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. A Mobile Mindset is the second 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:

- 20% 2–3 purchases
- 40% 4–6 purchases
- 40% 7+ purchases

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

Mobile matters more than ever for consumers and retailers as it’s projected to become a $250 billion market by 2020, with U.S. mobile retail sales accounting for 48.5% of retail e-commerce sales.\(^1\) As of November, 2016, more users are accessing the Internet from mobile devices than desktop computers\(^2\) which is an unprecedented shift already having a significant impact on shopping.

In terms of discretionary spending, mobile commerce (m-commerce) growth is far outpacing e-commerce & brick-and-mortar.\(^3\) Over the past five years shoppers have simply become more comfortable using their mobile devices to research and buy online resulting in more time and money channeled via m-commerce. The projections for continued growth in m-commerce make it essential that retailers of all sizes be properly positioned to provide an optimal experience via mobile devices.

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1. Mobile business Insights, Mobile Business Trends: Retail 2017, 2018 and Beyond, 12/6/16
2. Techcrunch.com, Mobile Internet use passes desktop for the first time, 1/1/16
3. eMarketer.com, US Retail Mcommerce Sales reporting, 1/1/16
Smartphone Dynamics

Mobile users realize the value of “always on” devices and are making the most of their capabilities. Preference and usage of smartphones for researching and purchasing are the result of vast improvements in the user experience—rewarding retailers with increased customer satisfaction and loyalty.
Almost Half of Smartphone Users Purchase Online

Smartphones continue to drive the ascent of m-commerce and in making an important impact on digital spend. This year’s research reveals that nearly half of smartphone users (48%) are purchasing online with their device. In addition, 17% of online retail purchases are made on smartphones, a seven point increase over 2014. As in 2016, younger generations are driving this change in purchasing behavior, with two out of three Millennials indicating they have used their smartphone to make a purchase online. Shoppers who use retailer apps are making 25% of their online purchases with their smartphone. Smartphone purchasers made 45% of online purchases via their phones.
Smartphone Research and Purchase Behavior

The percentage of smartphone users who research using their smartphones increased to 59%, up 3 points from 2016. Among smartphone purchasers, who exhibit a greater dependency on the phone than general users, the percentage grew to 91%. The convenience factor comes into play for mobile’s “on the go” users who seek efficiency and access at every turn with smartphones serving as the conduit to a more efficient researching experience. Purchasing via smartphone has also increased, moving four points up among smartphone users. Millennials, as well as the heavy and urban shopper categories, demonstrated the strongest propensity for making purchases with their phones.

Smartphone Dynamics

Research and Purchasing via Smartphone Increases

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Smartphone Dynamics

The upward trend for smartphone usage remains strong, led by younger generations. However, smartphone satisfaction is higher among Baby Boomers and Generation Xers than their Millennial counterparts. The significant increases in both smartphone usage and satisfaction over the past few years bode well for future growth across the entire population.

Smartphone Usage Outlook Remains Strong

The utility of smartphones continues to grow, with the Evolving Store Experience becoming more prominent. Key takeaways from the survey highlight the importance of mobile in the shopping experience. The Methodology section provides insights into the data collection and analysis methods used in the study.
Smartphone Users Embrace Retail Apps

It’s insightful that four in five smartphone users have accessed a retailer using a smartphone app instead of a web browser. However, it’s the one in three smartphone users who often/always use these apps that should pique the attention of retailers who may be on the fence about the role apps can play in bolstering their business.

In addition to speed, app users prefer product information, imagery and peer reviews to be available as part of an improved experience. They place a similar value on high-quality images, mobile coupons, product reviews, relevant product search and access to loyalty points within the app.
It’s faster

Better user experience

I am rewarded for using the app with free shipping / product discounts

The retailer’s website recommends using the app for a better experience

Smartphone Dynamics

Speed and User Experience Drive Apps Usage

Retail apps continue to attract the attention of smartphone users for the efficient experiences they deliver. Online shoppers choose to use the app over the website because it’s faster, provides a better user experience and is easy to access via their phone. Retailers should also note that smartphone app users value saving money and gravitate to apps that offer rewards such as free shipping and product discounts.
Smartphone Dynamics

App Security a Rising Concern

Almost half of smartphone users who don’t use retailers’ apps say they prefer using websites and 37% indicate they have concerns about security. The percentage of those expressing security concerns rose 6 points since last year. A higher percentage of Non-Millennials say they prefer using the website (49% vs. 43%), are concerned about security (38% vs. 31%), and are not very comfortable with the technology (16% vs. 7%). Millennials more than any other age group are more concerned about the amount of space an app takes up (38%).

37% of smartphone users who don’t use retailer’s apps report not doing so because of security concerns, up 6 points from 2016.
The Utility of Smartphones

Smartphones have proven their utility across the entire shopping journey from accessing product information and offers, to purchasing across digital channels and in stores.
Reasons to Shop on Smartphones

Online Shoppers are “on the go” and it's more convenient

- 33% Smartphone Purchasers
- 23% Smartphone Users

Online Shoppers have them with them in the store

- 29% Smartphone Purchasers
- 24% Smartphone Users

Retailer apps make it fast and easy to shop

- 24% Smartphone Purchasers
- 17% Smartphone Users

The Utility of Smartphones

Shoppers Prefer Convenience of Smartphones

Mobile-ready shoppers cite convenience and immediate access as two important reasons why they choose to use their smartphones versus other devices. Nearly a quarter of smartphone users say their “on the go” lifestyle makes it more convenient to shop via phone. In addition, the ubiquitous nature of smartphones among shoppers further enables the increase of usage in the physical store.
The Utility of Smartphones

Mobile Device Usage is Multidimensional

Mobile users are open to incorporating their devices into all aspects of shopping and express an interest in many pre- and post-purchase tasks. As a result, mobile device usage throughout the shopping experience has grown over the past year. Tracking an order delivery and locating stores or store-related information are the top mobile activities reported by shoppers. The latter shows the greatest year-over-year increase at eight points. Purchasing on mobile devices also rose, increasing five points over 2016 to 65%.

*Compared to 2016 data
The smartphone now plays an unprecedented role in-store as the shopper's trusted assistant with Millennials leading the charge. Product information, price and promotion are prominent in the minds of mobile users shopping in physical stores, with 70% indicating they use their phones to access product reviews and compare prices. This behavior is entrenched for these shoppers and that usage should see continued growth in the coming year.

**Role of Mobile Devices Growing in Stores**

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**Smartphone In-Store Usage**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Often / Most of the Time</th>
<th>Ever</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Look up product reviews</td>
<td>28%</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Compare prices</td>
<td>26%</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Access coupon sites or apps for in-store redemption</td>
<td>27%</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>Take advantage of a promotion received on a mobile device while shopping</td>
<td>25%</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>Search for specific products and alternatives</td>
<td>22%</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>Search for a different online retailer</td>
<td>20%</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>Look for other locations for the same retailer</td>
<td>20%</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>Check retailer loyalty point status</td>
<td>22%</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>Place an order to be shipped to you</td>
<td>24%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Check in-stock status at another location or online</td>
<td>20%</td>
<td>60%</td>
<td>40%</td>
</tr>
</tbody>
</table>
## Smartphone In-Store Usage Among Millennials

<table>
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<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Look up product reviews</td>
<td>41%</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Compare prices</td>
<td>38%</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>Access coupon sites or apps for in-store redemption</td>
<td>37%</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>Take advantage of a promotion received on a mobile device while shopping</td>
<td>36%</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Search for specific products and alternatives</td>
<td>33%</td>
<td>81%</td>
<td>19%</td>
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<tr>
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<td>80%</td>
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</tr>
<tr>
<td>Look for other locations for the same retailer</td>
<td>30%</td>
<td>79%</td>
<td>21%</td>
</tr>
<tr>
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<td>31%</td>
<td>74%</td>
<td>26%</td>
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<td>24%</td>
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### Millennials Lead the Way

Millennials once again take in-store mobile usage to unprecedented levels. Beyond reviews, their high frequency of usage reveals their shopper-savvy nature with price comparison, coupon consumption and the hunt for promotions key activities for 1 in 3 Millennials often or most of the time.
The Evolving Store Experience

Smartphone technology is having a significant impact on the in-store experience as more shoppers become aware of trackers and receive text messages while shopping. It’s changing the shopper’s path to purchase and yielding results for retailers who adopt in-store strategies.
The Evolving Store Experience

In-Store Mobile Marketing Opportunities Show Promise

Though usage of mobile marketing may be limited among retailers, there are opportunities to leverage tactics within the technology as there is growing acceptance among shoppers. Half of online shoppers are aware of in-store mobile trackers, and three in ten smartphone users are receptive to in-store messages. Among smartphone purchasers, even higher receptiveness to in-store mobile messaging suggests a positive outlook for shoppers viewing and responding to targeted messaging.
3 out of 5 smartphone purchasers have received a retailer text and responded by either visiting the retailer, purchasing a product or looking for the product in store.

Retailer Texts Impact Shopper Behavior

It's clear that retailer text messages to smartphones are effective. In fact, 46% of smartphone users who received a retailer text message responded by taking action. Among smartphone purchasers that number increased to 62%. It's advisable for retailers of all sizes to send marketing messages via mobile texts that can drive conversion and keep their brands top of mind.
In-store payments are expected to surpass $1 trillion though current findings reveal usage among online shoppers will remain flat, in-line with 2016 levels. Among smartphone users who do pay via their phone in-store, convenience and speed are the driving factors.

Usage of in-store payment is highest among Millennials who find greater interest. Millennial non-users have less concern about security (29% vs. 43%) and privacy (26% vs. 35%).
Key Takeaways

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

**Design for the Mobile Format**
Embrace responsive design to ensure an optimal customer experience for researching, purchasing, as well as completing pre- and post-purchase tasks on mobile devices.

**Streamline Checkout**
Create a convenient mobile checkout process with a minimal number of steps including choice of payment options and “buy with confidence” builders along the journey.

**Consider a Custom Mobile App**
Explore whether apps would be an effective way for your brand to connect with and serve more engaged shoppers.

**Deliver a Robust Experience**
Offer mobile users an improved experience with product information, imagery, peer reviews, and rewards such as free shipping and product discounts.

**Market to Store Visitors**
Develop a mobile marketing strategy using targeted messaging to shoppers who visit your store to raise brand awareness and drive sales.
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.

- **20%** 2–3 purchases in the past 3 months
- **40%** 4–6 purchases in the past 3 months
- **40%** 7+ purchases in the past 3 months

For more information, please contact:

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