

# Paying for Christmas

Luke Griffiths, GM, Klarna UK examines how flexible payments and emotional intelligence could be key to a successful holiday season - and beyond.



The following guest article has been written for InternetRetailing by Luke Griffiths, GM, Klarna UK. Klarna is Europe's leading payments provider and a newly-licensed bank, which wants to revolutionise the payment experience for shoppers and merchants alike. The fintech unicorn gives online consumers the option to pay now or pay later or over time. Klarna works with 90,000 merchants around the world including ASOS, Topshop and JD Sports in the UK. [www.klarna.com](http://www.klarna.com)

**T**he sun may only just be reappearing and swimwear promotions rolling out, but for retailers it's never too early to begin thinking about the crucial Christmas trading season — which can be make or break.

While it may not be until November when sales really take-off, every year Christmas seems to come earlier. As one of the most lucrative opportunities in the retail calendar, it's imperative that retailers step up their game to attract customers or they risk missing out on a significant opportunity.

Last year, for instance, there was a mixed bag of retailer performance over the all-important Christmas trading period — highlighting the need for serious pre-planning. For online retailers the opportunity is significant; Ted Baker, Superdry and Boohoo.com all stood out for their online results, with the former reporting a 35% year-on-year web sales increase in the eight-week period to 6 January 2018. In contrast, Debenhams, House of Fraser and Marks & Spencer were among those retailers announcing poorer Christmas performances — with HoF sales falling 2.9% year-on-year in the six weeks to 23 December.

Figures from the BRC showed that overall, footfall was down by 3.5% in December — the biggest decline since March 2013, meaning online is more important than ever. But, figures from uSwitch showed that UK shoppers spent an average of £452 each on credit cards last Christmas, showing just how profitable this time of year is for brands.

Christmas doesn't have to focus on promotions or festive themed marketing; it's about innovating now to make the next six months smoother and more profitable. With this in mind, here are three things retailers must be aware of if they want to maximise on the festive season.

## WHO SPENDS & WHEN

Peak season is getting longer and driven by intense competition. It's more important than ever that retailers

use all the tricks in their arsenal to draw in festive shoppers. But in order to make the most of the Christmas spending frenzy, they must be fully aware of the shopping habits of their customers.

Since its introduction into the UK, Black Friday has become an increasingly significant date in UK retail calendars, particularly online — expanding from a single day of sales to up to a fortnight of discounts. In fact, figures from IMRG revealed that last year £1.4bn was spent on online sales alone in the UK on Black Friday — up some 11.7% on last year.

But while Black Friday is prime time for consumers to get ahead of their Christmas shopping, purchases of many discounted items can add up — leading shoppers to think twice about parting with their hard-earned cash. Retailers who take this into consideration, offering flexible payment options can remove a barrier from the customer checkout process, helping drive sales.

Even though Black Friday and Cyber Monday are increasingly the focus for the retail sector during the festive season, retailers should not focus solely on these peak points. There are still a multitude of opportunities for them to capitalise on spending outside of these days.

Recent research we conducted delved into the views of over 2,000 UK consumers, revealing that 30% of Brits complete their Christmas shopping with at least three weeks to spare, while two in five admit they don't finish until a week or less before the big day. By understanding the needs of these last-minute shoppers, retailers can be sure to optimise their festive offering to gain a competitive advantage over other brands, giving their business a boost.

It's crucial, too, that the post-Christmas opportunity isn't ignored. The New Year brings with it the inevitability of a slump as consumers tighten the purse strings following the Christmas spending frenzy — but it also sees the start of the January sales. Pay later options, which let consumers 'try before they buy', can significantly help lessen the festive burden on shoppers' purses, and help build loyalty and trust.

## EMOTIONS & BRANDING

While Christmas is a time for present-giving and relaxing with family and friends, the weeks before are generally filled with stress, as consumers desperately search for presents.

At Klarna, we always want to better understand shopper motivations, so last year we conducted a study in partnership with Reading University. Interestingly it

showed that consumers are often influenced by powerful emotional drivers such as excitement, impulsiveness and anxiety when shopping — emotions which are heightened significantly during the hectic festive period. Specifically, two thirds (68%) of millennials, who make up the majority of online shoppers, reported feeling excitement when adding items to their online basket, compared to less than a quarter (24%) of people over 55. For retailers that target these younger shoppers it's worth bearing in mind how they feel when shopping online and what you can do to prolong the excitement so this crucial group don't lose interest during a slow or clunky payment process.

Most consumers are emotional shoppers, and although brands may be trusted and liked, many fail to familiarise themselves with the emotions that drive their customers' most profitable behaviours. This is a big mistake as the payoff can be huge for retailers that connect with shoppers' emotions. To create a truly great customer experience — one that encourages brand loyalty and advocacy — it's essential to have knowledge of the triggers that drive your customer's brand preference and behaviour.

Think about all the steps that shoppers must take to get to the point of purchase; they have to decide what they want to buy, find a place that sells it, navigate the website to find the item they're looking for, and then decide if they want to follow through with the purchase. Throughout this journey, there are a host of things that can influence whether or not consumers abandon their basket.

For instance, in-store crowds were the number one stress for a quarter of respondents to another Klarna survey. But, this is not a problem that's limited to physical shops as 1 in 10 respondents have abandoned their online basket in frustration when the shopping process is too complex — suggesting there's still work to be done to streamline the purchase process online.

### MANAGING RETURNS

While the run up to Christmas signifies the busiest time for retailers, this doesn't stop come Christmas Eve. If we factor in returns post-Christmas, peak season now extends well into the New Year — and as the final touch point between retailer and customer, it's crucial that adequate policies are in place to manage the increased activity.

Over half (57%) of Brits have revealed they've been stuck with unwanted gifts they couldn't return after Christmas — understandably a major source of frustration as returns can have a negative impact on consumers' cash-flow. Retailers need to consider ways to take the pressure off their customers. Linking the returns process with payments by offering pay later options at the checkout — which mean shoppers don't have to part with their money until they, or their recipient, is happy — is a sure way to counteract dissatisfaction and boost loyalty at the busiest time of the year.

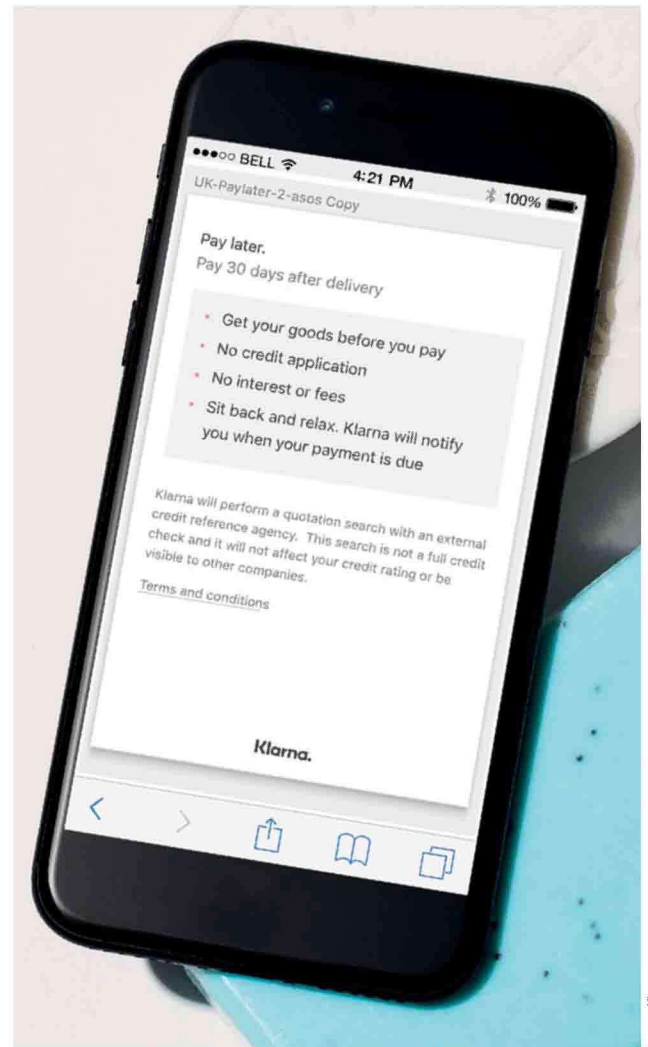


Image: Klarna

▲ Pay later options let consumers 'try before they buy'

The online customer journey at Christmas can be easily fractured by a stressful moment and while consumers may put items in their virtual shopping baskets, many of them don't actually convert. Fortunately, there are simple ways to turn these fair-weather shoppers into paying customers.

Planning for the festive period starts now. Retailers need to innovate by adding technology that can help improve the user experience and deliver a smooth customer journey — from the first moment a customer spots a product they want, to when it is sitting under the Christmas tree. To do this, they should ask themselves one crucial question: what makes online shopping convenient?

Consumers who consider online shopping enjoyable largely attribute this to a slick experience that saves time, effort and frustration. Payments however, are often erroneously de-prioritised in the festive rush in favour of marketing and discounting. This needs to change.

With stress levels high pre-Christmas, it's time to start looking at payment as the strategic end in the customer journey — redefining the what, where and when of payment will ensure a happy start to the New Year. 