UPS

UPS Pulse of the Online Shopper™

A Customer Experience Study

U.S. Study, June 2017

Introduction

Online Shoppers More Mobile, Global and Marketplace-Driven

U.S. online shoppers are using their smartphones to shop more, making more purchases from international retailers and turning to marketplaces more than ever, creating a new retail landscape. Driving these behavior shifts is a desire to find better prices and unique products with more choice, control and convenience.

The 2017 UPS Pulse of the Online Shopper™ study, conducted by comScore, provides insights into online shoppers' behaviors and preferences. We have categorized the results of this year's study into three areas:

Constants: Areas of the retail experience that remain important year over year and influence purchase behaviors. These are *pricing and convenience, shipping and logistics* and *multi-channel shopping.*

Emergers: Newer areas of retail that may play a role in the shopping experience of the future. These include technologies such as *robots, chatbots* and *virtual reality solutions.*

Movers: Areas where consumers have shown significant growth over the past few years. These are *mobile, marketplaces, international shopping* and *store usage habits.*

Understanding today's avid online shopper and evolving to meet their new demands are critical for retailer success. By focusing on these key areas, retailers have the opportunity to help shape the future of retail while simultaneously increasing customer satisfaction and sales.

Purchase method

36%
Multi-channel Net

64%
Single-channel Net

7%
Search in store, buy online

7%
Search online and in store, buy online

8%
Search online and in store, buy in store

14%
Search online, buy in store

43%
Search online, buy online

21%
Search in store, buy in store

79%
IN TOTAL, ONLINE INFLUENCES 79% OF **SEARCH, PURCHASE** OR **BOTH**

Constants

Channel Shifting

Consumers continue to cross-channel shop. Searching and buying on a single channel is still the most frequently-used method. However, 36% of online shoppers are searching on one channel and purchasing via another, highlighting the importance of both the online and in-store experience.

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Most important options when checking out online

FREE

74%
Free-shipping options

53%
Providing shipping costs early in the process

53%
Ease of applying a promo code to my order

53%
Having a variety of payment options, like PayPal or Visa Checkout

49%
Guaranteed delivery date

81% 2014   **77%** 2015   **73%** 2016   **74%** 2017

Free

THE IMPORTANCE OF FREE SHIPPING **HAS DECLINED** OVER THE YEARS
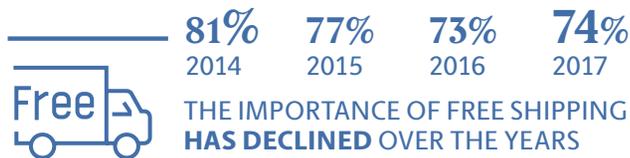
Actions taken to qualify for free shipping

48%
Add items to cart to qualify for free shipping with intention of keeping items

44%
Choose the slowest transit time offered on a retailer's site because it's free

41%
Search online for a promo code for free shipping

36%
Choose ship-to-store or pickup in store

31%
Delay making my purchase to wait for a free-shipping offer

94% OF SHOPPERS HAVE TAKEN ACTION TO QUALIFY FOR FREE SHIPPING

Constants

Free Shipping

Despite the importance of free shipping declining over the years, it is still the number one option for shoppers when checking out online. It also drives other behaviors with most online shoppers taking actions to qualify for free shipping.

Circumstances under which shoppers are willing to pay premium for faster shipping
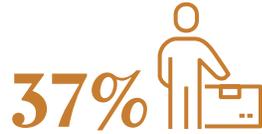
37%
I needed it faster for myself due to personal reasons (e.g., travel, holidays, event, etc.)
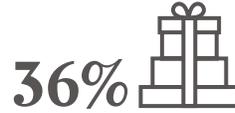
36%
I ordered a gift I needed to arrive by a certain date

27%
I waited to the last minute so I didn't have other options

23%
I would pay a membership fee to receive free next-day or two-day shipping

17%
I was purchasing perishable items

Expectations on delivery time

PLACE ORDER BY 5 P.M. → NEXT DAY

64%
of online shoppers expect orders placed by 5 p.m. to qualify for delivery the next day

PLACE ORDER BY NOON → SAME DAY

61%
of online shoppers expect orders placed by 12 p.m. to qualify for delivery the same day

75%
OF ONLINE SHOPPERS ARE WILLING TO **PAY A PREMIUM** FOR **EXPEDITED SHIPPING**

Constants

Premium Shipping

Online shoppers expect quick fulfillment of online orders and speedy delivery. In fact, 64% of online shoppers expect orders placed by 5 p.m. to qualify for next-day shipping and 61% expect orders placed by noon to qualify for same-day shipping. Three in four online shoppers are also willing to pay a premium for expedited shipping, with over a third citing personal reasons or gifts as reasons for doing so. Same-day delivery has impacted consumers' shopping behaviors in a number of ways with the top two being they now shop more online and consider the expedited delivery option a time savings by not having to visit physical store locations.

Preference for alternative delivery locations

26% 2014
33% 2015
35% 2016
37% 2017
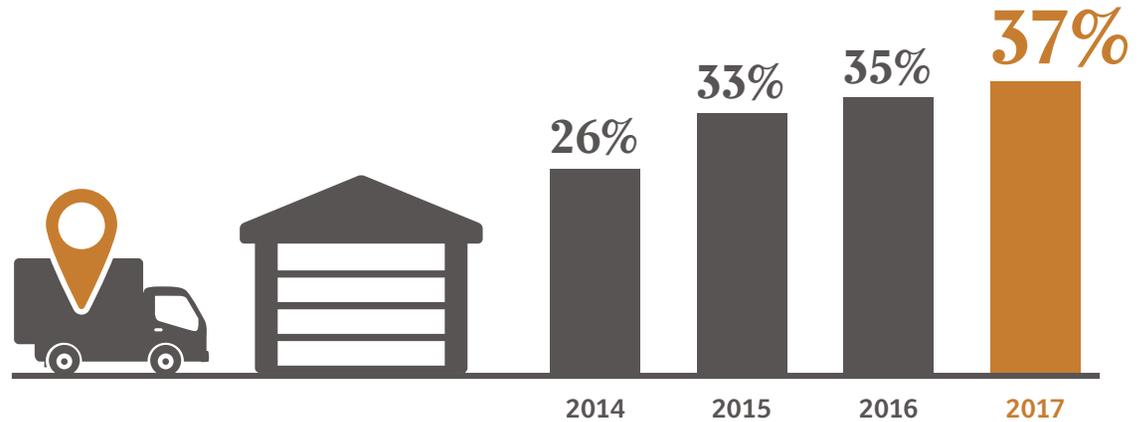
52% OF CONSUMERS ARE INTERESTED IN SHIPPING PACKAGES TO **ALTERNATE DELIVERY LOCATIONS**

**Constants**

Alternate Delivery

Consumers are increasingly using alternate delivery locations, especially those who live in urban areas. On average, online shoppers would send over a third of their packages to an alternate delivery location, with urban online shoppers having packages delivered (38% of their orders) to these locations the most. This preference has grown year-over-year since 2014, increasing from 26% in 2014 to 37% in 2017.

Preferred method of return

● Returned an item using this format   ● Prefer to return an item using this format

75%

58%

45%

42%

Return to physical store

Ship back to retailer

66%

44%

Made a new purchase in store

Made a new purchase online

34%

56%

● Yes   ● No
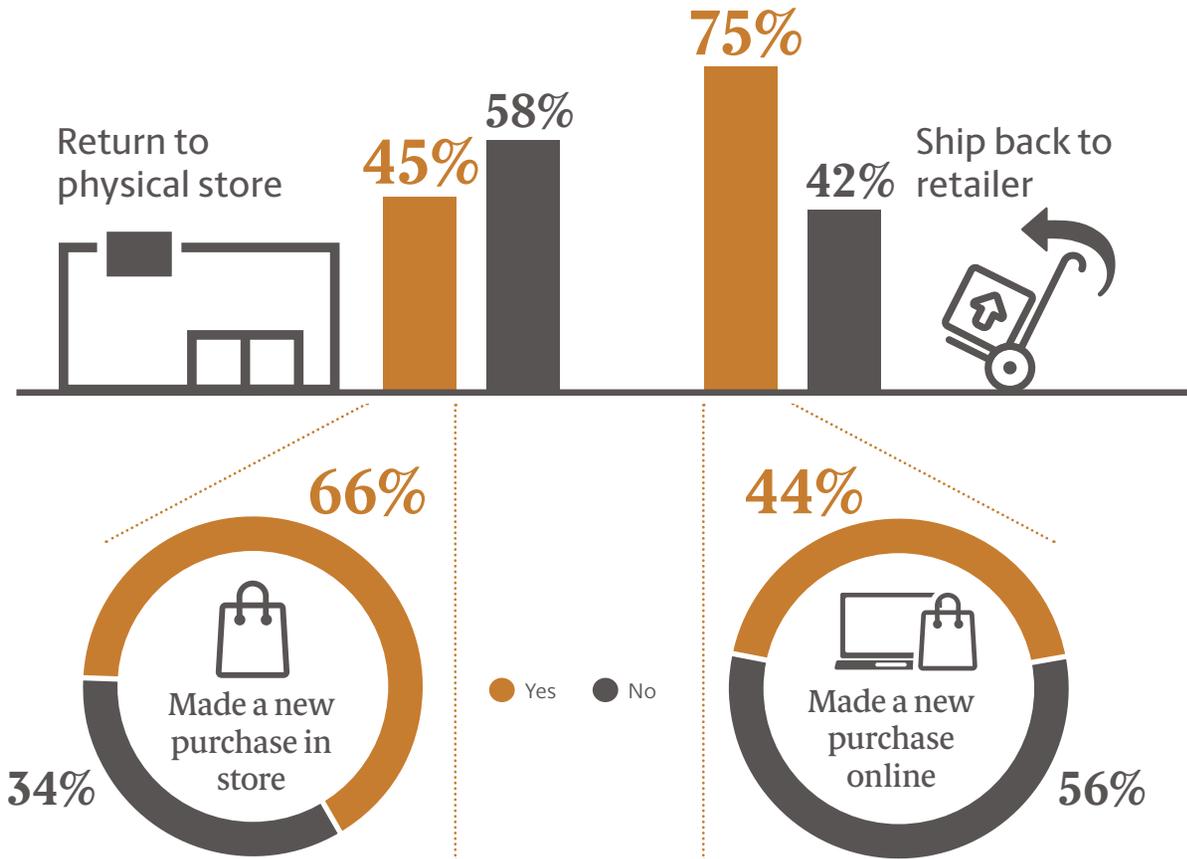
Constants

Returns

Shoppers prefer to return items in store, however, significantly more (three in four shoppers, up seven points from 2016) actually make returns by shipping the items back to the retailer. Free returns shipping is likely the driving factor in why consumers ship returns more often versus taking them back to the store. In fact, 79% of online shoppers rate free shipping on returns as important when selecting an online retailer (up two points from 2016). In-store returns drive more incremental purchases than returns shipped back to retailers.

Use of robots in retail stores

58%

I prefer interacting with a person in a retail store

51%

I would not want robots in retail stores since they will be replacing people in the workforce

41%

I would not like interacting with a robot as they are cold/impersonal

36%

I am uncomfortable interacting with a robot
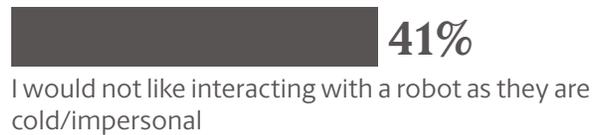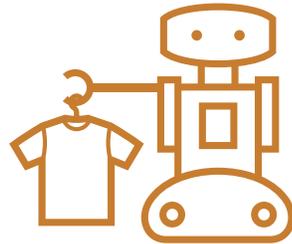
Important aspects when interacting with in-store sales associates

65%

Ability to quickly and accurately get checked out

57%

Knowledge of the inventory

57%

Willingness to help or go the extra mile

56%

Processing returns
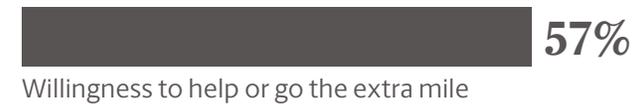
Emergers

Robots

Technology is playing a larger role in retail. When asked about the appeal of robots in retail stores, consumers are not convinced, with 58% saying that they prefer interacting with a person. This finding underscores the importance of the store associate in the overall retail experience.

Comfort level with using chatbots for various shopping experiences

Getting product information — **42%**

New product updates — **39%**

Completing my order — **39%**

Returning products — **39%**

Ordering products — **38%**
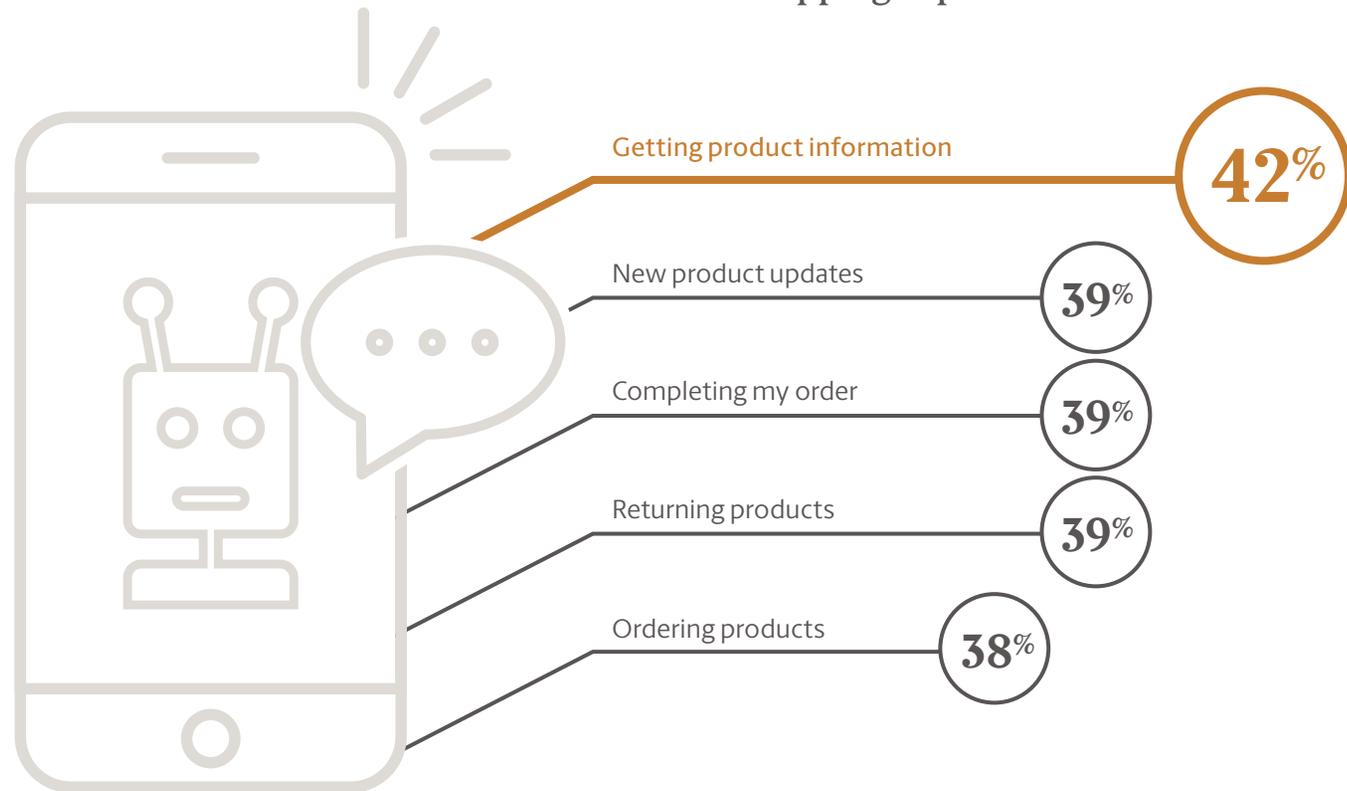
Emergers

Chatbots

While consumers prefer to talk with sales associates when shopping in store, they prefer self-service options when shopping online. Consumers find the use of chatbots most appealing for getting product information and completing the steps for processing orders and returns.

Appeal of virtual reality scenarios
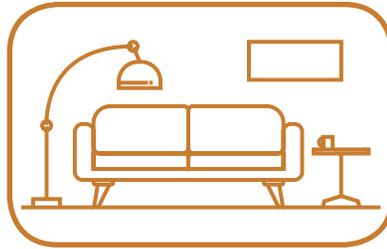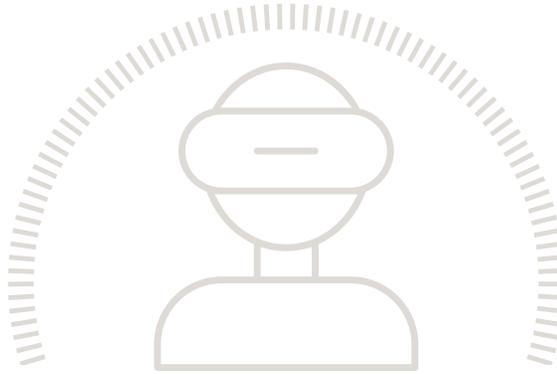
42%
Visualizing furniture and décor in your home
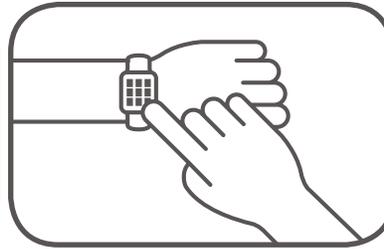
40%
Seeing products brought to life (e.g. product demos)
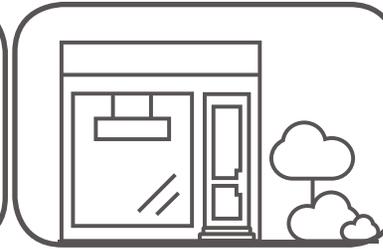
39%
Browsing in a store

35%
Virtually try on products (e.g. glasses, clothing, etc.)

Emergers

Virtual Reality

Despite the novelty of virtual reality, online shoppers seem to be open to its use and find it especially appealing when shopping for items that require visualization. Overall, about two-thirds (65%) of online shoppers find appeal in virtual reality in some capacity, which makes this a promising technology for retailers to explore.

Smartphone users who have made a purchase on a smartphone

2017	**48%**
2016	**44%**
2015	**41%**
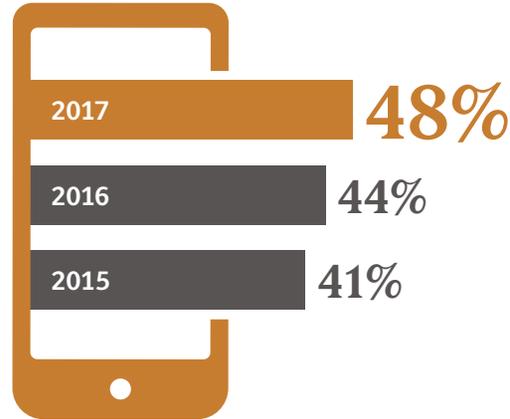
55% OF SMARTPHONE USERS WHO HAVE RECEIVED RETAILER MESSAGES RATE **MESSAGES WITH AN INCENTIVE** AS INFLUENTIAL WHEN MAKING A PURCHASE

Importance of retailer app features

50% Mobile coupons

50% High-quality product images

49% Product reviews
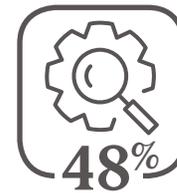
48% Product search that provides relevant results

47% Access to loyalty points/status

44% Ability to check store inventory

Movers

Mobile

Shopping on smartphones is growing year-over-year with 48% of smartphone users having made a purchase on a smartphone, up seven points since 2015. Millennials make the most purchases on their smartphones with 29% of their purchases being made via smartphones versus non-millennials at 10%. Retailer smartphone apps are also growing in popularity with eight in 10 consumers using them, often preferring apps to retailer websites due to faster speed and a better user experience.

28%
OF SMARTPHONE
USERS HAVE USED A
SMARTPHONE TO
PURCHASE IN STORE

Reasons for not using smartphone to purchase in store

39%
Security concerns

32%
Privacy concerns

30%
I'm satisfied with existing payment options

28%
Not interested in using my mobile device to pay

15%
Not familiar with these payment options

17%
Easier to check out with a store associate

Movers

Mobile (cont.)

An area that still has room for growth is mobile in-store payment. Despite the increasing usage of smartphones as a research tool when shopping in store (68% have researched products on mobile devices), mobile in-store payment has not yet taken off with only 28% of consumers having used a smartphone to make an in-store purchase. Security and privacy concerns are the top reasons.

Top reasons for purchasing at a marketplace instead of a retailer

Better prices — **65%**

Free and discounted shipping — **55%**

Total cost of the order including shipping costs and/or taxes — **45%**

Speed of delivery — **44%**

Broader selection of products within any given category — **37%**

In-stock products — **37%**
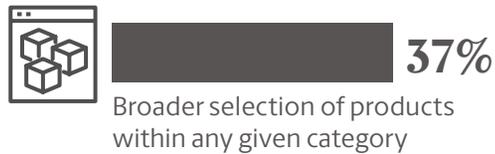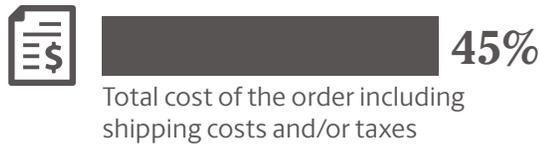
Future marketplace behavior

Purchase more on marketplaces — **30%**

Research more on marketplaces — **29%**

38% OF CONSUMERS **START THEIR ONLINE SEARCH AT A MARKETPLACE,** MORE THAN ANY OTHER CHANNEL

Movers

Marketplaces

More avid online shoppers start their searches at marketplaces than any other channel. Better prices and free or discounted shipping are the top two reasons for choosing to shop at a marketplace.

Made online purchase from international retailer

2017 **47%**
2016 **43%**

61%
OF THESE CONSUMERS HAVE **PURCHASED FROM A RETAILER IN CHINA**
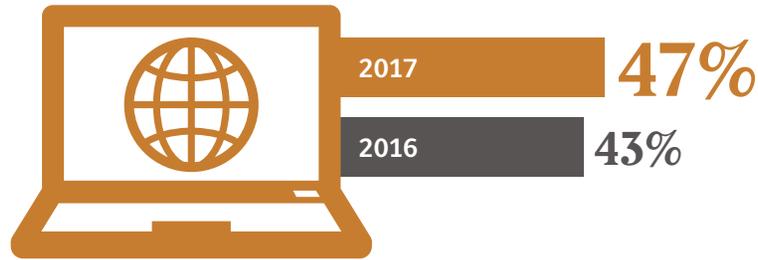
Top reasons to shop from international retailers

43%
I found a lower price from an international retailer on a U.S. marketplace

36%
I wanted something unique not found in stores in the U.S.
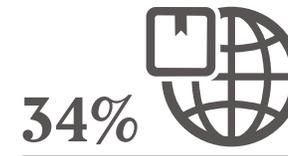
34%
The brands or products I like are not available in the U.S.

34%
The price is better internationally

Movers

International

Retail has become truly global with more U.S. consumers purchasing online from international retailers. In the past, consumers who made purchases from international retailers primarily did so to get unique items. While finding unique items is still a driver for international shopping, better prices from international retailers on U.S. marketplaces is the top reason shoppers make purchases from international retailers.

Top considerations when making international purchases

77%
Total cost of the order including duties and fees is clearly stated

76%
All prices are stated in my home currency

74%
Retailer is reputable

Movers

International (cont.)

With international shopping on the rise, U.S. retailers have more opportunities to gain customers in other countries. Attracting these online shoppers will require a localized shopping experience that includes total costs of orders, taking into account duties and fees, as well as prices stated in home currencies.

Percentages of purchases made in last three months by channel

48% Physical Store
52% Online

2017

53% Physical Store
47% Online

2014
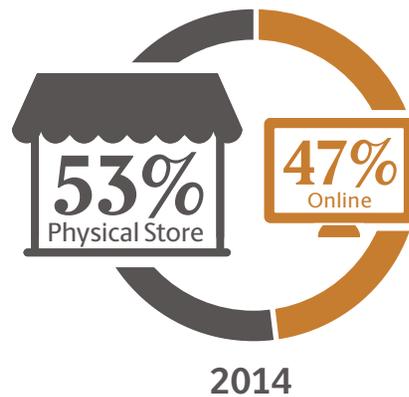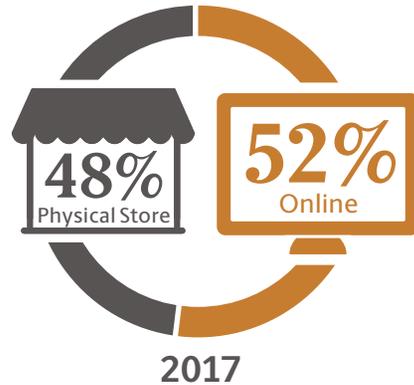
Overall satisfaction with shopping experiences

Online: **85%** **15%**

Physical Store: **65%** **34%** **1%**

● Satisfied ● Neutral ● Unsatisfied

50% OF CONSUMERS HAVE **SHIPPED TO STORE FOR PICKUP**; OF THESE, **44% HAVE MADE ADDITIONAL PURCHASES IN STORE** AND **41% ARE PLANNING TO USE SHIP-TO-STORE MORE OFTEN IN THE NEXT YEAR**
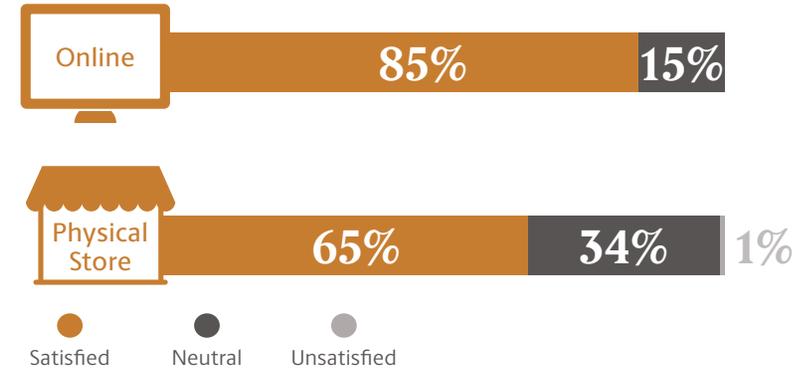
Movers

Physical Stores

The overall percentage of purchases made in physical stores is declining, however, the store still has an important – yet *evolving* – role in the shopping experience. In addition to using the store for returns (See Returns section of this report), consumers continue to use ship-to-store as a pickup option, and are making additional purchases while doing so. Many consumers (35%) also still find value in using stores to see, touch and try on merchandise.

Retailer Implications

U.S. Retail is a Global Marketplace
Almost half (47%) of frequent U.S. online shoppers purchased items from international retailers, with 43 percent having done so because of lower prices on U.S. marketplaces and 34 percent because prices were better internationally. According to eMarketer, global cross-border e-commerce is projected to grow at an average of 22 percent percent from 2015 to 2020 compared to 15 percent for U.S. e-commerce during the same time period. U.S. retailers are competing against other domestic competitors and retailers in countries including China (61%) that can offer lower prices. U.S. retailers can protect their margins with domestic customers and grow their businesses by competing with a global mindset and strategy.

Counter Price Pressures with Personalized Service
U.S. retailers can proactively counteract pricing pressures from international retailers by providing a more meaningful customer experience. These strategies can include apps and mobile-ready websites that provide online shoppers with experiences they desire the most that include store inventory visibility, high-quality product photos, rewards/loyalty programs, mobile coupons, ship-to-store options, and superior customer service. When appealing to online shoppers in other countries, provide a native language experience and a check out that details the total price with clearly stated duties, taxes and fees.

Provide a Seamless Shopping Experience
Retail and shipping industry experts define shopping as single channel, multi-channel or omnichannel. Consumers simply view it as shopping. Whether it's on a website, mobile app, social media channel, online marketplace or at a physical store, online shoppers freely move from one point of engagement to another. Providing personalized service begins with meeting your customers where they are and providing an excellent experience regardless of the channel. Peer reviews on social media, knowledgeable sales associates that go above and beyond, and new technologies such as chatbots are just a few ways consumers seamlessly interact with retailers.

Increase Operational Efficiencies to Improve Customer Service and Profitability
While shoppers expect a seamless shopping experience, retailers are tasked with fulfilling these desires by incorporating a variety of distribution strategies. These approaches often include restructuring their warehouse/distribution centers and utilizing ship-from-store capabilities to reduce transportation-related costs and time in transit. For example, by increasing its warehouses from two to three, one company improved its customer service by 40 percent and decreased its transportation costs by 6 percent. Modern supply chain strategies enhance a company's profitability and customer experience.

Explore and Incorporate New Technologies
New technologies including chatbots and virtual reality are ways retailers can enhance their consumer experience. While online shoppers prefer to talk live with sales associates when shopping in stores, when online they prefer self-service options such as live chat (42%). Virtual reality is just as appealing to online shoppers interested in visualizing furniture and home décor (40%), seeing products brought to life through product demos (40%), and browsing through a store (39%). Online shoppers are indicating they want technology that enables rewarding, personalized experiences both online and in store.

Methodology

The UPS Pulse of the Online Shopper™ study evaluates consumer shopping habits from pre-purchase to post-delivery. The 2017 study was fielded in Q1 2017 and is based on a comScore survey of more than 5,000 U.S. online shoppers. Respondents made at least two online purchases in a typical three-month period.

Shopping Frequency In a Typical Three-Month Period
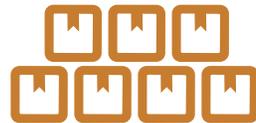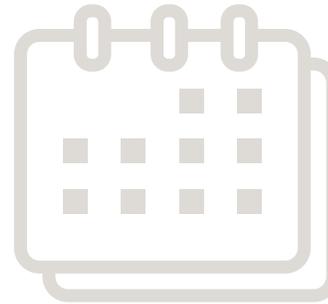
40%
MADE
7+
PURCHASES
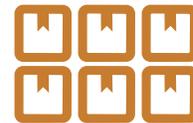
40%
MADE
4-6
PURCHASES

20%
MADE
2-3
PURCHASES