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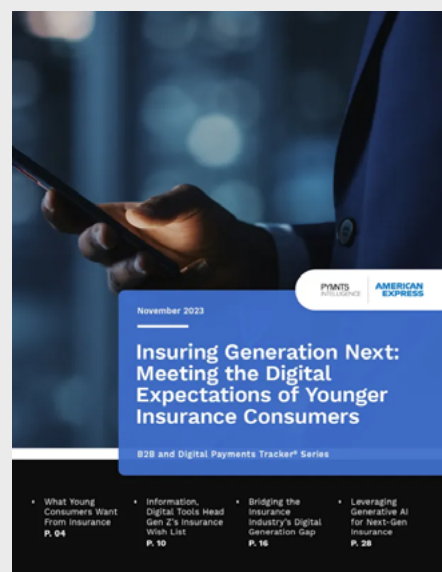
AMERICAN
EXPRESS

December 2023

How Small Shops Can Win Big: Capturing the SMB Payments Opportunity

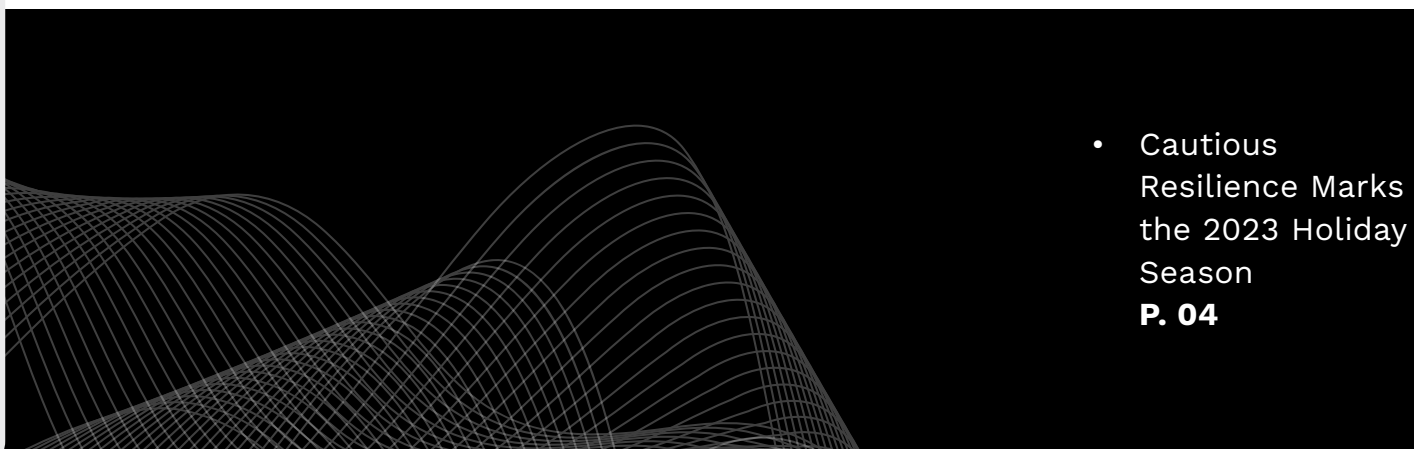
B2B and Digital Payments Tracker® Series

■ Read the previous edition



November 2023
**B2B and Digital
Payments Tracker® Series**

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The B2B and Digital Payments Tracker® Series is produced in collaboration with American Express, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

Need to Know

Cautious Resilience Marks the 2023 Holiday Season

Surpassing all expectations, consumers turned up in [record numbers](#) for this year's Black Friday weekend, the traditional kickoff to the holiday shopping season in the United States. The five-day weekend, from Thanksgiving Day through Cyber Monday, saw more than 200 million U.S. shoppers, easily topping last year's record of nearly 197 million. Moreover, according to Adobe Analytics, while physical retail shopping was up 1.5% year over year, the real star of the weekend was [eCommerce](#), which hit a record \$38 billion for the five-day period, up 7.8% year over year. Cyber Monday online sales alone reached an all-time high of \$12.4 billion, up 9.6% over last year.

Budgets were in evidence, however, as discount stores Walmart and T.J. Maxx as well as online giant Amazon recorded [strong sales](#) increases, while pricier stores and fashion brands witnessed drops in spending. [Sales and promotions](#) reportedly drove 55% of consumers' purchases during the period, up from 52% last year. In addition, [buy now, pay later](#) (BNPL) options played a breakout role in the spree,

hitting record purchasing that marked a stunning 42.5% leap over last year's usage. Interest-free installment payments clearly have struck a chord with cautious but resilient consumers, particularly [younger demographics](#).

Black Friday weekend 2023 broke many records for shopping and spending, particularly online, even as consumers remained budget-conscious.



200M

Total U.S. shoppers during Black Friday weekend 2023 (defined as Thanksgiving Day through Cyber Monday)



\$38B

Total online spending during Black Friday weekend 2023



55%

Share of consumers' purchases driven by sales and promotions during Black Friday weekend 2023



42.5%

Year-over-year increase in BNPL usage during Black Friday weekend 2023

Need to Know

U.S. consumers continue to go big on shopping small for the holidays.

Shopping with [small businesses](#) this holiday season also resonated powerfully with consumers, who reported spending an estimated \$17 billion on Small Business Saturday this year. Launched by American Express in 2010, the day, which falls between Black Friday and Cyber Monday, encourages shopping specifically at small and independent retailers and restaurants in the interest of helping them achieve [financial confidence](#).

According to the [American Express 2023 Small Business Saturday Consumer Insights Survey](#), 59% of U.S. consumers who knew about the day shopped or ate at small retailers or eateries on Small Business Saturday 2023. Of particular note, while 86% of these consumers shopped in-store, 53% reported shopping online at small businesses that day — significantly more than the 34% who said they shopped online at large retailers on the day.

Of the consumers who reported shopping at small businesses on Small Business Saturday,



53%

shopped online at small businesses that day.



34%

shopped online at large retailers that day.

Source: [American Express 2023 Small Business Saturday Consumer Insights Survey](#)

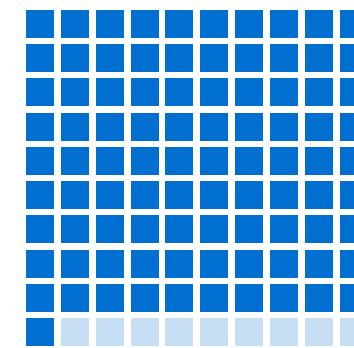
Need to Know

Payments technology can help small businesses make the most of consumer goodwill this season.

Small to mid-sized businesses (SMBs) serve an invaluable role as traditional brick-and-mortar community establishments. However, as eCommerce hits its stride with technology- and price-savvy consumers this season, digital payments technology is proving essential to capturing the strong consumer sentiment in favor of shopping small.

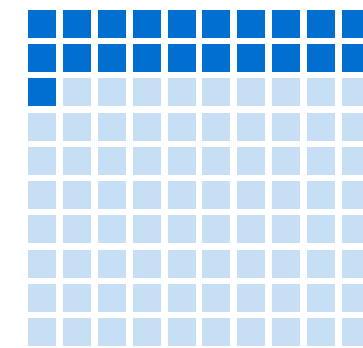
A new survey from web hosting service GoDaddy suggests there is [untapped consumer demand](#) for better online buying experiences from small businesses. For example, although 91% of SMBs believe they offer convenient purchasing and payment options, just 21% of buyers corroborate that view. Satisfaction with SMB websites is even lower among Generation Z and other digital-native cohorts of consumers, with diversity of payment methods a main target for improvement. These findings point to the importance of SMBs tapping [online strategies](#) as a way to enhance sales — for the holidays and beyond.

New findings suggest there is an untapped opportunity for SMBs to enhance their online sales strategies.



91%

Share of SMBs that believe they offer convenient online purchasing and payment options



21%

Share of consumers who agree with SMBs' assessment of their online purchasing and payment options

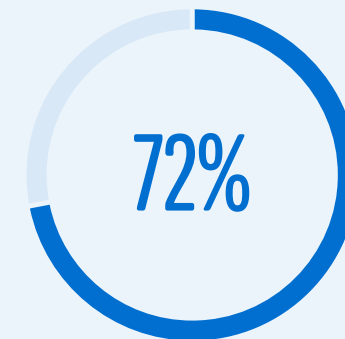
News and Trends

More Consumers Aim to Shop Small for Gifts This Year

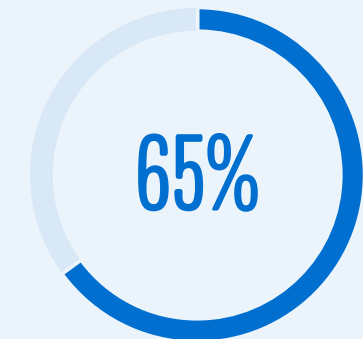
A new survey of consumer shopping trends in Q4 2023 finds that consumer [interest in shopping small](#) for the holidays is on the rise. According to the survey, the portion of consumers aiming to tap small and local businesses as much as possible for their holiday shopping has [doubled this year](#) to 20% from 10% one year ago.

The survey found that specialty, local, independent and boutique retailers together ranked number four as the most popular in-store shopping destinations, following only Walmart, Target and Kohl's at numbers one through three. This ranking put the smaller retailers ahead of Costco, Walgreens, Best Buy, Sam's Club, Macy's and Home Depot, at numbers five through 10.

Other consumer research pegs the popularity of local and small businesses at even higher figures, however. According to a recent YouGov survey, nearly three-quarters — 72% — of consumers said they [plan to shop](#) with small businesses online or in person over the holidays, up from 65% last year. Similarly, the survey found that 61% of holiday shoppers voiced their intention to shop on Small Business Saturday, whereas only 56% said they would shop on Black Friday. SMBs would seem perfectly poised to take advantage of a unique growth opportunity this holiday season.



Share of consumers who plan to shop for the holidays with small businesses online or in person in 2023



Share of consumers who planned to shop for the holidays with small businesses online or in person in 2022

Source: Walk-Morris, T. Nearly three-quarters of holiday shoppers plan to buy from small businesses: survey. Retail Dive. 2023. <https://www.retaildive.com/news/holiday-shopping-small-business-saturday-retail/699548/>. Accessed December 2023.

PYMNTS Intelligence

How Small Businesses Can Drive Big Growth This Season — and Beyond

Against a backdrop of economic uncertainty, this year's holiday shopping season has gotten off to a triumphant start. The National Retail Federation (NRF) reported an [all-time high](#) of 200.4 million shoppers during the five-day holiday weekend from Thanksgiving Day through Cyber Monday. The robust turnout exceeded researchers' [initial expectations](#) by more than 18 million. Moreover, denoting the ongoing momentum of the digital shift, online customers outnumbered in-store shoppers by nearly 13 million, rising from 130.2 million last year to 134.2 million this year.



Amid the holiday splurge, a confluence of factors is signaling strong potential gains for small businesses. The same week witnessed high consumer awareness of and interest in shopping with [small retailers](#) for the giving season. At the intersection of two growing trends — buying online and shopping small — lies a digital payments opportunity for SMBs that is too important to be missed. By embracing and leveraging new payments technology, small businesses can unlock this treasure trove.

PYMNTS Intelligence

SMBs rely on the holidays to thrive all year.

According to a recent survey, the holiday season is the most crucial time of year for [small businesses](#), as this is when they are most likely to acquire new customers. The survey found that 75% of small retailers lean on their holiday sales to meet annual revenue targets, with nearly an equal share — 73% — obtaining at least one-fourth of their annual revenues from holiday customers.

Consumer retail spending is on track to [top pre-pandemic levels](#) this season, offering small businesses an unprecedented opportunity to make up annual revenues this quarter. However, making the most of the season requires an effective year-round strategy for customer attraction and retention. Recent research indicates that a review of the checkout experience is an essential part of SMBs' strategies to ensure they are doing all they can to seize — and keep — the holiday fervor.

Small retailers lean heavily on holiday sales to make up their annual revenues.



75%

Share of small retailers that rely on their holiday sales to meet annual revenue targets



73%

Share of small retailers that receive at least one-quarter of their annual revenues from holiday shoppers

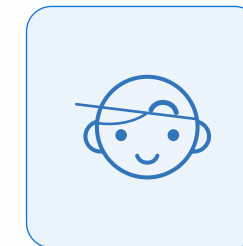
PYMNTS Intelligence

The holidays are a pivotal time for SMBs to assess their checkouts.

Recent research shows that offering [online payment options](#) is vital to small businesses today, especially given the current dramatic shift to payment methods such as digital wallets and BNPL — as illustrated over Black Friday weekend. The research indicates that 62% of brick-and-mortar SMBs believe their ability to survive and thrive in the future depends on having an online presence. Furthermore, 82% of SMBs say that payments and the checkout experience are critical to obtaining new customers. An even higher share — 86% — believe these features are important to retaining existing customers.

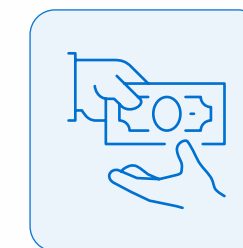
However, a newly released poll by GoDaddy finds that shoppers in general — and Gen Zers and millennials in particular — view [SMB websites](#) as less convenient than larger stores' sites. Payment choice and ease are cited as the major shortcomings. Approximately three-quarters of both Gen Zers and millennials said they would buy more often from small businesses that provided a wider array of payment and delivery options.

Specifically, 85% of Gen Z and 82% of millennial consumers said they value contactless methods such as Tap to Pay for making online purchases, while nearly one-third of small businesses said they do not accept digital wallet transactions. Small businesses that overlook such options in their checkouts are likely to lose business — or fail to secure it in the first place. Those that keep on top of these preferences and include them in their checkouts, meanwhile, stand to convert holiday customers and keep them all year round.



85%

Share of Gen Z consumers who say it is important for small businesses to accept contactless digital payments



27%

Share of small businesses that say they do not accept digital wallet payments

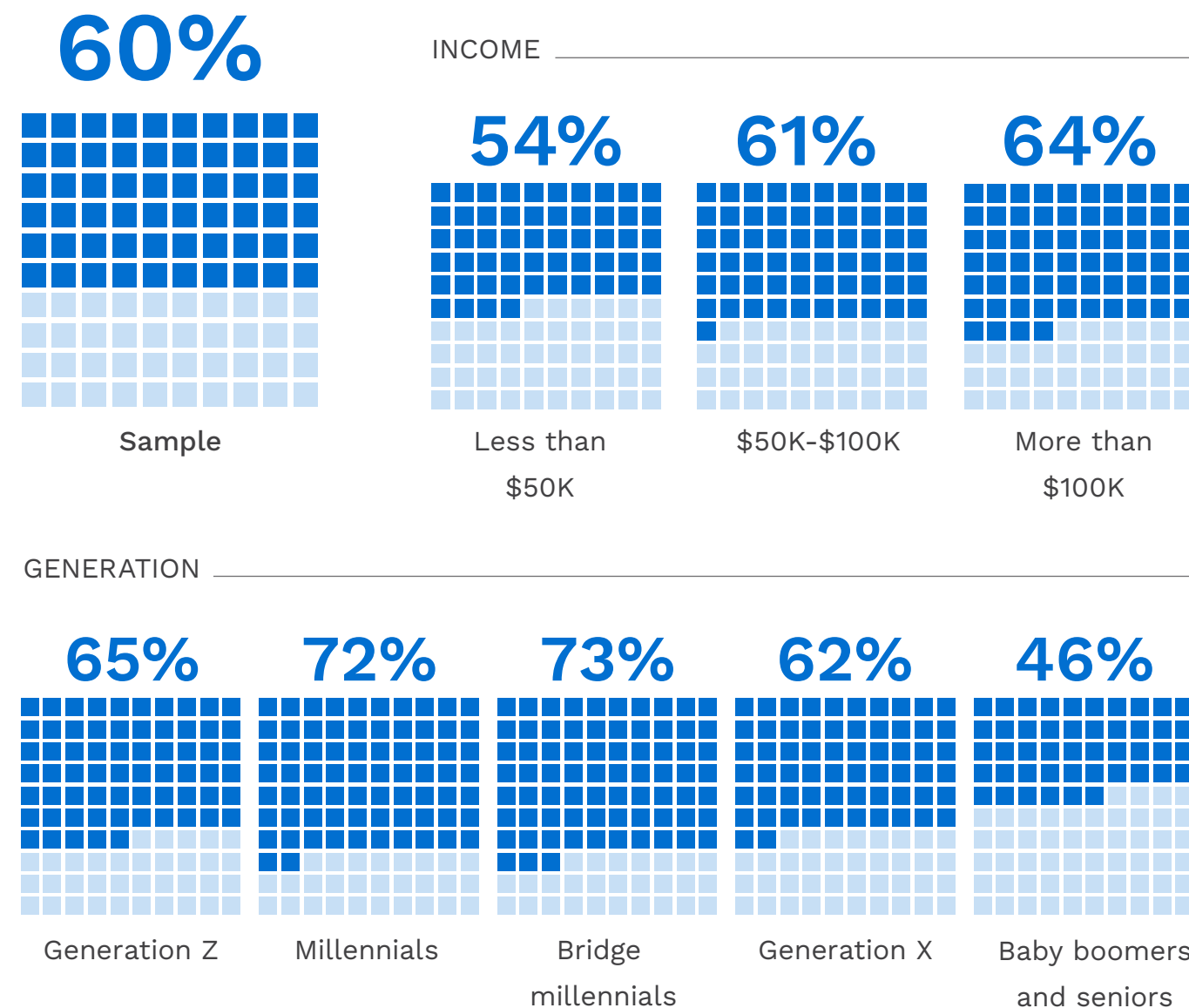
Chart of the Month

Installment Plans Go Mainstream as Holiday Shopping Gets Underway

Once considered a niche payment method, [installment plans](#), including BNPL, have entered the mainstream, according to a recent PYMNTS Intelligence survey. The survey found that most consumers choose installment plans at least occasionally, with 60% of the sample having used any type of installment plan in the past 12 months. Usage is predictably higher among younger generations, including millennials and bridge millennials, but interestingly, it is also higher among upper-income brackets, defying the usual assumption that these plans appeal mostly to those who cannot afford alternatives. The greater-than-average usage of installment plans by high-income earners indicates a lucrative opportunity for small businesses looking to harness the trend with BNPL offerings.

Installment payment plan usage

Share of consumers who have used any type of installment payment plan in the past 12 months

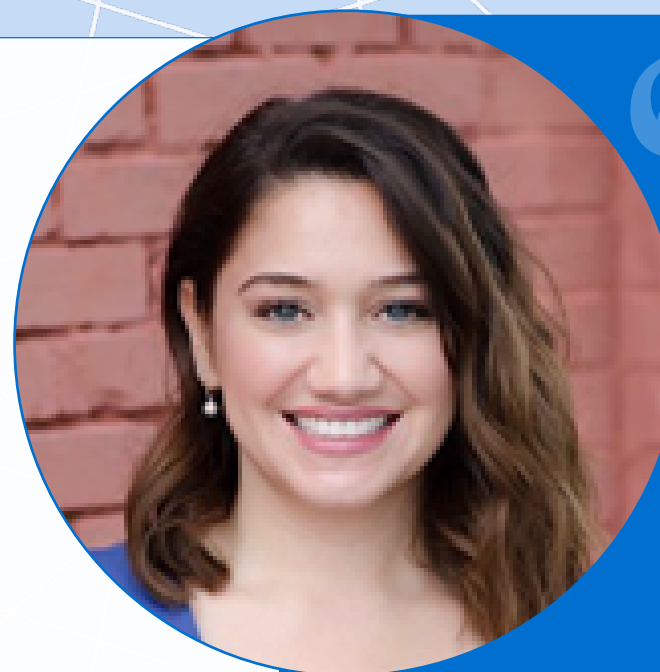


Source: PYMNTS Intelligence
 Installment Plans Becoming a Key Part of Shopper’s Toolkit, September 2023
 N = 2,859: Whole sample, fielded Aug. 8, 2023 – Aug. 12, 2023

Insider POV

Seize the Season: How SMBs Can Leverage Payments Technology to Thrive All Year

PYMNTS Intelligence interviews Christina Wagner, Senior Vice President of Strategy and Transformation at [Worldpay from FIS](#), about how SMBs can tap into the current holiday spirit to flourish in the new year — and thereafter.



“For a small business, a strong digital presence is a must. Businesses need to think about how to connect the consumer experience from in-store to online so they are not missing any opportunities for growth.”

worldpay
from FIS

CHRISTINA WAGNER

Senior Vice President, Strategy and Transformation

It's the most wonderful time of the year — but it's also the most crucial one for small businesses. The surge of holiday shopping this year presents a significant opportunity for SMBs to gain ground, according to Wagner. First and foremost, she noted, this season's digital boom makes an online presence critical for small businesses.

Insider POV

“This is where commerce is happening now, and it’s growing,” she told PYMNTS Intelligence. “For a small business, a strong digital presence is a must. Businesses need to think about how to connect the consumer experience from in-store to online so they are not missing any opportunities for growth.”

Small businesses must ensure they can offer diverse payment options online. This is especially vital now, she explained, as Worldpay from FIS’ [2023 Global Payments Report](#) found that digital wallets have taken the lead over credit cards as the preferred payment method in eCommerce.

“We have seen a strong increase in card-not-present payments, with the preference shifting to digital wallets,” Wagner said. “Connecting the dots through an omnicommerce approach will be key.”

To take that approach, SMBs will want to partner with a payments provider that can help support a unified shopping experience from end to end.

While an omnicommerce strategy may seem daunting to small businesses, there are many roads to achieving it. For example, Wagner observed, having a digital presence does not mean a small business must have a website to capture online sales.

“There are many resources to help businesses create an online presence, whether through an online marketplace or a storefront, so SMBs should not be intimidated by this challenge and risk missing out on potential growth,” she said.

Instead, she advised, it’s essential for small businesses to review consumer payment preferences and stay attuned to changes and trends. This awareness is especially important as consumer price sensitivity drives low- or no-interest financing payments such as BNPL rapidly into the mainstream.

“As we continue to see every day, payment preferences are changing — quickly,” she said. “Alternative payment methods continue to grow and certainly need to be considered in a small business’s strategy.”

Insider POV

Above all, SMBs must never lose their identity as community businesses, Wagner contends. This identity is a strength, even against the stiff competition of eCommerce giants. She recommends that small businesses capitalize on their strong community ties by staying engaged and present in person, both locally and via social media platforms. Partners and influencers can help create a buzz within the community, driving traffic and sales.

“Small business owners should tap into their distinctive personalities and ensure their brands resonate with their core values, stepping back and reflecting on how they impact their communities locally and globally,” Wagner said. “Collaborating with local organizations and influencers that align with your values can reinforce consumer loyalty and increase growth opportunities.”

This collaboration includes curating unique offerings, sourcing local products and communicating transparently about the community impact and the positive aspects of supporting local businesses. Doing so, she believes, fosters trust and strengthens the emotional connection with customers.

As challenges such as high inflation and interest rates persist, moreover, small businesses should be bold about pursuing a strong financial footing. SMBs should explore options for lending and working capital beyond those of traditional financial institutions, Wagner said.


“We will continue to see the digital transformation evolve, with payments playing a central role today and into the future. By implementing a unified shopping experience through omn-commerce, embracing digital payments and funding innovations, small businesses can navigate uncertainty and position themselves for success,” she concluded.

What's Next

Record Holiday Spending Predicted by Year's End

According to major retail forecasts, holiday spending is on track to break all previous records by the end of this calendar year. The NRF, which defines the holiday season as Nov. 1 through Dec. 31, has [projected](#) record holiday sales during the period, totaling anywhere from \$957.3 billion to \$966.6 billion — a 3% to 4% increase year over year. This represents a return to pre-pandemic levels of holiday sales growth.

Online shopping is expected to drive much of that growth, with online sales increasing 7% to 9% for a total of \$273.7 billion to \$278.8 billion, up from \$255.8 billion last year. Consumer price sensitivity will also remain a factor as inflation and high interest rates continue, solidifying the place of options such as BNPL in consumers' spending toolkits. As the season unfolds, it offers both exciting opportunities and challenges to small businesses to up their digital games to meet the new retail landscape. Those that succeed will have the future in their hands.



“Small businesses bring communities together and rely on their support, especially during the crucial holiday season. In fact, **\$0.68 of every dollar spent at a small business in the U.S. stays in the local community.** We recently celebrated the 14th annual Small Business Saturday, and we continue to see small businesses exploring various ways to build customer loyalty — from offers to rewards programs.”



FELICIA PRINCIPE

Vice President of Brand & Cultural Platforms

About

PYMNTS INTELLIGENCE

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

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