

DIMENSION REPORT

BRAND ENGAGEMENT: OCTOBER 2018

“ Customers don’t want marketing messages, they expect retailers to initiate and sustain conversations ”

INSIDE

- Learn from the best: John Lewis, Hobbycraft and Pets at Home
- Why Brand Engagement is growing in importance
- The Top100 European retailers in this Performance Dimension

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whitepaper.



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Introduction



Welcome to our first IREU Dimension Report based on our work in 2018. Our subject this time around is Brand Engagement, an aspect

of RetailCraft where the idea of what constitutes best practice seems to change by the day thanks to a dynamic combination of the emergence of new channels and technologies, changing customer behaviour, and the influence of new entrants to the market with new ideas, such as pureplays and brands selling direct.

I hope and I think this Dimension Report will act as a primer for retail professionals trying to understand what's happening here, but I'm also keenly aware that ongoing RetailX research often reveals changes in the market at an early stage.

For this reason, we have altered the way we produce our Dimension Reports. Rather than compiling one Dimension Report per year, we will be publishing a second report in 2019. We will also support both publications with online content and, where a business issue is especially urgent, white papers, roundtables and webinars.

The overall idea is to share our most up-to-the-moment research so that our readers can benefit immediately from the insights it provides. If you would like to help with this process by becoming an InternetRetailing Knowledge Partner, please get in touch.

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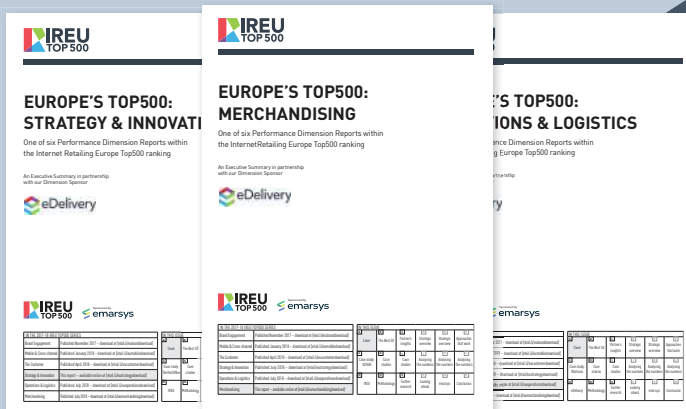
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The thriving European ecommerce sector

Online retail in Europe is maturing quickly. New technology is launching all the time and, for us at Klarna, the overarching trend is the rise of new and flexible payment solutions. With competition hotting up across Europe, ensuring that consumers are attracted to a retailer they want to stay loyal to is vital

GETTING THE BASICS RIGHT

Despite retailers currently focusing more than ever on their online offering, and the high street facing challenging times, we continually hear from retailers that some of the basics of online are not where they should be. For example, many retailers are still not optimised for mobile, despite this having been a growing channel for years. The headlines around online retail often centre on future technologies such as delivery by drone. But sound advice for retailers is not to get distracted and forget the basics. Quality product, UX, stock management and a slick checkout experience are must-haves for success.

Customer experience and customer service are both key battlegrounds among online retailers – this is where the fight to stay on top of the high street and battle online behemoths like Amazon will be won. Retailers must resist implementing technology for the sake of it. We find that customers want frictionless tech – things like easy payments – that make their shopping smoother and more convenient. Consumers need technology that works seamlessly behind the scenes to make the buying process more enjoyable.

FORTUNE FAVOURS THE BRAVE

When it comes to technology, it's true that fortune favours the brave. Innovation requires bravery – it means making the first move by recognising the need or future need for change. The advantage of implementing something first is huge, yet retailers need to make sure that they're focusing on areas that shoppers will value.

When it comes to doing something new, there is an inherent risk. Retail leaders must ensure that, at every level of the organisation, there is a focus on the areas that are important to the business, and an understanding that new things can take time to be established. Successful retail leaders inspire others within the company to get excited about innovation and are consistent with pushing boundaries for the benefit of the shopper.

ADVICE FOR RETAILERS

Increasingly, shoppers are expecting to be able to pay however and whenever is most convenient for them. There is still an issue with consumers abandoning baskets in the checkout and being frustrated with online payments, which really chimes with what we hear from retailers. Improving the customer experience will be key in the future for retailers looking to improve their sales. Streamlining steps to purchase, enabling one-click purchases and providing multiple payment options, will all be vital to keep pace with the high expectations of consumers. For example, take the common issue of wanting to see, touch and try out goods before parting with your cash when shopping online. Klarna's Pay later solves this by giving consumers up to 30 days to pay for online purchases, meaning they only have to pay for what they love.

THE FUTURE OF PAYMENTS

Now is an incredibly exciting time for the industry, with Europe a hotbed of new financial technology. This is partly due to a culture of fintech innovation but it's also down to customer demand. As retailers integrate this tech into their customer journey, we'll see a payments revolution. We predict we will see greater collaboration between the new wave of fintech, retailers and banks. Once this connection is made, we believe that the industry can reach its potential. The focus should always remain on how we can solve problems for consumers and for us, that's what our proposition is all about. ■



LUKE GRIFFITHS
GM, KLARNA UK

ABOUT KLARNA

It's all about smooth (yes, with three 'o's). Klarna is Europe's leading payments provider and a newly-licensed bank. It wants to revolutionise the payment experience for shoppers and merchants alike by giving online consumers the option to pay now, pay later or over time – offering a trusted, frictionless and smooth checkout experience. Klarna works with 89,000 merchants, including ASOS, Topshop and JD Sports in the UK, to offer payment solutions to users across Europe and North America. It is active in 14 countries.

CUTTING THROUGH

Capturing customers' attention is difficult. All the more reason, argues Jonathan Wright, to work out which Brand Engagement initiatives will work best

WE LIVE IN a world that, in terms of the sheer amount of information with which we're bombarded, is far noisier than even two decades ago. Social media, the smartphone, news feeds, television boxsets of entire seasons suddenly available for binge watching... it's impossible to keep up, yet we all try and, in so doing, we can all get anxious. This, in turn, means that at some point, any or all of us can become so saturated that we simply decide to cut off, to unsubscribe from all this noise.

For retail businesses reliant on the cycles of seasons and product obsolescence, this poses a problem. When consumers are no longer listening, how can retailers cut through? To take a more specific example, if consumers are culling the number of marketing emails they receive, as many did when GDPR legislation was introduced, how can retailers get these consumers to opt in?

The most recent RetailX research suggests (see overleaf) this is a live issue within European retail. To summarise the current state of the market in the broadest strokes, there appears to be a strong recognition among IREU Top500 retailers that beginning and then sustaining conversations with customers is crucial to success, but far less agreement about the best ways to do this.

In part, this can probably be explained by local differences across markets, but that's by no means the whole story. Rather, when it comes to Brand Engagement, which, for the purposes of RetailX research entailed focusing on how retailers communicate with customers, uncertainty over best practice reflects changes in the way consumers choose to access information – *data*.

To take the most obvious answer here, how should retailers engage with consumers via social media? You could describe this as the Facebook problem. Facebook, it's safe to say, is more used than loved, in that it's a way to manage our circles of friends. Except it's also a place where urgent conversations between close friends take place. It's increasingly a marketplace too. Conversely, there's evidence Facebook is becoming a kind of latter-day AOL of social media, the place where an older demographic gathers, and the young have a presence just so they can check up on their elders while making sure their elders aren't checking up on them too closely.

“IKEA makes a virtue of sometimes introducing ‘friction’ into its processes and its shopping experience. This helps the retailer to stand out”

Where is the sweet spot for retailers here as they seek to engage with customers via the platform? Should retailers, for example, enable Facebook commerce, or will this take customers away from the retailers' own online presence? The answer, of course, will depend on such factors as customer demographics, the sector in which the retailer operates and territory. More than this, it will depend on each retailer's understanding of itself and how it interacts with its customers.

Here, one retailer that has consistently taken a different tack from its contemporaries is IKEA, which makes a virtue of sometimes introducing 'friction' into its processes and its shopping experience. If this seems counterintuitive, it all helps to make the retailer stand out, so that its other Brand Engagement initiatives – showing off a 350sq ft home so that customers can see how to make efficient use of space – cut through the noise, and help it to begin and then sustain those all-important conversations. ■

THE IREU BRAND ENGAGEMENT TOP100

IREU 500 BRAND ENGAGEMENT DIMENSION

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The top retailers of the IREU Top500 2018 Brand Engagement Dimension, measured on dozens of metrics for innovative practice

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BRAND ENGAGEMENT TOP50

Adidas	Fnac	Nike
Amazon	Foot Locker	QVC
Apple	H&M	Samsung
Argos	Halfords	Saturn
Asos	HP	Schuh
Auchan	IKEA	Screwfix
B&Q	Intersport	Superdrug
BonPrix	John Lewis	Swarovski
Boots	Kiabi	Tchibo
Bose	Leroy Merlin	Tommy Hilfiger
Carrefour	Lush	Topshop
Clarks	Marks & Spencer	Toys R Us
Debenhams	Media Markt	Weltbild.at
Decathlon	Microsoft	Yves Rocher
Deichmann	Mothercare	Zalando
eBay	Nespresso	Zara
Euronics	New Look	

BRAND ENGAGEMENT TOP100

Aldi	Hobbycraft	Pull & Bear
Alternate	Homebase	Rossmann
Billa	Interflora	Skechers
The Body Shop	JYSK	Spar
Boulangier	L'Occitane	Spartoo
Clas Ohlson	La Redoute	SportsDirect.com
Conforama	Lego	Staples
Currys PC World	Lidl	TK Maxx
Cyberport	Matalan	Uniqlo
Disney Store	Next	Urban Outfitters
Dr. Martens	Ocado	Victoria's Secret
Dune London	Office	Wayfair
Empik.com	Otto	WHSmith
Esprit	Pandora	Wickes
Evans Cycles	Pets at Home	Wish
Footasylum	Phone House	Zooplus
GAP	Post Office Shop	

CONVERSATIONAL GAMBITS

Reaching out to customers is more important than ever, but there's evidence customers are aware of issues around personal data. Jonathan Wright considers what the numbers say about how retailers are dealing with these tensions

BRAND ENGAGEMENT IS an aspect of RetailCraft that has become steadily more important since we first began researching retailers' performance. The reason for this is simple: rather than waiting around for marketing and merchandising messages, today's customers expect two-way conversations with retailers.

Those retailers that perform most strongly in the Brand Engagement Dimension are the ones that not only reach out to their customers, but also respond both promptly and, with their responses, demonstrate an understanding of their customers.

To gauge performance here, RetailX researchers tracked retailers' methods for communicating with customers – both in public and in private. Researchers also measured retailers' performance across such areas as:

- The number and type of communication channels: whether retailers communicate via phone, email, web forms, live chat and social media (public and private)
- Retailers' popularity on social media
- Analysis of blogs and posts: including frequency, interaction and the type of blog/post (promoting discounts or sales, letting customers know about new products, seasonal products, areas and products customers may be personally interested in, events)
- The on-site tracking of customers

Sophistication in these techniques is an indicator that retailers have a clear understanding of Brand Engagement best practice. Nevertheless, as we analyse below, there are aspects of Brand Engagement where there's evidence that ideas about what constitutes best practice are changing.

TRACKING CUSTOMERS

Here, in particular, ideas around best practice seem to be in a state of flux. While it's outside the scope of research, this is perhaps because consumers' underlying worries over the personal data that companies hold has been amplified by the introduction of GDPR legislation and scares over data breaches.

To take just one example, there are striking regional differences in whether registration should be required before checkout. In Denmark and Belgium, more retailers are asking customers to register – 53% of retailers in Denmark, an 11

percentage point (pp) increase over 12 months, and 51% of retailers in Belgium, 8pp. In contrast, the equivalent figure is going down in Bulgaria (12pp to 22%) and Hungary (9pp to 36%). Over Europe as a whole, though, these changes are neutral, suggesting retailers are trying different approaches and balancing each other out.

SOCIAL MEDIA

With social media, integration on the product page was widely regarded as best practice a couple of years back. However, there's evidence that retailers are rethinking things here. Confirming a trend we recently noted the UK Top500 Merchandising Dimension Report, there's been a 9pp drop (to 28%) in the number of IREU Top500 retailers integrating friends' Likes into product pages, a facility that requires the shopper to be logged into the social network while on the retailer's website. We don't know why, but it's possible this is part of a broader trend with consumers being less trusting of social media companies tracking them and retailers, by extension, dropping these integrations to appeal more to their customers.

There's also the impact of maturing social commerce, with social media networks themselves successfully integrating the Buy button. This means that social networks act in key respects as marketplaces that seamlessly integrate advertising and purchasing with the content that draws users to the network in the first place.

Against that, it's worth noting that our Knowledge Partner BuiltWith records that 459 of the IREU Top500 use a Facebook software development kit on their websites that can enable both embedded sharing and login. It's just this isn't as visible as it was before. Also, the number of retailers offering the ability to Like or Love on a social media feed accessed via a product display page did not see such a significant drop, at 5pp to 15% of retailers.

To reiterate, the somewhat contradictory results here suggest that best practice around both data and social media is evolving rapidly.

CUSTOMER FEEDBACK (PUBLIC)

There has been little change in the number of IREU Top500 retailers offering publicly visible feedback on their product display pages: 50% incorporate this compared to 49% a year ago. Nevertheless, retailers in some regions showed a more significant increase, with the figure for Finland increasing from

SOCIAL NETWORK USAGE BY TOP500 SECTORS

	Facebook	Twitter	YouTube	Pinterest	Instagram
Automotive goods	67%	50%	40%	0%	0%
Books	82%	61%	55%	39%	29%
Children's toys and accessories	74%	61%	48%	42%	35%
Fashion clothing	77%	62%	53%	50%	50%
Clothing: Other	83%	71%	55%	55%	58%
Sports and leisure clothing	79%	63%	54%	52%	51%
Consumer electronics	73%	54%	49%	33%	29%
Cosmetics	77%	61%	56%	39%	45%
Drink	82%	68%	59%	0%	59%
Fashion accessories	78%	60%	58%	52%	51%
Fashion footwear	81%	61%	60%	54%	50%
Footwear: Other	86%	64%	64%	36%	50%
Sports and leisure footwear	83%	60%	57%	51%	52%
Garden	76%	56%	60%	52%	0%
Grocery	76%	62%	62%	0%	52%
Health	80%	54%	57%	31%	46%
Home and industrial appliances	73%	59%	51%	43%	33%
Homeware	77%	65%	56%	52%	45%
Jewellery	79%	63%	64%	54%	54%
Music, film and TV	75%	60%	45%	35%	0%
Other	84%	67%	54%	40%	47%
Software	67%	55%	43%	33%	29%
Sports and outdoor equipment	74%	56%	50%	44%	39%
Stationery and craft	82%	61%	58%	47%	37%
Trade tools and equipment and DIY	72%	52%	53%	44%	27%

Facebook and Twitter are the most popular social networks for Top500 retailers, followed by YouTube, Pinterest, and Instagram. Social network usage varies across sectors, reflecting differences in target demographics and the suitability of products to the format

CC BY NC ND RetailX 2018

44% to 59%, a 15pp increase. Other countries where there was a larger increase included the Czech Republic (44%-54%, 10pp), Sweden (49%-58%, 9pp) and Bulgaria (21%- 28%, 7pp).

COMPARING APPROACHES TO EMAIL

Email remains a key way of engaging customers, and RetailX worked with Knowledge Partner ReturnPath to analyse the use of email by retailers when contacting consumers in France, Germany and the UK. Having analysed the data for UK, France and Germany during January, February and March 2018, Dan Stone, email strategist at ReturnPath, made these observations:

- There isn't a 'perfect' day of the week to send emails, each day has very similar metrics across the board
- The fourth week of the month saw the highest number of subscribers responding. It may be that retailers' emails are more effective close to pay day
- Short subject lines saw the best read rates and the lowest mailbox filtering
- Short subject lines also saw the highest amount of customers retrieving them from their spam folders
- Retailers sent more emails with a low level of subject line capitalisation. However, these emails had the lowest amount of reads
- If subject lines included a discount, it's more than likely it would be for more than 50%, but they had the lowest results compared to less than 25% and up to 50%
- Discounts are mostly mentioned near the start of subject lines so they can be clearly viewed on mobile devices
- If a campaign contained a financial amount, emails were filtered (as spam) more by the mailboxes compared to emails that didn't
- There was an increase in the number of campaigns that didn't ask a question in the subject line

JOHN LEWIS: PUTTING PARTNERSHIP FIRST



Image credit: John Lewis & Partners

By blending their online and in store experiences, John Lewis & Partners hope to offer customers something unique to their brand

JOHN LEWIS'S ANNOUNCEMENT in September that it was changing its name to John Lewis & Partners was a move that sent a clear message: its biggest asset is its partners, who are central to its brand. At a time when department stores need to offer a customer experience that goes above and beyond what has been offered before, focusing on the personal touch is the way the brand plans to differentiate itself from the competition and to win customer loyalty.

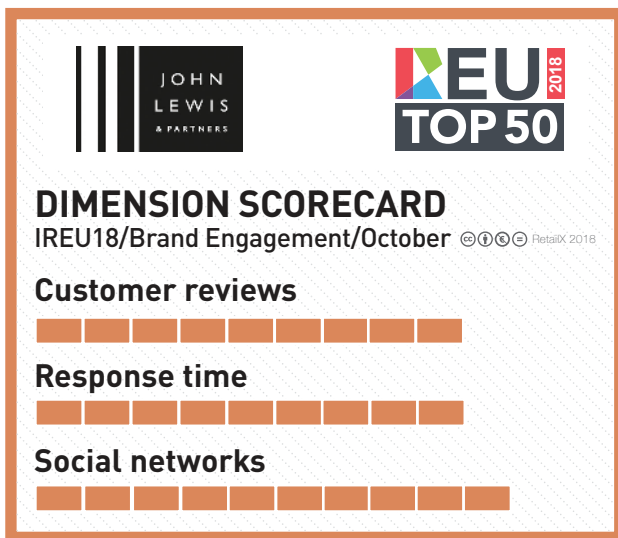
The company aims to provide a highly personal, experiential retail service. To do this, it is investing between £400m and £500m a year in customer service, backed up with new technology, as well as own-brand products and services. Partners' roles are changing to focus on providing individual services direct to the customer, such as concierge-type services, healthy eating advice and personal stylists delivering daily fashion talks.

The move follows the company's already established focus on Brand Engagement across its digital platforms, demonstrating how it is using technology to go that extra mile. This can be seen in the 'inspiration' pages on its website, where blog-type stories explore brands on sale in store, give styling advice both for fashion and the home, and offer useful tips on a host of subjects, from how to choose perfume to how to hang pictures on the wall. It is clearly keen to share its values with its customers

through an easy to find 'Community Matters' page on its website, which provides information on the charities it supports, the John Lewis Foundation and its sofa recycling service. Its ethical and corporate responsibility policies are also flagged up, with statements on modern slavery, responsible sourcing and human rights, as well as a list of the factories that it uses.

The John Lewis & Partners app allows customers to set up wishlists, share the products they love on social media and check out with touch ID or face ID. In store, the app can also be used to scan barcodes for product information and check stock availability. Shaking the phone displays the customer's My John Lewis card, while the app also acts as a 'kitchen drawer' for electronic receipts, guarantees and reward vouchers.

Across social media too, engagement is the aim. It has 1,326,854 followers on Facebook, which is actively used by customers for sharing feedback, complaints and experiences of products and services. Responses from the company to comments are frequent, swift and, importantly, personal – promising to follow up with the relevant department where necessary and always providing the responding partner's name. ■



HOBBYCRAFT: A CAN-DO ATTITUDE

CONTENT THAT APPEALS to the target market represents one of a retailer’s main tools for getting their customers to engage with and become loyal to a brand. In a sector such as craft, the opportunities for providing ideas, inspiration and how-to tutorials are enormous, and this is something that superstore Hobbycraft has embraced wholeheartedly.

As the largest arts-and-crafts retailer in the UK, Hobbycraft is going all-out to exploit the burgeoning trend for home crafting, baking and making, and its craft blog forms a key part of its online offering. It contains hundreds of tutorials covering all many different crafts it supplies for, such as sewing, knitting, baking and papercraft, along with more niche crafts to try such as marbling and soap making. The level of advice ranges from basic step-by-steps to more complex projects.

Project ideas can be searched by discipline or by season, with posts on making advent trees, felt decorations or crochet stockings for Christmas, and Halloween squishies, slimes or pumpkin cakes. Kids’ projects can also be searched separately. A dropdown menu provides information on ‘what you will need’, ‘abbreviations’, ‘how to make’ and ‘shop the project’, allowing customers to add everything they need to their Hobbycraft shopping basket without leaving the page.

To encourage creativity and participation, customers are invited to add their finished items to the Hobbycraft online gallery by uploading a picture on the website or by posting it on Instagram or Twitter with the #Hobbycraft hashtag. There is also a Make of the Month competition, where

followers who upload a picture of themselves and their make have a chance of winning a £100 Hobbycraft voucher.

The company, like its customers, is highly engaged with social media with a Facebook following of 301,482 and 71,000 followers on Instagram. Buttons for social media channels are prominently displayed at the bottom of every page.

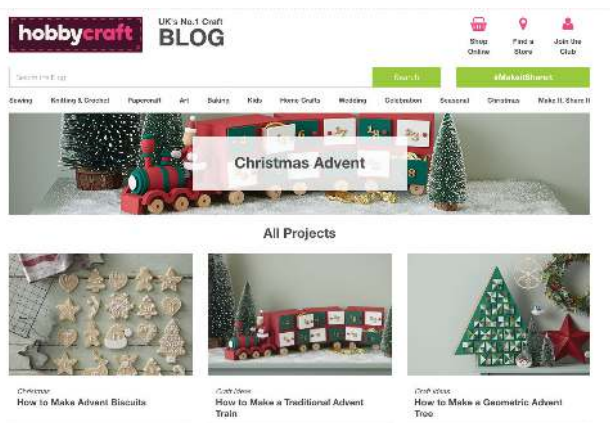
Each project also has clearly displayed buttons for sharing on social media, providing yet another opportunity for customers to share their interests (as well as the Hobbycraft brand) across Pinterest, Twitter and Facebook, providing a seamless presence across social media.

The company further demonstrated its commitment to being a leading digital retailer when it launched a new Progressive Web App mobile website at the beginning of the year. This site leverages the latest mobile technology to create a fast-loading website that retains the look and the feel of an app.■



Image credit: Hobbycraft

Inspiration drives interest, which drives sales



Hobbycraft uses blogs and tutorials to engage its customers

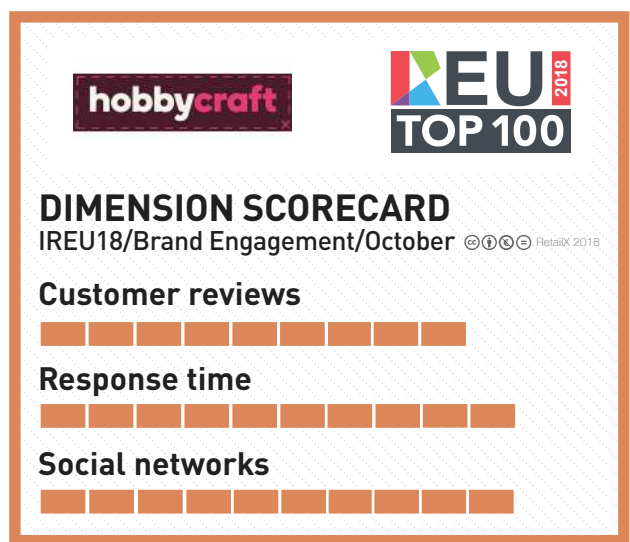


Image credit: Hobbycraft

PETS AT HOME: MEMBERS' BENEFITS

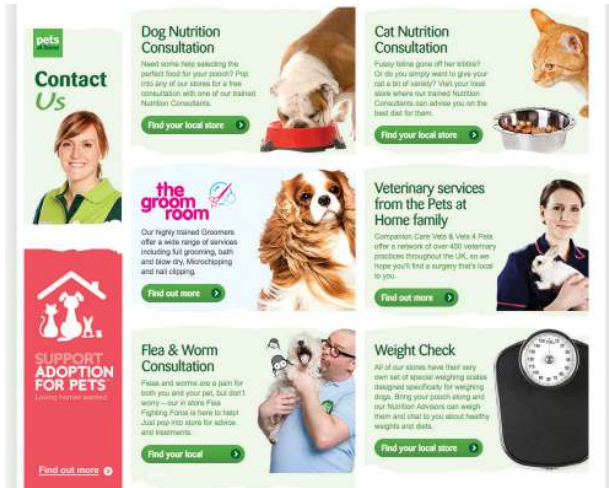


Image credit: Pets at Home

Pets at Home has positioned itself as a one-stop shop for pet owners, providing far more than just food and bedding

THE TOP LINE of Pets at Home's September 2018 investors' presentation neatly sums up where the pet care business places itself: "We are here to make sure pets and their owners get the very best advice, care and products." Like other retailers in these competitive times, its focus over the last few years has moved far beyond the basic supply of products – pet food and accessories – towards a Brand Engagement strategy that aims to supply everything a customer could need for taking care of a pet. A large part of this commitment came through its two largest market sector growth areas in 2017, which were veterinary services and grooming.

The Pets at Home website provides extensive information and advice for those considering buying a pet or looking for help, plus tips for the pets they already have, with pages devoted to different animals – from cats and dogs to small animals, birds, fish and chickens – and their care.

Related articles on the dog advice page include what's involved in taking a dog on holiday and how to avoid travel sickness. The Groom room provides information on the

An emphasis on Very Important Pets puts animal welfare at the core of the proposition

company's 290 in store grooming rooms, with a location finder, seasonal offers and a before-and-after gallery, where customers can post pictures of their dogs in both an initially unkempt and post-pamper, fluffed-up state.

The Very Important Pets club has 6m members, with benefits including a 10% off welcome voucher, savings and offers tailored to your pet, a quarterly magazine, upgrades at the groom room and a £10 nose-to-tail health check at one of the group's 450 vet practices.

Another key benefit is that members can pay £10 to join the VIP pet-finding service. Should a pet goes missing, a lost pet alert can be sent through the Pets at Home app to all VIP members in the area who will help look for the pet. The website features a gallery of the many pets that have been found through this service.

Pets at Home recognises the value of loyalty that comes through the VIP club, which is accounting for a growing proportion of its revenue. According to the company's annual report, in the 12 weeks to January 2018, VIP club members used their cards in transactions that accounted for 68% of revenue, up from 66% in January 2017.

The club is a prominent feature on the Pets at Home app and customers are able to access member benefits by scanning their membership card with their phone. Customers can also sign up to the club through the app, putting Pets at Home among the small minority of retailers currently enabling shoppers to do this. ■

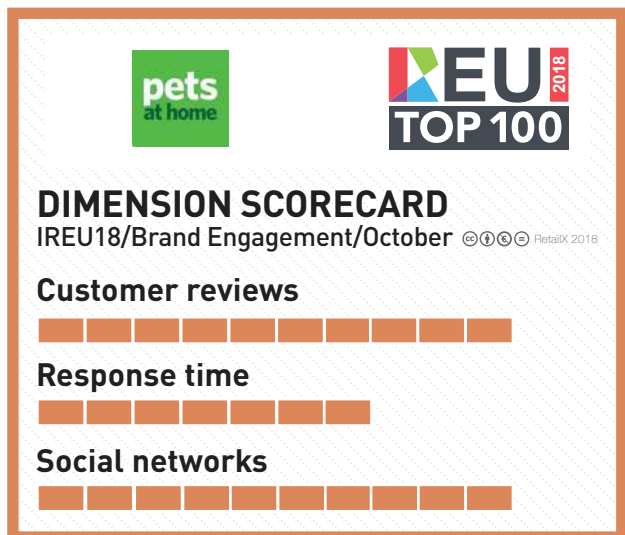
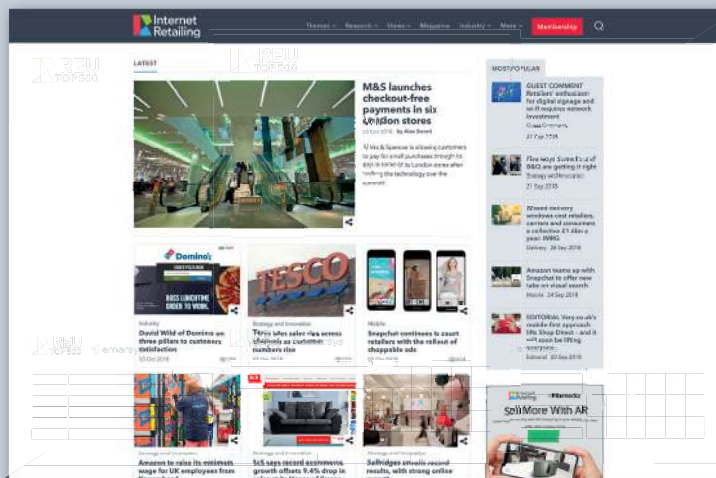


Image credit: Pets at Home

IREU TOP 500

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Articulating the Themes

As we have already identified, Brand Engagement is an aspect of RetailCraft that's rapidly evolving. To see what's happening within this Dimension on a regular and ongoing basis, register to become a member at InternetRetailing.net, which is **completely free to retailers.**

The IREU Dimension Report series

Look out too for exclusive reports and online content detailing how the IREU Top500 are performing in our five other Performance Dimensions:

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Becoming a member will give you access to **round-the-year content on the website:**

- Social retail index
- Demographic focus: in-depth reports on, for example, the behaviour of 18-24 year-olds – which retailers they are shopping with and what trends their behaviour reveals [research conducted in conjunction with Knowledge Partner Hitwise]
- Email engagement index: revealing open rates, spam rates and other interaction metrics [in conjunction with Knowledge Partner Return Path]. Plus analysis of email content [in conjunction with Knowledge Partner Beetle]

In addition, we will publish a second Brand Engagement Dimension Report in spring 2019, in which we will look at what's changed in key metrics over the winter, summarising the indices and trackers, and focusing on the most revealing aspects of our ongoing research.

Our **next IREU Top500** main report, collating all this research, will be released in **July 2019.**

Conclusion

THROUGHOUT THIS IREU Dimension Report, a recurring theme revealed by RetailX research has been the idea that best practice around Brand Engagement is changing rapidly as both the market and customer behaviour evolve. One of the most important factors playing in here is the rise of direct-selling brands, whether these are retail brands or familiar consumer names that previously sold only through wholesalers.

In an age of digital technologies, there is no longer any need for these brands to rely upon third-party retailers to present their wares to customers. Brands value this because they can begin to gather data about their customers directly rather than having this information filtered back to them. That doesn't mean consumer brands don't recognise retailers' insights or want to bypass retailers entirely, but it does mean there's a certain amount of renegotiation going on here.

This development has been widely reported upon, but less noticed is the way that customers value the chance to talk directly to brands and are also driving change. After all, why bother to talk with a retailer when you can speak with someone who understands a product because they helped design or make it?

So how should retailers react? We would suggest that retailers need to stand out as social, sociable, responsive and engaging, to promote their own brand values. These values need to be separate from, yet complementary to, the consumer brands they sell. This isn't an easy thing to do, yet retailers need to respond to changes in the market, as House of Fraser's recent problems illustrate. Look beyond its practical issues with high rents and so on, and one reason it went into administration despite a strategy that involved focusing on brands was because it lost track of its own story, its own brand values. ■

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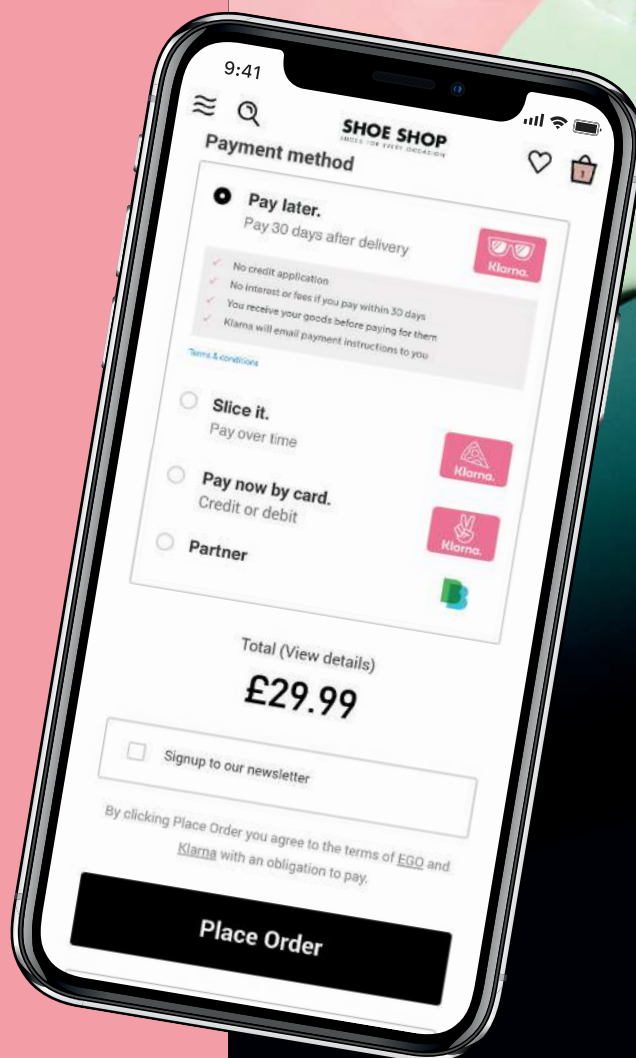
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