



EVOLUTION OF COMMERCE

Customers' Priorities are Changing. Are You Keeping Up?



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Disruption On the Horizon

Stay on target.

The biggest challenge brands face is knowing that they're focusing on the right areas and our research would suggest they are missing the mark. **While most business owners (78%) say they have the necessary resources to serve and retain customers, they may not be investing where consumers need them to¹.**

Consumers want practicality from their brands meaning a focus on affordability, clear and detailed product information, trusted reviews from other customers, guarantees about authenticity and protection from counterfeits. But brands seem keener on wider purpose and innovation, sustainability and social awareness. They also want to be seen as cutting edge and innovation can't stand still but, in this uncertain climate, brands must refocus to match their consumers' changing needs.



Methodology

For this report, PayPal commissioned Forrester to conduct two surveys among enterprise businesses (507 respondents) and consumers (5,036 respondents) in five global markets: Australia, France, Germany, United Kingdom and United States of America. We wanted to know how businesses and consumers react to the economy, their preparedness and priorities into 2023.

¹ Forrester Consulting survey commissioned by PayPal, PayPal Evolution of commerce insights 2023. n=507, 5 markets: the US, UK, Australia, Germany, and France. Online survey of global merchants (18+ senior decision-makers responsible for their business's growth, customer experience, and innovation) between November 2022-January 2023.

The Current State of Commerce

These are challenging times for consumers.

Inflation, product shortages, economic and political uncertainty are a fact of life in many global markets. With living essentials such as housing, utilities and food taking up a much larger portion of income, consumers are doing all they can to make ends meet.



With the global economy tilting towards recession and cost-of-living crises, consumers are understandably cautious with their money. Businesses focusing on non-essentials will no doubt be concerned that **54% are looking to cut down their discretionary spending¹**. Nearly half (**43%**) are budgeting for spending in general meaning that every penny spent is scrutinized for value¹. There's no doubt that the pressures are intense - around **a third of consumers believe they're going to have to look for secondary income (34%)** if their economy enters a recession¹.

With these stresses in mind, consumers are looking to brands to act with compassion and empathy toward their struggles. Consumers would find cost-cutting measures like **free shipping and returns (60%)** or **promotions (49%)** particularly helpful¹.

Interestingly, empathy works both ways. While they want help, consumers understand that brands are also under pressure. They're willing to give companies more leeway, specifically around price increases, stock outages or longer delivery times.

How are consumers preparing for a recession¹?

Reducing discretionary spending

● TOTAL	54%
● AUSTRALIA	52%
● FRANCE	55%
● GERMANY	48%
● UK	59%
● US	54%



Creating a budget for my spending

● TOTAL	43%
● AUSTRALIA	45%
● FRANCE	37%
● GERMANY	38%
● UK	49%
● US	44%



Looking for secondary sources of income

● TOTAL	34%
● AUSTRALIA	35%
● FRANCE	35%
● GERMANY	33%
● UK	33%
● US	37%



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Businesses helping out.

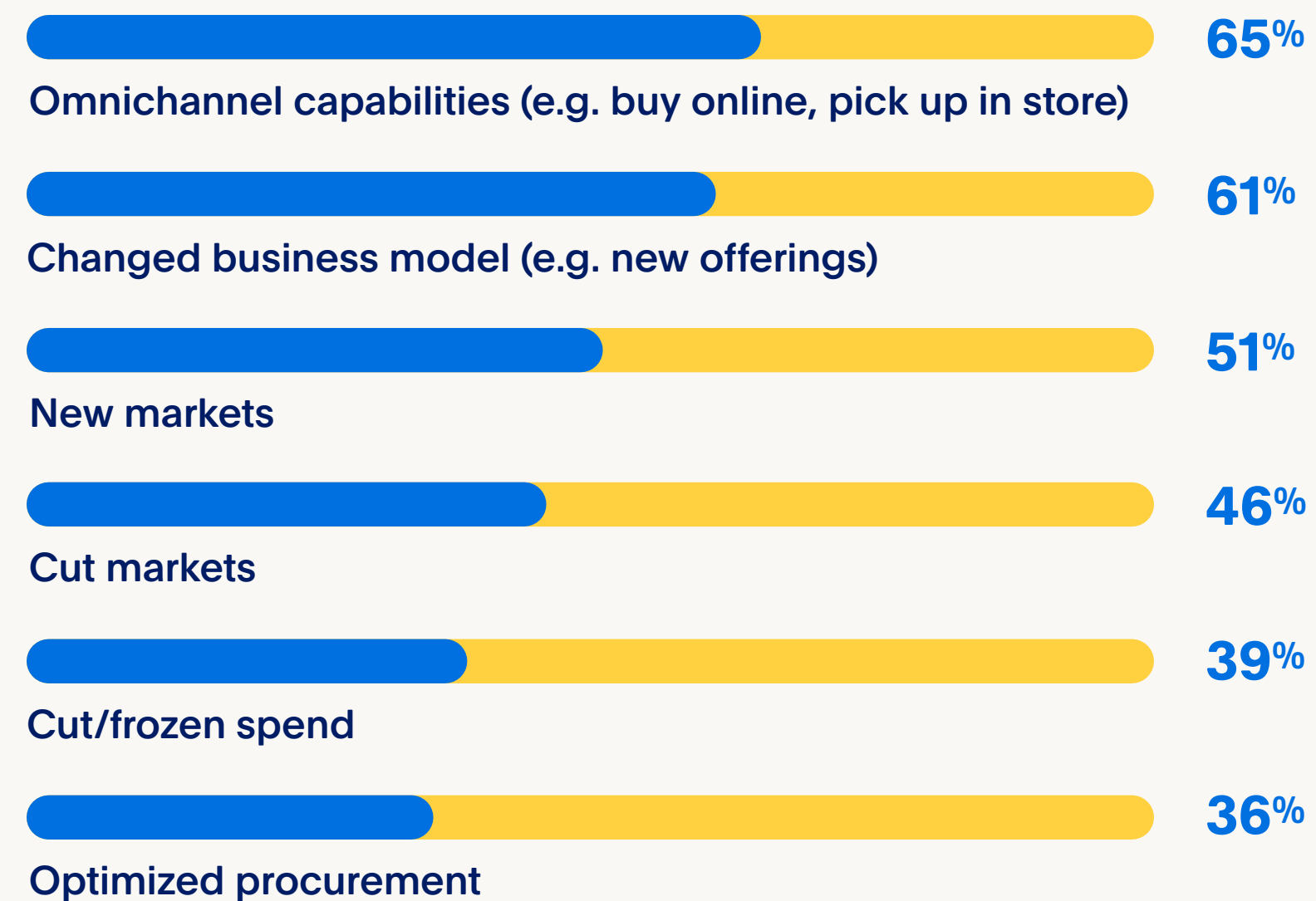
Companies know the problems their customers face, and they're trying to help. It's not just kindness, anticipating customer needs is essential for retention. Brands that keep high prices, even if it's because of their own high costs, risk losing customers.

Over the last year, many companies have looked for efficiencies they can pass on to the consumer. The vast majority **(95%) would say they're prepared to meet the current challenges**, with **more than half (51%) confident that they're extremely prepared**¹.

Meeting the challenge head on.

Businesses have had to make some fundamental changes. From creating new products and services to new ways to help customers, they must pull all possible levers. Perhaps that means budget lines to meet tightened budgets or improving convenience such as in-store pick-up, being able to survive and thrive in a challenging economy is a whole business exercise.

You can see from the list below just how broad business involvement is. Every department has a role to play¹:



We have established a more resilient and innovative operational structure to create a more agile business to cope with challenging environments.

— Anonymous Survey Respondent

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Gap Between Priorities

Businesses may think they're meeting their customers' needs in difficult times, but the fact is, their priorities are at odds with what consumers want. In fact, businesses' lowest priorities are actually consumers' most important needs. Although brands are trying to improve the customer experience, the tactics they're choosing may in fact be making it harder, not easier, to resonate.

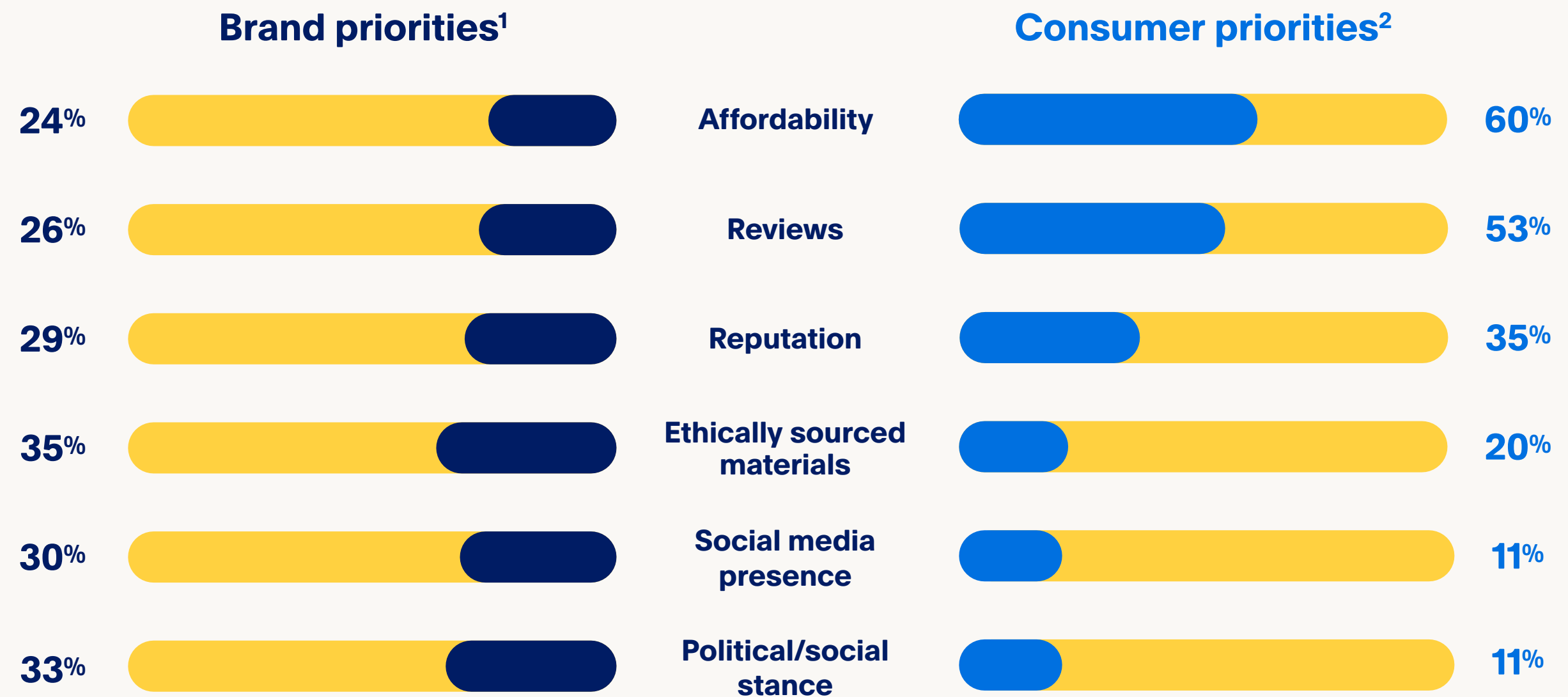


What brands think...

Companies believe that consumers are most interested in their **sustainability credentials (35%)**, their **brand purpose (34%)** or their **political and social stance (33%)**¹. They feel affordability, exclusivity and endorsements (customer reviews) are least important¹.

...and what customers really think.

Customers think the complete opposite. In the current economic climate, being able to afford a product, read its reviews and a good reputation are far more important to them than its ethical credentials. Unsurprisingly, at a time when they need it most, consumers feel their needs aren't being considered. If brands ignore customers' needs, they'll find it harder to gain loyalty or increase sales.



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Priorities still clash in the future.

When we look at how businesses plan to address customer needs in the future, it's clear brands still aren't quite on the same page as consumers.

In the next five years, consumers' biggest concern will be transparency. Ecommerce can be difficult for customers to navigate. Some seemingly genuine brands peddle sub-standard or counterfeit goods. Consumers want proof of authenticity. They also want some recognition for their loyalty, given the time and effort they put into selecting their suppliers.

Meanwhile, businesses mostly want to focus on technological innovation – live-streaming, online shopping and augmented reality. While staying ahead of new developments is important, it's clearly not the main reason customers give them their business.

Get closer: How to meet your customers where they are.

There are several ways businesses can meet customers' needs at each stage of their purchasing journey, from research to payment, shipping and returns, customer service and loyalty. In the next three sections, we're going to look at where businesses and customers' priorities diverge — and how you can refocus.

In the next 5 years, consumers expect brands to focus on¹:



Supply chain transparency

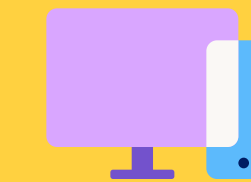


Verified product authenticity



Prioritizing loyal customers

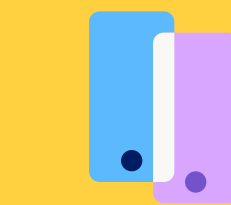
While businesses are focusing on²:



Support live-streaming shopping



Online shopping appointments



Augmented reality tools

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Reach More Customers

Consumers are highly informed. Brands must do everything they can to appeal, investing in multiple areas to attract the customer, wherever they are in their research journey. But there's a danger brands are spreading themselves too thin. Often there isn't enough effort behind each initiative to make a meaningful difference. Let's look at the three main buttons brands need to push to attract customers in 2023.

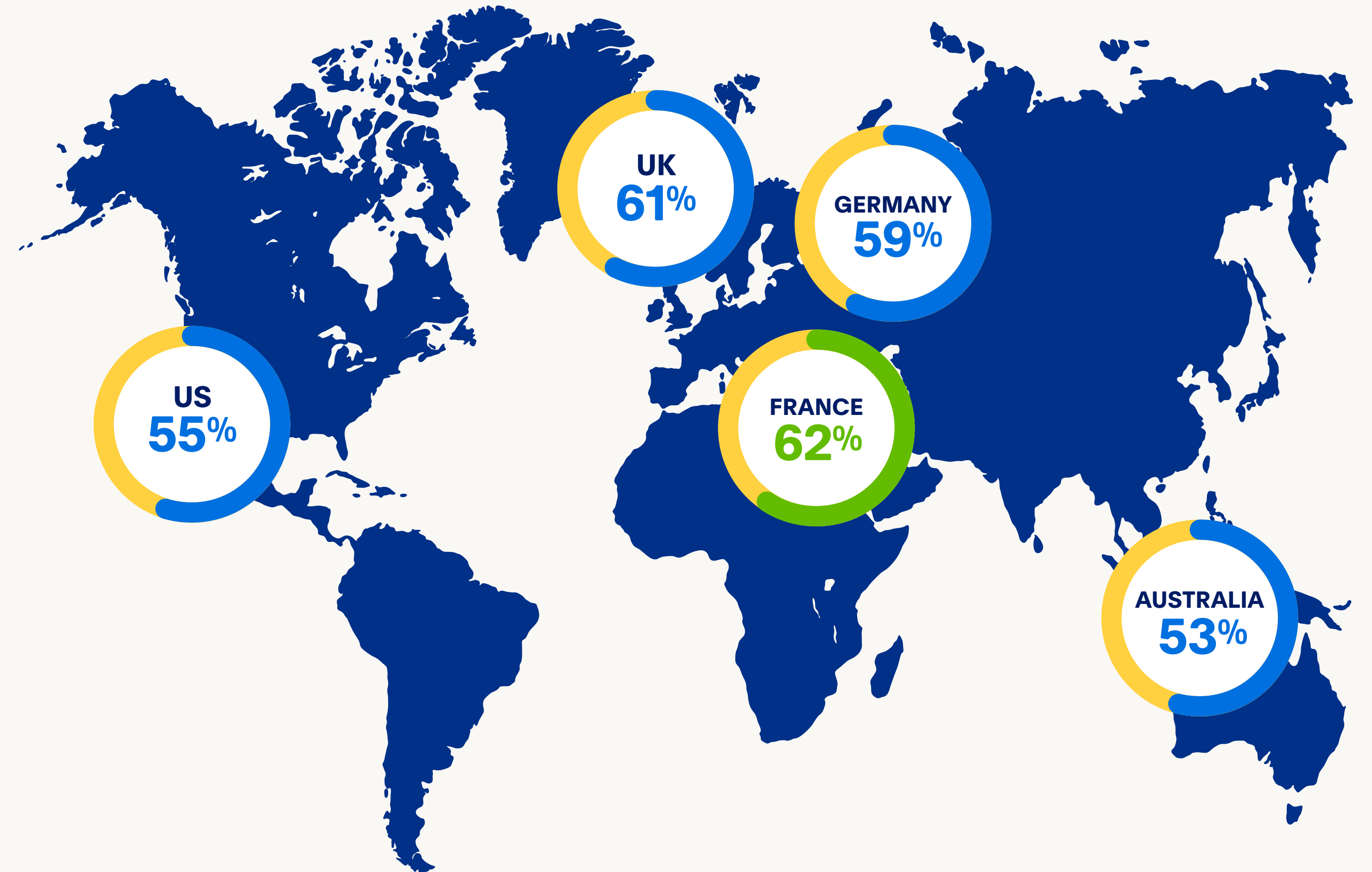


First button: Detailed product information.

The first thing customers look for during the research and discovery phase is detailed product information. In fact, a quarter of consumers state they won't shop a brand if there isn't enough information. When money is tight, every penny matters so consumers want to make sure they are getting their money's worth. It makes sense that brands who draw attention to product information are more likely to attract customers than those who don't.

58%

of global customers
want detailed product
information¹.



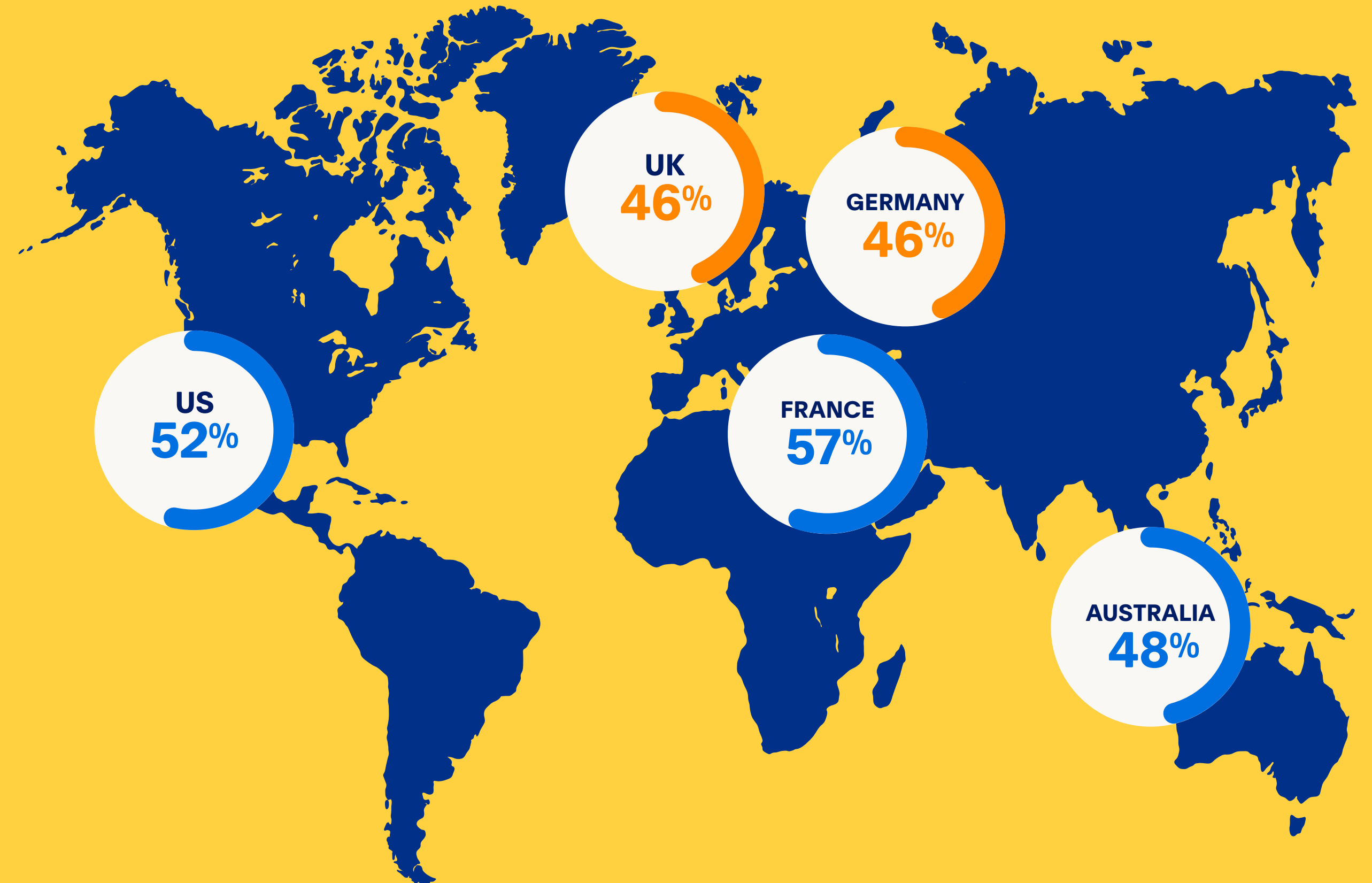
**French consumers are
most likely to value
product information¹.**

Second button: Promotions and deals.

With value for money uppermost in their minds, it follows that promotions and deals will be important for customers. For brands, this is an ideal opportunity to maintain a relationship with their customers, even when they have less money than usual. It's also an ideal opportunity to attract new customers away from competitors, something French businesses are most keen on, with **57% of those survey respondents agreeing that promotions and deals are important¹**.

50%

of global customers think promotions and deals are important¹.



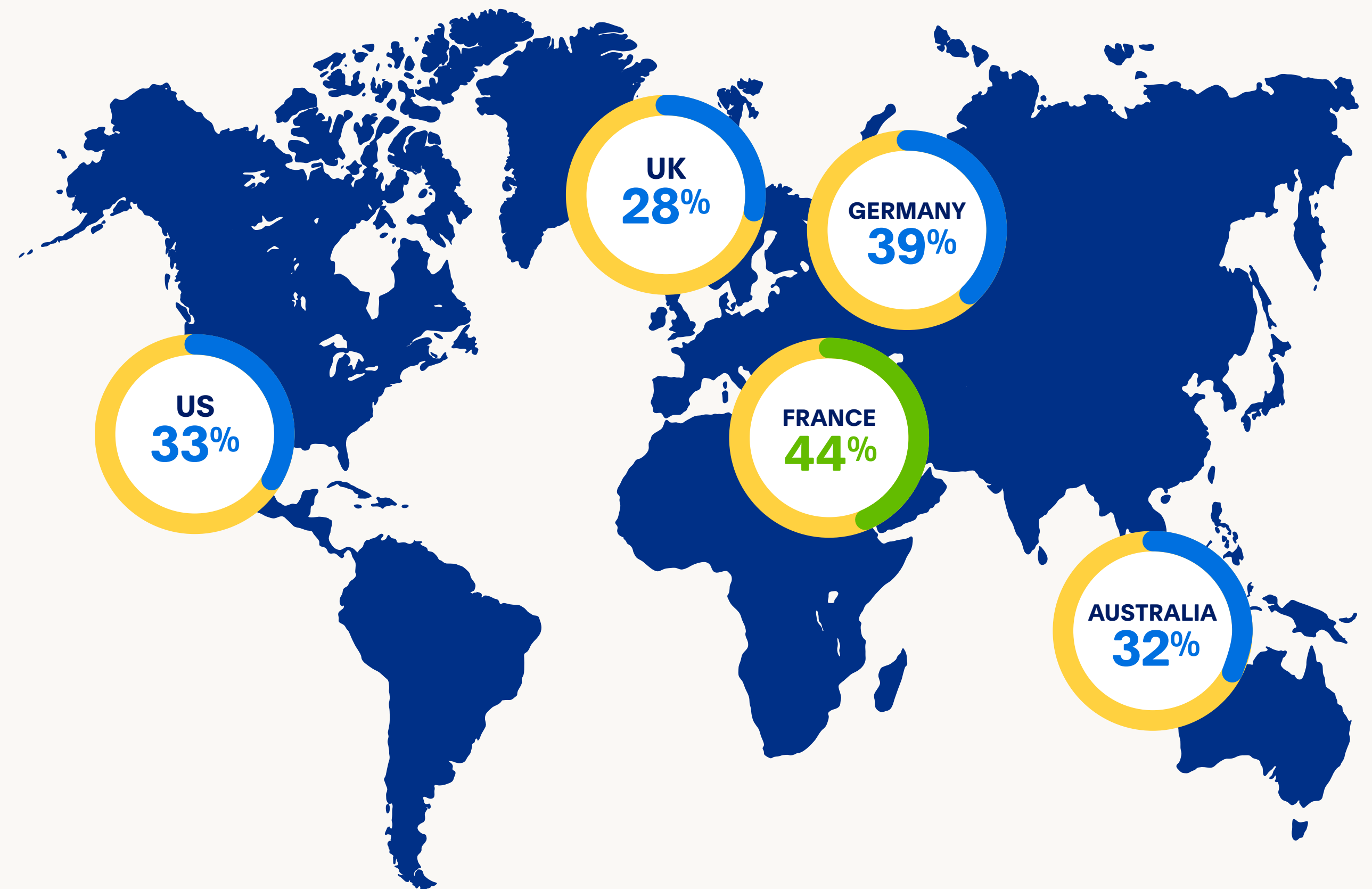
UK and German consumers least concerned by promotions¹.

Third button: Broad product range.

Customers in 2023 are often frustrated. Supply chain interruptions and product shortages mean they often find the shelves — both virtual and physical — are bare. Brands that can show a healthy and varied inventory will automatically be more attractive, but those that can combine availability with promotions and deals as well as proof of value for money will press all three buttons.

35%

of global consumers
are attracted by a
broad product range¹.



**French consumers
value product variety¹.**

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Time to shift focus.

In summary, capturing the customer comes down to one key insight: **Focus on what the customer wants, not what you think they need.**

A case in point: When businesses were asked what the critical factors were in bringing shoppers in, they prioritized the following:

Businesses prioritize innovation¹.



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Be aware of your customers' financial burdens.

There's no doubt that health, sustainability and diversity are important. They should be on every business agenda. But as a tool specifically to attract customers, brands must prioritize their customers' needs in the here and now. That means directly addressing the very real financial pressures they're experiencing.

What customers really want is for businesses to¹:



Create detailed product information, particularly product comparison charts.



Advertise promotions and deals.



Provide a broad range of complementary and/or alternative products that give choice, convenience and — where possible — savings.

How PayPal can help.

“Unsurprisingly, customers are more likely to make an impulse buy in-person. That's often because it's a lot easier to tell your story in-store than via a website. The customer knows what they want and if it's not there, they are more likely to leave without buying anything. To reach more customers, you need to rethink how you're inspiring your customer online – and that's where PayPal can help.”

— Caroline Thelier, VP, Global Merchant Go-to-Market



With 435m active accounts and growing all the time (nearly nine million more users last year alone), PayPal's global network is the ideal tool to drive traffic and generate leads².



PayPal users tend to spend more time browsing than other buyers. The end result is that they shop online more than twice as often as non-users with small businesses³, and spend 11% more on larger company websites⁴.



With PayPal you open your business to a world of diverse, high-value consumers - and in a way that helps everyone buy more easily. Nearly half (45%) of all PayPal active accounts were outside the US by the end of last year, and we processed six billion transactions⁵.

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Increase Purchases

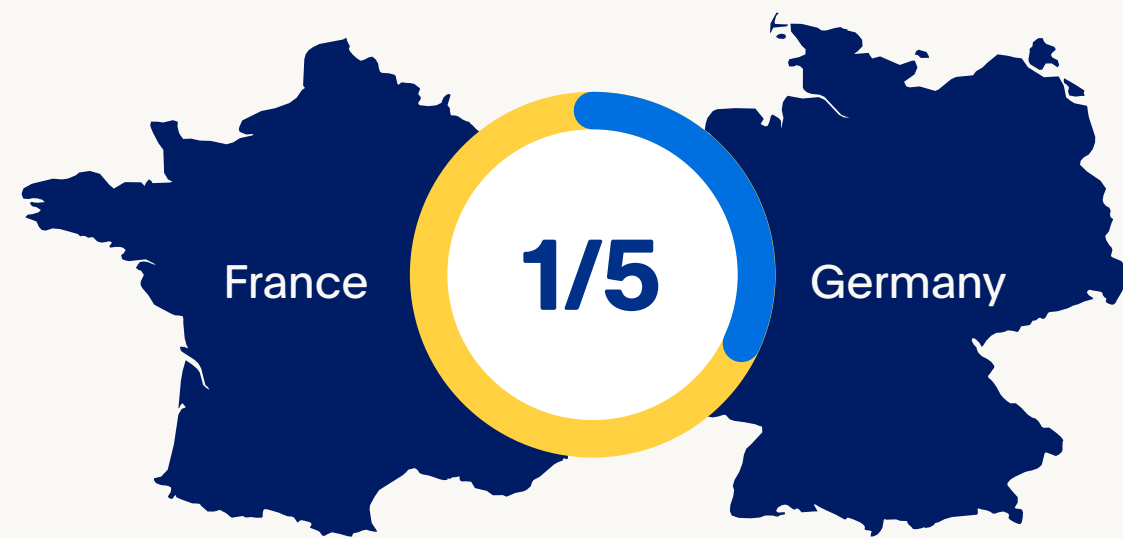
The ecommerce world is littered with abandoned carts. To prevent this, businesses use a range of tactics to keep customers on board, from boosting loyalty benefits or offering subscriptions, to better content and promotions.

But once again, while businesses are looking at lots of different ways to persuade the customer to click 'buy', they often haven't addressed what consumers really need. When it comes to abandoned carts, brands must tackle two simple, but critical pain points: Checkout, and Shipping or Returns.



Pain point one: The checkout experience.

If the customer wants to complete a purchase, the top learning is: Don't get in their way. They don't want to be held up by signing up for an account every time they purchase, but they don't want to have to enter their payment and shipping details every time either. Handing over sensitive details isn't just time-consuming, it's worrying for consumers too, who are concerned about potential security breaches.



More than 1 in 5 French and German consumers would not purchase from a brand if it had a poor checkout experience¹.

Optimized checkout experiences¹.

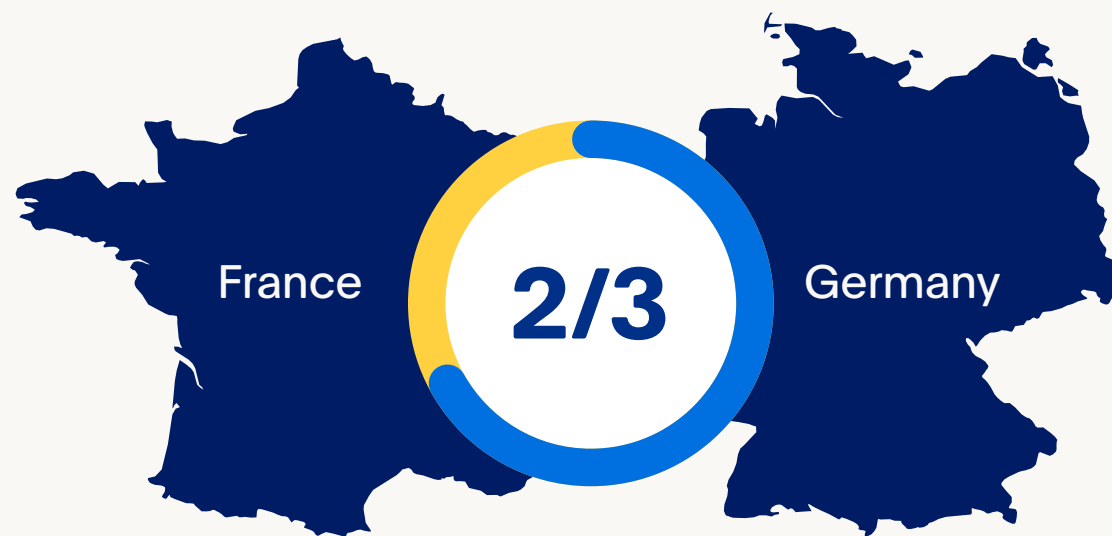
● Total	63%
● Australia	67%
● France	65%
● Germany	59%
● UK	60%
● US	66%



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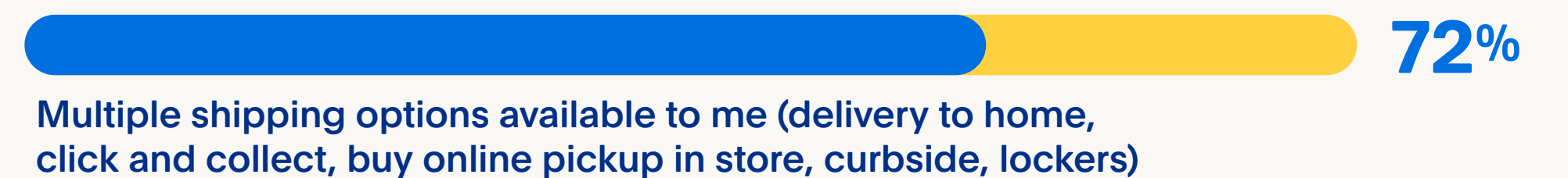
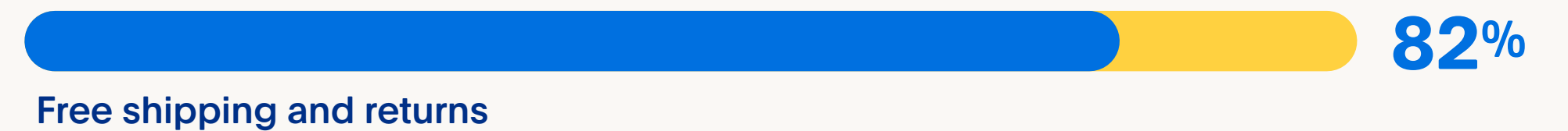
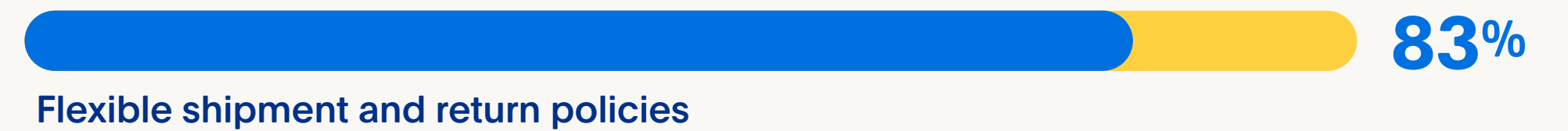
Pain point two: Shipping and returns.

Brands tend to think of shipping and returns as a post-purchase issue but, for today's consumers, it's an important part of their decision-making process. Will it arrive quickly enough? If I don't like it, can I send it back? Customer expectations are high, with demands for flexibility and free options front of mind. If your shipping and returns policy doesn't suit them, they won't hesitate to find a supplier's that does.



More than two-thirds of French and German consumers said they will not or might not buy from a company that doesn't have flexible shipping and return policies¹.

Flexible shipment extremely important to consumers¹.



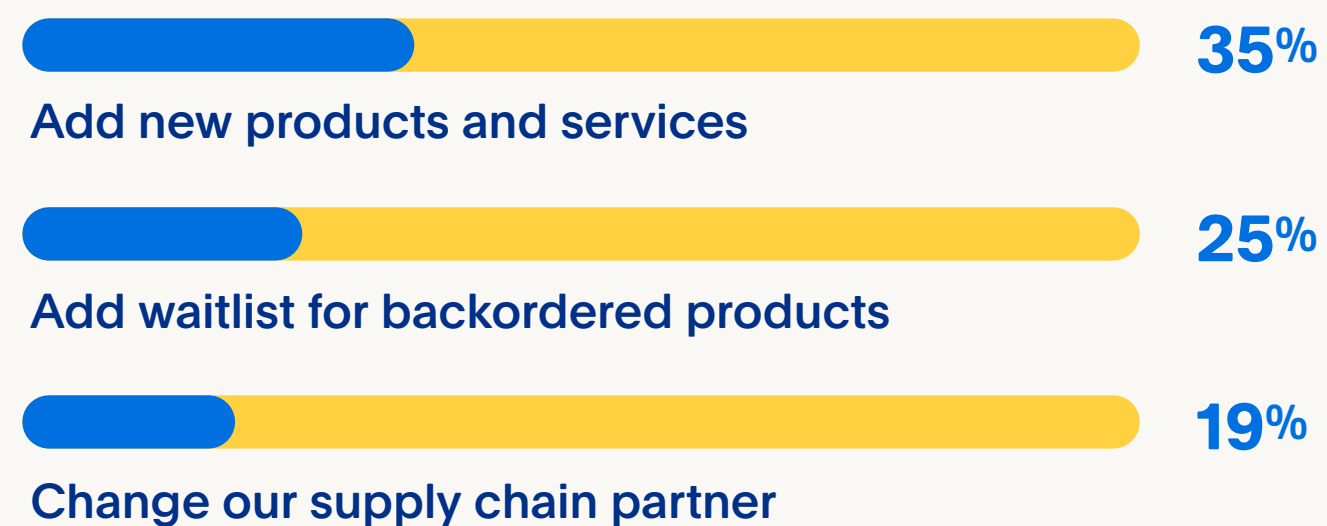
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Overcome customer experience challenges.

Businesses are understandably wary of disappointing their customers. Challenging economic conditions don't help and many of their main concerns are often not even fully within their control. Supply chain issues and delivery times are often impacted by third parties, while Covid and other issues still hinder their ability to operate at full capacity. When you add growing customer expectations — for example, rapid delivery and the ability to return goods for free — brands have pressures on all fronts.

Businesses are trying to tackle these challenges head on, with many opting to overcome supply challenges either by expanding their ranges, changing providers or creating waitlists. But they need to go further if they're going to see every customer through to a sale.

New products a top priority for conversion¹.



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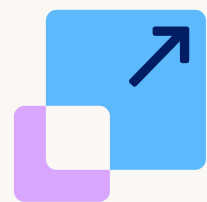
Check out the checkout.

There's no argument that having a wide range of available stock is important to customers – but it's not their priority. Most of all, they just want the buying experience to be easy, fast and able to solve any problems if they arise. This is why merchants should prioritize aligning their checkout and shipping and returns policies as closely as possible to customer expectations.

Brands need to make the end-to-end purchasing journey seamless by addressing the following three, key customer needs:



Reduce the admin by avoiding repeated shipping address, personal and payment details requests¹.



Offer multiple, flexible shipping and returns options, making policies easy to understand¹.



Publicize free shipping and returns prominently and early in the purchasing journey¹.

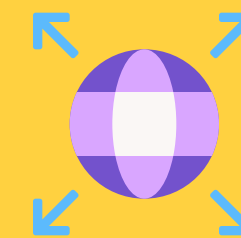
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How PayPal can help.



Browsing and searching for just the right product can be fun, exciting even. But the checkout stage can be very somber for consumers. Taking customers through a seamless, simple and effortless checkout experience is a top priority for brands. Optimized checkout processes, prefilled billing and shipping details and a minimal number of clicks are what brands need to seal the deal, which is where PayPal can help

— Caroline Thelier, VP, Global Merchant Go-to-Market



PayPal completes 34% more checkouts globally², and drives 17% more repeat customers to businesses' sites³. They also accept debit and credit cards and more than 10+ local payment methods in 100+ currencies, from 200+ countries globally.



Because it's simply a more flexible way to pay, PayPal users spend nearly 30% more and are 10% less likely to churn. Twenty-five million consumers are using PayPal's BNPL service, more than double that of 2022⁴.



PayPal is the most accepted digital wallet, embraced by more than 75% of the top 1,500 ecommerce brands⁵. PayPal is also the most trusted brand to keep financial information secure⁶, a high priority for nearly two-fifths (38%) of consumers globally⁷.

Improve Loyalty

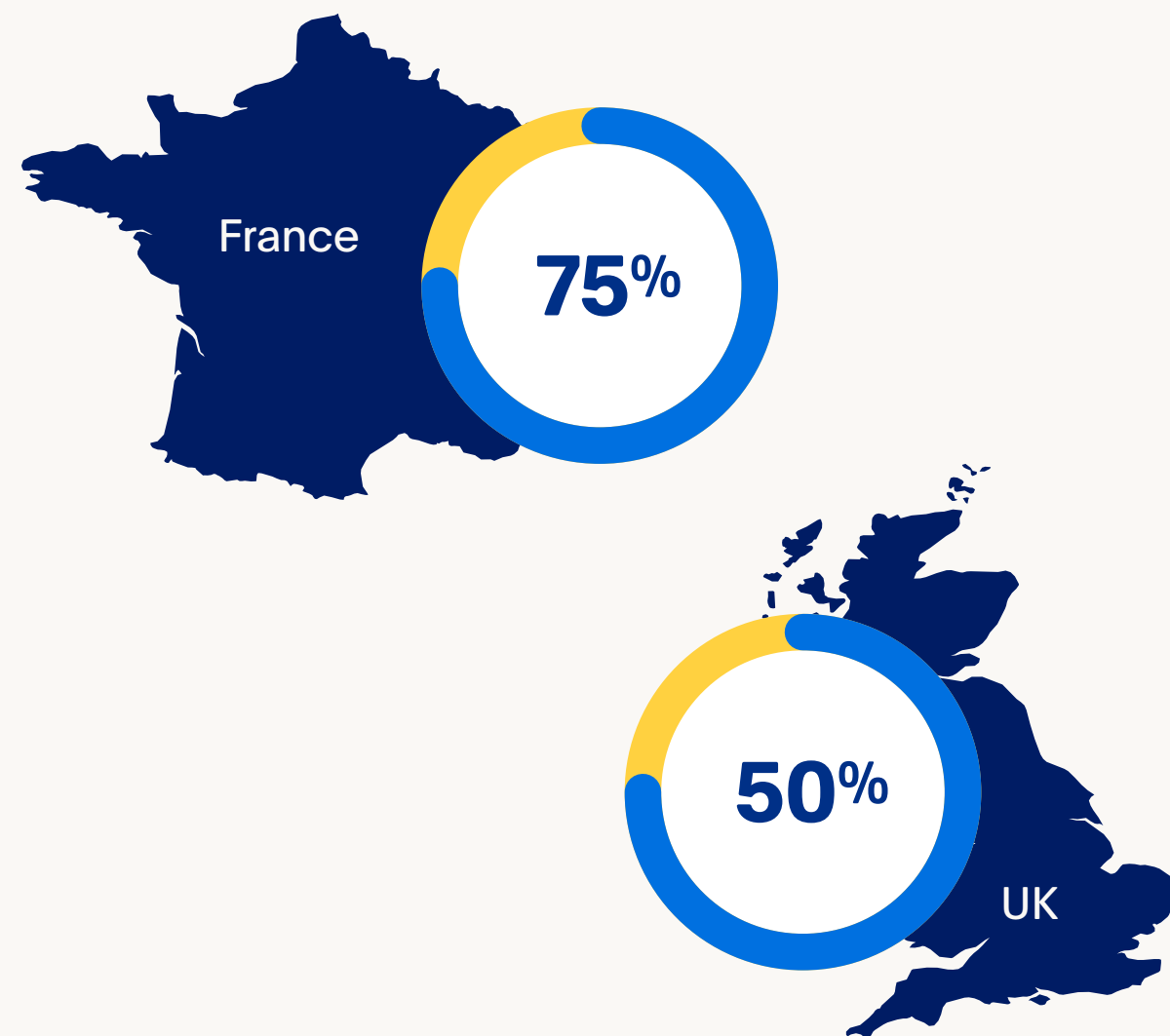
Customer loyalty is becoming much harder to secure and consumers don't have to look far for alternatives, particularly if they're attractively priced. Many businesses already use customer feedback management, journey mapping and analytics to keep customers loyal¹. Gamification and incentives can help keep customers coming back, but brands shouldn't underestimate good old relationship building.

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Consumers look for rewards.

Product quality isn't enough. Customers are used to being rewarded — through points, discounts, exclusive access and more — particularly in ecommerce. In tough economic times, loyalty benefits can make all the difference. But many loyalty programs become stale over time and it's essential they're refreshed so customers see the value in coming back.



Three-quarters of French consumers expect built-in loyalty programs from their merchants, versus just over half of UK buyers¹.

Built-in loyalty programs important for retention¹.

● Total	66%
● Australia	66%
● France	75%
● Germany	62%
● UK	58%
● US	63%



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What you see isn't always what you get.

Online shopping is entirely based on trust. Since you can't physically examine what you're about to buy, you must believe that what's on the page is a truthful representation of what will be sent. Businesses must reassure customers their purchases aren't sub-standard or counterfeit.



Brands are missing an opportunity. Only 7% of brands actively think about how to prove product authenticity¹.

German and French consumers care most about product authenticity².

● Total	63%
● Australia	58%
● France	72%
● Germany	70%
● UK	57%
● US	56%

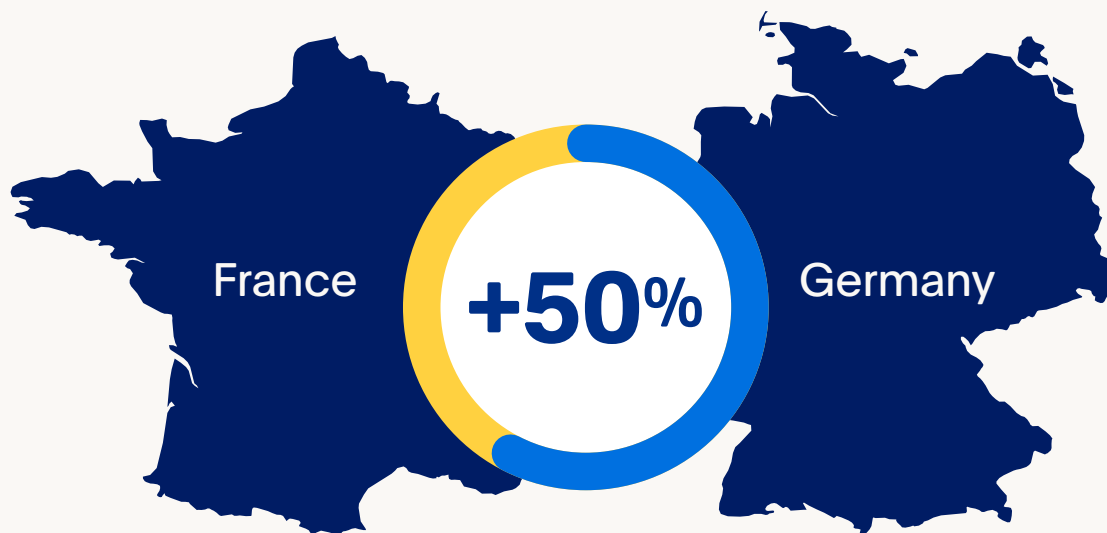


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Front of the line for loyalty.

Convenience and experience often mean more to consumers than moderate discounts — even in tough economic conditions. When asked what their biggest challenge had been in the last six months, connecting with service representatives or long wait times were top of the consumer’s list¹.

If customers are to feel valued, they must see it in service levels as well as promotions and that means priority access. This doesn’t just encourage repeat purchasing, it’s also likely to attract more customers, who would trade a cheaper or faster product elsewhere for premium service.



Over 50% of French and German consumers said they will not/might not purchase from a brand if they don’t offer priority customer care for loyalty members¹.

Priority care most vital for French consumers².

● Total	55%
● Australia	58%
● France	63%
● Germany	48%
● UK	49%
● US	55%



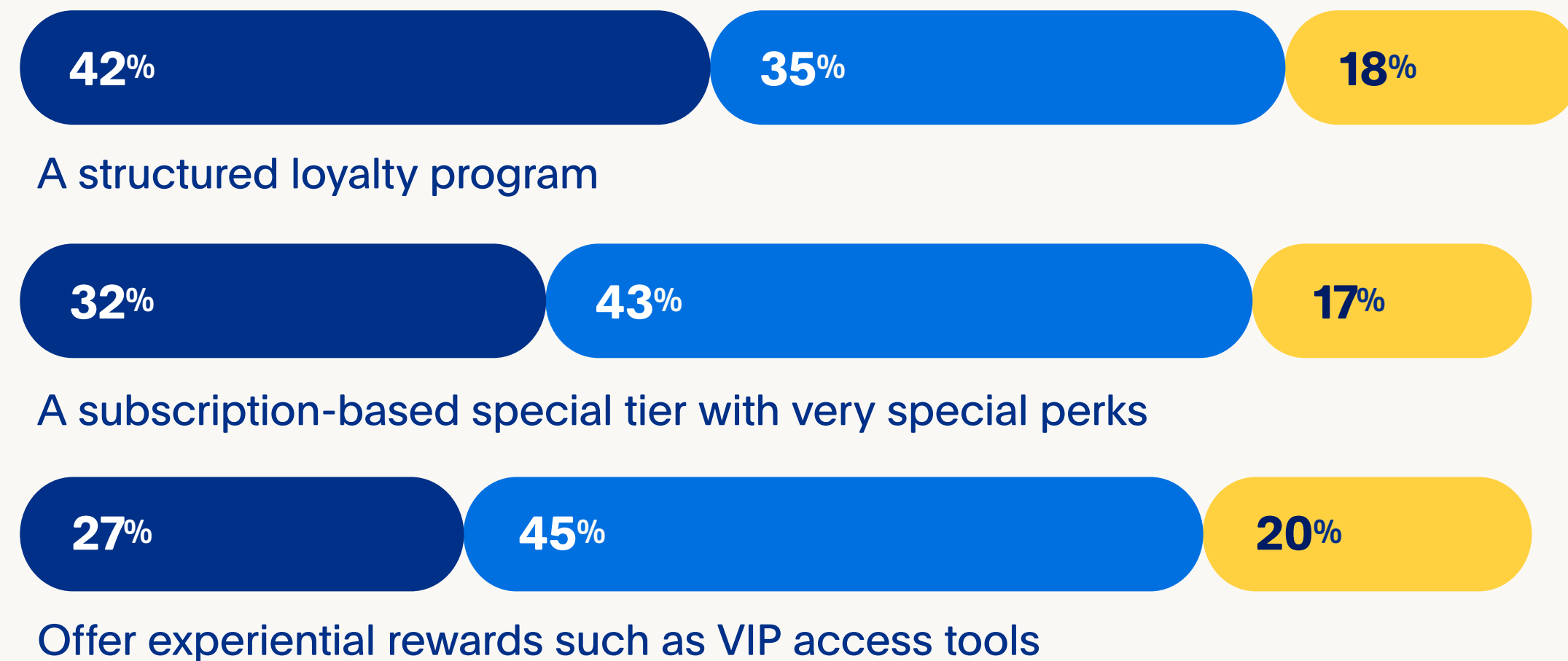
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Walk the talk.

Businesses talk a lot about securing customer loyalty and creating excellent customer experiences, but not enough follow through. Most still seem to have a ‘tomorrow’ mentality, with less than half planning to implement their most important loyalty strategies in the next 12 months¹.

To date, a mere 27% have implemented experiential rewards like early access to products or a ‘priority lane’ while a fifth will deal with the issue at some point in the next three years¹. Companies are starting to act. But, if they’re to see real success, they need to focus on initiatives that are highly valued by consumers.

Brands’ key loyalty tactics in the next three years¹.



- Implemented
- Planning to implement in next 12 months
- Planning to implement in next 36 months



1/3 of businesses create initiatives customers care about².

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Three tactics that should bring rapid returns are¹:



Built-in loyalty programs with rewards and incentives for purchasing.



Detailed product information to build trust around authenticity and grow peace of mind.



Priority lane customer service and access for members only.

How PayPal can help.



Before consumers go ahead and buy, they're going to look for signs of a trusted retailer. Consumers see the PayPal logo and take comfort knowing that their details are secure and that they're protected by PayPal's purchase protection program.

— Caroline Thelier, VP, Global Merchant Go-to-Market



Both brands and consumers are protected from fraud as PayPal transactions increase overall authorization rates by nearly 6% globally².



The PayPal checkout provides peace of mind for consumers and, as a result, we have reduced chargeback rates by five basis points globally³.



Consumers know PayPal is secure and hassle-free so seeing their preferred payment method as an option on a website generates trust and, ultimately, loyalty. PayPal increases merchants' Net Promoter Score by an average of 14%⁴.

¹ Forrester Consulting survey commissioned by PayPal, PayPal Evolution of commerce insights 2023. n=5,036, 5 markets: the US, UK, Australia, Germany, and France. Online survey of global consumers (18+ who are active consumers with enterprise level businesses) between November 2022-January 2023. ² Comparative analysis of major global payments network and PayPal internal data from transactions over a 12-month period from Q4 2020-Q3 2021 in 8 markets (US, UK, DE, AU, FR, IT, ES, CA) across 12 verticals. Does not include transactions from domestic schemes (e.g. Cartes Bancaires, eftpos). *Composite results weighted across US, UK, DE, AU, FR, IT, ES, and CA based on size of 2021 digital commerce markets, sourced from Euromonitor. ³ Comparative analysis of major global payments network and PayPal internal data from transactions over a 12-month period from Q4 2020-Q3 2021 in 8 markets (US, UK, DE, AU, FR, IT, ES, CA) across 12 verticals. Does not include transactions from domestic schemes (e.g. Cartes Bancaires, eftpos). *Composite results weighted across US, UK, DE, AU, FR, IT, ES, and CA based on size of 2021 digital commerce markets, sourced from Euromonitor. ⁴ Nielsen, Commissioned by PayPal, May 2021. Nielsen Behavioral Panel of desktop transactions, Nielsen Attitudinal survey, Forrester (online buyers), PayPal data (active users) from 2,100 LE merchants in seven markets (US, UK, DE, FR, IT, ES and AU) with ~1 Million purchases from +200K consumers.

Plan for Your Future

Planning for the future doesn't need to be complicated. In fact, if anything, successful commerce means going back to basics. Aligning yourself more closely with customers' needs will be key, and it's a simple, two-stage process.



Step back and reassess.

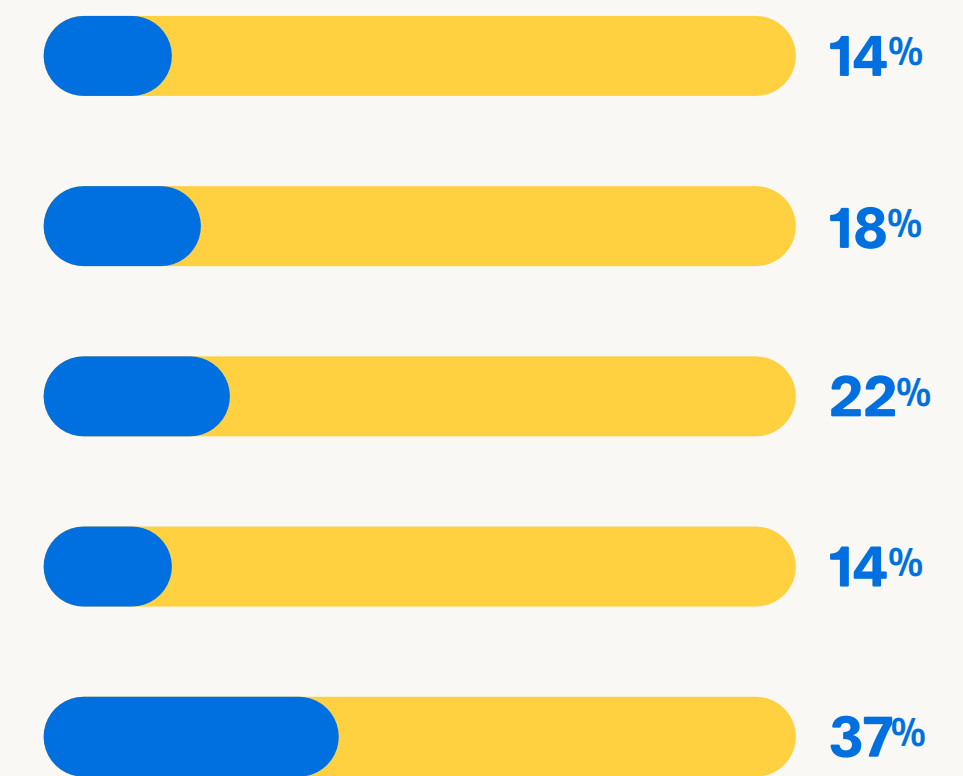
Innovation drives growth and can delight customers. But it can bring trends that are more flash and less cash. Some are ultimately fruitful – live-stream shopping and online shopping appointments are both convenient and enhance the customer experience. Augmented reality is more advanced but certainly has benefits, though they may take longer to realize.

But consumers want the basics done right before brands start adding bells and whistles. They are focused on product details because there are still so many ways these can and do go wrong. Similarly, they want priority, not because it massages their ego, but because the current state of customer service often leaves a lot to be desired.

Capabilities brands are prioritizing for future conversion¹.



What consumers want in the next five years².



¹ Forrester Consulting survey commissioned by PayPal, PayPal Evolution of commerce insights 2023. n=507, 5 markets: the US, UK, Australia, Germany, and France. Online survey of global merchants (18+ senior decision-makers responsible for their business's growth, customer experience, and innovation) between November 2022-January 2023. ² Forrester Consulting survey commissioned by PayPal, PayPal Evolution of commerce insights 2023. n=5,036, 5 markets: the US, UK, Australia, Germany, and France. Online survey of global consumers (18+ who are active consumers with enterprise level businesses) between November 2022-January 2023.

Listen to the voice of the customer.

It's time to refocus your efforts on understanding what your customer wants. There's no substitute for the voice of the customer research to find out what they really think. However, our research has identified three universal themes that can deliver an immediate boost, but bear in mind they may vary from sector to sector, company to company¹.



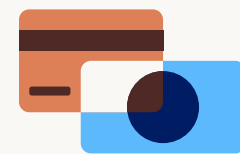
Give customers information.



Provide tools that help customers research and compare products and offer frequent promotions that suit their needs.



Make shopping simple.



Provide the right payment options as well as improving shipping and returns policies and communication.



Reward customer loyalty.



Highlight product authenticity and promote relevant loyalty benefits to keep customers coming back.



¹ Forrester Consulting survey commissioned by PayPal, PayPal Evolution of commerce insights 2023. n=5,036, 5 markets: the US, UK, Australia, Germany, and France. Online survey of global consumers (18+ who are active consumers with enterprise level businesses) between November 2022-January 2023.

Market Summary

Globally, we know these are tough economic and political times. However, each country and its citizens are responding to these challenges in different ways. Understanding regional differences in consumer behavior is essential if your localization strategy is to succeed.



Breaking It Down by Market



Australia

Australian consumers are highly financially cautious – but still optimistic about the economy. Affordability is their top priority and they're happy to shop around, looking at detailed product information, promotions and deals across a broad product assortment. Once their decision is made, they don't want any surprises like extra charges at checkout so free shipping and returns are very important. Loyalty benefits are a nice add-on, but not essential¹.



France

French consumers are aware times are tough and are being financially cautious by cutting their discretionary spending. That said, they're not willing to compromise on quality, so product authenticity is key. And while price matters, they focus on promotions and deals rather than just affordability so that they can keep shopping premium brands at lower costs. Brands will retain more French customers by offering built-in loyalty programs¹.



Germany

Germans are not too concerned about the economy so tend to be less financially cautious than other nations. Instead, they focus on quality. German consumers will look for customer generated content such as reviews, ratings and pictures rather than promotions and deals when shopping. They also focus on products' sustainability credentials and stay ahead of shopping trends in general, looking for an integrated omnichannel experience and more flexible digital payments in the future¹.



United Kingdom

The British are the most concerned about the economy and spend more cautiously as a result. Focused on affordability, they pay close attention to product information rather than a company's broad range or sustainability credentials. Free shipping and returns are a number one priority for conversion. Taking the time to research brands, they look into their reputation and other customer reviews but, once they decide, they are loyal and value loyalty benefits¹.



United States

Despite not being too concerned about a potential recession, US consumers are nevertheless cautious spenders. Affordability, promotions and deals are a top priority, but customer reviews are also important to them. As with UK consumers, they do want to see free shipping and returns, and this will influence their buying decision. Loyalty incentives aren't a big pull, with US consumers tending to stay loyal as long as the price is right¹.

¹ Forrester Consulting survey commissioned by PayPal, PayPal Evolution of commerce insights 2023. n=5,036, 5 markets: the US, UK, Australia, Germany, and France. Online survey of global consumers (18+ who are active consumers with enterprise level businesses) between November 2022-January 2023.



Where commerce meets consumers.

PayPal has remained at the forefront of the digital payment revolution for more than 20 years.

With more than 435 million active global accounts in 200+ markets, PayPal understands consumer preferences, shopping behaviors, and checkout optimization — and can help tailor your online experiences to grow and retain your customers.

[Learn More](#)