



InternetRetailing UK Top500 2016

The UK's top ecommerce and cross-channel retailers

PFSweb envisions, creates, and supports world-class omni-channel commerce solutions that enable the world's leading brands to nurture customer relationships on a global scale.



PFSweb creates **Commerce Without Compromise** by merging customisable solutions to create branded online shopping solutions for all channels.

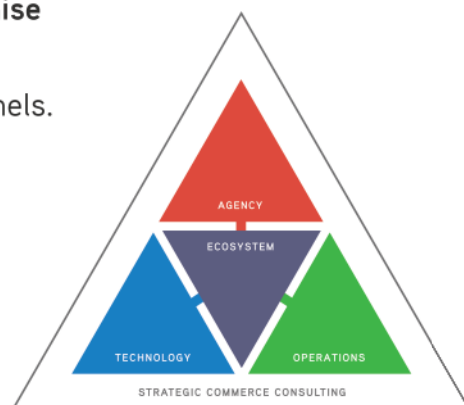
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Commerce Without Compromise

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What constitutes a retailer?

THE CROSS-CHANNEL RETAIL landscape is more complex than merely “having a website” or “operating a store”. In choosing which companies to include in the IRUK Top500 2016, we have considered companies’ intent, capabilities and activities around the recruitment and monetisation of customers. The definition for the inclusion in our research is:

Destination: the retailer has created a destination that, in the minds of customers, is a source of product, service or experience. Whether this is a shop, a site, a place, a time or an event, it’s the sense of “locus” that counts.

Purpose: the retailer has created goods and/or services for the purpose of selling, for consumption by the purchasing consumer.

Merchandising: the retailer actively sells and is not just a portal for taking customers’ money. This means the selection, promotion and tailoring of retail offers for customers.

Acquisition: the retailer actively markets, recruits and attracts customers with a promise or proposition to the destination.

Sale: the retailer takes the customer’s money. The retailer own the transaction as the merchant of record.

Recourse: the retailer is responsible for the service, fulfilment and customer satisfaction flowing from the sale.

Exception: in every good list there’s an exception, where we may include businesses within IRDX (our dynamic list of cross-channel and ecommerce companies, suppliers and key personnel) due to their influence upon retailers and retailers’ customers. However, these companies will not be ranked within the IRUK 500 2016.

Companies excluded from the IRUK 500 2016

Marketplaces: where a candidate retailer is simply a marketplace, the company is not featured. Where a marketplace undertakes customer acquisition, manages payment, customises offers and recommendations and offers recourse on purchases, then the company will be eligible for inclusion. For more on the influence of marketplaces on the overall retail landscape, see page 28.

Pure transaction/tariffs: where ecommerce is ancillary to the primary purpose of a business, we will not necessarily include them. Online payment for gas or electricity is excluded since the business’ purpose is ‘energy supply’. Likewise the Post Office’s postal revenues are excluded, whereas the company’s retail store activities are within scope.

This year, we have amended the list so that travel companies are no longer included. We have also excluded media-streaming services. However, these categories companies offer clues as to where retail might go. See pages 26 and 27 for more.

Business-to-business and direct-selling brands

brands: while the scope of retail is normally direct to consumer, two trends are challenging this: the move for brands and previously solely B2B businesses to sell direct to consumers; and the increasingly retail-like behaviour of B2B brands (in terms of acquisition, promotion, personalisation and service). We have therefore included certain B2B businesses and direct-selling brands.

Research at a glance

The elements included in each dimension are summarised below.

0. Footprint Dimension

- 0.1 UK retail turnover, ranging from £500,000 to £43 billion – average £554 million
- 0.2 The ecommerce subset of the above, ranging from £500,000 to £5.3 billion – average £125 million
- 0.3 UK web traffic, ranging from 548,000 to 157 billion page views per annum – average 700 million views per annum
- 0.4 Number of UK stores, ranging from 0 to 11,500 – average 130 stores

1. The Customer

- 1.1 Home page performance, including Engineering (PageSpeed and YSlow scores) and Responsiveness (html size and load time, page size and load time, and page elements)
- 1.2 Customer service response time and helpfulness - Facebook, email and phone
- 1.3 Number of socially active customers and their interaction levels

2. Operations and Logistics

- 2.1 Delivery, including 10 metrics covering the range of options, and competitiveness of timeframes and pricing
- 2.2 Returns, including 10 metrics covering the ease of the returns and refund process to the customer, and the range of options, including return to store
- 2.3 Collection, a summary of collection points offered by retailers, including own store, transport location, lockers, and third-party stores

3. Merchandising

- 3.1 Customer-perspective website review, including 23 metrics covering design, navigation, the relevance of search results, product information and visual appeal
- 3.2 Expert review of apparel companies, including 11 metrics covering selling strategy, purchase decisions, discount and replenishment rates, newness of stock and sell-out rate [Largest apparel retailers]
- 3.3 Mobile app assessment, including nine metrics covering use of notifications, product

display, and personalisation. [Retailers with a mobile app]

4. Brand Engagement

- 4.1 Search assessment including total applicable keywords, total reach, share of search compared to other retailers, and relative visibility in search results
- 4.2 Social media presence and availability, including 22 metrics, taking into account size of audience and interaction with it on Twitter, the net change over three months, and use of 10 social networks, email, and blog
- 4.3 Facebook assessment, including 13 metrics, covering the total number of people talking about the brand, the frequency of posts, and interaction with recent posts

5. Mobile and Cross-channel

- 5.1 Mobile web home page performance, including Engineering, comprised of PageSpeed score and YSlow score; and Responsiveness, measuring html size, html load time, page size, page load time, and page elements
- 5.2 Mobile app, including 24 metrics, measuring the usability and functionality of apps and weighting features according to their impact on AOV, time spent on app, and conversion rate
- 5.3 Cross-channel, taking into account use of physical store estate for order fulfilment and return, store information on the website, in-store functions of apps, and cross-channel loyalty accounts. [Retailers with UK stores]

6. Strategy and Innovation

- 6.1 customer service response time
- 6.2 flexible order fulfilment
- 6.3 advanced merchandising techniques
- 6.4 Google search visibility
- 6.5 seamless delivery of services on mobile web and app
- 6.6 offers international delivery
- 6.7 payment options and security
- 6.8 pricing strategy on goods in common with Amazon

Introduction

We're delighted to bring you the InternetRetailing UK Top500 2016 report. For the second year, our research team has looked in depth at the UK's leading ecommerce and cross-channel retailers, comparing and contrasting the capabilities of these top-flight traders to see where and how the best retailers excel.

We've taken an analytical approach that ranges across six Performance Dimensions rather than being confined to a pure ranking of companies by ecommerce revenues, web traffic or other single metric. By doing this, we aim to understand and learn from high-performing retailers what best practice is in this highly competitive market, and how it can best be fostered and encouraged in other businesses across the industry. This combined capability is what we call 'RetailCraft' and constitutes a striving for excellence, at scale, that's responsive to the customer.

The IRUK 2016 Top Retailers



Our metrics

Our research covered seven Performance Dimensions:

o Footprint: UK turnover, ecommerce penetration, web reach and store estate of retail businesses gives the 'heft' and a preliminary rank. We then modify and weight that analysis through consideration of the following dimensions:

- 1. Strategy and Innovation:** the extent to which the retailer is adapting for growth, international commerce and customer responsiveness
- 2. The Customer:** measuring the experience from the customer's point of view
- 3. Operations and Logistics:** delivery, returns and collections
- 4. Merchandising:** selling online
- 5. Brand Engagement:** making their brands familiar to the customer, and connecting
- 6. Mobile and Cross-channel:** beyond single ecommerce or store channels

Performance clusters

We've ranked our Top500 in statistically similar groups.

Elite retailers have performed at an exceptional level across all dimensions, statistically separate from the subsequent clusters. The seven in this group in 2016 are Amazon UK, Argos, Boots, House of Fraser, John Lewis, Mothercare and Screwfix. Our congratulations to the three new retailers in this cluster, and to Amazon, Argos, House of Fraser and John Lewis for a second year at the top of UK cross-channel retail.

Leading companies are by most measures out in front, and combine both size and capability. Top50 retailers bring us to the 50 retailer point and represent the current state of RetailCraft in the UK. Taken as a group the strength and capability of the UK industry can be seen in this cohort.

Throughout 2016, we will be continuing our testing and measurement of the whole group. Stand-out performance and improvements in each Dimension will be published monthly at least, and contribute to the 2017 ranking.

Judgement

All judges and judgment systems are fallible, and our research is no different in that regard. But with a starting point of the IRUK Top500 2015, we have refined and developed our research methods and metrics. At the same time, criteria that were differentiators last year – when, for example, click and collect was a measure of innovation – are no longer, as such innovations become the mainstream. We could not have done this research without the generous advice and practical help of both our Advisory Board and our Knowledge Partners.

Knowledge partners

We thank SimilarWeb, whose web insights platform rendered the data for web traffic; OneHydra, which analysed Google search data to find how visible each retailer was compared to competitors; and Wiser, which tracked best-selling products and pricing against the Amazon benchmark for the largest 50 retailers, enabling us to understand pricing and competition at the top of the industry. BuiltWith gave us a detailed breakdown of the ecommerce technologies used for each Top500 website. Edited analysed apparel retailers' offering and discount strategies in order to give a better understanding of selling operations specific to that sector.

GTmetrix contributed analysis of load times and page size for the mobile and desktop landing pages of the Top500; and Poq researched the retail app market, providing a unique dataset on how app features affect conversion, browsing time and average order value. Return Path analysed the content of the largest retailers' emails, open rates and interactions.

While we thank them all for their knowledge and hard work, it is the enthusiasm, the spirit of partnership and flexibility shown in working with us that has been most gratifying. We look forward to sharing more of their exceptional work throughout 2016.

Top retailers

Congratulations once more to the InternetRetailing Elite retailers for 2016: Amazon UK, Argos, House of Fraser, John Lewis, Screwfix, Boots and Mothercare.

Ian Jindal
Editor-in-Chief
InternetRetailing

Advisory Board

Our thanks go to our Advisory Board who have supported, challenged and suggested with great generosity as we have gone from our first steps to this report. The good ideas have been theirs, and any errors or shortcomings are ours alone.

Andy Harding
Chief Customer Officer, House of Fraser

Emma Robertson
Managing Director, Transform

Jonathan Reynolds
Academic Director, Oxford Institute of Retail Management

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Group eCommerce Director, Shop Direct

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CEO Collect+ and Chair of the Chartered Institute of Logistics and Transport

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Martijn Bertisen
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Robin Phillips
Omnichannel and Development Director, Boots UK

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Siobhán Géhin
Partner, Kurt Salmon

Stephen Heal
Associate Director, Frontier Economics

Tony Preedy
Marketing Director, Lakeland

Walter Blackwood
Director of Group Logistics, Mothercare



Online retail cross-border sales

Digital consumers around the world have sparked an increasing trend by expanding their online shopping into other countries

WITH THE WIDESPREAD availability of digital devices and the expansion of logistics capabilities, consumers who shop online can have access to a wider range of products, brands and cheaper prices when they shop outside of their own country. This trend of shopping abroad is known as cross-border commerce.

Cross-border sales have grown exponentially in the past few years, with 35% of consumers worldwide currently shopping on sites based outside of their home country. This trend shows no signs of slowing down, with the total global revenue for cross-border expected to double by 2018. In order to capitalise on this growing trend, it will likely be important for retailers to understand the growth of cross-border commerce. This includes knowing why shoppers increasingly turn to cross-border commerce, which countries are emerging as the top markets for cross-border transactions, and recognising what shoppers are buying.

Globally, 67% of consumers who shop abroad are buying because prices are lower outside of their own country. These prices are usually low enough to make up for additional fees or taxes associated with cross-border commerce. Other reasons include the accessibility of brands that aren't available in their own country, a wider range of products, and better customer service.

As the global cross-border market has emerged, three big players have continued to obtain the most revenue with buyers from around the world congregating on their sites: the US, China and the UK. Approximately 67% of UK retailers offered worldwide delivery last year and 65% of their online sales revenue came from international orders.

Cross-border commerce enables digital customers to shop for virtually anything they want, from practically any digital store they want, at any time. But what exactly are shoppers buying? UK and German consumers buy clothing via cross-border commerce more than any other nations in Europe. For nearly every

other country, home electronics is the second most popular product category in the European market and books comes in third place. Notably, a category with huge potential for cross-border growth is preserved food and groceries, especially in the UK; nearly one in three online shoppers in the country buy food online, making it a unique and expanding market.

As shoppers look for deals and unique items worldwide, they are concerned about numerous factors, including poor shopping experiences, complicated or fraudulent transactions, seller reputations, the authenticity of goods and slow shipping times. In response, many smaller or speciality shops worldwide have been embracing large online marketplaces to create cross-border opportunities as they have broader and more trusted online presences, a proficiency in logistical efficiencies, and reliable service due to their maturity within the cross-border market. These are all factors that ultimately make the cross-border experience and products more attractive.

In conclusion, global retail statistics continue to display the recent and ongoing growth of the online retail cross-border phenomenon. As businesses, technologies and economies become more globalised, online shopping continues to spread far and wide, surpassing once present boundaries and increasing product availability to more areas than ever before.

About PFSweb

A leading global commerce service provider, PFSweb enables brands and speciality retailers to achieve their commerce goals. As an ecommerce solutions provider, we combine consulting, agency, technology and operations to deliver unique and branded customer experiences, creating *commerce without compromise*.

www.pfsweb.com



The full rundown of the IRUK 500, 2016, as measured across six Dimensions: Strategy and Innovation, The Customer, Operations and Logistics, Merchandising, Brand Engagement, and Mobile and Cross-channel.

Share your thoughts on #IRUK500 with @etail

Elite



Leading

- | | | | |
|--------|-----------------|-------------|-----------|
| Asos | Debenhams | Matalan | Superdrug |
| B&Q | eBay | New Look | Tesco |
| BHS | Halfords | Next | Topshop |
| Clarks | Homebase | Office | Waitrose |
| Currys | Marks & Spencer | Sainsbury's | Wilko.com |

Top50

- | | | | |
|--------------------|--------------------|------------------|----------|
| Apple Store | F&F | Monsoon | Superdry |
| Asda | H.Samuel | PC World | TK Maxx |
| Blacks Outdoor | Hobbs | Pets at Home | Topman |
| Carphone Warehouse | Holland & Barrett | River Island | Wallis |
| Dorothy Perkins | Maplin Electronics | Schuh | WHSmith |
| Evans | Miss Selfridge | SportsDirect.com | |

Top100

- | | | | |
|------------------|-------------------|------------------------|----------------|
| Bathstore | French Connection | L'Occitane | Space NK |
| Boden | Game | M&Co | Thorntons |
| The Body Shop | Go Outdoors | Majestic | Topps Tiles |
| Boohoo.com | H&M | Morrisons | Toys ʼn Us |
| Burton | IKEA | Moss Bros. | Very |
| Claire's | Interflora | Mr Porter | Waterstones |
| Cotswold Outdoor | Jack Wills | Net-A-Porter | White Stuff |
| Disney Store | JD Sports | NotOnTheHighStreet.com | Wickes |
| Dune London | Jigsaw | Ocado | The Works |
| Dunelm | Joules | Peacocks | Yours Clothing |
| Evans Cycles | Lakeland | The Perfume Shop | Zara |
| Fat Face | Laura Ashley | Post Office Shop | |
| Footasylum | Littlewoods | Selfridges | |

Top150

Accessorize
American Golf
Ann Summers
Austin Reed
Beaverbrooks
Blue Inc
Bonmarché
CarpetRight
Cath Kidston
Crew Clothing Company
Dabs.com
Decathlon
DFS

Early Learning Centre
Ebayer.com
Ernest Jones
Euro Car Parts
The Fragrance Shop
Gear4music.com
George at Asda
Getthelabel.com
Goldsmiths
Harrods
Hobbycraft
Kaleidoscope
Karen Millen

Lloyds Pharmacy
Mamas & Papas
MandM Direct
Missguided
Nike
Oasis
Pandora
Quiz
Reiss
Richer Sounds
Ryman
Samsung
Shoe Zone

Smymths Toys
Staples
Surfdome
Ted Baker
TM Lewin
Trainline
USC
Warehouse
Watch Shop
Wiggle
Zalando

Top250

Adidas
AllSaints
ao.com
BonPrix
The Book People
Boux Avenue
Brantano
Burberry
Cass Art
CC Fashion
Chain Reaction Cycles
Charles Tyrwhitt
Cloggs
Coast
Costco
Cotton Traders
Direct Golf
Dr. Martens
EAST
The Edinburgh Woollen Mill
Ellis Brigham Mountain Sports
The Entertainer
Esprit
Estée Lauder
F.Hinds
Fashion World

Feelunique.com
Foot Locker
Forbidden Planet
Forever 21
Fragrance Direct
Freemans.com
Furniture Village
Games Workshop
GAP
GettingPersonal.co.uk
Google Play
Gucci
Harvey Nichols
Hawes & Curtis
Hollister
Hotel Chocolat.
Hotter
HP
Hugo Boss
Jacamo
Jacques Vert
Jaeger
JD Williams
Jessops
Joe Browns
JoJo Maman Bébé

Jones Bootmaker
Just Eat
Kitbag.com
Kurt Geiger
L.K.Bennett
Liberty
Lipsy
Long Tall Sally
Lovehoney
Lush
Machine Mart
Mango
Menkind
Millets
Mobile Fun
Moonpig
Mountain Warehouse
Myprotein
Novatech
The Outnet
Overclockers UK
Paul Smith
Photobox
Pret A Manger
PrettyLittleThing
Pull & Bear

QVC
Radley
The Range
Route One
ScS
Simply Be
size?
Snow+Rock
Sorry
Specsavers
SportsShoes.com
Swarovski
Sweaty Betty
Thomas Pink
Toolstation
Uniqlo
Urban Outfitters
Viking
Vision Express
Wex Photographic
The White Company
Whittard of Chelsea

Top350

Abercrombie & Fitch
Agent Provocateur
American Apparel
Andertons Music
Anthropologie
Appliances Direct
Arco
Art.co.uk
Axminster
Banana Republic
Berry Bros. & Rudd
Blackwell's
Bondara
Book Depository
Bravissimo
Buyagift
ChemistDirect.co.uk

Countrywide
Create and Craft
CycleSurgery
Deichmann
DKNY
Dreams
Dulux Decorator Centres
EAT.
eSpares
Euroffice
Euronics
Expansys
Farfetch
Figleaves.com
Find Me A Gift
Firebox
Fitness Superstore

Flannels
Fortnum & Mason
Free People
funkypigeon.com
Gemporia
Grattan
Graze
Guitarguitar
Habitat
Harveys
Heal's
Home Bargains
Home Essentials
The Hut
Iceland
Ideal World
IWOOT

Kiddicare
La Redoute
Laithwaite's
Laptops Direct
Lego
LightInTheBox
Lyle & Scott
MAC Cosmetics
Marisota
Massimo Dutti
MatchesFashion.com
MinilnTheBox.com
Mint Velvet
Misco
Molton Brown
Mulberry
Multiyork Furniture

Nisbets
Oki-Ni
Oliver Bonas
The Original Factory Shop
Paperchase
PartyDelights
Pavers
Phase Eight
Printing.com
Ralph Lauren
Robert Dyas
Rohan
Russell & Bromley
See Tickets
Slaters
Sunglass Hut
Thompson & Morgan

Tiffany & Co.
Trespass
Ugg Australia
Urban Industry
Paperchase
PartyDelights
Pavers
Phase Eight
Printing.com
Ralph Lauren
Robert Dyas
Rohan
Russell & Bromley
See Tickets
Slaters
Sunglass Hut
Thompson & Morgan

Top500

Abel & Cole
Ace
Achica
Aldo
Alexandra
All Posters
Approved Food
Aria Technology
Asics
ATS Euromaster
Avon
Baker Ross
Barbour
bareMinerals
BBC Shop
Bensons for Beds
Bershka
Bose
BrandAlley
Brandon Hire
The Brilliant Gift Shop
Build-A-Bear Workshop
Bulk Powders
Buymobiles.net
CafePress

Calendar Club UK
Calvin Klein
Camper
Card Factory
Cargo Home Maker
CCL Computers
Charles Clinkard
Chums
Clintons
Coggles
The Co-operative Electrical
COS
Crabtree & Evelyn
Cromwell
Damart
Dell
Demon Tweaks
DHgate.com
Diesel
Dobbies Garden Centres
Dolphin Music
DealExtreme
Dyson
END.
Everything5pounds.com

Farrow & Ball
Fired Earth
FitFlop
Fraser Hart
Fred Perry
GAK
Gant
Glasses Direct
GNC
Hackett
Hallmark
Hamleys
HelloFresh
High & Mighty
HMV
Hornby
Hughes Electrical
itsu
Jewson
Jimmy Choo
JML
John Smith's
Joy
Juno Records
JustFab

Kieh's
Lacoste
Lacoste
Lands' End
LED Hut
Lenovo
Links of London
Logitech
LookFantastic.com
Louis Vuitton
Made.com
Mainline Menswear
MedicAnimal
Microsoft
Mobile Phones Direct
Mobiles.co.uk
Monica Vinader
Naked Wines
Nespresso
The North Face
Oakley
Orvis
Pet-Supermarket
Philips
PIXmania.com
Plumbase

Plumbworld
Prada
Premier Man
Pretty Green
Prezzybox
Printerland.co.uk
Pro-Direct
Puma
Rakuten
Rapid Electronics
Reebok
Roman Originals
Rowlands Pharmacy
RS Components
Scholastic
SecretSales
Select
Skechers
Smythson
Sonos
SportPursuit
Spreadshirt
Superfi
Suttons Seeds

Sweatshop
Tate Shop
Thomann
Thomas Sabo
Timberland
Timpon
Toast
Tommy Hilfinger
Tripp
Trueshopping.co.uk
TTS Group
Vans
Vax
Vente-Privee
Warren James
The Watch Hut
Wayfair
Weldricks Pharmacy
WorldStores
Wynsors World of Shoes
Yeomans Outdoor Leisure
Zavvi
Zazzle
& Other Stories
7dayshop

Delivering cross-channel customer experiences

John Lewis, The Perfume Shop and TK Maxx shine in this Dimension

IN THE CUSTOMER Performance Dimension, we aimed to find out which Top500 retailers provided shoppers with the best experience across channels, both as a website user and through customer service. We're looking at retailers as they lean in and actively engage with customers, and we're finding those at the top are those that are available, responsive and effective. Retailers lead this Dimension by evolving continuously to meet the ever-more rigorous demands of consumers.

With a timely and helpful approach to customer service, John Lewis tops The Customer Performance Dimension. The department store retailer is not the quickest to answer queries, but it does so effectively. It answered a Facebook query in 2h 47m when InternetRetailing researchers put it to the test, and an email question in 2h 2m. But it also gave helpful and relevant answers to those questions, with link to customer service clearly visible from the home page, and a live chat clearly visible in the customer service section of the website. A customer query asked via a phone call was resolved in 4m 7s, which, although two minutes slower than the average time, scored the maximum for effectiveness and service levels.

"There's a holistic approach to customer service at John Lewis that puts it well ahead of its rivals," says InternetRetailing researcher Polina Modenova. "Not only does it answer the questions we asked, but it does so in a timely manner." John Lewis ranked highly in tests measuring the speed of desktop page load.

Second-ranked The Perfume Shop won its place for fast and effective customer service that answered a Facebook query in 1h 24m, and answered a phone query in 57s, gaining the maximum score for its service and the resolution that it provided in these areas. On email, its response time was slower – at 20h 32m – but customer query resolution scored full marks and customer service was just short of full marks.

TK Maxx, third-placed in this Dimension, won its place for reliably swift customer service that was outstanding in some areas.

It answered a customer question on Facebook in 35m, the quickest response rate recorded among the Top5 retailers, and responded to an email query in under 51m. Overall, it was the fastest of the Elite retailers to answer customer queries via both email and Facebook.

French Connection, answering emails in 2h 59s, and a Facebook question in 56m with a market-leading level of service and query resolution, was placed fourth, and WHSmith, answering a customer query in 1h 6m, was in fifth place.

Change at the top

This is a Top5 that has changed somewhat since IRUK Top500 2015 research. In the last year researchers have developed and refined their metrics, assessing areas from page load speed and compliance to Google PageSpeed and Yahoo YSlow scores, right through to the speed and effectiveness with which retailers answer email, Facebook and phone queries, and factoring in how many followers each retailer had on Twitter. In the round, researchers aimed to find out which Top500 retailers provided customers with the best experience, across channels, both as a website user and through customer service. While research metrics have changed, it's also undoubtedly the case that the top retailers are those that continue to improve in customer service, evolving continuously to meet the ever-more rigorous demands of the consumer.

Assessing the field

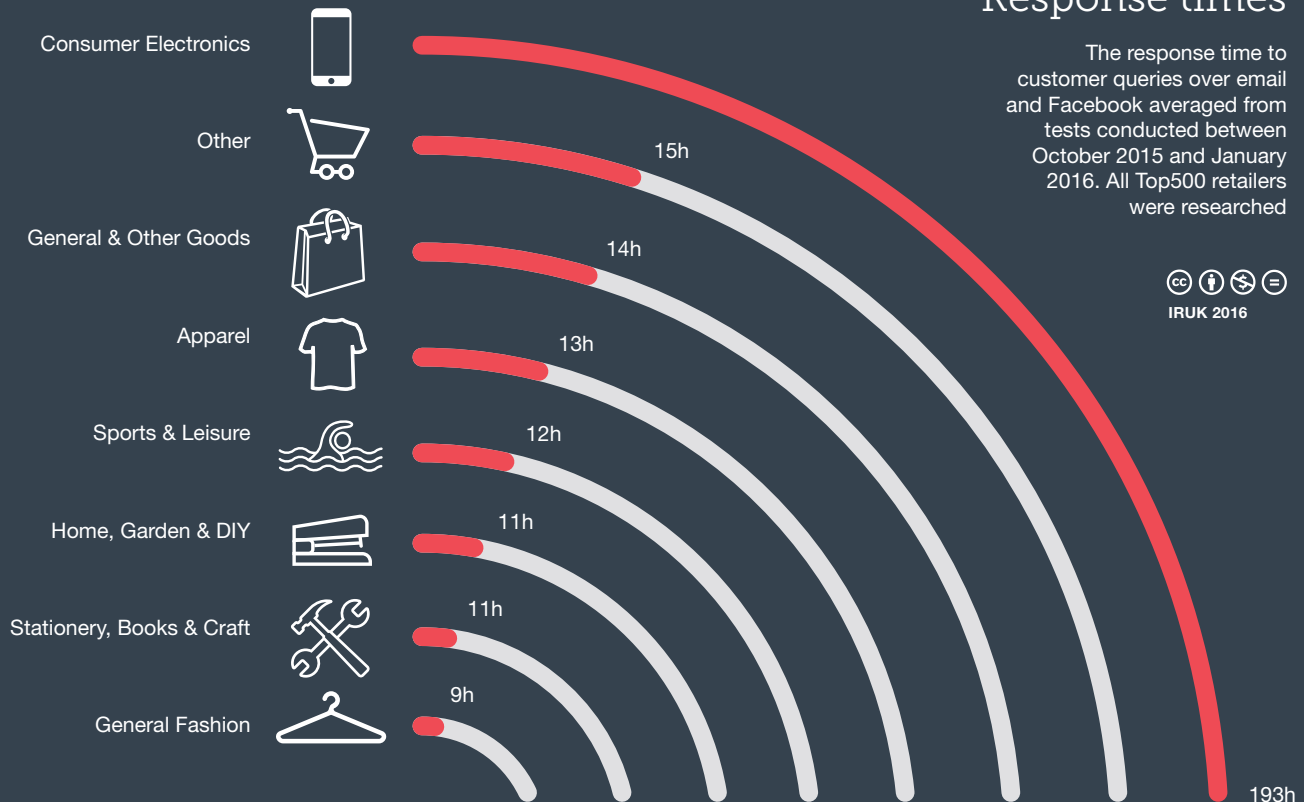
The Elite retailers stand out by comparison with relatively unimpressive averages elsewhere. TK Maxx's 35m response time for a Facebook query stands out starkly against an average of 53 hours – and it's worth noting that while 16% of the Top500 also answered a Facebook query in 35 minutes or less and 22% within an hour, 55% did not respond to a Facebook query at all. It's worth mentioning that while

TK Maxx's best email response time of 51m compares well to the average of 27 hours,

Response times

The response time to customer queries over email and Facebook averaged from tests conducted between October 2015 and January 2016. All Top500 retailers were researched

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IRUK 2016



while The Perfume Shop's ability to pick up the phone and resolve an issue in 57s is less than half the time of the average 2m 6s. Notably, 8% of phone calls to advertised customer service numbers went unanswered, while 1% reached an automated service.

Smaller traders can and do stand out in some aspects. GetTheLabel was the fastest to resolve a customer query – in 18 seconds – followed by LK Bennett in 19 seconds.

“Average email and Facebook response times reveal a disconnect in customer service,” says Modenova. “It's being dealt with on a channel basis rather than with a single view of the customer. That's important because from the customer's perspective, there's not a great deal of difference between different ways of contacting the same retailer.”

It's worth mentioning here that last year the research measured Twitter response times, and this year addressed retailers' efficiency on Facebook. Last year, Twitter responses were almost twice as fast as those via email, but this year Facebook lags behind email. Next year that metric may again be adjusted. The study

did count Twitter follower numbers, finding the average number of followers came in at approximately 17,000. Retailers with large audiences on Twitter included John Lewis and House of Fraser.

In page load measures, it's notable that while the fastest full page on desktop came in at 0.8s

“There's a holistic approach to customer service at John Lewis that puts it well ahead of its rivals”

Polina Modenova, InternetRetailing

– for bouxavenue.com – the average full page load time has increased by 18% to 4.1s across the Top500 since last year, when this metric came in at 3.5s. Perhaps that's down to the 115 average elements now seen on each page. The initial html, however, loaded within an average of 0.3s, while the average page size stood at 2.7MB.

Competitive delivery, collections and returns

Why consumers value retailers with convenient delivery options and easy returns

THE OPERATIONS & Logistics Performance Dimension starts from the position that most retailers use other people's logistics. This Dimension rewards those that have taken large-scale third-party logistics and turned them into compelling offers that meet brand promises. Next heads up the Operations and Logistics Dimension for a surefooted performance across delivery, collection and returns. The fashion retailer has long honed its logistics capabilities in order to stand out from the competition. This edition of the IRUK Top500 confirms its lead in the field.

Senior InternetRetailing researcher Martin Shaw says: "A lot of retailers really nailed delivery and others really nailed returns – Next was the only one to be great at both."

Next topped the collection analysis while also performing strongly in both delivery and returns. It stood out for its industry-leading midnight cutoff for shoppers ordering for next-day pick-up from store, as well as for promises that include evening delivery and same-day collection from store. It offers the option of delivering to a Next store for a friend to collect.

"A lot of retailers really nailed delivery and others really nailed returns – Next was the only one to be great at both"

Martin Shaw, InternetRetailing

Next is clear that offering convenient deliveries and returns makes economic sense. In its results for the year to January 2015, it said 9% of orders were placed between 10pm and midnight. It also stated that using stores to accept returns boosted its profitability.

Sainsbury's performs strongly in the Dimension for the delivery promises it makes for both

grocery and non-food products. It stands out for one-hour timed delivery slots and for a market-leading returns policy that offers a full refund for up to 12 months on non-perishable items, while a partial refund is available after 12 months. Grocers have long driven innovation in delivery, and Sainsbury's is among the supermarkets that now offer both peak and off-peak delivery passes, enabling repeat deliveries for a fixed price.

Delivery has been a firm focus for Amazon in recent years. The retailer offers no fewer than nine delivery and collection options for UK customers, including same evening delivery and collection from Amazon Pickup points. During the last year, it has moved its focus in the UK towards faster, premium delivery services. It introduced one-hour delivery for members of its Prime subscription scheme, while raising the threshold for free delivery to a minimum spend of £10 for books, and £20 for other items.

While Amazon was strongest among all retailers in Internet Retailing's assessment of delivery services and equal top for collection, it was overtaken by rivals on returns. One customer-pleasing service that it offers in this area is the ability for customers to check the status of refunds that are in the system.

Delivery and collection

As in the other focus areas of the IRUK Top500, the metrics that underpin the listings in this year's Operations and Logistics Performance Dimension continue to evolve. This year, the study has assessed retailers' delivery promises, and the convenience of the services they offer for customers, rather than measuring the effectiveness of an individual delivery.

As researchers uncover more in-depth information about individual retailers' delivery, collection and return performance, so too they are assembling a more complete picture of the industry's development.

Thus, it's now possible to say that among the IRUK Top500, next-day delivery is the most

commonly found delivery option – at 63% of retailers. By contrast, 44% of the Top500 offer named-day Saturday delivery, and nearly 6% offer same-day delivery. The number of retailers offering Sunday delivery has doubled in the last year, to 9%.

Researchers found that the price of standard delivery averaged £4.30 – although many made no charge at all. “We found quite a lot of retailers

The number of largest 100 UK retailers offering Sunday and nominated-time delivery has doubled in the past year

would offer slower delivery for free, and then more expedited delivery would cost more,” says Shaw. “That dissuades customers from using it if they don’t need it.”

Collection and returns

More retailers now offer click and collect services than did at this time last year. In the IRUK Top500 2015, when 44% of traders enabled customers to order online for collection in store,

researchers saw the service as a measure of innovation in the Strategy Dimension. This year that proportion has risen to 58% – taking the service mainstream and making it one that’s now expected by customers.

It was significant that a top group of some 50 retailers were all ranked equally in the research for their collection promises. This fact will challenge researchers to develop more rigorous metrics that distinguish between the members of that leading group.

“There’s been a homogenising of the delivery offering,” says Shaw. “Shoppers might not see this in other parts of the world but in the UK it’s very competitive. Effectively, all of the Top50 retailers in this Dimension provide a convenient collections service.”

When it comes to returns, it seems the post is still the most popular returns channel, offered by 59% of the Top500. Return to store was the only other significant channel, offered by 41% of multichannel retailers. Customers can now enjoy a full refund from 64% of Top500 traders. It’s likely all this will play an important part in the shopping decision. A UPS study last year showed that 54% of customers read the returns policy before deciding where to buy, and were likely to opt for retailers that allowed them to return items for free.

The new best practice

The changes over the past 12 months in the fulfilment options of the largest 100 retailers in IRUK

- Offered in 2015
- New adopters
- Not offered



IRUK 2016

Next day delivery



Nominated day



Nominated time



Sunday



Search and research made easy

The importance of showing the right products to the right people at the right time

THE MERCHANDISING PERFORMANCE

Dimension recognises the RetailCraft involved in presenting relevant and timely products to the consumer. Researchers have looked to find the most visually appealing ecommerce websites that make it easy and convenient to search for, and find, the right product.

Disney Store tops the list in the Merchandising Dimension of the IRUK Top500 2016 for a trading approach that makes it easy for customers to find and research products.

Strong images and a clear design make the site visually appealing, while detailed product information keeps shoppers informed. Clear filtering, search suggestions and the skilful use of banners as signposts make navigation straightforward. Combining these factors, Disney Store performs strongly. “This is a diverse store, selling everything from *Star Wars* to Minnie Mouse merchandise, but it’s easy to find things you might be interested in,” says Martin Shaw, InternetRetailing’s senior researcher.

Amazon is close behind, an achievement that recognises, among other factors, its expertise in cross-selling and upselling, and the way it offers personalised recommendations. Even though Amazon offers an enormous range, shoppers can easily find a specific item, filtering by brand and other attributes. Reviews add to a depth of product information, while social validation enables browsers to share their finds and purchases easily.

Austin Reed, Watch Shop and Littlewoods complete the Top5 in this Dimension. John Lewis, which headed last year’s ranking, comes in at number seven. This reflects a typically strong performance in this area of RetailCraft.

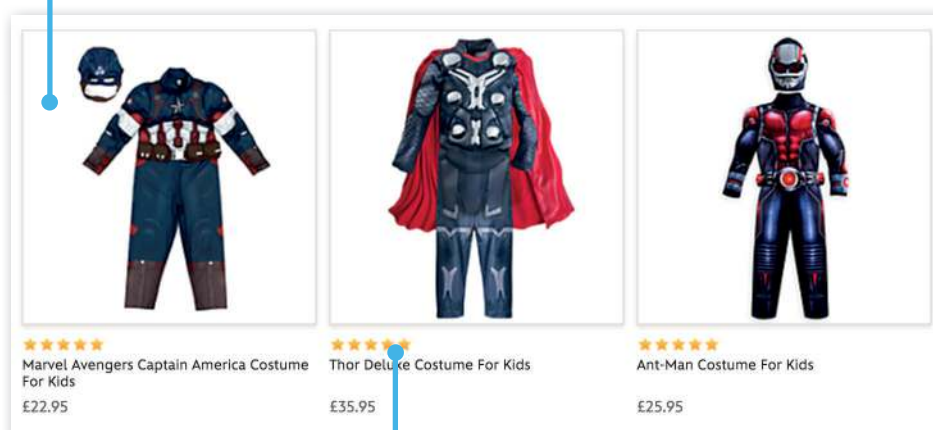


Advanced filtering on austinreed.com

The clever use of browsing history on amazon.co.uk



Take a 'quick look' via a pop up on disneystore.co.uk



Prominent reviews

This changing list reflects the continuous development of the InternetRetailing research team's approach to measuring merchandising. Evermore focused metrics have emerged from a process of evaluation and refinement, with the advice of industry experts. What's measured is the range of achievement, from strong

Just a third of retail websites promote alternative products when a search query returns a 'no results' page

foundations through to best practice and cutting-edge innovation in areas that affect the relevance of search results offered to the consumer.

Through these measurements, researchers have uncovered not only individual performances, but the way the industry as a whole is refining its approach to trading online. Thus, by examining what happens when a search enquiry meets with no findings, researchers were able to say that a little more than a third (34%) of the IRUK Top500 offer alternative product

"Disney Store sells everything from *Star Wars* to Minnie Mouse merchandise, but it's easy to find things you might be interested in"

Martin Shaw, InternetRetailing

suggestions through a 'no results' page. "It's one of those key areas where it's hard to imagine a case when it wouldn't be advantageous to do that," says Shaw.

Turning to social sharing from the product page, this has fallen by 15% in relation to the 150 retailers analysed last year. Some 17% more retail websites, however, now offer dropdown product suggestions when shoppers search for an item on a website. In all, 51% of the IRUK Top500 companies now have this functionality.

Even more widely used is the ability to

Insights into the fashion trade

InternetRetailing worked with Knowledge Partner and analytics specialist Edited to analyse how fashion retailers handle stock availability – contrasting newness of products with how much retailers needed to discount in order to clear stock. The 21 retailers studied were the largest apparel retailers in the IRUK 500. The study places Marks & Spencer in first place, suggesting the retailer is making good buying decisions.

"The troubled retailer is working tirelessly to get apparel back on track and retail metrics hint that it's working," said Katie Smith, senior retail analyst at Edited. "M&S is able to replenish 22% of their offering, which is no mean feat. They've also got a healthy approach to discounting – very few larger price slashes but a healthy amount of lower-level reductions to entice spend."

Next followed M&S in the findings of this research, with "an exceptionally small proportion of its offering reduced by 60% or more." But while Next rates highly for stock newness and the speed of sell-through, at an average of 59 days, "lower replenishment rates see Next fall behind M&S," says Smith, who adds: "Next could be missing out on optimising consumer demand with their fast sell through and high rate of newness."

Retailers that scored less well in this area included Sports Direct, ranked in 21st place, and Mothercare, just above in 20th place. The study found that it took Sports Direct an average of 303 days to sell through product, while 12% of its offering was discounted at the time of the analysis. Mothercare took an average of 107 days to sell through, but a relatively small proportion of 6% of stock was new in last month.

recommend similar products to items that a shopper has in an online basket through the use of cross-selling and upselling, now adopted by 74% of the IRUK Top500.

Researchers also considered whether retailers required shoppers to register on a website before they checked out – and found that 58% did. "This is almost a trade off," says Shaw. "By introducing the barrier of registration, retailers are sacrificing the ability to sell immediately in order to potentially add a customer to the database with their email address."

Reach out to customers

The importance of recognition factor

RETAILERS STAND OUT in the Brand Engagement Performance Dimension because they are well known and often the first port of call for customers.

“To do well you have to be known, and to be known you have to do well,” says Polina Modenova, InternetRetailing researcher. Researchers rated retailers in this dimension for their brand reach, as measured by how easily a retailer is found via search, and how that compared to competitors. They also measured the way the Top500 use Twitter and Facebook to project their brand and interact with customers, and worked with Knowledge Partner Return Path to assess the response for marketing emails sent by 15 retailers. (See boxout for more detail.)

There is both change and competition at the top as researchers have refined approaches to measuring what it is to be successful in Brand Engagement. It’s not surprising, though, that Amazon tops this Dimension since the site is where so many people start their shop.

The Top5

Amazon earns its place at the top of this dimension because it is so visible in search. It has more than 600,000 retail keywords – which were searched for more than 700m times in November alone, according to analysis from Knowledge Partner OneHydra. Customers can engage via seven different channels, including social media. Despite the commanding performance in search, it has not neglected social media. Its

Emails sent on Sunday enjoyed the highest open rate in the Return Path study

Facebook page had 5.5m likes at the time of measurement – nearly five times the Top500 retailer average. Amazon also had more than 40% more monthly posts than the average for Top500 retailers. “Amazon, despite offering

Marketing insights

Findings contributed by Knowledge Partner Return Path gave important insights into the effectiveness of leading retailers’ email marketing strategies. Those strategies were measured through the proportion of emails that were read, deleted or marked as spam by either the ISP or the recipient.

Argos topped the listing in this section of the research because 34.8% of the relatively low number of emails it sent were read, and only 3.8% were deleted without being read. Users tended to hang onto these emails: a relatively low 8.5% were deleted after being read. Only 0.7% were marked as spam by the ISP and 0.03% by the user. Second-placed Asda saw 20.3% of the 71,627 emails it send read – and 8.2% deleted, while in third place, 22.2% of the 120,031 emails that Boots sent were read. Interesting findings across all brands included the statistic that messages sent on a Sunday were most likely (27.7% of the 122,804 sent) to be read. Wednesday was the most popular day for sending marketing emails, with 255,852 sent, but it was also the day when fewest emails (21.1%) were read.

We’ll be working with Return Path through 2016 to extend and integrate this tests into our ranking algorithms.

an enormous and voluminous product range, nevertheless commands a significant portion of search visibility, when consumers are searching for products that it offers,” says Modenova.

Argos comes second in the study for its visibility in search – it ranked third in the OneHydra analysis, after Amazon and eBay – and because its customers are more likely to read its emails. The retailer had more than 1m likes on its Facebook page, and a higher than average number of people were talking about Argos on its page, with 7,344 people interacting with the brand, 3% higher than the average. The ratio of email marketing messages sent to messages read was the

Social Media Usage by the Top500

YouTube, Google+ and Pinterest have seen a big uptake in use by retailers over the past 12 months, while Facebook and Twitter reached saturation some time ago



highest across the Return Path study of 15 retailers, while the 35% read ratio was third highest in the study. Argos customers were less likely to delete their email messages – just 3.8% of recipients did so.

John Lewis took third place in the Dimension, scoring highly for search visibility, while its emails were the third most read, with a relatively low proportion marked as spam by the ISP and by customers. Its like per post scores were 73.4% higher than the average for Top500 retailers. John Lewis shoppers tend to opt for Facebook as a social media channel: some 12,011 people were talking on this page, which also has links to other social media. The retailer has 172% more check-ins on its Facebook page than the average multichannel retailer, making this a cost-effective form of marketing.

In fourth place, Next was highly visible in search and its Facebook likes, at more than 1.5m, were 34% higher than the average for Top500 retailers. Fifth-placed Debenhams was also visible in search, while 35.4% of consumers read its emails – the second highest proportion in the Return Path study.

Assessing the field

The analysis found that the sheer size of the very largest retailers, and their active social media audiences, in this dimension can dwarf what smaller traders can achieve in the Brand Engagement Performance Dimension. Amazon, with 5.5m Facebook page likes has nearly five times as many as the average for the Top500 – of

“To do well in Brand Engagement, you have to be known, and to be known you have to do well”

Polina Modenova, InternetRetailing

1.1m. But retailers with loyal followings had the means to stand out in different dimensions. Some 39% of Waitrose emails were read by customers, according to the Return Path findings, while Harrods achieved the highest number of customer check-ins, at 990,000. The average number of check-ins, by contrast, was around 37,000.

Serving on-the-go customers

Leading retailers use mobile to create seamless customer experiences across channels

MOBILE IS PARADOXICALLY both cross-channel glue and lubricant, which makes the customer journey across retail touchpoints smoother and frictionless. The Mobile and Cross-channel Performance Dimension seeks to pinpoint those traders that are most effectively using mobile at the heart of their cross-channel activity, integrating it into all parts of their activity, from the store to online. In 2016, just having apps is no longer enough and in this Dimension we focus on mobile used to the end of commercial effectiveness.

House of Fraser tops the Mobile and Cross-channel Dimension for the quality of its app

“If retailers are to meet customers’ growing expectations, they must present a consistent view of their brands”

Martin Shaw, InternetRetailing

and of its cross-channel services. The retailer’s app effectively links online and the store. The inclusion of augmented reality gives it a cutting-edge advantage while YouTube videos scored it extra marks.

“By any reckoning, House of Fraser’s app is impressive for the way it links channels and offers customers a single view of the products it sells,” says InternetRetailing senior researcher Martin Shaw. “But our analysis with Poq went further and found it was a real workhorse for the sheer number of features

that were delivered reliably without the bugs that plagued so many rivals.”

Zara’s ability to link store and web effectively, through its app and related digital services, as well as strong mobile web performance, helped it to second place in this Dimension. The html load time of its mobile homepage was less than 0.5s and the page contained just 12 elements.

Amazon was the third in this Dimension. Its html homepage loaded in just over a second, and was fully loaded in between three and four seconds – despite having as many as 35 page elements. Amazon’s app scored highly, with cutting edge features including fingerprint ID sign-in. As with all the top apps, it included comprehensive reviews and the ability to share products on social media.

Changes in this Dimension’s rankings come as InternetRetailing researchers have further refined their analysis. With the help of Knowledge Partner Poq, this year’s analysis considers how effectively retailers use mobile apps. It also considers retailers’ use of mobile websites, thanks to data from Knowledge Partner GTmetrix, and takes into account cross-channel retailers’ use of cross-channel app features and services such as click and collect.

Mobile apps

The use of mobile apps as a retail tool is growing steadily. InternetRetailing research found that 36% of IRUK Top500 retailers now have iOS apps – up from 34% in our 2015 study. Android apps, measured for the first time, were in use by 30% of listed retailers. Just over a fifth (23%) of Top500 retailers had a transactional app, and 20% had native apps. But while the use is getting more widespread, their performance is variable. Almost half of the apps had some sort of bug that influenced how well they performed. The effect of those bugs varied: while some froze, others crashed, showed an empty home screen or were simply unavailable in English.

Anonymised Poq analysis of retailers using its app platform aimed to uncover how far different features contributed to conversion. InternetRetailing research then matched the findings to use of those features among the Top500.

The most common feature detected was the ability to view a wishlist from the app. Poq analysis suggests apps with this feature have a conversion rate 1.8 times the platform average, browsing time that’s 3.5 times longer, and have an average order value of 0.95, where the

average is 1.0. Eighty, or 16%, of the Top500 retailers had this feature, and it featured on 45% of iOS apps.

Another popular feature among IRUK Top500 retailers' apps is the ability to share on social media. Poq analysis shows apps with this feature have a conversion rate that is 3.7 times the platform average, browsing time that's 4.6 times

longer and an average order value 1.05 of the platform average. In all, 70, or 14% of Top500 retailers have this feature on mobile apps.

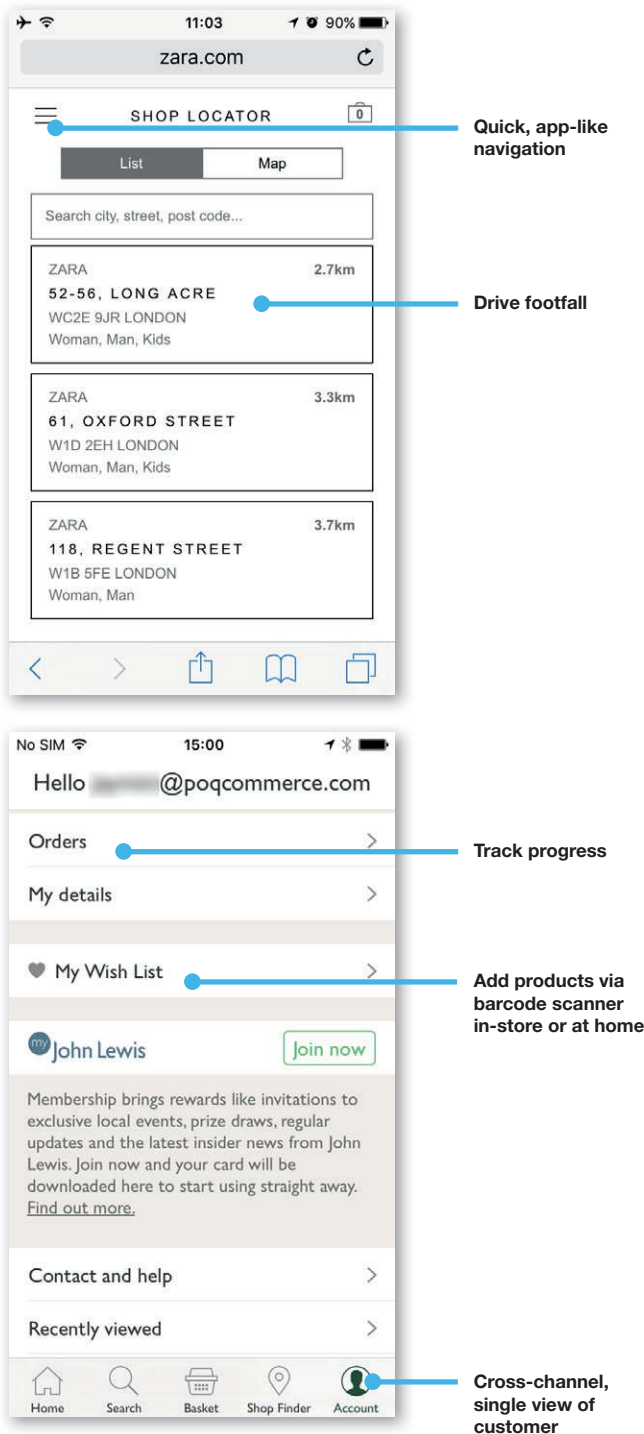
Mobile web

With the rise of mobile commerce – 45% of website visits came from a mobile device in the third quarter of 2015, according to IMRG data – many Top500 retailers have moved to design first for mobile. By adopting responsive design and streamlining the number and size of page elements, they ensure their sites will load quickly and are easy to navigate from a touch-based mobile device. Through analysis conducted with Knowledge Partner GTmetrix, InternetRetailing researchers aimed to find out how large the IRUK Top500 retailers' web pages were and how quickly they would load on a mobile device, first in terms of the html content, and then a full page load. The measurements, repeated for each website on a range of different days and at different times, concluded that the average time for a mobile homepage to fully load was more than 10 seconds, and the average size was 2.3MB. The fastest performance was Superdrug. Its full homepage loaded in under a second.

“We found that towards the top in terms of performance and how quickly people could use the site tended to have a more streamlined approach with fewer page elements and smaller pages,” says Shaw. Around 80% of the retailers analysed had the viewport meta mobile web standard that tells a web browser how to adapt screen size to the device being used.

Cross-channel

Mobile is arguably at its most effective when cross-channel retailers link the on-the-go web in the shopper's pocket to the physical store. Of the IRUK Top500, 348 are cross-channel retailers. Through analysis of features such as the ability to check location of the nearest store, and to check its stock, as well as click-and-collect services and whether shoppers can return their online purchases to the store, researchers identified a leading pack of 50 retailers that offered all of these service. Among them was Argos, which last year headed the Mobile and Cross-channel Performance Dimension. “If retailers are to meet customers' growing expectations of seamless service, they must present a single, consistent view of their brand to customers,” says Shaw. “We found that 50 retailers have got this right in 2016.”



Close and convenient service

The retailers that stand out in this Dimension are setting new standards of service across channels

FOOT-FORWARD RETAILERS THAT are unafraid to develop and deploy market-leading features are rewarded in the Strategy and Innovation Performance Dimension.

These are traders that put the customer at the centre of the business. This Dimension rewards closeness and convenience – and small things that customers appreciate but that take work and planning to implement – whether it’s about making products findable, or responsive pricing. It’s about the businesses that are making the journey from personalisation to personal, and that routinely fine-tune this work to the customer’s benefit.

Our research here brings together the metrics that we judge the most strategic and innovative from the other five Performance Dimensions that make up this report. Among these are response times to customer queries, mobile load times and bug-free apps, as well as the ability to offer nominated time delivery, search visibility, and how retailers respond when no products match a shopper’s search. We’ve assessed which retailers

Half of the largest 50 retailers are selling their most popular products at a lower price than Amazon

offer international delivery, the number of payment options they use, and whether retailers make it clear that payment is secure. Finally, we’ve used the Wisser data on pricing strategies to round out our findings (see boxout).

Out in front

House of Fraser is well ahead in this Dimension. It has already put into practice many of the techniques in 2016’s basket of strategic and

innovative practices, boasting convenient delivery options and strong mobile performance, while also responding quickly to customer enquiries. “House of Fraser,” says InternetRetailing researcher Martin Shaw, “has embraced true RetailCraft, and readily adopts new technologies. The areas where this retailer innovates in 2016 are likely to become the benchmark in later years that others emulate.”

Fellow department store Debenhams came in second place for a consistent approach to

“Some of the services that are most convenient for customers rely on size and the economies of scale that accompany that heft”

Martin Shaw, InternetRetailing

strategic action – it has, for example, fine-tuned its approach to ecommerce delivery in recent years, while its mobile performance also stands out. Health food business Holland & Barrett stood out for its reach, in third place, while fourth-placed John Lewis won its position for a strong performance in both customer service and in operations and logistics.

Last year’s leader Amazon is this year in fifth place after assessment expanded to a more holistic view of strategy. Amazon is the second most-trafficked online retailer in Europe, after eBay. Shaw says: “Amazon somehow manages to be at the forefront of every ecommerce trend. Its endeavours to be convenient despite a lack of physical stores, and in a Dimension that rewards the physical convenience cross-channel retailers find easier to offer, are recognised in this result.”

Using price to assess Strategy and Innovation

The InternetRetailing-Wiser Dynamic Pricing Index will in coming months track both the retailers offering the most competitive pricing as well as the price volatility of products themselves. The analysis from Knowledge Partner Wiser takes as the baseline the price offered by Amazon – and not its marketplace sellers – for the 100 most popular products on each website. Here we’re sharing the first cut of this data as measured in January 2016 - a time of expected wide variation given post-Christmas sale activity.

Notably in this first tranche of results, Disney Store has the widest variation from the Amazon pricing. A review of the 100 products shows it is indeed selling the 100 selected products (from its “bestseller” ranking) at an average of 36% of the Amazon price. While not advertised as a site-wide sale these items were marked as discounted on the Disney site. Whether this reflects discounting or clearance of last season’s most popular lines is a question we’ll carry forward. While a spot measurement is interesting it is only by monitoring the changes’ frequency and amplitude over time that we can create a picture of a retailer’s dynamic and competitive pricing position.

This will form the monthly Dynamic Pricing Index, as we explain on page 29.

Assessing the field

The metrics brought together in this year’s Strategy Dimension reward cross-channel retailers that have the scale to offer true convenience. Both cost competitiveness and closeness to the customer are key. Three of this year’s top retailers are department stores. “Some of the services that are most convenient for customers rely on size and the economies of scale that accompany that heft,” says InternetRetailing’s Shaw. “Department stores seem to be particularly well-placed to capitalise on innovation.”

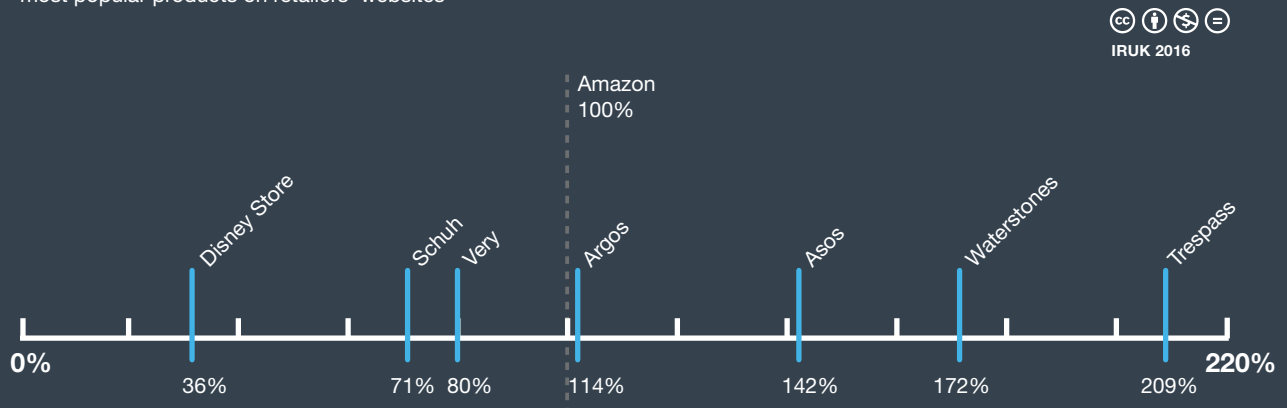
He suggests that fifth-placed Amazon and sixth-placed Asos score highly in this Dimension despite being pureplays because they have invested so heavily in enabling the cross-channel experience.

Businesses run by the Arcadia Group, including Topshop and Topman, do well in this Dimension. This, says Shaw, “reflects a significant, strategic, group-wide investment that yields results without sacrificing the unique customer-facing retail brands”.

As this year, the mix of metrics feeding into the Strategy and Innovation Dimension will be different next year, reflecting new benchmarks in performance in a competitive industry. Get in touch with your ideas for what should be included in the basket of strategic or innovative techniques and services for 2017 via research@internetretailing.net or tweet @etail with #IRUK500.

Price comparison index

Prices compared with Amazon for the 100 most popular products on retailers’ websites



From sales to subscriptions

While companies offering media streaming services aren't included in the IRUK 500, they may offer vital clues as to how retail will develop

NETFLIX



IF THEY WERE to be included in IRUK 500, the subscription services Netflix (TV and films) and Spotify (music) would both be ranked in the Top150. As we've already noted, we haven't included these companies because the services they provide are more analogous to pay TV than to retail ecommerce, the selling of goods and services.

Nonetheless, their strong presence – and music site Beatport and TV/movie site wuaki.tv also performed impressively – may have wider lessons for retail in terms of the sector beginning to employ elements of subscription-based services. Drawing on new research, we intend to cover this subject in more detail later in the year. In the meantime, it's instructive to look briefly at how the music industry, one of the first sectors to grapple with issues around digital delivery and digital piracy too, continues to adapt to a changing market.

Here, the history of Apple is instructive. The company initially launched its iTunes store in April 2003. Five years later, iTunes became the largest music retailer in the US, a position it's held ever since. By 2013, the store had sold 25 billion songs worldwide.

Yet Apple hasn't had things all its own way. Not only does it face competition from other digital music retailers, but increasingly customers are

accessing music via streaming services. Spotify was founded in 2006. By the summer of 2015, it had more than 75m active users, and 20m paying subscribers, who pay a monthly fee to listen to better-quality audio and without commercial radio-style advertisements interrupting the stream, and to be able to download music for offline listening when, for instance, using a mobile phone.

In 2015, Apple launched its own streaming service, Apple Music. According to a report in the *Financial Times*, the service took six months to reach 10 million subscribers, with many likely tempted in by a three-month free trial and the way the service is integrated with iTunes. From another angle, specialist store Rough Trade sells vinyl and offers a curated download service on a subscription basis.

While the music industry has been particularly buffeted by the rise of digital technologies, we strongly suspect other industries will increasingly adopt elements of a subscription model in retail offerings. The motor industry, for instance, effectively already does this with personal car lease deals. Or consider fashion services where customers initially see a stylist and are then sent clothes for consideration on a sale-or-return basis.

The wider point is that more traditional retailers need imagination and openness to new ideas in order to adapt to the challenges posed by such new business models. From the perspective of those of us compiling the IRUK 500, it also poses some problems: if Apple successfully extends its subscription model in the years ahead, at what point does the company cease to be a retailer as well as a technology company?

Giles Colborne of cpartners discusses subscription services:
etail.li/top500_subs_services

New kinds of journeys

The travel industry performs strongly in mobile, evidence in part of the growing importance of location-based offerings

EVEN IN THE age of airbnb, which enables people to rent out their homes, and budget airlines such as easyJet, there's still a place for more traditional travel agents in the UK. Every year, if only to avoid the hassle of collating travel and accommodation bookings, millions of us book package holidays. Even when we do travel independently, many of us use companies such as Expedia and Opodo to research the best deals.

In this context, it may seem a strange decision not to include travel companies this time around. After all, we included them in the IRUK 500 2015 and, by footprint, Thomas Cook, Thomson, Expedia and lastminute.com would all be in the Top150. So why haven't we included them?

Principally, it's because travel companies are service providers. A package holiday, for example, typically involves a travel agent assembling the individual parts of a holiday on behalf of a client rather than owning the 'stock' being sold. Should something go wrong, it's the airline or the hotel that's responsible for customer service. In this, travel companies are analogous to discount portals such as Groupon, which we've also not defined as retailers.

Nevertheless, we're still planning to conduct original research into the travel sector, to build on what we've already learnt. In this context, we've found it instructive to analyse the sector because, as with the music industry, the travel sector was one of the first to face the challenge of trading on the internet; and where established companies faced challenges from start-ups that saw the potential of ecommerce – lastminute.com, remember, was a product of the dotcom boom, co-founded by Brent Hoberman and the future Baroness Lane-Fox of Soho in 1998.

So what legacy has this history given the travel sector? According to our research, Expedia achieved the best performance in any Dimension among travel companies.

Thanks to its excellent mobile app and its strong mobile web performance, the company would have ranked just outside the Top50 for the Mobile and Cross-channel Dimension. Similarly, Thomas Cook was a strong performer in mobile, while lastminute.com's app performed strongly.

Having expected to find evidence of legacy strengths, we instead found travel companies performing strongest in mobile. Why? One major reason is simply the overall growth in mobile internet usage. Euromonitor has estimated that, by 2017, 30% of online travel bookings by value will be made on mobile devices. At least a part of this figure will be made up of those using location-specific mobile apps to find rooms and restaurants in the local vicinity. Retailers may want to take note of which travel companies do this best and learn from the techniques employed.

For retailers, the travel industry is also an intriguing laboratory for the effects of the so-called 'sharing economy' as, for example, we watch the hotel industry compete against disruptive interlopers such as airbnb.

Half of Tui Travel UK summer holidays booked online for this year
etail.li/top500_travel_sales



New retail patterns

The influence of marketplaces is growing, and will continue to grow. What might this mean for both traditional and pureplay retailers?

IF IT INITIALLY seems counterintuitive that we haven't chosen to class marketplaces as retailers, it's because so many are, in key respects, akin to shopping centres. While you head to Bluewater as a retail destination, it's not a retailer in itself.

That said, we will study marketplaces in more detail in the years ahead because they clearly exert a huge influence on the wider retail sector. Consider Sainsbury's bid for Home Retail, the owners of Argos, in November 2015. One side effect of such a deal, were it to be concluded, would be a collision of retail models and cultures. Not only (presumably) would Argos branches open in the supermarket's retail spaces, but customers would be able to take advantage of the drop-off and delivery deal Ebay and Argos announced late last year.

In the context of marketplaces and the IRUK 500, it's worth noting that we have included Ebay, because it stands behind its operations and its vendors' sales in a way that's analogous to a more conventional retailer. In contrast, excluded marketplaces take limited or no ownership of a sale, and don't take payment or offer recourse to disgruntled customers.

Again, that's not to underestimate the importance of companies such as Etsy, which bills itself as "the world's most vibrant handmade marketplace" and offers the opportunity to "buy and sell handmade or vintage items, art and supplies." Folksy offers a similar service, but is more UK-focused. iOffer, which "allows buyers and sellers to negotiate to buy and sell items in an interactive and open format", also has a significant influence on the UK market.

It follows that anyone trying to plot how the retail sector might develop needs to be aware of such companies and, our research has revealed, less familiar names too. One phenomenon we've noticed is UK-based customers using foreign marketplaces. The Polish language marketplace Allegro sees a high amount of web traffic of UK origin and would have been in the IRUK 500 had it been eligible. In addition, it's worth noting that IREU 500 research already reveals Allegro is the

third-largest ecommerce retailer in the EEA, after eBay and Amazon, by web traffic.

Similarly, Indian retailer Flipkart also commands a large amount of traffic from the UK. Presumably, this is down to expats and those with strong connections abroad shopping for delivery to family and friends, but we need to do further research to say this definitively.

But whatever's happening, and we will be doing further research here, it's a phenomenon that throws up some potential challenges for UK retailers. How does it affect plans for expansion abroad? From another angle, could an English-language Allegro or a revamped Flipkart with free delivery to the UK pose a challenge to British retailers?

What Sainsbury's sees in Argos:
etail.li/top500_marketplace

Introducing the IREU 500

At InternetRetailing, we've extended our research to cover all of Europe. We look forward to sharing our results in June 2016

LATER THIS YEAR, we publish the inaugural IREU Top 500. It will be based on research that's seen InternetRetailing assessing and ranking leading cross-channel and ecommerce retailers across the European Economic Area plus Switzerland.

Working on the project, it's seemed very much a natural progression from compiling the IRUK 500, building on what we've already learnt about what it's important to measure, and why. That's reflected in our strong focus on customers – the brands customers favour, the retail names they trust and, of course, the sites they most often visit. There's a good reason for this approach. While corporate structures are clearly important within retail, they should never be seen as more important than providing a great experience across different channels.

Following the lead of customers also entails taking a cross-country view because European consumers increasingly shop in different territories. That's particularly true for customers on the island of Malta with its population of around 450,000, all of whom look to foreign retailers in order to buy online. At the other extreme, 80% of ecommerce retailers with the largest number of Czech customers were locally based.

The mix in other countries is somewhere between these outliers, but wherever a retailer is based, our aim is to look beyond company footprint towards performance. This enables us to compare large companies with smaller retailers, and to draw out those areas of retail craft where each is strongest – and weakest too. In this context, as with the IRUK 500, we've analysed retailers' performances in six key Performance Dimensions: Strategy and Innovation; The Customer; Operations and Logistics; Merchandising; Brand Engagement; and Mobile and Cross-channel.

As to the specific companies we've looked at, two names stand out. Between them, Amazon (across all of its sites and domains) and eBay account for 41% of all retail web traffic. This

provides an important context for our research: if the rest of the retail sector is fighting over 59% of the market (and remember our initial list of companies was circa 12,000), are European retailers reacting strongly enough to the challenge posed by these behemoths?

We've also been intrigued to see how those companies with large real estate holdings are facing the challenge of cross-channel retail. In the UK, companies such as John Lewis, Argos and House of Fraser have rethought the role of the store within a cross-channel offering? Does this hold true elsewhere in Europe?

Another question we may answer, at least indirectly, is whether there's an optimum number of territories for European retailers to operate within. It's intriguing that of the 800 retailers we initially researched, only 20 of them operate stores in 10 or more countries. Is it possible to expand further in Europe without encountering difficulties with localisation that take up too much time and money to be worth the effort?

We'll be able to provide insights on these questions, and many more, in June 2016, when we publish the IREU Top500, which we anticipate will become the definitive guide to the performance of European retailers.

Follow the research progress at
www.internetretailing.net/ireu

Our subscribers will see the research first in print, so if this isn't your copy of the IRUK 500 report, you still have time to register at
www.internetretailing.net/subscribe

Also, you can download the InternetRetailing Europe Top500 Footprint report: etail.li/IREU500

Ongoing research – the Index throughout the year

As promised, IRUK is developing from a once-a-year ranking to a series of monthly updated indices, focused on areas of performance. *Ian Jindal* outlines the work we're doing with Knowledge Partners in 2016 to create actionable insight to the RetailCraft of the Top500

WHEN WE LAUNCHED the IRUK 500 in 2015 we intended it both as a ranking of the performance of the UK's leading cross-channel and ecommerce retailers, and an aid to the professionals who drive our industry. Access to live,

objective, current and commercial information is vital to understand and benchmark performance as well as adding ideas for growth, and so it's a pleasure to highlight two indices we've created for 2016. Retailers are keen to know how

prices compare in the market, and so we've created the InternetRetailing-Wiser Dynamic Pricing Index. In parallel, the InternetRetailing-OneHydra Retail Visibility Index measures the visibility of a retailer's digital footprint.



The InternetRetailing-OneHydra Retail Visibility Index

A RISING TIDE floats all boats, and so professionals wonder whether their growth is more or less than the market, or even whether it's satisfying the existing customer interest. We wanted to look at how our Top500 retailers compete when it comes to visibility in search, and we've partnered with OneHydra to undertake this research.

For our Top500 retailers we set the question: what share of relevant search do the retailers gain, giving us an index of retailers' 'visibility' to customers?

Working with OneHydra, we examined every URL of the Top500 and determined the keywords bringing traffic to the site, and

evaluated these against the 15m-keyword data bank of those which rank on the first and second page in natural search. Stripping out brand terms, we have a view on how visible a retailer is for relevant concepts and queries (where the customer has not included their brand name as a preference). For each of the keywords we extract the search Volume information to understand the total search traffic, and then calculate the retailer's reach (propensity to be seen) and share of relevant traffic. This gives us a ranking of the visibility of a retailer in the customer's mind and in time can be correlated to retailer growth.

This proprietary reach metric, developed by OneHydra, is analogous to Impression Share in paid search, and takes into account that ranking top for a keyword with 1,000 searches a month is not as beneficial as ranking fifth for a keyword with 100,000 searches a month. This weighting, or 'Reach percentage' gives a ranking based upon the number of consumers reached, not just the ranking.

We will be publishing the ranking each month, and we will analyse the leaders, the sectors and the factors involved in gaining and maintaining visibility, outranking competitors and securing the sales potential.

www.onehydra.com

Wiser.

Pricing Perfected.

The InternetRetailing-Wiser Dynamic Retail Price Index

WHILE BEING VISIBLE and found is important to start a sales process, the price of our products is a determining factor in gaining both the visit and the sale. While some of the retail brands are able to control prices, for many retailers price competition is vital. How can we know, however, whether our prices are competitive? How can we be sure that we are flexing prices sufficiently responsively to remain continually competitive, while also not discounting more than the market requires?

For this information we've partnered with Wiser to create the

Dynamic Pricing Index.

For our Top500, we have taken c100 of the retailers' best-selling products and compared the prices on their own sites with the same or equivalent products on Amazon.co.uk. The data collection takes into account price reductions and the results are expressed as a percentage. "100%" indicates that the retailer's price is the same as Amazon, 50% means a retailer selling at half Amazon's price, and 200% means double Amazon's price.

This initial pass is the price difference at a given point in

time. It is through continuous measurement and tracked that we will be able to construct a picture of how dynamic is a retailer's pricing.

Our first pass has shown index values from 37% (a major sale) through 172% (structurally more expensive than Amazon). However, these results are but a starting point. Along with Wiser we will be extended the frequency and extent of the measurements and introducing a 'vertical' or sector view – to ensure that the comparisons and insights are as relevant and actionable as can be.

www.wiser.com

Insight

OUR THANKS TO both Wiser and OneHydra for working with us to create these extensive and interesting data sets. For both of these indices, we will be releasing fresh information and trends on a monthly basis, supplemented by discursive webinars to delve into the issues and opportunities raised.

In addition, we are correlating the results with other data sources on traffic, response times and service, to get a rounded view of retailers' sustained performance – RetailCraft.

For us, 2016 is the year in which we work to being the IRUK index to life as a performance-monitoring tool – a vital step towards our vision of developing predictive metrics based

in commercial performance.

Should you have any questions, suggestions or ideas for data that would help you in your business you can reach us at research@internetretailing.net. We will be pleased to see how we can make these indices as relevant as possible to RetailCraft and the practice of the best.

Thank you

Thanks to our Title Sponsor, PFS Web, and dimension sponsors Bronto and LogMeIn for their contribution to our year-round research, helping us connect the insights and findings with commercial professionals in multichannel. Leaders from our Sponsors will join the advisory board.



Knowledge partners

InternetRetailing would like to thank our Knowledge Partners, the companies that have offered original research insights, plus advice and guidance, in putting together the IRUK 500



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Conclusion

THE RETAIL SECTOR is a more capable place. Smaller companies are gaining access to technology, resulting in performance that can meet market-leading standards.

The twin challenges that face today's retailers are to do more for and with the customer, and to do that more profitably.

Over coming months we'll continue to measure and assess retailers' success in doing this. We'll do that through dynamic indices that will track the activities of market leaders, from the InternetRetailing-Wiser Dynamic Pricing Index, to the InternetRetailing-OneHydra Retail Visibility Index.

We're excited about the possibilities – but we know that we always have more to learn. We'd welcome your input, and look forward to hearing from you. Get in touch with your ideas and potential data sets via research@internetretailing.net or tweet @etail with #IRUK500.

