

Brand & Engagement:
January 2015



A Performance Dimension Report as part of IRUK2015
InternetRetailing's Top500 UK Retailers, 2015

In partnership with our Knowledge Partner



Distributed with InternetRetailing Magazine, Issue 50



Use social to accelerate your business

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What's your brand getting out of it?



virgin atlantic 

Customers who engage on their blog have a 27% larger basket size and increase spending by

20%



 **barclaycard**

Customer retention improved by

25%



SEPHORA

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Lithium[®]

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THIS IS THE first, much-anticipated chapter in our new series of IRUK 500, 2015 Performance Dimension Reports. In this series, we aim to challenge assumptions and nail down the facts, details and insights that will map how the UK's leading retailers are performing in a new digital world.

Over the page, report editors Jonathan Wright and Chloe Rigby explain how we've gone about that task in this initial Brand and Engagement report, which focuses on the all-important issues of gaining and holding customers' attention in a distracting world.

Throughout this series, we'll be holding the measure to an industry, in which the boundaries of what is possible, or desirable, are constantly changing. It's a big job and one that we don't pretend to have completed. But with the start we've already made, we've established that accepted wisdom about what retailers are doing, and how they're doing it, can often fall short of describing the full reality. As we work, we're revelling in the connections, correlations and insights that we're unearthing through our research. We've been able to take the scope of our research still further by working closely with trusted Knowledge Partners – and if you have data sets and research that you'd like to contribute to our efforts by joining the ranks of these Partners, then please get in contact with me.

It's our ambition to shine a fresh light on this world, illuminating where there was uncertainty, and finding new and unexpected truths in order to inform and inspire retailers of all sizes about best-practice approaches to multichannel retailing. This, we hope, will help retailers at home and abroad to focus efforts to offer customers the best service they can.

We'll be continuing with this research in a rolling programme. As we go, we'll extend our research to map multichannel expertise in other parts of the world and in industries beyond retail. Our next project is to produce the IR European Top500 this spring, before moving on to list the IRUK Top500 suppliers to the industry. It proves certain to be an interesting and often surprising journey.

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Editors' comment

IT SEEMS APPROPRIATE that our first IRUK 500, 2015 Performance Dimension Report, on the theme of Brand and Engagement, should hit the presses in the New Year. These are the days when retail looks back at what it got right and what it got wrong over the crucial Christmas sales period.

At the end of 2014, looking beyond the headline-generating story of Black Friday establishing itself as a key date in the UK retail calendar, there was also another less dramatic, but no less important story to tell. It's that of the way shoppers around the country increasingly conduct gift research online and then share this information via social networks, a digital extension of the kind of conversations that have traditionally taken place on then high street. "Is this what you meant?" "Do you think George would like this?" "Oh, I'd like this myself..."

This online conversation isn't going to go away, it's going to become more integral to shopping in the 21st century. Look past the more fanciful claims for the power of so-called social commerce and something profound is happening.

Over the following pages, we trace these changes, looking at the way the best retailers reach out to customers, set up dialogues and listen to what customers tell them. We also look at the way retailers, rather than merely selling brands, have to think about brand-building, becoming the retailers shoppers trust. Underpinning these themes is the quantitative and qualitative research conducted for the InternetRetailing UK Top500.

As this is the first of our Performance Dimension Reports, it's worth outlining how the overall report works editorially. On page 8, we offer a strategic overview, while on page 12 we look at the important numbers generated by our research. Taken together, these two features set out our stall, offer context.

Next, we speak with David Walmsley, director of M&S.com (page 16), who offers insights into how the company built its new website around its customers. We also offer case studies of retailers that scored highly in the Brand and Engagement Dimension (page 18); and look at 12 proven approaches to developing customer relationships (page 22). Taken together, these are features that are all about practical retail craft.

Finally, we look at what retailers can learn from brands that sell direct to consumers (page 27) and offer a glimpse of our very latest research (page 30). The overall idea here is to offer a glimpse at what's ahead, at innovative new approaches.

We'd like to thank all our Knowledge Partners, especially Lithium, for their expert assistance. In the months ahead, we'll be looking in detail at the five other Performance Dimensions explored in IRUK 500, 2015. We welcome your thoughts on new areas of research as we're adding to our primary data and analysis all the time. Please email jonathan@internetretailing.net and chloe@internetretailing.net

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Building circles of trust

Social is becoming an ever-more important part of the mix for retail. **Fabrice Etienne of Lithium Technologies** explains why retailers can use social communities to engage customers and build long-term relationships with them

THE RETAIL SECTOR is at the beginning of a social revolution. We're in an era when customer expectations are changing almost by the day. No longer are consumers happy for messages to be pushed at them, they want to be involved in communities, building content and connections. Leading retailers recognise this and are planning accordingly.

That's the message of Fabrice Etienne, marketing director at Lithium Technologies, which specialises in social software that enables companies to respond more effectively on social networks and, more importantly, to build a community the company owns.

"It's all about how you bring loyalty and create a true dialogue with your customer," says Etienne. "That's where the solutions we offer come into play, not only from a listening perspective in terms of understanding what's out there on social media, but then from a community standpoint. It's how do you reach out to customers and how do you create a dialogue? Not only between that brand and you, but also among customers themselves."

When working with retailers, Lithium initially guides companies through four steps in order to achieve a social transformation:

- **Developing an understanding of how customers have changed:** we live in an age when customer expectations are higher than ever. While this is having a huge impact on the retail sector, it's by no means being driven solely by developments here. Think of the way Netflix makes it easy to access TV shows and films on multiple devices. The wider point is that customers want to reach out in different ways.



- **Creating an understanding of what a social community might achieve:** different retailers have different priorities. Is the aim to encourage consumers to write product reviews? Or to create a buzz around a new product line or store? Or to get customers talking with each other on a peer-to-peer basis?

- **Identifying what a social community will do for the business:** a social community shouldn't be a nice-to-have add-on, it should pay its way. This might be by increasing loyalty or the average size of shopping carts. Virgin Atlantic, for instance, has found that customers active on its www.vtravelled.com site, developed in conjunction with Lithium, spend more money than people who are not engaged with the brand on the community.

- **Helping convince internal stakeholders that a social revolution really is happening:** in many retailers, where executives have been buffeted by the arrival of the digital era, social is regarded with some suspicion, another example of the emperor's new clothes. Lithium can help the 'C-suite' of senior executives to understand there will be a quantifiable ROI.

Once these initial steps have been undertaken, it's time to get to work. While Lithium's approach offers flexibility according to an individual retailer's needs, the next step usually revolves around identifying those who are already discussing the company in a positive way, those Lithium calls the 'Super Users'.

"These are the people who are highly loyal to your brand, who are going to create content and speak highly about you," says Etienne. "And these people would really enjoy being part of a social community and to be one of the leaders in that community, creating content for it. Once you have that, you open the community and it's a self-sustaining environment."

Which certainly isn't to say key community members won't appreciate being supported. Lithium recommends using 'gamification' techniques to recognise a brand's most loyal and active consumers, offering rewards. These might be as simple a badge or membership of a club, or it might involve offering money-off vouchers. "Just by doing that, it motivates people to go back and sustain the fact that they're producing content," says Etienne.

This idea becomes even more powerful when combined with big data. "It's about trying to understand your customer much more deeply," adds Etienne. "A lot of time, retailers are sitting on so much data, they actually don't have a clue about how to deal with it to better serve their customers."

This is perhaps one reason why those of us who shop for groceries via the internet continue to receive invitations to try home delivery for the first time. Now contrast this scenario with a world where information gleaned from social is combined with a loyalty programme and information gleaned from previous purchases. This is where the industry is headed.

That doesn't mean it will all be positive. There will be moments when even the most loyal customers will post negative comments, as Etienne acknowledges: "A lot of retailers are concerned that, 'If we have a social community, they're going to say bad things about us, so let's not do this. I just want to push merchandise to them, I don't want to hear what they have to say because it's going to be bad.' And yes, it's not going to be all pretty out there, but once you have the dialogue you can really turn that sentiment."

// Customers want more interaction. Retailers need to take the initiative here //



By and large, customers have realistic expectations of retailers. If a retailer engages with a problem or complaint, there's actually an opportunity in acknowledging a bad customer experience and hopefully doing something promptly to resolve the issue.

In a world where Marks & Spencer has already built its new digital presence around the idea of using social media to promote customer engagement, this kind of interaction will increasingly become the norm. Etienne and Lithium welcome this development. "Customers will want more interaction and to see more content moving forward," Etienne says. "Retailers need to recognise this and take the initiative here." ●

About Lithium Technologies

Lithium's software helps companies reinvent how they connect with their customers. Lithium works with more than 300 of the world's best brands – including Lidl, Migros, Indosat, Sephora, Skype and Telstra – to respond on social networks and to build trusted content on a community they own. The 100% SaaS-based Lithium Social Customer Experience™ platform enables brands to build and engage vibrant customer communities to drive sales, reduce service costs, accelerate innovation and grow brand advocacy. For more information, visit lithium.com, or connect with us on Twitter, Facebook and our own community. Lithium is privately held with corporate headquarters in San Francisco, and offices across Europe, Asia and Australia.

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Strategic context

It's increasingly important for retailers to use a combination of social media, search and apps, all geared towards establishing companies as trusted brands. **Jonathan Wright** explores why

IT WAS A moment that may come to encapsulate the beginnings of a shift in the way customers search for products. Or at least a recognition this is occurring. Speaking in Berlin in the autumn, Google chairman Eric Schmidt said its main competitors weren't the search engines Bing or Yahoo, but Amazon.

"People don't think of Amazon as [providing] search, but if you are looking for something to buy, you are more often than not looking for it on Amazon," said Schmidt. "They are obviously more focused on the commerce side of the equation but, at their roots, they are answering users' questions and searches – just as we are."

A December survey from Searchmetrics supported Schmidt's contention. It found that 61% of 1,000 UK shoppers said they would find Christmas gift ideas via Amazon, as opposed to 50% for Google.

When two such behemoths of the digital age are competing for attention in this way, it's clear that other companies, including retailers, need to pay attention. That's especially true because it's a development that needs to be seen in conjunction with other developments in the market – including social media networks such as Pinterest and Twitter continuing to gain ground; niche operations such as the crafts marketplace etsy offering new ways to reach customers for even the smallest retailers; and emerging competition from marketplaces overseas, notably China.

ATTENTION-SEEKING BEHAVIOUR

It's against this backdrop that our research into Brand and Engagement, which studies and measures how effective UK retailers are at building brand awareness and engaging with customers, needs to be seen. There's huge competition out there, yet there are also huge opportunities for retailers that can cut through the noise and reach customers, to become the brands consumers turn to first and trust.

Consider the enviable success of fashion retailer Asos in becoming a familiar name to UK shoppers, and increasingly to consumers in other territories too. Its



sales for the financial year ending 31 August 2013 were £753.8 million. More than respectable but, to put that in perspective, Marks and Spencer had revenues of £10.3 billion in 2014.

Asos's high brand recognition factor appears out of kilter with its footprint, but why? One answer lies in the company's aggressive growth plans and its attention to traditional PR and marketing. Hardly a week seems to go by without the company appearing in the newspapers.

Yet there's another story here too. Asos is part of the Elite group of companies in the IRX Top500 for Brand and Engagement. Its strong showing here is driven by its use of social media. Of the nine social networks surveyed, Asos uses Twitter, Facebook, Google+, Pinterest, Instagram and Tumblr.

“ The most successful retailers in the Brand and Engagement Dimension are adept at using social media and search to reach out and communicate with customers ”



It uses these networks highly effectively. For two years running, for example, it has been the most popular retailer on visual bookmarking site Pinterest. On 7 January 2015, it had more than 311,000 followers on the site, up from around 49,000 in December 2013. It's achieved this by maintaining a comparatively small number of 'boards', but curating these thoughtfully. Proving social media and ecommerce can mix, it's enabled 'Rich Pins' so that product images contain information on price and availability, and a link to a product page.

Asos is a particularly modern success story. While it first garnered attention for its AsSeenOnScreen pitch, an dotcom boom business selling clothes and accessories popularised by celebrities, it long ago went past selling brands favoured by the rich and famous. Instead, it's now established as a brand in its own right, a company with instant recognition factor.

Granted, it will be interesting to observe how Asos copes with slowing sales growth linked to the strength of the pound last year, and that's a story we'll be following on the news pages of InternetRetailing.net. Within the context of our research, what's far more intriguing is to draw out the common threads between the approach of Asos and other retailers.

MIDDLE MARKET, HIGH PERFORMERS

It would be easy to see the company's success in achieving its high profile as growing primarily from its interloper status. In this narrative, a hip and hungry retailer disrupts the market. But this ignores the fact that other companies in the Elite group in the Brand and Engagement category are organisations with more conservative images. Even Topshop, aiming at a youthful demographic, has been around for half a century, starting out in the 1960s as a brand extension of the department store Peter Robinson, and selling clothes from then new British designers such as Mary Quant.

So what unites these four companies? For further analysis of the numbers, see page 12 and the IRUK 500, 2015, distributed with *InternetRetailing Magazine* (Issue 50, January 2015), but the main point is that each in its way is adept at using social media and search to reach out and communicate with customers. In doing so, each builds brand awareness.

Here, the transformation of M&S has been the most striking. As David Walmsley, director of M&S.com, explains in our interview on page 16, when the company came to build a new ecommerce platform, it asked its customers what they wanted from a new website. The result has been a new site built around the idea of merging content and commerce, and where social is central to the company's digital presence. After some initial uncertainty from consumers, it's an approach that seems to be working.



A BLURRING AT THE EDGES

Why wouldn't it? To return to the idea that Amazon might in some sense be a search engine, why shouldn't M&S.com also be an online magazine offering advice on style and living? We're seeing a blurring between content and commerce, search and social – and this will continue.

A big idea, but while companies need to keep a weather eye on such developments, let's get back to basics. Retail is a practical discipline. Asos, for example, isn't communicating with its customers via social just because that's what a modern retailer does, it's doing so because it sees building a community around its brand as a way to grow market share and also because it recognises its customers use social.

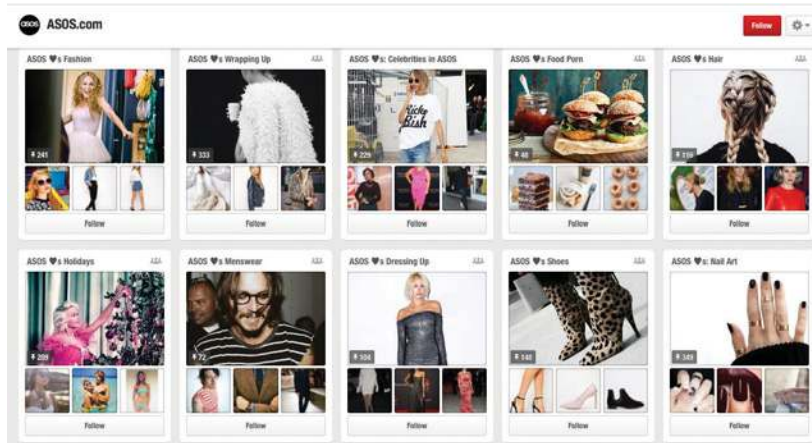
Similarly, the exercise of building a brand, or subtly repositioning a brand around a digitally driven offering as M&S is doing, isn't a cosmetic exercise. It's about preparing the company for the future. It should again be emphasised this is a future where it will have to compete for attention not just with other retailers but all kinds of companies, including search engines, niche retailers, marketplaces and luxury brands (see our feature on what retailers can learn from brands such as L'Oreal that also sell and market direct to consumers on page 27).

Of course, comparatively few companies have the budgets that Marks and Spencer, or even Asos, can bring to bear. But all retailers can make incremental improvements. One useful way to think about our research is to consider what practical lessons retailers can take from thinking about the four Subdimensions: Visibility, Audience, Breadth and Cultivation.

The first two subdimensions are, as senior researcher Martin Shaw outlines on page 12, predominantly the preserve of larger companies in that larger companies tend to be more visible in searches when consumers search for generic terms, and have larger active audiences of regular shoppers.

The latter subdimensions, however, are where all retailers can make gains. The idea of Breadth refers to how many channels, particularly social media, a retailer uses. This is a theme we explore in more depth in the IRUK 500, 2015, but broadly we saw evidence that many companies could make improvements. In particular, too many companies still take social media to mean just Facebook and Twitter.

In contrast, not just Asos but other clothing retailers have been pioneering the use of sites such as Pinterest and Instagram, a way to show off merchandise in new and imaginative ways. There are opportunities for



Asos makes exemplary use of Pinterest 'boards'

other retailers here too (see sidebar on different social networks). The use of apps remains underdeveloped, surprising considering the growth in mobile. Many companies don't have a Google+ account, something that can be set up within a day.

Similarly, with Cultivation, the idea of interacting with those talking directly to or about a retailer via social media, many companies still lag here. It's not enough to have a Twitter account and push out automated sales messages, companies need to respond to customers. This isn't just about dealing with complaints to head off potential Twitterstorms, as important as this is, it's about a culture change, about opening conversations rather than pushing messages, about learning to turn even difficult conversations to advantage.

We're back to the idea of competing for consumers' attention and then genuinely engaging with them. This isn't an idea that's going to go away. While it's understandable if retailers are suspicious of social media, principally because the idea of social commerce was over-hyped a couple of years back, the more subtle yet more powerful idea of using a combination of social, search and mobile to build brand awareness, loyalty and revenues is coming sharply into focus. ●

Social networks and their strengths



Facebook: of the Top500 retailers, 488 have a Facebook page. Our research shows that Facebook posts with photographs received on average twice as many 'likes', three times more 'comments' and nearly twice as many 'shares'. See our research on page 31 for more on retailers' use of social in the run-up to Christmas.



Twitter: its growth has slowed in recent years but the 'information network' boasts a formidable 284 million active users globally. Due to its public nature retailers would be wise to monitor customer feedback on Twitter and respond promptly. In the Brand and Engagement Dimension we measured, among other things, average time to respond and median time to respond for the 489 Top500 retailers with Twitter handles.



Google+: retailers *need* a Google+ page, if only to improve SEO. A verified account with an image is a simple matter to set up, and worth the effort. The Google+ community is also growing, so retailers should consider posting content. Retailers with a blog should set up Google+ accounts, once again to improve SEO – search results will display the author's photo, making people more likely to click.



Instagram: the picture site now has more than 70 million daily users and is particularly popular amongst 14-24-year-olds. It is almost exclusively accessed on mobile devices and should be viewed separately from its big brother Facebook, with a separate strategy.



Pinterest: technology company Piqora reported a 64% increase in revenue-per-pin in the first six months of 2014. Pinterest's user base is increasing rapidly and, as revealed by IRUK 500, 2015 research, having a Pinterest account is as common as having a YouTube account amongst leading UK retailers. The Pinterest audience is design-conscious. Individuals and brands with large followings curate content carefully; exclusion is just as important as inclusion. Retailers can make the most of Pinterest in two ways: firstly, by incorporating a 'Pin This' button for product images, and secondly, by creating boards. Good boards sometimes pin products from other retailers, or lifestyle articles from magazines.



Tumblr: the photo-focused community, boasts the second highest revenue-per-view (after Facebook) of any large social network, according to a recent report by Adobe. A year ago, Tumblr scored lowest on this same measure. This growth, and the recent addition of a 'buy' button to some posts, is making the network increasingly retail-friendly. To capitalise, retailers should customise Tumblr blogs (brands have much more freedom here than they do on other networks) and post photo and video-heavy posts. The network is particularly accessible to clothing and interiors retailers, with a young and relatively wealthy user demographic.

// The idea of using a combination of social, search and mobile to build brand awareness, loyalty and revenues is coming sharply into focus //

Why and when size matters

InternetRetailing senior researcher **Martin Shaw** explains the methodology behind the research and explores what it reveals

WITHIN RETAIL, THERE'S an obvious advantage in being a well-known name. Customers are more likely to think of a familiar retailer than a lesser-known company when they start shopping. To compete other retailers must actively set out to cultivate customers. How effective can such efforts be? Here, we analyse the figures, challenging assumptions about which retailers best engage customers and successfully promote themselves to customers as brand destinations. We examine the different opportunities open to both small and large retailers, and we ask what makes some stand out.

OUR APPROACH

We measured retailer performance in the Brand and Engagement Dimension using metrics that we grouped into four Subdimensions.

Visibility: the brand's prominence when searching for generic items, relative to peers.

Audience: a retailer's active audience includes the customers or potential customers who actively search for the brand or mention it on social media.

Breadth: how many channels, particularly on social media, the brand uses to engage with customers.

Cultivation: interaction with and responsiveness to people talking about the brand.

Interpreting the charts

The charts explore which retailers perform best in the four Subdimensions of Visibility, Audience, Breadth and Cultivation relative to the companies' rank in the Footprint Dimension. Those on the right perform better in the Subdimension than their size suggests is possible, those on the left less well. The Visibility and Audience charts show a clustering of retailers around the middle of the diagrams, with few outliers, depicting the fact that, for these measures of performance, size matters a lot. The research blog on internetretailing.net dives into the statistics in more detail.

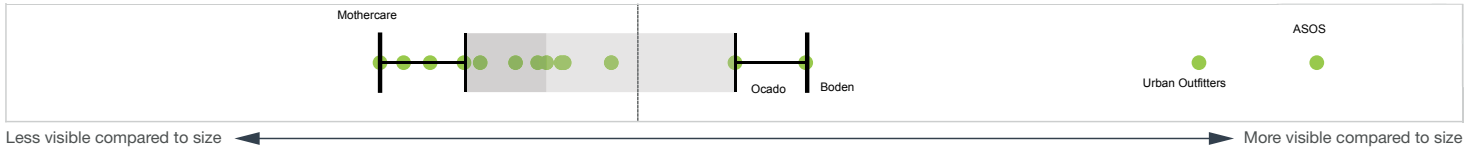
We hypothesised that companies with a large Footprint, ('size', as measured by turnover, web traffic and number of stores) would outperform their peers in the Visibility and Audience Subdimensions. In the Breadth and Cultivation Subdimensions, we expected to find that size doesn't matter.

All of the retailers in this analysis are Elite or Leading performers in the Brand and Engagement Dimension. The four charts show whether size correlates with performance (where the results cluster around the centre) or whether size means less to performance (where the results spread out).

WHERE SIZE MATTERS

Size correlates well with performance in the Visibility and Audience Subdimensions. The Dimension Elite are larger companies. Smaller contenders appear in the second cluster of Leading companies where a lower level of brand awareness is offset by a stellar performance in terms of Breadth and Cultivation. The charts that follow link size and performance.

Big retailers win when it comes to Visibility



VISIBILITY

How likely are shoppers to come across a retailer when searching for a generic product? The Visibility Subdimension measures how likely retail websites are to appear near the top of web search results, with results indicating that larger retailers are much more likely to be found by potential customers, an intuitive concept. Retailers in the chart (above) are clustered around the centre, indicating that large retailers have a natural advantage. Clothing brands Asos and Urban Outfitters appear to be the exceptions to this rule, with a prominence in search results that is disproportionately large compared to the size of the companies.

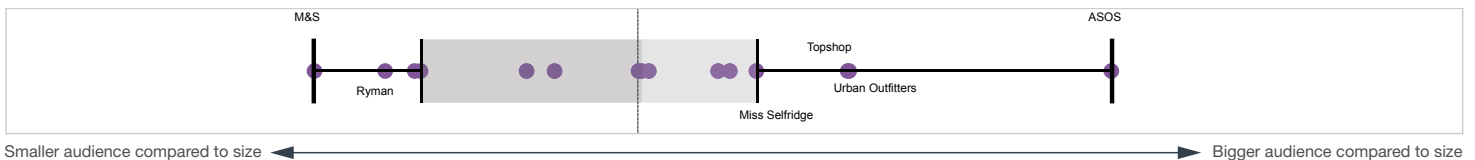
The clustering around the centre of the chart indicates that a retailer's size affects Visibility.

AUDIENCE

How often do people search for the retailer? Do they talk about the brand on social media? We blended search data and public mentions on social media, courtesy of Lithium, to measure the active Audience retailers enjoy. When Footprint was compared to the Audience Subdimension, the results confirmed that larger retailers command a bigger audience, but not without exception. Clothing retailers also perform well in relation to company size. Hybrid retailer M&S stands out for the opposite reason – it seems possible its significant grocery section increases its Footprint without a similar increase in social media mentions.

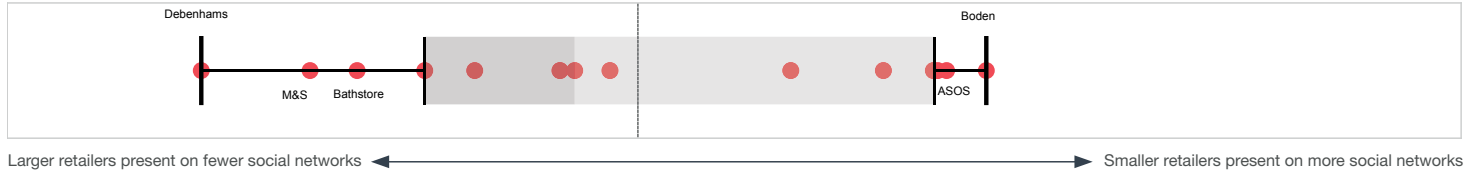
Large, well-known retailers performed better for Visibility and Audience, but the Elite and Leading clusters are full of medium-sized and niche companies that score well in the Breadth and Cultivation Subdimensions.

Clothing retailers outstrip their size in race for exposure



Most retailers are clustered within a fairly narrow range, confirming that active Audience size is proportional to retail Footprint.

Some large retailers focus on one or two social networks



Retailers to the left of the scale use a below average number of social networks, but have a higher-than-average footprint. Once again, clothing retailers perform well for their size, with a broad embrace of social media.

WHERE SIZE SHOULDN'T MATTER – BREADTH AND CULTIVATION

Being present on social media to promote brand and engage with customers is achievable for all retailers, and we predicted that size would not correlate with performance in the Breadth and Cultivation subdimensions. Cultivation measures how rapidly and consistently retailers answer queries made on social media, while the Breadth Subdimension measures how widely present larger retailers are on the nine social networks that we measured. Our findings – and our thanks to our Knowledge Partner Lithium for the primary research in these areas – support our hypothesis that size doesn't matter. But perhaps surprisingly, it does appear that of the Elite and Leading retailers surveyed, larger retailers were somewhat more likely to be present on more social networks.

HOW RETAILERS CAN MAKE A DIFFERENCE

Size does not guarantee good customer contact, but nor does it hinder it, according to Top500 data drawn from retailers' use of social media. Speedy and consistent responses to customer queries earned retailers high marks in the Cultivation index.

Retailers are spread widely on this diagram – just one is near the centre, highlighting the fact that there is no correlation between size and best-practice customer Cultivation, at least among the retailers included in this analysis. Bathstore and Ocado, on the right, are speedy and consistent when responding to customers despite being much smaller than some of the large companies included in this analysis. Mothercare and Debenhams, while also Leading retailers at Engagement, don't have a natural advantage just by being large.

BREADTH

Be where people are. Millions of people spend their time on social media, separated into groups reflecting their interests. Retailers that create quality content to share on these networks have found it spreads far and wide. Etsy, a marketplace for handmade or vintage items, is the third-largest recipient of referrals from Pinterest and an obvious top performer. Etsy's particular use of Pinterest is based on an understanding of how well the marketplace's audience correlates with the users of Pinterest. Having a presence on more networks creates more touchpoints with customers. Most profiles are cheap and simple to set up – one reason why size doesn't matter when measuring Breadth.

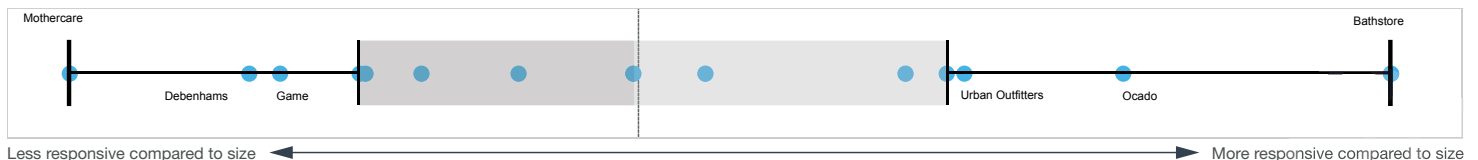
CULTIVATION

Make conversations count. Potential customers approach retailers on a daily basis and are asked to wait in line. Some meet silence when they ask a customer service rep about a product. This is too often the experience of millennials when they use social media to contact their shop – yet they see themselves as reaching out to a retailer as they might to friends in this scenario.

IN CONCLUSION

Assist online customers with the speed and helpfulness consistent with personal in-store contact. Several retailers measured in the Customer Dimension of the IRUK 500, 2015 Report responded within a minute. A web store can be first port of call when content and product reviews help the customer to make an informed choice – and keeps customers coming back. Mothercare sets a great example for customer cultivation. The retailer creates successful content aimed at expectant and new mothers, seamlessly matching products and needs. ●

The Cultivation of customers isn't affected by size

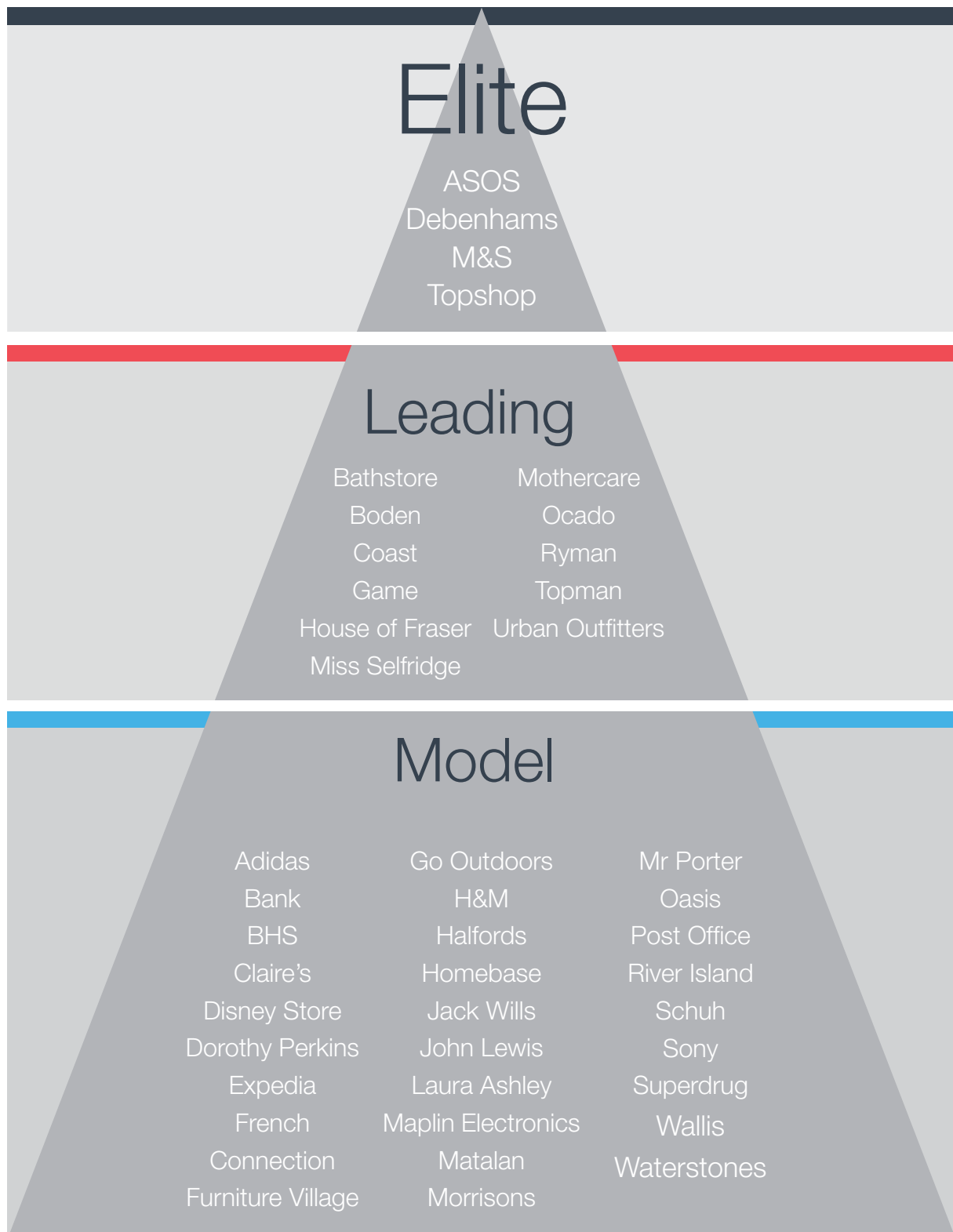


Brand and engagement



2015 Results – the top performers in this Dimension

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For the full Top500 listing, see the IRUK 500, 2015, distributed with *InternetRetailing Magazine*, Issue 50, January 2015.

The full list of the Top500 clustered by performance segment will be available online at www.internetretailing.net
 Congratulations to the retailers who have stood out in this Dimension.

Not just a website, an M&S website

M&S asked its customers what they wanted from its new website. **Chloe Rigby** talks to David Walmsley, director of M&S.com, to find out what they said

WHEN M&S STARTED to build its own ecommerce platform in-house, it asked its customers what they wanted of its new website and how they would use it. It asked in-depth questions through videoed interviews and vox pops, and the answers shoppers inspired the customer experience.

It's an approach that has paid off. IRUK 500, 2015 research puts M&S well ahead of the field in the Brand and Engagement performance dimension. The retailer scores particularly well on site responsiveness and on social media integration.

David Walmsley, director of M&S.com, says two clear shopping styles emerged from its work with shoppers. Sometimes customers took a transaction-focused approach to the website, finding and buying particular items quickly. At other times, customers wanted help. That might be help putting an outfit together or adding accessories, or help with interpreting trends. "For us," says Walmsley, "the editorial focus on 'style and living' on the site is about supporting our customers' style needs in terms of 'help me, interpret that trend for me'. Many of our customers have a persistent style that works for them, but they would like to pick up on the monochrome or colour-blocking trend without making themselves into something else."

The result is seen in the way content is used alongside commerce throughout the site. Short "snackable" stories such as the pick of the day sit alongside longer features about, for example, actors and actresses who represent the brand. All of this helps to create what Walmsley described to InternetRetailing Conference 2014: (IRC) as a "daily drum beat" of stories that draws visitors back regularly.

The number of people using M&S's tablet and mobile sites overtook desktop users in April 2014 – and has continued to grow



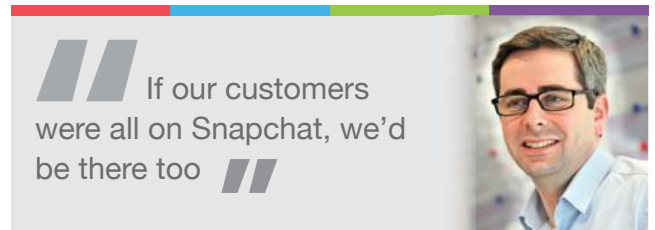
Alongside this content, a curated 'why not try' section at the top of website pages shows product suggestions driven by Rich Relevance software, sharing recommendations 'learned' from customer use of the site.

Today, customers are using the site as the initial research suggested, with behaviour ranging from a simple search and purchase, to Saturday night browsing from a tablet during *X Factor*. "People are spending a lot more time browsing on the device," says Walmsley. "It's almost the equivalent of reading a magazine."

This kind of understanding of how customers use the site is "fundamental", Walmsley told delegates at IRC. "It helps you not to misread your numbers and it also helps you understand what sort of experience you're looking to create across different devices. It would drive you, for example, towards making sure your basket is portable across different devices." That's a particularly germane point for M&S, which knows that while Saturdays are the biggest day for customers to browse its website from their tablets, that's also the day that conversion from the device plummets. Why? M&S shoppers, it seems, may browse the site and put items in their baskets from a tablet – but then they move to the desktop when they want to buy.

KEEP IT SOCIAL

M&S shoppers like to talk about their purchases over social media, and the retailer helps them to do just that. The IRUK 500 research in this Dimension found the retailer was present on six out of nine of the social networks assessed. That presence is managed by a



M&S will too. “We’re well set up to adapt for the future,” he says. “If our customers were all on Snapchat, we’d be there too.”

On-screen social monitoring at M&S’ UK and Indian contact centres means social media teams can track and respond to trending themes and comments 24 hours a day.

M&S’ autumn/winter 2014 campaign provides a practical illustration of how M&S’ engages with its customers across channels. The campaign ran on television but was built on and extended online, providing answers to shoppers’ practical questions on how they could wear featured looks, while also inspiring them to try something new. Bloggers were involved. Sasha Wilkins, aka Liberty Girl London, for example, made videos on how to wear clothes, providing, says Walmsley, “incredible advice from an alternative source”.

In a multichannel world, digital content complements the store. “The physical environment can do a fantastic job on the product,” Walmsley says. “The digital space plays more to the lean-back conversation you can have with customers.”

The new site went live in February 2014. Customers seem to have responded with initial caution. Online sales were down by 6.3% in the first half of M&S’s financial year, to 27 September 2014, compared to the same time last year. However, the figures appeared to improve between the first quarter, when online sales were down by 8.1% and the second, when they improved to -4.6%.

In its half-year figures, M&S predicted a return to ecommerce growth ahead of Christmas. “I think everyone who has moved from one platform to another,” says Walmsley, “has experienced a period of transition. We went through massive amounts of change.” But, he says, “What our customers are telling us is that they’re increasingly enjoying shopping on the website and are happy with the experience.” ●

dedicated social team, just one of a new generation of retail teams who now work in-house at Marks & Spencer. Right now, the main focus is on Facebook and Twitter because that’s where M&S customers want to engage. Where Twitter, for M&S, is a channel to react to customers’ posts through a team in its contact centre, Facebook is more about conversations between customers, showing the “phenomenal level of engagement that customers have with our brand”. That may change in future, and when it does, says Walmsley,

John Lewis: establishing the brand

VETERAN RETAILER JOHN Lewis recognises the growing importance of its brand in an age where customers can buy from anywhere in the way they want, at the time they want.

“As customers embrace the new technology it actually makes them more informed and actually more powerful in shopping experiences,” says Mark Lewis, online director of John Lewis. “Customers have access to more information than they would have done five or ten years ago.

In this environment, he argues, the retail brand and the values that the brand stands for are becoming ever more significant.

“In this space of increased transparency for the customer, actually standing for something that allows you to differentiate your proposition becomes increasingly important,” he said, speaking after his keynote at InternetRetailing Conference 2014. “Which is why we think that our brand, the commitment to service and to trust and to be there with all our customers for the long term is increasingly important to us.” John Lewis makes a point of engaging with customers through those brand values. Mark Lewis points to how it invests in the different touchpoints that customers use to connect to John Lewis across channels. These range from in-store service, across

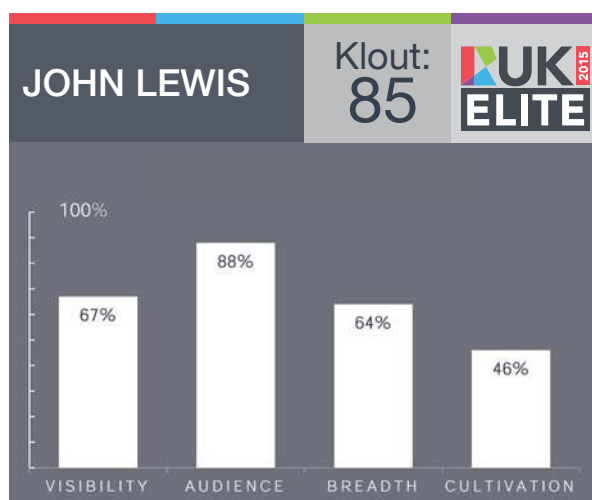


the free in-store wi-fi and the online experience, to the extended warranties that the department store group offers on products. All of this, he says presents “the brand in a way that’s meaningful for the customer”.

The communication is two-way. John Lewis makes a point of listening to its customers. It uses social media to help it understand customers, while ratings and reviews also provide useful feedback. “We take that feedback,” says Lewis, “and build that back into range decisions and our product decisions as well.”

These are approaches recognised in the IRUK 500, 2015 research, which ranks John Lewis as a Model retailer on Brand and Engagement.

One practical illustration of where shopper feedback is used is in the online experience. The results of user testing and customers’ response to the site mock-ups that are shared in John Lewis’ user lab help developers to improve the digital experience before it goes live. Lewis says: “We try as hard as we possibly can to listen to the voice of the customer and build that into what we do.” ●



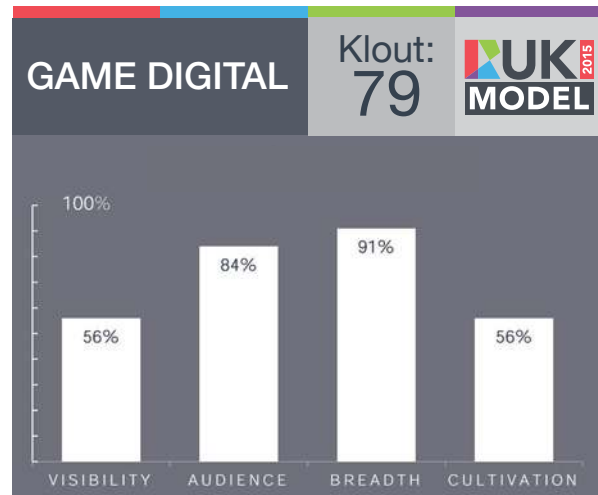
GAME Digital: data-driven insights

GIVING CUSTOMERS THE retail experience that suits their approach to buying makes them more likely to be loyal, GAME Digital has found. That loyalty has tangible impact on the video gaming specialist's sales – and in the company's profits.

“Customers increasingly want to shop across a range of channels – in store and online, at home and on the go – and so helping our customers discover gaming content and shop with us wherever and whenever they want is a key driver of loyalty,” GAME said in its latest full-year results statement. Tellingly, it added, “Customers who shop with us across more than one channel spend 2.5 times more on average than single channel customers.”

The benefits of a multichannel approach can be seen right at the bottom line. The multichannel retailer made pre-tax profits of £2.8 million on turnover of £861.8 million, in the year to 26 July 2014 – with sales 31% up on the same time last year. The figures came only 27 months since GAME Digital was bought out of an administration that came about when it failed to keep up with consumers' move online.

Now GAME has been named a Leading retailer in the IRUK 500, 2015 Brand and Engagement Performance Dimension.



In the full-year results, GAME said it was “focused on building on our world class insight capabilities to improve and increase customer engagement with the aim of positioning the group at the centre of the supplier-customer relationship.”

Its insights come from its loyalty card scheme, which, with 4.7 million active members, is one of the biggest in the sector. The loyalty card has helped it gain a single view of its customers, including those who spend cash in store. Previously data, from the mobile app to customer service, was in different, unconnected channels.

Fred Prego, insight and reward director at GAME, says a strategic use of data has enabled the retailer to make its customer engagement timely and relevant. “We used to send two or three generic emails a week, based on what customers had bought in the past,” he told InternetRetailing Conference 2014. “Now we send 15 to 20 that are extremely personalised and relevant because of the analysis and the strategy we built around the data.”

As well as understanding shopping behaviour through loyalty card data, Game also works with publishers to understand how those shoppers play the games they buy from it, a strategy that can also boost crossselling and upselling. “We’ve started datamatching to understand what types of customers are related,” says Prego. “This is in its infancy, but it will grow.” ●



Mothercare: engaging through mobile

MOBILE HAS GIVEN Mothercare new ways to open up direct conversations with its customers. Harpinder Singh, the nursery retailer’s mobile commerce manager, says its customers, who are the parents of babies and young children, want more than a buggy or nursery furniture from the retailer.

“They’re looking for a lot more than just a transaction,” he said. “They’re looking for service, advice and information.”

As part of its response to that demand, Mothercare has launched a range of ways for its smartphone and tablet-wielding customers to engage with it. It has mobile sites for Mothercare and sister brand the Early Learning Centre, as well as smartphone and iPad apps, some of which have won awards. Content includes information on baby development, a name finder, and music. “We put a whole bunch of engaging content in those so they do more than just sell,” said Singh, speaking at the Demandware customer conference in October.

“Mobile has opened up that opportunity to create a great transaction and a great customer experience that gets people coming back to you,” he added.

Mobile and social media are closely linked because so many people monitor their social networks from their mobile devices. The IRUK 500, 2015 research shows that Mothercare is present on six social networks, while both its app and product page have social media



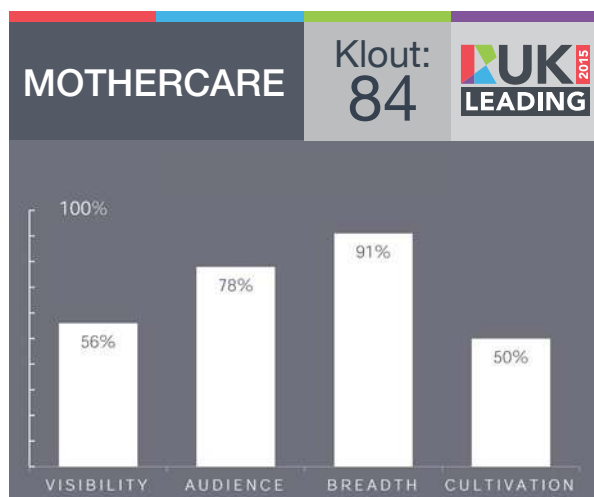
Mothercare copyright

sharing. Its links to social media put it second in the Breadth section of Subdimension of Brand and Engagement. This won it a place as a Leading company in the Brand and Engagement Subdimension.

Mobile, says Singh, has created new opportunities to talk to customers, including via social networks accessed on the move. This has in turn inspired a wide range of UK brands, including Topshop, Asos and Net a Porter, to deliver engaging content. “I think mobile has opened up that opportunity,” he says. “It can create great transactions and a great customer experience so that you get people coming back to you.”

Mothercare is set to extend the engagement that it has with customers via its mobile app to the store, via beacons.

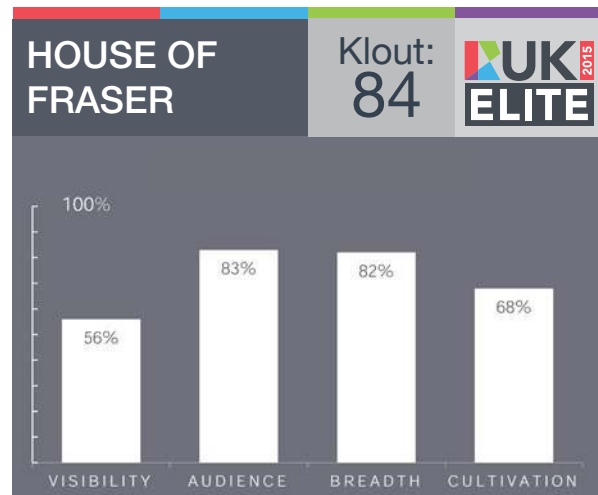
Singh admits it can be hard to keep up with fast-moving technology. But, he adds: “I think the brands that don’t take advantage of mobile going forward are really going to suffer. The technology’s moving so quickly now. I can’t keep up and sometimes you don’t know where to put your focus and energy, but if you remember that the customer’s at the heart of everything you do, I think that’s the important bit. I think mobile’s allowed us to connect on that level.” ●



House of Fraser: learning from customers

HOUSE OF FRASER listened to its customers to develop new ways of selling online and across channels. By engaging with shoppers through its award-winning voice of the customer technology, the department store is able, says Andy Harding, executive director, multichannel, to gain very tangible insights into the way they think. “This framework enables us to think very seriously about what customers are doing, what they’re going to do and what they tell us they want to do,” he said, speaking to InternetRetailing Conference 2014.

It was just such mapping of customer behaviour that led House of Fraser, judged a Leading company in the IRUK 500, 2015 research, to invest in its touch-first website, launched last year, which prioritises design for smartphone and tablet computer ahead of desktop. “Two years before it happened, we spotted that in June or July 2013, we would see the crossover by our customers moving from desktop devices to touchscreen devices,” said Harding, “so we started to think we could fundamentally change the business and the way we think about development. By 2013 we announced we had seen that happen, and that we were well on the way to developing our first touch-first website. We’ve seen huge increases in conversion, big increases in traffic and



as a result. But what’s most interesting is that desktop conversion improves as well because the simplicity and cleanliness of the new design has resonated really well with desktop users. The key was thinking about the customer and how they wanted to use it.”

The move has boosted sales: House of Fraser figures show customers who shop via stores, website and mobile spend more than three times as much as a shopper who only visits the store. House of Fraser therefore works to encourage customers to shop across channels. Its mobile app, for example, can be accessed in store through free wi-fi. Once it detects that wi-fi is being used in store, it flips into an in-store mode that shows functionality specific to that particular branch, from stock levels to navigation maps.

The voice of the customer system also enables the retailer to differentiate itself from competitors. From those insights, House of Fraser learned the brands it sold were its among its best assets, something that customers were passionate about. Asked whether they wanted to shop by brand or by department, customers chose brand, and the website is now organised accordingly. “It’s about leveraging our best assets and giving ourselves a point of difference,” says Harding.

House of Fraser has also learned from customers to introduce new, fast delivery services, as well as the buy and collect services located first in stockless stores in Aberdeen and Liverpool and, most recently, in a Cambridge branch of Caffè Nero.

House of Fraser was judged a Leading company in the IRUK 500, 2015 research. ●

12 approaches that work

Retailers develop customer relationships that stand the test of time by inspiring trust and loyalty. **Chloe Rigby** outlines 12 practical approaches that leading retailers take to long-term engagement

1 Marry content with commerce

The latest thinking suggests that putting content alongside commerce is key in giving shoppers reasons to return to a website. A 2014 report, *Content and Commerce*, from L2, put the emphasis on bringing the two together: this, it said, “may be what separates retail winners from losers”.

David Walmsley, director of M&S.com, says it was crucial for its new site to weave content and commerce together. “For us it was critical that we didn’t create something that could feel like a content ghetto: turn left to shop and right to read,” he told InternetRetailing Conference 2014. “One of the key aims that I think a lot of retailers have is to drive that frequency, drive reasons to return, and tell stories in season,” he added. “Creating that daily drum beat in content has, I think, been critical to the new flagship dotcom.”

Walmsley says it’s important to focus in particular on the kind of content that customers want, from short ‘picks of the day’ to in-depth features on the actors and actresses who represent the brand. “Capturing that edited point of view for our customers is critical because we’ve got a broad assortment,” he said.

See more on how Elite retailer M&S handles brand and engagement in our interview with David Walmsley, page 16.

2 Find new ways to communicate the brand

“Our objective is to be a destination of choice,” says David Kohn, head of multichannel at Snow + Rock. “What we stand for is being the ultimate authority on products and advice.” The skiing-to-cycling fitness equipment retailer is finding new ways to communicate that authority across its sales channels. In store, that means giving helpful and expert advice. Online, that means finding new ways to advise.

A Snow + Rock mountaineering expert has moved from helping shoppers in store to explaining to website visitors through online videos what gear they need when tackling a climb. Visitors to the website also trigger the proactive offer of advice over live chat when business rules judge that customers are in need of service. They may, for example, have looked at three pairs of skis on the Snow + Rock site, or, on the CycleSurgery website, have spent three minutes scrolling up and down the bicycle page. “We’re trying to bring the expertise and content to life as much as possible,” noted Kohn, speaking at InternetRetailing Conference (IRC) 2014. Later, on an InternetRetailing/SLI Systems webinar in December 2014, Kohn said that in 2015 the retailer would be working to enable store staff or other brand representatives to answer questions posed to them by digital shoppers using social media such as Twitter.

M&S.com puts its editorial content alongside its products



3 Use big data to improve customer service

DIY store Homebase can make the best and most relevant offers to customers when it knows what home improvement projects they are planning. “Ultimately we’re trying to make it as effortless as possible for our customers to shop in our stores or online so we can provide the inspiration, support and advice they need to create homes they really love,” says Simon Langthorne, customer loyalty manager at Homebase.

But getting the kind of insight that underlies this is hard when DIY takes place relatively rarely: “One of the biggest projects we’re working on at the moment is increasing understanding, creating dialogues to actually understand what customers are planning to do in their homes – when they are planning to do those things in their homes, and then we can proactively start talking to customers about those things, about inspiring them to get over the inertia of potentially not starting those projects. Once they start shopping in our stores, we then start combining that transactional data to give them a programme of activity that will lead them through that project and beyond.”

Speaking at IRC 2014, Langthorne said the company created such programmes by methods including surveying Nectar cardholders about their project plans, while also linking online and offline transactions to create a single view of the customer. “By understanding what customers are doing upfront, we can combine that with transactional data to make it more relevant.”

4 Make intelligent recommendations

Recommendations are key to cross-selling and upselling. Today, online product suggestions have moved on from sometimes random suggestions of items that ‘people like you bought’ to learning from shoppers’ shared experience about what items work well together and suit specific types of people. Retailers including Marks & Spencer, BrandAlley and Shop Direct-owned Very.co.uk and Littlewoods.com use Dressipi technology to power online style recommendations through a tool that uses individuals’ sizing and preferences to work out which clothes to suggest to each through personalised recommendations. As a result, says Dressipi co-founder Sarah McVittie, speaking at IRC 2014, its retail clients consistently see double-digit net sales growth. Perhaps that’s because, Dressipi has found, confident customers spend three times as much on clothes as unconfident shoppers.

But to be useful, recommendations rely on the accuracy of the data that underpins them. McVittie says the Dressipi technology actively encourages customers to ensure the data held is both up to date and relates to one specific shopper, rather than a family member who might be using the same device to shop. Shoppers who store details of their existing wardrobes in order to ensure recommendations are relevant effectively ‘clean’ Dressipi’s data themselves. “If you provide a utility,” she says, “customers will very happily give you that data because of the value they’re getting from it.”

5 Taking a long-term perspective

Subscription schemes that ask customers to pay once in return for year-long perks, including free delivery, are growing in number. Such schemes promote long-term relationships with customers, who see them as a good deal when they use a retailer frequently. The merchant benefits because paid-up loyalty scheme members tend to use the services more often and spend more over the course of the lifetime relationship.

Customers who join the Asos Premier loyalty scheme, for example, pay £9.95 a year. In return, they get VIP status, with early or exclusive access to sales, 10 free issues of the company's magazine and, probably most important to them, free next-day delivery and returns, no matter how small the order. Sounds like a win for the customer. Asos chief executive Nick Robertson says it's a winner for the retailer too. "I'd give it to them for free," he said, speaking at Asos' 2014 interim results presentation, "because those who use Premier order more frequently and return slightly less. They are more valuable customers." He added, "By paying for something they feel they've entered into something and will use the value of the £9.95." Asos experimented to get the price right. Membership of the Premier scheme cost £29 when it was first launched. As the price was cut, more people signed up.

6 Add value to the loyalty card

Waitrose aims to inspire loyalty across channels through the myWaitrose card. In store, shoppers can use the card for a physical benefit: a free daily tea or coffee. Online – and in-store – shoppers receive a 10% discount when the free card is used. Targeted offers give extra discounts across a range of products and across channels.

Take-up has been high. The card had 4.8 million members at the time of Waitrose's most recent financial results, the half-year to the end of July 2014. In those results, Sir Charlie Mayfield, chairman of Waitrose owner the John Lewis Partnership linked a 6% rise in Waitrose customer numbers to the success of the card. "This reflects," he said, "the growing appeal of our omnichannel offer." He said myWaitrose and sister scheme my John Lewis were "encouraging customers to shop more frequently with us across all of our channels".

However, there are costs here. Mayfield said investment in myWaitrose, along with money put into Waitrose.com and into new stores, had resulted in lower profits at the supermarket.

7 Do the unexpected with social media

Mulberry subverted expectations of its luxury brand in its #WinChristmas video and campaign at the end of last year. The company, best known for its handbags, came up with a tongue-in-cheek video in which relatives vie to outdo each other in giving Christmas Day presents to one particularly lucky young woman. While she's pleased with the portrait, the waving puppy and the unicorn, the gift that really blows her away is the Mulberry handbag, given by her grandma. It's an example of British humour that appealed to many in the weeks running up to Christmas 2014.

"We have worked hard to re-engage with our customers and our tongue-in-cheek Christmas video #WinChristmas has been viewed well over one million times," said Mulberry chairman Godfrey Davis in the company's interim results, published in December. The video also won critical acclaim, with many judging it to have outdone the John Lewis ad. It must be said, however, that the latter, thanks to its high-profile brand name and widespread coverage, won more than 20 million views on YouTube.

Interestingly, Mulberry also goes beyond the expected in its social media sharing links, including both Weibo and WeChat alongside Facebook, Twitter and Pinterest.

Homebase aims to help its customers tackle even the most complicated projects



Credit: Homebase

8 Take click and collect beyond the functional

Click and collect may be focused on the convenient and the functional, but already it promotes customer engagement by bringing shoppers into the store, who are likely to opt to buy more while there. Department store Harvey Nichols has taken the concept still further by launching a click-and-try service that offers personal style advice alongside the functional collection service. As well as preparing items for collection, the advisor will also choose and recommend other products. These can be bought or saved on the website for next time.

Describing the service in a 2014 InternetRetailing webinar, Darryl Adie, managing director of Ampersand Commerce, which advised Harvey Nichols as it redeveloped its website, said the service developed the customer relationship while also giving Harvey Nichols the opportunity to collect further data. “It’s a free service and it’s all around the customer and making the customer experience as good as it can be,” said Adie. “But it’s also about trying to bring that luxury experience to the customer as best we can.”

9 Be ‘on the way’ for customers

If becoming part of customers’ lifestyle is a measure of successful engagement and likely to drive loyalty, then being super-convenient can only help towards that end. A number of retailers have moved into the ‘on the way’ space in recent months. Asda pioneered click and collect in Transport for London station car parks in November 2013, where it was soon joined by most of the other grocers. John Lewis opened a click-and-commute store in London St Pancras station in the autumn and, more recently, Argos went a step further in opening a digital-format store in Cannon Street underground, enabling customers to order and collect their purchases on the way to and from work.

At the time, John Walden, chief executive of Argos parent company the Home Retail Group, said digital shoppers wanted better choice and convenience in the fulfilment of online orders. He said the new digital stores, of which Cannon Street is one, represented “what we believe will be the role of the Argos store in an emerging digital future – modern and energetic, with larger ranges available within hours, tablets for easy browsing and ordering, streamlined in-store customer journeys and a friendly human face to provide personalised customer service.”

10 Welcome showrooming

Mobile devices are casting an ever-longer shadow over desktop: in an age of convenience, the smartphone and the tablet computer come much more readily to hand for most. Retailers that welcome every opportunity to engage with customers are seeing tangible financial results. John Lewis was the first UK department store to offer free wi-fi to its customers, enabling shoppers to compare prices read reviews and more from the store – and at Christmas 2014 it spelt out the importance of mobile to its business when it reported 72% of its Christmas Day web traffic came from mobile and tablet devices. Meanwhile, a study from Argos, published in the run up to Christmas, found 6 % said they used smartphones and tablets to make the most of their Christmas shopping trips – researching and reserving items as they travel into town and collecting them on arrival.

Mobile today is firmly enconced as a tool to link online and the shop, with retailers including Hawes & Curtis and House of Fraser using beacons to give smartphone-wielding shoppers more information about the clothes and other items the beacons are placed on. Edward Smith, brand manager of Hawes & Curtis, said of its trial of Iconome beacons: “Our visual merchandising team help bring our product to life in the windows and now we can have a better understanding of how this impacts the man and woman in the street. The VMBeacon also works 24 hours a day, so we can have instant feedback and instant sales as a result of our displays, even if the store is closed. It’s a complete game-changer for the retail industry and we’re delighted to be in it from the start.”



11 Consider the latest in-store technologies

Retailers operating at the cutting edge of technology can impress consumers in digitally advanced economies overseas just as much as at home in the UK. Korean shoppers buying from the new Burberry Beauty Box store, which opened just before Christmas in Seoul's Coex Mall, can experiment with colour at an in-store digital lip and nail bar. By putting a Burberry nail or lip product onto an RFID-enabled platform, customers can see a virtual preview of how the product would look on their skin shade. Those same shoppers can see Burberry Prorsum runway shows on a 95-inch in-store screen, and interact with other large screens to learn about the My Burberry scent, creating their own virtual monogrammed bottle on the way.

The new store is the first opening for the Beauty Box concept in Asia and, says Burberry, it draws inspiration from the Covent Garden store flagship. In the words of Burberry's press statement, "Blending fashion and beauty in an innovative new format the Burberry Beauty Box encourages customers to interact with the brand's make-up and fragrance collections and accessories through physical and digital experiences." As befits a global brand, the new shop opened with a cocktail party hosted by British model Suki Waterhouse, and attended by Korean actors, pop stars and musicians.



Burberry Beauty Box stores feature interactive lip and nail bars

12 Create a buzz to get attention

Using social media, retailers and brands can start conversations directly with both existing and potential customers. But rather than keeping these conversations to purely functional subjects such as opening hours and delivery dates, retailers have lately realised the potential for creating retail theatre through events.

Tesco, for example, enlisted the help of experts including interior designer Linda Barker and Great British Bake Off winner John Whaite for its Every Little Helps Make Christmas digital campaign, in December 2014. The campaign featured workshops with expert advice posted on the Tesco YouTube channel, with a Twitter conversation (#MakeChristmas) running at the same time.

At the time, Sharry Cramond, proposition and brand director at Tesco, put the emphasis on the practical help being given at a challenging time of year. "Our research shows that customers are feeling the pressure, whether that's wrapping gifts or finding a delicious wine for Christmas Day," said Cramond. "Our experts are sharing fantastic insider tips on how to have a really amazing Christmas, with less of the stress."

Meanwhile, Waitrose used social media to crowdsource voices for the music for its Christmas TV advertisement. The resulting video has its home on the Waitrose website where, at the time of writing, it could be shared in more than 290 ways, including email and social media platforms from Facebook and Twitter to StumbleUpon and Christian social network Amen Me! ●

Listen to the brand

Retailers can learn from the way brands tell their stories and engage with customers around the globe, writes **Chloe Rigby**

THE BALANCE OF power is shifting in the relationship between consumers, brands and retailers as technology gives shoppers direct access to the products they want to buy. Digital makes the fact that a retailer stocks the product close by much less important in the buying decision. Other concerns come into play: can customers trust the item they want to buy will work? Can they trust the company selling the item? Is it at the right price? Will it meet their needs and, importantly, their aspirations?

As Mark Lewis, online director at John Lewis, says elsewhere in this report (see case study page 18), customers now have instant access to a huge range of products and information.

“In this space of increased transparency for the customer, actually standing for something that allows [the retailer] to differentiate your proposition becomes increasingly important,” he says.

DIRECT TO CONSUMER

Brands that sell direct to consumers are by no means a novelty. Shoemaker Clarks has sold through its own shops, first in the UK and more recently overseas, for decades, while UK shoppers can also buy from stores operated by Lego, Disney, jewellery company Pandora and mattress company Tempur, to name just a few. These brands also sell through a network of third-party retailers.

Ecommerce can give those brands a far greater direct reach. In 2014 Forrester researchers asked 109 US brands how the companies expected to sell in 2016. The Digital River-commissioned study, *Be Direct: why a direct-to-consumer online channel is right for your business*, suggested that 34% of sales would be direct to consumer, 30% wholesale, 19% retail and 13% through other direct marketing channels. When ecommerce services company Digital River questioned more than 1,000 UK shoppers in a 2014 report, *Go Your Own Way*, it found most (89%) would visit a brand's own website in search of a product they were considering buying online. If they could not buy direct from that website, 31% said that they would move on and visit another brand's website. Some 78% said if they could not buy direct, they would visit an online marketplace such as Amazon, eBay or Alibaba to find the product.

Only 22% said they'd go into a shop. “Immediacy is very important,” says Marco Vergani, Digital River's general manager and vice president, EMEA. He adds: “[Shoppers] want to relate directly to the brand they are browsing, shopping and buying. In a way, the strength of the brand is heavily influenced as well by being online or not being online as much as it is by being on social media or in other channels.”

THREAT OR OPPORTUNITY?

Brands are likely to continue responding to this siren call of the consumer by building up ecommerce, even multichannel, businesses. One of the world's biggest beauty brands, L'Oreal, has its sights on a dramatic increase in ecommerce revenues. Vincent Stuhlen, global head of digital at L'Oreal Luxe, said in 2013 that the company wanted to increase its annual direct ecommerce revenues to €300 million by 2016, from the €250 million it then turned over from the channel.

Retailers might fear a threat to businesses historically founded in order to give customers access to goods they could not otherwise reach. L'Oreal's Stuhlen says the reality is very different. He says L'Oreal has learned much from its experience of building “ultimate brand experience” reference sites that are optimised in one market, and then localised for different regions and countries around the world. It has also gleaned valuable insights from the way its customers use the sites that it can now share with the retailers that stock its brands, which include Yves Saint Laurent Beauté, Lancôme, Ralph Lauren, Shu Uemura and Giorgio Armani Beauty, helping them in turn to sell more.

“In each country where we've been accelerating with direct to consumer, we've been accelerating our market share with retailers”

Vincent Stuhlen, global head of digital, L'Oreal Luxe



Surfing and lifestyle brand Quiksilver has plans to launch new websites in the Asia-Pacific region

“In each country where we’ve been accelerating with direct to consumer, we’ve been accelerating our market share with retailers,” he said, speaking at Demandware Xchange 2014, the ecommerce platform’s customer conference. “I believe it is a win-win. We now discuss what kind of data we can exchange. Before we didn’t have much to bring to the table, and the retailer owned the relationship. Now we know much more about the best merchandising habits and the whole customer journey. L’Oreal is the third largest advertiser in the world and 20% of media spending at Luxe is in digital, so we have a pretty good understanding of the whole journey. That’s the kind of thing we can now exchange with retailers. It’s very good for our customer, for our brands and for the retailer.”

LESSONS FROM THE INTERNATIONAL FRONTLINE

This minority of brands that are creating successful online businesses are also placing themselves at the forefront of selling around the world. Surfing and lifestyle brand Quiksilver has set itself a demanding pace in a project to launch and relaunch more than 60 brand websites around the world as it consolidates on the Demandware platform. The programme started in 2014 in Europe and in 2015 will extend to Brazil, before

moving on to Asia-Pacific, including Japan and China, in 2016 and 2017. By launching its own brand websites, it aims to increase sales as well as rebalancing its channels in different regions. For example, Quiksilver currently trades through large marketplaces in Japan, while also turning over a relatively small amount online from its own transactional website. The company aims to realise what it sees as its “huge potential” in Asia through its upcoming relaunch.

The brand website is key to that, says Nicolas Foulet, SVP global digital at Quiksilver, not only in terms of direct sales, but also in building local awareness. “Websites aren’t only about doing business,” he says, “they’re also a brand presence, telling the story that the brand has to say and presenting the product properly.” That’s important even in a territory where it sells via a marketplace because, there, says Foulet, “Everyone presents the product in the same way so it’s very hard to differentiate yourself from other brands.” The youth consumers that Quiksilver targets, he says, “are really looking not only at the product but at the story that a brand has to tell”. All channels feed into this. “We have huge communities on social networks,” he says.

// Even the biggest brands are earning from experience that marketplaces may represent a necessary means of selling in populous China //

French cosmetics brand Clarins was one of the first to move into China, and now has first-hand experience of the reality of doing business – another area where retailers can learn from brands. While China’s huge population is a draw for European retailers, Julien Chiavassa, Clarins’ Asia Pacific digital and ecommerce head, suggests that brings its own difficulties. The brand, one of the first European names into the market still finds attracting traffic to its own-brand website “challenging” in a market where huge investment is required in order gain visibility. Engaging with sites such as Tmall is a must. “The biggest worry for us,” said Chiavassa, speaking at Demandware Xchange 14, “is how do we keep being able to run an independent website and not be too tied up with marketplaces?”

Nonetheless, even the very biggest brands are learning from experience that marketplaces may represent a necessary means of selling in populous China. L’Oreal, which sticks firmly to RRP on its flagship website, and aims to win over customers through a full product assortment and customer-pleasing service, is nonetheless keeping a close eye on the development of marketplaces, and has even dipped a toe into that water through a limited use of pilot schemes. L’Oreal Luxe’s Vincent Stuhlen says: “We’re watching closely to see if there might be an opportunity but right now the question for us is to really elevate the experience of our customers, whatever distribution channel. The marketplace is often the opposite of that.”

THE RETAIL ADVANTAGE

When brands understand customers and tell stories well, then retailers selling that brand benefit from all-round increased awareness.

Retailers benefit still further when they engage with shoppers to understand why they buy from them, and respond accordingly. Powerful drivers that retailers deploy include more attractive pricing

and convenience, for example, easier delivery, wide-reaching store networks, and, generally, retail expertise and experience.

Deckers Brands, whose stable includes Ugg Australia, Teva and Ahnu, is working to move its model from wholesale distribution to stores and online. David Williams, Deckers’ director of online, EMEA, also speaking at Demandware Xchange, says the best retail partners “tend to be ones looking at the online and multichannel experience”, which can help it to form a single view of its customers in-store.

Retailers are also learning from brands in starting to sell their own-brand products and services – avoiding price conflict with others and controlling distribution themselves. Travel retailers such as Thomas Cook and TUI Travel, owner of First Choice and Thomson, now put weight on providing exclusive holidays, while House of Fraser said its own-brand sales grew by 11.2% over the six-week trading period of Christmas 2014. This was part of a performance that demonstrated, said House of Fraser chief executive John King, in a trading statement, “The success of our strategy to continuously improve our online proposition, develop both our house and premium branded position and invest in our stores to give our customers the best possible shopping experience.”

Brands are early on in the journey towards multichannel retailing, but they’re just one source of future competition that retailers will face – Condé Nast ecommerce director Franck Zayan told InternetRetailing Conference 2014 that it would start using the power of its magazine brands to sell online this year, for instance. But retailers, already seasoned ecommerce players, have the resources to respond fast, learning from the competition to raise their own games. ●

Links

How L’Oréal Luxe plans to boost its future global ecommerce revenues: <http://etail.li/brand1>

House of Fraser reports “record” Christmas trading, with Black Friday its best online day ever: <http://etail.li/brand2>

Shop talk

Simple changes to the way retailers use networks can help companies make more of social media, says **Martin Shaw**

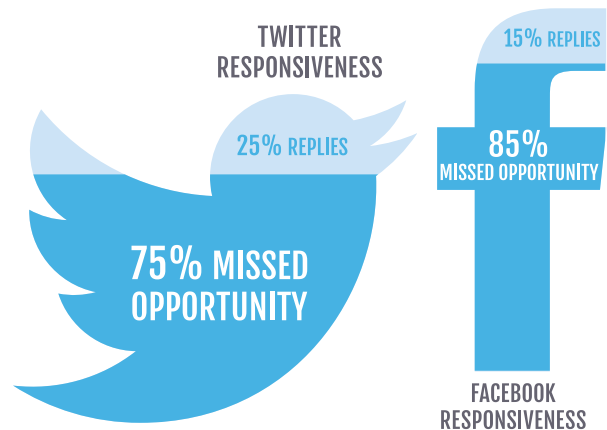
HOW DO LEADING retailers use social media? In conjunction with Knowledge Partner Brandwatch, we set out to look at what sets apart retailers that performed strongly in the Brand and Engagement Dimension. We did this by monitoring the Twitter and Facebook accounts run by 29 Elite and Leading UK retailers – the Elite and Leading clusters of the overall IRUK 500 and the Brand and Engagement Dimension – for two weeks over Christmas 2014. In doing so, we unearthed new insights into the way retailers and customers use social media.

Exclusive API access, filtered for UK-based web users, showed us, for the first time, Facebook statistics that are usually unavailable to third parties. Posts, likes, re-posts, comments and replies, complete with time stamps, were gathered to form a valuable dataset.

OUR FINDINGS

Facebook: merchants included in the survey, says Phillip Agnew, community manager at Brandwatch, manage “remarkably well-run accounts which catalyse a host of conversation and engagement on Facebook”. He adds, “In one week alone, these 29 accounts generated 227,076 new content likes, and 50,651 comments in seven days and from just 420 posts.”

Nine of the ten best-performing posts came from the major supermarket brands, Asda, Tesco, M&S and Waitrose. Of those ten posts, nine contained an image. The best-performing post, with almost 10,000 likes and more than 5,000 comments, was one that featured a competition.



One-way conversation: retailers in our study failed to respond to 75% of Twitter mentions and 85% of Facebook comments – a missed opportunity to engage with potential customers

Twitter: the Twitter accounts operated by the 29 retailers we studied created a wealth of conversation and engagement. In just a week, they generated 45,947 retweets and 30,236 replies from 13,233 posts.

“On average,” says Agnew, “these retailers publish 65 new tweets per day of which 57 are replies meaning that brands typically post eight timeline tweets per day. These posts are retweeted, on average, 226 times a day.”

In contrast to Facebook, seven of the best performing posts came from clothing retailers, including New Look and Urban Outfitters, suggesting the apparel sector stands to gain more from Twitter than others.

ROOM FOR IMPROVEMENT

The companies whose Facebook and Twitter feeds we analysed lead their peers in the Top500 Index. But our findings show that even these Elite and Leading retailers could improve performance through a few easy changes.

Scheduled posts: it stands to reason that consumers mostly browse their social feeds outside office hours, when many marketing teams are off duty. Our research identified the days and the times that retailers should consider posting in order to gain most views and retweets.

8x MORE RETWEETS FOR 8AM POSTS

It pays to schedule Twitter posts for early in the morning – whenever users check their feeds, they will see posts in chronological order. Posts made at 8am are 800% more likely to be retweeted than those made between 10am and midday.

Facebook, on the other hand, uses algorithms to filter what users see in their feed, favouring new content, so it pays to post when the audience is most active. Retailers should schedule Facebook posts for 9pm, when likes per post are 320% higher than 10am, the time slot at which retailers most often post. Saturday is the best day for retweets, though retailers post the fewest tweets on that day.

One-way conversation: during the course of our research we found that audiences tweeted about the 29 brands' posts an average of 226 times a day. They responded to consumers' comments only 57 times a day, on average, meaning that almost 75% fell on deaf ears.

On Facebook, more than 85% of 249 comments a day went unanswered. It's difficult to quantify the value to a retailer but it's easy to imagine that answering queries or comments with a referral to a product might well boost sales.

IN CONCLUSION

The practical business advice here is straightforward. Firstly, retailers need to time social communications for times when they will be most effective. Just as importantly, retailers need to monitor social activity and respond where appropriate, especially over key selling periods such as the run-up to Christmas.

We suspect there are plenty of nuances here that will become clearer in the years ahead and we'll keep monitoring what retailers do, with a view to seeing which social strategies increase retailers' reach, growth and effectiveness. ●

Inbound traffic

Referrals from social media are crucial for retailers hoping to reach new customers

HOW DO CONSUMERS find their way to different websites? Working with Knowledge Partners SimilarWeb, we analysed how web users navigate to the 29 top-performing retailers in the IRUK 500 research. It's research that reveals the importance of social media in helping retailers to reach new customers.

The traffic was separated into six types of origin: search, direct, mail, social, display ads, and other websites. The retail sites were monitored over a one-month period at the end of 2014. The assessment focused on desktop users, excluding those on mobile devices. The research incorporates data generally hidden to third parties.

THE NUMBERS

The numbers below show the average portion of traffic from different sources:

Search: 48%, including customers searching for the retail brand in particular, but also highlighting the huge importance of SEO to help retailers stand out.

Direct: 27%, including customers with the retailer bookmarked in a browser.

Mail: 1%, the promotional emails that all retailers use.

Social: 2%, both user-generated content and retailers' posts.

Display ads: 1%, a small but important source of new customers for many retailers.

Other websites: 21%, a catch-all term for traffic which doesn't cleanly fit into the other categories including, for example, shoppers from coupon sites and marketplaces.

INSIGHTS

The results here appear clear. For everyday sales, search is most valuable to retailers, followed by users who go direct. However, it's crucial to realise that retailers' existing audiences – those customers who are searching specifically for the retailer or have it bookmarked in their browsers – skew these figures.

To gain new customers or invite back those who have lapsed, retailers have to use other tools, notably mail (newsletters), social media and display ads. In numbers, these tools are relatively insignificant, but they do have the potential to solicit new customers who return to the retailer directly next time. Of these, social is most significant, at 2%.

Finally, 'other websites' constitutes traffic sources that don't fit into the other categories. For our top retailers, these referrers are very significant, making up an average 21% of inbound traffic.

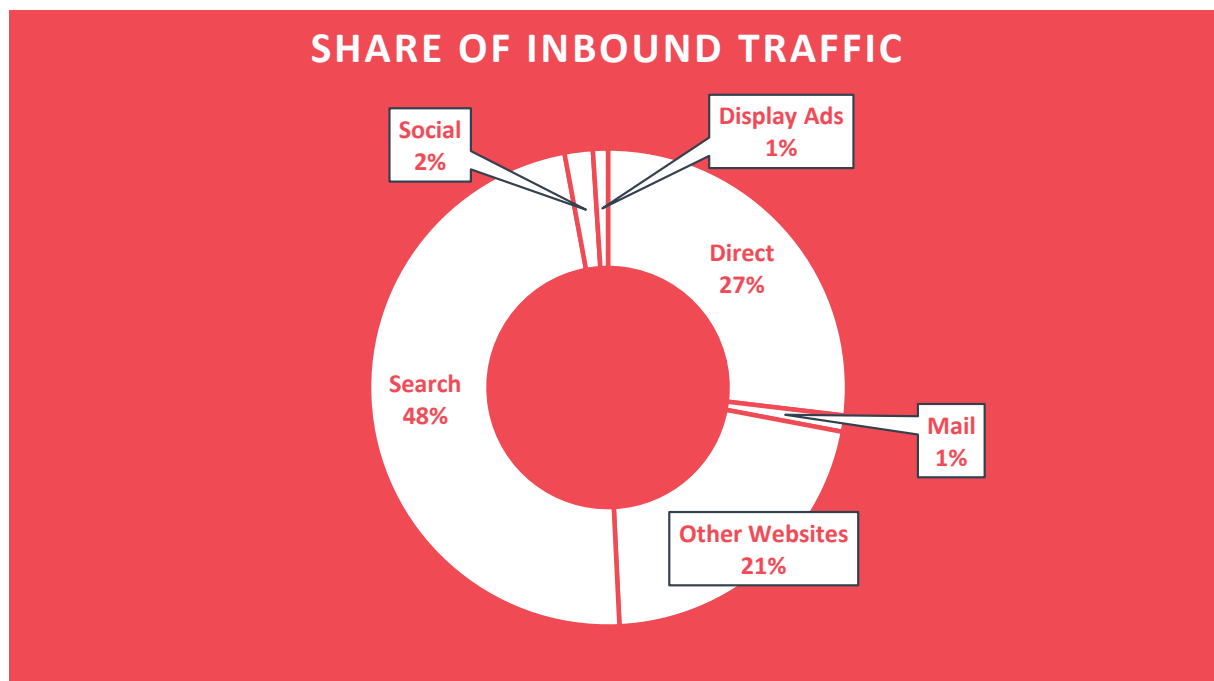
Social, mail and display ads contribute a small portion of retailers' traffic at any one time, but are retailers' chief means of incremental growth

FOCUS ON SOCIAL

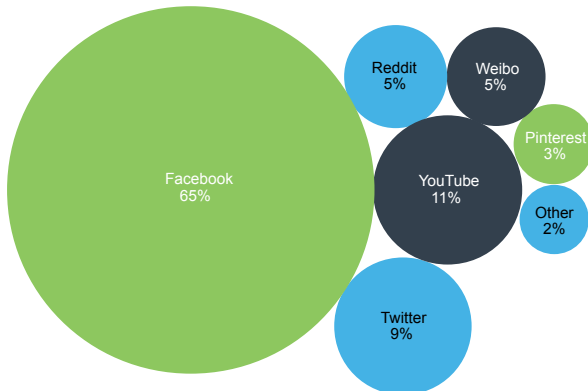
In the preceding pages, we have focused repeatedly on social media as crucial to retailer performance; and as an area where adaptability is necessary and growth is incremental. Every potential customer who navigates to a retailer because of what a friend or thought leader said may well return to the site directly or through search the next time.

It's worth noting this means it's difficult to quantify social media's impact or potential on referrals data over time. Nevertheless, it's clear that mastering Facebook, YouTube or Pinterest can increase any retailer's audience, gradually bringing in new shoppers, some of whom will return to the store directly next time. The statistics below were captured for the same 29 websites as our research into how consumers navigate to sites, and refer to exclusively UK non-mobile users.

The findings that follow on the next page shed light on the composition of social referrals.



Which Networks Contribute the Most Referrals?



Facebook provides the lion's share of social referrals but our study, which focused on desktop users, found that YouTube, Twitter, Reddit and Weibo are also significant

METHODOLOGY

The relative significance of social networks was gauged by monitoring Elite and Leading companies within the Top500. Collaborating with SimilarWeb, the 28-day study identified the share of referrals from each social network, which we then averaged across all retailers in the study to arrive at the figures illustrated in the diagram above.

Facebook remains the most valuable social network for retailers, accounting for an average of 65% of social referrals to the 29 Elite and Leading retailers brands assessed.

THE NUMBERS

Facebook remains the most valuable social network for retailers, accounting for an average of 65% of social referrals to the 29 Elite and Leading brands assessed. YouTube follows with 11%, Twitter with 9%, Reddit and Weibo on 5% and Pinterest on 3%. Surprisingly, Weibo, a social network most popular in China, was the source of 5% of UK-based social media referrals.

Drilling deeper into the numbers, we found:

- Facebook was most significant to M&S during the four weeks monitored, making up more than 90% of social media referrals among desktop users.
- Reddit is a relatively significant traffic source to Urban Outfitters, providing almost 30% of social media referrals.
- YouTube supplied more than 25% of Argos' social media referrals, a higher portion than for any other retailer.
- No retailer received a higher portion of its social referrals from Twitter than Waitrose, at roughly 25%.
- Bathstore received approximately 15% of inbound traffic from social networks from Pinterest, more than for any of the other retailers involved in the study.
- Clarks received top referrals from Weibo, which made up more than 30% of its total social traffic from desktop users.

IN CONCLUSION

The figures here are somewhat contradictory. At first glance, the idea of social media being important in delivering site visits seems plain wrong. Why should 2% of visitors be of any great significance?

It's because so many of these visitors may be new to the retailer. Considering how notoriously expensive advertising and marketing campaigns aimed at generating new business can be, these visitors – it may focus attention to think of them as potential new customers – should be cultivated. ●

Conclusion

SOCIAL MEDIA IS fast becoming a crucial part of the mix for leading cross-channel retailers. That's because, as we've seen through the research that underlies this IRUK 500 Brand and Engagement Performance Dimension Report, those at the forefront of customer engagement today are now adept at planning and executing campaigns not only via Facebook and Twitter but also through Pinterest, Instagram and many other platforms.

Even so, there's much that retailers of all sizes have to learn about the still-emerging power of social media in retail. These are networks that thrive on two-way conversations. That means responding to tweets and posts as well as starting dialogues: this builds loyalty and develops relationships in a multichannel world.

A useful way to think about Brand and Engagement is to focus not only on how customers engage with brands, but how brands engage with social networks. By joining the conversation, they place themselves for a future in which openness and responsiveness will matter as retailers become trusted destinations for shoppers.

By bringing shopper conversations and brand messages together to form a coherent whole, retailers can speak to an audience that is both engaged and receptive of what they have to say. ●





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