



*Bizrate Insights / Forrester Study:
The Effect of Online Sales Tax on Shopping Behavior*

Is Online Sales Tax as Important to Consumers as Retailers Think?

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Key Highlights

Online sales tax prevalence

- 44% of online buyers reported paying sales tax on their order.
 - 17% of those who didn't pay sales tax live in a state where they never pay sales tax on that particular item.
- Health & Beauty purchases had the highest percentage of customers who paid sales tax (58%), while Electronics had the lowest percentage (28%).

How sales tax factors into the purchase decision

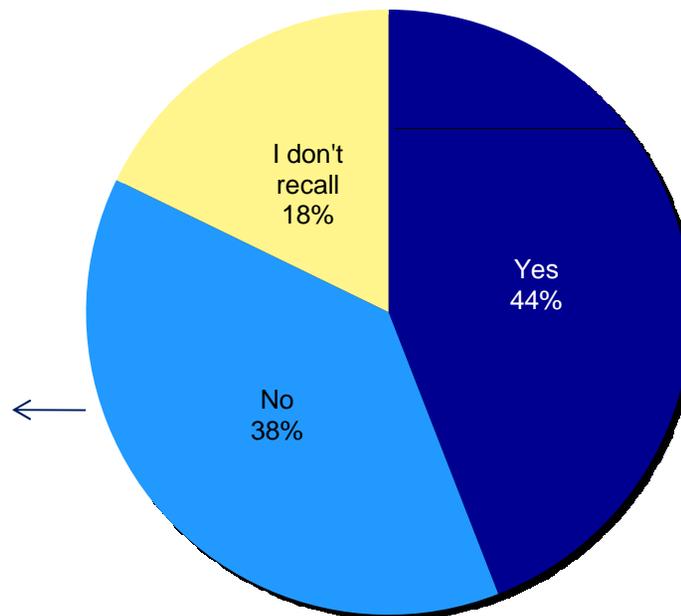
- 59% of online buyers considered sales tax when making their purchase.
 - Sales tax is most often considered important as a factor of total cost, rather than on its own.
 - Musical Instrument purchases had the highest *percentage* of customers who considered sales tax in their purchase (76%), while Apparel & Accessories had the highest *number* of conscientious buyers.
- The importance of sales tax changes depending on the type of purchase for 67% of online buyers, while 9% always consider it important.
- 22% of those who paid sales tax considered aborting their purchase, but factors other than cost ended up being more important to most of these customers.
- Of those who did not pay sales tax, 36% would have still purchased from the same retailer even if sales tax **was** charged, as their decision was based on other factors. For another 39%, the decision would be based on total cost as opposed to just looking at the sales tax.

How prevalent is online sales tax?

44% of online buyers report paying sales tax on their order

- Online buyers were nearly evenly split between whether they did or did not pay sales tax on their purchase.

Did you pay sales tax on the purchase you just made?
n=24,136

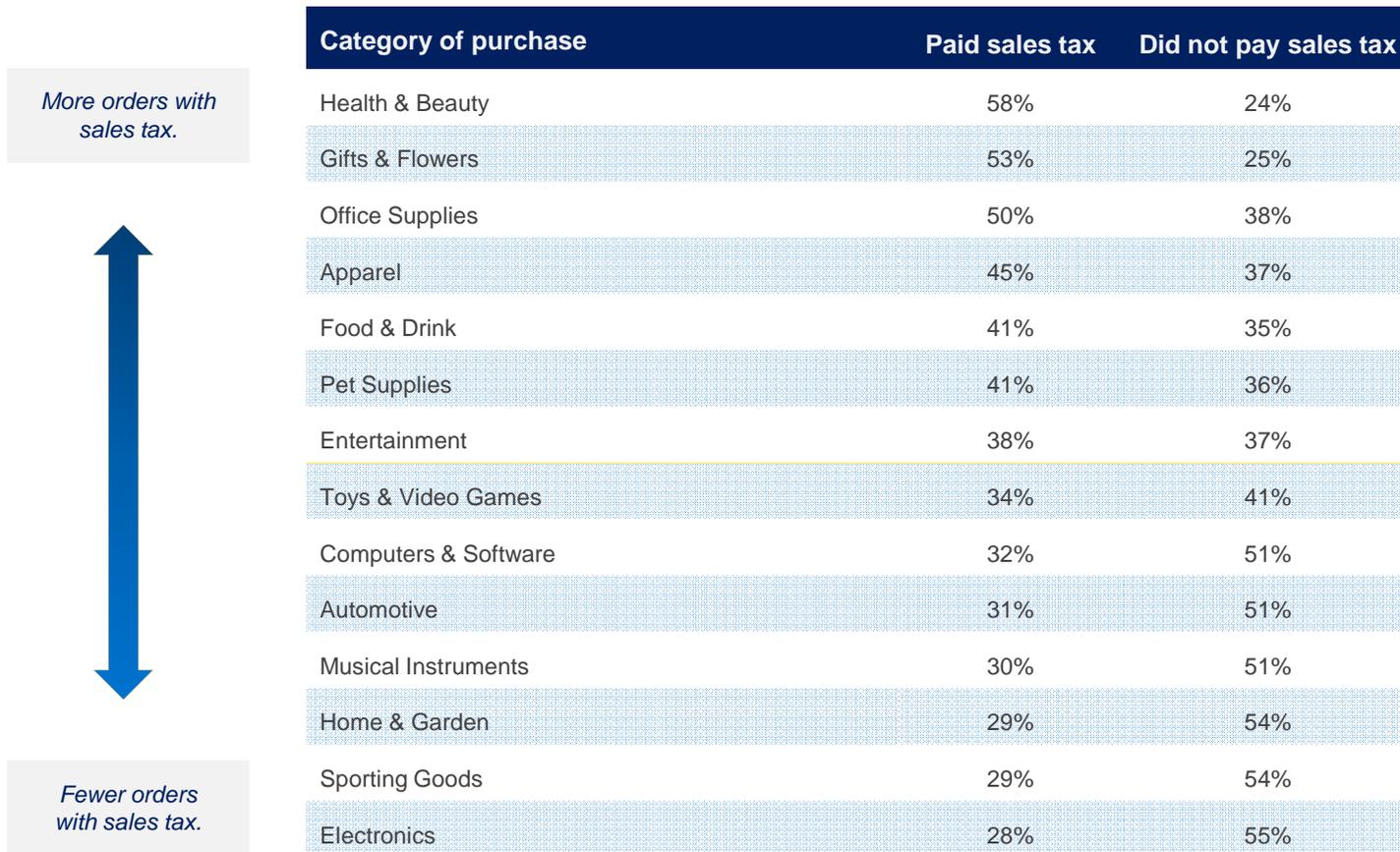


17% of all online buyers live in a state where they never pay sales tax on the particular item they purchased. They comprise one quarter of the group of respondents who reported that they did not pay sales tax on their purchase.

A significantly greater percentage of women (51%) than men (33%) paid sales tax.

Sales tax was most often paid on Health & Beauty purchases

- Health & Beauty led in orders that included sales tax, while Electronics buyers reported the lowest percentage of orders with sales tax. Those with Entertainment purchases were least likely to recall whether or not they paid taxes.



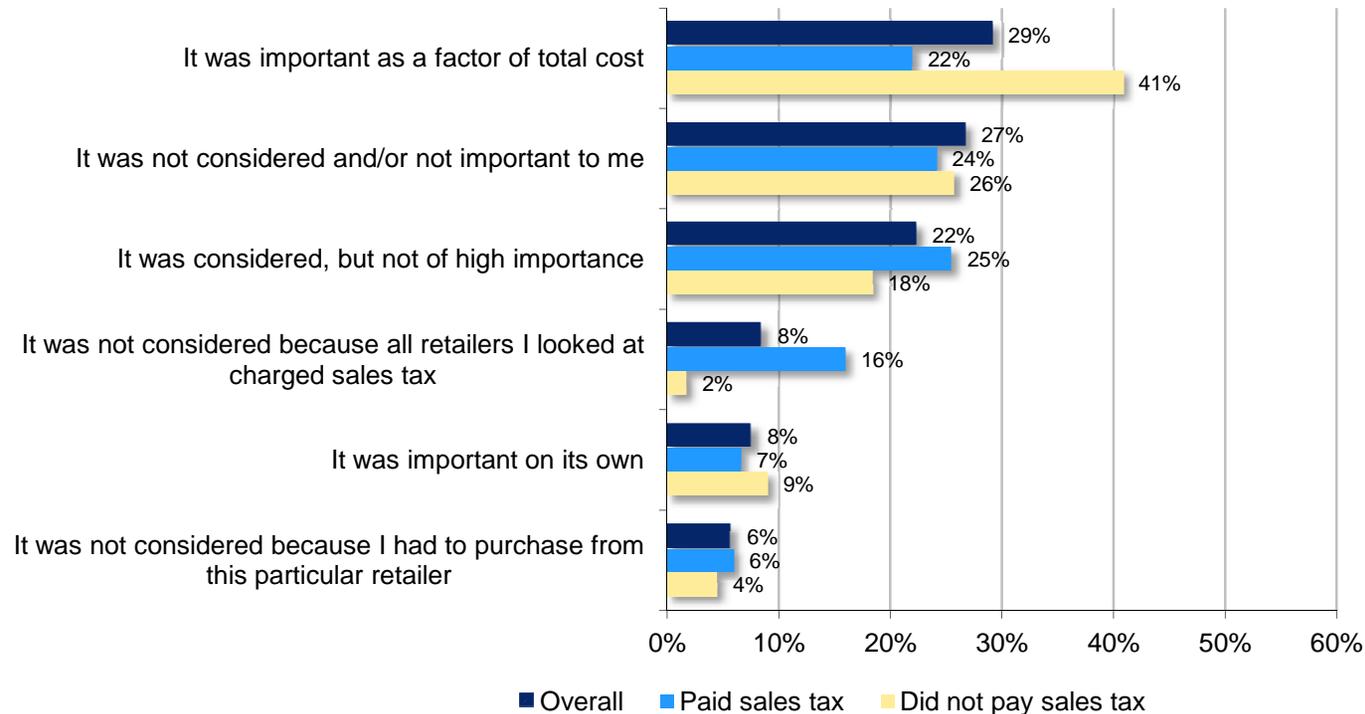
How does sales tax factor into the purchase decision?

Sales tax is important as a cost, but not on its own

- Approximately 59% of online buyers considered sales tax when making their purchase.
 - Of those who did pay sales tax, 25% took it into account while making their purchase decision, but did not assign it high importance.

How important was sales tax (or lack thereof) in your decision to purchase today?

n=34,022



Product category impacts sales tax consideration

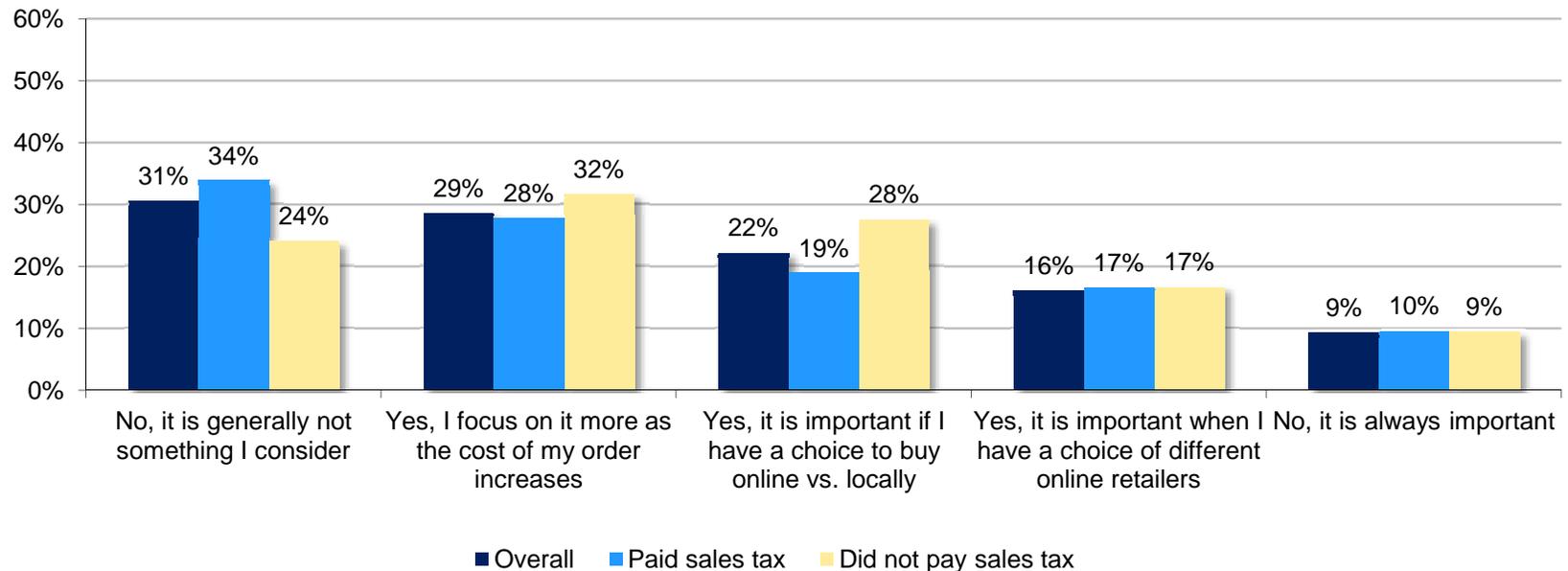
- Of those who considered sales tax at all, Musical Instruments has the greatest *percent* of conscientious buyers while Apparel & Accessories has the greatest *number* of conscientious buyers.

| Category of purchase | How important was sales tax in decision to purchase? (Segment = Sales Tax Considered) |
|----------------------|--|
| Musical Instruments | 76% |
| Computers & Software | 68% |
| Electronics | 65% |
| Sporting Goods | 65% |
| Automotive | 63% |
| Home & Garden | 62% |
| Toys & Video Games | 62% |
| Apparel | 59% |
| Health & Beauty | 59% |
| Office Supplies | 59% |
| Pet Supplies | 56% |
| Food & Drink | 54% |
| Entertainment | 51% |
| Gifts & Flowers | 51% |

Price and purchase options elevate sales tax consideration

- For 67% of online buyers, the importance of sales tax changes depending on what they are purchasing or the options they have available.
 - Only 9% of online buyers find sales tax to be always important in their decision making process.

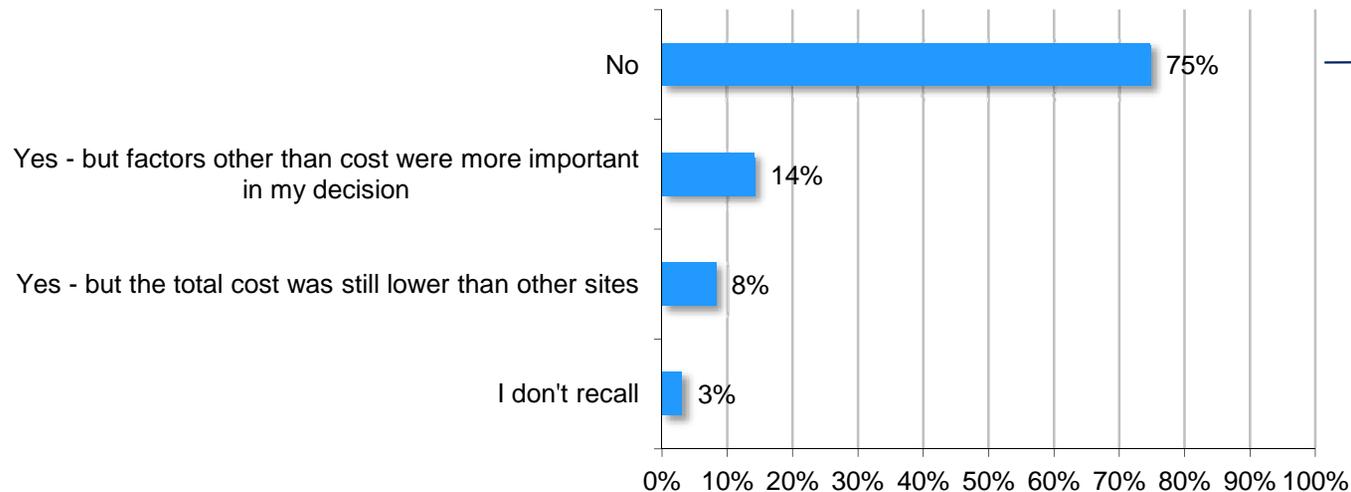
Does the importance of sales tax change depending on the purchase you are making online?
n=33,960



Paying sales tax gave 22% pause for reconsideration

- 22% of all buyers considered aborting the purchase due to sales tax, with most stating that cost was not the most important factor in their purchase decision.
 - A greater percentage of Generation Y buyers than the other age groups had factors other than cost that were more important in their purchase decision.

Did you consider not buying today due to the sales tax?
n=10,340



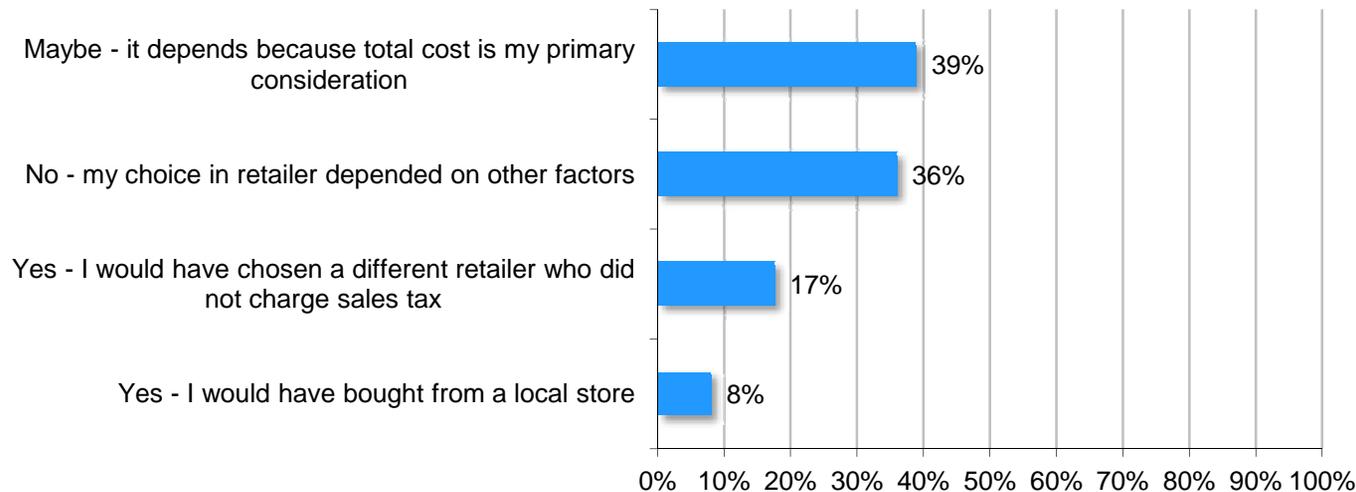
Significantly more females (77%) than males (69%) didn't consider **not** making their purchase due to sales tax.

Retailer choice is only partially dependent on costs

- While total cost is the main driver in the choice of retailer, of which sales tax is a component, nearly the same number of consumers cited other factors as the leading factor in their choice of retailer.
 - For those who might have purchased from a different retailer due to total cost, 47% said sales tax (or lack thereof) was important in today's decision making process, compared with 18% for those whose choice was reliant on other factors.

If you had been charged sales tax on today's purchase, then would you have purchased from a different retailer?

n=8,871



A greater percentage of Generation Y and X buyers had total cost as their primary consideration, while a greater percentage of Baby Boomers and Seniors made their purchase decision based on other factors.

About this study

Bizrate Insights ran this Study in partnership with Sucharita Mulpuru at Forrester Research.

- **Study data collection**

- Bizrate Insights provides free, independent surveys for online retailers. Data for this study was collected from online buyers via Bizrate Insights' surveys offered immediately after purchase. It was run across Bizrate Insights' Network of over 5,000 ecommerce retailers in the US and Canada, from April 21st – May 31st, 2011, with over 34,000 consumers submitting surveys.

- **About Bizrate Insights**

- Bizrate Insights empowers retailers to achieve their end goal of growing sales and consumer loyalty by helping them listen to their customers. For over 10 years, Bizrate's consumer feedback and ratings platform amplifies the consumers' voice in a way that is fast and measurable, resulting in insights, action, conversion, and consumer loyalty. Bizrate Insights provides tools and reports to over 6,000 retailers worldwide to enlighten them about the customer experience and make them aware of the "why" in what consumers think and do. Visit <http://bizrateinsights.com> to learn more about our free and paid buyer and non-buyer survey and reporting products.
- Bizrate Insights and Bizrate.com are part of the Shopzilla, Inc. network of websites that reach a global audience of over 40 million online shoppers each month.