Great(er) Expectations:
The Rapid Evolution of Consumer Demands in eCommerce

Dotcom Distribution 2018 eCommerce Study

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Distribution

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Executive Summary

For the 2018 annual eCommerce study, Dotcom Distribution surveyed more than 1,400 online shoppers to identify their habits, preferences, and expectations in the areas of online shopping, packaging, shipping, returns, and transparency. The results suggest that, as eCommerce shopping increases in popularity, **consumers are prioritizing time, experience, and quality over factors that were more important in previous years, such as the use of gift-like packaging, the popularity of viewing unboxing videos, or prioritizing fast delivery over product quality.**

Other factors remain true—for example, the indication that free shipping promotes brand loyalty, or that product quality is what truly drives sales.

The results also indicate that **age matters when it comes to eCommerce trends.** Generation Z (< 22 years old) and Millennial (22-37 years old) respondents have the highest expectations for speedy delivery; Baby Boomer (54-72 years old) respondents value free returns more than any other age group. Members of The Silent Generation (> 72 years old) were the only group to prefer returning online purchases via mail versus in-store.

Just 25 years ago, eCommerce was considered a luxury and convenience for both consumers and brands alike. Now that it has become a part of the fabric of everyday life for so many, how do customers decide where to spend their money? Two years ago, the answer was quality packaging and fast delivery. In 2018, while those factors are still valued, **the opportunity for brands to reach, retain and extend the lifetime value of customers lies in giving them what they want, when they want it, and in whatever manner they want to get it.** That’s how customers are defining value in today’s eCommerce landscape.

Key Findings

Results from the Dotcom Distribution 2018 eCommerce Study indicate a shift in how consumers view online buying and what they expect. Consumers prioritize time, experience, and quality in every step of the online buying process, from placing an order to returning an item and everything in between.

Free Outranks Fast

More than 90% of respondents place a high value on free returns and free shipping. They are also positively influenced to make future purchases if they receive giveaways, such as stickers, magnets, and samples.

Shipping Expectations Rise, But Not on Customers' Dime

With 44% of respondents doing most of their shopping on Amazon, the e-retailer has influenced consumer perception of normal shipping times. There was a 19% increase in respondents who used same-day delivery, up from last year's survey. This latest data also found that most consumers are no longer willing to pay more for faster delivery, a big difference from two years ago.

What's Inside Counts...If It's of Value

Survey respondents are more interested in freebies than high-end tissue, ribbon, and boxes. Giveaways such as magnets, stickers, and samples have greater influence in respondents making future purchases from a brand.

Omnichannel is Omnipresent

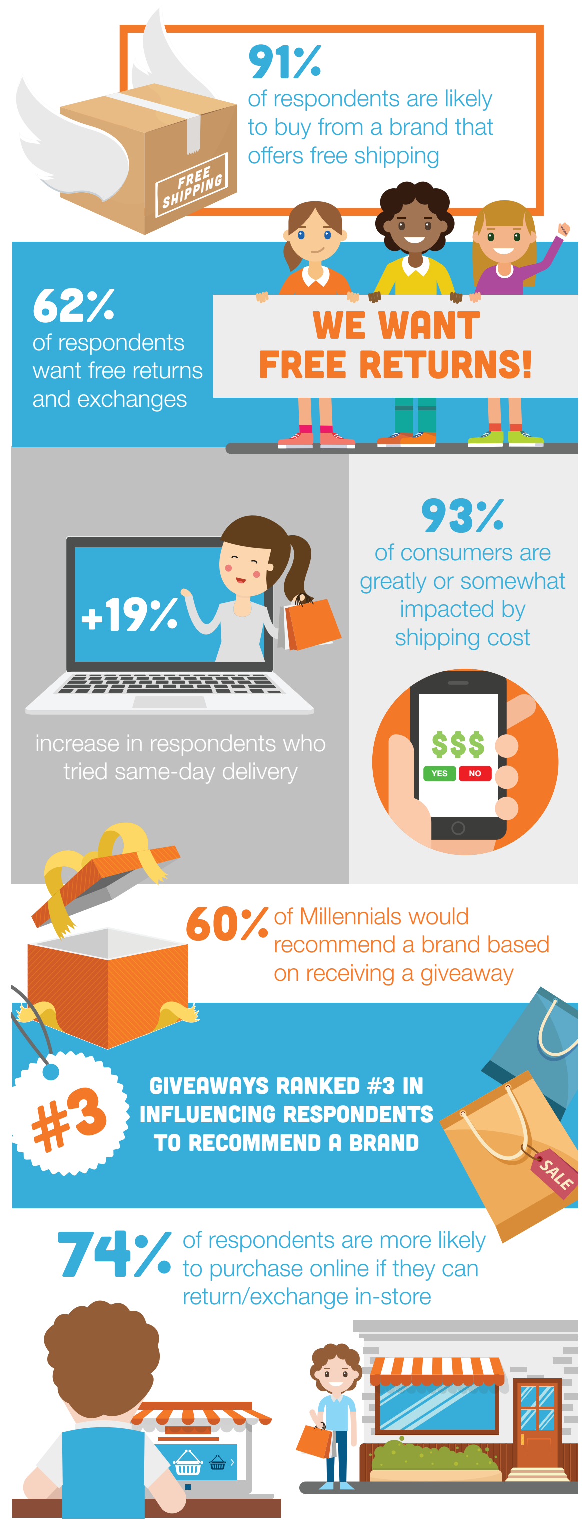
Consumers are drawing a stronger connection between online and brick-and-mortar. A perfect example is the increased expectation and use of buying online and returning in-store. This means brands must have an omnichannel strategy that seamlessly ties online properties with physical locations.

Age Dictates Expectations, Preferences

The younger a person is, the faster he or she expects to receive orders and the more apt they are to return in-store. Older consumers, such as Baby Boomers, are seeking value in the form of free shipping and returns.

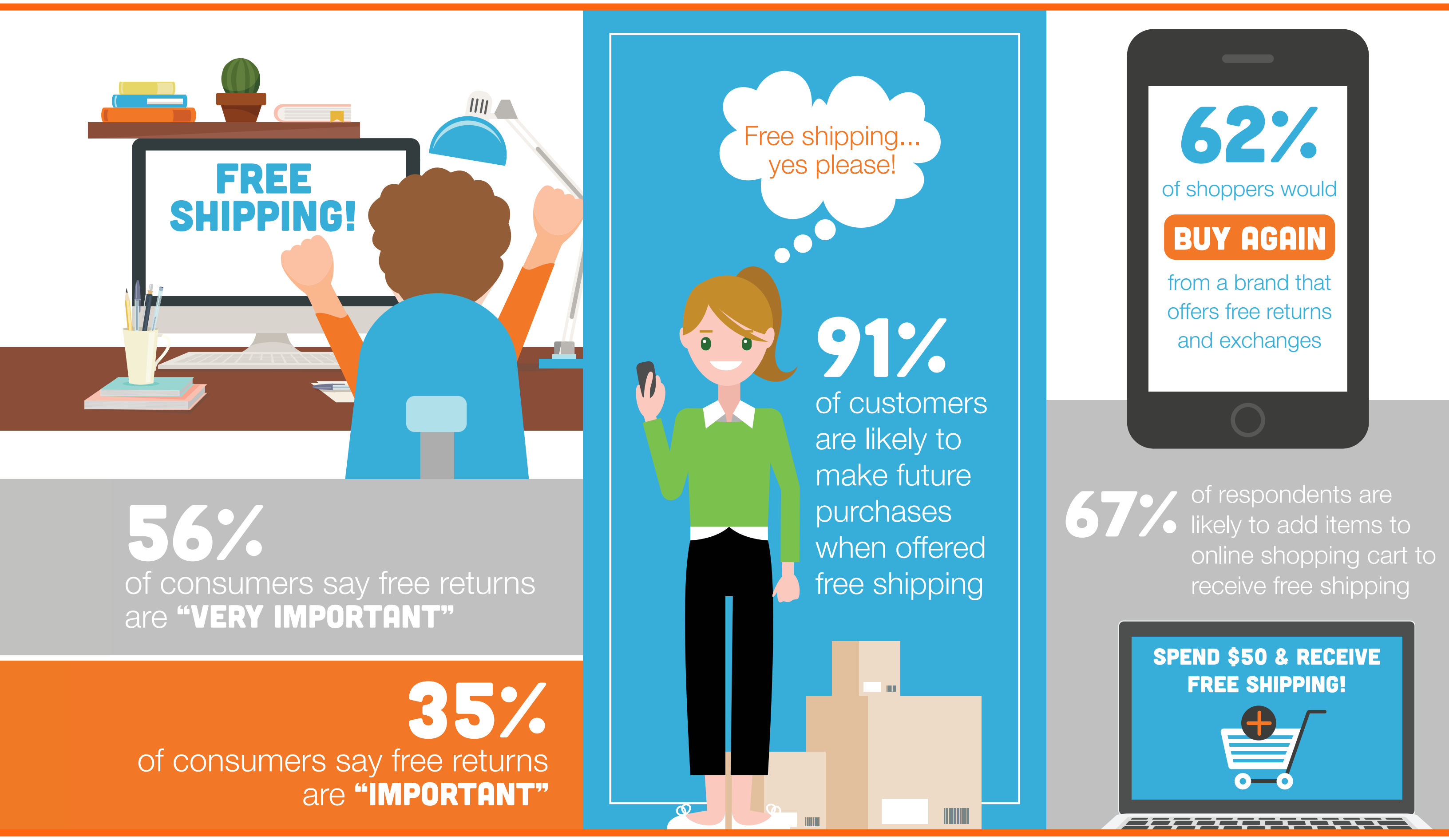
Clothing, Tech, Beauty Remain on Top

For the third consecutive year, survey respondents consistently purchased clothing and apparel, consumer electronics or technology, and beauty products more than any other category. This year, clothing and apparel also topped the list of items respondents preferred to purchase in-store (58%).



Free Outranks Fast

90% of respondents find free returns important or very important, and 91% see free shipping as an incentive to be a repeat buyer. These factors ranked as more important than faster delivery times.



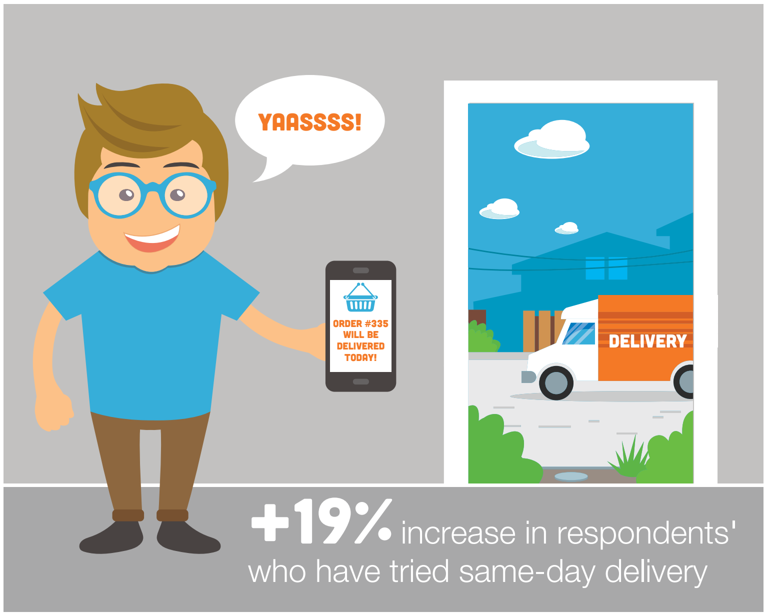
Takeaway

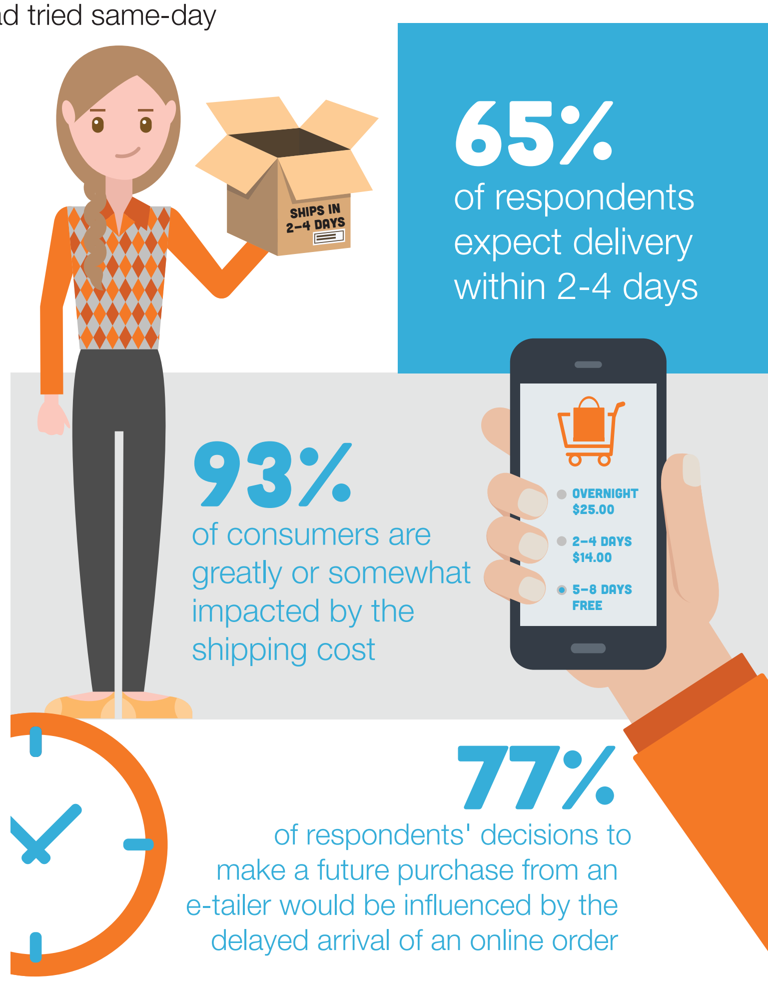
With customers placing increasing importance on free delivery, brands should ensure their 3PL or in-house fulfillment operations team is well-positioned to build and support no-cost or low-cost shipping options for the end customer. By finding ways to minimize your own shipping costs, you can more feasibly relieve shoppers of delivery fees, helping to build a positive brand image and keep customers long-term.

Shipping Expectations Rise, But Not on Customer's Dime

Almost half of survey participants (44%) reported doing a majority of their online shopping on Amazon. The "Amazon Effect" simply cannot be ignored, and has consumers trending more towards fast delivery and shipping options rather than unboxing and brand experiences. Proof: respondents who had tried same-day delivery rose 19% compared to 2017 (42% vs. 23%).

In 2018, only 25% of respondents indicated that they are willing to pay extra for faster shipping. This is in sharp contrast to two years ago, when the study found 47% would pay as much as $9 more for faster delivery. This may indicate a shift towards an expectation for fast shipping, and being less willing to pay for it.





Takeaway

While same-day shipping is increasing in popularity, consumers are more interested in free shipping and on-time delivery. With consumers so influenced by shipping fees and delays, brands should have reliable and efficient fulfillment operations in place to maintain customer loyalty.

What's Inside Counts…
If It's of Value

In 2015 and 2016, unboxing was a key component of the eCommerce experience. The data from this year's survey shows that experience is less important. Consumers prefer value – such as a magnet or other giveaway – over fancy tissue or scented boxes. In fact, giveaways were the third most influential amenity to spur customers to recommend a brand to others. This is especially true as it relates to Millennials and Gen Z.

Additionally, the survey revealed nearly twice as many respondents (43% vs. 23%) would be more likely to make future purchases with a brand that included a free giveaway in their order.

Takeaway

What's inside the box matters, as long as it is something the customer can use after they've opened the package. Brands targeting Millennials and Generation Z should take note that surprise giveaways are more effective among these age groups, so they should include branded items such as stickers, magnets, and coupons when shipping to them.

TOP THREE AMENITIES INFLUENCING SHOPPERS TO RECOMMEND A BRAND:

75% Product quality

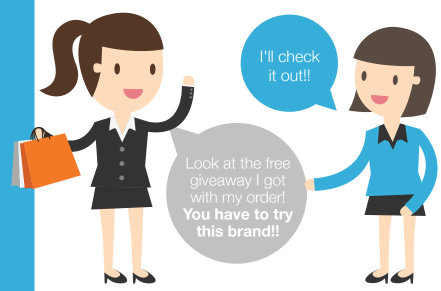
37% Company incentive

23% Surprise giveaway inside

POSITIVE IMPACT OF SURPRISE BRANDED GIVEAWAYS BY GENERATION

60% of Millennials would be more likely to make a repeat purchase based on receiving a **FREE GIVEAWAY**

36% of Millennials would recommend a brand based on receiving giveaway



75% of Gen Z respondents would be more likely to make a repeat purchase if given a free giveaway

44% of Gen Z respondents would recommend a brand based on receiving a free giveaway

Omnichannel is Omnipresent

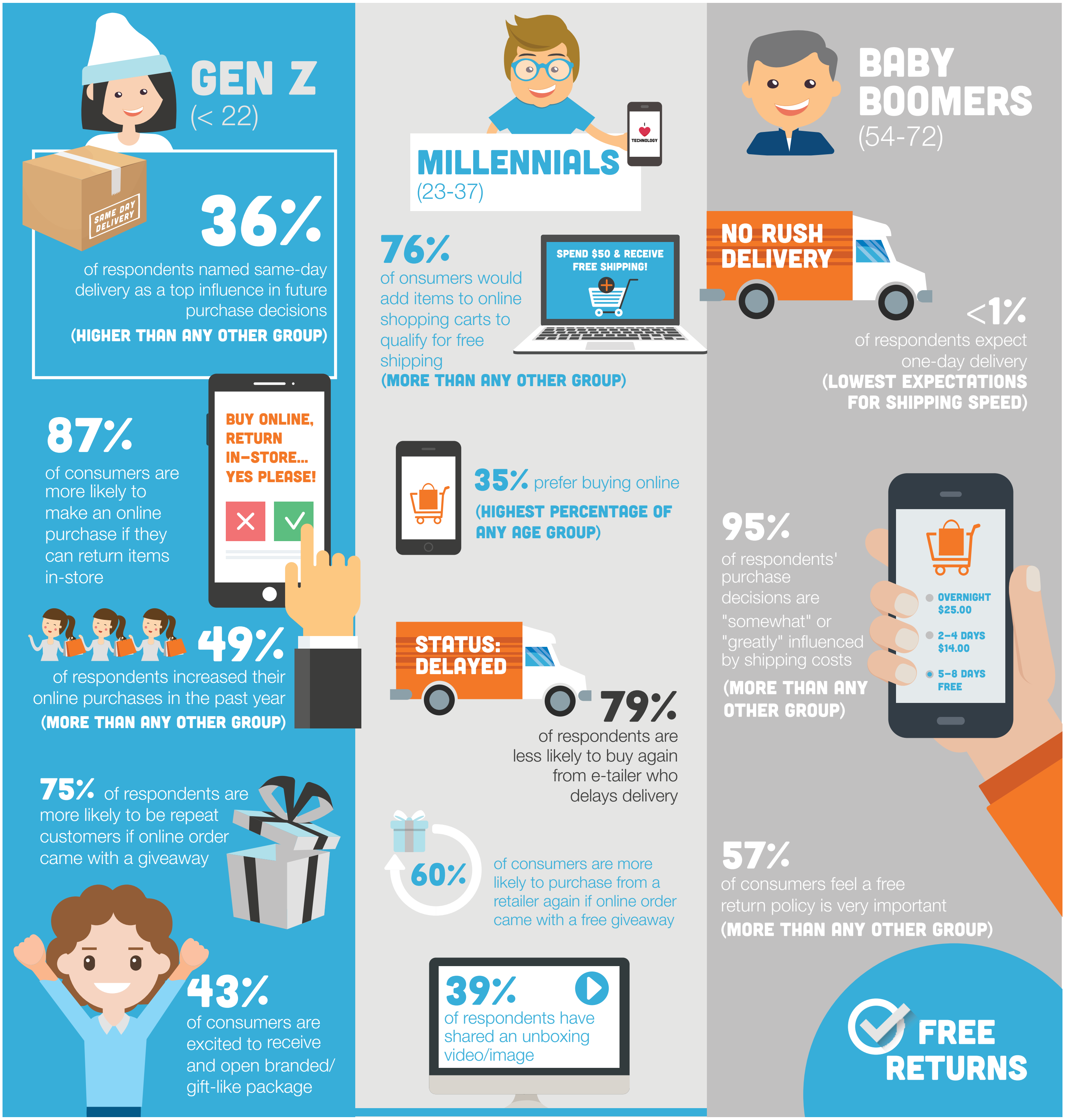
While eCommerce continues its rise in popularity, there's still value in a brick-and-mortar presence. This study shows that 32% of respondents prefer to buy online, yet consumers prefer having a connected experience between all their shopping channels and touchpoints. For example, survey results indicate that consumers who buy online prefer to make returns in-store. In fact, when our 2018 survey respondents were asked what a brand can offer that would result in them making future purchases with that brand, 31% cited the option to buy online, return in-store—the fourth highest ranked incentive. Further, 74% of respondents stated they would be more likely to make an online purchase if given the option to return or exchange any unwanted items in-store.

Takeaway

Consumers may be buying more online, but they see brick-and-mortar locations as a complement to their online experience, making it an important part of the overall retail business model. To meet demand, brands must have a clear omnichannel strategy that fits the needs of their customers. As more retailers adopt omnichannel strategies, the methods they use to engage and interact with their customers will become more reliant upon physical locations. We see this now in the form of the Bonobos Guideshop and Nordstrom Local. Brands looking to put an omnichannel strategy in place can start small, with things like buy online/ return in store, order online/pickup in store, buy in store/ ship to home, buy online/ship to store, honoring online coupons and rewards in-store, or honoring in-store coupons and rewards online.

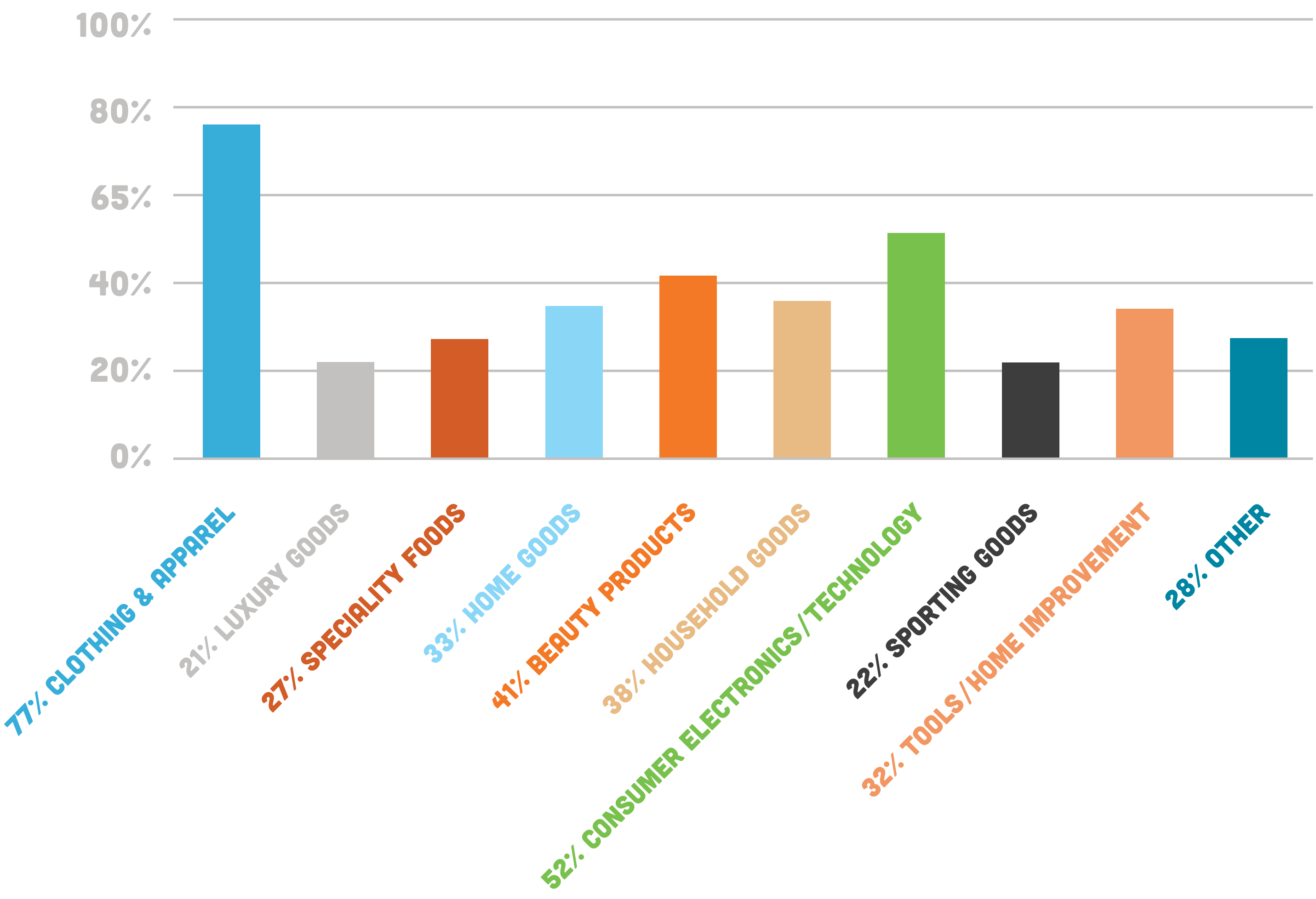
Age Dictates eCommerce Preferences, Expectations

What consumers expect from their eCommerce experiences depends on their age. The study indicates younger buyers desire convenience – flexibility of returning in-store and faster delivery. Older consumers are looking for value – low-cost or free shipping and free returns.



Clothing, Tech, Beauty Remain on Top

For the third consecutive year, the items purchased most often online were clothing and apparel (77% of respondents), consumer electronics or technology (52%) and beauty products (41%). Interestingly, clothing and apparel also topped the list of items respondents preferred to purchase in-store, whereas consumer electronics dropped to 8th and beauty products fell to 6th.



Takeaway

Our survey data has been consistent over the years with regard to the types of products consumers purchase online. What will be interesting to track in the coming years is the revenue growth within popular eCommerce verticals.

Conclusion

As online purchasing continues its rapid growth in popularity, consumer expectations seem to shift just as quickly. **Free shipping, surprise giveaways, and fast and reliable delivery have become key influencers in a consumer's trust and opinion of a brand.** Elaborate unboxing experiences and branded packaging, while wildly popular just three-four years ago, seem to be declining in importance for today's eCommerce consumer.

Given the trends observed since our 2017 study, and the aforementioned "Amazon Effect," **it's likely that consumer expectations around shipping will evolve into fast shipping and same-day delivery becoming the norm. Unlike previous years, however, consumers no longer want to pay extra for these once premium services.** Such a consumer mindset will place more pressure on brands to have a highly efficient logistics strategy or risk losing customers.

How consumers view and use brick-and-mortar locations is still changing. **Physical locations will evolve into experience-based touchpoints for brands to immerse and engage their customers.** Brands need to recognize this and ensure their omnichannel strategy creates a seamless connection between online properties and physical locations.

When it comes to consumers, younger shoppers want speedy delivery and convenience. They are the biggest proponent of same-day delivery and shop online, return in-store. **Millennials and Generation Z are also more influenced by giveaways (positively) and delayed delivery (negatively)** than elaborate unboxing experiences. Brands targeting these demographics must recognize this shift and adjust their strategies accordingly.

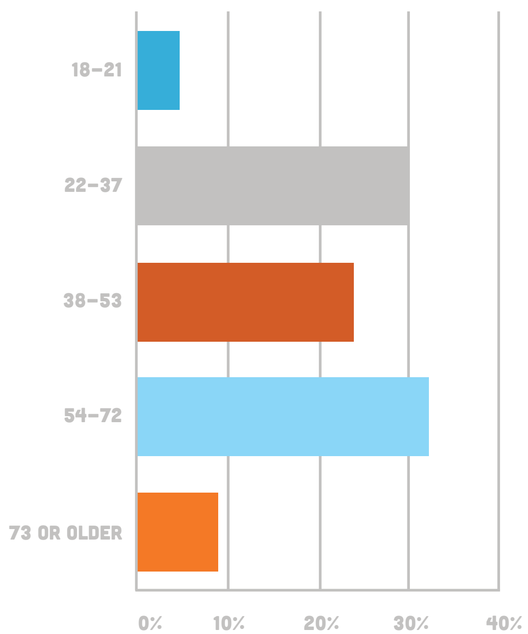
Although the trends we observed in the 2017 study remain very similar and on the same trajectory in 2018, we are able to make definitive recommendations based upon this year's results: **get your product into the hands of the customer quickly, build brand equity by throwing a branded freebie into the box, and start seriously thinking about how you will use your physical presence to create experiences for your customers that will keep them loyal to you, and coming back for more.**

Methodology

Dotcom Distribution surveyed 1,420 online shoppers about their habits, preferences, and expectations in the areas of online shopping, packaging, shipping, returns, and transparency during May 2018. This survey was implemented on behalf of Dotcom Distribution through SurveyMonkey. The age, gender and location breakdown of the respondents is as follows:

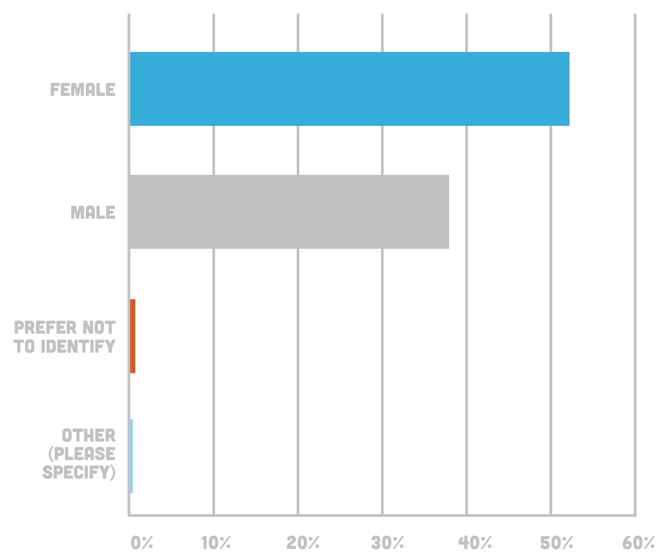
Age

Answer options	Response percent
18-21	4.73%
22-37	29.89%
38-53	24.03%
54-72	32.44%
73 or older	8.90%



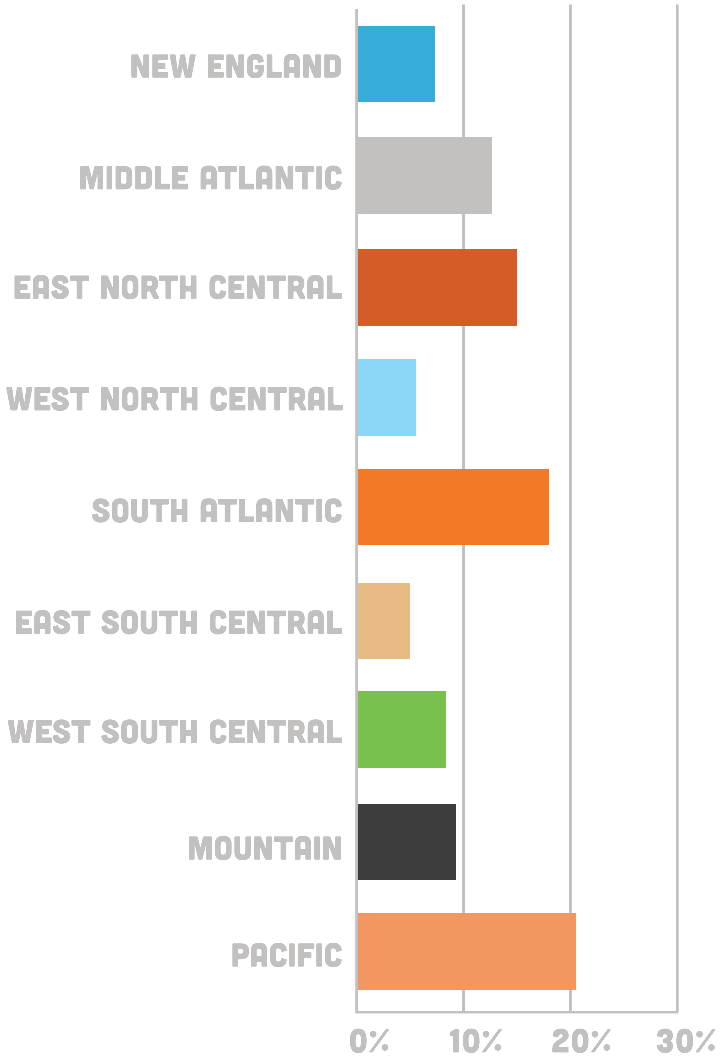
Gender

Answer options	Response percent
Male	41.55%
Female	57.11%
Prefer not to identify/other	1.34%



Region

Answer options	Response percent
New England	7.26%
Middle Atlantic	12.49%
East North Central	15.10%
West North Central	5.23%
South Atlantic	17.91%
East South Central	4.74%
West South Central	8.03%
Mountain	9%
Pacific	20.23%



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