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internetRETAILER[®]

Power of Choice

How America's top web merchants are using
convenient delivery options to win over customers



FedEx[®]

EXECUTIVE SUMMARY

Door-to-door and more



David K. Payton,
Vice president of global
marketing, FedEx

It's hard to predict what online shoppers want to buy, but it's becoming clear they have very specific needs when it comes to receiving their purchases because they all have one thing in common: They're unique. Each has an idea about buying goods online, whether it's the latest in fashion or new windshield wiper blades. And today's online shopper has increasingly precise circumstances that retailers must consider when it comes to how those purchases are delivered.

Customers have high expectations today. It's pretty clear that if the consumer has a bad delivery experience, even if it's the carrier's fault, he or she can attribute it to some degree to the retailer. Delivery is an integral part of the purchase and until the product is in the customer's hands not only is the transaction incomplete the consumer is likely still shopping. That's why savvy retailers are offering multiple home delivery options—including letting consumers pick and choose how, when and where they want their packages delivered.

In fact, based on results from a 2015 FedEx and Internet Retailer study, 71 % of web merchants are highly aware of custom home delivery programs that give customers a wide range of personalized delivery options such as scheduling specific delivery times and signing a package release online.

Not all e-retailers are on board for customized delivery yet, but 48% of merchants taking the survey expect to make a decision on launching a custom home delivery program in the next year and 27% of them intend to do so in six months or less.

At FedEx, we help retailers meet and exceed customer delivery expectations by offering service choices such as FedEx Delivery Manager,[®] which consumers use to set a delivery time, designate a different delivery address, sign for a package or provide specific delivery instructions, all of which contribute to completing the product purchase process. We also offer FedEx[®] Metro Overnight and FedEx[®] Metro Economy that retailers tap into by using their stores as fulfillment centers and put purchases in shoppers' hands in less than 24 hours.

Custom delivery choices cater to shoppers' needs and shape customer satisfaction

Such options reflect kindly on the web retailers' obligation to see the transaction through to its conclusion by getting the product in the consumer's hands as efficiently as possible.

In this report, *Power of Choice: How America's top web merchants are using convenient delivery options to win over customers*, you'll learn about what retailers consider the most important custom delivery options based on their customer base, location and business, including:

- **Greater customer satisfaction.** This was cited by 100% of retailers surveyed as a reason for deploying and considering deploying custom home delivery.
- **Custom delivery tools.** Of the retailers offering custom home delivery 100% let customers select an appointment time and half of them let customers schedule an evening delivery or redirect a package to a carrier location for pick-up.
- **Bigger and better results.** Increasing web sales is the main reason 89% of retailers say they are deploying and considering deploying custom home delivery.
- **Closer customer ties.** Developing better customer personalization and engagement is also cited by 89% of retailers as another top reason for offering custom home delivery.

Results described in this report show that online retailers are either ready to offer more personalized delivery options or at least thinking about them. Those who look for new ways to please their customers will stay a few steps ahead of the competition and garner the rewards of increased sales.

Continued success,

David K. Payton

Vice President of Global Marketing, FedEx

About this report

All third-party sources that supply Internet Retailer with data for its Top 500 Guide and Second 500 Guide (Top 1000) provide full consent to Internet Retailer to use their data, which is outlined in the methodology disclaimer in each research project. Once provided by the third-party data source, all permissions to publish the information are the responsibility of Internet Retailer. In addition, Internet Retailer surveys thousands of retailers for its annual global e-commerce research reports. If a retailer does not provide certain metrics in a given period of time for a particular project, Internet Retailer will create estimates based on past research histories of retailers and merchandise categories, analyst interviews, and other data. Internet Retailer estimates are noted as such. Retailers are given the opportunity to respond to estimates, and Internet Retailer updates its estimates with any information provided by the merchant. Retailers are given full awareness of the reporting of the data in the Internet Retailer research products that are provided for public consumption. All Internet Retailer research and methodology is publicly available in print and digital formats and on www.internetretailer.com and www.top500guide.com. Retailers have been providing data for Internet Retailer's various e-commerce research reports for an average of 6 years. Some data have been collected directly from web merchants for more than 10 years, as in reference to the Top 500 Guide.

For more information about FedEx and e-commerce, go to fedex.com/us/ecommerce

Shipping it 'my way'

Top web merchants connect better with anywhere, anytime shoppers by letting them pick and choose how they want packages delivered.

When it comes to shipping options from online retailers, consumers already seem bombarded by an array of choices.

Many retailers offer their web shoppers free shipping depending upon multiple scenarios that can range from the time of year, such as during the holidays, or based on total spending and the value of items purchased.

Many retailers also typically offer their customers other options including same-day, next-day and two-day shipping. Web merchants may let customers choose which carrier they want to make a delivery and, if the merchant owns stores, the option to let the shopper have the package shipped directly to her home or office or to a nearby store.

But even with a full menu of shipping and delivery options already before them, some shoppers want more choice. They want the ability to schedule and receive an order when and where it's most convenient for them.

Custom home delivery options aren't offered by all retailers. But of the web merchants that are offering their customers the ability to pick and choose how they want parcels delivered, many are seeing a payback in the way of bigger web sales, better customer satisfaction, fewer angry calls and emails to the customer contact center, and in other areas of their businesses. The payoff comes in multiple forms from generating more new orders to a decrease in service calls.

In the race to win over more of today's "anywhere and anytime" web shopper, more merchants of all sizes are looking to make custom home delivery a higher priority. Consider these key findings from a recent FedEx and Internet Retailer survey on custom home delivery:

- **Competitive advantage.** Top 1000 retailers such as Macy's Inc. see custom home delivery offered by different carriers as a competitive advantage that drives more new and repeat web sales, takes customer service to a higher level, makes online shopping more convenient for customers, and empowers customers to shop how they want and when they want.
- **Bigger and better results.** Increased web sales is the main reason 89% of retailers say they are deploying and considering deploying custom home delivery.
- **Closer customer ties.** Developing better customer personalization and engagement is also cited by 89% of retailers as another top reason for offering custom home delivery.
- **The biggest reason why.** Higher customer satisfaction was cited by 100% of retailers as a reason for deploying and considering deploying custom home delivery.

► **Location, location, location.** 33% of web merchants prominently display information on custom home delivery on their home page.

► **Decision time.** 48% of retailers expect to make a decision on launching a custom home delivery program in the next year and 27% in six months or less.

► **Cutting down on returns.** 50% of retailers say offering consistent and problem-free custom delivery results in fewer returns.

► **Awareness factor.** 71% of web merchants are highly aware of custom home delivery programs that give customers a range of personalized delivery options such as scheduling specific delivery times and signing for a package release online.

► **Custom delivery tool box.** Of the retailers offering custom home delivery 100% let customers select an appointment time and half of them let customers schedule an evening delivery or redirect a package to a carrier location for pick-up.

► **Carries weight.** 80% of web merchants say measuring customer satisfaction in choosing a preferred carrier for custom home delivery is important including 60% that say it's very important.

Among the retailers offering custom home delivery in select markets is Macy's Inc. Hailing back to the department store's founding as R.H. Macy & Co. and the launch of its first New York store in 1858, Macy's has always placed a priority on putting customers first with customer service programs aimed at keeping shoppers coming back. In the well-known Christmas movie "Miracle on 34th Street," one scene depicts Macy's CEO R.H. Macy issuing a new directive to "kill the customer with kindness" by referring shoppers to archrival Gimbels and other competitors if Macy's didn't stock the type of merchandise the customer was looking for.

While only one scene in a movie, the scene does help to emphasize the importance Macy's puts on giving its web shoppers lots of delivery options. Today Macy's offers its web shoppers multiple ways to have packages shipped and delivered along with shipping through two international carriers and options such as expedited and rush order shipping. Macy's also was among the first wave of retail chains to use its stores to make order shipping and returns even more convenient for shoppers with programs such as buy online and pick up in-store and return items bought on Macys.com to a convenient bricks-and-mortar location.

But Macy's also offers very specialized delivery options including custom home delivery. "By having flexibility, we're able to provide customers with a shopping

'By having flexibility, we're able to provide customers with a shopping experience that's simple and convenient.'

Macy's senior
vice president
Jim Sluzewski

'That last mile, if it doesn't work out correctly, can really spoil the experience for customers.'

Dazadi co-founder
and executive
vice president
of operations
Josh Klaristenfeld



experience that's simple and convenient," says Macy's senior vice president Jim Sluzewski. "At a time when time is at a premium, that's a valuable commodity. Customers really appreciate it when you can simplify the process and also allow them to shop in a way that better meets their particular needs."

The custom home delivery options available from Macy's enable customers to receive pre-delivery notifications of incoming packages via email or text and make changes to a delivery date, time and location while the package is in transit. Not all web shoppers use or want custom home delivery but Macy's offers it as an option for several reasons, the retailer says. "Everyone has their own reasons for shopping the way they do and sometimes you don't understand why but clearly there is demand for [custom home delivery]," Sluzewski says. "No matter why the customer wants it. When we started last year, one of the very first orders for custom home delivery was a diamond engagement ring. We sat around and tried to imagine: Was it someone who decided last night he was getting engaged? Did they just meet in a bar? Did someone have a ring and lost it? Who knows what the reason was? But someone wanted to go online, buy an engagement ring and have it delivered the same day."

Macy's benefits from offering specialized programs such as custom home delivery in various ways. Diverse and convenient forms of delivery help Macy's maintain its online return shopper rate of 55%, a metric that's one of the highest among Top 500 department store retailers. More diverse forms of delivery also help Macy's expand its overall e-commerce sales, which grew by an Internet Retailer-estimated 30% in 2014 compared with about 1% for stores. "We have a saying around here that 'we don't care how a customer buys from us or how they get it delivered, as long as they buy from us,'" Sluzewski says.

Currently Macy's offers custom home delivery in eight major markets and will expand to 17 markets in the next year. "The more options you have means the more on target we are to meet a customer where they are in every shopping situation," he says.

THE MANY FACES OF CUSTOM DELIVERY

Custom home delivery takes varied forms depending on how a web merchant structures its program. To win the loyalty of shoppers, Dazadi Inc. has to do more than offer free shipping across its entire product line. The e-retailer sells such rec room and man cave essentials as 1,110-pound pool tables, 22-foot shuffleboards and \$6,000 pinball machines—products that can't just be dropped at a customer's door. "That last mile, if it doesn't work out correctly, can really spoil the experience for customers," says Josh Klaristenfeld, Dazadi's co-founder and executive vice president of operations.

To avoid that, Dazadi.com has expanded its delivery options. Take the combo Ms. Pacman/ Galaga stand-up video game that sells for \$2,795.49. For \$149.95 extra, the customer can have the classic arcade time and quarter waster delivered into his room or office. But what if a consumer wants help with unpacking, assembling, installing and removing debris? Dazadi offers "white glove" service on select items, and reaches out to customers who may benefit from this level of service after they place an order. Klaristenfeld says Dazadi will be adding to its checkout flow details about those service options in 2016.

Those services save Dazadi customers from worrying about damaging their pricey purchases, throwing out their backs and cursing the narrow stairs in their dwellings while hauling up their

new toys. Having a range of delivery options also boosts Dazadi's customer service, which can bring shoppers back to the e-commerce site when they desire other games to round out their basements, or need smaller items such as cue sticks. Delivering bulky, pricey, need-it-yesterday or otherwise beyond-the-norm items gives retailers such as Dazadi a way to stand out amid the competition and earn the loyalty of customers in ways that go beyond price and free shipping. And retailers can turn for help to several regional carriers that offer specialized shipping services, and to an emerging coterie of providers of delivery-related services and technology.

UP CLOSE AND PERSONAL

For Ontario-based Stratus Vineyards, which sells premium wines, specialized delivery and personal service are part of providing the kind of quality experience its mostly affluent customers expect. Wine deliveries from StratusWines.com not only must conform to provincial laws regarding alcohol shipments—specifically, that the consumer who signs for the shipment must be at least 19 years old—they also necessitate careful treatment to ensure the product arrives in perfect condition. That includes temperature-controlled trucks operated by a Toronto-based delivery service—for wine aficionados, excessive heat and cold can foul their drinks—and personal deliveries via Stratus-operated automobiles for preferred customers within 200 kilometers (124 miles) of the winemaker's Niagara-on-the-Lake headquarters, says Suzanne Janke, director of hospitality and retail.

She says that while all customers get handwritten letters of thanks with their orders—one of the benefits of being a relatively small operation—Stratus Vineyards' most loyal customers receive personalized letters written by one of the two employees who normally handle fulfillment. "Wine is a premium product, a respected product, as opposed to something more generic," she says. "It's not a widget, and it's important to us to make sure that the experience is as exciting as possible."

Online jewelry seller Blue Nile Inc. also deals with premium products. "Engagement rings and orders of more than \$1,000 are shipped free via priority overnight; that accounts for about 50% of orders," Blue Nile says. "Above a certain price point, deliveries are shipped using armored car and armed guard. These are truly extraordinary items and represent less than 1% of our orders."

For other retailers such as Macy's and Cameron Hughes, an online wine club, custom home delivery also involves working with national carriers to offer customers a range of personalized options. Such options start with letting the consumer pick a specific time and date for delivery such as for 10 a.m. on a Saturday when the customer knows she will be at home. Other personalized options let customers change the delivery address even after an original address has been entered or have their package held for pick-up at the carrier's nearest store. If the customer isn't going to be at home, custom home delivery enables her to sign for a package in advance on the carrier's website or request a vacation hold for recurring deliveries.

Some customers also want their packages left in a convenient location and will give the carrier specific directions such as "leave the package on the back porch but not in plain sight" or request a temporary hold on regularly delivered items such as wine.

At Cameron Hughes, offering more personalized delivery options for the members of its wine club fits in with the company's "people first" approach to the wine distribution and online

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Stratus Vineyards
director of
hospitality and retail
Suzanne Janke



'We compete with retailers who have a bricks-and-mortar presence. ... Customers are expecting and demanding better service.'

DermStore.com
vice president
of operations
Vanessa Ballentine

retailing business. Founder Cameron Hughes and his wife, Jessica Kogan, founded the company in 2002 with a business model based on buying small allotments of wine from top wine makers in California and elsewhere and selling the wine under the Cameron Hughes label.

From the start the wine distributor and retailer has placed a premium on making the business highly personalized. Cameron Hughes caught its first big break through developing personalized sales and marketing ties to Costco, which sells its wine label. Rather than a big advertising budget, Cameron Hughes also prefers to spend its marketing dollars on in-store greeters who know the types of wine under the Cameron Hughes label and can talk intelligently about the wine and offer tasting to customers.

Personalized service is also part of the makeup of the company's wine club including some custom home delivery options because its more than 50,000 members, primarily men over 50, want to know on a consistent basis that their wine is arriving at a convenient time. Cameron Hughes, which also sells wine direct to the public on CameronHughes.com, views personalized customer services as a way to build customer loyalty and satisfaction and a base of recurring customers. "Personalized service is what our customers expect," says vice president of marketing services Lara Abbott.

DOING WHAT COMPETITORS AREN'T

Customer satisfaction tops the list of reasons web merchants of diverse size offer—or want to offer—more personalized and custom delivery options to their customers. A total of 100% of survey recipients say producing higher customer satisfaction is their top priority followed by 89% that want to develop better customer personalization and engagement, and 89% that are looking to generate higher web sales. For the other merchants participating in the FedEx/Internet Retailer survey, 67% of respondents offering, or expecting to offer, personalized home delivery believe it will generate fewer calls to the customer service center from customers asking "Where's my package?" 67% also believe custom package delivery will increase their sales conversion rate compared with 56% that are expecting fewer returns and claims for damaged orders.

Web-only beauty products retailer DermStore.com offers some custom home delivery options such as weekend delivery because they help it stand out against the competition, says Vanessa Ballentine, vice president of operations. Recognizing its competition includes retail chains that sell the same products—including its parent company Target Corp., which acquired DermStore in 2013 but operates it as a subsidiary—it wanted to offer speedier service at a cost-efficient price. "We compete with retailers who have a bricks-and-mortar presence and can not only ship fast and free, but also offer pick-up and return in-store. Customers are expecting and demanding better service," says Ballentine.

In the online retailing space the competition among web merchants for new and returning customers will only intensify. And customer demands for faster, better, and more diverse and personalized delivery options also will intensify. For retailers such as Macy's, this means making better and more personalized delivery will become an even higher priority. "One of our strategies in being a leading omnichannel retailer is to be there for the customer however, wherever, whenever she chooses to shop and prefers to shop," Sluzewski says. "That means we spent years and resources seamlessly integrating our stores and online and mobile so the customer has a seamless experience when dealing with Macy's and Bloomingdale's." ■





The Rendezvous found something great to put on top of their BBQ.

When Charlie Vergos' Rendezvous in Memphis ships out an order of their world-famous ribs, custom FedEx shipping labels help them send a piece of their restaurant right there on the box. That's just one of the tools of the FedEx® Small Business Center that can help streamline shipping, boost efficiency and improve e-commerce. To see how our online shipping tools can help grow your business, go to fedex.com/ecomlabel.

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Custom home delivery by the numbers

Some major retailers now support or endorse carrier programs that allow the package recipient to customize his or her delivery experience. These customized home delivery options include:

- ▶ Select an alternative package delivery address at a retail location where the package can be picked up at the recipient's convenience
- ▶ Redirect a package to another delivery address
- ▶ Schedule a delivery appointment
- ▶ Request evening package delivery (after 6 p.m.)
- ▶ Choose delivery day (Monday-Saturday)
- ▶ Request transport and delivery alerts
- ▶ Predict delivery time of day
- ▶ Sign for package release online
- ▶ Provide delivery instructions for where to leave package if not home.

These options can be made available at checkout in your shopping cart, or the shopper can select these services directly from the carriers.

Are you aware of these carrier-provided services?

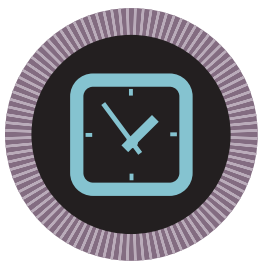
YES

71.4%

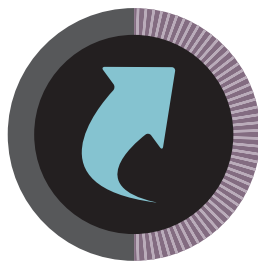
NO

28.6%

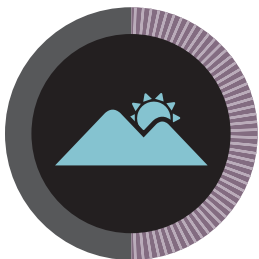
What options have you integrated on your retail website?



Select appointment delivery
100.0%



Redirect package to a carrier retail location for pick-up
50.0%



Select evening delivery
50.0%

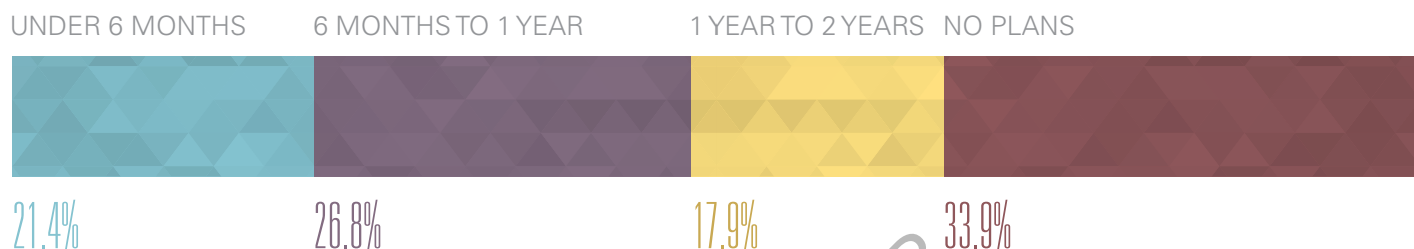


Select specific date of delivery
50.0%

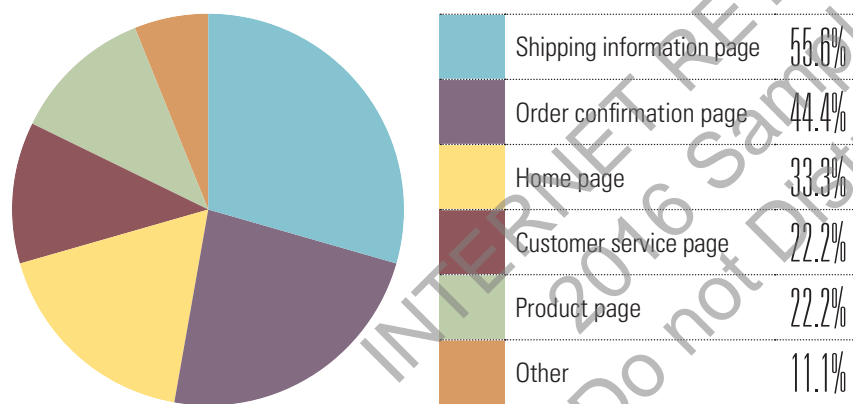
What are your primary objectives for endorsing or offering custom home delivery on your retail site?

Produce higher customer satisfaction	100.0%
Develop better customer personalization and engagement	88.9%
Increase web sales	88.9%
Generate fewer call center questions asking "Where's my package?"	66.7%
Increase conversion	66.7%
Create fewer returns	55.6%
Reduce claims	55.6%
Build brand awareness	44.4%
Reduce shopping cart abandonment	44.4%
Enhance social media presence	22.2%
Increase ticket size	22.2%
Increase search rankings	11.1%

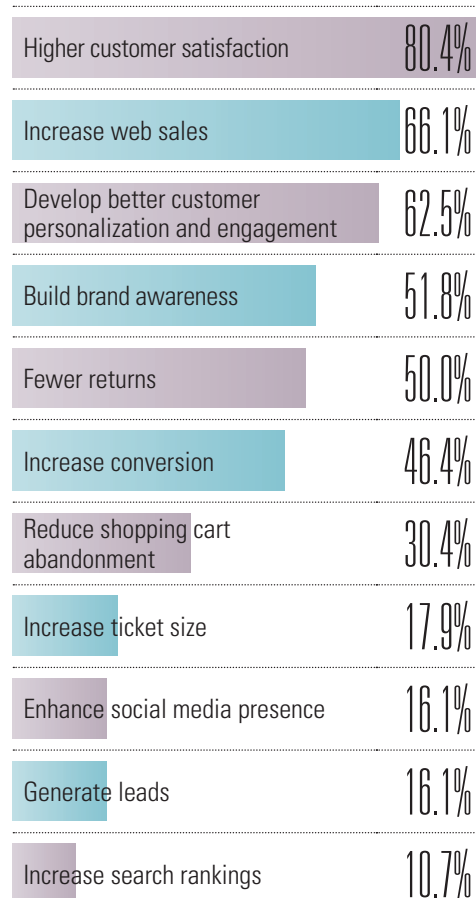
When do you plan to make a decision whether or not to endorse or offer a custom home delivery program?



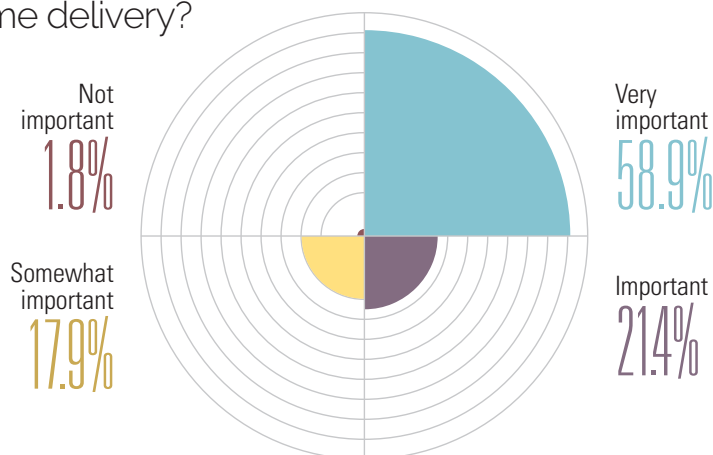
Where on your e-commerce site do you display your custom home delivery program?



What impact does offering consistent and problem-free custom delivery have on your organization?



How important is measuring customer satisfaction in choosing a preferred carrier for custom home delivery?



Source: Internet Retailer



Customized deliveries. Delighted customers.

**Give customers more options, and
they'll give you more business.**

With FedEx Delivery Manager[®],
your customers can request a
delivery date and time that works
for them and even place deliveries
on hold for 14 days.

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