IRUK TOP 500

DIMENSION REPORT

Strategy & Innovation: September 2017

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A Performance Dimension Report as part of IRUK 500 2017
InternetRetailing's UK Top500 Retailers, 2017

IRUK TOP 500

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From the editor-in-chief

THE FOCUS IS firmly on Strategy & Innovation in this latest IRUK Top500 Performance Dimension Report, where we've set out to understand what retail good practice looks like in 2017. Over the coming pages we map the approaches that leading UK retailers are taking as they work to deliver the highest service levels to their customers.

It's in this Dimension, more than any other, that InternetRetailing researchers, with support from our Knowledge Partners, take a big-picture view – and it seems an apposite moment for them to do so. That's because defining effective strategic approaches and new techniques is especially important at a time when there's more competition within the ecommerce and multichannel retail industry than ever, and more competition for shoppers' attention.

As Paul Skeldon writes in the strategic overview, footfall is declining and online growth is lacklustre. It's a challenging environment, and we see in this Dimension Report how standing out means performing at the very highest level. We hope that by showing how leading retailers are doing this, others will find insights that serve their own businesses well.

This year, our research focused largely on customer experience, mapped through analysis of metrics in areas from web download speeds to the time taken to answer a telephone, an email or a social media message.

Our approach is distinct from other measures of the retail industry because of our focus on performance. It's an approach that has unearthed some fascinating insights. One thing that especially caught my attention was the way that some methods, such as offering next-day delivery and collection, or the use of several images to illustrate a product, are growing in popularity, while others, such as same-day delivery, remain relatively unusual services. That means there are plenty of areas where there are opportunities for traders to differentiate themselves from other retailers. By testing new approaches, retailers may well find they can stand out in even the most crowded markets.

Our thanks go once again to our InternetRetailing Knowledge Partners for their generous contribution of datasets. We're always keen to hear from our readers with comments or suggestions for how we may better assess retail performance.

Ian Jindal
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THE IRUK TOP500 DIMENSION REPORTS SERIES

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

Reports each year that focus on:
- Strategy & Innovation
- The Customer
- Operations & Logistics
- Brand Engagement
- Mobile & Cross-channel
- Merchandising

You can download the latest copy of any of our Dimension Reports, along with the overall IRUK Top500 Report, via www.internetretailing.net/IRUK

Once registered, we will also send you the latest Dimension Reports as they are published, allowing you to keep abreast of the latest developments in the industry.

You can also find information about the IREU Top500, our new index of top European retailers, via the InternetRetailing website.

Editors’ comment

IT’S NEVER BEEN more critical for retailers to take an innovative and strategic approach, argues Paul Skeldon, in the strategic overview feature (page 8) that sets the context for this IRUK Top500 Strategy & Innovation Dimension Report. It’s about, he suggests, ensuring that innovation doesn’t just happen for its own sake, but within a strong strategic context. New approaches have to have an overarching rationale if they are to succeed with the ultimate arbiter – the customer. It’s the customer’s willingness to buy that will make the final judgement on whether a strategy succeeds.

Different strategies work for different retailers, of course. The suitability and effectiveness of different approaches very much depends on the behaviour and demands of existing and potential customers. We don’t intend to suggest in this Dimension Report that there’s a one-size fits all strategy that is key to success. Rather, we’re looking at the strategies, and the innovative approaches, that are being taken by retailers that lead in this area, and finding what we can learn from them about the development of the sector – such as about which measures are widespread or unusual, and where opportunities may lie.

We hear from Ross Clemmow, retail director at Debenhams, on the department store’s plans for a social shopping strategy and how that will work in practice, in our lead case study (page 22). We also analyse the strategies that work for Argos, Interflora, Mothercare and Superdrug (page 18), and we outline 12 approaches from leading retailers (page 24) that caught our eye.

Our emerging practice feature (page 29) focuses on how British retailers are harnessing machine learning and artificial intelligence in the next big technological leap forward.

We take an in-depth look at the research that underpins this Dimension Report in two features. Analysing the numbers (page 12) considers the data around what retailers do to improve their customers’ experiences, while our new research feature (page 31) considers how far advanced traders have got in their work to bring together stores and online through multichannel strategies.

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

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Creating customer-centric innovation strategies

Retailers need to put the customer at the centre of all they do

WE SEE A lot of pressure on retailers to innovate to catch up with the changing industry and evolving consumer behaviours. It's all about future-proofing your business and the best way to do that is to focus on how you can add value to your customers' journeys. We live in a service economy in which companies have transcended selling products – they're now selling experiences and brands get it right when they find innovative ways to engage and improve relationships with their customers.

A successful innovation strategy stems from gaining a better understanding of who your customers are, what they want and why. With accurate data at hand, retailers can make sure that the improvements they introduce give real benefits to their consumers rather than innovating for the sake of it. According to research from Forbes Insights and SAS conducted in February 2016, about three in 10 executives worldwide said they could already see 'significant' improvements in their ability to deliver a good customer experience thanks to their use of data analytics. Most of the rest said they were seeing at least moderate improvements and even more expected major shifts within the next two years.

Moreover, given the speed at which consumer behaviour is changing in our digital world, retailers need to continuously challenge their established practices through data collection to evaluate whether or not they are still meeting their customers' needs and addressing their pain points. But acting on what the data says is not such a straightforward task – research led by Econsultancy shows that a significant 54% of companies rate their ability to act on insights derived from customer data as 'poor' or 'very poor'.

However, if retailers are able to shift to a customer-first mindset, they're already in a good position. The single most critical factor in building a future-proof business, is to remain focused on creating better outcomes for customers at all times and at each touchpoint. We are already seeing many forward-thinking retailers investing in the latest technologies, such as wearables, artificial intelligence, or augmented and virtual reality, but ultimately, it is how this technology will be used that really matters. What's most important is to make it all relevant to a consumer's personal journey through the retail experience.

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Three steps to give your customers what they really want

barclaycard

Meeting evolving consumer demands isn't easy, but it's possible thanks to technology and flexible, scalable, payment solutions, says **Greg Liset**, Head of Propositions – Payment Gateways/POS/ Security & Fraud solutions at Barclaycard

Step one: Cater for social crowds

Did you know that checkout queues annoy 42% of shoppers? And that for an online retailer, just a half-second difference in page load time can make a 10% difference in sales? When it comes to shopping, customers don't want to wait. And the problem is exacerbated by the rise of social media.

Shoppers are increasingly 'see now, buy now': if they see something they like, in person or online, they want to be able to buy it immediately.

That's why social is such a powerful tool for retailers. PwC's Total Retail 2017 report found that nearly three-quarters of consumers have interacted with a retailer on a social channel. Interestingly, 40% of those spent more with that retailer than they would have done without the social interaction.

Live-streamed experiences on social media can also be a smart way to connect with your customers. Many millennials crave live experiences and are willing to spend to get them. So if you're set up to meet demand, technologically speaking, you could stream a live fashion show, for example, and let viewers buy clothes, shoes and accessories while they watch – with no need to switch channels and no delay.

Step two: Become truly omnichannel

Payment technology is bringing together online and offline stores. Think about click and collect – for this to work, your website, store and stock room have to work in harmony. This is omnichannel retailing described in its simplest terms.

Nowadays, customers expect click and collect. In fact, it's the third-most popular digital service in the UK. But retail isn't about keeping up; it's about getting ahead.

Step three: Get up to speed on the latest payment solutions

New payment technology has increased mobility (offline) and automation (online) in the customer shopping experience.

Websites can pre-store payment details to make checkout quick and frictionless on any device (1-click payments) – particularly mobile, where it's more of a hassle to enter billing and delivery details.

Customers can pay for travel without even seeing the payment being taken.

Digital payments can now be integrated into augmented reality mirrors.

Store staff can use mobile terminals to take payments wherever the customer is in the shop.

So you need to understand how online and physical shopping channels support each other. And the easiest way to stay on top of new payment options – other than to be a self-proclaimed payments geek like me – is to partner with the experts.

Barclaycard in brief

Company founded: 1966, the same year Barclaycard introduced the UK's first credit card.

Global reach: Barclaycard is a broad international payments business. In 2015 we processed more then £293bn in transactions globally. Barclaycard is a pioneer of new forms of payment, and is at the forefront of developing viable contactless and mobile payment schemes for today and cutting-edge forms of payment for the future.

To find out about how your business can get ahead of the game, visit our online payment solutions page: **www.barclaycard.co.uk/business/accepting-payments/online-payment-solutions**

Under pressure

Retailers currently face multiple challenges but, argues **Paul Skeldon**, InternetRetailing's mobile editor, adopting innovative approaches can help businesses to meet these challenges

RETAILERS ARE UNDER pressure from all sides. Customers equipped with the latest technology are making ever-greater demands on them, while economic pressures are making an already highly competitive market even more of a pressure cooker. Technology may be part of the problem but it is also the solution. Never has the strategic deployment of innovative approaches been more critical.

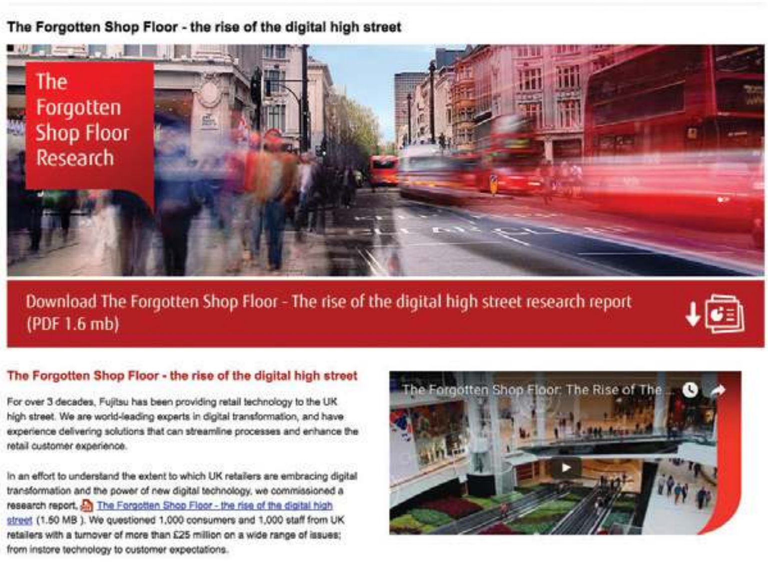


Image credit: Fujitsu

According to research by Fujitsu, most millennials think they get better information online than from staff in stores

Economic pressures

In last year's Strategy & Innovation Dimension Report, much was hung on the problems that Brexit would drop on the retail sector. A year later, the picture as to what a post-Brexit retail landscape will look like is no clearer. What is clear is that the uncertainty around Brexit has already started to hit consumer spending.

According to the latest figures from the IMRG-Capgemini e-Retail Sales Index, UK online retail sales were up 11% year-on-year in July – the lowest July growth rate for the Index in four years, and a contrast to July 2016's growth rate of 18.6%.

Similarly, sales and footfall across the UK's retail stores have also dropped. The latest BRC-Springboard Footfall and Vacancies Monitor shows that visitor numbers were down by 1.1% in July, and comes hot on the heels of BRC-KPMG figures for July that showed slowing online and offline retail sales growth.

Visitors to high streets (-2.1%) and to shopping centres (-1.3%) were both down, although retail parks saw growth of 1.7%. This represented the fourth consecutive month of footfall decline in shopping centres.

The problem stems from a two-pronged attack on retail. Falling consumer confidence is affecting sales month on month across the web and in the real world. Meanwhile, discounting and events such as Amazon Prime Day are seeing any extra sales that do come in via the web not translating into increased revenues.

According to Helen Dickinson, chief executive of the BRC: "Most shopping destinations saw a decline in footfall in July compared with the previous year. Even high streets, which have seen fairly stable growth over recent months, reported a decline. Retail parks were the exception and have fared relatively well since March this year, reflecting in part lower rental costs compared to prime and town-centre locations, as well as convenience for shoppers. The overall decline in footfall translated into weak sales performance for stores in non-food particularly, which fell further into negative territory as consumers rein back spending on non-essential items."

Online, dwindling consumer confidence in the economic outlook for the UK is having an impact. Justin Opie, managing director, IMRG, explains: "Conversion rates being up sounds positive, but the fact that it didn't deliver a similar boost to sales revenue growth suggests discounting was probably a factor in driving more visitors to complete a purchase. Prime Day is an established event in the calendar now and it may be exerting an impact judging by this month's results, although other factors – such as rising inflation and consumer confidence – may also be at play."

Taken together, these two sets of figures paint a picture of increasing bleakness for the retail sector. While we aren't in the doldrums yet, it looks very much like the economy is heading that way, slowly but surely.

Digital pressures

While the economic outlook may not be great, there are other pressures on retailers too. The digital consumer is forcing the pace of change in the ecommerce business. Technology may have launched ecommerce, but putting ever-more powerful computing power in the hands of shoppers has seen the balance of power shift from the retailer to the consumer.

Digitally obsessed consumers now demand instant gratification – often resulting in the need for instantaneous responses to queries; offers on things they are looking at there and then; and, the development having the greatest impact, wanting to be marketed to as an individual.

According to the recent *Buying Tomorrow* report by Salmon, 23% of consumers are digitally obsessed, making almost all their purchases online – and inclined to shop with digitally advanced retailers. These people put convenience and innovation ahead of brand names, with 88% seeing speed of delivery being more important than the brand being delivered.

Crucially, 57% believe they are more digitally advanced than some retailers, while 60% say they would be more likely to shop with a digitally innovative trader.

More than half (57%) say they can see why they might allow technology to buy goods for them automatically, based on their sets of product preferences. That's up from 53% the year before. Overall, 60% say that if a retailer were more digitally innovative, they would be more likely to shop there, while 73% say they plan to spend more in the future.

> Digitally obsessed customers demand instant gratification – often resulting in the need for instantaneous replies to queries, instant offers on items and wanting to be marketed to as an individual

The problem is exacerbated by young people being even more fussy. Research from Omnico finds that 70% of consumers under 35 want longer shopping hours, a single click-and-collect hub at shopping malls and a single digital loyalty programme – and that most retailers aren't giving them any of these things.

Similarly, Fujitsu's *The Forgotten Shop Floor* study out earlier this summer found that 70% of millennials think they have better access to information through technology than through staff in shops.

Add in that retailers now have to be ready to offer the best possible experience across multiple channels and through an array of devices, including new-fangled ones such as voice-controlled home hubs, and the challenges facing the sector appear harsh.

Innovative solutions

So what can retailers do about this? While the pressures of the economy are somewhat external to retailer boardrooms, meeting the increasing technological and experiential demands of the consumer can help fight both the battle to satisfy and the battle keep revenues on the up.

There are three main areas of technological innovation where retailers must focus in order to help create the revenue-driving experiences that shoppers crave: omnichannel personalised ▶

shopping; social engagement; and, perhaps most importantly, artificial intelligence (AI).

On the omnichannel front, many retailers are already working on how to pull together all the strands of their business, often using mobile as the 'glue'.

Leading UK pet store Pets at Home has launched a new iPad app across all its 434 stores to make it easier for customers to find products. Chris Holyland, ecommerce director at the company summed up what all retailers know at launch when he said: "We want our consumers to be able to learn about and order the right products across every channel, and mobility is at the forefront of this transformation."

He continued: "By customising Sales Assist, in collaboration with IBM and Apple, we are providing our consumers with access to an even bigger range of goods regardless of location. The unique tool allows our colleagues to confidently show product information, ratings and reviews from the shop floor, opening up opportunities to foster higher brand engagement and ultimately provide our consumers with the experience they expect."

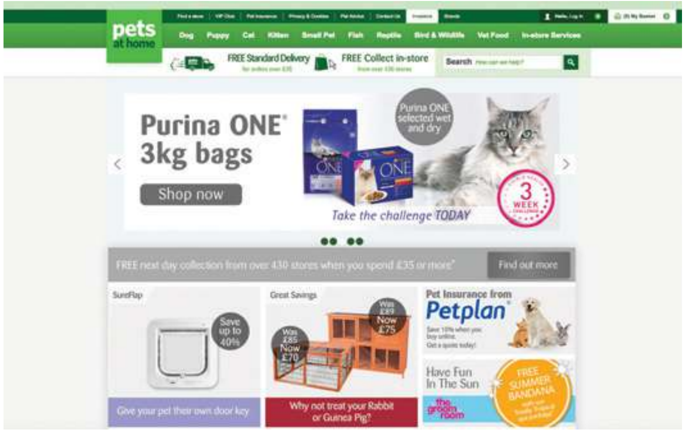
Similarly, Arcadia Group's seven brands — Topshop, Topman, Miss Selfridge, Evans, Burton, Dorothy Perkins and Wallis – are all getting their own online ordering in-store services.

Developed to improve in-store sales, efficiencies and customer service, the dedicated assisted sales application connects online with offline to bring all the benefits of the website to the physical store.

Simon Pritchard, group digital director of Arcadia Group, has said of the project: "We are always looking for exciting ways to develop our business and encourage new ideas and innovation that will resonate with our customers and improve their shopping experience, both in store and online. With online ordering in store, combining Red Ant's technology and wider industry experience with a highly customer-focused, evidence-based development process has delivered a major advance against our ambitions to provide a richer and more connected experience in store."

Retailers are also looking at how to pull in virtual reality (VR) and augmented reality (AR) to reshape the in-store experience. Consumers want VR and AR technology on their devices – a study by Mobiles.co.uk finds that enquiries about

Image credit: Pets at Home



Pets at Home has turned to an iPad app to help its customers find the products they want

VR-capable and AR-capable devices are up 300% this year – and those that have experienced these technologies say they are winners. Some 96% of consumers who have experienced AR in a retail store say they found it helpful and report that it has improved their shopping experience, a survey by Vista Retail Support has found.

In the purely online space, retailers need to be thinking about mobile as a main driver for innovation. Not only will mobile fuel in-store tech deployment, but it is driving what little growth there is. According to the latest BRC-Google Online Retail Monitor, the volume of searches from UK smartphones increased by 26% between April and June – the second quarter of 2017 – compared with the same quarter a year ago.

This mobilisation of consumers is also seeing social media becoming a more integral part of the shopping process for consumers. Salesforce's Q2 2017 Shopping Index suggests that as much as 6% of mobile traffic to UK retailer websites is now driven from social media apps, typically Instagram and Snapchat – more than in any other country.

Jamie Merrick, director of strategic solutions at Salesforce Commerce Cloud explains: "The days when we would wait to log onto a laptop or computer to buy a new shirt are far behind us. Mobile is quickly becoming the most disruptive force to retail since the arrival of ecommerce. Mobile saw the biggest increase in buying intent with growth of 48% year-on-year. Retailers that have a mobile-first approach are the ones that are winning."

He continues: "Social apps like Snapchat and Instagram are also playing a part in the increase in mobile traffic. In the UK, 8% of mobile traffic is driven by social – more than any other country globally. This trend highlights the importance of unified commerce across all channels – whether a customer shops in-store or is scrolling through Instagram and purchases on mobile, the experience should be consistent and easy for the customer."

Social media is also starting to be seen as the place to mine information about consumers that can then be used to create more personalised engagement and experiences. But to pull that off requires a huge leap in technology: artificial intelligence (AI).

The next step

AI has the ability to learn and marks the next big innovative leap that retailers need to make. AI can process vast amounts of data to spot the patterns and trends, groups and individuals that retailers need to target in real time if they are to live up the demands of their customers.

In the next five years, it will come to dominate online retailing, but retailers have to get in on the ground floor today to be able to evolve it. Some retailers are doing this. In this year's Top 50 retail initiatives from Webloyalty, innovations around AI in customer communication and supply chain operations claim numerous spots on the list.

"The various AI initiatives show how retailers are working hard to evolve customer journey. They are thinking outside the box and coming up with new ways to answer customer demand for convenience and immediacy, as well as looking for solutions to improve every step of the supply chain," says Guy Chiswick, managing director of Webloyalty, Northern Europe.

One company on the early path to AI deployment is retail sales aggregator Lovethesales.com, which has a unique problem to solve. It works with more than 700 multinational retailers, processing millions of products a day, separating out everything that's discounted so it can be displayed to consumers enabling them to shop every sale in one place.

With this comes the challenge of managing between 10 times and 50 times the number of items even the largest of retailers have in their product catalogues. Managing a product catalogue of this size is an insurmountable task for traditional merchandising.

Enter Minerva, the AI system developed by the retailer. Minerva's role is to understand what each product is, understand what attributes it has – such as product gender, colour, length, style, material, fit, pattern and so on – place each product into the relevant area of the site, and then to promote more popular products over less popular ones, dependant on a user's activity.

Minerva has managed to classify and categorise more than 1m products on its website, at a speed that could change the face of traditional merchandising. It completes a task that would take a team of 10 some four years to complete, in just under eight hours.

In fact, many retailers are starting to deploy AI to handle some tasks – Ocado to handle customer emails, Yoox Net-a-Porter to manage multichannel relationships to name but two – and it will be the increasing driver of customer service and lean business management in the years ahead.

But it is just part of the strategic innovation needed by the retail industry and part of a whole suite of technology that needs to be implemented. However, the true innovation will come from those businesses that see how technology plays will make them reshape their business structures – and that is a much bigger challenge for all.

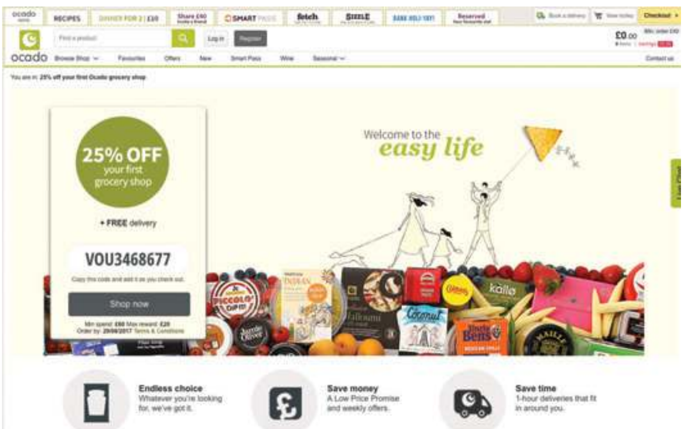


Image credit: Ocado

Online supermarket Ocado deploys artificial intelligence (AI) to help it manage its customer emails

Putting the customer first

Martin Shaw, head of research at InternetRetailing, offers his expert guide to the research that underpins this Dimension Report

GOOD CUSTOMER EXPERIENCES characterise the leading retailers in the 2017 IRUK Top500 Strategy & Innovation Performance Dimension. This year, we've put the emphasis firmly on assessing which retailers stand out for their customer-first thinking, and their use of services and technologies that enable shoppers to move quickly and efficiently through the website to the checkout.

The InternetRetailing research team used metrics that demonstrate business innovation and strategic planning to measure the performance of Top500 retailers. For 2017, we focused in particular on the speed and efficiency of retailers' customer service. We used 28 different metrics to analyse, for example, how fast retailers' home pages loaded; and how quickly and effectively traders responded to customer service questions across different channels, including phone and email.

> More than half of retailers (57%) offer collection. That figure has risen quickly from the 52% that enabled shoppers to pick up their online orders earlier this year

Informed by a philosophy that it takes true strategic planning to achieve a service that really meets customers' needs, we drew on research in merchandising, mobile and cross-channel, delivery, collection, returns and customer engagement to assess the technologies and services that retailers deploy as they enable shoppers to use websites quickly and easily.

Social media engagement and responsiveness also formed part of our assessment.

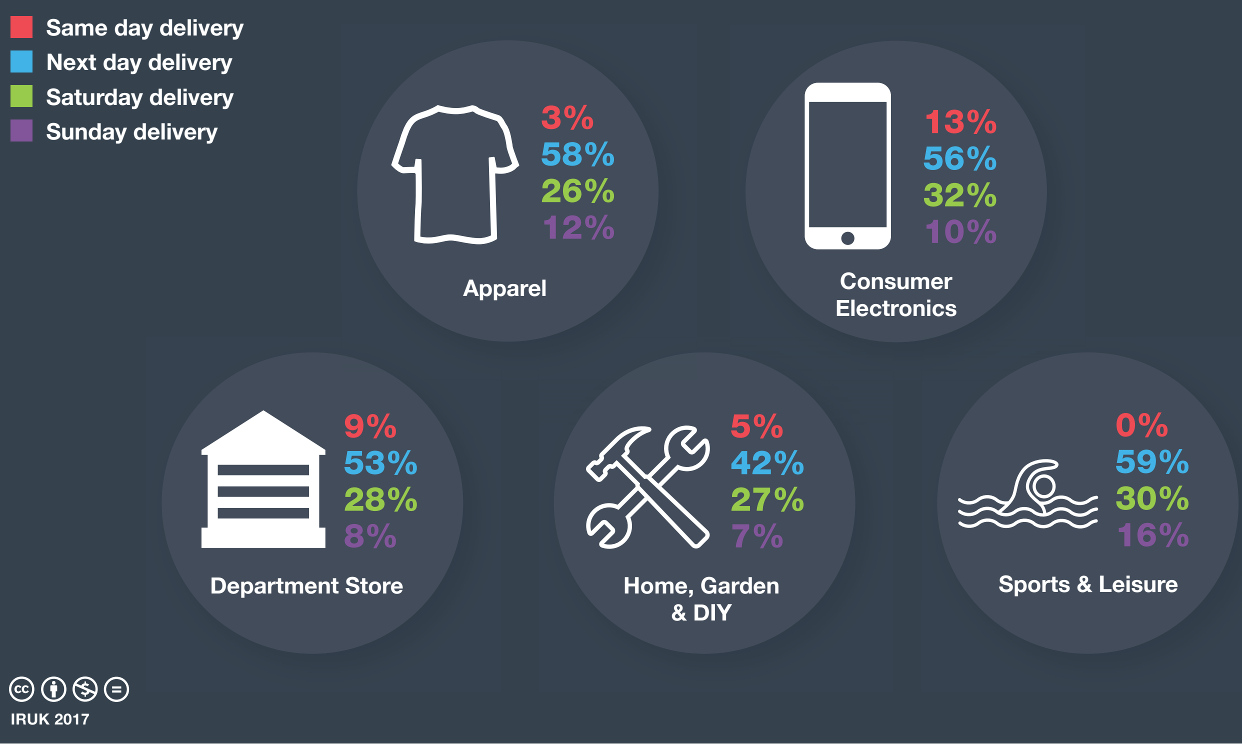
How the Top500 performed

We found that Top500 retailers offered an average of five communication channels to their customers. When we contacted Top500 retailers with an email query, we had responses in a median time of just under 16h, while a small number of slow-to-respond retailers took the average time to a little more than a day (27.8h). Customer queries submitted over Facebook were on the whole answered faster, in a median response time of a little more than half an hour (38.2m). But the average response time was much lower, at almost 61.8h – or two-and-a-half days – which suggested that while a majority of retailers responded via the social network faster than the 'traditional' mode of email, a minority were much slower on Facebook than they are via email. This also indicates that some retailers are using a siloed approach to customer service.

The average Top500 retailer offered between two and three delivery options (2.6). Next-day delivery, offered by 52% of retailers, was the most popular premium option. That was followed by Saturday delivery, offered by 29% of retailers, nominated-day delivery (15%), and Sunday delivery (10%). Same-day delivery (5%) and nominated-time delivery (7%) were less widely available, suggesting either that there's less customer demand for these delivery options, or that these metrics, also analysed for last year's Strategy & Innovation Dimension, still separate the best from the rest.

Fulfilment flexibility of Top500 retailers: sector average

The fraction of Top500 retailers in a sector to offer a delivery option



More than half of retailers (57%) offer collection. That figure has risen quickly from the 52% that enabled shoppers to pick up their online orders when we last researched this area at the beginning of this year. Some 37% of the Top500 enabled shoppers to return their online purchases to the store, while refunds were processed in a median of 10 days.

Merchandising strategies came under scrutiny, as we investigated how thoroughly retailers informed shoppers about their products. We found that product pages featured an average of between there and four (3.6) images. Some 27% of the Top500 retail websites offered alternative results when a no results search was made, while 47% enabled shoppers to save the products they'd found to a wishlist.

When we looked at how important mobile was to strategies, we found that 37% of the Top500 retailers offered Android apps, while 41% had iOS apps – but 29% of the 205 iOS apps had a serious bug.

How the leading retailers perform

Individual retailers stand out in this Performance Dimension not only for the overall heft of their service offerings, but also when they punch well above their weight, as determined by the Top500 Footprint. The Top500 Footprint measures retailers by relatively blunt measures, such as turnover and store estate. Additional performance-related measures, such as in this Strategy & Innovation Dimension, are then used to calibrate that overall figure.

The retailers that stood out in this Dimension included House of Fraser, Boots, Marks & Spencer, Screwfix and Holland & Barrett. House of Fraser performed well above its Footprint rating for a strategic approach that included rapid and helpful customer service both on email and via Facebook, and a wide choice of delivery ▶

and collection options that few others can rival. The department store offered five delivery options, plus Collect+ and click and collect, and also enabled shoppers to return their online orders to the store.

Boots answered customer service emails in an average time of an hour and a half, and Facebook messages in just over four hours. It scored top marks for the way it dealt with both. Overall, it offered seven customer service and information channels. It offered four delivery options, as well as click and collect.

Marks & Spencer stood out for customer service that included the ability to return online orders to the store as well as the relatively unusual service of offering delivery on a nominated day.

Screwfix's delivery promise won it recognition in the index: features included delivery both on Sundays and at a nominated time. Holland & Barrett scored well on mobile: it had a comprehensive range of apps, serving both those with Android and iOS devices.

How different sectors perform on delivery

Researchers analysed the delivery promises that traders in different sectors made. Next-day delivery seemed most significant for retailers selling business goods, with 75% of traders in this category offering the fast service. That was followed by 66% of health and cosmetics retailers, and 59% of those selling sports and leisure goods. A little more than half (55%) of general fashion traders offered the service, while it was least easy to find among those selling children's goods, and those selling home, garden and DIY items (both 42%).

Next-day delivery seemed most significant for retailers selling business goods, with 75% of traders in this category offering the fast service

Grocers were most likely to enable shoppers to name both the day (44% of retailers in this category offered nominated day delivery) and the time (27%). They were followed by food and wine retailers (34% offering nominated day and 20% nominated time) and department stores (28% nominated day/15% nominated time). Food and wine traders (46%) were most likely to offer Saturday delivery. Grocers were most likely to offer Sunday delivery (19%). Stationers were the least likely to offer Saturday (15%), while the 5% of retailers in this category that delivered on a Sunday was only eclipsed by business goods retailers, where no Sunday delivery was available.

The widest choice of delivery options came from health and cosmetics traders, with an average of three (2.9) choices, while the least choice was from food and wine retailers with an average of 2.2.

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The Top100 retailers of the IRUK Top500 2017 Strategy & Innovation Dimension, as measured across dozens of metrics for innovative practice in this area

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Footasylum
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H.Samuel
Halfords
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House of Fraser
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Hotel Chocolat
Hotter
Jaeger
JD Williams
Jessops
Jigsaw
JoJo Maman Bébé
Kaleidoscope
Kurt Geiger
Laithwaite's
Laura Ashley
MajesticWine
Matalan
MatchesFashion.com
Missguided
Monsoon
Mr Porter
Nike
PrettyLittleThing
River Island
Ryman
Selfridges
Smyths
T.M. Lewin
Topman
Uniqlo
Waitrose
Watch Shop
Waterstones
Wex Photographic
WHSmith
Wickes
Wiggle

IRUK TOP 500

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The full rundown of the IRUK 500, 2017, as measured across six Dimensions: Strategy & Innovation, The Customer, Operations & Logistics, Merchandising, Brand Engagement and Mobile & Cross-channel

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Holland & Barrett
House of Fraser
Mothercare
New Look
Next
PC World
Sainsbury's
Schuh
Screwfix
Superdrug
Topshop
Waitrose

Top50

American Golf
B&Q
Blue Inc
Carphone Warehouse
Claire's
Dorothy Perkins
Early Learning Centre
eBay
Footasylum
The Fragrance Shop
Homebase
JD Sports
Matalan
Ocado
Office
Pets at Home
Selfridges
SportsDirect.com
Topman
Very
Waterstones
White Stuff
WHSmith
Wiggle
Wilko.com

Top100

Ann Summers
Apple
Bathstore
Blacks
Bonmarché
Brantano
Cotton Traders
Decathlon
Dune London
Dunelm
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Evans
Evans Cycles
Freemans.com
Game
Getthelabel.com
Go Outdoors
H&M
H.Samuel
Hobbs London
Hotel Chocolat
Kaleidoscope
L'Occitane
Lakeland
Laura Ashley
Littlewoods
M&Co
MajesticWine
Mamas & Papas
Maplin Electronics
Millets
Miss Selfridge
Monsoon
Morrisons
Moss Bros.
Quiz
Richer Sounds
River Island
Ryman
Shoe Zone
Superdry
TK Maxx
Topps Tiles
Toys Я Us
Wallis
Wex Photographic
Wickes
Yours Womenswear
Zalando

Top150

Accessorize
Adidas
Beaverbrooks
Boden
The Body Shop
Boohoo.com
Burton
Chain Reaction Cycles
Cotswold Outdoor
Crew Clothing Company
Disney Store
The Entertainer
Ernest Jones
Estée Lauder
Fat Face
French Connection
Gear4music.com
Harrods
Hobbycraft
Ikea
Interflora
Jack Wills
Jessops
Jigsaw
JoJo Maman Bébé
Joules
Lloyds Pharmacy
Lush
Mr Porter
Net-A-Porter
Nike
NotOnTheHighStreet.com
Pandora
Peacocks
The Perfume Shop
Post Office Shop
PrettyLittleThing
Reiss
Samsung
Simply Be
Smyths
Space.NK
Surfdome
T.M. Lewin
Thorntons
Toolstation
Urban Outfitters
USC
The Works
Zara

Top250

Agent Provocateur
Andertons Music
Appliances Direct
Axminster
BonPrix
The Book People
Bose
Boux Avenue
CarpetRight
Cass Art
Cath Kidston
Charles Tyrwhitt
Coast
Countrywide
CycleSurgery
Dell
DFS
EAST
The Edinburgh Woollen Mill
Ellis Brigham Mountain Sports
Esprit
Euro Car Parts
F.Hinds
Fashion World
Feelunique.com
Figleaves.com
Firebox
Foot Locker
Forever 21
Fragrance Direct
GAP
Goldsmiths
Grattan
Harvey Nichols
Home Bargains
Home Essentials
Hotter
Jacamo
Jacques Vert
Jaeger
JD Williams
Joe Browns
Jones Bootmaker
Karen Millen
Kiddicare
Kitbag.com
Kurt Geiger
La Redoute
Laithwaite's
Laptops Direct
Liberty
Long Tall Sally
Lovehoney
MAC Cosmetics
Machine Mart
MandM Direct
MatchesFashion.com
MenKind
Missguided
Mobile Fun
Molton Brown
Mountain Warehouse
Myprotein
Naked Wines
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Oliver Bonas
The Outnet
Paperchase
Paul Smith
Pavers
Pull & Bear
QVC
Radley
Ralph Lauren
Reebok
Robert Dyas
Route One
Sally
size?
Slaters
SoleTrader
Specsavers
Staples
Sweaty Betty
Ted Baker
Trainline
Uniqlo
Victoria's Secret
Victorian Plumbing
Viking
Warehouse
Watch Shop
Wayfair.co.uk
The White Company
Whittard of Chelsea
Yankee Candle

Top350

Abercrombie & Fitch
Aldo
AllSaints
Anthropologie
Arco
Aria Technology
Avon
bareMinerals
Bensons for Beds
Berry Bros. & Rudd
Blackwell's
Bondara
Bravissimo
Burberry
Buyagift
Calendar Club UK
Calumet Photographic
Card Factory
Charles Clinkard
Chemist Direct
Clas Ohlson
Cloggs
Costco
Crocs
Deichmann
Dr. Martens
Dreams
Dyson
Euronics
Everything5pounds.com
Farfetch
Find Me A Gift
Fitness Superstore
Forbidden Planet
Fortnum & Mason
funkypigeon.com
Furniture Village
Games Workshop
GettingPersonal.co.uk
Google Play
Gucci
Guitarguitar
Hawes & Curtis
Heal's
High & Mighty
hmv.com
Hollister
HP
Hughes Electrical
Hugo Boss
Iceland
Ideal World
Just Eat
L.K.Bennett
Lands' End
Lego
Links of London
Lipsy
Louis Vuitton
Mango
Microsoft
Mint Velvet
Misco
Moonpig
Mulberry
The North Face
Orvis
Overclockers UK
Phase Eight
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Plumbase
Pret A Manger
Printing.com
Puma
The Range
Rapha
Rohan
RS Components
Russell & Bromley
ScS
Snow+Rock
SportsShoes.com
Sunglass Hut
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Tate Shop
Thomas Pink
Thompson & Morgan
Tiffany & Co.
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Tripp
TTS Group
Ugg Australia
Vans
Virgin Wines
Weldricks Pharmacy
Whistles
WorldStores
Wynsors World of Shoes
YOOX.com
Zooplus

Top500

Abel & Cole
Achica
Aldi
Alexandra
Armani
Art.co.uk
Asics
Aspinal of London
Asus
ATS Euromaster
Banana Republic
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Belkin
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BookDepository.com
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BrandAlley
Brandon Hire
Build-A-Bear Workshop
Calvin Klein
Camper
Cartier
CCL Computers
Character
Chums
The Co-operative
Electrical
COS
Crabtree & Evelyn
Craghoppers
Create and Craft
Cromwell
Damart
Denby
Diesel
DJI
DKNY
Dobbies Garden Centres
Dulux Decorator Centres
Dunnes Stores
EAT.
Ecco
END.
eSpares
Euroffice
Expansys
Farrow & Ball
Finlux
Fired Earth
Fitbit
FitFlop
Flannels
Fossil
Fraser Hart
Fred Perry
Free People
G-Star Raw
Gabor
GAK
Gant
Garmin
Glasses Direct
Graham & Greene
Graze
Guess
Habitat
Hackett
Hallmark
Hamleys
Harper Collins
Harveys
Hawkin's Bazaar
Hawkshead Country Wear
Hi-Tec Sports
Hornby
The Hut
Intersport
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IWOOT
J Crew
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Notcutts Nurseries
Outdoor & Country
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Poetry Fashion
Prada
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Pro-Direct
Protyre
QD Stores
Rapid Electronics
Regatta Outdoor
Clothing
Roman Originals
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See Tickets
Sevenoaks Sound and
Vision
Superfi
Swatch
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Argos: winning with Fast Track

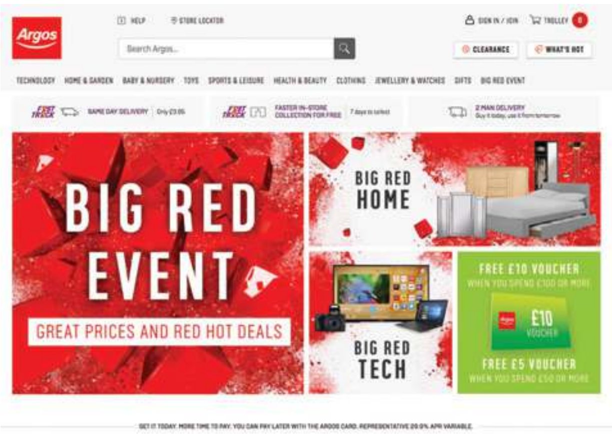


Image credit: Argos

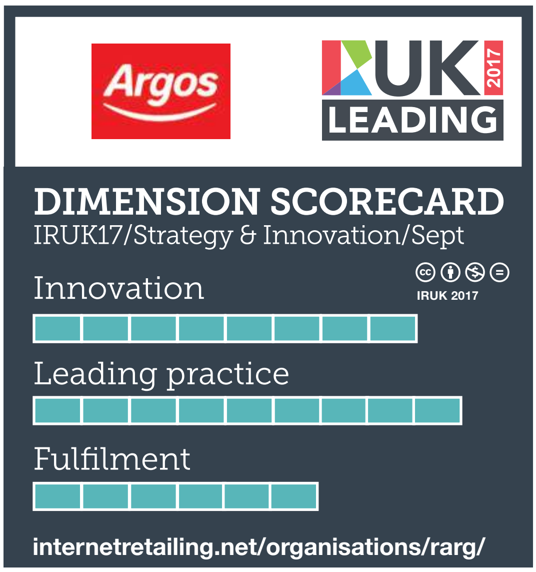
The Fast Track service from Argos is helping to drive sales by offering shoppers convenience and fast service

ARGOS WAS ONE of the first to offer same-day delivery or collection when it launched Fast Track two years ago, taking on 3,300 new delivery drivers to meet likely demand. Today, Fast Track is credited with powering the site's continuing impressive growth, while shopper feedback on its website regularly praises the service's efficiency.

Announcing first quarter results in July, Mike Coupe, chief executive of Sainsbury's, which acquired Argos parent company Home Retail Group last year, was clearly delighted. "General merchandise and clothing, including Argos, outperformed the market," he said, "with Fast Track delivery and collection seeing a stellar performance during the quarter, particularly during the period of warm weather when customers wanted to buy and receive their products the same day. Argos customers are increasingly choosing to shop with us online, consistent with our objective of being a leading digital retailer."

Fast Track, which allows shoppers to place orders up to 6pm for delivery that evening or to collect items from stores during opening hours within a minute of placing the order, delivers the instant gratification and ultimate convenience that many mobile shoppers now demand. In the 16 weeks to 1 July 2017, Fast Track deliveries were up by 36% and collections from stores, where a dedicated Fast Track service desk means shoppers do not need to queue, increased by 64%. As Sainsbury's first quarter report noted, this was "particularly popular during the hot weather, when customers wanted products like paddling pools and fans on the day". In the last financial year, mobile accounted for 76% of visits to Argos' website.

Even before the acquisition, Argos had been opening digital concessions in Sainsbury's stores, where shoppers could collect purchases, and the aim now is to have 250 of them in Sainsbury's by March 2019. For Sainsbury's it is a win-win with the additional footfall adding 1-2% to its grocery sales, while the convenience of having a more accessible Argos outlet increases sales there too. When Sainsbury's closed down the Hereford Argos store and moved it into Sainsbury's, sales increased by 2.5%. As Coupe said during the presentation of the company's annual report, Argos now has "a fantastic array of points of presence, places that customers can pick things up from and we would expect over time that that part of the Argos proposition will grow and of course help drive the supermarket business".



Interflora: remembering every occasion

WITH GLOBAL REACH and high brand recognition, Interflora dominates the UK online flower market. Founded in 1920, the UK-based operation is now a subsidiary of FTD – originally the Florist Transworld Delivery Association, the US organisation those early Interflora florists joined as overseas members in 1923. Since becoming an FTD subsidiary in 2006, Interflora's UK operations have expanded significantly with the 2012 acquisitions of Flying Flowers, Flowers Direct and Drake Algar (now rebranded as Interflora's luxury offering).

FTD's mission statement gives the company's aim: "To inspire, support and delight our customers when expressing life's most important sentiments". Significantly it puts websites in pole position describing Interflora as operating "primarily through our websites, www.interflora.co.uk and www.interflora.ie, associated mobile sites and telephone numbers" while offering "the widest range of products, delivery options, and the highest service levels in the UK and Ireland".

Interflora had developed a strong online strategy well before the FTD acquisition, launching its first transactional website in 1995. In 2009, Interflora added a mobile site. At the time, Ben Freeborn – then its head of business development, now head of marketing – described mobile as: "An add-on but so was online 12 years ago and that's developed to become a mainstay of the brand. We have to continue to offer customers access points where we see demand going." Its first Facebook page also appeared in 2009.

Taking that "widest range... of delivery options" message to heart, last September Interflora introduced Sunday and evening deliveries, initially just in London but gradually expanding across the country. InternetRetailing researchers scored it highly for its extensive range of direct delivery options: from same day and nominated day to nominated time – either a two-hour window or morning, afternoon or evening.

Delivery is a key aspect of its online strategy going forward. "Over 10 years ago Interflora led the way with fast delivery by introducing a 'Flowers in 3 Hours' delivery service," Lyn Davies, director of Interflora Consumer, has noted. "Our new delivery services are the next big innovation and will offer customers both the convenience they crave and the opportunity to celebrate life's most special moments, no matter what day of the week or time of day they fall."

As well as expanding its delivery options, Interflora has improved site search functionality, adding gifts by occasion – including "apology flowers", "get well flowers" or bouquets for retirement. Its "myReminders" ensures shoppers never need forget those significant dates.

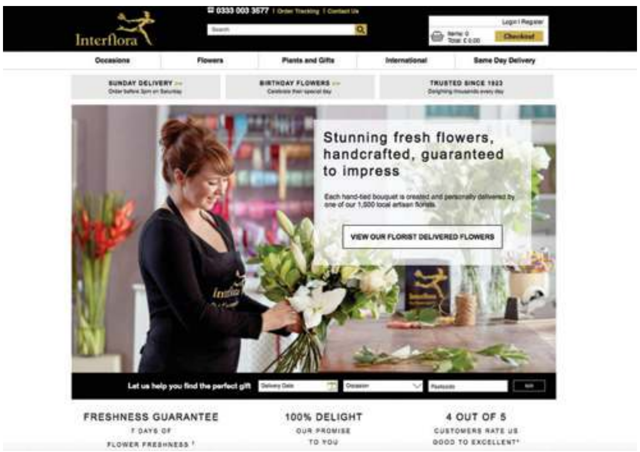


Image credit: Interflora

Interflora now offers Sunday and evening deliveries, and it has improved its website search functionality

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Debenhams: putting social at the heart of strategy

Ross Clemmow of Debenhams talks to **Penelope Ody** about the department store's mission to put social and mobile at the customer's service

DEBENHAMS' STRATEGIC REVIEW in April this year promised an emphasis on "social shopping", "new store formats" and use of mobile to "unify channels". Six months later, the strategic wishlist is becoming a reality that is set to transform the traditional department store approach to retailing.

"When we looked at our customer data we found that a third of our customers are shopping with friends and family, and that's when they spend more," says retail director, Ross Clemmow. "They're not just looking for product but for leisure and food – and we believe we can be a good host for these activities."

Image credits: Debenhams

In the future, Debenhams will increasingly put "social shopping" at the centre of all it does

Adding hairdressing salons or restaurants to department stores is nothing new, but Debenhams is looking to integrate these leisure aspects with digital technology to deliver not just convenience but, the "control and best use of their time" that the company's research suggests shoppers really want. Instead of customers simply collecting a click-and-collect order of half-a-dozen dresses and several pairs of shoes to try on at home and then returning the unwanted items, explains Clemmow, "...mobile can speed up the process". Not just by streamlining the actual collection, but more importantly by enabling a shopper who has half an hour to spare in a lunch hour to collect the items and "reserve a fitting room and personal stylist, and try on the chosen garments there and then".

In the same way, mobile can be integrated with the planned shopping trip to improve the customer experience: alert the store that you will be arriving within the hour and have 30 minutes to spend there buying three pairs of jeans for a budget of £75, or that you need to buy a date-night dress that must be red or pink and costing no more that £80 – and staff will have a selection ready and waiting.

Changing roles

Such personalised service needs plenty of customer-facing staff and Debenhams is making key changes to reduce significantly the kinds of non-customer-facing tasks familiar to any retailer. Over the next 12 months it expects to free up the equivalent of 2,000 full-time staff by using such tactics as delivering display-ready merchandise direct to the shop floor.

At the same time, it is changing staff incentive schemes and training to give increased focus to service and customer interaction. "We want our customers to have greater confidence in their

Debenhams' retail director, Ross Clemmow, is overseeing a transformation at the department store

buying decisions," says Clemmow, "and our staff can help boost that confidence so that the customer leaves the store feeling they've had a great experience."

Restructuring front and back of store is a major operation, and Debenhams is currently piloting this "re-imagining" at three of its locations in Stevenage, Wolverhampton and Uxbridge, the first of which will be opening in the next few weeks. "Back of house is now 'back stage'," says Clemmow, "with reduced storage and greater flexibility, while front of house we have improved lighting, better zoning and – again – greater flexibility for layout. We expect that with these three stores we'll get 85% of it right. By 2019 we'll have a blueprint that is 100% there and we'll start rolling that out to all stores."

Clemmow says he is not "a lover of technology for technology's sake – technology has to support what our customers want to do". With this approach in mind and with mobile continuing to grow – orders through this channel were up by 64% in the year to April, while digital was almost 8% up in the 15 weeks to 17 June 2017 – Debenhams will start equipping staff with tablets after Christmas. Stores already have free wi-fi for customers so, with the tablets running the company's new mobile site, currently under development, whatever the shopper sees on her phone, the sales assistant will see on the tablet, allowing the two to share the same experience and avoid any confusion over which garment the customer really wants to try.

Image credits: Debenhams

Debenhams' approach is for technology "to support what... customers want to do"

Looking ahead

In future, Debenhams' buying and merchandising teams will focus on creating a comprehensive online catalogue of both own label and branded styles. Edits of this range will then be matched to the customer profile for each individual store. If a particular line is not stocked at a specific branch, then it can be ordered for home delivery or be available at the store the following day. Again, nothing new about such an approach, but Clemmow believes that the wealth of data Debenhams is using to analyse its customer base should make this segmentation and subsequent product allocation especially accurate.

With the "social shopping" concept embracing products, food and leisure, restaurants, hairdressing and nail bars may be just the start. Debenhams' research suggests that customers on a "social" trip are interested in beauty, food and drink, and health and wellness. Juice bars, pilates classes and a walk-in well-woman clinic next perhaps?

Superdrug: planning for a multichannel future

Image credit: Superdrug

Superdrug has put an emphasis on innovation as a way to increase its sales, a strategy that's certainly working

WITH ONLINE SALES increasing by more than 60% in the year to 31 December 2016, Superdrug is clearly getting something right. The company attributes growth to "improved website functionality and enhanced delivery solutions... supported by best-ever availability levels" – but there is rather more to its success than that.

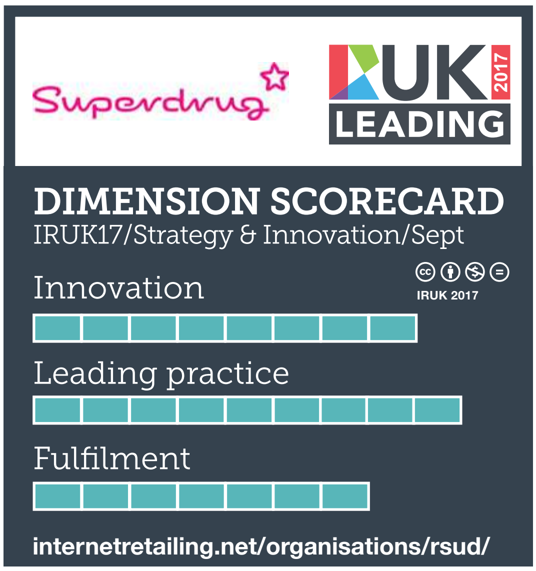
Superdrug is owned by Hong Kong-based AS Watson Group (ASW), which in turn is a member of CK Hutchison Holdings – a multinational conglomerate with global interests including ports and telecommunications as well as retail. As such, the company has the financial backing to make major investments in digital innovation.

In May 2014, ASW announced an initial investment of US$60m to "attract digital talent" to its eLab – an "in house digital studio" – with centres in Hong Kong, Milan and London. Key aims for eLab were "improving the mobile customer experience, rolling-out mobile apps, integrating social into the total customer experience, improving content, and expanding click and collect in most countries".

Two years on and the resulting mobile apps and greater use of social media have delivered not only that 60% improvement at Superdrug, but a 69% increase in ASW's Asian health and beauty ecommerce business, and a 63% upturn in its European ecommerce cosmetics business. It has also helped drive footfall to stores with a neat interactive delivery page on the Superdrug website that updates throughout the day giving cut-off times for free delivery or next-day click and collect. Last year, ASW recorded more than 2m downloads of its retail mobile app, while on Black Friday Superdrug was processing four orders every five seconds, with sales up by 103%.

As Malina Ngai, ASW's chief operating officer has noted: "What's encouraging for us is that we are not only seeing high online sales growth but also seeing increased footfall in our stores combined with a high annual spend from our loyalty card customers who shop with us both offline and online."

With more than 200 staff accelerating ecommerce developments, ASW's eLab has more innovative developments planned with greater emphasis on customer relationship management and increased use of big data analytics on the agenda. According to Ngai: "We will continue to strive for technological innovation, such as product search by image and cognitive computing which are essential to being close to customers and meeting their fast-changing expectations. To stay ahead of the market, we keep harnessing technological developments to create a personalised and pleasurable online shopping experience for customers."



Mothercare: putting digital at the heart of strategy

THREE YEARS AGO Mothercare looked like it might become yet another high profile high street casualty thanks to profits warnings, an ageing store estate – once approaching 400 outlets with many seriously in need of refurbishment – and an 11% slump in its share price after its board rejected a £266m bid from US-based Destination Maternity.

Today, it is very different. Performance of its overseas operations remains varied – not least in its previously highly profitable Middle East stores thanks to the fall in the oil price. The UK chain, which had racked up losses of £100m over the past six years, was in profit in the second half of the last financial year and analysts suggest it will move into profit completely next year. That massive high street presence continues to decline, with the aim of eventually having around 80-85 stores, mainly out of town, while the company has reinvented itself as a digital retailer targeting the tech-savvy expectant parents of the millennial generation.

Those new parents are wedded to their mobiles. They expect rapid service, plenty of information, and lively social media interactions – and that is what Mothercare is delivering. In-store e-receipts are commonplace, with more than half of customers happily handing over their email addresses in order to receive them, while refurbished stores are web-enabled with staff using iPads to provide product information, to check stock, or to confirm orders.

There is a mobile app, developed with Zapworks Designer, that uses augmented reality to enable shoppers to scan pages in the product catalogue and view close-up images, videos or product reviews on their mobiles. The 2017/18 catalogue promises interactive tours of virtual nurseries so that, rather than just seeing items in the product catalogue, expectant parents can see furniture products in situ. Mothercare has also adopted gamification with a Baby Names section on its app ("shake the phone for a random name") along with a selection of baby tunes "specially recorded for bump, baby and child" and a YouTube channel.

As chief executive Mark Newton-Jones, said in the company's latest annual report: "The trend towards mobile continues, with our digitally enabled customers using their mobiles to browse and purchase product, review content and engage with us on our social channels. Mobile now accounts for 83% of online traffic."

Overall, online accounts for 41% of sales, while the e-receipts have added 4m shopper email addresses to the company's customer database. By 2020, Mothercare expects at least half its turnover to be digitally generated, with greater emphasis on personalisation and customer relationship management, as well as a "fully merged digital and physical world". Continuing the theme of innovation, it's even launched Ultrasound Direct scanning centres in some of it stores, "offering a full range of private antenatal scans".

Image credit: Mothercare

Mothercare plans to offer interactive tours of virtual nurseries as it targets tech-savvy millennials

12 best-practice approaches

Retail can't stand still because customers don't stand still. Where once it was seasonality that dictated most of the timescales for change and new stock on the high street (real or virtual), fast fashion now sets the pace. Retailers need to be fast to keep up with customers' ever-changing moods, says **Sean Fleming**

1 Visual search looking good for Asos

Asos has enhanced its mobile app to let UK shoppers pinpoint items they're looking for using visual search functionality. It's a move that ties in nicely with social shopping, which is another trend likely to find its way into many retail strategies over the course of the next two or so years. Shoppers can search Asos's range of more than 85,000 items for things that are similar to those shared by friends via Instagram, or even pictured in a magazine.

The visual search tool is currently shown as a camera icon that appears in the Asos app search bar. With a single tap, customers will be able to take a quick photograph of something they see someone wearing – and task the search tool to find similar products. Users can also upload photographs from a camera roll, such as a photograph taken previously or a screenshot from social media, and search for products that look the same. Asos is also using artificial intelligence as part of its recommendation engine, which now learns customers' preferences over time.

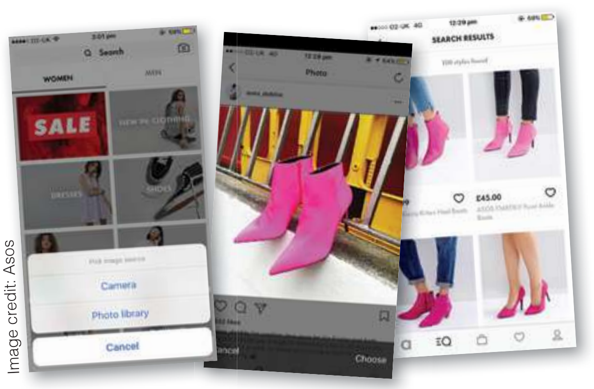


Image credit: Asos

Asos has introduced a virtual search tool to help its impatient customers search for the items they want

2 Payment as a tool to build loyalty

Ocado is using payment, or pre-payment to be precise, to help engender greater customer loyalty. Its Smart Pass subscription scheme entitles members to free delivery and 10% savings on selected brands, and is having an effect on both the frequency and value of orders.

Smart Pass members place more orders, yet they are spending less each time. While order volumes rose by 15.6% during the first half of the year to an average 260,000 a week, basket sizes fell at the same time to £108.45, which is a drop of 1.4%. The challenge facing Ocado here is to manage the increased costs that an increase in the number of orders brings, when the average basket size is declining.

Ocado said recently that more than 50% of its first-half sales were from Smart Pass customers, and explained the decline in basket value as a case of shoppers taking advantage of the available discounts and promotional offers.

It also said the number of active customers grew to more than 600,000 by the end of the first half of the year, 11.3% up on last year.

3 Staying firm on pricing strategy pays off

It seemed like a bold decision at the time, but Marks & Spencer is seeing growth in full-price sales in clothing and homewares, as it sticks to its guns about avoiding heavy discounting. It also opted not to run a clearance sale in the first trading quarter of its current financial year.

Food sales grew by 4.5%, in line with the M&S strategy of increasing the number of Simply Food stores over the course of the next two years. The retailer is prioritising better ranging and stronger promotions, which, it says, is assisting its move toward reduced discounting. It also says full-price clothing and home sales rose by 7% as the number of promotions fell.

Its international sales were up by 3.8% thanks to the fall in sterling – but down by 4% when currency fluctuations are taken into account.

4 Multichannel focus for Sports Direct

Sports Direct has put multichannel development at the heart of its innovation and strategy activities.

With a single web platform underpinning all its websites and ecommerce sites, investment in ecommerce and in managing the customer experience online is made more efficient, the retailer says.

Intertwined with online development work, it is also closing some smaller stores and opening a new flagship store on London's Oxford Street for its Flannels brand. Group revenue of £3.2bn in the year to April 30, was up by 11.7% on the same time last year. Pre-tax profits of £281.6m were, however, down by 22.2% on last time.

At home, the retailer has attempted to quieten some of the concerns regarding employment practices, with a staff feedback initiative for directly employed and agency employees in its warehouses.

With international expansion in mind, Sports Direct says it is developing a more tailored approach to key local markets. Since year end, it has bought 50 stores trading as Bob's Stores and Eastern Mountain Sports in the US, which it will use as a way into the US market.

Image credit: Tesco

Tesco is taking on Amazon by offering a same-day delivery service that's being rolled out across the country

5 Taking the same-day delivery fight to Amazon

Tesco is making its same-day grocery delivery service available nationwide, claiming it will be able to cover more than 99% of UK households, from Shetland to Cornwall.

The same-day delivery service will be fulfilled from 300 Tesco stores with an order cut-off of 1pm to take delivery by 7pm. The service is priced at between £3 and £8.

The expansion comes as Tesco has already seen an 18% growth in demand for the service so far this year. Its same-day click-and-collect service is also available from 300 supermarket branches. This service means Tesco now outperforms rival Amazon on grocery deliveries since it offers same-day delivery and collection across a much wider geographic area of the country due to the reach of its network.

6 Amazon: coming to a locker bank near you

Not famous for letting the grass grow under its feet, Amazon has launched the Amazon Hub in the US, enabling deliveries to apartment buildings to be made by any carrier.

The hub is essentially a locker for residential buildings where any carrier can leave deliveries for residents. While locker solutions are already available in the UK, this innovation, which starts life in Amazon's US market, stands out because it is open to parcels from other retailers. Amazon describes the system as: "Your fast and easy way to receive packages from any sender." It also emphasises the convenience of the locker system as being "open to anyone, at any time".

Locker banks and centralised click and collect are not new – but this system is different in that it will get Amazon's brand before shoppers when customers buy from other retailers. That makes marketing as well as logistical sense for the retailer.

7 Zalando takes a leaf out of Amazon's book

Zalando is to open two large fulfilment centres in Poland and Italy, alongside smaller fulfilment centres and localised warehouses near key cities, including Paris, Milan and Stockholm.

It has also launched a new fulfilment service with similarities to Fulfilled by Amazon. Called Zalando Fulfillment Solutions, it lets fashion brands use Zalando's logistics infrastructure and expertise. It also added new sports and lifestyle brands to its assortment, including KICKZ, Nike, Lacoste and Esprit.

The Berlin-based fashion retailer and marketplace says the expansion is part of a strategy to invest in fast, convenient delivery and returns. It is also improving capacity and automation at fulfilment sites.

Its revenues grew by 20% in the second quarter of the year, to €1.1bn, and average orders increased to 3.7 per customer a year, while the number of active customers rose by 800,000 to 21.2m. This, the retailer said, marked "another all-time high and indicated strengthened customer loyalty."

Image credit: Yoox

The Yoox tech hub, where the company is researching artificial intelligence (AI) techniques in order to serve its cistomers better

8 AI-powered natural search for Yoox

The Yoox Net-A-Porter Group is developing artificial intelligence (AI) capabilities such as personalisation and image recognition.

It has also announced the opening of a new Tech Hub in White City, London, which it says shows its commitment to the UK. A staff of 500 will be based at the online luxury fashion retailer's hub initially, with 100 more jobs to be created over the next two years. This, on top of the retailer's 500-strong technology team based in the northern Italian city of Bologna, demonstrates the extent to which technology and digital development are at the heart of the business's strategy.

The London Tech Hub will also be where the retailer works on a new wave of mobile technologies that it says will keep it "in the vanguard of digital innovation" as it looks to move from mobile-first to mobile-only. Mobile accounts for 50% of group sales, and the company has found that mobile customers at 1.5 times more loyal, twice as engaged and spend three times more.

9 Social shopping to set the pace for Debenhams

Debenhams is setting its sights on social shopping, which it defines as "shopping as a fun leisure activity enjoyed with friends and family and shared via social media".

This decision to focus more resources and energy on social shopping comes as Debenhams is enjoying a 64% increase in mobile orders. Overall, it saw 14.6% growth in ecommerce in the first half of 2017, including 12% growth in the UK.

Debenhams sees growth opportunities in social shopping, as both leisure and mobile become a greater part of the shopping experience. It also expects to complete a warehouse automation programme in 2020. In the meantime, it is consulting on the closure of one of three central distribution centres and 10 smaller warehouses. Read more in our lead interview, page 20.

Image credit: Debenhams

By investing in social shopping, Debenhams has encouraged its customers to shop via its website and, in particular, via mobile

Image credit: Superdrug

Superdrug is growing strongly. This is thanks in part to the way the retailer is diversifying

10 Hello to service diversification

Sales at Superdrug are growing strongly, driven by new services such as the Superdrug Online Doctor, a pharmacy that dispenses products direct to customers or for collection from local stores.

Other diversification decisions have included Superdrug Opticians, which offers an online service, including an order and collect facility operating at more than 800 stores. The retailer also started to deliver ecommerce orders to the Republic of Ireland for the first time. It has also expanded its range of health and beauty and travel vaccination services.

Its Health & Beautycard customer loyalty programme had 7m members by the end of the year, customers who receive free online delivery, special member pricing and bespoke deals. The proportion of online sales made by members grew by 5%.

Additionally, Superdrug has been refurbishing its network of stores, and has opened its second Superdrug Wellbeing store in Watford. For more on Superdrug, see our case study on page 22.

11 Tesco mobile payments

Tesco is extending the availability of its mobile payments app, PayQwiq, to every Tesco store in the UK, making it quicker and easier for customers to pay for their shopping.

Available as an app for both Android and iOS smartphones, PayQwiq allows customers to pay and collect Tesco Clubcard points, simply by scanning their phone. The initial set-up includes getting customers to register their debit cards or credit cards on the app.

PayQwiq has a limit of £250 per single transaction, and provides customers with their transaction histories, as well as prominently displaying Clubcard points balances.

During the launch phase, new PayQwiq customers downloading the app received 50 Clubcard points with each of their first 10 PayQwiq transactions. Additionally, as a thank you, existing customers received 50 Clubcard points with each of their next 10 PayQwiq transactions.

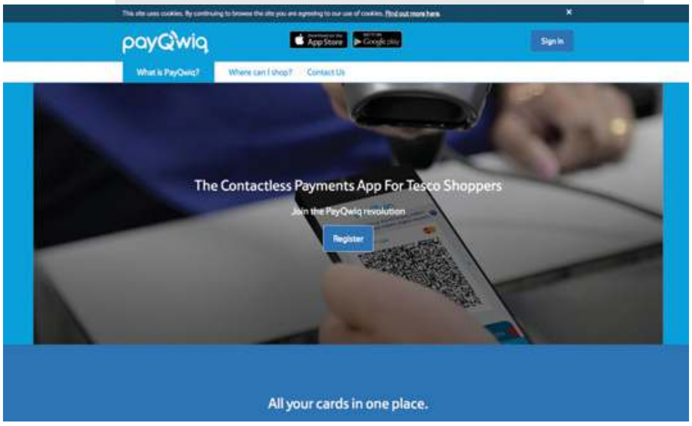


Image credit: PayQwiq

Tesco is promoting its mobile payment app, PayQwiq, across the UK by offering customers Clubcard points

12 Fast food for Sainsbury's future

Faster delivery times are one of the key battlegrounds in retail, and in grocery the pace is really starting to pick up.

While Amazon shook things up a little with the UK launch of Fresh, Sainsbury's and Tesco have both invested in same-day capability for grocery delivery and collection.

For Sainsbury's this involves a trial running from its Pimlico store in London, allowing shoppers to order via the Chop Chop app, then pick up their order from store just 30 minutes later, for no fee. This is the first time a sub-one-hour grocery service has been offered by a major supermarket. But don't expect it to be the last.

During the trial, which is limited to the Android version of the Chop Chop app, customers will be able to select and pay for up to 25 items for collection in 30 minutes, seven days a week. The orders will be packed and ready for the customer to retrieve by showing their order number at the store's Chop Chop desk.

Rise of the machines

Paul Skeldon, mobile editor, InternetRetailing, considers the latest big leap forward in ecommerce's ongoing development

WE ARE IN the midst of a technological revolution in ecommerce. The next big leap forward will be artificial intelligence (AI). AI isn't really a thing per se, but is more the next evolutionary step in how we use computers and data, and how we use these to deliver the ever-more personalised and instant interaction that customers crave.

As retail has increasingly become a mobile process, consumers think that brands and retailers should be communicating things that are personal and personally relevant to them, at the moment consumers want them. This produces a huge challenge for retailers: they can personalise experiences, but how do you do it at scale?

This is where AI technologies come in. Machines can now take in and analyse vast amounts of data, find patterns and trends and instantly decide what to do with them. Today, machines can help us to manage – on a personal level – all consumers.

The chatbots are coming

The first place that AI is making its mark is in customer service, where chatbots – automated text-chatting machines – are taking much of the donkey work out of handling interactions with consumers.

Customers become frustrated and feel disconnected when they get placed in a telephone queue or loop when trying to reach the customer service desk. This problem no longer exists with a chatbot. The virtual contact can be reached around the clock, from anywhere without the ▶

Image credit : Amazon

The Amazon Echo smart speaker, with its connection to the voice-controlled intelligent personal assistant service Alexa, is an early example of a voice-activated device. Over the next few years, there will be a proliferation of such devices, which will be increasingly sophisticated.

Image credit : Amazon

Conversational commerce will soon become embedded within wider retail offerings

customer having to wait to call in office hours. In addition to this, with more customers increasingly using mobile devices to inform, communicate or buy, they are very familiar with using a chat format. Chatbots can also be integrated into apps such as WhatsApp or Facebook Messenger.

Chatbots can also fill that gap between needing to talk to a person and the question being handled by machine. Taco Bell in the USA has employed chatbots to handle frequently asked questions (FAQs). Such systems can also be put in place at a stage before the customer service desk, either to weed out and handle these routine questions without any human intervention, or to help direct questions that do need human input to the right person.

AI goes deeper

Chatbots are just the start of what will be an ongoing process. Automating call handling and even auto-texting replies are ideal for handling routine enquiries, but integrating AI across the business is where this next stage of technological evolution is heading.

Imagine being able to use machine learning that can take in and analyse all the data the business has across your whole company – every detail and snippet about every consumer. This is the promise of the next generation of AI for retailers.

With consumers throwing off vast amounts of data as they go about their daily lives, brands and retailers face a dilemma: they need to use such data to personalise how they interact with consumers, but without the power of AI they can't do anything with it.

Increasingly, retailers are turning to AI systems to help collate some of the vast data lake and using it to personalise some aspects of customer interaction, typically marcomms.

According to research by Forrester, AI offers the potential to create value for businesses that range from driving revenue growth to better serving customers and meeting their expectations. In fact, firms are also investing in AI marketing technologies to remain competitive and improve the strength of the brand.

What this is translating into across businesses is developing real-time interactions with consumers across multiple channels. Some 72% of retailers questioned by Forrester in the US plan to use AI to start to offer such interaction between consumer and brand in the coming 12 months.

Linking it all together

The next step in this evolution will be to bring together AI, marketing and chatbots to develop customer service and marcomms that can talk one-to-one with customers based on real-time analysis of the data available, but through automated channels – to personalise at scale.

Developments in speech recognition, while not quite there yet, will eventually deliver the ability for people to talk to machines and for machines to answer back. We are already seeing the beginnings of this with devices such as Amazon's Alexa and Google Home. Building data-driven, voice-recognising robots that can answer questions, deliver advice and even perhaps upsell to consumers is the next stage of the evolution of ecommerce.

Conversational commerce may well be talked about, but once AI is embedded as standard across IT systems – which it will be in five year's time – the way brands and consumers interact with each other will be very different indeed.

Out on the high street

IRUK retailers, suggests **Jonathan Wright**, are hard at work creating state-of-the-art multichannel businesses, but many aren't there year

FOR A RETAILER to consider itself a truly multichannel operation, it's no longer enough to run ecommerce operations and high street stores as separate businesses. Rather, retailers need to think about the whole business, about how channels intersect. They need to be able to offer, for example, click-and-collect services, the facility for customers to return internet purchases via the high street and, where appropriate, more sophisticated services such as nominated-time deliveries that utilise stock held in the store rather than in the warehouse.

Of course, all this has long been obvious to retail professionals, but recognising the business landscape is changing is one thing, acting on this information is quite another. Binding together channels is a tough challenge.

So how well are British retailers doing here? In July 2017, InternetRetailing Knowledge Partner Ampersand conducted research that looked at the intersection of ecommerce and the bricks-and-mortar store. The research encompassed 33 of the largest multichannel retailers from the IRUK Top500, including Elite retailers such as Boots, John Lewis and Marks & Spencer. Retailers visited individual stores in retail parks, shopping centres and high streets. Below we summarise some of the key findings of the research:

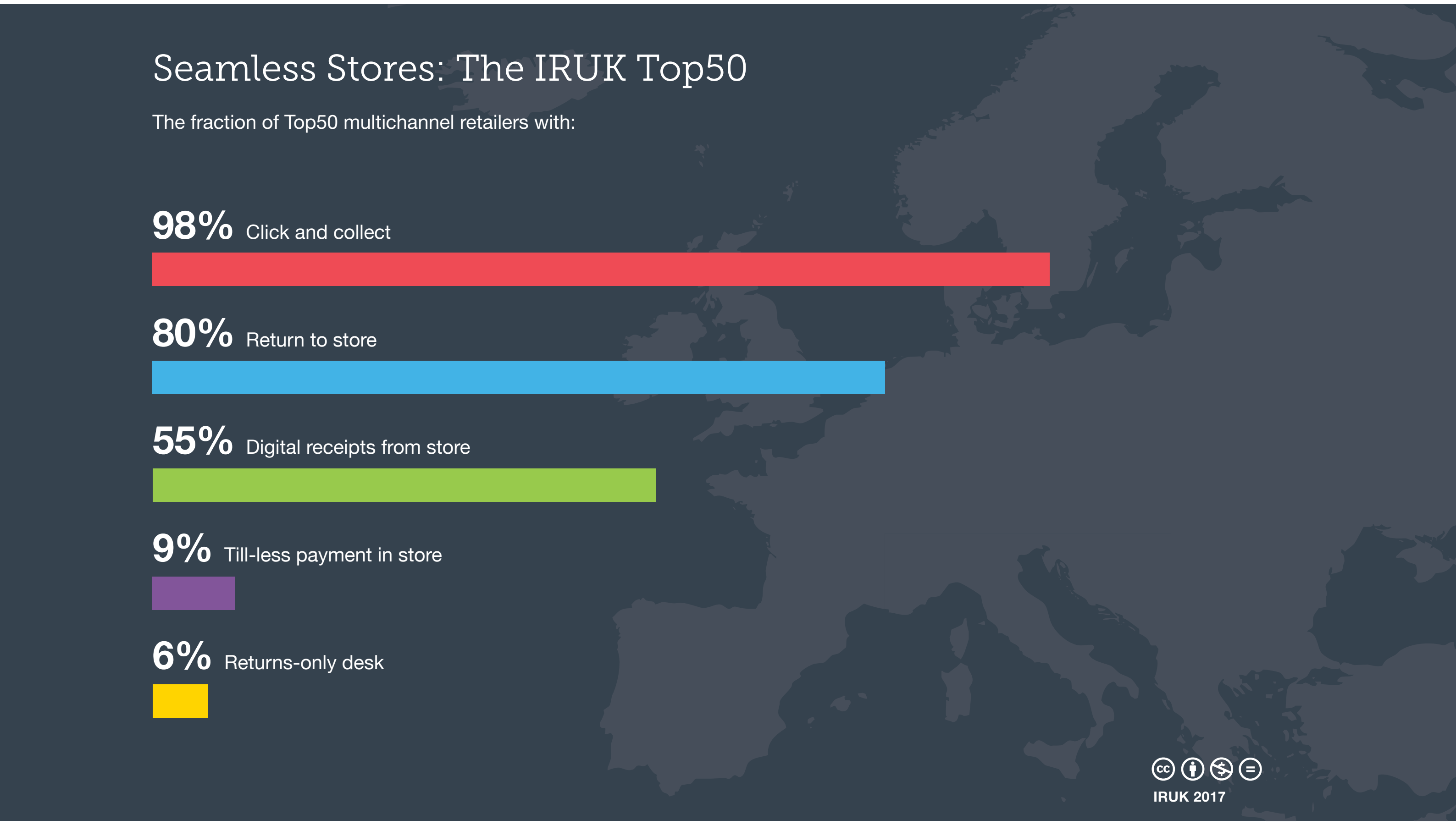
- **Wi-fi:** a little more than a third of the retailers offered branded in-store wi-fi. Of these 12 retailers, eight offered free and open access, while four required customers to register.
- **Digital receipts:** a little more than half of the retailers (18) offered receipts via email.
- **Till-less payment:** less than 10% of the retailers, just three, offered mobile payment in the store. The others required customers to go up to the till.

We would expect the percentage of retailers offering digital receipts via email to increase. If nothing else, it's a simple way to marry up in-store and ecommerce purchases

What do these results tell us? The first point we would highlight is that this wasn't research conducted in the West End of London, and thus potentially skewed by retailers trying out cutting-edge ideas and techniques in flagship stores. Rather, the research was conducted in Manchester and Liverpool. This, we might reasonably extrapolate, is a snapshot of multichannel retail practice within Britain's smaller cities.

It's also, we would argue, a picture of an industry in transition. In particular, the number of retailers offering wi-fi will almost certainly be higher next year, and we would also suggest that fewer retailers will ask customers to sign in. This can be a fiddly and time-consuming process via a smartphone, and we would question whether the loss of goodwill this can cause is worth the easier recognition of customers.

Similarly with offering digital receipts, we would expect the percentage of retailers offering this service to increase. If nothing else, it's a simple way to marry up in-store and ecommerce purchases, although it may be that customers will grow more wary of giving out an email address unless there's a tangible benefit beyond not having to take possession of a paper receipt.



Turning to till-less payment, this figure is fascinating. It may initially seem to suggest that few retailers are following Apple's example and freeing up staff from behind-the-counter duties, but we suspect that may be an over-simplification. Another reading of what's happening here is that multichannel retailers want to free up their in-store staff to serve customers on the floor, but there are practical difficulties.

The first of these is around only being able to do so much, and initiatives such as rolling out click and collect or mobile offerings eat up financial resources and manpower hours. A second point is that a natural time to introduce till-less payments is when introducing a new point-of-sale system. Otherwise, costs and technical difficulties can quickly escalate.

Returns and collections

Ampersand also considered how retailers handle returns and collections in the store. Just two retailers, the research found, had a dedicated returns desk – and one of these was B&Q, where the nature of the business probably means processing returns efficiently is especially important.

With collections, retailers seem to be adopting a variety of approaches. Around a quarter of retailers, eight in total, had dedicated areas to handle collections. Others handle collections from main or secondary tills. Seven retailers had dedicated collection points located less than 10m from then main entrance.

As to what these figures suggest about emerging best practice, we're less clear. Is it, for instance, better to help customers to nip in and pick up click-and-collect items quickly? Or is it better if the store is set up so that customers have to tarry at least a little and look around? Overall, we would suggest convenience should ultimately trump enforced browsing when dealing with today's time-poor customers, but there are arguments against this approach that at least need considering.

Top500 research

A final point we would make is that this research needs to be seen in the context of our wider analysis of how well retailers are implementing multichannel strategies. Here we would highlight two figures. The median number of distinct channels of communication amongst IRUK Top500 retailers to their customers is five. Less impressively, as yet a little more than half (55%) offer click-and-collect services.

One way to view these figures is to suggest that, while it's relatively easy to reach out to customers, it's much harder to design and implement efficient services at scale that reach out to these same customers. Among even leading British retailers, work to bind together different channels goes on.

The Amazon challenge

One of the key developments within retail over the past couple of years has been Amazon's move from pureplay to multichannel retailer. While it's still early days here, the company has been steadily opening physical bookstores in the US. Its Amazon Go store concept envisages customers grabbing what they want and walking out with the goods, with items paid for via an app. Its recent $13.7bn purchase of high-end supermarket chain Whole Foods Market hugely increased Amazon's bricks-and-mortar footprint.

Taken together, these initiatives suggest not just a pureplay expanding its operations into the real world, but a company that may potentially shake up the way business is done on the high street. In part, this will be about utilising technology. The Amazon Go concept, if it can be rolled out at scale, will put pressure on competitors to match the stores for sheer convenience. Yet many competitors are still struggling, especially in their bricks-and-mortar operations, with legacy systems that are difficult to update.

In addition, we've already seen evidence that Amazon's sheer heft will enable it to offer keen prices. In August 2017, Amazon announced it was lowering prices on best-selling grocery staples such as organic bananas, salmon, eggs, minced beef and apples at its Whole Food stores. In London and parts of the south-east of England, Whole Foods' own-brand goods will be made available via Amazon Fresh, Prime Pantry and Prime Now. These announcements immediately caused a drop in the share prices of leading UK supermarkets.

This is just the beginning. Amazon will continue to try to muscle in on its competitors' market share, utilising both its technological expertise and its size. The challenge for retailers is how to respond. A first step may be to revamp and update existing stores. In this context, it may soon be imperative for retailers to begin updating point-of-sale systems, offering fast wi-fi and using the store to help build offerings around customers. The alternative is to risk getting left behind as the world moves on.

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Conclusion

THE IDEA OF retailers putting the customer at the centre of all they do is not new. Indeed, it's become something of a cliché, with the phrase 'single view of the customer' all too likely to be uttered at a conference with an eye-roll and a remark about how gaining such a view is, of course, an impossibility.

Except is it? As Paul Skeldon outlines here in our emerging practice feature, the use of artificial intelligence (AI) is transforming retailers' understanding of their customers. Add in the increasingly sophisticated way companies now analyse social media and, via such techniques as taking email addresses when customers make purchases in-store, retailers' improving ability to track their customers across different channels, and it seems we may be at one of those points where the retail sector is about to undergo profound changes – again.

These are changes that will also be driven by macroeconomic-political factors. As growth in Britain lags behind that on the continent, it's clear many parts of the British economy are sluggish in the wake of the Brexit vote. As the effects of Brexit continue to play out, it may be advisable for retailers not to bank on a return to faster growth anytime soon.

This puts a particular onus on retailers to drive new business by being better at what they do than competitors. Which brings us again to the recurring theme in this Dimension Report: improving the customer experience to take market share.

Quite simply, those retailers that best understand their customers will be best placed to do this. This means retailers have to make the most of new techniques and new technologies to build their understanding of individual customers. This in turn increases the reliability and richness of the data retailers hold on customers, and so a virtuous circle is created.

We're not suggesting this work is easy or straightforward. It requires bringing to bear a combination of resources, imagination and clear thinking. However, the alternative is worse: losing market share at a time when trading conditions are tough.

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