Emotional eCommerce

Ups and downs in the
online experience

Klarna®

Based on research by University of Reading, School of Psychology and Clinical Language Sciences: Lynne Bell, Dr Julia Vogt, Dr Rachel McCloy and Prof Laurie Butler.

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Executive summary

More than half of all online transactions are abandoned before completion. But what psychological and emotional factors cause this behaviour? This study pulls from existing research to investigate what consumers love and hate about online shopping and draws new conclusions on how retailers can improve the online journey to enable a smoother, frictionless experience.

It examines many of the diverse factors that impact consumer decisions. From demographics and social influence to website design and usability. And explores some of the powerful emotional drivers like risk, trust, satisfaction and regret.

Applying behavioural psychology, it provides practical recommendations for retailers looking to improve online completion rates, enhance the online shopping experience and encourage successful sales.

In this way, it helps retailers to design payment processes that work with people's preferences. Creating small experiential 'nudges' at the digital point of sale has the potential to significantly boost business.

> "Some consumers like to use their online baskets as a wish list or as a digital prompt for further evaluation."
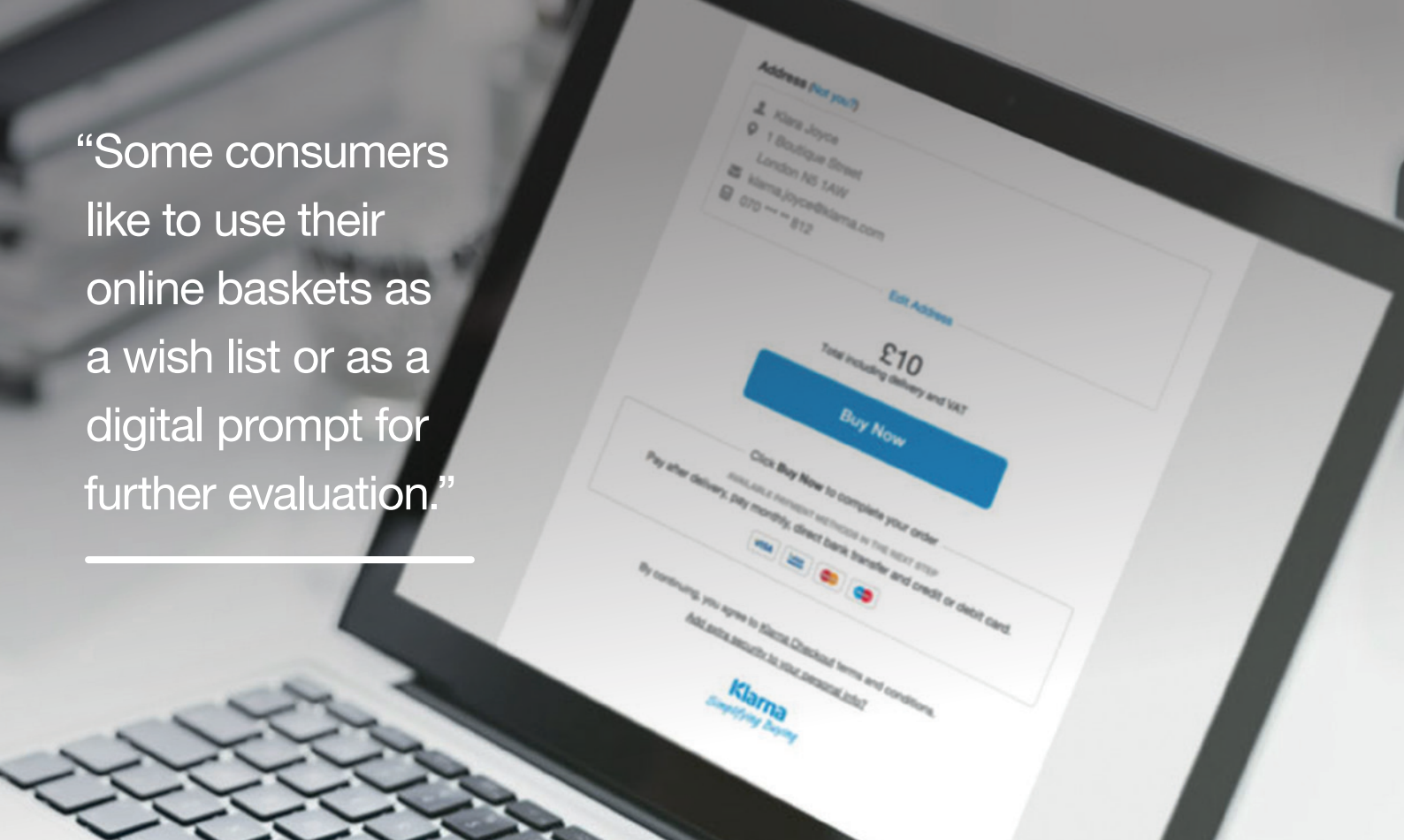
To buy or not to buy?

Estimates of shopping cart abandonment rates, range from 25-75%[i]. Between 40-50% of potential transactions are abandoned at the first stage of the checkout process[ii], where consumers are requested to login or register as a new customer. Transaction losses are also reported at all subsequent stages, particularly where billing information is requested before shipping information is presented.

Studies show that the most common reasons for cancelling transactions are:

- Having to register for an account (33%)[iii]
- Fees for alternative payment methods (25%)[iv]
- Lack of trust in site security (23%)[v]
- Slow checkout processing (27%)[vi]
- High shipping costs (27%)[vii]
- Concerns over entering details on public WiFi (15%)[viii]

This is backed up by customer preferences:

- 52% prefer to buy without registration[ix]
- 56% favour one-click purchasing[x]

Recognising intent

Before we can begin to tackle issues of cart abandonment, it's important to understand what motivates consumers to place products in the cart in the first place.

In physical stores, cart intention is simply 'to purchase' – the customer sees a product, they like it they put it in their basket then buy it. Online purchasing is much more complex.

Many instances of cart abandonment result from alternative uses of a shopping cart, where purchase was never intended. That's why it is impossible to aim for 100% conversion.

For example, some consumers like to use their online baskets as a wish list or as a digital prompt for further evaluation[xi]. Interestingly, the more product information available, the more likely they are to add it to their basket and use it for future reference.[xii]

What causes cold feet?

Browsing, analysing, selected and placing an item in the basket, involves a relatively large commitment in terms of time and effort. So why do so many shoppers hesitate? What is it that leads them to ditch their goods when they have come so far?

Emotional baggage

Emotional factors such as fear, anxiety, shame, guilt, or doubt may result in hesitation. Hesitation is a key factor in predicting online shopping cart abandonment, particularly at the final payment stage where security fears or fear of regret may lead to reconsideration of the purchase. These can include:

- **Customer irritation**
Website navigation can significantly impact consumer irritation[xiii]. Eroding the customer experience, it can make them cross, less likely to invest time and effort and more likely to abandon the purchase

- **Security fears**
Privacy and security concerns are paramount in the minds of online shoppers when divulging personal and financial information. These can supersede concerns over products and services[xiv]. Assurance statements and third party seals can help to allay consumer fears[xv]

- **Risk of exposure**
Fear of transaction risk tends to increase with transaction size. It can be assuaged by providing online payment protection against fraud such as that provided by credit cards

- **Decision styles**
Differences in decision making styles and propensity to make decisions based on 'rules of thumb', rather than reasoned consideration, can moderate perceived risk[xvi]

- **Issues of trust**
Trust in an online merchant plays an important mediating role in subduing risk. Customers are less likely to use a payment system, even if it is secure, if they feel that the company is not wholly to be trusted[xvii]

- **Brand loyalty**
Online brand trust, is determined by a different set of factors to offline brand trust. Privacy, security, and information quality are additional predictors of online brand trust, along with brand name, past brand experience and word-of-mouth communication. Brand experience has been shown to influence brand familiarity and satisfaction, and is the main predictor of brand trust[xviii]

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Customer experience

Don't underestimate how hard it is for some shoppers to deal with the complex, cognitive processes involved in ordering online. Faced with global choice, countless decisions and, of course the man-machine interface – the physical 'experience' can make or break a sale.

- **Customer expectation and friction**
  Transaction inconvenience is often the largest predictor of transaction abandonment. Whether it's having to register before purchase; entering large quantities of personal information or technical glitches that slow the process or lead to repeated data entry[xix]

- **Coupon redemption**
  The terminology used – coupon, discount or promotion – and whether prompts for codes are given can affect feelings of price fairness, purchase satisfaction and loyalty. Requesting browsers to input a code can cause those without to abandon their basket simply because they feel they are being treated less fairly

- **Spontaneous purchase**
  Often resulting from lapses of self-control, inner strength or resolve, unplanned purchases can be lucrative for retailers. The less the customer is required to think about inputting data, the more likely they are to make a purchase without too much consideration. That's the beauty of one-click purchase – in fact, 33% of mobile shoppers believe one-click purchasing creates a more positive shopping experience.[xx]
  A website's vividness and social presence can also enhance impulsive purchases[xxi]. For example, by using ratings and recommendations at the checkout

- **Aesthetics & design**
  Visual attractiveness and consistent presentation can also boost purchasing by browsers. However, some customers are wary of 'style over substance' and too much emphasis on design can put them off. High symmetry, low complexity, blue hue, medium brightness and medium/high saturation tend to elicit the most positive responses[xxii]

- **Going mobile**
  Shopping by mobile increases the frequency of purchase.[xxii] This could be due to increased convenience and the formation of habitual online shopping behaviour, particularly for low cost, repurchase items. In the UK, 31% of all eCommerce traffic is already reported to be carried out on mobile devices[xxiv]

- **Payment options**
  Credit and debit cards remain the most popular mode of online payment in the UK. But PayPal and similar are close behind.[xxv] When it comes to enthusiasm for mobile payments, this can be dependent on personality and beliefs, with social influence exerting the greatest effect at adoption stage[xxvi]. It's worth noting that buyer anxiety can be reduced by not having to give credit card information. Deferred payment and credit schemes can encourage purchase, particularly for high cost items. In one study, 33% of e-consumers thought that online shopping would be improved with deferred payment[xxvii]

Demographic differences

There are other factors outside the individual experience that impact the virtual shopper's emotional sales journey. Attitudes to buying online, frequency and types of sale can all be affected by basic demographics. Understanding differences between age and sex, allows e-retailers to optimise their sales environment for specific target audiences. And multi-channel retailers to understand why buying patterns differ between online and instore and to modify their strategies accordingly.

- **Gender roles**
  Different hormonal make up, brain connectivity, and information processing between genders may go some way to explaining differences in online consumer behaviour.[xxviii]

  Males are more likely to use fewer search terms and to spend less time viewing individual pages, but thus are more efficient at performing searches and perceive themselves as more skilled in Internet usage. Males are also more likely to shop online as it is quick and convenient. Females, however, report online shopping to be less emotionally satisfying and lacking in social interaction.

  For females, shopping can be improved with the inclusion of personalised online recommendations for products of interest – either based on current selection or previous browsing history. Women also show greater satisfaction in online sectors such as fashion retail where, in some segments, bargain shopping has been likened to a competitive sport.

  Women perceive loss of privacy to be greater than men. However, web-recommendations from friends help to mitigate perceived risk. The same was not found to be true for men. All in all, females are more responsive to negative stimuli and so are more cautious and better able to resist temptation or delay gratification

- **Age appropriate**
  While performance expectation and social influence are the same for older and younger adults, barriers such as value, risk, and tradition, were different. Overall, younger adults experience much fewer barriers. "Millennials" make 54% of their purchases online. In "Non-Millennials" the figure is slightly lower at 49%. However, considerable generational differences still exist in mCommerce (among device users) where 63% of Millennials have made purchases using a Smartphone compared with only 8% of senior citizens[xxxiv]

- **Income & spending power**
  A regular income and greater financial security can make shoppers more likely to buy online. Similarly, deferred payment options can appeal to those who desire more flexibility with their finances, but have a lesser impact on high earners[xxxv]

Creating more emotionally intelligent online strategies

To help prevent drop outs and boost sales, online retailers must work to improve the customer experience, increase motivation and better understand emotion at the point of sale. Looking closely at the psychological drivers in these key areas allows merchants to evolve more impactful customer engagement and retention strategies.

Based on the information in this report, here are some suggested recommendations that can boost emotional appeal at the checkout and 'nudge' consumers to complete the sale:

Improving the consumer experience

There are two fundamental routes by which people think, feel, and behave.

Emotional – quick, impulsive, and driven by feelings e.g. spontaneous purchases.

This 'automatic' or 'hot' system is based on our flight or fight response. It's more likely to occur when the shopper lacks time, or is buying for non-essentials (fashion) and is stimulated by websites that are more image based. This would explain why mobile browsing tends to drive more spontaneous purchasing.

Logical – slow and based on analytical thought such as online price comparison.

This response is designed to overcome 'impulse' emotions and allow more beneficial choice. More likely when the shopper has time, motivation and energy and is buying utilitarian products. It can be stimulated by detailed information and text based web-sites.

▶ Nudge' Recommendations:

1

Encourage customers to develop mShopping habits by providing easy to use platforms that stimulate their emotional response.

Consumers might use m-commerce devices when already in a more automatic mode such as during their leisure time or while engaging in another activity such as watching TV or commuting. Consequently, this can drive higher selling rates when consumers use m-commerce devices.

2

Collect information to tailor the website experience to the consumer, product and device.

Monitoring and analysing individual buying behaviour and browsing history can determine if someone is more likely to be an emotional or logical buyer. Based on these considerations, customized websites could offer personalised views that target an appropriate consumer experience. In a related vein, existing data might show that a website is mainly used at certain times (e.g. night) or are more likely to be influenced by a product's look, brand reputation or credibility.

3

Embed 'one touch pause' functionality into online shopping experience to allow consumers to return to same place.

Distractions and competing tasks are likely to have the strongest impact on m-commerce transactions, which are carried out on-the-go or whilst concurrently involved in other tasks (such as watching television). The introduction of a pause button, allowing the user to return to the same point if interrupted, could prevent drop outs.

4

Ensure fluency so that the transition to the checkout page does not cause an emotional purchase to switch to a logical one.

If the checkout page is visually very different from the rest of the website, it can cause them to think twice about their spontaneous purchase. Prevent this by making sure the checkout information is informative (to prevent security fears) but at the same time easy to understand and visually appealing.

5

Facilitate 'one-click' purchasing to shorten the checkout procedure.

Transactions are strongly influenced by the fluency and simplicity of the checkout process. Low cost items at least, should be facilitated by one-click or minimal checkout procedures. Complex processes, such as registering for a site, are more likely to lead to abandonment for consumers particularly if they are under 'cognitive-load' e.g. later in the day, when they are tired, drinking or commuting.

6

Offer consumers a clear and tangible incentive for registering on a website.

In some instances, it may not be possible to over simplify the website/checkout. Where there are 'costs' to the user in terms of time and effort, these can be offset by appealing to the 'logical' mindset – acknowledging the extra work and providing an immediate benefit/incentive for doing so e.g. register today and receive free shipping/a discount.

7

Address gender imbalance by increasing the social presence of a website to attract more women.

Encourage more female buyers by offering reviews, referrals and reward schemes. Online avatars can also help create an emotional bond.

8

Introduce design measures that promote website loyalty.

Make product and information searching easy and efficient. The less time it 'costs' the shopper the more likely they will return. Provide access to online communities and feedback systems such as chatrooms, bulletin boards, and interactive events to increase satisfaction and brand trust.

Encouraging consumer motivation

While a great experience can motivate many serious shoppers to buy, many will continue to browse, fill and abandon baskets. Whether for product comparison or just for fun. There will always be those who want the emotional buzz of shopping without commitment to buy. So how can retailers incentivise these frequent browsers, and turn them into buyers?

▶ **Nudge' Recommendations:**

9

Target product recommendations and promotions to browsers.

It's possible to nudge consumers who have spent long periods browsing but have not placed items in their basket with targeted notifications, product recommendations or special promotions, based on their browsing history. Price guarantees can also be a powerful incentive for those who like to compare products across sites.

10

Consider offering a limited time discount on items after they have been placed into the basket.

For wish-list browsers, visible and time-limited price reductions can potentially trigger the shift from browser to buyer by providing a justification for immediate purchase. This works especially well for 'hedonic' or fun shoppers. Reaffirming the value of a product by including product ratings at the checkout stage can also cue impulse purchasing.

11

The value and urgency of products can be increased by emphasising that availability is scarce.

This can be achieved by suggesting that only a few items are left or that an item or price will only be available for a certain time.

12

Increase payment choice by offering alternative options such as deferred payments.

By offering different options to pay later – for example Klarna's Pay After Delivery and Planned Payments – the transaction can be made more achievable for certain customers.

The introduction of a pause button, allowing the user to return to the same point if interrupted, could prevent drop outs.

Manage the emotional journey

Positive emotions are more likely to promote buying because they connect to automatic processing. Negative emotions such as fear, guilt, shame, or irritation are not conducive to a sale. They signal something is wrong, subconsciously causing the shopper to stop the sale, withdraw or re-evaluate their purchase. Successful online retailers will try, wherever possible, to induce positive and reduce negative emotions throughout the purchase process.
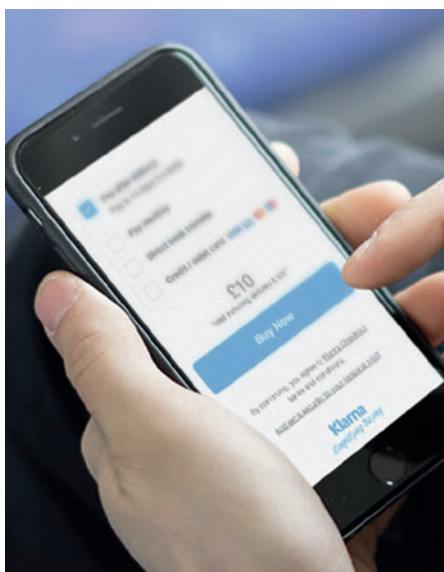
▶ Nudge' Recommendations:

13

Introduce design measures that create a 'positive browse'.

Positive browse features can include offering expert advice, reviews and price comparisons. At the purchase stage, security assurances and price match guarantees can help to assuage decision regret. Re-consider the use of codes, which can create feelings of unfairness – try emailing promotional links instead or offering rewards and promotions as customers fill their cart.

14

Maximise website familiarity via marketing exposure including advertising and word of mouth campaigns.

Familiarity and trust are key for reducing fear and keeping up positive emotions. Keep websites consistent, ensure repeated exposure through regular communication and include reviews, recommendations and referrals to build trust.

15

Ensure that the checkout process is consumer centric, modifiable and transparent throughout.

A mismatch between expectation and experience can lead to negative emotion. Slow websites, poor options, complex processes, badly labelled items, lack of information and surprise costs can contribute to this. Consider visual indicators, progress prompts, easy-to-modify order forms and transparent costs to minimise shopper frustration.

16

Keep form filling to a minimum, with real time storage of entered data and one-click repeat purchase.

Minimise emotion related abandonment at registration stages of the payment process, by keeping data entry to a minimum. Real time storage of entered data will help to limit frustration at having to re-enter data. Remembering customers when they return, and offering one-click purchase, significantly reduces barriers for loyal customers.

17

Security information for websites and apps should reflect their consumers' different cognitive states.

Security and privacy information should be clearly displayed at the checkout. However, it should not be too salient to distract mobile shoppers who are engaging in autonomic impulse purchasing behaviour. A simple logo such as a padlock is often enough. For computer based shopping, which tends to be more 'logical' more detailed assurance seals and statements are recommended to reduce perceived risk relating to the website payment.

18

Website help functions should be available to reduce feelings of embarrassment.

Complicated checkout procedures and use of technical language might cause consumers to feel embarrassment if they can't easily understand what's being required of them. Intuitive website designs and simple language can alleviate this. As can allowing them to 'connect to a person' using Live Chat and customer helplines. Positive web-engagement messages such as "we're here to help", can also help to 'normalise' fears and empower shoppers to stay with the sale.

19

Reduce checkout guilt by providing cost updates throughout the shopping experience.

Guilt can be evoked when consumers see the final price of their shopping at check-out. This can cause them to abandon the entire cart – assuaging their guilt by effectively punishing themselves. Instead, ensure baskets with running totals are clearly visible; give shoppers the option to easily subtract items at the checkout stage; and provide access to alternative payment and consumer finance options such as Klarna's Pay After Delivery.

20

Reduce regret by offering visible and cost-free return policies, and price guarantees.

Checkout is likely to be the place where consumers first come face to face with the overall costs of their basket. This can act lead consumers to reconsider their decisions and trigger regret and negative internal dialogue i.e. "I've spent more than I should" or "I could have got them cheaper elsewhere". Focusing on price guarantees and easy return policies can often be low cost options for the seller. Consumers rarely search any further once purchase has been made. And once they have the goods, the 'endowment' effect normally reduces their desire to make a return.

21

Increase satisfaction and loyalty by providing immediate confirmation of order and good communication throughout delivery process.

After sales support is extremely important in maintaining customer satisfaction and brand trust – vital for customer retention. If post-purchase fails to meet pre-purchase expectations, then disparity creates negative emotions which makes them less likely to return.
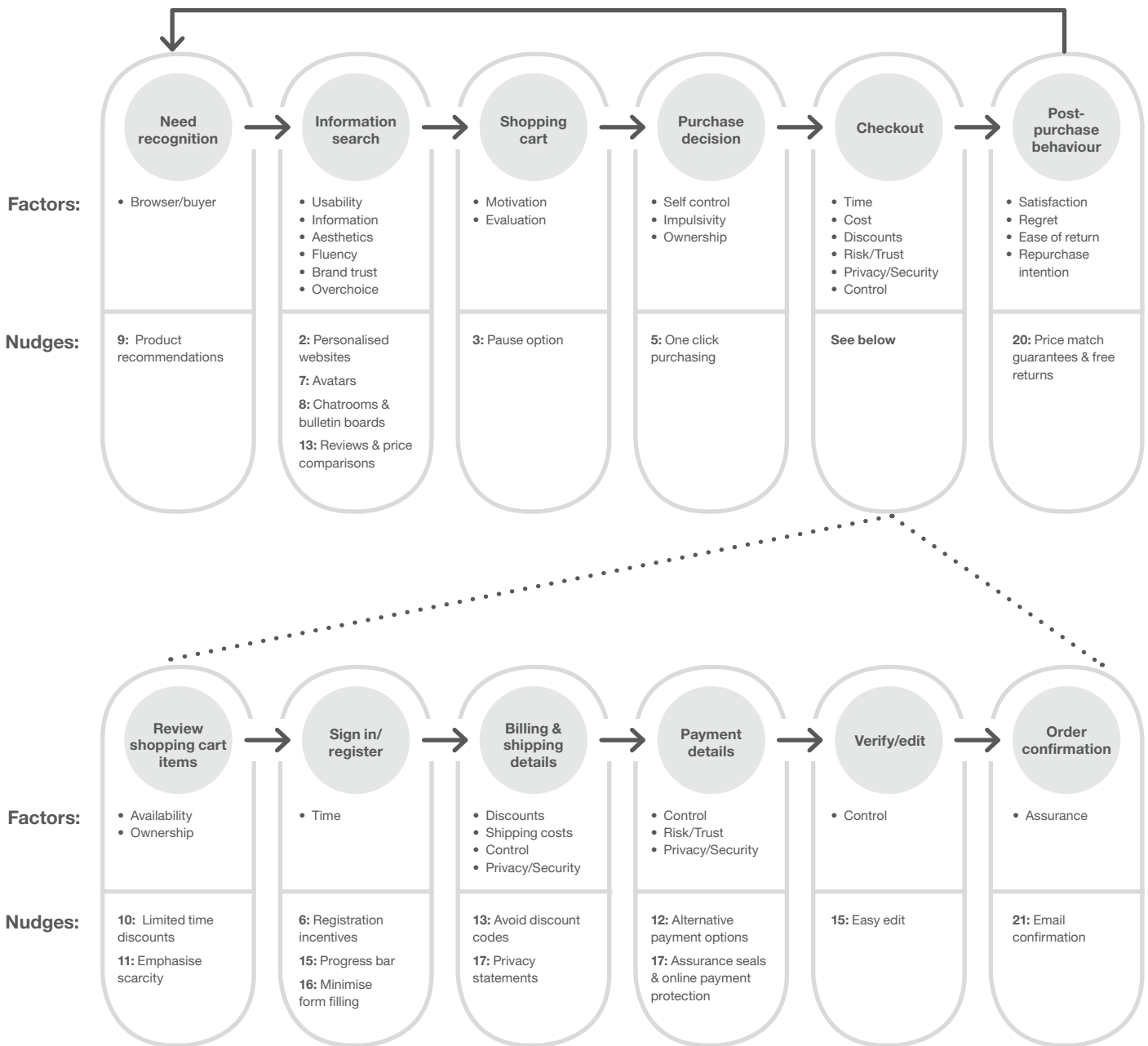

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Mapping out the journey

The online journey is complex, involving many different stages where the cart can be abandoned. The following diagram depicts a psychological model which shows the various emotional stages of online payment from cart to checkout. This is based on the general psychological principles of human behaviour.

The 'Sales Nudges' are derived from the recommendations included in this paper and are intended to steer the customer towards successful completion of a purchase – these are numbered accordingly.

Figure 1. Model of online purchase stages (adapted from stages identified by Comedy's et al., 2006)

	Need recognition	Information search	Shopping cart	Purchase decision	Checkout	Post-purchase behaviour
Factors:	• Browser/buyer	• Usability • Information • Aesthetics • Fluency • Brand trust • Overchoice	• Motivation • Evaluation	• Self control • Impulsivity • Ownership	• Time • Cost • Discounts • Risk/Trust • Privacy/Security • Control	• Satisfaction • Regret • Ease of return • Repurchase intention
Nudges:	**9:** Product recommendations	**2:** Personalised websites **7:** Avatars **8:** Chatrooms & bulletin boards **13:** Reviews & price comparisons	**3:** Pause option	**5:** One click purchasing	**See below**	**20:** Price match guarantees & free returns

	Review shopping cart items	Sign in/ register	Billing & shipping details	Payment details	Verify/edit	Order confirmation
Factors:	• Availability • Ownership	• Time	• Discounts • Shipping costs • Control • Privacy/Security	• Control • Risk/Trust • Privacy/Security	• Control	• Assurance
Nudges:	**10:** Limited time discounts **11:** Emphasise scarcity	**6:** Registration incentives **15:** Progress bar **16:** Minimise form filling	**13:** Avoid discount codes **17:** Privacy statements	**12:** Alternative payment options **17:** Assurance seals & online payment protection	**15:** Easy edit	**21:** Email confirmation

Multi-stage nudges: **1:** m-shopping platforms; **3:** Pause option; **4:** Fluency; **7:** Avatars; **14:** Advertising; **18:** Help functions; **19:** Continuous cost updates

"Wearable technology is likely to engender different online shopping attitudes and behaviours through increased convenience."

Trends for the future

We are seeing a significant shift in UK demographics. Ours is an ageing nation where older adults, increasingly constitute the largest buying segments and the highest disposable incomes. Many of them regularly use internet and technology, however, the impact of ageing on factors such as risk and trust will continue to influence their online purchasing behaviour. Making them more likely to use laptops and less likely to make spontaneous purchases.

Younger consumers, have different motivators and emotional experiences. They may be less fearful but quicker to show boredom or impatience. Increasingly mobile will become their primary shopping environment and their decisions are likely to be more impulsive.

Millennials matter

Indeed m-commerce is currently being driven by Millennials and Generation Z (18-34 year olds), who now account for over half of all online retail purchases in the UK.

Merchants are waking up to the importance of catering specifically for these digital natives – 90% of merchants say that meeting the demands of millennials is driving investment in new payment technologies[xxxvii]. Fashion is emerging as a major battleground to win millennial loyalty, with 95% of retailers upping their investment in tech to meet their expectations.

Keeping it personal

As the online environment is further integrated into our everyday non-digital lives, barriers will continue to be removed and virtual behaviour will become more fluent and personal.

Increased competition for 'mind share' and 'time' will drive more people to shop via their smartphones, while on the move or completing other tasks. Retailers must manage these shifting expectations, providing increasingly more personalised browsing and checkout experiences and finding new services to keep their offerings relevant and fresh.

Intuitive technology

The types of technology will also change over time. For example, personal digital assistants may be advantageous in removing unnecessary work from time poor or less internet savvy consumers. Wearable technology is likely to engender different online shopping attitudes and behaviours through increased convenience.

Augmented reality is still in its infancy, but provides highly personalised potential. For example, to visualise what products look like in the buyer's home; to see the exact fit of clothes using a personal avatar. Meanwhile, the internet of things (ioT) has the potential to remove human choice from the purchase decision altogether – automatically reordering consumables and replacing obsolete items.

Fearless payments

Advances in payment technology are also likely to influence future online shopping trends. Modern encryption may reduce much current anxiety over online fraud. Increased availability of deferred payment and easy-access online credit systems, such as Klarna's, will continue to increase accessibility to online shopping and reduce trust issues and other negative emotions associated with paying in advance for goods before they are 'experienced'.

To manage these various complexities in-line with consumers' evolving psychological demands, retailers must continue to refine the way they interface and engage with their online customers. By focusing on what motivates and drives behaviour, they can carry on dismantling emotional barriers and nudging more consumers towards a positive sale.

"**90%** of merchants say that meeting the demands of millennials is driving investment in new payment technologies[xxxvii]"

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