Evolving the Omnichannel Experience in a Transformed World



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The challenges of omnichannel are multi-dimensional and ever shifting. At the core, omnichannel is still about making all retail channels work together to create a seamless shopping experience.

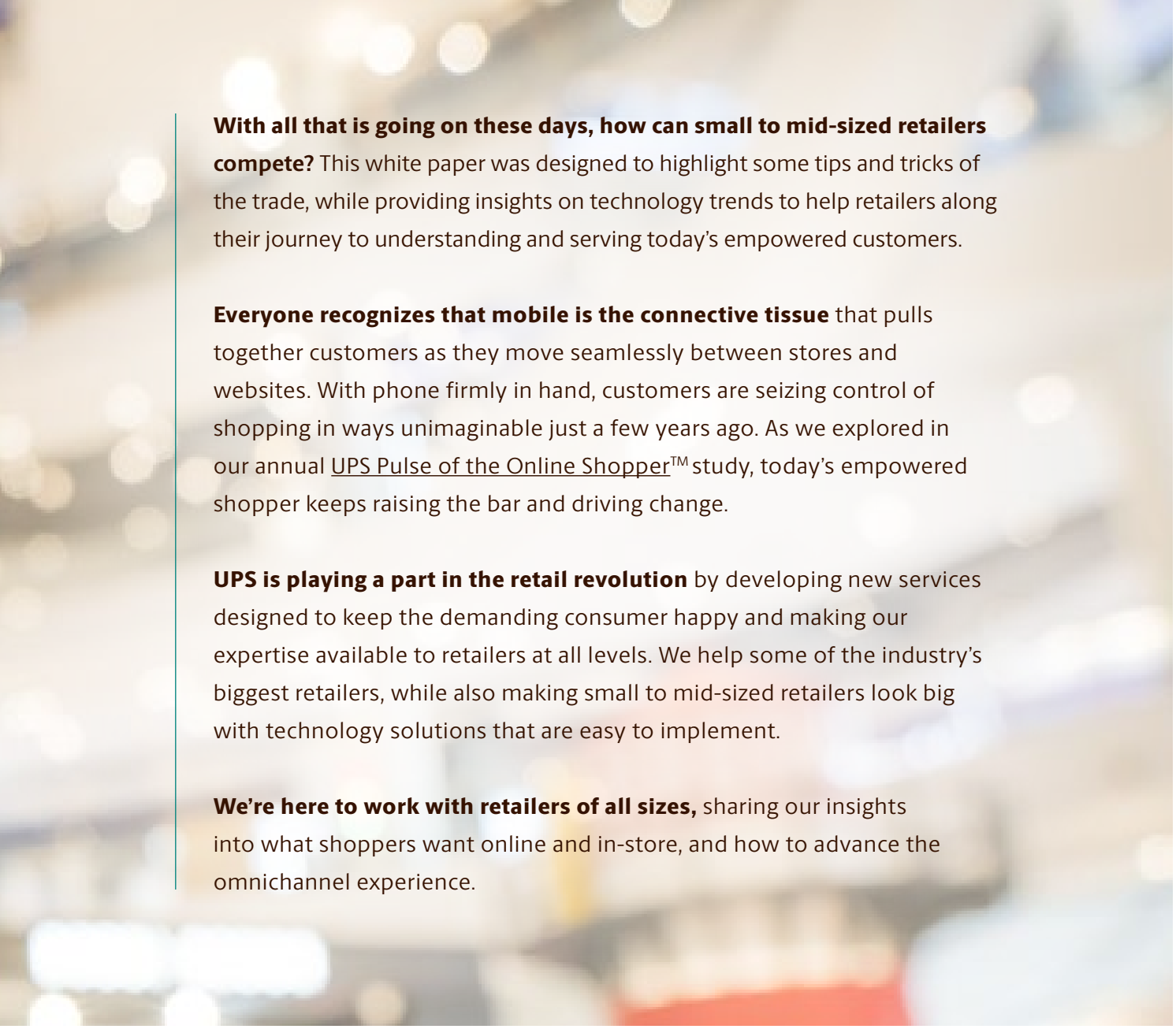
But it's getting more complicated each year as shoppers come to expect more from stores and online sites. That's why stores are being challenged to become experiential places or showcases that make them worth the trip.

We've entered the age of unified commerce, which is taking the conversation to another plane. It's defined here as aligning the technology and physical infrastructure to make the shopper's omnichannel experience happen.

The other trending topic of the past few years, digital transformation, is also coming into play. A heightened level of technology performance is needed to make omnichannel work—from personalized promotional tactics to inventory management to customer service to logistics.

As if getting all the tools in place to interconnect stores, online, and customer service (call centers and in-store associates) weren't complex enough, real-time inventory data and a strong logistics foundation also need to be in place so retailers can strategically and cost-effectively promote, display, sell, and deliver products.

That's why omnichannel and digital transformation are colliding in a way that promises to leave slow-to-act bystanders in the wake. The changing role of stores is a quandary: We're witnessing rampant closures while online pure plays are opening physical stores at the same time.



With all that is going on these days, how can small to mid-sized retailers compete? This white paper was designed to highlight some tips and tricks of the trade, while providing insights on technology trends to help retailers along their journey to understanding and serving today's empowered customers.

Everyone recognizes that mobile is the connective tissue that pulls together customers as they move seamlessly between stores and websites. With phone firmly in hand, customers are seizing control of shopping in ways unimaginable just a few years ago. As we explored in our annual UPS Pulse of the Online Shopper™ study, today's empowered shopper keeps raising the bar and driving change.

UPS is playing a part in the retail revolution by developing new services designed to keep the demanding consumer happy and making our expertise available to retailers at all levels. We help some of the industry's biggest retailers, while also making small to mid-sized retailers look big with technology solutions that are easy to implement.

We're here to work with retailers of all sizes, sharing our insights into what shoppers want online and in-store, and how to advance the omnichannel experience.

About This White Paper

To create this white paper, UPS tapped into our own deep bench of expertise as the industry's leading retail delivery provider, including proprietary research from the UPS Pulse of the Online Shopper. We also worked with Chicago-based retail consultant Lauren Freedman, SVP Digital Strategy at Astound Commerce, to provide additional retail and consumer insights.



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Delivering What Today's Empowered Shoppers Demand

Omnichannel has become non-negotiable for the empowered shopper. And retailers have realized their future lies in delivering a seamless shopping experience. To successfully execute this, retailers will have to find the best ways to provide consumers with the highest levels of consistency, quality, and convenience across all channels.

"Retailers will have to find the best ways to provide consistency, quality, and convenience across all channels."

Creating Omnichannel Consistency is Essential

Today's retailers are looking at distinct experiences that not only enhance each channel, but also increase the connectivity between channels. This starts with a focus on the digital experience across all channels, and it ends with consistent execution across every shopping dimension. In a 2016 CMO Council/SAP Hybris study, 55% of senior marketers ranked consistency of experience across channels in the top 5 of attributes that they believe are most important to their customers.

When shoppers look for a consistent experience, what exactly do they desire? They prefer consistency in things like product pricing, free shipping, promotions, and branding, and 8 out of 10 shoppers vote with their pocketbook.[1] Despite

[1]*Astound Commerce Mobile Survey, 2016*

all of the discussion in the industry about multiple channels and distinct branding, creating a single brand experience still remains a work in progress for most retailers.

> *"Research shows about half of shoppers select a retailer based on the quality of the channel experience."*

Consumers Desire Quality Across Channels

The physical store is under fire to elevate the customer experience and offer compelling reasons for shoppers to actually make an in-person visit. After all, according to a Q4 2015 online e-commerce report from comScore, stores still account for 85% of retail sales. Retailers are weighing not only how channels connect with one another through technology, but also how technology will be used to enhance the experience once shoppers pay a visit.

To attract consumers both online and in store, quality is key. Research shows about half of shoppers select a retailer based on the quality of the channel

Top 5 Elements of Customer Experience

According to Senior Marketers Worldwide



Fast response times



Consistent experience across channels



Knowledgeable staff ready to assist



Clear, consistent information across channels



A person to speak with regardless of time or location

Source: CMO Council and SAP Hybris, "Context, Commerce + Customer: Best Practices to Exceed Expectations," June 28, 2016, from eMarketer

experience, particularly for the web and store. With the continued popularity of technology among savvy consumers, mobile web and app experiences are gaining ground and have become a factor for around one-third of shoppers.[2]

So what exactly are these consumers looking for in a retailer as they decide to make a purchase? According to the 2016 Astound Commerce Holiday Survey, things such as product availability, delivery prowess, including guaranteed on-time delivery and speed of delivery, and ease of returns are essential. The purchase experience—including payment, logistics, and customer service—also stands out.[3]



Dimensions of the Digital Shopping Experience

Digitally, there are many dimensions to the shopping experience, including commerce, content, and community.

Commerce began in the late 90s as websites emerged mostly in the role of order takers. Subsequently, retailers invested heavily in content around product imagery and information. Category content, including how-tos and videos, later helped to educate shoppers and deliver a risk-free shopping experience. Finally, community or social dynamics became integral to online shopping. This was led by customer-generated content and the all-powerful product review.

Today, each of these areas has become an important part of the online shopping equation. Retailers make decisions daily about how much of each element will be infused into the shopping experience, with a goal of exciting shoppers and best representing the brand promise.

[2]*Astound Commerce Holiday Survey, 2016* [3]*Ibid.*

Shoppers Seek Retailers Who Provide Convenience

Along with a quality experience, consumers are also looking for quicker and easier ways to find and receive the goods they need. Inventory transparency, pickup of online orders in store, and same day store delivery are "always" reasons for about one in three shoppers to choose a particular retailer. These tools have become staples of the most sophisticated retailers but are tactics that smaller retailers must consider to compete on an even playing field.

The Popularity of Ship to Store

The UPS Pulse of the Online Shopper study found that consumers also like the convenience of ship to store. Half of shoppers have used this feature, and almost half who have done so have made additional purchases during that pickup. The study also revealed 35% of shoppers would choose ship to store to qualify for free shipping. These insights into shopper behavior may be one of the secrets to driving store traffic and capitalizing on these visits.

Conveniences that Cause Consumers to Buy from a Retailer

Respondents Who Said It Was "Always" a Factor



35% Ability to access inventory across all of a retailer's channels

35% Ability to buy online and pick up in store

35% Ability to reserve online and purchase in store

33% Ability to view items available for same day pick up at a local store

30% Ability to access my customer profile/cart across all of a retailer's channels

30% Ability to receive same day delivery from a store

23% Ability to build and share a wishlist

Source: Astound Commerce Holiday Survey, 2016

Making Package Pickup Easier

Just as shoppers enjoy in-store pickup, over half have expressed interest in an alternative pickup location that has extended hours, if the shipping fees were less expensive. Urban shoppers and Millennials in particular are interested in this option. Once again, convenience is a factor as shoppers look to accommodate their busy schedules. UPS already offers this convenience through the UPS Access Point® network, with more than 26,000 locations globally, including over 9,000 in the U.S. by the end of 2017. ▪

> *"If retailers can address the customer experience and these transformative elements of omnichannel shopping, they will be well positioned for growth."*



Ship to Store Creates Sales Opportunities

50%

have utilized ship to store for pickup



46%

have made additional purchases in store



Source: UPS Pulse of the Online Shopper, 2016

Interest in Shipping to Alternate Locations

54%

of shoppers are interested in an alternate pickup location



Source: UPS Pulse of the Online Shopper, 2016



Retailers Recognizing Customer Experience Means Everything

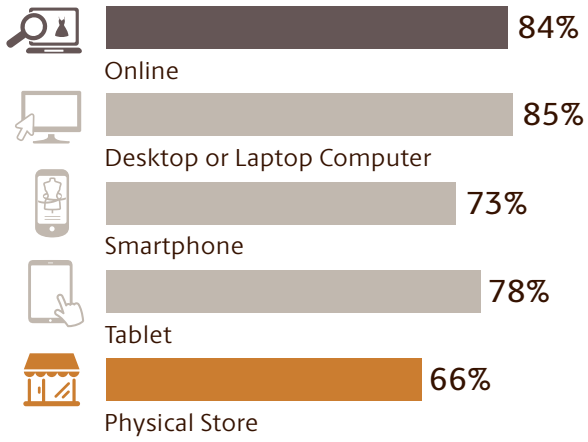
Customer experience has become top of mind among retailers, and most now realize its importance to omnichannel. In fact, 88% of retailers say they have omnichannel goals, according to Retail TouchPoints research. But the real challenge is execution. Larger retailers appear to be leading the pack, as midmarket competitors explore ways to cost-effectively compete.

"Shoppers are crisscrossing channels using multiple devices and multiple channels as they consider their purchases."

How Digital and Brick-and-Mortar Experiences Stack Up

Shoppers are crisscrossing channels using multiple devices and multiple channels as they consider their purchases. The UPS Pulse of the Online Shopper study revealed that among shoppers, satisfaction with online shopping experiences is higher than in-store. Online and desktop satisfaction were at 84% and 85% respectively, while physical store satisfaction came in at 66%. Smartphone shopping satisfaction is up several percentage points over 2015, and purchases on smartphones have also gone up. Increased screen size and improved mobile experiences offered by retailers have made not just shopping but buying a viable alternative on these always available devices.

Shoppers More Satisfied with Online than In-Store Experience



Source: UPS Pulse of the Online Shopper, 2016

Due to digital's strong performance, retailers who sell in brick-and-mortar channels are recognizing the need to evolve their online experiences to ensure that all channels coexist comfortably.

Mobile Is the Connector to the Store

While shoppers have become more comfortable making purchases on their smartphones, they also are increasingly using mobile to connect to stores. Two in three have located stores or looked up store-related information. And more than half have

Shopper Mobile Activities

Respondents Who Have Done the Activity at Least Once



67%
Located stores or store-related information

55%
Previewed an offer based on my location

56%
Opened email from retailers on your mobile device and made a purchase in store

58%
Clicked on a retailer's ad and subsequently visited their physical store

57%
Checked store inventory

Source: UPS Pulse of the Online Shopper, 2016

checked a retailer's ad, previewed an offer based on location, or checked store inventory. Shoppers enjoy the convenience of having all of this information in the palm of their hand, and retailers need to ensure their online sites and apps are optimized to reach these desired consumers.

55%

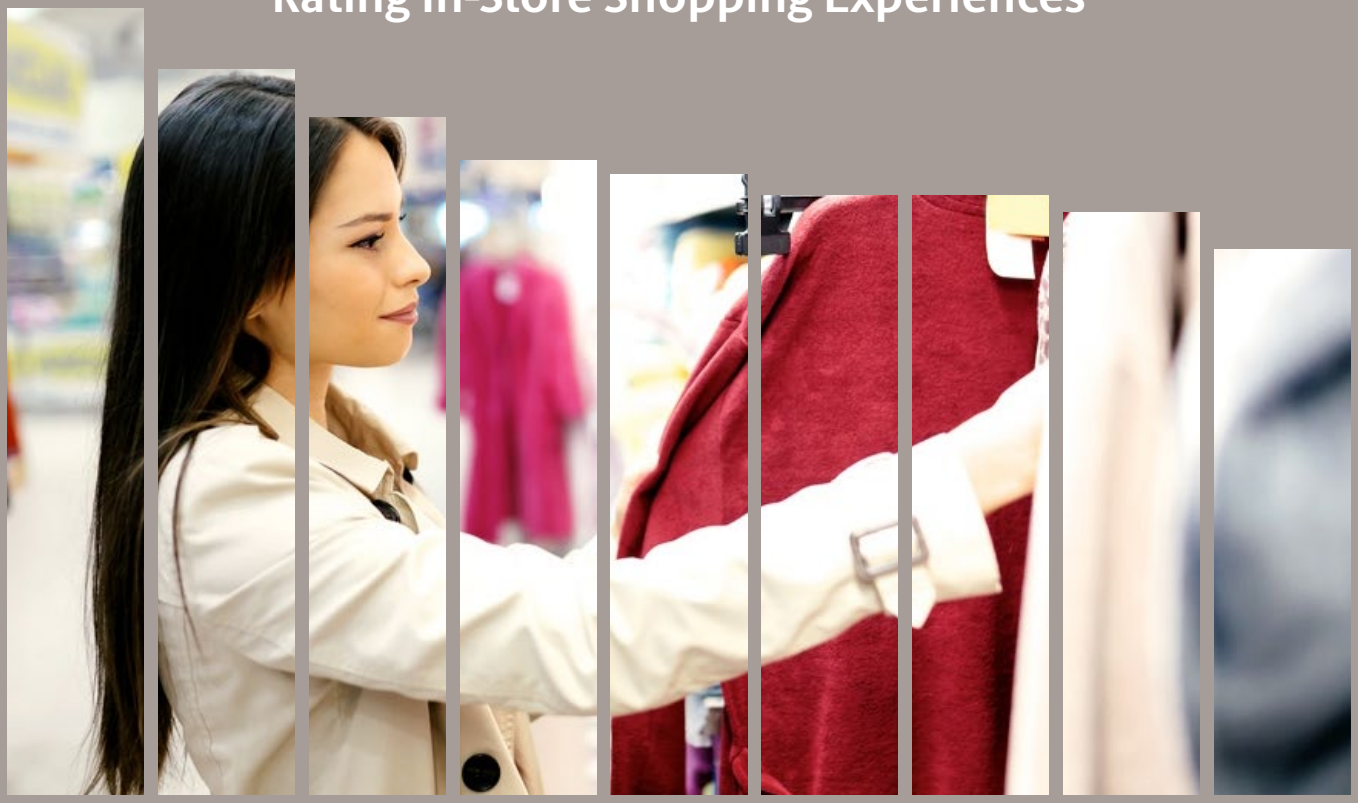


of shoppers would rather interact with technology than sales associates

The Store Mandate: Create a Better Experience

When it comes to their overall customer experience inside stores, just over one in three shoppers rate it as very good, according to the UPS Pulse of the Online Shopper. These ratings are highest among Millennials (45%) and Gen Xers (35%), while Baby Boomers and the 70+ segment come in at 29%. To help differentiate themselves, retailers need to improve upon this level of satisfaction, and technology may be the solution.

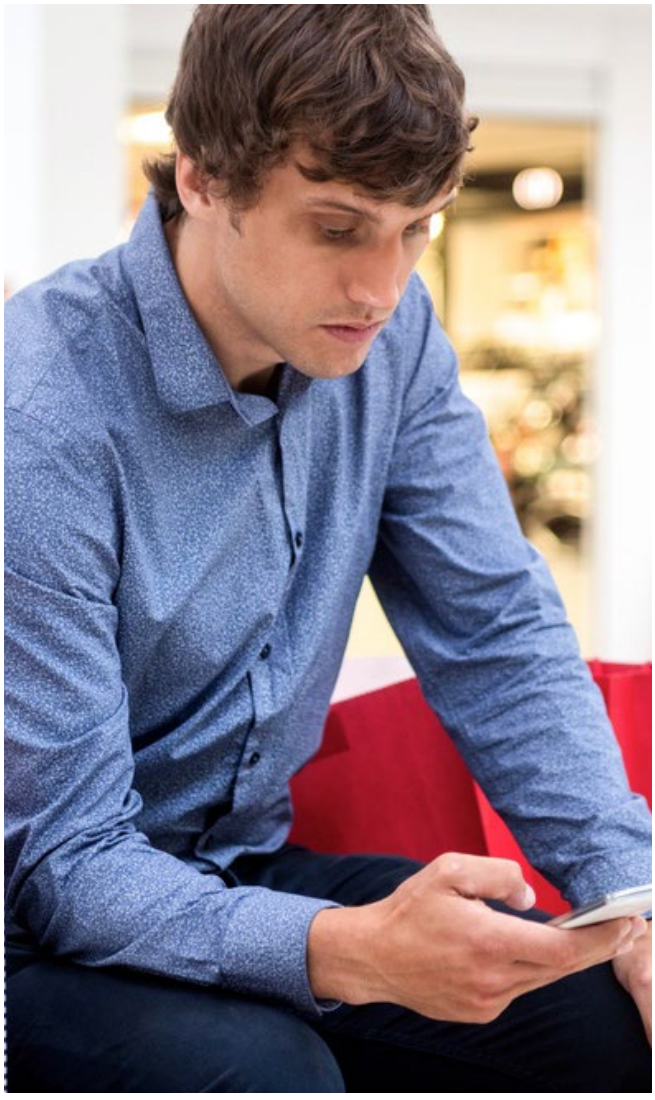
Rating In-Store Shopping Experiences



37%	34%	31%	29%	28%	27%	27%	26%	24%
Overall customer service	Efficiency in locating products	Sales associate knowledge	Inventory access where you can see product availability across all of a retailer's stores	Use of technology to support shopping experience (scanners, mobile checkout, kiosks, etc.)	Innovative shopping concepts	Generating excitement during store visit	Personalization of the shopping experience across all of a retailer's channels	Quick checkout tapping into mobile technology

Source: UPS Pulse of the Online Shopper, 2016

"Retailers who keep customer demands and time constraints in mind will combine the best of the associate with the power of technology to effectively serve the shopper."



The Balance of Personal Touch and Technology

To keep customers coming to their stores, retailers will have to find a way to combine superior associate experiences with customer-centric technology solutions. Associates will need to possess both the right attitude and the right knowledge to assist customers. This includes an understanding of the retailer's technology, from apps to in-store devices such as laptops, to help personalize the shopping experience.

For those shoppers who prefer technology interactions, forward-thinking retailers are already positioning themselves for success. They have implemented a range of ideas, from mobile checkout in the shoe department at Nordstrom, to kiosks that provide pickup information for orders placed online at Kohl's, to tools that guide shoppers with their cosmetic purchases at Sephora. Retailers who keep customer demands and time constraints in mind will combine the best of the associate with the power of technology to effectively serve the shopper.

In fact, the 2016 Astound Commerce Mobile Survey reported that 55% of shoppers shared they would rather interact with technology than sales associates. It is for this segment that technology within the retail store will have the greatest impact. On the flip side, positive interactions with sales associates are an important factor in shopper likelihood to purchase for 69% of respondents.

How Shoppers Feel About Store Associates

Respondents Who Strongly or Somewhat Agree



69% Positive interactions with sales associates are an important factor in my likelihood to purchase

60% Sales associates are knowledgeable about all of their channels

58% Sales associates are an integral part of my in-store shopping experience

55% I rarely interact with sales associates

55% I would rather interact with technology than sales associates

53% Sales associates in stores are utilizing technology effectively to enhance my shopping experience

48% Sales associates are personalizing my shopping experiences

41% I don't want to interact with sales associates at all

Source: Astound Commerce Mobile Survey, 2016

The Store as Technology Lab

As retailers look to integrate technology more into the shopping experience, they can use their stores as laboratories. The store footprint and layout are key factors in determining which technology will have the most impact. For example, clientelling (personalized service) may be more desirable in an apparel environment, while in-store mapping performs well for larger big box stores, including home improvement and mass merchants.

Technology is evolving at a rapid pace, and research indicates that almost two out of three shoppers find a range of in-store tech desirable. Technology that assists shoppers with finding products is the most preferred.

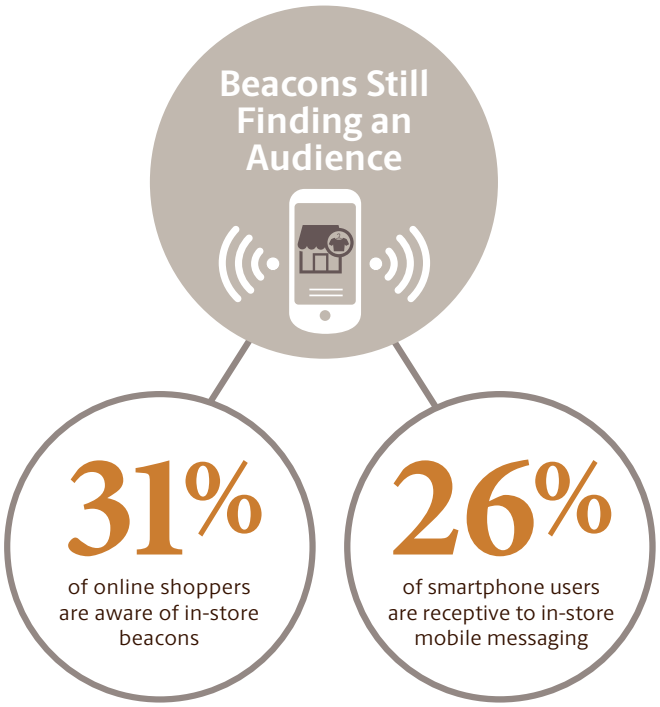
Desirability of In-Store Technology During 2016 Holiday Season

Nearly 2 in 3 Shoppers Find a Range of Tech Desirable



81%	75%	75%	72%	69%	68%	67%	66%	60%	59%
Tech that helps find exact location of products in the store	Notify via cell that item in cart is available when you arrive at store	Touch screens for information, checkout, or delivery arrangements	Texts to notify of promotions while in store	QR codes to access price, product reviews, and other info	Push notifications about promotions prior to visit	Image search—shoppers submit picture, associates find closest match	Interactive tools on associate's tablet to enhance shopping experience	Clientelling—associates help you choose products via tablet or phone	Virtual reality to assist product selection

Source: Astound Commerce Holiday Survey, 2016



Source: UPS Pulse of the Online Shopper, 2016

When it comes to beacon technology in stores, three out of ten shoppers are aware that beacons are in place and being utilized by retailers to send in-store texts, notify them of a product's availability, or let them know about promotions that could save them money. The challenge with this technology is adoption, as just one in four are receptive to receiving these messages.

The promise of beacons has underdelivered because not only do customers need to download the app, but they also need to have it open in the store. According to UPS Vice President of Strategy Bala Ganesh, facial recognition and machine thinking may help leapfrog these hurdles in the not-too-distant future.

Retailers Rank Omnichannel Opportunities

Respondents Who Ranked it "Significant"



47%	43%	43%	39%	39%
Improve operational execution across all channels	Create a single brand identity across channels	Allow the customer to purchase, take delivery or return a product through the channels of their choice	Allow inventory allocated for one channel to be used for another channel's fufillment	Use the digital channels to provide rich content about our products and services

Source: Retail Systems Research (RSR), "Retailers' Omni-Channel Blind Spot: Digital," August 25, 2016, from eMarketer

Seeing the Value in Omnichannel Investment

Overall, retailers are seeing the value of the money and effort they are putting into creating a seamless shopping experience. When asked about the level of opportunity they expect from their investments in omnichannel, almost half (47%) of retailers worldwide see a "significant opportunity" to improve operational execution across all channels, while 43% anticipate similar opportunities to create a single brand identity across channels. Other opportunities that rank highly are logistics-related items, including flexibility across channels for purchasing, delivery, returns, and inventory allocation. ▪



The Increasing Importance of Logistics on Omnichannel Strategy and Marketing

To provide the best customer experience, retailers need to have a wider view. This involves bringing all disciplines to the table—from marketing and finance to customer service and logistics. Every interaction with the customer should be carefully considered by these different groups—from the first point of contact to the final delivery of a product.



Q&A with Elizabeth Terrell

from UPS Enterprise Sales

In this Q&A session, Elizabeth Terrell, Corporate Vice President, UPS Enterprise Sales, offers a wealth of market-tested insights and advice to today's retailers. Her team of retail experts is dedicated to taking small and mid-sized retailers to the next level with supply chain solutions that work smarter. Her colleagues in the UPS Enterprise Solutions group offer guidance to large retailers, and together they cover the complete spectrum of retail businesses.

Q: How is digital transformation changing omnichannel and supply chain strategies?

A: There is a growing realization with retailers that omnichannel requires everyone in the organization at the table to develop a solid strategy and supply chain design that supports it—from the front end to the back end. In addition to the traditional logistics senior decision-makers, you need marketing, e-commerce, customer service, and finance all to be represented.

So from a middle market and small business perspective, you're seeing marketers and buyers closely aligned to figure out what the supply chain can do to meet strategic business objectives and produce the right customer service. You see them work together a lot more.

The traditional cost per transaction of a shipment is being replaced by measuring the contribution of logistics to a good shopping experience and how much revenue that experience helped generate. How much got sold? How many items per order? How much was returned? And those should tie back to the logistics. Our logistics decision-makers are proactively promoting technologies that work across the enterprise to help drive growth in keeping with their corporate strategy.

Q: What is the genesis for that change?

A: In the past, you might go through the whole supply chain process with just the logistics team, and possibly procurement and finance. Shortly thereafter, marketing might want to roll out a new product, but the supply chain wasn't set up to accommodate what they're trying to do.

And so, if you're looking at your business from a holistic perspective, the supply chain should really be working behind the scenes of where you're going with your customer. And I think that's been a complete shift from where we were five years ago.

A lot of that has to do with the omnichannel approach being very important to retailers and creating that customer experience. Because with online you don't have that in-store salesperson to develop a relationship. You have to work really hard to create a relationship when the online customer experience defines how they feel about their transaction. Plus, shoppers expect that online and the store will work together effortlessly. And that takes extraordinary levels of coordination between functions.

Q: What does this digital transformation mean to retailers?

A: It's so easy now for a marketer at a retailer to go into their website and adjust a promotion or a sale or do things on the fly. But it's not as easy to adjust your supply chain on the fly. So, the fluidity of that digital transformation requires a supply chain that supports it in the physical world. The two must travel together.

Often the need to scale up for the holiday peak season drives a lot of the desire to sync up marketing and logistics. The need to react quickly now is compelling marketing and logistics to get together beforehand.

Q: How is logistics changing within organizations?

A: I think for the longest time, the supply chain wasn't sexy. But today, retailers and manufacturers are actively seeking that skill set. In the past, marketing was doing exciting things, but often in their own world. In many organizations, the two would rarely talk, particularly on strategic planning topics.

And, a lot of times, the logistics team or CFO thought that the marketing or customer service groups were not aligned with their primary goal, which was to drive costs down, rather than to provide

The Changing Dynamics of Today's Retail Marketer

While marketers previously focused only on the brand and respective messaging, they now must touch on every aspect of the company—from the customer experience to the supply chain. Their expanded role can help ensure every interaction is delivered in a way that connects the retailer to the customer, creates a seamless shopping experience, and builds a relationship with the brand.

Omnichannel Marketing Goals

Establish a relationship with the customer digitally to supplement or replace in-store opportunities that are declining in value

Build a better buying experience by integrating the supply chain into the brand interaction with the customer

Emphasize logistics as a marketing metric beyond the cost of a transaction to a more holistic measure of the impact on the customer experience

Personalize the shopping experience and treat shoppers as individuals using data

Strategically roll out new products and services to relevant target audiences

a better customer experience. More and more, they've realized that they can't leave those parties out of the partnerships with logistics providers.

Q: How does UPS bring the holistic strategies together within an organization?

A: Our Customer Solutions team can do an Advanced Whiteboard Session for those customers looking to spur growth or optimize their supply chain. It's really a deep dive into their organization. We have the best success when we all roll up our sleeves with senior decision-makers and map out their current supply chain. Ideally they bring their operations, marketing, customer service, finance, and logistics departments. It's not always easy to get everyone at the table, but more and more our customers see the value in a broader strategic approach.

We bring our seasoned supply chain strategists to ask the right questions in order to develop the best insights. We look at what our customer is trying to achieve strategically. There are a lot of variables. A supply chain is like an amoeba—it's moving and changing shape.

We'll identify what the organization wants to do, and we'll say, "You know, here are some opportunities where you can do this." Or, maybe they want to expand to other countries, so we'll look at trade agreements to assess marketplaces. Or, if you're a

Elizabeth's Customer-Centric To-Do List

- ☑ **Never take the customer out of the bullseye**—the competition is only a click away
- ☑ **Don't take shortcuts like slower service**—instead offer delivery options
- ☑ **Deliver the goods every time**—there will only be one shot at establishing a relationship
- ☑ **Don't be complacent with customer experience**—what's considered good is always a moving target
- ☑ **Mirror the best in retail**—regardless of the category and products you sell
- ☑ **Every day ask yourself the key question**—"What am I doing to make the customer feel good today?"
- ☑ **Don't cut costs**—on things that impact the customer experience
- ☑ **Leverage your supply chain partner**— they can suggest opportunities to work smarter

manufacturer, what you do in your supply chain may be vastly different than if you're a reseller of goods or an omnichannel retailer.

Q: What kind of consulting do you provide smaller retailers?

A: We've always tried to instill a "trusted partner" approach with our customers, large and small. We strive to help customers expand their marketplace and provide higher levels of service to their customers. [See the case study on the family-owned Siete Foods.]

We're also looking into using innovative technologies that will enable us to work with our Inside Solutions Team to provide logistics consulting services to smaller retailers. It's like a scaled-down version of the Advanced Whiteboard Session designed to provide expertise to small, growing enterprises.

> *"UPS has solutions for customers of all sizes, enabling small to mid-sized retailers to 'think big' and offer the same functionality as our large retail customers."*



Q: What can small to mid-sized businesses do to compete with large retailers?

A: Many retailers are motivated by the desire to look and act big. UPS has solutions for customers of all sizes, enabling small to mid-sized retailers to "think big" and offer the same functionality as our large retail customers. Our UPS Developer Kit API tools offer a wide range of logistical capabilities—from address validation, shipping, and tracking to quoting, UPS Access Point location, and shipment notification tools.

Retailers can leverage these world-class technologies so shoppers never leave the retailer's website for shipment status. Optionally, customers can receive shipment notifications from our website, but with the retailer's branding and promotional information. This way your website makes it look as though you have the same sophisticated customer service as a big-brand national retailer.

We also put marketing capabilities at your fingertips. Using our approved API-based shipping solutions, retailers can develop templates and add their own branding and promotion to the UPS® label. The branded shipping label can include customized promotional messages like "10% off your next purchase" or QR codes and web URLs. UPS Developer Kit API tools are designed to help retailers meet customer expectations and grow market share.

How to Look and Act BIG

Start with your website—it's always the first impression online and is the gateway to your business

Do returns right—it sets you apart from the many others who don't

Use reference number tracking—it pulls data through your organization efficiently for added visibility

Send branded email alerts—many retailers don't, but customers expect it (and UPS has an API for that)

Add branded labels to your packages—for a simple and free way to promote sales

Generate customized reports—with shipping software that can be leveraged for targeted marketing

Take advantage of outer and inner packaging—for strong branding that leaves an impression

> *"Never, ever take the customer out of your bullseye. And always be mindful of what it is you're trying to deliver that customer."*

Q: What do you mean by taking a customer-centric approach?

A: Never, ever take the customer out of your bullseye. And always be mindful of what it is you're trying to deliver that customer, because in online retail, you'll never meet them in person. You only have one shot, and if you don't get it right that first time, they're just not going to come back to you. It's too easy for them to go to your competitor.

As an online retailer, you're saving some costs because you don't have the brick-and-mortar expenses, so you have to think about the final mile of logistics as part of your customer experience. You need to factor some of that cost back into marketing dollars that you would have spent on an in-store experience.

I ask luxury retailers, "What are you doing now to give your customers a five-star experience?" Because they still need to differentiate themselves to demand a premium price. They need to do things like pay attention to the packaging. When a customer opens up an order, the inside of the box needs to be beautiful. You're just talking about a box, right? But you would get a nice shopping bag if you were in their store, and it would have color-coordinated branded tissue paper, ribbons. To me, that's an area where a small business is likely to cut costs. But you shouldn't cheat that experience.

One of the other things that we point out a lot is having a very generous and easy to follow returns policy. It's a real difference maker, and an area in which many retailers struggle. Returns tend to be three times higher online, so it's a big part of the experience.

Q: How should retailers be sharing information both inside and outside their organization?

A: Internally, a lot of information has to be passed throughout the organization, whether you're feeding your internal costs or you're generating an invoice. Other ways that information can be used internally include making sure that you don't have duplicate orders and you do have proper inventory control. And then, the information can also be passed to customer service, so that you can be proactive about an order.

Externally, when it comes to pushing information out, a lot of the small and mid-sized retailers don't send proactive emails, which is always surprising to me because there have been a lot of studies — including the UPS Pulse of the Online Shopper — that reveal online shoppers desire that information. The moment an order is done, they want an email confirmation and a tracking number. It's a confidence builder for the buyer.

A lot of companies don't take advantage of converting the tracking numbers to a reference field, which would open up the use of that information internally and externally. We have ways in our shipping systems to make that work, and through one of our reference number tracking APIs as well. It's not hard to set up, and then it's almost automatic. And it's another way you can personalize how you're delivering information to the customer.

Most of our systems also provide retailers with automated reports. So whether you're using UPS CampusShip®, WorldShip®, or UPS Ready® shipping software, you will have the information at your fingertips.

We recommend that our retail customers look at where and what people are buying and use that data for marketing. So you can sort by zip code, state, and frequency, and you can pull that data out of your shipping and look at where you may need to beef up your efforts or where you're really strong in your markets. ▪



CASE STUDY
Siete Foods: Growing a Healthy Relationship

A prime example of how UPS works closely with small but growing customers is Siete Foods. They're a three-year-old, family owned and operated business in Austin, Texas. They specialize in producing healthy grain- and gluten-free alternatives to tortillas that are ideal for paleo and other special diets.

Siete ships their products made from cassava, coconut, almonds, and chia to stores like Earth Fare and Whole Foods, as well as directly to customers who order from their website.

"Our foods are preservative free, so we had to deliver consistently on time to people all over the country," said Ben Ponder, COO at Siete. "The UPS relationship has helped us to lock down the delivery of our products. We're able to reach new customers confidently now."

In addition to time-definite delivery of their perishable products, UPS has helped Siete provide an alert to customers when shipments are on the way, further ensuring fresh delivery. UPS's billing also is integrated into the company's order management system to keep invoices flowing smoothly. "It's eliminated time-consuming billing questions," said Rob Garza, CMO.

"Our e-commerce business is helping us connect to customers directly, offering additional revenue and also a critical touchpoint for feedback with our end consumers," noted Garza.

As Siete grows, UPS is also looking into helping them with cold storage warehouse solutions and new package designs to heighten cold-delivery performance. "We operate nimbly, more like a tech start-up. And we're looking to partner with UPS to scale up in smart ways," Ponder explained. ▪



Prepared in association with Wall Street Journal. Custom Studios.

Packaging as a Branding Element

How you package your items matters to your brand—and to the customer on the receiving end. This article explores how you can continue the conversation and share your company's values with the buyer as they unpack their purchase.

Why You Should Carry Your Brand Message All the Way to the Customer's Front Door

Packaging is the original mobile advertising. For decades, shoppers have both proclaimed brand loyalty and performed free marketing by walking around the world's shopping malls with glossy bags slapped with logos. Online purchases eliminate the public aspect of shopping bags because the goods are delivered to a customer's doorstep, but even shipping-related packaging represents an opportunity for brands.

"Packaging serves a multitude of purposes beyond simply containing and protecting the item within," says Adam Padilla, co-founder of design and branding agency BrandFire in New York City. "From a branding and sales perspective, a product's package serves as part billboard, part leave-behind, and part personal love letter from the brand to the consumer."

Whether a company sells chia seeds or toilet paper, today's consumers are seeking a "reason to believe" in a company, Padilla says. One study found that the most important factor in fomenting brand loyalty was "shared values" — beliefs held by the consumer that were expressed in some way by a brand. By

looking over the messaging printed on packaging nowadays from some retail leaders, it appears that marketers are picking up on this trend. Many brands attempt to communicate values on their packaging instead of plugging specific products.

"What's more, the proliferation of social media has brought a new level of scrutiny to branding messages on point of sale and packaging," Padilla says. "Corporate messaging is discussed, shared, criticized, lampooned and generally put through its paces in a very public way. The days of Madison Avenue writing its own reality are long gone—an out-of-touch or predatory sentiment will be sniffed out and exposed almost immediately."

Determine the Right Packaging Solutions

UPS Package Design and Test Lab

Packaging has to be able to stand up to a variety of real-world conditions—from fluctuations in temperature and humidity to impacts, compressions, and vibrations. The UPS Package Design and Test Lab can help you prepare for it all. The lab's certified engineers test packages under extreme conditions to help improve durability and drive down costs. You could save time and money by having these experts evaluate your supply chain and offer package design and material recommendations.

LEARN MORE ▸

Strategic Partnership with Sealed Air

UPS collaborates with Sealed Air Corporation to provide products that help protect against damage, reduce waste, and lower shipping costs. The packaging can be customized for your brand to create a unique unboxing experience. The partnership also gives you access to Sealed Air's Packaging Application Centers, which provide design, testing, and packaging performance analysis from 27 global locations.

LEARN MORE ▸

Take Every Opportunity to Message Customers

How else can you showcase your values via packaging? You can demonstrate your commitment to sustainability by using biodegradable packing peanuts. Exhibit your luxe credentials with silk ribbons and embossed boxes.

"Packaging is the ultimate physical representation of the brand's belief system," Padilla says. New technologies can even be utilized to reach customers through the undeniably analog delivery box. For example, the growing field of augmented reality, which uses mobile devices to overlay digital imagery atop the real world, could be used to connect a customer to a brand's content when a smartphone is pointed at a box.

Packaging shouldn't resign itself to being tossed in the recycling bin—it should aim squarely at the consumer. "That is what's really at the heart of any successful brand campaign—making us feel listened to and understood as people, not just profit centers," Padilla says. ▪



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Top Priorities for Retail Software

What's ahead in 2017? Omnichannel is driving the majority of the predictions in this article from Innovative Retail Technologies, either directly or indirectly. Arguably, every topic except Prediction 4 fits into omnichannel.

Top 10 Retail Predictions for 2017 from IDC Research

By Christine Kern, contributing writer

IDC FutureScape Worldwide Retail 2017 Predictions report highlights exponential shift occurring in IT.

Retail leaders need to recognize the centrality of the digital transformation for their business strategy, processes and leadership in order to disrupt and create a sustainable competitive advantage, according to the latest report from IDC Research.

"The shift is exponential," writes Leslie Hand in an IDC blog post. "More than requiring social, mobile, big data/analytics, and cloud technologies, transformation requires new ways of working and new ways of putting IT to work. More important still, sustaining competitive advantage requires reinvention at two levels—the microlevel of performing tasks and the macrolevel of designing and executing strategy. Success at both levels will require the appropriate amalgam of innovation accelerators—artificial intelligence (AI)/cognitive intelligence, augmented reality (AR)/virtual reality (VR), robotics, advanced security, 3D printing, and IoT. They will be at the center of new experiences for employee and customer engagement, business model disruption, the nature of work itself, and ultimately business growth."

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IDC Retail Insights provided the top 10 predictions for worldwide retail:

PREDICTION 1: Digital transformation investments will triple by 2019, drawing funds away from store capital and profoundly changing the Retail Industry.

PREDICTION 2: In 2017, no less than 40 percent of new retail applications purchased will be deployed in the cloud to speed and secure business objectives.

PREDICTION 3: Almost one third (30 percent) of major retailers will adopt an omni-channel digital B2B2C Commerce Platform by 2018, improving customer experience, process efficiency, and inventory management.

PREDICTION 4: Accelerating Cybersecurity Breaches will drive a 20 percent escalation of spending on Managed Services by 2018.

PREDICTION 5: Retail Mobile Enablement will result in triple mobile investments in 2017 and double spending on wireless infrastructure through 2019.

PREDICTION 6: Intelligent Assistants will become a must-have app in 2017 and support shoppers' "jobs to be done" in context-aware omni-channel conversations by 2018.

PREDICTION 7: By 2019, Robotics and IoT Technologies will increase in-store, in-warehouse, and in-distribution center productivity by 1.5x for early adopting retailers and by 3x for later adopters.

PREDICTION 8: By 2019, 20 percent of major retailers will adopt AR to enrich the product selection experience and convert shoppers to buyers three times faster.

PREDICTION 9: By 2018, retailers will actively pursue alternatives for secure networks that protect data and eliminate or lower fees.

PREDICTION 10: By 2019, Artificial Intelligence will alter how 25 percent of Merchants, Marketers, Planners, and Operators work, improving productivity by 30 percent and KPIs by 10–20 percent.

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"Retailers must recognize and drive digital transformation. Retailers dealing with legacy, disconnected, and siloed systems have latencies and speeds that cannot support modern commerce, nor do most of the legacy systems allow retailers to quickly launch the types of services that customers today are expecting. At a time when customer expectations are rising and customers are more digitally fluent and digitally equipped than ever before, customers are expecting that their shopping experience will be easy, convenient, frictionless, and available anytime everywhere," asserted Hand. ▪





The Customer Service Conundrum

As retailers seek to improve customer service in an omnichannel world, they must grapple with new demands, new technologies, and how to keep costs under control. Each retailer will have to determine what approach works best based on their own set of priorities.

"Customer service excellence is often in the eye of the beholder. Some value speed, others a personal touch."

Providing Service Across Channels

Customer service has always been a differentiator for retailers. And it is often the deciding factor in determining where consumers choose to do business. It also plays a critical role in the shopper's ultimate perception of the overall customer experience. The challenge in providing good customer service has always been doing so cost effectively, and now it must also be done across channels to meet the demands of today's increasingly empowered and savvy shoppers.

Companies that wish to excel often mention a desire to deliver "Nordstrom-caliber" service. The question is how retailers attain these levels, given the changing digital landscape, the expanding number of channels from which to access customer service, and the new dynamics of in-store technology.

The Customer and Service

Customer service excellence is often in the eye of the beholder. Some value speed, others a personal touch. So all options should be on the table—from self-service to high-touch encounters delivered by the best retailers—with a keen eye towards maintaining brand consistency and profitability.

Omnichannel requirements also have altered shopper demands, and the investments needed to provide those "seamless" experiences can be significant. Mobile, too, has accelerated customer service accessibility during every stage of the shopper journey and can't be underestimated.

Improving Satisfaction with Expanded Points of Contact

Only 18% of U.S. Internet users gave customer service experiences a good or excellent rating. There is work to be done, because "Okay" service is just not acceptable for retailers.

Questions Every Retailer Should Ask

Retailers should consider these key questions as they pursue customer service advances.

- How has customer service changed for my average shopper?
- Are self-service options gaining traction among my customers?
- What techniques am I using within stores to bolster my customer service?
- What are my priorities for effectively delivering customer service?
- How does mobile escalate my priorities?

Rating Customer Service

Quality of Their Customer Service Experience According to U.S. Internet Users, 2016



Very Poor	Poor	Okay	Good	Excellent
3%	**20%**	**59%**	**17%**	**1%**

Note: among respondents who interacted with a brand in the past 12 months
Source: Forrester Research, "CX Index" as cited in company blog, from eMarketer, 2016

To achieve higher satisfaction scores, one opportunity is to upgrade customer service. In the past, phone calls to the call center and in-store contacts were the main ways that shoppers interacted. Now the points of contact have grown to include email, social, and live chat.

In one recent study of channel usage by Astound Commerce during the 2016 holiday season, 75% of shoppers indicated that they used Facebook to seek customer service. And younger segments such as Millennials were, not surprisingly, the most frequent users. These findings were higher than for any of the other referenced activities. Retailers must be aware that the public-facing nature of these posts can have negative ramifications if not handled properly and in a timely fashion.

Winning Retail Strategies

Digital requires thoughtful access for shoppers at all stages of the shopping journey. Customer service becomes just another cog in evolving the shopping experience, but now more frequently occurs at all stages along the path to purchase. In a recent survey, consumers around the world shared the ways they believe customer service can be improved. Almost two in three suggest easier access to support channels on the web, including social media, communities, and live chat. The never-ending search for greater speed follows, with "faster agent response times" noted by more than half.

How to Serve Customers Better



Respondents from Australia, Europe, New Zealand, U.S. selected their top 2

60%	53%	29%	21%	19%	18%
Easier access to support channels on the web (including social media, communities, live chat)	Faster agent response times	Consistent customer experience across channels	Faster access to live support representatives	Better mobile experience (website application)	Company understands my personal needs and tailors support to my needs

Source: Ovum, "Get It Right: Deliver the Omni-Channel Support Customers Want" commissioned by BoldChat, September 6, 2016, from eMarketer

While most retailers want to provide superior service levels, costs are inherent in execution. Both digital and store-based services are always under scrutiny. Evaluations must be done in the context of the brand impression needed to keep the target customer satisfied and returning.

The Customer and Satisfaction

Astound Commerce, as part of its 2016 Mobile Shopping Survey, reported that almost half of shoppers (45%) had contacted a retailer prior to making a purchase. Voice

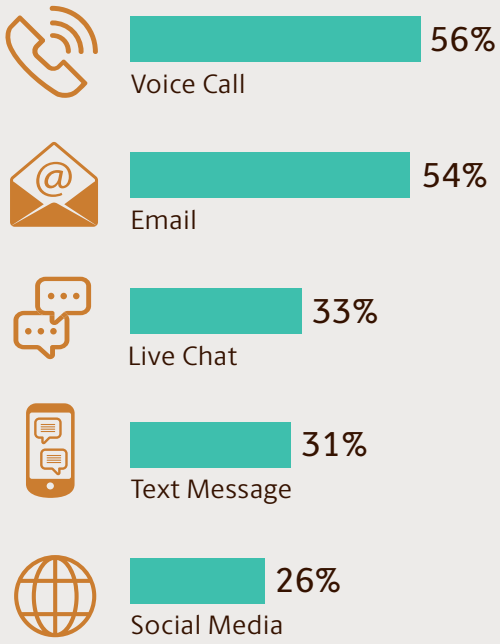
"Digital requires thoughtful access for shoppers at all stages of the shopping journey."

and email are virtually neck and neck in terms of methods used. Additionally, live chat and texting were tried by about one in three shoppers, with social media coming in at 26%.

Live chat growth has been steady, and the use of artificial intelligence (AI) to elevate experiences should propel usage even higher. Today's shoppers are comfortable using AI assistants for general questions and engaging via calls and texts.

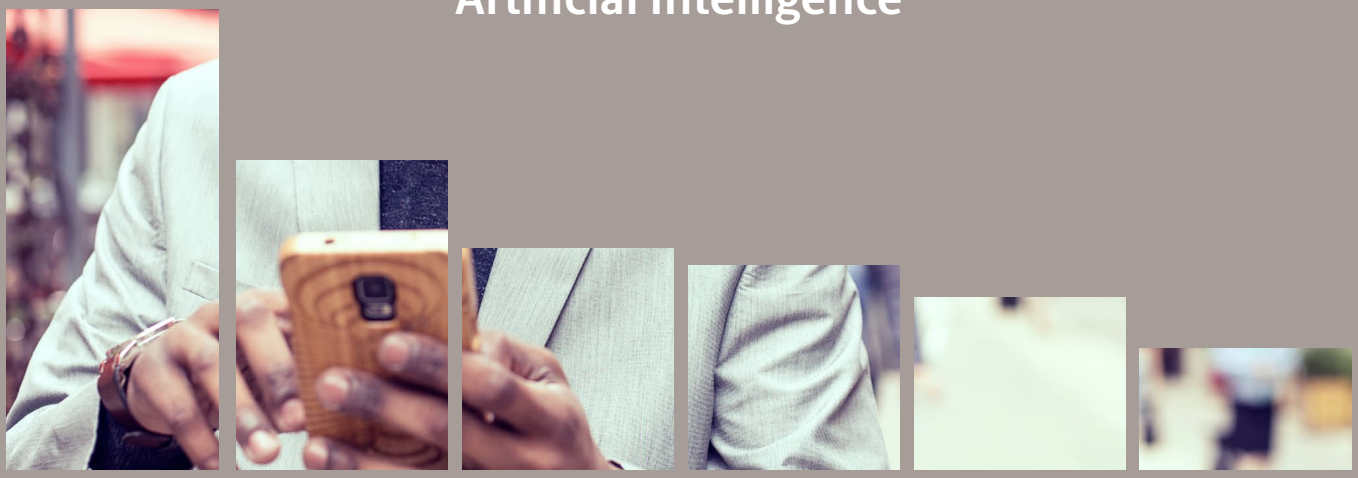
How Consumers Reach Retailers Through Mobile

Respondents Chose All That Apply



Source: Astound Commerce Mobile Survey, 2016

How People Use Artificial Intelligence



64.5% Asking general questions

39.7% Getting directions while driving

25.2% Making calls

22.8% Dictating texts/ emails

16.9% Checking updates

8.5% Other

Source: AYTM Market Research as cited in company blog, June 29, 2016, from eMarketer
Note: n=420 ages 18+ who have used an AI voice assistant

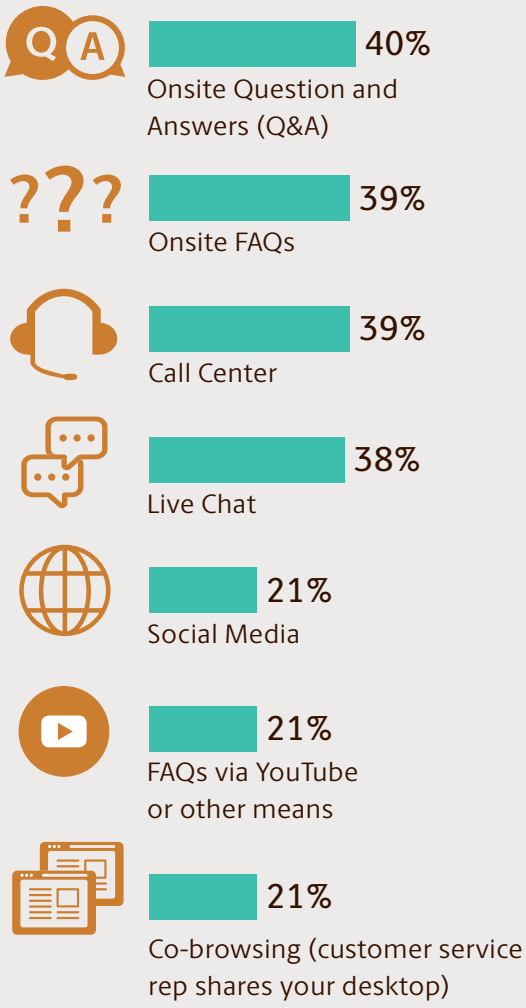
Channels Used for Online Customer Service

When asked to rate customer service options, onsite Q&A, FAQs, call centers, and live chat were all seen as important by about four in ten shoppers. Millennials and heavy shoppers surveyed in the UPS Pulse of the Online Shopper ranked self-service options—represented by onsite Q&A and FAQs—higher, pointing to the need for retailers to focus on serving consumers who want to get answers on their own in the future.

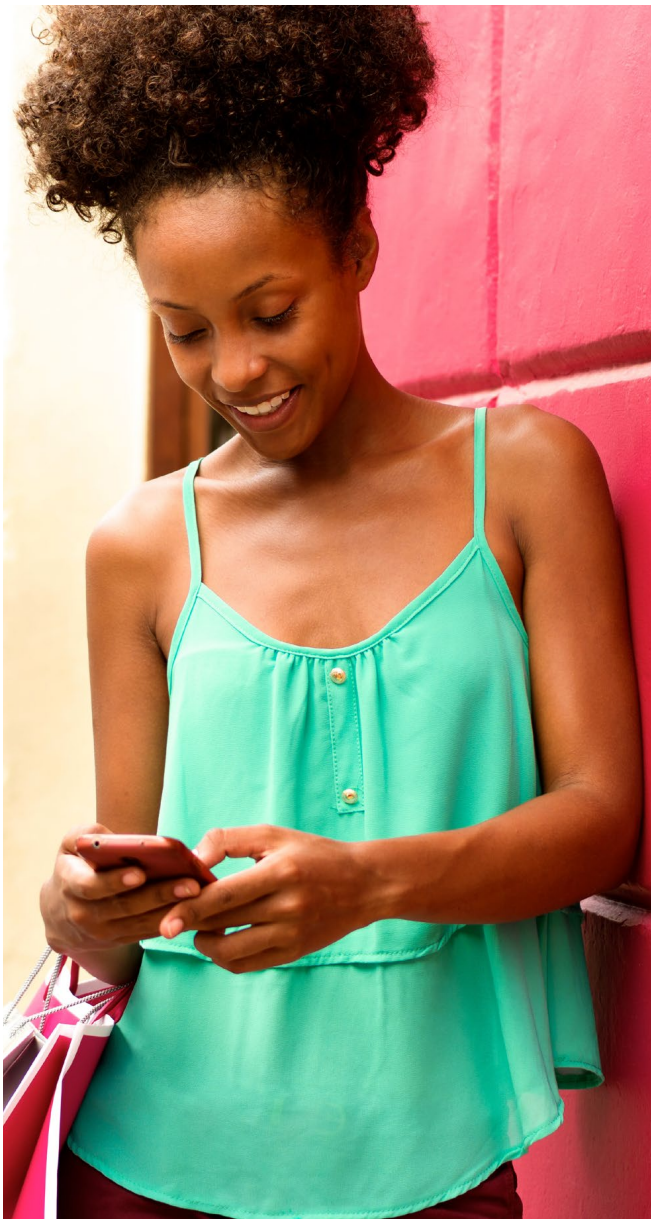
It's worth mentioning that age plays an important role in choice of channel. Digital options are preferred by younger audiences. Social media is first with Millennials and at the very bottom for all those 35+. ▪

Importance of Customer Service Options

Ratings Among Online Shoppers

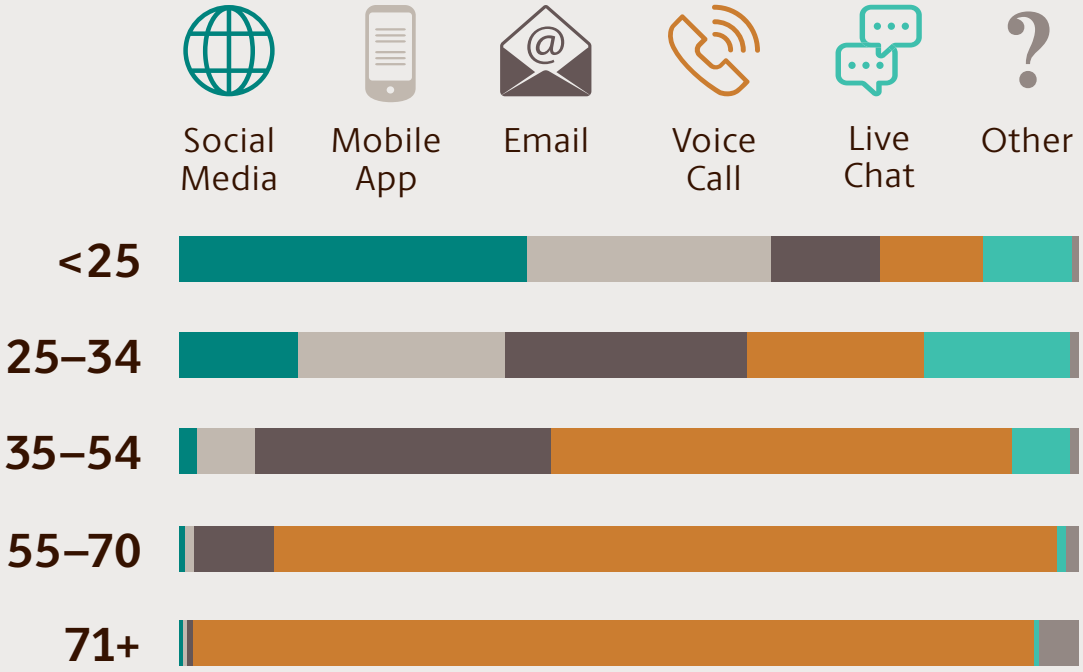


Source: UPS Pulse of the Online Shopper, 2016



How Age Affects Channel Choice

Primary Channel Used to Contact Customer Service



Source: Dimension Data, "2016 Global Contact Centre Benchmarking Report," April 5, 2016, from eMarketer

Top Customer Service Priorities for 2017

Consider these methods and initiatives when moving your omnichannel service forward.

Establish priorities based on your business needs and build a roadmap to meet those objectives

Contextually integrate customer service into the customer journey for a more satisfactory experience

Ensure that customers can access customer service by traditional and digital means, including chat and social media

Put self-service tools into play for those who want to go it alone

Deliver on speed critical to shoppers by actively testing your capabilities

Evaluate store-based technology solutions and the impact they can have on the customer experience

Embrace and test new technologies in this fast-developing arena

How UPS Can Help:

Solutions for the Omnichannel Retailer



From consulting and software to shipping and returns, UPS is focused on elevating the retail customer experience. Choose from a variety of specially designed UPS products and services across the entire supply chain that can help you better serve your customers and improve your bottom line. ▪

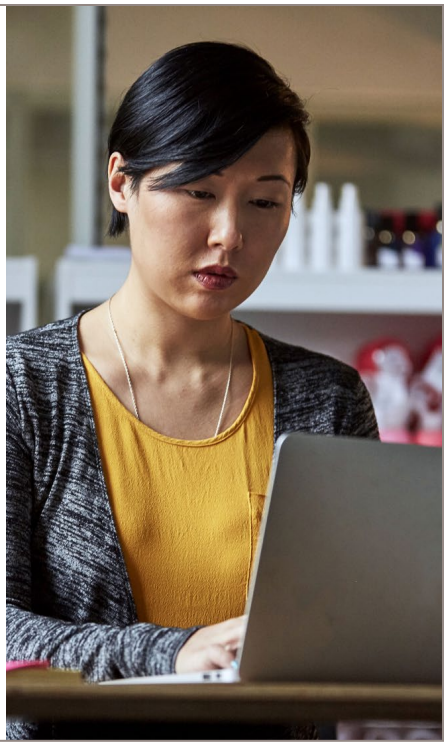
UPS Developer Kit

Plug-and-Play Tools for a Better Website Experience

Whether it's making processes faster for your internal team or giving online shoppers the info they need to make decisions, the UPS Developer Kit is the best way to get your website into high gear.

Used by large and small businesses alike, these easy to install and integrate Application Programming Interfaces (APIs) can help retailers make shipping and selling easier. API options include Address Validation, Shipping, Ship to Store, Signature Tracking, Time in Transit, UPS My Choice, UPS Access Point, Quantum View (visibility), Pickup, Rating, and Locator.

LEARN MORE ▸



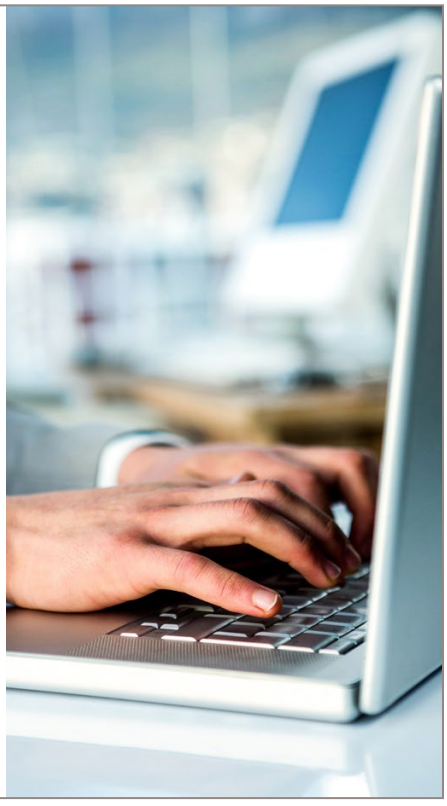
UPS Ready® Program

Take a Step Up with Tech from UPS's Trusted Providers

This poplar suite connects UPS customers with pre-certified vendors that ensure compatibility and integration with UPS systems. It features recognizable names like Manhattan Associates, DePosco, Intuit, and some of the best providers in the business.

The program offers omnichannel solutions from over 200 software providers that enhance shipping, tracking, order processing and management, store fulfillment, and customer returns and management. Plus solutions for managing complex functions like transportation and warehouse management or accounting and financial management.

LEARN MORE ▸



UPS My Choice®

Offer Your Customers More Flexibility and Control

Now used by 31 million consumers worldwide, this convenient service enables shoppers to receive delivery alerts, reschedule a delivery, or redirect shipments to another location, The UPS Store® location, or UPS Access Point® location.

These notifications mean fewer calls to your customer service reps, and the delivery flexibility means more completed shipments—and fewer packages returned to sender. That can make a big impact on your bottom line.

LEARN MORE ▸



UPS Access Point®

Alternate Delivery Locations for Greater Convenience

This network offers more than 26,000 global access points to pick up or return a shipment at neighborhood shop locations and lockers close to customers, as well as The UPS Store locations and Authorized Shipping Outlets.

Add UPS Access Point locations to your online checkout as a delivery option for eligible packages, either through an Application Programming Interface (API) or plug-in tool.

LEARN MORE ▸



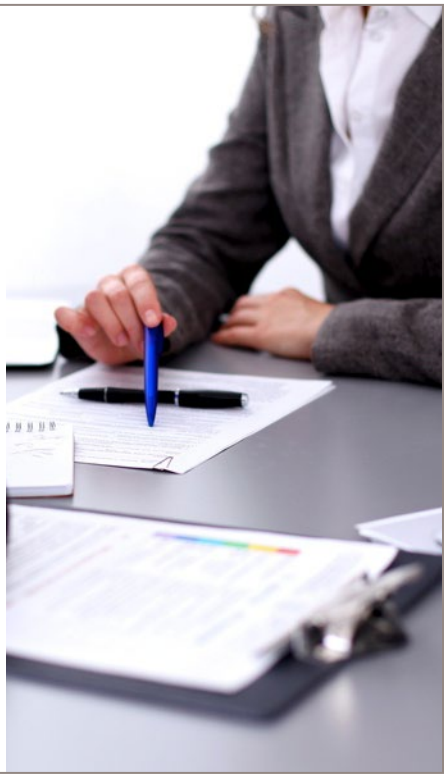
UPS Customer Solutions Consulting

Strategic Insights Across the Full Path to Purchase

Access consulting from industry experts who have supported some of the country's largest retailers—with advice that can be tailored to small and mid-sized companies. This market-tested practice was designed specifically for omnichannel retailers looking to increase sales, lower costs, and improve the customer experience.

Practice areas include supply chain optimization, engineering, technology, and customer experience. Services and solutions range from strategic mapping to DC and store implementation to omnichannel strategy and global e-commerce.

LEARN MORE ▸



Returns Solutions

A Broad Portfolio that Creates a Differentiator

A positive returns experience can drive customer satisfaction and loyalty online and in-store. That's why UPS not only offers a complete selection of service delivery options, but also a variety of off-the-shelf and customizable software options to make a retailer's returns process run smoothly.

LEARN MORE ▸

UPS's commitment to advancing our customers' returns process was highlighted by the recent strategic alliance with Optoro, whose software platform helps companies maximize recovery value and reduce environmental waste.

LEARN MORE ▸



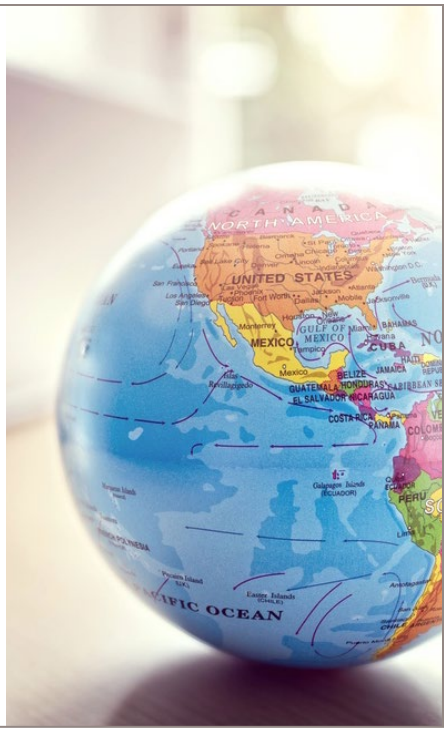
UPS i-parcel™

Expand Your Reach with a Global E-Commerce Solution

There's a whole world of online shoppers waiting out there, and UPS i-parcel offers a cost-effective, end-to-end solution for selling to them.

By adding just a few lines of code, UPS i-parcel allows an existing retail website to greet customers in their native language, convert prices to local currency, and display international payment options. The technology also displays duties and taxes at checkout, provides shipping with targeted delivery dates, and helps to mitigate fraud.

LEARN MORE ▸



Shipping Services

Delivering a World of Choice

From home deliveries to store and DC replenishment, retail is a balancing act. Our full range of services lets you find the balance that's right for you, whether you need your shipments to arrive the next day or the next week.

Choose from reliable guaranteed ground, air, and international package services, plus versatile freight options, including air, truckload, LTL, and ocean.

LEARN MORE ▸



Ready to deliver a seamless shopping experience? UPS can help.

Today's shoppers want what they want, when they want it. And retailers have to be ready to provide them with a flexible and efficient omnichannel experience.

So put the industry's leading retail delivery provider to work for you. UPS has a full array of supply chain services—from expert consulting and the latest technologies to packaging and distribution solutions. Combine these with our wide range of reliable delivery options that reach across the country and around the globe, and you'll be on your way to winning over today's empowered shoppers.

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Tuning Into the Evolving Omnichannel Reality

A Sampling of What Experts Are Saying About the Importance of Omnichannel

“For retailers, the days of relying on a physical presence without incorporating digital selling channels are over. In today’s highly competitive marketplace, retailers must blend both worlds to meet—or exceed—customers’ expectations.”

—From Salesforce white paper, *“The Best of Both Worlds,” 2016*

“An omnichannel strategy will be crucial for brick-and-mortar retailers to win consumers’ wallet share. Almost 70% of total holiday related spending occurred in stores with both a physical and online presence as consumers routinely favor shopping with retailers that have a physical location.”

—International Council of Shopping Centers post-holiday shopper survey, *from eMarketer, January 4, 2017*

“A seamless omnichannel strategy is a vital element in the marketing arsenal for today’s retail brands. Most retailers (88%) said they have omnichannel goals in place or are working toward them.”

—Retail TouchPoints: Retail Moves from Channel to Platform, *2016*

"I think technology has changed our shopping behaviors irreversibly, and in fact this is just beginning. Smart retailers are using big data and analytics to change the game with the shopper."

—Tom Blishock, Global Strategic Retail Advisor at Nielsen Holdings PLC, Chairman and CEO of Dialogic Group, from NPR On Point interview

"From its inception, digital has accelerated the opportunities for always-on interaction and sales channels, but it's taken a while for the retail industry (via infrastructure and technology) and consumers (via behavior and devices) to reach full omnichannel potential."

—L2, An Intelligence Report, Omnichannel 2016

"70% of retailers do not have a single view of their customers as they move across their own channels and 85% are not able to deliver consistent marketing messages across channels, according to the 'Omnichannel Personalization Framework' by EKN Research."

—Radial White Paper, Top Omnichannel Strategies to Gear Up for the Holiday Season

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