visit</td>
<td>22%</td>
</tr>
<tr>
<td>Opened email from retailers on mobile device, made purchase in store</td>
<td>22%</td>
</tr>
<tr>
<td>Opened email from retailers on mobile device, made purchase on device</td>
<td>21%</td>
</tr>
<tr>
<td>Called, emailed or texted family and/or friends for feedback on product</td>
<td>20%</td>
</tr>
<tr>
<td>Checked store inventory</td>
<td>19%</td>
</tr>
<tr>
<td>Purchased products on mobile device</td>
<td>19%</td>
</tr>
<tr>
<td>Scanned a QR or bar code</td>
<td>18%</td>
</tr>
<tr>
<td>Posted product review or feedback</td>
<td>17%</td>
</tr>
<tr>
<td>Contacted customer support</td>
<td>16%</td>
</tr>
<tr>
<td>Reserved a product on mobile device for subsequent pickup in retail store</td>
<td>16%</td>
</tr>
<tr>
<td>Purchased products as a result of a text message sent by retailer</td>
<td>15%</td>
</tr>
</tbody>
</table>

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

#### Importance of retailer app features

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-quality product images</td>
<td>54%</td>
</tr>
<tr>
<td>Product reviews</td>
<td>53%</td>
</tr>
<tr>
<td>Product search that provides relevant results</td>
<td>50%</td>
</tr>
<tr>
<td>Mobile coupons</td>
<td>50%</td>
</tr>
<tr>
<td>Store locator that includes nearby locations, mapped directions, hours and contact information</td>
<td>46%</td>
</tr>
<tr>
<td>Ability to check store inventory</td>
<td>45%</td>
</tr>
<tr>
<td>Access to shopping cart across all devices and channels</td>
<td>44%</td>
</tr>
<tr>
<td>Consistency with brand image</td>
<td>41%</td>
</tr>
<tr>
<td>Ability to tailor experience to your current location</td>
<td>35%</td>
</tr>
<tr>
<td>Push notifications from retailers for promotions and sales</td>
<td>32%</td>
</tr>
<tr>
<td>QR and bar code scanning</td>
<td>31%</td>
</tr>
<tr>
<td>Personalized product recommendations</td>
<td>31%</td>
</tr>
<tr>
<td>Access to social media, such as Facebook, Twitter, and Pinterest</td>
<td>29%</td>
</tr>
</tbody>
</table>

Q: How important are each of the following features to a retailer’s mobile app?
Retailers elevate mobile experience

Smartphone in-store usage

- 30% Look up product reviews
- 29% Read product details
- 29% Compare prices at other online or physical stores
- 23% Search for specific products and possible alternatives to those products
- 23% Search for a different online retailer
- 22% Look for other locations for the same retailer
- 22% Place an order to be shipped to you
- 22% Check in-stock status at another location or on the retailer’s website
- 21% Call, email or text friends and/or family to request feedback on a product
- 19% Scan a QR or bar code
- 18% Upload a picture of a product
- 18% Share an image of a product you would like a retailer to locate

Q: When shopping in retail stores, how frequently do you use your smartphone for the following activities? — Often or Most of the time

Appeal of new shopping conveniences and capabilities

- 41% Electronic receipts sent to you via email or text
- 38% The ability to purchase items for same-day delivery
- 33% The ability to track your driver using GPS
- 33% Electronic shelf labels you can scan to learn more about the product, check availability or make a purchase
- 33% Curbside pickups and returns
- 29% Mobile checkout with your own phone or tablet while in store
- 27% Roaming checkout from an associate with a phone or tablet
- 27% A touch screen or voice-activated digital sign to receive information, make a purchase or arrange delivery

Q: Technology is making advances in how we shop. How appealing are the following conveniences or in-store capabilities?
Cater to social activists

Types of Facebook posts by retailers likely to be viewed

- 47% Promotions
- 38% New product announcements
- 38% Sweepstakes
- 34% Photos
- 33% Surveys or polls
- 32% Store events
- 30% Store locators
- 27% Videos
- 22% Corporate social responsibility announcement

Q: How likely are you to stop and view the following types of content posted by retailers on Facebook?

Influence of reviews or posts from the following sources on purchase decisions

- 65% Marketplaces (Amazon, eBay, Newegg, etc.)
- 55% Friends and family
- 52% Retailer’s website
- 45% Websites that publish reviews, news, blogs, and podcasts on products
- 29% Social media

Q: How influential have reviews or posts from the following sources been on your purchase decisions?
Satisfaction with aspects of the post-purchase experience: returns

- **66%** Clear and easy-to-understand return policy
- **65%** Ease of making return/exchanges in store
- **62%** Ability to process a return/exchange online
- **61%** Ease of shipping back product to retailer for return/exchange

Heavy shoppers (70%) are more satisfied than Moderate (65%) or Light shoppers (64%) with retailers return policies being clear and easy to understand.

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

Elements of the best returns experience

- **66%** Free return shipping
- **58%** A hassle-free “no questions asked” return policy
- **47%** An easy-to-print return label
- **46%** A return label right in the box of my original purchase
- **45%** Automatic refund once my items are received back by the retailer
- **44%** Email from the retailer that the product was received and credited
- **35%** Ability to return to a store location
- **35%** An easy-to-follow return procedure with no forms or phone calls
- **33%** Automatic refund as soon as I ship my item(s) back to the retailer
- **26%** Quick turnaround on product exchanges
- **26%** Ease of getting the package to the delivery company
- **24%** Convenience/proximity of the physical store location
- **21%** Flexibility on how I could ship my return to the retailer

Q: Thinking of the best return experience that you have had, what elements were included as part of this experience?
Q. What do you usually do when you are not at home and are unable to receive your package(s) from the delivery carrier?

- 37%: I am always home or the delivery carrier can leave packages at my door without anyone being home.
- 18%: I do nothing; I wait until the carrier holds it for me to pick up at one of their facilities (after the third delivery attempt).
- 16%: I make arrangements with a friend or family member to be at my house when the package(s) arrives.
- 14%: I stay home the next day so I can get my package.
- 4%: I request that my package is sent to an alternate location of my choice (e.g., The UPS Store, FedEx Office, your office, another address).
- 4%: Other.

Other actions include:
- The ready retailer: The fundamentals
  Logistics prowess prevails
Issues encountered when returning a product online

- 57% I had to pay for return shipping
- 34% I had to pay a restocking fee
- 33% It took too long for me to receive credit/refund
- 29% I did not have packaging material to ship the item back
- 28% It was inconvenient to return to the store location
- 25% The return window was too short
- 24% The return policy was too restrictive
- 24% I had trouble getting the returned item to the shipping company specified by the retailer
- 22% I could not print a return label from the retailer’s website
- 21% The retailer did not accept store returns for online purchases
- 20% I couldn’t reach a customer service representative for help
- 18% I could not ship it back using the carrier of my choice
- 18% The return policy was hard to understand
- 17% I couldn’t find the retailer’s return policy
- 16% I had to fill out a long form

Women consider fees for return shipping as an issue more often than men (62%, 51% respectively)

Q: What are some of the issues you have faced when returning a product that you purchased online?
Online panelists were sent emails inviting them to participate in this survey. Each participant completed a 44-minute custom online survey designed by comScore in conjunction with UPS. Data collection occurred between January 30 and February 9, 2015. Ultimately, a total of 5,118 respondents were surveyed with gender and age balancing taking place and purchase behavior quotas defined below.

**Methodology**

Online panelists were sent emails inviting them to participate in this survey. Each participant completed a 44-minute custom online survey designed by comScore in conjunction with UPS. Data collection occurred between January 30 and February 9, 2015. Ultimately, a total of 5,118 respondents were surveyed with gender and age balancing taking place and purchase behavior quotas defined below.

### Frequency

<table>
<thead>
<tr>
<th>Frequency</th>
<th>% Surveyed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-3 online purchases in a typical 3 months</td>
<td>20%</td>
</tr>
<tr>
<td>4-6 online purchases in a typical 3 months</td>
<td>40%</td>
</tr>
<tr>
<td>7+ online purchases in a typical 3 months</td>
<td>40%</td>
</tr>
</tbody>
</table>

**Contact info**

For more information, please contact:

**Bala Ganesh**, UPS Retail Marketing Director, at bganesh@ups.com

**Susan Engleson**, comScore Senior Director, at sengleson@comscore.com