

Luxury.

**Lift your luxe potential by
making the aspirational
achievable with Klarna**

Klarna.

Once the pinnacle of exclusive brands, the luxury market is now attracting mainstream players eager to boost revenue and broaden appeal. As value retailers launch new high-margin premium lines, traditional luxe-brands are battling to boost custom without losing kudos. Offering flexible payments, like Klarna, may be the differentiator they need to empower a new generation of luxe consumers and make their aspirational items more accessible to all.

Luxury is being democratised.

Designer and exclusive labels are no longer the preserve of the rich and famous. In the next decade, we'll see them pop up in the most unlikely of places with demand fuelled by new online, pre-owned and rental channels.

High street retailers are already broadening their portfolio strategies to resonate with modern consumers who aspire to more affluent lifestyles. From fast fashion/high street designer collaborations to branded jewellery and celebrity beauty lines, there's now a myriad of retailers eyeing up the profit potential of the luxe market.

Rather than retreating further up the value chain, luxury retailers and brands need to find new ways to engage and appeal to a wider group of shoppers – particularly Millennials and Gen Z who will represent **45%** of the global personal luxury goods market by 2025ⁱ.

First, they'll have to ditch the assumption that "Millennials are all value orientated, cash starved and only interested in disposable fashion and accessories".

The reality is that there's a very significant proportion of young, urban consumers who have independent or family wealth and who want better access to luxury goods. Soon, this younger audience will overtake Baby Boomers as the most dominant consumer segment for premium products including designer clothing, shoes, watches, bags and accessories.

All retail segments are actively courting regular or occasional luxe shoppers who are prepared to indulge, gift and spend big.

- **Fashion:** Contemporary luxe fashion is seeing high growth fuelled by easy online access to affordable luxury brands that have a high profile on social channels. Labels like Ganni, Isabel Marant, Rixo, Nanushka, Alexa Chung and See by Chloé are all doing well as a result.
- **Footwear:** Luxury, is a long-term footwear trend. It's not just international designer brands like Jimmy Choo and Louboutin who are benefiting. The past few years has also seen a rise in UK handcrafted shoemakers such as the Hand Dyed Shoe Company.
- **Jewellery:** The UK fine jewellery market is worth £3.3B annuallyⁱⁱ. Increasingly, female consumers are gifting and buying for themselves (prompted by higher earnings and targeted advertising).
- **Home:** Brits spent £13.6B on homeware last yearⁱⁱⁱ. From celebrity bedding to designer silverware, luxe collaborations and branded lines are leading the way.
- **Beauty:** Makeup, skincare and grooming videos are among the most watched and shared items online. 'Selfie-obsessed' consumers want to look and feel their best at all times so are spending more on premium and celebrity lines, ethical brands and high performance formulations.

Today's luxe consumers are savvier and have different expectations.

Everyone loves a little luxury. Especially when it's associated with something unique, special and aspirational (and featured regularly in glossy ads, celebrity columns and social channels). Quality, design and exclusivity are now highly desirable commodities, with consumers prepared to pay more for them.

That doesn't mean they will pay over the odds. Luxury shoppers are savvier than ever before and are much smarter with their money. Often, they use physical outlets to showcase an item before going online to ensure they get the best deal.

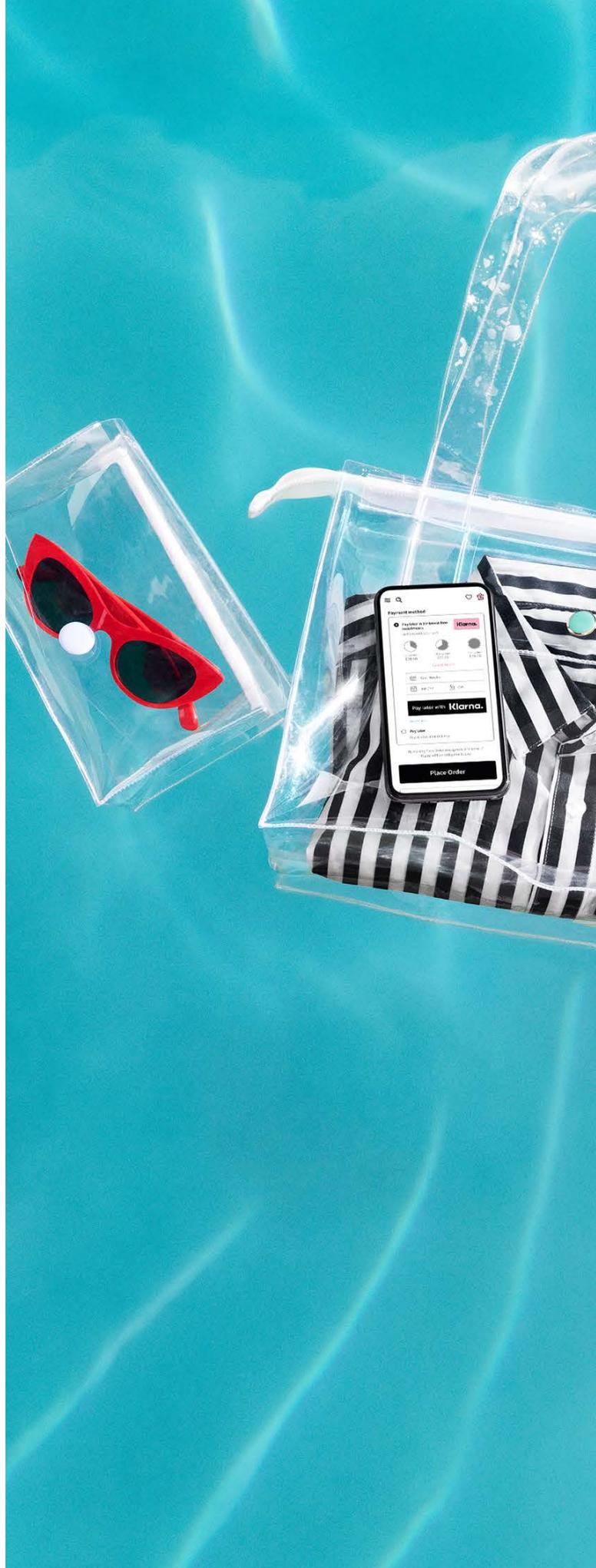
Indeed, like their value-focused counterparts, luxe consumers are seamlessly moving between channels, they have shifting preferences and loose brand loyalties. Very few now shop exclusively in the luxury domain, but instead are embracing the high-low end trend (driven by social sites, celebrities and influencers) which has made it fashionable to mix luxury items with high street brands to create a more personalised and unique look.

Being more accessible while retaining authenticity, will be a priority for luxe brands in 2020.

According to Forrester Analytics, nearly **60%** of luxury sales growth will originate from e-commerce by 2023^{iv}. To keep consumers engaged and loyal, cache brands will have to respond and fast.

As well as offering more accessible lines, more relevant, engaging marketing, they also have to evolve better digital, websites and social tools. That means embracing new checkout services, which offer more choice and flexibility and empowers shoppers to buy premium and luxe products – how, when and wherever they want.

Too many luxury retailers are still slow to exploit e-commerce and flexible payments. They fear it will impact exclusivity. However, with material, manufacturing and skilled labour costs rising, margins are shrinking. To maintain growth, they will have to expand their consumer base.





It's time for a shift in mindset when it comes to empowering the digital generation.

Across all demographics, nearly **80%** of all luxury items are influenced by digital in some way^v. In addition, twice as many luxury shoppers own multiple digital devices (**77%**) compared to the average shopper (**35%**)^{vi}, making them more likely to shop online than most.

Yet according to our own survey, **39%** of consumers think that high street brands provide a better online shopping experience than luxury brands. While the likes of Gucci and Burberry are pulling out the stops to address this, many other big luxe names are in danger of falling behind.

By embracing e-commerce and investing more in optimising the online experience for their customers, luxury retailers can revolutionise the way their customers interact with them, reaping the same benefits as other lifestyle focused retail segments.

Indeed, when targeting Millennials, they can learn a lot from the online experience of fast fashion brands that know how to scale up fast. Take ASOS, for example, it has an easy-to-navigate website, is completely mobile centric and has a sleek app. It also provides multiple payment options for shoppers including Klarna – electing to do so based on customer demand.

But what if luxe is out of reach? How can brands get consumers to take the premium option?

Payment innovation is likely to become just as important to luxe shoppers as it is to mid-market buyers. Almost a quarter of those earning more than £55,000/year said they'd be interested in pay after delivery products^{vii}.

A recent Klarna Consumer Survey of over 2,000 UK consumers across five key luxe segments (jewellery, footwear, fashion, beauty and home) threw up some interesting buying behaviour.

It revealed that if a 'wanted' item was just out the buyer's price range, more than a quarter would wait and save (**jewellery 27%, footwear 24%, beauty 26%, fashion 29%, home 26%**).

Which means that a high proportion of potential luxe customers are either plagued by FOMO, or potentially fail to secure exclusive items if they sell out quickly.

At the same time, one in five said they would simply choose not to buy at that price point or wait till the item is on sale, (**jewellery 20%, footwear 23%, fashion 20%, home 19%**). This helps explain why many luxury retailers experience poor conversion or are trapped in margin sapping discount cycles that ultimately erode their brand-kudos.

In addition, **15-25%** would opt for a cheaper alternative, not necessarily from their preferred brand (**jewellery 21%, footwear 15%, fashion 24%, home 25%**). The result? Escalating churn, with luxury retailers losing out to more affordable competitors.

Klarna believes that alternative payment options – such as letting customers pay later or over time – can help overcome luxe shoppers concerns and set new performance records for luxe sales.

Here's how:

1. Inspiring luxe shoppers with confidence to buy luxe-online.

More than half of all shoppers are reluctant to buy expensive items without the opportunity of seeing them first (**jewellery 56%, footwear 49%, beauty 50% fashion 55%, home 56%**).

Klarna lets customers 'shop now, pay later', so they only pay for what they love – and keep – 30 days after delivery. If they do return it, they don't have to wait for a refund before making a replacement purchase. It makes sense for retailers too, Klarna pays them up front so there's no payment delay and refunds are far easier to manage.

2. Moving buying decisions from the price tag to checkout choice.

For many consumers, flexible payments are now a real differentiator. Our survey shows that if the retailer doesn't offer flexible payment options, a third won't shop there again (**jewellery 34%, footwear 31%, beauty 32%, fashion 28%, home 32%**).

If expensive price points are locking customers out, Klarna can bring brands in reach by letting them pay in 3 equal monthly instalments, interest and fee free – online and in-store. Klarna also offers traditional consumer financing for higher-ticket items. Similarly, by removing payment barriers, Klarna has been shown to increase the success of acquisition campaigns, boosting sales promotions by **400%** and social campaigns by **130%**^{viii}.

3. Encouraging social-savvy consumers to share luxe-shopping hacks with others.

Half of all shoppers would be more likely to recommend a retailer who offers flexible payment options to friends and family. (**jewellery 50%, footwear 50%, beauty 48%, fashion 51%, home 50%**).

Prestige shoppers want exceptional and personal service. The clever Klarna 'cookie' recognises customers across the entire Klarna merchant network. So, a retailer can treat ALL Klarna users, visiting their site as if they are its own loyal shoppers, even if it's their first time on the website. Retailers who offer Klarna and allow their shoppers to pay 30 days later for purchases achieve an average **20%** uplift in repeat purchase and loyalty^{ix}.

4. Empowering consumers can boost sales.

One in two customers, would spend more if they could pay flexibly (**jewellery 53%, footwear 50%, beauty 50%, fashion 53%, home 54%**).

Klarna makes it easier for them to buy spontaneously wherever they are with simple and fast one-click payments even on mobile. We also boost mobile marketing, with one retailer who included Klarna in their push notifications a **150%** improvement in performance^x. Adding real value for customers, Klarna reduces reliance on sales or special offers to pull shoppers into luxe outlets or web stores. Klarna helps luxe brands retain their cachet, driving sales uplift without de-valuing brands.

Whether you're a heritage brand, a luxury sub-brand, a curated collection, a couturier or a mainstream retailer offering premium goods, Klarna can help you be more accessible to affluent customers.

By applying the same no-compromise approach to their checkouts as they do to their merchandise, luxury retailers, and those with exclusive and designer lines, can raise their game and compete more effectively. Options like Klarna gives consumers the confidence to buy premium goods and then defer or spread payments, so they can update their looks or indulge in quality gifts whenever they want, as often as it suits them.

It also gives the consumer the ability to monitor and manage their spend easily, using digital tools and online apps, if that's what they prefer.

Reshaping payment options at the POS and adding Klarna to their online checkout and mobile apps, can also deliver the smooth, frictionless experiences that resonate with today's convenience-focused luxury consumers. It also frees retailers to focus on what's really important to their brands building luxe storylines, generating quality content, establishing heritage and creating new exclusive cross-channel experiences that resonate with the next generation of luxe shoppers.

Check out Klarna for Luxury retailers

Klarna keeps checkouts 'smooth', delivers proven competitive advantage and boosts revenue results. That's why over 205,000 retailers offer our pay later products and 85M consumers rely on us to keep them shopping happy.



About Klarna:

- Founded in 2005, HQ in Stockholm
- Working with 205,000 online retailers
- Active in 17 markets
- 2,500 employees
- 85 Million global consumers have used Klarna
- Adding 55K new users per week in the UK

Retailers include:

Acne Studios AXEL ARIGATO BELLA FREUD BURBERRY

Dr. Martens FARFETCH Finery HOUSE OF HOLLAND

GINA BACCONI MICHAEL KORS OLIVER BONAS

OLVIARUBIN MR PORTER Ray-Ban UGG

i Bain & Company

ii Euromonitor

iii Statista

iv Forrester

v McKinsey & Co

vi McKinsey & Co

vii Drapers Guide Luxury's Digital Revolution

viii From Klarna retailers' results

ix From Klarna retailers' results

x From Klarna retailers' results

All other figures are from the Klarna UK Consumer Survey 2019

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