

Retail Consumer Finance

How retailers can benefit from enhancing their personal finance offer

December 2019



Retailers continue to face tough conditions, with increasing costs and falling sales affecting the bottom line. However, a lifeline for retailers could lie in how well they can develop their personal finance offering.

More than ever, retailers need to make life easier for customers

September 2019 has been described as the 'worst since 1995' with total sales falling by 1.7% year-on-year. The number of retailers entering into administration has risen by 30% since 2015 with the likes of Debenhams, L K Bennett and Mothercare stumbling recently. Many are looking to store closures and market consolidation to survive.

Yet a consistent driver of profitability and potential differentiator, is providing the right personal finance options to complement the retail experience. In uncertain times, straightforward and responsibly-sold personal finance can play a key part in underpinning fragile consumer confidence. Retailers doing this can gain an edge over rivals.

Innovative, seamless solutions are disrupting the retail finance market

Whilst the personal finance market is still dominated by traditional providers, disruptors like Klarna, Affirm and Divido are gaining share by appealing to consumers with point-of-sale finance experiences that are hassle-free, integrated with the retailers payment journey and offer personalised choices –from deferred payment to instalments and bill-splitting. Retailers benefit from shifting the credit risk to the provider and easing cash flow with upfront payments, while providing a smooth customer experience.

Klarna have grown by 35% each year on average since 2015 and become market leaders in northern and central Europe. Divido's broker platform connecting consumers with credit suppliers, is making strong inroads in the UK and US and is likely to be boosted by the recent partnership with Splitit Payments.

Big tech also continues to push the boundaries of innovation. Amazon Go stores eliminate the point of sale altogether, allowing customers to shop and walk out, taking payment automatically, including offering the spread of payments on credit. Apple Card is giving consumers greater than ever visibility of their retail spending, with detailed analysis engagingly presented via their device.

With similar offerings being provided by challenger banks, this is set to be a growing factor influencing consumer behaviour that retailers cannot afford to ignore.

How retailers can win in these uncertain times:

01

Innovate your credit proposition

Traditionally retailers have offered 'closed loop' retail finance products such as store cards or their own point-of-sale finance products, which offer rewards and benefits but are known for higher interest rates and less flexibility than standard credit cards. These products are often primarily promoted in-store by sales assistants, whereas the growth of online shopping means retailers need to offer credit via multiple channels. In response to shifting consumer preferences, retailers are wise to adapt.

Market insight: KPMG worked with a fashion retailer to introduce a new Credit as a Platform proposition, bringing experience design and operational excellence to design a new customer-centric operating model, also supplying the expertise to define legal structure and regulatory strategy.



02

Connect your online and in-store purchase experience



To remain competitive, retailers need to review their customer journeys to ensure they are able to make purchases quickly and easily, in ways that meet their needs. For example, bringing the credit decision forward shifts it from being a 'means to pay' to a 'means to buy'. Together with allowing customers to apply digitally, this can reduce the likelihood of customers dropping out of the process part way. Retailers using third parties to offer credit must consider how they stay in control of the customer experience. And finally, retailers must ensure that finance is explained in a fair and transparent way. Digital solutions can help enforce compliance by taking human (mis)judgement out of the decision.

Market Insight: To maintain their competitive edge, a consumer goods retailer was looking both to expand their range of finance product offerings and transform the customer experience. Working with KPMG consultants, they walked in their customers' shoes to understand the pain points and opportunities along the journey, redesigning the experience for speed, consistency, ease and compliance.

03

Engage and enable employees



Retailers have come under scrutiny as a result of store cards being mis-sold by sales assistants lacking financial expertise. The change required is broader than compliance training- trust is central to the successful customer relationship. To build this, sales teams should be empowered to come out from behind the till and support customers at the 'shelf edge', digitally enabled and guided to provide the best customer experience, while driving compliance. Leading retailers recognise that only engaged and motivated employees will deliver the desired customer experience. This again comes back to trust, with retail businesses increasingly asking "If our employees don't trust us, how will the customer?"

Market insight: Facing the combined challenges of slow, disjointed processes, low customer awareness and employee confidence, a consumer products retailer needed to boost take up of retail finance and protection products. Our approach assessed the journey from both customer and employee perspectives, to design a better experience and develop learning interventions to improve colleague confidence and competence.



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