



EVOLUTION OF COMMERCE

Checkout: Commerce Brands' Opportunity to Shine

Delving deep into the final moment of truth to find out how the evolving commerce landscape is impacting conversion.



Table of Contents

- 03 Introduction
- 04 Customer Needs
- 05 Brand Priorities
- 07 Align Customers and Businesses
- 08 PayPal Enterprise Solutions

Succeed in challenging times.

These are not easy times for consumers or commerce brands.

From disrupted supply chains to inflation pushing the cost of living higher and higher, it's become harder than ever to meet consumers' needs while maintaining sales and growth. Nor is it over yet as two-thirds of CEOs expect conditions to worsen before they improve.

Naturally, both brands and consumers are reevaluating their priorities to cope with current conditions. For the 2023 Evolution of Commerce Report, PayPal commissioned Forrester 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.

The encouraging news is that a spending slowdown has been largely moderate. The more worrying insight is that commerce businesses' priorities seem to be moving away from consumers' needs. To survive and thrive in this environment, it will be the businesses that align their growth strategies to consumer priorities, rather than beating their own path.

In this report, we take a closer look into a single moment in the customer journey – checkout, where a sale is made or lost. What are consumers' key needs at checkout and what must brands do to bring their priorities in line?

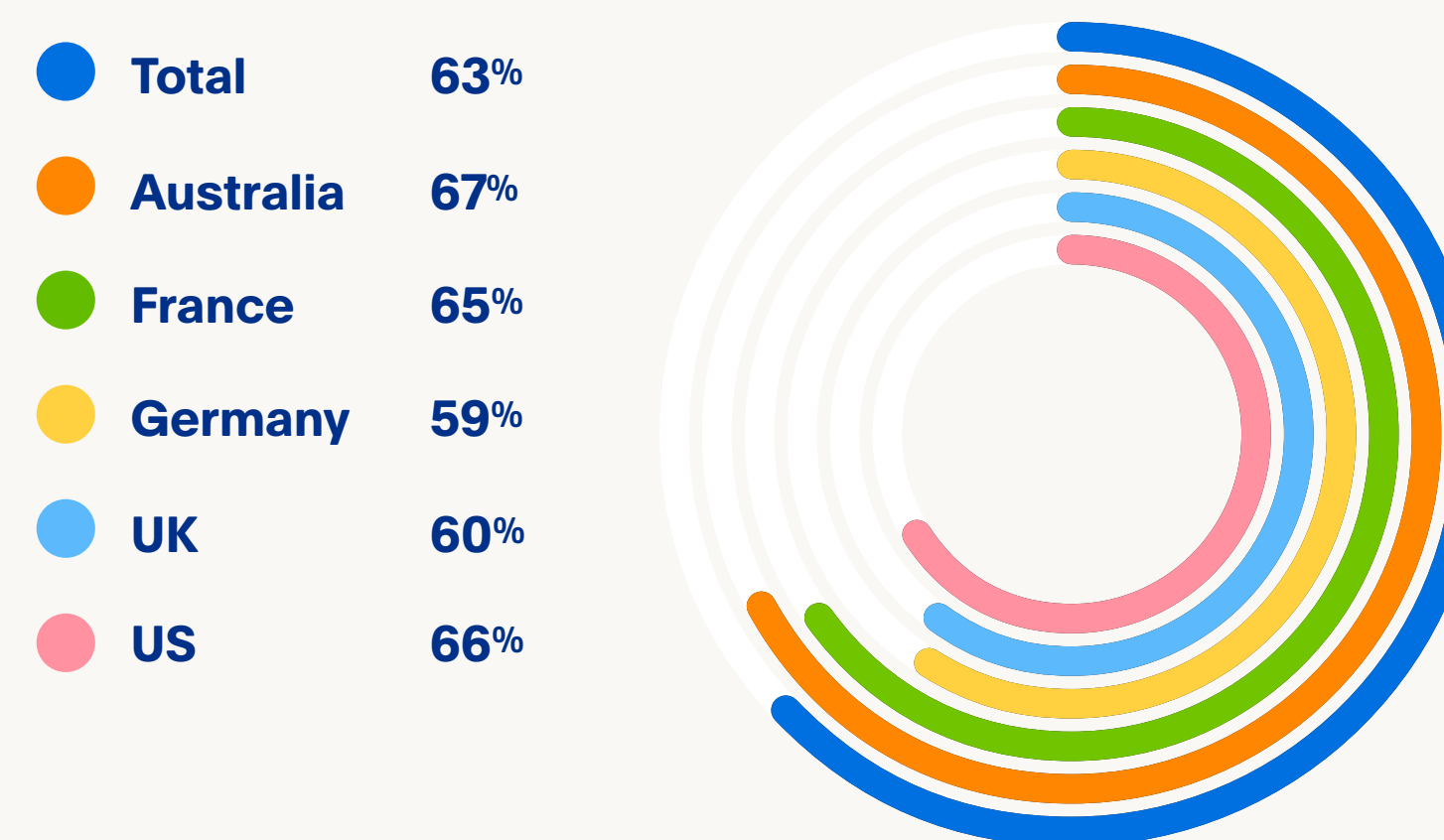


Customers value simplicity above all.

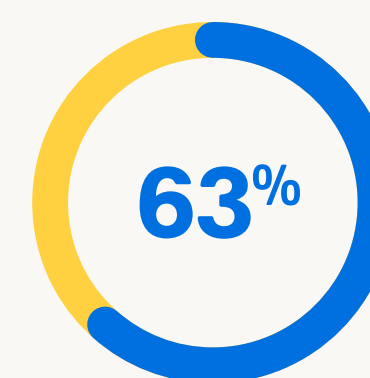
All too often, commerce brands leave money on the table by causing unnecessary cart abandonment.

A simple and efficient checkout experience is the final and most essential step for converting customers, with 63% of our survey respondents agreeing that optimized checkout was important to them. A quick look at our key markets shows that Australian consumers are most sensitive to the checkout experience (67%). In fact, 63% also insist they would not go through with their purchase if checkout were not optimized including features such as auto-filled shipping details or saved payment details. We can see from the same chart that their other payment choices that convenience is a top priority. Being able to 'tap and go', physically or digitally, clearly shows that customers want a minimum of interruption at checkout.

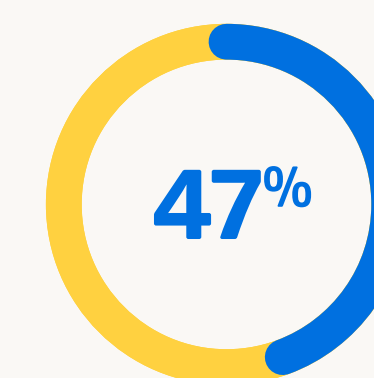
Majority of consumers globally value optimized checkout experience¹.



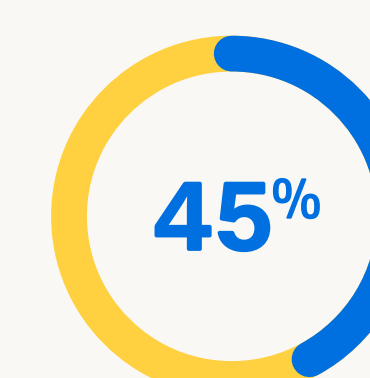
Consumers will not purchase if the following capabilities are not offered¹.



Optimized checkout experience



Digital wallet or digital payment for online purchase



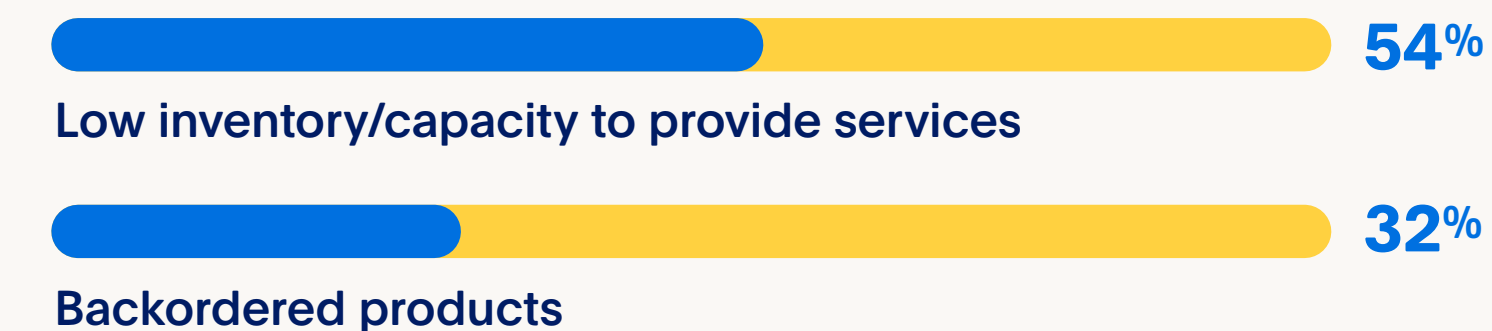
Tap-to-pay for in-person purchase

Brands look the wrong way for conversion.

There's no doubt that there are multiple challenges facing commerce brands in 2023. There are ongoing economic difficulties, meaning they must find ways of dealing with rising prices without losing customers.

But there are also other issues that brands worry might lose them sales. Supply chain issues have created images of empty shelves in stores around the world and this is no difference online with stock outages creating concern. With their concerns over inventory, commerce companies are focusing directly on what they can do to solve the issue. As a result, their priorities currently lie in adding more products to their range, presumably to help customers find acceptable alternatives to out-of-stock items, or changing their supplier. Changing shipping or return policies (55%) – ideally making them faster or cheaper – will help consumers but these are still not customers' highest priority.

The top challenge to convert customers you think you will face in the next six months¹.



What are the top things you will do to increase conversion in the next six month¹?



Innovation is in the way of progress.

In one sense, investing in innovation is important, whatever the state of the economy. However, it must be done while also being mindful of the customer's needs. Unfortunately, brands appear to be doubling down on innovation, without addressing consumer concerns closely at all.

Many leading economists agree that the 2023 downturn will last well into next year, with the National Association for Business Economics also predicting high inflation in 2024¹. It's concerning, therefore, that commerce executives look set to prioritize more niche projects, rather than aligning with their customers. Nearly three-quarters believe offering livestreaming will boost future conversions, while more than half expect to offer augmented reality tools.

What capabilities do you need to boost conversion in the future²?

- Support live-streaming shopping **64%**
- Offer online shopping appointment **54%**
- Offer AR tools to help consumers virtually try-out products **53%**



¹ Industry Week, Economists Expect US Recession, Above-Target Inflation This Year, March 28, 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.

Back to basics is the way forward.

With too many differing priorities, businesses currently fail to see eye-to-eye with their customers. This could cost them sales as consumers seek out brands who focus more closely on their needs.

We have seen that while brands are looking to make up for supply shortfalls and provide enticing shopping experiences, consumers are more pragmatic in the face of a cost-of-living squeeze. Optimized checkouts that make shopping swift and simple, with no sudden extra fees are a simple but effective conversion tool. As, too, are flexible payment methods that reflect their changing circumstances when shopping both in-store and online.

Innovation is always important, but it also costs. At a time when every penny counts, businesses are best advised to focus most of their investments on the things that really matter to consumers. It is clear from our research that, to weather the current economic conditions, businesses must take a step back, reassess and align more closely with customers' needs. Back to basics is the watchword and sometimes it's the smallest changes that can deliver the biggest returns.



Say hello to your new growth strategy.

Optimize your customer journey with a payments solution that could help improve your customer acquisition, conversion, and retention. PayPal has predictive and proactive ways to help you build your enterprise business and quickly adapt to economic challenges.



Where commerce meets consumer.



PayPal provides a wide range of popular payment options including PayPal digital wallets, Venmo (U.S. Only), Pay Later and traditional payment options.



PayPal can help you deliver a fast checkout, minimal risks, and preferred way to pay, with a seamless checkout experience across website, app, and in-person and autonomous checkout.



By leveraging payment technology PayPal can help brands build loyalty and create lifetime customers.

Find out how you can better meet your customers' needs at checkout by downloading the 2023 Evolution of Commerce Report.

[Download Report](#)

