

TRACKING THE DIGITAL PAYMENTS TAKEOVER

CATCHING THE COMING eCOMMERCE WAVE

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May 2023

Tracking the Digital Payments Takeover: Catching the Coming eCommerce Wave,

a PYMNTS and Amazon Web Services collaboration, details how consumers expect their use of digital shopping and payments options to increase in the future. We surveyed a census-balanced panel of 2,691 consumers from April 12 to April 16 to learn more about how their demand for digital grocery and retail shopping options is growing with time — and how that growth is driving a corresponding demand for digital-native payment options to power their connected shopping journeys.



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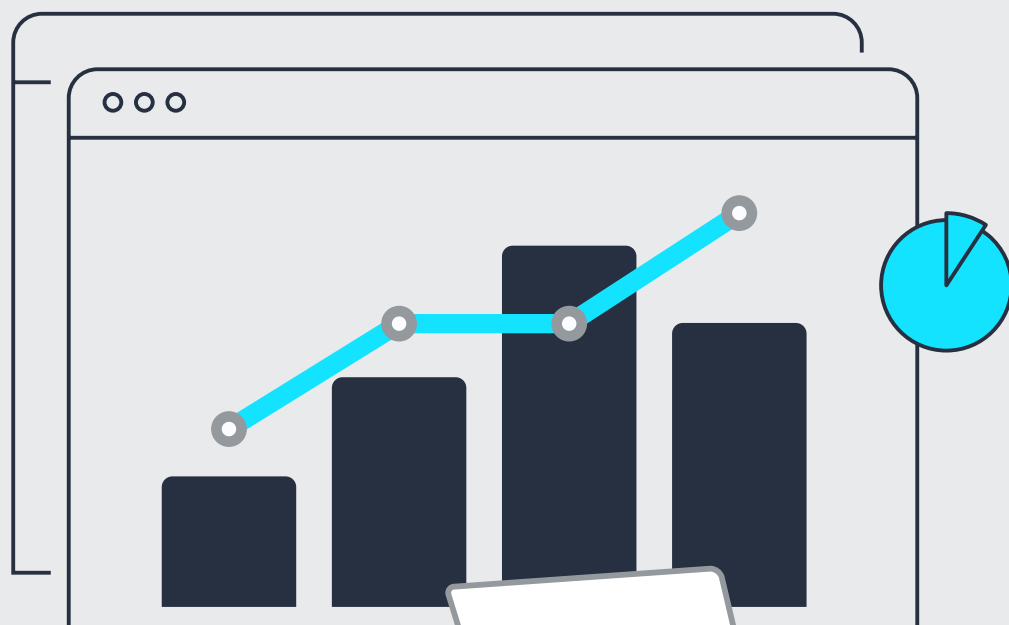
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Tracking the Digital Payments Takeover: Catching the Coming eCommerce Wave was produced in collaboration with Amazon Web Services, and PYMNTS is grateful for the company's support and insight. PYMNTS retains full editorial control over the following findings, methodology and data analysis.



Introduction

Although eCommerce has only been around for less than half a century, it already plays a central role in consumers' everyday lives. Even in the entrenched brick-and-mortar space of food and groceries, 12% of purchases happen online, and 32% of consumers plan to shop for their groceries online more in the next year.

This is not the only area where consumers foresee increasing their use of digital, either. As consumers anticipate making more grocery and retail transactions via digital channels, they also anticipate using more digital-native payment methods — like PayPal, Apple Pay, Venmo and even cryptocurrencies — to enable those transactions. For instance, 23% of consumers believe they will increase their use of PayPal for online purchases in the next year.

These numbers show that providing slick, easy-to-navigate eCommerce sites is only one facet of what should ideally be a holistic approach to engaging consumers in an increasingly digital economy. Providing digital payments options is another key step in retailers' road to boosting engagement and maximizing conversion.

Tracking the Digital Payments Takeover: Catching the Coming eCommerce Wave is the inaugural edition of PYMNTS' report series in collaboration with Amazon Web Services. We surveyed a census-balanced panel of 2,691 consumers from April 12 to April 16 to learn more about how their demand for digital grocery and retail shopping options is growing with time — and how that growth is driving a corresponding demand for digital-native payment options to power their connected shopping journeys.

This is what we learned.



Online grocery purchases are poised to grow substantially in the next year.

Currently, consumers are overwhelmingly more likely to shop for groceries in-store than they are to shop for them online, with only 12% of grocery purchases carried out online. The appetite for digital grocery purchases is growing, however, and 32% of consumers say they are very or extremely likely to increase their online grocery purchases in the next year.

Average money spent per grocery purchase:

Online purchases

\$116

In-store purchases

\$88



Consumers who shopped for groceries online in April were equally likely to use smartphones as they were to use computers to buy groceries, meaning capturing online grocery shoppers going forward will hinge on grocers' ability to offer quality purchasing experiences both online and in person.

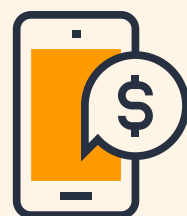
The forthcoming increase in online grocery purchases could lead to higher grocery spend: Consumers who shop and pay online spend an average of \$28 more per grocery order made online than they spend on grocery orders placed in-store. It is not clear whether these online grocery shoppers are paying more due to buying higher-priced items, because they are buying more items, or because they include the cost of aggregator delivery fees in their estimations, however, this will represent a key area for investigation going forward.

Share of transactions using select channels to shop and pay for groceries:



In-store

87%



Online via mobile device

6%



Online via computer

6%



Other

1%

The share of retail spending that occurs in-store could drop as nearly one-third of consumers expect to lean more on digital channels.

More than one-quarter of non-grocery retail purchases happened online, and PYMNTS' data finds that 30% of consumers are very or extremely likely to increase how much they shop for retail items online in the next year. This signals that digital channels will become even more important in driving retail sales going forward than they already are.

Mobile commerce is especially important for the retail sector, with 15% of purchases in April 2023 being completed via mobile and 12% being completed via desktop/laptop. Merchants could therefore have an opportunity to gain a competitive edge by providing both desktop- and mobile-optimized shopping and payment options.

Growth in retail eCommerce activity will be especially large for beauty and clothing purchases. Data shows that 39% of consumers are highly likely to increase their online purchases of health and beauty products in the next year, and 38% are equally likely to do so for apparel and clothing.

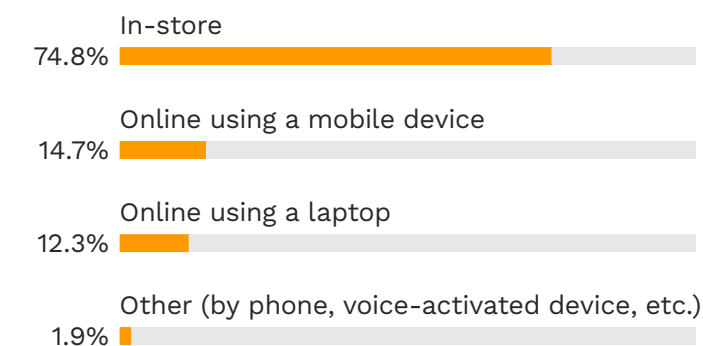
27%

of consumers completed their most recent retail purchase entirely on their laptop or mobile phone.

FIGURE 1:

The channels consumers use to buy retail items

Share of consumers using select channels to shop and pay for retail products

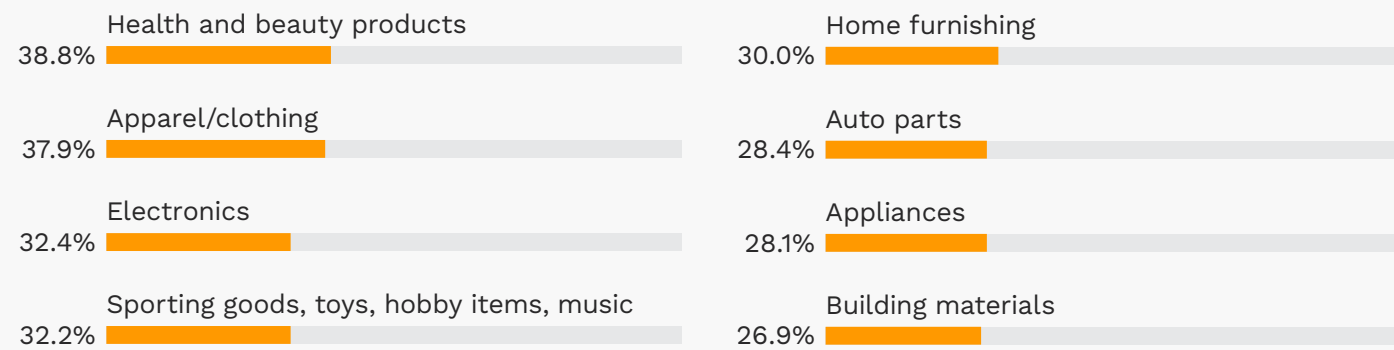


Source: PYMNTS
Tracking the Digital Payments Takeover: Catching the Coming eCommerce Wave, May 2023
N = 1,649: Respondents who purchased non-grocery retail items in the last 30 days, fielded April 12, 2023 – April 16, 2023

Digital channels are also poised to drive an increasing share of purchases in many categories going forward, including electronics, home furnishings and recreation.

Retail customers spend more online than they do in person. Consumers who buy retail items online spend an average of \$42 more per purchase than consumers who buy their retail items in-store — a 48% increase from in-store to online.

FIGURE 2:
Consumers' intentions to increase their use of digital going forward
 Share of consumers very or extremely likely to increase online purchases of select product types



Source: PYMNTS

Tracking the Digital Payments Takeover: Catching the Coming eCommerce Wave, May 2023

N = 2,600: Consumers who believe they will increase their share of purchases made online for non-grocery retail items, fielded April 12, 2023 – April 16, 2023.

Average money spent per retail purchase

Online purchases **\$129**

In-store purchases **\$87**

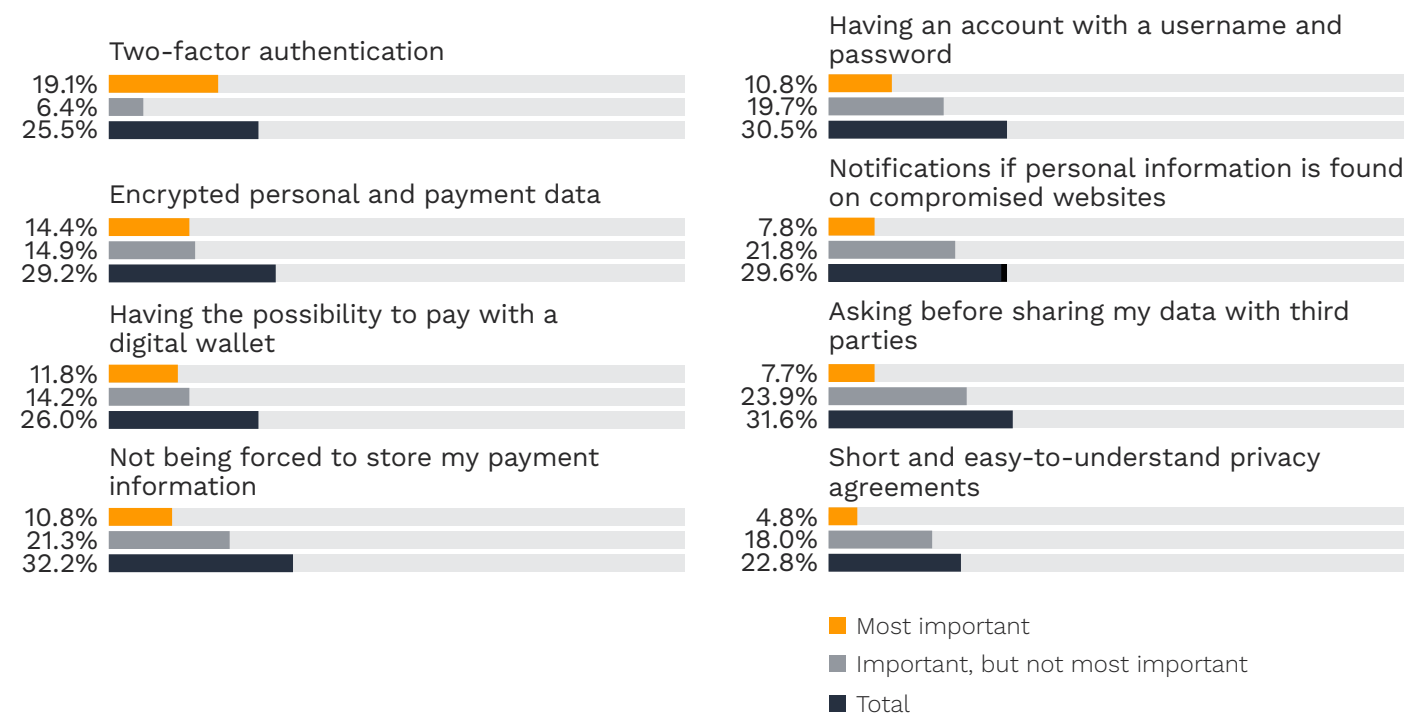
Better security and data protection will be essential for retailers to capitalize on the growing interest in eCommerce activity.

Connected consumers are acutely aware of cyberthreats and put a premium on data security. One-third cite two-factor authentication or encrypted data as essential to improving their eCommerce journeys. Having control over their payment information is also important, as 32% of consumers mentioned agency over their data as a factor that would make them more comfortable when shopping online.

FIGURE 3:

Overcoming security concerns

Share of consumers identifying top features that would make them more comfortable when making online purchases



Source: PYMNTS
 Tracking the Digital Payments Takeover: Catching the Coming eCommerce Wave, May 2023
 N = 2,691: Complete responses, fielded April 12, 2023 – April 16, 2023.

Merchants seeking to assuage these concerns will also need to address some of the most common pain points consumers experience when shopping online: high shipping costs, delivery delays and fears of overspending. Twenty-seven percent of consumers cited delivery delays and 24% cited high shipping costs as issues they experienced with online purchases.

Consumers' use of digital-native payment methods such as Apple Pay and Venmo is growing alongside eCommerce activity, with PayPal use projected to grow fastest of all year over year.

PayPal and Apple Pay are currently the two most used digital-native payment methods in the United States. Twelve percent of all online non-grocery retail purchases were made using PayPal in April, and 3% were made with Apple Pay.

Despite PayPal's lead in purchases made online, Apple Pay is the more common in-store payment method due to higher merchant acceptance at the point of sale. Two percent of in-store retail purchases in April were made via Apple Pay, while less than 1% were made via PayPal, data shows.

Debit card and credit card use is also expected to grow over the course of the next year, though not as much as the use of PayPal.

12%

of all non-grocery eCommerce purchases were made via PayPal in April 2023.

Consumers expect to increase their use of nearly every type of digital-native payment method in the next year, but PayPal use is expected to grow the most in that time. Twenty-three percent of consumers plan to increase their use of PayPal for online purchases in the next year; only 9% plan to decrease their use.

Apple Pay use ranks second in terms of how many consumers expect to use it more one year from now. Ten percent of consumers plan to increase their use of Apple Pay for online purchases next year and 6% plan to decrease it.

Use of Venmo, Google Pay and cryptocurrency is also expected to grow over the course of the next year. Payment methods that consumers expect to decrease their use of are Samsung Pay, buy now, pay later, and QR code payments.

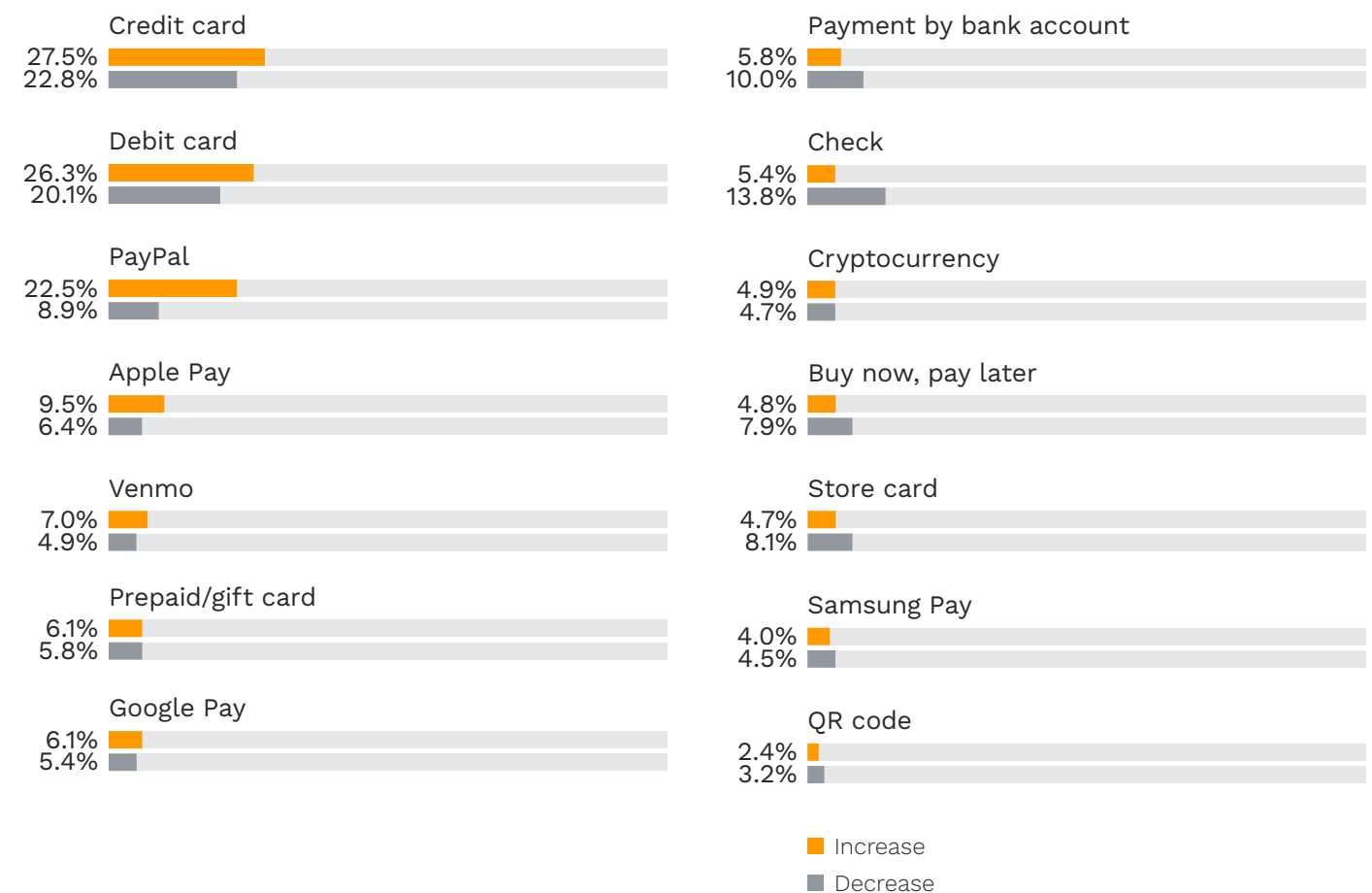
23%

of consumers expect to use PayPal more in the next 12 months.

FIGURE 4:

Projected payment method trends

Share of consumers who anticipate increasing or decreasing their use of select payment methods for online purchases in the next 12 months



Source: PYMNTS
 Tracking the Digital Payments Takeover: Catching the Coming eCommerce Wave, May 2023
 N = 2,691: Complete responses, fielded April 12, 2023 – April 16, 2023.

Conclusion

Digital is already key to driving grocery and retail sales — and it is poised to gain even more importance in the coming months. Consumers across the board foresee making more retail and grocery purchases online through the next year, and digital payments usage rates are expected to follow. Merchants therefore have an opportunity to invest not only in optimizing their eCommerce sales channels to attract an increasingly digital-first customer base but also in encouraging the use of digital-native payment methods that are rapidly gaining traction both online and in-store. Both are key steps to providing the omnichannel shopping journeys that connected consumers expect.

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Methodology

Tracking the Digital Payments Takeover: Catching the Coming eCommerce Wave, a PYMNTS and Amazon Web Services collaboration, seeks to uncover the drivers behind consumers' behavior when shopping digitally. We surveyed a census-balanced panel of 2,691 consumers from April 12 to April 16. Fifty-two percent of respondents were female, 32% had a college degree and respondents' average age was 48.

About

PYMNTS **PYMNTS** is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.



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