



Flexe

The Omnichannel Retail Report

COVID-19's Impact on Consumer Expectations

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The world is different now.

COVID-19 changed how we live, how we interact, and how we consume.

In March 2020, stores closed and sales moved online. The magnitude of that shift brought the industry to its knees. For the first time, the world paid attention to the supply chain.

New consumer buying behaviors are some of the most significant and lasting impacts of COVID-19. In Q4 2020, Flexe conducted two surveys to better understand those changes*:

The 2020 Flexe Omnichannel Consumer Survey, in which 500 consumers were asked about COVID-19's impact on their shopping behaviors and how delivery promises impact their purchasing decisions.

The 2020 Flexe Retailer and Brand Business Survey, in which 200+ retailers were surveyed about their eCommerce delivery options and what they are prioritizing as a result of consumer behavior in the last 12 months.

*All data, unless otherwise cited, are from the 2020 Flexe Omnichannel Consumer Survey and the 2020 Flexe Retailer and Brand Business Survey

Key takeaways

- + **eCommerce spiked and isn't slowing down:** 69% of consumers say their online spending increased because of COVID-19 and hasn't slowed down.
- + **Fast, free shipping is critical:** 93% of consumers search elsewhere for free shipping; 85% search elsewhere for faster shipping.
- + **Fast shipping increases sales:** 57% of consumers say that Amazon Prime One-Day Delivery and Same-Day Delivery increase how much they purchase from Amazon.
- + **Shopping cart abandonment is a logistics problem:** Two of the top 3 reasons for shopping cart abandonment relate to logistics—shipping fees are too high and delivery times are too slow.
- + **Same-day delivery keeps retailers up at night:** 49% of retailers say Amazon Prime One-Day Delivery and Same-Day Delivery pose a threat to their business.

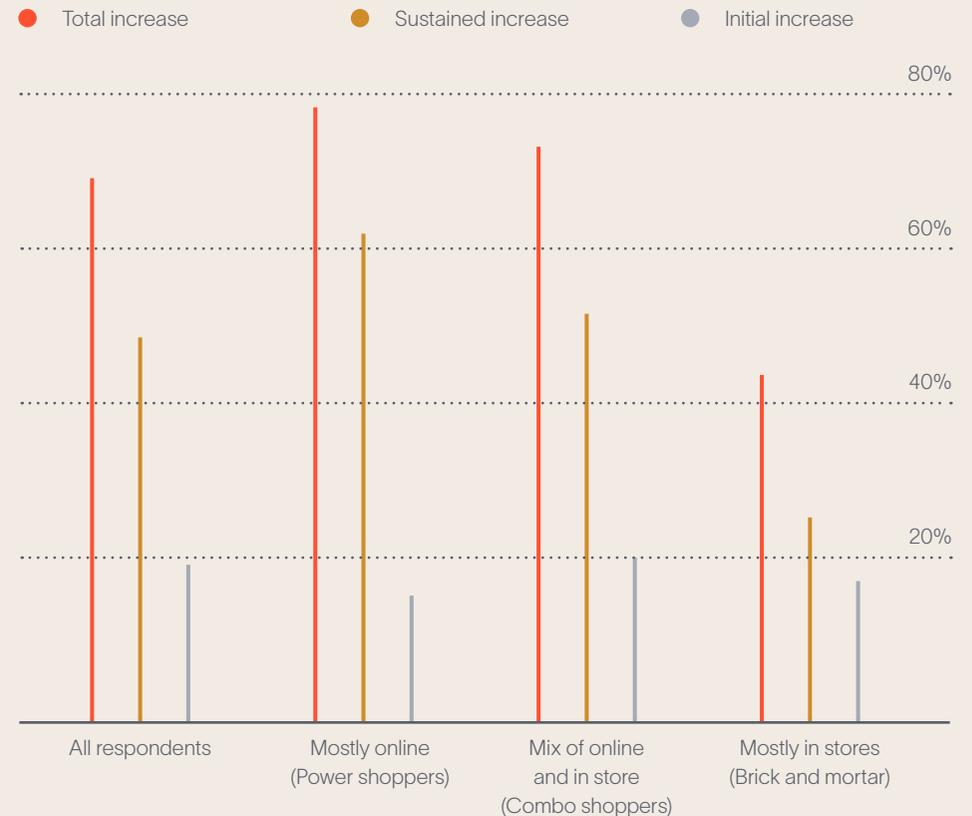
COVID-19's impact on consumer behavior

The “new normal” of retail is here. Fewer trips to the store means more online orders, with new buying behaviors and even higher expectations. The 2020 Flexe Omnichannel Consumer Survey asked consumers how COVID-19 changed their shopping behavior.

Online shopping increased because of COVID-19 and is still higher than it was pre-pandemic.

Sixty-nine percent of consumers report an increase in online shopping because of COVID-19, of which 49% say they continue to shop online more than they did before the pandemic.

Increase in spend by shopper profile



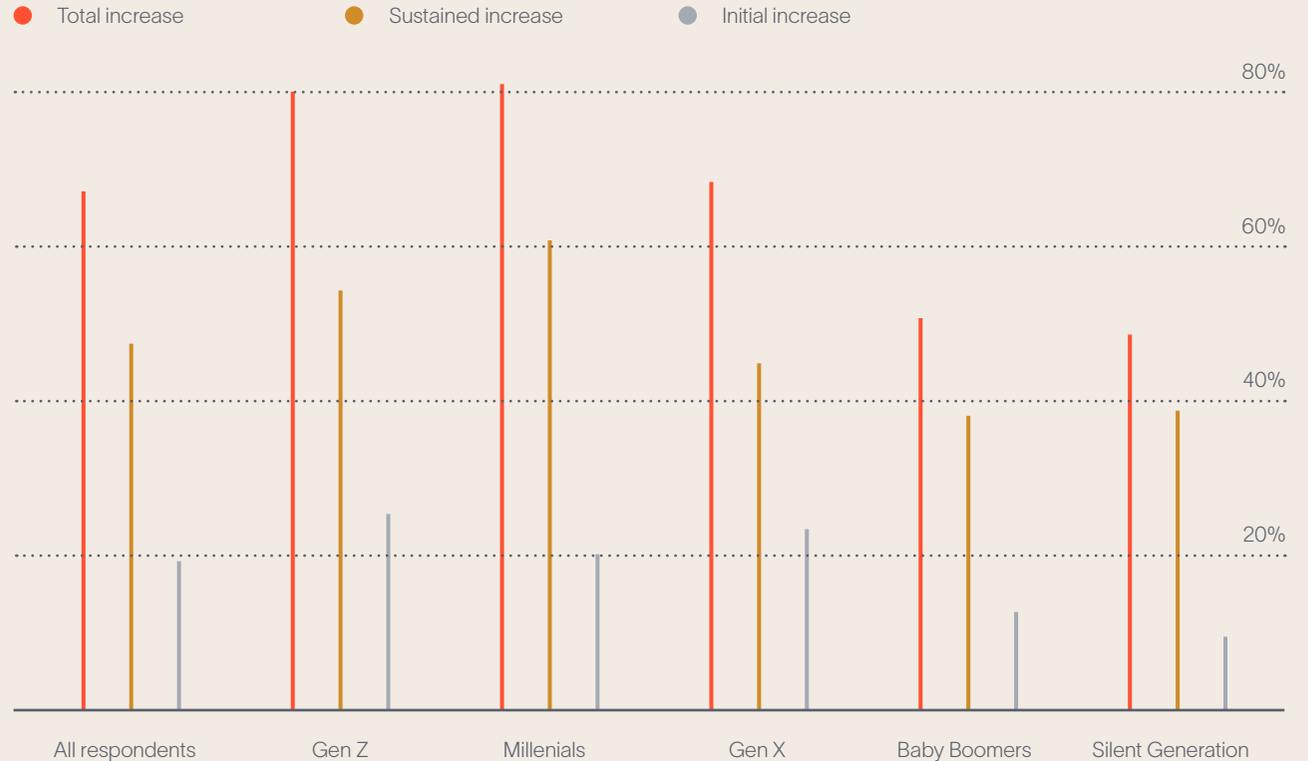
All Consumer Responses and Shopper Profiles: How has the COVID-19 pandemic impacted your online shopping behavior? (Appendix Table 1)

Increase in online shopping by generation

Millennials reported the highest sustained growth (62%), followed by Gen Z (56%) and Gen X (46%).

The Silent Generation and Baby Boomers, both of which said they mostly shop in-store, adapted—nearly 40% increased their online spend and shop online more now than before the pandemic.

eCommerce sales increased by 68% in 10 weeks; the same amount of growth as the previous 10 years.¹

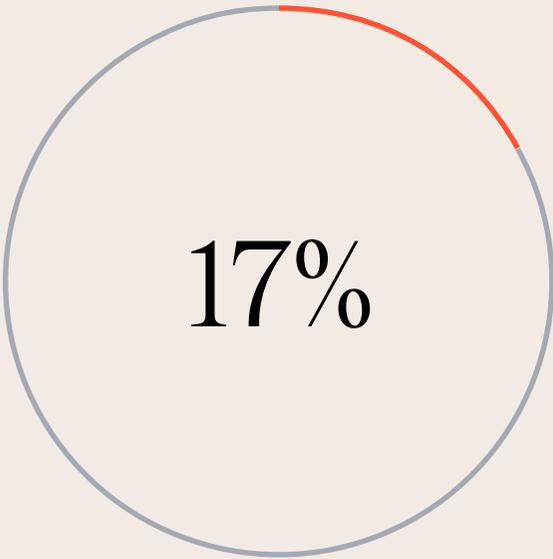


All Consumer Responses and Generational Data: How has the COVID-19 pandemic impacted your online shopping behavior? (Appendix Table 2)
 1. McKinsey & Company, McKinsey Quarterly: The Quickening 2020

*Retailers get it:
68% of retailers say eCommerce
sales are going to grow more than
20% in the next 12 months*

Post-COVID online spending

Only 17% of consumers
say their online spend will
decrease, while 83% say it
will either stay the same or
increase.



17%

All Consumer Responses and Shopper Profiles: How do you expect your online spending to change after the pandemic? (Appendix Table 3)



Delivery promises that capture online sales

Delivery promises are the shipping times and costs that retailers provide to shoppers for online orders. Consumers view delivery promises as a critical element when purchasing online.

The value of a compelling promise

Seventy-eight percent of consumers say free shipping is important and 53% say the same about fast shipping when making a purchase online. Power shoppers—those that mostly shop online as opposed to in-store—place an even higher premium on both; 86% on free and 67% on fast.

All Consumer Responses: How important are each of the following when making an online purchase?
(Appendix Table 4)



53%

of consumers say fast shipping is important



78%

of consumers say free shipping is important

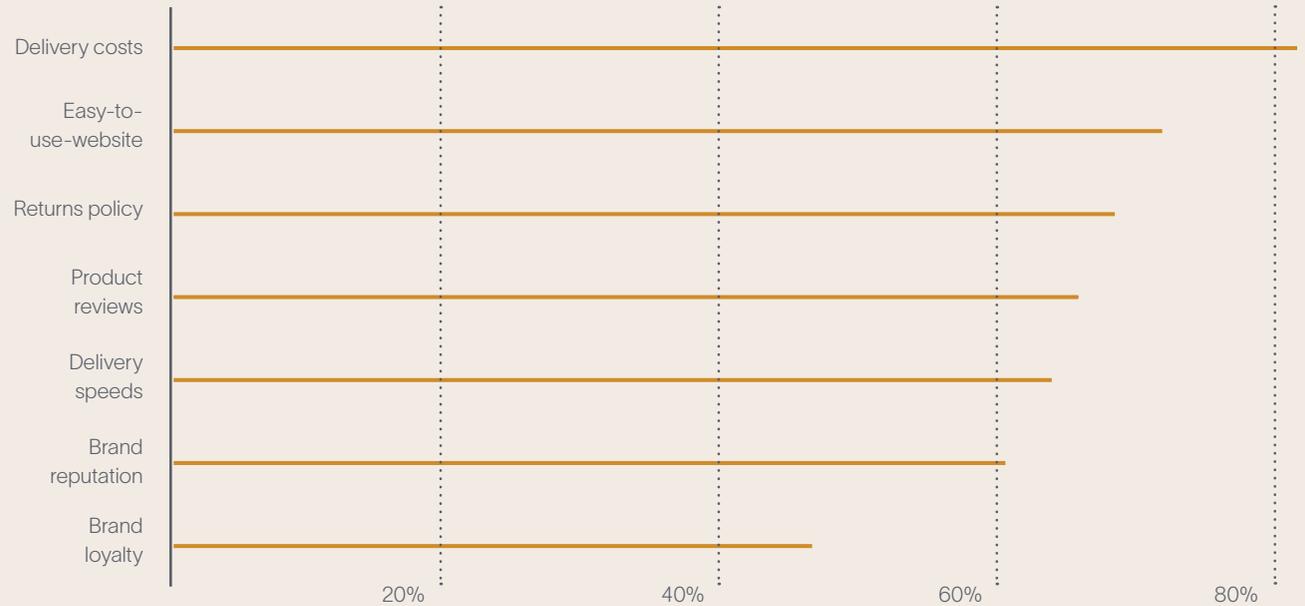
Delivery promises impact sales

Fast shipping and free shipping are incredibly important in deciding where to purchase products.

Eighty-one percent of consumers say delivery costs are the number one consideration when choosing an online retailer, and 62% consider delivery speeds before making an online purchase.

Other critical components include: Easy-to-use websites, return policies, product reviews, brand reputation, and brand loyalty.

All Consumer Responses and Shopper Profiles: How important are each of the following when considering a purchase from an online retailer? (Appendix Table 5)



81% of consumers say delivery costs influence where they shop; 62% said speed does.

Suboptimal delivery options drive consumers away

A striking 93% of consumers source products from other retailers if they can save on shipping and nearly half (48%) do so always. Another 85% search for faster delivery when expectations are not met

All Consumer Responses: If an online retailer's shipping costs or speeds are not satisfactory, will you search elsewhere for better delivery options? (Appendix Table 6)

Top 3 reasons for shopping cart abandonment:

- + Shipping fees / costs are too high
- + Found it cheaper somewhere else
- + Delivery time was too slow

Fast shipping drives revenue

A growing number of consumers are aware of Amazon Prime One-Day and Same-Day Delivery, and 57% of users say it increases the amount of money they spend with Amazon.

All Consumer Responses and Generational Data: How has the availability of the Amazon Prime One-Day Delivery and Same-Day Delivery service(s) impacted how much you purchase from Amazon? (Appendix Table 7)

Usage is especially high with Millennials and Gen Z. More than half (52%) of Millennials use Amazon Prime One-Day Delivery and 40% use Same-Day Delivery. For Gen Z, 56% use One-Day, 36% use Same-Day services.

All Consumer and Generational Data: Indicate your level of awareness / familiarity with each of the Amazon Prime Delivery services below: (Appendix Table 8)

Willingness to search for better delivery promises:

- + 93% say they search for better shipping when costs are too high
- + 85% say they do when delivery times are too long

All Consumer Responses: If an online retailer's shipping costs or speeds are not satisfactory, will you search elsewhere for better delivery options? (Appendix Table 6)

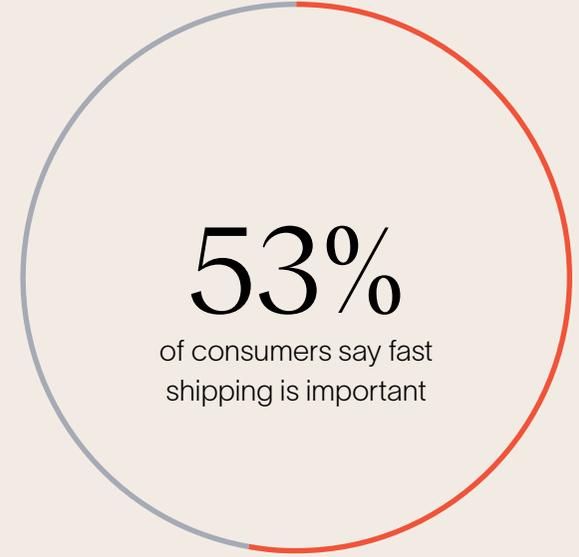
57% of consumers spend more with Amazon because of its one-day and same-day shipping options.

All Consumer and Generational Data: Indicate your level of awareness / familiarity with each of the Amazon Prime Delivery services below: (Appendix Table 8)

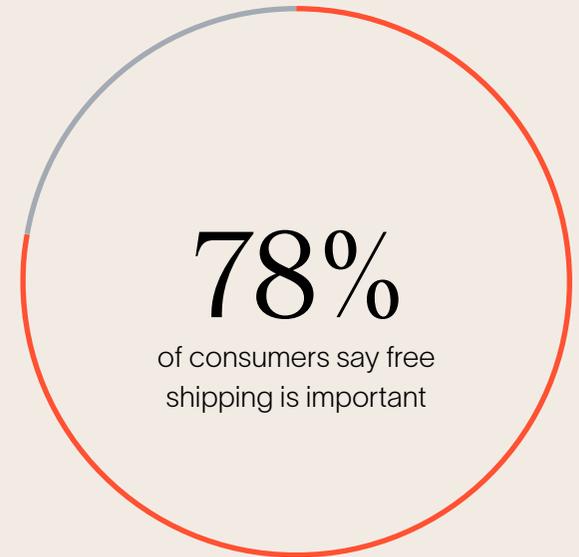
Retailers vs. consumers: Fast & free shipping

Retailers say fast shipping is more important to their customers than free shipping. Consumers don't agree.

Importance of fast shipping



Importance of free shipping



Retailers vs Consumers: The importance of fast and free shipping (Appendix Table 9)



Delivery promises currently offered by retailers and brands

Few retailers provide fast delivery promises for free. Only 25% offer free, two-day shipping, 10% offer free, one-day shipping, and 8% offer free, same-day shipping. Meanwhile, the most commonly offered free delivery options are 3-4 days and 5-7 days. Consumers say that doesn't exceed their expectations.



Retailers: Which delivery times do you currently offer to your online customers? For which delivery times do you offer free shipping? (Appendix Table 10)

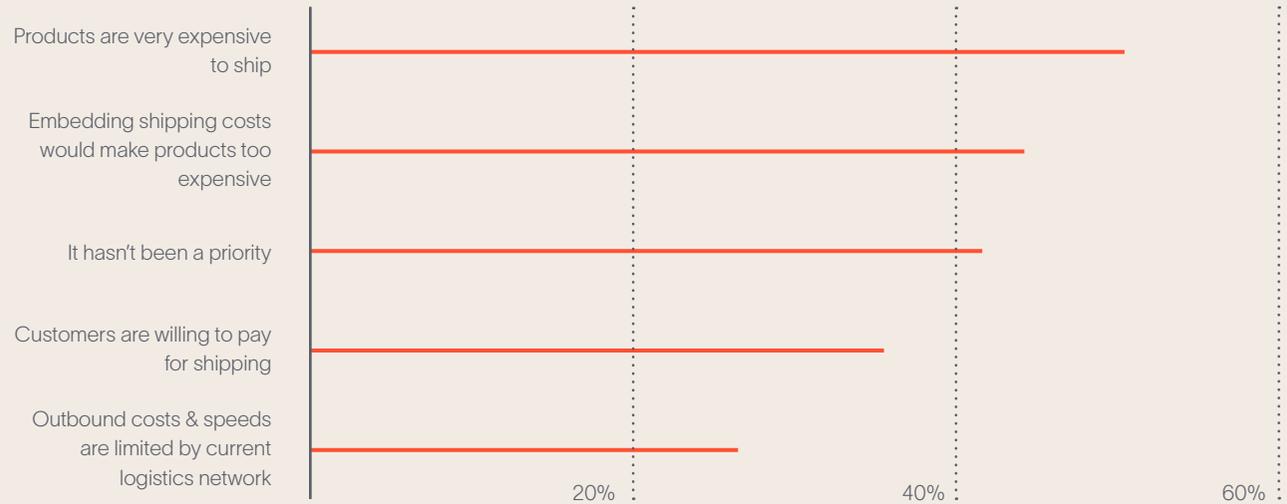
23% of consumers add \$20+ to their carts to get free shipping

All Consumer Responses: How much more are you willing to spend on an online order to meet free shipping minimums? (Appendix Table 13)

Top 5 reasons for not offering free shipping

Retailers don't want to disappoint their customers, but meeting and exceeding expectations is expensive. The top two reasons for not offering free shipping come down to either absorbing costs or offloading them onto customers by embedding shipping costs into product prices.

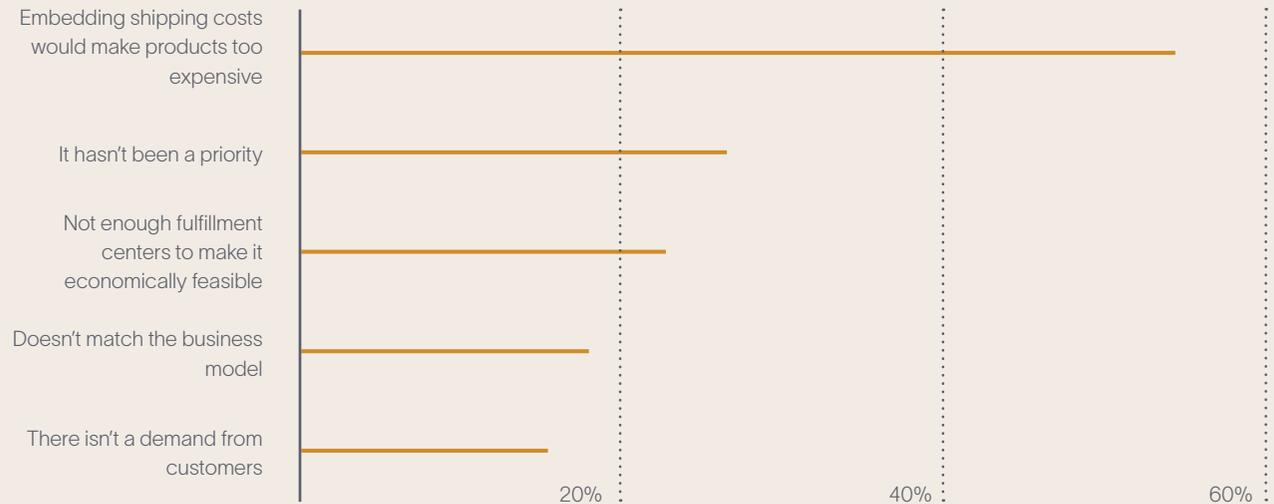
Retailers: What are the reasons you do not currently offer free shipping? (Appendix Table 11)



Top 5 reasons for not offering fast shipping

Fast shipping is expensive, too. Businesses provide similar reasons for not offering fast shipping, as they did for free. Fifty-five percent say they don't offer fast shipping because embedding costs into product prices would make items too expensive and turn customers away.

Retailers: What are the reasons you do not currently offer fast shipping? (Appendix Table 12)



The cost of doing nothing

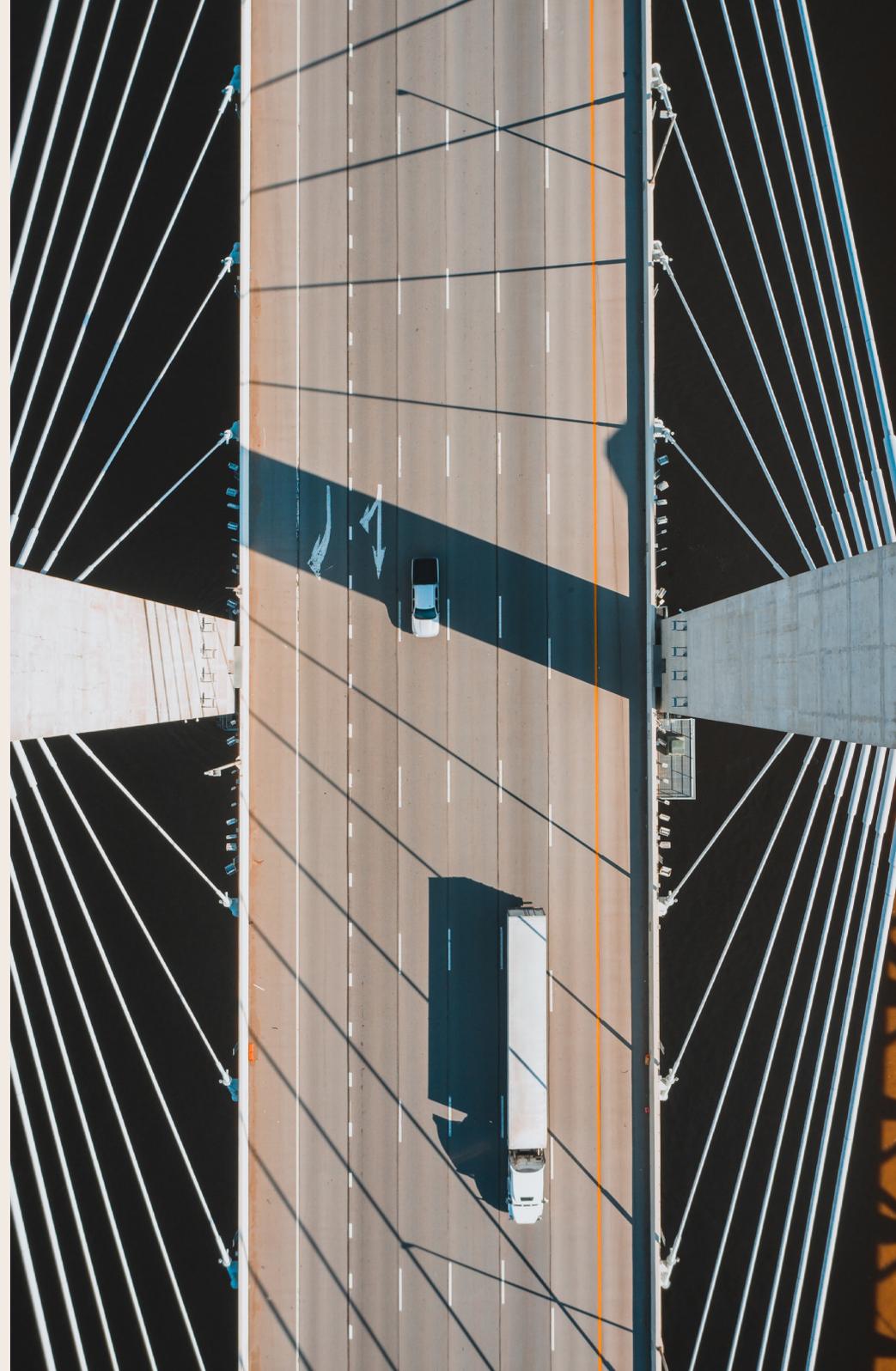
Nearly two-thirds (62%) of retailers and brands believe their delivery promises are competitive, but are they? And for how long?

In 2020, Amazon announced it was building 1,500 suburban fulfillment centers to support Same-Day Delivery². Businesses face the very real challenges of eCommerce logistics and the looming threat of Amazon's influence on consumer expectations.

Consumers want convenient delivery options, and that almost always comes down to fast and free. Amazon continues to improve its delivery options because it knows that's what customers want. It's impossible to recreate Amazon's logistics network, but the cost of doing nothing is high. Perhaps that's why 49% of retailers and brands say Amazon's fast delivery promises keep them up at night.

62% of retailers and brands believe their delivery promises are competitive, but are they?

2. Bloomberg, 2020



Demographics & Firmographics

2020 Flexe Omnichannel Consumer Survey Demographics

| <i>Shopper Profile</i> | <i>%</i> |
|---|----------|
| Brick & mortar shoppers (prefer shopping in stores, rarely shop online) | 15% |
| Combo shoppers (relatively even balance between online and in-store shopping) | 69% |
| Power shoppers (shop mostly online, rarely in stores) | 16% |

| <i>Year born</i> | <i>%</i> |
|------------------------------|----------|
| 1945 or earlier (Silent Gen) | 4% |
| 1946 - 1964 (Baby Boomer) | 26% |
| 1965-1980 (Gen X) | 33% |
| 1981-1996 (Millennial) | 29% |
| 1997 or later (Gen Z) | 8% |

2020 Flexe Retailer and Brand Survey Firmographics

| <i>Business description</i> | <i>%</i> |
|---|----------|
| Apparel | 13% |
| Auto | 2% |
| Beauty | 2% |
| Consumer Packaged Goods | 10% |
| Department Stores | 10% |
| Discount (Costco, Sam's Club, Dollar General) | 1% |
| Electronics | 10% |
| Footwear/Athletic | 2% |
| General Merchandise (Walmart, etc.) | 13% |
| Grocery | 6% |
| Health Services (CVS, Rite Aid) | 4% |
| Hobby (JoAnn, Hobby Lobby) | 1% |
| Home Furnishings | 2% |
| Home Improvement | 9% |
| Luxury | 4% |
| Sporting Goods/Outdoor | 3% |
| Other | 3% |

Appendix

Table 1

All Consumer Responses and Shopping Profiles: How has the COVID-19 pandemic impacted your online shopping behavior? (n=500)

| | <i>All respondents</i> | <i>Mostly online</i> (Power shoppers) | <i>Mix of online & in store</i> (Combo shoppers) | <i>Mostly in stores</i> (Brick & mortar) |
|--|------------------------|--|---|---|
| Sustained increase in online shopping | 49% | 62% | 52% | 26% |
| Initial increase in online shopping | 20% | 16% | 21% | 18% |
| Little-to-no change in online shopping | 29% | 21% | 26% | 53% |
| Decreased online shopping | 3% | 1% | 1% | 3% |

Table 2

All Consumer Responses and Generational Data: How has the COVID-19 pandemic impacted your online shopping behavior? (n=500)

| | <i>All respondents</i> | <i>Gen Z</i> | <i>Millenials</i> | <i>Gen X</i> | <i>Baby Boomers</i> | <i>Silent Generation</i> |
|--|------------------------|--------------|-------------------|--------------|---------------------|--------------------------|
| Sustained increase in online shopping | 49% | 56% | 62% | 46% | 39% | 40% |
| Initial increase in online shopping | 20% | 26% | 21% | 24% | 13% | 10% |
| Little-to-no change in online shopping | 29% | 15% | 16% | 29% | 46% | 50% |
| Decreased online shopping | 3% | 3% | 1% | 1% | 2% | - |

Table 3

All Consumer Responses and Generational Data: How do you expect your online spending to change after the pandemic? (n=446)*

| | <i>All respondents</i> | <i>Mostly online</i> (Power shoppers) | <i>Mix of online & in store</i> (Combo shoppers) | <i>Mostly in stores</i> (Brick & mortar) |
|-----------------|------------------------|--|---|---|
| Will increase | 24% | 35% | 24% | 12% |
| Will not change | 59% | 51% | 59% | 67% |
| Will decrease | 17% | 14% | 17% | 21% |

Table 4

All Consumer Responses: How important are each of the following when making an online purchase? (n=500)
 0 = Not at all important / 10 = Extremely important

| | <i>Important (top 3)</i> | <i>Neutral</i> | <i>Not important (low 3)</i> |
|---------------|------------------------------|----------------|----------------------------------|
| Fast shipping | 53% | 43% | 4% |
| Free shipping | 78% | 20% | 2% |

Table 5

All Consumer Responses and Shopping Profiles: How important are each of the following when considering a purchase from an online retailer? (n=500)

| | <i>All respondents</i> | <i>Mostly online (Power shoppers)</i> | <i>Mix of online & in store (Combo shoppers)</i> | <i>Mostly in stores (Brick & mortar)</i> |
|----------------------------|------------------------|---|--|--|
| Delivery costs | 81% | 91% | 81% | 66% |
| Easy-to-use website | 71% | 78% | 71% | 62% |
| Returns policy | 68% | 74% | 68% | 61% |
| Product reviews | 65% | 78% | 66% | 47% |
| Delivery speeds | 62% | 77% | 62% | 49% |
| Brand reputation | 60% | 73% | 58% | 55% |
| Brand loyalty | 46% | 54% | 46% | 39% |
| Sustainability initiatives | 40% | 43% | 41% | 35% |

Table 6

All Consumer Responses: If an online retailer's shipping costs or speeds are not satisfactory, will you search elsewhere for better delivery options? (n=500)

| | <i>Better shipping costs</i> | <i>Faster shipping options</i> |
|----------------|------------------------------|--------------------------------|
| Yes, always | 48% | 30% |
| Yes, sometimes | 45% | 55% |
| Not usually | 6% | 14% |

Table 7

All Consumer Responses and Generational Data: How has the availability of the Amazon Prime One-Day Delivery and Same-Day Delivery service(s) impacted how much you purchase from Amazon? (n=227)

| | | <i>All respondents</i> | <i>Gen Z</i> | <i>Millennials</i> | <i>Gen X</i> | <i>Baby Boomers</i> | <i>Silent Generation</i> |
|-------------------|-----------------------|------------------------|--------------|--------------------|--------------|---------------------|--------------------------|
| One-day delivery | Increases total order | 56% | 46% | 63% | 56% | 49% | 50% |
| | No impact | 43% | 50% | 35% | 44% | 51% | 50% |
| | Decreases order size | 1% | 5% | 3% | - | - | - |
| Same-day delivery | Increases total order | 58% | 55% | 62% | 62% | 62% | 25% |
| | No impact | 39% | 46% | 31% | 31% | 31% | 75% |
| | Decreases order size | 3% | - | 7% | 7% | 7% | - |

Table 8

All Consumer Responses and Generational Data: Indicate your level of awareness / familiarity with each of the Amazon Prime Delivery services below: (n=500)

| | | <i>All respondents</i> | <i>Gen Z</i> | <i>Millennials</i> | <i>Gen X</i> | <i>Baby Boomers</i> | <i>Silent Generation</i> |
|-------------------|----------------|------------------------|--------------|--------------------|--------------|---------------------|--------------------------|
| One-day delivery | Aware/used | 45% | 56% | 52% | 52% | 37% | 30% |
| | Aware/not used | 46% | 31% | 40% | 40% | 54% | 60% |
| | Not aware | 9% | 13% | 8% | 8% | 9% | 10% |
| Same-day delivery | Aware/used | 28% | 36% | 40% | 40% | 16% | 20% |
| | Aware/not used | 61% | 39% | 52% | 52% | 76% | 60% |
| | Not aware | 11% | 5% | 8% | 8% | 8% | 20% |

Table 9

Retailers vs Consumers: The importance of fast and free shipping

| | | <i>Important</i> | <i>Neutral</i> | <i>Not important</i> |
|-------------|---------------|------------------|----------------|----------------------|
| Retailers* | Fast shipping | 71% | 28% | 1% |
| | Free shipping | 64% | 34% | 2% |
| Consumers** | Fast shipping | 53% | 43% | 4% |
| | Free shipping | 78% | 20% | 2% |

Table 10

Retailers: Which delivery times do you currently offer to your online customers? For which delivery times do you offer free shipping? (n=221)

| <i>Shipping times</i> | <i>Available</i> | <i>Available for free</i> |
|------------------------------|------------------|---------------------------|
| Same-day | 21% | 8% |
| One-day | 48% | 10% |
| Two-day | 77% | 25% |
| 3-4 day | 75% | 45% |
| 5-7 day | 66% | 58% |
| 8+ days | 25% | 29% |
| Does not offer free shipping | - | 14% |

Table 11

Retailers: What are the reasons you do not currently offer free shipping? (n=30)

| <i>Free shipping</i> | |
|--|-----|
| Products are very expensive to ship | 50% |
| Embedding shipping costs would make products too expensive | 43% |
| It hasn't been a priority | 40% |
| Customers are willing to pay for shipping | 33% |
| Outbound costs and speeds are limited by current logistics network | 27% |

Table 12

Retailers: What are the reasons you do not currently offer fast shipping? (n=40)

| <i>Fast shipping</i> | |
|---|-----|
| Embedding shipping costs would make products too expensive | 55% |
| It hasn't been a priority | 28% |
| Not enough fulfillment centers to make it economically feasible | 25% |
| Doesn't match the business model | 18% |
| There isn't a demand from customers | 15% |

Table 13

All Consumer Responses and Shopping Profiles: How much more are you willing to spend on an online order to meet free shipping minimums? (n=500)

| <i>All respondents</i> | |
|------------------------|-----|
| \$0 | 12% |
| \$1-5 | 18% |
| \$6-10 | 21% |
| \$11-20 | 17% |
| \$20 | 23% |
| N/A | 9% |

Table 14

Retailers: How competitive do you believe your delivery promise / delivery options is, compared to your competitors?

1= Not at all competitive / 10 = Extremely competitive (n=221)

| | <i>Top 3 box</i> | <i>Neutral</i> | <i>Low 3 box</i> |
|-------|------------------|----------------|------------------|
| Total | 62% | 37% | 1% |

Table 15

Retailers: To what extent do the Amazon Prime Delivery services pose a threat to your company's eCommerce business? (n=221)

| | <i>Top 3 box</i> | <i>Neutral</i> | <i>Low 3 box</i> |
|-------------------------|------------------|----------------|------------------|
| Prime One-Day Delivery | 47% | 36% | 17% |
| Prime Same-Day Delivery | 50% | 33% | 17% |

About Flexe

Flexe solves the hardest omnichannel logistics problems for the world's largest retailers and brands. Integrating technology, open logistics networks, and elastic economic models allows Flexe customers to move fast, at scale, and with precision. Founded in 2013 and headquartered in Seattle, Flexe brings deep logistics expertise and enterprise-grade technology to deliver innovative eCommerce fulfillment, retail distribution, same-day delivery, and network capacity programs to the Fortune 500.

www.flexe.com

Flexe