

The Global Digital Shopping Index: United Kingdom Edition

examines how consumers' shopping habits and preferences are shifting amid historic social and economic changes.

It also reveals how merchants can develop digital strategies to navigate the shifting retail landscape.

The report, a collaboration with Cybersource, is based on a survey of 2,044 consumers and 561 merchants in the U.K.

The Global Digital Shopping Index

 United Kingdom Edition

PYMNTS.com



JANUARY 2021

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The Global Digital Shopping Index was done in collaboration with Cybersource, and PYMNTS is grateful for the company's support and insight. [PYMNTS.com](https://pymnts.com) retains full editorial control over the following findings, methodology and data analysis.

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Introduction

The pandemic made 2020 a challenge for consumers and businesses the world over — and the impact has been particularly severe on retail commerce. Its age-old anchor institution — shopping at neighborhood stores or malls — has been greatly diminished, after all. The pandemic has not just accelerated the shift to online commerce but it has also ensured that it will remain integral to how consumers shop.

The challenges and opportunities the digital retail shift poses for merchants are dramatic in the United Kingdom, where the pandemic has severely impacted citizens and forced strict business restrictions that have continued into 2021. The current situation requires substantial digital adoption, and the U.K. may have two important factors in its favor: a renowned sense of collective resolve and a well-developed eCommerce infrastructure.

The U.K. is the focus of PYMNTS' latest Global Digital Shopping Index, a collab-

oration with Cybersource that examines how consumers are turning to digital technologies to enhance or even supplant in-store shopping experiences as well as how merchants are enabling such adaptations. This is the third edition in a four-part series examining four key markets: Australia, Brazil, the U.K. and the United States.

The U.K. stands out in our study for the scale of its digital shopping shift: 54 percent of U.K. consumers now prefer wholly in-store shopping experiences. The rest

The share of U.K. consumers who are **making their purchases online** has grown to **46 percent.**

are more inclined toward digital native shopping experiences in which they shop online and have products delivered to their homes. They are also, to a lesser extent, gravitating toward cross-channel experiences, such as when products are purchased online and picked up through “click-and-collect” services at designated locations inside or outside establishments.

Our findings do not portend the end of “high street” shopping in the United Kingdom. They do suggest that U.K.

consumers are more often taking a digital-first approach to shopping by starting their shopping journeys online and looking for digital tools that can make the entire experience as seamless as possible.

Our study lays out what U.K. merchants need to know to best position themselves in the new reality taking shape. The Global Digital Shopping Index: United Kingdom Edition is based on a survey of more than 2,000 consumers and 560 merchants in the U.K., and the key insights from our research follow.

Key findings

01

Consumers in the United Kingdom have been gravitating toward online-native shopping journeys to a significant degree since the pandemic's onset.

The digital shift in the U.K. has been notably strong — a circumstance that almost certainly relates to the severity of the pandemic and the associated business restrictions. Fifty-four percent of U.K. consumers now prefer in-store shopping, marking an 11 percent decline from the share that preferred it prior to the pandemic's start. The greatest shift has occurred in online-native shopping journeys, in which consumers shop for products on computers and laptops and have them delivered to their homes. Use of this channel grew by 29 percent since the pandemic's onset, making it the most preferred shopping method for nearly one-quarter of U.K. consumers. This represents an even more dramatic shift than the one seen in the United States, where the pandemic has also had a major impact. U.K. consumers have made a more modest shift toward cross-channel shopping, such as when products are ordered and purchased online and retrieved at the store through services like click and collect. The share preferring such options grew by 14 percent, representing 16 percent of U.K. shoppers overall.



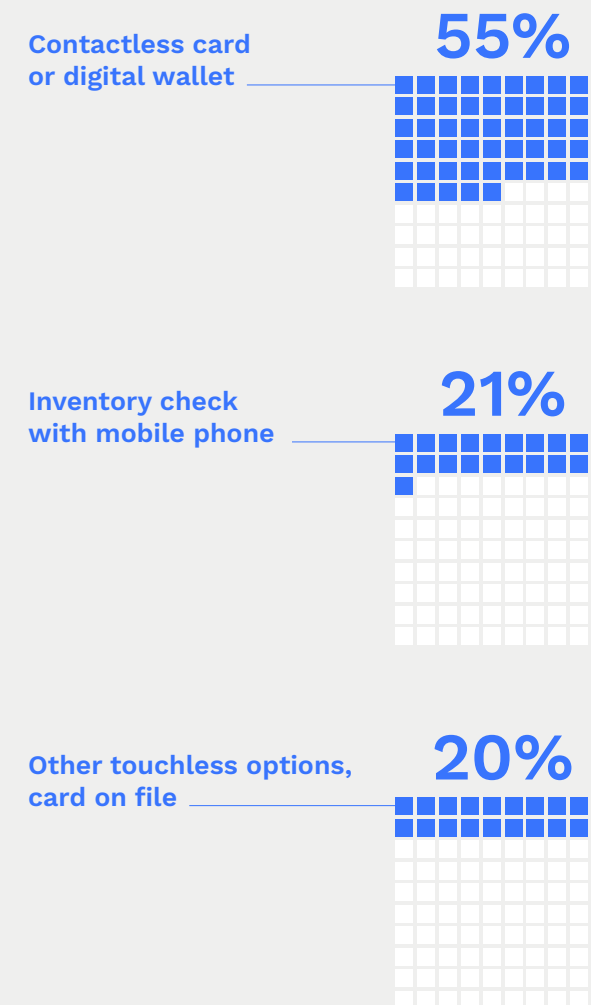
02

U.K. consumers are keenly interested in digital-first features that can shape the shopping journey and supplementary features that can make it more economical and convenient.

Digital-first features are uniquely compelling for U.K. consumers. These offerings enable consumers to accomplish a substantial part of the in-store shopping journey through services like mobile order-ahead, click and collect and cardless payments. Thirty-five percent of U.K. consumers, on average, are "very" or "extremely" interested in employing such features. One digital-first technology stands out for its wide adoption: contactless card payments. We found that 55 percent report using this feature — a large share that reflects the widespread availability of the technology among consumers and merchants in the United Kingdom.

Interest in these features also spotlights a larger desire among U.K. consumers to access digital features that can imbue shopping experiences with the level of provided information, convenience and value they associate with online shopping. The most popular digital-first features include those that allow consumers to use their smartphones to check product availability (21 percent report using this feature regularly) and to make touchless payments or scan bar codes in stores (approximately 20 percent regularly use such features).

Top three features



This interest in value and convenience is reinforced when we examine the specific digital features popular with consumers regardless of whether they shop online or in store. The most popular digital feature is rewards, with 36 percent of U.K. consumers currently using them and another 31 percent being interested in doing so. This is followed by free shipping for digital orders: 30 percent currently use such services and 35 percent are interested in them. The latter feature may not be practical for all merchants, but its popularity demonstrates the degree to which U.K. consumers want options that allow them to circumvent the frictions and potential hazards they may associate with going to the store.

03

Merchants overestimate the degree to which they are meeting consumer demand for digital features, and they misperceive those their customers consider most important.

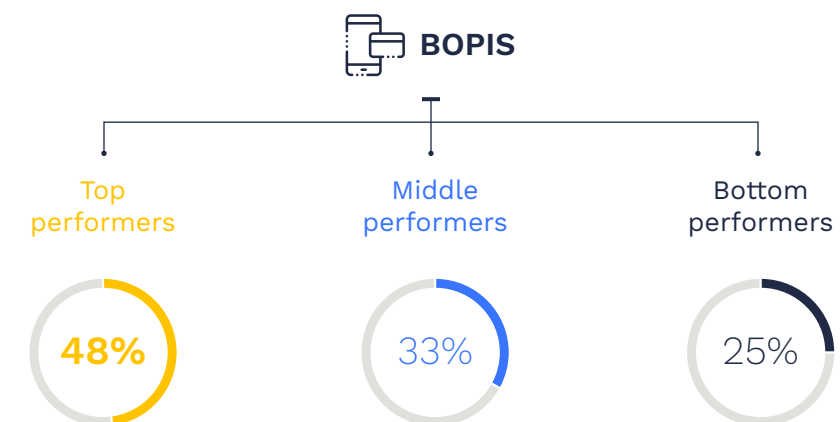
Many U.K. merchants say they offer wide-ranging digital features, yet rarely do more than half of consumers say such features are available to them. Seventy-one percent of merchants say they offer click and collect, for example, yet just 54 percent of consumers say that merchants offer such services. Wider gaps exist for other popular features, such as inventory checking capabilities: 69 percent of merchants say they offer them, but only 35 percent of consumers say the feature is available.

This perception gap between merchants and consumers is further reflected in the features consumers and merchants consider most important. This list for consumers is topped by rewards, which 10 percent rank as the most important digital feature, followed by free shipping (8 percent) and data protection (7 percent). The greatest shares of merchants consider profiles — the ability to create personalized accounts with merchants — very important, followed by live help and price matching.

04

Enhancing digital-first capabilities is a key priority for top-ranked merchants, and they are particularly interested in improving those involving contactless payments, mobile functionality and buy online, pickup in store (BOPIS).

Our Consumer Satisfaction Index shows that certain priorities come to the fore for top-ranked merchants — those that offer the most satisfying shopping experiences — as they chart their digital-first strategies over the next three years. Topmost among investment priorities are better click-and-collect options that allow shoppers to pickup purchases inside or outside stores. Forty-eight percent of top-ranked merchants plan to invest in BOPIS options — 1.4 times the share of middle-ranked merchants that plan to do so. Mobile order-ahead is also an important investment priority, with 44 percent of top-ranked merchants planning improvements in this area. Improvements to mobile product availability capabilities also rank among important investment areas, with 40 percent planning to boost these services. It bears noting that expanding contactless payment options is a priority for at least one-quarter of all merchants, regardless of ranking: 29 percent to 32 percent of merchants plan to invest in this functionality.



05

U.K. consumers stand out for their interest in digital-first features, including their adoption of cardless payments and their desire for improved click-and-collect options.

U.K. consumers are uniquely focused on digital-first features, and this interest spans product categories to a greater extent than was observed in the U.S. or Australia. Thirty-five percent to 42 percent of U.K. consumers would be interested in using digital-first features in segments such as electronics, hobbies and games, clothing and groceries. We found that 35 percent of U.K. consumers would be interested in using digital features for groceries compared to 31 percent of U.S. consumers and 26 percent of Australian ones.




U.K. consumers also demonstrate a greater preference for both debit cards and cardless payment methods. Debit is the most preferred payment method for both in-store and online purchases: 51 percent of them prefer it for the former, as do 38 percent of U.S. consumers. Cardless payment methods, such as digital wallets and cards on file, have seen greater uptake in the U.K. than elsewhere at the same time, with 9 percent paying via cardless methods — nearly twice the rate of that in both the U.S. and Australia. The use of in-store digital wallets is also more robust in the United Kingdom. Nearly 4 percent of U.K. consumers use Apple Pay in stores, for example, while the usage rate in the U.S. is less than 1 percent.

Another distinctive attitude among U.K. consumers is their sense that existing click-and-collect services could be better. A significant share of U.K. consumers employ online cross-channel shopping journeys, but they score considerably lower in our Satisfaction Index there than they do in Australia and the United States, earning 68.6 Index points versus 123.8 in the U.S. and 108.9 in Australia. The U.K. also experienced the least growth in online cross-channel shopping after the pandemic's onset: 14 percent versus 38 percent in the U.S. and 18 percent in Australia.

TABLE 1:

The digital shift in the UK

Change in the share of consumers preferring shopping channels in each country studied

	 U.K.	 U.S.	 Australia
• Online shoppers	28.9%	17.0%	24.0%
• BOPIS shoppers	13.7%	38.0%	18.3%
• Mobile shoppers	-6.5%	-8.4%	-29.0%
• In-store shoppers	-10.9%	-9.6%	-6.0%

Source: PYMNTS.com

Charting the digital shopping shift in the UK

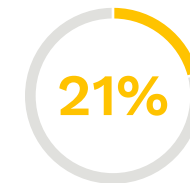
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The U.K. has seen a dramatic shift toward digital shopping channels since the start of the pandemic.

This trend is reflected in the digital-first features U.K. consumers use.

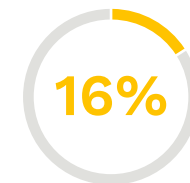
Fifty-five percent of U.K. consumers use contactless cards or digital wallets, and a large share of them often use the following features in their day-to-day shopping routines:



21%
Checking product availability on mobile device



20%
Touchless payments, such as scanning bar codes in stores



16%
BOPIS, commonly known as click and collect

Many merchants lack awareness regarding the digital capabilities and features that are most valuable to their customers.

The most important digital features

TO CONSUMERS:

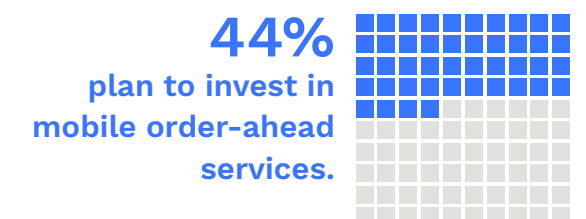
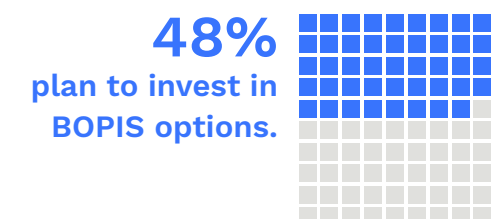
- 10% : Rewards
- 8% : Free shipping
- 7% : Data protection

The most important digital features

TO MERCHANTS:

- 33% : Profiles
- 23% : Live help
- 22% : Price matching

Enhancing digital-first capabilities is a key priority for top-ranked merchants.



11%
Decline in the share of consumers preferring in-store shopping

54%
Share that now prefer in-store shopping

29%
Increase in the share of consumers preferring online-native shopping
(Purchasing an item online and having it delivered home)

23%
Share that now prefer online-native journeys

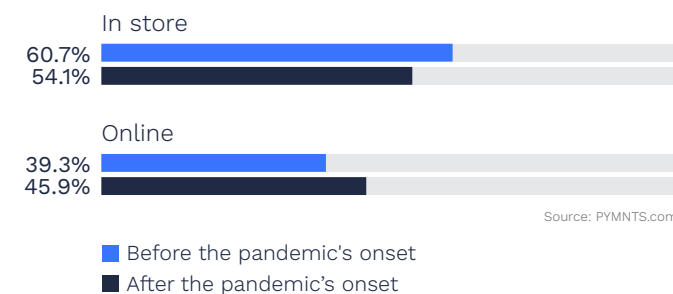
The Global Digital Shopping Index

Mapping the changing shopping journey

Consumers in the United Kingdom have digitally reoriented their shopping journeys to a remarkable degree since the pandemic began. A major catalyst for this shift has almost certainly been wariness about in-store shopping coupled with major restrictions on businesses, including full-scale lockdowns in the early spring and fall. Our research suggests that these changes are not just passing phases for consumers but represent fundamental changes in how they prefer to shop.

Close to half of all U.K. consumers — 46 percent — now prefer to start their shopping trips digitally, and 63 percent of those within this group want their purchases delivered to their homes.

FIGURE 1:
Digital versus online shopping
 Share of consumers who prefer in-store versus online purchasing



Our study divides consumers into five personas to better understand these shifts based on their preferred ways of shopping:



Brick-and-mortar: shoppers who prefer to pay for products and receive them in-store



Online native: shoppers who prefer to use computers to pay for products and have them delivered



Online cross-channel: shoppers who prefer to use computers to pay for products and pick them up curbside or via a kiosk at the store, for example



Mobile native: shoppers who prefer to use smartphones to pay for products and have them delivered



Mobile cross-channel: shoppers who prefer to use smartphones to pay for products and pick them up at the store

The share of online natives has increased 29 percent since the pandemic's onset and now represents 23 percent of U.K. consumers overall. The share of brick-and-mortar shoppers has declined by 11 percent to the point that in-store shopping is preferred by just 54 percent of U.K. consumers. It bears noting that this represents a more dramatic digital shift than seen in the U.S., where the pandemic has also had a severe impact, but where business restrictions have varied from state to state.

The growth in online-native shopping should not be taken as a sign that U.K. consumers are ready to give up on stores entirely. Our research actually shows a significant — though more modest — uptick in cross-channel shopping through services like click and collect, in which goods are picked up outside a store or inside with an employee or at a kiosk. The share of online cross-channel shoppers has grown by 14 percent since the pandemic began. The growth in cross-channel commerce demonstrates that the prospect of

FIGURE 2:
The shift toward digital shopping channels

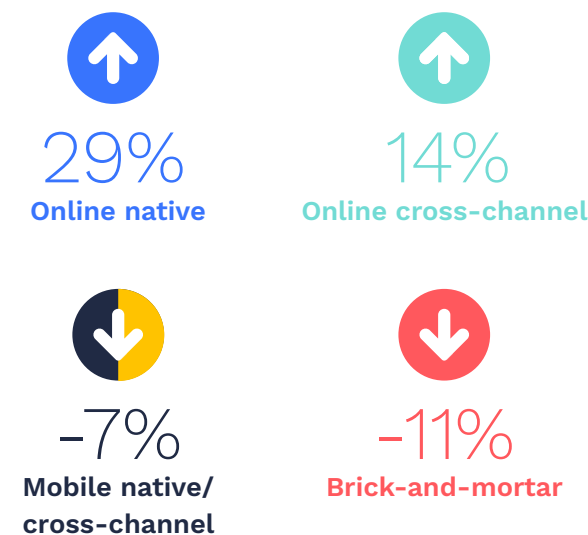
Distribution of shopping personas after the start of the pandemic



Source: PYMNTS.com

FIGURE 3:
Change in UK consumers' shopping behaviors

Shift in the share representing shopping personas since the pandemic's onset



Source: PYMNTS.com

rapid fulfillment of purchases at stores remains a compelling draw for consumers, yet shoppers are also interested in making their trips as efficient as possible and minimizing their time in queues.

The demographics of the digital shift

The conventional wisdom has long been that digital adoption is a young person's game. The pandemic has altered this dynamic. The nine percent of consumers who made the most dramatic digital shift since the pandemic's onset — from preferring wholly in-store shopping to wholly digital channels — are older than average and disproportionately come from lower- and middle-income brackets. They are also disproportionately female: Their average age is 53, and 61 percent are female.

TABLE 2:
The demographics of digital shifters

Demographic characteristics of consumers who have shifted their preferences from in-store shopping to digital shopping since the pandemic's onset

	Sample	Digital shifters
Total respondents	100.0%	8.5%
Have college degree	29.1%	34.4%
Female	51.4%	60.8%
Low income	35.5%	37.9%
Middle income	43.2%	38.4%
High income	21.3%	23.7%
Average age	46.5	52.9

Source: PYMNTS.com

The Shopping Satisfaction Index

PYMNTS created an Index to gauge consumers' overall satisfaction with various aspects of their shopping experiences. It establishes a clear pattern: The more digital the experiences are, the more satisfied consumers tend to be.

Digitally native experiences show the highest satisfaction scores: 115.2 and 114.2 for online- and mobile-native ones, respectively, on a scale with an average score of 84. Brick-and-mortar shopping experiences score the lowest at 62.6. Online cross-channel opportunities also score notably low, which may suggest that existing click-and-collect services have room for improvement.

FIGURE 4:
Index scores and shopping personas
 Index satisfaction scores associated with the five shopping personas



TABLE 3:
Index scores for different product categories
 Consumer satisfaction scores, by product types

	Index scores
• Electronics and appliances	108.5
• Clothing and accessories	106.2
• Hobbies, games and books	105.8
• Furniture and home furnishing	102.7
• Auto parts	91.1
• Health and beauty	90.0
• Building supplies	83.5
• Groceries	72.7
• Fast food (quick-service restaurant)	68.4

Source: PYMNTS.com

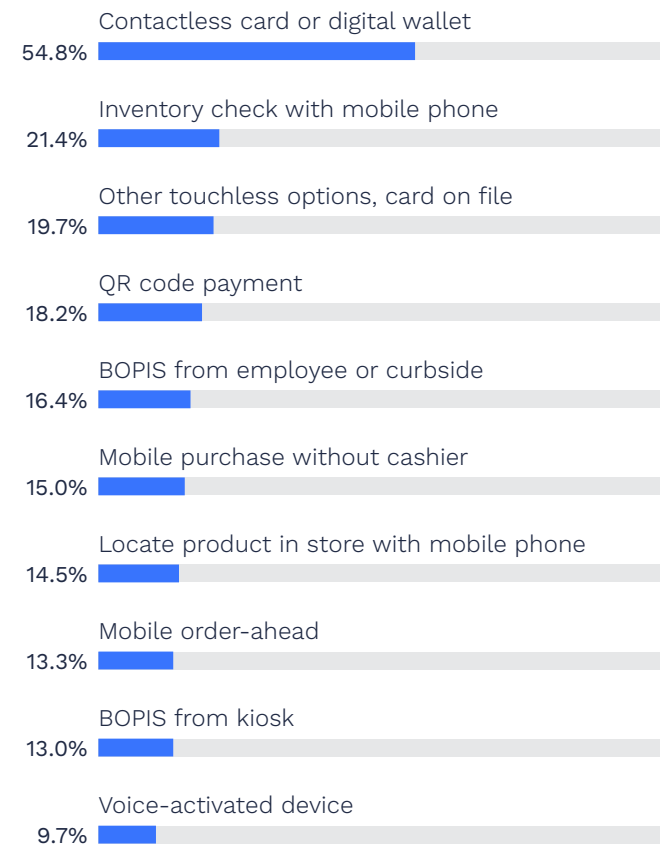
There is also a strong divide depending on product category, with a stark line between food and retail products. Our Index shows that satisfaction is highest for retail product categories, led by electronics (108.5), clothing (106.2) and sporting goods (105.8). The grocery category scores nearly the lowest, earning just 72.7 points. One likely explanation for the large divide between groceries and other types of products are challenges associated with the food supply and distribution chain in the U.K. amid the pandemic. This has created long queues at stores, and existing delivery and click-and-collect services have struggled to meet demand.

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The digital-first imperative

Our research shows a strong correlation between satisfaction and the ability to access digital features. How consumers start their shopping journeys plays a crucial role in how they finish them, whether they are ordering for home delivery or going to a store to quickly and efficiently find and purchase exactly what they need. Features that enable such experiences can be viewed as digital-first as they allow consumers to begin and complete a substantial portion of their shopping journeys online through features like mobile order-ahead, inventory checking and contactless payments.

FIGURE 5:
Most-used digital-first features
 Share of consumers who use select features "often" or "always"



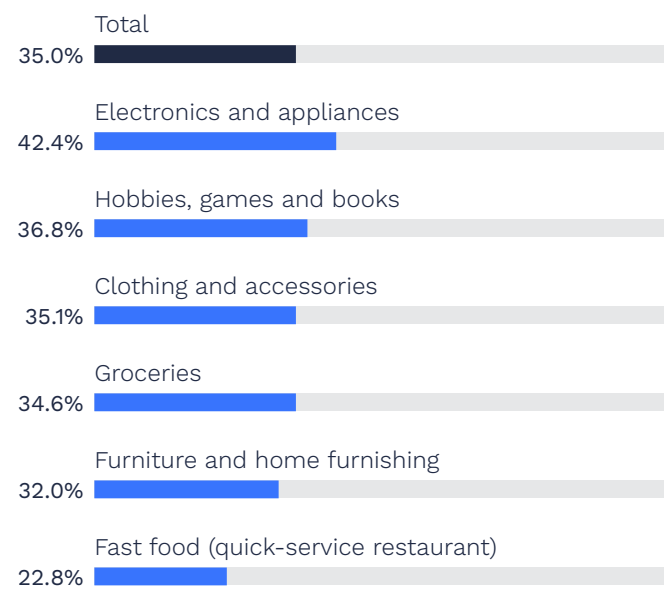
Source: PYMNTS.com

Our research shows that there is considerable unmet demand for digital-first features, even though a relatively small portion of U.K. consumers currently use them. The digital-first features that are most used today are contactless cards or digital wallets: 55 percent of U.K. consumers report using them regularly. This is not surprising given the ubiquity of contactless terminals and cards in the United Kingdom. Other features used by at least 15 percent of consumers include online or mobile product availability (21 percent), making touchless payments at the store by other means, such as a card on file (20 percent), mobile bar code scanning at checkout (18 percent) and BOPIS from a store employee (16 percent).

Our research suggests that current digital-first offerings are not meeting the considerable demand among U.K. shoppers. Thirty-five percent of them would be “very” or “extremely” interested in using digital-first features, and interest is especially strong in key product categories, such as electronics and appliances (42 percent), hobby-related items and sporting goods (37 percent), clothing and accessories (35 percent), and grocery products (35 percent).

35%
are highly interested in using digital-first features to buy groceries

FIGURE 6:
Interest in digital-first features
Share of consumers who are “very” or “extremely” interested in using digital-first features in select product categories



Source: PYMNTS.com

These digital-first features are uniquely important because they have the potential to transform the trajectory of consumers’ shopping journeys. Not all digital features must be transformative to offer value to consumers, however. Our research shows that U.K. consumers are keenly interested in a wide range of features that make shopping experiences more economical and convenient.

The taxonomy of digital features

We examined consumers’ use of and interest in nearly three dozen digital shopping features, which can be categorized into five groups.



Know me

features that store profile information to prevent users from having to enter and reenter such details



Value me

features that make shopping more economical, such as rewards and promo codes



Do you have what I want?

features that make it easier for consumers to find what they are looking for



Make it easy for me

features that drive convenience, such as reviews, recommendations and in-store pickup



Protect me

features concerning security, such as data protection, refunds and dispute resolution

The taxonomy of digital features



KNOW ME

- **PROFILE:** I can set up a digital profile with this retailer.
- **INFORMATION SHARING (SHIPPING):** The retailer has access to my shipping information.
- **INFORMATION SHARING (HISTORY):** The retailer has access to my order history.
- **INFORMATION SHARING (PAYMENTS):** The retailer has access to my previous payment methods using stored card credentials.



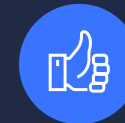
VALUE ME

- **REWARDS:** The retailer has loyalty or reward programs that I can use in the store, online and on my mobile devices.
- **COUPON USAGE:** I can use the same coupons digitally.
- **RECOMMENDATIONS:** I receive suggestions about things that I might like based on past purchases or my browsing history.
- **PROMO CODES:** I receive promo codes targeted to my specific interests.
- **MARKETING OPT-IN:** I can opt into personalized marketing communications with special offers.



DO YOU HAVE WHAT I WANT?

- **PRICE MATCHING:** The merchant will match the prices of other merchants selling the same products.
- **INVENTORY:** The available inventory is updated digitally in real time.



MAKE IT EASY FOR ME

- **PRODUCT DETAILS:** Product details are available digitally.
- **VOICE:** I am able to order products using my voice-activated device.
- **PRODUCT REVIEWS:** Reviews are available digitally.
- **FREE SHIPPING:** Free shipping is available for digital orders.
- **PRODUCT RECOMMENDATIONS:** Recommendations are available digitally.
- **CLICK AND COLLECT:** Products can be purchased online and picked up at designated areas within or outside stores.
- The retailer offers a mobile app I can use to make purchases for delivery or pickup.
- I can use a mobile device to locate a product when in a physical store.



PROTECT ME

- **PURCHASE RETURNS:** I can return purchases either by mail or to a store location.
- **PROTECT DATA:** I am able to securely store my card details.
- **DISPUTES:** It is easy to resolve issues with the merchant.
- **DIGITAL PURCHASE REFUNDS:** The retailer will refund my digital purchases either online or at the store.
- **FRAUD PURCHASE REFUNDS:** The retailer will refund fraudulent charges.
- **LIVE HELP:** I can get live help via a phone call, online chat or other method when I am not in the store.
- **ONLINE RETURNS:** I can make free returns using printable shipping labels.
- **LIVE HELP:** I can get live help via phone calls, live chats or other methods when I am not in the store.
- **ONLINE RETURNS:** I can make returns using printable shipping labels for free.



36%
of U.K.
consumers
currently
use **rewards.**

Our analysis shows that U.K. consumers are particularly focused on “value me” and “make it easy for me” features. Rewards are the most popular feature — a finding that is consistent with the other markets we have studied. Thirty-six percent of U.K. shoppers currently use rewards and 31 percent would be interested in doing so. This is followed by another consistently popular feature: free shipping for digital orders. Thirty percent currently avail themselves of this service and 35 percent would be interested in doing so. Other compelling features include product details, price matching and promo codes: 64 percent, 63 percent and 62 percent of U.K. consumers use or would like to use those three features, respectively.

TABLE 4:

Consumer interest in digital features

Share of consumers who currently use or would use select features

	Have used	Would use
• Profile	20.2%	26.3%
• Information sharing (shipping)	27.3%	24.1%
• Information sharing (history)	31.0%	23.5%
• Information sharing (payments)	27.5%	19.5%

• Rewards	36.4%	30.9%
• Coupon usage	30.1%	31.1%
• Recommendations	29.1%	24.2%
• Promo codes	28.6%	33.5%
• Marketing opt-in	23.3%	26.9%

• Price matching	17.7%	45.7%
• Inventory	19.1%	36.1%

• Product details	36.9%	26.7%
• Voice	9.2%	21.9%
• Product reviews	35.7%	25.2%
• Free shipping	29.9%	34.7%
• Product recommendations	30.4%	25.7%
• Click and collect	23.7%	21.6%
• Mobile app availability for purchase with delivery/pickup options	21.6%	25.4%
• Locate product in store with mobile phone	12.0%	33.2%

• Purchase returns	27.2%	29.7%
• Protect data	31.2%	23.1%
• Disputes	24.9%	31.3%
• Digital purchase refunds	24.7%	34.6%
• Fraud purchase refunds	17.4%	42.2%
• Live help	20.8%	33.2%
• Online returns	21.9%	34.7%

Source: PYMNTS.com

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Bridging the merchant-consumer perception gap

The customer is always right, according to the old adage. This is not always the case, of course, but the ubiquitous saying does reflect how important it is for business owners to be aware of and responsive to their customers' demands and preferences. The shift to online commerce creates challenges in this regard. Customers behave differently online, and store owners are deprived of the informal but vital metrics that can be gleaned from foot traffic and in-person interactions with customers.

Digital commerce features are potentially rich with customer data, however. Merchants that are able to leverage this information gain vital insights and can adjust their sales and marketing strategies accordingly. Our research suggests that many merchants are missing the mark when it comes to aligning their digital offerings with what current and prospective customers want.

The issue starts with a perception gap: Merchants are considerably more likely to say they offer more digital features than consumers believe are available. Across the nearly 30 digital features we examined, approximately 20 percentage points separates merchants from consumers, and the latter group is far less likely to believe features are offered.

Merchants
are much more
likely to say
**they offer more
digital features**
than consumers
believe are
available.

Seventy-one percent of merchants say they offer click-and-collect services, for example, but just 54 percent of consumers say they are available. We found that 69 percent of merchants say they provide inventory-checking capabilities, but only 35 percent of consumers agree. There is greater alignment in the case of digital rewards programs — the most popular feature for U.K. consumers — but an awareness gap still exists: 58 percent of merchants say they offer them, whereas 51 percent of consumers say they are offered. This finding raises another question: Why are some merchants not offering rewards programs given their popularity with consumers?

This disconnect is further reflected in the features consumers and merchants consider most important. The most compelling features for consumers are rewards (cited by 10 percent as the most important digital feature), free shipping (8 percent) and data protection (7 percent).

The features merchants believe are highly important follow a different hierarchy.

Profiles — the ability to create personalized accounts with merchants — is considered "very" important by the greatest share of merchants at 33 percent, followed by live help (23 percent) and price matching (22 percent).

One would not expect every merchant to have their fingers directly on the pulse of what every customer wants, and differing perceptions of digital features reflect differing economic interests to some extent. Free shipping is a costly and complicated endeavor for many merchants, for example, and not all of them have the resources to take it on.

Misalignment between customers and merchants goes beyond contrasting economic interests. Our findings suggest merchants need to do more to gain visibility over the data inherent in digital services to create more valuable and satisfying shopping experiences. In this way, digital strategies can be informed by real-time, customer-focused data rather than general market assumptions.

TABLE 5:

The feature availability gap

Share of merchants and consumers that say features are offered or available

	Merchants	Consumers
• Profile	47.6%	37.3%
• Information sharing (shipping)	68.4%	44.9%
• Information sharing (history)	67.9%	47.6%
• Information sharing (payments)	53.8%	45.6%
• Rewards	57.6%	50.8%
• Coupon usage	63.6%	48.5%
• Recommendations	66.7%	51.0%
• Promo codes	65.2%	44.9%
• Marketing opt-in	70.9%	45.6%
• Price matching	53.1%	33.9%
• Inventory	68.6%	34.9%
• Product details	80.7%	54.2%
• Voice	37.4%	27.7%
• Product reviews	76.1%	54.9%
• Free shipping	64.0%	46.5%
• Product recommendations	70.9%	50.7%
• Click and collect	71.3%	54.3%
• Mobile app availability for purchase with delivery/pickup options	57.8%	44.8%
• Locate product in store with mobile phone	44.2%	28.6%
• Purchase returns	78.1%	52.9%
• Protect data	61.9%	49.9%
• Disputes	78.4%	50.2%
• Live help	72.5%	44.6%
• Online returns	61.3%	43.0%

Source: PYMNTS.com

TABLE 6:

Shopping features that merchants and consumers regard as most important

Perception gap between merchants and consumers

	Merchants	Consumers
• Profile	33.3%	2.7%
• Information sharing (shipping)	18.9%	2.1%
• Information sharing (history)	18.1%	0.9%
• Information sharing (payments)	20.5%	1.8%
• Rewards	21.7%	10.3%
• Coupon usage	11.4%	4.1%
• Recommendations	5.5%	0.9%
• Promo codes	20.3%	5.0%
• Marketing opt-in	11.2%	1.5%
• Price matching	21.9%	5.9%
• Inventory	15.6%	2.5%
• Product details	17.4%	4.2%
• Voice	7.7%	0.6%
• Product reviews	10.1%	2.1%
• Free shipping	13.6%	8.4%
• Product recommendations	2.8%	1.5%
• Click and collect	12.0%	3.1%
• Mobile app availability for purchase with delivery/pickup options	8.7%	1.1%
• Locate product in store with mobile phone	2.3%	1.1%
• Purchase returns	9.6%	2.2%
• Protect data	16.2%	6.7%
• Disputes	9.0%	3.9%
• Live help	23.4%	1.4%
• Online returns	6.8%	1.8%

Source: PYMNTS.com

The top three merchant myths

Merchants don't always see eye to eye with customers when it comes to important digital features. Here are some major misconceptions for merchants.

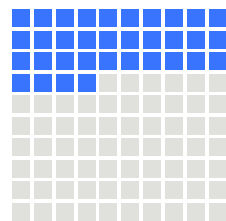
- **Free shipping is a secondary concern for consumers.**
Free shipping consistently tops the features wish list for consumers.
- **Consumers want to create profiles or accounts with their preferred merchants.**
U.K. merchants vastly overstate the importance consumers ascribe to being able to create profiles or accounts. The largest share of merchants consider it among the most important features while just three percent of consumers have this view. Merchants are going to have to make profile use easy if they want to get to know their customers through them.



- **Data security is an afterthought for consumers.**
This is the third-most important digital feature for consumers; it ranks tenth for merchants.

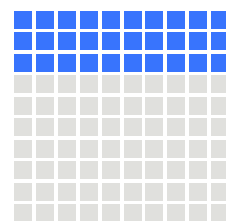


34%



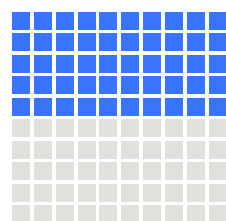
34 percent of U.K. merchants plan to seek exemptions for certain categories of payments. This percentage is likely on the low side given that SCA enforcement just began in January 2021, meaning that a number of exemption optimization solutions are not yet commercially available.

30%



30 percent of merchants say they plan to use the opportunity to help optimize their fraud management strategies.

50%



Half of U.K. consumers are unaware of the recently implemented changes.

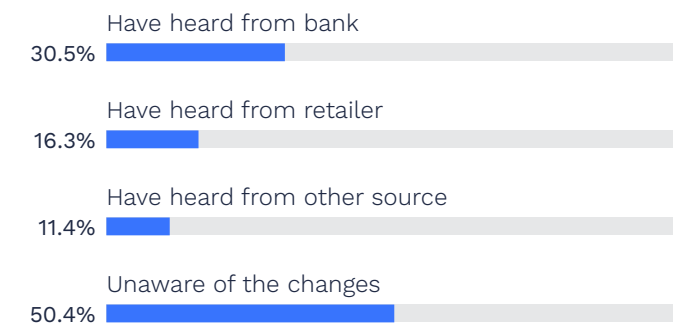
Preparing for Strong Customer Authentication

The revised Payment Services Directive (PSD2) dictates that Strong Customer Authentication (SCA) must be applied to all electronic payments (remote, mobile and proximity, including contactless payments) within the European Economic Area (EEA) and the U.K. unless an exemption is applied or they are out of scope. Understanding how to minimize friction when an SCA challenge is required and how to minimize the need for SCA challenges is key to delivering secure and seamless payment experiences.

FIGURE 7:

SCA awareness

Share of U.K. consumers citing how they know about SCA



Source: PYMNTS.com

Merchants
must be prepared to
comply with and leverage
online payment regulations
in the U.K.

The Global Digital Shopping Index

The digital-first merchant agenda

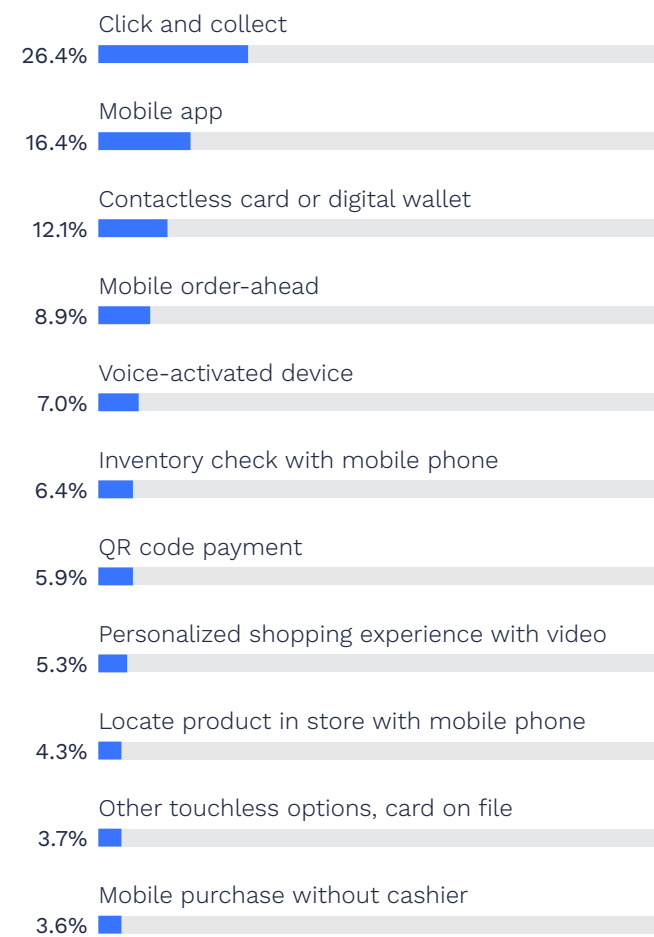
The push toward online and omnichannel commerce was already well underway prior to the pandemic's onset. The crisis has, in many ways, exposed the degree to which merchants' digital offerings were on different foundations. Some quickly shifted to well-developed digital channels while others struggled to ramp them up.

We used our Consumer Satisfaction Index to separate out top performers — those associated with the highest satisfaction scores — from other merchants. A clear pattern emerged: Top-ranked merchants not only offer robust arrays of digital features but they also notably focus on digital-first ones. Our data also indicates that top merchants demonstrate their commitment to digital-first features where it counts: They plan to invest in these features over the next three years.

FIGURE 8:

Top digital-first priorities for merchants

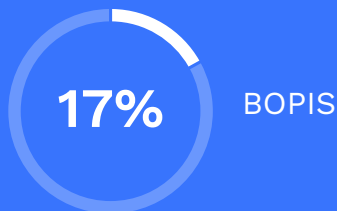
Share of merchants that consider select digital-first features to be investment priorities over the next three years



Source: PYMNTS.com

Top digital-first priorities

U.K. merchants consider three digital-first features their most important investment areas:



It bears noting that the digital-first agenda has certain similarities for all merchants, regardless of ranking. The largest share of U.K. merchants overall — 17 percent — consider adding or enhancing BOPIS functionality to be their most important innovation priority over the next three years. Another click-and-collect option — buy online, pickup from kiosk or through other automated means — also ranks high as a priority, with 9 percent of merchants considering it the most important one. These are followed by developing mobile apps (16 percent) and expanding contactless payment options to accept more digital wallets (12 percent).

An analysis based on merchant ranking reveals that high-ranking merchants are more focused on improving key offerings, like click and collect and mobile capabilities. Forty-eight percent of top-ranked merchants plan to invest in BOPIS options — 1.4 times the share of middle-ranked merchants that plan to do the same. Automated pickup options, such as through self-service kiosks, are also an important priority: 41 percent of top-ranked merchants plan to introduce or improve these services in the coming years.

Enhanced mobile capabilities are also an important future area of innovation. Forty-four percent of top-ranked merchants plan to invest in mobile order-ahead, and 40 percent plan investments in mobile product availability features. We find that middle-ranked merchants stand out for their interest in developing their own mobile apps — 29 percent consider this an investment priority. Top-ranked merchants are less

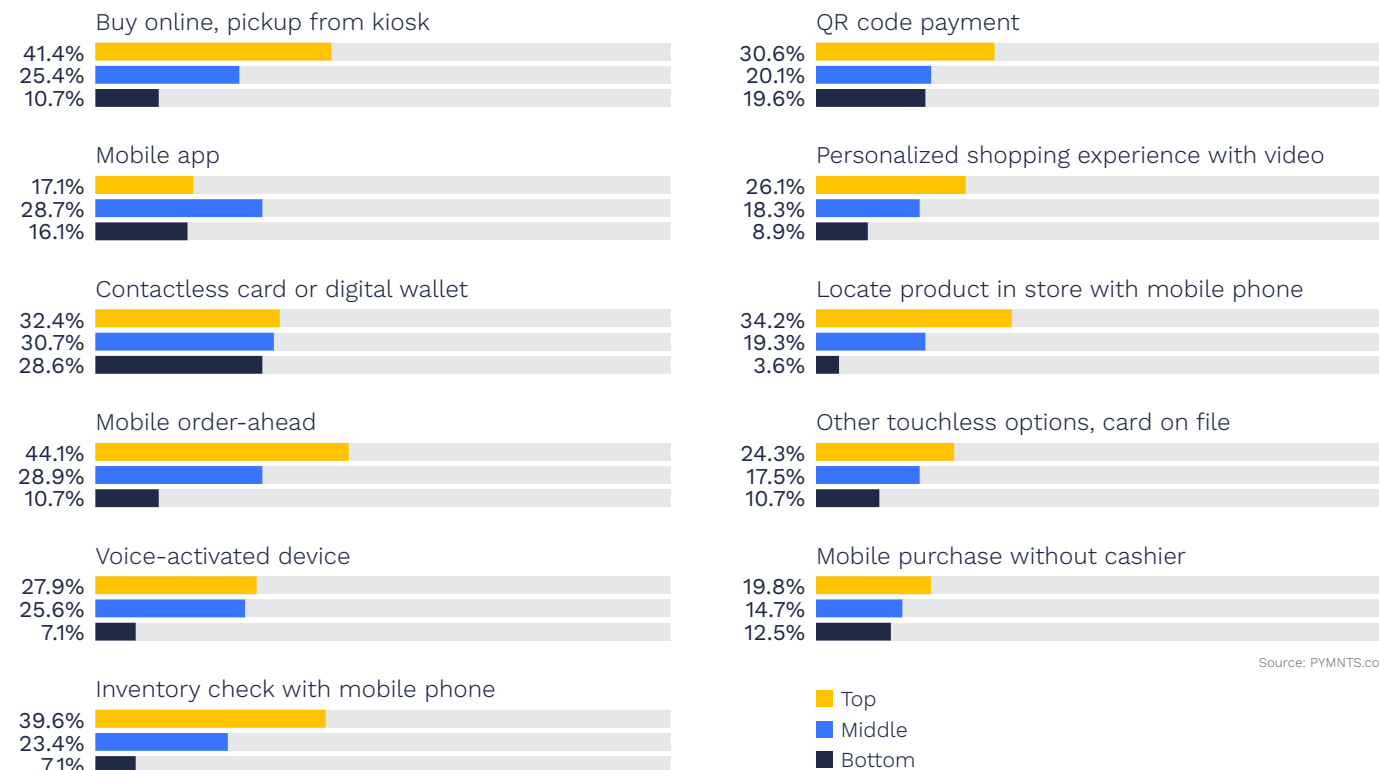
likely to invest in this area, which suggests they have already done so and are now focused on enhancing such services.

One area stands out as a priority for all merchants: expanding contactless payment options. At least 28 percent of all merchants plan to invest in this area — a recognition of the continued importance of cashless and touchless payments in the new retail reality.

FIGURE 9:

Top digital-first priorities for merchants, by ranking

Share of U.K. merchants that consider select digital-first features important investment priorities for the next three years, by Index ranking



Source: PYMNTS.com

The Global Digital Shopping Index

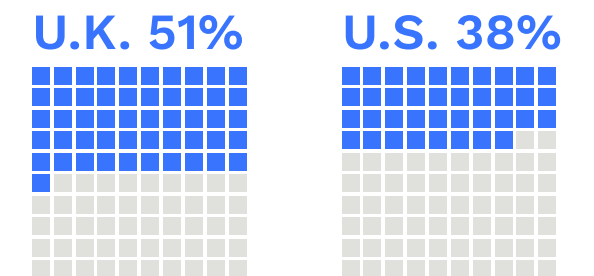
Key distinctions between the U.K. and other markets

The Global Digital Shopping Index series examines retail shopping trends in four key markets: Australia, Brazil, the U.K. and the U.S. The global nature of the study reveals insights about the unique aspects of the digital shopping shift in each of the respective geographies. Here are some of U.K. consumers' distinctive qualities compared to those of consumers from Australia and the U.S..

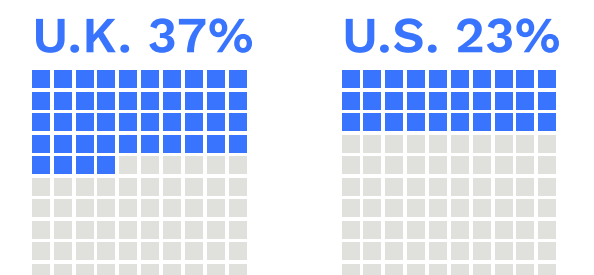
U.K. consumers are more inclined to pay with debit cards and cardless methods.

- 51 percent of U.K. consumers use debit cards to pay in stores and 37 percent prefer this payment method for online purchases. We found that 38 percent and 23 percent of U.S. consumers use debit cards in stores and for online purchases, respectively.
- Cardless payment methods, such as digital wallets and cards on file, are used by U.K. consumers at nearly twice the rates seen in the U.S. and Australia. Nine percent of U.K. consumers pay via cardless methods compared to 5 percent of both U.S. and Australian consumers.
- Use of in-store digital wallets, while low overall, is considerably higher in the U.K. than in the other studied markets. Four percent of U.K. consumers use Apple Pay in stores while the usage rate in the U.S. is less than 1 percent, for example.

Use debit cards to pay in stores



Use debit cards to pay online

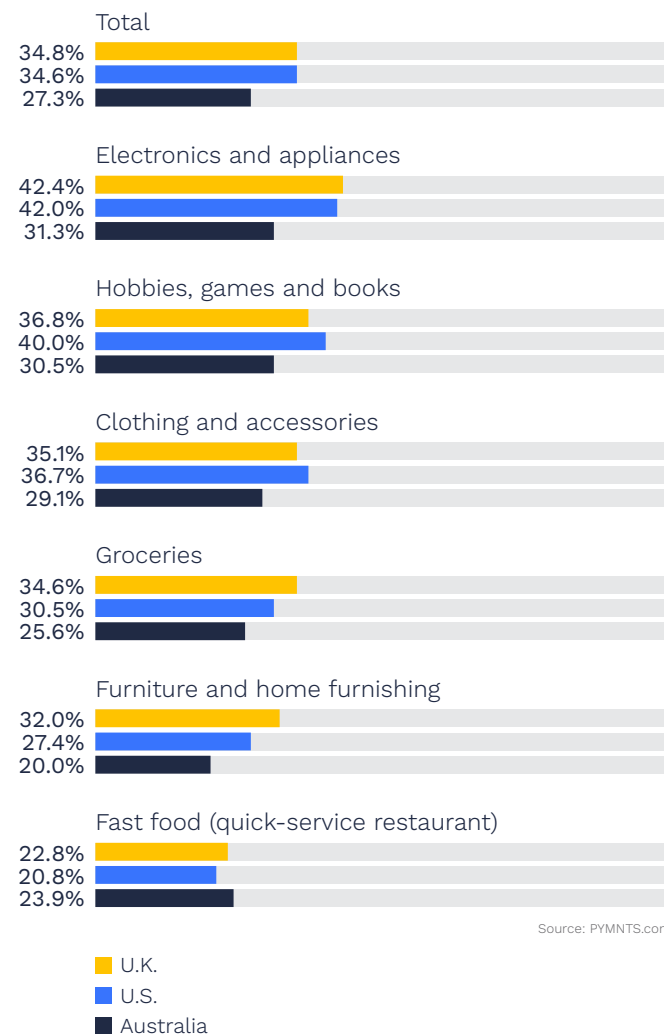


U.K. consumers are interested in employing digital-first features across a wide range of product categories.

FIGURE 10:

Consumer interest in digital-first features

Share of consumers from each country who are "very" or "extremely" interested in digital first capabilities, by segment



- 35 percent of U.K. consumers are "very" or "extremely" interested in using digital-first features — slightly more than the share of U.S. consumers and considerably more than the share of Australian ones with this level of interest.
- U.K. consumers are also keenly interested in using these features for a range of product categories. At least one-third of them would employ them when purchasing electronics, hobbies and games, clothing and groceries.

U.K. consumers are not as satisfied with their current cross-channel shopping options.

- Online cross-channel shopping journeys — facilitated through services like click and collect — score considerably lower in the U.K. than they do in Australia and the U.S., where they net the highest scores. The score in the U.K. is 68.6, compared to 123.8 in the U.S. and 108.9 in Australia.
- The U.K. also experienced the lowest growth in online cross-channel shopping: 14 percent increased their use of the channel there, whereas 38 percent and 18 percent did so in the U.S. and Australia, respectively.

TABLE 7:

Index score, by identification and payment

Average Index score, by identification and payment

	UK	US	Australia
• Brick-and-mortar	62.6	78.9	52.2
• Online native	115.2	158.7	123.1
• Online cross-channel	68.6	123.8	108.9
• Mobile native	114.2	149.8	103.2
• Mobile cross-channel	90.3	123.2	105.0

Source: PYMNTS.com

Pandemic data points

- The pandemic has hit the U.K. hard. Business restrictions were eased in the summer following a strict lockdown in the early days of the pandemic. Severe restrictions were reimposed in November 2020 and into 2021 as the pandemic intensified.
- The U.K. has about 39,002 cases per million, Australia has 1,111 cases per million and the U.S. has 63,596 cases per million.
- A widespread vaccination campaign in the U.K. has made steady progress. Approximately two people per 100 U.K. residents had received the vaccine as of early January 2021.

Conclusion

The pandemic has forced consumers and businesses to fundamentally alter long-standing shopping patterns and habits. The digital shift in U.K. retail has been as profound as any market PYMNTS has studied thus far. Only a narrow majority of consumers now prefer shopping in stores over digital channels. Concerns surrounding pandemic-caused business restrictions have undoubtedly played a major role in pushing consumers to digital channels. There is more to this story, however. Consumers like what they have discovered in shopping digitally as evidenced by the fact that the shift has continued apace, even when business restrictions were periodically eased during 2020. Our research makes it clear: Access to digital features is a key driver of consumer satisfaction.

Our research also suggests that U.K. merchants are not doing enough to meet the rising consumer demand for better digital features and services, particularly when it comes to the powerful digital-first features that enable consumers to actually find and complete purchases via online and mobile platforms. Our findings show the share of U.K. consumers highly interested in digital-first features is approximately double their current use in most cases.

Merchants that offer robust and integrated digital-first features are essentially ensuring that they will have prominent real estate in what has become the main shopping district in the pandemic era: the internet. Consumers' shopping journeys are more and more often starting online. A sound digital-first strategy can make sure that consumers will not just find merchants on the internet but will also be able to perform a robust array of shopping activities through online and mobile platforms, including checking product availability or ordering a product for store pickup. The data inherent in these interactions can then help merchants develop new, lasting relationships with their customers.

The Global Digital Shopping Index

United Kingdom Edition ■

Methodology

The Global Digital Shopping Index: United Kingdom Edition is based on surveys of 2,044 consumers and 561 merchants in the U.K. The survey samples were balanced to roughly match the demographics of the U.K. population as a whole. The consumer survey consisted of 38 questions and the merchant survey had 30 questions. Each survey was conducted between Oct. 1, 2020, and Oct. 13, 2020.

About

PYMNTS.com

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We are interested in your feedback on this report. If you have questions, comments or would like to subscribe, please email us at feedback@pymnts.com.

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