

Navigating needs.

The path to profit
in eCommerce.



Klarna.



Executive summary.

Consumers might seem complicated. But while everyone is different, we're all united by a core set of needs that mimic our basic human requirements – from the need to feel safe and valued, to a hunger for enriched experiences.

Retailers must understand these needs in order to satisfy them. In a post-Covid-19 world, this becomes more important than ever. As we enter a recession, it's the only way to boost shopping behaviour so that retailers can survive – and thrive.

This paper outlines the different aspects of consumer needs and the components required to deliver exceptional experiences. Drawn from insights into 2,000 UK shoppers, we reveal the turn ons and turn offs at each stage of the shopping process. We offer advice on how retailers can navigate each need to better connect with customers, drive sales and create an army of advocates to help create future growth.

Foreword.



Andrew Busby,
Top 20 global retail influencer,
CEO of Retail Reflections and IBM Futurist

“Even before the coronavirus pandemic, retail was undergoing a seismic shift. Customer experience was the new battleground and sustainability the watchword as the industry rapidly sought to reposition itself to meet the demands of the new consumer.

And then, suddenly, abruptly, everything changed. The world would never be the same again. Nothing, it seems, can be discussed without framing it within the context of the Covid-19 pandemic. It pervades every aspect of our lives and nowhere has this been more evident than in retail.

The savvy consumer was borne out of 2008's global financial crisis and the ensuing recession. The changes we saw then in the market and consumer behaviour will pale into insignificance when compared with the almost inevitable transformation of retail that the pandemic will bring. Trends that were expected to take a decade to materialize are now taking just a matter of weeks.

Retail and the mere act of shopping has always been a multi-sensory and social experience, online notwithstanding. In contrast, for the foreseeable future, it will operate on a far more utilitarian model as we all come to terms with our new normal. As this report reveals, it will be more important than ever before for retailers to connect and engage with their customers, who they will need to coax back online and safely into stores and encourage them to begin spending once more.”

Introduction.

Shopping can be an emotional experience. Of the consumers we spoke to, **40%** claimed to experience excitement and **28%** said they felt happiness at the prospect of purchasing something new, while **25%** enjoyed a sense of accomplishment in the moments following a purchase.

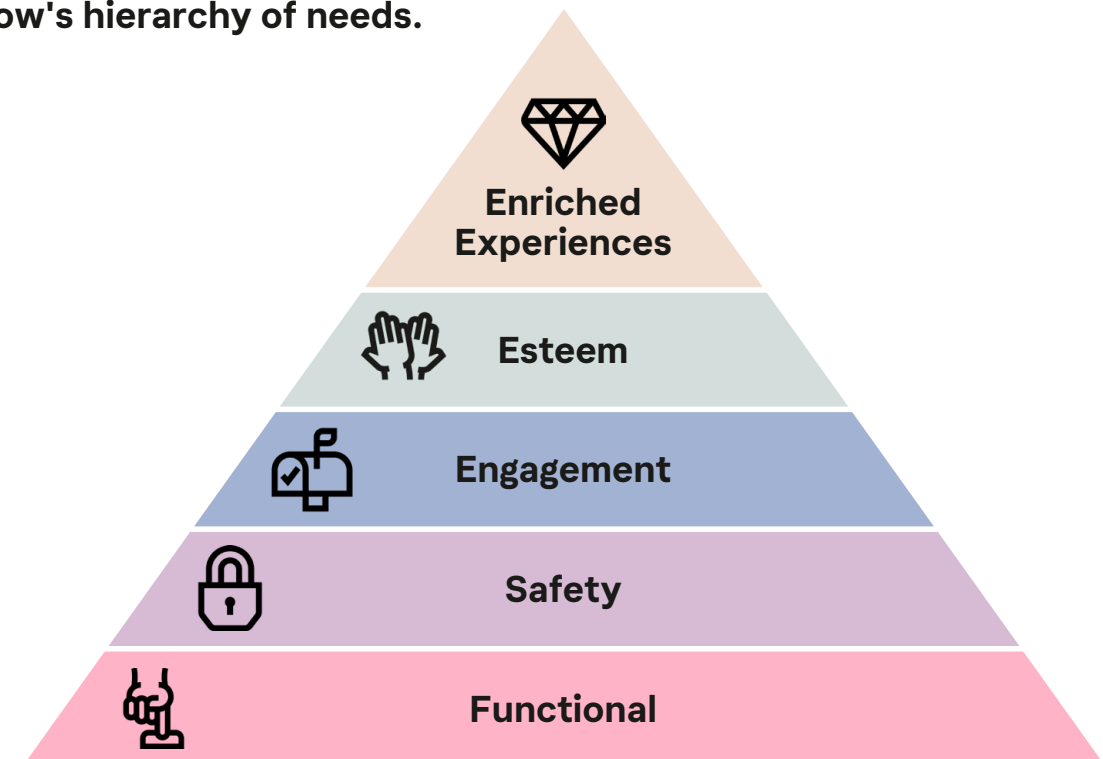
Getting the shopping journey right is a delicate process, with almost a fifth (**17%**) of consumers admitting to abandoning items already in their online shopping cart once a week and **21%** doing so even more frequently.

In fact, on average, UK shoppers abandon a purchase 1.27 times every week.

Every abandonment represents a dent in retailers' revenues and potentially a sale lost to a competitor, meaning the journey from consideration to conversion must be managed with care.

How? We've applied Maslow's well-known hierarchy of needs theory and identified the important categories shoppers need brands and retailers to consider in their quest to gain and retain customers, and transform them into ambassadors. Each layer is considered a building block, relying on the foundation below it for support. Reaching the top of the pyramid – the pinnacle of a valuable shopping experience – necessitates that each need below it has been successfully met. If you miss one layer you risk losing your sale with goods languishing in baskets and never bought.

Maslow's hierarchy of needs.



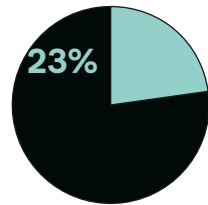


Functional.

The first tier of Maslow's triangle outlines basic physiological needs like food, water and air: the essentials that we could not survive without. In our hierarchy, we've defined this 'can't go without it' layer as 'functional needs'. Simply put, what are the basic requirements a retailer needs to have met in order for a purchase to be possible online?

In today's busy world, 'convenience culture' reigns supreme. If it's not easy to purchase a product, then consumers simply won't bother. That applies to every stage of the shopping journey, from browsing and buying to delivery and returns.

It starts with how easy a brand or retailer's website is to use, with **37%** of our respondents citing this as a top influence over their purchase decisions.



Almost a quarter (**23%**) said they'd be influenced by the speed of the checkout process, while **22% are encouraged by flexible payment options.**

Beyond payment, nearly three quarters (**73%**) of consumers said free delivery would encourage them to shop with an online brand, as this wraps all costs into the price of each item with no surprises at checkout. Fast shipping (**57%**) and an easy returns process (**42%**) also ranked highly as the new generation of shopper demands instant gratification and flexibility on their purchases.

On the flipside, poor functionality makes consumers more likely to drop out of the shopping journey. Our respondents cited a poor returns process (**59%**), a slow checkout process (**50%**) and no alternative payment options (**29%**) as reasons to abandon their shopping cart. Sixty-nine percent said they'd end a transaction if they were going to be charged a fee for using an alternative payment method.

Meanwhile, **26%** have bailed because they couldn't be bothered to find their card details, and **24%** said they would be likely to abandon a purchase because the brand or retailer's website didn't remember them.

The pace of change online is unmatched by anything in history. As technology becomes more sophisticated, consumer expectations are increasing too. Sixteen percent said a lack of biometrics at the checkout – think facial recognition or fingerprints to auto-fill their details – would cause them to bail, despite it being less than a decade since Apple added a fingerprint scanner to a mobile device.

Key takeaways.

Tip #1: Be visual, but don't overload:

Website speed is critical and can make the difference between buying and bailing. Include images, but make sure your website is limited to the data loaded as visitors navigate through product listings. Consider working with an image optimization solution like Akamai to ensure browsers are loading the right size image for the device in use.

Tip #2: Accommodate everyone:

From flexible payments to faster deliveries, offer a range of options at checkout to cater for all your customers' needs. Buy now, pay later? Free shipping? Click and collect? It should all be up for grabs.

Tip #3: Forget friction:

Customers want every experience to be as easy as possible, but they must feel comfortable about it too. One-click purchase options and pre-filled details are perfect for some, while others prefer to checkout as a guest. Offer both.

Expert analysis: Andrew Busby.

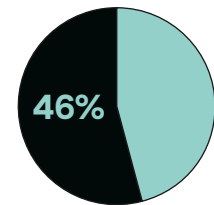
"Us consumers are a demanding lot, we've never expected so much in return for our transient loyalty – a trend that will only be amplified over the coming months and years. Our tolerance for average is non-existent and with so much choice available to us, competition for our custom is fiercer than ever. Customer-centric is no longer enough: if the proposition isn't easy, convenient, intuitive and quick, retailers will rapidly need to rethink and rebuild."



Safety.

As well as being functional, shopping should feel safe. Maslow's triangle referred to safety in the context of personal security, employment, health and property. For us it's about having a credible website and secure checkout, as well as the confidence that comes from positive reviews and recommendations.

Forty-three percent of consumers would consider shopping with a brand or retailer they hadn't previously bought from if it had a good reputation.



While 46% said they're more likely to shop online with those that they trust.

Two-fifths (**40%**) of consumers said positive reviews online would make them consider shopping with a new brand or retailer, and **39%** are encouraged by recommendations from family or friends.

Meanwhile, **75%** said they would be likely to abandon their shopping cart if they did not trust the website's security.

In the current context, this also means the safety of deliveries, with many retailers now offering essential non-contact delivery options to minimise the risk of cross-contamination.

Key takeaways.

Tip #1: Lean on SaaS for security:

PCI Compliance, DDoS mitigation and site-wide HTTPS? There's a lot to think about. SaaS ecommerce platforms, like BigCommerce, take on the heavy lifting around data security, privacy and compliance. Using one as your online foundation is an easy way to make sure your site has all the basic protections in place so that your shopper data is secure from malicious attacks.

Tip #2: Show off your safety:

You might know you've got all the proper security protections in place, but customers need reassurance too. Trust badges and seals, logos of your payment providers and the little "lock" icon on the browser all add to a customer's feeling of trust, and should be visible throughout the checkout process.

Tip #3: Add layers of protection:

With Klarna for example, each purchase is backed by a buyer's protection policy. If the shopper doesn't receive the goods through no fault of their own, they won't have to pay. Additionally, Klarna's smart risk engine monitors all transactions for any suspicious activity, informing merchants as required.

Expert analysis: Andrew Busby.



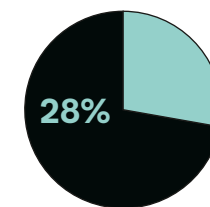
"The number one priority for retailers right now is to make us feel safe and secure when shopping with them, whether online or in-store – particularly as we emerge from the lockdown into a new set of circumstances. Shoppers will need extra reassurance as they increasingly spend more online. The introduction of measures such as Strong Customer Authentication, requiring an additional layer of authentication, should help make us feel more secure."

Engagement.

For Maslow, tier three is about love and belonging. It's about friendship, family, intimacy and a sense of connection.

In the retail world, that connection is created through engagement. Every engagement with a consumer matters, leaving long-lasting impressions that can make the difference between friend and foe.

Our research shows that positive experiences can be a particularly powerful way of gaining and retaining customers. Thirty-nine percent of consumers said good customer service would encourage them to shop with an online brand again, while **27%** said poor customer service would deter them.



28% of consumers are more likely to recommend brands and retailers who offer a good online experience.

Even online, people play an important part in delivering that positive experience. Twenty-seven percent of consumers said they'd buy more from a retailer if support was on hand for every stage of the purchasing journey and **24%** said they'd be encouraged by opportunities to provide feedback and be heard by the brand or retailer.

Key takeaways.

Tip #1: Make customer service channels easily available:

Offer a variety of communication methods, including email, chat and phone, with clearly outlined hours of availability. Setting clear expectations is the first step in ensuring a positive customer service experience.

Tip #2: Be there for the good times as well as the bad:

Customers should feel like they can engage with your brand in a personal way; not just when they have a problem. Consider opportunities for engagement outside of the customer service process, such as social media and email marketing. Use these to connect with customers on a more personal level and it will pay dividends for your business long-term.

Tip #3: Remove the need to ask:

Onsite messaging is as important as customer service. Leave no room for doubt about your offer, payment and delivery options and terms and conditions to keep customers engaged.

Expert analysis: Andrew Busby.

"As consumers, we want to feel that we are not just being acknowledged but valued. We expect a high level of interaction and engagement and when we don't experience that, it erodes the trust we have in a brand or retailer.

This is especially important in an age when automation and chatbots are becoming ubiquitous in our interactions with retailers. And whilst these are becoming ever more sophisticated and effective, the challenge for retailers is to strike an appropriate balance between automation and direct human interaction so we feel that at any time, should we need to speak directly, we will have that facility."



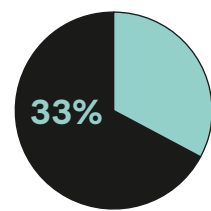
Esteem.

Moving towards the top of the triangle, Maslow identified that we're all hungry for status and recognition. He called it 'esteem'.

When it comes to shopping, it's no different. Everyone wants to feel like an important and valued customer. It plays into our natural need to be needed.

While some shoppers are cynical about signing up for accounts, our research suggests that consumers crave recognition as regular customers. A quarter (**26%**) of our respondents said they choose their preferred brands based on the rewards and discounts they offer to buyers.

Personalisation is a powerful way for brands and retailers to make their customers feel special and keep them coming back again and again.



A third (**33%**) of the consumers we spoke to said personalised offers or **discounts would encourage them to shop with an online brand.**

While a fifth (**19%**) were swayed by a personalised checkout experience. In fact, a fifth (**19%**) even said they would be likely to abandon a purchase if they weren't treated to a personalised offer.

This comes with a health warning. Forty-five percent of consumers said that it irritates them when brands and retailers get personalisation wrong.

Key takeaways.

Tip #1: Categorise your customers:

Leverage the segmenting capabilities available within your ecommerce platform to help break your customers into specified groups, and personalise their marketing and shopping experience to their needs.

Tip #2: Make personalisation personal:

Algorithms are powerful, but they're not always accurate – and that's where creating an open dialogue comes in. The more you get to know the preferences, wishes and expectations of your customers through building a community and rapport, the better you'll be able to personalize their experience.

Tip #3: Fewer steps at checkout mean fewer abandoned baskets.

Klarna's payment methods collect only need-to-know information meaning the transaction can be completed quickly. For returning customers who are already part of the Klarna community, fields are pre-filled to allow purchases in just one click.

Expert analysis: Andrew Busby.

"Everyone appreciates being recognised but it has to be done in the right way. We all know that buzz we get when we're welcomed back to our favourite restaurant or hotel, or we get a seat upgrade on a flight. It's all part of the unwritten contract we have with brands and retailers. We're happy to share more information about ourselves, provided that we see value in return.

However, today, the majority of retrospective messaging which purports to be personalisation is far from that. And poor personalisation is worse than no personalisation. But as technology gets smarter, we'll begin to appreciate the extent to which our lives can be enhanced through personalisation. By offering an experience that feels truly personal, brands will earn the right to engage and continue the conversation."

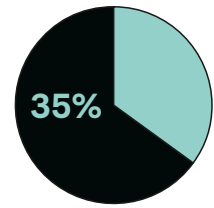


Enriched experiences.

With all other needs met, according to Maslow, we reach a point of self-actualisation. We're infused with a burning desire to become the best version of ourselves. It is at this point that we become open to new experiences and opportunities to grow.

Likewise, a shopping experience that is convenient, secure and leaves customers feeling engaged and appreciated will ignite a hunger for more enriching experiences. This is where some brands and retailers can give themselves the edge and enjoy the most valuable interactions.

Many consumers are looking for entertainment and inspiration to capture their attention and get the most out of their shopping experience.



Over a third (**35%**) of consumers are more likely to shop with a brand or retailer that is **associated with fun content and experiences.**

Whether that's pop-up stores, celebrity sightings or immersive experiences – while **23%** said inspiring brand content would make them more likely to buy more.

The digitisation of retail – such as shoppers scanning QR codes on their smartphones – means that physical experiences can go a long way to driving online traffic.

A quarter (**25%**) are more likely to visit a brand or retailer's store if it offers additional services, with free wifi (**45%**), food and drink such as coffee shops or smoothie bars (**39%**) and phone charging stations (**23%**) topping the list of essentials.

Key takeaways.

Tip #1: Experiences aren't just for in-store:

It's possible to provide engaging experiences online as well. Headless commerce (or the pairing of separate back-end and front-end platforms) makes it easy for ecommerce merchants to prioritize content and experience without impeding the ecommerce operations. Look for an ecommerce platform that enables this kind of functionality.

Tip #2: Be creative with content:

Consider how different forms of content – blogs, video, tutorials, workshops, etc. – can enhance customers' experience with your product and brand. Feel empowered to try new approaches, and invite your engaged community to evaluate them. They'll appreciate the opportunity to be heard, and you'll learn what works and what doesn't – win, win!

Tip #3: Exploit the power of partnerships.

Associate your brand with partners who not only increase sales, but also can give you access to their own loyal and engaged customer base. In the UK, Klarna has over 8 million users of our pay later options – shoppers who enjoy increased purchase power and a better shopping experience.

Expert analysis: Andrew Busby.

"Before the coronavirus pandemic, we were all talking about the rise of experiential retail. Now, retailers will need to completely rethink their physical spaces. In the first instance, it will be about ensuring they are safe as consumers start to return to shopping in-store. But in the longer term, retailers will need to get creative about how they use their stores for more enriching experiences that engage consumers while allowing for appropriate levels of social distancing to take place.

In the meantime, in a matter of weeks we have all become far more digital. With the in-store experience temporarily compromised, we should expect innovation online to become the norm. For example, virtual changing rooms and trying on was in its infancy pre-pandemic, but adoption will accelerate exponentially as retailers find ways to replace the physical in-store experience."

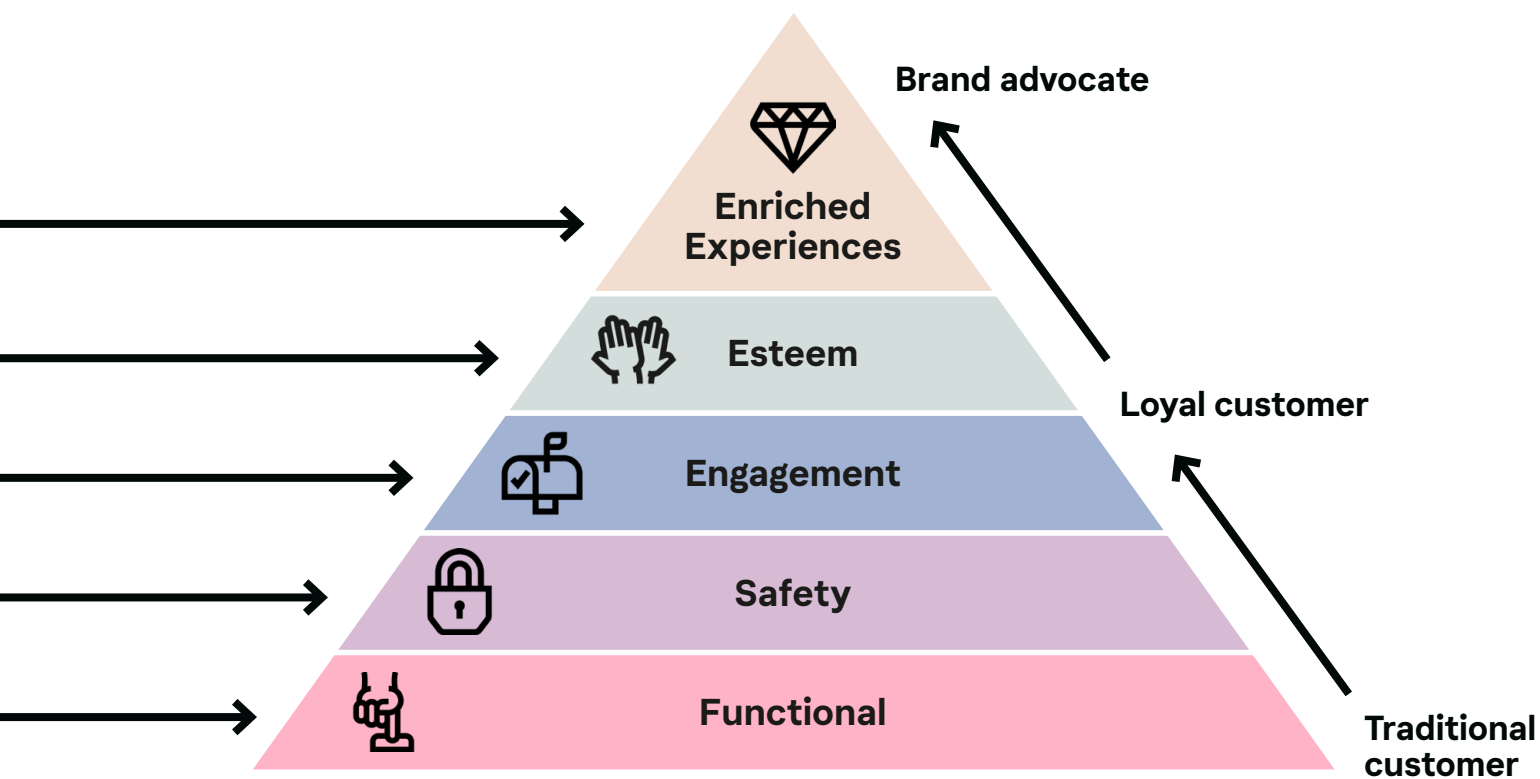




Climbing the pyramid: From interest to advocacy.

A transactional customer buys once. A loyal customer buys multiple times. The most valuable customers – the brand advocates – encourage others to buy as well.

Two-thirds (**61%**) of consumers said that when they love a brand, they will tell their friends about it. Brand love is a product of every layer of this hierarchy of needs not only being met, but exceeded, over and over again.



Spotlight on...Gen Z.

Did you know that Gen Z – the generation that holds tomorrow's purchasing power – are far more easily distracted than their older counterparts.

A fifth (**19%**) of 16-to-24-year-olds admitted to abandoning items already in their online shopping cart once a week while **30%** do so even more frequently. That's almost double the number of 45-to-54-year-olds making the same claim (**12%** and **11%**, respectively).

The top reasons amongst this age group for abandoning purchases include:

- Delivery options being too expensive or too slow – **60%**
- Feeling frustrated with a poor mobile website experience – **37%**
- Needing to create an account – **34%**
- Forgetting existing account log in details – **29%**
- Being distracted by a text or social media notification – **29%**.

More than any other age group, 16-to-24-year-olds are likely to abandon their online shopping cart if:

- No alternative payment methods are offered – **35%**
- Biometrics aren't available at checkout to autofill information – **20%**.

Every customer is important. Brands and retailers should pay particular attention to this generation to future proof their business.

Conclusion: Looking ahead.

Consumer behaviour may be unpredictable. But their fundamental needs stay the same. Now, more than ever, retailers must aspire to meet the needs at each layer of the pyramid – and that means starting with the basics. A customer won't feel secure if the website doesn't work well. They won't enjoy the experience if they feel unsafe. And they certainly won't feel valued or enjoy added extras if they're not treated with respect.

Klarna can help retailers improve their customer interactions at every level. From multiple payment options and financial convenience, to smart marketing shopper engagement and higher conversion, a partnership with Klarna can help gain and retain customers and drive long-lasting loyalty.

Likewise, BigCommerce gives merchants all the tools they need to build, innovate on and grow a successful commerce experience in all the places their customers are already shopping, be it on a website, social media, Amazon, eBay, or elsewhere.

To summarise, retailers should strive to:

- Make the shopping experience seamless
- Offer options to suit every need
- Make it easy for customers to feel safe and secure
- Get to know customers and adapt offers accordingly
- Be creative with content and experiences
- Leverage the power of partnerships.



Expert conclusion.

Andrew Busby.

“The retail sector had been subject to huge challenges even before the coronavirus pandemic. But the situation has massively condensed what was predicted to have taken years to materialise down to a matter of weeks. There are virtually no aspects of the industry which have been left untouched, from stores to the supply chain. We’ve seen an accelerated shift to online, accompanied by changing consumer behaviour and attitudes.

However, retail is traditionally a very resilient and adaptable sector. Innovation is part of its DNA and can be seen in all shapes and sizes – from virtual changing rooms to AI-driven demand management to drone deliveries and smart shopping. But one thing is clear: in the face of the new challenge, retailers will need to summon up all that innovation and creative thinking simply to survive. But regressing into survival mode, even though facing a liquidity squeeze, would be the worst course of action.

Better to view this as an opportunity, the likes of which has never, ever presented itself in living memory. Retail has always been at the heart of our societies and communities and will continue to be so. It’s just that it is going to have to work harder and more imaginatively than ever before to remain there.”

About Klarna:

We make shopping smooth. (Yes, so smooth it needs 3 o’s) With Klarna consumers can buy now and pay later, so they can get what they love today. Klarna’s offering to consumers and retailers include payments, social shopping, and personal finances.

Over 200,000 merchants, including H&M, IKEA, Expedia Group, Samsung, ASOS, Peloton, Abercrombie & Fitch, Nike and AliExpress have enabled Klarna’s innovative shopping experience online and in-store. Klarna is the most highly valued private fintech in Europe with a valuation of \$5.5bn and one of the largest private fintechs globally.

Klarna was founded in 2005, has over 3,000 employees and is active in 17 countries.

For more information, visit klarna.com/uk

Retailers include:

ASOS

BEAUTY BAY

Charlotte Tilbury

H&M

IKEA

JD

MICHAEL KORS

NIKE

TOPSHOP TOPMAN

About BigCommerce:

BigCommerce is a leading software-as-a-service ecommerce platform that enables merchants to build, innovate and grow their businesses online. With a unique combination of easy-to-use, enterprise-level features and flexibility, BigCommerce powers more than 60,000 B2B and direct-to-consumer online stores across 120 countries – including Fortune 1000 brands like Avery Dennison, Ben & Jerry’s, Bliss, Burrow, Skullcandy, Sony and Woolrich.

For more information, visit bigcommerce.com

Retailers include:

Closet.
LONDON

BEN&JERRY’S

MOLTON
BROWN
LONDON

START¹⁷⁹²-RITE

Gill

SONY

These findings are based on a survey of 2,000 UK shoppers, commissioned by Censuswide. The survey ran from 20th-25th March 2020.

**Get in touch with
the Klarna team:
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and BigCommerce**



Klarna.