

RETAIL PRODUCT INSURANCE

STUDY

■ JANUARY 2020

The Retail Product Insurance Study analyzes survey response data from more than 2,700 U.S. consumers to learn whether the option to buy insurance coverage for eCommerce purchases at checkout is presented and how it stands to affect consumers' spending habits.

48%

of consumers would make more eCommerce purchases if they were offered insurance coverage at checkout.



TABLE OF CONTENTS



Introduction.....	01
Extended warranties.....	05
Paying premiums for coverage.....	11
Trusting in eTailers.....	15
Conclusion.....	19
Methodology.....	20

The Retail Product Insurance Study was done in collaboration with Cover Genius, and PYMNTS is grateful for the company’s support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

Merchants in the eCommerce space are constantly searching for new ways to increase sales and maximize profits. eTailers as diverse as Amazon, Skyscanner and Topshop are all testing and implementing new technologies — including tailoring internal search algorithms to ensure online customers can easily locate items, or automating warehouses to accelerate the delivery process — to entice shoppers to click that “buy” button.

Deploying predictive tools and technologies is key to boosting ticket sizes, but some eTailers are employing a more traditional tool — product insurance sold at the point of sale (POS) — to increase their conversion rates. Insurance options, especially extended warranties, are mainstays in the expensive electronics and appliances sectors, but they could potentially benefit eCommerce retailers as well. PYMNTS’ research suggests 48.4 percent of consumers would be willing to buy more items online if they were offered insurance at checkout, for exam-

ple, but just 41.3 percent of them report being offered insurance options to cover their eCommerce purchases.

Simply making product insurance available at the POS is not enough, though. Our research finds 12.2 percent of consumers buy it when it is offered, but their interest in purchasing it to protect their products is not being converted to insurance sales. That could be because consumers view disputes as their best “free” options to recover losses, or because they do not find the risk-reward scenario compelling enough to spend the money.

The logical question, then, is whether online merchants should consider offering insurance options at checkout at all — especially given the gap between interest and conversion. What does that insurance product look like when they do, and how should it be presented to increase basket sizes or product conversion rates and add potential new revenue streams?

Those are several of the questions our study of consumers’ current access to and usage of eCommerce insurance sets out to answer. We surveyed more than 2,700 United States consumers to better understand how the option to buy insurance coverage for their eCommerce purchases is presented at checkout, which insurance products are offered, what goes into their thought processes when such products are offered and how the options’ availability might affect their eCommerce spending habits. The Retail Product Insurance Study, a PYMNTS and [Cover Genius](#) collaboration, details the results of that research and analysis.

This is what we learned.

THE MOST POPULAR RETAIL PRODUCT INSURANCE

OPTION IS THE EXTENDED WARRANTY.

Extended warranties are the most common form of insurance offered for online purchases. Our study shows 68.9 percent of consumers who were given the option to buy coverage for their latest eCommerce purchases were offered extended warranties. Few are offered coverage for damaged shipping (21.5 percent), theft (10.5 percent) or cancellation (7.6 percent), however.

NEARLY HALF OF ONLINE BUYERS SAY INSURANCE OPTIONS OFFERED AT CHECKOUT TO COVER ITEMS WOULD INCREASE THEIR ODDS OF MAKING PURCHASES.

Almost half of all consumers in our study say they would buy more products or spend more money on the products they currently buy if they had access to insurance to protect them if something were to go wrong. Our survey shows 48.4 percent of respondents would make more eCommerce purchases, and 41.8 percent of respondents would also pay more for purchased items if offered insurance options at checkout. Another 32.7 percent say they would both purchase more goods and spend more on the purchases made if offered insurance at checkout.

THE ODDS OF CONSUMERS PURCHASING PRODUCT INSURANCE INCREASE IF OFFERED BY MERCHANTS DURING THE CHECKOUT PROCESS.

Sixty percent of respondents say they would prefer to purchase insurance at the POS through the retailers from which they buy their products, rather than the options those retailers source through third parties. It also appears consumers are hooked once they make one retail product insurance purchase: Our research finds 82.7 percent of those who bought insurance from merchants at checkout for their most recent online purchases were more likely to buy it for future eCommerce purchases in the same way.

CONSUMERS ARE MOST LIKELY TO PURCHASE INSURANCE FOR CARS OR PRODUCTS VALUED AT \$500 OR MORE.

The higher the cost of the product, the more likely it is that consumers will consider purchasing insurance. Respondents who paid more than \$1,000 for the last item they bought online were the most likely to buy insurance, at 29 percent. This compares to 12.2 percent for those whose items were valued between \$250 and \$500.

Consumers are also more likely to buy insurance at certain types of eTailers, particularly those selling motor vehicles and jewelry. Our survey shows 45.2 percent of respondents whose latest eCommerce purchases were motor vehicles were offered insurance at checkout, and that 86.7 percent of those who were offered it bought it. Forty-eight percent whose last online purchases were from jewelry retailers were offered insurance, too, and 48.1 percent of them bought it. At the other end of the spectrum were respondents whose latest eCommerce purchases were from clothing and accessories merchants, with just 7 percent of consumers who made such purchases being offered insurance and only 14.1 percent of those who were offered insurance buying it.

This study explores these key findings and provides an overview of what eCommerce businesses need to know about meeting insurance needs.

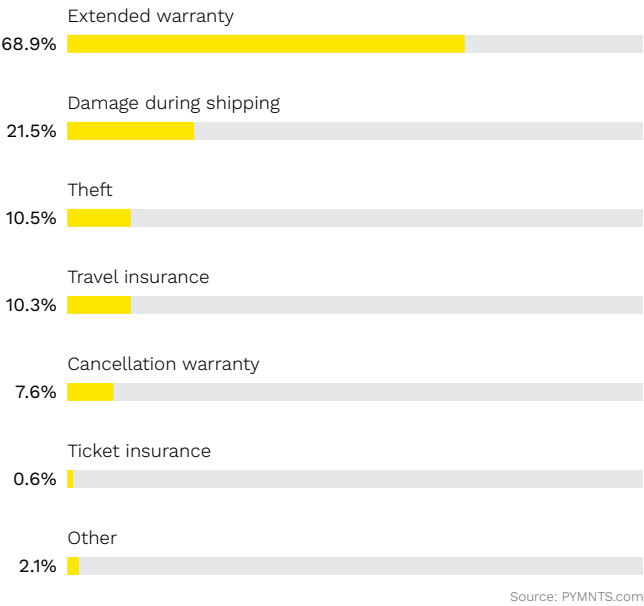




EXTENDED WARRANTIES

Consumers are accustomed to being offered insurance for many brick-and-mortar purchases, especially extended warranties for smartphones, refrigerators and other high-value electronics and household appliances. Our research shows most have also been offered extended warranties on goods bought online. Extended warranties are the most common type of policy provided to eCommerce shoppers at checkout, having been presented to 68.9 percent of respondents offered the option of buying insurance to cover their latest eCommerce purchases.

FIGURE 1:
Types of insurance policies merchants offer with retail purchases
Share of consumers offered select types of insurance plans with their latest purchases



Insurance policies that reimburse customers for purchases damaged during shipping are a distant second, offered to 21.5 percent of respondents who were provided insurance options at checkout. Coverage for stolen items, travel insurance and cancellation warranties round out the top five most-common policy types eCommerce customers are offered at checkout.

TABLE 1:
Types of insurance policies merchants offer with retail purchases
Share of consumers offered such insurance plans, by merchant type

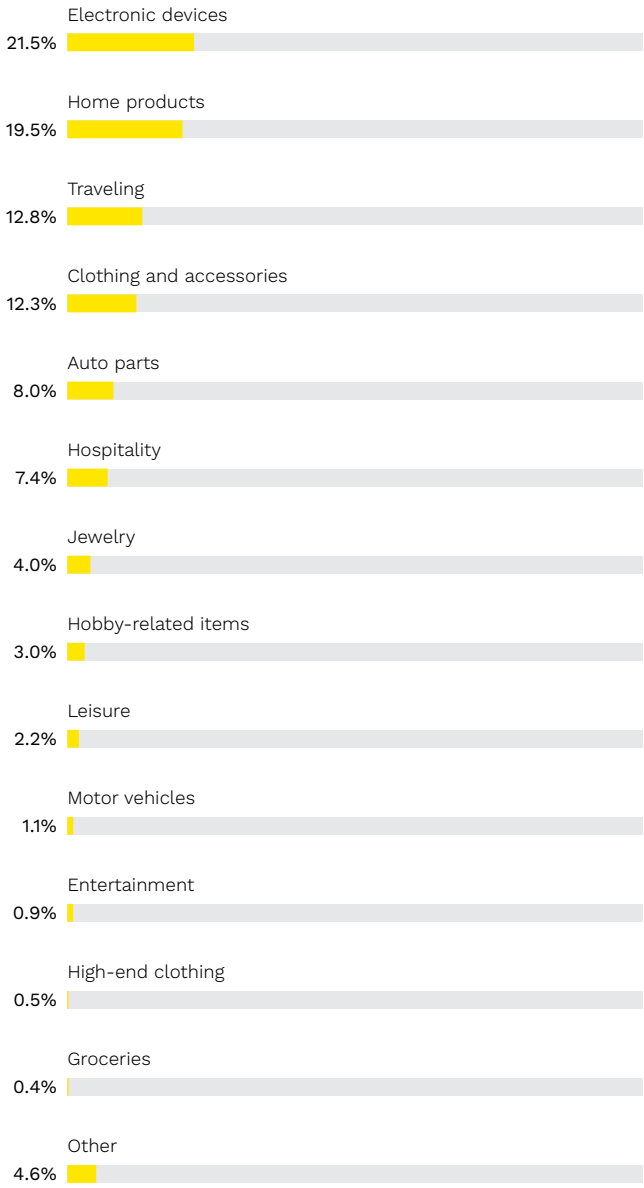
TYPE OF INSURANCE	General retail	Travel and hospitality	Clothing and accessories	Vehicles	Technology	Entertainment	Other
Extended warranty	91.8%	8.0%	76.1%	92.1%	95.4%	23.6%	60.3%
Damage during shipping	22.3%	2.4%	38.7%	29.4%	26.0%	0.0%	39.1%
Theft	9.0%	4.1%	23.9%	11.9%	16.4%	13.1%	17.2%
Travel insurance	1.1%	45.4%	0.0%	0.0%	0.0%	11.1%	6.6%
Cancellation warranty	0.0%	33.1%	0.0%	0.0%	0.0%	29.4%	6.4%
Ticket insurance	0.0%	2.4%	0.0%	0.0%	0.0%	9.7%	0.0%
Other	1.2%	5.8%	0.0%	0.0%	4.0%	7.0%	1.6%

Source: PYMNTS.com

Consumers’ likelihood of being provided insurance options changes depending on the types of merchants with which they shop, though. Respondents whose latest eCommerce purchases were electronics or automobiles are the most likely to have been provided extended warranty options, with 95.4 percent and 92.1 percent having been provided such offers, respectively. This compares to 26 percent of electronics buyers and 29.4 percent of car buyers who were offered policies that covered damage during shipping, for example.

Consumers are more likely to be offered policies that cover shipping damage if their last eCommerce purchases were clothing items or accessories. Our survey shows 38.7 percent of these digital shoppers were given the option to buy shipping damage insurance policies at checkout. The same group is also the most likely to have been offered theft insurance options, which were extended to 23.9 percent of them.

FIGURE 2:
Types of eCommerce products for which consumers purchase insurance
Share whose latest eCommerce purchases were from retailers in select industries



Source: PYMNTS.com

Whether consumers purchase the offered insurance is a different story, however. Just because they are likely to be offered insurance does not mean they are likely to purchase it. Respondents are most likely to purchase insurance for motor vehicles, for example, with 39.1 percent of those whose latest eCommerce purchases were motor vehicles having bought it. Only 45.2 percent of these shoppers were offered that insurance, though.

Respondents are more likely to have been offered insurance for electronics, travel-related goods and services, entertainment, jewelry and high-end clothing purchased online than for motor vehicles, but are less likely to actually buy it. Sixty-two percent and 68.4 percent of those who buy items from electronics and travel retailers, respectively, were offered product insurance plans, but only 22.1 percent and 12.9 percent actually bought them.

45.1%
OF CONSUMERS WHO MADE
THEIR LATEST eCommerce PURCHASES FROM
MOTOR VEHICLE MERCHANTS
WERE OFFERED INSURANCE COVERAGE
AT CHECKOUT.

TABLE 2:
Types of eCommerce products for which consumers purchase insurance
Share who were offered and purchased insurance for their latest purchases, by industry

INDUSTRY	Purchased insurance	Offered insurance
Electronic devices	22.1%	62.0%
Home products	9.7%	42.1%
Traveling	12.9%	68.4%
Clothing and accessories	1.2%	7.0%
Auto parts	4.3%	26.9%
Hospitality	3.0%	12.3%
Jewelry	23.1%	48.0%
Hobby-related items	15.5%	33.5%
Leisure	13.4%	45.0%
Motor vehicles	39.1%	45.1%
Entertainment	16.3%	65.8%
High-end clothing	13.7%	49.2%
Groceries	0.0%	0.0%
Other	7.4%	25.0%

Source: PYMNTS.com

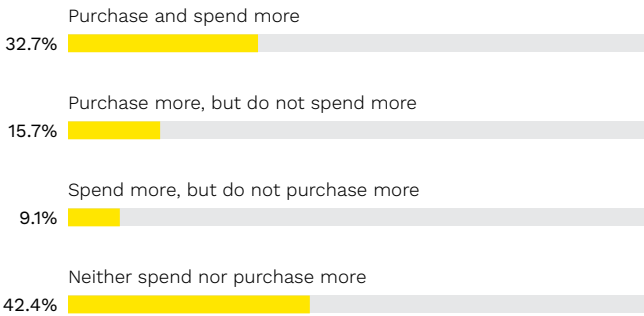
eTailers weighing whether to add product insurance options should take these figures into consideration. Such plans will entice some consumers to buy more items or spend more on their purchases than they otherwise would, but the chances of them actually buying insurance will vary considerably by the types of products sold. Motor vehicle, jewelry and electronics merchants will have the highest success rates selling insurance, according to our findings, while those in the clothing, hospitality and auto parts industries will have the lowest.

PAYING PREMIUMS FOR COVERAGE

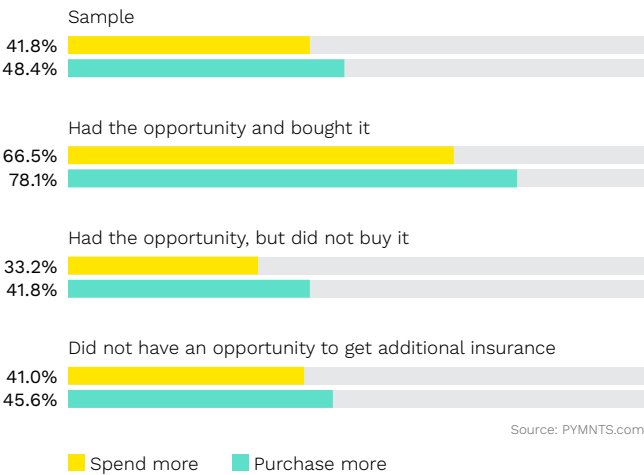


Most consumers say having insurance options would entice them to purchase more eCommerce items or spend more on their current purchases. Our research shows 9.1 percent of respondents would spend more, 15.7 percent would purchase more and 32.7 percent would both purchase and spend more than they do now if given the option to insure their goods.

FIGURE 3:
How retail insurance offerings stand to affect consumers' spending
Overall share of consumers who would change their spending habits if offered insurance plans for their purchases



Share who would change their habits if offered such plans, by access and usage



Respondents who had both been offered and bought insurance for their latest retail purchases were the most likely to say they would spend more if provided retail insurance options. Our research finds 66.5 percent of these consumers report just having the option to buy coverage at checkout would entice them to spend more money shopping online, compared to the 33.2 percent who were offered insurance but did not buy it.

Respondents who bought the insurance offered at checkout are also more likely to say they would buy more goods online if given the option to buy insurance for those purchases, reported by 78.1 percent. Just 41.8 percent of those who did not buy the insurance offered at checkout say the same.

32.7%

OF CONSUMERS WOULD BOTH

PURCHASE

AND SPEND MORE

IF THEY WERE OFFERED
INSURANCE COVERAGE
AT CHECKOUT.

It is crucial to note that even consumers who did not buy the insurance offered at checkout during their last eCommerce purchases say having the option would make them more likely to both spend and purchase more while shopping online than they do now. This underscores the potential revenue to be gained from providing shoppers insurance for their purchases, and suggests that even those who do not buy insurance value the option to do so.

A man with dark hair and a beard, wearing a white button-down shirt and dark jeans, is standing in a modern living room. He is holding a smartphone in his right hand and looking at it with a slight smile. He is positioned in front of a tall, dark metal shelving unit that holds various items including books, a microscope, a small dog figurine, and a potted plant. The background is a white brick wall. The room is decorated with a patterned rug, a small table with books, and a cushioned chair. The overall aesthetic is contemporary and minimalist.

TRUSTING **IN eTAILERS**

Paying for insurance is an act of trust. Consumers who pay manufacturers to cover the prices of their smartphones trust they will be compensated if their devices break, for example. So, whom do eCommerce shoppers trust to cover their online purchases?

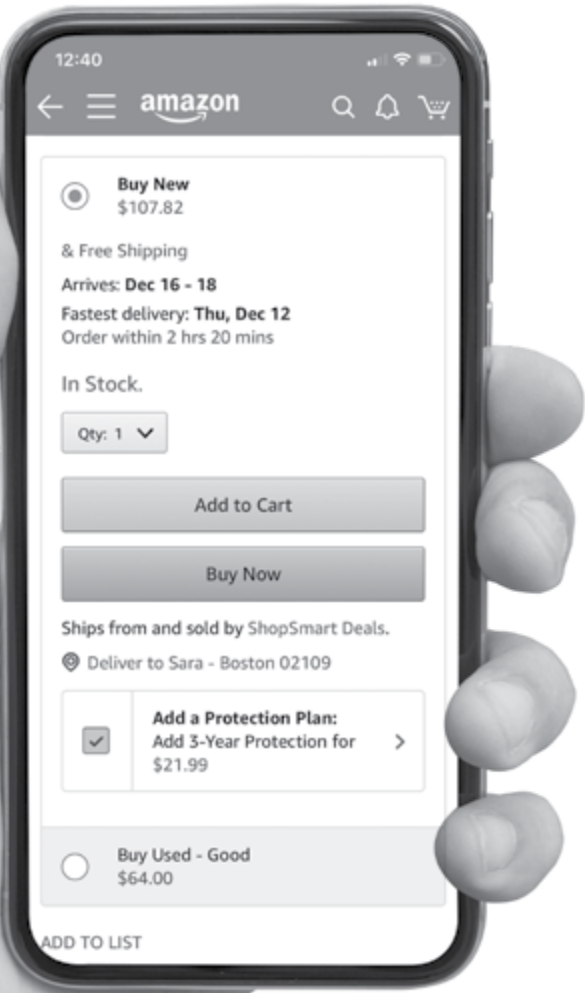
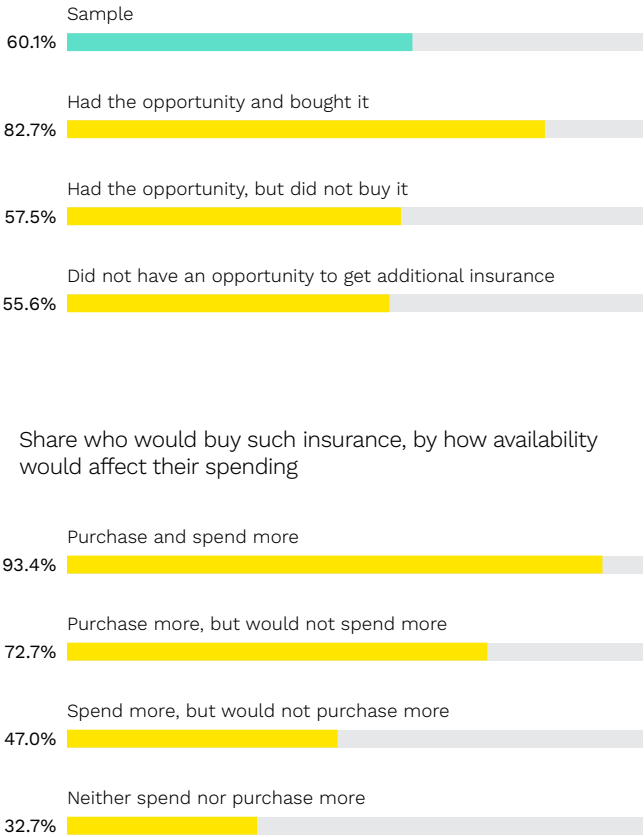


FIGURE 4:
Consumers’ propensity to spend when offered insurance from their retailers
Share who would buy insurance offered by the retailer from which they made purchases, by availability and insurance usage with their last purchases



Source: PYMNTS.com

60.1%
OF CONSUMERS WOULD
BUY INSURANCE WITH THEIR eCOMMERCE
PURCHASES IF THEIR RETAILERS
OFFERED IT AT CHECKOUT.

Most consumers would prefer to purchase insurance from the online merchants that sell them their goods in the first place. Our research shows 60.1 percent of respondents are more likely to purchase insurance from the retailers that sell them the products they would like to insure than from anyone else.

Consumers who bought insurance with their last eCommerce purchases show an even stronger preference for buying it directly from the merchants who sell them their to-be-insured items. PYMNTS’ research reveals that 82.7 percent of those

who were offered and bought insurance on their latest retail purchases would prefer to buy it from the retailers selling those products in the future. It also finds that 93.4 percent of respondents who say they would buy and spend more if their purchases came with insurance options would rather buy it from the merchants selling them those goods than from anyone else. The same can be said of the 72.7 percent who would purchase more items and 47 percent of those who would spend more on the same number of items if insurance were offered at checkout.

CONCLUSION

The eCommerce insurance industry may be nascent, but it is already showing enormous growth potential. Consumers who are offered insurance options at checkout to cover their online purchases appear willing to spend more shopping online than those who are not — a fact that is true even if they forgo buying that insurance. Some eTailers seem to understand this and have already begun offering their own insurance options, but many are holding out. These merchants are missing chances to boost their revenues, and going without offering insurance will only create higher costs for their businesses.

RETAIL PRODUCT INSURANCE

STUDY

METHODOLOGY

PYMNTS surveyed 2,789 U.S. consumers about their most recent eCommerce experiences to learn how many were provided the opportunity to buy insurance for purchases, how many bought it and for which types of items. We then asked respondents whether having the option to buy insurance for items bought online might change their spending habits if offered on future purchases. Respondents must have purchased products valued at \$100 or more to qualify for our final analysis. The Retail Product Insurance Study details our research findings.

TABLE 3:
Which goods consumers buy
Types of consumer goods that fall into select retail categories

CATEGORY	EXAMPLE
AUTO PARTS	<ul style="list-style-type: none">Running boards for Dodge Ram truckBrakesTires
ELECTRONIC DEVICES	<ul style="list-style-type: none">MacBookSmart TVLaptop computer
ENTERTAINMENT	<ul style="list-style-type: none">Concert ticketsFootball game ticketsUniversal Studios pass
HOBBY-RELATED ITEMS	<ul style="list-style-type: none">Composite baseball batBicycleGolf club
HOME PRODUCTS	<ul style="list-style-type: none">King-size bedDyson vacuum cleanerRefrigerator
HIGH-END CLOTHING	<ul style="list-style-type: none">Louis Vuitton shoesHarley-Davidson motorcycle jacket
HOSPITALITY	<ul style="list-style-type: none">Airbnb in FloridaDisney hotelHilton hotel
JEWELRY	<ul style="list-style-type: none">WatchDiamond necklaceEngagement ring
LEISURE	<ul style="list-style-type: none">Nintendo SwitchPlayStation 4Video games
TRAVELING	<ul style="list-style-type: none">Airline ticketCruiseCar rental
MOTOR VEHICLES	<ul style="list-style-type: none">2014 Ford MustangSubaru OutbackVolkswagen Passat
OTHER	<ul style="list-style-type: none">Dewalt impact driverLuggage



ABOUT

PYMNTS.com [PYMNTS.com](#) is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

 **COVER GENIUS** Cover Genius is one of the fastest-growing InsurTechs globally. Our partners, including Booking.com, the largest travel company globally, utilize Cover Genius to sell millions of policies per year in the 60-plus countries and 50 U.S. states in which Cover Genius is licensed or authorized.

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

DISCLAIMER ■

The Retail Product Insurance Study may be updated periodically. While reasonable efforts are made to keep the content accurate and up-to-date, PYMNTS.COM: MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED “AS IS” AND ON AN “AS AVAILABLE” BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS.COM SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS.COM RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS.COM SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS.COM HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS.COM AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS.COM is the property of PYMNTS.COM and cannot be reproduced without its prior written permission.