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EDITOR'S COMMENT

Previous New Years may have been a time to relax after the vigours of the Christmas push and the ensuing destocking of the sales, but forecasts continue to be uncertain for retail as we enter the new year.

Many retailers sold well over the Christmas season with UK retail sales up 4.2% on December 2008 according to the British Retail Consortium. Non-food non-store sales, which include internet, mail-order and phone sales, were 26.5% higher than a year ago.

The cold weather and snow didn't deter shoppers from hitting the sales – even though there wasn't the large levels of stock to clear compared to last year. However, while December's results show the growing importance of the post-Christmas trading "they are unlikely to be indicative of the trend for the rest of the year," comments Helen Dickinson, Head of Retail at KPMG. The scale of the public sector deficit poses a threat to any shoots of recovery fuelled by uncertainty over taxation and public sector job losses

In this issue we look at some of the trends for ecommerce in 2010; what does the customer look like and how is their behaviour changing, how will social media evolve, why delivery is key to keeping the promise and how mobile, multi-channel integration and replatforming for growth will impact IT.

Wherever January 2010 finds you, all at IR Towers wish you a happy, healthy and prosperous year.

Emma Herrod
Editor



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10 YEARS FOR DOMINO'S

Domino's Pizza is celebrating ten years of online ordering in the UK and has announced that the internet now accounts for 27% of its delivered sales. Online sales for the past full year amount to £55.9m.

To celebrate this milestone anniversary, Domino's has launched a Pizza Tracker and an iPhone ordering app.

The Pizza Tracker has been available in the US since January 2008 and will allow web customers in the UK and the Republic of Ireland to see exactly where their pizza is at any time prior to delivery. Customers using the tracker can see a changing display that shows when the order has arrived at the store, when it is in the oven, when it is ready for collection or on the road and when it has been safely delivered and the driver is back in the store. The company says the tracker takes the angst out of those customers who have to know that their order has been received, cooked and dispatched.

The free iPhone app has all the functionality of Domino's traditional online ordering. The company already operates an order by SMS service.

Sales and Marketing Director Robin Auld comments: "Yet again, we are leading the way for technophiles with the Pizza Tracker. Having had online ordering for some 10 years now, we need to offer something new and exciting for our web customers – and the Pizza Tracker is the ultimate toy for web-based control freaks! At the click of a mouse you can see exactly how near to delivery your pizza is."

Through its primarily franchised system, Domino's Pizza operates 582 stores in the UK and the Republic of Ireland and one mobile unit.

HIGH STREET RETURN FOR WOOLWORTHS?

Woolworths could be about to make a return to the high street, this time as a franchise business backed by the buying power of Shop Direct group, the new owners of the Woolworths brand name who successfully relaunched the business online in 2009.

"In the new year, we will consider approaches from interested third parties," says Mark Newton-Jones, chief executive of Shop Direct, in *The Times*. "We believe it could be a successful chain of up to 200 stores, supported by the buying power of the Shop Direct Group."

In February, Shop Direct paid £7 million for the Woolworths brand name and the Ladybird childrenswear brand. The Woolworths.co.uk website was relaunched in June, with a tighter product mix than the old Woolies that excludes homewares and hardware.

SOCIAL NETWORKING CAPTURES ADVERTISING

Social networking sites account for more than 25% of UK online display ad impressions, according to comScore's Ad Metrix.

Of the 13.8bn display ad impressions in August 2009, telecommunications brands were the heaviest advertisers. Retailers ranked second with 753m display ad views, followed by banks, travel and entertainment brands such as Sky and Sony.

Teen content advertisers like Habbo and NHS-owned TeenLifeCheck delivered the highest proportion of their ad impressions in the social networking category at 37.3%. Online dating advertisers (33.8%) and retail advertisers (30.1%) also delivered an above average proportion of their ads in the site category, according to comScore.

While ad delivery skewed somewhat younger than average, all age segments were reached with a notable percentage of display ads. The 15-24 year old age group were the highest indexing age segment, but those between

the ages of 25-44 received ads at a slightly higher than average rate. Visitors aged 45 and older received ads at a lower than average rate. Each of the five age segments accounted for at least 15% of the category audience and 10% of ad impressions.

"CPMs on social networking sites have traditionally suffered relative to other content categories, in part because of the perception that much of the audience are younger consumers with lower spending power," said Mike Read, comScore Managing Director, Europe. "However, these data suggest that every demographic segment is reached via social networking sites and that no particular age segment accounts for an overwhelming percentage of ads delivered. Given the overall reach and volume of ads delivered on social networking sites, brand advertisers who ignore this channel may be missing a significant opportunity and enabling their competitors to gain a dominant share of voice in the channel."

FOOD AND BEVERAGE - BRANDS AND MANUFACTURERS, RANKED BY VISITS

Rank	Website	Market share (%)
1	Domino's Pizza UK	8.83
2	Pizza Hut UK	6.08
3	Thorntons	5.87
4	Dorset Cereals	3.52
5	Carling	3.41
6	Makro UK	2.50
7	McDonalds UK Corporate Website	2.45
8	Stella Artois	1.96
9	Graze - Nature Delivered	1.59
10	Cow & Gate	1.55
11	Abel & Cole	1.50
12	McDonalds Worldwide	1.37
13	KFC	1.32
14	Walkers Potato Crisps	1.27
15	Pepsi USA	1.23

Source: Hitwise UK

DOT COM ONLY FOR TESCO

Tesco is to build a new dotcom fulfilment store to reduce the impact of its online operation on busy stores and the space constraints for van numbers in particular geographic areas.

The latest Dot Com Only Store (DCOS) will open in Greenford, in North West London, in 2010 and operate in the same way as the existing DCOS which has been in operation in Aylesford since 2008.

The dedicated facility will process orders previously processed in supermarkets in the area. Stock in the dedicated 'store' is laid out exactly like a supermarket except that the only 'customers' are order picking staff.

At the start of the day, order details and van schedules are downloaded from the Tesco host to the control system developed by Vanderlande Industries.

Staff pick products from shelving into plastic customer order crates held on trolleys. Each picker can pick up to six customer orders simultaneously. Completed orders are then taken to a manually loaded infeed line which takes the crates to a consolidation buffer mounted on a platform. Each order remains here until a predefined time when it is released to the loading area and a specified delivery van. Crates are sorted and loaded in reverse drop sequence.

FASHION ORDERS UP MIXMATCHME

Fashion retailer Boden has seen significant improvements in conversion rates, average order values and items per order since adding the MixMatchMe application to its UK and US sites in April.

MixMatchMe presents consumers with a model that they can outfit and accessorize so they can see how items go together before they purchase. The software can be integrated into the retailer's site as a white label product — Boden calls their implementation 'Outfit Maker' — or products can be offered through the new MixMatchMe.com site on an affiliate basis.

Custom photography in a controlled environment and image manipulation is required to prepare pictures of garments for use with the visualisation tool, but MixMatchMe's MD Mario Faure told InternetRetailing.net that, for a typical 300 items, it takes around a week to collect, photograph and return the clothes to a brand. Another week sees the necessary retouching complete, and within three weeks all the images and product data are loaded onto the system and ready to go.

"We are really encouraged by the impact to our bottom line and have received a lot of positive feedback from our customers — so much so that we're featuring the whole of our Autumn/Winter women's collection on the MixMatchMe outfit builder," says Sarah Blair Gould, Head of Ecommerce at Boden.

French Connection has also implemented the firm's white label solution, and went live with their outfit builder in June. "We wanted to engage more with our customers by providing them with a useful tool which supports them in their buying decision in a fun way," says Jennifer Roebuck, the retailer's Head of Ecommerce. "The reaction to the MixMatchMe application has been great!"

90 MINUTE DELIVERY

An innovative delivery service which gives shoppers the option to receive their order within 90 minutes of purchase has been launched in the London area. Shuttl also enables shoppers to select a one-hour delivery window at any point in the future, 24 hours a day, seven days a week.

Shuttl uses a technology platform that automatically connects retailers with local same-day courier companies. The platform aggregates capacity across these carriers into a web service which, in turn, links into retailers' ecommerce platforms. For each order, Shuttl picks the best carrier for each delivery and the selected carrier then collects the purchase from the consumer's local store and delivers it straight to the customer's home or office.

In most cases, says the company, "Shuttl delivery is comparable to the cost of standard multi-day delivery. In many cases, it will be cheaper and can even be offered to the consumer free of charge." This is possible because:

- **For many deliveries, same-day couriers are more cost-effective than the standard multi-day carriers that retailers currently use.**
- **Shuttl is able to benefit from volume discounts on carriers' standard pricing.**
- **Shuttl lets courier companies sell their short-term spare capacity, which can allow prices below those which would normally be viable.**

The service will roll out across the UK over the coming year starting with a number of retailers' London stores in the first quarter of 2010.

In other delivery news – DHL has sold its UK domestic parcel business to Home Delivery Network.

MNP provides Lakeland with order management software that lifts the lid on their business!



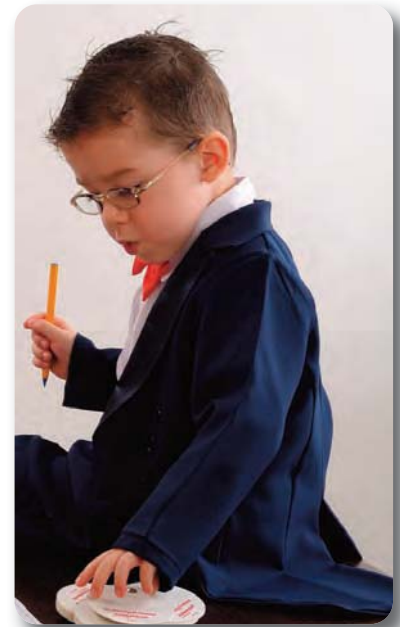
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GROWING PAINS: RETAILING IN THE NOUGHTWEENS

As the Noughties recede and the Noughteens approach, retailers are caught in the uncomfortable transition zone - the 'Noughtweens', if you will. Ian Jindal ponders an appropriate bearing for retailers in these turbulent times.



THE NOUGHTIES were rollercoaster years. From the exuberance of the dot-com bubble, to its subsequent crash alongside the global shock of the 9/11 attack, rising from 2005 on asset-backed consumer euphoria and hitting a wall at the end of 2008 in the reverberations from the global financial crisis.

The steady growth of the ecommerce channel in 2009 signals both its maturing as a valid option in the customers' eyes and the growing capability and professionalism of the channel within retail. We have an increased understanding of the channel's role: it's an orthodoxy that cross-channel customers are worth more and that the web acts to set preferences and aid in-store purchasing. It is more than a priced, acquisition-oriented place for wham-bam rapid conversion.

For the last decade, however, we in ecommerce have had (speak it quietly) a relatively easy time. Within established retailers we've been able to emulate our elders, as it were, in store and appropriate from the digital pure-players at the same time. Our stock's been bought for us, the brand's been created for us, the logistics and operations largely existed. Our job was to assemble these components, jam on a more or less functional web interface and sprinkle some design magic, PPC and a touch of promotional carrot. Kapow!

In 2010 the world's much less simple. One of the traumas of the teen years is realisation that childhood's receding while adulthood is neither as easy nor as attractive as once it seemed. This,

in the Noughtweens, is where ecommerce stands. Our easy growth is not quite over, but - as a result of our success - we're no longer marginal, precocious and separate. We have to play a full part within the multichannel business - maintaining our own contribution while contributing actively to the success of the overall business.

If our Boards and colleagues are making demands, then so too are our customers. No longer willing to stick within our channels, they insist on cross-shopping (in-store collection, expanded product information in-store, extended ranges, more phone-based support and contact, evermore demanding research and information - and on top of that they want us to engage via social media and quasi-publishing activities). Our early mastery of 'analytics' now bites us since we're a natural home for the onerous "single view of the customer" projects, aggregating in-store baskets with newer behavioural metrics and satisfaction measures... Our colleagues expect the same level of expertise and innovation we've shown over the last decade to be applied to brand engagement, customer development, supplier development, new commercial sales approaches - not to mention the KPIs, metrics and business operating models to support these changes. We are expected to lead across the whole of our business.

In parallel we need to understand and emulate the bravery and conviction of our buyers and sourcing colleagues who take risks to create trends and products for our future customers; the daring of our

Estate planning colleagues who invest in new stores and centres through market turmoil; the care and skills of our front-line colleagues serving customers directly and exposed while we twiddle an algorithm in the comfort of Head Office.

In the Noughtweens we'll see major restructuring to align the rhetoric with new cross-channel organisation. Ecommerce teams will be under pressure to be multichannel and to maintain margin. Customers become more demanding, and staff demand career development beyond just 'being in ecommerce'. Finally, there'll be no sympathy for underperformance of our activity since our Boards increasingly see core ecommerce operations as a 'solved problem'.

My previous Chairman commented to me that there's only ever a 'gap in the market' for "those with sharp elbows - and the willingness to use them". In the Noughtweens ecommerce leaders will emerge, over and above ecommerce professionals, who will establish a new place for ecommerce within multichannel retail - synthesising learning from traditional retailing while extending new skills beyond their own teams into the business as a whole. The process is certain to be difficult and no doubt unpleasant in parts, but by the time we emerge from the 'Tweens and 'Teens we'll have laid the basis for future performance.

Internet Retailing will be reporting, provoking and helping along the way, and to all of our readers (leaders, professionals, colleagues, all) we wish every success and happiness in 2010.

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ZAPPOS:

POWERED BY SERVICE

Emma Herrod speaks to Jane Judd, Senior Manager, Customer Loyalty Team, at Zappos.com about how the US shoe retailer manages to put shoppers first.

THE CUSTOMER may be king but for many retailers good levels of customer service are still a goal rather than an inherent part of their company culture. John Lewis is often cited as the exemplar of customer service in the high street, while Dell is the online retailer with the social networks to envy and the proven ROI from Twitter et al to applaud.

The thought of allowing customer service representatives to do what they like with no time limits on calls or need to refer matters to a manager would make most chief executives shudder. In fact, many still tremble at the mere idea of a Twitter account, let alone setting one up for every employee with no company guidance other than telling them to use their own judgement. But this is exactly what US shoe retailer Zappos has done, and it is this type of employee empowerment which it credits with its success. Jane Judd, Senior Manager of the firm's

Customer Loyalty Team, says it simply tells employees "to use your judgement and remember that you are representing Zappos".

Stories abound about how Zappos employees have 'wowed' customers and gone that extra mile. One blog post made it particularly famous, as Phil Buxton reported in *Internet Retailing* in March last year. A lady decided to order eight pairs of shoes in various sizes in the hope that some might fit her mother, who had become ill and lost weight. Zappos' no-cost returns policy made this possible. After delivery, she called the company to say she would return all but two pairs.

Two weeks later, Zappos rang to check if everything was okay since the 14-day free returns period was nearly up and no shoes had been received. The answer was a sad one: her mother had died and she hadn't got round to sending them back, but she

THE ZAPPOS CORE VALUES

1. Deliver WOW Through Service
2. Embrace and Drive Change
3. Create Fun and a Little Weirdness
4. Be Adventurous, Creative, and Open-Minded
5. Pursue Growth and Learning
6. Build Open and Honest Relationships With Communication
7. Build a Positive Team and Family Spirit
8. Do More with Less
9. Be Passionate and Determined
10. Be Humble

would do so very soon. "Don't worry," replied Zappos, "we'll send UPS to collect them." That day, the collection was made. The next, a basket of flowers arrived on her doorstep offering condolences.

That lady also happened to write a blog. Her subsequent post, 'I heart Zappos' has since been viewed by millions.

Another tale centres on the Zappos employee who received an out-of-office reply telling them a customer was in training for a fundraising run for a cancer charity. The rep sent the customer a handwritten card wishing them the best. The customer was amazed since even her friends and family had not acknowledged what she was doing. She is now a lifetime customer and advocate of Zappos.

How many other companies even open out-of-office replies, let alone read them? But Zappos has a good reason for checking each one, as Judd

explains: "We get a lot of those and they are screened to make sure it is an out-of-office response and not someone wanting assistance."

According to Judd, customer service is at the heart of everything Zappos does and stands for. It offers a 24/7 service line so customers can reach them whenever it suits them – although around 90% of customers do self-serve online. If it doesn't have an item in stock the customer service representative will search up to three competitor sites to find the item for the shopper.

The company considers itself to be 'powered by service' and Judd says that internally "we have a saying that Zappos is just a service company that happens to sell shoes".

She adds: "We do feel that we are a service company and we should be able to sell anything. Currently we sell clothing, shoes, handbags, eyewear, watches (and eventually, hopefully, a bunch of other things)."

Being able to sell anything also means selling everything in the product areas it covers. The Zappos site includes 1,200 brands and more than 200,000 styles totalling over 900,000 unique Universal Product Codes (UPCs). With 100% of products inventoried with no drop shipping – "it's all real-time inventory," says Jane – this adds up to 4m items in the warehouse.

As part of the company's ethos 'to provide the best online shopping experience possible', it offers free shipping. It then turns around orders in four hours, upgrading each one to next-day delivery so the customer receives their items sooner than they were

CUSTOMER SERVICE: THE ZAPPOS WAY...

ESTABLISHING A PERSONAL EMOTIONAL CONNECTION WITH THE CUSTOMER

What customers first see on Zappos' website?

- Great selection
- Easy to navigate website
- 24/7 800 tel number on every page of the site.
- Free shipping
- Free return shipping
- 365-day return policy

What customers experience after their order?

- Fast, accurate fulfilment.
- Most customers are 'surprised' – as every order is upgraded to overnight shipping.
- We want to make sure that our service is friendly, helpful and is above and beyond what the customer expects.
- Occasionally customers are directed to competitors' websites to help them find the item they want to buy if Zappos doesn't have it.

What we do to establish a personal emotional connection?

- Manage call centre differently**
 - No call times – personal service level.
 - No scripts.
 - No sales-based performance goals for reps.
- Manage fulfilment differently**
 - Run warehouse 24/7
 - Inventory all product (no drop-ship)
- Manage culture differently**
 - Interviews and performance reviews are 50% based on core values and culture fit.
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RALPH WALDO EMERSON

expecting. Added to this are free returns and a cash-flow-shuddering 365-day returns policy.

Before holding your head in horror and imagining the influx of post-Christmas party returns or last season's trainers and muddy wellies – or reading the 140-character account of what warehouse staff get up to in the middle of the night, or how the customer service reps chat to their friends on the phone – remember that these policies work for Zappos.

Its happy customers keep coming back for more, spending ever-increasing amounts with the company and recommending it to anyone who'll listen. More than 3% of the US population has bought from Zappos – that's 9.9m customers. Of these, 4.1m have made a purchase in the past 12 months. Judd says that on any given day about 75% of purchases are from returning customers who go on to order again more than 2.5 times in the next 12 months.

“Customers come back, order more and order more often. Repeat customers have a higher average order size,” she says. For example, someone ordering for the first time in Q4 2007 would spend \$123.86, while the order from a returning customer was \$156.27.

She adds: “So, we feel it's very important that if you get the right people and develop the right culture, the sales will come.”

Needless to say Zappos has featured in Business Week's Top 25 'Customer Service Champs', Fast Company's '50 Most Innovative Companies', and was ranked number 23 in Fortune Magazine's '100 Best Companies To Work For', while founder Tony Hsieh has appeared on many television programmes including Oprah and the US Apprentice series.

“We really think these are nice, but our real focus is paying attention to our customers, because if we lose focus it'll take away from the business,” says Judd. She explains that, for Zappos, the main drive is its culture and “this is how we feel that we separate ourselves from most other companies”.

Every employee is expected almost to live and breathe the Zappos core values and inspire others to

embrace them. This includes socialising with their colleagues – the company runs employee activities such as a club for parents and one for people who want to learn French – and managers spend at least 20% of their time outside of work mixing with and building their team. Judd says: “The managers' role is to drive the Zappos culture, inspire new ideas and creative thinking, and to help employees find their calling and reach their peak.”

There is always something happening socially and Zappos appears to be one big, happy family having fun and being creative. To make sure this continues, employees are surveyed regularly, with everyone asked annually: “What does the Zappos culture mean to you?”

100% CERTIFIED ZAPPOS

Since employees are expected to be Zappos people to their very core – and being part of the company isn't a 9-to-5 occupation – the firm places a lot of importance on its recruitment process. As Judd says, it's all about “hiring the right people”.

The retailer accepts that its culture isn't for everyone, so candidates have two interviews: the first is technical; the second aims to discover if they'll fit in at Zappos, with most of the questions based on company culture and the candidate's core values. Judd says: “It's a very creative culture and structured people may find they don't fit.”

The company wants to recruit people who can “roll the way Zappos does”. They have to be adventurous and creative as well as being fun and weird (“but don't get crazy”), and fit into the Zappos family.

The challenge, says Judd, is to get away from canned interview responses, so the “questions are aimed to get people to open up in the interview”. Interviewees are asked to consider such leffield questions as:

- How lucky do you feel?
- How weird do you feel you are?
- If you walked into a board room, what's the theme song that would be playing in your head? ▶



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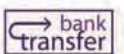
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Judd says they “shake ‘em up before they sit down”, explaining that all candidates are given a three-hour tour during which time they visit every department and are watched to “see how engaged they are and responsive to the Zappos environment. It really shows if they won’t fit.”

Everyone who joins the company’s head office, in any capacity, has to undergo basic training. Four weeks are spent here and one week at the warehouse ‘boot camp’ learning about pick, pack and despatch. Judd explains that this training is an extension of the screening process: in their second week everyone is offered \$2,000 if they’d like to leave for whatever reason. Perhaps they’ve changed their minds about the company, they don’t think they are a good fit or maybe the culture is “too crazy”. She adds: “We will continue to offer that until the fourth week. Currently, we have 1% to 2% of people taking it. People are passionate, want to be here and they want to service the customer.”

PERSONAL EMOTIONAL CONNECTION

Judd says the customer service Zappos offers is all about establishing a personal emotional connection with customers so that they’ll want to buy again. She explains: “Once employees are through training they are very empowered. The empowerment that they have is the same as I have, so they can do whatever it takes to serve the company and serve the customer, and they don’t have to go through different channels or levels of authority to make any decision.”

This is why you won’t see a long list of KPIs for the customer service team (or customer loyalty team, as Zappos calls them). “We tell the representatives that 80% of your time should be facing the customer and it’s up to you to manage yourself and utilise your time,” Judd says. In fact, there are no scripts, no sales-based performance goals and no up- or cross-selling.

She says that even when reps are being evaluated, they’re rated on their commitment to service and culture; 50% of their review is based on the core values, the rest on their performance. Representatives have their say each week and are given a monthly percentage performance rating. They are also awarded a quality score based on customer feedback. Zappos emails a number of customers each quarter for their views on the firm and gets a 20% response rate. “That’s how important the core

Zappos.com was founded in 1999 and soon drew investment from Venture Frogs, an incubator and investment firm co-founded by the man who was to become the Zappos CEO in 2000, Tony Hsieh.

It has grown gross merchandise sales from \$1.6m in 2000 to more than \$1bn in 2008 by focusing on customer service. It employs 1,700 people; half in its Las Vegas head office and the remainder in its warehouse in Kentucky. It was recently bought by Amazon in a deal valued at \$1.2bn.

Judd explains that Zappos is not metrics-driven, and although it has just implemented the ChoiceStream RealRelevance product recommendations solution, she admits that it is on the technology side that the firm has the most to learn from Amazon: “how we can do things a little bit differently, grow faster and be more efficient”.

She adds: “Amazon is science and Zappos is art.”

Jeff Bezos, founder and CEO of Amazon, has praised Zappos’ unique culture, particularly its focus on customer service, and how this fits with Amazon.

values are to our company,” Judd says.

New employees complete their initial five-week training with tests on customer loyalty, but it doesn’t end there. Such is the company’s belief that happy and engaged employees equal happy customers, it offers continuous training.

Zappos agrees a clear career progression path with all its employees, outlining responsibilities and milestones, so they know from the moment they walk through the door what steps they need to complete and how long it will take to reach any particular level.

It further enhances company-wide trust and transparency by giving everyone access to the hourly and daily sales reports. “We don’t hide them from the employees,” says Judd.

And, if you’re wondering how the company measures its social media engagement, it doesn’t. For Zappos, it’s just another valuable way of engaging with shoppers, as Judd explains: “We see social media as another way to personally connect with our customers.”

Zappos invests in developing its people and it is they who go on to cultivate the company culture. Judd concludes: “It’s not up to Tony, it’s not up to me. Everyone has to take ownership.”

Jane Judd keynoted at the Internet Retailing 2009 conference. You can watch her presentation on the post-conference site tinyurl.com/yc6x289. ■

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ASOS REVIEW

Internet Retailing asked 4 retail experts to take a look at ASOS.com and give readers insight into the company's retail strategy, site performance, usability and customer experience. We only have room for a synopsis in the magazine – visit InternetRetailing.net for more, in depth coverage and to voice your opinion.

RETAIL STRATEGY

Emma Speight,
Senior Multi-channel Consultant, CVL

ASOS.com deftly manages to balance the look and user experience of a fashion site with the practicality of a retail trader.

A key point of differentiation for ASOS is that customers are offered "looks", tied into the celebrities their customers want to emulate. Whereas navigation schemes can be copied and improved upon by competitors, the way ASOS channels its trends knowledge into product attribute data is hard to replicate.

In terms of design and functionality, ASOS sets the standard for fashion product detail page presentation. The layout is simple, prioritising the most important and relevant information.

Prominent and interactive imagery is supported by need-to-know information on delivery, care instructions and returns without forcing the user to go looking.

The imagery is exemplary with multiple views and the catwalk video providing detail on how material moves; cleverly breaking down the tangibility barrier that hampers online fashion retailing.

The delivery offer is well communicated, built into the global navigation structure with a default tab on the product detail page. I think the offer itself could be simplified (5+ variations), but the prominence and clarity is definitely best practice.

The amazon-esque ASOS Premier is an interesting strategic development, growing customer retention and life time value through a pay-once premium delivery offer.

On the minus side, the product list navigation is functionally sound, but clunky in operation and requires too many page refreshes to be a quick and easy navigating experience.

There are some peculiarities in categorisation. For example, four product lists for every product category (e.g. dresses appear in all lists) could lead to confusion for shoppers.

However, these are minor points which do not outweigh the strength of the ASOS retail brand experience.

In summary, ASOS has successfully created a market niche based on establishing fashion authority combined with the best-in-class retail trading.

USABILITY

Jamie Sands, Usability Consultant, User Vision

ASOS has become a major player in online clothes retailing with sales growing by 112% in the six months prior to September. Considering that other businesses have suffered, what is ASOS doing that differentiates it from its competitors?

ASOS aims to provide the customer with outfits similar to those of celebrities seen on the high street. This 'streetwise' theme is adopted in the magazine style of the homepage. By compartmentalising content into defined areas, the page appears busy but not overwhelming. The site combines clear global navigation with an extensive departmental drop down list, let down only by its small text and fiddly nature.

ASOS offers the customer the ability to see up to 200 items per page, also providing a comprehensive method of filtering results, including a minimum and maximum price slider bar. These options allow the user to be as broad or specific as they wish in their search. Products are showcased using multiple thumbnail images of models wearing them, and even a catwalk option to view the products on the move. Unfortunately the zoom option is not interactive precluding detailed examination of items.

The 'Complete the look' and 'What others bought' sections cleverly promote complimentary items alongside the main item and with a single click from this page, users can also see a size guide, save the item for later, email, bookmark it on Facebook or tweet it.

ASOS handles an enormous product range in a lively and trendy style whilst making the user's choices straightforward and unpressured. It effectively combines the browsing qualities of the high street with the product range offered online. Although some aspects of the site may be more accessible to younger/familiar audiences, it is clear to see why ASOS is second only to Next as an online clothing retailer.



Eye tracking gaze plot for ASOS.com
Source: SimpleUsability

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

Participants looking at the ASOS website for an outfit immediately accessed the mega drop down menus from the top primary navigation titles. They generally accessed either the 'Women' or 'Men' sections. From the eye tracking data, we observed users accessing a drop down menu and their eyes continuing straight down. This meant that they would see the 'Shop by products' sub-categories very quickly but often miss the other options available to them such as 'Shops', 'Inspire me' and 'What's on trend'.

Users liked the filters available on the left hand side of the page when accessing a sub category section. The price slider was particularly popular because users could set a minimum price as well as a maximum price. Some users became confused when they could not reset filters by clicking on greyed out titles instead of clicking on the 'clear' link beside each filter title. After selecting a filter, the central page faded to grey and a timer appeared to let the user know that something was happening. We saw that the users noticed that this was happening and waited for the filters to finish loading. When filters do not acknowledge that the user has told the website to do something in an obvious way within the user's field of view, then users try and click again and this leads to confusion. After this process happens, other filter titles become grey and are unavailable for the user to click on. Within a filter section such as 'Brand' users often missed that they could scroll past greyed out options to access more brand names that were available.

Users perceived the photographic product detail information to be of high quality. Although many users missed the option, users accessing the catwalk option found it extremely helpful.

SITE PERFORMANCE

David Flower, Vice President, EMEA, Gomez

Few of the websites tested in Gomez's online retail benchmark would have delivered much Christmas cheer to users during the busiest online shopping period of the year. Gomez tested the performance of ASOS' website from 11th November through 14th December and found mixed results. This review period included the all important Cyber Monday, the official start of the online Christmas shopping season.

The performance of many of the leading sites in the Gomez retail benchmark including big brands such as Marks & Spencer, Argos and Play.com - had room for improvement too so ASOS was not alone in this regard. Tesco, on the other hand, is a consistently top performing site and in this test its Last Mile average home page download was around 5.5 seconds. ASOS' Last Mile average home page download time of 25 seconds was not great - but it was on a par with the benchmark average.

Performance metrics from the internet backbone revealed an average download time of 2.86 seconds which, although a fairly respectable time, was too slow to make it into the top twenty of the Gomez retail benchmark. Tesco was again the top performer at 0.2 seconds and the second fastest was Argos at 1.2 seconds.

One significant factor slowing down the ASOS website was the intermittent, but erratic performance, of third party contributors to the home page. This resulted in a standard deviation of 2.45 seconds, which also places the ASOS website in the lower half of the Gomez benchmark. From an end-user perspective, deviation times are critical. Users want consistency. If users visit a site and get a Google-like response, they'll expect that same response every time. If, next time, a site delivers a performance below that, they'll be disappointed. The performance of a website needs to be consistently good - and ASOS did not achieve this during this test. ■

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2009 ENDS ON RECORD HIGH



Online retail ends year 17% up on December 2008. The IMRG reports...

UK SHOPPERS spent £5.46 billion online in December – an equivalent of £88.93 for every person in the UK, according to the IMRG Capgemini e-Retail Sales Index. Sales rose by 3.8% compared to November 2009, demonstrating typical growth for the month of December.

The peak week for online Christmas shopping was the second week in December. This was one week later than in 2008, as a combination of November postal strikes; shoppers holding out for bargains; increased confidence in delivery services; and Christmas falling on a Friday delayed the annual spending spree.

Year-on-year growth in the Index in 2009 was at average of 14%. In September, the growth rate of 7.6% was the lowest year-on-year growth rate in the history of the Index, perhaps attributed to warm weather and postal strikes taking place during this particular month.

Sector	% Change Nov 09 – Dec 09	% Change Dec 08 – Dec 09
Beers, Wines and Spirits	25%	21%
Clothing, Footwear and Accessories	3%	18%
- Accessories	17%	101%
- Footwear	-2%	37%
Electricals	17%	39%
Gifts	17%	70%
Health and Beauty	10%	39%
Lingerie	1%	15%

Christmas celebrations turned to the internet for the best bargains, spending 25% more than in November. Although clothing saw low growth compared to November, shoppers spent 18% more compared to December 2008.

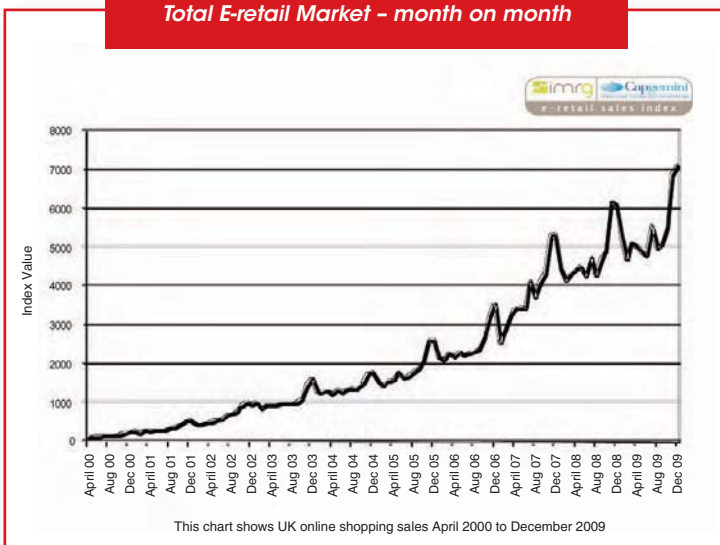
Jon Parry, Principal Retail Consultant at Capgemini, said: "Once again, consumers have turned to the internet to do their Christmas shopping, with 17% growth year on year this December. An interesting shift during this festive period is the strength of the month on month performance for multi-channel retailers (up 13%) versus their pure-play competitors (down 8%). This shows both the high value consumers place on a multi-channel proposition, particularly when it comes to gift returns, and the trust advantage our high street brands have if they can get their online proposition right.

"A key trend highlighted by our index analysis is the 25% drop in conversion rates from 2008 to 2009. This is a clear reflection of the increased traffic using the internet as a source of product information and recreation, accelerated by the increase in retail content on social network sites such as Facebook. This highlights the significant opportunity on the table for retailers to enhance their online customer experience."

"The latest Index figures prove yet again that online shopping thrives on adversity. The sector managed to deliver strong double-digit growth in 2009 despite the economy being in recession, aggressive high street competition, extreme weather and even postal strikes in the run-up to Christmas," commented James Roper, Chief Executive of IMRG.

"2010 looks set to produce another year of strong

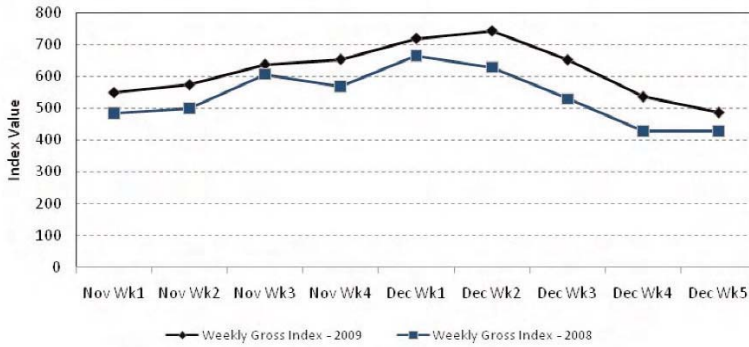
Total E-retail Market – month on month



Clothing mirrored the overall market throughout the year – this sector has driven the overall Index in 2009. Accessories, gifts, health and electricals performed less well throughout the year but peaked in November and December 2009.

Compared to December 2008, there was strong year-on-year growth in all sectors tracked in the Index. Sales of accessories, gifts, electricals, and health and beauty products saw particularly marked growth online compared to last Christmas.

Consumers looking to stock up on alcohol for



This chart shows weekly e-retail growth in November and December 2009, compared to 2008

Christmas Shopping Activity by Week - Total E-retail Market

results for e-retail, with demand expected to remain high as consumers habitually look online for best buys, and a pipeline of significant improvements emerge, including wider product range availability, even better websites and a greater choice of convenient and more reliable delivery options."

The growth levels for multi-channel retailers and online only retailers diverged in December for the first time last year. The Index for online only retailers fell by 7.6%, whereas the Index for multi-channel retailers rose by 13% month on month. This can be attributed to multi-channel retailers (such as large department stores) offering guaranteed delivery for Christmas later in the month.

Although following a downward trend throughout 2009, the average conversion rate for e-retailers rose slightly in December, with almost one in 20 visits to websites being translated into actual purchases. This was higher for online only retailers, who managed to convert an average of one in sixteen visits in December.

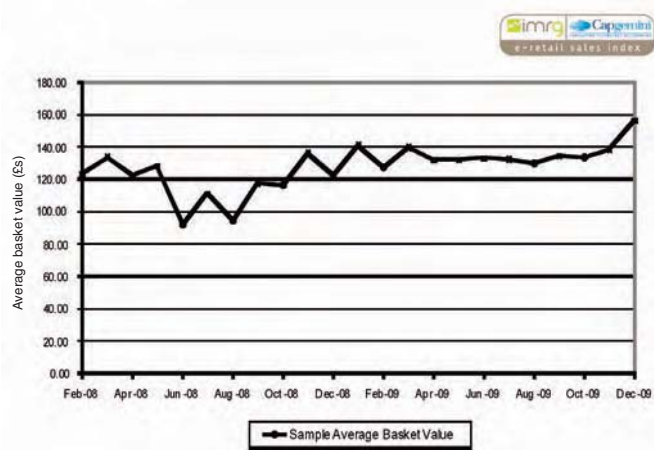
Jonathon Brown, Head of Online Selling, John Lewis Direct said: "Johnlewis.com continued its outstanding performance from November into December with record breaking weeks throughout the month". December resulted in a 20% year-on-year increase in sales on the site.

It is worth noting that the launch of Clearance online (from Christmas Eve) saw johnlewis.com take over one order a minute in the first hour and continued to see strong sales throughout the festive period. "We recorded our highest ever traffic day on Boxing Day," said Brown.

Shop Direct Group saw a strong rise in customer demand for online transactions. Some "65% of sales were generated online during the six weeks up to 1 January and we had a number of days where 85% of sales were taken online," said Chief Executive Mark Newton-Jones.

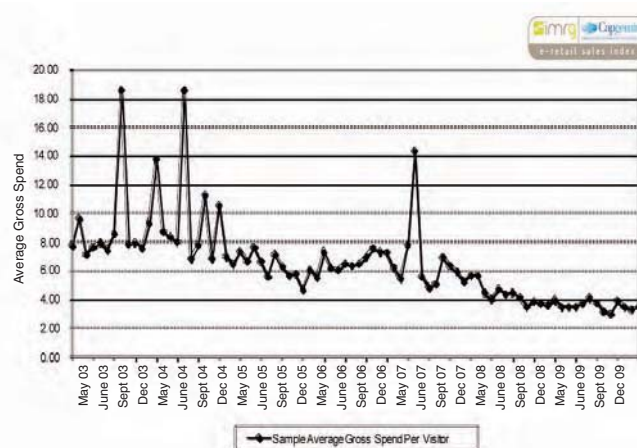
"We found that last year customers concentrated their shopping into two weeks but this year, we have seen four equally large trading weeks; the last

Total E-retail Market - Monthly Average Basket Value of Participants



This chart shows the overall total market monthly average basket value from February 2008 to December 2009

Total E-retail Market - Sample Average Gross Spend Per Visitor



This chart shows the sample gross spend per visitor since May 2003

two weeks of November and the first two weeks of December. We believe that the ease of shopping online allows customers to manage their shopping time more effectively, planning earlier and shopping later." ■

10 FOR 2010

January's curse is not the pressure of the sales or the few extra pounds around the waist after Christmas. Rather, it's the weight of prognostication and haruspicy inflicted upon the world. Ian Jindal pores over his notepad and pulls out 10 things for 2010 that have emerged as themes for reflection from recent conversations.

1 - MOBILE

Sigh. Pity mobile marketers. Five years of telling us that "it's the year of mobile" and no sooner than the moment arrives it's passed before we can even issue a press release. Mobile is now so much more than pushing unwanted ads and vouchers at people and has turned into a tool of empowerment, research and entertainment. Behavioural, attitudinal, location-based information now floods in and challenges our ability to integrate and synthesise. Customers will see the web as 'that old thing, limited to the computer' as they take our brand into stores. While standing with our store colleagues they'll have better access to product information and pricing than the staff and may even be buying from a competitor even as they queue to use our store's nicer toilets, just along the 'real' high street.

As we grapple with the challenges that "thinking mobile" present, the device world is about to change from the cosy iPhone-or-not world. Google's Nexus One handset, the continued growth of the Android operating system and the arrival of widescreen phone formats will challenge standardisation, while the inclusion of Near Field Contactless payment, linked to the phone's ID, will give phones a major convenience advantage over the web.

Finally, we have yet to consider the marketing and informational opportunities offered to us from ebooks and readers like Amazon's Kindle. Currently targeting books, surely it won't be long before we have instruction manuals for white goods and the regular Boden catalogues, say, with video and stock levels, pushed to such devices?

In 2010 "mobile" will cease being an appropriated noun and return to being a verb, or an adjective. 'Thinking mobile' will be an attitude of mind that permeates all retail, not a 'thing' that customers carry to make phone calls.

2 - ROLE OF THE STORE

At IR Towers we've lived and breathed the mantra of multichannel since our inception. Call it multi-, cross-, pan- or 'omni-channel' as you like, the simple fact is that our customers respond to our brand promises across all 'channels'.

Efforts to date have focused upon emulating store activities or bringing customers from the web to the store (via click and collect initiatives).

Apple has shown how design, service and experience can build connection with a brand and Nokia, Adidas and Nike have all explored the notion of a 'concept store' with limited, specialist stock.

Stores can be seen increasingly as the 'front end to the web', setting customer's expectations and the brand experience. Taking a customer perspective, we should challenge the role our stores play. No longer the unquestioned 'senior partner' in the retail mix, stores need to work harder to achieve customer delight and brand distinction.

3 - EBAY

2010 will see eBay's maturing from "just" a C2C exchange for second-hand and remaindered product: it will become an 'emporium'.

Google was the new emporium in which the world's wonders could be found, and Amazon has tried with varying success to extend its authority in books and media to other categories.

eBay, however, looks to have stolen a march on Amazon. With the benefits of traffic and 'findability' for incremental sales, along with the ability to merchandise one's own 'shop', eBay has become the new must-have partner.

In 2010 it will be surprising to find retailers not on eBay, but with the combination of price, availability and choice the challenge to retailers is to provide a compelling reason for their own website, indeed their own retail operations, to exist.

4 - THE RECESSION

Remember the gloom that accompanied the start of 2009? This soon turned into a story of 'ecommerce saves the day'. However, the realist within us indicates that we're far from being back on a growth track.

2010's outlook remains difficult, with retailers planning accordingly for cost-containment. Retailers have to square the circle of delivering growth without the associated investment. "Squaring circles" will be the refrain throughout the year.

5 – INSPIRATION

At IR we've been excited by the response to our Inspiration Index, unearthing some surprising 'new finds' while examining why the market leaders deserve their titles. For 2010 we're going to be tougher on ourselves, however.

We have established the Internet Retailing "Academy 2010". We've invited a panel of leadingetailers comprising those featured in the Inspiration Index, sourced by our editorial team, and recommended by these leaders. We've added industry experts and some vendors, plus colleagues from around Europe. In each issue we'll discuss the outstanding movers, shakers and makers and put this short list out for voting. The Academy's insights will also inform the analysis and coverage.

The Academy details will be on our website next month and the Inspiration Index will return in March.

6 - TEAMS AND LEADERSHIP

The life of an Ecommerce Director is going to be a difficult one in 2010. Charged with continuing the sales growth of the channel, increasingly they will also be required to integrate into the 'main' business.

Organisations need to consider their structures when one team contributes 30-50% of revenues – several times the best physical store – and also has the greatest amount of contact with customers.

We'll see some major restructuring activities as companies either integrate or merge ecommerce activities (depending upon where they are in the growth cycle) and this volatility will lead to 'talent liquidity' – staff leaving major retailers, to the benefit of the later adopters.

Structures are easy compared to the challenges of leadership. 2010 will show those retailers for whom ecommerce has a part in leading the business, versus those where it's simply a channel within a business. While there's no 'right/wrong' in absolute terms, the differences to the customer resulting from these differences in approach will be stark.

7 - ROI, KPIS AND PROCUREMENT

Part of ecommerce's maturity is the desire to not only make lots of money via the channel, but to make the maximal amount of profit possible. Welcome, therefore, to the more demanding world of KPIs, scorecards and Return on Investment.

In 2010 businesses will be looking to replatform as part of the cyclical 3-5 year renewal cycle, but the conversation has changed. In 2008 the question to the Board was "how much can we spend?", but now the challenge is "how much extra will you make?".

2010 will see a rash of procurement activity, but the focus will be upon integration, efficiency and return. The days of 'shiny new toys' will not return for a year or two.

8 – M&A

2010 will see significant M&A and 'vulture capital' activity. Distressed and stressed business that are weary of just 'hanging on' will meet the newly-filled pockets of specialist buy-out/buy-up funds.

It will be an historic year where there's just enough confidence for money supply to return (lured by the smell of blood and opportunity) but not enough confidence within weak retailers to believe they can trade their way through two more difficult years, leading to 'sensible' prices and a willingness to do deals.

While not as dramatic as the failure of household names, such as Woolworths, I expect that we'll see some impressive liaisons and new owners.

9 - SERVICE

The challenge for 2010 is to make the notion of 'service' a meaningful one. It's a trite cliché when used as 'customer service' (ie dealing with problems we caused in the cheapest possible way) or 'value added services' (making a fuss about some wrapping and a veneer of civility).

Service is a combination of process, habit and caring enough to make a difference. In 2010 we not only need to determine those small but important inflexion points where an improvement, an offer, a meaningful gesture will increase our connection with customers.

In parallel we need to consider our response to the flood of inputs from Social Media sources and behavioural triggers online.

Service cannot be 'copied' since it's a personal, unique bargain between a customer's desires and a retailer's cost model. 2010 though is a time to challenge ourselves to ensure that inadequacies are based on that bargain rather than laziness.

10 – 'ME' TIME

2010 is shaping up as a manic year: a legacy of work from 2009, no pause over peak, increased targets for 2010 and all of the above and more to consider.

Speaking with retailers in the first few weeks of 2010 I've been struck by the fact that there's been no 'down time' over Christmas and no prospect of a let-up.

The tenth point, therefore, is an appeal to take some time from frantically 'pedalling the bike' to consider the where, why and how of the journey.

On the basis that all technology can be replicated and is tending towards free, competitive advantage is going to come from a better use of that technology and increased relevance to customers. So take time for research, to experiment and to play – connect with your customers, staff and products, since it's that combination of knowledge, enthusiasm and flair that makes us retailers.

Happy 2010! ■



GIFT TAGGING ADDS REVENUE WITHOUT EFFORT

MANY RETAIL BUSINESSES have continued to grow during the recession by taking advantage of the huge potential of sales that can be gained by selling online. However, this can bring with it a number of logistical problems concerning how to cope with despatching higher volumes of orders in an efficient way.

On top of that is the shoppers' desire for deliveries to multiple addresses, present wrapping and gift tagging at a retailer's busiest times of the year – Christmas, Easter, Valentines Day, Mothers' Day and so on.

EACS, one of the longest established print management companies in the UK, has announced a simple, easy-to-use solution for retailers wanting to offer a gift tagging service to its customers.

The patented product allows retailers to produce an integrated label despatch note form that also incorporates a personalisable Gift Tag within the same document. Already being used by a number of big name high street and pure play retailers in their despatch operations, it complements the company's existing range of integrated label forms.

Rick Orme, Managing Director at EACS said: "For those companies that have not yet considered offering Gift Wrapping and personalisation to their customer base, this represents an opportunity for them to enter in to this market with the minimum of effort and to generate

extra revenue streams to their websites or mail order operation.

"For those already offering this service, it allows them to streamline their despatch operation by including address and return labels as well as a personalised Gift Tag into the same document, thus saving time and money but also offering a more personalised gift to the recipient."

He continued: "This offers a great opportunity for many retailers to extend their gift wrapping service beyond the festive period and also allows them to look at the many potential lucrative peaks of Mothers' Day; Fathers' Day; Valentines Day and so on, as well as year round Birthday present buying."

For more information on Integrated label Despatch notes and Integrated Gift Tags please call Kevin Fuller on 01502 565200.

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THINKING AHEAD TOGETHER

John Pal & David Edmundson-Bird, of Manchester Metropolitan University Business School, take a look at where internet retailers and consumers could be heading with digital and social media.

CUSTOMERS HAVE become both more powerful and more savvy – and the trend is continuing. Social media is providing customers with a direct and visible route to engage with other customers and retailers. Historically, it was apparent that customers who had a poor experience from a retailer – whether in terms of product performance or service – had little power other than requesting a refund and of course, the ultimate punishment – swapping stores. Whilst word-of-mouth has been one way of transmitting that poor experience to other (potential) customers, the days of retailers being able to train their customers to act in certain ways that suited the retail business operation are well and truly over.

Now that customers are using the internet more frequently and confidently, slip-ups in any transaction create even more of a backlash with almost 80% of customers telling others about it. The emergence of social media is a powerful channel in which we see not just customers venting their spleen but disgruntled employees doing likewise. The Dixons' employees who set up a Facebook site generated negative and uncontrollable publicity for the retailer.

What is clear is that the granular nature of the internet provides retailers with a great opportunity to reach out and engage with customers. At the time of writing ASOS, the online fashion retailer, and high street retailer Primark have 150,000 and 60,000 fans respectively on their Facebook fan pages.

US electrical goods retailer Best Buy, due to launch in the UK shortly, has over 840,000 fans on its Facebook page. One question posed by Best Buy elicited over 580 responses. UK retailer DSG, on the other hand, had just over 600 fans on its page. If retailers are looking at sites such as Facebook to be a customer responsive system then the 15 hours to address some questions needs to be improved. But how does a retailer tackle the many thousands of postings per hour?

Twitter has an opt-in / opt-out approach. Whilst it is still early days, the immediacy of communications

and flagging up of promotions is an approach adopted by Glasses Direct, and others. At a very local level (Sir Terry Leahy is forever proselytising "retail is a local activity") Alison Seagrave, former Head Chef of Harvey Nichols in Manchester, tweets to inform her followers what she is baking for her café/bakery in Bury.

A common theme across the various forms of social media is a high degree of trust of peer reviews. This proves to be a double-edged sword with good experiences transmitting quickly and positively, in just the same way that negative reports turn potential customers off a vendor. Moreover, recent research by Tealeaf shows that the number of negative responses have doubled in the last year and that customers are more likely to tell their peers, particularly through social networking sites, than tell the vendor.

Whilst trend-spotting by looking in the rear view mirror is a dangerous sport, it is apparent that customers have become more enfranchised and have the potential to become powerful opinion shapers. So what can companies do?

It might be useful to rediscover the old customer decision process model (marketing graduates amongst you might want to dig out Mowen's Customer Behaviour book) to see how social media interventions might have an impact on the different stages in a customer voyage.

At its simplest level, we can look at how we might use social media to influence pre-purchase behaviour, purchase and post-purchase behaviour. The greatest challenge to any internet retailer (pureplay or mixed channel) is the sheer number of environments in which to engage with the customer, so attention must be paid to which environment a customer is using for each stage of the decision. It isn't always apparent.

What is clear, however, from research being conducted by some companies is that social media participants do not want to be advertised to ("How People Use Social Networks" Knowledge Networks): this is not the same as saying that they do not want to engage with, and be engaged by ▶



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retailers that are relevant to their perceived needs. If we had a pound for every time we heard the phrase "Customer service is the new marketing" in the last week, we would be sunning ourselves on Neckar Island. Trends in social media seem to suggest that this direction is going to be at the forefront of every internet retail director's thoughts. How can we manage this?

THE "DELIA" EFFECT

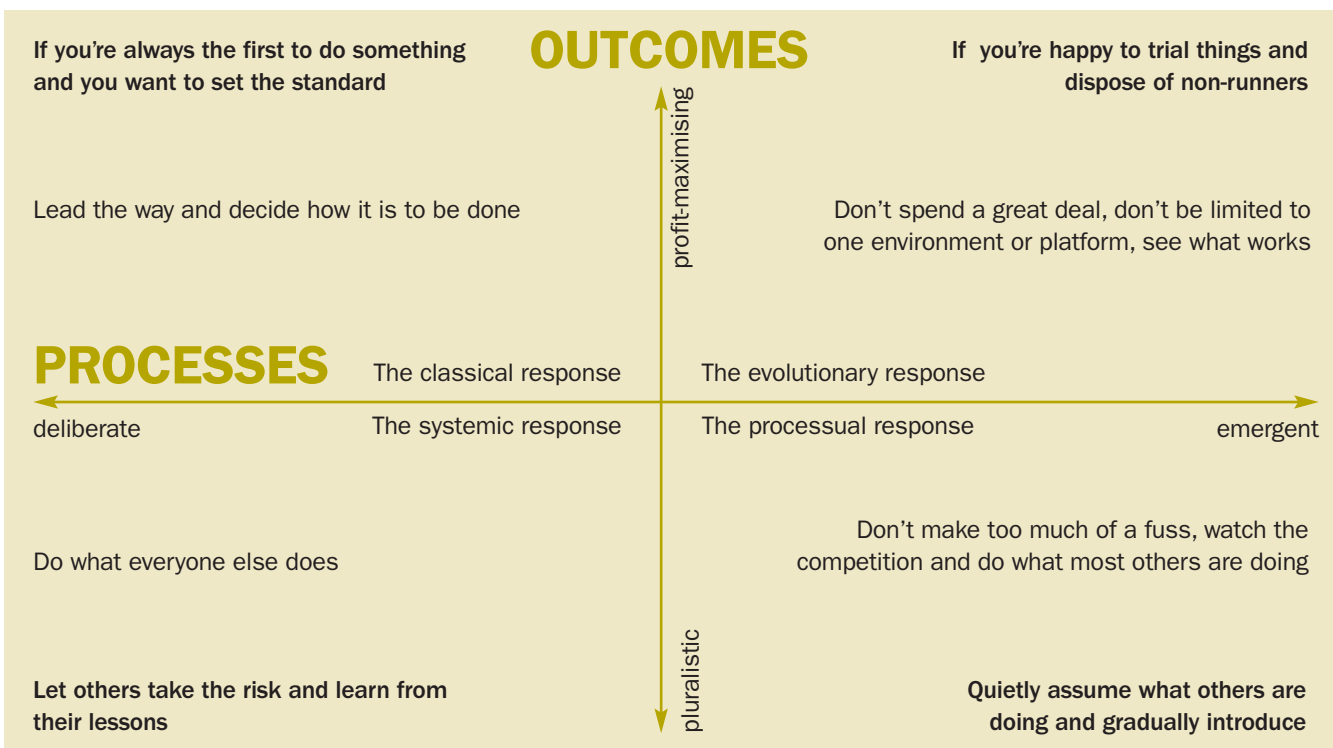
It's possible that the recognition of a purchase need might be influenced by interactions of a customer within a social media environment. Teenagers, for example, may be influenced by peer purchasers into the recognition of a need for a given item. The same may be true for older purchasers. Both groups might be influenced by a key influencer into accepting a need for an item.

Key influencers in a given environment may also affect pre-purchase criteria for choice of item. In particular, attention needs to be paid to how purchasers use other customers reviews. These may come from a variety of environments - microblogging platforms such as Twitter, blogs or conversations within garden-walled environments such as Facebook or Bebo. Negative dialogue or reviews may immediately strip out your offering, and anecdotally the fashion for negative reviews seems to operate on poor customer service rather than poor product. According to Nielson Online, the

magnifying effect of social media seems to work quite harshly when it comes to negative reviews.

Once a transaction has taken place, the point to engage with customers again is at the post-purchase phase of evaluation. Can you have an impact on the review, as this point of referral will go on to affect other customers' pre-purchase decisions? Again, because of the myriad of environments where these post-purchase evaluations are taking place, you'll need to evaluate on which platform you should engage with customers - seek out those where the reviews are taking place. Identify which are the influencers and measure the impact of their "Delia" or "Jamie" effect, bearing in mind it works both ways (positive and negative). Minor influencers are celebrities in their own right.

The key to all this is whether and how a retailer responds to the social media environment. An adaptation to the model proposed by Whittington gives you our perspective as to what you could do. This will be governed in part by your customary strategic and marketing culture, and also by your marketplace. Ultimately you will need to make a decision. The strapline of social media culture is not so much about starting a conversation about your business, but getting involved in the one that is already taking place about you by your customers. You can't simply talk about Brand hijack - it's already happened. ■





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BRITAIN'S CHANGING KEYSTROKES

NEW YEAR'S EVE saw people reflecting on the Noughties with popular highlights including Little Britain and reality TV, the iPhone and the momentous rise of social networking online.

The decade saw changes to UK society too. The past ten years have seen a massive rise in single person households, rural communities within commuting distance of large towns and cities have become increasingly gentrified and broadband coverage has grown from just 10% in 2003 to almost 70%.

To reflect these changes, information services company Experian has completely updated its Mosaic consumer classification which was set in 2003. Some 21 billion individual data items have been analysed to create a rich and detailed picture of modern British society at postcode, household and individual level. Some of the more significant social trends identified in the Mosaic UK 2009 are:

- **Ageing Society.** A small group but increasingly active. Silver surfers present commercial opportunities for retailers.
- **Alpha Territory.** A 3% section of British society is exceptionally wealthy having received substantial injections of capital over and above their already high incomes.
- **There is a diverse and increasingly multicultural nature of contemporary Britain.** Some communities have seen a growth of mono-cultural enclaves, while some neighbourhoods have embraced multi-culture through assimilation and integration (labelled 'Terraced Melting Pot' and 'Global Fusion' by Mosaic).
- **Single Occupancy.** Includes 'Crash Pad Professionals' living in flats on brown field sites, 'Side Street Singles', 'Small Block Singles' and 'Bright Young Things'. A significant trend has been the growth in multi-occupancy households dominated by single people.
- **A strong rural segment of society ('Rural Solitude')** has separated itself from creeping urbanisation and materialism. These rural types are affirming their identity and include Mosaic groups such as 'Modern Agribusiness', 'Farming Today' and 'Upland Struggle'. This group of people are the most likely to shop online.

Emma Herrod talks to Experian and Hitwise about the changes in the UK population, consumer behaviour and how the online customer has changed.

WHO'S ONLINE?

Rural Solitude (or Group C as Mosaic refers to them) live in small villages or in isolated farmhouses and cottages where farming and tourism are the mainstays of the local economy. These are places where residents still value a traditional country way of life characterised by a strong sense of community spirit and responsibility towards one's neighbours.

The mix of farmers, retirees and locally-born people, who work in low and middle income jobs in market towns, are particularly reliant on the internet for shopping. Although they make up just 3.3% of the total UK online population, they are the most likely to do their weekly grocery shop online, and are also the biggest eBay users in the UK, according to Experian.

Experian's Group D, labelled 'Small Town Diversity' is the next most likely group to shop online. This group mostly lives in medium sized and smaller towns to which they have strong roots, with friends and family living nearby.

Though people are more likely than most to be in their retirement years, Small Town Diversity is, as its name suggests, quite diverse in terms of age distribution and type of household; some people are quite well off, and others have to be careful to make ends meet. This is not a group where you are likely to find people at either extreme of the income distribution. A significant number are self-employed.

This group - which makes up 9.5% of the online population - is a little less active online than the UK average, but when they do use the internet it is more likely to be for shopping and arranging their affairs than for entertainment or keeping up with the news. According to Hitwise, they spend money with a range of online sectors, from house and garden retailers to budget accommodation providers. Their preference is for brands that offer value for money and they are likely to use auction and classifieds sites; and also comparison sites when purchasing financial services.

Group M is labelled 'Industrial Heritage' and contains people of a rather traditional and conservative nature who live in communities which have been dependent on mines, mills and assembly plants historically for their livelihood. Most of these people are married, approaching retirement age and have paid off their mortgage.

Although slightly less likely to be online than the UK average, members of the group - which makes up 9% of the UK online population - are nonetheless active internet users. They use it to book holidays through agencies and to shop with more established high street retailers. This group is price sensitive and will seek out the best deals on everything from groceries to financial services.

The fourth most likely group to shop online is 'Professional Rewards'. Experian's Group B contains swathes of Britain's executive and managerial classes who have worked diligently to build up a comfortable lifestyle and a significant financial asset base. Often in their 40s, 50s or 60s, some may be owners of small or medium-sized businesses whilst others will have risen to senior positions in large national or international businesses.

This group of higher rate tax payers makes up 9.3% of the online population. They tend to be conservative in their tastes, and this is reflected in their online behaviour. According to Hitwise, they use the internet to shop for a range of goods, but prefer the brands they recognize from the high street - such as Marks and Spencer and Sainsbury's - to online only retailers. This group also uses the internet to research before purchasing everything from financial services products to holidays, and they are likely to contribute to review websites such as TripAdvisor. Their taste in online media reflects the publications they read offline.

The 'Careers and Kids' label reflects the nature of the young married couples and cohabiters who make up Group G. Their lives focus on the needs of their growing children and the creation of a comfortable home in which to enjoy family life. Most are well set on a technical, junior or middle management career in which they benefit from

annual increments or periodic promotions.

With their young partner they juggle work and the parenting of pre-school and primary school age children whilst also attending to the opportunities to create a pleasant family home in which to enjoy the material advantages offered by a consumer society.

This group - which makes up 6.6% of the online population - makes good use of the internet to help manage their busy lives. Education and children's websites are popular, but so are finance and property sites. Shopping is often done online - both for the weekly grocery shop and for less frequently purchased consumer goods, plus the occasional luxury. They prefer to purchase from more established brands that offer value for money rather than just the lowest price.

THE ONES TO CATCH

Robin Goad, Director of Hitwise explains that the group showing the highest increase in visitor numbers to online retail sites is young families. They are turning to the convenience of the internet for their grocery shopping, using mid-market department stores and making the most of multi-channel opportunities to research, view and buy items such as baby goods and furniture online or in their local bricks and mortar store. They are also users of fashion retail sites.

With the lines between retail channels blurring and the rise of personalisation and individual customer conversations online, Mosaic UK 2009 shows what can be achieved with segmentation. While it's unlikely that any retailer has the 21 billion bits of data that Mosaic used for its classification, they do have the advantage of knowing their customers.

Technology enables the complete customer journey to be viewed and measured across all channels and every touch point to be fully exploited. If Mosaic can classify the British population into 15 lifestyle groups, 67 lifestyle types and 141 person types, imagine what a retailer can achieve by using this data - or getting personal with its own customer base segmented to the same degree. ■



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TRADING IN, DOWN AND UP

Alison Lancaster, a Multi-Channel Retail Consultant and Chair of The Catalogue Exchange, comments on how the recession may have a lasting effect on shoppers' attitudes.

WE CAN SEE right now that the recession has already taught shoppers to 'make do', or to trade down, and spend more time researching purchases carefully online to make sure when they do spend, they get the best possible deal.

Shoppers are becoming more frugal and they are likely to carry over that hard-learned skill once the economy recovers. Right now, the majority of consumers are willing to pay only for what they absolutely need, that presents 'obvious' value or, less frequently, for special products that have genuine differentiation.

Will this new generation of "Savvy Shoppers" be wearing their badge of frugality as a badge of honour forever? We don't know for sure, but this recession – and the web – has allowed the customer to become more aware and more in control of their shopping decisions.

They can easily discover the best price for everything – and drive a hard bargain. Hitwise reported a 40% increase in the use of cash-back and voucher code sites in 2009, and sales searches in this season are expected to be higher than 2008. I don't expect this to change in 2010.

The economic climate has affected people at different stages of their lives differently, although I believe every generation has traded down for different reasons and on different occasions. Kids graduating from university are finding it almost impossible to get a good job with the great salary they were led to expect in their chosen field. And those who've seen their parents lose a job, have learnt to trade in 'old for new'.

Silver surfers have seen their pension and savings income shrink, and they've had to re-think their budgets. With the luxury of time on their hands, and with their increasing use of the web, they can – and do – seek out bargains. And all generations are feeling more empowered to tell their stories and experiences. With the explosion of customer ratings, reviews,

blogs and tweets, once the savvy shopper discovers a bargain they will share the news with their friends, family and peer groups. This should be viewed as a marketing opportunity to create a whole new generation of 'Brand Ambassadors'. According to Jupiter & Bazaarvoice, 97% of online researchers in the UK are willing to trust customer reviews to influence their next purchase.

Savvy shoppers have discovered the benefits of trading-in before buying new. They have learnt new trading skills, and are able and willing to consider trade-ins and –downs when negotiating a new purchase up-grade. eBay and Amazon, with Amazon's third party business now eating away at eBay's market share, have between them created a vibrant market place in which to trade old for new. Having both first party and third party models has given Amazon considerable flexibility. Walmart is following on by creating its own online market place.

Play.com has developed 'PlayTrade' to save customers leaving their site, and they charge 50p per completed sale and 10% commission. I believe this trend is set to continue. How will retailers keep their customers if they sometimes decide to buy used rather than new? How will this affect brand? Well, some retail sectors have always been that way: cars, for example.

With many retailers promising to price-match, and now the popularity of iPhone apps such as the RedLaser barcode scanner, it will be interesting to see if, and how, multi-channel retailers brief their staff to respond to these new price challenges.

Trading in 'old for new' has led to a new take on 'green' and 'recycling'. Monsoon and M&S have recently conducted recycling promotional campaigns giving "£5 off your next purchase when you bring in your old items". The traded items are recycled to a charity, and the customer gets a £5 discount off their next purchase.

What effect is all this having on the

retail trade? The more successful, specialist and luxury retailers are continuing to innovate and using limited editions, design and genuine quality to differentiate. As some 'me too' higher-end product sales decline in the mid-premium sector, companies offering these products will have to review their price architecture and, in some cases, either lowering price points, reducing margins temporarily until the shopper regains confidence – or creating more aggressive and frequent price promotions.

Some companies have reacted by introducing 'value proposition' sub-brands, for example Essential Waitrose, or the 'Dine in for £10' from M&S. And there are companies that already have multi-brand businesses that accommodate high-end to lower-range shoppers, with a long term, strategic price promise, that has created a trust bond with the consumer. But, there will have to be 'obvious' quality, value, service and product differentiators to command a price premium from the savvy shopper in 2010 and beyond.

Whilst the online innovators dominated the land grab in the first decade of this century, I predict the more responsive, innovative and street-wise multi-channel giants will have the most to gain in the second decade if they listen and learn about how the savvy shopper is changing their shopping habits. The web will be the key to empower these customers, leading to a new type of brand loyalty.

Online retailers that empower savvy shoppers to actively 'trade' within their site - to buy new, buy pre-owned, trade down, across and up, price compare, and to trade and share reviews and information with other shoppers will succeed.

The insights from the goldmine of data that those smart retailers will gain into the new shopping habits of the multi-channel customer will enable them to innovate: creating new and relevant retail strategies for the next decade and beyond. ■

BUILDING THE VISION

As the recent postal strikes demonstrated, an efficient and secure supply chain – from producer to end consumer – is vital for successful online retailing. Penelope Ody asks “just where should companies be investing in 2010?”

KEY FOCUS AREAS FOR THE SUPPLY CHAIN FOR 2010 AND BEYOND...

- Real time stock visibility across all channels: regarded by some as the elephant in the room but something which could be achieved by gradually updating technologies and may well be made easier by source-tagging with RFID in future.
- Extended product assortments with direct fulfilment from suppliers: both developments that require co-operation and good relations with suppliers as well as highly standardised process to ensure that the customer receives the same standard of service by whichever route.
- Better front end systems allowing shoppers to manage fulfilment on a self-service basis, tracking deliveries or arranging collection of unwanted goods without the need for expensive call centre intervention as well as extended options for delivery (including a choice of carriers) and returns to match customer preferences.
- A re-appraisal of what could be managed in-house in a multi-channel distribution centre and what really needs to be outsourced.
- Some attempt to understand where internet shopping may be five or 10 years from now as the digital generation become the dominant consumer segment.

IT IS NOW 20 years since Tim Berners-Lee invented the World Wide Web and almost as long since the earliest online shopping sites started to appear. In those days customers were surprised and excited not only if the order was acknowledged but if the goods actually arrived.

Fast forward two decades and we have a generation entering adulthood for whom the internet, multi-channel shopping and mobile retailing are as commonplace and familiar as radio and television were to their parents. Despite the recession, ecommerce remains one of UK retailing's few growth areas with some sources suggesting that 86% of the population made at least some of their Christmas purchases online last year.

Familiarity, as they say, breeds contempt, and

today's – and perhaps more importantly tomorrow's – internet shoppers no longer have that sense of amazement that we all felt in the 1990s when the thing actually worked. To the digital generation, used to swapping music and images between PCs, mobile phones, iPods, Facebook, YouTube or whatever, shopping is expected to be just as seamless. Real time access to stock availability information, the ability to order online or by SMS and collect in-store a few hours later or have the items delivered to a workplace within a specified time window are not regarded as some “nice-to-have” service extras, but as basic essentials. “Today's consumers expect multi-channel retailing to be seamless,” says Richard Traish, Vice-President, Kurt Salmon Associates, “so that products and product information can be available wherever and whenever the customer wants – but most retailers struggle to achieve that.”

TRACKING

A problem for all long-established multi-channel retailers is that their IT systems have generally grown piecemeal over the years with new components bolted on to meet ad hoc pain points. Pure-play start-ups, in contrast, tend to have reasonably slick integrated systems designed for the digital age. For the high-street-cum-online operators achieving the sort of real-time inventory visibility across all channels that is now needed can be a challenge. The same applies to many other customer-facing activities as well – as anyone buying from Boots.com and expecting the relevant Advantage Card points to be added at their next in-store transaction, soon discovers.

With retailers still suffering the effects of the credit crunch and recession, few are willing to invest heavily in totally new systems so yet more ad hoc “bolt-ons” seem likely: the trick is to have a vision of where the business wants to be in five years time and then make sure that these disparate pieces of IT are all heading in that direction. Unfortunately many retailers still struggle to understand the potential power of online shopping and the role the internet plays for that emerging digital generation

who will be tomorrow's high-spending customers.

"When online sales were small retailers could get by with inadequate systems," says Allen Scott, UK MD for Manhattan Associates. "Now those sales could be 10-15% of the business so we're seeing many retailers starting to look at integrating operations more closely with multi-channel distribution centres and bringing fulfilment for online sales back in-house where it had previously been outsourced."

Good cross-channel integration also means that retailers need to know not just what the nominal stock levels might be but precisely where goods are at all times: in-stores, allocated to the online stock in the warehouse, in transit between RDC and store or en-route from the supplier. When every sale matters it should be possible to switch stock between these various locations to match demand so that despatch to an individual customer could be direct from a store with surplus, for example, or direct from a supplier to save time.

RFID tags have long been predicted as the ultimate solution for achieving real-time stock visibility but despite the forecasts this still hasn't happened. High tag prices used to be blamed but these have fallen significantly and the issue now seems to more concerned with processes: "We are seeing many item-level RFID pilots," says Richard Traish, "but the main problem seems to be managing source tagging across a complex multi-national supplier base."

DELIVERY

Once the stock is located, giving the shopper plenty of delivery options is also of increasing importance. Some carriers – especially if a signature is required – are rather high-handed about repeated attempts to deliver, threatening a rapid return of the goods to the shipper or demanding additional fees to "upgrade" the consignment to a specified time window: actions which are likely to be highly unpopular with customers who may well decide to choose another site in future. So, perhaps a choice of carriers could be seen as an attractive customer benefit?

The ability to collect online purchases from a nominated store is clearly a preferred option for many and is gradually becoming more commonplace, although success depends as much on staff processes as on the relevant IT. Returning unwanted items to a local branch brings just as many operational challenges. "A few years ago retailers seemed to want to make returns as difficult as possible," says Patrick Wall, CEO and Co-founder of Metapack, "now easy and convenient returns are seen as an added-value customer service with the need for various options to suit

different shopper requirements."

Enclosing a pre-printed (or even pre-paid) returns label is just the start: if retailers are to recover goods that can be re-sold, rather than items only suitable for markdown and clearance, then options such as carrier collections from home or workplace are needed, as are simple front-end self-service options allowing shoppers to manage returns online – as already exist on sites such as Asos. "Providing a collection service for returns may seem to cost more," says Wall, "but losses from damaged and unsaleable goods are significantly reduced."

As online shoppers become more sophisticated, additional services like these become more important. Received wisdom may be that "the competition is only a click away" but most shoppers prove remarkably loyal to sites that they find easy to use and which offer the sort of products they want to buy: typically, it seems, the average shopper is loyal to five or six sites that they use regularly. As in the real world, selling more to existing customers is a clear way to grow sales and the sort of Amazon "marketplace" model, which has taken its product offer far beyond the original bookshop base, is one that many suggest could become more commonplace in the next few years.

In many ways this sort of "marketplace" simply recreates the traditional "department store" with its mishmash of own sourced goods, concessions and in-store franchises. Today's technology allows shoppers to move seamlessly between sites which can be given a personalised front-end so that to the customer it all seems to belong to one retailer and one familiar brand. Fulfilment can be direct from supplier with no need for the retailer to invest in speculative new product lines but simply make a suitable deal with producers to fulfil customer orders, which can also be tracked via the retailer's site. "Retailers could work much more closely with suppliers in these sorts of developments," says Richard Traish, "to cut inventory and encourage direct deliveries."

Patrick Wall agrees: "This sort of co-operation also needs good stock visibility," he says, "but it can increase the size of the shopping basket from those loyal, regular customers."

The more successful multi-channel retailers – such as Argos, Tesco or John Lewis – already offer an extensive product assortment so can achieve a significant slice of their loyal customers' spend. By working together with both suppliers and other trading partners smaller players could achieve a similar extensive marketplace: the technology already exists to enable such projects, all that is needed is commercial agreements, standardised fulfilment processes and, of course, the vision. ■

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2010

ARE YOU REPLATFORMING FOR GROWTH?

THE EARLY MONTHS of 2009 saw many IT budgets slashed as the recession put expenditure across the retail industry on hold. By May 2009, the top 100 retailers' spending on IT was down by some 20% (to 1.1% of sales, from 1.3% in May 2008), according to consultants Martec International. Its Managing Director, Brian Hume, said at the time: "Many retailers have cut their IT budgets, with 15% making large changes to bring their costs down, some by as much as 50%."

However, its IT in Retail Report UK 2009/10 reveals that it was far from being doom and gloom for every retailer. Richard Lowe, CEO of the report's sponsor, BT Expedite, says: "Despite the obvious cutbacks, there are some bright spots for retail investment in IT, particularly in ecommerce, multi-channel and PCI compliance. Where bottom-line improvement can be demonstrated, retailers are more than willing to embrace new technology."

In fact, in the fashion sector, ecommerce and home shopping are cited as the key elements in its strategy for surviving and prospering in 2010, according to the Technology in Fashion report, carried out by Martec for software firm Prologic. The November 2009 study reveals that IT as a percentage of fashion sales was 2.3% last year, while budgets will average 2.6% of sales for 2010, with the ecommerce IT slice accounting for 5%-9.9% of ecommerce sales.

PLATFORMS

Retailers certainly understand the importance of investing in the right IT to provide a reliable platform that helps deliver the level of turnover they need not only to survive but also to expand. Mark Adams, Sales Director at Portaltech, says: "As in 2009, 2010 will see retailers replatforming to new, stable technology to support growth. Online is such a critical part of the retail business and retailers need to get this part right before they can capitalise on other things: the days of seeing downtime five or six times a week for an hour or two should be over."

And he says that it isn't always technological developments that are encouraging replatforming, rather it's a case of retailers being driven by what consumers want. He explains: "Retailers are seeing growth and need to offer what their customers want. They also need to look at what their existing platform can offer."

What does 2010 hold for ecommerce IT? Will it be a continuation of the 2008 trends that were put on hold for 2009, or will it offer something new as the rest of the industry plays catch up with those that innovated rather than consolidated during 2009? Emma Herrod reports.

CROSS-CHANNEL EXPERIENCE

So, are there any 2009 trends that look likely to have a big influence this year? "2009 was a holding pattern; the trends that were ready to start in 2009 will be prominent in 2010," predicts Andy Piscina, UK Country Manager for ecommerce software firm Hybris.

"The whole social side of ecommerce will be a trend for the next few years and everyone needs to be doing this if it makes business sense. It's a business decision rather than a technological one and it is a must for fashion retailers. In five years' time it will be the norm, a mainstream element that any retailer will have."

Adams agrees that social commerce will be prominent again this year, but he doesn't class it as the main trend. Instead, there is something else on the horizon: "There are so many other key areas. 2010 will be the year in which we see multi-channel retail become a reality. Some retailers can offer click-to-collect and return in store but they still aren't cross-channel experiences."

Piscina admits that the customer experience often isn't particularly joined up: "Customers are multi-channel and want consistency, but retailers have been saying that they've been 'sticking' the systems together to make multi-channel work."

It's clear that some retailers have a lot of work to do in this area; so is 2010 the year when they will use their IT budget to get to grips with multi-channel retail? "A single stock system is a challenge for some



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ecommerce players as open source doesn't have the framework," points out Leigh Whitney, MD of website design agency Design UK.

"Whether using SaaS or ASP-hosted solutions, the challenge has been that that information has been stored in different systems, and for multi-channel retailers trying to pull it all together to gain a 360-degree view [of the customer or stock], it becomes a nightmare. How much information do retailers want to exist outside of their business?"

The framework to connect to in-store systems is another challenge. Whitney says: "Retailers have to change platform and bring it in-house. But in-house knowledge has been a barrier in terms of management of ecommerce and for some retailers the business case has been more about getting sites working as soon as possible."

Momentum is building behind multi-channel and retailers are realising that it's something they must offer. "They have to invest, understand, grab hold of and tackle multi-channel," advises Whitney, "and investment houses are directing boards towards this."

MOBILE

This trend has another driver, according to Adams: "One of the catalysts to multi-channel retail will be mobile." He thinks mobile will be a game changer, a great enabler that brings the online experience into the offline world. He adds: "It will be the connector between the store – showing people where to find products and compare prices, the contact centre and support. Mobile will be joining the whole experience up rather than being a channel in its own right."

For example, ATG's iPhone application, developed for US retailer Tommy Hilfiger, allows shoppers to have a true cross-channel experience since the shopping cart follows them from wherever they start their online journey onto the iPhone. The app enables customers to check stock availability and place an order, or ask to be notified when an item is back in stock.

Frank Lord, VP EMEA, ATG, explains that while we are "seeing a dawn of change [for mobile]", very few retailers are prepared for mobile commerce. But he says they are missing a trick, since one of the great applications for mobile is its ability to enable retailers to "establish VIP status when a person walks into a store".

UK retailers better be ready though, as Lord predicts that the opening up of the iPhone market to Vodafone, Orange and Tesco will see a proliferation of smart phones, which will in turn boost mobile commerce.

INTERNATIONALISATION

Internationalisation is also playing a part in the ecommerce plans for 2010, whether it involves multi-

site (for different territories, countries or multiple brands), multi-currency or different languages.

"This will be the case particularly in the mid-market sector," says Adams, who says internationalisation has been written into every RFP he has seen recently. He adds that launching into new markets online "is a lot cheaper than franchises and stores, and offers a lower barrier to market".

The latest release of ATG's ecommerce platform offers multi-brand and multi-country site enhancements and has also improved the cross-channel customer experience. Lord explains that it allows retailers, such as its client Lego, to run and customise multi-country sites on one platform. So 80% of each site could remain the same, allowing each country or brand to concentrate on the remaining 20% and transform it into a local site.

EXTRAS

With a stable platform in place, retailers can then focus on strengthening other key elements, such as advanced merchandising, rich content and social media.

"Once the systems are working together, then flowing on from that is support for personalisation, loyalty, promotion/merchandising and a lot more targeting," comments Whitney. Retailers will be able to analyse information from the different customer touchpoints, and segment and target their marketing communications.

Consumers are also demanding more engagement with and information about products, so he predicts that retailers will have to provide a lot more video and rich, engaging content. He adds: "As one part of the market moves, consumers will expect it everywhere across all sectors. Fashion is driving it quite a lot, but other sectors will follow."

It looks like many retailers can't afford not to consider adding some form of rich media this year. Sheila Dahlgren, Senior Director of Marketing at rich media specialist Adobe Scene7, comments: "We will see more widespread use of richer imagery, rich internet applications, improved visual search and filtering, and, of course, online video – not just progressive download but streaming video as well."

"Additionally, interactive video that allows shoppers to click on video clips, captions or graphics of interest and link to external references (with more information or a way to buy) will also begin to appear on more and more sites to further engage shoppers and drive conversions."

The overall view for 2010 is that retailers will spend money on IT where it needs to be spent, not just for business sustainability but also for growth. Online is getting a percentage of that spend as it still offers a return on investment (ROI), but as Lord comments: "the real activity will be on proving the ROI of cross-channel". ■

CUSTOMER INSIGHT FROM THE 9TH ANNUAL HOME SHOPPING TRACKER FROM THE **ROYAL MAIL**

Royal Mail has been conducting research into home shopping behaviour and attitudes since 2000. We were offered a privileged view into the data and methodology. Ian Jindal reports on key insights from the work.

ROYAL MAIL has a strong interest in home shopping given its position of 'last mile' carrier for so many of the goods we internet retailers despatch to our customers. The interest of course pre-dates the explosion in ecommerce sales with our cousins in 'distance selling' or 'mail order' having been at the forefront of home shopping – before the advent of ecommerce, TV shopping and latterly mobile shopping (registering for the first time in 2009 as 2% of sales).

Royal Mail took a broad view of home shopping and sought to understand shoppers' motivations, expectations and experiences and this neutral approach – allied to a very significant sample size – made the research data of such interest to us.

Royal Mail had run two surveys in parallel: 'Delivery Matters' (covering online customers' experiences of

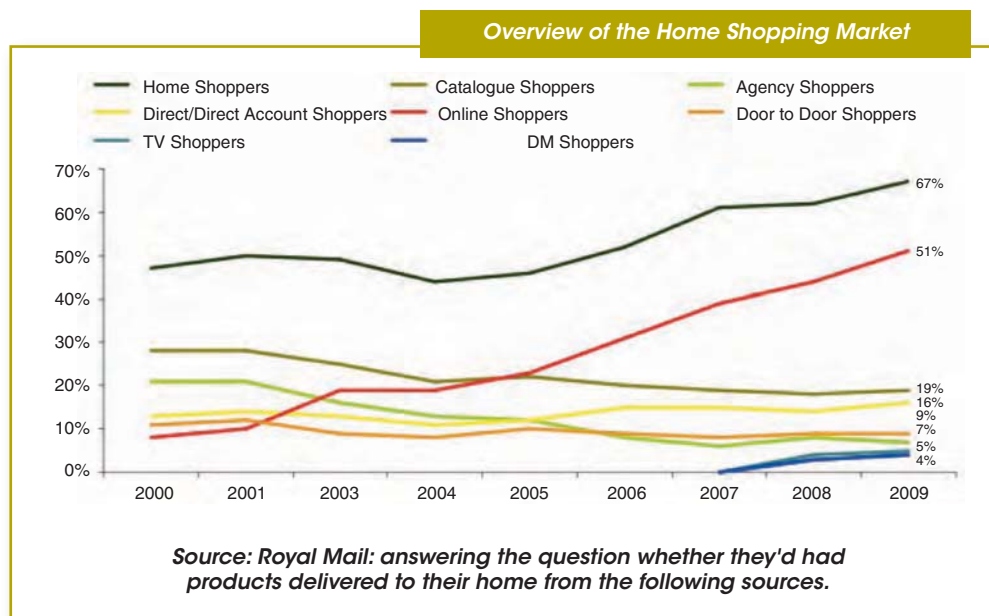
and demands from the last-mile delivery offering) and the 'Home Shopping Tracker' (focusing on customers' attitudes and behaviours when shopping from home via whatever means were available to them). In 2009 these research activities were merged, reflecting the more synthesised view that a customer now has of home shopping – linking a brand's promise, the experience via the chosen channels, delivery and reverse logistics, until the promise has been delivered to the customer's satisfaction.

The research initially took a broad, representative sample of over 4,000 customers for the 'omnibus' stage to size the marketplace. These interviews were conducted face to face and unearthed a wealth of behavioural and anecdotal information to supplement the standardised questions. In the second phase, a sample of over 1,000 people was selected for their relevance to home shopping questions and further phone questioning was conducted to gain a detailed picture of their habits and attitudes.

MARKET

The report showed that home shopping was on the increase after a year of stagnation in 2008.

We can see that the direct to home market includes significant door to door and catalogue sales (the traditional 'agency' catalogues), however



agency catalogues are in decline, with online virtually single-handedly driving the overall growth.

Home shopping featured in the buying activity of 67% of those questions, with online a factor for 51%.

Of interest is the growth in TV Shopping (now reaching c5%) and the note that within the online 51%, 2% volunteered that their purchasing was via a mobile phone.

WHAT'S BEING PURCHASED ONLINE?

Not only are books the single most-purchased category, but it's still showing growth (5% over 2008). Women's clothing has increased significantly over the period of the survey and anecdotal comments from respondents indicates that buying 'vintage' or second-hand clothing on eBay has contributed to this growth, while easier returns processes has made shopping at home for clothes a better end-to-end experience.

Online event and ticket purchases, along with a strong showing for booking holidays and travel online, show that etail has a strong service and 'non-product' strand.

Category	Purchasing (%)	Growth over 2008 (%)
Books	29	5
Women's clothes	24	5
Holidays/travel	24	10
CDs	23	-
Event tickets	21	-
DVD purchase	18	-
Men's clothing	17	-
Electrical goods	15	-
Footwear	15	6

Source: Royal Mail

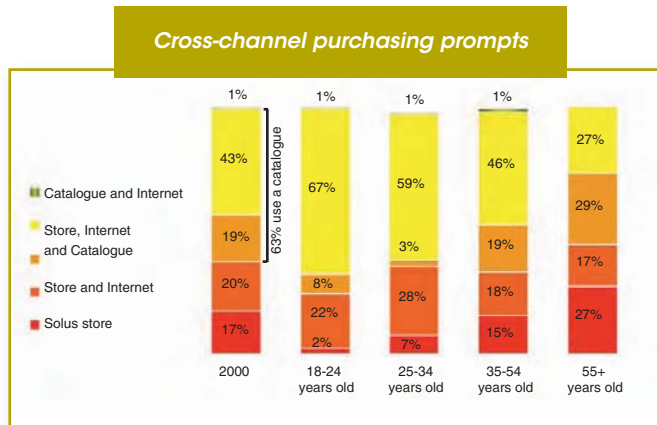
CROSS-CHANNEL

Customers source information about products and services from a blend of online, stores and catalogues. The chart below shows that the number who use internet, store and catalogue together is 43% overall, yet 63% in the younger (16-34) category, showing that each part of the marketing and persuasion equation needs to work in harmony.

Most dramatic is the fact that only 4% of the young shoppers used a store alone: this proportion increases in line with age to give an overall store-only value of 17% (down from 28% in 2005). It's clear that the trend is towards multi-source in information, much as retailers are working to be multichannel in terms of communications.

In terms of framing customer preferences, respondents indicated that the biggest influences upon their purchasing were search engines (23%) and word-of-mouth (20%, biased towards younger ages). Search engines are often used once an idea's

been planted in a customer's mind, and so it's not surprising to see "seeing products in the shops" (14%) and in catalogues (13%) and TV (13%) are very important in terms of generating demand.



TRUST

It could be thought that as customers become more experienced they are able to flit from retailer to retailer with but a move of the mouse, but with this experience comes recognition of the value of service. It's time-consuming to continually search the web and retain new services in one's mind and the survey found that customers increasingly balance "trust" (based on previous good experiences across all channels) with "getting the best price". However, this balance is a precarious one and comments made during the interviews indicate that service experience is fundamental, with retailers only being valued at the level of their current service. Further questioning on this point revealed that 79% would be unlikely to shop again with a retailer after a difficult returns process.



The chart (showing shoppers' attitudes) illustrates that 78% want to shop with a known, trusted brand name, while 75% expect a bargain (and 73% use price comparison sites to get that bargain).

INTERNATIONAL PURCHASING

A surprise in 2009 was to find that 46% of the internet shoppers had purchased from overseas – citing non-

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availability in the UK (46%, indexing towards the older customer) and price advantage (36%). EBay and Amazon are playing a part in increasing the experience of overseas purchasing (3% and 2% respectively) and a significant minority (2%) did not realise that the product would come from overseas until they received it!

THE REASONS GIVEN FOR ABANDONMENT ARE:

Reason	% abandoning
Not happy with the delivery charge	52%
Got interrupted	48%
Didn't have what I wanted in stock	47%
I found a better deal elsewhere	36%
Delivery would take too long	31%

Source: Royal Mail

ABANDONMENT

Cart or Basket Abandonment is the bane of retailers' analytical lives. We focus on these 'lost sales' and ponder the reason, attempting to optimise our checkout processes into a slick, irresistible funnel.

Royal Mail's research found that customers spoke very openly and easily about basket abandonment, indicating that this is a conscious activity. 34% (indexed towards younger customers) offered that they abandon carts "Very" or "Quite Frequently".

Interestingly, the numbers abandoning as a result of finding lower prices has declined by 8% since 2008 - indicating either that prices are more competitive or that the customers have already done their price-comparison or price-qualification activity in advance of committing products to the basket.

Delivery options (clarity around cost and service levels) dominate the reasons for dissatisfaction and support the aims of current best practice to bring this information out of the basket and onto the product pages insofar as is possible. Royal Mail gives a headline figure of £2.7bn due to cart abandonment.

Short, though, of driving to customers' home and minding their children, taking the phone off the hook and disconnecting the doorbell, we're unlikely to be able to reduce interruptions. The only option is

to make the online experience so involving that our customers become un-interruptible!

BREAKFAST BRIEFING

Having merged these reports we were keen to hear from retailers whether this information accorded with their own research. In addition, Royal Mail were keen to get input on questions for the 2010 survey.

In October, senior retailers including Liberty.co.uk, Lands End, Net-a-Porter, House of Fraser, Secret Sales and Westfield Shopping Towns gathered at Soho House with Royal Mail to hear more about the data behind the headlines as well as trends.

Overall it was felt that the research supported insights that each retailer had gleaned from research, but that the scale and duration of the research made for very useful trend insights.

Looking to the 2010 survey retailers were keen to see further questioning on the use of mobile and cross-channel experiences, and whether growing interest in the environment is affecting behaviour. Given the turmoil in the economy over the last year it will be interesting to see the impact this has on customers' perceptions and expectations of service and price.

2010

Following the interest in the survey, Royal Mail has agreed to run a consultation and planning session with retailers in late Spring 2010 to focus on questions and issues that could be incorporated into the 2010 field research. We will be working with Royal Mail on this consultation, so please email editor@internetretailing.net if you'd like to take part in this research or have areas you'd like to suggest for coverage - or add comments to the online version of this feature.

As we enter the new decade we see online forming an important part of the home shopping activities of 67% of customers, with cross-channel information, brand and service experience critical determinants of their patronage. Price, availability and service are the measures by which retailers are measured and this has a reassuring familiarity inasmuch as this, at least, is a constant across all channels

The full report can be downloaded from www.royalmail.com/homeshopping. ■

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Insight from around

COLUM JOYCE, DIRECTOR, IMR WORLD

2009 will be seen as the year when ecommerce finally went main stream.

It has proven its strategic retail credentials in the teeth of the worst recession, unemployment and contraction in personal wealth seen since early last century.

In the UK, the most mature market in Europe, year-on-year growth has come in at 14%. In the US it was 4% and France and Germany are both projected to have online growth rates of over 20%.

Both online and multi-channel retailers made impressive gains: John Lewis reported online sales up 14%, Marks and Spencer rose 32%, Ocado 49% and Shop Direct 6.3%. In the US, over 66% of retailers saw a 10% rise in their year-on-year online sales. Most importantly, multi-channel strategies globally are finally beginning to realize their business potential for high street retailers.

2010 will see a consolidation of gains made in 2009. A number of factors will contribute to this. The first is a characteristic of consumer spending during a recession recovery.

In the last 3 recessions (1980s, 1990s, 2000), consumer spending has risen to a peak 6 to 9 months into the recovery. This is a "Lust or Legacy" driven peak where consumers replace obsolete products or reward themselves with new, non-essential products. The market peaks again at 20 - 30 months due to improving consumer confidence and improving financial health.

The great recovery variable will, as always, be the



consumer. Emerging research shows strongly that post recession consumer behaviour, especially in the 15 - 35 year old demographic, is quite radically changed for the rest of their lives. They take less risk, are less brand adventurous, have slower replacement cycles, higher savings ratios and are far more aware of price and value when purchasing.

For all the glitzy new technology now available to retailers, 2010 will be back to retail basics: Price, Value and Service quite simply because that is where the consumer is likely to stay.

DIANE WANG, CEO, DHGATE.COM

Despite the winter chill, China was red-hot at the close of 2009. The country's manufacturing activity accelerated in December at its fastest pace in several years and foreign exports were up USD\$130.7bn, up 17.7% year-on-year. J.P. Morgan said it expects China's growth momentum to continue throughout 2010. All this at the same time as internet shopping in the UK grew at its fastest rate for 22 months in December, as millions of shoppers migrated online to buy their Christmas goods.

Controversy over Beijing's policy of pegging its currency to the US dollar may continue to concern economists, but for the time being the fixed exchange rate gives China's factories a nearly unbeatable price advantage against manufacturers in other countries.

The price advantage has grown even larger after the US dollar, and therefore the Chinese yuan, fell sharply against other major currencies last year. Combine this financial situation with the growth of an already mammoth manufacturing industry and you get a retail buyers market.

Retailers purchasing inventory in China via DHgate.com demonstrated some interesting trends in 2009. Although Apparel and Accessories remained strong, technology purchases ranked as the most popular, accounting for around a third of transactions and a rise of over 10% on the previous year. Strong growth was also seen in the Health and Beauty and Home and Gardens categories, both showing year-on-year increases of around 40%. And with total Christmas stock purchasing representing DHgate's busiest in its five



IMR WORLD ECOMMERCE DASHBOARD

World internet users	1,733,993,742
World e-retail spend 2009	485,400,000,000
Internet growth 2000 - 2009	380%
Largest annual e-shopper basket	Norway at €1203
Highest internet access	Iceland 93.2%
Highest broadband connections	Denmark: 37.2%
World broadband subscribers	310,000,000
Most mobile internet users	Japan 58%
Most internet users	China: 338million
World % Pop. with internet	25.6%

Source: IMR World

and the world

year history, Chinese manufacturers are expecting to see huge growth in 2010.

With an increasing number of Chinese businesses setting up wholesale and manufacturing operations online, those who source from China will have a distinct advantage. Traditionally it has been the Big Box retailers who benefit from China sourcing. The new evolution of this industry online allows smaller business to also benefit and pass on savings to their customers - increasing profits.

As consumers resume normal spending habits, retailers capitalizing on the surge of quality goods provided by Chinese manufacturers have the potential to expand their market share.

GIAN FULGONI, CHAIRMAN, COMSCORE

Christmas 2009 saw more money spent online in the US than the previous year, according to comScore, which has reported on retail ecommerce spending for the holiday season from 1 November through Christmas Eve.

During this period, approximately \$27 billion was spent online, which represents an increase of 5% over the same period a year ago. For the period from Black Friday through Christmas Eve, and after adjusting for the additional shopping day in 2009,



sales grew by approximately 3.5%.

Following last year's disappointing performance, when sales fell by 3%, the ecommerce sector saw a positive 2009 holiday shopping season.

Online sales growth this year was driven by a continued increase in the number of people buying online, but consumers' economic challenges resulted in a slight decline versus last year in the amount spent per buyer.

The season featured a strong start as a result of early retailer promotions and a very strong finish helped by the snow storms that occurred over the weekend of 19 – 20 December, retailers' willingness to offer free shipping later in the season and consumers' confidence in expedited shipping arriving in time.

This was also a year when retailers substantially boosted their use of social network marketing and the larger retailers significantly outperformed their smaller brethren. In these tough economic times, the retailers with sufficient financial resources and a willingness to invest in aggressive marketing and free shipping offers were clear winners.

In terms of individual product categories, consumer electronics saw particularly strong sales growth of slightly over 20%, while jewellery and watches also turned in a strong performance, but which followed a very weak 2008 season.

2009 HOLIDAY SEASON VS. 2008 NON-TRAVEL (RETAIL) SPENDING

Excludes Auctions and Large Corporate Purchases
Total U.S. – Home/Work/University Locations

	Millions (\$)		
	2008	2009	Percent Change
November 1 – December 24	\$25,845	\$27,121	5%
Thanksgiving Day (Nov. 26)	\$288	\$318	10%
Black Friday (Nov. 27)	\$534	\$595	11%
Cyber Monday (Nov. 30)	\$834	\$887	5%
Green Monday (Dec. 14)	\$859	\$854	-1%
Tuesday, Dec. 15	\$754	\$913	21%
Weekend of Dec 19 – 20 (winter storm)	\$677	\$767	13%

Individual days and weekends are compared to corresponding shopping days in 2008
Source: comScore, Inc.



MOBILE

MOBILE TRENDS

SARAH CLARK, Internet Retailing's web editor, comments on recent mobile news.

An international survey has found that over half the consumers in the eleven countries that took part used their mobile phone in-store for activities such as running price comparisons, reading reviews and obtaining product information and coupons during the Christmas shopping period.

A number of emerging technologies are also set to significantly increase the importance of mobile in retailing in the year ahead. In the US, Google has launched new services using 2D bar codes and, say researchers, NFC-enabled mobile phones are now expected to begin arriving early next year, bringing with them a way for retailers to easily generate a single view of their customers across multiple channels.

The Motorola survey has found that 51% of consumers across 11 countries used their mobile phones during the holiday shopping season for in-store activities such as comparison shopping and getting peer feedback, product information and coupons.

Amongst shoppers aged 18 to 34, the percentage increased to 64%, the survey found.

Shoppers in North America left an average of \$109 unspent this past holiday season due to stores' limited

merchandise, lack of availability of coupons/discounts and inconsistent customer service. Nearly 40% of surveyed shoppers abandoned the purchase altogether – a significant increase over 2008 when 20% reported not buying the item at all.

The majority of abandoned purchases could have been recovered if coupons or discounts were more readily available, says Motorola.

Meanwhile, Google has sent out window stickers containing 2D barcodes to the 100,000 local businesses that have been the most sought out and researched on Google.com and Google Maps. The businesses have been grouped together as Favorite Places on Google and are located in 9,000 towns and cities across the US.

Each of the window stickers has a unique QR barcode that can be scanned with any of hundreds of different mobile phones. When a consumer snaps a picture of the barcode with their mobile phone, they are automatically directed to the business' Place Page on Google Maps where they can find customer reviews, get a coupon if the business is offering one or 'star' a business as a place they want to remember for the future.

Google has also made it easier to find places which are 'near me now'. The service works with iPhone and Android browsers and is aimed at addressing two problems. "Imagine that you emerge from the subway station and you want to grab a coffee, but you don't see a coffee shop around you. You can simply search for all nearby coffee shops by using 'Near me now'," the company explains. Users can also access reviews before they go inside and use an 'explore right here' option.

An emerging mobile phone technology called NFC (near field communication) will play a key role in enabling retailers to create a single view of their customers

across multiple channels, according to a new research report 'NFC: The Road to Commercial Deployment'.

Consumers with NFC-enabled phones will be able to simply touch their phone in store to a 'smart' poster or product label containing an RFID chip to sign up for a loyalty programme, collect a money-off coupon, update their Facebook status or go online to read a product's customer ratings and reviews or place an online order.

"NFC technology will be used to replace everything from credit cards to bus and train tickets, library cards, door keys and even cash," say the researchers. "By providing consumers with the means of interacting online with in-store posters and labels via their mobile phones, NFC will give retailers a way to glue together their online and in-store channels and gain a single view of the customer."

NFC phones can also be used to store virtual versions of retail loyalty cards and discount coupons and are compatible with POS terminals that accept contactless bank cards. "Retailers who switch to the new terminals will be able to take advantage of the advanced mobile loyalty and promotional programmes NFC is set to deliver without having to install any extra hardware," the report explains.

"The first commercial NFC services are expected to go live from early 2011," the report forecasts. "Banks and mobile network operators are set to go head to head in a bid to win control of the new business and persuading retailers to sign up for the new services will be key to their business plans. Retailers who educate themselves now about this new technology will be able to negotiate the best possible deal and gain advantage from introducing NFC services as early as possible."

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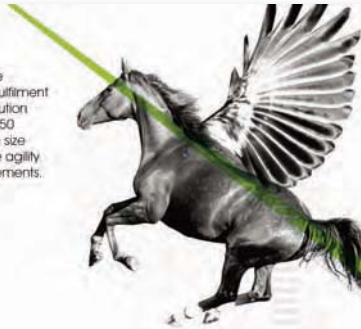
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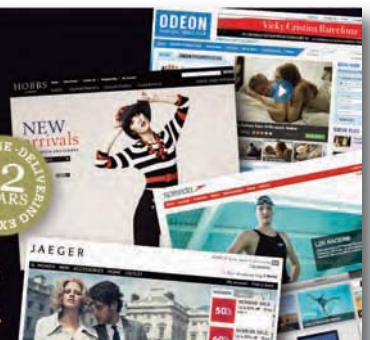
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