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CO-OP: REFRESHING THE SUPERMARKET MODEL

Chris Conway, Head of Digital - Retail, Co-op Food, on digital in store and the shake-up of the UK's grocery sector

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Editor's comment

Amazon is launching two further Amazon Go cashier-less stores in the US while over in China Alibaba's Hema store network continues to expand. Ten stores opened recently giving the New Retail model a foothold in four new markets. There are now 46 Hema stores in operation in 13 cities across China.

Looking to grocery in the UK and the news has been Co-op Food's launch of a scan, pay and go cashier-less operation and the announcement from Sainsbury's and Asda that the two businesses are to merge – or 'combine' as the announcement calls it.

In this issue of InternetRetailing magazine we investigate the grocery sector and how it is being shaken up by shoppers' digital and omnichannel preferences. Chris Conway, Head of Digital - Retail, Co-op, shares insight into the Co-op's digital ambitions while we also take a broader look at the implications of the Sainsbury's/Asda merger and what it takes to be a leading grocer in the digital age. As Chris Conway says, "When the Co-op starts selling online we won't be asda.com or morrisons.com, we'll be something very different and unique." It is this differentiation that all retailers are seeking. Ecommerce/digital; buying power and owning the supply chain; extended ranges; ad platform and the right solution for last mile/warehousing are all examined.

We also look to China and the US to see how developments there will impact on European retailing and whether there will be a clash as East meets West.

Of course, a view of Europe wouldn't be complete without thoughts on Brexit. With final Brexit terms still to be agreed none of us know with absolute certainty what life will be like after 29 March 2019. Penelope Ody investigates what retailers should be planning now and giving readers five things to think about. As she advises: "Go global – tariff-free imports from non-EU countries mean many prices can fall so why not shop the world?"

Shopping across borders is something that consumers are happy to do increasingly and retailers are meeting their demands with faster delivery and then launching localised ecommerce sites when the demand reaches a certain point. While the site will be localised, many orders are still sent from UK warehouses. Returns too come back into the UK. These two aspects are covered in separate articles by Bobby Shome, Global Business Development Director, Centiro and Al Gerrie, CEO, ZigZag Global.

Bobby Shome believes that the ability to integrate live data points into a retailer's delivery management systems will enable them to provide accurate updates to customers, no matter where in the world they are based.

Al Gerrie, meanwhile, warns that for some retailers – particularly in fashion – paying insufficient attention to returns volumes and their cost could send retailers to the wall as consumer spending has declined and return rates are now growing faster than ecommerce. "The bedroom is the new fitting room," he says.

He also points out that, with international ecommerce, returns need to be dynamic to allow for the goods to be sent where the demand is for that item.

Consumer trust is essential when launching into new markets and retailers have to really understand the shopper to make a connection as if they are a local business. "We see trust as the critical factor," says Emile Naus, a Director at BearingPoint, in his guest article in which he shares insight into what retail trust means for consumers around the world. Research from BearingPoint shows that in China, 81% of consumers think it is important to trust retailers, and 64% do. In South Africa, another important market for international expansion, 74% of consumers think retailer trust is important, but only 21% actually do trust them. He suggests that China, Nigeria, and South Africa represent interesting test cases for international expansion.

Wherever you are trading, trust and the customer experience are paramount to success. I hope you find some inspiration and thought-provoking items amongst the pages of this issue of InternetRetailing as we look at ecommerce around the world.

Emma Herrod
Editor

Chloe Rigby **highlights recent industry changes but to keep up to date with the news and her insight between issues visit** *www.internetretailing.net*

SAINSBURY'S FULL-YEAR RESULTS

SAINSBURY'S REPORTED revenues up but profit down on the same day that it announced its plans to merge with Asda. Sales in the year to March 18 2018, the first full year following its acquisition of Argos, came in at £28,456m, including fuel but excluding VAT. That's 8.5% up on the same time last year, boosted by that acquisition, which completed in autumn 2016. Like-for-like sales, which strip out the effect of that acquisition, and of store openings and closures, rose by 1.3%. Pre-tax profits of £409m fell by 19% from £503m last time.

Chief Executive Mike Coupe said: "We have accelerated the rate of change and innovation across the group and more customers are choosing to shop with us than ever before as a result." He added: "We are focused on making Sainsbury's a destination of choice. We are clearly differentiated by the quality of our food and we have recently invested a further £150 million to lower prices. General merchandise and clothing are both performing ahead of the market and, in response to great customer feedback and financial returns, we are opening Argos stores in our supermarkets faster than we originally planned." He said the business had made £540m in savings over the last three years, beating a target of £500m that it would again target in the three years to 2021.

So far, it has opened 191 stores in Sainsbury's supermarkets, including 37 in Sainsbury's Local convenience stores. It aims to have 250 open by next March and 280 by the end of 2018/19. Tu clothing can now be ordered via the Argos website for home delivery or collection from more than 1,000 Argos stores and collection points.

The Argos Fast Track hub and spoke model enables the general merchandise retailer to deliver to 90% of postcodes in four hours. Over the full-year, Fast Track home deliveries were 28% ahead, while in-store collections rose by 45%.

AMERICAN APPAREL RELAUNCHES

AMERICAN APPAREL has reopened in the UK – but this time it's an online-only business.

The retail brand has returned as a pureplay 18 months after its previous owners went into administration in November 2016. Back then, an offshoot of the original North American business of the same name and operated by subsidiary companies American Apparel (UK) Ltd and American Apparel (Carnaby) Ltd, was a Top350 retailer in IRUK Top500 research and had 13 stores in the UK. It failed at a time when its US parent company was being sold and stopped shipping to its UK subsidiaries, which were not part of that sale. The US business subsequently failed and Canadian company Gildan bought its assets in 2017, launching a US website last year.

Now the American Apparel brand has returned to the UK with the launch of a new website, where the emphasis is ethical and sustainability issues, featuring 'ethically made –sweatshop free' banner and case studies on the people who work for its parent company in central America, the Dominican Republic and Bangladesh.

Ed Bussey, Chief Executive and Founder of Quill, commented: "Following its collapse in 2016, American Apparel's return to the UK as an online-only store shows that even the most troubled of brands has the potential to rise from the ashes. Whilst the company's new digital focus seems an astute choice given the ongoing footfall and spending challenges faced by the high street, if American Apparel are to successfully relaunch, they will need to be absolutely uncompromising about their online customer experience."

MOTHERCARE REPORTS

MOTHERCARE has reported growing online sales – which accounted for 49% of all transactions in the fourth quarter of its financial year – but falling in-store footfall and sales.

The retailer for parents of young children, ranked Top50 in IRUK Top500 research, said group sales fell by 0.3% in the 12 weeks to March 24, and by 1.9% over the full year. Total UK sales fell by 5.6% in the quarter and 4.8% in the full year in tandem with floor space, which fell by 10.7% over both periods, while UK like-for-like sales which strip out the effects of store openings and closures, were down by 2.8% in the 12 weeks to March 24, and by 1.3% over the full year.

Online sales rose by 2.1% in the fourth quarter and 1.2% in the year. Stronger online growth came via the website (+7.2% Q4/+2.8% FY) but sales via in-store iPads fell (-4.8% Q4/-1.1%FY).

International sales were also down: by 11% in the quarter and 5% in the year.

Chief Executive David Wood said group performance was in line with previous guidance. "The UK retail trading environment remained relatively muted in the quarter, with a continuing trend of lower footfall in stores, though there was an encouraging return to growth online, with website sales in particular growing at 7.2%," he said. "In this competitive climate, promotional activity has been necessary to stimulate customer demand."

He added: "We continue to make good progress in reducing the size of our UK store estate in response to changing consumer preferences and in reducing our central cost base, but our central focus must be customers and their experience, securing Mothercare's reputation as the number one specialist for parents."

FAST GROWTH AT BOOHOO

BOOHOO.COM said group revenue of £579.8m in the year to February 28 was 97% up on the previous year, while pre-tax profits of £43.3m were 40% ahead. UK sales of £355.6m were 95% up on last time, while US sales of £92.7m were 129% ahead, and rest of Europe sales of £66.3m were 73% up. Within the group, boohoo posted revenues of £374.1m, a 32% rise on last time, PrettyLittleThing revenue of £181.3m, 228% up on last time, and Nasty Gal posted revenue of £24.4m in its first full year of trading.

Joint Chief Executives Mahmud Kamani and Carol Kane said: "Against a backdrop of difficult trading in the UK clothing sector, the group continued to perform well, gaining market share in the expanding online sector. Our international business showed higher growth rates, and we are pleased with its gathering momentum.

"Our strategy will remain focused on providing the best fashion at great prices coupled with excellent customer service. To this end, we have a plan of continuous investment in systems and technology to ensure we offer an optimal online shopping experience. International expansion will continue as we add more country-specific websites, refine our brands' customer proposition and raise brand awareness through marketing and social media. Our extended distribution centre, which will have a significant element of automation to drive efficiency savings, is scheduled for operational use in early 2019."

JD SPORTS ON MULTICHANNEL

JD SPORTS FASHION has said that a multichannel approach was a key part of its record performance in a year in which turnover grew by a third and pre-tax profits by almost a quarter.

The sports, fashion and outdoor retailer reported revenues of £3.2bn in the year to February 3, 33% up on the same time last year. Pre-tax profits of £294.5m were 24% up on last time. Online sales across Europe grew by more than 30%.

Executive Chairman Peter Cowgill said: "This is an excellent result, demonstrating our capacity for continuing growth in both existing and new markets and the strength of our offer in store and online."

He added: "The investments we have made over a number of years in developing our multichannel proposition and driving improved buying, merchandising and retail discipline have ultimately led to the creation of a world class sports fashion business which combines the best of physical and digital retail on an increasingly global scale.

"We are very encouraged by the progress that we are making internationally and we continue to look for further opportunities to bring our dynamic multichannel proposition to new markets around the world with the support of our key brands."

The retailer points to its "best in-class multichannel experience with breadth, newness and exclusivity" that is "consistent across all channels and in an expanding network of international markets".

The business is underpinned by a multichannel infrastructure, says JD Sports, which gives customers from different countries access to a universal stock pool. This, it says, enables them "to shop with us in the channel and at the time of their choice".

The retailer expanded further in Europe (+56 stores) and Asia Pacific (+9 stores). It has also agreed to buy US multichannel retailer The Finish Line, which has 931 stores in that market. This, it says, is an opportunity to bring its "dynamic multichannel proposition" to a new market.

CUSTOMERS UP AT TESCO

TESCO has said its stronger brand had attracted more customers, boosting sales and profits in turn. The supermarket, an Elite retailer in IRUK Top500 research, reported revenue of £57.5bn in its 2017/18 full-year, 2.8% up on the previous year. Pre-tax profits of £1.3bn were 795.2% up on last time.

Chief Executive Dave Lewis said: "This has been another year of strong progress, with the ninth consecutive quarter of growth. More people are choosing to shop at Tesco and our brand is stronger, as customers recognise improvements in both quality and value.

"We have further improved profitability, with group operating margin reaching 3% in the second half. We are generating significant levels of cash and net debt is down by almost £6bn over the last three years. All of this puts us firmly on track to deliver our medium-term ambitions and create long-term value for every stakeholder in Tesco.

"I am delighted to have completed our merger with Booker, and we are moving quickly to deliver synergies and access new growth, making the most of the complementary skills in our combined business."

Tesco said 260,000 more customers had bought from Tesco over the period. It said its monitoring of brand perception had improved by 2.7 points, while perception of value had risen by 2.0 points.

Online grocery sales were up by 5.1% during the year, with higher order numbers and average basket sizes, while its Express convenience stores saw sales growth of 2.7%, and large stores of 1.9%.

The retailer released a contactless clubcard during the period to 18m clubcard members. It said the new Tesco Pay+ app for its UK stores had so far been downloaded 458,000 times. It also rolled out a same-day online grocery delivery service with the capacity to reach, it said, 99% of UK postcodes.

Read more of *Paul Skeldon's* insight into the fast changing mobile channel and keep up to date with the significant news at *www.internetretailing.net*

ZARA ROLLS OUT AR

FASHION RETAILER Zara launching its latest collection with an augmented reality (AR) add on to its app that allows shoppers to see the clothes 'come to life'.

On 12 April, when the collection was unveiled, the Zara AR app enabled shoppers in store and online to hold the app over certain signs and see models wearing the clothes appear and move about on the screen in front of them. They will even speak, says the company.

And of course, all of the outfits can be purchased by a single tap of the app.

The app and the signage ran for two weeks and marked a bold move in Zara's attempts to take on fashion powerhouse Asos. It also marks out Zara as one of the first retailers to actively invest in AR and put it out there. Unilever has tried AR as part of a treasure hunt to find a golden marmite jar and both Heathrow and Gatwick airports have launched new apps that both feature AR. Heathrow is using AR in a game to entertain kids at the airport while Gatwick will be integrating AR into its app to help passengers find their way around the airport.

EUROPEAN MOBILE SHOPPERS GO OVERSEAS

M-COMMERCE is becoming truly international with 75% of Brits, 77% of Germans, 78% of Spaniards and a whopping 86% of Italians shopping online, often via mobile, with retailers outside their home countries.

According to a study commissioned by Pepper.com, a global social shopping community that includes HotUKDeals in the UK, 32% of shoppers advised they shopped online with retailers based overseas because they were looking for a specific product only sold by that retailer; 2% advised they did so simply to test out the process; whilst 7% admitted that they weren't aware the site was not a UK-based retailer.

For those British consumers ordering from online retailers outside of the UK, the main reason for choosing so, according to 60% of consumers, was due to the fact the price was good – and supposedly better than that of UK retailers – even with shipping costs.

One recent hot deal posted by a consumer using HotUKDeals was for the Samsung Galaxy S8 that was available from Amazon.de for €499, which the consumer highlighted would be £449. This deal was voted hot by consumers (1418º) with those who purchased the smartphone advising that they were able to get free delivery and that the product was covered by Amazon's EU warranty. Looking at data available on CamelCamelCamel, the cheapest the phone has been on Amazon.co.uk is £649 in January 2018.

Savvy shoppers find it increasingly easier to shop online with international sites, especially with the likes of Amazon where you can use your existing UK login details to shop at its foreign equivalents and use their returns policy which covers global store items. Consumers also feel more confident shopping abroad thanks to social commerce platforms like HotUKDeals where consumers share tips and answer questions any concerned shoppers have about the process.

FACEBOOK REVAMPS MESSENGER

FACEBOOK is redesigning its Messenger app with a view to increased simplicity and greater functionality – and it delivers some interesting new opportunities for retailers.

As part of a redesign that sees the standalone Messenger app lose its games and videos tabs, Facebook is bringing in augmented reality (AR) for shopping and adding in language translation, starting with English-Spanish, with more promised in the coming months.

Already working with ASUS, Kia, Nike, and Sephora, the AR feature will allow retailers to show and demo products in Messenger with full AR to let consumers get a much better idea of products before they buy them.

"With this launch, businesses large and small can leverage the Camera Effects Platform to easily integrate AR into their Messenger experience, bringing the virtual and physical worlds one step closer together," explains David Marcus, VP of Messaging Products at Facebook. "So, when a person interacts with your business in Messenger, you can prompt them to open the camera, which will be pre-populated with filters and AR effects that are specific to your brand. From there, people can share the image or video to their story or in a group or one-to conversation or they can simply save it to their camera roll."

Marcus continues: "Blending AR effects and messaging solves a real problem for people shopping online. There are so many situations where we need to visualize a product before we feel comfortable buying it. We often seek input from our friends and family before making a purchase. This feature — launching in closed beta — leverages the nature of messaging to help people get valuable, instant feedback about purchases, customizations, and more, without ever needing to set foot in a store. This feature is the latest addition for the Facebook AR Studio, which powers expressive and immersive experiences across our family of apps."

In addition, buyers connecting with sellers through Facebook's marketplace will be able to do translations using Facebook's intelligent translation bot.

Co-op: Refreshing the supermarket model

Chris Conway, **Head of Digital, Retail, Co-op Food, spoke to Emma Herrod about the changing grocery sector and how the retailer is blazing a trail with digital in store to benefit staff and customers.**

The recent announcement of a proposed Sainsbury's/Asda merger is set to shake up the grocery sector – and make the two retailers' shareholders very happy. If the deal gets the go-ahead following an investigation by the Competition and Markets Authority (CMA), the two firms will begin integration with a view to the longer term but still with an eye on the quarterly figures. There will be more on the merger later in this article, but first a look at how a grocer with a different model is innovating through efficiencies for staff while dishing up 'digital delight' for customers.

The Co-op doesn't sell groceries online. It does sell beds and electricals online, but that's another article. Why, then, with a big merger on the cards, is InternetRetailing covering a different grocer?

The Co-op, as its name suggests, is a co-operative, so it isn't beholden to shareholders. In fact, it is one of the world's largest consumer-owned co-operatives with a history that can be traced back to 1844. This means that it can invest for the longer term without the need to return profits to shareholders, although members of the Co-op shared £61m last year with a further £13m earned by more than 8,000 community projects.

It's a growing business both in terms of sales and stores. The retailer has enjoyed four consecutive years of like-for-like growth in food and it plans to open a further 100 stores this year. Its acquisition of wholesale and convenience store chain Nisa Retail was approved in May, and the group has just become exclusive wholesale supplier to the 2,200 Costcutter, Mace, Simply Fresh, Supershop and kwiksave convenience stores.

While it's heartening to hear of expansion when so many other retailers are contracting – especially by a chain with 2,500 of its own stores in communities across the UK – the real story for InternetRetailing readers is how the Co-op is innovating with digital in store to benefit staff operations, increase efficiencies and improve customer satisfaction.

The group is testing a consumer-facing shop, scan and go initiative at its support centre in Manchester and this will be rolled out further this summer. Shoppers wanting the convenience of a grab-and-go shopping experience can use the Co-op's Pay in Aisle app to scan items as they pick them up from the shelves and then pay from within the app without having to queue or visit a till. Payment is made directly from the customer's payment card details stored securely in the app as part of the MasterCard Masterpass digital wallet.

The wallet also links to the customer's Co-op membership account, which is credited automatically with a 5% reward when they buy own-brand products. "The technology, a UK-first, is designed to complement existing payment methods and provide a point of differentiation and added convenience for time-pressed consumers," says Chris Conway, Head of Digital, Retail, Co-op Food.

DELIVERY

The Co-op has customers with a range of different shopping and service needs and it recognises that they adopt technology at different paces. "This is a challenge and an opportunity," says Conway. He says it already runs a free home delivery service for customers spending more than £25 in one of more than 200 of its stores. "This service, as you can imagine, is popular, in particular with young parents, those without access to transport, or the more vulnerable members of our communities, and we are exploring further ways in which to improve our last-mile experience."

Amongst these are trials with Deliveroo, which the retailer is monitoring, and a recently initiated test with Starship.

The Deliveroo trial is running from 5 stores in Manchester with customers able to order using the delivery firm's app and get Co-op products delivered within the hour. "This is a useful test. We are learning what type of products customers want and how much they are enjoying

Shoppers can pay with Masterpass incorporated into the Co-op's Pay in Aisle app

the convenience of being able to get their order delivered within the hour, as well as testing how we pick our products within our stores," says Conway.

"Another interesting trial is the partnership we have with Starship Technologies in Milton Keynes," he adds. Customers in the area can choose from around 200 products online, order them via Starship and have them delivered using robotic technology for just £1. This trial, which has been live for a few weeks, is already proving a hit. "As with all programmes, the ambition is to learn fast, understand what our customers really want and decide on next steps," explains Conway.

These test and learn initiatives are being run with the aim of seeing how online can support the convenience mission and speed up in-store shopping times.

It is this convenience model that Conway gives as one of the reasons why the Co-op doesn't sell groceries online. "The Co-op is a community retailer, operating at the heart of local life. Over recent years, consumer habits have moved away from the 'big shop' with customer shopping behaviour seeing frequency of visits increasing but basket sizes decreasing – people buying conveniently, as and when they need it. And our stores – whether in rural villages, train stations, universities or urban areas with the worker/commuter foot-flow – are all designed to fulfil the convenience shopping gap, whether that is food to go or food for the evening meal."

FOR STAFF

The Co-op also recognises that the retail environment is tougher than it has ever been, so its innovation in stores is also helping it to prepare the business for the future with agile and efficient ways of working to provide greater consumer choice and convenience. Underpinning its plans are:

- An efficient Co-op, with a clearer focus on serving customers and members;
- More closely interconnected business areas operating under the strong Co-op brand;
- A greater focus on convenience and relevance, with market-leading products and services at competitive prices;
- Across the wider business, ventures in new markets with an agile, capital-light, digital-first approach to disrupting markets.

Some of the projects that the Co-op has been working on involve making operations more efficient for staff and thus freeing up their time for more customer-facing services. Face recognition technology has been tested as a way to speed up entry for delivery drivers when they arrive at a store. The technology has also been trialled with customers buying age-restricted products such as alcohol at self-service checkouts. Rather than a store colleague having to verify the customer's age, the facial recognition software permits the sale of alcohol only to anyone who looks over 30.

Operational task management has been digitised so everyone in store has a prioritised list of tasks for the day, including when they need doing as well as how. The Co-op has also developed a 'How do I?' mobile application which helps staff who have questions, from how do I scan a credit card to how do I book a holiday. In the past, they would have asked each other or called head office to get the answers, so this system, which Conway wants to roll out to all stores, saves time in store and at head office.

Another app, Shifts, improves store colleagues' ability to see and manage their work patterns. More than 10,000 have signed up to use it in just over 48 hours.

Digital is also helping with merchandising in store, again saving colleague time. Cameras in some stores can take a number of pictures per minute while scanning for gaps on shelves. The user interface is then able to show real-time on-shelf availability, which the Co-op says has lots of use cases, and includes valuable data such as showing which products are in the wrong place. A system using machine learning can then feed a store colleague's mobile device with information about products that need to be moved or replenished.

Another technology that is showing promise for the retailer is shelf-edge labels. These are being trialled in six stores for applications including price changes and compliance across the label, barcode, identifiable codes and sizes. "They also make re-merchandising the fixture much easier," says Conway, explaining how they could be helpful if the layout of a store is changed for the Christmas period, for example.

Another big benefit could be incorporating POS into the labels, to highlight reductions in price. "Not only do we save on time changing labels but we'd also use a lot less paper, which benefits everyone. Reducing our environmental impact is, and always has been, at the core of the Co-op's efforts. I don't think price changes alone are a big enough reason to roll this out, but the whole package is what makes this attractive. It's a decision that needs careful consideration."

He says that Co-op Food needs to be "competitive and innovative, and this means being efficient and agile in how it works". He adds: "We're transforming the way we run our stores for members and customers, but more importantly, making things simpler for colleagues. It's a rewiring of convenience, and we've already achieved a lot in the last year.

▲ Shoppers in Milton Keynes can have their Co-op order delivered by a Starship robot

"Everything we're trying and testing is built for colleagues by colleagues. We are also in the middle of moving off all our legacy systems internally and implementing a number of SAP solutions which, again, future proofs us as far as you can while being an enabler of what we decide to do in this [omnichannel] space."

Conway recognises that the online grocery market is significant and the Co-op will continue to closely monitor market changes. "It would be wrong for us to ignore it."

And no one in the grocery space – or for that matter, the retail sector – can ignore the recent announcement of Sainsbury's and Asda's planned merger.

SAINSBURY'S/ASDA

At the end of April, Sainsbury's and Walmart announced plans to merge into one combined business. This would, they said: "create a dynamic new player in UK retail with an outstanding breadth of products, delivered through multiple channels". The new business would have greater scale, is targeting savings of £500m through 'operational efficiencies', as well as passing on price reductions of around 10% to shoppers.

The merger will create one of the UK's leading grocery, general merchandise and clothing retail groups with combined revenues of about £51bn for 2017. It will maintain the companies as separate brands and has promised no store closures in the 2,800-strong Sainsbury's, Asda and Argos store network. As well as maintaining separate websites, the companies say they will "create greater choice for customers through more store formats and channels, with a combined 47 million customer transactions per week".

The close relationship with Walmart, as a strategic partner and long-term shareholder, will also enable the transfer of knowledge and technology developments between the three companies, something that is already seen between Asda and Walmart.

The combined business will be chaired by the Sainsbury's Chairman and led by its CEO and CFO.

Mike Coupe, CEO of Sainsbury's, Judith McKenna, President and CEO of Walmart International, Roger Burnley, CEO of Asda

Asda will continue to be run from Leeds with its own CEO, who will join the Group Operating Board of the combined business.

Commenting on the merger, Mike Coupe, CEO of Sainsbury's, said: "This is a transformational opportunity to create a new force in UK retail, which will be more competitive and give customers more of what they want now and in the future. It will create a business that is more dynamic, more adaptable, more resilient and an even bigger contributor to the UK economy. Having worked at Asda before Sainsbury's, I understand the culture and the businesses well and believe they are the best possible fit. This creates a great deal for customers, colleagues, suppliers and shareholders, and I am excited about the opportunities ahead and what we can achieve together."

Kantar's Head of Retail and Consumer Insight Fraser McKevitt believes that the merger is a pivotal moment for the British grocery market. He comments: "A merger between Sainsbury's and Asda would transform the traditional landscape placing nearly a third of market share in the hands of the joint supermarket giant, though the march of the discounters – and any enforced store closures – could impact this figure."

Sainsbury's has 15.9% of the grocery market, according to Kantar Worldpanel's data for the 12 weeks to April 22, while Asda's market share stands at 15.5%. The combined business would therefore be larger than Tesco, which has a 27.6% slice of the market.

The two supermarkets also have different customer bases. "Asda achieves nearly two-thirds of its sales outside London and the south east of England in contrast to Sainsbury's, which registers 59% of its sales in those two areas. Sainsbury's also appeals to more affluent shoppers (ABC1): this demographic accounted for 62% of all sales at Sainsbury's in comparison to 46% of sales at Asda," McKevitt says.

Terry Hunter, UK Managing Director, Astound Commerce, comments: "The proposed Asda/Sainsbury's merger is a clear statement to the retail industry. The potential deal shows that the two chains feel they will be stronger together as they reposition themselves to combat the growing threat from the low-cost German supermarkets and Amazon. The likes of Aldi and Lidl have made huge strides in recent years to take market share away from the Big Four supermarkets as their budget offerings have connected with shoppers on an unprecedented level. A Kantar Worldpanel report published last year showed that Lidl and Aldi's market share continues to grow year on year.

"Added to this shift in the retail marketplace is the elephant in the room that is Amazon. The retail behemoth added to its armoury with the Whole Foods acquisition and potentially more worrying was the opening of the retailer's first checkout-less store earlier this year. The Big Four have nervously watched on as Amazon has touted the idea of opening similar stores in the UK. They will know that the US retailer will be able to outmanoeuvre them and undercut them every step of the way. Morrisons has tried to get ahead of the game by partnering with Amazon to help it fulfil online grocery deliveries, further proof that that supermarkets are having to adopt new strategies to fend off the competition.

"One of Sainsbury's strengths lies in the fact that it has a strong online offering through its acquisition of Argos in 2016. As well as this, the retailer announced recently that it was expanding its tech team by nearly 25%. This ongoing commitment to expanding its omnichannel offering is interesting and shows an awareness of the threat from across the Atlantic. If the deal goes through, combining Sainsbury's online strengths with Asda's large physical stores will be the very definition of an omnichannel approach. This is further proof that investing in a digital strategy is paramount for even the most traditional retailers. As Sainsbury's and Asda have proven, retailers need to invest and invest now."

Chris Edger, Professor of Multi-Unit Leadership at Birmingham City University's Business School, says: "Increased buying power will also reduce overall costs, making the combined entity more capable of surviving impending headwinds."

"When the Co-op starts selling online we won't be asda.com or morrisons.com, we'll be something very different and unique"

He adds: "The complexity of modern retail means that merging two companies with very different cultures, systems and processes is going to be very, very difficult. Although it is the Sainsbury's management team that will be driving everything, I think the timetable for transformation from two to one will be longer than anyone can predict."

The CMA started an investigation into the proposed £12bn merger in May, gathering information from Sainsbury's and Asda and giving other retailers, interested parties and consumers the opportunity to comment.

As with all retailers, the two supermarkets are trying to increase market share, the reasons for customers to visit – whether online or to a physical store – decrease operational costs while also shielding themselves from increased competition from the German discounters and pureplays such as Amazon, which is increasingly moving into the grocery space.

As Sainsbury's former-CEO Justin King once explained, shoppers have choice over which supermarket they visit, and it's easy for them to turn the other way at a roundabout so the grocer had to give them a good reason not to.

And it is this reason to visit and points of differentiation that the combined business will be looking for across its omnichannel, multibrand grocery and general merchandise business. It's something that all players in the grocery sector are trying to do and it's the ones in the middle that are being squeezed the most.

Tesco – with Booker – has scale. Lidl and Aldi have low prices for consumers. Ocado has the efficiencies of an online proposition with best-in-class automated warehousing. Amazon will be a threat to all.

But as Chris Conway says when looking to a future in which the Co-op could sell online: "When the Co-op starts selling online we won't be asda.com or morrisons.com, we'll be something very different and unique." What that would be is yet to be decided. He adds: "I think what we'll see will be a more varied and tailored offer. But the data will tell us that."

He says: "Retailers need to be innovative and agile in their operations, and the Co-op is committed to exploring new technologies and seeking new ways to innovate, getting closer to the needs of our members and customers – what they want, when they need it – and creating increased consumer choice, value and convenience. We are exploring a number of opportunities. I've recently joined the Co-op Food team, focusing on our digital development and to turn some of our trials into workable and scalable solutions for our customers and members. Fail fast is a term I'm a big fan of. The philosophy values experiments, development and learning. It is an exciting space and the business has the appetite to explore and, importantly, learn from innovative solutions, and I am confident some of these trials will become real winners for us, trials that we will grow and develop, and we'll see real member, customer or colleague benefits as a result. Watch this space."

STRENGTHENING A SUPERMARKET

How the grocery industry is changing and what seems to be needed in this increasingly tough trading sector can be seen in the developments of the leaders. However, ecommerce is not for all and as other sectors show, there is a shake-up as each business reconnects with its core customers and differentiates in ways that suits their needs.

Ecommerce/digital: From cashier-less stores such as Pay in Aisle and Amazon's Go store to Lidl's offline offering, the UK grocery sector is developing in different ways. Aldi is recruiting for an ecommerce manager for the UK, while Lidl is scaling back its digital marketing.

Buying power and owning the supply chain: The proposed combined Sainsbury's/Asda will have greater scale and buying power but grocers such as Morrisons have developed strength in online through wholesale supplying Amazon. Tesco's acquisition of Booker last year gives it greater insight into the supply chain and wholesale market.

Extended ranges: Tesco has expanded through its online marketplace and F&F clothing range, Sainsbury's has already acquired Argos and the discounters entice customers into store with a continuously changing general merchandise offering. These differentiators give customers another reason to visit with general merchandise offerings such as F&F becoming brands in their own right.

Ad platform: Data is key in grocery. The success of the Tesco Clubcard is legendary, Sainsbury's has just bought Nectar to bring customer data in-house and Waitrose has relaunched its MyWaitrose loyalty scheme. Online, though, offers an opportunity for FMCG brands to get closer to the shopper and for the supermarkets to turn the millions of online visits into greater profit.

Last mile/warehousing: How fast does the consumer want their shopping is the big question for the supermarkets and it seems that they want choice. From a couple of items delivered immediately by Starship robot or bicycle to booking the Christmas delivery slot 6 weeks in advance, the last mile as a route is still a test bed. However, the cost to the customer for the different fulfilment methods does not often reflect the cost to the supermarket. The Argos hub and spoke model and Asda's toyou service have increased efficiencies for the two retailers, while Ocado has chosen fully-automated warehousing.

Around the world

What we are all looking at on desktop, smartphones and tablets is the focus of one study highlighted in this issue, before moving specifically to retail and views of the leading powers in global retailing.

ComScore has published a report into desktop, smartphone and tablet usage around the world showing how content consumption changed over the course of 2017 in a number of different countries. It also highlights global commonalities as well as local nuances in the US, Canada, France, Germany, Italy, Spain, UK, Argentina, Brazil, Mexico, India, Indonesia and Malaysia.

Key insights revealed in the 'Global Digital Future in Focus' report include:

- Smartphone takes the leading share of digital minutes (versus desktop and tablet) in every region studied, from 43% in Canada to 89% in India.
- Mobile users spend around 2x more minutes each on the platform than users on desktop, and more than 3x in Argentina, where the largest disparity exists.
- Six categories (entertainment, social media, games, portals, retail, news/information) account for over 50% of all digital time in every market studied.
- Among apps, four major content types (entertainment, social media, instant messaging, games) represent more than two out of three minutes.

GLOBAL POWERS

Deloitte meanwhile has taken a look specifically at retailing around the world and reports that the Top 250 global retailers generated aggregated revenues of £3.16 trillon (US$4.4 trillion) in the fiscal year 2016. This represents composite growth of 4.1%, according to the 'Global Powers of Retailing 2018: Transformative change, reinvigorated commerce' report.

"The global economy is currently in the midst of a period of relatively strong growth and benign circumstances. Growth has accelerated in Europe and Japan, stabilised in China and the US, and revived in many other emerging markets," explains Dr Ira Kalish, Deloitte Global Chief Economist. "For retailers, the stronger economic growth is most welcome. Yet they must also contend with the negative consequences of rising income inequality, protectionist actions and the potential impact of monetary tightening."

The top five largest retailers maintained their positions on the leader board. A combination of organic growth, acquisitions, and exchange rate volatility shuffled the rest of the Top 10 –which now accounts for 30.7% of the overall Top 250's retail revenue (compared to 30.4% last year).

Europe's share of the Top 250 dropped, with 82 retailers based in Europe (85 in FY2015, 93 in FY2014) and the gap widened versus North America. However, despite dropping share, European retailers remain the most globally active as they search for growth outside their mature home markets. Nearly 41% of their combined revenue was generated from foreign operations – almost twice as much as the Top 250 group as a whole.

Top retailers, FY2016

Top 250 rank	Change in rank	Name of company	Country of origin	FY2016 Retail revenue (US$M)	FY2016 Retail revenue growth	FY2016 Net profit margin	FY2016 Reuturn on assets	FY2011-2016 Retail revenue CAGR*	Countries of operation	% Retail revenue from foreign operations
1	↔	Wal-Mart Stores, Inc.	US	485,873	0.8%	2.9%	7.2%	1.7%	29	24,3
2	↔	Costco Wholesale Corporation	US	118,719	2.2%	2.0%	7.2%	6.0%	10	27.1%
3	↔	The Kroger Co.	US	115,337	5.0%	1.7%	5.4%	5.0%	1	0.0%
4	↔	Schwarz Group	Germany	99,256	5.3%	n/a	n/a	7.3%	27	61.7%
5	↔	Walgreens Boots Alliance, Inc	US	97,058	8.3%	3.6%	5.8%	6.1%	10	13.7%
6	↑ +4	Amazon.com, Inc	US	94,665	19.4%	1.7%	2.8%	17.6%	14	36.8%
7	↓ -1	the Home Depot, Inc	US	94,596	6.9%	8.4%	18.5%	6.1%	4	8.5%
8	↔	Aldi Group	Germany	84,923[e]	4.8%	n/a	n/a	7.7%	17	67.0%
9	↓ -2	Carrefour S.A	France	84,131	-0.4%	1.1%	1.8%	-1.1%	34	53.2%
10	↑ +2	CVS Health Corporation	US	81,100	12.6%	3.0%	5.6%	6.4%	3	0.8%
Top 10[1]				1,355,656	4.5%	3.0%	6.4%	4.5%	14.9[2]	27.3%
Top 250[1]				4,410,828	4.1%	3.2%	3.3%	4.8%	10.0[2]	22.5%
Top 10 share of Top 250 retail revenue				30.7%						

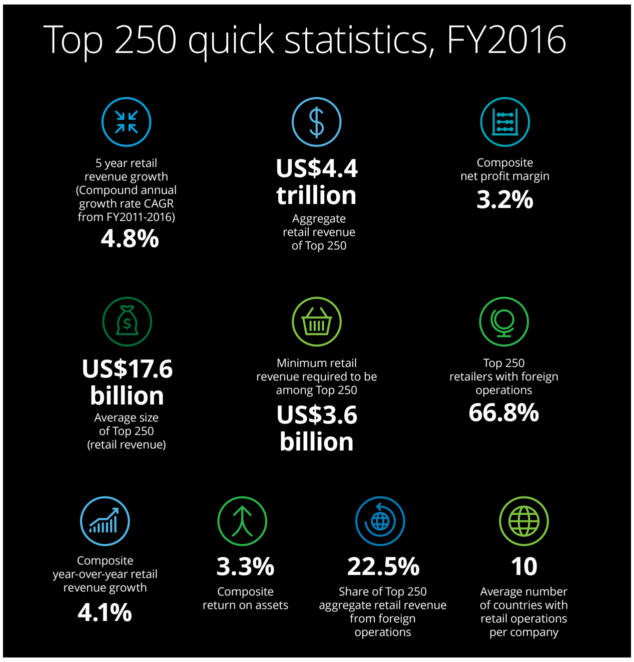
Compound annual growth rate

[1] Sales-weighted, currence-adjusted composites

[2] Average

e=estimate

n/a=not available



Source: Deloitte Touche Tohmatsu Limited. Global Powers of Retailing 2018. Analysis of financial performance and operations for fiscal years ended through June 2017 using company annual reports, Planet Retail database and other public sources.

The report also discusses how the rules of retailing are being rewritten in this time of transformative change. Innovation, collaboration, consolidation, integration, and automation will likely be required to reinvigorate commerce, profoundly impacting the way retailers do business now and in the future.

Putting a different view of global retailing, the inaugural BrandZ Top 75 Most Valuable Global Retail Brands ranking has been announced by WPP and Kantar. Amazon, McDonald's and Alibaba top the inaugural ranking as the most valuable retail brands in the world.

The ranking shows that while store closures often grab headlines, those retailers rising to the challenges of the current climate are innovating their way out of trouble, and winning consumers' hearts in the process.

Together, the BrandZ Top 75 Retail Brands – from markets as diverse as the US and Spain, China and Chile – are worth over $1 trillion in brand value.

For the first time in a BrandZ retail ranking, the Top 75 brings together brands in four categories, of which Pure Retail (supermarkets, ecommerce platforms, department stores, convenience stores and DIY chains) is just one. The ranking includes Luxury brands, Apparel, and Fast Food retailers.

"Shopping is no longer just about buying things," said David Roth, CEO of WPP The Store, EMEA and Asia. "Often, a decision to shop is a search for entertainment – whether in a physical space or the virtual world. It can be a way of spending time with like-minded people, or being in an environment that reflects an individual's values."

He adds: "Shopping is also a way of simply feeling good – what we used to call 'retail therapy'. This explains why the BrandZ Top 75 Most Valuable Global Retail Brands includes brands specialising in everything from business suits and bras to bath oil and burritos. Today everyone is a retailer."

The BrandZ Top 75 Retail Brands report shows how retail brands are seeking new ways to connect with consumers, through unique experiences and products customised for groups of shoppers and individuals.

Leading brands are identifying new shopping missions and fresh ways to build loyalty. And while competitive pressures for many years led inevitably to price wars, now there are innovation wars.

Highlights from the BrandZ Top 75 report include:

- Retail brands have been growing value 35% faster over 10 years than non-retailers;
- Innovation in services, linking online and offline, is helping brands stand out;
- "A good deal" has overtaken "low prices" as shoppers' biggest priority;
- Having a stress-free experience is almost as important as price;
- Personalisation is helping brands justify a premium and avoid price wars;
- Voice-controlled devices promise to transform consumer loyalty;
- China is showing what's possible in speed, online with offline and seamless shopping.

The unique BrandZ calculation of brand value links financial performance with the opinions of millions of consumers surveyed in more than 50 markets around the world.

The BrandZ Top 75 Most Valuable Global Retail Brands 2017 Top 20

2018 Rank	Brand	Brand Value ($ US Milion)
1	Amazon	$165,256
2	McDonalds's	$110,266
3	Alibaba	$88,623
4	Starbacks	$46,071
5	The Home Depot	$41,866
6	Louis Vuitton	$35,505
7	Nike	$34,295
8	Walmart	$27,585
9	Hermes	$25,951
10	Zara	$25,135
11	Subway	$19,529
12	Ikea	$18,944
13	Costco	$16,785
14	Gucci	$16,275
15	JD.com	$14,579
16	Chanel	$13,394
17	ebay	$12,962
18	KFC	$12,895
19	Aldi	$12,893
20	Lowe's	$12,115

PREDICTIVE MODELLER

We don't know about you, but we're not convinced that crystal balls / tarot cards / premonitions / random guess work is the best way to anticipate what your customers will do next.

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* no crystal ball gazing going on here - just solid case studies

Voice(s) of the Customer(s)

We have learned to listen to our customers in order to better serve them (and to increase our share of their spend). As voice interfaces offer a literal ear into our customers' conversations, Ian Jindal considers his teenage children's requests around the kitchen table and extrapolates how a listening retailer might wish to exploit this sound stream...

Our current customer-listening capabilities are hampered by the poor quality of the signal. Rather like a submariner has to interpret the ocean activity around them through the pings and burps of Sonar, so we have had to intuit or guess our customers' intentions from the crude information of cookies, visit, transactions and returns. However, the rise of voice interfaces in the home, the office and via mobile phones give us a theoretical rich stream in order to listen, analyse and learn about their needs, attitudes and behaviours.

Amazon's Alexa, Apple's Siri, and Google's inventively-named Google are each featuring more highly in customers' lives. Lights are dimmed, products are ordered, locations sought, travel booked, music is played and messages are sent. From this rich seam of conversational data – the questions, formulations, exchanges and variation over time – there is a growing list of data I'd love to be able to access. I'm imagining a nuclear family with voice-control points throughout the house, but focused upon the perennial situation of a teenager nagging a harassed parent for a new must-have 'consumer non-durable' product... I've listed some of the data I'd like an AI bot to be able to send me.

- Politeness Amplitude and Vector. Language-processing could assess the level of politeness used for the first-recorded request. Over the inevitable course of nagging or repetition we could establish the Politeness Vector, the directional movement of politeness or rudeness, along with the level of politeness at the point of purchase by the parent. This would be the optimal Politeness Conversion Level.
- Pack Effectiveness. This metric would look at how children in a family work together to persuade parents to buy. We would look at the number of voices, the conformance of the arguments, the regularity of 'echoing' arguments. At the point of purchase we would be able to establish the likely effectiveness of nagging based upon number, congruence and pack behaviour.
- Argument Triangulation. This metric would consider the range, variety and expression of arguments deployed. From a simple repetition of "I want it, I want it" (zero triangulation) to a variety of positions (I want it, I need it, my friends already have it, it will help my homework, I can pay half, you can get Gran to pay...), we can correlate the effectiveness of flexible positions, along with extracting key phrases to use in marketing and product descriptions.
- Nag-to-buy Periodicity. This tracks the duration between first nag and purchase, tracking too the frequency of the nags in between. The greater the number of nags the more they are seen as influential, whereas a long nag-free gap might indicate that the purchase delay is due to price, planning or pay cycles.
- Budget Power Factor. Voice recognition will allow us to see 'inside' the family – age, gender, of course, but also who typically approves a purchase. Whether it's from a permissioning, budgeting or consensual position, each family member will be ranked for their role in the change from "idea" to "purchase". Textual analysis will also allow us to see trigger-concepts and persuasion points in order to tailor marketing communications.
- Average Nag Value. This would reference all requests and purchasable items to their current cost and consider the "Monetary Nag Load" and how that changes over time, by individual and occasion. When linked to actual purchases we could calculate the 'Capitulation Rate' (being the proportion of mentioned products actually purchased).
- Propensity to Succumb. This is calculated from the arguments being deployed (see Argument Triangulation), the parental discussion, and the historical trigger-concepts, to create a probability that the budget-holder will approve the purchase. Based on this value the retailer can determine their promotional and discount strategy.

This information could be shared via a new markup language – a new cousin of XML and HTML, perhaps called "NagML"? Ideally, Amazon, Google and Apple could collaborate on a new standard for exchange, and thereafter we could further correlate with insights from social media.

With birthdays coming up I will have further occasion to consider the data opportunity from always-on listening devices matched with AI. If you have time why not drop me a note with your ideal data points and metrics and I'll summarise over the summer – ready for the peak season onslaught!

While Ian can't eavesdrop on your conversations he's always pleased to hear from you. Send your metrics to Ian@internetretailing.net. "We're Listening"


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Crafting post-purchase experiences that increase revenue and customer engagement

Saima Alibhai, managing principal consultant, EMEA at Oracle + Bronto, on the importance post-purchase messages

Many retailers don't realise that the post-purchase period is a time when consumers are most receptive to your messages. And many still don't realise the importance of creating personalised messages for recent buyers.

These messages shouldn't be limited to the traditional order and shipping confirmations or a plea for a product review, but should instead take customer engagement to the next level – by offering value, support, additional resources, or by simply continuing the conversation.

GIVE THANKS

Customers love feeling appreciated, we all do. When it comes to effective post-purchase marketing, a simple "thank you" goes a long way. In fact, these are some of the best performing messages from a revenue standpoint. Remember: It's not just the polite thing to do, it also incentivises them to make another purchase, or provides a customer service oriented call to action, such as linking to your customer service portal or a resource centre.

If consumers happen to take advantage of the incentive, you can then create a second, non-incentivised version that sends if the contact makes another purchase over a set number of days. This way, the customer will not expect an incentive every single time.

GET SOCIAL

We're now firmly living in the age of social media. While it can be difficult to quantify ROI, there's no denying its ability to help humanise the brand and create a dialogue with customers. Consider implementing social themes into your post-purchase messaging that call on your customer to share their experience. This includes introducing them to your social media sites, asking them to leave a review on Facebook, or even to share a photo of their purchase on social media for a chance to win a prize.

IT'S ALL ABOUT BALANCE

When constructing your post-purchase messaging, be sure to balance promotional content that encourages another purchase with other useful content that offers value to the customer.

For example, product care tips and additional resources benefit the customer, whereas cross-sell and reorder reminder messages benefit you. If all your messages ask customers to purchase from you, you're not providing value to the subscriber. However, if every message only benefits the consumer, you're likely leaving money on the table.

MAKE IT PERSONAL

Consumers today expect more from their shopping experience, and that expectation will only continue to grow with the integration of new technology. By understanding the importance of targeted post-purchase messaging and meeting the demand for greater personalisation, you'll not only drive revenue but build customer loyalty.

ORACLE® + Bronto

ABOUT ORACLE + BRONTO

Oracle + Bronto arms high-growth retailers with sophisticated marketing automation to maximise revenue opportunities. The Bronto Marketing Platform powers personalised multichannel content that generates the higher engagement needed for retail success. Keenly focused on the commerce marketer, Bronto continues its longstanding tradition as a leading email marketing provider to the global Internet Retailer Top 1000 and boasts a client roster of leading brands, including Euro Car Parts, notonthehighstreet.com, Oak Furniture Land, Joseph Joseph and OKA. For more information, visit bronto.com.

IREU Top500: The Customer

InternetRetailing's latest IREU Top500 Performance Dimension Report focuses on The Customer. Emma Herrod reports on the findings.

Over the past two or three years, personalisation has been a recurring theme within retail. It's easy to see why. Connected to the mobile internet and checking their smartphones several times a day, we have all become so used to being able to get what we want, when we want it that we've grown intolerant of delays. Any retailer that can meet this impatience by guiding shoppers towards the items they want to buy is more likely to succeed.

To do this, retailers need to understand what their customers want. In recent years, the sheer amount of new customer data available has held out the promise of being able to build retail offerings around individual customers by drawing on data sets that range from customers' purchase histories through to social media interactions.

Simple. Except that working with such data is anything but simple. Thus says InternetRetailing's research team in the IREU Top500 The Customer Performance Dimension Report, as sponsored by Cybertill, which is distributed with this issue of InternetRetailing magazine.

As with each of the IREU Top500 reports, InternetRetailing's research team analyses how successful multinational retailers go about competing with local indigenous traders. In all, retailers in 31 countries across the European Economic Area, plus Switzerland, are assessed.

Social media is one way which differentiates retailers across the report's geographic coverage. It highlights how brands are evolving customer-first, socially aware propositions and the Post Office is no exception. As a business, it has undergone profound change in recent years and along the way renegotiated its relationship with its customers across 11,600 branches as well as online. It has become the UK's fastest-growing provider of personal and business banking services as well as being a leading provider of travel money services.

Since 2012, Darren Jones has worked in social media and audience insight at the Post Office, and seen this journey in relation to its customers and a reimagined future for the group. What has it meant for the customer and customer engagement?

"Personal relevance – that is, how we can be relevant to each individual in context – is crucial, because what the Post Office means and does for customers has diversified and fragmented in some respects," he says. "This is particularly true of the way the online and in-branch offers have become twin streams of activity, serving customers with somewhat different profiles and needs."

Also examined in the report is fashion brand Oasis and how it stands out in terms of the customer. The company is a great all-rounder in this Dimension. It performs well on website personalisation and for the quality of its service because it has joined the different elements of its customer-facing business so thoroughly to deliver on the omnichannel promise.

Oasis gets the detail right. It has simply displayed images across its site and social channels, and easy integration between social and its ecommerce site for purchases, and it's also consistent on delivering the experience when customers go to stores. Oasis shop floor assistants are equipped with tablets and therefore with the most up-to-date stock information, so they can check stock levels on all products for customers – and if they don't have an item in stock, they don't simply leave the customer unsatisfied but can order it direct to the customer's house. That's in-store and online integration at its best.

These are just some of the techniques examined in the report that retailers are using to connect with customers and provide the necessary experience. The researchers also highlight 12 approaches that retailers have found to work.

- Offer local support.
- Flaunt your languages...
- ... and make it clear to whom you'll sell.
- Be generous about returns...
- ... and local solutions.
- Keep it simple...
- ... and add some filtering.
- Get personal.
- Watch your speed.
- Expand contact options.
- Deliver convenience.
- Make it easy to give feedback.

In the coming years, InternetRetailing will 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, the research team is interested to hear from readers about how they think they should judge and understand retail strategies – do share your thoughts.

In the meantime, to download the A5 summary and/or review the full case studies and findings online, visit internetretailing.net/ireu.

IRUK: Mobile & Cross Channel

The latest IRUK Top500 Performance Dimension Report focuses on the areas of mobile and cross channel. *Emma Herrod* shares some of the findings.

Retail channels have multiplied in recent years. In addition to desktop and mobile websites, there's now the ability to buy straight from social media posts, using a voice assistant and to enable smart devices to buy their own refills. Connections and intersections between the channels have improved at the same time: click and collect is now not only commonly found but also improved upon, so that some traders enable shoppers to collect and try on their item, returning it immediately if need be. Similarly, voice commerce intersects with new, fast delivery services that enable products to arrive in the moment when they're most relevant to the customer's needs.

In the latest IRUK Top500 Mobile & Cross-channel report, the research team examines how retailers enable their shoppers to engage with them – and how they ensure they have the information that they need to hand.

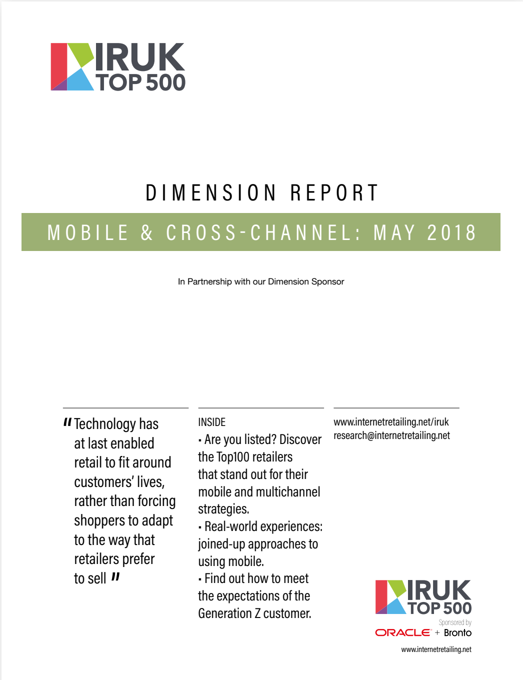
The Strategic overview sets the context, while Martin Shaw and Fernando Santos of InternetRetailing's RetailX research division lay out their findings on how retailers perform in this area with two research-focused features. This starts with Analysing the Numbers in which they return to previously used metrics in order to assess how performance is developing around cross-channel services. The findings suggest that returns are becoming more flexible, with more retailers now able to accept orders back in a channel other than that in which it was purchased. Almost half (46%) of Top500 retailers enable shoppers to return their online orders to a store. More than a quarter (26%) enable returns via a third party location, up from 24% a year earlier.

The number of retailers with a mobile app has increased over the past year as well. In 2018, RetailX research found that almost half (49%) have iOS apps. The figure is up by seven percentage points from 2017, when 42% had them. Slightly fewer (46%) have an Android app – up by eight percentage points from 38% in 2017.

The New Research feature takes a look at what Generation Z shoppers want – and indeed expect – of the retailers that serve them, while the Emerging Practice feature takes a look at how retailers and brands might go about shaping their strategies for the Internet of Things. The report also takes a detailed look at the work of Sainsbury's, eBay, Specsavers and M&S through a series of case studies, which is rounded out by an in-depth look at voice commerce with Paul Wilkinson of Tesco Labs. He warns: "The technology curve is rampant – if you don't get onto this now, you'll get left behind."

The Mobile & Cross Channel Dimension Report flows from IRUK Top500 research, in which InternetRetailing benefitted from the valued input of its skilled Knowledge Partners. As always, InternetRetailing would like to hear what readers think, whether you have views on the metrics we've used, and how they could be improved, or on an innovative approach that's working for you as a retailer – please do share your thoughts via research@internetretailing.net.

Further copies of the research can be downloaded from www.internetretailing.net.


IRUK TOP 500

DIMENSION REPORT

MOBILE & CROSS-CHANNEL: MAY 2018

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"Technology has at last enabled retail to fit around customers' lives, rather than forcing shoppers to adapt to the way that retailers prefer to sell"

INSIDE
- Are you listed? Discover the Top100 retailers that stand out for their mobile and multichannel strategies.
- Real-world experiences: joined-up approaches to using mobile.
- Find out how to meet the expectations of the Generation Z customer.

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12 BEST PRACTICE APPROACHES

Mobile now plays an integral role in all parts of the omnichannel shopping journey. Across in-store and online, key changes are being wrought by mobile. The report highlights 12 approaches that work for retailers.

1. Keep it simple;
2. Give them what they want;
3. Make joining you worthwhile;
4. Visualisation;
5. Marketplaces;
6. Kill the checkout;
7. Kill all queues;
8. Experiences;
9. Social media;
10. Distributed retail;
11. Voice;
12. Get personal, don't discount.

Deepak Anand

General Manager UK
Leading Open Source Ecommerce Platform

CURRENTLY, SHOPWARE IS TAKING MAJOR STEPS IN THE UK MARKET. PLEASE TELL US WHAT HAPPENED IN 2017.
In 2017, we have seen a growth of over 500% in the UK and Irish market and we've built relationships with a number of strategic partners and also with clients. And the one thing which really worked for us is the product differentiations, because with our product you have access to the full source code. We are an open source technology and our values are: Open, Authentic, Visionary. So, we believe in that and we live with these values every single day.

HOW CAN THE PLATFORM HELP RETAILERS TO EXTEND THEIR BRAND INTERNATIONALLY?
Internationalisation is one of the key feature sets of the Shopware platform since it enables brands to roll out to multiple country sites from a single instance of Shopware.

> "The release of the Shopware 5.4 platform builds on Shopware's pillars of success which are: content & commerce, usability, scalability and lower total cost of ownership"

It is very scalable which is one of the reasons that mywalit chose the platform for its expansion to a further 23 countries. Paul Hewitt is another great example of how internationalisation works with Shopware. The fashion brand operates 26 sites, each fulfilling requirements of a different country.

HOW IS DISRUPTION CHANGING THE RETAIL LANDSCAPE?
The ongoing pace of changing consumer behaviour and technological disruption pose both a threat and an opportunity for retailers. Love it, or hate it, disruption is close on the horizon of today's business landscape and has the potential to both help and harm. Today's advances in digital technology are changing the rules of commerce. The industry has gone from location-centred commerce to multichannel to today's connected commerce which sees consumers connected constantly to their work, home, friends, favourite retailers on multiple devices and wherever they are.

Brands and retailers need to transform their businesses to gain fully from the opportunities that lie in the new world of omnichannel retailing. Transitioning is not enough. Retailers need to look at every aspect of the business, the technology and how everything links to the core of the business rather than carrying on business as usual. The commerce platform, therefore, is critical since it generates a lot of revenue.

This transformation process gives companies the opportunity to evaluate how every aspect links to the core

SHOPWARE IN BRIEF

What does Shopware do and what is your USP?: Shopware is a leading open source ecommerce platform and trusted by over 80,000 businesses including some of the biggest European brands, retailers and branded manufacturers across B2C and B2B industries. Shopware has a global network of more than 1,200 solution and technology partners and a very active developer community that gives customers access to robust third-party extensions and certified professional support. Shopware is the industry's leading, feature-rich, highly scalable enterprise-class platform with a full suite of out-of-the-box capabilities with a lower Total Cost of Ownership than any other platform out in the market.
Company founded: March 2000, headquartered in Germany with a presence in the UK.
About Shopware: Leading Open Source eCommerce platform.
Philosophy: Shopware CEO/Founder, Stefan Heyne: "Since our inception, we believed in giving brands the power to do what they do best by providing them a highly flexible ecommerce platform with no boundaries. We are excited that in 2017, Shopware enabled €5bn in gross commerce volume."
Number of merchants: 80,000 customers including L'Oréal, mywalit, Hughes, EURONICS, Discovery Channel, Lufthansa, BRITA and many more.
Number of certified partners: 1,200+ and growing.
Testimonial: "As a growing business, it is essential that we have a scalable platform that can evolve alongside customer demands and convey the story of our brand. With its leading capabilities, Shopware stood out as the best platform for our expansion," Ermes Moretti, Head of eCommerce, mywalit.

of the business, including their online platform and how it supports their omnichannel growth. It's a hard point but it could be the death knell for those companies that don't transform in the next 5 years.

WHAT DO YOU SEE AS THE KEY THEMES FOR RETAIL IN THE FUTURE?

Disruptors – such as smart devices and voice-assisted devices and, of course, consumers' omnichannel behaviours – are impacting on retail and brands have to transform their business to not just align with these technological and behavioural changes but also to ensure that they are flexible and agile enough to withstand future changes. Mobile-first, machine learning and artificial intelligence are all impacting on commerce platform requirements today.

Shopware invests no less than 20% of its annual turnover on research and development to ensure that the platform continues to incorporate the requirements of brands, retailers and consumers. The Shopware Lab includes the latest developments in technologies, including voice assistants and virtual reality devices, to ensure that the company and platform development keep facing forward.

HOW IS THE SHOPWARE ROADMAP HELPING RETAILERS TO STAY AHEAD?

Shopware is an open source ecommerce platform so its openness brings together a community of enterprise merchants, agencies and partners. As retailers are listening to their customers and user testing at every point of their digital development so Shopware takes the feedback from our community into the development of the platform.

Involving the industry at every step of the way means that everyone knows what will be in each release of the platform, what features it will contain and when it will be released so that they can feedback as well as adapt their business models to the new functionality. This results in every upgrade being close to the needs of retailers and ultimately their customers.

The latest release, Shopware 5.4, for example builds on Shopware's pillars of success which are: content & commerce, usability, scalability and lower total cost of ownership.

The first aspect of content & commerce means that the two best of breed aspects are incorporated into one platform so that retailers and brands can better inspire their customers and engage with customers over the long-term. It also incorporates personalisation. The enterprise suite is easy to use with limited integration requirements and is scalable for enterprise-level retailers with revenue running into billions.

HOW DO I FIND OUT MORE?

For more information about Shopware, contact me direct at anand@shopware.com, telephone 0203 095 2445 or reach out to www.shopware.co.uk.

This Company Spotlight was produced by InternetRetailing and sponsored by Shopware. Funding articles in this way allows us to explore topics and present relevant services and information that we believe our readers will find of interest.

CUSTOMER CASE STUDY

What started as a radio repair shop in 1921 has since grown to become one of the leading specialist electronic retailers in the UK. With upwards of 6,000 products and over 60 brands represented in the shop, Hughes needed a sophisticated solution that seamlessly connected with their existing business processes and gave their dedicated ecommerce team the freedom to change content on a moment's notice.

When it comes to searching for products from specific brands, Hughes customers now have multiple resources at hand. Next to a separate category reserved for brands and the ability to filter brands in other categories, CB Squared built a solution so that individual landing pages for each brand can be implemented using Shopping Worlds. This extensive feat was made possible by making clever use of Shopware's standard marketing functionalities in combination with custom programming.

Simon Cox, eCommerce Director, Hughes said: "Our dedicated team for ecommerce now has complete control when it comes to quickly implementing new content, including landing pages, special offers or individual brand promotions, which was exactly the goal of the relaunch. For example, we were able to change the complete look and feel of the home page 3 times in the first month alone."

The company has also grown to include a special trade division – Hughes Trade – which will be one of the first projects to migrate to Shopware's B2B Suite. Paul Chisnall, General Manager, Hughes Trade: "The B2B industry is going through a digital revolution. The Shopware B2B Suite will allow us to stay ahead of the curve, providing our trade customers with a more efficient and easier online ordering process".

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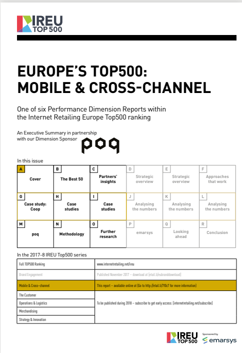

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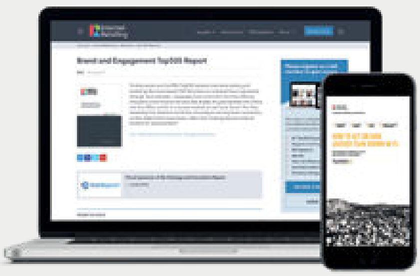

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With regards,
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Editor-in-Chief, InternetRetailing

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Retail transformation

Nenad Cetkovic, **COO, Lengow, examines changes amongst global marketplaces and how ecommerce China is reshaping retail in Asia.**

The following article was written for InternetRetailing by Nenad Cetkovic, Chief Operations Officer of Lengow, who has been responsible for the development of international activities across Europe and Asia since 2012. Lengow is a French based company operating internationally with a technology that facilitates the linking up of e-merchants and online sales platforms.

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On the global ecommerce stage, marketplace generalists are revolutionising the landscape and shaping the contours of new economic models that are ultra-powerful, ever-present and omnipotent. Fuelled by mergers, acquisitions and take-overs, fund-raising and investments, Amazon, Alibaba and Tencent are competing on the field of innovation and technology to improve their retail offer. European retailers are doing their best to stay in the game.

The first world conference on cross-border ecommerce was held earlier this year on 9 February in Beijing. It demonstrated the need to organise, structure and harmonize the transactions between countries in the ecommerce world. Because the vast majority of online shoppers are no longer hampered by borders when searching for the best product, according to Forrester international transactions will surpass domestic transactions by 2022. 2018 will therefore be a year of restructuring, consolidation, partnerships and strategic alliances in order to facilitate and streamline the access to international markets and open up the channels of global ecommerce trade. Across the globe, the major ecommerce players are consolidating their commercial proposition as well as their cross-border services; eBay has partnered with Linca Industrial in China on the construction of an industrial park dedicated to ecommerce, FedEx is rationalising its business units to provide better access to international markets, JD.com is opening offices in Paris, London, Milan and New York aimed at helping foreign brands penetrate the Chinese market.

Also worth calling out is the financial fire-power of marketplaces, which were proved once again in 2017, when the volume of global online sales reaching $2,290bn of which approximately 50% originated from just a handful of marketplace generalists which alone generated revenue of $1,470bn. Towering above others in the ranking of global online sales were Alibaba, Amazon, eBay and Tencent.

In the West, Amazon started its international expansion in 2000 and now dominates in North America and Europe and is pushing ahead with a growth offensive in India and Australia.

In Asia, with historic growth rates slowing, Alibaba and JD.com are now competing outside of their traditional borders. Alibaba is setting out to conquer global e-trade and is establishing its presence in Europe and South East Asia. This growth strategy started in 2016, with the investment in Lazada, the South Asian marketplace in which Alibaba has just pumped a further $2bn. In North America, Alibaba, is under negotiation with the food distributor Kroger, which has more than 2,770 stores in the USA.

> “International transactions will surpass domestic transactions by 2022”

With the intention to further develop its international ambitions JD.com has partnered with Tencent, owner of the WeChat platform and recent investor in Snap Inc, Spotify and even Flipkart. JD plans to open up an ecommerce platform in France in 2019, and then move on to the UK and Germany.

CONSOLIDATION THROUGH PHYGITAL & DATA

It’s not just the expansion into new geographies that has been undertaken by these leaders, the perception of ecommerce has also changed dramatically since the acquisition of Whole Foods by Amazon, the largest acquisition in its history, and the alliance of Alibaba with the Bailian Group supermarket chain in 2017. Online to offline (O2O) has become the growth engine of ecommerce platforms and the grocery sector has been hit hard.

While 84% of Alibaba’s revenues are generated through ecommerce platforms, the business strategy hasn’t been a constraint to growing offline. In 2017, the company invested heavily in traditional bricks-and-mortar retail chains and more recently in the hyper connected supermarkets of Hema. A strategy which has been further strengthened and reinforced by its’ joint investment with French retailer Auchan of $2.9bn in Sun Art Retail Group. “New Retail” is now the absolute priority. It’s a concept that doesn’t care about the channels used and which redefines holistically the way in which it wants to interact with customers, using technology and capitalising on pervasive use of data. Stores and online have

had to become one. By managing the stores using technologies originally developed for online, via its subsidiaries Alipay and Cainao, Alibaba controls the entire end-to-end process as well as the customer master data, a field in which the Group is investing massively. Data and AI will together facilitate these developments, as witnessed by the significant investments incurred by Amazon, Alibaba, or even Tencent.

Alibaba has announced it wants to spend $15bn to improve the customer experience, in particular through the Academy Alibaba Damo, the acronym for “discovery, adventure, momentum and outlook”. This project includes opening seven new research laboratories in China, the United States, Russia, Israel and Singapore. JD also plans to launch its first European research centre in Cambridge in 2019 focused on artificial intelligence and big data. This will be the second research centre to be opened outside of China.

Artificial Intelligence is also a priority for the Chinese government, which wants to make the country a pioneer in AI and is investing €13bn in AI between 2016 and 2019.

COUNTING PARTNERSHIPS

In Europe, there is no intention to imitate Amazon or Alibaba, it is already too late. Defensive partnerships focused on achieving a critical mass are multiplying. Equally we’re seeing alliances between physical retailers and web pure-players. For example, France’s Groupe Casino signed up with British online retailer Ocado as it looked to speed up the execution of its deliveries.

On the other hand, major retailers are seeking out alliances with the giants, witnessed by the supermarket chains Monoprix (France) and Morrisons (UK) tying up with Amazon.

Carrefour has also launched a strategic partnership with Tencent. “The objective will be to share the expertise of Carrefour in retailing with the technological know-how and innovative capabilities of Tencent,” announced the French group. Auchan meanwhile has partnered with Alibaba.

The stakes are high and the differences between China and Europe can widen still further when one considers that Europe is moving towards increased regulation with the General Data Protection Regulation (GDPR) act but also via various laws and initiatives concerning e-privacy. Faced with the domination exercised by Alibaba or Amazon, could the answer be the creation of a European ecommerce platform? Such a proposal was submitted by the President of the El Corte Inglés chain during the e-Show in Barcelona and needs to be taken seriously.

Shaping how America shops online

Emma Herrod **investigates how Amazon is shaping how the US shops online and how the retail behemoth is manoeuvring into omnichannel.**

Wal-Mart has led as the world's largest retailer for the past 20 years but Amazon is hot on its heels skyrocketing from number 157 in 2001 to 6th place after its 2016 financial year, according to Deloitte.

Amazon operates sites in 14 countries, saw sales increase by 31% to $177.9bn (£125.1bn) in 2017 and is continually innovating moving into new categories and geographies as well as other areas of retail from web services to logistics. Its pushing forward of boundaries means that it pretty much sets the consumer expectations that the rest of the industry must follow or at least acknowledge as part of their customer-facing proposition.

Last year, the Amazon Echo voice-assistant outdid the company's expectations with Amazon founder and CEO Jeff Bezos commenting: "Our 2017 projections for Alexa were very optimistic, and we far exceeded them. We don't see positive surprises of this magnitude very often — expect us to double down".

With the Echo Dot (and the Fire TV Stick) being the biggest sellers across the Amazon platform last year, "with tens of millions of Echo devices" in 2017 it's no surprise that the company has enabled other companies and developers to help accelerate the adoption of Alexa into third party devices and ensure the continued use of the voice-assistant by consumers.

eMarketer claims that with the Amazon Echo, the US corporate controls 70% of the voice-enabled speaker device market in the country.

The Alexa Skills store now offers more than 30,000 skills, including developer tools for Alexa Gadgets, gaming experiences and daily podcasts. Owners can also use Alexa to control more than 4,000 smart home devices from 1,200 different brands. Alexa has also been integrated onto PCs from HP, Acer, ASUS, and Lenovo and a Toyota car as well as a myriad of new devices from companies including Polk Audio, Anker and Jabra.

According to Rohit Prasad, Vice President and Head Scientist, Amazon Alexa: "The success and adoption of Alexa is extremely satisfying but we have just scratched the surface of what's possible."

2017 saw the company celebrating the 10th anniversary of the Kindle, highlighting how the company has moved from bookseller to marketplace to platform developer for its own and others' content. Original content from Amazon Studios has been nominated for an Academy Award (The Big Stick) with 'The Marvelous Mrs Maisel' TV series winning two Golden Globes.

The company also continued the move into own-branded products launching two furniture brands: Rivet and Stone & Beam.

It is this constant innovation and ability to disrupt even its own business that sets Amazon apart from other retailers – although it prefers to be thought of as a technology company rather than as a retailer. Every company has a wish list of things to do, iterations to be made, ideas to try out with customers but very few are able to 'play' in the same way that Amazon does. Its R&D budget is larger than some companies' turnover.

No wonder then that it is sometimes tricky to keep up with all the developments at the retail behemoth. Is there any area of retailing into which Amazon doesn't extend?

Amazon is driven to overcome consumer pain points and frustrations with the retailer experience. Ten years ago it looked to cardboard and launched frustration-free packaging much to the delight of customers and councils which are able to recycle every part of the Amazon boxes. Continuing the environmental theme – and its independence – it announced in January 2018 that to date it has launched 24 wind and solar projects across the US, with more than 29 additional projects to come.

Amazon Web Services (AWS), which re-launched in 2006, continues to innovate with the release of 497 "significant new services and features" in the last quarter of 2017, taking the total number of launches over the year to 1,430.

Amongst these is Amazon SageMaker, a fully-managed service that's helping developers build, train and deploy machine learning. It also launched 4 Artificial Intelligence (AI) services that allow developers to build applications

THE FIGURES

Full-year sales at Amazon for its financial year to December 31 2017 were reported as $177.9bn (£125.1bn), 31% up on figures reported for 2016. Operating income decreased 2% to $4.1bn (£2.86bn), compared with operating income of $4.2bn (£2.93bn) in 2016 with net income of $3bn (£2.1bn) was up from $2.4bn (£1.7bn) a year earlier.

One of the next steps for the US is a second headquarters for North America. It reviewed 238 proposals from across the US, Canada and Mexico and has selected 20 areas to move to the next phase of the process. The company expects to invest over $5bn (£3.49bn) and create as many as 50,000 high-paying jobs at its new second home.

Whole Foods groceries have been combined with Prime Now so that Prime members can have their groceries delivered for free in two hours

that emulate human-like cognition. Its ML Solutions Lab is connecting machine learning experts from across Amazon with AWS customers to help identify practical uses of machine learning inside customers' businesses, and guide them in developing new machine learning-enabled features, products, and processes.

It also made further moves with Internet of Things connectivity.

GROCERIES

Groceries have been a major focus for Amazon over recent years. AmazonFresh has become embedded as a supplier for Allrecipies.com enabling home cooks to buy the ingredients for a recipe they are looking at online and have them delivered the same day through the AmazonFresh delivery service.

The big news, of course, is its acquisition of Whole Foods Market. Amazon has been working on its integration with Whole Foods since the $13.7bn (£10.7bn) acquisition of the US supermarket chain in 2017. Along with cutting prices to lure customers from other supermarkets, Whole Foods has also been running promotions which are only available to members of Amazon Prime. By integrating Prime into the offline stores' point-of-sale terminals, Amazon is turning the membership scheme into a rewards system for Whole Foods' customers.

The two companies also intend to "invent in additional areas over time, including in merchandising and logistics, to enable lower prices for Whole Foods Market customers," says Amazon.

Many own-label Whole Foods goods have been made available for shoppers to buy online on Amazon and the company announced in February that it is combining Whole Foods Groceries with Prime Now so that Prime members can have their groceries delivered for free in two hours. A one-hour service is available at a cost. The service, which launched in 4 US cities: Austin, Cincinnati, Dallas and Virginia Beach, is being rolled out across the country by the end of 2018.

The much-discussed Amazon Go cashier-less store opened to the public in January 2018. The store uses cameras, sensors and a mobile app to enable shoppers to buy products without have to queue at a checkout. However, with the amount of interest in the store in Seattle, people were having to queue to get into the store.

Amazon is continuing with brick and mortar plans in other sectors too. Three new physical book stores are "coming soon" in Colorado, California and Maryland. These

Amazon Prime members can have their parcel delivered to their car boot in any of 37 US cities with the Amazon Key In-Car service

will bring the total number of Amazon book stores to 18. The first one opened in Seattle in November 2015.

Merchandise in the stores is selected based on online behaviour including Amazon.com customer ratings, pre-orders, sales and the popularity of titles on Goodreads, as well as more traditional retailing analytics and predictions. Every book title in the store includes a review card so customers can see quickly what Amazon.com customers think of the book. "Most have been rated 4 stars or above and many are award winners," according to the company.

LOGISTICS

The company continues with its moves in the logistics space too. It continues to test and invest in fulfilment services that work across channels for consumers as well as on supply chain aspects of its own business moving products around the country to its own warehouses and stores. Although it has a patent for airship-based warehouses they are further into the future than the drones that the patent shows as flying to and from it.

In the meantime, its customers can have items delivered into their home with the Amazon Key service or have them put into the boot of their car with the In-Car service. The Amazon Key and Volvo On Call apps will notify customers when the delivery is about to happen. On the day of delivery, customers should park within range of their delivery address and a delivery driver will deliver the package during the scheduled time window. Customers will be notified when the delivery is completed and the car is safely locked.

Amazon Prime members can even order clothes to try on before they pay for them with the Amazon Wardrobe service. Shoppers can keep clothes for seven days before returning any that they don't want.

Many developments in the past year have shown how Amazon is utilising its Prime subscription service to further enhance services for members and bring in additional benefits. The rise in the membership of its Prime subscription service is one of the areas highlighted by the company in the 2017 financial year: "More new paid members joined Prime in 2017 than any previous year — both worldwide and in the US," the company says.

The moves at Whole Foods with Prime becoming a rewards programme is just the start of innovations across channels as the retail giant gets to grips with the offline side of retailing at both the front and back end of supply from product development to customer lifetime value. Expect more as it looks to offline in its experimentation and it continues to keep its eyes on the long term.

Playing the global long game

As Amazon and Alibaba continue their international expansions *Emma Herrod* investigates whether there will be a clash as East meets West.

Sales at Amazon over the last quarter of 2017 were the company's strongest in 8 years with Cyber Monday 2017 becoming its single biggest shopping day, overtaking Prime Day for the most products ordered from the company worldwide. Revenue over the whole year increased by 31% over 2016 and the company looks likely to top $200bn (£143.1bn) in sales this year. One Click Retail estimates that Amazon was responsible for about 44% of all ecommerce sales in the US in 2017 (or about 4% of the country's total retail sales figure).

Looking across to Asia and Alibaba is already the world's largest retailer accounting for the vast majority of ecommerce in China. It continues to report staggering growth with an increase for its full year to 31 March 2018 of 58% over the previous year with revenue reported at $39.9bn (£29.54bn).

The number of people shopping on its platforms reached 552 million in China, an increase of 98 million from the 12-month period ended on March 31, 2017. Following its Singles Day event on 11 November 2017, Alibaba reported sales of $25.3bn (£18.1bn), an increase of 39% when compared to 2016 – and that's just on one day. Orders were taken from shoppers in 225 regions and countries including Japan, the US, Australia, Germany and South Korea as well as from within China.

Both companies have been making moves into groceries in their home countries and into omnichannel retailing as well as investing in services to grow overall ecommerce markets. Both are trying to "swallow up the entire vertical service chain," says Chris Vincent, Global CEO, Practicology. Instead of using middle men to supply services they are both trying to take more profit and revenue from key areas including payments and logistics.

Interestingly, neither sees itself as a retailer or a marketplace provider but as technology companies which are obsessed with the customer. Amazon launched in 1995 with the mission to be Earth's most customer-centric company.

Alibaba, meanwhile, is "a technology company, born in China but created for the world. Our mission is and always has been to make it easy to do business anywhere: empowering businesses of all sizes across the world to connect, source and trade both with each other and with consumers, globally," an Alibaba spokesperson told InternetRetailing.

Amazon taught retailers that they need to look at online retailing and now Amazon and Alibaba are both reaching back into the physical store environment. They are seemingly investing in new sectors at the same time, or at least making announcements at the same time, with grocery as an example. In 2017, Amazon bought Wholefoods and Alibaba bought a 36% stake in Sun Retail Group. The similarities between the two companies and their global ambitions will become more obvious over "the next year or two," believes Wanda Cadigan, Vice President of Commerce, SiteCore.

INTERNATIONAL INTENTIONS

Internationally, Amazon has been moving towards Asia with marketplaces in Singapore and Australia, while Alibaba continues to expand outwards from China, operating in countries including Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. It has operations in more than 200 countries with companies ranging from the South China Morning Post newspaper to its Alipay payments arm which grew larger than PayPal in 2014.

Its cross-border and international retail businesses continue to show strong growth. Revenue from Alibaba's international commerce retail business reached RMB4,733 million (US$727m, £520.71m) in the quarter ended December 31, 2017, representing 93% year-on-year growth, driven by the strong growth of its Southeast Asian platform Lazada and global retail marketplace AliExpress. "While the markets for Southeast Asia and cross-border commerce remain very competitive, they are in the early innings of the game. We are optimistic about the long-term secular growth prospects of our international markets and will therefore continue to make significant investments for market share growth and focusing on the best customer experience," the company says.

As well as the business growth itself, Alibaba is also opening up markets for Chinese brands rather than purely products manufactured in China to Western specifications. When asked whether it has any designs on Europe, the Alibaba spokesperson told InternetRetailing that it wasn't in competition with European retailers and brands. "Our role is to act as the trusted partner and adviser to European businesses, helping them to break into the Chinese market and equipping them with the knowledge needed to provide their customers with the very best possible experiences," they said.

There have been murmurings though in the ecommerce world of a clash between Alibaba and Amazon as they continue with their global expansion plans and acquisitions.

Zi Wang, Project Manager, WebshopinChina.com believes that Amazon is "still strong and too formidable for Alibaba to compete against head on" in Europe, Japan or the US. "The two giants still very much focus on retailing yet both of them want to transform to other, more tech-intensive, sectors," he says.

"Alibaba's overseas businesses are mainly B2B-driven and focus heavily on cross-border ecommerce, whereas Amazon seems to be tapping into retail markets. Moreover,

Amazon and Alibaba have strong home foundations and global ambitions

compared to Amazon, Alibaba's recent expansion is still largely confined to SE Asia," he added.

Any clash between Alibaba and Amazon is more a cultural phenomena believes Robin Phillips, former-Omnichannel Director at Boots. "The Western customer is very different to the Eastern consumer," he says before adding that it is a broad brush statement. The social aspect of Chinese online purchases is embedded and so difficult for either company to take customers from the other in their home market.

What Alibaba is doing though is becoming more entrenched with its customer base of affluent middle-class Chinese consumers, enabling them to shop around the world. Phillips cites the addition of Alipay as a payment method for shoppers at London's Westfield shopping centre as one of the ways in which Alibaba is enabling its customers to shop when visiting other countries.

The company is also raising awareness in geographies outside of China through events such as Single's Day, believes Wanda Cadigan.

Where Phillips does see opportunities for the two players though is through mergers and acquisitions, although as he points out even emerging ecommerce geographies have incumbent marketplaces so there is less opportunity for a land grab than there may have been in the past. "This extends to categories as well as to geographic regions," says Pete Brown, Consultant, Elixirr.

Both companies have invested in India; Amazon.in is the fastest growing marketplace in India, and the most visited site on both desktop and mobile, according to comScore and SimilarWeb. Alibaba meanwhile has invested in India's popular digital payments and marketplace business Paytm as well as online grocery group BigBasket and food-ordering app Zomato. Many of the world's leading grocery businesses are also investing in India in a bid to bag some of the growing market.

"If there's anywhere in the world I can see an immediate head-to-head play it's going to be in the Middle East," says Chris Vincent, quantifying that by instant he means over the next 18 months. Both companies have made in-roads into ecommerce in the region with Alibaba heavily discounting goods and Amazon's acquisition last year of the Souq.com marketplace.

"Alibaba is rumoured to be looking to make more acquisitions in western-facing markets," he says.

"Both businesses are expansionists in nature," he adds, so although "we're not seeing a clash yet as broadly they have left each other alone... that's not to say that they aren't watching what each other is doing."

Every retailer needs to be watching the two retail behemoths too to see how they are altering the consumer experience in their home countries and what those consumers will expect as 'normal' when they shop on other sites. And, as Richard Wolff, Managing Director of Javelin Group advises, they shouldn't forget about the "thousand mice" operating online and disrupting local markets.

Alibaba and Amazon are similar in that they both do the basics brilliantly and keep their business's fit for the future while cutting new ground in terms of data analytics, innovations and how retail can be reinvented. Yes, their businesses are different but their intent is similar – to rule the retail world. Alibaba has ambitions to be seen as an economy in its own right as it creates 100m jobs, supports ten million profitable businesses and serves two billion consumers worldwide over the next 20 years – to become the world's fifth-largest economy behind the US, China, Europe and Japan.

So, as Alibaba and Amazon watch each other closely make sure you keep an eye on them and your own strategy. Are you a pawn waiting to be taken by either player in this global game of retail chess?

Into the unknown

With final Brexit terms still to be agreed none of us know with absolute certainty what life will be like after 29 March 2019. *Penelope Ody* investigates what retailers should be planning now.

"There are known knowns," as US Secretary of State Donald Rumsfeld memorably said in 2002, but also "unknown unknowns – the ones we don't know we don't know". When it comes to life after Brexit, many retailers are still in that "don't know" category.

Retailers are used to planning for an unknown future – especially in this age of rapid technological change – but the Brexit "unknowns" represent a new challenge which many have yet to fully appreciate. Some of the issues have been well-publicised: possible labour shortages as EU nationals vote with their feet and go home, for example, or predictions of lengthy queues at ports as lorries are delayed by customs on both sides of the Channel. Rather less attention has been paid to how opting out of the EU's common external tariff (CET) will affect both retail prices and sourcing options, or the implications for inventory of developing a multiple-distribution centre strategy, or the impact on online sales as cross-border trade with 27 EU countries becomes more complex.

While East European workers are less commonly found in high street stores their role further back in the supply chain is vital. "It's a big worry for warehousing and logistics companies," says Craig Summers, Managing Director UK, Manhattan Associates. "In many cases more than 20% of their workforce comes from the EU and the construction sector has already found that many EU workers did not come back to the UK after Christmas – it could happen in distribution as well."

While there is much talk of robotics in warehousing, Summers suggests that companies are more likely to be improving the efficiency of their existing systems to maintain operations with fewer staff. than invest in automation. However, Jonathan Reynolds, Academic Director of the Oxford Institute of Retail Management and Deputy Dean at Oxford's Saïd Business School believes a re-evaluation of the cost vs benefits arguments for automation could be on the cards: "If you have a shortage of low-wage staff then the cost of pick and pack goes up and that can be an impetus for automation. Maybe more of those self-driving long haul lorries on our motorways to combat the driver shortage as well?"

That existing shortage of HGV and van drivers will be severely exacerbated by departing East Europeans and retailers may need to consider modifying those promises to deliver click and collect orders to stores within hours. "As well as withdrawing the promise, the price of premium services may need to rise to match actual capacity," adds Reynolds. "The current home delivery model is ripe for reform it has to change."

FIVE THINGS TO THINK ABOUT...

1. Speed – expect longer lead times for supplies as well as distribution delays due to driver shortages.
2. Warehouses – enhance capacity for increased inventory and plan locations for multiple DCs.
3. Technology – robotics can't replace an absent workforce entirely but good IT can improve efficiency and provide the necessary granularity.
4. Manage customer expectations – distribution issues will make instant delivery a premium option which shoppers must be prepared to pay for.
5. Go global – tariff-free imports from non-EU countries mean many prices can fall so why not shop the world?

Potential delays for imports at customs have also been well publicised. According to Peter Ward, CEO of the UK Warehousing Association, there are currently 90 million "frontier declarations" involving non-EU consignments each year of which around 4% are held up for inspection for some reason, either because the documentation is incorrect or customs officials are suspicious about the contents. There are also 210 million annual consignments from the EU that are currently waved through but which will also need a "frontier declaration" in future. "Typical cost for a freight forwarder to get a non-EU consignment through customs is around £25 to £50 per container," says Ward. "After Brexit that charge will also apply to EU shipments." Good news for the freight forwarders, perhaps, but a significant expense that must be paid by those further up the supply pipeline.

As Ward also explains, those 4% of consignments delayed at the port may involve a lorry waiting around for a couple of hours, half a day or more – costing maybe £100 in terms of lost capacity. Applying a similar 4% potential problem factor to the EU consignments could add £800 million to total shipping costs to be borne somewhere in the supply chain. Delays could also impact fresh produce imports. As Jonathan Reynolds says: "The just-in-time approach adopted by the food sector will be a thing of the past. Retailers will need to build much greater resilience into their supply chains."

Peter Ward agrees: "If there are delays then companies will need to mitigate the risk to the supply chain," he says, "so building a 24- or 48-hour delay into the pipeline increases lead times and means they will need additional stock – and that means more warehouse space."

STORAGE CAPACITY

While that may benefit the warehouse industry, building warehouses takes time – there are planning issues and a labour shortage in the construction sector to contend with, while

Ward knows of new sites where it has taken up to two years for the National Grid to connect the power supply. So, given that it is now 10 months to Brexit and a further 21 months likely in "transition", retailers really need to be calculating their potential warehouse needs sooner rather than later.

The location of those distribution centres (DC) will also need careful planning. While centralisation to minimise inventory has been a key consideration in the past, that will change for multi-national retailers post-Brexit. Importing goods, such as fashions or electronics from the Far East, directly to the EU to service customers in Europe rather than channelling them through a UK DC may be a better option. CET on those imports will have been paid and once inside the single market they can be shipped to any of the remaining 27 member countries.

Multiple DCs may deliver other opportunities: rather than a multi-national retailer harmonising its range across several geographies it could enable greater differentiation between UK and European assortments to cater for local needs and preferences.

This need for EU-based distribution capacity will be a major change for many online retailers, used to despatching parcels from the UK to far flung EU shoppers. Those parcels sent from the UK will be liable to customs delays and duty payments post Brexit, but if they're posted from a warehouse in Rotterdam or Calais, say, those inconveniences are avoided. "We're already seeing more interest from retailers in developing a multi-DC strategy," says Craig Summers, "but it demands granular visibility of stockholdings and good forecasting so that the merchandise is in the right place, as we obviously don't know how easy it will be to transfer stock between a DC in the UK and one in the EU."

An end to CET post Brexit, may also encourage greater flexibility in sourcing. CET is essentially protectionist with many tariffs – such as up to 17.5% on non-EU fruit imports – aimed at giving European farmers an advantage. CET rates are many, highly variable and occasionally bizarre: 15% on unicycles, for example. Currently those familiar packs of out of season mangetout on supermarket shelves – from the likes of Peru or Kenya – attract a CET of 11.2%. Small wonder then that UK supermarkets are already looking for new non-EU food sources. "Some are investigating Indian farms," says Ray Gaul, VP for Research and Analytics at Kantar, "Perishable products will always be challenging and shipping from non-EU sources will take longer, but there could be quite dramatic price differences especially for non-EU wines and meat."

With many retailers signing supply contracts a year or more ahead of delivery, decisions will need to be made soon about post-transition sources. "There is so much uncertainty about the final deal that retailers do not know how radical they will have to be," says Jonathan Reynolds. "Do they find non-EU sources now to provide continuity or wait and see – and find that they've lost out to competitors who have already signed up all those Indian farms?"

"Anecdotally we've heard of buyers now looking further afield," adds Craig Summers. "The attitude seems to be that if we have to go through customs anyway, then we might as well source more widely."

Without CET, UK retailers will need to crunch the numbers to calculate whether it is better to buy from expensive EU sources, or opt for low-cost countries with higher freight charges. And post-Brexit challenges are not confined to the UK: "EU suppliers are very worried about their wholesale dairy sector if the UK opts for non-EU supplies," says Gaul. With CET tariffs on bulk milk from third countries up to €182 per 100kg, there could well be price reductions ahead for UK ice cream lovers.

Mastering global delivery

Bobby Shome, **Global Business Development Director, Centiro examines how retailers can develop an infrastructure for global retail delivery success.**

The following guest article has been written for InternetRetailing by Bobby Shome, Centiro's Global Business Development Manager. Founded in 1998, delivery management expert Centiro has built a global footprint from its Swedish base, with a presence in the UK, the US and India. Committed to a sustainable future, Centiro has signed up to the United Nations Global Compact, and has a gold EcoVadis rating.

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Retailers are facing continual challenges; from ever-changing technology and increasingly expectant customers, to selling to a worldwide marketplace and catering for increasingly global customers.

The 'last mile' of deliveries is becoming ever more vital for retailers which are looking to develop and maintain a positive relationship with their customers. We are seeing big brands around the world adapting to changing customer expectations; from Walmart extending its trial of next day deliveries in the US, to Tesco offering customers in London 1-hour deliveries.

We are also seeing changing technology impacting deliveries in different regions. DHL, for example, is offering next-day delivery services in the US to online retailers, while Amazon has been trialling deliveries by drone for the past few years. Retailers and couriers are racing to keep up with the ever-changing global retail landscape, although often by undertaking smaller regional trials in key regions.

This means retailers with a global customer base have a challenge on their hands: they must make sure they are meeting the needs of the customers in each specific country or region.

FROM DALLAS TO DERBY

The globalisation of retail is on the rise. UK retailers have expanded their markets and are now selling and delivering goods to Washington and Wellington, as well as Wales. Given the potential that ecommerce provides, the playing field is evening out: while the goods being sent abroad could be sold by a big corporation like Amazon, they could also come from an individual working from their spare room – with sellers on eBay and Etsy able to sell internationally at the push of a button.

This increases competition for retailers, who must ensure they are keeping pace with the changing landscape. To succeed in the modern retail market, regardless of company size or location, retailers increasingly need to cater to global consumers, as well as the loyal customers who live two roads over.

In practice, this means retailers must be able to meet the needs and expectations of foreign customers, as well as domestic ones. For example, consumers in China are unlikely to use click and collect for their purchases – with research showing less than a third used the service in the past year – so foreign retailers will need to rely on home deliveries in China. Retailers need to take into account what consumers expect from deliveries. This can mean catering for vastly different outlooks, as well as dealing with local delivery companies and couriers to ensure the last mile of the delivery runs as smoothly as the initial shipping process which the retailer itself is responsible for.

Customer expectations are constantly evolving. Nowhere is this more evident than when selling globally, where a range of different factors influence customer attitudes towards retailers, products and deliveries. This is where retailers need to be particularly careful, or risk damaging their reputation if there are issues with the third parties involved in delivering the goods.

> "The ability to integrate live data points into their delivery management systems will enable retailers to provide accurate updates to customers, no matter where in the world they, or their customers, are based."

However, global deliveries are far more nuanced than simply knowing the legalities of what can be sent to which country and in what quantity. For example, when selling goods to a consumer in the US, retailers should be aware the items are likely to travel much greater distances than a product dispatched in the UK. This means that, for retailers, it can be more difficult to get a delivery estimate, or an update on where the goods are.

While it is more challenging to provide a real-time location to US customers, the companies that are able to provide this granular level of detail about delivery expectations are likely to be a step ahead of their competitors. This can be a huge opportunity for retailers to differentiate themselves in the US and provide a better experience for their customers.

Global deliveries are far more nuanced than simply knowing the legalities of what can be sent to which country and in what quantity

A BRAVE NEW WORLD

Providing accurate delivery details, however, is not the only way for retailers to attract and retain a global customer base. As customers themselves are becoming more aware of the implications of global marketplaces, sustainable delivery is likely to become a key differentiator for retailers, particularly given the vastly differing attitudes to the environment around the world.

In Europe, for example, the Institute for Sustainability has been undertaking initiatives including the LaMiLo and Weastflows projects to look at positively impacting the last mile of deliveries and introducing multi-modal transport solutions. For retailers selling to this region, sustainability will be a vital part of the retail process. In other locations however, the environmental aspect of deliveries is less important to shoppers. New York City, for example, has recently banned deliveries by electric bicycle, while also facing increasing levels of pollution – partially attributed to the rise in couriers.

While the variety in attitudes presents a challenge for retailers globally, it also hands informed retailers an opportunity to take the lead from their competitors. Retailers have the opportunity to seize the initiative and encourage their international couriers to work with them and drive sustainability in places like the US. This will put them ahead of the curve, while other retailers are racing to catch up to changing consumer attitudes.

Armed with the right back-end technologies, retailers will be able to ride out the storm of environmentally friendly, data-driven deliveries. The ability to integrate live data points into their delivery management systems will enable retailers to provide accurate updates to customers, no matter where in the world they, or their customers, are based. This technology also aids retailers in tracking and managing delivery times against contracts and SLAs, as well as ensuring their deliveries are, as far as possible, environmentally friendly.

UK retailers who already have this level of insight into their deliveries, and who can implement this on a global level, have the potential to set a 'gold standard' for their overseas counterparts. In leading the competition, retailers are able to increase their sales, and customer loyalty, around the globe.

A strategic look at returns

***Al Gerrie*, CEO, ZigZag Global examines why returns should not be an afterthought – especially when going global.**

Al Gerrie is former Head of Multichannel at Mountain Warehouse and OFFICE and is now CEO of ZigZag Global, a multi award winning international returns solution connecting 200 warehouses, 60 couriers in 130 countries to help retailers manage returns globally.

With the UK domestic market growth slowing and some bleak results on the high street, retailers need to provide new ways to deliver online revenue growth and increase profitability. To gain share in a competitive market it is now essential to provide memorable customer experiences that outshine the competition. International strategy has never been more important, but all too often retailers treat returns as an afterthought.

For some retailers – particularly in fashion – paying insufficient attention to returns volumes and their cost could send them to the wall as consumer spending has declined and return rates are now growing faster than ecommerce. The bedroom is the new fitting room.

Retailers are now beginning to apply intelligence and convenience (the same convenience that consumers already now typically receive when purchasing) to delineate the inbound volumes and costs from the outbound shipments and growth.

With both rising customer expectations and the complexity of international markets driving up the cost of returns retailers are, in many cases, eating in to already thin profit margins as they look to deliver growth. Generally, this is because there has been insufficient focus on the returns strategy, including the process, policies, customers return behaviour, local market conditions and cost (both actual and opportunity). By applying intelligence, drawn from sound process, good data and reporting, and allied to an excellent customer experience, return costs can come down and ultimately the total number of returns even reduced. By delivering a localised, friendly returns process with a simple user interface alongside a fair and visible policy that speeds up the customer refund retailers can actually build loyalty, re-engage the customer to enhance their experience of the brand.

Making it easier for customers to return items may seem counter intuitive but over a third of consumers are now deliberately buying with the intention of returning. Returns are not going away anytime soon. Bad returns experiences are costly, with customer service staff spending around 50% of all customer contact time managing returns and refund information requests. They also lead to poor reviews and ultimately lost customers.

According to MetaPack, over 76% of buyers check the returns policy before making a purchasing decision, meaning returns are now more important than price. Retailers should consider improving visibility of the return policy during the buying journey, customer return navigation, extending the return window (most returns are made in under 2 weeks but as distances grow a universal window of 30 days will typically capture most markets and few returners will fall outside 21 days), faster refunds (on receipt or within as few days of receipt as possible), provide choice of return method, communicate throughout, including tracking updates and for good returners, make it free where possible. ZigZag's own research shows free returns create a 4% increase in returns but a 25% increase in sales.

DATA DRIVEN

Sounds easy, but how do you identify your loyal customers from your unprofitable serial returners? Will your outbound carrier have the ability to consolidate and the right economies of scale to handle each lane in reverse? Can consolidation happen at high frequency to get stock back on sale quickly? Do goods really need to come back at all, or could they be graded locally and shipped to the next buyer in that market, wholesaled, destroyed or donated to charity? If the item is no longer economically returnable to base, which market offers the best asset recovery for the return and how do you get it sold there? A label in a box simply doesn't cut it, and this is precisely why Amazon stopped using returns labels over 4 years ago. Returns need to be dynamic to allow for the goods to be sent where the demand is for that item.

Retailers have a duty to provide a best in class customer experience. If you have a 30% returns rate, almost a third of your stock is off sale at any one time. With good planning it is not only possible to navigate all challenges but automate them to lower cost and even change the behaviour of the serial returners, once identified. Even to gain valuable insight into downstream product planning and forecasting based on which SKUs are toxic and why.

Typically the return is the lowest point of the customer journey and it needs to be handled carefully, to turn it into a positive event. Now is the time to take a deep dive in to how you handle both domestic and international returns and how your customer experiences them. Fix your returns and your customers will love you for it.

It's all gone a bit Amazon Go

Paul Skeldon, **Mobile Editor, Internet Retailing investigates how mobile innovation is changing retailing around the world.**

The Amazon Go store phenomenon is a big deal for retailers. It showcases just what is possible with the right technology and very deep pockets. But this example of US mobile-in-store retailing has had a curious effect: it has spawned a host of services that aim to ape what the Seattle giant is doing, but with existing technology.

And this has become something of a global sport, with retailers around the globe all taking elements of what Amazon Go has spent literally hundreds of millions of dollars trying to achieve, but with pretty much off-the-shelf technologies.

Very much looking to ape the pioneering work of Amazon – and to set itself up as a 'groovy' retail brand in the mould of Apple – Europe's largest consumer electronics retailer, MediaMarktSaturn in Austria, has opened the first cashier-less electronics store.

Powered by MishiPay's technology, the store – located in the popular Sillpark shopping centre in Innsbruk – promises customers an immersive shopping experience that's faster and more convenient and simpler than traditional shops. Moreover, it delivers, using fairly standard and available technology, one of the biggest draws of the Amazon Go store: you don't have to queue to pay.

"MediaMarktSaturn sees itself as partner, navigator and daily companion for consumers in the digital world. Therefore, we provide seamless customer experience across all channels. Our cashier-less store with MishiPay is a highly-relevant pilot project. And it's one of the first projects resulting from our innovation platform Retailtech Hub," declares Martin Wild, Chief Innovation Officer of the MediaMarktSaturn Retail Group.

"The launch of Saturn Express is another solid step in our journey to revolutionise in-store," says CEO of MishiPay, Mustafa Khanwala. "By launching Europe's first cashier-less store Saturn Express, MediaMarktSaturn, is leading by example for every retailer in the world. It's a clear path forward to step-up their in-store journey by bringing the best of the online checkout experience to the physical store, using our Scan, Pay and Leave technology."

He adds: "The fact that this is the only checkout method in the store, is an amazing step towards this goal and a testament to Saturn's brand, that puts customer experience at the forefront of Innovation."

Already in the UK, Co-op and Sainsbury's have both moved towards offering a checkout free experience as they too look at the aspects of Amazon Go's pioneering store they can replicate without breaking the bank.

Sainsbury's smartphone app is still a work in progress, but was previously trialled at Sainsbury's London Euston station store with shoppers who purchased the supermarket's £3 'on the go' meal-deal, which consists of a sandwich or salad, side and a drink. Consumers involved in the experiment were asked to download the app to their smartphones and scan their three items of choice from the meal-deal incentive, before paying within the app itself and walking out the brick-and-mortar store.

"We are always looking for new ways to help our customers live well – and saving customers time is one way we can do so," says Natalie Dunn, Sainsbury's head of customer experience. "Experimenting with a checkout-free experience is a first for Sainsbury's and for many of our customers, so we are keen to understand how we can take the concept and develop an offering that is genuinely useful for those who shop with us. We may be some way off from rolling this out – but we're excited to have taken the first step."

Similarly at the Co-op, time-pressed shoppers will soon be able to pay in the aisle and avoid visiting a till all together as they use their own phone to purchase goods at the Co-op with an innovative App built with Mastercard's secure digital payments expertise.

The 'shop, scan and go' initiative is being trialled at the Co-op's store located at the retailer's support centre in Manchester, with a wider roll-out beginning as early as this summer which is expected to include a further trial at the Co-op's store located in the UK HQ of Microsoft.

Matthew Speight, Director of Retail Support at the Co-op, explains: "Our ambition is to harness technology to deliver the shopping experience that our diverse customer-base requires – when, where and how they need it."

He continues: "It is all about consumer choices and convenience. We listen to our Members and customers and we are investing in our stores, people, prices, products and technology. We recognise there are many communities where customers pop in to their local Co-op and enjoy a friendly chat – it is all part of the service. Whereas for others, perhaps with a train to catch or on a school run, every second can count as consumers seek increased convenience."

DISTRIBUTED RETAIL

This consumer move towards convenience, however, is having an even more profound impact on retail. Shoppers are increasingly wanting to 'see, find, buy' items, rather than searching things out: they want to buy the things they see around themselves and in the media.

This is leading to what is becoming known as 'distributed retail', where entities other than retailers are starting to sell stuff. One example of this is gaining traction in the US. eBay has partnered with both geek news site Mashable and world-famous publisher Time Inc, to allow consumers reading content on either site or in Time magazine to buy the items and 'looks' they see therein.

Combining Mashable's expert recommendations with the consumer discovery power of eBay, the partnership allows Mashable's audience to use eBay to shop, browse and purchase products matching those featured on Mashable – all without ever leaving the Mashable site.

The companies have focused on a mobile-first experience that is as friction-free as possible for the audience and so far 65% of traffic to the widget has come via a mobile or tablet. The desktop experience is also as seamless as possible.

Dan Burdett, Head of eBay EMEA Marketing Lab explains: "We know a lot about how people shop on our site, but less about how they shop off it, so we wanted to bring a simplified shopping experience that brings products to Mashable's passionate audience rather than expect them to come to us".

A similar process is underway at Time Inc. with eBay developing a mobile-optimised, AI-powered shopping experience that allows shoppers to buy direct from photos of celebrity influencers in bespoke fashion articles that feature shoppable images of celebrities wearing the latest trends that can all be purchased on eBay.

Murray Lambell, Vice President of UK Trading at eBay, explains: "Our latest pilot creates a simplified yet appealing shopping experience that brings clothing to life in a new and exciting way. We know that celebrity style shopping leads to high engagement and now, visitors will be able to shop the latest celebrity trends, brands and luxe items for less."

He adds: "By applying Time Inc's exclusive content to eBay's AI technology and inventory – eBay have created a unique and memorable shopping experience that speaks to its audience."

Each article will be based on a particular trend and feature four shoppable images of celebrities sporting the style. Using eBay's adapted 'Shop the Look' technology launched in 2016, consumers will be able to hover over the celebrity images and click on the shopping tags to find the matching items on eBay, or affordable alternatives.

SOCIAL & SEARCH COMMERCE

While Amazon Go seeks to revolutionise the in-store experience, the move by eBay towards distributed retail is part of a wider move that is reshaping what constitutes an ecommerce platform.

eBay is seeking to make publications a platform for the sale, while sitting behind it feeding it with goods. Google has similar plans. It is planning to turn its search offerings into shoppable search results. Sick, one can probably assume, of serving up millions of customers to Amazon, the search giant is planning to make search results shoppable – you see it, you find it, you buy it: all on Google.

MediaMarktSaturn in Austria, has opened the first cashier-less electronics store

This – and Amazon and eBay – also faces stiff competition from social media platforms, particularly Instagram and Pinterest: both of which are looking to make it easier for brands to turn their postings into sales.

This too shakes up what online retail means. The days when branded retailers set up a cool site and a mobile app may be numbered as Google, eBay, Instagram and Pinterest join Amazon in becoming a new way to sell. Increasingly, the retail brand is perhaps less important than the goods they sell. Many – outside of key destination brands – are possibly going to be relegated to suppliers to this new world order of retail.

This has an impact on stores too. While they are less likely to be swallowed up to the same extent (or, rather, Amazon, eBay, Instagram and Pinterest are less likely to open swathes of stores), they will be threatened by new retail modes from disruptors. We started by looking at Amazon Go shaking up the retail space, but there will be others and they will have some great new ideas as to how stores operate from a customer perspective.

Those that are trying new ways to make that experience better are stealing a march on the rest and perhaps even doing more for their long term survival than even they themselves perhaps realise.

The Amazon Go phenomenon is indeed a big deal – but there is more at stake here than just creating a headline-grabbing new store with technology: this is the battle for traditional retail as we know it.

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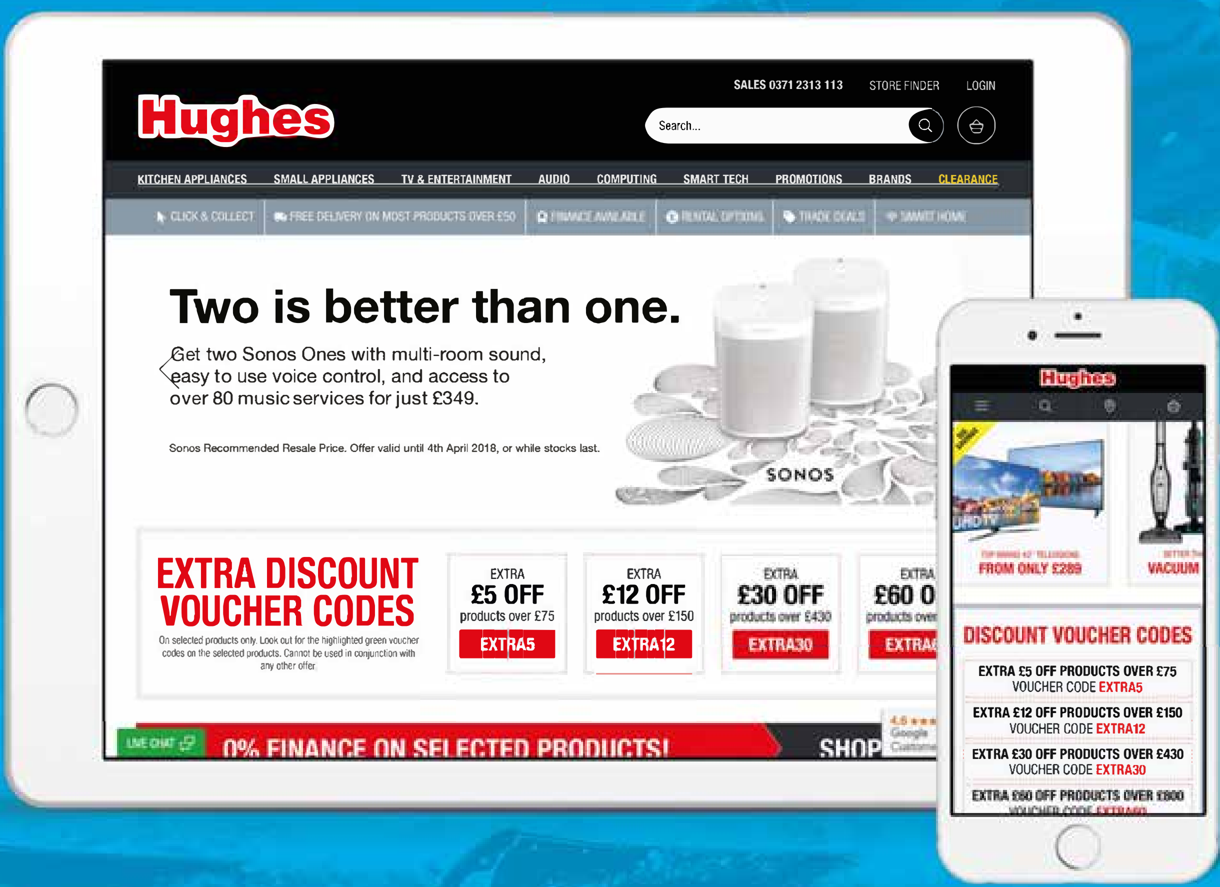

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Trust lays down the tracks for global growth

***Emile Naus*, a Director at BearingPoint, shares insight around what retail trust means for consumers around the world.**

The following guest article has been written for InternetRetailing by Emile Naus, a Director at BearingPoint. BearingPoint's retail paper 'Create a connection with your customer' can be downloaded at http://etail.li/6bc2d.

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International expansion is reaping rewards for the UK's online retailers. Take Asos, for example. In the year to August 2017, it saw international sales grow at nearly three times the rate of its home market. They were £1.2bn, up 47% on the previous year, compared with sales of £698m in the UK which were up 16%.

Expansion has not been without its challenges though. In 2016, Asos announced the closure of its local operations in China at a cost of £10m, less than three years after it launched, although the retailer said it would still sell in the market. As Asos pursues its strategy of expanding in Europe, the UK and the US, others are left pondering what it takes for online retailers to grow out of their home markets in a truly global sense.

We see trust as the critical factor. Our research shows that in China, 81% of consumers think it is important to trust retailers, and 64% do. In South Africa, another important market for international expansion, 74% of consumers think retailer trust is important, but only 21% actually do trust them.

Of course, trust means different things in different contexts. To start with the practical questions. Consumers ask: does the website have the items I want? Will it be in my size? Can the items be delivered to me in reasonable time? Can I return the item if it doesn't fit, is faulty, or I don't like it?

Asos' experience in China shows how difficult it can be to address these issues. Critics of its approach to expansion pointed out that it used European and American models to promote its clothing range. Because their body shapes differed from the typical Chinese shape, consumers found it difficult to compare and make decisions.

Add to this the challenge of stocking items for the right season in both the northern and southern hemisphere, and suddenly the supply chain and inventory challenges of international expansion seem a lot more complex.

International expansion often starts as a simple, opportunistic play. Consumers from across the globe show an interest in your offer and you start to ship internationally. It is common for retailers to bear the burden of international shipping of individual items while they figure out the demand from different markets. As they get a sense of the potential volume, they start to create outbound logistics and global operations. But different consumer expectation on body shape and global seasonality also have implications for the upstream supply chain which need to be addressed if they are to succeed.

Another example of trust is the returns process. Our research shows that easy returns are becoming increasingly important to the Chinese market. But different countries have different legal requirements for returns. To meet these requirements, and consumer expectations, retailers face a tough choice. If you do not have local operations, do you accept returns into a local third party? Can you then resell the items locally? Or, should you have returned items shipped back to the home market? In the latter case, it might take four to six weeks to ship the goods back from, say, Australia to the UK. In which case, it might be outside of consumer expectations if they don't receive a refund for more than a month after they return the item.

> "China, Nigeria and South Africa represent interesting test cases for international expansion"

As if these challenges were not enough, the issue of trust, and its criticality to success, has much broader implications for online retailers with global ambition. Our research of consumers in China, Japan, South Africa and Nigeria shows 55% think 'sustainably sourced products' are an important factor in deciding where to shop, 45% like to know who made the products they buy or how it was grown, and 79% like to buy products made in their country. For 47% of customers, 'locally sourced products' are an important factor in deciding where to shop. [see chart]

This has implications not just for the physical supply chain: how you find and work with local suppliers; but also the information you have about your products. For example, our research found that 77% of consumers in

China will scan a QR code to access additional product information or pricing before buying.

Whether it is a QR code on a physical product, or a link to more information on a website, it raises the question, do you have this kind of information about all of your products? Do your suppliers have it? If it is such an important factor to consumers, globally, how do you go about getting it?

ADDRESSING THE TRUST ISSUE

We have four recommendations to online retailers trying to address the issue of trust as they expand globally. All require investment, but there will be significant returns for those that succeed.

Firstly, online retailers need open communication about product traceability and transparency. Some retailers are already responding to this trend. For example, clothing and accessories store Everlane is promoting 'radical transparency' which makes the cost of each material used to make the final product completely transparent to the consumer so the costs can be used to justify the sale price.

Secondly, retail organisations need to develop traceability technologies that can be used throughout the supply chain. Consumers are looking for end-to-end traceability, to ensure compliance with ethical sourcing and to understand the delivery processes. Technology can help. RFID offers automated tracing of products and components through the supply chain, while blockchain, the technology foundation of cryptocurrency Bitcoin, can ensure no one can tamper with electronic records detailing product provenance. As well as assuring consumers about product traceability, these technologies can help organisations run supply chains more efficiently, making in-flight adjustments to routing where necessary and offering consumer real-time status updates on their purchase whereabouts.

Thirdly, retailers need to ensure their buyers can choose local products for their ranges. The strategy carries a subjective appeal for the customer. More than 50% of early adopters of ecommerce in China, Japan and South Africa prefer buying products made by a local artisan. It may require simplification and decentralisation of sourcing processes by the retailer: new vendors should be registered within days, not weeks. Also, it might require complementary distribution models such as franchises or co-operatives, to offer consumers a stronger local range.

Lastly, organisations need to move from predictive to prescriptive analytics to influence customer decision-making. This creates the ability to push relevant information and products to the consumer. In China, 71% of early adopters want their stores to provide personalised recommendations. Predictive targeting and personalized 'prescriptive' recommendations are becoming more widespread using such innovative tools as Tiny Clues, Dynamic Yield, Reelevant, and LuckyCart. For the consumer the experience creates the trust that the retailer has something relevant and exciting: something that gives them a sense of belonging.

China, Nigeria, and South Africa represent interesting test cases for international expansion. They have growing and increasingly affluent middle classes, rapidly changing retail environments, and the stimulus of players who focus on new technologies and new models of retail. China in particular, represents something of a blank canvas: it has around 10% of the store density of the US market making it an interesting environment for the evolution of retail. And it is a huge opportunity. China is expected to overtake the US as the world's largest retail market, with sales set to reach $7.18 trillion by 2020, according to its Ministry of Commerce.

I'll leave you with some food for thought. Chinese ecommerce giant Alibaba has already committed billions of dollars to global expansion. Those online retailers hoping to stick to home, or western markets, might find it is not the safe bet they once thought.

MAIN STAGE SPEAKERS INCLUDE:

ELOQUII
Mariah Chase
Chief Executive Officer

WARBY PARKER
Dave Gilboa
Co-Founder &
Co-CEO

HOUZZ
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Handling 2-man delivery across borders

Julien Callede, Co-founder, Made.com, and now independent advisor and consultant, speaks to Emma Herrod about how the company developed its logistics operations as the company grew and expanded internationally.

Julien Callede, Co-founder, Made.com

Made.com is an online furniture brand with a mission to make good quality, good design furniture affordable for everyone. When the company launched in 2010, its site offered just two items with pre-sales having to reach a certain level before they could be manufactured. Since then, the company has continued to offer a curated product range which has expanded from tables, coffee tables and beds from different designers to 10,000+ items that include storage solutions, lighting and soft furnishings. Now shoppers can choose from more than 5,000 skus at any one time with new ones added to the product catalogue each week.

As Made.com Co-founder Julien Callede explains, it has made sense to sell larger items of furniture online over the years and deliver them direct to customers. Even though people say that they want to sit on a sofa before they buy it, upholstery and larger items are a big part of the company sales. As well as operating online, Made.com runs three brick and mortar showrooms in the UK as well as one in Paris, one in Berlin and a last one in Amsterdam. The first opened in London in 2012 with others opening later in West Yorkshire and Birmingham. The website shows which items are located in each showroom so that shoppers don't have a wasted visit.

As Callede explains, in the early days, the company had to work out how to source, manufacture and ship furniture from different suppliers and countries across Europe and the Far East and how to handle warehousing and deliveries. When the company started it struggled to find a logistics partner which specialised in furniture and was also willing to work with a start-up with no background. "Some said no," says Callede.

Made.com started working with a 3PL which specialised in white goods and has continued to work with them since day one. The retailer has also helped the 3PL to grow its business, taking on some of the warehouse rental risk as the furniture business outgrew its warehousing space. The 3PL handles goods in, warehousing and the despatch of products to customers as well as running the larger warehouse space.

Made.com has been able to future proof its operations and logistics to some extent by having Callede, as one of the founders, directly involved in building and scaling them for the first seven years. With an overall view of the business, an understanding of the customer, the business, technology and where the business would be in 6 months, a year or 3 years' time, he could ensure that everything was set up in a way which was scalable for future needs.

However, as he explains, scaling warehouse space is going to be an issue for any business since no-one wants to pay for warehouse space that is not being utilised. On the other hand, they don't want a lack of space to restrict the business. Callede concedes that Made.com did have 2 days where goods-in were having to be processed outside with goods turned around and despatched straight out to customers.

While shared warehouse space does offer a solution, Callede explains that every few years the business still had to look for extra space. It's important therefore, he points out, to have a close relationship with 3PLs which can help anticipate growth stages that retail businesses go through.

DELIVERY

Made.com looked into setting up its own fleet for deliveries initially but "it didn't make sense," says Callede, so instead a number of small partners work with the company to deliver to different areas of the UK. Many of these have expanded over the years to offer a wider service.

Made.com has always handled directly the negotiations and relationship with delivery partners, since it has always found it more effective and a better way of avoiding operational issues. When it started, one company was delivering very small items, another handled the very large items and 2-man deliveries and a third handled items which couldn't be sorted on a conveyor belt but can be delivered by one person.

Since the early days, Made.com has asked customers for feedback on their delivery experience. Customers who rate the delivery are then asked to comment further. These are all fed back to the delivery companies to improve the service and also help with developing the proposition, explains Callede. "Customer feedback helps us a lot to anticipate the next move," he says.

It also helps Made.com to feed back and highlight issues such as packaging with the delivery companies. "It helps them to manage their service," he says. "While scaling, it is very important to help your partners scale with you."

When it comes to choosing delivery partners, Callede advises others retailers that they shouldn't choose delivery partners based solely on price. "Don't go cheap," he says.

One of the delivery issues the company had to decide upon early on was the actual cost to the customer of delivery especially where large items requiring 2-man delivery were concerned. Delivery costs can sometimes represent up to 30% or 40% of the product cost, explains Callede. Delivery partners can ask up to £80 or more for a 2-man delivery which is something that "people don't want to pay," says Callede. Therefore, the delivery cost to the customer is very often subsidised in ecommerce.

However, customers don't want to be lifting 30kg plus items into their house from their doorstep so the fulfilment service includes delivery into the room of the customer's choice and removal of the packaging. Made.com has also looked at assembly and other add-ons that customers are looking for as a part of the delivery service.

The delivery promise therefore is one of value. Customers are happy to accept a longer lead time and this has reduced from 14 weeks when the company started to an average of 2 to 3 weeks now from the time the customer places their order until the item is delivered to them in the UK. Right now, a lot of items are even despatched next day.

Longer lead times can actually work in Made.com's favour since some people won't always want a sofa delivered the next day. It's about service and being accurate when giving a delivery date and time slot. "Giving them [the customer] the choice is good," says Callede.

INTERNATIONAL

Until 2013, Made.com operated only in the UK but the business has expanded with websites now for France, the Netherlands, Germany, and Switzerland with in-country teams ensuring that the business fits the local market. Orders from customers in Ireland are fulfilled from the UK site and customers in Belgium can purchase through the French site while the German site also fulfils orders for customers in Austria.

The launch of international websites brought additional logistics complexity and the company has had to evaluate different logistics and supply methods, look into whether items should be stored in different countries, be sent directly to customers or handled by a third party.

Having local warehouses is better for P&L but is not so good for supply chain since product has to be held across the different countries and this adds expense as well as risk. With the additional cost of transporting large items across the channel, Made.com decided to keep his first hub in the UK – as this accounts for around half of its business and still has plenty of scope for growth – with additional hubs in mainland Europe

Callede's advice to other retailers looking to take their business internationally is "take your time and keep it local." He advises others to sort out their business model in the UK and learn from it before taking time with international, planning well and looking at what other retailers are doing. "What are the local best practices," he asks. The next step is then to localise the delivery and brand marketing and use local teams to manage customer service.

FURTHER EXPANSION

Made.com, has recently reported revenue of £127m, 40% up on the previous year, while reaching profitability in the UK for the 2017 financial year. The company is now cash flow positive at the group level. It has also received this year a new £40m equity funding from a new tier 1 global institutional investor, as well as current investors including Partech Ventures, Level Equity and Eight Roads Ventures.

The company is scaling rapidly across Europe and the £40m equity will enable it to facilitate faster growth in existing and new markets as well as expand its product range and showroom presence.

Each showroom is set to deliver a 'gallery experience' feel and look. Made.com's customers also have the power to decide which product ought to appear in the showroom or the next collection by pledging a refundable deposit of between £5 to £30 for the furniture designs they like on TalentLab, a crowdsourcing platform for emerging designers. The designs with the most pledges are listed on Made.com's website for customers to purchase.

Read more of *Liz Morrell's* insight into changes in the delivery market and keep up to date with the news between issues at *www.edelivery.net*

NEW AUTOMATED DC FOR SHOP DIRECT

SHOP DIRECT is to close its three existing fulfilment centres in Greater Manchester and invest instead in a new automated, 500,000sq ft distribution centre in East Midlands.

Development of the new site, which is at East Midlands Gateway, is due to start in May with the company beginning its exit from its sites in Shaw, Little Hulton and Raven from mid-2020. The new site is expected to be fully operational by peak 2021.

The existing sites were deemed to not be fit to support the group's future operational ambitions because of limited accessibility, layout and loading restrictions as well as a lack of space. The move is expected to impact more than 1,000 permanent Shop Direct staff and 815 agency staff with redundancies expected.

The company said that to continue to meet customer demand, the business required a purpose-built and automated facility in a central, well-connected location.

The site's position in the East Midlands, adjacent to the M1 and East Midlands Airport, with its own rail freight terminal, will enable the business to increase its cut-off time for next day delivery to midnight from the current 7pm, and to explore the introduction of same-day delivery in the future. Approximately 500 permanent roles will be created at the new site, with the addition of around 200 to 300 staff at peak.

Derek Harding, interim group CEO of Shop Direct, said the company was working closely with Usdaw to help those affected by the closures of the existing sites. "This is a tough day for the business and we know how difficult this news will be to hear for our teams in Shaw, Little Hulton and Raven. However, these proposals are necessary for our future and to enable us to continue to grow and meet rising customer expectations."

The new fulfilment centre will move all aspects of Shop Direct's one-man fulfilment operation under one roof, including inbound, distribution, outbound and returns. The facility, which is expected to require a total investment of around £200m, will host approximately 500 permanent colleagues and use the latest in automation technology from Knapp, improving efficiency in Shop Direct's fulfilment operation, including processing new orders and returns faster than ever before.

DEBENHAMS BEGINS DC AUTOMATION

DEBENHAMS has begun the automation of its distribution centres as it looks to improve efficiencies. It comes as the company announced a shock profit fall and major plans to improve the business. The retailer said that following a successful rollout of direct to floor distribution it has activated the first stage of the automation of its distribution centres.

Debenhams said that certain stores were now receiving their deliveries fully sorted by division. It said that this was making processing and floor replenishment in stores much more effective. This in turn is allowing store colleagues to be more customer-facing.

The direct to floor distribution model was introduced in May last year after a move to a single warehouse management system. The new initiative allowed Debenhams to declutter the sales floor by holding stock in the distribution centre until needed and increasing the frequency of replenishment. The company also at the same time reduced stock options by around 10% whilst also improving regional warehouses.

Debenhams last year closed 10 regional warehouses after announcing their closures in April 2017 and began consultation on the planned closure of its Northampton distribution centre.

DOMINO'S PIZZA LAUNCHES NEW HOTSPOT DELIVERY SERVICE

DOMINO'S PIZZA has launched a new hotspot delivery service in the US which will allow delivery to more than 150,000 delivery hotspots at locations such as parks, beaches and other destinations that don't have traditional addresses. The locations have been chosen by local Domino's stores around the country.

The new set drop-off points will allow customers to find the hotspots with location services on their smartphone. Such orders can then be made either online or through the company's mobile app. Customers pre-pay for their order, select the location and then can add further instructions so that the delivery driver can recognise them. After completing their order customers will receive text message alerts as well as a final estimated arrival of their driver.

"We listened to customers and their need for pizza delivery to locations without a traditional address," said Russell Weiner, President of Domino's USA. "We know that delivery is all about convenience, and Domino's Hotspots are an innovation that is all about flexible delivery options for customers."

eDelivery
Fulfilling the multichannel promise

PAY LATER WILL LEAD TO RETURNS TSUNAMI

A QUARTER OF RETAILERS are expected to adopt try before you buy schemes by 2019 in a move which could see a tripling of returns costs, according to a new report. The likes of ASOS, Topman and Schuh are already adopting such schemes.

The report, by Brightpearl, canvassed 200 retailers and 4,000 consumers and found that three quarters (76%) would 'definitely' or 'maybe' purchase more items if offered a try-before-you-buy option with shoppers ordering on average three extra items each month.

However, the study showed that 87% would return up to seven purchases – with research showing that 85% of consumers expect retailers to provide returns for free.

The idea of free or cheap returns is also encouraging customers to deliberately over order with more than 40% of retailers having seen a marked increase in 'intentional returns' over the past twelve months, according to the research.

The study showed that half of retailers (51%) say margins are being heavily impacted by handling returns and 72% believe the problem will only get worse thanks to try before you buy.

Some 17% of global retailers have already adopted the try-before-you-buy model. By 2019, more than a quarter will offer this type of service to customers.

However more than two-thirds of retailers (69%) are not deploying any technology solutions to process returns, according to the study. This is despite the complexity of managing returns, with the average returned purchase passing through seven people before it's listed for resale.

Derek O'Carroll, CEO of Brightpearl said: "For consumers, try-before-you-buy is a positive trend, removing another barrier to purchase. The good news for retailers is that this will almost certainly lead to an uplift in sales. "However, this trend could spell disaster for retail business owners if they do not prepare by having the right framework and solutions in place to manage returns."

DC CONSOLIDATION AT M&S

MARKS & SPENCER has announced that its Hardwick distribution centre (DC) on Hardwick Grange, near Warrington is to close. The DC, which serves stores in the north west and Scotland, will close in September. Marks & Spencer announced that it would cease operations at its Neasden, North London distribution centre in January.

The move is part of the company's plans to create a single-tier clothing and home logistics network which will allow it to move products from suppliers to stores faster and at lower cost through a smaller network of large DCs, strategically placed across the UK.

The site is currently operated by XPO Logistics with transport operations provided by DHL. The two also worked together on the Neasden site. The companies have entered into a period of consultation with the 450 workers on site at Hardwick.

Marks & Spencer is in the process of automating its DC in Bradford so it can now handle more capacity.

The retailer has also announced that it has appointed DHL to operate its new South East DC at Welham Green following a competitive tender. The 495,000 sq ft site is currently being mechanised and fitted to M&S specifications and will serve 150 stores in the South East. It will open in 2019 with around 500 staff.

Gordon Mowat, Director of Clothing and Home Supply Chain and Logistics, said: "Closing Hardwick will help to remove some complexity from our network and speed up our supply chain."

The M&S Clothing & Home distribution network currently comprises of 18 sites including large DCs in Castle Donington, Bradford and Swindon. The closure of its distribution centre in Neasden is due to be completed early next year.

POCKET SORTER FOR ASOS

ASOS is to install pocket sorter technology at its Berlin distribution centre following its successful introduction in the company's UK distribution centre in Barnsley.

The solution includes Knapp's OSR Shuttle store which allows for the flexibility of a frequently changing article range and picking at the Pick-it-Easy workstations. The transport pockets are combined with a hanging goods system.

The pocket sorter system uses a unique algorithm to sort randomly picked items into an exact sequence. Flat-packed and hanging goods are consolidated at one of 200 packing stations in the precise sequence needed for dispatch.

"At the pack stations, we only provide the items that belong to one individual customer order for picking from the pockets," said Heimo Robosch, Executive Vice President of KNAPP AG. "The next order then arrives once the previous pack order has been completed. The streamlining of all processes results in a reduction in costs as well as an optimised transit time, both crucial to ecommerce businesses," he said.

Dürkopp Fördertechnik, the Knapp subsidiary which engineered the systems, originally launched the pocket sorter solution into ASOS's UK DC in 2014, initially with three modules. This increased to four in 2016 and to five more recently which has increased the overall performance to 30,000 items per hour. The system will be further expanded by the addition of a dynamic buffer this year to allow the fully automatic storage and retrieval of about 80,000 single items.

In its latest financial results, ASOS said that it made almost 100 delivery solutions improvements to its business over the past six months. These included a new returns portal for Australian customers that is to be extended to other markets.

Insight around the world

VIETNAM

Online marketplaces are driving the growth of B2C ecommerce in Vietnam, according to a report by yStats.com. Its report titled 'Vietnam B2C E-Commerce Market 2018' highlights how fashion has become the leading ecommerce product category in the country, purchased by 73% of online shoppers in 2017.

Vietnam has one of the most rapidly growing B2C ecommerce markets in Southeast Asia, according to the yStats.com report. In the period through 2021, online retail sales in this country are projected to rise at double digit rates, driven by higher internet penetration rates and more frequent online purchases. Only around 1% of the country's retail sales were online in 2017, indicating much room for future growth.

An increasing number of online shoppers in Vietnam are buying from online marketplaces. These platforms have become important drivers of digital retail development in Vietnam due to their investments into building comprehensive ecommerce ecosystems for warehousing, payment and delivery.

On the other hand, social networks such as Facebook also remain among the most popular platforms used by shoppers to place orders online, especially in the categories such as fashion and cosmetics.

Overall, competition between ecommerce players is increasing amidst anticipation of further growth in Vietnam. Alibaba-backed Lazada ranked as the most used ecommerce website in 2017, while its major competitor, Tiki.vn raised investment from another Chinese ecommerce leader, JD.com. In the electronics segment, the Mobile World Group is the top contender with the highest online retail market share as of 2017.

EUROPE

European shoppers are turning to cross-border retailers with 71% buying from retailers outside of their home country. The majority of these shoppers (96%) are buying from marketplaces, according to the UPS Europe Pulse of the Online Shopper study.

Many of the shoppers purchasing items online from outside of their country do so because of better prices and the search for a specific brand or product. The study found that top considerations when purchasing from retailers in another country include: payment security (75%); clearly stating the total cost of the order including duties and fees (72%); a clear returns policy (63%); stating all prices in the shopper's native currency (63%); and the speed of delivery (62%).

"The internet has made shopping truly global, enabling retailers to market and sell their products to customers worldwide. Our research shows that nearly three-quarters of European online shoppers buy from countries outside their own, so opportunity is rife for both small and large retailers looking to expand their businesses," said Abhijit Saha, Vice President of Marketing, UPS Europe. "At UPS, we've made it our mission to help them all do business across international borders just as easily as they do business across town."

The UPS study also found that almost all European online shoppers (96%) bought on marketplaces and of those shoppers, 67% cite better prices as a reason for purchasing on a marketplace instead of directly from a retailer. Some 43% cite a broader selection of products within any given category.

More than half (52%) of online shoppers in Europe consider the number of shipping options offered key when searching for and selecting products online, while 75% consider free return shipping important. Additionally, 63% of shoppers are interested in shipping to an alternative location with extended hours, if fees are less than shipping to their home.

Retailers need to think "mobile first" as the use of smartphones for making purchases proliferates. According to the study, 43% of smartphone users purchased from their device. Shoppers use their mobile devices for a variety of other shopping-related tasks, including to locate stores or store-related information (78%), track orders (78%), and compare prices among retailers (75%).

When looking at the UK market specifically, the UPS study reports that 61% of UK online shoppers buy internationally and of those who do, 69% have purchased from a retailer outside of Europe. 59% of those have purchased from a retailer within Europe.

As with the rest of Europe, the majority of UK shoppers have purchased on a marketplace with 26% planning to do so more in the future. 38% of initial product searches, on average, begin at a marketplace.

More than half (67%) of UK shoppers consider a free shipping option to be important when checking out online, and 72% consider free return shipping important when selecting an online retailer.

Meanwhile, consumers in Switzerland spent € 1.22bn in online cross-border purchases in 2017, an increase of 18% on the previous years. However, Switzerland is still not seen as the go-to market for many retailers due to its complexity, according to Seven Senders.

CHINA

JD.com has launched a Global Supply Chain Innovation Center (GSIC). The international hub for smart supply chain research and innovation aims to bring together global industry experts, companies, universities and other institutions, and will serve as a platform to share resources, expertise, insights, and technologies, and to work together on research projects focused on new technologies and processes, empowering more enterprises with smart supply chain capabilities. The GSIC will operate across six international regions – China, Silicon Valley and Chicago in the US, Germany, the Netherlands, and Australia.

Commenting on the launch, Yu Yongli, head of JD.com's JD Y business unit, which is focused on smart supply chain innovation, said, "JD.com has built up an incredible wealth of expertise and experience in supply chain management, including cutting-edge technologies like AI, big data, blockchain and Internet of Things. By sharing our resources with leading experts from academia and business, and supporting R&D of emerging technologies, we will empower the GSIC to develop the next generation of smart supply chain infrastructure. These technologies both enhance our own business and enable companies around the world."

The Chinese retailer has also launched AI Catapult to accelerate development of artificial intelligence and blockchain technologies. Beginning in March, AI Catapult, which is part of JD's AI program, will partner with innovative blockchain startups to build new businesses and create and test real-world applications of their technologies at scale. Participating startups will have the opportunity to work with a wide variety of operational teams within JD which, in addition to being the largest retailer in its home market, also operates the largest nationwide last-mile logistics network.

JD is also extending its smart home platform, Alpha, to the auto industry, making it possible for drivers to control smart home devices and make ecommerce purchases directly from their cars. Through a partnership Geely's 2018 Boyue SUV will be the first model to include JD's Alpha-powered connected car solution. The solution leverages JD's capabilities in AI, IoT and big data to provide users with access to services including location services, smart reminders, vehicle management, data analysis, voice control and other smart services. The 2018 Boyue SUVs that integrate JD's technology will support the control of over 1,000 smart home appliances and devices such as smart air purifiers, air conditioners, lighting and speakers.

The cooperation with Geely marks JD's official entrance into the connected car market.

JD.com Vice President Dr Kefeng Li said, "This partnership will bring unprecedented convenience to car drivers. As we continue to push the limits of retail, online and offline, by integrating new smart solutions and products, our advanced technology is making it easier and more convenient for our users to shop wherever and whenever they choose. In extending Alpha to cars, the sky is the limit in terms of other connected services we can offer drivers in the future. We look forward to continuing to work with our partners to realize this vision."

The InternetRetailing Expo

The InternetRetailing Expo took place at Birmingham's NEC on 21 and 22 March. *Emma Herrod* shares some of the highlights.

Five thousand trailblazers attended the 2018 InternetRetailing Expo to listen to some great presentations from leading retailers. One figure that cropped up in multiple presentations was 96%. Some readers will recognise this figure but for those who don't, it's the average percentage of customers that browse an ecommerce site but don't buy on that visit – or may not buy ever. A number of presenters shared insight into how they are trying to push the percentage points in the right way, while others shared how they are innovating through customer acquisition and market expansion.

Lastminute.com, for example, spoke about how it is monetising the 96% through media partnerships. Its Travel People business unit is enabling brands and retailers with products that travellers might be interested in purchasing to advertise on the lastminute.com site.

Google brought new figures into the mix. Sarah Davies, Lead, UK eCommerce Partnerships at Google, highlighted the move to omnichannel retailing with a search statistic which shows a +176% growth in searches for the term 'omnichannel' in the year to date in comparison to the same period in 2014.

She also quoted a study by Practicology which counted services offered by European omnichannel retailers to discover how closely they are matching consumer expectations. The lowest performer across Europe scored 18% against the highest score of 67% by shoe retailer Schuh. The average score in the UK was 52% meaning that retailers here are only matching consumer expectation half of the time. "So why is it [omnichannel] so hard to execute?" she asked.

Discussing 3 areas in which retailers need to work in order to match how consumer behaviour is changing she mentioned consumers wanting assistance, making everyone in the retail organisation responsible and organising around business goals rather than channel goals. "After people, data is a business' most valuable asset," she told delegates.

PERSONALISING THE NEXT EXPERIENCE

Rob Pearson, Head of Online Personalisation at Next shared details of how, in his role as the first head of personalisation at the fashion retailer, he is developing this aspect of retailing. With 4.5m active customers in 70 countries and 120% growth over 10 years, online is close to overtaking the stores' value, he explained to delegates. "It's very close," he said.

He went on to explain how personalisation today offers a short term differentiation but in the long term personalisation will be the norm online. Personalisation software is needed to improve the customer experience but "it's really about testing and learning faster, understanding what's working," he told delegates.

By testing and analysing the output a retailer can understand the reasoning behind why something is working or whether it isn't working and that "helps with buy-in from other departments too," he said. "A negative test can also be rewarding so you know what to test next," he added.

When asked about how personalisation is impacting on returns, he said that they are yet to take the data out of the personalisation engine but the team is seeing some positive signs. "There's more to do," he said.

Going forward, Next will continue to "test, test, test," learning and improving the customer experience, delivering at scale and pace and building up internal processes. "We're early in our journey," he concluded.

BEING WISE WITH CONTENT

While big brands are trying to create a one-to-one relationship with customers, visitors from smaller retailers were warned not to try to emulate them in terms of content. Don't act like a big brand – you have the advantage that people are buying into your back story and that will get the return visits. "Make it human," was the response from a panel of retailers.

When asked what they thought is the million dollar piece of content to get the sale, responses included "Social proof, especially when you are new" and getting the balance right between engagement and pushing the sale. "Do you want the one-night stand of a transaction or long-term gain?" asked one panellist.

As Dan Mahoney, Head of Ecommerce & Customer, Whittard of Chelsea, pointed out, it's good for a retailer to be able to take a brand mentality planning its cornerstone, evergreen content a long time in advance. This then leaves space for the Monday morning, quick turnaround content. "If it's all quick turnaround you won't develop over time," he said.

> "Do you want the one-night stand of a transaction or long-term gain?"

The panel also advised having a library of assets that can be utilised by agencies and different departments within the retail organisation around the world. This is better than having 11 or 15 agencies redoing everything for a localised perspective from scratch when the core of a campaign can be the same brand messaging across the globe with aspects localised to each market. Content sharing by market and across agencies ensures that everyone is working off the same page. It also means that content people need to be developed centrally with a team able to "connect all the dots across the countries."

Giving a shopping centre's perspective of omnichannel retailing, Kathryn Malloch, Group Head of Customer Experience at Hammerson, told delegates how one retailer had seen a 40% uplift in sales in the region after opening a store highlighting the halo effect brick and mortar retailing can have on online sales.

As well as offering click and collect and partnering with Amazon at its locations, Hammerson also measures shopper behaviour across its shopping centre using beacons and its own app. The Style Seeker tool uses visual search and

artificial intelligence (AI) allowing shoppers to take a picture of items of clothing and be shown the same or similar items which are available from the retailers in the shopping centre. "It helps customers find brands or retailers that they wouldn't already visit," said Malloch.

Alex Murray, Director E-Commerce, Lidl UK, closed the Innovation & the Future conference track with his insightful view as a retailer into what AI really means for ecommerce and how it can improve sales, customer engagement and delivery. He told delegates about Lidl's wine chatbot called Margot and how it was set up "to help customers navigate our world of wine".

Margot can provide customers with more than 220 food pairings with customers able to type in emojis such as a pizza and get a response as well as asking natural language questions about wine regions, grape varieties, recommendations by country and price. She also handles swearing and jokes as well as being helpful about how to get wine out of a pair of trousers, Murray explained.

He has a realistic view of AI and chatbots though telling delegates that they shouldn't have an AI strategy. "You should just do good business," he said, taking opportunities to engage customers in a different way, improve services and then ask "how AI can help you do that".

Responsible retailers "should drip-feed AI experiences into the consumer mind," he said and this has to be done in a way which is transparent. "We are at the beginning of the foothills," he said, adding that AI "is going to happen, I don't doubt it for an instance. The prospects are hugely exciting." However, he did add that retailers are not going to be generating AI/human interactions that will pass the Turning test in the next 2-3 years.

CUSTOMER EXPERIENCE

ECOMMERCE

ECOMMERCE

FULFILLMENT

MARKETING

MOBILE

OPERATIONS, LOGISTICS & ORDER MANAGEMENT

RECRUITMENT

AQUISITION MARKETING

ERP