INTERNET RETAILING

SELLING IN THE DIGITAL AGE

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VENTE-PRIVEE.COM

Pioneering discreet members-only sales

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EDITOR'S COMMENT

As I put the finishes touches to this issue of Internet Retailing, my thoughts turn from the leisurely deadlines of a bi-monthly publication to the much faster pace of life online, with constantly updated news feeds and instant blogs and tweets. This urgency pervades all areas of the internet, and retail is no exception.

The fashion industry in particular has reduced the time to market for new products and private sales sites, such as vente-privee.com, have cut the time for sale and purchasing online to just two days (see page 8).

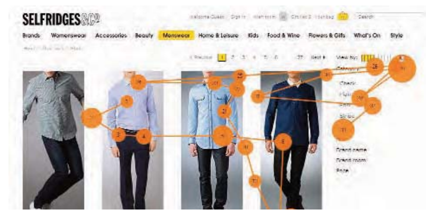
Limited-time sales are not restricted to the private sales business model and innovations are being borrowed across retail borders, as shown by theOutnet through its successful use of 'Flash Sales' that offer customers a 'get it before it goes' buzz.

Deadlines are a wonderful mechanism for focusing the mind and encouraging people to purchase, but just how fast can the retail industry move? Etailers are collecting information on purchasing behaviour and lost customer journeys as they happen online, and they have the ability to alter everything from pricing to promotion. So the time is coming when ecommerce will work in real-time and deadlines will always be 'now'. Find out more in the fascinating article by Michael Ross on page 22.

Emma Herrod
Editor

FEATURES

REGULARS



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GREEN GATHERING PACE

Although environmental awareness and the shift towards Green initiatives now appear high on the agenda of the UK Government, the Green retail market remains relatively small. It was only worth an estimated £8bn last year, and accounted for just 2.3% of total UK retail sales in 2009. The figures are not surprising in light of the fact that UK consumers are currently paying on average 44.2% more for Green non-food items than the standard alternative, with Green food items costing on average 21% more. However, in spite of significant price differences, Green product sales will continue to gather pace, doubling from £8bn to £17bn by 2015 and taking a 4.3% share of the UK retail market, according to a Kelkoo-commissioned report produced by the Centre for Retail Research.

The price of Green products in the UK is considerably more than that of ordinary goods and remains the main barrier to mass consumer uptake. However, by 2012 the Green premium paid by consumers will have dropped by 21% since 2006, shrinking the average premium from 45% to 36%. The price of green household and cleaning goods is set to reduce the most over the next two years, dropping by 40.5% - from 77% today to 46% by 2012 – while food and drink will see one of the smallest reductions (10.3%).

According to a survey of major European retailers conducted for the report, the steady reduction in the Green premium since 2006 reflects a combination of consumers seeking lower prices, the greater availability of Green products, and the attempt by retailers to use their buying power to make a wider proportion of the merchandise they sell environmentally friendly in an effort to support Green manufacturers.

ETHICAL RETAILERS' WEBSITES, RANKED BY SHARE OF UK VISITS

Rank	*Website*	*%*
1	Oxfam Shop UK	19.50
2.	Riverford Organic Vegetables	16.04
3.	Abel & Cole	12.93
4.	TradeTang.com	10.45
5.	Ethical Superstore	8.54
6.	People Tree	6.02
7.	Natural Collection	4.58
8.	The Fairtrade Foundation	4.56
9	TraidCraftShop	4.27
10	nigel's eco store	4.10
11.	So Organic	2.28
12.	Guardian Eco Store	1.50
13.	Traidcraft	1.16
14.	Fashion-Conscience.com	1.15
15.	Ecotopia.co.uk	0.93

Source: Hitwise UK

MOTHERCARE BLOOMING ONLINE

Nursery equipment-to-clothing retailer Mothercare has announced that online accounts for more than 20% of its UK business. Sales in its Direct division – which consists of orders placed online, at home and those placed online in the store - totalled £126.8m in the retailer's latest financial year. Of that figure, £72.4m were Direct in Home sales, up by 16.3% on the previous year, while Direct in Store sales totalled £54.4m, a rise of 20.6%. Mothercare also owns the Early Learning Centre.

The online figures come against a 3% like-for-like rise in UK sales in the year to 27 March 2010. UK sales totalled £590.3m, while total group sales came in at £766.4m, up from £723.6m in the previous year. Underlying pre-tax profits were £37.2m, up from £36.9m at the same time last year.

Chief executive Ben Gordon said:"The growth of Direct reflects the transformation of retailing with stores increasingly acting more as showrooms.This is particularly true for our extensive range of nursery furniture, pushchairs and car seats."

Mothercare said it was expanding its product ranges online. It said a much wider choice of goods was now available online at the Early Learning Centre, where the company is rolling out a Widest Choice programme. And the company said its social networking site Gurgle.com, fully owned by Mothercare since September, was growing rapidly.

The Direct channel is now one of Mothercare's key growth channels, alongside UK retailing, wholesale and international franchises. Internationally the retailer now operates in India, China, the Middle East, Africa and Asia Pacific as well as Europe. Gordon said:"International had a record year and we ended the year with a total of 1,115 stores worldwide in 52 countries."

AUGMENTED REALITY IN PRACTICE

Consumers can now see how a new touchscreen Tissot watch would look on them from their own computer. They can see themselves wearing their chosen watch, in a variety of different colours, styles and sizes, in a novel Tissot marketing campaign that harnesses augmented reality technology.

And they can also experiment with the Tissot Touch's touch-screen features including a compass, altimeter and thermometer.

The technology comes courtesy of real-time light reflecting technology from Holition.

To test it out, consumers can download and print a paper wristband from www.tissot.ch/reality. They can then show the wristband to their computer's webcam, which connects to the Holition system and shows them wearing a virtual watch on their computer's LCD screen.

The augmented reality feature also connects to Tissot's inventory to show store availability.

Jonathan Chippindale, Holition Marketing Director, said: "Augmented reality is providing brands with exciting new marketing tools with which to target their consumers. Tissot is a genuine early adopter of this technology and has cleverly integrated it throughout their marketing plans to create awareness, drive traffic online and enable footfall for its retail partners."

ASOS CONTINUES TO LEAD

ASOS has reported an increase in group revenues for its year ended 31 March 2010 up 35% on last year. The £223m turnover, which includes retail sales, postage and packing and 3rd party revenues, reflects the growth of the retailer's international business, which is up 95% on last year's figures. UK sales amounted to £160m (up 20%) with international sales reported as £63m, an increase since last year of 95%. Profit before tax is £20.3m, up 44% on 2009's £14m.

The company has increased its product offering over the year with 36,000 products available at the end of April 2010, up from 22,000. Active customers are up 25% year on year to 1.6m. And things are looking good for the next financial year with group retail sales for the 9 weeks to 6 June 2010 up 58% (UK 36%, international 118%) and £20m invested in a new warehouse with initial capacity of £600m annual sales.

Nick Robertson, CEO, commented: "These are a strong set of results and the team have again delivered record sales and profits…We are keeping a very close eye on controlling our costs whilst at the same time encouraging the entrepreneurial and innovative spirit that drives all that we do. We are excited about the future and believe that online fashion will continue to outperform traditional retail channels. We are at the leading edge of our sector and see enormous potential to drive our business forward, both in the UK and internationally."

The retailer has been talking informally to high street retailer Boots about a click and collect service which will enable ASOS customers to collect their order from the high street rather than having to wait for a home delivery. Other potential candidates mooted include Argos and WH Smith.

LAURA ASHLEY UP 74%

Laura Ashley's online sales have taken off so far this financial year, rising by an impressive 74% over the first 17 weeks of its financial year to 29 May.That contrasts with a healthy 6.2% rise in total retail sales over the period, with like-for-like sales, stripping out the effect of store openings and closures, up by 5.3%.

The retailer's mail order sales were down by 26%, but the success of online meant that the combined direct sales channel saw an overall 42% jump in sales.

The company said full-year trading would be in line with expectations.The update to investors said:"Despite the current economic uncertainties, we remain confident of continued growth in 2010 built on the platform of a strong balance sheet with no bank borrowing, a strong brand and a distinctive product offering. Maximising operational efficiency will continue to be a key focus for the management team."

SEARCH LOSES OUT IN POPULARITY STAKES

Social networks received more UK internet visits than search engines for the first time in May, according to Experian Hitwise, but while Facebook accounts for 55% of all social networking traffic in the UK, Google UK still remains the most popular website overall.

During May, social networks accounted for 11.88% of UK internet visits and search engines accounted for 11.33%.

Robin Goad, Research Director for Experian Hitwise comments: "The majority of online marketing spend is currently diverted towards search, and this is likely to remain the case in the short to medium term. Search remains the primary source of traffic for most websites, particularly in sectors that account for the majority of online transactions, such as retail, finance and travel."

Facebook accounts for 55% of all UK social networking visits, almost three times as many as the next most popular social network, YouTube. Twitter is now the third most popular social network in the UK.

However, despite its popularity Facebook doesn't yet dominate the UK social networking market to the extent that Google dominates the search market. Together google.co.uk and google.com accounted for nine in every ten web searches carried out in the UK during May, making Google UK the most visited website in the UK. Facebook, in second place, accounted for 7.04% of all UK internet visits during the same month.

Spending on search is on the increase according to research from Econsultancy. Its fourth annual UK Search Engine Marketing Benchmark Report reveals that the proportion of companies who said they would raise their budgets for this spending over the next year has risen to 60% from 55% at the same time last year. Forecast spending is also up for PPC search advertising. Some 52% plan to increase budgets here, compared to 45% last year. But 14% said they are planning to decrease their paid search spending and only 4% plan to spend less on SEO.

GAME. CHANGING.

Occasionally we are privy to simple, elegant ideas that can change an industry; develop a business model; makes complex demands upon a business to deliver and yet be immediately compelling and persuasive from the very first moment they're seen. Ian Jindal considers a game-changing move: ITV.com's 'ITV Live' - changing the business of television?

AS I WRITE this the World Cup's allure for England fans has already dimmed and we can ponder the business of television and some of the economics of televising large sporting events.

Pity, therefore, ITV, the ad-funded national broadcaster in the UK that's still saddled with expectations of populist, quality programming. Their pain from the collapse in the advertising market is compounded by having to set up broadcasting operations half way across the world and broadcast a game for 45 minutes without adverts (remember - no revenue). When finally they have a chance for an ad break during half time the nation rises as one and heads for the kettle, ignoring the ads. During the second half there's a further 45 minutes devoid of ad revenues. To compound the agony, ITV carries images of the sponsors' brands, the hoarding advertising of its competitors... all without a penny in revenues.

One can imagine the discussions about charging for online content, subscription, "value-added programming" and all sorts of wheezes, yet the reality is both simpler and more cunning.

At dinner the other week with Dominic Cameron, Project Director for ITV Live, he pushed a battered and grubby iPod across the table to me and suggested I watch a short video: http://bit.ly/ir-itvlive.

In a minute I saw not only the rebirth of picture-in-picture and the integration of web + TV, but the first compelling case for an iPad - the 'third broadcast screen'.

Put simply, one watches the World Cup on the television - commentary, camera angles, live play. During the game one's iPad, mobile phone or laptop is running ITV Live, a simple but sophisticated set of 'widgets' - text, images, video, factoids, replays, profiles - all of which are synchronised with the live playout.

This means that immediately following a foul, the players' details, history and statistics are available on ITV Live, along with multi-angle replays. It's like having a personal broadcast live mixing desk, Statto and the best pundits all on one's lap.

For ITV, however, this device opens the game to adverts - revenues - in more than one format: banners, contextual advertising and sponsored slots and content.

Of more interest though are the opportunities for spot gambling. As soon as a penalty is given, you'll see the penalty performance statistics and you'll be offered odds of a miss, available for the next 10 seconds only. Who's most likely to score next? Bet now. In-game spot betting will be phenomenally lucrative and change the game for ITV.

Football is the first test, but Wimbledon and other sporting tournaments can't be far behind. Golf and snooker? Transformed by a combination of statistics and gambling! Then there's the transformation of turgid 'Talent Shows' into bet-fests for misanthropes: who will swear next? how long will Cowell take to reduce talentless hopefuls to tears? who'll be the next boy band phenomenon?

ITV Live is the realisation of the dreams of the 'red button' - hitherto, a slow and clunky 'ceefax on steroids'. True synchronised interactivity allows information, entertainment, engagement and monetisation across a number of digital devices. Imagine new layers of social, syndicated betting, voting and gaming and it's clear that ITV Live is a lesson to all customer-focused businesses on radical but simple transformation.

Apple's iTunes allow us to consume media. The BBC's iPlayer lets us shift time from broadcast, but its interactivity is no better than a digital VHS. ITV Live is an example of the best of the web meeting TV broadcast streams and in-programme participation.

As ITV, and other digital broadcasters, train our customers to expect more from interactivity and participation, and their experience of online interaction becomes more game-like than page-like, retail will look dull in comparison - more a "chore" than "leisure". With m-commerce providing stimulus to re-envision our multichannel propositions, what new approaches will we see in our industry to delight customers, change the orthodoxy and create revenue opportunities where previously there were none?

Here's to the challenge of changing our game.

What examples or opportunities do you see of game-changing ideas in retail? Let us know your thoughts at editor@internetretailing.net.

WHAT TO LOOK FOR IN A CARD PAYMENT PARTNER TO KEEP ONE STEP AHEAD OF THE FRAUDSTERS

MATT ROWSELL, HEAD OF BUSINESS DEVELOPMENT AT RBS WORLDPAY, EXPLAINS WHAT TO CONSIDER WHEN CHOOSING THE RIGHT PAYMENT PARTNER FOR YOUR BUSINESS

DESPITE MORE THAN HALF (52%) OF RETAILERS REPORTING THAT AN UPGRADE IN PAYMENT SOLUTIONS HAS A POSITIVE IMPACT ON THEIR BUSINESS, THE CARD PAYMENT PROCESS IS OFTEN OVERLOOKED IN OPERATIONAL EFFICIENCY REVIEWS. THAT IS, UNTIL SOMETHING GOES WRONG AND THE VALUE OF HAVING STRONG SYSTEMS IN PLACE BECOMES EVIDENT. TOUGH TRADING CONDITIONS ALSO MEAN THAT NOW, MORE THAN EVER, THERE IS AN OVERWHELMING NEED TO INCREASE OPTIMUM WORKING AND FINANCIAL EFFICIENCY THROUGHOUT RETAILER OPERATIONS.

Reliability is vital to all businesses, especially when it comes to accepting payments from your customers. RBS WorldPay is the leading processor of card payments in the UK, processing over four billion transactions in 2009. The trust that a large proportion of the UK high street has placed in RBS WorldPay has been earned through consistently high levels of reliability, resilience and service; and being the largest European processor also enables us to benefit from significant economies of scale which we are able to share with our customers. Our clients also benefit from the wealth of knowledge and experience that we have developed in over 20 years of processing, allowing us to optimise card acceptance solutions for the different requirements of every business.

With more and more transactions occurring on the internet, ecommerce is an area that no retailer can afford to ignore. RBS WorldPay offers a full range of ecommerce payment solutions to suit every business and can help retailers large and small maximise the opportunity of the internet. One area of particular concern to many retailers we talk to, whether they are existing online businesses or new to ecommerce, is fraud. RBS WorldPay is able to work with retailers to optimally use key scheme fraud management tools like Card Security Code and 3D Secure (also known as MasterCard SecureCodeTM and Verified by Visa).
In addition, RBS WorldPay has a highly sophisticated proprietary risk management solution called RiskGuardian. This solution undertakes over 85 checks on an online transaction in milliseconds, including velocity checking which looks at the number of times the card has been used within a defined period, IP location checks, email address and age and ID checking for key geographies. Customisation of RiskGuardian allows clients to decide on their appetite for risk in relation to the goods and services they are selling and method of delivery so, for example, a retailer might set strict risk criteria for downloadable content and less strict criteria for products delivered to a customer's doorstep. Our specialist risk analysts work with each client to build the most effective profile for their individual needs. Such specialist insight can make a huge difference to the bottom line.

Finally, when choosing a payment partner it's vital to look for a high level of ongoing support. Aftercare is of critical importance to maintain success and adapt to the constantly changing business environment.

At RBS WorldPay we remain committed to leading innovation in the field of card payments and providing our customers with the tailored solutions and the payment security they need. We provide support for all sizes and types of retailers. As a business grows, and markets change, the type of support provided can be tailored to its developing needs. For example, we offer dynamic currency conversion enabling retailers' foreign customers to pay in their own currency.

At RBS WorldPay we have a customer support team which is dedicated to providing ongoing expertise and consultancy for our clients. We recognise that our business success is dependent on long-term customer satisfaction and providing secure solutions that accelerate payment processing and ensure that your business stays ahead of the game.

Contact one of our UK Account Managers to guide you through our payments solutions and answer any questions you have about RBS WorldPay's products and services on 0845 301 6251

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NO NEED TO QUEUE

The ever-savvy UK online shopper, who has bargain-hunted their way around eBay and retweeted the best discount vouchers, is now turning to the slightly counter-intuitive sounding phenomenon of private sales sites to downshift their designer buys. Emma Herrod investigates the concept, imported from France, of discreet yet deeply-discounted members-only sales.

VENTE-PRIVEE.COM IN NUMBERS

In 2009, vente-privee.com sold 38m products through 2,500 sales for more than 1,200 partner brands. The majority of the £610m turnover is achieved by the French business with the four country sites - Germany, Spain, Italy and the UK - contributing 15%. The plan for 2010 is to increase turnover 25% to £763m.

MEMBERS

- More than 10m subscribed members in Europe, 5m of whom have purchased from VP.
- 12,500 new members register each day.

TRAFFIC

- Unique users: 7.5m per month.
- On average, users spend 45 minutes on the site per month.
- 300,000 members log on to sales every morning.

PEOPLE

- More than 1,250 employees, of which 350 joined in 2009.
- 350 people expected to be hired in 2010.

THE BRITISH are known for many things but our ability to queue is legendary around the world. It's joked that the Brits will join the end of a queue even if they don't know what it's for. Now, add a sale sign to a luxury brand and we will flock to it with sleeping bag, flask and credit card at the ready two days before the doors open.

It's no wonder then that private sales sites are arriving online in the UK as fast as old ladies with sharpened elbows at a jumble sale. Why, then, has the phenomenon that is the members-only, hugely discounted online branded goods sale not been introduced to the UK before now? We jumped the queue to speak to Bunty Stokes, UK Country Sales Manager at vente-privee.com, the company that pioneered the private sales model.

For anyone who has yet to discover the discreet sales of vente-privee.com, Brand Alley, Cocosa, Secret Sales and others of the ilk, private sale sites run time-limited sales of branded goods at prices which can be discounted by up to 80% of the RRP. Most sales run for between two and seven days – depending on the site and the brand – and access to each sale is exclusive to the site's members.

All private sales work on a 'when it's gone, it's gone' basis to educate new members that they cannot delay making a purchase decision and to reinforce the immediacy of the sale. While members benefit from an ever-changing array of sales, the advantage for brands is the access to an easy and distinct channel through which to quickly dispose of excess stock and samples.

PIONEERS

British shoppers and retailers are blessed with almost unhindered access to the discounting and destocking tool that is the sale. In Europe, and France in particular, legislation dictates strict - and short - windows when sales can take place. The law states that sales can only take place twice a year with each lasting for five weeks. A further two weeks is available for retailers to use at their discretion. Therefore, French shoppers can plan their shopping around the winter and summer sale periods but brands do not have an outlet for price reductions outside of these times.

In 2001, this was turned upside down by Jacques-Antoine Granjon and the other seven co-founders of vente-privee.com (VP). They found a loophole in the legislation restricting brands' disposal of goods in the high street and got around it by running members-only, short-term sales online. Their destocking model, which typically runs a sale for between 48 and 72 hours, works within the letter of the law and the

> **"SOME 65% OF VENTE-PRIVEE.COM'S MEMBERS IN FRANCE HAVE PURCHASED MORE THAN THREE TIMES"**

values of the brands.

By 2006, over 12 million products had been sold through more than 460 sales and the company continued its success by launching in Germany and Spain. Site launches in Italy and the UK followed in 2008 as vente-privee.com further asserted its leading position in Europe.

WORKING WITH BRANDS

"We see ourselves as a B2B business as much as a B2C company," says Bunty Stokes, adding that the company offers "a safe and secure haven in which to dispose of stock."

For all of the companies working this model, the relationship with the client brand is key to the business. They all emphasise the service they give to brands, basically enabling them to sell off stock quickly, efficiently and at a price that ensures a good margin. VP quotes the benefits for brands as:

- Access to more than 10 million potential buyers.
- Production of bespoke online sales directly managed by vente-privee.com's sales coordination team.
- Discreet sales running for two to four days.
- Ability to sell hundreds of thousands of items in a few hours.
- Customer profiling and detailed marketing reports: Comprehensive studies measure and report consumer behaviour during sales.
- Creation of an entire promotion package tailor-made to the brand and its values.

THE PROCESS

The private sales model is in effect a digital factory, building an event for a brand, marketing it to members and then purchasing the stock and distributing it to customers. The entire operation, from receipt of sample to the sale going live, takes around five weeks.

Once a buyer has connected with a brand, samples are sent to vente-privee.com's head office in Paris to start the sales process. VP is given a marketing brief by the brand and the sales coordination team works closely with them throughout the entire process to ensure that products are portrayed in a way that fits the brand image.

There is a buzz of people working closely at the Paris office since all of the operations necessary for transforming a sample item into a sale on "a site the brand would be proud of" is conducted in-house. Some 38m products from more than 1,200 partner brands were sold through 2,500 separate sales last year. This amount of stock makes for a busy working environment, with some 1,200 people employed across 30 departments, from member relations and logistics to project management and sales coordination.

A 300-strong creative team of designers, photographers, make-up artists, hairstylists, shooting managers and retouchers use 60 photographic studios, five video studios and five sound studios to produce the brand sales. Vente-privee.com is Europe's biggest photo production company (shooting over 12,000 photos daily) and one of the biggest clients of Parisian modelling agencies.

Each product sample is photographed in a number of ways, the product copy is written, prices set, the site built and the logistics operation briefed.

Discounts and sale prices are set by the brand in conjunction with VP and take into account an understanding of the market and the amount of stock available. The aim is for the sale to be as easy as possible for the brand and for them to think of VP "as an off-shoot" of their own operation, explains Stokes.

The sale is then marketed to the site's members. Members are alerted about each sale via an email invitation where they can register for the sale and access details, including beautifully filmed trailers,

EMAIL

Private sales companies effectively have a large database of customers who they need to keep informed of new and ongoing sales. "The email lessons we are taught for ecommerce go out of the window when running a private sales site," says Nish Kukadia, Founder and Chief Executive of Secretsales.com. Whereas the standard frequency for email communication is 2.2 times a week, Secret Sales – and many other private sale sites including Brand Alley – email their active members on a daily basis to tell them about best selling sales and new sales going live. "The frequency and timings for those emails is critical since customers don't want to find out about a sale two hours after it started. They want to be in the know," says Kukadia.

"By the end of the year we will be doing a more informed, segmented approach with emails and types of products and service offered to members," comments Brand Alley's Melissa Littler.

LOGISTICS

"Because of the pace at which we work and the variety of sales, photographic studios and third-party logistics operations haven't caught up to our way of working yet. It is a steep learning curve," says Brand Alley's Melissa Littler.

Things are beginning to change, though. The newest entrant to the UK market, Achica, has found a way around setting up its own fulfilment operation by outsourcing to GSI.

GSI, however, is not new to the private-sales model since it owns Retail Convergence, the operator of US private-sales site RueLaLa.

Secretsales.com, which recently secured significant investment from Germany's largest online private shopping club, brands4friends.de, is another company that outsources its fulfilment. According to its Chief Executive, Nish Kukadia, delivery is one area in which members may feel let down by private sales sites. The UK audience in particular has come to expect almost-immediate gratification from shopping online; people buying from Secret Sales, for instance, typically do not receive their purchase until two weeks after the sale has closed, while traditional ecommerce sites (with stock held by the retailer) can deliver purchases the next day. This area – consisting of stock held by the supplier until the sale has closed, product shipped to its logistics partner and then customer orders picked, packed and despatched – is one which Secret Sales is working on to improve.

high-quality images and zooms, detailed product descriptions and the sale price versus RRP. Although a certain amount of stock is ring fenced for the sale, the actual order is only sent to the brand once the sale has closed and the exact amount of each item purchased is known.

The majority of brands working with VP send the stock to a VP warehouse from where individual orders are despatched and any returns processed. The stock is sent within five to ten days of a sale closing and the warehouses simply act as packing and distribution points, not as storage facilities.

FLEXIBLE WAREHOUSING

A warehouse could be despatching pens one day, fragile homewares the next and delicate designer dresses the following day – and with just five weeks from contract to a sale closing - flexibility is a necessity. Vente-privee.com has invested €25m in its infrastructure to ensure that it has a very flexible logistics arm and technical support for brands on an ongoing basis. "We develop infrastructure around the service," says Stokes, since such a logistics solution could not be picked up off the shelf.

Some 375 employees work in 125,000m² of warehouse space in Paris and Lyon, with more employed at logistics platforms that opened in Germersheim, Germany, and Madrid, Spain, in 2009. The goal is to create a network of European warehouses in local markets which replicate the original French model.

On average, 75,000 parcels leave the warehouses every day; in December 2009 this peaked at 114,000 packages in one day, with 12.3m parcels despatched over the year. Delivery takes on average 19 days.

One month after the sale has closed, VP reports on the sale's performance; both how members reacted to it and purchasers' demographics. This gives brands invaluable market information on countries and regions in which their brand performed well.

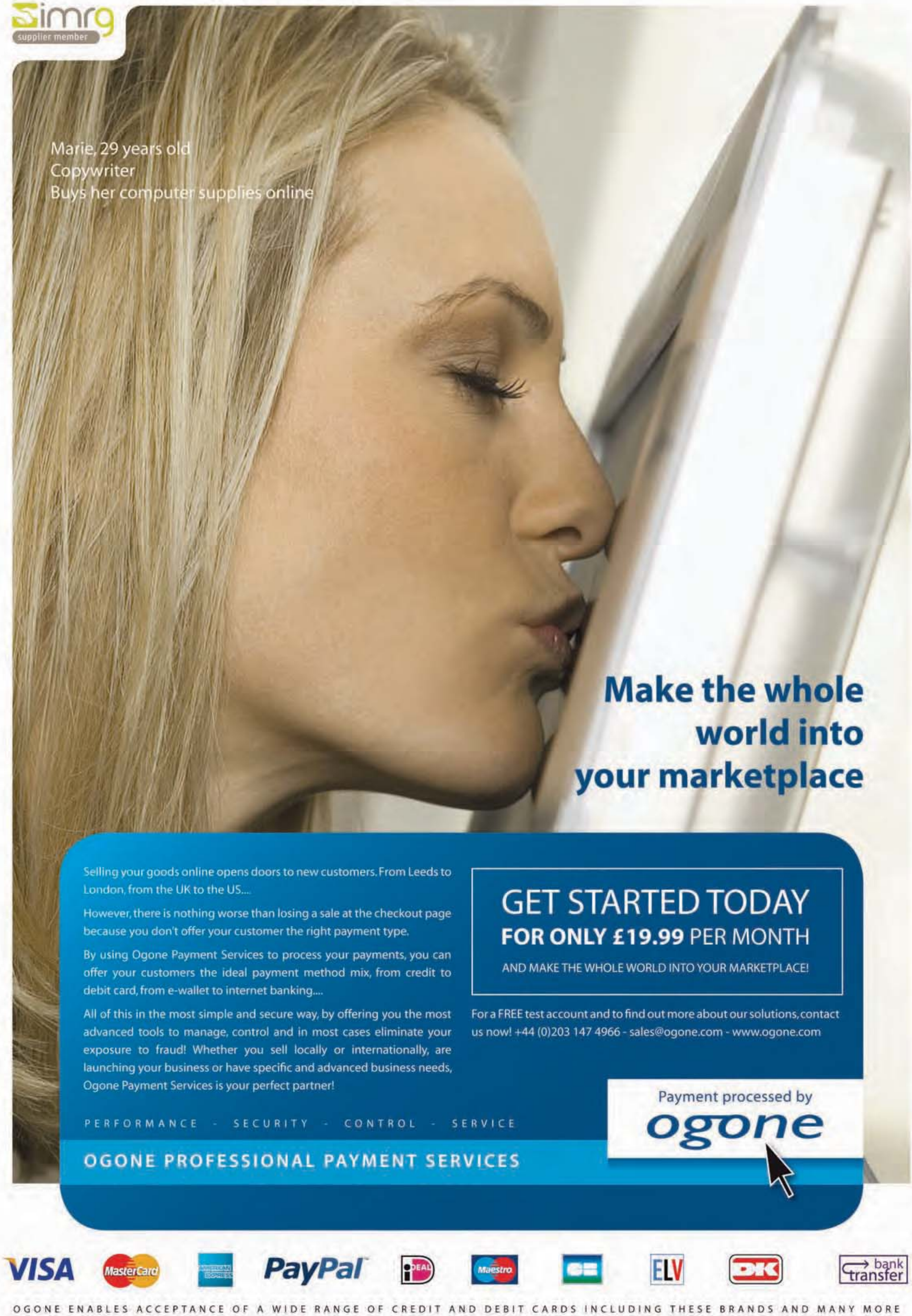
One of the knock-on factors of the private sale is the exposure it give consumers to brands and the ongoing, full-price sales than can be achieved. A French study conducted amongst vente-privee.com members by LH2 in December 2007 found that 4 out of 10 members go on to make in-store purchases after visiting vente-privee.com.

When members were asked what motivated them to make these purchases, 39% said that vente-privee.com inspired them to buy a brand they had never bought before.

This study has recently been repeated and although the final results are not known yet, Stokes believes that this still holds true today since 'off price' creates an aspirational customer with many members who view a brand on the site going on to engage further with them and to make a purchase.

PRIVATE SALES IN THE UK

Vente-privee.com launched in the UK in September 2008, subsequently opening an office in London in


simrg
supplier member
Marie, 29 years old
Copywriter
Buys her computer supplies online
Make the whole world into your marketplace
Selling your goods online opens doors to new customers. From Leeds to London, from the UK to the US....
However, there is nothing worse than losing a sale at the checkout page because you don't offer your customer the right payment type.
By using Ogone Payment Services to process your payments, you can offer your customers the ideal payment method mix, from credit to debit card, from e-wallet to internet banking....
All of this in the most simple and secure way, by offering you the most advanced tools to manage, control and in most cases eliminate your exposure to fraud! Whether you sell locally or internationally, are launching your business or have specific and advanced business needs, Ogone Payment Services is your perfect partner!
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MasterCard
PayPal
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Maestro
ELV
bank transfer
OGONE ENABLES ACCEPTANCE OF A WIDE RANGE OF CREDIT AND DEBIT CARDS INCLUDING THESE BRANDS AND MANY MORE

2009 and recruiting a dedicated buying team for UK-specific sales. The aim for the UK in 2010 is for one new sale event to take place each day, on average, and turnover to increase by 167% to £7.2million.

"The recession in the UK has been a tough time for everyone but for us the business model has started successfully in the UK because consumers understand off price and are confident online," says Stokes. "UK consumers are very savvy; they know their brands and what a good price looks like." Also, there are many brands that need a partner to dispose of stock.

Stokes is happy with the way the business is developing in the UK and she is able to predict future growth by looking at VP's achievements in other countries and how the member model has grown in each market.

France is the only country which does not have open membership - members must be referred by another member. Since Germany, Italy, Spain and the UK are all newer markets the country managers still want to grow their membership base. "Referral creates a more valuable membership, more readily converting into customers," says Stokes. It will take the UK operation some time to get to the level of membership seen in France – and the twin feats of over half of the members being customers and 65% purchasing more than three times.

Just 10% of UK members have purchased from the site, compared to mid-to-high 20s of Italy's membership, high 30s for Spain and just less than 50% in Germany. The German site launched in 2006.

According to figures for March from Médiamétrie//NetRatings, visitors spend an average 6 minutes and 26 seconds on the UK site. This compares to 46 minutes and 9 seconds on the French site. Page views during the month also highlight what the UK market must hope to emulate; while the UK monthly page views stand at 25, this rises to 167 in France.

Where the UK does outperform the other countries - including France - is in the average basket size. These are already 30-50% higher than plan and for "more months than not" the UK is higher than Germany.

As far as the future is concerned, VP will look to diversify into other sectors in the UK. The brands on the site will continue to change and the sector/brand mix is expected to move as the membership grows but obviously, as Stoke comments, "we look to emulate the success of the other countries, particularly, France.

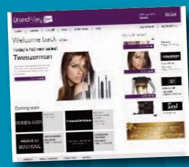
"It's all about product, brand and value proposition. Some things work well in Germany, such as tickets, and we have to work harder on them in the UK" says Stokes. The UK audience is led more by fashion, luxury and brand. The firm will be launching into travel "fairly soon," and homewares too. Cars and property are two further possibilities, says Stokes, since they have already been offered for sale on the French website.

"Our job in the UK is to take a successful business model and apply it to the UK. We can then build on that for the UK market," concludes Stokes. ■

MEMBERSHIP

While there are bargain hunters who scour every page of a sale, the majority of private-sales site members are working women aged between 25 and 45 who know what brands they like.

"Members are not cash poor, just shoppers deciding how and what to spend their money on," says Melissa Littler, Brand Alley's PR and Marketing Director. As with VP, Brand Alley has its roots in France. It launched in the UK in February 2008 with backing from News International. It now has 1.8m members in the UK with this increasing on average by 2,500 members per day. Three new designer sales launch daily from "300 and rising high-profile brands."



Kelly Kowal, Marketing Director at Cocosa, agrees that members are cash-rich, savvy shoppers. "We have grown our membership to over 230,000 in under 20 months, with predominantly ABC1, high personal income, career-focused women. Half of our customers have made more than one purchase, with the biggest order - over £2,100 - coming from the Graeme Black sale. The fastest sale was for Alexander McQueen, which sold out after just six minutes."

VP IN THE UK

- Turnover 2009: £2.7m.
- 35-45 sales per month.
- Predicted turnover 2010: £7.2m (+167%).
- 400,000 members with approximately 1,000 new members signing up daily.
- On average, 1 new sale a day in 2010.

SOCIAL COMMERCE INSIGHT

Social media is an acknowledged phenomenon, but we have seen a growing move towards "Social Commerce" – not simply our customers talking to other customers, but customers selling to other customers. Ian Jindal, Internet Retailing's Editor-in-Chief, draws out some key messages from recent Insight Roundtables.

WHENEVER we identify a new trend it's our instinct at IR Towers to question and probe in order to understand the commercial dimensions. When we first noticed the trend to ratings, reviews and the 'voice of the customer' in etail we were sceptical, but enthusiastic. Over time the growing evidence of increased conversion rates, business growth and customer advocacy has shown the importance of putting the customer's voice at the centre of the business. Easier said than done!

Last year, I was quizzing the charismatic, knowledgeable and driven CEO of Bazaarvoice, Brett Hurt, about the maturing of the social commerce market and our conversation turned to a brief article, then a feature, then a podcast and – a few months later – a six-part roundtable on the stages of social commerce. Brett kindly flew to the UK to participate, and we invited some leading multichannel retailers and analysts to share their experiences and learning with us: Gina Deeble, Head of Interactive Content at QVC; Matthew Henton, Marketing Director at eSpares; Kimberly Correia, Business Development Manager at Marks & Spencer; Andrew Kirkaldy, Online Marketing Manager at DRL Limited; Andrew McClelland, Director of Projects and Marketing for IMRG.

THE SIX MAJOR PHASES OF SOCIAL COMMERCE

We considered the following stages in Social Commerce success:

IMPLEMENT: what does it take to persuade stakeholders in your business to allow customers to have a voice? What are the arguments that prove persuasive, based on the best business cases?

ACQUIRE: how do you acquire the customers' input once you open your business to their views?

AMPLIFY: we are multichannel retailers, so how best can we amplify the voice and benefits across all channels and opportunities?

OPERATIONALISE: once live, how can the increasing volume be made part of 'business as usual', and what are the organisational changes demanded to succeed?

ANALYSE: performance is at the heart of Social Commerce so what are the key metrics by which to measure and drive performance?

EXPAND: Social commerce is not static, so what are the upcoming developments, trends and opportunities? How can we do more and, of course, earn more revenues?

INSIGHTS

Negative reviews can have a positive impact. Initially, Gina's concern was "what if we have a bestselling item that gets a negative review?" An example soon arose – a best-selling ice-cream maker that sold tens of thousands of units, yet also received negative reviews. Research showed that customers were disappointed, but the item was so inexpensive that they didn't bother to return it. Prior to reviews this discontent would not have been detected, but the voice of the customer allowed the buying teams to improve the product.

Don't surprise your colleagues with customer reviews: brief them on the purpose and the methods of deployment. Take the time to illustrate how they'll help each department. QVC involved many teams, making it clear the ownership of each: ecommerce is responsible for implementation and continuous improvement of usage; merchandisers for making decisions based on the data; customer services for taking action and calling each negative review. Marks & Spencer, meanwhile, undertook a pilot programme prior to full rollout, while Matthew Henton suggests that you clear time in your diary immediately post-launch to have time to digest

and action the many learnings!

Our participants made cases for the soft launch or 'big bang' approach to acquisition. Argos' record-setting launch gathered 70,000 reviews on its first day, with DRL gaining a credible and attention-testing 10,000 in a short time. M&S, however, took a softer approach with very limited promotion. Kimberly noted that M&S used selective parcel inserts to build awareness slowly over time, to match a measured pace of learning and assessment.

Gina shared that QVC's initial launch was also a gentle one, building naturally upon the established TV 'testimonials' gathering and adapting that to the online capabilities.

An important learning is that altruism boosts reviews. eSpares' approach was a post-purchase message that eschewed promotional bribery to elicit reviews, preferring a more altruistic approach: "You've already repaired your own products – now be altruistic and share your opinion!" This approach generates c3% response rate, allowing a continuous stream of new content to their site.

METRICS AND PERFORMANCE

Retailers are keen to understand the impact of ratings and reviews on sales. For example, eSpares discovered that review readers convert c40-50% higher than non-readers. In an email to customers focusing upon limescale removal in appliances, the "Buy Now" button received only a quarter of the clickthroughs that the "Read Reviews" link received. Although the purchase conversion rate of the 'read' button was half that of the 'buy' button, the 4x volume led to a sales volume twice as high. This illustrates not only the benefit of trialling different messages, but also the importance of measurements and assessment and the challenge that it's not sufficient to have reviews on one's site - it appears that a contributing factor to increasing sales is to encourage customers to engage with those reviews.

M&S are putting online reviews and ratings on in-store labelling, but also undertaking training of store staff to understand and interpret these reviews for customers. Integration can also drive activity into other online areas. Brett noted the move toward mobile, with Sephora.com in the US integrating reviews into its mobile storefront. Meanwhile, DRL (which acquires significant traffic via Google's AdWords programme) has been using rating data within their paid ads and seeing nearly twice the click-through volumes on those campaigns compared with normal.

Gina at QVC noted that due to the very fast-moving nature of their products it can be difficult to measure the impact of reviews on a per-product basis. Rather, QVC focuses upon the impact of customer-generated content on brand loyalty, product improvement and their NetPromoter score (the extent to which customers express a willingness to recommend a retailer over those who would not or who are indifferent – see www.netpromoter.com).

This is a longer-term measure and demonstrates the importance of the customer's voice to long-term brand value.

Interestingly, QVC further live their brand values by telephoning active reviewers to let them know how valuable their contribution is deemed to be.

eSpares took a direct comparison approach with an A/B test of reviewed products versus unreviewed products and found that those products with reviews showed a 14.2% higher conversion rate, from view to buy. These products had no promotional activity during the test period and so the uplift was attributable to the reviews.

FUTURE TRENDS

Social Commerce itself is new, but already we see change. The main drivers were seen to be the continued growth of social networking sites and services, notably Facebook and Twitter, and therefore the need to integrate the customers' voice on your own site with sharing via other services.

Mobile and accessing the customer's voice in-store or on the move was seen as an important and clear trend while others saw increased adoption of Social Commerce within the luxury and premium branded sector.

All trends, however, should be underpinned by data and analytics. Brett, understandably, finds the measurable aspects of Social Commerce liberating: "By taking advantage of the voice of the customer you remove anxiety… you now know why customers do what they do", he notes.

This is an apt note of conclusion, since the keyword of our discussions on Social Commerce was 'insight' and understanding the customer's needs, behaviours and views, to the benefit of our businesses.

Our thanks again to Bazaarvoice and all participants for their time and insights.

Visit our event page at http://bit.ly/irir-socialcommerce to see videos of the discussions, and introductions from each of the participants. Please do let us know what you think and which areas you would like to see investigated in future Insight Roundtables. We will be continuing our coverage of Social Commerce in the magazine and online so do join in the conversation. ■

SELFRIDGES
REVIEW

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

RETAIL STRATEGY

Emma Speight, Senior Multi-channel Consultant, CVL

The Selfridges website is a welcome addition to the online world, and as the last major department store to launch online, a late entrant to the marketplace.

The site is fully transactional for home delivery for over 10,000 products, and although this only represents 10% of their store stock holding, it's a good sub-section of the range and makes for an intuitive customer proposition.

In terms of the site's usability and functionality, selfridges.com unfortunately falls short of the high standards set within the highly competitive online world. One of the most frustrating things about the site is its overall performance in terms of page loads and response times – a factor which tends to mar the overall usability of the site. In addition to this they have made some odd design decisions, choosing to place the secondary navigation on the right which breaks a well established convention and only serves to make the customer think more about how to use the site rather than focusing on the content itself – not dissimilar to having to write your name with the wrong hand, perfectly possible but generally uncomfortable. Given that 50% of users prefer to search rather than browse, the search experience is especially weak both in terms of data and presentation.

Selfridges online has introduced some advanced features such as the Wish Room where you can design your own outfit and theoretically see your choices in context. Unfortunately the execution falls short of the concept, requiring users to select a size before adding to the room (generating an error message too subtle to notice) and creating a confusion of registration and log-in requirements to save rooms and looks. More fundamentally not all items I added appeared in the room and those which did were not always rendered onto the mannequin but were re-displayed in their square boxes.

On the positive side, the site has captured a lot of the charm and vivacity of the Selfridges brand, and is especially good in the use of naming and copy, maintaining an informal and on-brand tone of voice throughout.

The site represents a great step forward for Selfridges, but given the online competition from the likes of John Lewis and Net-a-Porter it still has some way to go.

USABILITY

Jamie Sands, Usability Consultant, User Vision

Selfridges opened its doors in 1909 and became an established chain of high end department stores through innovative marketing techniques. The homepage is welcoming and bright, but the eye-catching colours divert attention from the navigation links which are small and difficult to pick out.

Like ASOS, the site offers a drop down menu that can be fiddly and difficult to read. The menu can frustratingly take the user in numerous directions, such as 'Brand Rooms' and 'Designer' pages, and often not directly to the products. Selected links are only subtly identified when rolled over with darker text; the traditional method of underlining has not been used.

Individual items can be viewed with large clear images. However, only a small number are shown per page as default and the icons to increase the number of items are unclear. Options to view complementary products are provided. 'Get the Look' shows related items, however the 'More like This' link is small and difficult to see. Zoom and 360 degree options are provided to allow an enhanced view of products, but the controls are awkward, making the process feel unfinished and lacking in quality.

Some questionable features have also been implemented, in particular the 'Sneak a Peek' feature, which appears to offer the same functions as the full item view - in a smaller window. It is likely that this will serve only to confuse users and not enhance the experience.

Overall the site offers a clear and effective means of viewing the range of online products. However, a number of flaws make the shopping process unnecessarily complex. Currently the site feels as if it has been launched prematurely and the rough edges detract from the quality experience people would expect from the Selfridges brand.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

With Father's Day approaching users were asked to shop for a gift for a man on the Selfridges' website.

From the homepage users hesitated to get started because the page was filled with one large graphic that advertised the sale. Users were forced to interact with the primary navigation drop down menus. Some users found this quite difficult, because when accessing the 'Menswear' drop down menu the 'Categories' section started with three unexpected titles 'SALE', 'NEW IN' and 'ONLY AT SELFRIDGES' which were displayed in upper case. This made the category list very hard to scan and choose an area to start browsing from.

When accessing a category, eg 'Shirts' from 'Menswear', users were shown a page that had a low number of products as its default. We observed that users were looking around the page to access more products. It was not always obvious that the user could change the number of items displayed from the 'View by' section in the top right hand corner of the screen. This display was quite different to other clothing retail websites that users were familiar with, and some users were looking for links to subsequent pages from the bottom right hand corner of the page.

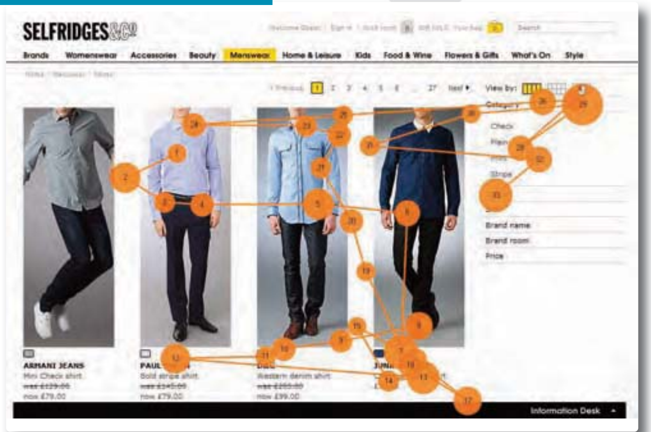
Users had choices on the right hand side of the page to narrow down the products displayed. Users had already selected a category eg 'Shirt'. The title 'Category' title was repeated on the right hand side, but expanded underneath it was types of shirt, eg 'Check', 'Plain', etc. This small inconsistency did not help with the browsing confidence of the user. The top filter was expanded but the others were not so users often missed these filters and did not understand how to interact with the titles.

SITE PERFORMANCE

David Flower, Vice President, EMEA, Gomez

Gomez tested the performance of Selfridges.com's homepage from 18 May – 2 June 2010. Considering its exceptional high-street reputation among consumers, you'd expect this new online initiative to deliver a superior web experience. But this wasn't the case: the website's overall performance was average compared with others in Gomez's benchmark.

Eye tracking gaze plot for Selfridges.com Source: SimpleUsability



We evaluated how websites within the benchmark performed on actual users' computers, ie 'the last mile'. This was measured according to their response time (how quickly the site loads) and availability (how successfully a website loads each time). The average response time and availability scores for this benchmark were 16 seconds and 61%. Compared to this Selfridges.com fared reasonably: on average it took 11 seconds to load, making it the second fastest behind Tesco, with a score of 7 seconds. Selfridges.com's average availability for the test period on the last mile was 59%; however, what needs to be acknowledged is that from 3 June Selfridges.com's average availability score increased to 93%.

Selfridges.com's performance on the internet backbone (from various UK backbone nodes on the internet) was assessed too. It had an average response time of 1.2 seconds, ranking it fourth behind Tesco (0.1 seconds), Next (0.9 seconds), and Ann Summers (1.2 seconds). While this appears good it must be balanced by the fact that this was inconsistent between 20 and 21 May and on 27 May. Selfridges.com's inconsistency is attributed to the performance of certain ISPs – and depending on where Selfridges.com's Content Delivery Networks are, this could also affect response time and consistency, which in turn affects the overall end-user experience.

On the whole Selfridges.com performed well across the most popular desktop and mobile browsers during this test, but it failed for users of the Blackberry Curve and iPhone.

GOMEZ SCORES THE SELFRIDGES.COM SITE 3 STARS OUT OF 5 MADE UP OF THE FOLLOWING:

Availability on Last Mile Score: 5 out of 25
Response Time on Last Mile: 24 out of 25
Consistency on Backbone: 8 out of 15
Competitiveness on Backbone: 14 out of 15
Browser Support: 15 out of 20
Total 66 out of 100

EMAILS CONTINUE TO MISS THE MARK

UK retailers are continuing to ignore key email marketing techniques that can increase online traffic and sales, according the annual email marketing benchmark study by dotMailer.

THE 'Hitting the Mark' study also found that many retailers are failing to use email to exploit the opportunities offered by the growing popularity of social media marketing.

Hitting the Mark assessed the emails sent by 36 UK retailers in April 2010 and evaluated each email against 16 criteria based on dotMailer's scoring matrix, with each retailer awarded a total score out of 100. Two new categories – social media and mobile – were added to the study in 2010, reflecting the changing nature of recipient behaviour.

This year's study delivered some shakeups in the Hitting the Mark league table. After two years in top position, Marks & Spencer has been knocked off the top spot by HMV and Republic, with joint high scores of 72 - an impressive jump of 14 places for Republic. New Look and Figleaves came in joint second – a top scoring new entry for New Look. At the other end of the score board, both the Early Learning Centre and Harrods experienced significant drops.

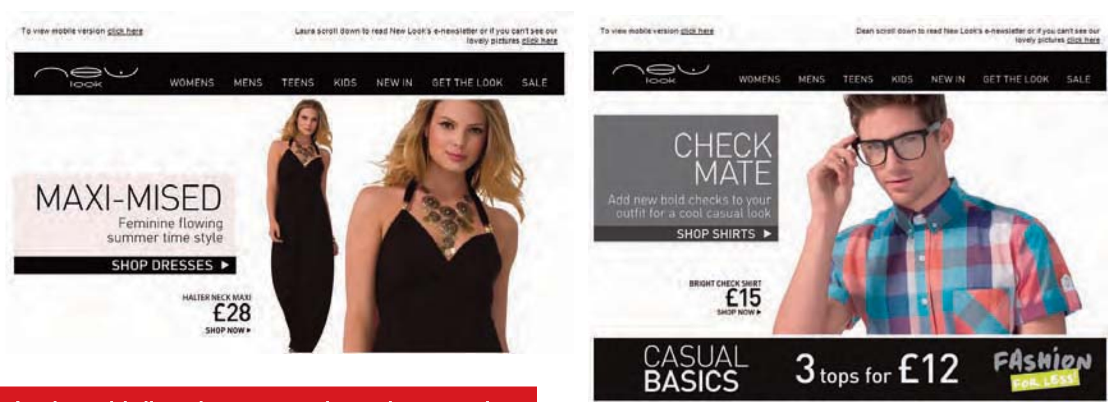
Disappointingly, 73% of the 30 retailers that featured in last year's study achieved lower scores this time round; and only 33% of all retailers studied in 2010 scored 70 or above. The average score of 67 for 2010 was the same as 2009, and down four points on 2008's average of 71.

This year's report includes a new section on social media marketing. Scores here were low, with a dismal average of 5.7 out of 15. Just 17% of email campaigns studied included any 'share on social network' links and only four of the retailers included a link to their blog in the email content. A further seven had blogs on their site but no

THE HITTING THE MARK LEAGUE TABLES

Top Five Performers Index	Worst Five Offenders Index
HMV 72	Harrods 50
Republic 72	ELC 49
Figleaves 70	H&M 49
New Look 70	Lidl 48
Hamleys 69	STA 48
The Entertainer 69	Currys 46

Source: dotMailer



New Look sent tailored messages based on gender reference to them in the email. Other opportunities to build mailing lists and help recipients spread their marketing messages virally were overlooked by the majority of the retailers surveyed, with 50% not even including a 'forward to friend' link in their email.

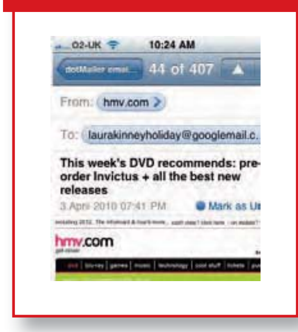
Last year's report criticised retailers for failing to personalise their emails with the name of their recipients. This year the scores have declined even further, with just three of the 36 campaigns studied using any kind of personalisation at all in their salutation. What's more, although 33% of the retailers collected extra data when dotMailer signed up to receive their emails (eg gender, interests) only four of them actually used this data to tailor the email content they sent.

Research findings have shown that 19% of recipients will not read an email that they think is spam, and a further 19% will perceive an email as spam if it's blank when the images are turned off. Overall low average scores in the categories of Renderability and Coding in this report indicate that retailers are not taking the relatively simple and straightforward steps to overcome the risk of being mistaken for spam.

Only 4 retailers tailored email content.

Surprisingly, only two thirds of the retailers provided a clear call to action. A third failed to provide guidance on what they expected recipients to do next. The key to the success of an email campaign is to help recipients answer these three questions: Who is it from? What's in it for me? and What shall I do next?

HMV's email works well on the iPhone, with a subject line call to action that matches the header, and the brand and the main call to action heading clearly and immediately visible.



From a legal standpoint, all email marketing communications should include the registered company name, address and registration number. Some 16% of the emails examined failed to comply with this basic legal requirement.

HMV's email includes an 'on mobile? Click here' link, to help smart phone users view the email content

The proliferation of smart phones in the UK over the last 18 months means recipients are able to check their emails on the go, as well as at home or at their desk. Marketers need to understand how the use of smart phones has penetrated their own target market and contact database, and react.

Although all the emails studied did render effectively on both iPhones and Blackberries, dotMailer found little evidence of the templates and content having been optimised for recipients reading the emails on a small, mobile screen. Just over 10% of the retailers' emails included a 'view on mobile device' link to enable mobile users to view an optimised version.

"For two years in a row, there has been no obvious improvement made by the retailers we have assessed, which is disappointing given some of the simple steps that can be taken to boost the effectiveness of email marketing," said Tink Taylor, Managing Director at dotMailer and an elected member of the Direct Marketing Association's Email Marketing Council. "Email offers a highly cost-effective, trackable and accountable way of communicating with prospects and customers, but this latest study shows that too many companies are still getting it wrong.

"The study clearly demonstrates a lack of integration between email and social media, despite the latter's growing popularity and influence. The combination of these two marketing disciplines offers new ways for retailers to really engage with their stakeholders to deliver meaningful results such as interactions online, sales and loyalty, but too many are failing to integrate these channels."

Hitting the Mark can be downloaded in full from dottmailer.co.uk/emailmarketingreport ■

THE MARCH TO REAL-TIME TRADING

Michael Ross, Managing Director of eCommera, examines the trends driving the move to real-time trading and why retailers should be prepared.

RETAILERS live by their weekly trading meetings – the rhythm of the weekly review of stock and sales has been their engine for growth and works very successfully for most retailers. These weekly reviews have worked well because:

- Issues have been relatively quick and easy to identify. The core aspects of every category - their margin, stock turn and sell-through - are so well known that a good retailer can quickly see what the problem is. Moreover, by analysing like-for-like sales across a store network, a physical retailer can distinguish between a problem in one store, a problem in an area or a problem that is nationwide.

- Highly detailed data has not been necessary. Appropriate trading responses to common problems have become so intuitive that successful retailers have not needed huge amounts of data to get to the heart of the issue. There are many examples of retailers who have thrived on limited data, and indeed great retailers managed to build big businesses before the advent of computers!

However, despite being able to identify issues quickly, resolving them is typically blunt or slow. Trading decisions are blunt: order more stock or reduce prices. Many of the other problems faced by physical retailers are costly and complicated to fix – new shop fits, moving location, remerchandising a store, changing marketing, or hiring and firing managers take time, energy and money to get right.

Technology's impact on physical retail has been fairly evolutionary. Many retailers still operate successfully with basic trading systems, although a few such as Tesco and Wal-Mart have shown how growth can be achieved through embracing technology.

The impact of technology on ecommerce will be more profound: technology will transform ecommerce in much the same way that technology has revolutionised stock trading and airline pricing. After the 1986 'Big Bang', stockbrokers who previously enjoyed a fairly leisurely pace of trading had to deal with thousands of trades each second. Similarly airline prices in the 1950s were fixed and broadcast; while today with yield management, a typical airline might set 100,000 prices a week.

ECOMMERCE IS DIFFERENT

Ecommerce is not the same as physical retail – it needs to be managed differently to stores, and as it becomes a larger part of a retailer's growth will require more fundamental changes to core aspects of its whole business.

Looking at how ecommerce responds to low sales illustrates how different this new retailing world really is. Online retailers are able to focus on solving the right problem. In physical retailing, when a product doesn't sell, the default solution is to cut prices – the reasons why it is not selling are relatively unknown. In online retailing you know exactly how many customers are actually looking at your products, so can quickly determine whether the issue is lack of people looking at it, or lack of interest in the product despite people looking at it. Recognising the need to operate ecommerce differently will be critical to ecommerce retailers' success.

SO WHY DOES ECOMMERCE NEED REAL-TIME TRADING?

1. More data, real-time. There is quite literally a tsunami of data available online, increasingly real-time and at relatively low cost:

- Web analytics data: every click from every customer on every product;
- Marketing data: every impression and click across typically hundreds of thousands of marketing touch points;
- Customer data: repeat visit, purchase and customer satisfaction data;
- Operations data: the order, shipping and delivery time of every order;
- Competitor data: price and availability data from competitors.

Indeed there is so much data that it can be overwhelming. Being able to analyse it, draw insights and take actions is critical to a successful retailer.

2. More levers, real-time. Online retailers have considerably more levers to pull when adapting their trading, many of which can be activated within minutes. The challenge for ecommerce retailers is knowing which levers to pull and in what order – and then having the capabilities and systems to make them work. Some of their options include:

- Running targeted promotions to customer/visitor segments;
- Changing delivery price or free delivery threshold;
- Changing keyword bids on Google;
- Sending triggered emails;
- Changing product sort orders (eg upweighting margin, stock or newness);
- Enabling preorders or backorders with a future delivery date.

FASTER, FASTER, FASTER

So, what happens in practice? Today, most physical retailers still trade their ecommerce stores weekly. However, there are signs that things are getting faster. One retailer I work with has a daily sales/profit target. At 9am and 2pm every day, managers review their sales/profit figures and project forward to the end of day. If they are behind target, they can trigger a range of levers (as listed above). Their ability to trade relies on (i) a rapid diagnosis of the data, (ii) access to a full suite of levers, and (iii) an organisation structure that facilitates quick decision making and action. As the business scales, twice daily will become hourly. Eventually trading will become genuinely real-time, as the trading responses become as intuitive as they are for physical retailers today and algorithms are introduced that automate or semi-automate actions.

The move towards real-time trading is gathering pace, driven predominantly by two trends:

1. As retailers scale, the value of managing in real-time outweighs the cost. It is an economic inevitability that retailers will be compelled to start trading daily, hourly and – in due course - real-time.

2. Once your competitors start trading real-time, you will simply get out-traded if you stick to a weekly cycle. Amazon is already a master of this. The graph shows how frequently it changes prices, both up and down, making any competitor's 'surprise' marketing campaigns almost useless. If Amazon reduces its price on a product and you don't respond for a week, you can end up spending marketing money and sitting on aging stock.

PREPARING FOR BATTLE

To trade real-time competitively will require re-thinking some retailing basics starting with three fundamental building blocks:

How do you compete with this?
Source: TheTracktor.com

1. Management skills. Managers have to oversee thousands of micro-tasks (or inputs), such as Google keywords, landing pages, sort orders, promotions and triggered emails. Many of these inputs are not easily visible. Managing in this world requires new skills. In particular, the people skills of the store manager need to be augmented by process and analytical skills.

2. Data, KPIs and insight. Having the right data at the right time is critical. Making sense of this data and turning it into useful insights can be complex. In particular, retailers need to distinguish between "input measures" of activities they control (eg availability) and "output measures" which happen as a consequence (eg conversion rate) and then focus on understanding the relationship between these inputs and outputs.

3. Organisation. Organisations need to be completely aligned. For example, if you are overstocked on televisions, you may need to discount, spend more on Google or offer free delivery. It is very hard to make a timely decision if the budgets for these activities are owned by different people, who meet once a week.

Goldman Sachs predicts that by 2019, over 50% of the absolute dollar growth in US retail will come from ecommerce. It is a brave retailer that does not prepare itself for this new world. ■

BASKET ABANDONMENT EMAIL IS THE EASIEST WAY TO MAKE MORE SALES...

BUT TARGETING EMAILS BASED ON WEBSITE BROWSING BEHAVIOUR DOESN'T HAVE TO END THERE. REDEYE'S MARK PATRON EXPLAINS MORE...

Up to 75% of shoppers abandon their shopping baskets before completing a purchase. These people have got close to buying and should be retailers' hottest prospects. A follow-up email when a consumer casts their shopping basket aside typically generates extra sales of 2% to 5% and a healthy return on investment. So it is surprising that over 90% of retail websites do not follow up on abandoned shopping carts.

And it is not just basket abandonment. Using web analytics to segment customers based on online browsing behaviour enables marketers to send out relevant and targeted information to every individual user based on many different variables of behaviour.

Think about it; if a consumer spends time viewing specific product content then they have qualified themselves as being in the market for that product. Not surprisingly targeting emails in this way generates similar numbers to basket abandonment. Do both and you are looking at 10% extra sales and it does not stop there.

There's strong evidence that using website behaviour to target emails improves ROI and relevancy. A paper by Forrester Research estimated that behavioural email can generate nearly four times more revenue and 18 times greater net profits than simple, untargeted mailings.

Behavioural email provides relevant and targeted communication based on a user's website behaviour. Unlike basic triggers, behavioural email marketing utilises recent customer and browser behaviour to target future emails, resulting in more relevant, more engaging and more profitable communications. It's the best way to over come the fatigue of bombarding consumers with email and probably the easiest extra sales you can make.

My advice to any marketers branching out into the behavioural side; start with the most obvious behavioural email such as basket abandonment. Once you know what extra revenues these behavioural emails generate, you can test and refine your campaign. A simple basket abandonment email can be split into a number of messages depending on what product the consumer discarded. Ultimately a behavioural email programme can build into hundreds of different emails triggered by many different online behaviours. The possibilities are endless…

Questions to ask a potential supplier:

Integration fees?
When integrating web analytics with email systems are there any intergration fees? Do these fees go up for more complex segments?

Only remarketing?
Does the solution reach all basket abandoners or just those that abandon after receiving an email? Only targeting email users typically misses 80% of the potential audience.

Repeat abandoners?
Can the solution differentiate between repeat and first time abandoners?

This is important when offering free delivery or a discount; you do not want to train your best customers to abandon in order to receive an offer.

Future proofing?
Can the supplier target other behavioural emails such as cross sales based on products viewed? What maximum number of behavioural email segments does the supplier already do for a client?

Guarantees?
Does the supplier have the experience to be able to offer guarantees or money back if a minimum level of financial return is not achieved?

Case Study: Clifford James achieves 678% ROI with abandoned basket campaign

Challenge
Clifford James is part of the multi-channel retail group BVG-Airflo. As a traditional catalogue retailer with a growing online presence, BVG-Airflo recognised it needed to gain a better understanding of online customer behaviour if it was to improve conversion and sales.

Solution
Using RedEye's behavioural email programme of integrating web analytics with email marketing, BVG implemented an abandoned basket behavioural email campaign. The behavioural email campaign was designed to uplift conversion through re-engaging any users that may have been distracted while making their purchase or needed additional reassurance and support during the buying process.

RedEye's in-house segmentation tool made it possible for BVG to easily create customer segments based on online customer behaviour. This ensured a highly targeted email was sent to every individual abandon basket user.

Results
The abandon basket behavioural email campaign implemented on the Clifford James website resulted in a 678% return on investment driven by a 70% increase in open rates, 36% click through rate and a 10% click to order conversion.

For more information on RedEye please call 0845 094 1114 or visit www.redeye.com

IS RESEARCH STILL RELEVANT?

Has the deluge of 'user generated content' delivered through social media taken away the need for 'voice of the customer' research? Nick Buckley, Director, New Social Media, GfK NOP, says "Of course not!" and explains why.

THIS IS NOT unlike some real conversations I have had in the last couple of years. The implication is that traditional market research is a threatened industry whose core 'active collection' business is in direct contrast to the 'passive collection' of opinions volunteered by consumers over the internet. The further implication is that 'passive' will replace 'active' and that market research is a middleman activity earmarked for extinction because of direct dialogue between brands and their customers.

So, I'm told, my resistance to the proposition is an unavoidable consequence of my profession. In reality, like many market researchers, we have embraced social media wholeheartedly and it's precisely because we have sought to make use of it that we are in a position to put it in perspective. As soon as you start to explore social media content you also have to apply most of the traditional disciplines of 'voice of the customer' techniques.

When making use of social media content to understand the voice of your customer it is vital for retailers to ask at least the following simple questions:

- Who are these people (probably)?
- What is their relationship to the general population, the general online population, or to some special group or market segment?
- To what use are we going to put their input? Because that's not just quantified market measurement or customer satisfaction tracking is it?
- If they are special – of what does this consist? If it's 'influence', then how does that influence manifest and therefore;
- How are these people connected to others?

All those questions, incidentally, are variations on the 'who?' question, since they all help to determine the significance of what that individual says online. It's becoming apparent that this doesn't just boil down to familiar demographics – for the purposes of weighting.

THE VOCAL CUSTOMER

The result is a need for new kinds of research which help to understand the 'vocal online consumer' and their role in the purchasing decisions of others, especially when the act of purchasing takes place online. This influence may be quite different from that observed and researched for offline relationships - again hinting at 'online demographics'; that is, styles, online personality types, use strategies, which don't map in simple ways onto 'real world' demographic staples.

The emergence of these new demographics is one reason why GfK NOP has recently established a Distance Shopping Tracker, a panel of respondents to help build a picture of the online and offline purchasing journey, not to mention the growing trend of combining both 'clicks and bricks'. For example, it has revealed that a key driver for buying TVs online is actually to see the physical product in-situ - nearly half of TVs bought online involved a visit to a traditional outlet before purchase.

The other important part of my 'of course not!' reaction is recognition of all the things that the passive observation and classification of social media content can't do. It can't deal with:

- counterfactuals – 'what if' questions…
- or at least not the ones we are interested in, rather than those that arise spontaneously;
- therefore, structured deeper exploration through dialogue;
- the 'voice' of the passive online observer – sometimes estimated at 90% of those online;
- and therefore comprehensive measurement of the effectiveness of brands' own interventions in social media conversations;
- close-up understanding of precisely defined niches or categories.

Those last two give clues about why traditional techniques still have much to offer. Retailers might see social media content as data but, of course, social media is two-way. Every post is potentially an invitation to a conversation. It offers access to

customers who are identifying themselves as ready, willing and able to discuss the things that interest them most.

Targeting specific groups has historically been a challenge, frequently outsourced to market research agencies. Social media has made this easier and researchers can switch to a more valuable role in facilitating and interpreting these conversations – not least because the online environment allows retailers and e-retailers themselves to be present in group discussions or communities, whilst still seated at their own desks – rather than always waiting for a final report. These are the conversations that can provide insight into what really drives their visitors and customers and, ultimately, drives sales.

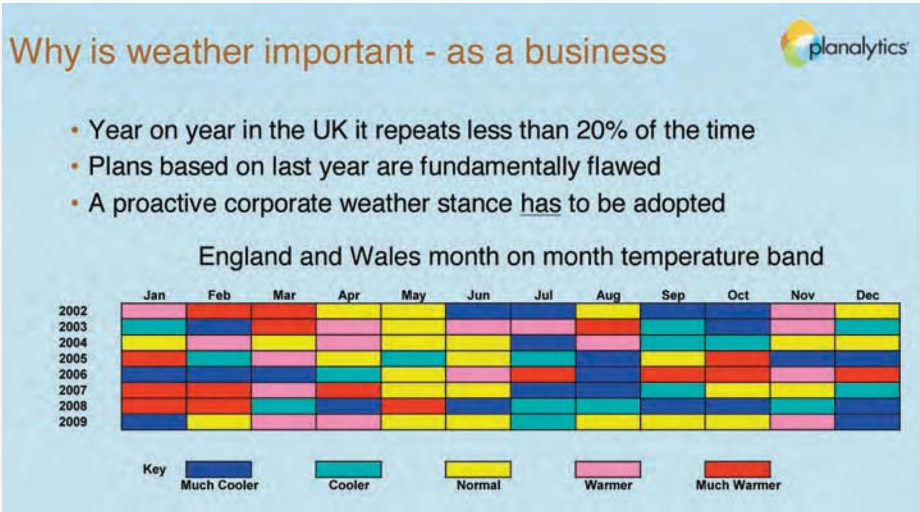
SO, WHAT DOES ALL THIS POINT TO?

- Market research experience is still being called on, not just to assess representativeness but also to target analysis on the most significant content and to validate other inferences such as location, uniqueness and derived age/gender. Analyses of the 'online listening' sector, such as that by eConsultancy (Online Reputation and Buzz Monitoring Buyers Guide 2010) highlight a gravitation of specialist companies towards market research agencies as partners – reflecting their shift from PR-monitoring mode to mainstream research mode.
- A growth in new kinds of research which support the segmentation of consumers by their online behaviour, in ways which may cut across their demographics. This research is valuable in its own right, in addition to shedding necessary light on the interpretation of social media content in industrial quantities.
- The identification of online species of influence which take account of a rapidly evolving culture of online purchase decision making, and complex patterns of alternation between online and offline research and transaction.
- A blurring of the different types of conversation – consumer to consumer, consumer to brand, consumer to researcher – which has exposed the potential for recruitment of participants via social media, but which also challenges Market Researchers to identify their legitimate place in the network. Social media models have undoubtedly transformed, rather than replaced, many kinds of research – such as the online group discussions, diaries and uploading exercises, now commonplace at GfK NOP, and used to research everything from families' energy conservation behaviour to fans' reactions to new mobile music services.
- At a time when there are signs of a backlash – with social media users starting to become more sceptical about privacy and neutrality – there may be an opportunity for respected market research agencies to make use of their trusted status. Perhaps as gatekeepers for information which a user wants to share, but only on the right terms, or even as independent underwriters of the validity of consumer reviews.
- Systematic integration of data from social media with that from research, to yield something better than either can deliver in isolation.

Market researchers do not have a full understanding of the social media ecosystem, and even if we did, it would be out of date tomorrow. Human nature finds very odd ways of expressing itself in new environments, and there's still room for the observational comedian to have us nodding in recognition. Michael McIntyre's routine about online reviews is a case in point. Having wondered exactly who finds the time and motivation to write impassioned reviews of pop-up toasters, he highlights that trait which will see so many consumers scanning through page after page of glowing restaurant reviews just to find, and be put off by, the one that says '… the waiter slapped my wife!'. Retailers need to take advantages of the opportunities that social media brings without losing the depth of insight that traditional research techniques can offer. ■

WHATEVER THE WEATHER

Mike Metcalfe, of business intelligence company Planalytics, examines the weather and its impact on the shopping public and the multi-channel business.



WEATHER, as the dictionary describes, is the 'State of the atmosphere at a place and time as regards heat, cloudiness, dryness, sunshine, wind and rain etc'. For those of us brought up in the UK it is a regular conversation piece; we all have an opinion about the weather, we only tend to remember the perceived favourability of the weather in our childhood, the weather is never currently right and what is more those that try to forecast it are invariably wrong in someway.

The geography of our island, situated between the Continent of Europe and the wide expanses of the Atlantic Ocean and its Gulf Stream currents, conspires to create variations of temperature, precipitation, wind direction and atmospheric pressure and often all within one day. It is little surprise then that the weather is a key part of the British way of life. We love to hate it.

As human beings though, the weather has a huge bearing on our way of life, our biological and physiological needs. We operate most efficiently when we are comfortable within a consistent range of temperatures. The weather also effects the way we function; too hot and we find sleep impossible, too cold and we need extra layers. Our food intake increases when cold and many suffer the effects of a lack of sunlight.

To combat aspects of the weather as consumers we focus increasingly on Need. If we are cold we will want to warm up – this may mean purchasing a new duvet, warm clothes or eating soups or hot cereals. Weather is a 'Fundamental Driver of Need'. The consumer has many choices to satisfy that weather based need, from a selection of stores and channels, prices and options.

Sadly, from the retailer's point-of-view, the challenge of meeting these demands is considerable since the weather varies enormously year on year.

MOTHER NATURE: THE LAST GREAT DRIVER OF CONSUMPTION

- Consumers today are spending less and focusing on NEEDS and not on WANTS.
- Need is a fundamental.
- Need does not wait for a sale or holiday promotion.
- Need is immediate.
- Weather is a fundamental driver of need.

HOW DOES THE WEATHER VARY?

No two years are the same from a weather perspective. Clearly there are seasonal trends that repeat, July will always be warmer than January and a spring season follows winter but sometimes it is not easy to see the change or it comes earlier or later. Seasonal weather in broad shapes though usually comes roughly when expected although planning based on a repeat of last year is flawed 80% of the time. Add to that the unusual or abnormal types of weather, the ones that occur once in 30 years and the challenge to provide customers with their needs gets more difficult.

In the last few years the UK has seen record heat in July 2006, severe flooding in July 2007 and again in November 2009, an Easter heatwave in

Brighton Beach
6 April 2007

Brighton Beach
6 April 2008

April 2007 and consecutive cold winters with significant snowfall.

How can retailers respond to abnormal weather conditions and can improved forecasting techniques help?

The classic caption of Brighton beach on the same day in April but one year apart shows the significance. April 2007 was one of the warmest on record and followed warmer than normal months of January and February. Whilst not unusual to have warm weeks in April, to have an average temperature over 4 degrees above normal was exceptional. Consumer need drove sales across all the classic warm weather groups, cold drinks, ice cream, barbeques, outdoor garden products, sandals and summer clothing. All retail channels whether in store or online saw increases of 50-100% over the previous year. Was this a good performance given the weather, could it have been planned and forecast and more importantly what decisions needed to be taken to maintain service levels?

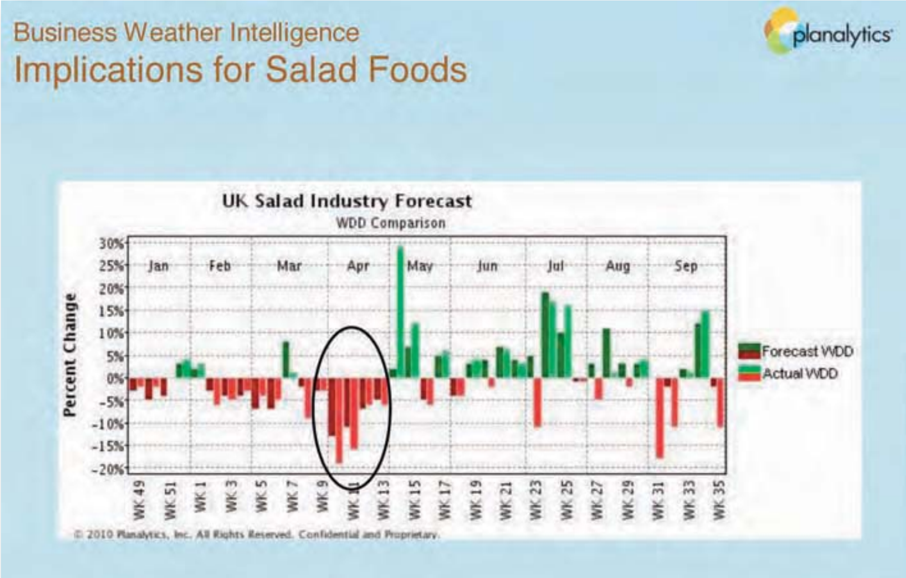
From a consumer point of view some of the purchases were for immediate consumption and would be repeated with further favourable weather. Others were seasonal purchases that may have been brought forward and would only be repeated if used significantly and worn out, eg barbeque coals. The weather drove the purchase timing as a direct response to the need created by the weather. Significantly much of this purchasing is done locally since heatwave weather does not encourage long shopping trips. It is also instant so the internet is not the natural first port of call for this purchase.

For the Supply Chain, Logistics and Merchandise teams struggling to cope with demand the consequences were tough. Extra stock was ordered on the back of positive trade and the inevitable then happened, the rest of the summer was poor with July, August and September much cooler than normal. Could things have been different?

DEWEATHERISED PERFORMANCE

Planalytics uses two years of sales unit history by location and compares the increases/decreases achieved to the weather recorded at over 60 local weather stations.

Using advanced statistical methods it creates a



link between the weather and the particular product category performance. Obvious weather-related products such as umbrellas, soups, hot cereals, barbeques, sandals and boots have between 60 and 80% of their performance attributed solely to the weather. Most products are above 50%. With this knowledge, sales performances can be deweatherised, the budgeting process for April 2008 would have been clearer when the effects of the weather for the previous like month were stripped out.

The following season can be forecast more accurately, as in the 'Implications for Salad Foods' image above that shows weeks/months of weather favourability or otherwise v the previous year.

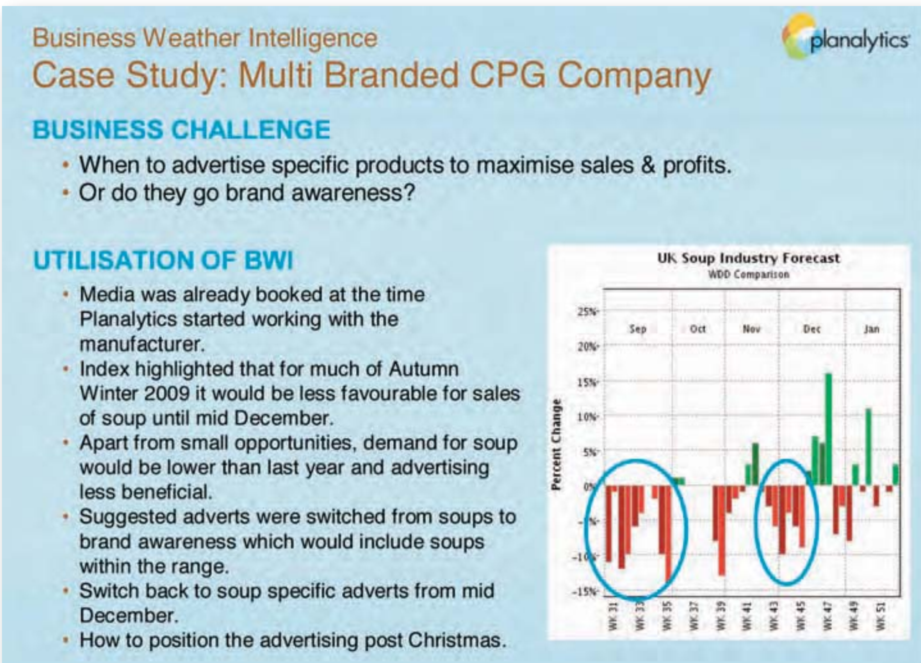
With this knowledge both bricks and mortar retailers and those with online businesses can plan much better and those with both channels can cross fertilise information for maximum benefit. Both should use the weather data in planning seasonal shapes, mixes of product, quantities and potential repeats plans.

Use of the weather data can help to plan marketing campaigns for maximum benefit, the scheduling of TV adverts and in store support mechanisms. For an online retailer this can mean the timing of focus and front pages on the website.

Companies that have both channels can use the website for further advantage. In many cases a larger range can be offered on the web as stock does not have to be distributed across a plethora of stores. Using weather data, expected temperature thresholds that are known to be needed to kick start demand etc can allow market testing earlier in time for elimination of poorer lines or options for the stores. Equally for online retailers the knowledge that a season starts earlier in the South West of England (where warmer temperatures come earlier), or colder weather for Autumn in Scotland allows for focused offers by geography to customers in those regions to provide early feedback.

The use of short term weather forecasts is also very powerful. Once the relationship between product, weather and need is established then knowing that next week is going to be favourable should allow retailers both in store and online to adjust plans, change page layouts or store displays, email regular customers, look at prices and margins and maybe even consider staffing levels.

In short, companies that can prove the relationship between the weather and demand for their product (and that is most), can benefit greatly. An understanding of the buying activity of consumers, anticipating and planning for this will give a huge competitive advantage. ■



A STITCH IN TIME

Multivariate testing coupled with personalisation makes for a powerful web development strategy which boasts the best conversion rate improvements in the business and strongest return on marketing spend - but it is a discipline, not a quick-fix, argues Mark Simpson, Founder and President at Maxymiser.

INTEREST in multivariate testing (MVT) is now growing at an accelerating rate, with many organisations announcing firm intentions in this area for the year ahead. Indeed, it is not surprising that multivariate testing should have entered the mainstream, given that it is now widely recognised as the most effective means of increasing the rate of conversion of website visitors to paying customers.

While three years ago, MVT was new to the UK market and a minority practice, it is now a critical part of website development strategies across the retail, finance, travel and media markets. Other sectors see its value too, from online gambling and gaming markets to the online dating industry. Having invested heavily in search engine optimisation and other techniques for driving traffic to their web pages, these organisations now recognise the importance of securing the best possible return on that investment - by making sure they get the most from those visitors before they click away.

SCIENCE OVER SUPPOSITION

Multivariate testing takes the guesswork out of web design optimisation, testing the measurable reactions of customers to subtly tweaked page layouts, content mix and navigation path. Unlike other forms of such testing, the MVT approach is able to deduce the best combinations from its detailed, integrated analysis.

Because it uses science rather than gut-feel, MVT overrides the random preferences of senior managers to deliver tangible results. This point is driven home by the often unpredictable findings that emerge. For example, a series of multivariate testing for On The Beach Holidays led to a £1.2 million increase in revenues simply as a result of removing a VeriSign logo from a key page. It appeared that this had been distracting visitors – a finding that would not have been obvious through any other means of research, such as customer focus groups.

When Asda redesigned its home page following discrete multivariate testing, it profited from a 19% reduction in bounce rates. In a similar exercise, its Finance arm saw a 14% reduction. By testing its products pages, Fragrance Direct added £1 million in revenues in just six months and bmi baby achieved 18% uplift in advance seat assignment through trialling different webpage layouts, sequences and content.

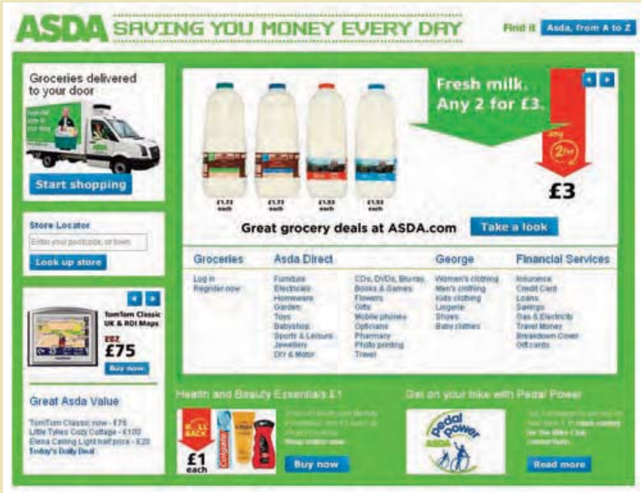
Crucially, however, none of these improvements were achieved by those companies using MVT tools in a vacuum. Rather, their actions were taken methodically, as part of a strategic roadmap of improvements designed in partnership with external MVT experts.

Significantly, companies harnessing MVT tools as part of an overall managed service, whereby they work with a specialist testing partner to continually refine their web pages, reported an average 24-27% uplift in conversion rates over the last year. In contrast, enterprises that tried to do it themselves experienced an uplift of between 1.9% and 5% - a marked difference.

The potential for personalised marketing over the web is enormous, and is particularly effective when used in conjunction with MVT techniques. Amazon continues to be a great example of best practice, in terms of its sophisticated ability to recognise and deftly exploit consumer's browsing and buying habits - contrasting with most other websites, which still struggle to make full use of the wealth of customer data they have access to.

E-business owners have about seven seconds to capture the attention of an online visitor and engage their interest. If this opportunity is lost, the customer will move to a competitor. If they experience more relevant, personalised content and a pertinent offer there, they may never come back – however loyal to the brand they may have been previously.

Market analyst firm, Forrester, notes that



By adopting the winning page, ASDA benefits from a 19% reduction in bounce rate, driving significantly more visitors deep into the site.

organisations have wanted to personalise their web marketing for as long as 15 years: what's stopped them is simply that they haven't known how to go about it. But now the building blocks exist to get them started - allowing them to model what customers do as they navigate a site's web pages, and segment this data so it can be exploited in tailored promotions both on the web, either during a current or future session, or across other channels.

REDUCING RISK

While there is now a plethora of MVT and personalisation tools on the market, randomly applying the technology to the company's web pages is not going to elicit the desired results and the impact of any initial changes will soon be lost if there is not an ongoing commitment to iterative website development. However, while instinct might encourage a business to cyclically refresh its website to add new value and keep customers interested, the risk of getting it wrong is significant.

When one retailer recently re-launched its website with a fresh new design and layout, it lost business. On screen, the website appeared to be a huge improvement over the old version, and the business was convinced it would boost sales, yet the result was a drop in conversion performance from 11% to 7%. While all of the business stakeholders had been happy with the new site, customers didn't share their enthusiasm. Unwittingly, the company had made the site less rather than more user-friendly.

The secret of the online giants – the eBays, Amazons and Googles – is that they test as they go, using multivariate techniques which monitor visitor behaviour in response to tweaks which are so slight that the average consumer would not be aware of the differences. By doing this continuous testing these powerful brands are able to hone their websites on an ongoing basis, without disturbing consumers or risking revenues.

The result is that the sites remain fresh, relevant and leading edge, but without the big-bang approach. This means that customers aren't left feeling that a familiar experience and learned shortcuts have been whipped away from under them, while the business retains the ability to innovate – with the proper controls in place, and in a protected environment.

While maintaining the status quo online is crucial, failing to move forward is not an option competitively. Multivariate testing is not something that can be done once, or even once a year, and then left alone for a while as the higher revenues come in. It is a discipline and a service that must be built into companies' ongoing marketing programmes. The challenge is how best to manage the risk when approaching new frontiers.

In the web world, things move at a lightning pace, and hungry competitors are always looking for their next advantage. By intelligently using MVT, personalisation and iterative website redesign, businesses can be confident in making changes to their online presence that are vital in continually improving online performance, better serving the needs of customers and ultimately increasing conversion rates to boost sales. ■

HOME DELIVERY
WHAT DO CUSTOMERS WANT

IR asked Alison Clements to examine whether online shoppers really want next day, 1-hour delivery to their desk by courier and the impact these options have on margins.

SAME DAY delivery, one-hour slots, late cut-off, click and collect, free delivery: An incredible amount of innovation is taking place in the home delivery market, helping retailers maximise online sales. That's just as well because consumers who aren't offered flexibility and value for money around home delivery are deserting online stores in droves. The Royal Mail's 9th Annual Home Shopping Tracker, published earlier this year, revealed that high delivery charges was the most widely cited reason for cart abandonment. An overwhelming 52% of people were regularly put off by delivery costs and 31% said they'd stop buying if it looked like delivery would take too long. Royal Mail estimates that at least £2.7bn is lost a year, due to cart abandonment.

Losing sales is one thing, but delivery experts like Mark Astbury, General Manager of Collect+, think etailers risk damaging brand loyalty too, if the crucial delivery and returns elements aren't clearly communicated, sensibly-priced and reliable. "What happens in the last mile is becoming business critical, and unless addressed, may undo the hard work online and multi-channel retailers put in to developing deeper relationships with their precious customer base," says Astbury. He advocates 'CCD' – customer centric delivery – as the key to keeping customers happy.

CUSTOMER CENTRIC

So what does customer centric delivery look like, and how are retailers making it work for them without losing margin? Multi-channel retailers such as Tesco Direct, John Lewis, Argos and Comet are increasingly utilising their store estates with Click & Collect services which keep costs down and release customers from the frustration of 'waiting in for a parcel'. Pureplay etailers can make use of services like Collect+ which lets customers use a vast network of neighbourhood stores to collect and return parcels.

But the massive challenge of improving first time delivery into customer homes is being tackled head-on by couriers who have innovated with timed, evening and weekend delivery slots, technology that tracks parcels en route, and SMS alerts. Grabbing the headlines this year has been DPD's one-hour home delivery slot service, which launched in February and has been adopted by retailers

including DSGi, Orange, Kiddicare.com, Asos.com and Sony. Thanks to the latest GPS and latitude/longitude tracking technology it allows parcel recipients to receive a text or email on the morning of a delivery, narrowing down the ETA to an hour slot. "We've found that incorporating this simple element of customer communication into the delivery can really drive up hit rates, and so this is a cost effective, environmentally-friendly way to get goods to customers," says Dwain McDonald, CEO of DPD. "Retailers know that shoppers want day-certainty, and as services like this reach a wider audience, people will increasingly want to have time-of-day certainty too."

Snow Valley's latest research into what etailers are offering delivery-wise reveals real progress, even since last year. The 2010 Online Retail Delivery survey produced in partnership with delivery management solutions specialist Metapack says 'supersaver' options are becoming more popular, deadlines for next day delivery orders are getting later, order tracking is now used in 84% of deliveries, and delivery loyalty schemes such as Asos Premier and Amazon Prime are taking off. Perhaps the most significant trend is that far more premium options are being offered than a year ago, with 55% of online retailers tested in the survey now offering next day delivery and 26% offering Saturday delivery.

Patrick Wall at Metapack believes the findings point to a new stage in the evolution of home delivery, where premium is becoming mainstream.

"Premium options such as next day, nominated day delivery and one-hour slots may only be taken up by 15 to 20% of customers, but it's becoming essential to at least offer it," says Wall. "Retailers must look at the different kinds of behaviour they're seeing from customers and build their delivery options to suit. Then the service must actually operate across the geographical range of your customer base. If your premium services don't reach Scotland, or are limited to certain cities only, you've got to make that clear." He warns that customers' patience will be sorely tested if websites require too much 'look up' work.

Wall applauds the trend to supersaver, but warns that 'cost to serve' elements need to be carefully scoped. "Many customers can't resist a £1 cheaper, for five to eight day delivery, but may get frustrated while they're waiting and call customer care to see if there is any confirmation of the delivery time, and that adds cost," he says. Retailers' ability to immediately offer supersaver is determined by the carriers they are using. "If you haven't got the right carrier, adding another shouldn't be a problem as long as you have the right systems," says Wall. "But if you're having to negotiate with IT each time you bring in a new carrier, there will be problems. Clearly a multi-carrier system helps you to get around this."

TOO MANY OPTIONS

Having too many options can confuse customers and threaten ROI, says Sarah Clelland, Marketing Manager at Snow Valley. "It's interesting that one major player has pared back its choice of options from 14 to 7 recently, which suggests they're settling into the optimum range that makes commercial sense," she says. Many retailers are using a model that takes margin generated from the premium offer to cover the cost of offering a cheaper or free option. While some retailers hope to profit from delivery charges, others calculate that the low delivery charges will drive sales and loyalty. Presumably M&S's inventive 1p delivery campaign in the run-up to Christmas was backed with a one-off marketing budget.

Premium can be costly, but the point is that a small percentage of customers are willing to pay for immediacy and convenience. For example Asos.com charges £9.99 for its same day delivery service, provided by CitySprint. Bel Shergill, Retail Sector Development Manager at CitySprint says Asos, MyWardrobe.com and Selfridges are all using the service which enables same-day delivery, between 6pm and 9pm if orders are made before a chosen cut-off time (typically 2pm), and that's available seven days a week. "Our clients know that they'll lose customers who don't want to wait three or four days for their purchase," says Shergill. "This is a 'white gloves' service with our dedicated retail support team working with the customer and the retailer to ensure safe delivery. We find that people who have paid to get goods delivered that day will nearly always be in to receive it. Take-up from customers might only be 1% or it might be 10%. The point is that retailers want to offer something for everyone's needs."

THE IMRG'S LATEST RESEARCH FOUND THAT:

- 17 out of every 100 orders are not delivered to customers' expectation and two thirds of these are either delivered late or not at the first attempt.
- The cost of failed deliveries to the whole UK e-Retail sector is between £800 million and £1 billion a year (or 70p for every parcel dispatched).
- The UK's retailers bear over a third of this cost themselves.

Source: IMRG Consumer Delivery Survey 2010

Snow Valley awarded Asos.com its 'Golden Chariot' award in January for home delivery innovation and best practice. Masood Choudhry, Head of Fulfilment and Logistics at Asos says the company began an initiative in 2009 to improve the home delivery propositions, and this has helped it shape its current, highly-regarded offer. "Our customers clearly want choice, convenience, value for money and high levels of service. That is what we aspire to provide," says Choudhry.

Other customer-focused retailers such as Wilkinsons, Kiddicare.com and Firebox.com are spending time asking customers through surveys and their websites exactly what they'd like when it comes to delivery, and shaping their offer accordingly. McDonald at DPD, says trends are coming through from historical take-up which helps retailers decide how to structure delivery. "We're seeing that the volumes are building to make Saturday a standard price delivery day very soon," he says. "Evenings don't seem to be generating the volumes required to make it cost effective at the moment though."

While premium is attracting interest, there's also a trend for standard delivery prices to come down, particularly if the current economic conditions prevail. iForce carried out an extensive survey in April 2010 which revealed the average standard delivery charge has been reduced by 9% to £3.52 since October 2009. Meanwhile, free carriage is coming to the fore, with the number of retailers offering free delivery, over an order threshold, having jumped from 10% to 35% in six months.

As online shopping continues to mature, retailers and couriers will fine-tune the delivery offer further still. This in turn will deliver cost savings that chip away at charges. Somewhere down the line, delivery service may even delight shoppers, rather than restrict the buying process as it seems to so frequently today. ■

Insight from arou

MICHAEL MATZER, EDITOR, INTERNET RETAILING GERMANY

In Germany, a number of conferences and events have highlighted the increasing importance of electronic and mobile commerce. In May, major German ERP vendor SAP held its annual customer conference SAPPHIRE simultaneously in Frankfurt/Main and in Orlando, Florida. The big news was that SAP wants to acquire California-based Sybase for $5.8bn.

Sybase used to be a database vendor long ago but has changed its business model completely. It is now a major player in supporting mobile solutions. So, with this acquisition, SAP intends to play a significant role in the future use of mobile solutions and m-commerce. Co-CEO Bill McDermott envisions one billion users of SAP in the near future. And, having moved many of his solutions to the cloud already, among them a full-blown ERP suite, this goal seems not unreachable.

Another conference that granted an enlightening look into the crystal ball was the International Supercomputing Conference (ISC) in Hamburg. Supercomputers are being built in a radically different way than a decade ago. Graphical coprocessors, GPUs, are used extensively to enhance parallel processing of software and data. The technological progress made in the GPU market will help online shops and ecommerce in general.

Powerful GPUs, eg by Nvidia, AMD or Intel, are essential to process and deliver any kind of high-resolution image or audio. High density (HD) quality images are rapidly becoming the visual standard on the internet, on PCs, game consoles and on mobile devices as well. Online shoppers will soon expect e-retailers to offer HD quality images and videos not only on product detail pages but also in search result lists. This demand, of course, will put high pressure on any kind of communication infrastructure, but LTE will help the mobile market.

Apple's iPad tablet computer has been available in Germany since 28 May. It was a hit instantly among the Apple aficionados – living proof of social merchandising. Although it doesn't offer a USB interface nor Flash videos by Adobe, it will quickly become another platform for mobile commerce, probably primarily for digital documents like newspapers, magazines, web pages, maps and books.

Wave after wave is coming in. Be prepared to surf them.

For a more extensive coverage of these three events, please visit www.internetretailing.de.

SARAH TAYLOR, SENIOR INDUSTRY DIRECTOR, ORACLE RETAIL

It could be argued that the way an emerging market fares following economic turmoil is the biggest test of its strength. Are we still able to class the BRIC (Brazil, Russia, India and China) economies as emerging? Or perhaps, following the Global Retail Development Index's lead (GRDI), would it be more appropriate to label them as maturing?

Take Brazil for example. The world's eighth largest economy has weathered the credit crunch well by making prices more competitive and providing greater opportunity for company takeover. For heavyweight retailers like Carrefour and Wal-Mart this means Brazil still offers a market in which to grow. The ecommerce rate continues to expand, which further increases Brazil's appeal, but the sheer size of the country (meaning less efficient delivery) means online retail hasn't taken off at the rate it could have.

Russia has somewhat more of an established online presence with more than 40 million internet users. However, problems lie with delivery and online banking. The introduction of PayPal is helping Russians view ecommerce as less risky now that transactions have become more secure.

BRIC is increasingly becoming BRIICS to mark the inclusion of Indonesia and South Africa. Indonesia has taken inspiration from online giant Amazon with its first online book store, Sanur. However, the country's infrastructure is simply not developed enough to support online growth in a large capacity. As a complete contrast, South Africa is embracing ecommerce understanding that online procurement and supply chain management can trim costs and improve customer relationships. Therefore, including South Africa in the BRIICS acronym supports the GRDI's idea that these economies are no longing emerging, but maturing.

BRIC or BRIICS economies share the same attributes. All are expected to achieve a high GDP growth this year but factors such as legislation, politics and energy prices will all inevitably affect their ranking in the marketplace, giving them a chance to mature even more.

nd the *world*

ALISON MOONEY, MARKETING & COMMUNICATIONS MANAGER, EMOTA

The European Parliament's Internal Market and Consumer Protection Committee met in Brussels earlier this month to discuss a so-called own-initiative report drafted by Spanish MEP Pablo Arias Echeverría on completing the Internal Market for e-Commerce.

The report comes following a European Commission report on "Cross-border e-commerce in Europe" published last autumn which revealed (on the basis of a mystery shopping survey) that 60% of cross border ecommerce transactions could not be completed by consumers because the trader did not deliver to the buyer's country of residence or did not offer adequate means for cross-border payments.

The objective of the European Parliament report is to encourage the European Institutions to adapt existing EU rules from offline commerce to the online market and to put mechanisms in place that would boost consumer confidence in online trading and allow traders to overcome barriers to cross-border ecommerce.

Pablo Arias Echeverria stated that European e-Business needed to be prepared to face the challenges of the 21st Century Global Economy and outlined 6 key points that his report addresses.

- Improving internet access across EU27;
- Overcoming the fragmentation of the online market;
- Overcoming the fragmentation of legislation on consumer protection;
- Increasing consumer trust in e-trade;
- Bringing about initiatives to encourage businesses to sell cross border;
- Improving security online for minors.

MEPs agreed that boosting ecommerce could work as a positive catalyst in order to bring economic recovery to the EU27 and that encouraging cross border e-tailing activity was particularly important. These ideas have in fact already been enshrined in the European Commission's 5-year 'Digital Agenda'.

However, confidence and trust in ecommerce as a method of shopping need to be increased for e-shoppers and e-businesses alike. Also Arias Echeverría's report, which the European Parliament has yet to vote on, will need to be aligned with the ongoing revision of the Consumer Rights Directive which will aim at harmonizing e-sales conditions across all of the EU member states.

DIANE WANG, CEO, DHGATE.COM

The growth of China's online markets has been one of the most remarkable aspects of the country's economic development over the past decade. Although this started off mainly as Chinese suppliers selling to international buyers, as markets have diversified we have seen greater volumes of domestic B2B ecommerce, as well as more online B2C sales to both domestic and international customers.

To give you an idea of the rate of expansion, in 1998, there were 1 million internet users in China, and today there are over 400 million. This pace of change looks set to continue as more and more Chinese businesses and customers come online. Clearly, this brings huge market opportunities for online retailers of all types - particularly, with the value of the Yuan likely to rise.

So, what lessons can we learn from the B2B experience in China over the past decade? Firstly, trust is key, and online traders must be sure to provide good, credible product descriptions and information. This requires adopting good technologies with easy-to-use payment systems and fair channels for resolving disputes.

We have also seen that localisation is very important in Chinese markets. Just as it has taken Chinese suppliers some time to understand the needs of foreign buyers, so anyone wishing to enter Chinese B2C markets should research what makes Chinese consumers tick. These can be simple things, like putting lots of 8s in the price (8 is a lucky number in China), or stretch to multi-million dollar marketing campaigns.

But the key lesson from B2B markets is that ecommerce can and does work in China. It may be difficult, and it may be cut-throat, but innovative companies with good products can succeed.

And to finish, a word of warning: Chinese consumers can drive just as hard a bargain as Chinese suppliers!

MOBILE AS A SOCIAL TOOL

Alex Meisl, Chairman and co-founder of mobile agency Sponge and co-Chairman of the Mobile Marketing Association, looks at mobile as a prime tool for gaining insight and spreading the word.

WITH FOUR TIMES as many mobiles as PCs in the world, the future is going to be mobile, and retailers who ignore these opportunities, do so at their peril. Latest estimates suggest that by the end of 2010, mobile subscriptions will exceed 5 billion - 70% of the world's population. Even more compelling is research which suggests that m-commerce is predicted to reach US$119bn in 2015.

We all know the perils and pitfalls of the mobile phone – on the one hand it is the most personal and relevant device with which to form an ongoing and enduring dialogue with your customers. Yet, due to its very personal nature; inappropriate, irrelevant or poorly targeted communications are rightly seen as intrusive with the potential to inflict damage on the brand.

As the whole digital world converges, mobile and social media are now often the two subjects which increasingly appear to be top of the agenda for retailers.

Most of the effort being expended so far on mobile in retail is through mobile advertising and marketing - and the key to it is getting recipients of mobile marketing to pass on the message virally either peer to peer or through social networks.

In a sense, communications and retailing are evolving in the same way. Whilst 'one-to-many' remains fundamentally important and has plenty more life in the mobile space, 'one-to-one' is where a lot of the action is. Consumers need to feel valued and cherished, and whilst the communications process needs to show a degree of personalisation between brand and customer, it is the ability of the customer to share this information with friends which creates real bang for your buck.

Certainly, positive word-of-mouth is becoming increasingly critical as traditional media fragments and audiences become ever more elusive; Joe Public owns the means of information production and distribution; and trust in 'institutions' of all kinds, including brands, declines.

Nothing embodies the intimate, cherished relationship that a user can develop with their handset better than the iPhone. Despite all the excitement, we should not forget that at present the iPhone only has a market share of about 5% in the UK and is coming under increasing pressure from other platforms, notably Google's Android. Furthermore, Apple's App Store has 200,000 apps to choose from, so getting visibility is an increasing challenge. This is compounded by research which shows that over 80% of all apps are downloaded less than 10,000 times.

The personal nature of a consumer's relationship with a mobile brings with it perils for the incautious

THE BIRD'S EYE CAMPAIGN

The campaign generated 1.8 million entries, representing a 3.6% response rate.

The Cross Sell category resulted in a notable uplift in sales of certain Birds Eye products.

Each consumer entered on average 2.1 times and over 100,000 consumers opted in to receive ongoing product and recipe information via email - an impressive 11%.

marketer. But done well, the positives are huge. Real opportunities exist to gain immediate behavioural insight and leverage that can drive behavioural change.

A good example is the "Be Mortgage Free" campaign we ran for Birds Eye:

Birds Eye had a number of goals for this promotion: increase sales, encourage purchase of multiple products, develop loyalty and win back lapsed customers. There were two tiers of prizes to be won: £1,000 daily over 106 days, with all entrants entered into a second draw for a monthly prize for one winner to have their mortgage paid off for each of the three months of the promotion.

The promotion featured on 50 million units of Birds Eye products, across 42 different product ranges from Fish Fingers to Garden Peas.

Applicants could enter the prize draw by mobile, the web or by post. To enter via mobile, consumers were directed to text in a unique code that was found in each product pack. As each pack had a unique code printed on it, we knew the exact product purchased by the consumer. The mechanic gave us three touch points where we were able to communicate with the consumer:

- Immediately on entry;
- 24 hours later with the results of the previous day's £1,000 draw;
- At the beginning of the following month with the results of the mortgage draw.

As well as responding to the consumer on these three occasions with the factual information relating to their entry, we also used dynamic messaging to include a personal targeted message for the entrants within the three responses. The messages were selected from three different databases for each SKU with additional information of relevance to the consumer. They were: nutritional advice; recipe ideas; cross sell.

WORD OF MOUTH

Mobile's primary purpose is word-of-mouth…or, in the case of text messaging, word-of-finger. It's all about conversation, about exchange of information. Combined with the fact that the mobile is 'always on and always with us', no wonder social networking via mobile has exploded. Recent figures from comScore show that 50% of all mobile internet traffic in the UK was for Facebook – with 5m unique users and 2.6bn page impressions in February 2010 in the UK alone. This social angle cannot be ignored as the growth in mobile interaction increasingly allows consumers to rate experiences, brands and retailers whilst on the move and share these thoughts with their friends.

Clearly, Mobile Marketing is still at a relatively early point in its lifecycle. Roadmaps are still to be created. Definitive case studies yet to come, or where they do exist, the client needs to show more of a willingness to share them with the outside world.

One of the retail successes to date is Barclays. It sent personalised text messages to potential customers who had applied for a loan online but had not completed the process – the message served as a "nudge" to encourage the customer to conclude the transaction – it proved three times as efficient as a parallel email campaign.

MandM Direct uses mobile to add a new service dimension, driving response and building incremental intelligence amongst their customer base. We helped The Hut as well when it relaunched the Zavvi brand online; a promotion using the mobile channel combined social strategy to promote a competition combined with a £1 mobile voucher redeemable against any purchase. The initial campaign helped generate 10,000 new customers and £150k of incremental business.

So, where do we see the future and how would we recommend retailers respond to maximise the opportunity?

- As with any other communication channel, it's not about 'flashy' one-offs, but about integrated strategies that can scale over time.
- The 'big win' will be in delivering increasingly relevant services to individualised groups of customers based on time, place and proven behaviour. In other words, real-time CRM.
- Costs of entry are still surprisingly low, and the competitive landscape relatively uncluttered.
- First and foremost, ensure that your website works on all major mobile devices – if it doesn't you are missing significant opportunities.
- Don't be seduced by the latest sexy technology – unless your demographic has the specific handsets needed for the technology to work, you will be disenfranchising the rest of your customer-base.

It is increasingly undeniable that mobile will represent a significant communication and customer relationship opportunity – especially as the technology curve accelerates. Inherently powerful offerings like mCouponing, mCommerce or location-based services are still in their earliest days but now is the time to start experimenting in the space and build learnings for the future. ■

Q&A WITH HEAD OF PRIVATE SALES STORE

PAUL CASARIN, HEAD OF BUSINESS DEVELOPMENT, MIH GROUP

1. Why did you decide to launch a Private Sales business?
The private event retail concept is doing phenomenally well across the world, particularly in the US and Europe. There is also a great interest in the online clothing retail industry in particular. In South Africa we have quite a unique situation with geographic and access limitation combined with a slow adoption of online clothing retail offers. We believe that there is a gap in the market in South Africa for retailing luxury brands together with the added shopping excitement of this format (deep discounts; exclusive catalogue; online flash sales).

We also think that it's a great way for South Africans abroad to shop online for folk back in South Africa. We know that there is a great community, particularly in the UK, who can shop for delivery in South Africa using 36Boutiques (a MIH Group venture).

2. What are the key success factors in Private Sales?
The primary success factor for 36Boutiques lies in the relationships with the brands and designers (our suppliers). As the cornerstone of the offer is based on product selection and price, our collaboration and partnership with brands is paramount. However, to get to a lasting partnership with brands and to gain the trust of our members, we need the foundations in place – an amazing website that becomes a destination for customers, who in turn introduce us to their social circles, coupled with great customer service and delivery.

3. Beyond Private Sales, what other new retail concepts do you believe will achieve success?
We see new technology innovations coming through daily. We are very interested in mobile ecommerce as the trend in South Africa clearly shows a move towards mobile phones as an access device of choice, extending into retailing and content consumption opportunities.

In our market new retail concepts are being conceived in unique and interesting ways. Just like MPesa in Kenya changed the rules of money transfers using mobile phones, so we think new retail concepts will unfold with the opportunities brought by the mobile web.

4. Is the decade-old ecommerce storefront going to be usurped by these new retail concepts?
Currently e-commerce (excluding travel) represents less than 1% of the total market in sales. We are hoping to arrive at an inflection point recently experienced by other countries such as Brazil, which now enjoys exceptional Internet-based retail growth. We are actively encouraging the traditional retailers and brands to trade online, as we believe that the move will bring the entire industry closer to the point where online retail really takes off.

We think that these new retail concepts are based on the old-fashioned principles of getting a great offer as a part of a convenient and exciting shopping experience. The future of retail is being redefined and these new retail concepts are replacing the inadequate "decade-old" practices that no longer suit today's customer.

5. Which requirements of Private Sales are not supported by traditional ecommerce storefront software?
Online retail event management is very different than traditional ecommerce site management. Each event is launched with an enormous amount of interest in the first couple of hours. At 12 Noon, when our sale launches, we need a burst of capacity at that moment. Our flash sales are timed and the clock is ticking for each boutique as well as each member's shopping cart. Members can't hold stock in their cart for longer than 15 minutes because we need to accurately control our stock and declaration of availability. Our software requirements to manage the business are unique and set us apart from the traditional ecommerce offer.

6. What did you look for in a partner to help implement 36Boutiques?
We looked for a partner who had a deep understanding in private event retailing with the understanding of what is required to develop and support such a business – with the added understanding of cross border management (e.g. remote services; support; time differences, etc.).

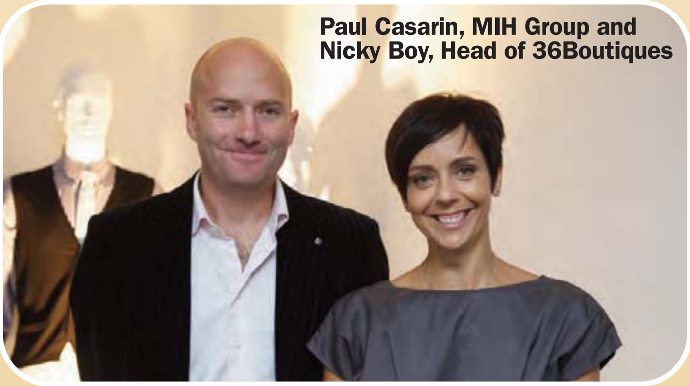
7. Is time to market critical? If so, what do you look for in a vendor/software to get new retail concepts to market faster?
Time to market is critical, but not at the expense of our overall offer. We look for a vendor with a track record; with customers we can phone and who readily recommend the vendor. What is also extremely important for us is to be able to work with the vendor and have them join us as part of our broader team with an appreciation of our culture and customer centricity.

8. Does a partner need to be locally-based for a successful project?
No. We do however appreciate a combination of personal interaction and local presence at critical milestones, so we get the benefit of a team based at the centre of retail best practice in the U.S. with the personal interaction and on-the-job training as an extension of our local team.

9. Which works better – 2 separate vendors for design and technology or a larger firm that does both?
We actually began with two vendors (digital agency and technology partner) but in the end found Optaros' capabilities and experience in developing a great user experience shone through, and we quickly migrated to one team to do both – a decision that ultimately got us to delivery quicker with a world-class design.

10. Why did you choose the OCentric ecommerce SaaS solution from Optaros?
Firstly we chose Optaros as our technology partners. They have both the retail technology vision as well as the execution capabilities. We then chose the OCentric platform as part of Optaros' capabilities as we wanted to get to market quickly and needed a reliable platform to trade on.

Contact Optaros: P: +44 (0) 207 9534054,
or visit www.Optaros.com



Paul Casarin, MIH Group and Nicky Boy, Head of 36Boutiques

GOOGLE GOES GAGA

Google sees the future of retailing as mobile, but as further research suggests, it's not about purchasing, but about what mobile brings to the shopping experience. Paul Skeldon explains.

WHEN GOOGLE TALKS, the world listens, so its pronouncements – which have been growing in volume over the past two years – that its future is mobile have not fallen on deaf ears. Now it is insisting that retailers have to embrace mobile more keenly if they are to survive in the new ecommerce landscape – a landscape that will be free of wires – since, by an unspecified time in the near future, more ecommerce will be done on mobile than PC. In fact more of everything internet will be done on mobile devices than PCs, it believes.

Many in the retail, ecommerce and mobile industries agree, but there is still a healthy scepticism over the timing of the rise of mobile. A recent study by retail analysts Verdict and veteran telecoms consultants Ovum found that, by 2013, m-commerce will indeed have seen tremendous growth – reach an estimated £275m in revenues – but that this would still be dwarfed by ecommerce's £21bn today.

So, has Google gone gaga? Far from it. The power of mobile lies not in the purchasing per se (well, not yet anyway), but in all the things that sit around mobile that are already making it an invaluable tool for shoppers (and spenders).

At present, finds Ovum-Verdict, rather than shop, it is clear that consumers are using their mobiles to enhance the shopping experience by comparing prices, researching products and interacting with retailers. Indeed, the findings of Verdict's consumer research reveal that 11.5% of all UK shoppers are using their mobiles to research before shopping, while 3.8% use them to research, engage and interact with retailers while out shopping.

"The opportunities are there for the most proficient multichannel retailers to claim a share of the growing cross-channel expenditure by exploiting the possibilities provided by mobiles to seamlessly link the online and in-store environments," says Christine Bardwell, Senior Retail Technology Analyst at Ovum.

Google, meanwhile, believes that mobile will also bring advantages of location based marketing and social media marketing to the mix and these, while not necessarily driving direct sales from handsets, will provide the cornerstone of the future shopping experience.

Google is also pledging to integrate customer reviews into its search processes better and is looking, like many providers, at how to make mobile payments easier on both the consumer and the retailer.

A "Noogler" (new Google employee).

The rise of barcode scanning software such as Stripey Lines and RedLaser – as found on Tesco's latest iteration of its iPhone app – are also placing mobile in an interesting place in the retailing experience, making comparative shopping for hard goods that much easier for the consumer.

Google's Googles and other forms of augmented reality (AR) that place data over images captured on smartphone cameras are also likely to aid this process.

However, there is still a fly in the ointment. Smartphone use is rising significantly and rapidly and the man in the street is using his mobile for more and more web-related tasks. But all this requires a data connection and, after just three years of unlimited data bundles that have made this possible on the fly, network operators around the world – following the vanguard in the US – are starting to curtail these options.

UK network operator O2 has become the first here to can unlimited data packages – just in time for the launch of iPhone 4; canny – and the others are expected to follow suit.

The networks argue that it just makes pricing more transparent and that, in O2's words, "97% of its customers won't notice a difference", but there is the worry that it could put a dampener on the nascent rise of the mobile web being bigger than PC-web any time soon. ■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PERFORMANCE MANAGEMENT

David Flower, VP EMEA of Gomez, shares best practice on performance management as the key to delivering quality mobile web experiences.

LAST MONTH, Marks & Spencer became the first leading UK high street retailer to deliver a fully-fledged mobile commerce experience. Its 'Shop Your Way' initiative means that its customers can now browse, search and buy online, on mobile, by phone or in store. The mobile element was the final piece in its m-commerce puzzle. The company is readying itself to take advantage of the inevitable growth of m-commerce that is forecast for 2010.

In other (related) news last month, M&S announced a 5% increase in its profits to £632m. And I'd imagine that incoming boss Marc Bolland is hoping mobile sales will account for an ever-increasing amount of sales as the company's new financial year plays out.

Across industries, the mobile web's potential for strengthening customer relationships and brand, increasing revenues and reducing costs has been widely recognized. However, while mobile web users may be willing to trade some functionality for the "anytime, anywhere" convenience of the mobile web, they're not as willing to sacrifice performance in key areas like availability and speed. A recent Gomez study found that two out of three mobile web users have encountered problems when accessing websites on their mobile phones in the last 12 months, with slow load time being the number one performance issue.

Clearly, mobile web experiences are not yet matching visitor expectations, which can put revenues, customer relationships and brand loyalty at risk. Consider these additional findings:

- 85% of participants said they are only willing to retry a mobile website two times or less if it does not work initially.
- More than half are unlikely to return to a website they had trouble accessing from their phone.
- 40% said they'd likely visit a competitor's mobile website instead.

Within this context, the following best practices are designed to help businesses maximize mobile web performance and investments in mobile web initiatives.

- Bring all stakeholders into the Quality of Experience (QoE) process – All individuals with a stake in end-users' mobile web experiences should have a clear understanding of existing performance levels versus "expected performance," which helps enhance collaboration and productivity among functional teams.
- Share common experience management technologies, metrics and best practices across your mobile and web initiatives. By applying tools and established best practices from the PC web to the mobile web, businesses can measure and monitor performance across a shared set of key criteria.
- Establish a baseline for historical analysis and benchmark yourself against the competition. Today there are mobile web performance benchmarks for several industries, which are updated on a regular basis and allow businesses to compare and contrast their performance with their industry counterparts and overall industry norms.
- Test and monitor from your end-users' perspective. Any effort to optimize mobile web performance must begin with a true understanding of end-user experiences in different geographies, and with different ISPs, carriers, content delivery networks, browsers and devices.
- Test across the entire web application delivery chain. Like the PC web, mobile websites and applications have grown increasingly complex, incorporating numerous third-party services (for example, mobile advertising providers and mobile analytics) from beyond the firewall. This is known as the web application delivery chain, and unfortunately, if an end-user has a poor experience with your mobile website or application, they will not care what the root cause is; they will simply hold you responsible.
- Test and monitor at a frequency to ensure you can resolve issues before end-users are impacted. Up to 80% of web performance problems are identified by end users. Businesses should test their mobile websites and applications not only before deployment, but also afterwards (and frequently) in order to pinpoint and resolve issues quickly - before they impact end users - and drive continuous optimizations.

Unless performance is addressed, the mobile web experience will likely remain much like the traditional web of 15 years ago – slow and unreliable. Businesses looking to exploit the full marketing power of the mobile web must leverage best practices and put performance management squarely at the top of their to-do lists. ■


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THE IPAD AND OTHER M-RETAILING DEVELOPMENTS

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

iPad receives lukewarm reception from retailers and consumers.

Despite the media hype, iPad – which launched in the UK and Europe last month – is failing to set consumers and retailers alight with desire, being seen by consumers as not good enough to replace either the iPhone or the laptop and being viewed by many retailers as just another device to develop apps of limited appeal for.

"Our focus groups revealed that the consumer verdict is that what they got was incremental change and for most that's just not enough," says Mike Stevens, Director of Telecoms Media and Technology at Simpson Carpenter. "So the conclusion is that the iPad doesn't appear to have a compelling role for the UK mainstream."

Similarly, retailers are viewing it as just another screen and OS that needs to be developed for within an already overly complex mobile world. The large screen offers a better experience than on a mobile, but doubt still remains as to its place in the device food chain. Low sales of only 2 million since launch, also make it far from mass market.

"The iPad provides a rich platform to engage with consumers and will undoubtedly present a premium environment in which brands can interact with a specific audience," says Alistair Crane, CEO of Grapple, which makes cross platform apps for all manner of devices. "But success for brands and businesses will be dictated by the demographics of the user base. Sales, while impressive as a number in isolation, do not represent any kind of significant penetration in terms of mobile devices and early user demographic data positions the iPad as a tool for targeting two niche audiences – Technologists and Young Affluent Singles – neither of which are represented in great numbers. In short, the iPad will complement a wider reaching mobile strategy but in the vast majority of cases, will not deliver ROI in isolation."

Mobile purchase of physical and digital goods to reach $200bn by 2012, says analyst.

The value of physical and digital goods that people buy with their mobiles could reach $200 billion globally by 2012, compared to just less than $100 billion this year, according to a new forecast by Juniper Research. The new study on Mobile Payments for Digital and Physical Goods found that the availability of secure, easy-to-use, payment applications and the growing realisation amongst users that they can make e-commerce purchases by mobile will drive the market for both digital commodities such as entertainment and tickets and physical goods including groceries, clothes, gifts and books.

However, the Juniper report also underlines that retailers and merchants need to communicate the cost of transactions clearly so that people are not discouraged from buying by mobile.

It further points out that brands, retailers and merchants have a significant opportunity to increase their revenues through highly targeted marketing campaigns, using apps and mobile web payments as a convenience play for users.

18-34 year olds driving boom in mobile commerce in the UK, finds study.

The UK currently has the highest number of consumers participating in mobile commerce – with 19% doing so in April 2010, followed by 13% of Germans and 9% of French. 18 to 34 year olds are the primary drivers of mobile commerce across all three markets surveyed, with 29% of British consumers, 21% of German and 15% of French in this age group making transactions, finds the latest Mobile Consumer Briefing conducted by the Mobile Marketing Association and Lightspeed Research.

Respondents used their mobiles to purchase mobile content, goods and services as well as other digital content; with most agreeing that the transactions were quick and easy. Consumers surveyed across all age groups demonstrated even stronger market interest in mobile transactions in the future, demonstrating clear market opportunities for mobile as a fast and convenient way for consumers to make transactions, says the study.

Do marketing agencies finally 'get apps' as 10 key players sign deal with app developer?

Ten of Europe's brightest ad and marketing agencies, including Ogilvy, LBi and McCann London, have formed a partnership with leading cross-platform app developer Grapple to help develop high quality cross platform mobile applications for their brand and retail clients in a clear demonstration that ad land is finally 'getting' apps.

"Clients are aware of the increasing opportunity presented by the mobile channel and are keen to enter this space. However until now it has been a lengthy and expensive process, often only targeting the iPhone audience which offers limited scale," says Jethro Ferguson, Head of Digital, OgilvyOne. "Grapple's approach enables us to develop high quality mobile applications for our clients, accessible on all the leading smartphone handsets, quickly and within budget".

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