



Outsmart eCommerce Giants to Win Online Shoppers in 2018: A Guide

The retail industry dominated headlines throughout 2017 as it underwent a period of significant transformation. From new channels for shopping to industry consolidation, and a string of store closings, the shopping experience has changed substantially from just five years ago.

Titans like Amazon and Walmart continue to keep things interesting by constantly outdoing one another with new and innovative offerings to appeal to consumers - so much so that independent brands are now tasked with meeting higher expectations...or else. This has led competing retailers to consider questions like: how do I migrate my brick-and-mortar strategy to eCommerce? Once online, how do I meet my customers' rising expectations? By encouraging our customers to go online, am I opening them up to all of my competition? How do I maintain loyalty? How can I protect my own bottom line from rising costs of eCommerce fulfillment operations while meeting delivery expectations? And just as importantly, how do I ensure my customers are protected from cyber criminals who roam the internet?

In this eBook, we explore what more than 4,000 consumers across four different regions of the world - United States, United Kingdom, Canada and Australia - value in their online experience, where opportunity exists, and how brands and retailers can execute to ensure that they maintain a competitive position as the industry continues to rapidly transform.

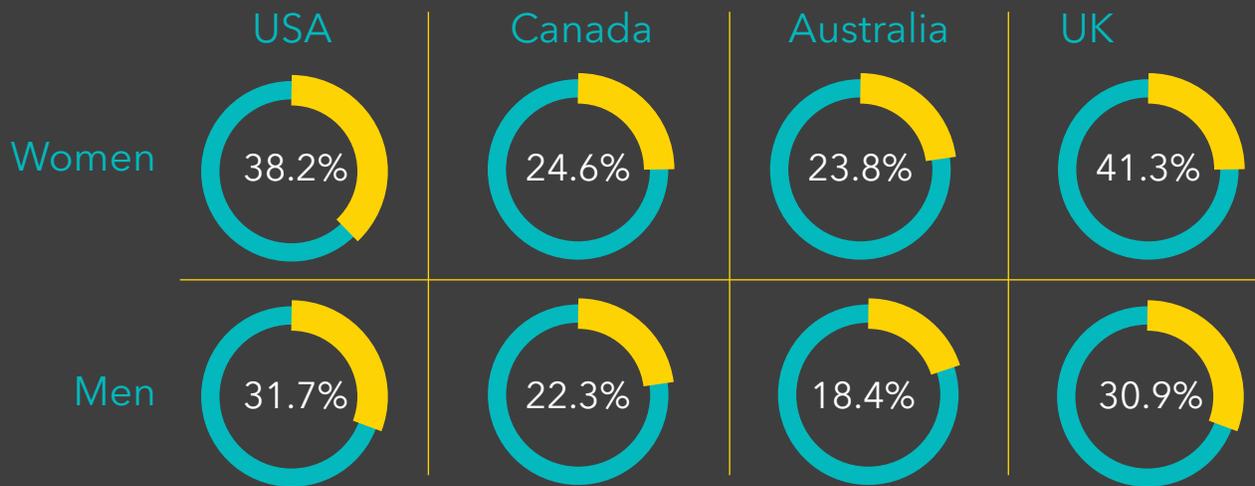
Read on to learn what we discovered.

Findings

Know Who Your Customers Are

Understanding who your shoppers are and what they are purchasing online is critical for eCommerce success. While each company must drill into their specific target market and audience at a granular level to understand nuances, there are consistencies that exist across the globe.

Women are more frequent online shoppers, although men are not far behind:



The types of products being purchased online are similar across regions as well:

- Clothing and accessories is the top category consumers purchase online (55.5 percent), followed by electronics (43.2 percent), then health and beauty (28.7 percent).
- The UK was the only outlier, replacing groceries (31 percent) for health and beauty as their third most popular choice.
- Alternatively, groceries placed fifth in the US, Australia and Canada, but the US was in the lead among that group at 25 percent (Canada 17 percent and Australia 18.1 percent).

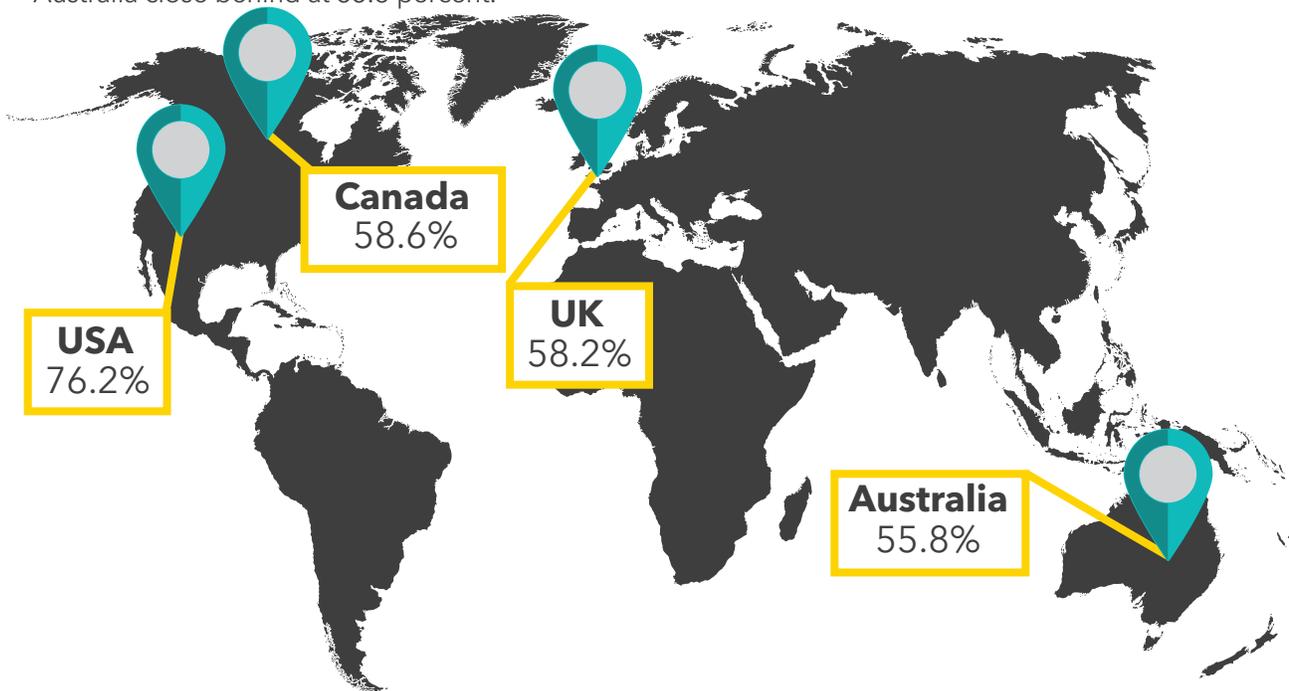
While in most regions, grocery has not yet broken into the top three categories purchased online, this data does indicate an area of opportunity. According to a global study conducted by Euromonitor International, a consumer market research firm, global online food and beverage sales will rise 80 percent over the next five years.

The increase in online grocery is consistent with the survey finding that most online shoppers are purchasing lower cost items and generally spend less than \$100 per month on goods. The UK reported the largest number of low spending shoppers, with 56.2 percent of respondents reporting that they spend under \$100 per month online. US respondents exhibited a nearly even split between those that spend less than \$100 per month (42.2 percent) and those that spend between \$100-500 per month (42.3 percent).

eCommerce Marketplaces Continue Their Rule

The recent boom of marketplace memberships has set the tone for the greater eCommerce industry and, in the process, made it more difficult for individual brands to satisfy consumers. This is due to the convenience that marketplaces offer - with such a broad range of products and a "one-stop-shop" that eliminates the need for consumers to subscribe to multiple websites or download multiple apps.

The impact that Amazon (and eBay before it) has had on consumer convenience is substantial, as the majority of consumers who shop online hold a membership to an eCommerce marketplace. Survey results found that 20 percent more American consumers hold memberships than other English-speaking countries at 72.6 percent, with Canada and the UK even (58.6 percent and 58.2 percent, respectively), and Australia close behind at 55.8 percent.



Among these marketplaces, Amazon is the clear favorite in global markets where it is available, recently displacing eBay. The only outlier is Australia, where Amazon recently became available starting only in December 2017. In this case, eBay served as the most popular eCommerce marketplace with 63.8 percent of market share. Other marketplaces such as Jet.com, Rakuten, Alibaba and Allegro fall significantly short of Amazon. In fact, across all regions, these sites control less than 15 percent of consumer memberships.

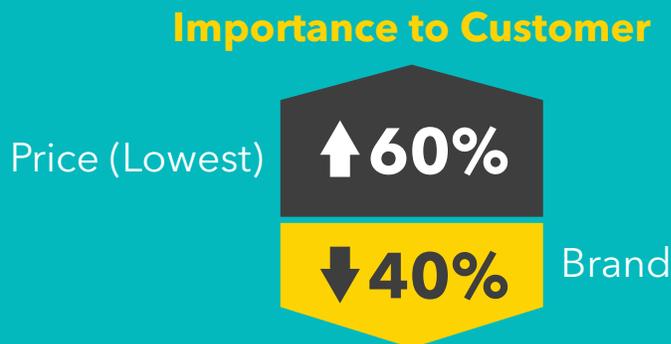
How Amazon is Impacting Your Customers

The survey findings prove that major eCommerce marketplaces and industry leaders are setting the tone for consumer expectations. As mentioned above, this is illustrated through the sharp differences in expectations between markets in which Amazon is active and those where it is not.

Because Amazon is so prevalent across most English-speaking regions, it is undoubtedly impacting consumer standards when shopping elsewhere. So, what are these expectations and how do retailers meet them?

First and foremost, price is king. Over 60 percent of respondents across regions reported that the most important factor when shopping online is that the goods they are purchasing are the best (lowest) price -- 66.9 percent in Canada, 64.5 percent in the US, 63.4 percent in Australia and 61.2 percent in the UK.

Knowing and trusting the brand behind the product came in second across the board, at a considerably lower rate - 49.8 percent in Canada, 47.7 percent in the UK, 44.4 percent in Australia and 42.8 percent in the US. This finding alone proves the importance of retailers finding ways to build brand loyalty in order to maintain name recognition and remain competitive.



Shipping times and easy returns are relatively equal in importance to the consumer. In the US, consumers are split between expecting their goods to be delivered within two days or less (34.6 percent) and expecting them in under a week (34.1 percent), showing that retailers have some flexibility in their delivery windows. However, all countries want their purchases shipped in a somewhat timely manner, with less than nine percent of respondents across regions listing that delivery times "don't matter" to them.

Easy online returns produced similar numbers, with consumers in the US caring most about this at 37 percent and Canada in second at 34.3 percent.

Interestingly, more important to consumers than expedited shipping is free (or inexpensive) delivery. With the rise of eCommerce, free shipping has become a commodity in the US, with 60 percent of consumers not expecting to pay for their goods to ship and 23.5 percent willing to pay up to 10 dollars. The takeaway? The correlation of cost and delivery timeline is inconsequential -- as long as consumers don't have to pay for their goods to ship, they are willing to wait for them to arrive.

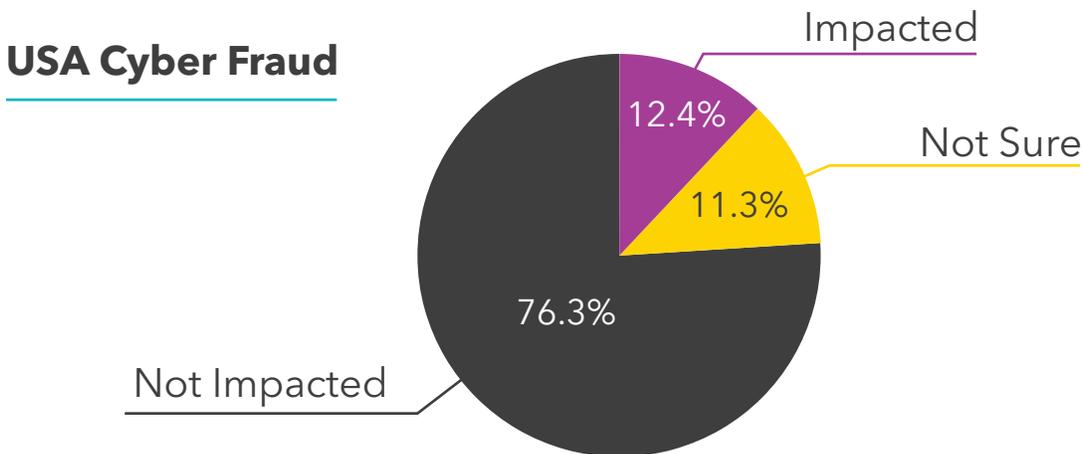
Across the board, "two-day delivery," "one-click checkout," and "in-store pickup" were reported as being of lesser importance. These perceptions may change, however, as eCommerce becomes a more prevalent means of purchase globally and market leaders commoditize these experience-driven elements.

Eliminate Fraud Risk to Gain Trust

With data breaches on the rise, cyber security should be a top priority for retailers. According to a survey conducted by Aite Group, 37 percent of US consumers would stop shopping with a retailer if they experienced fraud after a data breach. UK and Australian shoppers were much less forgiving 56 percent and 62 percent respectively would no longer be customers.

As of September, 2017 had already seen 1,080 data breaches in the US with 171 million records exposed a 375 percent increase in exposed data over 2016. Because breaches are often not discovered or reported until months after the breach occurred or sometimes not at all, criminals have the time and tools to amplify the damage long before businesses and consumers take action. Equifax, one of 2017's worst data breaches, started in mid-May and wasn't discovered until the end of July ultimately compromising identity information of 145.5 million US consumers. And Radial's retail clients felt the impact. The chart below shows a significant uptick in fraud attacks across four separate market segments coinciding with this same time period.

However, onus for cyber security is not only on retailers. Consumers must also be vigilant. According to our survey, 76.3 percent of USA respondents reported they have not been impacted by fraud, 12.4 percent have been impacted and 11.3 percent are not sure.



With nearly 25 percent of respondents impacted or not knowing, and the potential for even those that weren't to be impacted in the future due to the long term consequences of data breaches, consumer complacency is not an option. Consider something as simple as using the same password on multiple accounts. Criminals armed with log-in info for one account stolen in a data breach or purchased on the dark web, now have easy access to a plethora of accounts for a single person.

Yet many consumers are complacent or quite simply "in the dark". Based on a poll by Creditcard.com conducted two weeks after the Equifax breach was made public, around 30 percent of the US adult population hadn't heard anything about the breach. And only 61 million (42 percent) of those potentially impacted are believed to have actually checked their credit scores.

While retailers and consumers alike need to be guarding against fraud, it's a retailer's corporate responsibility to put every conceivable measure in place to combat fraud and protect the customer's information. Bottom line it's a job best left to experts. When done right, your customers will thank you with not only their loyalty, but also with incremental business.



How Retailers Can Continuously Provide Value

With retailers consistently raising the bar and consumer expectations following suit, the only way to stay ahead is by taking advantage of new resource models. Retailers can continue to provide value to customers by outsourcing their broader operations and fulfillment network to a global, third-party partner. As it is often too costly for retailers to build their own infrastructure, a shared resource or outsourced model helps them to manage costs so that they can maintain margins and avoid surprising the customer with upcharges.

Consider selecting a partner that can assist with the elements that matter most to the customer experience, such as:

- Omnichannel fulfillment
- Easy and secure payment process
- Low-cost shipping
- Customer care

By outsourcing operations, retailers not only gain the advantage of agility and savings but they are able to spend less time focused on logistics and more time driving innovation of their products and improving the pre-click experience.

Conclusion: Lessons Learned and Emerging Opportunities

The drastic rise of eCommerce has resulted in a re-setting of customer expectations. Retailers should focus on emerging global markets where opportunity to gain a foothold and directly impact the customer experience remains strong. While retailers work to keep up with market leaders, such as Amazon, in the US and abroad, they should set their sights on cross-border strategies to gain a leg up. Brands that can get ahead of (or beside) the inevitable commoditization of eCommerce offerings stand a better chance of gaining influence in new regions.

In regions where Amazon has already made its mark, brands still have a chance to become an online destination of choice by putting an emphasis on reducing fulfillment and logistics costs and delivering value through personalized experiences. Outsourcing offers brands more room to price products lower and provide greater value to their customers through meaningful customer service interactions, personalized delivery and other convenience models.

Another way that brands can secure a foothold in the market is by penetrating new industries that are just entering the world of eCommerce, such as grocery. If a brand can secure a strong position in vertical markets early on, consumers are more likely to view that particular brand as a leader, even as competitors start offering a similar service.

Additionally, retailers should take note that consumers favor cost over brand loyalty, a finding that was confirmed in every region surveyed. This is a wakeup call for brands that they must invest in smart cost-saving strategies while continuing to provide a top-notch customer experience. If cutting prices is not an option, then brands should aim to find other differentiators to ensure they are delivering the same (or more) value than brands offering value pricing. This can be accomplished through customer convenience, a seamless online experience, personalized product recommendations, various delivery options and secure shopping -- all components that contribute to an unparalleled shopping experience.

Perhaps above all, retailers must understand their customers. Through having a grasp on what their customers are looking for and at what price, retailers will be able to build the ideal experience for their base. Through these survey findings, we know that consumers are shopping online for convenience and are interested in purchasing various items. With these underlying motivations in mind, retailers will be better positioned to build eCommerce strategies that highlight and differentiate their offerings.

About Radial

Radial is the leader in omnichannel commerce technology and operations, enabling brands and retailers to profitably exceed retail customer expectations. Radial's technical, powerful omnichannel solutions connect supply and demand through efficient fulfillment and transportation options, intelligent fraud detection, payments, and tax systems, and personalized customer care services. Hundreds of retailers and brands confidently partner with Radial to simplify their post-click commerce and improve their customer experiences. Radial brings flexibility and scalability to their supply chains and optimizes how, when and where orders go from desire to delivery. Learn how we work with you at www.radial.com.

