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Fiserv

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From Rideshare, Music Streaming, And Food Delivery: The Global Rise Of Digital Goods And Services

Regional And Demographic Trends Driving Global Cross-Border Commerce

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Executive Summary

Digital goods and services — which include any nonphysical item or service purchased online (see Figure 1) — represent a crucial element of the eCommerce market. With an estimated three times the purchase rate of traditional physical goods, online retailers need to be prepared to deliver positive purchase experience at scale. To do so, they must truly understand their customers' needs, which vary drastically by region and demographic. If they are unable able to support those varied needs, online retailers risk losing customers to a vast global ecosystem of competitors, and can miss out on the fastest growing segment in online retail.

In May 2019, First Data, now Fiserv, commissioned Forrester Consulting to evaluate the nonphysical/digital goods and services market and how purchase rates differ by region and demographic. Forrester conducted an online survey of 6,115 online adults ages 18+ in 15 countries to explore this topic.

KEY FINDINGS

› **Nearly three quarters of online purchases are digital goods and services.** Based on the findings of this study, Forrester estimates that approximately 74% of online purchases are digital goods and services, as opposed to physical.

› **Digital goods and service purchase rates differ substantially between regions and demographics.** The digital goods and services market is not a singular entity. Our study found that there are vast differences in the digital goods and services that countries and demographics purchase regularly. For example, we found that: 1) Malaysians used ride sharing services more than five times more often than Germans in the past 12 months and consumers in India download by far the most music of any country we studied, but stream it the least.

› **Price, security, and lack of payment options are consumers' biggest pain points and online retailers' biggest challenge.** When making online purchases of digital goods, consumers cite price, security, and availability of preferred payment options as their most important factors for purchase. Approximately 74% of consumers cited security as a key concern when purchasing digital goods. However, online merchants are consistently failing to meet these needs. Price, security, and availability of preferred payment options are also the three areas consumers cite where online retailers most often provide negative experiences.

› **After having a negative shopping experience, 57% will stop shopping at an online merchant/cancel a service entirely.** The consequences of a negative experience has severe implications for online merchants. The majority of consumers will stop shopping at a digital store entirely or cancel a subscription, and almost half (47%) will leave a negative review or tell a friend about the bad experience.

Understanding The Digital Goods And Services Market

While much of the discussion surrounding online retail revolves around physical goods and the ways in which digital stores are disrupting traditional brick and mortars, digital products and services actually represent a considerably larger portion of the online retail market. In order to survive the new age of online retail, eCommerce merchants and suppliers need to adapt to the evolving needs of the marketplace. Based on a study of 6,115 online adult consumers, Forrester estimates that nearly three quarters of online purchases are of nonphysical goods. Additionally, the purchasing behaviors of customers differ significantly by demographic and region, adding to the complexity of eCommerce marketing and strategy. Without a proper understanding of the complex nuances of customer segmentation, online retailers will struggle to keep up with competitors.

In this study, Forrester looked at online segments from the following 12 countries/regions: Australia, Argentina, Brazil, India, Mexico, Malaysia, North America (US and Canada), the Philippines, Scandinavia (Denmark, Norway, and Sweden), and the United Kingdom. We also examined four different age groups: Linksters (ages 18 to 23), Socializers (ages 24 to 37), the MTV Generation (ages 38 to 53), and Maturists (ages 54+) (see Figure 2).

For the purpose of this study, Forrester focused on purchase rates of three key categories of digital goods: on-demand services, gaming, and media subscriptions (see Figure 3).

Figure 1

"What are digital goods?"

Non physical items purchased online include:

- On-demand services
- Media subscriptions/games
- Digital media (e.g., songs, movies, eBooks)
- Computer software
- Mobile apps
- Vacation/travel bookings
- Event tickets
- Online betting

Forrester estimates that nearly three quarters of online purchases are digital goods.

Figure 2

Four Demographic Groups

Linksters	Socializers	MTV Generation	Maturists

Linksters	Socializers	MTV Generation	Maturists
Age 18-23	Age 24-37	Age 38-53	Age 54+
Born 1995-2001	Born 1981-1995	Born 1965-1981	Born 1965 or earlier

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Figure 3

On-demand Services	Media Subscriptions	Gaming
1. Malaysia	1. Argentina	1. Argentina
2. India	2. Mexico	2. Germany
3. Brazil	3. North America	3. Brazil
4. Mexico	4. Malaysia	4. Malaysia
5. UK	5. Brazil	5. India

On-Demand Services

Our study found that the market of on-demand services — e.g., ridesharing, restaurant and grocery delivery, personal and business services, and home sharing — is the fastest-growing category we examined in the world of digital goods sales (see Figure 4). Consumers, on average, made 31 purchases in this area in the last 12 months, and 71% of consumers spent the same or more on on-demand services this year compared to last. However, still only 31% of consumers actually made an on-demand service purchase in the last 12 months, so, there is still a massive amount of room for this market to grow.

On-demand services as a whole significantly differ in usage by demographic and country. They are most popular in Malaysia, India, and Brazil and are less popular in Germany, Scandinavia, and North America (see Figure 5). However, we found particularly interesting differences in two specific services, ridesharing and restaurant delivery.

Figure 4

Types Of On-demand Services

- Ridesharing
- Home-sharing/travel rental
- Restaurant delivery
- Meal delivery services/grocery shopping
- Personal/household services
- Business services

Figure 5

Average number of on-demand services used over the past 12 months by country

Category	Australia	Argentina	Brazil	Germany	India	Mexico	Malaysia	North America	Philippines	Poland	Scandinavia	United Kingdom
Ride sharing	6.96	6.91	10.19	2.37	10.73	10.16	13.17	5.98	8.96	6.12	2.45	4.58
Home sharing/ travel rental	1.64	1.56	2.13	1.11	2.60	1.92	3.42	1.82	1.48	2.21	1.12	3.89
Restaurant delivery	8.82	9.06	10.20	2.76	8.24	8.29	8.26	4.73	7.19	8.08	2.90	9.01
Meal delivery/grocery shopping services	6.37	8.33	9.07	2.29	6.70	8.46	8.32	5.97	6.34	5.83	3.44	8.47
Personal/household services	4.24	1.89	4.43	1.28	8.58	3.85	10.31	3.56	3.22	2.88	1.64	3.85
Business services	2.31	2.09	2.31	1.80	8.69	3.73	5.18	3.49	1.20	2.08	1.91	4.35

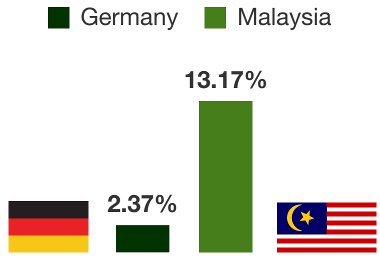
RIDESHARING

Ridesharing is the most commonly purchased on-demand service, but it also has the most nuance and variation by country. Ridesharing is unique among on-demand services due to its heavy dependence on local regulation, public transportation infrastructure, and support for local payment methods. Our study found differences by both region and demographic groups:

- **Regional differences stem from external factors like public infrastructure and regulation.** In Malaysia, consumers used a ridesharing service an average of 13.2 times in the last 12 months compared with just 2.4 times in Germany (see Figure 6). Malaysian Socializers used ridesharing an average of 20.5 times last year. In Germany, public transportation includes harmonized schedules between suburban rail lines and urban subway lines and pricing is based on zones for improved interoperability. Superior public transportation quality, in combination with regulations — like the one requiring drivers to have professional chauffeuring licenses — have limited ridesharing success in Germany. Malaysia's struggling public transportation system, on the other hand, presents a market opportunity for ridesharing. Additionally, in Malaysia, local ridesharing companies successfully beat out larger international services with superior support for cash-based payments for both users and drivers.
- **Ridesharing is most popular among young professionals globally.** As readers might expect, ridesharing is most commonly used by Socializers (11.8 per year), who use ridesharing nearly twice as often as Linksters (7.3) and the MTV Generation (6.4) and over three times as often as Maturists (3.6).

Figure 6

Average Number Of Annual Ridesharing Purchases



Base: 6,017 online consumers
Source: A commissioned study conducted by Forrester Consulting on behalf of First Data, now Fiserv, commissioned, May 2019

RESTAURANT DELIVERY

Restaurant delivery, whether directly from a restaurant or via third-party food delivery services, was the second-most commonly purchased on-demand service this last year. Third-party food delivery services have been venture capital darlings in recent years and major players will continue to expand their reach in the years to come.

- **Regional trends of delivery usage differ greatly from ridesharing.** While there was also a good amount of variation by country, usage patterns of restaurant delivery did not mirror those of ridesharing. While ridesharing was most prevalent in Malaysia, the country only ranked sixth in restaurant delivery. Conversely, the UK ranked near the bottom in ridesharing usage, but the country was third in delivery usage. Germany and Scandinavia were consistent, with each being last and second to last, respectively, in ridesharing and delivery use. The MTV Generation used restaurant delivery more frequently than ridesharing last year, and the inverse is true for Linksters. Despite their differences today, ride-sharing and restaurant-delivery markets are converging as ride-sharing services extend their offerings with restaurant-delivery services.

- **Latin America leads the way in restaurant delivery.** Latin America has begun to dominate the on-demand services market, restaurant delivery in particular. Brazil, Argentina, and Mexico represent three of the five top countries in terms of restaurant-delivery usage. Brazil, in particular, was the top country in food delivery by a wide margin (12% higher purchase rate than the next highest country). With the convergence of factors like ease of travel and the enormous populations being concentrated within small geographic areas such as Sao Paolo and Rio de Janeiro, Brazil has the perfect recipe for on-demand service popularity — subsequently, the country has seen an explosion in popularity in this sector.

Media Subscriptions

Selling subscriptions online is nothing new. Since the late 1990s, antivirus companies have been locking consumers into two- and three-year renewal plans, and early social networks have required a paid subscription. But now, the subscription business model has gone mainstream. Digital products are now packaged and sold as online services and accessed via paid subscriptions. With these subscriptions, companies have an opportunity to build strong, long-term relationships with their customers as well as increase the predictability and profitability of their revenue. Forrester examined a range of media subscription services and found worldwide that consumers today have an average of 1.96 media subscriptions in total (see Figure 7). Argentina, Mexico, and North America lead the way with the greatest average number of subscriptions, while the Philippines, the UK, and Poland have the fewest (see Figure 8).

Figure 7

Types Of Subscriptions

- Video-streaming
- Music-streaming
- Restaurant delivery
- Audiobooks/eBooks
- Paid podcasts
- Online news/magazines

Figure 8

Average number of media subscriptions by country

Category	Australia	Argentina	Brazil	Germany	India	Mexico	Malaysia	North America	Philippines	Poland	Scandinavia	United Kingdom
Video streaming subscription	0.85	0.76	0.84	0.67	0.36	0.77	0.64	0.95	0.51	0.6	0.92	0.75
Music streaming subscription	0.49	0.53	0.6	0.43	0.31	0.53	0.54	0.49	0.47	0.38	0.53	0.43
Audiobooks/ eBooks subscription	0.2	0.29	0.29	0.23	0.23	0.28	0.34	0.26	0.26	0.25	0.21	0.2
Paid podcast subscription	0.14	0.4	0.2	0.28	0.16	0.38	0.24	0.22	0.16	0.17	0.22	0.09
Online news/magazine subscription	0.2	0.33	0.24	0.29	0.26	0.29	0.44	0.3	0.33	0.25	0.27	0.18

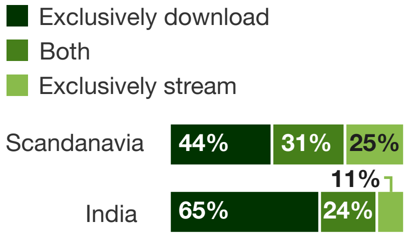
MUSIC STREAMING

Music-streaming services are becoming increasingly ubiquitous. Our study found that 34% of the global population subscribes to a music-streaming service, the second-most popular streaming service behind video.

- **Music licensing determines streaming versus downloading.** While in many areas streaming services have begun to replace music downloads, this is not true everywhere – especially in developing nations. In our survey, music downloading is most common in India, Poland, Malaysia, and the Philippines while streaming is most prevalent in Scandinavia, North America, Australia, Germany, and the UK. Among those who have made digital-music purchases, 65% of Indian consumers exclusively downloaded while only 11% exclusively streamed. Major streaming services have cited their inability to get licensing rights from the music labels that are located in India as a limiting factor for growth in the country. In Scandinavia, 44% of consumers exclusively streamed music and only 25% exclusively downloaded (see Figure 9). Digital retail has accelerated quickly over the past few years in Mexico. In fact, by the end of 2019 it will surpass Argentina to become the second largest eCommerce market in Latin America, after Brazil.[1]
- **Latin America leads the streaming market.** In Latin America, music streaming and music downloading are both tremendously popular; Brazil, Argentina, and Mexico make up three of the top four countries surveyed in terms of both downloading and streaming music. One major music-streaming service discovered the following insight, "Mexico City has evolved in a few short years from being [our] first-ever Latin American market, in 2013, to our largest listener base worldwide today."[2] This change is due in large part to an increase in spending power among Latin American consumers as well as increased infrastructure and access to high speed internet.[3]

Figure 9

Streaming Versus Downloading



Base: 6,017 online consumers
Source: A commissioned study conducted by Forrester Consulting on behalf of First Data, now Fiserv, commissioned, May 2019

VIDEO STREAMING

Video-streaming services are the most popular media-streaming service, ahead of music, audiobook, online news, and paid podcast subscriptions. Our study found that video-streaming usage is correlated to national average income. North America, Scandinavia, and Australia have the highest average number of video-streaming subscriptions, while India, the Philippines, and Poland have the fewest. Like music streaming, the market of video- streaming services is heavily dependent on infrastructure like broadband speeds, and local market nuances like distribution rights and licensing and the prevalence of piracy. However, other considerations come into play: One major video streaming service has its highest subscriber adoption in the countries where it also has the greatest number of original programming native to the country.[4]

Gaming

The gaming market has radically transformed over the past two decades. Technology advancements like mobility, cloud, and augmented reality coupled with consumer trends, such as hyperadoption and an increased willingness to experiment, have laid a foundation for gaming evolutions like augmented reality-based games and streaming platforms (see Figure 10). The gaming sector, unsurprisingly, skews very young. Forty-five percent of Linksters and 51% of Socializers made a gaming purchase in the last year, compared with just 14% of Maturists and 36% of the MTV generation (see Figure 11). Regionally, Argentina, Germany, and Brazil have made the most gaming purchases over the last 12 months, whereas Poland, Scandinavia, and the UK purchased the least (see Figure 12).

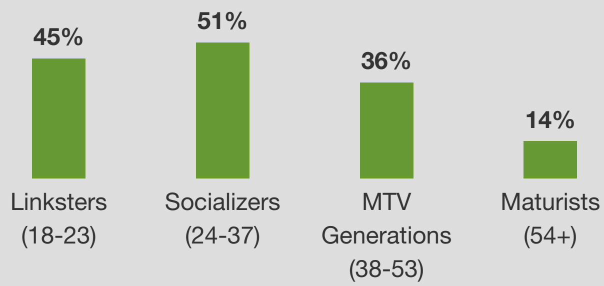
Figure 10

Gaming Purchase Types

- Mobile games
- Console games
- Mobile in-game content
- Console in-game content
- Computer in-game content

Figure 11

% made gaming purchase in the past 12 months



Base: 6,017 online consumers
Source: A commissioned study conducted by Forrester Consulting on behalf of First Data, now Fiserv, commissioned, May 2019

Figure 12
Average number of gaming purchases over the past 12 months by country

Category	Australia	Argentina	Brazil	Germany	India	Mexico	Malaysia	North America	Philippines	Poland	Scandinavia	United Kingdom
Purchase and downloaded mobile game	6.47	8.16	12.11	7.01	9.30	6.07	7.53	7.38	11.53	4.46	5.63	7.14
Purchase and downloaded console game	4.37	4.98	4.32	6.00	3.10	4.60	4.68	5.87	4.30	4.45	3.24	5.66
Purchase and downloaded computer game	4.42	7.05	5.68	6.66	6.19	4.59	7.28	4.72	3.58	4.00	3.59	4.47
Purchase in-game content for mobile game	6.62	7.35	6.03	7.63	9.11	9.11	7.34	5.71	8.16	4.24	4.84	4.90
Purchase in-game content for console game	4.45	4.85	4.40	5.46	4.09	4.51	4.77	5.40	3.52	3.19	2.52	3.83
Purchase in-game content for computer game	3.81	6.10	5.35	5.32	3.29	3.97	5.83	4.92	3.03	4.26	3.87	3.75

MOBILE GAMING

Untethered by the computer or the console, smartphones are good vehicles for intermittent gaming throughout the day or in groups while with friends and family.

› **Gaming revenue is heavily split between downloads and in-game purchases and is regionally dependent.** To reduce the barriers of adoption many mobile gaming companies leverage freemium models: offering the games to users for free while charging for in-app purchases, e.g., paid levels, tools/weapons, upgrades, etc. This leads to some regional discrepancies in how mobile gaming companies make their money. Consumers in Mexico purchase the most in-game content of any country surveyed (tied with India). However, they purchase the third fewest mobile games. Conversely, Brazil downloads mobile games at the highest rate of any country, but it is near the bottom (8^{th}/12) in terms of in-game purchases.

› **Mobile gaming thrives among lower-income consumers.** Unlike more expensive gaming systems like computers or consoles, which come with significant barriers to entry based on price, mobile gaming actually thrives in lower income countries. Two of the three lowest income nations we surveyed (Philippines and India) had the two highest purchase rates of mobile games and in-game purchases. Mobile gaming thrives in areas like southeast Asia and Latin America, where mobile commerce has become dominant — our study found that smartphones and tablets were the most common payment devices in both areas.

COMPUTER AND CONSOLE GAMING

While computer and console gaming have dropped below mobile in terms of market share, they still represent an important part of the gaming market. For both sectors, 28% of consumers globally purchased a game within the last year. The markets differ drastically by demographics and regions:

› **Computer gaming continues to be popular among younger gamers.** Despite being an older technology than mobile, computer gaming actually skews even younger than mobile gaming. In fact, Linksters purchase computer games at the highest rate of any age group (estimated over seven computer game purchases per year). With the emergence of cloud-gaming platforms and the popularity of multiplayer cloud-based games, younger consumers are still making computer-gaming purchases at a very high rate. For many younger consumers, gaming is virtually the only reason they own a desktop computer and the desktop market has become heavily dedicated to meeting gamers' needs.

- **Computer and console ownership dictates regional gaming differences, but younger consumers are highly digitally engaged when given access.** Regionally, computer and console gaming is heavily dependent on computer-ownership rates, which greatly differ by country compared to mobile. For example, the Philippines ranked No. 1 in total mobile-gaming purchases but last in in-game content for computer gaming. This is potentially due in large part to the low percentage of consumers who own a desktop or laptop computer. The Philippines had the lowest computer ownership rates of any country surveyed. Interestingly however, Filipino consumers who *do* own a computer purchased computer games at the highest rate of computer owners in any country. This may be driven by the especially young and digitally engaged population in the Philippines: Sixty percent of the Filipino population is younger than 30.[5] The country is also home to the most active social users in the world, averaging 4 hours of social media use per day in 2017.[6]

  Console gaming similarly is highly dependent on ownership rates and tends to be lower in developing nations. Germany, North America, and the UK scored top in console-game purchase, and India and the Philippines scored last and third to last, respectively.

Payments And Security Drive Digital Shopping Experiences

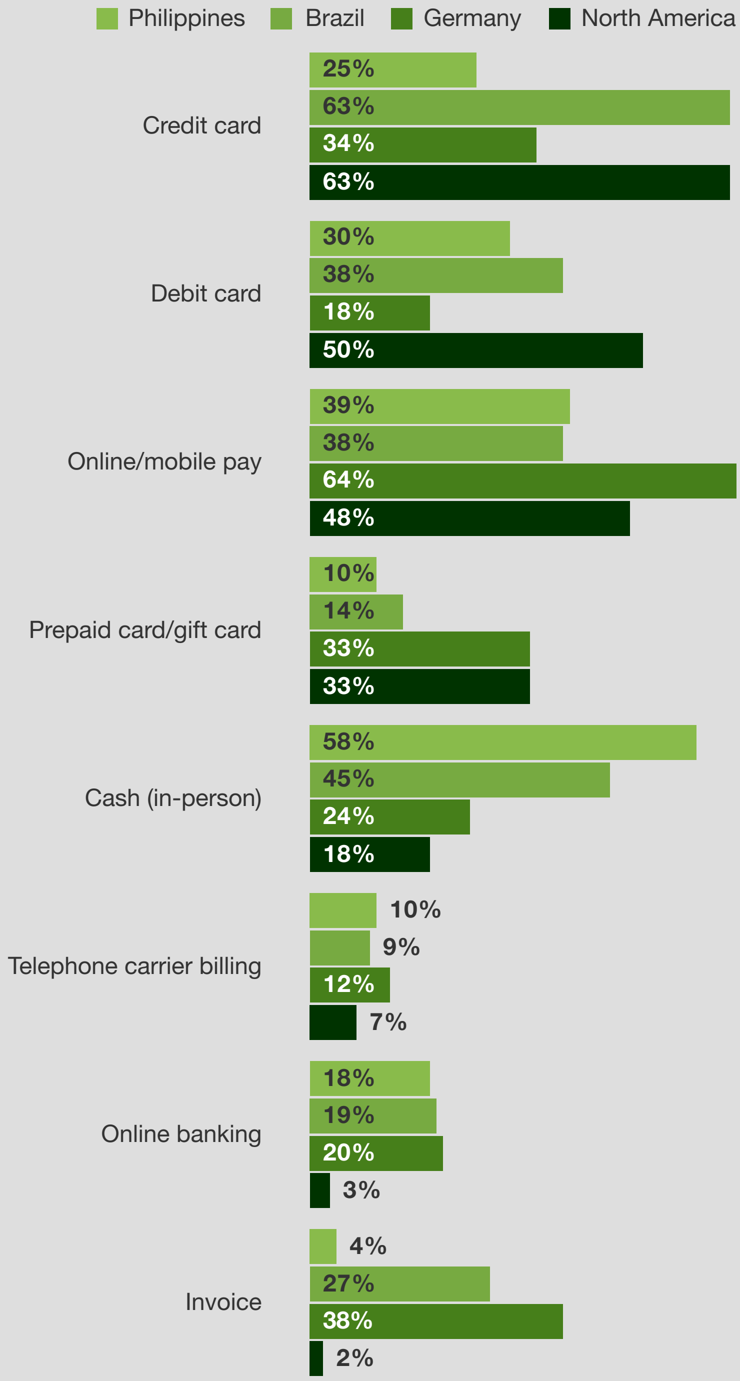
Understanding the digital goods market is highly important for digital retailers, understanding how to meet consumers' needs at the moment of purchase is even more crucial. When asked what the most important factors are when making an online purchase of a digital item, consumers responded with the following three requirements: price, security, and the ability for customers to use their preferred method of payment. While there was never a doubt that price would be a top concern for consumers, security and payment options being rated as more important, than customer service and site ease of use, is telling about what really matters to online shoppers.

PAYMENT OPTIONS

- **Payment preferences are not homogenous.** The ways in which consumers are paying is changing rapidly and varies greatly across regions and demographics (see Figure 13). Consumers are moving away from traditional payment methods: Linksters, Socializers and The MTV Generation are all now more likely to use online/mobile payment methods instead of credit cards (see Figure 14). It's crucial for retailers to understand the regional differences in preferred payment methods as well. Payment offerings that may be unheard of in one country can be table stakes in another. For example, only 3% of North American consumers used net banking in the last 12 months, yet it is the third-most popular payment type in India, with 49% usage. Similarly, invoice payments are the least popular payment type in North America and the UK (with 2% and 6%, respectively), yet they rank behind mobile pay as the most popular payment method in Germany (38%) and are nearly as popular as credit cards in Brazil (27% versus 38%).

Figure 13

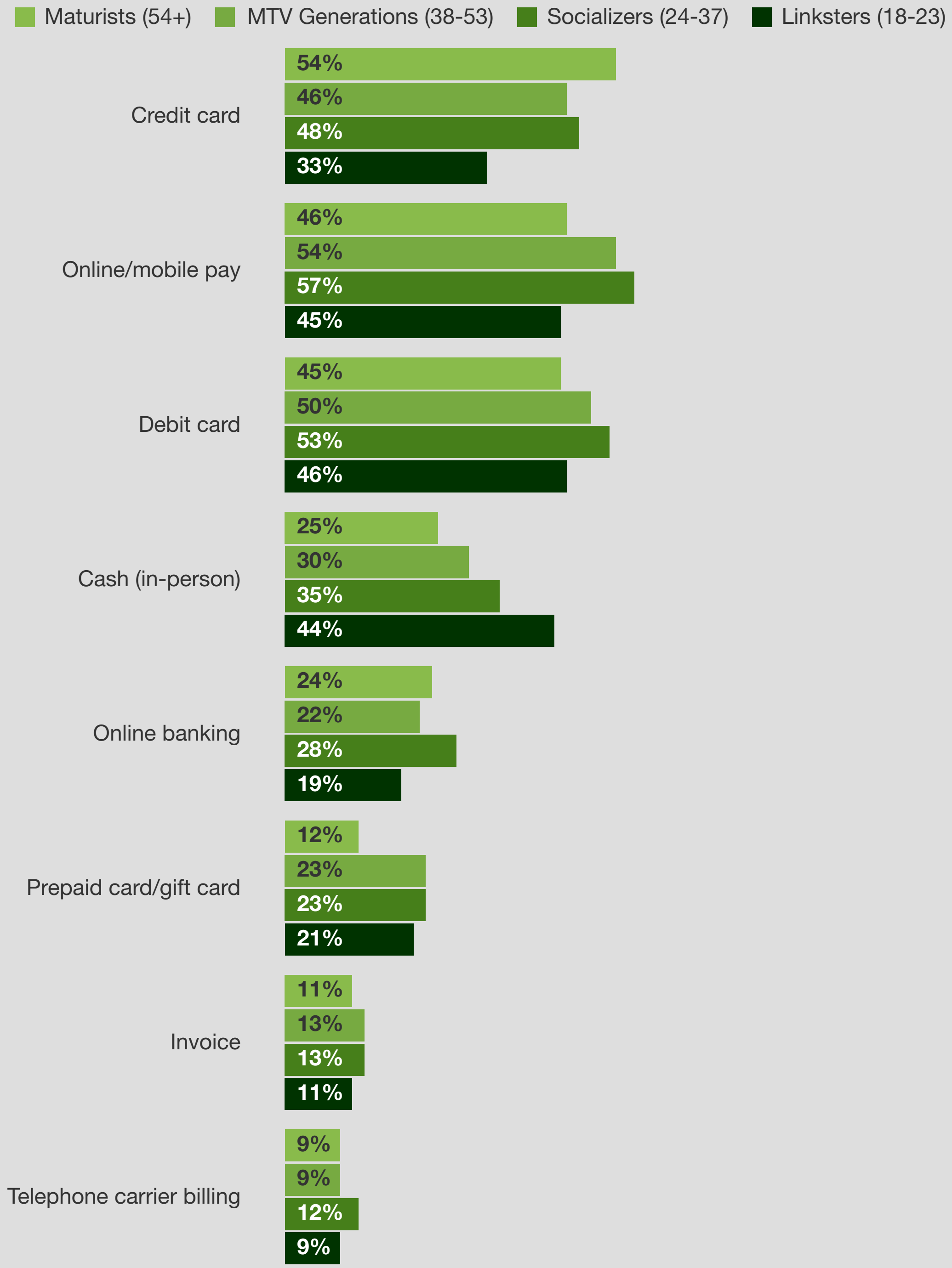
Top Payment Methods By Select Country



Base: 6,017 online consumers
Source: A commissioned study conducted by Forrester Consulting on behalf of First Data, now Fiserv, commissioned, May 2019

Figure 14

Top Payment Methods By Age Group

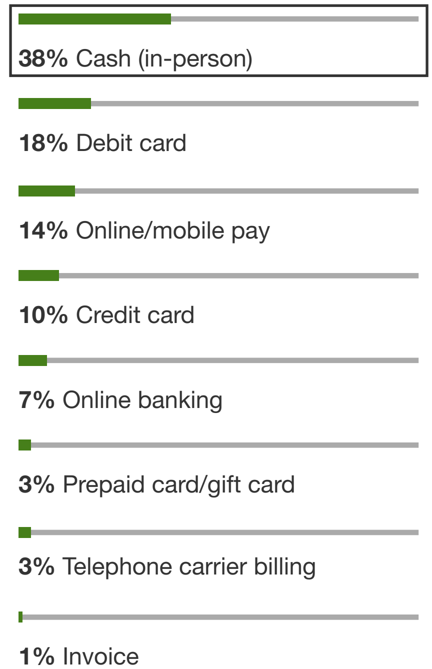


Base: 6,017 online consumers
Source: A commissioned study conducted by Forrester Consulting on behalf of First Data, now Fiserv, commissioned, May 2019

- **Cash is still an important option for digital goods.** It's not only the more advanced payment options that consumers are looking for –online retailers need to consider cash as an important, and often vital, payment option. Cash can be used by consumers to pay for digital goods/services by placing an order online and then paying cash at a bank or a convenience store. Younger consumers and consumers in developing nations are less likely to have credit cards or even bank accounts; offering payment options that don't require either is particularly important. Our survey found that 36% of Linksters in low-income countries (with an average annual income under $5K) exclusively use nonbanking payment methods. While in many countries the idea of paying cash for a digital good may seem foreign, it is the most used payment method in low-income countries, especially for younger consumers. Sixty-two percent of Linksters used cash to pay for a digital good in the past 12 months and it is the preferred method of payment for 38% (see Figure 15). Although not as prevalent, cash is not irrelevant in higher income countries: 27% of Linksters in high-income countries (with >$40K annual income) and 50% of Linkers in medium-income countries (with $8K to $15K annual income) have used cash in the last 12 months. Regardless of where retailers are selling, it's crucial to offer cash as an option.
- **Digital merchants struggle to match consumer demands in payments.** Offering the right payment methods is crucial for digital retailers creating positive customer experiences, yet many are failing to do so. The lack of preferred payment methods was one of the most commonly cited causes of poor experiences in our study. In fact, 84% of consumers have had negative experiences with payments over the last 12 months. This number is even higher (87%) for Linksters and Socializers for whom digital retailers struggle to offer sufficient payment methods. Younger consumers have far lower credit card adoption rates and are therefore more likely to bump into challenges with credit card-centric digital retailers. Sixty-four percent of consumers have used a nonpreferred payment method in the last 12 months. When consumers are unable to pay in the way they prefer, retailers risk hurting their customer satisfaction. An even greater risk retailers must consider is consumers being simply unable to purchase a product due to the payment methods offered. When asked about their negative experiences, one consumer explained, "I selected the product I wanted, but when I went to pay for it, they only accepted credit cards for payment so I just cancelled my subscription."
- **Device preferences are evolving rapidly.** The devices on which consumers are making purchases are also changing, especially among younger consumers. Less than half (48%) of Linksters have made purchases on a desktop or laptop this year compared with nearly three quarters of Maturists (70%). Linksters and Socializers are, however, much more likely to use newer tech like smart speakers and game consoles to make purchases than older consumers. Digital merchants need to be prepared for a changing landscape of devices on which purchases are made, and thus, make their online storefronts friendly to any device.

Figure 15

Preferred Payment Methods For Linksters In Low Income Nations



Base: 312 online consumers ages 18-24 in countries with an average yearly income under $5K
Source: A commissioned study conducted by Forrester Consulting on behalf of First Data, now Fiserv, commissioned, May 2019

84% of consumers have had negative experiences with payments over the last 12 months.

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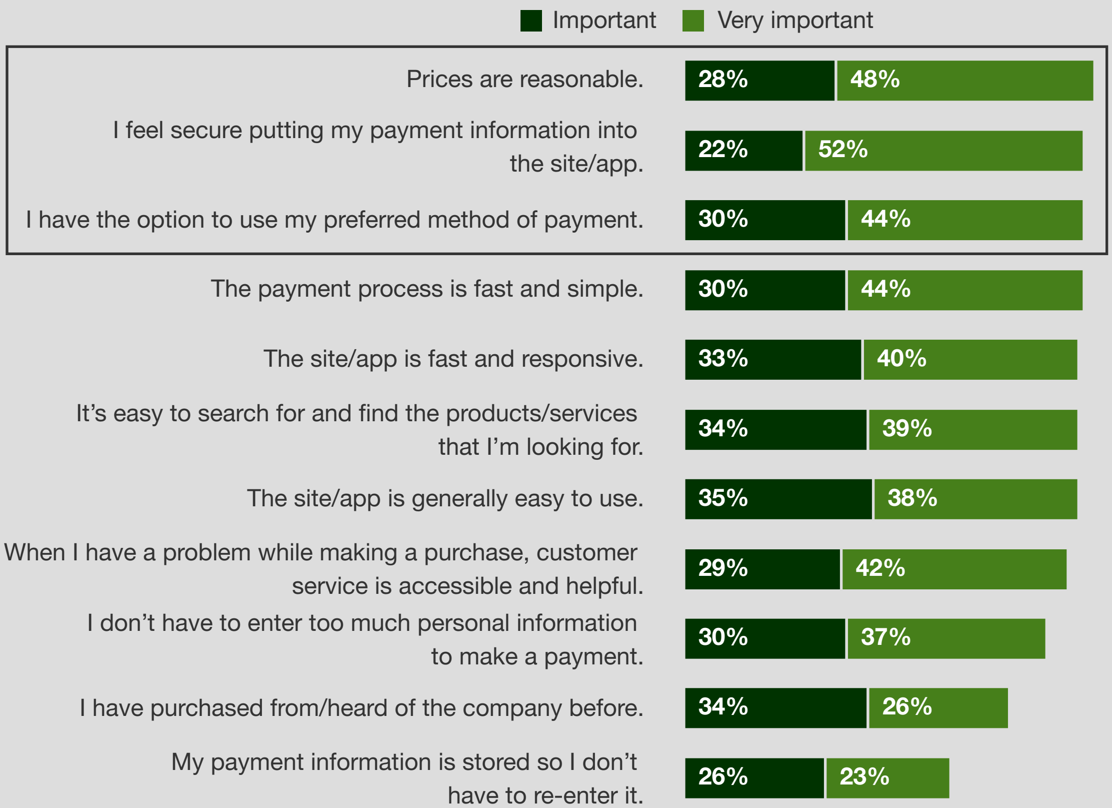
SECURITY

- **Site security is crucial for consumers.** Security ranked second, behind only price, in terms of consumers' most important factors when making an online purchase, with 77% saying it was important or very important and only 4% saying it wasn't important at all (see Figure 16). Creating a digital experience where consumers feel secure entering payment information is crucial for digital retailers. If consumers don't feel secure entering their payment info, they will simply abandon their purchase. Many of the consumers we surveyed told us they will never shop at an online retailer if they don't trust the site.
- **Poor security damages customer security and the bottom line in a variety of ways.** Losing customers at the point of purchase isn't the only way poor security can negatively affect retailers. Issues with consumer trust can have ramifications in a multitude of ways across the customer lifecycle. For example, for almost 50% of consumers, the ability to store payment information at online retailers is important. However, fewer than one in five consumers (17%) will store their payment info with an online merchant that they do not trust. When faced with a choice between convenience and security, consumers will choose security nearly every time, even if that means that customers' experience is less than optimal.

> "I only use carefully chosen trusted sites/apps to order online. If available, I usually choose COD type of payment for physical items to ensure that I will not lose anything whether the item will be delivered or not."
>
> *Online consumer from the Philippines, aged 24*

Figure 16

"How important are each of the following when making an online purchase of a digital good/service?"



Base: 5,773 Online adults (age 18+) who have made a purchase of a nonphysical good in the past 12 months
Source: A commissioned study conducted by Forrester Consulting on behalf of First Data, now Fiserv, commissioned, May 2019

DELIVERING NEGATIVE EXPERIENCES TO CONSUMERS HAS DIRE RAMIFICATIONS FOR DIGITAL RETAILERS

Digital retailers are failing to provide consistently positive experiences for consumers when making digital purchases. Ninety-four percent of the consumers we surveyed had a negative experience when shopping online for digital goods in the past year, i.e., high prices, security concerns, the lack of preferred payment methods, and poor customer service. With the proliferation of both information and choice in the online retail environment, the consequences of providing poor purchase experiences are greater than ever. Our study found that 82% of consumers will spend less after having a poor customer experience and over half (57%) will abandon shopping at a merchant or cancel a subscription entirely. The risk is not only to the bottom line, however. Nearly half of our respondents claimed that they'd tell a friend or leave a negative review if they had had a negative experience purchasing a digital good/service. This can have even greater long-term ramifications than losing a single customer. It is imperative that retailers avoid these pitfalls and provide strong positive customer experiences — especially when it comes to payment and security.

Key Recommendations

Forrester's in-depth survey of online consumers about the digital goods market yielded several important recommendations:

Experiment with new business models. Technology advancements and cultural shifts have led to customers who are willing to experiment with new products and services. This has ushered in an era of business model innovation. Our data shows that on-demand services are the fastest growing category of online sales, globally, but these empowered customers are also more willing than ever to abandon both the experiences and the retailers who deliver them. Our data showed that after going through a negative experience, the vast majority (82%) of consumers will spend less; nearly half will broadcast their bad experiences to friends or on review sites; and 57% will stop shopping at the digital retailer or cancel a subscription entirely.

Break out of the "millennial" monolith. Too often retailers use the term millennial to simply mean "young people". But retailers should keep in mind that the oldest millennials are now nearing 40 years old. The traditional millennial segmentation (those born between 1981 and 1996) may span too large a group where disposable incomes, technology adoption, and attitudes vary greatly. Millennials encompass some Linksters, Socializers, and some of the MTV Generation, which we found to have drastically different purchase rates of digital goods. Use smaller segments in order to build more targeted offerings for younger and older millennials.

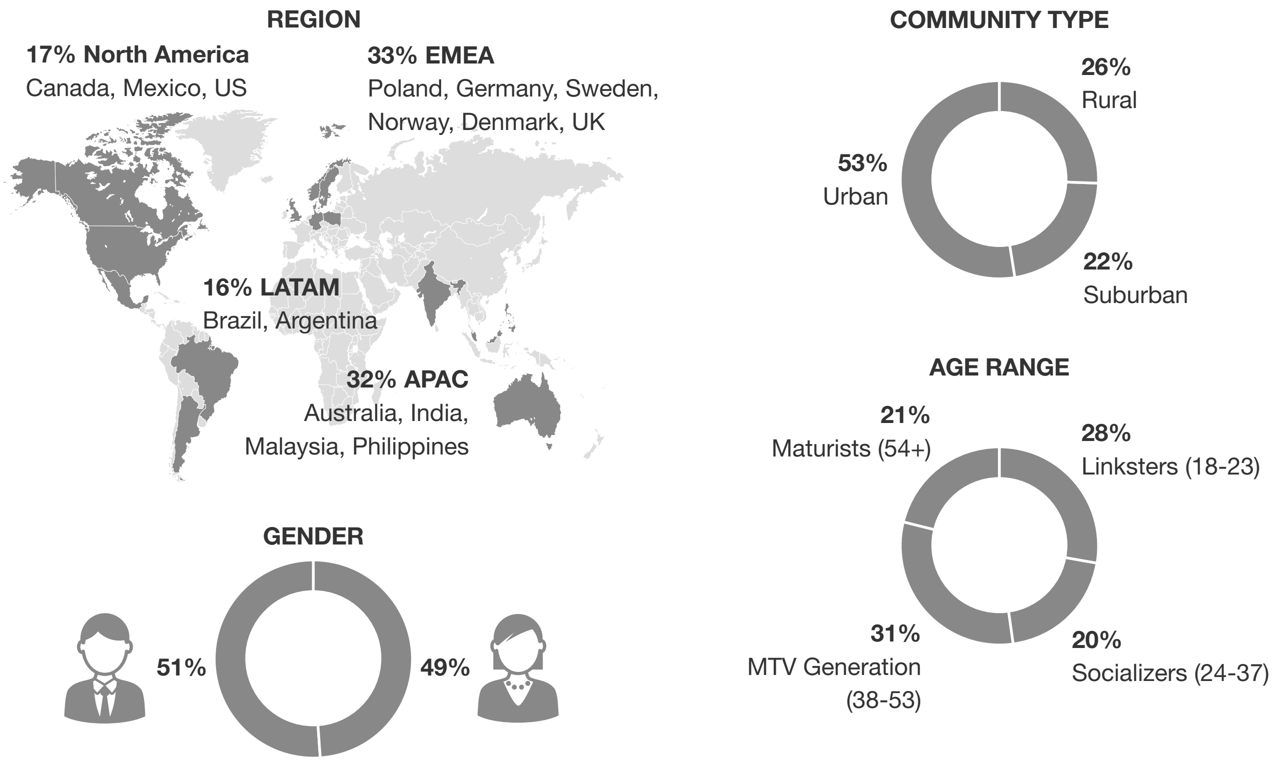
Consider specific local market nuances when expanding globally. The success of a new product or service offering depends on the ecosystem of the country you're selling in. Consider venture capital funding, technology adoption, eCommerce maturity, technical or other infrastructure development, among other variables, when planning campaigns. For example, the progress of ride-sharing services and music-streaming services in diverse markets were hindered or helped by many outside influences.

Enable localized payment methods to lessen security concerns. Giving customers confidence that their payment data is secure with you and giving them the option to pay via the method they prefer are top factors in consumers decision-making. And keeping up with the latest online payment mechanisms may not be enough: even when purchasing digital goods or online services, customers may defer to more cash-based payments, whether because they feel more secure about it, or due to age or infrastructure and availability, they don't have/ use electronic payment options.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 6,115 online consumers organizations in Australia, Argentina, Brazil, India, Mexico, Malaysia, North America (US and Canada), the Philippines, Scandinavia (Denmark, Norway, and Sweden), and the United Kingdom to evaluate the digital goods market. Questions provided to the participants asked about purchase frequencies of a wide array of digital goods as well as top concerns in the purchase process. Respondents were offered a small monetary incentive as a thank you for time spent on the survey. The study began in May 2019 and was completed in June 2019.

Appendix B: Demographics



Base: 6,017 online consumers
Source: A commissioned study conducted by Forrester Consulting on behalf of First Data, now Fiserv, commissioned, May 2019

Appendix C: Endnotes

[1] Source: “Forrester Analytics: Online Retail Forecast, 2018 To 2023 (Latin America),” Forrester Research, Inc., June 5, 2019.

[2] Source: “Mexico City Is Now the World’s Music-Streaming Mecca,” Spotify’s For the Record, November 19, 2018 (https://newsroom.spotify.com/2018-11-19/mexico-city-is-now-the-worlds-music-streaming-mecca/).

[3] Source: “Why the Latin American market is the new frontier for streaming services,” Latin American Post, August 23, 2018 (https://latinamericanpost.com/22807-why-the-latin-american-market-is-the-new-frontier-for-streaming-services).

[4] Source: John Lynch, “The 10 Countries where Netflix is the most popular,” Business Insider, July 18, 2018 (https://www.businessinsider.com/netflix-countries-most-popular-user-penetration-2018-7).

[5] Source: “eCommerce Trends And Outlook For Southeast Asia,” Forrester Research, Inc., July 8, 2019.

[6] Source: “Philippines is world’s top social media user: study,” ABS-CBN News, February 1, 2018 (https://news.abs-cbn.com/focus/02/01/18/philippines-is-worlds-top-social-media-user-study).