



Think Forward with PayPal

Expectation Economy:
The Evolving Consumer

Issue Two





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The e-commerce landscape has undergone a fundamental transformation over the last five years, and consumer behavior continues to evolve. The challenging economic reality is further eroding loyalty, with many consumers now buying goods and services across multiple channels, leveraging new technologies pre-purchase and prioritizing price — all while striving to shop according to their values.

PayPal has again teamed up with TrendWatching to Think Forward to the future of business. In this second issue of our three-part series, we highlight four key trends that will help enterprise brands navigate the new expectation economy and prepare for the future of commerce while building stronger relationships with consumers.



360 Commerce: Every Channel is a Shopping Channel

Over the past few years, brands have adopted omnichannel strategies to reach consumers wherever they are. The goal was convenience for consumers, but the reality was overwhelming for brands. However, the distinctions between channels are now blurring. Brands can cut through the noise by taking a more flexible approach that meets consumers where they are. Focusing on specific consumer context across a range of touchpoints could pay dividends.

The means by which consumers discover brands and products is changing, with Gen Z finding more products on social media than via search engines. Millennials aren't far behind.¹ This is impacting shopping habits and channel volumes: social e-commerce is projected to grow at a 26% compound annual growth rate by 2025, while non-social e-commerce will grow by just 5%.²

The metaverse is also emerging as a space to learn about brands, although we're in the early stages. In 2022, just 26% of global consumers used the

metaverse for entertainment, virtual experiences or purchasing products.³ But these behavior changes reveal that entertaining digital experiences, serendipitous discovery, and 'wow' moments will become more important in the customer experience.

This isn't a suggestion to ditch omnichannel strategies. Instead, forward-thinking brands will consider how to leverage specific consumer contexts to deliver relevance, making the consumer part of the brand experience and amplifying moments of delight — both online and offline.



56%

of consumers say they want seamless communications across digital and physical channels.⁴

1. Social media behind the screens, GWI, May 2023.

2. Social Commerce Is Remaking Online Shopping, BCG, Mar 2023.

3. Consumer Insights Survey, PWC, Feb 2023.

4. The Future Shopper Report 2023, Wunderman Thompson, Jun 2023.



Available on **Roblox**, **Loooptia** is an immersive gaming experience developed by **H&M** with a focus on self-expression and sustainability. Players collect elements (designs, colors, and textures) and then turn them into virtual clothes for their avatars to wear. In May 2023, the brand updated the experience with a Stranger Things partnership to promote a real-world kids' clothing collection inspired by the popular Netflix show.⁵ The activation was aimed at younger consumers; 45% of Roblox players are 13 and under.⁶



97% of top searches on **Pinterest** are unbranded⁷ (i.e., users don't include a brand name in their searches) but 55% of Pinners see Pinterest as a place to shop.⁸ To drive purchase activity, the platform introduced mobile deep linking between Pins (bookmarks that people use to save content on the platform) and specific pages in participating retailers' mobile apps, making it easier for visitors to shop for products after simply clicking on an ad.⁹



TV streaming platform **Roku** partnered with **Shopify** to offer direct in-app purchases from TV screens. When an ad from a Shopify merchant appears, viewers select 'OK' to learn more and make a purchase. The integration gives Shopify advertisers additional customer data and insights into purchasing trends while making it easier to navigate from advertisement direct to purchase.¹⁰

39%

of European consumers are interested in shopping in virtual spaces.¹¹

5. H&M. 6. Roblox, May 2023. 7. Recapturing the Joy of Shopping with Pinterest, Pinterest Newsroom, Mar 2023.

8. Pinterest research proves that positivity drives action at every stage of the shopping journey, Pinterest Newsroom, Jun 2023.

9. Pinterest. 10. Roku, Jul 2023. 11. eCommerce Index Europe, PayPal, Nov 2022.

As the distinctions between physical and digital points of sale collapse, new opportunities to inject vitality into the overall customer experience will emerge.



61% of people say that 'companies and brands aren't doing anything original these days'.¹² Generating compelling creative content that encourages consumer engagement and action at every touchpoint will help change this perspective.



Brand activations in immersive gaming environments like Roblox open new direct commerce channels that can provide live feedback data on consumer preferences. Establishing a presence in these less traditional platforms can also introduce a brand to a completely new audience.



Crafting a consumer journey map that covers every potential touchpoint on the path to post-purchase can help brands consider how they can remain context and customer-centric, rather than channel-centric. Brands can identify gaps in the journey through feedback and by testing and optimizing.

Augmented Retail: Try (Online) Before You Buy (Online)

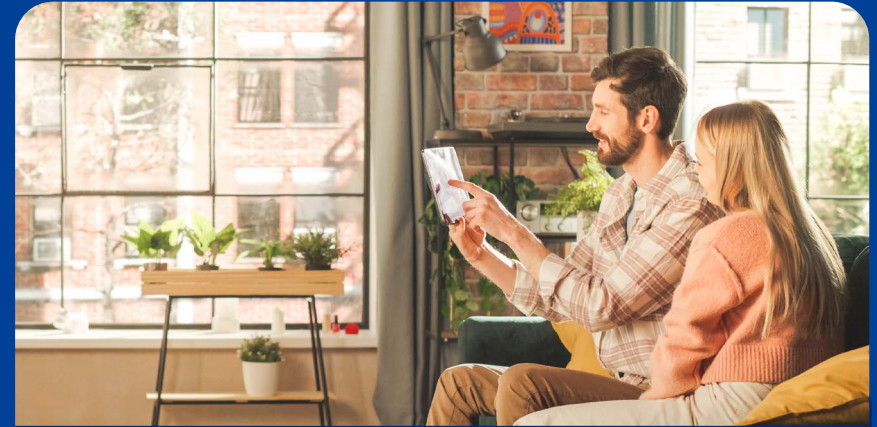
Consumers are becoming increasingly familiar with augmented reality (AR) and virtual reality (VR), and these technologies are beginning to impact their shopping behaviors. Brands are responding with pre-purchase digital solutions, including virtual try-ons. While beneficial for shoppers, this could also help to reduce the operational costs of online returns.¹³

Social media has played a significant role in familiarizing users with AR technology: on average, 250 million people globally engage with AR (which includes face filters) on Snapchat every day.¹⁴ Devices like the Vision Pro headset announced by Apple, which blends digital content with physical spaces, could advance e-commerce personalization to the next level.

In the shorter term, consumers are rapidly gravitating towards technologies that amplify the pre-purchase experience, with 79% interested in using AR to interact with a product before buying.¹⁵

Personalization is at the core of these solutions, enabling the consumer to see how an item might look on them or in their space enhances their buying experience and minimizes the perceived risk that their purchase might not be as expected.

These technologies improve both the online and in-store retail experience, opening up new opportunities for product discovery and styling, customer try-on, or self-service. Interest in in-store technology is also on the rise, with over a third (34%) saying scan-and-go tech is appealing and 24% interested in trying immersive digital experiences.¹⁶



135%

Highlighting the demand for more immersive experiences, Google saw a 135% YOY increase in global search interest for VR and AR in 2022.¹⁷

13. 2022 Consumer Returns in the Retail Industry, NRF, Dec 2022.

14. Snap is offering its AR tools to enterprise customers, TechCrunch, Mar 2023.

15. Augmentality Shift, Snap x Ipsos.

16. Global Consumer Insights Survey 2023, PWC, Feb 2023.

17. Year in Search 2022, Think with Google, Oct 2022.



In 2022, **BMW North America** and **Google Cloud** launched an AR experience enabling consumers to digitally place the BMW iX and BMW i4 in real-world environments (a garage, for example), view various color options and open/close vehicle doors. As of 2023, BMW Group is working with Meta's Reality Labs to explore how mixed reality could be used to provide in-car entertainment content.¹⁹



Through **IKEA's Place** app, consumers can see how the brand's furniture would look and fit in their homes. In 2023, IKEA partnered with **Google** to make this option available within their search results. Acknowledging the shift towards enhanced online shopping experiences, the brand launched IKEA Kreativ to allow shoppers to create 3D replicas of their own spaces.²⁰



Livestreaming network **Kitch** partnered with **Qualcomm** to integrate AR into the at-home cooking experience. Via a collaboration with tech company **Trigger**, the brands integrated AR glasses, gesture control and eye tracking to create immersive cooking experiences. Consumers can follow interactive recipes, set timers, and order ingredients, all without using their phones.²¹



Luxury brand **Maison Valentino** worked with **WANNA** (an AR tech company owned by e-commerce company Farfetch) to offer virtual try-on (VTO) for their clothing. The Italian label launched the VTO pilot project using a selection of men's garments from their Autumn 2023 collection.²²



18. BMW, Mar 2022. 19. BMW, May 2023. 20. IKEA, Jul 2022. 21. Kitch, Jun 2023. 22. Valentino, Jun 2023.

With advances in the AR shopping market expected to generate \$11.6 billion by 2028 (up from \$3.4 billion in 2023),²³ the demand for virtual solutions is likely to see substantial growth in the years ahead.



Snapchat's face filters played a significant role in familiarizing people with AR. Now, the technology is shifting away from playful entertainment towards more practical use cases, like IKEA's furniture placement.



Beyond reducing customer returns and making savings on operational costs, AR and VR could help brands promote niche products or ascertain which styles and shades are more popular. Smart brands will consider their long-term goals and required outcomes before developing virtual try-on services.



Immersive technologies can be embraced to enhance the in-store experience, rather than replace it. AR window displays are turning retail real estate into a creative canvas that can help further drive in-store foot traffic and provide unique memorable experiences and talking points for consumers.

Growing Green: Towards Positive Change

Many people are interested in, and keen to adopt, more sustainable consumption habits.²⁴ But the high cost of ethical products and lack of incentives can prohibit behavior change. Businesses that make sustainable options more affordable and offer eco-incentives could appeal to this cohort of consumers.

69% of consumers believe that eco-friendly products almost always have a higher price tag.²⁵ And with inflation squeezing household income, fewer are going green. In fact, sustainable consumption is on the decline with 46% of consumers across 23 countries purchasing at least one sustainable good or service in April 2023, down from 61% in 2021.²⁶

Despite this, nearly half of global consumers believe their actions contribute to the exacerbation of climate change.²⁷ To reduce the sustainability gap, brands can help people adopt more conscious choices by making greener options more affordable, or more attractive with additional incentives.

24. The Collapse of the Purchase Funnel, Edelman, Jun 2023.

25. YouGov, Jun 2023.

26. Deloitte, May 2023.

27. Euromonitor, Feb 2023.

28. Consumers around the world united – sustainable products cost more, YouGov, Jun 2023.



22%

of consumers who say eco-products are more expensive 'strongly agree' that they prioritize price over sustainability, while 37% say they 'somewhat agree'.²⁸



The Hoxton, a boutique hotel chain with locations across Europe and the US, has introduced 'The Good Rate': a reward for guests selecting sustainable travel. Under the initiative, The Hoxton offers a £20 / €20 discount on the room rate for visitors travelling by train and staying in more than one European Hoxton location. Train-travelling guests in the US only need to stop by one Hoxton to enjoy a \$20 discount.²⁹



In the US, the **FutureCard Visa Debit** provides cashback rewards to customers when they use it to pay for goods and services that have a lower carbon footprint than the alternative. FutureCard aims to encourage people to reduce their carbon footprint by choosing public transportation over driving or purchasing thrifted clothing rather than fast fashion.³⁰



In March 2023, **Carrefour** became the first French retailer to be awarded the national 'anti-food waste' label for its Montesson hypermarket. The label was granted by Bureau Veritas, recognizing the retailer's commitment to reducing food waste and their sustainability-focused measures, including their anti-waste areas where products are sold at a discount of 30 to 50%.³¹

49%

of global travelers want discounts and economic incentives for selecting eco-friendly options, up from 12% in 2022.³²



29. The Hoxton. 30. Future. 31. Carrefour, Mar 2023. 32. Sustainable Travel Report 2023, Booking.com, Apr 2023.

Balancing the tension between affordability and sustainability will likely drive future business growth.



Companies that follow The Hoxton's lead by looking beyond their products and services to help mitigate the environmental impacts of other components in the customer journey could appeal to sustainability-conscious consumers.



Multi-layered rewards programs that encourage consumers to make more sustainable choices will likely drive loyalty among people keen to adopt more sustainable consumption habits.



While shoppers appreciate more affordable sustainable options, there's still an expectation for greater transparency around brands' eco practices.

Second Love: Doing More with Less

Demand for products and services that help budget-conscious consumers revive their possessions is surging: 67% of consumers worldwide prefer to repair products rather than replace them.³³ As consumers embrace a repair and reuse mindset, the stigma around these practices will further diminish.

In Issue One of Think Forward with PayPal, we covered how budget-conscious consumers are leaning towards brands that actively help them to make savings, leading to a new perception of 'value'. Consumers who are looking to cut costs and pursue more sustainable lifestyle choices are now demanding services that help extend the lifespan of their possessions. Stricter right to repair legislations in many markets³⁴ is also fueling the shift towards a more circular economy.

Social media influencers are having an increasing impact on the decision-making process of consumers³⁵ and 'deinfluencing',³⁶ where influencers encourage followers to not buy things, is gaining traction. A growing interest in DIY and how-to videos³⁷ also highlights the shift towards a repair, not replace, mindset. Consumers are gravitating towards brands that teach them how to fix items, rather than simply buy new.

33. EY Future Consumer Index, Feb 2023.

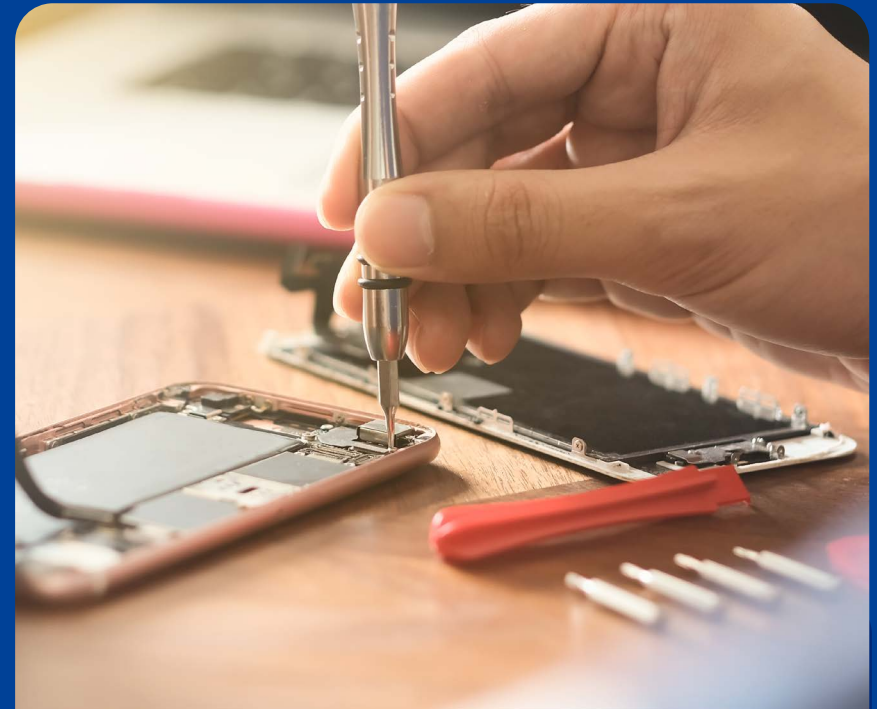
34. New Global Initiatives Push for the "Right to Repair" Consumer Goods, National Law Review, Apr 2023.

35. What matters to today's consumers, Capgemini Research Institute, Dec 2022.

36. TikTok 'deinfluencers' tap into trend for saving money, The Guardian, Feb 2023.

37. Rethinking Value During a Cost of Living Crisis, We Are Social, May 2023.

38. EY Future Consumer Index, Feb 2023.



43%

of consumers feel that they have more possessions than they need, and over a third (38%) expect to buy more second-hand products in the coming years.³⁸



The **Nokia G22** is the brand's first phone designed with repairability at its core. **HMD** (the manufacturer that creates phones under the Nokia brand) collaborated with global repair community **iFixit** to allow customers to purchase FixKits. Any consumer repairs conducted per iFixit guidelines are treated as authorized repairs.³⁹



Debuted at **Nike Town London**, **Bot Initiated Longevity Lab (B.I.L.L.)** aims to extend the life of sneakers through better maintenance. After a used shoe is loaded into the robot, it creates a 3D scan pinpointing areas that are dirty or show signs of wear. The advanced machinery cleans and applies patches to the shoe where needed.⁴⁰



Zara has launched a service that allows shoppers to repair, donate, or resell the brand's clothing. Under the initiative, their customers can make an online or in-store appointment to have an item mended. The service launched in the UK in 2022, with plans to further roll the service out in Spain and additional key markets by 2025.⁴¹



Legislators are putting the pressure on, forcing brands to act. As of October 2023, France will offer up to €25 as a financial incentive to encourage people to repair clothing and footwear. In partnership with **Re_fashion**, the French government will oversee the accreditation of tailors who wish to participate in the initiative.⁴²



39. HMD, Feb 2023.

40. Nike, Sep 2022.

41. Inditex Ups Sustainability Commitments as Regulators Take Aim at Fast Fashion, Business of Fashion, Jul 2023.

42. France to pay bonus for shoes and clothing repairs to cut waste, Le Monde, Jul 2023.

As both legislators and consumers push for greater repairability, the ramifications will be felt across brand operations affecting everything from R&D to the point of sale.



Repairability will be a shortcut to long-term loyalty for brands. However, beyond in-store repairs, consumers seek training to help them extend the lifespan of their products. Brands that gatekeep this vital information could be left behind.



Right to repair legislation is making modular design a necessity, while AI opens new avenues for personalization. Brands that upgrade products with bespoke features and finishes will convince wary consumers that repairing is a better option than re-purchasing.



While future products will have repairability built-in, consumers will appreciate brands that help them to extend the lifespan of products they already own, allowing them to champion sustainability while also being cost-efficient.

Although consumers remain on the lookout for the best deal, shopping behaviors continue to evolve as more routes to purchase become available. Demand for immersive and entertaining commerce experiences is growing, and when it comes to looking for brand or product information, searching on social media is almost level with search engines.

Interest in sustainability remains, but ongoing financial concerns mean many people are unable to make it a top priority. Instead, overwhelmed consumers are placing the responsibility onto brands — and action here could drive long-term loyalty.

With people becoming more price and planet-conscious, there are new expectations on the role of brands. It's essential for businesses to remain aware of these changes and innovate accordingly. That means investing in the latest advances in technology in the pre-purchase journey, leveraging new customer contexts, making sustainable choices more affordable, and creating post-purchase solutions to extend the lifespan of products.





About PayPal

PayPal has remained at the forefront of the digital payment revolution for more than 20 years. By leveraging technology to make financial services and commerce more convenient, affordable, and secure, the PayPal platform is empowering more than 400+ million active accounts in 200+ markets⁴³ to join and thrive in the global economy.

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43. PayPal Earnings – Q2 2023 based on PayPal internal data

