Disruption Now.

Creating an Extraordinary Online Experience

Klarna.

Why is everyone so focused on the concept of disruption?

It's simple: what worked before usually doesn't work forever. As our everyday experiences evolve over time, companies who think beyond the narrow path of the past are finding new opportunities for growth by forging their own roads. From ride sharing and food delivery to flexible workspaces and even online dating apps, creative thinking and modern technology have solved age-old customer experience problems that were once thought of as necessary evils.

So what about eCommerce? From lengthy account set ups, to returning merchandise, to stressing over security—despite all of its conveniences, online shopping has also created some common struggles for consumers.

In partnership with Northstar Research, we surveyed over 1,000 American shoppers aged 18+ to learn what they love, and don't love, about shopping for their favorite products online. The research looks at 9 distinct verticals: **Activewear**, **fashion**, **home & garden**, **sports & outdoor**, **electronics**, **jewelry**, **luxury**, **beauty** and **footwear**, in order to best understand different shopper preferences. Let's take a look at some of the most illuminating statistics and find out how you can use them in order to become a disruptor in your industry.

What are today's biggest online disruptors doing right?

Let's start with the basics. We looked at nine different retail verticals to identify customer preferences in each—and what businesses need to do to succeed. No matter what they're buying, the reasons why people love their favorite stores are the same:

77%
of respondents cited the variety of products.

45%
cited a seamless and efficient checkout process.

42%
cited overall trust in the security of the checkout process.[1]

Let's start looking for disruption opportunities by learning what could be better about the current state of e-commerce.

1. Poor return policies

Return concerns can stop online shoppers in their tracks, especially if they feel uneasy about your policies.

77%

of shoppers told us they would be unlikely to buy from an online retailer again if they had a poor experience with returns.[2]

Consumers are frustrated by multiple elements of the return process. From repackaging merchandise and paying out of pocket, to delayed refunds and other inconveniences—what used to be standard procedure has become a major pain point.

Brands that make this process less frustrating have a significant advantage. A smooth return policy can drive customer loyalty and repeat purchases by offering a superior level of service throughout the entire shopping journey.

2. Paying before they're sure it's a match

No one likes paying for things they don't want.

53%

reported that they would be "extremely or very interested" if an online retailer allowed them to try the item at home before paying for it.[1]

Among the verticals surveyed, millennial shoppers in the sports and outdoor and contemporary fashion categories felt most strongly about the ability to try an item before paying for it, with **63%** and **66% showing interest** respectively.[1]

Prime Wardrobe, Warby Parker, and global fashion retailer ASOS have each found success offering try before you buy options in their own way.

Allowing customers to try their merchandise before they pay for it might have sounded crazy ten years ago, but modern payment options now make try before you buy an easy and secure option for both customers and merchants alike. **Giving customers a risk-free way to try before they buy increases a shopper's average order volume by 15.8% and purchase frequency by 20.4%.**[3] By partnering with a provider who pays you upfront, you can rest assured that you'll always get paid for your products, even if a customer defaults.

Klarna lets the shopper pay 30 days after delivery, so they have the chance to decide if the order is exactly what they are looking for, while the retailer is always paid upfront and in full.
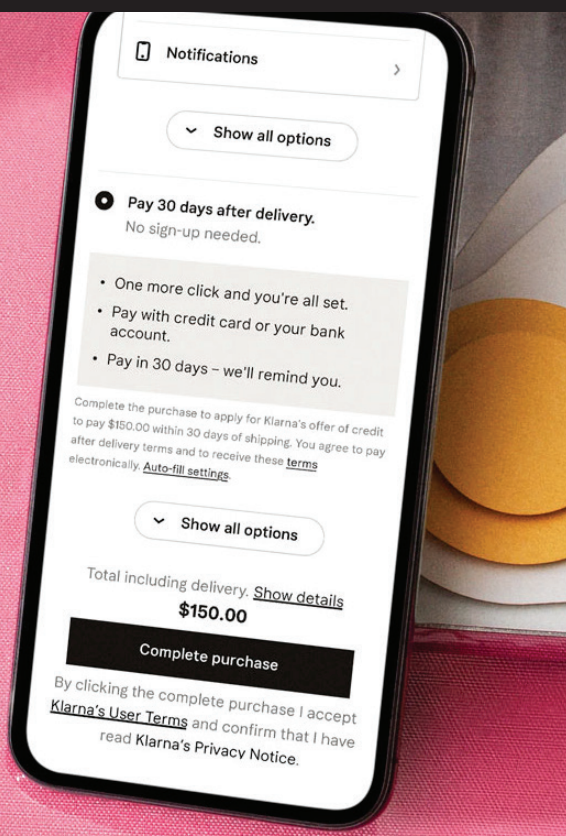
3. Lack of information

82%

of online shoppers across all nine verticals said the #1 thing they pay attention to when online shopping is "the ease of being able to read as much as I want about the product."[1]

But detailed descriptions might not be enough. If your customers aren't finding the information they're looking for on your website, they might look elsewhere, and once they leave your site, it's much harder to capture the sale.

In a digital world where Instagram accounts influence shopping habits, offering clearly visible customer reviews can help bridge the gap between the in-store and online experience.

A whopping 71% of shoppers are more likely to make an online purchase if the product comes recommended by others.[4]

Why? Customers trust and value the opinions of their peers far more than those of any brand.

82%

of all shoppers surveyed said that they like being able to read reviews from other customers before purchasing.

For electronics shoppers, this is especially true, with 86% paying close attention to customer reviews.[1]

And the more detailed the better. Including photos, videos, and metadata such as the reviewer's age, gender, and even clothing size can help ease buyer hesitation and make your shoppers feel more confident in their purchase and less likely to navigate away from your site.

4. High prices

Unsurprisingly, price is one of the most common reasons for cart abandonment. When it comes to the ever-changing world of contemporary fashion, nearly half of shoppers (45%) said that if a product is too expensive, they simply choose not to buy it instead of paying interest on a credit card or waiting until they've saved enough money. [1]

As far as the rest of the verticals, the results were similar. Our research shows that when a shopper feels that a product's price is too high, they take one of two roads:

1   About half will spend time searching for a better option.

2   While the other group will simply abandon cart and choose not to purchase the item altogether.

For two of the highest cost verticals, electronics and sports & outdoor, these findings were slightly different. The majority of electronics and sports & outdoor shoppers between the ages of 18 and 34 said that they would simply wait until they had enough money to afford an item.[1]

Flexible payment options can solve all three of these purchase barriers by making your most expensive products feel more affordable without actually lowering the price.
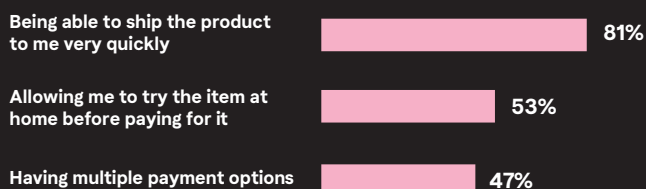
With Klarna, your customers can spread their purchase into 4-interest free installments charged bi-weekly.
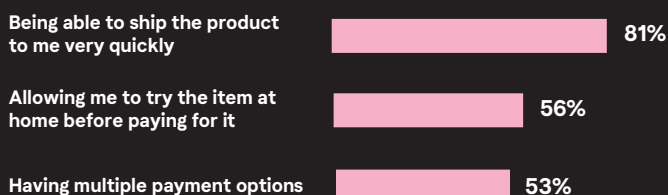
This chart shows 18-34 year old shoppers' top 3 interests in a retailer's offerings, broken out by vertical. Overwhelmingly, online shoppers demand fast shipping, "try before you buy," and multiple payment options.

In the case of often-pricey activewear, **56% of shoppers were specifically interested in an installment option** which would allow them to pay for expensive items over time.[1]
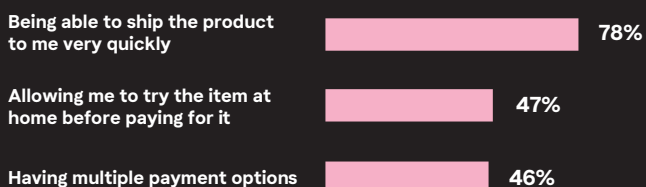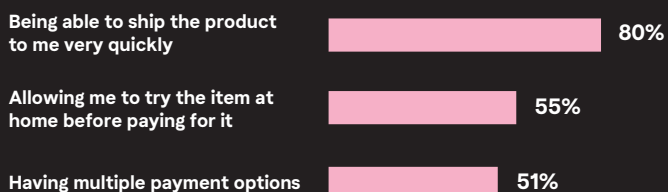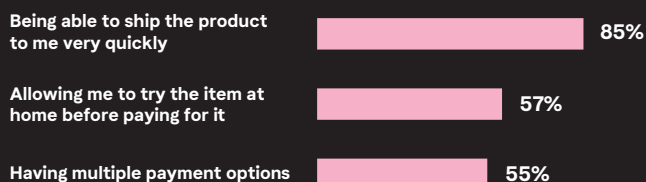
Activewear

Being able to ship the product to me very quickly	81%
Allowing me to try the item at home before paying for it	53%
Having multiple payment options	47%

Contemporary Fashion

Being able to ship the product to me very quickly	81%
Allowing me to try the item at home before paying for it	56%
Having multiple payment options	53%

Home & Garden

Being able to ship the product to me very quickly	78%
Allowing me to try the item at home before paying for it	47%
Having multiple payment options	46%

Sports & Outdoor

Being able to ship the product to me very quickly	80%
Allowing me to try the item at home before paying for it	55%
Having multiple payment options	51%

Electronics

Being able to ship the product to me very quickly	85%
Allowing me to try the item at home before paying for it	57%
Having multiple payment options	55%

Beauty

Being able to ship the product to me very quickly	82%
Allowing me to try the item at home before paying for it	67%
Having multiple payment options	64%

Luxury

Being able to ship the product to me very quickly — 82%

Allowing me to try the item at home before paying for it — 67%

Having multiple payment options — 64%

Footwear

Being able to ship the product to me very quickly — 82%

Allowing me to try the item at home before paying for it — 68%

Having multiple payment options — 65%

Jewelry

Being able to ship the product to me very quickly — 82%

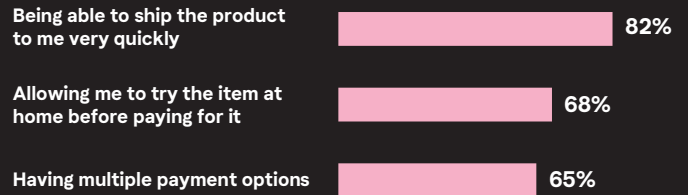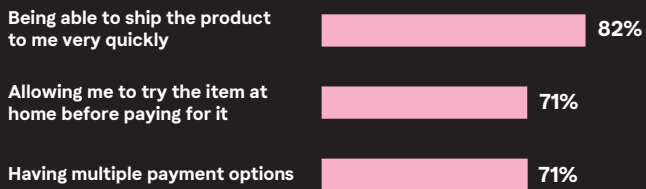**Allowing me to try the item at home before paying for it** — 71%

Having multiple payment options — 71%

5. Fast shipping

In the recent past, if you needed a product right away the only way to get it was to go to the store. Now, Amazon delivers almost anything you can imagine to your doorstep in a matter of days, sometimes even hours. In an effort to keep up with this new landscape, retailers like Walmart and eBay are following suit, offering their own rapid shipping in an effort to increase sales and eliminate price wars. After all, as Amazon Prime has taught us, if it ships faster, customers are likely to spend more on it.

Fast shipping increases conversions and boosts loyalty, but if it's not worth the cost of warehousing and staffing needs, it may not be a viable option for every brand. Using a fulfillment partner with guaranteed shipping speeds is one effective way for retailers to compete with the rising demand for speedy delivery. Another is to focus on finding opportunities for disruption within the aspects of your business that you can control without overextending.

6. Flexible payments

Shoppers in every single vertical listed flexible payment options within the top considerations when shopping online. That means no matter what your shoppers are buying, they want choice when it comes time to pay. Perhaps that's why the most successful online merchants offer multiple payment options, accepting traditional methods like credit cards while also allowing shoppers to split their purchase into interest-free installments or try items at home before paying at all.

The more flexible payment choices retailers offer, the more likely it is that a customer will find an option which suits them. And when more shoppers start completing purchases that might have otherwise been cost-prohibitive, merchants see a huge boost in AOV.

Finding opportunities for disruption is a process that requires research, consideration, and most of all, a willingness to change. Use these stats to inform your own strategies as you evolve your offerings to stay ahead of the competition.

Want more information on flexible payment options?

Visit Klarna.com/us/business.

1   **Klarna-commissioned consumer research, September 2019**

2   **https://www.klarna.com/us/business/new-loyalty/**

3   **https://www.klarna.com/us/business/products/pay-in-30-days/**

4   **https://blog.hubspot.com/blog/tabid/6307/bid/30239/71-More-Likely-to-Purchase-Based-on-Social-Media-Referrals-Infographic.aspx**

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