

Klarna.

Circularity Insights Report

January 2024



A letter from Alexandra Colac.

As an AI-powered global payments network and shopping assistant connecting over 150 million users with more than 500,000 merchants, Klarna is at the heart of global consumer commerce. It's a truly unique position, and one we wish to use to enable consumers to shop more consciously and empower them to be part of the circular economy.

Among others, these include our 'Sustainability Tips' section, which teaches consumers how to care for their products. Our 'Resell' feature lets consumers resell previous purchases, while the 'Shop Circular' collections give consumers the chance to discover brands and retailers that offer circular services to reduce waste and extend product life cycles. Furthermore, we have introduced educational campaigns and implemented a range of awareness programs. Klarna also collaborates with a wide variety of retailer partners that offer second hand, refurbished products and other circular services.

But what does the demand for circular services really look like? And (how) can circularity for brands ever scale? These were fundamental questions we kept asking and decided to find the answers to—specifically, within Klarna's two most popular product categories: fashion and consumer electronics.¹

And what we found is that consumers are indeed becoming increasingly interested in making more conscious choices. One in three respondents said they're more concerned about their ecological footprint and in causing less harm to the environment than just a year ago.² We see this also being reflected by the volume of second hand purchases through Klarna, which increased by over 52% in 2023.

I am delighted to share these valuable consumer insights along with actionable brand recommendations for any brand or business that wishes to participate in our journey. One thing is certain: only when our entire industry takes action will we unleash the full potential of a circular economy.

Sincerely,



Alexandra Colac
Lead Sustainability at Klarna



¹ We use the term "fashion" as an umbrella term to cover clothing, footwear, and fashion-related accessories. "Consumer electronics" covers entertainment electronics, laptops, tablets, and phones.
² 36% of our survey respondents say they are more worried about their ecological footprint and causing less harm to the environment than they were a year ago.

Consumer Insights.

Methodology

Quantitative survey

This white paper's findings are derived from a survey of 3,000 representative adults (16 years or older) in the UK, USA, and Germany (1,000 participants per market). It was conducted in partnership with Opinium between September 27 and October 3 2023.

Qualitative research

Expert interviews were conducted with Olof Hoverfält (The Wardrobe Diary Project), Hasna Kourda (Save Your Wardrobe), and Peter Windischhofer (Refurbed).

Additional data sources

Klarna customer in-app data as of August 2023.



Most customers know the benefits of circularity.

Consumers are well aware that opting for circularity is a potential money-saver. In fact, 69% say that second hand fashion shopping or garment repairs or using rental services have already saved them money or have the potential to do so. At 66%, the picture is largely the same for consumer electronics, but not every generation sees the same potential. Generally, this awareness is more pronounced among those under 35 than it is among older people (see next page).

69%

say that second hand fashion shopping or garment repairs or using rental services have already saved them money or have the potential to do so.

66%

say that buying second hand consumer electronics or repairs or rental/leasing services have already saved them money or have the potential to do so.



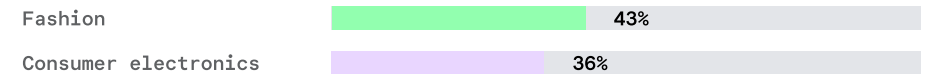
"If you buy a refurbished product, you can save 30-40% compared to the price of a new item. Apart from money, buying refurbished also saves valuable resources. According to our recent study with Fraunhofer Institute Austria, consumers can save up to 91% CO2, 97% water, and 80% electronic waste compared to buying new."

Peter Windischhofer, Refurbed

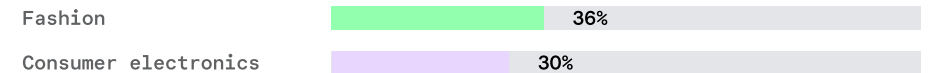
Repair and second hand are perceived as the biggest money-savers.

Zooming into which circular practices offer the biggest potential for savings in the minds of consumers, they first point to repairing products they already own, followed by purchasing second hand instead of new products. Leasing and renting were considered to have the smallest financial impact.

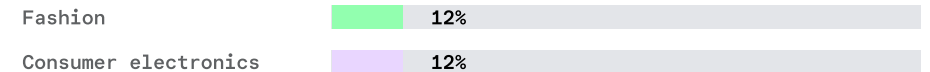
Repairing instead of buying new



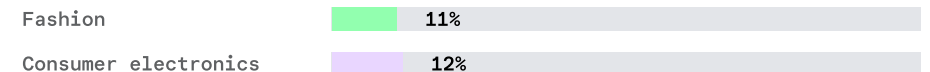
Buying second-hand instead of new



Leasing or renting (one-off)

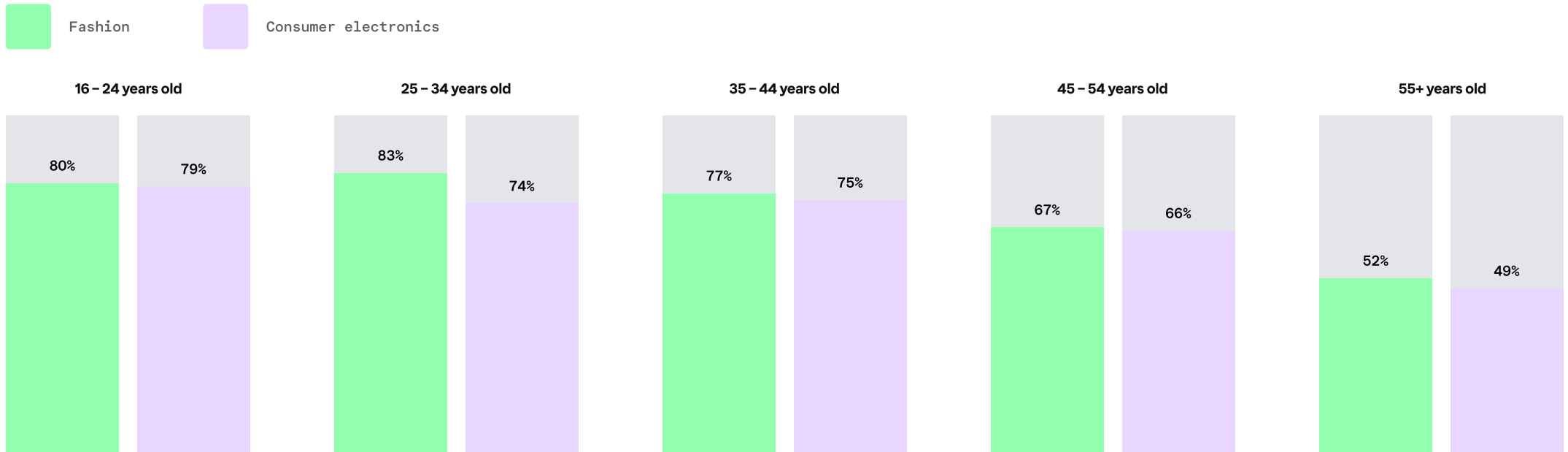


Leasing or renting (subscription)



A deep dive into generational differences.

Consumers who believe that switching to circular practices (repairs, buying second hand/ refurbished, leasing or renting) already has or could save them money:



Knowing doesn't mean doing just yet.

The prospect of purchasing second hand items or repairing broken goods is appealing to consumers, particularly in the current economic climate. However, while the benefit is evident, the execution is still lagging. Few consumers put their intentions into practice, and the adoption of repair or second hand services remains uncommon among the majority.

The repair paradox

While 45% agree that a repaired electronic device feels as good as a new one, 71% of consumers did not opt for repair the last time their mobile phone malfunctioned. This reluctance also extends to other electronic devices as well as fashion items.³ It is noteworthy, however, that younger generations are much more likely to repair a broken electronic device, especially when it comes to phones. When it comes to repairing fashion items, there is no significant difference between generations (see next page).



"Repairs not only save on emissions, waste, and money spent, the product also lasts longer, bringing more enjoyment to its owner. In fact, a fashion item will often be in better shape than when new after a visit to the tailor because a tailor will invest more time and care into the seams compared to most of the fast fashion production."

Hasna Kourda, Save Your Wardrobe

³ 85% did not get their entertainment electronics repaired the last time they broke, 73% for laptops or tablets, 84% for shoes and accessories, and 77% for clothing.

45%

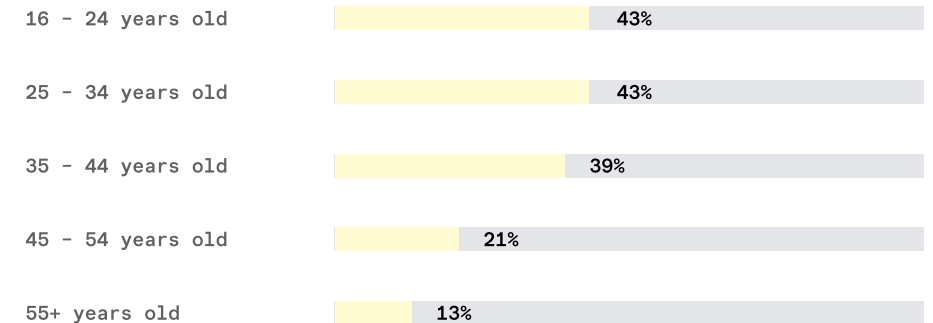
agree that a repaired electronic device feels as good as a new one.

Yet 71%

of consumers did not opt for repair the last time their mobile phone malfunctioned.

A deep dive into generational differences.

Consumers who repaired their phone the last time it broke:



Consumers who repaired their laptop or tablet the last time it broke: 16-24: 29%, 25-34: 29%, 35-44: 31%, 45-54: 24%, 55+: 19%. Consumers who repaired an entertainment electronics device the last time it broke: 16-24: 19%, 25-34: 16%, 35-44: 21%, 45-54: 14%, 55+: 7%. Consumers who repaired an item of clothing the last time it was damaged: 16-24: 24%, 25-34: 21%, 35-44: 23%, 45-54: 23%, 55+: 22%.

Second hand shopping hasn't yet reached its full potential.

Second hand shopping, despite its potential benefits, still remains a rather rare occurrence among consumers, but the product category makes a difference. In the past year, seven out of ten consumers (70%) still solely chose to buy new when shopping for clothes. This trend is even more pronounced in other categories, with 82% for phones and laptops/tablets, 84% for shoes and accessories, and 87% for entertainment electronics. While there is no clear shift away from new towards second hand fashion purchases when comparing younger and older generations, a striking difference emerges in the realm of consumer electronics, where Gen Z'ers are 3x more likely to purchase second hand, compared to those aged 55 and over (see next page).

30%

of consumers who bought clothing in the last year opted for second hand with at least some of their purchases.

Gen Z'ers **3x**

more likely to purchase second hand phones, laptops, and consumer electronics than those aged 55 and over.



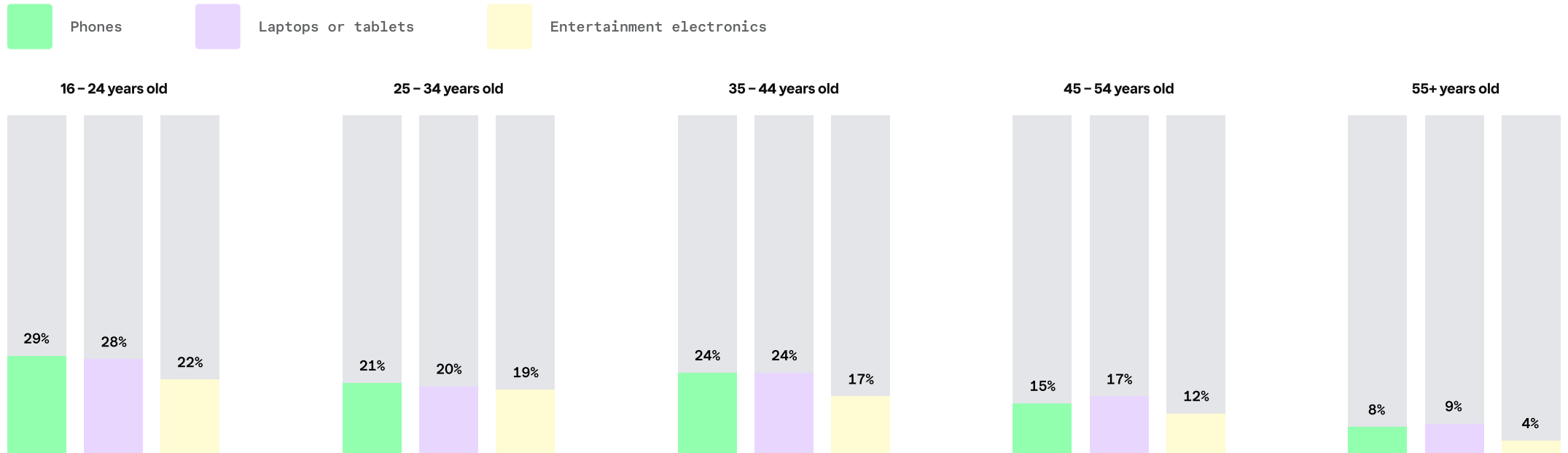
"Our linear thinking must be replaced by circularity. Brands shouldn't just sell and forget but keep a connection to make more money out of every item, for example, through second hand or repair services."

Olof Hoverfält, The Wardrobe Diary Project



A deep dive into generational differences.

Consumer electronics buyers who purchased fully or partly second hand, used or refurbished items within the last year:



Fashion consumers whose purchases in the last year were all or partly second-hand, used or refurbished: Clothing: 16-24: 28%, 25-34: 39%, 35-44: 35%, 45-54: 34%, 55+: 23%. Shoes and accessories: 16-24: 18%, 25-34: 20%, 35-44: 18%, 45-54: 19%, 55+: 11%.

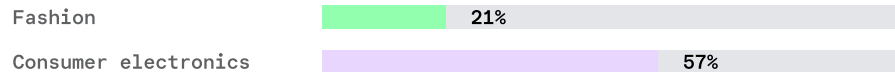
What stands in the way of action?

Among consumers, repairing and buying or selling second hand goods emerge as the most effective circular practices, both in terms of their environmental impact and financial benefits. As consumers endeavour to embrace circularity, they face different barriers that also vary between the fashion and electronics categories.

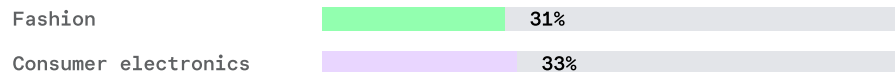
Top barriers to repair

A set of widespread barriers hinders repairs across the two sectors. In many instances, it is more convenient to replace a product than to repair it, often because products are not designed to be repaired.

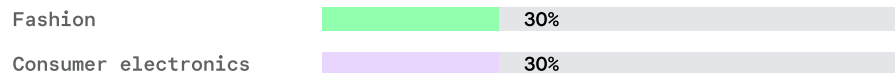
Cost: Repairing is too expensive



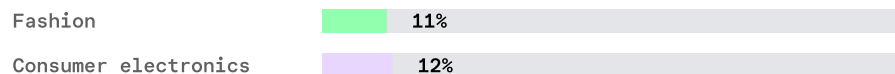
Feasibility: Repairing is not a feasible option



Convenience: Buying new is more convenient



Utility: No longer a need for the product



Fast depreciation: A hindrance to reselling

Among consumers, repairing and buying or selling second hand goods emerge as the most effective circular practices, both in terms of their environmental impact and financial benefits. As consumers endeavour to embrace circularity, they face different barriers that also vary between the fashion and electronics categories.

21%

gave the low resale value of their clothing as a reason for throwing it out rather than reselling it.

27%

say the resale value of their unused electronic devices is too low to make selling worthwhile.



"If we really want consumers to repair or buy second hand, we need to make the service fully accessible, put it front and center in the store, and back it with your marketing budget. If buying new remains the easy choice, that's what people will do."

Hasna Kourda, Save Your Wardrobe

Distinct challenges in fashion

Excessive ownership of fashion items is a significant issue, as many pieces are underused or hanging in the closet, untouched, and out of rotation.

One in two only wears half or even less of their clothes.

One in five wears just a quarter of their clothes.

Distinct challenges in consumer electronics

High repair costs is the #1 reason why consumers who didn't repair items hesitate to do so. Often, software incompatibility and a built-in expiry date make it difficult for consumers to extend the lifespan of their electronic devices.

59%

express a desire to extend the lifespan of their devices, but software incompatibility, in effect a built-in expiry date, is getting in their way.

Paving the way for repair rights

In pursuit of solutions, the European Union is poised to introduce a Right-to-Repair for consumers and to impose requirements on manufacturers to make their products more durable, reusable, upgradable, and repairable.

Is keeping the old the next new thing?

Within both fashion and electronics, linear consumption patterns are often kept alive by the rapid depreciation of a product's value combined with an insatiable consumer desire to own the next new thing. But there are positive signs of progress: Trends are seemingly changing as people grow increasingly conscious about curbing this desire for novelty and recognising the long-term value of their possessions. This evolving mindset is exactly what's needed to promote a greater circulation of products and items, whether with the original user or new ones through resale. No matter where the item travels, as long as it's kept in the cycle it brings cost savings and waste reductions along with it.

The latest is no longer the greatest

Consumers generally report being less swayed by novelty when it comes to their electronic devices. This is a shift in mindsets that pushes consumer patterns towards slower consumption, especially among younger generations (see next page).



"When we started our marketplace for refurbished goods six years ago, new iPhone releases were still a big thing. This has changed a lot due to a lower degree of innovation per release today. There is less enthusiasm because the previous product can do nearly as much as the new version."

Peter Windischhofer, Refurbed

54%

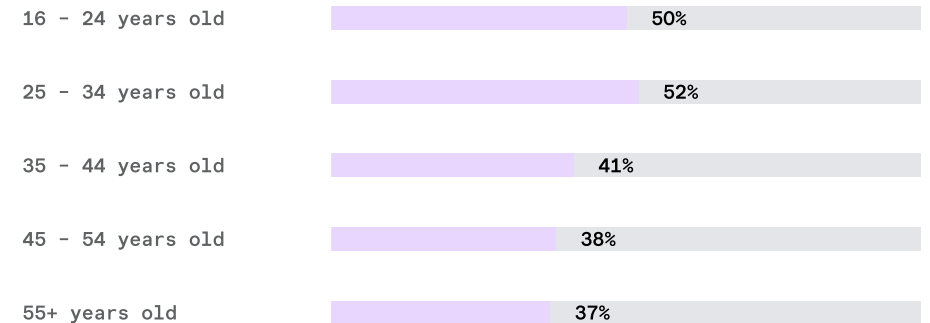
say they don't care about owning the latest gadgets.

42%

have grown less interested in new product releases compared to a year ago.

A deep dive into generational differences.

Consumers who say they're not as interested in new tech releases as they were a year ago:



Not so fast fashion - thinking before buying.

Nearly four in ten consumers seek to buy and wear smarter by considering how much they will likely use an item before committing to a purchase. It's also now seen as less stigmatising to wear the same outfits multiple times. One idea increasingly gaining traction is assessing a fashion item's cost-per-wear, which helps consumers decide if buying makes sense financially.

38%

consider how often they're likely to wear a garment before buying.

62%

find it less stigmatising than before to wear the same outfits multiple times.



"If you're buying an item for 100 euros, ask yourself whether you're going to wear it 100 times, which is twice per week in one year or once a week over the next two. This comes to 1 euro per wear, which makes good sense financially. If you're also willing to repair the item, you can bring the cost-per-wear down even further. Based on The Wardrobe Diary Project data, a normal cost-per-wear should range between €0.60 and €2.10 for an 'efficient' garment, but some go as high as 31 euros."

Olof Hoverfält, The Wardrobe Diary Project

Conclusion & recommendations.



Circularity could bring the business.

Our insights taught us that amidst the challenges of high inflation, people recognise the potential for saving money through circularity, yet there remains a significant gap between awareness and taking action. Despite their financial appeal, circularity-oriented practices are not yet the norm, particularly among younger people. However, environmental concerns and financial challenges have made people across generations more receptive to the advantages of circularity.

In this era of heightened sustainability awareness, the consumer industry has a unique chance to convey the story of circularity that resonates across generations. Promoting services like second hand shopping, rental, and repair in a way that underscores the financial benefits and presents them as convenient, enjoyable, and fashionable alternatives to purchasing new items can inspire greater action in both the fashion and electronics industries.

Businesses that embrace this opportunity can monetise their products for much longer, far beyond the point of purchase, while reducing the need for all revenue to come from the sale of new items. The new services will enhance their customer experience. By encouraging consumers to act on their positive intentions, brands will increase customer satisfaction, create emotional bonds, and gain larger shares of their wallets.



"Our customers tell us that 80% of our sales would've been a new product purchase if refurbished didn't exist. This shows that we can actually take market share from new products and shift to the circular economy."

Peter Windischhofer, Refurbed



How to unleash the full potential of circularity.

There's ample opportunity for brands and retailers to harness the power of circularity to boost their business and customer relationships. We invite everyone to join us on the circularity journey.

Link financial & environmental benefits

Show that circularity is possible for everyone because it doesn't mean extra cost (rather the opposite).

How to do this:

1. Point out the money-saving potential of each circularity-based product or service
2. Explain the specific environmental benefits like savings on emissions, water and waste

Educate your customers

Remind consumers of the true and long-term value of products. Fashion and electronics should be used, then sold or passed on rather than thrown away. When communicated authentically, this will help build emotional bonds with consumers.

How to do this:

1. Advertise quality and durability for more informed consumer decisions
2. Provide educational content and campaigns with a dedicated circularity-driven Call To Action
3. Foster awareness of overproduction and overconsumption

Enable better unit economics via repeated sales

Monetise products beyond the point of initial purchase and reduce the need for new-product sales.

How to do this:

1. Shift budgets from marketing new trends to pushing circularity products and services
2. Offer repair services
3. Launch a resale service to enable your customers to trade back items and sell them again via a second hand program
4. Introduce rental service to reach new customers

Make it accessible and convenient

Help consumers follow through on their circularity intentions by enhancing the customer experience. This will increase customer satisfaction and 'share of wallet'.

How to do this:

1. Give second hand products the same visibility as new ones
2. Use high-quality imagery
3. Provide easy returns and a money-back guarantee
4. Offer free shipping and the same payment options as for new products

Market-specific data.

Our survey results show considerable similarities between the US, UK and German markets in consumer attitudes and behaviour towards circularity. Nuances are shown in this table.

	Total	UK	USA	Germany
Most consumers know the financial benefits of circularity				
Do you think you have saved / would save money on fashion purchases by doing any of the following? Please select all that apply (Page 4)				
None of the above (= have not selected: Repairing items more often instead of buying new ones; A complete or partial switch to buying 2nd-hand / refurbished products; Leasing or renting items as a one-off; Using a rental fashion subscription)	31%	30%	35%	29%
Do you think you have / would save money on technology purchases, e.g. TV, phone, sound systems by doing any of the following? (Page 4)				
None of the above (= have not selected: Repairing my items more often instead of buying new ones; Switching completely or partially to buying 2nd-hand / refurbished products; Leasing / renting tech devices as a one-off; Leasing / rental of tech devices on subscription)	34%	39%	26%	31%
Do you think you have saved / would save money on fashion purchases by doing any of the following? Please select all that apply. Do you think you have / would save money on technology purchases, e.g. TV, phone, sound systems by doing any of the following? (Page 4)	Fashion	Consumer Electronics	Fashion	Consumer Electronics
Repairing items more often instead of buying new ones	43%	36%	44%	33%
A complete or partial switch to buying 2nd-hand / refurbished products	36%	30%	39%	32%
Leasing or renting (one-off)	12%	12%	12%	9%
Leasing or renting (subscription)	11%	12%	8%	9%
Knowing doesn't mean doing just yet				
How far do you agree or disagree with each of the following statements? To me, a repaired electronic device feels as good as new (Page 6)				
NET: Agree	45%	47%	48%	41%
Which, if any, of the following did you repair / get repaired the last time it broke? (Page 6)				
Phone	29%	33%	31%	22%
Laptop / Tablet	25%	24%	28%	22%
Clothing	22%	23%	21%	23%
Shoes & accessories	16%	13%	15%	19%
Entertainment electronics (e.g. TV, gaming consoles)	14%	11%	16%	14%
You mentioned you have spent on the following items in the last year; did you buy any of these 2nd-hand / used / refurbished? Please select all that apply. (Page 8)				
Clothing	30%	33%	29%	27%
Phone (e.g. model, phone bill and accessories)	18%	17%	19%	17%
Laptop / Tablet	18%	15%	20%	18%
Shoes and accessories	16%	17%	16%	14%
Car (e.g. model, petrol, parking, servicing)	16%	15%	17%	15%
Entertainment electronics (e.g. TV, gaming consoles)	13%	12%	17%	11%
Bike	10%	7%	10%	14%
None of the above	37%	36%	38%	38%

Market-specific data.

	Total	UK	USA	Germany
What stands in the way of action?				
You mentioned you didn't repair / get your items repaired last time they broke. Why is this? (Combined for clothing and shoes & accessories vs. combined for entertainment electronics, laptop / tablet and phone) (Page 10)	Fashion	Consumer Electronics	Fashion	Consumer Electronics
I don't know where/how to repair it	13%	20%	14%	19%
It's too expensive to repair	21%	57%	20%	57%
It's more convenient to buy a new one	30%	30%	30%	32%
It's not possible to repair (e.g. poor quality, item constructed in way that can't be repaired)	31%	33%	28%	26%
I wanted to have a newer version	16%	23%	13%	20%
It takes too long to repair it	7%	8%	6%	7%
I didn't need it anymore	27%	15%	26%	14%
Other	10%	15%	11%	15%
You mentioned you have thrown clothing you now longer want in the general waste bin. Why was this? (Page 10)				
Selected: The resale value is too low to make selling it worthwhile	21%	21%	20%	23%
You mentioned you have devices that you no longer use. Why have you not discarded them? (Page 10)				
Selected: The resale value is too low to make selling it worthwhile	27%	28%	24%	32%
Approximately what proportion of the clothes you own have you worn in the last year? (Page 11)				
[50] Roughly 50% or less	49%	51%	46%	50%
[25] Roughly 25% or less	22%	22%	21%	22%
How much do you agree or disagree with each of the following statements: I would like to keep my devices longer, but their incompatibility with software updates and operating systems makes it difficult (Page 11)				
NET: Agree	59%	59%	62%	57%
Is keeping the old the next new thing?				
How much do you agree or disagree with each of the following statements: I want to own the latest technology devices as soon as they're released				
NET: Disagree	54%	58%	48%	54%
How much do you agree or disagree with each of the following statements: I'm not as interested in new tech releases as I was a year ago				
NET: Agree	42%	44%	46%	37%
Which, if any, of the following applies to you?				
Selected: Before buying an item, I estimate how often I'm going to wear it	38%	41%	35%	38%
How much do you agree or disagree with each of the following statements: I feel that wearing the same outfit several times is less of a taboo now than it was a few years ago				
NET: Agree	62%	66%	61%	59%

About Klarna

Since 2005, Klarna has been on a mission to accelerate commerce with consumer needs at the heart of it. With over 150 million global active users and 2 million transactions per day, Klarna's fair, sustainable, and AI-powered payment and shopping solutions are revolutionising the way people shop and pay online and in-store, empowering consumers to shop smarter with greater confidence and convenience. More than 500,000 global retailers integrate Klarna's innovative technology and marketing solutions to drive growth and build loyalty, including H&M, Saks, Sephora, Macy's, Ikea, Expedia Group, Nike, and Airbnb.

For more information,
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