Malaysia Airlines aims to help air travel take off with buy now, pay later options

How merchants can boost consumer spend by tapping digital wallets and other preferred payment methods

Janet St. Paul Studio On How Seamless Booking, Contactless Payments Can Engineer Digital-First Consumers’ Loyalty

JULY/AUGUST 2021
An overview of how consumer spending is increasing as society reengages with the physical world and how retailers can seize this opportunity to drive more traffic both in stores and online

Feature Story
Feature Story: An interview with Janet St. Paul, owner of hair salon Janet St. Paul Studio, about how offering seamless online booking and speedy contactless payments can help engineer loyalty from today’s digital-first consumers

News & Trends
The latest headlines from across the new connected economy, including how digital-first consumers are turning more often to mobile shopping and Malaysia Airlines’ foray into buy now, pay later to attract more travelers

Deep Dive
An in-depth analysis examining how retailers can leverage digital and contactless purchasing options to fuel more sales as consumers gear up to spend in the new connected economy

About
Information on PYMNTS.com and American Express

Acknowledgment
The Seizing The Digital-First Retail Renaissance Report is done in collaboration with American Express, and PYMNTS is grateful for the company’s support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.
WHAT’S INSIDE
Reopening within a new connected normal after consumers have spent more than a year largely housebound may not be as easy as flipping a switch, but shoppers are clearly eager to spend as the economy continues to revive. Commerce is picking up, with consumers of all ages — especially millennials, bridge millennials and Generation Z — expressing renewed interest in traveling, dining out and living as they did prior to March 2020. This signals a potential boom for the tourism, restaurant, entertainment, beauty and fashion industries, to name a few, as vaccination rates rise across the United States and consumers look to make up for lost time.

The past 16 months have also driven consumers to adopt a more connected mindset, with the online habits they acquired during their time at home permeating every aspect of how they shop and pay. Giving these new digital-first consumers access to the connected payments and purchasing capabilities they want, including contactless and real-time payment options, will therefore play a critical part in winning their business in the future — for eCommerce and brick-and-mortar retailers alike.

**ACROSS THE DIGITAL-FIRST RETAIL ECOSYSTEM**

Consumers are ready to reenter the world, and their eagerness is reflected in their spending habits. Fifty-four percent intend to splurge on “going out” clothes now that they have opportunities to show them off, and 59 percent plan on buying new accessories to add to their wardrobes as well. Many more are expected
to increase their spending on beauty products and travel tickets over the next six months as restrictions lift and mass vaccination rollouts continue.

Consumers are unlikely to purchase the items they need to prepare for these next few months of freedom in the same way they might have prior to March 2020, however. Many have acquired a strong preference for contactless and digital payments over the last 16 months, and retailers both on- and offline will need to provide these payment options if they want to convert more sales. Sixty-nine percent of consumers who now use digital wallets say they have been shopping more often since they began using them, in fact, and 54 percent say they spend more at merchants that accept digital wallet payments.

Even airlines are adding new payment capabilities to meet consumers’ rapidly shifting preferences. Malaysia Airlines recently announced a partnership with buy now, pay later (BNPL) provider Fly Now Pay Later, for example, to allow more consumers to take advantage of this window of opportunity by spreading out the costs of their vacations and — it is hoped — helping the travel industry bounce back in the process.

For more on these stories and other headlines from across the connected economy, read the Report’s News and Trends section (p. 12).

**How can small businesses, especially those in the beauty and wellness realm, best prepare to deliver digital-first payment experiences as they see foot traffic climb in their physical stores?**

“Over the last year, consumers have become even more used to seamless digital checkout experiences. Consumers are excited to come out of lockdown for many reasons, including the ability to shop at their favorite local retail spots. What they don’t want to experience is friction at checkout. They expect to be able to complete their purchase at a physical location almost as easily as they did online. It’s important as a small business owner to embrace multiple forms of payment to satisfy the customer. This can include continuing to encourage contactless payments with customers’ cards of choice or digital devices and having visible signs in-store to make them aware that they [are available].”

**ANTONIO GAGLIARDI**

Vice president of strategy, product and analytics
American Express
HOW CONTACTLESS PAYMENTS CAN DRIVE BEAUTY CONSUMERS’ ENGAGEMENT, LOYALTY

Consumers have been returning to brick-and-mortar stores in recent months, but their in-person interactions with their favorite retailers, stylists or other beauty service providers have irrevocably shifted due to the pandemic’s impacts. Today’s consumers are used to digital conveniences after spending over a year handling everything from their grocery shopping to buying their beauty products online. Many individuals are welcoming back the personal touches of in-person experiences at retailers or service-based locations like hair salons, but they still expect the convenience and seamlessness of digital booking and payment. In this month’s Feature Story (p. 9), Janet St. Paul, owner of Austin, Texas-based hair salon Janet St. Paul Studio, explains why salons and other beauty retailers must work to streamline booking and payments to meet the contactless preferences of today’s digital-first consumers.

DEEP DIVE: TRANSLATING DIGITAL AND UNATTENDED RETAIL DEMAND INTO HIGHER SALES

Consumers are making their triumphant returns to brick-and-mortar stores, but their newfound preference for connected commerce in all its forms is here to stay. This heralds a permanent transition to digital shopping that even brick-and-mortar businesses will need to accommodate if they hope to keep their competitive edge. This month’s Deep Dive (p. 17) explores how mobile and contactless payment options can help retailers convert more customers as they ramp up reengagement with the physical retail world.
Seventy percent of consumers would be willing to spend more on their purchases if it meant being able to buy them using an unattended shopping option.

Half of all consumers reported traveling for personal reasons less often in the immediate aftermath of the pandemic’s onset.

Seventy-two percent of bridge millennials use their mobile devices to make purchases from their favorite retailers.

Fifty-seven percent of consumers would choose where to shop based at least in part on whether they have the right mix of digital payment options.

Sixty-three percent of consumers plan to keep using contactless payments permanently, even after the risk of infection has subsided.
The events of the past year fundamentally changed the way consumers visit salons or similar businesses. Thirty percent of the industry shut its doors nationwide due to the pandemic’s impacts, according to Janet St. Paul, owner of Austin, Texas-based hair salon Janet St. Paul Studio. Consumers are scheduling hair and beauty maintenance less frequently because of these closures as well as financial worries, so every part of the customer journey, from booking to payment, must be seamless for the continued success of salons. St. Paul implemented digital booking solutions and contactless payment tools to ease any potential friction points.

“The minute the pandemic hit, we were scrambling really hard to get all of our retail online immediately,” St. Paul said in a recent interview with PYMNTS. “That was one big change, [and] then [we had to] get a shopping mode up online as well, so we use Shopify, and that made a huge difference. ... The other thing that we love is being able to store credit cards in our [salon] software and then also [supporting] contactless checkout.”

Enabling consumers to pay with tools such as mobile wallets or tap-and-pay cards is essential for salons or other beauty and wellness businesses as they look to meet consumers’ changing retail expectations.

**ENGAGING DIGITAL-FIRST BEAUTY CUSTOMERS**

A significant number of retailers in other industries have adapted to consumers’ newfound preferences for digital experiences by...
moving away from brick-and-mortar entirely — an approach that does not work for the hair and beauty industry. Hair appointments need to take place in person, and the pandemic has only enhanced consumers’ desire for the personalization and pampering that goes along with beauty experiences, St. Paul explained. Hair salons must work to match consumers’ desires for comfort and convenience with the finicky parts of the experience, such as finding the right time to book appointments or paying for a service, she said.

The studio therefore offers online booking through third-party salon software Rosy, which allows it to keep customers’ cards on file and to make contactless payments via mobile wallets or apps such as Apple Pay once their appointments are complete. The convenience this brings to the experience is key to keeping digital-first consumers satisfied, she said.

“[Consumers] like that their cards are stored,” St. Paul said. “They like that they can book online. Some of our busiest times when they book online are 10:00 [p.m. and] 11:00 p.m., and you can tell it is when the kids are [asleep] or they have done their work, they have finished all their calls, they finished dinner and they are like, ‘Oh, I have to make an appointment.’ It is all about convenience.”

Offering contactless payments is also an important component of fostering relationships with beauty customers when they walk into the salon. Consumers who have shifted to touch-free payments during the pandemic have grown accustomed to their speed and ease of use. Keeping pace with consumers’ new payment needs is critical, as the changes the pandemic brought to the beauty and wellness space will likely remain for the foreseeable future, St. Paul said.

THE FUTURE OF BEAUTY AND CONTACTLESS PAYMENTS

St. Paul does not expect consumers to return to their pre-pandemic ways of interacting with beauty or other service-based retailers anytime soon — nor does she expect contactless payments’ popularity to fade. What many consumers are expecting out of their relationships with retailers has irrevocably changed, and this will drive further adoption of touchless payments and other emerging technologies, she predicted.

“I think as those social behaviors change, people are going to be looking to technology, especially payments, because they are going to be forced to have more online engagement, and that is when the service portion gets bumped up to a different caliber,” St. Paul said.

It remains to be seen how the beauty industry will evolve over the next few years, but maintaining a sharp awareness of consumers’ shifts in the face of global events will help encourage customers to return to salons and beauty retailers. The industry will need to keep a close eye on how consumers are interacting with new payment methods and devices to stay agile in the days ahead.
Digital-first commerce developments

AIRLINES EYE BNPL AS TRAVEL INDUSTRY RECOVERS

The travel space has begun to see revitalized interest from would-be jetsetters in recent months, prompting airlines to examine how they can entice new customers to book their services. Malaysia Airlines is among those turning to BNPL methods in the hope of engaging more travelers. The airline announced a new partnership with BNPL provider Fly Now Pay Later that will enable the former’s U.K. customers to use an installment payment option to book their flights, though at a steep APR of nearly 30 percent.

The aim is to provide customers with more flexible payment options to reduce cart abandonment by thrifty travelers, which was a persistent problem before the start of the global health crisis but increased significantly over the last year, according to travel executives. Examining how BNPL and other alternative payment solutions could ease customers’ minds as they look to book travel is likely to be a key focus of airlines and other travel firms over the course of the next few years.

RISING VACCINATION RATES PUSH UP IN-STORE SHOPPING

Retailers looking to support flexible payments must also provide them regardless of channel, including inside brick-and-mortar stores. Online shopping rates skyrocketed over the past year, but that does not mean customers have completely abandoned in-store shopping. Consumers still prefer in-person shopping in many markets, with only 9 percent
of individuals globally claiming they will now shop exclusively online.

One factor that still appears to be keeping shoppers away from physical stores is their vaccination status, with unvaccinated customers largely planning to eschew in-person purchases until they receive their vaccines. Fifty-seven percent of consumers globally plan to lower their in-person shopping volumes until that point. This shows that in-person shopping will still have a notable place in retail despite the past year’s rush to online channels among customers worldwide.

CONSUMER SPEND LIKELY TO INCREASE AS IN-PERSON RETAIL SEGMENT REOPENS

Rising vaccination rates and the revitalization of brick-and-mortar retail may also entice consumers to increase their spending. Key retail categories such as beauty, clothing, footwear and travel are expected to see spending ramp up over the next six months, and merchants must be prepared to meet consumers across all channels. Equal shares of consumers in one recent survey — 80 percent — claimed both that they prefer to shop online and that they miss the in-person shopping experience. A further 74 percent of individuals said they are seeking out flexible payment options when browsing, especially with retailers. Making such options available is therefore key for merchants as they seek ways to keep consumers engaged.

EU CONSUMERS CITE LASTING PREFERENCE FOR eCOMMERCE SHOPPING

Brick-and-mortar shopping rates are unlikely to ever return to their pre-pandemic levels, however, despite rising interest in returning to physical stores. Many of the consumers who flocked to eCommerce sites over the past year plan to continue shopping online first. Seventy-four percent of European consumers do not plan to decrease their online shopping levels now that they are able to visit stores in person, and consumers are also reporting greater preferences for digital payment methods when they do visit brick-and-mortar retailers. Eighty percent of individuals plan
to pay with a digital wallet such as Apple Pay, Google Pay or PayPal in the next 12 months.

Consumers are also becoming more invested in how they pay for their goods, with 60 percent of European shoppers claiming they would abandon their online shopping carts if their preferred payment methods were not available. This comes as interest in other digital-first payment solutions, such as QR codes and biometric-linked payments, is also rising, indicating that merchants must pay careful attention to how consumers’ payment needs and preferences are changing.

**Shifting digital-first payment preferences**

**DIGITAL-FIRST CONSUMERS ARE TURNING MORE FREQUENTLY TO MOBILE**

Shoppers globally are following this same pattern, with one recent survey finding that nearly 63 percent of consumers in Australia, the U.K. and the U.S. reportedly do the bulk of their buying online. These consumers are also transacting more frequently via their mobile phones, with almost 67 percent noting they had bought goods through their smartphones at least once in the month prior to the study. Optimizing their digital shopping channels to run smoothly on mobile should thus be a key focus for merchants moving forward.

Retailers should also be examining the expanding role mobile phones may play inside their brick-and-mortar stores. Consumers are utilizing digital wallets to make their payments more often, with these methods quickly becoming shoppers’ preferred way to make purchases. Thirty-five percent of online shoppers reported digital wallets as their favored payment method, compared to 28 percent who said the same in March 2020. Those who prefer to tap their phones in stores nearly doubled during that time, rising from 12 percent in March 2020 to 22 percent by November.

**Accelerating contactless and P2P payment use**

**MOBILE WALLET USE PROMPTS HIGHER CUSTOMER SPEND**

Digital wallet users are also shopping more often and spending at higher volumes than users of other payment methods, according to another report, which means that supporting them could help merchants boost their revenues while also gaining consumer loyalty. The report surveyed consumers in nine countries, including Australia, Brazil, Canada, Germany, India, Mexico, the Netherlands, the U.K. and the U.S.

Sixty-nine percent of digital wallet users reported shopping more often once they began to use the payment method, while 54
percent admitted they spend more money at merchants that support such wallets or other digital payment methods. The top retail segments for digital wallets include online-only retailers, grocery stores and mass merchandisers, according to the report. Figuring out how to support this preference could be key for retailers in these segments as more consumers become digital-first shoppers.

**2020 SEES ADVANCE IN ALTERNATIVE PAYMENT USE**

Consumers wary over public health and safety risks eschewed cash, check or card payments in favor of contactless methods, and this adoption is likely to increase over the next several years. Touchless payments still represent a growing niche, with debit by far the most popular transaction method for U.S. consumers over the past year. Thirty-five percent of consumers agreed that these cards were their preferred way to pay. The share of consumers who prefer to buy with plastic cards has declined, however: Only 28 percent of shoppers said they want to pay with plastic, compared to the 30 percent who said the same a year prior.

The use of touchless mobile wallets, especially P2P methods, has simultaneously risen, showing that consumers are becoming more comfortable with contactless methods. Millennials and Gen X consumers in particular reported they are now using P2P payment options more frequently than they did before the events of the past year. Forty-six percent of millennials cited paying with P2P methods more often, compared to the 23 percent of this generation who said the same a year ago.

**RETAILERS LOOK TO EMERGING TECHNOLOGY TO KEEP CONSUMERS ENGAGED**

Retailers are aware of how the past year’s events have advanced consumers’ preferences for digital-first features and payment tools. Fifty-eight percent of retail professionals said the global health crisis pushed technology-related products forward at their organizations, for example. These include tools that utilize either augmented or virtual reality, both of which are becoming more familiar to shoppers. Thirty-one percent of consumers have tapped these technologies when buying goods such as household products or furniture.

Consumers also indicated rising interest in digital tools that enable them to shop more seamlessly in stores, including “scan-as-you-go” and smart technologies. Forty percent of shoppers said that these and similar tools were among their top desired features for in-store shopping experiences, indicating that such capabilities may play a key role in the future of digital-first retail.
Ninety-seven million: That is the number of U.S. consumers who switched one routine activity — from shopping to banking — to an online channel in 2020. As America returns to in-person work and stores open fully, the impact of the digital shift remains. Today’s consumers are driven by convenience as well as value in their merchant choices, and their interest in the former impacts every aspect of their retail preferences, from how they shop to the ways they pay for goods and services.

Recent PYMNTS research indicates that 57 percent of consumers choose to do business with merchants at least partly because they offer the right mix of convenient digital payment options. Consumers who choose innovative digital payments on a regular basis are often just as convenience-focused when it comes to abandoning their shopping carts. Forty percent of consumers who prefer to pay with digital wallets would not purchase from merchants that do not accept digital wallet payments, and the same is true for the 34 percent of consumers who prefer paying with QR codes, according to another PYMNTS report. Merchants that are unable to accept newer digital payment methods not only may cause unnecessary friction at checkout for convenience-focused consumers but also may permanently lose them as customers.

The following Deep Dive examines how merchants can leverage payment innovations to capture consumer spend as society reopens under a new connected normal.

**DIGITAL-FIRST PAYORS WANT DIGITAL CONVENIENCE IN-STORE**

Digital wallet users are unsurprisingly early enthusiasts for innovative retail experiences such as unattended retail. A recent PYMNTS survey found that 78 percent of digital wallet users are interested in making unattended, nontraditional purchases using their digital wallets, with 70 percent willing to pay more for the privilege of using an unattended retail shopping option. Cash and credit card users followed digital wallet users in their interest in unattended retail experiences at 40 percent and 34 percent, respectively.

Research from the National Retail Federation shows that 94 percent of retailers anticipate that consumer demand for contactless payments will continue to increase through 2021, as nearly 60 percent of consumers in a recent poll reported that they would continue their use of contactless and mobile payments in stores even after the health crisis recedes.
This raises the bar for retailers, as significant shares of their most engaged consumers — bridge millennials and those with higher incomes — want access to digital and mobile wallets as well. Bridge millennials take 18 shopping trips per year to buy apparel and accessories alone, spending an average of $2,225 annually, demonstrating the potential value retailers could capture if they offered this group’s preferred payment methods.

Recent PYMNTS research revealed that the majority of bridge millennial (64 percent), middle-income (54 percent), high-income (53 percent) and Gen X (53 percent) consumers made a purchase using a digital wallet at least once during Q4 2020. Additional PYMNTS research shows that 72 percent of bridge millennials used their mobile devices to shop with their favorite retailers.

**CONSUMERS’ PAYMENT PREFERENCES ARE AN ENGAGEMENT OPPORTUNITY FOR RETAILERS**

Consumers’ interest in specific digital payment options has a meaningful influence on their merchant choices for both in-store and online shopping, and that influence is likely to increase. PYMNTS’ research shows that 10 percent more consumers used digital wallets to pay for in-store and online purchases in September 2020 than they did in June 2020, for example. Consumers were also 7 percent more likely to use QR codes to make purchases and 27 percent more likely to be paying via...
point-of-sale credit options in September 2020 than in June 2020. Another recent PYMNTS study revealed that 63 percent of consumers want retailers to adopt contactless payment options permanently.

Retailers are sensing an increase in demand for innovative payment options as well. According to a recent survey from American Express, six out of 10 merchants have seen a marked increase in the number of consumers requesting contactless tap-and-go or mobile app payments at checkout, and three out of four report seeing contactless payments as a way to make in-store checkouts safer for consumers and employees. An additional American Express survey revealed that consumers are now more motivated than ever to try new payment options. Consumers reported that they were more likely to use a contactless payment option (35 percent), digital wallet or merchant app (39 percent) now than before 2020. Thirty-one percent of consumers are less likely to use cash again to make a payment.

Retailers cannot afford to ignore consumer interest in digital wallets and other convenient payment methods if they want to inspire and sustain customer loyalty. As consumers increase their adoption of convenience-focused digital payment options, merchants will be required to innovate in response or risk alienating their audiences.
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 companies in payments share relevant information about the initiatives that make news and shape the future of this dynamic sector. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovations at the cutting edge of this new world.

American Express is a globally integrated payments company, providing customers with access to products, insights and experiences that enrich lives and build business success. Learn more at americanexpress.com, and connect with us on Facebook, Instagram, LinkedIn, Twitter, and YouTube.

Key links to products, services and corporate responsibility information: charge and credit cards, B2B supplier center, business credit cards, travel services, gift cards, prepaid cards, merchant services, Accertify, InAuth, corporate card, business travel, and corporate responsibility.

We are interested in your feedback on this report. If you have questions, comments or would like to subscribe to this report, please email us at feedback@pymnts.com.
The Seizing The Digital-First Retail Renaissance Report may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS.COM MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED “AS IS” AND ON AN “AS AVAILABLE” BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS.COM SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY. PYMNTS.COM RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS.COM SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS.COM HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATION’S ARE PROVIDED BY PYMNTS.COM AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS.COM is the property of PYMNTS.COM and cannot be reproduced without its prior written permission.