INTRODUCTION

The world has changed. Accessibility to the internet and the insatiable mobility of commerce have inspired a new generation of shoppers. A generation that is not so easily segmented into the traditional psychographic profiles of research past but a generation united by their collective desire to experience the world on their own terms. This desire for personalisation and connected experiences have left many retailers to re-imagine their business in the context of the contemporary customer journey. Traditional, back-of-house operations, such as shipping and fulfillment, have come into the spotlight - not as traditional cost centers but as an opportunity for genuine differentiation in a competitive world.

The customer journey is ripe for disruption and increasingly linked to the product’s journey through a retailer’s fulfillment process. As a technology company, operating at the intersection of commerce and logistics - our unique position afforded us the opportunity to dive a little deeper on the industry and led directly to the research presented in this report.

We commissioned Research Now to conduct a global survey into the expectations of today’s consumers and the capability to meet those expectations by today’s retailers. The Research surveyed 4000 Consumers and 800 Retailers in Australia, France, United Kingdom and the United States (1000 Consumers, 200 Retailers in each Region). The Research explores consumers expectations - what they want now, what they want in the future and importantly what they are willing to pay for in the US Market. The findings are then mapped to US retailer’s ability to connect with carriers, automate the shipping and fulfillment process, operate in the omnichannel and more.

It is our intention to build on this study every year and keep you informed as to the collective challenges we face and the opportunities that present themselves. The results are fascinating, the insights thought provoking, designed to inform retail strategy and shape the future of commerce.

We hope you enjoy the findings,

Carl Hartmann
Co-Founder & CEO
Temando
PART 1: PARTICIPANT PROFILE

RETAILER

Digital disruption has changed everything and nothing at the same time. Today’s retail environment is more complex than it has ever been, yet the same core principles apply: Fulfillment, Merchandising, Payments. All retailers are at different stages of their evolution and to get a clear snapshot of the industry we surveyed a broad selection of retailers and categories - excluding services and grocery.

Retailer Type

<table>
<thead>
<tr>
<th>Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICRO</td>
<td>7%</td>
</tr>
<tr>
<td>SMALL</td>
<td>10%</td>
</tr>
<tr>
<td>MID</td>
<td>18%</td>
</tr>
<tr>
<td>ENTERPRISE</td>
<td>65%</td>
</tr>
</tbody>
</table>

75% of Enterprise Retailers employ over 5,000 people

Micro retailers send between 5 - 20 deliveries per week. Enterprise can send over 100,000!

Retailer Category Surveyed

- HEALTH & PERSONAL CARE: 23%
- CLOTHING & ACCESSORIES: 22%
- FOOD & BEVERAGES (EXCL. GROCERY): 18%
- ELECTRONICS & APPLIANCES: 13%
- FURNITURE & HOME: 10%
- SPORTING GOODS & HOBBIES: 9%
- BOOKS & STATIONERY: 6%

47% of Electronics and Appliance Retailers have between 11% - 20% of their revenue generated online.
% of Online Sales

- **Clothing & Accessories**: 24% for 6% to 10%, 33% for 11% to 20%, 18% for 21% to 50%, 15% for More Than 50%, and 5% for 100%.
- **Electronics & Appliances**: 6% for 6% to 10%, 47% for 11% to 20%, 16% for 21% to 50%, 19% for More Than 50%, and 13% for 100%.
- **Furniture & Home**: 20% for 6% to 10%, 24% for 11% to 20%, 16% for 21% to 50%, 12% for More Than 50%, and 4% for 100%.
- **Health & Personal Care**: 22% for 6% to 10%, 31% for 11% to 20%, 12% for 21% to 50%, 8% for More Than 50%, and 5% for 100%.
- **Sporting Goods & Hobbies**: 0% for 6% to 10%, 41% for 11% to 20%, 27% for 21% to 50%, 14% for More Than 50%, and 5% for 100%.
- **Books & Stationery**: 21% for 6% to 10%, 17% for 11% to 20%, 22% for 21% to 50%, 26% for More Than 50%, and 36% for 100%.

29% of retailers surveyed generated **11-20% of total revenue through online sales**.
### Number of Shipments Made Per Week

<table>
<thead>
<tr>
<th>Number of Shipments</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 TO 20 PER WEEK</td>
<td>25%</td>
</tr>
<tr>
<td>21 TO 100 PER WEEK</td>
<td>23%</td>
</tr>
<tr>
<td>101 TO 1,000 PER WEEK</td>
<td>28%</td>
</tr>
<tr>
<td>1,001 TO 5,000 PER WEEK</td>
<td>10%</td>
</tr>
<tr>
<td>5,001 TO 20,000 PER WEEK</td>
<td>6%</td>
</tr>
<tr>
<td>20,001 TO 100,000 PER WEEK</td>
<td>4%</td>
</tr>
<tr>
<td>MORE THAN 100,000 PER WEEK</td>
<td>4%</td>
</tr>
</tbody>
</table>
Today’s retailers use a wide variety of technology to power their businesses

24% Own proprietary systems
12% SAP
9% Oracle ATG
9% Other
7% eBay Enterprise
6% IBM Websphere
6% Shopify
6% IBM Sterling
6% Squarespace

47% of Electronics & Appliance Retailers sell on Amazon
57% of Books & Stationery Retailers sell on eBay
CONSUMER

Profile

Everyone is shopping online these days from the time-poor young family to the retired couple living their dream. All have unique habits, some spend more than others and most of them know how to abandon a shopping cart.

OLDER SINGLE 2%

OLDER FAMILY 6%

YOUNG FAMILY 25%

SINGLE, LIVING ALONE 19%

RETIRED COUPLE 7%

MIDDLE AGED FAMILY 10%

COUPLE, NO CHILDREN 20%

LIVING WITH PARENTS 11%

What are the main reasons for shopping online?

I can shop when I want
There is a better selection online
It’s cheaper online
I can get free shipping
Access items not available where I live

(IN ORDER OF PREFERENCE)
What Do Consumers Regularly Purchase Online?

Clothing and accessories: 73%
Electronics and appliances: 47%
Books and stationery: 43%
Health and personal care: 38%
Music / DVDs / Movies (physical): 35%
Toys: 32%
Sports goods and hobbies: 27%
Furniture and home: 24%
Jewellery: 22%
Computing: 21%
Hardware and garden: 16%
Food and beverages (other than grocery): 11%
White goods: 5%
Liquor: 2%

What Are Consumers Spending Online?

3 in 5 women spend $25 - $100 per month

$25 to $100 per month: 49%
$101 to $500 per month: 45%
$501 to $1,000 per month: 3%

40% of consumers spend $101 - $500 per month online
55% of consumers spend $25 - $100 per month online

3 in 5 women spend $25 - $100 per month
Jumping Ship!
Why US Consumers Abandon Shopping Carts

- THE COST OF SHIPPING WAS TOO HIGH: 63%
- FREE SHIPPING WASN’T OFFERED: 44%
- THE SHIPPING COSTS WERE COMMUNICATED TOO LATE IN THE PURCHASE: 35%
- I DID NOT QUALIFY FOR FREE SHIPPING: 34%

70% of over 55’s abandon their purchases when the cost of shipping is too high, as do 67% of females.

41% of 35 - 44 year olds abandon when they don’t qualify for free shipping.
PART 2:
SHIPPING & FULFILLMENT

Old Industry, New Opportunity
The rise of eCommerce has shaken Retail to its core. Enterprise Retailers with the benefit of foresight and resources are leading the way in terms of the efficiency of their operations.

Has The Cost of Shipping Changed Over Time?

66% of retailers believe shipping costs have increased over time, the majority seeing a 5 - 10% increase in costs.

13% of Enterprise Retailers have seen a decrease in shipping & logistics costs.
Who Covers the Cost of Shipping

Smaller retailers, dealing with tighter margins and less volume, are passing on all or part of the cost of shipping to their customers. Not surprisingly, the cost of carrier rates is a major concern for these retailers.

20% of Small Retailers are absorbing the costs of shipping, compared to 38% of Enterprise.

When shopping with a small retailer, consumers will be charged part or all of the shipping costs 80% of the time.

85% of Pure Play Retailers are passing on all or part of the shipping costs to their customer.

Smaller retailers, dealing with tighter margins and less volume, are passing on all or part of the cost of shipping to their customers. Not surprisingly, the cost of carrier rates is a major concern for these retailers.
Sleepless Nights: What’s Keeping Retailers Awake

Main Concerns Retailers Have In Shipping & Logistics

Top concern per category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICRO</td>
<td>CARRIER RATES TOO HIGH</td>
</tr>
<tr>
<td>SMALL</td>
<td>CARRIER RATES TOO HIGH</td>
</tr>
<tr>
<td>MID</td>
<td>MEETING CUSTOMER EXPECTATIONS</td>
</tr>
<tr>
<td>ENTERPRISE</td>
<td>MEETING CUSTOMER EXPECTATIONS</td>
</tr>
</tbody>
</table>

27% of retailers are concerned with meeting customer expectations in shipping & logistics

Enterprises are less concerned with the price of shipping and more concerned with meeting their customer’s expectations and the inefficiency of their supply chain. For the smaller retailers, the cost to ship their goods has a direct effect on their bottom line and their ability to be competitive; carrier rates are a major concern for them.
The agility of commerce

Almost half of Micro Retailers are able to ship an online order in under an hour, yet 36% of Enterprise Retailers take 24 - 48 hours.

3 in 5 Mid-level Retailers can get orders out the door in under 4 hours

80% of consumers want same day shipping - efficiency is key to an exceptional customer experience

22% of retailers are still manually booking carriers

Only 38% of mid-level retailers have a totally automated carrier booking process
PART 3: CONSUMER EXPECTATIONS
The People Have Spoken

The gap between consumer expectation and retailer capability is growing. The future belongs to retailers who capitalize on this opportunity and turn shipping and fulfillment into a retail weapon.

<table>
<thead>
<tr>
<th>WHAT CONSUMERS WANT</th>
<th>WHAT RETAILERS ARE OFFERING</th>
<th>WHAT CONSUMERS ARE PREPARED TO PAY A PREMIUM FOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>HYPER LOCAL (1 TO 3 HOUR SHIPPING)</td>
<td>61%</td>
<td>20%</td>
</tr>
<tr>
<td>SAME DAY SHIPPING (1 DAY)</td>
<td>80%</td>
<td>53%</td>
</tr>
<tr>
<td>EXPRESS SHIPPING (1 TO 3 DAYS)</td>
<td>85%</td>
<td>75%</td>
</tr>
<tr>
<td>STANDARD SHIPPING (5 TO 7 DAYS)</td>
<td>96%</td>
<td>82%</td>
</tr>
<tr>
<td>COLLECT FROM STORE</td>
<td>82%</td>
<td>50%</td>
</tr>
<tr>
<td>COLLECT FROM LOCKER/OTHER COLLECTION POINT</td>
<td>36%</td>
<td>21%</td>
</tr>
<tr>
<td>SPECIFIED TIMESLOT FOR DELIVERY</td>
<td>76%</td>
<td>43%</td>
</tr>
<tr>
<td>GUARANTEED WEEKEND OR AFTERHOURS SHIPPING</td>
<td>77%</td>
<td>34%</td>
</tr>
</tbody>
</table>

77% of consumers have used and would like to use in future
GUARANTEED WEEKEND OR AFTERHOURS SHIPPING

The People Have Spoken
The Importance of Shipping Options

Consumers expect multiple shipping options, but not everyone is offering them.

<table>
<thead>
<tr>
<th>Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>MICRO</td>
<td>59%</td>
</tr>
<tr>
<td>SMALL</td>
<td>69%</td>
</tr>
<tr>
<td>MID</td>
<td>76%</td>
</tr>
<tr>
<td>ENTERPRISE</td>
<td>88%</td>
</tr>
</tbody>
</table>

82% of Clothing & Accessories Retailers offer multiple shipping options, compared with only 63% of Food & Beverage Retailers

Giving consumers choice at the checkout is now less of a feature and more of a necessity. With 71% of all retailers giving their customers choice, it's more important than ever to remain competitive.
More Shipping Options = More Sales. Fact.

What has been the impact of increasing the number of shipping options at checkout?

- **Increase in sales**: 86%
- **Reduction in cart abandonment**: 75%
- **Ability to meet customer expectations**: 86%
- **Ability to meet shipping deadlines**: 84%
- **Ability to ship to a wider geographical area**: 78%

27% of retailers are concerned with meeting customer expectations with shipping and logistics.

86% of retailers believe that by offering multiple shipping options, they are better served to meet customer expectations.

I NEED IT NOW!

ONLY 32% of Enterprise Retailers are ready to support or currently offer hyper local delivery.

BUT 61% of consumers want it.
The Impact of a Negative Shipping Experience

How is your business affected when a shipment is lost, delayed or arrives damaged?

<table>
<thead>
<tr>
<th>Negative Impact on Brand Image</th>
<th>41%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced Customer Loyalty</td>
<td>39%</td>
</tr>
<tr>
<td>Increased Cost of Returns</td>
<td>36%</td>
</tr>
<tr>
<td>Increased Logistics Costs</td>
<td>29%</td>
</tr>
<tr>
<td>Increased Calls to Call Centre</td>
<td>28%</td>
</tr>
<tr>
<td>Increased Email Traffic</td>
<td>23%</td>
</tr>
<tr>
<td>Poor Public Relations</td>
<td>22%</td>
</tr>
<tr>
<td>Adverse Comments on Social Media</td>
<td>16%</td>
</tr>
</tbody>
</table>

A product’s journey through the supply chain, in today's direct to consumer model, is in reality, your customers' journey. Negative shipping experiences affect repeat purchase and ultimately the lifetime value of the customer.

Today’s retailers need to be conscious that the customer journey begins long before the shopping cart and exists long after the product is delivered.
The Future is Drones, Or Is It?

Are drones really going to change the face of shipping? Not surprisingly, the older generation doesn’t think so. 38% of those aged 55+ are not interested in using a drone service to deliver their packages, compared with 69% of 16 - 24 year olds.

33% of all US Retailers would be willing to use drones to deliver their packages

51% of Americans are willing to accept a drone delivery
PART 4: RETURNS
The Full Circle

What Proportion of Total Items Shipped are Returned?

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Consumers have used</th>
<th>Retailers offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>LESS THAN 1%</td>
<td>61%</td>
<td>74%</td>
</tr>
<tr>
<td>1% TO 5%</td>
<td>56%</td>
<td>74%</td>
</tr>
<tr>
<td>6% TO 10%</td>
<td>52%</td>
<td>50%</td>
</tr>
<tr>
<td>11% +</td>
<td>13%</td>
<td>44%</td>
</tr>
<tr>
<td>21.4%</td>
<td>25%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Returns Options Offered by Retailers

- Return goods via mail: 61% consumers used, 74% retailers offering
- Return to store: 56% consumers used, 65% retailers offering
- Drop off at a post office: 52% consumers used, 50% retailers offering
- Carrier collection: 13% consumers used, 44% retailers offering
- Drop off at another location: 25% consumers used, 35% retailers offering

Surprisingly, the DEMOGRAPHICS with a HIGHER perceived DISPOSABLE INCOME (but potentially more free time) ARE RETURNING UNWANTED ITEMS

How Long Do Retailers Give Consumers To Return Items

48% of retailers accept returns within 1 month

Micro retailers are less generous with their returns period - 37% of which only accept returns made within a week of purchase.

Not surprisingly, Enterprise Retailers have the ability to be more flexible and generous with their returns period, 56% accepting returns within a month of purchase and 31% within 3 months.

75% of Enterprise Retailers do not allow returns to be collected from the original destination address (home etc.)
When The Shoe Doesn’t Fit
Why People Are Returning Online Purchases

SIZE WAS INCORRECT 65%

THE GOODS DID NOT LOOK THE SAME AS THEY DID ONLINE 44%

THE GOODSARRIVED BROKEN 43%

I CHANGED MY MIND 25%

THE COST OF RETURN WAS FREE 25%

65% of consumers have returned an item due to incorrect sizing. Retailers could look to reduce this number by adding sizing information in product descriptions, e.g. 'product is true to size' or 'product is a small make - we suggest you order a size larger'.

With 43% of consumers having to return broken items, retailers need to ensure they’re packaging fragile items correctly. By using multiple carriers or specialist services, risks can be mitigated.

33% of retailers are still manually processing returns
PART 5: TRACKING
A Moving Target

Mobility has ushered in a new era of transparency. From the moment an online order is placed, ownership is transferred to the consumer and the want it now generation expect to be kept in the loop.

<table>
<thead>
<tr>
<th>RETAILERS OFFER</th>
<th>CONSUMERS WANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>VISIBILITY OF THE EXPECTED SHIPPING DATE</td>
<td>78%</td>
</tr>
<tr>
<td>EMAIL COMMUNICATION THROUGHOUT THE SHIPPING PROCESS</td>
<td>72%</td>
</tr>
<tr>
<td>TEXT/SMS COMMUNICATION THROUGHOUT THE SHIPPING PROCESS</td>
<td>42%</td>
</tr>
<tr>
<td>TRACKING DELIVERIES EASILY ONLINE</td>
<td>80%</td>
</tr>
<tr>
<td>TRACKING DELIVERIES ON MOBILE DEVICES</td>
<td>66%</td>
</tr>
<tr>
<td>ABILITY TO MAKE CHANGES TO YOUR SHIPPING WHILE GOODS ARE IN TRANSIT</td>
<td>36%</td>
</tr>
</tbody>
</table>

26% of Micro Retailers have no automation of backend tracking processes - *everything is manual!*

80% of consumers want to track their orders from their mobile device

76% of consumers want SMS communication throughout the shipping process
PART 6: OMNICHANNEL
More Than Just A Buzzword

95% of consumers would shop in store and ship goods home.

82% of consumers want to be able to collect in-store.

While Enterprise Retailers have more stock and stores to manage, they’re clearly MISSING OUT on a GOLDEN OPPORTUNITY to utilize their physical footprint and maximize efficiencies in their supply chain.
Surprisingly only 13% of Enterprise Retailers are shipping from multiple stores. 31% saw an inefficient supply chain as a major difficulty through their eCommerce shipping operations.
Omnichannel Preferences:

60% of females would have an item delivered to their home if it was not in stock in-store

64% of older families would have an item delivered to their home if it is too heavy to carry, yet only 48% of furniture and homewares retailers offer this service

Inventory visibility and accessibility is the great enabler of contemporary commerce

View in-store inventory online

<table>
<thead>
<tr>
<th>Type</th>
<th>MICRO</th>
<th>SMALL</th>
<th>MID</th>
<th>ENTERPRISE</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>37%</td>
<td>39%</td>
<td>41%</td>
<td>25%</td>
</tr>
</tbody>
</table>

72% of mid-level retailers and 77% of enterprise retailers AREN'T shipping from their stores

80% of consumers want SAME DAY SHIPPING - hyper-local delivery is key

65% of retailers do not allow consumers to buy instore and ship it home

ONLY 76% of Retailers accept returns instore

82% of consumers want to be able to collect from instore
SUMMARY

Shipping and fulfillment has evolved from a back-of-house operation into a key competitive advantage of today’s leading merchants. Progressive merchants understand the power of a brand to inspire deeply personalized experiences and the value of shipping as the only tangible element of a digital customer journey. New technologies are democratizing experiences reserved previously for the realm of enterprise, allowing SME’s to level the playing field, and focus on lifetime customer value.

It’s an exciting time to be in retail and our research highlights the opportunities that exist to drive real value, both in terms of increased revenue and bottom line efficiencies. Consumers, conditioned by instantaneous nature of mobility, are demanding choice and shipping options that match their busy lifestyles. Only offering Standard Shipping (5-7 days) to online customers may be detrimental to businesses in competitive categories. Convenience is key - weekend, time slot delivery and 1-3 hour shipping are gaining momentum and should be treated as demand generators in 2016.

To meet the expectations of today’s consumers, businesses have the unique opportunity to re-imagine their supply chain and create meaningful, cost effective, customer experiences. The omnichannel and agile fulfillment remain key challenges to overcome with smaller retailers maximizing their operations and footprints more effectively than enterprise. Shipping from stores or multiple warehouses that are closer to customers, enables hyper-local delivery, combined with transparent tracking, convenient returns, and a trusted technology partner will set retailers up for success in 2016.
ABOUT TEMANDO

Temando is a technology company specializing in the production of Shipping Software Solutions for the Retail and Logistics Industries. The company’s integrated shipping solutions enable merchants to access a multi-carrier platform to streamline their fulfillment process, reduce cost and increase sales. The company gives their clients the ability to easily quote & book, track shipments, calculate duties and taxes, produce compliant shipping documentation & manifests, all from a single platform.

Temando exists to connect the world’s logistical resources into a single intelligent platform and make commerce universally accessible to everybody.

Headquartered in Australia with offices in Brisbane, Sydney, San Francisco, London, and Manila, with over 50,000 registered users globally, Temando is one of the fastest growing tech companies in the APAC region, as recognized in the Asia Pacific Deloitte Technology Fast 500.

temando.com

ABOUT RESEARCH NOW

Research Now is the global leader in digital data collection to power analytics and insights. It enables data-driven decision making for clients who listen to and interact with the world’s consumers and business professionals through Research Now’s online panels, as well as mobile, digital and social media technologies. The company operates in 38 countries, from 24 offices across the globe, and is recognized as the market research industry’s leader in quality, scale and customer satisfaction.

researchnow.com