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Financial fraud, delivery issues dampen trust in online retail

2023 Chubb E-Consumer Report



Consumer trust, an online seller's most precious asset, is being frayed to the limit.

As online sales grow through both e-commerce and social media platforms, trust is an extremely fragile asset – it is one flawed delivery, one security breach or one technical glitch from being lost.

The challenges of maintaining trust within online purchases are explored in a new survey of 500 consumers aged 18 and over from across the globe, conducted by Chubb. The survey reveals the following trends in online purchasing:

- 75% of online consumers have experienced financial fraud, as well as additional complications or disruptions with online transactions. In addition, online shopping is fraught with challenges: 61%, for example, have experienced a delay to deliveries, 55% have lost payments due to glitches in the purchasing process, and 42% have frequently received damaged items.
- A third of these consumers now purchase goods and services through social media platforms. Many of these consumers are members of Gen Z, who are twice as likely to purchase through social media platforms than other generations. In addition, the survey suggests today's social media shopper is most likely to be a male. Overall, consumers in the survey indicate they have greater trust in social media platforms than in e-commerce sites.
- A majority of these consumers say having insurance would increase their confidence in making online purchases. Seven out of ten consumers would like to have coverage, mainly to protect purchases of electronics, home appliances, exercise equipment, and clothing.

THE STATE OF ONLINE COMMERCE

75%

report they have experienced financial fraud.

42%

have frequently received damaged items.

55%

have had payments lost due to glitches in the sites.

19%

E-commerce accounted for nearly 19% of retail sales worldwide, and this is predicted to reach close to 25% of total sales by 2027.¹

¹Retail e-commerce sales worldwide from 2014 to 2026, Statista, <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

At least 93% of consumers participating in the Chubb survey, conducted in November 2023, make purchases from e-commerce sites at least once a month. Six in ten say their purchases are even more frequent, occurring on a weekly basis. However, many have also experienced incidents of fraud or delayed shipments, undermining trust they may have in providers, and potentially reducing the number of purchases made online.

The consumers who participated in this survey all use e-commerce platforms popular worldwide, such as Amazon, eBay, Shein, Lazada, Mercado Libre or Shopee. Another 32% say they make purchases through external social media platforms such as Instagram, Facebook or TikTok. Thirty percent are from Europe, 30% from North America, 25% are based in Asia, and 15% come from Latin America.

How often do you purchase goods from e-commerce platforms and social media platforms?

Online purchases continue to occupy a greater share of the overall retail market. For the most recent year, 2023, it is estimated that global e-commerce sales will reach \$6.3 trillion, up 50% from \$4.2 trillion in 2020, according to data published by Statista.¹ This is expected to grow by another 30% to about \$8 trillion in 2030. E-commerce accounted for nearly 19% of retail sales worldwide, and this is predicted to reach close to 25% of total sales by 2027.²

The Chubb survey shows that consumers are also visiting digital retail sites on a frequent basis. A majority, 61%, say they purchase goods from these sites several times a month, if not several times a week. And they don't intend to scale back anytime soon – a majority, 55%, intend to increase their online spending over the coming year.

Several times a week	14%
Several times a month	47%
At least once a month	32%
Once every 2-3 months	4%
Once every 4-6 months	3%
Less than every 6 months	1%



¹Retail e-commerce sales worldwide from 2014 to 2026, Statista, <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

²E-commerce as percentage of total retail sales worldwide from 2015 to 2027, Statista, <https://www.statista.com/statistics/534123/e-commerce-share-of-retail-sales-worldwide/>

Consumers want to do more business with online providers, but are concerned about late arrivals, financial fraud, onerous return policies and damaged goods.

As mentioned above, three in four have suffered financial fraud. In addition, 61% worry that their shipments will not arrive on time, and 55% are frustrated by the process of dealing with providers for returning goods.

Financial fraud encompasses everything from not receiving goods or services being ordered to losses incurred during the payment process, says Gabriel Lazaro, Executive Vice President of Digital Business for Chubb International. The high incidence of financial issues arising during online sales is concerning, as consumers rely on digital wallets or credit cards for their day-to-day purchases, "More and more, especially in emerging markets such as Latin America, cash has basically disappeared."

Latin American consumers are the most frequent users of online stores across the four regions covered in the survey. Close to three-quarters, 74%, indicate they visit and purchase from online sites at least several times a month. By contrast, 62% of North American consumers shop online as frequently, along with 59% in Europe and 56% in Asia.

How often do you purchase goods from e-commerce platforms and social media platforms?

	Europe	North AM	Latin AM	Asia
Several times/week	12%	12%	25%	13%
Several times/month	47%	50%	49%	43%

Widespread and frequent purchasing on a monthly basis is relatively even across age categories, though Generation Z consumers (ages 18-26) are more likely to be purchasing more frequently on a weekly basis than their older counterparts. Close to one in five GenZers (29%) report making purchases multiple times each week, compared to only five percent of Baby Boomers (age 59 and up).



Interestingly, social media platforms command the highest levels of trust among the purchase channels explored in the survey. Eighty-five percent of these consumers expressed a high level of trust in social media services, even surpassing physical stores (70%). Corporate websites lag with 55% expressing trust in these outlets for making purchases. Ranking lowest – at 48%, are e-commerce platforms.

Out of the following purchase channels, which do you trust the most?

Social media platforms	85%
Brick and mortar	70%
Company websites	55%
E-commerce platforms	48%

(Respondents expressing elevated levels of trust – 1/2 out of 4)

Levels of trust in e-commerce platforms are fairly uniform across the four regions of the world covered in the survey. Trust in purchasing through social media platforms, however, can vary by region. It is highest in Europe, where 91% of consumers indicate above-average levels of trust. Asian consumers follow at 86%, and Latin America at 84%. Trust in social media commerce by North American consumers lags at 79%.

Online security and a user-friendly process are factors that weigh heavily on retail platform choices, the survey finds. The factors most important to consumers when it comes to purchase transactions are the security of their payments (79%), the simplicity within the checkout process (73%), and the ease of returns (72%). It's notable that these concerns are more important than price.

General delivery: On a scale of 1 to 5, please rate the importance of the following when e-commerce shopping:

(Rated as most important)

Security of payment platform	79%
Simple checkout process	73%
Ease of returns	72%
Price	61%
Ordering from an e-commerce site I know and trust	58%
Shipping charges	58%

The bottom line is e-sellers cannot simply rely on technical acumen to build and maintain consumer loyalty and trust. The best way to enable this is through greater vigilance to the customer experience they are providing, ensuring data privacy and security, providing transparency into order status, and providing upfront financial protection for purchases made.

Insuring online trust

A more satisfying online customer experience can be assured with the addition of protection against mishaps with transactions. Likewise, seven in ten already have added insurance at least part of the time to protect their purchases.

Consumers are willing to add a nominal fee to their purchases. Close to one-third of consumers, 32%, are willing to pay up to five percent of the total cost of their transactions for insurance coverage. A majority of consumers in the survey would be willing to add one percent of the price of their purchased goods for related insurance. It's more than a matter of simply compensating consumers for losses – it helps provide the positive experience that today's consumers seek, says Lazaro, "What happens if it gets damaged or stolen? How can we ensure the experience is good? How can we help the consumer have peace of mind?"

Digital insurance protection offers a means to build or preserve a superior customer experience, covering losses incurred as a result of financial fraud, lost or stolen goods, or errant shipments. A majority of consumers in the Chubb survey acknowledge that having such insurance would provide them with more confidence to make purchases.

As customers conduct transactions through their mobile apps or on their PCs, they are often offered insurance protection associated with those transactions. Adding insurance coverage to online purchases can be as simple as a one-step click at the conclusion of a purchase process, and the premium would typically be a percentage of the purchase price.



"What happens if it gets damaged or stolen? How can we ensure the experience is good? How can we help the consumer have peace of mind?"

Gabriel Lazaro, Executive Vice President of Digital Business for Chubb International



69%

of online consumers would be inclined to spend more on online shopping if they had greater confidence that their purchases were insured.

Which types of insurance would you be interested in purchasing when shopping online?



88%

Valuable articles protection



82%

Item protection (phones, gadgets, appliances, etc.)



82%

Product defects (warranty)



80%

Delivery/damage protection



79%

Personal cyber/online fraud protection



68%

Return assistance

The types of products for which consumers would like to have insurance coverage include electronics, followed by home and kitchen appliances, and exercise or sports equipment. Preferred insurance coverage would include valuable articles protection, appliance protection, or electronic items protection. Customers are also interested in product defects warranties, warranties, and delivery or damage protection.

Not only is convenience and confidence in e-commerce purchases a factor, but the price points associated with digital embedded insurance can be pleasant surprises as well. For example, some embedded insurance coverage is priced at just one percent of the purchase product.

Embedding insurance into e-commerce transactions offers advantages to consumers and the organizations that serve them. Protection for purchases can be only a click away, bringing enhanced loyalty and trust to the fast-growing world of online retail.

New channels, new consumers

Close to half of Generation Z consumers, 46%, now shop on social media platforms. The need for insurance protection with online purchases is rising as online shopping becomes a day-to-day part of consumers' lives. While all survey participants buy from e-commerce platforms at least some of the time, a new channel for online marketplaces – social media shopping sites – is emerging. Close to one-third of consumers, 32%, state they now purchase goods and services through such platforms.

Social media-based shopping experiences, such as Facebook Shops, Instagram Shops and TikTok shops appeal to digital-native generations of consumers who are comfortable with online activities and also benefit from the community effect social media provides.

At this time, these consumers are overwhelmingly younger people: close to half of the members of Generation Z – those age 18 to 26 – do their shopping through social media services, which is twice the rate of their Generation X counterparts (ages 43-58).

Trust in social media platforms runs highest among the youngest consumers, with 82% of Gen Z consumers expressing elevated levels of trust in this channel, versus 75% for their Generation X counterparts.

Higher levels of trust at this time in social media commerce may be attributable to a couple of factors. First, younger people, who have been online since childhood, are by far the most frequent social media shoppers. At least 46% of GenXers (ages 18-26) shop several times a month through these channels, versus none of the consumers over the age of 58.

In addition, social media sales platforms are dominated by influencers who instill confidence in the products they promote or review, Lazaro says. "Social media commerce is based on influencers. YouTubers and TikTokers have a lot of credibility. It's around the power of the influencers, and how they engage with their audiences."

By gender, males tend to be more frequent users of both e-commerce and social media for purchases. A majority of males, 61%, report they make purchases at least several times a month, about double the rate of females (31%).

Social media shopping

by generations

Generation Z (ages 18-26)	46%
Millennials (27-42)	30%
Generation X (43-58)	22%
Baby Boomers (59+)	0%

Methodology

This survey, commissioned by Chubb Insurance, was conducted in November 2023 among 500 consumers who reported they are users of e-commerce platforms. The surveys, conducted online and compiled by iResearch Services, consisted of e-commerce platform users from North America, Europe, Asia, and Latin America.

