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Distribution

Dotcom Distribution 2022 E-commerce Consumer Study

Post-Pandemic E-Commerce Consumer Expectations

TABLE OF CONTENTS

01 **Executive Summary**

04 **E-commerce Landscape & Trends** *Online Shoppers Have Kept Certain Standards*

09 **Purchase Behavior** *The More Brands Give, The More They Get*

16 **Omnichannel** *Post-Pandemic Consumers Expect a Holistic Experience*

23 **Shipping** *Free Shipping Rules*

29 **Returns** *More Important Than Ever Before*

35 **Packaging** *Less is More*

44 **Sustainability** *Greener Choices Build Business and Brand Image*

49 **Luxury Shoppers** *Luxury Purchases Lead the Way in E-commerce*

62 **Beauty Consumers** *Where Cost-Conscious and Eco-Friendly Intersect*

69 **About Dotcom Distribution**

70 **Methodology**

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Executive Summary

For the past 22 years, customer experience has guided Dotcom Distribution's operations, helping emerging brands deliver thoughtful, exciting, convenient, unique experiences to customers through best-in-class order fulfillment. Dotcom Distribution conducts this annual e-commerce Consumer Study to follow and report on the experiences and behaviors of U.S. online shoppers, determine patterns and trends, and identify opportunities for brands to cater to their evolving preferences.

Each year, this study helps to sharpen the lens through which direct marketers observe and evaluate industry practices and trends. In 2022, there was one sweeping theme: **supply chain.** According to our latest research, these are some of the key topics that brands and retailers can address to shape the ideal customer experience, even during a period of uncertainty in the supply chain.

Avoid Charging Customers for Shipping

Free shipping has long been a motivating factor in purchase decisions for online shoppers, but it's now reached a make-or-break level. Consumers are sympathetic to the recent supply chain challenges. Despite their acknowledgment and tolerance of delays, they are drawing the line at paying for shipping. In fact, while 72% reported being more tolerant of shipping delays, only 25% said they are more tolerant of shipping costs. Across all age groups, online shoppers are particularly averse to unexpected shipping fees, as shown by the **79% of respondents who reported abandoning items in their carts upon being presented with surprise shipping charges.** Thirteen percent of all shoppers won't even make a purchase if they're required to pay for shipping.

Tighten Up Your Omnichannel Strategy

The surge in online shopping, paired with the availability and adoption of scheduled, remote, and contactless pickup options, has made maintaining a strong omnichannel presence a prerequisite for success across the retail spectrum. Consumers are shopping across all sales channels, sometimes throughout a single purchase journey, **making the implementation of a robust multichannel strategy integral to a robust, successful consumer experience.** For example, nearly half of the online shoppers who reported a change in their shopping behavior due to supply chain deficiencies (65% of respondents) now turn to websites for in-store product availability before going to a physical store. This is just one of many findings that emphasize the urgency for retailers and brands to accommodate shoppers' expectations for flexibility, transparency, and convenience at every touch point.

Explore Alternative Business Models

Assuming, of course, a company's products or services are suited to a subscription model, this strategy can boost retention and generate recurring revenue. According to a study conducted by The Harris Poll on behalf of leading subscription management platform provider Zuora, subscription businesses have grown nearly six times faster than the S&P 500 over the last nine years. This growth was credited to an increase in consumer demand for the use of subscription services, and we found the same to be true in our own research: Our 2021 study revealed that 25% of online shoppers signed up for one or more subscription services during the pandemic; **this year, the adoption of subscription services rose to 35%.** And with UBS forecasting 25% growth in the subscription economy from 2020–2025, an exploratory dive into this model is a worthwhile investment of time.

Prioritize Top-Notch Returns Management

The way a company handles its e-commerce returns impacts how potential and existing customers view the company. More importantly, every year, returns are having a bigger impact on consumers' purchasing decisions. For instance, when we asked our 2021 survey participants whether they would make a purchase from a company that doesn't have a free return policy, 55% said no. When we polled the same audience this year, that number increased to 59%. Returnless refunds are also yielding positive experiences and repeat purchases. **More than half (51%) of our 2022 study participants said the experience of a returnless refund makes them want to purchase from a brand again**—an 11% increase from last year. Further, 34% said it makes them want to donate unwanted items (+11% YOY*) and 33% said it made them feel like the brand cares about the environment (+6% YOY). This form of emotional branding creates a halo effect that contributes to positive brand perception and sentiment.

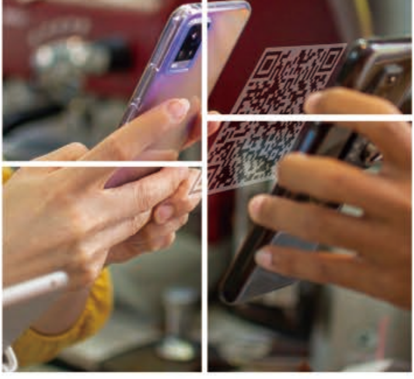
All YOY references throughout this study pertain to Dotcom's 2021 study findings.

Embrace Sustainability

In our 2021 study, 42% of respondents reported brands' use of sustainable packaging wins their return business. In 2022, **69% of consumers reported eco-friendly packaging would make them most likely shop with a brand again,** emphasizing the power of sustainability in building a brand. This beats out value-adds like free samples and gift-like packaging.

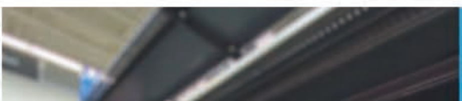
Sustainable packaging was the feature consumers found most appealing (45%), compared to other factors such as ethical sourcing and fuel-efficient transportation.

This year's findings underscore just how integral certain features—such as free shipping and sustainable packaging—have become as a baseline expectation for online shoppers. The results of the study also draw attention to some of the challenges companies of all sizes, across all categories face in today's challenging e-commerce environment.



E-commerce Landscape & Trends

Online Shoppers Have Kept Certain Standards



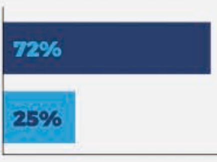
KEY TAKEAWAYS

- ***Shoppers have come to terms with supply chain delays.***
- ***New normal = new behaviors.***
- ***Adoption of subscription and local delivery services is mounting.***

ONE PER
CUSTOMER
PLEASE

Online shoppers are more tolerant of shipping delays than shipping costs.

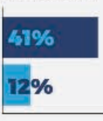
55%
of consumers expect **it will take longer to receive orders** than it has in the past.



"Because I know there are supply chain issues, I am more tolerant of ***shipping delays."***

"Because I know there are supply chain issues, I am more tolerant of ***shipping costs."***

Amidst supply chain disruptions:



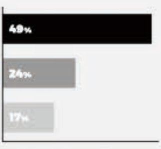
Almost half of shoppers ***are not willing to pay for faster shipping.***

Only a small group ***are not willing to wait longer for orders to arrive.***

Consumers who purchase tools/home improvement items **are least willing to pay more for faster shipping** (78%) and **most tolerant of shipping delays** (75%).

The 'new normal' has influenced new shopping habits.

65% **of shoppers reported changes in their shopping behaviors as a result of supply chain deficiencies.**

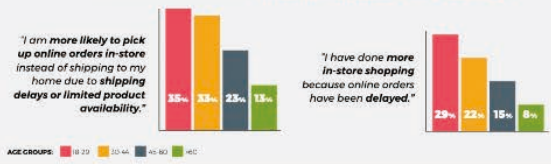


49% are more likely to check a store's website for in-store availability before going to the store than have in the past.

24% have made fewer purchases from stores and brands where they usually shop.

17% have pivoted to in-store shopping.

25% of online shoppers are more likely to pick up orders in-store as a direct result of the "new normal." This is especially true of younger shoppers:



"I am ***more likely to pick up online orders in-store*** *instead of shipping to my home due to* ***shipping delays or limited product availability."***

"I have done ***more in-store shopping*** *because online orders have been* ***delayed."***

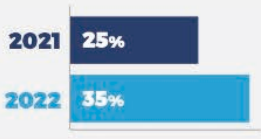
Online shoppers who most frequently reported **picking up order in-store due to shipping delays or limited availability:**
Sporting Goods - 31%

Shoppers who most frequently reported doing more **in-store shopping due to online order delays:**
Sporting Goods - 22%

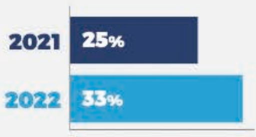
Shoppers who most frequently reported doing **less shopping overall** (online and in-store) **due to supply shortages and/or delays:**
Cleaning Products, Beauty/Cosmetics, and Sporting Goods - 26%

Consumer adoption of subscription services and local delivery apps grows.

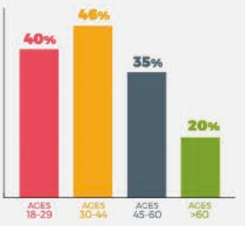
Shoppers who signed up for one or more subscriptions services:



Shoppers who utilized local delivery services:



Younger shoppers are more active with subscription services.

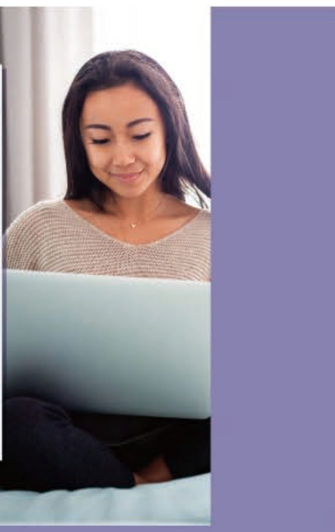


Purchase Behavior

The More Brands Give, The More They Get

KEY TAKEAWAYS

- ***Categorical purchase patterns suggest strategic marketing opportunities.***
- ***Some surprises are welcome; unexpected shipping costs aren't.***
- ***There is consensus on what shoppers prefer to buy in-store.***
- ***Shoppers want to pay with points/rewards.***
- ***Free shipping thresholds yield larger purchases.***



Purchase types popular among different groups suggest strategic marketing opportunities.

What are people buying most?

#1
Clothing

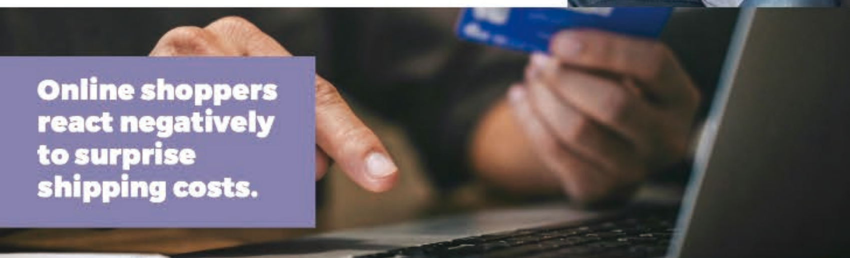
#2
Electronics

#3
Home Goods

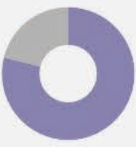
What else are they buying?

Regardless of what else people reported buying online, clothing is the leading purchase category. Electronics is the second most popular category for **all EXCEPT four consumer groups:**

CONSUMER GROUP		2ND MOST POPULAR CATEGORY
Electronics Shoppers	→	**Home Goods - 64%**
Pet Products Shoppers	→	**Home Goods - 68%**
Cleaning Products Shoppers	→	**Home Goods - 73%**
Beauty/Cosmetics Shoppers	→	**Accessories - 73%**

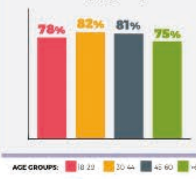


Online shoppers react negatively to surprise shipping costs.



79% have **abandoned items in carts** upon seeing **unanticipated shipping costs** in the last 12 months.

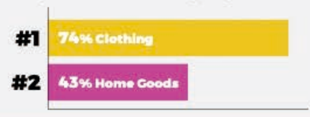
This is consistent among all age groups:



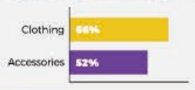
Shoppers who purchase **Accessories, Pet Products** and **Toys** abandoned carts most often. **(83%)**

Most shoppers agree on what they'd prefer to buy in-store.

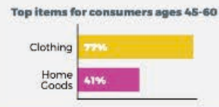
When given the option to buy something online or in-store at the same price, which would you purchase in-store?



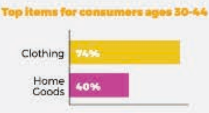
Top items for consumers ages 18-29



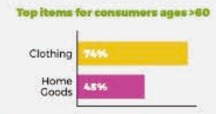
Top items for consumers ages 45-60



Top items for consumers ages 30-44

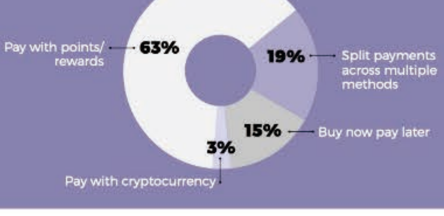


Top items for consumers ages >60



Consumers are crystal clear about payment method preferences.

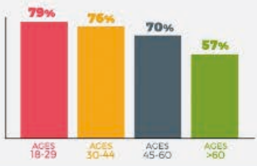
Consumers would prefer to be able to **pay with points/rewards** more often than any other option.



Free shipping thresholds result in larger purchases.

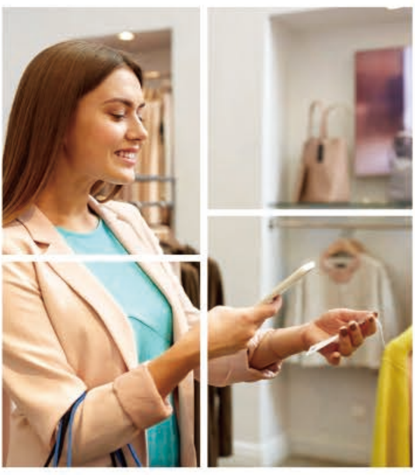
67% of all respondents added more items to their online shopping carts to qualify for free shipping.

Younger shoppers will buy more to get free shipping.



Shopper categories with highest frequency of buying more to get free shipping:

1. **Beauty/Cosmetics**
2. **Cleaning Products**
3. **Sporting Goods**
4. **Toys**
5. **Vitamins/Supplements**

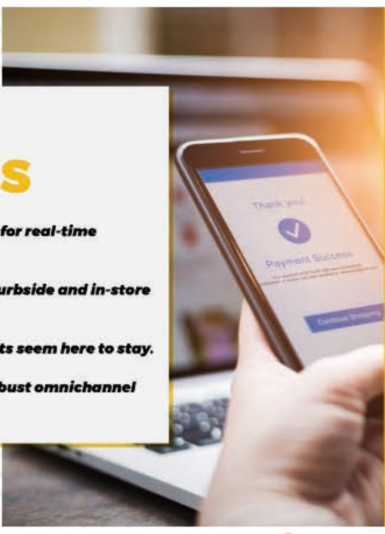


Omnichannel

Post-Pandemic Consumers Expect a Holistic Experience

KEY TAKEAWAYS

- ***Shoppers rely on store websites for real-time inventory visibility.***
- ***Home delivery dominates, but curbside and in-store pickup are not far behind.***
- ***Pandemic-driven shopping habits seem here to stay.***
- ***Diverse preferences require a robust omnichannel strategy.***

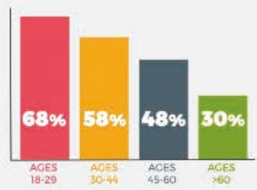


Shoppers rely on store websites

for real-time inventory visibility.

"I am more likely to ***check a store's website for in-store availability*** *before going to the store than I have been."* **48%**

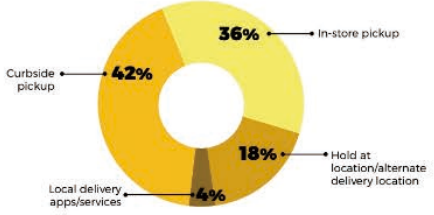
The younger the shopper, the more likely they are to check a website for in-store product availability:



Home delivery dominates, but curbside and in-store pickup are not far behind.

Contactless curbside pickup.

Home delivery aside, curbside pickup was the most popular among alternative methods to receive online orders.



Given the choice between picking up an online order in-store for free or paying for shipping, which item(s) would you choose to pick up in-store?

1. **Clothing 57%**
2. **Electronics 55%**
3. **Home Goods 46%**

Pandemic-driven shopping habits seem here to stay.

In 2021, 78% of all respondents reported adopting new cross-channel shopping options during the pandemic:

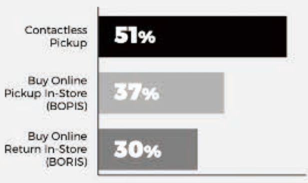
45%

Planned to **continue utilizing curbside pick-up** post-pandemic.

45%

Planned to **continue utilizing BOPIS and BORIS** post-pandemic.

These are the most popular cross-channel shopping options*

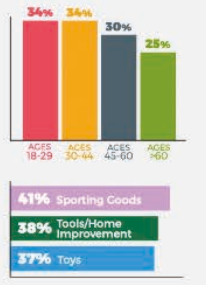


*As of April 2022

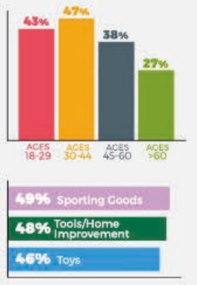
Diverse preferences require a robust omnichannel strategy.

"Of the online shopping preferences you began using during the pandemic, which have you used most?"

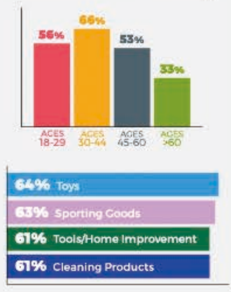
BORIS



BOPIS



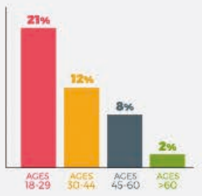
Contactless Pickup



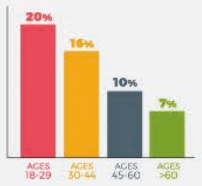
Newer features can be used to appeal to younger shoppers.

"Of the online shopping features you began using during the pandemic, which have you used most?"

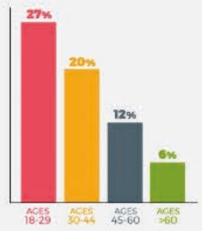
Virtual Try-On

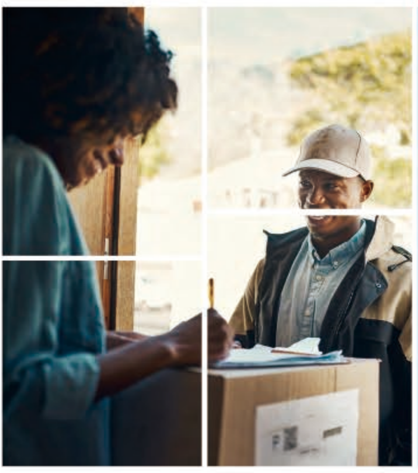


At-Home Try-On



Virtual Assistants





Shipping

Free Shipping Rules

KEY

TAKEAWAYS

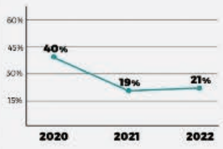
- ***Online shoppers accept the reality of supply chain-driven shipping timelines.***
- ***Fast shipping is nice; free shipping is necessary.***
- ***Despite overwhelming preference for "free," exceptions apply.***
- ***Who is accountable for late or damaged packages?***

Online shoppers accept the reality of supply chain-driven shipping timelines.

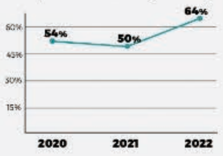
Key
2020= Pre-pandemic
2021= March, mid-pandemic
2022- March, post-pandemic

Most consumers have adapted to receiving online purchases within 3-4 days.

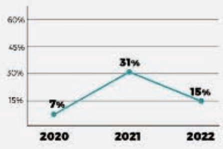
Expectation for **1-2 day delivery:**



Expectation for **3-4-days delivery:**



Expectation for **5+ days delivery:**



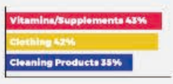
Online shoppers with the **fastest shipping expectations:**

- **Sporting Goods shoppers**
- **Men**
- **Pacific region**

Online shoppers with the **slowest shipping expectations:**

- **Clothing shoppers**
- **Women**
- **West North Central region**

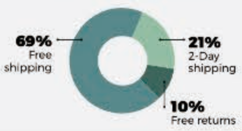
What do people expect to arrive in **2 days or less?**



Fast shipping is nice; free shipping is necessary.

20% of respondents said, *"I am more likely to pay for faster shipping than I was prior to the pandemic."*

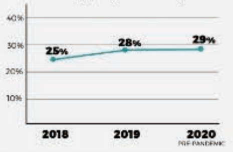
These are the factors that make the biggest impact when deciding where to make an online purchase.



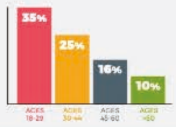
23% of consumers **expect free shipping more now** than they did in the past.

18% of consumers won't make an online purchase if they **have to pay for shipping.**

Shoppers who would **pay more for faster shipping** in recent years:



The **younger the consumer**, the more likely they are to **pay for faster shipping**:



Despite overwhelming preference for "free," exceptions apply.

When are consumers ok with paying for shipping?

59% They need the item rushed/ expedited.

49% The item is very large, heavy, or otherwise cumbersome.

35% The order is being shipped internationally.

Taking into consideration current supply chain challenges, these are the **top items online shoppers will pay to have shipped.**

33%	**31%**	**22%**
Electronics	**Home Goods**	**Tools**

36% of consumers age 18-29 stated they are **more likely to pay for faster shipping now** than they were during the pandemic.

Who is accountable for late or damaged packages?

Shoppers are generally split on who they hold accountable when a package is late or damaged.

Most likely to hold the carrier accountable		Most likely to hold the company accountable	
70%	East South Central region consumers	60%	Mountain region consumers
57%	18-29-year-olds	55%	45-60-year-olds
51%	Beauty & Accessories consumers	55%	Toy consumers

Returns

More Important Than Ever Before

KEY TAKEAWAYS

- ***Free returns generate more purchases.***
- ***Younger shoppers made the fewest returns.***
- ***Returnless refunds lead to customer satisfaction and positive brand sentiment.***
- ***In-store return preference is bouncing back.***

Young shoppers are making the fewest returns.

In the past year:
20%
of all shoppers report making more returns than usual.

17%
said they made fewer returns than usual.

63%
said they made about the same number of returns as usual.

33% of shoppers age 18-29 reported making fewer returns than usual.

Free returns generate more purchases.

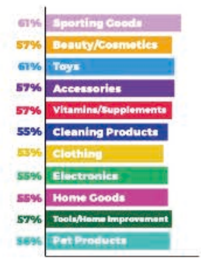
59% of respondents **won't make a purchase** from a company that **doesn't have a free return policy.** *(+4% YOY)*

Shoppers most and least likely to make an online purchase from a company that doesn't have a free return policy:

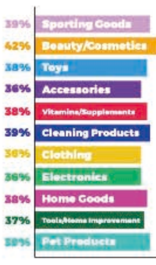
	MOST LIKELY	LEAST LIKELY
AGE	18-29: 48%	>60: 62%
SHOPPING CATEGORY	Electronics: 41%	Home Goods: 62%
REGION	New England: 56%	East North Central: 68%

Returnless refunds lead to customer satisfaction and positive brand sentiment.

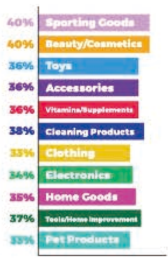
51% Say **returnless refunds** make them want to shop with a **brand again.** *(+11% YOY)*



34% Say returnless refunds made them want to **donate unwanted items.** *(+11% YOY)*

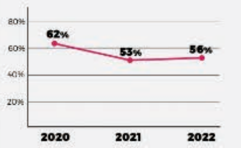


33% Say returnless refunds make them feel like the **brand cares about the environment.** *(+6% YOY)*

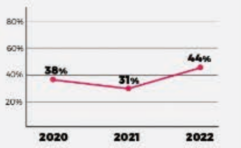


In-store return preference is bouncing back.

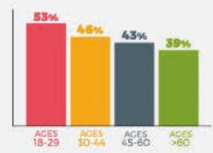
Consumer preference to **return online purchases via mail or drop box** is still prevalent.



Preference for **in-store returns** outperformed pre-pandemic numbers.



The **younger the shopper**, the more likely they are to prefer **in-store returns.**



Packaging

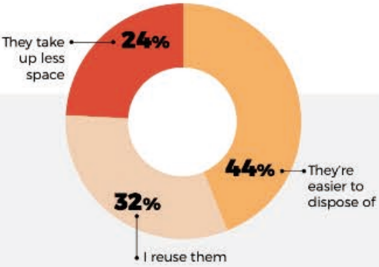
Less is More

KEY TAKEAWAYS

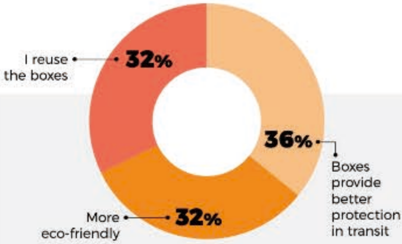
- ***Consumers prefer boxes to bags.***
- ***Visually appealing packaging compels social shares.***
- ***Besides coupons, shoppers want sustainable packaging and free samples.***
- ***Why consumers scan QR codes.***

Consumers are thinking inside the box.

19% prefer to receive bags for these reasons:

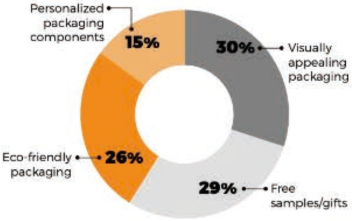


Given the choice between receiving an online order in a box or a poly bag, **81% of all respondents prefer boxes for these reasons:**



Visually appealing packaging compels social shares.

Factors that most encourage shoppers to post photos/videos showcasing a package they received:



Distinct preferences emerged between different categories of shoppers:

Visually appealing packaging
Clothing 33%

Free product samples or gifts with purchase (stickers, keychains, etc.)
Toys 31%

Eco-friendly packaging
Sporting Goods 28% and
Vitamins/Supplements 28%

Personalized packaging components
Toys 17%