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# JDA & Centiro Customer Pulse 2017

## Sweden

*Voice of the online Swedish shopper*

Sponsored by

centiro®
PEOPLE-DRIVEN LOGISTICS SOFTWARE

Conducted by

YouGov®
What the world thinks

# Contents

# Introduction

Online retail continues to flourish globally, with 80% of customers reported to begin their journey online[1]. The Swedish market continues to make great strides, as total online retail sales grew 11.6% to £4.98 billion in 2016, and are predicted to reach £5.7 billion in 2017[2], driven primarily in Sweden by the deepening integration of smartphone ownership into daily life.

With some of the highest penetration rates of internet users in the world[3] (Norway 95%, Sweden 94.8%, Denmark 94.6% and Finland 91.5%)[4], smartphones have achieved a status of indispensability[5] in the Nordics, with smartphone ownership in Sweden increasingly becoming a necessity. With Swedish spending via mobiles in 2016 (at 29.6%) exceeding the European average (23.4%)[2], Sweden is well placed for the anticipated eCommerce growth as it continues its move to a cashless society[5], with payment solutions increasingly being tied to smartphones for both food and non-food items.

Over the last few years, we have seen omni-channel retailing converge the online and offline shopping experiences. Omni-channel is now considered essential in advanced eCommerce markets such as Sweden, especially as online sales continue on their upward trajectory.

This report sheds light on a number of growing pains that Swedish retailers continue to face as they look to meet omni-channel demands. Indeed, at the most fundamental level, many retailers struggle to actually make a profit from omni-channel retail. Our recent PwC survey of retail CEOs revealed only 10% of global CEOs feel their organisation is able to make a profit while fulfilling the demands of omni-channel retail[6].

At the same time, Swedish retailers need to ensure they continue to offer a high level of service to customers as online demand grows. Central to this is being able to provide customers with fast and flexible fulfillment channels – as such, it is crucial that retailers act now or risk losing future custom.

**52%** online shoppers experienced an issue with their order over last 12 months

**57%** Click & Collect shoppers experienced an issue with their order in the last 12 months

**69%** online shoppers have used a mobile device in-store in the last 12 months

**71%** online consumers returned an item over the last 12 months

In order to improve and enhance the customer experience, many retailers are now investing in technology and seeking ways to serve different customer segments through differentiation.

Our PwC survey of retail CEOs[6] revealed that digital transformation is a number one priority for CEOs; with a significant number investing in big data (86%), mobile-enabled applications (85%), smart mobile devices for staff in store (79%), and personalised mobile 'push offers' and beacons (76%). In addition to providing a health check on Swedish retailers' omni-channel fulfillment operations, this year's Customer Pulse Report also looks at how consumers see themselves using technology to interact with retailers in the future.

Surveying 2,030 adults in Sweden, the JDA/Centiro Customer Pulse Report provides a thorough overview of customers' online shopping experiences during the past 12 months.

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,030 adults. Fieldwork was undertaken between 2nd January 2017 and 4th January 2017. The survey was carried out online. The figures have been weighted and are representative of all adults in Sweden (aged 18+).

# Customer-centricity

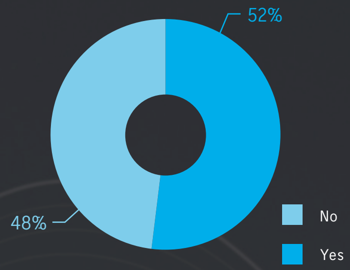
## The storm clouds are gathering – with online order problems mounting, retailers failing to resolve issues, and customers increasingly willing to look elsewhere

Swedish online shoppers continue to be intolerant of poor online experiences, and are more than willing to walk away from a retailer if their expectations are not met. Almost half (45%) would switch retailer due to a poor online experience in general. Drilling down into the specifics, almost two thirds (63%) said that if a problem was not resolved properly, they would switch retailer. Looking across to more mature markets suggests that this attitude will become increasingly common: the number switching due to poor problem resolution is as high as 81% in the UK and 77% in France, giving Swedish retailers a picture of the increasingly high standards that will be expected of them in the future.

**How likely would you to be switch to an alternative retailer when next shopping for products online, as a result of:**


The headline story for retailers is that online order fulfillment issues increased in the last 12 months; 52% of Swedish adults experienced an issue, compared to 50% in 2016 and 38% in 2015.

**Have you experienced a problem with an online order during the last 12 months?**



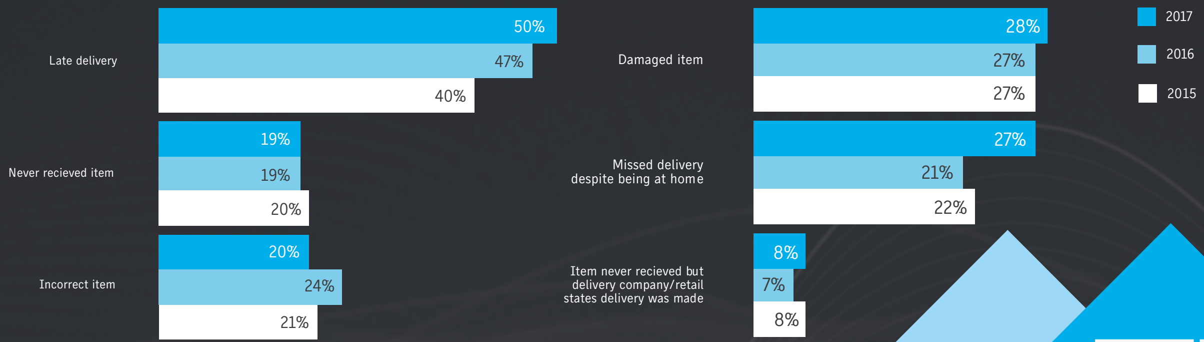
# Problems with online orders

Looking at delivery problems under the direct control of retailers, there was good news in that the number of people being sent an incorrect item fell this year, but there was a slight increase in the number of people (28%) who received a damaged item – indicating an area retailers need to focus on.

Issues also continue to occur in the last mile; the number of people missing a delivery, despite being at home, rose from 21% in 2016 to 27% this year.

This can be particularly frustrating for people who might have made special arrangements to make sure they were at home to take delivery, so retailers should be making a concerted effort to avoid this scenario in the future. While 'delivery lockers' in convenience stores continue to prove popular in the Swedish market, home delivery is likely to grow increasingly popular; retailers must therefore tighten up all areas of fulfillment to ensure a strong all-round offering.

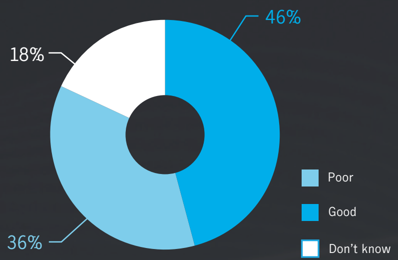
**Which of the following have you experienced with an online order during the last 12 months?**



# Problem resolution

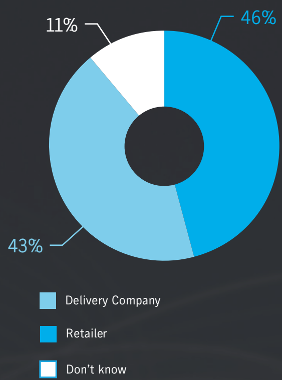
While it's normal that problems with online orders occur from time-to-time, crucial is how such problems are resolved. Of those respondents that had experienced an issue, fewer than half (46%) felt their most recent issue had been resolved well, down 4% on 2016. The number of people who felt their issue was resolved poorly increased to 36%, revealing a mounting problem for Swedish retailers that they desperately need to get a handle on.

**How would you rate your experience of getting the issue resolved?**




More Swedish consumers believe that the retailer (46%) is responsible for resolving delivery problems rather than the delivery company (43%), so the pressure is really building on retailers to get everything in order and own the 'last-mile' customer interaction.

**Who do you think should be responsible for resolving delivery problems?**




*"The carrier you select will represent your brand along the 'last-mile' customer engagement"*

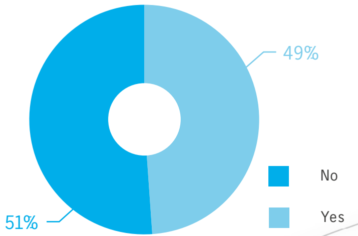
# Click & Collect

## Popularity is growing and investments are paying off

Retailers are continuing to value the importance of Click & Collect; our PwC CEO research[6] revealed more than half (51%) of global retailers either offer, or plan to offer Click & Collect in the next 12 months – up from 47% in 2016. A slight twist on the same theme, 'Buy online, ship to store', also continues to pick up steam – with 48% of retail CEOs already investing in this service, or planning to in the next 12 months.

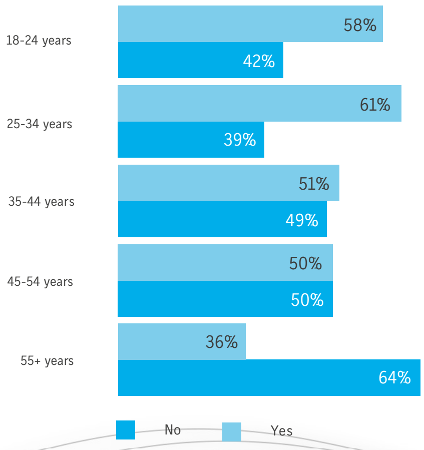
In Sweden, Click & Collect remains popular, with almost half (49%) of shoppers having used it over the past 12 months.

### Have you used a Click & Collect service over the last 12 months?



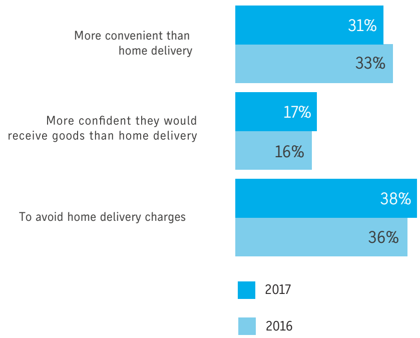

There was notably higher use of Click & Collect among Millennials and Generation Y, with 58% of 18-24-year olds and 61% of 25-34-year-olds using this channel, indicating its popularity will only continue to grow in the coming years.

### Demographic split



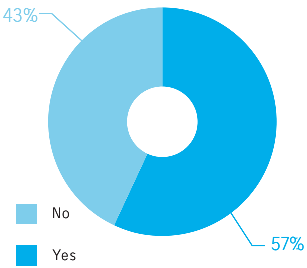

Looking at motivations for choosing this option, the number of shoppers seeking to avoid delivery charges has increased from 36% in 2016 to 38%; suggesting that increased delivery charges may encourage consumers to consider other fulfillment options for online orders.

### Which of the following reasons best describes why you used Click & Collect?



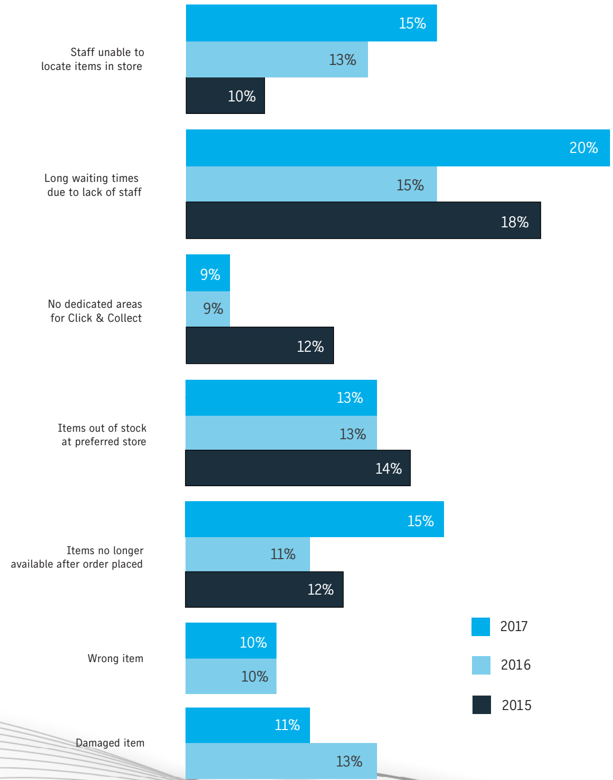
However, the research reveals it isn't all good news when it comes to Click & Collect for Swedish retailers. The research finds the number of people experiencing a problem with the service increased for the third year running.

## Have you experienced an issue with a Click & Collect order during the last 12 months?




The human element seems a particular problem, with a rise in the number of consumers encountering long waiting times due to lack of staff (20%) and staff unable to locate items in store (15%). Inventory management is also proving a stumbling block for some retailers, as 15% of respondents found that an item was no longer available once an order had been placed (an increase from 11% in 2016).

## Which of the following problems have you encountered with a Click & Collect order during the last 12 months?



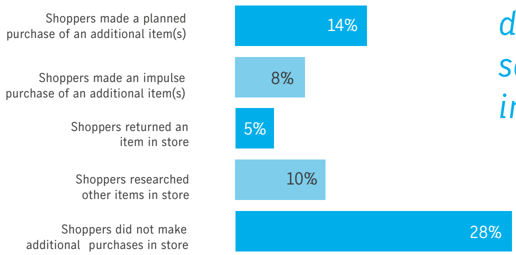
# Impact of Click & Collect on in-store sales

Retailers recognise that Click & Collect is an important sales channel in its own right – and, when it's performing well, the potential to create additional sales opportunities is huge. The research shows that 14% of Click & Collect shoppers made a planned purchase of an additional item(s) and a further 8% made an impulse purchase. It's long been said that footfall is invaluable to retailers, and these figures are evidence to support this.

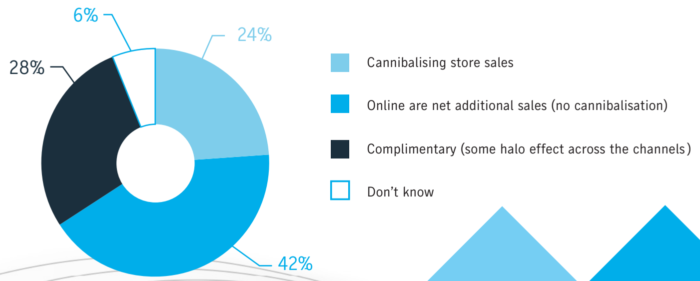
With online pure-plays such as Amazon, Zalando and Nelly gaining traction in the Swedish market, these figures give signs of hope for bricks and mortar retailers. By providing a convenient Click & Collect experience, retailers can hold their ground by driving sales once customers enter the store.

CEOs are clearly already thinking along these lines; our PwC CEO survey[6] revealed more than three quarters (76%) of retailers are not afraid that online sales are cannibalising in-store sales.

## When making a Click & Collect pick up in store:




## How are online sales impacting store sales overall?[6]



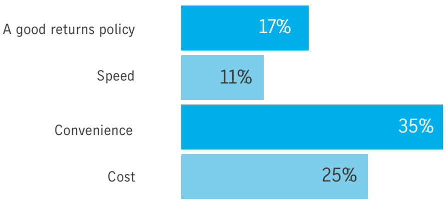

*"76% retail CEOs globally do not think that online sales are cannibalising in-store sales."*

# Delivery preferences

## Consumer delivery cost expectations growing more realistic

In the early days of the ecommerce boom, free delivery and returns options were commonly offered by retailers as they jostled for market share, seeking to remove every possible barrier towards a customer making a purchase. Fast forward to today and retailers have recognised just how much this approach has been costing them.

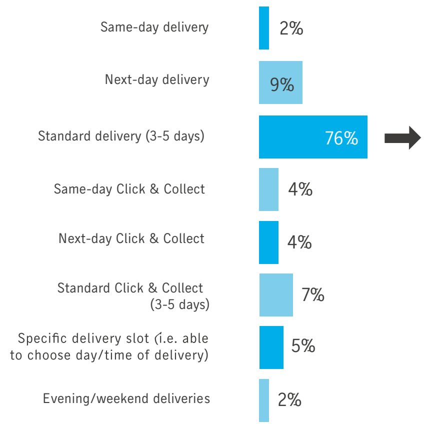
### Which of the following factors matters most to you when it comes to online home deliveries?




The days of free deliveries and returns being the norm are becoming a thing of the past – a fact that consumers are already acutely aware of. There is now a growing acceptance that consumers cannot expect the delivery of an online order to always come free of charge. The research reveals that cost remains the most important factor when it comes to home deliveries; however, convenience and a good returns policy are also key considerations for shoppers.

Looking at the delivery option typically chosen by Swedish online shoppers, an overwhelming number of people (76%) choose standard delivery; reflecting the fact that Swedes do not currently view speed as the most important consideration.

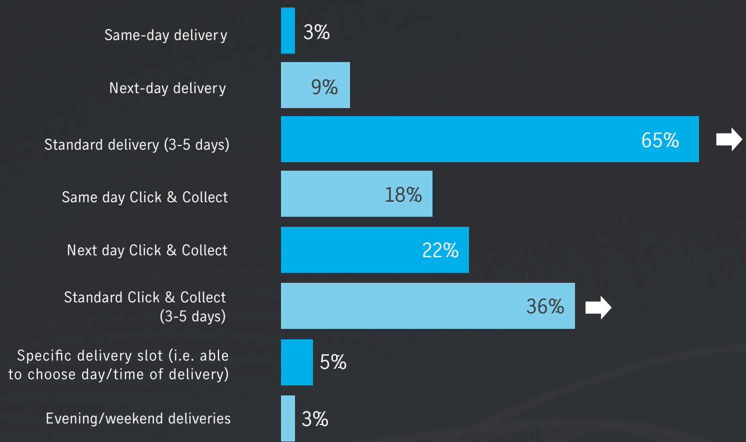
### Which delivery option do you typically choose when shopping online?



## Delivery options: free vs. paid

The majority of Swedish consumers (65%) expect standard delivery (3-5 days) to come free of charge, followed by standard Click & Collect (36%) and next-day Click & Collect (22%). A positive trend for Swedish retailers has emerged from the research – it is now widely accepted that premium delivery options will often come with a fee attached.

**Which of the following delivery options would you expect to be free without a minimum order value?**




*"There is growing acceptance amongst consumers that premium delivery services will come at a cost - a cost they are prepared to pay."*

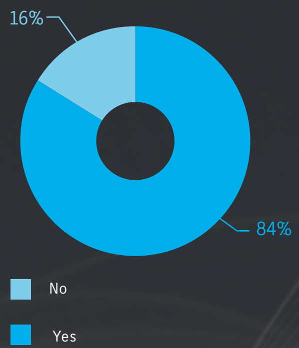
# Minimum order thresholds

Retailers are increasingly introducing minimum order thresholds which customers must exceed to qualify for free delivery options. The encouraging news is that more than three quarters (84%) of customers are happy to increase their spend if it means delivery is free of charge. In addition to standard delivery (25%), a notable number of Swedish shoppers are also willing to exceed a minimum order value for premium services such as same-day delivery (24%) and next-day delivery (23%).

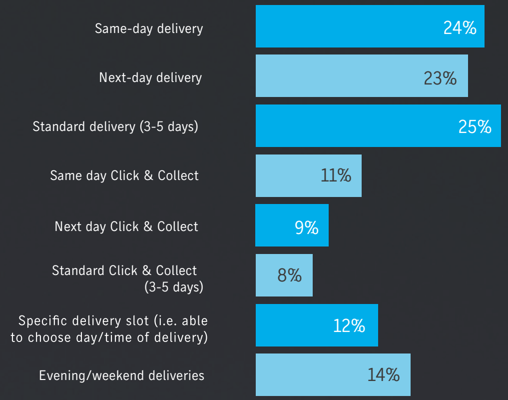
In line with this, retailers look set to attempt to drive further sales by raising the threshold customers need to cross to qualify for free delivery; our PwC research revealed that 2017 will see 62% making this change, which is up from 39% last year.

However, despite this willingness for customers to pay for premium services, retailers need to tread carefully. There's a danger they could upset the balance by ramping up the minimum order value beyond an amount that customers would be willing to exceed to achieve free standard delivery; with cost currently very important to Swedish customers, this could well prove mission-critical.

**Would you be happy to exceed a minimum order value if it resulted in a free delivery?**




**Which of the following delivery options would you be happy to exceed a minimum order value if it resulted in a free delivery?**




*"84% of customers are happy to increase spend to qualify for free delivery"*

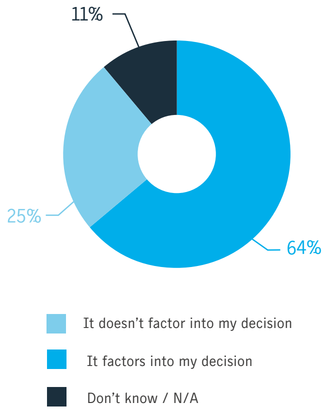
# Returns

## Retailers working to stem the returns tide

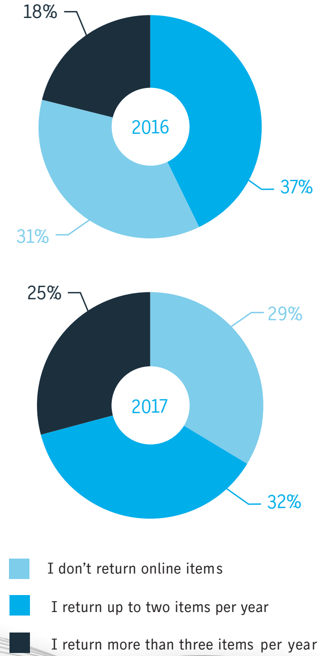
Returns remain a huge headache for the majority of retailers; almost three quarters (74%) of global CEOs surveyed in our PwC research[3] said the cost of customer returns is impacting profits to at least some extent. Almost two thirds (64%) of Swedish adults say the returns experience now factors into which retailer they choose to shop with online. Clearly shoppers are not just attracted by promotions and promises of free delivery, but also by the increasingly common safety net of free returns.

Returning items is increasingly becoming the norm; the number of online consumers who didn't return any items in the last 12 months fell to 29%, down from 37% in 2017. On the flip side of the coin, the number of people who returned more than three items in the last year shot up from 18% in 2016 to a quarter (25%) this year.

**To what extent does the ease of being able to return items factor into which retailers you shop online with?**




**In an average year, approximately how many times do you return items that you have bought online?**

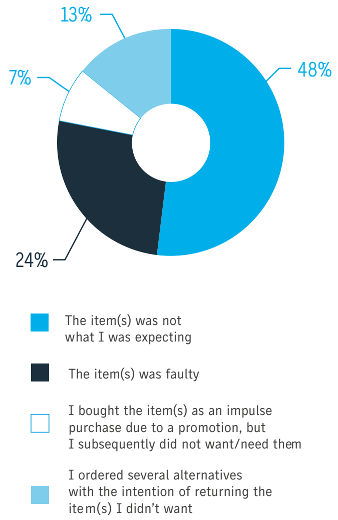


With the tide rising, what action can retailers take in a bid to stem the number of returns? While the causes of returns are a complex interplay of product, customer, and marketing, the primary reason for returning items, as highlighted in the survey, was the item delivered did not meet expectations (almost half, 48%, selected this option). This is a very high number and retailers need to establish why this is happening; is the colour and style of products being accurately portrayed in the listing, for instance?

Some have already taken practical steps to head off this problem, using videos of models wearing the items, complete with size information to give consumers an accurate idea of what products look like. Product information is absolutely vital online and more effort must be put into how items are described and visualised. This could generate significant cost savings to retailers and deliver a better online shopping experience to customers.

Having the ability to segment the customer base is also set to become increasingly important in the bid to get more control over the volume of returns. As a case in point, 13% of shoppers ordered several items with the intention of sending some back. There is a big opportunity here to not just efficiently manage the returns process, but to use big data and a sharp analytical focus to predict and prevent returns in the first place.

## What were your reasons for returning items you have bought online?



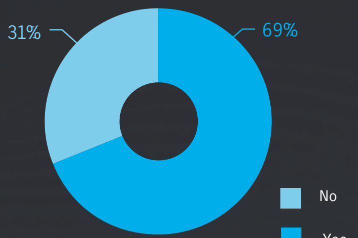

*"Big data and a sharp analytical focus is required to understand and act on the information that will allow retailers to reduce the costly cycle of returns."*

# In-store technology experience/future-gazing

## Swedish customers highly likely to engage with retailers through mobile devices while in store

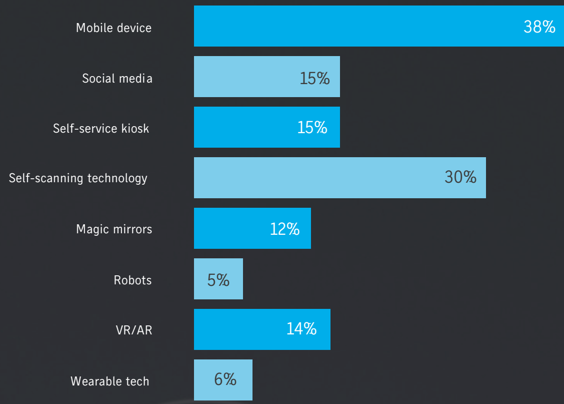
One of the things that makes retail a particularly exciting space to work in is the way technological boundaries are constantly being pushed. In Sweden, consumers are ready and expectant of digital engagement; more than two thirds (69%) are already using mobile devices in stores. This was much higher than the UK, Germany and France, with just over half (51%) of consumers doing the same in those countries.

**Have you used a mobile device in-store?**




As they are already so well-versed in using mobile devices, it comes as little surprise that Swedish consumers predict they will be using mobiles as a way to interact with retailers in five years' time. Self-scanning technology also looks a smart area for investment; almost a third (30%) of Swedish consumers predict they will be using it as a way to interact with retailers in five years' time.

**Which of the following methods do you think you will be using to interact with retailers in 5 years' time?**

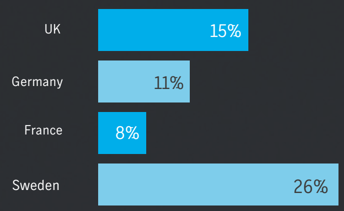


# Mobile offers

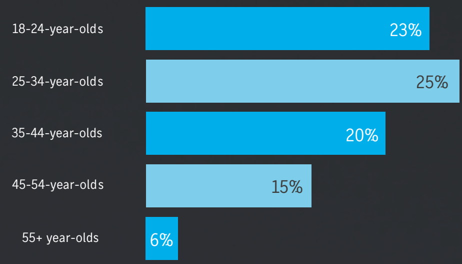
As mobile grows in popularity around the globe, retailers are being increasingly proactive through their use of mobile technology in the store. Beacon technology is a great example; our PwC CEO survey[3] revealed more than three quarters (76%) of global retailers have already invested in ‘push offers’ and beacons – so they can reach out to people who are visiting, or even just passing by their store.

Mobile offers appear particularly popular in Sweden, where more than a quarter (26%) of shoppers use mobile devices for accessing them in store, considerably higher than consumers in the UK (15%), Germany (11%) and France (8%). They are particularly popular among Millennials and Generation Y, with 18-24-year-olds and 25-34-year-olds boasting an even higher figure of 34%.

**Demographic split - How often do you access and redeem mobile offers in store**




**Demographic split - How often do you access and redeem mobile offers in store**



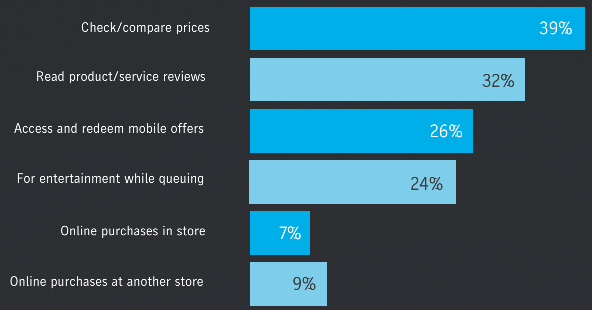

*“Mobile optimisation has been the focus for many retailers and some are already reaping the benefits of higher conversion rates as customers enjoy speedier browsing activity.”* [7]

# Mobile use in-store

Almost a quarter (24%) of Swedish shoppers use mobile devices for entertainment while queueing; the fact that this figure is higher than in the UK, Germany and France may indicate that they spend longer in queues than consumers in other countries do.

It's a fact of life that many customers today use their mobile devices to check and compare prices. But it is interesting to note that despite the supposed dangers of 'showrooming' driving customers to rival retailers, in reality, consumers using mobile devices in a store are almost as likely to make a purchase through their mobile device from the retailer whose store they are standing in (7%), as from a rival retailer (9%).

**Which of the following do you ever use a mobile device for while in-store?**



# Conclusion

We've now reached a critical juncture for many retailers. After spending several years trying to be 'all things to all people', it's becoming increasingly apparent that retailers must think more intelligently about the omni-channel services available to customers. Thinking in the longer-term, they need to focus on customer quality over quantity. As tastes grow and evolve in the Swedish market, it's likely that consumers will move on from their current laser-focus on cost – and will come to appreciate other attributes such as value, delivery convenience and speed.

While fewer than half (45%) of Swedish shoppers would switch retailer due to a poor experience with an online order, in the more mature UK market, that figure is a much higher (78%). It would be dangerous for a Swedish retailer to rest on its laurels as consumers will not always be this tolerant of poor experiences and problems with orders. Put simply, if they do not improve the overall experience, customers will have many alternatives to choose from.

Retailers now need to balance the effectiveness and profitability of the fulfillment channels they offer, with customer satisfaction. If shoppers experience a problem with a home delivery or Click & Collect order, the damage as a result of a lost sale and unhappy customer – could significantly impact future profitability when considering the potential lifetime value of a customer. Rectifying any problems should therefore remain top priority for retailers, alongside reducing the number of returns.

As retailers reimagine their strategies to transform the customer experience, shoppers want a seamless and personalised experience, regardless of the shopping channel. Supply chain complexities and cost will continue to challenge retailers. Moving forward, the difference between the winners and losers will be how much, or how little, retailers understand their customers.

**References**

[1] Karen Katz, CEO, Neiman Marcus, World Retail Congress, April 2017

[2] Centre for Retail Research: http://www.retailresearch.org/onlineretailing.php

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[5] Report "Mobile Phones in Sweden", Sept 2016: http://www.euromonitor.com/mobile-phones-in-sweden/report

[6] CEO Viewpoint 2017: The Transformation of Retail, Feb 2017: http://now.jda.com/PwC-CEO-Survey-2017-UKEMEA.html

[7] Helen Dickinson OBE, Chief Executive, British Retail Consortium, March 2017: https://brc.org.uk/retail-insight-analytics/retail-salesreports/online-retail-sales-monitor/reports?

## About JDA Software Group, Inc.

At JDA, we're fearless leaders. We're the leading provider of end-to-end, integrated retail and supply chain planning and execution solutions for more than 4,000 customers worldwide. Our unique solutions empower our clients to achieve more by optimizing costs, increasing revenue and reducing time to value so they can always deliver on their customer promises.

## About Centiro

Centiro believes in empowering logistics for successful companies. Our cloud-based solution for delivery management is used by finer supply chains in more than 125 countries. With us a retailer can think global, yet offer customers a consistent and personalised experience for first- and last mile delivery and returns to take a brand and shopping experience full circle. It's a plug-and-play setup offering a world-class portfolio of carrier networks.

From straightforward shipping labelling solutions and carrier management, through harmonised tracking, event management and cost control – we offer functional features that extend your existing IT-landscape.

For further information, please visit www.centiro.com

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