

Checkout Conversion INDEX™

SNAPSHOT FOR Q4 2019



54.6



3.9 points higher than in Q1 2019

AVERAGE CCI SCORE ON A SCALE OF 0 TO 100

IMPROVING DIGITAL CHECKOUT CONVERSION IN THE AGE OF AMAZON



144 SECONDS



5 seconds faster than in Q1 2019

AVERAGE TIME TO COMPLETE AN ONLINE CHECKOUT



\$97.8B



\$76B less than in Q1 2019

SALES PUT AT RISK DUE TO CHECKOUT FRICTION IN Q4 2019

INTRODUCTION

FOR THE FIRST TIME SINCE WE STARTED MEASURING CHECKOUT FRICTIONS ENCOUNTERED IN DIGITAL SALES EXPERIENCES,

there is good news to report. Online retailers have invested in the features, technology and user experience (UX) to reduce checkout frictions for consumers and, therefore, have reduced the aggregate volume of sales at risk due to checkout friction by \$76 billion in just 12 months. The Checkout Conversion Index — a metric that we have benchmarked since 2016 for a basket of merchants that represents 70 percent of non-Amazon online sales — measures the degree to which there is friction in the online path to purchase. In the most recent quarter, we observed an increase in that score, which means that merchants' abilities to convert consumers at checkout are improving overall. We noted an increase of 6.3 percent overall, and 1.6 percent for the top-performing merchants from Q1 2019.

You can see evidence of this in the 2019 holiday shopping season, which smashed consumer spending records with total retail sales hitting almost \$880 billion between Nov. 1 and Dec. 24. That was more than any other time in recorded history for a holiday shopping season.

Last decade's final holiday shopping season broke yet another record in terms of eCommerce sales.

Online purchases in 2019 made up a bigger portion of seasonal sales revenue than ever before, with eCommerce sales generating 15 percent of the total. It was a fitting end to a decade marked by increasing consumer preference for digital over analog shopping experiences and marred by omnipresent warnings about the impending death of brick-and-mortar stores.

These record-breaking sales are remarkable in more ways than one. They not only signal consumers' high confidence in their personal financial health, but also mark a major turnaround in merchants' ability to convert casual browsers into paying customers across important digital channels, including mobile, tablet and desktop.

PYMNTS has been tracking the evolution of the digital checkout experience — online and mobile — since 2016. This Checkout Conversion Index uses more than 70 attributes to assess the ease with which consumers move through sites on their way to making purchases — in other words, checking out. We think that this is an important metric for retailers to understand and observe given the range of options that consumers now have to make purchases online

¹ Mastercard: Holiday eCommerce nearly 15 percent of total retail sales. PYMNTS.com. 2019. <https://www.pymnts.com/news/retail/2019/mastercard-holiday-ecommerce-nearly-15pct-of-retail-sales/>. Accessed February 2020.



9 OUT OF 14

MAJOR CHECKOUT FEATURES

were offered by more merchants in Q4 2019 than at the beginning of the year.



using their computers or their mobile devices. As part of the review, we also analyze the number of clicks it takes for consumers to complete purchases using those digital channels. The Index scores each merchant's checkout friction on a scale of 0 to 100, and the higher the score, the less friction encountered on that path to purchase and the better the merchant is at converting a shopper into a buyer online.

Historically, our research has shown that while quarterly eCommerce sales have steadily increased for several years, so has the aggregated volume of sales put at risk due to checkout friction. For example, the retailers put \$155.8 billion in sales at risk in Q2 2018, a number that increased by another \$18 billion in Q1 2019, when checkout friction put \$173.8 billion worth of online purchases at risk. When we say at risk, we don't mean that the online sales were lost — only that those retailers with the best online experiences and those with minimal frictions increased their chances of getting those sales.

Our Q4 2019 benchmarking tells a different story. Retailers that sell products online have made significant improvements in areas like checkout speeds, address

verification and free shipping offerings — all of which have now reduced the online purchasing friction for consumers, as evidenced by improving checkout friction scores, and a corresponding decrease in sales put at risk as a result of checkout friction. At the end of Q4, the overall Checkout Conversion Index score was 54.6, an increase of 3.2 points since Q1 (an increase of 6.3 percent). This translated into approximately \$97.8 billion in sales merchants put at risk due to checkout friction, a 43.7 percent decrease in less than a year's time. It also reflects improvements not only in retailers' desktop conversion rates, but also their mobile conversion rates. Our research shows that 1.9 of every 100 mobile browsers hit "buy" in Q4 2019, an increase of 0.1 percentage points since Q1. At the same time, the share of consumers who bought products they browsed on retailers' desktop sites increased 0.23 percentage points to 4.1 between Q1 and Q4 2019.

This improvement in checkout conversion speaks to retailers' responses to increasing market pressure from Amazon, as well as continuing pressure from consumers to get their digital acts together.

This so-called “Amazon Effect” is palpable, and it has upped the ante for retailers everywhere. The widespread popularity of Amazon Prime has made checkout features like free shipping and address confirmation factors that are now table stakes for online retailers. Consumers also now expect a seamless payments experience at checkout. On Amazon, consumers don’t think about checking out, since payment is an integrated and seamless part of what they came to the site to do – buy something.

Merchants seem to understand this, and many are looking to enable similar experiences on their platforms. The share of retailers providing free shipping options increased 3.7 percentage points between Q1 and Q4 2019, and the share streamlining guarantee or refund policies increased 3.6 percentage points. We also saw a rise in the share of retailers allowing

consumers to verify their shipping information before their purchases were finalized – avoiding misdirected shipments – or allowing consumers to leave reviews. Implementation of these increased 5 percent and 4.2 percent, respectively. Of the 14 key checkout features we study, nine were offered by a larger portion of merchants in Q4 2019 than they were in Q1 2019.

But with this good news comes a new call to action for retailers and more pressure to improve the path to purchase online. Differentiation, and the reduction of friction, must come from other places, including rewards, address confirmation features or inventory status listings.

The Q4 2019 Checkout Conversion Index offers new insights into the checkout factors that any retailer selling online must have locked down to remain in the consumer’s consideration.

THIS IS WHAT WE LEARNED:



RETAILERS ARE MAKING GREAT STRIDES IN ELIMINATING ONLINE CHECKOUT FRICTION ACROSS THE BOARD.

eCommerce merchants’ collective CCI score – which evaluates both their desktop and mobile checkout experiences – improved for the third consecutive research cycle in Q4 2019, increasing from 51.4 in Q1 2019 to 53.1 in Q3 and subsequently to 54.6 in Q4. This means merchants in our sample have continuously eliminated frictions from their online checkout experiences over the past several quarters.

This improvement was primarily driven by the widespread adoption of several key checkout features, including product rating and review options and guarantee or refund policies. The share of retailers offering both of these online checkout features increased between Q3 2019 and Q4. The share allowing customers to review and rate their purchases increased by 4 percent, and the portion offering satisfaction or refund policies increased by 5.3 percent. The increased adoption of checkout features like these strongly indicates an enhanced checkout experience.

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RETAILERS WITH THE HIGHEST CONVERSION RATES OFFER THE RIGHT MIX OF KEY FEATURES.

Top performers come in different sizes and hail from various industries, but they share several characteristics that separate them from the rest of our sample. They not only provide all key features that online shoppers have come to expect — such as free shipping, which is provided by 100 percent of the top 30 merchants — but also pair them with several other features that help differentiate them from their competitors. These include rewards programs (offered by 96.7 percent of the top 30 merchants) and options that allow online shoppers to create and save profiles (offered by 100 percent of the top 30 merchants). This contrasts sharply with bottom 30 merchants, 0 percent of which have rewards programs and 20 percent of which allow consumers to make profiles. Many bottom 30 merchants are in fact more likely make it mandatory for shoppers to make profiles to buy their products, with 80 percent doing so. Due to these checkout frictions and others, we see bottom 30 merchants earning an average Index score of just 20.2 and having an average conversion rate of just 1.2 percent. In comparison, top 30 merchants' overall Index score of 82.4 corresponded to an average conversion rate of 4.9 percent.

3

CONSUMERS SPEND MORE TIME BUT BUY LESS ON SMARTPHONES.

Mobile eCommerce sales are higher than ever, thanks in large part to historically high conversion rates. Our survey findings suggest that mobile browsers were more likely than ever to make mobile eCommerce purchases in Q4 2019, with an average of 1.9 percent of them buying products on mobile sites.

Yet, mobile conversion rates are still much lower than those seen on desktop websites. The average desktop conversion rate for our sample in Q4 2019 measured in at 4.1 percent — more than twice as high. This makes intuitive sense. Unlike when they browse and shop for products via desktop, consumers tend to more commonly use their smartphones on the go, such as during their daily commutes or while standing in line at the supermarket, and they may buy different things. Lower mobile conversion rates are therefore more reflective of how consumers use their smartphones during the purchasing journey than the quality of the mobile checkout experiences retailers provide.

4

RETAILERS ARE OVER THE NASCAR-IZATION OF THE CHECKOUT PAGE.

It used to be that checkout pages looked like cars riding around a NASCAR track — scores of logos all competing for attention. Merchants across the board are growing more selective about the payment methods they accept, removing options from their checkouts on both their desktop and mobile sites. Merchants in our study accepted an average of 6.91 payment methods on their desktop sites in Q4 2019, compared to 7.01 in Q3 and 7.06 in Q1.

Such incremental changes may seem inconsequential on their own, but they illustrate a clear and consistent trend when taken together. Q4 2019 marks the fourth consecutive research cycle during which we have seen the number of payments merchants offer on their desktop site checkouts decrease and the third consecutive research cycle in which we have seen a decrease in the number of payments offered via mobile.

Merchants may be accepting fewer payment methods as a whole, but those that accept more payment options than average consistently score higher than those that accept fewer. The top 30 merchants accepted an average of 8 payment methods in Q4 2019, while middle merchants and the bottom 30 merchants accepted 6.9 and 5.8, respectively.



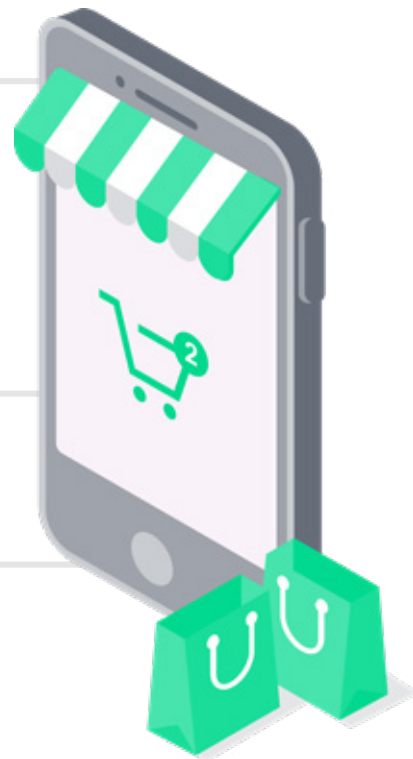
TOP 30 MERCHANTS
accepted an average of **8.0** payment methods.



MIDDLE MERCHANTS
accepted an average of **6.9** payment methods.



BOTTOM 30 MERCHANTS
accepted an average of **5.8** payment methods.



5

GUARANTEED REFUNDS ARE TABLES STAKES.

More merchants offered free shipping options and guarantee or refund policies than any other type of checkout features between Q3 and Q4 2019. The share providing free shipping increased from 75.2 percent to 79.5 percent during that time, while the portion providing guarantee or refund policies rose from 55.3 percent to 60.6 percent. This is a significant change from Q2 2018 to Q3 2019, when the portion of merchants offering free shipping and guarantee or refund policies dropped 3.5 percentage points and 1.4 percentage points, respectively.

On the other side of the spectrum are features that allow browsers to quickly add items to their shopping carts — “quick add to cart” options — which were dropped by more merchants than any other. Our research shows that only 23.4 percent of merchants offered quick add to cart features in Q4 2019, compared to 27.6 percent in Q3.

6

MERCHANTS WITH THE SMOOTHEST CHECKOUTS OFFER FREE SHIPPING — FOR A PRICE.

Free shipping does not necessarily contribute to a fast, frictionless checkout, but merchants that offer this service tend to score higher than those that do not. Each of the top 30 merchants in our study offered some type of free shipping option, compared to just 30 percent of their bottom 30 counterparts. The middle merchants whose scores fell nearest to the sample average were also most likely to offer some type of free shipping option, with 80.9 percent doing so.

There is more than one way to offer free shipping, however, and not all options are created equal. Many retailers have stipulations for which types of purchases are eligible for free shipping, whether it be a minimum purchase price, geographic location requirements or other factors. Top 30 merchants are the most likely group to make free shipping contingent on how much customers spend, with 56.7 percent requiring customers to spend certain amounts before free shipping applies. This compares to 44.8 percent of middle performers that offer free shipping and not a single bottom performer.





HEALTH AND BEAUTY MERCHANTS OFFER THE BEST DIGITAL CHECKOUT EXPERIENCES.

Health and beauty merchants offered more seamless checkout processes in Q4 2019, earning an average CCI score of 65.1. The vertical's overall low checkout friction allowed its merchants to convert 3.8 percent of all browsers into buyers. This stood in sharp contrast with gaming merchants, which had the lowest overall CCI score (41.3) and conversion rate (2.14 percent).

The health and beauty sector's smooth checkouts and high conversion rates are largely due to the fact that such merchants go beyond enabling access to ubiquitous features like free shipping, also offering less-common features like rewards programs or address verification, which can enable smoother shopping and payment experiences. These features are provided by 48.5 percent and 63.6 percent of health and beauty merchants, respectively. Only 15.4 percent of gaming merchants have rewards programs, and just 3.8 percent allow consumers to verify their addresses before purchases.

These findings only begin to describe the extent to which the eCommerce checkout experience has evolved over the years and the myriad ways in which it continues to change. This report will go one step further, providing a more comprehensive look at what it will mean to offer a compelling checkout experience in the new decade.

A SNAPSHOT OF eCOMMERCE CHECKOUTS IN Q4 2019

Changes in consumers' expectations and technologies alter how users engage with retailers, so we periodically update our methodology to most accurately measure consumers' online checkout experiences.

Our methodological changes for Q4 2019 incorporated five major factors that make the eCommerce ecosystem what it is today: quantity of accepted digital wallets, whether marketing options — such as promotional email lists — are included in default purchase settings, whether consumers can provide post-purchase feedback, whether merchants offer address confirmation features and the types of free shipping options provided.

Our sample's average Index score increased from

**51.4 IN Q1 2019 TO
54.6 IN Q4 2019.**

The reasoning for these changes is fairly simple. Digital wallets have gone mainstream in recent years, as 17.3 percent of consumers used them to make purchases in 2019.² Accepting additional mobile wallet options can help retailers meet a larger share of shoppers' payment preferences and enhance checkout experiences, and allowing consumers to double-check their shipping addresses before finalizing purchases has a similar effect. Providing either of these features can boost merchants' Index scores.

Marketing options that send shoppers promotional emails have the opposite effect. Consumers do not like inbox clutter, and sending automatic emails is a good way to annoy customers and negatively affect merchants' checkout conversion scores.

Encouraging shoppers to provide feedback on their purchases differs from the above considerations. This feature did not historically have a strong impact on the overall checkout experience and has even less relevance now — in part because it is so common. We have adjusted our calculations to reflect this development.

² How We Will Pay 2019 Edition. PYMNTS.com. 2019. <https://www.pymnts.com/how-we-will-pay/>. Accessed February 2020.

The final major factor we considered this past quarter is free shipping, and we implemented our most complex changes around the topic. We explore those findings later in this report.

We analyzed our Q4 2019 sample with these

new developments in mind. Our research reveals that eCommerce checkouts are faster and more frictionless than ever, and retailers continued a three-quarter-long improvement streak. Our sample's average Index score increased from 51.4 in Q1 2019 to 53.1 in Q3 and rose again in Q4, to 54.6.

Table 1: How Index scores have evolved over time
Merchant groups' average Index scores, by quarter

INDEX SCORE	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q1 2019	Q3 2019	Q4 2019
OVERALL INDEX SCORE	53.8	52.9	52.9	52.4	51.4	53.1	54.6
ONLINE INDEX SCORE	54.6	53.6	53.3	52.9	51.7	52.6	53.7
MOBILE INDEX SCORE	52.6	51.6	52.4	51.7	51.1	54.1	56.1
PERFORMANCE LEVELS							
TOP 30 MERCHANTS	86.8	86.5	85.8	83.6	81.1	80.5	82.4
MIDDLE MERCHANTS	53.9	53.0	53.0	52.7	51.6	53.5	54.9
BOTTOM 30 MERCHANTS	18.3	17.0	17.3	16.9	17.2	18.3	20.2
SIZE							
LARGE	65.4	63.3	64.2	61.8	59.5	62.8	61.2
MEDIUM-LARGE	59.8	58.4	56.9	59.1	58.0	58.2	59.2
MEDIUM	59.4	59.7	59.0	58.1	57.9	60.3	56.6
SMALL-MEDIUM	58.7	59.1	58.3	56.0	53.2	53.7	56.0
SMALL	56.0	55.6	55.2	56.7	54.2	56.3	56.6

Source: PYMNTS.com

INDUSTRY	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q1 2019	Q3 2019	Q4 2019
MASS MERCHANT	60.7	59.1	61.3	59.7	55.9	55.2	56.3
SPORTING GOODS	59.7	61.1	61.2	60.6	57.6	60.2	56.7
HARDWARE AND HOME IMPROVEMENT	62.9	62.5	61.9	61.3	59.4	57.3	55.6
HEALTH AND BEAUTY	61.1	60.5	59.3	58.9	57.9	61.6	65.1
APPAREL AND ACCESSORIES	59.9	57.7	57.9	57.9	54.3	60.3	60.1
HOUSEWARES AND HOME FURNISHINGS	57.3	57.2	56.0	56.6	54.7	56.6	59.3
TRAVEL AND HOSPITALITY	57.3	55.8	54.3	55.0	53.4	55.0	53.7
COMPUTERS AND ELECTRONICS	58.7	59.2	58.4	58.8	58.3	59.0	61.1
AUTOMOTIVE PARTS AND ACCESSORIES	59.4	58.1	56.1	56.0	56.5	57.6	59.0
BOOKS, MUSIC, VIDEO AND ENTERTAINMENT	51.0	48.5	48.1	47.0	48.3	47.6	51.9
DELIVERY SERVICES	38.0	34.5	39.0	37.7	34.3	37.4	45.5
GAMING	37.2	32.9	34.2	35.6	36.6	39.0	41.3
SUBSCRIPTION RETAIL	38.1	38.5	36.8	35.3	36.6	42.2	42.5
MARKETING AND OTHER SOFTWARE SERVICES	36.7	34.6	36.3	34.6	36.8	36.3	42.4

Source: PYMNTS.com

This score advancement is a widespread phenomenon. Merchants of nearly every size and in every sector have seen their Index scores rise higher than ever in Q4 2019, signaling a consistent and universal improvement in eCommerce checkout experiences. Some notable exceptions are medium-sized merchants and sporting goods merchants.

Medium-sized merchants and sporting goods

merchants have seen their scores decrease more than merchants of any other size or sector. Medium-sized merchants' scores were much higher in Q3 2019, when the average merchant of this size earned a score of 60.3. That average fell to just 56.6 in Q4 2019. We see a similar pattern among sporting goods merchants. Their average score was also much higher in Q3 2019 than in Q4 2019, when it dropped from 60.2 to 56.7, respectively.

HIGHER SCORES BUT FEWER PAYMENT OPTIONS

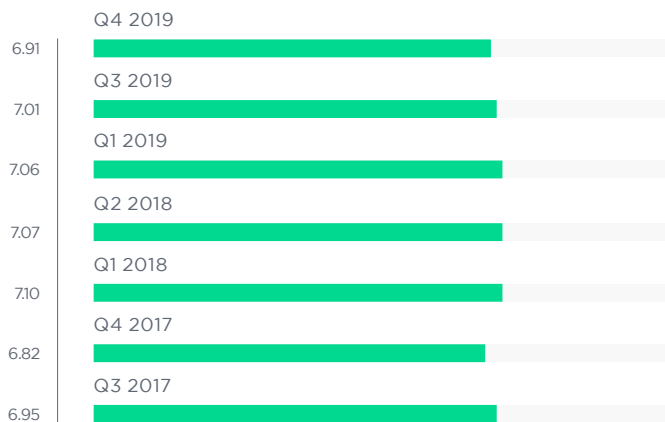
Ensuring that shoppers have ways to pay for online purchases is key to completing sales, but our research shows that merchants have been removing more payment options than adding for some time.

Retailers have been slowly removing desktop website payment options since Q1 2018. eCommerce

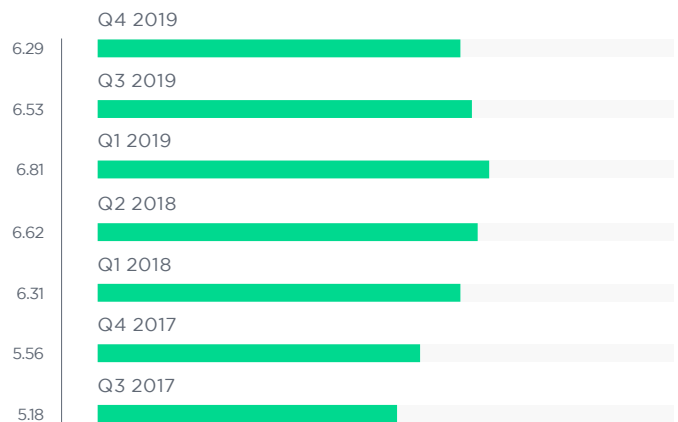
merchants accepted 7.10 payment methods on average at that time, but that average fell to 7.07 payment methods by Q2 2018. It dropped again to 7.06 in Q1 2019 and further to 7.01 in Q3 2019, and merchants accepted only 6.91 payment methods on average in Q4 2019.

FIGURE 1: Number of payment methods retailers have accepted over time

1A: Average number of payment methods accepted via desktop site, by quarter



1B: Average number of payment methods accepted via mobile, by quarter



Source: PYMNTS.com

Retailers have also been removing payment options from their mobile sites. The number of payment methods accepted on mobile peaked in Q1 2019, when merchants accepted an average 6.81 payment methods on their mobile sites. This average dropped to 6.53 in Q3 2019 and settled at 6.29 in Q4 2019.

What is notable is not the incremental decrease in accepted payment methods but rather the broader trend. We might expect that merchants would want

to add payment options over time to capture more sales, but the opposite is true: Retailers seem to have collectively decided that fewer payment options are preferable to more.

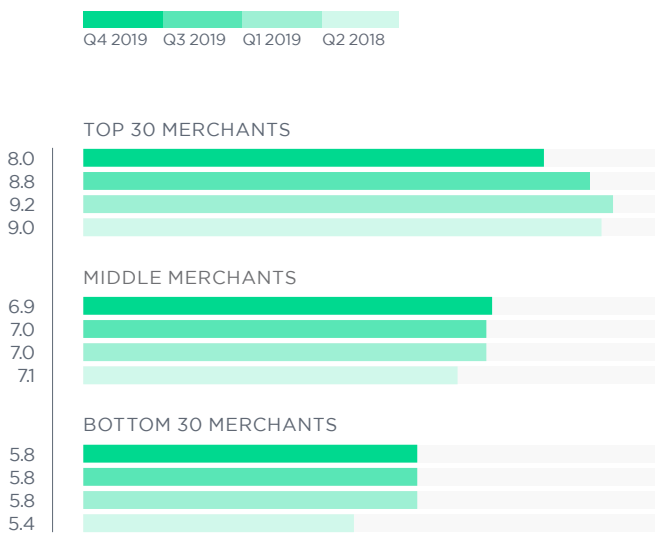
Removing payment options is not always the best move, however. Our research suggests that too many payment options are preferable to too few. Many merchants may be removing payment options, but top merchants have always supported more options than either their middle or bottom counterparts. The top 30 merchants have accepted 8 payment methods in Q4 2019, compared to 6.9 methods for middle merchants and just 5.8 for the bottom 30 merchants.

Top merchants have been removing payment options from their checkouts faster than either middle or bottom merchants, to be sure. The top 30 merchants supported an average of 9.2 payment options in Q1 2019, meaning they dropped 1.2 options over the course of the year. Middle merchants have dropped only 0.1 options in that time, and bottom merchants retained their number of payment options. Top merchants still support 1.1 payment methods more on average than middle merchants and 2.2 methods more than bottom merchants.

The truth is that no magic number of payment methods will drive conversion, but having more options is almost universally better than having fewer.

FIGURE 2: Number of payment methods merchants have accepted over time

Average number of payment methods accepted by top, middle and bottom merchants, by quarter



Source: PYMNTS.com

MAPPING CHECKOUT FEATURE ADOPTION

The right mix of payment options is only one part of a user-friendly checkout experience. The features merchants provide to facilitate faster, more seamless payments also play a large role in driving sales. Changing technological and consumer behavioral norms have had far-reaching effects on the overall eCommerce checkout experience here, too.

The checkout feature garnering the largest merchant adoption increase is automatic form fill. This feature stores consumers' payment and shipping information on a merchant's site and automatically fills in these fields when consumers enter their information at checkout. The share of merchants that provided this

feature more than doubled, increasing from 40.5 percent in Q3 2019 to 84 percent in Q4 2019.

The trouble is that form-fill services have a relatively small impact on merchants' overall Index scores because most mobile browsers offer the feature. Mobile shoppers can simply use the payment and shipping information stored on their browsers to have the same shopping experience as with a merchant-provided service. This reflects how some technological innovations have fundamentally changed the way consumers interact with eCommerce sites and their checkout expectations.

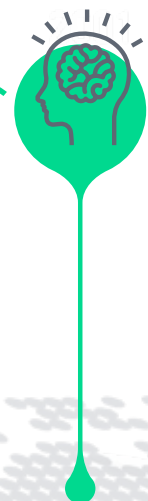
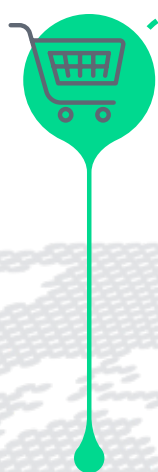
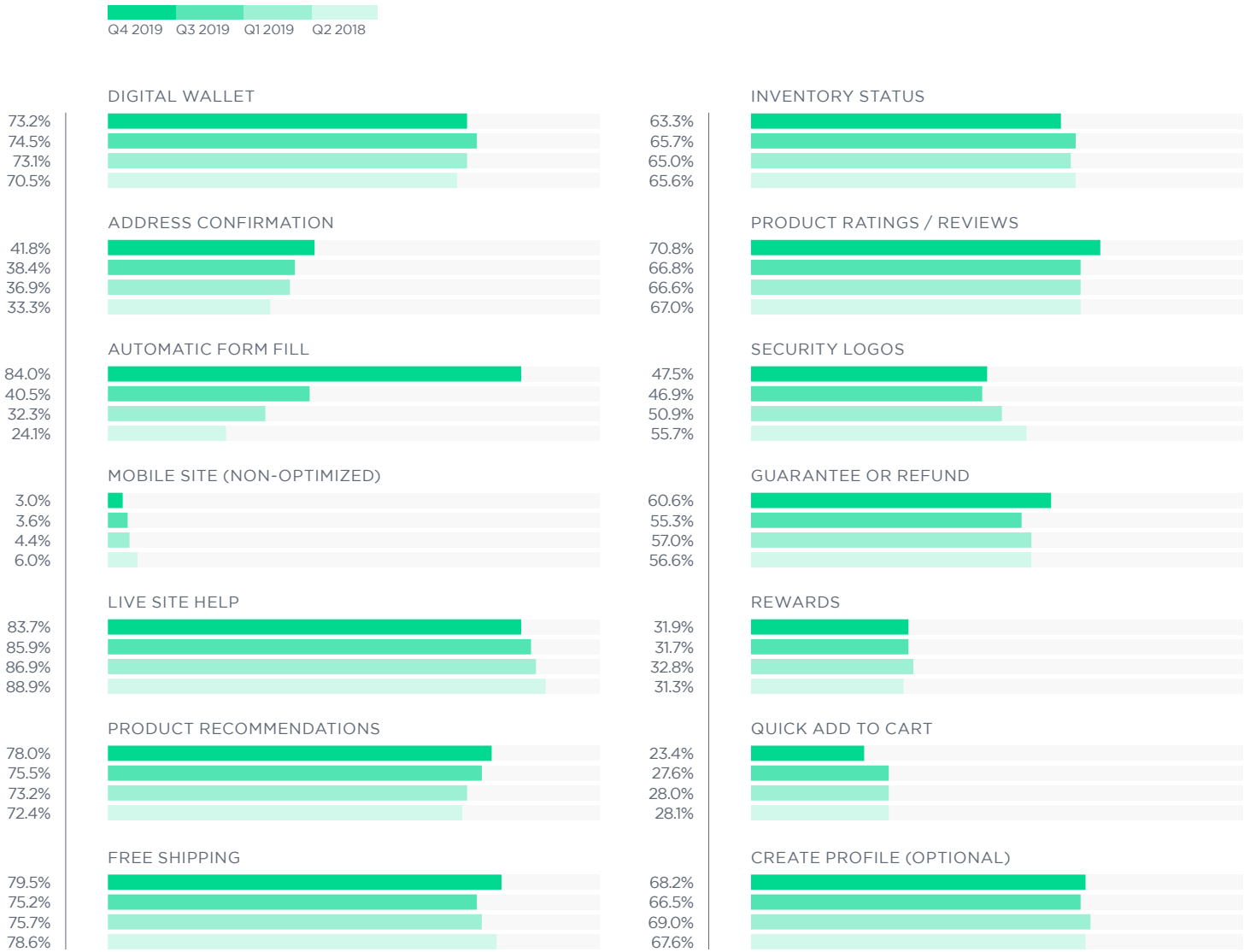


FIGURE 3: How checkout feature implementation has evolved over time
Share of merchants providing select features, by quarter



Source: PYMNTS.com

“

93.9 PERCENT**OF HEALTH AND BEAUTY**
merchants offer free shipping options.”

”

Many features cannot be replicated by mobile browsers, and they therefore have greater impacts on consumers' eCommerce checkout experiences. The most pertinent examples include free shipping and guarantee or refund policies, two features that have seen the largest increases in merchant adoption rates between Q3 and Q4 2019. The share of merchants offering them increased 3.7 percentage points and 3.6 percentage points, respectively.

Features that allow browsers to quickly add items to their shopping carts — "quick add to cart" options — performed oppositely. These features were dropped by more merchants than any others during the last quarter. Our research shows that only 23.4 percent of merchants offered quick add to cart features in Q4 2019, compared to 27.6 percent in Q3.

Offering free shipping and guarantee or refund options does not necessarily guarantee smoother checkout experiences, but both features are now more common, if not equally so across all industries. Providing such features may be less a differentiator and more a necessary part of doing business.

The health and beauty eCommerce industry is emblematic of these trends. Health and beauty merchants earned the highest average Index score of those in any industry in Q4 2019, measuring in at 65.1 points, in part because such merchants are among the most likely to provide free shipping and guarantee or refund features. We found that 93.9 percent of health and beauty merchants offer free shipping options, and that 72.7 percent have guarantee or refund policies. This compares to 79.5 percent and 60.6 percent of the sample average, respectively.

Table 2: How many retailers support different checkout features

Share of select merchants that provide select checkout features on their desktop sites

	Health And Beauty	Computers And Electronics	Apparel And Accessories	Housewares And Home Furnishings	Automotive Parts And Accessories	Sporting Goods	Mass Merchant
INDEX SCORE	65.1	61.1	60.1	59.3	59.0	56.7	56.3
CREATE PROFILE (OPTIONAL)	69.7%	85.9%	88.9%	83.9%	83.3%	81.2%	70.2%
CREATE PROFILE (REQUIRED)	24.2%	9.9%	11.1%	6.5%	6.7%	16.5%	29.8%
QUICK ADD TO CART	54.5%	42.3%	15.9%	12.9%	30.0%	24.7%	19.1%
REWARDS	48.5%	23.9%	47.6%	33.9%	36.7%	32.9%	42.6%
GUARANTEE OR REFUND	72.7%	64.8%	73.0%	64.5%	80.0%	61.2%	70.2%
SECURITY LOGOS	57.6%	52.1%	44.4%	53.2%	73.3%	47.1%	57.4%
PRODUCT RATINGS / REVIEWS	81.8%	74.6%	69.8%	88.7%	83.3%	89.4%	83.0%
INVENTORY STATUS	57.6%	67.6%	76.2%	56.5%	76.7%	72.9%	63.8%
FREE SHIPPING	93.9%	84.5%	81.0%	83.9%	73.3%	74.1%	74.5%
PRODUCT RECOMMENDATIONS	97.0%	90.1%	92.1%	85.5%	70.0%	88.2%	91.5%
LIVE SITE HELP	90.9%	91.5%	88.9%	96.8%	90.0%	90.6%	78.7%
MARKETING OPTION (DEFAULT)	21.2%	32.4%	38.1%	32.3%	30.0%	35.3%	44.7%
FEEDBACK	48.5%	60.6%	54.0%	51.6%	56.7%	54.1%	48.9%
ADDRESS CONFIRMATION	63.6%	49.3%	52.4%	56.5%	23.3%	44.7%	51.1%
DIGITAL WALLET	87.9%	84.5%	95.2%	74.2%	90.0%	64.7%	85.1%
TOTAL NUMBER OF PAYMENTS	6.5	6.9	6.9	6.4	6.5	6.0	7.7

Source: PYMNTS.com

Table 2 (Continued): How many retailers support different checkout features

Share of select merchants that provide select checkout features on their desktop sites

	Hardware And Home Improvement	Travel And Hospitality	Books, Music, Video And Entertainment	Delivery Services	Subscription Retail	Marketing And Other Software Services	Gaming
INDEX SCORE	55.6	53.7	51.9	45.5	42.5	42.4	41.3
CREATE PROFILE (OPTIONAL)	77.4%	70.2%	56.8%	40.4%	32.0%	34.1%	23.1%
CREATE PROFILE (REQUIRED)	9.7%	23.4%	43.2%	57.9%	68.0%	56.8%	57.7%
QUICK ADD TO CART	35.5%	2.1%	21.6%	35.1%	12.0%	2.3%	19.2%
REWARDS	19.4%	63.8%	10.8%	24.6%	24.0%	9.1%	15.4%
GUARANTEE OR REFUND	64.5%	40.4%	54.1%	54.4%	44.0%	47.7%	50.0%
SECURITY LOGOS	67.7%	42.6%	40.5%	26.3%	36.0%	40.9%	26.9%
PRODUCT RATINGS / REVIEWS	87.1%	51.1%	67.6%	52.6%	40.0%	40.9%	42.3%
INVENTORY STATUS	74.2%	95.7%	56.8%	42.1%	36.0%	29.5%	69.2%
FREE SHIPPING	67.7%	80.9%	83.8%	70.2%	88.0%	95.5%	65.4%
PRODUCT RECOMMENDATIONS	87.1%	61.7%	83.8%	61.4%	68.0%	25.0%	65.4%
LIVE SITE HELP	90.3%	80.9%	78.4%	78.9%	68.0%	79.5%	26.9%
MARKETING OPTION (DEFAULT)	29.0%	27.7%	24.3%	33.3%	28.0%	34.1%	19.2%
FEEDBACK	54.8%	63.8%	48.6%	36.8%	28.0%	45.5%	38.5%
ADDRESS CONFIRMATION	58.1%	10.6%	40.5%	52.6%	28.0%	9.1%	3.8%
DIGITAL WALLET	71.0%	40.4%	81.1%	54.4%	64.0%	54.5%	80.8%
TOTAL NUMBER OF PAYMENTS	6.2	7.8	6.1	5.7	5.2	5.4	6.7

Source: PYMNTS.com



54.5%

OF HEALTH AND BEAUTY

merchants provide quick
add to cart features.

The ubiquity of free shipping and guarantee or refund features in the health and beauty sector creates an industry dynamic in which merchants must provide these features or risk losing customers. Such features do little to improve the overall checkout experience in a saturated environment, so industry merchants must find fresh ways to attract new customers.

That reality of the space might also help explain why health and beauty merchants are also the most likely to offer quick add to cart features on their sites. Our research indicates that 54.5 percent of health and beauty merchants provide such features, compared to a sample average of just 23.4 percent. Features like these are less common in the industry but are still seen more often among health and beauty merchants than those of most other sectors.

The availability of these key checkout features in the health and beauty sector contrasts starkly with sectors like the gaming industry. Gaming merchants historically earn the lowest Index scores, in large part because they rarely provide checkout features that are standard in other industries.

Gaming merchants are the fourth-least likely of the 12 industries we study to offer guarantee or refund policies. They are the least likely to provide address confirmation features, as only 3.8 percent do so, and the third-most likely to require consumers to create site profiles before making purchases – a requirement that severely increases checkout frictions. The bar for eCommerce checkouts is so low in gaming that adding or removing features can considerably affect consumers' overall experiences.

This underscores the importance of understanding how retailers in different sectors compare to each other more generally in terms of checkout performance. PYMNTS routinely tracks the average Index scores of merchants in different eCommerce sectors to identify those that stand to benefit most from tweaking their checkout procedures.

The story of how features can improve or destroy a checkout experience is more complex than whether or not they exist, however. Free shipping options and guarantee or refund policies can boost users' experience once adopted, but the devil is in the details, as we shall see.

DEEP DIVE: WHEN FREE SHIPPING IS NOT FREE

There was a time when consumers expected shipping fees when shopping online, and merchants that provided free shipping had a considerable competitive advantage.

This is no longer the case. Free shipping has become so common that eCommerce shoppers no longer expect shipping fees, and lacking free shipping options can detrimentally affect retailers' competitiveness.

It is crucial in this environment not only to provide free shipping options, but also to offer them on consumer-friendly terms.

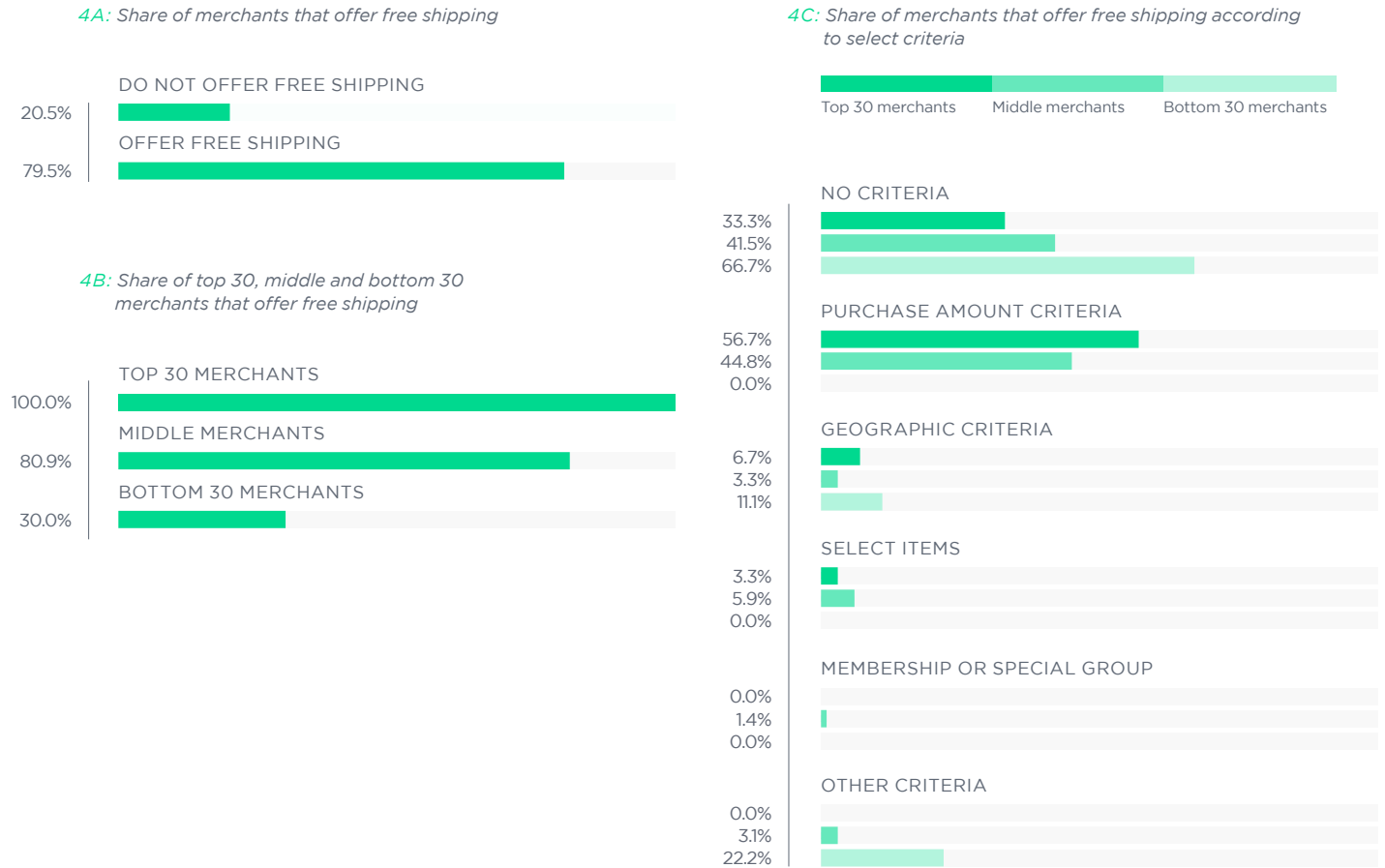
We have reformed our Index scoring system to account for this reality. Our Index score had not considered the types of free shipping options merchants offered prior to Q1 2019, only evaluating whether merchants offered such options of any type. Our Q4 2019 research cycle is the first in which our scoring system reflects the differences between eCommerce merchants' various free shipping features.

Our research proves what many of us already know: Free shipping is nearly ubiquitous in the eCommerce market, and 79.5 percent of retailers offer some type of free shipping option. The offering has become standard for all of the top 30 merchants, and only our sample's worst performers tend not to offer it. Thirty percent of the worst-performing retailers in our sample provided free shipping in Q4 2019.

79.5%
OF RETAILERS

offer some type of free shipping option.

FIGURE 4: Which merchants offer free shipping



Source: PYMNTS.com

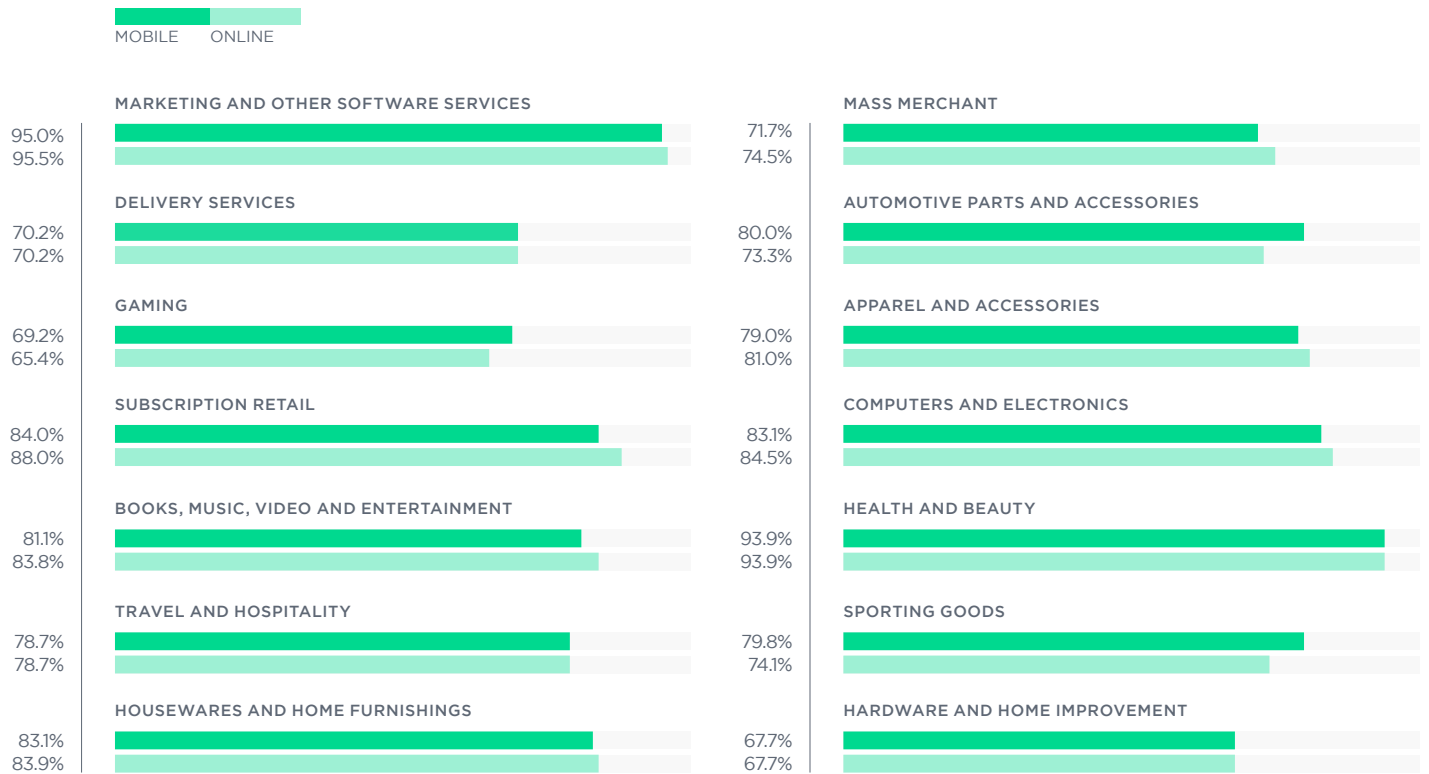
Not all retailers provide free shipping options on the same terms, however. Top merchants tend to offer free shipping options only once shoppers have purchased a minimum dollar amount on their sites – 56.7 percent – while 44.8 percent of middle merchants and no bottom merchants do the same.

Many retailers that provide free shipping do so

unconditionally, as is the case for 33.3 percent of top merchants that offer free shipping and 41.5 percent of middle merchants offering the perk. The bottom 30 merchants are the most likely group to provide unconditional free shipping, however. Only 30 percent of bottom 30 merchants offer free shipping, but 66.7 percent of those that provide it do so without condition. This means that bottom merchants do not

FIGURE 5: How many merchants provide free shipping

Share of retailers in different industries that provide free shipping options



Source: PYMNTS.com

usually provide free shipping options, but those that do tend to do so unconditionally.

There are yet other eCommerce merchants that provide free shipping only for select purchases or for recipients in select geographic locations. It is therefore crucial to consider the variety of ways free shipping options can be applied when analyzing retailers' checkout processes.

The most common way that merchants qualify

shoppers for free shipping is through spending requirements. We decided to take a closer look at how retailers from different sectors customize these minimum spending requirements to understand what competitive free shipping policies look like in various industries.

We also find that health and beauty merchants and gaming merchants have the most and least competitive free shipping policies on the web, respectively: 93.9 percent of the former offer some sort of option.

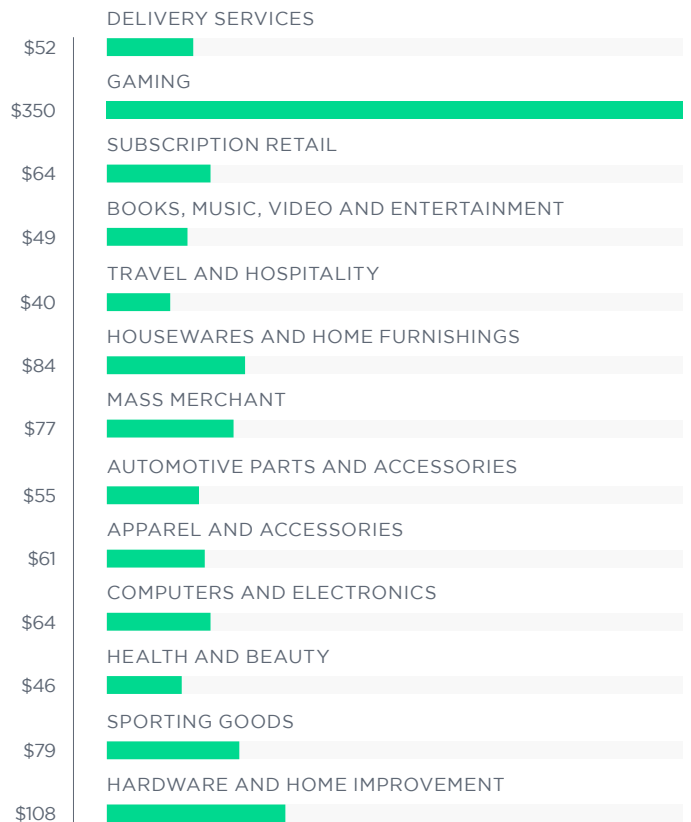
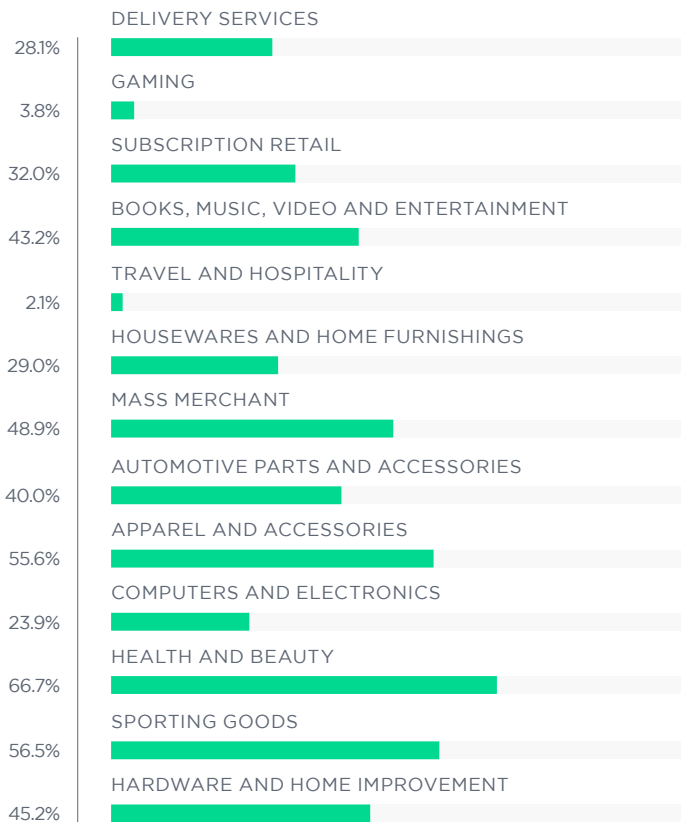
The minimum spending requirements health and beauty merchants set tend to be low compared to other sectors, however – only \$46 on average before consumers qualify for free shipping. That represents

the fourth-lowest spending limit of any sector, meaning that though its merchants' free shipping is not technically free, it is not particularly expensive, either.

FIGURE 6: Minimum spending requirements to qualify for free shipping³

6A: Share of retailers in different industries that provide free shipping options with minimum spending limits

6B: Share of retailers in different industries that provide set select minimum spending limits on free shipping



Source: PYMNTS.com

³ Only one gaming merchant in our sample (PlayStation) offered free shipping on the condition that its customers meet a minimum spending threshold. Shoppers who spend \$350 or more on PlayStation's site qualify for free shipping. No other gaming merchant provided minimum spending-based free shipping options.

Free shipping is also common among apparel and accessories merchants, with

55.6 PERCENT

**OFFERING FREE SHIPPING FOR
MINIMUM DOLLAR PURCHASES.**

The opposite is true for mass merchants, who require customers to pay \$77 before qualifying. This means that free shipping on gaming eCommerce purchases is both rare and comparatively expensive.

These two industries are extreme cases, of course, and most merchants' policies fall somewhere in between. Free shipping is common among apparel and accessories merchants, with 55.6 percent offering it after minimum dollar thresholds. Their spending requirement (\$64) is the sixth highest of any sector.

This helped us determine a rule of thumb for retailers setting minimum spending requirements. Optimal checkout processes offer free shipping unconditionally, but top merchants do not generally feel the need to provide the service in that way. We usually see merchants with the most frictionless checkouts implementing small minimum spending requirements, and the merchants tend to represent industries in which low free shipping thresholds are common.

CONCLUSION & METHODOLOGY

CONCLUSION

Technologies and behaviors change, and so must the standards by which we judge online checkouts. Our most recent research cycle shows the extent to which incremental perspective shifts can alter a broader outlook on the eCommerce ecosystem and that it is crucial to regularly account for such changes. Providing user-friendly, quick and frictionless online checkouts in the new decade will be less about basic policies and more about how those free offerings are specifically implemented. The only question is whether retailers will realize this in time to meet their customers' rapidly shifting expectations.

METHODOLOGY

The CCI score exists on a sliding scale between 0 to 100. Retailers with perfectly frictionless checkouts earn the maximum score of 100 points, while those with checkouts so complicated that consumers cannot complete them are assigned the minimum score of 0 points.

For our Q4 2019 research cycle, we examined 78 variables across the checkout processes of 667 eCommerce sites with some of the highest sales volumes on the web. We also added five new factors into their Index score calculation: total number of accepted digital wallets, whether marketing options are included in their default purchase settings, whether consumers can provide feedback, whether merchants offer address confirmation features and the types of free shipping options provided.

ABOUT

FEEDBACK

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe to this report, please email us at ecommercefriction@pymnts.com.

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