THE STATE OF DIGITAL DISRUPTION 2018 REPORT

A CONSUMER INSIGHTS INDEX

By Toluna, the only global insights provider powered by the perfect fusion of technology, expertise, and community.
# CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>About this report</td>
<td>3</td>
</tr>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>Methodology and terminology</td>
<td>4</td>
</tr>
<tr>
<td>The most widely popular disruptors</td>
<td>5</td>
</tr>
<tr>
<td>Getting the initial sign-up</td>
<td>8</td>
</tr>
<tr>
<td>Attracting consumer attention</td>
<td>10</td>
</tr>
<tr>
<td>Converting to customers</td>
<td>12</td>
</tr>
<tr>
<td>Factors in discontinuing use</td>
<td>16</td>
</tr>
<tr>
<td>The future of digital disruption</td>
<td>18</td>
</tr>
<tr>
<td>Appendix</td>
<td>21</td>
</tr>
</tbody>
</table>
ABOUT THIS REPORT

Toluna is the only insights provider uniquely designed to empower the on-demand, global economy. We’re powered by the perfect fusion of technology, expertise, and community—which we use to connect businesses and consumers to deliver on-demand insights.

The following consumer insights index presents results of a survey run to better understand consumers and the impact of digital disruption.
INTRODUCTION

If you had told consumers twenty years ago that they would someday be subscribing to services for monthly clothing, makeup, and pet toy delivery, the idea would have been met with skepticism. Likewise, had you told consumers that they would be getting same-day orders delivered by Amazon, that they would be canceling cable in favor of streaming video services, or that they would no longer hire taxis for single-passenger travel, few would have believed you.

Yet, thanks to the changing expectations of consumers in our on-demand economy, these situations are now considered standard. Traditional ways of doing business have been wholly disrupted in many industries, creating a new mindset among shoppers and pushing companies to innovate if they want to keep up.

Disrupting for disruption’s sake won’t lead a company to find success as a recognized disruptor brand, however. Instead, consumers have very specific requirements, interests, and expectations that need to be met for a brand to enjoy the benefits of successful innovation.

METHODOLOGY AND TERMINOLOGY

Toluna surveyed 1,028 people from the Toluna global community between the ages of 18 and 55+ across the United States about their use of, opinions around and interest in digital disruptor companies. The survey was launched on May 15, 2018 and fielding closed in less than 24 hours using Toluna’s QuickSurveys real-time quick-turn insights platform. Data is representative of the US population.

We asked consumers to self-identify in terms of their adoption of new products and services modeled after Everett Rogers’ five consumer types. In his 1960s theory, called the Diffusion of Innovation, Rogers proposed that adopters of any new innovation or idea can be categorized as Innovators, Early Adopters, Early Majority, Late Majority and Laggards.

The choices we presented to our respondents are as follows:

- I am usually the first among my friends and acquaintances to adopt new products when they’re first introduced (we refer to this group as the “Innovators”)
- I adopt new products shortly after they are introduced in the market (we refer to this group as the “Early Adopters”)
- I adopt a new product mainly because most of my friends have all adopted them (we refer to the group as the “Late Majority”)
- I will buy a new product only if what it replaces is no longer readily available (we refer to this group as the “Laggards”)
- I like to collect more information about the product and will weigh the pros and cons before I make a decision to buy it (we refer to this group as the “Early Majority”)
THE MOST WIDELY POPULAR DISRUPTORS
Before we dive into the results, it is necessary to establish how we defined digital disruptors for this report and for our respondents. For the purposes of this study, we consider digital disruptor companies to be those that have transformed a traditional way of doing things using web or app-based services.

When most people think of the founders of the “on-demand economy,” Amazon likely comes to mind. This bears out in our survey where respondents—whether they identified as “Innovators,” “Laggards” or somewhere in between—affirmed that most of them have used quick-turn shipping retailers such as Amazon or Walmart (70 percent).

Only 10% of respondents had not used any of the categories we listed, showing wide adoption of disruptive services.

Have you ever used any of the following services?

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick-turn shipping retailers</td>
<td>70%</td>
</tr>
<tr>
<td>Entertainment services</td>
<td>61%</td>
</tr>
<tr>
<td>Transportation services</td>
<td>45%</td>
</tr>
<tr>
<td>Photo ordering services</td>
<td>29%</td>
</tr>
<tr>
<td>Conferencing and chat services</td>
<td>23%</td>
</tr>
<tr>
<td>Health and beauty</td>
<td>23%</td>
</tr>
<tr>
<td>Rental services</td>
<td>20%</td>
</tr>
<tr>
<td>Meal kits</td>
<td>13%</td>
</tr>
<tr>
<td>Wardrobe subscription services</td>
<td>13%</td>
</tr>
<tr>
<td>Other, please specify</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total respondents</strong></td>
<td><strong>1,028</strong></td>
</tr>
</tbody>
</table>

“Innovators,” or people who were the first to adopt new services noted greater use of entertainment services such as Netflix and Hulu (72 percent), which explains the increasing popularity of “cutting the cord” and may be bolstered by the original programming some of the popular names in this category have been developing in recent years.

At 55 percent, “Innovators” also had a higher likelihood of having used transportation services (i.e. Uber and Lyft) than other groups. Interestingly, their use of the quick-turn shipping retailers category was slightly lower than the overall group of respondents (70 percent).

Only 10 percent of respondents said that they hadn’t used any of our listed services, with a full 20 percent of 55+ respondents stating they hadn’t used any.
To gauge what categories are perceived as most important to consumers, we asked respondents how concerned they would be if certain services or products were no longer available tomorrow.

The category bringing about the most concern was quick-turn retailers, with 66 percent reporting heightened concern over a loss in this sector. Next up was entertainment services (55 percent), and then transportation services such as Uber and Lyft (35 percent).

Despite aggressive social media marketing, discounts, referral gifts and celebrity partnerships, meal kit discontinuation was only of concern to 26 percent of respondents. Fixing their gaze on the dinner weekday ritual, these services typically target working couples, singles, and busy families who aspire to eat fresh home-cooked meals. The service typically delivers the ingredients and a recipe in a pre-determined weekly schedule.

Meal kits, however, were not the area of least concern. Holding that title were wardrobe subscription services such as Rent the Runway and Trunk Club (23 percent). These services promise a box filled with clothes, sized and styled to a user’s specified preferences, delivered to their doorsteps for either a monthly or a per-delivery fee ranging from $20 per shipment to more than $100 per month.

The most likely-to-be-missed disruptor brands are quick-turn retailers and entertainment services. The least likely to be missed? Meal kits and wardrobe subscription services.

Respondents who indicated that they would be “very concerned” or “extremely concerned” if these services were no longer available.

Despite aggressive social media marketing, discounts, referral gifts and celebrity partnerships, meal kit discontinuation was only of concern to 26 percent of respondents. Fixing their gaze on the dinner weekday ritual, these services typically target working couples, singles, and busy families who aspire to eat fresh home-cooked meals. The service typically delivers the ingredients and a recipe in a pre-determined weekly schedule.

Meal kits, however, were not the area of least concern. Holding that title were wardrobe subscription services such as Rent the Runway and Trunk Club (23 percent). These services promise a box filled with clothes, sized and styled to a user’s specified preferences, delivered to their doorsteps for either a monthly or a per-delivery fee ranging from $20 per shipment to more than $100 per month.
GETTING THE INITIAL SIGN-UP
Almost a quarter of all consumers reported having signed up for or purchased from a digital disruptor in the last month.

When did you last purchase from or signed up for a new digital disruptor brand?

Taking a closer look at the subgroups, only 6 percent of “Innovators” reported to never having signed up for a digital disruptor brand, while 55 percent of “Laggards” haven’t.
ATTRACTING CONSUMER ATTENTION
When we think about memorable brands, Amazon seems to be at the top of everyone’s list, with 21 percent noting it as the first disruptor brand that comes to mind. Netflix and Uber took the second and third positions. But what is it that makes Amazon, Netflix, and Uber stand out? What kind of marketing can deliver a similar level of popularity for other brands?

According to our respondents, word of mouth is the most recalled marketing for a disruptive brand (25 percent). Social Media came in second at 18 percent, and digital/web-based ads were recalled by 17 percent.

Word-of-mouth, social media and digital ads are the main marketing channels that consumers recalled for digital disruptor products or services.

What kind of marketing/advertisement do you most recall for any digital disruptor brand(s)?

“Innovators” and “Early Adopters” seem to be the most receptive to ads that they see outside the home, such as on the subway or on billboards—which is interesting since this might be considered a more traditional way of advertising a disruptive service. “Laggards” were most receptive to flyers sent through snail mail (10 percent).

Further, 64 percent of all respondents considered social media the primary advertising channel that digital disruptors use to market their services and products.
CONVERTING TO CUSTOMERS
Attracting eyeballs and being remembered by consumers is terrific, but the real goal for any disruptor is to convert prospects to buyers. So, what moves people from seeing your marketing to becoming your customer? Reading about the experiences of other users is a method that helps many consumers overcome concerns and try new products and services, as is evidenced by 51 percent of our respondents stating that they like reading reviews online when they are considering buying new things. Close behind is recommendations from friends, at 44 percent.

More than half of consumers said they like reading reviews online before making a purchase decision.

When you consider buying new things which of the following factors are important to you?

- I like reading reviews online: 51%
- I like to know that returns are easy: 46%
- I like to get recommendations from friends: 44%
- I like enrolling in a free trial first: 40%
- I like seeing commercials on TV: 32%
- I like seeing brands on social media: 22%
- I feel good when I am the first to try something: 22%

(1,028 Respondents)

When it comes time to buy, word of mouth had the biggest influence (60 percent) followed by digital ads and banners on social media (38 percent).

Which kind of marketing/advertising influenced you in making the decision to purchase from a digital disruptor brand?

- Word of mouth: 60%
- Digital ad/banner on social media: 38%
- Flyer sent to my home address: 33%
- Digital ad/banner on general news or information website: 31%
- Out of home advertisement: 26%

(1,028 Respondents)

Building trust and recognition through word of mouth and advertising is essential but incentivizing a first purchase or sign-up still helps push people to press buy. In our survey, 40 percent of respondents stated that a free trial was important when considering a new disruptor brand and 62 percent said that a free trial would make them consider a new brand.

40 percent of respondents stated that a free trial was important when considering a new disruptor brand.

Another 46 percent said they like to know they can easily make returns when considering buying, but when it comes to actually signing up or making that first purchase, loyalty benefits (49 percent), sign-up discounts (46 percent) and new-member gifts (45 percent) were the most effective incentives.
An appealing, inspirational social media presence did little to convert consumers and was mentioned as an important factor to just 18 percent of our respondents, although this was reported as very important by 38 percent of those between 18 and 34, compared to just 9 percent of respondents who were 55+.

Consumers across all groups show price sensitivity. 64 percent rank price as the most important consideration when choosing a new product.

Consumers across all groups still show a tendency toward price sensitivity, which could be why free trials and sign-up discounts are so popular. When looking at the factors that enticed our respondents to try a new disruptor brand, price was across the board most important (64 percent). After price was accessibility at 48 percent and then a free trial period at 40 percent.
Wardrobe delivery services struggle to capture consumers' hearts.

Which of the categories listed are you least likely to try in the future?

Some categories seem to have better success than others when it comes to converting consumers to customers. Wardrobe subscription services were low in priority for our respondents, with 50 percent saying they were least likely to try them in the future.
FACTORS IN DISCONTINUING USE
Customers rarely stay loyal for life, which means disruptor brands need to understand what changes can result in discontinuing use of a product or service. We know that price matters when it’s time to buy—turns out it also matters when it’s time to renew.

Price increase ranks number one among several categories as the reason to discontinue using a new product or service.

When asked about transportation carriers such as Uber and Lyft, 51 percent of respondents said that an increase in price would cause them to discontinue use. Price was also the number one factor for discontinuation of meal kit delivery category (40 percent), quick-turn shipping retailers (54 percent), and entertainment services (50 percent).

A decrease in convenience was the second most important factor that could sway consumers away from a product or service in multiple categories.

We can see that our consumers are price sensitive, but what are some of the other significant factors that would cause them to discontinue use? For transportation carriers, a decrease in convenience would cause 34 percent to stop using the service. After price, decrease in convenience was the most commonly stated reason people would stop using meal delivery kits, (25 percent). Decrease in convenience was also the second unsubscribe-worthy issue for quick-turn retailers (35 percent) and entertainment services (29 percent).

Data breaches were cited as the third most serious threat to loyalty across all categories except entertainment services.

Respondents are sending a clear message that they are most interested in affordable, convenient products and services. But they also expect the companies they buy from to be serious about data protection. Data breaches came in as the third most common factor for discontinuation for each category except entertainment services.
THE FUTURE OF DIGITAL DISRUPTION
There are some industries that are perceived as being safe from digital disruption and others where consumers expect major changes in the coming years.

No industry is completely immune to the effects of digital disruptor brands, but according to our respondents, the wedding industry and cleaning industry are least likely to be disrupted in the future (2 percent and 3 percent, respectively). Perhaps not surprisingly, 16 percent of respondents thought the entertainment sector was the most vulnerable (or receptive) to future disruption, and financial services (15 percent) was second most likely.

Are we now living in a “subscription economy”? Nine in ten 18-34 year olds say yes.

Judging by the responses of our 18-34-year-old group, we live in a subscription economy (90 percent agree). A full 92 percent of survey respondents who identified as “Innovators” agree that we now live in a “subscription economy” versus 59 percent of survey respondents who self-identified as “Laggards.”

What exactly is a “subscription economy?” The subscription economy is a phrase used to describe a seismic shift in business in which traditional pay-per-product (or service) companies are moving toward subscription-based business models.
CONCLUSION

As the data collected in this report shows, no matter what innovations a company brings to the table, it’s consumers who will ultimately decide whether the distribution is a success or a failure. Further, we can begin to see that a successful innovation can eventually become an expectation. If there is one thing we can take from this observation, it’s that digital disruption raises the bar and broadens future opportunities.
ADDITIONAL INSIGHTS

To access, cross-tab, and analyze the respondent data through our dashboard, click here.

ABOUT TOLUNA

Toluna provides consumer insights designed to empower success in today’s on-demand, global economy. Powered by the perfect fusion of technology, expertise, and the largest global community of influencers at the ready, Toluna delivers rich, reliable, real-time insights to individuals, and companies of all sizes.

Our automated consumer insights platform, TolunaInsights™ underpins everything we do. Clients can access the platform directly, leverage Toluna’s managed services, or create fully-customized digital consumer insights programs via our engineered services.

Toluna is committed to promoting Insights on Demand, an entirely new way for businesses to obtain insight and understand constantly shifting consumer sentiment and taste in the on-demand economy. Toluna is a founding member of the Insights on Demand Consortium, a multi-lateral group that’s advancing the principles and adoption of Insights on Demand. The company has 24 offices globally spanning Europe, North America, South America, Asia Pacific, and MENA.

CONTACT TOLUNA

Looking for even more consumer insights? Contact us at toluna@toluna.com and we’ll be happy to discuss your specific needs, or if you’d like to run your own survey visit quicksurveys.com to get started for free.

www.corporate.toluna.com