

A Retail Gazette report sponsored by PayPal – Report 2

The online retail rule book: Unlocking opportunities in a challenging economic environment

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What makes the optimal online checkout experience?

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Introduction

For the second report in our three-part series, 'The online retail rule book: unlocking opportunities in a challenging economic environment', we look at the components of the optimal online checkout experience.

From both a consumer perspective and a leading retailer point of view, we highlight the dos and don'ts of digital UX and functionality – against the backdrop of what is a challenging economic environment for retailers and brands.

Every poor experience that leads to a missed conversion opportunity can lead to double in an inflationary market where consumers are more discerning with their discretionary spending and the retail industry as a whole reported online trading declines in 2022. Therefore, it is crucial businesses looking to sell more via e-commerce must follow best practices and understand what consumers are asking of them.

Read on for a guide to what makes a compelling online checkout.



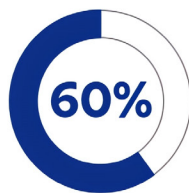
What customers do – and do not want – from online checkouts

Billions of pounds are being left at the online checkout thanks to a combination of the challenging UK economic environment and poor-performing websites that do not give customers what they are looking for.

Forrester and PayPal research found that 63% of online shoppers in the Western world, including the US, Germany, France, and the UK, would not purchase from a brand if it had a poor checkout experience.¹

Customers don't want to do admin when they're trying to make a purchase. 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 to the site every time either. Handing over sensitive details isn't just time-consuming, it's also worrying for consumers who are concerned about potential security breaches.

Abandonment



Have abandoned a purchase or payment whilst shopping online

Abandoned a purchase or payment ...

24%

Because of security concerns

24%

Because it took too long

22%

Because preferred payment method wasn't available

PayPal e-Commerce Index – 2022 Annual Report, PayPal Europe, 2022

Base: All Britons 18-75 n=2,012, Gen Z n=245, Gen Y n=692, Gen X n= 627, Boomer n=448

Making e-commerce easy is critical. There are already plenty of digital channels and payment methods for customers who do their shopping online, and there may be more in the near future, so offering a streamlined experience can help keep customers from abandoning when it comes to paying.

43% of customers are more likely to buy if the checkout offers their preferred payment type.²

Retailers are having to work hard to get their online propositions right. Consumers will be looking for product value, of course, but they want choice and frictionless experiences - a smooth user journey from login to checkout with no surprises.

Drivers & Barriers

(All Britons 18-75)

Drivers & Barriers

More likely to buy online if:

43% Offers my preferred payment type

37% Easy navigation (i.e. clear menus/categories)

37% Fast checkout experience

Less likely to buy online if:

47% Security or trust issues at checkout

39% Long and confusing check out

28% Having to create a new user account first/guest checkout not available



The retailers' perspective

We've collected some views on what makes a suitable digital UX and online checkout from retailers themselves.

Giles Smith, head of digital, customer & data at department store group Selfridges and former director of digital technology at luxury brand Burberry, says the wow-factor capabilities in e-commerce from a few years ago have now become "table stakes."

Explaining the fundamentals of what today's consumers expect, he says: "There's no excuse for a website to be down at any hour of any day – it needs to be performing in every location.

"More than ever people will never forgive you. What used to be a second, is now a tenth of a second in terms of pages to load and payments to happen."²

Listing what consumers expect from brands today, he said: "A safe, secure and frictionless checkout that has all the fraud [protection], tax and clean payment processes [visible]."

"You'd expect to search and find products really easily, you'd expect to see fresh content that is managed consistently. These are the core things."

Consumers are feeling fatigued, having gone through one crisis after another in recent years – and that, too, is influencing their online behaviour, including budgeting and auditing their expenditures.



Payments, innovation, and choice

Research and analyst group Forrester suggests that a business's toolkit for managing economic uncertainty, which is expected to persist for the remainder of 2023, "shouldn't rely on hunkering down and trying to outlast it."

According to 'The CEO's Guide to Navigating a Turbulent 2023' from Forrester, a growth-oriented approach of new investment and bringing fresh solutions to the market can capture consumers – even when money is tight. The research house says "innovations that meet customers' needs and give them a sense of control" worked well in the pandemic and suggested that they can work too in an inflationary economy.⁴

Buy Now, Pay Later (BNPL) is one of these innovations, and is one of the fastest-growing payment options in the UK. It empowers consumers to make purchases – even big-ticket ones – and pay in instalments over time, without accruing interest. This attribute has led savvy customers to turn to the BNPL model when buying online. In fact, more than 17 million UK customers have used BNPL to pay for an online purchase since 2020.⁵

A key reported reason for the mass migration to BNPL is the flexibility it offers. More consumers are choosing to pay via BNPL as a budget-friendly option. Shoppers find that BNPL is an easy and convenient payment alternative with 50% of BNPL users having abandoned a purchase due to not seeing a BNPL option.⁶

Offering flexible returns is also key to getting a sale over the line. In 2019, online returns as a percentage of online sales were 9.6%, and in 2021, this number more than doubled to 20.8%.⁷ To top it off, consumers expect to be able to return their items for free. 78% of shoppers agree that free shipping on returns is essential or nice to have.⁸

Customers want options when shopping, and when returning, so it's critical to get it right. And in tricky economic times, trustworthiness is essential if a consumer is going to part with their cash online.

As Vincent Belloc, managing director of PayPal UK, suggested when announcing the company's work with Co-op: "e-commerce has always been about giving consumers a convenient way to buy what they want, when they want, and being able to pay for it how they want."





5 key takeaways

A quickfire checklist about what makes a compelling online checkout in 2023:

- 1. Consumers want options:** Whether relating to returns or payments, consumers want options at the point of purchase, so make sure you are providing the market-leading and most popular offerings.
- 2. Are you meeting the fundamentals?** Not long ago, smooth experiences online and at the digital checkout were deemed game changers; now they're table stakes.
- 3. Forget future growth if UX fails today:** From Web 3.0 and the Metaverse to next-gen payments, the innovation agenda in retail is vast – but retailers struggling with online UX today will fall further behind tomorrow.
- 4. A new breed of shopper wants more from you:** All consumers expect more from retailers and brands than ever before – and they are less forgiving – so tune into what they want at the checkout, such as new emerging payment methods, to ensure long-term loyalty.
- 5. Don't close the book on innovation:** If anything, a crisis is a good time to try new things and invest in new technology – the pandemic showed us that.

Hear more from PayPal

With hundreds of millions of consumers and merchants in more than 200 markets, PayPal understands consumer preferences, shopping behaviours, and checkout optimisation – and can help tailor your online experiences to help get customers to complete purchases and keep them coming back.

Find out more about how PayPal can help you reimagine your checkout experience as a key growth strategy.

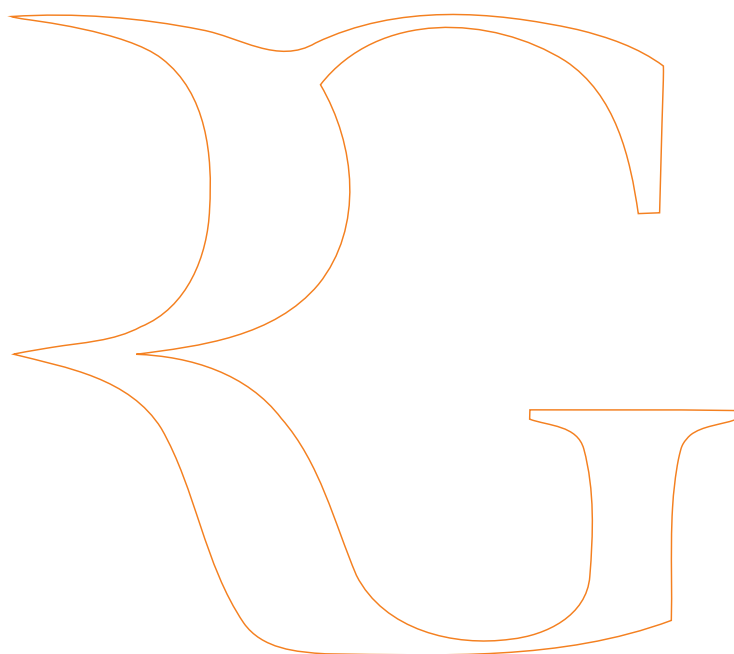
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