2018 Global Ecommerce Study

Summary Report

TABLE OF CONTENTS

US domestic ecommerce // 3-28
Cross-Border ecommerce // 29-43

Scope of Global Ecommerce Study

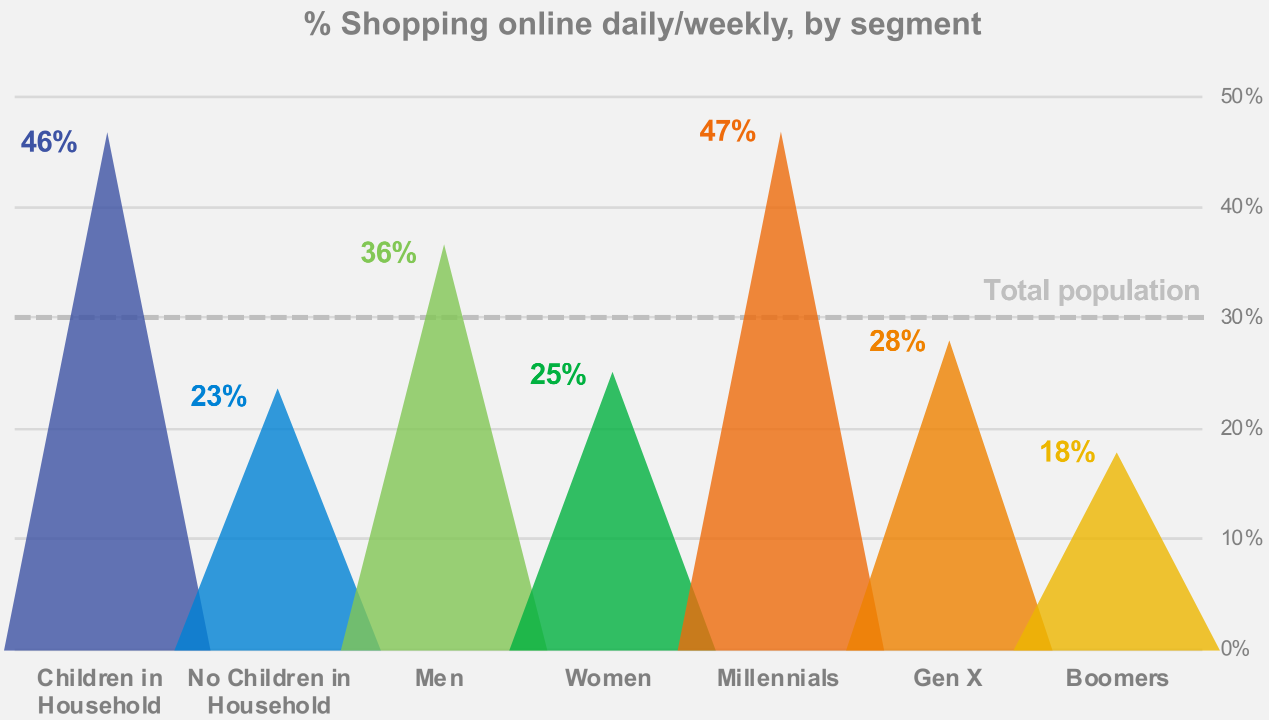
Consumer Surveys	Retailer Surveys
13,022 consumers in	**655 retailers in**
Australia Canada China & Hong Kong France Germany India Japan Mexico South Korea United Kingdom United States	United States United Kingdom Australia

US DOMESTIC ECOMMERCE

Opportunity & battleground: brand-driven post-purchase experiences

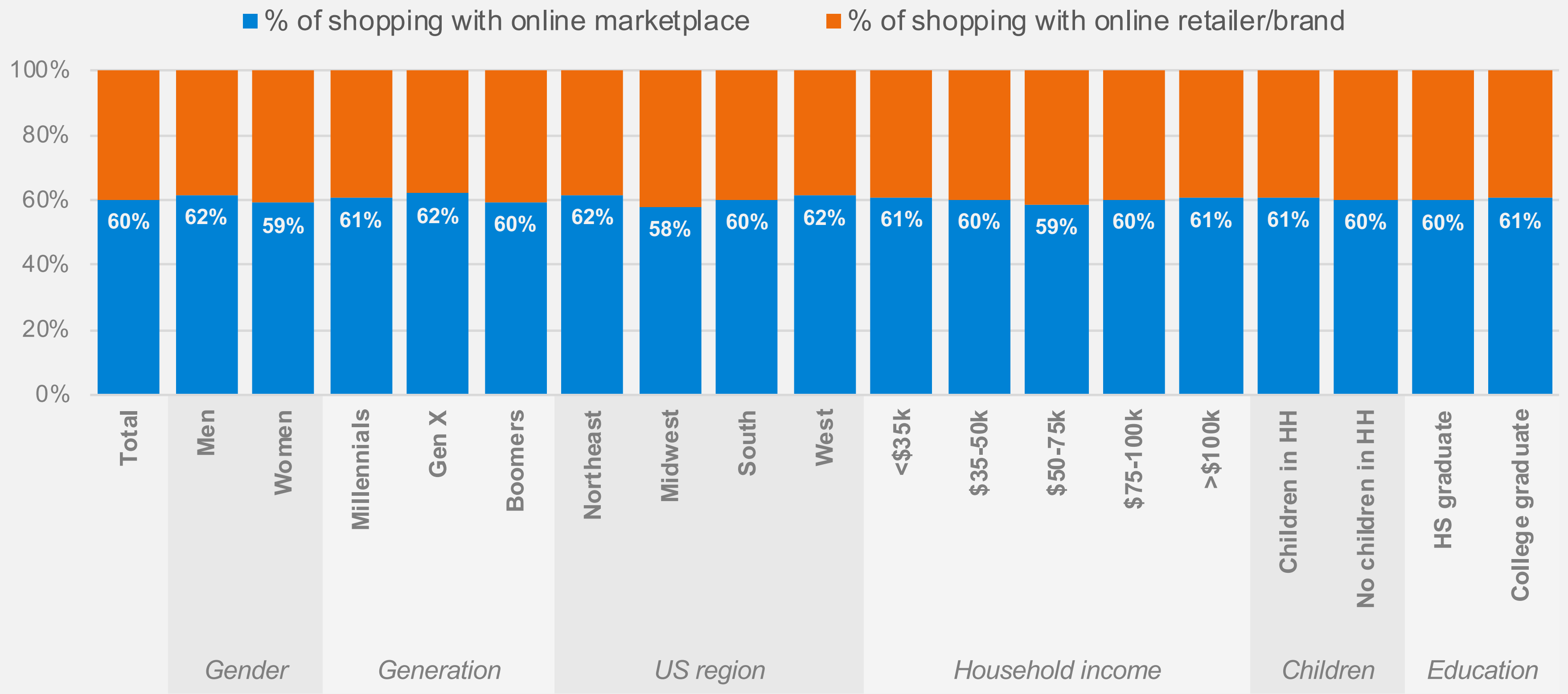
We’ve reached peak ecommerce adoption.

Now US consumers are buying *more frequently*.



Where are consumers making purchases?

Marketplaces are the market, no matter who's shopping



How do consumers decide where to buy?

We divided shopping behaviors into two “mindsets” and four “scenarios”

MINDSET

Brand conscious shopping

I know what brand I want

61% of online purchases

Brand agnostic shopping

I don’t know what brand I want

39% of online purchases

SCENARIO

46%	15%	23%	16%
I know the brand <u>and</u> product I want	**I know the brand, but <u>not</u> the product**	**I know the product, but <u>not</u> the brand**	**I don’t know what I want to buy**
			
Ex: Acme Elite Plus in Charcoal Grey	*Ex: Acme footwear*	*Ex: Grey sneakers*	*Ex: Just browsing*

Where consumers buy based on mindset

Brand conscious shopping offer retailers & brands *at minimum* a level playing field

	Brand conscious		Brand agnostic	
	Know brand AND product	Know brand NOT product	Know product NOT brand	Don't know what to buy
Purchase from online retailers & brands	26%	8%	7%	6%
Purchase from online marketplaces	20%	7%	15%	11%

When consumers know what brand they're shopping for…

A clear opportunity arises for retailers & brands.

Brand conscious

Brand agnostic

Purchase from online retailers & brands

34%

Value brand-driven experiences more than price.

13%

Want to learn more about the brand before purchase.

Purchase from online marketplaces

Value price and convenience above all else.

27%

Value comparison shopping, price and convenience.

26%

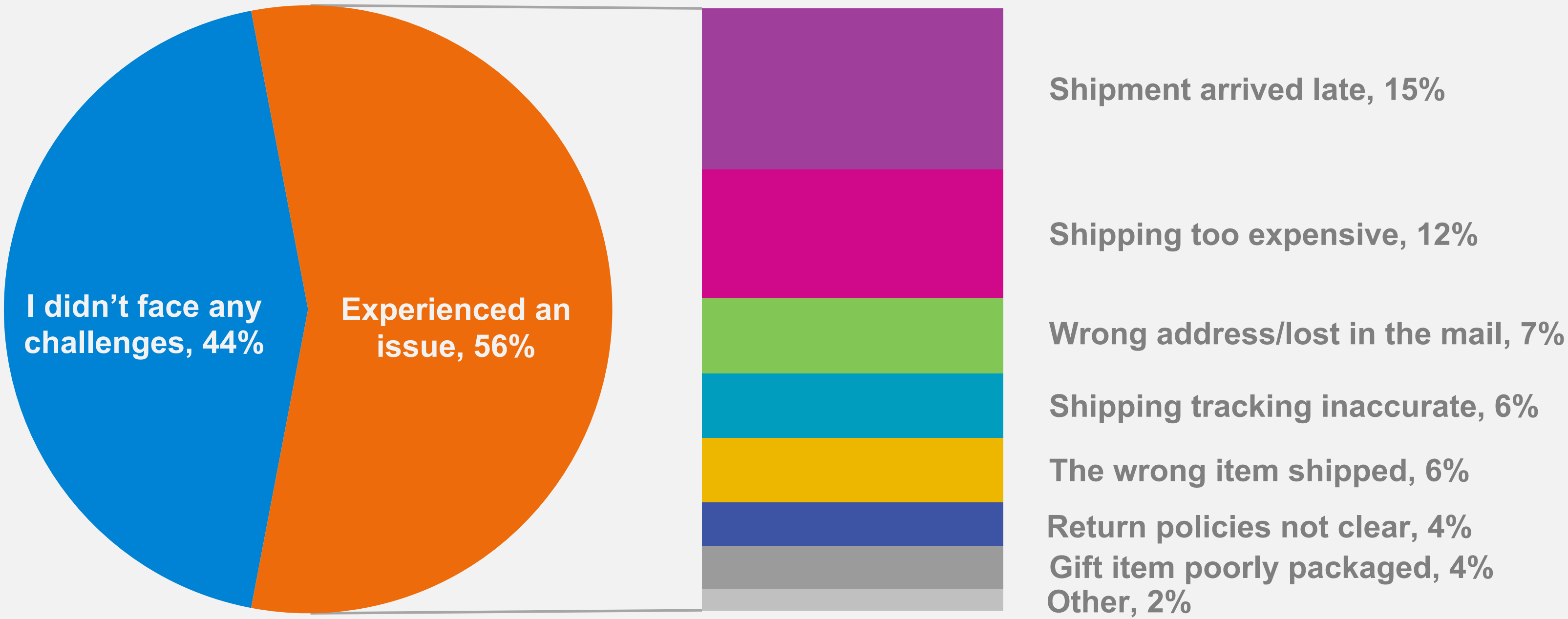
Remarkable post-purchase experiences:
The opportunity & battleground for retailers & brands to combine brand-driven experiences with post-purchase convenience

US DOMESTIC ECOMMERCE

Shipping, delivery, & capitalizing on brand-driven post-purchase experiences

56% of US consumers feel let down during the holidays

Due to issues in the post-purchase experience. *A 20pp increase YoY.*

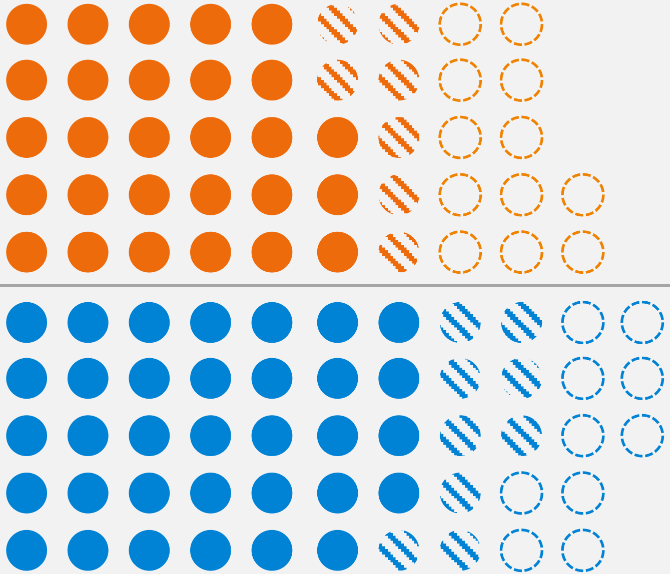


S10 (2016/2017)/S14 (2018): What is the **top challenge** you faced last year when purchasing items online during your most recent holiday season? (Base = Ever shop online domestically)

It only takes one bad experience to lose a customer

36% of consumers shop somewhere else after one poor experience
Retailers & brands are more impacted than marketplaces

Purchase from online retailers & brands



25% never purchase from that site again

14% purchase less often from that site

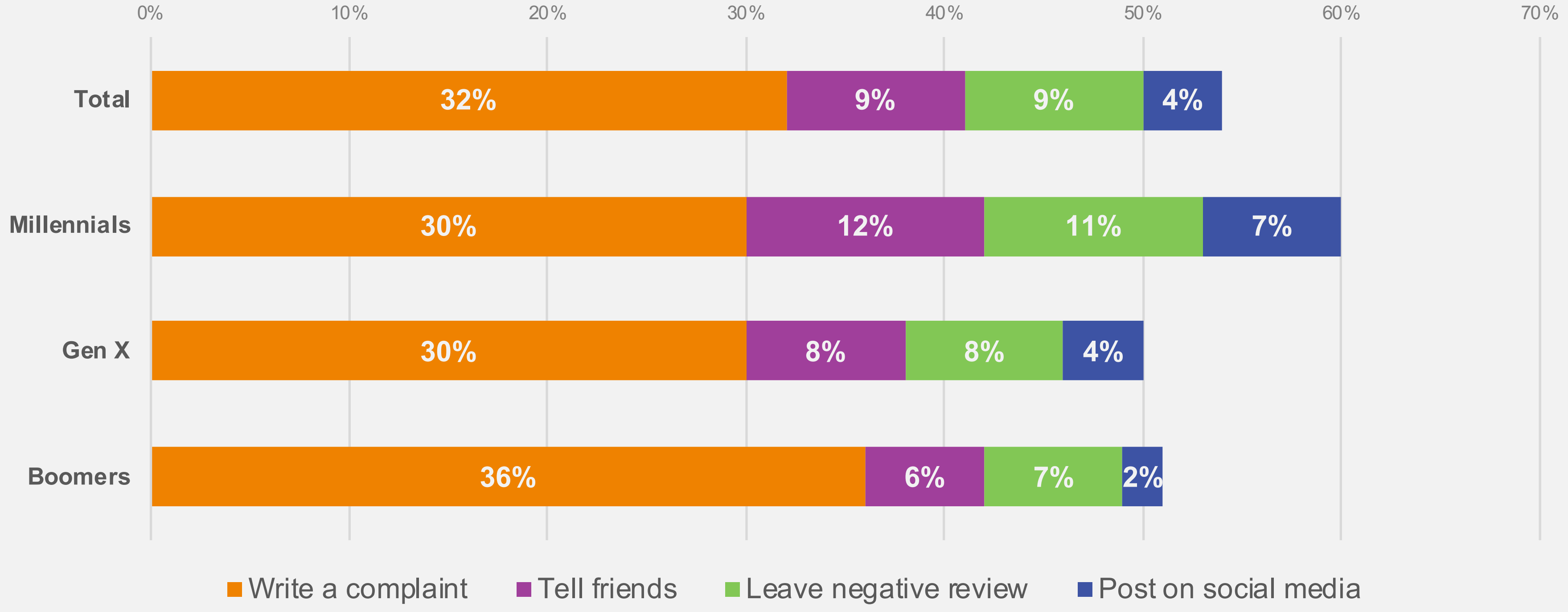
Purchase from online marketplaces

18% never purchase from that site again

16% purchase less often from that site

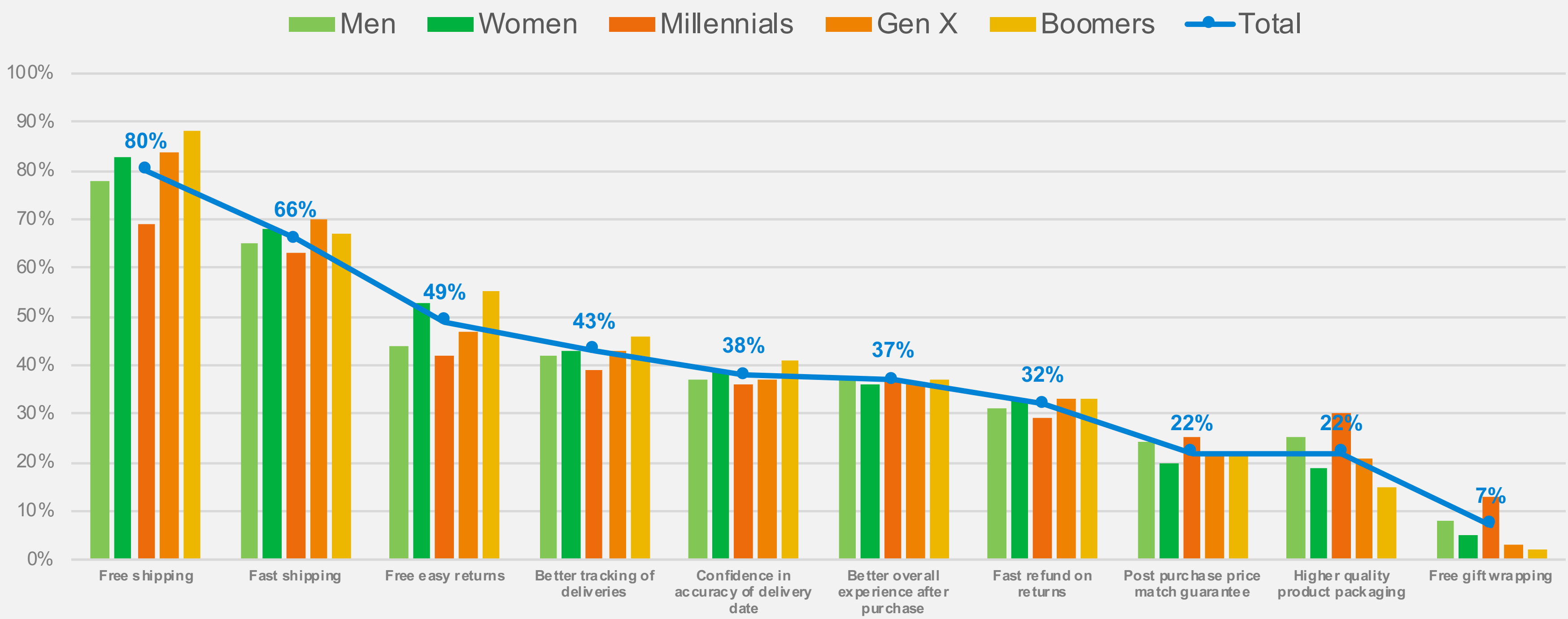
The network effects of one poor experience

60% of millennials share their bad post-purchase experience with others



Use the post-purchase brand promise to attract customers

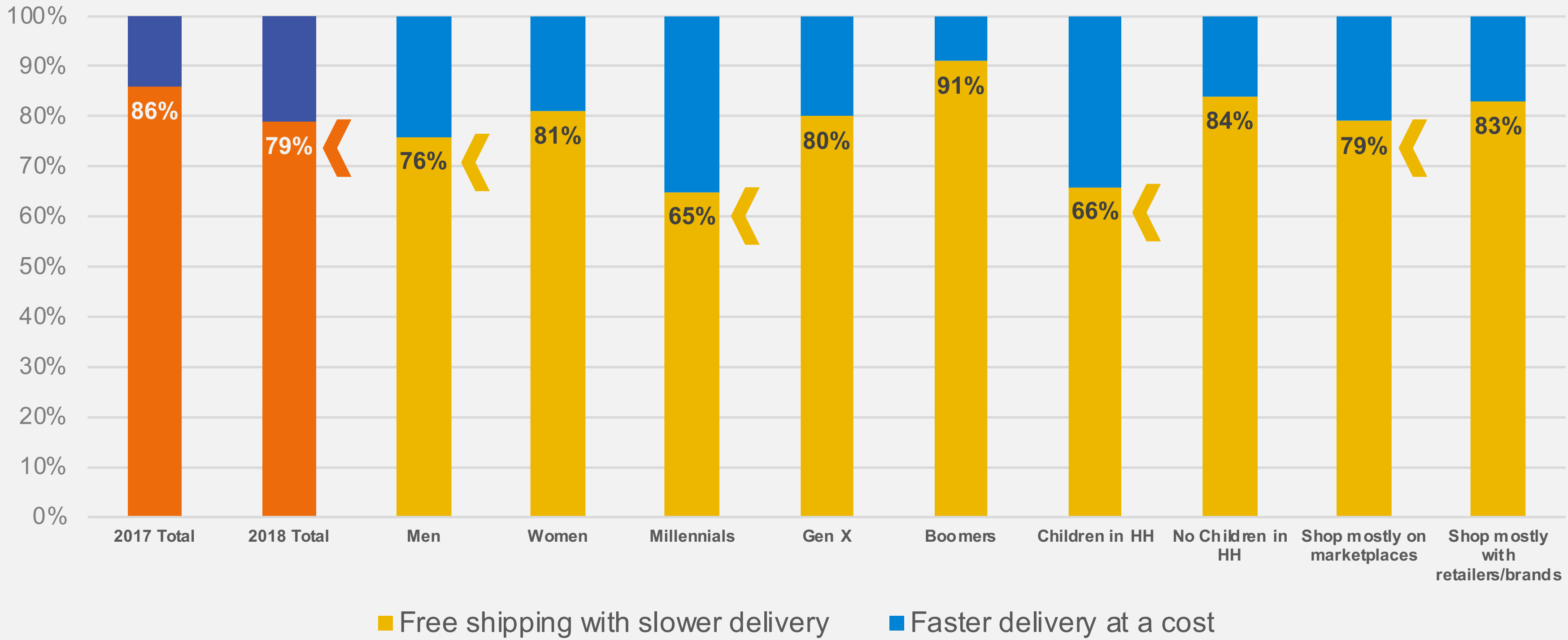
Free shipping is the #1 criteria when consumers are deciding where to shop.



Below is a list of reasons why you may choose WHERE to shop online. Please select up to 5 REASONS that are MOST important to you.

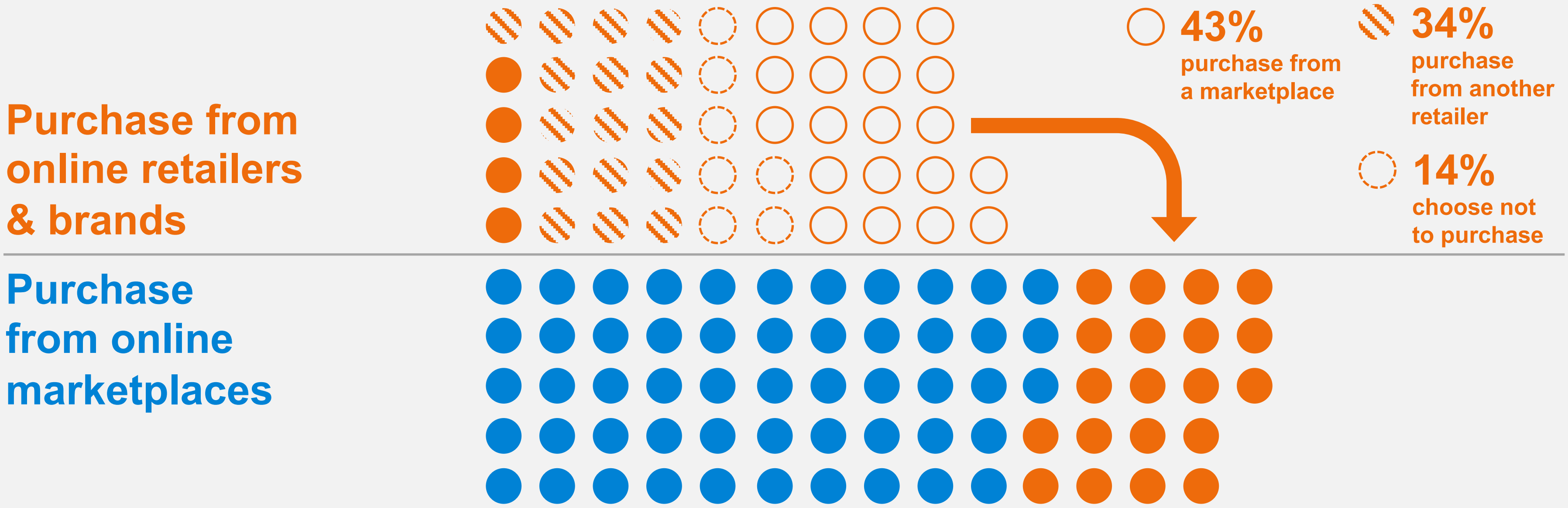
Consumers still prefer free over fast

If they had to chose. But that's slowly changing with younger shoppers.



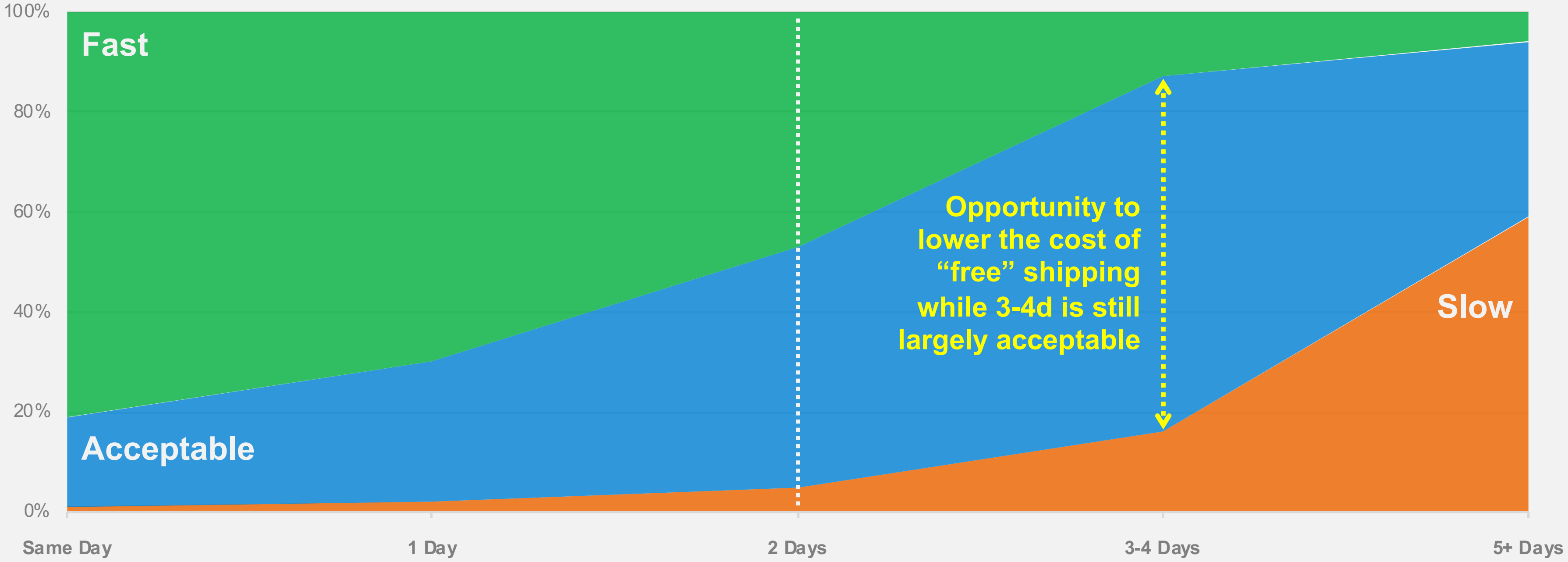
91% of consumers leave

When shipping isn't **free or fast enough**. Nearly half (43%) go to marketplaces.



What does “fast and free” mean, anyway?

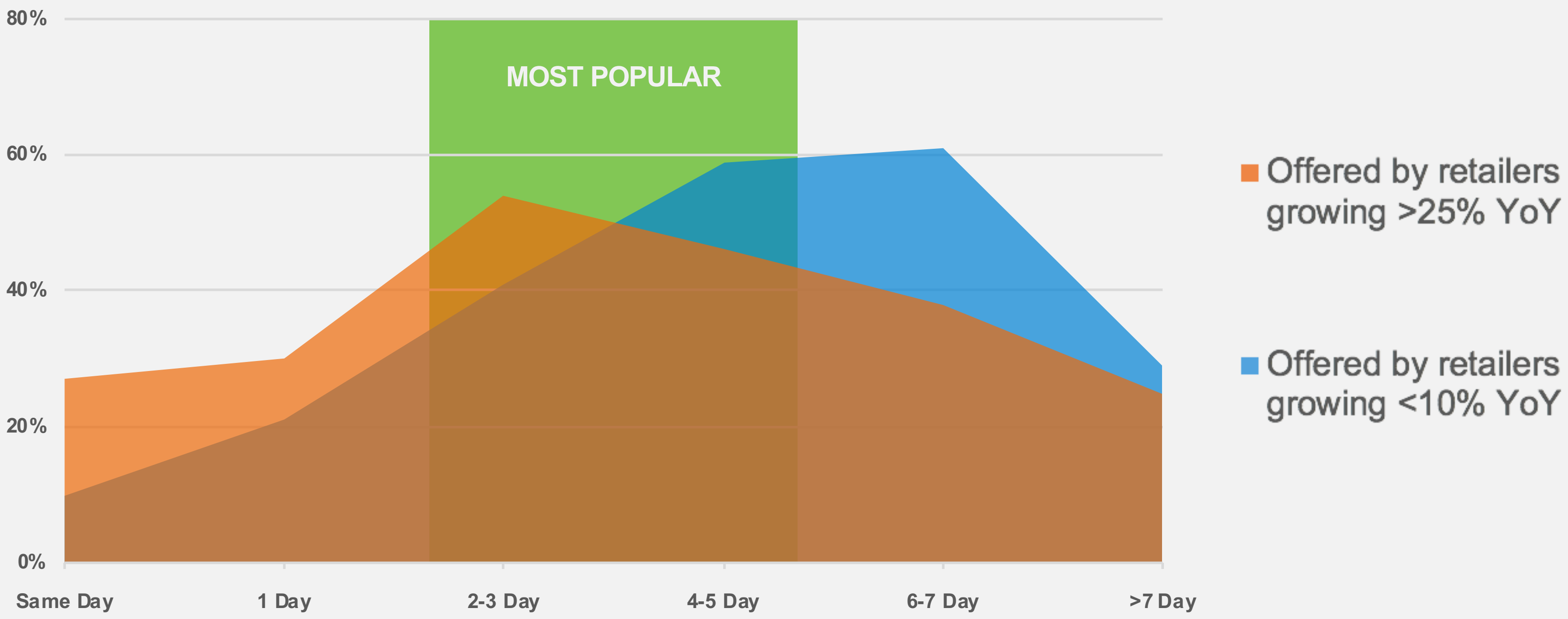
2-day free shipping is now the *prime* option—while 3- and 4-day is acceptable



Please select whether you consider the following delivery timeframes fast, acceptable, or slow when shipping is free for your online purchase

The sweet spot in speed vs cost of free shipping

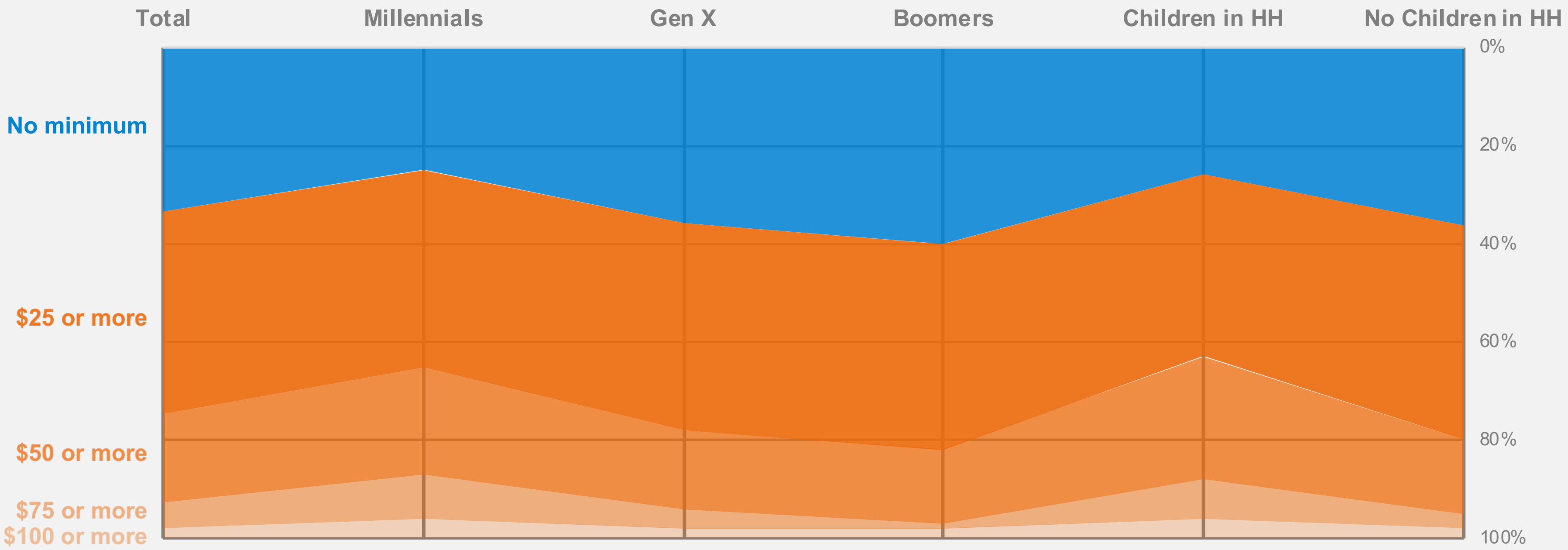
Most popular *free shipping* options offered by high-growth vs low-growth retailers



Which of the following delivery window options do you offer to your customers?

Shipping doesn't always have to be free

66% of consumers expect to spend at least $25 to qualify for free shipping
US millennials and parents are more reasonable about the cost of "free"



To qualify for free shipping, what is the minimum you expect to spend on an order (i.e., minimum purchase)?

US DOMESTIC ECOMMERCE

Returns & the post-purchase experience

Consumers hate scheduling pickups for returns

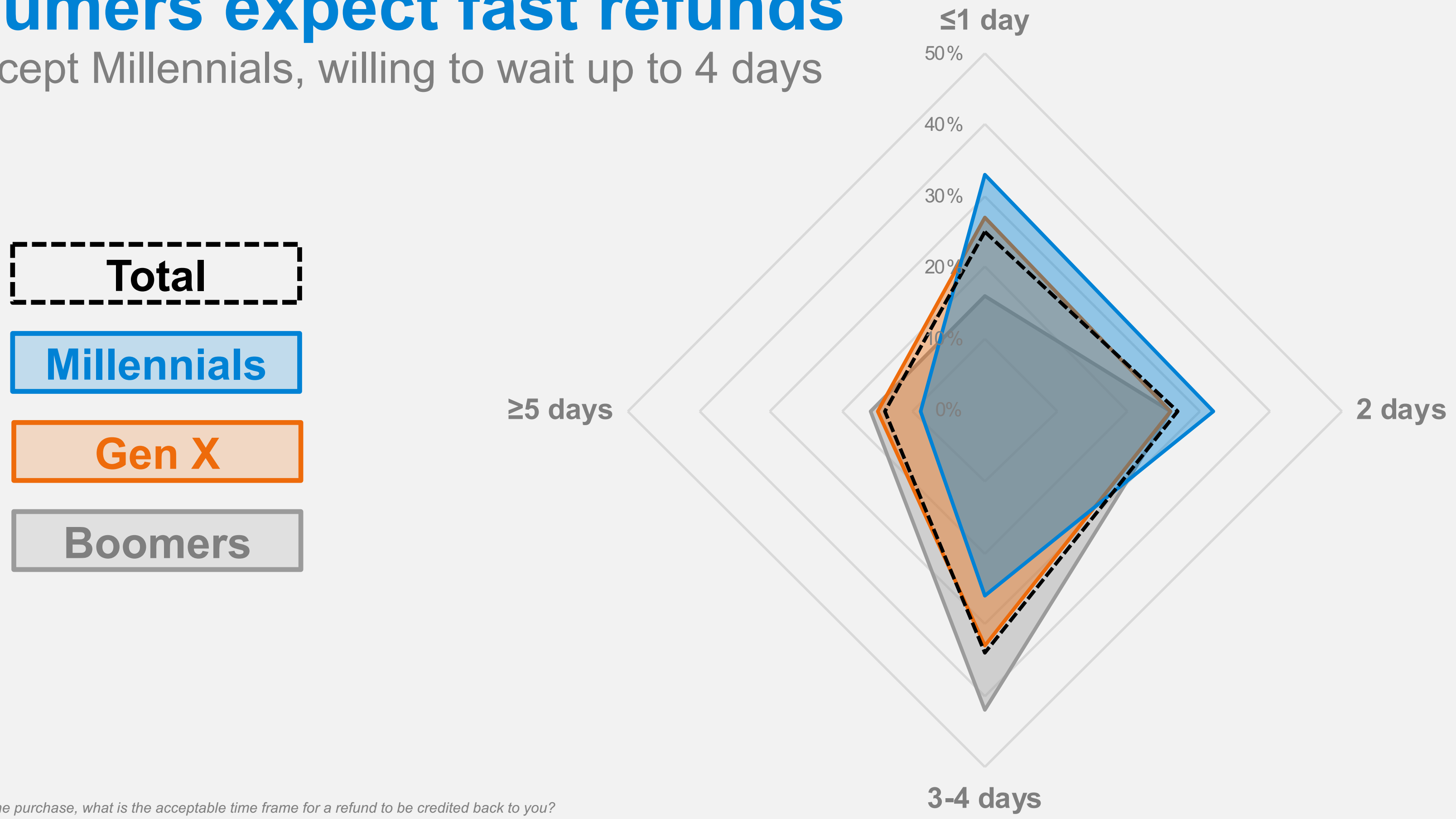
For online purchases. Only 9% call a carrier to arrange pickup.

- Consumers prefer having returns labels included in the box
- Postal returns are as popular as in-store returns

When you have returned unwanted online purchases, how do you prefer to return them?

Consumers expect fast refunds

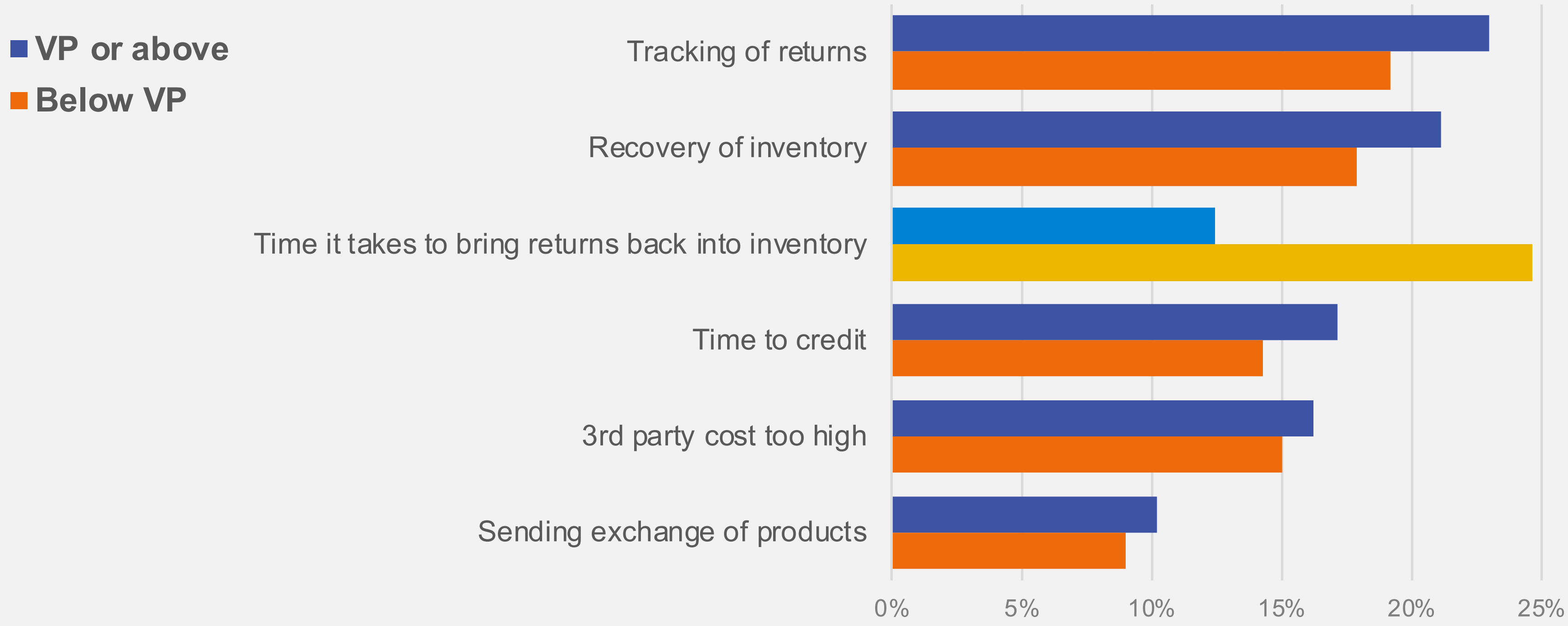
Most, except Millennials, willing to wait up to 4 days



When you return an online purchase, what is the acceptable time frame for a refund to be credited back to you?

Executives believe returns challenges are greater

Than those closest to operations (except on the topic of cycle time)



US DOMESTIC ECOMMERCE

Subscription box services:
A customer acquisition opportunity

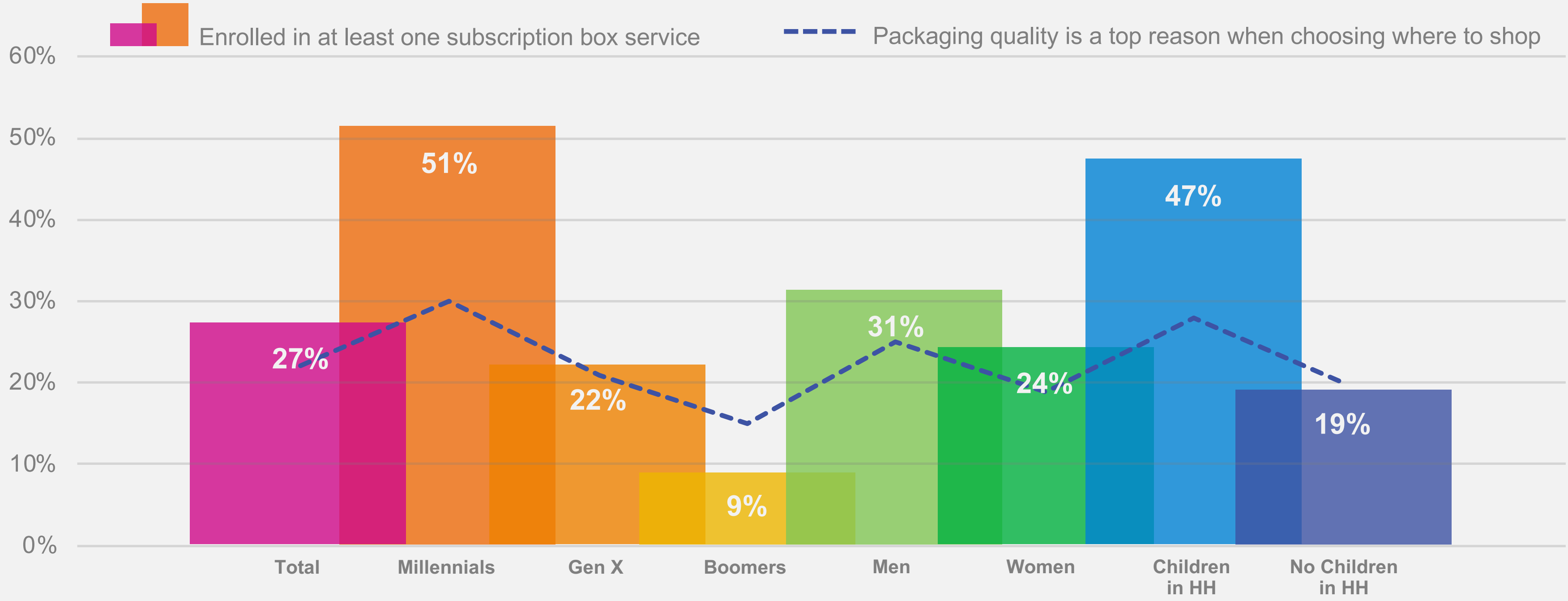
A silver lining among brand agnostic shoppers?

A unique opportunity for brand discovery among certain consumers

	Brand conscious		Brand agnostic	
	Know brand AND product	Know brand NOT product	Know product NOT brand	Don’t know what to buy
Purchase from online retailers & brands	25%	8%	8%	6%
Purchase from online marketplaces	21%	7%	15%	10%

More consumers are turning to subscription box services

When they don't know what brand or product they want. 11% YoY growth. 51% of millennials now enrolled. Subscription growth is increasing expectations around **quality of packaging**.



In the past year, have you subscribed to subscription-box services where you get regular shipments of products sent to you?
*Below is a list of reasons why you may choose **where** to shop online. Please select up to 5 reasons that are MOST important to you.*

DOMESTIC ECOMMERCE

Summary

What high growth (>25% YoY) retailers focus on

More than their low-growth (<10% YoY) counterparts

Cater to high-value* customers
(57% vs 26%)

*Average domestic order value >$300

Offering day-definite guaranteed delivery
(65% vs 40%)

Offering subscription services
(65% vs 25%)

Adding fulfillment locations
(89% vs 60%)

Building the post-purchase moat

Versus marketplace competition

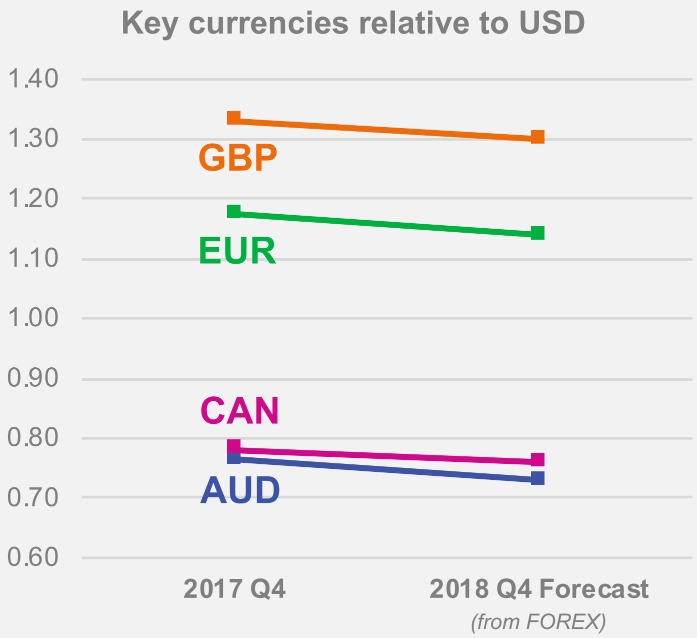
	Infuse your brand into every step of the purchase-to-purchase journey	Meet the expectations marketplaces have set for consumers
Fulfillment	Invest in higher-quality, more personalized packaging	Move inventory closer to customers
Delivery	Use delivery tracking as a platform for brand communications	Offer 2-day free shipping (with minimum purchase) and sitewide 3-5 day guaranteed free shipping
Returns	Make returns integral to the experience, not an exception. Act as if a return will happen with every purchase.	Offer at-home pickup (without scheduling), labels in the box, and refunds in 3 days or less
Customer acquisition	Build or participate in subscription box services	

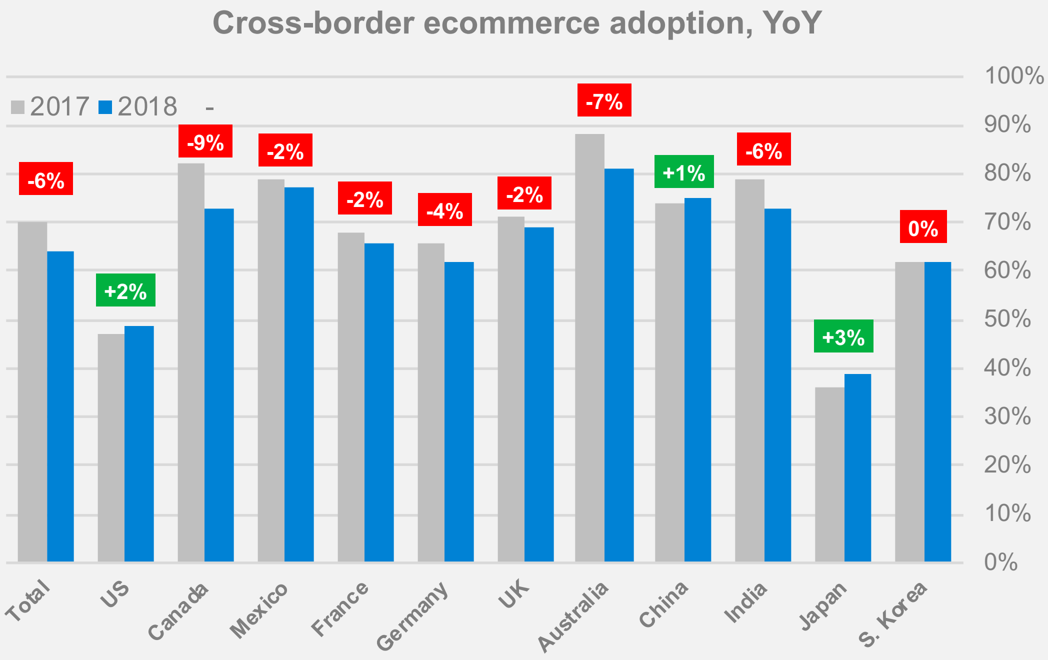
CROSS-BORDER ECOMMERCE

Rising expectations & FX: Post-purchase optimizations cut through the headwinds

Cross-border consumers are FX-savvy

As the USD strengthens, fewer non-US consumers buy cross-border
—while more US consumers shop globally

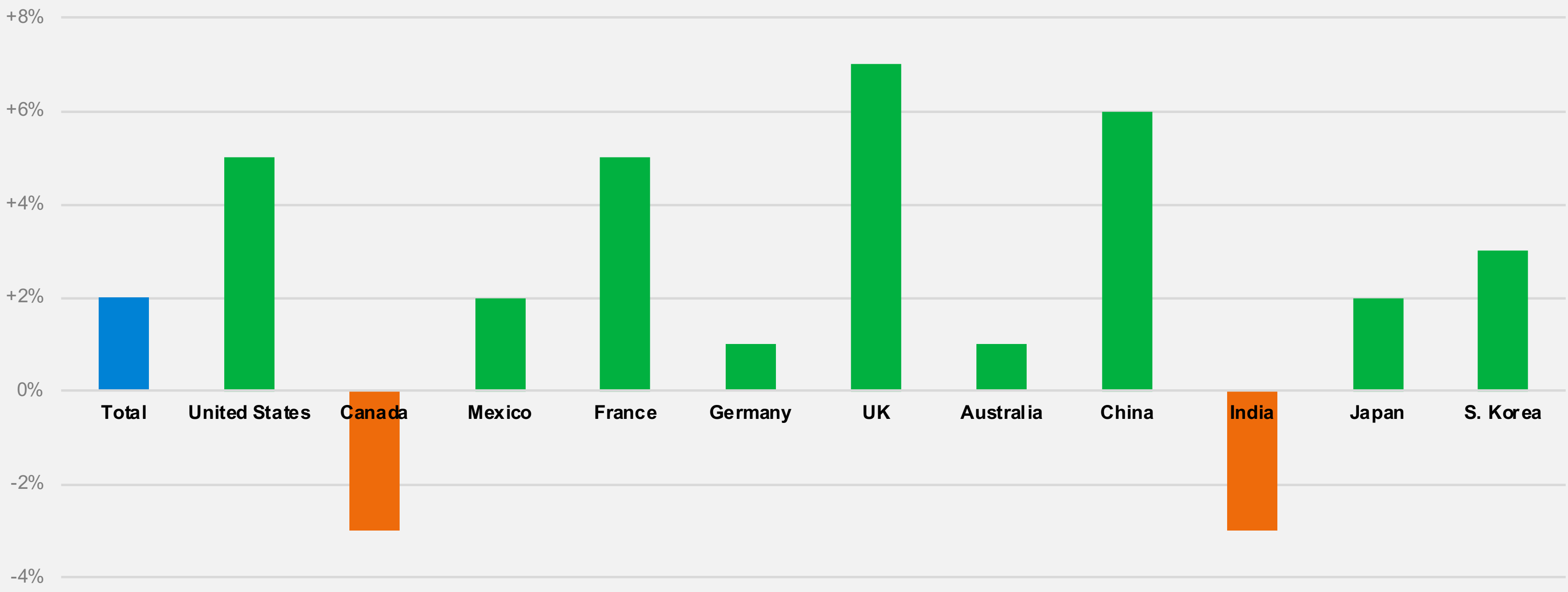




And yet, because economies are improving…

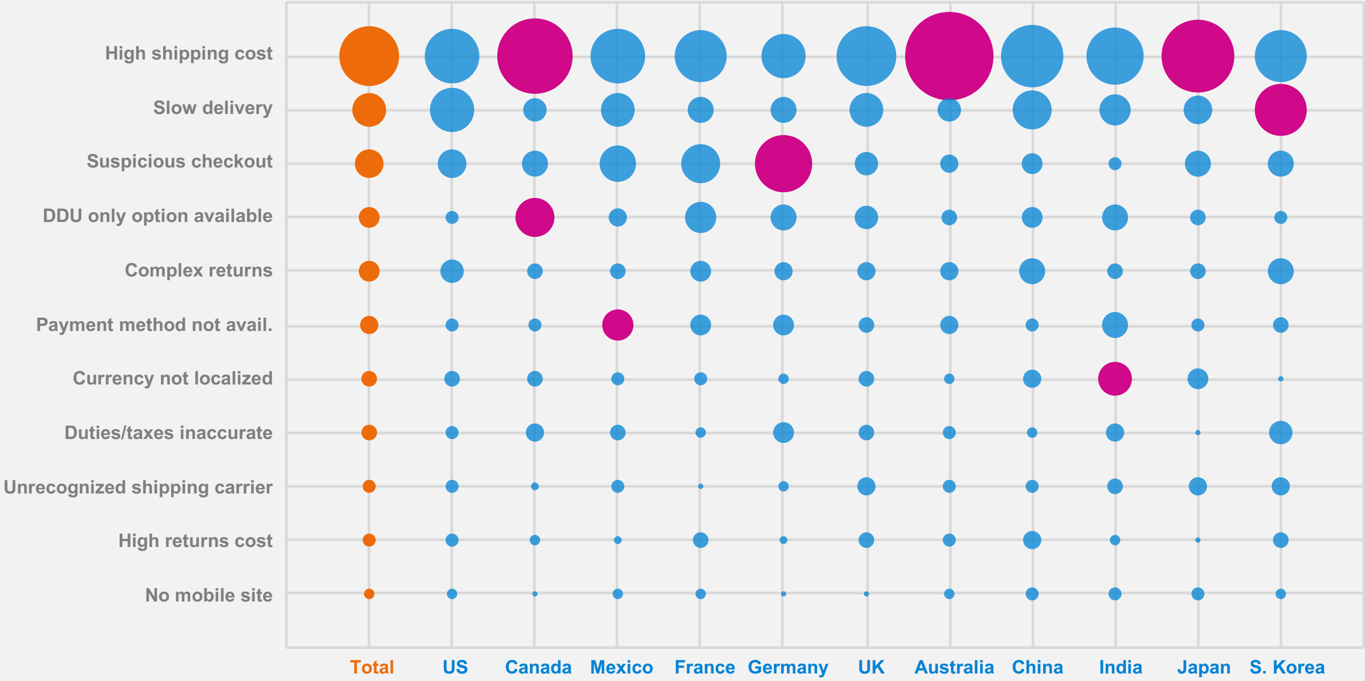
Consumers who do shop cross-border are generally shopping *more often*

** Exceptions due to government regulation (AUS, IN) and FX (CA).*



Top reasons for cross-border cart abandonment

Shipping cost/speed are top concerns. Except in Germany, where fraud ranks high.



Country callouts

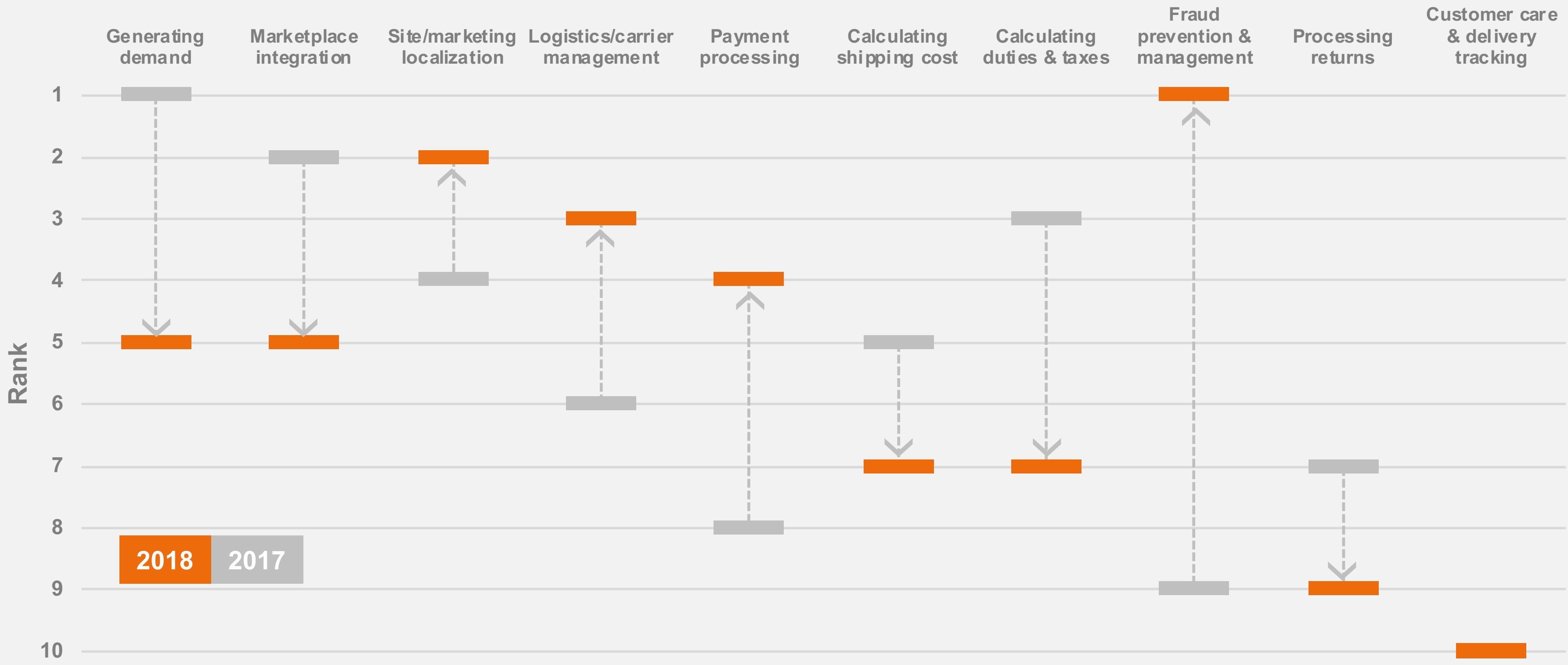
- Canadians prefer DDP and DDU options (and are particularly sensitive to shipping cost)
- Mexicans don't see enough localized payment methods
- Germans rate "suspicious/fraudulent checkout" as top concern
- Australians are generally *only* concerned with shipping cost (and not speed)
- Indians don't see prices in local currency often enough
- Koreans are most concerned with slow delivery

CROSS-BORDER ECOMMERCE

Optimization strategies: Logistics & fraud management

New in 2018: Fraud rises to top of retailer concerns

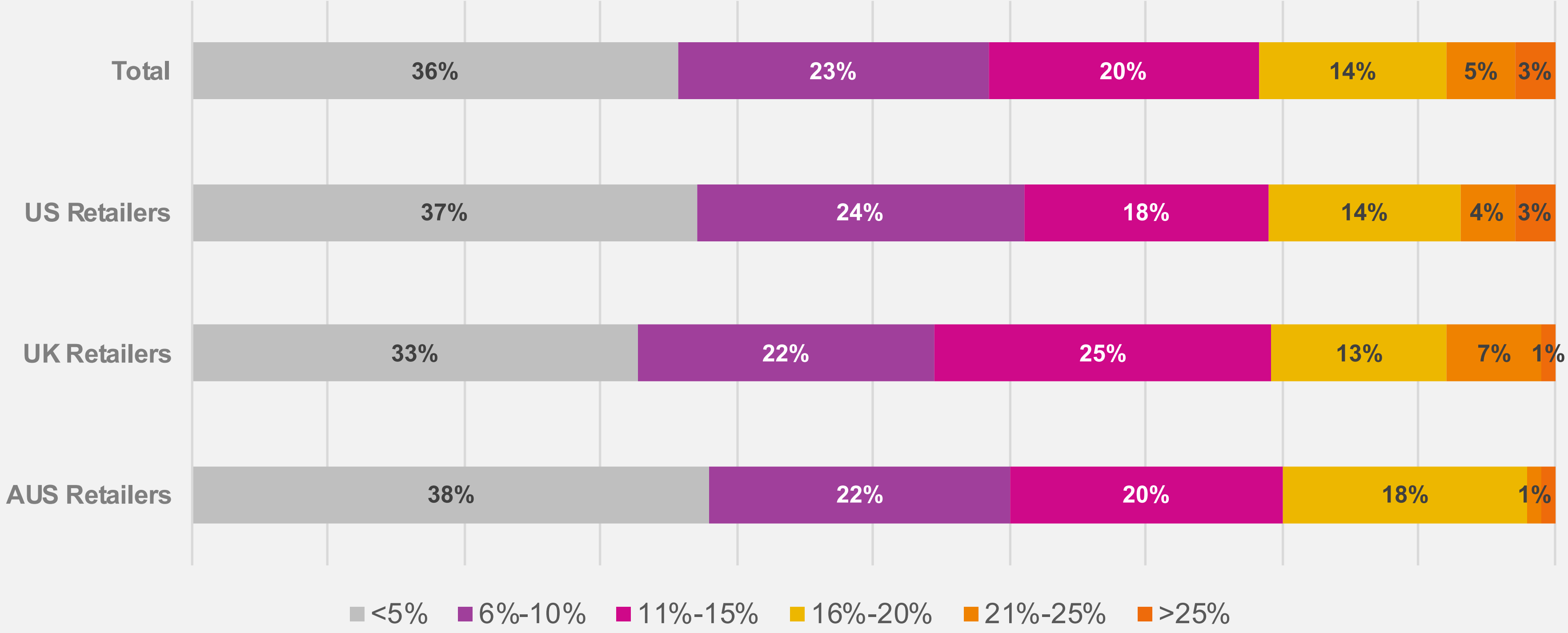
Optimizations (logistics, payment, etc.) also rise as customer acquisition strategies fall in importance



Which of the following most concern you when entering a new market? Please rank up to three areas, with 1 being your greatest concern.

Cross-border orders rejected due to (suspected) fraud

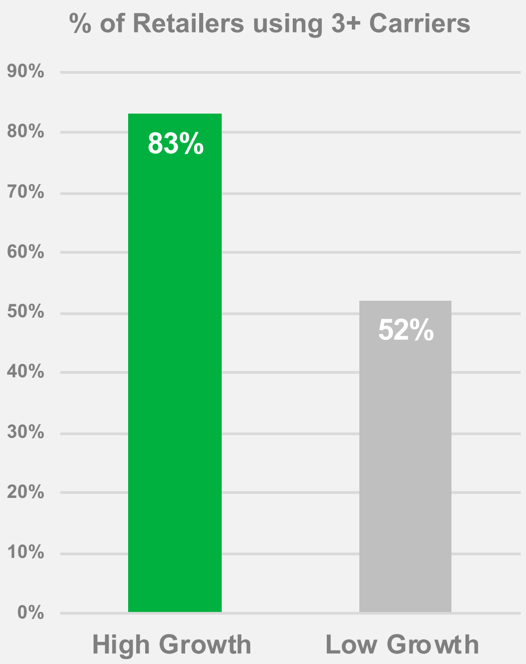
Significantly higher than domestic average of 2.6%

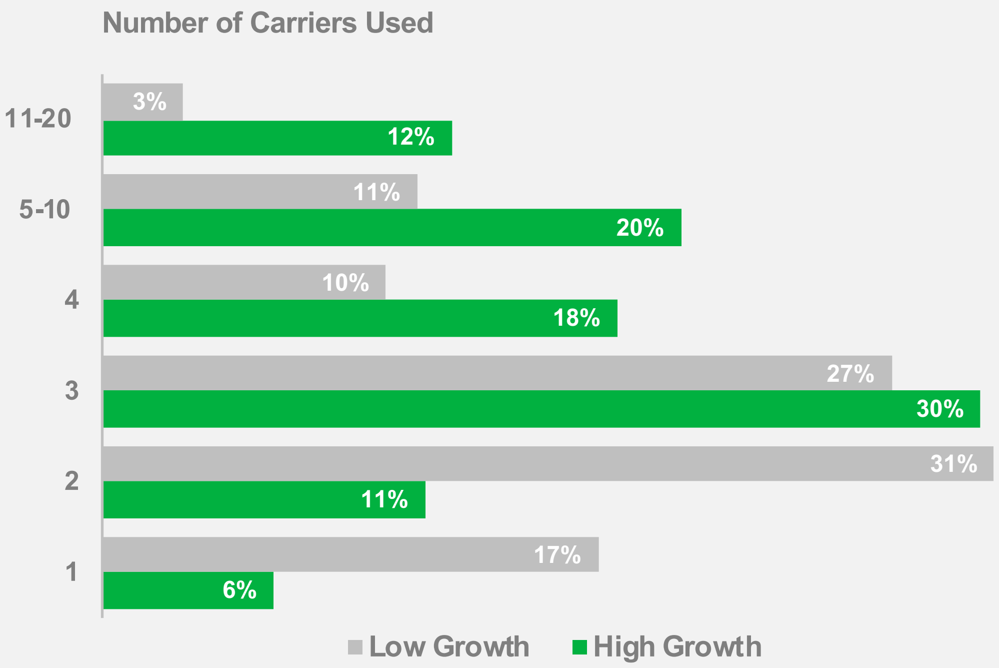


Source: PB Global Retailer Study, 2018; domestic fraud: Merchant Risk Council *Global Fraud Survey, 2017*

Logistics: high growth retailers use multiple cross-border carriers

83% of high-growth retailers use 3+ carriers versus 53% of low-growth





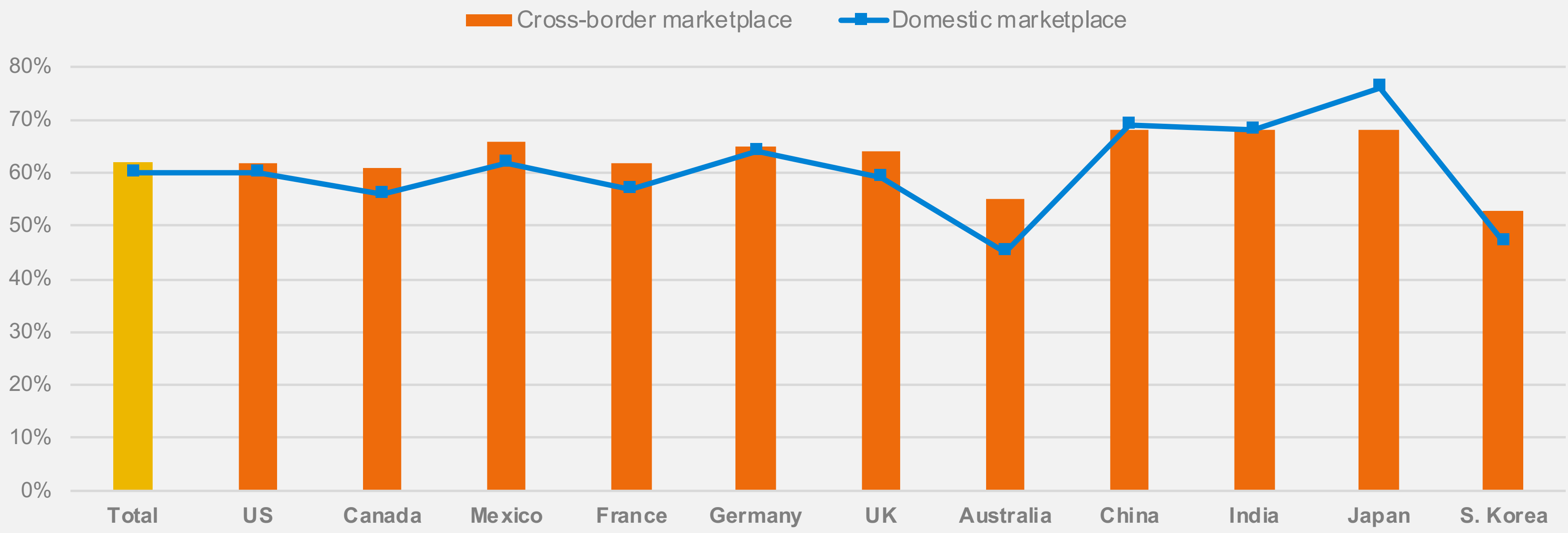
How many carrier services do you use for your cross-border shipping network (including global and in-country/last mile carriers)?

CROSS-BORDER ECOMMERCE

Spotlight on China

Marketplaces dominate cross-border

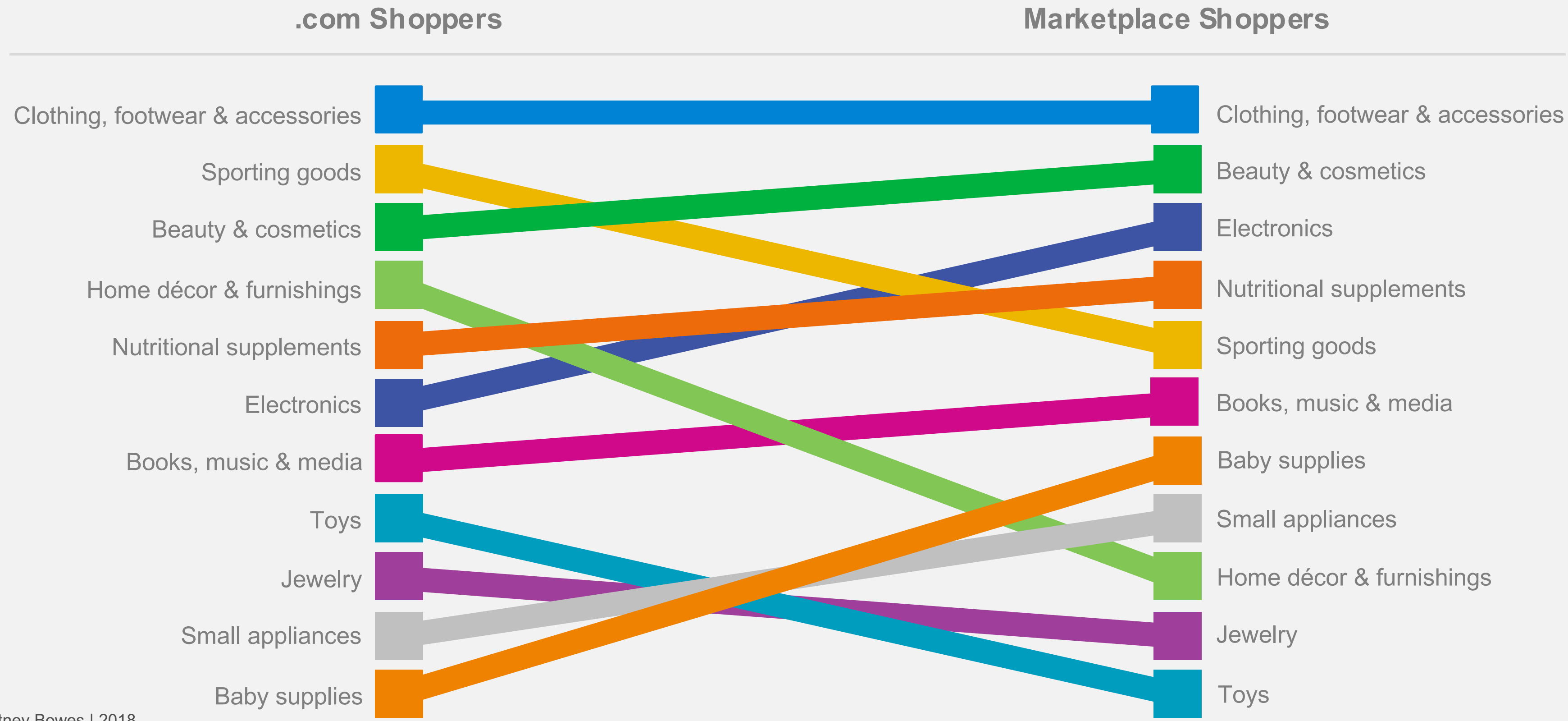
Even (slightly) more than with domestic purchases (except China & Japan)



Over the last 12 months, approximately how much of your ***international online purchases*** *have been made via online marketplaces?*

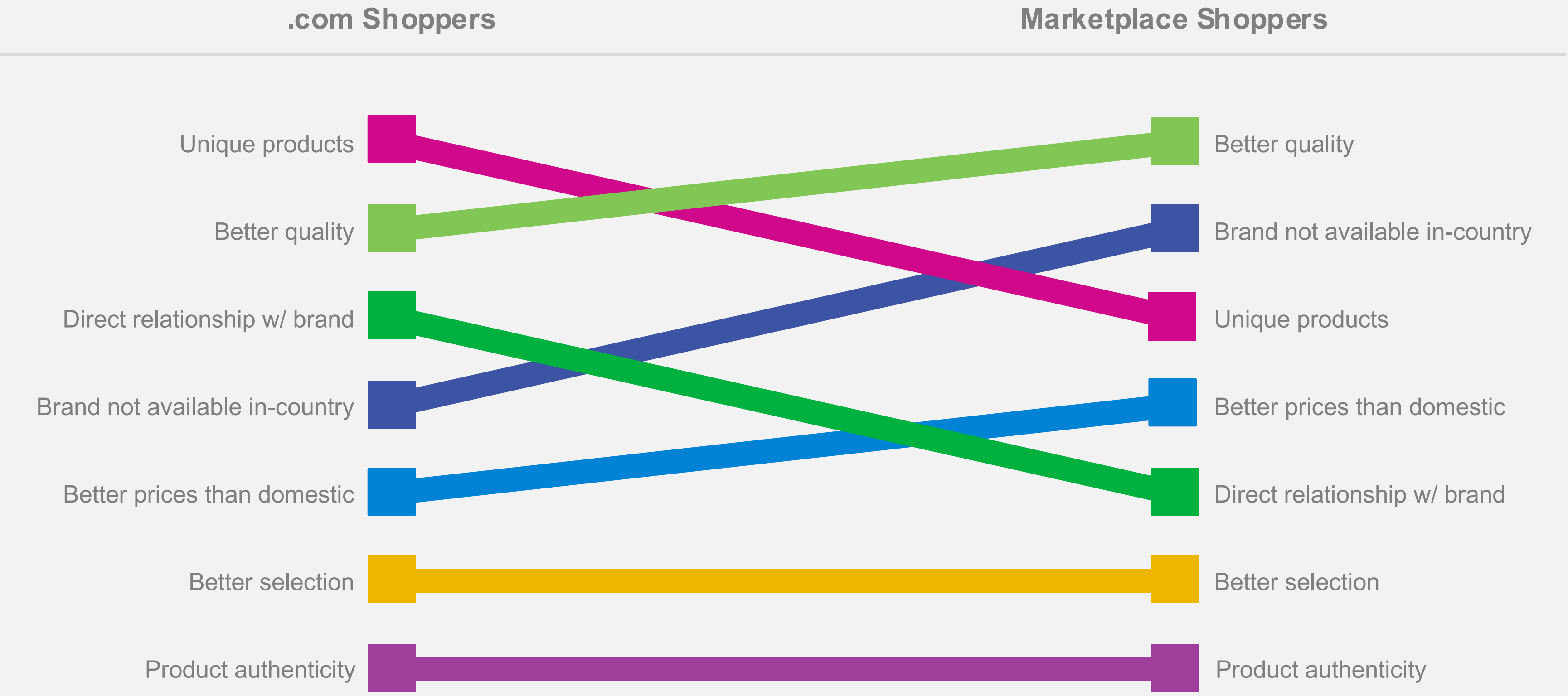
Chinese cross-border *.com shoppers* looking for different products

Than their marketplace shopping counterparts. But apparel & accessories tops the ranked list for both groups.



Chinese .com shoppers value unique products more than price or selection

Top reasons .com and marketplace shoppers buy cross-border



CROSS-BORDER ECOMMERCE

Summary

What high growth (>25% YoY) cross-border retailers focus on

More than their low-growth (<10% YoY) counterparts

Diversifying the carrier network
(83% vs 52%)

Leveraging vendors' turnkey marketing programs
(83% vs 50%)

Outsourcing fraud management services
(41% vs 30%)

Processing payments locally*
(80% vs 69%)

* in the customer's country

Source: PB Global Retailer Study, 2018

Growing despite global headwinds

	Focus on optimizing the post-purchase experience	Outsource scale-intensive functions to focus on USP
Customer acquisition	Cater to the needs of your most valuable customers in each market (localized offers & assortment curation)	Leverage your vendor’s marketing capabilities and loyalty programs (if they exist!)
Payments & Fraud	Accept more regional payment methods	Reduce ‘false-positive’ fraud-flagged orders and process payments locally in top countries using a payments specialist
Logistics	Offer more choice in shipping (express, deferred) and D&T options (DDU, DDP) at checkout	Diversify your carrier base by working with a partner who specializes in global & local networks

ABOUT PITNEY BOWES

Pitney Bowes (NYSE:PBI) is a global technology company providing commerce solutions that power billions of transactions. Clients around the world, including 90 percent of the Fortune 500, rely on the accuracy and precision delivered by Pitney Bowes solutions, analytics, and APIs in the areas of ecommerce fulfillment, shipping and returns; cross-border ecommerce; presort services; office mailing and shipping; location data; and software. For nearly 100 years Pitney Bowes has been innovating and delivering technologies that remove the complexity of getting commerce transactions precisely right.

For additional information visit Pitney Bowes, the Craftsmen of Commerce, at www.pitneybowes.com/ecommerce