BIGCOMMERCE

Digital Payments Report:

How Consumers Prefer To Pay When Shopping Online



INTRODUCTION

Our 2023 Digital Payments Report provides insight into consumer payment preferences and purchasing behaviours while examining data from previous years to highlight evolving trends and changes.

This year's data heavily reflects cost-of-living pressures. As households deal with less available cash, their preferences for smaller purchases over larger financial outlays become evident.

Shoppers are aiming for a debt-free life—but only sometimes hitting the mark. Cash-strapped consumers are opting for a case of "better the devil you know," with credit cards soaring in popularity over BNPL (Buy Now, Pay Later) and other payment methods.

Debt-aware consumers want to reduce their reliance on BNPL this year, with a steadily increasing number saying it's to save for essential items. However, the payment method is still commonly used, and more frequently when insufficient savings are available.





The findings in this report offer a window into consumers' spending habits and preferences to help retailers adjust strategies and respond to changing consumer demands. For example, low-value orders between $20–$50 have surged 7% over the last three years. At the same time, orders over $500 have fallen 4%. These notable changes in order values should prompt retailers to review product and pricing strategies in line with current demands.

Read on to see how consumer payment preferences and ordering habits may affect retailers' offerings. Our 2023 data and comparison to previous years offer detailed findings across order values, repeat purchase motivations, and payments, including shifts within the BNPL methods.

Data for this report collected March - April 2023

All data in this report is sourced from surveys with approximately 1354 respondents, from randomly selected Australian and New Zealand online shoppers.

PURCHASE BEHAVIOURS AND REPEAT PURCHASES



Shoppers' purchase behaviours hold vital clues to their concerns and priorities in 2023. For example, consumers are understandably becoming more cautious of large financial outlays. Low-value orders significantly increased over the last three years, while high-value orders declined.

Shoppers are clearly feeling the financial pinch. Credit card use has skyrocketed since 2021, and consumers are looking to save at the checkout. As a result, retailers offering free delivery options have a good chance of enticing shoppers to back to their online stores.

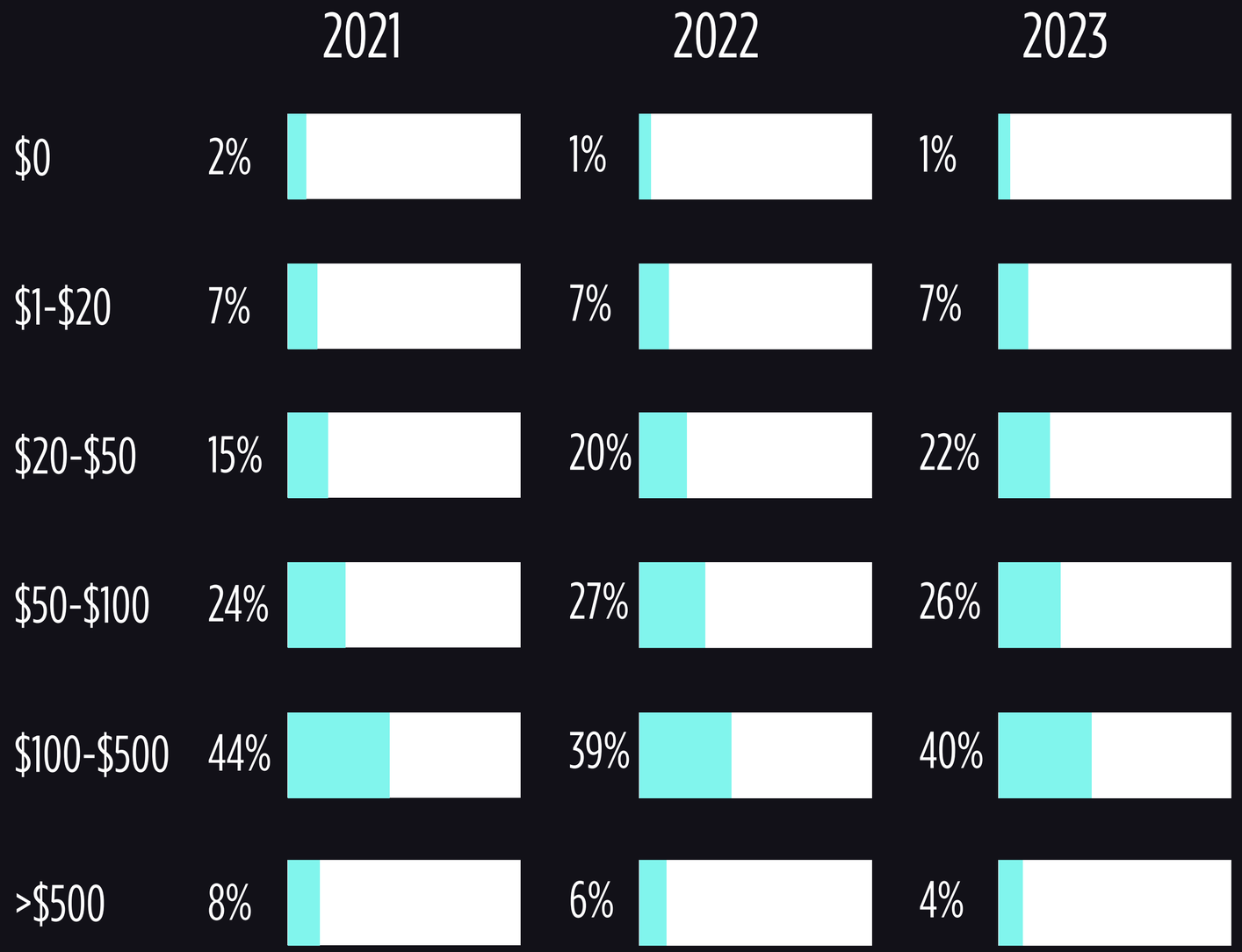
On the flip side, unexpected charges, coupons that don't work, and unavailability of preferred payment methods will cause shoppers to abandon their cart quickly, as will a lack of trust in website security. Therefore, online merchants must make charges, payment methods, and site security evident early in the buyer journey while ensuring promotional offers work seamlessly.

HIGH-VALUE PURCHASES FALL AS LOW-VALUE TRANSACTIONS RISE

Shoppers are more hesitant about large discretionary purchases this year. Online purchases over $500 have fallen 4% from 2021–2023. This drop is hardly surprising as inflation and material costs contribute to less available cash and higher product pricing.

While purchases of over $100 have also declined in the last three years, low-value transactions have increased. Most notably, online orders between $20–$50 surged 7% from 2021–2023.

How much was your most recent online order?

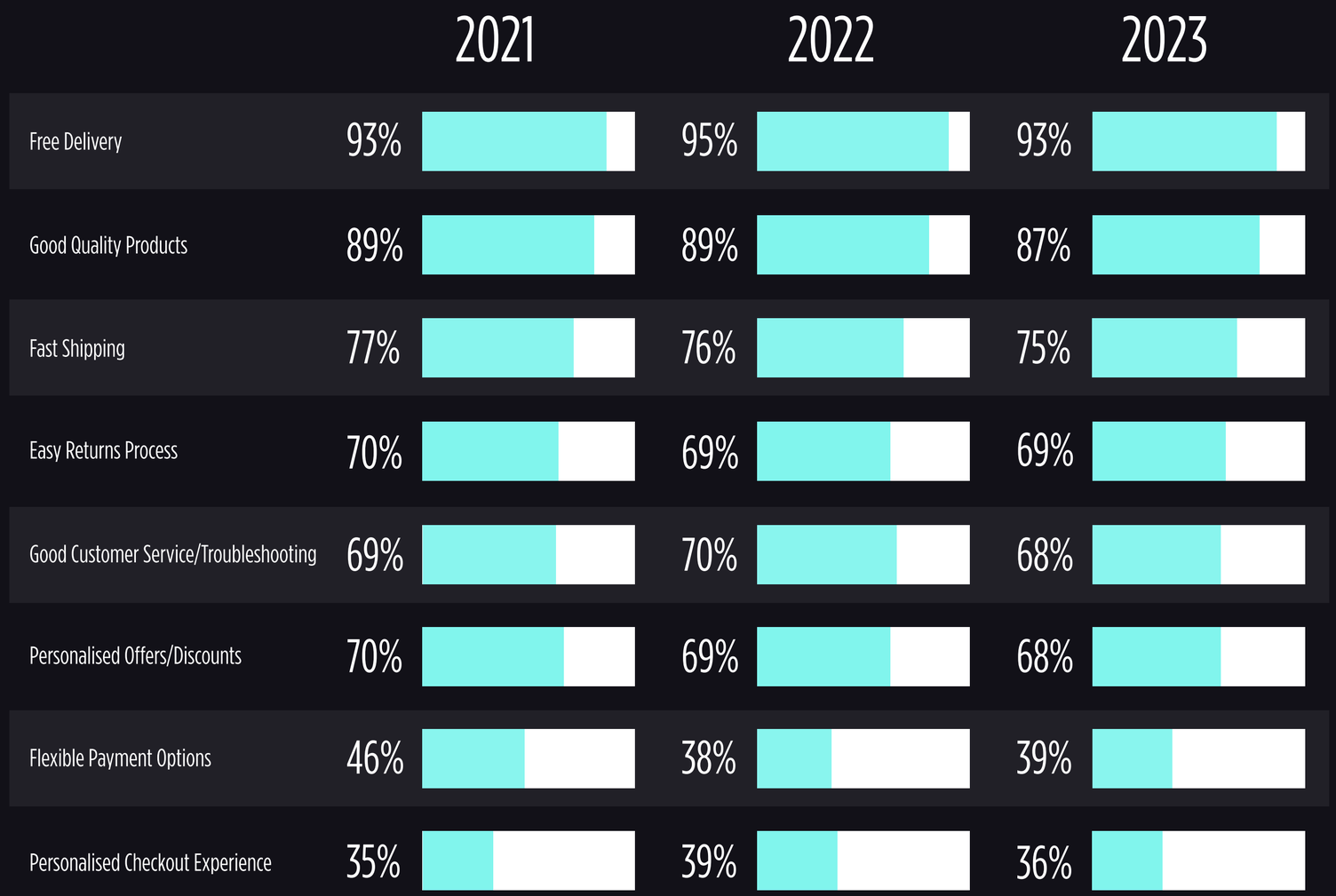


FREE DELIVERY ENCOURAGES REPEAT PURCHASES

Shoppers certainly love a free ride. 93% say that free delivery will encourage them to make a repeat purchase with an online brand.

Good quality products are the next most important reason influencing additional purchases (87%), followed by fast shipping methods (75%).

What encourages you to shop again?

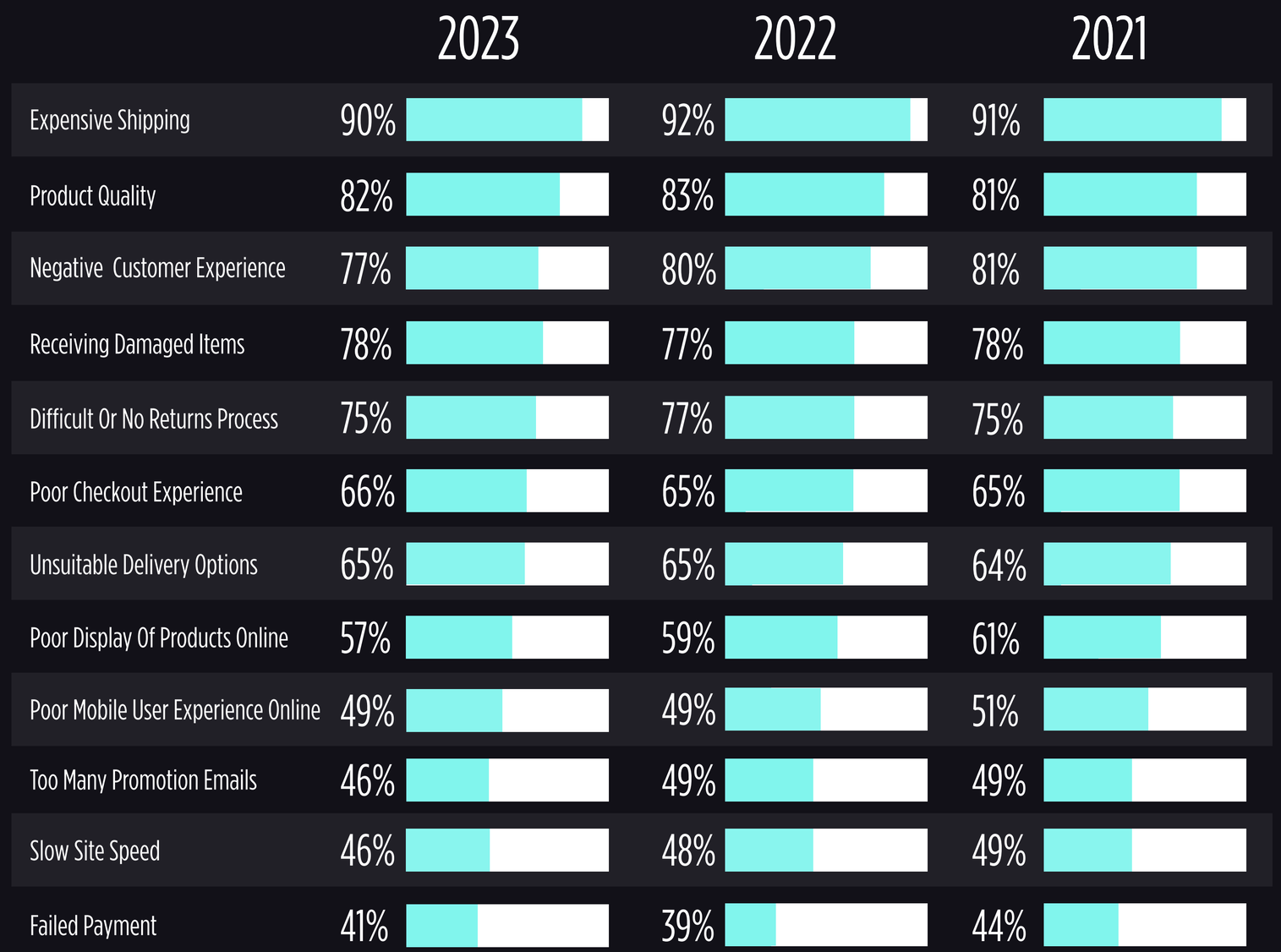


EXPENSIVE SHIPPING CAUSES SHOPPERS TO SET SAIL

On the flip side, expensive shipping is the number one reason preventing shoppers from making a repeat purchase (91%). Poor product quality and a negative customer service experience take equal second places.

While various factors affect the overall experience and, consequently, whether those shoppers come back, shipping costs, product quality, and customer service are the most crucial areas for retailers to focus on this year.

What would prevent you from shopping with an online retailer again?

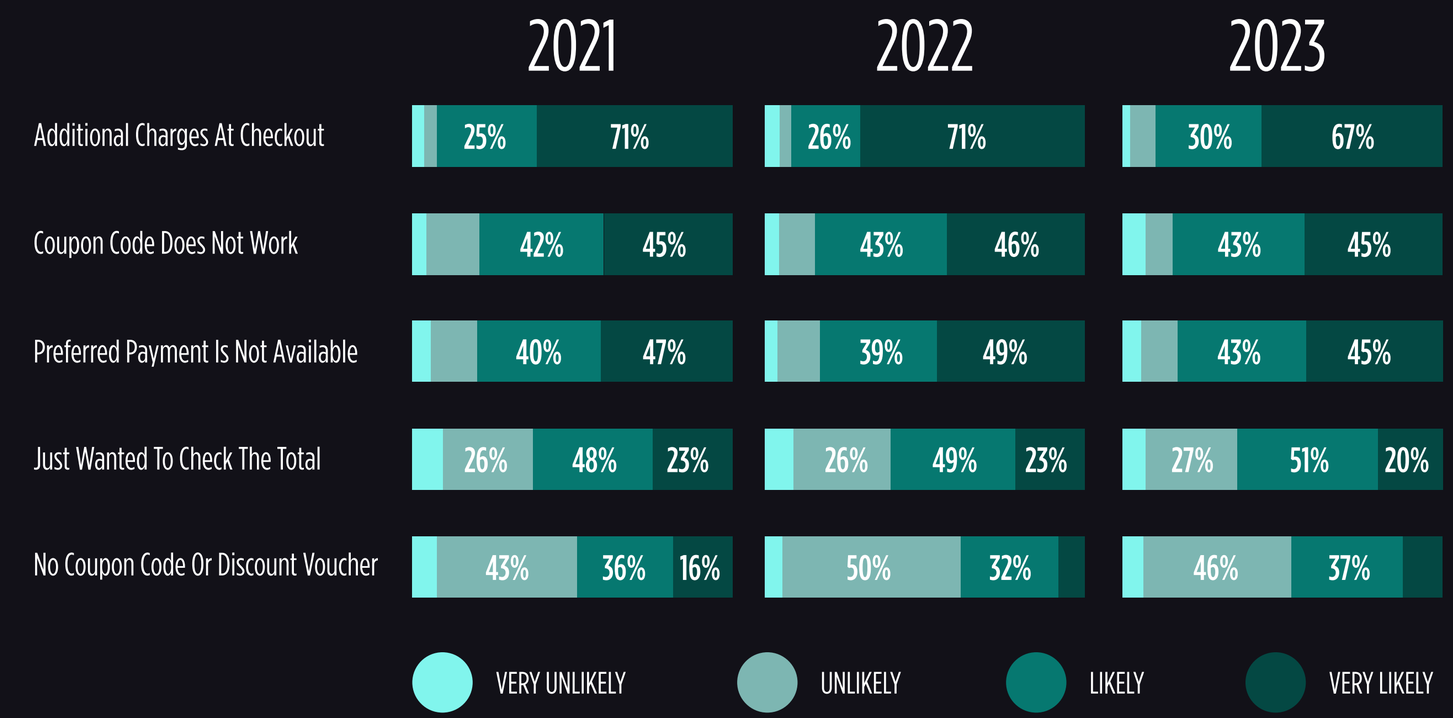


UNEXPECTED ISSUES AT CHECKOUT LEAVE SHOPPERS CHECKED OUT

Challenges with charges, coupons, and payment methods are deterring shoppers from completing their purchases.

97% of shoppers are likely or very likely to abandon their carts due to additional charges at the checkout. 88% also say they'll discard orders when coupon codes don't work, and when their preferred payment methods aren't available.

When considering payment, how likely are you to abandon a cart based on the following?



PAYMENT METHODS

Shoppers' purchase behaviours hold vital clues to their financial concerns and priorities in 2023. Credit card use has skyrocketed since 2021, reflecting a tightening of available cash.

Retailers offering BNPL options should ensure the availability of Afterpay, Zip, and PayPal (Pay in 4), as these are the top 3 preferred methods. However, we also see a flattening of BNPL use overall.

Shoppers want to reduce their spending through BNPL, as issues like saving for essential items and creeping debt weigh on their minds.

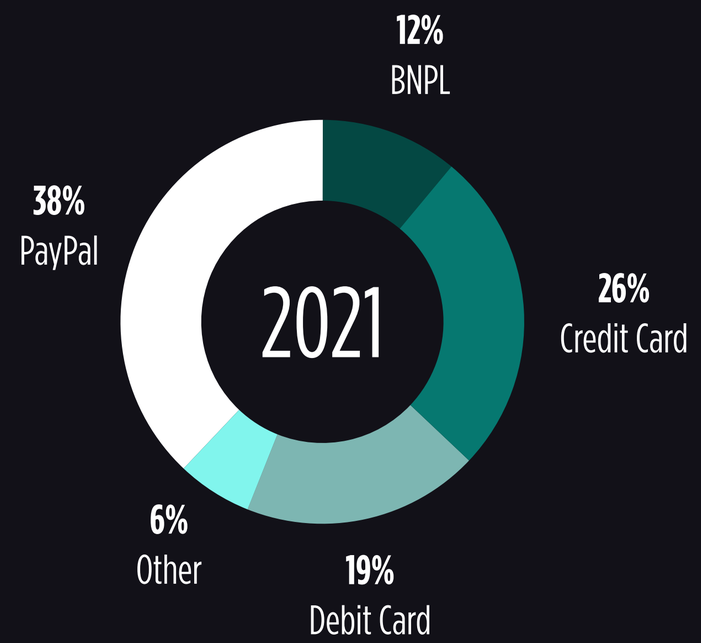


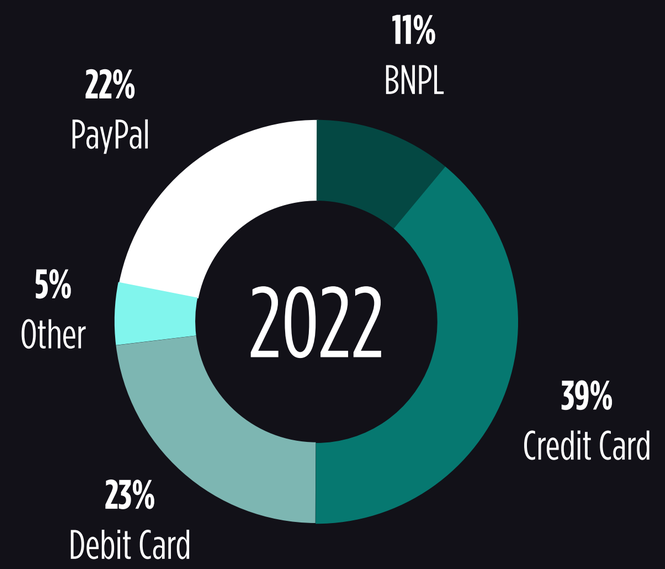
AS AVAILABLE CASH SHRINKS, CONSUMERS TURN TO CREDIT

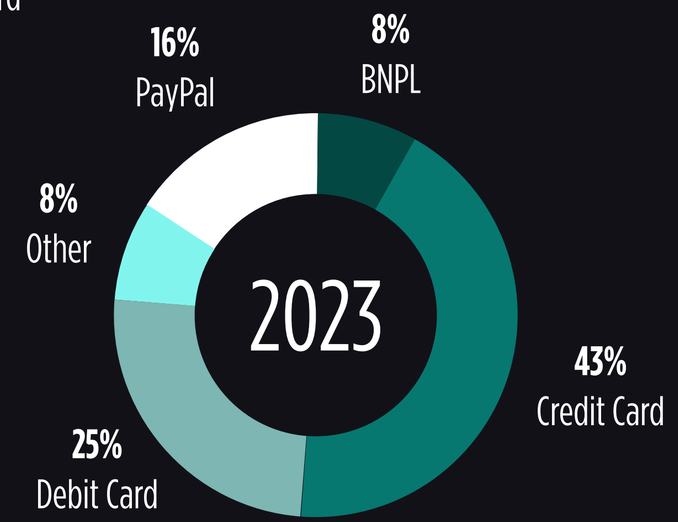
Payment methods reveal more proof that shoppers are feeling the financial pinch. For example, credit card purchases have ballooned to a startling 43% in 2023, an increase of 17% since 2021. Over the same period, BNPL has seen a 4% decline.

Consumers balancing finances with swelling cost-of-living pressures are making the most of available lines of credit for their online purchasing needs.

How did you pay for that order?





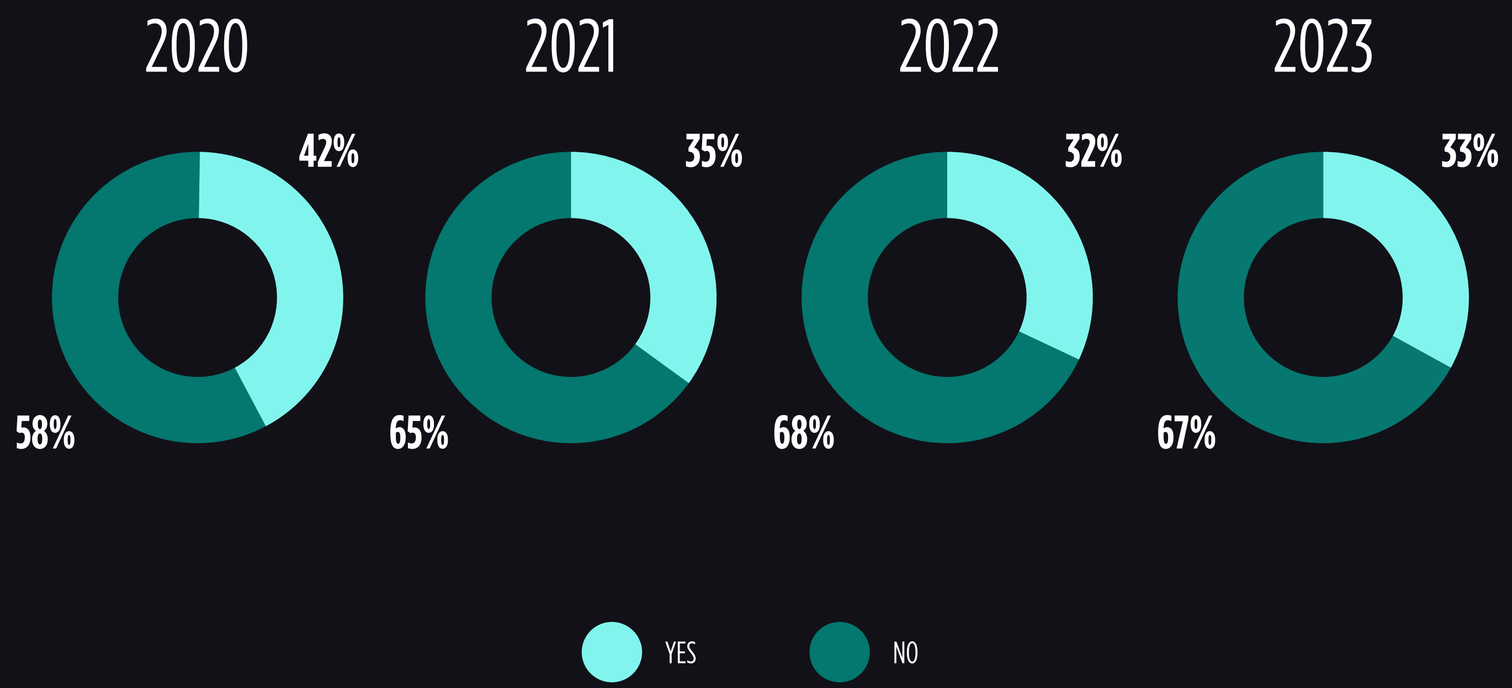


THE BNPL BUMP HAS FLATTENED

Shoppers turned to BNPL methods early in the pandemic to ease the pain of paying throughout a time of high uncertainty. The data certainly reflects this, with 2020 showing a BNPL bump, followed by a normalisation of the numbers.

Despite heavier reliance on debit and credit cards this year, BNPL remains a popular option in consumers' digital wallets. The number of shoppers using BNPL has only subsided by 2% since 2021, with one-third of us using it within the last six months.

Have you used a Buy Now Pay Later service provider in the last 6 months?



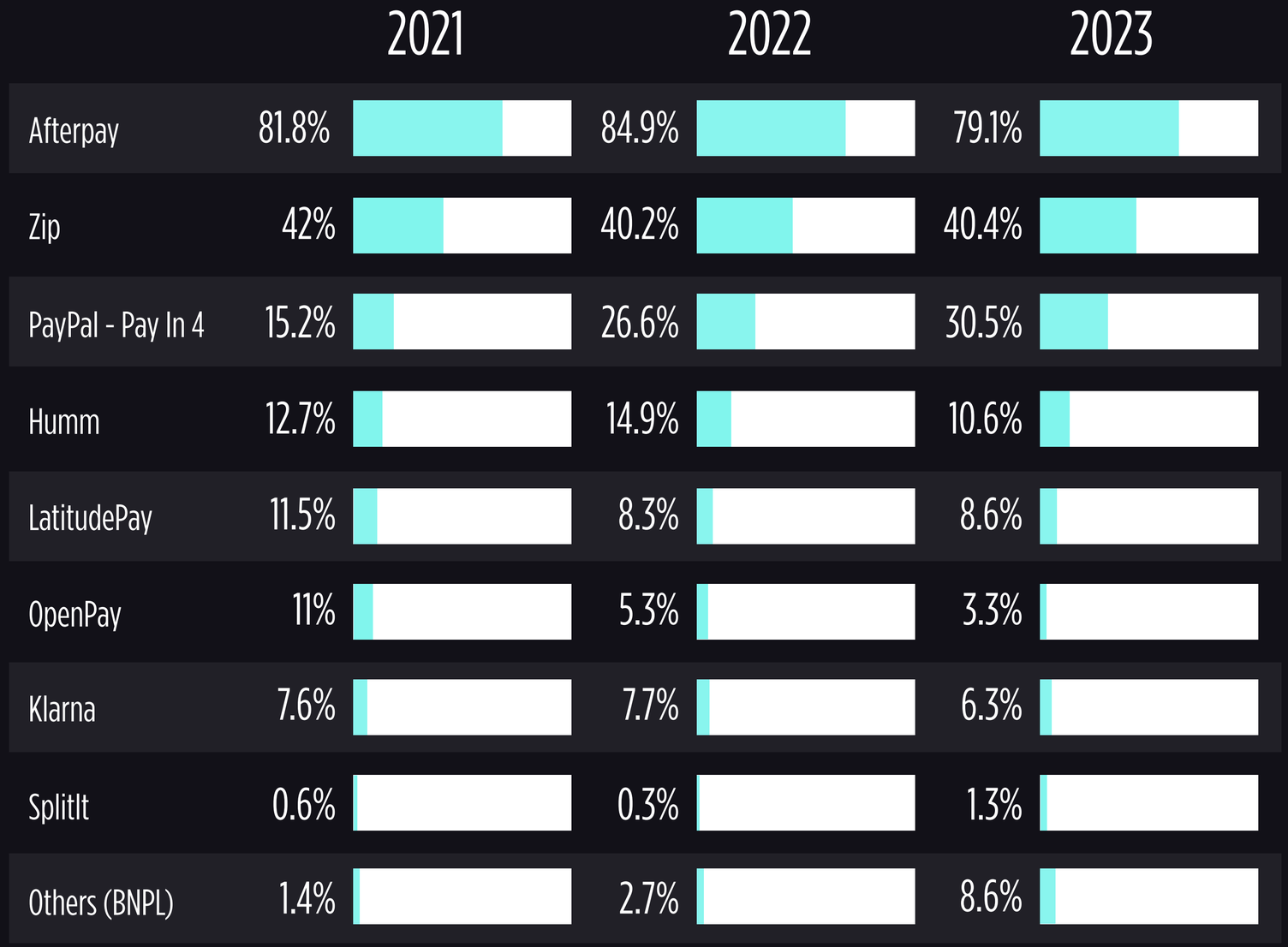
AFTERPAY, ZIP, AND PAYPAL ARE NOW THE TOP 3 BNPL SERVICES

Afterpay is still the way to pay, consistently dominating the top spot for consumers' choice of BNPL services.

While the second biggest BNPL provider, Zip, remains steady, OpenPay has declined nearly 8% since 2021.

Since PayPal's Pay in 4 offering hit the Australian market in June 2021, the service has jumped in popularity by almost 15%. PayPal's popularity this year places it in the top three BNPL providers.

Which BNPL providers do you have an account with?

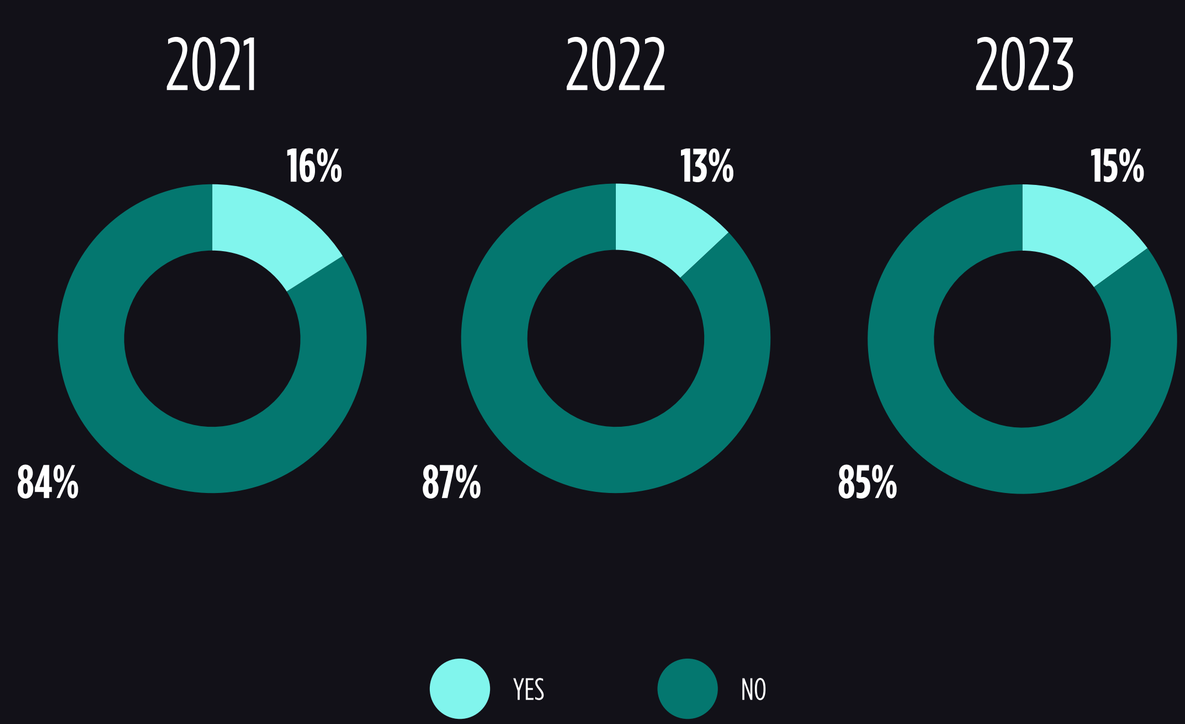


CONSUMERS ARE LARGELY KEEPING BNPL FEES AT BAY

While Australians have become increasingly used to BNPL services, late payment fees have remained relatively constant.

15% of shoppers incurred overdue instalment fees in 2023—only 2% more than in 2022 and 1% less than in 2021.

Have you ever had to pay a late fee for overdue installment when using BNPL?



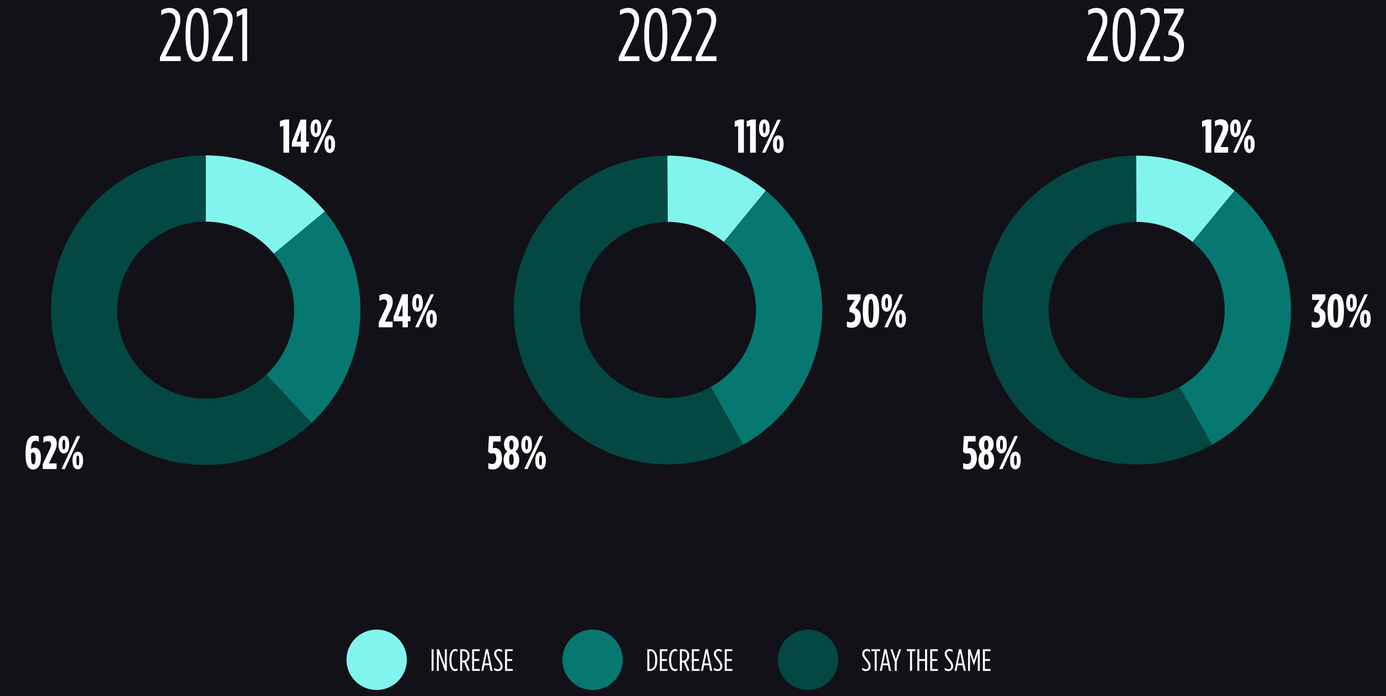
SHOPPERS ARE KEEN TO REDUCE RELIANCE ON BNPL METHODS

Despite the desire to reduce credit reliance, Australian households may not be there yet.

In 2021, almost a quarter of shoppers said they wanted to decrease spending with BNPL payment methods. The following two years saw nearly a third wanting to reduce that spending.

However, as seen earlier in the data, actual BNPL payments have only dropped by 3% since 2021.

Thinking about the next month, do you feel you will increase or decrease your spend using BNPL products?



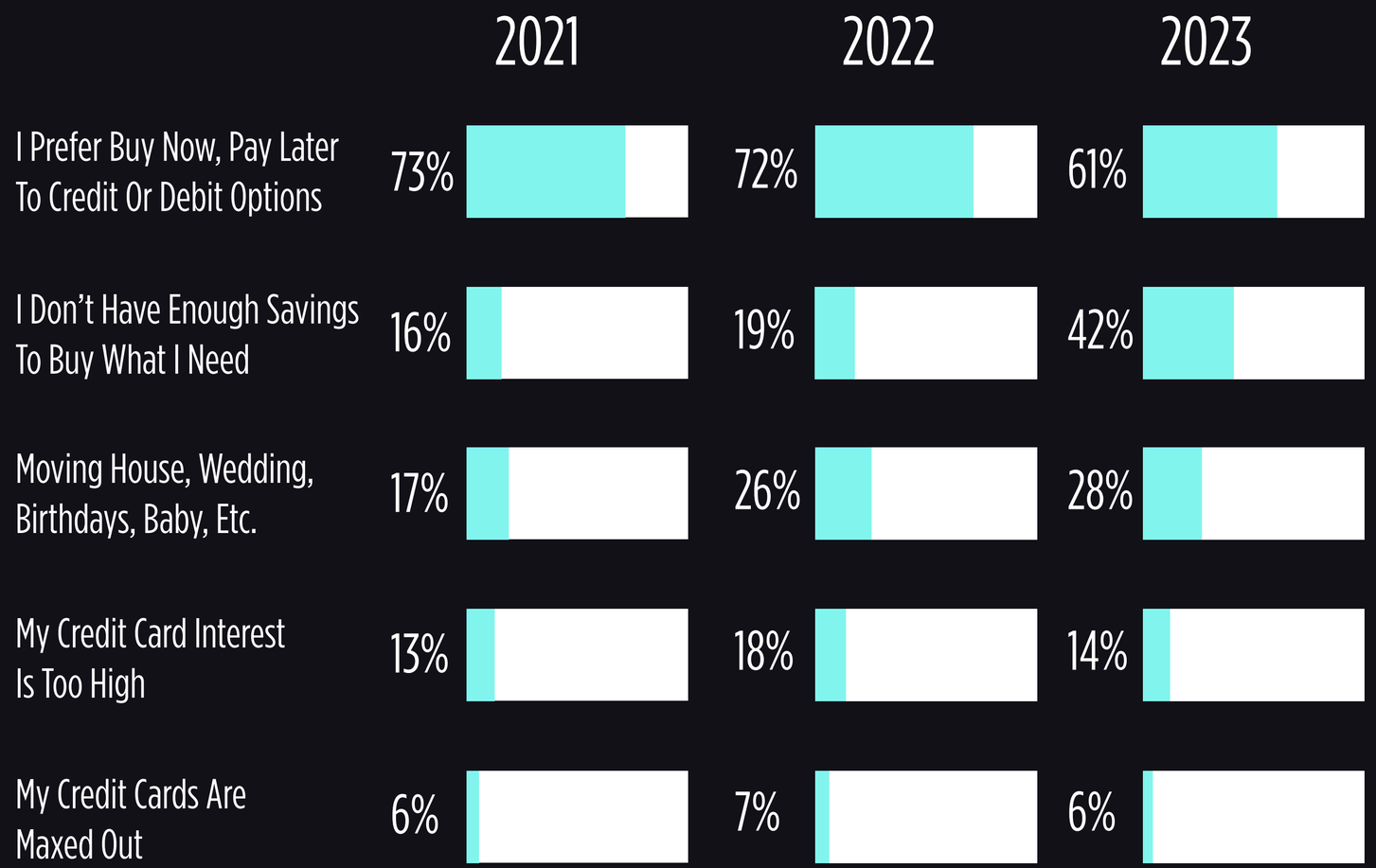
SHRINKING SAVINGS LEAD TO INCREASED SPEND WITH BNPL

The preference for BNPL seems to be shrinking. Shoppers are 12% less likely than in 2021 to spend more on BNPL because it's their preferred payment method.

Again reflecting economic conditions, 26% more shoppers than in 2021 are boosting BNPL spend due to insufficient savings. An additional 11% of them versus 2021 are also increasing BNPL use for significant events.

Although the overall use of BNPL remains relatively static, it's more noticeably becoming an option to cover the shortfall in consumers' available cash.

Reasons why you expect to increase your BNPL spend in the next month



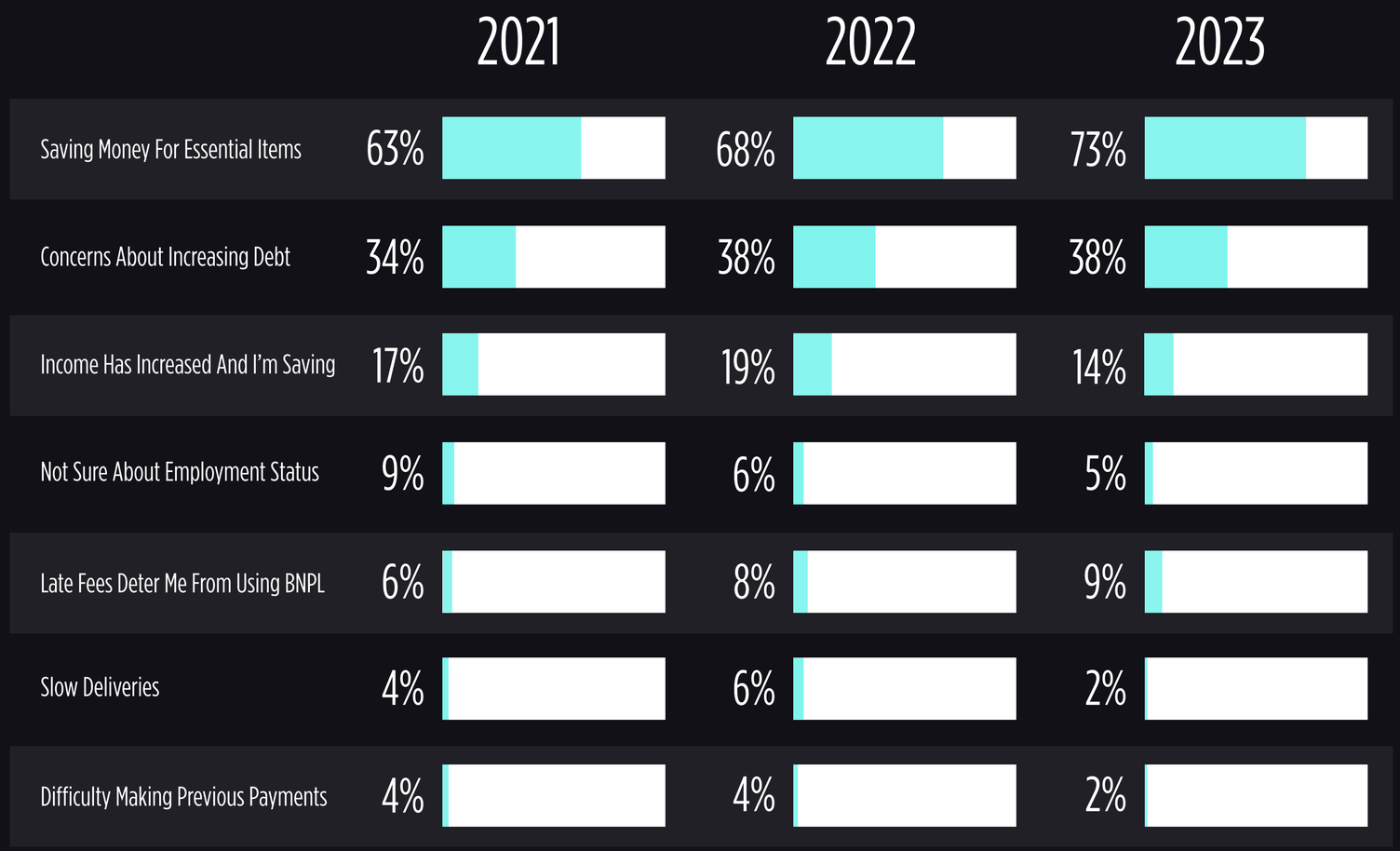
ESSENTIAL ITEMS AND CREEPING DEBT DRIVE A DESIRE TO DECREASE BNPL SPEND

Non-discretionary finance is still top of mind —and an increasing concern—for BNPL users. Each year, 5% more of these shoppers said they would decrease BNPL use to save for essential items.

However, shoppers are more confident in 2023 about their employment status and income. The data shows that 5% fewer consumers than last year are shedding their BNPL reliance due to lower incomes and savings plans. Additionally, the number of shoppers saying they'll reduce BNPL spending because of employment uncertainty has dropped 4% over the last three years.

While a consistent number of shoppers are hit with BNPL late fees, concern over incurring those fees is on the rise.

Reasons why you expect to decrease your BNPL spend in the next month



CONCLUSION

More than ever before, today's brands must put consumers at the heart of everything they do. From offering the right incentives and payment options to managing delivery expectations and mitigating cart abandonment, brands must consider consumer preferences if they want to influence shoppers' purchasing decisions.

BigCommerce's advice: stay agile while focusing on the shopping behaviours that will have the greatest impact on your ecommerce business. We hope that by sharing our proprietary survey data, we've given brands the insights they need to adapt to current consumer trends — and to start designing tomorrow's retail experiences.



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