

BY POPULAR DEMAND



MCD PARTNERS

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“UBERFICATION”

How many times have you heard a new service described as “the Uber for _____”? With the recent explosion of digital on-demand services, we’ve seen new startups, established behemoths, and everyone in between clamoring to capitalize on the trend. Is it the age of “Uber-for-X?”

Perhaps Uber deserves to be the model, with a recent valuation of \$41 billion.¹ But venture capital funding for new offerings in the space has also skyrocketed, resulting in more than 117 VC-backed on-demand companies at last count.²

Why? The environment is right. Take the ubiquity of internet connectivity, top it off with busier than ever consumers, and voilà: you’ve got a recipe for digital on-demand... in very high demand.

So what types of services are consumers most likely to use, and why? Who is showing the most interest? And what are they willing to pay for an on-demand lifestyle?

Let’s take a look.



DIGGING IN

To take a deeper look at the state of consumer interest in digital on-demand services, we went straight to the source and asked consumers directly.

We surveyed over 1,000 consumers across the U.S. in order to learn:

- 1 How likely they would be to use various digital on-demand services if available to them
- 2 Their reasons for using digital on-demand services
- 3 Who among them shows the most interest
- 4 How much (more) they would be willing to pay for these services in comparison to traditional offerings

Defining Digital On-Demand Services

By “digital on-demand services” we mean:

“Digital” as a service that you request online (via computer, tablet or mobile).

“On-demand” as a request that can be fulfilled right away

For example, ordering a car service through an app to pick you up immediately.

Our findings reveal sizable interest in digital on-demand services across both the general population and within certain user segments.

But what exactly are they interested in, why are they interested, and how much more would they pay to access these digital on-demand services?

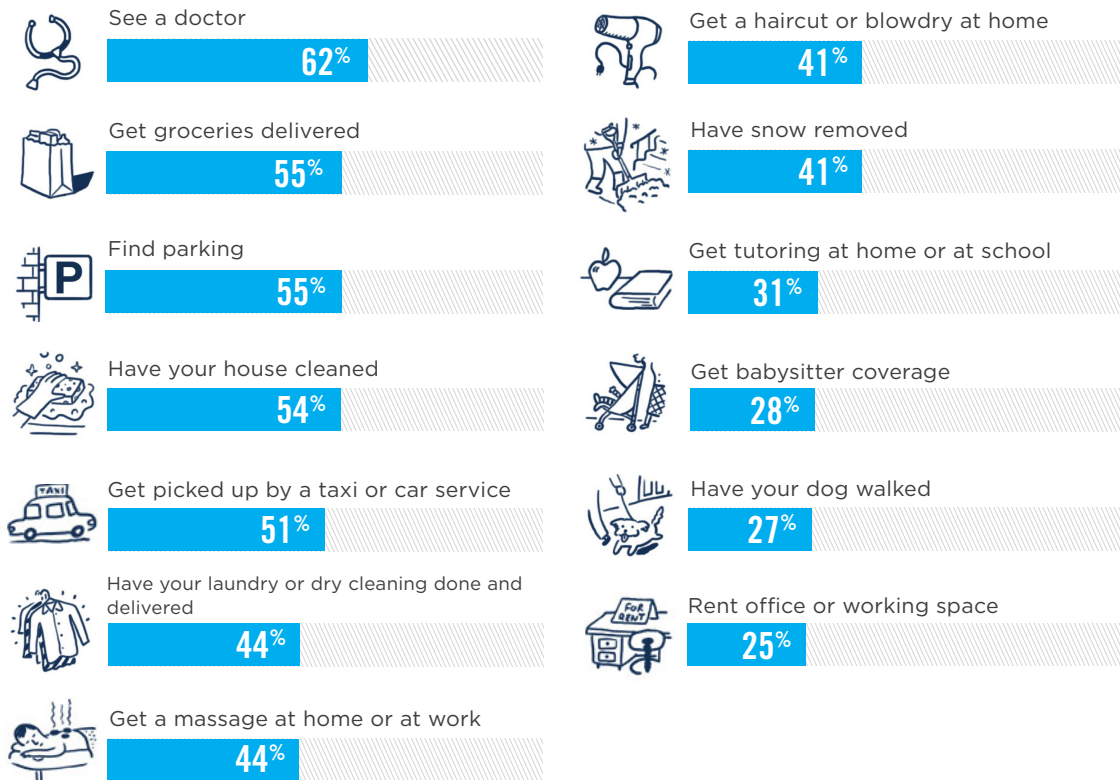


WHAT'S IN DEMAND, ON-DEMAND

We chose to closely explore the following 13 digital on-demand services as they represent both the on-demand standbys familiar to many, as well as some new and novel ones. We surveyed participants to find out how many of these on-demand services people are interested in using regularly. And the answer, it turns out, is many.

Out of the 13 digital on-demand services we included in our survey, on average, people are “likely” or “very likely” to use 5.59 of them. As you can see, certain services have more appeal among the general population, while others are more specialized.

SERVICES IN ORDER OF POPULARITY (BY % “LIKELY” OR “VERY LIKELY” TO USE)



In general, the more popular services are either more relevant to daily life or ones whose traditional counterpart is especially inconvenient or painful (think of the last time you tried to see a doctor immediately).

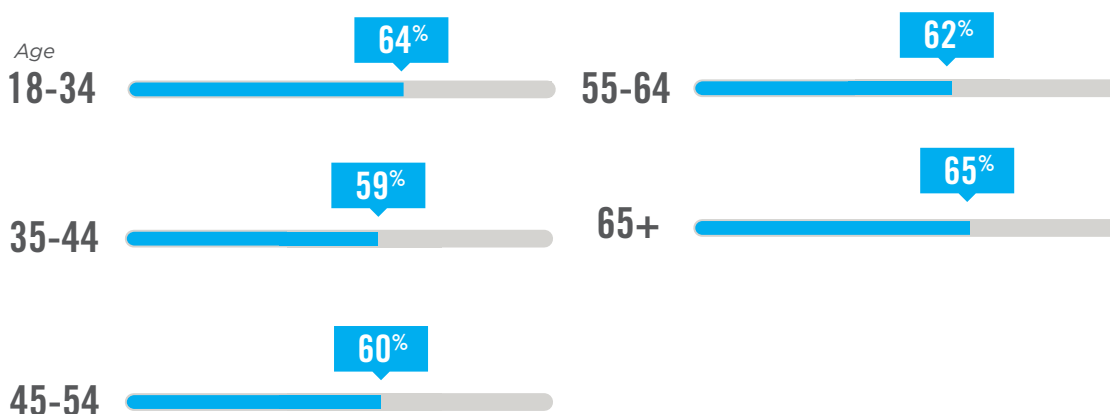


SEE A DOCTOR ON-DEMAND

A closer look at interest in the most popular service, *See a doctor*, reveals that playing in the on-demand service economy is not just a young person's game. While almost all of the digital on-demand services are decreasingly popular as the age of participants increases, *See a doctor* is an exception, as the likelihood of use is highest for both the youngest and oldest populations.



PERCENT "LIKELY" OR "VERY LIKELY" TO USE ON-DEMAND DOCTOR SERVICE BY AGE



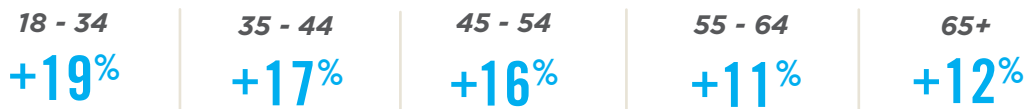
Not only does likelihood of use spike for people aged 65 and older, but this is also the highest level of interest that this age group has in any service (the next highest is 44% for *Find parking*). The frequent need to see a doctor and the sense of urgency often associated with healthcare for this segment of the population are likely reasons for elevated levels of interest.

We will dive more into the reasons driving interest in using each service, but it's interesting to note here that the 65+ age segment has the highest percentage of people listing "urgency" as the top reason for using this particular kind of service.



However, the older population is not keen on paying more for it. The amount that digital on-demand patients are willing to pay as compared to the traditional service cost falls as age increases.

INCREASED AMOUNT PEOPLE ARE WILLING TO PAY AS COMPARED TO THE TRADITIONAL SERVICE COST BY AGE



SPECIALIZED SERVICES

Specialized services are ones relevant to a subset of the population ranked as less popular (not all consumers need dog walking services). But even when controlling for this and looking only within relevant populations, specialized services remained at the bottom of the list. In other words, dog owners are still more likely to use a digital on-demand service for seeing a doctor than for pampering their pup with a hired stroll.

This suggests that these services fall where they fall not because they are only relevant to certain populations, but because that is their true level of appeal. It should also be noted that there is still sizable interest in these specialized services-- a quarter of the population indicated they would be “likely” or “very likely” to *Rent office or working space*, the least popular service.



A CONVENIENT TRUTH

So, we know what types of digital on-demand services from our given list that people are likely to use, but why do they want to use these services?

What's driving the interest?

The answer is loud and clear: Convenience

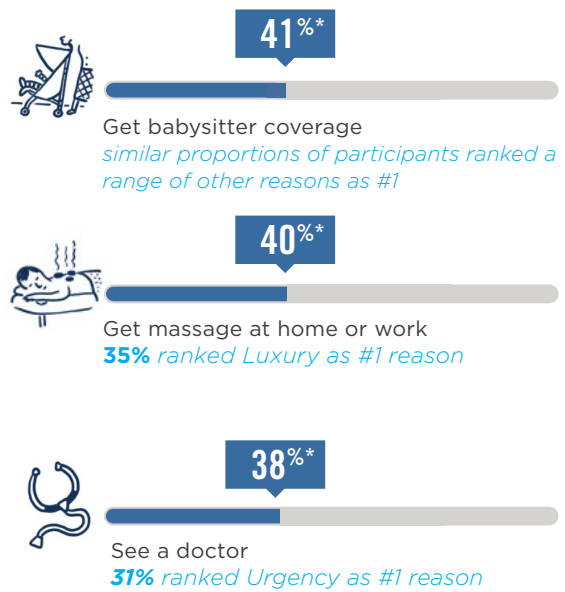
When asked why they would be “likely” or “very likely” to use each type of service, and given the options of “convenience”, “luxury”, “availability”, “urgency”, “value”, or “other”, the largest share of consumers ranked “convenience” as the #1 reason for every single service.

That said, it is more prominent of a #1 reason for some services than others:

SERVICES WHERE CONVENIENCE IS MORE PROMINENT AS THE #1 REASON FOR USE



SERVICES WHERE CONVENIENCE IS LESS PROMINENT AS THE #1 REASON FOR USE



* % interested in service ranking convenience as #1 reason



This all makes sense.

Today's consumers are increasingly interested in streamlining their busy lives and, in the name of convenience, they're eager to try and use digital on-demand services, especially everyday services. But for more specialized services, consideration drivers aside from convenience are important. For example, as shown in the figure on page 8, consumers attribute the need to book a babysitter on-demand to a number of reasons beyond "convenience" including "availability" and "urgency", while "luxury" is a competing leading reason for getting a massage on-demand, and "urgency" for seeing a doctor.

18-34 Year Olds Have Their Reasons

While "convenience" is still the most prominent #1 reason to use an on-demand service, "value", "luxury", and "availability" emerge as competing drivers among 18-34's across the services that they are interested in. On-demand services that go beyond convenience and speak to these consideration reasons are likely to resonate with this segment.



PEAKS IN INTEREST

To identify exactly who shows the most interest, we broke the population out into various segments and found that, in particular, three segments show significantly higher likelihood to use digital on-demand services: City dwellers, parents, and young people.



CITY DWELLERS

On average, city dwellers are “likely” or “very likely” to use **6.69** of the 13 services we asked them about, which trumps the average number of services that the general, suburban, and rural populations would use: 5.47, 5.17, and 4.60 respectively. And, as shown on page 13, the percent of city dwellers that are “likely” or “very likely” to use each individual service is higher than that of the general population for every single service listed.

Additionally, the order of popularity of the services stays similar for city dwellers as compared to the general population with few exceptions. *Get picked up by a taxi or car service*, *Get groceries delivered*, and *Rent office or working space* all moved up in popularity for urbanites.



PARENTS

Parents are “likely” or “very likely” to use an average of **6.68** of the 13 services we asked them about. Like city dwellers, this is higher than the 5.47 and 5.50 on-demand services that the general and non-parent populations would use, on average. And again, the percent of parents who are “likely” or “very likely” to use each service is higher than that percent of the general population for every single service.

The order of popularity of the services is almost identical for parents and the general population, aside from the popularity spikes in *Have your house cleaned* and *Get groceries delivered* among parents.



YOUNGER POPULATIONS

18-34 year olds are more likely to use digital on-demand services than the general population or any of the other age segments surveyed.

The number of digital on-demand services people are “likely” or “very likely” to use declines steadily as the population ages, starting at age 18:

















AVERAGE NUMBER OF DIGITAL ON-DEMAND SERVICES “LIKELY” OR “VERY LIKELY” TO USE BY AGE

18 - 34	35 - 44	45 - 54	55 - 64	65+
6.58	5.86	5.20	4.51	3.70

Once again, the percentage of 18-34 year olds “likely” or “very likely” to use each service is higher than that percent of the general population and any other age segment for every single service except for *See a doctor* which, as detailed earlier, sees a peak among the 65+ segment. Finally, similar to city dwellers and parents, the order of popularity of the services is quite close to that of the general population, save for a few slight shifts.



**SERVICES IN ORDER OF GEN POP POPULARITY
(BY % “LIKELY” OR “VERY LIKELY” TO USE)**

	 CITY DWELLERS	 PARENTS	 YOUNGER POPULATIONS	GENERAL POPULATION
 See a doctor	67%	67%	64%	62%
 Find parking	59%	60%	59%	55%
 Have your house cleaned	60%	63%	60%	54%
 Get picked up by a taxi or car service	66%	54%	60%	51%
 Get groceries delivered	65%	62%	61%	45%
 Have your laundry or dry cleaning done and delivered	55%	54%	53%	44%
 Get a massage at home or at work	52%	52%	49%	44%
 Get a haircut or blowdry at home	52%	52%	47%	41%
 Have snow removed	43%	47%	49%	41%
 Get tutoring at home or at school	41%	44%	42%	31%
 Get babysitter coverage	35%	43%	44%	28%
 Have your dog walked	36%	35%	36%	27%
 Rent office or working space	40%	34%	36%	25%



TODAY'S POWER USER: THE YOUNG URBAN PARENT

Now, what happens when we put these three highly interested populations together?

We found that young (18-34 year old) urban parents are the most interested in digital on-demand services among those we surveyed.

On average, young urban parents are “likely” or “very likely” to use a whopping **9.15** digital on-demand services. Further, their likelihood to use the digital on-demand services is higher than that of any other segment we looked at.

In addition to being digital natives quite accustomed to using digital platforms on myriad devices throughout the day, young urban parents are in the midst of prime years for both starting a family and building their careers - all against the backdrop of hectic city life.

They are juggling many responsibilities and time management is a constant challenge. Anything that helps them to better manage their daily lives is welcome and appreciated.

This is quite the recipe for a desire for digital on-demand services.





**SERVICES IN ORDER OF GEN POP POPULARITY
(BY % “LIKELY” OR “VERY LIKELY” TO USE)**



**YOUNG URBAN
PARENTS**

**CITY
DWELLERS**

PARENTS

**YOUNGER
POPULATIONS**

**GENERAL
POPULATION**

	80%	67%	67%	64%	62%
	80%	59%	60%	59%	55%
	75%	60%	64%	60%	54%
	74%	66%	54%	60%	51%
	74%	65%	62%	61%	45%
	72%	55%	54%	53%	44%
	72%	52%	52%	49%	44%
	68%	52%	52%	47%	41%
	68%	43%	47%	49%	41%
	67%	41%	44%	42%	31%
	67%	35%	43%	44%	28%
	59%	36%	35%	36%	27%
	59%	40%	34%	36%	25%



PUT YOUR MONEY WHERE THE APP IS

Sure, consumers are likely to use many digital on-demand services, but are they willing to pay more for them?

Yes: Modern consumers are willing to pay a premium for the prize of greater convenience.

We found that consumers are willing to pay an average of 14% more for the 13 surveyed digital on-demand services over their traditional counterparts.

Some segments of the population are willing to pay even more. Specifically, 18-34 year olds are willing to pay an average of 16% more for the digital on-demand services that they are interested in.

It's also worth noting that these figures are simply the additional amount that people say they're willing to pay. Often times, as any Uber user who's traveled in the rain or during rush hour can attest, you may pay much more than you initially thought, expected, or accepted as reasonable. Yet, you'll most likely return the next time you have an on-demand need.

In terms of *how* they prefer to pay, consumers indicate a preference to "automatically be charged via a stored credit/debit card" over other payment methods, such as paying in cash or swiping a card at the time of purchase. This method is preferred across most of the services (though by a somewhat smaller margin for some services). Again, knowing that convenience is king for consumers, this does not come as a surprise. Consumers are happy to pay this way as it requires the least time and effort on their part.





BUILT TO LAST?

This isn't the first time we've experienced a surge of digital on-demand services. Before the tech bubble burst in the early 2000s, many such services had started to sprout up and later became part of the cautionary tale of the time. Digital on-demand delivery service, Webvan, has been called "one of the most epic fails in the dotcom bubble fiasco"³ and continues to top such lists.

So what's changed? Why should we believe this time around will be any different?

We think that a couple of conditions may benefit the recent boom in on-demand services.

First, as we mentioned, Internet penetration has risen dramatically over the past 15 years. In 1999, less than half of American households had an Internet connection, let alone the constant access afforded from smartphones today, making it impossible to order these services on the go with today's ease.

Second, the dramatic rise in Internet access has led to an abundance of digital marketplaces, and today's consumers are simply more accustomed to and comfortable ordering and paying for goods and services on digital platforms today than they were at the turn of the century.

But while technological advances and consumer behavior have made digital on-demand services more viable and viral across many populations, having a market presence is only part of the challenge. As the on-demand economy evolves and matures, digital on-demand service providers will need to work harder and harder to differentiate and truly offer something new and valuable to consumers.

As in any space, we believe a key to digital on-demand service providers' success will be maintaining an up-to-date understanding of customers' needs and consideration drivers in order to effectively shape, and deliver on, relevant value propositions that win customers' business again and again.

Because one thing is for sure: Beyond questions of business viability, if consumers have any say, more and more of their daily tasks and needs will be easily outsourced in an instant.

APPENDIX

ABOUT US

MCD Partners (MCD) is a digital customer experience agency that helps some of the world's most recognizable brands make profitable and more meaningful connections with their customers.

For new business inquiries, further information about this report, or further information about MCD and our services, please contact:

David Eastman

deastman@mcdpartners.com

212.500.4500

mcdpartners.com

TWITTER

twitter.com/mcdpartners

LINKEDIN

linkedin.com/company/magnani-caruso-dutton

RESEARCH DETAILS

In conducting the research shared in this report, we partnered with market research company FocusVision. Our intent was to gain a deeper understanding of consumer interest in digital on-demand services. As mobile is a vital platform for these services, all of our participants are consumers who access the internet at least once a day from their smartphone.

Survey details:

Who: 1,100 participants over two waves. All participants were 18 years or older, daily smartphone users, and were diversified in geographic location within the U.S., age, gender, household income and level of education.

Where and When: Participants were limited to U.S. residents. Fieldwork was conducted in Q4 2014 and Q1 2015.

Margin of Error: For questions answered by all of 1,100 participants described above, the maximum margin of sampling error is +/- 2.90% with a confidence level of 95%.

ENDNOTES

1. <http://graphics.wsj.com/billion-dollar-club/>
2. <http://www.businessinsider.com/the-on-demand-economy-is-reshaping-companies-and-careers-2015-1>
3. <http://www.cnet.com/news/the-greatest-defunct-web-sites-and-dotcom-disasters/>