



# InternetRetailing

Selling in the digital age

VOLUME 5 | ISSUE 3 | MARCH 2011



## EBAY

Curating your line ends

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Retail REVIEW  
DIY.com



P.16

SUSTAINABILITY:  
Cutting costs & carbon

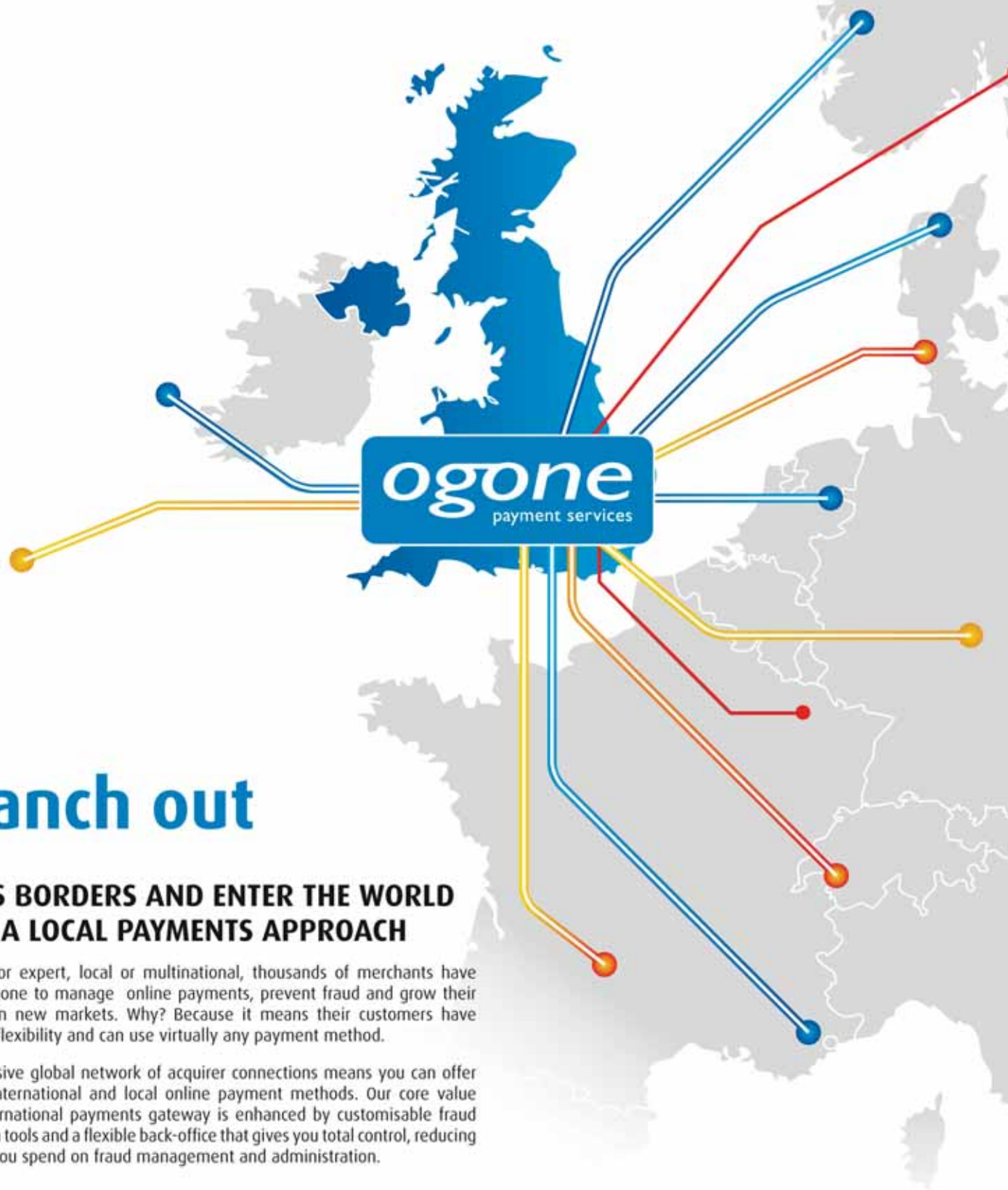


P.32

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The latest developments



P.50



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## EDITOR'S COMMENT

One of the things I love about editing Internet Retailing is the amount of change that is happening in the industry and the amount I learn with each issue – whether it's a new product launch, a retailing insight or – as has happened with this issue – something that has a real effect on me as a consumer.

In this issue we look at sustainability and how the green agenda, consumers and government are impacting retailing. Not only do many carbon cutting measures also cut costs they also mean increases in efficiencies. We investigate green supply chain management and the savings being made by M&S and others and how transferring IT to 'the cloud' can provide flexibility and save carbon.

In fact, many green-to-gold measures show favourably for ecommerce over high street retailing and this is especially true of the final mile. Generally, a customer driving their car pushes up emissions above anything else in the supply chain. The message for retail therefore is educate customers into doing more shopping online.

On the subject of journeys, Internet Retailing Expo is happening on 23 & 24 March at Birmingham's NEC. All at IR Towers look forward to seeing you there.

Emma Herrod  
Editor



## FEATURES

**06 COMMENT**

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

**08 EBAY**

Clare Gilmartin, VP European Marketplaces speaks to Emma Herrod about eBay's development from an auction site to today's mass-market platform.

**30 DASHBOARD**

View the delivery options in Snow Valley's comprehensive 2011 Online Retail Delivery Report.

**32 SUSTAINABILITY**

Commentators look at the environmental impact of ecommerce, the final mile and how cutting carbon equates to lowered costs.

**18 IR EXPO PREVIEW**

Read about the conferences, exhibitors, JumpStart briefings and Workshops at the IR Expo on 23 and 24 March.

**Editor:** Emma Herrod Tel: 07801 282729

E-mail: [press@internetretailing.net](mailto:press@internetretailing.net)

**Editor-in-chief:** Ian Jindal

**Design:** Alex Goldwater

**Production Manager:** Tania King

**Publishing Director:** Chris Cooke

**Account Director:** Rob Prevett

**Account Manager:** Esther Semple

Tel: 020 7933 8999

Fax: 020 7933 8998

E-mail: [rbp@internetretailing.net](mailto:rbp@internetretailing.net)

Cover photography by **Spencer Cartwright**  
020 83477692 [www.spencercartwright.co.uk](http://www.spencercartwright.co.uk)  
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## REGULARS

**04 FRONT MATTER**

The shorts that get you noticed. Analysis of the key announcements affecting internet retailing and a more in depth look at one sector – this issue, 'Baby products'.

**16 RETAIL REVIEW**

One retailer, four angles. Our team of experts review B&Q's diy.com

**48 AROUND THE WORLD**

Insight into retail in Russia, France, Germany and China.

**50 M-RETAILING**

The latest news, opinions and analysis of the channel in everyone's pocket.

For circulation enquiries contact:

Saint John Patrick Publishers

PO Box 6009

Thatcham, Berkshire

RG19 4TT

Tel: 01635 879361

Fax: 01635 868594

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## MORRISONS BUYS KIDDICARE

Supermarket chain Morrisons has bought multi-channel babyware specialist Kiddicare.com for £70m, also acquiring the rights to Kiddicare's highly-regarded technology platform. The surprise move will facilitate Morrisons' first step into the world of online. The company intends to build its online non-food business, developing the kiddicare.com platform and management team, and launching its first products in 2012.

Dalton Phillips, chief executive of Morrisons, said: "This acquisition brings not only a respected, successful and fast growing specialist retailer into the Morrisons group but also a robust, scalable and highly advanced technology platform around which we can begin to build our ecommerce offer."

The company will continue to trade separately as kiddicare.com, led by Scott and Elaine Weavers-Wright, who will pursue an ambitious growth agenda. Kiddicare, founded in 1974 by Neville and Marilyn Wright, is the UK's leading specialist online retailer of baby products.

Turnover in the last full financial year, 2010, was £37.5m and has grown by 75% in the past three years, using leading web technology and picking software. Over 80% of sales are now through the online channel. Online traffic in the past three years has grown by 25%, according to Experian Hitwise, whereas Mothercare has had relatively static growth of just 2%.

Kiddicare owns a new state of the art freehold distribution facility and operates the largest baby nursery equipment retail shop in Europe based in Peterborough, comprising 160,000 square feet of warehouse, retail and office space.

"We are delighted to welcome Scott and Elaine Weavers-Wright to Morrisons, along with their team," comments Phillips. "Their knowledge and expertise will be invaluable as Morrisons builds its online business."

Scott Weavers-Wright, chief executive of kiddicare.com, said: "There are fantastic synergies between the two businesses and our platform will allow both brands to enjoy future success and to continue to deliver an unrivalled customer experience."

### BABY PRODUCT WEBSITES RANKED BY SHARE OF UK VISITS

Rank	Website	Domain	Visits Share
1	Mothercare	<a href="http://www.mothercare.com">www.mothercare.com</a>	40.73%
2	Kiddicare	<a href="http://www.kiddicare.com">www.kiddicare.com</a>	20.11%
3	Mamas & Papas	<a href="http://www.mamasandpapas.co.uk">www.mamasandpapas.co.uk</a>	13.9%
4	JoJo Maman Bebe	<a href="http://www.jojomamanbebe.co.uk">www.jojomamanbebe.co.uk</a>	4.38%
5	The Kids Window	<a href="http://www.thekidswindow.co.uk">www.thekidswindow.co.uk</a>	4.27%
6	PreciousLittleOne.com	<a href="http://www.preciouslittleone.com">www.preciouslittleone.com</a>	4.01%
7	Bambino Direct	<a href="http://www.bambinodirect.co.uk">www.bambinodirect.co.uk</a>	1.96%
8	Silver Cross	<a href="http://www.silvercross.co.uk">www.silvercross.co.uk</a>	1.43%
9	Winstanleys Pram World	<a href="http://www.pramworld.co.uk">www.pramworld.co.uk</a>	1.36%
10	Pramcentreonline	<a href="http://www.pramcentreonline.co.uk">www.pramcentreonline.co.uk</a>	1.17%
11	Kiddies-Kingdom.com	<a href="http://www.kiddies-kingdom.com">www.kiddies-kingdom.com</a>	0.97%
12	Baby Equipment Complete	<a href="http://www.babyequipmentcomplete.com">www.babyequipmentcomplete.com</a>	0.92%
13	Baby's Mart	<a href="http://www.babys-mart.co.uk">www.babys-mart.co.uk</a>	0.74%
14	Tommee Tippee UK	<a href="http://www.tommeetippee.co.uk">www.tommeetippee.co.uk</a>	0.71%
15	Tesco Baby & Toddler Club	<a href="http://www.tesco.com/babyclub">www.tesco.com/babyclub</a>	0.62%

Source: Experian Hitwise

## T-COMMERCE FROM NET-A-PORTER

Net-a-Porter, the online luxury fashion retailer, has launched Net-a-Porter TV on its website with the functionality to click-through and buy while watching fashion programming unique to Net-a-Porter. Net-a-Porter TV is available on multiple platforms including all mobile devices and the iPad.

In a fashion first, the service will also be available through TVs, first in the US and with a global launch to follow on Google TV-enabled Sony TVs and Blu-ray Players as well as the Logitech Revue set-top box. The bespoke full-screen interface allows users to enjoy new levels of interactivity, view product details and buy direct through their TVs. "With content designed to be enjoyed on one's TV, users can easily search for specific videos to view on demand, or they have the option to watch each channel's content in sequence," said a spokeswoman.

Technology from Brightcove is being used for the TV service with Net-a-Porter teaming up with luxury jeweller Tiffany to help fund the project as launch sponsor.

In a bid to entertain and engage customers, tapping into the social side of online shopping, viewers can share, 'like', embed and comment on the videos. "This will result in the most highly engaging and interactive watching and shopping experience to be had online," said the spokeswoman.

Alison Loehnis, VP of sales and marketing at Net-a-Porter, said: "We have taken our original concept of a shop-able magazine one step further with the addition of shop-able TV. Innovation and technology are two cornerstones of Net-a-Porter and it is incredibly exciting to be at the fore-front of this entirely new customer experience."

## 38% RISE FOR JOHN LEWIS.COM

John Lewis is the latest department store to announce that it will be accepting orders on its UK website for international delivery. It is expected that orders from up to 25 European countries will be accepted from June. The announcement comes as the company reports that online sales rose by well over a third in the second half of its financial year.

Online sales were up by 38.3% in the 26 weeks to January 29, compared to the same period last year. In the week ending January 29, ecommerce sales were up by a more modest 18.4%.

Meanwhile, over the full year, johnlewis.com had reached the £0.5bn sales milestone, with record sales in the home, fashion and electricals categories. New records were also set for customer visits, orders and conversions.

## TESCO.COM CEO TO HEAD M&S ONLINE PUSH

Marks & Spencer is planning to turbo-charge its online growth with the appointment of Laura Wade-Gery, currently CEO of Tesco.com and Tesco Direct. Wade-Gery will join the M&S board as executive director of multi-channel and ecommerce. Her start date at M&S is yet to be confirmed, but she will be taking on the responsibilities of outgoing director of M&S Direct, Dave Hughes.

M&S' new chief executive Marc Bolland has a fast-track growth plan for the online channel. In his strategic review in November, he unveiled plans to double M&S's online sales by 2013/14. In the year to March 2010 online sales

totalled £413m.

Bolland, said of the appointment of Oxford graduate Wade-Gery: "I am delighted that Laura is joining the Executive Team. Her appointment is in line with the plans we announced last November to grow our multi-channel ecommerce business both in the UK and internationally. Laura brings a wealth of relevant experience to M&S and we are all very much looking forward to working with her."

Laura Wade-Gery commented: "I am really looking forward to joining the team. M&S is an iconic brand, and has huge potential to develop a multi-channel offering for its customers"

## OCADO MOVES INTO PROFIT

Online grocer Ocado has unveiled its first profits as it announced its first set of full-year results as a stockmarket-listed company. The company said that it had halved its full-year pre-tax losses to £12.2m, after the £3.5m costs of its stockmarket flotation. Significantly, it had moved into profit for the first time in the second half of the year, making pre-tax profits of £0.3m in the fourth quarter.

Ocado, which delivers Waitrose products under a 10-year contract signed in May, alongside its growing range of own-label goods, pointed to gross sales up by 29% to £551.1m in the year to 28 November, as the average number of orders per week rose by 31% to 92,916.

The number of active customers rose by 19% to 262,258 over the full year, despite "minimal geographic expansion". The company also said average order size had fallen slightly to £114.06 for the year, but that customers were shopping more frequently.

Highlights included the fast growth of mobile purchasing, which grew by three times over the year. Since the New Year, mobile devices have been used in 12% of all checkouts. In all 99% of deliveries were delivered 'exactly as ordered' while 95% of deliveries were on time or early.

Tim Steiner, chief executive of Ocado, said: "This was a landmark year for Ocado with gross sales up 29% for the year; we have delivered on the targets set out at the flotation. We have continued our focus on improving the customer offer, which has led to a record number of customers and sales with the achievement of profitability in the final quarter. Ocado's growth continues to outpace the market."

During the year the company expanded its existing customer fulfilment centre and agreed to buy a second site, part of a plan to more than triple the business' capacity between 2009 and 2013. That will also increase the geographical area that the business can serve, and, says Ocado, will "help to serve the demand we expect to see in the online grocery market."

## AMAZON BUYS LOVEFILM

Online retail giant Amazon has brought an end to months of speculation by announcing that it was to buy DVD-to-games rental and download service LOVEFILM.

Amazon already owns a 42% minority stake in LOVEFILM International, which operates in the UK, Germany, Sweden and Denmark. It will now buy the remaining 58% share for an undisclosed sum.

Greg Greeley, Amazon's vice president of European retail, said: "LOVEFILM has been innovating on behalf of movie rental customers across Europe for many years and with the advent of the LOVEFILM player, they are further delighting customers by streaming digital movies for their immediate enjoyment.

"LOVEFILM and Amazon have enjoyed a strong working relationship since LOVEFILM acquired Amazon Europe's DVD rental business in 2008, and we look forward to a productive and innovative future."

The deal is expected to close in the first quarter of this year and may mean international expansion for LOVEFILM in line with Amazon's own European operations.

Simon Calver, chief executive of LOVEFILM International, said: "The deal is a winner for the members who love LOVEFILM because of its value, choice, convenience and innovation in home entertainment. With Amazon's unequivocal support we can significantly enhance our members' experience across Europe."

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## THE THICK SLICE

With both sustainability and customer service in the air at IR Towers, Ian Jindal has been wondering how we can delight customers in an age of bare, cold "efficiency" and increased capability. His thoughts have settled upon the notion of the 'thick slice'.

**FOR THIS ISSUE** of IR Magazine we've been looking at Sustainability and, in the supplement, Customer Service. While we've covered the 'green' aspects of sustainability as a starting point, throughout we have also recognised the importance of economic sustainability and the improvements in profitability from managing costs.

A further dimension of sustainability inferred from our supplement on Customer Service: sustaining customer relationships over time is vital to the profitability of an enterprise, and therefore its viability or sustainability.

In order to fully engage with a customer we need to conceive of the relationship as more than a one-off, a purchase or a single opportunistic transaction. We need to have a long-term view of the costs of maintaining that relationship (an investment) in order to reap the benefits.

Growing up in Wales in the 1970s, service was personal and familial. Personal in that everyone knew you and you knew the shopkeepers and their foibles. Equally, the shopkeepers knew your parents and grandparents, and had a view of the overall family expenditure and custom in a 'dynastic' timeframe. Some stores and relationships can echo this, even in the churning humanity we see in London or major cities - the local corner store, one's favoured specialist store or a hobby retailer where a shared passion is supported over the years. A new retailer will not have the track-

record to allow such a view, and indeed perhaps not the cash to sustain the learning, and so this sort of retailing becomes a matter of attitude and approach. One treats ones customers as *if* they're going to be with you for life and the service immediately improves.

Jonathan Wright, our Supplement Editor, mentions "All of us, even if we're just buying a newspaper or a pint of milk, expect to be treated with courtesy" - something the long view encourages.

An important, related aspect is "giving" to your customers. Improvements in staff training, technology and systems have led to an homogenised high street experience. Competence in service is now taken for granted and, despite the eye-catching horror stories, is wide-ranging. The correlative of this is that customers are no longer grateful for good customer service: they expect it. There's no prize for good practice, simply a penalty for poor service. Good service of itself is no longer a differentiator - there needs to be something "more".

In previous issues we've profiled Zappos.com who had not only made customer service a mantra ('we're a customer service company that happens to sell shoes') but encouraged staff to share random acts of kindness with customers, from flowers to special delivery surprises. However, sustained and profitable customer delight is not an extravagant action, but altogether

more subtle.

Mr Williams, the butcher, would wink as he gave a thicker cut than the scales indicated. "It's between us", his wink would say. Jones the Dairy had a similar wink for the generous slice of cheese - partly for me, but also for the family, Gran's 40 years of patronage and my potential 40 further years. Now in London Jo at Mak's news slips three small chocolate frogs into the Bag For Life containing the empty-fridge pre-breakfast food run - winking (of course!) at the kids conspiratorially. Vicky, at the Royal Oak, treats the measure line on a wine glass as the time to slow, rather than stop, her pouring. The consistent element in these small gestures of generosity is that they're a form of 'sharing'. Neither a sucker's promotional discount, nor too good to be true (or sustainable), these small tokens are a personal and intimate gesture, and reflect a sharing of the profits.

These underlying attitudes of taking a longer view, treating customers as if they'll be with you for decades, sharing some of the profits and connecting with them in the moment, are vital to bring customer service to life, rather than aiming for compliance with good practice. The latter is a form of efficient, institutionalised non-caring.

In considering both the sustainability of our business and the impact upon our customers, we might think of Williams, Jones or Jo's winks and give our customers a thicker slice.





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# EBAY: CURATING YOUR LINE ENDS

Clare Gilmartin, eBay's EU Marketplaces vice president, talks to Emma Herrod about development from an auction site to today's mass-market platform, where home-based sellers rub shoulders with retailing giants and ponders the repercussions for e-tailers.



Flo wears Turquoise silk blouse direct from Jigsaw outlet £75 £37, red with black trim skirt direct from Jigsaw outlet £60 £30, black ankle boots direct from Barneys outlet £85 £45 and clutch bag direct from Jigsaw outlet £89 £29. Clothing shown is available in limited numbers. Tights and belt are vintage. Similar items may be found on eBay. See what you can find at [ebay.co.uk/outlet](http://ebay.co.uk/outlet).

**EBAY** Marketplaces is evolving. What started out as an auction site selling collectables, next became a platform for offloading unwanted personal possessions and then became an extra method retailers could use to clear excess stock, is now emerging as a channel more aligned to retailers' own brands. It currently boasts store front-ends and improved navigation, and aspires to grow the global eBay Inc business – which includes PayPal and StubHub – by 10-14% by 2013.

Its chief executive, John Donahoe, rolled out a three-year revival plan for the business in March 2009, in which the focus was on trust, selection, tailored shopping experiences and innovation. As a result, the platform has been courting – and promoting – businesses able to offer returns and fixed-price sales as well as well-known brands with excess stock to clear.

Fixed-price sales have increased by 60% over the past year and now account for 60% of all listings on the UK site. Some 160,000 business sellers are registered on the UK site alone; everybody from small operations and eBay UK's 120 eBay millionaires up to the large retailers including Argos,

Debenhams and House of Fraser, just three of the 30 big brands now operating on eBay Outlet.

## SOMETHING FOR EVERYONE

The growth in fixed-price/buy-it-now sales reflects how online has changed over the past five years, Clare Gilmartin, eBay's EU Marketplaces vice president, says. She explains that the site's core offering is its breadth of selection, something that's best met by a mix of home sellers and big brands. She adds: "That's critical and that's what our buyers are looking for."

While a consumer might be happy to wait patiently for a few days to get something at a lower price or to bid on a collectible item they've been searching for on the auction, they are likely to want to buy a fashion item that is in-season immediately, and eBay now fulfils both functions.

The two options also suit different types of sellers. A private seller wants to get the best price for something and they may not know what it's worth, whereas a business seller is keen to dispose of stock quickly at a set price. Argos, for example, which started testing eBay as an outlet for its



clearance bargains two years ago, says that working with eBay was a key factor in launching PayPal as an Argos.co.uk payment method in January this year. Adrian Burleton, business development director at Argos, adds: "We are currently exploring ways of further extending our clearance bargains proposition with eBay potentially to include existing Argos product and to test new products. Working with eBay is also helping us to understand customer shopping trends and behaviours that can help us to select new products and categories for argos.co.uk."



Argos is just one of the high street brands using eBay as a channel through which to sell its excess and off-season stock. Along with the items being searchable amongst the ever-changing mass of auction and fixed-price items available on eBay, the platform offers retailer-branded Outlet Stores that give a more retail-oriented customer experience but retain the site's functionality and checkout processes.

### NEW LOOK FOR FASHION

Fashion Outlet was an evolution of the branded-stores concept. Following on from its launch in April 2010 came a revamp of the entire eBay fashion category in October with significant changes to the Fashion homepage and navigation. Categories such as Women, Men, Kids and Accessories provide links to Outlet Stores and more generic searches for all fashion sellers on the site.



Fashion now offers enhanced, category-led navigation, magazine-style imagery, visual search and 'more like this' searchandising, bringing this area of eBay more inline with a retailing experience than its traditional search-and-find interface. Fashion's revamp was heralded as eBay's "assault on the fashion world" and aimed to build on the strength of its selling figures: five pairs of jeans, 19

## THE EBAY ATTRACTION

The draw for retailers is eBay's scale, the number of active buyers in the UK and the ease of access to buyers in other countries. Some 42% of the UK's online population visits eBay with 17m making a purchase. There are 50m active buyers across eBay's European sites and this swells to 180m when Eastern Europe is factored in, with eBay launching a site in Russia four months ago. It offers UK retailers easy access to online shoppers in other countries, meaning that they can exploit the huge appetite for UK brands which Gilmartin says is particularly strong in the fashion sector in Italy, France, Spain and Eastern European countries.

Europe – and the UK in particular – is a strong operation within the global eBay empire. The group's healthy Q4 2010 results were driven by Europe, with sales in the UK outperforming those everywhere else on the continent. UK sales were up by 25% over the same period in 2009. Business sellers' year-on-year sales grew by about 20%, with Christmas deals pushing sales up by a huge 170% compared with the previous quarter. UK mobile growth for eBay was 260% year-on-year.

pairs of shoes, 18 t-shirts and four handbags are bought every minute on eBay UK. According to the site, fashion searches have seen a 25% increase in the "number of fashion-savvy shoppers choosing to shop online at eBay instead of the high street".

Gilmartin says people shop differently for different items, and this has significant implications for how the site offers items for sale. For example, more than 80% of fashion purchases on eBay are made by women, while over 80% of car parts are bought by





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men. Consequently, one of the major trends in online shopping is verticalisation of categories. "How you buy a CD is different to how you'd buy fashion," she says.

Fashion, of course, is one area of shopping which has changed drastically online since eBay launched in the UK 10 years ago. Shoppers expect a certain experience online and also a certain experience from eBay, so the recategorisation of fashion has to match their expectations on both fronts. "We see our role as curating the huge abundance of selection online down to what the individual buyer wants," says Gilmartin, explaining how shoppers are able to create profiles to search by their favourite brands, preference for buy it now or auction bids, clothing size and so on.

### USER-FRIENDLY SEARCH

Innovations such as the more-like-this visual search, which enables users to browse similar items, are making it simpler for shoppers to narrow down the choice of the huge number of items for sale rather than them having to find the right words to describe something in a traditional word search. As Gilmartin says: "Online can play this curator role much better than offline."

And because of its breadth of selection, eBay feels that it has to innovate further and faster than other fashion retailers to put in front of shoppers the items that are relevant to them.

The revamped Fashion category posted a strong performance in the UK and Germany in Q4 2010 and now ranks as eBay's most successful section with over 2m visitors to this category on the UK site in January 2011. As part of its ambitious plans to increase fashion sales further, Miriam Lahage (founder of luxury fashion excess stock site Koodos.com and more recently head of the fashion category at eBay US) has moved across to lead the fashion businesses in Europe. Gilmartin comments: "There is still huge potential for growth in the online fashion market and Miriam's extensive retail experience and entrepreneurial vision for fashion ecommerce will be instrumental in leading this growing part of the business from strength to strength."

The new Fashion Outlet site doesn't restrict brands to having to look like eBay: they can have their own look and feel within the outlet, albeit with



an eBay checkout. And Outlet is not just about selling excess stock, as the experience of shoe retailer Office illustrates. It originally offered only excess stock, but found that the halo effect meant buyers wanted to buy current, in-season items so has since started selling eBay exclusives via Outlet. Gilmartin says: "Brands that do best on eBay are able to give us depth of inventory."

Another successful introduction on eBay has been Daily Deals, whereby retailers offer an item at a very attractive price. This is promoted on the eBay homepage and via online advertising such as on MSN. This promotional device is specifically for eBay's business partners, since a certain amount of stock must be made available for the promotion. Recently, one retailer used this method to sell 900 Acer laptops for just £299 apiece.

A further shift in the eBay focus towards servicing brands is its purchase of brand4friends in December 2010. The German private sales site sells overstocked and off-season goods from 600 fashion and lifestyle brands in Germany, Austria, Japan and the UK. It has 3.5m members in Germany alone.

Gilmartin would not be drawn on future implications for the wider eBay business apart from saying that the site is a natural fit for the group's strategy and that it will "help us move faster and offer brands more channels". The deal also enables eBay to provide a channel through which it can offer retailers more support than it has been able to do in the past. The mix of

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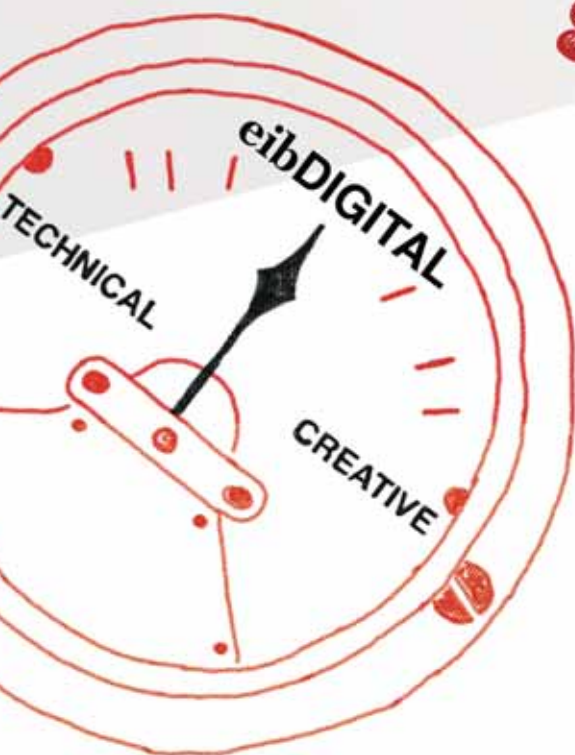
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## EBAY UK

- 17 million unique visitors per month;
- 62% of all eBay buyers in the UK are age between 25 and 54, 49% of whom are male, 51% female;
- eBay has 50 million visitors per month across mainland Europe (which includes the UK, Germany, Austria, France, Spain, Italy and Ireland);
- Expansion across the EU into Eastern Europe and Russia opens eBay up to a potential audience of 180 million consumers;
- Recent 30-day search data reveals the scale of demand among consumers for branded products on eBay – Next, 4.1m searches; Top Shop, 4.4m; John Lewis, 216,000, M&S, 777,000;
- eBay currently has 17 million live listings on the UK site, with fixed price goods accounting for the majority (56%) of items sold globally;
- Sellers of all sizes, including 160,000 registered businesses and 30 high street retailers, use eBay.co.uk to reach the UK's largest online shopping audience;
- eBay.co.uk has more than 13,000 categories.

brands4friends' fast stock turnaround, eBay's wide reach, Daily Deals and the recent recruitment of Miriam Lahage should make this an interesting area of development to watch.

### MOVING FORWARD

eBay has no plans to stand still. Donahoe wants to continue the group's push into new markets. He has aspirations to grow the global marketplaces' revenues to \$7bn - \$8bn by 2013, and aims to do this by using more technology-led innovation, tailoring customer experiences and increasing cross-border commerce.

According to Gilmartin, innovation will come from inside eBay as well as from outside sources. Acquired innovation tends to remain within eBay in the region in which the expertise was founded, before being rolled out to other country sites when appropriate. Hence Red Laser remaining as part of its US business and brands4friends within the European operation. Fashion Outlet was launched in the UK and is only now being rolled out in Germany.

It is working on a number of social commerce tools, and has signed up for the Twitter @anywhere service as well as offering deals through its life4less Twitter feed and monitoring via Deal Hunter. It launched Group Gifts in the US in time for Christmas 2010. This offers people the ability to join together to buy a bigger or better gift for someone they care about.

At the time of the launch, the company said: "Through this innovative application we are defining the concept of group gifting online by leveraging deep integration with eBay, PayPal and Facebook to provide a simple and friendly solution that addresses every stage of the process, from gift selection and collecting money to inviting friends and physically delivery the gift on behalf of the group."

It's very early days for the Group Gifts social commerce application and eBay has not revealed any plans to launch it on its other sites outside of the US. However, it does show how eBay is continuing to work on ways of helping buyers and sellers to connect. With this foundation of connecting buyers and sellers eBay "sees itself as one of the forerunners in social commerce," comments Gilmartin. "We'll continue to innovate as will our competitors," she adds.



### MOBILE MOVES

The first priority for the UK business, though, is meeting the needs of its 17m visitors, followed by exploiting the massive growth in mobile: one item is already sold on eBay via mobile every two seconds. "Mobile has been such a huge success for eBay," says Gilmartin. She explains that eBay Inc expects the channel to be worth \$4bn this year.

Ultimately, eBay must make sure customers can find the item they want, fast, and this is another area in which it is doing its own research. The huge momentum that is building behind shopping by mobile has seen the introduction of iPhone apps, and there are signs of innovative functionality cross-pollination. Mobile devices' smaller screens mean



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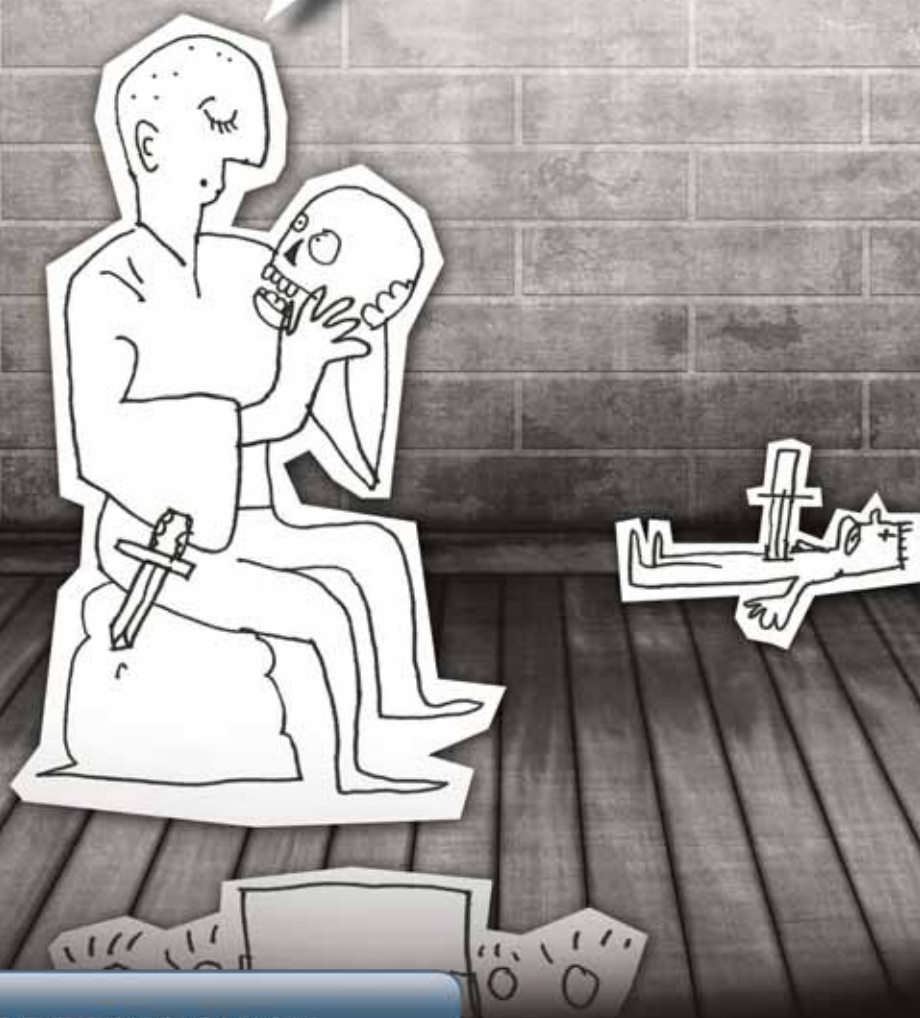
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that searches have to be more defined and results better concentrated because they can accommodate fewer options than a full-size desktop PC screen. "Search is making us learn about how to get the right item to the buyer faster and help them to make their purchase," explains Gilmartin.

Another technology on eBay's radar is augmented reality (AR). The functionality of the 'try it on' virtual changing room enabled by AR first appeared on the iPhone fashion app, allowing users to try on sunglasses. Roeland Loof, Senior Manager for Mobile at eBay Europe, commented to M-retailing.net in November: "To date, we have not seen much real use of AR in retail and I think that we will, in 2011, see AR come into its own in improving the customer experience." As will other innovations at eBay, if AR proves successful it will be ported onto the main country sites.

### ALL-ROUND EXPERIENCE

Of course, all this support for retailers and the introduction of innovations to help shoppers find things faster has to be balanced with the end-to-end customer experience. Although it's becoming more like a retailer, eBay sees itself as the retailers' partner. It does concede, though, that it will have to start acting more like a retailer and promote items for special events such as Valentine's Day. "eBay is a complementary channel to brands and to retailers," explains Gilmartin, and retailers see it very much as an additional channel to their own multi-channel strategies.

So, while courting brands to open Outlet stores, eBay will also be pushing the advantages of using it as a place through which to trade internationally (around 20% of eBay's global business is across international borders.) According to Gilmartin, the sentiment is: "As long as the retailer can handle international delivery, eBay will do the rest."

And the group is very enthusiastic about expanding a more retail feel to other verticals. Gilmartin says: "This verticalisation trend is pretty exciting. It helps shoppers buy faster and sellers be more successful online. In the same way that fashion buyers have specific needs, so too do buyers in other categories."

eBay Electronics and eBay Home are the next areas to get a makeover. Although eBay wouldn't reveal exactly when, some changes are being seen already in Electronics with different forms of pricing, trends and product reviews. The Home & Garden category will offer a more visual search experience as the learning from fashion filter into that category. So, if you retail in any of eBay's 13,000 categories, now is the time to take note of the one-time auction enabler and decide on your strategy for embracing – or countering – its appeal to be your partner. ■

**eBay's Electronics category is starting to get a makeover**

# B&Q REVIEW

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

## RETAIL STRATEGY

**Emma Robertson,**

**Senior Multi-channel Consultant, Transform**

As the UK's largest DIY and Garden Centre retailer B&Q clearly knows its market and its customer base, with over 50% market share and nearly twice as big as its nearest competitor. The challenge remains in how to translate this success online.

In pursuit of this goal, B&Q have redesigned and reinvented the proposition several times since launching in 2001. The current incarnation of DIY.com launched in 2009 on ATG, and involved a wholesale redesign of the customer experience around 3 persona types – inspirational, functional and trade.

At the heart of these personas lies the fundamental challenge of the market that B&Q operate in, exaggerated by the nature of the online environment. B&Q are trying to satisfy the needs, wants and behaviours of very different customer missions – ranging from the elongated decision making processes of the home improvers through to the in-and-out requirements of the trade customers.

Within this mêlée the current resolutions seems to be one of divide and conquer. New initiatives point to a separation of the trade offer through the launch of Trade Point and the continued development of the Screwfix brand both online and offline. The DIY.com experience has moved further towards supporting the inspirational and browse based customer journeys, with the online experience replicating their high street retail competitors – including signing up with Bazaarvoice for customer reviews and using celebrity endorsements to advise on both style and DIY knowhow.

The most significant step change in the consumer offer has been the launch and roll out of Reserve and Collect. The operating model works by allocating store stock to an online customer, with the inherent risk that stock levels are inaccurate or already circulating the store in another customer's trolley. All of this can be mitigated by a risk based stock allocation algorithm, and gives B&Q the advantage of selling existing stock rather than

absorbing the cost of shipping to store.

The bad news for B&Q is that despite the redesign and these clearly positive developments, in a Which survey at the end of 2010 B&Q came out as joint worst online retailer. However, the fact that it was there with Homebase perhaps suggests that it is the market proposition for DIY & Home Improvements which is yet to be cracked online, rather than the retailer itself.

## USABILITY

**Laurene McCafferty,**

**Usability Consultant, User Vision**

B&Q operates in a difficult space for online shopping since they sell a vast range of products, some of which may be practically impossible to deliver. B&Q also operates a sister site for next day delivery where all products are definitely available for rapid delivery which is actively promoted through the site.

The website offers a straight-forward browsing experience to its users. The global navigation is clearly broken down and a faceted left navigation allows users to see progressing subsections and the number of items in each.

Issues arise moving towards the purchase process. The gallery view does not provide a call to action button to add items to the shopping basket leading to a pogo-sticking effect. Whilst a useful link to select a store to check stock and reserve to collect is provided, there is no indication that this product is not available to purchase online for home delivery.

Starting the online purchase it soon becomes clear that the user may not be able to buy their product online after all. For many items the only option is to 'Save For Later'. Information about whether the product is available on B&Q's next day site is also not available.

Overall, the B&Q main site has many good features such as the categorisation and site navigation. There are some barriers to the typical user journey such as the gallery page presentation and the inconsistency between the purchase button labels. However the pervading problem is a lack of active notification to

the user which can lead to a time-consuming frustration for many. The fact that the B&Q site is not a true ecommerce site, and even reserve and collect is often unavailable, will surprise many and limit its overall value to many consumers.

### EYE TRACKING ANALYSIS

**Guy Redwood, Managing Director, SimpleUsability**

Participants were taken to the B&Q home page and asked to find products that they could buy from B&Q that would reduce heating bills. Most users scanned over the various menus at the top of the page and then hovered over the black buttons and worked their way through the mega-dropdowns. Users were initially frustrated with the complexity of the menus and the way they changed if their mouse clipped a corner when going to click. Participants were unable to predict where a product would be within the menus as the structure seemed random to them. Where would you expect to find 'loft insulation'? Later on, some users were further annoyed with the huge mega-dropdown obscuring page content, if they moved their mouse to the top.

Once in the 'loft insulation' section, users expected some supporting guides, not just a list of products. The only contextual link offered was for the fast delivery. Users liked the crisp product photography and used it as a primary cue for navigating products in category pages. On product detail pages, some users initially assumed that the white space underneath the product code meant that there was no further product information available. Most participants realised that they needed to scroll down the page for further details and customer reviews.

Eyes bounced off the horizontal lines on the product page below the photographs. If users had clicked on a recommended product, they had to rely on the back button to explore a category further due to the bread crumb disappearing.

When navigating content sections, users were forced to consistently scroll at standard resolutions to reveal content below the banners. This design flaw meant that the top part of the left hand navigation was ignored as it was off-screen. Overall users were quite happy to work with the issues outlined above but struggled with the complicated 'shopping list' (basket) functionality.

### SITE PERFORMANCE

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

The performance of the B&Q home page at diy.com was measured from major UK backbone nodes for the 30 days running up to 14 February 2011. While measuring the performance it was apparent B&Q was engaged in a third-party A:B testing programme that had an impact on the overall performance of the site.

We measured the home pages of another 24 major UK retailers at the same time from the same locations. The average page download speed for B&Q during this time was 2.254 seconds. This placed B&Q in the lower half of the Gomez benchmark at 15th fastest (out of 25 retailers). This time was slower than top performer – Tesco – which recorded an average of 0.258 seconds.

B&Q's website didn't perform as well when considering the consistency of the page speed downloads. A standard deviation for the period, of 4.605 seconds, placed its website 24th (second from bottom) in the consistency benchmark. The top performer (Tesco again) proved that a high degree of consistency is possible, with a standard deviation of 0.256 seconds. The only retail home page to fare worse in this test was Comet, with a standard deviation of 5.159 seconds.

From the Last Mile, B&Q's home page performance was poor sitting near the bottom of the Last Mile response time and availability benchmarks. Home page download speeds of 8.894 seconds to end user PCs (where customers sit) are about four times slower than the same page being delivered to UK internet Tier 1 data centres. Top performer, Tesco, again proves that it is possible to serve fast home pages to the end user - with an average speed of 1.647 seconds. Tesco's availability for the same period is 99.58%, over 4% more available than B&Q's 95.38% availability. As well as issues seen from third parties (see in backbone data), another contributor to the relatively poor performance was the constantly changing page weights, ranging from around 500kbytes, to a weighty 800+ kilobytes during the measured period.

But, again, it needs to be stressed that although these scores give the impression that B&Q's site isn't performing well, it needs to be balanced with the testing that is taking place as the brand prepares for the DIY season (which is a good thing for its customers). ■



Eye tracking gaze plot for www.diy.com  
Source: SimpleUsability

### GOMEZ SCORES DIY.COM 2 STARS OUT OF 5 MADE UP OF THE FOLLOWING:

**Availability on Last Mile Score:** 8.5 out of 25  
**Response Time on Last Mile:** 5 out of 25  
**Consistency on Backbone:** 1.2 out of 15  
**Competitiveness on Backbone:** 7.2 out of 15  
**Browser Support:** 17.5 out of 20  
**Total 39.4 out of 100**



# INTERNET RETAILING EXPO

Internet Retailing Expo promises to bring together the suppliers, channels, interests and disciplines within our growing and dynamic industry. Emma Herrod discovers the ins and out of the new industry event.

**INTERNET RETAILING** Expo (IRX) is taking place on 23 and 24 March at Birmingham's NEC. The new event combines a large exhibition area with JumpStart procurement events, hands-on workshops and 2 conferences.

The focus is on actionable insights; a place for growing online and multichannel retailers to take the learnings from leading and innovative retailers and suppliers in a format that helps you apply them to sell more effectively – be that through talking to the suppliers, hearing supplier pitches in the JumpStart events or listening to retailers sharing experiences in the conference sessions.

IRX brings the Expo format to life. Beyond a static 'wander and chat' format, we've added:

- 120 leading suppliers to the ecommerce sector, with specific attention to the needs of multichannel retailers, growth-sector businesses, SMEs and the emerging eBay PowerSelling companies;
- A keynote theatre and expert presentations, geared on practical advice and learning - how to implement winning strategies and learn from the best in our sector;
- InternetRetailing.tv - a live programme of interviews, screenings and unique content;
- Rolling JumpStart in-show events. More than a static collection of exhibitors, we will be pitting leading players against the clock, with 20 minutes to persuade delegates of their character, capabilities and approach. These sessions bring the 'on-paper comparisons' to life and give you a real flavour of the differences between suppliers;
- A hands-on workshop programme running in parallel: why read about products or listen to presentations when you can experience capabilities hands-on in these valuable sessions?
- Special guided 'trails' - regular guided "paths"

## 10 REASONS TO ATTEND IRX

- Get closer to best practice technology from 120 leading suppliers across all sectors of ecommerce and cross-channel retailing;
- Experience the latest launches and new products in the Exhibition Hall;
- Follow guided topic Trails through the exhibition to meet the best range of suppliers to give you relevant insight and stimulus in the shortest time;
- Immerse yourself in the Workshop Programme and gain an in depth understanding of key topics;
- Compare supplier offerings through the fast paced JumpStart Events;
- Gather actionable insights from 2 free-to-attend Conferences;
- Avoid the pitfalls and learn from the experiences of growing retailers who have already been there, done that – and sharing there experiences at the Internet Retailing Insights conference;
- Learn from the innovations and winning strategies shared by leading retailers at the Internet Retailing Evolution Conference;
- Be inspired by the keynote presentations covering venture capital and business growth, customer loyalty through Tesco's Clubcard and monetising social networks and why you don't have to follow the crowd to be a success.
- Registering for tickets is easy and free. Visit [www.internetretailingexpo.com](http://www.internetretailingexpo.com)

through IRX for special interest groups, sectors or industries. These paths will be lead by our subject matter experts and will ensure that you get to meet the best range of suppliers to give you

relevant insight and stimulus in the shortest time;

- Advance booking of meetings slots with key suppliers. Schedule meeting with key suppliers during your visit and make the most of your time while getting beyond collecting brochures and generic information.

Explaining why such an intense learning opportunity and variety of formats has been chosen for the event, Ian Jindal, IR's Editor-in-Chief comments: "For the last four years the London-based Internet Retailing conference has sold out of exhibitor spaces months before the conference. In parallel, our readers ask for more structured opportunities to review the state of the art in suppliers and to learn practically from leading ecommerce practitioners. Over the last year our JumpStart 'rapid procurement' format has brought readers and suppliers together for topical, intense and succinct 20 minute presentations around a given theme or area. In addition, our Roundtable and Supplement programmes have shown the benefit of detailed discussion between suppliers and industry peers about the practical "how to" aspects of implementing best practice."

IRX is not an event just for those in the sector with the biggest budgets. Whether you're a business leader, procurement professional, senior line manager or kitchen table start-up, IRX aims to help you take your business to the next level.

Two separate, free-to-attend conferences will bring together retailers, industry leaders and trendsetters to share experiences and insight into implementation of best practice solutions, operational workings and areas on the development radar of Enterprise and SME retailers.

Both conferences run for the full day on 23 March and until lunchtime on 24 March with key retailers presenting including Naked Wines, Tesco.com, Debenhams, BrandAlley, Kiddicare, Charles Tyrwhitt, Mobile Fun, Comic Domain and TrueShopping.

### IR CONFERENCES

The Internet Retailing Insights conference will focus on best practice and retailers' learnings enabling

*Julie Meyer, CEO,  
Ariadne Capital  
and BBC Online  
Dragon*



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The UK's Favourite Baby Website

**red letter DAYS**

smaller businesses and those currently at an early stage of multichannel operations to get up to speed with systems and strategies to take their business forward.

In between the two keynote presenters – Julie Meyer opening the conference and Rowan Gormley closing it – is a day and a half of inspirational presentations from retailers and industry commentators all wanting to share their experiences and hear your questions. At the Internet Retailing Insights conference delegates will:

- Gain an understanding about platforms and system choices and managing multiple sites and hear from retailers at different stages of growth;
- Learn from Nick Wheeler, founder of Charles Tyrwhitt, about how you build or lose a business exactly the same way – one customer at a time;
- Hear lessons learnt and tactics used by Mobile Fun to achieve success trading internationally;
- Learn from Red Letter Day's experience of maximising online sales through affiliate marketing.

Amazon will also be presenting with Amazon Services Europe sharing insights into the Marketplaces, white label, phone and store channels offered by Amazon and how it can help with expansion across Europe and into the USA and Asia with minimal outlay and risk.

The Internet Retailing Evolution conference meanwhile, will focus on best practice and retailers' learnings to get to the heart of issues being grappled with by enterprise-scale retailers. Presentations will look at fresh experiences and recent insights, showing where leading thinkers are finding inspiration, looking for new

commercial angles or finding challenges while innovating at scale.

Presentations will cover everything from marketing through to rich media, multichannel evolution, crowdsourcing, building a customer-centric business with technology and delivering efficiencies and customer delight. Delegates to Internet Retailing Evolution will come away with insight into:

- How online marketers are planning to improve consumer experiences in 2011;
- How technology can help build a customer-centric business;
- Why Tesco makes website availability top priority to deliver improved sales;
- Useful techniques to gather insight on customer behaviour and how it has driven Debenhams' multichannel journey;
- What you need to develop a mobile strategy that is future proof and which protects your existing investments.

The issue of mobile commerce was a big topic for 2010 and continues to be high on the priority list for many retailers in 2011. With developments moving at such a pace that makes tying down specific topics difficult, Internet Retailing Evolution will cover the hottest topics in the mobile arena with a panel discussion of experts and retailers. The panel will be chaired by Paul Skeldon, Editor of M-retailing.net, and he will be joined by: Roeland Loof, Senior Manager of Mobile, Europe, eBay; Harriet Williams, Strategy and Online Marketing Controller, Debenhams; Sienna Veit, Social & Mobile Commerce Development Manager, Marks & Spencer; Stephen Rothwell, MD, Eagle Eye Solutions and Paul Maass, Director of Business Development, Usablenet.

What makes the Internet Retailing Expo different to other events though is the different ways to experience, get answers and tailor a hard won day out of the office into something that fits your plans, issues and stage of business growth.

Anyone who has been to an Internet Retailing event in London will know the level and focus that



*Rowan Gormley,  
founder,  
Naked Wines*

## FULFILMENT



Where delivery used to be a simple case of putting an item in the post or on a carrier's van for delivery to the customer in 5-7 days it is now an area in which to delight customers, exceed expectation, differentiate and offer choice. Almost 70% of retailers now offer at least two delivery options, usually standard and next day, with 17% able to deliver on a nominated date and 10% of online retailers offering same-day delivery. And that's before we get into order tracking and the complexities of multichannel and its reserve online, collect in store facilities. IRX offers plenty of opportunity amongst the workshops, JumpStarts, conferences and exhibition hall to help inspire you and delight your customers.

### In the conferences:

Debenhams - Making Debenhams multichannel Transform - Seamless channel shift  
MetaPack - Delivery efficiencies and customer delight  
Amazon Services Europe - Using multiple channels to drive growth  
Mobile Fun - Breaking down international borders  
Isabella Oliver - From a "bun in the oven" to a fast growing international online multichannel business

### Workshops

Hybris: The Multichannel Customer  
PortalTech: Using technology to exploit customer behaviour and drive sales cross channel

### JumpStarts:

International & Cross-Border  
Multichannel

### Exhibitors:

Amongst the companies focussing on this area in the exhibition hall are TNT Post, MetaPack, Sanderson Multi-Channel Solutions, micommerce, Collect+, Spring Global Mail, Maginus, Omnica and Royal Mail.

these events can get to – capped off with plenty of opportunities to network. IR Expo brings the learnings from all areas of the Internet Retailing stable of print, web and events into one place – albeit a very large place at the NEC.

### WORKSHOPS

Visitors to Internet Retailing's London conference will be familiar with the in-depth learning opportunities offered by the workshop sessions.



## CUSTOMER FOCUS



Customer-centricity, the gold standard of the etailing world. A criterion that influences all decisions made across a company, impacts any point that touches the customer and influences their journey. From customer behaviour to post-purchase service, email, marketing to social networking nearly everything retailers do has a direct or indirect impact on the customer and their final purchasing decision. IRX offers plenty of opportunity amongst the workshops, JumpStarts, conferences and exhibition hall to help you find the right tools to make every touchpoint positive.

### In the conferences:

Efficient Frontier - Retail tips: creating high-performing digital marketing campaigns  
Charles Tyrwhitt Shirts - One customer at a time  
Kiddicare - How Kiddicare built a customer-centric business with technology  
Closing keynote by John Butler, former Head of Communications and Media, dunhumby. Topic Monetising Social Commerce

### Workshops:

Who's On (Parker Software): Session 1 - Live Chat An Interactive Demonstration for Customer Support/Service Enhancement

Brightcove: Video Ecommerce: Uses Cases and ROI

Hybris: The Multichannel Customer

10CMS: Re-invent the landing page: Inspire with compelling and interactive content that drives conversion rates

PortalTech: Using technology to exploit customer behaviour and drive sales cross channel

### JumpStarts:

The Need for Speed  
Multichannel

### Exhibitors:

Amongst the companies focussing on this area in the exhibition hall are Feefo, Emarsys, Live Person, SLI Systems, Autonomy and Email Centre.

Hybris, Who's On, Brightcove, 10CMS, Webtrends and PortalTech will run workshops with topics including live chat, real-time website visitor analytics and video ecommerce. As with the rest of the show, these workshops are all free-to-attend, and last for either a full morning or the afternoon.

The workshops are always really popular so if any of the topics are on your to do list for ecommerce this year I think it's going to be a case of reserve your place soon. The different workshops are as follows:

### ■ Hybris: The Multichannel Customer

This workshop will show attendees where multichannel comes from, why multichannel, what multichannel looks like and the challenges faced executing it. What can be done to overcome the challenges and maximise the opportunities - from quick wins to strategic change.

### ■ Who's On (Parker Software):

Session 1 - Live Chat An Interactive Demonstration for Customer Support/Service Enhancement. This workshop will include a live demonstration illustrating the use of Live Chat to help improve online customer support, service and satisfaction. Workshop highlights will show how to reduce operating costs, improve first contact resolution and ensure greater efficiencies are achieved within a service desk or contact centre environment.

Session Two - Live Chat and Real-Time Website Visitor Analytics Session. This session will include a live demonstration showing how retailers can re-create an in-store experience online with live website visitor analytics, pro-active and re-active chat to help improve online sales/conversion, and gain greater insight into the online customer journey.

### ■ 10CMS: Re-invent the landing page:

Inspire with compelling and interactive content that drives conversion rates. This workshop promises that attendees will discover the ease with which the 10CMS Commerce Content Management platform transforms landing pages - to deliver a compelling content experience that is proven to drive consumer engagement and power conversions. During this workshop James Brooke, CEO at 10CMS, will demonstrate the intuitive tools that have enabled retailers such as LKBennett, Kiddicare.com, Halfords and TKMaxx to optimise key landing pages with transactional content modules that have significantly increased conversion rates and average order values.

### ■ Brightcove: Video Ecommerce:

Uses Cases and ROI. This workshop will cover: Publish once, play across multiple devices; Leverage Facebook and social media; Effective user experience from play button to shopping cart. So, if you're looking to determine if online video is right for your retail efforts, want to learn how to create compelling product video, how and where

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to publish your videos for maximum impact, what to measure in your video ecommerce efforts or just hear which other retailers are driving ROI with video, then sign up for this workshop.

#### ■ Webtrends: The Digital Revolution Workshop.

The web has grown at break neck speeds in recent years, and the way in which retail marketers need to approach it is ever-changing. Digital intelligence is crucial to the success – but how do you embrace this and ensure your organisation is collaborative in its approach?

From optimisation to social media, the Webtrends Digital Revolution Workshop will explore the latest landscape and consider how it is possible to revolutionise your online presence.

#### ■ PortalTech: Using technology to exploit customer behaviour and drive sales cross channel.

This Interactive workshop will engage the entire audience in an experiential customer channel activity - you will explore and learn how different channels can be supported by technology to engage different customer groups and drive sales, identify and implement the right technology to support your sales and marketing needs, short & long term, how is your customer interacting with technology cross channel; how can you leverage cutting edge technology to exploit customer behaviour; what technology is needed to support mobile cross channel; convert that browser into a loyal customer and a sale.

### IR JUMPSTARTS

For those of you already focusing on the next step in your ecommerce evolutionary journey the JumpStart events are a good way to hear from and compare suppliers around the key topic without the sales flannel and fluff. Delegates will hear essential commercial considerations on the topics of International and cross-border retailing; The need for speed; Multichannel.

#### ■ International & Cross-Border

Once your business is online it's visible to an international audience. Even without significant investment in international capability it's possible for international customers to order, pay and have goods shipped to them. This JumpStart will consider the gamut of international trading - from simply allowing international customers to buy from you if they so determine, through to an active market entry with tailored services for the local, international customer. Presenting their expertise will be Spring Global and Ogone Payment Services.

## Fast Track Briefing Programme JUMPSTART

An INTERNET RETAILING event

#### ■ The Need for Speed

This JumpStart event will focus on engaging customers in an age of "I need it now" mobile access and growing intolerance with poor experience. Gomez will highlight how retailers need to focus increasingly upon speed, not just the apparent speed of servers, of their response of marketing, but rather the customer's perception of speed. In the JumpStart Gomez will take the customer's perspective and consider speed, responsiveness, agility... Being there for the customer, on time, every time.

#### ■ Multichannel Customers neither understand nor care about "channels": they identify with your brand and products and expect to be able to

### MOBILE RETAILING



Mobile is rapidly becoming the glue that holds together the multichannel experience. It's the store front in the pocket that can generate revenues 24x7. But m-commerce is much more than that. Yes, it's a sales channel for retailers, but also it is a communications channel, allowing retailers to build a personal relationship with shoppers, who can come to view the brand as a 'friend' that helps them buy what they want. Mobile is very much the lynch pin of modern retail.

#### In the conferences:

Mobile commerce panel discussion with Paul Skeldon, Editor, M-retailing.net, eBay, Debenhams, Marks & Spencer, Eagle Eye Solutions and Usablenet.

#### Workshops:

Hybris: The Multichannel Customer  
PortalTech: Using technology to exploit customer behaviour and drive sales cross channel

#### JumpStarts:

The Need for Speed  
Multichannel

#### Exhibitors:

Amongst the companies focussing on this area in the exhibition hall are Mubiquo, Webrends, Udozi, One Iota





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**STAND J8 - INTERNET RETAILING EXPO, 23 - 24 MARCH**

## PAYMENTS & FRAUD



Payments are at the very heart of ecommerce: indeed, the difference between 'digital marketing', 'social networking' and honest-to-goodness retail is the simple concept of taking a customers' cash in return for goods and services. Retailers though are having to balance the desire to offer customers choice of payment method with ease of use while having to meet the need for increased security. IRX offers plenty of opportunity amongst the workshops, JumpStarts, conference and exhibition hall to help you find the right mix of payment solutions and fraud solutions for your business needs – and some exciting new developments and launches.

### In the conferences:

Mark Brant, Director, Large Merchant Sales, PayPal UK  
Amazon Payments - Improving online buying experience is critical to success of retailer

### JumpStarts:

International & Cross-Border

### Exhibitors:

Amongst the companies focussing on this area in the exhibition hall are PayPal, Ogone, Sage Pay, Callcredit Information Group, Optimal Payments and Retail Decisions.

learn about, be inspired by and purchase at every touchpoint: online, in store, by phone, from print and mobile. This JumpStart event will look at the latest developments in selling across all touchpoints, and how to keep messages consistent, understand where your stock is and how best to get into the customers' hands, as well as the increasing impact of mobile commerce and social retailing on the multichannel landscape. 10CMS, RedEye and Autonomy will all present.

Each presentation lasts 20 minutes with 10 minutes for Q&A with the focus set for retail, commercial professionals rather than technical personnel. Attendees will gain an overview of the subject, key trends and specific case studies along with ideas that are ready to implement immediately to take advantage of topical best practice. All of the JumpStarts will be filmed and IRX visitors will have full access to the video archive, presentations, downloadable resources and contact details of the presenting companies.

## VISIT SOME OF THESE EXHIBITORS:



## IR EXPO

And, then if there's any time left from all the learning opportunities, there's still the exhibition hall to wander around with plenty of technology to try out and suppliers to quiz. You may need the full two days of Internet Retailing Expo for the Exhibition Hall alone.

Among the platforms, systems, services, delivery companies and milling crowds will be a number of new product launches including an entry level, on-demand tool for behavioural email and basket abandonment from RedEye.

Postcode Anywhere will have a beta demo of their new adaptive data cleansing engine Cleanse+ while Omnica will be showcasing the latest functionality of its webstore.

On the delivery side, visitors will be able to see the latest version of the MetaPack delivery management system and visit Stand J1 for the intriguing launch of fulfilment solution provider Junga "specifically developed to meet the demanding needs of retailers," according to the company.

Registering for free tickets to Internet Retailing Expo is quick and straightforward. Just visit [www.internetretailingexpo.com](http://www.internetretailingexpo.com) where you can also make appointments with exhibitors and find out more about the exhibitors, speakers, conferences, JumpStarts and workshops.

All at IR Towers look forward to seeing you there.

Book your free tickets at

[www.internetretailingexpo.com](http://www.internetretailingexpo.com)

Follow IRX on twitter @etailexpo ■



**23<sup>rd</sup> - 24<sup>th</sup> MARCH**  
**NEC, BIRMINGHAM**  
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**[internetretailingexpo.com](http://internetretailingexpo.com)**



# INTERNET RETAILING EXPO CONFERENCES

**RUNNING ALONGSIDE** Internet Retailing Expo are two free-to-attend conferences, Internet Retailing Insights and Internet Retailing Expo. The Internet Retailing Insights conference will focus on best practice and retailers' learnings enabling smaller businesses and those currently at an early stage of multichannel operations to get up to speed with systems and strategies to take their business forward.

Julie Meyer, co-founder of First Tuesday, BBC Online Dragon and CEO of Ariadne Capital will open the Internet Retailing Insights conference with a not-to-be-missed presentation covering venture capital and business growth.

The closing keynote will be done by Rowan Gormley who will share the trials and tribulations of founding and growing Naked Wines into the business success it is today. For those of you who haven't come across Naked Wines yet, the company has changed the business model for the drinks industry investing in bottles of wine before they are produced so that the wine producers know they have a guaranteed market and the customers get a preferential price. He's happy to share the mistakes made along the way, the top issues he wishes he'd known before starting out and why you don't have to follow the crowd to be a success online.

In between these two keynote presenters is a day and a half of inspirational presentations from retailers and industry commentators all wanting to share their experiences and hear your questions.

The Internet Retailing Evolution conference meanwhile, will focus on best practice and retailers' learnings to get to the heart of issues being grappled with by enterprise-scale retailers.

*Harriet Williams,  
Strategy and  
Online Marketing  
Controller,  
Debenhams*



*John Butler,  
former Head of  
Communications  
and Media,  
dunnhumby*

Presentations will look at fresh experiences and recent insights, showing where leading thinkers are finding inspiration, looking for new commercial angles or finding challenges while innovating at scale.

Presentations will cover everything from marketing through to rich media, multichannel evolution, crowdsourcing, building a customer-centric business with technology and delivering efficiencies and customer delight.

Harriet Williams, Strategy and Online Marketing Controller at Debenhams will focus on Debenhams' journey into multichannel and mobile retailing, explaining the techniques and technologies that have been used to gather and analyse customer behaviour and gain insight to drive forward business strategy. While Simon Harrow of Kiddicare will cover some of the technologies that have made Kiddicare an ecommerce leader in the UK - including: mobile, social, navigation, delivery and video.

The hottest topics in mobile commerce will be discussed by a panel of experts and retailers chaired by m-retailing.net's Editor Paul Skeldon.

The conference will close with a keynote presentation from John Butler, former Head of Communications and Media at dunnhumby, the company behind the successful Tesco Clubcard. As he points out before the conference, "Retail loyalty programmes are far more than just points schemes. If the game were simply about giving things away, everyone would be as successful as Tesco." In a presentation entitled Monetising Social Commerce, John will share the do's, don'ts and lessons learnt from working with Tesco, Kroger, Macy's and BestBuy and how they are bringing loyalty and social networks together to make happier, loyal customers.



## INTERNET RETAILING EVOLUTION

### HARNESSING THE ENTERPRISE FOR CHANNEL GROWTH

#### Sponsor: Efficient Frontier

23 March – Day One

- 10.30 Keynote: Making Debenhams multi-channel**  
This presentation will focus on Debenhams' journey into multi-channel and mobile retailing, explaining the techniques and technologies that have been used to gather and analyse customer behaviour and gain insight to drive forward business strategy.  
Speaker: Harriet Williams, Strategy and Online Marketing Controller, Debenhams
- 11.00 Making natural search pay for retailers**  
Martin Dinham will talk about how, in a digital environment where there is a proliferation of paid marketing channels, retailers can still harness free traffic from Google and other 'natural' search engines.  
Speaker: Martin Dinham, Director, Guava
- 11.30 Rich relevant experiences across all touch points**  
Creating rich relevant customer experiences is vital for engaging customers in a digital age but how successful have online retailers been at doing this? This presentation will cover the top 'must do' activities for an engaging digital environment.  
Speaker: Max Childs, Senior Marketing Manager, Adobe Scene7
- 11.50 Tesco makes website availability top priority to deliver improved sales**  
Tesco will outline the benefits of putting the customer experience first. By looking at the performance, availability and consistency of journeys across its websites using SciVisum's dynamic user journey monitoring, Tesco can ensure that any system errors are identified and rectified before the customer experience is directly impacted.  
Speakers: Luke Fairless, Head of IT Operations, Tesco.com and Agnes Gough, Sales and Marketing Director, SciVisum
- 12.10 Retail tips: creating high-performing digital marketing campaigns**  
So, how should retailers use digital marketing in 2011 to get ahead of the competition? In this seminar, Emily Gudeman will present Efficient Frontier's new paper entitled: "Digital marketing resolutions for retailers in 2011" bringing it to life with real examples.  
Speaker: Emily Gudeman, Account Director, Efficient Frontier
- 12.40 Break**
- 1.40 Mobile commerce panel discussion**  
Our expert panel will look at how far mobile retailing has come and where it is heading – giving you the chance to learn what you need to develop a mobile strategy that is future proof and which protects your existing investments. Panel includes: Paul Skeldon, Editor, M-retailing.net (Chair) – Roeland Loof, Senior Manager of Mobile, Europe, eBay – Harriet Williams, Strategy and Online Marketing Controller, Debenhams – Sienna Veit, Social & Mobile Commerce Development Manager, Marks & Spencer – Stephen Rothwell, MD, Eagle Eye Solutions – Paul Maass, Director of Business Development, Usablenet
- 2.30 Seamless channel shift**  
Ensuring a seamless cross-channel experience for the customer is just one aspect of current retailing evolution. Making sure that customer experience and organisational performance are achieved without a detrimental affect on each other takes a few more steps.  
Speaker: Emma Robertson, Senior Multi-channel Consultant, Transform
- 3.00 Delivery efficiencies and customer delight**  
Delivery is now recognized as an essential part of online retailing, not just part of the messy, dirty backend process. Hear Patrick's insight from the retail and carrier perspective.  
Speaker: Patrick Wall, CEO, MetaPack
- 3.30 Conference close**

24 March - Day Two

- 10.00 Retail tips: creating high-performing digital marketing campaigns**  
So, how should retailers use digital marketing in 2011 to get ahead of the competition? In this seminar, Emily Gudeman will present Efficient Frontier's new paper entitled: "Digital marketing resolutions for retailers in 2011" bringing it to life with real examples.  
Speaker: Emily Gudeman, Account Director, Efficient Frontier
- 10.30 Fast fashion faster**  
Forcing people to reappraise the way they shop and opening up the world of luxury goods to all, BrandAlley is now going one-step further. Their innovative Le Lab concept demonstrates the empowerment that a strong database can bring. With speed to market being of the essence in a private sales model, online retailers of all kinds can learn from the experiences of BrandAlley's product journey.  
Speaker: Melissa Littler, Marketing Director, BrandAlley
- 11.00 How Kiddicare built a customer-centric business with technology**  
As the UK's leading online nursery company, Kiddicare has forged a special relationship with its customers through deploying exciting and innovative technology to create an efficient, open and inventive business. This talk will cover some of the technologies that have made Kiddicare an ecommerce leader in the UK - including: mobile, social, navigation, delivery and video.  
Speaker: Simon Harrow, Technology Officer, Kiddicare.com
- 11.30 Payment Innovation and mobile-commerce**  
M-commerce is set to soar in 2011 - we're seeing trends in mobile commerce much like internet adoption in the mid-'90s. We're excited to be a part of this innovation and would be delighted to share some of our knowledge and predictions with you.  
Speaker: Mark Brant, Director, Large Merchant Sales, PayPal UK
- 12.00 Closing keynote: Monetising Social Commerce**  
John Butler, shares the do's, don'ts and lessons learnt from working with Tesco, Kroger, Macy's and BestBuy and how they are bringing loyalty and social networks together to make happier, loyal customers.  
Speaker: John Butler, former Head of Communications and Media, dunnhumby
- 12.30 Conference Close**

See us at stand J1

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on Tel: 0116 2344411  
Web: [www.jungo.co](http://www.jungo.co)  
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at IR Expo Jumpstart  
briefing, 24th March



## INTERNET RETAILING INSIGHTS BEST PRACTICE FOR SMES

### Sponsor: Amazon Services

23 March – Day One

- 10.00 Keynote: Julie Meyer, Dragon on BBC's Online Dragons Den and CEO, Ariadne Capital**  
**10.30 Platforms, data feeds and growth**  
 An independent overview of platform choices and insight into the questions to ask. This will be followed by case studies from retailers who have chosen different routes at different stages of growth.  
 Speakers include: Martin Hill, Managing Director, Brilliant – David Cresswell, eCommerce Manager, Comic Domain – Peter Lilley, Managing Director, TrueShopping
- 11.30 Using multiple channels to drive growth**  
 Successful online retailers are using multiple online channels to drive growth. Delivering consistent, excellent customer experience across these channels in large volume is challenging. Amazon Services Europe, through its suite of seller programs, is enabling merchants to take advantage of Amazon's know-how and technology to manage businesses of all sizes and scale. The presentation will include details about the ways Amazon offers channels for retailers through marketplaces, white label websites, phone and in-store applications. Last but not least discover how Amazon can help retailers either build from scratch or expand their online business, including order fulfilment, across Europe and even into the USA and Asia with minimal outlay and risk, ultimately fuelling growth into 2011 and beyond.  
 Speaker: Eric Broussard, VP International Seller Services, Amazon Services Europe
- 12.00 Increase conversion: How to turn visitors into shoppers with on-site search**  
 Internet retailers are losing at least 20% in their conversion rates due to failed searches. This presentation sets out to explore how improving on-site search can play a pivotal role in helping retailers and brands optimise their conversion rates for their online stores. Using the example of one of its clients, Time+Space, FACT-Finder and ecommerce software specialists Aspin will show that making a site easy to negotiate and providing customers with an intuitive navigation journey, will make products simpler to find, enhance the user's online experience and make them much more likely to buy from your website.  
 Speakers: Fact-Finder, Aspin and Time+Space
- 12.30 Break**
- 1.30 One customer at a time**  
 You build or lose a business exactly the same way - one customer at a time. Nick Wheeler will share insights into how you can learn from your mistakes to get stronger and how to find out what mistakes you're making in the first place.  
 Speaker: Nick Wheeler, founder and Chairman, Charles Tyrwhitt Shirts
- 2.00 From a "bun in the oven" to a fast growing international online business**  
 Isabella Oliver, an award winning, luxury maternity and womenswear fashion house, will talk you through its journey from startup to international sales success. Hear how the brand, with the help of its data marketing partner more2, built an international single customer view, using this to gain valuable insight into customer behaviour. Van Sonsbeeck and McSpadden will detail the marketing techniques which worked, and those that didn't, while explaining how they measured, and ultimately improved, the important metrics for the online business.  
 Speakers: Geoff van Sonsbeeck, co-founder and CEO, Isabella Oliver and Kevin McSpadden, founder, more2
- 2.30 Breaking down international borders**  
 A highly informative session covering the opportunities and hurdles associated with cross-frontier e-trading, including lessons learnt and tactics used by Mobile Fun to achieve success in the three largest EU countries for online retail.  
 Speaker: Mohammed Hussain, Managing Director, Mobile Fun
- 3.00 Conference close**

24 March - Day Two

- 10.00 Sponsor: PayPal**  
 Speaker: Mark Brant, Director, Large Merchant Sales, PayPal UK
- 10.30 It's all in the timing: maximising online sales through affiliate marketing**  
 The affiliate channel has been a major focus for leading online gift experience retailer Red Letter Days over the past five years. With key learnings from Red Letter Days' affiliate marketing campaign with affilinet, this session will discuss how to strategically plan campaigns to tie in with seasonal peaks in online sales and integrate the affiliate channel into the wider marketing mix. It will also advise retailers on how to strategically select publishers to maximise sales online and which innovative technologies help to optimise results.  
 Speakers: Joshna Patel, Affiliate Manager, Red Letter Days and Kevin Sutton, Key Account Manager, affilinet
- 11.00 Improving online buying experience is critical to success of retailer**  
 Improving customer experience and usability throughout the purchase experience is critical to any retailer's success with their online business. Increasing conversion at checkout continues to present a significant opportunity to grow sales. This sessions will examine how to go about streamlining the checkout process, providing convenience for customers and helping retailers realize their growth potential across channels. We will explore how the brand-conscious seller can provide a seamless shopping experience and optimize conversion.  
 Speaker: Jude O'Reilly, Principal - Product Management, Amazon Payments
- 11.30 Closing keynote: I wish someone had warned me**  
 Rowan Gormley will share the trials and tribulations of founding and growing Naked Wines, the mistakes made along the way, the top issues he wishes he'd known before starting out and why you don't have to follow the crowd to be a success online.  
 Speaker: Rowan Gormley, founder, Naked Wines
- 12.00 Conference close**

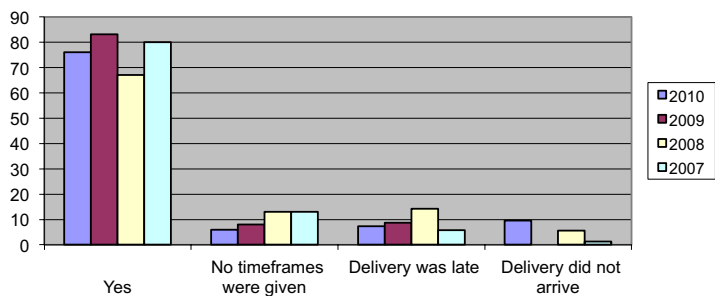




# ONLINE DELIVERING CHOICE, FLEXIBILITY & ON TIME

A quarter of retailers promise Saturday delivery as delivery choice for internet shoppers becomes the norm, according to the 2011 Online Retail Delivery Report from Snow Valley.

Did the order arrive within the given timeframe? (%)



**ALMOST** 70% of retailers now offer at least two delivery options, usually standard and next day, with 17% able to deliver on a nominated date and 12% supporting delivery at a time of day specified by the customer. The figures for large retailers are even higher and the industry as a whole offers more flexibility and choice for customers since last year's survey was conducted by Snow Valley.

The Online Retail Delivery Report is now in its sixth year, and charts the progress made by retailers across the years as customer choice and delivery options have evolved. Whereas in 2005, half the retailers gave no choice of delivery method or timing, 2011 shows that nearly 10% of retailers offer same-day delivery, nearly all of them in the fashion and gift sectors – and nearly all delivering only to London postcodes.

In all, 253 UK online shops were evaluated, with orders placed on 229 sites and the purchases traced through to delivery. Retailers were evaluated on a number of aspects around delivery charges, delivery time and cost options, flexibility, information and performance. In all:

■ 77% of the retailers allowed the customer to track

their order online;

- The average standard delivery charge was £4.17;
- Cross-channel is growing: 19% of the retailers supported 'collect from store', up from 15% last year;
- 77% of the retailers allowed the customer to track their order online;
- 4% of the retailers sent a text message alert regarding delivery;
- 16% of the retailers failed to respond to an email about delivery;
- 10% of the orders arrived on the next working day.

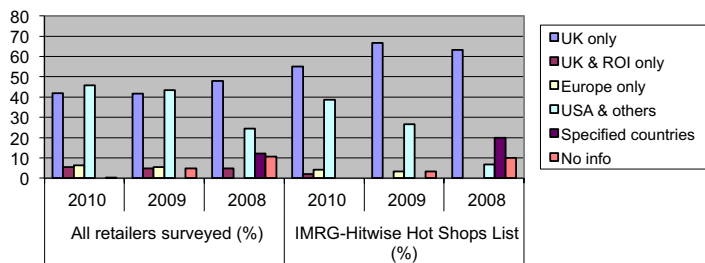
However, 94% of retailers gave an estimated delivery timeframe, either on their delivery information pages or during the order process but only 81% managed to deliver within that time - compared to 91% last year. Sarah Clelland, Snow Valley's marketing manager surmises that because the tests in 2010 were carried out in November, rather than the more usual summer time, the busy period may be affecting delivery promises; "I would like to hope not," she comments, posing an alternative reason that retailers may be "becoming more ambitious with timeframes and not able to match them".

Interesting it is the B2B sector that is giving better service to its customers. Some 90% of B2B retailers support next-day delivery with half of standard delivery orders arriving next-day.

Along with reporting on its findings, Snow Valley awards the retailers that provided an outstanding service during the research for the report. This year, John Lewis won the Golden Chariot award for overall delivery excellence, having scored highly across every aspect of their delivery service.

Swift fulfilment was combined with fast, accurate responses to all the customer service enquiries that Snow Valley made by email, telephone, and Twitter.

### Could the retailer deliver overseas?



Flexibility was also superb: orders can be placed as late as 7pm for next-day or in-store delivery and customers can choose from four home delivery options, including nominated day and delivery by 10.30.

Four retailers also picked up Silver Chariot awards:

#### Best Cross-Channel Service - TopShop

TopShop was commended by the researchers for the consistency of service between stores, call centre, and web. The researchers highlighted their experience of returning an item bought online to a TopShop store - the staff member correctly recognised that the return was within 7 days and therefore the original delivery charge also needed to be refunded in line with the Distance Selling Regulations. To have processes and training in place to allow this is very rare.

#### Kiddicare for Best Customer Service

Kiddicare's use of text messaging when delivering an order was just one example of their excellent customer service - a customer receives an SMS message that they can respond to if they wish to reschedule for another day, thus saving them and the carrier the hassle of a failed delivery.

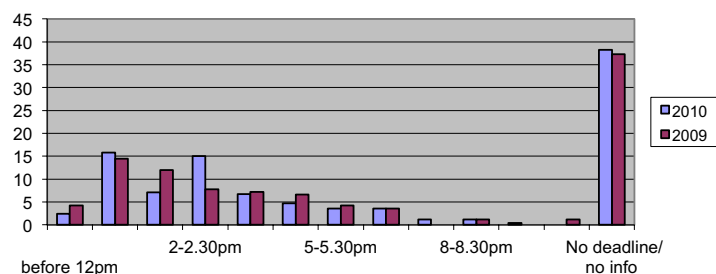
#### Jo Malone for Best Brand Experience

Placing an online order can sometimes feel like an impersonal transaction. Jo Malone was commended for their use of email, packaging, and free gifts to deliver a shopping experience that stood out for successfully conveying the brand and leaving the customer with a sense of excitement and pleasure that was missing from the other deliveries.

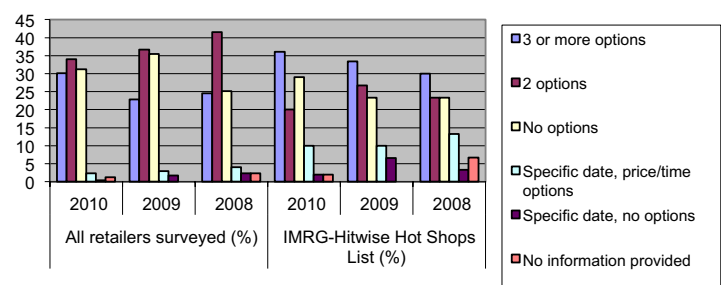
#### ASOS for Best International Delivery

ASOS is one of the few retailers that can offer a standard and a premium delivery service to customers living overseas, and they also support websites specifically tailored to their French, German and American shoppers.

### Order cut-off times for same day processing (%)



### Number of delivery options (%)



Carlo Rimini, CEO at Snow Valley comments; "This year's Online Retail Delivery Report shows true progress in nearly every aspect of home delivery - the fact that nearly 70% of retailers can now offer a choice of delivery options, up from 54% in 2005, shows that customers are getting the flexibility that they want. And we're getting faster: 10% of orders arrived next-working day on a standard service, which is fantastic. It's also pleasing to see so much innovation - same-day delivery, text messaging and being able to collect from a store or a corner shop are just a few examples.

The 2011 Online Retail Delivery Report can be downloaded from [snowvalley.com](http://snowvalley.com).

# PUSHING & PULLING THE **GREEN PURSE** STRINGS

Alison Clements investigates whether online retailers are meeting consumer expectations of 'green' practices, and keeping up with Government and EU sustainability targets.

**E-TAILERS** could be forgiven for not knowing quite how green they should try to be in 2011. Consumer appetites for fair trade, organic and low carbon products have reportedly waned during the recession, with recent research from Shoppercentric revealing 55% of UK shoppers feel they can't afford to act on their ethical principles. However, the government has a target to cut UK CO2 emissions by 34% (of 1990 levels) by 2020, and by 80% by 2050, so seismic change in consumer habits, and the way we do business is inevitable.

Meanwhile mixed message are coming from the top. Legislation that encourages low carbon business practices – particularly the Carbon Reduction Compliance (CRC) Energy Efficiency Scheme – is coming into force [see box]. But changes to the scheme implemented by the current government have meant that while carbon-offsetting payments made by companies were originally to be invested back into low carbon initiatives, the scheme is now just a revenue-raising exercise for the Treasury. "It's effectively become a tax on business," says Bob Gordon, head of environment for the BRC. "This is disappointing as the benefit of funding sustainable business practices has been removed, and the message sent out to the business world about the importance of the low carbon revolution has been undermined."

That said, the BRC confirms what we all really know: the CSR agenda can only intensify in retail in the coming years if this country is to meet its carbon reduction targets. Changing our behaviour sooner rather than later will have many advantages. "The targets have been set and it's clear that the business landscape by 2050 will be completely different from today, so vast amounts of behavioural change must come," says Gordon.

## THE CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME (CRC)

This is a mandatory carbon emissions reporting and pricing scheme to cover organisations using more than 6,000MWh per year of electricity (equivalent to an annual electricity bill of about £500,000).

- The CRC Energy Efficiency Scheme came into force in April 2010 and aims to significantly reduce UK carbon emissions not covered by other pieces of legislation. The primary focus is to reduce emissions in non-energy intensive sectors in the UK.
- Participants in the scheme will need to measure and report their carbon emissions annually, following a specific set of measurement rules.
- Starting in 2012, participants will buy allowances from Government each year to cover their emissions in the previous year. This means that organisations that decrease their emissions can lower their costs.
- Following changes about buying allowances that the Government announced in October 2010, the money raised from the sale of allowances will be retained by the Government rather than recycled back to CRC participants.

"Increasingly the debate is focusing not just on how business operations work towards a set of commitments, but also how businesses facilitate how their suppliers, staff and, vitally, customers act to bring about the low carbon economic revolution." A massive incentive for online retailers thinking about greening operations is the financial gain of being more efficient. "It's cheaper to cut waste and reduce your emissions – it's just good business sense," says Gordon. M&S' Plan A generated £50m of profit in 2009/10, for example.

Danielle Pinnington managing director at Shoppercentric agrees the business case is a solid one, particularly as the 'green pound' will inevitably re-emerge: "The desire among consumers to be green is still there and understanding of the importance of sustainability is growing fast. Retailers and manufacturers need



to continue communicating with their customers on the ethical agenda and to find meaningful and relevant ways of supporting them in their ethical endeavours," she says.

Pinnington points out that younger people are the biggest fans of shopping ethically, with 65% of under-25s keen on buying environmentally friendly and socially friendly products compared to 52% on average. Demand is outstripping supply too, as 61% of the survey said they would buy more such products if they were 'more easily available'. Provenance of foods and recyclable packaging are two areas that are becoming more important to consumers, the research shows.

For many people, online shopping is considered a more responsible option than driving to several shops to browse, so e-tailers are in a good position to talk up their green credentials. "Many are pushing this further by flagging up organic ranges, putting carbon calculators on their sites and offering greener delivery options," says Pinnington. "Ocado allows you to pick a vehicle that is already coming to your area, for instance. What people don't want is for the ethical option to carry a premium price-tag. They are coming to expect a fair choice with options like 'locally sourced' and 'organic' provided at no extra cost. Most importantly they want retailers to guide them through the dilemmas of what's best to spend their money on."

Retailers such as [ethicalsuperstore.com](http://ethicalsuperstore.com), [seasaltcornwall.co.uk](http://seasaltcornwall.co.uk) and [greenandeasy.co.uk](http://greenandeasy.co.uk) cater directly for shoppers interested in sustainable living products, and it's clear to see that such websites are also working to educate consumers about what the best lifestyle choices are. Interested shoppers can click-through to more information on products' green credentials, so the web has an advantage over store-based communication, and discussion forums on retail websites are helping consumers share knowledge.

A new e-Customer Service Index study conducted by the IMRG and eDigitalResearch, found that of 2,000 consumers polled, 36% preferred to shop online, and 74.6% of this group said pollution reduction was a significant factor in their decision to do so. The survey also found that awareness about green issues among online consumers is growing: 56% of web shoppers now consider the environment, up 12% on 2009 figures.

Big multi-channel players like Tesco, Sainsbury's, and Marks & Spencer have all begun using their websites to influence consumer behaviour. Tesco has set a target to help its customers reduce their carbon footprint by 50% by 2020, and is making impressive headway with over 80,000 customers

signed up to Tesco's Greener Living email. M&S is hoping a million of its customers will commit to 'personal sustainability plans' by 2015.

Pureplay giant ASOS is championing green living by giving customers the chance to recycle their fashion via the Marketplace micro-site. Packaging is also being tackled, with all delivery boxes now 100% recycled and recyclable, in an initiative that has helped the company become carbon neutral. ASOS.com chief executive Nick Robertson says: "We are very aware of our environmental responsibility. We will continue to focus on reducing our carbon footprint and being environmentally friendly in all that we do."

### LEGISLATING FOR CHANGE

It's one thing to advocate responsible living, but really instigating change is another. And not everyone's convinced of the business case for pursuing an environmentally responsible reputation. A recent survey by CA Technologies concluded that UK retail is one of the slowest sectors to recognise the business benefits of CRC compliance. Only 40% of retail companies believed enhanced brand image (from complying successfully) will drive sales – compared to 75% in the FMCG sector.

Being chosen for doing the right thing will require more effort than behind-the-scenes compliance to obscure legislation. "Consumers need a bit more of a carrot when it comes to consuming and living sustainably," says Jude Thorne, CEO of the Ice Organisation which launched the Ice loyalty scheme in January. Ice has partnered with a network of retailers – including six farm shop groups, Eurostar and Green & Black's Direct – to reward shoppers for buying eco-friendly products and services.

By shopping with these partners via Ice ([www.myice.com](http://www.myice.com)) members receive credits which can be spent across Ice partner companies. "Nothing else in the market has been incentivizing consumers to buy green, but we believe that generous rewards and a great online shopping experience will make the difference," says Thorne. "Through the website our partners are able to offer fantastic, well-priced products that will enable sustainable lifestyles. Consumers will feel great about living responsibly, and will be given generous rewards on top."

Not all online players will feel a responsibility to encourage low carbon living right now. However, in future years there will be increasing legislative pressure to do so, and consumers' attitudes towards sustainability will generate new needs and expectations. Adopting low carbon practices now could certainly pay off later. ■

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# MEASURING CONSUMER-GENERATED MEDIA

Emily Dent, UK Commercial Director, NMIncite, journeys from social monitoring to social intelligence and examines how to get value from social listening.

**IF THE SOCIAL** media universe were a person, we'd be just about to hit the gear-change of university. We've experimented with music, created some lasting friendships (and dropped other less fulfilling ones), flirted and dated and invented a language, struggled with ethical issues and tried to make sense of it all, but now we've got to get organised: set some personal goals, choose a direction and be measured by our outputs alongside our friends and foes. In short, it's time to get serious.

As always, some have matured faster than others, setting the benchmark high and leading by example. But whilst there are shining examples of how engagement with consumer-generated media (CGM) can work well for a business, many marketers have yet to find a way to prove consumer-generated media impacts the bottom line. We wait with bated breath as social media philosophers struggle to answer the question: "so what?"

The question of value is a tricky one to answer, and although we'd like a magic button that would calculate success for us, I doubt we'll ever find one. Tips for a more sensible approach follow:

## 1) UNDERSTAND YOUR BRAND UNIVERSE

It's a challenge to put a monetary value on a positive tweet, or on an influential blogger's post, but we instinctively know being aware of them is better than not. So, building KPIs for your social activity really does have to start with listening to your consumer and building a complete picture of your organic and paid-for activity.

The problem is your brand universe is a complex one, and there is no easy search you can do to identify everything your consumer thinks about you and the world you inhabit. Investing in a comprehensive insight programme will allow for snapshot and in-depth benchmarking against competitors.

There are broadly two compatible approaches to building a picture of your brand universe:

The first looks at what people are saying about your brand in comparison to your competitors. This is useful



for tracking purposes: ongoing PR; understanding campaigns; looking for issues as they arise. For value, this type of data needs to be reviewed on a regular basis – this could be daily, weekly, monthly or quarterly depending on the level of your consumers' engagement and the goals.

The second is a look at consumer behaviour around issues, topics and categories that touch on your brand universe but might hold deep insight for business practice across the organisation. Deep dives are useful for benchmarking across long periods of time to spot trends for a more holistic view – to unearth consumer perception, unique opportunities or insight based on statistical analysis. For best results, repeat on a quarterly or annual basis or after an event that might shift consumer behaviour.

Once you've understood the make-up of your universe you can start to understand how to set meaningful metrics for understanding success.

Understanding the associations and relationships, not just the frequency, between topics as according to mentions in CGM can be useful in highlighting issues a brand needs to track.

## 2) LINK YOUR SOCIAL OBJECTIVES TO YOUR BUSINESS GOALS

Launching social media activity, but not having any idea what you want to achieve is a little bit like having





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## 5 QUESTIONS YOU SHOULD ASK BEFORE LISTENING

- 1) What do we want to achieve through listening?
- 2) How accurate is my data?
- 3) Do I have dedicated resource to manage the data?
- 4) What other insight could I link social media data to in order to create a strong holistic business case?
- 5) Is my organisation set up to action insight from social media research?

a map, but not knowing your destination. A sure-fire way to waste money is to launch a YouTube channel or a Twitter account without a definite objective.

It sounds obvious, but in order to generate any value from social media activity, you need to tie your activities to your over-arching business goals. There's little point in looking at the ComparetheMarket.com Meerkat campaign and trying to emulate it, if your business goals are not the same as theirs. The social media 'map' is wildly different for finding your way through a product recall, for a campaign launch or for establishing the case for a new product.

It is also tempting to use social media data in isolation to other insight-building activity, but value can be added by comparing unprompted research against prompted consumer and noting the differences – particularly between surveys or focus groups and consumer-generated media where unprompted conversation can design more effective questions.

### 3) CHOOSE METRICS WISELY

Getting insight in this technically complex arena is not cheap - neither in hard cash, nor in man power. So in order to prove value, we need to understand both the metrics we can use and the confines of the data we have access to.

It's tempting to think a spike in volume is a good indicator of success, but reporting on the rhythms of a line graph will not give you the intelligence you need to prove your social efforts are moving you towards your goals. Understanding whether the construction of a spike is different to the normal CGM your brand attracts is key to setting performance targets. You could also benchmark the mixture of positive and negative sentiment to add more insight to volume: the topics that are highlighted beside your brand; where the activity takes place; who the loudest or most frequent voices are; what your competitors are up to. There is no better machine than the human brain to understand the intricacies of human data – reading the messages is a must.

These metrics can be applied to your business goal in a number of ways. If you wish to move

perceptions, you need to track sentiment and topics connected to your brand. If you want to up market share, you need to look at overall positive volume in comparison to your competitors. If you want to track a campaign, you need to plot the topic change, the sources and the sentiment drivers within your overall volume increase.

### 4) UNDERSTAND THE DATA YOU ARE RECEIVING

Just because the data is freely available on the internet does not mean you're getting it all. It's actually technically complicated and hugely expensive to gather all the data into one place so you can analyse it.

You cannot have access to anything that isn't public – Facebook, for example, does not allow companies to gather data from people's status updates, all data comes from public group pages. Similarly, Twitter sells licenses to its firehoses and not all companies that subscribe take in the whole data stream. When commissioning monitoring, make sure the sources you know are the most crucial are definitely in the data-set or you may miss something important. Don't compare sources based on volume checks. High volumes could be bad if they are full of spam and redundancy or if they are from varying sources. This is like comparing an apple and a pear. Be prepared to invest the time to learn about data collection methodologies and trust people who can clearly and simply tell you how it all actually works.

### 5) MAKING IT WORK: ORGANISATIONAL DESIGN IS KEY

So now, you've thought about your goals, you understand the metrics and you know about the data. Are you ready to receive return on your investment?

The biggest problem facing social media pioneers today is most organisations are not set up to receive, act and re-organise around this ever-evolving consumer-generated media data. They simply don't yet have the systems, talent or the culture to be successful.

When you're thinking about building your social media insight plan, think about the people, departments and infrastructure needed to capitalise on what you learn. If your customer service team doesn't have the knowledge, talent or infrastructure to work within the complex world of social media you won't see maximum return on investment.

So, set your goals and know your market. Benchmark apples to apples and don't look at data in isolation. Apply brains to automated tools to understand qualitative data. Allow for dedicated time and resource. And remember, an insight is only as valuable as the action it generates so make sure you're set up to act on the data when you have it. ■





# THE SUSTAINABLE SUPPLY CHAIN

Emma Herrod travels along the supply chain to investigate green-to-gold measures and discovers why educating consumers will have a bigger impact on a product's carbon footprint.

**'THE WORLD** could run out of Fair Trade chocolate by 2014!' screams the headline on the online paper I'm reading while I drink my reusable china mug of Fair Trade, organic, Rainforest Alliance-certified coffee sweetened with British-grown sugar. What a terrible way to start the morning. Forget persecution, human rights, riots in Egypt and stonings in Afghanistan. This even puts Greenpeace's need for a new Rainbow Warrior into the shadow for middle England.

But it does serve to bring in to sharp focus the fact that the continuous flow of goods, whether it's the raw produce or the finished item, is at the core of retailing. Without the product, there is nothing to price or promote. And there's a lot more to a green supply chain than cutting carbon emissions.



Supply chains have evolved historically with the emphasis on the short term and lower costs coupled with maximising value and performance, explains LCP Consulting's Alan Braithwaite. He argues that by factoring time, cost, carbon and risk into the end-to-end supply chain (including returns, recoveries, replacement and environmental damage), supply chain managers could see the wider picture outside of their company and be able to "test the impact of alternative product design, sourcing, logistics and customer service". This end-to-end thinking can result in a 20% - 30% gain in cost and emissions efficiencies. "These benefits can be used to put the social element back into the supply chain," he believes.

## GREEN-TO-GOLD

Social objectives on all sides of the supply and demand chain are a key part of sustainable development. The reconciliation of environmental, economic and social objectives – or the 'triple-bottom line' – underpins government strategies on sustainable distribution, explains Professor Alan McKinnon, Director of the Logistics Research Centre at Heriot-Watt University. While the stronger impact of the environmental considerations imposing an absolute constraint on the achievement of economic and social objectives is not pushed, McKinnon agrees with Braithwaite that many environmental-impact reducing measures also save money. "These 'green-to-gold' measures avoid the need to trade off



economic costs against environmental benefits," he says. The measures include:

- **Modal Split:** altering the proportion of freight carried by different modes of transport;
- **Reducing the number of links in the supply chain,** that is, sourcing locally;
- **Port-Centric Logistics:** increasing flexibility and simplifying container and trailer logistics to enable distribution direct to store from port;
- **Vehicle utilisation:** analysing the average payload on laden trips and the amount of time running empty;
- **Fuel efficiency.**

The retail industry's recent need to cut costs has also affected supply chains, with efficiencies achieved through a leaner process or fewer suppliers and lower costs. As companies' credit ratings wobble, achieving supply chain sustainability (in its traditional sense) has been the final straw for some retailers while others, such as Tesco, Marks & Spencer and B&Q, have pushed forward and enforced their green agenda across the business and the supply chain.

And not all of the changes are being driven by taxation. "Carbon reporting on the supply chain is not straight forward," says Braithwaite. He explains that some aspects of it, such as warehouse operations and stores, need to be reported on for the CRC Energy Efficiency Scheme, but transportation doesn't. Of course, supply chains are run with multiple operators that do not report in a consistent manner. It seems obvious that by 'greening' certain areas of the supply chain, greater efficiencies will be made – and vice versa. And, with the further benefit that some aspects improve the customer experience as well. For example, a reduction in failed first-time deliveries cuts costs, customer frustration and the carbon footprint.

The supply chain, however, should be looked at in its entirety from initial product development – patents for green products are being fast-tracked through the Intellectual Property Office's Green Channel service – through to re-use or disposal of the item at the end of its lifecycle.

One of Prince Charles' Charities, Business in the Community, has set out key questions for businesses to ask themselves when looking at how to manage their supply chain responsibly. These include the effects of standard terms and conditions on suppliers; having a policy on non-payment of bribes or other corrupt practices; examining the life cycle impacts of products including disposal; and carrying out social audits of suppliers and human rights impact assessments across the supply chain.

All businesses though, retailers included, do have the option just to target the areas on which they will be taxed. However, as Colum Joyce, Director of IMR

## PLAN A

Since the launch of Plan A in 2007, Marks & Spencer has achieved the following through its distribution network:

- Reduced fuel use by 30% per product for its clothing and home deliveries and 22% for food deliveries;
- The clothing and home delivery fleet has reduced road miles by over five million a year;
- Converted 84% of its delivery fleet to cleaner Euro IV or V engines;
- Developed a fleet of 399 aerodynamic teardrop trailers, which are 10% more fuel efficient and can carry 10% more stock, and are being used to transport clothing, home and gift products to distribution centres across the UK. They represent over half of the M&S distribution fleet and by using the trailers M&S will reduce its carbon footprint by 2,300 tonnes a year.

World, points out: "You can't have carbon tax and carbon accounting without carbon and energy efficiency labelling."

But what does carbon emission mean to the consumer? Can it be visualised? Does the figure help sell a product? Joyce believes that retailers should work out their existing footprint and then manage down from that. Telling consumers that the company has reduced its footprint by x% over 12 months, for example, is easier to visualise than x tonnes of CO<sub>2</sub>. "It reduces complexity and provides verifiable change," he says.

## VERIFICATION

The key word here is verifiable, and it's one which I suspect will become increasingly important as government diktats and consumers' expectations of transparency increase. Many consumers, for example, will be familiar with the Fair Trade symbol, but this only relates to a product, and in the case of clothing, to the material itself rather than its production into a finished item (although the production does have to conform to certain ethical standards). This is beginning to change with the introduction of World Fair Trade Organization (WFTO) certification for the entire supply chain.

Pachacuti, which works with local workers in South America to produce and sell Panama hats, completed the pilot for the new WFTO certification process in December 2009.

As the company's founder, Carry Somers, explains: "The certification is for the organisation as an entirety, rather than taking a product-by-product approach. It involves a strong environmental management component, as well as a focus on the overall management of the certified organisation including administration, labour issues, production systems and quality control. It will certify that an organisation has

a proven set of practices, procedures and processes which demonstrate social, economic and environmental responsibility."

There are plenty of examples of smaller retailers working directly with their producer communities. Clothing retailer Bishopston Trading, for example, has been working in partnership with the K.V.Kuppam Tailoring Societies in India for the past 25 years. Over that time, the company has seen people's lives in the villages improve dramatically.

Amongst larger retailers, Kingfisher, which owns the B&Q and Screwfix chains, won the Asda Environmental Leadership Award last year. One of the Business in the Community Awards for Excellence, it's



given to companies demonstrating leadership in sustainability by embedding their environmental strategy into core business processes.

Kingfisher's Future Homes programme has seen the company invest in the development of more than 9,000 eco-products to help its customers in the UK and France make their homes more sustainable. The company's leadership in helping customers to improve their environmental impacts extends to training more than 1,800 B&Q employees to City & Guilds Level 2 in Retail Skills so they can offer advice to customers in-store.

Asda's Corporate Affairs Director Paul Kelly comments: "This was an outstanding example of innovation and sustainability led from the top of the business and filtered down to all levels. The approach is both strategic and deeply embedded at the core of the business. Kingfisher transparently concedes that they are still on a sustainability journey but they are clearly focused on the destination of that journey. Leadership in this category is about taking others on a journey – Kingfisher present a truly inspiring example of leadership and collaboration which has the potential to be drawn upon by a vast range of businesses of all sizes."

Marks & Spencer, meanwhile, has announced that its Plan A initiative, which it launched in 2007, has not only reduced the retailer's environmental impact and

Anything that consumers do far outweighs any changes the retailers make to their supply chain. While acknowledging that this statement is a generalisation, McKinnon cites research conducted by the Carbon Trust and Boots which found that 93% of the carbon footprint of shampoo is accounted for by the consumer heating water with which to wash their hair.

improved people's lives but has also saved the retailer around £50m "by being more efficient".

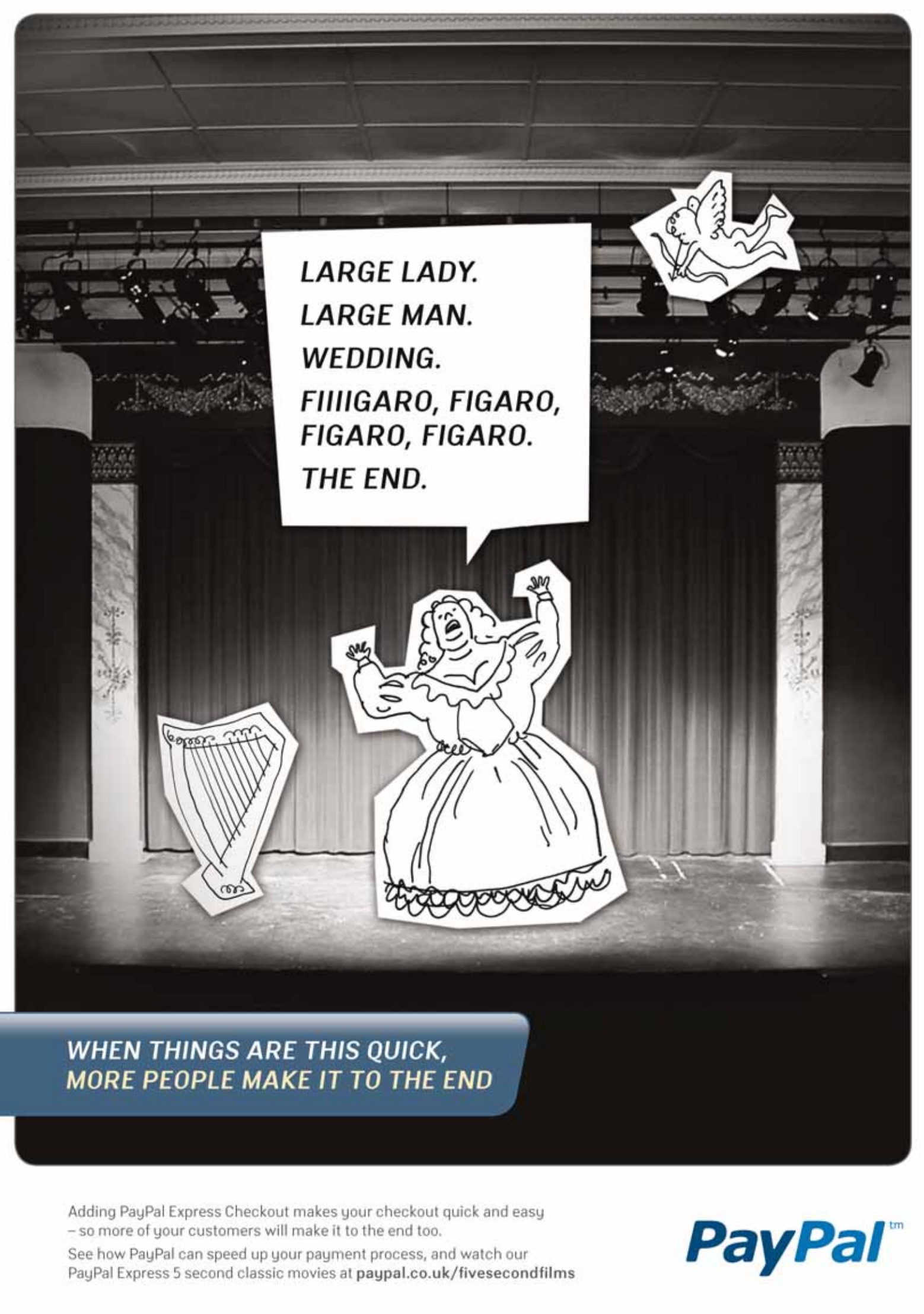
In March 2010, the company set itself the ambitious target of becoming the world's most sustainable retailer by 2015. Sir Stuart Rose commented at the time: "Our extended Plan A will reach further and move us faster – covering every part of our business and reaching out to forests, farms, factories, lorries, warehouses and into our customers' and employees' homes. We believe sustainability is a key ingredient of business success and that Plan A will continue to make us more efficient, develop new markets and build customer loyalty. It's therefore not just the right thing to do morally but also makes strong commercial sense."

While there are companies such as Marks & Spencer, Tesco, John Lewis Partnership, Kingfisher and numerous smaller retailers which run their businesses with the least environmental impact and maximum social improvement in mind, Braithwaite comments that, for many companies, green buying decisions will remain, "nice to have rather than the ultimate buying decision".

This is where legislation comes in, Professor Alan McKinnon says. He explains: "As the free market on its own is unlikely to deliver the necessary level of environmental improvement, particularly in terms of climate change, governments will play a critical role in the future development of green logistics."

But it's not all about planning, taxation and corporate social responsibility. As Guy Watson from Riverford Organics points out: "When oil prices last spiked to \$147 a barrel in mid-2008, suddenly it took three weeks instead of two for a container of fruit to arrive from Chile: the ships went more slowly, created less wake, burned less fuel and the world was a cleaner place. It took a bit more planning from buyers but was no great hardship. No amount of corporate social responsibility policies can bring about that sort of action."

So, if the cocoa does stop coming from the Ivory Coast, the confectionary trade will simply source from elsewhere, or western consumers will move to more luxury chocolate brands operating a more sustainable, and socially responsible, supply chain. And the real chocoholics? Well, they can always stay at Saint Lucia's Hotel Chocolat. ■



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# CUTTING CARBON IN THE CLOUD

The benefits of cloud computing – reduced costs, increased storage, and better flexibility, to name a few – have been widely trumpeted in recent years as more companies transition to the cloud. Emma Herrod discovers that a reduced carbon footprint can now be added to the list.

**ECOMMERCE** by its nature is very dependant on IT both on the retailer and the consumer side. If you also factor in the carbon emissions of the third-party solutions providers and a percentage for the internet backbone itself, then shopping online is not the most planet friendly activity.

Even a Google search can be measured in terms of energy used – albeit a very small amount. In fact, Google uses about 0.0003 kWh of energy to answer the average query. This translates into roughly 0.2g of CO<sub>2</sub>. (As a comparison, boiling a kettle produces around 7g CO<sub>2</sub>.) In the time it takes to do a Google search, the customer's personal computer will likely have used more energy than Google.

It now emerges that businesses that choose to run applications in the cloud can help reduce energy consumption and carbon emissions by a net 30% or more versus running those same applications on their own infrastructure. These findings come from a study 'Cloud Computing and Sustainability: The Environmental Benefits of Moving to the Cloud' which was commissioned by Microsoft and conducted by Accenture and environmental consulting group WSP Environment & Energy.

## ■ DATACENTRE EFFICIENCIES

The energy and carbon savings of cloud computing can be made since large data centres benefit from economies of scale and operational efficiencies beyond what corporate IT departments can achieve. Although the study results focused on three widely deployed and commonly used Microsoft applications – namely email, content

sharing and customer relationship management – rather than specifically ecommerce, it is likely that similar advantages can be observed across many applications and cloud service providers.

Using a methodology aligned to the Global eSustainability Initiative standards, Accenture and WSP compared the energy use and carbon emissions per user for Exchange Server 2007, SharePoint Server 2007, and Microsoft Dynamics CRM with their cloud-based equivalents: Exchange Online, SharePoint Online and Microsoft Dynamics CRM Online.

The study assessed the carbon footprint of server, networking and storage infrastructure for three different deployment sizes (100, 1,000 and 10,000 users), finding that the smaller the organisation, the larger the benefit of switching to the cloud. When small companies (100 users) move to the cloud the effective carbon footprint reduction could be up to a 90% savings by using a shared cloud environment instead of their own local servers. For large companies, the savings are typically 30% or more in energy consumption and carbon emissions.

In a case study with a large consumer-goods company, the study calculated that 32% of emissions could be saved by moving 50,000 email users in the US and Europe to Microsoft's cloud. Lower energy use and carbon emissions enabled by the cloud stem from a number of key factors:

- Dynamic provisioning. Large operations enable better matching of server capacity to demand on an ongoing basis.
- Multitenancy. Large public cloud environments are

able to serve millions of users at thousands of companies simultaneously on one massive shared infrastructure.

- **Server utilization.** Cloud providers can drive efficiencies by increasing the portion of a server's capacity that an application actively uses, thereby performing higher workloads with a smaller infrastructure footprint.

The study determined that, although many companies may be able to address some of these factors in their own data centres to decrease energy use and emissions, providers of large, public cloud infrastructure are best positioned to help reduce the environmental impact of IT through efficiency and scale.

"The findings provide supporting evidence on the cloud's environmental benefits, which until now had been guesswork," comments Rob Bernard, chief environmental strategist at Microsoft.

"The IT industry had this nagging question – as more and more services move to the cloud, do they consume more or less energy?" he explains. "This study found that you can migrate existing infrastructure to the cloud and see not only growth in productivity but a reduction in energy consumption for those services."

Even more energy can be saved through efficient and innovative data centre design with cloud providers leading the way in designing, building and operating data centres that minimize energy use for a given amount of computing power.

The Lockerbie Data Centre, being built in Scotland, is being heralded as the largest, most cost-effective, and most operationally efficient data centre in the world. The 272,000m<sup>2</sup> data centre will accommodate up to 50,000 server racks, with a peak power demand of 300 megawatts. The complete facility will comprise forty 6,800 square metre data centre building modules – the first of which will be completed in December 2011.

The Carbon Trust helped to design the Lockerbie

#### ACTIVITY AND EQUIVALENT NUMBER OF GOOGLE SEARCHES

CO2 emissions of an average daily newspaper (100% recycled paper)	850
A glass of orange juice	1,050
One load of dishes in an EnergyStar dishwasher	5,100
A five mile trip in the average American car	10,000
A cheeseburger	15,000
Electricity consumed by the average US household in one month	3,100,000

facility which uses natural cooling from its Scottish location to help save energy and to harvest waste heat for reuse in an adjacent eco business park, and new horticultural businesses on site. Much of the energy demand is likely to be provided by a nearby biomass fuelled power station and wind farms, so the data centre will rely on traditional forms of power only when the renewable electricity generation levels are reduced.

Hugh Jones, director, Solutions at the Carbon Trust, comments: "Along with the ever increasing demand for data storage comes an ever increasing demand for energy to power and cool UK data centres. Low carbon design in new build and refurbishment projects has the potential to unlock hundreds of millions of pounds in energy bills each year."

The Lockerbie Data Centre is expected to emit over 200,000 tonnes of CO<sub>2</sub> less per year than other modern data centres of a similar size with operating costs reduced by around 50% (resulting in savings of around £85m per annum).

Spurred on by the global rise in cloud computing; server farms and data centres worldwide are expected to use almost 2,000 billion kilowatt hours of electricity, generating 533m tonnes of CO<sub>2</sub> by 2020.

With the retail industry relying by necessity on IT for many aspects of its operation from supply chain and warehouse systems to the ecommerce sites and store systems all the way to customers' PCs, all systems can play their part in increasing efficiency, reducing costs and carbon. ■

# GROWING SALES AND PROTECTING CUSTOMER DATA IS NOT MUTUALLY EXCLUSIVE

**CHASE**   
Paymentech

**ONLINE SALES IN THE UK** generated £58.8 billion in 2010, up eighteen percent year-over-year, according to the figures released by the UK online retail trade association IMRG. In fact, December registered a seven percent increase over November and a twenty five percent growth, as compared to the same month in 2009. Indeed, Christmas proved to be a bountiful period for online merchants with shoppers spending an estimated £6.8 billion online<sup>1</sup>.

Despite this solid growth, e-retailers may face the risk of carefully timed cyber attacks if they are not appropriately protected. Unfortunately, cyber crime will not disappear soon. It may change in mode, it may increase or decrease in volume but one is unlikely to escape its presence.

Security is about balance. Merchants generally seek tools and features to confirm sales transactions as legitimate whilst also working through the myriad of PCI compliance obligations. Consumers want assurance that their account information is guarded and at the same time respond positively to a seamless shopping experience. So what can merchants do? How can merchants counter the threats of data breach and fraud?

PCI DSS is designed to protect cardholder data and to limit online fraud. Different scales of activity must comply with different standards for each level assigned to different merchant types. Level 1, applies to merchants with over six million transactions

annually, while the lowest, Level 4, applies to merchants with fewer than 20,000 e-commerce transactions annually.

There are twelve specific 'requirements', spread across the following six PCI DSS standards:

- Build and maintain a secure network
- Protect cardholder data
- Maintain a vulnerability management program
- Implement strong access control measures
- Regularly monitor and test networks
- Maintain an information security policy

While some merchants understand their obligations, PCI compliance can be a complex process for many merchants to manage. A survey of one hundred retail, financial services and hospitality businesses, conducted by Redshift Research early last year showed that only eleven percent of companies were currently audited and certified as compliant. In addition, thirty five percent of respondents did not fully understand their PCI compliance requirements<sup>2</sup>. This non-compliance not only opens up businesses to potential data breaches, it can also result in financial penalties being imposed on merchants by the different card brands. "At the end of the day, PCI compliance is a merchant responsibility – not a luxury", states Shane Fitzpatrick, MD and President, Chase Paymentech Europe Limited. "Merchants that fail to be PCI DSS compliant could face – in the event of a compromise – significant



finances and unquantifiable damage to their brand, reputation and financial performance”.

### Easing the Pain for Online Merchants

Chase Paymentech, a PCI Security Standards Council Advisory Board member, dedicates itself to constant investment in new ways to remain one step ahead. “At Chase Paymentech we provide advice to merchants on how to achieve PCI compliance”, explains Fitzpatrick. “Our solutions assist merchants with their compliance needs in a cost efficient way whilst ensuring the checkout flow is not constantly interrupted by repeated security checks.”

Discussing the development of fraud, Fitzpatrick said: “Merchants need to remember that the nature of card crime and security is continually changing. As a global leader in payment processing and merchant acquiring, as well as a specialist in CNP transactions, Chase Paymentech invests a great deal of time and resources in preventing fraudulent activity. We recognise that the criminals are always looking for new and more sophisticated ways to breach security. There are some great products in the market (and others on the horizon) that may assist merchants in their pursuit to mitigate such risk. At Chase Paymentech, we see our role as a collaborative one, working with our merchants to help define their product set with solutions such as Tokenisation, Secure Card Number Masking, Account Updater and Managed Billing solutions.”

Chase Paymentech's Tokenisation solution eliminates the need for merchants to store customer data. This has two advantages. Firstly, registered customers are not required to re-enter credit card details every time they make a purchase. Secondly, merchants are not required to store credit card details in their systems. Chase Paymentech believes that its Tokenisation solution may mitigate approximately 90% of a merchant's PCI requirements. Customer information such as card numbers and other payment account information is securely stored and accessed by a unique token. Once created, a merchant can then process sales by simply using the assigned token. This process makes data theft extremely difficult.

Account Updater is another tool that Chase Paymentech provides to its clients. This product provides merchants with updated Visa® and MasterCard® cardholder account information when issuing banks make changes to the card data. This feature is provided directly through Chase Paymentech systems and helps deliver a seamless customer checkout experience for recurring payments as well as for merchants who retain card data on file.

“The challenge is to make life as difficult as possible for fraudsters, while maintaining a positive shopping experience for the customer – a difficult balancing act,” concludes Fitzpatrick. “Unfortunately there is no ‘silver bullet’ that will entirely safeguard merchants. The answer represents a combination of parts and merchants are advised to work closely with their payment acquirer to ensure that they have the best solutions in place for their business”.

As ecommerce sales are set to top £69 billion this year<sup>3</sup>, merchants that can deliver a secure, seamless experience for their customers and meet all their PCI obligations will be in a good position to capitalise on the e-commerce opportunity in 2011.

For further information please call us on 0845 399 1120 or visit [www.chasepaymentech.co.uk](http://www.chasepaymentech.co.uk)

<sup>1</sup>IMRG Capgemini e-Retail Industry Report 2011, January 2010

<sup>2</sup>Based on market research findings by analyst Redshift Research on behalf of Tripwire, March 2010

<sup>3</sup>IMRG Capgemini e-Retail Sales Index, January 21st 2010



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# THE FINAL GREEN MILE

**‘THE ENVIRONMENTAL** impact of ecommerce versus high street is a divisive topic, one which critics are still arguing, as both have positive and negative environmental impacts,” comments Shopping.com’s UK managing director Russ Carroll. “Whilst eretailers are improving, online shopping can still leave a major carbon footprint, due to the transport involved in shipping goods to both warehouses and customers home addresses.”

There are also critics who argue that many online retailers use excess packaging compared with traditional stores to protect shipped goods. However, just as many criticisms can be levelled at both high street and the reserve and collect options, because goods still have to be delivered from the warehouse to the store, many shoppers drive to collect their purchases, and excess packaging may have been removed before the item reaches the customer.

Professor Alan McKinnon, director of the Logistics Research Centre at Heriot-Watt University, and research associate Dr Julia Edwards have researched the environmental impact of the last mile, concentrating on the carbon emissions generated by courier book deliveries compared with a consumer’s shopping trip to their local town. Although their findings were published in 2009, the results of the study still hold true today and indicate areas where the greatest savings can be made in carbon emissions.

## THE AVERAGE SHOPPING TRIP

Before analysing the environmental impact of the two scenarios, the researchers first had to tackle the complexities of consumer behaviour and try to define what constitutes a typical trip to the shops. Of course, there is no such thing, since some

Shopping online is not just convenient and cheaper it may also be better for the environment. Emma Herrod tracks the environmental impact of the final mile.

purchases are included in the drive home from work or the school run, a trip to multiple shops and supermarket, separate appointments or other multi-tasking or ‘trip-chaining’ events. “Very rarely do consumers just travel from home to one shop, purchase a single item and return home,” says McKinnon.

McKinnon and Edwards based their typical shopping trip scenarios on figures from the Department for Transport showing that the average journey for a non-food shop consists of a round-trip of 12.8 miles by car or 8.8 miles if travelled by bus. They also assumed average bus patronage of 9.2 passengers.

## THE AVERAGE HOME DELIVERY

In the case of home delivery, they based their findings on the length of the average home delivery round being 50 miles. This produces 21,665g of CO<sub>2</sub>, somewhat higher than the 4,274g of CO<sub>2</sub> generated by the average private car shopping journey. This figure makes it appear that a visit to the high street to collect an item reserved online is better for the environment than the shopper having the item delivered to their home.

However, the average delivery round includes 120

drops over the course of its journey, so the amount of CO<sub>2</sub> allocated to each delivery is reduced to 181g of CO<sub>2</sub>, a far more favourable outcome for ecommerce.

A consumer would need to buy 24 non-food items during each trip to the shops by car and the average bus passenger seven, to beat ecommerce's CO<sub>2</sub> emissions.

If the number of items bought online was increased from a single book to a more realistic average order of 1.4 items (for book retailing) and 2.5 items of clothing or household goods, then the CO<sub>2</sub> per item is reduced to 137g and 72g, respectively. At this point our car driver would have to buy 32 books or 59 clothing or household items and the shopper travelling by bus 10 or 18, to achieve the same carbon emission efficiency.

But these figures remain theoretical because it's not possible to define a typical shopping trip, a typical consumer or a typical delivery. Urban delivery rounds, for example, will be shorter with higher drop densities than rural deliveries. The emissions for delivering a single item during a city centre delivery round made by an electric vehicle would be just 28g of CO<sub>2</sub> per drop. And any time a private car is brought into the equation, the CO<sub>2</sub> emission rate increases enormously. The main factors that alter the home delivery versus shopping trip equation and define which achieves lower emissions include:

- The length of the delivery round or car journey;
- The type of vehicle used, that is electric, van, local courier who delivers using their own car;
- The number of items delivered / bought;
- Dedicated shopping journey or trip-chaining;
- Failed deliveries;
- Returns.

### FAILED DELIVERIES

In ecommerce's favour in the environmental impact argument, the industry has worked extensively on improving the failed delivery rate in recent years. It has improved flexibility for shoppers, allowing them to choose delivery days and times, as well as introducing text confirmation of deliveries.

Collect+, for example, delivers shoppers' parcels to convenience stores which are often within walking distance of their homes. "This way, we are cutting out not only the final miles of home delivery, but also in many cases the miles driven to out-of-town depots and shopping centres by customers collecting from retailers," comments Matthew Jacques, Collect Plus's client development director. "The green agenda is very important to Collect+, and our parent company Yodel has recently taken steps to reduce our carbon footprint by investing in a number of new Mercedes ECO-Start models for deliveries."

### CO<sub>2</sub> PER AVERAGE TRIP AND PER DROP/ITEM

Delivery / Collection method	Total g of CO <sub>2</sub> per trip	G of CO <sub>2</sub> per item delivered / collected
Standard delivery van (<3.5-t): 120 deliveries per 50-mile round trip	21,665g	181g (per drop) 137g (1.4 items) 72g (2.5 items)
Car: dedicated shopping trip of 12.8 miles		4,274g (single item)
Bus passenger: dedicated shopping trip of 8.8 miles, assuming average patronage		1,265g per passenger (single item)

"Overall, the proportion of failed deliveries is fairly low and is reduced further when just 'two-man deliveries' are considered because of higher costs and extra effort put into making sure the customer is at home for the delivery," comments Professor Alan Braithwaite from Cranfield School of Management and founder of LCP Consulting.

He explains that the paradox for the green agenda for retailing is that you have retailers such as M&S with its Plan A eco commitments and John Lewis with its energy-efficient distribution centre operating in ecommerce. Any growth in ecommerce necessitates extra deliveries and an increase in traffic. It also challenges providers and retailers alike with more punishing delivery commitments in an area of growth that is hard to plan. And then there are the implications and impact of adverse conditions such as the bad weather before Christmas 2010.

Added to this, are the challenges of operating within an increasingly cross-channel retail environment. Shoppers visit shops to look at a product before going on to make their purchase online, or they cut down on their real-world activity and the need to visit multiple shops for browsing purposes by researching online before making a purchase from the high street.

Going forward, the issues for the final mile will include educating customers about using the most sustainable fulfilment channel and continuing to reduce failed deliveries and wasted consumer shopping trips through online stock level visibility. It's good news for Royal Mail, because in many cases the postal service is the optimum for final mile delivery and returns, when a parcel will fit through the customer's letter box.

Ultimately, though, the bigger issue for retailers is how to decouple the growth of ecommerce and the overall retail business from an increase in carbon emissions. That will need further research, CSR commitments and considerable changes in consumer behaviour. ■



# Insight from around

## ANDREW STULENKOFF, PROJECT DIRECTOR, LUXNAVI.COM



After a significant decline in 2009, the Russian fashion market has resumed its aggressive growth in 2010. Premium and upper-medium priced fashion brands grew by 15% in 2010 with the total size of the clothing market in Russia valued at \$45bn, according to marketing agency Rosconsultproject. Verdict Research ranks Russia as the 6th largest clothing market within Europe after the UK, Germany, Spain, Italy and France.

The middle-priced segment is worth about US\$16bn (35% of the total market), and the luxury segment, including clothing, shoes and accessories, is worth about US\$2bn. However, Russian brands within Russia actually account for less than 20% of the market, with a major part belonging to foreign brands. Russia is flooded with famous international brands but they are usually 30-50% more expensive than in Europe and the US (for some US brands the difference can reach 60-70%!).

Fashion sales continue to grow online at a double-digit rate due to the explosive expansion of internet penetration in Russia. High speed internet access is also now available for a large part of the population with internet penetration growing faster than almost anywhere else in the world according to ComScore. Currently Russia is the second largest internet market in Europe, after Germany. Almost 90% of Russian internet users make online purchases with many being made from foreign e-retailers. The number of these purchases continues to grow, even though sometimes it is very difficult to perform such transactions from inside Russia due to: many big US and European e-retailers refusing to accept payment by credit cards issued in Russia; only a limited number of vendors deliver to Russia; and issues with Russian customs regulations, which can lead to significant delay or even cancellation of cross-border delivery.

These issues led to a growth of popularity of internet agencies, which specialize in the delivery of goods from foreign internet shops (usually with a fee of 10-20% of the merchandise price). Big venture funds have started pouring money into online fashion in Russia with one of the most successful start-ups being private shopping club KupuVip.

Russia could become a very lucrative market for foreign online and offline retailers with the big price difference between Russian and Western fashion markets presenting a huge opportunity.

## ISABELLE SALLARD, EDITOR, INTERNETRETAILING.FR



French online retailers can smile! In France, online sales continued to grow in 2010 according to the French ecommerce association Fevad. Internet sales passed the threshold of 30 billion euros with more than 340 million transactions in the year. During the past year, online sales rose 24% to 31 billion euros, against 25 billion in 2009. This increase once more confirms the dynamism of ecommerce in France.

Good results are partly attributable to a strong first half of 2010 (27%) and a Christmas sales record when more than 6 billion euros were spent on French ecommerce sites. Even if the snow had somehow disrupted sales during the last days of the year, people continued to seek good Christmas deals on the web.

During the year, the 40 most popular French sites recorded more than 340 million transactions, 60 million more than in 2009. Those leading sites returned to the double-digit growth they had lost in 2009. In 2010, the sites from Fevad iCE panel 40 (which measures the growth of leading sites) saw their revenues jump 15% and the average transaction amount rising to 91 euros and reaching its highest level since the crisis.

A higher growth than in 2009, and comparable to 2008, which is part of an overall context of renewed growth for retail trade (+2.2% in 2010 against -1.4% in 2009 according to the Banque de France). And this acceleration of growth benefits all sectors. B2C sales rose 11%, while B2B sites showed an increase of 15%. The travel sector reported the best performance with a 20% increase in sales.

Buying online is attracting more French internet users. According to Médiamétrie, the number of online shoppers continued to rise in October and November 2010 to 12% from the last quarter of 2009. There are now 27.3 million online shoppers, an increase of 3 million shoppers in a year. The number of online shoppers continues to grow faster (+12%) than the number of internet users (+9%) over the period. More surprisingly, the generation gap continues to shrink thanks to the massive influx of internet users aged 65 and over, 73% of whom have purchased online.

Finally, the online offer continued to diversify. Over the past 12 months, 17,800 new ecommerce sites have launched bringing the total number of sites to 81,900, an increase of 28% over 2009. The sector has particularly benefited from the arrival of many brands including Zara and Toy'r'l'Us. If the pace of new entrants

# and the world

is maintained at 2010's level, France is expected to surpass 100,000 ecommerce sites in 2011.

## **MICHAEL MATZER, EDITOR, INTERNETRETAILING.DE**



One of the permanent discussions in the e-retailer community in Germany is the question of whether one should combine the online presence with a bricks & mortar shop or not. The reverse discussion is going on among the big store chains: Is being online really useful?

In March 2010, the online electronics shop [notebooksbilliger.de](http://notebooksbilliger.de) opened its first high street store in Munich, with great success. This summer a second shop will follow in Sarstedt, near Hanover.

Although the move to the high street may look unusual for an e-retailer Frank Hufnagl of [notebooksbilliger.de](http://notebooksbilliger.de) tells [internetretailing.de](http://internetretailing.de): "With stores we extend our customer base in order to gain a larger basis for our business". The company wants to address not only the technology-oriented youngsters and twenty-somethings, who are all online, but also older generations. In Munich, this plan was successful.

"The value and reputation of a retailer is elevated considerably by moving to the high street. The proven capability to present brands in flagship stores, in turn, tends to strengthen the retailer's position when negotiating with producers over sales conditions," says Hufnagl. In addition, a retailer can install customer service points in stores as well as shop-in-shop counters for specific brands.

For [notebooksbilliger.de](http://notebooksbilliger.de) multichannel is one of the dominant topics. If one looks at [Cyberport.de](http://Cyberport.de) and Media Saturn Holding, a gigantic consumer electronics store chain in Europe, the reason why becomes clear – different pricing on and offline. Hufnagl warns: "Media Saturn's plan to introduce differing prices depending on the region a store is located will fail". It will fail for the same reason as with [Cyberport.de](http://Cyberport.de) – customers can compare prices online using their smartphones and find out that prices in the cities differ from prices out in the countryside. Or the other way 'round. Also, they would not be listed by price comparison engines.

This effect has already been confirmed by Austrian online retailer Hannes Majdic: "In Austria, the online activities of the much larger Media Markt completely lack any perception, mainly because the Media Markt online shop is not yet listed by the major price comparison engines. If Media Markt were present in these engines the customer would go to the next store and demand the price listed

online." E-retailer Hannes Majdic enjoys a lot of success with his stores, if only in Austria. He must be doing something right. Maybe the German Media Markt giant could learn something useful from the Austrian dwarf.

## **SAM ZHUANG, FOUNDER, SMART-PATH.NET**



Group buying is one of the top key words searched for in Chinese ecommerce today. It refers to collective buying where a number of people (usually above a preset threshold) buy goods or services online at significant discount, often via websites focused in this area. If the B2C and C2C ecommerce sites add value by reducing physical distribution channel costs, then group-buying sites add value by leveraging the scale economy of shoppers.

The recent valuation hike of the leading US group-buying site [Groupon.com](http://Groupon.com) (US\$6bn by January) had showcase effects globally. In China, a number of group-buying sites emerged in early 2010, followed by a growing group of entrepreneurs and capital in this area. By January 2011, there were more than 1,000 group-buying sites in China, among the top being [Lashou.com](http://Lashou.com), [Meituan.com](http://Meituan.com) and [Nuomi.com](http://Nuomi.com).

We have seen 3 interesting things from group-buying sites in China:

**Offer type.** Most group-buying sites in China have multiple featured offers per day, as compared to the typical one-featured offer per day on [Groupon.com](http://Groupon.com). Among the offers, services accounts for ~75%, and goods account for ~25%. Among the services offerings health & beauty and restaurant coupons make up the highest share.

**Lucky draws.** Leading group-buying sites have frequent lucky draws, often in the format of a zero-cost purchase offer, with everything from laptops to automobiles to even apartments being offered. [Lashou.com](http://Lashou.com) claims to have given out an 800-foot apartment in Shanghai to a winner in Guangzhou, for free. The purpose of the lucky draws is mostly to attract and retain traffic. Traffic means size, and size is critical.

**High discount.** Typically a B2C or C2C ecommerce site sells products at 20%-40% discount. The rate is much higher for group-buying sites. The typical discount rate here is 80%, and it can go as high as 95%.

In 2011, the group-buying market will start to consolidate, as the top 3 sites quickly build scale of economy, and as [Groupon](http://Groupon) enters China.



## SETTING NEW STANDARDS IN MOBILE WEB

Tim Dunn, Director of Customer Strategy, Mobile Interactive Group, explains how HTML5 will bring about Mobile Web 2.0 and an enhanced customer experience.

**WHEN RETAILERS** set out to consider their first steps into mobile commerce, they are generally driven by a variety of prompts: They see a small but increasingly significant number of mobile phone browsers accessing their site; they are approached by a hungry sales guy from a mobile specialist with a compelling mobile commerce proposition; or more likely they see their competitors getting ahead in what might be a lucrative market.

This can in some cases create a rush to deliver a mobile commerce site. In order to hit the market cheaply and quickly, most sites are launched using a web-adaptive technology such as web-scraping, where a mobile site is created by crudely reformatting the website into a smaller

size. While this is a cheaper solution and can be implemented without much work required from the retailer's ecommerce team, these solutions require constant monitoring and tweaking, as small changes in the website can break the mobile site completely. Also they do not provide a customised mobile experience as they simply retrace web user journeys in their entirety.

From a design and user experience perspective, we have seen pretty average sites in the market for the most part; generally built around a straight linear navigation model, often with categories stretching down many finger-flicks. This method of navigation is based on the standards that worked for pre-iPhone mobile phones, and can, in this context, be regarded strictly as Mobile Web 1.0. In



addition, most feature some kind of static hero banner, often lifted directly from the website with text scaling down to be illegible, and images badly pixellated through poor repurposing.

How can this be the standard for mobile web, when retailers are happy to expend inordinate amounts of effort improving the usability, merchandising and product presentation on the web to squeeze every ounce of profit out of their browsers through increasing conversion to sale?

The answer is that the rush to go to market, combined with an unreadiness from some back-end ecommerce systems and an unwillingness on the part of some retailers to embrace mobile fully has created a make-do experience. The risk is that this disappointing user experience will, for some retailers, provide disappointing sales and conversion figures, triggering a vicious circle where mobile is never taken seriously as a channel, due to its slack performance. Thus true multichannel shopping is never fully achieved.

However, help is at hand to provide a mobile user experience that can sit alongside or even exceed that of the full-screen web. Customers place mobile at the very heart of their lifestyle, and the mobile is generally their most treasured device, so why not go the extra miles to create a user experience to match this affection?

### MOBILE WEB 2.0

The advent of the smartphone, capable of rendering advanced browser technologies such as JavaScript, CSS3 and HTML5, has combined with the development by commerce and content platforms such as WebSphere, ATG, Scene7 of open API solutions to create the notion of 'Mobile Web 2.0', where the mobile browsing experience moves away from static, unattractive screen-scraped sites towards creating a mobile commerce solution that is both attractive from a brand perspective, and functional at converting customers in higher number – as well as having advantages in stability and future-proofing.

So, how do these new technologies combine to create a better user experience? Well, they enable you to counteract some of the inherent limitations of the mobile phone, making it easier for visitors to your mobile site to navigate the content, and place an order.

If you look at a typical mobile site, circa 2010, you have the homescreen. Let's say it's a site that sells clothes. So on the homescreen, you might want to select, say, 'Men' to look at men's clothes, rather than women's. So that's the first page refresh. Then on the next screen, you select 'Jackets & Coats'. Refresh Number 2. Then on the next screen 'Winter Coats'. Refresh number 3. By

the time you click on an item you are interested in, the page might have reloaded, four, five, six or even seven times, and depending on the quality, or otherwise, of your connection, you may be prepared to put up with this, or you may be losing the will to live. Page reloads, often in sub-optimal browsing conditions, are the enemy of transaction completion, so by using advanced design to reduce them, a better experience, and increased conversion, is very likely.

Compare this to the HTML5 experience, where, thanks to expandable product listings, a visitor to the site can go through exactly the same process of selecting Men's Clothes, then Jackets and Coats, then Winter Jackets, then perhaps, Jackets with Hoods and arrive at the products he's interested in, with just a single page load.

First in line to take advantage of this is New Look, whose new mobile site is setting a new standard in mobile design. A range of features set the site apart from its competition:

- Page-loads, which due to the latency of mobile browsing and data pulldown are a major cause of drop-off, have been minimised throughout the site;
- Cascading menus show categories on the homepage;
- Dynamically driven promotional areas are available on the homepage that enable New Look to display a wide variety of hero promotions on the homepage in a very attractive way;
- An easy one-click checkout has been designed from the ground up to get users through the process as fast as possible.

New Look customers also told them that viewing product images was an important requirement, so the site features crisp zoomable fullscreen product imagery on every product page and the ability to scroll quickly through different colours or varieties of the same product – again, without reloading new pages which would slow the user down.

HTML5 in particular offers a range of browsing enhancements particularly good for mobile. Local caching can be optimised so that even if a user enters a tunnel or other area of low reception, they can continue to browse product details or other pages that have been stored locally on the phone. Also video, 3D and other content can be inserted seamlessly into pages, rather than having to interrupt the path-to-purchase with launching other video players.

As the HTML5 framework reaches maturity, and the majority of mobiles become compatible, we can look forward to an attractive array of next-gen mobile sites taking advantage of customers' desire for a great mobile shopping experience. ■

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# MOBILE PAYMENTS' TIME HAS COME

While 2011 will be the year of mobile retailing, the first six months of the year look like throwing a bit of a googly, shaping up as they are to be the time that mobile payments become part of the everyday retail experience. But is it really anything new? Paul Skeldon investigates.

**MOBILE HAS BEEN** used as a payment tool for years: no really it has. Premium rate SMS has been at the heart of m-commerce – the purchase of digital 'goods' – for about 10 years, with the consumers sending a text to a shortcode and then getting a series of confirmation texts back that are charged to the consumer's bill at set tariffs that rack up the necessary payment. Nothing new there.

What is really interesting is that finally, as we start 2011, the use of mobile as a payment tool in a more widely understood – and less digital goods-orientated context – is starting to play out. And it doesn't involve the 'operator billing' model exemplified by PSMS and m-commerce, much to the surprise of many in the mobile industry, but is becoming something more akin to the credit card.

Perhaps the biggest news is not really news at all: that Apple might (probably? Can we agree on probably?) include some sort of Chip & PIN, radio enabled contactless payments tool in iPhone 5, due out in the summer. That has been talked about for almost a year. Now, here in the UK, Everything Everywhere, the uber mobile telco formed from the merger of T-Mobile and Orange is working with Barclaycard to deliver a nationwide near field communication (NFC) based contactless payment offering.

Alongside this, mobile money group Monetise, which connects banks, network operators and merchants together, has signed an exclusive deal with Visa Europe that gives the mobile money company access to Visa's €500million pan-European interbanking payment network so that it can create, what it calls "mobile finance and payment applications for Visa's inter-bank processing service".

Meanwhile, a host of other players such as PayPal, eWise Payo, Android's Gingerbread, and CreditCall have all had a crack at doing things that veer between the simple mobile wallet to fully fledged NFC-based payments offerings.

And there is a good reason. More than 1 million contactless payments were made in the UK using NFC enabled cards – mainly Barclay's Oyster-styled offering – initially just spread by word of mouth then ramping up once a national TV ad

campaign hit our screens.

The logic goes then that the consumer demand is very much there for mobile as a payment tool. The questions that still remain however are just how are retailers going to make it work for them?

Online retailers are in clover: having the payment card effectively built into the mobile smart device means that payments can be made direct from the e-tailers mobile site securely through the phone. In many ways, this could see mobile retail become even more prevalent. But what about in the bricks and mortar retail environment?

The biggest objection to NFC-based payments in stores, be they via a mobile phone or a card or anything else, is the technology needed to make it work from the merchant's point of view. Who, frankly, is going to carry the cost? And, if large retail chains managed to swallow the roll out, with help from their banks and the card companies – perhaps even the mobile operators – what about all the small independents who are already at a disadvantage?

This issue, to my mind, is still to be resolved, but the roll out of networks and the general momentum that contactless mobile payments is gaining is likely to see it sweep across the retail sector between now and the summer.

But need anyone be left out? Coffee chain Starbucks kicked off 2011 with the announcement in the US that its loyalty card scheme – whereby the customer charges up their Bucky's card with cash to spend in store – was going to be app-ed. The genius move was that this app would allow, through a simple barcode scanner, the phone to become a payment tool – but without the need for any great additional redemption terminal costs or anything having to be fitted to the handset.

While this is being dismissed by the powerful NFC lobby, it offers all merchants – well those that can afford app-development – the chance to get into the mobile payments game. It also presents someone in the app community with the opportunity to develop a white-label app that allows even the smallest corner shop to do it. And that will see mobile payments become truly ubiquitous. ■



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## WHAT'S IN STORE FOR MOBILE?

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

While mobile payments has hogged the mobile retailing headlines of late, one of the other key trends for 2011 is the use of mobile at point of sale, or more accurately, within the whole bricks and mortar shopping environment.

More than 30% of shoppers have accessed a retailer website via mobile, with as many as 67% of these doing so in the retailer's store, while more than a quarter look at competitor websites to compare prices and offerings when in rival stores, the latest figures from ForeSee Results reveal.

This is borne out by the latest eCustomerServiceIndex (eCSI) results from eDigitalResearch and IMRG, which finds that a quarter of smartphone users have used a bar code scanning app while in store to see if they can get them cheaper elsewhere.

Kiddicare.com has seen this phenomenon turn into cold hard cash, with its 'scan and save' iPhone app being downloaded 19,000 times, and generating £51,000 worth of direct sales through mobile from 675 orders, including everything from £400 travel systems to £2 safety plugs.

In fact Kiddicare is pioneering the idea that consumers are using their mobiles out there in the high street to get better deals and is betting the toy farm set on it.

Tesco has also started to dabble in the nascent world of in-store mobile services, putting a QR code campaign in to action in some of its key stores in the build up to the launch of the new Nintendo 3DS games console. The QR

codes were displayed in store to link customers to the mobile version of Tesco Direct to pre-order the new console. As we go to press we are awaiting news of the results.

### ■ What's in store for mobile 2

In terms of retailers using mobile to create an enhanced shopping experience – rather than just using it as weapon in the discounting wars that rage across the high street – it has taken, naturally, the intervention of a Time Lord to show us where mobile in store might be going.

Yes, Doctor Who is also playing his part in making mobile part of the retail experience. BBC Worldwide has opened a shop devoted to Doctor Who at the Doctor Who Experience at Olympia in London, which thanks to free closed loop wifi, the BBC is looking to offer a range of things to smartphone (and possible sonic screwdriver) owners.

While receiving redeemable coupons for use in the Doctor Who shop, visitors will also "enjoy an immersive browsing experience related to the aliens, monsters and storylines at the show", much of it exclusive to the Doctor Who Experience, says the BBC. This is the future. If anyone knows, Doctor Who knows...

### ■ Where it's at

One of mobile's great strengths in the retail space is that it is, well, mobile; it moves about with the user and taking advantage of that holds the key to driving new sales through the channel, rather than simply cannibalizing your

online and in-store sales. And, it's not just a theory. A study in the US by JiWire, a location based media company, has found that location based mobile ads are driving 17% of consumers to make purchases while mobile and 20% to visit physical store locations after seeing a relevant advert. Additionally, the greater the discount offered, the further the mobile audience is willing to travel to redeem a promotion.

According to the survey: 78% use location-based apps on their phone; 29% use them multiple times a day and 34% clicked on an ad in response to a location specific message. Some 57% are more likely to engage with an ad that is relevant to their location.

However, the power of advertising isn't restricted to those out and about – it also impacts those who aren't moving. Research by the Internet Advertising Bureau's (IAB) mobile arm has found that 40% of consumers reach for their mobiles when they see an advert, with 3pm to 6pm being the hottest times for at-home mobile shopping. But, while 27% of consumers are choosing their mobiles as the best way to access content and services, they are tending to do this not through apps but their mobile browsers.

The research uncovers that there are some 18 mobile usage occasions per day, with mobile internet being the dominant method of access, and more than two thirds (66%) of those asked saying they 'can't live without their mobile' and more than half (58%) believing that their mobile device makes their lives 'more organised'.





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