InternetRetailing

Selling in the digital age

VOLUME 5 | ISSUE 5 | JULY 2011

HALFORDS:
Integrating for cross-channel mobilisation

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The Customer 1

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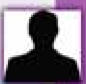
Nick Gassman, Manager, User Experience and Design, British Airways / ba.com and mobile delivery

Personalisation as a revenue generator
Patrick Byrne, CEO of Overstock.com

Email's role in a world gone mocial
Richard Evans, Director of Marketing, EMEA, Silverpop and retail client

No frills just full social, mobile customer service
Zaman Ahmad, Strategy, Innovation and Customer Experience, AirAsia Berhad

Meeting expectations of the empowered customer
David Hogg, Industry Marketing Executive - Retail/CPG, EMEA, Sterling Commerce - an IBM Company



Customer experience in a cross-channel world
Nigel Randall, eCommerce Systems Manager, Waitrose

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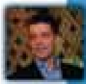
The Team 2



Directing for multi-channel success
Tony Preedy, Marketing Director, Lakeland

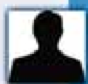
Keeping it local with store-generated content and social media
Richard Weaver, Ecommerce Director, Majestic Wine Warehouses

Single view of stock as an enabler to customer engagement
Speaker: TBC

Building a common platform to support international markets
Amy Bastow, Head of Multichannel, The Phone House Europe

Turning global into local
Jan Mehmet, Ecommerce Director, Urban Outfitters Europe

Online fraud: knowledge is power
Akif Khan, Director, Products & Services, CyberSource



Reconciling customer expectations with cost to serve
Speaker: TBC

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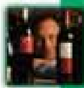
The Industry 3

Shaking up the business with mobile
Paul Skeldon, Editor M-retailing.net

Product presentation ensuring a good customer fit
Nadine Shahara, Head of eCommerce, Thomas Pink

Using product-level data to increase online sales
Dominic Smith, Ebusiness Development Manager, JD Williams

Building Mature Multi-channel Models
Qusai Sarraf, CEO, IVIS Group & Jon Higgins, IT Director, Tesco.com



Evolution of business models
Rowan Gormley, founder, Naked Wines

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EDITOR'S COMMENT

It seems that as one retailer's name disappears from the high street another two appear to take its place online while someone else moves up the growth curve to new ownership within one of the big multi-nationals.

Whether the cause is shifting consumer patterns, emergent business models or basic cash flow, it makes for interesting times for us all.

In this issue, we look at how the internet and ecommerce are changing the relationship within the traditional retailer/consumer business model. From having to wait 8 weeks for consumer feedback from retailers, manufacturers now interact with customers, others are despatching directly to customers' homes cutting out much of the retail supply chain and payment and loyalty schemes are becoming retailers vying for customers' allegiance.

Amongst these shifting patterns are the issues of cloud computing and multiple systems interacting to form one website view for the customer who already trusts their peers more than they do retailers. So, where will P2P lead the retail industry?

It is this evolutionary journey (and the complexities of combining it with day-to-day trading) that's the theme for this year's Internet Retailing conference in London. I look forward to seeing some of you there on 4 October. More details inside this issue.

Emma Herrod
Editor

FEATURES

REGULARS

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UPS & DOWNS FOR ELECTRONICS

Multichannel sales rose but ecommerce sales fell at Dixons Retail in its latest financial year while Carphone Warehouse evaluates its next step after losses on Best Buy UK widened.

Dixons Retail has reported a 13% rise in multichannel internet sales across the group, driven by "significant growth" in its Reserve & Collect service. But while multichannel sales grew, the group's pureplay ecommerce division, which includes PIXmania and Dixons.co.uk, saw sales fall by 5% to £842.7m while profits in the division fell to £0.9m from £11.3m at the same time last year.

Carphone Warehouse's full-year results showed that losses before investment income, interest and tax for the Best Buy 'Big Box' business grew to £62.2m from £21m at the same time last year following investment in six megastores and the online channel.

The company said that its store openings, of which six came during the financial year to March 31, had been "impressive" in execution and that it had been "delighted with the customer feedback". However it said it was now "in the process of evaluating the next steps in our multi-format/multichannel consumer electronics strategy."

It added: "With only six stores at the year-end, the business still has a disproportionately high central cost base, and has made a substantial investment during the year in marketing and promotional activity, to develop awareness of its brand and retail presence."

When Best Buy first announced its UK operations it said it expected to create 8,000 jobs over five years. So far it has opened 10 Big Box stores, each employing around 100 people, and also sells online.

APPLIANCES & ELECTRONICS WEBSITES RANKED BY SHARE OF UK VISITS

Rank	*Website*		*Visits Share*
1	Currys	www.currys.co.uk	7.00%
2	Comet	www.comet.co.uk	5.56%
3	O2 Shop	shop.o2.co.uk	3.91%
4	The Carphone Warehouse	www.carphonewarehouse.com	3.67%
5	T-Mobile UK Mobile Phone Shop	www.t-mobile.co.uk/shop	2.60%
6	ebuyer.com	www.ebuyer.com	2.58%
7	Maplin Electronics	www.maplin.co.uk	2.47%
8	Dixons	www.dixons.co.uk	2.44%
9	Orange Shop	shop.orange.co.uk	2.41%
10	Phones4u	www.phones4u.co.uk	1.88%
11	Tesco Mobile	phone-shop.tesco.com	1.76%
12	Vodafone Shop	shop.vodafone.co.uk	1.74%
13	3 Store	threestore.three.co.uk	1.50%
14	Jessops	www.jessops.com	1.50%
15	TomTom	www.tomtom.com	1.39%
16	Best Buy UK	www.bestbuy.co.uk	1.21%
17	Richer Sounds	www.richersounds.com	1.09%
18	Pixmania.com UK	www.pixmania.co.uk	0.99%
19	espares	www.espares.co.uk	0.97%
20	mazuma	www.mazumamobile.com	0.92%

Source: Experian Hitwise

HABITAT SAVED

Argos owner the Home Retail Group plans to develop Habitat's online presence as it revealed it had bought the iconic furniture brand from its administrators. The company, which owns both Argos and Homebase, sees a multichannel future for Habitat and will sell its products online as well as through three Habitat stores in London and concessions in Homebase stores. Habitat's other stores across the country are likely to close.

Terry Duddy, chief executive of Home Retail Group, has said that HRG "will also look to develop the online proposition leveraging the award-winning multichannel strength of Home Retail Group."

Home Retail Group said it paid £24.5m for the exclusive use of the Habitat brand, its brand designs and intellectual property in the UK and Ireland. The price also includes the website, brand support functions and the three London stores.

GROCERS DELIVERING THE GOODS

In a long-awaited company first, Ocado has delivered pre-tax profitability in its first half, of £0.2m compared to a loss of £6.7m in the same period last year. As well as revealing encouraging interim results, with net sales up 20.1% to £276.6m in the 24 weeks to May 15, the online grocer says it will begin selling a food range supplied from French giant Carrefour from 14 July this year.

The new supply partnership with Carrefour will take the form of a trial of the 'Reflets de France' range of authentic French produce. It will be available to all Ocado customers across the UK. "This new partnership is an important step in Ocado's strategy to offer the broadest and most diverse grocery range to all our customers," said a spokesman." We believe the addition of this authentic and historic French range will complement our existing lines from our partner Waitrose and will be a welcome broadening of our range for our customers."

Another new development in the grocery sector is the expansion of Tesco's Click and Collect service to grocery and fashion products. From July, shoppers will be able to collect their online fashion buys from their local supermarket, while online grocery orders will also become available for collection.

The move is one of a string of new multichannel innovations announced by the supermarket group's newly installed chief executive Philip Clarke in his keynote speech to the British Retail Consortium's annual retail symposium.

He told the symposium that by the end of the year Click and Collect would also be available for non-food items from twice as many stores.

Over at Sainsbury's a move by consumers to cheaper products has been borne out by its multichannel initiative to point shoppers towards budget home cooking. Products featured in the supermarket's Feed Your Family for £50 meal planner have grown their sales by more than 20% since launch in May and brought 1m hits to its website.

ONLINE PASSES £300BN

More than £300bn has been spent online in the UK since 2000, according to the IMRG.

The milestone has been passed 11 years after the IMRG Capgemini e-Retail Sales Index launched in April 2000. At the time of its launch, the Index, which uses real sales data from retailers, estimated the UK's e-retail market was worth £0.8bn a year. Last year its worth was put at £58.8bn, representing growth of 6,600%. IMRG, the trade association for ecommerce businesses, forecasts £69bn will be spent online in the UK in 2011 and predicts the market's value will double in the next four years.

The star sectors over the last 11 years, said IMRG, were clothing and electricals. Since the clothing sector launched in February 2001, it has grown by 3,245%, IMRG said. Meanwhile the electricals sector has grown by 996% since February 2002. Recent fast-growing sectors have included beer, wine and spirits. Since February 2002 it has grown by 825%, with seasonal spikes in November and December.

'MOST VISITED' STATUS FOR ASOS

Fashion retailer Asos has claimed a place at the online retail's top table, saying it was among "the top five most visited fashion retail websites on the planet" on a daily basis. It sees 13m unique visitors a month and at year-end it had 5.3m registered users. Some 3.2m customers from 160 countries had shopped in the last year.

The company, which reported a 41% jump in top-line pre-tax profits and a 58% rise in total retail sales in its financial year to 31 March, is on track to deliver £1bn in sales by 2015.

Pre-tax profit before exceptional items rose to £28.6m, from £20.3m at the same time last year, though consolidation of delivery operations to a new warehouse cost £12.9m, reducing bottom-line pre-tax profits by £4.6m or 23% to £15.7m, from £20.3m last time.

Growth overseas, where the company's business grew by 142% in the year and now accounts for more than 50% of sales, was "the key driver of growth" but UK growth, at 25%, was still strong. The retailer plans to capitalise on its international appeal by launching new websites in the year ahead.

Chief Executive Nick Robertson said: "During the year we launched country specific sites in the USA, France and Germany and we plan to launch three further country specific sites in the coming financial year.

"We have continued our investment programme to meet anticipated growth targets. Key to this is the ongoing transition to a new 530,000sq ft warehouse.

The company said one of its strategic aims was to offer free delivery and returns. Until the business' scale could support that, however, it planned to use the proposition in a "planned and budgeted manner".

SNIPPETS FROM THE INDUSTRY

- International delivery has been added to the Johnlewis.com website enabling European shoppers in 11 countries to buy online from the retailer. Further destinations, including outside Europe, the US, Australia, New Zealand and South Africa, will be added in August with delivery taking between six and eight days and at a cost of £15.
- MetaPack, the ecommerce delivery management specialist, is planning to speed up its international expansion following a £2m investment from former Tesco boss Sir Terry Leahy. Patrick Wall says the new money will allow the business to develop its presence in Europe and beyond. It will also help it expand the services that it offers to UK retailers.
- Music-to-DVD retailer HMV is to focus on its digital and live offerings as it looks to reshape its business for the future. The HMV Group has issued three profit warnings so far this year and renegotiated its bank debt. It told the City its future would include evolving "the group's product mix and growing in live and digital.
- eBay is to buy open source platform company Magento. The company says the acquisition, for an undisclosed sum, will allow it to meet the needs of developers and "drive global commerce innovation for retailers and consumers." The company bought a minority stake in Magento last year but this deal will see it take full ownership.
- Amazon is opening a new contact centre in Edinburgh this summer, creating 900 jobs. The move comes as the online retailer expands its UK operation into new areas such as groceries and sports equipment. The centre will handle internet and telephone enquiries for Amazon.co.uk and technical support for Amazon Kindle and MP3 services.
- Boots' 'Click and Collect' service has been rolled out to nearly all 2,500 stores across the UK with over 40% of orders now collected that way. It has reported also that the number of Boots Advantage Card holders who have used their card at least once in the last 12 months has grown to 16.8m.

WHAT'S IN STORE?

For the last few years the glamour in retail has been firstly with ecommerce and latterly with mobile, however the tide is turning and the focus once more is upon the store. Rather than the 20th century focus on efficiency, sales per square foot and circulation, the emphasis now will be upon the customer's experience, brand values and bringing marketing promises to life. Ian Jindal considers the next stage in our multichannel maturity: the store dimension and an expanded view of the customer.

SELLING in the digital age is developing and maturing so quickly that we have a problem with words and with channels. ecommerce, etail, internet retailing, multichannel, cross-channel, omnichannel, pan-channel... beyond channels? Indeed, it won't be long before the discussion about channels and their integration and interaction feels quaint - the sooner the better, since customers show time and again that they are neither interested in, nor care about, our definition of 'channels' and touchpoints. Customers simply have expectations of our brand: online, offline, mobile, by voice and by post.

While we've spent time (and received significant benefits) from collect-in-store initiatives there's an argument to say that we're simply catching up with the customers' expectations. They see stores as places to see, choose and buy products and the web is an interface that allows them to 'remotely control' the selection and payment aspects. We can see these services as simply unlocking latent demands and behaviours. To what extent can the stores reciprocate by being "more multichannel"? There's more to be done than simply reminding customers via point-of-sale that you also have a website for those lonely, non-store hours.

The first change has been initiated by customers who are bringing 'the web' into the store in their hands - mobile retailing. Customers are searching product information, of course, sometimes buying online (if that purchase is from a competitor then it's a form of 'digital shoplifting'). However, the enhanced information available to them now challenges our staff to 'know more', while in some stores customers can also access real-time stock information. Tesco has led the way with an app from their R&D team that will locate products down to the individual aisle, shelf and location. This is made possible by the fact they have a store-by-store planogram, and - while interesting - was initially little more than novelty. As R turns to D, however, Tesco is looking for beta testers for their "in-store sat nav" app that will locate products for you, ensure that you don't miss products on your shopping list and, no doubt, assist you in spending more with them. The store experience will be changed and augmented by the use of digital in your hands.

The physical store environment is also set to change. Intel's connected store project illustrates how in-store display has progressed beyond a kiosk-on-steroids. The "Kraft Food Bot" exemplifies an experience that combines the physical store, the customer's shopping list from the 'home' computer, their mobile device and face-recognition technology, all drawn together by selling algorithms. Cameras and image processing feature highly in some experimental store technology from IBM too. Taking face-recognition and eye-tracking technology (currently seen in digital cameras and in eye-tracking systems), IBM has embedded cameras within mannequins that can tell which customers are circulating in the store and what their eyes are dwelling upon. In conjunction with smart store windows - that act as 'head up displays', flat speakers and circulation monitors - our stores will soon be bristling with monitoring, evaluating technology to track and respond to our customers' behaviours.

A recent development is that the store location is not 'fixed'. Between the store location and the web interface (wherever that may be) there are some interesting developments in 'digital pop-up' locations. Tesco has an interesting experiment in South Korea - taking their store to busy commuters by creating massive shoppable screens in subway stations. QR codes make the products individually shoppable, so we have a mass individualised offering, taken directly to massed customers.

Ecommerce has played its part by driving businesses to develop digital information, eCRM approaches and behavioural targeting, and this 'baseline of capability' is now being injected into the store environment. The store is sensing, evaluating and responsive, but a new challenge of course is to link the digital and physical experiences, and to correctly identify how the cookie at home, the email address, the mobile number and the face in a store with a credit card all connect. In the coming months we'll be spending time considering both the store and the new CRM challenges as we look to the new frontiers in multichannel, customer-focused retailing.

HALFORDS: INTEGRATING FOR CROSS-CHANNEL MOBILISATION

Emma Herrod speaks to Jon Asbury, Channel Development Manager, Halfords, about how system integration has improved customer choice and encouraged mobile interaction.

HALFORDS receives more than 40m visits per year to its stores and website and has seen group revenue rise by 4.6% over the past financial year with underlying profit before tax up by 7.2% driven by improved gross margin and strong cost control. In the last quarter, online accounted for 9.3% of sales following a 52% rise in ecommerce transactions. The majority of those online sales (80%) were for products reserved online for collection from a store an hour later.

It is this ability to look-up product information and store stock levels and integrate the data across channels that enables Halfords to offer a wide variety of services to its customers. One which

Halfords was founded by FW Rushbrooke in Birmingham in 1892 as a local hardware store. It has since grown to become the UK's leading retailer of automotive, leisure and cycling products; through the acquisition of Nationwide Autocentres in February 2010, it is also the UK's leading independent car servicing and repair operator. The company employs approximately 11,000 staff and sells more than 12,000 product lines with significant ranges of car parts, bicycles, in-car technology, child seats, roof boxes, and outdoor leisure and camping equipment, including its own brands.

exemplifies the retailer's cross-channel services is the SMS-based Text & Reserve service which it launched in 2008. A customer can send a text message containing a car's registration number to an automated system which links it to a particular vehicle, looks up and cross references the make, model and year of manufacture against product information, check this against stock in a particular store location and respond to the customer – all within just one minute. And the same system can then reserve the item if the customer requests it – again by text message – and trained staff can fit the item to the customer's car when they arrive at the store.

Intrigued, I paid a visit to the company's Redditch HQ, to find out whether they have a level of system integration that would make larger retailers weep or something that is not so pretty 'under the hood'.

Halfords' cross-channel journey took off in 2005 when it started working with Salmon, to whom it outsources systems development and integration. But the retailer had to wait until a new store system – enabling staff to receive web orders while automatically feeding back stock level data to the central system – was implemented in 2007 before it could launch its cross-channel offering to customers, explains Jon Asbury, Halfords' Channel Development Manager.

CROSS-CHANNEL TIMELINE

1892 – From a local hardware store in Birmingham, the group has grown to its position as the leading retailer of car parts, car enhancements, bicycles and travel products in the UK. It operates 469 stores in the UK and the Republic of Ireland as well as the chain of 227 Nationwide Autocentres.

2005 - Halfords.com website launched – Christmas Day is now the busiest day for Halfords.com when the highest order value of the year is recorded with 11pm to midnight being the highest order value hour of the year. In 2010, it handled 4% more orders on Christmas Day than the previous year, with an 11% increase in visitor numbers, making it the busiest day in the website's history. Online accounts for more than 9% of total orders with the majority being reserved for collection in store. Only 15% are delivered to the customers' home and 5% are fulfilled via Order & Collect.

2007 - Launched Reserve & Collect enabling customers to reserve stock online for collection from store one hour later.

2008 – Site revamped.

2008 – Text & Reserve launched. The SMS-based system allows customers to text a product code in order to check stock and reserve it for collection from the most convenient store. By texting their vehicle registration number they can also reserve the correct battery, windscreen wipers or bulbs.

2009 – Advice centre added to the website to help customers choose the right product.

January 2010 – Order & Collect launched with free delivery to store for items purchased online. Customers are updated by email and text as orders are despatched and arrive in store.

July 2010 – Opening of new distribution centre handling store replenishment, ecommerce and cross-channel fulfilment.

August 2010 – Mobile-optimised website launched with Reserve & Collect fulfilment option.

December 2010 – Fully transactional m-commerce site launched with debit and credit card payments, PayPal and 3D secure verification.

July 2011 – iPhone and Android apps launched enabling customers to shop, scan in-store QR codes and barcodes to gain further information on products, and use GPS and their current location to find the nearest store.

LESSONS LEARNT ON THE JOURNEY

When asked which of the online sales tools that Halfords has implemented have been most effective, Asbury cites cross-channel and Reserve & Collect as the two main drivers. Ask & Answer and reviews have also had an impact; indeed, testing during August 2010 revealed that customers who interacted with user-generated content on the site were 80% more likely to covert into a sale than those who hadn't.

And online also has a major part to play in boosting offline sales, according to Asbury: "Anything I do online has a bigger impact in-store than online since 90% of our customers go into store to purchase."

One of the lessons Halfords has learnt has been how to make better use of the data generated through being a cross-channel operation. "It has helped us manage stock and supply chain better," says Asbury, who explains how online data from the January sales has helped put stock in the right places for the following year's sales. "In the past," he says, "if we had 50 bicycles and sold 50 bicycles we'd know they were popular. Online analytics, however, shows us that there were another 150 people wanting to reserve those bicycles for pick-up in store but couldn't because they were out of stock. The online stock checker also shows which stores they would have bought the bikes from."

Order & Collect, whereby items can be ordered from central stock for delivery to store, enables stock held back as a buffer to be sent to exactly the stores where there is customer demand. "As time has progressed we've become better at using the data and insight to forecast demand," says Asbury. And, while this has brought about a lot of efficiencies, more importantly, "it has brought choice to the customer and gives a better customer experience".

It is this focus on customer choice that is driving Halfords' cross-channel strategy. By training staff in the products and how to fit them, the firm is helping customers make informed choices and make the most of their purchases.

Also, having a customer interaction platform in place that will support the business now and in the future is important, believes Asbury. He says: "We've found this to be a crucial element to our success over the years."

TECHNOLOGY ENABLING A CENTRAL VIEW

Technology has been the key enabler in Halfords' cross-channel success with core capabilities offered by IBM WebSphere, SAP, PKS Manhattan and BT Expedite. WebSphere runs the Halfords.com and Halfords.ie websites as well as SMS messaging for order confirmation.

Product data is held centrally with the information reused from SAP by the warehouse system and repurposed within WebSphere for store, web and mobile sites. The SAP system also handles order management, pricing and promotions across channels. Stock pick and order fulfilment is enabled by PKS Manhattan and store systems from BT Expedite.

At the same time as the store system went live so did Reserve & Collect, Halfords' fulfilment service enabling customers to order products online and pay for and collect them from the store of their choice an hour later. As orders are picked from in-store stock some customers are sent an SMS message confirming their order is ready for collection in just 10 minutes.

A reminder message is sent the following day if customers have not collected the product, and they are given the option to extend the amount of time it is reserved in store for their pick-up. Since reserved items are not paid for until the person who

made the order comes to the store, this second SMS is more than simply a customer service exercise. Its introduction has increased conversions but Asbury wouldn't be drawn into giving away further details of uplift, just saying "it's an amount that's pleased us".

Halfords started reaping immediate benefits from Reserve & Collect, and it is this channel and the excitement it delivered to the business that has helped engage staff and brought them onboard the cross-channel journey.

"Stores are at the heart of our cross-channel strategy," says Asbury, "and we take advantage of the fact that we have a great store network. If we can get a customer to order online and collect in store that removes the pre-sales effort from store staff so they can concentrate on after-sales care and value-add services, such as the 'We fit' service or safety checking and set up of a bicycle before the customer takes it home. While utilising store expertise, it also enables Halfords' store staff to sell more in a day."

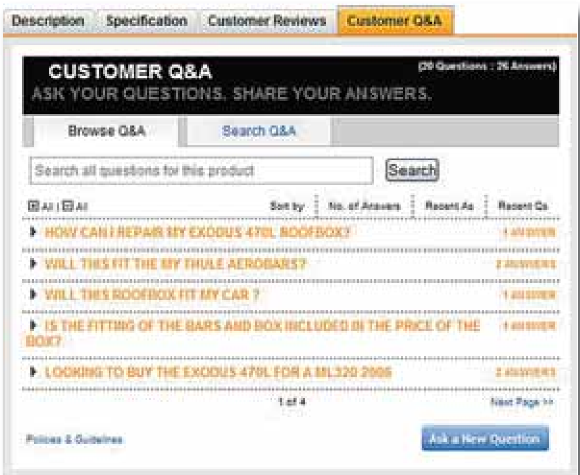
While Halfords has launched new sales and fulfilment channels, Asbury says the company has, as far as it can, "re-used existing technology and implemented processes in a way that follows existing patterns and those that staff are used to".

STAFF

"As a business we've embraced cross-channel retailing," emphasises Asbury. The cross-channel team works with other teams around the business such as category teams to co-ordinate with store stock, while digital marketing is part of the marketing team. "We're also developing ecommerce and multi-channel skills within the business," says Asbury, since most employees have to think about Halfords as a cross-channel retailer. "We're on a journey and at the moment are in the right place for a cross-channel business," comments Asbury. "We're not operating in silos."

The biggest learning in the cross-channel journey has been around engaging store staff for Reserve & Collect, the launch of which, according to Asbury, was "like turning on a tap". By 8.30am on the launch day someone had placed the first order for a bicycle. While Reserve & Collect has had the biggest impact on sales and brought about the biggest business understanding of cross-channel retailing, Asbury advises that "you have to plan and execute well and learn fast".

He adds: "You have to learn as a business how to manage cross-channel retailing." An example of this learning is the inclusion of an outbound telephone call by store staff to customers ordering bicycles online for store collection to check the right frame size has been chosen. As all bikes are set up for the customer and safety checked before leaving the store, any miscalculation on the customer's part could result in disappointment. And



MOBILE RESULTS

Mobile commerce is seeing explosive expansion and this channel is also growing rapidly for Halfords. "We're seeing absolutely massive year-on-year growth," says Asbury, who adds that it has recorded a 300% increase in visitor numbers from mobile devices. In fact, some 15% of the total traffic to the Halfords.com website is now from mobile devices as are 5% of online orders.

Interestingly, these orders follow the same fulfilment patterns as orders taken through other online channels with 80% for fulfilment via Reserve & Collect, 15% for home delivery and 5% Order & Collect.

A mobile-optimised site went live in August 2010, followed by a fully-transactional version in December 2010, offering 3D secure verification for debit and credit card payments and PayPal. According to Asbury, the company was able to develop the mobile-optimised site relatively quickly by using the same underlying architecture and sales catalogue structures as Halfords.com. (Halfords was one of the first retailers in the UK to deploy its full range of store products to a mobile platform.)

"Essentially, all our data is held centrally and served to whichever platform is preferred by the customer, giving them the consistent experience across the web and mobile sites," Asbury explains.

It launched iPhone and Android apps in July 2011 enabling customers to shop, scan in-store QR codes and barcodes to access detailed product specifications and reviews, and use GPS and the customers' current location to find their nearest store.

this could add up to a lot of disappointed customers – and returned products – since Halfords is the biggest bicycle retailer in the country and responsible for 1 in 3 bikes sold in the UK.

Asbury does point out that the business has also learnt a lot by listening to its customers. The implementation of the Ask & Answer user-generated content system from Bazaarvoice, for

example, has given customers an easy route through which they can raise issues and ask the company questions. "For example, we've always sold family tent packs but until we introduced Ask & Answer we didn't realise that customers wanted to know what the hydrostatic head of the tents was. Now it's on all of the product data so store customers can see it as well as the online customers who had a way to ask about it."

SINGLE VIEW OF STOCK

Halfords operates one main distribution centre, in Coventry, which fulfils the majority of orders for store collection and home delivery. The same facility also handles store replenishment with the same stock used for all channels.

Picking is handled in waves: ecommerce orders are picked first thing and again at various times during the day to tie in with carrier cut-offs; next-day order fulfilment is picked later in the day. Pickers pick to light with pick-to-voice operating in some of the palletised areas of the warehouse.

The company's store network receives products in small batches so SKUs can be broken down to individual items or in small packaging. The warehousing system knows the quantity held in each SKU pick and a picker can break open a packet to fulfil an online order for a single item.

Products for pick up in store are sent in the same van as the store replenishment items while others are despatched directly to the customer or store by the supplier.

This break down of products into individual items enabling a single view of all elements in the warehouse and stores, along with a central repository for product and customer information, certainly seems to be a successful recipe for happy customers, continued loyalty and a profitable business strategy for Halfords. ■

MR PORTER REVIEW

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

RETAIL STRATEGY

Emma Robertson,
Senior Multi-channel Consultant, Transform

The newly launched Mr Porter site does exactly what you'd expect of it – showcases luxury brands within the framework of a solid online store. Whilst the experience is visually understated it is functionally rich with features including hover-over zoom, recommend to a friend and a wish list.

The site is built on the in-house platform and operational set up of Net-a-Porter, delivering worldwide from two distribution centres located in London and New Jersey. The delivery offering is comprehensive, including a reasonably priced same-day-delivery option for central London at only £1.50 above the standard charge.

The move into menswear was a natural progression for Net-a-Porter, arguably later than expected. The decision to create a standalone site rather than append a new category to the established brand was a bold choice that recognises the different needs and motivations of male shoppers. Perhaps surprisingly, rather than delivering a purely functional experience along the lines of competitor oki-ni.com, the Mr Porter site is far more community based, integrating articles and advice with product sales. The advice on how to play a Bob Dylan song on guitar is a bit more of a stretch, but the principle is clear – Mr Porter aims to be a trusted friend in the purchase process, and drive sales through relationship building, over and above the core product offering. Time will tell if this is commercially successful, but in terms of the online execution they have achieved a good blend of proactive suggestion and background advice that from an external (and female) perspective works well.

Mr Porter is off to an impressive start, delivering a great online experience that leverages an already established and efficient supply and distribution business. Over and above this, Mr Porter manages to deliver an inclusive experience for an exclusive product range – broadening its reach and appeal beyond the traditional market for luxury menswear.

USABILITY

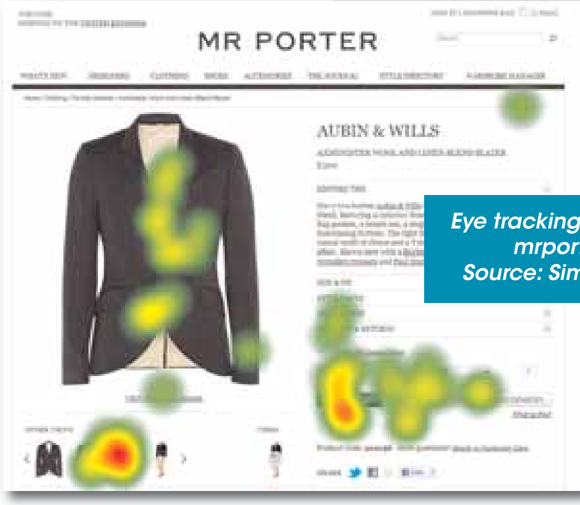
Jamie Sands, Usability Consultant, User Vision

Launched in 2000, Net-a-Porter.com has established itself as a leading supplier of over 350 luxury designer brands. Initial impressions of the home page of its Mr Porter site are like many other high fashion websites, using high resolution images as links to style guides and collections. The site also uses a well established dropdown navigation style with global headings setting out the main sections and expansive drop downs to locate sub-categories. The site uses large images of the individual products worn by a 'headless' model, the focus clearly being placed on the item itself and not the model. Mr Porter also offers the user an extensive default page view; however the clear images make the viewing of the products quick and pleasurable.

Overall the site offers the expected functionality to find, filter and view items to make the shopping experience enjoyable and straightforward.

Where this site differentiates from others is the additional functionality and style advice. One area in particular is the 'Style Directory' where celebrity icon 'looks' are highlighted and direct links to purchasing these 'looks' are offered. Alongside the 'Style Directory' is 'Style Advice', where categorized style questions are posed and advice given, again with direct links to the related products.

It is clear that the Mr Porter site does not simply offer the user a clear choice of items to select from, but rather is a portal where advice and information on 'style' can be sourced and directly purchased. The Mr Porter site offers the user all the expected means of selecting, viewing and purchasing items and does this in a very effective way, however should the user choose to look deeper, the site offers much more.



Eye tracking gaze plot for mrporter.com Source: SimpleUsability

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

We invited users to participate in sessions to explore the Mr Porter website. Users were either asked to purchase a replacement item of clothing or to buy a gift for someone.

By using eye tracking, we were able to observe users' natural behaviour as they interacted with the website.

Upon entering the website, users were drawn to the large promotion image that took up three quarters of the screen. However, due to the home page offering editorials over products, the users immediately resorted to using the main navigation to either select the department they were after, or the 'What's new' if they were just browsing.

Users responded favourably to the layout of the products when browsing. After accessing a department landing page, they were drawn to the large images and were content to scroll down a long list of results.

When a user hovered over an item, the image would change to an alternate view. Users concentrated on scrolling down the long page so users rarely left their cursor over an item, so the only time the alternate view appeared was after the user had clicked on the item. By that time they were looking elsewhere as the new page loaded.

When browsing, users mostly ignored the filter on the left side of the page, instead focusing their gaze heavily on the images of products. The filter section blends into the background of the page somewhat, and when it is used, the selected text is 'highlighted' to be almost the same colour as the background of the filter, proving difficult to read.

After landing on individual item pages, users would concentrate their gaze on the large image of the product and then look down and across to choose the size, colour and add it to the basket. By following this 'L' shape gaze pattern, users missed out not only on product information and the 'Editor's tips', but also the price.

SITE PERFORMANCE

David Flower, Vice President, EMEA, Compuware Gomez

Designer website boutique Mr Porter is a newcomer to the Gomez performance benchmark and given that it is targeted towards a premium audience we were expecting it to deliver a premium performance. Using its Gomez performance network Compuware monitored the performance of Mr Porter.com during May and June. During the test, the website failed to deliver a consistently satisfactory performance and the inconsistencies were such that Mr Porter's customers would surely have noticed the bumpy ride.

The performance from the major ISPs' data centres showed significant peaks and troughs in the site's home page response times, ranging from sub 3-seconds to more than 30-seconds. Digging deeper into the data it became clear that the website's first byte time (the server's 'thinking' time after the connection between the client and the server is established) was the major factor behind this inconsistent and often slow response time.

Context is always useful when looking at website performance because it shows how your site is performing relative to others. What's the norm? Is your site faster, slower, more available than others? Within the Gomez performance benchmark, Tesco.com is generally the one to beat and in this particular test it proved to be the top performer again. It was telling that Mr Porter.com's first byte time was over 7-times slower than Tesco and although its home page was twice as heavy, it does indicate that Mr Porter.com's server administrators may have incorrectly profiled their load capacity and failed to create fast fail limits.

On the Last Mile where the end-users sit, the reduced availability of the site is also reflected in its poor consistency. With an availability of just 97.41%, Mr Porter.com finished halfway down the Gomez benchmark. By comparison Tesco recorded a near-perfect 99.59% availability. The errors recorded on the Last Mile mostly relate to connection error or server error, similar to those recorded on the Internet backbone. Again, Mr Porter.com's IT team should consider improving its server capacity to avoid potential performance issues during peak times. ■

GOMEZ SCORES MR PORTER.COM 3.5 STARS OUT OF 5 MADE UP OF THE FOLLOWING:

Availability on Last Mile Score: 21 out of 25
Response Time on Last Mile: 23 out of 25
Consistency on Backbone: 2 out of 15
Competitiveness on Backbone: 10 out of 15
Browser Support: 20 out of 20
Total 76 out of 100

DATA FOR A GLOBAL MARKET

David J Smith, Managing Director of IMRG, the membership community for the e-retail industry, explains the launch of IMRG's International Index and why it is essential for global data consistency.

IN MAY, BeCommerce, the industry association for distance-selling in Belgium, went live with a new Index that is modelled on the IMRG Capgemini e-Retail Sales Index. The new Index has launched using data from 15 Belgian e-retailers, with plans to increase granularity and greatly extend participation levels as it develops.

Starting from a date of April 2010, the Index recorded 25% growth over the 12 months to April 2011. There were already some clear similarities with trends that we see in the UK Index, such as the peak activity week falling around the last week of November / first week of December and the highest basket value being in December (€227). It will be interesting to see where we differ in our shopping habits over time as well; there are sure to be some surprising variations in our purchasing cultures.

The expansion of the Index into an international network is a very important development for the industry, as it allows for the tracking of online sales using a standard and agreed set of definitions and metrics. These definitions are those laid out in the Global E-commerce Measurement Standard (GEMS), which was tabled by IMRG and agreed between industry associations representing 75% of European ecommerce at the landmark eBizEU conference in Lille last October.

Although this expansion has begun with one country adopting the Index, two or three more will also launch later this year and we are in advanced stages of talks with the representative organisations of other countries. It is important to note that, although the Indexes will be managed by the independent associations, the aggregated data will be shared between all participating countries and made available to their respective memberships.

With many retailers beginning to focus a lot more on international expansion, they need to have information that is clear, consistent and reliable. By creating the IMRG International Index and getting participants to sign up to agreed metrics and the GEMS definitions, we can be sure that we are 'speaking the same language' when performing comparative data analysis. At present there are too many inconsistencies in how data is tracked across Europe, in terms of what is measured and by what means.

The international market is a very vibrant space. Total global B2C ecommerce sales were estimated to have grown to €591bn in 2010, an increase of close to 25%. We expect the global total to pass the trillion-euro mark in 2013, which is just two years away. The opportunity is particularly strong for the UK; a third of European cross-border trade is already done through UK retailers and as the most established and competitive online market, the value and choice on offer here continue to draw increasing numbers of foreign shoppers from around the world.

Retailers want to reach out to new customers in other countries, but successful entry into a foreign market is largely dependent on researching the opportunity in-depth and understanding the shopping habits of the consumers there. If the data is unreliable or not easily cross-comparable, then pre-entry research may produce an understanding of a market that is not consistent with the reality of how it really works. Introducing clarity and reliability in this area is the fundamental purpose of the IMRG International Index.

The Index network will not be limited to Europe either, although the first few entries will be from within the EU; we have had an office in Brussels for years now, so naturally we have more contact with the associations in the European region. Some of the markets across other continents are very attractive to UK retailers, and we are keen to expand the reach of the International Index into these areas too. Accurate, consistent data comparisons between different continents are sure to show some really interesting trends in terms of how people engage with the online channel.

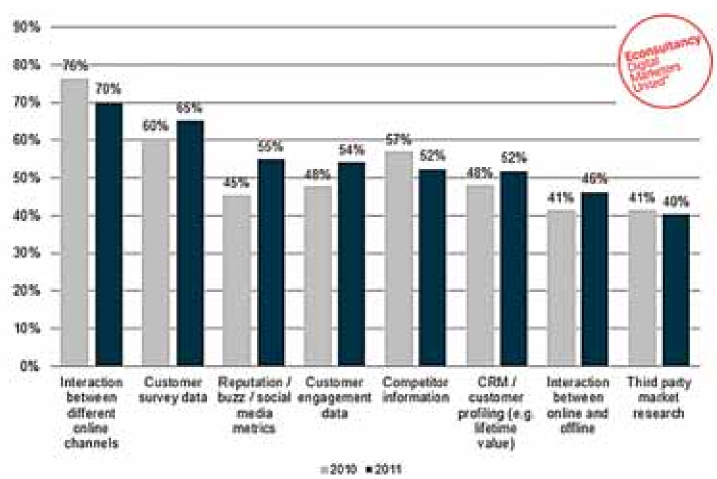
We are also about to expand our UK Index to include quarterly benchmarking, which will look at retailer performance across many additional KPIs not tracked in our monthly Index, so this is a really key time for retailers to join up and provide their data.

We are already at advanced stages of presenting the information that we are collating from foreign markets through our Business Intelligence system, which will provide a simple but in-depth interface for the data, so that our members can clearly identify areas of growth appropriate for their business models. Now that really is a language we can all understand.

UK ECOMMERCE TECHNOLOGY MARKET ON THE UP

Investment in ecommerce technology will approach £700m in 2011, according to Econsultancy, with analytics boosted by companies joining up on- and offline channel analysis.

What type of data does your organisation analyse?



THE UK ECOMMERCE technology market will be worth an estimated £690m in 2011, an increase of 14% over last year, predicts Econsultancy as online retailers continue to invest in their platforms to meet burgeoning consumer demand

The valuation in its recently published 'E-commerce Platforms Buyer's Guide 2011' includes the combined revenues of ecommerce platform vendors from technology, maintenance and services such as consulting. It also includes the revenues for associated ecommerce technology such as on-site search, analytics, testing and optimisation.

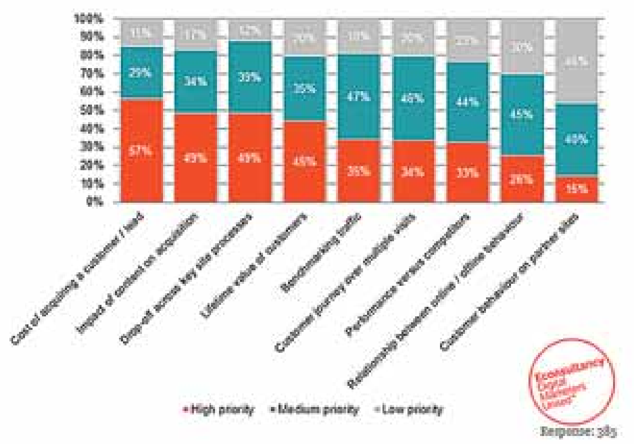
Jake Hird, Senior Research Analyst at Econsultancy, said "The ecommerce platforms market is constantly evolving, in order to keep up with consumer behaviour and increased opportunities afforded by technology. It is simultaneously an exciting and challenging time for ecommerce professionals, as the platforms underpinning the industry are in an unprecedented state of flux.

"The need to integrate technology and marketing tools, such as CMS, CRM platforms, analytics, email and social media, is increasingly forcing existing vendors to develop their capabilities. At the same time, consumer expectations are now much greater, with users expecting a rich and seamless experience of online shopping across a range of devices."

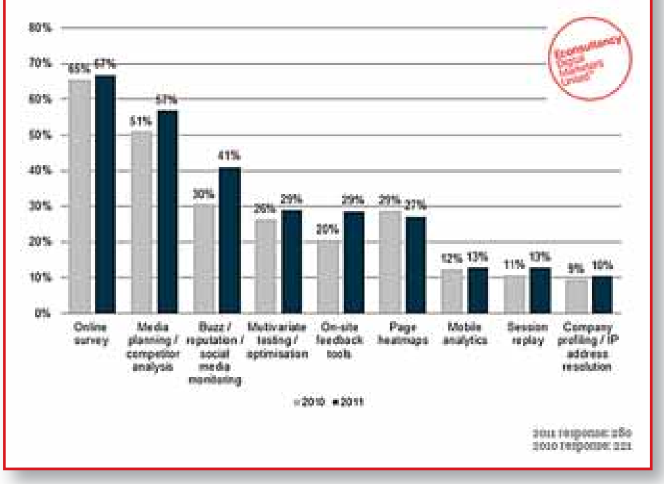
The report highlights market trends for 2011 as:

- Digital giants strive to develop ecommerce capabilities;
- Mobile commerce matures as a bridge to multichannel retail;
- Commerce continues to get more social;
- Facebook evolves into its own ecommerce platform;
- Retailers seek to join up online and offline channels;
- International ecommerce provides opportunity for growth.

How much of a business priority are the following information requirements?



Has your organisation paid for any of the following types of tools?



The issue of joining up online and offline channels is investigated further in the 'Online Measurement and Strategy Report' from Econsultancy and web analytics consultancy Lynchpin. The report found that companies are more likely than last year to be increasing budgets for consulting and other third-party services relating to web analytics as they struggle to adopt a joined-up approach to data collection and analysis, which incorporates both online and offline data.

They therefore plan to bolster their resourcing for both in-house staff and outsourced analysis.

The report surveyed a mix of business sectors including financial services, publishing and retailing with respondents working both client-side and for agencies in the B2B and B2C sectors.

Only 41% of companies surveyed, for the report, say they have common key performance indicators (KPIs) for web and non-web data, and just 22% of companies have a framework for analysing customer journeys that cross online and offline.

The proportion of companies who say they have 'a company-wide strategy in place that ties data collection and analysis to business objectives' now stands at 22%, down from 25% last year. Only 28% of respondents say that web analytics 'definitely drive actionable recommendations that make a difference to their organisation', a drop from 31% last year.

The report also found that companies using both Google Analytics and a paid-for analytics tool are more likely to use the free Google tool for pay-per-click optimisation, site search usage and campaign tracking. But companies surveyed are more likely to use their other, paid-for vendor for reporting requirements including traffic and conversion KPIs, conversion optimisation, navigation analysis, management reporting, content influence, video tracking, and cross-sell analysis.

The number of companies interested in measuring their online reputation and social media activity continues to grow. The proportion of companies who say they analyse reputation, buzz and social media metrics has significantly increased. Over half of companies (55%) are now analysing this type of data, compared to 45% of responding organisations in 2010.

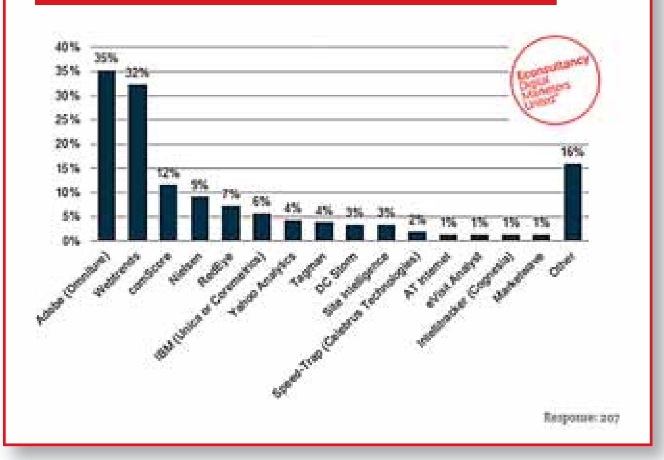
Andrew Hood, Managing Director, Lynchpin, said "Volumes of data are continually increasing, and it is hard for businesses to make sense of it because of the complexity. When there is so much information available from such a variety of sources, it becomes a real challenge to define and agree consistent, robust top-level metrics."

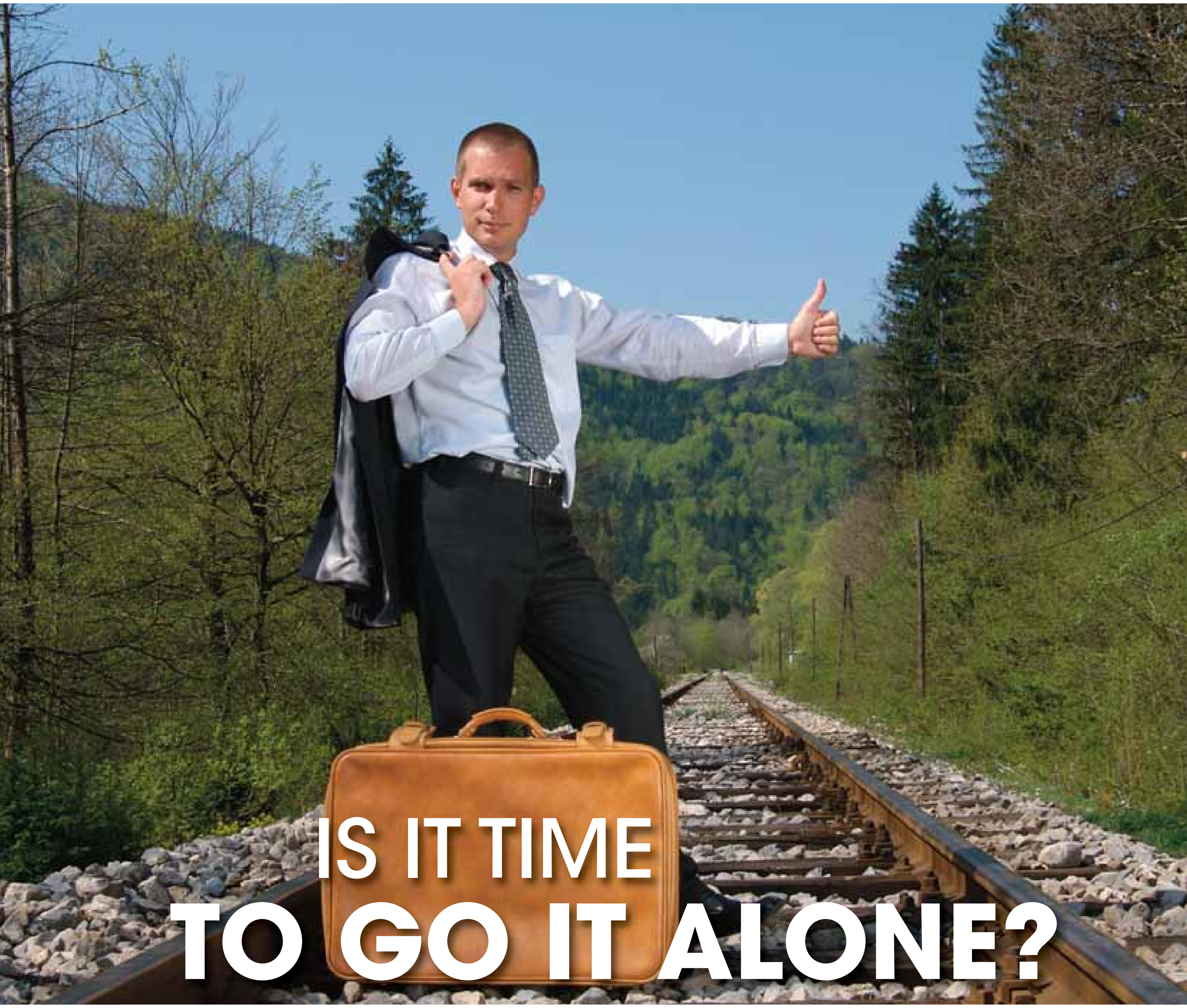
Econsultancy's Research Director Linus Gregoriadis added "The research shows that businesses are more likely to be using a range of marketing tools, including on-site feedback technology, mobile analytics and social media monitoring software. The increase in available data is outpacing the speed with which businesses can translate information into actionable insights."

Hood added: "Many companies are using Google for some reporting requirements and another web analytics vendor for other tactical needs. As well as exposing some of the weaknesses of the paid-for vendors, this makes it increasingly difficult to get to a common version of the truth."

The research follows recent IMRG figures for the UK which revealed that £5.3 billion was spent online during May alone this year, which equates to a year-on-year increase of 18%. ■

If any, which of the following web analytics vendors do you use?





IS IT TIME TO GO IT ALONE?

Ecommerce has delivered to suppliers a greater involvement in the customer journey and changed relationships in every area of retail. Emma Herrod investigates the challenges and the opportunities this creates for manufacturers.

THERE WAS A TIME when manufacturers were 7 or 8 weeks removed from their customers as their sole sales channel was via retail chains. Once products had been shipped to the stores it took time for manufacturers to receive feedback, if indeed they ever did. Some retailers would filter the information, so the first time manufacturers became aware of a problem was when products were returned for repair under guarantee, explains Wilko Klaassen, Director Commercial Development Online Business To Consumer Unit, AB Electrolux. His MBA thesis on 'Online Direct Sales: decision framework for European manufacturers' explains how online is changing the retail landscape and how manufacturers selling direct to consumers (D2C) is altering the relationships between manufacturers, retailers and consumers.

In the past, he explains, retailers held the knowledge of how to attract consumers to their shops and how to convert them into buyers. They learnt what features consumers wanted – or didn't want – from different products and found out about any problems they had with brands or specific models.

By moving into the D2C arena, manufacturers have had to grapple with online not only for branding, but also as an information channel to help consumers with their purchasing decision. This has changed fulfilment from solely a distribution-to-retailer model into one in which individual items can be despatched and which involves digital marketing, conversion and online as a 2-way communications channel.

Being head of ecommerce for a manufacturer sometimes calls for nerves of steel, believes Adam Dorrell, founder of the Manufacturers D2C Europe association. He says it's the most hated job in D2C because of channel conflict: channel managers have to look after the retailer relationships, and retailers may use the fact that a manufacturer is selling direct to consumers to drive down prices.

In some cases, this has led to manufacturers operating websites that sell a fairly limited range of products, high-price web exclusives, product bundles or value-add services. They can justify a higher price by tapping into the customer base that prefers purchasing direct from the manufacturer because of the perceived reliability and security rather than the uncertainty of buying lower priced items from an unknown retailer on the internet.

CHANNEL CONFLICT?

The issue of channel conflict is one that will come as no surprise to retail ecommerce managers who will have already encountered similar problems when ecommerce is up against shop sales. Much of this is a hypothetical conflict that does not translate into reduced sales; indeed, all channels can work in harmony to increase turnover. "Shoppers are not necessarily going to a brand website to buy; they are going to learn," comments David Williams, Europe Online Manager, Deckers Europe, the company behind the Ugg boots brand. Manufacturers have to understand where they can add value with their own ecommerce site, the customer fit and where their site sits among existing channels.

"Manufacturers who understand what value they add in the whole selling model understand they shouldn't compete with their retailers," comments Dorrell.

Klaassen agrees: "The consumer decideds in which channel to buy, so it doesn't matter where they buy the product as long as they buy my brand." This is why manufacturers have had to work out for themselves how best to approach the ecommerce market, how it sits with the strength of their brand and whether it might be better to have a close relationship with a retailer and use online as a brand-led information channel instead.

At the core of most D2C sites are the brand experience and the products themselves. Klaassen's thesis lists the main reasons for a manufacturer to sell online as to:

1) support the brand;
2) list all products in one place;
3) give it access to all product data;
4) increase the speed to market for new products;
5) give it the ability to reach new consumers;
6) allow it to control the brand experience.

"There's no point competing on price," believes Klaassen. "Although it's nice to make some money," responds Dorrell. A direct sale may give a better margin than the retail channel but this has to be offset against the higher cost of distribution.

The real value of D2C sites is their marketing collateral, believes Dorrell. By offering a high asset standard – such as images, descriptions and full product data – they are helping consumers in their purchasing decisions.

By making sure that the product marketing material on their website is outstanding,

DISRUPTING THE TRADITIONAL MODEL

While 'traditional' manufacturers are developing their relationships with end customers on one side and re-evaluating and re-negotiating their relationship with retailers on the other side of the business, online is enabling new entrants and disruptive models to emerge. Made.com is bringing furniture makers direct to consumers, FarFetch is working with small, independent retailers and Naked Wines is introducing consumers to wine producers.

For new manufacturers online offers a fast route to market, cutting out the middle men and double handling within a traditional manufacturer-retailer-customer supply chain, while allowing manufacturers to communicate directly with the end customer. "We make what customers want," says Ruslan Kogan, founder CEO of consumer electronics company Kogan, explaining how the company asked its customers what features they wanted in a new laptop and received 1,000 responses in short order. "The bottom line is that the consumer benefits."

Michael Ross agrees that the shake up of relationships between manufacturer, retailer and consumers is changing retailer-supplier economics. "Category by category, a new economic model is emerging with different margins and risk structure. Anyone contesting on price against Amazon can attest to a new economic reality," said the Ecommera Director in his recent Trading Intelligence Quarterly.

GROCERIES GET IN ON THE ACT

D2C is not just for electronics and clothing manufacturers. More than a quarter (27%) of food and grocery manufacturers say they would consider building their own e-stores in a bid to engage directly with shoppers online, according to research published in March by food and grocery analysts IGD. More than two-fifths (43%) of manufacturers expect up to 10% of their total revenue to come from the online channel by 2015 – more than double the number (18%) currently generating this level of revenue.

manufacturers are helping customers who purchase through any of their channels, be that a retailer or their own site or store. It also gives a controlled, branded destination online that potential customers can visit to obtain product information and prices, driven there from wherever they've seen a product mentioned online or in the press.

One company that's very good at this is Philips; it also understands the power of consumer choice by listing on its site where visitors can purchase their products on the high street and on retail sites online.

CUSTOMER SERVICE

One challenge for the retailer/manufacturer relationship is customer service and the brand's ability to control the end-to-end brand experience. As a customer wouldn't expect a premium product to be put in a plain brown box, so they would expect a brand to be displayed in a certain way online or in-store or any other channel. They also expect the same service around a brand across all channels and that is an area in which a manufacturer can lead the experience and customer expectations and push retailers to copy. It's down to the strength of the brand, explains Klaassen, and some manufacturers, such as Apple, can dictate what happens in the market.

So, while this translates into a higher price on the manufacturer site and boosts some customers' perceptions of product security and reliability, it also challenges retailers to match or improve on the level of service offered.

CUSTOMER/MANUFACTURER RELATIONSHIP

The big impact that D2C has had on manufacturers is the increased interaction with consumers that it has delivered. Although some are no strangers to selling direct to consumers – such as Electrolux, which originally sold door-to-door before moving to the lower-cost retailer-distributed model – many are now able to do so via the digital platform, enabling them to engage with customers, gain insights and enhance relationships.

"The insight gained will help manufacturers stay in tune with their customers and this in turn can be used to inform retailers," says Williams.

"Brands can learn a lot about their customers by having their own online store," adds Carsten Kraus, Chief Executive and Founder of FACT-Finder.com. "It opens up enormous possibilities for data mining. Which products do customers click on before they buy other items? Which sizes do they want? Which product details are of importance? Which pictures lead to purchase – and which ones don't? On top of this, by analysing the search log of their onsite search, brands can discover which products customers expect to be in their range, even if they do not currently carry them, as well as spotting new trends or keywords and how customers would name a product in their own words and spelling. This is helpful for both future product naming and development, as well as for any SEO support the brand may give to their retailers."

Online has speeded up trading and feedback processes for manufacturers as well as other parts of retailing. Rather than having to wait months for product feedback through retailers, manufacturers can get it almost straight away from customers buying through any channel. They also have the opportunity to interact and market through social channels, listen to customers and engage with them pre- and during purchase.

Post-purchase, which has always been the realm of the manufacturer, also now offers wider scope for interaction with customers through whichever channel they make their purchase. D2C sites are becoming destinations for spare parts, post-purchase accessories and consumables. Apple, for example, has the post-purchase added value of iTunes and its app store, Nestle has its online exclusives for Dolce-Gusto coffee, and while you can buy an HP product through many retailers, some believe it would love to have the monopoly on its ink sales.

Retail evolution is shifting channels, and manufacturers' relationships with retailers and consumers are continuing to change. "Each has their role in the flow, but no manufacturer can stop selling through retailers and just go direct," believes Klaassen. Online may be an additional sales channel for a manufacturer, or even become their main one – as is the case for Dell as it continues to flirt with selling through retail stores as well as via the web – but retailers are paid for doing a job and if they are doing it well, why would a manufacturer want to change that relationship? ■

WHO'S DRIVING S-COMMERCE?

Gareth Mee, CEO, nToklo, gives his view of how the growth of social networks and peer-to-peer (P2P) recommendations is driving a huge shift in the balance of power between retailers and consumers.

RETAIL evolution means consumers are increasingly becoming opinion formers and influencers online, driving the purchasing decisions of people in their trusted networks and forcing brands to compete based on the value and experience of their websites. As consumers look for a more personal and meaningful service online, a trend reflected in the growth of P2P recommendations, retailers must hold onto the social commodity they already possess, adapt their approach to leverage the power of these P2P discussions and facilitate the sharing of opinions.

The growth of social media and influence of P2P is revolutionising the consumer to retailer relationship as well. Social networks have signalled a shift in power of the relationships involved. The consumer to retailer relationship is no longer direct, but multi-faceted, and retailers need to engage with online influencers as they will impact purchasing decisions whether the retailer likes it or not. Ecommerce itself placed the power in the hands of the consumer, creating huge choice and the ability to drop-off from one retailers' website and go straight to another.

Social media and social commerce (s-commerce) have strengthened the consumer's hold on the retailer and they can now connect with whoever they want regarding a product or brand, and choose the channel and method through which to do so. This growth in online P2P channels and more effective tools (e.g. better search functionality) has also brought a raft of social discoverability options for online consumers.

As consumers have become more vocal through a variety of communication channels the power of retailers to influence them is slowly weakening. Quite simply people trust their friends and listen to their advice, a trend backed up by a Nielson study, which revealed that 90% of consumers trust recommendations from people that they know.

OWNING THE RELATIONSHIP

As well as opening new doors for communication and engagement, there is no doubt that the advent and subsequent growth of social media is creating revenue opportunities for retailers. The average consumer mentions specific brands over 90 times per week in conversations with friends, family and co-workers. Their discussions online as they share their experiences of products and services are creating massive potential for P2P recommendations as customers generate interest directly through their family and friends as brand advocates. So, they essentially do the marketing for the retailer.

Brands have discovered already a number of ways to keep their users engaged through social networking platforms. The focus on Facebook, for example, has been led by retailers such as Asos, which opened a fully transactional online store in January 2011, allowing customers to buy from its whole range without leaving the social network. However, a recent Social Media Benchmark study by eDigitalResearch stated that although many high profile retailers are embracing social interaction with their customers through Twitter and Facebook, less than half are offering shopping through social networks.

So, while it's great to see so many high profile retailers embracing social interaction with their customers in this way, it's not surprising that so few are actually selling through social networks as it will be harder to develop relationships with customers if you hand over the entire transaction to a third party. Focusing an entire social media strategy on Facebook is a risk for retailers as they could eventually find themselves overly reliant or beholden to the social networking giant.

It's also questionable whether a strategy of using social networks with huge P2P influence, such as Facebook, will help retailers build loyalty over the longer term with the growing noise that exists on these sites. Enabling social discovery with improved content relevance is the only way to cut through this noise and connect with customers. At the end of the day, increasing sales is what retail is about and repeat business is the essence of true customer loyalty.

THE STRUGGLE FOR POWER

The power in the ecommerce relationship may have switched to the consumer, but retailers can still use the trend to their advantage. Consumers are increasingly moving away from the 'connect everywhere, share everything' approach to a more niche social networking experience focused on specific interests.

This means that there is a real opportunity for retailers to adopt a new approach, combining commerce and P2P to engage with their existing customers, leverage their own existing communities to engage and further develop relationships with their customers' trusted networks and bring these discussions back to their own site to increase loyalty.

Bringing these relationships onto the retail site would also strengthen the consumer to retailer relationship, drive a significant uplift in revenues and allow retailers to monitor and manage sentimentality and analytics much more closely and effectively than on a third party site.

This blurring of the lines between ecommerce and social media and s-commerce will continue to grow throughout 2011. Incorporating social features into a retailers' own site will give consumers the fun of sharing the shopping experience, as well as the peace-of-mind that they are still interacting with their trusted community, whilst enabling retailers to regain some of the power that they have lost, and ensuring they do not lose the social commodity they have as well. Imagine if users could remain on a retail site but still search for reviews by friends and filter products by friends' ratings, reviews and purchases. This has the potential to keep customers coming back time and again.

The present may be Facebook stores, but the future is retailers' own on-store social communities.

nToklo is a Social Gateway and Recommendations Engine designed to help retailers sell more online by empowering users to share their shopping experience with their friends. By accessing customers' social networks, email and mobile phone address book, nToklo integrates customers' social communities and activities into the retailer's store so that users can view their friends recommendations ahead of strangers without leaving the retailers' site. ■

RETAILERS AND PAYMENT OPERATORS PLAY BALL

Competition for the online shopper's pound is getting fiercer by the day, and this contest is driving constant innovation, particularly in the area of online payment and loyalty schemes. Alison Clements investigates.

POWERFUL PAYMENT service brands have emerged in recent years, which have won customer allegiance by offering security and value at the virtual checkout. Meanwhile long-established payment names are re-asserting themselves, signing up shoppers to their way of secure, simplified shopping. Affiliations with the likes of PayPal, Nectar, Google Checkout and Checkout by Amazon could prove a reliable means for etailers to convert more shoppers, but as relationships blur, is there a risk of confusing consumers or allowing third parties to muscle in on customer loyalty?

With Checkout by Amazon the retailer is becoming a payment service provider. Meanwhile with the 'PayPal Shopping' portal and MasterCard MarketPlace, payment facilitators are taking on a retail role. Is this blurring of roles a trend to be welcomed or not?

Tim Allitt, Sales and Marketing Director at SecureTrading, an independent payment processor, feels that because of the nature of payment online – particularly the need for adoption of 3D secure payment procedures where each individual must authenticate themselves when making a purchase – customers are increasingly keen to sign up to payment services that will keep their details secure and save them precious time at the online checkout. "It will be interesting to see how successful new payment platforms such as e-wallets like PayPal and Ukash, and fast payment systems like Amazon Checkout become over the next few years, but at the moment it means we have plenty of healthy competition in the market. It could be that these new players use their position very cleverly for social and mobile commerce and lead us to the next level of online commerce," he says.

With data breaches hitting the headlines with alarming regularity, a battle is likely to be fought for the best secure payment reputation. Allitt believes online shoppers will increasingly question what level of security payment systems offer, asking 'is my preferred payment type really the most secure?'

ARE RETAILERS BENEFITTING OR MISSING OUT?

Sign-up payment schemes are creating pools of credit-worthy, ready-to-shop customers, and it seems retailers are jumping at the chance of reaching them. PayPal, with 14m active users in the UK, already offers the chance for retail partners to communicate deals through its online shopping portal – paypal-shopping.co.uk – or by collaborating on joint email campaigns, typically announcing a new retailer now accepting PayPal and offering the PayPal community a discount at that retailer site.

Cameron McLean, General Manager, Merchant Services at PayPay UK thinks the trend to team with other (payment-related) parties comes from a real need to offer customers more speed and security when it comes to checkout. "We see ourselves very much as partnering with retailers rather than competing with them," he says. "PayPal shopping is about surfacing retailers' offers. Retailers make the offers, and PayPal adds a trusted layer." McLean says retailers are not missing out on customer information as PayPal securely sends the account holder's billing address and payment details to the retailer so they get the sale and the details without having to ask the customer to register for that sale.

In recessionary times people are more deals-focused too. "Retailers are getting more sophisticated about how they offer deals – and they want to do it through multiple channels," says McLean. "PayPal provides a partnership opportunity to connect with a superset of web users in the UK. We originated by connecting buyers and merchants who don't know each other on eBay, but now we have moved upstream and are helping larger players facilitate that relationship. We can make targeted offers to customers with our member retailers. For instance Argos and PayPal have a joint marketing arrangement to UK PayPal customer base."

David Tarbuck, Multichannel Programme and Operations Manager at Argos says customers crave convenience and this is why the likes of PayPal appeal, particularly for m-commerce fans. "Since we went live with PayPal as a payment option four months ago a significant percentage of our home delivery sales are paid for this way," he says. "Beyond offering that convenience to customers, it's a real benefit to have a relationship with PayPal that enhances our marketing activity, so we welcome their strengthening position in the market. Email campaigns that promote Argos to the PayPal database are very successful because it's a different way to get our message across, and reaches a wider – but still very relevant - audience of high quality ecommerce shoppers."

With people increasingly browsing the web

PAYMENT PROVIDERS TAKE CUSTOMERS SHOPPING

MASTERCARD MARKETPLACE

MasterCard MarketPlace provides eligible MasterCard cardholders who enroll online at marketplace.mastercard.com with hundreds of tailored discount offers each week, based on their favourite retailers, postcode, and web site activity. On the US-only site, hundreds of offers - in the form of discounts and loyalty points - are made available from 25,000 participating retailers nationwide in 19 categories-from entertainment to travel, computers, electronics, fashion, and more. Macy's, Gap, Best Buy, Sears, Wal-Mart and Nike are MarketPlace participants.

PAYPAL SHOPPING

Online payment provider PayPal launched its shopping portal paypal-shopping.co.uk in 2007, with online retailers offering PayPal customers up to 17% cashback and 20% discount on purchases, enabling them to save while spending. The revolutionary website launched as a money-saving service for its members, featuring dozens of top retailers including Ann Summers, Comet, John Lewis, Littlewoods, Next, Woolworths, Toys "R" Us, and The Body Shop, some of which offer as much as 10% cashback.

through their smartphones they will appreciate more targeted communication of offers, and sites that have a range of deals clearly set out and easily paid for, so sign-up payment portals will be a smart way for retailers to connect with them. "We need to become the electronic wallet for people on the move," says McLean at PayPal." The beauty of smartphones is their ability to be used anywhere, anytime, so there must be a fast and efficient check-out process for these m-commerce shoppers."

MOBILE MONEY NETWORK

The mobile industry, banking and retailers are working together to find the way forward for mobile payments. Launching at the end of the summer is Simply Tap, the first service from the Mobile Money Network, a joint venture between Monitise, Best Buy Europe and Carphone Warehouse founder Charles Dunstone backed by Sir Stuart Rose as Non-Executive Chairman.

Consumers will go through a one-off registration process that securely captures personal details, such as debit or credit card numbers and preferred delivery address. After registering, when a consumer sees a product they want in store, online or in any advert, they simply need to type the product code in to the Simply Tap service through the mobile app or send it via SMS and the product is then paid for and delivered using the saved details.

(Read more about mobile payments in this issue's M-retailing feature.)

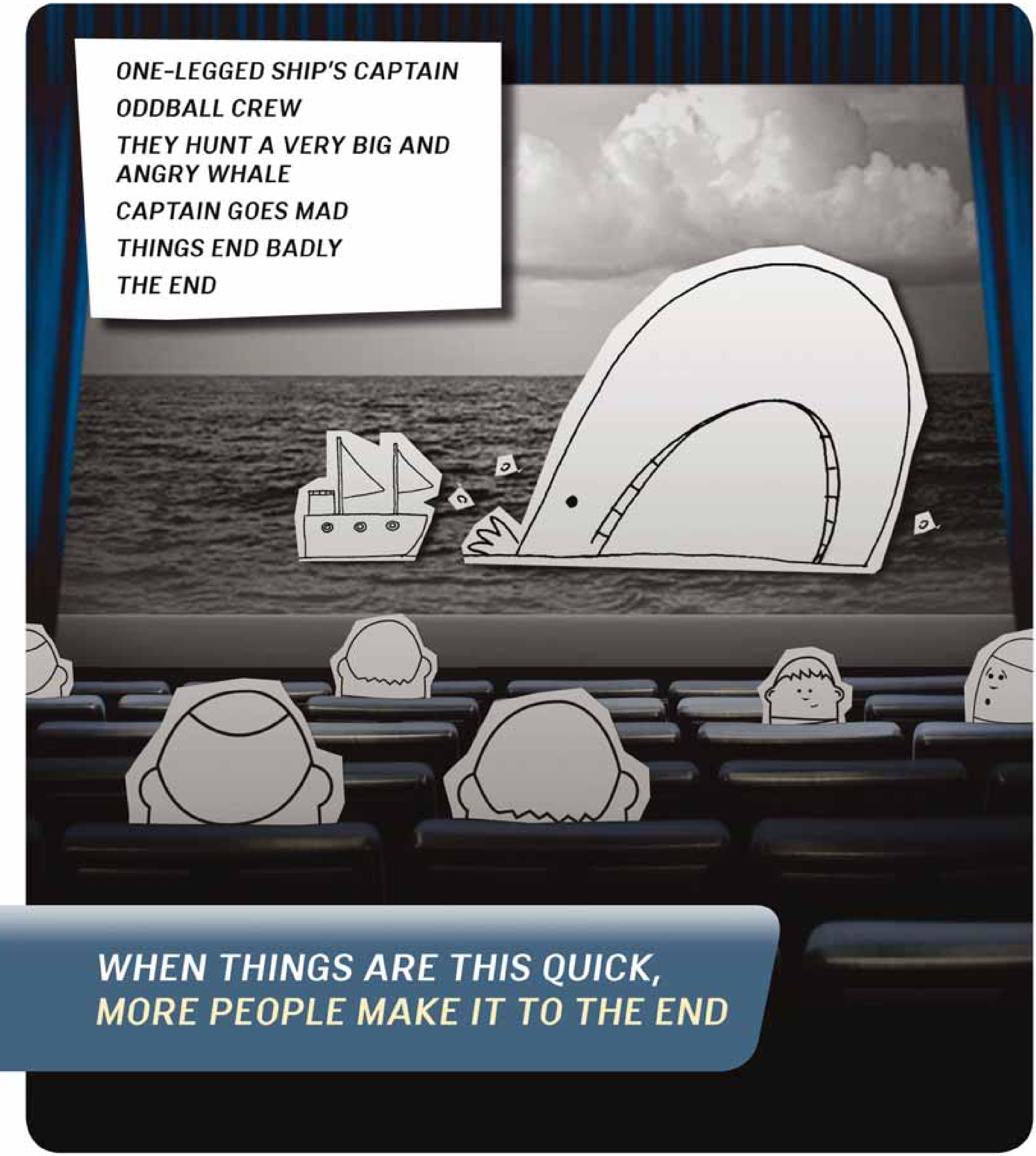
PAYMENT SHOPS

Payment schemes are getting a foothold in the emerging mobile payment market too. MasterCard has teamed with Google to launch Google Wallet, an app that enables smartphones to become an electronic wallet, to tap and pay in stores. It launched in the US in May, utilising the MasterCard PayPass network, and promises to boost multichannel customer relationships by making it possible to integrate on– and offline deals, promotions and loyalty rewards, all managed on the customer's phone.

Loyalty scheme Nectar is on a similar mission to gain from helping boost its retail-members' sales volumes. By launching nectar.com/fashion Nectar is rewarding female shoppers for their shopping efforts. The site brings together 50 high street fashion favourites including Debenhams, House of Fraser, Gap, Next and All Saints, and rewards signed-up shoppers with two Nectar points for every £1 spent. It's possible for shoppers to personalise the site so that their favourite names are most prominently displayed when they're logged in. "Our plan is to continue to grow the site over the coming months and years to house even more retailers," says James Frost, marketing director at Nectar. "We're allowing fashion fans to collect Nectar points at even more of their favourite stores."

Nectar, PayPal, Google and others are keen to collaborate with retailers to present busy shoppers with the most pertinent, targeted offers, and it appears to be in everyone's interest for this kind of joint marketing to succeed. Retailers seem sanguine about third parties growing in importance, perhaps resigned to the fact that the web needs to be edited down into more manageable customer groups, and deal-focused portals anyway.

The innovation can only intensify. Facebook Credits – a virtual currency for online gaming – is being used in a highly social way so that participants can 'buy with friends' or get more credits for passing on deals, so payment and loyalty schemes become a way of acquiring as well as retaining customers. Combining social with loyalty – perhaps even dynamically pricing goods in real time, as well as targeting deals very specifically – is mooted to be just around the corner. Whether it means sacrificing margin and a degree of customer ownership or not, retailers have little choice but to play ball with the mobile, payment, social and loyalty operators as this complex marketing landscape settles around us. ■


ONE-LEGGED SHIP'S CAPTAIN
ODDBALL CREW
THEY HUNT A VERY BIG AND ANGRY WHALE
CAPTAIN GOES MAD
THINGS END BADLY
THE END
WHEN THINGS ARE THIS QUICK,
MORE PEOPLE MAKE IT TO THE END

DON'T LOSE YOUR HEAD IN THE CLOUDS

Ecommerce sites are becoming disparate functions hosted in multiple locations by separate suppliers. With recent high profile downtime from the likes of Sony, IR asked Dinesh Bajaj, VP of Infosys Retail, to give his view of management and security 'in the cloud'.

UK RETAILERS such as Tesco, Cotton Traders and Republic, have all turned to the cloud over the past year. Despite this however, the retail sector still lags behind others when it comes to fully embracing the cloud. According to Gartner research conducted in 2010 the retail sector was rated three out of ten in terms of 'cloud readiness' in the near term, compared to the media sector which was given a rating of 5.5.

So, what are the factors impeding retailers' adoption of the cloud? Firstly, not all of the identified risks with the cloud have been addressed with existing technologies and there's a lack of standardisation when implementing security technologies by cloud providers. Additionally, there is also a lot of groundwork that needs to be done before an organisation can move to the cloud, including understanding the wide range of cloud services on offer, as they all carry their own risks. For example, a Public Cloud environment would carry a higher risk to business processes, applications and platforms, than a Private Cloud would, because critical data is kept in the public domain.

A second factor is the lack of clarity around liability ownership amongst retailers and cloud service providers. In case of a breach, such liabilities will be crucial for crisis management. Furthermore, cloud providers are often reluctant to provide more transparency on their operations and physical location of data (that could be needed to address international regulations). These lack of transparency and Service Level Agreements (SLA) continue to deter retailers from placing very sensitive information on the cloud. However, as the model matures, retailers will find elasticity, reduced time to market and low capex as incentives to move non-critical functions to the cloud.

HACKING PREVENTION TIPS

1. User access control – Sensitive data processed outside the enterprise needs to be monitored very carefully. Retailers should ensure that cloud providers supply details about who administers the sites and provides extensive control mechanisms on that access.

2. Regulatory compliance – Regulations such as PCI DSS clearly specify a comprehensive set of security controls that retailers need to adopt e.g. periodic vulnerability assessment of commerce websites, network segmentation of critical data assets, strong access controls.

3. Data security and control – Organisations should start by identifying and limiting the usage of critical data across the enterprise. Once such critical data has been identified and contained, preventive, detective and corrective controls need to be layered to create in-depth-defence. Retailers can leverage technologies such as 1) data segregation and 2) encryption to limit PCI information usage without needing a complete overhaul of existing infrastructure.

HACKING: PREVENTION BETTER THAN CURE

The fear of a security breach is probably the biggest hurdle for retailers considering cloud adoption. Organisations feel the elasticity and multi-tenancy features offered by cloud computing increase serious risk, in terms of visibility of access control over the applications, platforms and data. Moreover, various cloud computing models such as Public, Private, Hybrid, Virtual Private, Software-as-a Service (SaaS) to name but a few, have different levels of security risks attached, which makes the options available harder to navigate.

Hacking is a real threat and has been so for many years. Retailers have long been targeted by the hacking community for identity theft and credit card information, which is why a multi-tiered, layered security approach and a robust data strategy are important. Data on the cloud provides another channel for hackers to target. Rarely a month goes by without a highly publicised security breach – SonyPlaystation Network being the most notable in recent months. It was estimated that at least $171 million was lost by Sony because of this breach. However, the cost of the intrusion was not just monetary, as sensitive data on more than 100 million Sony customers was exposed and resulted in a 23-day closure of the PlayStation Network.

In response, regulations such as The Payment Card Industry Data Security Standard (PCI DSS) have been mandated for retailers to improve consumer confidence. The PCI DSS clearly articulates a fairly comprehensive set of security controls that retailers need to adopt, for example, periodic vulnerability assessment of commerce websites, network segmentation of critical data assets and strong access controls. While the PCI DSS is a great first step towards protecting cardholder information, as new threats emerge and attacks become more sophisticated, it is important that the regulations introduced and the technologies used to safeguard data evolve as well. Nevertheless, the real security comes from businesses carefully aligning their security needs with their overall cloud and business roadmaps. Retailers should start by identifying and limiting the usage of critical data across the enterprise. Once such critical data has been identified and contained, controls that prevent, detect and correct intrusions need to be layered to create in-depth-defence.

Retailers can also leverage technologies such as data tokenisation, a process of replacing pieces of sensitive data with a value that is not considered sensitive (in the context of the environment that consumes the token and the original sensitive data), and masking, to limit PCI information usage without requiring a complete overhaul of existing infrastructure. In tandem with this retailers need to adopt secure coding guidelines and create awareness amongst the developer community to create applications with less vulnerability that can be exploited. To add, strong identity and access management processes should be established, along with periodic attestation of user access to create a robust access control framework. ■

KEEPING CUSTOMER DETAILS SAFE IN THE CLOUD

In order for retailers to implement cloud successfully and reap the full benefits, it is advised that they take a two phased approach. Firstly, retailers should partner with a cloud ecosystem integrator to evolve a clear and comprehensive cloud strategy and roadmap. They should then test the waters with non-critical applications. As the cloud model evolves and matures, retailers will develop more confidence in the technology and can immediately start leveraging and exploring non-critical business computing such as marketing campaigns, collaboration space with business partners / digital marketing distributed static web content that require the elasticity of cloud. This is the phase where a retailer can implement a multi-tiered cloud and test cloud security by running various security scenarios and verify: data security, data recovery (if something failed) and investigate support by the cloud provider, if security was breached. Amazon has been one of the first cloud providers to achieve PCI DSS compliance, which is at the very least an important first step in reassuring partners and customers. It also created a positive trend towards assuring retailers that cloud can be a viable alternative.

The second step involves retailers looking at cloud-enabled business critical applications and implementing a multi-tier security model that brings together governance constructs and architecture blueprints that enable security in alignment with the risks of the cloud model. At this point, special attention needs to be provided to adhering to compliance mandates, as well as privacy regulations on cloud. Organisations will need to extend similar security controls, including those primarily addressing data, application and virtualisation security due to the lack of transparency on cloud.

In addition, retailers should look to tightly integrate their identity and access management processes, incident handling and response management processes with those of the cloud provider. Technologies such as federation, identity and workload provisioning will further enhance the cloud integration and make it more seamless. Data recovery, in case of breach or disaster, and long-term viability of the cloud provider are absolutely key requirements that the retailer should vet.

While the potential benefits for retailers moving towards a cloud-based computing system have been well documented, the perceived security risks attached to the model still remain. While retailers must have a security strategy, this is certainly no time to sit on the fence; they also have to remember that security is just one aspect of creating a successful retail environment in the clouds. By having a realistic understanding of the pros and cons, taking a gradual approach to its adoption, and trialling non mission critical software initially, a level of comfort and familiarity with the cloud will be fostered. As a result, the long term risks can be minimised, allowing more mission critical applications to be brought on board, and a cloud environment created which is beneficial to both retailers and consumers. This will enable the retailer to foster and establish a cloud ecosystem with all security risks mitigated while still ensuring that the true value from the cloud is realised.

MOVING TO DIRECT DESPATCH

With many retailers moving to a 'Direct Despatch' delivery model to fulfil the supply of goods to customers, there is a logical transfer of their brand reputation to their suppliers, which can be seen as a critical factor in maintaining quality and customer loyalty. Jacquie Boast, COO EMEA at Kewill, examines how retailers can empower their suppliers to drive quality and performance to their customers.

RETAILERS ARE SENSITIVE to any negative or damaging stories in the press regarding customer deliveries and service levels. With ever-increasing levels of online shopping, it is more essential than ever to ensure that the order to delivery process is micro-managed to ensure customer satisfaction.

With other influential factors such as declining high street sales and online sales going up, many retailers are now using a 'Direct Despatch' model, which means that customer orders are sent directly to the retailer's supplier to dispatch the order.

The major benefits of direct despatch are two-fold: firstly, it reduces cost and exposure to stock by removing the need to warehouse, and secondly, it allows a retailer to greatly increase its online offering without taking the risk of pre-buying stock. Direct despatch enhances a retailer's ability to rapidly adjust to ever-changing customer trends and can also enhance the customer experience by speeding up the delivery since the item does not need to be shipped to the retailer's warehouse first for despatch, saving precious time, especially when consumers are expecting increasingly reduced delivery times.

For this model to work, a direct despatch solution needs to provide the retailer complete visibility of the order throughout its supply chain. This is where a sophisticated ecommerce solution delivers

organisations the added advantage of maintaining control over the customer relationship, with retailers able to offer a much wider selection of goods through multiple channels.

PARTNERS IN ECOMMERCE

Ecommerce has developed to the point where retailers and suppliers operate as partners within an intimate community, where stock management, orders, promotions, pricing, labelling and returns can be managed with a high degree of automation, backed by alerts to ensure that exceptions can be ironed out before they impact the customer. This system also guarantees a single version of the data across all channels to market, so that the retailer and the supplier's supply chain can react instantly to new events, such as order changes, delayed or lost deliveries, returns and so on.

With the increased visibility, retailers and suppliers can carefully monitor the full 'order to label' lifecycle and ensure that all customer expectations are met. For instance, a supplier can advise in real time whether an item is in stock, when it will be despatched and provide proof of delivery details back to the retailer. In this way, retailers can still take care of the customer service angle, ensuring that accurate and real-time information is always available when a query arises.

An efficient direct despatch solution will enable suppliers to perform a variety of crucial order fulfilment functions, including purchase order and stock visibility, response and despatch, document production and invoicing, as well as provide the retailer with a complete and real-time view of suppliers' data. By supporting the order fulfilment process, it enables retailers to control the processes followed by its suppliers, critical for businesses which have built a successful, high profile brand which offers consistently high standards of customer service in other areas of its business.

IMPROVED FORECASTING

Multichannel homewares retailer Scotts & Co, for example, has recently improved the management and fulfilment of customer orders to improve trading with its direct despatch supplier base. Whilst Scotts has utilized a direct despatch model for some years, a vast array of administration functions were dealt with manually. The adoption of a direct despatch solution has allowed them to vastly reduce their administration overhead, streamline the number of suppliers and carriers they dealt with and speeded up customer delivery times by up to 14 days.

With the system's portal giving at-a-glance visibility of key performance indicators for both Scotts & Co's buyers and merchandisers, everyone can see instantly activity which may impact on customer satisfaction such as rejected orders or delayed items, and its direct despatch suppliers who have clear visibility of activities which may impair their service level agreement (such as when a supplier has a contracted SLA with a retailer for such things as guaranteed stock, response and delivery times). This not only allows the supply team to develop a deeper knowledge of the reasons why items are out of stock, improving forecasting, but to provide assistance to suppliers who are not meeting its expectations and ultimately those of its customers.

With over 70% of the company's orders fulfilled on a direct despatch basis, optimising the process was crucial to its future success. Its suppliers trust the integrity of the data held in the new system, which is imperative when assessing service levels and negotiating future terms. Working more closely with its suppliers is a key part of Scott's & Co's on-going strategy and the new solution is helping it to do that more effectively.

SAVINGS & GROWTH

JD Williams, one of the UK's largest direct home shopping organisations, has also reported additional business and lower operational costs as a result of investing in, and significantly growing, its direct despatch model. The retailer has saved 24 hours on order processing because it is all done in real time. The company has reported that its customers have also seen a significant increase in the speed of their service.

Claims made by customers due to non-arrival of orders, incorrect or late orders has fallen significantly, from 2% to 0.6%; a fall that has not only saved JD Williams money in having to reprocess orders, but boosted its customer service ratings. The number of returns and cancelled orders has also fallen, because more orders are right first time.

Retailers that have not previously invested in direct despatch solutions are now doing so in order to grow their business and reduce the levels of investment needed in more traditional models. Twelve months ago, one of our customers had been hesitant to adopt the Direct Despatch model, but since observed flat online sales during that timeframe whilst suffering from falling high-street revenue. It ultimately meant that they were unable to expand their online business product ranges, and thus lost revenue growth to competitors who had a wider product offering. Retailers are realising that direct despatch is essential for their business and not just an optional luxury. It enables them to rapidly grow online without undue risk and it helps suppliers to increase the number of retailers offering their products. Ultimately, the retailer and suppliers are both winners. ■

Insight from arou

LAURA YEOMANS, COUNTRY MANAGER, SHOPSTYLE.COM.AU

A strong Aussie dollar, weak local competition and a shopping public that's increasingly ecommerce-literate means international retailers are seeing unforeseen growth from the Australian market.

For many years, Australians travelled to New York, London and Hong Kong for their shopping bargains and designer brands. The local landscape traditionally did not feature many of the international retailers that have been responsible for reshaping the shopping experience elsewhere.

Ecommerce has eroded many of the previous barriers to entry for international retail players. Global retailers can now take advantage of a demand that was not being met, a dollar that is at a 29-year high and weak competition from local sites that have been slow to embrace the online channel.

Overseas retailers have acted as a catalyst in the growth and magnitude of ecommerce in Australia. Of an annual spend of around A$30bn, 40% is going to overseas stores. Compare this to the US which is losing 10% to overseas counterparts and this crystallises the impact of delayed online investment by Australian retailers.

These statistics may still come as news to many Australian retailers but it has been the confirmed belief of UK stores for a while. TopShop, Asos and Net-A-Porter were amongst the first to witness the potential of the Australian market and all have stated Australia is one of their largest markets. Debenhams says that Australia is their largest international country for number of orders. It is an incredible result when you consider the country only has a population of 23 million.

Last month's launch of shopstyle.com.au has further reduced barriers, giving shoppers one-click access to hundreds of US and UK stores that ship to Australia. Many top-brand items are available at less than 50% of the price at local department stores, even after taking shipping into account.

The fact is global ecommerce has brought some much needed competition to Australian shores. For as long as consumers feel the winners in it all Australia will continue to be the perfect breeding ground for overseas retailers to sow their ecommerce seed.

ISABELLE SALLARD, EDITOR, INTERNET RETAILING.FR

The Observatory Yuseo e-Performance recently made a focus on beauty and perfumes online stores. It asked 480 users to "test" the three French ecommerce websites in the sector: Marionnaud, Nocibé and Sephora. Verdict: the presentation of the online offer can still be improved.

The three sites achieved an average satisfaction score of 6.2/10 which shows some enthusiasm from most of the users. The product offer scored 6.8/10 and seems to respond adequately to the needs of users who have especially appreciated the wide range of brands offering the same product. Similarly, with a score of 7.2/10, the amount and detail of product information (i.e. composition, capacity, usage tips) were well appreciated. This item is particularly important considering the fact that 91% of users said that the main disadvantage of searching for and buying cosmetics online was not being able to try before purchase. The amount of product information became crucial elements for those websites.

However, with a score of 4.7/10 users have also regretted the lack of clarity in the product pages.

While the majority of consumers appreciated being sold perfume online because they can "buy without pressure from sellers," they have given an average score of 5.6/10 to the ease of finding the information they need on the website.

As for the order part, users are rather satisfied. With a score of 7/10, they said they appreciate the simplicity and intuitiveness of the process. This simplicity is especially important for 74% of them as the main advantage of searching for and/or buying a cosmetics product online is the time saving. Therefore, it would have been a shame to lose this benefit during the later stages.

However, with an average rating of 6.4/10, users generally felt they had to do a lot of unnecessary actions. The brand image has been negatively impacted by the browsing experience. This degradation of the image may jeopardize the potential of conversion on these sites. Indeed, a significant proportion of participants who were positive or undecided on whether to see or use these sites at the start, took a negative position after only 12 minutes of

nd the world

navigation, the time it took to undertake the 6 tasks in the sales funnel.

MICHAEL MATZER, EDITOR, INTERNET RETAILING.DE

Shoes and fashion are high on the shopping list of German customers. While 18.9 million consumers have ordered books online, no less than 17.2 million shoppers have purchased shoes and fashion articles, according to market researchers Gesellschaft für Konsumforschung (GfK).

The fast growth of this ecommerce sector is reflected in the success of fashion and shoe manufacturers like Hugo Boss, Adidas and Puma. Shopping portals like eBay (20.9 million shoppers) and Amazon.de (24.7 million customers) have announced high growth rates in this sector as well. EBay is marketing fashion vigorously with its recently purchased shopping club Brands4Friends and Amazon.de has recently launched its own shoe shop Javari.de, competing directly with successfully expanding Zalando.de.

A survey by eBay's Fashion outlet among German customers shows that no less than 41.6% of German women have what may be dubbed a "shoe addiction", meaning they continually must have new shoes. In a press release eBay stated that every 7 seconds a pair of lady's shoes is purchased on eBay.de (which proved all suspicions of German men as being correct). Fashion ranking at eBay.de (multiple choice possible):

1) Shoes (41.6%)
2) Accessories (36.1%)
3) Purses (25.1%)
4) Lingerie (16.9%)

Only 33.7% of more than 1,000 people surveyed responded that they had no fashion addiction whatsoever. Good news for the fashion industry!

According to GfK, an increasing number of shoppers are ordering via a mobile device (smartphone or tablet PC). "Accompanied by the success of mobile phones with better internet connectivity and functions (i.e. apps.) the number of users going online from their mobile increased in 2010 by 4.7 million to 10.6 million users. This equals a growth rate of no less than 79% in one year", GfK states.

And it adds: "The number of users doing transactions with their mobile device has increased by 157% from 2.1million to 5.4million users." Obviously these users place a lot of trust in the security and reliability of such transactions.

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

Price war has been a hot topic in Chinese ecommerce during the first half of 2011. Leading B2C sites seem to be very fond of it, not just to grab the tempting China online market share, but also to make free advertising for the sites. The recent price war between Dangdang.com and 360Buy.com is a good example.

Dangdang, the largest online book store in China, had a successful IPO on the Nasdaq on 8 December 2010. Two days later, 360Buy, China's biggest electronics site which is moving into the books business, started the price war by announcing 20% lower prices than any other online book retailer. Liu Qiangdong, CEO of 360Buy, kicked off the announcement in his personal blog. In response, Li Guoqing, President of Dangdang, claimed in a TV interview that Dangdang would retaliate. Injected with US$270m via IPO, Dangdang soon announced first round of promotion, injecting US$6m in the price war.

Though still a private company, 360Buy has powerful investors, including the richest man in China, Robin Li, CEO of the search engine company Baidu. 360Buy announced that it would inject US$12m in the price war, to provide the lowest price in 11 categories including books, consumer electronics and household products. Liu Qiangdong even openly challenged Dangdang in his blog "Guoqing, are you ready for the price war?".

Six months passed and the price was is still on. 360Buy seems to be stronger in the short term because its "loss making for market share" strategy is strongly supported by current investors. Dangdang, as a public company, has great profit pressures. On the other hand, both companies are big winners in terms of getting free advertising as the price war has become the focus of nationwide media as well as millions of Chinese online consumers.

MOBILE SEARCH: WHAT'S YOUR APPROACH?

Mark Blenkinsop, Head of Search, at Pod1 explains the vagaries of mobile search and why one strategy may not fit all devices.

DO A SEARCH on any traditional mobile device and you'll very likely see completely different results to those if you were to do the same search on a desktop or laptop. This is because mobile and desktop search are treated differently, with obvious differences such as location-based information being prevalent in mobile search.

Traditional optimisation techniques are still important, but understanding additional factors such as page size, text length, document type and image size can make a significant impact on the position a site receives in mobile search results. And, because mobile users browse less, securing those top positions is even more important.

However, one thing that can make this market a little confusing is that both mobile phones and tablet computers fall under the category of 'mobile SEO', but the browsing experience on each platform is vastly different. We have found that tablets, understandably, have a much higher conversion rate for ecommerce than phones. Some statistics for a client of ours in the travel sector show the change that is occurring: for the first quarter of this year mobile search Traffic was up 168% year-on-year – from 11,430 to 30,593 visits. Revenue was up 612% from £5,937 to £42,292 - from 40 to 178 transactions. With two thirds of this revenue coming from iPads. So any search strategy needs to take this into account.

SMART MOVES

The first thing to understand, with mobile SEO, is the difference between traditional mobile phones and smartphones. Traditional mobile phones can't render normal desktop webpages so they need to have a specific mobile version of the website created for them. However, smartphones and tablet computers can to some extent render normal desktop web pages – the most notable exception to this being the inability of Apple products to display Flash.

This means that retailers could be looking at having more than one version of their mobile website to optimise for SEO. This will, of course, depend on the nature of the retailer's audience as well as their budget, but the ideal scenario is to create one platform for non browser-based phones and one for smartphones and tablets.

When it comes to setting up the sites, retailers need to make sure they create a specific sitemap for mobile devices, which only includes mobile content URLs. This is very important and more information can be found at http://www.google.com/support/webmasters/bin/topic.py?topic=8493

MAPPING OUT

Essentially Google states: "A Mobile Sitemap can contain only URLs that serve mobile web content. Any URLs that serve only non-mobile web content will be ignored by the Google crawling mechanisms. If you have non-mobile content, create a separate Sitemap for those URLs."

The search giant adds: "If the <mobile:mobile/> tag is missing, your mobile URLs won't be properly crawled. However, URLs serving multiple markup languages can be listed in a single Sitemap."

Furthermore, as Google is still the most popular search engine, retailers and brands need to understand exactly how it works and build their strategy accordingly. Essentially, Google uses two differing types of program to search and index the web: one for desktop searching (Googlebot) and one for mobile (Googlebot-Mobile).

Google currently does not crawl the web with a specific algorithm for smartphones, however, as it assumes that these devices are capable of producing a browser experience similar to desktops. This doesn't mean that brands should ignore smartphones in their mobile strategy, as any site that is going to be viewed by mobile still needs to be optimised for mobile usage and this includes using location-based keywords for the growing number of people doing localised searches.

STAYING LOCAL

Click-through rate and bounce rate tend to be a major factor for ranking mobile sites – especially for local searches. This may mean that brands and

TOP TEN TIPS

1. Understand how the different mobile devices work with your website;
2. Create a mobile site map;
3. Understand how Google and other search engines work for mobile;
4. Look at how customers get to your mobile content – do you have a separate site etc?
5. Create specific keywords for mobile searching – these are much more likely to be based around locations;
6. Understand how your users are using your mobile site and at what stage they are at on the purchase journey;
7. Size matters… Remember when creating content for mobile it needs to be shorter and concise;
8. Make sure all your local details are correct;
9. Follow the guidelines of best practice for web design;
10. Don't forget traditional SEO.

retailers need to look at different search keywords for mobile to reflect the differing ways consumers search on these platforms, and they may also want to look at a separate mobile strategy for paid search functions such as Adwords.

Take advantage of Google Mobile Keyword Tool to find additional relevant keywords and make sure you have mobile optimised landing pages as users are less likely to browse around the site if all results take them to the homepage. It makes sense for content to also be formatted for smartphones as page size, load speed and file types can all have an impact on how your page is indexed.

Another key area for mobile optimisation is looking at how people get to the mobile content. There are two schools of thought here: one believing that you should simply use one URL for mobile and desktop users alike, and render the content with specific style sheets for mobile users. This is easier than developing two sites, and it doesn't create two URLs, which can potentially split the site's link popularity and make it more difficult to rank for competitive search terms.

The second school of thought involves having a separate website for mobile content – i.e. using a URL format such as m.yourname.com to direct people to a specific mobile site. There is no evidence to suggest reduced ranking of mobile sites as a result of split links, and the duplicate content argument is as yet unproven also. The benefit of doing this is that what you see is what you get – in other words your design will show up exactly as intended.

To do all this properly, retailers need to have clear insights into how their customers behave on site and how they are using it. Mobile users, especially for ecommerce, can be at a completely different stage of the buying process as they may have already researched on a desktop or laptop and are just looking to complete the process quickly on their phone. They could even be in a store having found the item they want is out of stock and are going online to purchase it. This means the keywords and search experience are very different.

KNOW YOUR CUSTOMER

The most common mistakes in mobile search come when brands and retailers don't understand their customers' behaviour, needs and goals. Understanding customer behaviour in any channel is really about data capture and analysis. The process of understanding mobile usage is the same as understanding website usage: ask them; watch them; test them; and analyse the data. If you want to find out more start capturing now. Even if you aren't ready for mobile, you should at least start to understand your basic usage information.

Some free and easy ways to start building a picture of how consumers are behaving on your site include: Looking at your analytics reports; using Google Analytics for Mobile or Google Analytics Mobile Apps SDK for in-app analytics reporting; ask your customers directly – either in store or over the phone – and find out how they use their mobiles; or email your online customer database and ask the same questions.

With most mobile search being about localisation, retailers need to make sure that they keep any localised search sites fully up to date – or set them up it they haven't already. Make sure things like Google Places and Bing Business Portal are up to date, add contact details and promotions, as well as encouraging reviews and interaction. Retailers should also look at signing up for local directories like Qype, LocalDataSearch, Yelp, Frommer's and Tipped.

Finally, don't lose sight of the basics. As with all websites you should follow the standards within the World Wide Web Consortium (W3C). W3C develops specifications, guidelines, software, and tools aimed to 'lead the web to its full potential'. On top of this traditional SEO techniques are still very important, such as meta data, heading tags and alt tags.

Following this process will allow retailers to create informed mobile search strategies and allow them to make their mobile presence as effective as possible. ■

SO NEAR, YET SO FAR

Everyone equates mobile payments with NFC, but is that really what is needed and, crucially, while network operators and banks seem to now want it, does it have consumer and merchant buy in? Paul Skeldon reports.

MENTION mobile payments to anyone and they immediately shoot back "NFC!" and look excited and expectant. And even an old cynic like me can't blame them, as the summer of 2011 is rapidly becoming the test bed for contactless mobile payment systems. In fact, 2011 has become the year of NFC trials and this summer sees a raft of them – across Europe, not just here in the UK – as network operators assess how to actually make it work.

The biggest news in the UK has to be the unprecedented agreement between the main network operators – Everything Everywhere (T-mobile and Orange), O2 and Vodafone – to create a sort of mobile commerce ecosystem that will help retailers more easily access mobile marketing across networks and develop NFC-based mobile payment strategies.

This is massive and welcome news as it shows that the network operators are starting to see how mobile payments really are a necessary part of the mobile retail experience.

Orange has form in the NFC space, having worked with Barclaycard in the UK to trial contactless payments and is currently running trials in both France and Poland, where contactless card payments are already surprisingly popular.

So the operators are interested, and – for them – making strident moves into showing how it might work. But there are two other sides to the golden triangle of mobile payments that also have to be in place to make this fly: consumers and merchants.

There is no denying that there is a consumer appetite for mobile payments and the idea of wafting their mobile around to pay for things has its appeal. About a quarter of UK consumers surveyed recently by YouGov said they were interested in using their mobile to pay for things, but that 91% hadn't heard of NFC and 70% had no idea what a mobile wallet might be.

A separate study in March, by Vanson Bourne carried out for Kony Solutions, found that 75% of consumers had no interest in mobile payments at all. Of the 25% that did, the vast majority wanted it linked to a credit or debit card, rather than a bank, but expressed no great groundswell of support for NFC.

This consumer issue is largely one of education and shouldn't really be seen as a major barrier to mobile payments – be it via NFC or not – becoming commonplace. If the iPhone 5 has NFC capability built in (current thinking is that it won't, but the consensus on this changes daily) then it will suddenly get the sort of publicity that the technology and service needs to become mainstream among consumers.

But this is still only part of the story. The real key to NFC is merchants: will they buy in to it. Of course, on paper they love the idea, but the infrastructure issues, the security issues, the back end integration issues and the 'who gets the blame when someone gets double charged' issues are all very powerful demotivators for them.

The trials underway by the networks are a start – they can at least act as a proof of concept and a consumer education offensive, but retailers really do remain to be convinced. And as for small shops, forget it. For now.

What most retailers want from mobile payments is something much simpler than what NFC offers. NFC is essentially a new way of conducting card payments with a phone rather than a card. What many merchants want is to leverage the mobile phone bill to offer a new payment channel without all the hassle.

Operator billing such as Payforit or similar does work and, while operators currently take a large chunk of the payment in 'commission', this cost is going to fall. And if this comes to pass then it offers a payment tool that is easy to use, understandable to users, doesn't need infrastructure and can be rolled out easily without massive trials.

And then there is Square. Twitter founder Jack Dorsey's mobile payment tool – a small square that plugs into an iPhone and allows anyone registered to accept credit and debit card payments - could well be the technology that shoots all this NFC malarkey down in flames. It is simple, easy to use, cheap, understandable and slowly gaining traction. Thousands of merchants have already signed up and are using it.

Mobile networks have missed out on many things over the years by being slow and greedy. Could NFC be the next white elephant to cost the mobile industry dear? ■

DEMANDING CONSUMERS EXPECT MORE THAN RETAILERS CAN GIVE

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

Everyone knows that there is a groundswell among certain elements of the consumer base to service their needs via mobile, but a study by Demandware finds that most retailers, while recognizing this demand exists, are not even close to working out how to meet it, let alone actually doing so.

The study finds that 87% of retailers surveyed recognize that they need to improve their multichannel offerings, only half recognize that they need to radically rethink their business processes and structure to do so.

A quarter of retailers do currently let users add things to their carts on one channel and check out via another, but this is still too low warns Demandware, given that 51% of consumers want to be able to do this.

And the gaps in what consumers want and what retailers can deliver is not confined to multichannel. The survey also finds that 50% of consumers want branded retailer apps, yet only 12% of retailers have them and 62% of consumers say they intend to purchase products or services on mobile websites or apps, only 32% of retailers currently enable this.

MASSIVE INVESTMENT IN PLATFORMS

While there may currently be a gulf between what consumers want and what retailers can offer in terms of adding mobile to the multichannel experience, change is afoot.

The need to offer mobile services to shoppers is spurring a massive investment in new ecommerce platforms and an increased interest in fully fledged multichannel retailing that will revolutionise retail in the next two years. So says Mark Adams, Sales and Marketing Director of PortalTech as the company rolls out this year's results of its industry survey carried out with eDigitalResearch.

PortalTech – which can't at this stage name names, but there are some big announcements to come – is finding that many leading retailers have, in deciding that they need to add in full mobile commerce capabilities, decided to totally replace their ecommerce platforms to make them totally multichannel.

WHAT DO CONSUMERS WANT?

New research from eDigitalResearch and PortalTech finds that 48% of smartphone users are now regularly shopping using their mobile devices, up 13% in just nine months. Shopping via smartphone web browsers has increased, by 5.8 %, whilst researching and browsing via smartphone web browsers has significantly increased by 14.3%.

Shopping via apps has increased by just over 4%, whilst researching and browsing via apps has significantly increased by 14.34%. Smartphone owners have also increased the use of their phones for researching and browsing at home, out and about and in store to compare products and prices. And the number of smartphone owners who said they expected to browse or purchase more on their phones in the next 12 months more than doubled to 46%.

Interestingly, in this increasingly online age, the study found an increased percentage of smartphone users who shop weekly by catalogue, more than doubling from 3.6% to 8%. However, it is interesting to note that 13.2% of smartphone owners used catalogues to browse for items, compared with a staggering 48.7% who use mobile websites and apps for the same purpose, indicating that many consumers are using browsing on their smartphone as a mobile catalogue for early shopper decisions.

But the research also finds that, while mobile shopping is up and that ecommerce has grown by nearly 6% over the same period, smartphone owners are shopping considerably less in high street shops, with visits to bricks and mortar outlets dropping to 56.6% from 72.7% as consumers adapt to the most convenient and useful channel for browsing and purchasing needs.

PIZZA THE ACTION

Leading the charge in mobilizing food retailing are Pizza vendors. Dominos, which has led the charge in innovative use of mobile apps in its take away services, has seen £10m in mobile sales through its iPhone app (downloaded 500k times since its September 2010 launch) and its mobile optimized website (launched in December). The company is now rolling out an Android app as well.

Domino's m-website has opened it up to BlackBerry and other smartphone users has also driven up the company's mobile sales dramatically past the £10m mark in six months.

Pizza Express has joined the fray with a cool app that lets diners, who are in a hurry to leave, use the iOS app to pay the bill. It also lets users find a restaurant, book a table and all the usual things, but the 2Ergo powered payment part is groundbreaking.

payments & fraud

recruitment

hosting

email marketing

digital agencies

fulfilment, logistics & order management

ecommerce platforms