

InsideRetail®

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Klarna.



THE NEW SHOPPER ECOSYSTEM

Building competitive advantage in user experience, support and personalisation

INTRODUCTION



58%

Of Australians now shop online at least once a week¹

Prefer to do at least half of their shopping online²



74%

These are promising figures for online retailers but reaching these levels has not been a process of steady evolution.

The whole nature of how Australians approach e-commerce has changed radically compared to before the pandemic:³

- 55% are shopping online more frequently
- 33% have more confidence in purchasing online
- 37% have bought new types of items online.

Channel use is also now remarkably different:

- 61% of Australians are shopping more often with their mobile phones*
- 47% increase in the use of mobile phone in some part of the path-to-purchase⁴
- 40% increase in the amount spent via social commerce.⁵

There are no indications that the rate of change is slowing, as 40% of consumers predict that they will do the majority of their shopping online in a year's time.⁶

With so many Australians shopping online, it's not surprising that they also take different approaches.

For example, while 33% of Klarna users use multiple apps to browse and shop, and 21% typically just shop on the websites of their favourite brands, 28% are pure bargain hunters and will buy from whichever retailer has the cheapest price.⁷

And because they are now shopping online differently, Australian consumers are demanding brands provide them with a new e-commerce eco-system.

Not just improvements – they want and need different forms of user experience, support, and personalisation.

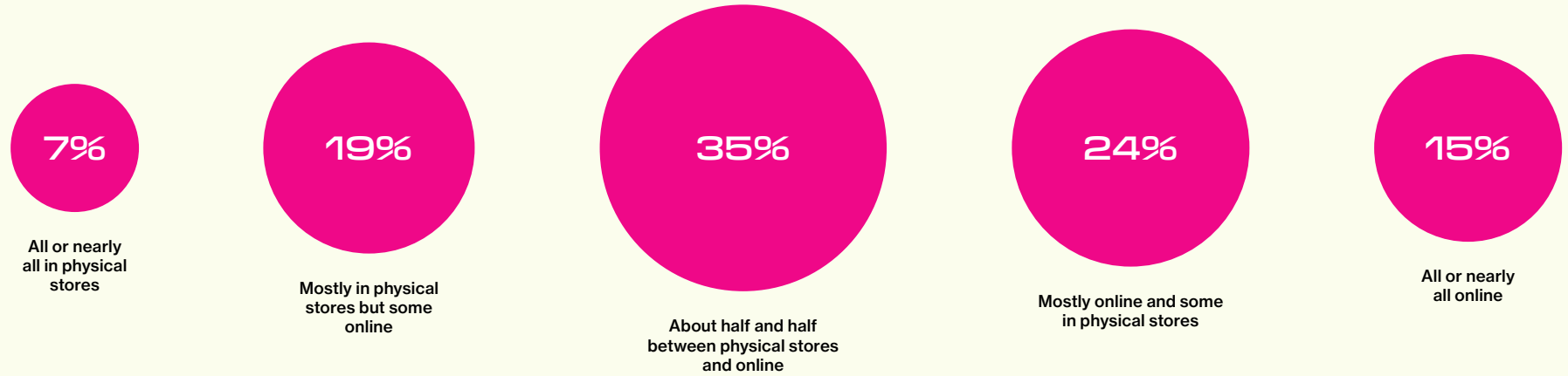
The brands that are prepared to innovate and lead the charge will reap the benefits of increased sales and customer loyalty.

This report explores the new online shopper eco-system and provides actionable insights for ambitious brands.

Leveraging the Klarna [Shopping Pulse](#), a 2022 Klarna survey of 943 Australian online shoppers using the Klarna shopping app, and multiple other reputable publications, *The New Shopper Ecosystem: Building competitive advantage in user experience, support, and personalisation* should be your go-to strategic resource.

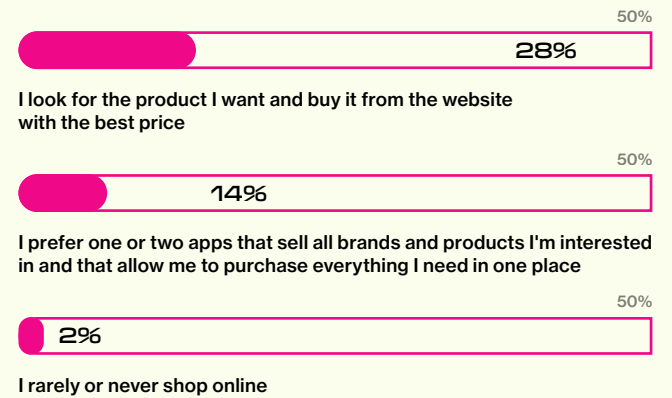
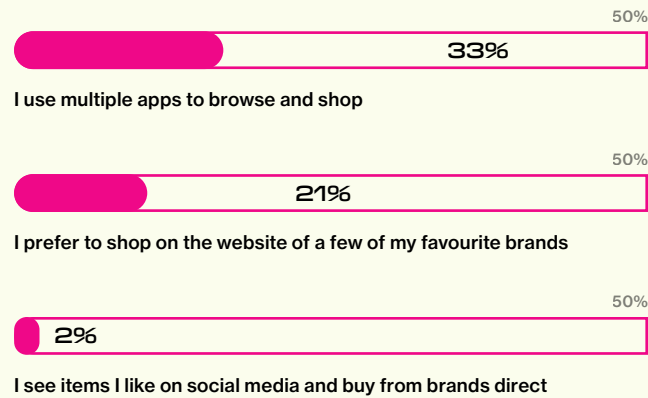
Preferred shopping channels

2022 Klarna Australian Online Shopper Survey (n=943)



Usual online shopping behaviour

2022 Klarna Australian Online Shopper Survey (n=943)



USER EXPERIENCE

Every successful brand understands the importance of user experience. To date, much of the focus has been on providing a frictionless interaction between the shopper and brand. And this is still critically important.

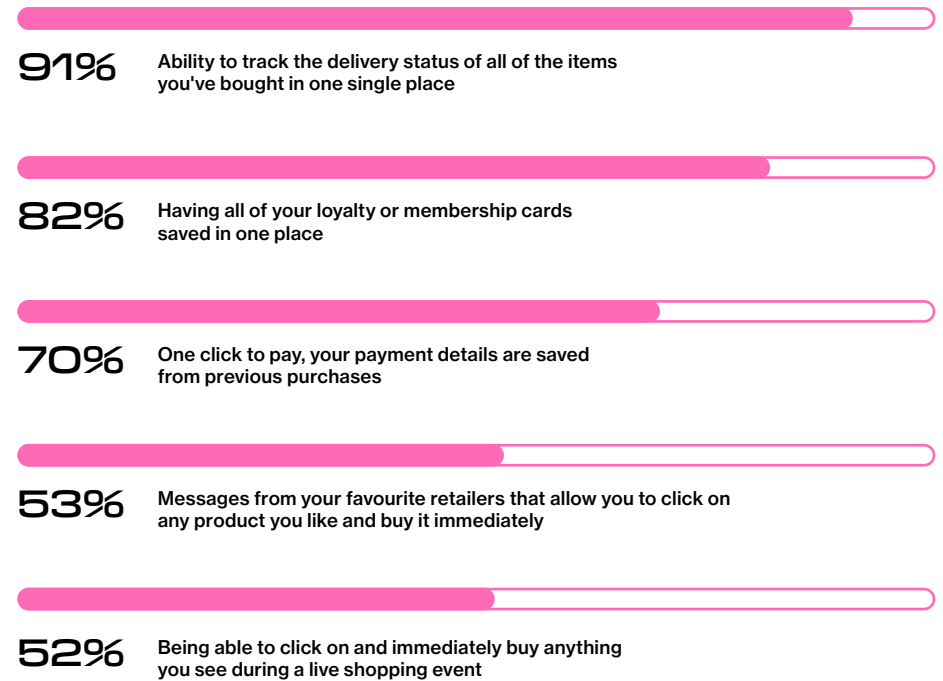
However, as they purchase more frequently, what used to be minor hassles or irritations assume greater importance to shoppers and increasingly impact their choice of retailer.

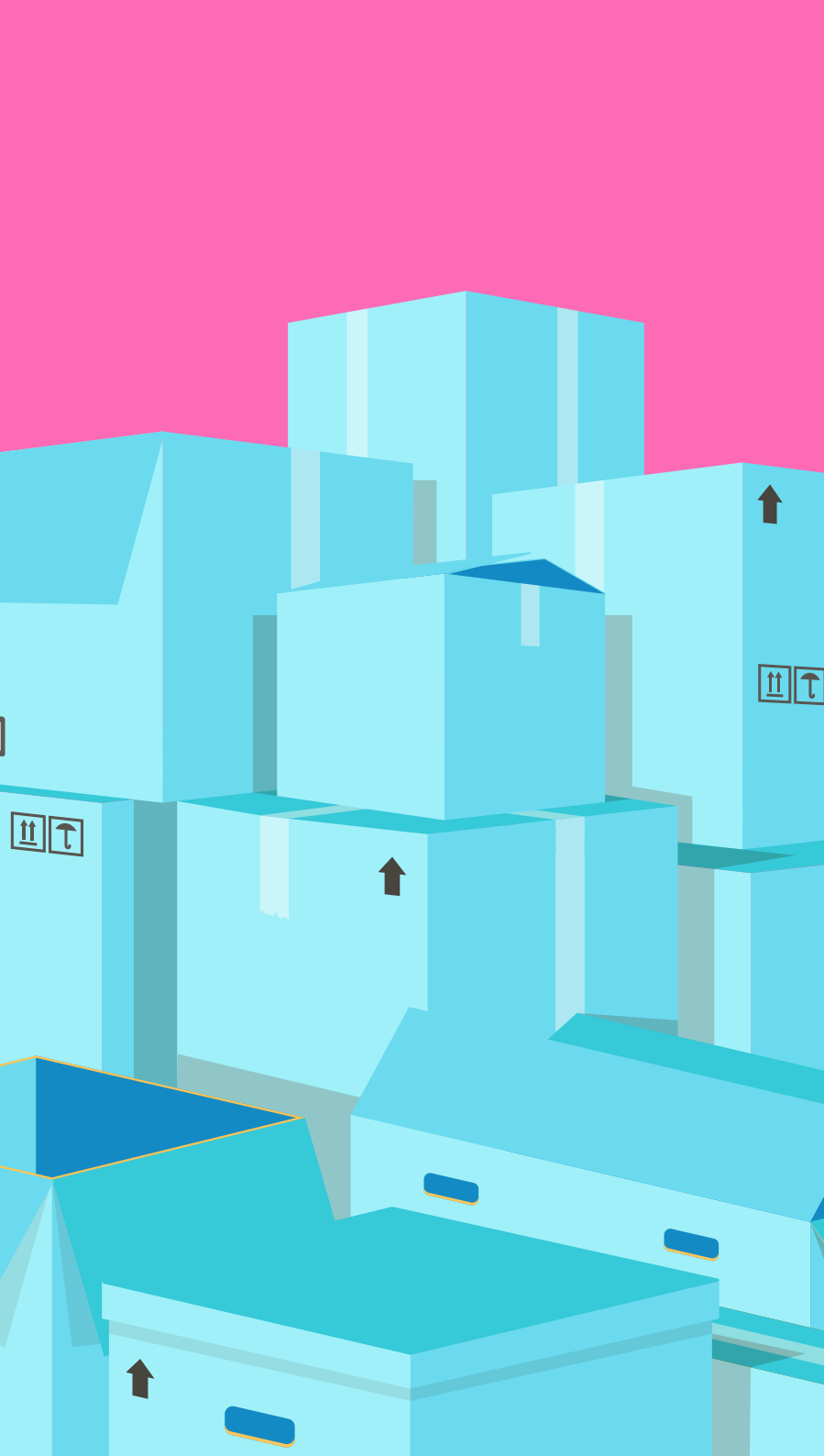
More than half of online shoppers are very interested (not just “that would be nice to have”) in each of the user experience features shown in the chart at right.

Brands should aim to deliver an exceptional experience on all of these. Not in the least as in the short-term they might form part of a USP.

The single most important reason for getting all of these right, however, is that very soon they will become table stakes for even being considered as a viable place of purchase.

Most Important Parts of User Experience for Shoppers





Ability to track the delivery status of all of the items you've bought in the one place

— 91% very interested

Pretty much everyone wants visibility over all of their online purchases.

Receiving delivery updates is sufficiently important to 23% of online shoppers that agree to sign up to brand online messaging⁸, even though many may have only wanted that delivery feature and were not interested in the accompanying brand marketing messages.

Over four in five (83%) of consumers expect that retailers will make it easy to track the status of their orders and queries, but only 48% feel that they have experienced it.⁹

Clearly there is room for improvement.

Having all of your loyalty or membership cards saved in the one place

— 82% very interested

It seems that every retailer and brand operate, or participate in, some form of loyalty or membership program.

The reasons are compelling with major retailers like Country Road noting that loyalty is as much as 70% to 80% of sales.¹⁰

Participation is also ubiquitous with 90% of shoppers being a member of at least one program¹¹ and the average consumer is a member of nearly six (average = 5.7).¹²

With so many options available, consumers have become quite discerning and demanding and over three in four (76%) expect rewards programs to be customised to their interests, though only 37% feel that they are.¹³

The user experience aspects of loyalty programs are critical as noted by Phil Hawkins, who until recently was the COO of the huge Coles Flybuys program: "The investment in digital assets, such as a fully functioning app; I think that's a critical requirement for (loyalty) programs."¹⁴

Not only do 82% of shoppers want to be able to access all of their loyalty or membership cards in one place, but the greater majority (73%) also would like them to be stored on a smartphone app.¹⁵

One click to pay, your payment details are saved from previous purchases — 70% very interested

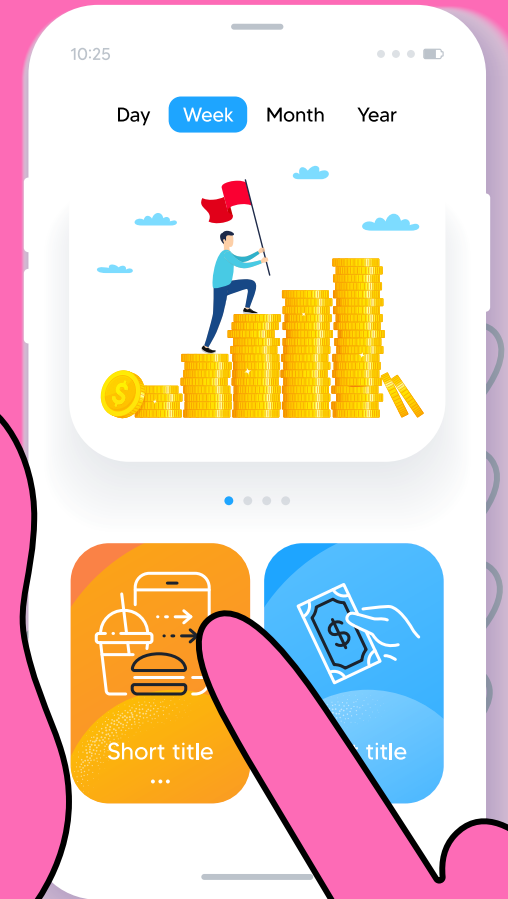
Apart from the fact that 70% of shoppers want it, there are direct financial incentives for retailers to offer one click to pay with a customer's payment details saved from previous purchases.

These include that 30% of online shoppers have abandoned a cart because they had to go and get their credit card details,¹⁶ and 23% have failed to complete online transactions because they had to re-enter credit card information.¹⁷

The brand building impact of this feature is also significant, as 25% of online shoppers feel that retailers who offer this feature are generally more reliable.¹⁸

One in three (33%) of shoppers go so far as to claim that entering card payment details is actually one of the most painful parts of the whole online checkout process.¹⁹

It's clear that one click to pay, your payment details saved from previous purchases will soon become a table stakes requirement for online retailers.



Messages from your favourite retailers that allow you to click on any product you like and buy it immediately — 53% very interested

One-click to purchase SMS marketing messages typically have a 10% conversion ratio which probably explains why there has been a 26% increase in SMS messages from brands in the last two years. Consumers also simply like them with 43% saying that they make them feel more engaged with the brand.²⁰

Given the similarity in user experience, there is no reason to believe that pop-up notifications from apps would have similar impact to those from SMS messages and some shoppers are likely to even prefer them given the greater message control features typically available within apps.

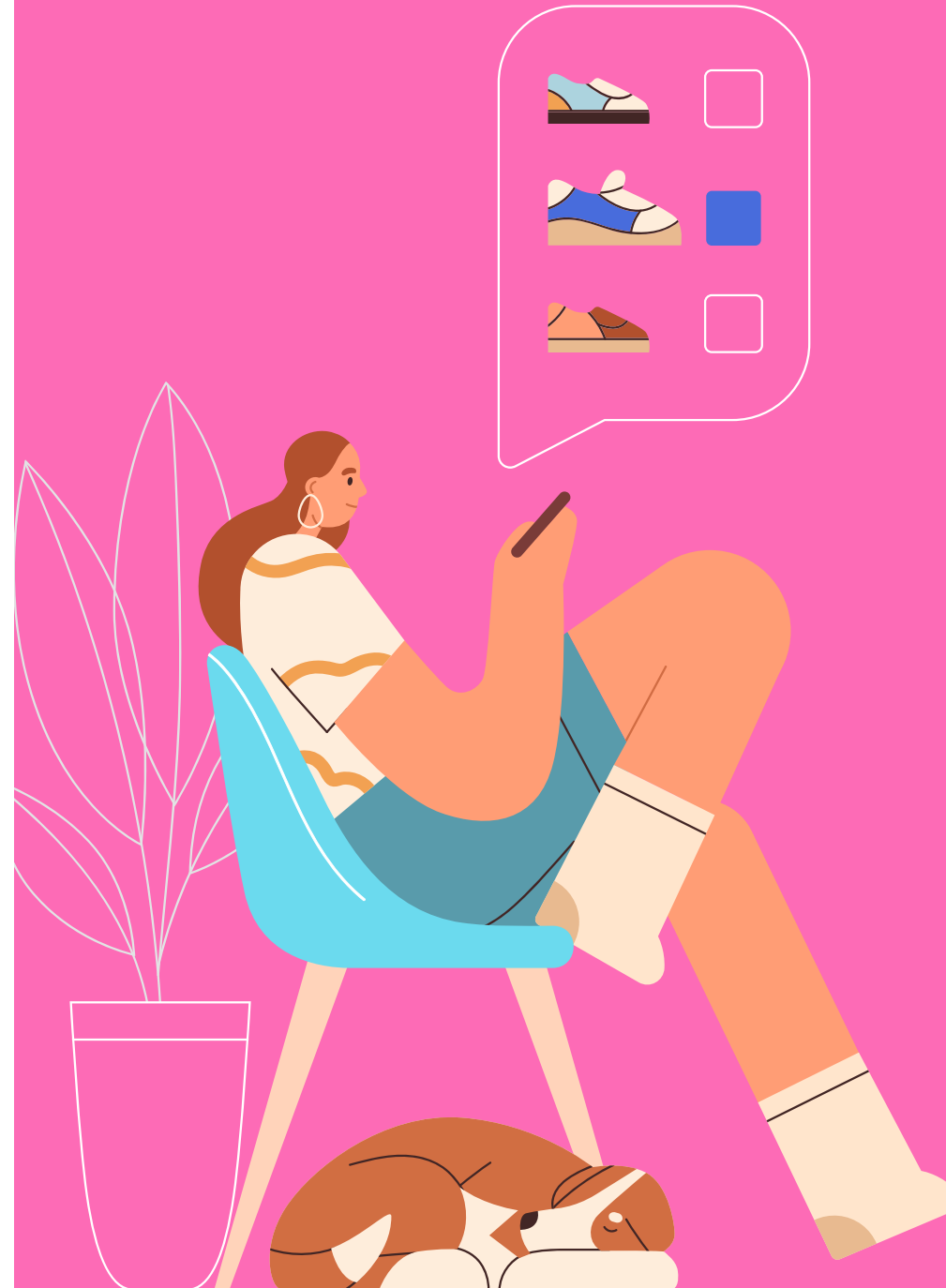
Being able to click on and immediately buy anything you see during a live shopping event — 52% very interested

With leading retailers including CUE, Nike, Forever New, Jo Mercer, Dion Lee and Veronika Maine all participating, it's clear that live streaming works.²¹

Even though currently only one in five (20%)⁶¹ have purchased during a live shopping event, this trend is bound to continue.

Despite its obvious associations with fashion shows, live streaming is not just for retailers. For example, as early as 2020, KitKat conducted a live streaming event that included product demos, special guests and limited time offers.²²

Nestlé Head of Marketing Confectionery, Joyce Tan described live streaming as "...enhancing the KitKat Chocolatory online shopping experience between product discovery and purchase intent, from wherever you are."²³



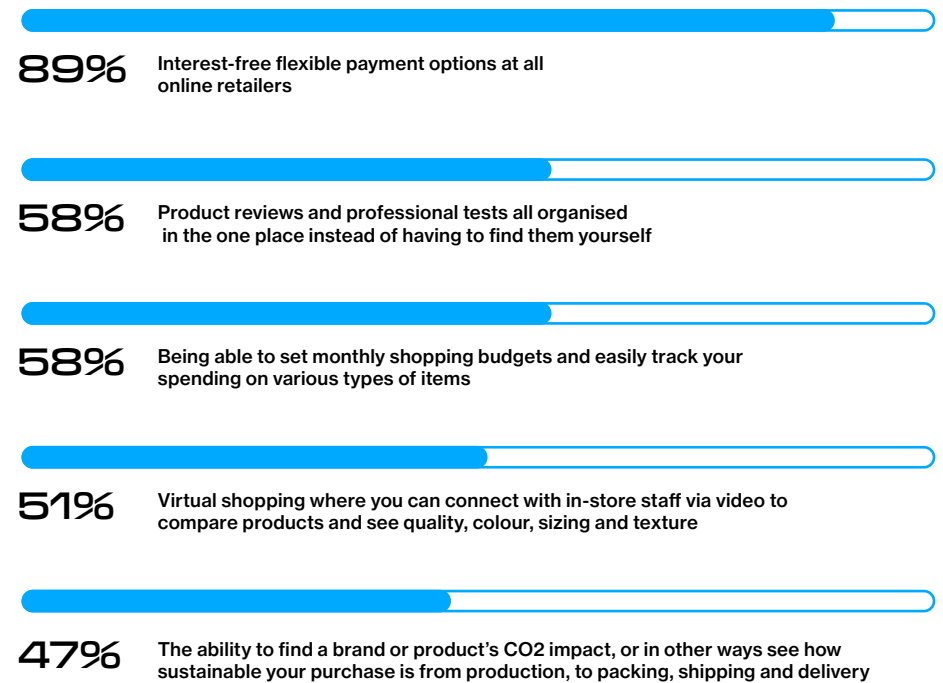
SUPPORT

While both are important, there is a critical difference between enhancing the online shopper user experience and supporting it.

While user experience involves making it easier to shop, support features are ones that help consumers to be “better” at online shopping. For retailers, this equates to more customers, bigger baskets, and more frequent purchasing.

Just as with the user experience functions addressed in the previous section, the following ways of supporting customers is compelling for one in two Australian shoppers.

Support





Interest-free flexible payment options at all online retailers — 89% very interested

The incredible rise of BNPL has been well documented. Reading the media reports though, it's easy to get the impression that BNPL is a Gen Z product. The data says otherwise.

In fact, 76% of all online shoppers are more likely to make an online purchase if the website offers a BNPL option,²⁴ and a similar proportion (72%) are likely to spend more on a single online purchase if the website offers a BNPL option.²⁵

BNPL obviously suits many shoppers, however, the key element of shopper support is the provision of multiple payment options.

This feature is a competitive factor, with 35% of shoppers saying that payment options are one of the biggest influences in choosing between products.²⁶ It can also have an impact on loyalty, as 46% say that flexible payment options would encourage them to shop at a brand again.²⁷

And if any retailers were still in doubt about the value of this type of support: 89% of consumers are likely to abandon an online purchase if their preferred method of payment is not available.²⁸

Interest-free flexible payment options at all online retailers is another "easy win" for savvy retailers, as currently only 41% of retailers provide it.²⁹

Product reviews and professional tests all organised in the one place instead of having to find them yourself on the net — 58% very interested

The stats around shopper engagement with product reviews are staggering:

- 44% say that reviews are one of their biggest influences when choosing a product³⁰
- 62% have read a review in the past week³¹
- 68% read reviews from multiple sources before making a purchase³² (the average is 2.3)³³
- 69% are likely to abandon an online purchase if there aren't reviews of the product in which they are interested.³⁴

Omnichannel retailers should pay particular attention, given that nearly one in three (28%) consumers have looked up a business's reviews while standing or being parked right outside to decide if they should go in or not.³⁵

Probably as a function of their high level of involvement, consumers are learning to be cautious about reviews. For example, 52% believe they've fallen for fake reviews.³⁶ More concerningly, in an independent study, 26% of shoppers were unable to tell the difference between a fake and a real review.³⁷

These factors all contribute to over one in two consumers being very interested in this form of support. While it is not something for individual brands and retailers to supply, those willing to address this issue should look for opportunities to have their brand featured on reputable review aggregator sites.

Being able to set monthly shopping budgets and easily track your spending on various types of items — 58% very interested

With half of the population making online purchases at least once a week, it's inevitable that some of those would be made on the spur of the moment, and it turns out that 44% have done just that.³⁸

Failing to control their expenditure is widespread with a recent survey by Finder.com.au finding that 34% of consumers admit to regularly overspending when shopping.

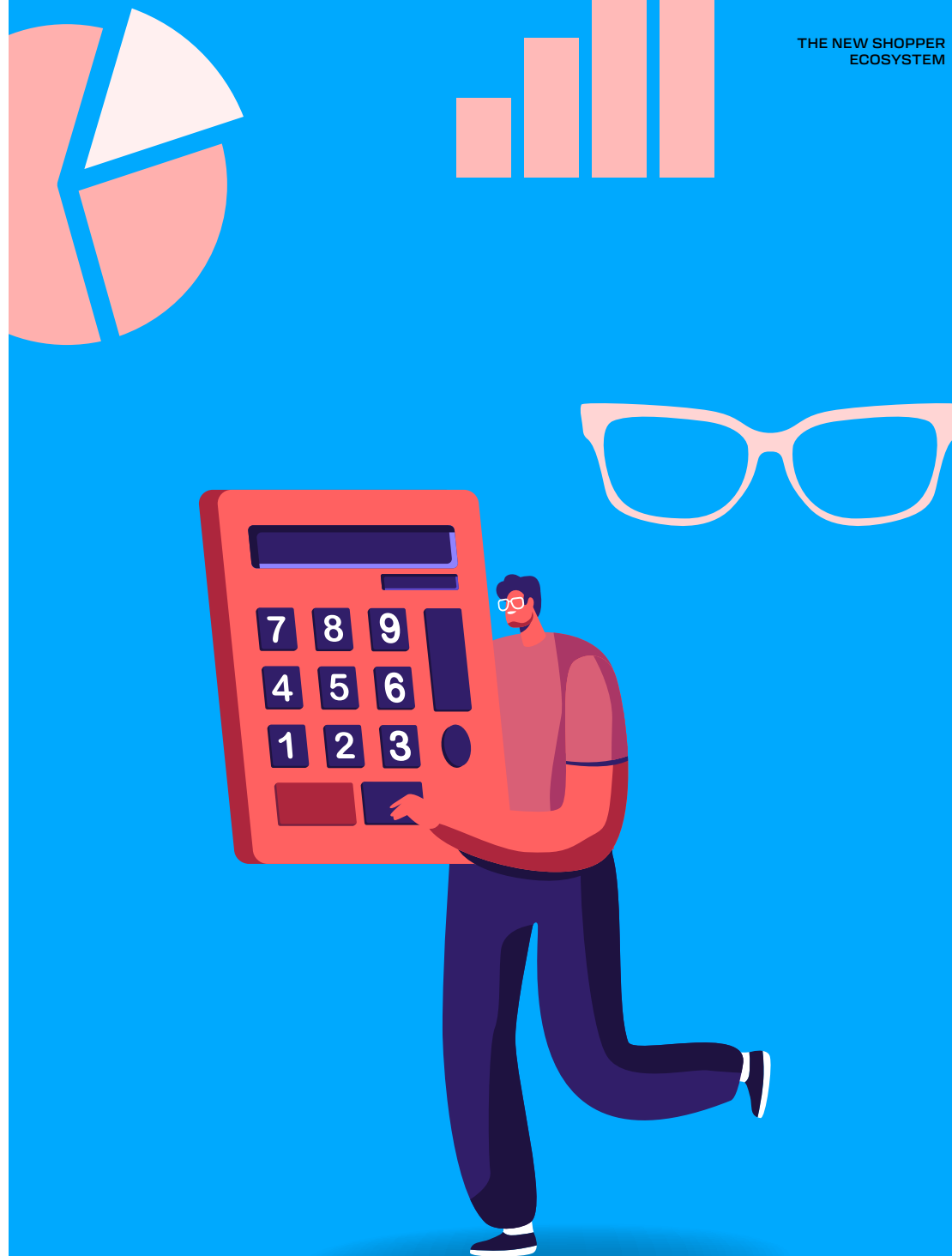
Unplanned online purchases have become more frequent during the pandemic for over one in three consumers (37%) mainly due because they weren't visiting physical stores as much (50%), they had more time on their hands due to restrictions (38%), and 34% were simply spending more time online.³⁹

While these factors may abate slightly as the pandemic situation evolves, budgeting is still important with 78% of consumers having set financial goals for 2022 including saving more (51%) and spending less (32%).⁴⁰

Overspending more commonly occurs on mobile devices compared to desktop computers which is a strong argument for having a budgeting app.⁴¹

Budgeting apps are already widely available, but their take-up has still been limited probably due to the lack of integration across multiple retailers meaning that shoppers have to manually enter data in some fashion.

Retailers wishing to support their customers in this way should therefore look for facilities that provide a wide coverage of other retailers.





Virtual shopping where you can connect with in-store staff via video — 51% very interested

Virtual shopping appointments have been one of the standout success stories during the pandemic.

For example, fashion retailer Incu found that after just three months shoppers who used their virtual shopping appointment service were 11 times more likely to make a purchase. Incu CEO Doug Low comments that “With any new technology we’ve always seen that it’s taken a while to catch on, however as customers get used to virtual shopping, we can see that it will have exponential growth.”⁴²

CUE has had a similar positive response to virtual shopping appointments with their average order value increasing fivefold and a 60% conversion ratio.

A particular strategy by Michael Hill which has contributed to their success with virtual appointments has been to offer them with a range of language options including English, Mandarin, Hindi, Taiwanese, Punjabi and more.⁴³

Fashion and accessories are categories in which shop assistant involvement in the purchase process is well established. However, retailers in other categories have also had success, for example the partnership between JD Sports Australia and Nike to establish a video styling service known as ‘Style on Speed Dial’ that allows customers to connect with in-store experts via instant messaging, video, or voice chats.⁴⁴

The ability to find a brand’s or product’s CO² impact, or in other ways see how sustainable your purchase is from production, to packing, shipping and delivery — 47% very interested

On a global scale, Australians rank the highest in their belief that companies have a moral obligation to become sustainable (70% agree).⁴⁵

This is reflected in practice, with a recent Klarna survey of Australian consumers finding that 69% have started with a new brand because they admire its social impact programs.

The same study also found that 55% of consumers want retailers to provide clear evidence of the impact of their social initiatives, like sustainability.

In summary, making it easy for your shoppers to find out all of the sustainability information they want should be a ‘no-brainer’.

PERSONALISATION

Personalisation is a big talking point in retail and for good reason.

Nearly half (43%) of consumers say that personalisation is a basic requirement of online shopping experiences, and 80% of brands agree that personalisation is table stakes for online retailing.⁴⁶

These figures are a little confounding, however, when you consider that 90% of brands say that they are providing personalised experiences to consumers, however, only 61% feel that they are receiving them.⁴⁷

Retailers can do better.

Experts like Lisa Bora, Partner in Charge of Corporates – Management Consulting, KPMG Australia, are quite clear in their views: “Personalisation continues to be the lead customer experience driver across retail in Australia...

“The benefits extend beyond customer loyalty through to significant improvements to revenue and retention, a resultant reduction in marketing costs and an uplift in customer acquisition and engagement metrics for brand.”⁴⁸

Retailers who are yet to be convinced as to the importance of personalisation can also look to the examples provided by leading brands such as Mecca.

“We are almost at a stage where 1-1 personalisation is a reality – we’re on the cusp of that. With brands like Mecca, where we have so many brands, products, and enthusiastic customers, it’s the perfect space to try and create something exceptional around personalisation,” Mecca chief digital officer, Sam Bain.⁴⁹

There are multiple ways for retailers to personalise their interactions with their customers. Our research indicates the potential power of five particular strategies.

Personalisation



77% Price drop notifications from a range of retailers on items you’re interested in



74% Being able to unlock exclusive deals tailored to your interests and wish list



62% Being able to select the types of product notifications and ideas you want to receive



51% Getting tailored product ideas and suggestions based on your interests, past purchases and favourite stores



24% Getting ideas and inspiration from social media influencers that you follow



Price drop notifications from a range of retailers on items you're interested in
— 77% very interested

Well over half (64%) of online shoppers want brands to update them on relevant specials and new products; however, only 51% feel they receive that service.⁵⁰

Most retailers understand the importance to shoppers of price drop notifications, with 31% of shoppers saying that sharing relevant discounts with them has a large impact on the extent they trust the brand.⁵¹

Hopefully, most retailers also understand the reality that as important as it is to notify one's own customers, shoppers are particularly interested in having one place where they can access all of these notifications. And they will gravitate towards this type of feature over time.

Retailers wishing to be on the front foot should, therefore, consider how they can actively participate in helping their customers in this way.

Being able to unlock exclusive deals tailored to your interests and wish lists
— 74% very interested

As with some other aspects of shopper behaviour, the ups and downs of providing shoppers with personalised deals are very clear.⁵²

- 57% say that a personalised offer in the message from a brand would encourage them to make a purchase
- 40% are more likely to abandon a cart if they don't receive a personalised offer⁵³
- 69% say that personalised offers/ discounts would encourage them to shop at a brand again.⁵⁴

It's just something three in four shoppers want – end of story.

Being able to select the types of product notifications and ideas you want to receive — 62% very interested

Along with wanting to receive price drop notifications etc. 62% of online shoppers are also very interested in having control over those messages.

The proportion of shoppers who want control over specific aspects of these messages varies:⁵⁵

- 55% want to choose the types of messages they receive
- 30% want control over the message frequency
- 15% want control over their product preferences.

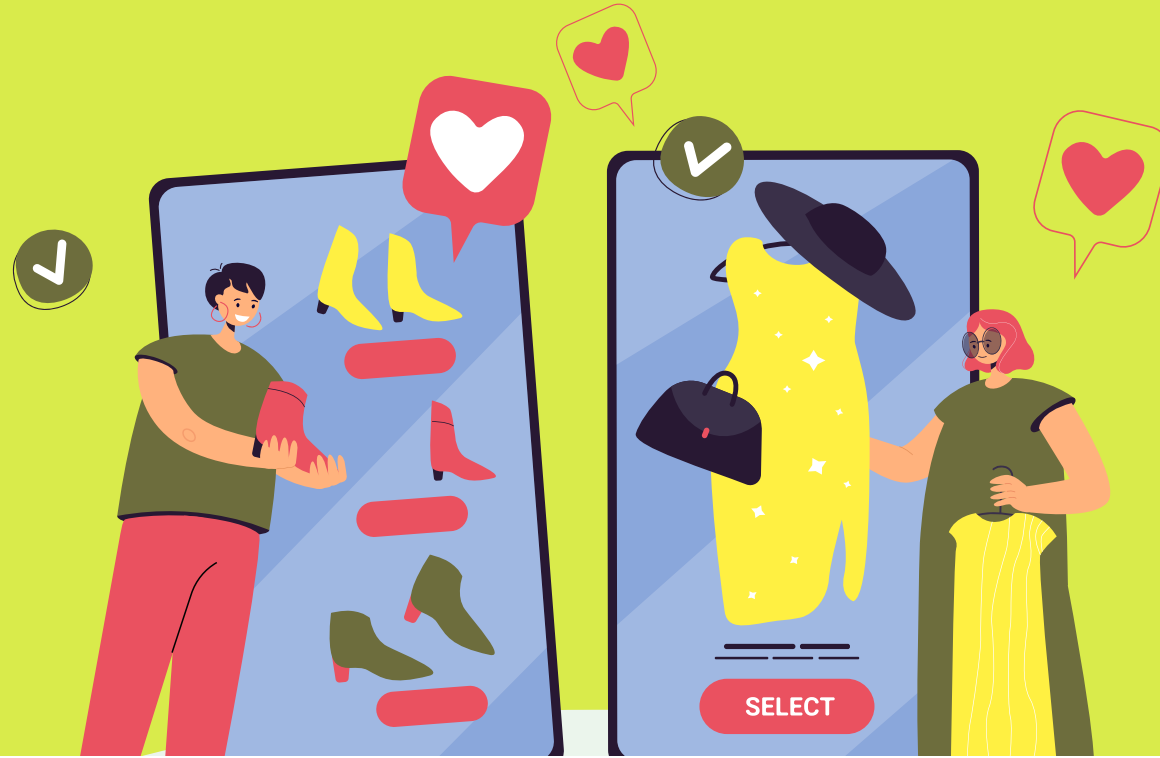
Getting ideas and inspiration from social media influencers that you follow — 24% very interested

Over one in three Australians (37%) claim that social media is now an important part of their path-to-purchase.⁵⁶

And on average, shoppers follow 2.1 influencers from whom most like to receive weekly updates, and attribute 1.8 purchases a month directly to the influencers they follow.⁵⁷

The takeout for retailers is simple; check if your customers are among this significant proportion of the market.





Getting tailored product ideas and suggestions based on your interests, past purchases, and favourite stores
— 51% very interested

It's standard practice now for retailers to advise shoppers browsing on their site of similar products that others have either viewed or bought.

Reflecting that, 56% expect online retailers to use any personal information they have given them to personalise their experience.⁵⁸ One in five (21%) go further and want their online shopping experience to be specific to them where possible.⁵⁹

Beyond the website experience, the personalisation of marketing messaging via in-app notifications, SMS, and emails is also very important.

One of the key reasons is that independent studies have found that 65% of consumers are more likely to remember an ad if it is contextually relevant to their interests.⁶⁰

From a strategic perspective, retailers should consider that only 18% of online shoppers don't find personalised advertising useful and 50% are more likely to shop at retailers who provide it.

More likely to shop at a brand that personalises its advertising



Interest in receiving tailored ideas and suggestions



WRAP UP

This report has identified 15 ways in which retailers can leverage the new ecosystem that surrounds online shopping.

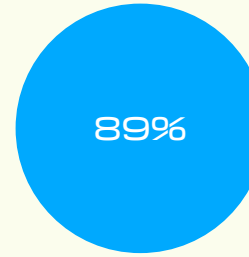
Shoppers don't just think these strategies are "nice to have"; substantial proportions class them as things in which they are "very interested", which translates to things that they will actually try out.

We strongly recommend that every retailer gives serious thought to how they can best deliver on these, and if they are already doing them, how they can stay ahead of their competitors.

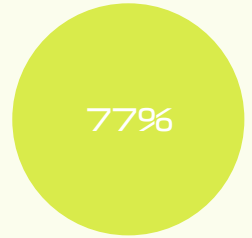
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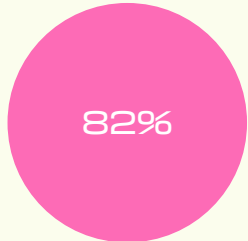
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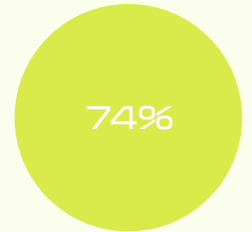
Having all of your loyalty or membership cards saved in one place



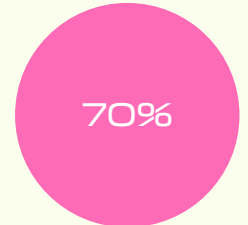
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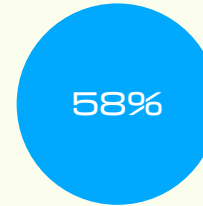
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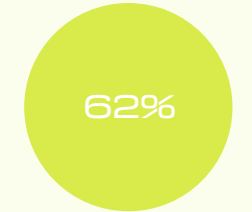
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Being able to set monthly shopping budgets and easily track your spending on various types of items



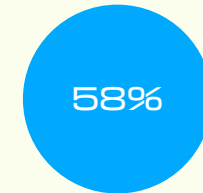
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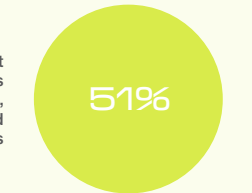
Messages from your favourite retailers that allow you to click on any product you like and buy it immediately



Virtual shopping where you can connect with in-store staff via video to compare products and see quality, colour, sizing and texture



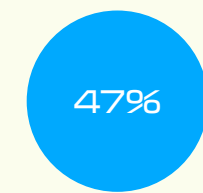
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Getting ideas and inspiration from social media influencers that you follow



User Experience

Support

Personalisation

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