



2018 Global Ecommerce Study

Summary Report

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Scope of Global Ecommerce Study

Consumer Surveys

13,022 consumers in

Australia
Canada
China & Hong Kong
France
Germany
India
Japan
Mexico
South Korea
United Kingdom
United States

Retailer Surveys

655 retailers in

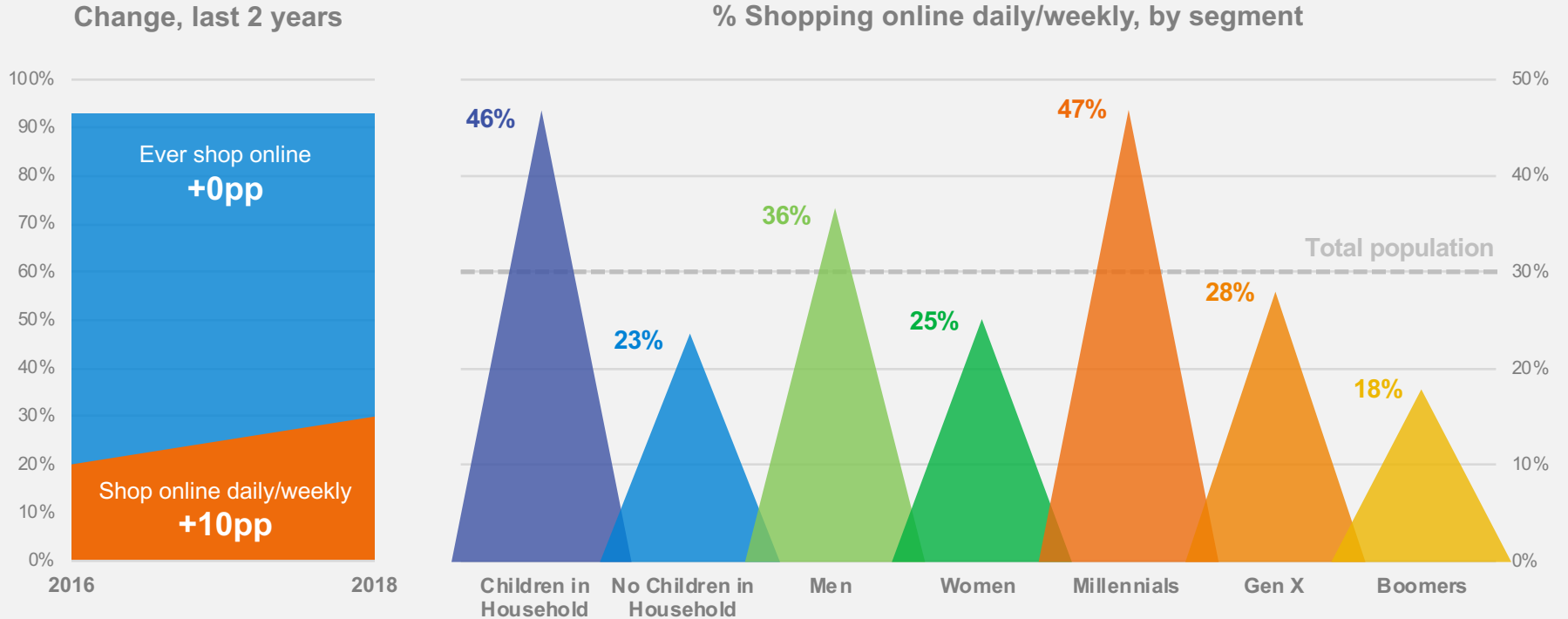
United States
United Kingdom
Australia

US DOMESTIC ECOMMERCE

**Opportunity &
battleground:**
brand-driven post-
purchase experiences

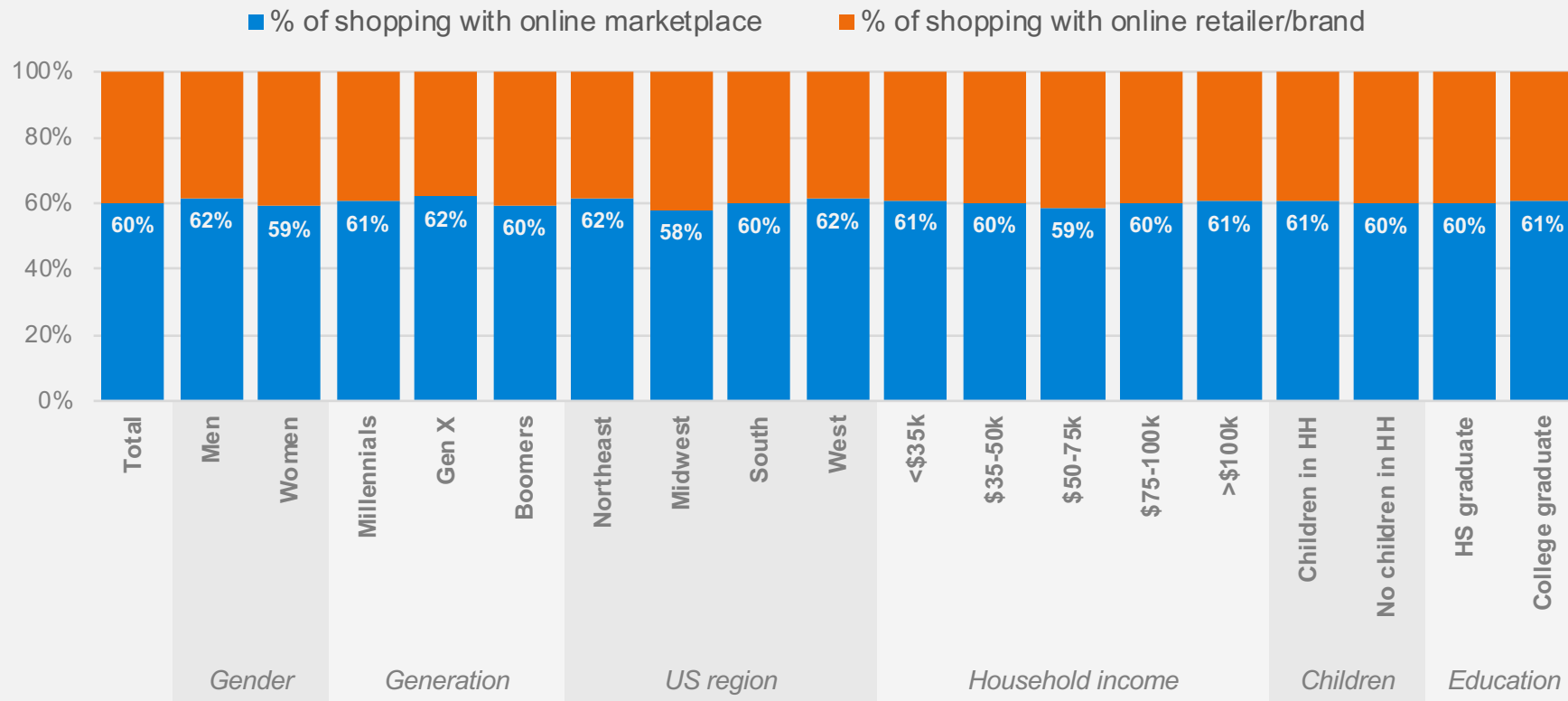
We've reached peak ecommerce adoption.

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”

Brand conscious shopping

I know what brand I want
61% of online purchases

46%

I know the brand and product I want



Ex: Acme Elite Plus in Charcoal Grey

15%

I know the brand, but not the product



Ex: Acme footwear

Brand agnostic shopping

I don't know what brand I want
39% of online purchases

23%

I know the product, but not the brand



Ex: Grey sneakers

16%

I don't know what I want to buy



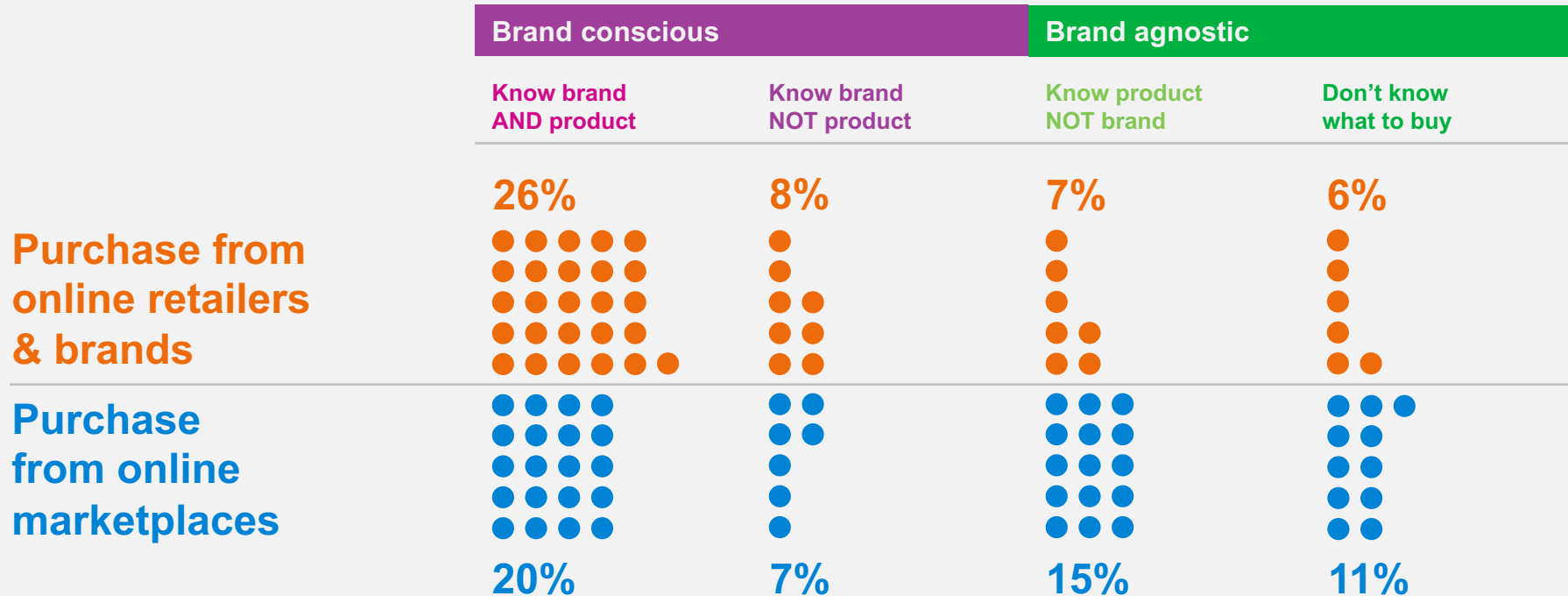
Ex: Just browsing

MINDSET

SCENARIO

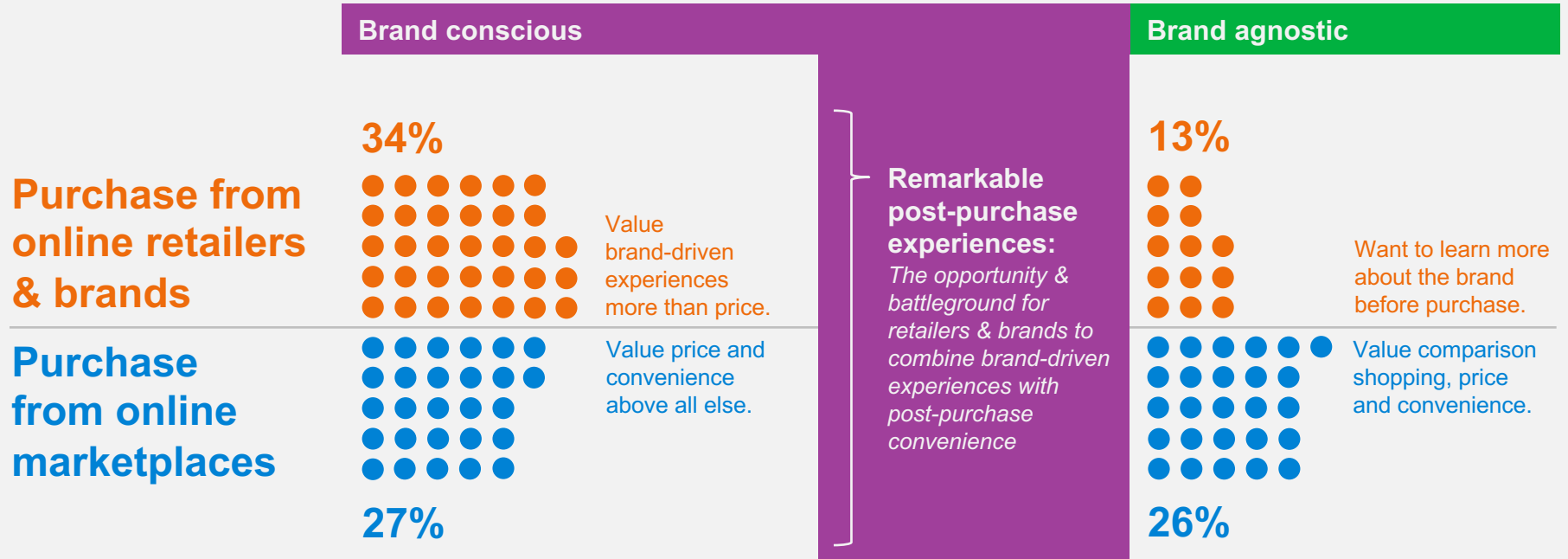
Where consumers buy based on mindset

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



When consumers know what brand they're shopping for...

A clear opportunity arises for retailers & brands.

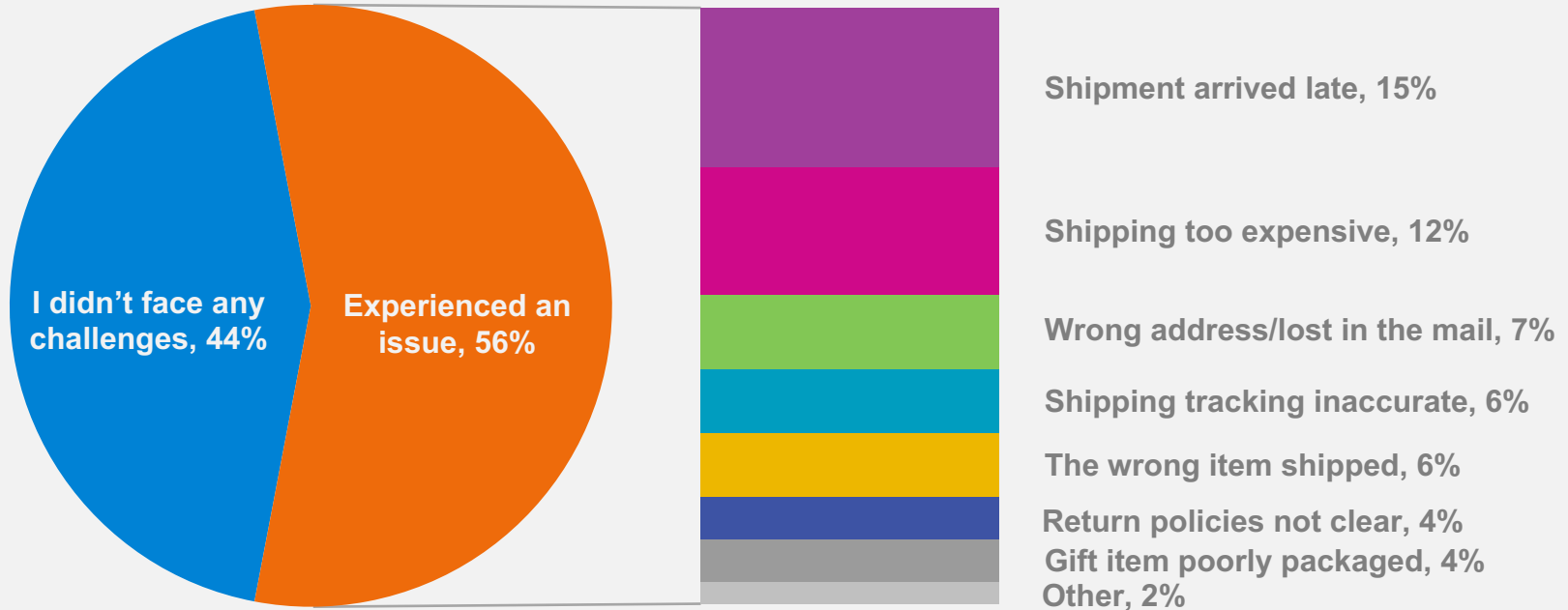


US DOMESTIC ECOMMERCE

**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.*



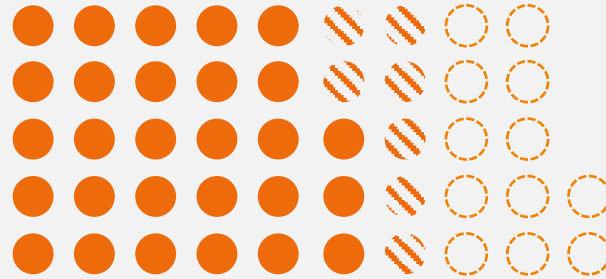
S10 (2016/2017)/S14 (2018): What is the **top challenge** you faced **last year** when purchasing items online during your most recent holiday season? (Base = Ever shop online domestically)

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

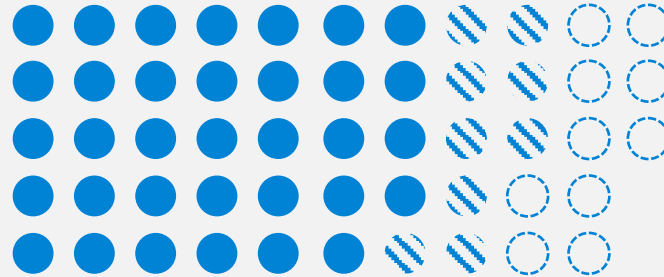
Purchase from online retailers & brands



○ **25%**
never purchase from
that site again

▨ **14%**
purchase less often
from that site

Purchase from online marketplaces

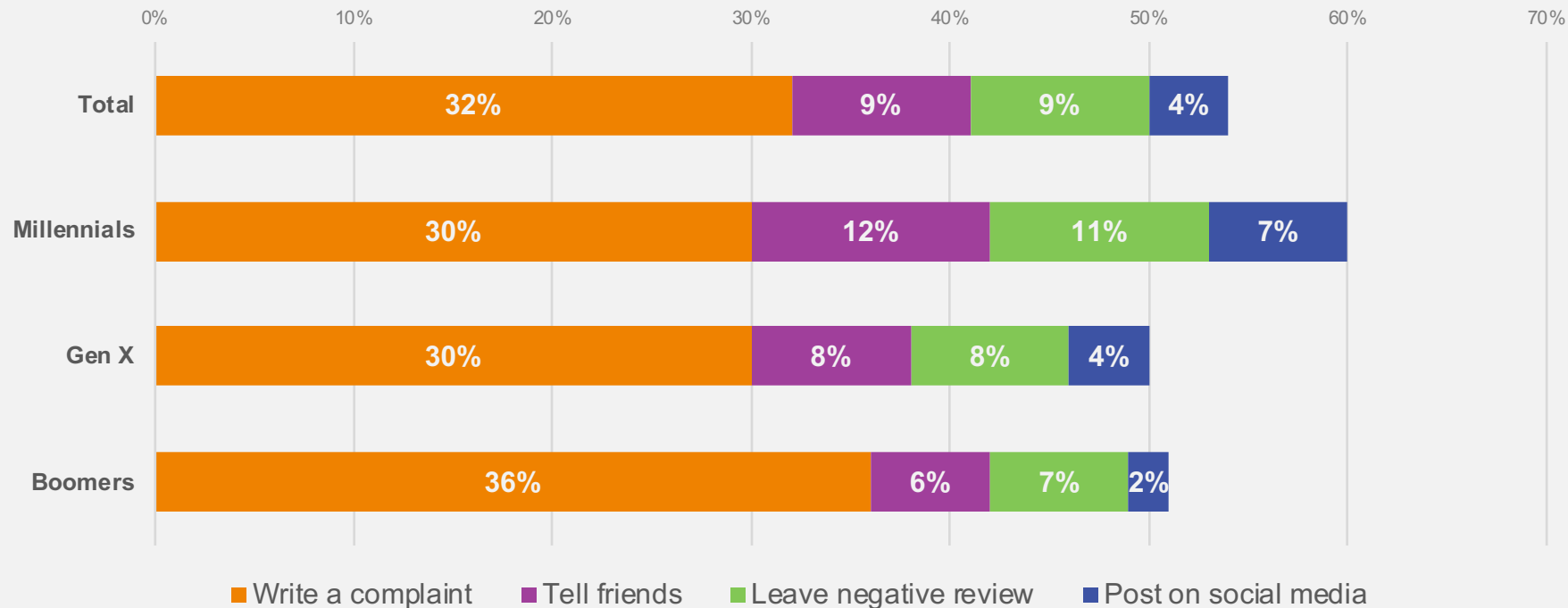


○ **18%**
never purchase from
that site again

▨ **16%**
purchase less often
from that site

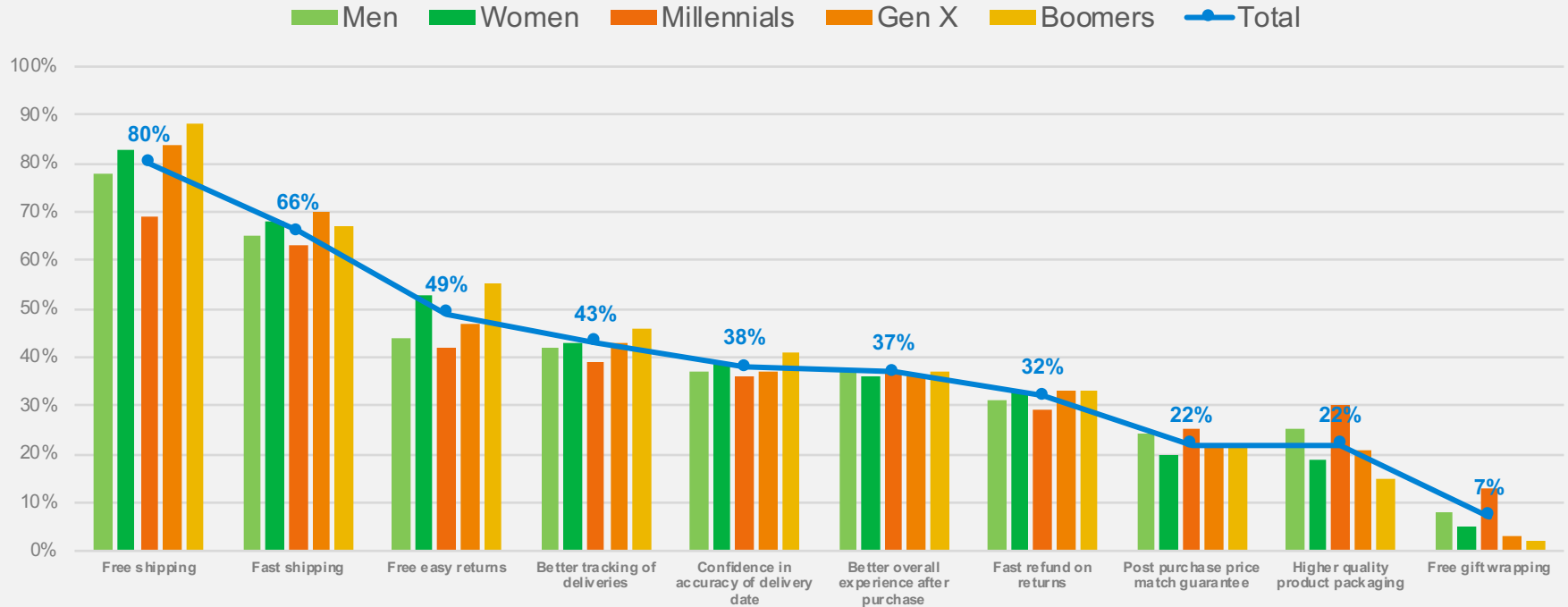
The network effects of one poor experience

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



Use the post-purchase brand promise to attract customers

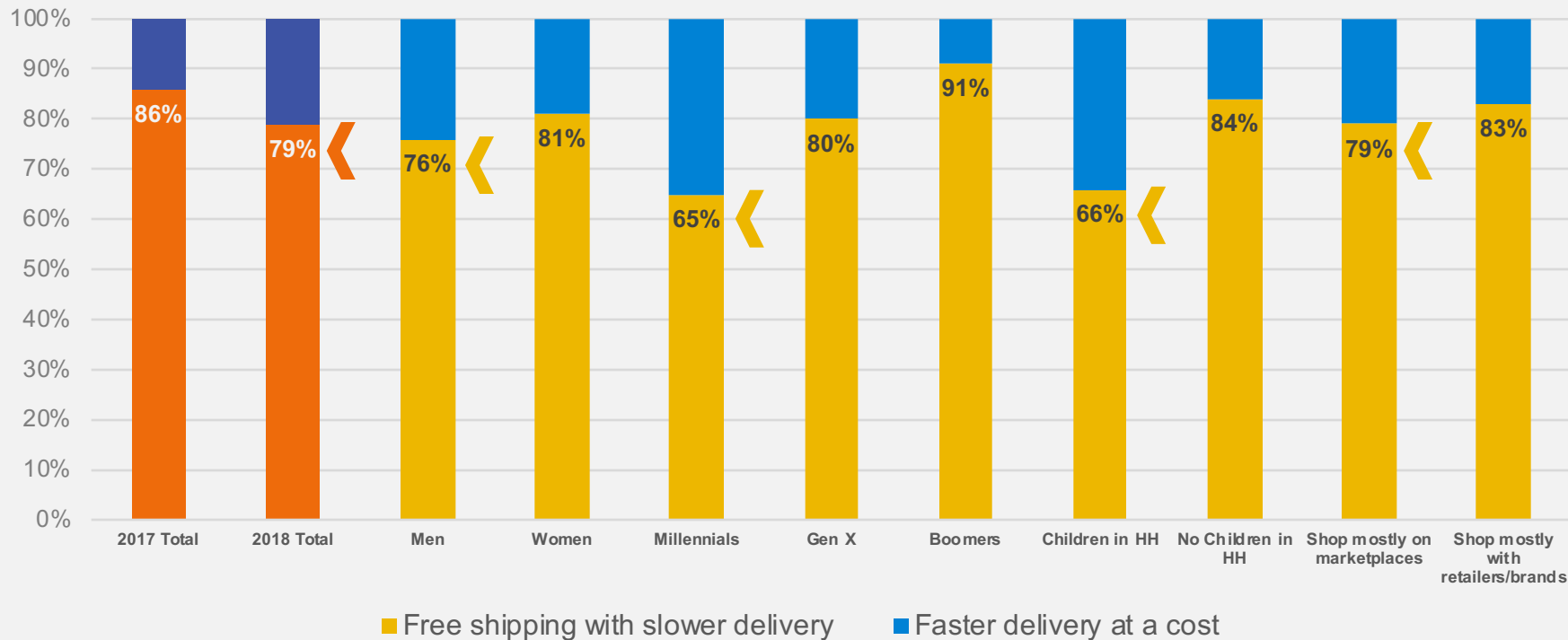
Free shipping is the #1 criteria when consumers are deciding where to shop.



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 choose. But that's slowly changing with younger shoppers.

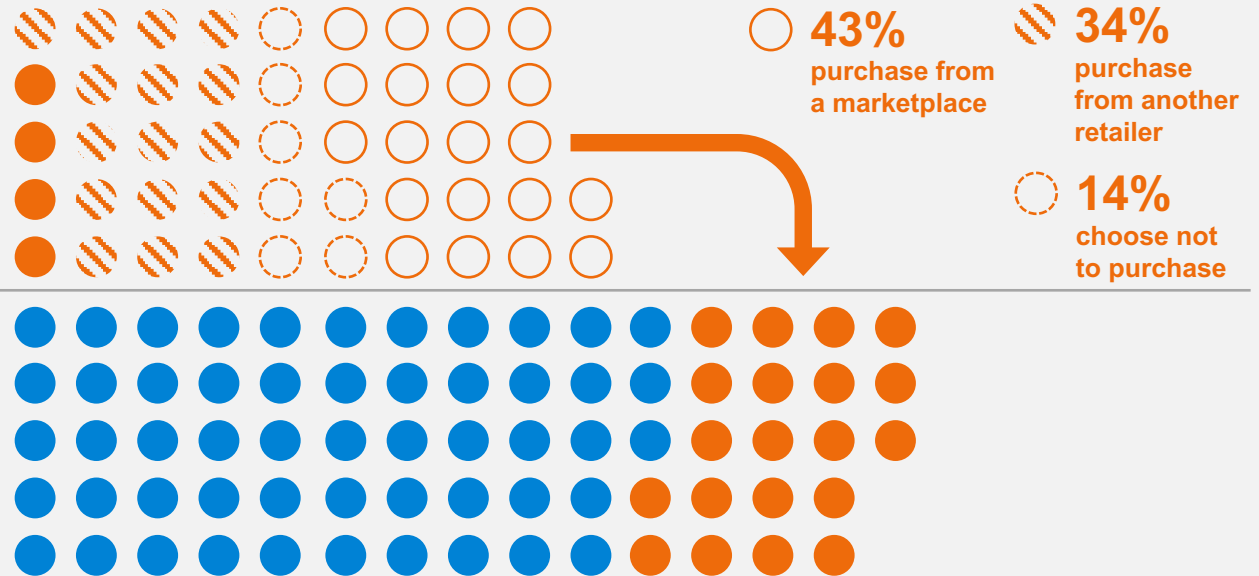


91% of consumers leave

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

Purchase from
online retailers
& brands

Purchase
from online
marketplaces



What does “fast and free” mean, anyway?

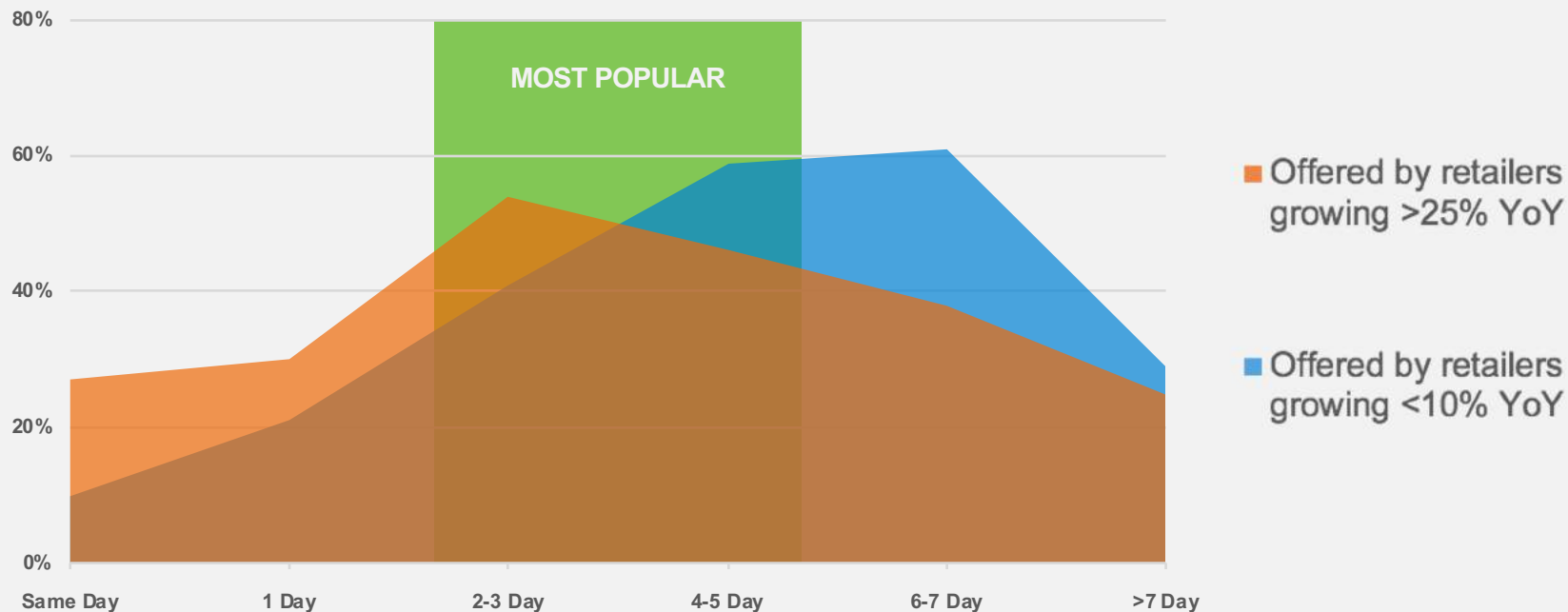
2-day free shipping is now the *prime* option—while 3- and 4-day is acceptable



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

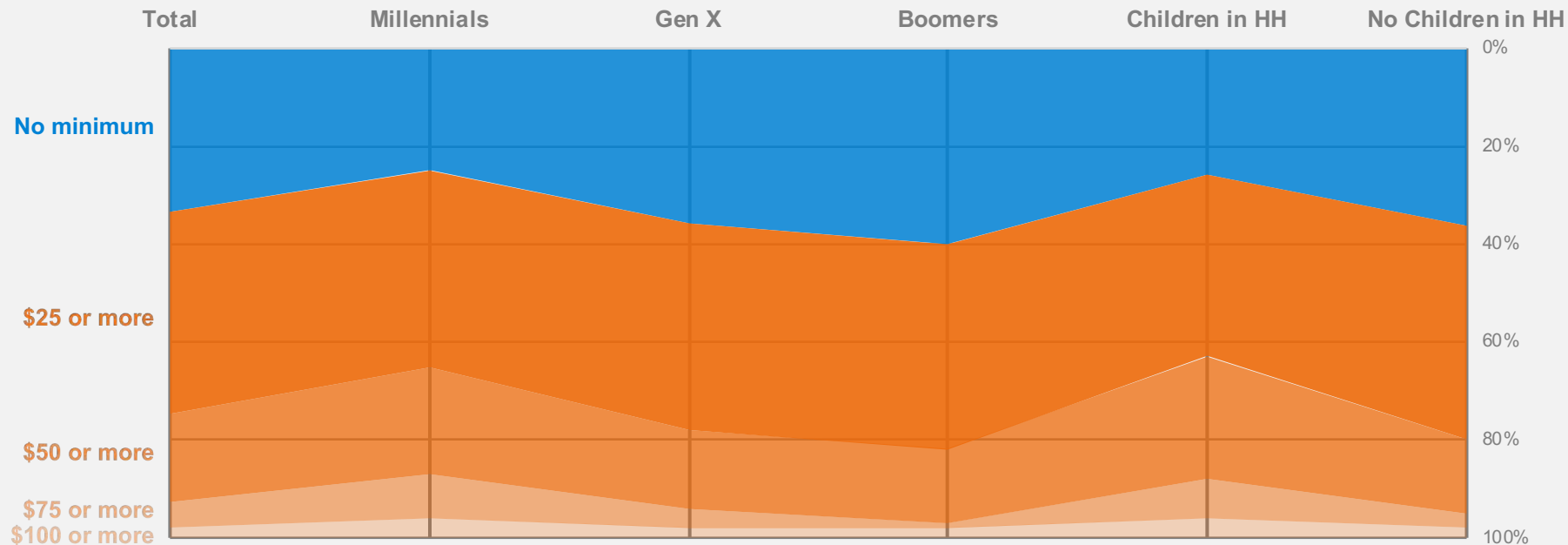
Most popular *free shipping* options offered by high-growth vs low-growth retailers



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.

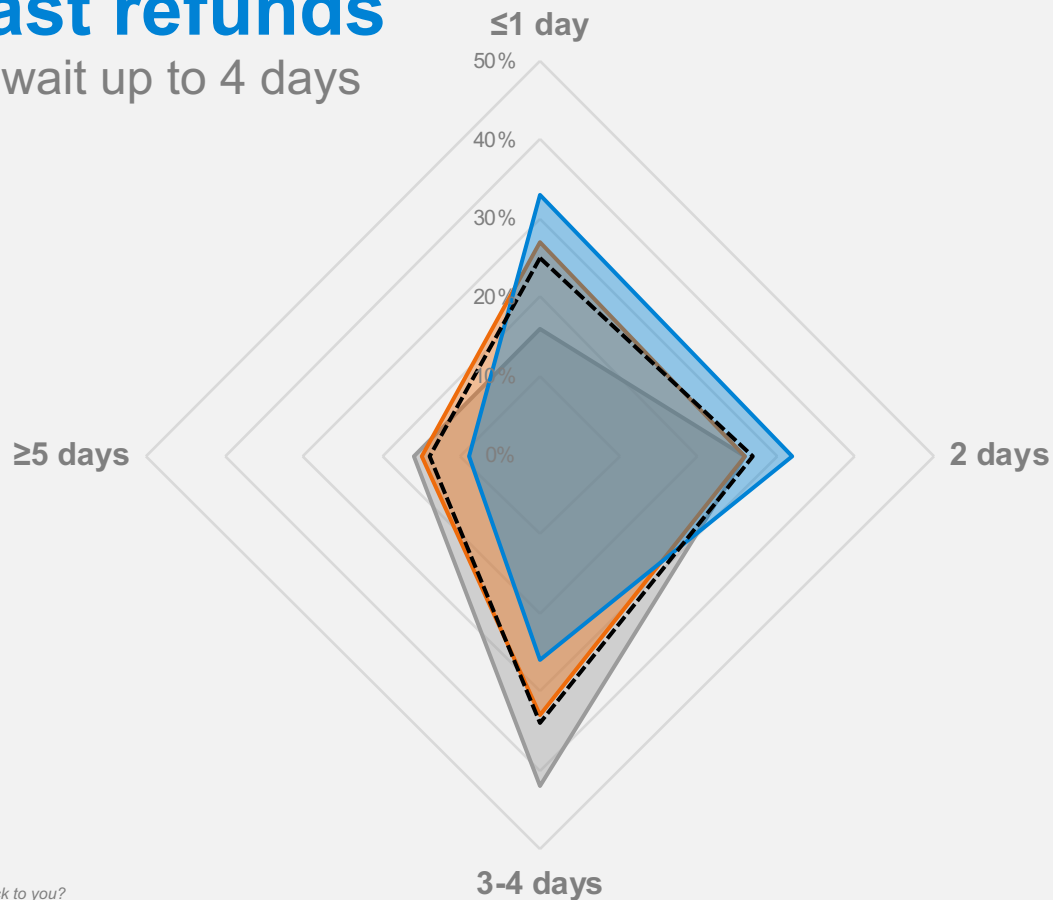
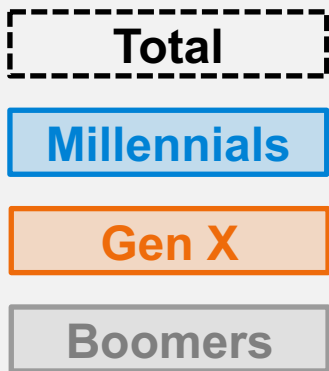
- Consumers prefer having returns labels included in the box
- Postal returns are as popular as in-store returns



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

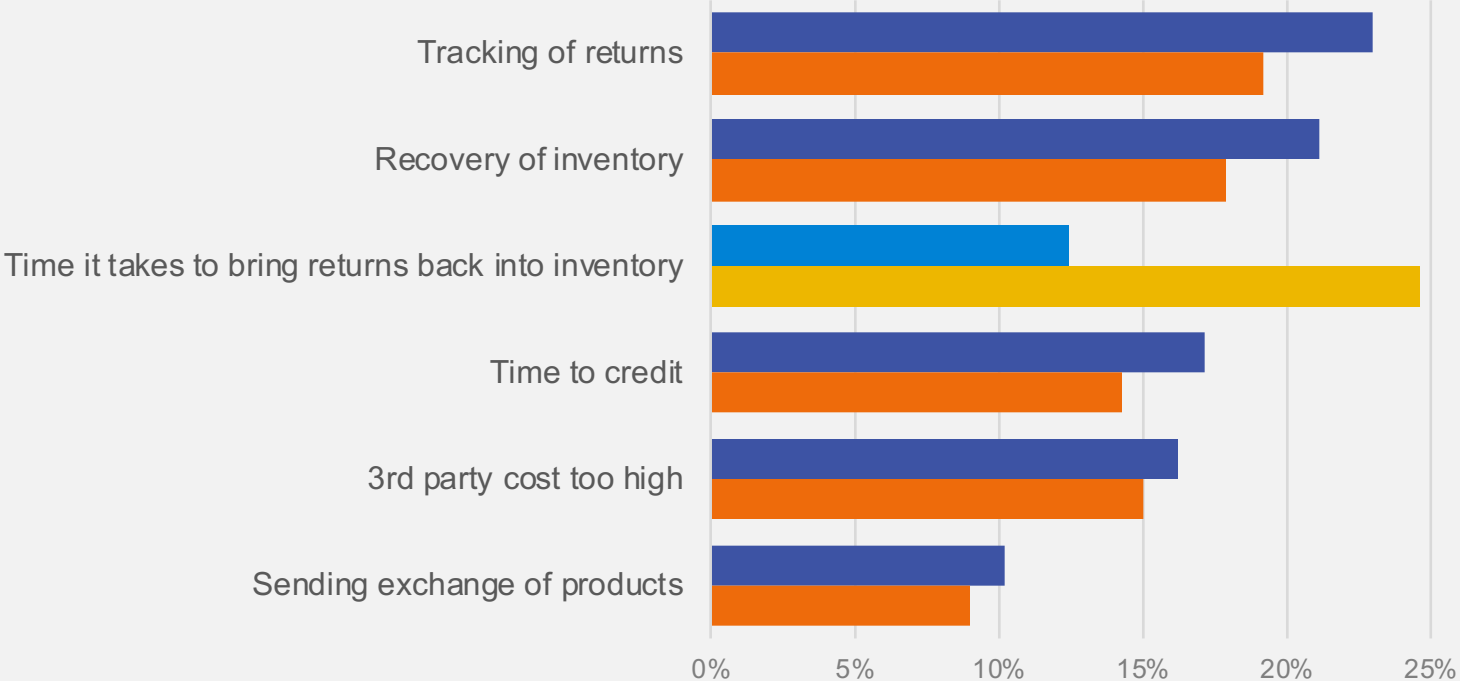


When you return an online purchase, what is the acceptable time frame for a refund to be credited back to you?

Executives believe returns challenges are greater

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

- VP or above
- Below VP

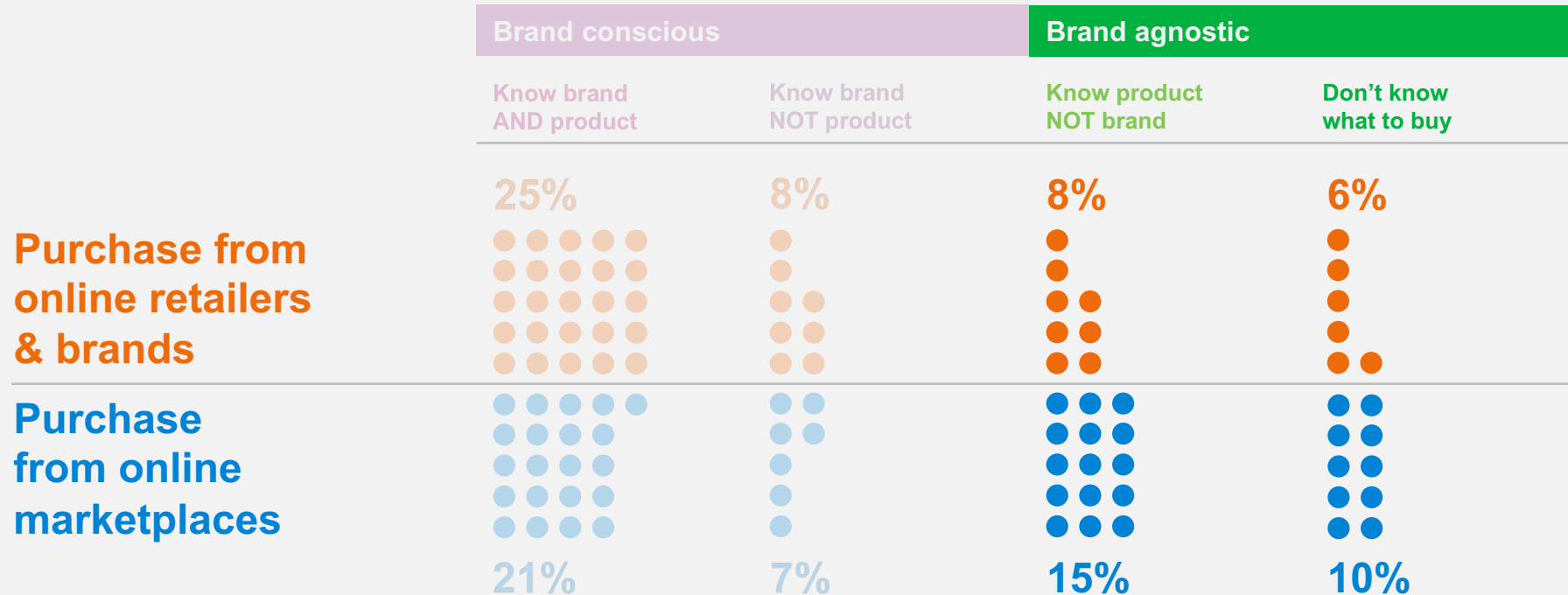


US DOMESTIC ECOMMERCE

Subscription box services: A customer acquisition opportunity

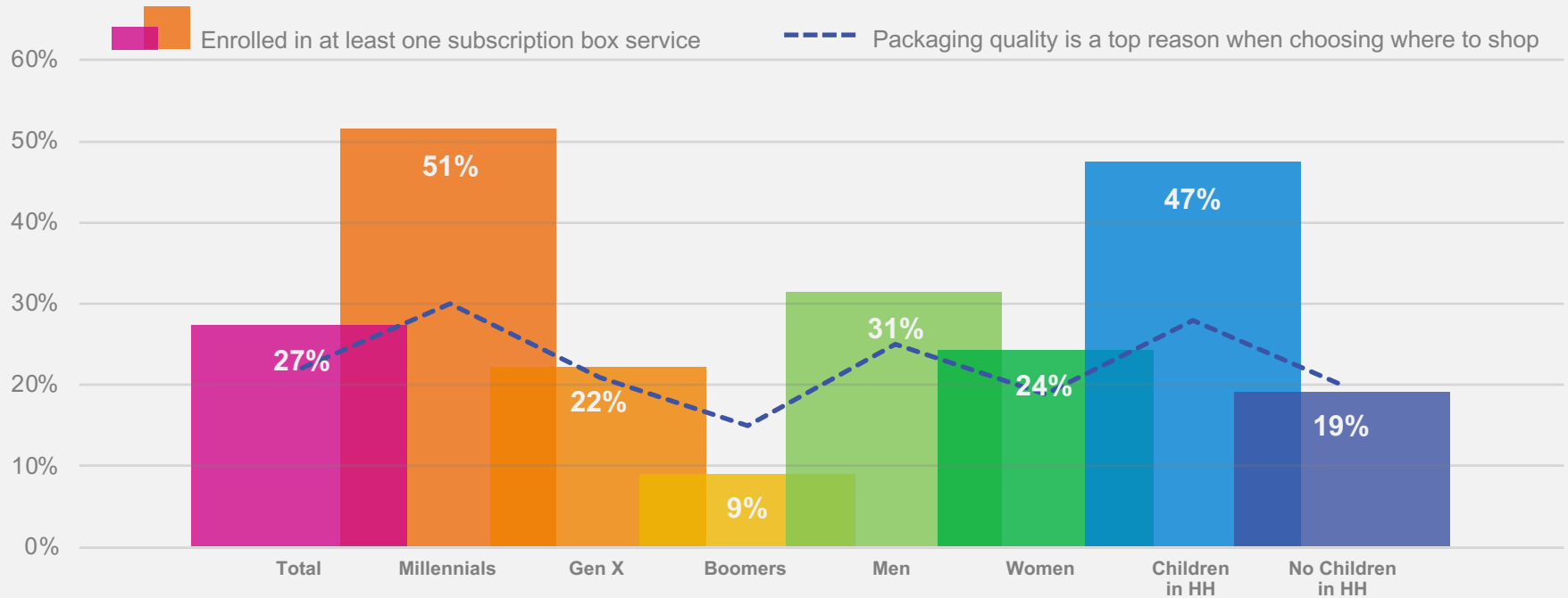
A silver lining among brand agnostic shoppers?

A unique opportunity for brand discovery among certain consumers



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	

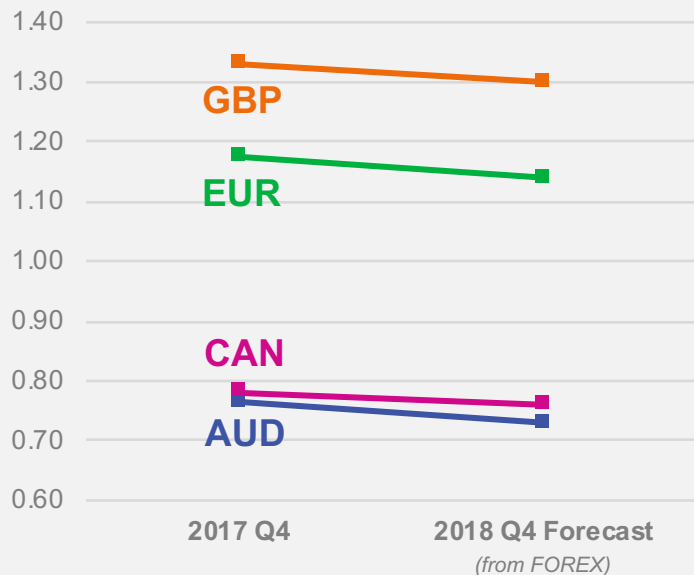
CROSS-BORDER ECOMMERCE

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

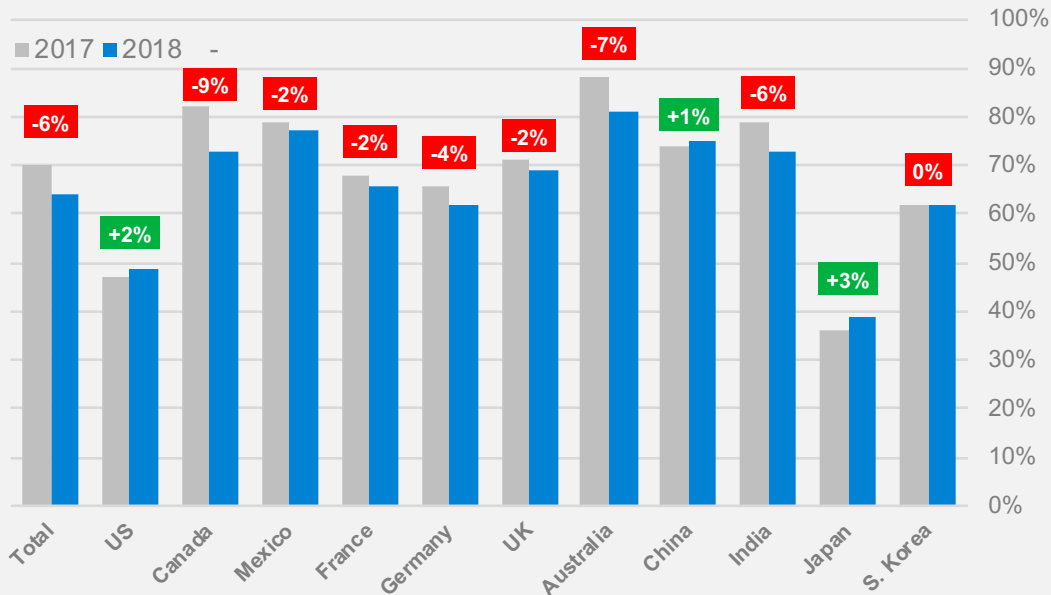
Cross-border consumers are FX-savvy

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

Key currencies relative to USD



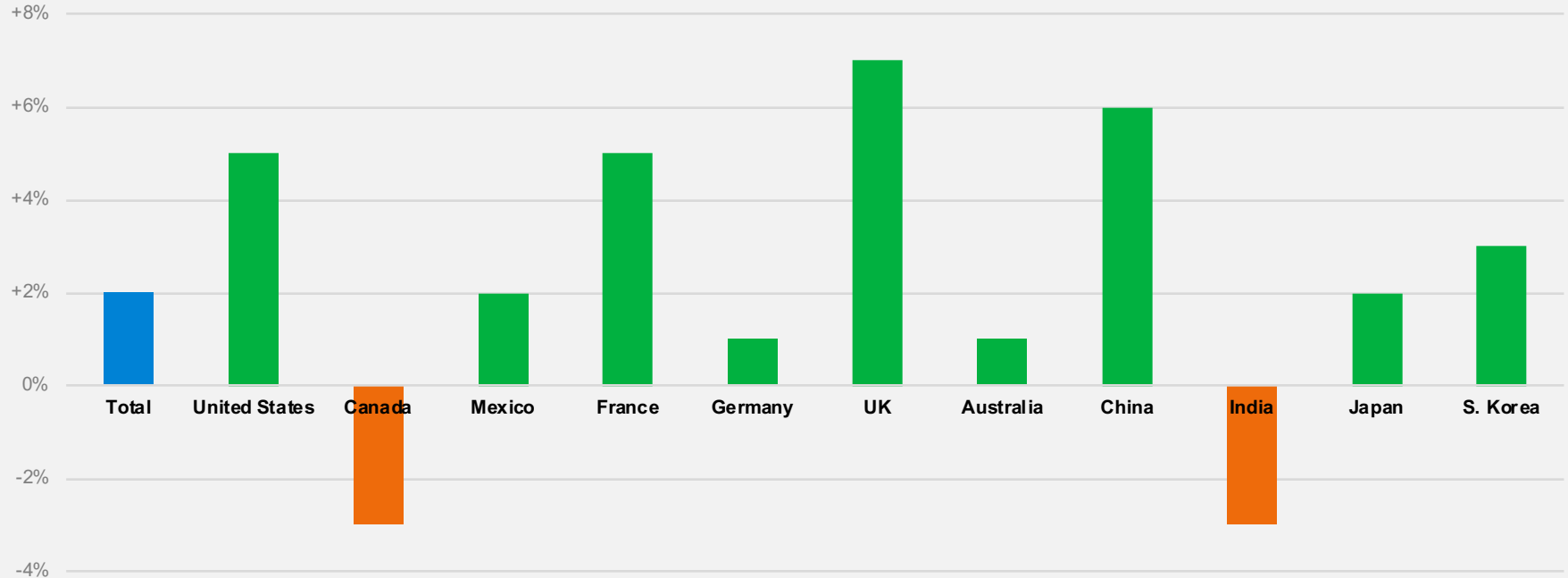
Cross-border ecommerce adoption, YoY



And yet, because economies are improving...

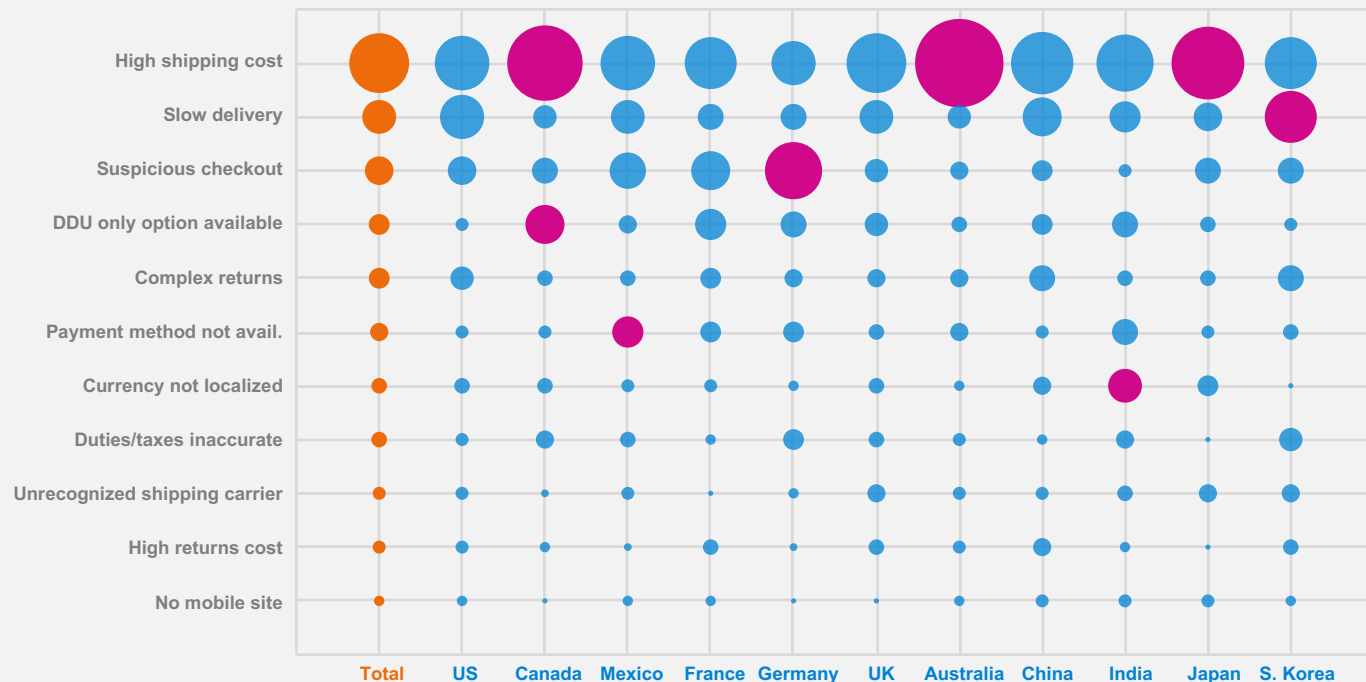
Consumers who do shop cross-border are generally shopping *more often*

* *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

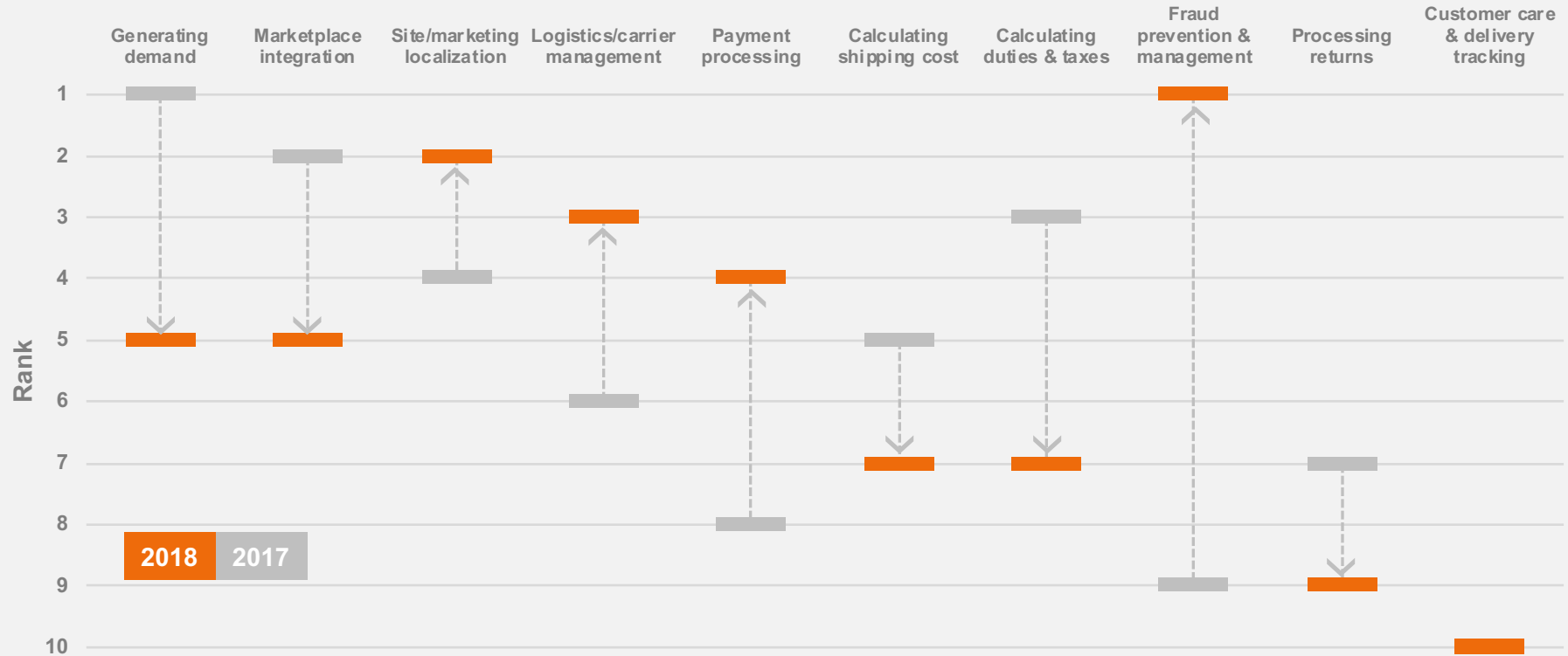
- Canadians prefer DDP and DDU options (and are particularly sensitive to shipping cost)
- Mexicans don't see enough localized payment methods
- Germans rate "suspicious/fraudulent checkout" as top concern
- Australians are generally *only* concerned with shipping cost (and not speed)
- Indians don't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

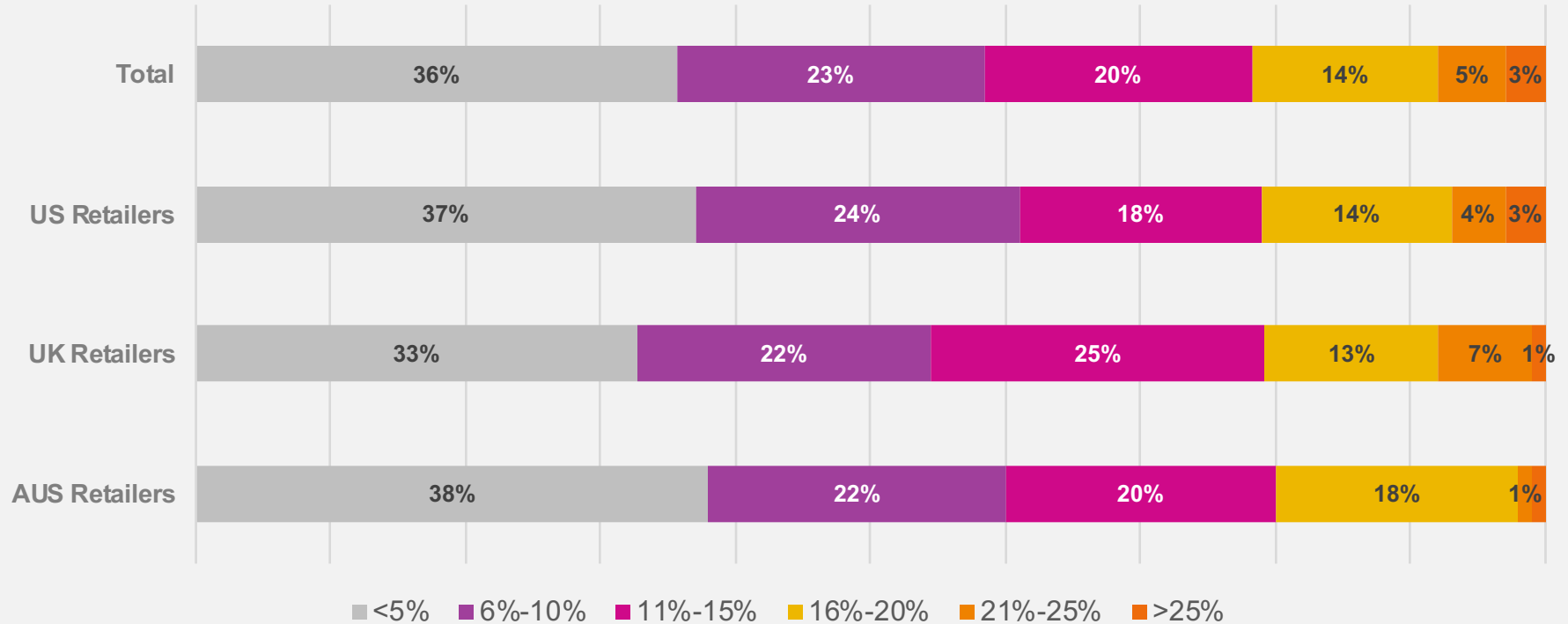
Optimizations (logistics, payment, etc.) also rise as customer acquisition strategies fall in importance



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

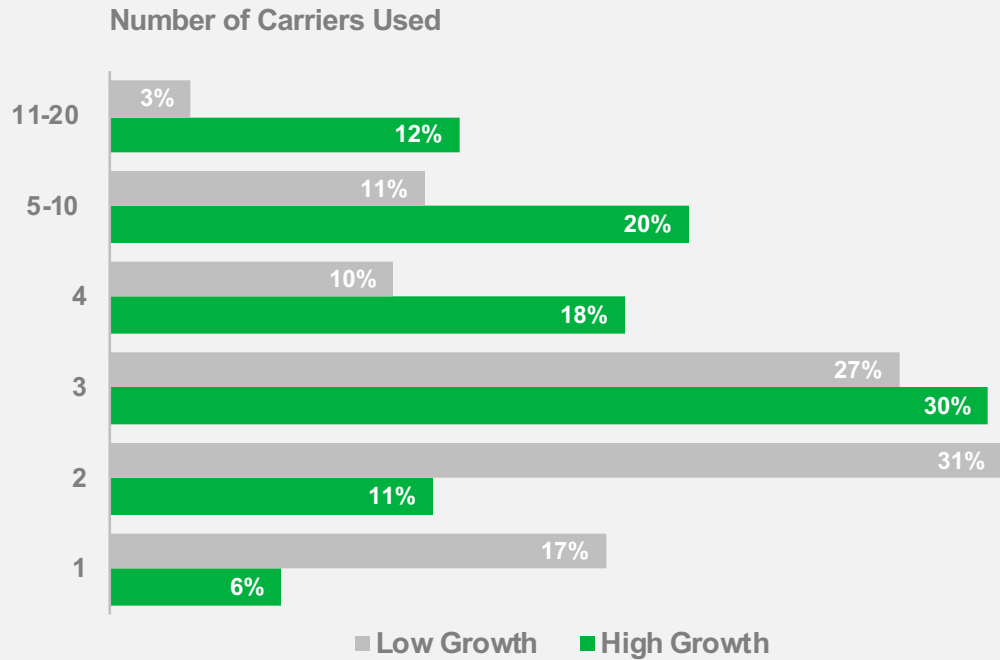
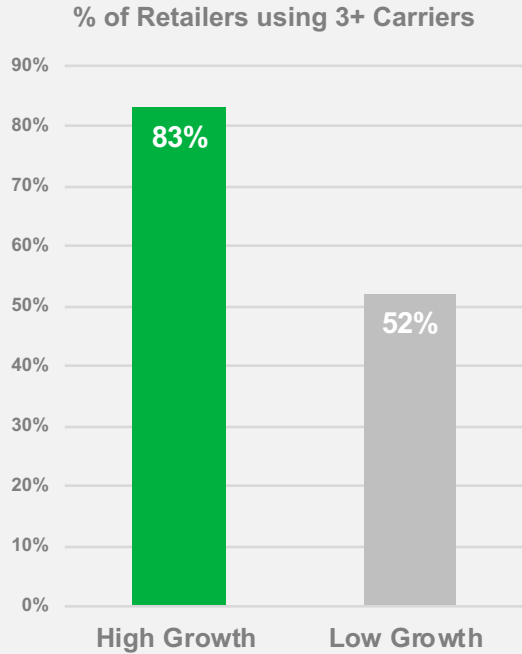
Significantly higher than domestic average of 2.6%



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



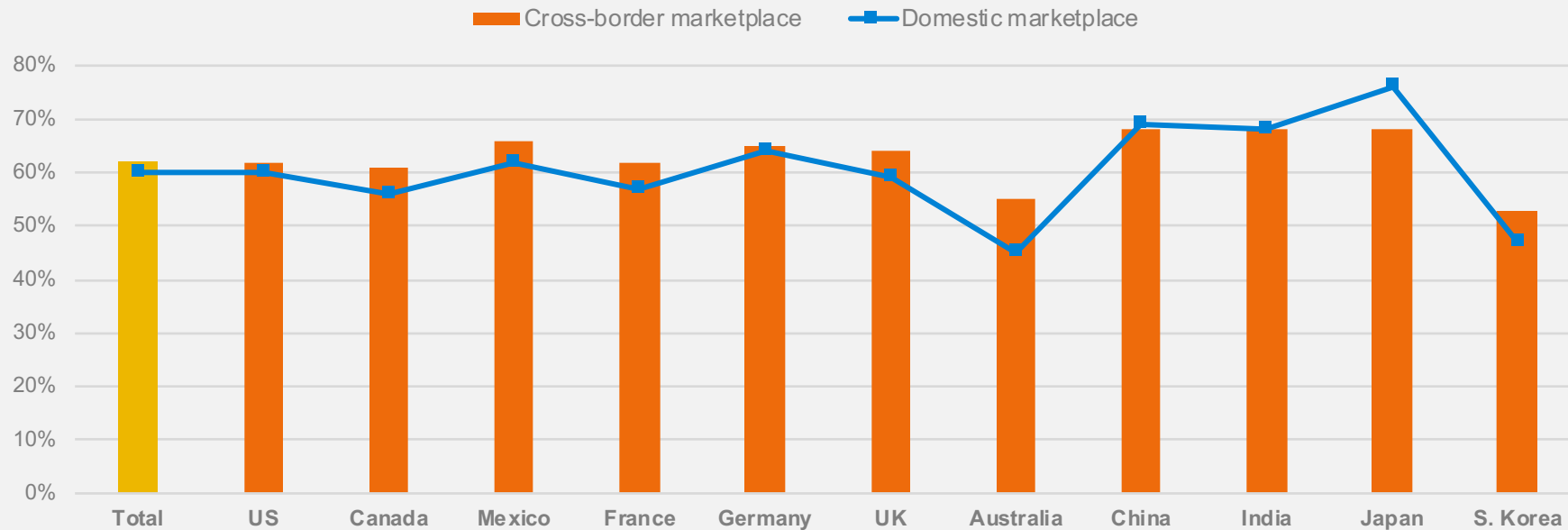
How many carrier services do you use for your cross-border shipping network (including global and in-country/last mile carriers)?

CROSS-BORDER ECOMMERCE

Spotlight on China

Marketplaces dominate cross-border

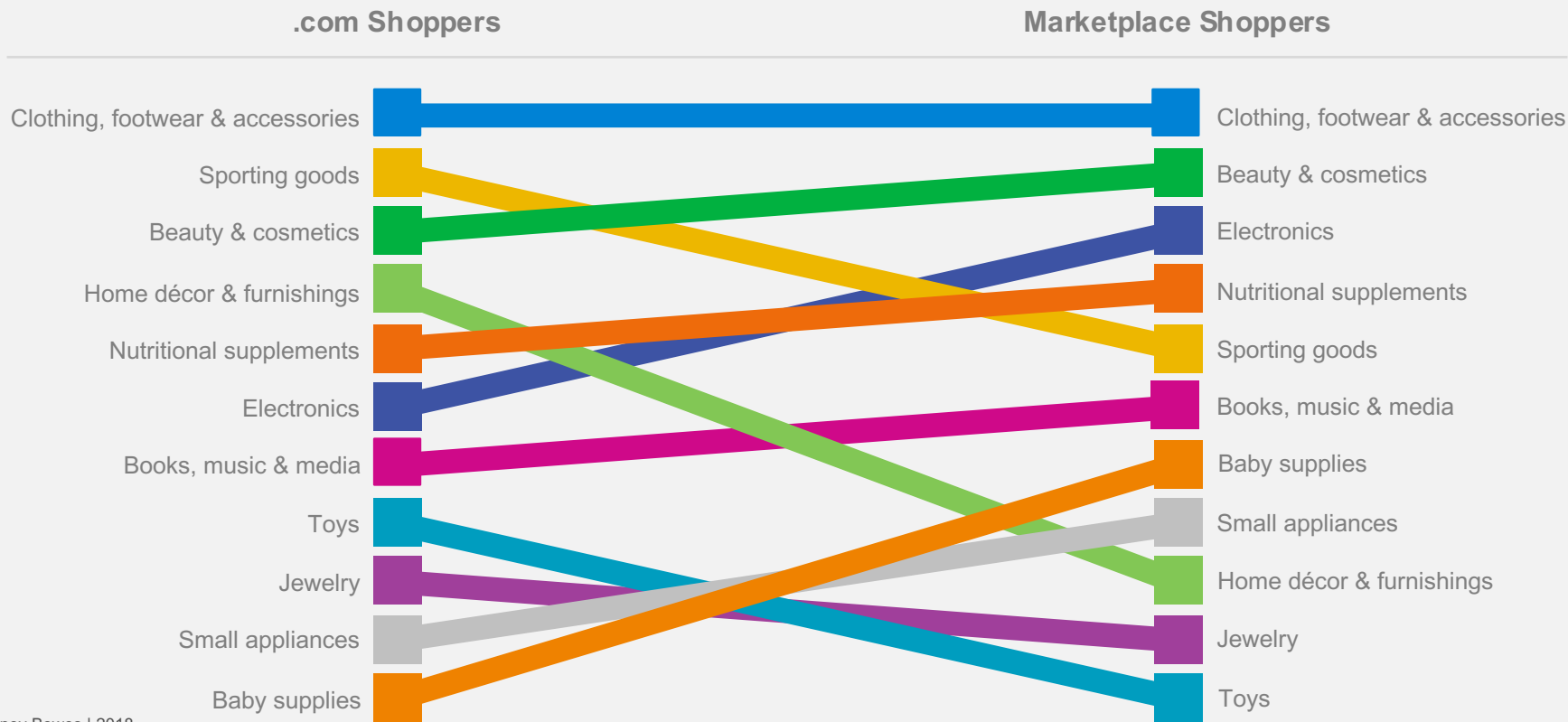
Even (slightly) more than with domestic purchases (except China & Japan)



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

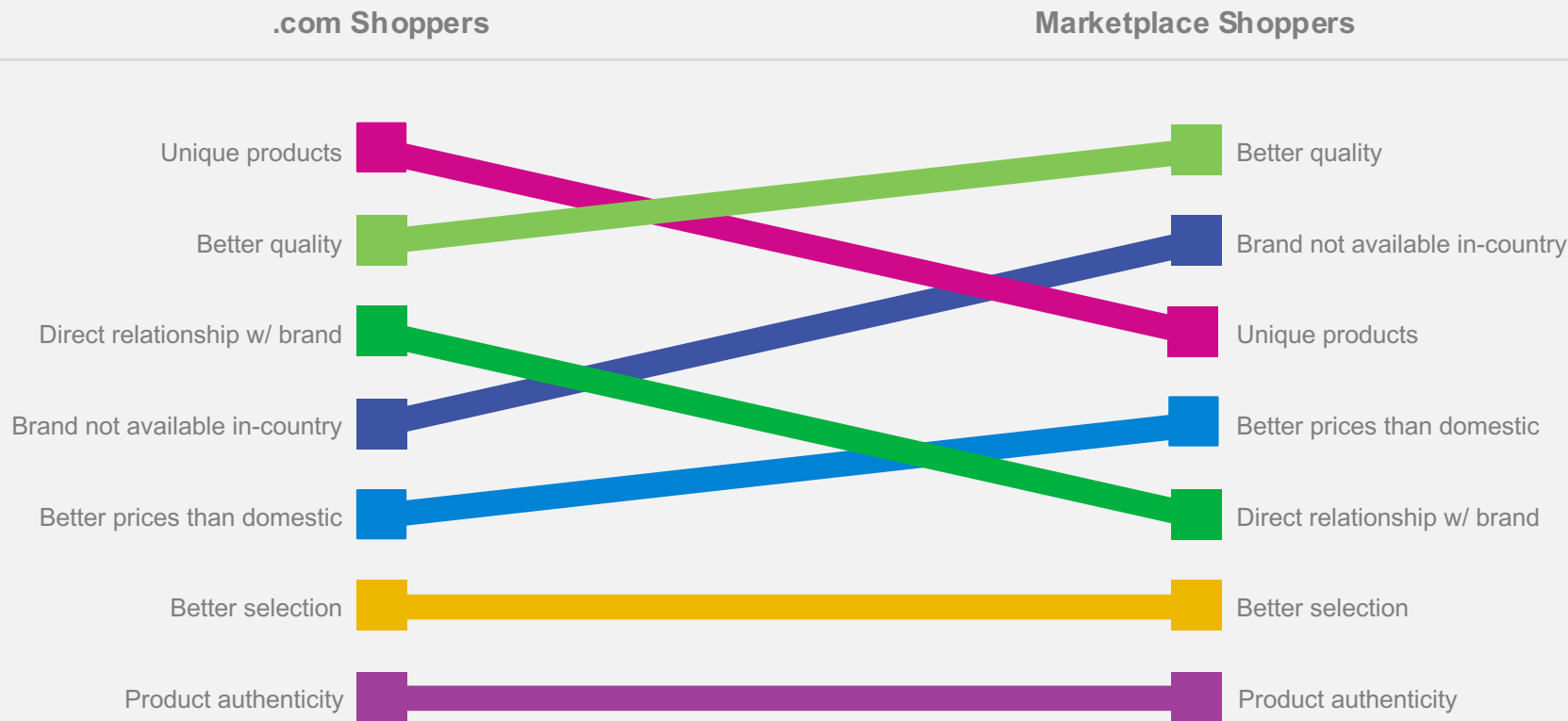
Chinese cross-border .com shoppers looking for different products

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.

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