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.

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.
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 and little patience for checkout friction 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.

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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.  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.

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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.

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. 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.

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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.

<table>
<thead>
<tr>
<th>Share of online merchants offering specific buy buttons</th>
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<tbody>
<tr>
<td>PayPal: 72.9%</td>
</tr>
<tr>
<td>Amazon Pay: 17.6%</td>
</tr>
<tr>
<td>Google Pay: 9.7%</td>
</tr>
<tr>
<td>Apple Pay: 6.3%</td>
</tr>
<tr>
<td>Secure Remote Commerce (SRC): 3.8%</td>
</tr>
</tbody>
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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

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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. 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.

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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.

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).

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.
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.
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
JEWELRY, HARDWARE AND HOME IMPROVEMENT AND APPAREL AND ACCESSORIES SHOWED THE GREATEST REDUCTIONS IN CHECKOUT TIMES WITH BUY BUTONS.
American retailers have been slow to follow other industrialized 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.

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.
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