BUY BUTTON

OPTIMIZING PAYMENT CHOICE FOR DIGITAL-FIRST CONSUMERS

PYMNTS.com

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.

BUY BUTTON

PYMNTS' Buy Button Report: Optimizing Payment Choice For Digital-First Consumers surveyed 811 companies across 17 categories to examine how their use of buy buttons has affected their customers' experience at checkout. Our analysis considered several key factors — including average annual revenues and ticket prices of sites that offered buy buttons — to provide a comprehensive overview of the solutions' roles in the eCommerce ecosystem and how they are poised to change in the future.

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INTRODUCTION

The end of 2020 represented a rare opportunity for retailers: The potential for marketplace recovery and the availability of innovative payment tools coincided seamlessly with pent-up consumer demand. As in a classic rags-to-riches tale, innovation spurred success for even smaller retailers. Features designed to improve consumer checkout experiences offered a tangible chance to rescue weak revenues from a deluge of pandemic-driven economic loss. The overwhelming majority (76 percent) of retailers in 2020 would feature "buy buttons" — a click-to-purchase payment innovation that reduced checkout times by as much as 50 percent.

Earlier in 2020, consumers frustrated by months indoors during lockdowns were ready to spend, and newer payment technologies made it easier for them to do so. Our research shows that buy buttons made online shopping a more intuitive and efficient experience for consumers.

Nonetheless, 2020 was the year chaos reigned, and the payments ecosystem was not spared. Retailers and financial institutions had to adjust to a new digital reality. A flood of new digital-first consumers with higher customer experience standards[1] and little patience for checkout friction[2] entered the eCommerce marketplace in 2020. Unable to shop in stores or visit banks, these empowered consumers expected a seamless customer experience on any device they happened to have in hand.

[1] New Data: The Six Digital-First Capabilities Consumers Now Want From Merchants. PYMNTS.com. 2020. https://www.pymnts.com/news/ecommerce/2020/new-data-the-six-digital-first-capabilities-consumers-now-want-from-merchants/. Accessed February 2021.

[2] Consumers Demand Payments Modernization. PYMNTS.com. 2020. https://www.pymnts.com/news/payments-innovation/2020/consumers-demand-payments-modernization/. Accessed February 2021.

This consumer focus on user-friendly digital options extended to a variety of transaction experiences. Banks reported a 70 percent increase in new digital accounts, an 80 percent boost in the usage of mobile pay applications and a 30 percent rise in contactless payments transactions.[3] Consumers were using new digital tools to shop, and their appetite for seamless payment experiences would intensify as the pandemic wore on.

PYMNTS began tracking the adoption and implementation of buy buttons in 2016. In Q4 2020, we surveyed 811 companies across 17 categories to examine how their use of buy buttons has affected their customers' experience at checkout.

This is what we learned.

Retailers are turning to buy buttons to streamline checkouts at an accelerated pace.

Our research shows that the share of merchants implementing buy buttons increased to 76 percent in 2020, a historic high. Retailers increased their adoption of buy buttons at the height of the pandemic, despite massive retail sales declines.[4] This was not a last-ditch effort by retailers to turn their luck but rather a data-driven strategy. Buy buttons became a virtual tether to solvency for retailers: As eCommerce earnings rose, merchants capable of removing friction at checkout remained afloat amid the uncertainty.

FIGURE 1:

PERCENTAGE OF ONLINE MERCHANTS OFFERING BUY BUTTONS
The share of online merchants offering buy buttons, by quarter

Q4 2020
76.2%

Q1 2020
74.1%

Q2 2019
72.9%

Q2 2018
73.1%

Source: PYMNTS.com
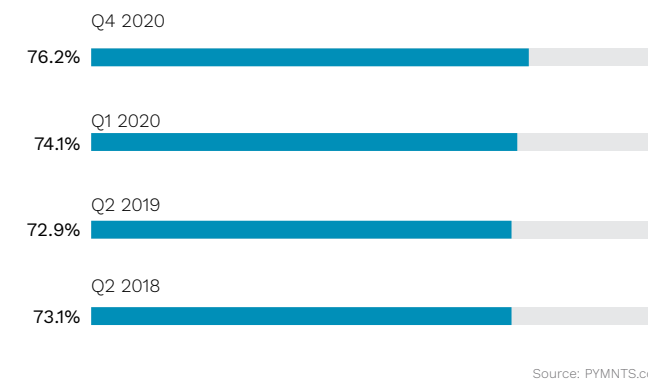
76% OF MERCHANTS OFFERED BUY BUTTONS IN 2020.

The retail industry was poised on a cliff: No longer flush with profits from its salad days, issues such as friction at checkout, false declines and payments fraud could sap the growth the industry had enjoyed online in 2020. Buy buttons offered a painless method to limit the risk of checkout friction and seamlessly improve consumer experience.

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[3] Oertli, K. How digital innovations helped banks adapt during COVID-19. World Economic Forum. 2020. https://www.weforum.org/agenda/2020/08/how-digital-innovations-helped-banks-adapt-during-covid-19/. Accessed February 2021.

[4] NEW DATA: What 1,052 eCommerce Sites Tell Us About The State Of Buy Buttons In 2020. PYMNTS.com. 2020. https://www.pymnts.com/news/ecommerce/2020/implementing-buy-button-strategies-checkout/. Accessed February 2021.
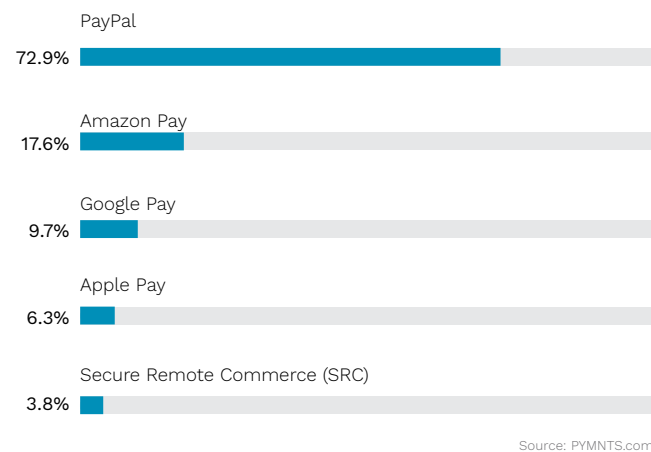
PayPal is the buy button of choice for merchants, but Google Pay and Apple Pay exhibited significant growth trends.

PayPal was offered by 73 percent of merchants, but it has experienced less than 3 percent growth in adoption since the beginning of 2020. Google Pay adoption, meanwhile, increased to 10 percent, whereas Apple Pay grew to 6 percent on eCommerce sites. PayPal may lead the pack when it comes to adoption, but Google Pay and Apple Pay are rapidly gaining competitive strength. Google Pay and Apple Pay still have enormous adoption gaps to overcome if they are to present a serious challenge to PayPal's dominance.

FIGURE 2:

PERCENTAGE OF ONLINE MERCHANTS OFFERING BUY BUTTONS, PER BUY BUTTON
Share of online merchants offering specific buy buttons

PayPal
72.9%

Amazon Pay
17.6%

Google Pay
9.7%

Apple Pay
6.3%

Secure Remote Commerce (SRC)
3.8%

Source: PYMNTS.com

Amazon Pay, the second-most commonly accepted buy button in 2020, remained a powerful contender, utilizing the considerable weight of its brand along with its significant impact on checkout time to drive adoption.

Retailers offering buy buttons experience significantly reduced checkout times.

Consumers not using buy buttons had an average checkout time of two minutes and 56 seconds, yet shoppers using buy buttons spent only one minute and 39 seconds at checkout. An extra step of requiring a profile to use a buy button has decreased in popularity among retailers offering the buy button in 2020.

Merchants are beginning to adjust to the new SRC landscape.

The chaos that often characterized the online payments experience had been addressed in previous years by innovative payment solutions, but in 2020, growth in adoption of some of the most sophisticated methods, such as Secure Remote Commerce (SRC), stagnated. This was likely due to the lengthy process involved in developing industrywide standards and enterprise-grade platform integrations.
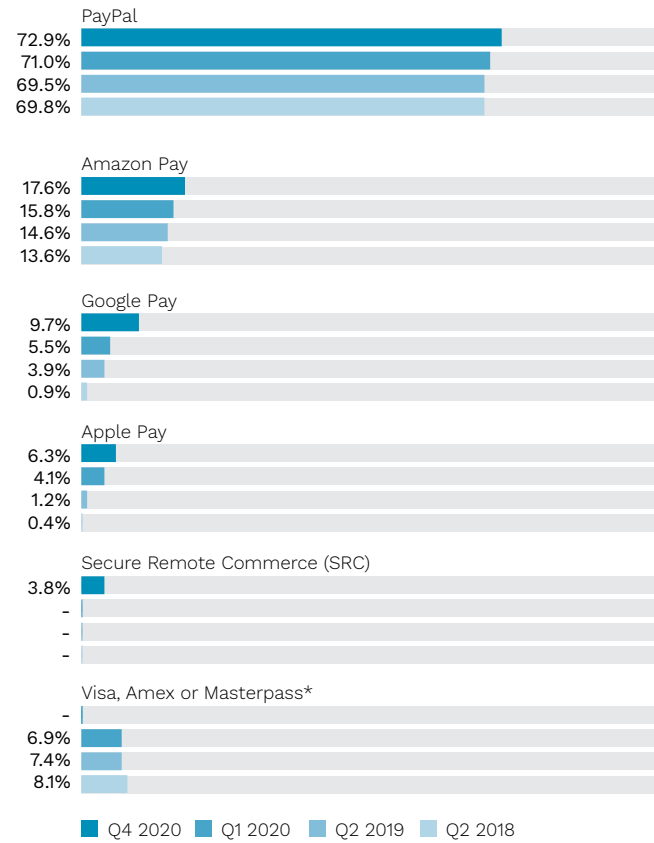
Our research shows that although SRC — the buy button that in 2020 took the place of the individual Masterpass, Visa Checkout, Discover and American Express Checkout buttons — has been slow to gain acceptance by America's top retailers, industry openness to SRC is changing. More than 10,000 merchants signed on to accept the SRC option within less than a year of its introduction in 2019, with Australia, Brazil, Canada, Hong Kong, Ireland, Kuwait, Malaysia, Mexico, New Zealand, Qatar, Saudi Arabia, Singapore, United Arab Emirates and the United Kingdom joining the U.S. in accepting the payment method.[5]

[5] Amex, Discover, Mastercard And Visa Take Click to Pay Global. PYMNTS.com. 2020. https://www.pymnts.com/news/payments-innovation/2020/amex-discover-mastercard-and-visa-take-click-to-pay-global/. Accessed February 2021.

FIGURE 3A:

BUY BUTTONS' ACCEPTANCE EVOLUTION OVER TIME
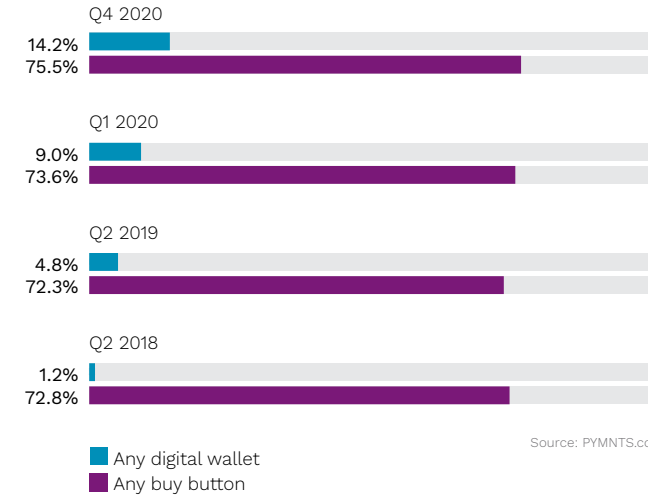Change in acceptance of various buy buttons by online merchants

PayPal
72.9%
71.0%
69.5%
69.8%

Amazon Pay
17.6%
15.8%
14.6%
13.6%

Google Pay
9.7%
5.5%
3.9%
0.9%

Apple Pay
6.3%
4.1%
1.2%
0.4%

Secure Remote Commerce (SRC)
3.8%
-
-
-

Visa, Amex or Masterpass*
-
6.9%
7.4%
8.1%

■ Q4 2020   ■ Q1 2020   ■ Q2 2019   ■ Q2 2018

Source: PYMNTS.com

FIGURE 3B:

BUY BUTTONS' ACCEPTANCE EVOLUTION OVER TIME
Share of companies accepting payments made via digital wallets and buy buttons

Q4 2020
14.2%
75.5%

Q1 2020
9.0%
73.6%

Q2 2019
4.8%
72.3%

Q2 2018
1.2%
72.8%

■ Any digital wallet
■ Any buy button

Source: PYMNTS.com

73% OF
RETAILERS
OFFER THE
PAYPAL BUY
BUTTON.

Only 4 percent of surveyed merchants in our sample currently offer the SRC button, despite widespread support among organizations such as the World Economic Forum as well as adoption by many major global financial institutions.[6] The slow pace may be representative of a national hesitance to fully embrace SRC: The Federal Reserve began to pave the way to adopt new SRC payment methodologies only last year.[7]

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[6] Amex, Discover, Mastercard And Visa Take Click to Pay Global. PYMNTS.com. 2020. https://www.pymnts.com/news/payments-innovation/2020/amex-discover-mastercard-and-visa-take-click-to-pay-global/. Accessed February 2021.

[7] Woodward, K. Eye on Fraud: Fiserv Targets Debit Card False Declines; More Mobile Payments Mean More Fingerprint Sensors. Digital Transactions. https://www.digitaltransactions.net/eye-on-fraud-fiserv-targets-debit-card-false-declines-more-mobile-payments-means-more-fingerprint-sensors/. Accessed February 2021.

Merchants have adopted buy buttons en masse as consumer experience drives the retail recovery, but they are resistant to a cluttered checkout process.

Retailers struggled to recapture audiences online as consumer experience took center stage as a key determinant of retail success. Our research shows that merchants tend to offer more than two payment buttons over time, but growth plateaus at three buttons. Merchants add buttons that they believe will drive sales, and they are unwilling to overwhelm the consumer with distracting payment options that clutter the page.

FIGURE 4:

BUY BUTTON ADOPTION, CONSIDERING QUANTITY
Share of merchants providing buy buttons over time, by number of buttons offered

Q2 2018
54.0%
16.1%
3.0%

Q2 2019
51.4%
16.9%
3.0%

Q1 2020
49.5%
19.0%
5.6%

Q4 2020
49.3%
20.5%
6.4%

■ 1
■ 2
■ 3+
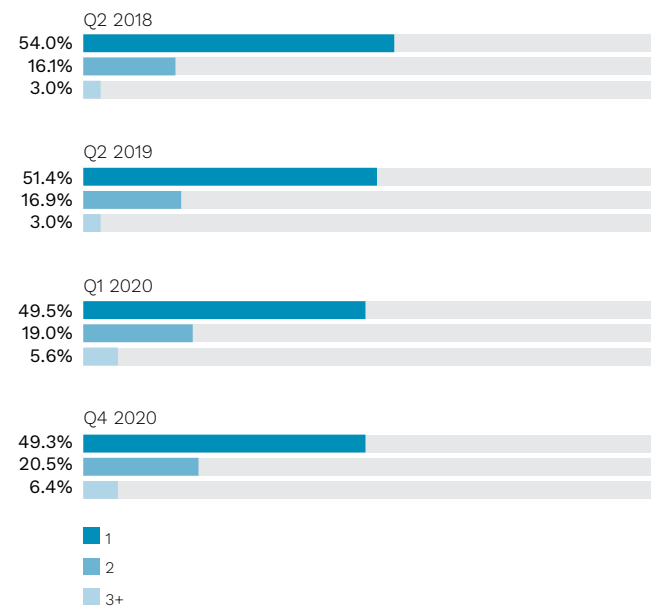
Source: PYMNTS.com

PayPal's adoption rates have increased steadily, yet Amazon Pay and Google Pay are emerging as dark horse competitors, adding extreme relative growth.

Our research shows that PayPal is the most accepted buy button with an adoption rate of 73 percent of merchants in 2020. Amazon Pay has grown its acceptance share among major retailers from 14 percent in 2018 to 18 percent, with Google Pay increasing its adoption by merchants from 0.9 percent in 2018 to 10 percent in 2020. Apple Pay boosted its acceptance share from 0.4 percent in 2018 to 6 percent in 2020.

PAYPAL CONTINUED TO LEAD IN BUY BUTTONS, BUT AMAZON PAY AND GOOGLE PAY SHOWED STRONG GROWTH.

There was a 10 percent uptick in the number of merchants offering buy button access without requiring profile creation and additional information input.

Approximately 60 percent of websites that we surveyed offer streamlined guest checkouts, allowing shoppers to pay using a buy button, an increase of 10 percent from Q1 2020. Guest checkouts that allowed customers to pay using a buy button were 22 percent faster than those requiring a shopper to create a profile before purchase using a buy button (one minute and 34 seconds versus two minutes).
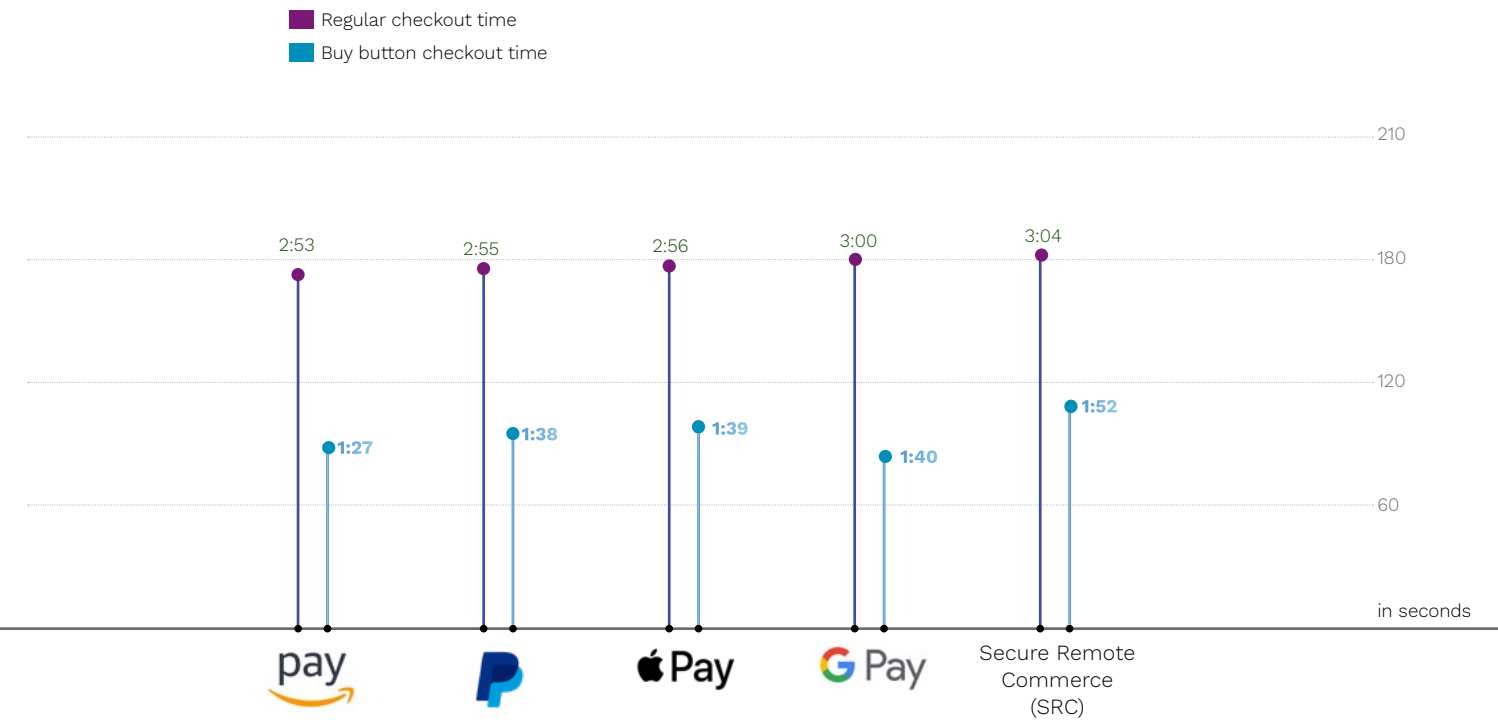
FIGURE 5:

AVERAGE CHECKOUT TIME
Average checkout time with and without buy buttons, by profile creation requirement

■ Regular checkout time
■ Buy button checkout time

Source: PYMNTS.com
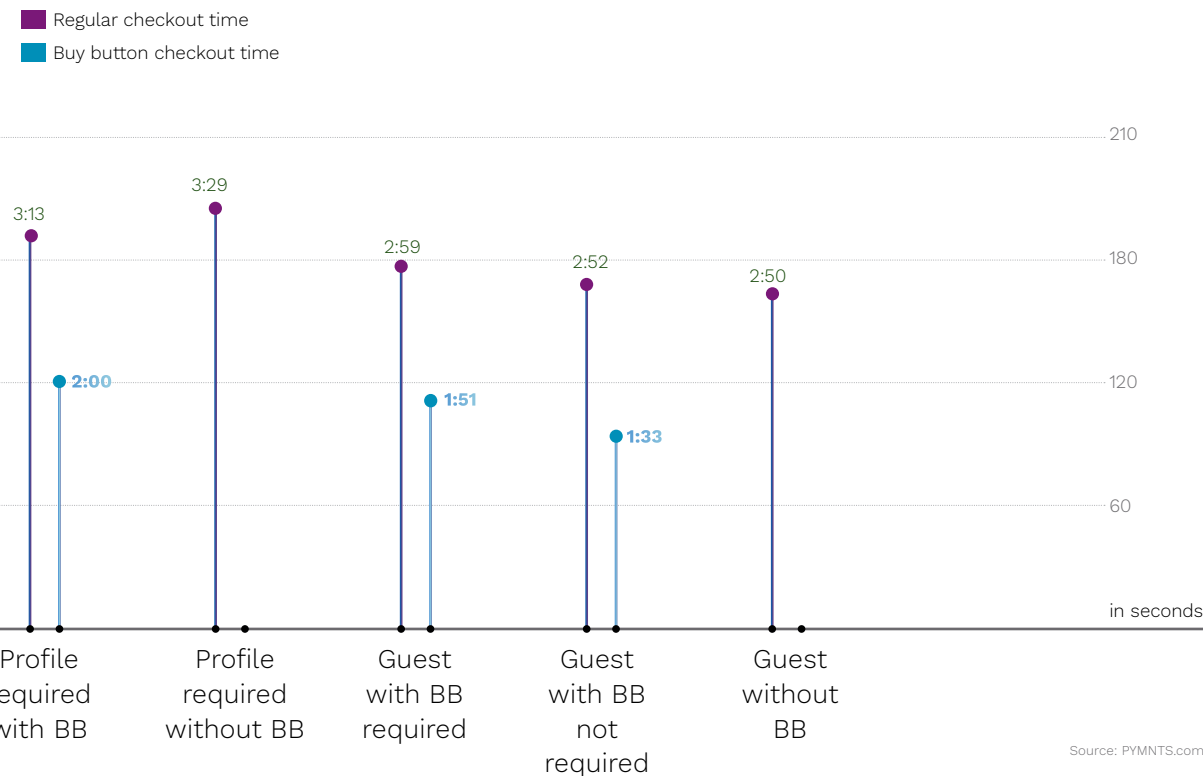
Checkout times decreased in 2020 on merchant sites that offered buy buttons, but Amazon Pay delivered the highest overall consumer experience improvement for shoppers in terms of checkout time reduction.
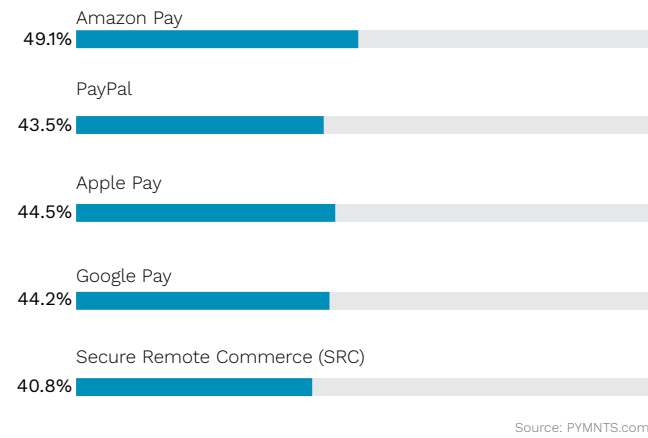
Our study showed that Amazon Pay provided the greatest reduction in checkout time, as transactions using it took an average of one minute and 27 seconds per transaction, a 49 percent time reduction from the two minutes and 53 seconds that regular checkouts take.

FIGURE 6A:

CHECKOUT TIME REDUCTIONS
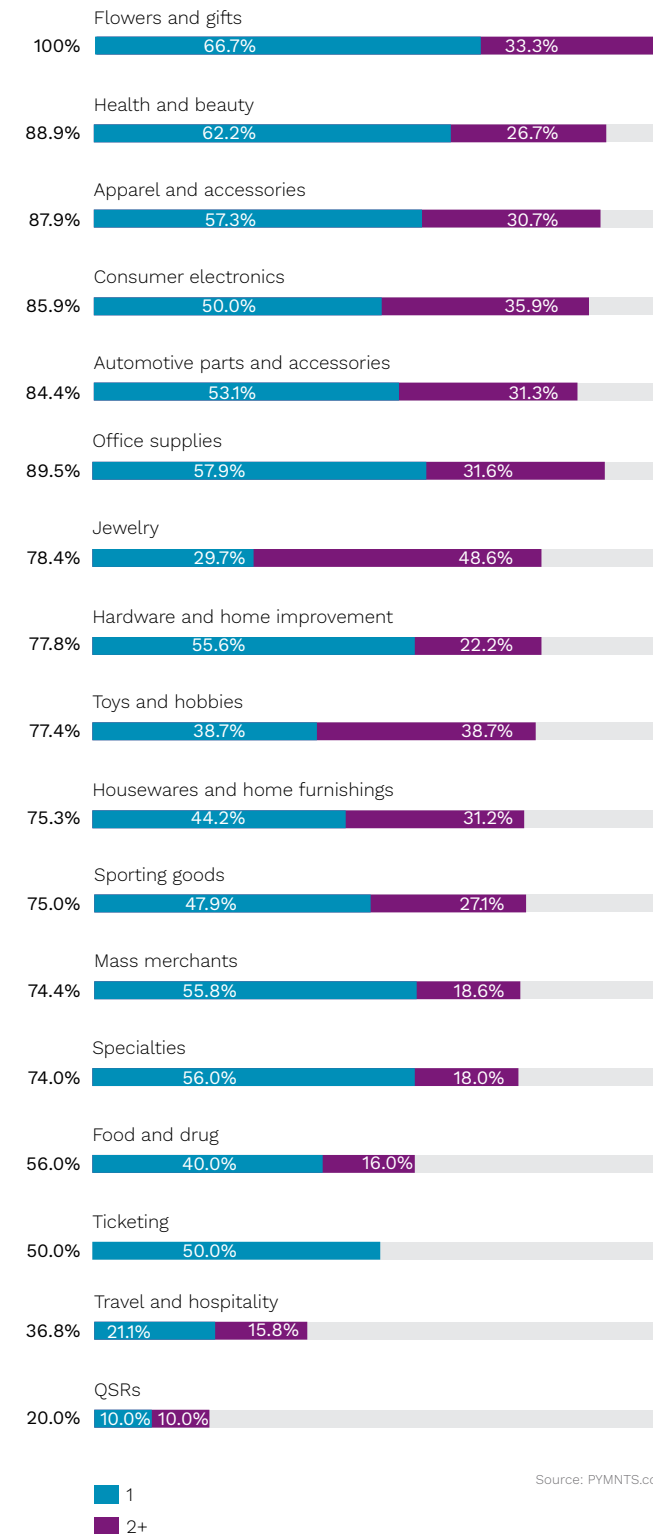Average reduction in checkout time, by buy button type

■ Regular checkout time
■ Buy button checkout time

Source: PYMNTS.com

CHECKOUT TIME REDUCTIONS
Percentage reduction in checkout time

Amazon Pay
49.1%

PayPal
43.5%

Apple Pay
44.5%

Google Pay
44.2%

Secure Remote Commerce (SRC)
40.8%

Source: PYMNTS.com

Buy buttons were popular in the gift, apparel, health and beauty sectors, but the reduction in checkout times varied by industry.

PYMNTS' research reveals that the overwhelming majority of retailers in the flowers and gifts, health and beauty, office supplies, apparel and accessories and consumer electronics segments offer buy buttons. These retailers are also more likely to offer a wider array of payment buttons: 31 percent of apparel and accessory retailers offer two or more buttons, while 36 percent of consumer electronics merchants offer more than two buy button options, as did just 16 percent of food and drug retailers.

BUY BUTTON ADOPTION IN DIFFERENT INDUSTRIES
Share of merchants offering buy buttons, by industry and number of buttons offered

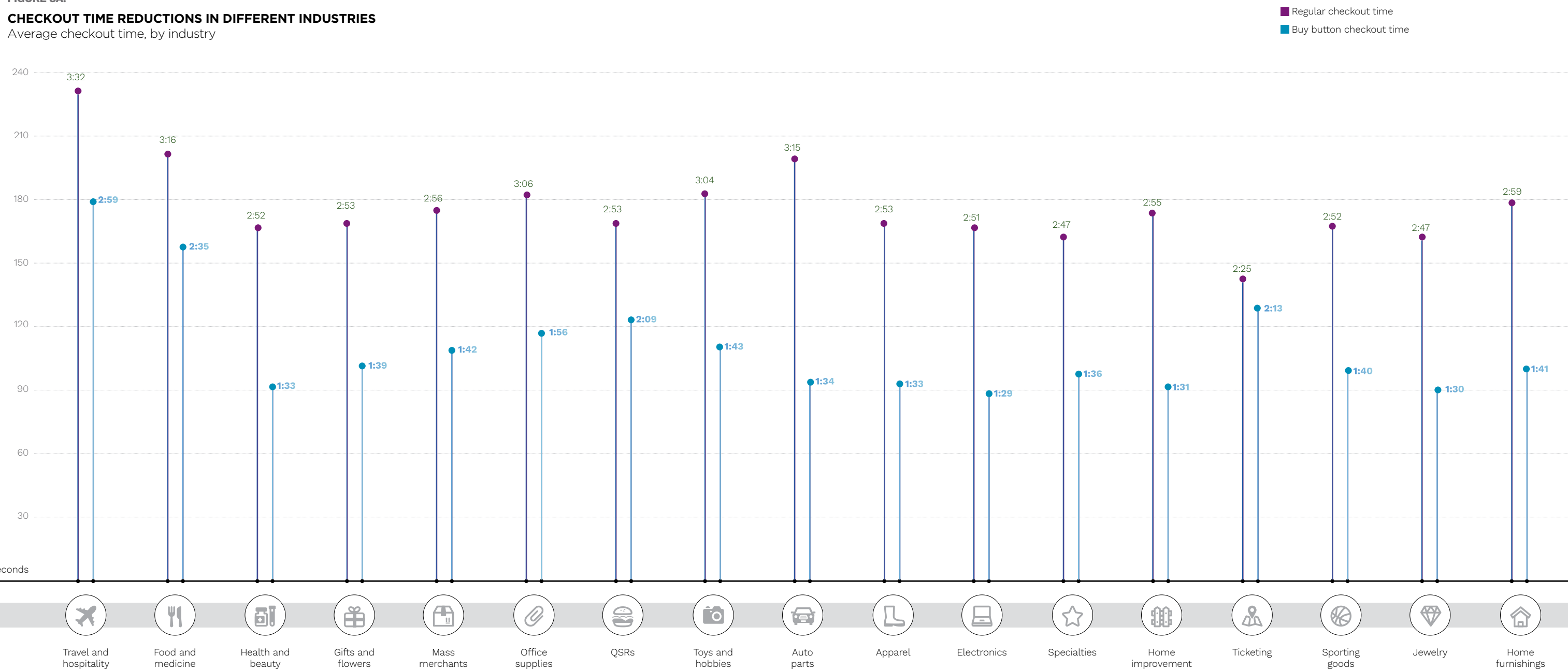| Industry	1	2+
Flowers and gifts — 100%	66.7%	33.3%
Health and beauty — 88.9%	62.2%	26.7%
Apparel and accessories — 87.9%	57.3%	30.7%
Consumer electronics — 85.9%	50.0%	35.9%
Automotive parts and accessories — 84.4%	53.1%	31.3%
Office supplies — 89.5%	57.9%	31.6%
Jewelry — 78.4%	29.7%	48.6%
Hardware and home improvement — 77.8%	55.6%	22.2%
Toys and hobbies — 77.4%	38.7%	38.7%
Housewares and home furnishings — 75.3%	44.2%	31.2%
Sporting goods — 75.0%	47.9%	27.1%
Mass merchants — 74.4%	55.8%	18.6%
Specialties — 74.0%	56.0%	18.0%
Food and drug — 56.0%	40.0%	16.0%
Ticketing — 50.0%	50.0%	
Travel and hospitality — 36.8%	21.1%	15.8%
QSRs — 20.0%	10.0%	10.0%

Source: PYMNTS.com

■ 1
■ 2+

JEWELRY, TOYS AND HOBBIES AND CONSUMER ELECTRONICS RETAILERS HAD THE HIGHEST LIKELIHOOD OF OFFERING TWO OR MORE BUY BUTTONS.

Consumer experiences are impacted differently by buy button adoption in various retail segments. Jewelry retailers had the biggest impact when implementing buy buttons, cutting checkout times by 48 percent from two minutes and 47 seconds to 90 seconds. Clothing, automotive parts and home improvement sites followed, seeing checkout time reductions of approximately 45 percent and also achieving an average checkout time of 90 seconds.
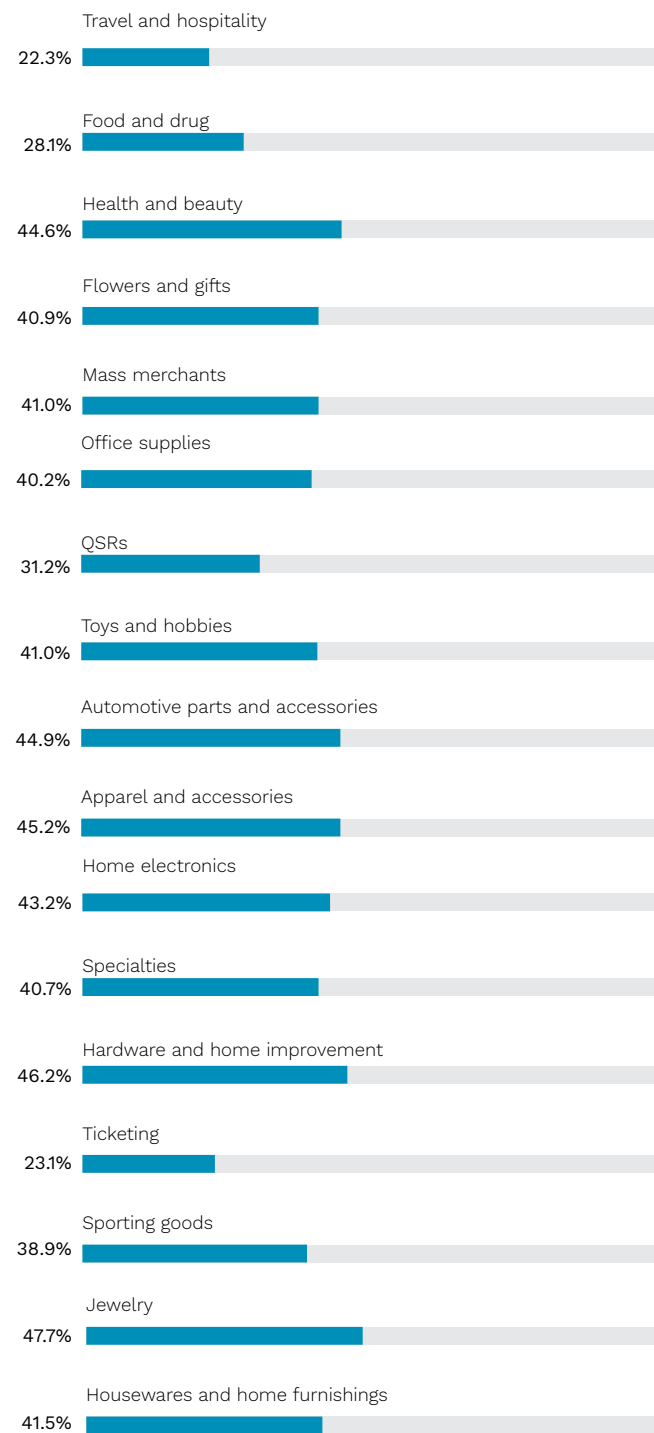
FIGURE 8A:

CHECKOUT TIME REDUCTIONS IN DIFFERENT INDUSTRIES
Average checkout time, by industry

■ Regular checkout time
■ Buy button checkout time

Industry	Regular checkout time	Buy button checkout time
Travel and hospitality	3:32	2:59
Food and medicine	3:16	2:35
Health and beauty	2:52	1:33
Gifts and flowers	2:53	1:39
Mass merchants	2:56	1:42
Office supplies	3:06	1:56
QSRs	2:53	2:09
Toys and hobbies	3:04	1:43
Auto parts	3:15	1:34
Apparel	2:53	1:33
Electronics	2:51	1:29
Specialties	2:47	1:36
Home improvement	2:55	1:31
Ticketing	2:25	2:13
Sporting goods	2:52	1:40
Jewelry	2:47	1:30
Home furnishings	2:59	1:41

in seconds

Source: PYMNTS.com

FIGURE 8B:

CHECKOUT TIME REDUCTIONS IN DIFFERENT INDUSTRIES
Percentage reduction in checkout time achieved due to implementation of buy button

Travel and hospitality
22.3%

Food and drug
28.1%

Health and beauty
44.6%

Flowers and gifts
40.9%

Mass merchants
41.0%

Office supplies
40.2%

QSRs
31.2%

Toys and hobbies
41.0%

Automotive parts and accessories
44.9%

Apparel and accessories
45.2%

Home electronics
43.2%

Specialties
40.7%

Hardware and home improvement
46.2%

Ticketing
23.1%

Sporting goods
38.9%

Jewelry
47.7%

Housewares and home furnishings
41.5%

Source: PYMNTS.com

JEWELRY, HARDWARE AND HOME IMPROVEMENT AND APPAREL AND ACCESSORIES SHOWED THE GREATEST REDUCTIONS IN CHECKOUT TIMES WITH BUY BUTTONS.

WHY BUY BUTTONS MATTERED IN 2020

As with any other intersection of catastrophe and luck, the opportunities merchants and financial institutions found in 2020 were encircled by tangible risk.

Payments fraud rose during the pandemic[8], while consumers and retailers dealt with multiple transaction security issues online, according to the FBI[9]. The "pandemic effect" negatively impacted almost every aspect of retail transactions in all sectors, wrecking offline sales and tamping down online revenues[10]. Risk was as ubiquitous as the demand for frictionless transactions online. Consumer experience mattered more than ever, as online customers frustrated by friction-laden digital checkout experiences would likely have no offline alternative to purchase an item.

Sales for the restaurant sector were down by as much as 70 percent in the first week of March 2020, but the impact of such losses was mitigated somewhat by a 100 percent rise in food and beverage sales as consumers stocked up on essentials, often going online for convenience[11]. eCommerce was a lone bright spot amid the pandemic's ravaging of the retail landscape, but merchants' hopes were reined in by the uncertainty of the economy and the inconsistent nature of customer experience. Losing consumers at checkout during such a time could be a definitive blow to a retailer of any size.

While the economy hobbled along, other issues restricted the positive impact of payment innovation.

False payment declines[12] and "buyer's remorse" cart abandonment due to mismatched digital payment gateways or poorly designed add-to-cart pathways rose[13] even as consumers steadily moved toward card and contactless payments for everyday purchases[14]. The U.S. government had spent close to 20 percent of its GDP to jump-start the economy, but retail spending across most sectors remained anemic at the start of 2021, with no roaring recovery. Retailers were still reeling from the catastrophic losses of 2020, and innovation would have to be swift and decisive: No business could afford to leave money on the table.

Retailers also knew that legitimate cart abandonment — due to consumers becoming frustrated with laborious payment processes — remained a problem even when eCommerce sales were driving much of the American economy's slow boost. Payments would have to be modernized for merchants to survive the uncertainty of 2021. While many shoppers leaving their carts were just window-shopping, many others parted in frustration due to consistent (and unnecessary) checkout friction. Merchants found early in 2020 that introducing a buy button could reduce checkout times by as much as 39 percent. For many retailers, the plan to undo the damage of the pandemic was simple: Make purchasing frictionless by improving payment choice with buy buttons.

[8] The Impact Of The Consumer's Digital Shift To Convenience On Fraud. PYMNTS.com. 2020. https://www.pymnts.com/news/ecommerce/2020/the-impact-of-the-consumers-digital-shift-to-convenience-on-fraud/. Accessed February 2021.

[9] Author unknown. Cybersecurity & Infrastructure Security Agency. 2020. https://us-cert.cisa.gov/ncas/current-activity/2020/08/05/fbi-reports-increase-online-shopping-scams. Accessed February 2021.

[10] Dunn, A; Hood, K; Driessen, A. Measuring the Effects of the COVID-19 Pandemic on Consumer Spending Using Card Transaction Data. U.S. Bureau of Economic Analysis. 2020. https://www.bea.gov/system/files/papers/BEA-WP2020-5_0.pdf. Accessed February 2021.

[11] Deep Dive: How Retailers Can Reduce Cart Abandonment, Prevent Card Fraud With Digital ID Solutions. PYMNTS.com. 2020. https://www.pymnts.com/authentication/2020/deep-dive-how-retailers-can-reduce-cart-abandonment-prevent-card-fraud-with-digital-id-solutions/. Accessed February 2021.

[12] Woodward, K. Eye on Fraud: Fiserv Targets Debit Card False Declines; More Mobile Payments Mean More Fingerprint Sensors. Digital Transactions. https://www.digitaltransactions.net/eye-on-fraud-fiserv-targets-debit-card-false-declines-more-mobile-payments-means-more-fingerprint-sensors/. Accessed February 2021.

[13] Five Fast Facts On Fighting Checkout Friction. PYMNTS.com. 2021. https://www.pymnts.com/news/ecommerce/2021/five-fast-facts-on-fighting-checkout-friction/. Accessed February 2021.

[14] Kim, L; Kumar, R; O'Brien, S. 2020 Findings from the Diary of Consumer Payment Choice. Federal Reserve Bank of San Francisco. 2020. https://www.frbsf.org/cash/publications/fed-notes/2020/july/2020-findings-from-the-diary-of-consumer-payment-choice/. Accessed February 2021.

CONCLUSION

A merican retailers have been slow to follow other industrial-
ized countries with some innovations, yet they stayed loyal
to buy buttons, a simple way to ease friction at checkout and
limit cart abandonment. Our research shows steady growth
in buy button adoption since 2018, with consumers finding a
consistent reduction in checkout times for those using the feature.

Buy buttons emerged in 2020 as a powerful industry-wide rebuke to the
relentless drag of a tanking economy: Shorter checkout times and simple,
secure payment processes helped boost eCommerce futures for retailers on
and off Wall Street. Retailers saw what analysts and consumers saw in buy
buttons: a frictionless checkout process that made online shopping more
appealing at a time when little else online brought joy. In 2020, buy buttons
meaningfully improved consumer experiences, providing a rare bright spot
in an industry desperate for good news.

METHODOLOGY

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PYMNTS first researched the checkout processes
and buy button offerings of more than 1,000 leading
American eCommerce sites for the original Buy Button
Index in Q4 2016. We have used this background data
in addition to a new sample of 811 leading American
retailers. We compiled each subsequent report using
information collected from this original sample, with
the exception of eTailers that have since ceased to
operate. Our researchers identified trends emerging
from data compiled over time in addition to new data
acquired in 2020 from our own independent research,
surveys and external official sources.

DISCLAIMER