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B2C commerce: Consumers deliver brands a reality check.

New research reveals a disconnect between brands and consumers—and five ways to get in sync.

March 2024

There's a reason we go out of our way to pop into our favorite stores or download a brand's app or bookmark its homepage. Sure, we may be looking for something specific—wide-leg jeans, a wireless doorbell camera or even a new car. But it's not only a *thing or service* we're after when we shop—it's a great experience too. And when brands deliver great experiences, it builds a kind of kinship that we reward with more frequent visits and higher spending.

Yet many brands today struggle to deliver the elevated experiences that consumers expect—*and worse, they don't realize they're falling short*. In late 2023, Deloitte Digital commissioned a research study* to understand what consumers value most in their B2C commerce experiences and how well brands are delivering on those expectations. We found that while nearly eight in 10 brands think consumers are impressed by the online commerce experiences they provide, consumers paint a very different picture. Fewer than half of consumers say they're wowed by the online shopping experience. When it comes to in-store shopping, the gulf between brand and consumer perceptions is even wider.

However, amid the disappointment in commerce, we discovered some bright beacons. One in 5 brands—we call them "commerce standouts"—is rising above the rest by leveraging strategies, capabilities and tools to dynamically adapt to customers' needs. And they're reaping quantifiable rewards. Customers estimate they spend 37% more with brands that consistently deliver positive commerce experiences. As a result, standouts report revenue growth at 2.5x the rate of other brands.

How do standouts do it? Our research found they focus on these five crucial areas:

- Continually evolving foundational commerce capabilities
- Differentiating their brand through personalization and social commerce
- Crafting return strategies that improve omnichannel connectivity
- Developing loyalty programs that prioritize ease and emotional engagement
- Harnessing technologies that can keep pace with changing needs

In this paper we'll explore how brands *across all industries* can catch up to the standouts by enhancing their commerce experiences and leaving a lasting positive impression on customers.

* *See About the research, p. 15.*

79% of brands think consumers are impressed by their online commerce experience.

Only **46% of consumers** concur.

Go from "set and forget" to "evolve and excel."

From a customer's standpoint, certain foundational commerce functions seem like they should be easy for brands to deliver. This makes it particularly frustrating when brands stumble in executing these basic functions effectively.

Take product search functionality, for instance. When Jed visits a retailer's website to shop for a cordless drill with high torque and an ergonomic grip, his keyword search generates a whopping 74 results … only a handful of which turn out to be cordless drills with high torque and an ergonomic grip. He wades through product descriptions, one by one, to determine which drills meet his criteria. When he homes in on his drill of choice and sees it's available at the retailer's location across town, he drives there only to discover it's not in stock after all.

This experience isn't unique. Our research found that only 28% of surveyed brands reported they have very easy filtering and sorting functions for product searches—and only 15% of brands said their sites produce extremely accurate site search results.

Product search isn't the only basic function falling short of customer expectations. Inventory availability based on real-time data is another sticking point. Three in 4 brands said they provide customers with good or excellent visibility on inventory availability, but fewer than half of customers agreed. In addition, our research showed that brands overestimate their ability to provide easy checkouts and proactive delivery updates.

The hitch may be that brands are treating these seemingly simple functions as set-and-forget capabilities. This mentality may lull them into overconfidence or complacency. By contrast, consumers are continuously upping and recalibrating their expectations, based on the very best shopping experiences they've had across other brands and commerce channels.

For example, a customer who bought a sweater online a year or two ago might have been perfectly happy at the time to select a sweater in their size, place it in the checkout cart and then diligently enter shipping and billing addresses, payment information and phone numbers into multiple form fields. Today, that lengthy process could irk the same customer, who's come to expect retailers to know their size already and offer seamless checkout options through a digital wallet that effortlessly autofills their information.

THE NEEDLE KEEPS MOVING ON THE "BASICS."

Basic commerce capabilities from five years ago have been eclipsed by new standards today. Brands must keep pace with evolving functionality and expectations, as these examples* illustrate.

	2019	2024
Product search / discovery	Navigation tools on brand's website were the norm.	AI-powered searches use customer data, natural language processing and dynamic filters to make personalized recommendations.
Product content (e.g., images, details)	Brands created all product content, which typically consisted of brief product copy and static photos, with limited use of 360-degree imagery.	Augmented reality (AR) features allow consumers to see products in their own environment. Consumers also increasingly expect user-generated content such as product reviews and real-life photos.
Hybrid order fulfillment	Limited rollout of buy online, pickup in-store (BOPIS); was used primarily by grocery stores and for holiday-season purchases.	Real-time inventory visibility supports a range of hybrid strategies, including BOPIS; reserve online, pickup in-store (ROPIS); and buy online, ship to store (BOSS).
Product delivery	Four- to five-day delivery windows were acceptable, even in local markets.	Free delivery in one to three hours or within the same day is now common in major markets, and customers expect real-time updates and/or GPS tracking features.
Returns	Larger marketplaces and retailers had expanded their return policies (i.e., longer windows, free returns), with online purchases generally sent back to the seller.	Customers can return items to convenient local drop-off points, using original packaging or in some cases, no packaging is necessary, as returns are aggregated.

**Table content is based on Deloitte Digital client insights.*

The same is true when it comes to expectations around in-person shopping. In an era in which virtually everything can be purchased online, brick-and-mortar stores can't merely be transactional venues. They need to be places where customers can count on finding meaningful interactions and enhanced convenience. Customers are impressed by in-store resources such as well-trained sales associates who know the goods inside and out; integrated apps and other technologies that make it easy and fast to find items within the store; and unique, on-site events where customers can interact with products tailored to local interests.

Connectivity between digital and in-store experiences is vital too. Customers don't want to squander time going to stores only to find that an item isn't available. Fifty-six percent said that filter-by-store-availability is an important feature on any brand's website and app, but only 16% of brands said they offer it.

Our research found that commerce standouts are 2x as likely as other brands to report that consumers are impressed with their online and in-store experiences. Standouts earn these positive impressions by marshaling their resources toward flexible commerce capabilities that will help them quickly respond to shifts in consumer behaviors and expectations. More than 80% of standouts, for example, said they offer multidimensional sorting and filtering features, compared to only 2% of low-maturity brands. In addition, standouts are 1.5x as likely as low-maturity brands to describe their purchase / checkout process as excellent.

As the needle keeps moving on what customers see as "basic" functions, it's vital that brands continually refine their commerce capabilities, but it can't be a haphazard approach. Our research found that brands can veer off-course by adding trendy features without assessing whether these additions align with the preferences of their target customers. For example, brands are 7x as likely as consumers to believe that augmented reality (AR) / virtual reality (VR) are important purchase drivers. What our research made loud and clear, however, is that customers aren't impressed by additional functionality unless a brand's foundational commerce capabilities are outstanding—and evolve to remain outstanding.

BRANDS OVERESTIMATE THEIR BASIC ABILITIES.

Percentage of brands that rate their abilities as good or excellent, compared to percentage of customers:

Clear inventory availability

Brands: 77% **Consumers:** 54%

Easy returns / exchanges

Brands: 80% **Consumers:** 59%

Proactive delivery updates

Brands: 78% **Consumers:** 59%

Accurate search and discovery

Brands: 79% **Consumers:** 63%

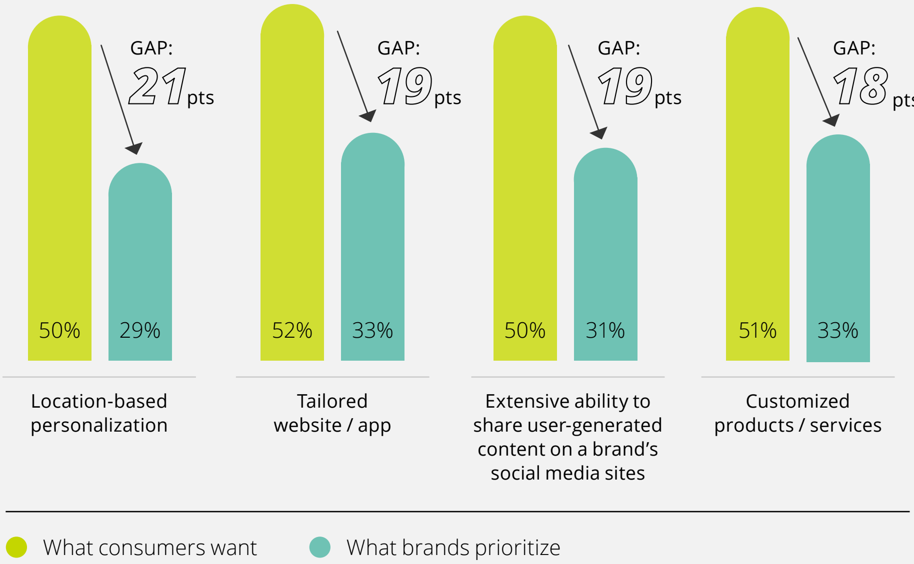
Differentiate through personalization and social commerce.

The best commerce experiences make customers feel known and understood as individuals, connect customers to communities with shared interests and tastes, and differentiate the brand by reinforcing its own "personality."

A personal care and beauty products retailer, for example, exudes its playful personality and underscores its commitment to inclusivity through its commerce channels and marketing. The retailer's app and website offer clever quizzes that help customers of all ages, genders, races and ethnicities find the right skincare, hair or makeup product for their needs. Customers are encouraged to share what they think about products on social channels—and often receive a response from the retailer that reads like it's coming from a relatable, exquisitely witty friend. The retailer also sends personalized, location-based messages when a type of product the customer may be interested in hits the market or a relevant event is happening at a nearby store or via livestream.

This example, however, isn't meant as a blueprint for all brands. The way each brand differentiates and humanizes itself through commerce should be predicated on its mission and value proposition. Unfortunately, only 26% of surveyed brands said their brand mission and values are integrated into the customer experience across all channels. That helps explain why too many commerce experiences can feel generic and undifferentiated from the customer perspective.

THERE'S A GAP BETWEEN WHAT CUSTOMERS WANT AND BRANDS PROVIDE.



Humanizing the brand is just one side of the coin. Brands also need to humanize and personalize their interactions with individual customers. To do so, they need to understand what makes a customer (or at least, hypertargeted customer segments) truly tick. However, our research found that most brands haven't adequately prioritized or invested in the personalization tools that consumers find useful. Tailored websites / apps and customized products / services are at the top of consumers' wish lists for commerce personalization. Yet only a third of brands said they prioritize these tools and tactics. Even fewer brands are focused on personalized recommendations or location-based personalization—features that around half of consumers said were helpful when shopping.

In addition, our research pinpointed demographic preferences around personalization that brands need to tune in to. For instance, Generation Z and millennial consumers are much more likely than other generations to want their commerce experiences to feel highly personalized. These younger generations are nearly twice as likely as their Generation X and baby boomer counterparts to say that virtual try-ons and size recommendations are very / extremely helpful.

Social commerce is another opportunity for differentiation that brands haven't fully realized. The kicker? Brands tend to overrate their own appeal on social platforms. While 78% of surveyed brands believed their social commerce content is engaging, only 45% of consumers agreed. The culprit, in part, is stale content. Only 28% of surveyed brands said they update it daily. Notably, standout brands were far more likely than other brands to report that they update this content daily.

Perhaps more important, many brands have yet to fully embrace the community-centric nature of social commerce. Consumers of all ages increasingly discover products and services through user-generated content (UGC), including images, videos and product reviews posted by creators / influencers they come to know and trust. Earlier Deloitte research[1] found that nearly half of consumers were more likely to trust a brand when a creator had reviewed its products. Our commerce research adds another layer to this shifting preference for content created by entities other than the brand itself: Half of all surveyed consumers also said they want to post and engage with UGC on a brand's social media pages. Yet only 31% of surveyed brands give customers real opportunities to share content through social media or apps. Standout brands are again the exception: 86% give consumers extensive abilities to share content, suggesting that "sharing the pen" is giving these brands a boost.

86% of commerce standouts give consumers the extensive ability to share content, which suggests that "sharing the pen" is giving these brands a boost.

Harnessing existing data in combination with new technologies can give brands a leg up on both personalization and social commerce. Generative Artificial Intelligence (GenAI) and AI-powered chatbots, for example, can enable brands to provide tailored product recommendations based on their demographics, browsing behavior and purchase history. An AI-powered chatbot can even make it easier for customers to post content on the brand's social pages, by suggesting imagery or even autocompleting details about the product. The key is to use and train technologies in ways that remain true to your brand's mission, values and voice.

Get a return on returns.

Artificial Christmas trees in January, large-screen TVs after the Super Bowl, sundresses after summer wedding season[2]—these are just the tip of a growing iceberg when it comes to product returns. Thirty percent of surveyed consumers said they returned more products in 2023 than they did in 2022, with millennials and Gen Zers leading this trend.

Brands are feeling the economic toll. In our research, 40% of brands reported that a high rate of returned purchases negatively impacted their business "a great deal" in 2023. Consumers, however, appear unlikely to curb their return habits. More than two-thirds of customers say they check a brand's return policy before they make a purchase. What are they looking for when they evaluate a return policy? More than three in four said free returns and immediate refunds are musts.

Brands that try to stamp out returns by charging restocking fees or disallowing returns on discounted items risk alienating customers. One in 3 consumers surveyed said they will quit a brand because of a return policy they didn't like—and this stance is even more pronounced among younger consumers. Gen Zers are 2x as likely as baby boomers to quit a brand because of issues with its return policy.

That's why brands would do well to flip the script on returns by leveraging customers' behaviors to work in their favor. By extending more generous return policies to customers who are willing to have more "skin in the game" through usage of the brand's credit card or active participation in its loyalty program, brands can secure and retain customer loyalty. Our research found that over half of surveyed consumers are willing to enlist in a loyalty program to receive free return shipping. Additionally, 1 in 4 will make the purchase using the brand's credit card if it earns them free return shipping.

In addition, more than half of surveyed consumers cited convenient drop-off locations for returns and the option of returning online purchases to physical stores as very or extremely important. Brick-and-mortar stores have an obvious advantage

Gen Zers are 2x as likely as baby boomers to quit a brand because of its return policy.

here, as they've long allowed free returns and immediate refunds, not to mention convenient locations for returns. However, many brands with a physical presence need to capitalize on technology to fully seize this advantage by improving their omnichannel connectivity to ensure that an in-store return is a viable and appealing option. Not only are returns less expensive and less prone to fraud when they're processed on-site by sales / service associates, they drive foot traffic and therefore create opportunities for the brand to "save the sale." Instead of outright returns, for example, consumers can check out a different size, color or model and exchange the item rather than return it for a refund—or better yet, they'll spot additional items they can't live without.

By improving omnichannel strategies and promoting higher participation in loyalty programs and branded credit cards, standout brands see and understand their customers' preferences and behaviors more clearly, which in turn enables them to foster deeper bonds and affords more opportunities to make product recommendations and ultimately drive stronger revenues.

RETURN POLICY MUST-HAVES.

Percentage of customers who cite the policy element as very or extremely important.

78%
Free returns

75%
Immediate refund

65%
Convenient drop-off locations

60%
In-store return option for online purchases

Make loyalty programs simple, with transparent options.

Loyalty programs are popular across all customer ages and household income levels, with 7 in 10 surveyed consumers citing membership in at least one program. Beyond the points and perks, these programs can play a crucial role in deepening brand connections with customers. They drive preference, encourage frequency, and make customers feel seen and appreciated. Other Deloitte Digital research conducted in July 2023 showed that 75% of consumers spend more and engage more frequently with brands with which they're a loyalty member.[3]

Yet as loyalty programs have proliferated and evolved, brands have potentially overcomplicated their programs with a dizzying array of features and functions that leave customers confused about what they're getting in return for joining the program. And it's not just consumers who are spinning. It's brands too. Only 19% of surveyed brands described their own loyalty program as very easy to understand.

Our research found that customers want answers to three key questions: What is the reward? What do I need to do to earn it? How do I redeem it? When asked about different types of loyalty programs, 61% of consumers said they valued programs with cash-like rewards. Only 22% said they valued points-based programs or experiential rewards, and fewer than 10% found partnership, gamification or charitable programs appealing.

The most successful loyalty programs are designed with customer interests and values squarely in mind. Brands need to evaluate the activities and rewards that their target customers care about participating in or receiving—or may even be willing to pay for. Some brands may determine that a fee-based membership program allows them to provide the high-end service or rewards that their customers value. Other brands may decide that a free program that provides rewards based on purchases or other behaviors suits their business goals and their customers. A hybrid program may be the right choice for other brands, in which both fee-based and free tiers are offered, each with proportional benefits.

Across any program design, there should be a single point of information about their point balances or redeemable rewards. Better yet, brands should consider programs that proactively tell members when they have rewards available to spend so that members don't have to remember to check their balance. Another litmus test for brands would be to ask sales associates to explain the immediate and long-term benefits of the program. If they can't do it in one or two sentences, it's fair to say that it's not simple enough.

61%

of consumers want simple, cash-back loyalty programs.

19%

of brands describe their own loyalty program as very easy to understand.

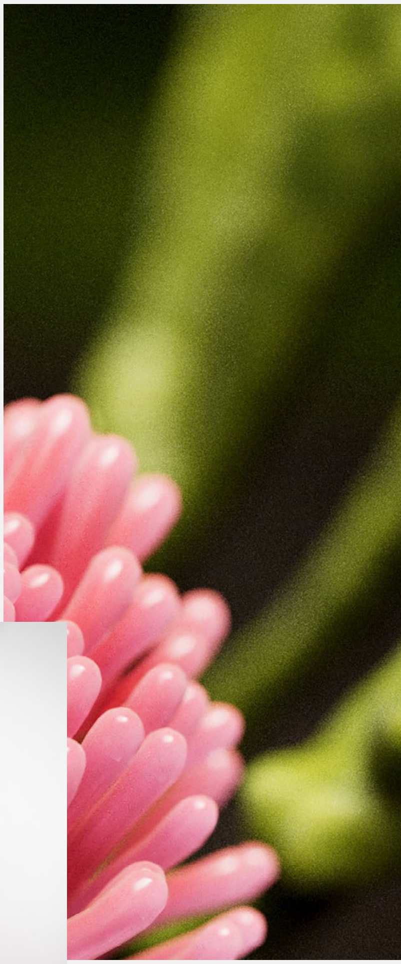
This focus on clarity and simplicity—and strong consumer preference for cash back—doesn't mean there isn't a role for innovative loyalty programs that go beyond monetary rewards to offer a well-rounded customer experience. Prior Deloitte Digital research on loyalty programs[4] found that forward-focused brands are introducing partnerships with complementary brands to create connections that go beyond their direct interactions. They're also uniting loyalty members around shared causes and interests to reinforce a sense of belonging and community. For example, a clothing brand might offer loyalty rewards for sustainable behavior like returning used clothing to be remade into new items. Or calling attention to local volunteer opportunities that customers can join.

Likewise, when it comes to improving emotional engagement with customers, the concept of transparent optionality that's gained momentum in customer service[5] proves relevant for loyalty programs too. In hybrid loyalty programs particularly, brands should be intentional about the basic vs. exclusive levels of options they offer and transparent about what each option costs. For example, an athletic clothing brand might offer a premier tier membership with exclusive access to live online exercise classes, a personal shopping assistant and early access to new merchandise to customers willing to pay an annual fee, while offering a free tier to members who simply want to earn cash-like points based on their purchases. Either way, each customer enjoys an experience that is meaningful and appropriate to them.

Commerce standouts are hitting all the right marks with their loyalty programs. They are 6x as likely as all other surveyed brands to offer loyalty programs that are very easy to understand. Their programs tend to have a clear and intuitive structure, with a seamless user interface. Beyond this, standouts were also 6x as likely to say their loyalty programs allow members to earn rewards in many ways and provide strong emotional engagement.

Harness technologies that can evolve with your brand.

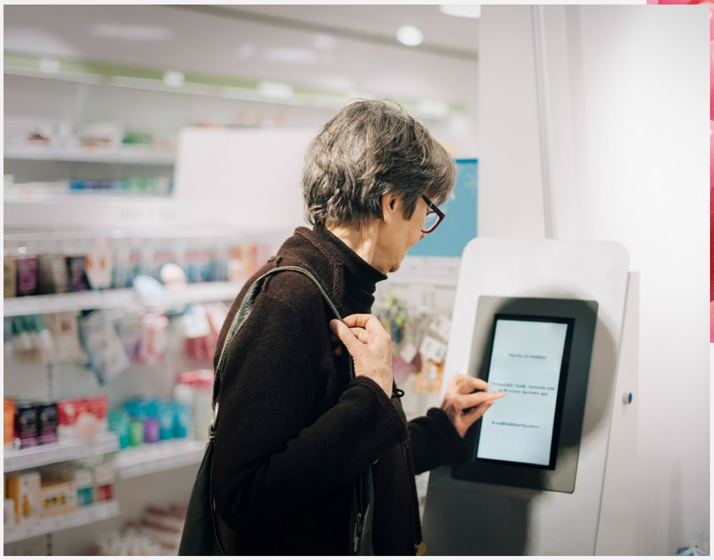
Brands across industries are pouring dollars into their B2C commerce capabilities. On average, surveyed brands reported they planned to increase those investments by 12% in the coming year—a substantial uptick from the previous year's 6% year-over-year increase. Our analysis helps reveal where those dollars could make the biggest splash in solving customer needs and business objectives.



However, it's crucial to recognize that money alone can't close the gap between customer expectations and current realities—it demands strategic thinking too. Brands must candidly assess friction points and bottlenecks in their customers' shopping journeys—particularly in the foundational aspects of commerce. Think frustrating product searches, opaque inventory status, clunky checkout processes, vague shipping notifications, disparities between online and in-store experiences, and so on. Addressing these pain points requires the implementation of technologies with the agility to stay in sync with ever-evolving customer needs and business objectives.

Our survey indicates that many brands are beginning to align with this approach. A strong majority are investing in a composable commerce ecosystem. This technology architecture allows brands to rapidly and economically add, replace or scale best-in-breed commerce features from multiple tech heavyweights. This adaptability is a strategic asset as customer expectations and competitive environments shift. For example, as new payment options emerge—be it mobile point-of-sale, biometric or SMS payments—brands can rapidly integrate many different payment gateways through composable architecture.

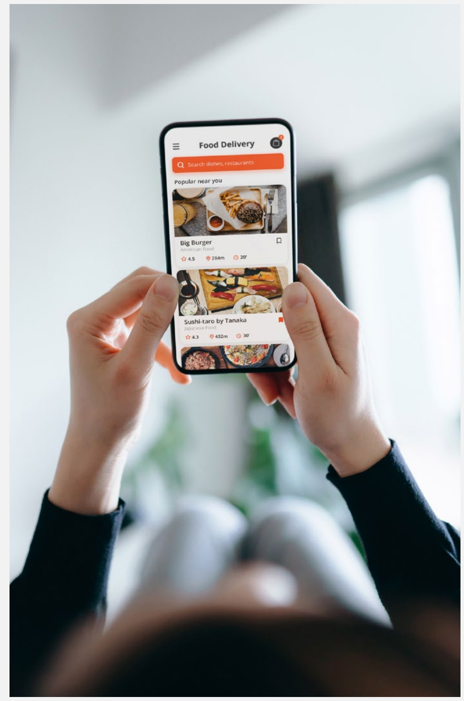
AI emerged as another investment priority across all industries, with nearly all surveyed brands reporting that they've invested or plan to invest in AI-enhanced commerce. One key area where we've seen brands apply AI in commerce is leveraging these



tools to pilot personalization tactics in a cost-effective way. For example, Deloitte Digital recently developed a tool that helped an automotive company pilot the use of GenAI to tailor imagery and copy in its social marketing campaigns. This pilot program allowed the company to experiment with new personalization tactics, without having to invest in a new personalization platform or dedicate countless hours of human-intensive effort.

Most surveyed brands are also making significant investment in intelligent virtual assistants (IVAs) and chatbots that can respond to inquiries and "converse" with customers in a natural way. In these instances, AI is actively enhancing customer service by providing human agents with relevant scripts or resources and by powering chatbots that can swiftly get to the core of a simple problem and resolve it for customers. Other areas where we're seeing AI have an impact on commerce include product search and dynamic pricing.

The bottom line on commerce technology investments? Keep an unwavering focus on customer experience. Eschew the allure of flashy distractions and construct agile capabilities that genuinely enhance customers' ability to buy from you. This approach is sure to not only drive better experiences for customers but also stronger commerce revenues for your brand.



TOP TECHNOLOGY INVESTMENTS VARIED BY INDUSTRY.

AI-enhanced commerce
Highest priority for travel / transportation*

Intelligent virtual assistants / chatbots
Highest priority for automotive, consumer goods, hospitality, telecom and travel / transportation*

Composable commerce
Highest priority for hospitality* and retail*

Headless commerce
Highest priority for media and retail*

** Some industries indicated two top investment areas.*

Conclusion.

The way people shop online and in-store looks and feels different today than it did a few years ago, in both subtle and transformative ways. Think of the explosive growth of voice-search commerce,[6] the rapid omnipresence of mobile payment options and the ubiquity of AR-based apps that help customers see items in a real-world context.[7] These once-revolutionary features are now relatively commonplace. No doubt tomorrow will bring more novel, efficient commerce capabilities that improve customers' experiences—and swiftly establish new benchmarks that become must-haves for market competitiveness.

As our research underscored, the most resilient brands recognize the imperative for continuous refinement of their commerce tools and tactics. Standout B2C brands are faster than low-maturity brands to respond to shifts and consumer preferences—with 89% reporting they can quickly respond, compared to just 33% of low-maturity brands. How? Smart tech and people investments in the crucial areas that our research uncovered: the "basics," personalization, social commerce, returns and loyalty programs. Along the way, they're also creating powerful synergies between online and in-person experiences.

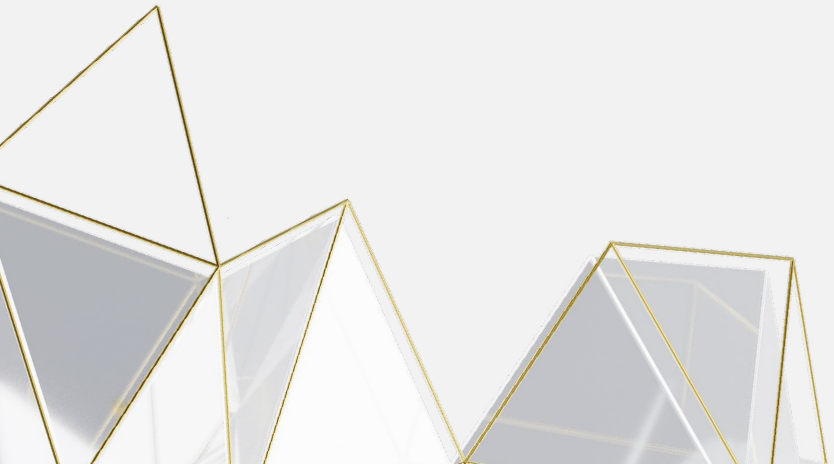
While these standout B2C brands are currently the exception rather than the norm, they provide a tangible blueprint for any brand aiming to better deliver experiences that meet and exceed customer expectations. Ready to measure up? Ask yourself:

1. How often does my organization refine our basic online commerce capabilities like product search, inventory availability and checkout to make them more efficient and seamless?
2. Do we have personalization strategies in place that differentiate our brand?
3. Is user-generated content part of our content strategy, and is our company equipped to cultivate it?
4. Are we turning product returns into a business advantage by leveraging in-store returns and/or loyalty and credit card programs?
5. Does our loyalty program offer customers rewards that are easily understood, as well as opportunities to emotionally engage with the brand?
6. Are we investing in technologies that help our commerce teams keep pace with evolving priorities?

COMPARED TO LOW-MATURITY BRANDS, B2C STANDOUTS ARE REAPING THE BENEFITS OF THEIR TACTICS AND STRATEGIES:

2.5x

higher annual revenue growth.



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ABOUT THE RESEARCH

The research was conducted by Lawless Research on behalf of Deloitte Digital from September 14 to October 19, 2023. The brand survey was based on the blind responses of 550 executives in a commerce-related role at US-based business-to-consumer companies with 1,000 or more employees and revenues of $100 million or more. The maturity model identified standout (top 18%), medium-maturity (middle 63%) and low-maturity (bottom 19%) brands based on analysis of seven areas of self-reported commerce capabilities and effectiveness. The consumer survey was based on the blind responses of 1,000 US-based consumers who had purchased a product or service online in the past 60 days, with a representative distribution across generation, gender, race and ethnicity, and household income.

GET IN TOUCH

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