



UPS Pulse of the Online ShopperTM

Volume 3

Channel Dynamics

U.S. Study
September 2017

START ►



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. Channel Dynamics is the third installment. To view past volumes or to be notified of future releases visit ups.com/insideretail.

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

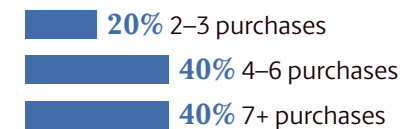
There's a new crop of shoppers born from technology, who have honed their online shopping skills and learned how to find the best prices from every corner of the world.

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.



Volume 3 Channel Dynamics

Introduction

Retail is Global

Marketplaces
Make Inroads

The Physical Store
Reinvented

New Store
Technology

Social Media
Engagers

Key Takeaways

Methodology



Channel Dynamics

Global retail brands are making their presence felt online with robust information and direct-to-consumer purchasing offered across multiple channels. Because today's shoppers are empowered with more retail choices — from small neighborhood merchants to online marketplace giants — delivering an exemplary and consistent customer experience is essential. In fact, 68% of online shoppers rate their past experience with a retailer as an important factor when searching for and selecting products online.



Volume 3
Channel
Dynamics

Introduction

Retail is Global

Marketplaces
Make Inroads

The Physical Store
Reinvented

New Store
Technology

Social Media
Engagers

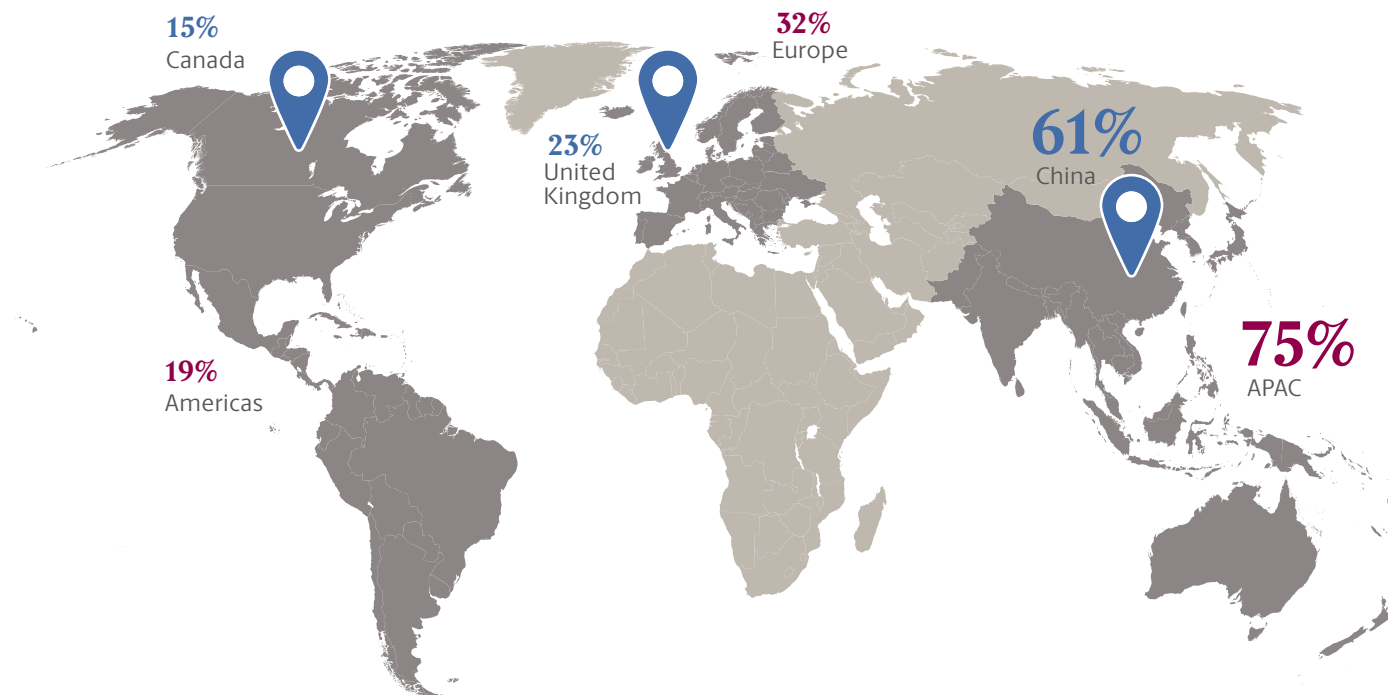
Key Takeaways

Methodology

Retail is Global

The internet has leveled the playing field, enabling many retailers to move beyond a U.S. brick-and-mortar presence and sell globally. Shoppers are becoming more comfortable purchasing from international retailers and are willing to test the waters with less familiar brands in their search for unique products and lower prices. Marketplaces increase exposure for international retailers and improve opportunities for expanding their reach into new markets.

Locations of International Retailers



Nearly half of online shoppers have made an international purchase in the past year.



Retail is Global

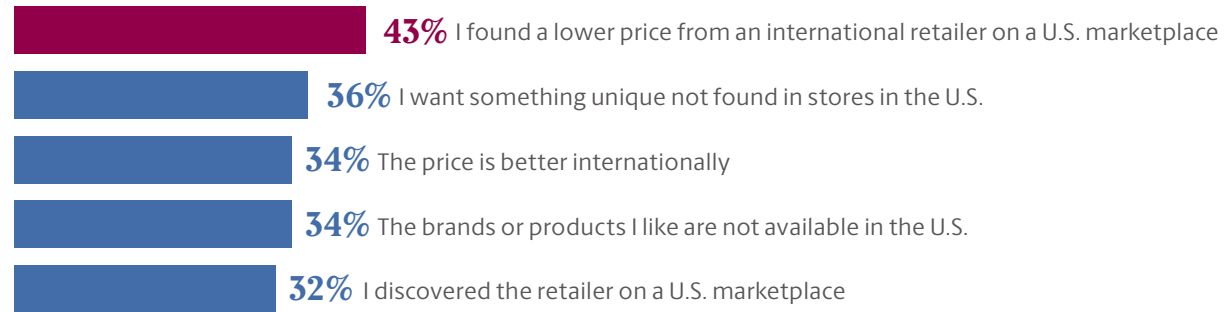


International Purchasing Continues to Rise

Online purchases from international retailers are on the upswing. Nearly half of online shoppers made an international purchase in the past year with 75% of these shoppers purchasing from a retailer in the Asia Pacific

region. A constant for the past two years, 61% of these shoppers have indicated they've purchased from a retailer in China. Overall, international purchases have increased seven points over the past two years.

Reasons to Shop 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



66%

Clear return policy



66%

Reasonable speed of delivery

Retail is Global

Price and Products Drive International Purchases

Lower prices and unique products are the leading reasons online shoppers are buying from international retailers. Over four in 10 online shoppers report purchasing from an international retailer because they found a lower price from that retailer on a U.S. marketplace. Shoppers

consider whether the total cost of the order is clearly stated in their home currency, as well as the retailer's reputation when they are making an international purchase. Logistics also factor into the decision with shoppers seeking a clear return policy and reasonable delivery times.



Volume 3
Channel
Dynamics

Introduction

Retail is Global

Marketplaces
Make Inroads

The Physical Store
Reinvented

New Store
Technology

Social Media
Engagers

Key Takeaways

Methodology

Marketplaces Make Inroads

In the 2017 study, almost all online shoppers report having made a marketplace purchase. Given the growing influence of both broad-based and specialty marketplaces, it's no surprise that shoppers more readily start their searches and make their purchases via marketplaces.





Online shoppers purchasing on marketplaces has increased 12 points since last year.

Top Reasons for Purchasing at Marketplace Instead of Retailer



65%

Better prices



55%

Free and discounted shipping

\$\$\$

45%

Total cost of the order including shipping costs and/or taxes



44%

Speed of delivery

Marketplaces Make Inroads

Marketplace Purchasing Surges

The number of online shoppers who made marketplace purchases rose 12 points since last year, reaching an almost universal penetration rate of 97%. While the outlook for future marketplace purchasing is favorable, sellers should heed the warning that they will be held to the same standards as traditional retailers. These include an optimal

customer experience and customer service, product quality and a flexible return policy. When asked why they shopped at a marketplace instead of a retailer, more than one-in-three shoppers indicated broader selection and in-stock products as the key reasons.

Volume 3 Channel Dynamics

Introduction

Retail is Global

Marketplaces
Make Inroads

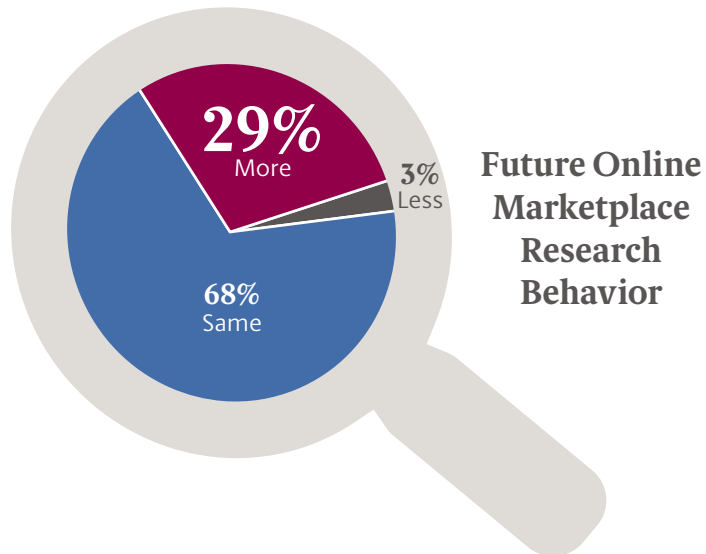
The Physical Store
Reinvented

New Store
Technology

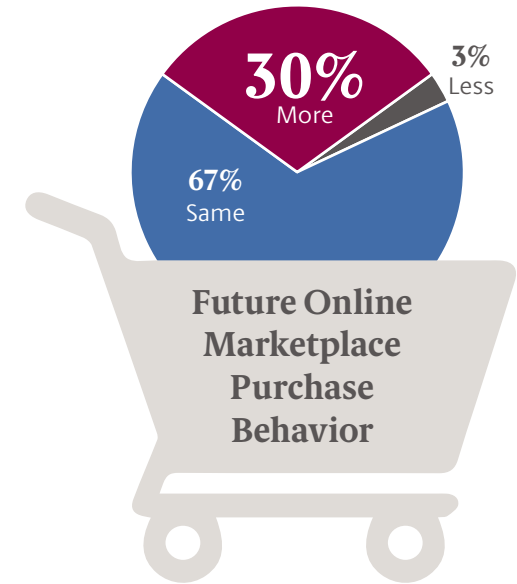
Social Media
Engagers

Key Takeaways

Methodology



Research Products on Marketplace “More”



Purchase Products on Marketplace “More”



Marketplaces Make Inroads

Marketplace Influence Projected to Grow

Growth for future marketplace purchasing appears to be inevitable with online shoppers indicating “more” researching and buying via this channel. Online shoppers gravitate to their broad assortment of

products and shopping conveniences. Millennials and smartphone purchasers show a stronger tendency for increased researching and purchasing on marketplaces.



Volume 3
Channel
Dynamics

Introduction

Retail is Global

Marketplaces
Make Inroads

The Physical Store
Reinvented

New Store
Technology

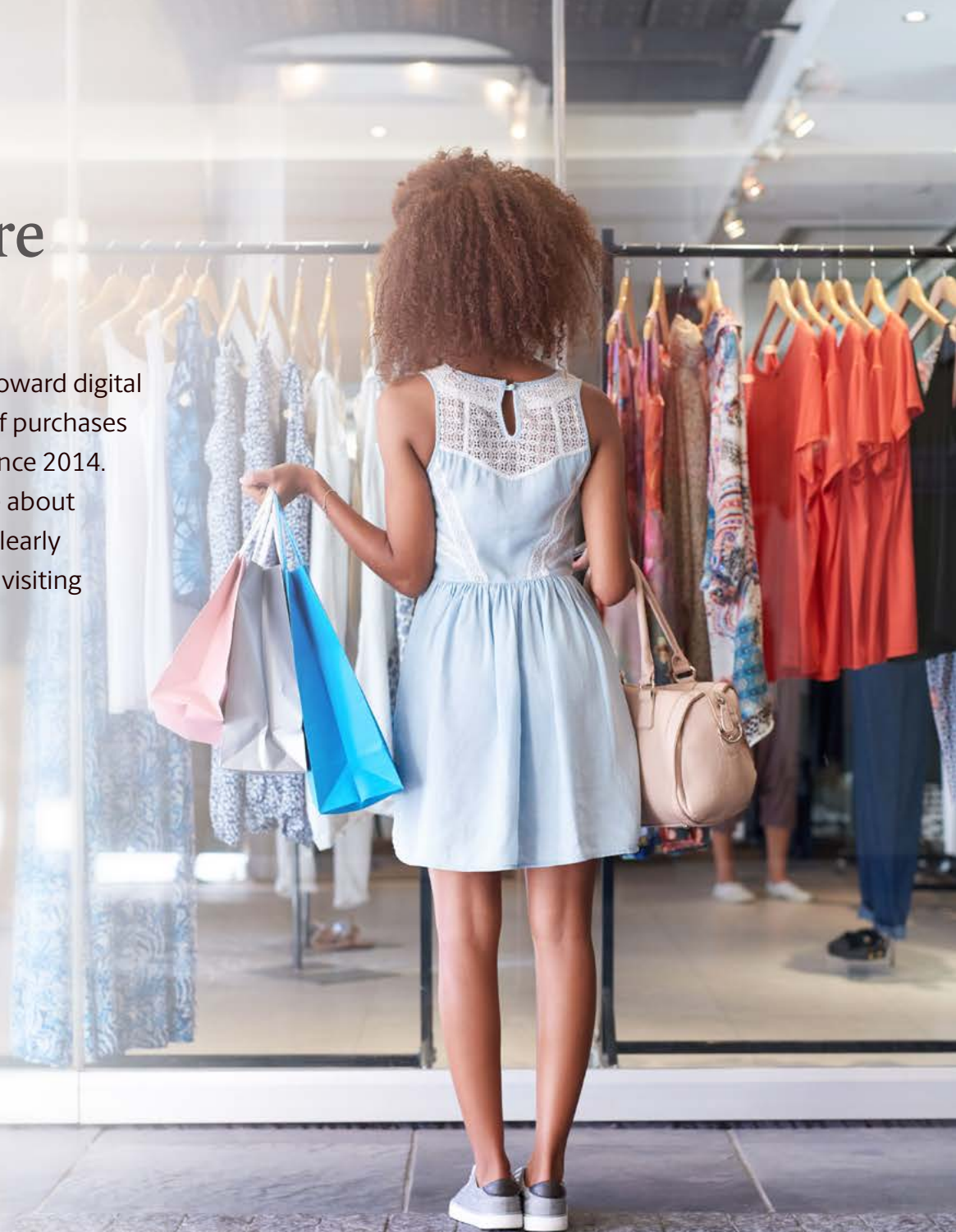
Social Media
Engagers

Key Takeaways

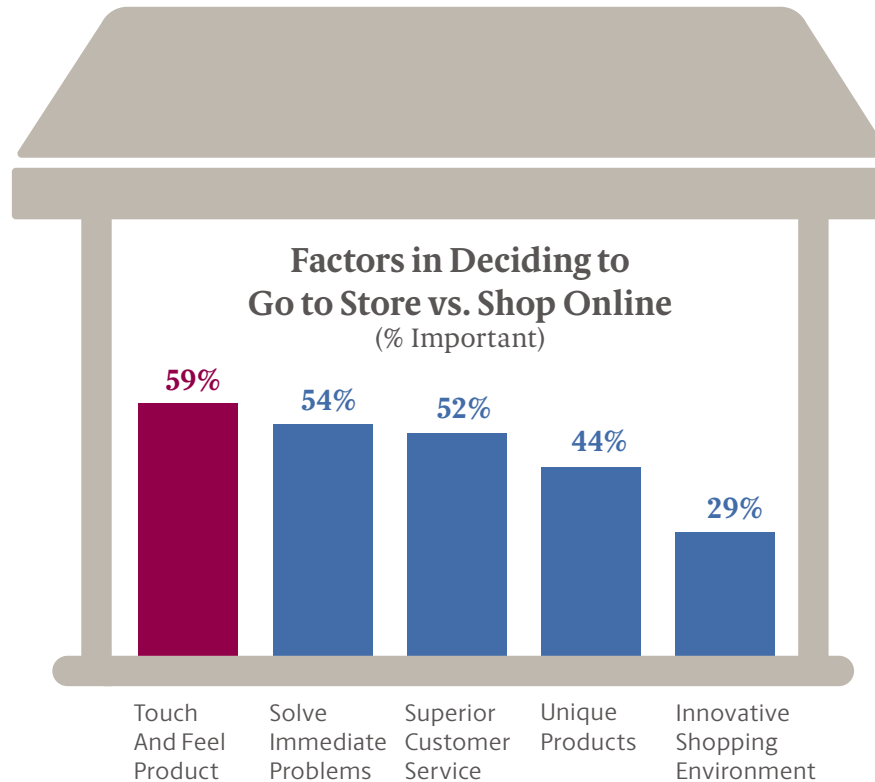
Methodology

The Physical Store Reinvented

Consumer behavior continues to move toward digital shopping, with the average percentage of purchases made in physical stores down 3 points since 2014. Retailers recognize they must think more about the customer experience, which means clearly understanding shopper expectations for visiting and ideally buying in a store.



In-Store Shopping Still Has a Role



What Keeps Shoppers Coming Back (% Agree)

42%

Shopping in store still is a major part of my shopping routine

35%

Like to browse online and go to the store to see, touch and try on merchandise

33%

Only go to the physical store when they need something urgently

33%

Having unique shopping experiences is a reason to visit a retail store

The Physical Store Reinvented

Stores Serve Tactile and Urgent Needs

It's clear that the physical store still has a role to play in the retail experience. Although in-store shopping has decreased 3 points from 2016, 42% of online shoppers agree that shopping in store is still a major part of their shopping routine. Plus, more than a third agree that they like to browse online and then go to a store to see, touch and try

on merchandise. In fact, the need to actually touch a product is the most important reason why online shoppers decide to visit a physical store. Yet, 33% of shoppers surveyed agree they only go to a physical store when they have an urgent need.

Top Reasons for Purchasing at Retailer Instead of Marketplace



The Physical Store Reinvented

Shoppers Seek out Favorite Retailers Particularly When the Price is Right

Among avid shoppers, 45% of the survey respondents report purchasing from a retailer based on better sales. Females (50%) versus males (40%) indicated better sales were the primary driver to shop with

a retailer. Overall, knowing the product quality is the second highest reason for a retailer purchase followed by unique products at 30%.

Appeal of Retail Store Experiences

25%
**Special member-only
reception events** with
advanced preview of
new products



21%
**Pop-up
stores**

23%
In-store events
(e.g., fashion shows,
celebrity appearances,
new product
introductions, etc.)



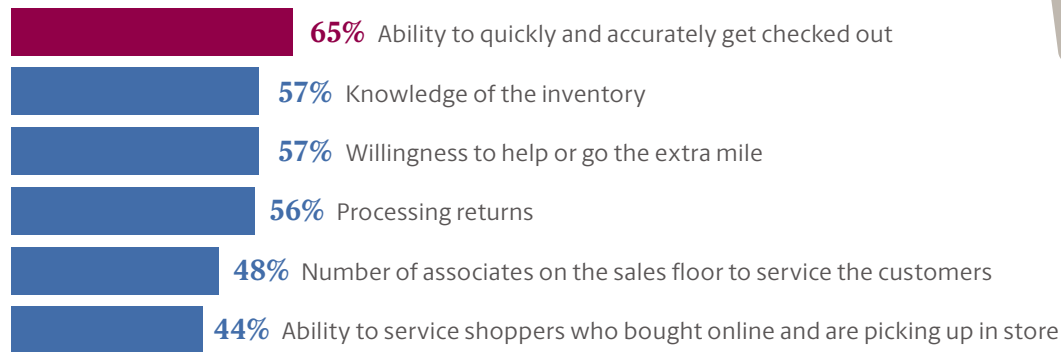
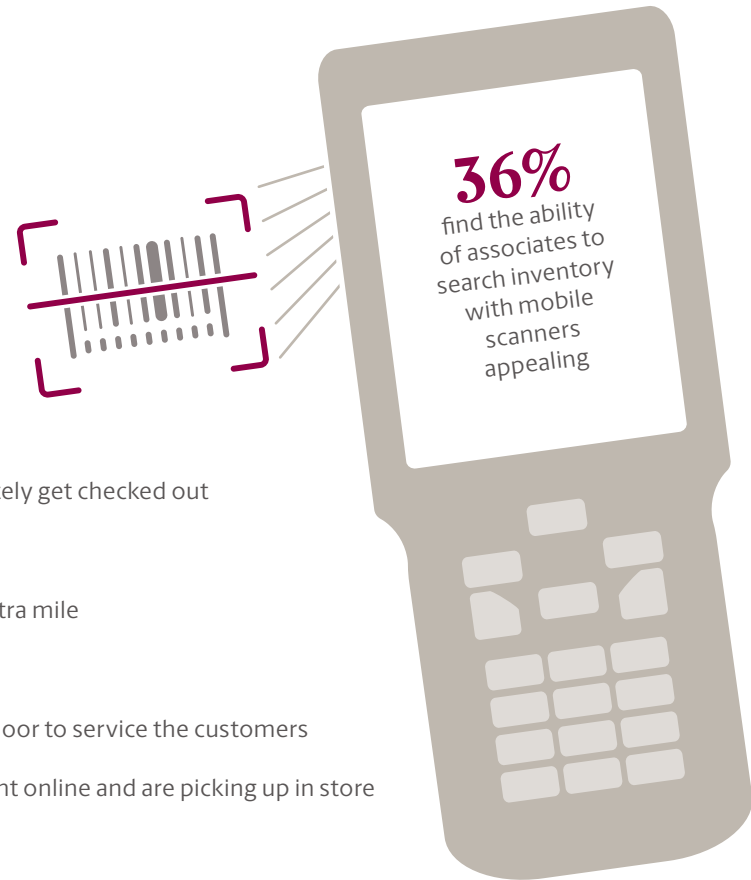
20%
**Event-driven retail
environments**
(e.g., Lollapalooza,
Coachella, etc.)

The Physical Store Reinvented

New Retail Concepts Generate Interest

The in-store experience is a key element in the mix of tactics to draw traffic and keep shoppers coming back. Shoppers value in-store concepts that offer exciting, interactive and educational experiences. Retailers of all sizes should be open-minded and creative in their

thinking as online shoppers are adaptable and enjoy testing new in-store concepts. Appealing concepts include pop-up stores and a variety of events such as fashion shows, private trunk shows and special member-only receptions to preview new products.



The Physical Store Reinvented

In-Store Associates Make Positive Impact

Online shoppers have high expectations for the associates that serve them. If they have taken the time to make the trip to a brick-and-mortar store, online shoppers expect store associates to help provide an efficient experience with 65% citing the importance of a quick and accurate check-out. An in-store associate's product knowledge and

willingness to go the extra mile are also important for ensuring a positive customer experience. In addition, the usage of mobile scanners by associates to search for inventory was appealing to over one-third of online shoppers.



Volume 3
Channel
Dynamics

Introduction

Retail is Global

Marketplaces
Make Inroads

The Physical Store
Reinvented

New Store
Technology

Social Media
Engagers

Key Takeaways

Methodology

New Store Technology

By embracing technology, retail stores hope to elevate the in-store shopping experience and reverse declining sales. Retailers can and must differentiate their store experiences and a series of new technologies are now under evaluation. From robots to virtual reality, these capabilities may entice shoppers to once again visit nearby retailers.



Almost 3 in 5 Prefer Human Interaction (% Agree)

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

71% of online shoppers agree with at least one of the four negative statements about having robots in retail stores.

1 in 3 are Open to Robot Assistance in Some Roles (% Agree)

21%

Robots could be a valuable tool for in-store customer service

20%

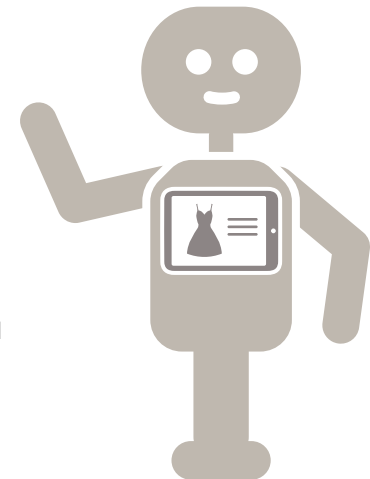
Robots could serve an important role in assisting shoppers in the buying process

18%

Robots could be a valuable tool for product recommendations

18%

Robots could/should be part of today's retail shopping experience

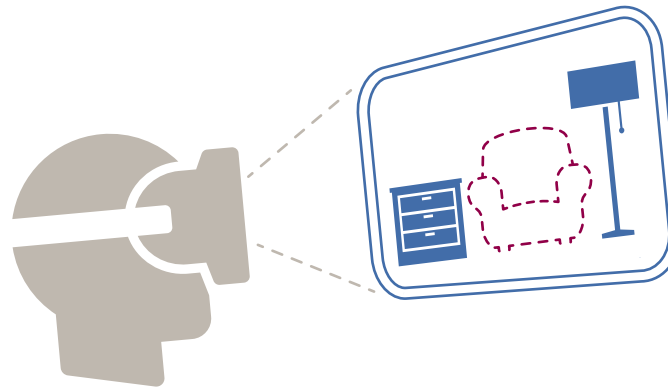


New Store Technology

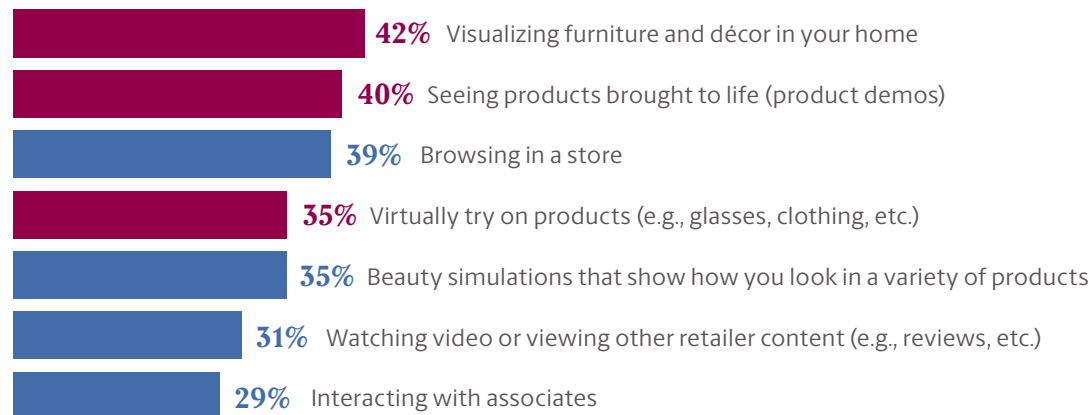
Limited Support for Robot Assistance

While 21% of online shoppers agree that robots could be valuable assisting customers in a store, the majority (58%) prefer to interact with a person. Half of shoppers expressed concern that robots would be replacing people in the workforce. Plus, 36% of online shoppers

indicate that they are uncomfortable interacting with a robot. Of the shoppers open to robot assistance, 18% said they could or should be part of the retail shopping experience.



Appeal of Virtual-Reality Scenarios



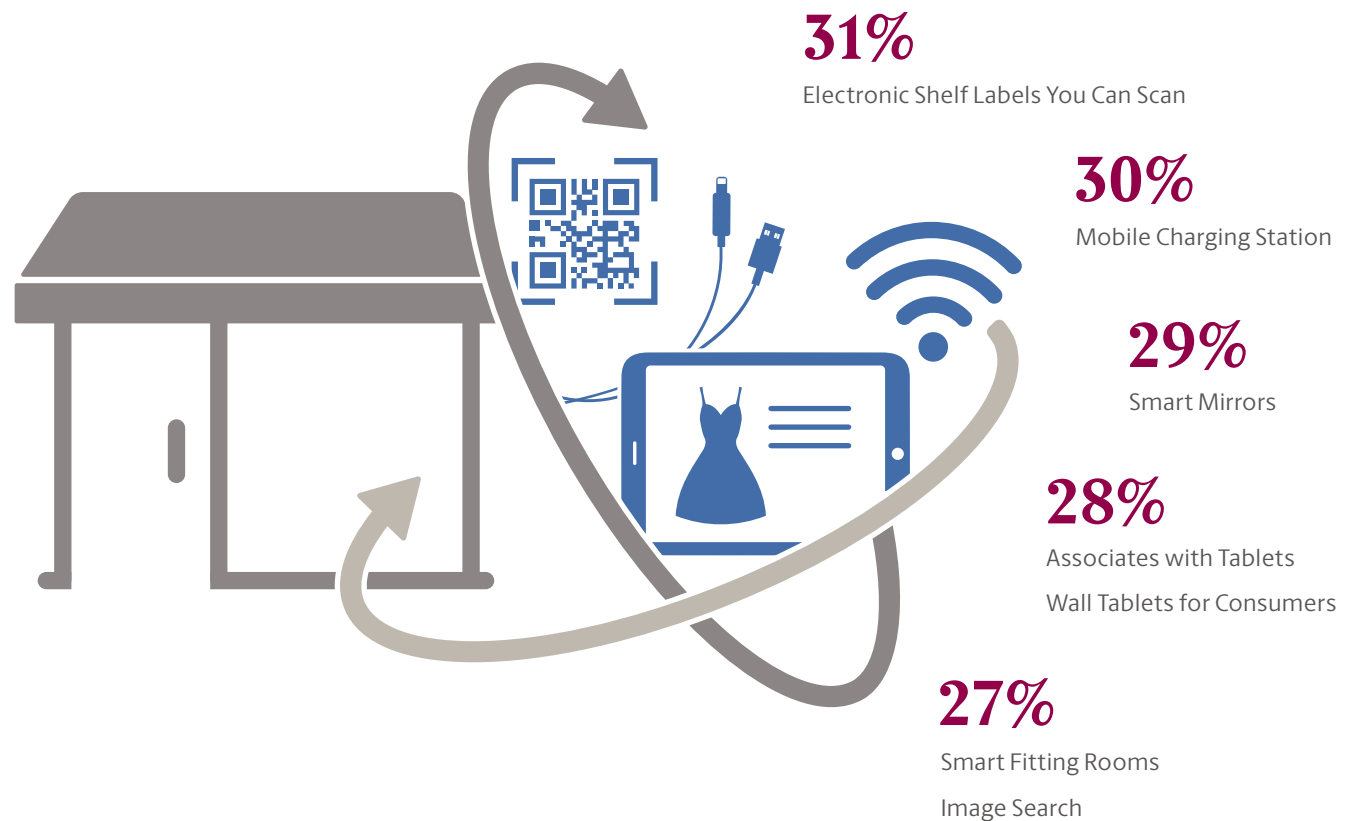
New Store Technology

The Appeal of Virtual Reality

Shoppers find the use of virtual reality appealing for a variety of purposes. Virtual reality has the ability to bring an image, product or store to life, helping shoppers visualize how they will look wearing an item of clothing or how a piece of furniture will look in their home.

Watching product demonstrations and browsing through a store are two of the top ranking virtual-reality scenarios with each appealing to 40% of shoppers.

Appeal of In-Store Technology



New Store Technology

In-Store Technology Boosts Efficiency

Technology's role in physical stores can be multifaceted. Its ability to provide information that supports a smarter purchase such as electronic shelf labels and tablets for product selection appeal to online shoppers. Self-service opportunities offered through touch-screen

and voice-activated digital signs combined with improved checkout procedures, such as electronic receipts and associates with tablets, can lead to faster and more productive store visits. This is beneficial for online shoppers who value an efficient shopping experience.



Volume 3
Channel
Dynamics

Introduction

Retail is Global

Marketplaces
Make Inroads

The Physical Store
Reinvented

New Store
Technology

Social Media
Engagers

Key Takeaways

Methodology

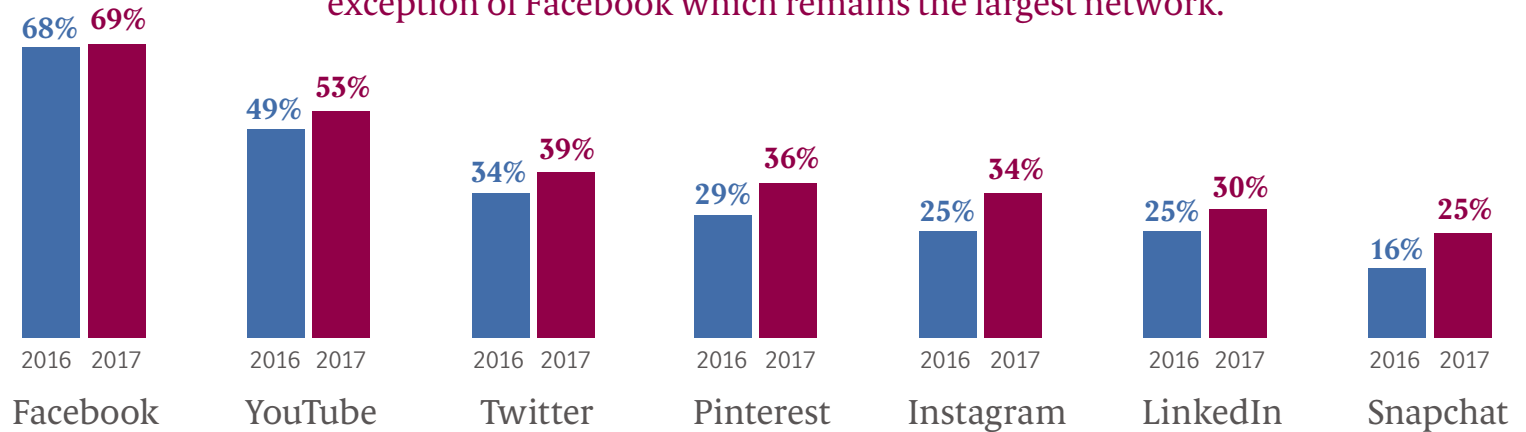
Social Media Engagers

Communication remains the primary role for social media, and it has also begun to play a greater role in influencing and driving purchases with different networks capitalizing on their unique strengths and audiences. The across-the-board increase in all social networks suggests that retailers pay more attention to ways they can pique their customers' interest using this channel. This is particularly true when Gen Xers and Millennials comprise the majority of the shopper base.



Social Media Usage

Social media usage has significantly increased with the exception of Facebook which remains the largest network.



76%

General use of social media
has remained constant for
the past 3 years.

Social Media Engagers

Millennials More Engaged with Social Media

Three in four online shoppers report using social media which has held steady for three years. As might be expected, Millennial shoppers are more engaged in making social media part of their retail experience. Of the 76% of online shoppers who report using social media, Millennials represent a higher percentage (87%) than Non-Millennials (69%). The

youngest generation is more open to purchasing on social media and significantly more comfortable sharing personal information to personalize their shopping experience. In fact, 41% of Millennials reported being comfortable sharing personal information to personalize their shopping experience compared to 24% of Non-Millennials.

Social Media Shopping Influence



35%

Follow retailers
on social media



54%

Millennials



30%

Social media influences
their purchases



49%

Millennials



19%

Purchased product on
a social media network



32%

Millennials

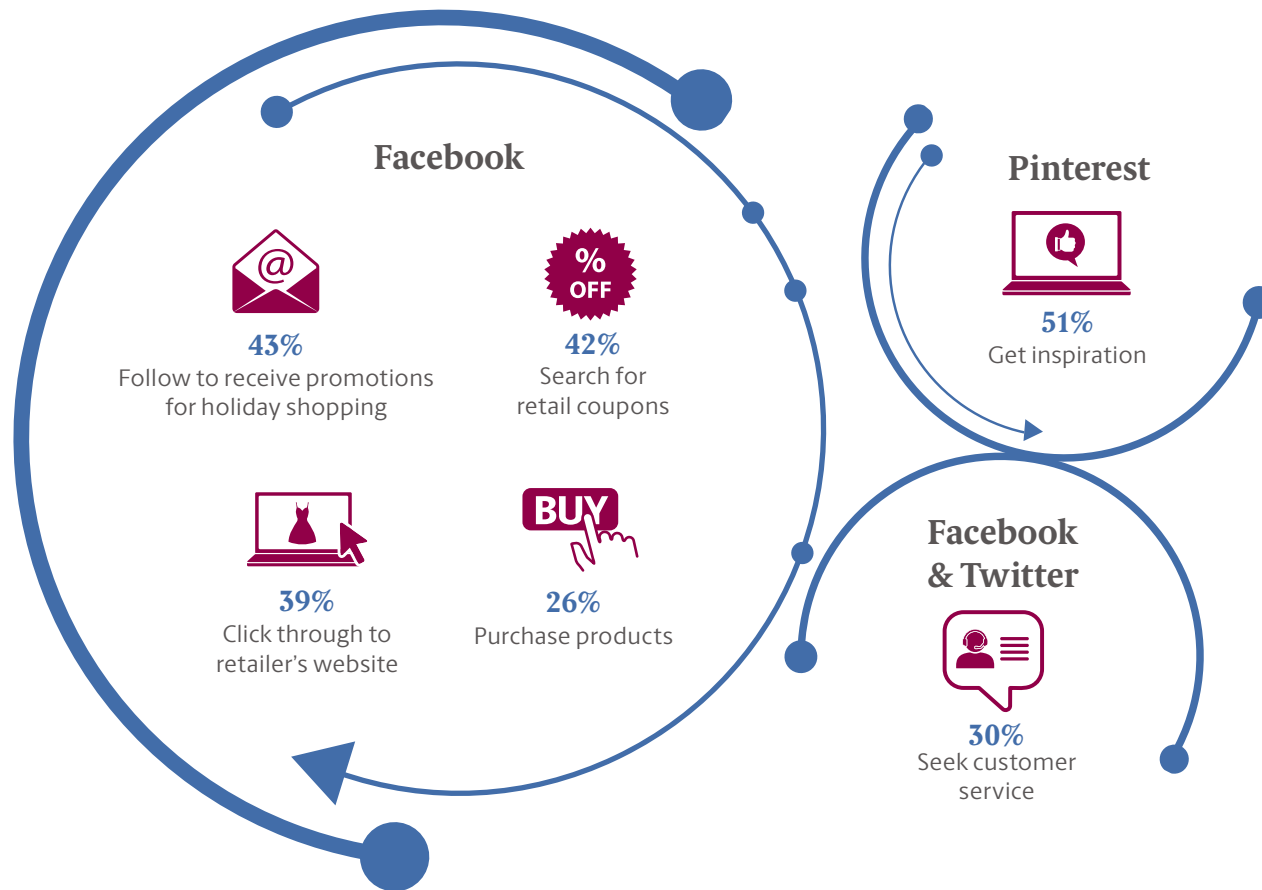
Social Media Engagers

Social Media Influence Increases

Three-in-ten online shoppers say that social media influences their purchase decisions, up three points from last year, while two-in-ten online shoppers have purchased on social media. However, almost one-in-two Millennials say that social media influences their purchase decision and almost one-in-three have purchased on a social media

site. While social media purchasing levels are lower than expected, the number of Millennials who follow retailers on social media, say it influences their purchasing decisions, and currently purchase products on social media sites, suggests future revenue may result from the significant time this group spends on social networks.

Shopping Trends on Social Media



Social Media Engagers

Facebook Top Network among Online Shoppers

Facebook has the largest usage among online shoppers with 69% of shoppers reporting using the network. A key source for information and deals, 43% of Facebook users report following retailers for holiday

promotions, while 42% search the network for coupons. Despite Facebook's strong position, other social networks such as Pinterest and Twitter have unique audiences and roles to play in the online journey.

Importance of Factors Affecting Purchase on Social Media



Social Media Engagers

Product is Important to Social Media Purchase

Free shipping and the possibility of finding a unique product are the leading reasons online shoppers are enticed to purchase on a social media site. Daily deals, peer influence, loyalty points and exclusive deals are also cited as important factors when making a purchase via social

media. Additionally, one in six (16%) social media users say that the ability to look at a range of products is a reason for making purchases via social media.



Key Takeaways

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



Focus on International

Make shipping internationally a priority to expand your customer base.



Test the Marketplace Waters

Explore selling on marketplaces after closely evaluating the scope of opportunity for your business.



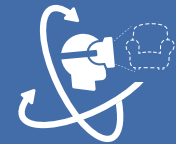
Elevate the In-Store Experience

Ensure your physical store remains relevant by providing an inspiring and effective shopping experience.



Leverage Associates

Don't underestimate the importance of associates and how they can help differentiate your brand by providing efficient, knowledgeable service to shoppers.



Embrace New Technology

Take advantage of innovative technologies that to appeal to tech-savvy shoppers and enhance the in-store experience.



Volume 3 Channel Dynamics

Introduction

Retail is Global

Marketplaces
Make Inroads

The Physical Store
Reinvented

New Store
Technology

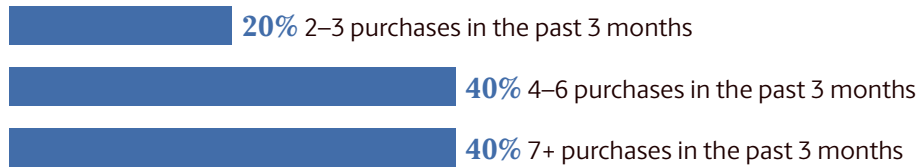
Social Media
Engagers

Key Takeaways

Methodology

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.



For more information, please contact:

Andrea Ivory

UPS Global Retail Strategy
andreaivory@ups.com

Sarah Barker

comScore Research Lead
sbarker@comscore.com