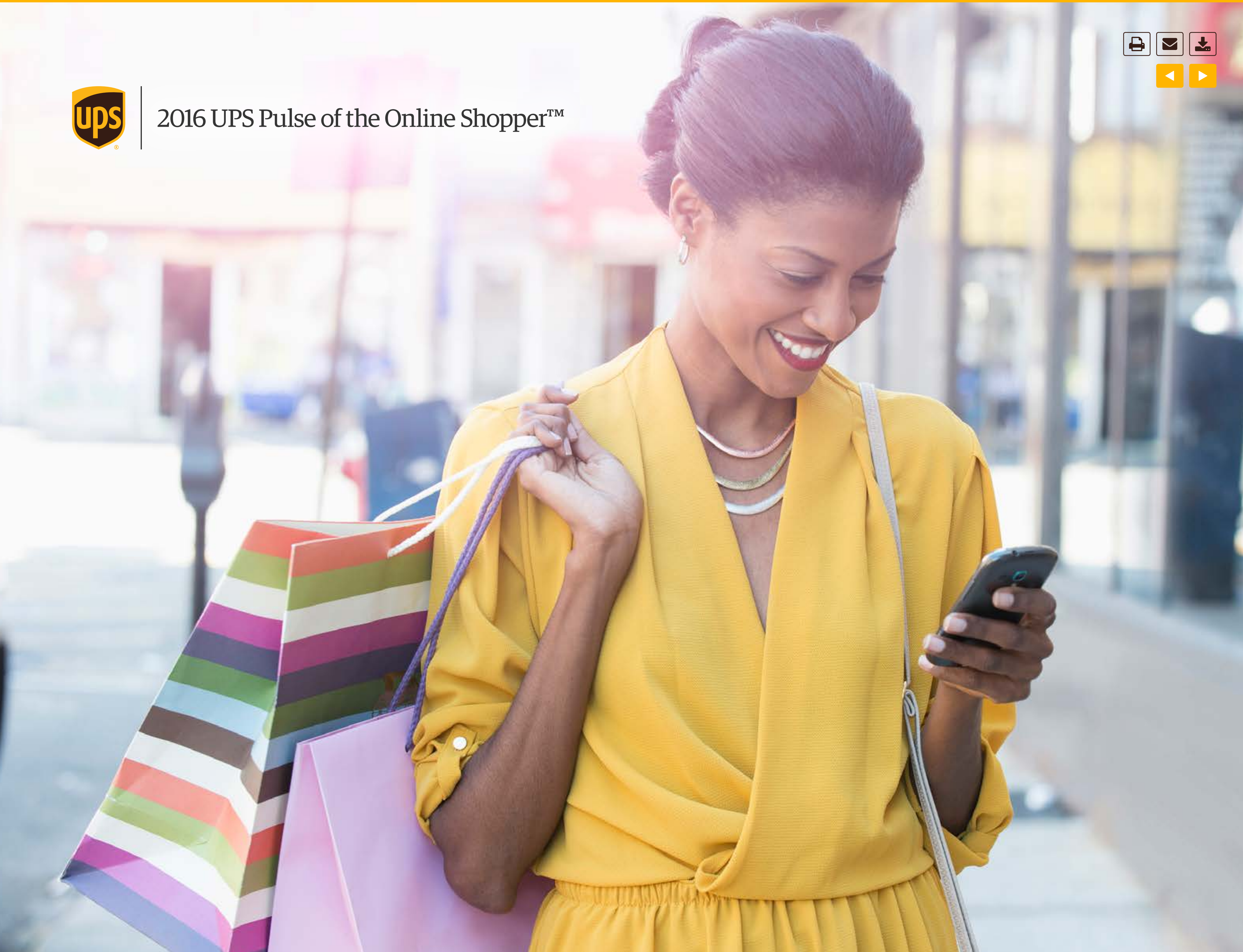
2016 UPS Pulse of the Online Shopper™



Introduction

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Tech-Savvy Shoppers Transforming Retail

Tech-savvy shoppers and new technologies are changing the retail industry. From the growth of mobile shopping to retailer adoption of in-store beacons and mobile messaging, technology is quickly becoming a game-changer in the e-commerce experience.

The 2016 UPS Pulse of the Online Shopper™ study is the fifth annual study conducted by comScore and designed to gain insights into what factors influence online shoppers' experiences, preferences and behaviors. The 2016 study surveyed 5,000+ U.S. online shoppers in January and February 2016. Respondents made at least 2 online purchases in a typical 3-month period.

Other trends covered in this year's study are the growing role of third-party marketplaces in e-commerce, the overall growth of online shopping, social media's influence on purchasing decisions and a rising preference for alternate delivery locations. The study also looks at how factors like the mobile experience, shipping costs, delivery options and returns capabilities impact shopper behaviors.

Findings illustrate important focus areas for retailers to enhance their customers' online and in-store shopping experience. They also reveal key insights into the future of e-commerce.

Shopping Frequency
In a Typical 3-Month Period

40% MADE **7+ PURCHASES**

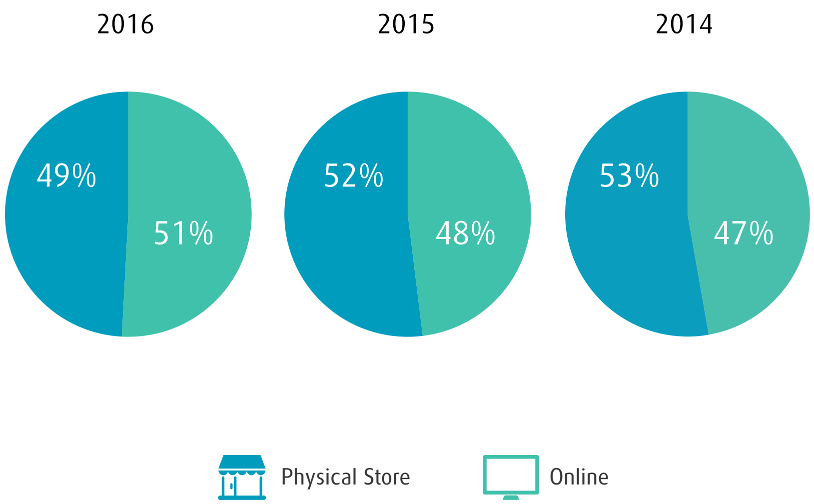
40% MADE **4-6 PURCHASES**

20% MADE **2-3 PURCHASES**

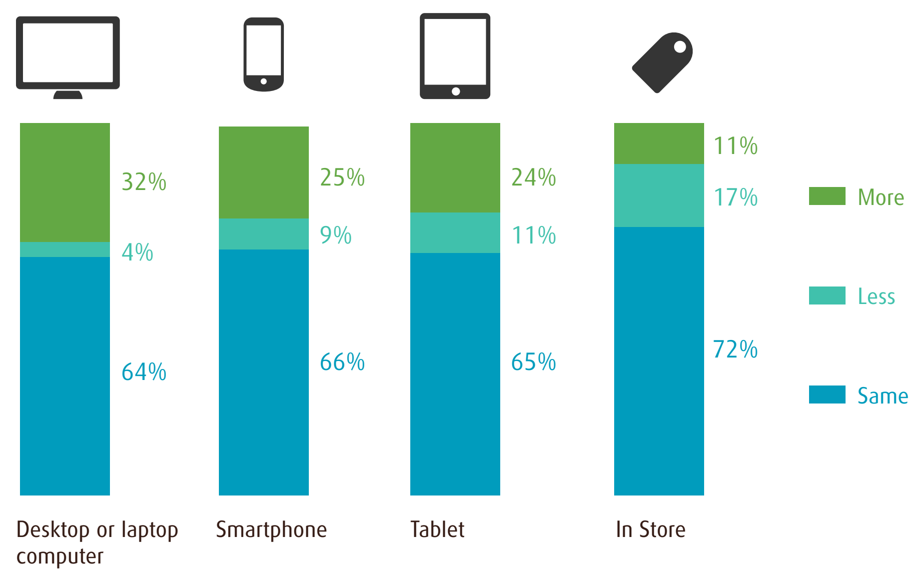
State of Online Shopping

Roughly half of all purchases made by the avid online shoppers in this study within the last three months were made in store. However, shopping is shifting from traditional in-store to shopping via multiple channels. Consumers plan to shop less in store and more on their desktops/laptops, smartphones and tablets this year versus last year.

Percentages of purchases made in last 3 months (excluding groceries) by channel



Projected shopping frequency relative to past year

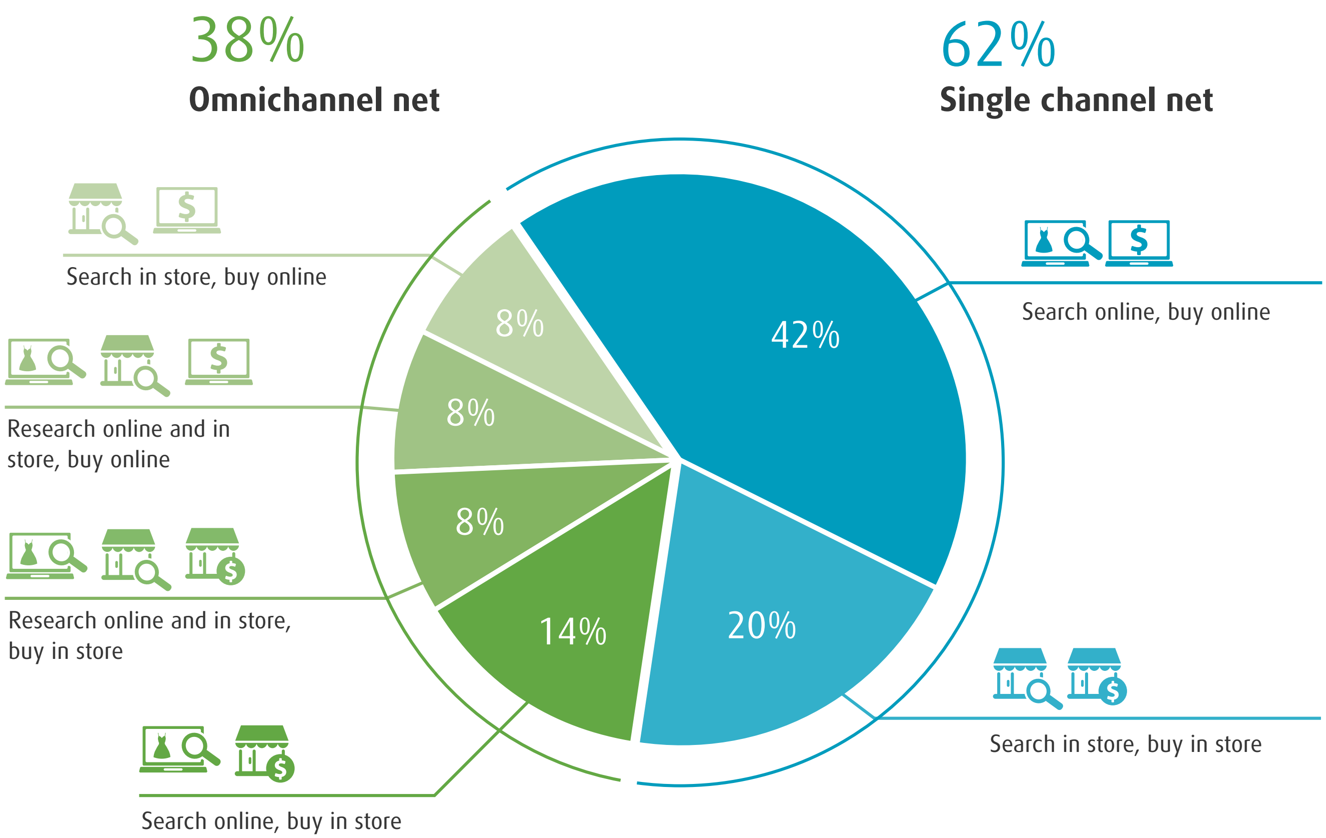


Retailer Implication: Retailers must redefine the store to excite shoppers across every channel.

State of Online Shopping

Cross-channel shopping continues to grow with consumers using multiple channels for both researching and purchasing items.

Purchase method

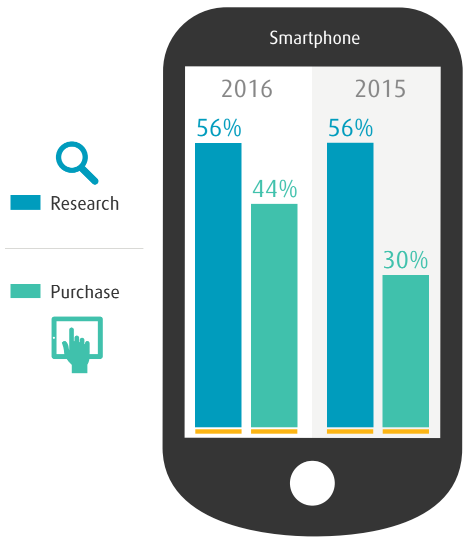


Retailer Implication: Retailers must provide a seamless in-store and online shopping experience.

Mobile

Researching and purchasing on a smartphone has grown in the last year. Consumers are also more satisfied with their smartphone shopping experience, which could be due to retailers' focus on improving the mobile customer experience. Retailer mobile apps are popular among online shoppers and are used as a research tool when searching for items online.

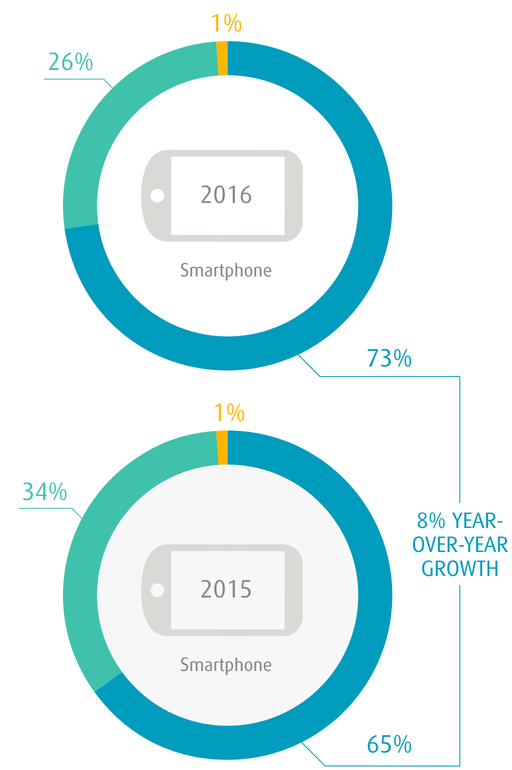
Devices used to research and complete online purchases



Millennials

Millennials prefer to research and purchase products on their smartphones and tablets more than non-millennials.

Overall satisfaction with shopping experiences



Importance of retailer app features

50%
Product reviews

50%
High-quality product images

47%
Product search that provides relevant results

47%
Mobile coupons

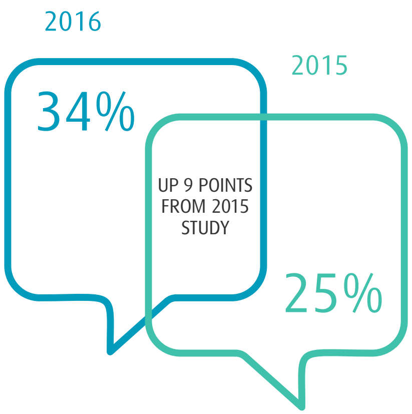
43%
Ability to check store inventory

Retailer Implication: Retailers must continue to optimize their online experience, especially for smartphones.

Social Media

Roughly one third of consumers say social media influences their purchasing decisions with nearly a quarter of respondents having made purchases through social media sites. Easy comparison shopping and convenience are top reasons for social shopping.

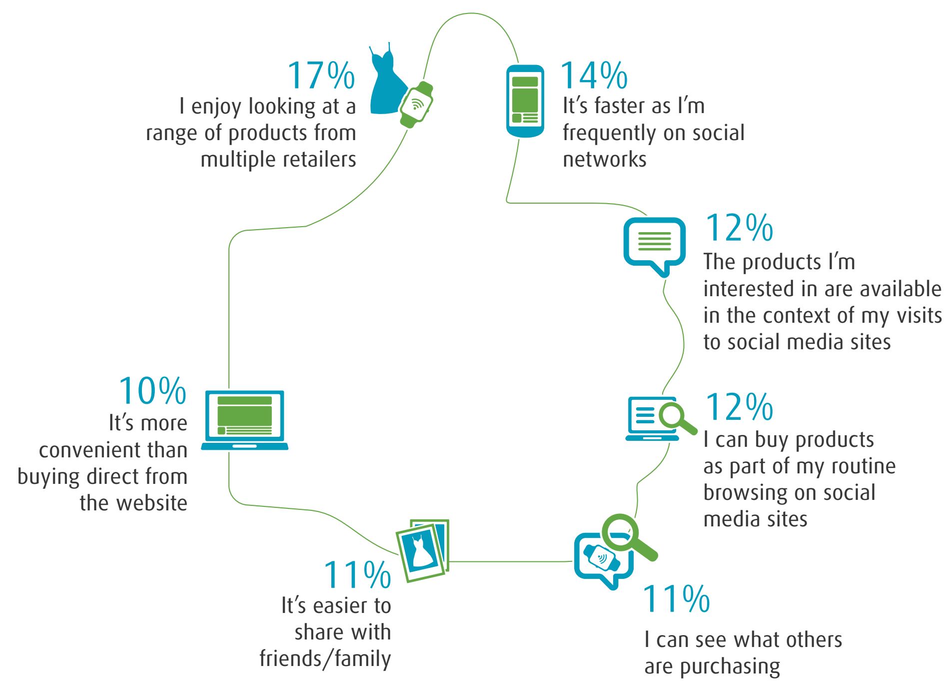
Social media influence



percent that report social networking sites influence purchasing decisions

Purchasing products via social media

Reason for making online purchases on social media sites



Demographic Data

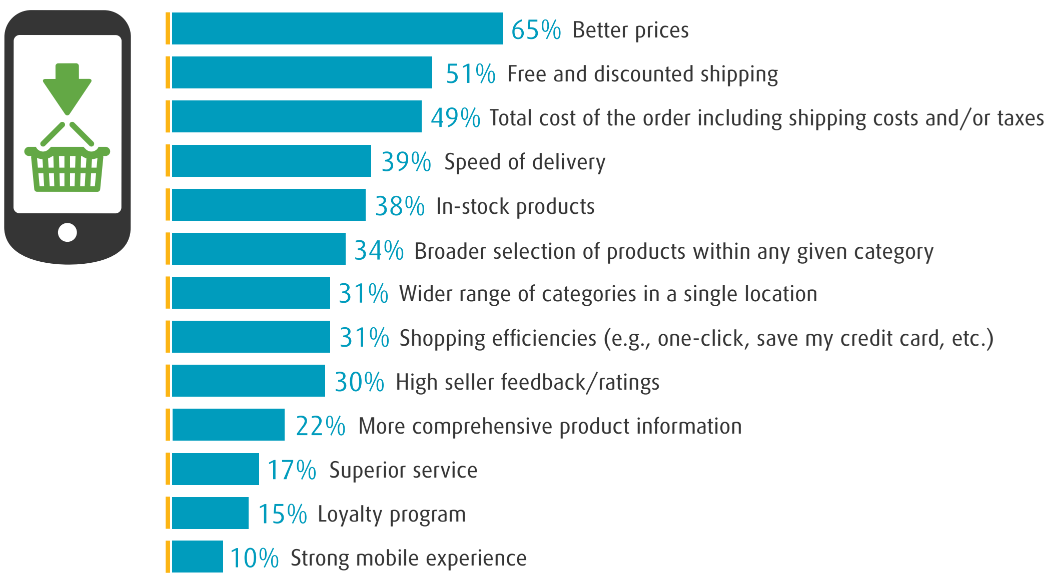
Millennials and men have purchased more products via social media than non-millennials and women.

Retailer Implication: Social media has evolved from a channel to engage to a channel to purchase.

Marketplaces

Third-party marketplaces, such as Amazon and eBay, play a major role in the e-commerce industry. Better prices and free or discounted shipping are the top two reasons for choosing to shop at a marketplace instead of a retailer. Marketplaces are also a preferred place to conduct initial online shopping research.

Reasons for purchasing at marketplace instead of retailer

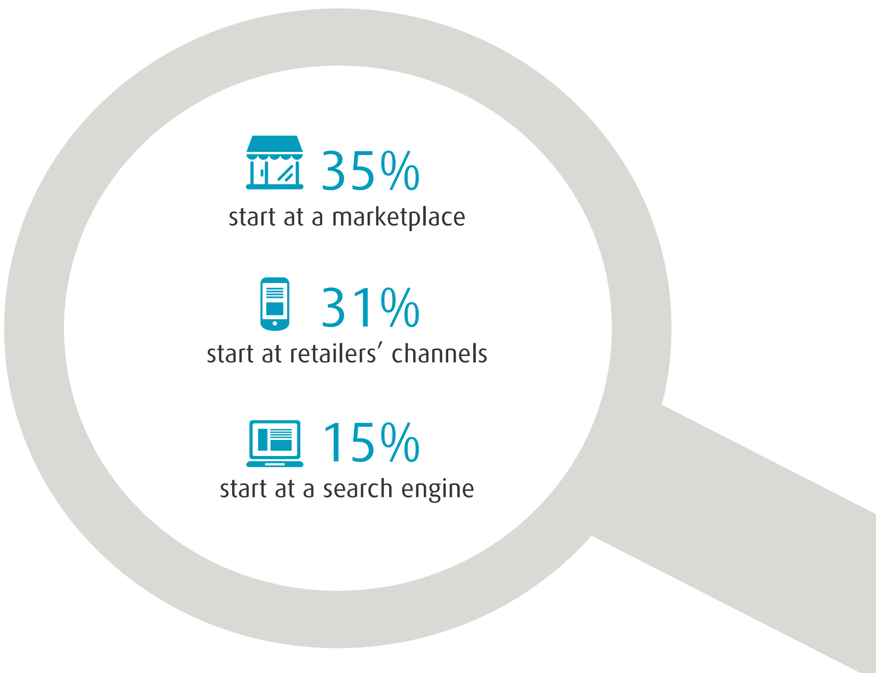


90% of U.S. independent online retailers sell through marketplaces

85% of survey respondents made a purchase from one or more marketplaces

47% consider marketplaces an influential source when looking for new products and retailers

Initial shopping search

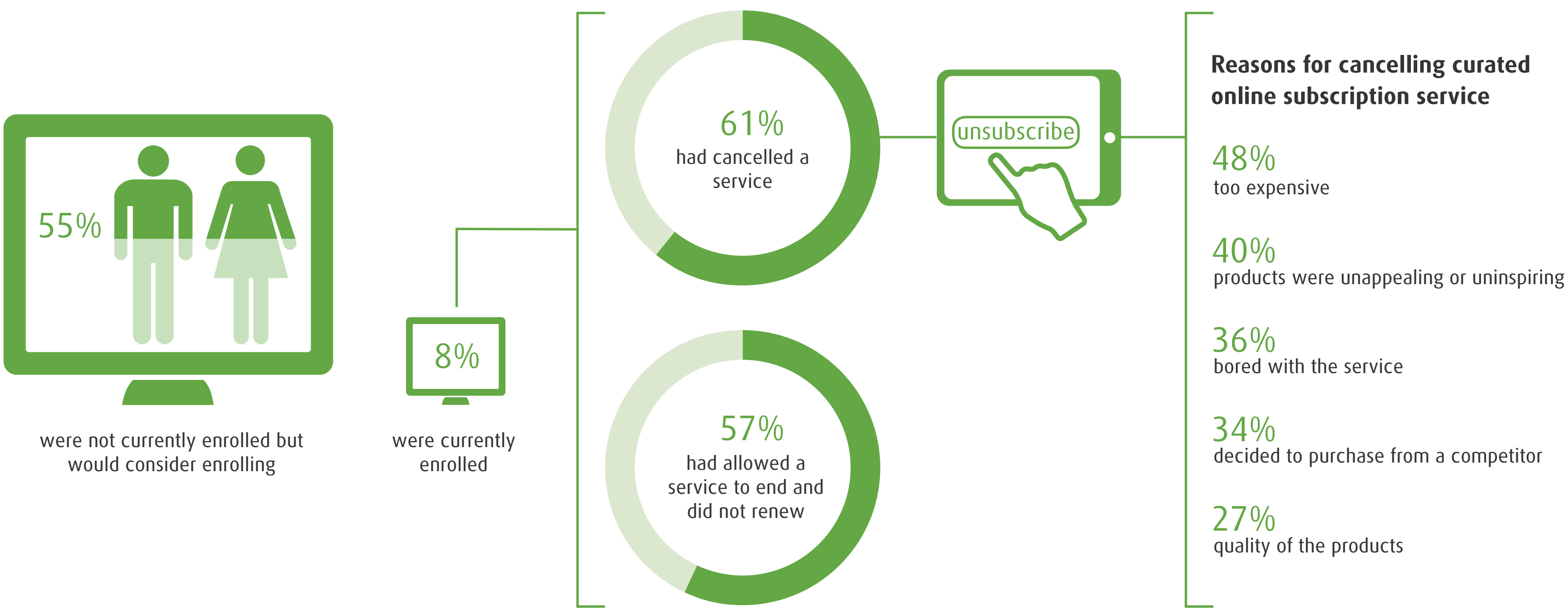


Retailer Implication: Marketplaces are an opportunity to showcase products; 1 in 4 online shoppers expect to use marketplaces more to research and purchase in the coming year.

Subscription Services

Consumers are open to online subscription services, with more than half considering enrollment. However, retailers may need to do more to keep consumers once they sign up as the data shows a high number of drop offs.

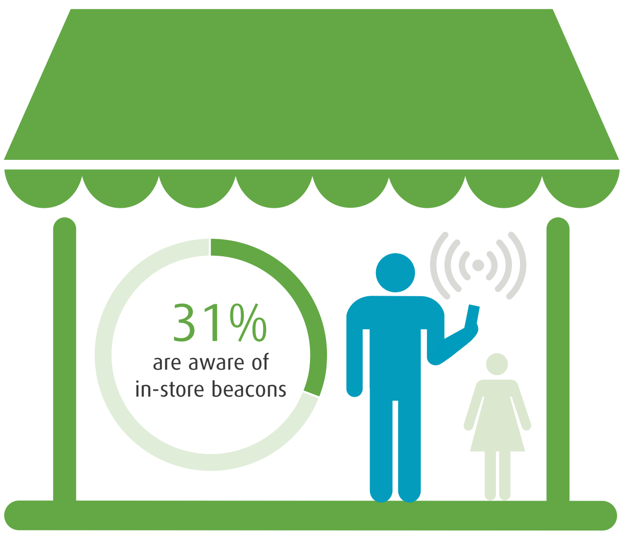
Usage of curated online subscription services



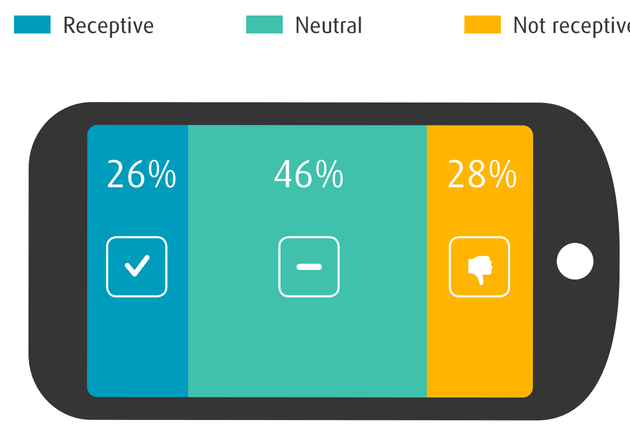
Retailer Implication: Enhancing perceived value is perhaps the greatest challenge to improving subscription service renewal.

Retail Technologies

Consumers are becoming more aware of and receptive to technology advances in the retail industry, like in-store beacons and messaging.



Receptiveness to in-store mobile messaging



1 IN 4 SHOPPERS
ARE RECEPTIVE TO IN-STORE MOBILE MESSAGING

Demographic Data

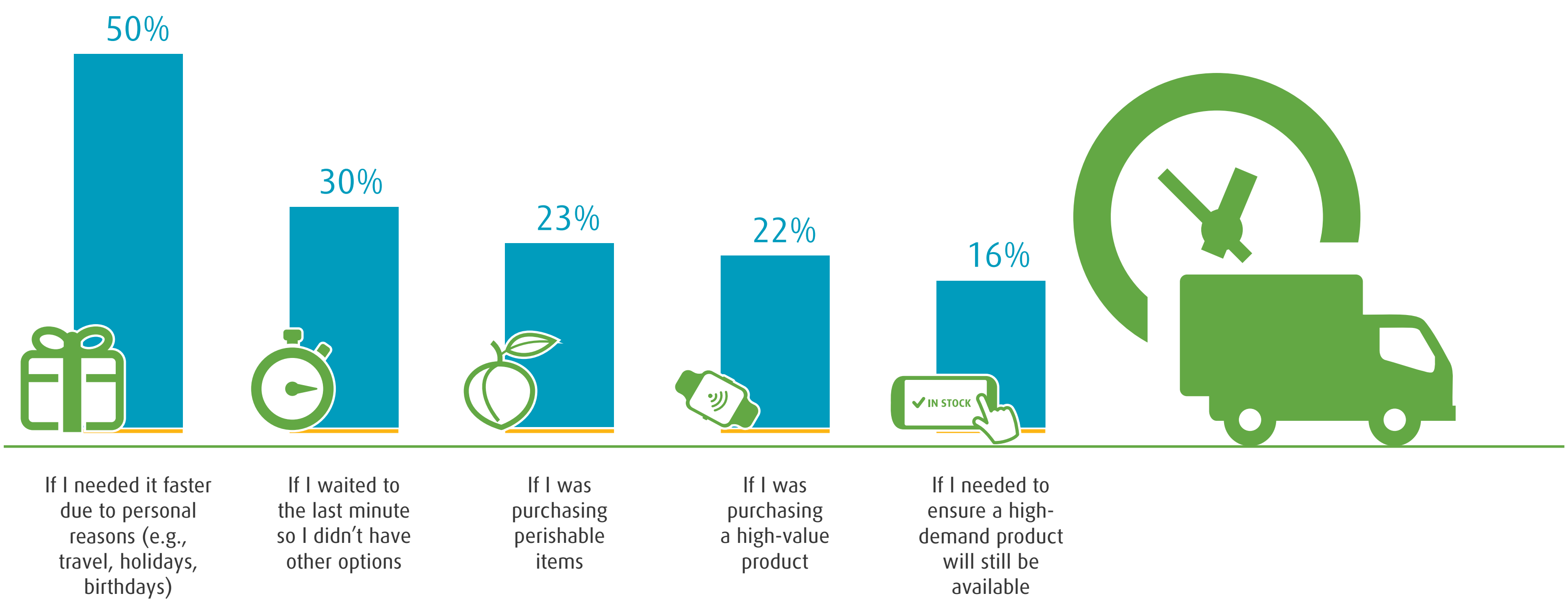
Millennials, power shoppers (9+ purchases in a typical 3-month period), and urban dwellers are the most aware of and receptive to in-store beacons and mobile messaging.

Retailer Implication: 45% of online shoppers love the thrill of hunting for and finding great deals. Use location-based notifications to direct them around your physical and online stores.

Shipping & Delivery

Despite the importance and preference for free shipping, consumers are willing to pay a premium for faster delivery.

Reasons to pay for faster shipping



Demographic Data

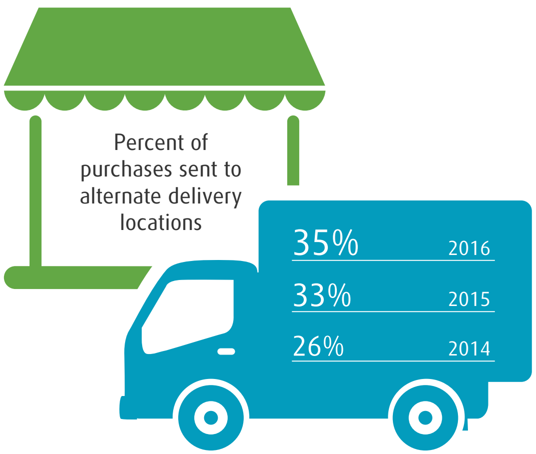
Women are more willing to pay for premium shipping than men.

Retailer Implication: Most shoppers are looking for the best deal on shipping. Give them the choice with clearly defined options.

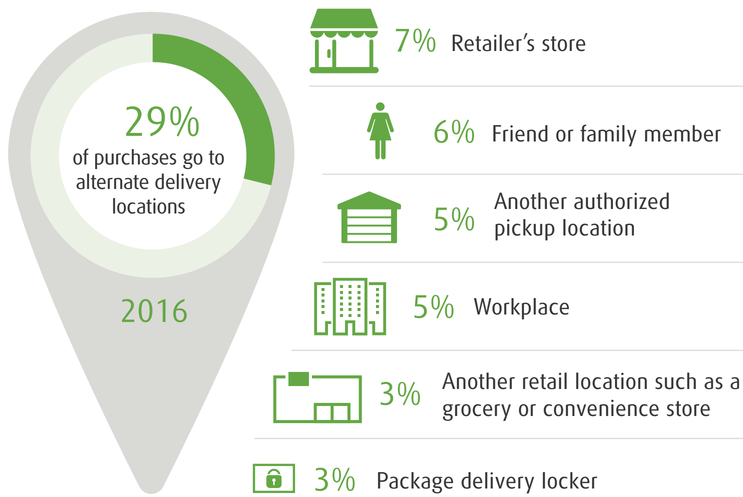
Shipping & Delivery

Consumers are increasingly open to alternate delivery locations with extended hours. Preference for alternate delivery locations has risen year-over-year with more than a quarter of online shoppers using them.

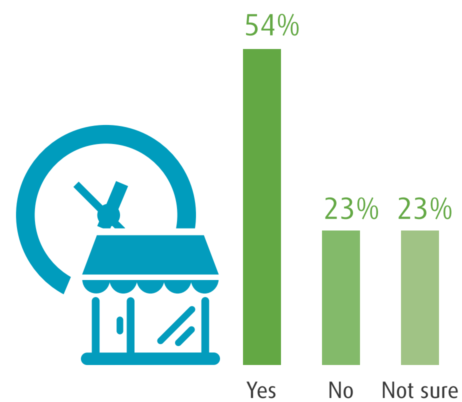
Preference of alternate delivery



Usage of alternate delivery



Interest in shipping to alternate location with extended hours



Demographic Data

Urban dwellers find alternate delivery locations the most appealing.

Retailer Implication: Many online shoppers have a boundary-less view of a store's brand, viewing alternate delivery locations as part of the experience a retailer provides.

Alerts & Notifications

Consumers want alerts and notifications regarding delivery, promotions and free or discounted shipping.

Value of email alerts

Price of product on a website has dropped 56%

Price of item on a wish list or registry has dropped 55%

Product is back in stock 53%

New products from a particular brand are available 34%

New content (reviews, etc.) regarding a particular brand has been posted 29%

Promotions consumers want with delivery alerts

63% Free or discounted shipping on future purchases

63% Promotional code to be used at checkout

57% Buy 1, get 1 free

56% Free gift

56% Percent off on future purchases

52% Dollar off on future purchases

50% Clearance items

48% Loyalty program enrollment and discounts

46% Discount on specific items (e.g., seasonal or new/hot items)

42% Deal of the day

Demographic Data

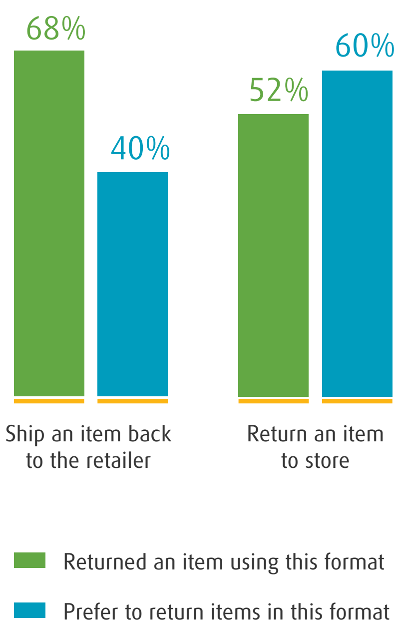
Women and millennials find promotions with delivery alerts more appealing than men and non-millennials.

Retailer Implication: Ask your customers how they want delivery notifications; 4 in 10 online shoppers now prefer text notifications for some delivery information.

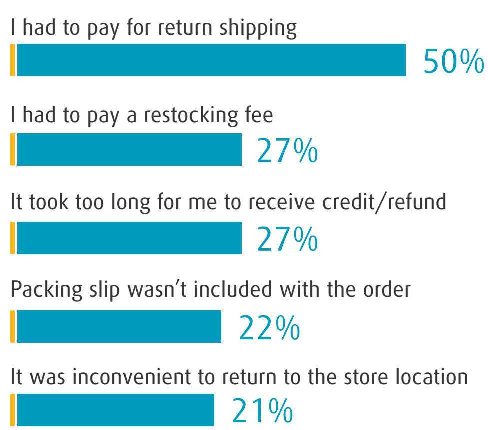
Returns

Online shoppers say that they prefer to return items to a store; however, they return more items by shipping them back to retailers. There is room for improvement when it comes to returning items – both via in-store and shipping methods.

Preferred method of return



Issues encountered when returning a product online



Experiences with in-store returns

36%
have experienced helpful associates

28%
have experienced long lines

28%
found easily accessible counters or locations for fast returns

26%
have been frustrated by having to take store credit

Retailer Implication: Providing an excellent online and in-store returns experience can provide a competitive advantage.

5-Year Trends Snapshot

5-Year Trends Snapshot

The UPS Pulse of the Online Shopper™ study is in its fifth year of measuring which factors of the online shopping experience influence consumers' shopping behaviors, expectations and preferences. We have seen several e-commerce trends emerge over the past five years – these five stand out:

Paths to Purchase are Complex:
Consumers are shifting from single-channel shopping to omnichannel shopping. They use multiple channels for researching and purchasing products and for returning items. Retailers must consider every channel – and how they work together to create the best experience.

Technology is Changing Everything:
Today's tech-savvy shoppers increasingly use mobile for researching and purchasing products and are becoming more aware of things like in-store beacons. Social media also has become an influencer on purchasing decisions. Retailers' mobile sites should enable ease of researching and purchasing products and convenience in shipping, delivery and returns.

Logistics Matters in the E-Commerce Customer Experience:
From shipping and delivery to returns, logistics plays a huge role in the e-commerce customer experience. Over the past five years, free shipping has become commonplace in the industry and more consumers are abandoning shopping carts, in many cases because shipping costs made the overall purchase too high. The takeaway for retailers: Don't make logistics an afterthought.

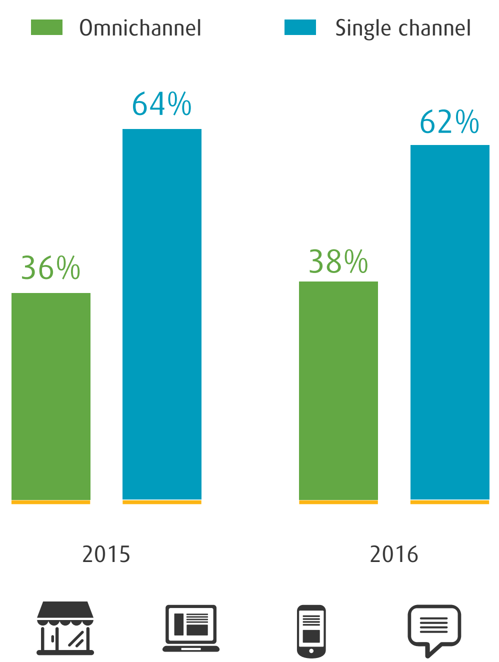
The Store's Role is Shifting, but Still Important:
The role of the store has evolved over the past five years, but one thing remains clear: The store will continue to be an important part of the overall e-commerce experience. For the first time in the study's five-year history, consumers are shopping slightly more online than in store. They are using stores in new ways such as convenient locations for returns. Retailers should ensure that their physical stores meet both purchasing and returns needs. In addition, retailers look at new uses for their stores such as warehousing and distribution centers to cut operations costs while keeping inventory freely flowing in and out of the store.

E-Commerce Doesn't End with Delivery:
As e-commerce purchases grow, so do returns volumes. Retailers have placed great emphasis on improving the online returns experience, which was likely an afterthought a few years ago but now is viewed as an opportunity for differentiation, loyalty and even increased sales. By continuing to focus on improving the post-purchase experience, retailers can not only improve overall customer satisfaction, but also potentially uncover new revenue streams.

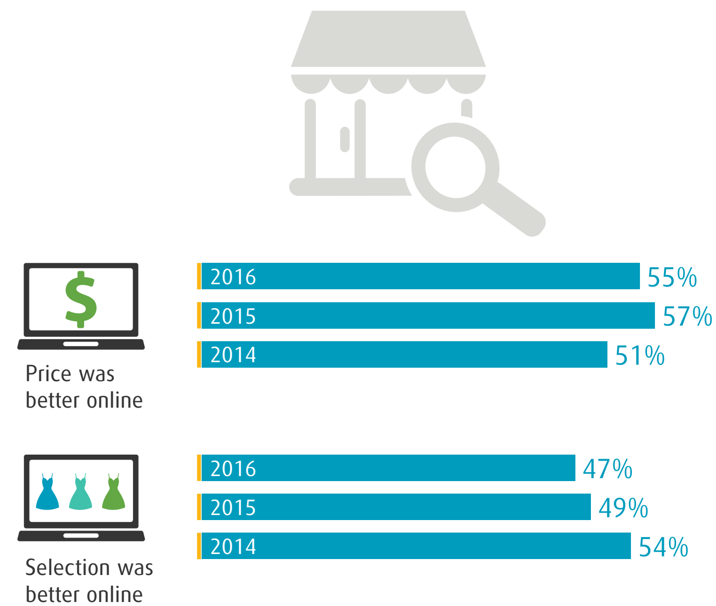
Trends in Omnichannel

Omnichannel shopping is a trend that's here to stay. Consumers are looking for options and convenience, and retailers must respond across channels. Better prices and selection online are two of the top factors driving consumers to purchase online after researching in store.

Path to purchase with multi-channel retailers



Reasons for purchasing online after researching in store

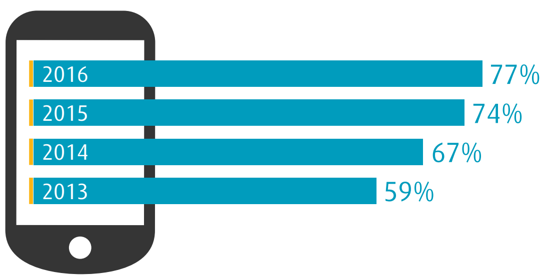


* Not all data was compared over a 5-year period, as some questions were deleted or changed over the years of the survey to reflect new trends or to obtain different data.

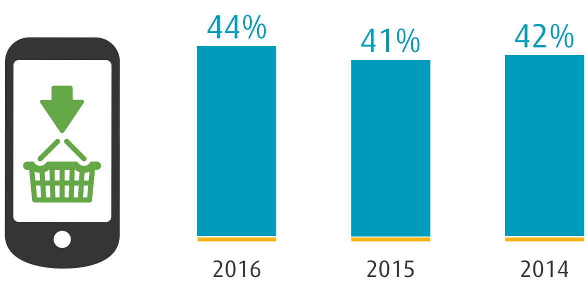
Trends in Mobile

Mobile is an increasingly important part of the e-commerce experience, and consumers are getting more comfortable with the channel as a purchasing option. The majority of consumers who don't make purchases on mobile apps cite that they like using the website better; however, security concerns remain.

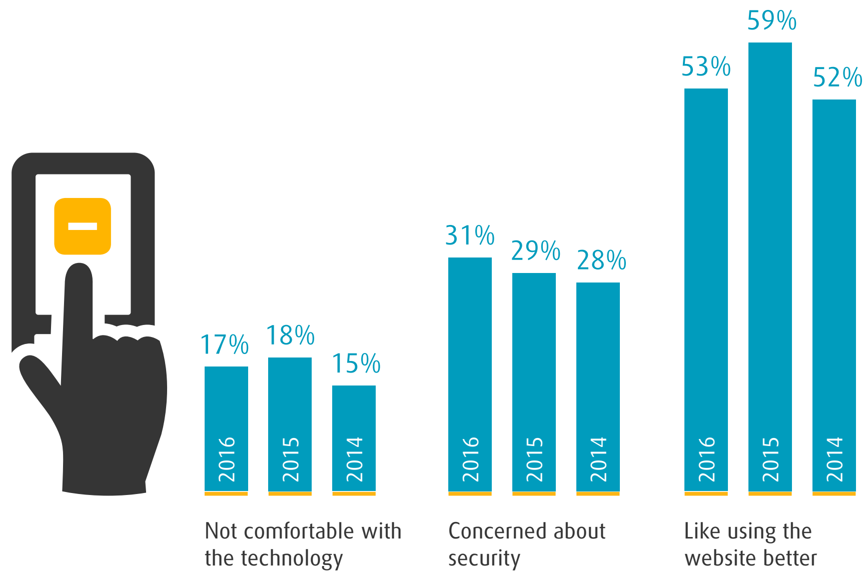
Smartphone usage



Made purchase on a smartphone



Reasons for not using mobile apps



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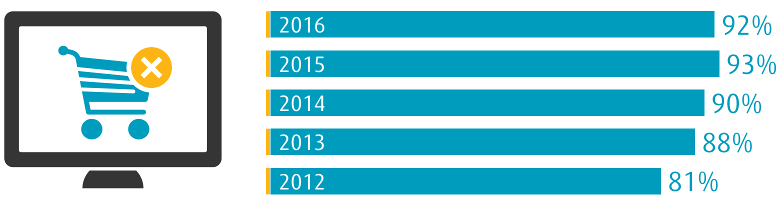
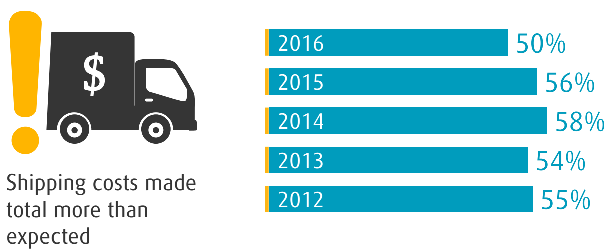
Trends in Shipping & Delivery

Shipping and delivery have consistently been critical to the overall online shopping experience and are influential on purchasing decisions. Year-over-year, consumers rank free shipping as the most important option when checking out online with other shipping and delivery-related factors also ranking high on the list.

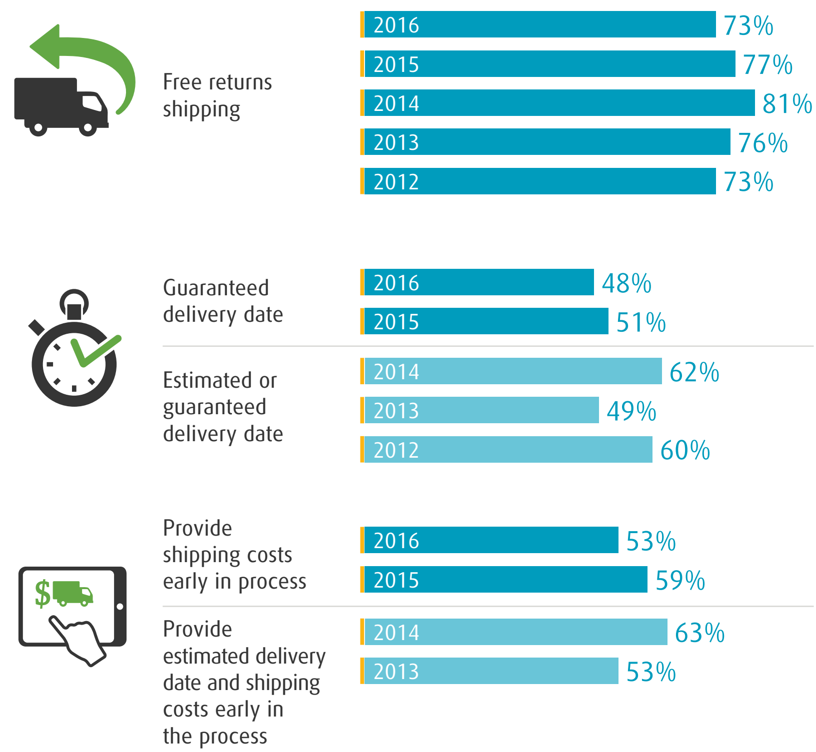
Percentage of consumers who have abandoned an online shopping cart



Reasons for cart abandonment



Important options at checkout



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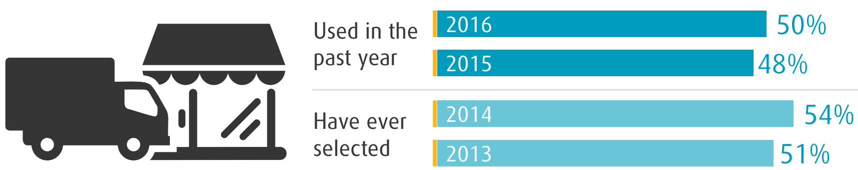
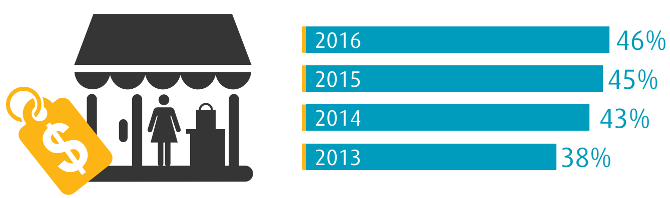
Trends in Store Usage

As part of the evolving role of the store, consumers are increasingly leveraging stores to pick up shipments. Consumers are embracing ship-to-store for a variety of reasons, with convenience and the ability to qualify for free shipping as key factors. The best news for retailers is that the volume of consumers making additional purchases in store when picking up ship-to-store deliveries has grown year-over-year.

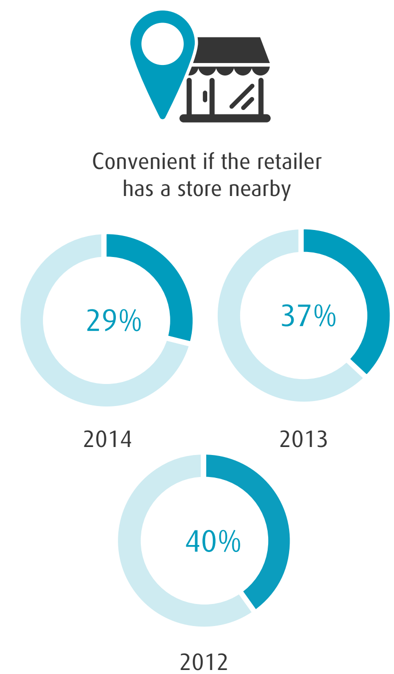
Usage of ship-to-store



Additional purchases made in store when picking up items shipped to store



Attitudes toward ship-to-store



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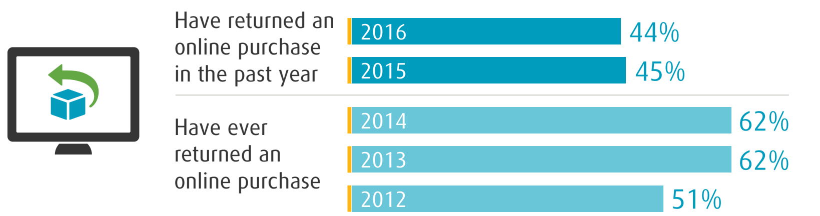
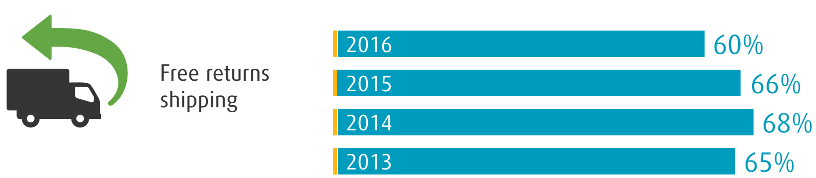
Trends in Returns

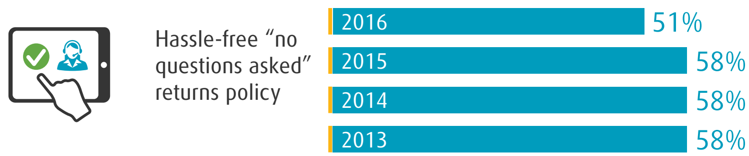
Online shoppers remain consistent in what elements make up a best returns experience. Over the years, retailers appear to have focused on improving the online returns experience which is reflected in the increased satisfaction across common issues when returning an online purchase.

Returned an online purchase

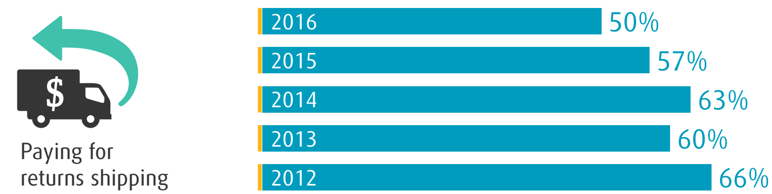


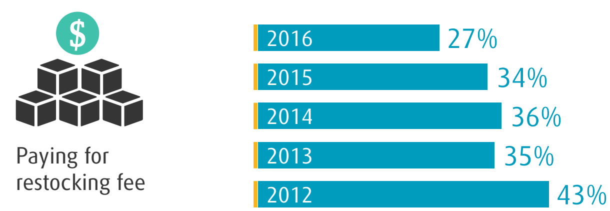
Elements of a best returns experience

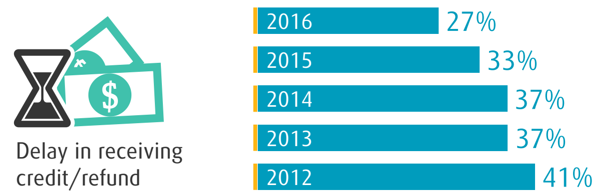




Issues when returning an online purchase







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