

# INTERNET RETAILING



SELLING IN THE DIGITAL AGE

VOLUME 4 | ISSUE 3 | MARCH 2010



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Apple.com/uk



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Pushing  
M-RETAIL



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Linking  
channels with  
MOBILE



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# One hour.



## THINGS TO DO



- 08.00 School run
- 09.00 walk the dog
- 10.00
- 11.00 **DPD Delivery 11am-12pm**
- 12.00
- 13.00
- 14.00 Gym
- 15.00
- 16.00 Pick up kids
- 17.00
- 18.00
- 19.00

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## EDITOR'S COMMENT

While putting together this issue of Internet Retailing the word 'icon' kept coming up in conversation. From interviewing people for the cover interview and while reading through the guest columns iconic was a label being applied to brands that were launched over 100 years apart.

Ask any visitor to London to name a shop synonymous with the city and most will say Liberty, Harvey Nichols, Harrods or Selfridges. Guy Hipwell, Managing Director of Liberty.co.uk, features on the front cover and spoke to InternetRetailing about the challenges and opportunities that having an iconic bricks and mortar store bring to an ecommerce site. Many of his sentiments were echoed by Rob Jones of Harvey Nichols.

Iconic status is not earned just through longevity though – although many iconic names have been selling in Britain's high streets for over 100 years. The site reviewed on page 20 – Apple – belongs to a brand which launched in 1984 and has already received iconic status in the design and mobile retailing arenas.

The theme of this issue is mobile commerce and how phones are being used for marketing, logistics, in store and across channels. Yes, there are plenty of iPhone apps mentioned but the basic text message should not be forgotten. They are a real boon to user satisfaction and, as Marcus Austin discovers, an SMS can increase sales.

**Emma Herrod**  
Editor



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Internet Retailing

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## GROCERY SHOPPING TO DOUBLE

New research from IGD forecasts that £7.2bn will be spent on food and grocery shopping online by 2014 – nearly double the figure for 2009. In 2009, 13% of adults had shopped online for groceries – an increase of 63% on 2006.

Three out of five (61%) online grocery shoppers use more than one online store for their food shopping. Half (49%) would like to try other supermarket websites, but many are put off by the perceived effort involved.

'Online Shopping 2009', just published by international grocery analysts IGD, also found that:

- 30% of online grocery shoppers purchase less often than once a month.
- 24% intend to try an alternative online supermarket in the next three months and 25% would like to but are put off by the effort involved.
- 34% expect to shop in a variety of outlets, including online, in the next 5-10 years (compared to 27% in 2007).
- A further 34% expect to only shop in a supermarket for everything and 7% expect to shop just online for food and groceries.

Joanne Denney-Finch, Chief Executive, IGD, said: "People are increasingly mixing the channels they use for their weekly or monthly shop. Many are choosing to visit their local store on a regular basis, while purchasing a number of bulk items, like tinned foods and toiletries, online less frequently.

"The future of grocery shopping is 'multi-channel', with people shopping in different ways and using various outlets – whether convenience stores, online or hypermarkets."

According to the Office for National Statistics 64% of people have shopped online at some point, but only 13% have bought food or groceries in the last year. More than six in ten (61%) current and potential online shoppers also said that removing delivery charges would be a key trigger for increasing online grocery shopping.

### GROCERY AND ALCOHOL WEBSITES, RANKED BY SHARE OF UK VISITS

Rank	Website	Market share (%)
1	Tesco Superstore	22.35%
2	ASDA Groceries Online	11.34%
3	Sainsbury's Online Groceries	9.76%
4	ALDI UK	8.49%
5	Lidl UK	5.51%
6	Waitrose	5.04%
7	Morrisons	4.04%
8	ocado	3.57%
9	mySupermarket.co.uk	3.23%
10	WaitroseDeliver	1.61%
11	Tesco Wine	1.57%
12	Netto	1.27%
13	zooplus.co.uk	1.11%
14	ALDI International	0.97%
15	Riverford Organic Vegetables	0.84%

Source: Hitwise UK

## NEW LOOK FOR ARGOS

Argos has introduced its new company brand identity online in the same week as the launch of its latest catalogue. The retailer has marked the switchover by releasing detailed statistics on how its online trading has evolved since Argos.co.uk first became a transactional website in 2000.

Since the launch ten years ago, the site has attracted 1.28bn visits, says Argos, with Boxing Day 2009 seeing a record 1.9m visits alone. The busiest hour of that day was from 11am, the same peak time that was recorded in both 2007 and 2008.

Visits peaked at 11m during the busiest week of the Christmas period last year – an achievement that is close to matching the total of 12m visits, representing 1% of company sales, that Argos.co.uk achieved in the entire 2000/01 financial year.

Overall, multi-channel sales now account for 44% of company sales, says the retailer.

## 1,500 TO ONE HOUR DELIVERIES

DPD has become the first parcel carrier to provide customers with a one hour window for their home deliveries.

Shoppers who buy from retailers shipping with DPD can receive a free text message or email giving them a precise one hour window in which the driver will arrive. And, if the recipient of the SMS knows that they won't be in to sign for the package, they can reply and arrange for DPD to deliver on a more convenient date.

The launch follows an investment of £2m by DPD in developing the technology needed to support the one hour delivery window. Some 1,500 companies have already signed up for the service including Three, Dixons Direct and iwantoneoffthose.com.

The scale of home delivery hassles experienced by UK householders was highlighted in a recent survey by pollsters Opinion Matters, says DPD, which found that of 1,369 adults:

- 87% have waited in all day for a delivery without knowing when it would arrive and 23% of us have done it four times a year or more.
- 10.2% have fabricated an excuse to stay off work and wait for a delivery.
- 80% have had to go to a parcel depot or Royal Mail office in the last 12 months to collect a parcel and 27.5% have made five visits or more.
- 82% of people would find a one hour delivery window 'very useful' and a further 14.2% would find it 'useful'.

DPD's CEO Dwain McDonald comments: "Consumers who value their time are more likely to re-order from retailers who proactively communicate with them to make the delivery experience as convenient as possible."

## BOOTS OFFERS STEP TO HIGH STREET

Boots and Mothercare have agreed to form a strategic partnership to supply a new children's clothing and accessories brand to be sold exclusively through Boots stores in the UK and Ireland.

The move could be the start of a larger push by Boots towards offering other pure play and multi-channel retailers a way to leverage the retailer's network of 2,600 stores.

IMRG reports that Tim Stacey,

Boots' UK director of multichannel, is looking at a number of possibilities. "There are a lot of retailers with great offers, particularly in sectors such as fashion, which don't have a good reach," he says. "We have over 2,600 stores and can reach many of the small towns where other retailers don't have a presence. And it could also be another route to market for pure-play retailers who don't have a store network."

## 70% HIT SALES TARGETS

The number of online businesses meeting their sales targets has remained high and relatively stable over the past year, according to eBay's Online Business Index, which has tracked the attitudes and performance of up to 700 SME businesses over the past 12 months.

Overall, 70% of online firms met their sales targets, only 2% down on last year. Despite this success, however, it has not been without its difficulties with the number saying they found it hard to do so surging by 11%.

The number of firms expressing fear about the future has also dropped to just 9%, down six percentage points on this time last year. External economic pressures are easing as well, as the fall in the value of sterling has resulted in a 14% drop in fears about exchange rates. The number of firms struggling with access to finance has halved, as banks finally appear to be lending to SMEs, says eBay.

The Index also reveals that fears of inflation have eased over the past year, with two-thirds of online firms expecting prices to remain stable, 12% up on last year. The number of firms expecting prices to rise has fallen by 10%, despite inflation rising in the economy overall.

With pressures easing, 65% of online firms are confident about the outlook for their businesses over the next three months and 57% of businesses have raised their overall sales targets for the year ahead.

Concerns about consumer demand remain high at 45%, only 2% down on last year. However, 55% of respondents also cite that supply costs continue to act as a barrier to growth.

On average, the businesses covered by the survey obtain 61% of their income from eBay, 13% from their own website, 7% from Amazon and 15% from their own bricks and mortar businesses. All survey respondents are registered as businesses on eBay and have an annual turnover of at least £50,000 on eBay alone. The largest group of respondents (41%) were businesses with a turnover between £100,000 and £199,000.

## HALFORDS' FREE DELIVERY

**Halfords.com has added a free delivery to store option that includes the ability to keep customers notified of the progress of their order.**

**Once a customer has made a purchase online and opted for the 'free delivery to store' option, they can track the progress of their purchase online and are updated by text and email as orders are dispatched and when they arrive in store.**

**The service was implemented for Halfords by Salmon, which has been working with Halfords on its ecommerce and multi-channel offerings since 2005. The new service integrates with both Halfords' WebSphere Commerce online platform and with its in-store systems.**

**"We continue to invest in Halfords.com to make it easier and more enjoyable for customers to shop with Halfords," says Chris Corbin, head of Halfords.com. "Free Delivery To Store builds on our success with 'Reserve and Collect', providing a wider range from your local store.**

**"We know that our customers prefer to collect in-store because of the fitting services we offer and because it is often more convenient than waiting in for a delivery," he added.**

**Halfords.com customers now have four delivery options — reserve and collect, text and reserve and home deliver as well as the new free delivery to store.**

## BAZAARVOICE SERVES 100BN

Bazaarvoice has provided an indication of just how far the market for customer reviews has now expanded, revealing that it has served more than 100 billion impressions of its user-generated Reviews, Answers and Stories services since its launch. The company, founded five years ago, says that 80% of consumers are now seeking user-generated review content to guide purchases.



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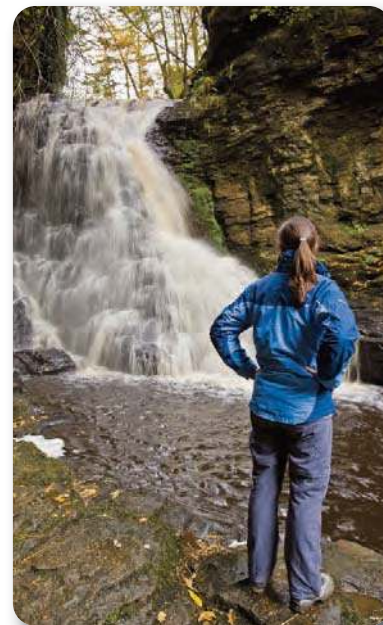
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## PROTECTED SPACES

As we ramp up the range and extent of activities from IR Towers, Ian Jindal has been forced to consider the role of openness and sharing for peers in our industry. What, if any, is the demand for and role of 'protected spaces'?



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**AT IR TOWERS** we've seen a phenomenal growth in our activity through 2009 and now into 2010. From a lean organisation with only one full-time person, we now find ourselves – in addition to this Magazine – with an active Supplements programme, a new Editor in Germany, a new title (M-Retailing, to cover the role of mobile within multi-channel retail), our JumpStart procurement programme, breakfast briefings and CEO Dinners and a planned launch in France... It's a busy time but as we come into contact with evermore senior retailers there's a new issue to navigate: how to make an appropriate 'space' for peer exchange and learning.

I recently invited a senior retailer to a roundtable and his response was that he never attended sponsored events since their purpose was to trap and sell 'at' him. I understand his view (having been a retailer I know the persistence of some folk attempting to liberate my cash for the latest must-have "functionality"). I met with a founder of an interesting and specialist software firm – let's just call them "vendors" – and he bemoaned the fact that (despite sponsoring our conference, holding a PhD in the area of interest, being a regarded global expert) we would not allow him to speak since he was a 'vendor'. I understood his position too. In January, I gave feedback to a presenter who – against our guidelines – had tended into 'sales pitch' territory...

The feedback was unequivocal,

savage and brand-damaging. She understood my position.

Our young industry is one of the most open that I have experienced and at Internet Retailing we've been trying to create a 'space' for open exchange by peers.

To this end I co-founded, with my friend Joris Beckers of Fredhopper, the European eCommerce Forum, a private 'think tank' on the art of selling online. We invite etailers who inspire us, some vendors whose expertise is unquestioned and external speakers to challenge us, and then throw everyone together under the Chatham House rule. We're told that the absence of selling and the private nature of the exchange encourages openness and supports dialogue. Indeed, the few 'vendors' are so reticent that they hardly mention their companies!

At a think tank in Zurich last month I was harangued about these 'private conferences' being a form of market-distorting, share-price-manipulating, proto-communist evil that had no place in a world of free information and open markets. Partly stunned, it took me a good couple of Pains aux Raisins to remember why privacy is important. We seek privacy not to "be secret" but to have the luxury of being able to change our minds and form our thoughts without the external, public glare that focuses upon major retailers. Where every word is market-sensitive or can be quoted, how are we to change our minds? Develop thinking? Be challenged?

This challenge and thought-development were at the heart of the MSc in Internet Retailing that we launched a year ago, with Econsultancy and Manchester Metropolitan University. The student cohort – senior etailers from major brands – have mentioned not only the work-relevance of the course, but more importantly for them the space to be challenged, to learn and to develop their thinking.

Looping back, how can we make a similar space for our readers to meet and gain this stimulus and input?

I'm convinced that many vendors have wide experience, deep insight and a passion for our business. I want to include those voices. Equally, I share the loathing of sales-fluff, PR spam, vapid promises and FUD, even to the detriment of our income at times. To date, I believe we've maintained a good balance, but we are not complacent.

We wish to offer both the open exploration of best and emerging practice and the protected spaces for learning and growth. We seek to bring expert voices to bear, for innovation and commercial success – whether retailer, vendor or analyst. We seek to advance the art and practice of selling in the digital age.

I would love to hear your thoughts on formats and approaches we can develop, as well as your blunt views on how well we live up to our aims. Please email me – [ian@internetretailing.net](mailto:ian@internetretailing.net) - I look forward to your thoughts, as well as to the coming year's growth in this the most exciting area of retail.



Marie, 29 years old  
Copywriter  
Buys her computer supplies online

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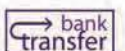
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# WHAT VALUE DOES BEING ICONIC BRING TO ONLINE?

Ask any visitor to London to name a shop synonymous with the city and most will say Liberty, Harvey Nichols, Harrods or Selfridges. Emma Herrod asks two of London's iconic retailers about translating their status online.

**VISITORS KNOW** what to expect when visiting any of those stores, whether it's the avant-garde nature of Liberty, its Liberty print material and the Tudor-design of the store, the off-the-wall quirkiness of Harvey Nichols' window displays, the doormen at Harrods or the expanse of Selfridges.

All have a well-defined image and customer experience that is unique to their brand. Now, look at each of those brands online – maybe put your thumb over the logo – and does it bring up the same essence as a visit to the retailer's iconic London store?

"Taking a brand's tone of voice and translating it to online is difficult," says Rob Jones, E-Commerce Manager at Harvey Nichols. Two of the things that Harvey Nichols is well known for are its window displays, for which it has won awards, and the layout of the building and the shop fitting which mean that customers can go around a corner and discover something new. Both of these aspects are very much three dimensional and translating these into a standard, ecommerce site with a grid-view "is not so easy".

He gives Whistles as an example of a retailer that is trying to bring an aspect of that 'discovery' to its ecommerce site. "I think the web will develop in this way but if people find something too stressful to use they'll not bother and go elsewhere," he says.

Any ecommerce site is a trade off between being "commercial and practical vs. pazzas," says Jones.

Guy Hipwell, Managing Director, Liberty.co.uk and Supply Chain Director Liberty PLC agrees. One of the big challenges of taking the Liberty brand online was being able to define where the brand sits on an experiential/functionality sliding scale. (For ease of description through the article let's call it the 'Hipwell Line'.)

"You can't say one is better than another but the challenge is that as a retailer you want to do both. You can't drive a website at the expense of the brand," says Hipwell.

## THE HIPWELL LINE

Experiential Brand Luxury ↔ Functional Commerce  
eBay, Google, Amazon

"You need to decide where you sit on that line and preferably find a unique position, not necessarily where everyone else is sitting," he says in explanation. Luxury brands have tended towards the creative (experiential end of the scale) with lots of Flash, while at the other end of the scale Google epitomises the purely functional.

Any company online has to differentiate itself: "To be a success online you have to be credible and be an authority on what you do." Do one thing and go hell for leather to be the name in that space. If you don't carve out a unique position then it's a tough environment in which to compete," comments Hipwell, saying that he thinks Liberty is "doing a pretty good job."

But branding online is not just about where you sit on the 'Hipwell Line'. There's also the emotional part of the customer's expectations of your brand. If you think of this line like an ECG measuring a heartbeat, it shows the automatic reaction that customer has when thinking about your brand. Every contact the customer has with your brand has to match their expectation, be that in print, the carrier bag, in store, on the phone to customer service. The connection has to be kept stable.

For example, think about buying a car from Bentley. You automatically have a picture in your mind of what the showroom should look like, how the car door will close, how the car smells and so on. If you are then served a cup of coffee in a plastic cup by a sales man in a shell suit the equilibrium of the emotional engagement between you and the brand would be unbalanced. The man may be the best salesman and the coffee finest Columbian roast but it wouldn't fit the picture of the brand.

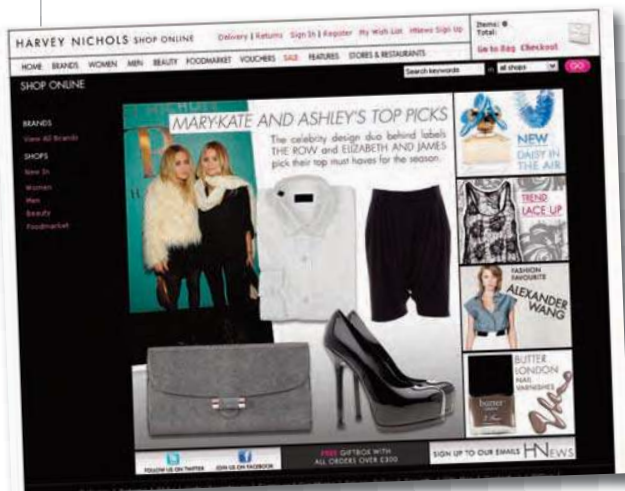
## SELFRIDGES & CO

On 15 March 1909, US-born Gordon Selfridge opened a £400,000 store in London. The shop was to put Oxford Street on the world retail map. The years following the First World War were very successful for Selfridges and by 1928 the store had doubled in size.

The retailer now has stores in Manchester and Birmingham as well as its iconic London store. It was bought by Canadian billionaire businessman Galen Weston in 2003 and is about to enter its next evolutionary stage – an ecommerce site, built by Salmon, is in closed 'friends and family' testing with public launch imminent.

Maintaining this emotional equilibrium is one of the hindrances of being an iconic brand. "Mirroring that brand online is difficult and if it doesn't live up to customers' expectations they will be disappointed."

Being an iconic brand offline does of course bring a certain amount of traffic to a retailer's website. "The adverts also pique people's interest," says Jones, explaining that Harvey Nichols' ecommerce site receives 50% of its traffic from the retailer's information site and the remaining 50% from search. "We aim to bring the two sites together in the future," he says. This is something the retailer needs to do since a customer's shopping basket disappears if they move from the shopping site back to the information site, even if the journey for most customers flows in the other direction.



"When we originally set up the website with BT Fresca it was more a case of putting a 'toe in the water'. From a site that was set up as a test, it has grown organically from there." The site doesn't entirely reflect the brand in the way that Harvey Nichols would like being more functional than creative. This is currently being reviewed with a view to launching a site more in keeping with the Harvey Nichols' brand "at some point. Since we launched, certain things have become ubiquitous," says Jones, citing rich media and video.

To include any type of video on a website comes at a cost, of course, and even the catwalk model for video as shown by ASOS is seen as "expensive and editorial-type content even more so with its location and editing costs. We have to work out if it's worth the investment".

You may also think that being an iconic name within London retailing and a destination for overseas visitors would be an advantage for Liberty over its competitors. According to Hipwell, most of the customers going to Liberty.co.uk are new customers who haven't visited the London shop. Rather than traffic reaching the site via typing in the url directly, the main driver for the site is search.

"Therefore, we are the same as other online business units for which PR is key – both on and offline," elaborates Hipwell. "If you want to be truly iconic you have to do everything you can to put your business front of mind – brand positioning is all about PR. The more you can get your brand into being the first one that pops into shoppers' minds, the more traffic will come direct from shoppers typing in your url rather than via search."

Liberty pushes Liberty and individual brands and products as part of its search marketing programme but has the issue that liberty is a generic term – that is, it also has special meanings ▶

## HARVEY NICHOLS

Harvey Nichols started selling online in 2003 with a range of Christmas hampers. It expanded the offering to beauty products in 2007 and then added further lines, with the fashion offering being included six months ago.

Rob Jones describes Harvey Nichols' as being unique, "some of it comes down to the buying – the new, different, exclusive – as well as some of the same brands as our competitors. We have an interesting collection of products from around the world with the food market predicated on the best stuff from around the world."

Online orders were originally fulfilled solely from the warehouse but store fulfilment was brought in to enable better leveraging of existing stock holdings – particularly in areas such as fashion, where the buying is shallow.

"In some areas 20% of orders are being fulfilled from stores," says Jones. However, with seven different stores in the UK and Ireland and five overseas, items for UK fulfilment could be held in more than one store. This can also cause a conflict since internet orders "are real sales but in-store customers holding the stock will take precedence! Tact is required. . .," he explains. "Also, your best customer could be the person who has just bought the item online."



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to the French and Americans and to civil rights in the UK. However, if you 'Google' liberty, the Liberty.co.uk online store does come up first in the natural search rankings.

Hipwell explains that when the BT Fresca site was developed, in conjunction with creative agency Great Fridays, an SEO agency was brought in at build level to make sure that the site was optimised from day one. "We didn't want to have to come back and revisit search at a later date," said Hipwell.



Designer fashion has very high CPC rates and this isn't helped by the fact that conversion rates online are generally dropping with the increase in broadband speeds enabling people to browse more easily. Liberty bids on very specific key words but in terms of product selection "we have an edge if something is exclusive or has received lots of publicity in the press".

There isn't massive loyalty for much of the product," explains Hipwell. "It's down to availability," which generally means 'does Net-A-Porter have the item in stock?' If not, shoppers look elsewhere. Therefore, in the luxury fashion market there's a strong element of retailing know-how; having the right product and right stock level and tying in search to products in stock. Inventory levels are a key part of the search strategy.

### A LONDON DESTINATION

Being a brand synonymous with London and known globally is a huge benefit for all of London's iconic stores. "It's a big opportunity for us," says Hipwell. Liberty has an idea of how many overseas visitors come to its store as well as to the online site. A tie-in with US retailer Target, which is introducing a range of Liberty products, will give the Liberty name a wider audience in North America. This is a massive market which offers an "opportunity for us to grow and get our name known by people who won't have come across Liberty before."

## Harrods

Harrods opened in 1849 and over the years its motto of 'Everything for Everybody Everywhere' has been tested thoroughly: a baby elephant was bought for Ronald Reagan, author AA Milne found the original Winnie-the-Pooh for his son Christopher Robin at the store, and Alfred Hitchcock had fresh herrings flown to him in Hollywood. In the early 1900s the store made yachts to order, ran its own funeral service (which embalmed notables including Sigmund Freud), sold aeroplanes and built houses.

Harrods has always prided itself on a reputation for excellence, continuing to seek out the finest quality merchandise and providing an outstanding level of service for each and every customer.

As you would expect from its motto, the Harrods website accepts orders from around the world with delivery to 40 countries only restricted by customs and carrier restrictions.

One of the points of differentiation on the site is the 'Exclusively at Harrods' tag on each of the category menus.

Interestingly, visitors to the site can take a 360 degree tour of the store which gives a feeling of the rooms and further information on the brands within each, but visitors cannot click on products to zoom in closer or click to see the product information or to buy.



Liberty aims to expand its global reach and has focused its long-term strategy on developing Liberty of London into a "luxury goods brand that will be distributed on a global scale outside of the Tudor Building".

While online offers the capability to reach global customers, any retailer who has already extended its brand offering online to overseas regions will know that it is not without difficulties. Harvey Nichols, for example, will accept orders online from anywhere in the world but can only ship to the UK or addresses in the Republic of Ireland.

It's not just the implications for paperwork that holds the company back. Harvey Nichols stores outside of the UK are run as franchises so a UK-based website with a global reach would impact on those franchise businesses. There's also an issue with the customer experience. As Jones explains, ▶

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how can you say to a customer in Hong Kong that they cannot return an online purchase to the Hong Kong store?" Also to be considered is the issue with the brands which Harvey Nichols would be able to sell overseas; the retailer only holds rights to sell in the UK and Ireland.

"We are currently focussed on growing online in the UK," says Jones, explaining that Harvey Nichols has only been selling fashion online for six months – although an ecommerce site has been live since 2003.

## LIBERTY

Liberty has been synonymous with luxury and great design since 1875. Arthur Liberty's intuitive vision and pioneering spirit led him to travel the world looking for individual pieces to inspire and excite his discerning clientele and this legacy of integrity, value, quality and – above all – beautifully designed product continues today within the iconic Tudor building.

As Guy Hipwell explains, Liberty is just a single 70,000 square foot store, versus the 1m sqft of Harrods or 600,000sqft of Selfridges. The space constraint results in more exclusive product and the buys being edited differently than the larger stores. "More of a crafted offering – avant-garde," says Hipwell.

"We are a lot more about art and design," he says, explaining that 43,000 prints are held in the archive of the company's world famous Liberty print. "We design material for designers whose finished product we buy back – as do our competitors." Liberty also develops its own branded products such as handbags and scarves which are also sold by Liberty and its competitors.

Liberty debuted online during the second half of 2008, initially launching in a small, trial way with a focused product offering. From initial proposal to the board to go live was five months so "there was no time for years of spec'ing and defining". The site was developed by Hipwell, his PA and a team of four within Liberty with a low level of capital. Since then, the site has not undergone any major changes, but further functionality has been added in order to react to what customers are doing, such as linking into the ERP system.

## MULTI-BRAND

Multi-brand is the most complex form of retailing online and is complicated further in the luxury sector, according to Hipwell, who explains that Liberty's offering ranges from commoditised beauty products through one-off pieces of vintage furniture to seasonal items such as luxury fashion – the buying for which has to be 'right' from the offset.

Add to that the fact that the products within the luxury sector are by their nature expensive; "even with 20% of the range you still need to buy in one of each size of an £1,100 item and then offer it in two colours." That's a lot of money tied up in stock if it's being put aside solely for online purchases. "Fashion is expensive," he comments.

And then for these London icons, there's the cash tied up in store stock. If the buy is shallow, you risk being out of stock but that risk is even higher online during 'sale' time. And, in Liberty's case, since pick and pack is done directly off the shop floor as soon as an order is received, with the site only updated on a nightly basis, there's the possibility that someone may be walking around the shop with an item to try on, making it invisible to store systems and 'not on the rack' in terms of picking. This leads to some online customers being left disappointed. "It happens more often than we'd like and it varies by product." By working with its buyers and through the supply chain, Liberty does whatever it can to fulfil an order. "Even a large chain such as Tesco substitutes," comments Hipwell, but it's a tactic which obviously you cannot use with fashion. "We don't put anything on the site if the stock level is below a certain level."

This is an issue for any retailer who picks directly from the shop floor. While systems may be in place which update other systems and the website as soon as an item has gone through the checkout, at any point up until then it could be in a shopper's trolley or basket being carried around the store. "Argos has it right with their warehouse on the high street model," says Hipwell.

The challenge for Liberty, therefore, and for any other retailer selling unusual, unique or non-commoditised products, is how to meet the expectation that everything in store is available on the site – or vice versa – in this multi-channel world. "I'm not convinced that everything we sell in store would sell online," concludes Hipwell. ■



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# DEVELOPING LEADERS IN MULTI-CHANNEL RETAIL

With the MSc in Internet Retailing now entering its second year, Ian Jindal reflects on the lessons learned and the role of this qualification in developing the leaders for our industry.



**BARELY A YEAR** ago we launched the UK's first Masters programme in Internet Retailing. The 'we' in this case is a partnership between Manchester Metropolitan University's Business School (MMU), Econsultancy and Internet Retailing.

I'd worked for a number of years with Econsultancy, training digital professionals in skills and strategy and – as we grew at Internet Retailing – it was made clear to us that our readers wanted a professional, portable and highly commercial qualification. The motives were personal development and career progression: a perfect combination!

Econsultancy had recently introduced a Masters in Digital Communication, with MMU, and we therefore worked together to create from that format a qualification tailored to the needs of our young industry.

Internet retailing is unique in that it draws upon so many deep, professional and established skills (from marketing to IT via operations, buying and merchandising). Internet retailers need to not only master one or more of these disciplines, but also create a framework to manage the other areas, forging a synthesis where the whole is greater than the sum of the (impressive) parts. Add in modules on Strategy and Leadership, sprinkle in Q&A sessions with leading retailers and activities facilitated by the Leadership Council and we have a powerful combination.

Craig Hanna, Training Director at Econsultancy noted: "Successful online retailing requires multidisciplinary managers. Econsultancy's MSc programme aims to provide delegates with an in-depth strategic view of the complex business areas which support a market-leading online retail operation. By ensuring the industry itself is playing a role in the continuous development of course content, delegates will have the confidence to employ what they learn back in their businesses from day one, helping to drive organisations forward even as they learn".

Craig's approach is borne out by the view from Becky Olie, Head of Web Selling at House of Fraser and one of the first year cohort. Becky notes: "I



Information on the MSc programme is available at <http://econsultancy.com/training/qualifications/retailing>

Applications are now open for the 2010 intake, September 2010.

Early Bird offer: completed applications by 31 March receive £500 off the first year's fees. Please mention Internet Retailing Magazine to be eligible.

Econsultancy.com is a community where the world's digital marketing and ecommerce professionals meet to sharpen their strategy and develop their professional practice. With over 80,000 members globally, we are pleased to partner with Econsultancy on this programme.

Manchester Metropolitan University's Business School is one of the largest in the UK, having been supporting industry and commerce since 1889.

[www.business.mmu.ac.uk](http://www.business.mmu.ac.uk)

believe the future of retail is non-existent without a clear cross channel vision, and having the MSc under my belt puts me in a much stronger position to take on a senior leadership position in the future. I was particularly attracted to this course because of the strong commercial focus, so the work I do as part of the programme is directly impacting my day-to-day activity. Having the support of both industry experts and a group of like-minded professionals with whom I can share my ideas (and frustrations!) has been absolutely invaluable."

Becky's view is supported by the Director of eCommerce at House of Fraser, Peter Callaway, who confirms that "by undertaking this course, Becky is adding significant value to the in-house team and her academic work is feeding directly into the online business strategy. It's a great way to integrate academic learning with real-world commercial requirements".

The first year's cohort has really embraced the course as well as the extensive access to the

teaching faculty, course directors and Econsultancy trainers. Thanks to their feedback we'll be making some small changes to the flow of training for the first term in 2010 and ensuring that we support ongoing access to leading retailers and also idea exchange between the different years' intakes.

One important aspect of the MSc programme is that all modules are of equal weight, and so 'masters-level thinking' is required from the outset. Consequently discussion and exchange across the annual cohorts is possible and desirable.

After a recent training day we were privileged to have Alison Lancaster join us for a Q&A session on online merchandising and marketing in the pub. Alison has led multi-channel businesses from Harrods and Charles Tyrwhitt, and was one of the pioneers at John Lewis Direct. Alison's evening with the students was extremely well received, and Alison later commented to me: "I am delighted to support and promote the MSc in Internet Retailing. It's a unique qualification in our industry, designed to significantly raise the competency bar.

"The course enables organisations and individuals to train and gain practical, expert knowledge and in-depth learning and understanding about our fast moving, dynamic industry, helping develop a quality source of talented trading stars for tomorrow. With the rapid growth of online and multi-channel retail over the last 15 years, there is a shortage of suitably qualified internet and multi-channel retail traders.

"If multi-channel retail success is all about excellence in trading execution - from strategy, to brand, product and customer proposition and delivery - then this course provides world-class in-depth training and mentoring of all the required elements to inspire, educate and motivate the internet and multi-channel leaders of the future".

We're now opening bookings for the Autumn 2010 intake, and working hard to ensure that we bring to life Alison's vision of inspiring, educating and motivating the upcoming leaders in our industry. ■



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# THE FINAL ROUND

After five rounds of voting, we now have the final round of our Inspiration Index – overall strategy.

**EARLY LAST YEAR** we launched the Internet Retailing 'Inspiration Index' – the IRII. Our purpose was to uncover those retailers who were a source of admiration, inspiration and (speak it quietly) envy! We asked our retailing readers to vote for up to 5 retailers who inspired them in the following 'dimensions':

- "Delight" – the sheer joy, exuberance and inventiveness of an aspect of their proposition.
- Customer Experience – the way they lit up the lives of their customers.
- IT and Operations – looking behind the scenes to how they delivered on their business, bending IT and operations to their will.
- Merchandising – seeking excellence in the art and craft of selling in the digital age.
- Marketing – seeing new insights on attracting and retaining customers.

The results throughout have seen five retailers almost constantly in the top five – Amazon, Mydeco, ASOS, John Lewis and Apple – with Amazon and Mydeco 'duking it out' for the top two places each time.

## STRATEGY – THE FINAL ROUND

We have extracted the Top 15 and have placed a very simple poll at <http://bit.ly/irii6> – the company that inspires you with their strategy and the reason is all that's required. Please do spare a few minutes to consider this and share your thoughts with us. You have but a few weeks since we need to collate your thoughts, inform the winner, find a suitable moment for prize-giving and get the photos developed in time for our next issue...

Do we consider that Mydeco's strategy as an affiliate with uber-tools most inspiring? Are their developments from this base worthy of snatching the crown? Does Apple's magic touch with product extend to a sure hand in multi-channel retailing, or is the brand glow greater than its substance as an etailer? Can Zappos' strategic positioning as a 'service brand that happens to sell shoes' continue to prosper, especially as part of the Amazon family? Speaking of whom, can the all-conquering

## THE 'TOP 15' OVERALL STANDINGS

Etailer	Cumulative Rank
Mydeco	1
Amazon UK	2
ASOS	3
John Lewis	4
Apple Computer	5
LOVEFILM	6
Boden	7
Ocado	8
Net-a-Porter	9
Tesco.com	10
Argos	11
House of Fraser	12
Zappos	13
Ikea	14
British Airways	15

juggernaut really conquer the web while leaving others to buy the stock and trade on its behalf in key categories? House of Fraser and John Lewis are each seeking to identify a role for the 'format formerly known as a department store' with John Lewis in particular ranking highly and consistently in every dimension: can their strategy inspire most people?

There's no shortage of etailing talent with the list that you, our readers, have constructed and so we're particularly excited to hear your final determination.

## ACADEMY

We will also be using the next issue to hear from our newly-created Internet Retailing "Academy 2010". As we mentioned last month, the Academy is a panel of leading etailers comprising those featured in the Inspiration Index, sourced by our editorial team, and recommended by these leaders.

We've supplemented them with industry experts and some vendors, plus colleagues from around Europe. Together their insights and experience will inform the analysis and coverage we give to the companies and ideas that are inspiring us through 2010.

Our Academy now numbers around 50 people and so we're looking for another dozen or so retailers to join our ranks. If you'd like to either nominate yourself or another to be in the Academy please do let us know.

Editor@internetretailing.net ■

# APPLE REVIEW

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

## RETAIL STRATEGY

**Emma Speight, Senior Multi-channel Consultant, CVL**

It's no surprise that, at first glance, [apple.com/uk](http://apple.com/uk) is visually striking. Both functional and aspirational, its clean, simple design with high quality imagery is synonymous with the Apple brand.

But has Apple moved successfully from product-led marketing to a rich retail experience? In my opinion, not quite.

The navigation of the site is the first major issue; combining and confusing product showcases with shopping. The global and left hand navigation duplicate the key categories (iPod, iPhone, Mac), but take the customer to different destinations. Similarly, the search indexes for both the store and the product pages present back an unwieldy array of results which cannot be filtered or sorted to make selection easier.

Once in the store the experience improves and allows progression from browse to buy supported by appropriate content and a neat combination of customer reviews and customer-ask-customer dialogues. Added value services, such as engraving, offer in-situ personalisation presented in a market leading interface.

However, the overall design of the store feels more like an out-of-the-box online store package rather than the bespoke user-centred retail experience I expect. It fails to deliver some of the more basic usability and product management features in support of the search-browse-buy journey. A search on 'iPhone cases' delivers 100+ results but with no option to filter by attributes such as price, brand, colour or material. It was also difficult to find key information such as delivery charges (and when I did there is an unusually specific free delivery offer for purchases over £78).

On balance, the store is usable, functional and allows purchases to be made without hitting major showstoppers. The downside is that the site fails on the basics and lacks the cohesion and customer centricity that is inherently expected from Apple products and subsequently any other interactions with Apple.

## USABILITY

**Dr Laurene McCafferty,  
User Experience Consultant, User Vision**

Apple really doesn't need much of an introduction. Primarily a consumer brand, it makes money selling hardware like the iPod, iPhone and Mac.

Its website's main aim is to advertise and sell products through an online store. They are innovators in the field of technology and know what their customers want and it's fair to say that expectations for the website are high.

Advertising on the homepage is solely focused on the iPad, but how can we buy one? It is not until you arrive at the iPad landing page that there is a small, easily missed, 'notify me' link at the bottom of the screen, allowing users to register to be notified when the iPad is available.

Lack of content on the homepage makes the decision easier for users, on where to go next. Given the diversity of Apple's products and services, their approach is effective. The navigation bar along the top remains consistent, regardless of your position within the site.

Identical 'learn more' links are used throughout as gateways to varied content, an issue for the sight impaired. For instance, 'learn more' links are used within both the 'Download iTunes' section and 'iPhone for Business' section.

The, sometimes, small and slightly ambiguous links displayed throughout the website should be more clearly defined to ensure the Apple website is usable and accessible for all customers.

The Apple site overall is a well branded, clear, consistent and usable site and acts as a gateway to the Apple product range and promotions. The user journey through the site is an enjoyable experience with effective use of white space and clear calls to action.

The sleek design suggests quality and reflects Apple's product design. The consistent navigation and search function allows users to easily find products and encourages browsing.

**EYE TRACKING ANALYSIS**

**Guy Redwood, Managing Director, SimpleUsability**

We told users to think of somebody they'd gift an iPod to and then asked them to buy one directly from Apple online. Most users Googled 'apple' and accessed the UK home page from the natural listings. The rest just went directly into www.apple.com.

All users quickly clicked into the iPod + iTunes section and their eyes were instantly attracted to the different iPods from the top strip. The colourful iPod photography instantly drew the users' eyes. All of the content about the various devices attracted different levels of attention, showing how users are easily drawn towards appropriate content. Amazingly, once the users had chosen an iPod, they struggled to move on and buy it due to the separation of online shop and content.

Users were expecting some form of buy button or a strong call to action. They checked the top and bottom of the pages and missed the secondary navigation that had a blue 'buy now' button tagged on the end. Users really had to read the pages. Some tried clicking on prices and then they eventually found the links to the Apple online store.

For those users who had gone directly to apple.com by typing the url into the address bar, we noticed they were distracted by the pricing in dollars and then struggled to find a way into the UK store. Clicking on the USA lozenge at the bottom of the page eventually sent users to the UK home page, which looked just like the original USA page.

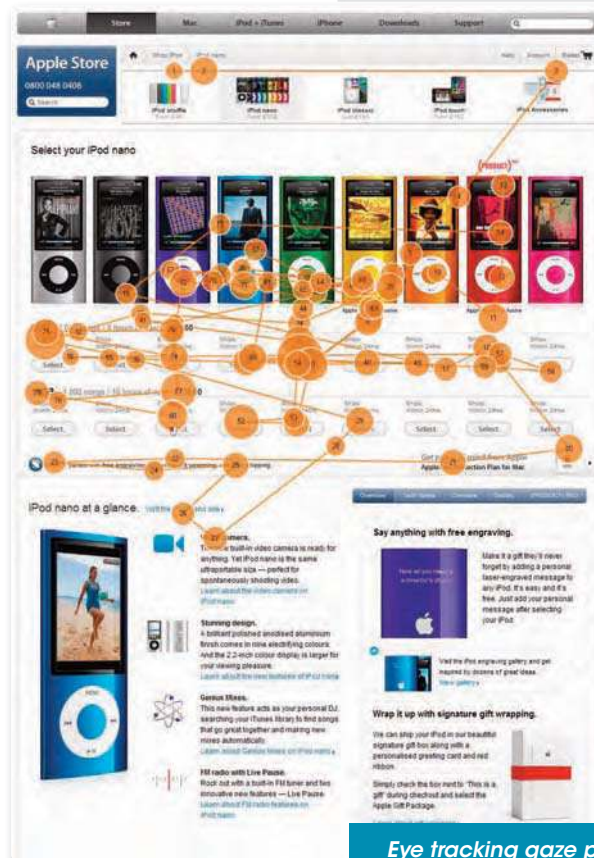
Once in the UK store most users struggled to choose from the iPod nano range since they initially failed to realise that they needed to select a model from the matrix of 'select' buttons. Users looked up and down the page trying to find traditional buy functionality. All users figured it out, but the journey from home to buy seemed to be more difficult than we expected it to be from Apple.

**SITE PERFORMANCE**

**David Flower, Vice President, EMEA, Gomez**

Gomez tested the performance of Apple.com/uk homepage from 20 January through 22 February 2010. Coming from such a successful and innovative company, we had expected good things performance-wise from Apple. Unfortunately during this test its website didn't live up to expectations and the overall performance was just average when compared to other companies in the Gomez benchmark.

During the test period, the average response time from the Last Mile community (actual end-users' desktops) was 20.70 seconds. When compared to the average response time of Tesco's homepage - a consistent top performer in the Gomez benchmark - at 6.89 seconds, it becomes clear that there is room



*Eye tracking gaze plot for Apple.com/uk  
Source: SimpleUsability*

for improvement. That said, Apple finished 4th in the Last Mile table, way ahead of Currys which sat at the bottom of the table with average homepage response time of around 30 seconds.

When it comes to the major UK backbone nodes we'd expect to see much faster response times compared to Last Mile. And this was certainly true of all the companies in the Gomez benchmark. With an average response time of 2.18 seconds, the performance of Apple's UK homepage ended up mid-table behind Fingleaves, Sainsbury's, Carphone Warehouse and Next to name just a few. As in the Last Mile test, Tesco came top of the table with a performance average of less than one second (0.19 second).

Apple's ranking slipped further down the benchmark when it came to the overall consistency of its site's performance. During the test, the performance of the site deviated by as much as 3.521 seconds. This was way off the top performer (Tesco again) which achieved a standard deviation of just 0.284 seconds during the same period.

**GOMEZ SCORES THE UK APPLE SITE 3 STARS OUT OF 5 MADE UP OF THE FOLLOWING:**

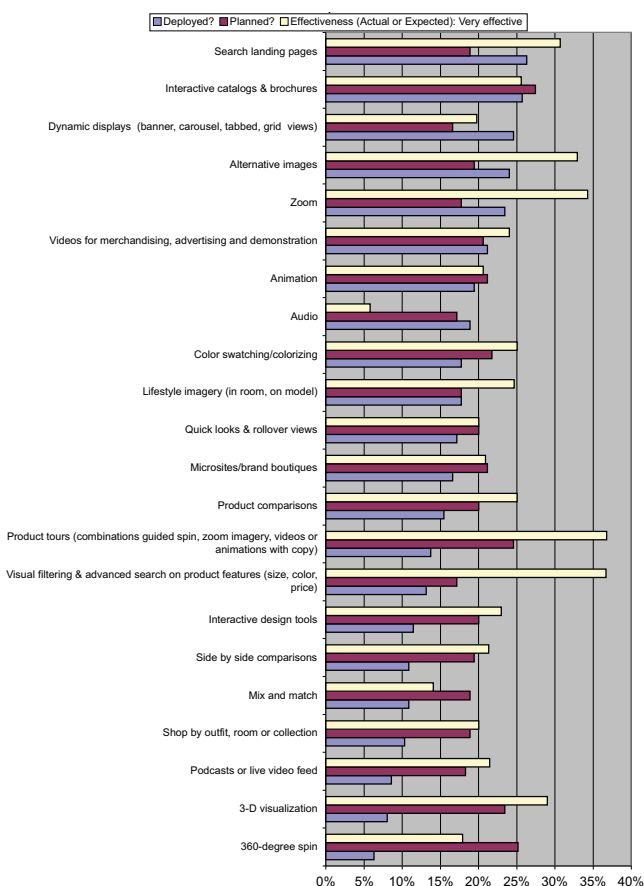
- Availability on Last Mile Score:** 17.6 out of 20
- Response Time on Last Mile:** 22.4 out of 20
- Consistency on Backbone:** 5.7 out of 20
- Competitiveness on backbone:** 7.8 out of 20
- Browser support:** 20 out of 20
- Total 73.5 out of 100**



# SURVEYING THE EFFECTIVENESS OF ECOMMERCE FEATURES

Rich media, merchandising and social media-based features have been named as the most effective and most planned tactics for online businesses in 2010 by a global survey by Adobe Scene7.

**Which rich media/merchandising features do you currently use or plan to offer over the next year? What is the actual or expected effectiveness? (Retail/Manf)**



**THE ANNUAL SURVEY**, conducted by Adobe Scene7, details the features reported as highly effective and the most planned customer experience tactics across rich media, social, mobile and personalization.

Mobile and personalization continue to be the least deployed tactics (less than 10% by all

respondents), yet have the highest planned growth rates. This year's results reveal that while companies are initiating new personalization tactics, they are continuing to expand their use of rich media and social media.

Compared with the survey conducted in 2009, the largest changes in deployment are:

- Address book integration for mobile: +121%
- Co-shopping & browsing online with an expert or friends: +88%
- Collaborative custom product design (ie. items, sets, outfits): +55%
- Mix and match: +45%
- Personalization by ZIP code/geo-targeted sites: +41%
- Product tours or multi-media viewing (combinations guided spin, zoom imagery, videos or animations with copy): +14%

Overall, the top features rated as most effective include: product tours or multi-media viewing which combines guided spin, zoom imagery, videos or animations with copy (36%); visual filtering and advanced search on product features including size, colour, and price (33%); user comments and reviews (32%); search landing pages (32%); product comparisons (28%); and zoom (28%).

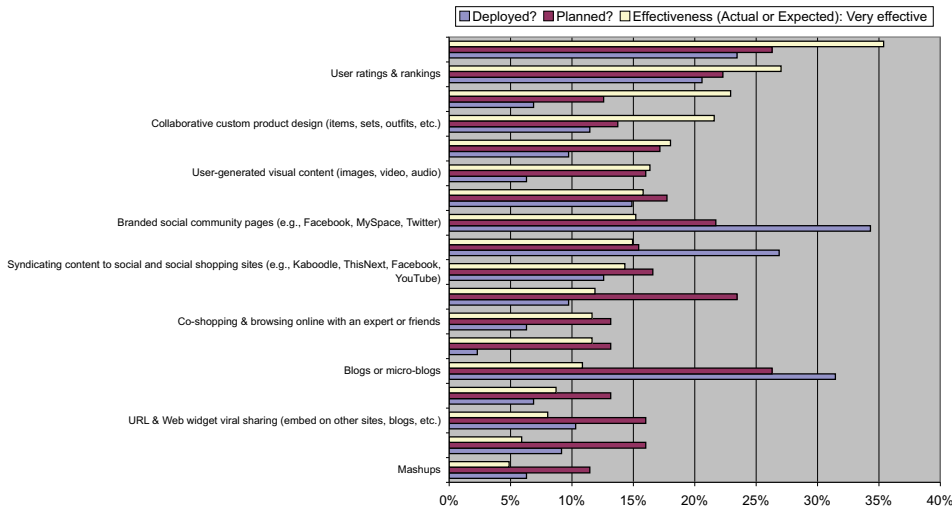
In North America, the top deployed rich media feature is audio, whereas in Europe it is dynamic displays such as banner, carousel, tabbed and grid views. Surprisingly, the top rated 'very effective' rich media feature 'visual filtering' was way down the 'currently deployed' list with only 10% of US sites and 18% of European sites using it.

Branded social community pages, such as those on Facebook and MySpace, are the most used social media feature but it is 'collaborative custom product design' such as Oli's Look Book and Boden's mix n match which respondents in Europe believe to be the most effective. Some 47% rated it as 'very effective'. In North America, 'user comments and reviews' recorded the highest level of 'very effective' with 36% rating it as highly effective.

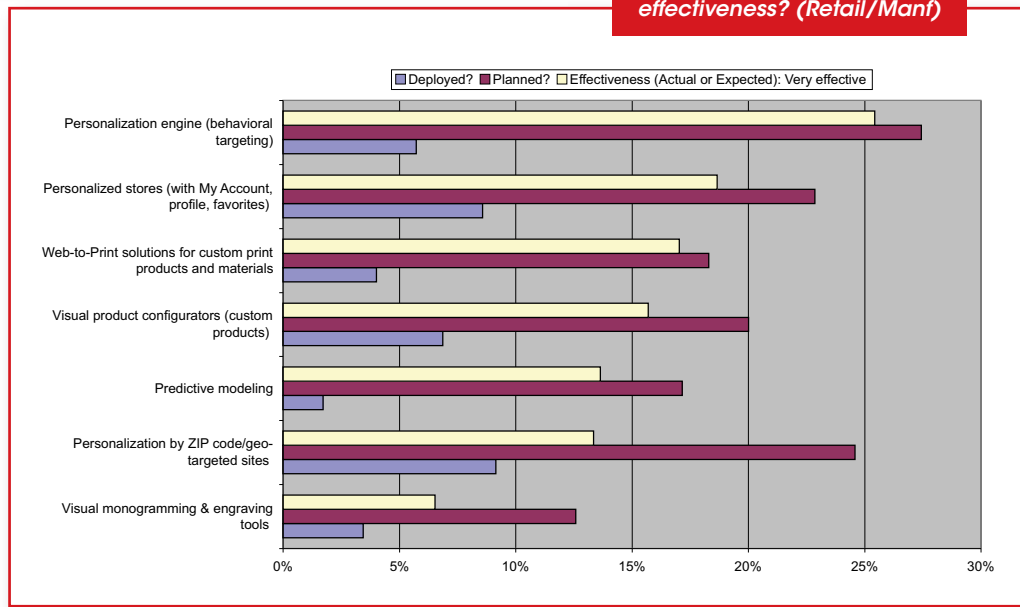
## RETAILERS & MANUFACTURERS

Looking at the results from retailers and manufacturers (which make up 32% of the overall respondents) the five top deployed features are search landing pages, interactive catalogues, dynamic displays (ie. banner and carousel), alternative images and zoom. These imply a higher need for visual merchandising features versus other features, such as audio which is amongst the top

**Which social media-based features do you currently use or plan to offer over the next year? What is the actual or expected effectiveness? (Retail/Manf)**



**Which personalization features do you currently use or plan to offer over the next year? What is the actual or expected effectiveness? (Retail/Manf)**



deployed feature across all respondents' sites.

The most deployed social feature for retail and manufacturing companies are branded social community pages, blogs or micro-blogs, RSS, user comments and reviews, and user ratings & rankings. These are the identical rankings for all industries surveyed.

The most effective social features for driving conversions for retail and manufacturing companies

are user comments and reviews, user ratings & rankings, user-created collections for sharing, collaborative custom product design (ie. items, sets, outfits) and wikis.

When it comes to mobile, the top five deployed features for retail and manufacturing companies include check delivery status, check in-store or web product inventory, GPS mapping/store locator, address book integration for mobile, advertising, promotions, bar-coded coupons and drive to store or web. The most effective mobile tactic for those companies is checking delivery status.

Personalization results for retail and manufacturing are similar to global findings except that web-to-print solutions fall from number three to number five deployed. Personalization engines/recommendations and personalized stores top the rankings as most effective tactics, followed by visualization for custom print and products.

When combining all customer experience tactics for retail and manufacturing, the top most effective features emphasize rich media visual merchandising tactics, with higher ratings for visual filtering, zoom and alternative images:

- Visual filtering & advanced search on product features (size, colour, price): 42%
- Product tours or multi-media viewing (combinations guided spin, zoom imagery, videos or animations with copy): 37%
- 3-D visualization: 36%
- Alternative images: 36%
- Zoom: 35%
- User comments and reviews: 33%
- User-created collections for sharing & purchase (eg. outfits, furniture): 32%
- Search landing pages: 29%
- Price check - store to web: 28%
- Lifestyle imagery (in room, on model): 27%

Respondents were asked 'If you have deployed any of these enhancements, how have they impacted conversions?' Personalization features rank the highest in conversion impact at over 50%, whereas mobile features rank the highest in no conversion impact.

"Consumers want more than traditional one-size fits all experiences; they want to be heard and understood online, which means Web marketers must commit to more interactive and personalized experiences," said Adobe's Doug Mack. ■

# MOBILE NUMBERS

In the final days of 2009, eBay announced the 'dawn of the m-commerce era,' after a year in which items bought via mobile phone from the online auction site included a \$19,000, 23ft boat, a \$10,000 Boston grand piano, and a \$495,000 1965 Shelby Cobra. Chloe Rigby checks out the mobile figures.

**EBAY'S ANNOUNCEMENT** is some of the first real evidence of the major headway made in mobile commerce. It's a revolution in shopping habits that's been forecast for years but until now has never quite come about. And the effect has been to lay down a challenge that all retailers must now address – or risk being left behind. For, says eBay marketplaces president Lorrie Norrington, "Consumers want to shop for what they want, when they want and where they want, and that's not necessarily when they're sitting in front of a computer or even walking through a store." eBayers in more than 165 countries buy by mobile every two seconds, according to the site's own figures.

## THE REALITY

That's not to say that most people are now buying by mobile. Far from it. The evidence suggests that while mobile phones are ubiquitous (40m of the UK total adult population of close to 50m own one or more mobile phones), most UK mobile owners don't even access the internet by mobile. According to Essential Research's Brandheld study, conducted over six months of 2009, 76% of mobile phone users don't use the device to access the internet at all, while 60% don't have internet access on their mobile. "In fact only a small percentage of us are truly internet mobile users," says Alex Charlton, Partner at Essential Research.

Research commissioned by ecommerce specialist ATG last year found 38% of UK consumers had tried to shop online from their mobiles, but 28% of those who'd tried found it too difficult. Meanwhile, Forrester Research, in its 'Realities of Mobile Commerce In Europe 2009' report, found 38% of UK mobile phone users surf the internet from their phone.

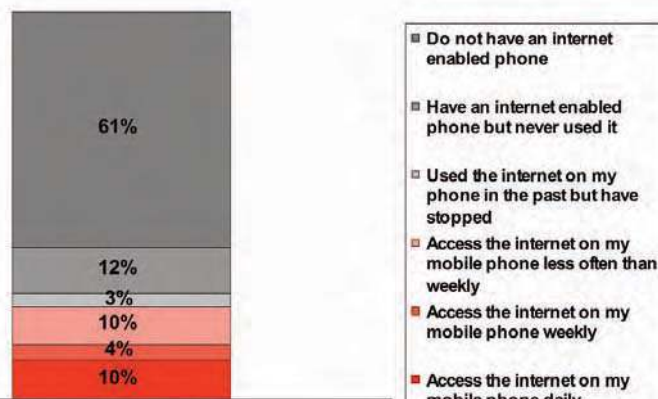
So why aren't more people going online from their phones? The main barrier Forrester identified was uncertainty about the cost of accessing the internet from a mobile, a concern for 63%. Other concerns, perhaps of more direct interest to retailers, surround security (5% of consumers are concerned about mobile security, says Forrester), and the actual shopping experience for consumers: many mobile websites are generally disappointing, says the research company. But now that more than five million eBay customers around the world have downloaded the eBay iPhone app, and six million customers between them spent an estimated \$500m on eBay by mobile phone in 2009, it's likely that expectations are starting to be raised.

## SET TO GROW

For while most people aren't yet shopping online by phone, the minority who do is set to keep growing steadily. Forrester expects 22% of mobile users across Europe to have internet access by the end of 2010. The primary driver for that is the iPhone, according to

Frank Lord, ATG's Managing Director, EMEA. "iPhone users are leading the charge," says Lord. "It's a great technology that has created a beachhead in this area." Behind it have come rival smartphones, such as Google's Nexus One and the Palm Pre, that have also seen greater takeup as the iPhone has increased in popularity. As smartphones sell, the number of people using the unlimited internet access they offer is set to mean an increase in mobile surfers and ultimately in mobile shoppers.

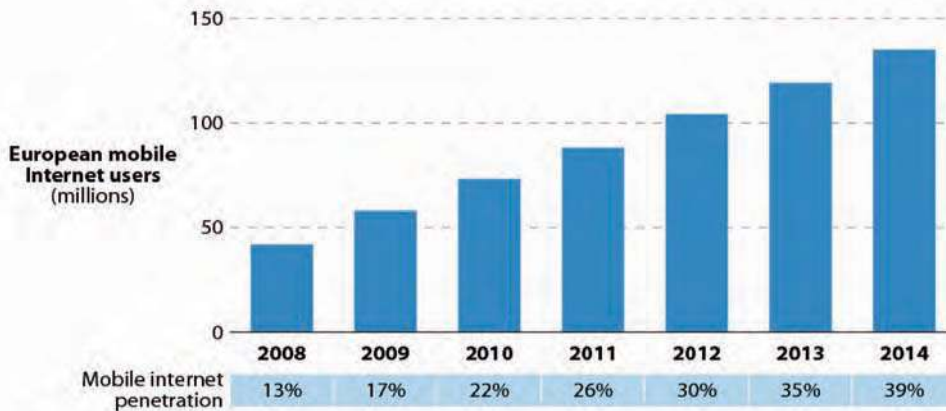
Proportion of mobile phone owners claiming to access the mobile internet



Source: Brandheld



**Forecast: Western European Mobile Internet Penetration, 2009 to 2014**



Source: Forrester Research European Mobile Forecast, 7/09 (Western Europe)

And sales of smartphones do seem to be growing significantly. Orange sold 30,000 iPhones in the UK on its first day of selling them, in November 2009. Vodafone started selling them in January 2010, and reports suggest more than 100,000 have been sold so far. The Orange Digital Media Index of May 2009 showed that as 31 March 2009, the company had 15.85m mobile customers with pay-as-you-go or monthly contract phones. Of those, 3.82m had 3G mobile handsets and/or dongles.

Recent figures from Strategy Analytics found global smartphone shipments rose by 30% in the last quarter of 2009 to a record 53 million. The recently-announced iPad is also likely to have an impact, though what that will be is as yet unclear. Anecdotal evidence suggests high demand for the new tablet from Apple.

As yet the most popular ways of using a smartphone are gaming and social networking. Orange figures show that by the end of March 2009, 3.25m monthly users – up 26% since its previous report of 2008 – were accessing its mobile portal, Orange World. And 946,564 unique users were visiting social networking sites through its mobile internet, a rise of 48% from the previous survey.

**YOUR BUSINESS**

Thomas Husson, author of Forrester Research’s ‘2010 Mobile Trends’ report, expects mobile phones will change the way retailers do business in the next 10 years. He says: “Mobile won’t change your bottom line in 2010, or even in 2011 or 2012. However, companies are starting to report the millions of euros of revenues generated directly via mobile. The best-performing players will even report dozens of millions next year.”

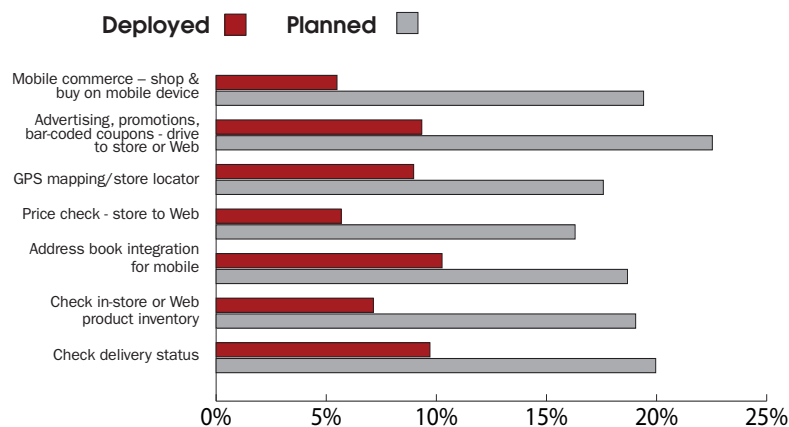
EBay offers a useful insight into how m-commerce is used today. Its customers can use mobile through text message updates on an item they’re watching (an attractive option since it’s available to any customer with a mobile phone), through a mobile-specific website, or through an iPhone app. Elsewhere, Orange offers two-for-one mobile vouchers for filmgoers.

Trials have taken place on the next step in m-

commerce, contactless payment using a phone, though it’s not yet clear when that will be available. Gartner has estimated that consumers will spend \$6.2bn in mobile application stores in 2010. The number of applications in Apple’s App Store officially passed 100,000 in November 2009, while by January 2010, Apple could announce that more than three billion apps had been downloaded from the store in less than 18 months. In the US, 112 retailers had between them 108 m-commerce sites and 45 apps by August 2009. Only a handful of UK sites are thought to have m-commerce sites, foremost among them eBay.co.uk and amazon.co.uk.

According to Forrester’s Husson, the importance of the mobile in commerce will go beyond transactions: he believes it also has a role to play in improving customer service and in reducing costs. Essential Research’s Brandheld study gives more insights into how that might work. It found 33% of respondents said they’d be interested in checking real-time travel updates while 31% expressed an interest in tracking in-store offers, coupons and vouchers through their phones. ATG’s research found 31.1% aspired to buy music, 30.7% cinema and theatre tickets and 25% takeaways from their

**Which mobile features do you currently use or plan to offer over the next year?**



Source: Adobe Scene7



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mobile – as long as concerns over issues such as pricing were addressed.

But to know how to develop m-commerce for their own business, retailers must understand how customers will use the service. ATG's Frank Lord says: "We need to understand that somebody browsing on their mobile device might be on their way to a store and therefore this is not just about ecommerce, it's about commerce in general, it's about comparison shopping and in some cases it's about placing the order." So, should you be working on your m-commerce strategy? The answer, says Lord, lies in your target market. If they are affluent and likely to be smartphone owners, then m-commerce should be a high strategic priority. But, he says: "Everyone should at least plan for it because I don't think you want to be caught last-footed on this."

#### THE FUTURE

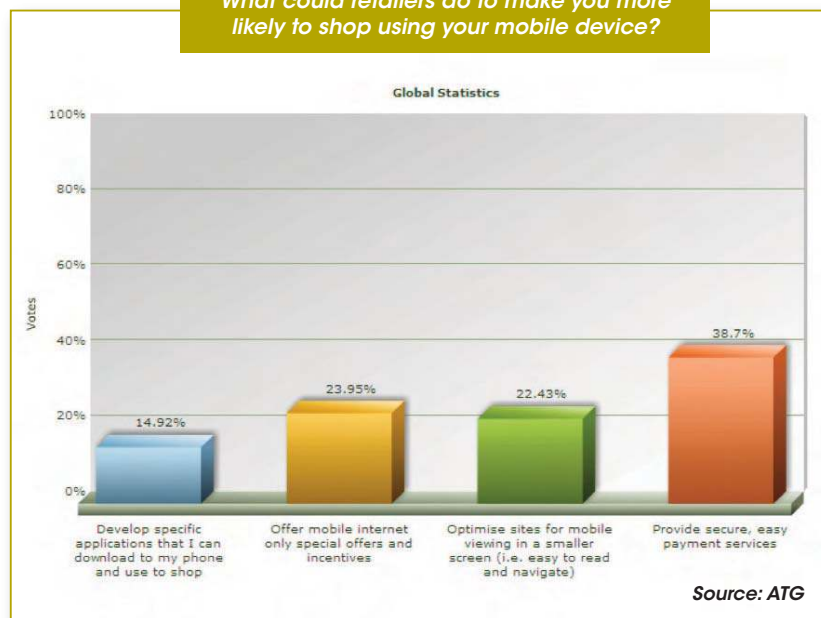
It's likely that growth in users – an IDC report predicts a billion users of the mobile internet by 2013 – will be sparked by a rapid progression in the capabilities of the mobile phone. As augmented reality takes off, smartphone users will be able to understand more about their immediate surroundings through their phone, giving retailers more options to target customers close to their locations.

And for another insight into the potential future of m-commerce in the UK, look East. In Japan, according to last year's WGSN's Japan Fashion Report, up to 25% of total sales come via mobile. Girls often use their phones to buy clothes they like

#### What, if anything, is most preventing you from shopping using the mobile internet?



#### What could retailers do to make you more likely to shop using your mobile device?



while they are still in the store for delivery to their home, rather than carry them.

So for the mobile future, the planning starts here. A year ago, says ATG, 10% of its biggest customers were probably developing m-commerce applications and sites. Today that figure's risen to at least 80%. Chances are, it seems, that your competitors are already on it. ■

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# MOBILE MUST BE INTEGRATED INTO THE MARKETING MIX

Douglas McDonald, Head of Mobile at digital marketing agency Tullo Marshall Warren (TMW), looks at how to market to the device in everyone's pocket.

**IT IS PROBABLY** true that most people reading this mobile focussed edition will be doing so with a certain sense of scepticism when it comes to the subject of mobile marketing. Every week seems to bring another groundbreaking new development that will fundamentally change the face of marketing as we know it. Quite often this is because the focus is on new technology. If it's not QR codes or mobile coupons, it's the iPhone or augmented reality.

In truth mobile is not quantum mechanics, and it shares one truth with all marketing - it's about people. It's also about knowing what they use to communicate and using those methods to communicate with them whilst taking into account the context of the mobile user.

## INTEGRATING MOBILE

There are two main areas to look at when using mobile in marketing. The first is that due to the nature of the channel and device it's about two-way communication with people, and the second is that without deep integration with all the other channels it will not be as effective as it can be. Therefore, you shouldn't talk about a separate mobile marketing strategy, but how to integrate mobile into your marketing mix.

It is not surprising that because mobile is a relatively new channel that it is usually addressed as a separate area. However, in almost all cases it has a part to play in multiple areas of any comprehensive marketing plan. Given that you have that plan encompassing all the other channels from broadcast, outdoor, print, online and social you will have identified your objectives, the people that you would like to market to and some programmes that are designed to meet your objectives with these people. It's while planning the executions of activity at this level that questions need to be asked about the role that mobile can play in increasing the success of your campaign.

Currently, digital marketing will have a fairly large part to play in your plans in terms of addressing how using the web can contribute to your objective,

let's say, of driving traffic. The people who are looking after your digital marketing will do their thing, if they know mobile they will integrate it into the plans, but more often than not they have no experience of mobile and will be tempted to propose the things that they already know. Therefore, you end up with a microsite that doesn't work on mobiles or is "optimised" but ignores the context of the person who isn't sitting in a room with a PC, and an email campaign that looks terrible on mobile devices where millions check their email.

Furthermore, if you are running supporting activity that is offline, the chances of mobile coming up as a way to make those executions work harder is almost zero. Your offline team will almost never propose a simple call to action that simultaneously gives you a consumer's mobile number, allows them to store details on their phone, and potentially gives them an enhanced experience that motivates them to shop more with you.

It is one of the conundrums of mobile that, although it is part of digital marketing, it works very well embedded in offline work, such as print, outdoor and broadcast. It's common for work to be "streamed" into offline or online at a very early stage. Once your agency has picked one road or the other there is rarely a way back. This means that mobile probably hasn't been integrated into your offline campaigns and is usually a weirdly anomalous thing on the end of what you have been proposed by a pure digital (read...web) agency. Similarly, if you talk to pure mobile people you'll sometimes end up doing QR codes or something else that no-one uses and getting a poor response, thus confirming some people's opinion that mobile is "something to keep an eye on for the future".

According to a Q4 2009 survey by ICM Research, about 35% of us are going online via our mobiles in the UK. What kind of experience will greet these people with newer, faster phones, 3G connections and, one would assume, some cash to spend? A visit to the top 20 internet retailers (IMRG - Hitwise Aug 2009) is not a good sign. Of those top 20, guess

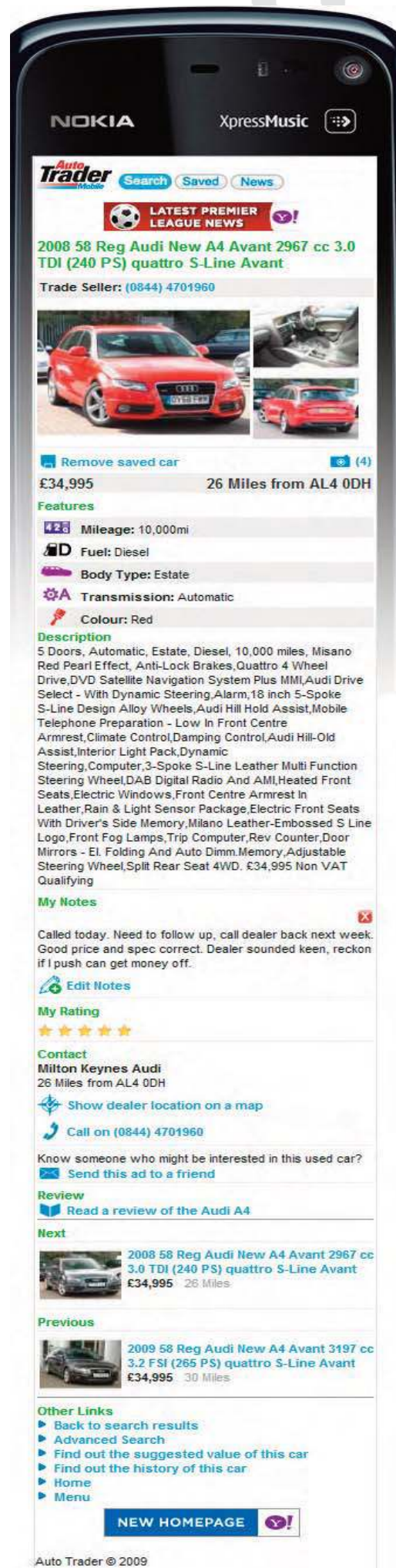
who is the only one to have a site that recognises a mobile and serves up a passably usable experience? Yup, it's Amazon. Every single one of the other 19 don't work on mobiles, or show the full normal web site to smartphones (of which more below). They may have mobile sites on the .mobi domain or elsewhere but I don't know the addresses and neither does the average shopper. This is important when, according to Gomez web performance, 40% will go onto a competitor's site if you don't have one.

**OPTIMISED FOR MOBILE**

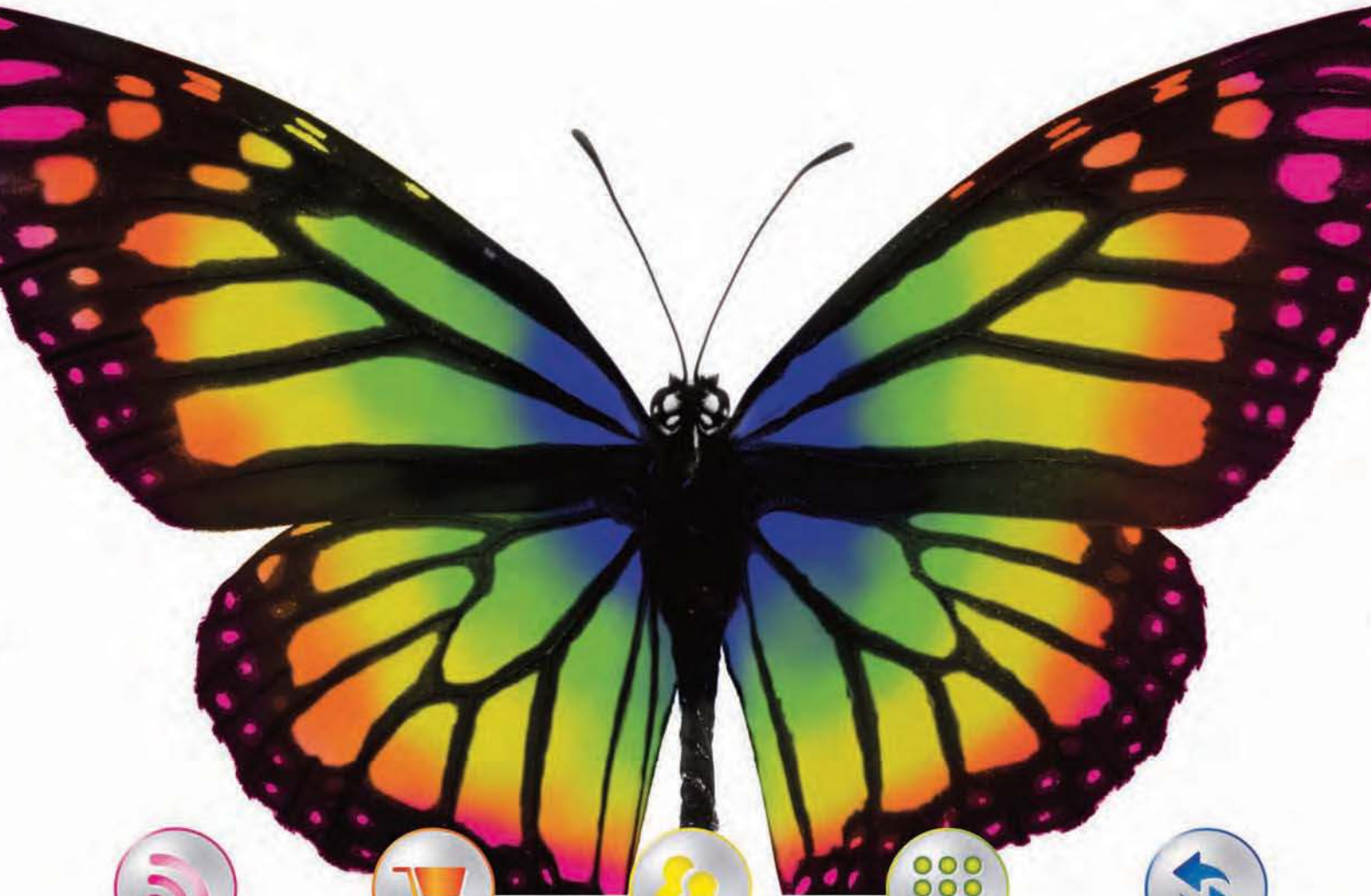
It is worth pointing out that there aren't a load of weird people who only use their mobiles to go online, they are the same people who are shopping on your site at home or at work. For some reason or another they want to interact with you but they are not at a PC. You'll need to make sure that the main two or three reasons are clearly present right on your home page. Bear in mind they are using the mobile version alongside the normal one. It's normally a good idea to completely ignore anyone who tells you that the normal site is "optimised" for mobile. This often means making something else show up instead of flash and shoehorning all your content into the screen resolution of the handset. Perhaps not surprisingly, this is normally a solution cooked up by the guys who built the website in the first place! This is slightly better than nothing but, as mentioned previously, ignores the "mobile context".

One thing about the home pages of most retail sites is that they are quite "busy". They create a desire to browse the treasure house of super products, they are about depth of product lines and they are about making sure that buyers are only a click away from what they want. This is a good plan for the "cup of tea and 15 minutes shopping" scenario but the "mobile context" is usually task based such as "I want to look at my wish list quickly" or "Blimey, I forgot the Valentine's Day present!"

The web and offline have found a successful partnership. Now is the time for mobile and offline



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to do the same. A great example of this is the much discussed Super Bowl advertising in America. Apparently, pretty much all of the retailers had a web address in their ads but almost none of them had a site viewable on a normal phone. I'm not sure that many people had taken their PCs to the game. I'm also not sure that very many people had their laptop on their knees while watching the game on their sofas. One thing is sure; they had their mobiles within easy reach. No-one had asked the mobile question in the right part of the marketing process and a massive opportunity to make the huge amounts of cash they spent work harder was lost.

You may well have been keeping an eye on the percentage of traffic to your site that comes from mobile and you may have seen a tiny percentage of mobile traffic. However, it's a bit "chicken and egg", as most people assume that there won't be a mobile version online. They shop at places where it's easy to buy via mobile or they don't shop on their mobiles at all. To use a non-retail example, when AutoTrader.co.uk revamped their mobile site to make it truly usable on mobile they saw searches and visits increase by about 1,500%. It's clear that if you already have a good online brand then providing a great mobile site will add visits and sales. Given the speed of growth of the mobile internet it can only be a matter of time before it's an essential part of your business.

If you are integrating mobile into your plans, it's worthwhile going back to what people use on their phones. This will inform you on what should be the last thing on your list to address. That question is what mobile technologies should I use? The answer is an inclusive strategy utilising the tools that your customers use most. Not surprisingly, they tend to use things that are quick and easy. Your offline call to action, therefore, needs to be quick easy.

SMS is the quickest and easiest thing for people to do and almost everyone in the country uses it. What happens in response can be anything from a video, to directions, to a link to your (mobile) web site, to a coupon or whatever. Online this may be a banner on a mobile website that clicks through to yours. What's important is that you have made it easy for them to make the first move in your relationship. A good example of how much interaction you can get if your offering is compelling enough is the \$20m that was raised for Haiti in five days purely through text donations.

The mobile internet is coming, and it's coming fast. Most of what you know from online is relevant as long as context and the personal nature of the channel plays a part in your plans. Mobile is just ten years behind in terms of processors and connection speeds. Don't you wish you could go back to the online world of 1992 knowing what you know now? That's mobile in 2010. ■

## COUPONS DRIVE FOOTFALL, MOBILE SITES ATTRACT BUYERS

A big issue for high street retailers who want to use mobile couponing is redemption. For internet retailing couponing and vouchers should be no problem.

Here are two examples that show the importance of integrated marketing and having a great mobile site to pick up sales.

### COCA-COLA

In May and June 2009, Coca-Cola gave away thousands of bottles of 'Fanta', 'Sprite' and 'Dr Pepper' using secure digital vouchers delivered to mobile phones.

The solution was provided by mobile couponing specialist, i-movo, and ran across all stores with a PayPoint terminal. It's pretty simple, you see the advertising, text in and receive a coupon that is redeemable in-store. This solution drives footfall to physical stores and is limited to places where there is a redemption option for the retailer.



Internet retailers have no such restrictions. You get your code from the poster at the bus stop and claim it online.

What the Coca-Cola campaign shows us is that the right offer will attract consumers to mobile services, even if it isn't something they have done before. Results were impressive, 200,000 drinks given away. The most interesting part is that of the people who received the mobile voucher 87% of them went to a store to redeem it.

In the online world, they would go online and redeem the coupon on the web site. However, what if the coupon had a link to your mobile site? By the time the bus has arrived, they've gone from seeing your ad to entering their details on your site and have become a customer.

### AUTOTRADER.CO.UK

The next example, whilst not strictly retail, has addressed many of the issues that are involved in putting a large amount of "stock" online and making it easy for consumers to find what they want. Autotrader.co.uk (which automatically redirects to their mobile version when you are on your phone) is perhaps the best example of how to increase traffic without doing any extra marketing. Search is optimised for mobile, you get a fast slick experience and punters vote with their traffic.

Sponge, the mobile specialists which built the site, got into the detail here and have increased traffic over two iterations of the site from 40,000 page impressions a month on the old wap site, through to 7.9 million page impressions after iteration one, and after looking into what people were doing and gaining some insight into what was still an issue, have since doubled that to 14.5 million impressions in January 2010. It also produced 1.8 million searches last month.

Taken together, these two examples show how things should be. Integrated marketing activity, promotion and a "best of breed" site that allows the consumer to shop where and when they wish.

# MOBILE: A CHANNEL OR AN **ENABLER?**

Everyone seems to be doing mobile retail in 2010 rather than just thinking about it. Emma Herrod investigates whether the long talked about year of mobile has finally arrived.

**MORE THAN HALF** of consumers used their mobile phone to help them with their Christmas shopping last year, according to a survey by Motorola. Nothing new in that: families have always conferred on presents for friends and relatives. What did change in 2009 though was that consumers were using their mobiles in store for online activities such as comparison shopping, and getting peer feedback, product information and discount coupons.

However, similar research by Logan Tod contradicts the telecom firm's findings, instead reporting that only 3.5% used their mobile to check or compare product prices.

Whichever figure is correct, there is no denying there has been a meteoric rise in mobile retailing and the number of smart phones in recent months.

As far as consumers are concerned, they can use a mobile device to access the internet in more or less the same way as on a PC. The main difference is the smaller screen size and different navigation. There's no reason why they cannot order their weekly veg box from an iPhone on the bus instead of from their laptop at home.

But the question is, should retailers be treating mobile as a sales channel in its own right, as a tool for the other channels, or – by virtue of its 'always on, always with you' nature – as the missing link that joins up the channels and enables a true cross-channel experience? How many retailers can transfer the contents of a customer's basket from their home laptop, to their mobile device on the bus to their final purchase on their desktop PC at work?

## LOCATION

For holidaymakers, shoppers new to a town or those who are simply not good with directions, there are many apps, such as Google's NearMeNow and Lastminute.com's nru application, that will point them in the direction of a nearby restaurant or petrol station.

At the simplest level, there will always be a need for a mobile site with a store locator, opening times and a link to call the shop direct or customer services. Moving up a level, Google is adding images of shop interiors to its Street View app, while other mobile apps

## COMET

Electricals retailer Comet has developed its mobile site to allow customers to research products, read reviews and reserve items for pickup in store. The site, which launched in November 2009, was three months in development and according to Robbie Tutt, the firm's Web Design and Development Manager, the most difficult part was deciding on the customer proposition.

He explains: "We found that in the past six months over a quarter of a million people visited comet.co.uk using a mobile device, so we knew that the demand was there. Rather than making a smaller version of the main website, we wanted to do something to help those customers which would be useful for their journey."

The mobile site uses the same information as the main website and three versions have been developed. Automatic browser detection determines which handset a customer is using and routes them to most appropriate version.

Mobile.comet.co.uk is being used initially as an extension to the stores, although for reporting purposes it is seen as a channel in its own right. Tutt says Comet is pleased with the amount of traffic, and that conversion – the number of items being reserved and then purchased – is comparable to its main website. He adds: "We have been surprised by customers' level of confidence in such a new channel. We expected conversion rates to be 50% less."

It is developing a commerce-enabled site scheduled for release later this year – along with an app, the content and design of which is still being planned. "The biggest challenge is making it really useful and beneficial to the customer," says Tutt.

are using the store front itself to drive traffic online.

In December, the search engine giant sent special window stickers to the 100,000 most searched for local businesses on Google.com and Google Maps. The window stickers received by

each of these 'Favorite Places' across the US contained a unique QR barcode that consumers can photograph with their mobile phone. This automatically directs them to the business' Place Page on Google Maps, where they can read customer reviews, get coupons and 'star' it as a place they want to remember for the future.



### FIND & CHOOSE A PRODUCT

But with footfall on the high street falling, is the customer's ability to go online in store a threat to retailers which have managed to entice them in? Or does comparing prices and choosing products on the fly simply speed up the purchasing journey and turn browsing customers into buyers?

As far as electricals retailer Comet is concerned, mobile is seen as a big opportunity. Robbie Tutt, its Web Design and Development Manager, explains: "Mobile is predicted to be as big as the internet by 2015 and replicating the same level of growth. Comet is in a good position to stay ahead of the game over the next five years."



The mobile phone does remove retailers' in-store space restrictions on product information – and, of course – on the product lines themselves. Extended product information can be made available online with consumers searching a mobile version of the retailer's website, or using a more user-friendly app, photograph or barcode scanner.

Marks & Spencer, for instance, added a 2D

barcode to the labels on its Food to Go range of juices as part of an eight-week trial. Customers photographed it with their mobile phone to get more information about the product as well as a discount voucher.

According to Marks & Spencer spokesperson Amanda Glover, 6,000 customers used the service during the test period. She says: "It exceeded our expectations and showed us that people are happy to engage with product information in this way."

As a result of the success of the barcode trial, the retailer is exploring further uses of this and other mobile technologies.

The service was developed by mobile marketing agency Incentivated. MD Jonathan Bass told *InternetRetailing.net* that there's a provenance story that brands want to get across and it changes over time. He says: "They can't reprint the packaging, but they can update the information on the website."

Shoppers who don't have barcode scanning software on their phones could text a keyword to M&S to receive the information. US electricals retailer BestBuy is another company using a lower-tech, SMS-based option that allows customers to obtain more product information.

For shoppers just browsing rather than buying, the 'Amazon remembers' iPhone app enables them to upload a picture of a product and they will be sent information about it or similar items available on Amazon. Products can then be kept on shoppers' wishlists for later purchase.

StripeyLines, a nifty app from ecommerce development consultancy Portaltech, enables shoppers to swipe the barcode on a product in store, compare prices on Google, Amazon and eBay, and store the information for later research and to share with friends. Items can also be searched for on *tesco.com* and added to shoppers' grocery account shopping baskets.

This app is also an easy way into mobile commerce for retailers, since simple plug-ins can be developed that allow product information and promotions to be sent to StripeyLines users when they scan related items. It could also be used as a product chooser with shoppers scanning products they wish to buy and later picking them up from a collection point or scanning them onto a wishlist.

For people who just can't find the product they want to buy, there are apps such as Tesco's Product Finder. This enables shoppers to search for an item in



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## HALFORDS

Halfords' SMS-based Text and Reserve service lets customers use their mobile phone to look up car parts, locate the nearest store with stock and reserve items for collection.

To use it, customers text an appropriate keyword such as 'bulb', followed by their registration number to Halfords, where the vehicle make, model, engine size and body type are established using registration lookup services. A text is then sent to the customer saying: "Halfords recommends Halfords Super Brilliance Blue Bulb Single HBU4775BBH7, 802561, £22.99, for your Audi. Check stock in your nearest store by replying with your postcode."

Once the customer has replied, the system searches for the nearest store with the item in stock and sends a message asking if the customer wants to reserve it. When it receives a positive response, the system sends a reservation message to the customer and to the store warehouse system.

"By integrating web, store and mobile channels, we are able to further enhance our multi-channel customer proposition," says Sam Ambrose, Halfords' Web Development Manager. "We can now maintain relationships with our customers wherever they are through their mobile phone, making it easier for them to interact with us."

a specific store and it tells them the aisle and shelf where they can find the product.

For those who need an even greater helping hand, Tesco's Wine Finder shows product information and reviews, recommends similar wines and lets customers buy the wine simply by taking a photograph of the label. Powered by a visual search engine developed by Cortexica, it also includes a search function that allows users to track down suitable wines based on type, the kind of food they want to drink it with, the country of origin and the price.

If you want customers to see how a product will look in their own home, then check out IKEA's use of augmented reality for the launch of its PS range in Germany. The application superimposed one of eight pieces of furniture onto an image of the shoppers' own room when they were looking at it through their phone's camera viewfinder. The furniture was scaled to the right size for the room view and shoppers could move it around to different positions in their room. They were encouraged to download the application in the launch store via Bluetooth or an SMS-link from the microsite.

Jill Urbanek, consultant at Clanmo, the agency behind the IKEA application, told 'Mobile Commerce

Daily' that IKEA saw an average user response of 5.21% via the in-store Bluetooth post and the application was requested 6,800 times via SMS.

### CHECK STOCK LEVELS & BUY

Retailers which offer the option to reserve online, collect in store are at an advantage in the mobile commerce world, as the same information that feeds their main website can be used to power a mobile site, enabling shoppers on the move to check stock and decide to visit their store over another if the purchase has to be made that day.

Argos pioneered this facility, launching a Text and Take Home service in 2002. Marcus Austin examines the firm's approach in his feature on mobile retail fulfilment and logistics.

With the number of text-enabled phones far outstripping internet-enabled ones, it's clear that an all-singing, all-dancing iPhone app is not necessarily the best option. As the number of unused iPhone apps shows, being useful and beneficial are key to any retailer's mobile offering. (Only 1.76% of iPhone users had installed the app ranked 1,000th most popular and this gets progressively less for apps ranked lower amongst the 100,000 plus apps in the app store, according to analysis by app tracking and sharing service AppsFire.)

"Shoppers are becoming ever more demanding, thanks in part to mobile phones keeping us in touch round the clock," says Cameron McLean, General Manager for Merchant Services at PayPal UK. For example, a recent PayPal report, 'Online Shopping: the new consumer demands', revealed that one in five of the under-20s expect to be able to track the delivery of a product they've bought online via their mobile phone.

McCLean adds: "We expect to see a big increase in mobile commerce over the next few years, as more apps are developed and mobiles act as another gateway for multi-channel retailers to connect with their customers. We also expect that the winners will be retailers that integrate mobile seamlessly into their overall offer, rather than seeing it as a separate channel."

So, is the industry just splitting hairs by asking whether mobile is an enabler for cross-channel retailing or a sales channel in its own right? Should retailers be asking instead how mobile can assist customers and how they can use it to help speed up consumers' journey to purchase. Essentially, where can mobile take us?

*Mobile retailing's growing importance means that Internet Retailing will be expanding its coverage in a new M-Retailing section in every issue. It will also have a dedicated portal area and fortnightly newsletter. ■*

# MOBILE FOR RETAILERS

Nick Gillett, Managing Director at full service digital agency Tangent One, tries to “cut through the mobile IT bull\*\*!!”

**THERE'S BEEN** a steadily evolving dream for retailers in which consumers, tied to their environment by a mobile phone, can be targeted simply by proximity to a store or concession stand, with offers, deals and entreaties to visit. It may be surprising to marketers that this same vision is the absolute worst nightmare of any consumer you care to interview or give access to a qualitative survey form.

Understanding how mobile will become an increasingly powerful force for driving retail revenue means first looking at the medium itself - not just in terms of its strengths and weaknesses, but also how its usage is changing and how it's perceived by consumers. While mobile is a tool that's escalating in usefulness, it's no panacea and regarding it as such can be a costly mistake.

At the heart of any discussion about mobile is the relationship members of the public have with their phones. These devices are carried everywhere, left on all the time (even, infuriatingly in cinemas and restaurants) and have singlehandedly been responsible for trends as diverse as the decline and fall of the wrist watch and a steady erosion of A-Z map sales. Consumers and their mobiles are rarely separated and enjoy an unusually personal relationship.

That has several ramifications for retailers, the most important being that you abuse that personal space at your great peril - while, by and large,

unrequested pieces of direct mail are tolerated and SPAM email is an irritant, a mobile message that has apparently not specifically been opted-into can lead to real and prolonged fury on behalf of its unfortunate recipient. Respect mobile as a direct extension of a customer's personal space and you won't go far wrong.

The same goes for mobile applications. While a new form and one that has only really enjoyed success on Apple's iPhone, Google's Android platform and, to a lesser extent in Nokia's Ovi Store, the ability to set up push messages, which the application can trigger to alert a consumer to a specific item of interest, are already very much a reality. However, they are already being misapplied in all sorts of scenarios that, unless the trend reverses, may give them the same negative reputation that SMS marketing briefly endured a decade ago.

There are other limitations inherent in the platform. The lack of a decent keyboard; patchy internet service as you move between 3G cells or encounter large crowds; screens tend to be too small to read volumes of text and, browsing the web via mobile is an appalling and baffling ordeal. With an iPhone it's just about acceptable but still far from easy. So why the excitement?

## WHAT'S MOBILE GOOD FOR?

The answer to that lies in the things that mobile is rather good at. Namely giving you access to any set of data and information that would otherwise only have been available via a web browser or proprietary interface. An instance of this that's only just starting to take off is price comparison.

The bane of online retail is price sensitive shopping. You can compete all you like in terms of usable interface, easy checkout, plethora of payment options and charmingly quirky product



descriptions, but if you happen to be 20p more expensive than the next store, your customers vote with their fickle virtual feet.

The same issue is just starting to emerge in High Streets with the advent of applications like Red Laser. Simply point your phone's camera at a barcode, wait a second for it to scan, then sit back as it scours the internet for the product, presenting you with a neat comparison table that tells you just how much more cheaply you could buy the product if you left the shop you're visiting and went home.

It's still evolving, regularly fails to find products and thanks to the vagaries of mobile internet won't always work deep inside department stores, but it's only a taster of what's to come, and that won't always act in the industry's favour.

Not everything is outside the control of store and brand owners however. Vouchercloud is an excellent example of an application that empowers consumer and retailer alike. Download it, let it discover where you are using GPS and it presents you with a neat list of vouchers for shops in your immediate vicinity. Click on one, show it to your friendly shopkeeper or waiter and you're suddenly pennies or pounds better off.

As a demonstration of what's possible this is excellent in that it combines an all-important knowledge of your location with self-selection - you only use it when you want to, and then only to retrieve vouchers for outlets in which you have a particular interest. As a consumer this provides confidence that you won't be the subject of constant interrupting sales messages (although it, too, features sometimes pesky push alerts) while for store owners it supplies access to consumers genuinely in the market for your wares and open to the additional temptation of a discount.

But giving money away is not the only thing mobile is good for. It can also render tasks that were previously a hassle into simple, conducive acts that blend into the background of your day. Take supermarket shopping as an example. Forty years ago, doing the weekly shop meant trawling around multiple vendors to get what you needed. With the

advent of supermarkets that was all centralised to one handy megastore. Now of course, you don't even have to visit the shop - you can do it all online.

But if even that's a bit too much trouble, Ocado's iPhone application is a good example of condensing a complex, often drawn-out set of tasks into a simple and elegant interface. On the face of it there's no good reason or need to grocery shop by mobile. Except when you think through specific use cases - it's often on the bus, between meetings or on your way back from the fridge that you realise just what your life's been missing.

Previously you'd just forget, or if you were organised scrawl the name of the item on the back of an envelope and hope to find that same envelope on shopping day. With the Ocado app you just search for the product and click on it. You don't have to checkout there and then and can easily use it as a shopping list until the moment you know when you want it all delivered.

It's still early days. 18 million British consumers used mobile applications in 2009, but conversely 76% of mobile users claim never to have so much as accessed the internet on a mobile device, with 60% citing ownership of a phone lacking that functionality. Things are changing fast though, with smartphone sales rising rapidly and (in cities at least) mobile internet usage becoming more commonplace.

iPhone applications are currently suffering from Chairman's wife syndrome (in which they're developed as vanity projects on the whim of a senior staff member) and arguments continue in some quarters about whether Apple's 30% cut of revenue is fair. Retailers shouldn't worry - the revenue from application sales will only ever be a fraction of what could be made by building their brands and driving real revenue through stores.

As a way of conferring some of the benefits of internet shopping in the High Street, we're at the very bottom of what is likely to be a steep but eventually highly profitable learning curve and one that will permanently change the face of multi-channel retail. ■



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# YOUR ORDER IS JUST A TEXT MESSAGE AWAY

Text messages saying your delivery is on the van, or has arrived at the warehouse, or asking whether you want delivery tomorrow are becoming more common place. They are a real boon to user satisfaction and, as Marcus Austin discovers, an SMS can increase sales.

**WHILE MOBILE** has an obvious role in retail as a price comparison tool and as a way for retailers to effectively put their shop in your pocket, there are other ways that it can help retail business, and one of the unsung mobile strong points is in the field of logistics.

A Morgan Stanley survey found that 91% of mobile phone users keep their mobile phone within arm's reach 24 hours a day 365 days a year, and it's this constant companion status that makes the phone a natural delivery device for logistical messages. Up until the last few years the preferred method of choice for sending delivery notifications has been email, but email has certain drawbacks. Emails are less likely to be opened than SMS messages, and because emails rely on a user being able to access the web they're usually not acted upon as quickly as SMS. So, it's no surprise that SMS has started to be actively used by retailers, and if the experts interviewed here are right it is set to become very important in the coming years, particularly as we start to see more and more retailers start to move to same-day delivery and same-day click and collect services.

## NON DELIVERY

One of the main reasons why SMS is proving so popular in fulfilment is it helps to solve one of the major problem areas in fulfilment, non delivery due to the customer not being at home. While home delivery has improved markedly over the last few years there are still some major areas where both consumers and retailers are looking to improve things - better delivery choices and improved first-time delivery success. The Interactive Media in Retail Group (IMRG) Consumer Delivery Survey for 2010 pointed to improvements with successful first time and on time delivery, but despite this improvement 75% of consumers still experienced a complete or first time delivery failure, with 17 out of 100 deliveries still not completed in line with the consumer's ideal expectations. Crucially this bad experience

with delivery and the inability to nail down deliveries to a user acceptable window put off 38% of the users surveyed from considering online purchasing entirely.

David Smith, Director of Operations at IMRG explains: "What we have found at IMRG is that when you ask consumers what they want to make deliveries more convenient, nearly eight out of ten are looking for a specific delivery day, and seven out of ten are looking for a time delivery."

DPD and Home Delivery Network (HDN) both offer an SMS text message service as a way of reducing customers' frustration at no-show deliveries and as a way of increasing delivery efficiencies.

Chris Airey, IT Director at HDN, explains the thinking behind the service's introduction. "There are three things the customer wants from delivery: they want to know when it's coming; they want choices for delivery dates and times; and they want convenience. So, we introduced the SMS mobile text message service to try to deliver more convenience, choice and reliability to customers and to give the customers the rest of their day back."

The HDN SMS service is set in progress when the retailer makes a request to the HDN system to deliver a package. However, the first SMS isn't sent until the package has been delivered into the HDN network and has arrived at the HDN sort centre. Once it's at the sort centre the package has a delivery schedule created for it and it is at this point the customer is sent a text message alert from HDN to inform them of the intended delivery date. The customer can then either ignore the SMS, and get delivery on the date specified in the SMS, or they can reply with a preferred delivery day by texting 1 for Monday, 2 for Tuesday, and so on. On the day of the delivery, a second text message will be sent advising the customer of the three hour window in which their delivery is scheduled to arrive.

If the driver fails to get an answer on the delivery date and has to 'card' the address then



there's the ability to also send an SMS to the customer to say the driver failed to deliver. The customer can reschedule their delivery for the next working day immediately, rather than coming back after work to find a card and missing the next day's delivery.

The text service is designed to work with all of HDN's delivery choices and Airey claims it can usually be implemented in less than five days with integration into the retailer's fulfilment systems taking a day, or less. All of the texts sent by HDN are based on standard templates, which can either come from HDN or they can be tweaked with the retailer's brand and any sales or brand messages although there's a limit to the branding because of the 160 character text message limit.

It's not just the consumer who benefits from the service. HDN has seen real efficiencies from implementing SMS texts as Airey explains "It also increase the amount of 'first time' deliveries, avoiding the scenario of customers not being in to receive their delivery which has improved our own efficiencies". HDN is currently trialling a new 90 minute delivery window using a new scheduling from Quintiq that should be in place nationwide in May.

DPD was the first parcel carrier to provide a one-hour delivery window to home shoppers. The system, which launched in October 2009, is used by more than 2,000 customers. Shoppers who buy from retailers shipping with DPD can receive a free SMS or email giving them a precise one hour window in which the driver will arrive. And, like HDN's service if the recipient of the SMS knows that they won't be in to sign for the package, they can reply and arrange for DPD to deliver on a more convenient date.

#### COLLECT IN STORE

As well as a way of informing the consumer when their goods are set to arrive using home delivery, the mobile has also been successfully used as a way of letting users know that products



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Merseyside-based logistics business Home Delivery Network (HDN) introduced an SMS text message service in 2009 as a way of reducing customer's frustration at no-show deliveries and as a way of increasing HDN's delivery efficiencies.

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have arrived in store when they use click and collect type services. The pioneer in this field is Argos which started to use SMS in its check and reserve system back in 2002. Argos now sends out over 30 million mobile customer notifications annually through its different channels.

Argos launched "Text and Take Home" and notification services in more than 600 stores in 2006. The idea is straightforward: customers browse the Argos website or catalogue and text the product numbers to the company. They then receive a text telling them whether it is in stock at their nearest shop and get given the option to reserve the product by SMS - if they have not collected it within 24 hours, they receive an SMS reminder. If the product is not available, customers can request to be notified by SMS when it is back in stock, so they can make a purchase. Payment takes place at the counter.

Simon Hawkins, Multi-channel Business Delivery Manager at Argos explains: "What we are doing now is looking to implement a more flexible customer journey through the various reservation channels we offer our customers, putting them in control of their shopping experience. We now use mobile in three categories: Our 'Text & Take Home' channel, a variety of integrated multi-channel text services that support other channels, such as 'back in stock' notifications for internet users and home delivery notifications for customers and for our delivery drivers."

Jim Bassett, Argos Multi-channel Operations Manager adds: "Customers using our SMS service have a variety of reasons to use the service: they are receiving instant reminders; they won't lose the information like a misplaced print out; it does not cost anything and it has the green appeal. We offer specific product information and will remind them of timings and product locations which all help to improve conversion rates."

Although SMS reservations are an overhead they are an overhead that Argos regards as worthwhile, Bassett explains "At the SMS reservation stage you haven't got the purchase, so you have to work hard to meet a customer's expectations and move them along the purchasing journey. Allowing customers to see real-time store inventories means we get the benefit of higher conversions on lower stock products."

Argos are also seeing significant take up on the reminders as Bassett explains. "Text reminders were introduced in November 2008. At the time we recorded that around 20% of customers opted in for a reminder message. In March 2009, this rose to above 45% and now we are receiving over 60% opt in rates for a text message communication as

customers are becoming familiar with receiving text messages as part of the purchase journey." Conversion rates for the reminder service can be quite high. Argos reminder notifications have converted 10-15% more reservations into sales, a significant sum when you see that over the recent peak trading season around 35 million reservations were requested by Argos customers.

Argos also uses SMS in their home delivery service but chooses to use them later on in the process as Bassett explains: "SMS was introduced in May 2009 to our Home Delivery service following a successful pilot. The service uses SMS to communicate with customers the night before their scheduled delivery to advise them of their two hour delivery window." This last minute text proved very useful in the recent bad weather: "Customers were also advised during the recent bad weather of potential delivery delays and reschedules of their delivery time." Argos also uses SMS internally for the delivery drivers to communicate updates to their delivery schedules so the systems are always up-to-date.

Using SMS in fulfilment should be a no brainer. It's proven to increase users' satisfaction, it reduces non-delivery overheads and, as Argos has shown, it can increase revenue. However, it's still not being used as much as it should be. One of the problem areas that Airey points to is the lack of flexibility in the retailers' back-office systems and in the data they send to the fulfilment services.

"One of the main problems we see is the lack of communication between the ecommerce and the fulfilment systems in retailers. Typically a retailer will take a mobile number in the ecommerce order but their fulfilment system will use an older or different number from their customer database when they send the order to us. Additionally, if the order is a gift then we will be presented with the sender's mobile number rather than the recipient's."

If you want to start the process of moving to mobile-aided fulfilment then the first step is to start collecting user phone numbers. As Airey points out: "All the services exist and are ready to be used, but the take up is being constrained by the priority the retailers put on their customer. The only real barriers are how long it takes retailers to change their system to capture the mobile number or the email address and pass it to us."

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Inevitably other businesses have followed HDN. The latest is DPD which is providing an SMS service for a new, one-hour window delivery service. Shoppers who buy from retailers shipping with DPD can receive a free SMS or email giving them a precise one hour window in which the driver will arrive. And, like HDN's service if the recipient of the SMS knows that they won't be in to sign for the package, they can reply and arrange for DPD to deliver on a more convenient date.

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# Insight from around

## DIANE WANG, CEO, DHGATE.COM

During my recent business travels around the world something that has caught my attention is an advert that promotes the 'Made in China' brand which is frequently appearing on international television. You may have seen it on CNN. The slick advertisement is a deliberate attempt, the first to my knowledge, by the Chinese Government to rebuild and promote the China brand in the international market.

The theme of the ad is 'Made in China, Made with the World'. Clearly the intention of the Government is to rebuild trust with overseas consumers after a string of product safety and quality issues and also to allay fears that cheap Chinese products take jobs away from overseas countries.

The message is that it's a collaborative effort. People don't often realize that over 60% of Chinese exports to the world are produced by firms owned by foreign companies. A computer 'made in China' is likely to contain a large portion of imported components. Also, although the final assembly and testing is done in China, the design and specifications were created overseas.

One of the other themes in the ad is that China is now very serious about the integrity of its brands both national and product specific. The commitment to product safety, quality and integrity by the Chinese government and manufacturers is greatly improving.

For example, after a series of food scandals on the Mainland (particularly the milk tainting affair that killed 6 infants), the Government introduced a new comprehensive Food Safety Law which significantly bolsters the inspection and supervision of the food production industry in China and the imposition of extreme penalties.

There is also intense pressure on the Government from the Chinese people who are demanding safe and reliable products. Consumers are also flocking to safe premium products (often foreign) and in the highly competitive Chinese domestic market this puts pressure on local manufacturers to improve their products.

In discussions with Chinese sourcing and manufacturing suppliers on DHgate.com, there is a clear understanding that the improvement and maintenance of product safety, quality and integrity is essential to their continued success.

The quality and safety process took decades to



achieve acceptable levels in the West. Although there is long way to go, I believe that it will happen more quickly in China.

## SARAH TAYLOR, SENIOR INDUSTRY DIRECTOR, ORACLE RETAIL



As the global economy stabilises, retail leaders can now reflect on their experiences and identify why and how some retailers have been more successful than others. One pattern we've seen is that retailers pursuing opportunities in developing retail markets are generally faring better than those operating purely in mature markets.

While the BRIC (Brazil, Russia, India and China) economies have dominated discussion on developing retail markets, there are considerable opportunities for expansion in other regions such as Vietnam, Indonesia and Mexico.

These regions share similarities in terms of large populations, a growing GDP, rapid urbanisation and industrialisation, and a young emerging middle class, and as such are an attractive prospect for opportunistic international retailers. Regulatory constraints are being relaxed and consumerism and the almost inevitable brand awareness that follows it will no doubt play an influential role in the growth of modern retail channels - including online commerce, social media networks and mobile devices.

For now, growth in bricks and mortar retailing continues apace as emerging domestic retailers fight for market share alongside an influx of international retailers. In Vietnam, for instance, domestic retailers are expanding rapidly to compete more effectively with the growing number of European and Asian retailers, particularly within the grocery industry.

Expansion by international retailers into these new territories is not for the faint hearted. It requires considerable planning, long-term commitment and the ability to be flexible around traditional business models with franchises, joint ventures and local partnerships often being crucial to the success of any venture. It is also vital to remain agile and 'think local' in order to grow and maintain a local customer base.

As this year's World Retail Congress approaches, it is interesting to note how many sessions are focused on developing retail markets. It would appear that international expansion strategies remain high on the agenda for many retail organisations.

# nd the world

## ROBIN GOAD, RESEARCH DIRECTOR, EXPERIAN HITWISE



As you would expect, internet visits to retail websites in France increase over the Christmas period and in 2009 they peaked during the first week in December. The most popular online retail property during December was Leboncoin, essentially a French version of Craigslist or Gumtree. The popularity of Leboncoin means that eBay has to settle for second place in France (compared with number one in the UK), and makes Classifieds the most popular retail sub-category in the country.

The most popular traditional retail sector is fashion, which accounted for 17% of French online retail visits during December. La Redoute currently leads the market, followed by Vente-Privee, a member's-only site that provides exclusive offers on branded goods, and 3 Suisses in third place. Department stores are also popular, although the sector is dominated by four large players: CDiscount, Amazon France, Fnac and Rue du Commerce. Other big online retail categories include Appliances & Electronics, House & Garden and Toys & Hobbies.

French retailers rely on search engines for 43% of their traffic, with Google alone accounting for over a third of visits during December. As in other markets, the most popular search terms sending traffic to retail websites are the retail brands themselves, and the most successful sites all have strong brands. The most popular non-navigational search term in the French retail market is currently 'nike', followed by toymaker 'playmobil'. Within the consumer electronics sector mobile phones, satellite navigation systems, games consoles and laptops are the most popular products.

After search, email is the next most popular source of traffic, while affiliate sites account for 1 in every 20 visits. The most popular is price comparison site PrixMoinsCher, with LeGuide.com claiming second place. Shopping.com is the most popular international affiliate brand, followed by Twenga and Microsoft's Ciao!

## BIJOU KURIEN, PRESIDENT AND CEO LIFESTYLE DIVISION OF RELIANCE RETAIL



The current economic environment in India seems to indicate a slow growth in retail

consumption, supported by increasing consumer confidence. Macro economic factors are on the upswing though it is still too early to conclude that India is on a sustainable rebound. In this context, carefully planned expansion based on a sound business model, rationalising overheads and optimising costs, focussing on existing customers while reaching out to new ones seem to be the most important priorities for us. Reduction of capital invested and maximising utilisation of assets are on-going priorities.

The year ahead seems to hold more promise than the current. Macro trends do indicate a return to previous consumption levels, albeit with a change. Considerable infrastructure investment and better Industrial performance would drive GDP growth to around 7%. Inflation should be under control and interest in investing in India would rise. All this spells a more prosperous India and greater confidence amongst its consumers.

Consumers have been driven by value and retailers have accelerated that change. The slowdown in the last one year has forced a reality check on consumers. Some behavioural changes like seeking value seem more permanent. While basic categories like food and grocery have recovered better, luxury continues to lag. While impulse shopping is slowly recovering, shopping for lifestyle upgradation would soon resume.

Progressive retailers should adapt quickly to the changing context. A close examination of their value proposition, adapting the business model to it, optimising investments and costs and communicating the big ideas are some of the strategies to adopt. This could include changes in store design and merchandise assortment, pricing and promotions. Private labels will allow for margin arbitrage. Cultivating customer loyalty and focussing on your loyal customers would help retention in a competitive market.

In India, while the impact of the slowdown was felt by consumers in the metro and mini metro cities, the smaller town and rural consumers (who contribute to more than 60% of the retail market) remained relatively unaffected. Similarly, those who work in Government departments and companies were privileged to receive arrears and revisions in salary. There is potential waiting to be tapped while coping with the pressures of a thrifty metro consumer.

*Kurien was giving an exclusive interview with the World Retail Congress.*





# MOBILE

## AROUND THE MOBILE SPACE

### EMMA HERROD takes a tour around what's happening in the mobile retailing space.

Of relevance to retailers thinking about, or in the process of developing an iPhone app, Tesco released download figures for its three apps as at 22 February.

The total number of downloads for the Tesco Store/Product Finder is 78,940. In the past week, average daily downloads amounted to 701 per day. The app, which was released in October 2009, continues to rank as the number one most downloaded app in the 'Navigation' section of UK iTunes App Store.

Its innovative Wine Finder (released 16 December 2009) has been downloaded 22,786 times. In the past week, the average daily downloads was 152. The app makes it easy for mobile phone users to purchase wine by simply snapping an image of the label on the bottle. After taking a picture of the wine bottle's label with their iPhone, users are instantly sent to a page providing detailed information about the drink. They can then read reviews, purchase the wine and look for similar wines. Wine can also be selected by the type of food it's to be drunk with, the country of origin and price.

Tesco's third app is The Tesco Clubcard, which simply displays the shopper's Clubcard number (which they enter themselves) as a barcode. This can then be scanned at the checkout rather

than the user having to carry their plastic loyalty card. Tesco's Nick Lansley does say on his blog that this is the first version of the app: "The app is launched to 'get you started' - soon it will be more useful than a photo."

Although it was only launched on 8 February, the Tesco Clubcard app has already been downloaded 191,971 times! The average daily downloads in the past week were 14,254 with the app peaking at 8th most downloaded app in the entire UK iTunes store in the week running up to 22 February.

A version of the Clubcard app for Nokia and Blackberry phones will be launched soon - as will another app from Tesco.com which "will enable a complete end-to-end grocery home shopping experience".

As far as other locations being visited by mobile users, discount voucher code website MyVoucherCodes.co.uk, reported that more than 600,000 people visited its site via a mobile browser in December 2009, up 158% on December 2008.

In December 2008, 378,000 unique visits from mobile phone browsers were recorded by the site. To put this into perspective, more than 11m people logged on to the site throughout December 2009 to search for Christmas savings - with mobile phone visits accounting for 5% of total traffic.

Sales through mobile phone web browsers were consistent with the growth in users accessing the site through their mobiles, with an increase of 208% from £1.2m in December 2008, up to £2.5m in December 2009.

Of those that had used their mobile browser, 62% said they had searched for discount voucher codes whilst physically shopping on the High Street to see if they could get a better deal online.

Meanwhile, mobile network operator Orange has launched 'Orange Shots', a mobile advertising service that enables brands to engage and interact directly with targeted segments of Orange's customer base. The service

started with an initial, opted-in, audience of 100,000 of Orange's Pay As You Go Monkey customers. The network plans to make Orange Shots available to its entire mobile customer base over time, giving brands the opportunity to engage with a variety of specific demographic segments.

"Orange Shots will transform mobile advertising as we know it," says Orange UK's Marc Overton. "It's a win-win for brands as well as our customers, with advertisers continually seeking new and innovative ways to engage with consumers, and our customers getting rewarded with access to exclusive, interactive content and offers, knowing that they're tailored specifically to them and their interests."

Meanwhile, helping retailers integrate mobile into the cross-channel mix are two, new iPhone apps from solutions provider Sterling Commerce. Sterling Store Associate Mobile and Sterling Mobile Store Channel extend key capabilities from the company's cross-channel platform into the mobile space.

Sterling Mobile Store Channel provides mobile commerce capabilities for retailers to build and deploy a mobile store presence that enables consumers to browse available products, find inventory, select their fulfilment method and order and pay for products all from their mobile handheld device.

Sterling Store Associate Mobile links with Sterling Always In Stock capabilities to allow staff to find and reserve 'available-to-promise' stock and complete the sale from a mobile device.

"It's only a matter of time before most people will have some sort of smartphone, similar to the way cell phones eventually became ubiquitous," said Bob Irwin, president and CEO of Sterling Commerce, "and the compelling user interface of the iPhone makes it the perfect venue for us to explore 'The Art of the Possible' by showing companies things they might not have even thought of doing or knew they could do with our solutions."

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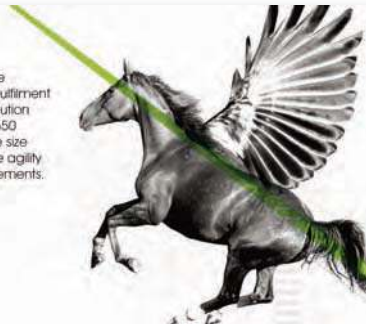
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