

dotcom  
Distribution

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The Evolution of Commerce:  
Omnichannel and the  
New Retail Customer

Dotcom Distribution eCommerce Study 2017





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## Executive Summary

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In the 12 months since Dotcom Distribution conducted its last consumer study, there have been profound changes to the retail and eCommerce industries. These changes have been primarily driven by the aggressive maneuvers of major players like Amazon, Walmart, Google, and Target. Through partnerships, acquisitions and the launch of new services and technologies, these market leaders (and others) have redefined both the retail landscape and the consumer experience. In doing so, they have helped bring about significant changes in consumers' attitudes, perceptions and expectations. Perhaps the biggest driver of these evolving attitudes and expectations is the move towards immersive omnichannel experiences and the resulting proliferation of touch points that consumers can have with a brand.

As the results of this year's survey demonstrate, today's consumers want better, faster services that prioritize speed, quality, affordability, and future purchase incentives. These same customers are also looking for an experience that facilitates simplicity and convenience from the beginning of the purchase process right through to the end.

Dotcom Distribution surveyed more than 600 online shoppers to understand these ever-evolving attitudes about packaging, shipping and the online shopping experience. The survey's findings led to several important insights about present consumer attitudes towards brands, and how those attitudes may continue to evolve.

The completed study indicates that consumers are more likely to be loyal to a brand if free shipping is offered along with a quality product. While quality is what truly drives the sale, with multiple platforms offering the same item, the other critical factor for engaging a customer is how quickly and cost-effectively the product can be received. The study also demonstrates that while more consumers are viewing unboxing videos, the role of these videos in shaping purchasing decisions may be on the decline.

Another important insight supported by the survey is that consumers still believe there can be more transparency in the shipping process, and want to be clued in to the location of their packages along each step of the fulfillment process. In addition to the need for transparency, customers also expect to have a seamless omnichannel experience that allows them to buy, ship, return, and exchange in the simplest, most direct way possible. The demand for free and effortless services like shipping and returns is on the rise and showing no signs of slowing down. We suspect that this will continue as major players in the industry continue to shift the standards for shopping, shipping and delivery.

## Key Findings

- Fast delivery continues to foster loyalty:**  
 33.6% of participants said that faster delivery would increase their trust with a brand. Customers have an “I want it now” mindset which makes faster shipping options a preferred commodity.
- Fulfillment transparency still matters:**  
 26.5% of respondents said they would prefer more transparency while their package is in transit (an increase from 2015’s 21%).
- Positive omnichannel experiences make a big, lasting impression**  
 Delivering a true omnichannel experience (removing the barriers between physical and digital shopping, creating a frictionless, immersive experience) for consumers has been referred to as the holy grail for brands and retailers throughout 2017. Sixty-four percent (64%) of this year’s survey respondents indicate that they are already enjoying the benefits of effective omnichannel strategies and appreciate the brands and retailers that do a great job connecting the online and in-store experiences. Putting more effort and resources behind developing an omnichannel strategy may be the most important initiative a brand can take on in the coming year.
- Brands must understand how to bring the in-store experience to customers’ homes:**  
 More than 63% of participants said they feel brands are doing a good job connecting the online and in-store customer experience.
- Positive omnichannel experiences create repeat customers:** Customers value free shipping (90.7%), free returns/exchanges (76.8%) and easy online returns (55.1%). While brands may not be able offer all of these services, some variation of this will give customers more reasons to stick with a brand than to purchase from another.



Most online shoppers feel that brands do a good job connecting the online and in-store experience.

## Speed Cannot Exist without Security

### Almost a quarter of consumers have tried same day delivery

Over the past 12 months, there has been a significant increase in demand for faster delivery. This year's survey results indicate that 23% of consumers have tried same day delivery. Amazon continues to be the primary driver of demand for same-day delivery via its Prime membership service. Its aggressive expansion of expedited delivery services and options is changing consumer expectations and forcing others to follow suit or risk falling behind. More and more brands are adding sophistication to their logistics operations to succeed in a highly competitive environment.



### Security shouldn't take a back seat to speed

Even as same-day delivery takes on greater importance, consumers continue to expect that the quality of the packages they receive will not be compromised by the speed at which they arrive. 59.3% of respondents said they would not be comfortable with damaged packaging and no signature requirement upon delivery, even if it meant receiving their items faster. Knowing something arrived safely without any damage remains a higher priority than the speed of delivery. Speed is important, but it isn't necessarily everything.

Speed is important, but it isn't necessarily everything.

The majority of respondents felt damaged packaging and no signature requirement did not justify faster delivery of their items.

### Clothing, apparel, consumer electronics and beauty products remain the most purchased items online

One area that has remained relatively unchanged year over year is the type of items most commonly purchased online. While clothing, apparel, consumer electronics and beauty products remain the largest (and still growing) categories, there is another category that's growing at a significant rate.

The Tools/Home Improvement category has significantly increased in popularity among online shoppers over the past two years. In 2015, only about 14.8% of people surveyed purchased home improvement products and tools online. In 2017, that number jumped to 34.5%. This is a trend worth watching in the coming years.

### There's ample opportunity for new brands to break into the market

Brand loyalty is something that is never given, but earned from consumers. While some consider the overall market to be saturated, our survey results indicate that there are still myriad opportunities for brands to earn consumer trust and thrive in today's environment. 64% of respondents to this year's survey expressed an interest in shopping with and testing out new brands.

Brand loyalty is something that is never given, but earned from consumers.



Exciting new brands are something 64% of online shoppers are interested in testing out.

With the rise in popularity of tools like Facebook Live, Instagram Stories, and Snapchat, **brands are in a favorable position to win over new customers.** Storytelling on these platforms, although not as refined, comes across as more genuine than traditional advertising methods, and builds trust with potential customers.

## Fast Delivery and Discounts Promote Trust

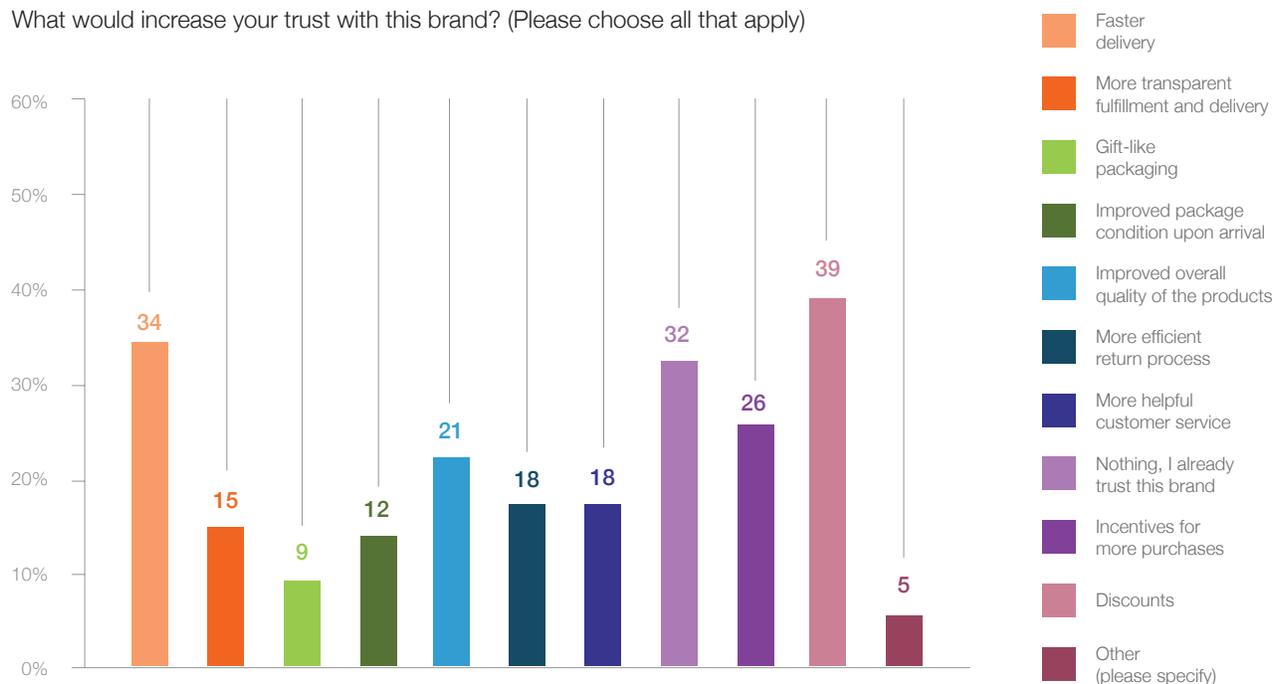
**When consumers shop with a brand for the first time, fast delivery and discounts promote trust and repeat purchases.**

Consumer trust and loyalty are influenced by many factors, which tend to change over time. These factors have evolved since our last study. In 2016, consumers listed faster delivery, improved product quality, and efficient returns as the things most likely to build trust and lead to repeat purchases when shopping with a

brand they hadn't purchased from before. This year, faster delivery remains a strong leader in factors that determine whether a repeat purchase will be made.

Discounts and incentives are important when it comes to earning customer trust and engendering loyalty. First, these findings validate the notion that consumers have come to expect quick delivery of their orders. Second, it illustrates that consumers expect additional discounts and incentives on top of expedited shipping.

What would increase your trust with this brand? (Please choose all that apply)



This year, three leading incentives that encourage repeat purchases after shopping with a brand for the first time are discounts, faster delivery and improved product quality.

## Evolving Customer Expectations

### **Free giveaways drive repeat purchases and increased cachet**

When asked how likely they'd be to order from a brand again if their order arrived with a free giveaway (like a branded sticker or magnet), a staggering 51.8% of respondents indicated they would be more likely to make a repeat purchase. Of those respondents, almost 30% of them reported that they would be much more likely to make a repeat purchase if a free giveaway was included with their order.

In addition to driving repeat purchases, free inserts or giveaways can increase a brand's cachet. Over 25% of respondents said that receiving branded inserts with their order (magnets, stickers or other freebies bearing brand logos or messaging) makes a brand seem more upscale. When thinking about the customer experience, brands should consider these findings in favor of a high-touch order pack out.

### **Use unboxing videos to provide consumers with pre-purchase insights**

The growing importance of social media and influencers to brands of all shapes and sizes is certainly no secret. Multiple studies, including [Nielsen's Global Trust In Advertising Survey](#) and [Pricewaterhousecoopers's 2017 Total Retail Survey](#) demonstrate that consumers are turning to celebrities, category experts, and their peers online for product recommendations and objective reviews. As such, it came as no surprise to see that more consumers had seen unboxing videos in

2017 than in years past. In 2015, 35.3% of respondents said they had seen an unboxing video, and in 2017 that number increased to 36.8%. Customers want to know what to expect when their order arrives, and unboxing videos allow them to preview products and compare their experience to the one they watched online. In these videos, branded packaging still serves as beneficial for brands looking to boost their presence and exposure. Unboxing videos that also show the use and application of products provides customers the chance to see the quality of the product, helping them determine, based on the video's opinion, if the quality of the product is worth the purchase.

### **Order fulfillment transparency is necessary**

Even with continued technological advancements in shipping operations, customers still feel that the best brands can give them more. In 2016, 20.8% of respondents said that greater visibility into when an order is in transit could influence a repeat purchase. Not surprisingly, the desire for greater transparency and real-time visibility has increased over the past year. In 2017, this number rose to 26.5% of respondents. In today's ultra-connected world, consumers demand real-time, on-demand information about where their orders are, and when they will arrive. This is critically important to consider when establishing a transportation network for a growing brand. Selecting partners that have systems in place to provide real-time visibility can drive repeat purchases and loyalty with customers.

## Omnichannel Is King

### Embrace omnichannel, as it's here to stay

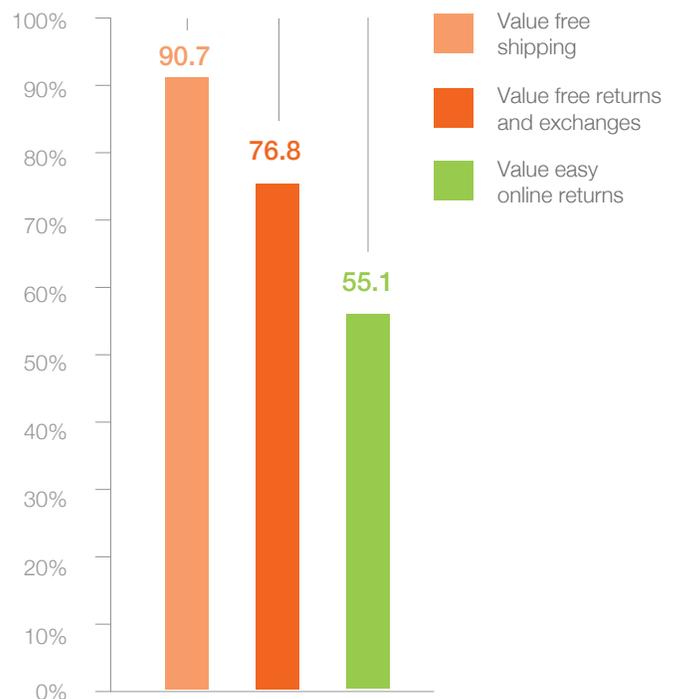
90.7% of customers value free shipping, 76.8% value free returns/exchanges, and 55.1% value easy online returns. Value, convenience, and speed are, and will continue to be, priorities for consumers. The order in which consumers rank the importance of these factors will continue to change over time, but they will always be influential in determining customer loyalty and driving repeat business.

With dwindling margins and increasing shipping costs, however, trying to satisfy these customer demands through eCommerce alone can be tricky. Developing brands may consider a physical presence in addition to an eCommerce platform to take advantage of cost savings and evolving consumer needs, including:

- Buy online/pick up in-store
- Buy online/return in-store
- Ship from store
- “Showroom” experiences

In 2018 and beyond, the most successful brands will roll out an omnichannel strategy to gain a competitive advantage in the market, and effectively use the eCommerce channel as a brand awareness tool, driving customers to their physical stores and showrooms. Furthermore, these brands will utilize their physical locations as micro distribution operations, taking advantage of the cost and time savings associated with being in close proximity to customers.

What capabilities can a brand provide to drive you to become a return customer? Check all that apply.



## Conclusion

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The 2017 Dotcom Distribution packaging study finds that an evolving set of customer expectations means that brands must continually refine their service offerings to ensure they are in step with the buying patterns of their customers.

Fast delivery remains a growing priority for customers. Additionally, in line with our 2016 survey, consumers still expect complete transparency throughout the fulfillment and delivery process, and are more likely to make repeat purchases with brands that provide them with on-demand insight into order fulfillment.

Once a package is in a customer's hand, brands and retailers have another opportunity to drive loyalty and repeat purchases – consumers think highly of brands that include inserts such as magnets, stickers, and other free extras bearing the brand's logo and messaging.

The most successful brands in 2018 and beyond will be those that understand their customers' unique set of expectations, and deliver the right mix of benefits and perks to that group. Same-day delivery, premium packaging, easy returns, and the option to pick up/return in-store isn't feasible for the majority of emerging brands. However, finding the right mix of these benefits both now and in the coming year will be critical to long term customer satisfaction and brand growth. Emerging brands with limited resources and experience can look to third-party logistics partners to help plan and execute their operations strategy around these offerings.

## Methodology

Dotcom Distribution surveyed 769 online shoppers about their expectations and attitudes around shipping, packaging, delivery and fulfillment during May of 2017.

The age, gender and location breakdown of the respondents is as follows:

### What is your age?

- 18 - 25, **13%**
- 26 - 35, **23%**
- 36 - 45, **22%**
- 46 - 60, **28%**
- 61 and older, **14%**

### What is your gender?

- Male, **41%**
- Female, **57%**
- Would rather not identify, **2%**

### How often do you shop online?

- 1 - 3 times a year, **10%**
- 4 - 6 times a year, **15%**
- 7 - 12 times a year, **13%**
- Once or twice a month, **31%**
- Once or twice a week, **16%**
- More than twice a week, **9%**
- Doesn't shop online, **6%**

### What kind of products were you researching in the last 12 months?

- Clothing & Apparel, **61%**
- Luxury goods (jewelry, watches, etc.), **24%**
- Speciality food items (jellies, spirits, wine, etc.), **21%**
- Home goods, (bowls, plates, silverware, etc.), **30%**
- Beauty products, **39%**
- Household goods (cleaning products, toiletries, etc.), **27%**
- Consumer electronics or technology, **53%**
- Sporting goods, **26%**
- Tools/home improvement, **39%**
- Other, **12%**



Dotcom Distribution is a fulfillment and logistics services provider for B2C and B2B emerging and established eCommerce brands. Offering timely fulfillment, custom packaging and strategic pathways to growth, Dotcom Distribution is a true partner to brands who wish to rapidly scale and take their business to the next level. Dotcom Distribution counsels brands on how to deliver a consistently elevated experience that generates consumer excitement, builds trust and creates opportunity for growth. Using our strategically located Edison, NJ, warehouse, we provide most clients with same-day shopping and an average 1- to 3-day delivery times via standard ground service to 70 percent of the U.S. population.

Excitement. Trust. Opportunity.

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