

Free Shipping Trumps Brand Loyalty

Findings from the IBM UK
Consumer Expectations
Study 2016

In Partnership With



Delivering Intelligent Fulfillment



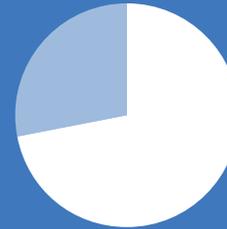
UK retailers face mounting challenges. Free, rapid delivery has undermined years of brand loyalty initiatives. And new competitors, both at home and internationally, combined with undifferentiated, poorly integrated loyalty programmes, threaten to do the same.

In Q3 2016 IBM surveyed 1,500 UK consumers aged 13 to 60+ to discover what today's consumers consider most important when choosing where to shop. In this executive briefing, we'll highlight the challenges and provide insight into key areas of opportunity, especially in omni-channel fulfilment.

Is Free Shipping in your marketing budget?

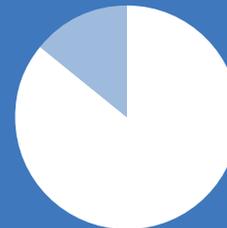
It should be. That's the clear message sent by the 2016 study. 74% of consumers said they would buy from a retailer they've never bought from if that retailer offers free shipping, rather than retailer with whom they've had a past positive experience but charges for shipping (assuming they offer the same item at the same price). Moreover, a whopping 86% of consumers have chosen not to purchase due to shipping costs. If you need to increase online conversion rates, free shipping is a great place to start.

Highlights



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The Best Alternative to Free Shipping? In-Store Pickup and Returns



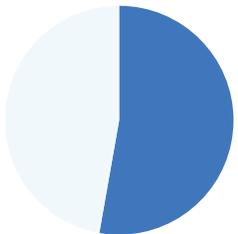
70%
of consumers are likely to pickup
in-store even if you offer free
shipping

Free shipping may convert more sales, but in-store pickup is a winning strategy too. Because with in-store pickup consumers perceive delivery to be free and often receive items faster than if an order is shipped.

In fact, 70% of consumers are likely to pickup in-store even if you offer free shipping. What's more, and here's the real secret, 53% of those are likely to purchase an additional item. So not only does the consumer absorb part of the delivery cost (by traveling to you), you also get an opportunity to increase the value of the sale. However, most retailers fail to maximise this opportunity.

So how could you increase the sale? Empower your sales assistants with product or customer specific cross sell and up sell recommendations. Offer a coupon valid that day only. Increase merchandising in the pickup area. Place 'sale' signage in the pickup area. Get creative. It can also help you offset the cost of returns. How?

By increasing store foot traffic. 70% of consumers prefer to return in-store even if a retailer offers free return shipping. This provides another great opportunity to make a sale. In short, retailers who want to succeed should look for more ways to capitalize on their omni-channel store traffic.



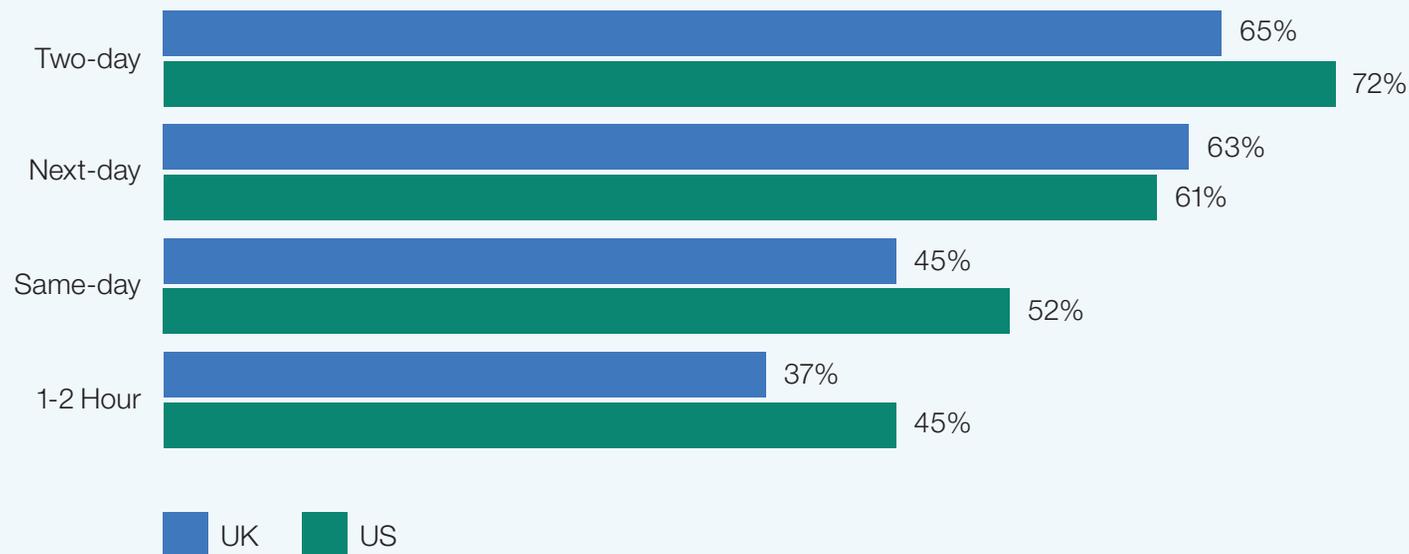
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Speed of Delivery: The Amazon Effect

Amazon Prime has raised delivery expectations. While US delivery expectations are slightly higher than the UK overall, younger UK consumers want speedy delivery. In fact, 76% of females in their 20s consider 2-day delivery important when choosing where to shop, and 78% of males in their 30s consider next day delivery important.



Importance of Delivery Time Availability for Making the Purchase

Omni-channel Loyalty Programme Management

Customer loyalty. It's the holy grail of retail. Yet there are more challengers than ever. To protect your customer base from the lure of free/fast shipping offers and competing points programmes, you'll need to execute well. Seamless loyalty programme delivery is key. Why?

Because 62% of consumers feel it's important that a loyalty programme allow them to check, earn and use points via any channel. So, as you design programmes to increase customer devotion, don't forget the technology that enables them. And as creative retailers move beyond traditional points, don't forget to consider what systems and integrations you'll need to support these new programmes as well.

Whether it's member based shipping perks, pricing and discounts, free coffee in-store, custom gift wrap based on loyalty status, or something new, make sure the delivery is seamless across all channels, including returns.

Highlights



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International Fulfilment: An Opportunity

While a weak pound drives up inventory costs, it also makes overseas purchases less attractive. So the 50% of UK consumers who buy from international web sites, may opt to spend their money at home. A weaker pound also provides a global expansion opportunity for UK retailers. But if overseas consumers are anything like UK consumers there are two important items to note, and overseas retailers who want to expand into the UK market should also pay attention...

Firstly, 89% of UK consumers consider the ability to return international purchases important. So if you want to increase international sales be sure to clearly state your international return policy. We recommend a review of your international reverse logistics processes too.

Secondly, 81% of UK consumers in their 20s (68% overall) consider it important that international items arrive within a week. How quickly do your shipments pass through customs?



Out of Stocks: Why cross-store inventory visibility is essential

What happens if a consumer encounters an out of stock in one of your stores? Can your sales assistant save the sale? If not, you're losing money. And more than you think.

Because 74% of consumers are likely to shop at a competitor if a store is out of stock, and many will also forfeit future shopping trips to your store (schedule a briefing to learn more). What's more, if a sales assistant can locate that out of stock item in another store and reserve it, or ship it to them, 78% are likely to complete their purchase. Are you leaving money on the table?

Interested in learning more?

If you'd like to see more details from the IBM UK Consumer Expectations Study 2016, schedule a complementary briefing today. In the briefing you'll learn:

- Which consumers value free shipping the most, broken down by age and gender
- Expedited shipping preferences, broken down by age and gender
- How much consumers are willing to spend on expedited shipping and which age groups are more willing to pay
- The importance of the mobile experience
- The number of future shopping trips a customer will forfeit if they encounter an out-of-stock in your store, broken down by age group and gender
- How to calculate the amount you're losing due to out of stocks

To schedule a briefing, contact



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