



UPS Pulse of the Online ShopperTM

Volume 1
Digital Evolution

U.S. Study
June 2017

START ►



Foreword



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The retail industry is undergoing an evolution driven by rapidly changing consumer preferences and disruptive technologies. As a result, consumers are seeing an unprecedented customization and personalization of the shopping experience.

The convergence of e-commerce and the brick-and-mortar world is causing a major shift in the way retailers market, sell and deliver products. Both domestic and international retailers are competing for U.S. consumers who are more global, mobile and marketplace driven.

E-commerce growth, last year, continued at a double-digit rate. Digital channels are accelerating the pace of online research and purchasing, with mobile retail spending increasing at an impressive rate. To succeed in this dynamic marketplace, retailers are compelled to understand consumer expectations, shopping behaviors and channel preferences better than ever before.

We are proud to sponsor the sixth annual UPS Pulse of the Online Shopper™ study. This research explores what motivates today's shoppers and provides insights to help retailers meet escalating challenges and capitalize on unparalleled opportunities. Findings from this year's survey will be presented in a five-volume monthly series of white papers, with the first volume addressing the retail industry's digital evolution.

We hope this series of white papers will provide insight to aid retailers in navigating the changing retail landscape. UPS is here to partner with you on your journey.

Global, Mobile and Marketplace Driven

The 2017 UPS Pulse of the Online Shopper™ survey reveals a changing retail landscape where online shoppers purchase more from international retailers, shop more on mobile devices and rely more on marketplaces. These behavioral shifts are driven by the desire for better prices, unique products and increased convenience.

The sixth annual study conducted by UPS and fielded by comScore, Inc. will be presented as a five-volume series. To be notified of future volume releases, visit ups.com/insideretail and sign up. Digital Evolution is the first installment in the five-volume series.

1. Digital Evolution

E-commerce continues double-digit growth, with online shoppers planning to use all digital devices more in the future.

2. A Mobile Mindset

Shoppers have become more comfortable using their mobile devices to research and buy online, leading them to spend more time and money in the m-commerce market.

3. Channel Dynamics

Today's shoppers are empowered with more retail choices for direct-to-consumer purchasing across online and brick-and-mortar channels.

4. The Savvy Shoppers

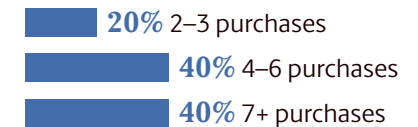
There's a new crop of shoppers born from technology, who have honed their online shopping skills and learned how to find the best prices from every corner of the world.

5. Retail Fundamentals

Delivering a stellar customer experience from point of sale to post-purchase across all channels is required to thrive in the competitive world of retail.

About the Study

The sixth annual UPS Pulse of the Online Shopper™ study analyzes consumer shopping behaviors from pre-purchase to post-delivery. The study, fielded in Q1, 2017 is based on the input of over 5,189 qualified comScore panelists who made at least two online purchases in a typical three-month period. Here's the breakdown of respondents based on shopping frequency:



UPS worked with Astound Commerce, Inc., to develop questions, conduct analysis and define retailer recommendations.



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Key Takeaways

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Digital Evolution

As consumers embrace new technologies, their shopping behavior and expectations are evolving. While total discretionary retail was up 4% over the past year, e-commerce grew 13% with an impressive 45% increase reported for mobile retail spending.¹

It's not surprising that online shopper satisfaction has risen faster for smartphones compared to other digital channels. Shoppers have learned the ropes and their comfort levels have grown along with their digital skills. They gravitate to single-channel searching and appreciate the convenience of having access to their smartphones at all times. Digital researching and purchasing have experienced significant growth over the past 2 years, putting brick-and-mortar retailers in a more precarious position.

1. www.comscore.com/Insights: comScore Insights Report, February 13, 2017



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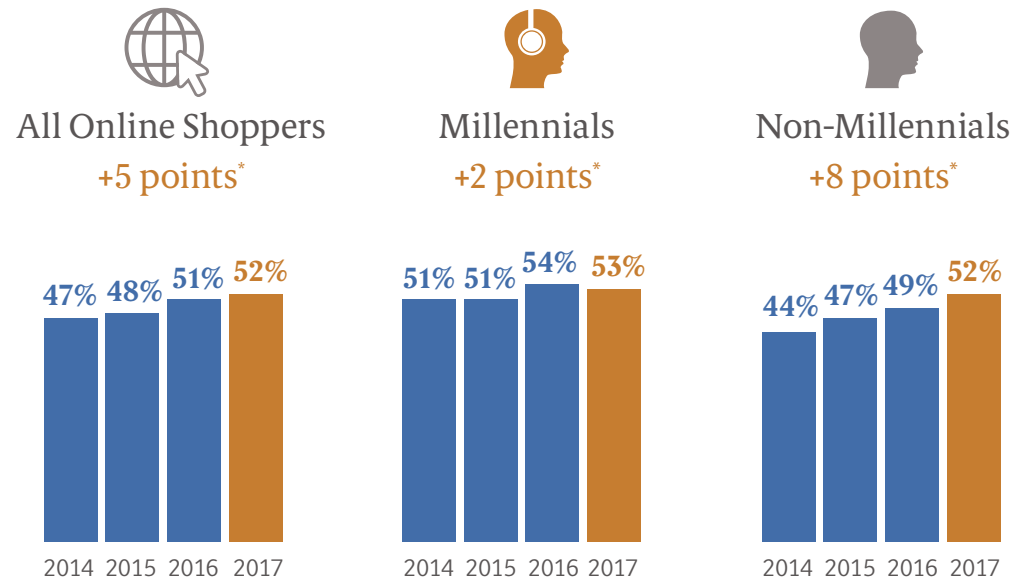
Key Takeaways

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The Digital Experience

An excellent customer experience throughout all channels is a must for retail organizations. Since 2015, shopper satisfaction has increased across all retail channels and devices, with smartphones and tablets seeing the greatest gain. Although shoppers expect to use all digital devices more in the future, the accelerated satisfaction of smartphones not only suggests that they will likely give a greater share of their time and wallet to this preferred device, but points to mobile's staying power among consumers.

Online Purchases Made in the Last Three Months (Excluding Groceries)



*2014–2017

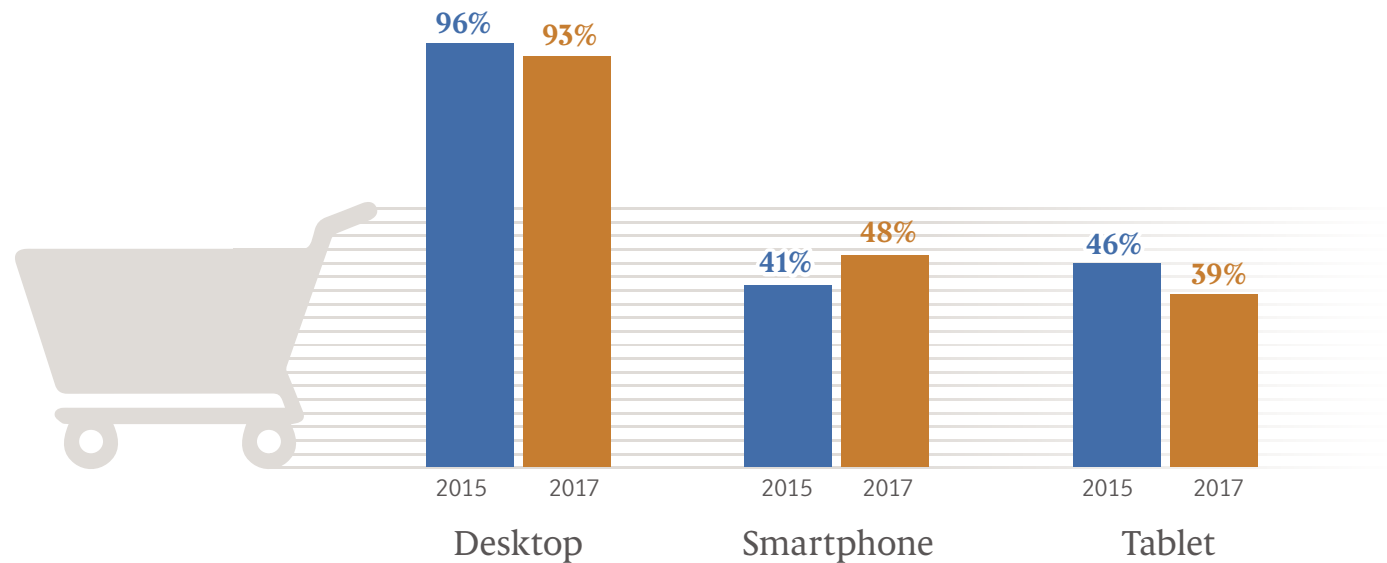
The Digital Experience

Online Purchasing Grows among Avid Shoppers

Brick-and-mortar stores face additional challenges as online purchases once again experience year-over-year growth at their expense. Avid online shoppers indicate that a majority of their purchases are made online. Heavy shoppers (or those defined for this study as making nine or more purchases in the past three months) are the front-runners

when it comes to the percentage of purchasing made online, outpacing their moderate-and-light shopping counterparts. It's interesting to note that age and place of residency appear to make little difference in regard to online purchasing.

Devices Used to Purchase Online (Among device users)



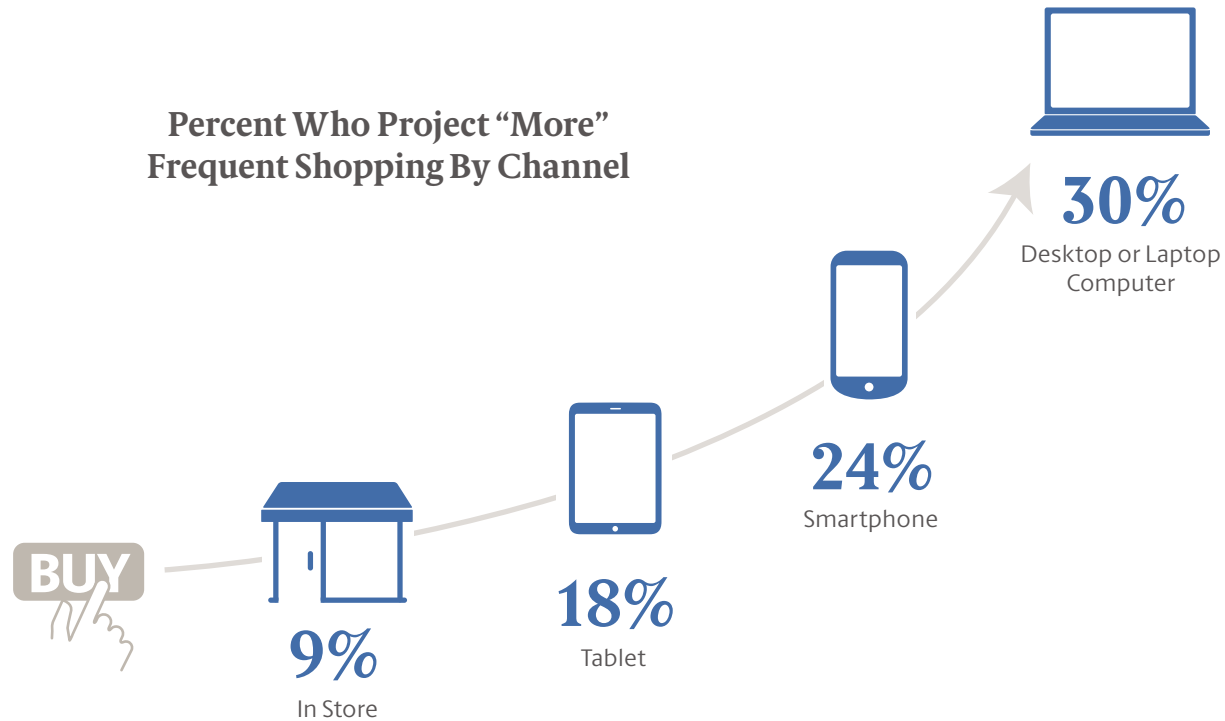
The Digital Experience

Smartphone Purchasing Trend Warrants Retailer Attention

Usage of smartphones has seen steady increases since 2015 reaching 8 in 10 online shoppers this year. Coupled with this growth comes a significant rise in purchasing power as almost half of smartphone users report using their smartphones to purchase online. Though desktop

and tablet usage for purchasing is declining, it is the acceleration of smartphones that marks an important shift. Retailers must ensure their mobile efforts are in place to take advantage of this evolving trend.

Percent Who Project “More” Frequent Shopping By Channel



The Digital Experience

All Devices Drive Digital Growth

Although the greatest gains in online shopping are expected to come from smartphones, digital growth will still be fueled across the board. Based on projections in this year’s survey, online shoppers plan to shop more frequently on all devices. It remains to be seen if “more” shopping

translates into increased purchasing, as eMarketer predicts a slight decline in e-commerce growth with 2017 projections of 22.9% down from 23.7% in 2016.

Device and Channel Satisfaction



+8 points

Smartphone shopping satisfaction has the highest growth rate among devices

Smartphone



+3 points

Store efforts to improve the customer experience may have contributed to a surprising satisfaction gain

Store



+4 points

Tablet shopping satisfaction up

Tablet



+2 points

Satisfaction attributable to better customer experiences across devices continues to drive satisfaction higher

Online



+2 points

Desktop shopping satisfaction still remains the highest

Desktop



The Digital Experience

Smartphones Gain Ground

More than 9 out of 10 shoppers still use computers to purchase online. They are shifting away from PCs because they value the ability of their smartphones to quickly handle shopping needs. Convenience and accessibility drive smartphone usage, while the multipurpose nature of this device and its “always on” power result in significant gains in satisfaction scores.

In response to the heightened consumer interest in purchasing via smartphone, retailers are investing in delivering a more consistent and compelling mobile shopping experience. This includes developing user-friendly apps, improving mobile sites with better imagery and interfaces, and enabling quicker transactions.



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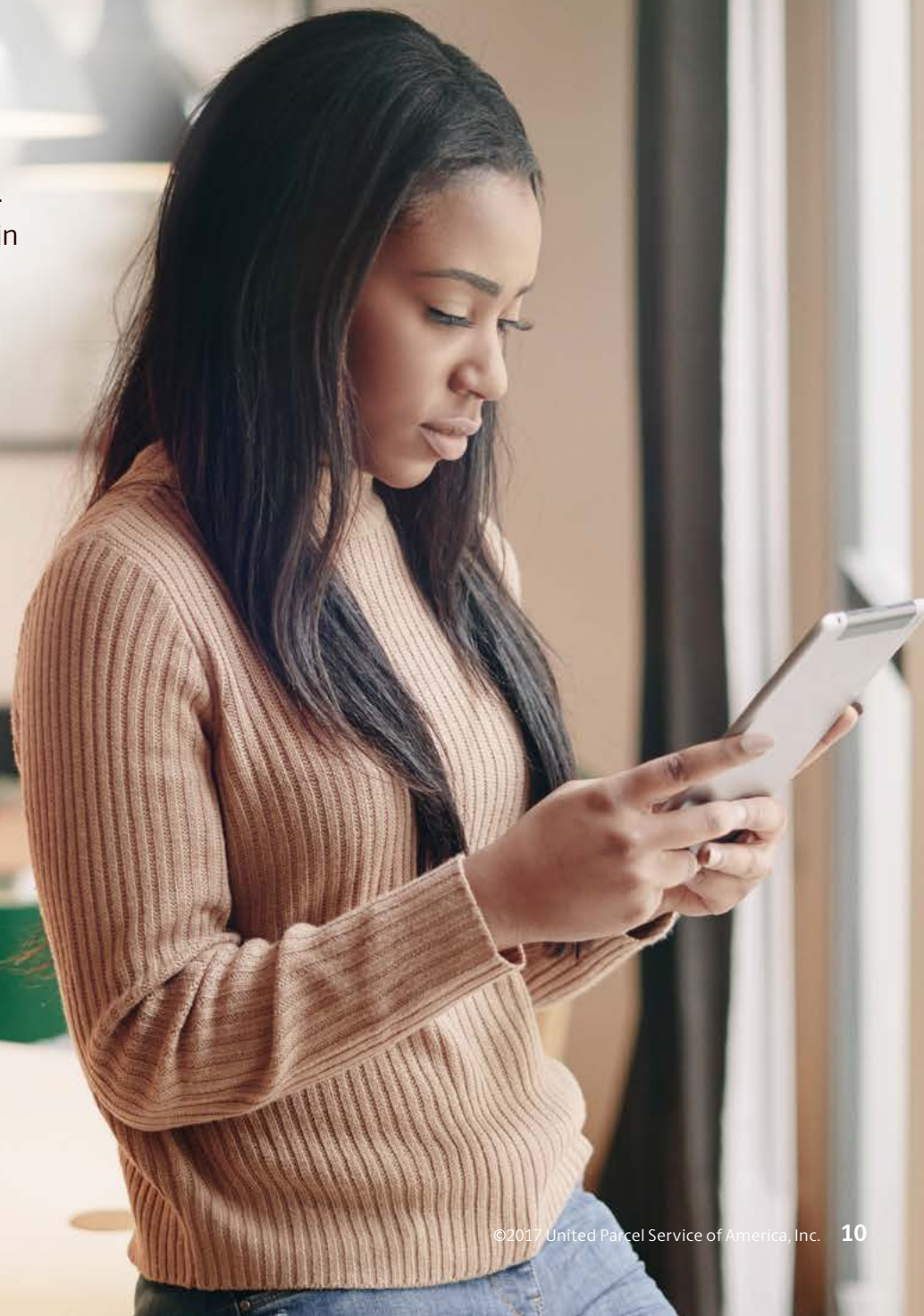
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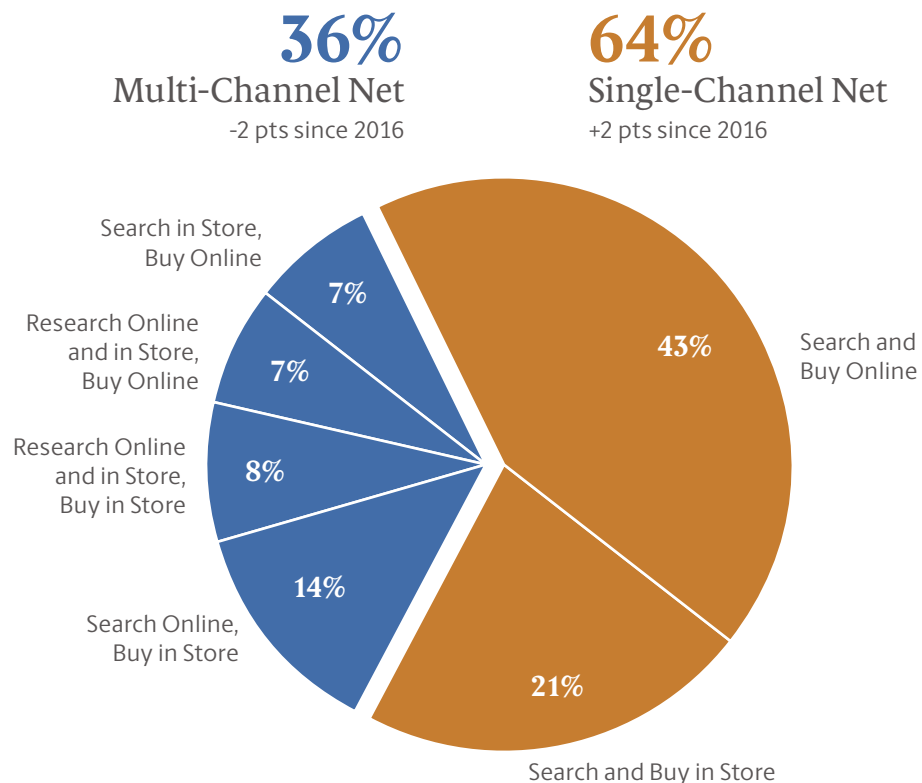
Methodology

Search Dynamics

Efficiency is the driving force in search activities. This explains why more shoppers prefer to begin their searches at robust marketplaces, and why single-channel browsing and buying behavior is on the upswing.



Frequency of Purchases by Method



Online-only shopping remains the largest channel while multi-channel shopping slightly declined.



Online influences 79% of purchases.

Search Dynamics

Multi-Channel Shopping Declines

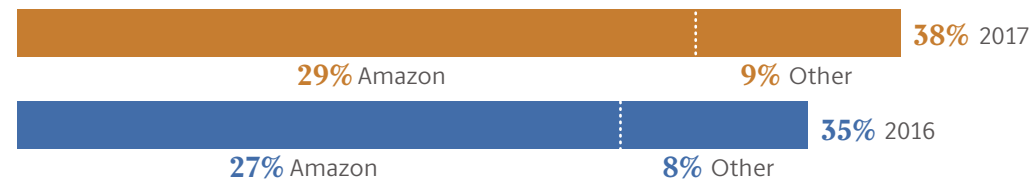
Shoppers are showing a greater preference for single-channel versus multi-channel shopping. This reverses the upward trend of multi-channel shopping which grew from 36% in 2015 to 38% in 2016. This could be attributed in part to the fact that online shoppers have

become more seasoned at searching and finding what they need via a single channel. By understanding the distinct strengths and limitations of each channel, they can make informed choices while having a more efficient shopping experience.

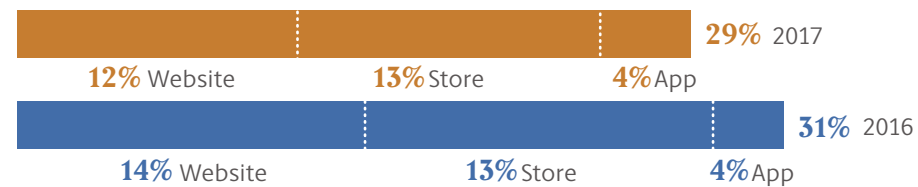
Where Product Searches Begin



Marketplaces



Retailers Channels



Search Engines



Search Dynamics

Most Product Searches Begin at a Marketplace

In their quest for efficiency, serious shoppers want to find the most information on the greatest number of products in the least amount of time. Marketplaces in general have positioned themselves as the first stop for heavy shoppers, who are doing more shopping online. The number of product searches beginning on marketplaces has gained

three points since 2016, with retailer channels losing two points. This shift has challenged retailers to rethink their value proposition in the fight to capture a greater share of online shoppers' searches and subsequently, their wallets.



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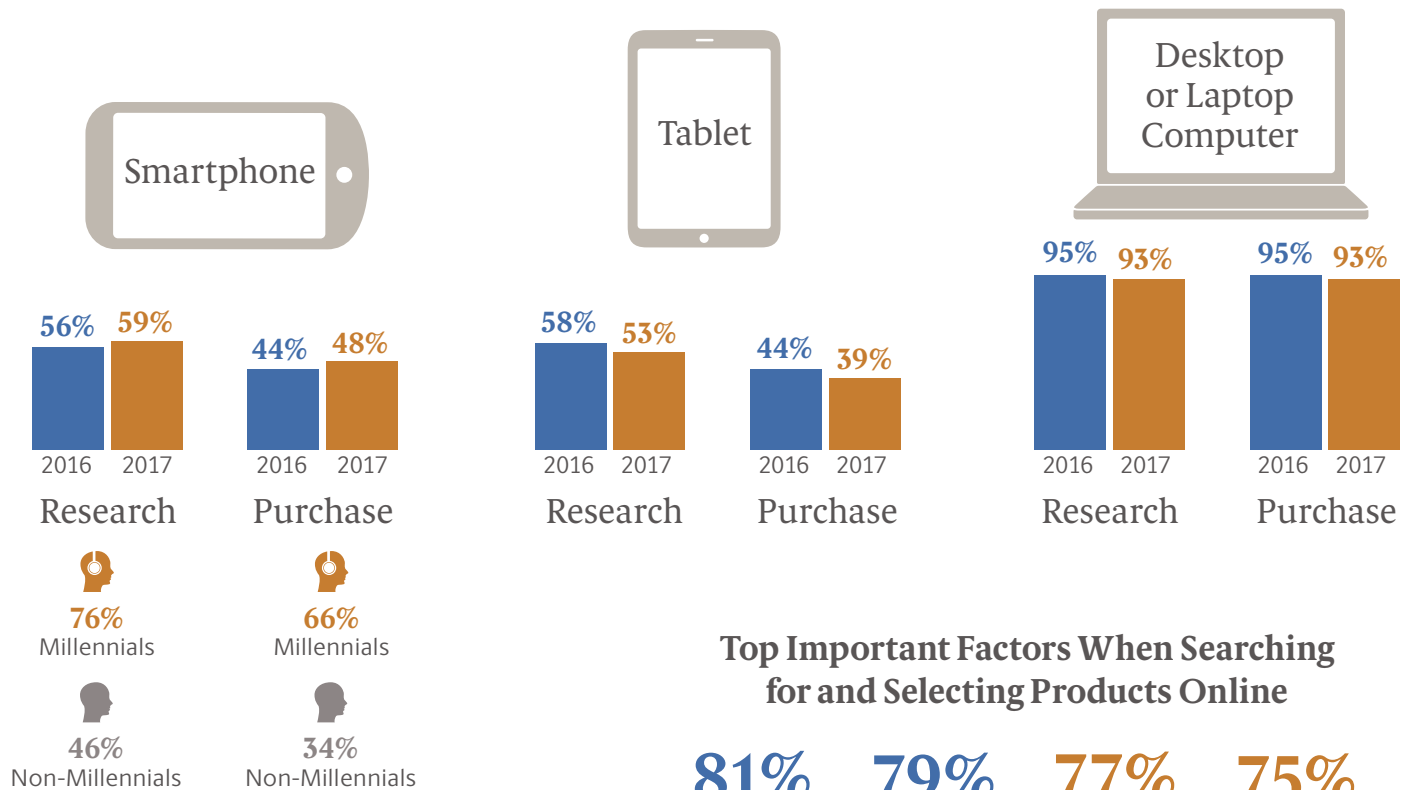
Methodology

Research and Purchase Insights

Online shoppers accelerated their interest in both researching and purchasing online, resulting in net gains that bode well for future growth. New online purchasing patterns across multiple digital devices are emerging and being led by younger shoppers.



Devices Used to Research and Complete Online Purchases



Top Important Factors When Searching for and Selecting Products Online



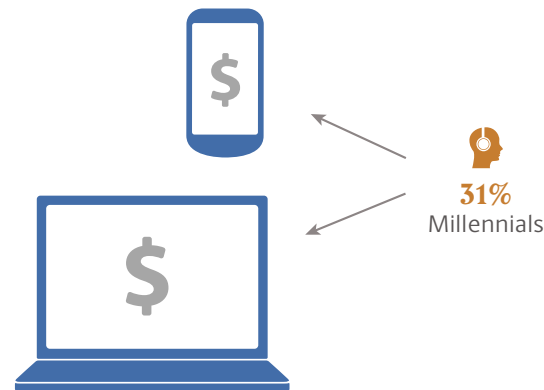
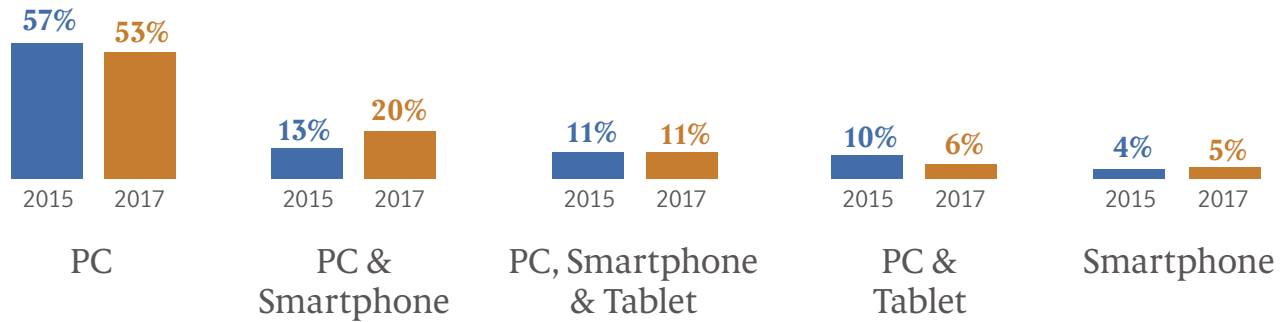
Research and Purchase Insights

Digital Research a Clear Winner

When researching products among multi-channel retailers, online access is preferred by 83% of shoppers. Digital channels are the clear winners given their ability to quickly find relevant products in the most efficient manner. Product research using a smartphone was up three points, with 76% of millennials researching on their smartphone.

While online purchasing still faces some “touch-and-feel” hurdles and immediacy concerns, 59% of shoppers prefer to buy through digital channels. Technology is making advancements that will likely drive these online purchasing numbers up in the coming years. Again, led by millennials, purchasing via smartphones showed a four point gain over 2016.

Devices Used to Purchase



Devices used to purchase varies by generation. Millennials are more likely to have purchased on a PC and Smartphone while older shoppers tend to be PC only.

Research and Purchase Insights

Purchasing Channel Patterns Shift

Shoppers don't want to be limited when it comes to the devices they use when purchasing. At a quick glance, it might be easy to conclude that the PC alone dominates online purchasing, although its usage declined four points since 2015. However, it's important not to miss the emerging trend of shoppers opting to use a desktop and smartphone to purchase.

With its seven point jump in just two years, the PC and smartphone duo is quickly becoming a purchasing channel pattern of choice. Generational differences may play a role in future patterns, with millennials being comfortable purchasing on all digital devices.



Key Takeaways

The following insights will help retailers successfully address the dynamic online shopping experience and future shopper demands:



Understand Customer Preferences

Learn what motivates today's tech-savvy consumers who are in more control of their online experience.



Know Shopping Patterns

Determine how and where your shoppers are researching so you can optimize their experience.



Make Strategic Investments

Explore and identify the channels where your visitors and shoppers choose to do business with you and invest accordingly.



Monitor Customer Satisfaction

Continually evaluate how well each channel is performing and make improvements to ensure you are meeting shopper expectations.



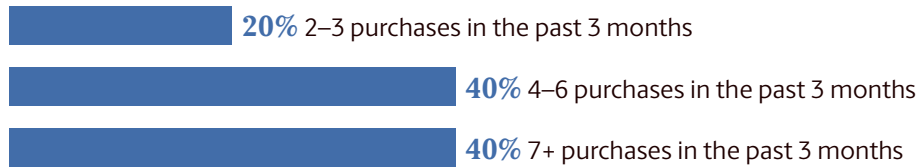
Deliver a Consistent Experience

Ensure parity across all retail channels to provide brand consistency and build customer satisfaction.



Methodology

Online panelists were sent emails inviting them to participate in this survey. Each participant completed a custom online survey designed by comScore in conjunction with UPS. Data collection occurred between January 10 and February 28, 2017. A total of 5,189 respondents were surveyed with a gender and age balancing taking place and purchase behavior quotas as defined below.



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