Internet Retailing

Selling in the digital age

VOLUME 6 | ISSUE 2 | JANUARY 2012

SIR TERRY LEAHY:

Insight, enablement and action

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EDITOR'S COMMENT

As Jack Frost finally reaches his icy fingers to a post-Christmas southern Britain we take a look back over 2011 and discuss trends and the pace of change of e- and multichannel retailing in 2012.

Leadership in multichannel retail is a key issue for 2012. Sir Terry Leahy's tenure as CEO at Tesco cemented his reputation for leadership and commercial delivery, so his reflections on the role of digital within multichannel are fascinating. His interview with IR's Editor in Chief, Ian Jindal, on page 8 is not to be missed.

Other big hitters of the online world, namely the Big Four of Google, Facebook, Amazon and Apple, are examined by Karmesh Vaswani of Infosys, who discusses what retailers can do to keep up with them.

Elsewhere in the issue, Alison Clements asks which innovations stirred up the UK online shopping industry last year and look likely to shape future best practice in multichannel retailing? I look around the figures and predictions for UK internet usage and shopper behaviour and Joseph Leon comments on marketing trends for online retailers in 2012.

Taking the longer distance view, Prof. Alan Braithwaite examines why multichannel retail may offer the greatest promise for sales growth, but also embodies the Schumpeterian concept of 'creative destruction' and explains why it's a challenge many boards must tackle over the next decade.

Emma Herrod
Editor

FEATURES

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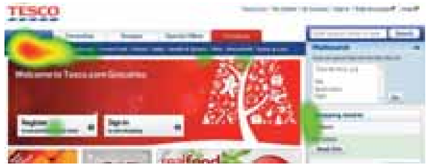

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APPLE VAULTS ARGOS TO TAKE SECOND PLACE

Apple became the UK's second most-visited retail website in October, according to the latest IMRG-Experian Hitwise Hot Shops List. It overtook Argos, which has been constantly at number two in the List, behind Amazon UK, since the list was first published in 2006.

In October, the Apple site was the destination for one in every 250 visits from UK internet users. The month contained two significant events for Apple: Steve Jobs, its co-founder, died on October 5, sparking massive interest in the Apple brand. Soon after, the latest model of iPhone, the 4GS, launched.

Tina Spooner, Chief Information Officer at IMRG, says: "While the passing of Steve Jobs will undoubtedly have increased traffic levels to the Apple site, the sheer popularity of tablet devices such as the iPad is also a key factor. Amazon is expecting their Kindle to be one of their biggest sellers this Christmas, and it will be fascinating to see just how influential tablets become for consumers."

Beyond Apple, fashion retailers saw online visits increase. Very.co.uk (up 19 places to 22) and H&M (up 15 places to 43) both saw significant boosts to their rankings, while ASOS (up 7 to 12), New Look (up 3 to 13), Topshop (up five to 15) and River Island (up 4 to 19) all saw rises in their rankings.

James Murray, Marketing Research Analyst at Experian Hitwise comments: "Online shopping is stronger than ever and year-on-year we've seen UK internet visits to the online retail category grow by 3%, a trend we fully expect to continue throughout Christmas and the January sales period."

IMRG-EXPERIAN HITWISE HOT SHOPS LIST NOVEMBER 2011

Rank Nov 2011	*Rank Aug 2011*	*Website*
1	1	Amazon UK
2	8	Apple
3	2	Argos
4	4	Tesco
5	3	Next
6	7	Your M&S
7	6	Play.com
8	5	Amazon.com
9	9	John Lewis
10	12	Tesco Direct
11	13	Debenhams
12	19	Asos
13	16	New Look
14	11	easyJet.com
15	20	Topshop.com

Source: IMRG-Experian Hitwise

INNOVATION FUELS GROWTH AT BURBERRY

Innovative use of social media, including the 'Tweetwalk' launch of a fashion collection on Twitter, is helping luxury brand Burberry connect with its customers, driving them online to research the brand before buying in store or over the internet, according to the company.

The company announced a 29% rise in sales for the six months to 30 September to £829.6m, from £641.1m at the same time last year with pre-tax profits, after exceptional items, growing by 24% to £158.7m from £128m at the same time last year. Burberry said its use of social media and its investment in improving its ecommerce website, burberry.com, were part of the key strategies that had helped it boost its performance in the period.

As well as broadcasting its spring/summer 2012 runway show to millions through worldwide media partnerships, the company also premiered the collection on Twitter, in what it has dubbed a 'Tweetwalk'. Women's fragrance Burberry Body was launched on Facebook and through a YouTube homepage takeover as well as through outdoor advertising.

The company, which has nine million Facebook fans and eight million views-to-date on YouTube, says it also has a "significant presence on key Chinese social media platforms."

BOOST PREDICTED FOR AURORA

Aurora Fashions expects to boost sales across its Coast, Oasis and Warehouse brands by a third as it introduces a stock management and order fulfilment system that it says will turn it from a multichannel into an 'omnichannel' retailer.

The company found online product availability rose by 28% when it introduced the Anywhere Everywhere system in a six-week pilot project that involved only selected stores. Some £2.5m of extra sales were driven as a result, while online conversion rates doubled.

Now it is launching the system across its brands and says that is likely to increase sales by a third as a result. Anywhere Everywhere is a new approach to stock management that makes stock inventory available across all sales channels. Thus, orders for items that are sold out online can be fulfilled from any store, saving sales that might otherwise be lost. Stock records are updated across each brand in near real time, rather than once a day.

Aurora describes this system launch as a move from multichannel to omnichannel retailing, merging digital commerce with physical retailing and creating a seamless customer experience.

Mike Shearwood, Chief Executive of Aurora Fashions, says: "with Anywhere Everywhere, we're saying to customers 'if we have it anywhere in the UK we'll get it to you wherever you want it,' which is a powerful message in today's climate. It gives every store the opportunity to boost sales by fulfilling web orders and enables even the smallest stores to have access to the brand's full product range, even much sought after limited edition pieces."

Aurora's investment in Anywhere Everywhere follows its launch of 90-minute deliveries in May. It is also rolling out iPad-based point of sale technology in its stores.

BALANCING ACT FOR CARPETRIGHT AND ARCADIA

Carpets-to-beds retailer Carpetright is to reduce the size of its store network in light of its experience that more customers are researching their purchases on the internet and making fewer visits to stores.

The company, which announced a 3.9% fall in sales and pre-tax losses of £0.8m in its half-year results said in a statement to the City: "Our experience is that growing numbers of customers appear to be prepared to travel further to make their single physical store visit to complete the purchase and we believe that, over time, this will result in a shift in the required geographic density of our store estate".

Leases on some 93 stores were due to expire in the next five years, it said, giving it an "opportunity to reshape the portfolio in a cost-effective way".

Meanwhile, Sir Philip Green has announced that up to 275 of his Arcadia Group's stores, which include the Topshop, Miss Selfridge and BhS brands, could close in coming years as the company rebalances itself to reflect the new reality of growing ecommerce sales.

The news came as the company unveiled sales of £2.68bn in the 2010/2011 financial year, a drop of 4.3% on last year's £2.8bn. Pre-tax profits stood at £133.1m, down by 38% on last year's £213.2m.

But, while global sales were down by 4.3% in like-for-like terms, and by 1.8% in the UK alone, ecommerce sales grew by 27%. Green said that the results were "pretty good" given last year's snow and the group's decision not to raise prices.

ONLINE FUELS TRAVEL

TUI Travel, the international group that owns UK holiday brands including First Choice and Thomson, says online is now its single biggest sales channel in the UK.

Overall, TUI Travel's revenues rose by 9% to £14.7bn in the year to 30 September, compared to the same time last year, while pre-tax profits grew by 25% to £360m. In the UK and Ireland, revenue rose 6% to £3.59bn, while customer numbers were up by 1% at 5,440,000 from 5,399,000 last time. UK operating profits rose by 17% to £149m.

Some 39% of bookings from the UK market were made online in 2011, TUI said. That made ecommerce the company's biggest distribution channel in this country. It compares with 61% of bookings that were made online in its Nordic region, where the company did not issue traditional brochures this year, since customers use the website instead. By contrast, 19% of bookings in its German market were made online and in the Netherlands the figure was 33%.

TUI's results contrast with those of UK travel agency Thomas Cook which has become the latest UK retailer to announce plans for shop closures as it looks to reengineer its business to reflect the trend for customers to buy online.

The travel company, which reported a £398m loss for the year to 30 September, said it would close around 200 shops whose leases were due to expire in the next two years and review the performance of others "as leases come up for expiry and more customers move online."

Some 25% of Thomas Cook bookings are currently made online and the company predicts that will increase to between 40% and 50% over time. It is to improve its UK websites in order to encourage this to happen.

BEST BUY BYE BYE

Best Buy UK's Big Box consumer electronics stores are to close in January 2012 following a time in business when it has failed to make a profit. The joint venture between Carphone Warehouse in the UK and US electronics giant Best Buy announced greater losses before tax and interest in the half-year to 30 September as £46.7m, from £28.8m at the same time last year.

Although the stores had performed in pleasing customers by delivering "exceptional customer satisfaction scores," they had not delivered the financial returns required for future success, Carphone Warehouse said. Closing the stores is likely to cost between £25m and £30m, while asset write downs will cost another £40m to £45m.

Chloe Rigby commented on IR.net: "it's a sad day for Best Buy's employees, although it seems most will be offered alternative Carphone Warehouse jobs, but we fervently hope the Best Buy legacy of good instore service will continue to be felt. Certainly, it has had a welcome effect on the competition to date, with the well-trained and knowledgeable instore 'geeks' that Best Buy was known for now a feature, in theory at least, of more than one consumer electronics brand in the UK. Long may that continue, since at Internet Retailing we remain convinced that the kind of exceptional customer service Best Buy is seen to have delivered is key to success for all retailers in this market".

THE MANTLE OF LEADERSHIP

2011 was a tempestuous and testing year for retail and the economy, yet buoyant once more in ecommerce. 2012 brings a new challenge, based ironically upon this success, for ecommerce professionals to adopt a broader leadership role in the transformations to come in our sector. Ian Jindal takes a sideways look at the mantle of leadership awaiting some metaphorically broad shoulders to slip it on...

READING the press releases in our inbox it'd be tempting to see 2011 purely through the lens of statistics, against a background of gloom. The trauma inflicted by the European banking and sovereign liquidity crisis upon the minds, prospects and livelihoods of the British consumer is significant and threatens to be long-lasting. In Europe we're facing up to the reality that many governments are in debt and the party's come to an end with a crashing headache. As governments and businesses make cuts, those directly affected (or concerned about their prospects) are our customers: the very people we need to encourage to continue spending in order to sustain our corporate growth.

The high street in both bricks and clicks guises has been a wash of sales and discounts. Gloom has been mongered, backed up by figures from Deloitte showing an 11% increase in retail businesses falling into administration. Retail sales overall are flat-ish, allowing for inflation, yet in this gloom the ecommerce channel has been resolutely cheery.

The BRC/KPMG Retail Sales Monitor shows online sales increasing by over 18%, and the strongest retailers have reported impressive online growth (M&S posted a 22% increase for the Christmas period). Tablet sales have doubled (even from a low base) and m-retailing penetration has also increased. International sales are growing quickly, led often by the ecommerce team's digital bridgehead into Europe and beyond.

Multichannel is now a given, with the variations upon the theme of 'click and collect' driving double-digit increases in sales.

It's as if we're looking at two different worlds.

As ecommerce has moved from marketing experiment, to nice-to-have add-on, through cannibalisation fears, to top store, to the main driver of growth we reach a phase where some uncomfortable changes are due. As retailers become thoroughly multichannel the role of the ecommerce director needs to evolve. We've talked before of the need for a commercial focus rather than a channel focus, but in 2012 it not the role of ecommerce that'll need to change, but rather the shape of the business itself as it adapts structures, processes and people to an integrated, customer-centred, authentic and responsive business.

The challenge to the ecommerce professionals is not simply to profit from this necessary transformation, but to accept the call of leadership to enable, drive and support this change. Drawing on commercial, process, technology, marketing and change-management skills, allied to the experience of being so close to the customer and responsive, the digital professionals have the hard skills, the attitudes and behaviours to shape this new phase of retailing. This is a topic that will resonate in Internet Retailing throughout 2012.

In this issue we're privileged to speak with Sir Terry Leahy and he mentions both the generational opportunity from new digital capability, as well as the recognised need to combine customer and operational insights to shape the business. He notes the integration of commercial and technical people from the outset at Tesco.com and the growth of that business and the drive for customer-focused channel blending is a leadership case with global resonance.

This summer, a new generation of leaders will receive their MSc in Internet Retailing, the first such award following the launch of this commercial qualification three years ago. The fourth cohort will open shortly for applications, attracting committed professionals looking to change their prospects and those of our industry.

Looking to the autumn, the leadership theme is the focus of our 7th Annual Conference (9 October, 2012 - block out the date!) and we'll be examining and sharing progress as the best brands and brightest people in our sector share their insights and learning with us.

2012 will be a year of structural and lasting change. We celebrate the role that ecommerce will play and look forward to tracking, quizzing and prodding the progress of all who accept the mantle of leadership. Happy New Year.

How do you view the new challenges and opportunities of commercial leadership? How would you like to see our coverage adapt? For information on the MSc's 2012 intake, general comments or suggestions I'd love to hear from you: ian@internetretailing.net

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SIR TERRY LEAHY
INSIGHT, ENABLEMENT AND ACTION

Leadership in multichannel retail is a key issue for 2012. Sir Terry Leahy's tenure as CEO at Tesco cemented his reputation for leadership and commercial delivery. Ian Jindal, Internet Retailing's Editor in Chief, spoke with Sir Terry and asked him to reflect upon the role of digital within multichannel.

AS WE GO to press, Tesco is in the post-Christmas news for unfamiliar reasons: reporting a fall in year-on-year Christmas sales. The share price has fallen 16% amid concern about current results and the warning that profits will be at the 'lower end' of expectation. However it's worth remembering that the 'low end' is still over £3bn of profit, on a turnover that puts Tesco in the top 5 globally. The impact of Tesco is more than financial inasmuch as the business is admired and feared in equal measure for its capacity to deliver effectively. The word "Tesco" is one of the top search terms on InternetRetailing.net and this last month there were 372 search strings including the word: readers are keen to know - for any new development - what Tesco has done on this topic. Furthermore, all vendors are keen to secure Tesco as a client since their acceptance there is like a golden pass through the procurement processes of the sector. The current wobble notwithstanding it's obvious to us that Tesco is held in high esteem in the industry and we're all keen to understand how they operate and seek to apply any insights gleaned.

It was with particular relish then that we looked to our meeting with Sir Terry Leahy - the embodiment of the Tesco approach and its CEO from 1997 through to his retirement in 2011. During his tenure he grew profits to £3.1bn (up from £750m upon his appointment. He'd contributed to reaching this sum as Marketing Director, a Board role he'd held since 1992). We'd noted that since leaving Tesco, Sir Terry had not joined another retailer in an executive role, preferring to invest in 'enabling' companies: interesting technology and service businesses that support multichannel activity. Sir Terry's investment in MetaPack, a leading carrier management solution shipping over 100 million parcels a year for half of the UK's largest retailers, caught our eye. We have for a long while seen enabling service companies as critical to the growth of multichannel and so we were keen to ask Sir Terry's views on the components for success in multichannel.

DATA AND INSIGHT

IJ: If 'retail is detail' then ecommerce is 'detailed data'. Tesco's Clubcard is held by over 15 million customers, giving Tesco detailed information on their purchases and the effectiveness of promotional activity. Was this data the reason for launching Clubcard? And what are the digital sources for such insight that others can exploit?

TL: Clubcard was revolutionary since, whilst there had been loyalty cards before, this used a loyalty membership for the right reasons; that is to say 'thank you' for being a customer and to learn about the customer so that we could be better at marketing to and providing a service to the customer. This was a fundamental shift. Saying that we'd use knowledge about the customer to better serve the customer. This combination of 'item movement' - things in people's basket - with customer data added a whole new dimension in terms of our understanding. Online we now have the ability to observe how people behave on a site: how they use pages, how much time they spend, the sequence of activities... So it's an ideal combination of basket analysis, analysis of the person and analysis of the shopping behaviour. It's almost as if you have a camera following the person around the store. It's very, very data rich.

It's also two-way so customers can provide additional information, or it can be supplemented with qualitative, research or panel data. So it seems to me that it's an incredibly rich medium for

> "IF I WERE 25 YEARS YOUNGER I'D BE REALLY, REALLY EXCITED AT HAVING THIS DATA AT MY DISPOSAL"

"I WOULD CAUTION YOU TO BE CAREFUL TO DISTINGUISH BETWEEN "LISTENING" AND "LEARNING" AND BETWEEN "SHAPE" AND "MANIPULATE""

insight. If I were 25 years younger I'd be really, really excited at having this data at my disposal. My time in marketing was a frustrating wait for computers to have enough power to allow data analysis - even the simple things like item movement and customers.

One caveat however is that the data itself is of no use. What creates value, creates benefit is what you *do* with the data. A key question is whether you have the decision-making structure in your organisation set up to be able to use that data. Is the ethos of the company one which says all of our decisions actually take place on the basis of that data? Do you really have the voice of the customer in the organisation? These are the critical parts, not the data itself.

IJ: You've mentioned the importance of placing the customer perspective at the heart of decision-making. What else would you like to know about the customer that contributes to selling? How does social media feature?

TL: In terms of insight social media lets us consider attitude as well as behaviour so social media is a particularly rich source of insight. We can see what's moving people. . I think businesses will be very keen to understand what's moving attitudes and opinions - and obviously to try and shape that. If you can find the need that's driving a particular person, if you can push that button, the response is terrific - you can feel it! But I would caution you to be careful to distinguish between "listening" and "learning" and between "shape" and "manipulate".

IJ: What other sources of insight are important?

TL: If you go back to traditional retailing the two big data sources that have driven productivity are customer data and operational, internal data. Indeed retailers couldn't really have survived the increases in labour costs and property costs were it not for the huge productivity as a result of data driving operational improvements - in areas like stock management, labour efficiency and so on. This approach is also needed in ecommerce - the use of data to drive operational efficiency.

IJ: There is a trend for systems to provide this operational data directly to the retailer, and then to the customer.

Sir Terry Leahy

1979	Joins Tesco as a Marketing Executive
1992	Appointed to the Tesco Board as Marketing Director
1995	Launch of the Tesco Clubcard scheme
1997	Appointed CEO
2002	Knighted
2005	Tesco's profits reach £2bn
2010	Sir Terry's retirement announced
2011	Retirement as CEO, reporting over £3.1bn in profits (2010).

TL: That's right: if you take MetaPack as an example (where MetaPack provides delivery status messages from the carriers to the retailer, thence updating the customer), you've a direct link between the end customer and the shipper. Without that the retailer is disintermediated and can't control the whole delivery experience - actually the whole *ecommerce* experience. As a retailer you can get your ordering side right, but that's only half of it, the starting point. If the delivery side - and the returns side - is not satisfactory then that's a real problem. You'll destroy huge amounts of profitability for most goods if you do not have a highly efficient returns system.

IJ: You seem to have focused upon these enabling companies - like MetaPack and Eagle Eye - that provide solutions for retailers, rather than investing in retailers.

TL: They are enablement companies, but you could also call them platform companies. They have some form of competitive advantage - mainly in the form of intellectual property protection (IP). Take vouchers: a big bugbear is verification and malredemption, which is bad enough, indeed omnipresent, in terms of paper. But in electronic form it could be hugely damaging because the ability to counterfeit is colossal. Eagle Eye has IP over voucher verification via Chip and PIN terminals.

Just as bricks and mortar retailing needed physical warehouses, roads, shops and shopping centres, this new medium will need its platforms. One of the most practical platforms is for delivery management, because a big feature of ecommerce of course is parcels and packages. So, managing ▶

that is a very big need and an opportunity to make a real step-change - maybe 20% reduction in costs - through MetaPack is a big attraction.

I have though invested in retailers - for example Blackcircles.com and StuckOnHomework.com.

"IN TERMS OF INVESTMENT IT'S HUMAN CAPITAL FAR HIGHER THAN PHYSICAL CAPITAL"

IJ: But aren't those enablers as much as direct retailers?

TL: Blackcircles is enabling in one sense in that it creates a virtual brand for the independent tyre garage network. It has franchise and physical operations and this is their online presence, so it's an online retailer. And then, in a slightly different sphere, StuckOnHomework - online education - is very exciting. Not just enabling, StuckOnHomework is *scaling* information. It teaches maths - which as you know is high cost, low economy of scale: one class, one teacher. Being able to have videos of maths and related questions as a teaching tool can be scaled out with access 24/7. One of the big advantages of StuckOnHomework is that in a group situation pupils may fall behind and lose confidence - particularly in maths which is sequential learning - and decide they can't "do maths" and give up. Whereas with help through the tool they rebuild their confidence and catch up or get ahead. So it's very interesting that you do need the 'group' but you also need some time where an individual can catch up or build confidence or revisit things.

IJ: With maths there's a structured approach to "get the basics and then build", but in multichannel there are some shocks as you move from digital businesses to traditional retail, and for retailers encountering ecommerce. Are we now approaching an age of a rounded commercial professional?

TL: I think that there's still some way to go on that because although the fundamental principles of retailing online are the same (you have customers, you have stores, you have logistics you have sourcing), a lot of the detail is different in terms of how each of those elements fit together and work. There are quite a lot of skills that a bricks and mortar retailer, an individual executive, has to pick up... so I think that it's only now that you'll start to see the emergence of executives that have ▶

Insight and Enablement: 1

MetaPack

MetaPack provides a multi-carrier delivery solution to over 50 of the UK's top 100 retailers, shipping over 100 million parcels a year. Integrated to over 60 parcel carriers providing 1,200 services, MetaPack enables access to the European carrier parcel carrier market, automates delivery options and despatch and wraps around the delivery experience with advanced customer care services. As a SaaS/web-based product, MetaPack is particularly helpful in enabling multichannel solutions, international and returns.

Patrick Wall, Founder and CEO says: "MetaPack's business is all about combining and exploiting data flows. A core competence for us is retailer integration: how do we help retailers to pass data through to our systems in the most convenient fashion and then return as useful information to the retailer and its customers.

"Data converted to information that provides insight is increasingly the focus of the MetaPack business, particularly as we become an industry-based platform. For a long time we have provided insight on the parcel journey. Increasingly this will be used at the meta-data level to predict where delivery networks are under stress, diverting physical flows of goods to alternative networks. Business Intelligence tools are helping us to view the efficiency of operational and delivery networks, to provide benchmarking data for insight versus the competition or peer group. This organisation of delivery data at the "meta" level also provides insight on promotional success, day-to-day sales benchmarking and industry insight on the flows of ecommerce to different retail sectors, to different regions and towns and to different demographics. It's all there, our job it to organise, examine, combine and present."

www.metapack.com

experience of, and are comfortable with, both online and offline.

However, a good online executive understands [that action] is really instant: something can be done right now, this minute. Also they exhibit a very direct link between data and action. Sometimes in physical retail it's an indirect link: gathering data, analysing, making decisions and then changing the operational systems. Whereas almost, because it's digital, the data *is* the operational system.

IJ: Looking to the near future, where do you see challenges, growth and changes?

TL: Multichannel, international and mobile. Multichannel has a great future. However, people like a face; they want a social relationship. The challenge of online is that it's not fully social. Also, a lot of businesses are struggling to *actually* integrate online and physical.

Digital is a very good medium for international expansion. It's easier to expand geographically on digital. It's much harder physically since you have planning regulations, a more complex set of regulations and it's much more capital intensive and people intensive. It happens that at the moment the UK could be a net exporter. A number of UK businesses are growing rapidly internationally from a UK base. [Google's 'Connected Kingdom' report of February 2011 claims that the UK "exports £2.80 for each £1 imported" in ecommerce – Ed.]

And, mobile commerce is about to explode. People are connected to their environments most through a smartphone or tablet. Provided that either the wifi or the mobile network can keep up (which is a big worry and the major constraint), the opportunity for mobile commerce is terrific. We'll see mobile tills and other changes [in the store environment].

With this look at the near future our time's at an end. As we leave, Sir Terry reflects upon the most important component of the topics we've covered and top of his mind is 'people': specifically the skills and capability of his team. "Human capital in any environment is incredibly important", he notes. "In terms of investment it's human capital far higher than physical capital".

This is an appropriate end to a discussion that has explored how data-driven insights may underpin multichannel retail, and enabling services and platforms help us operate efficiently, but it's the combination of leadership and skilled people that turns this into action. It would be difficult to ask for a better message for 2012. Our thanks to Sir Terry for sharing his time and insights.

Insight and Enablement: 2

eagle eye

Eagle Eye Solutions enables bricks and mortar retailers to redeem digital vouchers and coupons in real-time through their Chip and PIN terminal and/or Point of Sale, preventing fraud, mal-redemption and speeding up the checkout process.

Steve Rothwell, CEO, says: "The ability to redeem a coupon in real-time in a physical store enables retailers to obtain visibility over who is redeeming what offers and which media they obtained the offer from, providing instant customer insight. Traditionally in the "paper" world of coupons there was no real data and hence no ability to use that data/customer insight to drive footfall, cross sell and upsell – with our redemption capability retailers can now do this in a cost effective way. Now that a single coupon that is unique to a customer can be used securely and without fraud instore or online – we finally get to a true multichannel marketing approach.

"Our retail partners are the pioneers of a new form of store marketing, based on insights that haven't been available before. They can create instant marketing campaigns at national, regional or store-specific level in a few moments via their own PCs, based on real-time trading data and see the results just as instantly. As an example, if a supermarket has an over-supply of a perishable product, a marketer can create a campaign there and then that goes out in the immediate area at the touch of a button. They can then monitor the results as they come in and make appropriate adjustments to the campaign, as required. This truly empowers retailers and their customers, leading to increased revenues and cost-efficiencies."

www.eagleeye.com

TESCO REVIEW

Internet Retailing asked 4 retail experts to take a look at Tesco.com and give readers insight into the retail strategy, site performance, usability and customer experience.

RETAIL STRATEGY

Emma Robertson, Director, Transform

As ever with Tesco, the Christmas offering was comprehensive and extensive – extending across their grocery and direct propositions as well as a collection of associated online experiences from Clothing and Books through to Entertainment. Without question Tesco continues to deliver commercial success whilst growing its reach in terms of both customer and range propositions.

Tesco Clubcard is beginning to pay dividends, allowing the development of personalised digital propositions such as "favourites" and "my usuals" both online and via the Tesco App.

As the pioneers of online grocery retailing in the 90s, Tesco continues to lead the way with the development of "dark stores" dedicated to online customers, sitting alongside the existing pick-from-store model, all delivered via their own fleet. The most impressive thing about this development is that it is starting to break the assumption that online grocery propositions are loss-leaders, supporting customer behaviours rather than commercial drivers; Tesco is already seeing profitable operations from a number of dark stores, including Aylesbury, before they have reached full capacity.

The individual elements of the Christmas campaign were all impressive, with Tesco having made great strides in integrating its offer and improving the way the brand is visually represented across disparate internal and white-labelled sites. There were some really nice digital tie-ins such as the online Christmas Calendar which provided a visually rich overview of last order dates for various products and services across the portfolio. A similar feature is the digital flyer (in the shape of a stocking) which outlines the product and service offers, referring out to content sites such as Tesco Real Food to provide help & advice. However, despite solid brand integration, attempts to tie the customer experience together across the different digital interfaces remain fragmented and inconsistent, making it difficult to understand as well as to shop. Multiple new windows, navigation formats and page designs all add to the confusion.

But there's no denying this retail giant continues to lead the way in online Grocery, and Tesco has enhanced its proposition by combining relationship-building help & advice with range extension. Although there is work to be done to deliver a more integrated experience for the customer, the overall business imperative is being met despite the challenging retail environment.

USABILITY

Luke Burrows, User Experience Consultant, User Vision

First impressions are suitably seasonal with Tesco making good use of the carousel to showcase specific offers in relation to their associated 'tabs'. This is a particularly elegant solution for a site that points towards so much information, however, low resolution images erode confidence in quality which could have an impact on those concerned with big ticket items.

However, despite this I'm interested in buying a flat screen TV and so go straight for the Tesco Direct link. The list of links to each category within Tesco Direct allows users to quickly drill down to their desired destination. Once there, I am able to quickly make a choice aided by the helpful left hand filter options.

On my way to the checkout I'm tempted by the cross sell options above to add some stocking fillers. I select the Entertainment and Books tab and, disappointingly, I'm directed back to the Tesco.com homepage instead of the expected Entertainment or Books content. This may cause frustration if user expectations are not met and they are taken away from the conversion funnel at a crucial point in the checkout process.

Not linking users to related goods could lead to abandonment which is compounded by any subsequent selections opening a new browser window without warning. This could cause disorientation and the nightmare prospect of having numerous separate checkout processes at once.

Additionally, each separate site requires its own registration, meaning the creation, memorisation or secure storage of multiple passwords which is off putting for most consumers. This outcome is not convenient and far removed from the expectations set by the Tesco.com homepage as a destination for almost any retail item conceivable. While it is possible to find and purchase from an extraordinarily wide selection of items it may be likely that customers intent on shopping for the types of items that span the Tesco online presence will find it more convenient to do so elsewhere.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

We asked participants to carry out their Christmas grocery shop using the Tesco website. Users had a different strategy towards their Christmas grocery shop: they said that they were more indulgent at this time of year and had specific groceries they needed to buy therefore we observed that browsing for branded products became more important. Users said they were more likely to write lists or use the multi search facility when doing this shop to ensure they remembered everything they needed. Users were looking for reassurance of stock levels, as they would be booking a delivery slot closer to Christmas day to ensure their produce stayed fresh. Users had expectations that they would find a delivery slot a few days before Christmas without organising their shop earlier.

From the Tesco homepage, eye tracking showed us that users were immediately attracted to the 'Fresh food & groceries' tab. Users thought the grocery section was clearly sign-posted, both the label and the image of the Christmas pudding gave users confidence that the link would take them to the grocery homepage where they could start their grocery shop.

From the groceries homepage, the majority of users were quickly drawn to start using the 'Groceries' tab within the top navigation and failed to see the red 'Christmas' tab. Users who were existing Tesco customers said the 'Grocery' tab was their typical user journey when browsing departments, and wouldn't have thought to look elsewhere.

Users had different expectations of what they would find within the 'Christmas' tab. Some users expected to find special offers, gifts and decorations in addition to Christmas groceries. Users said that if the label had been more explicit and in close proximity to the existing 'Grocery' tab, it is likely they would have visited the 'Christmas' section.

The majority browsed grocery departments within the 'Christmas' section of the website using the navigation within the main body of the page. Users were frantically looking for Turkeys within the 'Meat, Fish & Poultry' department, and failed to notice they were in a separate section as it was out of their peripheral vision.

Some users failed to notice that they had stopped using the navigation within the 'Christmas' section and started using the general top navigation.

SITE PERFORMANCE

David Flower, VP EMEA, Compuware APM

A consistent top-performer in Compuware's performance benchmark, tesco.com was clearly geared up for the seasonal rush. Using its Gomez network, Compuware tested the performance of Tesco's site on the Internet Backbone, the Last Mile and via one of the most popular mobile devices, the iPhone, over the O2 network. All three tests ran from 28 November through 28 December.

When compared with other UK top traffic retail sites in the Internet Backbone benchmark, Tesco ranked top for response time and consistency. With an average response time of 0.772 seconds, its homepage load was almost instantaneous and in spite of increased traffic levels, there was no negative impact on customers' experience while they browsed the site. However, it wasn't all plain sailing and there was a significant blip recorded on 6 December. A communication error between the website and the back-end servers meant that for a short while the homepage failed to load. The issue was resolved relatively quickly.

On the Last Mile – a true reflection of the customer's online experience – tesco.com secured the top spot for speed of response with a sub 2-second average download time.

From a web browser perspective, the Tesco website performed well against all the major browsers. However, the homepage did have one identical error in IE6 and Safari 3.2.3. This error resulted in an image and menu rendering in a different position. Although not business critical, it did negatively affect the aesthetics of the page.

When reviewing the Tesco homepage, tested under the conditions of an iPhone through the O2 network, the performance blip on 6 December was noticeable. In addition, the Gomez Mobile Benchmark showed that tesco.com had significantly lower availability figures compared to the Internet Backbone and Last Mile tests. When compared to other sites it finished in 18th place out of 19 other companies. The performance issue of 6 December affected Tesco's average response ranking with an average response time of 3.113 seconds during this test. However, should the slowdowns observed around 6 December be omitted it is likely Tesco would be ranked first in this Benchmark category too.

USING ITS GOMEZ NETWORK, COMPUWARE SCORED TESCO.COM 4.7 STARS OUT OF 5, AS FOLLOWS:

Availability on Last Mile Score: 21 out of 25
Response Time on Last Mile: 25 out of 25
Consistency on Backbone: 15 out of 15
Competitiveness on Backbone: 15 out of 15
Browser Support: 18 out of 20
Total 94 out of 100

THE YEAR AHEAD IN AFFILIATE MARKETING

Matt Swan, Client Strategist, Affiliate Window & buy.at, takes a look at what 2012 holds in store (and online) for affiliate marketing.

2011 was a big year for affiliate marketing. It was a year when the performance channel was able to expand beyond the confines that it had previously been working within. One of the main drivers of this was mobile commerce which allowed for a true multichannel experience. It is no longer a case of having to drive customers to purchase online, mobile has enabled advertisers to drive sales in-store as well as through mobile devices or desktops. The year of mobile has been talked about for a number of years but 2011 can be cited as the year that mobile really came to fruition. Affiliate Window undertook an in-depth analysis into the number of sales generated through mobile devices. Our stats for December show that over 7% of all traffic and 5.5% of all sales through the network were through mobile handsets and tablets.

The year ahead is going to be a very important one for the affiliate channel for a number of reasons. There are now a number of advertisers with mature campaigns who are looking to increase their performance further. These advertisers are now at the stage where they are not just looking at the top level sales figures; they want to analyse these customers and understand whether or not they are profitable customers. It is also important to understand which affiliates are able to generate these profitable customers and how to attract more of them. To this end, data is going to play a major role in 2012. Advertisers and agencies have access to vast amounts of data and this will play a vital role into understanding the benefits of the affiliate channel. The channel has advanced at an incredible rate, with a number of large affiliates being even more dominant in the online space than a number of the advertisers they promote. Affiliate sites such as Quidco and Vouchercodes.co.uk are some of the most popular retail destinations in the UK.

Advertisers need to be able to understand their major affiliate partners on an individual basis and leverage the opportunities with each of them to make the channel an even more profitable one. It is important to recognise that no two affiliates will be the same despite looking as if they would appeal to the same audience. For that reason, data is even more important to analyse at an individual affiliate level rather than generalising across a particular affiliate type. By assessing affiliates on their individual merits, more informed decisions can be made such as setting intelligent commission rates and maximising the opportunity for delivering profitable customers through the channel.

It is important that as well as understanding the data from the affiliate channel, advertisers understand how this fits in with their other online channels. The affiliate channel should not be looked at in isolation as it has an impact on user journeys across other digital channels. The more insight advertisers are able to gain from this data, the more effectively they will be able to utilise the channel.

For advertisers to further develop their affiliate campaigns in the coming year it is important that they embrace emerging technologies. Although mobile really did take off last year, there is still some way to go. There are a staggering number of advertisers that still do not have a mobile optimised site in place, of those that do, a high percentage have not integrated the affiliate tracking tag. Until advertisers are able to offer an optimised mobile commerce solution, complete with affiliate tracking in place, they will be missing out on a number of opportunities that present themselves through the affiliate channel. Additionally, it is important that advertisers get to a stage where they are able to attribute sales driven in store through mobile commerce back to the correct affiliate partner. This is something that can only be achieved by having an appropriate system operating in store and well trained shop floor staff.

Additional technologies, such as retargeting, also came to the fore last year. This is another area where advertisers with mature campaigns can benefit from further growth. However, it is important to understand how incremental the sales from these additional sources are. This all takes us back to the data that is available and which should be a fundamental part of analysing the performance of the affiliate channel in the coming year.

Another aspect that will become even more important throughout 2012 is the role of compliance and ensuring that relevant affiliate checks are in place. Advertisers need to be confident that they know where their sales are coming from, and to make sure relevant checks are in place. This is a continuous cycle that should be present from affiliates joining a network, through to making sales for an advertiser. Compliance is an even more important aspect of affiliate marketing with the ASA regulations and the EU Cookie Directive coming to the fore. Advertisers need to be comfortable that their affiliates are compliant to these rules as well as representing their brands in the correct way.

2012 is going to be another big year for affiliate marketing. For mature campaigns to evolve even further, it is important they are prepared to engage with emerging technologies. Data is going to play a pivotal role in understanding the complexity of the affiliate channel and growing it even further.

www.affiliatewindow.com

AMAZON TO OVERTAKE CARREFOUR

Outstanding sales growth will lead to Amazon overtaking the world's second biggest retailer Carrefour in sales within the next ten years. Daniel Lucht, Research Director of the ResearchFarm, and author of "An Insider View: Amazon.com" explains.

WITH the company on track to generate more than US$40bn in sales in 2011 and currently achieving a 50% growth rate, Amazon.com could reach Carrefour's 2010 sales of €101bn (incl VAT) (US$139.2bn) within the next ten year period and challenge the world's current second biggest retailer for its position. This forecast allows for the exceptional growth rate to slow down, but rests on the assumption that recent investments, including the soon to be launched tablet, the growth of its cloud services division, and the scaling of benefits from its latest state of the art distribution centres will pay off.

While most other physical retailers are struggling against the tough economic background to reach sales growth in the single digits (Carrefour's 2011 H1 growth was 2.7%), Amazon's latest quarterly figures show that sales increased by a remarkable 50% from an already high base.

For online players it is relatively cheap to internationalise operations as websites are already global. Once a certain online sales threshold has been reached in a country, retailers can follow through with national websites, tailoring the proposition according to demand and price position and even – if desired – open flagship stores, where demand is strongest. In contrast to bricks and mortar retailers pursuing future growth, Amazon does not need a store estate, pay for rents, rates and upkeep, hire sales personnel and fill new stores with both fast and slow turning inventory to offer a fully stocked store environment to customers, but can instead exploit its nimble supply chain and utilize its just in time business model to the full – in fact Amazon's cashflow model is much sharper than that of traditional retailers' as the inventory cycle is kept radically short.

Moreover, Amazon has immense untapped potential to offer brands and SKUs not currently available on the website, and to leverage the long tail of internet retailing. Crucially the retailer can drive its marketplace operation - which allows third party sellers to sell to Amazon's customers - to reach its full potential and offer the widest and deepest ranges without upfront capital expenditure. The rapidly growing marketplace operation also enables the retailer to gain insights into the latest sales trends and even though Amazon might have little to do with the products per se, the retailer still receives a cut of the takings. Marketplace also encourages competition between sellers to drive prices down – reinforcing Amazon's perception of being very price competitive.

Furthermore, Amazon ranks highly on convenience in customer surveys in any country in which the retailer has a presence and its customer-centric nature is perhaps best demonstrated by its highly efficient loyalty tools such as Prime (the free delivery service) and the creation of its own ecosystem around the Kindle and digital downloads. After having erected considerable competitive barriers, in terms of its logistics operations, distribution centres and IT infrastructure Amazon has now started trialing click & collect solutions in the US and the UK that could add yet another growth boost.

Whilst this forecast depends on many different factors – not least currency exchange rates and inflation expectations not to mention the fact that the future of Carrefour as an entity in its current shape is not entirely secure – it also reflects a certain weakness on part of the French hypermarket operator. That said, we believe that Carrefour will continue to grow, and have found no reasons to doubt consensus forecasts, but Carrefour's growth will be nowhere near as dynamic as Amazon's, even when the dynamic rates mature and drop back from the excessively high 50% in future.

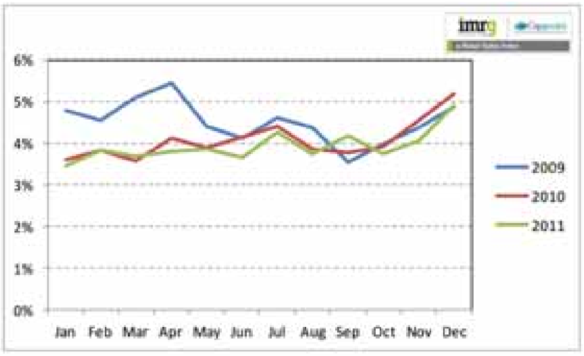
Carrefour's growth is unlikely to accelerate significantly against tough conditions in France and western Europe, its main market – due to structural issues, the hypermarkets lose out to smaller convenience stores and hard discounters – and not least the internet. Indeed much of Carrefour's growth is coming from emerging markets, where the retailer will go head to head with Amazon in future.

Leaving its ooshop and carrefour.fr operations aside, arguably, Carrefour's reaction to the online revolution, the tie up with Pixmania, which significantly also includes a marketplace option, comes very late. Once the Carrefour/Pixmania operation is up and running in 2012, Amazon will have added significantly more scale already, making it hard for Carrefour to compete. Should the French retailer want to defend its current position over the next decade, the most likely option will be to buy growth through an acquisition. ■

ONLINE CONTINUES IMPRESSIVE GROWTH

Internet retailing grew by 16% in 2011 as UK shoppers spent £68.4bn online over the year, according to the IMRG-Capgemini retail sales index. The 5-week Christmas period again saw record sales with £7.9bn spent online from 27 November.

Average conversion rates – 2009,2010, 2011



SOME 25% of those e-retail sales occurred during the week of 4 December which, as many predicted, was peak week for Christmas trading online. Interestingly, this high point occurred one week later than in 2010.

Overall, December recorded a 16.5% year-on-year growth rate from December 2010, well ahead of the 12-14% forecast for the final quarter (which came in at 14%) and the 11.2% year-on-year growth reported in November.

Despite dismal expectations, Christmas 2011 saw shoppers out in force in the UK high streets as well as online. Figures released by Ipsos Retail Performance show that 2.9% more shopping trips were made to non-food stores compared to December 2010. This is the first time that a year-on-year increase has been seen in over 2 years.

"After such a tough year for retailers, the need for a strong year-end was critical," comments Dr Tim Denison, Director of Retail Intelligence at Ipsos Retail Performance. "Granted, some will say that 2010's 'deep freeze December' makes for a soft comparator, but in fact the month-on-month increase in footfall is the strongest bounce in three years."

Infact, UK retail sales values were 2.2% higher on a like-for-like basis from December 2010, when sales had fallen 0.3%, hit by snow, according to the British Retail Consortium. On a total basis, sales were up 4.1%, against a 1.5% increase in December 2010. On both measures, and excluding Easter distortions, sales performance was the best since January.

Stephen Robertson, Director General, British Retail Consortium, says: "A better than hoped-for December closed a relentlessly tough year for retailers, but these figures hinged on a dazzling last pre-Christmas week and were boosted by some major one-off factors. We're not witnessing any fundamental change in customers' circumstances.

"The comparison is with severe snow disruption a year ago. Discounting was deeper and started earlier and the vital Saturday Christmas-Eve added another big trading day to the final run-up. Post-Christmas offers brought large numbers of shoppers out but that was generally a short-lived hunt for bargains. With discounting driving sales at the expense of margins the key question for retailers is about earnings from those sales."

Trading figures for the period from retailers are mixed. Marks and Spencer, for example, upped its sales by 0.5% on the previous year, while Debenhams increased sales by 6.5%.

House of Fraser's like-for-like sales for the 5 weeks were up 11.1%, with a record sales performance for the month of December; during the week up to Christmas Eve sales were up 17% on the same week in 2010. Online sales growth for the 5 weeks reached 124%.

"The strong Christmas sales performance demonstrates the success of House of Fraser's strategy to invest in the store portfolio, our online offer and to further develop House Brands alongside our brand partners to provide a premium offer to our customers," says Don McCarthy, Chairman of House of Fraser. "We believe that 2012 will continue to be very challenging for

Year on year growth in IMRG Capgemini e-retail sales index

the general economy and consumer confidence."

Total sales for the 5 weeks to 31 December were up at John Lewis as well, which recorded a 9.3% increase to £596m, compared with 2010. Like-for-like sales were up 6.2%. Compared with two years ago total sales were 19.1% up whilst like-for-like sales grew by 14.4%.

The week up to Christmas Day saw sales up 32.7% against the equivalent week in 2010 - a very strong performance even with an extra day's trade that week. Online sales for the 5 weeks were up 27.9% on 2010 with online exceeding £600m for the year to date. The Click and Collect operation saw a 90% increase in usage.

"The strength of our online operation was very much in evidence during this key five week period, confirming our strength as a pre-eminent multichannel retailer," says Andy Street, Managing Director, John Lewis.

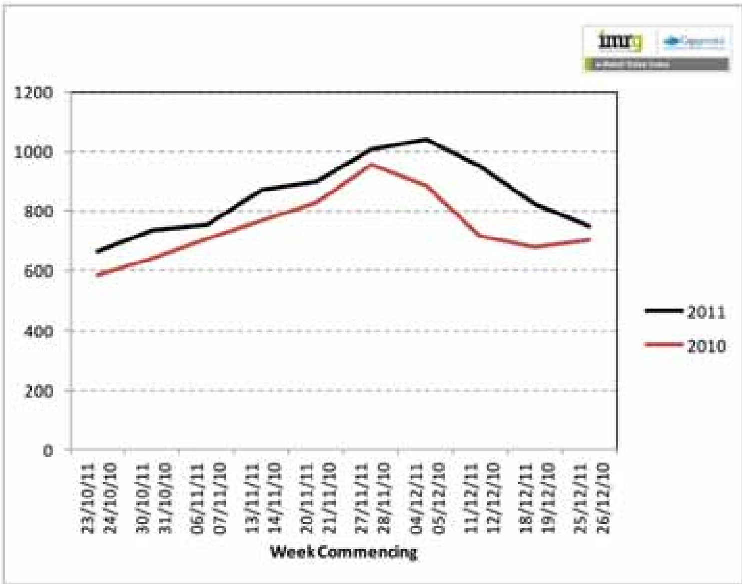
Meanwhile, Tesco's UK Christmas trading period "was below our expectations and disappointing, particularly in the context of the difficult weather conditions in 2010". Total UK sales including VAT and petrol grew by 3.8% but the like-for-like (excluding petrol) figure was down 1.3%.

Online sales, however, were strong in both food and non-food with total online sales growth of more than 14%. Approaching one million orders were placed with Tesco Direct during the period, of which over two-thirds were collected in store.

Philip Clarke, Chief Executive, Tesco comments: "In a challenging economic environment, we made good progress internationally but despite record sales, we are disappointed with our seasonal trading performance in the UK."

Online has proved itself admirably again at peak Chrstimas trading and the "December results are incredibly impressive as the growth for the same period in 2010 was 25%, meaning it had to climb from a very high base," says James Roper, CEO of IMRG.

Week on week analysis of IMRG Capgemini e-retail sales index (2010 and 2011)



"Despite the fact that consumers are finding themselves with less and less disposable income, the e-retail market keeps defying the general retail trend to record double-digit growth.

"We are forecasting growth of 13% moving into 2012, lower than our estimate for 2011 but it would still be an extremely positive performance given the economic climate and the fact that the online market has reached a degree of maturity now, meaning it can offer a really key contribution to help drive the economic recovery." ■

INNOVATIONS

SETTING THE STAGE FOR 2012

Which innovations stirred up the UK online shopping industry last year and look likely to shape future best practice in multichannel retailing? Overwhelmingly, it was the year when online and offline converged, say industry commentators. Alison Clements investigates.

OUR READERS have cast their minds back over last year and told us which ideas and technological enhancements they think were the most ground-breaking and game changing. Judging by the responses it seems there's no shortage of innovation in our dynamic industry. Important developments during 2011 included the launch of Amazon's first collection lockers, House of Fraser opening a dedicated Click and Collect store in Aberdeen, M&S' web TV getting interactive thanks to its social video tool Chatter, Burberry's 'Tweetwalk' using social media to launch a fashion collection, and a host of Christmas innovations - from Amazon's price checking app in the US, to the John Lewis Perfect Gift Facebook ecommerce platform.

One general innovative trend dominated 2011. "It became the year of multichannel visibility, where the edges between retail stores and ecommerce really blurred," says David Tarbuck, Multichannel Development and Operations Manager at Argos. "For instance, everybody has now embraced the reservations service and Click & Collect. And, with social and mobile linkage becoming so powerful, people are sharing experiences and making purchases beyond the store and the website, or using a combination of channels."

Enda Breslin, VP of Strategy and Client Services for GSI Commerce says great examples of the blurring of the boundaries between real and virtual worlds seen in 2011 include River Island's Tweet Mirror and Tesco's South Korea QR store. "The growth of multichannel functionalities within stores has also exploded over the past 12 months, with an increasing number of in-store kiosks and smartphone enabled pieces," says Breslin. "A good example of this is Tesco's use of QR codes in its electronic aisles."

"The convergence between offline and online activity via the use of smartphones has definitely been the biggest innovation of 2011," agrees

EXAMPLES OF GREAT ECOMMERCE INNOVATIONS IN 2011

Google Analytics in Real-Time (Suggested by Steve Mills, Head of Ecommerce, Wiggle.com)
"I love Google Real-Time in the new Analytics [which launched in October 2011], where we can see instantly traffic on our website, especially when an email goes out, or a PR launches. Google Analytics is great for the intuitive reports to help you understand traffic fluctuations, but a lot of people will use the service more often because of the real-time stats. Google are making some really exciting changes to the product in the future which will shape how ecommerce players monitor and react to site traffic."

John Lewis 'Find a Perfect Gift' Facebook App (Suggested by Chris Webster, VP Head of Retail, Capgemini UK)
"Social media integration, and the social insight that can be derived from it, will be an increasingly important part of a multichannel strategy. This is not just about "liking" on Facebook; it means understanding individuals' personal preferences through their connections, their tags in rich web content and web movements and the ability to deliver a personal multichannel experience. Specifically, this can be used to identify product preferences which are personal to an individual through their Facebook profile like the John Lewis Gift Finder. [John Lewis' 'Find a Perfect Gift' Facebook app allows fans to create a wish list, as well as share items and buy gifts for Facebook friends. It launched in time for Christmas 2011 with the help of product marketing data feeds expert, FusePump.] So I expect the use of these capabilities to be an ongoing part of a multichannel strategy and not just for Christmas."

British Airways - Digital Out of Home Advertising (Suggested by George Ioannou, Head of Creative & Strategy, Maginus Software Solutions)
"Digital Out Of Home (DOOH) is a type of outdoor advertising, of which British Airways launched a fascinating campaign in March last year. The £250,000 live campaign, which promoted the fact that British Airways flies to more Caribbean destinations than its competitors, offered shoppers the chance to interact through live video feed, with holidaymakers on a secret island destination – and then join them for a free get-away."

Players were able to text questions to the holidaymakers to try and guess which Caribbean island they were on. People who correctly guess the name of the destination were entered into a prize draw, with one lucky couple winning a seven night stay on the featured island, courtesy of British Airways.

Jonny Challenger, Managing Director of StyleCompare.co.uk. "From eBay's pop-up store, Tesco and Ocado's virtual shopping walls to Figleaves' tube campaign, the rise of smartphones has definitely kicked in and I'm sure we'll be seeing a lot more ingenious ways to shop in 2012." (See Paul Skeldon's feature on Mobile in 2012 for more on this.)

Julia Priddle, Head of Key Account Management at ecommerce experts ChannelAdvisor agrees that 2011 was a truly revolutionary year for online retail. "We have seen the lines of ecommerce blurred and boundaries pushed, completely changing the ecommerce landscape." She says last year's most significant development was the intersection of ecommerce, local, mobile and social. "Online retail is now a possibility anytime, anywhere and on many different devices," says Priddle. "Retailers have been so innovative when adapting to this trend – with many now utilising QR codes, Ocado and eBay opening virtual stores, and Click and Collect services are now common – all of this highlights that pureplay no longer exists."

The interesting ways retailers went about this blending of offline and online channels during 2011 impressed David J Smith, Chief Marketing & Communications Officer at IMRG. "Providing tablets for customers to browse with, and introducing free Wi-Fi in-store, is extending consumer choice by allowing them to feel comfortable that they are getting the best deal available, while also enabling easy access to social media with its reviews and information-sharing," he comments.

For Tarbuck at Argos, a massive ecommerce development in 2011 was "the industry getting

good at site analytics", which for the customer has meant websites becoming more relevant, helpful and intuitive. "Traffic monitoring, customer monitoring, recommendations and personalisation tools were mastered last year which has been a tremendous step forward, and we only need to look at how valued the role of site analytics has become in running a web business to appreciate the new weight the industry gives this particular discipline," says Tarbuck.

Smith thinks that making order fulfilment as convenient as possible is absolutely fundamental to the success of online and recent innovations are trying to facilitate that. "During 2011 the extension of the Collect+ network to include petrol stations as well as newsagents was certainly supportive of that, and Amazon's locker collection points in regional shopping centres was another salient development," says Smith. "The distinction between online and offline is becoming less clear and we believe will continue to do so in 2012."

Priddle thinks social continues to be an area of innovation and that while Facebook is still the most popular network, Google+ has really shaken things up. "In 2011 retailers really embraced this and joined the conversation," she says.

Multichannel retailers continue to ramp up their efforts to integrate channels. There's plenty to learn though, with Breslin at GSI Commerce commenting: "Unfortunately it appears many retailers' processes remain disjointed and cumbersome." But as multichannel innovation continues apace, and best practice filters through the market, 2012 should shape up to be an equally exciting year.

EXAMPLES OF GREAT ECOMMERCE INNOVATIONS IN 2011

Me_tail Virtual Fitting Rooms
(Suggested by Andrew McGregor, CEO, eCommera)
"I have been most impressed with Me_tail which has created a virtual online changing room that enables customers to find clothes that fit without the need to visit a shop. Inspired by CEO and founder Tom Adeyoola's desire to choose clothes for his girlfriend, Me_tail uses breakthroughs in computer vision technology at Cambridge University and produces 3D shapes of people from 2D photographs and then matches them to the right fit."

Aurora's 90 minute delivery service from Shutl
(Suggested by Tony Bryant,
Head of Business Development, K3 Retail)
"Our recognised 'mover and shaker' for 2011 is Tom Allason from Shutl who has changed the world of delivery. Shutl gives online shoppers the choice of receiving their order within 90 minutes of purchase or selecting a one-hour delivery window at any point in the future, 24 hours a day, seven days a week. It does that via 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, Shutl 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 March 2011 Shutl launched the 90 minutes delivery service with Oasis across their London stores. Now the service is operational across Oasis, Warehouse, Karen Millen and Coast across 12 cities with the aim of covering 90% of the UK by February 2012. It's an amazing innovation that will fundamentally shape the future of online shopping. This is a breath of fresh air for the Anywhere, Anytime, Any product retail aspiration."

DIGITAL TRENDS FOR 2012

Joseph Leon, MD of EMEA at Essence, comments on marketing trends for online retailers in 2012 and how the trends offer retailers the chance to interact in a more informed, personal and immediate way with their customers.

THE DIGITAL revolution, offering unparalleled opportunities within internet retailing, shows no sign of abating. Knowledge of key internet technologies will allow brand, values and personality to be maintained across every channel, while ensuring a seamless customer experience. Marketers who use these new technologies in combination with data analysis and appropriate targeting will drive better results. At Essence, we believe there are three digital trends that are set to make a huge impact on internet retailing in 2012. These are big data and attribution, the evolution of display advertising technology and finally f-commerce. All of these trends offer retailers the chance to interact in a more informed, personal and immediate way with their customers.

BIG DATA & ATTRIBUTION

A study by BIA Kelsey in March 2011 in the US suggested that, on average, consumers look at 7.9 different sources for product information. There are multiple touchpoints and multiple opportunities for retailers to influence consumers, which makes it critical to understand the complete journey and attribute influence where it is due. "Attribution" allocates actual sales across the marketing touchpoints that have influenced them so that retailers can make informed decisions based on a rounded view of ROI.

The idea of "Attribution modelling" has been around for some time but methods were generally very approximate; useful perhaps directionally or, in practice, not at all. The challenge with attribution has always been the same: the sheer volume of data involved. Web-scale: many billions of impressions, clicks, rich media events and, ultimately, sales creating Tera or even Peta bytes of data. The problem was that you simply couldn't store and analyse all of the interactions for users who bought and also for those who didn't (it is essential to have both sides for modelling probability) or all of the associated meta-data to properly assess the impact of individual marketing 'recipes'.

The Big Data revolution has made the challenge of genuine attribution addressable, in a robust way, for savvy retailers. The revolution is two-fold: Cloud Computing, offering the accessibility of large-scale computing resource without vast capital commitment; and secondly the invention and subsequent democratisation of technologies to query such vast volumes of data (Hadoop, must rank as the best known of these).

Big Data tools make a new approach possible: you can measure influence, not just predict it based on estimates and averages. Efficient sampling and mathematical decision-making techniques make this do-able and deliver truly accurate and actionable results. Big Data tools are also fantastic at finding specific answers with huge real-world benefit to retailers: how much lift do homepage takeovers give my other activity? To what extent is re-marketing cannibalising existing sales? How do TV spots affect my search conversion? ... and so on.

Finding questions is clearly not the challenge, but at least Big Data is starting to deliver real, specific and actionable answers.

THE EVOLUTION OF DISPLAY ADVERTISING TECHNOLOGY

The economic environment is making advertisers pay even closer attention to what works for them. For years, the growth in online marketing has been driven predominantly by paid Search. However, according to research from the IAB, display is now the fastest growing online driver in Europe, a trend that looks set to continue into 2012. So what has changed? Display has undergone a technological revolution.

Targeting has moved from a site-based approach to a system that identifies the audience; and retargeting (showing adverts to people who have previously been to your site) has moved display into the 'lower funnel' space occupied by search. Simultaneously, Display Exchanges have emerged. Websites place available ad space on an Exchange, which advertisers then bid for. This bid can be set based on any information the advertiser has about the impression. It could be: contextual (this impression is on a Men's Lifestyle site), the advertiser's own data (this person has been looking at shirts on my site) or purchased third party data (this person has shown shirt purchasing behaviours elsewhere online). The theory is that advertisers can make much better targeting decisions, and can buy display in a more cost-effective manner. In practice, scalable, effective display buying through this method requires using more than one exchange, which can become difficult.

Hence the next development: a Demand Side Platform (DSP). DSP is a technology platform that enables advertisers to bid simultaneously across multiple exchanges. It is a single point of management for data, audience segments, bids and budgets. Using a DSP also allows use of rules like 'Do not bid if this person has already seen three of my ads today.' Anyone who has been disturbed by over-zealous retargeting will know why that is desirable.

For example, using a DSP I can identify available impressions of people who have recently browsed designer shirts on my site but not yet bought. I can bid on these impressions across multiple buying points. I can vary the bid based on factors like the number of my adverts the person has already seen today, and the time of day. For every impression available, the DSP decides in real-time what bid (if any) to place for me based on the rules I've given it.

For an internet retailer with detailed audience data, these developments are potentially very powerful.

F-COMMERCE

Drawing a line between the traditional web and the social web is increasingly irrelevant. The new web is the social web. It seems certain that in 2012 f-commerce will become a significant part of online activity and engagement. Some 800 million users have proven Facebook is indeed no fad, rather it's now a utility, and progressively becoming the new web browser. As such, commercial offers and transactions on the platform are simply a given. For me, it's simply a matter of 'when' rather than 'if'. 'How' also plays a huge part - right now there's too much friction in the payment process, but those pioneering in the space will resolve this, just as they did in ecommerce.

It's imperative to understand that f-commerce is as much about marketing as it is about revenue – those seeking to compare ecommerce revenue with f-commerce are simply missing the point. For example, take a premier league football club: within a minute of the final whistle, the goal scorer's shirt can be posted to the Facebook wall with a contextual offer, "Epic Win! To celebrate Stan Vercy's goal, we're offering 10% off his shirt". This message goes out to millions of the club's fans, and then all interactions around the post are shared and seen by millions more people associated to each fan's network. This is pure awareness and engagement – it's got nothing to do with revenue. Now, assume I buy one of these shirts; my purchase can be shared with my entire network (and beyond). This generates even more awareness, but also a direct recommendation and endorsement from me. That's awareness, advocacy, recommendation and revenue, all in one hit.

It's still early days and f-commerce is currently reserved for pioneers, just like ecommerce once was. Those who set up shop first will most likely get the best plots.

And so, as the media report daily on economic gloom, a fall in consumer spending and massive profit losses, retail is undeniably facing a tough 2012. If internet retailing marketers wish to weather the storm, I believe they should embrace new technologies. With an overwhelming amount of data available at your fingertips, brands will be able to maintain a consistent voice across multiple channels to interact with customers and increase sales. ■

GETTING TO KNOW YOU

Retail health is as poorly as the low days of 2009, consumers' salaries aren't keeping up with inflation, online conversion rates continue to drop and profit falls on the high street are tempered only by increases in ecommerce sales. Emma Herrod looks around the figures and predictions for UK internet usage and shopper behaviour.

ONLINE conversion rates in the UK have fallen by 55% over the past five years as consumers have taken to browsing, researching and comparing products on increasingly engaging retailer sites, rather than just viewing the internet as another purchasing channel.

In 2006, the average online conversion rate for retailers in the IMRG Capgemini e-Retail Sales Index was 8.4%, but that figure has steadily declined over the past five years: 7.4% in 2007, 6% in 2008, 4.5% in 2009, 4.1% in 2010 and 3.8% in the first three quarters of 2011.

The shift from purchasing online to using it as a tool in the multichannel shopping journey has resulted in a drop in conversion rates but overall sales online have almost doubled from £30.2bn in 2006 to £58.8bn in 2010. (IMRG predicts that sales online will grow by 16% to £68.2bn in 2011.) Also, there are far more shoppers visiting retailer websites now, meaning that the percentage of people browsing without buying online has risen thus putting further pressure on the need for websites to sell without necessarily being the checkout of choice. In fact, year-on-year visits to UK online retail sites has grown by 3% with 322 million hours spent shopping online in October 2011, according to James Murray, Marketing Research Analyst at Experian Hitwise.

In November, the Office for National Statistics (ONS) announced that household spending was being further squeezed as salaries failed to keep up with inflation (although those at the higher end of the salary scale were seeing big increases). The KPMG/Synovate Retail Think Tank put the state of the retail health for Q3 at a level as bad as it has been since the low days of 2009 during the depths of the original banking crisis and recession, and the British Retail Consortium reported that November saw the weakest retail growth since May.

Christmas did bring out the spending shoppers as footfall increased on the high streets across the UK and on web and mobile sites. (Have a look at the 'Dashboard' section for a full report from IMRG on the Christmas takings.)

WHO IS ONLINE

So, is there anybody left who doesn't shop online? Over the past year, more households have become connected to the internet with some 77%, equivalent to 19 million households in Great Britain, now connected either via broadband (93%), mobile only (5%) or dial-up (2%). This is up from the 73% that were connected in 2010.

More people are shopping online as well. In 2011, 32 million people bought something from the internet, according to the ONS. This represents 66% of all adults, up from 62% in 2010. Clothes/sporting goods were the most popular online purchase with 46% of all internet users buying such items. Needless to say this was the most popular category "by some margin" amongst women shoppers. Films and music came a close second for men.

Travel, such as flights and car hire was the most popular purchase amongst older online shoppers; 29% of those aged over 65 book via the internet. The majority of these people also book their holiday accommodation online.

When it comes to downloading, rather than receiving physical goods, it is amongst the older age group that the biggest increase can be seen, according to the ONS. Film and music is now downloaded by 34% of those aged over 65 that purchase such items online, compared to 20% in 2010. The downloading of books has also increased from 15% in 2010 to 23% in 2011.

The major change to people's online behaviour though is location; 45% of internet users used a mobile phone to go online in 2011. Some 6 million people did so for the first time in 2011 while the use of wireless hotspots almost doubled in the same period. In a point that really emphasises the phenomenal rise in mobile internet use, the ONS has only been measuring mobile phone internet use since 2009!

DIGITAL NATIVES

Mobile is proving to be the convergent technology of choice for shoppers everywhere with digital natives – those born in the digital age of the 1980s onwards – just as comfortable purchasing online or from their mobile as they are going to shopping centres or their local high street. In a bid to understand how digital natives view technology and retailing Oracle commissioned a survey of shoppers aged between 19 and 23.

Results revealed that digital natives love to shop but they are discerning, wanting differentiated products, pricing and services based on their preferences, they want to interact with retailers when and how it suits them and for this experience to be seamless and connected whatever channel they choose.

For them, technology is the key to expediting the shopping experience, whether in-store to facilitate a sale or using online channels to research and compare prices and promotions.

The take-away for retailers is that the shopping experience of the future needs to be connected, fit-for-purpose and always available.

SHOPPING TOMORROW

And, what of the next generation of shoppers as they move from being "I want" influencers to shoppers in their own right? This group of 12-15 year olds would miss their mobile phone and the internet more than TV as their lives revolve around the mobile internet, with social networking being one of the most popular uses.

They will be tomorrow's 'buy anywhere, any time' shoppers as consumer spending on mobile continues its rise to a predicted £19bn a year by 2021.

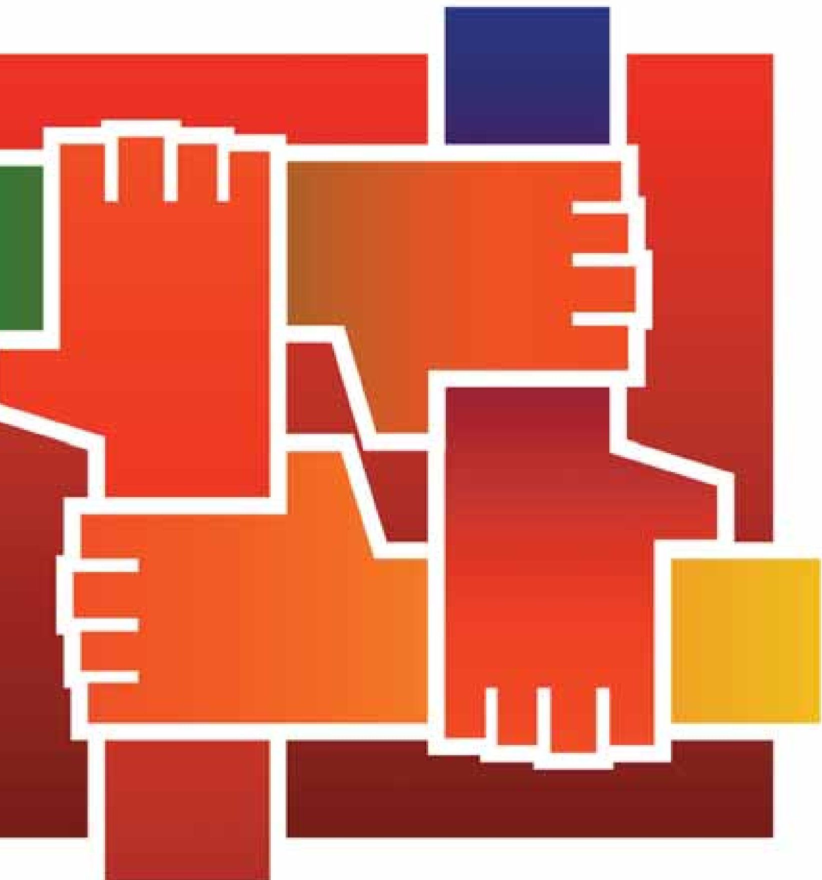
Richard Lowe, Head of Retail & Wholesale at Barclays Corporate, says: "During the next five years m-commerce will enjoy growth of 55%, the fastest of any retail channel. This compares to expected growth of 8% for online sales and 1.6% for in-store sales. Mail order is expected to shrink by 1.2%. The growth of mobile sales will, in part, be driven by increases in smartphone penetration and technological improvements such as 4G and Near Field Communications. Total 2021 retail sales are expected to be worth some £390bn - m-commerce will account for 4.9% of sales.

So, while mobile continues its influence on technology evolution for retailers' systems and smartphones replace older handsets amongst the shopping public, they are but one tool amongst the many that retailers will need to utilise to turn shoppers into purchasers. There is no, one key to unlock the treasure chest of shoppers' wallets in 2012. Times are hard for consumers and retailers' checkouts will continue to be effected.

A multitude of tools will be needed, along with customer insight and a personalised experience enabling the right product to be presented to each potential customer, in the right channel (and through every possible touchpoint), at the best price, at the time they want to buy it. And if that doesn't work the 'joker card' of innovation, along with a big discount and a sprinkling or retail theatre might just do the trick.

THE GANG OF FOUR:
A THREAT OR OPPORTUNITY FOR THE UK RETAILER?

As the Big Four - Google, Facebook, Amazon and Apple - continue to gain market share and consumer favour Karmesh Vaswani, Vice President and Head – Europe; Retail, Consumer Packaged Goods & Logistics, Infosys discusses what retailers can do to keep up with them.



WHEN was the last time you got through your day without using Google or Facebook? Did you make it to work this morning without a fellow commuter flashing their Amazon Kindle? Do you even remember life before smartphones? The past decade has seen the meteoric rise of the Gang of Four (Go4) in the UK – Google, Amazon, Apple and Facebook. They have become so ingrained in our day-to-day lives, that it is hard to ignore the fact that they are driving a revolution in the UK retail industry.

While many successful retailers in the UK have attained significant success online, none have managed to reach the heights of the Go4. The collective market value of the Go4 just five years ago was a little more than five times the market value of the top five UK retailers combined. In 2011, it has become twelve times. This is certainly not the euphoria of the internet bubble we witnessed in the early part of the century – instead, it is a harsh reality confronting UK's retailers. Innovations from the Go4, have been riding on the convergence of technology, consumerism, globalisation, and social lifestyle. These innovations are rapidly chipping away the market share of revenues and profitability of established UK retailers who have ruled the roost for decades. The Go4 are not just changing the game; they are radically changing the face of retailing in the UK. While there are a few others, like eBay and Groupon, who are contributing to this change; the Go4 will remain a dominant force in the years to come.

So, does this mean the game is up? Well, not quite. Not only would it be sheer folly for retailers to disregard the threats presented by the Go4, but it would also be a huge missed opportunity to ignore the new sales avenues created by these companies.

Retailers need to fundamentally rethink and realign their strategies, organisations and business models to both compete and collaborate with the Go4. This article presents four salient strategies that can be employed in 2012 to effectively address the challenge raised.

CREATING NEW VALUE THROUGH MARKETING SERVICES

The UK has always been the hotbed of innovations in marketing and advertising. The Go4 have led the way in demonstrating how marketing and advertising can shift from traditional to digital media. In the age of the Go4, retailers need to view the advertising pounds spent by branded goods suppliers around their merchandise as sources of revenues which rightfully belong to them. The physical and web stores, attracting millions of monthly footfalls from multi-screen digital natives, are the most un-leveraged and under-penetrated media channels. Retailers must drive greater innovation – in partnership with branded good suppliers – to channel advertising and marketing spend in their stores.

Today's technology can help convert a physical store into a 'measured media' estate. Combined with web stores – which have far higher sophistication – and omnipresent consumer-held smart devices, the potential for creating intelligent marketing services through partnerships between retailers and brands is immense. Retailers need to connect to customers via smartphones and social media sites, like Facebook, where the retailer can create a trusted site for their target audience. Then, the scope for personalisation in marketing is only limited to imagination.

DISINTERMEDIATING THE VALUE CHAIN & REDUCING COSTS

A significant amount of value lies trapped across the supply chain – the difference between the manufactured cost of products (across categories) and the landed price at the consumer's doorstep ranges between 70-120 per cent. This provides a significant opportunity for disintermediation. Apple and Amazon have single-handedly changed the construct of the music and publishing industries through disintermediation. UK retailers need a similar paradigm shift to recognise that a significant amount of value lies trapped across the extended supply chain – from manufacturer to retailer to consumer. Some successes have been realised by building Availability to Promise and Click and Collect. However, the impact is still peripheral. A 'zero-based' approach to the supply chain construct is required to continuously reduce the gap between the 'real' manufactured cost and the landed price for the consumer.

RE-ARCHITECTING THE ORGANISATION

The boundaries between retailing and technology are fast disappearing. With unceasing globalisation, reducing costs of network bandwidth and the increasingly pervasive nature of personal and mobile computing, each process, decision, capability, and competency in retailing is ever more reliant on technology. However, most retailers continue to operate in a disjointed manner, limited by the traditional divide of functional business departments and a central IT function.

The successful retailers in 2012 will be those who see that the 'traditional IT department' has become extinct and begin to mirror the example set by the Go4. They will have to evolve the concept of Business-Technology Shared Services where the boundaries between running a business process and managing the underlying technology are eliminated and a catalogue-based approach exists for every business-technology service.

MAXIMISING EXISTING ASSETS

The Go4 has a wealth of tools at their disposal – such as browsing history, POS and basket data – to determine personalised search results and make sure they're providing the most profitable recommendations and promotions. However, one thing they are unable to recreate is the in-store experience and face-to-face interaction. The physical shop is the key asset that traditional retailers have and they must leverage it to gain an upper hand over the Go4. A recent study into the consumer behaviour of digital natives found that almost 80% of British respondents still like to shop in store.

However, spoiled by the quick check-outs and personalised experiences of internet shopping, many shoppers expect the service they receive online to be replicated in a store. For the traditional retailer, it is all about finding an approach that unites quick, efficient and also personalised service. An example of this are the handheld POS devices which allow assistants to interact with customers as quickly and effectively as in the online space, while also offering the personal interaction that customers desire.

It is evident that retailers need to find the best of both worlds to survive; implementing strategies that utilise both the online and in-store purchasing habits but ultimately take a holistic view of the customer as a single shopper. This allows traditional retailers to connect with consumers across multi-channels, offering a consistently personalised experience across a variety of interactions. Such an approach combines the common success factor across all Gang of Four members while making the most of the traditional retailers' key differentiator - the physical store.

DESTRUCTING MULTICHANNEL

Multichannel retail may offer the greatest promise for sales growth, but it also embodies the Schumpeterian concept of 'creative destruction' – eroding profitability while simultaneously driving up customer expectations. Prof. Alan Braithwaite, LCP Consulting and Cranfield School of Management, explains why it's a challenge many boards must tackle over the next decade.

THERE is little doubt that multichannelling holds out the most promise for retail sector growth. Even in economic uncertainty, multichannel retailers are reporting double-digit growth for their e-channels and good crossover benefits with their stores. The Christmas 2010 period saw online sales growth hit 120% at House of Fraser, outstripping any conceivable in-store growth figures, according to IMRG. Analysts predict a similar pattern for Christmas 2011, with online sales expected to grow 16% or more, compared to an optimistic 3% in-stores or, for many, negative territory.

The impetus for this growth is the proliferation of web apps and social media channels, giving consumers unprecedented accessibility to brands and options for buying – and increasing their expectations of service quality and flexibility.

Those channels are only set to increase; mobile sales on Cyber Monday [2011] reached 6.6%, up from 2.3% in 2010, according to IBM, while tablets are acting as a further catalyst for the shift online. Research from Forrester claims that 21% of retailers' mobile traffic is already derived from tablets, while other digital technology developments in-store and online continue to create more and varied touchpoints for customers.

The benefits are significant. Aside from helping to reinforce the store proposition and brand, multichannel customers are five to eight times more valuable to retailers. But they also present a challenge to consistency; retailers must ensure high levels of commitment to fulfilment and service across a range of channels in order to retain customer loyalty. And they are planning against an economic backdrop of uncertainty and rising commodity costs that challenge stock availability and margins.

The dilemma is this: levels of accuracy and 'completeness' have to be higher, yet the ability to forecast demand is lower. The pace of multichannel growth is such that conventional budgeting and open-to-buy methods are less appropriate – retailers are effectively betting the business with their ranging and buying decisions. It is immensely difficult to define fulfilment channel take-up or predict demand.

So, multichannel operations increase the need for agility and an integrated response. Customers expect seamless service and consistency when they connect with a retailer outside the store environment; their experience and expectations of service will differ from one channel to the next. Companies that create demand that cannot be fulfilled or allow service levels to drop below expectation risk damaging their brands – particularly given the viral potential of social media.

The growth in click-and-collect serves to illustrate the challenge: experience is that it quickly accounts for some 15 to 25% of internet sales volume when it is introduced, a take-up among customers for which some retailers were unprepared. The resulting 'search and rescue' mission in stores at peak, or the discovery that store stock files are inaccurate has the potential to disappoint. That last point of contact is a 'moment of truth' in the relationship and can create lasting damage.

The challenge for retailers is to leverage multichannel opportunities without getting killed by them – avoiding the kind of brand damage that results from over-promising and under-delivering. This is the context in which retailers must now work. Yet there is no precedent or best practice model to work from in multichannel. Academic research shows it is evolving so quickly in terms of increased choice, range and more competitive offerings that the operational implications are constantly changing.

That rate of change is set to accelerate as companies try to steal a march on competitors: apps, services and alliances that we cannot conceive of today could be commonplace in two years' time.

LONGER-TERM TRENDS

Nevertheless, there are some underpinning principles that will remain true for retailers now and in the future, supporting the longer-term trends.

First, the internet's capacity to supply variety will continue to be virtually endless: more choice will beget more choice. This has the potential to drive in cost faster than gross margin growth. As well as thinking about channels to market, retailers will have to design supply channels, making use of portals and suppliers to lower the cost-to-serve.

Second, pricing transparency will continue to increase, making the marketplace more competitive and leading to lower prices overall. The implication is that multichannel is growing, but simultaneously has the potential to erode profitability. Coupled with the drive to increase choice, the margin impacts may be serious.

The only response for retailers to these fundamentals will be to become 'low-cost-operators'. Hitherto, the 'land grab' dash for growth and the first generation fulfilment models have focused less on cost and more on capacity. In future, the foremost challenge for retailers will be to reduce cost-per-transaction while ensuring service levels remain competitive. Systems with industrial strength are best geared to providing a consistent, but contextually relevant, service across every channel. Here the heritage mail-order sector has a huge advantage – it has handled scale and complexity at low unit costs for many years.

Multichannel operators climbing the maturity curve will need to master both their cost-to-serve and the cost of complexity as a matter of urgency. Range growth requires new supply chain channels to protect profitability and the core of the business must be delivered at the lowest cost. Our experience indicates that these challenges are only just making it onto the radar in many boardrooms.

Channel analytics and process excellence will be the foundations of future fulfilment operations. Analytics are vital since retailers need to understand the true cost-to-serve, margin erosion and contribution so that they can actively manage their ranging and supply routing decisions. Retailers will have to get unit costs down and that will require forensic analysis of their operations. The results will likely be some combination of more virtual networks, portal-style operations and multiple points of fulfilment aligned to the cost-to-serve. This will be accompanied by a growth in factory-scale fulfilment operations in order to bring down unit costs, or, where that is unsustainable, collaborative alliances. Changing relationships with suppliers will therefore be on the agenda, with many embracing the concept of 'co-opetition', where suppliers may also be competitors – often considered a retail anathema but now part of the 'new normal'.

Process excellence underpins customer experiences and low-cost operator status. Correcting mistakes usually triples the cost of fulfilment and never truly satisfies a disappointed customer. The process implications of multichannelling are huge: there will be a need for greater systems alignment to ensure it is possible to make accurate commitments to customers and stay on top of demand. The idea of achieving 'Six Sigma' levels of accuracy (99.99%) with so many potential points of failure may seem unfeasible. Yet retailers will have to find ways to drive up accuracy while keeping costs down. Cloud computing services will be important in enabling process excellence and cost refinement and will be essential for supplier collaboration and wide networks.

No retailer can afford to ignore the multichannel opportunity; it is now a core part of customers' expectations. As the market continues to develop, the back office and fulfilment capabilities will need to step up to a new level of maturity. The scale of this change will be substantial, but the strategic imperative to avoid or mitigate the cannibalisation effects while leveraging the growth is clear.

INTERNET RETAILNG EXPO:
WHAT NEXT FOR ECOMMERCE & MULTICHANNEL?

Internet Retailing Expo promises two days of focused learning on ecommerce and multichannel growth along with hands on experiences of best practice systems and insight into leading innovations. Emma Herrod pulls out some of the not-to-be missed highlights.

INTERNET RETAILING Expo 2012 (IRX2012) brings together four distinct conference streams, a traditional trade show exhibition floor, Innovation Pavilion, JumpStart briefings and workshops all aiming to deliver information, stimulus and actionable insights for eretailers large and small.

The event takes place at the NEC, Birmingham, on 21 and 22 March with 2 conference streams running on each day, alongside the 150-space exhibition floor full of leading suppliers to ecommerce and multichannel retailers. Suppliers for marketing systems, operations, technology, payments, checkout, mobile, logistics, marketplaces, display, store and more will be gathered on the show floor.

Highlights from the four conference streams include John Lewis talking about Customer Experience, Littlewoods and Very.co.uk sharing insight into growing the Enterprise, Mothercare, PayPal and Reevoo giving thought leadership sessions on Mobile and Social Commerce and a myriad of entrepreneurs giving their tips on overcoming growing pains and achieving best practice on tighter budgets.

New for 2012's event is a dedicated M-Retailing conference track which takes place on Day 2 of the event (22 March). The 'Mobile and Social Commerce' conference, sponsored by Reevoo, will offer sessions for late adopters looking to jump to the front of the queue, and for those early adopters looking further to integrate and extend their mobile or social retailing offering. From customer behaviour and research, to industry trends and triggers to selling on the mobile, via social, apps, integration and data, this track will provide insight into the world of mobile and how it can be exploited while also answering whether social retailing changes the rules of retailing. Presenting companies include PayPal, Reevoo, Mothercare, Javelin Group, Whatusersdo, Headsdcape, SKOPOS, Sponge, nToklo, ImpulsePay and Eagle Eye Solutions.

The second conference track running simultaneously on Day 2 is 'Customer Experience', sponsored by Certona. This will consider how to create a rounded, integrated view of the customers' experience and how to shape and to exploit this. Design, interaction, usability, service management, customer touchpoints – and of course the data and analytical systems to collect, analyse and give insight – will form the basis of this new stream, focused on the customer's experience. Presenting companies include John Lewis, Asda, Blue Inc, FACT-Finder, Certona, LCP Consulting and Carphone Warehouse.

The 'Fast Track' and 'Enterprise' conference streams

IRX2012: The Facts

Date: 21 and 22 March 2012
Place: NEC, Birmingham

To Register: www.internetretailingexpo.com

InternetRetailing
Selling in the digital age
expo
21st - 22nd March 2012
NEC, Birmingham
Sponsored by: PayPal

will run on the first day of IRX2012 (21 March). 'Fast Track', sponsored by Amazon Services Europe, will be an ideal learning and inspiration opportunity for people looking to make their first step (or first major commitment) to digital channels. It will focus on getting businesses up and running quickly across all channels, learning from entrepreneurs who've made the leap and from people who can help businesses go from a standing start to success in the shortest possible time. Among the presenting companies are PayPal, Stinkyink.com, eSellerPro, Barnsley Football Club and VendorShop, Field Fisher Waterhouse LLP, ActivInstinct, Amazon and leading author on search marketing Dr Dave Chaffey.

The 'Enterprise' conference track, sponsored by Efficient Frontier, is for people already selling online and the larger enterprise who are already very capable and successful, but who want even more. In this channel visitors will learn from the best retailers on how to extract evermore revenue from an increasing customer base - by uniting channels, increasing relevance and coherence, and differentiating themselves profitably. Presenting companies include Hitwise, De Vere Group, CNET Content Solutions and Shop Direct Group, Shutl, Jacques Vert, wehkamp.nl and eCommera.

"There's no other event in Europe that offers such a wide gamut of skills and capabilities to sell in the multichannel era," says Mark Pigou, Show Director, Internet Retailing Events. "IRX 2011 was praised for its high quality delegates, highly targeted visitors, busy show floor and ROI generation. In 2012 we intend to build on this by delivering an even better mix of marketing with technology, logistics with customer-facing design and mobile with in-store experience through our four conference tracks, free to attend workshops, learning sessions and demonstrations."

Over 4,000 visitors are expected to attend the 2012 Expo and if it attracts the same demographic breakdown as the 2011 event, 70% of them will be either pure e-retailers or retailers operating across multiple channels. That's a lot of retailers learning about best practice solutions, investigating their next innovative move or picking up actionable insights – and all for free; there's no charge for attendance at workshops, conference sessions or visiting the exhibition area. Register your place at www.internetretailingexpo.com. I look forward to seeing you there.

THE LEARNING OPPORTUNITIES

Visitors will hear from these companies and more across the learning opportunities, workshops, Innovation Pavilion and conferences at IRX2012:

amazon services Europe
ASDA MEDIA CENTRE
BLUE INC
eCommera HIGH PERFORMANCE COMMERCE
Field Fisher Waterhouse
John Lewis
LCP
mothercare
reevoo
shop direct group
shutl About time
SKOPOS insight; innovation
Smart Insights
SPONGE
stinkyink.com YOUR ONE STOP PRINTER INK SHOP
wehkamp.nl

Insight from arou

ISABELLE SALLARD, EDITOR, INTERNET RETAILING.FR

Last year's Christmas online sales hit a record in France. According to the French ecommerce federation Fevad two-thirds of internet users purchased gifts online and the amount of Christmas sales rose 20% to €7.4bn (against €6.2bn for Christmas 2010).

A study by Kelkoo and the Centre for Retail Research (CRR) found 5 December to be the peak online shopping day for Christmas. A total of 2.28 million transactions were carried out during the day, or 1,583 transactions per minute. A second peak followed a week later with almost as many transactions: 2.16 million in total, or 1,500 transactions per minute.

According to the study, while over a quarter of shoppers (27%) have been buying Christmas presents online for 5 years or more, 11% did so for the first time this year. Some 23% of consumers said they would buy more online than last year.

In 2011, French households were expected to spend nearly a quarter of their Christmas budget (€116) on the internet, including 7% via a mobile device. Almost 1 in 4 (24%) planed to order gifts from foreign sites. And French consumers have mostly completed their Christmas stocking with clothing and footwear, electronic devices, toys and cosmetics.

Leading French online retailers in high-tech, electronics and games such as Amazon, Fnac and Pixmania were expecting to hit records in their sales of popular products and especially with smartphones and tablets. If the direction of Pixmania revealed little about the amount of its Christmas sales, it has however revealed that 15 December was the most important day of the period with an estimated 100,000 parcels delivered, against 85,000 in 2010.

For the year, online retail sales in France reached €37bn, up 19% from €31bn in 2010. Fevad attributes the success to the growth in the number of consumers shopping online which is growing at twice the rate of overall internet users. That number increased to 20 million during the holiday shopping season in 2011, up from 15 million in 2010. During the year, 30 million shoppers (almost 50% of the French population) bought on the web.

And the French market – the third largest in Europe after UK and Germany - has an optimistic vision of 2012. A study conducted by Coleman Parkes on behalf of eCommera, reveals that 89% of French ecommerce directors expect a rate of double digit growth for next year. Specifically, among the managers interviewed, 61% expect to grow between 11% and 25% and for 28%, their online sales would grow 26% to 50%. These forecasts are more optimistic considering the year after year decreasing of overall growth in online sales, which went from 38% in 2005 to 20% in 2012.

SAM ZHUANG, FOUNDER, WWW.SMART-PATH.NET

In Europe and the US, Christmas shopping is a big annual event. For the Chinese online market, 'Christmas shopping' happens before Christmas. 'Singles Day' (11 November) and 'Double Twelve Day' (12 December) were the biggest days in 2011. With six 1s on 11 November 2011, this Singles Day was not only the super holiday for single people, but also the best promotion opportunity for online merchants. Tmall (China's biggest B2C platform) reached a RMB 3.4bn (US$530m) turnover on that day, tripling that of 2010.

Though it's not an official public holiday, Singles Day, which also means "bachelor's day", is very popular with young people. On Singles Day, all participating merchants in Tmall offered a 50% discount. Many consumers had chosen products they planned to buy before that day. On Singles Day itself, 1 minute after the promotion started, more than 3.4 million people visited Tmall. After 8 minutes, Tmall's transactions had reached RMB 100m; after 21 minutes, it had exceeded RMB 200m; one hour later, RMB 439m sales were achieved.

Following the great success of Singles Day, Taobao (Tmall's parent company) carried out further promotional activity on 12 December. This was advertised as Double Twelve Day. People who missed the 50% discount opportunity on Singles Day had a second chance to buy products for Christmas and the Chinese Spring Festival. On Double Twelve Day, turnover reached RMB 4.4bn.

While the sales numbers look exciting, the majority (~70%) of the stores on Tmall or Taobao actually made little profit or even made a loss from

nd the world

the 2 shopping sprees, due to the deep discount offered. Lots of the stores were willing to increase market share at the cost of profit.

At Smart-path.net, we see 2012 as a challenging year for online stores. The competition will become fiercer as it becomes more difficult to make a profit.

STEPHEN LEEDS, E-COMMERCE BUSINESS LEADER, VISA MIDDLE EAST

Online shopping in the Gulf Cooperation Council (GCC) countries - incorporating Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates - is still in its early stages but is predicted to grow exponentially to reach $15bn by 2015. In 2010, ecommerce volumes in the region totalled $3.3bn.

The United Arab Emirates accounts for the largest share: an estimated $1.9bn or around 60%, followed by Saudi Arabia ($520m), Qatar ($375m), Kuwait ($280m), Bahrain ($175m) and Oman ($70m).

Internet usage in the region has grown by a staggering 1,500% since 2000, up from a mere 1.2 million users in 2000 to an 18.7 million in 2010.

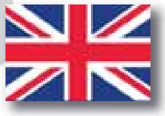
A young population open to trying new technologies and innovations, high disposable income, ambitious ICT investment programs, important e-government initiatives, a growing multichannel offer by retailers and development of better and more reliable delivery and payment options are the main factors expected to drive ecommerce spend upwards in the years to come.

All countries in the region are investing heavily to develop e-government programs such as the ePay gateway in Dubai, eOman, Qatar's ICT 2015 and the e-Learning portal, and the Saudi e-Government Portal. All these and other private initiatives will contribute to the further growth of e-services in the region: e-government, e-education and most importantly e-commerce.

However, we're still faced with the same barriers that we see around the world, with lack of trust and payment security regularly being cited as key concerns for people when choosing whether to shop online.

Visa, in partnership with IMRG, has launched a quarterly overview of the burgeoning ecommerce market across the GCC. The in-depth study, which is part of Visa's ongoing drive to build ecommerce in the region, identifies current levels of ecommerce performance and potential by assessing the breadth of existing research undertaking in the region. It covers trends, data and forecasts concerning ecommerce in the GCC as part of a world-class comparison to key markets.

LARRY FREED, CEO, FORESEE



ForeSee ran studies in the UK and USA over the holidays to assess customer satisfaction over the crucial shopping period.

The ongoing ForeSee Retail Benchmark, which includes retailers of all sizes and categories on both sides of the Atlantic, found that customer satisfaction in 2011 was very slightly down in comparison to 2010. Our research suggests that this was due to browsers being unable to find what they were looking for, experience of site performance issues, or dissatisfaction with prices.

Being more specific we saw satisfaction peak mid-November and then briefly drop until the first full week of December when it peaked again around 2 December (Green Monday). Our Cyber Monday report revealed that satisfaction with online shopping over that weekend and the Monday was at its lowest point in five years (72.7 on a 100-point scale versus a high of 76.6 back in 2007), very disappointing.

The second way to look at holiday retail performance is to see what the biggest retailers are doing. On a more positive note, the annual customer satisfaction index that we carry out across the top 40 US and top 40 UK retail websites during the festive season, found that satisfaction for both countries was slightly higher than in 2010. Scores in the US grew from 78 to 79 on the study's 100-point scale, and the UK increased from 72 to 73. A one point change may not sound a great deal, but it still means a lot in terms of revenue when it represents a change for a large group of retailers.

In terms of trends for 2012, we think that Amazon will have a huge year in terms of sales and stock prices. Customer satisfaction is a well-known predictor of future financial success and Amazon knocked it out of the park on both sides of the pond. ■

MOBILE, ECONOMY & 2012

As Christmas 2011 shapes up to be another milestone for mobile, it is safe to assume that mobile will have an even stronger role to play in 2012 (and beyond). Paul Skeldon investigates.

2011 HAS CERTAINLY been the year of mobile in not just the retail sector, but in everything from gambling to marketing to social networking to general commerce. Within the retailing arena, mobile has moved from being a curio, a nice to have, to a really must have, driven by consumers voting with their thumbs.

So what is in store? While it is impossible to predict the future, what has been happening latterly in the m-retailing sector offers a good glimpse of what sorts of trends we are likely to see developing over the next 12 months.

Before we delve into these Nostradamian predictions for 2012, it is important to note that mobile devices are increasingly becoming the computer platforms through which consumers conduct ecommerce. Around a third of UK consumers bought something through a mobile website in 2011 and the trend is upwards. But this is something of a red herring in m-retailing terms. Increasingly, just buying things through the mobile channel is just ecommerce. Where mobile is set to become more interesting in 2012 and beyond is in how it changes the world of retail – both online and in store – and particularly how retailers use mobile to attract consumers to their stores, websites and keep them coming back for more. This holistic role for mobile is increasingly where m-retail is going and something we shall see an awful lot more of in 2012.

Within this, you can break down some of the key areas where mobile will have much to offer this year. So, what's on the agenda?

MOBILE PAYMENTS

For many years mobile commerce – as opposed to retail – has centred around the fact that the mobile phone comes attached to a billing mechanism (the phone bill or pre-paid account) and many organisations have used this to great effect to use the phone bill to charge other things to.

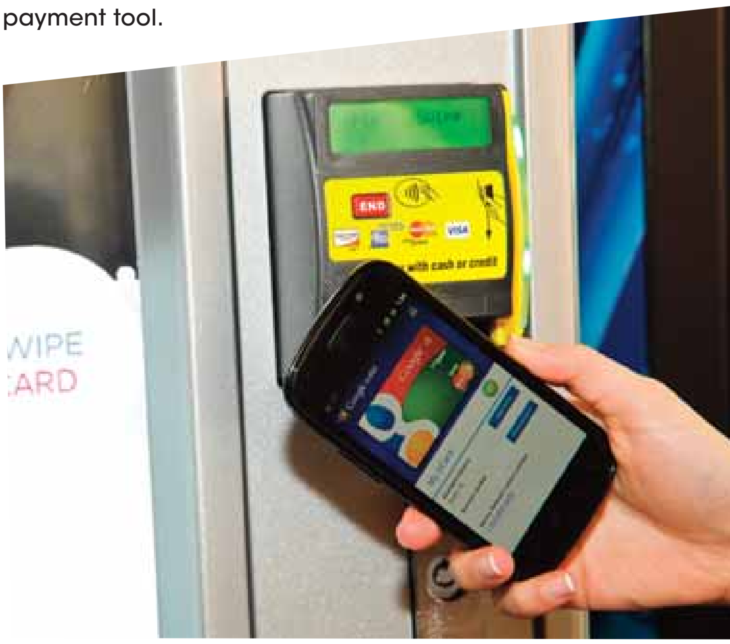
Over the years – and with the increase in interest in mobile retail – attention has turned to how to combine the power of mobile, the ability to pay and the retail sector.

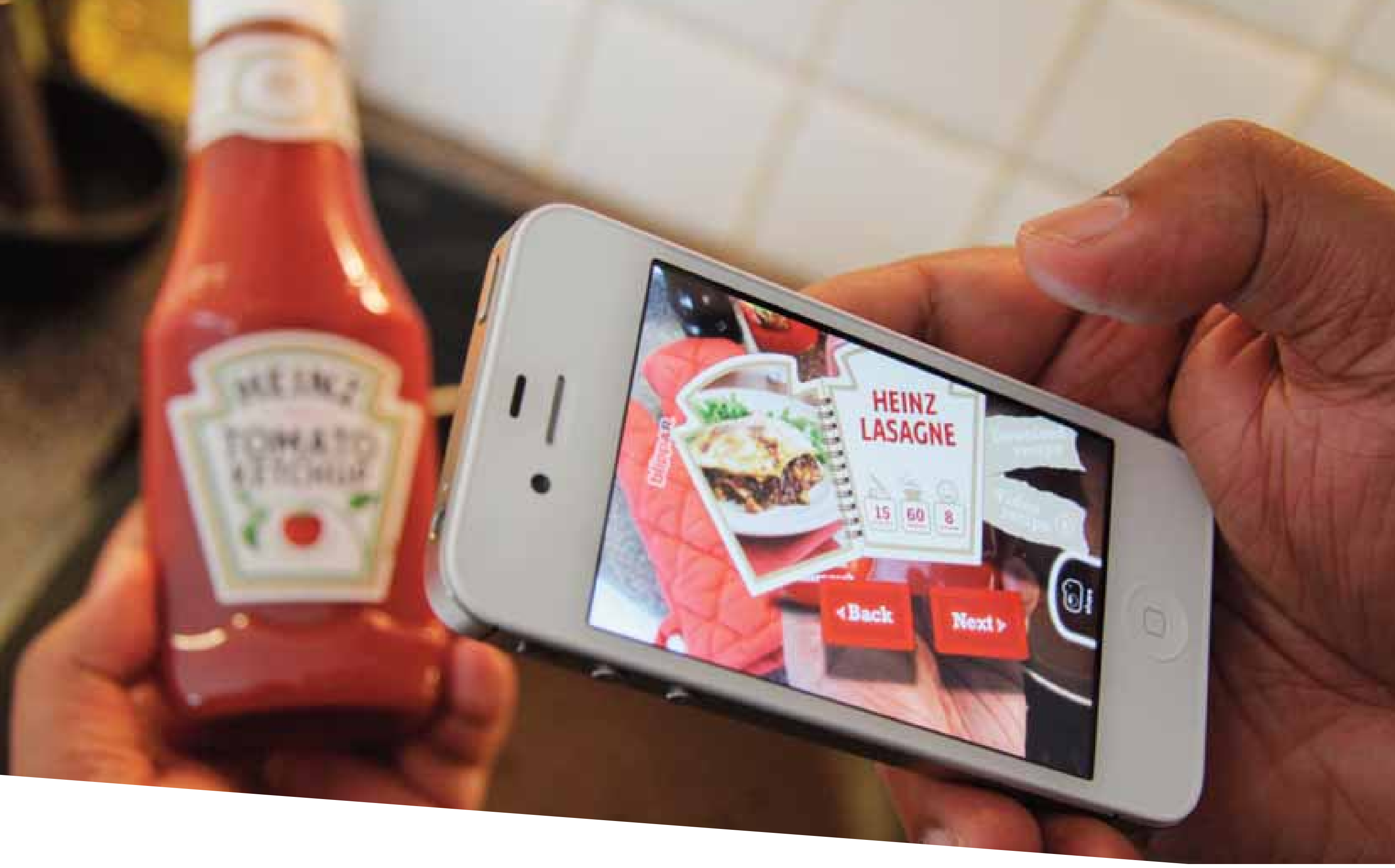
In 2012 we are going to see massive growth in retailers offering mobile payments for online commerce as consumers start to get the hang of using their mobile and many start to see it as more secure than credit cards (rightly or wrongly).

Four fifths of consumers would spend more online if offered an easier and more secure way to pay – and 80% believe direct carrier billed mobile payments are more secure than using credit and debit cards for online digital purchases. So finds a study by Javelin and PaymentOne, that goes on to suggest that online merchants could add aggregated yearly revenue of $109.8bn, simply by offering an alternative "no credit card required" way to pay at checkout.

"If digital merchants simply offered consumers an alternative way to pay, such as mobile carrier based payments, 79% of decisive consumers indicated they would spend more, driving significant new incremental revenue from subscriptions, transactions and purchases," says Phil Blank, Managing Director at Javelin Strategy & Research. "With an estimated $110bn in new revenue for digital merchants being left on the table each year in the US alone, this 'commerce gap' represents a massive untapped opportunity."

This rise in mobile on bill payments for online commerce is likely to start to get more consumers interested in how to use their mobile as a payment tool.





The second half of 2012 is likely to see the initial trial deployments of mobile wallet services and other on-phone payment offerings.

Combining the bank card/wallet with the phone has required huge co-operation between banks, phone makers and operators and, facilitated by the Mobey Forum (a collection of banks, operators and other interested parties) this co-operation has yielded technical standards, business models and some initial trials around the world. There will be more to come in 2012.

NFC

Part of the facilitation of this mobile payment revolution is going to certainly revolve around near field communications (NFC) – and we are going to start to see some deployments this year. NFC is a very short range, high bandwidth wireless communication platform and is likely to be built into new handsets from 2012 onwards. It is likely to be used for all sorts of mobile things, but enabling a phone with a built in 'bank card' to talk to a point of sale payment system is top of the agenda for its uses in 2012.

IN STORE

NFC based in-store contactless payments is just the tip of the iceberg for how mobile is going to work in store. Part of the full m-retail picture is that mobile can bring to the real world store environment all the things that people like about online retail.

The mobile internet, and to some extent apps, can bring to the store all the things such as reviews and extra information about products, price comparisons and stock checks. The promise of what can be done in store with mobile is enormous, but it remains to be seen what will be delivered. What has been delivered so far has been a toe in the water.

Selfridges built its own mobile messaging network throughout its flagship stores so that consumers could text to donate to the retailer's Project Ocean Charity campaign.

While conducted as a charitable exercise, the move showed that in store mobile services based around a bespoke network can be rolled out reasonably simply and cost effectively and this charity scheme will pave the way for more mobile in store offerings in months to come.

Christmas 2011 saw House of Fraser, partnering with network operator O2 to deliver a range of mobile services – from free in store wifi to targeting mobile marketing – to create more mobile engagement in the run up to Christmas.

One element of the campaign saw 11 House of Fraser stores across the UK offering all their customers free O2 wifi. Customers benefited from full access to the internet, while House of Fraser gained aggregated rich customer insights and data.

This was the first time that O2 had combined and integrated different services to deliver a mobile campaign that is part of House of Fraser's wider marketing mix for their Christmas activity. A portfolio of O2 Media services, including Priority Moments and real-time location reach have been combined with O2 wifi to deliver personalised targeting for O2 customers around the House of Fraser brand, which is focused on delivering an innovative consumer experience.

The bespoke O2 service was designed to offer

House of Fraser a comprehensive marketing solution in the run up to the vital Christmas period that not only drives footfall, brand awareness and loyalty but also increases incremental sales and drives purchase decisions around specific offers and promotions.

Robin Terrell, House of Fraser's Executive Director for Multi Channel and International explains: "House of Fraser is committed to finding new and innovative ways of providing our customers with a VIP shopping experience and we are delighted to be working with O2 in this ground-breaking initiative."

Tim Sefton, Director New Business Development at O2 adds: "In an increasingly fragmented market the ability to grab the consumer's attention and speak to them directly and effectively in the right place and in the right mood will be of the utmost importance."

NETWORKS

The key to this roll out of mobile in store services – and perhaps one of the key things we are going to see retailers and other brands doing to encourage mobile retail this coming year is in rolling out their own networks.

As the number of smartphones has exploded and the amount of data flying around on mobile networks, the overall experience of the mobile web has started to slow as networks get clogged. Free public wifi has also started to become constricted by shear load and so there is the danger that mobile retail will be strangled at birth thanks to poor experience.

But what is increasingly happening is that retailers are building out their own networks in store that allow users to not only surf and email and so on, but to access services from that store. More of this is to come in 2012. Tesco will start the new year rolling out wifi in all its major stores. It is free to use: if you are a Clubcard holder.

The benefits for the consumer are obvious: you can finally use your phone in the shop. But what's in it for the retailer? The move allows them to offer their largesse to the shopper. They can also start to let consumers get used to using their phones to do things in store. But more importantly than that, what these networks do is allow retailers to gather vast amounts of useful data about their consumers. What they like, what they do, what they surf, what they buy and so on. This creates value far beyond the investment needed to create the networks.

By the end of 2012 most major stores will be offering wifi and by the end of 2013, the high street, malls and anywhere where retailers are will be filled with 'sponsored' networks.

AR NOT QR

The final piece of the puzzle is augmented reality. A year ago AR looked to be a technology in search of a role. It was a neat thing you could do, but where was the money? Well, the latter part of 2011 saw AR suddenly become a mainstream and free to use technology that was suddenly revolutionizing retail.

Ketchup maker Heinz uses AR to turn its ketchup bottle labels into recipe books; Starbucks is using it to make small characters jump around its cups; Nivea is letting Rihanna step out of your tub of Nivea Crème (needs to be seen to be believed this one – Ed). In fact, AR is now a tool that, through a free app, can add a whole layer of data over the real world.

While this has already been leveraged to deliver a view of where your nearest tube station is, it is in the retail environment that I think it will suddenly come in to its own to knit all this together.

Imagine just being able to hold your handset up in a shop to see what everything is, how many are in stock, how much they cost, customer reviews and more.

In fact, I think that AR is going to very rapidly replace QR codes. Why scan something that has to be printed and attached when you can just hold you phone over goods and find out all you need to know about them and even buy them?

Of course, this needs better networks and the buy in of consumers, but all this is now in place. It is just a matter of time before it is all falling in to place during 2012 – the year that truly will be revolutionized by mobile. ■

THE LATEST M-DEVELOPMENTS

Paul Skeldon takes a tour around the latest happenings in the mobile retailing space.

A THIRD OF UK CONSUMERS SHOPPED VIA MOBILE IN 2011, BUT POOR DESIGN COULD COST RETAILERS DEAR IN 2012

As many as a third of UK consumers have actually made a purchase using a mobile website and 26% using an app in 2011, according to research of 1000 consumers carried out by EPiServer. But, while the number of consumers making use of the mobile internet may be on the rise, the picture of how they experience using these mobile sites and apps isn't entirely rosy. More than a quarter (32%) said they find mobile websites hard to navigate, while 35% said that if a mobile website is hard to use they'll drop off. Further to that, 15% said they had stopped using a mobile website because it was hard to navigate and 14% indicated that they rarely felt like the mobile version of a website met their expectations.

Unfortunately, consumer frustrations didn't end there and they are becoming less forgiving of bad mobile experiences. A quarter (25%) said they would try a competitor if the mobile website was not working, while 64% said they'd only give a mobile website an average of three chances to work before moving on.

It's not all bad news though, as almost half of consumers (46%) would still try to visit a company's website from their desktop if they couldn't use it effectively on a mobile device.

This poor design is set to cost the retail sector dear. According to a report by website optimisation company QuBit, poor performance in areas such as ease of use, redirection from desktop to mobile versions and load speed are costing individual retailers as much as 12% in annual revenues – something in the region of £4bn annually.

Such "basic errors" could be remedied with "minimum investment", according to the report. Graham Cooke, CEO of QuBit, said, "Losing that amount of money means that it's something that they should put high up in their priorities."

MOBILE PAYMENTS ABOUT TO EXPLODE, LED BY MORE SECURE ONLINE PURCHASING

Already 80% of consumers believe that mobile payments are actually more secure than credit cards and would, if a study by Javelin and PaymentOne is to be believed, be extremely keen to start using mobile phones to pay for things online. In fact, Javelin-PaymentOne's study suggests that online merchants could add aggregated yearly revenue of $109.8bn, simply by offering an alternative "no credit card required" way to pay at checkout.

This use of online payments using mobile is likely to kick-start the expected deluge in mobile payments across the retail sector as shoppers get more used to using the technology.

In fact, PayPal is predicting that by 2016 UK consumers will routinely be whipping out their mobile phones to pay for things in shops, as mobile payments become ever more commonplace.

But, simply providing consumers with the convenience and functionality of mobile wallet technology will not be sufficient to drive mass-market adoption, warns the Mobey Forum in a new white paper.

Sirpa Nordlund, Executive Director of Mobey Forum, adds: "The adoption of the mobile wallet is critical to the global acceptance of mobile payments. The banking industry is key to enabling and facilitating mobile payments. It is now essential for banks to collaborate with other stakeholders to understand and define their role in the ecosystem."

M-RETAIL KEY TO OVERCOMING ECONOMIC GLOOM, EBAY TELLS GOVERNMENT

eBay is lobbying the UK government to take mobile more seriously as an industry that can help haul the UK out of economic gloom. Delivering its Mobile Manifesto to the government, the online auction house – and leading mobile retailer – is calling for the government to help the industry and policy makers grow the already downturn bucking mobile industry.

The UK's digital communications industry – including mobile operations from retailers, network providers and developers – is worth more than £50bn to the UK economy, according to a recent report prepared for the Department for Culture, Media and Sport, and directly employs 531,000 UK workers.

eBay's Mobile Manifesto includes seven critical areas of focus that will help grow the mobile industry and boost the UK's wider economic recovery. These cover improving networks and doing more to help retailers and brands optimize their mobile sites and develop apps.

The development of the Mobile Manifesto follows recent research conducted for eBay by retail experts Verdict that shows mobile shopping could deliver a £4.5bn boost to Britain's economy by 2016, and a further £13bn by 2021. ■

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