

APEX

The Valitor APEX (After Payment
Emotional Experience) Report

VALITOR

The Valitor APEX

The shopping experience does not end the moment a customer's cash is handed over. With this in mind, the After Payment Emotional Experience (APEX) report is part of our mission to understand what shoppers really want from retailers after payment has been made.

By understanding the needs of the everyday consumers, we can help retailers take

practical steps to ensure that more shoppers are happy, engaged and invested in a long-term relationship.

This research is just the beginning of our campaign to make sure that the needs of shoppers are being met and exceeded before **and after** they have parted with their payment.

What the numbers tell us

- ✓ Rude staff (55%), long checkout processes (38%) and difficulty in finding the right product (34%) are most likely to make consumers avoid retailers
- ✓ Over a quarter (26%) of customers see a badly explained returns process as the most likely thing to make them avoid a retailer
- ✓ 54% of consumers expect at least a basic level of service after making a payment, with 22% viewing it as a contract
- ✓ Over a third (34%) of customers feel that retailers don't care about them after payment has been made
- ✓ Around three in five customers (58%) want a long term relationship with a retailer
- ✓ 47% of consumers are less likely to pay attention to marketing communications after a bad experience
- ✓ Generation Z consumers are 61% more likely to take some form of action to inform others of a bad experience than those aged 66 and over.

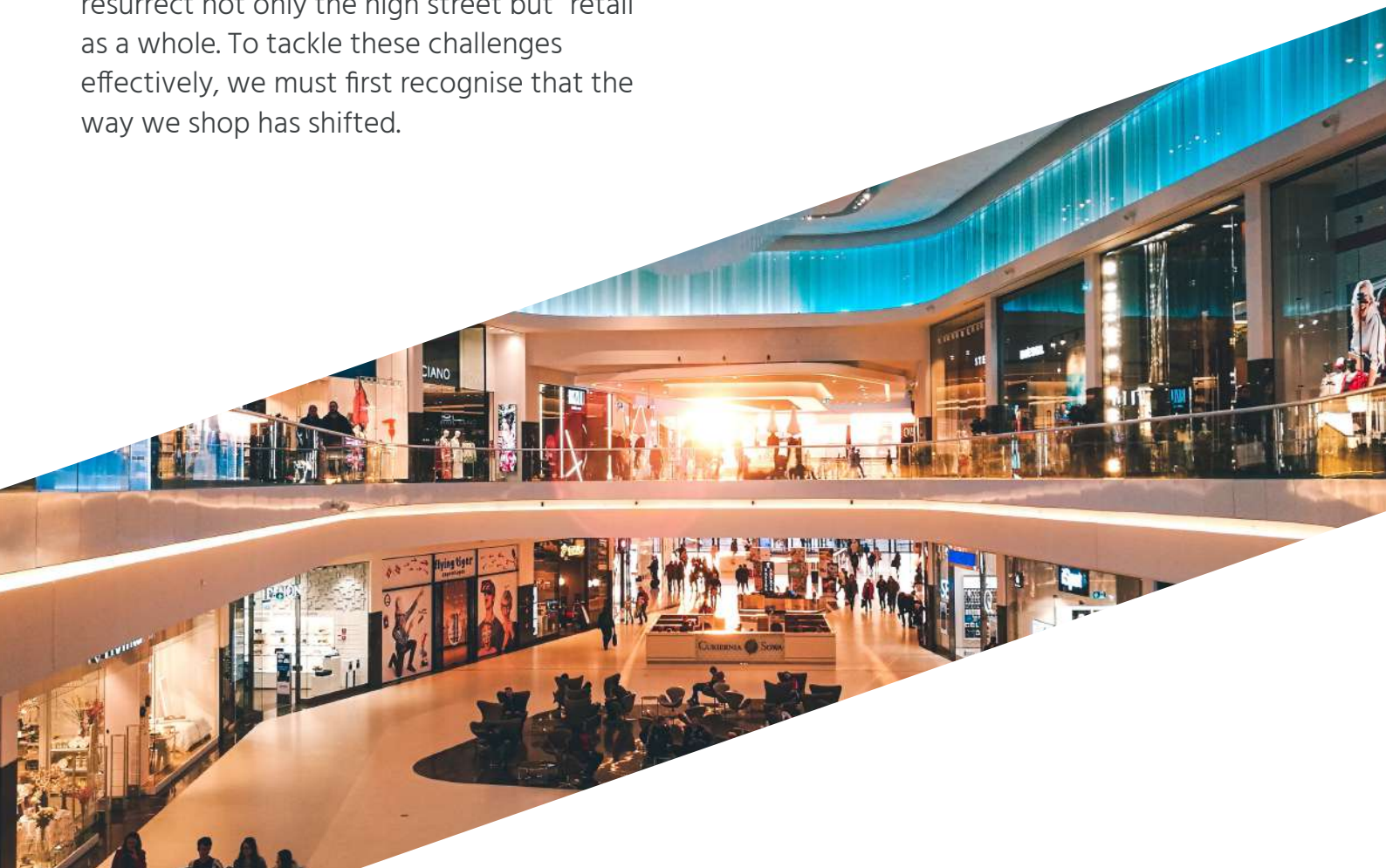
Introduction

In 2018 retailers had it harder than ever before. They faced rising business rates, increased centralised costs and economic instability. It was a climate that made it difficult to thrive; some of Europe's most well-known brands shuttered stores and high street stalwarts collapsed.

For the year ahead, boosting customer engagement, maximising retention and driving spend will be critical for retailers. However, widespread political and economic forces have impacted the behaviour of shoppers as customers tighten their belts and chase bargains. This has reignited fierce debate about how to resurrect not only the high street but "retail" as a whole. To tackle these challenges effectively, we must first recognise that the way we shop has shifted.

Expectations have changed; customers now want a consistent customer experience across all touchpoints, before, during and after payment. But do retailers understand the evolving demands of shoppers throughout the customer journey? Or are they missing a trick by just focusing on how to entice customers in?

To find out we commissioned research to understand the attitudes of shoppers across the retail experience and explore how retailers are adapting and refining their offering to meet new demands.





Post payment is ruining the overall shopping experience.

The results were damning. The after payment emotional experience is failing shoppers and being ignored by retailers.

In particular, returns and complaints procedures are causing unnecessary friction and many shoppers feel that retailers stop caring about them once they have paid. This is putting sales at risk:

unhappy shoppers are willing to vote with their feet and avoid stores after a bad experience.

This report provides a detailed look at where the after payment experience needs improvement and examines how retailers can build a long term and profitable relationship with shoppers.

After Payment Emotional Experience (APEX) refers to the customer experience after a purchase has been made. This includes post-purchase interactions with a retailer such as returns, refunds, complaints and marketing.

Post-purchase expectations



After payment is **ruining** the overall **shopping experience**.



We have **high expectations** **after payment** but retailers are **failing to deliver**.



Poor returns processes are **repelling** customers.



Customers **crave a level of care** that is **not** being provided.

Think after... before

Contrary to popular belief, the retail experience does not end the moment a customer pays for a product. People demand clear returns, refunds or exchanges process. They could be open to ongoing marketing communications and may even want to shop with you again. It should come as no surprise then, that around a third (32%) of shoppers expect at least a basic level of attention after payment has been made.

This continued engagement is what we call the After Payment Emotional Experience (APEX). APEX is critical to creating a positive customer experience but is currently overlooked by many retailers, with over a quarter of shoppers feeling let down by the aftercare experience. This leaves retailers at risk of haemorrhaging customers and sales.

53 percent of people think the after payment experience is either as important or more important than the prepayment experience. But retailers are failing to deliver a positive experience after payment.

For example, 40 percent of customers say that complaints procedures are 'rubbish'.

Prof. Dr Phil Klaus - Professor of Marketing and Customer Experience at the International University of Monaco, tells us that “people view payment as part of their ongoing relationship between them and the retailer. They expect brilliant service to continue at every step beyond the point of sale. But retailers are missing an important trick here. What retailers don’t recognise is the impact of a poor after payment

experience; it can see them losing customers, loyalty, and, ultimately, profitability. This is why a positive APEX must be central to any retailer’s customer experience strategy.”

In an already challenging marketplace, the retail battle will be won or lost on APEX. This is why the after payment experience cannot be an afterthought.

Are returns the root of all evil?

For many shoppers APEX is synonymous with returns and refunds, with a quarter of shoppers stating that an easy process for these is the most important factor when making a purchase. Retailers are confident that they are delivering here, with 93 percent claiming that they excel at their returns policy.

Consumers do not agree. When it comes to everyday essentials, 57 percent of women claimed that returning a purchase is

‘rubbish’, as did almost half of the men we surveyed.

Expectations around flexibility are sky high, with half of shoppers claiming that the lack of free returns is the most annoying issue when dealing with a refund or exchange. 42 percent of people also found the inability to get their money back ‘annoying’.

Returns processes are sparking frustration and anger; even big-name brands are not immune from the backlash.



Click here to download the report **“From Omni-Channel Foundations to Customisations: Creating a Connected Customer Experience.”**

“They don’t return postage fees and these can often be more expensive than the product.”

“My parcel went missing and it took several emails and going into the store before I had my refund processed.”

“They took a month once to receive the return and longer to give a refund.”

“They are so slow at receiving or returning items in-store! It makes me less likely to shop in-store unless absolutely necessary.”

A poor returns policy does not only impact brand reputation. Over a quarter of people are willing to vote with their wallet, stating that a poorly explained returns policy is the

factor most likely to make them avoid a retailer. With badly thought through returns policies repelling customers, retailers must deliver swift and significant improvement.

Reality vs. Expectations

With shoppers vocal about the failings of the returns and complaints process, it is easy to assume that this issue lies at the heart of a failed APEX. However, peek under the bonnet and a wider story starts to emerge. While returns are a key concern, they are only one of the ways in which retailers are failing to meet the expectations of shoppers after payment.

At the heart of the issue lies the fact that many shoppers do not feel valued. In fact, a third of shoppers claim that retailers stop caring about them once their money has been handed over. This is at odds with customer demand as 62% of men and 55% of women want a long-term relationship with a retailer. But a third of shoppers state that retailers don't 'woo' them once the payment has been pocketed.

Almost three in five shoppers expect more from retailers once they have made a purchase.

However, it is important to note that 'wooing' does not mean bombarding people with irrelevant content and offers. Almost half of shoppers view this type of email spam as a sign that retailers don't care about them - defeating the purpose of the exercise.

This means that retailers face a delicate balancing act. With this in mind, delivering a positive APEX requires retailers to better understand their customers, personalising communications and experiences so that

shoppers feel valued rather than bombarded. This is where a 360-degree view of customer behaviour, online and offline, can be valuable. One option here is to implement an omni-channel payment solution that provides insight into shopper transactions across multiple channels.

For example, by understanding where and when a shopper makes repeat purchases, a retailer can deliver relevant, personalised offers that add real value.

The Generation Game

As we have seen, personalisation is a key factor in the after-payment experience. But, to be effective, personalisation must factor in the generation divide as attitudes to data privacy vary radically across age groups.

As expected, generations have entirely different expectations when it comes to APEX. Most marked were the differences between Generation Z (18-25 year olds) and those over 66 years old.

Generation Z holds huge spending power due to the high proportion still living with parents. They form an important customer sector for retailers and present a great opportunity for smart businesses that understand their unique preferences. For instance, Generation Z are 24 percent less likely to trust supermarkets.

However, this is flipped on its head when it comes to online apps; here Generation Z are 26 percent more trusting than those aged 66 and over.

Generation Z are also much harder to please, being 50 percent more likely to feel let down by a retailer compared to those aged 66 and over. They are also 30 percent less likely to enjoy the payment experience and almost twice as likely to complain about the payment experience for a holiday.

Most worryingly for retailers, Generation Z consumers are 61 percent more likely to take some form of action to actively influence others after a negative experience, such as posting on social channels.

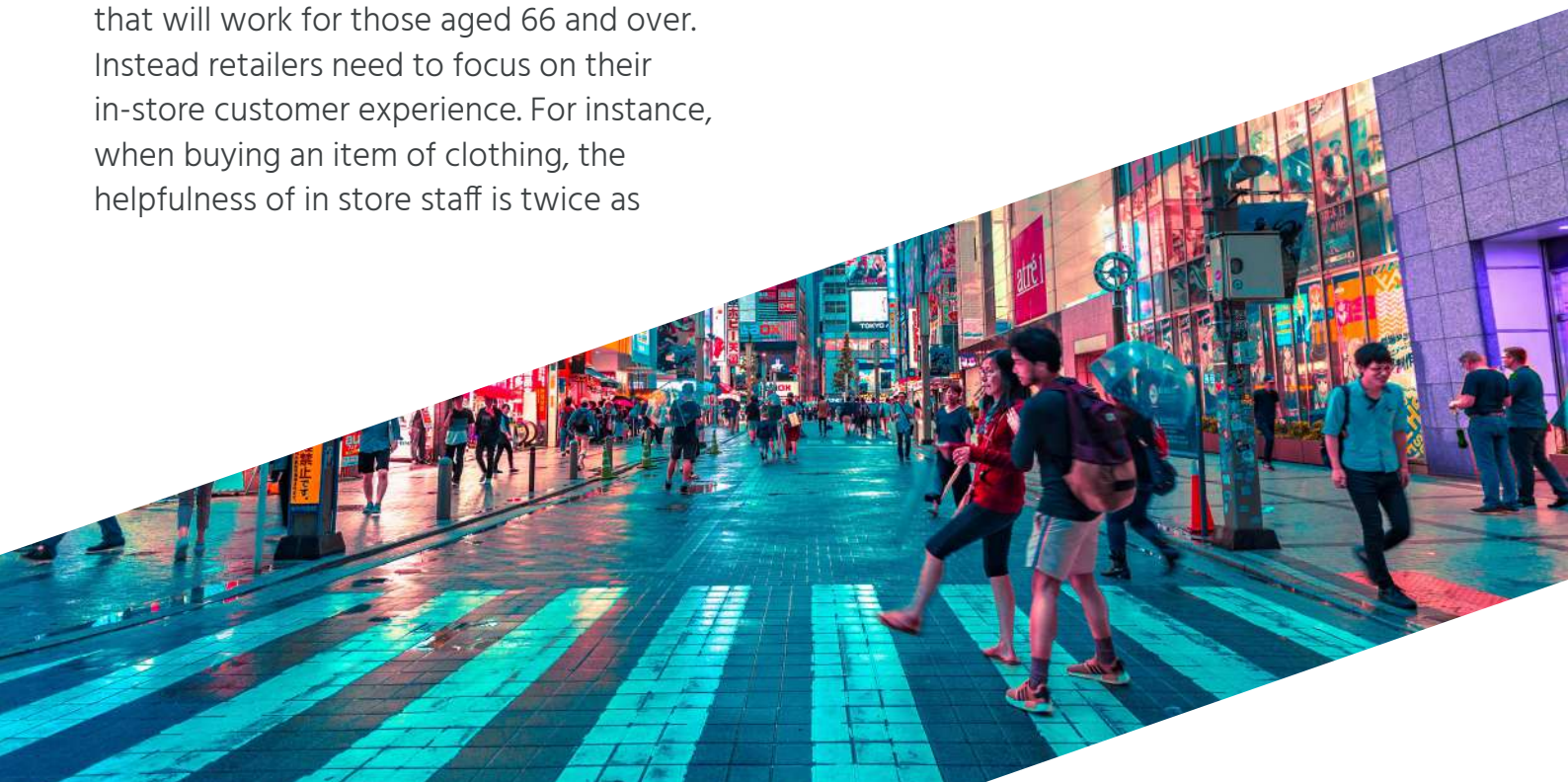
61 percent of Generation Z consumers are more likely to take action to actively influence others after a bad experience compared to those aged 66 and over.

However, the news is not all bad - there are some distinct opportunities for smart retailers when it comes to Generation Z. This group is nearly ten times more likely to be responsive to tailored offers based on past purchases than older generations. Almost two in five (37 percent) of Generation Z consumers also claimed they would “love it” if a retailer used their data for a better in-store experience, compared to less than one in ten of those aged 66 and over.

However, it's not just Generation Z that need a personalised approach. **Those aged 66 and over often have high levels of disposable income** and equally expect a great customer experience too. However, delivering a customer experience that works for older customers requires a very different approach. While reaching Generation Z will see retailers focusing on online shopping channels and personalised email marketing, this is not an approach that will work for those aged 66 and over. Instead retailers need to focus on their in-store customer experience. For instance, when buying an item of clothing, the helpfulness of in store staff is twice as

important to those aged 66 and over than it is to Generation Z. Having well trained in-store staff that are armed with data and insights on a customer's previous purchase history is one-way retailers can offer the personalised in-store experience that those aged 66 and over rightly expect. Providing this personalised service can therefore be a key competitive advantage for retailers.

When it comes to tackling the generational divide - and personalisation more generally - the core challenge for retailers will be taking a data-driven approach to innovation. They need to understand which shoppers are willing to part with their data versus those who are standard bearers for privacy and unwilling to engage on the same terms. Creating excellent tailored customer experiences for both groups will be how retailers retain loyalty. This though can only be achieved via a blend of data insight and the appropriate levels of personalisation.



Your chances are limited



60 percent of people will **not** shop at a store or website again **after a bad experience.**



40 percent also tell friends and family about the **bad experience.**



Attempts to re-engage them will fall on deaf ears, with almost **half less likely to pay attention to marketing** after a negative post-sale experience.

On average, a customer will give a retailer 1.65 chances before they stop going back after a bad experience.

So, we know that the after payment experience needs to be prioritised, but we must also understand the impact of failing to take action. It's very simple; customers are unforgiving. In fact retailers have at best 1.65

(and in many cases only 1!) chances to improve the after-payment experience. If they fail, shoppers will walk away and be very vocal about why.

"I recently made two purchases through an online marketplace and while both products were at a good price, well marketed, and shipped, when they arrived, they were terrible quality. What's more, having bought them via a seller located on the other side of the world, they were impossible to return. The after-payment experience in both cases has made me angry – so much so that I actively complained about their service and go out of my way to warn other potential shoppers of the problems with the brand.

I never had myself down as a big complainer, but I am SO cross about this. In contrast to this I also had a brilliant experience with a local trader from the same online marketplace. After the purchase they checked in on how I was finding the product a week later and made sure I was happy. That personal service makes me love them."

APEX is the most dangerous time for retailers

The after-payment experience is critical; it is the time when you can either lose or cement a customer relationship. It is the most dangerous times for retailers. But, the majority of their time and budget is still focused on making people part with their money. **This is then at odds with the fact that acquiring a new customer costs five times more than simply retaining one.** Clearly then, this is a huge missed opportunity and one that will cost retailers dearly in terms of customers, loyalty and repeat purchases.

For those who get APEX right, there is a tremendous opportunity for competitive advantage. Almost three in five people are looking for a long-term relationship with retailers. A good APEX can not only keep customers engaged and happy, but it can also drive them back into the purchase

cycle. Similarly, it can inform outbound marketing campaigns to help boost customer acquisition and retention too.

At a base level, retailers need to enable quick and easy returns and refunds. But the heart of creating a positive APEX comes from finding multiple touchpoints to show customers that you understand them, you care, and you are committed to making their shopping experience more personalised.

On a strategic level, APEX needs to be prioritised by retailers as a key area for scrutiny and investment. It is here that retailers can deliver long-term gains, any tactical decisions on product, pricing, marketing or technology must be made with APEX front of mind.



APEX's impact on pre-payments



The **customer experience** is a virtuous circle that **needs attention throughout**.



A good APEX can **improve** the pre-payment **customer experience**.



Retailers have focused on and **delivered** a great **pre-payment experience**.



Rude staff and long checkout processes are the main threat to retailers **losing customers**.

The APEX impact

While we have looked at the impact of APEX, we must also remember that customer experience is a virtuous circle. Insight on the behaviours and preferences of shoppers can be used across the retail journey to entice customers to make a purchase and nurture an ongoing relationship. Retailers need to think about

the customer insights gained during APEX and how they can be applied to improve the prepayment experience. In fact, using data obtained from payment systems, content can be created to keep shoppers engaged, increase their chances of returning and encourage them to share promotions with friends and family.

The good...

While APEX can improve the prepayment experience, retailers are already starting from a good position. They clearly know how important it is to start a relationship with shoppers positively. The research tells us that 52% of consumers enjoy the shopping experience up until the aftercare process where the number halves to just over one in four (26%).

This focus on pre-payment is important; shoppers state that this is the most emotional part of the shopping experience. 60 percent of shoppers claim that researching a product and where to buy it is the most emotional aspect of the purchasing process, followed by visiting a

store or website (59%). By focusing efforts on this part of the customer journey, retailers are ensuring that the most emotions elicited are positive.

However, in today's data driven world, retailers cannot rest on their laurels. Living in a hyper connected, hyper personalised world, shoppers see how bleeding edge business in sectors including travel and transport operate and expect similar experiences from retailers. This means that a culture of continuous, meaningful innovation that is focused on the basics of improving the customer experience is required to keep shoppers excited and engaged across the retail journey.

The bad...

Customers are looking for recommendations, marketing communications and promotions to be timely and relevant.

The research shows us that marketing is a core area for improvement. This is key when targeting Generation Z who expect a more personalised shopping experience.

During the prepayment phase customers are looking for recommendations and want marketing communications and promotions to be timely and relevant. Retailers now need to deliver.

“Bombarding me with emails” is the most annoying way retailers can interact with customers.

“I purchased an xbox once, they started to email me irrelevant offers to buy all these extra accessories.”

“They bombard you with emails when you buy online from them.”

Done correctly, and personalisation has the power to help retailers overcome a core customer bugbear: spamming. Irrelevant offers antagonise, with around a third of shoppers claiming that these 'waste their time' and 'annoy them'. Retailers can quickly nullify their investment in attracting customers by failing to follow up with useful, targeted content.

However, by focusing on delivering a great APEX to a customer, retailers can offer the level of personalisation that they expect. Leveraging customer data on products and services they most recently bought or regularly buy as well as the shopping channels they prefer, retailers can provide highly targeted offers, promotions and services that customers increasingly want to see.

And the ugly...

While personalisation can improve the customer experience it is still important to get the basics right. The age-old issue of unpleasant staff is still the top reason that customers will avoid a retailer, with over half of consumers selecting this as the main reason they would walk away. Having well trained and motivated staff has never been more important.

Staff aside, there are more modern bugbears that can be solved with APEX. For instance, 38 percent of customers cited a long checkout process as the key issue that repels them, while another third claimed that difficulties in finding the right product would make them walk out. By understanding the data collected during APEX, retailers can streamline in-store

payment methods or provide an in-store virtual assistant to guide customers around the store and find the products that they want.

Failing to collect and use this APEX data means that retailers could be missing out on opportunities to overcome shopper frustrations. When it comes to big-ticket purchases such as travel or pieces of furniture, this can have an economic impact.

With nearly two thirds of shoppers in this category only giving brands a single chance to get the customer experience right before abandoning their purchase and refusing to return. The power sits squarely in the hands of shoppers who are not afraid to wield it.

APEX and the payment connection

Delivering a great APEX to customers requires multiple elements working together. Staff training, improved processes, clear terms and conditions and an integrated setup are just some of the areas to consider. However, one area - payments - not only has a huge impact on APEX itself, but also plays a key role across the whole customer journey. This makes it a good starting point for improving APEX.

In fact, getting the payment process right provides the foundation for delivering the customer experience that consumers expect. Get it right and a good payment system can power the streamlined returns processes that customers demand.

Therefore, it's worth taking a detailed dive into the payment process and technology that powers it.

Let's get emotional

On the surface, the payment process may appear straightforward and mechanical. But, delivered properly, a good payment experience should seamlessly blend into the background. It's surprising then to learn that payments actually provoke a strong emotional response from customers. When asked to select the top three most emotionally important parts of the

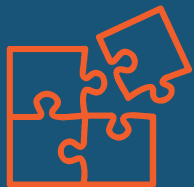
purchasing process, payment ranks in the top three (42 percent), behind researching a product (60 percent) and visiting a store or website (59 percent). This places payments firmly as one of the most emotionally charged elements of the purchase journey, making it critical that retailers ensure the process is a positive one.



Prioritising payments



Payment is an **emotive** part of the **purchase journey**.



Tokenisation is the **glue** that connects an **omni-channel payment solution** together.



Customers want to be **able to pay their way**.



Consumers expect complete integration between online and offline **payments**.

Prof. Dr Phil Klaus sheds some light on this, “payment is a vital part of the customer experience - whether consumers realise it or not. While a good payment experience is unlikely to win a customer over, it is never going to force any away either. Retailers have nothing to lose and everything to gain

by improving the payment experience. Delivering the personalisation that customers expect requires data from payment systems. Customers may not realise it, but payments can influence the post-purchase areas they care about most.”

Pay the way you want

Having the right payment option is more than twice as important as marketing when consumers buy a holiday.

As a key emotional touchpoint in the relationship between retailer and shopper, payments have the potential to become a key competitive differentiator.

This is because consumers now want choice and control when it comes to payments. In fact, when consumers were asked to rate the most important parts of the customer experience, nearly a quarter selected areas relating to payment choice with having the right payment method or being able to buy online or offline being selected by 10 percent and 13 percent respectively. More surprising was the fact that having the right

payment method available was ranked as more important than advertising (6 percent) and the helpfulness of in-store staff (8 percent)!

In the past, payment options amounted to card, cash, cheque or MOTO. However, the explosion of technology such as smartphones and wearables as well as new customer first services such as Klarna mean that retailers are now better placed to understand shopper preferences and provide the right options to ensure that payment provides a positive emotional experience.

More than a token effort

While having the right payment method is important, payments offer another important route to competitive advantage. As we have seen, creating a complete view of a consumer's payment habits opens up

opportunities to personalise the customer experience and significantly improve the relevance and timeliness of targeted marketing messages, promotional offers and incentives to the individual.

Tokenisation replaces a customer's bank account or card details with a unique identifier, a "token". This prevents sensitive information from being shared yet tracks a customer's transactions online and offline.

But how do retailers make this happen, while also keeping consumer data safe, secure and PCI compliant? Well, one answer is via tokenisation. By tokenising customer details, businesses can create a 360-degree view of their customers to better understand their habits and preferences. This is especially important for multi-channel retailers who are looking to become truly omni-channel retailers as it lets them

reconcile online and in-store information to understand what makes shoppers tick.

There are many ways in which tokenisation can boost customer experience. For instance, online shoppers can log in to a merchant's website and instantly have their payment and delivery details already there, this then enables a quick and easy one-click checkout.

When in store, tokenised insights allow retailers to create bespoke experiences, for example personalised concierges (on a device or in-person) to suggest products and provide offers on bundled purchases.

With each of these use cases, tokenisation has a clear, positive impact on the customer experience across all channels and allows retailers to enhance relationships, ultimately increase sales conversions while reducing attrition.

Tokenisation offers opportunities to identify and layer in individual level intelligence to develop clear and personalised marketing profiles for each customer.

Integrate and conquer

While payments offer their own important touch point, they also form the insight-driven backbone of personalisation across the retail journey. Better consumer insight leads to enhanced shopper experiences which in turn drives competitive advantage.

Problem areas such as returns, and refunds can be improved and targeted marketing and offers can be powered by the data

coming out of the payment system. This data becomes even more powerful when combined with insight from social media and messaging apps, enabling retailers to become truly omni-channel with customer experience sitting squarely at the heart.

This approach will deliver long term competitive advantage, unlike the short-term gimmicks that dominate many of today's retail strategies.

“Only 23 percent of European retailers have implemented an omni-channel payment solution so far, but this is set to increase to 84 percent in the next 12 months.”

Worryingly the lack of payment integration within the industry was picked out in a recent survey commissioned by Valitor of 100 European retailers, where less than a quarter reported that they are investing in online and in-store payment integration. However, there are signs that this could soon change with 84 percent of European retailers expected to have their own

solution in place in the next 12 months.

Clearly, focusing on improving payment systems to achieve a better customer APEX will be a key competitive differentiator, but the window to capitalise on this is closing as competitors equally seek to implement their own omni-channel payment solutions.

“When delivering a great customer experience, the more data, information and insights you have the better! The retailers that we see succeeding are those who know their customers and develop a meaningful relationship with them based on this data.”

Conclusion

The way that we shop is evolving and customers hold the power. In a challenging market, retailers need to understand and deliver on customer expectations to retain the interest and spend of shoppers.

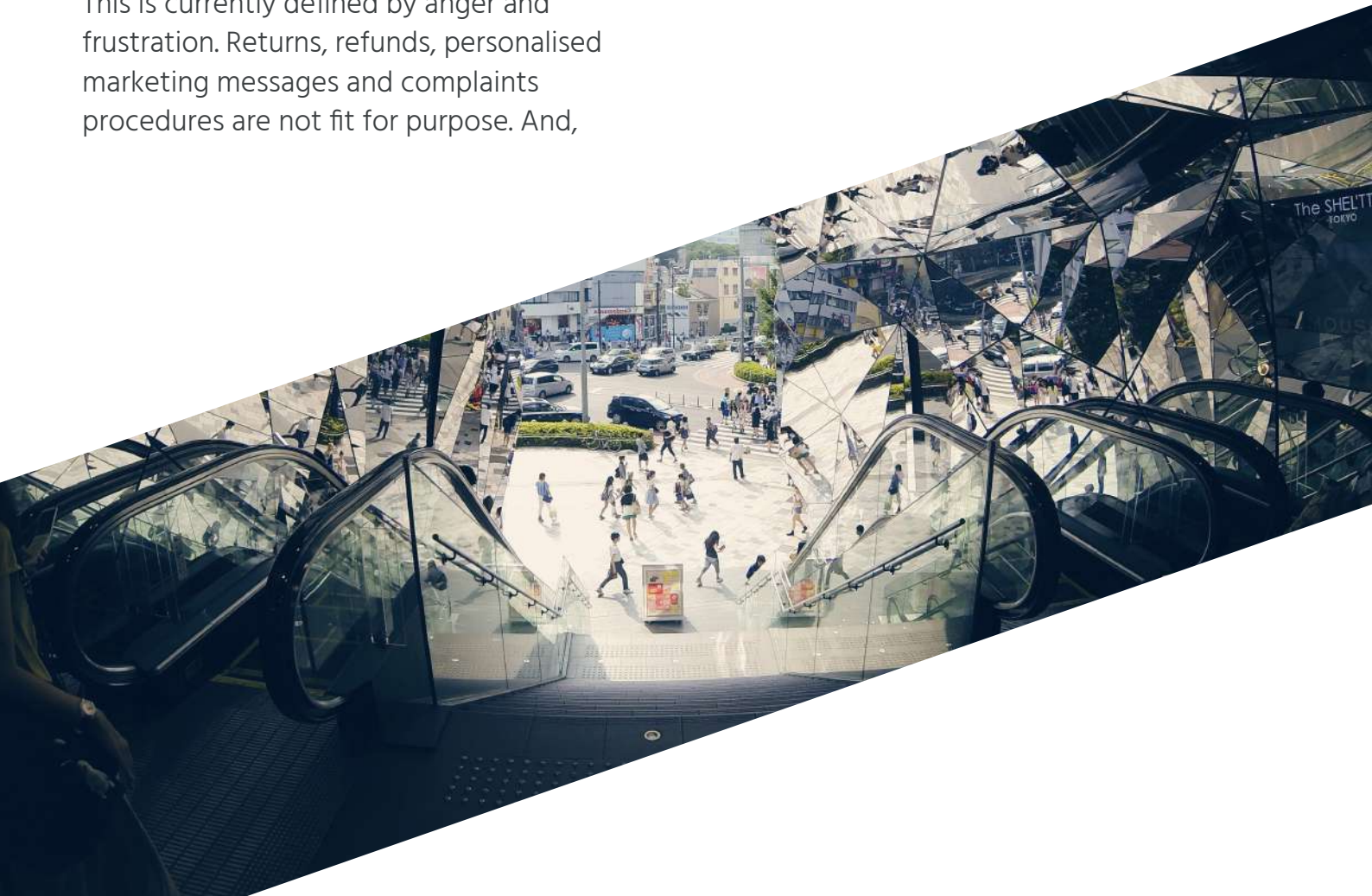
The research demonstrates that, while there is always room for improvement, retailers are doing a better job of delivering a great customer experience ahead of completing a purchase. They are also flexing to deliver a range of payment methods as demanded by customers. However, it is the after-payment phase where retailers are currently failing.

This is currently defined by anger and frustration. Returns, refunds, personalised marketing messages and complaints procedures are not fit for purpose. And,

while shoppers want to be wooed, they are instead being bombarded with the wrong kind of information or charged for returning products.

As we have seen, APEX is just as important as the customer experience before and during payment. However, given shopper frustrations, APEX currently presents the biggest danger point.

So, what are the opportunities for smart retailers who want to take the opportunity to improve APEX?



The Action Plan

- ✓ Think after, before - Consider the post-payment process as an important factor at the beginning of customer experience strategies
- ✓ Returns and Refunds - Understand and implement a quick and simple returns and refunds policy focused around the demands of shoppers
- ✓ Personalise - Use data to understand customer preferences and create bespoke offers and experiences to 'woo' them and show them that they are valued
- ✓ Remove the silos - Utilise a tokenised omni-channel payment solution to understand payment information across channels. This can streamline customer experience on many levels e.g. removing the need to requests for an email address at an in-store checkout and feeding stock level data into systems that manage returns
- ✓ Give back control - Understand the payment methods that your customer demographic is looking for and make these available.



Methodology

Valitor commissioned a survey with a sample of 2,005 consumers – from the ages of 16 and above to understand perceptions of shopping, payments and customer experience currently and in the future. This involved an equal split of genders, ages,

earnings, professions and locations. The research was conducted by Sapio Research.

The consumer survey was carried out in January 2019.

About Valitor

We are an international payment solutions company and one of the few who offer end-to-end solutions with payment acceptance, issuing, omni-channel gateway and point of sale services. We provide a single connection to receive payments across e-commerce, in-store and mobile.

Our omni-channel payment solution simplifies payments processing and helps merchants expand internationally, consolidate service providers, add or merge sales channels, and implement true omni-channel experiences.

At Valitor, we take care of our customers' payments, which means they can focus on buying and selling.

We remove complexity, using our own technology, solutions and regulated services to help merchants stay focused on their business.

Founded in 1983 and headquartered in Iceland, we operate across 22 European countries with a strong presence in the UK, Ireland, Nordics and pan-European retail.

If you'd like to talk more about the research and how Valitor can help you, please contact:

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