



Purolator International E-Commerce Survey

What Drives Online Consumer Decisions in the US and Canada

Report Prepared by:

Stony Brook University Center for Survey Research, May 2015

INTRODUCTION

Purolator International sponsored a consumer survey to determine perceptions, trends and reservations about international online purchases, concerns about cross-border shipping, and holiday shopping habits. The survey was conducted by the Stony Brook University Center for Survey Research between December 23, 2014 and February 4, 2015. Telephone interviews were conducted by landline with a randomly selected sample of Canadian and United States residents. Further information on the methodology is available in the Appendix to the report.

KEY FINDINGS

- The four major reasons for shopping online are: convenience, wider product selection, price, and lack of a local retailer; this last point is more significant to Canadian consumers.
- The single most important factor to both Americans and Canadians in finalizing an online purchase is the cost of shipping. This factor is more important to Canadians than Americans. The reliability of the delivery carrier and the ease of return are the next most important factors selected by online shoppers.
- A majority of Canadian and American online shoppers are willing to sacrifice delivery time for lower cost -- opting for shipping that took four days or longer. More than half said they very often or always adjust their shipping date to obtain lower-cost or free shipping.
- Almost half of Canadian consumers consider Canadian taxes and tariffs as a “very important” factor in their decision of whether or not to make an online purchase, and a large majority of Canadians expect the carrier to properly calculate all fees and process cross-border documents.
- Overall, a majority of online shoppers in both countries strongly agree that the postal service is an acceptable alternative to other types of carrier delivery services.
- Online holiday shopping increased in both the United States and Canada in 2014; however, there is room for growth in the online holiday shopping market. Roughly two-thirds of shoppers in both countries purchased less than half of their holiday gifts online.
- More than half of Canadian consumers rate slow delivery and high shipping costs as important reasons for not purchasing holiday gifts online.
- More than a third of online shoppers in both countries had not returned an item because of the inconvenience of re-packaging it, and high return shipping costs had prevented 1 in 4 Canadian consumers from returning an item purchased online.

- A majority of consumers in both countries rate ease of return and ability to check delivery status online as very important factors in selecting a delivery carrier. This was followed by the carrier's on-time service delivery performance.
- Canadian shoppers were younger and more affluent than American online shoppers.

Shopper Characteristics

Canadian online shoppers are younger than Americans: 49% are under the age of 49 and fewer than 8% are 65 or older. In contrast, 35% of American shoppers were aged 65 or older. This suggests a growth opportunity for retailers targeting older Canadian shoppers, aged 50 and up. Canadian shoppers were more affluent than their American counterparts: 35% lived in households with incomes of \$150,000 or more (*) compared to 11% of Americans. 27% of Americans lived in households with incomes below \$60,000 (*) compared to only 6% of Canadian shoppers. Both the American and Canadian shoppers are well educated: 65% of Americans and 67% of the Canadian online shoppers had a college degree. The majority of shoppers in both countries were female.

Table of Demographics

	US	Canada
Age		
18-49	26%	49%
50-65	33%	36%
65+	35%	8%
Income		
Less than \$60,000 *	27%	6%
\$60,000 to less than \$150,000 *	35%	31%
\$150,000 or more *	11%	35%
Education		
No College Degree	32%	25%
College Degree (Associate/ Bachelor's/ Master's/ Doctorate)	65%	67%
Gender		
Female	67%	71%
Male	33%	29%

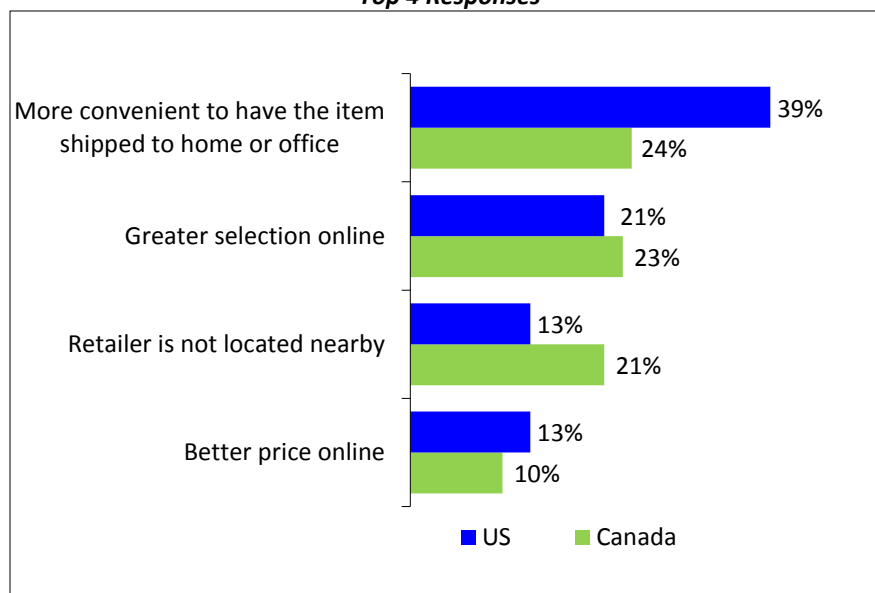
() answers given in local dollars of respondents.*

Average Canadian-to-US dollar exchange rate at time of survey: 1 CAD = 0.82 USD.

Reasons for Buying Online

Online shoppers mentioned four major reasons for shopping online: convenience, lack of local access to a retailer, wider product selection, and price (*Figure 1*). While convenience was the most common reason identified in both countries, Canadian consumers ranked lack of access to a local retailer and greater selection nearly as high (and more so than Americans). Greater online selection was mostly rated by older Canadians (60 years and older) and no local retail location was selected mostly by Canadians 18-59 years old as the primary reason for online shopping.

Figure 1: What is the PRIMARY reason you purchase online versus purchasing something in a store? (Q9)
"Top 4 Responses"

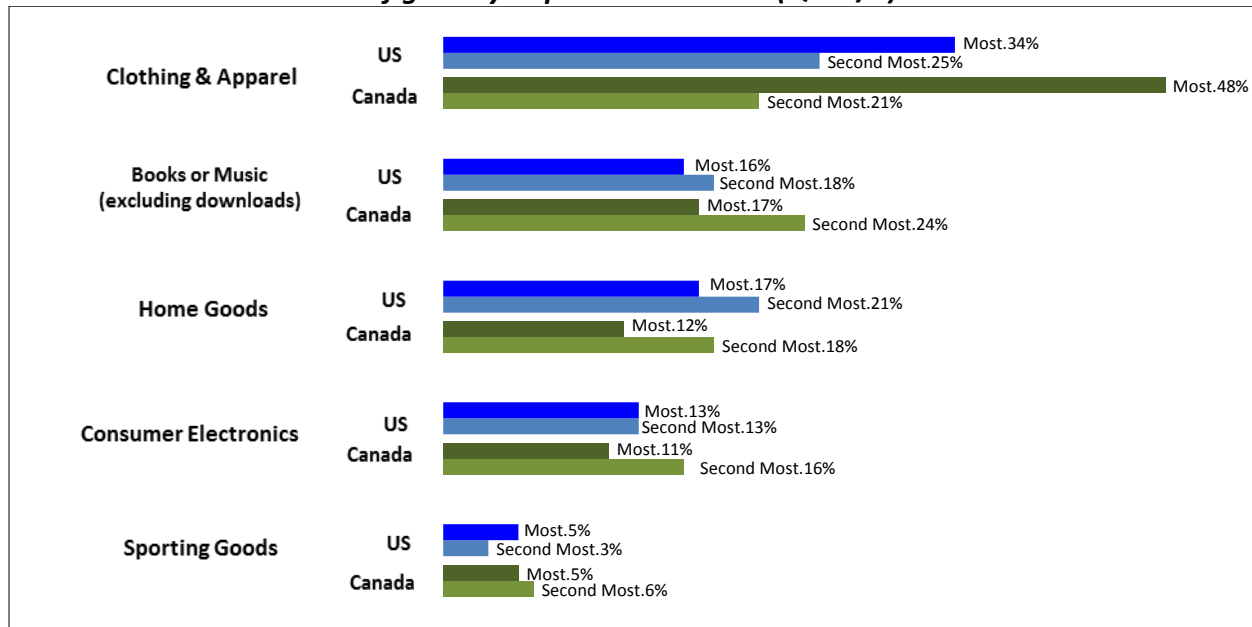


Type of Goods Purchased

Clothing and apparel is the single most common type of online item purchased by both American and Canadian shoppers. But clothing dominates online purchases to a greater degree among Canadians than Americans (48% vs. 34%) and is the most common type of goods purchased online by younger and more affluent Canadians.

Home goods are more often purchased online by Americans than Canadians (17% vs. 12%). Books and music (excluding electronic downloads) as well as consumer electronics are purchased online roughly equally in both countries. However these are the most popular items purchased online among older Canadians (60 years and older).

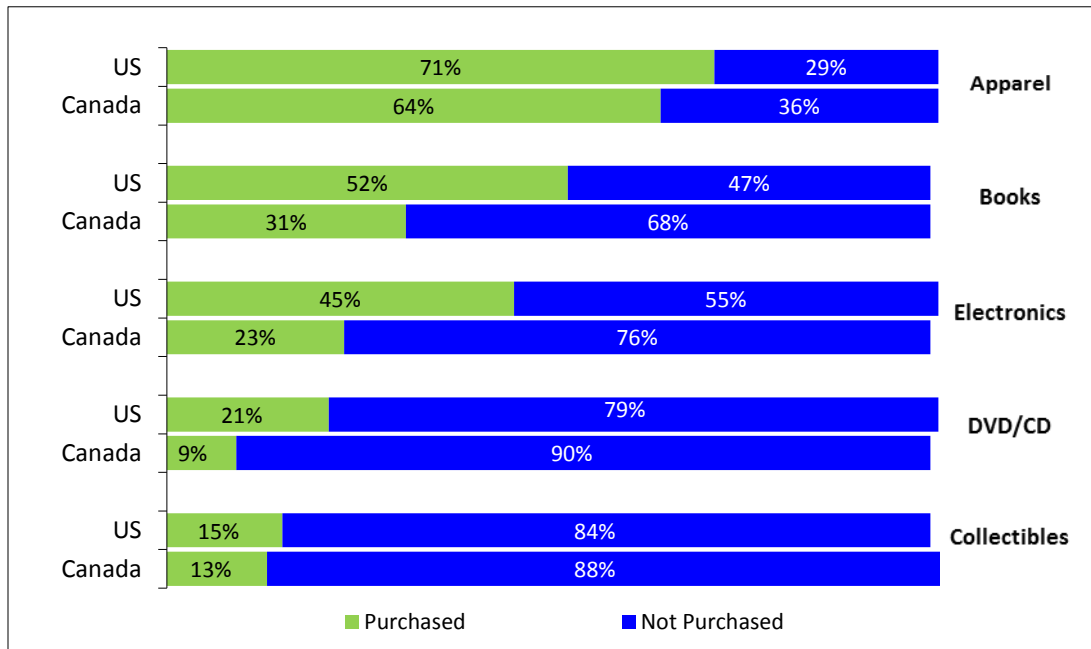
Figure 2: What are the MOST/ SECOND MOST common types of goods you purchase online? (Q10a/b)



In the last 6 months, a majority of American (71%) and Canadian (64%) online shoppers had purchased clothing online at least once (*Figure 3*). The major reason for clothing purchases was the wider selection available online.

Books were the next most common purchase; 52% of Americans and 31% of Canadians had purchased books online at least once in the last 6 months. Shoppers mentioned greater online selection and lower prices as the most important reason for their purchase of books. Electronics were the third most popular online purchase. 45% of Americans and 23% of Canadians had purchased electronics in the last 6 months, and a majority in both countries mentioned wider selection and lower price as the most important reasons for their purchase.

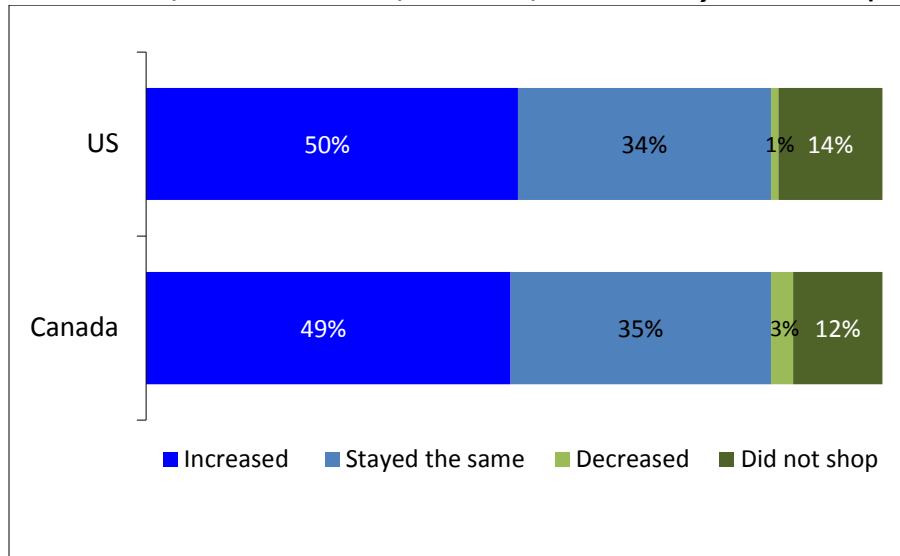
**Figure 3: How often in the last 6 months have you purchased each of the following?
Q43/Q50/Q57/Q64/Q71**



Online Holiday Shopping

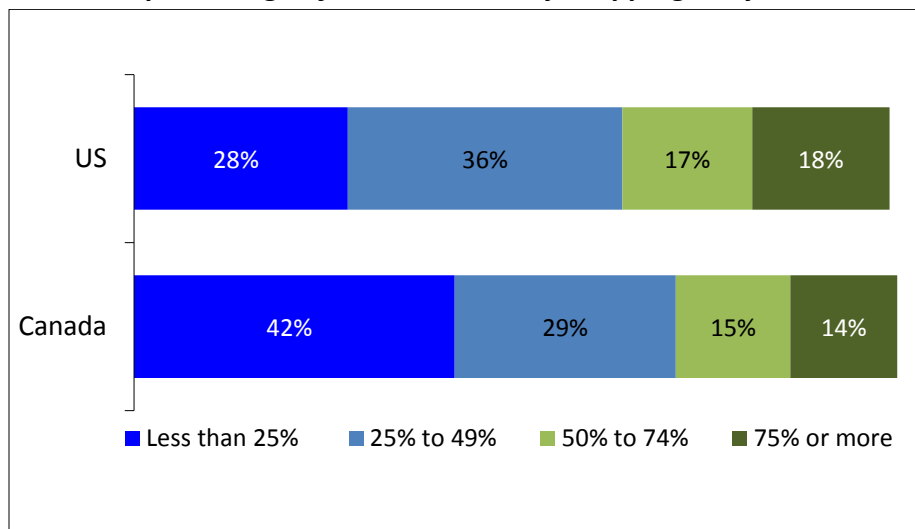
There is evidence that online holiday shopping increased in both the US and Canada in 2014. Almost 90% of online shoppers in both countries shopped for some holiday gifts online during the 2014 holiday season. Moreover, 50% of American and 49% of Canadian online shoppers said they had increased their online shopping during the 2014 holiday season (*Figure 4*). Increased holiday shopping was mostly seen among Canadians who are 18 to 59 years old; yet almost a third of older Canadians (60+) did not shop online during the holiday season. Roughly a third of shoppers in both countries indicated that their online shopping during the holiday season had stayed at the same level as the rest of the year.

Figure 4: During the 2014 holiday season, did your online shopping increase a lot, increase a little, decrease, or did it stay the same? (Q3)



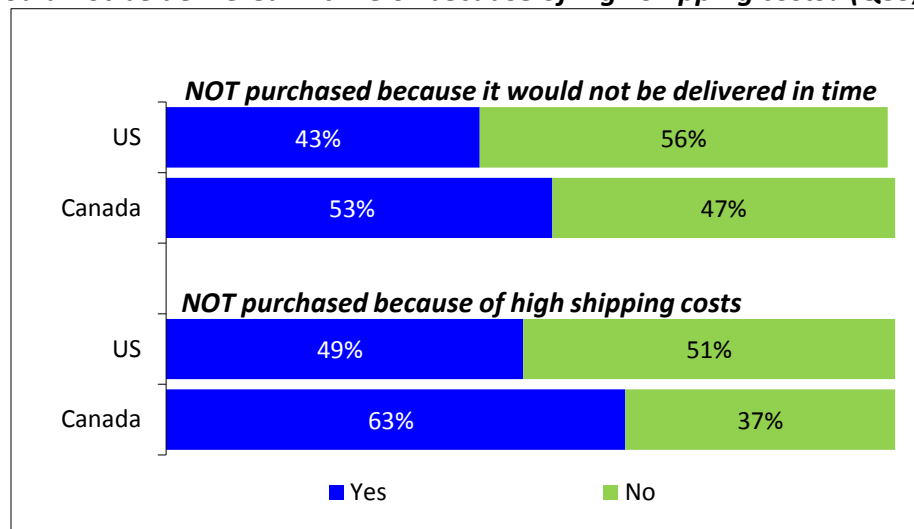
Still, there is room for growth in the online holiday shopping market. 35% of American and 29% of Canadian online shoppers had done more than half of their holiday shopping online (*Figure 5*). However that leaves roughly two-thirds of shoppers in both countries that purchased less than a half of their gifts online.

Figure 5: What percentage of the 2014 holiday shopping did you do online? (Q4)



Shoppers were asked about two factors that potentially decrease online holiday purchases: slow delivery and high shipping costs. Both were rated as important reasons for not purchasing holiday gifts online. 53% of Canadians and 43% of Americans had not purchased an item during the holiday season because it would not be delivered on time. And 63% of Canadians and 49% of Americans had decided against purchasing a holiday item because of high shipping costs (Figure 6).

Figure 6: During the holiday shopping season, have you ever NOT purchased an item because it would not be delivered in time or because of high shipping costs? (Q39/Q40)



Cost of Shipping Dominates Online Shopping Concerns

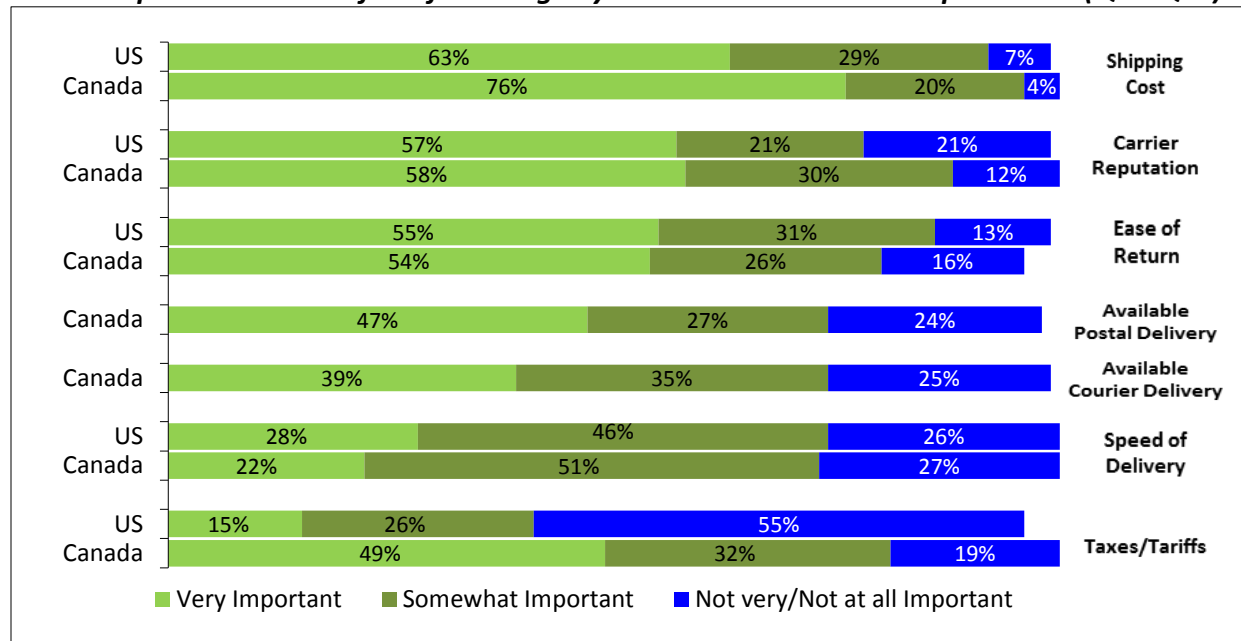
Major Considerations in Purchasing Online

When it comes to finalizing an online purchase, the single most important factor to both Americans and Canadians is the cost of shipping (Figure 7). This factor is even more important to Canadians than to Americans, as 76% of Canadians said the cost of shipping was very important to them, compared to 63% of Americans.

The reliability of the delivery carrier is almost as important to American and Canadian online shoppers as shipping cost. The same is true of the ease with which items can be returned. When asked, over 50% of Americans and Canadians said each factor was very important in deciding whether or not to purchase an item online.

Speed of delivery was not a top priority for shoppers. Only 28% of Americans and 22% of Canadians said it was very important to them in deciding to purchase an item online.

Figure 7: When deciding whether or not you will buy a specific item online, how important is each of the following in your decision to make the purchase? (Q11-Q17)

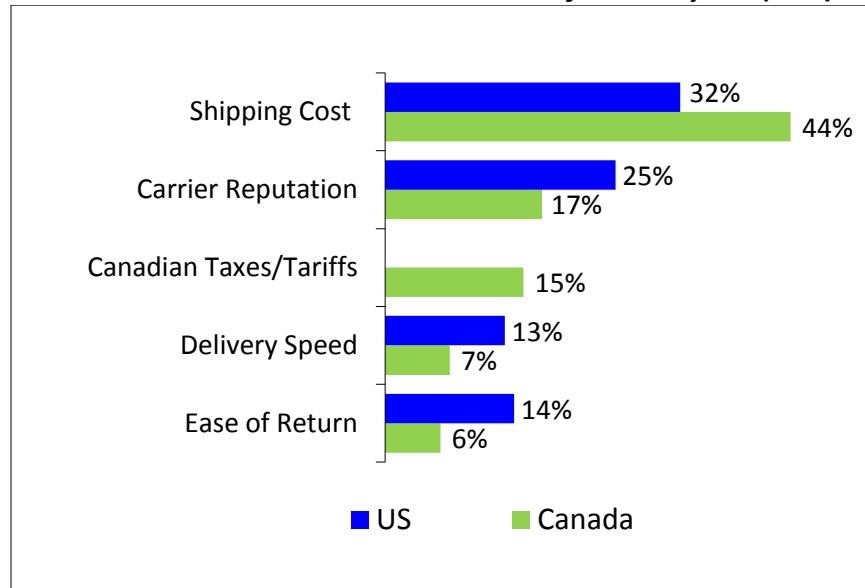


Most Important Consideration: Shipping Cost

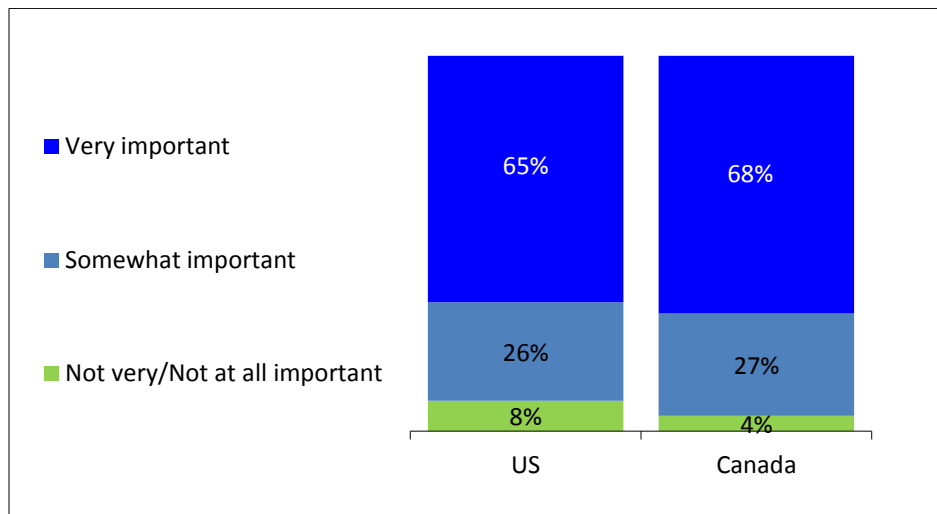
When asked to choose the single most important factor among all of these, shipping cost was identified by 44% of Canadians and 32% of Americans (*Figure 8*). This was followed by the reliability and reputation of the carrier, taxes and tariffs (in Canada), speed of delivery, and ease of item return. Overall, shipping costs outweigh other factors as critical to the online purchasing decision in both countries.

Not surprisingly then, almost two-thirds of Americans and Canadians said free shipping was very important to their purchasing decision (*Figure 9*).

**Figure 8: When ordering online,
what is the SINGLE MOST IMPORTANT factor to you? (Q19)**

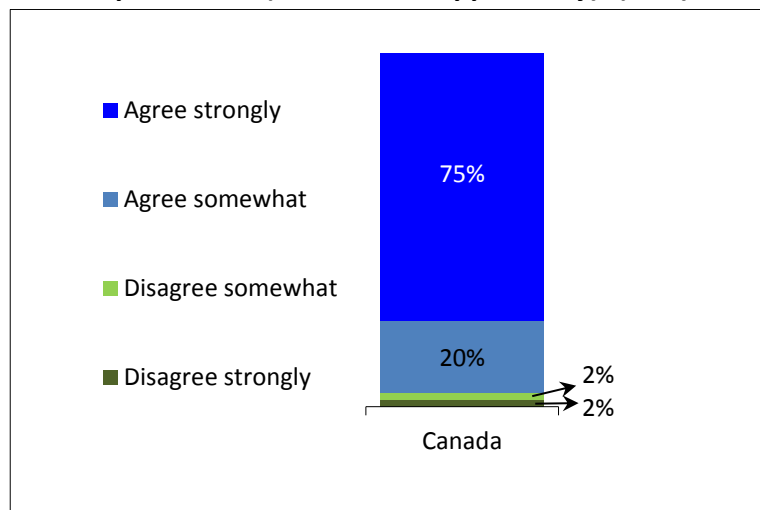


**Figure 9: How important is the availability of a FREE SHIPPING OPTION
in your decision to purchase an item online? (Q20)**



Nearly half of Canadians (49%) said that Canadian taxes and tariffs were very important in their decision of whether or not to make an online purchase; and 75% of Canadian shoppers strongly agree that they rely upon the carrier to accurately factor all taxes, tariffs and customs requirements (*Figure 10*).

Figure 10: I rely upon the carrier to accurately factor in all taxes, tariffs and customs requirements (Canadian shoppers only). (Q41)

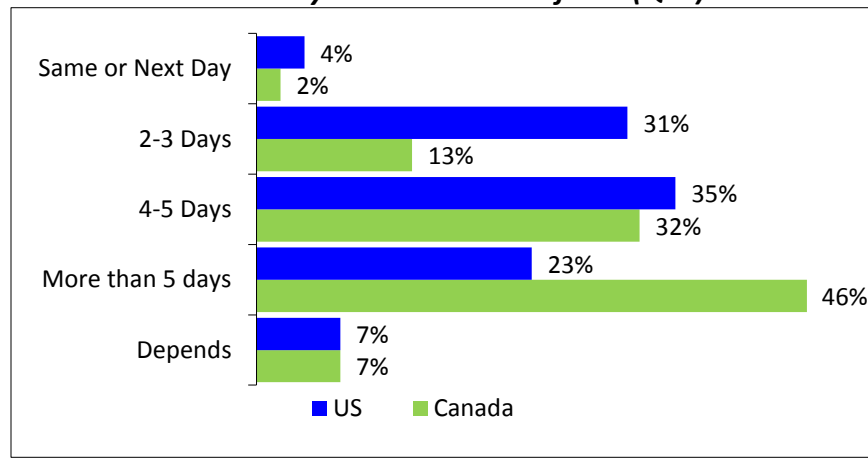


A minority of shoppers were interested in paying more for a particular delivery service. 31% of Americans and 38% of Canadians agreed with the statement that they would pay more for shipping if they knew it was being handled by a specific delivery service.

Most Favor Lower Cost Over Faster Delivery Speed

Most shoppers choose slower delivery speeds for their online purchases. A majority of Canadians (78%) and Americans (58%) typically opted for shipping that took four days or longer. Canadians in particular opted for longer delivery times than American shoppers, with just under a half (46%) of Canadians selecting shipping that took more than 5 days. 35% of Americans and 15% of Canadians typically selected to have their items shipped in 3 days or less. (*Figure 11*)

Figure 11: Thinking about delivery speeds, which do you choose most often? (Q27)



When asked to agree with the statement “*I am more concerned about delivery by a certain date than about cost,*” a majority of Americans (68%) and Canadians (76%) **disagreed**, as further evidence of the importance of shipping costs. And a majority of American (55%) and Canadian (65%) online shoppers said they very often or always adjusted their shipping date to obtain lower cost or free shipping.

A majority of Americans and Canadians said the availability of a lower cost shipping option is very or somewhat important to their purchase decision (*Figure 12*). And most would choose a lower cost delivery option, even if it took longer, over a faster premium service (*Figure 13*). As a consequence, few shoppers rated same day or next day delivery as important to them (33% of Americans and 26% of Canadians).

Figure 12: Thinking about the cost of shipping, how important is the availability of a lower cost delivery option that means the item will take longer to arrive to your decision to purchase an item? (Q21)

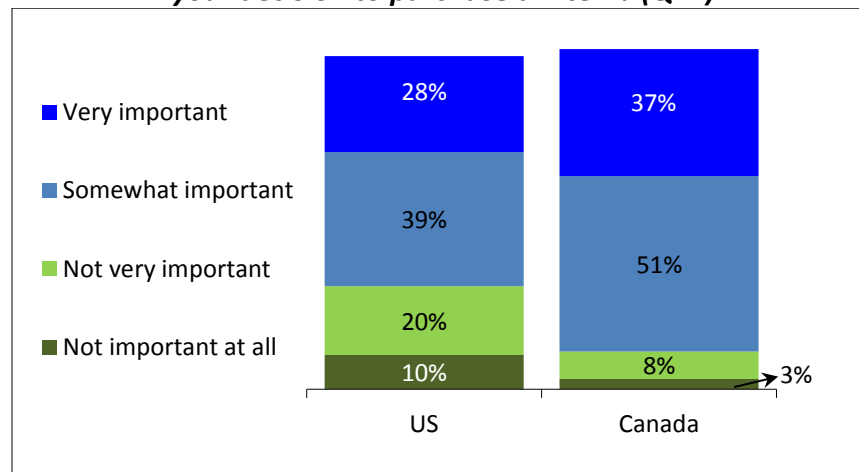
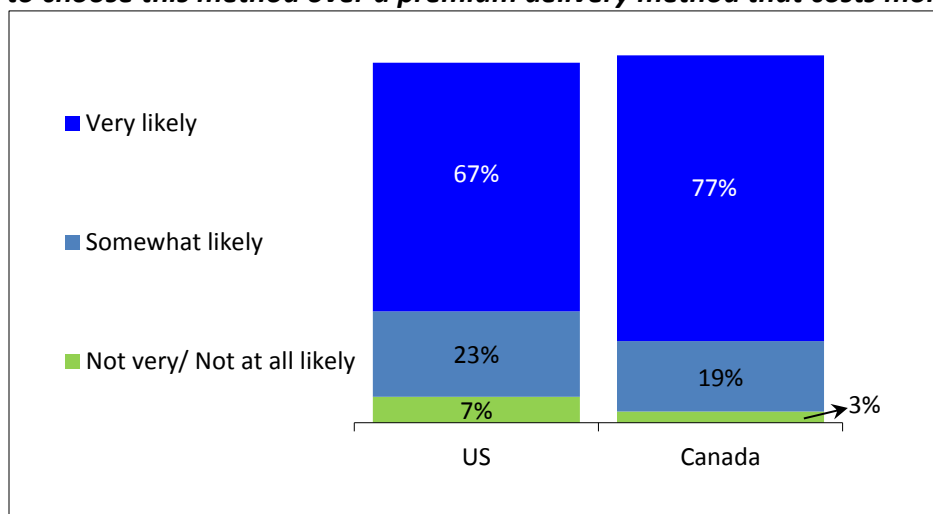


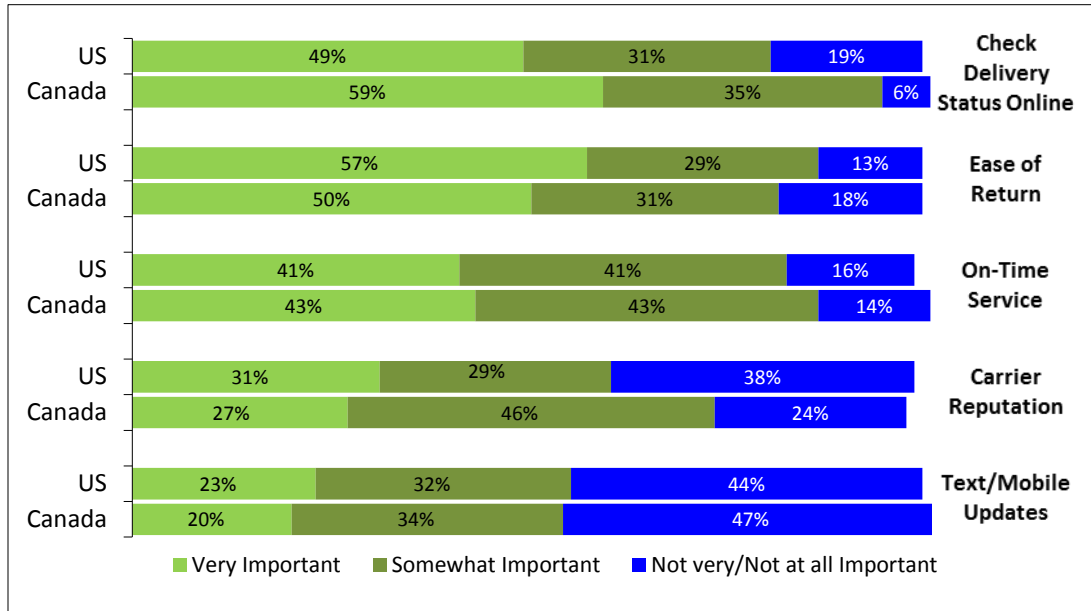
Figure 13: If a lower cost of shipping is offered with an accurate transit time, how likely would you be to choose this method over a premium delivery method that costs more? (Q22)



Delivery Carrier Selection

When it comes to selecting a delivery carrier, American and Canadian online shoppers had similar preferences for the most part. Ease of returning items and being able to check delivery status online were both rated by a majority or near majority as very important, although Canadians rated the ability to check delivery status online as more important than did Americans. This was followed in importance by the carrier's on-time service delivery performance as an important quality. The ability to receive online text and mobile updates concerning delivery was not considered to be an especially important quality when deciding on a carrier. Only 23% of Americans and 20% of Canadians rated this as very important (*Figure 14*).

Figure 14: When selecting a carrier while ordering online, how important is ... (Q31-Q35)



Postal Service Option

80% of Canadians agreed that they would choose postal service delivery in order to lower their shipping costs (Figure 15). Overall, a majority of Americans (60%) and Canadians (62%) agreed strongly that the postal service was a suitable alternative to other types of carrier delivery services (Figure 16).

Figure 15: I prefer to obtain lower shipping costs by selecting delivery by postal service. Do you... (Q26)

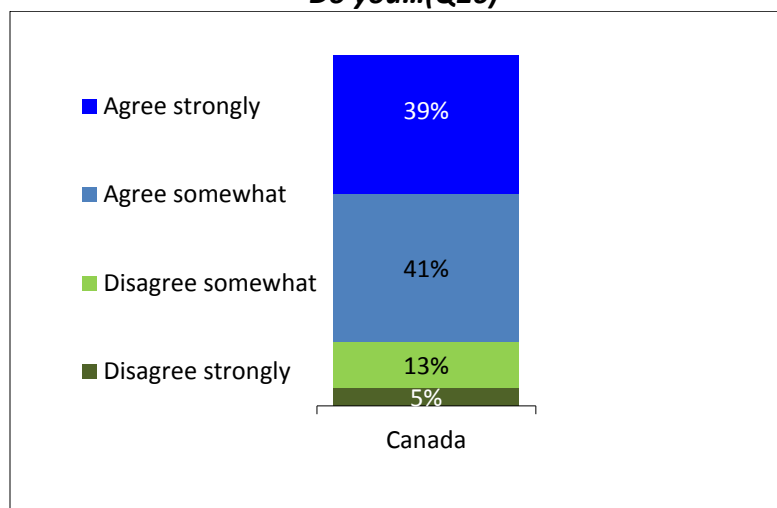
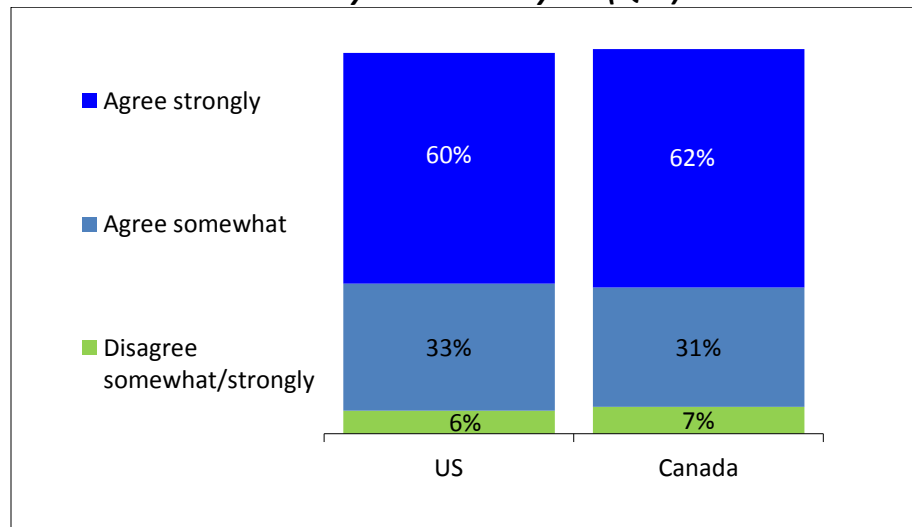


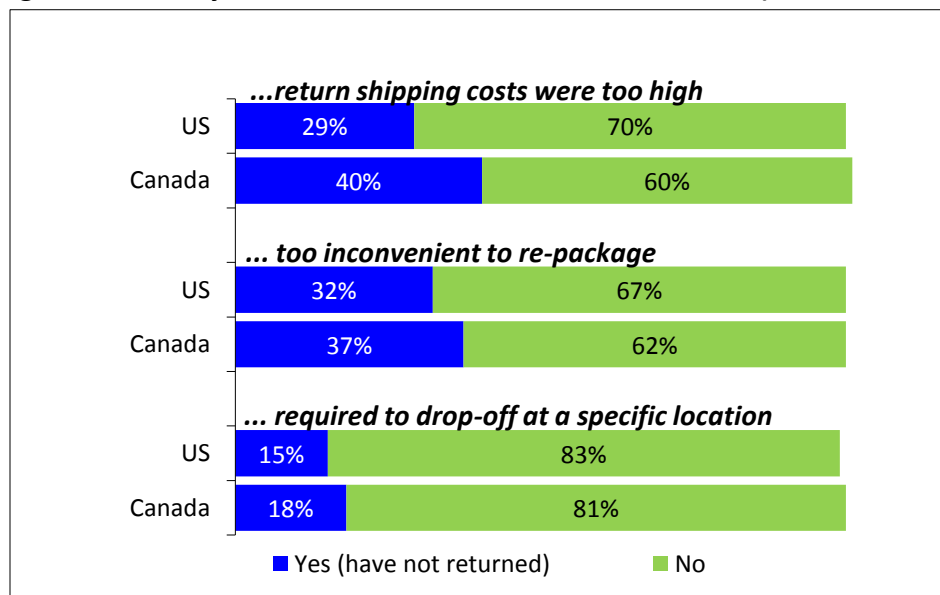
Figure 16: I believe postal delivery is an acceptable alternative to other types of carrier delivery services. Do you...(Q42)



Returned Items

High return shipping costs had prevented 40% of Canadians and 29% of Americans from returning an item purchased online. And 37% of Canadians and 32% of Americans had not returned an item because of the inconvenience in repackaging it. (Figure 17)

Figure 17: Have you ever NOT returned an item because...(Q36/Q37/Q38)



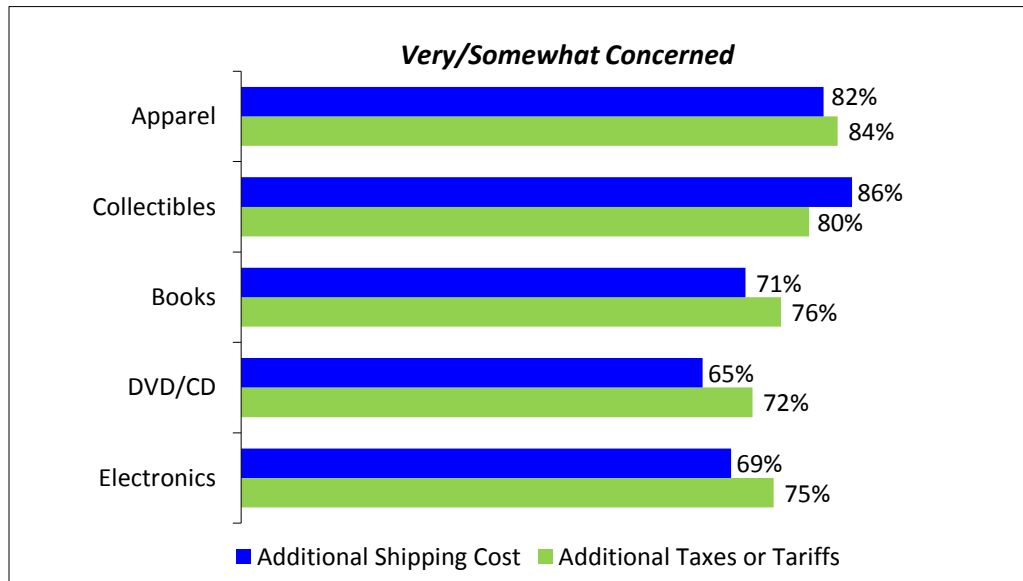
Canadian Concerns in Vertical Markets

Studying Canadian consumer online purchases from US based retailers across a range of goods and products revealed a number of different concerns and preferences.

For example, those purchasing books (excluding downloads), music (excluding downloads) or electronic items expressed a lower concern about incurring additional shipping costs than those purchasing clothing or collectibles. 82% were very or somewhat concerned about additional shipping costs on clothing and 86% on collectibles, while only 71% on books, 65% on DVDs, and 69% on electronics were very or somewhat concerned. (Figure 18)

Similarly, higher percentages of those purchasing clothing or collectibles (84% and 80%, respectively) were concerned about additional taxes and tariffs when compared to those purchasing books (76%), music (72%) or electronics (75%). (Figure 18)

Figure 18: Thinking about purchasing following Goods/Items from a US based online retailer, how concerned are you that your purchase might incur “Additional Shipping Cost/Additional Taxes or Tariffs”? (Canada)



There was moderate concern about longer delivery times from US sites, especially for clothing, electronics, and collectibles. And Canadians were moderately concerned that shopping in the US would take business away from local Canadian retailers.

METHODOLOGY

The Stony Brook University Center for Survey Research conducted this survey by telephone between December 23, 2014 and February 4, 2015. The overall sample consisted of two subsamples: a random national sample of US households (excluding Hawaii and Alaska) and a national sample of Canadian households provided by Canada Post through their Canada Complete phone list, which is a comprehensive mailing list database of over 13 million Canadian residential addresses.

Within selected households, qualifying respondents were identified on the basis of two criteria: respondents had to be at least 18 years old and they had to have done online shopping at least once. For Canadian respondents, the screening question about online shopping was explicitly restricted to online shopping from US based retailers.

Taking into account the time differences across Canada and the United States, a number of contact attempts at various times of the day and week were made at each household phone number (between 5 and 9 attempts). In order to assure a representative sample, all households and individuals who initially were not willing to participate in the survey were contacted again, and an attempt was made to persuade them to participate.

In total, 17,223 numbers were attempted. Of these 7,501 numbers belonged to Canadian households and 9,722 numbers belonged to US households. Canadian households were notified by mail that they may be called to participate in the survey, and that upon successful completion the respondent would be eligible to win a \$100 gift card (subject to Canadian skills testing requirements). Among all the US numbers that were attempted, 649 households were ineligible for the study since they had never done any online shopping while 229 respondents refused to participate in the study. A total of 150 interviews were completed with US respondents.

Among the 7,501 Canadian households, 981 respondents were ineligible for the study since they had never done any online shopping from a US based retailer while 870 respondents refused to participate in the study. A total of 350 interviews were completed with Canadian respondents.