

TEALEAF 2008 ONLINE TRANSACTIONS SURVEY
U.S. Executive Summary

ONLINE CHANNEL MATURING, CATCHING UP TO OFFLINE

Most online adults (84%) have conducted an online transaction in the past year.¹

- The proportions of adults conducting shopping and financial transactions in particular have increased (*shopping*: 67% 2008 vs. 62% 2005; *financial*: 57% 2008 vs. 52% 2005).
- Online adults who have shopped online in the past year (“*online shoppers*”) typically do so about twice per month.
- The increasing prevalence of online shopping may be attributed to rising gas prices: Results of another consumer survey² released on August 5 showed that more than one in three online adults (36 percent) are now more likely to shop online rather than in-person as a result of the increasing price of gasoline.

One-third of all online adults (35%) generally prefer to conduct business online (second most popular behind in-person – 57%).

Compared to in-person shopping at a store, one in five online adults who have conducted an online transaction in the past year (22%) expect even *better* custom service online. Nearly two in three (64%) expect the same level of customer service online as they are accustomed to receiving in-person at a store.

HEIGHTENING EXPECTATIONS

More than four in five online adults (84%) feel there is no reason why an online transaction can’t be completed on the first try.

If they experienced problems when conducting online transactions, online adults who have conducted online transactions in the past year said they would attempt to complete the transaction, on average, only about 2 times before contacting customer service, leaving the site to attempt the transaction elsewhere, or abandoning the transaction entirely.

YET ONLINE ISSUES CONTINUE TO BE PERVASIVE

Among online adults who have conducted an online transaction in the past year, the proportion who ever experience problems remains high at nearly nine in ten (87%).

The vast majority (87%) feel frustrated when they experience problems conducting online transactions. Those who experience problems conducting online transactions also reported feeling disappointed (55%), angry (41%), and confused (23%).

¹ The 2008 Online Transactions survey was conducted online by Harris Interactive on behalf of Tealeaf Technology, Inc. between August 5 and August 7, 2008 among 2,010 adults ages 18+, of whom, 1,798 have conducted an online transaction in the past year and 1,572 experience problems when conducting online transactions. Data were weighted to be representative of the online U.S. adult population. For complete survey methodology, including weighting variables, please contact Shoshana Deutschkron at shoshanad@tealeaf.com.

² iCongo Gas Prices and Online Shopping survey conducted by Harris Interactive, July 2008.

MAJOR DIRECT BUSINESS IMPACTS

1st Wave of Abandonment: 41% of online adults who experience problems when conducting online transactions would abandon or switch after experiencing online transaction issues.

This represents a \$57 billion potential impact to revenue on shopping sites alone³ -- a huge opportunity for companies to harness, by ensuring their websites work. On the Web, the competition is just a click away.

2nd Wave of Abandonment: 45% of online adults who have experienced bad customer service from a company's call center when calling about website problems subsequently stopped doing business with the company entirely.

FAR-REACHING IMPLICATIONS

Online experiences impact offline: More than half of online adults (56%) said if they experienced a problem conducting a transaction online, they would be less likely to buy from the same company offline.

Huge "echo chamber" effect: Among those who experience problems when conducting online transactions, more than four in five (84%) share their experiences with others and more than half (53%) tell their friends and family specifically in order to discourage them from using that website or doing business with that company.

Issues may have been experienced online, but their impact reverberates both online and offline:

- 82% of online adults who share their experiences with others do so using *non-online modes* of communication such as:

- In-person (74%) and
- Phone conversations (50%) with friends and family.

- 58% use *online channels* to share complaints or reviews such as:

- On the company's website (39%);
- In an email to friends and family (23%);
- On a ratings and reviews websites (16%);
- On an online message board (8%); and,
- On a blog and/or social network (7%).

-While non-online modes of communication are more popular, they reach a limited audience (a phone conversation typically only shares the experience with one other person). It is likely that online channels actually have a broader reach since a site posting or email can be shared with thousands.

CALL CENTER EXPERIENCES

Nearly half of online adults (47%) – more so than last year (42% 2007) – have contacted a company's call center because they encountered problems using the website. Among those who have contacted a company's call center due to website problems:

³ Calculation based on data from the U.S. Census Bureau, The Harris Poll, and the 2008 Tealeaf Online Transactions survey. For complete methodology, please contact Shoshana Deutschkron at shoshanad@tealeaf.com

- A majority did not feel that the service agent was knowledgeable about the website (64%) or about their particular issue (67%), and nearly two in five (38%) did not have their issue resolved.
- More than two in five (44%) – a greater proportion than last year (38% 2007) – have experienced bad customer service. Of those who have experienced poor customer service from a company’s call center when calling about website problems:
 - Three in four (76%) either stopped doing business with that company entirely (45%), decreased the amount of business they do with the company (37%), or lodged a complaint with the Better Business Bureau or on a website (13%).