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DIMENSION REPORT

Strategy & Innovation: June 2017

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A Performance Dimension Report as part of IREU 500 2017

InternetRetailing's Europe Top500 Retailers, 2017

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From the editor-in-chief

WELCOME TO THIS first IREU Top500 Strategy & Innovation Performance Dimension Report. In the following pages, we look at how retailers and global brands are currently approaching trade in Europe. There's a distinct emphasis on the word 'currently', in the knowledge that the UK's vote last June to leave the European Union may well affect the way that both retailers and shoppers behave in the future. With that in mind, we're taking a snapshot of current trade that may prove especially intriguing when we look back at this research in years to come.

More generally, this Dimension Report looks at how retailers are pursuing strategies that InternetRetailing researchers consider to be key. To what extent are the IREU Top500 retailers internationalising and localising their businesses? Do they have an outward focus expressed through local websites, languages and currencies? Are they offering innovative cross-channel services that bridge the gap between the online and the offline worlds in overseas markets as well as at home? Are they retreating into domestic territories, focusing on serving home customers, as they defend their businesses, rather than looking beyond national borders for opportunities? We've already noted in our IRUK 500 work that Brexit could prove a great disruptive moment in the early 21st century, both at home and in Europe, and in this Dimension Report we look for the early signs of that disruption. We've also said that disruption can foster innovation, and we look for evidence of this at the same time.

None of this detracts from a highly practical approach to analysing what works for leading retailers in this Performance Dimension, and the lessons that others can take from those examples. In the coming years, we'll continue to consider the new and emerging questions that face the leaders of Europe's leading ecommerce and multichannel businesses, while also looking at how new ideas and technologies are helping to foster innovative approaches to retail.

We'll continue to assess the way that retailers trade in what's likely to be a highly volatile retail environment by putting the hard data of InternetRetailing research into a wider, and practical, context. As always, we're interested to hear from our readers about how they think we should judge and understand retail strategies – do share your thoughts.

Ian Jindal
Editor-in-chief
ian@internetretailing.net

The IREU Top500 Dimension Reports Series

Don't forget that this Strategy & Innovation Dimension Report forms part of our wider series analysing the performance of Europe's retailers.

Reports each year that focus on:
- Strategy & Innovation
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Once you register, we will also send you the latest Dimension Reports as they are published, allowing you to keep abreast of the latest developments in the industry.

You can also find information about the IRUK Top500, our index of top retailers in Britain, via the InternetRetailing website.

Editors' comment

OUR AIM, WITH this IREU Top500 Performance Dimension Report on Strategy & Innovation is two-fold. We want to share our insights into how well pan-European retailers are actually performing. Just as importantly, we want to highlight examples of best practice, areas where other retailers can learn from the approaches adopted by the best of the best.

Expanding into new markets, a recurring theme in this Dimension Report, is a daunting task. Assumptions built on familiarity with local conditions can no longer be relied upon. The difficulties are compounded by competitors offering innovative approaches that quickly become the benchmark by which consumers judge retailers.

Here, hard information helps. Our analysing the numbers (page 12) section offers insights into the approaches adopted by IREU Top50 retailers, and explores how we came to choose this select group. For the ongoing research feature (page 31), we take a step back and look at where different European markets are most competitive in strategically important areas such as delivery and collection, website performance and apps.

Starting on page 18, we offer a series of case studies that explore best practice in Strategy & Innovation at Asos, H&M, Ikea and Zara. We also interview Zalando's vice presidents of markets, Delphine Mousseau, (page 20) to discover she's not just undaunted but laughing at the way the company won an award for the worst advertising in fashion two years in succession. She can afford to be amused. Leading retailers learn from such mistakes.

For our feature on 12 approaches that work (page 24), we again put the emphasis on international expansion as we highlight examples of innovative practice across Europe. For emerging practice (page 29), we discuss a business issue that constantly recurs when we talk to retailers, difficulties around breaking down institutional silos. Ian Jindal, our editor-in-chief, offers his expert insights here.

Taking these articles together, we think they build into a unique picture of the issues around Strategy & Innovation that most affect European retailers. More than this, we hope this Dimension Report helps retailers tackle some of these issues.

Jonathan Wright and Chloe Rigby, Editors

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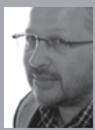
Meet the team...



Ian Jindal
Editor-in-Chief
Publisher, speaker, advisor and NED, Ian leads our editorial and research businesses.
ian@internetretailing.net

Jonathan Wright
Editor
Jonathan is an editor and writer who has written extensively about digital business and culture.
jonathan@internetretailing.net

Chloe Rigby
Editor
Chloe is the editor of InternetRetailing.net and an award-winning business journalist.
chloe@internetretailing.net

Martin Shaw
Head of Research
Martin devises the scope and methods of InternetRetailing's research as head of the research team.
martin@internetretailing.net

The art of selling in new markets

Steven Ledgerwood, UK managing director at Emarsys discusses how to get local and personal, at scale

TO EXPAND, MOST retailers need to look abroad at new markets. This is challenging. In addition to the problems inherent to launching any new operation at scale, retailers also have to face difficulties associated with adjusting to a new market. So how should retailers respond to these difficulties strategically? Whatever the answer, and different retailers will have different ideas, both localisation and having a robust infrastructure will be key factors to consider.

To deal with localisation first, we find that the same kinds of challenges occur and reoccur for our clients. Here, we're talking about such factors as language, translating content and gaining a deep understanding of the cultural factors at play in a new market. All of these need to be adjusted to suit and meet the retailer's market objectives.

Time and time again, we find that clients are successful when they take the time to understand how to reposition themselves for a local market. In contrast, too often retailers do an essentially risky thing, which is just to hit the ground running. They don't think strategically. They don't think about what people in those regions will look for in a brand.

To illustrate the difficulties that can occur here even when companies do put the work in, one of our clients is based in Hungary and wanted to expand to geographically close neighbours. You might suppose that eastern Europeans have largely similar outlooks, but just think about the differences between the UK and the Republic of Ireland, which at least share a language. In truth, when you're moving from Hungary to Romania and even further out to Russia, you encounter different tones and cultures. In fact, the company eventually decided to get out of Russia because it's such a complex market.

Working at scale

Having said that expanding abroad is challenging because of local factors, retailers that have the right technology and infrastructure in place have a far better chance of success because they have a robust foundational layer on which to build. On top of this, retailers can then switch and tweak messaging to make it more local.

By local, we don't mean generic to the whole territory. At Emarsys, one reason we are a global brand is that we have a foundational technology that helps retailers better understand their end customers, and what kinds of content and products are relevant to them as individuals.

It's not enough to have a 'Romanian website' or a 'Russian website'. One of the major challenges of expanding abroad for retailers is to make sure they are talking to different segments of the markets they're targeting, and to offer the same personalised service they offer in home markets – localism and personalisation, at scale.

Emarsys in brief

Emarsys is a leading global provider of marketing automation software and the first marketing cloud for retail and ecommerce. The Emarsys B2C Marketing Cloud enables true, one-to-one interactions between marketers and consumers across all channels – building loyalty, enriching the customer journey and increasing revenues. Machine learning and data science fuels customer intelligence in an intuitive, cloudbased platform.

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Why technology can be the enabler or the inhibitor to your strategy

By **Mark Adams**, Partner, eComp

MUCH HAS BEEN written in recent years about what retailers need to do to survive and how their strategies need to evolve to remain relevant. There is no shortage of views on what organisations need to do to compete with the likes of Amazon, as well as other disruptive players and those traditional competitors that are adapting quickly. Most retailers agree they need to evolve to compete and the way to do that is through innovating. The question is innovate how? And where? And when? And that comes down to strategy. Technology is often described as an 'enabler' but what if the opposite is true? What if technology is preventing retailers from innovating and remaining relevant to their customers?

Retailers are investing ever-greater amounts to compete locally and globally, adapting to competitive market threats through upgrading technology platforms that support omnichannel trading, internationalisation, customer services and the store, for example. Meanwhile, the major technology vendors are building out their stacks to offer greater functionality in these areas, offering a one-stop shop to solve all your strategic objectives. The downside to greater investment and reliance on the stack is greater lock-in to a technology ecosystem that can become ever-more costly and difficult to maintain. A further problem with this is you end up relying largely on your principal vendors for innovation. Projects are becoming more and more complex and time consuming, with every change, upgrade or new deployment requiring weeks of planning, development and testing.

The other side of the equation is the plethora of new tech start-ups providing tools and technology that solve precise challenges, or enable new services and capabilities that Retailers need to compete to remain relevant. It is this innovation via early stage and young technology companies that is changing the game, allowing the rapid adoption of new technology, shorter timeframes for delivery and lower cost of ownership. The issue, however, for retailers is how do they meet their strategic objectives by leveraging their current technology investments alongside these innovative new technologies without ending up with a spaghetti architecture?

Our view is that we now have the perfect storm of opportunity. The cloud has become the real enabler by allowing us to procure services rather than servers, and allowing us to scale up components or services at a micro level rather than to scale up an entire platform to meet demand. This means new functionality can be delivered much more rapidly, and new services adopted for specific purposes, reducing complexity, cost and risk. This also allows us to plug and play new tech, test and learn – to innovate at pace. Coupled with this future retail architecture is the need for more control and ownership of the front-end customer experience since this is what really drives competitive advantage. Moving to a loosely coupled architecture, adopting a cloud infrastructure and a micro-services approach will be how retailers remain relevant in the age of digital disruption.

And for the stack vendors? Well the smart ones will adapt just as their retail clients will need to, or they will get replaced by more agile players. This transformation in how technology is procured, packaged and provisioned will create winners and losers, the final question is: are you ready for the future of retail architecture?

If you would like to hear more about eComp's vison for future retail architecture you can get in touch with us at mark@ecomp.co.uk

About eComp

eComp is an ecommerce advisory business offering IT and ecommerce strategy; technology evaluation; project evaluation, audit and rescue; and technology due diligence services. **http://ecomp.co.uk/**

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Selling across borders

Retailers are adopting a wide variety of strategic approaches to trading within Europe, reports **Chloe Rigby**

INTERNETRETAILING RESEARCH REVEALS a wide range of approaches towards expansion across Europe. Household brand names that sell online and through stores in more than 30 European markets stand alongside those that sell into just one market in the IREU Top500 index. Most IREU 500 businesses are at the lower end of this range, selling into an average of four European markets.

Nonetheless, for many of the retailers and brands that trade within Europe, it's a given that they will offer local language websites in key strategic markets. In these territories, customers can make purchases in their local currencies using their preferred payment methods. Retailers go further by ensuring that they offer fast delivery and, where they have stores, services that make buying from the website and picking up in store as friction free as possible. Some retailers are going well beyond this to offer local languages and fast-loading mobile apps to serve the growing number of shoppers who want to buy on the move. Forward-looking retailers also help shoppers to engage with them via favoured social media platforms.

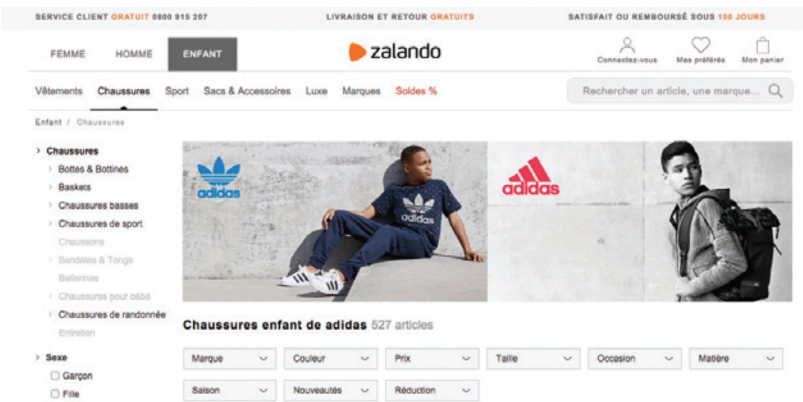

Image credit: Zalando

Zalando is encouraging key brands and retailers to sell through its platform, a way to make its offering more relevant to shoppers

For all, political influences, from Brexit to the potential protectionist policies of the Trump administration, are likely to make themselves felt in the years to come.

Setting the bar

While all retailers have roots in smaller domestic markets, it's self-evident that gaining wider brand recognition usually requires reaching beyond these markets.

Ikea, for example, which was founded in Sweden but is now headquartered in the Netherlands, has focused on offering multichannel services in the European – and global – markets well beyond those territories. In the UK, for instance, it now operates small format stores where shoppers can place and collect online orders. In Spain, it goes well beyond the usual approach to offer not only Spanish but also Catalan and Basque versions of its website. In its latest full-year financial statement, for 2016, the homewares retailer emphasised the need to develop new capabilities in order to cater for its customers' ever-changing needs. Peter Agnefjäll, president and chief executive of the Ikea Group, said: "We want to offer our customers a great experience at every touchpoint, whether it is online or in-store."

Fellow Swedish fashion retailer H&M said in its latest full-year results, published in January 2017, that even as its online businesses grow to account for a "significant" proportion of total sales in some markets, it still plans to continue opening stores in new and existing markets. Chief executive Karl-Johan Persson said: "Being close to the customers is key to success and even more important as the physical and the digital world become increasingly integrated."

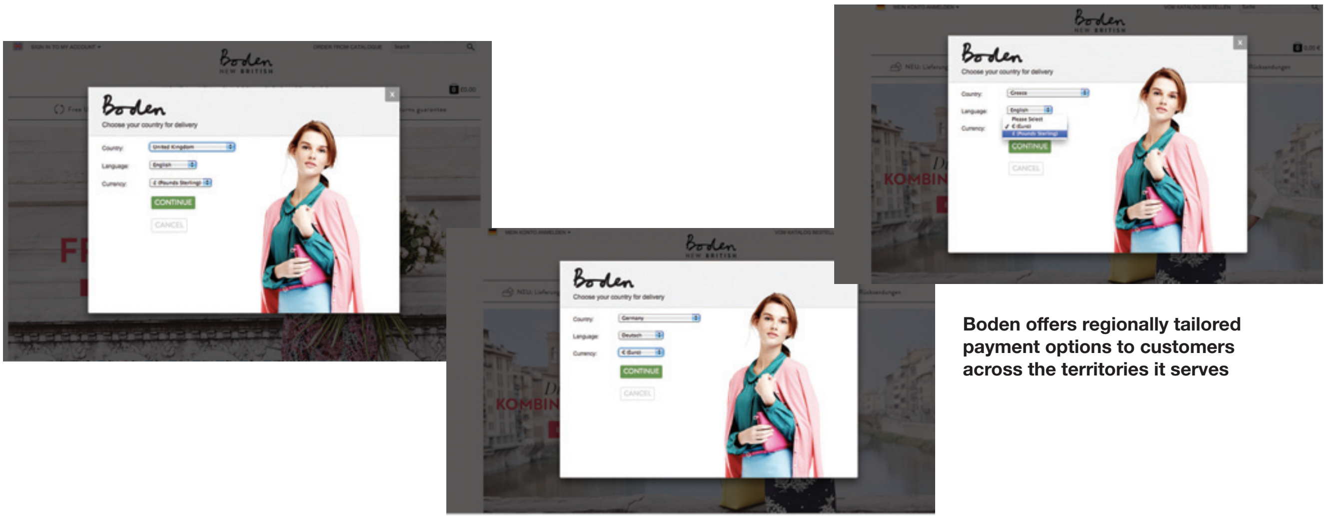

Image credit: Boden

Boden offers regionally tailored payment options to customers across the territories it serves

He added: “We have a clear omnichannel strategy in which we are integrating the digital and physical world in order to offer customers a more seamless shopping experience.” Services include enabling customers to pick up and return their online purchases in stores. In 2017, the company is set to increase the availability of next-day delivery, available in five markets at the time of writing.

Retailers from larger domestic markets have also developed European businesses that are highly responsive to trends in other markets. German fashion and footwear retailer Zalando, for example, invited brands and retailers in European countries, including Germany, France and the UK, to sell through its platform as it looked to offer the products that were most relevant to local shoppers.

Buy from Apple or Amazon in the European markets they serve, and deliveries will be competitive and swift, while Amazon also offers an innovative dynamic pricing strategy across its markets. UK retailer Asos offers localisation across its markets: it has introduced the ability to offer different prices in different territories, and interacts with shoppers via local language mobile apps and websites.

Stepping back from store-based expansion

But commentators suggest that some retailers that have expanded through bricks-and-clicks international strategies are now changing tack. Jon Copestake, retail analyst at the Economist Intelligence Unit, says that while brands such as Ikea are expanding fast, other major retailers are consolidating at home. “The trend that I’ve seen over the last few years is about major retailers cutting their losses and selling their foreign operations to focus on domestic growth,” he says. “Firms like Tesco, Carrefour, Metro to a degree and even M&S are very much becoming very focused on offloading their foreign operations because of the complications of the supply chain, of local language, local currency, currency headwinds and tail winds that make them feel less competitive at home. One of the underlying trends in terms of strategy is a refocus on the domestic market.”

He says this focus is likely to be exacerbated by the effect of Brexit, Trump’s potential move towards protectionism, and the results of upcoming elections within the European Union. “One of the trends is going to be companies looking home even more than they have been,” says Copestake. “But I think there is still a significant opportunity abroad, and I think one of the things that will drive a trend towards more international operations [for UK retailers] is going to be the weakness of the pound, creating opportunities for cross-border selling into the EU.”

That’s likely to mean, he suggests, that online will be the vehicle of choice for retailers expanding within Europe, and following a tried-and-tested strategy of enabling local language sites with local payment and delivery options.

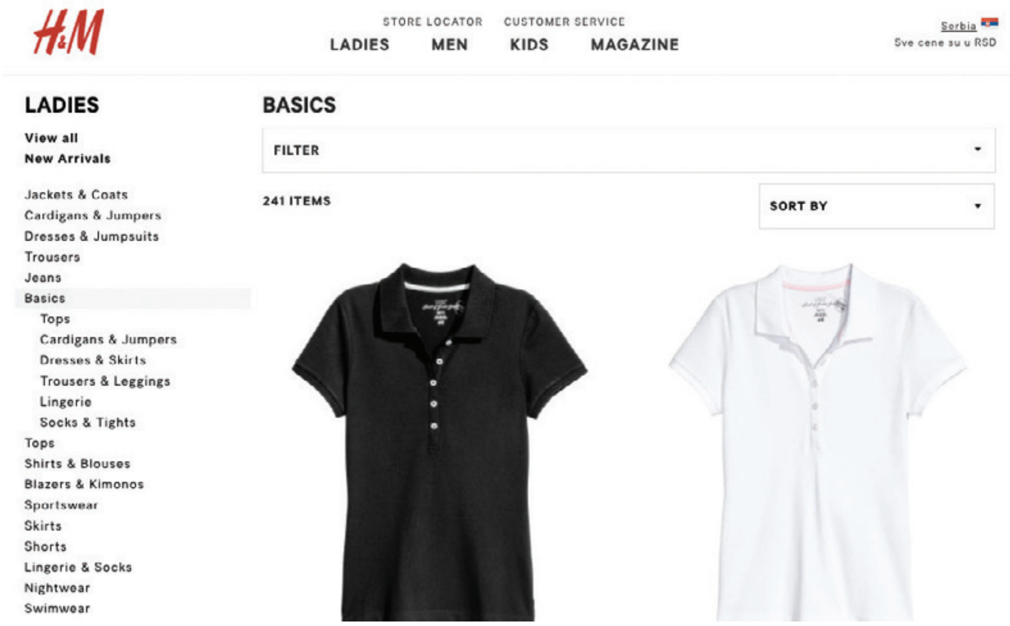

Image credit: H&M

Clothing retailer H&M's expansion is being driven by integrating its digital and real-world offerings across different territories

InternetRetailing research rates just local payment, currency, fast delivery and convenient multichannel collection as strategic and innovative services. That's partly because while InternetRetailing research shows some retailers offer this level of service, most of the Top500 European retailers do not. The average IREU Top500 retailer sells to four of the 32 countries of the European Economic Area plus Switzerland. That average retailer offers its shoppers the option of paying in two currencies, or of reading its website in three languages. That's a long way from the leading retailers in this Dimension, selling to 32 countries, in 24 languages, offering 13 different currencies. But it's also well ahead of those that still sell to one country, in one language and one currency.

There's a wide gap between the two, between the global household names and the traders that have made a success out of staying focused on their domestic markets. The efforts of retailers somewhere in the middle are revealing for what they say about how the retail sector is developing.

Expanding online

AO.com is one example of a company that is selling within Europe. The white goods and computing retailer branched out from its UK market only recently, opening a German operation in 2014. Since then, it has also started to sell in Holland. The size of its products and its specialist delivery services mean expansion has been relatively slow, built on infrastructure that includes a regional warehouse in Bergheim, Germany and a local fleet of delivery vehicles. The emphasis has been on taking the UK customer experience to new markets – with deliveries that are as fast as same day.

John Roberts, chief executive of AO.com, said in the company's latest half-year results, that the retailer is aiming high. "We have made progress in our mission to become the best electrical retailer in Europe, cementing our operations in Europe with the opening of our new distribution centre in Germany and launching new categories for customers in both the UK and Europe," he noted. "We're retailing these categories the AO way, offering a simply better customer experience, executed brilliantly by a brand and team that customers and suppliers trust."

The strategy has seen European sales rise to £29.6m in the six months to September 30 2016, 89.5% up on the same time in the previous year, and AO World expects the European operation to become profitable sometime in 2020.

Meanwhile, mid-market retailers are also taking steps to ensure payment options are relevant for the local market. Women's clothing retailer Boden, for example, makes a little go a long way when it offers visitors a choice of currencies (sterling, dollars or pounds) and languages (English or German) depending on which country they are visiting from. Visitors to its German website can choose from the local Rechnung (bank transfer) payment option, PayPal, Mastercard and Visa.

"Limiting options for payment alienates a significant number of would-be customers"

Georges Berzgal, Pitney Bowes

Ensuring relevant service

These are small but important details, says Julian Wallis, country manager, Ingenico ePayments UK&I. "International success in online retail depends heavily on the localisation of payment options, currency and language – without these, retailers will struggle to build trust and increase conversion," he says. "While credit and debit card payments dominate the UK, in the Netherlands it's iDeal. Completely different methods of payment are popular in other parts of the world, such as invoice payments, deferred payments and direct bank transfers." He says that if retailers don't go beyond the major currencies, such as the US dollar, Euro, Sterling and Renminbi, customers that don't use those currencies may struggle to understand how much they are paying and abandon the transaction.

Meanwhile, Georges Berzgal, Pitney Bowes's vice president Europe, global ecommerce, says choice is important. "Limiting options for payment alienates a significant number of would-be consumers," he says, pointing to the company's own research that showed most cross-border purchases were made using credit cards or e-wallet systems such as PayPal and Alipay. "Not taking this into account will damage retailers' reach and prevent them from having the best customer experience they can offer," he says. "It is not a matter of offering a broad set of payment options but the right set for your particular target markets."

What's clear is that retailers must ensure they offer the most relevant services for their target markets if they are to succeed in selling overseas. That means not only offering the right payment methods but also enabling shoppers to buy via the devices they want to use. Recent research from the Centre for Retail Research, carried out for Vouchercodes.co.uk, suggested that mobile devices would be involved in 27.9% of online retail sales across Europe – rising to 40.1% in the UK, where the number of mobile shoppers is set to rise from 23m in 2016 to more than 28m by the end of 2017. The growth, it said, would come as more retailers adopted a mobile-first strategy.

InternetRetailing research in this Performance Dimension found innovative use of mobile apps by retailers such as Ikea, which provides an augmented reality feature in its mobile app to show how an item will look in the visitor's home, and footwear specialist Deichman, which was among a small minority of IREU Top500 retailers with an app that offered advanced functionality, including a barcode scanner and store stock checker. If retailers continue to prioritise international expansion via digital, it is likely that mobile apps, and mobile web speeds, will improve as a cost-effective and relevant way to serve shoppers around Europe.

Strike out for new territories

How we measured which European retailers are the most forward-looking and best deliver on plans for international expansion

TO BE A successful retailer in a single territory is tough. To take things up a level and grow by expanding into new territories is tougher still. For this reason, when we came to assess retailers for the Strategy & Innovation Performance Dimension of the IREU Top500, we first set out to identify the businesses that sell across European territories and do so via different channels.

This means working at scale, but it's important to recognise this doesn't mean imposing systems and approaches from a corporate HQ. To expand abroad, retailers have to localise, to enable shoppers to read about products and services in their own languages, and to pay in their own currencies.

This requires nimbleness and adaptability, which plays into our second set of metrics, which are around the kinds of services offered across different territories. Flexible delivery options, bug-free and intuitive apps, and an understanding of local payment options all play into our work here.

"To rank highly in this Dimension, it's not enough simply to be a big retailer," says Martin Shaw, InternetRetailing's senior researcher. "Our work also recognises smaller businesses that are at the cutting edge too."

What the Top500 do: international strategy

Retail growth within Europe increasingly relies upon successful expansion into new markets. For this reason, we were keen to quantify how well retailers are doing here.

Our work reveals that, on average, Top500 retailers offer two currencies and three languages, and trade in four territories. Considering there are 15 currencies used within the EEA and 26 official languages, this may not seem impressive. However, it's worth remembering that 17 members of the EU use the Euro, which inevitably skews the figures.

Another factor to consider is the idea that, while *successful* expansion abroad generates profits, getting international expansion wrong can be costly. Our findings would seem to back up anecdotal evidence that retailers are cautious when expanding abroad, preferring to focus on markets one by one before committing to beginning anew elsewhere.

What the Top500 do: innovation

Here, we weren't looking for the kind of digital novelties you'll find in flagship stores or the presence of an in-house innovation lab. Rather, our emphasis was on measuring the digital basics that suggest innovation and an appreciation of what's going on at the cutting edge are deep in the company DNA.

We asked questions around core performance issues such as whether retailers offered websites that loaded quickly; whether retailers offered alternative results rather than a 'no results' default when customers made an unsuccessful search for an item; and whether retailers offered quick and flexible options for delivery and collection. We also wanted to make sure these offerings were well executed. Here, retailers' apps were often revealing.

"Having an app that is frustrating for a customer to use is worse than not having an app, and this is reflected in the Strategy & Innovation Index," says Shaw.

The fastest websites, as measured by the SpeedIndex applied by InternetRetailing Knowledge Partner NCC, are to be found in Norway, the Netherlands and Denmark. A little more than a tenth (11%) of retailers

Delivery options offered by the Top500

The delivery options that are offered by the Top500, including the average fraction of retailers offering an option across Europe and the countries with the greatest prevalence of the option

Delivery method	Average across all member states	Most prevalent in this country	
Offers collection	9%	Belgium	64%
Next-day delivery	11%	United Kingdom	59%
Saturday delivery	6%	United Kingdom	39%
Nominated-day delivery	4%	United Kingdom	22%
Sunday delivery	2%	United Kingdom	14%
Nominated-time delivery	2%	United Kingdom	14%
Same-day delivery	1%	Greece	9%

showed alternative results following a search that otherwise would have produced no results. Here, retailers in Norway, the Czech Republic, Finland, Sweden and Denmark stood out, with more than 40% of traders selling in these territories taking this approach, tackling a problem that many traders have yet even to recognise.

In terms of delivery and collection, we focused on click and collect, next-day delivery and nominated-time delivery. These may seem mundane services to retailers working in territories where ecommerce has had a long time to develop, but we shouldn't underestimate the flexibility and logistics expertise needed. To do this at scale and across territories compounds the difficulties.

We found that 14% of Top500 retailers, measured in all the markets they serve, offered click and collect, while next-day delivery was available from 6% of retailers, and nominated-time delivery from 4%. The Netherlands led the way in click and collect, with 64% of retailers operating in the territory offering the service, followed by the UK (63%) and the Netherlands (61%). Next-day delivery is far more commonplace in the UK than in other territories, offered by 59% of Top500 retailers operating in the market.

To put that into context, the equivalent figure for France is less than half that, at 22%. Nominated-time delivery was offered by 14% of retailers in the UK, followed by Romania and the Czech Republic, where the figure was a little less than 10%.

What leading retailers do

So what does it take to be a leading performer in the Strategy & Innovation Dimension? You'll find detailed case studies on the approaches adopted by five companies in the Top50 (Asos, H&M, Ikea, Zalando and Zara) on pages 18-22.

More generally, we found that Top50 performers typically tended to perform well across a variety of metrics and especially strongly in specific metrics where they have invested time and money. Ikea's app, for example, has an augmented reality feature so that customers can visualise how items of furniture will look in their homes.

Amongst other Top50 retailers, BonPrix, part of the German Otto Group, performs strongly in terms of not offering a blank 'no results' page, for enabling customers to save items to a list and for the high number of product shots. Again, these may not seem exceptional features, but the company operates in the fast-fashion sector, and it's particularly essential that its customers can locate and buy items quickly and easily.

Amazon, which does many things well and at huge scale, continues to be an essential study for its competitors

Apple's key strengths encompass the ability to save items to a list and the number of product images. The company also makes it easy for customers to pick up items from the store. Taken these strengths together, they, perhaps unsurprisingly, might suggest a design-driven company that cares deeply about the look of things and wants customers to visit its stores.

For a contrasting set of priorities, consider the British groceries behemoth Tesco. This is a company with multichannel operations that rely upon convenience and reliability, because nobody wants to be in for hours waiting for bread and milk to be delivered. The company excels in offering reliable Sunday delivery, plus nominated-time delivery and nominated-day delivery.

Amazon similarly excels in deliveries, offering nominated-time delivery and constantly investing to improve the number of options – and, in turn, the level of convenience for its customers. However, it's strong in other areas too, in areas such as dynamic pricing and tailoring recommendations to local factors. Viewed as a retailer that does many things well and at huge scale, it continues to be an essential study for its competitors.

In conclusion

As InternetRetailing.net editor Chloe Rigby notes in her strategic overview, the effects of Brexit may have a profound effect on the overall European retail landscape in the years ahead, especially if Britain can't secure favourable access to the EEA.

What it won't do is mitigate the need to look ahead and not only identify new markets, but look at incremental improvements that will help retailers better serve these markets. As we look to updating the IREU Top500 and refine our methodology, we would still expect those retailers that performed well this year largely to continue to outshine competitors.

That's because, in our estimation, these are retailers that have already demonstrated expertise in the different retail disciplines that make up the metrics in the Strategy & Innovation Performance Dimension. It follows these are the retailers that are best set for future success.

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The Top100 retailers of the IREU 2017 Strategy & Innovation Dimension
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Strategy & Innovation Top50

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Apple
Argos
Asda
Asos
Auchan
BestSecret
Billa
The Body Shop
BonPrix
C&A
Camaieu
Currys
D-Mail
Darty
Decathlon
Deichmann
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OBI
Office
Peacocks
The Perfume Shop
Philips
Photobox
Pimkie
Plus.de
Promod
Quiz
River Island
Rossmann
Sainsbury's
Saturn
Scapino
Spreadshirt
Superdrug
Tape À L'Oeil
Thansen.dk
Trainline
United Colors of Benetton
Vistaprint
Waitrose
We Fashion
Wiggle
YOOX.com
Yours Womenswear

Congratulations to the IREU Top500

IREU TOP 500 Sponsored by emarsys

This is our ranking of the Top500 in Europe, based upon each retailer's performance across our six Performance Dimensions: Strategy & Innovation, The Customer, Operations & Logistics, Merchandising, Brand Engagement, and Mobile & Cross-channel.

Our Elite retailers are statistically ahead of all others and they represent the pinnacle of European multichannel retailing. Congratulations to Apple, Bon Prix, Decathlon, H&M, Next and Zara.

IREU 2017 ELITE

bon prix
next
DECATHLON
H&M
ZARA

IREU 2017 LEADING

Alza
Amazon
Argos
Asda
The Body Shop
Boots
Carrefour
Currys
Darty
Deichmann
Euronics
IKEA
Intersport
John Lewis
Lidl
M&S
Media Markt
Nike
Otto
Sainsbury's
Saturn
Screwfix
SportsDirect.com
Tesco
Zalando

IREU 2017 TOP 50

Asos
Auchan
Bershka
Coop
Debenhams
Dorothy Perkins
eBay
Fnac
Halfords
Homebase
House of Fraser
Kiabi
Leroy Merlin
Mango
Massimo Dutti
Mothercare
New Look
PC World
Pimkie

IREU 2017 TOP 100

Accessorize
Albert Heijn
Alternate
B&Q
Bol.com
Boohoo.com
Boulanger
C&A
Carphone Warehouse
Clarks
Conrad
Disney Store
Douglas
Dunelm
eMAG
Empik.com
Ernsting's Family
Eroski
Esprit
Expert
F&F
Hema
Hollister
Hunkemöller
Jack & Jones
JD Sports
La Redoute
Matalan
Migros
Monoprix
OBI
Office
Phone House
Prenatal
Promod
Pull & Bear
River Island
s.Oliver
Stradivarius
Superdrug
Swatch
Tchibo
Thalia
TK Maxx
Topman
Topshop
Toys Я Us
Unieuro
Wallis
Weltbild.at

IREU 2016 TOP 150

Adidas
Auchandrive.fr
A.S. Adventure
Bauhaus
Blokker
Camaieu
Castorama
Claire's
Clas Ohlson
Conforama
Delhaize.be
E-shop.gr
E.Leclerc
Eduscho
El Corte Ingles
Evans
Foot Locker
Forbidden Planet
George at Asda
H.Samuel
Hagebaumarkt
Hornbach
JYSK
Konzum
Kruidvat
Lindex
Lloyds Pharmacy
Majestic Wine
Matras
Media World
Mein dm
Miss Selfridge
Oasis
Pandora
Quiz
Rossmann
Samsung
Schuh
Simply Be
Smyths
Spar
Staples
Swarovski
Toolstation
United Colors of Benetton
Vero Moda
Waitrose
WHSmith
Wilko.com
Yours Womenswear

IREU 2017 TOP 250

Aktiesport
Allegro
Ann Summers
Apotek1
ATS Euromaster
Aubert
A.T.U.
Bata
Bathstore
Billa
Blue Inc
Bose
Bottega Verde
Brantano
Brico
Burberry
Burton
Cache Cache
Christ
D-Mail
Dänisches Bettenlager
Dia
Early Learning Centre
Electro Depot
Elkjop
Etam
Evans Cycles
Ex Libris
Footasylum
Forever 21
Galeria Kaufhof
Galeries Lafayette
Game
GAP
Gemo
Go Outdoors
Goldsmiths
Google Play
Hobbs London
Holland & Barrett
HP
Hugo Boss
Iceland
IKKS
Interflora
Intreza.nl
Jacamo
Jack Wills
JBC
Karen Millen
Karwei
Kasa
Kijkshop.nl
Kik
L'Occitane
Lapeyre
Leen Bakker
Lego
Littlewoods
Lush
Mall.cz
Micromania
Mondadori Store
Monsoon
Morrisons
MS Mode
Nespresso
Ocado
Orchestra
Oysho
Peacocks
Pets at Home
Post Office Shop
Public.gr
Roller.de
RS Components
Ryman
Sally
Scapino
Shoe Zone
Sport Zone
Spreadshirt
Superdry
Tape À L'Oeil
Tommy Hilfiger
Topps Tiles
USC
Vente-Privee
Very
Warehouse
Waterstones
We Fashion
Wickes
Wiggle
Worten
Xenos
XXL
YOOX.com
Yves Rocher
Zeeman

IREU 2017 TOP 350

American Golf
Baby-Markt
bareMinerals
BCC
Bijou Brigitte
Boux Avenue
Bristol
BUT
Camper
CarpetRight
Cass Art
Cdiscount
Chaussea
Cotswold Outdoor
Cotton Traders
Crocs
Cultura-Socultur
Czc.cz
Dabs.com
Desigual
Diesel
Dreams
Dunnes Stores
Dustin
Ebuyer.com
El-Giganten
Electro World
Ellos
The Entertainer
Ernest Jones
Fat Face
Fust
Games Workshop
Gamma
Gifi
Gigantti
Go Sport
Görtz
Gucci
Hippoland
hmv.com
Hobbycraft
Home Bargains
JD Williams
Jennyfer
Karstadt
Komplett
Komputronik
Krëfel
Lakeland
Laura Ashley
Libri
Lipsy
Louis Vuitton
M-Electronics Migros
M&Co
Maisons du Monde
MandM Direct
Maplin Electronics
Materiel.net
Medimax
Microspot.ch
Mio
Misco
Miss Etam
Missguided
Morgan
Mountain Warehouse
Müller
Net-A-Porter
The North Face
NotOnTheHighStreet.com
Obaïbi-Okaïdi
Okay
The Perfume Shop
Philips
Photobox
Plus.de
Puma
Real
Reiss
Rue du Commerce
Sole
Space.NK.apothecary
Specsavers
Stadium
Tati
Thorntons
Timberland
Tokmanni
Urban Outfitters
Vertbaudet
Victoria's Secret
Viking
Vistaprint
Wayfair.co.uk
Women'secret
The Works
XXXL
Zazzle

IREU 2017 TOP 500

Achica
Adolfo Dominguez
AKI
Alba Moda
Albert
Alcampo.es
Allopneus.com
AllPosters.co.uk
AllSaints
Altex
American Apparel
ao.com
Apart
Apotek
Asics
AuchanDirect.fr
Avon
Babywalz
Barbour
Baur
BazarChic
Bensons for Beds
Berden
BestSecret
Bever
Bild Shop
Bimba Y Lola
Boden
BookDepository.com
Boozt.com
Bottega Venetta
Brico Depot
BuyVip
Card Factory
Casadellibro.com
Cath Kidston
Ceneo
ChaussExpo
Coast
Continente
Coolcat
Coradrive.fr
COS
Crazy Factory
DeLonghi
Delticom
Devred 1902
DFS
Dixons
Dr.Max
Dress-for-Less
e-Jumbo
Easy Buy World
Ecco
The Edinburgh
Woollen Mill
Euro Car Parts
Everything5pounds.com
Fashion Days
Fashion ID
Feelunique.com
Flanco
Fossil
France Loisirs
G-Sport
G-Star Raw
Gaastra
Gall & Gall
Grazia Shop
Guess
Habitat
Hervis
Jacques Vert
JouéClub
Just Eat
Kenzo
King Jouet
Kjell & Company
Kotsovolos
Kwantum
LaFeltrinelli
LDLC
Manor
Mercadona
Merlin
Microsoft
Mimovrste
Mindfactory.de
Mister Good Deal
Monica Vinader
Monki
Moonpig
Mr Porter
Myprotein
MyTrendyPhone
Nature & Decouvertes
Neonet
NetOnNet
Oscaro
Overclockers UK
Paperchase
Pepe Jeans London
Pizza.be
Plumbase
Plutosport.nl
Poco
Prada
Praktiker
Pret A Manger
Printing.com
Privalia
Ralph Lauren
The Range
Remix.bg
Reservix
Richer Sounds
Robert Dyas
Route One
Rowlands Pharmacy
Runners Point
Saldiprivati
SecretSales
Skatehut.co.uk
Smyk
Sportisimo
T.M. Lewin
T.S. Bohemia
Taobao
TechnoMarket
Thansen.dk
Thomas Sabo
Thuisbezorgd.nl
Ticketmaster
Timpson
Tom Tailor
Topachat.com
Trainline
Trespass
Vanden Borre
VanHaren
Vans
Vente-Exclusive.com
Villeroy & Boch
VM Zona
W. Kruk
Westwing
Witt Weiden
Zavvi
Zero
Zooplus
5.10.15.

H&M: marrying physical and digital

Images credit: H&M

H&M's strategy is built around expansion both online and via bricks-and-mortar stores

AN ESTABLISHED HIGH-STREET brand aimed at fashion fans all over the world, H&M, or Hennes & Mauritz, is increasingly concentrating on digital and online to push up sales and retain its position in the market, focusing its strategy on integrating the digital and physical to offer customers the best overall shopping experience.

According to its 2016 full-year report, the company, which owns six brands: H&M, COS, &Other Stories, Monki, Weekday and Cheap Monday as well as H&M Home, added 11 new online markets last year, bringing its total up to 35, with Canada and South Korea the latest to launch. This year it has its sights on a further six online markets: Turkey; Taiwan; Hong Kong; Macau; Singapore and Malaysia, as well as planning to open more bricks and mortar stores.

In a show of its commitment to developing online and digital, in tandem with its presence on the high street, this year, for the first time, the company is setting its growth targets in overall sales across platforms, rather than in physical stores opened. So its previous target to increase its number of stores by 10% to 15% a year, has been replaced with a target to increase overall sales by 10% to 15% in local currencies.

Online sales represent a significant share of its total sales, but as well as getting people to shop online it sees the digital platform as a great way to enhance the experience of the in-store shopper and vice-versa. Among its integrated offerings to shoppers are the opportunity to pick up and return online purchases in store, and to pay for purchases via mobile phone. It also has plans to use mobile devices to deliver customer service, both in-store and out.

Investment in automated warehouses and RFID technologies are being made to improve the company's supply chain to enable faster turn-around on delivery. Next-day delivery is currently available in five markets (with time slots available in Japan) and it plans to roll this out further this year. It is also starting to use advanced analytics to help with planning and logistics, a move that it believes will greatly support its operations.

But CEO Karl-Johan Persson is adamant that having high street stores is still central to its business (it opened 427 new stores worldwide in 2016). "We have a strong store portfolio with more than 4,300 stores which gives us a unique proximity to our customers," he said. "Being close to the customers is key to success and even more important as the physical and digital worlds become increasingly integrated."

H&M

EU ELITE 2017

DIMENSION SCORECARD

IREU17/Strategy/June

IRUK 2017

Innovation

Leading Practice

Localisation

internetretailing.net/organisations/rham

Asos: keeping up with the kids

ONE OF THE top players in global online fashion retail, London-based Asos is continually looking for new ways to keep its target audience of 20-somethings engaged with its content and happy with its service. Describing itself as a global fashion community, with Asos.com at the centre, the retailer publishes 60,000 pieces of fashion and lifestyle content every month, and sells more than 85,000 branded and own-label products to almost every country in the world, shipping from distribution centres in the USA, UK and Europe.

According to the retailer's 2016 annual report, by the close of the year it had 12.4m active customers, a 25% increase on the previous year. It also recorded 19m followers across social platforms including 7.4m on Instagram and 6.5m on Facebook. In 2016, it successfully trialled new formats for engaging with its target audience and spreading brand awareness, through Instagram Stories, Facebook Live and Snapchat. It is currently rolling out Snapchat channels in Australia, France and Germany, and launching new Instagram accounts for menswear in France and the USA. It is also expanding its magazine offering for loyal customers, last year launching French, German and American editions of the Asos magazine.

Engagement seems to translate into sales for the company: its annual report showed that total retail sales for 2016 were £1,403.7m, up 26% on 2015; a rise of 27% in the UK, 28% in Europe, 50% in the USA and 9% in the rest of the world. On a less positive note, it was forced to close its Chinese operation, deciding after three years that it was still too far from profitability to keep open. It is now concentrating on its core territories of the UK, Europe and USA. It also performs well in Australia.

Asos believes the future is mobile – more than half of its orders (51%) are now placed via a mobile device and 66% of overall traffic is from mobiles – so it is no surprise it is investing heavily in this direction, this year planning to double its spending on its mobile offering. Last year it launched a brand new Asos app on iOS and made improvements to its Android app. The company recorded 7.5m new downloads of its app last year alone bringing the total number of active installs to 10 million. On average, its customers are using the app eight times a month, spending around 70m online during that time.

Images credit: Asos

Asos has been consistently innovative in its initiatives to reach customers across Europe

asos discover fashion online

IREU 2017 TOP 50

DIMENSION SCORECARD

IREU17/Strategy/June

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Innovation

Leading Practice

Localisation

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Thinking local at Zalando

German fashion retailer Zalando sells to 14 countries across Europe, tailoring its offering to each local market. **Delphine Mousseau**, vice president, markets, says it is this attention to difference that is key to its success

IT IS ONLY a few minutes into our conversation that Delphine Mousseau, vice president of markets at online fashion retailer Zalando tells the story of how the company earned an award for the worst advertising in fashion. Not only is she not embarrassed about this, but she hoots with laughter when recalling that they went on to win the same award for a second time, the following year.

At the time, the German online fashion retailer, which launched in 2008 and today sells shoes and clothing from 1,500 brands, across 14 European markets, had just expanded into the Netherlands. Already serving customers in Austria and Switzerland, it assumed the same offering would work just as well there. Instead, it was ridiculed.

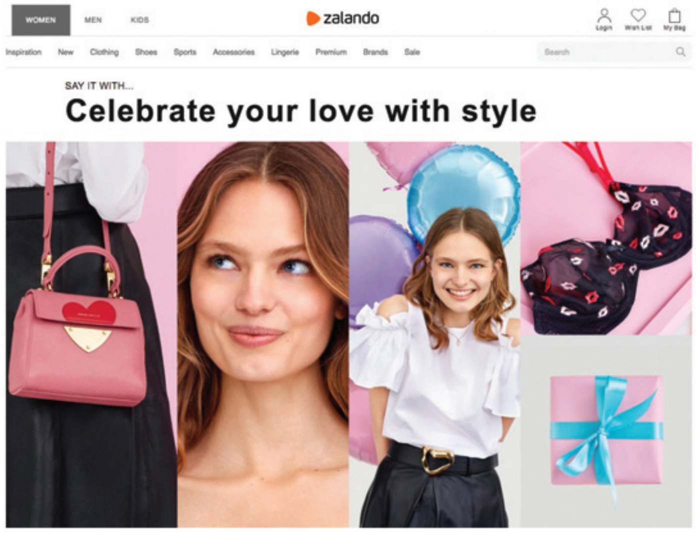
The company took the opportunity to learn from the experience and turned the knowledge – that to be successful in a new market you have to adapt to local tastes and ways of doing things – into one of the key pillars of its success. (The German adverts were successfully replaced with new Dutch ones.) Moreover, making mistakes and talking about them is seen as a normal part of business development.

"We still have this culture that it is OK to fail," says Mousseau. "We do a lot of work with customers, trying to understand what will make their lives easier and their experience of fashion more enjoyable. We are trying out new things all the time, and not all of them are going to work."

Often it is where things aren't working, that the company sees an opportunity. One of the policies that sets Zalando apart from its competitors is its generous shipping and returns policy. All shipping and returns are free, and in most countries people have 100 days to return items. While this policy has proved popular in most markets, it was noticed that in Italy returns rates were low.

"Markets like Italy are not familiar with shopping online," Mousseau explains. "Customers in Italy experience strong guilt about returning items. They feel like they are breaking an agreement, so we had to get the message across that it's fine to return things and that it's easy. We did a lot of advertising in Italy to explain this."

Image credit: Zalando



Zalando's websites are localised for local markets

On the street

One innovative approach it took was to demonstrate to people on Italian high streets how to do return items. "We rented out spaces in city centre, and did them out to look like a living room," says Mousseau. "People could come in and order on a tablet, try on the goods, then return them. It was a way of connecting locally with customers."

Because 29% of Italians don't have bank accounts, another way into the market was to offer a cash-on-delivery service. "Our sales really picked up when we introduced paying cash to the delivery driver," says Mousseau. "We also offer this service in Poland.

"Brand awareness, accessibility, fashion: you decide from these indicators what campaign you need to do. In some areas we are already compatible with the local market, in others we need to adjust. In Spain, the market is dominated by verticals like Zara, so what we need to communicate is that we are the cool place to get the niche brands.

"We have a culture that it's OK to fail. We are trying new things all the time and not all of them are going to work"
Delphine Mousseau, Zalando

In the Nordic countries, it is really important to stock Nordic brands. We need those brands to be credible, but it also gives us the opportunity to bring new brands into that market. The French market loves the fast fashion British brands like Top Shop and Dorothy Perkins: clothes at a low price point, but with a high fashion content."

Sometimes small details make a big difference. "Switzerland is a great market for us," says Mousseau. "We used to cater for them with our German customer service department, but satisfaction went up when we hired Swiss-German speakers. We now have 12 different languages including 'Belgium-French', as well as 'French-French'. It's that kind of attention to detail that makes customers feel at home with us."

Make things easy for the customer

But it is the ease of the overall ordering and returns experience that has the greatest impact. "If you look at our website there are a lot of brands," says Mousseau. "We can cater for anyone's style but people still don't feel buying online is as easy as going into a store. We want to turn that around. We have worked a lot on the return experience, to make it as easy as possible – things like putting the labels ready in the parcel so all you need to do is to stick them on.

"In the big cities in the Netherlands, you just go onto the site of our partner couriers and someone will pick up your returns within half an hour. People are really satisfied with this kind of service. They don't have to think about when they are going to be able to return things.

In France the mail boxes are all the same size. They can accommodate a shoe box. So we set up a service where you put your returns back in your mailbox and the postman takes them away. Our parcels were slightly too big originally, so we reduced the size and now they fit. These are the kind of innovations we think will make a major change to online fashion retail."

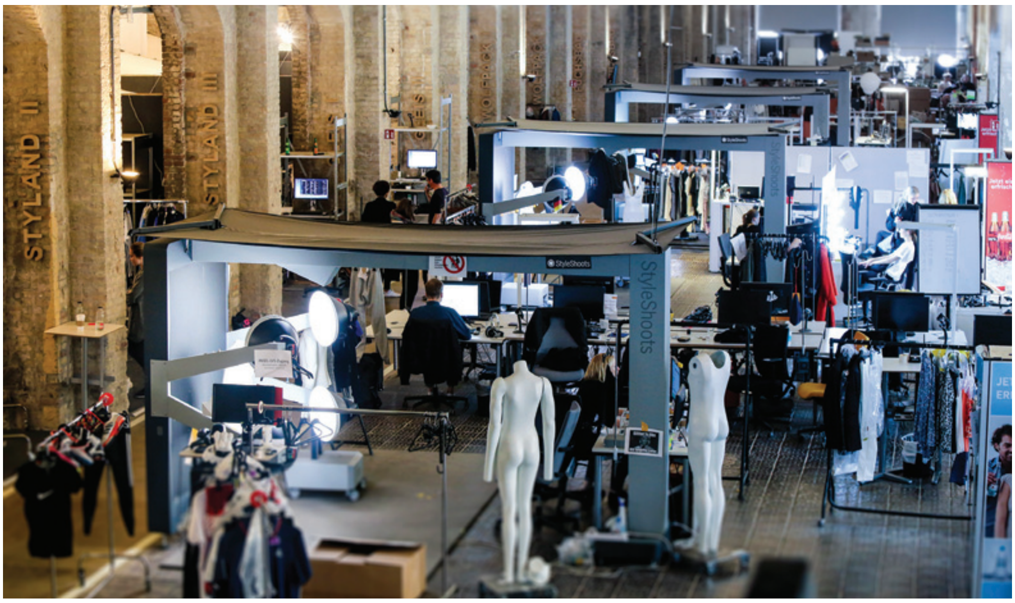
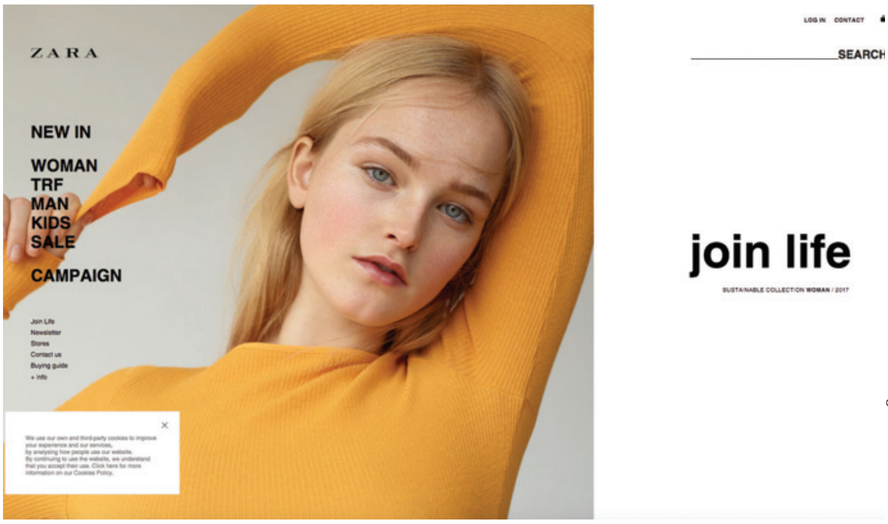


Image credit: Zalando

The content creation workshop at Zalando is testament to the retailer's emphasis on making stylish clothes accessible

Zara: fastest for fashion



The design of Zara's digital presence is bold and, more importantly, carefully calibrated to make it as easy as possible for customers to shop across channels

Image credit: Zara

SPANISH-OWNED FASHION RETAILER Zara's online presence is impressive, with its website being one of the fastest around and its app one of the best designed – two of the reasons why it was ranked so highly in the Strategy & Innovation Dimension. It is also closely attuned to customer opinion, running a worldwide customer feedback system that feeds into the company's creative team, and influences company decisions on design and customer service.

Having opened its first sore in A Coruña, north-west Spain in 1975, Zara today has more than 2,100 city-based stores in 88 countries around the world. This includes stores in 28 EEA countries. Over the last few years Zara and its owner Inditex have embraced online platforms with gusto, resulting in an enviable online offering and setting an example for others in the field to follow.

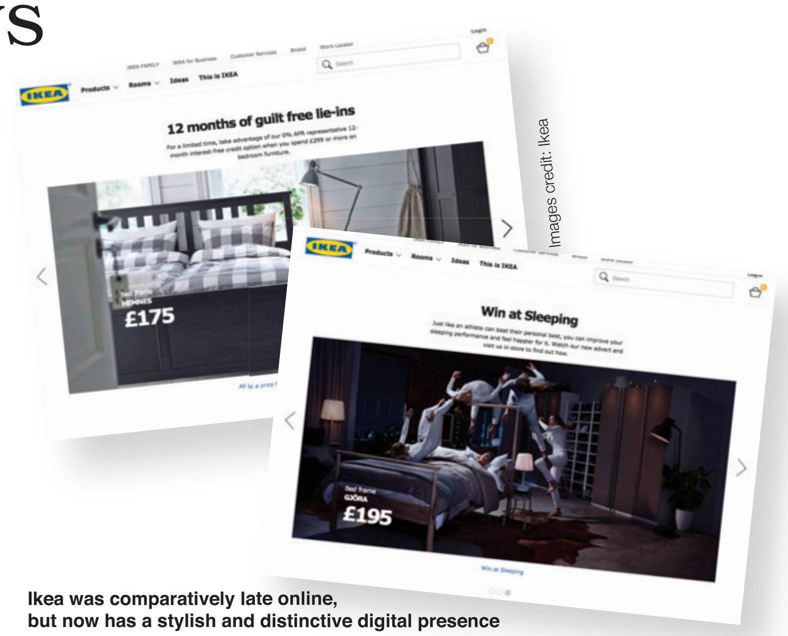
Zara runs 16 websites across 16 countries, with each offering click-and-collect shopping. Across all these domains it is one of the fastest in cyberspace with an average load time of 3s. It's UK website is the fastest at just 2s, with its Hungarian site coming in at 2.8s. It achieved nearly 96 out of 100 on Page Speed score in the IREU 500 research.

Its app, which is currently available in the UK, France and Germany, has been highly praised for its beautiful design and easy navigation. Clothes can be looked at from every angle thanks to plentiful images. These images are zoomable. Users are able to browse in their own languages (English, French or German), to check the availability of stock in local stores and, importantly, to buy. It also includes a scanner and multiple ways to share what you have found and will keep you up to date with the latest offers and deals. A centralised account means that, once logged in, users can move in and out of the app without losing what they were browsing or the contents of their baskets.

One of its strongest features is the way the app allows new customers to go straight to checkout, rather than having to set up an account first – a stumbling block that can put off first-time buyers from seeing transactions through to completion.

The Zara app cleverly gets round this by collecting new customer data as part of the checkout process. Once the checkout is complete, it then simply requests a password to set up an account.

Ikea: leading the pack in multiple ways



Images credit: Ikea

Ikea was comparatively late online, but now has a stylish and distinctive digital presence

THE IKEA GROUP'S 2016 annual report couldn't be clearer about the direction in which the company is heading. The home furnishings retailer, which operates in 28 markets around the world and is this year preparing to launch in India and Serbia, may have its bedrock in stores (which currently account for 95% of sales), but it has no doubt that its future is as a multichannel retailer.

"We are on an important journey to becoming a multichannel retailer, for which we are bringing in specialists and appropriate competencies," Lotta Lyrå, group development and expansion manager, noted. "Most importantly, we are moving forward with an even greater focus on innovation and development to meet customer needs in new ways."

Ikea currently offers ecommerce options in 14 of its markets, but intends to roll these out across the business to give all customers the option of shopping in store, online or via social media. It is also promising a joined-up experience where shopping started at home or on a mobile device can be continued in store and vice versa. To enable these changes it is introducing a major shake-up of its distribution and logistics, whereby products will be stored closer to customers to cut down on delivery times and costs, with new stores – some of which will be in new formats – serving as hubs for customers to pick up, exchange and return purchases.

Ikea has also put sustainability at the heart of its vision, committing to do its bit to tackle climate change by producing more renewable energy than it consumes. By the end of the 2016 financial year, it had committed to own and operate 327 wind turbines around the world, and had invested in 730,000 solar panels on its buildings.

Changes currently being rolled out in its German operations give a taste of what is to come. Here, the company has reorganised its distribution to provide two warehouses (in Berlin and Hamburg) to deal with larger-sized products ordered in store or online, leaving a parcel unit in Dortmund to deal with smaller orders, which it can turn around more quickly, now it has been freed up of the larger items.

A pick-up point combined with showroom has been introduced in Ravensburg, and a small-format 'Smart Store' in Bremerhaven, while its new Kaarst store, due to open in the summer of 2017, will be the first of the company's resource-efficient "More Sustainable Stores". These will feature large amounts of natural light and environmentally friendly technologies.

IKEA

IREU 2017 LEADING

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IREU17/Strategy/June

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Innovation

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Localisation

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Practical approaches that work

In a retail landscape where international expansion is the key to sustained growth, offering approaches that are innovative in a home market to shoppers in other European countries may offer retailers a first-mover advantage. Conversely, importing retail strategies that are widely used in other markets can prove innovative at home. The overall result will be a retail environment across the European Economic Area, plus Switzerland, that increasingly adapts and flexes to customer demand. **Chloe Rigby** rounds up some approaches that impressed us during the course of this research

1 Make it easy for shoppers to buy via mobile

Retailers benefit when they enable shoppers to buy in ways that are most convenient for these customers. In many markets, that will mean over smartphones – and shoppers that download a mobile app are likely to be among the most loyal, returning for an easy experience. That's particularly true when the mobile app functions in the local language and offers sophisticated functionality that compares well with local competitors.

German footwear retailer Deichmann, which uses 18 languages to sell in 19 EEA countries, enables its customers in Germany, the UK, Austria and Italy to buy via localised, transactional iOS and Android apps. The apps offer some advanced functionality that's relatively unusual among Top500 retailers. Features include barcode scanners and store stock checkers, while customers can also see star ratings and both read and leave product reviews.

Meanwhile, UK fast-fashion business Asos enables shoppers in France, Germany, Italy and Spain to buy via localised Android and iOS apps. Customers can view daily deals, save products for later and share them on social media.

2 Talk to shoppers on social media

Retailers use social media to great effect when they tailor messaging to local markets, talking to shoppers in their own languages and on the social media platforms these customers use. That can amplify a retailer's voice and raise brand awareness in new markets.

InternetRetailing research shows that French sporting equipment retailer Decathlon talks to its customers over 10 social media channels. It has 13 country-specific, local language Facebook feeds. The Spanish site had the largest following at the time of the research, with 2.3m Likes. Decathlon has nine country-specific Twitter handles. Again, Spain leads the way: Decathlon's Spanish feed had 377,000 followers.

Speaking to InternetRetailing for the *IREU Top500 Brand Engagement Performance Dimension Report*, Decathlon's Kieran O'Shea, explained how the retailer used social media differently between markets. Twitter is a key channel for the sports equipment retailer in the UK, with more followers than Decathlon France, whereas in France, it is more likely to communicate to visitors via stores.

It's important, he explained, to target shoppers precisely. "We go in-depth with our retail marketing so that we can talk to the right customers with the right offers at the right time," he said. "The last thing I want to do is pay to reach someone that's not interested. I avoid that by going in-depth in my targeting, and making sure that what I'm serving to customers is what they want."

Decathlon targets its communications according to local preferences

Image credit: Decathlon

3 Give customers the service they need

The better the customer service that shoppers encounter when they have a query or a complaint, the more likely they are to return to buy another time. That's just as important for customers buying from international websites, where a local telephone number, alongside easy-to-understand delivery and returns information, can be reassuring to browsers who are considering buying but are not yet convinced.

Spanish-owned Zara stands out in the IREU Top500 for its pan-European customer service. It delivers the same standard of service across the 28 EEA countries that it services in 23 languages. Because it enables shopper feedback across its operations, it is also able to respond quickly to comments, and to make fast changes to its designs and services.

4 Reflect the needs of local shoppers

Retailers target shoppers in overseas markets effectively through websites that offer local languages, payments and currencies. Many retailers limit that strategy to just a few websites targeting chosen markets. Some large retailers, however, target many more in an approach that works well for globally focused strategies. Enabling a local feel works well for brands that have a high recognition factor and logistics expertise.

Holland-headquartered global retailer Ikea has more than 30 different websites serving Europe alone, including three sites for Switzerland, in German, French and Italian, and three for mainland Spain, in Spanish, Catalan and Basque. This represents a market-leading level of attention to detail that's also backed up by stores in 50 markets around the world, including 26 countries in Europe.

Other retailers that localise to a high degree include fashion retailer Next, which has dedicated local currency and local language websites for more than 30 European markets, including Gibraltar; Zara, with almost 30 transactional websites for EEA markets including Switzerland and the Canary Islands; and BonPrix, with local language websites for more than 20 European markets.

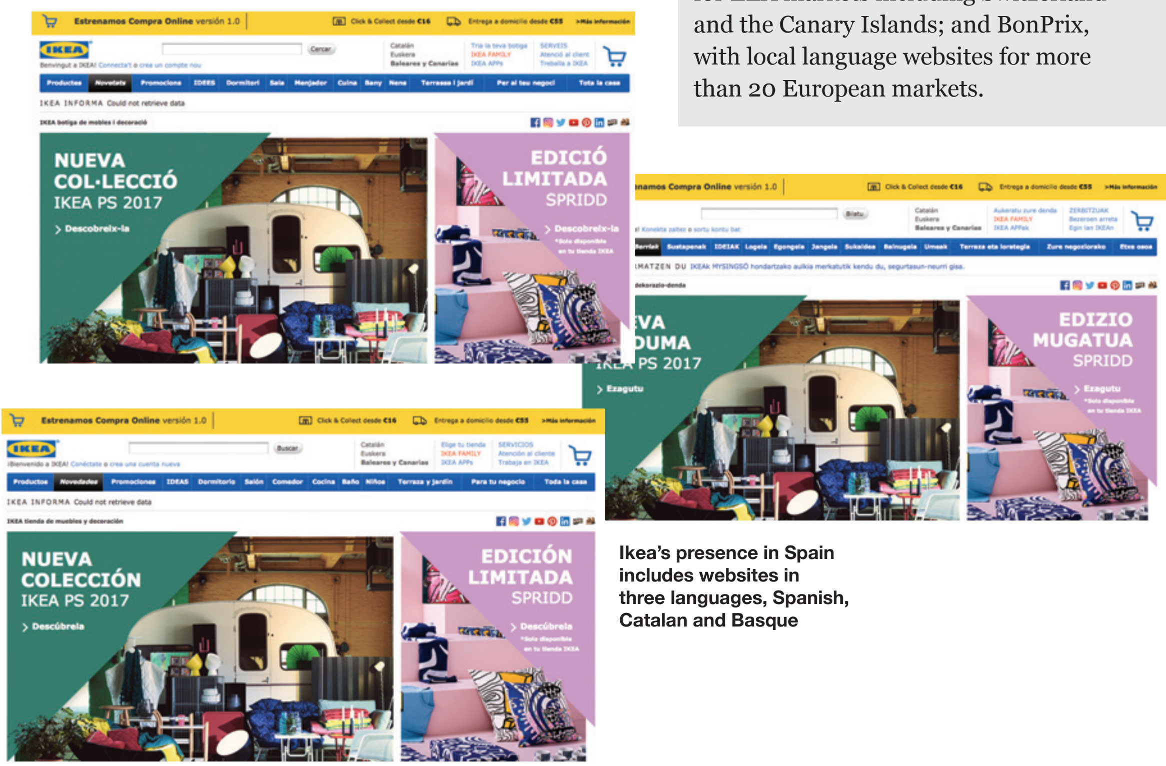


Image credit: Ikea

Ikea's presence in Spain includes websites in three languages, Spanish, Catalan and Basque

5 Local payments and currencies

The checkout is a common point for shoppers to abandon purchases. When those shoppers are buying across borders, retailers that enable them to pay in their local currencies, using the payment methods that best suits them, are likely to benefit as a result.

German retailer Zalando tailors the payment methods it offers to the markets that it sells in. It offers Visa, Mastercard, American Express and PayPal widely, adding methods that have appeal in local markets. For example, in Germany it offers the Rechnung – or open invoice – method that is commonly used in the country. In Holland, it offers local bank transfer scheme Acceptgiro as well as iDEAL, which processes more than half of all payments in the market. In the UK, Zalando enables customers to pay via Maestro or Visa Electron, while in France it offers anti-fraud payment system Certissim. Currencies are localised, so that UK shoppers can buy in sterling, and German shoppers in Euros.

As well as offering local currencies, some retailers also offer local prices, UK fast-fashion retailer Asos developed zonal pricing so that it could offer different prices in different markets, enabling it to compete more effectively with local retailers.

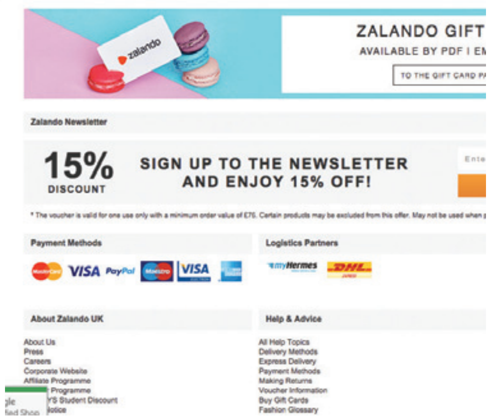
6 Exceed delivery expectations

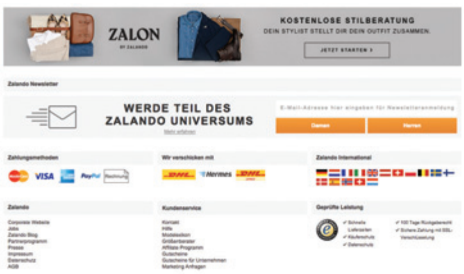
Fulfilment strategies that meet the standards expected in each local market are important for retailers selling across borders if they are to compete effectively. By going further and exceeding those standards, retailers raise the game to better customers' expectations.

Thus US retailer Amazon has taken on UK grocers by offering PrimeNow delivery within an hour in some parts of the country. It also offers highly competitive services in its five other European markets. For example, Italian shoppers who order by 4.30pm can take delivery by noon the following morning, while shoppers in the Milan area can order by 1.30pm to take delivery between 6pm and 9pm.

Computer giant Apple, meanwhile, offers a market-leading service more widely across Europe. InternetRetailing research found that it offers next-day delivery to online shoppers in seven EEA countries when they spend more €40. In those markets, shoppers can also return their orders to a store within 14 days, or schedule a third-party collection. Refunds are given within five to seven days of the company receiving the product at the warehouse.

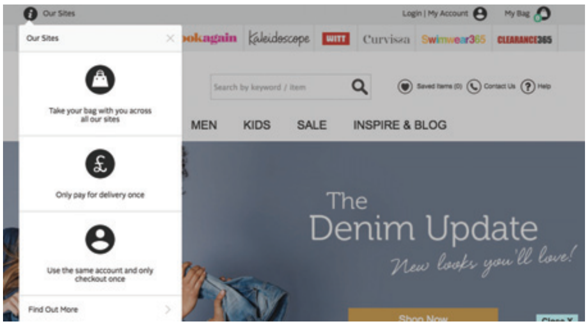
Image credit: Zalando





Payment options vary according to which localised website Zalando's customers use

Image credit: BobPrix



BonPrix encourages shoppers to gather purchases from different websites in a single checkout process

7 Innovate to be convenient

Make it easy as possible for shoppers to buy: those that appreciate flexible services will be more likely to return. Retailers that enable shoppers to collect in store, or to buy in easier ways, are likely to gain repeat business from those that find the approach makes life simpler.

Thus, Holland-headquartered Ikea and UK department store House of Fraser are among the retailers that have designed new smaller-format stores where shoppers can pick up – or research and order – their online purchases at a location that is convenient to them.

Value fashion retailer BonPrix, meanwhile, encourages UK shoppers to buy from nine different websites in one transaction. This means one shopping basket, one checkout and one delivery charge for such transactions.

8 Research new technologies

Being among the first to adopt a new technology can help give retailers a reputation for innovation. But it's important that those technologies are genuinely useful to existing as well as potential customers. That's where research and genuine understanding of customer needs – and how existing services fall short – comes in.

UK department store House of Fraser, for example, used virtual queue management technology to ensure that its click and collect customers had a better experience during relatively short lunch breaks, while Asda used a range of click-and-collect options, from drive-through services to the store, while also testing the use of intelligent pod technology.

9 Ensure relevance

Retailers better communicate the products they show website visitors when they show goods that are relevant to these visitors. Personalisation is one way to do this: IREU Top50 retailers from Amazon to PC World offer a more convenient service, including faster checkout and recommendations based on order history, to shoppers that have signed in.

Very.co.uk offers personalised home pages and product displays, again based on order history, while also showing shoppers what its range of bags, luggage and purses would look like on them Sportswear brand Nike enables its shoppers to customise trainers online.

Different approaches work in different industries: furniture retailer Ikea and tile merchant Topps Tiles are among those that enable visitors to their websites to visualise their purchases in place in the home, while 'how to' guides help DIY customers to put purchases to work.

Image credit: Topps Tiles

The Topps Tiles Visualiser helps customers see what different designs will look like in different styles of room

10 Use new ways to reach the customer

Brands and retailers are benefiting from the advantages of reaching out to potential shoppers via third-party websites. Whether it's selling on another retailer's website, or on one of the growing number of marketplaces that serve a wider European area, these are useful ways to raise brand awareness in new markets and to reach new audiences.

Shoppers can buy from retail brands, including New Look and River Island, on Zalando's sites in the UK and beyond, while clothes and footwear from Mango, Coast, Phase Eight and Nike are available on Next's Label site. This gives Next a way to build sales, while also enabling shoppers to make all their online fashion purchases from one destination, reducing the cost of having them delivered.

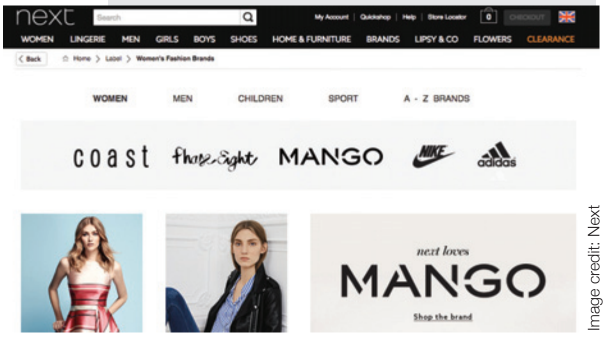


Image credit: Next

Next's Label site lets shoppers order some of their favourite brands from the retailer

11 Joined-up services

Strong links between the store and online make for convenient and easy-to-use services. Still more convenient services come when retailers cooperate to enable pick-ups. eBay shoppers have been able to collect their online purchases from branches of Argos for some time. Now they can also do so from branches of Sainsbury's, following the supermarket's acquisition of the general merchandiser and its rollout, within its own branches, of 30 Argos digital format stores and 200 digital Sainsbury's pick-up points in the run-up to Christmas.

Over the next three years, Sainsbury's said in half-year results to 24 September 2016, it aims to have 250 digital format Argos stores in supermarkets. This, said Sainsbury's CEO Mike Coupe, was part of a strategy to "make our customers lives easier, offering great quality and service at fair prices, serving our customers whenever and wherever they want".

Image credit: Sainsbury's

Argos digital format stores will become a familiar sight in Sainsbury's over the coming few years

12 Be prepared to change the plan

Knowing when to stop or recalibrate a strategy is key. UK retailer M&S decided last year to close its stores in 10 international markets where it was making a loss, including European markets such as France and the Netherlands. It will continue to operate its Irish, Czech Republic and, in a joint venture, Greek businesses. Rather than trading directly in the markets it is leaving, it will shift to working with franchise partners.

However, M&S continues to sell online into 15 international markets, of which 11 are in Europe. CEO Steve Rowe said, in half-year results to 1 October 2016, that these were tough decisions, "but key to building a future M&S that is simpler and more relevant, multichannel, and focused on delivering sustainable returns".

Flexible perfection and agile excellence

Organisational silos are an often unacknowledged problem within retailers. **Ian Jindal** considers the tensions of being both highly optimised and highly flexible

RETAILERS ARE CONFRONTED with two conflicting imperatives when they discuss performance. The first is to achieve operational excellence – the repeatable, scalable, effective and profitable way of running a business. The second is to be agile, responsive and flexible – adapting so as to bend with the hurricanes of change, while setting sails for the breezes of progress.

Unfortunately, it's difficult to be both highly optimised and highly adaptable at the same time. This is a modern challenge for retailers, generally referred to as a problem of silos. The hypothesis here is that departmental hierarchies and politics inhibit the retailer from adapting at the necessary speed in order to fend off competition from Amazon, competitors, 'Uberfication' and so on.

It's worth pausing, though, to consider the nature of silos. Silos arise largely as a function of specialism and expertise. As professionals in an area optimise their procedures, skills, knowledge and craft to become ever better at a set of tasks within a domain, so they became 'less like' other people. In evolutionary terms, they optimise for their tasks and their environment. Hummingbirds hover with long nectar-sucking beaks, while flamingos stand on one leg being pink. Equally, an operations person deals with process flows, mean times to fail and service levels, while a visual merchandiser deals with presentation, brands and on-floor sales effectiveness.

When we ask silos to flex and change, we have to acknowledge the cost of that change. If we believe in testing in order to optimise then we must also believe in – and support – failure. By definition, in an A:B test both results cannot be optimal, and so we need to give our permission for performance to be 'sub-optimal' during experimentation. This means we need to give people permission to fail, or to deliver lower returns. We don't see this discussed very often at the board level – a 'failure and learning' budget, or a reduction in efficiency allowed...

A second point here is that perhaps the notion of operational excellence is itself outmoded. If the pace of change is so rapid, then it's possible that we will not get time to optimise changes before it's time to iterate and change again. If true, this could herald a time of lower margins as the twin effect of never-achieving optimisation meets the ongoing cost of change. Newer businesses, often funded for years to make losses while they achieve market dominance, have been able to learn without the pressure of quarterly profits. This is not the case in established retail.

Leaders need to be tasked with how they've contributed to and learned from the work of others. KPIs need to be removed from solely silo-focused metrics

Ian Jindal

Leadership issues

When considering silos within the organisation, it's therefore important to acknowledge the role of leadership and culture to effect change. We must maintain and exploit the expertise of the staff who lead the silos, yet we also need them to work together, across specialisms. This requires a change in how we talk about and measure performance. In addition to rewarding leaders for running their own areas well, they need to be tasked with how they've contributed to and learned from the work of others. KPIs need to be removed from solely silo-focused metrics. We need to give permission for experimentation and resource it appropriately.

There are certain trends that are helping this transition. The free(r) flow of data across the organisation enables a new conversation: how much have you contributed to data collection? How well have you exploited the aggregate data? How well does your team enable the success of others? In addition, a change to focusing upon the customer's experience – across all touchpoints, over many interactions and channels – is becoming a binding narrative and offers sets of performance measures that help us to look outside of our silos.

Sporting and military analogies abound. In a football team each player has a definite skill (their 'silo') but they need to work together effectively for the team to win. Unlike American football (where the 11 field players come from a swappable troupe of 45, including specialist kickers to do one thing only), in retail we expect our 'bench' of silo-leaders to be adaptable and flexible too, and not simply one-trick ponies.

A final consideration is the perceived risk of change. In order to run a silo, an individual leader has been top of the game for many years. In asking for flexibility and change, we need to ensure that we don't undermine the very basis of expertise, but rather seek new ways to deploy those skills, capabilities and experiences.

Organisationally, there's also a perceived risk. This can be seen in the maxim of the 'local maxima' [see diagram]. This analogy is drawn from topology and can be imagined as a mountain range. Upon reaching a minor peak (a local maximum) every step taken thereafter is a 'step down', a reduction in height (achievement). If a retailer is narrow or parochial in their views, they will be happy at this small summit. If, however, their field of view extends to the wider range they can see the higher peaks (the 'global maximum') and assess the cost of getting there: the reduction in height + the period of travel + the effort of climbing the newly found maximum.

Sometimes, to achieve better results, businesses need to accept lower performance along the way

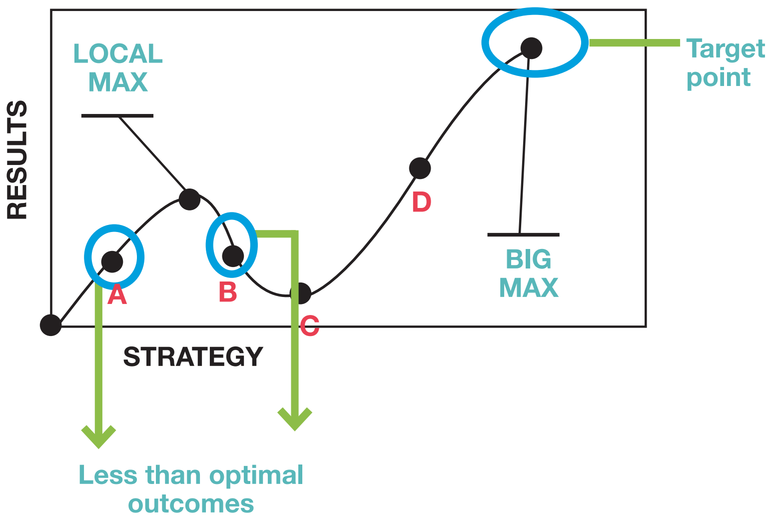


Image credit: after version of this graph at www.kapturecrm.com/

It's a temptation to think that we can stand still and defend our local maximum. However, if we change the analogy from mountains to the sea, then the 'peak' is a crest of a wave that is itself unstable and temporary. As such, our business analogy moves from one of conquering and keeping territory – what we might call a 'capital' view – to one of surfing and adapting to waves, surges, peaks and flows.

The business, not the silo

This, then, is the strategic challenge to boards that sits behind the 'silo' comments. We need to provide leadership, cultural support, metrics and techniques that enables all our expert leaders to work together within a performance framework focused upon business success rather than silo success. We need to value adaptability in process and approach, especially where working across (current) silos is involved. We need to give permission for some sub-optimal returns, or even let go of the notion of optimisation within a season or year. We need to be tolerant of failures when the reasons and approaches were valid.

We also, of course, need to give our customers the service they demand at the price they will pay.

In the last century, capital was a competitive advantage in retail. The ability to buy the best location, the best machinery, invest in stock. Then systems (technology and business processes) became an advantage. The change in recent years is that technologies can be rented cheaply via SaaS and deployed rapidly. Start-ups can have enterprise-grade capabilities from their outset and therefore competitive advantage is now more about customer connection and reach, product and service differentiation, and data. We need our business structures to be effective for the new differentiators, and not the last century's.

Squaring the circle of modern, flexible performance is not easy, and we'll continue to map the efforts in the sector to accomplish this feat. We can be certain though that 'silos' in abstract are not the problem: our challenge is to create a framework for the collaborative deployment of expertise that's suited to the fast-paced reality of modern, experiential and customer-focused retail.

A challenge to received wisdom

How do retailers operating in different territories in Europe compare on key performance indicators? We look at the numbers to find out

MUCH IS MADE in ecommerce circles over which European markets are the most developed. As a rule of thumb, the UK is said to be full of customers and companies that are early adopters for new techniques, whether these revolve around using social media channels or offering different delivery options, while markets such as Germany and France follow close behind.

Is this true? For any company expanding abroad, this is actually a genuinely important question. Enact a strategy based on perception of the market rather than reality, and retailers can quickly become unstuck.

This is one of the key reasons for our ongoing research in the IREU Strategy & Innovation Dimension focusing in part of looking at what's happening in different territories. Our aim is to cut through received wisdom to look at what the numbers actually say about retail performance across a variety of key metrics around, for example, delivery and collection options, the number of currencies offered and website performance.

Taken overall, these figures suggest often unexpected nuances in country-by-country performance. Over the coming months, we will refine our research in order to offer further insights. Here, we summarise our results to date.

Delivery and collection

The UK is sometimes perceived to be far ahead of other territories in offering flexibility to customers over how they get hold of purchases. Our research backs up this idea to some extent, but with a major caveat. While UK retailers in the IREU Top500 are top performers in delivery and collection, other territories perform strongly.

To begin with companies offering collections, it's actually retailers trading in Belgium that performed strongest here, with 64% of retailers offering the service, as compared to 63% for the UK. Retailers trading in the Netherlands (61%), Norway (60%), Germany and Austria (both 56%) also performed strongly.

In contrast, next-day delivery is far more established in the UK, offered by 59% of Top500 retailers operating in the territory. The next best-performing territory is the Czech Republic, where the equivalent figure is just 25%. With nominated-day delivery, this is a service offered by 22% of Top500 retailers trading in the UK. In Hungary, which lies second in the list, the equivalent figure is 17%. These figures are interesting because they not only show the UK market as ahead of other territories, but because other 'developed' markets sit in a group of territories that also includes 'undeveloped' markets: while 22% of retailers in France offer next-day delivery; the equivalent figure for nominated-day deliveries is just 1%, the same as Bulgaria. ▶

The UK market also leads the way in nominated-time deliveries, the number of delivery options offered, Saturday deliveries and Sunday deliveries. Clearly, retailers thinking of launching in the UK need to look hard at operations and logistics to ensure they can meet customer expectations. In passing, the UK market is less competitive over returns where Ireland (in offering returns to store) and Spain (length of time it takes to process refunds) lead the way.

Localisation

Offering a variety of different languages so that consumers can use the languages that suit them best is a key indicator of localisation. Here, size is definitely an advantage as it takes resources to support these different offerings. Companies such as Ikea, Amazon and Apple perform strongly, reflecting their status as multinationals. However, we do see a certain amount of region localisation occurring (delivery options, cost, currency) where the language used is English, the point being that it's cheaper to offer local options in English, an 'international' language, than, say, Lithuanian.

Website performance

Here, the idea of the UK market being far more developed than other European territories simply doesn't apply. To look at a number of different metrics in turn: the easiest websites to browse are built for the Irish, Greek and Romanian markets. The Czech Republic, Finland and Austria are the places to go for those who don't want to be confronted with a 'no results' page following an unsuccessful search.

When it comes to product images, Top500 retailers operating in Romania, Slovakia and Denmark offer the largest number. Retailers operating in Greece, Germany and Austria offer 'save to' lists most often. In terms of returning relevant search results, retailers operating in Denmark perform strongest. Retailers operating in Italy and Austria also perform strongly here.

How do we explain the difference between these findings and those for deliveries? One answer may be around the cost of digital technologies. As these become ever cheaper, it's easier for retailers operating in smaller territories to make website improvements as a way to differentiate themselves from competitors, so they focus resources here.

Mobile

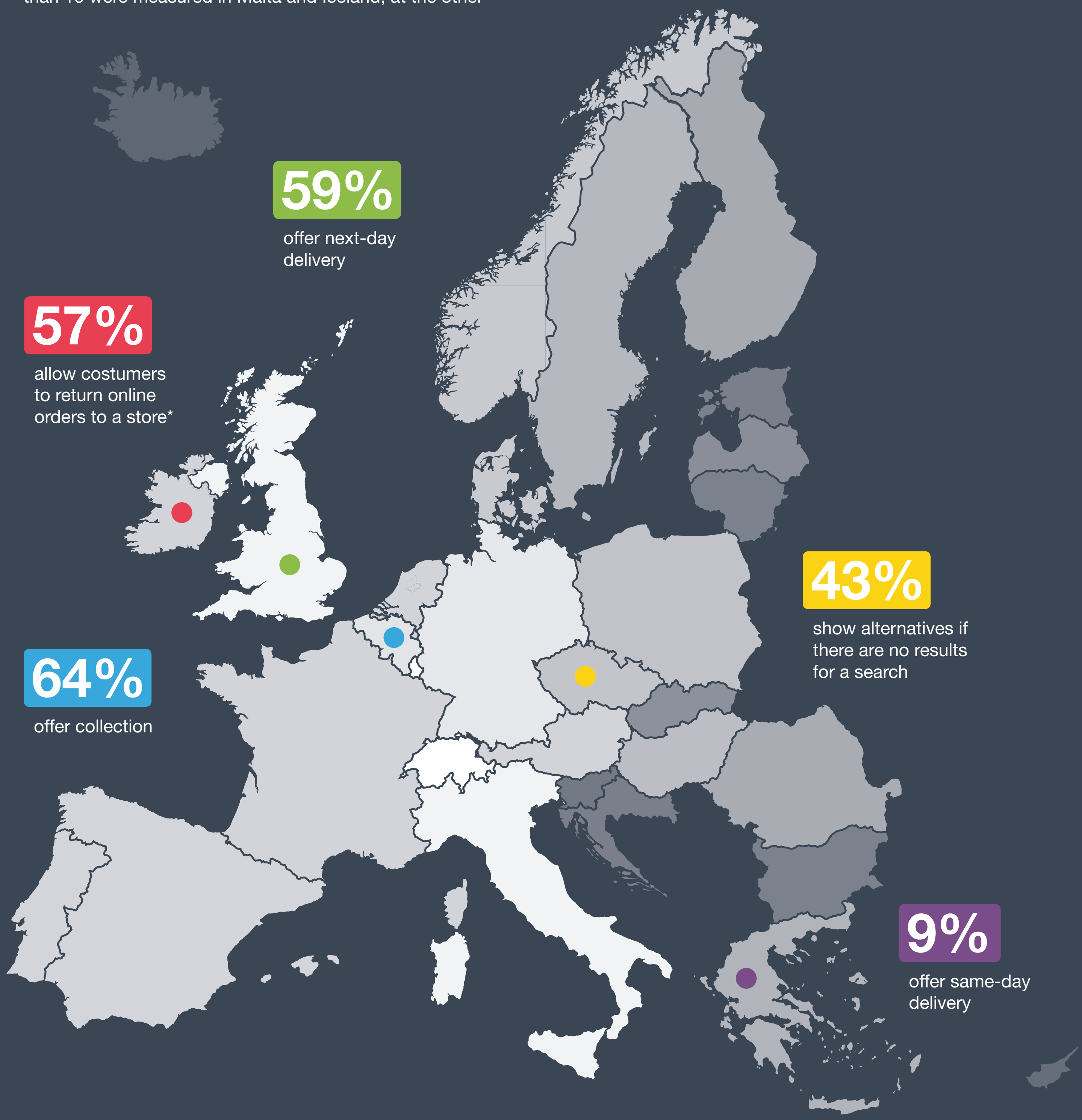
We were genuinely surprised by our findings around mobile. A widespread perception in the industry is that UK retailers perform appreciably more strongly in mobile than many European territories. If that's true, perhaps mobile internet offerings are more of a priority for UK retailers than apps. Top500 retailers operating in Ireland, Italy and Poland are most likely to offer an Android app; for iOS, retailers performing in Italy, Spain and Germany perform strongest.

In website performance, the idea of the UK leading the way doesn't apply. The easiest websites to browse are built for the Irish, Greek and Romanian markets

The average performance of Top500 retailers in the Strategy & Innovation Dimension within a country

The lighter countries have a higher average performance in the Dimension Index, where each Top500 retailer's operations in a country are within scope

More than 250 retailers were measured in the UK, at one extreme, and fewer than 10 were measured in Malta and Iceland, at the other



*applies to multichannel retailers only

Editors: Chloe Rigby
and Jonathan Wright
Editor-in-Chief: Ian Jindal

Design: Lydia Cooke

Publishing Director: Chris Cooke
Group Account Director:
Andy James
andy.james@internetretailing.net
Account Director: Marvin Roberts
marvin@internetretailing.net
Tel: 020 7933 8999

Internet Retailing
Internet Retailing Media Services Ltd,
52-54 Gracechurch Street,
London, EC3V 0EH
Printed in Great Britain.

ISSN 1759-0582

For circulation enquiries contact:
Internet Retailing Media Services Ltd,
PO Box 6009
Thatcham, Berkshire
RG19 4TT
Tel: 01635 879361
Fax: 01635 868594
internetretailing@circdata.com

Research information published in InternetRetailing Top500 Dimension Reports is based on data supplied by RetailX
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Conclusion

ONE OF THE truisms of business is that any organisation that isn't looking at new approaches is all too likely to stagnate. This doesn't mean that businesses should pour money into every crazy scheme going, novelty for novelty's sake, but it does mean that leading companies are constantly on the lookout for new opportunities and new ways of working.

As we've seen through this Dimension Report, for European retailers this means looking at expansion abroad. There are recurring difficulties here, which often revolve at least in part around adapting business practices for local conditions. Yet there's a danger of retailers becoming too fixated on the problems. Squarely facing the difficulties of expansion abroad also involves exposure to fresh ideas and fresh ways of looking at retail. Where there's a business case for doing so, these can be brought back to a home market.

Turning to innovation more generally, there's often a gap between the approaches used, for example, in flagship stores and what can be achieved at scale. That doesn't mean that rolling out an initiative across the whole company is any less important. Just the opposite. We would argue that retailers that can scale up simple ideas such as efficient click-and-collect systems, which actually aren't simple at all to implement, are better placed to introduce ideas from that may seem to be at the bleeding edge today, but will be mainstream a decade down the line.

Reflecting this idea, that of new ways of working migrating towards the mass market, our research metrics will evolve over the years ahead. However, we suspect that cross-border expansion and the art of scaling up innovative approaches will continue to be recurring themes.

Indeed, if there's a so-called hard Brexit, and Britain crashes out of the EU and the EEA, it may be that new ways of thinking about retail will be a necessity for both European retailers trying to sell into Britain and vice-versa. Whatever happens, we'll continue to monitor the performance of European retailers, applying qualitative and quantitative research methods to the changing business landscape.


High-Performing Campaigns
3 campaign(s) converted 63 contacts in the last 30 days.
1,028 first-time buyers defected in the last 30 days
€1.7M
Re-Purchase Rate
in the last 90 days
1,676 active customers purchased in the last
47%
Retention Rate
in the last 90 days
1,798 active customers defected in the
1,304 defecting customers
25%
Win-Back Rate
LIFETIME VALUE: $212
PREDICTED PURCHASE: Adaptive Trainers
CONVERSION PROBABILITY: 28%
PURCHASE INTERVAL: 42 Days
PURCHASE HISTORY
Trainers
Books
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VOUCHER
50% OFF
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