

Consumer trends in online shopping and shipping

What today's consumers in the US and Europe are buying online, and how businesses can position themselves to capture this international market



Introduction

Online shopping continues to grow with e-commerce sales predicted to reach \$963 billion globally by 2013, with an annual growth rate of 19.4%¹. This rapidly expanding global digital community represents a vast potential marketplace for any retail business with an online presence. E-commerce opens the door to the notion of business without borders – the opportunity to sell products and services to anyone, anywhere in the world. At least, this is the ideal.

Key findings

- Online shopping offers brands a potential international audience – business without borders
- A surging, global online population represents a largely untapped market for many businesses. Reaching this international audience is achievable for businesses of every size
- Analyzing what consumers are purchasing online gives businesses a handle on expansion opportunities and strategy
- On average, books and clothes are the items most commonly bought online and delivered to the home
- At a time of economic uncertainty there has been across-the-board growth in the online purchase of goods over the last 12 months
- Even when a purchase is made online, businesses must understand the multi-channel route that leads consumers to a buying decision

The realities facing any business looking to expand online sales internationally are somewhat more complex. For example, retailers looking to attract global customers may not have fully researched the perplexing cross-border issues related to product restrictions. Some products which are perfectly acceptable in one country can lead to expensive fines if sold abroad. Renowned e-commerce blogger Kent Allen uses the example of alligator key rings in his blog², and restrictions are not only related to animal products.

Other such compliance issues can easily trip up unaware businesses. And then, there is the management of cross-border parcel clearance and the obligation to accurately fill out shipping forms to ensure orders aren't left waiting for clearance. Add the challenge of dealing with multiple tax authorities, and businesses may well wonder if the reward is worth the effort. The simple answer is 'yes'.

Which US business, for example, would not be interested in a share of the estimated \$122 billion online retail spending in Western Europe³? And which non-British businesses would decline an opportunity to capture some of the UK's 37 million online shoppers⁴?

¹ Goldman Sachs in JP Morgan's annual 'Nothing But Net: 2011' Internet Investment Guide on digital commerce

² Kent Allen – 'Helping Colonel Littleton Jumpstart its Cross-Border E-commerce Sales' – June 29, 2012

³ Amazon – ChannelAdvisor EU Catalyst – May 2011

⁴ The Interactive Media in Retail Group (IMRG) – July 2011

To entertain any ideas of international expansion, today's businesses must first understand the current online purchasing picture. A Pitney Bowes survey of more than 4,000 consumers uncovered online purchasing trends in the US, UK, France and Germany. Results show similarity across these geographies, and also some intriguing anomalies.

Certainly, there will be commonality in terms of the journey consumers take towards eventual purchase. Even if products are bought online, the fact remains that leading consumers to this purchase point is best achieved through intelligent multi-channel communication.

Online purchasing patterns

Consumers in the four surveyed countries were asked which types of product they have bought online and had delivered to their homes in the last year. The clarification around home delivery is included in order to filter out purchases of non-physical items such as downloaded video games, e-books or software.

Taking an average of results across all four countries, the three most commonly purchased and delivered items are books, clothes (both purchased by 61% of respondents) and magazines (45%).

The high ranking of books and clothes is no surprise. The overall market for physical books may be in decline, propped up by e-book sales, but established players such as Amazon hold powerful sway. Indeed, Amazon itself reported double-digit growth in physical books in 2011⁵. Similarly, online clothes retail, whether through pure-play e-commerce businesses or established high-end chains with a web presence, continue to perform strongly.

The strong showing for online magazine purchase is less predictable, particularly at a time when magazines and newspapers are racing to develop tablet and laptop-ready digital versions of their titles. The statistics indicate that, while single-copy newsstand sales may be struggling, magazine subscriptions are seemingly holding up robustly.



Market differences

Some interesting geographical differences emerge from the survey.

Graph 2: Item purchased online and delivered to my home

| | US | UK | Germany | France | Average |
|--------------------|-----|-----|---------|--------|---------|
| Books | 52% | 66% | 74% | 52% | 61% |
| Groceries | 15% | 47% | 22% | 23% | 27% |
| Clothes | 51% | 68% | 70% | 55% | 61% |
| Shoes | 38% | 45% | 49% | 35% | 42% |
| Movies | 41% | 42% | 29% | 19% | 33% |
| Video Games | 22% | 33% | 21% | 18% | 24% |
| Pharmaceuticals | 28% | 17% | 52% | 9% | 26% |
| Beauty Products | 27% | 32% | 36% | 35% | 32% |
| Pet Supplies | 16% | 18% | 23% | 10% | 17% |
| Magazines | 55% | 35% | 46% | 45% | 45% |
| Home Furnishing | 20% | 30% | 30% | 20% | 25% |
| DIY Products | 10% | 22% | 17% | 11% | 15% |
| Craft Products | 13% | 16% | 11% | 8% | 12% |
| Health Supplements | 25% | 18% | 21% | 13% | 19% |
| Electrical Goods | 18% | 49% | 54% | 25% | 37% |
| Electronics | 41% | 32% | 42% | 37% | 38% |
| Toys | 22% | 36% | 24% | 22% | 26% |
| Gardening Products | 14% | 21% | 22% | 11% | 17% |

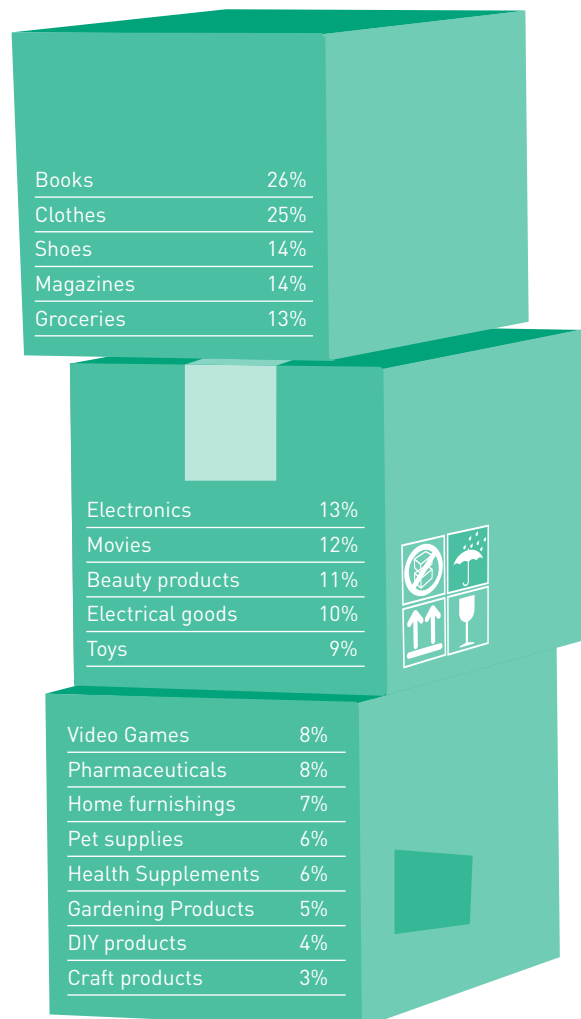
For example, online purchase of pharmaceuticals in Germany is significantly higher than in other regions. One can point to the hugely discounted online prices available through German sites such as apotheke.de as an explanation for this current trend.

The results also point to the highly developed online grocery shopping market in the UK - more than double that in any of the other markets. The UK market is set for further meteoric growth over the next five years, rising to an estimated £9.9bn by 2015⁷.

Crucially, the survey also asked consumers to reveal which products they had purchased more of in the last year – providing a growth average. Again, books, clothes and magazines top the chart – all experiencing healthy double-digit growth. But the most significant revelation is that online purchase of every product type has increased over the last 12 months.

Even in today's tough economic climate, consumers are continuing to spend online. The challenge for businesses is to successfully understand how consumers arrive at an online purchase in order to influence decisions and win a bigger share of the e-commerce market.

Graph 3: I have had more of this product delivered in the last year



Reaching the global e-commerce audience

Knowledge of local markets is critical for businesses looking to expand and these findings provide a helpful barometer of current tastes and habits. It is also essential that businesses recognise the complex multi-channel route that consumers take before clicking to purchase.

Online purchasing does not happen in isolation. The route to purchase is not linear, and many different channels are touched upon before a product is finally bought. Consider the healthy survey results for online clothes purchasing. Buyers may have noticed an item of clothing in a magazine. They may have received an email announcing special offers on certain clothing lines, or visited a local store to try an item on before deciding to buy from the comfort of home. The route to purchase will differ by product type, but also by individual.

The touch points are multi-channel. In fact, available research and analysis indicates that multi-channel consumers are the most valuable to any business. A 2010 report from Deloitte found that multi-channel consumers – which the report defined as those that employ more than one contact point such as store, website, catalogue and call center before making a purchase – spend 82% more per transaction than those who only shop in store .

Understanding customer behavior and recognizing the triggers that lead to purchase is a science - but it is a science open to businesses of every size. Data analytics solutions map individual behaviors, providing businesses with the information required to precisely segment and tailor future communications so that the right message is delivered at the right time to the right touch point.

Location intelligence solutions also exist, helping businesses to accurately identify areas that contain a high percentage of customers and/or likely prospects. This software sophistication can be applied to wider geographies, giving businesses a head start when it comes to marketing into international territories.

But what of the mechanics of delivery? Even if an audience is identified and products are sold, what of the difficulties outlined in the report introduction regarding fulfilment of international online orders? The good news is that this too is a function made simple and achievable through available services and software. Businesses are benefiting from sophisticated e-commerce technology solutions that take the pain away from challenges relating to compliance, translation, currency and taxation.

Essential steps towards global expansion

There is no one-size-fits-all solution to global expansion. Moving from a domestic sales model to trading internationally will present unique challenges to each business. However, there are essential steps for every business to consider.

Know your market

Businesses must do their research and know their market. What sells well at home may not appeal to an international audience. This doesn't mean re-inventing the product or service portfolio. Rather, time and effort should be spent on prioritizing and marketing the most relevant items.

A web presence that adjusts to different countries is a must. This is not simply a case of translation; the site should also be clear about pricing and delivery options, giving potential customers the comfort that any purchase will be handled expertly and securely.

Make it easy on you - and your customers

Trading internationally means addressing local issues relating to tax and currencies, and understanding local postal issues around size and weight restrictions. Seeking expert advice can smooth this process, enabling businesses to focus on core business tasks.

Once this expert advice has been received and implemented, businesses must then ensure that customers are left with no surprises. Include currency and tax calculations in final stated prices, be transparent about delivery cost and timing.

Multi-channel communications – deliver delight

Expert communication is critical to an enhanced customer experience. Today's customers expect to be able to communicate across multiple channels. Trading internationally requires the ability to handle these multi-channel interactions – in a variety of languages – and to use the resulting data to further enhance the ongoing, one-to-one conversation.

If this sounds daunting, it shouldn't. Once again, tailored solutions can help businesses of every size to become marketing maestros. This expertise can help businesses to keep all communications relevant and engaging – from the first touch point, through the transaction, to the final consumer delight when their shipment arrives.

Conclusion

Results show that the online shopping market across all surveyed territories is thriving. On average, books, clothes and magazines are the most commonly purchased items, but the report reveals growth across all product types over the past 12 months.

This international e-commerce population represents a huge, untapped market for many businesses. Certainly, there are challenges associated with developing cross-border markets and fulfilling on international sales. But available technology is smoothing the path to e-commerce expansion and opening the way to business without borders.

Understanding the current purchasing picture is an essential step, alongside developing a detailed view of customer behavior and ensuring that the resulting intelligence informs communications management across every channel.

The steps taken to arrive at the final online purchasing decision may vary by country, by product and by person. Multiple touch points will contribute, and brands must ensure these channels are fully joined up to deliver a consistently impressive customer experience. Achieving this consistency across a number of marketplaces adds complexity, but businesses are recognizing that third-party expertise can quickly transform potential into profit.

Methodology:

- 5000 consumers surveyed: 1,000 in each of UK, France, Germany; 2000 in USA
- Respondents balanced by age/ region/ sex
- Survey conducted online



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