



Carat from fiserv.

Spring 2024

Carat Insights

Table of contents

- 03 Introduction
- 05 Driving Consumer Choices
- 08 In-Person is Back in Style
- 10 Retailer Apps are Driving Customer Loyalty
- 12 Debit and Credit Lead Online, Consumers Still Use Cash in Person
- 14 The Rise of Pay by Bank
- 16 Health, Wellness and Integrated Experiences
- 18 The “Platformization” of Business Creates New Opportunities





Consumer choice matters: Increased options promote more purchases

If there's one word that describes today's marketplace, it's choice. Fueling these choices is an ever-evolving purchasing environment that provides more consumer access and payment options than many ever thought possible.

Specifically, consumers have the freedom to choose where they buy, how they shop, how they pay and much more. Look at how the process of purchasing a pizza has evolved over the years. Consumers used to either call in an order, or go in store to pay with cash. They could pick up their pie, dine in or even have it delivered with some brands.

Today consumers are at the helm of their experience, leveraging tech to make ordering a pizza a customizable and seamless experience. Consumers are gaining control over how they order their pizza (in-store, website, pizzeria app, third-party app like Door Dash), where they eat it (in-store, at home), how they pay for it (cash, credit, debit, mobile wallet, gift card) and the loyalty points they'll receive from it.

And merchants are using technology to provide unparalleled service. Domino's, for instance, is touting "pinpoint delivery" a feature within their app that allows customers to order fresh pizza to an exact location anywhere inside their delivery zone, including pools, parks and more.

In today's retail environment, consumers have the power of choice.

The Spring 2024 Carat Insights report takes a deeper look into what consumers say are driving their purchasing decisions and what merchants can do to improve sales, loyalty and customer experiences.

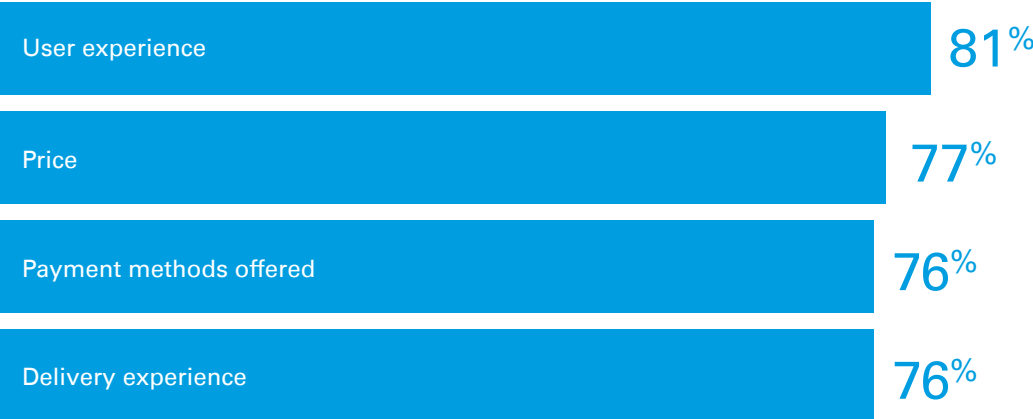


Driving consumer choices

User experience and price are among the leading restaurant purchase drivers

While consumers assess numerous factors when deciding where to eat, user experience and price are often the cornerstones of their choice. Restauranters should prioritize these areas to keep customers engaged.

Factors driving restaurant purchases



Consumer dining patterns are evolving through choice. When ordering meals, customers can mix and match digital and physical interactions, whether that's buy online, pick up in-store (BOPIS), buy online and pick up at the drive-through, order online for delivery or even good, old-fashioned order at the counter and dine in. Consumers are choosing the habits that best complement their lifestyle.

These options result from restaurants diving deeper into digital and the growth of third-party apps, such as DoorDash and Uber Eats. These third-party apps create more choices for consumers and make it easier to evaluate service, price and other key variables.

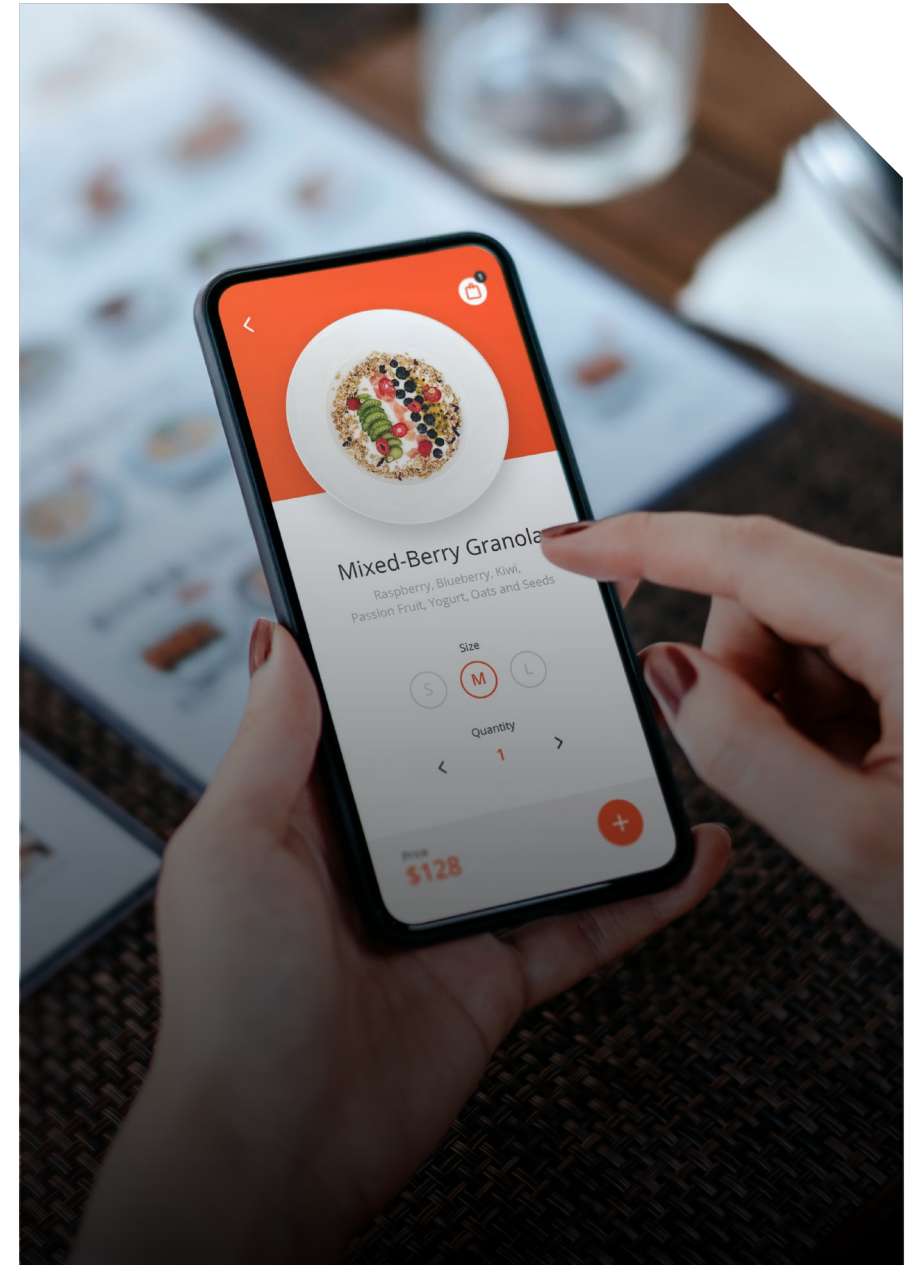
Consumer insights show that user experience and price are key at 81% and 77%, respectively. In fact, they are top reasons consumers choose ordering directly from a restaurant's proprietary app rather than through a third-party platform.

Other important reasons include the payment methods offered and the delivery experience – both at 76% – and supporting the restaurant instead of an outside delivery service at 75%.

To stand out, restaurateurs must listen to the needs and preferences of customers.

A robust, intuitive and engaging app can drive a great experience.

Since consumers are creatures of habit, it's no surprise 72% of respondents ranked habit as important. This is crucial information for restaurants to ensure a good user experience, since doing so with high-income diners can create long-term loyalty. One way to drive this experience is optimizing restaurant apps.



For merchants with an app, consider asking customers what they like and dislike about it and make changes accordingly. After all, if they're fumbling through the app or part of the experience isn't intuitive, they're likely to give business to more customer-focused brands. Consider incentivizing customers with loyalty rewards or freebies for their input.

For merchants thinking of launching or overhauling an app, see what can be learned from restaurant giants, like Chick-fil-A and Starbucks. Both chains keep customers engaged through personalization, strategic push notifications and special offers.



The goal is to show your customers that you care about their interactions.

In-person is back in style

Consumers are returning to physical stores

During the pandemic, buy online, pick up in-store (BOPIS) options surged in popularity as consumers looked for safe ways to shop. Although BOPIS remains popular, its usage in some industries has declined, particularly in the retail and grocery industries, where shoppers prefer the in-store experience.

Retail and grocery shopping tendencies





Although omnichannel shopping is prevalent within the restaurant sector, including fast-food, when it comes to shopping, many consumers tend to shop and buy through the same channel. Specifically, 55% of consumers shop and buy in-person weekly at retailers, while 65% of them do the same at grocers.

While in-person shopping reigns supreme, shopping and buying online is the next most frequent choice, as 33% of consumers shop and buy at retailers and 28% at grocers weekly. This

reveals a moving trend in which consumers are shopping in-store or online but not mixing the two.

With these trends in mind, merchants should optimize their online and physical presence to meet consumer expectations, including clearly showing online and in-person promotions and making checkout as seamless as possible.

Whereas retail and grocery shopping are trending toward in-store or online, restaurants are operating in a more omnichannel fashion. While 68% of

consumers have ordered in person and dined in at least once a month or more, ordering online and then dining in continues to drive sizeable revenues. For example, 36% of respondents order ahead directly from restaurant's app/website and dine in and another 28% order ahead from a third-party app/website and dine in.

These results show that merchants need to prioritize their single/omnichannel presence based on their market.

Retailer apps are driving customer loyalty

Personalized, in-app reward programs enhance the consumer experience

Ease of use and loyalty programs are among the top reasons consumers use retailer apps, with rewards influencing both app usage and shopping decisions.

Important app features, according to consumers



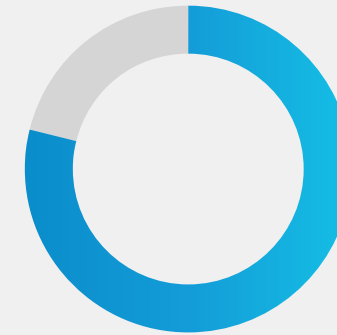
Retailer apps remain popular among consumers, with 61% of respondents actively using them. Usage is most frequent amongst Millennials, with nearly a quarter using retailer mobile apps at least weekly. The prevalence of apps across all industries and consumers' penchant for them make apps a brand must-have.

Whether downloading new merchant apps or installing updates to their favorites, consumers value their apps' ease of use (84%) and ability to connect to loyalty programs (76%). It's important to remember that consumers want a memorable experience and are prone to repeat habits, so apps should be developed in a way that allows users to quickly access what they need. For instance, the Kroger app highlights past purchases, making it easier to find your favorite items and promotional offers.

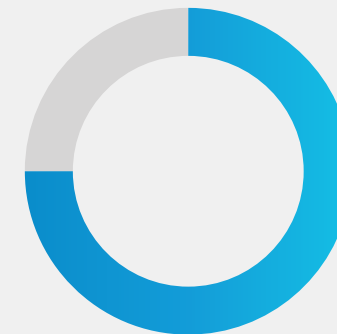
While ease of use will help with shopping and payments, the growth of loyalty programs cannot be overstated, especially since nearly three-fourths (73%) of consumers deem these programs important, compared with two-thirds (67%) in 2023. Consider how to capitalize on loyalty programs by focusing on personalization and exclusivity. This can include app exclusives that reward patrons for continued usage and bonus points for money loaded into an app wallet.

The continued rise in loyalty programs and their impact on shopping is yet another example of increased consumer choice. Merchants who want to gain an edge over competitors can look to attract new customers with well-designed, easy-to-use reward programs.

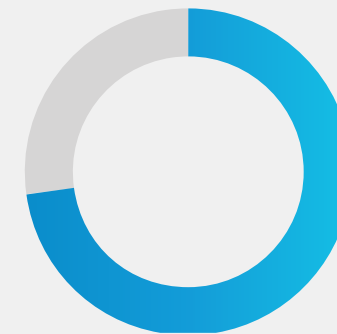
What consumers want when it comes to loyalty rewards



79%
Quantity



75%
Relevance



73%
Exclusivity

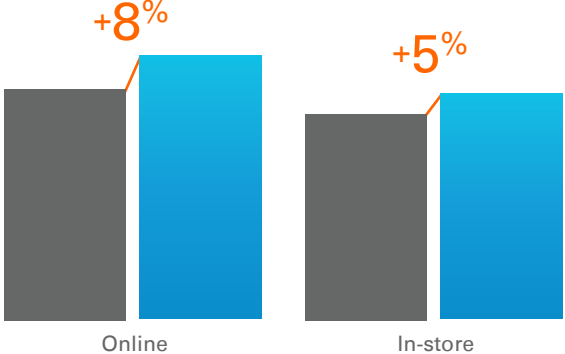
Debit and credit lead online, consumers still use cash in person

Consumers increase usage of prepaid/gift cards and BNPL payment options

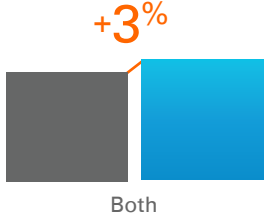
It's no wonder traditional debit cards are a popular choice for retail purchases as they enable consumers to make purchases without accruing debt. However, over a third of consumers report using buy now, pay later (BNPL) every month.

Increases in usage since 2023

Prepaid or gift cards



BNPL



While debit cards (37%), credit cards (33%) and digital wallets (15%) are the preferred methods of payment for online purchases, there's been a significant increase in the usage of prepaid/gift cards and BNPL options.

Cash may no longer be king, but 87% of consumers used cash in the past month to make an in-person payment.

A surge in online shopping over the past decade has also seen the rise of a new popular payment method—buy now, pay later. These point-of-sale installment loans are increasingly becoming popular amongst consumers as 34% say they use BNPL at least once a month. Major retailers like Walmart, Nike and Target offer BNPL options to their customers, which can be used both online and in-store.

Consumers now have access to multiple gift card loyalty program incentives with retailers like Sephora, Target and Starbucks, all of which incentivize buyers for using and reloading their points via their respective apps.

As digital payments continue to grow in popularity and preference among consumers, the role of cash for in-person payments cannot be overlooked since 87% of consumers have used cash at least once in the past month to make an in-person payment.

The continued variety in consumers' payment choices highlights the role merchants play in maximizing purchasing options for consumers while also ensuring checkout is as seamless as possible, regardless of payment type.

Therefore, look to best practices for ease of use of BNPL and gift card usage. Prominently display the BNPL option and send notifications about current and upcoming gift card promotions through your app.



The rise of Pay by Bank

Protection and security are top of mind with consumers for this trending payment option

A growing number of consumers are opting to make account-to-account payments within bill pay platforms and merchant wallets.

1 in 3

consumers pay their bills multiple times a month using Pay by Bank

7 in 10

consumers would be compelled to use Pay by Bank over other methods due to consumer protections

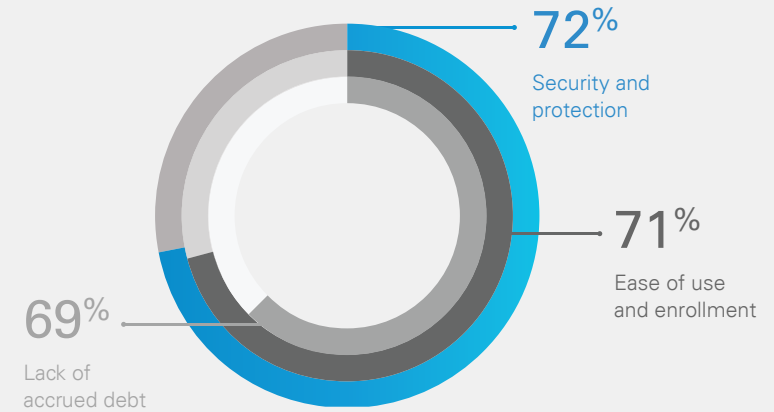


As the digital marketplace continues to grow, so do the payment options. However, this flourishing online marketplace is accompanied by consumers' cybersecurity concerns, including wariness about the safety of their PII. To combat these concerns, Pay by Bank, a payment method that allows consumers to securely share bank account information to pay for goods and services, is an alternative for online transactions.

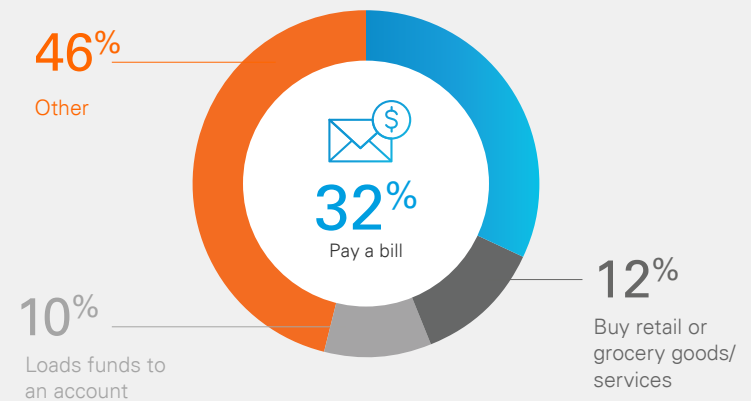
Heightened awareness is driving growth in Pay by Bank adoption, with 78% of consumers cognizant of this payment option in 2024 versus 61% in 2023. Pay by Bank is actively being used by four in 10 Americans, including one in three who use it to pay bills.

One in five consumers commented on receiving better benefits from using a reward card over Pay by Bank. To counter this perception, merchants can reinvest cost savings from Pay by Bank into loyalty programs that deliver more value to their customers.

Why consumers choose Pay by Bank



How consumers are using Pay by Bank

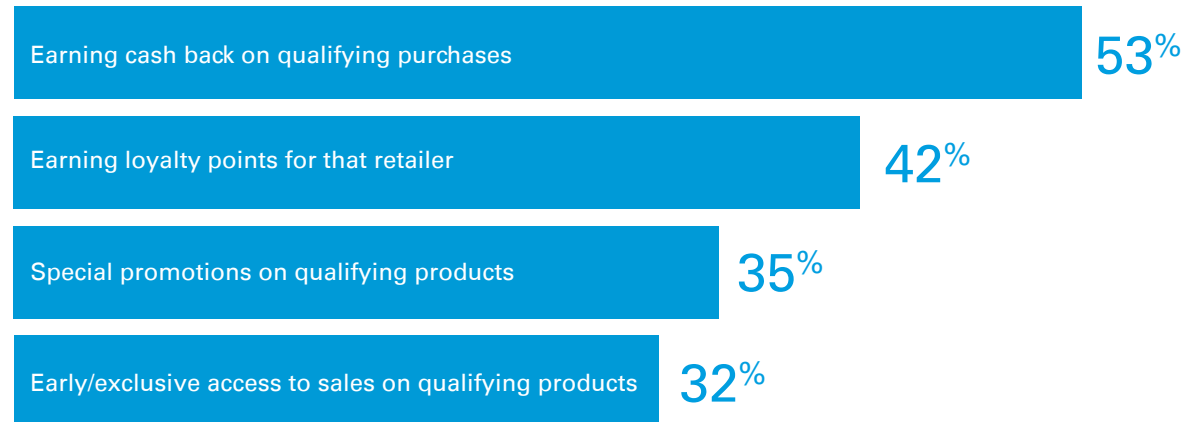


Health, wellness and integrated experiences

Rewards are a top motivator for HSA card usage

Businesses selling health and wellness products are finding that acceptance of Health Savings Accounts (HSA) payments within wallets can build customer loyalty.

Top incentives to use HSA cards at a specific merchant or pharmacy:





Providing HSA balance transparency is key for consumers, as the ability to check an HSA card's balance within a merchant's or pharmacy's app (68%) or at the point of sale (POS) within a physical store (67%) would likely increase their card's usage.

Since consumers are increasingly choosing to prioritize health and wellness in their day-to-day lives, merchants can appeal to them through expanded offerings and promotions for HSA card use.

Additionally, rewards like cash back and loyalty points are motivators for using an HSA card at specific merchants or pharmacies. Like loyalty programs and other digital wallet incentives, rewards motivate consumers and can influence where they shop. Age can also factor in since two-thirds of Baby Boomers are incentivized to use their HSA card when a merchant offers cash back promotions for doing so.

Digital wallet usage is high among those with an HSA card. Although just 17% of consumers have an HSA card, nearly six in 10 have it loaded into a digital wallet. Millennials (24%) are most likely to have access to HSA cards, with eight in 10 of this generation loading it into a digital wallet.

In addition to digital wallets, more than half (54%) of consumers with an HSA card have uploaded it into

a retailer's app to manage payments on health and wellness purchases. For merchants that do accept HSA cards, offering features that allow full or partial payments, depending on funds, can encourage consumer use and build brand loyalty. Specifically, some merchants with digital wallets within their mobile apps offer a feature that automatically deducts a qualifying health or wellness product from a customer's HSA card or account. If needed, the consumer uses another payment method to cover the remaining balance.

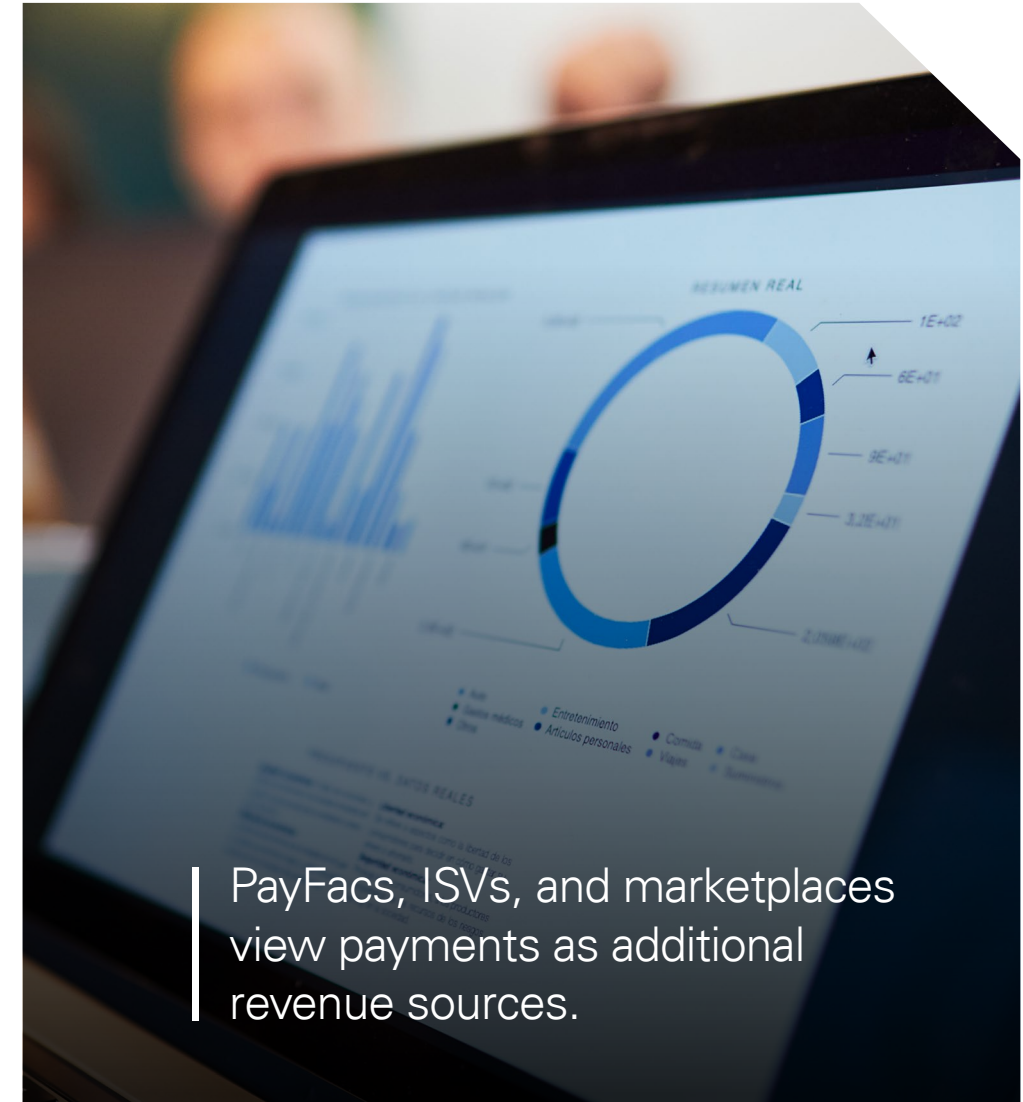
To increase purchases, merchants should highlight what products are HSA card-eligible, such as first aid kits, over-the-counter medications and mobility aids.

More research from Carat

The “platformization” of business creates opportunity across the world of payments

Technology continues to transform the way companies do business, and payments are no exception. In fact, organizations today are identifying ways to leverage software solutions to “platformize” their business, creating opportunities through embedded payments to enhance buying experiences for their customers, streamline their own operations, and create new revenue streams within their business models.

In a separate study, Platform Business Survey: The Rise of Embedded Payments, Carat from Fiserv collaborated with PYMNTS.com to look at how companies are capitalizing on this trend. Based on the insights of over 280 executives comprised of PayFacs, ISVs and marketplaces, the study explores the state of embedded payments, especially in today’s economic environment.



Key findings from the study include:

- Embedded payments are becoming 'must haves' for software companies (54%) and marketplaces (74%), which are using this digital experience to remain competitive in the market.
- In the next year, 83% of ISVs expect an increase in their revenue share derived from embedded payments and 68% of marketplaces expect an increase in revenue.
- PayFacs see an enormous growth opportunity in value-added services with three in four PayFacs offering invoicing as a key revenue driver.



[Download the full report to learn more.](#)



Carat is the global commerce platform from Fiserv that orchestrates payments and experiences for the world's largest businesses. With Carat, leading brands can unify their commerce, optimize transactions, and imagine and realize new ways to engage with customers.

 carat.fiserv.com

Methodology

Carat Insights is a regularly produced report focusing on consumer omnichannel preferences. Conducted in March 2024, the most recent report surveyed more than 2,100 U.S. consumers to form a representative sample of the U.S. population in terms of gender, educational attainment, age, race, and region.