

# Experience is the new loyalty.

A marketing insight into the evolution  
of global ecommerce and the importance  
of authentic user experiences.

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**Klarna.**

## An increasingly competitive US retail market and reports of store closures demonstrate how tricky it can be to adapt to the evolution of global ecommerce. To survive, savvy retailers need a seamless cross-channel experience – creating an inspiring, fun and authentic experience across the entire customer journey.

Loyalty is no longer a ‘points’ program. In the competitive world of e-commerce, building a brand with a loyal fan base is essential. Retailers need to play a meaningful role in enhancing people’s lives, demonstrating a commitment to their values and joining the conversation through the channels their audience consume daily. Today’s consumers want to align themselves with the brands who offer them a deeper connection and understand how they want to shop – whether that’s payment options that fit with their lifestyle or greater personalization.

But many retailers are struggling to make a tangible difference in the way they handle customer experience. And those who are slow or reluctant to implement change will lose out. We’ve surveyed over 2,000 shoppers and 250 retail decision-makers across the US to dig deeper into what loyalty means today to help retailers understand the value of focusing on experience.

## Loyalty isn’t what it used to be

A decade ago, brands would have focused on instilling loyalty through things like rewards schemes or points. But our research shows that the drivers of loyalty amongst today’s shoppers run much deeper than a transaction or offer. Brands are now forging loyalty by creating an experience which engages the customer on an emotional, as well as a transactional level.

Nearly one-third (29%) of shoppers say shopping with a brand today is not as fun as it used to be. Consumers want an engaging experience that connects them to a brand; 49% say retailers need

to retain the human element, and 28% would not shop with a brand that didn’t share their values. And they want a seamless and convenient transaction – 36% say flexible payment options would encourage them to shop again with a brand.

Retailers are feeling the effect of this shift with 69% saying they have to work harder to retain customers and 39% recognizing that loyalty is no longer driven solely by rewards or discounts. Retailers today must invest in experience or risk damaging their bottom line in the long run.

# 55%

of shoppers say that just **one bad experience** has put them off returning to a retailer

# 36%

of shoppers agree with ‘**what we’ve gained in convenience** we have now **lost in experience**’

# 49%

say they **don’t feel brands care about them** as a customer and that they are only chasing sales

# 78%

of retailers say a **good experience** is the biggest driver of loyalty today

# What US retailers think consumers want versus reality

When it comes to what makes shoppers loyal to a brand, retailers and consumers are fairly aligned in what matters most: **value for money, high quality products and a good customer experience.**

But when it comes to what they think makes customers *disloyal*, there is some mismatch. Shoppers rank poor-quality products as top (78%),

whereas retailers rank poor overall experience as number one (70%). Meanwhile, shoppers rate bad returns processes (46%), lack of choice (31%) and a bad checkout experience (28%) more highly on their lists of what makes them disloyal than retailers perceive them to be.

## Top drivers of loyalty

### US Shoppers

1. Value for money	82%
2. High quality products	64%
3. A good customer experience	58%

### US Retailers

1. High quality products	74%
2. Value for money	72%
3. A good customer experience	71%

## Top drivers of disloyalty

### US Shoppers

1. Poor quality products	78%
2. Poor customer service	65%
3. A poor overall experience	63%

### US Retailers

1. A poor overall experience	70%
2. Poor customer service	63%
3. Complaint over poor quality goods	62%

When retailers and shoppers think about what drives higher spend, repeat visits and brand recommendations, there are some interesting differences. Shoppers ranked a 'good customer experience' as top for what would make them spend more, whereas retailers put 'quality in store/

physical experience' as top. This highlights a potential disconnect – with retailers continuing to prioritize the in-store experience over other areas of the customer journey shoppers have come to value more.

# Being deliberate about demographics: Age and gender matter

When we dig a bit deeper into the research, it's clear that loyalty means different things to different groups of shoppers. These nuances are

important for retailers to understand so they can tailor the user experience to meet their target shoppers' expectations.

## Younger shoppers crave a brand connection:

- Millennial and Gen Z shoppers care less about value for money when it comes to drivers of loyalty – 76% prioritize it compared to 87% of 45-55 year olds. They care more about things like brand image (22%, compared to 13% of over 45 year olds)
- Younger shoppers associate loyalty more with things like promoting a brand to other people (40%, compared to 27% of older shoppers), and being emotionally attached to or sharing values with a brand (27%, compared to 18% of over 45 year olds)
- Retailers recognize this – 76% say customers are more likely to shop with brands that share their values and 73% said they were investing more to show they share their customers' values

## Women care more about experience than men:

- When it comes to drivers of loyalty, female shoppers care more about a good customer experience (61%, compared to 54% of men) and loyalty schemes (49% of women, compared to 40% of men)
- And when thinking about what loyalty means to them, they rank things like spending more on a regular basis and sticking with a brand in spite of changing trends much higher than men do

# Return on Experience (ROE) — Investing to get it right

Over the last year, the top experience areas that retailers have invested in are: a good customer experience (74%), a quality in-store / physical experience (66%), human interaction (60%), and a smooth online UX (60%).

While these areas are important, what's encouraging is to see that over the next 12 months retailers are looking to invest in the areas of experience customers want to see more of. The top channels for investment this year are social shopping (39%), flexible payment options (34%), brand content (34%), and a good mobile experience (33%).

## Pay later pays off

In a competitive environment, retailers can't afford to lose customers at the checkout. Shoppers are increasingly looking for more choice in how they pay – and having the option to pay later resonates well.

28% of US shoppers say a long online checkout process is one of the top drivers of disloyalty. And 27% say flexible payment options would make them more likely to buy more from a brand, 35% said it would make them more likely to shop again and 18% said it would make them more likely to leave a positive review.

## Some things to think about:

**No more FOMO** — Trending items, particularly in fashion and beauty, are selling out within days. By offering short-term installments customers can get their goods immediately and pay for them over time.

**Mindful money** — Flexible payment options help keep shoppers in financial control without a long-term commitment. Most of Klarna's payment options carry no interest or fees and do not require a credit application.

**Make aspirational achievable** — Letting shoppers split the cost of a purchase into installments means they can acquire higher-ticket items when they want it, on their own terms, to meet their lifestyle or fashion goals.

# 25%

of US shoppers value a **personalized checkout experience**, based on a brand knowing their previous payment preferences

## Mind the barriers

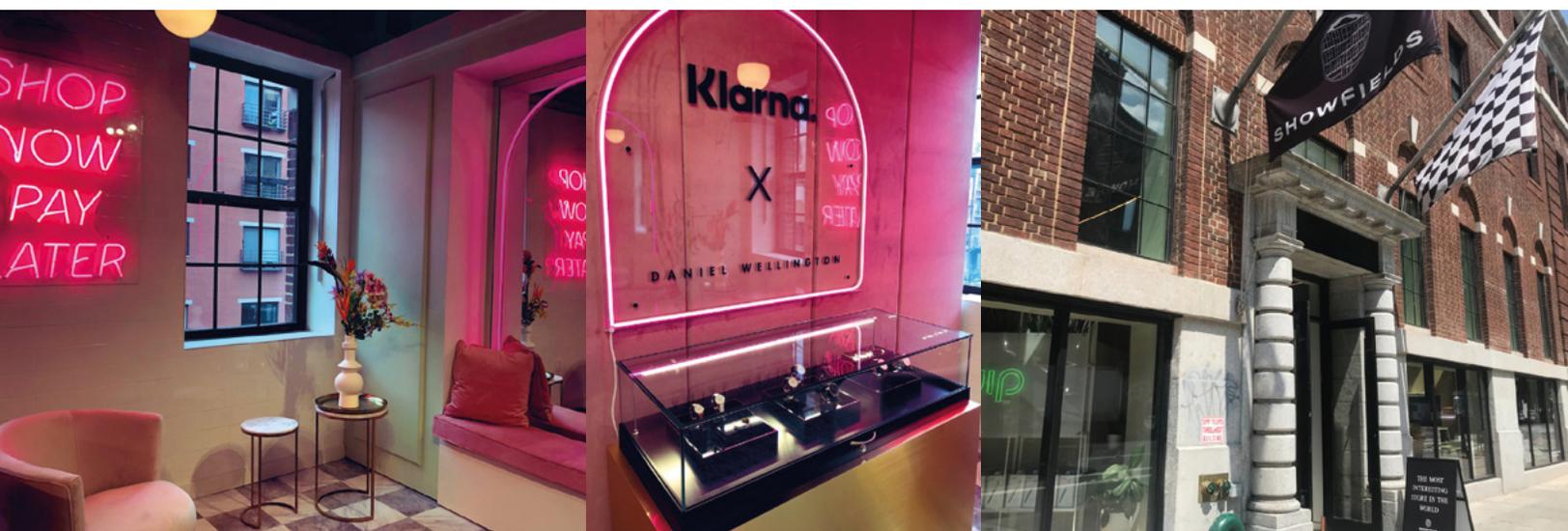
Retailers know they need to do more to get experience right – 69% say they need to work harder than ever to keep customers coming back – but there are still roadblocks. According to retailers surveyed, rapidly changing consumer expectations (36%), not having the right people or skills (34%), outdated tech platforms (33%) and a short term focus on sales targets (29%) are holding them back.

## Case studies and expert advice

Research shows that customers still want to connect with brands in a physical way and 25% say having a 'fun' experience when shopping is important. With 66% of retailers recognizing that a good instore or physical experience will boost customer lifetime value, it's an important part of the overall customer experience – even for online brands.

Dubbed *The Most Interesting Store in the World*, Showfields gives pure-play online retailers a physical space in the heart of Manhattan. The Klarna lounge in Showfields provides visitors a place to interact with the Klarna brand, understand alternative payment methods and buy from retailers on site, including Daniel Wellington.

Showfields goes beyond just sales to create an environment where brands can inspire, connect, and engage customers through events and brand ambassadors. With retailers facing increasing pressure to acquire and retain customers, creating a positive cross channel experience will build loyalty and a sense of community.



## Some areas to focus on if you want to create a standout RoE — Return on Experience

- 1 Values that resonate with shoppers.** Shoppers care more about a brand's values than retailers often perceive. 28% of shoppers say brands need to demonstrate a social and ethical consciousness, to better align with their values. Be clear and transparent about your values throughout the customer experience — whether that's talking about sustainability initiatives, fundraising or supply chains.
- 2 Put the fun and inspiration back into shopping.** While cost and convenience are important, shoppers still want to have fun and feel inspired. With a third saying shopping isn't as fun as it used to be, retailers need to think again about how they engage with customers and put the excitement back in the shopping experience.
- 3 Not just chasing a sale.** Move beyond the transaction to make an emotional connection with customers. Whether it's brand content that resonates with your audience or providing alternative payment options that fit their lifestyle and personal preferences, it's best to dive deeper into what your shoppers really want.
- 4 Flexible, fast and seamless checkout experience.** Aligning your values and inspiring customers is important, but shoppers also demand an easy and convenient checkout experience. Time-saving ranks in the top three benefits customers value most when it comes to the checkout and 28% say a long and cumbersome checkout process is one of the biggest drivers of disloyalty.
- 5 Getting personalization right. Do it, but don't bombard customers.** 25% of shoppers value a personalized checkout — such as a brand knowing their previous payment methods — but, 48% don't want brands to bombard them at every stage of shopping. Look at what's working for your customers and focus on the areas they find most value in. For example, give them exclusive access to new products you know they'll love.

### About Klarna:

- Founded in 2005, HQ in Stockholm
- Working with 130,000 online merchants
- Active in 14 markets
- 2,500 employees
- 25 million new consumers in 2018

### Retailers include:



**Get in touch with  
the Klarna team:  
[learnmore@klarna.com](mailto:learnmore@klarna.com)**

**Klarna.**