

Merchandising:
December 2015



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

Distributed with InternetRetailing Magazine, Issue 55



IRUK TOP 500



Sponsored by **Digital River**

A commercial, comparative performance index of e-commerce and multichannel retailers in the UK

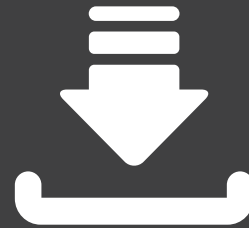
Performance Dimension Reports

Distributed with InternetRetailing magazine, the dimension reports look behind the results – at the winning business strategies and techniques. Including in-depth case studies as well as numerical analysis, these reports are the perfect companion for aspiring retailers keen to develop best practice.

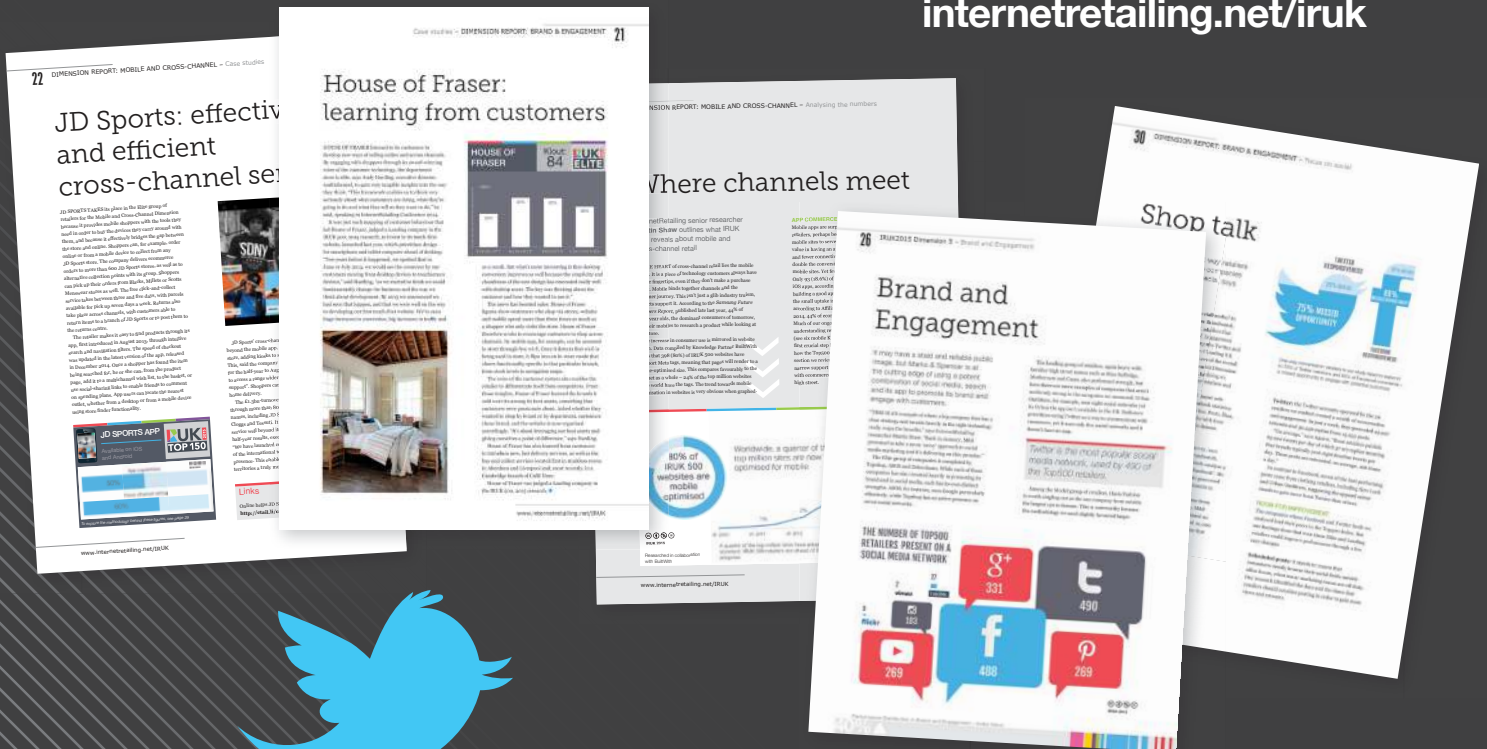


The most comprehensive and authoritative measurement of omnichannel capability in the retailing world

Robin Phillips, Multichannel Director, Boots



Download the free reports today at internetretailing.net/iruk



Join the conversation about **#IRUK500** with **@etail**

Research blog and Top500 webinars at internetretailing.net/iruk

From the editor-in-chief

Meet the team...



Ian Jindal
Editor-in-Chief

Publisher, speaker, advisor and NED, Ian leads our editorial and research businesses.

ian@internetretailing.net



Jonathan Wright
Editor

Jonathan is an editor and writer who has written extensively about digital business and culture.

jonathan@internetretailing.net



Chloe Rigby
Editor

Chloe is the editor of InternetRetailing.net and an award-winning business journalist.

chloe@internetretailing.net



Martin Shaw
Senior Researcher

Martin devises the scope and methods of InternetRetailing's research as head of the research team.

martin@internetretailing.net



Polina Modenova
Researcher

Polina's focus is the upcoming IREU 500 report on the top European multichannel retailers.

polina@internetretailing.net

MERCHANDISING IS ONE of the most traditional retail disciplines, but as it extends across channels it's also becoming one of the most revolutionary. At the cutting edge, some retailers are already starting to offer website visitors personalised pages compiled using sophisticated algorithms. In time, it's likely that most traders show shoppers whole individualised websites.

Such developments mean that digital merchandising is starting to surpass what can be done in the store. But the store remains essential: in the foreseeable future it's clear that customers will still want to look, touch, feel and test the products they want to buy for themselves.

The ability to bring those strands together lies at the heart of the discipline, and in this Dimension Report we aim to focus on what 'good merchandising' looks like.

It's easy to take merchandising for granted. However, as we explore in the pages that follow, that's something online retailers do at their peril. Just as it's important to make layout count in the store, so it's essential to show products to their best advantage online. That doesn't just mean high-quality images – although those count enormously. Modern merchandisers, rather, start by pre-empting customers' questions, using reviews and product descriptions to do so. They then go on to use highly advanced tools, from search and analytics to a single view of inventory, to understand customers. From there they can most effectively present the range, and the most relevant choices. Retailers that are featured in this Dimension Report have both met and exceeded these standards.

These are standards that are sure to go on evolving. We expect that by the time we return to this subject, there will be significant advances in what's possible in this area, just as our research shows big steps have been taken since we considered the subject last year. We're excited to find out what the near future will bring, and in the meantime we'll keep up our analysis to bring new insights and learnings.

We're always interested to know what our readers think too. Do get in touch and let us know as we move forward to the next stage of our research.

Ian Jindal

Editor-in-chief

ian@internetretailing.net

Editors' comment

STRONG MERCHANDISING LIES at the heart of great retail. For it's by communicating the products – what they are, what they do, and what they look like – that retailers most successfully sell. That is the job of the ecommerce website, but it's one that's fast becoming more sophisticated as traders working in a competitive sector find new ways of showcasing goods.

Offline, store merchandisers are expert in laying out a store to communicate values and vision, encouraging the shopper to buy. Now traders are not only taking those skills online, but equipping merchandisers to operate in a cross-channel shopping environment. For, as Mark Felix of John Lewis explains in our lead interview (page 18) in this Dimension Report, when customers are moving between as many as three different devices in the course of a purchase, and perhaps paying a trip to the store as well, it's important that products are shown in their best light across all of these channels. In our case studies (page 20) we consider how retailers we've judged Elite and Leading approach the task of setting out wares. These are a varied group, from Topps Tiles, in the homewares category, to Ebuyer, selling discount computers. But what they and all the retailers highlighted in our IRUK Merchandising Dimension Report have in common is the ability to communicate products, clearly and effectively, a theme we explore more closely in our strategic overview (page 8).

In our research features, we consider both the practical and inspirational aspects of how that's done. Our Analysing the numbers feature (page 12) sets out how retailers most effectively combine strong visual appeal with the mechanics of showing stock levels, deploying effective search and merchandising across channels. Our Breaking new ground feature (page 32) contrasts what customers want from merchandising with the presentation that retailers give them.

Our 12 approaches that work feature (page 24) brings together practical examples of effective merchandising at work. Looking ahead, usability expert Giles Colborne tells us how the internet of things will change retail merchandising (page 29).

All of this, we hope, goes a long way to showing why merchandising matters, and how retailers can most effectively improve the way that they present products.

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

Jonathan Wright and Chloe Rigby, Editors

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

Design: Lydia Cooke

Publishing Director: Chris Cooke
Group Account Director:

Andy James
andy.james@internetretailing.net

Account Director: Marvin Roberts
marvin@internetretailing.net
Tel: 020 7933 8999

Internet Retailing

SJP Business Media Ltd,
52-54 Gracechurch Street,
London, EC3V 0EH
Printed in Great Britain.
ISSN 1759-0582

For circulation enquiries contact:
SJP Business Media
PO Box 6009
Thatcham, Berkshire

The logo for SJP business media, featuring the letters 'SJP' in a large, bold, green font, with 'business media' in a smaller, black font underneath.

RG19 4TT
Tel: 01635 879361
Fax: 01635 868594
internetretailing@circdata.com

No part of this circulation may be reproduced, stored in a retrieval system or transmitted by any means without the publisher's permission. The editorial content does not necessarily reflect the views of the publisher. The publisher accepts no responsibility for any errors contained within the publication.

www.internetretailing.net

Contents

Merchandising: December 2015



06 Partners' perspective

08 Strategic overview

12 Analysing the numbers

16 The IRUK 500

18 Case studies and lead interview

24 12 approaches that work

29 Emerging practice

32 Breaking new ground

34 Conclusion



32

<p>32% of Top500 websites don't support customer product reviews</p>	<p>26% fewer Top500 retailers support social sharing on the product page than this time last year</p>	<p>47% of the Top500 have allowed customers to save a 'wishlist', a 37% increase on last year</p>	<p>The average product page has 3.8 images, the best have up to 18</p> <p>Research covers the largest 150 retailers in the IRUK 500</p> <p>© IRUK 2015 www.internetretailing.net/IRUK</p>
---	--	--	--

Predictive data and the holiday season

Christmas is almost upon us. **Digital River** offers its take on lessons retailers can learn from previous years as companies seek to improve the customer experience to make the most of opportunities here

THE UPCOMING HOLIDAY season offers huge opportunities to retailers, but only the most prepared companies will get the largest share of an ecommerce retail season that's now worth, in the US alone, \$79.4bn. Are you prepared? Learning when and how to spend a marketing budget during the holiday season can drastically change your financial performance.

As your marketing team prepares for the online holiday season, it is beneficial to glance back over previous years in order to better utilise marketing spend, plan promotional calendars and predict potential opportunities to further increase this year's revenue over

previous years. Not only does this allow your company to conduct a quick rundown of previous practices, successes and failures, but it also allows your marketing team to look at aggregate results and potentially offer insights into patterns that have gone unnoticed before.

THE IMPORTANCE OF CYBER MONDAY

As well as analysing company performance down the years, retailers should look at the overall market. In this context, comScore's 2014 *Online Holiday Sales Report*, which focuses on the US, makes fascinating reading. The report reveals that, in the 2014 season, US consumers spent \$53.3bn online, marking a 15% increase over the corresponding days in 2013.

Cyber Monday (Monday 1 December) once again ranked as the heaviest spending day of the year, with more than \$2bn in desktop buying. Cyber Monday has dominated the headlines for many years, even though a large number of companies have also promoted substantial online discounts on Black Friday.

When you begin to consider what days have consistently made the top 10 heaviest spending days almost every year, an interesting pattern emerges. Unexpectedly, Mondays and Tuesdays in a two-week period after Black Friday appear to be the consistent winners. No weekends and nothing within a week of Christmas come close to making the list

The two Tuesdays immediately following Cyber Monday have found their way into the top 10 every single year since 2008. These days may not have a catchy title and are not propelled by millions of dollars in traditional holiday marketing spend, but they have consistently performed at high levels for the last seven years. ●

Marketing Strategies for Your Holiday Season

Social media directly generated 1.9% of digital purchases in the US 2014. In 2015, social media will make a larger impact as a tool for discovery, gifting ideas being the leading use.

Customer centricity is essential in order to be a successful online retailer today. Get to know your customers and understand their shopping habits.

Mobile is expected to play an important role in the 2015 holiday season, with a 32.2% rise in 2015 mcommerce sales as a whole in the US.

Display ad retargeting will be widely used this holiday season to increase awareness and sales. Add Facebook retargeting to existing display and Google retargeting efforts to increase return on advertising spend (ROAS).

Email marketing drove 17.7% of online orders in the US in 2014. Content is playing a large role in increasing click-through rates (CTR).

Go Global as online sales in China for 'Singles Day' in 2014 reported four times more sales than Cyber Monday in the US and is the biggest online shopping day on the planet.

About Digital River



Digital River is a leading global provider of Commerce-as-a-Service solutions. Companies of all sizes rely on Digital River's multi-tenant, SaaS commerce, payments and marketing services to manage and grow their online businesses.

www.digitalriver.com

Internet Retailing

Read by



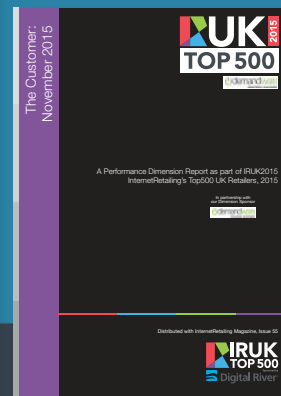
Board level discussion for senior eCommerce leaders

Internet Retailing is not just a news vehicle, instead we offer a commercially savvy, experienced interpretation of industry news and trends.

The magazine provides focused, evaluative analysis of important topics to guide your eCommerce strategies.

This is backed up by sound advice, interviews and comments from the biggest names in multichannel retailing.

Free
subscription



Subscription includes:

- ▶ Bi-monthly magazine
- ▶ Twice weekly newsletter
- ▶ Our annual Procurement Guide
- ▶ Top 500 dimension reports covering – Strategy & Innovation, Customer, Operations & Logistics, Merchandising, Brand & Engagement and Mobile & Cross Channel
- ▶ Digital Research reports
- ▶ Free insightful events



Subscribe online at www.internetretailing.net/subscribe

✉ Info@internetretailing.net

🌐 www.internetretailing.net

▶ www.internetretailing.net/irtv

🐦 @etail

A digital art

Merchandising is increasingly being driven by digital technologies, and the pace of change here is speeding up. **Paul Skeldon** charts a retail landscape of cross-device, omnichannel personalisation

MERCHANDISING FOR RETAILERS is the science and art of providing the most relevant and engaging products to shoppers. Historically, it was just an art, as retailers used buyer intuition and experience to identify what performed best.

In the traditional world of bricks-and-mortar stores, it essentially revolved around how best to display wares. Make things look good, and consumers will be compelled to come in, browse and buy. The online world is the same, but in many ways offers a wealth of opportunities to make that initial hook even more enticing. It is also a business imperative in such a cutthroat market: merchandising is what differentiates a retailer's website from the thousands of others that compete with it.

The biggest strategic imperative for retailers around merchandising today is cross-device, omnichannel personalisation. Delivering the ultimate in merchandising now orbits around chasing the idea of putting in front of the consumers exactly what they want – whether they know it or not.

In a fragmented ecommerce landscape, it has become increasingly difficult for brands to keep up with ever-changing customer trends, habits and desires, as emerging technologies transform the way people shop. The need for brands to treat consumers as individuals, not as a collective, has never been more important as consumers demand a 'personal shopper' experience in every channel.

Of course, this doesn't just mean bolting on a predictive upselling engine à la Amazon's 'People who bought this also liked this'. To deliver true cross-device, omnichannel personalisation is the culmination of a vast process of tracking, data gathering, CRM, ERP, device management and marketing efforts.

It also involves all the other aspects of merchandising, from good web design through to rich content, which have always been the key to making products attractive – but on steroids.

Today, these techniques have to work in conjunction with data and data processes. Retailers need to understand the user's location, device and the context in which they are looking for information. Simple this ain't.



GETTING PERSONAL

What is driving this move to personal merchandising is the fact that consumers have greater expectations of retailers, can shop around far more easily, and are much more fickle than they ever used to be.

At the same time, the data consumers generate means that retailers know more about them than ever before – and so are already starting to deliver a personalised service. Amazon started this and the ante is upped at an ever-increasing rate as more retailers follow suit.

“The advent of omnichannel retailing is the key trend, [of the moment].” says Channie Mize,



general manager for retail at Periscope, a McKinsey solution. “Consumers can shop for the best offers from the comfort of their living room, in a store, or via their mobile device. Retailers – more than ever before – need to recognise the importance of big data and analytics in understanding consumer behaviour across channels, in order to deliver the best customer service, choice and price.”

There is a move to automate personalisation, but, says Eric Fergusson, head of retail services at eCommera, “A mix of a move to automated personalisation – be it through platforms using sort

algorithms, or more specific and customised third-party [algorithms] – in conjunction with editorial rich description and curation is always going to be essential.”

David Brussin, co-founder and chief product officer of Monetate agrees, but warns: “Customers aren’t devices or browsers. They’re people and they’re unique. They act differently across multiple devices and in different channels. Though brands have a lot of customer data, it’s often isolated in new systems, old systems, or in the cloud waiting to be used.”

Brussin adds: “In fact, it seems that many online outlets still do not understand their customers’ individual shopping behaviours and preferences. Now is the time for brands to understand customers’ digital DNA, and the best way to do this is through personalisation.”

Ecommerce experts need to use all the data available to be able to tailor an individual shopping experience, says Brussin. He believes that, by failing to do so, brands will fall behind those that have a deeper understanding of customers and can offer more targeted, relevant experiences.

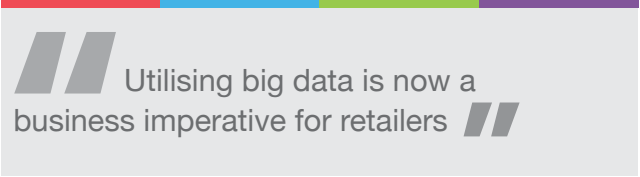
These targeted, relevant experiences rely heavily on data gathering and are, to coin a phrase, big data services. Everyone has read about big data, well it is now a business imperative for retailers.

“Be intentional about online strategy,” advises Periscope’s Mize. “It’s not just data about products, positions, assortments, categories and margins, but data about customers, their purchases and even third-party sources, such as the weather. These sources must all be connected together, and this is where the real value is achieved: by forming relationships between these sources that allow the business to ask bigger questions of the data, measure customer behaviour over time, and most importantly predict it in the future.”

THE UPSSELL

While understanding customers in granular and personal detail is essential, what retailers then do with that is an even more vital part of merchandising. “[We’re talking about] tools such as upselling and cross-selling, promotion management, upgrades and downgrades, bundles span across the entire customer lifecycle,” explains Ed Chuang, vice president of marketing at Avangate, an ecommerce SaaS provider. “[Using these] will allow an opportunity to maximise revenues throughout all stages of engagement with customers and relevant monetisation moments.”

Chuang continues: “A trend we see is ‘serving’ merchandising options seamlessly, for example including a cross-selling option displayed in the ‘thank you’ page for an order that has just been placed. The effort of the buyer to add another product is minimal, there is no need for payment details to be entered twice, and this allows the customer to instantly buy through a one-click order.”



Utilising big data is now a business imperative for retailers //

The idea of a seamless, cross-channel experience here also extends to brand identity and taking these offers across channels too, says Chuang. “Another trend is consistency across all channels, having a clear brand identity whilst offering promotions and discounts on multiple channels or referrers. There is also investment in these partners to increase marketing outreach. Users are expecting to enjoy the same type of experience across all interaction channel. It is vital to provide a seamless journey no matter the device, location or referral.”

CURATION

While all of these elements are key to merchandising in the modern era, retailers really also have to look at what the data is telling them about what the customers wants from the retailer, and curate content accordingly.

“Retailers need to understand customer needs and patterns, for example, how they browse and want to browse,” says eCommera’s Fergusson. “Are they looking for inspiration and support? The answers to these questions will drive how retailers weight merchandising experience between automated and curated, and advisory.”

To do this, retailers also need to understand the data from CRM systems and react accordingly. “Online retailers need to fulfil customer tastes, hence they must ensure they gather individual preferences via sophisticated CRM systems and then propose products, which are relevant for that specific customer,” says Paolo Guida, co-founder of Taggalo. “Product mix is a function of who you want to be and which customers you are after. Pricing and margins are a consequence of those choices, and service levels you deem appropriate for the end consumer.”

TESTING TIMES

As with any ecommerce operation, getting it right is more art than science when it comes down to it, so testing is always going to have to be an integral part of a merchandising strategy.

“Test and experiment. See what works for your market, segment your customers and push merchandising options accordingly,” says Avangate’s Chuang. “Do not stop at the customer acquisition stage, merchandising can be done at all stages of the digital commerce lifecycle. A company can push discounts in customer portals areas when people want to unsubscribe from a service, or focus on specific segments of customers on improving frequent visitors to your website.”

Ecommera’s Fergusson agrees, and neatly sums up what retailers should be trying to achieve with a merchandising strategy. “Focus on [merchandising strategy] and measure it,” he says. “Merchandising helps you sell more stock at full price and reduces the amount of stock you have to sell at a discount later on. It is important to trial different opportunities, for example by using A/B and multivariate testing, to see which is most effective and which works best for you. What works for one retailer may not be the best solution for another.” ●

More than just shoppin’ the grid

How retailers display wares across sites – online and mobile, as well as in store – is a crucial element of making merchandising work. While personalisation and understanding customer needs and wants are key, once retailers get customers to a destination, the look and feel of a store front is often critical to whether they buy or not.

User experience is everything. According to an SDL survey of US retailers, 90% believed that user experience was the top priority for marketers in 2015. This is backed up by research by Adobe and eConsultancy that found 22% of digital marketers in general see user experience as the most exciting trend of the year.

‘Shopping the grid’ – where products come up in a user-defined grid – is no longer the way to entice consumers in. Yes, it is easy to produce and update, and it does work across all devices, but that’s science. What it lacks is that magic that caters to the art side of merchandising.

Instead, websites need to be designed to be rich, offering a sumptuous experience that is a visual delight and which pulls off the difficult task of not saying too much, but saying just enough.

Typically, this means images. A 2014 study by MIT found that people can identify images with just 13 milliseconds of exposure to them, and an oft-quoted 3M report suggests that humans process visual data 60,000 times faster than text.

Nevertheless, it also means the right text. This is where design and personalisation start to harmonise. Understanding whether customers are in browse, buy or help mode also helps determine the experience they get. All good sites show the products that are available and offer some text – usually then with the chance to see a whole lot more – but determining what text users see is all part of the personalised merchandising experience.

This is where adaptive-responsive web design meets big data, and where the two bang on the door of merchandising. While retailers need to understand who customers are, where they are, what device they are on and what they are looking at, retailers also need to match the design the look at feel of a site to these criteria. Getting this licked will lead to some ultimate merchandising experiences that will colour in the IRUK 500 research in 2016 and beyond.

An improving picture

The UK's largest retailers are getting better at online merchandising. Here, we outline some of the biggest changes over the last year

THE UK'S LARGEST traders have made great strides in improving retail website design.

In October 2015, the InternetRetailing research team went back to the websites of the largest 150 retailers to assess visual appeal – and found a 38% improvement since we first carried out our study back in September 2014. Last year, we awarded our highest score for visual appeal to a little less than a quarter (24%) of the retail websites that we assessed. This year, the figure had risen to 35%, an increase of more than 10 percentage points.

Eleven of the retailers that scored highly last year kept their positions this year. Asos and Karen Millen were among the top retailers in this aspect.

Meanwhile, seven retailers stood out for the work they had done to improve their websites over that period of time. These were Tesco, Fat Face, Virgin Holidays, Joules Clothing, F&F, Spotify and Specsavers.

But movement was by no means all upwards: 67% of the retailers we analysed won lower marks for website appeal this year than last year. Visual appeal is, of course, a subjective measure, judged when researchers rate their own reaction to the site. But there's also some evidence to show that visual appeal is linked to the number of product images on a site. That's something we explore further in the Breaking new ground research feature (page 32).

MORE RELEVANT SEARCH FINDINGS

John Lewis, Karen Millen, Net-A-Porter and Argos stand out for the quality of search results for the second year in a row. When search findings are relevant to the initial query, customers are more likely to find the items they want to buy and to go on to make a purchase. In 2014 and 2015, we examined search findings, defining them as the quality of word match to the request that was typed in the search bar, and rated them on a scale. Overall, we found that the group of the largest 150 retailers in the IRUK Top500 improved search relevance by 14%. The number of retailers rated at the highest level didn't change over the course of the year, although some retailers moved up to that group – and others down.

Thorntons was the most improved by this measure, while TK Maxx also scored highly for search relevance this year.

DROPDOWN SEARCH

The move towards introducing dropdown search options – which offer suggested search terms even as shoppers type in the search bar – is gathering momentum. Of the 136 retailers that appeared in the largest 150 group of retailers both in 2014 and 2015, this year 86, or 63%, offered dropdown search options. That's up from 46%, and a rise of 17 percentage points, or 38%, over the year. "This," says InternetRetailing researcher Polina Modenova, is a "big improvement." She adds: "Retailers must be realising the effect this feature has on customers. It has the potential to

improve site usability, and increase conversions.” It’s likely as shoppers come to expect help with prompted search options – which in themselves are more likely to be successful in finding the object they want – they’ll start to move on from sites that don’t offer them. TK Maxx is among the retailers that has introduced more sophisticated dropdown word options. It scored highest in this area for a combination of both relevant search results and dropdown word options. Others that did well in this area include H&M, Ernest Jones, Specsavers and Superdrug.

“All of this,” says Modenova, “is about site usability, and how easy it is to see a product. Across our measures, this is improving. It seems retailers are doing good work that will attract customers.”

CROSS-SELLING AND UPSELLING

The traditional tools of store-based merchandising, cross-selling and upselling, appear to have taken on a whole new lease of life online. When researchers looked in 2015 at the websites of retailers from the largest 150 group, they found 75% of sites showed extra items that the shopper might buy. “When retailers place products by the till in stores it works really well,” says Modenova. “Our study shows most retailers use similar approaches online to those that work so well in-store.”

54%

of Top500 websites lack dropdown suggestions from search boxes

Online-only retailers generally merchandise better despite having less site traffic, on average

44%

of home and garden retailers use social validation on the product page compared to 36% of retailers overall

Newness of stock and advanced site search helped make John Lewis the top retailer for 2015

Change from last year

15%

decrease in retailers promoting social sharing on the product page

17%

increase in dropdown suggestions from search box

Measurements in our research:

- number of images for the average product
- integration of social validation, such as Facebook likes
- relevance of search results
- cross-selling
- visual appeal and optimisation of the landing page
- newness of stock
- discounting and promotions

Research covers the largest 150 retailers in the IRUK 500

© ⓘ \$ ⓘ IRUK 2015
www.internetretailing.net/IRUK

LESS PRODUCT INFORMATION

Telling consumers about the products they are considering buying is a necessity for effective sales. Last year, we found almost 90% of retailers showed extra product information, beyond basics such as name and price. This year, we went further and analysed the quality of additional information, awarding a high index value to 32% of traders. Consumers electronics retailers stood out – this was the sector where we found the highest quality of additional information. It was followed by the stationery, books and craft sector. There are other tools that retailers can also deploy to inform customers about their products. But Top500 findings show that only 40% of retailers show stock availability on the website.

SOCIAL SHARING

Enabling shoppers to share their retail purchases or wishlists over social media can mean items are seen by more people, who have an interest in knowing what products their friends like. We wanted to find out how many of our largest 150 retailers enabled shoppers to do this, through social media sharing or 'like' buttons. According to our Top500 2015 research,

68% did so. We expected to find, thanks to reports of the growing importance of the selfie in fashion, that clothing websites would be the most likely to enable social merchandising of this kind – and our expectation was confirmed. Some 21% of fashion retailers provided social sharing. That category was followed by home, garden and DIY, where 12% enabled sharing. Last year, 36% of retailers gave shoppers the opportunity to 'like' their brand or product, with use more prevalent in the general fashion sector, followed by home, garden and DIY.

“These retailers are trying to give their customers as many options as they can,” says Modenova. “They realise that social media is an important factor in drawing customers to the website, generating additional web traffic and, ultimately, sales.” ●

Merchandising



2015 Results – the top performers in this Dimension

Share your thoughts on #IRUK500 with @etail



For the full Top500 listing, see the IRUK 500, 2015, on page 16.

The full list of the Top500 clustered by performance segment is available to download at www.internetretailing.net/iruk

Congratulations to the retailers that have stood out in this Dimension.



The full rundown of the IRUK 500, 2015, as measured across six Dimensions: Strategy and Innovation, Customer, Operations and Logistics, Merchandising, Brand and Engagement, and Mobile and Cross-channel.

Share your thoughts on #IRUK500 with @etail

Elite

Amazon
Argos
House of Fraser
John Lewis
M&S



Leading

Asda
Boots
Clarks
Debenhams
Halfords
Homebase
Mothercare

New Look
River Island
Schuh
Tesco
Topshop
Waitrose



Model

Asos	Game	Pets At Home
B&Q	H.Samuel	Sainsbury's
Bank	Maplin Electronics	Screwfix
BHS	Matalan	Superdrug
Burton	Miss Selfridge	Superdry
Carphone Warehouse	Monsoon	Topman
Currys Digital	Morrisons	Wallis
Evans	Next	Waterstones
F&F	PC World	



Top100

Accessorize	eBay	Laura Ashley	Sports Direct
American Golf	Ernest Jones	Lloyds Pharmacy	Staples
Ann Summers	Euro Car Parts	Majestic Wine	TK Maxx
Apple Store	Evans Cycles	Mamas & Papas	Ted Baker
Bathstore	French Connection	Moss Bros	Thomas Cook
Boden	Go Outdoors	Mr Porter	Topps Tiles
CarpetRight	H&M	Net-A-Porter	Toys R Us
Claire's	Harrods	Ocado	The Train Line
Decathlon	Hobbs	Office Shoes	USC
DFS	Hobbycraft	Post Office	Warehouse Fashion
Disney Store	HSS Hire	Richer Sounds	White Stuff
Dorothy Perkins	IKEA	Ryman	WHSmith
Dunelm	Jack Wills	Samsung	Wiggle
Early Learning Centre	Lakeland	Selfridges	Zara



Top150

Adidas	Furniture Village	Karen Millen	Sony
All Saints	Games Workshop	Lastminute.com	Specsavers
AO.com	GAP	Lush	Spotify
Blacks Outdoor	George at Asda	MandM Direct	Thorntons
Blue Inc	Goldsmiths	Optical Express	Toolstation
Bonmarché	Google Play	Pandora	Urban Outfitters
Burberry	Groupon	Peacocks	Viking
Coast	Holland & Barrett	The Perfume Shop	Virgin Holidays
Costco	HP	Poundstretcher	Vision Express
Dabs.com	Hugo Boss	Pret A Manger	The White Company
Ebuyer	iTunes & App Store	The Range	The Works
Expedia	JD Sports	SCS	
Fat Face	Joules Clothing	Smyths Toys	



Top250

Abercrombie & Fitch	F Hinds	Lyle & Scott	Radley
Arco	Footasylum	M&Co.	Ralph Lauren
Austin Reed	Forever 21	Machine Mart	Reiss
Beaverbrooks	The Fragrance Shop	Mango	Rohan
Berry Bros. & Rudd	The Garden Centre Group	Massimo Dutti	Russell & Bromley
Blackwell's	Graze	Mint Velvet	See Tickets
The Body Shop	Habitat	Missguided	Shoe Zone
Boohoo.com	Harvey Nichols	Moonpig	Simply Be
Boux Avenue	Hawes & Curtis	Mountain Warehouse	Snow + Rock
Brantano	Heal's	Mulberry Company	Space.NK
Bravissimo	Home Bargains	Multiyork Furniture	Speedy Services
Calumet Photographic	Hotel Chocolat	Netflifx	Surfdome.com
Cath Kidston	Interflora	Nike	Sweaty Betty
Chain Reaction Cycles	Jaeger	Notonthehighstreet	Thomson
Charles Tyrwhitt	Jigsaw	Novatech	Tiffany & Co
Countrywide Farmers	Jones Bootmaker	Oasis	TM Lewin
Crew Clothing	Just-Eat	Oliver Bonas	Uniqlo
Dulux Decorator Centres	Kiddicare	The Original Factory Shop	Very
Dune London	Kuoni Travel	Outnet, The	Wagamama
EAT.	Kurt Geiger	Paperchase	Wex Photographic
Ecco	Laitwhaite's	Paul Smith	Whistles
Ellis Brigham Mountain	LEGO	Phase Eight	Wickes
Sports	Liberty	Photobox	Wilko
The Entertainer	LivingSocial	Printing.com	Yours
(TheToyShop.com)	LK Bennett	Pull & Bear	
Euronics	L'Occitane	Quiz	



Top350

Abel & Cole	Dyson	Jacamo	Play.com
Agent Provocateur	EAST	Jacques Vert	Plumbase
Aldo	Edinburgh Woollen Mill	Jamie Oliver	QVC
American Apparel	Esprit	Jewson	Robert Dyas
Anthropologie	Estée Lauder	Jimmy Choo	Rowlands Pharmacy
ATS Euromaster	Etsy	JoJo Maman Bebe	RS Components
Axminster Tools	Euroffice	Kitbag	Superbreak Holidays
Bare Escentuals	Farrow & Ball	Lipsy	Sweatshop
Barker & Stonehouse	Feelunique.com	Long Tall Sally	Thomas Pink
Ben Sherman	Flannels	Made.com	Thompson & Morgan
Bershka	Fortnum & Mason	Matches Fashion	Timberland
Book Depository	Fossil	Menkind	TJ Hughes
The Book People	Fragrance Direct	Microsoft	Toast
BrandAlley	Fraser Hart	Misco	Trespass Clothing
Brewers	Freemans.com	Mobile Fun	Tripp
CC Fashion	Gant	Moda in Pelle	Vente-privee
Charles Clinkard	Getting Personal	Mole Valley Farmers	Victoria's Secret
Co-operative Pharmacy	Gucci	Molton Brown	The Watch Gallery
Cotton Traders	Hallmark	Musto	The Watch Hut
Crabtree & Evelyn	Harveys Furniture	National Trust Shop	Wedgwood
Deichmann	Hillarys Blinds	Nisbets	Whittard of Chelsea
Dell	Hi-Tec Sports	Oakley	Zalando
Diesel	Hollister	OKA	
Direct Golf	Hughes Direct	On the Beach	
DKNY	Hut, The	Orvis	
Dr. Martens	isme	Overclockers	



Top500

24Studio	Bulk Powders	Dreams	J Crew	National Geographic	Sunglass Hut
Alexandra	Buyagift.com	Emma Bridgewater	JD Williams	North Face, The	Superfi
Alfred Dunhill	Calendar Club	EXPANSYS	JML	Notcutts Nurseries	Suttons Seeds
Alibaba.com	Calvin Klein	Farfetch.com	Joe Browns	Office Team	Swatch
Appliances Direct	Camper	Farr Vintners	John Smith	Outdoor & Country	TAG Heuer
Approvedfood.co.uk	Card Factory	Feather & Black	Joseph	Pavers Shoes	Tate Shop
Aspinal of London	Cargo Home Maker	Figleaves.com	Joy	Planet Organic	TH Baker
Avon	Cartier	Firebox	La Redoute	Poetry Fashion	Thomas Sabo
Baker Ross	CCL Online	Fired Earth	Lacoste	Prada	TimeToSpa (Elemis)
Barbour	Character	Fittlop	Land's End	Pretty Green	Timpson
Barrhead Travel	Chemist Direct	Foyles	Laptops Direct	Printerland	Tommy Hilfiger
BBC Shop	Christy Towels	Fred Perry	LED Hut	Protyre	Trueshopping
Beales	Chums	Glasses Direct	Leekes	Puma	TTS Group
Belkin	Clintons	GNC	Liz Earle	QD Stores	Vax
Bench	Craghoppers	Great Little Trading	Logitech	Rapid Electronics	Virgin Wines
Bensons For Beds	Crocs	Company	LookFantastic.com	Reebok	Vivienne Westwood
Berghaus	Cromwell	G-Star Raw	Lovehoney	Roman Originals	Warren James
Bettys	Cruise	Guess	MAC Cosmetics	Route One	Weldricks Pharmacy
Bondara	Cycle Surgery	Hackett	Mappin & Webb	Scotts of Stow	Woolworths.co.uk
Boodles	Damart	Hamleys	Marisota	SecretSales.com	WorldStores
Bose	Demon Tweaks	Hello Fresh	MaxiShop	Sevenoaks Sound and Vision	Wynsors World of Shoes
Bradfords	Denby	Hello Fresh	MoMa Store		Yankee Candle
Brandon Hire	DietChef	High & Mighty	Monica Vinader	Slaters Menswear	Yeomans Outdoor
Brora.co.uk	Dobbies Garden	Hornby	Morrison's Cellar	Smythson	Leisure
Build-A-Bear	Centre	Isabella Oliver	My Protein	SportsShoes.com	Zavvi
Workshop	Dolphin Music	itsu	Naked Wines	Sterling Furniture	



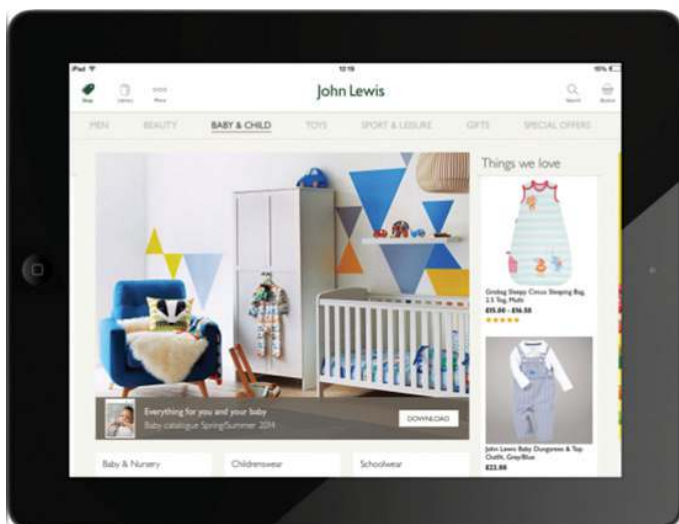
Looking good from all angles

Now that shoppers expect to channel-hop at will as they shop around the clock, how can retailers most effectively display products? Mark Felix, online trading director at John Lewis, offers his perspectives to **Chloe Rigby**

MAKE NO MISTAKE, says Mark Felix, nothing that technology now offers comes close to the experience of seeing products in a store. “No matter how hard we try,” says Felix, online trading director at John Lewis, “we cannot replicate being able to pick up a product, feel the texture, the weight, being clear on the size and whether it’s right for you.” It’s only in the store too that shoppers can most easily ask a member of staff for advice, before buying and taking the item away immediately.

But online offers unparalleled ease and convenience to the time-pressed shopper who finds it easier to look for a product from a smartphone on the commute to work, or from a tablet computer while relaxing on the sofa of an evening.

Managing those twin pressures is what modern cross-channel merchandising is all about. Retailers improve the way they explain products both online and in-store, says Felix, by understanding how shoppers buy, and what inspires them to do so.



“Retailers need to have an experimental mindset, learn quickly – and be prepared to fail”
Mark Felix, online trading director, John Lewis

We’ve come to a real leader in the field for advice, listening to Felix speak at Internet Retailing Conference 2015, before following up with an interview. IRUK 500 research places the department store trader at the top of the Elite group for merchandising. It’s perhaps no coincidence that the retailer has a particularly strong understanding of the way its customers buy.

Data from customer transactions – and especially those of the 1.6m holders of the myjohnlewis loyalty card – tells the retailer that 30% of its sales are now made online, of which 50% are picked up via click-and-collect services. Of that 50%, 60% are collected from branches of sister supermarket Waitrose. Today, John Lewis sees roughly as much traffic via tablet devices as from desktops, and typical shopping journeys include as many as three different devices.

But understanding shoppers goes deeper than that. Statistics from PPC and organic search, for example, explain how customers arrive at the John Lewis website to look for products, while analytics show how customers move around the site, whether that’s searching, moving through navigation or being inspired to look through online displays or imagery – and what makes them leave. “I think as an industry,” says Felix, “we underestimate the opportunity to really understand how our shoppers shop onsite.”

He draws the analogy of a store in a shopping centre. There, a retailer might focus on conveying its brand, price, value and range through the windows and entrances that face into the shopping centre, only to discover that a significant number of customers are coming in through the neglected car park entrance because it’s more direct. “I sometimes see a total focus on the home page,” says Felix, “and for some retailers 30%, or maybe even 70%, of customers don’t come in through the home page and don’t interact with it. By knowing your products and how shoppers can shop your site, you can make sure you’re focusing in the right areas.”



The data shows that shoppers have very varied approaches to buying, which change with the category. “For a customer buying furniture, what’s really important might be inspirational imagery and understanding how the sofa or chair would fit in,” says Felix. Ensuring furniture dimensions and product details are correct is important, while traders might also potentially set the scene with a ‘get the look’ feature cross-selling accessories.

In John Lewis’ Oxford Street store, for example, Cimagine augmented reality technology shows shoppers from all angles how a 3D computer-generated piece of furniture might look in the home. In the York store, shoppers can touch and feel the John Lewis range of sheets for themselves before using iPads to find more information, view the extended range and, potentially, check out a purchase online. In-store free wi-fi enables shoppers to browse the mobile website or app from their own devices. Apps cater for different buying situations: while the smartphone app has a barcode scanner enabling in-store shoppers to access

information and the all-important reviews, the tablet app is about inspiring through use of imagery. ‘Add to wishlist’ functionality across all apps and websites means shoppers can browse on one device before moving to another.

But small changes to merchandising can make a real impact too. “I think there are a lot of gains to be had, a real ability to move the needle by focusing on consistencies,” says Felix. Ensuring product images and product explanations are clear, and setting a daily discipline of readying and optimising a site for the hours ahead drives improvement. “The sad fact is that if your site doesn’t give good imagery or brilliant content, the customer will leave and buy it in a shop or, most likely, go to another site where they do have good imagery and buy it there,” says Felix.

Understanding how shoppers buy can shape the customer experience further, both online and offline. Retailers that see the extended range is frequently scanned in one part of the store might open up more space for the range, while technical questions about a product might prompt retailers to place more staff or a service desk at that point.

Not all retailers have the merchandising resources of a John Lewis. We asked Felix for his top priorities for those with shallower pockets. His answer was simple: “Understand the end-to-end customer journey, and work piece by piece. Have an experimental mindset, learn quickly – and be prepared to fail.” ●



Asos: style and content

AS THE UK'S largest independent online fashion and beauty retailer, selling more than 80,000 branded products from more than 800 brands, presentation has always been key for Asos.

The company works hard to inspire its customers with content that goes beyond stock images to include the *Asos Magazine*. This is a monthly trend, styling and celebrity-content magazine sent as a print version to more than 475,000 customers and in digital format to a further 50,000. The latter is sent via Asos' Fashion Up app, which allows all products featured in the magazine to be bought from the site.

Shoppers can also be inspired by the Asos stylists – who customers can follow on social media and chat with via Twitter or live chat. So far, 850,000 customers have signed up to follow the stylists globally.

Asos offers customers the chance to inspire their peers with its AsSeenOnMe feature, launched in 2014, which allows shoppers to upload their own looks and add tags so that other shoppers are able to emulate the look. Engagement is key and, as of October, Asos now has 12m followers across its social channels, and publishes more than 2,000 pieces of fashion and lifestyle content every month to build brand awareness.

Asos provides comprehensive information at the browsing stage. As well as standard static images, shoppers are also able to 'view the catwalk', launching short video clips of models wearing the products.

Additional detail is provided, from type of material to fit, washing instructions and sizes worn by the model viewed. Various products also allow shoppers to shop the look, allowing them to add similar items. The retailer also offers full social sharing with Twitter, Pinterest, Facebook Like and Facebook Shares and Google Plus social buttons below each products.

Shoppers are able to save items, compare and send gift lists, and since 2014 have also been provided with a relevant product edit based on their purchase and browsing histories.

The company launched a zonal pricing capability this year, which has now been implemented on 113 brands across six countries as of October. The move has seen volume uplifts as a result.

Mobile is hugely important, with 44% of orders placed via the channel, and localised versions of its app launched for France, Germany, Italy, Spain and Russia earlier this year, and China in

September. The company has also launched a 'New in' app in the UK and Denmark, an Apple Watch app and a mobile news website, 'ASOS Likes'.

Its international sites are also tailored to each market, with country-specific sites and product ranges. "This doesn't simply mean rearranging the items we already sell on the website. It means we buy, and plan differently, for our customers around the world," says Asos on its site. ●











96%

Index value relative to best

Ebuyer: paying attention to detail

WITHOUT STORES AND with tough, price-based competition, standing out from the crowd is vital for Ebuyer.com in the computing and electricals market. Without question, this is something that Ebuyer achieves. With more than 70,000 high-quality own-brand and leading-brand products to its name, the retailer is one of the UK's largest online retailers of electrical and computer products, selling everything from televisions to food processors. It was one of only two pureplays to achieve Elite status in the Merchandising Dimension, the other being fashion giant Asos.

Having started its life as a computer components retailer, and with the expertise of the founders of Wren behind it, Ebuyer knows that attention to detail is key. It says on its website that it has a simple business

philosophy to “give customers and businesses what they want, when they want it”. This focus on delivering on customer needs means that effective online merchandising is crucial if the business is to stand out from its competition, and is why the retailer scored so highly in our research.

Its website has been designed to be as easy to navigate as possible, allowing customers to self-serve if they want to do so. They are able to store and view previous orders and compile a wishlist of products.

The site also includes a comprehensive review centre – designed to improve transparency of the retailer's service, as well as offer information on which are its highest-rated products. The retailer launched a partnership with social commerce platform provider Reevo in 2013, which sees Reevo handle customer reviews for Ebuyer, as well as extending to the retailer's call centre to support customer service. The capability is also used by Ebuyer's purchasing department in order to help it choose the right products.

“By partnering with Reevo, we are now able to provide verified reviews to our customers to assist them in the buying process,” Ebuyer's commercial director, David Wood, told *InternetRetailing.net* at the time. The reviews even extend to rival retailers of Ebuyer – allowing customers to decide who to buy from – a brave move indeed and a perfect illustration of how confident Ebuyer is of its online offer. ●



Topps Tiles: browsing first

DESPITE HAVING A store network of more than 300 stores, Topps Tiles recognises that its shoppers are browsers first and foremost – preferring to research via the company’s online store before visiting a showroom in person. To this end, how well the company merchandises its products online is vital. More than 75% of the retailer’s customers use the website at some point and 99% visit a store, so an innovative merchandising strategy that embraces both channels is crucial to the company.

In a 2014 report, Topps Tiles had already boasted of rolling out its latest display and merchandising treatments across its entire estate – including new natural stone displays, extended use of image boards, new counters and navigational signage, accessory displays, and clearer pricing and POS materials. In September, it said it was trialling further merchandising changes in-store.

Online, the company is also seeing continued success with its online room Visualiser. The online tool was initially launched in April 2015, and allows customers access to multiple room sets and more than 1,3000 tile choices. The tool allows customer to select a blank room to decorate, choosing the products and grouting of their choice. They can make further edits, such as rotating tiles or changing laying patterns to make a more informed buying decision based on how a room will look. Users are also able to email, print or share their decorated room via social channels – enabling them to get the all-important peer feedback that could cement their buying decisions. As well as being available online, the Visualiser is also available via in-store iPads, which have been rolled out to Topps’ entire store network.



“Visual aids are a staple piece of kit for many tilers and tradesmen, so that they can show customers how their bathroom or kitchen will look before they are confident in their choice of tiles,” said Sian Austen, head of online for Topps Tiles in April. “But increasingly, we’ve seen that consumers want to fully visualise and experiment for themselves too, whether embarking on their own DIY projects or specifying their own tiles. The Visualiser lets the individual become the designer, and play with different styles and ideas within a great virtual space before they buy.”

However, the Visualiser wasn’t the only merchandising change at the time. It accompanied a wider online makeover, which saw the creation of a style and inspiration section on the company’s website, designed to better show off products and inspire customers. The new section launch included a new blog featuring hints and tips from top interior journalists and stylists, a Topps Tiles look book, customer images and a selection of how-to videos – the latter an increasingly important option for retailers looking to inspire customers in the field of DIY. ●



Mothercare: mobile initiatives

SERVING THE NEEDS of busy parents-to-be and new and existing parents of young children, Mothercare has had to put a clear focus on online merchandising to enable the best customer journey for its customers. In the last year, such investment has paid off, with the retailer reporting both online and mobile sales increasing significantly in the period – with mobile now accounting for 82% of all online sales.

In September, it added digital receipts to its app, with product images that link to the product details within the app and allow shoppers to access their in-store purchase history in one location. “Bridging the gap between online and in-store is a huge focus for us,” Chris Bertin, group mobile commerce manager for Mothercare, told *InternetRetailing.net* in September. Its apps also include everything from information on baby development to a name finder and music. Such a wide range of features not only helps improve customer loyalty, but ensures continuing relevant reasons for customers to choose Mothercare and a better ability to keep in touch with the customer on the go.



The increasing trend for such shoppers to both research and buy online means clear information is vital – especially since the company’s predominant market are digitally savvy 25-to-35 year-olds. The retailer plans further investment in improving the customer experience on its website, expanding mobile, video and social capability whilst also integrating its digital and in-store experience through click and collect. This year has also seen the retailer equip its staff with iPads in all stores in order to allow them to access the online content – including photos, videos and customer reviews – in order to better assist customers.

The retailer is also working on further improvements in terms of presentation, with plans to improve both photo and video presentation, and customer reviews.

Mothercare is also improving what it sells with an expansion of its product ranges – both online and in-store – in order to improve the quality and newness of its product range. This year alone, it has introduced new brands to its range such as Mamas & Papas, Converse, Mamalicious and iCandy, as well as increasing exclusivity across its product categories. ●



mothercare

UK 2015
LEADING

IRUK 2015



90%

Index value relative to best

12 approaches that work

Techniques to improve the effectiveness of merchandising range from technical fixes such as data analytics through to something as simple as improving website design. But whatever their provenance, here are a dozen techniques that have proved effective. By **Paul Skeldon**

1 Good site design matters

The first and perhaps most basic step to good online merchandising is to make a website look good. Sounds simple, but what this really means is to design a site so that it offers the balance between images that sell the product, just enough text to answer the questions everyone asks, and the ability easily to access the information that you may want. But again, that isn't as simple as it sounds.

John Lewis has, arguably, one of the best sites around, with a clean and clear layout that relies on pictures to aid the shopper through to what they are looking for. Thought has gone into how the images are used, both to show off the products and to allow for simple navigation. Minimal text also aids the process on the home page. Clicking through yields more of a grid and the experience errs towards standard ecommerce website as users drill deeper in – not that there is anything wrong with that.

The John Lewis website uses crisp and clear imagery to help customers navigate their way around



Save up to £100 when you trade in with Neff, Siemens or Bosch



Focus on footwear for fro



Up to 50% off selected toys

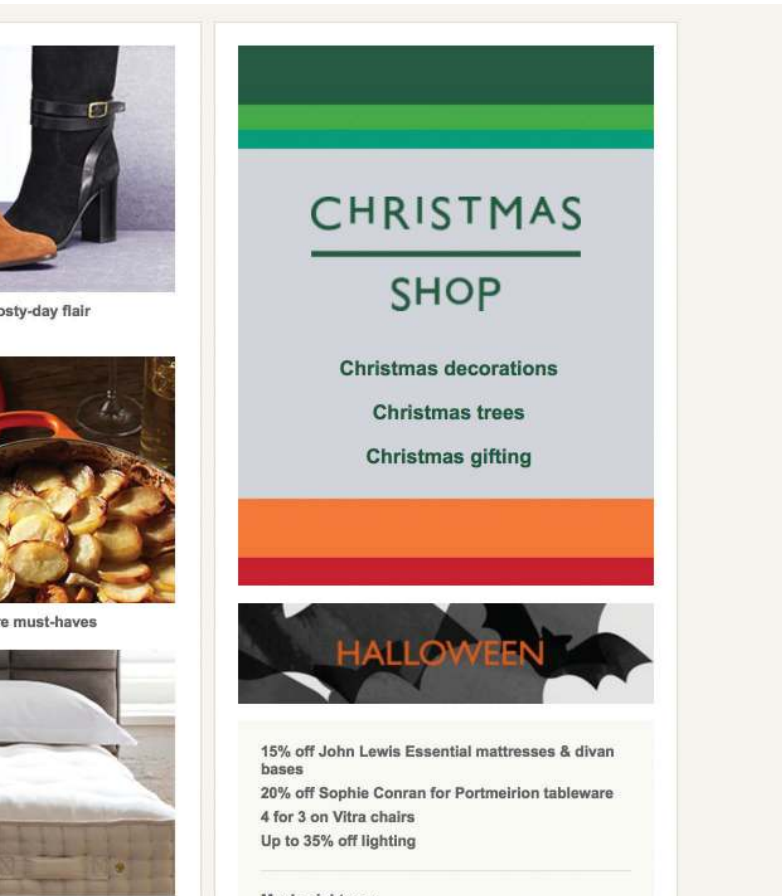


Warming winter cookwar



2 Good design on all devices

While having an exemplary site is the first step in good merchandising, today this has to be extended across all platforms, particularly mobile. The challenge here is to meet all the criteria of good site design, but on a variety of screen sizes, and for sites to be delivered, at speed, over a range of bandwidths. Load times and ease of use on mobile are crucial. A study by multichannel consultancy Practicology and UX testing provider WhatUsersDo, which got real people with their own devices to test the top 15 UK retailers' sites on mobile, found that 10 of them had loading problems – or 'conversion blockers' – that made many users give up on them. Chief among these was design, but also any site taking more than one second to download was deemed slow. Getting the look and feel right, and delivering that at speed on all devices, is crucial.



3 Consistency across devices

Retailers have to offer consistency across all devices that users may use – and that goes for apps too. Familiarity across all properties for a retailer is crucial in terms of customer experience, which is the bedrock of merchandising, in particular on merchandising. The layout of the site and the general 'look and feel' are crucial for brand consistency, but having consistent offers, deals and bundles on all sites is also key.

This isn't to say that you can't do different product pushes on different devices: that too can work. However, understanding where the consumer has come from or their previous shopping patterns across all a retailer's properties is crucial.

A first-time visitor to a site may well be happy to have a location-specific lead from a mobile site. However, one that has been looking on a website already may well want to see the same thing on their mobile when they return.

To achieve this, retailers need to understand who customers are and where they've been – and to do this you need data (see point 6). Retailers also need to look at deterministic versus probabilistic ways of predicting who people are. In an ideal world, customers have signed into a site and on mobile and so retailers know who they are. If not, then retailers have to rely on some heavy-duty data analysis from third parties to work out who people are and what they have looked at elsewhere.

4 Transferable shopping baskets

This commonality across devices also needs to include shopping baskets, and wishlists that transfer from device to device too, if merchandising is to be maximised. If retailers have done the work to persuade someone to put something in a basket, don't waste that effort should the customer try to check out on another device.

Getting things such as baskets to work across web, mobile and even an app is no mean feat. Typically it means that retailers have to get the consumer to sign up and log in – and stay logged in. This is a merchandising feat in its own right. The incentive that your basket will always be there from device to device is not probably alone enough to make someone sign up. So retailers have to look at how to make this feature more appealing. Offering the ability to store payment and delivery details is one way. Serving up newsletters, offers and content may work too.

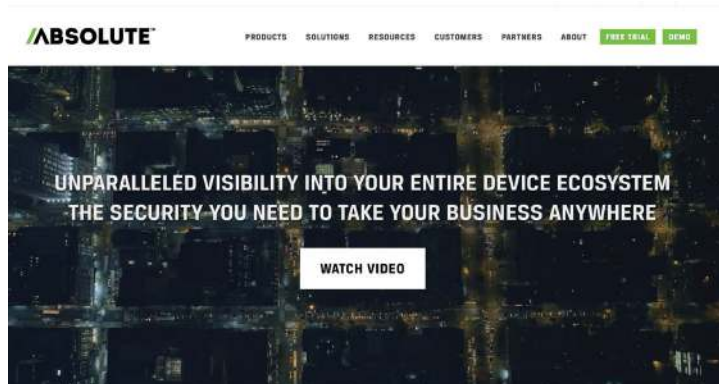
5 'Search merch'

Merchandising at the front end isn't just about look and feel, it is also about search. Basic site design and branding will go some way to luring consumers into a site or app, but the ability for customers easily to search from there is crucial. Good search isn't just about having a prominent search box on the home page – everyone has that – but more about the meta-tagging used behind the scenes to allow for searches to pull up what the user is looking for, but also what the retailer might want to sell to them based on what they are looking for.

Now, that is not to say that you give them pears when they search for apples, but intelligent use of search can be a way of merchandising elements of stock related to what someone is looking for.

6 Work any data that's gathered

The key to making 'search merch' and many of the other elements of merchandising work lies in data gathering and, more specifically, data use. There are a number of analytic packages that enable the collection of meaningful online data. The solution chosen should enable companies to monitor an unlimited number of products and price points, and provide advanced product mapping to ensure in-depth comparability of a trader's own products and those of competitors. A solution that gives retailers the ability to understand market maps – the trade-offs that customers are making with the retailer's brands and competitor brands – is crucial.



WHAT WE DO

Absolute Software markets itself via a trial that's free and includes premium add-ons. This has resulted in an increase in trial conversion rates

7 Experiment with offers

Outside of the site design, big data and all the other back-office things retailers can do, online merchandising still relies on seemingly simple and mundane promotions such as offers, bundles and trials. But the key is to experiment and test offers – which comes back to using personalisation and data, trials, demos, events notifications, personalisation and segmentation, analytics and testing tools to continuously to experiment by region, placement, types of customers and their behaviours, or products and services being sold.

Test and experiment: see what works in the market, segment customers and push merchandising options accordingly. Do not stop at the customer acquisition stage, merchandising can be done at all stages of the digital commerce lifecycle. A company can push discounts in customer portals areas when people want to unsubscribe from a service, or focus on specific segments of customers on improving frequent visitors to a retailer's website.

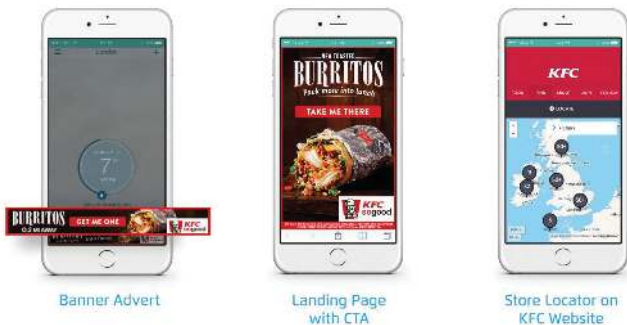
An example here would be Absolute Software. The company changed its trial model from free with minimal input to free with premium add-ons, and it worked wonders. It saw a five-fold increase in trial conversion rates and an optimised user experience.

8 Utilise mobile offers

One of the unique attributes that mobile brings to the merchandising party is location – and to some extent context – of customers, and this is a perfect lever to pull with offers. As part of the merchandising process – and the test-and-trial methodology outlined above – look at how to use mobile specifically to drive sales on any channel. An example to follow here is chicken emporium KFC, which has shown that mobile location-based promos do actually work, with a three-month trial driving increased footfall and a very impressive click-through rate to its site.

The campaign launched in March this year to promote KFC's burrito range. In addition to an uplift in store visitation, the campaign showed that engaging with customers near KFC stores drove a click-through rate 40% above the industry benchmark.

The company behind it – xAD – has also done work for Starbucks and ASDA, both of which drove an average boost to store visits of 60%.



In March 2015, KFC began using mobile location-based promos to promote its burrito range



Restaurant chain Zizzi has employed gamification techniques in its ZizziTacklesCancer campaign

9 Gamification is becoming important

People like to play, so making marking, interaction and buying in to a game is a clear way to develop merchandising – and it works well across all channels: online, mobile, in-store and social. An example here is restaurant chain Zizzi, which is using gamification as part of its ZizziTacklesCancer campaign in the UK.

The innovative campaign, using 3radical technology, is aimed at taking customer engagement to a new level by combining online, mobile, social and in-restaurant experiences across its 140 restaurant outlets. Initial results from the campaign have already seen a threefold increase in email click-through rates, an engaged audience of repeat players, significant social sharing reaching new customers and importantly for Zizzi additional donations to Stand Up to Cancer.

Consumers are able to access an online scratch card via their smartphones on Zizzi's Facebook page and mobile-optimised website, driven by the 3radical Voco platform.

Rewards include instant vouchers and entry into a draw for the opportunity to train with England Rugby teammates, Jonny May and Alex Corbisiero or to win a trip to New York.

Consumers can increase their chances of winning by supporting Stand Up to Cancer, getting friends involved socially, visiting Zizzi and redeeming vouchers, and over time through a range of additional motivational mechanics, both in and out of restaurant.

The high engagement rate for the online scratchcard – across all of initial plays, repeat plays, social engagement and donations – is mirrored by 3radical's recent survey of consumers in the UK, where 87% of consumers have said that they are looking for a fun, rewarding and relevant experience in return for reading brand messages.

10 Virtual reality

As technology evolves and new gimmicks arrive on the scene, it is important to assess them and see where they fit into a merchandising strategy. While the key is personalisation and a lot of data mining, fun is a big part of merchandising, as we have seen from looking at gamification. One technology that has in some ways struggled to find a home – and while it does so has played a role in merchandising – is virtual reality (VR).

VR lets you imagine what you think goods will look like on you or in your home – a sort of digital try-before-you-buy idea.

Opticians such as Specsavers have been trialling this technology – admittedly with mixed results early on – and it is starting to spread to the mainstream world. Furniture retailer DFS has installed the technology in its stores to help customers assess what big-ticket items may look like in the home.

VR has played a part in the company growing 17% over the past year and taking around 40% of all upholstery sector web traffic.



House of Fraser utilises augmented reality technology in its iPad and iPhone apps

11 Online visualisation

Akin to virtual reality, many stores, especially in the fashion apparel sector, are looking at how to use technology and mobile to virtually try on clothes virtually, or to see what furniture or decoration would look like in the home.

A leading proponent of online visualisation is Fitsme.com which provides the technology to let users share their measurements with apparel retailers and virtually try things on. This is great for consumers, but has a huge merchandising benefit for retailers.

Being able to try on and see what clothes look like is a great gimmick, but also a great incentive to buy. Retailers that create an interesting shopping environment are more sticky and consumers more likely to shop with them – and crucially, return to shop with them.

For the retailer, there is the added advantage of obtaining personal data about the consumer, which can aid in other aspects of merchandising and marketing. In addition, the data can also help with stock control because of the information it offers on sizes.

And it is not just in fashion where this works. Topps Tiles, a leader in the merchandising sector of the IRUK500 uses a Visualiser to help people assess how tiles and flooring will look in the home. This has contributed to Topps seeing revenues of £212m in 2015, up from £195m in 2014.

12 Augmented reality

Augmented reality is akin to virtual reality, but typically allows retailers to overlay something onto the 'real world' as viewed through a screen. It has been knocking about in retail for some years and, like virtual, has yet to find a true home, but it is quite an interesting technology for novel merchandising.

Asda has run Halloween-themed AR campaigns for the past two years, allowing those with the Asda app to see ghosts and ghouls – and offers – appear in the store when they hold up the camera enabled Asda app on a smartphone.

In another application of AR, House of Fraser introduced the technology to its iPad and iPhone apps, allowing customers to access apps and shop from immersive content such as videos, music, 3D product previews, recipes and 'lookbooks'.

The augmented reality function – called Scan and Explore – was introduced into the apps through integrating Layar AR technology with the Poq app commerce platform, the platform that powers all of the House of Fraser apps. Data on how well it has worked has yet to be published, but such a move by a forward-thinking merchandiser as HoF clearly shows that AR may soon be part of the mainstream merchandising cannon. ●

Access all areas

The age of the internet of things is upon us. But what does this mean for retailers and the business of selling? Giles Colborne, managing director with cpartners, tells **Jonathan Wright** what lies ahead

IN AN INCREASINGLY networked world, it really matters where the computers and other digital devices that connect to the internet are physically located. Why? First and foremost, because the location of such devices determines so much about how we conduct our day-to-day lives.

“It used to be that computing happened in special buildings, and then it was in special rooms in every office, and then it became on every desktop in every office, and now it’s in the palm of your hand on your mobile phone,” points out Giles Colborne, managing director of user experience specialists cpartners. “The next thing is computing is happening everywhere, and computing is just part of everything. That means you’re shifting from computing being something you do on a device to something that enhances the way you interact with the world.”

Colborne is describing what’s been dubbed the ‘internet of things’. It’s a term that’s more than just piece of jargon, but embodies some big and important ideas. Think about any object that has a barcode. “If you see a thing today and it’s got a barcode on it – and remember even your fruit has a barcode on it – in the future that thing will be ‘alive’ and talking to the internet,” says Colborne, “communicating with you, able to tell something about its relationship to you.”

To imagine how this will change our public spaces, think about a train station. At the moment, much of the space is given over to buying and selling tickets. “In the future, the ticket part of that will just be irrelevant,” says Colborne. “You will walk into a train station and it will just recognise you, and if you get on the train you’ll start being charged, and when you get off the train you’ll stop being charged.”

// If you’re selling services, you sell on outcomes. It’s a different way of selling, it requires retailers to have a completely different mindset //



“There will be information services that will be required, information services that say, ‘Hey if you catch a later train, it’s going to cost you less.’ But that huge, heavy infrastructure of tickets changes, and the things that are important are you and the train and the destination, a really radical change in the way that we interact with the world. The world just becomes a lot smarter around us.”

This isn’t just science fiction. “It’s one of those things where the future is already here, it’s just not evenly distributed,” adds Colborne, referencing a famous quote by the cyberpunk luminary William Gibson. “You can kind of see some of what I’ve just said in Oyster cards. You don’t need a ticket to get on the London Underground, you [can even] just tap your bank card, and you’re in. That’s kind of like the future I’ve talked about, a clunky version of it, and it’s already here.”

THE DECLINE OF OWNERSHIP?

For retailers trying to cut through and reach consumers, the implications here are profound. In great part, that’s because, within such a world, we will move towards consuming services rather than buying objects – a shift in the way we do things identified at the turn of the millennium by economic and social theorist Jeremy Rifkin, whose *The Age Of Access* rather grandly posited a “new culture of hypercapitalism, where all of life is a paid-for experience”. It’s a shift too from an era of one-off payments to an era when subscription models will be increasingly commonplace, even the norm.

“You’re going to go from a world where you have a washing machine and you buy the washing machine, and then quite separately you buy detergent, to a point where the washing machine and the detergent are all part of the clothes-washing service that you buy,” says Colborne. “The washing machine is going to upgrade its software, it’s going to self-diagnose, it’s going to self-dose on the detergent and then re-order the detergent for you automatically.” Tell the machine you want to change detergent, perhaps because you’re allergic to a particular product, and it may even make suggestions about different brands to try.

Because this represents a completely new business model – essentially selling the promise of clean clothes rather than different items – this potentially has a huge impact on those currently selling groceries and electronics. “Retailers are used to getting products together in one place and selling them cheaply,” says Colborne. “If you’re selling services, you don’t sell on features and price. If you’re selling services, you sell on outcomes. It’s a different way of selling, it requires retailers to have a completely different mindset. It’s going to start to break down barriers to what have traditionally been completely different retail areas, between your supermarket and your white goods dealer.”

To catch a glimpse of the future, think about Apple’s move to have a direct presence in high streets and shopping centres, and view this not as a backward-looking step but a way, for want of a better phrase, to sell the Apple experience, a vision of machines that talk to each other and make life easier. “Apple is a great example of a company that sells outcomes, not products, not features,” Colborne says. “I think Apple’s frustration at retailers’ inability to position and sell its products correctly is what led Apple to create its own stores, and it needed to do that to explain the difference between its products and other people’s. [These stores] are the most productive retail spaces on the planet.”

Other high-end brands will follow Apple’s example. “The highest-value, highest-margin brands are the

ones that are best placed to deliver the kind of high-value services that adding internet to products is going to create,” says Colborne. “If retailers can’t be good partners in packaging and selling those services, then those brands are going to need to go elsewhere.”

For some retailers, this kind of development will eventually represent an existential threat, especially if brands not only go direct to customers, but get choosier about which retailers should be allowed to carry products. Conversely, for those that adapt, learn to sell services rather than goods, there’s a huge opportunity. “The retailers that do this well will be ‘relationship retailers,’” says Colborne, “and that means they’ll be able to build very long-term revenue streams.”

FOR LOVE OF THE THING ITSELF

Yet all of this rests on the idea consumers will want to buy services rather than goods. Is that true? What about the rise in popularity of vinyl? Doesn’t that suggest people like the real world and physical objects? One way to square this circle is to think of buying and owning vinyl as an experience in itself, albeit a rather nostalgic one.

This in turn explains why so many vinyl albums are bundled with downloads or CDs. The underlying assumption is that, in reality, many consumers will play an album on a day-to-day basis via computer or smartphone. Furthermore, specialist music retailers such as Rough Trade are selling both vinyl and subscription services, where the company’s experts curate the best new songs and albums.

Even in old-fashioned retail then, the service model is gaining ground. Turning directly to the nitty-gritty of merchandising, this changes the way companies need to operate. Take personalisation. Quite correctly, and it’s arguably a necessary prerequisite to subscription-based selling, more and more retailers are targeting resources on getting to know customers, their likes and their needs. But what should retailers then do with this information?

Think about sending out promotional messages and vouchers. “There’s a slight paradox [here],” says Colborne. “As the cost of targeted marketing tumbles, then consumers are going to receive more targeted messages. That will make the messages increasingly irritating, so companies will try to make the messages more relevant to the people who are interested in a particular product at a time when they’re ready to buy, but if that becomes perfect you’re basically going to send messages or discounts to people who were going to buy anyway. Now you’re just cannibalising your margins on that business.”

In contrast, what retailers should be doing, says Colborne, is to add value by “aiming to solve people’s problems”. This changes the kind of messages that need to be sent out. In addition, if retailers have granular information about customers, there’s an inevitable temptation to try to sell these customers the kinds of items they’ve already said they liked. But what about the deeper art of merchandising, working out what customers don’t as yet know they want to buy?

It’s not just music retailers that are already using subscription models to help to solve this problem. “There are lots of clothing services, for instance, where you start off and you talk to a personal stylist,” says Colborne. “Then, as a subscription, that personal stylist sends you items of clothing every month, and you keep the ones that you like, and you send back the ones that you don’t like. So you could say those sorts of services are already here, and it seems plausible those sorts of services could expand and extend to other areas of one’s life.”

This is also another example of selling a solution, trying to make life easier. As the internet of things becomes more and more integral to our lives, the idea of retailers needing to make things easy for consumers will only become more important. The overarching point is that things will need to *work*. That’s what consumers will expect, because that’s what they’ll experience in so many other facets of life. Retailers need to adapt to this reality.

“We’re heading [towards a time], where you can talk to your devices about how you’d like things to turn out, and your devices will predict and make suggestions, and it will just happen,” says Colborne. “You’ll have this tailored, thoughtful, timely outcome, but you’ll also have that without the bother of needing to anticipate and learn and monitor and check and set – and that’s really powerful.” ●

Privacy matters

To sell personalised services, retailers need to take the issue of data security far more seriously. “Customers have legitimate concerns about data privacy and data protection, and companies have not been good at protecting people’s privacy and protecting people’s data,” says Giles Colborne.

This will involve in change in perspective at many companies. “[Companies have] treated people’s personal data as though it’s an asset they own and they can sell, and people are becoming more and more angry and sceptical about that,” says Colborne. “But that data is what is required to power internet-of-things services. Companies need to develop much stronger governance and management of privacy and security.”

If retailers don’t do this, there’s a risk the sector will lose access to this information. “Third parties who can be trusted to [keep data private and secure] will step in,” says Colborne. “Because that data is what powers the services, it’s a valuable thing. Well, companies had better start treating it like a valuable thing, otherwise they’re going to lose the very thing on which the relationship with customers is based.”

What customers want – and what retailers give them

InternetRetailing researcher **Polina Modenova** considers what the research says customers want from online merchandising – and how IRUK Top500 retailers are serving them

DOES THE WAY that retailers present their goods meet customer expectations? Here are some of the key points we found when we took a look at secondary research into shopper preferences and compared it to our own findings of what the largest 150 traders actually do.

HOW WEBSITES LOOK

Website users prefer to get their product information from images rather than written information, according to Nielsen Norman Group (NN Group) Ecommerce User Experience research. It found that users like to look at larger product images in order to gather extra information about the products they are considering buying. This chimed with IRUK Top500 findings that the visual appeal of the largest 150 retailers' websites increased by 38% in 2015, compared to 2014. Our research found this group of retailers showed an average of 3.8 images on the product page.

At the same time, Top500 research found, while retailers may be using images to strong effect, they are tending to cut down or hide the product information that they provide. The NN Group study suggests customers want to see a product description as well as any extra information as soon as the product page loads, so that they can read it quickly and effortlessly. We think retailers' attempts to optimise the product page by minimising the product description may be counter productive since it may discourage customers from visiting the site in the future.

WHAT OTHER CUSTOMERS SAY

What other customers thought about an item really matters to online shoppers as they decide whether to buy. iPerceptions research found that customers are 63% more likely to buy if they buy from a site that has customer reviews. Figures from customer review specialist Reevoo suggest that product reviews add around 18% sales uplift. Top500 research, carried out this year, finds that 68% of the largest 150 retailers enable customers to leave reviews on their website. This suggests that retailers are trying to engage customers and promote their future conversion rate.

Bazaarvoice went further by calculated the effect of customer reviews on conversion for its client Figleaves.com. It tested same-product conversion in session comparisons and found the same product was 35% more likely to sell than when it had product reviews than when it did not.

It appears reviews are crucial and that retailers should encourage shoppers to leave as many as possible.

32%

of Top500 websites don't support customer product reviews



26%

fewer Top500 retailers support social sharing on the product page than this time last year

47%

of the Top500 have allowed customers to save a 'wishlist', a 37% increase on last year



The average product page has 3.8 images, the best have up to **18**

Research covers the largest 150 retailers in the IRUK 500

CC BY NC ND IRUK 2015
www.internetretailing.net/IRUK

SOCIAL INTERACTION

Does social sharing have any real impact on sales or conversions? The research suggests that it does, especially when selling to millennial shoppers, the generation born between the early 1980s and early 2000s.

The ShareThis Millennials study, carried out by tracking the online behaviour of more than 58m American members of this age group, found a generation of active sharers who are 3.6 times more likely to share content on social networks – and 2.3 times more likely to click on content shared by a friend. The study found they were twice as likely to buy a product that they had shared on social media. They also found that when shoppers were able to share their purchases after they'd bought them, they felt happier with their purchase. We say that not only does enabling social sharing from a retail website promote customer satisfaction but it also taps into additional market exposure for those products.

The Top500 2015 research found that 68% of the largest 150 retailers offer social sharing, making them well-placed to offer this important group of customers the services they want.

WISHLISTS

Wishlists can work as a merchandising tool by converting visitors into customers. It seems likely that enabling browsers to save their potential purchases on a wishlist has an effect in reducing shopping cart abandonment, and that it could also lead to customer retention.

Top500 research found that in 2015 nearly 34% of retailers provided a wishlist for their customer. That's 13 percentage points up from last year. Where the wishlist is located is likely to make a difference: adding one to a mobile app should help to generate customer excitement. It also makes sense that offering a wishlist will help to personalise a website and make it more relevant to the customer. ●

Conclusion

IN THIS REPORT we've taken a snapshot of merchandising today, noting progress made since last year. While this is a variable picture, there's a general sense that retailers are improving the way they show their products, improving images and enabling sharing through wishlists and social networks. If we had a quibble it would be around the diminishing use of product information, which we believe remains vital to customer communication.

Where do we go from here? What's the long-term strategy? As Giles Colborne says in our emerging practice feature, the future will lie increasingly in selling services rather than goods. Retailers will need to work out not just new ways of selling, but new ways of merchandising items that customers don't yet know they want. To do that successfully, the sales pitch must be both personal and relevant to the shopper. We foresee a rapid move towards personalisation at scale. As those at the cutting edge start to serve their web visitors and email list highly relevant messages and website pages, customers will start to expect this kind of personal attention wherever they shop. In essence, this is about improving the service traders offer shoppers through their merchandising. As some improve, other traders will need to move in that direction as well, and we expect that we'll see real differences when we revisit this area in coming years.

But if traders are to achieve this without exhausting their resources, they'll most likely need to find new and smarter ways to make their case. That's where new solutions and smarter approaches to merchandising will come into play, and we look forward to hearing of them as they emerge. For one thing's for sure: the way retailers sell will continue to change, and fast, in coming years. Retailers need to prepare in earnest for what lies ahead. ●





GLOBAL REACH. LOCAL EXPERTS.

GOING GLOBAL? WE HELP YOU LOCALISE YOUR PAYMENTS PROGRAM TO DRIVE MAXIMUM CONVERSION AND SALES.



Contact us for payment processing solutions, at home or abroad:

- ▶ www.digitalriver.com
- ▶ europe@digitalriver.com



GET READY TO GO GLOBAL!
DOWNLOAD OUR LATEST GLOBALISATION
CONTENT TODAY
<http://bit.ly/local-experts>

