

INTERNET RETAILING

SELLING IN THE DIGITAL AGE

VOLUME 3 | ISSUE 5 | JULY 2009



BORDERS

Progression of a second mover's advantage

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EDITOR'S COMMENT

Looking through the rankings in the Internet Retailing Inspiration Index started me thinking about my personal shopping habits. Which sites do I browse (as a consumer rather than in my professional capacity) and which do I visit and just purchase from – and why?

Some sites are a pleasure to browse around and others are frustrating. With this issue's focus on 'product', Frank Lord of ATG says, "While all customers have different and ever-changing motivations for shopping online they all share a common desire to engage with products as closely as possible."

Verdict predicts that online will continue to grow but retailers are inevitably going to find themselves having to compete much harder against their rivals in order to achieve the same levels of growth that they have previously become accustomed to.

As The Hut Group explains, white labelling can offer retailers a larger product catalogue with effective delivery and fulfilment. And, Summit Media's Hedley Aylott examines how retailers can synchronise their stock levels with search to get the best value from campaigns and make search really work for their business.

Whatever 'product' means to you as a retailer, keep in mind what it means to you as a consumer, how and where those valuable touchpoints are, who inspires you and who doesn't get your vote, and more importantly, why.

Emma Herrod
Editor



FEATURES

6 COMMENT

Ian Jindal, IR's Editor-in-Chief, ponders the current issues.

8 BORDERS

Emma Herrod talks to Julie Howkins, Head of E-Commerce at Borders UK, about the company's first year online and multi-channel plans.

20 DASHBOARD

M-Commerce: are we there yet? A report on the latest views of the mobile commerce experts.

24 PRODUCT

Commentators examine how to place the right product in front of the shopper at the best time: white labelling, conversion, search, aggregated content and predictions for online spend through 2013.

REGULARS

04 FRONT MATTER

The shorts that get you noticed. Analysis of the key announcements affecting internet retailing.

18 RETAIL REVIEW

One retailer, four angles. Our team of experts reviews argos.co.uk

**38 AROUND THE WORLD**

Insight into retail in the US and emerging markets.

42 MOBILE

The latest news, opinions and analysis of m-commerce.

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HOT SHOPS 100 LIST LAUNCHED

To coincide with the third anniversary of The IMRG/Hitwise Hot Shops List, the first annual top 100 list has been announced. Since the first Hot Shops List in May 2006 there have been 17 new entrants, 13 retailers have moved up, 17 slipped down the table and just three retailers have remained static.

At number one, Amazon's dominance of the Hot Shops List has remained unchallenged since the List was first published. Argos has moved into second place, its highest May ranking to date, up from fifth last May and third in May 2007 and 2006, although it has been at number two in other quarters in the past.

Six of the original top ten retain their places: Amazon UK (1/1), Argos (2/3), Play.com (3/5), Amazon.com (4/6), Tesco.com (5/4) and Expedia.co.uk (8/7). They are joined by two of the biggest risers - Marks & Spencer (6/23) and Asos (10/50).

The seventeen newcomers to the Top 50 List since May 2006 are Epson UK, Tesco Direct, Sainsbury's, Topshop, River Island, Ebuyer, LoveFilm, Game, Homebase, Odeon Cinemas, New Look, The TrainLine, Cineworld Cinemas, Vue Entertainment, Ikea, Boots and Halfords.

"Looking back over three years of the IMRG-Hitwise Hot Shops List, perhaps the most surprising thing is how stable the top 50 has been," says Hitwise's Director of Research, Robin Goad. "33 of the retailers in this quarter's top 50 appeared in the list three years ago, nicely illustrating the staying power of top brands. It is also interesting to note that, of the 17 companies that weren't on the list three years ago but are now, the majority are established high street names."

IMRG / HITWISE HOT SHOPS LIST

Website	May 2006	May 2007	May 2008	May 2009
Amazon UK	1	1	1	1
Argos	3	3	5	2
Play.com	5	4	3	3
Amazon.com	6	5	6	4
Tesco.com	4	2	4	5
Marks & Spencer	23	12	7	6
Epson UK	DNR	DNR	DNR	7
Expedia.co.uk	8	6	12	8
Next	14	14	9	9
Asos	50	36	12	10

DNR = did not rank

Source: IMRG/Hitwise

AMAZON REVIEWS FOR RELAUNCH

Amazon is using customer reviews to relaunch 'missed' products online. The new AmazonEncore service uses information from customer reviews on Amazon websites to identify exceptional, overlooked books and authors that show potential for greater sales. Amazon then partners with the authors to re-introduce their books to readers through marketing support and distribution into multiple channels and formats, such as the Amazon Books Store, Amazon Kindle Store, Audible.com and national and independent bookstores.

"Sometimes exceptional books and new authors don't get the attention they deserve," says Jeff Belle, Vice President of Books for Amazon. "We're fortunate at Amazon to have customers who know great books and aren't shy about telling us when they find one. We developed AmazonEncore to connect readers with great books that were overlooked the first time they were released."

ONLINE UP FOR TRUSTED M&S

Despite pretty dismal overall results for its year to end March 2009, with like-for-like sales down 5.9% and profits down by 38%, Marks and Spencer's online operations have significantly outperformed the market.

Sales from the company's website were up 34% and the retailer's share of the online clothing market increased to 5.3% from 4.5%. Traffic to the site also grew by 36% over the year and the report on its final results also highlights improvements in the site's performance. "The website successfully traded through its biggest ever day during our One Day Christmas Spectacular in November 2008," says M&S, noting also that "we ranked top of the latest eDigitalResearch E-Retail Index, up from 10th place previously."

M&S is very much a valued store with one in five shoppers (22%) voting it the business they'd least like to see disappear from the High Street if the economic downturn forced it to close its doors. A further 22% claim it's the most trusted high street retailer, according to a new survey commissioned by specialist marketing agency Baber Smith.

The iconic retailer, which celebrates 125 years in business, is joined by Boots (13%) and Tesco (13%) as the top three retailers Brits would hate to see leaving the high street.

The research reveals also that a good selection of products (54%), good value for money (48%) and a good reputation (31%) are the three main reasons shoppers would hate to lose their favourite High Street retailer. Online shopping may be popular with the younger generation, but the majority of Brits (32%) still prefer to do their fashion shopping in the town shopping centre, compared with the 15% who buy their goods online. Ethical business practises have dominated retailers' agendas in recent times but only 17% of consumers identify this as an important factor in establishing trust.

MANAGERS BULLISH ON PROSPECTS

UK ecommerce managers are confident that they will either grow or maintain their teams this year and even receive pay increases, according to the findings of the Digital Industry Confidence Report. Despite the UK jobless total surpassing two million earlier this year, the vast majority (81%) of ecommerce managers are either 'very confident' or 'quite confident' that they could move companies if they wanted to in 2009.

Main findings from the report by digital recruitment and executive search consultancy Bearing Partnership include:

- 77% of UK ecommerce managers hit or exceeded their own sales targets during 2008.
- 85% expect to either expand or maintain staffing levels this year. Encouragingly, the number which plans to expand (36%) is more than twice the number who expect to cut digital staff (14%) during 2009.
- Almost half (46%) are either "very confident" or "quite confident" of a pay rise during 2009 with just over a quarter (27%) not convinced that they can look forward to a salary increase this year.

\$3M FOR DELL FROM TWITTER

Dell has made a total of \$3 million in sales from its @DellOutlet Twitter account since starting to tweet in June 2007, the company has reported.

Dell uses the @DellOutlet account to promote special offers and to respond to queries. "We've surpassed \$2 million in revenue in terms of Dell Outlet sales, but we're also seeing that it's driving interest in new product as well," according to the company's Direct2Dell blog. "We're seeing people come from @DellOutlet on Twitter into the Dell.com/outlet site, and then ultimately decide to purchase a new system from elsewhere on Dell.com. If we factor those new system purchases that come from @DellOutlet, we're actually eclipsed \$3 million in overall sales."

HALFORDS' MULTI-CHANNEL UP 90%

In its preliminary results for the year to 3 April 2009, Halfords has reported little change in its profit before tax, up 2.4% at £92.4m, or its overall revenues, down 0.3% at £794.7m.

In its multi-channel operations, however, the retailer has reported a revenue

increase of 90%, driven primarily by the introduction of its Reserve & Collect service.

Halfords revamped its website in December 2008, introducing a suite of leading edge ecommerce technologies and strategies built into a platform supplied by Salmon.

NEW LOOK UP 156%

Fashion retailer New Look has reported record results for the year to 28 March 2009, with sales up 13.1% and profits up 8.5% to £217.6m. The fashion retailer's annual report provides substantial information on the success of its online operations, too, with visitor numbers up by 156% on a year ago to an average of nearly one million a week.

Significant investment in the development of a multi-channel strategy is now set to follow, with its new ATG-powered website due to roll out later this year along with the installation of new tills that will allow customers to order goods in-store for home delivery.

A new international website is also to be launched, allowing customers to shop from mainland Europe. Overall, the annual report explains, New Look is aiming to capture a 13% share of the online clothing market by 2012, up from its current 4% share:

"Customers are increasingly turning to the internet for their shopping and as with most other categories, the online share

of the UK clothing market is forecast to rise significantly over the next five years. New Look's first full year of ecommerce trading has seen success ahead of our expectation and we now plan to move forward with a fully integrated multi-channel business — effectively making our full product range available in all our stores.

"We aim for ecommerce to deliver enhanced access to New Look, a satisfying customer experience, and an additional revenue stream for the Group. We've already driven our online growth by attracting more customers to our website and increasing their willingness to spend online through launching new categories such as Maternity, Tall and Menswear, alongside our core Womenswear online offering.

"Key to future growth is the delivery of a multi-channel proposition, facilitated by investment in a new web platform, enhancement of our EPOS system and realignment of our operating model. This will require capital investment of around £12.4m over 2 years, but will pay back in the same period."

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THE AUDIT AGE

Ian Jindal mourns the passing of Social Commerce and heralds with regret the 'Audit Age' - where customers stand judge and jury over our brands.

RETAILERS are looking to Social Media to make a genuine, beard-to-beard connection with customers: look into their eyes, smell their breath and feel their heartbeats as we take their cash. The drive to Social Media takes two forms: hand to hand tools that demand commitment, consideration and resources to use; and tools that industrialise customer contact so that we can appear to care while in fact remaining at HQ (oops - Colleague Support Centre) thinking of marketing plans.

While we sit in air-conditioned splendour planning the next exploitation of customers, however, the game has shifted somewhat; customers are now placing us under scrutiny. It's axiomatic in social media that there's a conversation in progress about our brands and whether we choose to engage or not makes little difference: it will continue without us and indeed is outwith our control. The conversation has recently moved to become a critique and we need to consider our response to this.

Many years ago a less-than-friendly Chairman growled confidently to me that I should treat every Board meeting as an interview for my own job - as CEO that didn't cheer me a great deal! However, this is the situation today with our brands: our customers (are they "ours"? 'audition' us each time we have contact with them, testing whether or not we are relevant and exciting to them.

The root of "audition" is the Latin 'audire', to listen. An audition is an interview for a performer where they give "a practical demonstration of their suitability and skill". Were we to consider our every email blast, product promotion, marketing copy an 'audition' for our contact's money and approval

I wonder how happy we'd be at

cranking out another 70%-off email? Those brands gaining approbation and admiration in our Inspiration Index are characterised by their inventive, characterful marketing voice, full of perceived integrity. This is the new 'clear blue water' between old marketing and new.

There's another less benign word coming from 'audire', however, and that's "audit": "an official inspection of an organisation's accounts, typically by an independent body". Ordinarily, audits are financial and conducted by faceless suits, directed to a small audience of shareholders. The inspection of a brand's activity online though is increasingly open: one's actions are now debated in the public square.

A recent example of customers berating a brand's "inappropriate" behaviour was Habitat UK's appropriation of the term 'Iran Elections' while attempting to promote themselves on Twitter.com, the micromessaging phenomenon. Habitat attempted to link themselves to the much-searched-for term at the height of the international concern - it was the number one term on Twitter. However, Habitat's appropriation of this 'tag' (as collective terms are called) was inappropriate and brought a storm of opprobrium and bile from the digerati. Such was the furore that Habitat UK issued a fulsome apology, and sacrificed the handy - in these situations - 'intern' to abate the baying for blood. Indeed, entering "habitat apology" in Google yields c201,000 results - BBC, NY Times, The Guardian and of course the indignant blogerati. Sigh. Let's say that this counts as a #fail.



The crime was not that heinous in the scheme of things, but it exposed the brand as naive, opportunist and inept.

In the mobile age other aspects are open to 'audit'. Mobile applications like SnapTell can identify media in a store by photographing the cover and suggest the cheapest online prices. One click (tm) later and the book's bought - online, from a competitor. Ratings and reviews can now be called up via the product barcode, and price comparison (linked to your location via GPS) can direct customers to your online competitors or their nearby stores. And of course we're familiar with voucher sites punching holes in our promotional targeting...

In all, customers - no, I mean "consumers" - are armed with real-time, networked tools to check opinion and fact, and exploit differences in our tone of voice, promises and channel strategies. We can not control this.

This new audit age requires clarity and commitment. Clarity about our aims, values and approaches; and commitment to promulgate this essence by all and every means.

The days of cosy, tactical 'Social Marketing' are over before they've begun. In this Audit Age we are reviewed dispassionately by consumers: those brands with character, flair and coherence will thrive, while those found lacking will be publicly chastised and increasingly ignored.



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PROGRESSION OF A SECOND MOVER'S ADVANTAGE

Emma Herrod talks to Julie Howkins, Head of E-Commerce at Borders UK, about the company's first year online and multi-channel plans.

HIGH STREET bookstore chain Borders started beta testing its first transactional website in July 2008. It may be a late comer to the online world but it's a retailer who has set its second mover advantage sights on Amazon, the supermarkets and others who have moved into the world of bookselling.

The plucky second mover has taken the route of staying true to its brand, its customers and their engagement with the store and the community rather than launching a 'me-too' site. The company's original online presence was very much focused on its community, the stores and

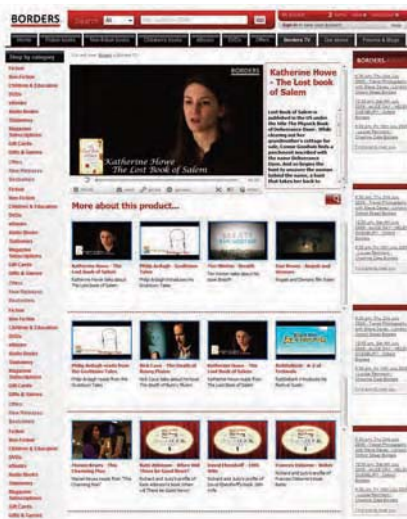
the relationship that customers had with the brand – Starbucks cafes in the stores offer a gathering place for 'book worms' and the forums online replicated and enhanced the conversations going on offline. People using the online forum were then directed to Amazon to make any purchases.

Borders was part of the larger US organisation but was sold in September 2007, along with Books etc, to C4 Chairman Luke Johnson's private equity fund Risk Capital Partners. By the time Julie Howkins joined the organisation in March 2008 the decision had been made to launch a transactional website and Tangent One chosen as digital partner.

Borders' ecommerce team consists of just four people, including Howkins, so as much as possible of the site is automated. "Anywhere an algorithm can help do boring or repetitive stuff it will," says Howkins. This allows the ecommerce team to act as retailers and "dress the window" and do manual tweaking as necessary. "As we are a small team it's important that we are as efficient and focused as possible."

The entire organisation was behind the site's launch and store staff bought into the digital marketing opportunities it brought. "Borders local sites are important to the stores; they can promote events and it's a way of them having their own identity in their community," says Howkins. Each store has its own webspace through which staff can upload their own recommendations and publicise store-based events. These are automatically brought through to the main Borders' site giving them an incentive to keep their own space up-to-date.

Prior to the launch, stores had been proactively collecting customers' email addresses enabling the site to launch with a ready-made database of over one million customers. Their collection by the



stores also means they are location-based so emails could be tailored to each store and local events marketed just in that area.

"Emails driving traffic to the site or to the customer's local store allows customers choice and drives sales at Borders regardless of channel," says Howkins. "The stores will only ever have a finite range and the long tail is where the advantage has been for us." Customers can buy online and have their purchase delivered to their local store free-of-charge – which gives store staff the opportunity to cross sell when the customer is in front of them. "We're currently making sure that stores make the most of this opportunity and will be changing how online purchases are collected in store," says Howkins. Orders are currently collected from the tills and this will change with orders collected from existing information points. The online business counts as a separate business unit within Borders and online sales are attributed to it regardless of where the product is delivered or collected. ▶



MOBILE

Mobile commerce is something that the company is considering but "nothing will happen this year," says Howkins. Mobile vouchers have been used in the stores with customers texting a number from an in-store poster in order to receive a voucher for spending in store. "As we had a database of customer email address before launching the transactional website so we'll have a database of customer mobile telephone numbers before we introduce mobile commerce," says Howkins.



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EBOOKS

Ebooks are a new addition to the Borders catalogue and, as yet, account for a very small percentage of sales. The average ebook customer is a 'silver surfer' with time to read lots of books. "Ebook fulfilment is carried out by Gardners and is instantaneous. The order confirmation email includes a link for the customer to download their book".

Content for ebooks has been an issue and publishers have had to go through the distribution rights issue that the newspaper and music industries have already moved through. By the autumn, publishers will be launching ebooks simultaneously with the printed versions and pricing them in line. Borders plans to launch its own ebook reader, which will be bundled with a number of books and "big incentives" for customers to load up their e-reader at the time of purchase. "By the end of 2010 ebooks should account for 10% of our sales," predicts Howkins.

One of the impacts of the site's launch and the measurement and analytics that go with it is that the bricks and mortar stores want to increase their level of measurement and customer data capture. Currently, the chain does not have 'one view' of the customer and that is set to change in the next six to 12 months. For example, the site receives 750,000 visitors per month but footfall data isn't collected. All the company knows is that the site performs as well as one its high street branches.



“AS WE ARE A SMALL TEAM IT'S IMPORTANT THAT WE ARE AS EFFICIENT AND FOCUSED AS POSSIBLE”

CROSS CHANNEL

The retailer does not suffer from legacy systems which have to be built around in order for it to operate across different channels. A new point-of-sale system was installed in all of the stores and this allows staff to see customer order histories and place orders for customers in the store for home or shop delivery. The same view of the online back-end system is also seen by staff at the outsourced contact centre. This clean sheet has meant that Borders can do the "right things from the start."

"We will start to look at how store stock availability information can be used online," says Howkins, explaining that orders for collection in store are fulfilled daily from a central distribution centre, rather than from shop stock. The fulfilment operation, which also fulfils the orders for home deliveries, is outsourced to book wholesaler Gardners, which also fulfils orders for ebooks.

Borders has not had its own distribution centre since August 2008, when the centre it inherited from fellow book retailer Books etc was closed. Each store now deals directly with book publishers and wholesalers.

ONE YEAR ON

Following the busy Christmas gifting period, Sitemorse's Website Rankings of Retailers – which measures accessibility and performance – showed that Borders' website had improved markedly, rising 56 places to reach third position. In its first year online, Borders has:

- Launched ebooks
- Pioneered the use of auto-complete search
- Introduced its 'Spookily Accurate Fiction Finder' – an algorithm-based tool that recommends new book titles based on the user's favourite books thereby extending customers' reading lists and encouraging them to look outside of their usual reading genre
- Seen its conversion rate increase by 35% since Christmas 2008

"We're now doing an email campaign for product reviews," says Howkins. "User generated content and the community feel is very important to us. Having separate blogs and forums allows Borders to have a unique experience. It's not just about

shopping; Borders TV – which includes interviews with authors – has been syndicated to The Telegraph.”

And, like many ecommerce sites, Borders.co.uk is continually evolving. “I don’t think a site ever stands still. Customers’ requirements are always changing and ebooks [the latest addition to the Borders’ 9.5m title range], weren’t even on the horizon when the site launched in 2008.”

The next evolutionary stages will see improved search and the addition of second hand and rare books. This is being introduced in partnership with Alibris and will complement Borders’ print on demand facility in the shops and will include many out of print books which appear on students’ reading lists. One feature that will be dropped is customer registration, allowing people to make a purchase without first having to register.

There’s no denying that the book market has changed in recent years, and not only because of Amazon. The pure player has done a lot to raise the perceived value of books but the overall market hasn’t increased in that time, explains Howkins. “Books are more accessible than ever before. The market has changed and the most dominant retailer is no longer a high street retailer. There is scope for us to nibble away and get some of Amazon’s book marketplace. A book is a product which has a lot of emotion attached to it. Customers invest a lot of time and imagination in a book. You can tell a lot about someone from what they read. Some customers want more choice.

“Yes, we’ll be looking to provide more digital content, whether that’s games, music or films, but there will always be a place for the printed book.” ■

REFINANCING

In terms of timing for the site launch “We couldn’t have chosen a more competitive time to launch a transactional website,” says Howkins, explaining how for Borders the site is not about having the lowest prices in the book market. “We are price competitive across the whole range, offer good value and choose what we promote,” she says. “The business has to be sustainable.”

“Customers are more value-driven, more aware of voucher activity and money-off sites. We’re prudent about where we spend our marketing money and the economic climate is making us very aware of measuring ROI and what works and quickly turning off anything that doesn’t work. We’re being very responsive and can react quickly to any hype around a subject and have something live within hours.”

Trading though has not been trouble free. When the UK side of the business was bought from the US parent in 2007, Borders UK had over 1,000,000 sq ft of retail space and around 8% of the retail bookselling market – operating out of 42 Borders superstores in city centres and retail parks and 28 high street and airport bookshops under the Books etc. and Borders Express brands. It recorded sales of approximately £223 million for the year ending February 2007.

In February 2008, a £23m asset-based loan was agreed with Iceland’s Landsbanki Commercial Finance and later RSM Bentley was brought in to advise on restructuring the chain of 41 Borders and 10 Books etc and Borders Express stores – some underperforming stores were disposed of in 2008.

Just before Christmas 2008, it was hit by the collapse of Entertainment UK, the Woolworths-owned entertainment distribution business that supplied Borders with CDs and DVDs. Amazingly, this part of the Borders site was back up and running within 48 hours with a new supplier. Howkins explains that Gardners, one of its existing suppliers, had already started building a range of DVDs and since product feeds were already in place between the two organisations adding additional products to the Borders catalogue was neither as stressful nor as catastrophic for the business as it might have been.

More recently though, corporate finance house Clearwater Corporate Finance has been appointed setting the industry speculating that Luke Johnson may be looking to sell the chain. (Any sale could be complicated by the fact that the US Borders Group still owns the Paperchase concessions within the Borders stores in the UK and Ireland.)

The official word from Borders is: “Following the successful completion of a series of major structural changes in 2008, when Borders UK invested in new IT systems, a new supply chain, disposal of underperforming stores and the launch of a transactional website, we are now well-placed to explore opportunities to take new retail space and develop new trading relationships at a time of significant format change in the products we sell. Consequently, Borders UK has appointed an adviser to seek out funding opportunities. We will be keeping our staff and suppliers fully apprised of this activity.”



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OPERATIONS AND IT: THE THIRD INSPIRATION INDEX DIMENSION



THIS MONTH'S survey brought, in a late surge, the triple joys of our highest level of voting, a swathe of new companies in the Top 15 and a continuation of the ding-dong battle between the David (mydeco) and Goliath (Amazon) that has been keeping us all on the edge of our seats...

INTERNET RETAILING'S INSPIRATION INDEX

We asked, along with our research partners, eDigital Research, for you to be so kind as to share with us those retailers who're bringing tears (of envy as much as delight) to your professional eyes.

The dimensions of inspiration are:

1. Moments of brilliance and delight (March issue – Amazon led the field)
2. Customer experience (May issue – mydeco took the laurels)
3. Operations and IT (this issue).

We still have Merchandising, Marketing and Strategy to come.

OPERATIONS & IT

We thought that this dimension would be a simple and straightforward one, following the more 'experiential' first dimensions. We expected that 'big ironmongery' would win through, with a collective 'oooh' for large-scale plugs and pipes.

We were right. But we were wrong as well since you placed two interpretations on this dimension:

1. The underlying technology and operational infrastructure that allows millions of orders to millions of customers, and
2. Cunning 'front-end' technology, and the use of IT to make the previously-impossible available online.

We hadn't anticipated this interpretation, but your comments made your intentions clear – and we are happy to hear your views.

This means that we have the supermarkets and major players scoring highly (with Amazon, Ocado, John Lewis and Argos showing very well, and new entries from Tesco, M&S, Fagleaves and

Ian Jindal reviews the results of the "Operations and IT" dimension of Internet Retailing's Inspiration Index and sees some major companies setting the pace for the enviable quality of their operations.

EasyJet – complex and extensive product sets, offered impressively as a result of their IT and operational capabilities).

We also have mydeco showing very highly indeed, with voters appreciating the capability of their rendering, 3D and room-set IT capabilities and software development.

We're pleased to see increased diversity outside of the top 5 and some new entrants.

The results of this survey, along with the positions from the Customer Experience dimension (see IR May), are as follows: ►

THE 'TOP 15' FOR DIMENSION 3 OPERATIONS & IT

Rank	Etailer	Last rank
1	Amazon UK	2
2	Mydeco	1
3	John Lewis	4
4	ASOS	5
5	Argos	13
6	LOVEFILM	7
7	Ocado	11
8	Net-a-Porter	15
9	Tesco.com	-
10	Apple	3
11	Boden	6
12	Fagleaves	-
13	easyJet	-
14	Glasses Direct	-
15	Marks & Spencer	12

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The margin between Amazon and mydeco was barely measurable and lead position swapped regularly during the voting. Argos' showing is well-deserved given their pioneering achievements in reservation online and collection in-store, as well as dealing with such an extensive stock range. Ocado's position at 7 is also to be commended – especially since they only achieved a place on our initial 50 last month.

We're pleased to see this level of volatility in the Index since it bears out our view that (with the few exceptions of the 'power retailers' who excel at most things) there's a broad range of retailers to inspire professionals in ecommerce.

Just outside the 'cut' were good performances from House of Fraser and Clarks, beating off some strong competition in British Airways, Topshop and Ikea. Last month's outlier, Tesco, made it to 9th in this month's vote.

OVERALL STANDINGS

The overall standings are based upon the 'cumulative inspiration' rather than being a simple summation of each dimension's table: as we can see this month "not all first places are equal" and so over time we want to capture the highest amount of inspiration for the greatest number of retailers.

Our standings table therefore sums the 'total preference' across all dimensions – the 'quantum of inspiration', if you like.

The Top 6 have maintained and consolidated their positions, while Argos has pushed its way to prominence. Ocado and Net-a-Porter are the two winners, though, breaking into the leader board with solid results in each round.

Eight basis points separate 10th to 15th positions and the gap to the 16th position is a further 3 basis points. This means that we would expect to see further movement after the next dimension, "Merchandising".

AMAZON

We were not surprised by Amazon's performance in this category. Amazon for many represents the acme of operational effectiveness. One responder was moved to say "They're not on the internet, they are the internet", citing their 'awe-inspiring'

OVERALL STANDINGS AFTER THREE DIMENSIONS

Rank	Etailer	Last rank
1	Mydeco	1
2	Amazon UK	2
3	John Lewis	3
4	ASOS	5
5	Apple	4
6	LOVEFILM	6
7	Argos	10
8	Boden	7
9	Ocado	-
10	Play.com	8
11	Net-a-Porter	-
12	Tesco.com	13
13	easyJet	11
14	Figleaves	15
15	Ikea	9

infrastructure and logistics, as well as their broader contribution to IT services and cloud computing via their S3 and EC2 initiatives.

Operationally, Amazon earned plaudits for their 'time to order' countdown and the clear signalling (and background orchestration) of multiple supply chains. The smooth operation of email information, delivery updates and customer service enquiries all warranted detailed comment.

Overall, the comments gave the view that this was "how to do ecommerce" – serious commendation indeed from such a knowledgeable group of people.

MYDECO

There was another strong performance from mydeco on this dimension. The 3D tool gained universal positive comments and a handful of commentators mentioned the development of a 'community platform'. While we at IR Towers try to avoid the "P" word wherever possible, it's clear to us that our retail experts see within mydeco an increasingly coherent and capable 'platform' connecting users, suppliers, retailers and products via an inventive and polished interface.

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While just 'pipped' to first place by Amazon it'll be interesting to see in the next dimension – Merchandising - how the new visual and social online merchandising tools square up against Amazon's pioneering ratings and 'people who bought...' approaches, so widely emulated across ecommerce.

JOHN LEWIS & ASOS

There are continuing strong performances from the second row on the IR Grid. John Lewis' advocates this month had "simplicity" as a key theme. They appreciated the restraint and simplicity with which stock information was 'surfaced' to the customer: stock level messaging, email when back in stock, and automated updates all earned citations. Their 'Buy online and collect in store' service earned particular praise for its clear signing and customer feedback at every stage. Respondents indicated that John Lewis had the most seamless web and store service, but at IR Towers we were surprised that Halfords and Argos didn't feature more highly in this regard.

ASOS's fans this time cited the checkout process and its smooth, informative and robust construction, as well as the range of delivery options across their range.

THE NEW ENTRANTS

Argos made a barnstorming entry to the Top 5 this month, on a wave of multi-channel admiration: "you can buy anything, anyhow and it all just works," enthused one inspired respondent.

Argos earned plaudits for their use of the mobile channel and the clarity of their display of delivery options and information.

We were so pleased with Argos' sprint that we have selected them for this issue's Retail Review and we've unleashed our reviewers upon their site to see if our experts echo the positive vibes in the survey.

Tesco.com have made a very positive appearance in the Index, with much praise for their management of delivery slot options, allied to good communication, by phone and web, of delivery status, right to the final few miles. One commentator offered that they have "raised the bar, and the general expectation of consumers, about delivery specificity".

NOTABLE ABSENCES

A good number of retailers 'broke their duck' this month since – despite the same retailers featuring at the top end – the votes were more widely distributed. Currys, Debenhams and Topshop have all scored now, and we look forward to hearing more of them. First Choice, Game and Thomson Holidays remain voteless – can this really be true? They will be removed from the list if they continue not to be a source of inspiration... Asking to be admitted are recommendations like Vente Privee, Yoox, Firebox, ShopStyle and MyWardrobe – these will replace the bottom of the initial list after next month's vote, so please do keep suggesting other retailers to us.

We were pleased to see votes from our European readers, with Amazon.de and Yoox featuring highly. We're still keen to hear how to extend our coverage to the inspirational European retailers – suggestions to editor@internetretailing.net.

NEXT

The next survey will be on Merchandising, and we're very excited to see which aspects of online selling and the arts of presentation, persuasion and upselling are most appreciated by ecommerce professionals, as well of course as the traditional merchandising skills of managing complex stock demands. ■



Reduce Cart Abandonment

1 in 3 shoppers abandon owing to delivery concerns

- ✓ Manage **multiple carriers** easily through one system
- ✓ Reduce **delivery costs** and deliver right first time
- ✓ Offer wider **delivery options** and quicker delivery times
- ✓ Better **parcel tracking** with email and sms notifications
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570,000 unique visitors in a single month. Fortune Cookie's redesign of slh.com for Small Luxury Hotels of the World increased reservations by **45%**, room nights by **56%**, and Average Room Rate by **15%**. The site also won Best Hotel Website at the Travolution Awards **2008**. The site we built for Accor Services achieved almost instantaneous results.

Leads generated from the site increased by more than **350%**, and the homepage bounce rate dropped by **50%**. Users are more engaged with the site visiting twice as many pages as before. Most significantly, more parents are saving money as a result. The 'Pensions Gym' we developed for FT Business proved to be a winning idea, when more than **1000** stakeholders registered for training sessions to learn more about investments. More than **180,000** people have taken the interactive '2 minute test' which we developed for Diabetes UK to find out whether they are at risk from diabetes. In the **5** years that we've been working on the site, bookings through kuoni.co.uk have risen no less than **71%**. The **2008** redesign lowered the

homepage bounce rate by **28%** with **40%** of visitors clicking through to the special offers.

Since we were founded in **1997**, Fortune Cookie has delighted our clients — and their users — with findable, beautiful, usable sites that deliver tangible, measurable results, time after time. We are ranked number **5 out of 400** for delivering our customers ROI (as voted by client readers of Revolution, Marketing and Marketing Direct). Our sites have won our clients no fewer than **28** industry award nominations in **2007/08** alone. And more and more top brands are choosing us to help make their online numbers add up: we are the UK's **no 1** fastest-growing digital design agency (**2008** Media Momentum Awards). After we redesigned www.lta.org.uk for the Lawn Tennis Association, site searches for information about player rankings increased by **167%** and there was a **10%** increase in the number of visitors returning to the site. During Wimbledon **2008**, the site received **570,000** unique visitors in a single month. Fortune Cookie's redesign of slh.com for Small Luxury Hotels of the World increased reservations by **45%**, room nights by **56%**, and Average Room Rate by **15%**. The site also won Best Hotel Website at the Travolution Awards **2008**. More than **180,000** people have taken the interactive '2 minute test' which we developed for Diabetes UK

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* In the 5 years that we've been working on the site, bookings through kuoni.co.uk have risen a staggering 71%.



ARGOS REVIEW

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

RETAIL STRATEGY

Ray Fowler, Retail Consultant, CVL

To set an honourable precedent for any Member of Parliament who may be reading this, I'd like to state for the record that CVL has been working with Argos for a number of years.

However no expenses were involved in the writing of this article, and I promise to remain impartial!

Whichever way you look at it, Argos is an online retail phenomenon. Their £1bn online operation achieved a Hitwise ranking as the UK's second most visited website in their shopping category. This year they won Online Retailer of the Year, the judge's commenting that their operation represents a 'whole different level of experience'.

With back-up from over 725 stores and an established catalogue business Argos' online operation has an integrated multi-channel approach that other store brands find hard to emulate. Online selection, availability checking, reservation and store/home delivery services are first-class. Options such as disposal/warranty services, chosen delivery days and special delivery instructions are all options at the point of purchase.

So what challenges now for Argos? As multi-channel market leader they're moving ever closer to fully integrated systems and processes. But they've got to differentiate and continue to break new ground - B&Q, Halfords, Comet and others are learning by their example, 3-6 months behind the bleeding edge. And snapping at their heels is a fast-growing Tesco Direct model.

Argos could also benefit from developing the customer service side of its multi-channel offering, taking some learnings from recognised leaders such as JLP and M&S. Although Argos has recently launched online order tracking, they are still behind the market in terms of cross-channel order management functionality. There is also scope to introduce some more value added services online and in-store such as wish lists, gift wrapping and carry-to-car services operated by JLP amongst others.

And I suppose that with 20,000 products (2,000 internet-only) you could say that there is simply too much choice. I mean, does anyone actually need a USB Stainless Steel Coffee Warmer? Hang on, £4.89? I think I'll have one...

USABILITY

Lorraine Paterson, Usability Consultant, User Vision

The Home Retail Group recently announced that sales at Argos are up with multi-channel sales accounting for 42% of total sales. What everyone wants to know is what Argos is doing to make sales surge so dramatically?

One of the major reasons seems to be the check and reserve service. Argos gives its customers choice by presenting options to buy online or collect in store. The large green 'Buy or Reserve' button provides a clear call to action and in addition, customers can easily check the stock of their item before committing to a purchase by inputting their postcode.

It is not clear up front that delivery will incur a delivery charge whereas reservation is free. However, once a customer commits to buy, they are given another opportunity to change their mind after reviewing the delivery charges. Layout and design of information is important to convey messages quickly and this is something that Argos does well. Separating each option with colour, bold headings and associated pictures makes the process quick and easy.

Convenience is at the heart of everything for a customer at Argos. A free text service is offered to customers which makes it easier for them to remember their reservation code. Additionally, customers do not have to register to reserve a product and are given the option when buying online, something which will encourage sales. A sense of urgency is also a great tactic for increasing transactions. If a customer is informed that only one item is in stock at their local store, they are more motivated to reserve and collect the item, especially if it is out of stock online.

Argos has shown that traditional bricks-and-mortar retailers are really harnessing the power of the internet to drive sales. Not only that but they are using their extensive network of shops around the country to their advantage.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director,

SimpleUsability

Users were asked to choose a barbeque for themselves on the Argos website and reserve it for collection. Participants confidently browsed the site's navigation and easily found the empty search box. Once into the BBQ section, the guided navigation worked well for those users who didn't use search. However, users that searched for barbeques off the home page were distracted by the two recommended products on the results page and ignored the search results found below the page-fold.

Eye tracking showed us that users made their shortlists primarily based on product images and product names; then used price for final selection. During the selection process some users sorted the items in price order.

It was quite apparent that users struggled to reserve products, muddling their way through to completion. Users failed to understand the difference between checking whether an item was available for collection and then having to repeat the process to actually reserve the item at their chosen store. We could see users' eyes bouncing between the information in the trolley saying the item was available for collection and then cautiously reading the options below it for choosing collection, home delivery and signing up for an Argos credit card.

One user gave up searching for a store that had their chosen BBQ in stock as he had to exhaustively check each store with no help from the system with regard to stock levels or how far away the store was.

For the users that made it through to the page where they started to confirm a reservation, they incorrectly keyed in both postcode and town name and then looked at the 'OR' and realised they only needed to provide one.

Users were distracted by the "must be completed" on the final page of the reservation process, completely missing the "get a copy of your reservation details" title and then going to the text box for providing their email address, without understanding what this was for.

There are clear opportunities for improving the user journey when reserving an item for collection. We didn't expect to see a user get so frustrated and abort an order with such a mature retail website.

SITE PERFORMANCE

David Flower, Vice President, EMEA, Gomez

UK retail sales fell in May for the first time in three months as rising unemployment dissuaded shoppers from spending. This slow-down in spending was reflected in Argos' results; sales were down 2.8% in the 13 weeks to the end of May as it fell victim of the continuing low demand for furniture and homewares.

The economic uncertainty is an interesting time to be reviewing the performance of one of the UK's most well-known retail brands. Gomez studied www.argos.co.uk for a four week period – 16 May through 16 June inclusive.

From the major internet backbone nodes (e.g. ISPs), Argos' performance was relatively good and it finished in the top quarter of the Gomez online retailer benchmark with an average homepage performance of 1.86 seconds. Despite being in the top 25% of the table, it still lagged quite some way behind the fastest website – which was Tesco.com at 0.34 seconds.

A closer look at the performance data for the period shows that there were two significant events – one on 20 May and the other on 5 June – which severely impacted the performance of the site with homepage load times rising dramatically to 22 seconds and 16 seconds respectively. A detailed inspection revealed this to be down to one specific object on the site that failed to load.

The Last Mile performance – i.e. real-life desktop connections to show actual user experience – was poor, taking an average of 16.7 seconds to load. Compared with other retailers in the Gomez benchmark, Argos' performance in the first half of the review period was about average – at 12 seconds. However, from 2 June the average download time leapt to 21 seconds, corresponding to an increased page byte size from 300kbytes to 500kbytes. Again, Tesco was the best performer with an average load time of 3 seconds.

The site downloaded well on all major desktop browsers but it didn't fare so well with the mobile browsers, being available for the iPhone but not the Blackberry.

GOMEZ FIVE STAR RATING: 3.5 STARS OUT OF 5 MADE UP AS FOLLOWS:

Last mile availability:

11 points out of a maximum of 20

Last mile response time:

12 points out of a maximum of 20

Consistency on backbone:

14 points out of a maximum of 20

Competitiveness on backbone:

18 points out of a maximum of 20

Browser support:

17.5 points out of a maximum of 20

THE EXPERTS' VIEW OF MOBILE



Emma Herrod reports on the latest views of the mobile commerce experts.

THE MOBILE phone is a tool for retailers to use and not a separate channel was the main message coming from experts at the recent Mobile Retailing conference. Retailers should be careful how they use mobile though, since the mobile phone is seen as a more personal, private space by consumers than other forms of communication.

It's telling that it takes 26 hours to report a wallet lost or stolen yet it takes just 68 minutes to report a phone lost.

Mobile commerce is still 5-10 years away from mainstream adoption according to Gartner's 'hype cycle'. Yes, it's moving quickly towards the 'peak of inflated expectations' and there is a lot of hype around mobile commerce and mobile payments, but "very few consumers want to use the mobile for payments – that will change" said John Davison, Managing Vice President, Retail, at research company Gartner. "They do want to shop by mobile though," he added quoting research which showed that consumers view the mobile phone as more of a cross-channel shopping tool than a shopping channel.

Of the consumers who told Gartner they would use their mobile phone for shopping:

- 26% said they would check item prices on their mobile
- 25% would check store locations

- 22% are very likely to get promotions
- 16% would order an item
- 14% would pay using their phone

Showing the increase in consumers' propensity to purchase from their mobile phone, the number of consumers who say they are very likely to order an item when shopping from their mobile phone saw a 28% increase between the 2007 and 2008 surveys.

Retailers say that they intuitively know what consumers want but they have to be careful and use mobile in ways that suit the customer and not use it for technology's sake. As James Dyson famously said, "After the idea, there is plenty of time to learn the technology."

Retailers should be asking themselves "what's the best way for our business to be using it?" Davison advised retailers to map the shopper processes, how and where customers interact with the brand, and introduce mobile at the most relevant points. A digital native uses their mobile phone a number of times in their shopping journey i.e. social networking and this is speeding up the time to purchase.

Where a 'digital immigrant' will see mobile as a new sales channel, the 'digital native' expects to be able to shop in their world or context. One expects full transparency to retail information in real time; the other expects immediate access to all information. While the digital immigrant anticipates a full multi-channel experience, the digital native expects continuity between all off and online channels. The question to ask is can customers start their shop on a desktop at work or home and complete their purchase from their mobile on the bus?

"We must treat mobile as unique," said Steve Ricketts, Head Of Third Party Services, Orange. The mobile medium is here, it's the most personal and innovative medium but audiences still have to be reassured about its cost. "Do reassure, do innovate and do be relevant," he advised.

BEST PRACTICE

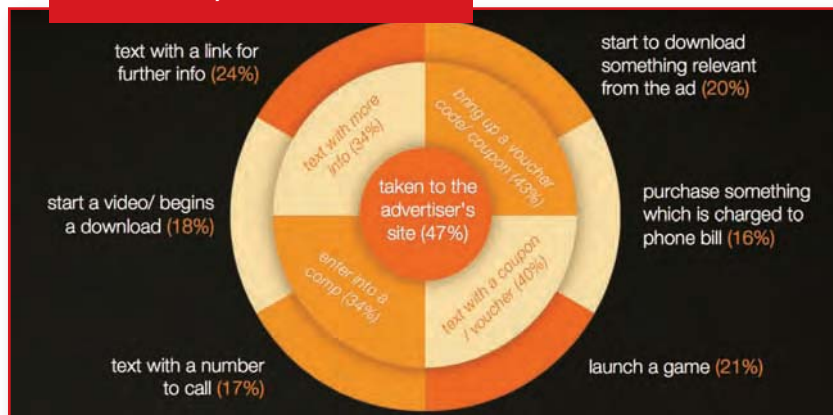
There are many examples of where the mobile is being used well. Argos is yet to be beaten as a

Retailers should focus on the ends, not needs. Technology is a slave not master. Five questions retailers should be asking themselves:

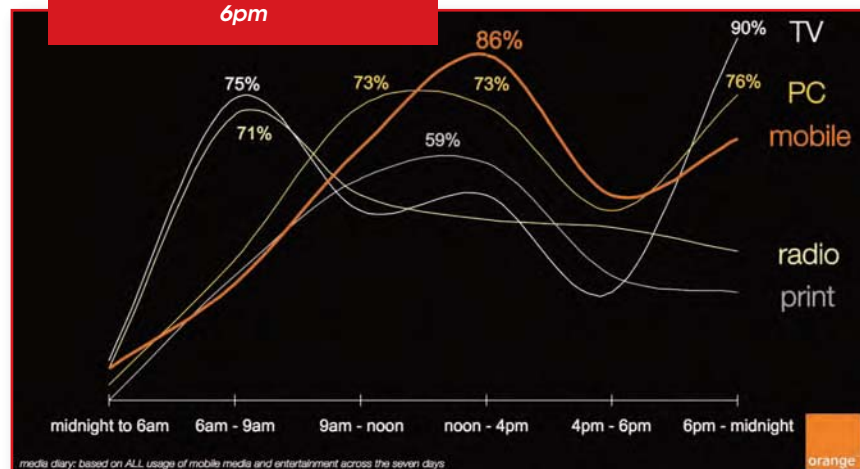
- How will emerging mobile behaviours impact our business?
- Could mobile add value to / remove friction from the customer journey?
- Are we doing the easy things to capture mobile data?
- What would mobile add to existing marketing programmes?
- Is our brand ready for the mobile internet?

Source: Phil Gault, Client Services Director, Sponge

User's level of comfort depends on what you offer them



Mobile is the most accessed media channel from 12pm to 6pm



leading multi-channel application in the UK and Sears2go is a great case study for the US.

As a marketing tool, mobile offers great returns. A Walker's text-to-win campaign which received over 17m responses altered customers' crisp flavour purchasing by up and cross-selling in 'loser messages'. Having texted losing entrants with the message "Did you know that yesterday, 34% of all winners came off BBQ?" next day Walkers received 78% of entries from BBQ flavour packs.

A campaign by BMW in Germany saw a 30% conversion rate for winter tyre purchases – which are a legal requirement – when they sent out an MMS showing customers their car model fitted with winter tyres. They waited for the first snowfall before sending the message and gave customers the price for the tyres in the image. Customers could then view their car model with different tyres and compares prices.

Orange Wednesdays, the 2 for 1 mobile voucher for cinema tickets, has changed consumers' film viewing habits as well as encouraging new films to be released on a Wednesday instead of the more traditional Thursday. Wednesday is now the fourth most popular night for visiting the cinema (after weekend evenings).

KEEP IT SIMPLE

However, "Not all phones are created equal but then, neither are all products," said Richard Marshall, CTO & Founder of Rapid Mobile. Apple's iPhone is great as an advertising tool – you just have to look at applications such as Carling's iPin,

the Virtual Zippo lighter flame and Reebok's shoe customising application – yet 95% of iPhone apps are unused after one month and 98.5% of handsets sold are not iPhones.

Multimedia applications, therefore, only have a small reach, java ME has a wider reach and the simplest SMS text message can be received by all phones. "Offer the best solution available to each customer – and do it automatically. You shouldn't have to ask them what model phone they have," said Marshall. He advised:

- Make it easy for customers
- Experiment – keep what works
- Include mobile as an element of the overall mix for
 - 1) ad and media
 - 2) customer service
- Give customers a reward (if you are using them as guinea pigs)
- Measure

Importantly though, "Retailers need to see mobile in terms of multi-channel. It's not a channel, it's a device," said Davison. "Yes, it effects online but its biggest impact will be the bricks and mortar stores since they are still the largest part of retail." ■

A close-up photograph of a white electronic device, possibly a parking meter or a public display. The device features a blue LED dot-matrix display. The text 'NEXT CU' is displayed on the top line, and 'NOT YOU' is displayed on the bottom line. The device is set against a blurred background of warm, golden light. Below the main display, there is a smaller, rectangular screen that is currently dark.

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NOT YOU

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*Based on a Q1 2008 SME Survey conducted by NorthStar Research



ETAIL STORMS AHEAD THROUGH RECESSION

With internet shopper numbers at an all time high and online spending growing by £2.4bn in 2009, etail is proving to be a star performer in the recession, says Verdict Research in its latest report, UK e-Retail 2009.

IN 2009, online spending by consumers on retail purchases will rise by a substantial 13.3% to £20.9 billion: a rate of growth in severe contrast to the historical decline being suffered by the total UK retail market. Although the internet is undoubtedly starting to slow and become a much more competitive environment, online retail is still set to reach £31.2 billion by 2013, accounting for 10% of total retail spending.

"The key for individual retailers is to formulate two clear strategies, one for succeeding through the recession and one targeting growth beyond this, as the online channel begins to approach maturity," says Malcolm Pinkerton, Senior Retail Analyst at Verdict Research and author of the report.

Online shopping is the golden opportunity in UK retail; resilient to the recession and with continuing growth prospects.

In 2009, total retail growth will contract by 0.6% as consumer spending is ravaged by the effects of the recession. However, the online market will expand by a substantial 13.3% over the course of the year,

driven by the continued increases in the number of internet shoppers and higher expenditure per head. This follows on from the trend of 2008 when there was a 1% increase in internet users - to 34.4m - and an 18.1% increase in online shoppers - to 26.7m - with each of these individuals spending an average of 5.8% more in comparison to 2007.

The major factor behind this outperformance of wider retail is the online channel's possession of a number of counter-recessionary characteristics. Internet prices are frequently cheaper than they are in physical stores and shoppers are able to more easily search out bargains, including second-hand goods. Moreover, as a method of shopping, it is disproportionately popular with the more affluent, and therefore more resilient, AB shopping class. For this increasingly time-pressed group, making effective use of their limited leisure time is of the utmost importance. Indeed, Verdict's report revealed that the AB group is now responsible for a massive 56.8% of all online spending.

"Those with less money to spend are turning to the internet to search out bargains on branded items like electricals," says Pinkerton. "Additionally, the more affluent groups, who do still have money to spend, continue to appreciate the internet for its convenience, making the channel doubly resilient to the downturn.

"There is some evidence that the most financially squeezed shoppers are abandoning the internet in favour of cheaper high street shopping at the likes of Primark, Matalan, Poundland and the grocers, particularly in sectors which retail smaller, lower priced items, such as homewares, DIY and clothing," adds Pinkerton. "But overall this is being more than outweighed by increases in bargain hunters looking for larger, branded items and the loyalty of those most financially comfortable consumers who continue to value convenience over price."

ONLINE RETAIL SPENDING SECTOR SUMMARY 2013 ON 2008

	2008 £m	2013 £m	Change %
Books	565	1,106	96
Clothing & Footwear	2,325	5,208	124
DIY & Gardening	662	639	-4
Electricals	4,741	8,219	73
Food & Grocery	4,668	6,295	35
Furniture & Floorcoverings	570	700	23
Health & Beauty	443	931	110
Homewares	941	1,246	32
Music & Video	1,779	3,257	83
Other Markets	1,736	3,552	105
Total	18,431	31,152	69

Source: Verdict Research

WORK HARDER & SMARTER

Although online growth in 2008 represented a substantial outperformance of wider retail, it was also the smallest rise in the channel's sales since the dotcom bubble burst in 2002. "There are a growing number of signs that the internet is beginning to mature and enter a new, more subdued phase of growth," says Pinkerton.

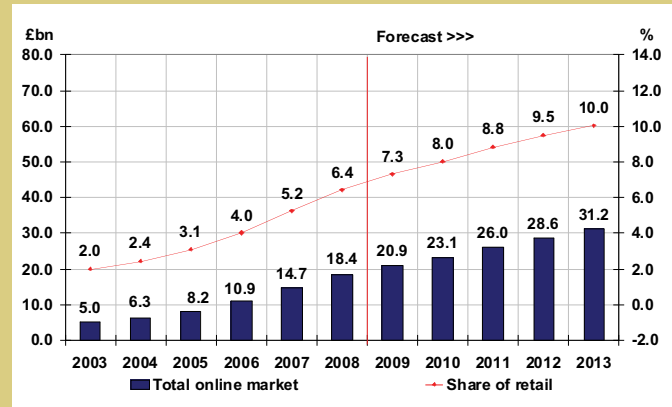
"Growth in the number of online shoppers in 2008 was strong, but considerably less than the growth seen in 2007. We predict that these growth rates will continue to fall over the next five years, as penetration of the population begins to level out.

"With the expansion in market capacity slowing, retailers are inevitably going to find themselves having to compete much harder against their rivals in order to achieve the same levels of growth that they have previously become accustomed to," Pinkerton says. "Success will depend on a company's ability to create retail theatre and a consistent shopping experience across all channels, with highly differentiated, targeted, propositions heightening the consumer experience. In addition, retailers will need to become more adept at using technology and unflinching at implementing innovations on their websites."

As well as targeting AB shoppers looking for convenience, retailers have to begin planning to exploit the areas which will propel growth after the downturn. The penetration rates of C2, DE and 55+ shoppers are currently so low as to make them relatively inconsequential, but looking to the future it is these same lower maturity levels which mean that these groups have such potential for growth.

"We will eventually see online spending soaring among the less affluent C2 and DE shoppers as a result of two particular factors: higher broadband access rates and the growth of free delivery," says Matthew Piner, Retail Analyst at Verdict and co-author of the report. "Traditionally the price of broadband accounts has restricted C2DE growth and this has become even more of an issue during the recession. However, we believe that once the economy begins to recover, the offer of cheaper connections, as well as free laptops and other goods as incentives, will see the take-up rates among C2 and DE consumers achieving notable growth. Consumers will also be attracted by the rise of free delivery: with the likes of Play, Waitrose and Amazon offering gratis services, it is only a matter of time before the majority of

VALUE OF ONLINE RETAIL SPENDING 2003-2013



Source: Verdict Research

retailers are forced to follow suit, attracting many more shoppers from the highly price-conscious C2 and DE groups."

The significance of older shoppers will also continue to grow as they develop a greater appreciation of the channel. "As it stands the penetration of the 55+ age group in particular is limited by a lack of understanding of the benefits of online shopping," says Piner. "However, the size of this demographic in proportion to the general population means it will eventually become a crucial target for retailers. Websites are already making more of an attempt to educate and engage older internet shoppers by encouraging them to use features such as customers' reviews, item recommendations and forums to find out more about products. Moreover, in just 10 years time, the heavy internet using 35-44 year olds will move into this demographic and take their internet shopping habits with them."

Verdict also predicts a significant alteration in the products and sectors which consumers shop for online, to be catalysed by the end of the recession. "Online retail will enjoy a sizable jump in big-ticket purchases as the housing market and economy eventually pick up," says Piner. "As shoppers have become more used to shopping online they are more likely to use this channel for big-ticket items when they are able to buy them again. Moreover, the credit crunch and subsequent recession are likely to have a long lasting impact on the attitude of consumers towards spending, fostering increasing austerity. With its clear price advantage over the traditional bricks and mortar channel, online will become even more attractive to recession-hit shoppers as they venture back to buying big-ticket items." ■

DISTRIBUTED ECOMMERCE

Emma Herrod looks around the web for retailers selling offsite.

RETAILING IS SIMPLE, isn't it? Just get the product in front of the customer when they want to buy it and at a price they are willing to pay. The '4Ps' of product, price, place and promotion appear on page one, chapter one of any marketing book.

Ecommerce has moved on from simply putting products online for customers to discover and having a different pricing strategy for on- and offline channels. As the digital channel has evolved, retailers have developed their online product placement and embraced strategies including affiliate marketing, advertising, price comparison, social channels and smart phone applications.

While all these rabbits in the marketing 'magic hat' allow retailers to reach out to potential customers, they also all take them away from the initial view of the product and back to the main ecommerce site in order to make a purchase. It's at this point that the magic can fail since it gives customers a brief amount of time in which to change their mind and not hit the checkout or confirm order button.

And what of customers who want to buy more than one item from an affiliate? Any toing and froing between affiliate sites to other retailers presents yet more opportunities to lose sales.

The idea of having just the one shopping basket which consumers can fill as they wander around the web with a single checkout at the end of their online session or the ability to 'see product-click-buy product' has been discussed over many a beer. Lots of innovative approaches have been tried and discarded or not lived up to their initial potential for security, privacy, technical or commercial reasons.

So what stage has product distribution and mobilisation now reached online and is there still a place for affiliate marketing?

AFFILIATES

The affiliate market generated nearly one tenth of all online sales in 2008. In its Affiliate Marketing Buyer's Guide, digital marketing consultancy Econsultancy predicts that it will be responsible for £4bn in online retail sales in 2009. While the cost-per-acquisition model is going from strength to strength, there are

still issues to be resolved around the 'last-click-wins' method of earning commission.

Shoppers may decide to buy something while on an affiliate site but then go to a voucher code or cash-back site and click through to make their purchase from these sites instead. The author of the report, Linus Gregoriadis, says: "Many consumers are going to these sites just before they make an online purchase, which means these sites are getting the credit. This ties in with quite a lot of dissatisfaction with the last-click-wins model for paying commission to affiliates."

Affiliate marketing is still a great model for getting products in front of consumers, and super-affiliates such as home design portal mydeco are innovating in ways that traditional ecommerce companies wish they'd thought of.

WIDGETS

Mydeco has developed a widget with integrated contextual RSS flows which people can place on their own site. The widget not only supports retailers, but also helps bloggers gather more information and makes tools such as the mydeco 3D room planner available to retailers.

"Increasingly, RSS feeds are being incorporated into applications for social networking sites, especially in Facebook where product targeting can be closely aligned with the person's profile. Fashion retailers, for example, can include items of relevance to the person's age and gender and update the feed with the latest news and seasonal style changes," says Kay Hammond, CEO of digital marketing and web design agency TAMBA Internet.

She explains that the person's Facebook image can be used to enable further interaction. Ecards can be sent with their faces in them, and their body shape can be analysed or dressed up in clothes from retailers so they can see what they would look like wearing them. "It's about usefulness and timeliness. When people first go onto a social networking site they tend to fill their page with anything that's relevant and then clear them out over time. Something that is static won't stay on the page for very long."

Hammond says that in social networking applications, consumers are happier with low to mid-value transactions, such as charity donations. For a high-value purchase they prefer to go to the core site for "a level of assurance".

TAMBA has developed a transactional application to generate monthly donations for charities by targeting Facebook users. They are presented with specific choices and when they see something that resonates with them they can make a donation and get a badge. Although a separate, secure window opens at the point at which they enter their financial details, the Facebook page remains open in the background.

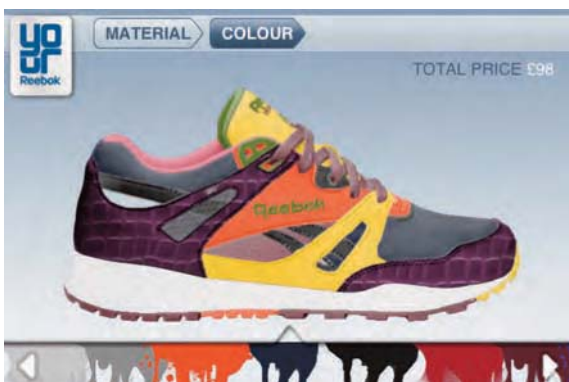
"People see social networking as an integrated part of the marketing mix, so we are seeing brands going to where the consumer is, rather than consumer to brand," says Hammond. "Twitter APIs are still relatively limited but it will be only a short time until it is at the same level as Facebook," adds Hammond.

She concludes: "How apps change and develop in the future is dependant on the amount of data that the networks open up for third parties to access, and how much the consumer is willing to disclose. I'm certain that one of the networks will develop an integrated payment process which will bring brand and consumer closer together."

SMART PHONES

Smart phones – and Apple's iPhone in particular – have expanded retailers' routes to the consumer. Apple's app store led the way for applications on smart phones when it launched a year ago. Since then, app stores have been set up for Google's Android and RIM's Blackberry phones, and Nokia has just unveiled its global Ovi Store. Microsoft's Windows Marketplace for Mobile has yet to launch.

Reebok has rolled out the Your Reebok application for the iPhone which, like NikeiD, allows customers to customise a pair of trainers. They can change up to 23 different areas of the footwear, choose from 19



10 BRANDS ACCOUNT FOR 45% OF INTERNET TIME

Facebook now accounts for one in every eight minutes of internet time in the UK, according to Nielsen Online, with the ten most heavily used sites sharing a staggering 45% of consumers' time online. Unfortunately, that leaves retailers having to compete for the remaining 55% of consumers' internet time.

MOST HEAVILY - USED WEB BRANDS - APRIL 2009

Rank	Brand	Share of time %	Total UK minutes (millions)
1	Facebook	12.7	6,160
2	MSN/Windows Live	9.2	4,463
3	Google	5.3	2,560
4	eBay	4.1	1,978
5	Yahoo!	3.5	1,719
6	AOL Media Network	3	1,462
7	BBC	2.3	1,129
8	YouTube	1.9	898
9	Microsoft	1.5	733
10	Apple	1.5	719

Source: Nielsen Online

colours and four materials, add personalised text – and then purchase their design.

The design can also be shared with friends – or the whole world – direct from the application, and other shared designs can be purchased or used as a canvas for customisation. Dusan Hamlin, Managing Director of Inside Mobile, the mobile marketing agency behind the application, comments: "Reebok has been quick to grasp the potential of iPhone apps as a compelling route to market that can fuse branding and direct response goals. By marrying visually stunning design, personalised content and advertising, Inside Mobile has enabled Reebok to engage consumers as well as drive sales."

He adds: "Consumers are spending 30 to 40 minutes with the app at one session and keep returning. The social aspect has created some level of competitiveness." It's also creating sales. In the three weeks since launch, sales originating from Your Reebok have been higher than conversions through Reebok's main website.

The application is missing a trick though, since once the trainers have been customised in the phone and the 'buy' button clicked, the shopper has to go to their email to find a link to follow in order to finish the transaction. Hamlin says Reebok has taken this route because of the high level of commission levied by Apple for items sold through the iStore.

Online travel retailer lastminute.com has an innovation team that focuses specifically on mobile distribution. Marko Balabanovic, Head of Innovation at lastminute.com labs, says the team is looking at ►

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mobile in two distinct ways: in the literal sense where a person is moving around, commuting, travelling or sitting on their sofa with a mobile phone, or as in content distributed around the internet via channels such as Facebook or Twitter. Essentially, mobile fits well with the company's business of providing immediacy and convenience.

"It's about asking what services can we provide that are really useful. Customers are seeking something for tonight or the weekend," explains Balabanovic. "Restaurant booking from a mobile is one area that really works. The customer books a table on the go, they can use it in their own language wherever they are and it's free. They only have to give their name. Any discount or deal just comes with it and lastminute.com receives its commission."

Because mobile is a relatively new platform, the innovation labs are able to try out different models of customer engagement and revenue generation to see what works, including affiliates, advertising and sponsorship. It's also investigating different platforms and linking in with mapping services such as satnavs in cars and the compass feature on the Google Android and Nokia phones, whereby customers point their phone in a certain direction and it shows them what they can do, see or go to in that area.

TRANSACTIONAL ADVERTS

The greatest potential reach across the internet though is advertising and the current furore surrounding behavioural targeting points up how technology could already enable a retailer to deliver adverts of direct relevance to the shopper's browsing. For example, pink shoes could be advertised to someone who has been browsing pink bridesmaid dresses.

The addition of an in-advert transactional unit would allow the shopper to buy the pink shoes directly from the advert without having to go to the retailer's main website. Even without factoring in the controversial behavioural targeting, the concept of transactional adverts is still enticing.

Retailers could purchase display ads in the online publication of their choosing. Then, instead of running a display advert in the space, they'd run a widget that acts as a mini-storefront where they can push whichever products they think will best suit the publication's audience or they want to promote most heavily. The widget acts as a secure conduit between the publisher's web page and the retailer's back-end, allowing stock to be checked in real time.

In late 2007, PayPal launched its Storefront Widget which includes a shopping cart within the widget enabling people to shop without leaving their



location. Payment is made via PayPal.

Another company offering transactional adverts is Adgregate Markets. Its ShopAds are mini-storefronts managed on behalf of the retailer. UK-based Tailgate Technologies has developed a technology that provides a straight conduit between the banner ad or widget and a retailer's ecommerce platform with VeriSign securing the secure socket layer connection from the units to the main ecommerce web server and payment gateway used.

"The API is directly tied into the retailer's database/s enabling real-time, two-way communication between the advert (consumer) and the retailer," says the firm's CEO, Chris Autry. He explains that Tailgate is the technology enabler, supplying the container for distribution onto the advertising networks such as Google DoubleClick and Yahoo. Rather than being a packaged advert, the container will include some graphics but the content can be run live into it from the advertiser. The ad networks perceive it as just a regular 30k flash ad unit.

"We refer to it as distributed ecommerce rather than advertising. This isn't a replacement for a website. It's the next level," adds Autry. "We don't want people to leave where they are browsing. If someone is reading about cars and they want to book a test drive, they can do it on the page without leaving the site."

We are only at the start of what could be achieved with apps and widgets. Retailers are constantly seeking new ways to engage with customers, while consumers want to reach out to and share their favourite brands. The competition for digital time among networks and search engines and the emergence and convergence of technologies will continue to bring everything closer. ■



CLOSING THE DEAL ONLINE

Frank Lord, MD EMEA, ATG suggests why the rise of the promiscuous shopper means retailers need to up their game if they are to increase online conversion rates in a tough climate.

ASK ANY consumer, and they'll be likely to tell you that when they need information about a brand or products the web is their first point of call. Whether it is a summer holiday, new car, or the latest designer handbag, the web has an important role to play in today's purchasing process. Research by Forrester supports this view, revealing 58% of consumers start their product research on the web - and 25% of all purchases, whether made online, in-store, or via other

channels, begin with a visit to a manufacturer's website. For retailers with an established online presence this presents a huge opportunity to boost sales, especially given current economic pressures. Despite this, getting people to visit your site is only half the battle. The real challenge lies in persuading consumers to buy.

For the majority of online retailers the average conversion rate remains around 2%, even though more people are shopping online. Raising this figure is crucial in today's climate but this requires online retailers to adapt to meet the needs of today's 'promiscuous shopper'. According to a recent report by Experian, the recession has caused a huge section of the UK population to radically rethink how, when and with whom they spend their money. These 'promiscuous shoppers' are less brand loyal than before, more willing to spend time searching for the best deal and expect

a higher level of service from retailers. These shifts in attitudes mean retailers are no longer able to rely on a loyal customer base to drive sales and instead have to win customers over on a daily basis. What's more, these customers aren't necessarily looking for the lowest prices – they're looking for the best value, backed-up by good old fashioned customer service. Clearly, a lot has happened in a short space of time and most retailers are still playing catch up. This has got to change quickly or vital sales opportunities will be missed.

EVERY SECOND COUNTS

Online shopping isn't like high-street shopping – customers don't have the inclination to spend lots of time visiting different stores and comparing goods. In the online world speed is everything which means retailers need to focus their attentions on serving customers as swiftly as possible. Online shoppers are a notoriously impatient bunch and won't think twice about abandoning a site if they feel it is unable to meet their needs. Avoiding this problem can be achieved by understanding where your customers have come from and what they want. For instance, if a shopper has landed on your page because they have been searching for 'black Prada shoes' that gives a pretty clear indication as to how you should be treating them. Armed with this knowledge, the next step is making sure they can quickly find what they're looking for. For example, make sure your shoe shopper is presented with a product page that weighs Prada products more favourably than other brands and ensure black shoes feature predominately. Customers don't have the time to refine their searches which means retailers only have one chance to get this right.

PERSONALISATION IS A STRATEGY, NOT A TACTIC

Although there's no doubting online retailers recognise the importance of delivering a personalised shopping experience many still see it as a tactic rather than a strategy embraced across their whole ecommerce offering. In the majority of cases retailers only personalise the landing page for customers. This is great for shoppers that make quick decisions about whether to buy a particular product but not so good for a shopper that has more time on their hands and decides to explore other sections of your site. For example, if a customer visits your site because they are searching for Sony flat screen televisions and then goes off to look at the range of music systems you sell they're likely to be turned off if they are

presented with a page full of basic systems. Based on their earlier search, it's safe to assume they'll be more interested in high spec models so make sure you treat them accordingly. On the other hand, if a customer visited your site because they were searching for discounts on flat screen televisions then you are dealing with a different type of customer – one that's looking for a bargain. In this case, if they venture to other parts of your online store they'll appreciate being presented with the best range of deals you have on offer.

While all customers have different and ever-changing motivations for shopping online they all share a common desire to engage with products as closely as possible. Online shopping will never replace the act of touching and feeling a product in-store but retailers can do their best to mimic the 'real life' experience by using content such as 'click to call' technology and video on their sites. Some are going one stage further by allowing shoppers to interact with video content. Other interactive elements welcomed by consumers include the ability to view products in multiple styles and colours. Increasing the amount of video content on your site may sound expensive but it doesn't have to be. Even simple product demonstration videos that show what a product can do are welcomed by online shoppers.

Finally, don't forget that shopping is a social experience. Just because people are shopping online it doesn't mean their needs change completely. Shoppers like to know what others think about products they are contemplating buying and seek advice from fellow consumers. In an online world this means you need to open up your site by providing reviews and ratings on what you sell. Shoppers don't like to rely on a manufacturer's word when considering a purchase – they want a wide range of opinions. Although ratings, reviews and recommendations engines are now widely embraced, most retailers tend to make this information difficult to find by failing to place it on product landing pages. This approach needs to change with retailers instead placing recommendations information where it is most accessible. And when it comes to recommendations engines these should be automatic. Retailers shouldn't be spending significant resources setting up complex recommendations rules so deploy automated solutions so time can be spent on other business critical tasks. Given current trading conditions and changing consumer habits, focusing on what really matters is of the utmost importance if retailers are to stand the best chance of closing sales online. ■





KEEPING STOCK

ESSENTIAL FOR SUCCESSFUL FULFILMENT

As the online retail marketplace continues to grow and competition gets tougher, retailers need to ensure that all aspects of their website from usability right through to order fulfilment and delivery are seamless. Gian Luzio, Product Director at The Hut Group, looks at how to provide effective delivery and fulfilment.

FULFILMENT is an area that many online retailers often neglect and can actually be a key differentiator in the retail space. Delivery remains a problem area for some and poor shipping is still a consumer's top complaint.

At a time when consumers are turning to the web for cheaper deals and alternatives to the high street, retailers need to stand out from their competitors and go the extra mile to provide that special service. A poor delivery service can ruin a brand's reputation that has taken years of hard work to build up. Order fulfilment is a fundamental aspect of a successful ecommerce operation and retailers have to balance the challenges of keeping up with customer demand but minimising logistical costs.

In order to meet delivery demands, it is imperative that online retailers enhance the efficiency of their supply chains. E-fulfilment demands a low cost and efficient service so retailers must look at all areas to examine where to cost save and where to increase productivity. For example, can transport be shared with other retailers?

An initiative by DHL is already underway to offer this and provide a cost effective option for reducing both cost and carbon footprint for each individual retailer.

Look closely at warehouse processes and IT to see what changes can be made. Can your warehouse IT system cope with pre-orders? Smooth

running in all of these areas will help to provide the best standard of service and delivery to customers.

WHITE LABELLING

Outsourcing can also be an important factor, as demonstrated by several of the large retailers who turn to experts to deal with the logistics of delivering customer orders. This is one of the advantages of working with a white label partner, as a third party can handle the shipping, as well as numerous other aspects such as order tracking and customer delivery communications. Improvements in the logistics process will help online retailers cut fulfilment costs, therefore passing the saving onto the end consumer.

Working with a white label partner, retailers can reduce their own overheads. A white label specialist can manage the whole process of an eetail site and ensure that products can be taken to market quickly and effectively. In order to achieve a similar level of technical expertise and knowledge, the retailer would need to employ large numbers of people, which will only increase overheads and reduce margins.

The white label supplier must ensure that any branded website created meets the needs of the retailer in terms of target audience, pricing strategy and product mix. The key to a successful white label site is ensuring it has the technical capabilities to deal with the volume of traffic the retailer attracts, as well as having the usability and navigation features that mean the customer can find relevant products quickly and easily, with minimal clicks. It must also contain elements that will assist with search engine optimisation so that retailers can drive traffic to the website and maximise hits.

When competition is high, it is vital that a range of products are offered by online retailers, particularly as this is one of the differentiators online retail has versus the high street. The ability to offer a greater selection of products and services is an area that eetailers must capitalise on. However, the key to getting this right is ensuring that core products are kept in the warehouse. It is critical that an eetailer has a large number of SKUs in the warehouse and ready to ship. Core product lines must be turned around in 24 hours to provide that all-important fast and positive purchasing experience. If eetailers cannot fulfil orders, fickle consumers will soon move onto the next website to make their purchase.

Offering a range of delivery options is another important aspect that will help add value. It is

convenience, value and service that the consumer is looking for from the online shopping experience, so fitting delivery around different lifestyles and needs is an aspect that can enhance an online retail offering. If better delivery options are available with a competitor, it is likely the consumer will take their money to them. Through successful inventory management, merchants can track best selling products to ensure these lines are constantly in stock and the warehouse is replenished. If these are not available for shipping when a customer places an order, the likelihood is that they will simply look elsewhere.

PRE-ORDERING TO DEAL WITH DEMAND

Whilst an eetailer can do everything in their power to hold large amounts of stock, it is necessary to be prepared for a rise in demand of unexpected items. Having a pre-order system in place can help counteract this issue. If a retailer can inform a customer at the checkout when the product will next be in stock and offer the option of pre-ordering, this may deter them from going elsewhere.

A pre-order system is an important feature that provides consumers with an additional service to make their purchasing habits more convenient. For example, if they visit a site to make a purchase, only to find the product isn't available, the purchase process ends. If a pre-order system is available, they can complete the order and the retailer still gets the sale. This is particularly critical in industries where customers want the latest product releases, such as DVDs or new games consoles. The challenge for retailers with pre-ordering is to manage demand and fulfilment. For highly anticipated releases or 'hyped' products, user demand will be high. Retailers need to ensure that pre-orders are processed and products land with the customer on the day of the launch. To achieve this, eetailers must have the warehouse equipment capable of processing large numbers of orders per hour and a proficient delivery fulfilment facility.

When it comes to providing good customer service, one of the most important things that eetailers must remember is that stockholding is key to a quick turnaround. Keeping best selling products and core lines stocked in the warehouse will ensure that orders can be shipped quickly and customers will receive items without hassle or long delays. Product variety is essential in today's current marketplace, but online merchants must be able to fulfil orders, or face losing customers for good. ■

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SYNCING YOUR BUSINESS WITH SEARCH

PAID SEARCH has become the cornerstone of online marketing campaigns for retailers. It's the media channel that has driven the entire momentum of internet retail and become the most relied on form of advertising for many businesses. It has the ability to be highly targeted, incredibly flexible and delivers some of the best ROI figures when compared to other online marketing activity.

But, and here's the question, are retailers really getting the most value from search? It's easy to become complacent when all you have experienced is strong sales growth and half decent ROI but what does 'good' look like and what does search really have to offer retailers in the future?

To answer the question, we have to look at the landscape for Search. In many respects Paid Search embodies the 'Perfect Marketplace'. It certainly meets most of the assumptions; a large number of buyers and sellers, the units of goods sold by different sellers are the same, there is perfect freedom of entry to and exit from the market and individual transactions leave the market unaffected. However, there is one assumption that Paid Search cannot match – that there is perfect information where buyers and sellers have complete information on the prices being asked and offered in the markets. Let's come back to this point shortly.

Potentially, the Paid Search landscape is the Perfect Market where supply should meet demand. It's a self regulated landscape (except for editorial rules), driven by the economic justification that a retailer can place on bidding for an advertising space (the supply) that taps into an uninhibited 'database of intentions' (the demand) where consumers express what they want in the next five minutes or in the next 5 years.

In simple terms, the search market's ability to match supply with demand presents a considerable opportunity that in my view remains untapped by retailers or agencies working on their behalf. In the previous definition of the 'Perfect Marketplace', one of the criteria was 'Perfect Information'. You don't have to make many searches on Google to find that most Paid Search adverts generalise, offer little or inaccurate information particularly when it comes to product related terms.

Hedley Aylott, Managing Director of Summit Media, asks if retailers are getting the most value from search.

TRANSFORMATION

In my view the search market has become complacent and settled for 'second best' search campaigns where we find established brand names making do with insipid, inaccurate ad copy landing potential customers on irrelevant pages with a lack of visibility on key search terms. There is certainly an expectation from retailers that increased sales volumes from search is the responsibility of the engines however I'd argue that much of the change has to come from the fundamental way that retail search campaigns are structured, managed and optimised. The transformation begins from the very basis of how you approach search and what you expect from it. The following advice will help you make the transformation.

To transform your search opportunity and campaign you need to adopt two strategies:

1. A product segmentation strategy.
2. Technology that uses an accurate product feed to manage your search campaign to the 'economics of the moment'.

Let's deal with the first strategy of transformation.

Firstly, a product segmentation strategy in simple terms breaks down your campaign into tight, relevant groups that allow you to be highly focused and specific to individual parts of the search market, e.g. top sellers, end of line, high margin or category leader. There are three parts to this strategy:

1. Segmentation – use search terms to narrow or broaden your audience.
2. Targeting – use bid price and ad copy to target specific users.
3. Position – Use ad copy and landing page to position your offer.

You apply this approach across your entire product portfolio and define a set of rules that allow your segments (all or part of your campaign) to achieve the best possible ROI within the changing ►

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dynamics of the Market at that specific moment. Using this approach you are now able to define a much more meaningful set of commercial criteria by which to manage product segments of the campaign, for example – stock position, margin, current price, competitor price, reviews and demand.

Essentially each product segment of your campaign is driven by the 'economics of the moment' where your position in search is managed by the commercial dynamics of the business at that moment in time. For example, on Monday you might want to sacrifice margin to drive down a stock position returning to a margin based strategy by Thursday. The point is you have full commercial control of your campaign.

That's great in theory but how do you publish your 'warehouse to the web' in real time managing product portfolios containing 1000s of products with ever changing stock, price and margin? It's certainly not possible to do it manually and that's where the second strategy of transformation becomes so important.

TECHNOLOGY

The second strategy transformation assumes that Paid Search is now a 'technology sport'. To optimise and maximise sales volume and ROI it is highly advantageous for retailers to link their warehouse to Google using an accurate product feed and the Google API. This essentially provides the ability to optimise or remove any product segment of the search campaign against stock position, price, reviews, performance and margin. As every retailer knows, price and stock position are the most important drivers of conversion and it's therefore important to be able to automatically use these to optimise your campaign in real time as the 'economics of the moment' change.

To date, the ability to automatically link warehouse inventory directly with a search campaign has been difficult. However, at Summit Media we believed technology could be developed to enable this for our clients. So after two years of development, we built a search application that can take product feeds and transform them into segmented search campaigns based on predefined business rules for retailers such as Argos.

This innovation enabled us to generate keyword sets from the feed and create multiple Ad Group creatives. Also, other commercial information

contained in the feed such as stock position and margin can be processed through a 'black-box' of business rules used to optimise the campaign and set the segmentation strategy. For example, if the competitor price is X, then show the price in the creative. The new campaign can then be automatically uploaded via the Google API as frequently as required, responding to changes in the business or search landscape.

Summit Media has found this new approach of managing campaigns using product feeds to be highly effective – albeit impossible unless you have the right technology to automate the process. It's beyond spread sheets and late nights. It's also why multi-channel retailers like Argos and pure-plays like Amazon, Play.com and eBay lead the search market. So challenge your existing provider to develop the same service or be prepared for competitors to have a significant advantage.

To put what I'm talking about into more perspective let's take one day during peak in December across the product feeds we managed for search campaigns. 800,000 warehouse products reviewed, 270,000 keywords added, 89,900 Adword creatives revised with new prices, 521 new Ad groups created and finally...2,746 existing Ad groups changed. This level of automatic campaign update delivered an average uplift in CTR of between 15 – 30% and conversion improvement was significant.

The first steps towards this two pronged approach that will transform your paid search campaigns is getting an accurate product feed and a clear understanding of how to segment your product portfolio. The right technology will make this automated approach to managing paid search far more efficient and simple than the manual approach used by most retailers now. It will also allow the placing of complimentary messages into different marketing channels e.g. lead with price in shopping comparison and reviews in paid search.

However, the quality of product feeds amongst most retailers is still astonishingly bad – which is a surprise given the importance of the data to the online marketer in today's feed-driven world. By investing a little time into improving its feeds, a large retailer could probably make back the annual salary of its IT director within a week. So, if you're in charge it's worth your while to make this a priority. It's time for retailers to synchronise their businesses with search. ■



Insight from around

REBECCA LIEB, VICE PRESIDENT, NORTH AMERICA ECONSULTANCY

The numbers have never looked this bad - but they could look worse. A lot worse. Relative to bricks-and-mortar retail, online retail is at least holding its own in the United States.

According to comScore's latest online retail report, US online retail spending is flat versus the year-ago period. But everything's relative, isn't it? Flat is the new Up in this dismal economic climate - particularly as compared with bricks-and-mortar retail spending, which is plummeting. The web is increasingly important as a sales channel and also as a channel for consumer research and decision-making. In fact, consumers say the web is 50% more important to them this year than it was a year ago when making purchase decisions - as well as finding ways to save money.

Shoppers have turned to coupons with a vengeance, and retailers are taking advantage of the trend by distributing coupons online rather than through the traditional, and more costly channels of magazines, newspapers and circulars. More sophisticated programs tie online spending into both on- and offline loyalty programs. These can create very real and cost-effective opportunities for retailers, particularly those who can tie together the channels, such as tying online spending into an offline loyalty program, all the while bypassing the need to distribute coupons the old-fashioned way; in magazines and circulars.

In fact, sector analysts and researchers are recommending online retailers very aggressively move their marketing dollars online into search and other pay-for-performance channels. "You'll get double the bang for your buck," said comScore's Chief Executive Gian Fulgoni, hardly mincing words.

As for only display advertising? Click rates are as low as 0.1%, and publishers are watching their ad sales figures shrivel. But that's good news for advertisers who can negotiate better rates, and better performing media, for their money.

Internet Retailing and Econsultancy have collaborated in the UK to create the first Masters in Internet Retailing programme: <http://tinyurl.com/nm35m3>

SCOTT SILVERMAN, EXECUTIVE DIRECTOR, SHOP.ORG

In Shop.org's annual State of Retailing Online survey last year, we noted that the web is retail's silver lining, as it continued to grow amidst a downturn. This year's survey found that online retailers continue to be resilient in the midst of a global recession, holding strong by focusing on customer retention. Retailers conversion rates continue to hover between 3-3.5% as they have for years, proving online retailers are still doing a solid job of turning browsers into buyers.

Since the economy is at the forefront of every discussion, it seemed only natural to ask US retailers how they perceive the impact of the economy on their businesses and the industry as a whole. More than half of retailers predicted slow sales growth for the retail industry; however, 80% of those surveyed believe online retailers continue to be better suited to withstand the economic slowdown than other channels.

To weather this storm, many online retailers are focusing on both retaining current customers and acquiring new ones, changing their marketing tactics to strengthen their standing. In fact, many retailers actually view the recession as an opportunity to capture market share from weakened competition and are investing more in paid search and social media. Of course, some retailers are being forced to scale back and are making cuts in areas like search and staffing to compensate for slower-than-expected sales.

The survey also evaluated marketing tactics, revealing that email is at the top of the priority list for this year. That doesn't mean sending more emails; it means being smarter about the emails already being sent. Retailers like Victoria's Secret are sending emails to remind customers when they have abandoned items in their shopping cart while companies like Lowe's are creating emails for certain regions of the country to promote snow blowers in Boston and lawnmowers in Miami simultaneously.

Though the current economic outlook for retail is bleak, companies are optimistic, trying to weather this economic storm by doing more with less, making smart spending decisions, and leveraging effective, affordable tactics like email to grow their businesses.

and the world

SARAH TAYLOR, SENIOR DIRECTOR, ORACLE RETAIL

The importance of the world's emerging markets as a source of opportunity, growth and revenue for retailers from more mature markets has long been discussed. Turkey (which we examine here) is no exception with its large population, low levels of retail consolidation and fast growing consumer market. Though remarkable business and investment opportunities have seen increasing numbers of international retailers like Best Buy, Tesco and Carrefour expanding in the region; recent years have also seen powerful domestic retail players successfully up their fight for customers and market share.

Over the last year, despite the current economic conditions in the rest of the world and multinational expansion in the region, Turkey has achieved positive economic and retail growth. Turkish consumers with increased buying power are rapidly embracing western shopping habits and the associated fashionable and quality products and brands.

Fashion, consumer electronics and beauty are all high-demand goods and although traditionally offered by multinational chains, there are a growing number of domestic retailers learning the value of widespread availability, both in terms of stores and products. Teknosa is one such home-grown example that has developed into the fifth largest retailer and the leading technology brand in Turkey over the last nine years.

Although store-based retailing continues to contribute to the majority of sales in the market, it is the growth in computing and mobile technologies plus the greater availability of internet access that offers perhaps the most exciting opportunities for developing sales within online retailing. Recent research (from comScore World Matrix of Total Internet Users by Country) reveals that Turkey has the seventh largest internet audience in Europe with 17.8 million visitors, second only in Eastern Europe to Russia, and that this audience spends an average of 32 hours online. For domestic and international retailers, developing their online sales channels must become a priority in Turkey.

EMERGING MARKETS STILL AN OPPORTUNITY, WORLD RETAIL CONGRESS

Global retail leaders remain optimistic about emerging markets, citing large populations, booming middle classes and fragmented local provision as the drivers of opportunity. But, they told delegates at the World Retail Congress in Barcelona, not all markets are the same and tailored local strategies are critical.

Philip Clarke, International Director of Tesco, said: "With large populations and low levels of retail consolidation, the opportunity for growth [in emerging markets] is phenomenal." For example, he said that by 2025 there would be an estimated 220 Chinese cities with populations of more than one million each. But he warned: "For international companies, allowing local teams to respond to the needs of customers is not an option, it's absolutely critical."

Clarke set out the key drivers behind emerging market opportunities: large populations; rapidly expanding middle classes; high speed internet access; and an attraction to foreign brands among consumers. He also said that despite local differences, Tesco's research had identified the common concerns among international customers including price awareness, value and ethics, sustainability and health.

Ian Cheshire, Group CEO of Kingfisher, said it was not too late for retailers to enter emerging markets but that for some countries the timing may not yet be right for Kingfisher. He said: "For some emerging markets, such as India, it's too early and the market isn't ready for a large home improvement retailer yet."

Dr Wu Jianzhong, Chairman of Chinese retailer Wu Mart, named Emerging Market Retailer of the Year at the World Retail Awards, was upbeat about China's prospects as an emerging market. He said: "The window of opportunity in China is still open and open widely."

Dr Wu highlighted the \$700bn of savings currently held by Chinese households and said retailers "needed to do something to release this money". He stressed the need for localisation by incoming international retailers suggesting they establish local cooperation teams and ensure they adapted to local policies, especially those on trade unions, employment and contract laws.

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

Some 4% of the top 500 online retailers in the US offer mobile commerce sites and 1% are offering iPhone-optimised sites, according to analysis by US ecommerce and m-commerce consulting firm Acquity Group. Within five years that figure will approach 50%. Today, mass merchants are leading the charge with a significant 15% having m-commerce sites.

In comparison, here in the UK, m-retailing sites are still few and far between — although the launch of a transactional iPhone app by fashion retailer Oasis is certainly a step in the right direction.

The fashion retailer's new mobile application gives customers daily updates on the latest arrivals and allows them to add items to a shopping basket. They can then purchase at the main Oasis website. Key features include:

- Daily updates on the latest new arrivals to the collection
- Offline browsing
- Users can shake their iPhone to get random suggested key pieces from the latest new arrivals
- Users can browse through all of the

MOBILE

UK LAGS BEHIND USA

current campaign images, then click though to see all the items that create that look

- Users can read the latest Oasis newsletter
- A store finder can locate the nearest Oasis store and then display a map showing how to get there from the user's current location

Items can be added to a shopping basket at any stage within the application. Customers are then taken to the checkout page on the main Oasis website to complete the transaction as normal.

"We are very excited to be launching our new shopping application with iPhone and proud to be the first UK retailer to offer this exclusive service to our customers," said Sharon O'Connor, the retailer's MD. "Creating an extension of the brand, the new iPhone application allows users to receive up to the minute information on new-in Oasis products with an option to buy as well as locate your nearest Oasis store through a GPS link anywhere in the world — creating the ultimate shopping experience."

Meanwhile, there's news of ways in which retailers can use mobile to drive in-store sales. Both the German supermarket chain Metro and Kraft Foods have introduced shopping list services that consumers can access from their mobile phones.

Customers of Metro's Real stores can prepare electronic shopping lists on the Real website and then download them to their mobile phone. They can also use their camera phone to add a product to the list by simply snapping a picture of its barcode.

"The Mobile Shopping List represents the first step towards using the mobile phone as a shopping assistant," says Zygmunt Mierdorf, a member of the management board of Metro Group. "Modern mobile phones are getting increasingly powerful and offer interesting opportunities for new customer services. The 'Mobile Shopping List' is a logical step for us. The rollout of this mobile phone application demonstrates how innovative modern customer service can be."

Kraft Foods meanwhile is offering US consumers access to a database of recipes with the ability to check off the items needed whilst they are doing their shopping. The site was developed by US mobile communications agency Phonevalley.

Ed Kaczmarek at Kraft Foods commented: "People are leading increasingly mobile lives and we're pleased with this opportunity to provide delicious food ideas to cell phone users anywhere in the US. Last year we introduced iFood Assistant for iPhone and iPod Touch so we see this as yet another way to reach people anytime, anywhere."

Also in the US, fast food chain Dairy Queen is testing RFID stickers that can be attached to a mobile phone and used to both identify customers at the point-of-sale and send them specially targeted offers. International Dairy Queen's Jamie Guse commented: "Through their [Tetherball] innovative RFID-based Mobile Loyalty Program we are able to provide great offers to our customers in a fun and easy way while precisely measuring the effectiveness of our Dairy Queen Mobile Rewards Program."

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