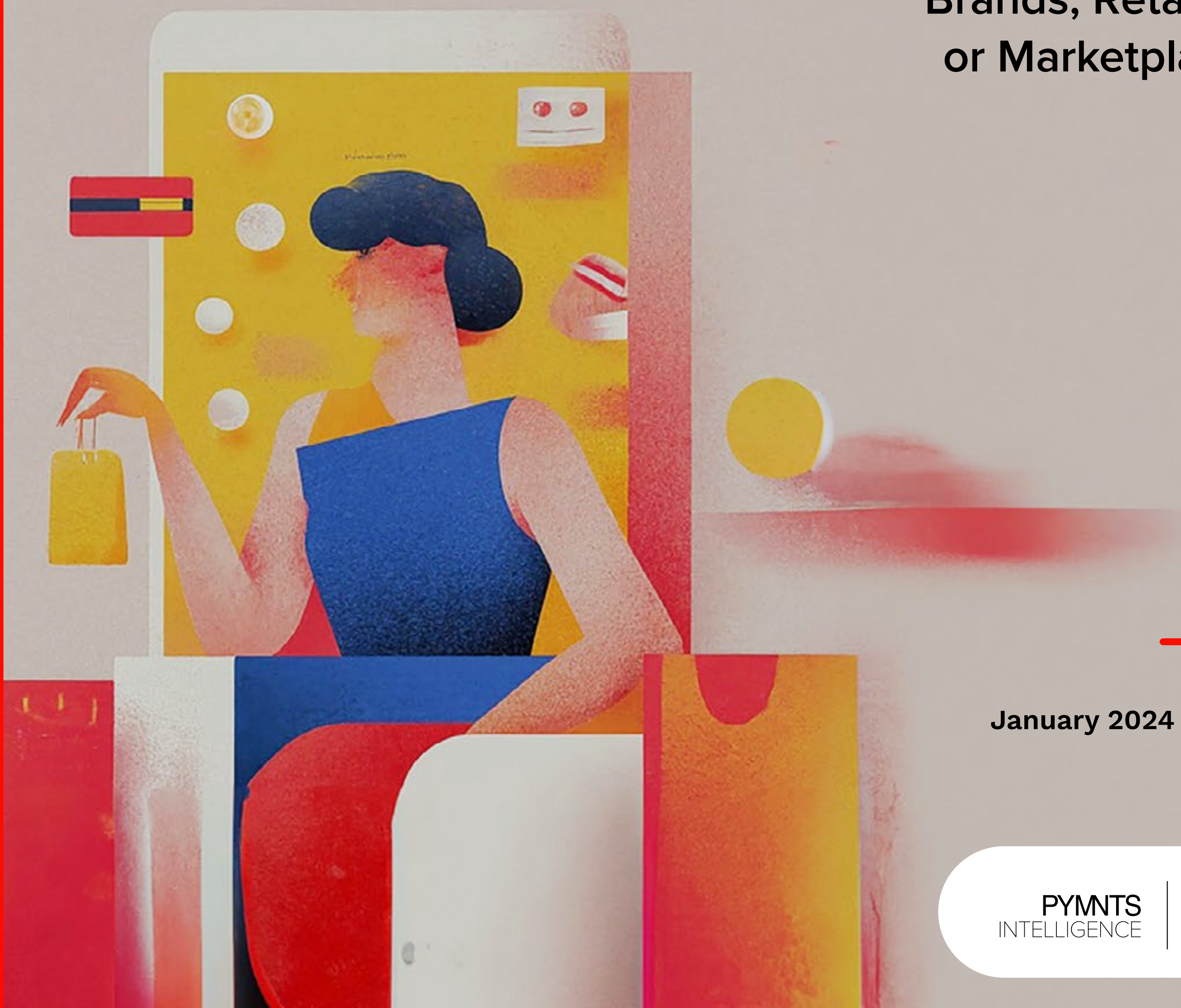
THE ONLINE FEATURES DRIVING CONSUMERS

To Shop With
Brands, Retailers or Marketplaces



January 2024 Report

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The Online Features Driving Consumers To Shop With Brands, Retailers or Marketplaces was produced in collaboration with Adobe, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

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WHAT'S **AT STAKE**

A complex web of consumer preferences, trust factors and strategic features shapes the battle to win customers between brand websites, retailer sites and online marketplaces. Additionally, rising prices across the U.S. economy and uncertainty among local consumers about the prospects for a slowdown in 2024 seem to be directing and impacting these potential customers' purchasing behaviors, further shaping online shopping competition between brands, retailers and marketplaces. This study explores the key considerations in online shoppers' decision-making calculus — and the variances in the approaches for the three types of merchants.

For example, online marketplaces excel in their implementation of most features consumers use when shopping, whereas brand websites are known more for their trust and customer service. Overall, retailer websites and marketplaces tend to exhibit higher rates of customer satisfaction than brands, but data also reveals that Generation Z consumers — the youngest in our study — actually prefer to make their online purchases from brand websites instead of retailers' sites, with trust a paramount factor driving this behavior.

43%

of Gen Z consumers probably or definitely **prefer shopping at a brand's site**.

Overall, our research finds that enhancing the shopping features that consumers value is vital for merchants aiming to become their preferred choice and foster increased customer engagement, and later findings detail some of these relationships, such as that two-thirds of consumers find free shipping to be a feature important to their loyalty.

The Online Features Driving Consumers To Shop With Brands, Retailers or Marketplaces, a PYMNTS Intelligence and Adobe collaboration, explores U.S. consumers' shopping preferences when making purchases online. We surveyed 3,521 U.S. consumers between Oct. 10, 2023, and Oct. 17, 2023, to examine and analyze their actions, choices and behaviors when they go online to shop.

This is what we learned.

KEY FINDINGS

Four in 10 Gen Z consumers prefer to buy directly from brands rather than retailer sites, with trust being a pivotal factor.

Consumer preferences drive online retail activity, and data shows that 28% of consumers prefer to purchase directly from a brand rather from a third-party retailer site, with Gen Z at the forefront. This direct brand preference rises to 43% among that generation, making it the age group most likely to prefer purchasing directly from brands. Though, overall, consumers of all ages exhibit a slight preference for shopping on retailers' sites, the Gen Z opportunity for brands is large. Even though Gen Z consumers have spent an average of $973 on retail purchases in the last 30 days — less than the sample average of $1,165 — Gen Z spending represents $14 billion per month, or $169 billion a year. Factor in their preference for brands, and their spending on retail purchases directly from brands could represent $72 billion annually.

Another shopping aspect the survey investigates is trust. Three in 4 consumers consider it pivotal in their store choice; 15% of consumers who used brand websites for most of their retail purchases cited trust as the primary motivator for their choice — more than any other factor. Among consumers who made most of their purchases through a retailer site or an online marketplace, prices, rather than trust, were the most influential factor.

FIGURE 1A:

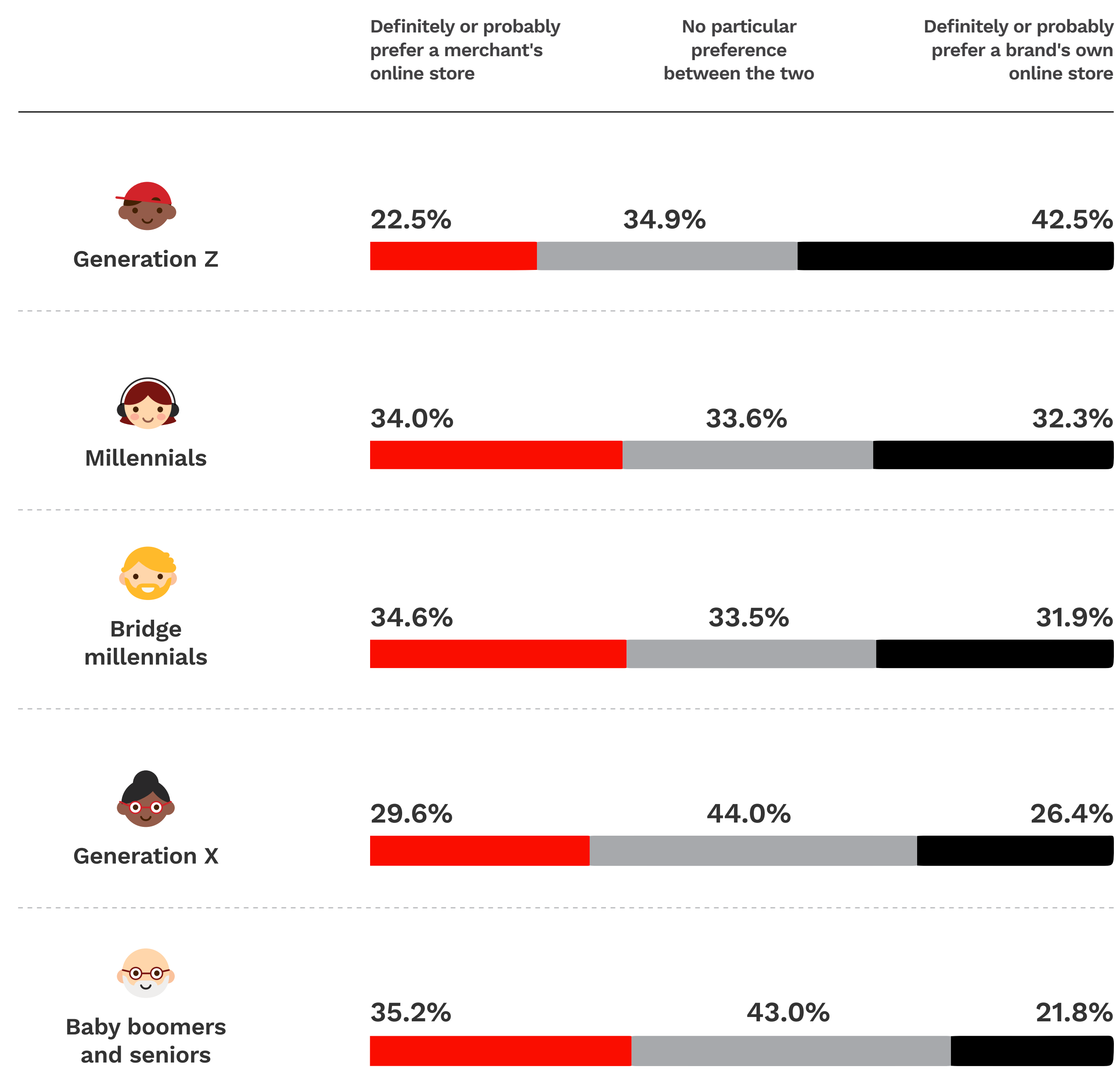
Consumers' preferred avenues for retail shopping
Share of consumers citing select retail shopping preferences, by income level

	Definitely or probably prefer a retailer's online store	No particular preference between the two	Definitely or probably prefer a brand's own online store
SAMPLE	**32.2%**	**40.1%**	**27.7%**
INCOME LEVEL			
• Less than $50K	33.0%	42.9%	24.2%
• $50K-$100K	31.2%	42.0%	26.9%
• More than $100K	32.6%	36.7%	30.8%

Source: PYMNTS Intelligence
The Online Features Driving Consumers To Shop With Brands, Retailers or Marketplaces, January 2024
N = 2,084: Whole sample, fielded Oct. 10, 2023 – Oct. 17, 2023

FIGURE 1B:

Consumers' preferred avenues for retail shopping
Share of consumers citing select retail shopping preferences, by generation



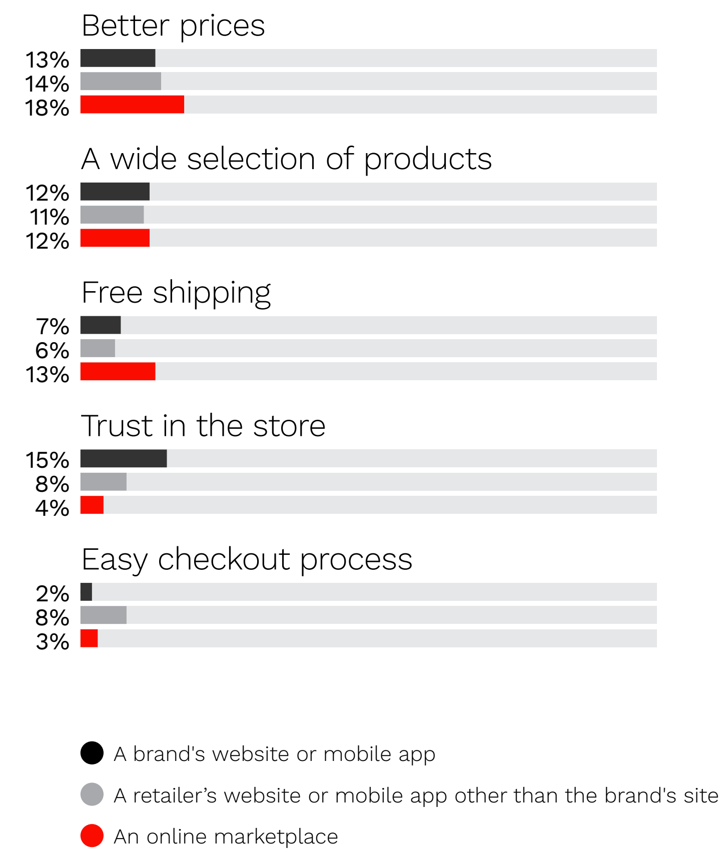
Source: PYMNTS Intelligence
The Online Features Driving Consumers To Shop With Brands, Retailers or Marketplaces, January 2024
N = 2,084: Whole sample, fielded Oct. 10, 2023 – Oct. 17, 2023

While online marketplaces dominate competitors in their implementation of features such as free shipping and product selection, brand websites stand toe-to-toe in trust and customer service.

A plurality of consumers (48%) agree that online marketplaces fare better than retail and brand sites for online features; 27% favored retailers and 25% favored brands. Sixty percent of consumers favor marketplaces because they cater to what they value, such as fast delivery, free shipping and broad product variety. Consumers also value the availability of multiple payment options; 54% of consumers say that marketplaces are better than brands' and retailers' sites in providing this.

FIGURE 2:

Factors consumers put a premium on
Share of consumers citing the following as the most influential factor in selecting the type of store at which they made all or most of their purchases in the last 30 days, by consumers' most used digital channel



Source: PYMNTS Intelligence
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Consumers perceive brands as underperforming in providing competitive prices, seamless checkout processes and multiple payment methods. Only 20% of consumers agree that brands excel in these aspects compared to other options. Moreover, only 22% of consumers agree that brands do a better job enabling them to use their preferred payment methods than other websites. Despite this reality, about one-third of consumers say brand websites stand toe-to-toe with marketplaces with regard to trust in the store, good customer service and availability of live/human assistance.

More shoppers who primarily use online marketplaces and retailer sites express satisfaction with retail product purchases than those who purchase directly from brands.

Survey data suggests that, on average, the share of consumers satisfied with online stores is higher among those who purchased most from online marketplaces (80%) than from retailer sites (76%) or directly from brand sites (72%). A deeper dive into this data suggests that this might be because consumers shopping on marketplaces use more online capabilities: four different capabilities, on average, rather than the three averaged among those who shop on brand or retailer sites.

Survey data shows that consumers buying home furnishings, appliances and groceries express similar satisfaction rates regardless of the way they shop. Specifically, 82% of consumers who purchased from a retailer site were very or extremely satisfied, as were 81% of consumers who made purchases from a brand's website.

FIGURE 3:

Consumer satisfaction with select types of purchases
Share of consumers very or extremely satisfied with the following types of online stores they shopped in the last 30 days, by item category

	Clothing or accessories	Groceries	Home furnishings and appliances	Electronics
• An online marketplace	**81.2%**	77.2%	81.9%	**77.6%**
• A brand's website or mobile app	69.8%	75.8%	80.7%	67.9%
• A retailer's website or mobile app other than the brand's site	75.9%	78.2%	**82.1%**	67.8%

Source: PYMNTS Intelligence
The Online Features Driving Consumers To Shop With Brands, Retailers or Marketplaces, January 2024
N varies by category and represents consumers who purchased select types of retail products in the last 30 days in select ways, fielded Oct. 10, 2023 – Oct. 17, 2023

The biggest gap in consumer satisfaction among item categories occurs with clothing and accessories, as 81% of consumers who bought items from this category via an online marketplace were at least very satisfied with their purchases, but only 70% of consumers who bought items from this category from a brand's website were at least very satisfied with having done so. Furthermore, among consumers who predominately purchased items directly from a brand, those who spent less per single purchase and those with lower incomes tended to report less satisfaction with the brands from which they made their purchases — perhaps meaning that luxury brands are providing a better and more competitive purchasing experience than value-focused brands.

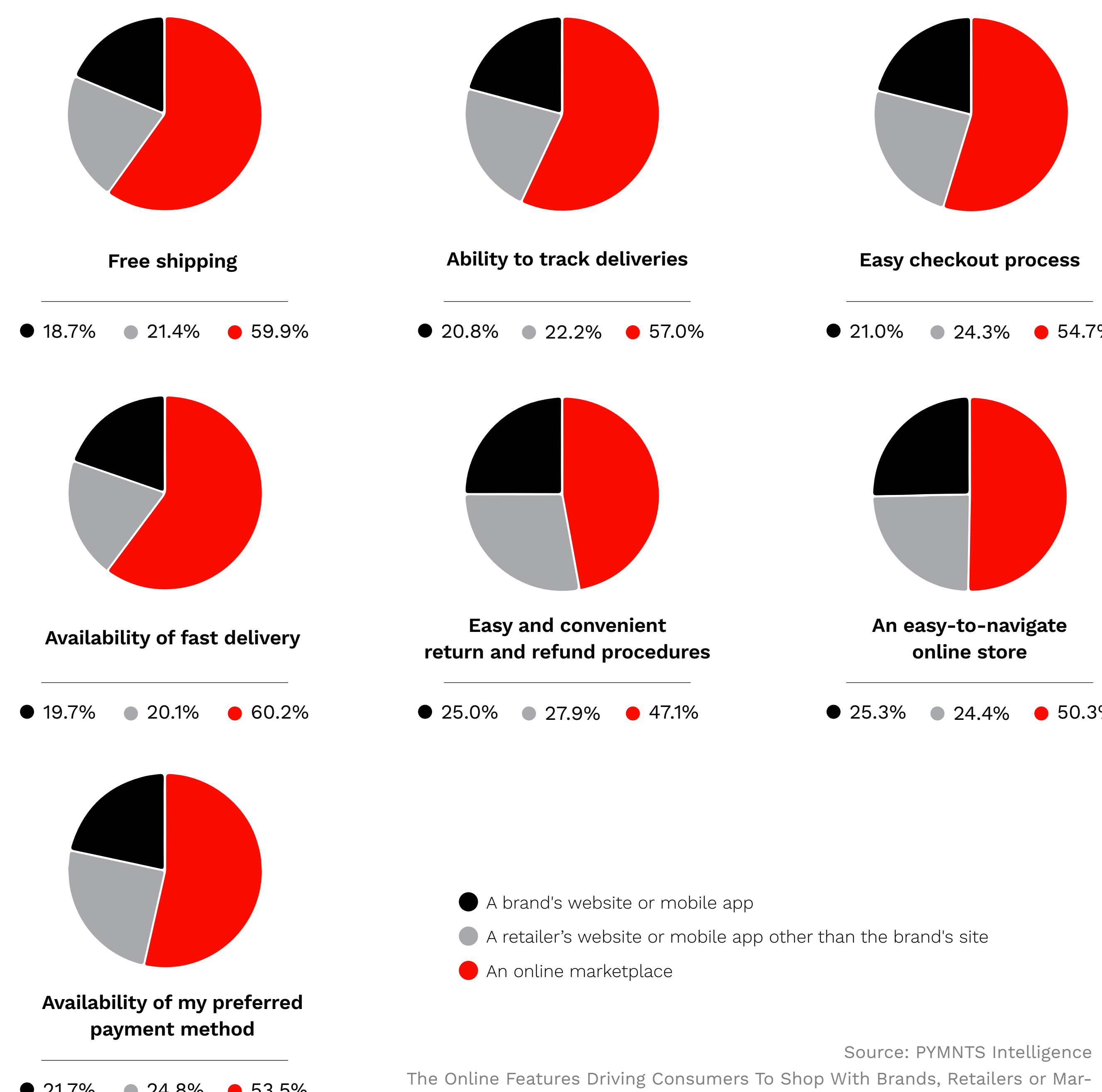
Enhancing the shopping features that matter most to consumers, such as hassle-free online purchasing, is key for brands aiming to become a preferred choice and foster ongoing customer loyalty and engagement.

Foot traffic in retail is a key metric for brick-and-mortar stores, and online visits are the corresponding metric for brands', retailers' or marketplaces' websites. The most influential factors in consumers' choice of store — and those likely to impact online visiting — relate to price savings, selection features and seamless, hassle-free purchasing experiences. Survey data shows that 75% of consumers consider features related to savings and selection at least very influential on their store selection, and 71% consider hassle-free purchasing experiences to be the most influential. Other widely valued features include those that gather information (63%) and those that provide assurance, convenience and support (47%).

FIGURE 4A:

Strategic shopping features likely to attract consumers

Share of online shopping features consumers take into account, by type of store



Source: PYMNTS Intelligence
The Online Features Driving Consumers To Shop With Brands, Retailers or Marketplaces, January 2024
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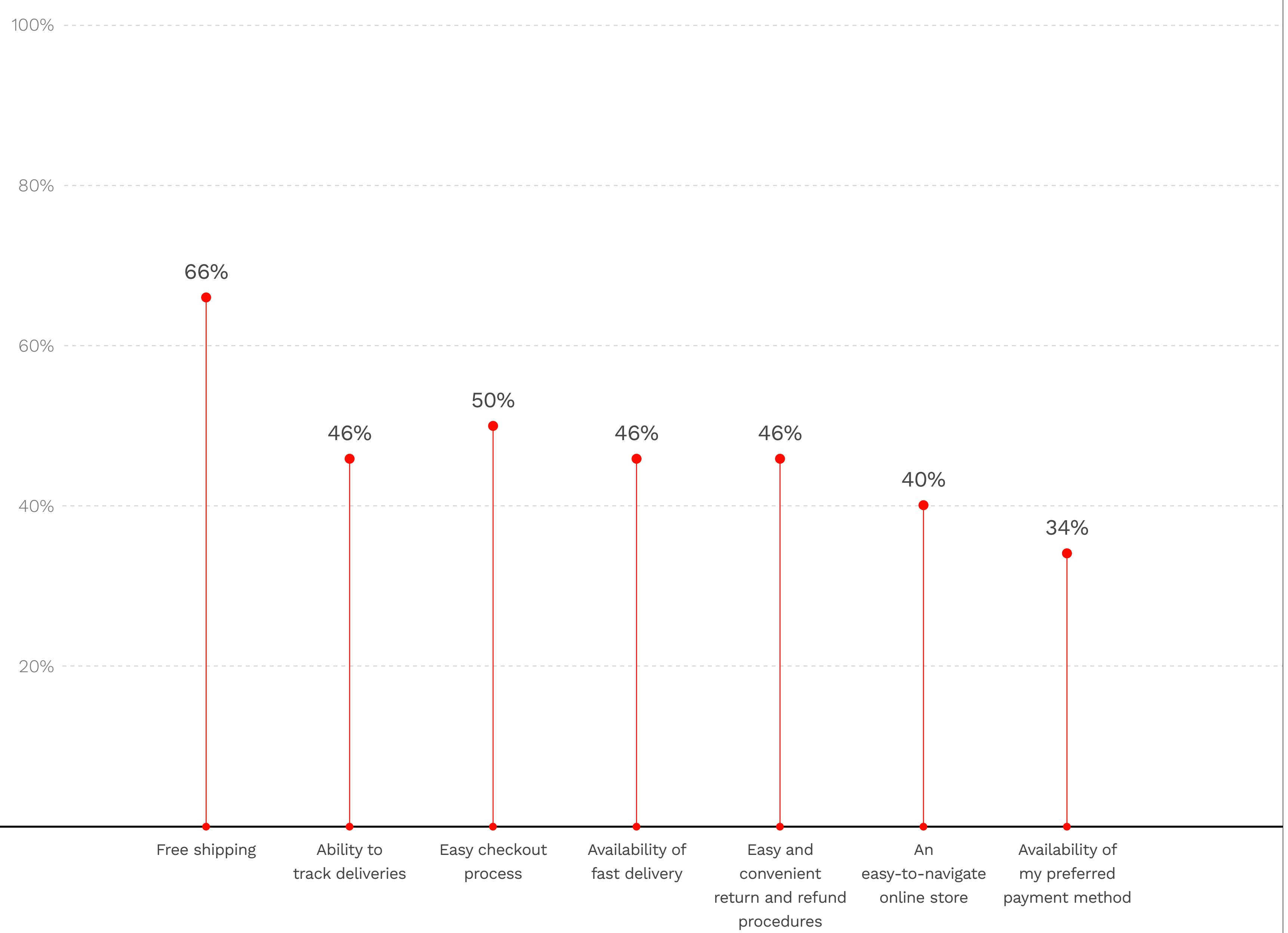
FIGURE 4B:

Strategic shopping features likely to attract consumers
Share of online shopping features consumers take into account



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N = 2,084: Whole sample, fielded Oct. 10, 2023 – Oct. 17, 2023

75%

of consumers **consider features related to savings and selection** at least very influential for their store selection.

Free shipping is key for consumer loyalty: 66% of consumers identified it as a feature that's an important determinant for their loyalty to a specific online store. Half of consumers identified easy checkout processes as important in this way, making these the two features cited most as important by consumers. Despite the importance of these features, consumers perceive brands as underperforming in these areas the most.

There is a clear opportunity here. Considering brands' difficulty in competing with retailer and marketplace pricing, offering free shipping and an easy checkout experience presents as the most critical and essential aspect to encourage customers to complete transactions.

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CONCLUSION

Current economic conditions, including rising prices across goods and services and moderate economic growth prospects, are underscoring the factors consumers are considering when deciding where to shop online. Survey data suggests that younger generations prefer online brands, although in general, more shoppers of online marketplaces and retailer sites express satisfaction with their experience than those who purchase directly from brands. Product type is also a key component impacting where consumers prefer to shop online, with most consumers who buy home furnishings, appliances and groceries expressing similar satisfaction rates regardless of where they shop.

To thrive, brands must address their weaknesses. Perceived as lagging in competitive pricing and seamless checkout processes, only 20% of consumers believe brands excel in these crucial areas. The key lies in implementing strategic enhancements that align with these consumer priorities — moves that are likely to foster loyalty and engagement.

METHODOLOGY

The Online Features Driving Consumers To Shop With Brands, Retailers or Marketplaces, a PYMNTS Intelligence and Adobe collaboration, explores U.S. consumers' shopping preferences when they make purchases online. We surveyed 3,521 U.S. consumers between Oct. 10, 2023, and Oct. 17, 2023, to examine and analyze their actions, choices and behaviors when they go online to shop.

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ABOUT

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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