

CROSS CHANNEL RETAILING



May 2010

an internet retailing special report

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Editors' comment

Welcome to the fifth of our occasional series of *Internet Retailing* supplements. In this issue we're mapping the fast-moving evolution of cross-channel retailing. It's an evolution that's taking place as customers, and therefore retailers, begin to raise their expectations of what 21st-century retail can do for them.

Today we consumers – for after all, we are all consumers too – are well accustomed to shopping online. The novelty of a new form of shopping has long worn off and today we expect to shop wherever it suits us. Technology has brought flexible retail within our grasp, so we expect to shop flexibly. And retailers who don't deliver on that front will increasingly find that they are left behind.

In this supplement, therefore, we're looking at the changing patterns of how people shop, and how innovative retailers are adapting to match their expectations. Shoppers today can and increasingly do shop not through one shopping channel or another, but across channels. We're finding out how that cross-channel customer is driving future development.

In our web interface section (page 10), that means doing a little blue-sky thinking to explore the new rules of interface design in a world where you might need to be considering developments in, say, mobile and TV as much as the web. It's also a world where customers are driving change because they're not prepared to wait for developers to show them what they're supposed or allowed to do. This idea of consumer empowerment, incidentally, is a recurring theme when experts discuss cross-channel retailing, suggesting interesting times ahead.

In the merchandising section (page 14), we examine the importance of keeping the product information and location consistent for shoppers who may be accessing it across different channels. Matt Brooke-Smith of iPhone app specialist Future

Workshops points out that shoppers who may have found a product at their leisure on a PC or iPad will want to locate it quickly when they're looking from their smartphone – so it's important the environments are the consistent.

Our cross-channel experience section (page 18) looks at the idea of the e-commerce platform as the hub at the centre of m-commerce and collect-in-store integration, and asks how retailers are adapting to this changing environment. It also looks at the role that social media, from Facebook to reviews, plays in shopping today and at how change in this area may drive change in the future.

Logistics is the unglamorous end of retail – but getting the goods where they're supposed to be is critical to making internet retailing work. On page 22, we look at how multi-channel retailers can cut costs by using their stores in concert with, rather than in competition with, the online channel, and exploring some of the ways that businesses are gaining a competitive edge from their use of logistics.

The part that e-commerce plays in a multi-channel business is now being recognised at board level. In our strategy framework section (page 26), we look at how company executives can assess, develop and measure the contribution that the different channels make to their business.

Finally, in our IT and systems section on page 30, we'll be looking at how retailers can use technology to get to know their customers, and to help them develop customer relationships, engendering loyalty in turn in an often fickle shopping environment.

Cross-channel retail is an endlessly interesting area of retail to cover – where the pace of change means there are always new developments to report. We've found this supplement an interesting one to write, and we hope you enjoy reading it.

INTRODUCING OUR SUPPLEMENT EDITORS

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Q ■ What's the most significant area within cross-channel that retailers need to monitor?

A: How we shop has radically changed over the last ten years. Back then, we made our way to the high street store on a Saturday morning and bought what they had on offer. Now we might scout around the Internet, price check, go to the store to see the 'real thing' and then come home and order online.

This is having a major impact on retailers. To remain competitive they are meeting the numerous permutations of customer demand by opening up new sales channels.

But this has often led to duplication that manifests itself in separate pools of inventory and retailers have also tended to silo business functions to deal with each channel. However, many are now learning to manipulate stock and orders across all the channels and fulfil from anywhere in the enterprise to improve customer service and margins.

In certain retail businesses, particularly those selling higher price items, much of the inventory may be sitting on a retail shelf rather than in a DC, and retailers may want to use this 'store inventory' to ship direct orders via another channel. Take multimillion dollar, home-goods retailer Bed Bath & Beyond. If insufficient inventory is available in one of their three distribution centres, it will route an online order for a product from its range, which spans bedding to coffee makers, to a retail store for shipment. When doing so it takes into consideration labour availability in the store, transportation cost ramifications and the risk of missing an off-the-street sale in the store because the item has gone to another channel. Bed, Bath & Beyond follows the same process for fulfilling special orders captured in the store.

However, with the right management to connect the dots a retailer using retail store inventory to fulfil an online order can reap the dual benefit of avoiding turning away a sale from an online or brick and mortar special order and perhaps also, avoid the marking down of an unsold product in the store two months later.

To deal with these kinds of multichannel nuances, retailers require a solution that sits outside traditional supply chain systems, one that aggregates data and integrates with the full distribution network - including all the warehouses, stores, in-transit inventory and vendors - to provide a consolidated and centralised view of inventory across the network. This will allow a retailer to respond, in a split second to a purchase request.

The software managing this complexity is



applied in layers. First it is important to lay a foundation where the retailer gains good visibility of inventory within its own warehouse and distribution operation, through multichannel enabled Warehouse Management Software.

Once the foundation is in place you can then introduce an extended enterprise system over the top to gain visibility outside the warehouse to the store network and to the 'extended network', including drop ship vendors and third party logistics operated fulfilment facilities. This will enable far clearer decision making, giving the ability to maintain inventory in different areas and locations.

Then comes the order management system to coordinate the process by taking in demand from multiple channels so that it can be optimised across the inventory which could include inventory in the warehouse, retail store, dot.com, inbound or with the suppliers. Importantly, the order management system provides end customers a view of their order regardless of how they're currently interacting with the retailer, be it in a store, on the website, or via a mobile device.

However, before anything winds up on any shelf, you first have to generate a channel level forecast that can be aggregated up to the enterprise level. Once stores, catalogue, web channels, etc, are planned then an estimate of margin, revenue and profits generated at a category level across the company needs to be generated so that consolidated purchase orders can be placed with suppliers, enterprise wide.

As that inventory starts to flow in then the order management solution provides inventory management segmentation to allow that complete consolidated purchase order to be received and put-away without segregating it by channel but retaining 'virtual pools' of inventory at the order management layer.

Going multichannel is essential if a retailer wants to draw customers in rather than be marginalised by today's consumer behavior. Clearly there is complexity involved but this can be managed and levered by the right solutions to provide high customer service levels and maximised margin, irrespective of the channel demand actually comes from.

A: Sell More in 2010 with ChannelAdvisor
Multichannel retail is at the heart of everything ChannelAdvisor does. We have long recognised that for an online retailer to maximise their full potential they need to distribute their products as widely as possible, effectively making them available wherever consumers choose to shop online. This message has never been more relevant than in today's turbulent economy.

At ChannelAdvisor we help retailers of all sizes sell across more than 100 online sales channels, including online marketplaces such as eBay and Amazon; the major comparison shopping engines like Shopzilla, Shopping.com and Ciao; and all the major paid search networks such as Google, Yahoo! and Bing.

Using custom-built business rules, our technology enables retailers to draw on a single inventory source and distribute product data efficiently and profitably across multiple channels – all from a single user-friendly interface—which removes the reliance on IT departments and puts the power in the hands of the marketing team. Put simply, one feed in, multiple optimised feeds out.

Amazon v eBay (a win-win opportunity for growth)

In the past we have seen many of our retail customers grow from substantial online marketplace traders into successful multichannel operations, adopting paid search and comparison shopping strategies as they have developed their brands and site offerings. Until recently; however, only a few big-brand retailers recognised the opportunity offered by online marketplaces such as eBay and Amazon. The economic downturn has undoubtedly helped these large-scale retailers re-evaluate the opportunity and dismiss concerns about trading via third-party marketplaces.

And make no mistake the opportunity is incredible. eBay is the UK's leading e-commerce site with more than 17 million visitors every month. Recent site improvements such as the Deal of the Day programme and the Outlet Stores platform have been designed to attract larger high-street sellers to the site and each month more and more name-brand retailers are coming onboard. According to eBay, more than 60% of listings on the site are now premium products offered at a fixed price. Similarly, Amazon's third-party marketplace is building strength and helping the company rapidly outpace the already buoyant e-commerce sector. ChannelAdvisor have seen same store sales on Amazon increase by upwards of 70% year-on-year and estimate that their third-party business could even surpass eBay in 2012 at current growth rates.

Selling via online marketplaces can present a steep learning curve for many large retailers. Managing listings, customer communications, expectations and feedback, all whilst maintaining brand integrity, can be challenging. But, if managed properly, the rewards cannot be ignored. If your business aspires to SELL MORE this year, we'd love to talk.

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A: Even in the current economic climate, online retailing continues to be one of the fastest-growing markets in Europe. So how can merchants take advantage of cross-channel opportunities? The first and simplest method is to sell cross-channel, which involves selling goods and services to foreign customers from a centralised website and location. The benefit of this is that it does not involve any major logistical change for merchants and eliminates the need for a physical presence in the target country. Another advantage of this strategy is that there is no requirement to localise websites to suit the local market. The second option is to create a localised offering. This involves setting-up a physical presence within the new market and creating a domestic logistics infrastructure, leveraging both the local workforce and economy.

Cross-channel selling is without a doubt the easier option for any merchant who is looking to expand sales internationally. From a shoppers' perspective, cross-channel online shopping has two key benefits that merchants can exploit. On-line shopping not only provides an increased range of products to choose from with the added possibility of saving money, but also allows consumers living in remote areas access to a wider variety of goods that may not be available locally.

From speaking to our customers, it is clear that many shoppers in Europe already recognise the benefits of cross-channel shopping. A recent report indicated that 33 per cent of EU citizens stated that they would consider buying a product or a service online from another European country if it were cheaper or simply better than the local offering.*

From working with UK merchants, we know that accepting multiple currencies may represent a challenge when looking to expand cross-border. For instance, a merchant might want to price their goods in the domestic currency of the customer to increase checkout conversion rates and provide a better consumer experience, but at the same time might want to receive their payment in GBP, thereby decreasing foreign exchange (FX) exposure. This is where having the correct solution from your payment acquirer is so important. With the right solution in place, a merchant can price goods in one currency and receive payment in another.

Another area worth focusing on is understanding the various methods of payments used outside of the UK. Countries such as France, Italy and Spain are quite similar to the UK, however in Germany, Austria, Switzerland and Netherlands cards are not the preferred way to pay online.

To succeed, merchants need to ensure that they partner with a payment acquirer who works with international merchants on a day-to-day basis and has the industry and market knowledge to provide payments advice backed by a single source solution and access to cross-currency and multi-currency products all accessible through a choice of connection methods. If they can do that, then there is a real opportunity to develop new revenue streams and increase market share.

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What's the most significant area within cross-channel that retailers need to monitor?



The ever-changing expectations of consumers mean that retailers must keep up to speed with potential developments in the online retail space, which in turn will support their multi-channel offering. Customers now expect to be able to interact with companies via a variety of routes, and technology will not only have to support, but also enhance the customer experience.

The typical pattern of shopping behaviour is such that when a transactional website is launched, customers tend to use it heavily for the first six months – to the detriment of the store – but then they gradually switch back to the shops and then begin to use both channels concurrently.

There is a major opportunity of expanding brand values through various channels by looking at cross-channel pricing, promotions and customer loyalty, as well as cross-channel forecasting and inventory management.

Merchants must appreciate that web and store customers buy from both and the retailer will need to adopt strategies on how best to buy product and merchandise/allocate their products to those areas. Stores themselves have enough difficulty replenishing stock. Add to this catalogue and the online proposition, then fulfilling orders, and store replenishment becomes even more difficult.

Today's technology is driving a new standard on how we manage our supply chain by focusing on one pool of stock to fulfil all channels so that you are maximising efficiency within the logistics and distribution part of your business, and improving availability to wherever the customer shops.

Now we have entered the next decade the leading technical vendors are now in the position to offer the next generation of multi-channel solutions. During the last two to three years, we have developed a significant understanding of the multi-channel customer's journey. We are now in a position to deliver not only a multi-channel strategy, but also to be extremely innovative around growing trends related to the mobile phone, kiosk technology, and extending the channels beyond the traditional store and beyond the accepted online offer. The store of the future is not far away.

www.k3btg.com



A: Of the three main drivers of retail revenue, visitors, conversion rate and average order value, the poor relation is average order value, normally with less strategic significance attributed to it and less resource invested in it. Yet, order value boosters often transfer well across channels, unlike investments in visitor acquisition or conversion improvement, which are usually channel-specific.

There are, however, a number of things to consider when embarking on an order-value booster initiative:

You don't need to bribe customers to spend more with you: don't think promotions, for example, free P&P, which can become expensive, think upsell or cross-sell recommendations.

You also need to consider timing. Imagine a customer just about to commit to purchase. You distract them with a higher value item, perhaps offered at a discount and instead of boosting order value you end up losing the sale as the customer struggles to make price comparison trade-offs.

Managing recommendations manually is difficult: the analytics behind order value boosters can be highly complex.

Optimising recommendations is even more difficult. The ideal 'Goldilocks' recommendation is not too hot, not too cold, but just right to tempt your customer to spend more, something that can only be achieved realistically through automation.

Recommendations are a proven way to boost average order value and automated recommendations driven by a recommendation engine are a simple way of overcoming all the difficulties inherent in managing recommendations manually. They are inexpensive to implement and they can produce insights across all channels.

Automated recommendations are very much proven online but applying them to other channels such as call centres or in-store kiosks is a relatively recent development.

Peerius is a leading supplier of recommendation technology and is able to supply automated recommendations into a multichannel environment. Examples include serving personalised recommendations into email communications or printing catalogues in multiple formats so different customer segments are served slightly different versions of the same catalogue. Thus, Peerius can help you to deliver the power of recommendation across all channels.

www.peerius.com



A: Cross-channel retail is selling products and services across multiple sales channels. Historically, this has evolved out of channel-specific teams that have developed independent business processes, technologies and strategies. As a result of disjointed processes and systems, the cross-channel experience and especially the quality of product information delivered to customers has suffered. Poor quality product information can severely limit a retailer's ability to deliver a quality cross-channel experience to customers, and can also increase operational costs and minimise potential conversion rates. Retailers should quantify the cost and impact of poor quality product information, including its effect on new product introduction, as well as manual error correction, duplication across systems and returns.

Cross-channel retailing best practice addresses the need to create joined up processes through aligning core business processes and systems. Product information management (PIM) is a foundation for cross-channel retail best practice. With Product information management (PIM), a retailer can address the cost of poor quality product information and provide a single source supporting all channels. This can deliver cross-channel advantages, including:

Customers experience same product and brand across all channels and touch points

Accelerate new product introductions to gain competitive advantage

Rapid and efficient acquisition of data from suppliers

Business processes to ensure product data quality and data completeness to improve search ability, customer conversion and reduce returns

Flexible and adaptable product catalogues and granular data to enable quick adoption of new channels and marketing strategies

www.stibosystems.com



Seasonal peaks

MandMDirect.com improves visibility and increases efficiency with Manhattan Associates

MANDMDIRECT.COM started life as a call centre business 22 years ago, but evolved into an online retailer as internet shopping gained in popularity. 20% of its orders are still placed over the phone. The company buys end-of-line clearance from brands including Diesel, Miss Sixty, Nike, Adidas, Bench, Timberland and Berghaus and sells stock directly to customers via its website and catalogue. There are over 6,000 product lines on offer via the website, with new lines added daily.

The business, which has 450 staff boosted by a team of 280 temporary staff over the Christmas period, achieved second place in the Sunday Times Fast track listings in 2008 and in 2009 received nominations for e-tailer of the year from leading UK publications Drapers and Retail Week. The company has enjoyed consistent growth year on year and, as a result, moved to a new site in Hereford with 290,000 sq. ft. of warehousing space in order to keep up with rising customer demand. The legacy warehouse management system was paper-based and

MandMDirect.com was concerned by the lack of visibility of stock – particularly during busier periods.

“There was often a lag between the monitoring of stock movements and inventory counts and the resulting data being manually re-entered into the system, so we found it difficult to have a clear picture of precise locations or inventory levels,” explained Steve Robinson, Chief Executive Officer, MandMDirect.com. “During peak seasons, which tend to be at least four times busier than our quieter periods, it became a real challenge to keep on top of data entry. It simply could not be done fast enough, so it made sense to upgrade our warehouse management system when we moved to the new site.”

CAUTIOUS BUT SMOOTH TRANSITION

MandMDirect.com decided to upgrade from its basic legacy system to top of the range software, in order to have the reassurance that it was sophisticated enough to cope with future growth and flexible enough to switch on added functionality. The

company underwent a detailed selection process with the shortlisted companies, which included customer site visits. The team had an extensive checklist based on price, functionality, people and the degree to which the software matched the overall objectives of the business.

Explaining why Manhattan was selected over its three competitors, Steve Robinson revealed that, “I knew the software from my time at Tesco Direct and the company has a solid reputation in the industry. The people were the right fit with our business and it ticked all of the boxes when it came down to price, functionality and the overall fit for the business following the intensive evaluation by our logistics team. This is the second time I have worked with Manhattan, which demonstrates my faith in both the software and the team behind it.”

MandMDirect.com





physically relocated its warehouse to the Hereford site in May 2008 and switched to Manhattan's software in the middle of 2009. The system deployment enabled MandMDirect.com to transition its fulfilment processes and fully utilise the barcodes on inventory via radio frequency, ultimately driving both improved productivity and real time visibility.

"We kept our objective simple – we wanted to get the new system in and working without affecting our customers, so we took a cautious approach," said Steve Robinson. "We opted for a two-phased implementation, with the initial focus being on replacing the old system and improving stock visibility. We ran the two systems in parallel for a couple of months to give us the comfort that Manhattan's software would do exactly what it was supposed to do, but we needn't have worried. We turned the legacy system off and within 24 hours we had completely migrated and were picking orders again. In fact, the day we switched to Manhattan's software the value of the stock in the new system was reconciled down to the last pound. We had factored in a seven day impact, so the smooth transition was outstanding and the implementation from the team could not have gone better."

EXCEEDED EXPECTATIONS

Since implementing Manhattan's software, MandMDirect.com has benefited from increased visibility of stock, automated inventory counts and a significant reduction in paperwork. Manhattan's team revisited the warehouse post implementation to fine tune the system, which has resulted in it running six times faster than before offering even more scope for growth.

"The implementation has exceeded our expectations and business is better than ever as a result. The quicker that we can get stock booked in and on the racking, the quicker we can get it sold to the customer," said Steve Robinson. "Over the summer months we take in more stock in preparation for Christmas. In the company's 22 year history, we have never had this much stock put away at this time, so we are well ahead of schedule and ready to take our customers' orders."

"We focused on getting the software deployed without glitches in the first instance. The second phase is to switch on the additional functionality of Manhattan's software, such as voice picking, in order to benefit from its full potential. We have every confidence that Manhattan's system will allow us the flexibility to cope with seasonal demand and continue our year on year growth." ■

HERE'S A VISION to make any retailer happy. At February's World Mobile Congress, a Swedish software and design company, The Astonishing Tribe, demonstrated a prototype app that enables users to 'see' other people digitally. The basic idea is simple: point a mobile device at someone and, from their face alone, Recongnizr tells you who they are, and also what web services and social networks they use.

In a world where retailers are increasingly trying to figure out how customers interact with brands across different channels, it offers the tantalising prospect of getting to know your customers far more directly. After all, if you can instantly know that much about someone, it's not a great leap to imagine marrying such details to an individual's purchases

from your company. In an increasingly complex retail environment where, for example, customers use bricks-and-mortar stores for research or post images of potential purchases on Facebook to check out what their friends think, could this be the kind of app to put retailers firmly in control?

From a retailers' perspective, it's an intriguing proposition. There's just one problem. (Well, aside from big questions over the potential intrusiveness of such apps.) In many respects, it's not actually retailers that are exploring how to use such technology. Particularly in tough economic times, when many companies are focusing on the bottom line, it's customers themselves who are leading the way.

"Businesses don't think they're ready for mobile, but it doesn't really matter because mobile has put the power

Convergence now

As digital media becomes more and more pervasive, the way consumers interact with retailers is changing rapidly. Jonathan Wright looks at what this might mean to those designing digital interfaces.



with their customers,” says Paul Blunden, CEO at usability specialists Foviance, “and their customers are using mobile already.”

WIDER SHIFT

This may not sound like such a big deal. After all, companies can always invest when times improve, but here’s an idea to consider: what if the way customers use their phones is just a symptom of a wider shift? We often talk about convergence, the marrying up of different digital technologies as solely a top-down process, as if big companies are driving it, but the reality is far more messy.

In this context, a study recently looked at the way residents of lower-income neighbourhoods in Bangalore access digital content. Unwilling or unable to download content from the web because of cost issues, many instead use Bluetooth-enabled mobiles to share files. What does it matter if it takes 30 minutes to transfer a file if it’s ticking along while two people are working on a building site next to each other with their phones in their pockets?

The wider lesson here for anyone involved in implementing digital projects – and increasingly over the next decade it’s going to seem downright quaint to talk solely in terms of companies needing only to design web interfaces for use on PCs – is that people don’t always use technology in the way developers intend.

That’s not just true in the mobile sphere. As hybrid TV services come on stream, new devices such as the iPad and Kindle go on sale, and a generation grows up as comfortable using games consoles to access the web as a PC, it would frankly be amazing if people didn’t find unexpected ways to use these technologies.

PUTTING THE FOCUS ON CUSTOMERS

Of course, the full impact of such changes is a way ahead yet. In addition, as the novelty of new technologies wears off, patterns of usage often coalesce surprisingly quickly. Nevertheless, the direction of travel is clear. Just as the number of digital technologies that you need to think about increases, the desire of consumers to be in control is increasing. There’s a further complication too: customers’ expectations are higher than ever. Misjudge communications and you can easily blight a brand.

To return to Recongnizr for a moment, anyone hoping to use the snooping capability that such technology offers is probably taking exactly the wrong approach. Rather, the future is going to be about getting to know your customers and how they choose to interact with your brand – at the same time as getting consumer buy-in.

Seen from this perspective, it’s particularly crucial to understand one of the key differences between a multi-channel and a cross-channel world. If multi-channel has largely been about operating efficiently in different channels, cross-channel is about integrating these channels while also, in Paul Blunden’s words, “putting the customer at the centre of how you think about these different channels and how they operate”.

It’s a subtle shift and yet it’s a profound one too. For a start, it demands that managers think about a whole series of ‘touchpoints’ where customers interact with the business.

What the experts say:



Appropriate content

“The same content doesn’t always work across media. If you’re looking at photography, if you flick through a catalogue, chances are you’ll see a mix of product shots and staged shots where you’ll have a room with objects within it. Those room shots don’t work very well online because it’s harder to distinguish items.”

Giles Colborne, managing director, xpartners

The iPhone factor

“It’s all very well to see the technology there but it’s only when you get the ease of use that it starts to be used. You can see that with the iPhone. The iPhone happened and suddenly people went, oh, that’s how you do it.”

Giles Colborne, managing director, xpartners



A real single view

“You’ll start to get organisations who have talked for some time about a single view of the customer actually starting to deliver it and that has quite broad implications for interface design.”

Paul Blunden, CEO, Foviance

Where we are matter

“If people are prepared to share their location, and you can incentivise them to share their behaviour with you, then if you study it and try to infer meaning, it will give you a head start in communicating with your customers.”

*Jonathan Freeman,
managing director, i2 media research*



“When you start talking to people in the context of how you deliver a consistent customer experience, those touchpoints become incredibly important,” says Blunden. “People don’t know how many they’ve got and they don’t have a handle on how customers interact with them. It’s about how do you tie touchpoints together to create a consistent and, in an ideal world, differentiated customer experience.”

PRACTICAL CONSIDERATIONS

Thankfully, this doesn’t mean starting from scratch. The idea of a website with a sales funnel nudging customers towards their purchase is going to be with us for a long time yet. After all, via a process of trial and error, retailers and customers have broadly reached agreement over how this process works, even if the introduction of such features as catwalk videos and the ability to zoom in on products has brought us supercharged versions of the Amazon model.

However, that doesn’t mean this is the only way that customers use the website – never has done. It also doesn’t mean that customers will use new digital technologies in the same way. Take the next generation of IP television, very much in the pipeline thanks to Project Canvas, an initiative by broadcasters and technology companies to create an open IPTV platform. If a service such as BT Vision is essentially television augmented by separate internet services, this line will become far more blurred in the near future.

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What are the rules of designing for the iPad?

Giles Colborne of cpartners offers his first thoughts on the iPad

"We've been using the iPad for just a few days now and it's not yet out in the UK but our observations on this device are that it's quite different from a PC or laptop.

"For one thing, it's light and easy to pass from person to person. Laptops tend to be used by one person at a time. The iPad, and the inevitable tablets that will follow, are much easier to share and hand around. So instead of one person 'driving' while everyone else leans over his shoulder, we think you'll see experiences that are more like a brochure being passed around or shared on the sofa.

"Some of the first iPad apps, like the Guardian's 'Eyewitness' photo journalism app or New York Times' 'Editor's Choice' app look and feel much more like magazines than websites. Again, that makes us think that casual browsing, rather than seek-and-buy shopping behaviour is going to work well on the iPad.

"You can't underestimate the immediacy of the touch-screen interface, too. Touching the screen to rotate a 3D model, flip between photos or zoom in gives you a real 'hands-on' feel. That could be very important for categories such as apparel.

"Watching movies of children interacting with the device for the first time compared to their first go on PCs makes you realise that this is a very approachable device. With the right content, it will do something that neither web nor mobile currently do. At it's best, it will be able to change the way people buy online. But doing that will require companies to re-think their online experiences. That is probably not a bad thing. Many of the design patterns that we have come to think of as 'natural' in online stores actually date back to the pre-broadband age (such as small photos that you click on to zoom). The new technology will make businesses re-think the experiences they are giving their customers."

Jonathan Freeman, managing director of i2 media research and a senior lecturer at Goldsmiths, explains how this brave new world might look. "A brilliant example of this was the leaders' debate on itv.com where there were live Tweets and comments on the content of the debate as it was ongoing, so you could keep up with that via your laptop," he says. "With Internet-connected TV, you'll be able to do this on the same screen. It's not just TV that's going this way. If you look at the games consoles, they're building in TV plus social networking at the same time."

It's fascinating to speculate on how viewers might interact with retailers via such systems. Forget home-shopping channels where presenters sell goods to consumers, here's a dynamic environment where it's not too big a leap to imagine, should the regulatory framework allow it, product placement linked to viewers actually being able to buy an item.

CONSISTENT YET DIFFERENT

Again, let's not get too carried away, such a scenario is off in the future, but it does lead us to a recurring problem in a converging world. People access and use digital technologies in different ways yet brands need to be consistent across different platforms.

One of the current dangers for retailers, says Paul Blunden, is that they're tempted simply to introducing an iPhone app or a call-back button because everyone else is doing it, without thinking about the wider brand. A far more productive use of resources might well be to audit different touchpoints. Usually, Blunden says, this reveals touchpoints such as 404 error pages and contracts that companies

haven't previously identified, yet which might put customers off because they're badly worded.

Next, Blunden recommends journey-mapping, looking at how customers use these touchpoints in different combinations, in the digital domain and via stores, call centres and catalogues. "Quite often, when you get the user journey done, you have to start breaking that down into types of people; and quite often those people can't be categorised so much by socio-economic groupings, and they're more categorised by behaviour and the channels they choose to use," he says.

We're back to customers again, and yet from a far more sophisticated perspective. It follows that, if you understand the changing ways that customers interact with your brand across different channels, you can make this information central to interface design.

And make no mistake, it really is important to get this right, particularly because of social media. "Suddenly, it's a little bit less important how you advertise yourself and much more important how you do every single thing that you do," says Freeman of the future that's just around the corner. "The main thing that matters, in a connected, social world, to driving customers to you is your ratings from previous and existing customers. There's no point having a brilliant ad that you don't live up to or brilliant brand communications that you can't justify because your customers, the people who have tried out your services, will very quickly see through it."

MOBILE MATTERS

One other factor needs considering in detail here. The rise and rise of smartphones means that the interaction between consumers and businesses has become potentially much more personal for the simple reason that we carry these devices around with us. There are dangers here for retailers as well as huge opportunities because receiving a marketing message on your phone can seem particularly intrusive if it's done badly.

New services such as Foursquare, which enables you to broadcast your movements and to track your friends' movements via mobile will only increase the degree of personalisation. Already, it's becoming clear that consumers will want a say on what kinds of messages they're prepared to receive. Forget CRM, here's a world where hungry shoppers invite local restaurants and cafés to tell them about lunch deals via mobile.

But again, that doesn't mean you should suddenly direct every communication to mobile, you still need to think about how people use the device. "Mobile at the moment is more like a note-taking channel," says Giles Colborne, managing director of usability and design company cpartners. This may not sound too important, but it means that smartphones have huge potential to be the devices that bind cross-channel retail together.

To return to where we came in, there's plenty of evidence that this is beginning to happen as, for example, customers take snapshots of goods in store – or better still if retailers are to keep up with consumers' expectations, scan a barcode to get an image downloaded to their mobiles – to help with product research. As Paul Blunden says, "(Customers) have a mobile strategy even if the business doesn't." ■



New game, new rules

Just when we've begun to get to grips with multi-channel retailing, it's been superseded by cross-channel retailing. Arif Mohamed considers the issues this raises for marketeers.

THERE'S A NEW GAME in town, and though we're still developing the rules, it's time to play. The game is cross-channel retail and it's rapidly replacing multi-channel as the way consumers shop. The main difference is that now they expect retailers to meet them on their terms, whether that means the physical store, the website, a mobile application, or social networking micro site.

Cross-channel is a new phenomenon. Consequently, there is still time for retailers to set the tone rather than get railroaded by customer demand. But we have to move fast because the next generation of technology is already here, and savvy retailers have already adapted their traditional merchandising approaches to secure the all-important sale.

The new rules tie the online and offline world even closer together, for example, introducing web and mobile technologies to the physical store. Successful retailers are

supporting customers who use mobile applications, in-store as well as out, for search and shop, barcode scanning and vouchering. This brings the advantages of the web into the hands of customers within our stores, whilst capturing essential customer information.

Meanwhile, profit-optimising algorithms and scripts, which are standard in contact centres, are slowly being brought to the tills and integrated with point-of-sale systems, making more sophisticated merchandising solutions available to shop staff.

However, one important thing to keep in mind when embracing cross-channel merchandising is that you need to be consistent, says David Donnan, managing director of digital marketing agency MSG, which works with the likes of the BBC, NHS Trinity Mirror, MTV and the UN.

"The key thing with any marketing strategy, mobile or otherwise is making sure that the technology, messaging

Tommy's cross-channel iPhone app

Towards the end of 2009, Tommy Hilfiger launched an e-commerce iPhone shopping application in the US, designed by technology firm ATG. The slick and strongly branded free app allows consumers to browse through and buy its products, and exemplifies how far cross-channel merchandising has come.

The app can also be used on the web, iPhone or iPod Touch and hooks up with the local store, with shopping carts 'following' consumers, regardless of whether they start browsing online or on their iPhone.

Other features include personalisation, automated recommendations, and search and navigation, with the ability to browse the complete Tommy Hilfiger collection product by product, or by using search filters that can find items in a specific category or price range.

Users can touch, pan and zoom images to view intricate product details. They then click on an item to add it to a shopping cart, before checking out and filling in their details. Also, if an item is out of stock, shoppers can sign up for push notifications directly to their iPhones.

Kate Terry, executive VP of global e-commerce at Tommy Hilfiger Group, says: "Our customers are already using iPhones and other web-enabled mobile devices to quickly connect and research products. Our iPhone application enables the natural next step of making a purchase."

and branding is synonymous across all channels," he says. So, paper vouchers should work online, and phone vouchers should work in-store. Users need to feel a positive integrated end-to-end experience.

Donnan adds that there also needs to be the technology advertising infrastructure to support the application. For example, he says that a successful and well-known supermarket created a mobile application that can guide the shopper down its store aisle, and take them to an item's specific place on a shelf.

"Ingenious, I am sure you will agree," he says. "But I can't remember the last time I had mobile signal in (that store), or any supermarket for that matter. They have shown a basic lack of understanding about their own store environment. It's very much a case of being given a carrot and then beaten with the stick."

THE PERSONAL TOUCH

One attraction of cross-channel merchandising is to be able to offer the personal touch to customers, says Donnan, which is something that gets lost over online and mobile portals, and yet is the most important thing for any physical store. Retailers need to look at more intelligent systems, such as near-field marketing. "It would be great to walk past a bookshop, and based on my preferences for that bookshop to pop-up on my phone instantly, showing me offers specific to me and based on my previous shopping history," says Donnan.

Felix Velarde, managing director at digital agency Underwired agrees that mobile applications have an exciting future, but warns they could also bring the sort of customer churn we see on the web. "Barcode scanning apps, which allow shoppers to instantly compare prices with what's available online, present a genuine threat," he says.

However, Velarde adds that they also present an opportunity to retailers who could use the process to identify where they are at risk, then present tactical offers to people who use these mobile technologies, perhaps by implementing offer QR (quick response) codes that can be read by the same apps. "This will eventually raise

trading law issues, but in theory it's no different to 'we'll match any price' offers, which rely on the shopper making the demand."

According to Velarde, merchandising technology has played a huge role in online retailing over the past years, particularly eCRM principles such as segmentation and behaviour-based rules, to determine which offers are promoted to whom and when. This approach creates massive increases in revenues, he says, citing a 93 per cent increase in online revenues in three months for *The Sun* newspaper's Dream Team fantasy football league.

"There's no reason why the same principles shouldn't be extended into the (offline) retail environment as well. We're already tracking Fast Moving Consumer Goods (FMCG) brand sales back to store from online-delivered eCRM campaigns. McCain Foods has increased revenue from one segment by 38 per cent in six months, which is remarkable," says Velarde.

Is supporting cross-channel customers worth the cost?



Mobile apps

"Retailers are constantly looking for 'the next thing' to drive traffic to their online and physical stores. With mobile apps creating a big buzz, why would you not look at this money-making channel? The iPhone tagline 'there's an app for that' rings true: there usually is. For instance, you can now search for shopping vouchers using your phone and view clothing ranges before you even set foot inside the store."

David Donnan, managing director, MSG

Consumer expectations

"The benefits for the retailers could be huge. Though the reach of these approaches is generally narrower, the reward is deeper and more prolonged engagement with the target market. Consumers are no longer as interested in blast or one-to-many style marketing campaigns. The modern young professional expects consumer marketing on their own terms – where they want, when they want, on the channel of their choosing. This is what successful marketers in the 21st century must strive for."

Matt Brooke-Smith, CEO, Future Workshops



Factors to consider

"There are real benefits to retailers of expanding their reach via more integrated digital channels, if these channels open up access to a new audience, create additional purchase volumes, or enable the business to re-position itself in the marketplace. The key isn't just to dive straight into blind development of cross-channel platforms because it's the latest buzz. It's imperative that investment is made but only if it serves to meet or accommodate the needs of the customer and/or improves the overall brand experience."

Joanna Hinchliffe, account director, Amaze

Wait and see?

"There is an argument for waiting. Most retailers are in the high-volume, low-margin business, so in order to make the investment in the first place, they need to be absolutely sure they can make the right return on investment."

Antony Rawlins, associate director, Xantus



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COMPLEX AND COSTLY

Mobile applications and in-store eCRM are great in principal, but what about the technical side? One major consideration for retailers, as ever, is the fact that many have legacy or unconnected IT systems, and integration looks both complex and costly.

The answer is for retailers to take a long hard look at their current systems, says Matt Brooke-Smith CEO of iPhone apps specialist Future Workshops. He says current system architectures may require subtle, or not so subtle changes in order to allow interoperability.

"Individual systems or data silos should no longer be walled from those around them. Those able to apply the web 2.0-style philosophy of open and interoperable systems will be able to reap benefits of greater data visibility, and ease of integration with third parties," he says.

This means retailers will have to take risks at this early stage in the mobile application economy as there are few proven approaches. However, those that choose their approaches and partners carefully, and intelligently, have the opportunity to be ahead of the crowd. Brooke-Smith adds that consumers are beginning to expect availability of all types of content in a uniform way across different distribution channels. But it is critical to be aware that consumers use different channels under different circumstances.

The desktop/laptop computer and browser combination is typically used in a relaxed environment where the user can compare multiple options. The same is true of Apple's forthcoming iPad, aka the 'Third Screen'. The mobile/application option is often used in a more stressful situation, such as in-store or during transit, where the user is recalling content they have already identified as interesting.

So, if a consumer has identified a promotion or offer on one channel, a laptop browser, they will expect it to be readily available via another channel, a mobile app. "Retailers providing this level of seamless experience will see the highest take up in their merchandising," says Brooke-Smith.

Joanna Hinchliffe, account director at integrated marketing and technology firm Amaze, thinks that many of the new channel opportunities such as mobile are a double-edged sword. "From the marketing perspective, it's relatively simple to develop a mobile application or integrate vouchering into the overall communications strategy," she says. "The main consideration comes from the retailer's own technological and commercial capability to manage such integration into the retail mix, and general fulfilment of the services scoped for mobile."

For many organisations, product databases, CRM systems, and EPoS can be isolated systems. The task of pulling these together to support effective mobile strategies can be immense. It's therefore critical for marketing and IT teams to work collaboratively, which isn't always easy because they speak such different languages.

Hinchliffe believes the ideal scenario is a test strategy, building insight and knowledge on how effective the channel is to drive commercial return. Partnerships, she says, can often become more critical in this period than any other to support the organisations internally in delivering the correct infrastructure to support recommended strategies.

Overall, retailers need to take a more holistic view to customer engagement, understanding that there are multiple touch points to influence consumer behaviour, driving ultimately to a sale.

With this in mind, a cross-channel strategy enables them to track consumers through the entire purchase cycle, for example, using social media channels to engage and influence during research phases, through to promotional codes and vouchers to entice response, and email to support post purchase re-affirmation and re-engagement, says Hinchliffe. She adds that it is important to set relevant KPIs for the channels in question. "Tailoring communication strategies to match consumer mindset may be a longer process but will maximise the potential to convert to a 'transaction'. It becomes a quantity versus quality decision around customer acquisition," she says.

PLAYING THE GAME

As cross-channel customer behaviour matures, and buyers get used to a single-brand experience regardless of the channel they are using, there are clear implications for online retailers. So, how do you find a way to play the new cross-channel game?

Antony Rawlins is associate director at Xantus, an independent IT consultancy that has worked with FMCG clients such as Boots and Birds Eye. His view is that the traditional walk into the shop is still a big part of what retailers do, so we should all take a breath.

That said, retailers are becoming more aware of the impact and the power of other channels. Evidence of this comes from retailers extending their e-commerce sites to show other merchandising they sell, and this is being mirrored in-store. For example, the supermarkets are offering groceries plus car insurance and banking services as well. "This is all in leaflet format at the moment, as the big supermarkets are still getting to grips with things like customer self service," Rawlins says.

But in time, we will see customers using interactive web technologies, vouchers and offers, both at in-store kiosks and point of sale systems, so it's a good idea for retailers to start looking into these.

And in the physical store, devices such as mobile phone voucher codes are a good way of combining location and customer search to show what's available in the area. "We are only scratching the surface when it comes to location-linked merchandising, even though the iPhone, Blackberry and Nokia smart phones all come with location capabilities built into them," says Rawlins.

After mobile will come the integration of EPoS and e-commerce systems, although part of the problem going forward will be managing the huge amounts of data that will be produced. There will also be the cultural change factor to overcome, where customers realise they are giving away more of their information, whereas this is currently gathered online in a more subtle way.

Rawlins says that the trick will be to introduce personalisation and deeper CRM in stores in a way which is as unobtrusive as possible, without people demanding to know how much information the retailer has on them. "Supermarkets like Tesco know you buy a couple of bottles of wine a week," he says, "but does that impact a life insurance quote they may give you?" ■

Getting closer to you

Retailers are innovating in order to find new and inventive ways of building lasting relationships with customers. Chloe Rigby finds out why – and how.

WHAT MORE of an endorsement could a supermarket need? The serving PM of the moment visiting its Colindale branch, meeting shoppers and recording a message for its shoppers, to be embedded on its website.

Unlikely? But that's just the kind of powerful content Asda has harnessed in its Asda Mums website. "I'm delighted to be able to talk to Asda mums and families," said Gordon Brown, opening his video posted on the Asda Mums website in the run up to the general election.

It wasn't only Gordon Brown. David Cameron, Nick Clegg and Alex Salmond were also among eight party leaders who uploaded their pre-election videos to AsdaMums.com. Supporting features included live webchats with party luminaries, and a series of Asda mums' blogs.

It was billed as a way that Asda could bring top-level political debate to its customers, who, its research showed, felt overlooked by the politicians.

But it was also a way for Asda to talk to its customers, as Asda chief executive Andy Bond described in a recent update to investors. "All our businesses," he said, "are supported by a world-class customer engagement programme that is taking advantage of the rise in social media to enable us to get even closer to our customers." Ultimately, it's all part of a strategy to make the retailer the second-largest grocer in the UK, and the largest non-food trader.

And it's also a good example of the new ways that retailers across the board are starting conversations with their customers at a time when the relationship between the two is changing fast.

The rise of online shopping over the last decade, supplemented more recently by mobile commerce, means that customers can now shop by their own rules, choosing where and when to engage with retailers. Today, according to the Payments Council, some 32 million UK adults – or two-thirds of the adult population – have shopped online. Of those, a fifth are heavy shoppers, individuals likely to be younger and wealthier and who account for three-fifths of all online purchases. It's a group that now has the power to shape the way we shop – and their expectations are shaping retail both on and offline. "Customers are enjoying a level of power and influence they have never had in their history," says Steve Davis, president, GSI Commerce Europe.

Today traders must be ready and prepared to meet the convenience of cross-channel customers, who might start their purchase in one channel before moving to another and even a third channel before completing the purchase. But to keep customers' attention against a host of competing demands, retailers must engage their customers as never before.

Why bother? In the words of Marc Osofsky, VP, marketing at e-commerce solutions provider Optaros: "A consumer's best cross-channel experience (think Apple) quickly becomes her expectation for every company with which she interacts. Those retailers that don't provide leading user experiences are quickly viewed as not 'getting it'. Customers are quick to defect to those that 'get it' and bring their thousand friends and followers with them."



GIVING THE CUSTOMER A VOICE

Getting the customer attention is fundamental to making a retail brand stand out, says Leigh Whitney, managing director of Design UK. That could be through a mobile phone, by email, through a catwalk video or, but increasingly - and - through social media. "The longer someone is engaging with a brand and product the greater the likelihood they'll go and make a purchase," he says, bluntly. But gaining that engagement in the first place depends on a trader's ability to meet customer requirements. "Customers want convenience and accessibility."

To that, Optaros' Osofsky adds: "Media companies get people to come to their "store" everyday without having to buy a single ad or send out an email blast. Powerful, frequently updated content can drive return visit frequency. Net-a-Porter publishes a weekly magazine on fashion that drives customers to their store once a week." It's also important, he says, to make sure that content is SEO-optimised and will be found from an initial search. Meanwhile, he says, content should be helpful, and can also be used to explain complex issues, such as how things work.

SOCIALLY SPEAKING

There are important choices to be made about just where brands and retailers engage with customers. The figures show that online social media is growing exponentially: Twitter recently reported that it now had more than 100 million users, while Facebook boasts more than 400 million active users, half of whom log on every day. When so many potential customers are spending so much time on connecting through social media, it makes a lot of sense for retailers to be there too.

"The starting point," says Whitney, "has to be research to understand and look at where your demographic engages. If you have an 18-25 year old audience the areas where they engage will be very different from people aged 45-50." But, he says, simply having a Facebook page or Twitter feed is only the first step. Content such as video can easily be seeded in YouTube and Facebook.

Social media can help to spread excitement about a brand, but it's also a place where complaints can gather momentum. There's a challenge for retailers to engage with negative comments on the social media itself. The technology exists to monitor blogs and websites for such comment, but, recent Forrester research shows that only 44 per cent of retail respondents do monitor what customers are saying on social networking sites. According to GSI's Davis, "Very few retailers are doing that effectively today." But, he says: "It will be integral to being a successful retailer in the future."

THE ROLE OF THE REVIEWER

Increasingly consumers want to find out what other people thought before making a purchase: Sam Decker, chief marketing officer of social commerce technology company Bazaarvoice, cites research that suggests 80 per cent of online shoppers look for reviews before they buy.

He says: "Reviews reflect how we talk to each other about products we love or don't like, and it increases

Case study: Urban Outfitters

Customers of fashion retailer Urban Outfitters in the US can now research their purchases through any channel that suits them, whether that's on their mobile phone, from a PC, over the phone to the call centre, or in a store.

That means visitors to the company's m-retail site and online internet sites will be met with the same assortment and consistent prices as in-store. They can also have goods delivered to them at home or reserve them for collection in store.

In store, if a product is out of stock, assistants in the store can see where the product is stocked and arrange for it to be delivered to the store or alternatively sent to the customer's home address.

"You're bringing e-commerce into the store environment," says David Hogg, retail industry executive at Sterling Commerce, which provided order management and managed file transfer solutions in order to create a customer service operation across all the company's brands, from Urban Outfitters to Free People and Anthropologie.

This is an important step, says Calvin Hollinger, chief information and logistics officer at Urban Outfitters, because it helps the retailer to offer "a differentiated shopping experience that creates an emotional bond with the customers."

shoppers' confidence when people express an authentic opinion about it." And the word 'authentic' is crucial here - discerning consumers won't believe purely positive comment so including the negative is important as well.

All of this is being recognised by those retailers who are now including reviews on their own website, either allowing customers to comment directly on the website, or linking to social media pages where they can gather followers and direct special offers towards them.

Review material gathered online can also be used across the channels. Online reviews are used, says Decker, as part of email marketing campaigns, in in-store circulars or through a Mobile Voice app that allows people to go into a store and read reviews of products on their mobile phones. Now the use of those reviews is starting to come full circle and be used on the shelf, in-store. Best Buy, for example, in the US, is putting its online review ratings on shelf tags.

Ultimately the logical extension of this move is that when products appear on shelves with just one star out of five, they are likely to be reconsidered by store buyers. "It's creating better products for us all," says Decker. Enlisting store staff in support of the online channel

As well as engaging customers, it's also important to involve staff in the cross-channel experience. Customer service assistants working in high street stores need a reason to advise potential purchasers who may buy on the internet instead. So to encourage staff buy-in, it's important that staff working in stores receive due credit for an internet sale to which they've contributed, just as the techniques discussed above recognise the role of online marketing in store sales.

Industry experts agree that John Lewis' model in this area is one that works well. The department store attributes all online stores to the purchaser's nearest store, based on postcode. But for this to work, store staff need to be well educated in the range that is available online.

JOINED-UP RETAILING

For Fadi Shuman, co-founder of digital agency Pod1, true cross-channel retailing will have arrived, when both websites and shop assistants can respond intuitively to

theretailpeople

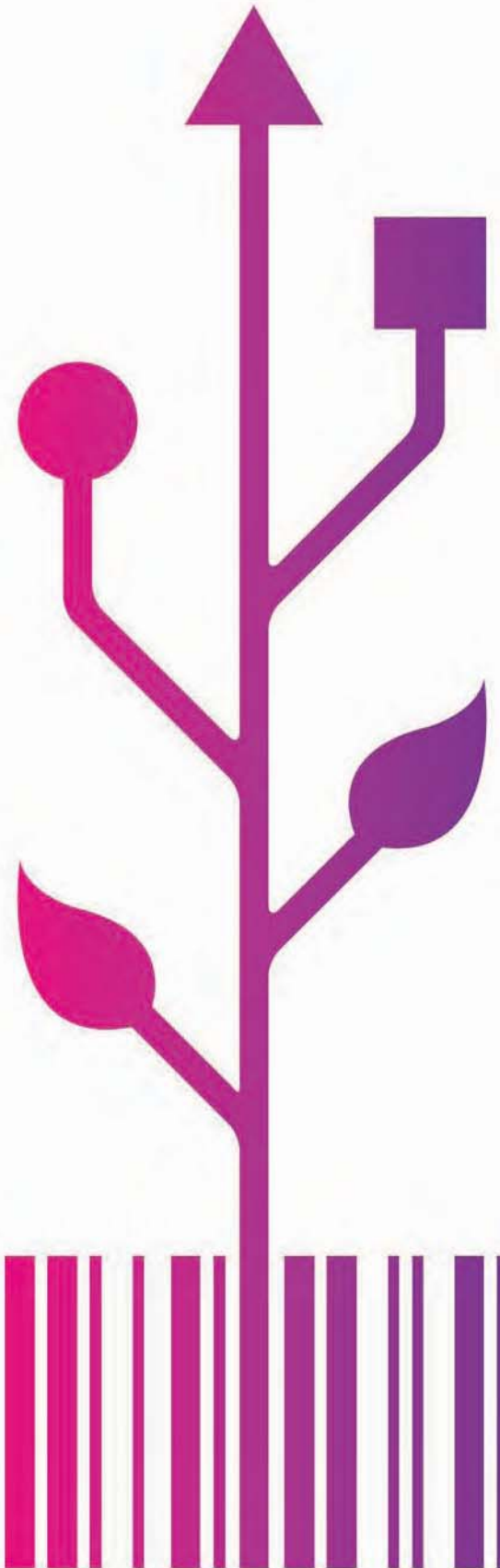
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customer needs. "A customer should be able to log in online to the same store's website and see what they've bought, and manage their account online. In the same way the tills ought to be able to see my account history and see that I've bought x, y and z."

It also means, says David Hogg, retail industry executive, of commerce systems provider Sterling Commerce, that having browsed the web from the PC, making a shortlist of purchases in a retailer's online shopping basket, that a customer should then be able to access that purchase and complete the transaction from their mobile phone.

And in-store, when goods are not in stock, he says, consistency also means that staff should be able to order those goods to have them delivered to the store for collection or, equally easily, to the customer's home.

And it seems as yet that reality is some way off. Even the larger players, the ones who have invested in multichannel retailing still have inconsistencies between their catalogue and their website, for example, or have yet to optimise their websites for mobile phone. "Cross-channel shopping," says Shuman, "should be a natural thing – but it's not."

ENCOURAGING LOYALTY

Loyalty is what keeps the customer coming back in a world of infinite choice. Treat your customer like a VIP by offering good service and recognising them and their shopping history whatever channel they're in.

But beyond the emotional connection a customer may feel with a retailer who has treated them well, there are also more formal ways for retailers to make customer loyal in a multichannel world. Loyalty here seems counter-intuitive: who is loyal when they can hop from one website to another? But the reality is that customers do return when they receive good service and good value.

Then there are other, more formal ways of inspiring loyalty – and the use of loyalty cards to collect points exchangeable for free goods has been significant in recent years. But for the retailer, devices such as loyalty cards (vouchers and discount offers work in a similar way) have a dual purpose. Aside from inspiring loyalty they are also a way of putting a name to customers, allowing traders to engage with them and target personalised marketing towards them.

TRACKING CUSTOMER JOURNEYS

The utility of tracking customer movements goes beyond simply giving merchants valuable information that can be used to create additional selling opportunities. Hedley Aylott, managing director of online marketing specialist Summit Media, says the ability to track customer movement is also invaluable when it comes to allocating marketing spend. It's easy, he says, to spend on online media but not have true knowledge of how that spend has resulted in sales. It's possible, however, to set up systems that measure a customer journey from a click in Google to point of sale in store.

One example of this tracking marries up use of the online storefinder with actual sales in store – this rests

What the experts say



New devices

"Brands are trying to be multi-channel consistent, where each voice and touchpoint is the same wherever they go, whether catalogue, phone or online. But the harsh reality is that the devices we currently use as shoppers to consume media are quite simply not yet connected. It's never going to be a full circle until I think in a couple of years when we have more devices such as the iPad that people travel with, that are portable, always on."

Fadi Shuman, co-founder, Pod1 Group

Helping hand

"What is helpful content? Content that cuts through the noise of product information overload and helps a consumer quickly make sense of the options and choose."

Marc Osofsky, VP, marketing, Optaros



Consistency

"Cross-channel consistency is fundamentally assortment and pricing. It's about the connection of the channels."

David Hogg, retail industry executive, Sterling Commerce

simply on the ability to capture postcode at the point of sale. "When you actually have proper data like that and you can see how many people went to store, then you realise that 10 times the number of people who bought on the web, used the web then ended up in the store," says Aylott. "And you can see which stores, so suddenly you've got a much greater justification of increasing marketing spend budget. You're truly seeing where it's going and how it's affecting other channels."

Another key part of this is in moving away from the traditional measure of measuring the last click. To ascribe the sale simply to the click that bought the product is to be oversimplistic, says Aylott. That's an analysis likely to lead to all the other steps towards the sale being switched off. In fact, all of those clicks counted towards the sale, he says. "What's important is to understand who initiates, who contributes and who converts and then apply an appropriate weighting or credit to those different clicks or pieces of marketing activity and then distribute your budget accordingly."

FINAL THOUGHTS

Getting cross-channel right requires thought and hard work. Yet it's an area it's still all too easy for retailers to overlook, since online sales currently account for just six per cent of UK transactions, according to the British Retail Consortium figures.

But the number is still growing faster than any other area of retail, and, moreover, evidence points to the online as an important place for research ahead of an in-store purchase. GSI Commerce's Davis says: "Viewing this online channel not as an e-commerce channel but their primary way to communicate with their consumers is really the biggest wake-up call that retailers are going through." ■



Making delivery count

What do retailers need to do to get ahead when it comes to delivering the goods? Chloe Rigby investigates.

DELIVERY OFFERS RETAILERS a real opportunity to set their business apart. In a world where many traders may sell similar goods, how they deliver them counts. Many shoppers will buy from the retailer that can get the item they need, or want, to them in the way that suits them best. That might be first delivery, free delivery – or the most convenient delivery. Competition in these areas, accordingly, is becoming fierce.

Cross-channel is about making it possible for shoppers to buy wherever is most convenient and to have their order delivered wherever is most convenient. And when it comes to delivery, multi-channel retailers, with their network of shops, ought by rights to have an inbuilt advantage over the competition. But just how can they use their resources most effectively to set their service apart? We've taken a look at some of the latest developments in the field, finding out where retailers are acting to make their service the most efficient or cost-effective.

THE SHOP AS DELIVERY POINT

When the shop is both a delivery and a returns point, the cost of making deliveries falls. This can work to the advantage of both the customer and the retailer. Collecting from the store may be more convenient for the customer but at the same time, the chances are, it's cheaper for the retailer to add items to a delivery to store rather than send by carrier to a customer's home. Effectively, by going to the store the customer carries out the final leg of the delivery journey. It's not surprising then that more UK retailers are introducing click and reserve-style services.

The success of services such as click and collect, in which shoppers order online and collect from a store, has surpassed retailers' expectations, says Neil Weightman, sales director at multi-channel logistics specialist iForce. He says that where companies estimated that 10 per cent of customers would use such a service, some iForce clients are seeing 25 per cent or more of their shoppers using it.

BT Expedite carried out research with Martec International into the differences between US and UK multi-channel delivery. It found US stores were more likely to fulfil online orders from store stock – since Stateside stores are more likely to be bigger. But in the UK, it found orders are more likely to be fulfilled from a distribution centre. Currently, it found, some 25 per cent retailers with a multi-channel presence are innovating by involving both the distribution centre and the store in delivery to the customer.

Frances Riseley, practice manager at Martec, suggests that's set to grow. "We've found an awful lot of retailers looking at putting click and collect and customer ordering

facilities in store," she says. "There's certainly evidence that an awful lot of retailers are moving into that." Apart from cutting the cost of delivery this also makes financial sense in other ways, she points out: "It boosts the transaction value because when they get into the store you can always sell something to go with what they've ordered online."

WIDENING THE RANGE

Each retailer will find a different distribution model most suited to their type of business. Fast fashion companies, for example, says Jason Shorrock, business development director at BT Expedite, may offer a service where clothes can be reserved from the sales floor and collected within hours. Others might offer a slower but more premium service that guarantees any items from the store's entire estate in the store within a couple of days. That allows space-limited smaller stores to extend their range beyond the store and means while only the core models are in stock, other sizes and colours are accessible. The turnaround time may not be fast enough for some shoppers, but others will find this a useful trade-off that allows them to buy the exact goods they want from a convenient location.

That means smaller stores can put an emphasis on stocking core models – with the guarantee that other sizes and styles can be delivered to the store within days. Thus the multi-channel distribution system becomes flexible and convenient for those shoppers who want to try and feel in store, as much as for online-only customers who prefer not to visit the store at all.

The challenge, going forward, says Neil Weightman, sales director of multi-channel logistics provider iForce is for

Case study: Kiddicare

Making delivery ever easier has proved a winner for baby equipment company Kiddicare. Working with carrier Interlink, Kiddicare introduced one-hour delivery slots earlier this year. Customers now receive a text or an email notifying them of the hour-long window in which they can expect their goods. If the time proves inconvenient, customers can easily arrange an alternative.

One month into the new regime, 36,000 customers had used the new system, and the delivery success rate was at 98 per cent. Customers were finding the service more convenient while Kiddicare and Interlink were saving the costs of failed delivery.

Scott Weavers Wright, partner at Kiddicare, which sells online through Kiddicare.com and through its showroom in Peterborough, says this is important for the type of shopper that uses Kiddicare. He says: "The typical Kiddicare customer is a busy parent who loves the ease of buying on the internet at any time of day or night but resents the inconvenience of waiting in all day for a delivery. We have implemented this convenient one hour delivery service to ensure that our commitment to great customer service extends beyond just the point of sale."

Family business Kiddicare was set up in 1974 and boasts the largest nursery showroom in Europe. Its use of technology includes customer self-service through 35 kiosks on the shop floor and an automated picking system that guarantees lunchtime delivery on the next working day for orders received by 5pm. It employs more than 140 people full-time.

Weavers Wright says: "We are confident that this service is what our customers have been waiting for and we hope the availability of a delivery service that operates at the customer's convenience will make shoppers want to continue to buy from us in the future."

What the experts say



No more waiting game

"Everyone thinks the convenience of shopping online is to get it delivered to your home. That may be the case for many, but there are still a lot of people who want to collect it today rather than wait."

Neil Weightman, sales director, iForce.

Selling goods ahead of time

"Even if you haven't got something in store but you know it's in transit or en route, you can actually sell that online. A lot of retailers are making it visible to the customer that they have some on the way or can deliver it in a week's time."

Frances Riseley, practice manager, Martec International.



Customer satisfaction

"It's a clear win for everybody involved in the end customer experience if the customer is delighted and buys more."

Paul Brooks, sales director, Unipart Logistics

Fashion sense

"Unless systems are slick you're going to end up with problems further down the line. In fashion you only have to be wrong by one unit and you'll find someone somewhere is going to be dissatisfied."

Sam Jackson, chief executive, Prologic



retailers to offer ever more product within the same size of storage space. Already that's being seen where a smaller number of items is held in store, and a wider range is available through the distribution centre. But the ability to widen the range can go further still.

Cross docking and drop shipping are both smart logistics techniques that allow traders to offer a product online that they don't have in their distribution centre. Such items might be large or high-value items that a trader doesn't want to hold but does want to offer to its customers.

Drop shipping allows goods to be delivered from the supplier only when ordered, either directly from the supplier to customer or via the retailer. And by cross docking, the retailer merges the listing of the item of stock they don't hold with two or three that are in the e-fulfillment centre. However, for this to work, there must be the ability to replenish the fulfillment centre quickly when an order is placed.

One industry where overall stock is likely to be wide but the stock of individual items may be low is the fashion industry. There, says Sam Jackson, chief executive of logistics software company Prologic, it's important not to be too rigid when it comes to allocating stock to a particular channel, whether it's the store, the online channel or wholesale. By introducing systems with more flexibility, stock can continue to be kept together but allocated virtually.

Rules set within the system and smart algorithms can then ensure that stock is moved between channels to where there's the greatest prospect of making a full-price sale. Decker foresees a future where customers will be more likely

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to have real insight into what stock is available and where in the business. "Going forward we're going to see a much slicker environment in terms of the ability for customers to find the product they want," he says, looking forward to "a click and collect type environment and the ability to see right down to the supply chain".

MEETING HIGH EXPECTATIONS

The paradox of meeting customers' expectations on delivery is that while there is a significant cost to consigning goods, shoppers increasingly expect that part of the shopping experience to be free. In a time of financial slowdown, consumers will look for no-charge delivery first – and enough retailers are offering that to make it a key area of competition.

Accordingly, there's a lot of hard work being put in to make all parts of the delivery process as efficient as possible. That allows companies to reduce costs while making delivery more convenient. Unipart Logistics says some of its customers are now offering next-day delivery from a final order time of 7pm or 8pm – and sales director Paul Brooks foresees that eventually moving forward to 9pm. That's quite an advance, says Brooks, since it's not that long since 6pm final order times were a luxury. But for consignments to leave ever later, the warehouse process has to become ever more slick.

Retailers are finding new efficiencies by liaising with carriers to see exactly how they want the goods to be presented to them, so that time can be saved in the handover to them. Increasingly, labour management software is being used to make sure staff are working flexibly at the most convenient times.

Brooks says: "Productivity has been and remains a real focus for everyone where you have expensive labour and want to pick, pack and dispatch products across the market you're trying to do that at less than £1 per order, really. If you can gain 15-20 per cent in labour productivity, where labour accounts for half the cost, then you have a 10 per cent cost advantage to deploy in price competitiveness or invest in the customer experience. We're seeing people take advantage of that."

In the future, he sees deliveries to drop-off points other than stores becoming increasingly common. That gives multi-channel retailers the potential to widen their network – but also gives pure-play retailers some ground to compete against the multi-channels with the inbuilt advantage that is the store network.

RETURNS

Just as failed deliveries add unnecessary costs to logistics, so returns can prove expensive as well. But multi-channel retailers can cut the financial implications of returns by using their store network. Sainsburys and Tesco, for example, allow non-food goods delivered direct to home to be returned through the store. iForce handles those deliveries and its sales director Neil Weightman says the large amount of product returned through store is convenient for the shopper – and boosts footfall in the store. "While people are there taking something back, they are also buying something else."

Case study: Hobbs

Fashion retailer Hobbs' finance director Chris Eastal says that making the best use of every piece of stock is "essential" in the current economic climate. That's one reason why, in recent years, Hobbs has revamped its distribution processes to make them as efficient as possible.

Improvements included replacing its small warehouse and paper-based picking processes with a new purpose-built distribution centre four times the size, new scanning technology and the use of Prologic CIMS technology to automate its processes as it manages its stock to supply 120 shops in the UK, as well as fulfilling its wholesale and online orders.

Eastal says, "As Hobbs continues to expand it faces new challenges. The company's wholesale division and online sales are becoming increasingly important, as well as the store expansion both domestically and internationally. With this growth it becomes ever more important for Hobbs to impose strong process control over distribution. In the current trading conditions, it is essential for retailers to maximise every piece of stock."

As a result of the investment, the company has seen improvements in stock accuracy, an increase in picking speed and a reduction in costs. That means the same number of staff can pick more goods – and this is set to be important as Hobbs is ready for further overseas expansion.

"Accurate stock picking is key to international success," says Emma Osborn, head of business systems at Hobbs. "Many markets are extremely demanding, offering only one season to get it right. When overseas operations are paying for the goods to be shipped, the order has to be right first time." Its new distribution systems mean, however, that Hobbs is confident about supplying those international markets.

But using the store as collection point could also reduce the chance that goods ordered online will be sent back, says BT Expedite's Shorrocks. "It means customers have seen the goods in advance. They may take them to a changing room to check them, and that means there's a higher chance they'll keep them."

MOVING FORWARD

The high delivery standards set by Tesco, Ocado and others in a particularly competitive market are having knock-on effects beyond their own market in the grocery sector. Customers delighted by these standards are increasingly expecting the same type of treatment elsewhere – and being disappointed when it fails to materialise.

A survey carried out by multi-channel logistics specialists iForce analysed more than 70 retail websites. It found only 9.7 per cent of online retailers offered the option of AM or PM delivery, and only 6.9 per cent offered evening delivery. Free standard delivery was offered by just over 11 per cent, while 10 per cent more provided free delivery with a minimum order value. Some 66.7 per cent offer next day delivery – at an average charge of £5.89 per order.

But, as we've seen, customers are likely to continue to demand more when it comes to delivery. The ultimate goal, says Brooks, of Unipart Logistics, is that the most convenient option is also the cheapest. But for those high street retailers who offer online delivery in store, that future could already be here, at least in part. The take-up of services such as click and collect has, against expectations, been higher than expected – and it's through just such innovations that multi-channel retailers can, and should, stay ahead in the future. ■

Planning for joined-up retail

Retailers putting cross-channel at the centre of their strategic planning are being rewarded with growth. Chloe Rigby finds out what they're doing – and why.

THE THEORY behind cross-channel retail is deceptively simple. Make it easy for people to buy, however they want to do it. Connect the channels and help customers to buy, wherever and whenever they interact with the trader. Yet such joined-up retailing is rarely the reality that customers find. So just how can retailers plan to make a success of selling in this way?

It's starting to become clear that those retailers who put the customer at their centre of their strategic planning by offering convenience and choice in all their shopping channels are reaping the rewards. For while online sales are rising faster than the high street the group of retailers who are benefiting the most from this are the multi-channel retailers who combine the two.

To cite just one set of recent figures, the March 2010 IMRG Capgemini e-Retail Sales Index showed overall UK online sales growth of 15 per cent. But while multi-channel retailers saw sales grow by 28 per cent, compared to the same month the year before, pureplay traders found growth of just one per cent.

One major retailer that has seen a strong result after focusing its online strategy on multi-channel is Debenhams. Announcing its half-year results in April, the department store chain put the emphasis firmly on joining up its sales channels. "Developing a true multi-channel business – rather than just a bricks-and-mortar retailer with a website – is an important strategic aim," it said. "The focus is around employing technology to increase customer choice and to widen availability."

The customer, then, is put firmly at the centre of the business, in a strategy that is paying off for the retailer. It reported an 85.9 per cent rise in its multi-channel business, to £50.6 million in the first half of its financial year, to February 27 2010. That's a small percentage of the company's total part of the company's total £1.4 billion

sales over the period, but it is a part of the business that is growing fast. To put it into context, like-for-like sales in the same period were up by 0.3 per cent.

Its investment in multi-channel has included a revamp of its website, which has since hit weekly e-commerce visitor numbers of up to 1.5 million hits. It's also introduced a new collect-from-store service that accounted for 22 per cent of multi-channel orders in its first month.

PRACTICAL WAYS TO PUT THE CUSTOMER FIRST

With such rapid growth to be had in these channels, it's increasingly important that companies find out what their customers want when developing their business.

A good example of this type of approach comes from John Lewis. It asked its customers how they wanted to shop – and developed a new format of store in response. The first 'at home' store was opened in Poole in response to customer demand for John Lewis-style shopping within reach of those who can't conveniently reach a John Lewis department store. The store itself focuses only on the retailer's home department, including electricals and home technology, but the full John Lewis inventory can be browsed and ordered from in-store terminals for delivery to the store or to home. A second store is to open in Croydon later this year, and more are set to follow.

Marc Osofsky, VP, marketing at e-commerce platform developer Optaros, suggests retailers watch customers in action to see how they complete their shopping, and where improvements are needed. He says: "Too many multi-channel efforts get lost in the technical weeds and create experiences that technology enables rather than what consumers need and want. Retailers should spend time with consumers and see how they interact across store, mobile and web to determine frustrations and unmet needs to address."

Case study: M and M Direct

The rise of e-commerce has made the website a place where retailers can understand their customers. That's made possible through the development of ever-more incisive technology. And increasingly that technology can now be used as a strategic tool, giving insights into business planning.

M and M Direct, in business for 20 years, started life as a mail order company with a call centre, selling overstocked sports and fashion clothing. Today, 80 per cent of its sales are through the internet.

Its chief executive Steve Robinson says the Tealeaf customer experience management system it uses on its website not only helps it to see when customers go wrong and phone the call centre for help getting through the buying process. It's also, he says, a powerful tool for understanding the wider business.

"There's a whole host of commercial analysis you can do, how customers are interacting with the site that help your convergence because you can tweak things on the website," he says. "It enables you to see the wood for the trees."

Geoff Galat, VP, worldwide marketing at Tealeaf, says: "The real goal of any analytic is to identify opportunities to optimise." He says companies increasingly realise it's more cost efficient to make sure customers succeed in buying, rather than simply spending money to drive large numbers to their brand. And that's just as true online as in the other channels.

DRIVING CHANGE

Starting to plan from the customer point of view will often in itself drive change across the business. Tony Bryant of multi-channel consultancy K3 says: "When you transact through online, adding around loyalty and promotion programmes to meet the consumer's desire to shop wherever in the brand, that becomes structural change in the organisation."

That structural change potentially goes beyond the retail operations, affecting every part of the business, from the board to the workforce. At the top of the organisation some retailers see the need for multi-channel representation on the board. In the US, bookseller Barnes & Noble's new chief executive William Lynch was previously president with responsibility for e-commerce, while in the UK John Lewis has appointed its first director of multi-channel retailing.

Commercial director Andrea O'Donnell, who recently oversaw the launch of John Lewis' new fashion website, now has responsibility for developing and implementing retail and new formats as well as for multi-channel and online selling. It's a move, said the department store, that "recognises changing customer habits". O'Donnell says she will be looking for new ways to "bring John Lewis closer to our customers". She adds: "I am looking forward to finding new ways to ensure that the experience is seamless, no matter how people choose to shop."

The John Lewis appointment is, says Steve Davis, president of GSI Commerce Europe, a sign of how fundamental e-commerce is to the John Lewis brand – and that it's not just a separate channel. "There's a recognition," he says, "that e-commerce drives more business to your stores than other marketing vehicle you have, and you can't really separate one from the other."

Any retailer with a mature e-commerce business should therefore have a multi-channel director, says Davis. But given that multi-channel and cross-channel retailing is a relatively new development, just who is best placed to

represent multi-channel retailing on the board? Is it the e-commerce veteran or someone from elsewhere in the business? Opinions vary. For Davis, "The multi-channel leader of a company has to have an incredible understanding of e-commerce. I think it's difficult to take a store veteran without e-commerce experience and have them be an effective multi-channel leader for a company."

On the other hand, K3's Bryant believes rather than the head of multi-channel should have a strong retail background and experience in stores and in buying. "Rather than having someone who has done well in e-commerce, who will be an online focused person, I'd much prefer to have a business strategy who is probably head office-based and understands how the business is joined up today – and more importantly can set the strategy for coming years on how the multi-channel business will be joined up." In particular, he says, someone with a buying background will understand the product – and that's important.

But whoever is chosen, any representation on the board sends a strong message to the rest of the workforce about the business' priorities. Not all businesses will choose board level representation, but certainly senior management in this area seems inevitable for a company serious about multi-channel.

Organising around the multi-channel inevitably means changes for how the workforce operates – and getting their buy-in is significant. K3's Bryant believes a multi-channel focus will result in staff who work smarter and have wider experience of the business. So, for example, merchandisers working across stores will also logically start to look after touchpoints other than the store.

Cross-channel, then, won't be about reducing workforces, but about enabling staff to understand and connect customers with the other channels in the business. That means that store assistants, as discussed in more detail in the Cross Channel Experience section, will

What the Experts say

Fundamentals

"If you get the fundamentals right then the teams wherever they are, head office, call centre, head office, warehousing all buy into the same issues."

Tony Bryant, business development manager, K3

Service issues

"Customers are saying I'm shopping, and whether I do it online or in a store is insignificant to me. I expect the same level of service."

Geoff Galat, VP, worldwide marketing, Tealeaf.

Mew skills

"There's clearly a need for retailers to gain new skills if they are to be successful at multi-channel operations, but if they don't capitalise on it they won't be successful either."

Steve Davis, president, GSI Commerce Europe.



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ASSESSING PERFORMANCE

But while cross-channel shopping is set to become increasingly convenient for the customer, it promises a future in which traders have to readjust their measures of success. When purchases can be researched and completed online, by mobile or in the store, or by phone, how do retailers know when they're succeeding? We've looked at the question of attributing sales – and how that can help build up a picture of how marketing is working in the Cross-Channel Experience section, page 18. But there are also questions to be raised about assessing the overall success of the strategy.

So what are the KPIs that retail executives need to be tracking in order to measure performance?

For GSI's Davis, the most important measurement to track is the influence that the web has on the brand – how does it reflect on the company both online and across its whole operations. Then, he says: "Every retailer should measure their performance against their pureplayer competitors. Generally speaking pureplays are besting their high street retail equivalents and doing a better job online. It's not acceptable."

Hedley Aylott, managing director of Summit Media, says a chief executive or managing director should know the conversion rate of their website, and the abandonment rate, both across the whole site and at the checkout. "I've seen a number of CEOs be absolutely horrified that every month the abandonment in the checkout is the same cost as it would be to set a store up," he says. "That number was so galvanising."

And another area to measure, says Aylott, is natural search – for the volume of search around a brand "will tell a CEO a lot about the overall business and the effect of things that are nothing to do with the web".

And, says Optaros' Osofsky, it's important not to forget the importance of technology in reducing costs: customer acquisition costs should be measured. "The key to successful e-commerce is a very low customer acquisition cost. This metric should continually fall through this effort." In tandem with this, retailers should also be measuring customer satisfaction through surveys, and visitor web analytics – with the ultimate aim of modifying visitor behaviour, encouraging return visits and impulse buys.

THE INVESTOR'S CONTRIBUTION

All of these are performance measurements in which, increasingly, outside investors are taking a keen interest. GSI's Davis says investors have been much more keen since the financial crisis of the last 18 months to make sure retailers have hard targets for growth across all sales – but especially online. That means that there as well as seeing pressure from customers to adapt to multi-channel and from the accountants to increase the financials, there's also an added driver from the investors.

"There's no question there's pressure like there never has been to get it right and deliver growth in this channel," says

Accounting for fraud risks

Deciding to sell through multiple channels can mean a real step change for a retail business. Not only can it mean greater sales, it can also lower the cost of those sales.

But, warns Carl Clump of Retail Decisions, there's a strategic consideration here in that it's also a step that can open up a business to fraud. "Opening yourself up to multi-channel increases your market dramatically," he says. "You could well find you have purchasers from abroad trying to buy from you. That's a wonderful opportunity but it's also a wonderful opportunity for fraud. You will need protection in order to survive and be successful."

That means taking steps to protect against fraud, both online and in other channels. In-store, till transactions can be checked through automated real-time fraud screening, while call centre transactions can also be monitored for patterns that indicate fraud. Online, options include 3D Secure, the Mastercard and Visa security system that checks registered cards. Alternative solutions, such as those from Retail Decisions, run in the background to make split second credit decisions.

Clump says: "As a retailer you should be making it as easy for your customers to buy from you as possible."

Davis. "It's in an environment where high street retail sales are not growing. Companies need to find a means to growth and this is where growth is there to get as long as you're delivering against it well. Investors certainly realise that and are making sure their companies do as well."

PLANNING FOR THE FUTURE

A good strategy looks to the future of the business. So what does the future of cross-channel retail hold – and what do retailers need to anticipate?

Until recently the emphasis has been on recreating the high street experience online – bringing the customer service experience up to the standard of that which shoppers are used to. But now that the online experience is challenging the high street, the drive now is to take the best parts of online into the store.

That means finding out what works well online and bringing it into the store. In the cross-channel experience section we saw how Best Buy is now placing online ratings next to products on the shelf – and that's likely to be seen increasing as, says K3's Bryant, "Social media will start to be a channel in its own right."

Bryant also envisages that mobile will migrate into the store, freeing assistants from the till and allowing them to offer help and complete sales for customers wherever they are in the store.

But ultimately multi-channel retailers will also, as with the example of John Lewis above, be listening to their own customers and finding out how they want to take the business forward. It could mean new sales formats, it could mean new use of technology.

All of this adds up to a recognition for many retailers, says GSI's Davis, that in their business the online is growing beyond its role as a sales channel. "There's been an enormous shift in the online channel," he says. "It does a meaningful amount of e-commerce but it does much more to influence a brand than you could just track to that."

It's certain that as cross-channel develops there'll be new innovations that will in turn change the way we shop – and sell. But one thing is for certain, keeping in touch with the customer's desire to shop conveniently and flexibly, will help retailers to respond in a way that helps them to grow for the future. ■

Creating a single viewpoint

Retailers are looking to technology to enhance the customer experience, drive customer loyalty, reduce costs, increase efficiency and ensure competitiveness. Creating a single customer view is key here, discovers Marcus Austin.

THE MOVE FIRST to a multi-channel environment and now to a cross-channel world requires multiple systems with multiple silos of data all to work together and to produce a coherent front to the consumer. Unsurprisingly, this can be a real nightmare in IT terms. However, crack this particular problem and you then have access to a vast amount of data on both products and customers. Using systems such as business analytics and data mining, retailers can then access and use this data.

But how to get to this promised land? The first IT headache you arrive at with multi-channel is how to put different systems together to get a coherent, up-to-date,

single view of businesses, products and customers. The biggest challenge is creating a single customer view (SCV). Most businesses have different versions of the same customer across their business. A business may see a web customer, a shop customer, a mobile customer and a catalogue customer, but in reality it's often the same person who is accessing the business in lots of different ways. In order to get a single view you need to be able to bring all of those different touch points together, so you can track customers and analyse how they interact with the company. The key point here is that, when the customer contacts you, you're able to have their data to hand no matter what channel they use.

KEY INFORMATION

Finding a central piece of data that links all of your different repositories together into an SCV can be the hardest part of this process. Do you use a customer's name, email address – and if so which one, work, home? – credit or debit card number, delivery address, or do you use a loyalty card? Or do you use all of them? The answer it seems is to use all of the data, and then to add other data in the mix, such as Facebook posts, Twitter, web data and mobile data. There's no real need to have one single identifier, as your customers don't see themselves that way and nor should you. Cross-channel is about flexibility and choice, so demanding a customer has to reveal the credit card number they used to buy a pair of socks last March before they can talk to customer services isn't going to help things.

One immediate benefit of an SCV is that it will show you how your channels are interlinked, giving you a better understanding of how your customer makes that journey to a purchase. It also allows you to see the true commercial benefit of each channel in your business, and may even give you a better understanding of a "true cost of a sale".

However there are cultural problems with producing an SCV. Businesses are territorial, your director of e-commerce wants to see revenue from purchases on the e-commerce system, attributed to the e-commerce department, and the director of your stores wants to see goods bought in-store as theirs. With an SCV it's possible to see a customer as a whole, and to see that a final purchase on the e-commerce store may have started with a visit to the store.

This is going to bring conflict so it's important to make sure that the decision to develop an SCV is taken at the highest level. Frank Lord, VP EMEA at ATG, explains, "There needs to be an overall goal set up in the company to have a single view of the customer, and that is by far the biggest win you can have in making an SCV a reality, otherwise you have fiefdoms and internal politics come into play and nothing happens."

SO WHAT DO WE KNOW?

Another problem is that many businesses just don't know what information they have in their IT systems. In addition, they tend to look at just the most obvious silos of information, such as sales and the e-commerce data. However, there are lots of other areas of data that they should be considering.

It is estimated that 85 per cent of the information managed by a typical business is in the form of unstructured 'content', with much of the data produced as a consequence of a bad user experience. This includes internet/intranet content on your site and on Facebook, on Twitter, in news items, and in reviews. Then there's the whole area of internal unstructured data. This includes scanned paper, emails, documentation, trouble tickets, call logs, work orders, knowledge bases, images, financial reports, service agreements and many other types of data specific to your industry.

With the latest business analytics systems, it's possible to use this unstructured data to get many new insights into

Case study: Argos

Planning-Inc started to work with Argos a few years ago on a one-off project to take a feed of the retailer's customer data and segment the data for use in email communications. Grant Baillie, eCRM insight & marketing manager for Argos, explains: "The project was born out of a desire to have full access to our customer data in an environment in which marketing, insight and eCRM teams could easily generate campaigns from and run train of thought analysis."

Although Argos collected data on customers and purchases, the data was kept separately and the company was unable to get a single customer view (SCV). Planning-Inc's task was to take those separate purchases and tie the data together at an account level, then de-duplicate the data and to pull out names, addresses and emails.

This work then led on to more work with Argos as James Melhuish, analysis and insight director at Planning-Inc, explains: "Once we completed the work, Argos asked if Planning-Inc could host their customer data for them, and we ended up getting feeds of all their customer data and building it into an overall SCV. In addition to their transactional data, we also pulled in data from other suppliers like their email engagement data and web browsing data which we then linked together through various different mechanisms."

For Argos, the decision to go with a third party was a part of a plan to put data with a mix of external businesses. "The idea was to work with partners whose open source platforms allowed much easier movement of data between themselves," says Baillie. "Planning Inc created a 'data hub' where we could integrate web analytics (browsing behaviour), email campaign data, and website transactional (customer) behaviour into one place, producing an SCV."

Moving to this SCV enables Argos to get a greater level of detail on their customers, as Melhuish explains: "Argos can now say we know that over the last two years you have ordered five different products, these are the products, these are the times of purchase, this is how you have engaged with our emails, and these are the things you have been looking at online."

Additionally, the system enables Argos to track customers that have placed a product reservation online and then completed the transaction in-store when they go to pick up the product, and has helped them create reminders for customers via SMS that an order is ready for collection.

For Argos the solution has meant much more. Baillie concludes: "The instant win was to have a cleansed view of our data for the first time. We could then identify where the immediate opportunities and data gaps lay."

your business, from identifying key influencers through to identifying potentially major issues before they become a critical problem that's reported in the press. With the latest systems, you can match a person on Facebook complaining about your customer service with a call into your service desk, and an email to your MD, and hence you can escalate your response. Conventional data mining systems won't make that connection.

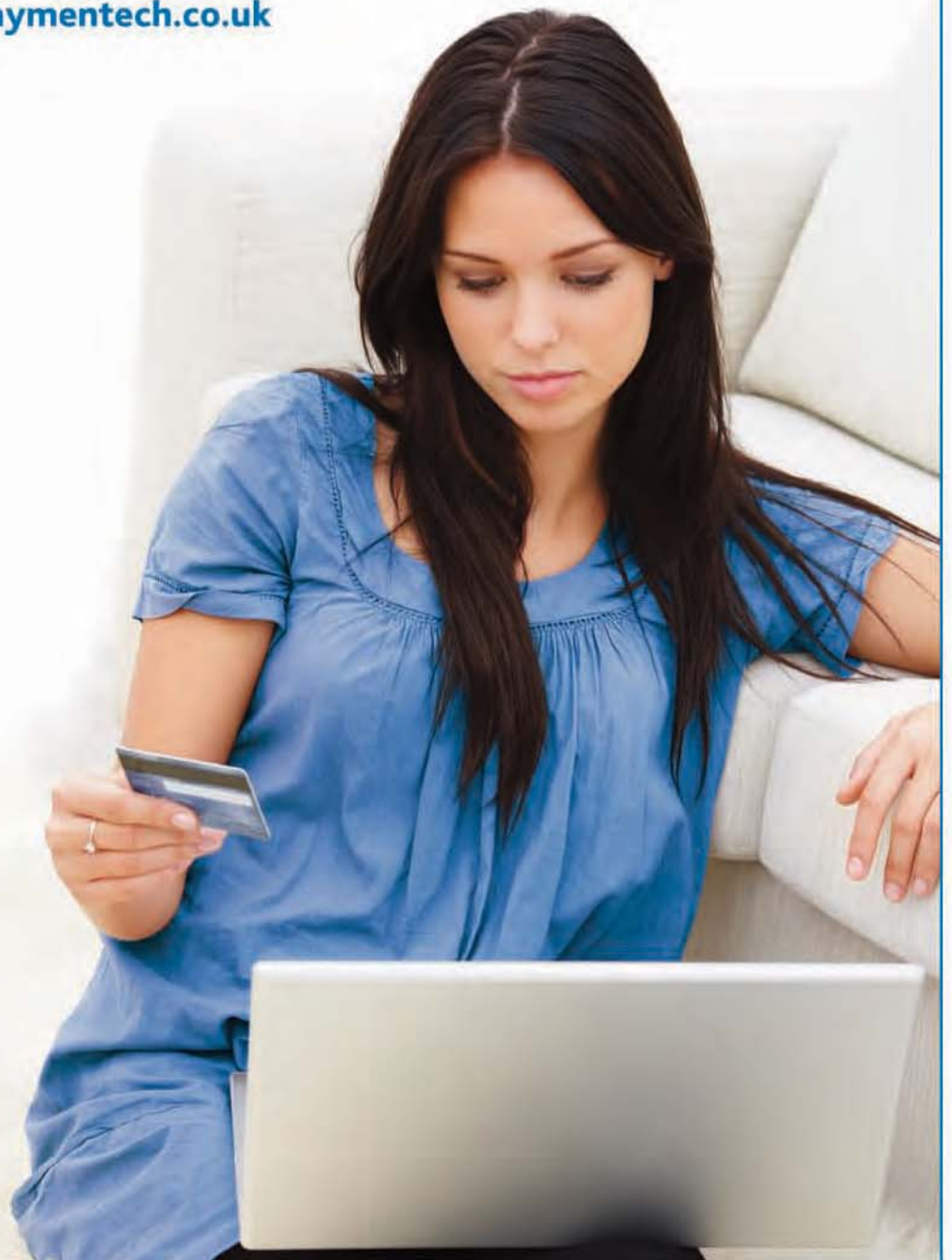
The next problem you face is the data headache. According to ABI Research's report, *Next Generation Point of Sale Systems and Retail Technology*, spending on retail technology last year reached a staggering \$14.8 billion and will exceed \$20 billion by 2014. That's a lot of technology and it doesn't even include the spending on e-commerce related systems, and all of that technology produces data, gigabytes and gigabytes of data. In theory, by using business analytics and data mining tools, this data should be genuinely useful. In reality it's turned into a nightmare. As Martha Bennett, practice leader at Ovum amusingly puts it:

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"Businesses have mined and mined data and now they're lost under a slag heap."

Managers tend to think that, by gathering huge quantities of data, their insight into products and customers will automatically improve. This isn't necessarily true. Martha Bennett: "A retail customer I worked with recently said, 'I have more data than I know what to do with, but I still can't say where we are as a business on any given day.'"

FINDING THE RIGHT DATA

One of the main problems with having so much data is finding the useful data amongst it, and then asking the right questions, and acting on the answers. As James Richards, UK commercial director at SPSS, says, "If you can't act on the data you have then don't bother measuring it."

Grant Baillie, eCRM insight & marketing manager at Argos, also points out that the questions you ask have further implications. "There is a big difference between the need to know and the 'nice to know'," he says. "A lot of SCV projects become unstuck trying to answer too many 'nice to know' questions that bend the product/solution out of its intended purpose."

What our experts all agreed on was that the days of a four-hour meeting on a Monday morning, called to analyse what went wrong last week and what you should be doing instead, are over. Rather, you should be spending 30 minutes looking at the key metrics for your business and deciding from these what you will be doing this week.

When it's used right, data can be an extremely useful tool. Most businesses work in competitive markets and managers often think there's little to differentiate their business from those of their competitors. However, as Richards points out, "What they're missing is that the key differentiator is the data they have". By using IT systems such as business analytics, you can start to use the data to learn about changing customer needs – even to win back lost customers, to retain and engage customers better, or to spot the early signs of an upturn in the economy.

TRUST ISSUES

Another big problem is that many businesses just don't trust the data. In an April 2009 IBM survey, one in three business leaders reported that they were making critical decisions with incomplete or untrustworthy information, and half said they didn't have access to the right data to do their jobs. The knee jerk reaction to this lack of trust is to cleanse the data but that doesn't necessarily solve anything.

"Many businesses think that just cleaning their data is the solution to their analysis problems, however the real solution is to get the right blend of technology, process and governance," says Bennett. "There's no point in cleaning your existing data if you're still allowing dirty data to enter the system." In the early days of computing there was an acronym for this, GIGO (garbage in, garbage out), and it's still true today.

Business analytics is not a new discipline. The concept of data mining, which forms part of business analytics,

What the experts say



The mobile factor

"Nearly a quarter of retailers (22 per cent) recognise that at least some of their subscribers are viewing emails on a mobile and as a result providing a link to mobile-friendly versions of websites. Mobile is now being used to supplement other marketing channels and nearly 10 per cent of major online retailers are currently promoting themselves through SMS subscriptions, iPhone apps or mobile sites."

Simon Robinson, marketing and alliances director for EMEA, Responsys

Real time marketing

"A properly constructed, robust and up-to-date SCV is an essential foundation for all cross channel activity, including information or insights. Some thought needs to be given to what 'up-to-date' means to you – for offline, daily is a must; for online, it needs to be at least near real time for marketing purposes."

Bill Mooney, marketing services director, GB Group



Online and offline

"A common challenge is encouraging the offline parts of the business to work with the online. They're often reluctant to encourage customers to shop online. We try to break down the boundaries by generating coupons or mechanisms that enable a customer to go in store and take advantage of an offer. Additionally, asking in-store customers their postcode enables us to match up in store purchases with the SCV."

Frank Lord, VP EMEA, ATG

Getting to know your customer

"Understanding who your customer is, how best to reach them, what their purchase preferences are, who their peer group is and what they peer group is recommending or purchasing themselves can all enable different types of promotions that can be tested and optimised for a best outcome."

Kevin Cochrane, CMO, Day Software



has been around for some years, and for some time businesses have been able to drill down in their sales data to find trends within their sales and customer databases. However, it's key to recognise that modern business analytics is a discipline that's more holistic and takes in to account all of your data, no matter where it comes from. It then adds in external influences, such as the weather, competitor data, seasonal patterns, and information from the internet, to give you a set of tools that not only allows you to analyse the past, but also helps you predict the future.

While integrating all these various IT systems may seem like a daunting challenge, it's not insurmountable. It's also important to realise that you don't have to integrate everything in one go to create a super SCV, nor do you have to invest in a full-scale analytics package to do everything in your business. You can start small, work up, and build your customer and product view bit by bit. ■



CROSS-CHANNEL retailing represents a huge development – and one that brings benefits for retailers as well as complications.

Communicating with customers as they move across different channels gives retailers an enormous opportunity to build relationships with their customers. Retailers can now track their customers to find out how they like to buy, where they like to buy – and when. All of that is invaluable for making a successful sale in the first place, and then building relationships that ensure return custom over the long term.

Now to the complications. No longer can marketers rely on the conventional methods of talking to clients that have stood them in good stead for years. For, while retailers can now find out so much about their customers, we're entering a world where those same customers can, by adjusting their privacy settings, stay in control of the level of contact they're willing to accept.

Already, retailers and marketers have to work harder and smarter to be able to interact effectively with their customers, but the potential upside to all of this is clear. Successful cross-channel marketing will see retailers given unprecedented access to build relationships of trust with consumers, such that they are permitted to speak to them wherever they are, including via portable media.

But for cross-channel to be truly effective, retailers must accept that things have changed. Consumers will try and regulate how they deal with those who are targeting them. That requires a new level of subtlety and flexibility on the part of the retailer.

Maarten Lens-FitzGerald of Layar says that the sales relationship, rather than being all about customer relationship management can also be characterised as being about vendor relationship management. Related to this is the fact that we're moving into the world envisaged by Tim Berners-Lee where different devices

have a web 'presence'. Perhaps what we didn't expect is that we would carry those devices around with us in the form of mobile phones – yet this fact potentially changes everything.

It'll take time for each individual retailer to work out what cross-channel means for them. Nevertheless, it's already clear that in the future, e-tail won't just be about having a website: rather it'll be about a blurring between digital devices and the real world, and as we've already noted, consumers demanding more control and personalisation.

Nevertheless, one old idea is still true. Content is still king, says Jonathan Freeman of i2 media research. To illustrate what he means, he references the argument about Apple not enabling developers to use Flash in the apps they build for the iPhone. Fundamentally, says Freeman, this is about Apple wanting the apps that are built for the iPhone to be first and foremost for the iPhone, not the same as those that are available elsewhere.

This may seem something of a geeky argument, but it's bigger than that. It's about the wider experience of how users interact with your brand rather than a tiff between technology companies. And that's the same for retailers providing content that consumers really want to get involved in.

This supplement is the fifth in *Internet Retailing's* series of supplements. Each explores questions facing e-retailers today through six key aspects: web interface, merchandising, cross-channel experience, logistics, strategy and customer engagement. We welcome your ideas and suggestions for future themes at editor@internetretailing.net.

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Global Director of Digital and Social Media



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