



EVOLUTION OF COMMERCE

Win Customers Back Again and Again

Commerce companies must continue to work hard, even post-purchase, if they're going to retain customers and generate loyalty.



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Care for consumers in challenging times.

Across the developed world, personal finances are being squeezed and consumers are feeling the pinch.

When every penny counts, consumers want to make sure not one is wasted. So, when products don't suit or fail to live up to expectations, customers tend to think better of commerce brands that make it simple for them and don't cost them any more to get a refund.

In today's economic climate, brands are also feeling the pressure on their budgets. Protecting the bottom line by refusing some types of refunds, or charging to return goods may make immediate financial sense. However, this is short-sighted and could be damaging customer relationships and long-term profitability.

For the 2023 Evolution of Commerce Report, PayPal commissioned Forrester Consulting to conduct two surveys among Enterprise Businesses and Consumers in five global markets: Australia, France, Germany, the United Kingdom and the United States. We wanted to know exactly how businesses and consumers react to the economy, their preparedness and priorities into 2023.

In this report, we dive into consumers' needs when it comes to the post-purchase experience, the main influences on their future loyalty and how well brands are positioned to meet those needs today.



Consumers' struggle post-purchase.

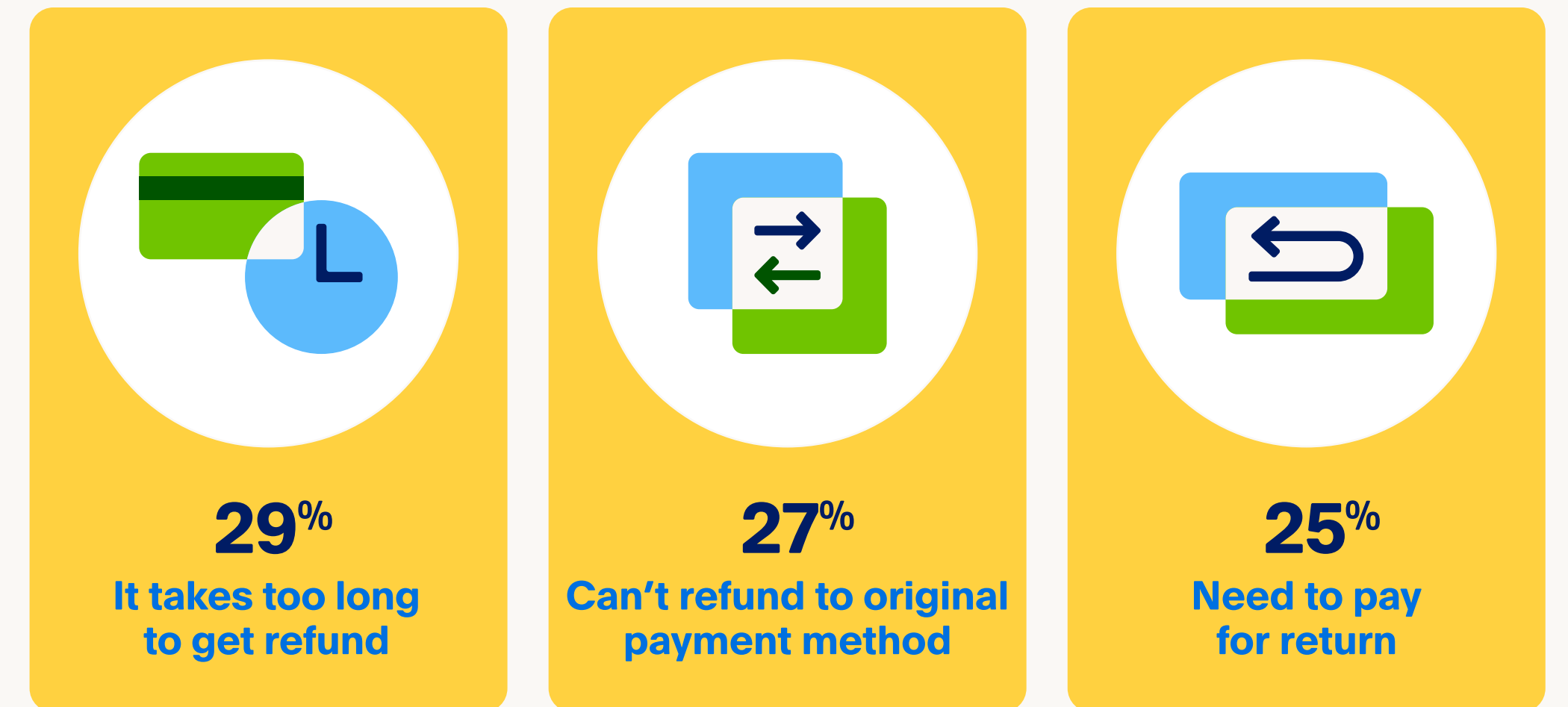
"Your order has been delivered successfully." For most, this would seem like the natural conclusion of an ecommerce shopping experience. Everything has arrived, all is well with the world.

Except that frequently, it isn't. Whether the sizing is wrong, the color not quite the same, items have arrived too late for their purpose, or they simply don't suit the customers needs, there are multiple reasons why consumers may need to send an item back. Their expectation, of course, is that they will be refunded the cost of the item in full.

That expectation is not always met, and between a quarter and a third of consumers are unsatisfied with their return experience¹.

The biggest problem is that it can take too long to be refunded (29%)¹. In the case of a pair of shoes or a t-shirt, this might not be too drastic. However, if it's a bigger ticket item like a laptop or mobile phone, the shopper is both without the item, or the money to replace it.

Reasons why customers are not satisfied with their return experience¹.



Refund challenges remain at large.

Some also struggle with receiving a refund to the original payment method (27%)¹. This can cause confusion for those who are trying to budget or make the repayment difficult to trace.

If there is a delay in returning the money to the original payment method, this could result in interest charges. Finally, the customer can still find themselves paying more money out of pocket in order to return goods². This affects 26% of respondents¹.

Citing rising shipping expenses and labor costs, commerce brands claim it is uneconomical to absorb the cost of high volumes of returns². While this does make financial sense for the company and may discourage over-consumption during the initial purchase (buying items in multiple sizes and colorways with the intention of only keeping a small number), it may also discourage future customer loyalty.



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 Business Insider, Free returns may be a thing of the past. Here's why retailers want you to pay to return stuff you bought online — and how you can avoid getting charged, November 28, 2022.

Win consumers back.

Ultimately, the goal is to make it easier for customers to return products. Consumers prioritize choice as well as free returns, with more than eight out of 10 looking for flexible returns policies as well as free shipping (83% and 82% respectively)¹.

Nearly three-quarters of consumers (72%) are looking for multiple shipping options¹. This could be a partial resolution for commerce brands too, who struggle to bear the cost of shipping themselves. The use of shipping drop points such as convenience store Pick Up Drop Off (PUDO) parcel services help lower the cost for commerce brands, while limiting inconvenience for shoppers².

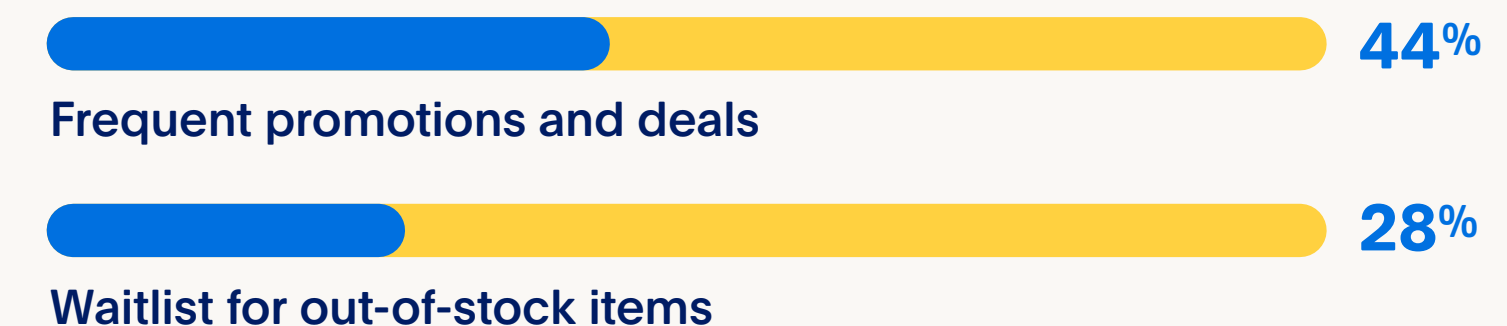
It's not all about the returns experience and even those who are satisfied with their purchase look for some enticement to return to the brand. Again, the difficult economy plays a part, with nearly half (44%) looking out for frequent promotions and deals to keep them coming back¹.

The good news for brands struggling with challenges such as supply chain disruption and inflation is that consumers seem to be willing to wait for the right product. Nearly a third (28%) would be happy to go on a waitlist for out-of-stock items, rather than perhaps looking for immediate gratification by trying to find a similar product from a competitor¹. If a commerce brand is offering the right product at the right price, consumers may well be willing to wait or return to shop again if their loyalty is acknowledged with a place in the queue.

Customers value shipping and return services¹.



Customers are willing to be loyal in return for the right benefits¹.



Businesses see benefits in meeting consumer needs.

Happily, commerce brands and consumers are largely on the same page when it comes to the post-purchase experience. Most businesses found that offering more return options such as buy online and return in-store were effective for retention, while around three-quarters discovered that adding more delivery options was effective (75%), so too was offering free shipping and returns (77%)¹.

More delivery options will also benefit both commerce brand and customer, providing lower cost alternatives to door delivery with alternatives such as curbside or in-store pick-up, or via third-parties such as convenience store PODU points¹.

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.



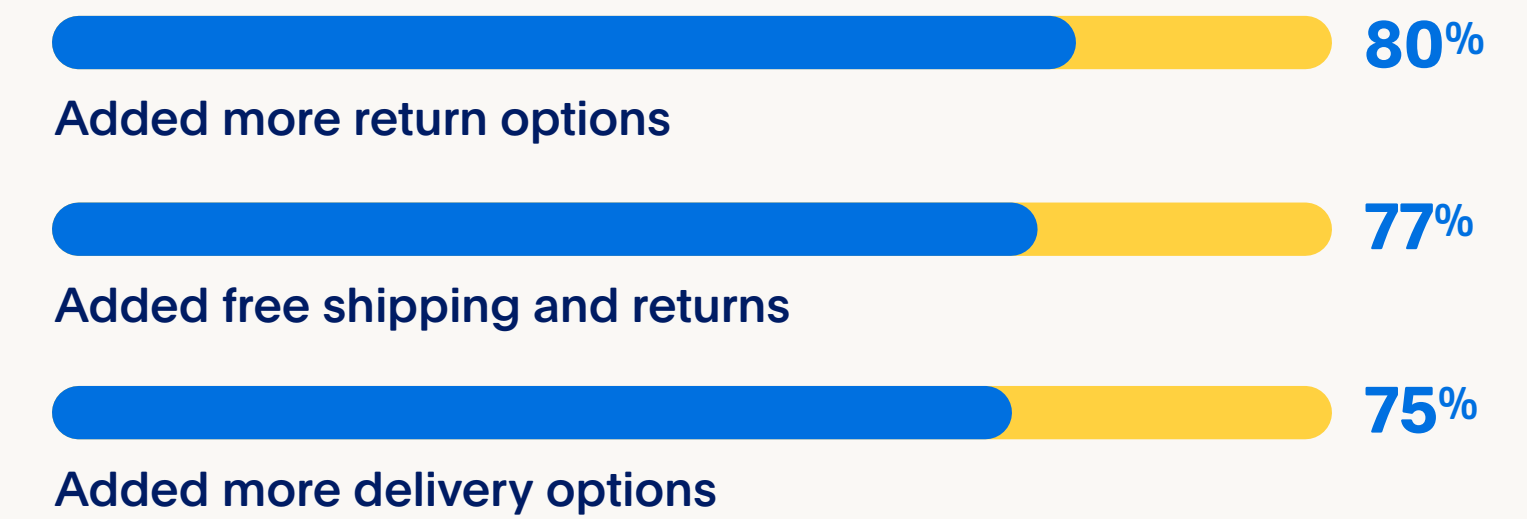
External forces cause internal problems.

However while companies are trying to meet customer expectations, there are still circumstances outside their control that are hampering their efforts. Most notably, companies cite low inventory or capacity (55%) as one of their top three challenges in the next six months¹.

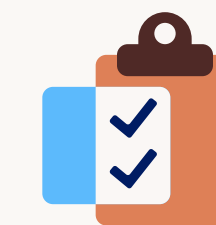
Geopolitical conflict and worker issues are causing supply chain interruptions, while a general shortage of labor in critical services such as logistics is increasing delivery times. Unsurprisingly, 47% of commerce brands expect to encounter difficulties shipping orders within desired time frames¹.

Both of these issues present a longer-term challenge for businesses. With consumers seeing delayed or unavailable products, commerce brands are likely to see higher volumes of returns as products arrive too late, or the chosen substitutes aren't suitable. This increases their costs and 41% expect to lose money this way in the next six months¹.

The most impactful changes businesses have made directly address consumer needs¹.



Top 3 challenges businesses believe they will encounter in the next 6 months¹.



1. Low inventory/capacity



2. Difficulty to ship orders within desired time frame



3. Losing money on returns

Choice and flexibility.

Encouragingly, brands still seek to meet their customers' needs, notably finding ways of making returns free and easy where possible, and offering multiple shipping options. Above all, it seems that post-purchase, what customers value most is choice and flexibility¹.

As a result, brands are looking to find ways around the supply chain issues and delays. More than a third (35%) are adding new products and services to give consumers more options when it comes to purchasing². Should there be no acceptable alternatives available, waitlists are also being provided by a quarter (25%) of commerce brands². A further 19% would consider changing their supply partner altogether so they can respond better to customer needs².

While they know that they have immediate challenges to resolve, this isn't stopping brands looking to future developments. Many believe that innovation and an investment in technology will become a competitive advantage.

Live-streaming shopping is the most attractive development, although concepts such as augmented reality and online shopping appointments are also attracting attention². It should be noted, however, that elsewhere in our research, consumers put innovations such as these quite far down their list of priorities, behind cost and convenience¹. Commerce brands should make sure they keep one eye on the future, but not at the expense of answering consumers' pressing needs today.

The most impactful changes businesses have made directly address consumer needs¹.



- Added new products and services **35%**
- Added waitlist for backordered items **25%**
- Changed supply chain partner **19%**

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 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.

Making the right decisions, at the right time.

Post-purchase is still an important stage in the customer journey. How any potential problems are resolved sets the scene for future loyalty and retention.

In many cases, these solutions are uncomplicated — free shipping and returns or convenient delivery and return methods. However, it is noted that there is a cost burden for commerce brands that may deter them from offering these options.

Companies must focus on the long-term impacts of any customer misalignment today. Costs may be higher but the potential for retention could deliver stronger growth in the long-term. There are alternatives to high-cost returns; options such as courier collect from home. Using PODU sites to manage both delivery and returns can be convenient for both customer and brand.

With costs front and center, brands are right to be wary about initiatives that have long-term return periods. Prioritizing initiatives with lower immediate costs and higher short-term returns, such as waitlists for out-of-stock products, will set the company on the right path without risk.



Where commerce meets consumer.

Say hello to your new growth strategy.



PayPal's extensive range of popular payment options means customers can have their returns processed to their preferred payment type, conveniently and at speed.



With up-to-date identity and payment information in PayPal's vault, customers can easily manage their payments and companies can manage returns hassle-free.



Our infrastructure helps you adapt to consumer trends. We'll continue to innovate payments to boost engagement and conversion and deliver a top-notch customer experience.

Find out how you can better meet your customers' needs post-purchase by checking out the 2023 Evolution of Commerce Report.

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