

Online Shopping: Frictions, Frustrations, and Fixes

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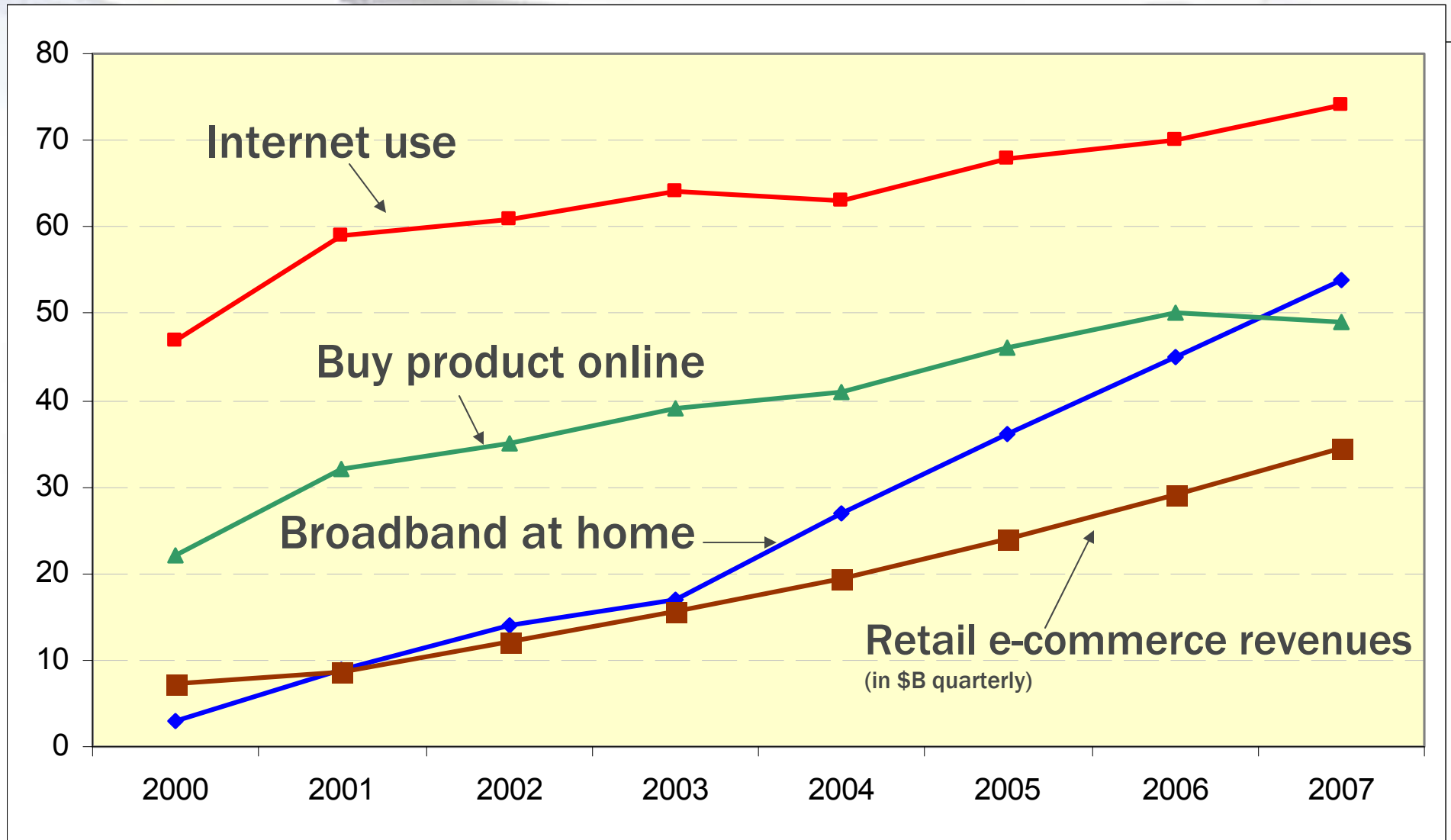
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- If you had an internet connection, why wouldn't you shop online?
 - Based on national random digit dial survey of 2,400 adult Americans conducted in August & September 2007

Trends: internet use & online shopping






Reasons to think people would embrace online shopping

- Convenience
 - 78% of internet users either agree (53%) or strongly agree (25%) that it is.
- Saves time
 - 68% of internet users either agree (47%) or strongly agree (21%) that it does.
- Get bargains
 - 49% of internet users either agree (39%) or strongly agree (10%) that it's a place to find bargains.



Barrier to online shopping

- Worries over security
 - 75% of internet users agree (39%) or strongly agree (36%) with the proposition that they don't like sending personal or credit card information over the internet
- Frustration
 - 43% of online users have experienced frustration over difficulty in finding information while shopping online
- Complicated
 - 26% of internet users agree (22%) or strongly agree (4%) that online shopping is complicated.

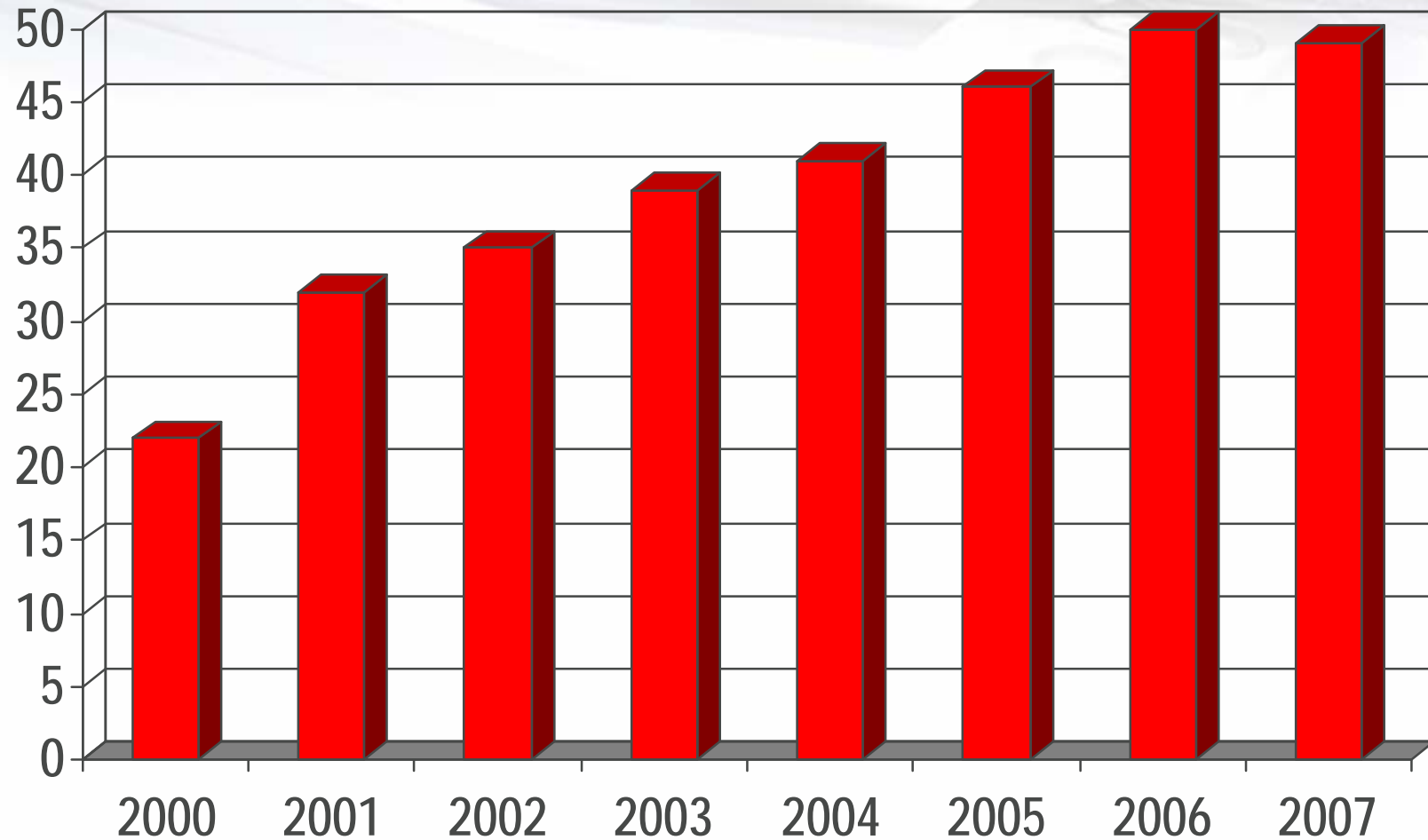


For the most part, people clear hurdles to shopping online

- Two-thirds of internet users have bought something online
- Four-fifths of online users turn to the internet for research about products they are thinking of buying
- One-quarter of online users, on typical day, do some sort of activity online connected to shopping online

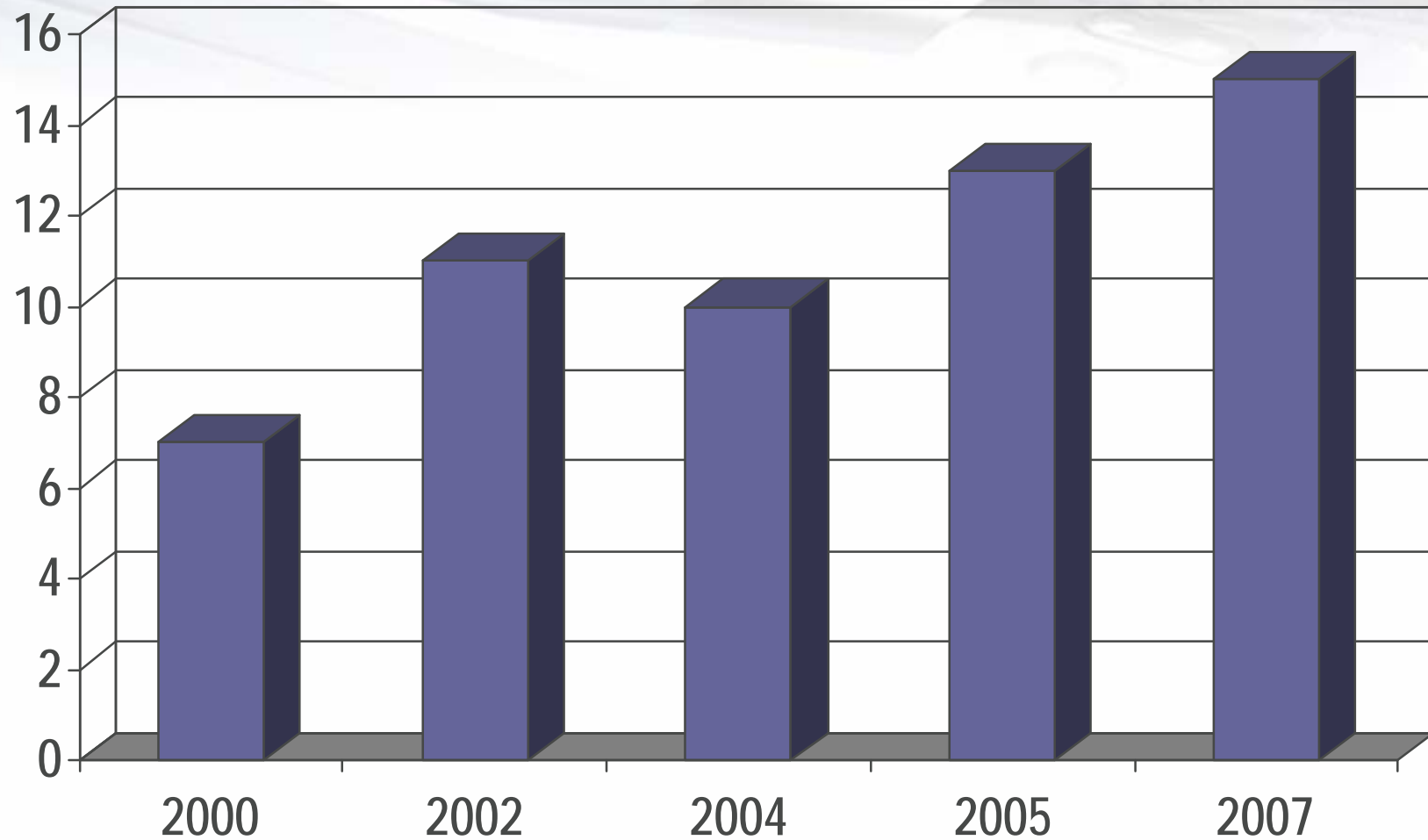
Trends in online shopping

(% of Americans who have ever bought a product online)



Researching potential purchases

(% of Americans who, on typical day, do research on a product online)

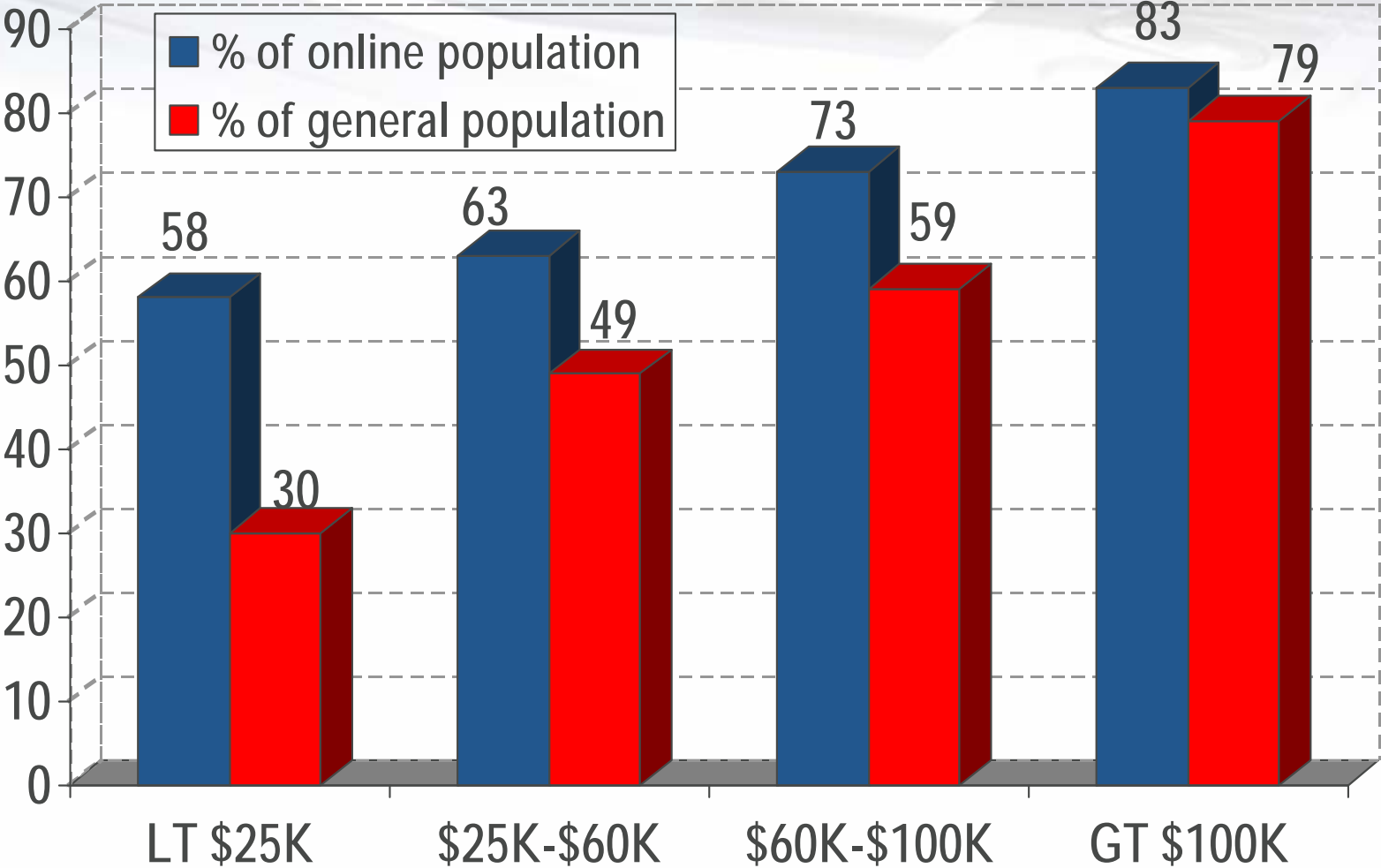




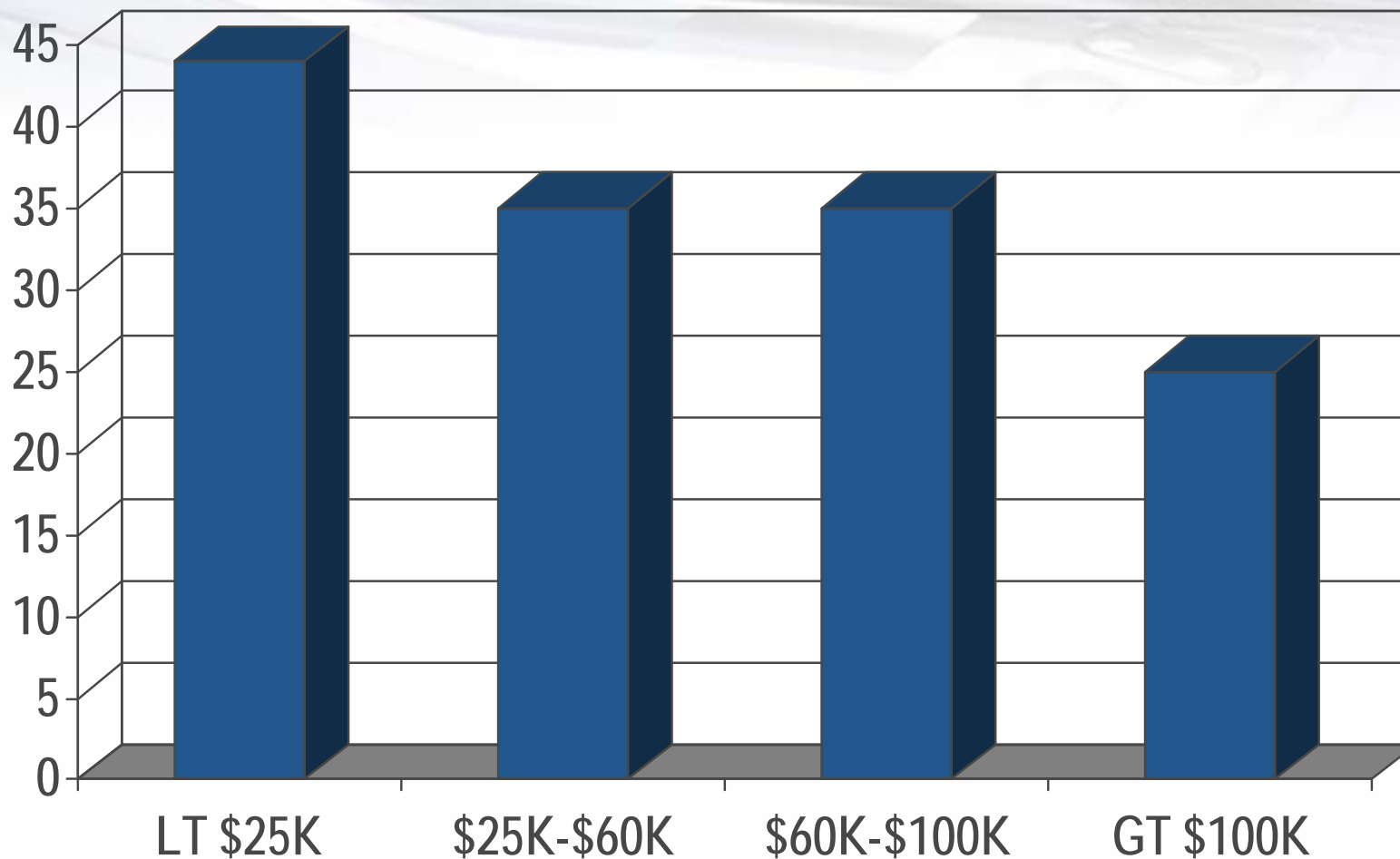
Aggregate numbers shield variations within the online population

- Older Americans
 - Don't see the convenience or time-saving benefits to online shopping
 - Don't see internet as a source of bargains
 - Only somewhat more likely to see risks to sending personal information over the internet
- Low-income Americans
 - Very likely to see the risks to online shopping
 - Not too likely to see the benefits to online shopping

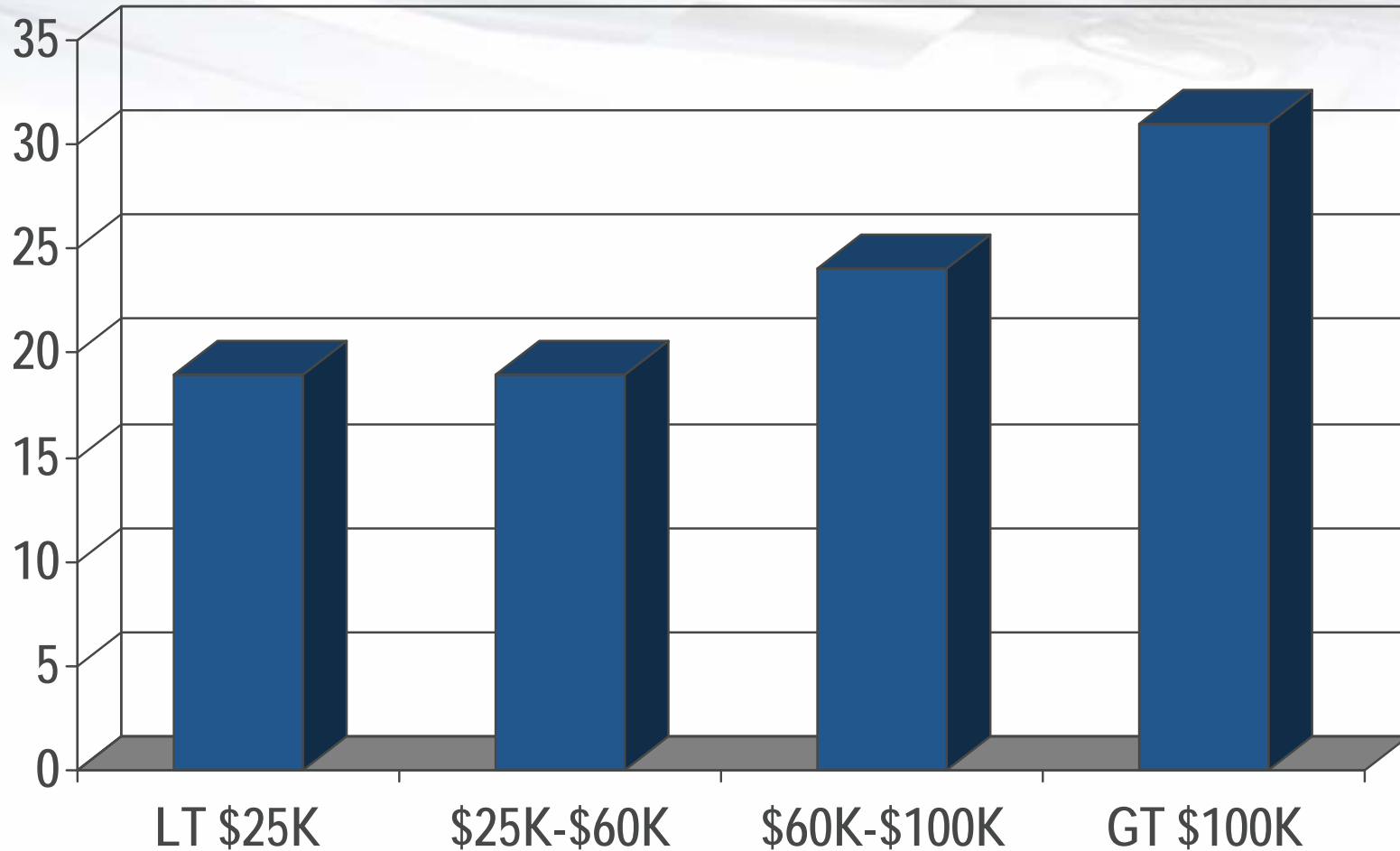
Buying products online -- by income



Share of internet users, by income, who strongly agree that they don't like sending credit card information online



Share of internet users, by income, who strongly agree that online shopping is saves time



What factors have biggest impacts on online shopping?

- **Security:**
 - If people weren't worried about security of transactions, levels of online shopping would be 7 points higher, i.e., 73% vs. 66%.
- **Convenience:**
 - If skeptics came to see the convenience of online shopping, levels of online shopping would be 3 points higher, i.e. 69% vs. 66%.
- **Time-saving:**
 - If more people saw online shopping as a time-saver, levels of online shopping would be 2 points higher, i.e. 68% vs. 66%.
- **Technology:**
 - Getting broadband to the final quarter of home internet users with dial-up would mean levels of online shopping would be 6 points higher, i.e., 72% vs. 66%.



Why does it matter?

- It takes a lot of time to be poor.
- Significant “consumer surplus” benefits of e-shopping.



What to do?

- Better marketing by industry
- Digital literacy
- Better broadband → more & faster