



DIMENSION REPORT

Operations & Logistics: June 2017

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A Performance Dimension
Report as part of IREU 500 2017
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Top500 Retailers, 2017



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From the editor-in-chief

WELCOME TO THE latest in our series of IREU Top500 Performance Dimension Reports, which this time focuses on Operations & Logistics. This is an area that in recent years has moved firmly to the forefront of customers' consciousnesses. How fast shoppers can take delivery of their internet orders is now an important factor when they decide how to buy, and where to buy. Leading retailers are extending strategies that have served them well in domestic markets in order to sell further afield across Europe.

This adds complexity, but nonetheless is an area in which leading retailers in this Dimension are investing. It makes sense they should do so since this investment enables bigger companies to compete more effectively against local retailers, offering delivery that is swift and convenient, no matter where a shopper lives. Competitive services win over new customers in the short term and persuade customers to stay with retailers in the long term.

In this Dimension Report, we've looked at how traders are setting out strategies for delivery, returns and multichannel services as they sell across borders within the European Economic Area, plus Switzerland. We've considered how retailers export the approaches that have served them well in home markets, and we've looked to identify practical examples and approaches that other retailers may want to emulate in their own strategies. For me, this knowledge-sharing aspect is an important part of these Dimension Reports: by sharing our data-driven insights into what works for IREU Top500 retailers, we hope to inspire and suggest as today's innovations become tomorrow's accepted practices.

We'll continue to do this in coming years, considering the key questions that face the leaders of Europe's leading ecommerce and multichannel businesses, while also looking at emerging ideas and new technologies.

Throughout, we'll be focused on our task of 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 get in touch with your thoughts. 🌈

Ian Jindal

Editor-in-chief

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The IREU Top500 Dimension Reports Series

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

Reports each year that focus on:

- Strategy & Innovation
- The Customer
- Operations & Logistics
- Brand Engagement
- Mobile & Cross-channel
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You can download the latest copy of any of our Dimension Reports, along with the overall IREU Top500 report, via www.internetretailing.net/IREU

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

WELCOME TO OUR latest IREU Top500 Performance Dimension Report, which deals with Operations & Logistics. This is an area where there has been huge innovation in recent years, driven by customers no longer being prepared to wait days – or, in the not-so-distant past, even weeks – for items they have purchased. Customers across Europe now expect to be able to opt for next-day delivery or click and collect, and will often shop elsewhere if they're not offered these options.

Automation has been key to enabling retailers to offer customers these kinds of services. This trend is set to continue and, for our emerging practice feature (page 29), we consider how Otto is using machine-learning technology to streamline its supply chain and cut delivery times.

As we reflect in our strategic overview (page 8), the human factor is also starting to become a key consideration when it comes to fulfilment. That's in part because the rise of the gig economy, where workers such as couriers are self-employed or working on flexible contracts, looks likely to be at least partly checked by changes in legislation. Think of this in the context of a case in the European Court of Justice that may see Uber treated as a transport company rather than an internet company.

Elsewhere in this Dimension Report, we look in detail at how well leading European retailers are performing within Operations & Logistics in our analysing the numbers (page 12) feature. In our ongoing research feature, we compare and contrast how the delivery and returns options available to consumers compare – and contrast – across different European territories (page 32).

In our lead interview (page 20), we talk to Schuh about how the company is meeting its customers' demands for fast and convenient deliveries and returns, and the place of Operations & Logistics in its European expansion. We also have case studies on Asos, H&M, Carrefour and Deichmann (from page 18). In our 12 approaches that work feature, we take further snapshots of best practice across Europe (page 24). 🇪🇺

We'd like to thank all of the Knowledge Partners who have contributed their expertise and insights for this Dimension Report. We welcome your thoughts on new areas of research as we add to our primary data and analysis. Please email: jonathan@internetretailing.net and chloe@internetretailing.net

Jonathan Wright and Chloe Rigby, Editors

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Company spotlight

Rajan Balasundaram, Leader Strategist and Innovator; VP Solutions at Emarsys, tells us about the challenges facing retail and opportunities offered by artificial intelligence (AI)



What does Emarsys do and what is its USP?

Emarsys is a global B2C marketing cloud company. It helps retailers to work at scale, personalising interactions with individual consumers in a seamless manner across channels.

What challenges are marketers facing in retail today?

Retail channels are merging and consumers are demanding a seamless experience. Mobile has given them the power in many ways, including the ability to check online offers while standing in store.

Disparate teams within the retail organisation are trying to solve similar challenges but in different ways, resulting in an experience for consumers that may not be joined up. Retailers, therefore, need one database, which can bring all of these teams together – a single source of the truth providing one place in which all of their data can be brought together, analysed and acted upon.

How big an opportunity is AI for retailers?

The amount of data held about customers is enormous. Analysing that data, segmenting it and drawing insight from it is better suited to a machine than to humans. Artificial intelligence (AI) can utilise machine learning and pattern recognition to work out the best way to interact with individual customers based

on past behaviour or similarity to other customers.

AI will have profound effects on the retail industry. It can provide a unified personalised experience with the consumer, which is agnostic of channel. This will make the in-store experience the same as the web experience, for instance.

AI can solve the problem of personalising the experience for the end consumer. It can predict what a customer will do, as well as highlighting to someone in the business what message will produce the best outcome. AI can work out from business goals which promotions, offers and product selection will perform best when offered to individual consumers. It will factor in margins and discount levels based on rules around short-term revenue and long-term profit goals.

It gives the right discount levels to the right customers. Where one consumer can be swayed by a 20% discount, another is more likely to convert when offered free delivery, for example. AI can predict whether product A or product B should be included in a certain communication. This unified personalised experience for customers is agnostic of channels so each offer can be presented through the best channel whether that's a mobile offer, email, web or via 'clienttelling' in store.

As with all forms of personalisation, AI-automated offers need to be presented in a way that is seamless

to the consumer and don't make them feel like they are being stalked.

How is Emarsys helping retailers with these challenges?

Emarsys has been helping retailers with its AI offering for the past 12 months with some customers seeing an uplift in revenue of up to 28%. Many retailers started testing AI with sample segments of 10% of their consumer database, gradually increasing the segment size to 50% and upwards as the technology proved itself. AI in retail is still in its infancy but it won't be long before marketers turn on the full capabilities. Implementations are expected to skyrocket in 2019. 🇧🇪

Emarsys in brief

Date launched: 2000.

Global reach: 17 global office locations, serving more than 2,000 clients in 140 countries.

Customers: eBay, Toys 'R' Us, Nike, Canon, Volvo, American Express and L'Oréal.

Employees: more than 700.

Contact: for further information contact Emarsys via Twitter at twitter.com/emarsys, Facebook www.facebook.com/emarsys or LinkedIn [linkedin.com/company/emarsys](https://www.linkedin.com/company/emarsys) **www.emarsys.com**



Making delivery the great differentiator

Andy Hill, Sales Director of delivery management software provider Sorted, explains why closing the 'virtuous circle' of retailer, supply chain and customer benefits everyone



SORTED HAS GROWN from My Parcel Delivery, a 2010 parcel price comparison startup that aimed to take the grind out of getting stuff to customers. With a suite of technology products now in the family, MPD evolved into Sorted Group – which now develops delivery management systems, customer experience delivery applications, and executes efficient carrier communications. Its products (SortedPRO, SortedHERO, and the forthcoming SortedApp) cover the links between retailer website, fulfilment provider and customer.

“Sorted provides logistics software that makes supply chain management easier for retailers and their warehouse operations teams,” explains Sales Director Andy Hill. SortedPRO integrates seamlessly into existing warehouse management systems to look after label printing, dynamic carrier allocation and global dispatching. It translates tracking events and information from different carriers into one consistent language that allows for proactive alerts to customers and dashboards across warehouse operations.

“Some of the biggest names in global ecommerce trust our platform because it puts the control back into the hands of the in-house team to control their own operations and shipping allocations. It’s about the retailer connecting with the warehouse, carriers and the customer.

“More and more, we’re connecting the customer because delivery technology is changing. Currently, if you order three items from three different retailers, you’ll get three confirmation emails pointing you to three carrier websites. What our SortedApp technology does is first aggregate all that into a single tracking app giving push notifications to the customer’s mobile. In the near future, it will give shoppers the ability to disrupt the delivery inflight, maybe having it sent to a pickup location at the retailer’s own store, or a Collect Plus location for example.”

With lack of delivery personalisation a key cause of basket abandonment, SortedHERO is a checkout plugin that offers customers a wider range of tailored options. These help to increase conversion and encourage return business and it’s the scope of these options that Sorted finds so fascinating.

“The landscape is changing and retailers need to be allied to many different partners to suit many different needs,” says Hill. “Retailers should be asking customers, ‘Where are you and what’s your perfect delivery scenario?’ Then, to fulfil all these options, they need modern tech wizardry in the warehouse

to accommodate the demanding delivery and returns process.”

Core delivery management platforms that connect carriers to retailers are already an established marketplace that’s led by some big hitters such as MetaPack. Yet Hill thinks that Sorted are moving into the relatively untapped waters of the retailer, carrier, consumer virtuous circle. “In terms of this new world of logistics on demand and inflight communication,” he says, “we’re leading the way really. And that’s a great place to be.”

About Sorted

Sorted is a global delivery experience company harnessing the power of tech to transform the complex world of deliveries into a simple, seamless – and even uplifting – experience. There are three key products in Sorted’s portfolio:

- **SortedPRO:** a delivery management platform that supports global ecommerce businesses
- **SortedHero:** a plug-in that provides a raft of personalisation for your customers at checkout
- **Sorted.App:** this game-changing app will allow consumers to aggregate deliveries and returns from multiple retailers on their smartphones

www.sorted.com





Image credit: RightHand Robotics

RightHand Robotics is building automated systems that grow smarter through experience

In the retail sector, Ocado is one of the most advanced users of automation in its operations: robots, automated conveyor belts, shuttles and cranes are all integral at its three UK distribution centres, the largest of which handles up to 1.3m items per day. A fourth centre is planned for next year.

Shelves are automatically replenished when stocks are running low, and in some cases individual items are picked by robots suspended from hi-tech cabling systems above the shelving area. Ocado is also involved in a project to develop human-like robots to assist its actual human warehouse staff-members in their work.

Five years ago, Amazon spent US \$775m acquiring warehouse robotics company Kiva Systems. This made plain its commitment to and belief in the benefits of robotics long before automation had started to become the mainstream topic it is today.

A flexible friend

The next area in warehouse robotics development will likely revolve around flexibility in general and realistic gripping hands in particular.

Flexibility is a crucial subject because it is integral to one of the biggest potential dilemmas automation throws up. Should retailers invest in a system that can handle the busiest periods – typically but not exclusively November-January – only to have it operating way below optimal rates the rest of the year? Or should retailers invest in something that works well most of the year

and needs a helping hand during peak times? Neither is an appealing eventuality.

Being able to focus an automation platform on different tasks and functions as demand dictates would help mitigate some of the concerns about investing large sums of money in what might turn out to be a very efficient one-trick pony.

In the US, RightHand Robotics has recently secured investment funding to support its work in developing what might turn out to be the next wave of warehouse automation technology. The star of the show, if reports are to be believed, will be a gripping hand that functions more like the human hand than anything that's been seen so far. It has robotic fingers and a suction cup to pick up items, and then put them down again. The system relies on embedded sensors and 3D visual rendering to see, feel and interact with its immediate surroundings.

But as is so often the case where stars of the show are concerned, it's the hard work behind the scenes that's made it possible for them to hog the limelight. In the case of RightHand, it's the use of machine-learning algorithms, designed to make the system operating the gripping hand increasingly smarter, more adaptable and more flexible, that has the most potential to cause ripples. This is because it promises to be able to work with existing robot systems to make them more effective. ►

Man and machine – in perfect harmony?

The fulfilment sector is becoming increasingly automated. Yet the future isn't just about robots and automated systems. There are human factors to consider when working out how best to get goods to consumers, reports **Sean Fleming**

THROW A STONE in any direction and you're likely to hit a business only too happy to tell you its people are its most important asset. Yet that self-same business probably also invests more in technology than in any other single area.

Technology is, of course, vital to many organisations. It's even given rise to whole business sectors. Uber, for example, is built around an app and data. But while not wishing to take away from Uber credit for any of its phenomenal successes and rapid growth, there is an inescapable truth that the taxi alternative has not always had the easiest of rides. Not only have concerns over which rules and regulations should apply to Uber never really gone away, there's also the human factor to consider.

That's because, whenever technology pushes at the boundaries of established practices and patterns of behaviour, sooner or later it's a human being who feels the pressure and maybe even starts to push back a little.

Image credit: Ocado



Ocado is investing in an ambitious project to develop robots to work alongside its warehouse staff

There's obviously an important balance to be struck between technology and people in any business, but in retail fulfilment this is a particular issue. Customers are challenging retailers and delivery firms alike to meet and exceed expectations where quality, service and speed are concerned. That means businesses need to invest in a process of continuously improving their offerings

Industry 4.0

There exists in some quarters within the retail fulfilment industry a vision of the future where technology is everything. Customers place orders online, items are picked and packed by robots, put on automated conveyors and deposited, ultimately, onto delivery drones that take the purchased item to the customer.

Some of this is already happening, day in, day out. Warehouse automation in particular is nothing new. Indeed, the bells and whistles of City Link's automated conveyor system were being celebrated not long before it went into administration back in 2014, with the loss of more than 2,000 jobs.

Despite such cautionary tales, automation is important and continues to grow in importance. There is much talk of *Industry 4.0* – the next wave in the industrial revolution, where a combination of the Internet of Things and big data drives new systems and new ways of thinking about using automated systems.



Image credit: Uber

Uber's courier offering is challenging more established fulfilment companies in cities around the world

That's hugely important, because one of the other major areas of investment and cost – that is, people – looks like it might have some of the flexibility sucked out of it in the not-too-distant future.

The law catches up

The so-called gig economy is not as new a phenomenon in the retail fulfilment world as it is elsewhere. While this model has turned the taxi sector on its head and opened up a whole world of bicycle-delivered takeaway food, it's been the backbone of the courier service for years.

But there could now be a real possibility that the widely accepted and used model of hiring people into the industry is going to be dealt a fatal blow. Stories in the media about Uber drivers protesting about pay and conditions are fairly commonplace, a post-ironic echo of many anti-Uber protests held by incumbent taxi drivers' associations. But having to comply with stringent local by-laws is now forcing Uber out of some major cities; despite 300,000 app users and 2,000 drivers, Uber is reversing out of Denmark, and awaits the outcome of a European Court of Justice ruling on how it should be regulated.

In the UK, Hermes and UK Express are two courier companies that have garnered the ire of the GMB trade union, which argues their self-employed drivers ought to be classed as employees. Sick pay, holiday pay, pension

entitlements, minimum wage guarantees and possibly a lot more besides are all potential consequences facing any business – not just Hermes or UK Express – that finds itself in an argument over the legal status of the people that work for it.

In February, the Court of Appeal ruled that a plumbing firm's self-employed workers were actually nothing of the sort, but were in fact employees who ought to be in receipt of all the usual rights and protections of an employee. Back in January, bicycle courier Maggie Dewhurst won an employment tribunal hearing against CitySprint over holiday pay entitlement.

According to the *Financial Times*, "Joanna Wade, the judge in the bicycle courier case, ruled... that Ms Dewhurst was a worker and CitySprint had therefore unlawfully failed to pay her for two days' holiday. She criticised CitySprint's depiction of its couriers as self-employed people who 'make their services available' to the company. 'Not only is the phrase 'make their services available' as opposed to 'work for' a mouthful, it is also window dressing,' she wrote in her judgment."

The Internet of Things offers huge advances where machines interact with the world, but it does not offer a risk-free option

So far, no legal precedent has been set regarding the distinction between self-employed and employed workers in the context of the gig economy. But it is hard to imagine this issue simply fading away anytime soon. It had been assumed by many that slow-moving legal systems were going to have to be bent and reshaped to make way for the brave new world of technology-enabled businesses. Certainly, the law could be said to be catching up with technology and its implications for business and employment, but there's not much evidence of the law bending anytime soon.

A matter of balance

The idea of getting the balance right is something of a cliché when it comes to situations like this. That doesn't mean one shouldn't aspire toward balance, of course, but that alone isn't going to be as much help as retailers would probably like when considering the twin challenges of how to invest in automation and how best to manage workers.

It's commonplace practice for retailers to weigh up the competitive landscape, assess the size of a market opportunity and make sure the company is in alignment with customer needs. Less common is the need for retailers to familiarise themselves with an overarching legal and regulatory framework. Such matters tend to change infrequently and can usually be accommodated by small, tactical adjustments.

But in light of the increasing legal interest in the employment status of workers in retail fulfilment jobs, there is now a new game in town. Slow, incremental changes to the law are one thing, but a complete reclassification of employment status is another, the implications of which could be monumental. In the UK, the tax authorities of the HMRC cannot fail to take an interest in the event that a test case should redefine self-employed couriers – and others – as employees.

At a time when uncertainty around the UK's future trading relationships with Europe and beyond has never been more evident, this level of potential turbulence in employee relations will not be welcomed by many.

Automation is fast becoming an irresistible force, and set against a troublesome people-related backdrop it starts to look more attractive still. Yet retailers should not rush in where even the most tech-savvy angels fear to tread. The Internet of Things offers huge advances where machines monitor, measure and interact with the world around them, but it does not offer a risk-free option, and throws up questions and concerns that need to be treated seriously. Cyber security in the field of connected devices needs to be a priority, for example, as does the more pressing matter of flexibility. After all, there can be little gained from investing many millions in an automated future if shiny new systems lock businesses into a restricted set of operations and activities. 🌈

Image credit: Hermes



The GMB union claims self-employed drivers working for Hermes should be classed as employees

Deliver on the promise

Leading European retailers are competing to offer ever-better delivery and returns services. **Martin Shaw** assesses how their offerings compare

THE ADVENT OF digital technologies has changed the way customers think about getting hold of the products they want and need. The reasons for this are complex, but are underpinned by a single, deceptively simple idea: customers who can find the goods they want in the virtual world with just a few clicks increasingly expect this experience to be echoed out in the real world. It's a transition from these customers being prepared to wait a week for a party dress to be delivered, to ordering the dress on the day of the party and expecting it to be delivered two hours hence.

Within such a retail landscape, expertise around operations and logistics has taken on a new significance, and become intrinsic to retailers' merchandising and marketing. That's not surprising. Get past the buzzword terminology – nominated-time delivery, next-day delivery, click and collect – and we are talking about promises made to customers. Yes, you will go the party. Or, more prosaically, your groceries will definitely be with you between 4pm and 5pm. Break such promises and customers will shop elsewhere next time.

So which European retailers are doing best at meeting customers' expectations? In order to learn more, InternetRetailing researchers looked in detail at retailers' fulfilment operations. Questions they asked included:

- How many days does the retailer's standard delivery take?
- Does the retailer offer a click-and-collect service?

- Does the retailer offer a variety of delivery options?
- How sophisticated is the retailer's returns operation?

It's hardly a surprise to find there are many subtleties in the answers to such questions. The same retailer, for example, may offer very different delivery options in different territories. Nevertheless, there are clear leaders here, retailers that outperform the rest of the market. Broadly, and allowing for a certain amount of overlap, these are retailers we would split into two main categories (for a country-specific analysis, see our ongoing research feature on page 32):

- Large companies that enjoy economies of scale
- Retailers where reliable delivery is especially important to the business model

What leading large retailers do

Apple is a case study in how to organise deliveries and returns. Perhaps because it's both brand and retailer, with tight control over its supply chain, the technology company can deliver items quickly and for free within seven EEA countries. Customers in these territories also have the option of specifying the date and time their products will arrive. Next-day delivery is free to customers who spend more than €40 (or a local equivalent where other currencies apply).

Turning to returns. In those countries where Apple offers free delivery, customers have the option of either returning goods to a store within 14 days or scheduling free third-party collection. Refunds are processed within five to seven days of a product being returned to the warehouse.

As you might expect, Amazon also performs strongly. In selected urban areas of the UK, it offers same-day evening delivery. Amazon seems to be using the service to persuade customers to sign up for its Prime scheme. While same-day evening deliveries cost £9.99 on a one-off basis, they're free to Prime members, who typically pay £79 a year.

When delivery really matters

To explain what we mean by a business where reliable delivery is central to the business model, we would highlight UK florist Interflora. It's a Top100 retailer within the Operations & Logistics Dimension, a case of a company punching above its weight. This is hardly surprising. Customers expect blooms sent for a specific date such as a birthday,

wedding or for mother's day to arrive when arranged. The company not only delivers on this promise within Europe, but across the world too, with the co-operation of thousands of local florists.

Supermarkets similarly must deliver on time. A customer waiting in for a large shop isn't likely to want to do this twice. In part reflecting the maturity of the UK ecommerce market and, in particular, the supermarket price war of the last few years, Asda, Sainsbury's and Tesco all perform strongly in this Dimension.

Asda, for example, offers home deliveries in timed slots within the UK from £1 per order, although popular slots cost more. To encourage loyalty, it has a Delivery Pass service that costs £5 per month over a year. ▶

Return methods offered by the Top100 and Top500

The fraction of the Top100 and of the entire Top500 that offers a return method



Return via post



Return to store



Prepaid returns



Pickup from house



Return via dropoff to 3rd party locations

Top100	84%	40%	25%	17%	8%
Top500	81%	39%	19%	14%	13%

It may be that logistics providers will offer smaller retailers more options for getting items to customers

If this costs more than booking a series of standard deliveries, customers get an e-voucher for the difference. The minimum spend is £40 per order.

Sainsbury's offers comparable levels of service. It will deliver orders costing as little as £25, although the delivery fee is hefty at £7. For larger orders, £40 and higher, the delivery charge can be as low as £1 for a designated slot. Orders of more than £100 are free if booked for delivery after 2pm between Monday and Thursday.

The performance of Tesco within this Dimension has been even more noteworthy. As well as operating in the UK, it also has stores in Poland, the Czech Republic, Hungary, the Republic of Ireland and Slovakia. Within each of these six countries, it offers similar levels of service. Not only is click and collect available in each of the territories, but so is nominated-day/-time delivery. Within the UK, it has launched Delivery Saver, which costs from just £3.50 a month, for those who want to cut delivery costs. In addition, it has no minimum basket cost, although there's a surcharge on smaller orders.


Taking a step back, the big British supermarkets have long sold themselves as one-stop destinations. In a sense, they're trying to recreate this for customers who choose to have their groceries delivered. This idea of convenience extends beyond groceries too. Look for information on Tesco's website about Delivery Saver, and customers are reminded they can have groceries; electrical appliances, furniture, toys and more (Tesco Direct); clothes from F&F; and Wine By The Case delivered in the same order.

Outside the UK, French-owned hypermarket Carrefour seems to be thinking along the same lines as its UK counterparts. In Paris, it offers a one-hour delivery service. In Italy, customers can pick up grocery orders an hour after they've made an order, with no cost for providing such prompt service.

In conclusion

The examples we've cited above are impressive, but we should add one major caveat here. While the performance of the best of the best within this Dimension is exemplary, others lag behind. Perhaps they always will. As we have already noted, economies of scale make a big difference within Operations & Logistics.

However, that's not the whole story. Fashion retailers also performed strongly, with Zara, for instance, offering both a variety of delivery options and convenience in terms of, for example, being able to return items to the store. Clearly, the fast-fashion retailer sees a competitive advantage in offering these services.

Finally, while this is outside the scope of our research, it may be that logistics providers will see a gap in the market in offering smaller retailers more options for getting items out to customers. If that seems fanciful, consider the number of Deliveroo cyclists delivering top-end takeaways within British, European, Australian and Asian cities these days. Deliveroo, remember, was founded as recently as 2013. 

IREU 500 Operations & Logistics Dimension

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The Top100 retailers of the IREU 2017 Operations & Logistics

Share your thoughts on #IREU500 with @etail

Operations & Logistics Top50

Accessorize	Dorothy Perkins	Office
Amazon	Euronics	PC World
Apple	Evans Cycles	Pets at Home
Argos	George at Asda	Pull & Bear
Asda	H&M	Sainsbury's
Asos	Halfords	Schuh
Auchan	Homebase	Screwfix
Bershka	House of Fraser	Shoe Zone
Boots	Intersport	SportsDirect.com
C&A	Konzum	Tesco
Carphone Warehouse	Lidl	TK Maxx
Carrefour	Littlewoods	Topps Tiles
Coop	Mango	Wallis
Currys	Marks & Spencer	Yours Womenswear
Darty	Media Markt	Zara
Debenhams	Monsoon	
Deichmann	New Look	

Operations & Logistics Top100

Albert Heijn	Fat Face	L'Occitane	Promod
BCC	Hagebaumarkt	Laura Ashley	Quiz
Bol.com	Hollister	LeroyMerlin	Rossmann
BonPrix	Iceland	Lloyds Pharmacy	SoleTrader
Boulangier	IKEA	Massimo Dutti	Stradivarius
Claire's	IKKS	Mein dm	Superdrug
Decathlon	Interflora	Missguided	Topman
Douglas	Jacamo	Mothercare	Topshop
Dunelm	JD Sports	Next	WHSmith
eBay	JD Williams	OBI	Wiggle
Ernsting's Family	Just Eat	Otto	Zalando
Eroski	JYSK	Pimkie	
Expert	Kiabi	Post Office Shop	

Congratulations to the IREU Top500



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.



next

DECATHLON



ZARA



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



Asos
Auchan
Bershka

Coop
Debenhams
Dorothy Perkins
eBay
Fnac
Halfords

Homebase
House of Fraser
Kiabi
Leroy Merlin
Mango
Massimo Dutti

Mothercare
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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 R Us
Unieuro
Wallis
Weltbild.at



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



Aktiesport
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Ann Summers
Apotek1
ATS Euromaster
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Christ
D-Mail
Dänisches Bettenlager

Dia
Early Learning Centre
Electro Depot
Elkjop
Etam
Evans Cycles
Ex Libris
Footasylum
Forever 21
Galeria Kaufhof
Galeries Lafayette
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Kasa
Kijkshop.nl
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Lapeyre
Leen Bakker
Lego
Littlewoods
Lush
Mall.cz
Micromania
Mondadori Store
Monsoon
Morrison
MS Mode
Nespresso
Ocado
Orchestra
Oysho
Peacocks
Pets at Home
Post Office Shop
Public.gr
Roller.de

RS Components
Ryman
Sally
Scapino
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Topps Tiles
USC
Vente-Privée
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Warehouse
Waterstones
We Fashion
Wickes
Wiggle
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Yves Rocher
Zeeman



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CarpetRight
Cass Art
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Cotton Traders
Crocs
Cultura-Socultur
Czc.cz
Dabs.com
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Dreams
Dunnes Stores
Dustin
Ebuyer.com
El-Giganten
Electro World
Ellos
The Entertainer
Ernest Jones

Fat Face
Fust
Games Workshop
Gamma
Gifi
Giganti
Go Sport
Görtz
Gucci
Hippoland
hmv.com
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The North Face
NotOnTheHighStreet.com
Obaibi-Okaidi
Okay
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Stadium
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Allopnus.com
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Coolcat
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DFS

Dixons
Dr.Max
Dress-for-Less
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The Edinburgh
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Gall & Gall
Grazia Shop
Guess
Habitat
Hervis
Jacques Vert
JouéClub
Just Eat

Kenzo
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Kjell & Company
Kotsovolos
Kwantum
LaFeltrinelli
LDLC
Manor
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Merlin
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Mindfactory.de
Mister Good Deal
Monica Vinader
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Overclockers UK
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Tom Tailor
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H&M: comprehensive service across 30 markets

VALUE FASHION RETAILER H&M offers a competitive delivery and returns service across 30 European markets.

As well as the H&M brand, the Swedish group operates Cos, & Other Stories, Monki, Weekday and H&M Home. By the end of its latest full-year, to 31 January 2017, it traded in 64 markets around the world, and offered ecommerce services in 35 of those markets.

H&M has prioritised a seamless shopping experience through its omnichannel strategy. That includes cross-channel deliveries and returns to store, as well as click and collect. It offers next-day delivery in five markets, a service which it next plans to expand to new markets. It has started to offer timeslot deliveries in Japan. Such services, it said in its 2017 full-year results, underpin its expansion through new stores and online.

It also aims to improve its supply chain in order to remain fast and flexible. That includes investments in technology such as RFID and automated warehouses. “The investments in these areas,” it said in its full-year results statement, “ensure that we are well positioned for continued long-term and profitable growth.”

Full-year results saw it grow sales by 6% to SEK 222.8bn (£19.4bn) in 2016, and it has now set ambitious sales targets that envisage growth of between 10% and 15% a year, both online and through its more than 4,300 stores around the world. Cross-channel delivery and returns across channels will provide one strategy for achieving this target. Its wide range of stores, said chief executive Karl-Johan Persson in his full-year results statement, “gives us a unique proximity to our customers. Being close to the customers is key to success, and even more important as the physical and digital world become increasingly integrated.”

The retailer, an Elite trader in IREU Top500 research, stands out in the Operations & Logistics Performance Dimension Report for services that include fast standard delivery and a comprehensive returns service that includes pre-paid returns.

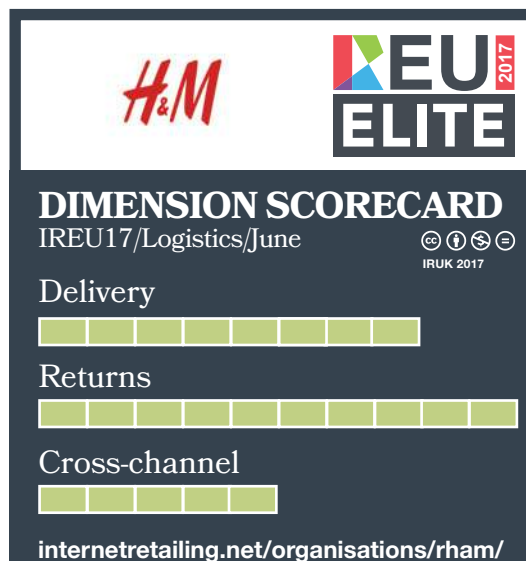
Shoppers buying in the UK pay £3.99 for seven-days-a-week delivery to a home address, alternative address or a parcel shop, within two to three days of ordering. The service is free when they spend more than £50. Next-day delivery, seven days a week, costs £5.99 and is available for orders placed before 9pm. Free-of-charge returns can be made via a Hermes courier or Parcel Shop, via the Royal Mail, or in-store – although delivery costs cannot be refunded in store.

Delivery to a Portuguese customer, by contrast, takes four to five working days, and costs €1.99 to send to a collection point, or €3.99 for home delivery, and returns cost €1.99 and can only be made via the post. 🇵🇹



Image credit: H&M

H&M sees deliveries and returns as key to creating seamless service



Asos: flexible deliveries and returns

DELIVERY HAS BEEN key to Asos' rapid growth – and the retailer innovates constantly in order to ensure that it stays ahead of the competition.

In its latest results, for the six months to 28 February 2017, the fast fashion retailer reported retail sales of £889.2m, 38% up on the same time last year. This, said Asos, a Top50 retailer in IREU Top500 research, in its financial statement for the period, was “driven by great product at relevant prices coupled with excellent delivery propositions and engaging content”. A wide range of choice in both delivery and returns, it said, “enables us to move towards our goal of providing a best-in-class customer proposition”.

Over the course of that six months, it made more than 100 improvements to its delivery and returns choices. They include, in the UK, work to reduce standard delivery from four to three days while enabling customers to pick up click-and-collect orders at all Doddle locations. It expanded the use of tracked delivery to European destinations, including Switzerland, Finland, Slovakia and Slovenia, and expanded the use of in-flight notifications to 22 European markets. In Switzerland, a duty-paid solution was launched that means customers from that market no longer have to pay import duty on their goods. Deliver to store was launched in Denmark and is set to be expanded in the UK and international markets. All of these are incremental improvements that help to drive an overall standard of service that makes Asos a leader in this Performance Dimension.

Perhaps a more significant improvement is that UK shoppers can now sign up to Asos' Premium Delivery service, paying £9.95 a year for unlimited next-day delivery and click and collect, no matter how small the order. It would seem only a matter of time before this service is expanded further afield.

In InternetRetailing research, the fashion retailer stands out in this Dimension for the breadth of its returns service. Its options for returns include return via pick up from the house, as well as via drop-off at a third party

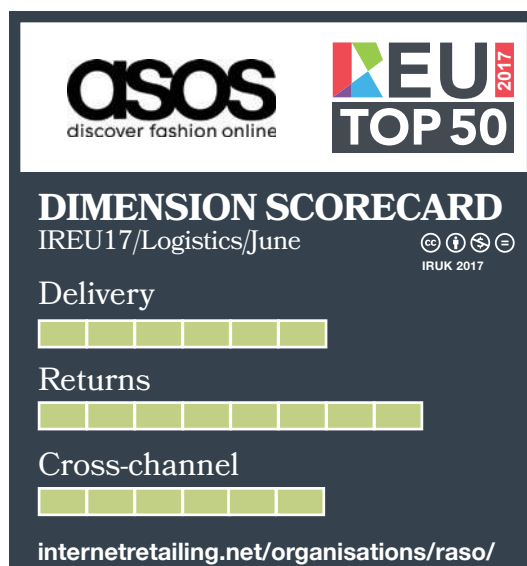


Images credit: Asos

In the UK, Asos customers can sign up for a premium service offering unlimited next-day delivery

location. It offers pre-paid returns that are free within the EU.

Such delivery policies have enabled the retailer to compete against local retailers across the world. By doing so, it removes a point of friction that might otherwise deter shoppers who are in a hurry to take delivery of their goods. 🇬🇧



Schuh: how to get on the fulfilment front foot

Schuh's impatient customers expect speedy deliveries, lots of delivery options and mobile-friendly service. **Chloe Rigby** discusses how the company meets these demands, with Rob Bridle, the footwear retailer's logistics director

SHOPPERS WHO GO to Schuh for their trainers and shoes tend to be younger and are as comfortable buying online as they are in the store. So says Rob Bridle, logistics director at the British footwear retailer. These are shoppers who are very much at home browsing and placing an order from a mobile phone – 67% of Schuh's online visits are from smartphones and 11% from tablets, with only 22% originating from the desktop environment. Half of the company's ecommerce revenue (50%) and orders (54%) come via mobile phones, contrasting with the third of shoppers (33%) who order from desktop, accounting for 36% of revenue.

It's been important for the company to design a delivery, collection and returns service that meets and exceeds these customers' expectations. That will also be

important when Schuh expands beyond its core UK and Ireland market by launching a German website this summer.

Fast and convenient delivery is part of the shopping experience that customers now expect. "Fashion, and particularly fashion footwear, tends to be an area where there can be a real feel-good factor, and a need to fulfil a desire, associated with making a purchase so customers are much more likely to want it quickly," says Bridle. "I think our customers therefore expect to be able to have plenty of choice when it comes to delivery options."

Currently, Schuh offers UK customers relatively fast standard delivery, at between one and three days. Customers ordering by 10pm can opt for next-day or nominated-day delivery, to collect their parcel from one of Schuh's 130 stores – it expects to have 135 stores by year-end in January 2018 – or from parcel shops operated by UPS Access Point or CollectPlus. Purchases can be picked up from the store within an hour of placing the order, or delivered on the same day where the Shutl service is available.

Tracking orders

Customers can track a delivery, while the carrier predicts the time it will be delivered, and offers the ability to change the time and place of delivery while the parcel is on its way. Bridle says that on-time delivery is a key KPI for the retailer, which also uses live tracking to measure the time it takes to dispatch and deliver orders. A single view of stock means deliveries can be made using stock held in stores around the country, or in one of three distribution centres, two in Scotland and one in the West Midlands. Returns are free to those customers that sign up to the Schuh mailing list on checkout, or at a store.

Schuh's biggest European market beyond the UK is Ireland, and the retailer has worked

"It seems increasingly likely that customers will expect to pay very little, if anything, for premium deliveries and returns"

Rob Bridle,
Schuh



Image credit: Schuh

In the future, Schuh expects customers to want it to provide a same-day click-and-collect service

to offer a delivery, collection and returns service that is as close to that of the UK as possible. Currently the main differences are that it doesn't offer a Sunday delivery service, and that the cut-off for next-day delivery is earlier, though that will be change over time.

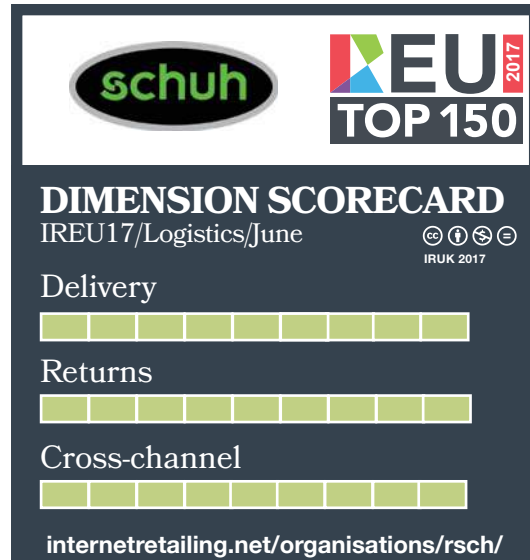
Deliveries to countries in the European Economic Area (EEA) are currently made using standard delivery, taking between two and five days, which is free when shoppers spend more than €75. When Schuh launches its German language website this summer it will introduce next-day delivery in that market and subsequently to neighbouring countries. Shipping is currently from the UK but it will ship from its the three German stores it already has in that country, and if demand warrants it will add a small dedicated DC. From June onwards it will offer click and collect in Germany and to UPS Access Point shops in that country.

Refreshing the website

This summer will also see the release of a redesigned UK website, with a wider choice of click-and-collect options, including lockers and supermarkets. As a result, says Bridle, "[Customers will have] the freedom to collect anytime, 24 hours a day, or while doing their weekly supermarket shop. They'll also be able to collect in their cars using a drive-through in some locations." Schuh wants to widen the opportunities for same-day and next-day deliveries, taking the last order time for next-day delivery to midnight. Customers will also have more choice about how to return items.

One challenge here will be not to overcrowd the checkout and confuse customers. "We will be able to further improve our delivery offer by adding some extra choices for click and collect," says Bridle, "but we'll need to do this by bundling a package of options into a single checkout option."

Looking to the future, it seems that customers will only expect more. "Over the past few years we've seen customers come to expect fast and free delivery, a range of convenient delivery choices, including weekends, communication about exactly where their order is, and they want the freedom to change their mind about the




timing or location of delivery after placing an order," says Bridle. "In the next five years I think we will see rising demand for same-day click and collect and same-day delivery, and returns, and it seems increasingly likely that customers will expect to pay very little, if anything, for these services." 



Image credit: Schuh

Schuh's young customers are impatient to get hold of their purchases and far more likely to order via their smartphones than via desktop

Carrefour: innovating for convenience

CARREFOUR PUTS AN emphasis on innovation in its operations and logistics. It knows that its customers want to buy in the most convenient way and it develops services to meet that demand. Citing research that suggests 57% of consumers say “waiting is one of the things they dislike most”, Carrefour this year launched [Livraisonexpress.fr](#) to offer one-hour deliveries of some 3,000 everyday products within a 30-minute delivery slot. The service, initially launched in Paris and the Greater Paris area, rolls out to Lyon this month. Carrefour has also introduced regular deliveries of a ‘cook’s basket’, *Panier Cuistot Carrefour*, that contains the ingredients and recipes customers need in order to cook cordon bleu meals in their own homes.

These new additions enhance an existing multichannel logistics infrastructure that includes both banks of collection lockers and smaller, third-party retailers trading at Carrefour hypermarket sites, as well as around 600 Drive outlets where Carrefour shoppers can collect their online orders. Speaking to *InternetRetailing*’s sister title *eDelivery* last year, Maxime Taieb, head of methods, solutions & innovation for grocery ecommerce at Carrefour, said: “We’re a retailer. We have to be focused on our customers. Things have to be convenient, you have to keep them happy.”

Taieb said the retailer used ecommerce and store metrics to understand customer behaviour. “This means we can appreciate the impact on customer behaviour of any changes or developments, the same goes for measuring the lifetime value of a customer, and we’re even able to track the customer journey from the website to the store, and from Drive to the store.

The French supermarket, which sells around the world and in the European markets of Spain, France, Romania and Poland, stands out in *InternetRetailing* research for fast, targeted delivery services that include nominated-day and nominated-time delivery and same-day delivery.

Carrefour chairman and chief executive Georges Plassat emphasised the importance of multichannel in its full-year 2016 results



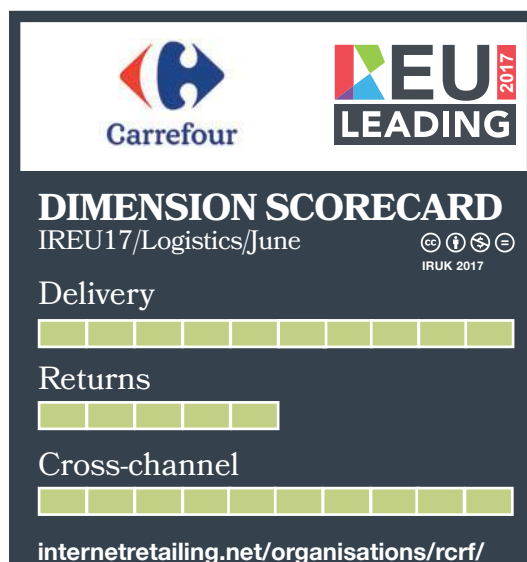
Image credit: Carrefour

when he said the retailer’s 2.7% rise in net sales to €76.6bn (£65.1bn) attested “to the relevance of our multiformat and omnichannel model, which is now a reality in all our countries”.

He added: “In 2017, Carrefour will continue to expand in all its formats, stores and digital, to enhance its proximity to its clients. Carrefour is resolutely the reference in food retail, anticipating trends, thus opening new paths for development and growth. Innovation, the pursuit of operational excellence and strict financial discipline will support value creation.”

Carrefour sells both online and through mobile apps, as well as through its extensive network of stores. It says that in France, customers who use several Carrefour formats, whether supermarkets, convenience stores or digital, account for half of its customers, and two-thirds of sales. 🇫🇷

Carrefour has begun to offer one-hour deliveries within Paris



Deichmann: bridging the store and online

GERMAN SHOE RETAILER Deichmann was a pioneer of online selling – and today it continues to innovate in ecommerce delivery, collections and returns. It was an early adopter of internet technology, becoming one of the first retailers to sell shoes online, as far back as 2000.

Today the Essen-based group operates 29 different online shops around the world, and sells via four online marketplaces, including eBay. As well as selling online, Deichmann sells through some 1,200 stores around Germany. It also sells online and through stores in 24 international markets, including 21 in the European Economic Area.

The retailer links stores and online closely together, and its entire collection is sold in both. Customers can check online, via desktop or mobile phone, to see if a style is available in a specific size at a local store. Deliveries and returns are all free of charge.

Such features mean Deichmann performs strongly in InternetRetailing research for its joined-up logistics. That research finds that Deichmann enables shoppers to check store stock online, offers prepaid returns, as well as allowing customers to return unwanted items ordered online to the store.

Heinrich Deichmann, chairman of the Deichmann SE management board, says: “We consistently strive towards offering our customers the very best in every channel when it comes to products, prices and service and also to making the switch between channels as simple and convenient as possible. It’s not important for us to distinguish what proportion of sales is contributed by each distribution channel: what counts is that customers buy from us.”

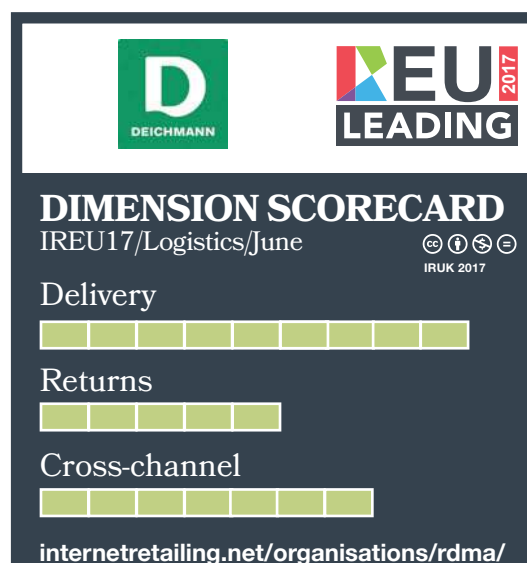
Deichmann introduced a Ship2home delivery service in 2015. When customers can’t find their chosen shoe in their size in the store, they can pay for the shoes in store and order them for home delivery, free of charge. If they subsequently wish to return them they can do so by post or in the store. This service was expanded in 2017 to cover all stock available in other branches as well as online.



Images credit: Deichmann

Deichmann is experimenting with bringing touchscreen monitors into its stores in Germany

In Germany, Deichmann is currently trialling a new store format. Five stores now have large touchscreen monitors where customers can view the full range and order items online. Sales staff have handheld scanners that enable them to check where stock is available and have it delivered to the customer. Deichmann is also offering “window shopping”, using a system built into the shop window, to enable customers at around 10 stores in areas including Berlin, Essen and Düsseldorf, to order shoes for home delivery. 🇩🇪



12 approaches that work

Customers expect free delivery, free returns and delivery with a day or two, all of which eat into margins. Top50 retailers are not afraid to charge for such services but it's important to ensure branding is strong and service levels remain high, says **Penelope Ody**

1 Match delivery options to your market

Shoppers' delivery preferences for online orders can vary significantly depending on both products and target market, so it is important to provide an appropriate set of options to match their needs. Target building trades or the DIY market and your customers may well be willing to pay for deliveries at odd hours. Topps Tiles allows customers to choose an 'out of hours' two-hour delivery window anytime between 7pm and 6am at the same price as its daytime delivery choices.

Offer online groceries and some form of monthly or annual delivery pass could well encourage regular shoppers. Sainsbury's, Tesco and Asda all offer various forms of delivery pass: prices start from £3.50 per month for a mid-week delivery option at Tesco, £10 for a three-month midweek pass at Sainsbury's and £24 for an annual midweek pass at Asda. Sell fashions or footwear targeted at 18-24-year-olds and your Generation Z shoppers will probably expect same-day or same-evening delivery. Schuh is one of the companies working with Shutl to offer 90-minute deliveries in selected areas, while many others, such as Boohoo and Next, offer next-day delivery for all orders placed before midnight.

Fast fashion customers are also frequent buyers and annual delivery passes are starting to appear in the clothing sector too. Boohoo, Asos and New Look are among those offering annual passes giving free next-day delivery or collection as well as free returns for less than £10: as Boohoo puts it: "See it today, wear it tomorrow".

2 Think about drive-by collection

While many online supermarkets opt for timed delivery windows or click and collect, some want the process to be even more customer-centric. Carrefour has developed its Drive solution, allowing shoppers to order and pay online and then collect shopping at drive-by stations at its supermarkets. Customers simply specify a collection time, drive to the store, identify themselves and have the shopping loaded into the boot by store staff – all, as the promotional video emphasises, in less than five minutes and with no need even to get out of the car. The service is free, offers a choice of 8,000 products, is available throughout France and Belgium, and appears to be popular.



Carrefour's Drive service makes it easy for customers to collect their groceries from stores

3 Simplify returns

Returns can play havoc with inventory control and many retailers hate them, but returns are an integral component of successful online sales, and it is important to make them as easy and user-friendly as possible. A March 2017 survey of 2,000 UK consumers, by payments provider Klarna, found that 83% of respondents would not buy again from a retailer if they had a bad returns experience, while two-thirds (67%) said that easy returns were an essential factor in their choice of retailer.

For most of the Top50 retailers, returns can be to the store, by post, to a parcel shop, or in some cases by courier. In the UK, Collect+ now accepts returns for more than 300 retailers including Asos, House of Fraser, Office, New Look, Littlewoods and Marks & Spencer. Shoe Zone and H&M's UK site both offer the options of collection by Hermes' couriers or drop off at its parcel shops for returns. The choices tend to be less comprehensive at some of H&M's other European sites, although collection using Mondial Relay is available in some geographies.



Image credit: M&S

Marks & Spencer is among the retailers limiting free delivery to higher-value orders – more than £50 – as a way to keep costs under control

4 Manage free delivery effectively

Free delivery is an expensive service to offer: add in free return and margin erosion is guaranteed. While free return is commonplace – although several in the Top 50 charge for postal returns with only return to store or a parcel shop being free of charge – many are limiting free delivery to higher-value orders.

What constitutes higher value varies. At Boots anything over £45 is free for standard deliveries but all other delivery options – named, next-day or Saturday – have a price tag no matter how large the order. Marks & Spencer offers next-day delivery for £3.99, but free for a £50 spend. Asos gives free standard delivery to anywhere in the world – minimum spend is usually £20, although a little more in some geographies. Next-day delivery is also free to a few countries with a promotional code when the order reaches £100 or €100.

Others set higher minimum spend – £75 at TK Maxx, £50 at Dorothy Perkins – or don't offer it at all. C&A in Germany has a minimum order value of €19, and delivery is €5.95 but free to collect from store no matter what the value. Sports Direct has a £4.99 standard delivery charge or £6.99 next day – even click and collect (within five to seven days) will cost £4.99, but customers do get a £5 voucher to spend in store when picking up an order.

5 Expand pick-up points

Customers want convenience and a choice of home delivery or click and collect is no longer enough. To improve customer satisfaction, the top e-tailers are adding parcel shops, locker pick-up options or partnering with non-competing retailers to improve the range of high street collection options. Locker pick-up points are already well established in many parts of Europe. DHL, for example, operates some 3,000 standalone Packstations in Germany, which are used by sites such as Deichmann. Amazon offers UK customers the choice of Doodle, Pass my parcel, and the Post Office's Local Collect, as well as its own Amazon lockers – some of which are sited in Co-op and Morrison stores, others in libraries. Amazon also runs its locker programme in France, Italy and Germany.

In France, Mondial Relay – used by sites such as H&M – operates 6,300 Points Relais, most of them located in local independent shops, while Darty has been trialling DPD's Pickup network. Wallis uses Hermes Parcel Shops, New Look orders can be collected from Collect+ and Doodle, while Schuh adds Collect+ and UPS Access Point. Asos enables collection from Collect+, Doodle and several Boots stores in metropolitan areas.

Other retail partnerships include Asda's ToYou scheme, which allows shoppers to collect or return orders from more than a dozen e-tailers.



Image credit: DHL

There are now more than 3,000 of DHL's Packstations in locations across Germany

6 Use delivery as a promotional tool

Delivery has long been seen as a marketing tool by e-tailers, hence the trend for free delivery or collection and free returns.

But delivery pricing can also be used as a promotional tool for special events. In the run-up to Mothering Sunday in the UK, for example, Marks & Spencer used a banner headline declaring "Mother's Day flowers – free delivery on Sunday 26 March".

7 Name carriers on the website...

Regular online shoppers very soon get to know which carriers they prefer and which to avoid. We all like the ones who carefully place parcels in a garden shed or car port if we're out, while those who simply abandon the box on the doorstep in pouring rain are to be avoided. Until recently, few sites named the delivery service providers they used, but as consumer awareness of those different companies' reputations and behaviour grows, using a reputable carrier becomes a selling point.

Wallis and C&A are among those naming Hermes while Intersport lists Royal Mail as does Carphone Warehouse for low-value orders. Spend more than £50 and Carphone Warehouse opts for DPD and a 15-minute delivery window, while Asos uses DPD for customers who want to specify a one-hour delivery slot 10 days in advance. DPD is clearly a favourite also used by – among others – Halfords for small items (DX for large ones).

Pets at Home includes a "Why we deliver through DPD" paragraph on its delivery information page. It starts: "We work with DPD to ensure that every order reaches a happy pet in one piece." Other sites name Mondial Relay and DHL which both give customers reassurance, on their own sites, that orders will be delivered with care.

8 ...or in confirmation emails...

Where retailers use several carriers, then actually telling the customer which carrier will be delivering a parcel in that first confirmation-of-order email can give reassurance. This also enhances the impression that a retailer really knows and cares about an order. It also allays any customer concern over unexpected emails from carriers inviting them to click on a link for more information. Asking shoppers to click through from an email to an unknown website can look, to the more cautious shopper, like a phishing scam – especially as we're all on the receiving end of spam mails purporting to come from reputable carriers unable to deliver spurious parcels. Which leads on to...

9 ...and brand order tracking

Shoppers like to track their orders and many couriers are now equipped with software allowing customers to follow exactly what is happening from despatch to delivery. While many carriers maintain direct email contact with the end customer, it often isn't entirely clear with which order they happen to be involved – especially when the retailer's official company name, given on an email, differs from the brand name used on the retail website.

Retailers can make it apparent that the carrier will contact shoppers directly by giving customers clear information. Carphone Warehouse makes it obvious that DPD will email customers directly and allows customers to check on delivery progress with a real-time map on their smartphones. Others, including New Look and Wallis, provide a tracking link from their own sites direct to their carriers' sites. Rather than burying such information among the customer services FAQs make the track-your-order link obvious and ensure that carriers make it perfectly clear which retailer they're working for.

10 Make international delivery obvious

Online retailing is a global business so delivery information for international customers should be clear, easy to find and simple – although it is often deeply buried even on Top50 websites. Among the easily accessible offerings is that of Asos, with a simple list of countries and their flags on its main delivery information page. Clicking on the flag brings up a summary of charges and delivery times for that country. The list includes such rarities as the Antarctica and the Aland Islands – free for standard (taking about two weeks) or £20 for express – as well as more difficult-to-deliver-to nations such as Russia, Syria and Iraq.

Debenhams has international delivery as an option on its delivery and collection menu, leading to a pull down chart detailing every country where the company will deliver: £15 to the Falkland Islands in seven to 11 days, for example. No mention on this list, however, of China, Russia or anywhere in the Middle East apart from Israel – but at least prospective customers quickly discover if they can buy from the site.

House of Fraser does it with an interactive world map: click on your country and up pops the price and delivery time – standard £6 to Turkey in eight days or express only to Russia (no trucks able easily to cross that particular land border) for £20 in between four and eight days. Again, it's a very simple tool for international shoppers to use and to discover if they can buy.

Many of the others in the Top50 simply ignore the international issue altogether, providing information only about domestic delivery options. As Shoe Zone declares on its delivery page “We currently only deliver to the UK (including Channel Islands and Northern Ireland)” while C&A Germany has “Nur innerhalb von Deutschland”.

11 Start thinking about consolidation

For online shoppers it would be the ultimate convenience. Instead of having to collect their orders from various high street shops or accept numerous parcels from different couriers over the course of a week, all could be tidied into a single consolidated delivery. Belgian bpost launched its Shop and Deliver scheme five years ago, consolidating post, online orders and even returned dry cleaning into a single delivery by the local postman.

Today, it focuses more on food, working with a dozen supermarkets and speciality food shops – including Carrefour, Delhaize, and Coradrive – via its www.combo.bpost.be site. Customers can order items from the various sites, select “combo” at the checkout, and all will be delivered together for a standard charge of €9.95 regardless of whether they have ordered from two or 10 online shops.

Many believe this type of consolidation will become important for environmental reasons. Currently, the London Assembly estimates that vans make up around 80% of London’s commercial traffic, with an 11% increase in volume between 2012 and 2015 attributed to internet shopping deliveries. The need for consolidation could well become a political issue.

12 Exceed statutory rights – or not?

The EU’s Consumer Rights Directive (known in the UK as the Consumer Contracts Regulations) gives online customers 14 days from the date they receive their order to return the goods. Refunds must be paid within 14 days of either the trader getting the goods back, or the customer providing evidence of having returned the goods, whichever is the sooner. Some Top 50 sites stipulate this 14 days as the limit for accepting returns, but others opt for longer. Asos, Deichmann, Debenhams and Intersport are among those giving shoppers 28 days to return items. Marks & Spencer specifies 35 days while Shoe Zone will accept returns of unworn shoes up to 12 months from the date of purchase.

Stipulating 14 days may be reasonable for fast-fashion businesses such as Boohoo, as by the time the goods are returned they may no longer be in the current range, but for those working to less frenetic timetables offering a little more than the statutory minimum can significantly improve the overall customer experience. 🇬🇧



Image credit: bpost

Belgium’s bpost has pioneered the consolidation of deliveries from different retailers

AI in the real world

Chloe Rigby discovers how Otto is using machine-learning technology to streamline its supply chain and cut delivery times



IT USED TO take up to seven days for customers of German-based Otto to receive the goods they ordered online. But machine-learning

technology has helped the company to cut the time that its shoppers have to wait for their orders to as little as one or two days.

The retailer, which sells products from furniture and electronics through to fashion, offers about 2.2m items from 6,000 brands on its website. It's Germany's second-largest online retailer. Some products are sourced directly by Otto, while others come from third-party retailers. Having every item in stock is impossible, but having an item arrive at the Otto warehouse only after a customer placed an order used to mean that same customer then had to wait for up to seven days to take delivery. This, says Mathias Stüben, who heads Otto's category processes division, was "too long; our customers wanted to have the product much faster".

Technology from Blue Yonder now enables Otto to map future customer demand much more accurately than previously and to automate replenishment. "We have forecasts for short time periods, with products ordered automatically from our partners," says Stüben [pictured above]. "Products go to our warehouse and then when customer demand is there, we are able to deliver to our customer in two days, normally. That's had positive effects, from the lower rates of return that help us to cut costs, to increases in sales. For us, it is very important that the customer is very happy, and that they get the product for a good price in a very short time."

How it works

The Blue Yonder technology analyses around 3bn transactions, including past sales, prices and stock levels, in order to forecast customer demand and to make automated decisions



Image credit: Otto

about which goods to order, and in what sizes and colours. It predicts the products that will be in demand over the next two to three weeks, and orders those goods automatically. The goods are sent to Otto's warehouse, from where they can be delivered, once ordered, to a customer within two days.

The system was first introduced at Otto in 2006. At that time, it covered the goods that the retailer itself sources directly. It also answered a need for reliable forecasting, so that Otto could deal with issues such as overstocking. Initially, it was used to forecast product sales, but has since been extended to provide dynamic pricing, and to optimise replenishment through automatic ordering. The system was recently extended to cover those products that are supplied by third-party retailers and suppliers. In future that's likely to be extended still further.

"Now we are in the situation that we can reduce delivery times for our customers which is, I think, the main point," says Stüben. ▶

Otto's warehousing capacity is built on a colossal scale

The system is growing fast: by the end of 2016 Otto Group, which also includes retail brands such as Bon Prix, was feeding it with more than 300m data sets a week – with around 200 factors taken into account for each item. That produces more than 5bn forecasts a year. It's now at a scale that human decision-making could not hope to replicate, says Dunja Riehemann, director of marketing at Blue Yonder. "Machines are always better when they have millions of decisions to take on a daily basis," she says. "Humans can no longer take operational decisions on what needs to be done daily, with all the articles, different sizes and colours that are involved. Machines can make decisions much more precisely."

But humans, she says, still have a role to play: in setting the strategy – or "what the machine should consider in its decisions, whether that's to maximise margins or revenue". She continues: "These decisions are made by the company, and by humans. Machines need directions on what they should optimise, and then make those based on the company's strategy and KPIs (key performance indicators)."

This artificial intelligence-powered machine learning means that the accuracy of forecasts will increase over time. One simple illustration of how the system uses data is through the weather. "One of the factors that the software recognises is the weather and the weather forecast," says Frank Surholt, head of corporate PR at Otto. "The software knows it's going to rain tomorrow in Hamburg, and calculates that a lot of people in that area will order waterproof jackets and shoes tomorrow."



Frank Surholt, head of corporate PR at Otto, hopes Blue Yonder software will enable the retailer to predict demand ever-more accurately

Image credit: Otto

By calculating the demand, Otto also knows, says Stüben, how prominently to place the product on the website. There could, for example, be a product of the day, or a special offer for customers. "That's important because it influences the demand for each product," he says, "and it's very important that Blue Yonder knows a lot of the influences that are on the product."

Automated decision-making means overstocks have become a thing of the past. Otto considers it accurate when it sells out of items ordered from its retail partners within 30 days – using this technology that now happens 90% of the time. It now often happens that goods that are bought using automated decisions never go into storage, but are sent directly to a customer.

The system is also effective at peak times such as Black Friday.

Otto now envisages a future in which predictions will get ever-more accurate. "The dream could be that we know, in co-operation with Blue Yonder, that tomorrow at 3pm in Hamburg someone will order a refrigerator from Bosch," says Surholt. "We don't know who will order this, but we know someone will. That means we are able to deliver this refrigerator to the local warehouse, even as we are waiting for the customer to order it. Knowing where a customer will order which product will mean we are much faster. That's the vision for the future."

Working with delivery systems

Otto's use of automated decision making is supported by the way its warehousing and delivery systems are organised. One large central warehouse in Heidensleben, in the former East Germany, acts as a hub to serve smaller warehouses located around the country. From there, orders within Germany are predominantly delivered through the Otto Group's own delivery company, Hermes. Surholt says: "It could be very much faster when very heavy products like furniture, fridges, ovens or kitchen stoves are much closer to the customer in the future, and Hermes only has to drive two or three kilometres to deliver the product."

Stüben adds: "It is very important to think about where warehouses will be located in the future. It's very important to have short



Image credit: Otto

Blue Yonder technology enables Otto to order products at scale, but with a decreased risk of getting left with unsold stock

distances between where warehouses are located and the customers.”

The retailer uses the system to inform buying decisions for Otto.de in Germany, but it also powers decisions for other Otto Group retail brands. These include discount fashion brand Bon Prix, which sells from 26 international websites, of which 22 are in the EEA, plus Switzerland. In the UK, Bon Prix offers premium delivery services including guaranteed next-day delivery for items ordered before 10.30pm, seven days a week.

Managing change

In 2006, as the technology was first introduced, Stüben says that the IT project itself was not difficult. Instead, the most important challenge was to manage the change for employees as Otto asked its buyers to start to rely on the data and the technology, ahead of their own instincts. “I think the most important part of the implementation was the need to involve people from the start.

Recently, the company has worked with its suppliers to understand the idea of shipping an item before it’s clear that there is customer demand. “After a test period, our partners get positive reactions from our customers, they have more sales, Otto has more sales, so both parties are happy with the results,” says Stüben.

Professor Dr Michael Feindt, chief scientist and founder of Karlsruhe-based Blue Yonder – a former CERN scientist –

argues that its technology is an important part of customer service. “Otto’s strategy shows how imperative machine learning is to improving customer satisfaction,” he said. “Everyone profits from automated replenishment processes: the customers through shorter delivery times, the suppliers through improved planning overnight as well as higher demand. Otto gains through lower warehouse and shipping costs.”

Machine learning and artificial intelligence certainly seem to be permanent fixtures at Otto Group – which is itself one of Blue Yonder’s investors. It will be interesting to see how its use of the technology expands in future. Other retailers are following suit. In the UK, for example, supermarket Morrison’s recently adopted the Blue Yonder technology to optimise replenishment and automate orders for 26,000 ambient and long-life product lines in its 491 stores. So far, it is reducing gaps on its supermarket shelves, as it automates 13m ordering decisions a day. In Morrison’s latest full-year results, chief executive David Potts said of the new automated order system: “The system is capital light, utilising cloud technology and store-specific historic sales data to forecast stock requirements. It is reducing cost and stock levels while also saving time for colleagues and providing a better offer for customers. Availability is improving with gaps reduced by up to 30%.”

Local variations

As the European cross-channel retail market matures, nuances in retailers' approaches to deliveries and returns are emerging across different territories, reports **Jonathan Wright**

THE UK IS the most mature ecommerce and multichannel retail market in Europe. It's hardly surprising then, that of the retailers that make up the Top100 within the IREU Operations & Logistics Dimension, 49 of these companies are based in Britain. Within a competitive environment, each, in their different ways has had to implement delivery and returns strategies that give them an edge over competitors, typically around services such as click and collect, and premium delivery.

However, it would be a mistake to assume that the UK is as far ahead in this Dimension as it may have been a few years ago. To take just one of our research findings, it's retailers in Germany that offer the fastest standard deliveries at around four days (3.9). In comparison, the equivalent figure for the UK is 4.8 days.

While it's outside the direct scope of our research, one way to understand this kind of statistic may be to consider how retailers develop and roll out fulfilment operations. Typically, the biggest gains come in the early part of implementation when, for example, bricks-and-mortar retailers that want to become cross-channel retailers have to set up new systems. After this, gains tend to become incremental. You would therefore expect bigger European retailers to be matching and even exceeding the performance of retailers in the UK as the overall European market matures.

That said, our research reveals fascinating variations in performance across different countries within the EEA, variations that often reflect local factors and which we outline here:

Delivery options

UK consumers have the greatest choice when it comes to the number of delivery options, with an average of 2.6 choices per retailer. The performance of retailers operating in France (2.2), the Czech Republic (1.9) and Spain (1.9) is also strong, whereas German consumers are offered, on average, 1.8 delivery options. The UK's lead here probably reflects early adoption of ecommerce, although the sophistication of UK supermarkets and other retailers offering timed deliveries within urban areas plays a big part too.

Standard delivery

As already noted, German consumers get the best service here. However, those in the Netherlands can expect to receive goods in 4.1 days – perhaps because they come from nearby German warehouses? – while there's a group of countries at around 4.5 days, including Switzerland (4.4), Portugal (4.6) and Belgium (4.6). It may be that German consumers, who have a reputation for being price-conscious, are reluctant to pay for premium services, which makes offering prompt standard delivery a priority for retailers operating in Germany.

At the other end of the scale, consumers in Norway (6.5), Sweden (6.3) and Finland (5.8) typically have to wait longest to receive their goods.

UK consumers have the greatest choice when it comes to the number of delivery options, with an average of 2.6 choices per retailer

Returns

Within Germany, there's long been a culture of returning goods. Accordingly, retailers compete to offer easy returns to consumers, with 50% of retailers operating in this market offering pre-paid returns. More widely, pre-paid returns seem to be most commonplace in Northern Europe, with Austria and the Netherlands also territories where this service is commonplace. In contrast, in the UK, only around one in five retailers offers pre-paid returns.

Sunday delivery

Here, the figures are interesting because they show UK-based retailers performing far more strongly than other European territories. In contrast, consumers in France, Bulgaria, Denmark, Spain, Finland, Greece, Italy, Norway, Romania, Sweden and Slovakia can't request Sunday deliveries from IREU Top500 retailers.

Similarly, the UK leads the way in next-day deliveries and nominated-day deliveries. We suspect this is evidence of the way consumers in the UK expect flexibility when it comes to deliveries.















In conclusion

Our figures suggest there is still considerable scope for improvements within the Operations & Logistics Dimension across Europe. However, it may be that continental European retailers will soon start to pull ahead of UK counterparts here. That's because the UK government is seemingly committed to a hard Brexit that will make it more difficult for UK retailers to operate within the EEA.

Alternatively, the initial difficulties of Brexit may give UK retailers an edge in the longer term as they set up logistics operations within the EEA and apply lessons learnt in the competitive UK market. Our research over the next few years will offer early insights as to which of these scenarios plays out. 🇬🇧

Return policy length of Top500 retailers

Median length, in days, of the return policies of Top500 retailers in EEA countries

	Median length of unwanted items return policy (days)
 Spain	30
 Portugal	29
 EEA	28
 Italy	28
 United Kingdom	28
 Ireland	21
 Poland	21
 Austria	14
 Belgium	14
 Czech Republic	14
 France	14
 Germany	14
 Netherlands	14
 Sweden	14
 Switzerland	14

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

ISSN 1759-0582



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

ONCE, THE IDEA that fulfilment, the business of getting goods to customers, could be a key battleground within European retail would have seemed ridiculous. Go back even 20 years and companies competed largely through their bricks-and-mortar locations, places where merchandising and customer engagement are prime considerations. Clearly, much has changed.

Except has it? Retail has always about selling promises as well as physical goods. This item is of top quality. This item is hugely popular this year. This store shows off the kind of items your peers also buy. Online, retailers make promises too, and the promise of delivering at a time – and even location – that suits a particular customer has become steadily more and more important as multichannel retail has developed.

Again, this emphasis on deliveries may seem to be a wholly new development, but is it? Think about traditional department stores. These have always offered customers, especially their most valuable customers, a level of service that extends beyond selling the goods, and encompasses deliveries, returns and after-sales service. In other words, promises built on Operations & Logistics were built into their offerings from the start. Viewed in this way, one way to understand retailers' efforts to create slick fulfilment operations is to see it as a case of leading European businesses applying approaches that are deep in retail's DNA.

This isn't easy to do. As we've seen through this Dimension Report, retailers always have to make a trade-off between levels of service and cost. It's one thing, for example, to react to the way customers across Europe are starting to mimic the behaviour of German consumers, who have traditionally returned a high percentage of goods after looking them over at home, it's quite another to do this without accruing heavy losses.

Nevertheless, the evidence we've found through our research is that European retailers are beginning to do the work necessary to improve their fulfilment offerings. This explains, for example, why vast warehouses are starting to spring up across Europe. It explains too why continental European retailers are looking closely at the UK market, where services such as next-day and nominated-time deliveries are far more commonplace, to see what lessons can be learnt. Finally, it explains some of the huge investments in automation and AI that we've seen recently.

The overall result of all these development is an area of retail practice that's especially dynamic. When we return to this subject next year, we expect much to have changed.



1,028 first-time buyers defected in the last 30 days

€1.7M

23

High-Performing Campaigns
3 campaign(s) converted 63 contacts in the last 30 days

Re-Purchase Rate
in the last 90 days

Retention Rate
in the last 90 days

Win-Back Rate
in the last 90 days

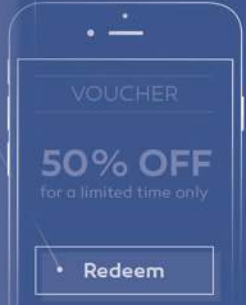
1,676 active customers purchased in the last 7 days

1,798 active customers defected in the last 7 days

1,304 defecting customers

PURCHASE HISTORY

LIFETIME VALUE: \$212
PREDICTED PURCHASE: Adaptive Trainers
CONVERSION PROBABILITY: 28%
PURCHASE INTERVAL: 42 Days



DELIVER ON THE PROMISE OF MARKETING

Truly Personalized Consumer Interactions.

