

# INTERNET RETAILING



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VOLUME 3 | ISSUE 4 | MAY 2009



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## EDITOR'S COMMENT

In the first economic downturn where the internet has been an established trading route, new figures from eBay UK show that, in stark contrast to the high street, internet export sales are on the up. In January, 244,000 UK-based eBay sellers generated £57million worth of export sales (a year-on-year increase of 49%).

The British Chamber of Commerce warns caution though saying that businesses should beware the temptation to take advantage of exporting opportunities whilst the sterling is weak. While there are benefits to foreign markets in the current environment any exporting should be carefully considered and very well researched before being undertaken.

"It's all too easy for overseas orders to turn sour if you don't know the market. Every opportunity must be properly assessed, looking at everything from shipping costs to local regulations, to ensure that a profit can be made and identify any longer term potential," says Managing Director John Dunsmure.

The need to fully research, assess and understand local markets is echoed by Internet Retailing's guest authors. In this issue we take a look at the wider Europe, retail threats and opportunities, pitfalls and changes being discussed in the legislative corridors of the European Commission. As Morten Kamper comments on ecommerce in the Nordic countries, "There is plenty of room for new businesses, and we will surely come to visit you."

**Emma Herrod**  
Editor



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## DIY SECTOR MOVES

The DIY sector is continuing to innovate across channels and companies as Screwfix, B&Q and Homebase announce strategic changes.

Kingfisher Plc has announced plans to leverage Screwfix's expertise in ecommerce to boost the level of service offered by B&Q to online shoppers.

The plan calls for 12,000 additional products to be made available for next day home delivery on B&Q's diy.com website during 2009/10, using Screwfix's home fulfilment network to fulfil the orders.

B&Q's in-store trade offer will also be relaunched during 2009/10 "maximising synergies with Screwfix" and a Reserve and Collect service will be rolled out nationally during the same period.

The diy.com website has also been through a major merchandising redesign recently and the retailer signed up with Bazaarvoice to add customer ratings and reviews.

Homebase plans to introduce ratings and reviews as part of its evolving multi-channel strategy. The home improvement retailer intends to use online customer opinions to develop a better understanding of the popularity of its product ranges and create new promotional opportunities. Homebase will also implement new online customer experience initiatives in 2009 based on its customer opinions.

The initiative forms part of a broader multi-channel development strategy that, over the last year, has also seen the introduction of a new website and an online Check & Reserve service.

Meanwhile, Wickes has seen online conversions rise by 14% since employing Maxymiser to test and optimise its website content nine months ago.

For Wickes, a common theme among the winning variants has been simplicity and an ease of shopping experience. "Previously we had tried to give the customer lots of information about everything on offer, but it turned out that less is more," says Keith Hamilton, General Manager at Wickes E-commerce.

### HOUSE & GARDEN WEBSITES, RANKED BY SHARE OF UK VISITS

Rank	Website	Market share (%)
1	B&Q Online	6.48
2	Screwfix Direct	5.15
3	IKEA	4.05
4	Homebase	3.28
5	Wickes	2.42
6	Mothercare	2.24
7	Next Day DIY	1.94
8	Wilkinson Plus	1.37
9	Laura Ashley	1.19
10	Focus DIY	1.16
11	DFS	1.13
12	Matalan	1.10
13	Kiddicare	1.00
14	Lakeland	0.86
15	Mydeco	0.76

Source: Hitwise UK

## SAVE THE PLANET - SHOP ONLINE

Online shopping is more environmentally friendly than driving to the shops, according to the Logistics Research Centre at Heriot-Watt University. The team found that, on average, having goods delivered to a home address by parcel carrier generates significantly less carbon dioxide than making a special trip to the shops to buy the same item.

The research compared the carbon footprints of online and conventional shopping for small goods such as books, CDs, cameras and household items. It was found that a typical van-based home delivery produced 181g CO<sub>2</sub>, compared with 4,274g CO<sub>2</sub> for an average trip to the shops by car. An average bus trip by a shopper produced 1,265g CO<sub>2</sub>. In other words, when a customer drives to the shops and buys fewer than 24 small, non-food items per trip or travels by bus and buys fewer than 7 items, home delivery is more environmentally-friendly.

Internet retailers have long claimed that shopping online is better for the environment. However Professor Alan McKinnon, Director of the Logistics Research Centre, and one of the authors, pointed out that: "While this research suggests that home delivery is less carbon intensive, neither it nor a conventional shopping trip can be said to have an absolute environmental advantage. Someone using public transport at peak times and buying goods in bulk can match the emissions per item of home delivery".

The critical factors in the calculation are the number of items purchased per shopping trip, the choice of travel mode, the probability of the consumer being at home to receive the goods and the way in which unwanted goods are returned. The figures quoted above make no allowance for failed home delivery or the return of unwanted products, though these complications are addressed in the report.

## SOCIAL BEATS EMAIL

"Member Communities," which includes both social networks and blogs, has become the fourth most popular category online - ahead of personal email. It is growing twice as fast as any of the other four largest sectors (search, portals, PC software and email), according to the Nielsen Company's "Global Faces and Networked Places," report.

Facebook - the world's most popular social network - is visited monthly by three in every 10 people online across the nine markets in which Nielsen tracks social networking use. Facebook has its greatest reach in the UK market (47%).

Other key findings include:

- One in every 11 minutes online globally is accounted for by social network and blogging

sites. In the UK, these sites now account for one in every six minutes.

- The social network and blogging audience is becoming more diverse in terms of age: the biggest increase in visitors during 2008 to "Member Community" websites globally came from the 35-49 year old age group (+11.3 million).

- Mobile is playing an increasingly important role in social networking. UK mobile web users have the greatest propensity to visit a social network through their handset, with 23% (2 million people) doing so.

"Social networking has become a fundamental part of the global online experience," says John Burbank, CEO of Nielsen Online.

## NET-A-PORTER LAUNCHES DISCOUNT

Natalie Massenet, founder of Net-a-Porter, has launched TheOutNet.com, a designer clearance site. As part of the Net-a-Porter group, the new site is pitched as "the ultimate in chic discount shopping" and aims to become a global shopping destination for bargain-priced designer fashion.

"Each month theOutnet hosts time-limited Pop-Up Sales, Giveaways and Going, Going, Gone Sales that will give you that

'get it before it goes' buzz. The Pop-Up Sale will host themed designer sales that will be available for a limited time. The Going, Going, Gone Sale is a new way for the fashionista to snap up a designer label at an irresistible price — watch the price drop as the clock ticks but hurry or you may lose it."

"We are delighted to create a vibrant, fun and edited destination for the global sale shopper to call her own," says Massenet.

## GOOD ONLINE BEHAVIOUR

The Internet Advertising Bureau (IAB) has collaborated with the key players in online behavioural advertising to launch Good Practice Principles, the UK's first self-regulatory guidelines to set good practice for companies that collect and use data for online behavioural advertising purposes.

The Good Practice Principles aim to empower consumers and give them information and choices about behavioural advertising. Supported by the Information Commissioner's Office (ICO), the independent data protection regulator, the Principles constitute a common industry initiative dedicated to increasing consumer awareness and choice about the kind of advertising they receive.

All companies that sign up to the Principles have six months to comply with three core commitments:

- Notice – a company collecting and using online data for behavioural advertising – such as a website publisher, ad network or technology company – must clearly inform a consumer that data is being collected and used for this purpose.
- Choice – a company collecting and using online data for behavioural advertising must provide a mechanism for users to decline behavioural advertising and where applicable seek a consumer's consent (where data protection law or specific regulatory guidance applies).
- Education – a company collecting and using online data for behavioural advertising must provide consumers with clear and simple information about their use of data for this purpose and how users can decline.

## TESCO.COM HITS £1.9BN SALES

Tesco has reported a 15% increase in group operating profit to £3.206bn in its preliminary results for 2008/09. Online, "Tesco.com has delivered another excellent performance, with our online businesses achieving a 20% increase in sales to £1.9bn, with profits, after initial start-up losses on Tesco Direct, rising to £109m," the retailer reports.

"We are continuing to see robust growth in customer and order numbers and operationally the business made further progress, with improved product availability, and strong productivity," says Tesco.

"Tesco Direct, which is managed within Tesco.com, is designed to extend the reach of our non-food offer by making it more available to customers via the internet and catalogues and is now established and thriving," the report continues. "It has delivered excellent sales growth and reduced losses as planned. We issued 11.5m catalogues last year and now have 12,500 products available online. The popularity of our in-store Direct desks, which are now in 231 stores, continues to increase as more customers order and collect items from their local Tesco. We plan to add clothing to our online offer later this year."

Chief Executive Sir Terry Leahy explains that "At a time when customers everywhere are feeling the economic strain, we are responding to their changing needs in all our markets by lowering prices, introducing more affordable products and offering even sharper promotions. These actions, combined with our core strengths — in selling food and everyday essentials, owning our own property and having a broad business base — are helping us to cope well with the effects of the downturn.

"As a result, we have delivered a solid sales and profit performance, both in the UK and internationally, whilst continuing to invest in our long-term strategy for growth," he added. "We have made a good start to the new financial year and I am confident Tesco will continue to make good progress even in the current global economic environment."

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## SPRINGTIME MUSINGS ON LOVE AND PASSION

Spring has sprung at IR Towers and the sweet smell of blossom in the executive garden has turned Ian Jindal's mind to love and passion.



**EASTER** is the time that IR Towers is vacated as IR's Editor-in-Chief heads to Chelsea Upon Sea in Cornwall for some R&R and to plan the year's changes in our never-ending quest to satisfy our demanding readers' quest for knowledge and insight.

We've packed manuals on video podcasting and are mulling new formats (for us) around research, procurement and supplements. These formats are already done exceedingly well by other people and we're at the stage of being 'amateurs' (in both senses of the word - 'in love' with the idea, but not fully professional yet).

'Amateur' (from the Italian 'amatore', one who loves) is a peculiar word since it combines the ideas of ineptitude alongside passionate expertise. According to Wiktionary, amateurism "reflects a voluntary motivation to work as a result of personal passion for a particular activity".

Ecommerce is allied to this latter view of amateurism: people drawn from many different fields of expertise in order to work in the new world of t'interweb. Our very recent history has brought our customers into the equation as participants - via user-generated content (where customers 'do things on our sites' - ratings, reviews, forums) and via the more dynamic social media trends (where customers talk to each other without reference to 'us!').

This phenomenon was linked to sites like YouTube and MySpace, where the pundits and panjandrums decried the triviality of the contributions. However, over time three things have happened: 1) the new audience has become highly discriminating. The majority of material consumed on YouTube is of 'professional' grade ie well produced, high quality 'tevisual' material, much of it from those media

houses it was meant to destroy; 2) the amateurs have rapidly become experts. Higher quality webcams and sound recording are now built into every phone and \$500 laptop, and applications cheaply available bring production-grade capabilities within reach;

3) the raw permission to upload and 'do things' soon pales. When the whole world is capable, and contributions blend into a mélange of higher-end mediocrity, users increasingly seek out and respond to quirky or individual contributions - which are rewarding with a short-lived wave of notoriety and fame, before degrading to be part of the aggregate.

So - while it's arguable that there's general progress (there's more, better stuff, let's say) it's also true to me that quality is not objective. Marketers use the awful term 'Stand-out' as an adjective to denote how far away from or above the norm a message's effect might be. I think we can already see in ecommerce that against an apparently-high average level, we still need to seek stand-out.

It was while pondering how, at IR, we can rapidly increase our capability while still achieving a 'stand-out' based on our values that my mind turned to retail more directly. I've been pondering online merchandising and presentation for a while now, as you'll know, and much of the debate has focused upon the technical and operation issues of achieving competence. Increasingly, most ecommerce platforms have a modicum at least of searchandising capability and so we find ourselves at

nothing better than a 'higher average': a rising tide's floated all boats.

How many times do we see, as consumers, yet another competent-but-undifferentiated grid of product thumbnails on an ecommerce site? I'm not advocating adding more gizmos for and of themselves - indeed, we can see that the catwalk- and 360-degree video arms race is about to leave retailers at a higher, more expensive average level! Rather, I'm looking for ways to draw out knowledge, passion, selectivity and flair - connecting customer with product - that is so pure and compelling that it needs little adornment.

We know this to be necessary, and our Inspiration Index shows that you already seek out and admire those companies with passion, capability and personality.

If there's a point for us to ponder as the blood stirs in our vernal veins it is this: in 2009 there's little new 'tech' to give advantage; we've trained our customers to shop more on price and squeezed our margins, and many retailers are reducing their stock buy. We have to do more with less. Surely now is the time to step away from the machines; to meditate upon the customer; and to unleash without further restraint our passion and enthusiasm.

In 2009, we should all strive to recapture something of the true amateur, and enjoy ourselves as we do so.



# DROP & COLLECT

## DELIVERY AT CUSTOMERS' CONVENIENCE

A nationwide system which eliminates the problem of parcels being thrown over fences, left on doorsteps in the rain or going missing somewhere between retailer, delivery depot and customer has been launched in the UK. Emma Herrod talks to Walter Blackwood, Managing Director of Drop & Collect.

**DROP & COLLECT** (DCL) is a joint venture between Home Delivery Network (HDNL) and payment collection service PayPoint, enabling parcels to be delivered to neighbourhood stores around the UK for collection by customers. It has been created by linking HDNL's carrier service and PayPoint's extensive network of payment and scanning terminals in neighbourhood convenience stores and village shops. Each organisation owns 50% of the new service, with the bulk of the maintenance, management and delivery work carried out by the two parent companies, although DCL does have a small team, which it plans to expand.

The key benefits of the new venture are that it allows parcels to be delivered to a secure environment and collected at the customers' convenience from a pickup point in a place near to where they live or work. Now the initial rollout is complete, the majority of the UK population is a maximum of only two miles from a DCL point, with further locations set to be added to improve coverage still further. The service allows items to be delivered from one location to another or sent directly from a retailer to a convenience store, so customers don't need to be at home to take delivery of their purchase. Importantly, the issue – and cost – of failed and redeliveries is removed ►



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## “THE ISSUE - AND COST - OF FAILED AND REDELIVERIES IS REMOVED FROM THE CARRIER AND THE RETAILER”

from the carrier and the retailer.

Walter Blackwood, Managing Director of DCL, says urban locations are the key target area for the service because of the numerous problems parcel carriers experience trying to make deliveries, such as many customers not being in during the day or packages being too large to go through small letterboxes. He adds: "Student land is also a big issue because of problems with some addresses and from previous tenants."

DCL also opens up access to courier services for small retailers and consumers, who can use the service to send parcels to another DCL point. As the network establishes itself, it could also be possible to link into the existing HDNL carrier service, enabling parcels to be sent from a DCL point to a customer's home address.

### NATIONAL SERVICE

The service is currently being tested by Shop Direct group brands - Littlewoods Direct, Choice, Kays, Great Universal, Additions Direct, Marshall Ward and Littlewoods. Shop Direct customers have been informed about DCL by email and there's also promotional point of sale material at participating PayPoint convenience stores. According to Blackwood, there's a raft of other on and offline marketing activities in the pipeline to raise the profile of the new service.

Shop Direct customers can already use a local post office to mail returns using a specially printed returns label, or they can simply hand items to an HDNL driver who gives them a bar-coded receipt. "Drop & Collect is a major improvement in that service," explains Blackwood. With DCL, a customer takes a return parcel to the DCL point with a barcoded returns label. The label is scanned by the existing terminal used by the PayPoint network, so the parcel enters the HDNL system and can be tracked online. The parcel will then be collected by an HDNL driver during their daily rounds. Currently, HDNL visits all the DCL locations to ensure the



robustness of the technology, but automatic route planning will eventually be introduced showing only those locations with parcels for pickup.

As of mid-April, 882 DCL pickup points have been ►



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rolled out across the UK, with each HDNL depot covering 20 to 30 locations.

- Phase 1 (completed mid-February) saw implementation across the Midlands and Kent.
- Phase 2 (went live 17 March) rolled out DCL across Scotland, Northern Ireland and the North of England.
- Phase 3 (completed mid-April) saw DCL go live across London, the South East and throughout the South West.

On 17 March, a total of 92 parcels were collected via the service – 53 in the Midlands and 39 in the phase 2 areas. “The daily volume is rising by 20-30% every day and we expect volume to increase rapidly as the service is rolled out and awareness grows,” says Blackwood.

He gives the DCL point in Rainham, Kent, as an example of one with the potential to become one of the busiest because it’s in an ideal location: close to the railway station in a small shopping area with parking, plus it’s open from early in the morning until late in the evening, seven days a week.

The nationwide network of DCL points is mainly located at independent outlets such as convenience stores and village shops. PayPoint – which processes £5.5bn in cash each year, mainly for utilities bill payments, mobile phone top-ups

## COST OF FAILURE

Failed first deliveries are a big issue and cost for the ecommerce industry. IMRG predicts that 820 million parcels will be delivered this year with 10% of them failing to reach the internet shopper on the first attempt. According to its e-Retail Customer Service Index, consumer satisfaction with delivery of goods bought online has risen faster than any other aspect of internet shopping in recent years to become its second most popular feature after product range.

and television licences – has a network of more than 21,000 terminals in local shops (including multiple and symbol groups) throughout the UK and Ireland. To extend national coverage of the DCL network, it plans to negotiate with national chains such as Londis and Spar to increase the number of DCL points. The next phase will see an increase in functionality of the service.

## AN OLD IDEA

The concept of local collection points with long opening times or secure boxes for 24-hour convenience is not a new one, but to make such a service commercially viable, it needs an extensive retail footprint – something that makes PayPoint an ideal partner, explains Blackwood. A number of operators have already set up services based on this concept using existing retail space. For example, DHL has Servicepoints in 400 WHSmith stores, all Staples outlets and some Cartridge World shops.

The Local Collect service run by Parcelforce Worldwide and Royal Mail has a considerable retail footprint, but while it has a network of 10,000 Post Office outlets at its disposal, these do not offer the long opening times outside of working hours that many consumers demand. Royal Mail introduced a track and trace and ‘safe place’ service in the Autumn of 2007 through which retailers can offer shoppers an alternative delivery option such as ‘next door’ or ‘garden shed’.

Blackwood says DCL is not in direct competition with Royal Mail. “We won’t get into the letter business but we will compete in the package business,” he says. Where he does see potential for growth is in the parcel service for the small retailer, eBay and consumer-to-consumer sector. “The

## “THE DAILY VOLUME IS RISING BY 20-30%”

consumer business is the core,” says Blackwood. “The consumer will tell us how they want to use the service.”

One challenge for PayPoint and HDNL has been getting PayPoint’s terminals to link with HDNL’s system to allow parcels to be tracked and ensure security. A new hub has been built through which the two systems can pass information; it also allows consumers to track parcels online and enables communication with the sender and the parcel recipient.

Further functionality can be added through PayPoint’s terminals, such as enabling a message to appear on the terminal screen when a parcel is scanned for collection, prompting the shop assistant to ask the recipient a security question or for additional ID. This type of function can be set up on a parcel-by-parcel basis by the retailer. For instance, part of the payment card details could be encrypted and the parcel released to the recipient only on production of the same card at the collection point. This alleviates the anti-card fraud process whereby many retailers will deliver the first order only to the cardholder’s address. Now that the technological and logistical infrastructure is in place, adding more retailers, services and functionality to the DCL network will be relatively straightforward.

### CONSUMER-TO-CONSUMER

DCL is starting a consumer-to-consumer service this summer, enabling individuals to send parcels between DCL points. To make a consumer-to-consumer delivery, the sender logs on to [dropandcollect.co.uk](http://dropandcollect.co.uk), enters their email address (and an optional mobile telephone number) and the recipient’s details, and chooses to which DCL point they want the parcel to be delivered. Next, they pay for the delivery – which Blackwood says will cost around £4 – and then print out an address label and attach it to the parcel.

Because parcels will be handled by shop assistants as well as delivery drivers, DCL is setting a weight limit of 10kg on each item. Blackwood explains: “10kg is about the weight of a case of wine. The idea is, if you can take it as hand luggage on an airplane, then we can accept it.”

The sender takes the parcel to a DCL point, where it is scanned. The DCL service sends the



recipient and the sender an email (and optional SMS message) to inform them that the parcel is in the system and can be tracked online. The package is also scanned at the final destination and the recipient is automatically sent an email and SMS with a nine-digit reference number. This needs to be produced, along with the email and identification, when the parcel is collected and scanned again. Once the transaction is complete, the sender is notified that the package has been picked up and the recipient is sent a message thanking them for using the service.

Because the DCL points are in local stores, recipients can collect parcels when it is convenient for them – early morning, late in the evening or at the weekend. They will be sent a reminder after a few days if items haven’t been collected, although Blackwood says the whole aim of the service is to be “convenient, secure and value for money”.

He adds: “By making local convenience stores the gateway to internet shopping, the more it benefits the consumer. It also has the ability to drive business to local shops, since it adds value to those stores. The more volume generated, the bigger the network can be.” So it will also be easier to sell into commercial markets for retailer-to-consumer deliveries and consumer-to-retailer returns.

“Drop & Collect is two way,” says Blackwood, “and that’s where the value and strength of the brand becomes more evident. We are convinced that any online retailer and any individual consumer sending or receiving parcels will find value in the service.” ■

# Bringing people and parcels together ...



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# CUSTOMER EXPERIENCE: THE SECOND INSPIRATION INDEX DIMENSION



**THE SERVERS** have been humming at IR Towers in the last few weeks as you've been kind enough to share with us those retailers who're bringing tears (of envy as much as delight) to your professional eyes.

## INTERNET RETAILING'S INSPIRATION INDEX

Internet Retailing's Inspiration Index, launched with our research partners eDigitalResearch last month, aims to look behind the size and PR of an etailer and consider instead the aspects of their activity that provide inspiration to their competitors, suppliers and knowledgeable customers.

The dimensions of inspiration are:

1. Moments of brilliance and delight (March issue - Amazon led the field)
2. Customer experience (covered in this issue)
3. Operations and IT
4. Merchandising
5. Marketing
6. Strategy

## CUSTOMER EXPERIENCE

From the results and comments it's clear that there were two main interpretations of the customer experience:

- Services whose customer interface and 'buying online' were inspiring (enter, for the second month, mydeco leading this particular charge).
- Retailers where the very smoothness and efficiency of the purchasing operation, especially for demanding products or when resolving issues, drew appreciative comments - "it just works" is a compliment not to be taken for granted! The key lesson for this month is the weight accorded to the contact centre team's role in overall customer experience: they were mentioned time after time in responses.

This month we also saw a more active battle outside the top 5 (who remain strong from the first dimension and clearly are a source of inspiration to our readers).

The results of this survey, along with the position from March are as follows:

The Top 5 have maintained their standing, albeit with mydeco taking the lead, but of most interest is

Ian Jindal reviews the results of the "Customer Experience" dimension of Internet Retailing's Inspiration Index and sees much moving, shaking and a broader range of retailers making the cut.

the slew of new retailers coming to prominence. Ocado deserves praise here since it wasn't on our initial suggestion list (although it will be from next month!).

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

Just outside the 'cut' were good performances from House of Fraser and Clarks, beating off some strong competition in Tesco.com, Next, Expedia and Lastminute.com. ▶

### CUSTOMER EXPERIENCE

Rank	Etailer	Last rank
1	Mydeco	2
2	Amazon UK	1
3	Apple	5
4	John Lewis	3
5	ASOS	4
6	Boden	14
7	LOVEFilm	7
8	Play.com	9
9	Ikea	-
10	British Airways	-
11	Ocado	-
12	Marks & Spencer	-
13	Argos	8
14	Carphone Warehouse	-
15	Net-a-Porter	-

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# “IT JUST WORKS IS A COMPLIMENT NOT TO BE TAKEN FOR GRANTED!”

## OVERALL STANDINGS

Since we now have two results we can reveal with a drum roll our Standings Table. This is based upon the 'cumulative inspiration' rather than being a simple summation of each dimension's table: as we can see this month "not all first places are equal" and so over time we want to capture the highest amount of inspiration for the greatest number ofetailers.

Our standings table therefore sums the 'total preference' across all dimensions - the 'quantum of inspiration', if you like. So, with no further ado, the standings are:

Two basis points separate the top two, and there are only three basis points between John Lewis and ASOS - clear leading and second clusters, therefore. Ten basis points is about the difference between the 6th to 15th positions.

The opportunity in future surveys is for new players, and those in the standings outside the top group, to excel or achieve universal acclaim from respondents and upset the table!

## MYDECO

We were not surprised by mydeco's strong showing (and indeed, having featured them on last month's cover, it's clear that they have a place in our stony hearts at IR Towers). We were surprised however at the strength of their lead: some 40% of respondents chose them as inspirational in terms of Customer Experience.

The 3D planning tools garnered a great deal of praise - it's clear that respondents think this is something of a distinctive offering from mydeco.

Mydeco also has a clear element of fun running throughout their offering. While the site's clearly focused on selling (or enabling purchasing), from a customer's perspective there's also a great deal of fun, experimentation and idea exchange.

## OVERALL STANDING AFTER TWO DIMENSIONS

Rank	Etailer
1	Mydeco
2	Amazon UK
3	John Lewis
4	Apple
5	ASOS
6	LOVEFILM
7	Boden
8	Play.com
9	Ikea
10	Argos
11	easyJet
12	British Airways
13	Tesco.com
14	Zappos
15	Figleaves

So, having come to prominence in the first dimension then bagged a cover interview, our loving attention towards mydeco now passes to the IR Review Team. You can see their expert opinion, performance review and eye tracking results in this issue (and later online at [www.internetretailing.net/features](http://www.internetretailing.net/features)).

## AMAZON

Another strong performance from the anecdotal leaders in ecommerce - now with plenty of commentary to prove the depth and range of that expertise.

Amazon's performance this month was interesting ▶

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# “ WE WANT TO CAPTURE THE HIGHEST AMOUNT OF INSPIRATION FOR THE GREATEST NUMBER OF RETAILERS ”

in that – while mydeco pipped them to the top spot – the sheer quantity of comments contributed about Amazon was impressive. There were more, and longer, comments made, waxing lyrical about Amazon’s smooth purchasing experience and exemplary issue resolution, than those for all other retailers combined. I wonder whether the Amazon ‘customer training’, habituating us to contributing reviews, has spilled over into a Pavlovian mindset whenever Amazon is mentioned? “I must review...”?

Importantly, the comments tell of “the returns policy – it’s so easy and completely painless”, or of the dedicated team that works with customers who’ve been carded to get the products to the customer. One respondent commented (in conclusion to a list of points) “They got the whole notion of customer service right early on, when they were one of very few online brands (let alone trusted online brands); and continued to evolve and deliver, despite the changing landscape”.

## APPLE AND JOHN LEWIS

Although not quite making the front line of the grid, these two make up in passion what they slightly lacked in overall votes. Both retailers attracted praise for the way their customer service teams turned problems into opportunities for delight. In the case of Apple we have the story of how one Mac-using retailer was unhappy with his laptop battery and a complaint call turned into a customer service triumph: “After googling my problem I realised I had no claim. I phoned Apple just to complain but the person on the phone found a reason to refund me; completed the form online while I was on the phone and the battery arrived the next day – and the courier waited to take my old battery away to be recycled. Win”. This from a seasoned retailer who complimented their combination of planning, logistical systems design, employee empowerment and the final ‘green’ touch.

John Lewis also won praise for their delivery and service from respondents, showing that ecommerce professionals notice when others do it well – not to mention that a lot of “us” seem to shop at John Lewis, Amazon and Apple!

## THE NEW ENTRANTS

This month we’ve seen a new batch of retailers showing strongly in the 6 to 15th positions. Ocado’s showing is particularly impressive since they did not feature on our “first suggestion” list of 50. Rest assured that they have earned a place for next month, with the quality of the doorstep experience and the upsell, basket completion suggestions garnering consistent praise.

Boden has made a sprint into the leading group, being singled out for their use of language and tone in addressing the customer – carried through all channels, with the voice of the contact centre staff getting equal praise.

## NOTABLE ABSENCES

While invidious to point this out, there are a handful of retailers that we’d initially selected who have so far not attracted a single vote: Currys, Debenhams, First Choice, GAME, Thomson Holidays, Topshop. We’re slightly incredulous of this at IR Towers, given that these are well-performing retailers so we’ll be looking to see whether we see their strengths being appreciated in the future dimensions.

We’re also noting that, while the percentage of the IR community outside the UK is growing steadily there’s no retailer other than Zappos featuring in your responses. Do let us know why you think this is the case, or suggest some European exemplars to us to seed for the next dimension – thoughts to editor@internetretailing.net please!

## NEXT

The next survey will be on Operations and IT, so we’re expecting further comments on contact centres, logistics and technological prowess.

We’ll also be simplifying the survey to make it faster and to drop the ‘quantum of inspiration’ options – yes, it’ll now either be inspiring or not.

With Operations we’ll be moving from the customer-oriented aspects to how the business physically delivers on its promises, and we look forward to learning whether the top 5 will pull further ahead of the following group, or will we see some newer fascias pushing their way to prominence? ■

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570,000 unique visitors in a single month. Fortune Cookie's redesign of slh.com for Small Luxury Hotels of the World increased reservations by 45%, room nights by 56%, and Average Room Rate by 15%. The site also won Best Hotel Website at the Travolution Awards 2008. The site we built for Accor Services achieved almost instantaneous results. Leads generated from the site increased by more than 350% and the homepage bounce rate dropped by 50%. Users are more engaged with the site visiting twice as many pages as before. Most significantly, more parents are saving money as a result. The 'Pensions Gym' we developed for FT Business proved to be a winning idea, when more than 1000 stakeholders registered for training sessions to learn more about investments. More than 180,000 people have taken the interactive '2 minute test' which we developed for Diabetes UK to find out whether they are at risk from diabetes. In the 5 years that we've been working on the site, bookings through kuoni.co.uk have risen no less than 71%. The 2008 redesign lowered the

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

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

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



# MYDECO REVIEW

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

## RETAIL STRATEGY

**Ray Fowler, Retail Consultant, CVL**

Starting my career at Heal's in Tottenham Court Road, once recognised as leaders in design and quality furnishings, I was honoured to be amongst some of the greatest furniture designers and suppliers. With online stores like mydeco emerging, the tables are turning!

Mydeco is taking the sector by storm and although still in its 'beta version' infancy, offers innovative new ways to access good design and a wider range than traditional channels. Never before have so many designers and high end retail ranges been available through one portal.

However, my biggest concern with mydeco's online strategy is around their two purchasing options.

The first option is the link 'Go to shop' leading you to individual stores to complete your purchase and arrange fulfilment. If your mission is to design and source purely from mydeco then it's frustrating to make each purchase separately – and be charged for multiple deliveries. A quick switch off for would-be customers?

The second option 'Buy it here' allows you to build a basket. It's nigh on impossible to find items to add to this basket but when you do at least it aggregates your order with a total value. Problem is you are hit with the aggregated delivery charges for each of the items. In my basket this came to over 7% of the value. I think that's way too steep.

Now I quite understand where mydeco are going, but further thinking is required on how to manage these types of transactions. There is no simple way for the customers to manage the multiple fulfilment, tracking or delivery date selection aside from manually organising each delivery. Even then, they'll be lucky to get individual orders arriving in the same delivery window and I certainly can't take off the number of days to accommodate receiving orders.

I think some strategic innovation is required to address the real logistics challenges around delivery aggregation here. If mydeco can do this with the same creativity and imagination that they've brought to the rest of the site then the possibilities are endless.

## USABILITY

**Clare Barnett, User Experience Consultant, User Vision**

What do you do after you've created Lastminute.com? Well, Brent Hoberman has given us mydeco, the "first stop to design and shop for your home."

With playability features more common in the gaming industry, mydeco provides a 3D room planner to create your own design. There's a moodboard where you collect items to inspire you and import photos of your own living room to see how mydeco might furnish it.

Being picky, there are a few usability issues that need to be ironed out. The navigation is a bit clumsy in places and I relied heavily on my browser's back button as that seemed easier.

The moodboard provides hardly any instructions and users may get confused. The category filtering system took a while to work out as it wasn't clear how to use or reset it and I didn't even notice the colour filtering until a colleague had a go. Finally, the pop up product description is sometimes frustrating as it obscures the filtering elements.

These are not showstoppers, but issues like these can degrade the user experience.

The most engaging part of the website is the social networking community. The joining process is straightforward, and in one day I achieved a status level of 'Design Devotee'.

The growth of the community far exceeds the business model of mydeco. Users create rooms not just for themselves, but for the sheer enjoyment of the process. For mydeco this community buzz and traffic could result in an increase in conversion rates and cross-selling opportunities.

In a time where people cannot afford to move, improving their home is the next best option. Mydeco provides a playground for users to spend hours doing this using just one website. It's preferable to pushing a trolley around a cold warehouse waiting at the kitchen department for a 'kitchen designer'. Now, everyone can be an 'interior designer'.



**mydeco.com**  
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### EYE TRACKING ANALYSIS

**Guy Redwood, Managing Director,  
SimpleUsability**

Users who participated in our research for mydeco.com were asked to think about a room that they wanted to revamp where they normally relax. They were then asked to find a lighting item that they would like to buy from the website.

Users were immediately drawn to the large panel in the central section of the homepage. Some used this area as general navigation and missed the primary navigation at the top of the page. The effect of this was that these users missed some of the lighting products that were available to them, because this graphic was targeted to a certain type of product.

There was a mix of how users chose to navigate from the home page. There was a split between users clicking on to the main graphic, the primary navigation and the search box. When conducting a general search from the site search box, one user started typing in the search term 'lights'. A drop down list of search suggestions appear in the search box but they were rather abstract for this particular user who chose 'lights fantastic' and was confused by the wording displayed to him.

Users did not play with the filters on the left hand side of the page. For lighting, users were more interested in the style of the item and were drawn to each product photograph to make their decision. Users looked at the brand names underneath the photographs and spent more time looking at the brands that they failed to recognise.

Once a user had found a product that they wanted to purchase they were re-directed to the retailer's website. This was very slow for some users and they abandoned their journey. Users were shown a re-direction page that contained information regarding why they should shop with mydeco.com. Users stared at one bullet point that said 'shop in your jimjams'. The actual word and the tone of the sentence was so different from what they were expecting to see that it caused users to look at it for longer than they might otherwise have done.

### SITE PERFORMANCE

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

Gomez's on demand service tests and monitors the performance of websites from the outside-in. It provides a view of how a website performs from the internet backbone (e.g. ISPs) as well as actual desktop connections, showing the real-life online customer experience, also known as the Last Mile. Gomez carried out a website review of mydeco.com between 7 and 16 April and found, on the whole, its website performed poorly in comparison with data collected from the ongoing Gomez UK retail benchmark.\*

When Gomez looked closer at this it found the performance of mydeco's homepage, from the internet backbone, fared badly in comparison with the benchmark, and that it just beat the slowest retailer's site in the list, taking on average 2.722 seconds to load. Compared with the highest performers in the retail benchmark – such as Tesco UK and Ebayers, who have average page download times of 0.43 and 1.36 seconds respectively – mydeco's performance time is considerably slower.

The mydeco homepage also shows poor internet backbone availability relative to the benchmark. Although it is available 99.5% of the time, its 0.5% of unavailability equates to just under 2 days per year that it's not available to customers, providing them with no access to the site. This puts mydeco toward the bottom half of Gomez's benchmark. The most available sites in the benchmark achieved 100% availability from the internet backbone.

Generally, issues that seem to have impacted availability and performance appear to be related to the site's infrastructure and architecture. Specifically, on 10 April, problems occurred between two third parties: a content delivery network (CDN) provider and Cable and Wireless' (C&W) London backbone node. To resolve these issues mydeco's team should investigate the problem further with their CDN provider, and highlight the issue to C&W (this problem is somewhat out of their control). It should also communicate the findings to its marketing, operational and customer service teams, and aim to resolve the issue swiftly because a poorly performing online property could result in a loss of revenue and brand damage.

\*Mydeco's data for the time frame, 7-16 April, is compared with data collected from Gomez's UK retail benchmark, taken from the mid-March to Mid-April time period.

# SURFING THE UPTURN



Colum Joyce,  
Director of  
Strategy,  
IMRWorld  
analyses the  
opportunity  
of 'green' on  
retail  
recovery

**IT SEEMS** increasingly that ecommerce is leading the economy out of recession. In all the major markets across the world ecommerce sales growth looks to have bottomed out in December 2008 and the 2009 monthly growth rates have begun to rise.

In the UK the lowest year-on-year monthly growth rate was 13% in December 2008 and now (March 2008) has recovered to 18%. Similar recovery is being seen in France, Germany and the US. Renewed consumer confidence will assist with a broader economic recovery from mid 2009.

However, the market we are about to encounter will be quite different than the one prior to the recession. These differences will be fundamental and long term.

Consumer attitude is the biggest difference. In 2008 consumer spending contracted at a faster pace than ever seen before. Fears over jobs, debt and the general economy had a number of interesting impacts on consumers. In the US the saving rate went up from 0% to 5% in 6 months, credit card use fell and debit card use rose, discretionary spending fell sharply and people reduced their debts to ensure they could pay for the basics such as mortgages, food, education and healthcare.

Surveys are showing that consumers have adapted rapidly to less disposable income. They

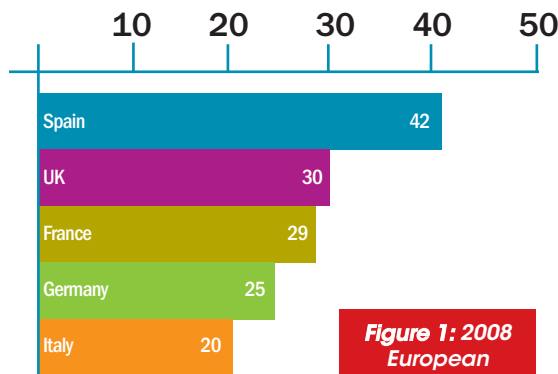
are saying they will maintain their spending levels at 5 -10% less than before the recession. Value for money, service quality and a longer retention of goods are other areas of major change in consumer attitudes.

The recession is actually illustrating the real size of the economy. Spending today is within personal budgets, reduced in its risk and minus the flood of cheap credit of the last decade. In the upcoming budget cycles there will be rises in personal and product / service taxes that will further limit the ability of consumers to expand their spending.

In addition to this are the bigger agendas emerging at a global and EU level mainly in relation to the environment. This will have a more radical and fundamental impact on ecommerce than anything we have seen from the recession. Why?

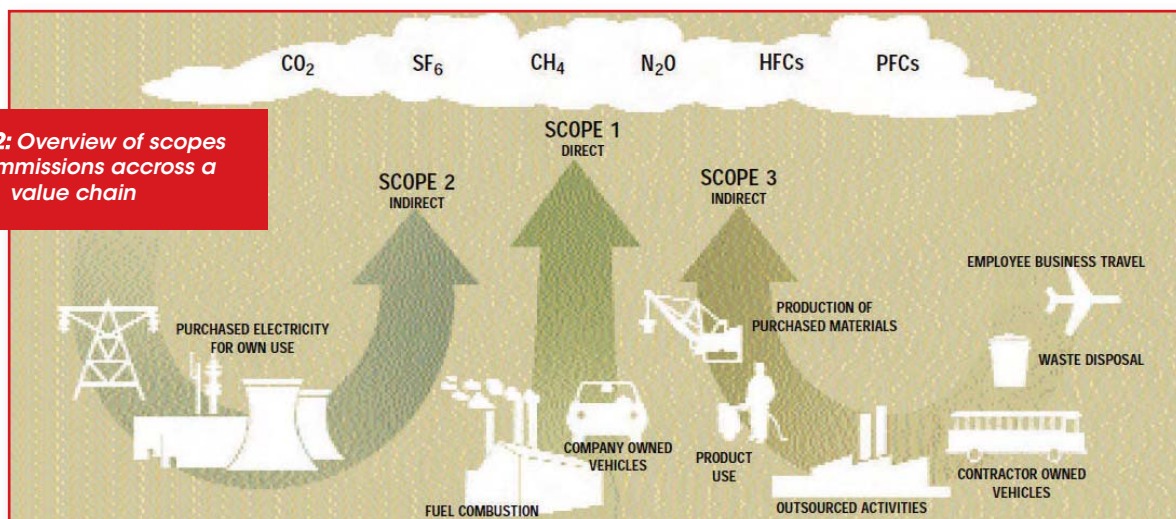
Basically the news on the environment continues to get worse. In an unpublished consensus from a recent meeting of key climate scientists a level of 4°C rise in temperature is now seen as being the most likely impact of present trends. This is double the level the EU and other countries look to maintain. It means that the measures necessary to ensure even limited damage will be more radical, far reaching and faster than planned.

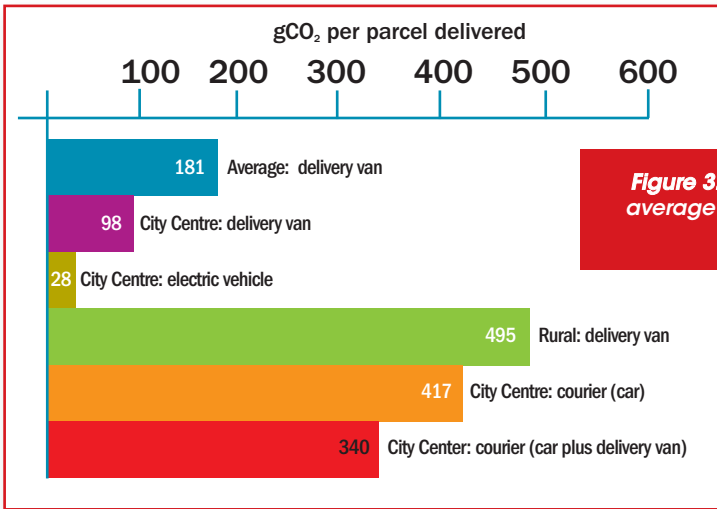
All this is an opportunity for ecommerce. It can



**Figure 1: 2008 European Ecommerce growth rates (% change 2007 - 2008)**  
IMRWorld

**Figure 2: Overview of scopes and emissions across a value chain**





**Figure 3: gCO<sub>2</sub> per drop for average deliveries by round type**

be one of the most important tools in facilitating the measures necessary to address and reverse the impact of climate change.

The key reason is the ability of ecommerce to effectively and efficiently place before consumers products and services that, properly designed, described, presented and transported, can significantly increase the efficiency of commerce and decrease the environmental impact of consumption and use. The key will be in the information that we provide to consumers. The product catalogues presented to consumers will have to have the environmental ratings and overheads necessary for informed consumer choice. The easiest way to think of this is as another type of price. Every product and service will legally have to have detailed carbon footprint information.

For those who think this is unlikely it is illustrative that the French have pending legislation that will require all products sold in France to have a carbon label and the information has to be available to purchasers. The Japanese are following the same path to achieve their Kyoto targets. No label, no market access.

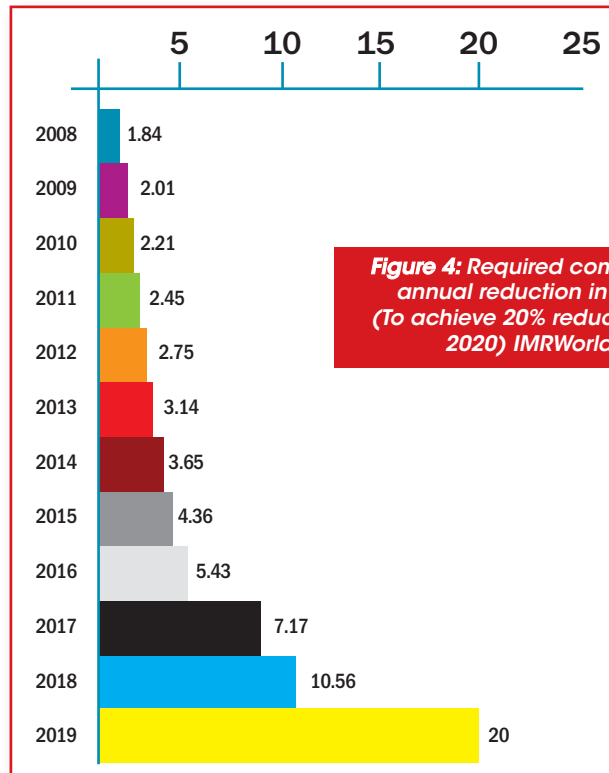
To be able to present the carbon footprint ecommerce retailers will also have to measure their own footprints and include these in the information to the customer. Every ecommerce retailer should be aware of and start using the Green House Gas protocol Scope 1 and 2 in the coming year.

The second key reason that ecommerce and internet technologies will be so important is that they allow information, education and informed choice to be presented to consumers. It is highly likely that consumers, faced by increasingly negative projections on climate change, will change their behaviour as rapidly as they have in response to the recession. Those who can assist them to understand and make "good" choices

will have a distinct and long term competitive advantage.

There will also be huge opportunities for value added services and support to customers. Taxes on carbon and consumption, use and disposal will open up opportunities for reverse logistics, lifecycle management and other support services that create long term support and loyalty with consumers.

After the Copenhagen climate conference in late 2009 the way the world produces, consumes and manages products and services will change rapidly and radically. Ecommerce will be a fundamental, flexible and strategic management tool for countries, businesses and individuals. Prepare now and the benefits will be enormous.



**Figure 4: Required compound annual reduction in CO<sub>2</sub> (To achieve 20% reduction by 2020) IMRWorld**



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

## CROSS BORDER

## FOCUS



The EU's proposed Consumer Rights Directive is likely to take effect from 2011 giving shoppers more time to return online purchases while aiming to improve cross-border trade. Penelope Ody investigates the implications for retailers.

**A DECADE AGO** buying online tended to be a leap of faith: you ordered the goods, hoped they'd turn up sometime within three or four weeks and were generally amazed when they did. Today it is very different with next day delivery commonplace and multi-channel developments making it easier to return unwanted goods to a nearby store rather than trust to the post.

So far, so good: but most shoppers, it seems, are still very reluctant to order goods from overseas. Some retailers are loath to take on cross-border sales while websites are not always completely upfront about delivery or handling charges.

There are inconsistencies, too, in consumer law across Europe with the right to return goods or demand a refund differing widely. Prices can also vary significantly between countries – which doesn't go down too well in Brussels as the EU strives for its "single retail internal market".

The result is the proposed Consumer Rights Directive, unveiled in October and currently in post-consultation phase. A final version is likely to be agreed next year with implementation in all 27 member states during 2011 and 2012.

The directive lays down new rules for delivery and return of goods bought both in-store or by any "distance selling" method – e.g. catalogue, internet, telephone – as well as standardising rules for withdrawing from contracts and outlawing hidden costs, such as tax or delivery, that may not be completely apparent when the shopper agrees to buy.

A key EU aim for the directive is to encourage cross-border trade. Currently while around 30% of EU shoppers buy on the internet from domestic suppliers, only 7% will make cross-border purchases. Main consumer concerns when buying from abroad are around delivery and returns issues, but the EU argues that if shoppers know they have the same consumer rights when purchasing abroad as they have at home they will be far more inclined to shop around and buy from the cheapest country.

"As far as consumer protection goes, then the directive is fine," says Colum Joyce, Director of Strategy at IMRWorld.org who is monitoring the plans, "and in theory the cross-border emphasis should help but I'm not convinced that it really will encourage shoppers to look at cross-border options. Currently these tend to be for niche purchases that people cannot buy in their home countries – such as books or cultural products. Once these lines become mainstream then they'll be stocked by the big retail players in the home market and there's no longer a need to buy from abroad."

The EU, however, seems to believe that price is the main criterion for decision making and cites numerous examples in its briefing documents of how online shoppers in certain countries can pay 20-60% more for such items as perfume, MP3 players or sports shoes. Interestingly in its survey, online retailers in the UK came out cheapest in all these three categories suggesting that if cross-border shopping does take off, then UK websites could be among the main beneficiaries.

#### PROPOSED CHANGES

Under the proposal goods must be delivered within 30 days of agreeing the sale with failure to do so entitling the buyer to a full refund within seven days.

When it comes to returning goods or withdrawing from contracts then the directive could well have an impact on some fundamental business processes. Shoppers will have 14 days from receipt of goods to "withdraw" from the contract and state their intention of returning the goods. A "withdrawal form" will need to be available via the retail website for shoppers to use; retailers will have to email customers acknowledging receipt and will have to refund both the cost of the goods and postage within 30 days.

There are some exceptions to this right to return – such as fresh produce, shrink-wrapped software and en primeur wine – and retailers can also reduce the refund if the goods have clearly been used, such as clothes worn for rather longer than it takes to try them on.





However, since shoppers have 14 days from issuing the withdrawal notice to return the goods these items could, effectively, be held for up to 28 days before the retailer finally receives them back, leaving a couple of weeks to process the refund or assess whether the goods have been "used" in this time.

"Twenty-eight days is typically a billing cycle," says Joyce, "so retailers may need to adapt their financial systems or create an escrow account to hold these funds until return and refund processes are complete."

If the retailer is deemed not to have been completely upfront about additional charges involved in the contract – such as adding on postage after the shopper has clicked to confirm the order – or if it has not been made clear that the customer has 14 days to withdraw from the sale then the directive proposes that the withdrawal period be extended to three months.

A ruling in February [2009] by the European Court of Justice (ECTJ) based on the existing Distance Selling Directive reached a similar conclusion: that buyers could return goods after many months and still be entitled to a full refund. The ruling was the final outcome of a case brought against a German distance retailer who tried to charge the buyer of a second-hand laptop for the eight months of use she had had from it before it stopped working. The shopper took the retailer to court as under existing German law the right to withdraw does not expire until the notice of that right is provided to the customer.

Making her judgement, Advocate General Verica Trstenjak said: "The fear of abuse by individuals may not generally result in the protection of rights guaranteed under Community law being restricted for everyone."

While the new directive limits the returns under such circumstances to three months it is obviously important for any online retailer to make it patently obvious to customers that they only have 14 days to complete the withdrawal form if they wish to return goods.

## PROCESSES

Systems for tracking returns across these time scales will also be important to ensure that refunds are not made before the goods are returned. There could also be problems of returning merchandise that is still saleable to stock. In the fast fashion sector, for example, the life of some lines is often very little more than four to six weeks so by the time the goods are returned they may no longer be among the current lines offered on the website. Will this lead to a growth in "buy online, return to store and receive a special discount voucher" offers as retailers seek to minimise markdowns by getting the products back quickly?

Accounting systems will also have to track the value of merchandise in transit in this way: at year end, for example, will there have to be a guesstimate of sales made in the previous fortnight, based on average return rates, in order to establish an accurate total stock value?

Handling returns can be an expensive process – especially if cross-border business is involved with increased delivery charges. Typically, suggests Joyce, it can cost maybe £4 to get goods back to the right department and £10-12 to return an item to inventory and prepare it for re-sale. Add to that some potentially expensive postage in making a cross-border sale and the losses soon mount.

Disposing of returned goods has always been a challenge for retailers: many products have to be discounted or assigned to the clearance sale, others are scrapped. One option may be to use online auction sites with the shopper sending the goods back direct to a handling agent who then sells them on eBay or similar. Retailers will need to refund the full value to the original buyer but may be able to recoup some of their losses in this way.

Returns will always be an issue for online retailers – but if the new directive opens up a raft of cross-border business with the UK's low prices proving a key attraction then the rewards may well outweigh the hassles. ■

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# CULTURAL DIVERSITY ONLINE MAKES ALL THE DIFFERENCE



Greig Holbrook, Managing Director, Oban Multilingual, explains how international SEO is more than speaking the language.

**NO DOUBT** UK-based retailers understand the benefits of diversifying, especially in such a volatile economy. The internet has introduced the ability for retailers to expand into markets previously much more difficult to reach. The trick is, of course, knowing how to capture the interest of the people in these markets, whose eyes and ears are in high demand.

The answer lies in cultural diversity. Culture influences so many aspects of our lives, not least of all, how we search on the internet. European countries are incredibly diverse, and their cultures are influenced by so many varied factors that it is simply not possible to target them as a whole. Each country must be targeted individually, with a localised approach.

Retailers can spend thousands of pounds on a website, but unless the site caters to the specific culture of the country they are trying to target, this can have the same effect as screaming loudly in a language that no-one understands.

## **SPEAKING THEIR LANGUAGE**

Culturally-based language is key. There are 230 languages spoken in Europe, and not one is free from cultural influence. That is, the French spoken in France differs greatly from the French spoken in Italy's Aosta Valley province. As these unique linguistic differences migrate online, they provide a straightforward process by which online retailers can target specific cultures. That process is known as international search engine optimisation (SEO).

What's different about international SEO as compared to basic SEO is not only that it incorporates a plethora of languages into the SEO process, but also that it takes into account the cultural influence on these languages. This means that, with international SEO, it is possible to target those French speakers in Italy's Aosta Valley province, should this be a viable market for a company's specific product or service.

Let's look at the English language. We speak one version in the UK (though even that is incredibly varied, ▶



depending on the region). While the English spoken around Europe is often based on the British version, culture has impacted its development to the point where English-hybrid languages have sprung up all over the continent. This has had immense implications for the language used in online search.

#### **DANGLISH, PONGLISH, SPANGLISH**

The English often spoken in Denmark has become what is colloquially called Denglish. Similarly, Ponglish is often spoken in Poland, and Spanglish in Spain. These hybrids are a result of the local language intermingling with English, which creates a language sometimes so distinct that native British English speakers have difficulty understanding it.

This is where online retailers come in. If they can make use of these hybrid languages on their sites, that is, optimise for Denglish, Ponglish or Spanglish (not to mention Frenghish, Swenglish, Germanglish, etc.), they will have a huge leg-up on their competition.

It's all in the keywords. Which keywords are speakers of these hybrid languages typing into their search bar?

In countries like Denmark, where most of the population can communicate in English, the trick is finding the cultural linguistic differences between 'Denglish' and British English, and optimising the site with those differences in mind.

When speaking 'Denglish', Danes tend to avoid the "th" sound. Therefore, theatre often becomes teatre, and thirst becomes tirsty.

For this reason, it is integral for the localised site's content to be researched and written by a native of the target country. The localised English-hybrid language will often include not only these misspellings, but also cultural nuances, religious inflections, national events, and other such details that would be missed by non-native speakers.

For example, while researching a German search campaign for Johnson & Johnson, we found that there is a very high volume of search for the keyword "kinder diaper". This is a combination of the German word for child and the American term for nappy. We were able to incorporate this local keyword knowledge into the Johnson & Johnson campaign to generate higher rankings and higher results for their site within Germany.

#### **THE WORLD BEYOND GOOGLE**

Google may rule some parts of the online world, but many European populations prefer local search engines. In the Czech Republic, Seznam dominates the market over Google. Often, localised search engines allow users flexibility in their own languages that Google simply cannot.

For example, Polish is highly inflected and retains the Old Slavic case system with seven cases for nouns, pronouns, and adjectives, which means that

depending on the case of the word, the word ending changes.

A new search technology, Morfeo, allows someone searching, for example, "zdrowie" (health) to find pages which include inflected versions of the search word, such as "zdrowia", "zdrowiu" etc., which may be equally relevant for the search, but disregarded by English-based search engines. However, an exact match of the word case is ranked higher in the search results than the inflected versions. Naturally, this is not the only criterion for search relevance.

This is a technology that Google is simply not able to offer, and a great example of where a localised site wins out over a global one.

#### **SOCIAL NETWORKING**

Incorporating social networking into a website's content can be a great way to gain traffic and keep content fresh.

Retailers looking to target European markets through social networking should consider that its use varies across the continent. Some European cultures have their own social networking sites that they prefer. In Poland, they prefer to use Nazsa-Klasa.pl, and in the Netherlands, the top ranking social networking site is Hyves. This is often a reflection of cultures preferring to chat and engage with sites that have been created specifically for their cultural needs and linguistic preferences, rather than translated from English.

In the Scandinavian countries, social networking membership is among the highest in the world. In the Netherlands, it nears 50% of those online. In addition, emerging markets with high levels of emigration are leading the way in social networking – Poland has 77% social networking penetration. The French, however, aren't as keen on social networking, with a low 33% penetration rate.

Keeping in mind the differing demand for social networking across Europe, retailers can design social networking campaigns to suit a specific culture's needs.

#### **TAKING THE PLUNGE**

Market scoping is a great way to find out where there's demand for certain products and services. Keyword research will allow companies to see where the most relevant keywords for their products and services are most popular. This often provides accurate perspective on which markets to target.

Some of the biggest names in retail, along with newer companies trying to make a name for themselves, are looking towards the future, and seeing that monolingual and monocultural websites are far too limiting. They are, instead, taking carefully-calculated steps into markets rich in culture, with the research and know-how to cater to that culture's particular online shopping needs. These are the companies that will do well as they expand into Europe's potentially bountiful markets. ■

# MULTI-LANGUAGE CUSTOMER SERVICE

**CONSUMERS** may consciously avoid the high street in an effort to cut spending, but the 24x7 availability of the internet makes it so easy to price compare and browse for bargains. UK consumers have been tempted to part with around £1,300 per year in purchases: that's nearly twice as much as the French, who individually spend an average of £693 per year, and more than Germans who annually spend £771 online - these markets are growing too.

As some retailers are just beginning to embrace the online space, others are looking further afield to Europe to reach new consumers. Spain is experiencing rapid growth in ecommerce; echoing the trends already seen in the UK and France. There's also a growing ex-pat market of people who have started new lives in Europe, or who commute to the UK to work from places such as France. Don't assume that all shoppers that browse the internet using a Spanish browser are Spanish: they could equally be British, or vice versa.

If you're reading this with the view that Europe is something that's not going to concern your online business you may not be aware of EU directives for website customer service, which include using email and web forms as a direct and effective way of communicating with customers.

## COURT RULINGS

Recent court rulings against companies whose websites failed to comply with EU directives include a low fares airline and a leading German insurance company. In one case, for not publishing an email address on its website; and the other for failing to provide internet customers with a rapid, effective means of communication as an alternative to submitting their enquiries by email.

Many ecommerce sites do not make email addresses easy to find for fear of receiving a flood of email enquiries, which they cannot manage. When web self-service systems are used to manage customer enquiries, a significant volume of routine questions can be answered automatically on the website, leaving customers satisfied and the company with fewer emails and phone calls to deal with.

An effective strategy for managing online 'Help' and 'Contact Us' is fast becoming a critical differentiator for online retailers wishing to meet customer expectations, increase online



Dee Roche, European Marketing Director, Eptica asks how do you implement a customer service strategy that will enable you to successfully speak your customers' language abroad – and at home?

conversions and attract new customers. This simple, step-by-step guide will help you develop a customer service strategy that enables online customers to obtain good service whatever their language.

**Step one.** Get rid of web pages which offer nothing more than phone numbers and static FAQs – not only are they poorly equipped to help your customers they deliver no insight about what they actually want.

**Step two.** Use your 'Help' and 'Contact Us' pages strategically, as a place of customer engagement and their first point of contact with your organisation. With the right systems in place, you can successfully interact with your customers, determine their language and connect them to customer service staff with the right language skills. That is if their enquiry isn't able to be solved automatically online, which is preferable for the majority of customers who want to keep browsing ▶



# GET IT

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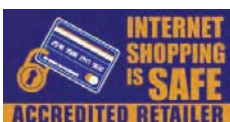
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# Hotels.com

Hotels.com's websites handle millions of accommodation searches every year. Every inbound enquiry is a potential sale, or a booking question, that needs to be handled accurately and fast.

Hotels.com uses five outsourced contact centre operators located in Spain, Bangalore, Sweden, Ireland and Germany. The combination of multi-lingual agents available to handle incoming enquiries at each contact centre varies at any one time. Hotels.com needs to be able to monitor email volume, know how much resource is being utilised and how effectively agents are responding.

The outsourcers share hotels.com's email management and knowledge base system which holds customer service information and templates for email replies in the nine languages. Enquiries are automatically routed from the various hotels.com sites to each outsourcer based on agent and language availability, agent's expertise and content of the request. Agents are automatically provided with the recommended best answer from the knowledge base in the corresponding language.

The system has led to improved transaction times and more efficient use of agent resources. Having a detailed view of email volumes across Europe and what enquiries are about, enables hotels.com to quickly identify and rectify issues created by their own operations, such as changes to websites, which drive up customer interactions.

without the disruption of having to email or explain their questions by phone.

**Step three.** You will need a web self-service and email management system that uses a multi-language linguistic engine to automatically detect your customers' language and interpret their enquiries accurately.

**Step four.** Add a web self-service interface to each of your European language websites and use it to manage your Help and Contact Us pages. Add links to the service on every page of the website and known abandonment points. Highlight its availability by using language such as: 'Ask a Question', 'Find help here' and 'Can we help you?'

Your email management and web self-service languages can be managed by a centralised multi-language, knowledge management system. This will provide you with a cross channel, customer service workflow for updating content and global visibility of the customer service questions that create inbound contact.

Determine who for each language is going to be responsible for refreshing each country's customer service content. Make sure it is a system that allows staff to add new information easily without requiring specialist skills. This ensures your

web self-service content and email response templates can be updated as customers ask new questions and by regularly adding information about new products and promotions.

- Web self-service can assume the same role as an IVR system or switchboard – filtering and resolving enquiries that can be resolved automatically and ensuring the remainder are efficiently routed by email, connected by chat, or by phone and dealt with by an agent with the right language skills.
- It cuts down contact volumes and utilises customer service resources more efficiently therefore cutting down the cost of providing service in a new market.
- It is available 24x7 and an easy way to provide information across different time zones.
- Every time a customer interacts with your self-service system it adds to its analytics, providing you with customer insight, cultural clues and a way of comparing how customer demand and issues vary from country to country.
- It will also help identify usability issues with the website by looking at the places where customers refer to online help and by analysing the searches and questions they ask.
- Self-service searches are a source of country SEO information providing search terms and keywords that you can use for adwords optimisation and website content.

**Step five.** Integrate your multi-language web self-service and email management system so they share the same knowledge base and enable internal and outsourced agents to draw on it for consistent answers. You will have complete visibility of every self-service interaction, email enquiry, utilisation of customer service staff and quality of service across all European locations. This will also reduce training and management overhead.

**Step six.** Using outsourced contact centres enables you to set up customer contact handling to deal with European enquiries in any of the languages you require and offers maximum flexibility at the lowest initial investment. This is the strategy used by hotels.com to manage online enquiries in nine languages from 32 points of sale.

Hosted services offer companies entering new markets the ability to set-up customer service operations and test new markets with relative ease and minimum risk. Whichever strategy you adopt in Europe – remember, your customers will expect good service whatever language they speak. ■



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# SELLING INTO EUROPE: IS IT LIKE TALKING ANOTHER LANGUAGE?



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Masha Cilliers, Head of European Business Development, CyberSource, discusses payments processing and fraud in Europe.

**MERCHANTS** are increasingly looking to sell into Europe. The opportunity to expand their customer base and profits presents an opportunity that it is too good to miss, particularly in the current economic climate.

A number of European merchants are already successfully selling online in the UK; their well established brands form a major part of the choice that we have available today and include the likes of IKEA, Adidas and CDiscount, a more recent entrant.

However, UK online businesses do not want to be left behind. According to the 2009 CyberSource UK Online Fraud Report, 64% of merchants now sell to continental Europe, an increase of 8% on the year before. More importantly, merchants realise that the success of online shopping coupled with consumers' hunt for bargain prices, means that more and more shoppers are happy to buy products online in another country if there is a significant cost saving.

Although some of the universal principles of selling into Europe are similar to the UK, merchants should remember there are also key differences to be considered which have an impact on the purchase behaviour of online shoppers.

So what are some key considerations for UK merchants when selling into Europe?

#### CROSS-BORDER CHALLENGES

When trading across European borders UK merchants face unfamiliarity with:

- The payment landscape in the chosen territory;
- Offering the right payment type;
- Additional costs relating to compliance with different national laws regulating consumer transactions;
- Language differences;
- The emergence of SEPA (Single Euro Payments Area).

Lack of understanding about the payment landscape in the chosen territory - Payment types ▶



differ according to country. Germans prefer paying by direct debit, the Dutch and the Scandinavians prefer online bank transfers, the French and Irish use domestic debit cards, cash on delivery is still prevalent in Italy and in the UK we rely on the use of our credit/debit cards. Adding all possible payment methods to your website may sound like a good move, but merchants should be wary about implementing more than 3 or 4 options as this could confuse the customer.

Offering the right payment for the right product - Merchants should accommodate local differences but also ensure the payment method they support is suited to their product. In the UK, orders are typically placed via debit and credit cards. However, this would change for UK merchants when selling in Germany, as German merchants offer multiple payment types to cater for the purchasing habits of their customers. UK merchants should consider the multiple features of their products/services including: the price point; the level of fraud for the product category (e.g. this could be higher for online gaming); the target demographic; the type of delivery; return policies and other relevant factors.

Compliance with different national laws regulating consumer transactions - Taxes and laws for selling to consumers will differ to those in UK. There are EU laws in place that make Europe a homogenous market, for instance when selling services, the tax applied refers to the merchant's country of domicile (as opposed to the customer) but the VAT is not always included in the price as it is in UK - Spain is an example where it is mandated to show the tax separately. Merchants need to thoroughly research the laws in their chosen market to trade legally and safely.

Language differences - Merchants should localise their websites to not only translate the content, but also use the appropriate terms for payments in their chosen country. For example, in France the customer is used to seeing the Carte Bleue sign rather than the Visa sign. Overall, customers are more likely to buy on a site that reflects the local 'look and feel' so domestic expertise in creating the local payment pages is an important factor.

SEPA - Merchants are further confused as they are not always sure whether the SEPA regulations apply to them or to the banks only. SEPA is still a work in progress meaning that banks and payment processing companies must adopt their systems to the new requirements before offering merchants the new compliant services. This could lead to more choice of payment providers for merchants, increase competition and drive down the costs. Conversely, merchants may need to eventually accept a pan European payment method such as the new SEPA direct debit instead of the local ones

they accept today. This will require some system changes in time so they will need to plan for it.

### LOCAL KNOWLEDGE IS KEY

To overcome these challenges, understanding the variation between countries is paramount to the merchant's decision-making process; this includes the management of fraud screening processes.

Merchants should look to invest in or re-evaluate their existing fraud screening strategy to ensure their tools are not only optimised for the countries into which they are selling, but for their particular sector and offering. For example, the characteristics of a potentially fraudulent transaction in a high end purchase such as a plasma TV or an airline ticket, may differ from those of a music download or CD/DVD purchase.

A rules-based system should be used to ensure that such regional and product line differences are incorporated into a merchant's fraud screening methodology. The system should be flexible enough to allow rule updates to be made in real-time by the merchant, and not by IT. In doing so, merchants can easily fine-tune business rules specific to a geography, changing them as often as they need to.

Merchants also need to ensure that their manual review team is familiar with the shopping characteristics in the countries they are selling. This will help them more easily spot suspicious addresses through formatting errors or risky correlations between billing and shipping towns.

### SELLING HOME OR ABROAD: DO YOUR HOMEWORK

Whilst complex, merchants should remember that cross-border selling can provide great returns for those that get it right. Do your homework on the country, understand your target buyers' needs, the legislation involved and payment patterns and you're heading in the right direction to becoming a success in Europe.

Turning to global payment experts as a resource may improve your understanding of the payment landscape in the first instance. The local knowledge they provide can help you overcome some of the regional variations and differences and ultimately, better understand your business. Combining the right support, intense research and the tenacity to succeed, means that selling into Europe won't seem like a foreign language anymore.

Whether you seek guidance from these organisations or completely outsource your payment and fraud management to them, you can let these industry experts take this headache away so that you can focus on what's most important to you: selling your product or service. ■

# DOCUMENTATION AND DATA



**UNDERSTANDABLY**, companies that have been forward thinking enough to enter into ecommerce already, are now looking to widen their market and expand distribution overseas. This, however, brings with it a number of complications in terms of the delivery-end of fulfilment. The problems exist in two areas: documentation and data.

In turn, both documentation and data requirements can be influenced by the country of destination. Certainly there are some simplifying rules to get started (for example the European Union is simple and straightforward), but if you want to ship outside of the EU you are best advised to use a carrier shipping system, or a multiple carrier system. We've tried to highlight some of these points by using one of our biggest customers as an example. It launched its international shipping last Autumn, with a fully automated system. Of course it's not only relevant to retail giants, but the type of system required can be used by retailers large and small.

Patrick Wall, CEO of MetaPack explains the intricacies of cross-border deliveries and how one retailer manages the operation.

## DOCUMENTATION

First, documentation, documentation! The bad news here is it can appear a bit complicated. The good news is you do not need customs documentation for the EU. For the rest of the world (RoW), once you get used to it, there is little change over time. Hence it becomes quite simple.

International shipments to the RoW have additional documentation considerations because of the customs regulations and requirements in each country or trading block. Carriers ship under postal or commercial regulations, requiring different paperwork to be completed. Postal regulations apply to products that are despatched by the local "postie" company. In the UK Royal Mail requires a summary document to be produced and this differs when the value of the items within the consignment fall below certain values (e.g. a CN22 or CN23 may be required). Under commercial regulations (that is, for all of the other carriers) it can be that commercial or pro-forma invoices are required. Sometimes because the domestic carrier (the one picking up the retailers' goods) will have a different partner that delivers the items in the destination country, there may be a need for additional labelling.

Another factor that must be considered is whether to make shipments Duty Paid (DP) or Duty Unpaid (DU). Duty unpaid is the commonest and simplest method of shipment. On the positive side it is relatively easy to administer. On the negative side, the customer is not given a landed price and is left to work out and pay their duty themselves (where applicable). Duty paid is a more complete service, but executed to the letter of requirements can be complicated. Both DP and DU have different data and documentation requirements for data and may be printed on different stationery. Finally, just in case you were getting the hang of it, different countries require different numbers of copies of the information to be produced!

## PRODUCT DATA

Second, product data, product data! Customs requires information concerning the products that are being shipped: descriptions, product group ►



descriptions, values, weights, fabric content, country of origin of products and harmonization codes. Different products attract different import duties and taxes and at some stage this needs to be calculated. This can be required in various ways whether on the paper or electronic communications and sometimes with specific summaries. Ultimately all of this has to be recorded to support the legal requirements for shippers to be able to report on values and quantities that have been shipped to each destination country. Again, there are some simple rules that help. The purpose of the EU is to remove inter-country tariffs. Therefore product data is not required for EU shipments so for the majority of retailers and the majority of their volume the process need not be that complicated.

**DESTINATION**

The most important rule here: remember to define the EU properly. There are several exceptions to the common understanding of which countries are in the EU – for example Jersey and Guernsey are often treated as part of the UK, and while the Balearic Islands are in the EU with Spain, the Canary Islands are actually outside and therefore require customs information. And of course exclude Norway and Switzerland.

When shipping items internationally, some carriers will ship items to different airports within the destination country and this requires understanding of how the postcodes are configured for those countries to enable the label to contain the correct information.

**CASE STUDY**

At the end of 2008, one of UK’s best known department stores introduced its international delivery service. This was made possible using a third party, multi-carrier despatching system. In terms of its operations one of the biggest issues was estimating freight costs. Since most international shipments, certainly outside Western Europe, will be shipped via airfreight, capacity is very dependent upon a balance of weight and volume, leading to charges being calculated as a function of both. Simplistically, if a parcel is large but light, due to the aircraft capacity

that it occupies it may well attract a “volumetric weight” several times greater than its actual weight, and the charges would be based on this volumetric weight.

It is therefore critical to capture the exact weight and dimensions, and these are rarely known until the point of packing, when the actual weight of the packaging and inserted flyers can be taken into account, and the volume can be assessed. Also the postal carriers have rigid size restrictions that vary by destination country, so this needs to be taken into account when determining whether a postal carrier can be used for a specific consignment. Therefore at the packing bench it made sure they knew the exact content of each package within a consignment. The export documentation is parcel specific, the exact weight and volume are captured through systems and processes that link directly through to the MetaPack system. Companies using the MetaPack system range from large players such as M&S, John Lewis, Halfords and Dixons to a whole host of smaller online retailers.

All of the necessary product detail and consignment values are passed through to MetaPack from the order details, via a direct interface. For smaller clients, data can be transferred via configurable file import or using an ecommerce platform that links to an international despatching system. For this store, the product information is automatically combined in MetaPack with the volumetric and the weight. The despatch system then has all of the information, including the country of destination, to pass to MetaPack for it to make the decision on the eligibility or otherwise of a postal carrier, and consequently the number of copies and type of document necessary to accompany the shipment. The documentation is then printed automatically along with the appropriate carrier label(s), taking the complex decision making and completion of any export documentation completely out of the operator’s hands. A typical system of this type will provide an audit of the carrier selection, the chosen documentation and critically the management of tracking data so that the delivery can be closed off with a suitable tracking status. Finally, the system maintains the transaction data for six years in case it is required for customs inspection. Job done! ■



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## MEET THE VIKINGS ONLINE

Morten Kamper, Managing Director of The Internet and Distance Selling Association in Denmark (FDIH.net), takes us on a tour of the Nordic countries online.



**DESIRE TO TRADE** seems to flourish among people in the Nordic countries. Today they have replaced their ancestor's sword, shield and Viking helmet with the PC, mouse and internet connection.

The Nordic people are embracing the internet and ecommerce as 9 out of 10 between 15 and 65 years have purchased on the internet in the last 6 months, and the annual ecommerce sales amounted to approximately €17 billion in 2008.

Denmark has the highest number of Facebook users per capita in the world with 1.6 million users from a population of 5.5 million.

The Nordic consumers increasingly prefer online stores rather than physical stores, and even if it seems to be partly a structural change that is amplified by the recession.

The explanation is probably that ecommerce is a cheaper and more efficient sales channel for many businesses and consumers have the huge advantage of being able to compare products and prices online.

The latest analysis from a major provider of payment systems shows that 40% of Nordic online consumers are expecting to have a higher or much higher consumption of the internet in the next 12 months and 80% of retailers expect to increase sales online over the same period.

In short, the Nordic ecommerce market is mature, especially in Denmark and Sweden, but expectations of growth are still high, e.g. the Danish market is expected to grow by 20% in 2009.

Debit and credit cards are the

most popular form of payment method with national debit card Dankort preferred in Denmark, while international credit cards are used most often in Sweden.

### RECESSION WILL MAKE THE STRONG STRONGER

At the FDIH (The Internet and Distance Selling Association in Denmark) we believe the recession will force a number of brands to go directly into the retail market and they will do so by using ecommerce. A major brand like LEGO is already online with a website including a webshop which adapts itself to the customer's nationality.

It is also clear to us that some online retailers will succumb to a crisis where banks are reluctant to provide or extend credit that can stretch the cash flow. We will see the recession leading to consolidation in the retail market, online as well as offline.

On the other hand it means that the survivors will come out stronger and more focused. They will be looking for new opportunities to sell outside of their domestic market and they will travel the same routes as the Vikings. First they will move into neighbouring Nordic countries, then to the UK, Germany, the Netherlands and other EU-member countries.

### CROSS-BORDER ECOMMERCE

The EU is currently very focused on cross-border ecommerce, and the latest working paper from the Commission points out language, distribution and legislation as the major obstacles for growth in this area.

At the FDIH we see only one real obstacle – the different legislation in the 25 member countries.

The new directive on consumer rights will extend the right in the EU to a level which equals the level of the consumer legislation in the Nordic countries today. So Nordic retailers are well prepared since it is part of their daily life online. For those who wish to be prepared for the new directive the Nordic market is the right place to practice with extended demands for information on the total price, the consumer's right to return goods, chargeback on payments etc.

FDIH disagrees with the EU-Commission's assertion that language is a problem. At least it is not a problem to the Nordic people since most of them understand other Nordic languages as well as English. The German language is also well understood and spoken in the southern parts of Denmark.

Like most Europeans consumers in Sweden, Norway, Finland and Denmark prefer to buy from ecommerce retailers in their own countries, and most retailers only sell to the domestic market. Some 20-25% of ecommerce sales go to retail websites in other countries.

A survey in Denmark shows that 76% of consumers last purchase was from a Danish website followed by the US (5%), UK (4%), Sweden (3%) and Germany (3%). For example, amazon.co.uk is among, if not the most, popular foreign websites in Denmark.

My conclusion on this short introduction to ecommerce in the Nordic countries therefore is that there is plenty of room for new businesses, and we will surely come to visit you.

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# Insight from around

## **SIMON CHINN, RETAIL ANALYST, VERDICT RESEARCH**

Russia's retail prospects are in disarray as the country faces its worst economic crisis since 1998. Unemployment is rising and oil revenues are dwindling. Factories across the country are shutting as demand weakens for its key exports: oil and metals. Rampant inflation approaching 14% has mitigated years of real wage growth and is driving up prices of imported goods. Russia's macroeconomic misfortunes have fed through to consumers who are tightening their belts and reducing expenditure.

Despite all the doom and gloom, ecommerce in Russia continues to develop at a strong momentum on the back of rising internet penetration, which currently stands at around 30%. The buoyant growth of the internet represents a significant opportunity for retailers looking to shore up growth alongside their traditional store channels in a challenging environment.

While the largest beneficiaries of the online channel have so far been the electricals specialists such as Eldorado and Domo, there are a growing number of retailers in other sectors moving into the online realm. Utkonos a chain of supermarkets based in Moscow has developed an online platform that allows customers to reserve and purchase groceries online and then pick them up at their nearest store. Moreover the emergence of pure play retailers such as Ozon, a books and entertainment specialist that has extended its offer to include furniture, homewares and more, illustrates the strong growth potential of the online channel.

Currently ecommerce activity is mostly confined to large urban centres such as Moscow and St Petersburg, which offer the largest customer bases with higher average incomes. Consequently rural areas and the suburbs have so far missed out on ecommerce developments as some online retailers only deliver to addresses within the vicinity of large cities. Going forward significant improvements to infrastructure are required to drive regional growth of the online channel in Russia.

*Simon is author of Verdict's 'Retailing in Russia 2009' report.*

## **GEORGE GODULA, MANAGING DIRECTOR, MH DIREKT ASIA**

The Chinese market still offers immense potential. However, it is also already heavily served by local providers and several international companies have failed to tap this lucrative market. Nevertheless, there are some success stories.

To successfully compete, foreign companies are advised to focus on premium products that are exclusive and unique. The far lower overhead expenses of domestic ecommerce vendors compared to foreign players don't allow for the sale of cheap products with low margins.

Chinese users prefer colourful and playfully-designed websites – which Western users would find extremely cluttered and confusing. Colours have a different and sometimes even contrary meaning. Similar stumbling blocks can also be found in symbols ie. the owl represents crime, anxiety and misfortune whereas rats are regarded as a symbol of prosperity. A peculiarity in the Chinese culture is the use of numbers in domain names.

Ecommerce is a state-regulated sector with websites classified as Value-Added Telecom Services (VATS), meaning that foreign enterprises can only own a stake of up to 50% and are subject to license. In July 2008, the Beijing Administration for Industry and Commerce published new draft rules for ecommerce. These were set to take effect on 1 August 2008 and take away ambiguity of which online retailers count as not-for profit or a commercial organisation requiring the ICP and business licence. Many retailers are still operating unlicensed in the grey area.

Anyone seriously considering entry to the Chinese market is well advised not to take any hasty steps. All major global players have so far failed or are experiencing enormous difficulties and this can partly be put down to business decisions being made outside of China. A local presence is mandatory and it's very important that all engineering, product and management decisions be made in China so that products can compete in faster development and launch cycles to reach Chinese customers.



# and the world

## **SCOTT SILVERMAN, EXECUTIVE DIRECTOR, SHOP.ORG**

For the past few years, online retailers in the United States have been looking toward Europe as an opportunity for strategic growth, and many European retailers have begun selling in the US. When business is brisk, it is only natural for some companies to consider expanding overseas, but the changing economy is causing some retailers to reconsider those plans.

From what many online retailers have told me, starting operations in other countries requires a tremendous amount of manpower, patience and investment. It often entails learning the customs, language barriers and demands of a different culture. In addition to the fixed costs of starting a new business, marketing has to be perfect for the site to generate visitors. Even if everything falls into place, it could take years to turn a profit.

When making the decision to expand globally, retailers need to be aware of their company's brand. Some online retail giants like Amazon, eBay and Wal-Mart are known worldwide, but smaller retailers aren't well-known outside of their own country. Oftentimes, an established business in one country is a start up business in another. Pure play retailer Overstock.com is known in the US and Canada, for example, but not in Germany or France. When the company decided to launch in Europe, it started from scratch.

For some, operating on a global scale has proven too challenging in this economy. eBags, a US pure play retailer specializing in handbags and other accessories, recently made the difficult decision to halt its UK operations. It would have required a few more years for eBags to be profitable abroad, eBags founder Peter Cobb told me. This was acceptable during the pre-meltdown days, but increased uncertainty required that the company shift its focus to growth in the US with plans to return to the UK in several years.

For some retailers, the time is right to expand abroad. For others, it couldn't be

worse. In this environment, some retailers are focusing on perfecting business in their home country so that, when the economy rebounds, they can consider moving into unchartered waters.

## **CLAUDIO FERRARIS, MANAGING DIRECTOR, QUAMEDIAGROUP**

Business to consumer ecommerce in Italy saw growth of 20% in 2008 (compared to the same period in 2007). Online sales from within the country reached over €6 billion and another €1 billion of sales were made on Italian websites from shoppers outside of the country making the total value €7 billion; a penetration into retail sales of 1%. This sum is not a homogeneous division because tourism online in Italy accounts for 10% of the global market with other sectors, such as groceries or clothes, having an insignificant share compared to the offline market.

The total growth in 2008 is due to the boom of online sales in certain product areas such as clothes (47%), music (20%), assurance products (17%) and electronic devices (15%). The Italian ecommerce market is polarized at present on the sale of services (tourist services, booking online, ticketing) 70% of the total amount.

The growth forecast for 2009 is the same 20% increase, with some differences when compared to the last year. Clothes, fashion accessories, international merchandising, wine and food products which sell to overseas markets (US and China) are expected to increase via the dotcom players such as Yoox, Ferrari and Wineshop.

Another change in the market will come about by the direct entry of large firms such as Diesel, Armani, Gucci, Prada, Valentino, Stone Island, Energie, Bata, Pinko into the global ecommerce market (but based in Italy). It is also interesting to see the distribution chains (Esselunga, Carrefour, Auchan) putting a lot of effort into breaking online barriers in terms of site accessibility and online promotions in their sale of fresh products.



# MOBILE MARKETING

GUIOM PEERSMAN, UK MANAGING DIRECTOR OF DIALOGUE COMMUNICATIONS LOOKS AT **MOBILE MARKETING** AS A ROAD TO IMPROVED CUSTOMER SALES, SERVICE AND SATISFACTION IN RETAIL.

**NOW IS THE** time for retailers to go mobile or risk being left behind by those forward looking companies which are already maximizing this medium to great effect – moving from time consuming and costly mass marketing campaigns to new and highly personalised mobile solutions. Incorporating mobile marketing strategies more consistently into the existing mix creates opportunities for targeted interaction with new and existing customers in the form of marketing messages, competitions, promotions, applications and tailored customer care. For consumers, it offers new and easier ways to communicate with their chosen outlets via a modern medium accessible to all.

How is mobile currently being used in retail? The most common use of mobile marketing is through SMS, however MMS traffic is starting to grow rapidly as the user base of compatible handsets reaches critical mass. Orange, which has used mainly SMS marketing for its Orange Wednesday buy-one-get-one-free cinema tickets campaign, is now sending out MMS messages in conjunction with its "Best Film Friend" campaign, making suggestions about who your Best Film Friend could be.

The obstacle to using MMS in the past has been that not all handsets have supported MMS or video capabilities, but this has been eroded as more and more handsets launched supporting these capabilities. MMS opens new avenues for richer message content and personalisation, and allows content such as brochures or video clips to be distributed. It is also cheaper and more environmentally friendly than using traditional post

to submit brochures and offers.

Targeting marketing messages directly to a mobile phone also means that information can be sent at the most effective times of day and the communications can be sent from the brand to the consumer or vice versa. For example, a restaurant may contact customers by text at the optimum time to tell them about lunch offers, or a high street shop can contact shoppers to tell them about the arrival of new stock, special discount days or sales.

Interactive campaigns and competitions are an easy way to make customers feel involved in what happens with their favourite product and brand. These are usually SMS based, and invite the consumer to submit opinions or enter a competition by texting a message to a five digit short code. A good example of how SMS is used effectively today is the new Walkers crisps campaign – "Do us a flavour" – to launch its latest flavour. Through on-pack promotion it is offering consumers a free SMS vote each day to vote for their favourite flavour.

Larger retailers and brands are starting to use mobile internet sites, however a lot of these are still relatively basic and further developments are needed. A seamless user experience is important, as is interactivity, making the site more engaging to the user. Examples include ensuring that the mobile site loads quickly and has a good search function, as well as interactive features such as running mobile competitions, allowing your customers to have a say and gathering feedback.

It is also possible to run viral marketing campaigns like refer-a-friend and click-to-call buttons from the mobile browser

allowing customers to contact you easily. Utilising the mobile internet will also help brands to understand their customer's behaviour using site usage reports to find out how users have searched in order to reach your site, what they have looked for, as well as monitoring site traffic. It is also possible to identify new and returning visitors, allowing for accurate personalisation. Mobile sites can be integrated with mobile payments, where goods or services can be purchased and the user charged directly to their mobile phone bill or the cost deducted from their pre-pay balance. It is also possible for customers to request brochures or order coupons on the mobile web.

Whilst many larger brands are already using mobile shortcodes on their products for competitions or offers, this same technology can also be used to provide lower cost customer care and customer feedback services. This allows customers to text a question or query, or request more information about a product, service or the company itself. It is also possible to allow the customer to send a text message requesting call-back from the company meaning they no longer have to be held in a queue.

So, what of the future for mobile in retail? The retail sector is just beginning to utilise mobile and gain a better understanding of how it can be integrated with current business practices. Mobile technology can be very successful in retail not just for sales and marketing, but for billing, interacting with customers and the provision of services and information; there is certainly great scope for growth as handsets continue to advance along with user preferences and the creativity of marketers.

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# THE MULTI CHANNEL CUSTOMER

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# Editors' comment

Welcome to the first of a series of *Internet Retailing* supplements. Each will explore key areas, big ideas and new developments in the fast-growing world of e-commerce.

In this first supplement we take a good hard look at the multichannel retailer, assessing the opportunities and challenges that lie ahead for those that are to succeed in taking what they do well in the high street shop or the catalogue, to the new frontier that is online.

What the internet has to offer retailers is still becoming clear – but like the best voyages of exploration, this promises to be an exciting journey, full of potential reward for those that take part. Certainly it's where many talented people are hard at work pushing back the boundaries of what can be done, and how we can best use technology to connect with vast new audiences, while still supporting loyal customers.

It may seem a daunting task – but to stop at the high street is not an option. Consumers are using the internet across their daily lives – and to keep up with their demands, traders must join them at the frontline.

The role of *Internet Retailing* in this journey is to be a trusted guide, questioning accepted wisdoms, helping to learn from mistakes and shining the light on examples of best practice.

The pages of the monthly magazine don't always allow the space to look at topics 'in the round', but that's what we aim to do in this series of supplements, which will appear from time to time alongside the magazine.

For this first, we think about the elements that make up a successful multichannel offer. We look

at the best of what is available now, and how retailers can take the natural advantage that comes with high street presence and consumer preference onto the internet. We ask how companies can make a presence online work for them – and what questions they need to be considering, and what their priorities should be. We think it's important to consider just what it is that high street shops and catalogue traders do best – and how they can transfer that to the web. Conversely, how can they bring the best practices from the web into the real world?

That means we'll be looking at issues from merchandising and product presentation to avatars to online video. Category management is an example of something that's coming from the offline world to the online – it's crucially important for such retailers as supermarkets but it could make a real difference in other sectors.

Looking to the future, we ask how our interaction with digital technologies will change over coming years, as the whizz-bang possibilities of the digital arena balance with keeping the web advantage as a comparatively cheap avenue for business.

But at the same time, we recognize the importance of the personal touch – finding out why brands should – and how they can – build relationships with their customers. How will customer service best work in a multichannel world? And how can engaging customers benefit the brand?

Throughout, we'll be raising questions just as much as providing answers. We hope that you enjoy reading about what we've found.

**Chloe Rigby and Jonathan Wright**



### INTRODUCING OUR SUPPLEMENT EDITORS

Chloe Rigby has been writing about business issues for the last nine years. A former business editor of the *Bristol Evening Post*, she has written for a wide variety of online and offline publications. [chloe@internetretailing.net](mailto:chloe@internetretailing.net)

Jonathan Wright earned his e-stripes on the UK launch of *Business 2.0*, which rode the crest of the dot.com wave back at the turn of the millennium. Since then he's been writing about subjects from entertainment to alternative investment for a variety of print and online audiences. [jonathan@internetretailing.net](mailto:jonathan@internetretailing.net)



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# Q: Is multichannel

**A:** Multichannel retail has created a proliferation of consumer choice that has fundamentally changed the way shoppers make purchases and interact with businesses. Consumers now conduct a high level of research before buying goods and services – whether it's looking for and reserving an item online before buying in store, or browsing a catalogue and purchasing online. This change in behaviour means it's integral for companies to develop a seamless focus on the customer that cuts across all channels.

Multichannel shoppers are the most profitable customers for retailers today, spending almost twice as much as their single-channel counterparts. The ways in which customers utilise these channels to make purchases are rapidly expanding. At Argos, for example, multichannel options such as "click and reserve" – where customers order online and pick-up in-store – has shown a growth of 50 per cent over the past year, and this trend is consistent with other retailers.

Indeed, multichannel options can increase loyalty and customer satisfaction as well as sales, as Adri Kraa, head of Ikea Shop Online, is keen to point out, "We saw the biggest benefit of multichannel as the loyalty effect, which we believed was more important than increasing sales."

Mothercare is another good example of a multichannel retailer that uses numerous selling platforms and offers compelling cross-channel services. In high street stores shoppers can access Mothercare's full selection of products via a store interface and buy any product for home delivery. Offering the right tools and opportunities to consumers who increasingly expect a seamless experience is essential for maximising returns.

Meeting the new shopping habits of modern customers presents retailers with significant logistical challenges. The potential returns for addressing these, however, are considerable. For example, Best Buy found its multichannel customers shop twice as often, spend 95 per cent more than single channel shoppers and are 80 per cent more profitable.

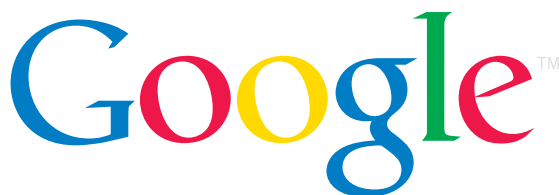
There is a key opportunity for retailers to maximise sales by understanding the balance between their online and offline strategy. While online purchases currently represent a smaller percentage of overall sales, e-tailers continue to report double digit growth. In addition, Verdict predicts that by 2012, 44 per cent of all offline sales will be influenced by online.

Moving customers into coherent multiple sales channels is perhaps both the greatest opportunity and test for retailers today. In the current climate getting it right and delivering retail innovation means acute and all important advantages: extra value for consumers that boosts loyalty and satisfaction.

So the question any multichannel retailer should ask is can your customers find all your products quickly and in a consistent manner regardless of channel? Going forwards it is imperative for multichannel retailers to leverage their store and brand assets, to protect today but also invest in the future and to continue to try and understand, predict and respond to customers' ever changing needs.

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# the future of retail?

**A:** Today's retailers are faced with a number of challenges. Economic upheaval is disrupting the landscape and a growing number have had to shrink their businesses or even close their doors. Traditional brick-and-mortar shops are losing business to shoppers who'd rather go online for what they need, while web-only retailers are losing business to more traditional customers who still want to see and touch a product in-store before making a purchase decision. It's the enterprising multichannel retailers that are stepping in to fill the gap - by bolstering their information content, offering unparalleled accessibility and new levels of customer service.

Multichannel retailers have the distinct advantage of offering services that appeal to cost-conscious consumers; which those trading either online only or solely on the high street can't match. For instance, the 'deliver-to-store' option offered by several leading retailers provides a great convenience to consumers - especially over Christmas when people flying to visit family and friends are faced with new baggage restrictions and fees. Other multichannel retailers are offering in-store shoppers access to their websites through internet-enabled kiosks and hand-held wireless devices. This enables a customer to easily access a greater breadth of product information, see a larger product selection than available in-store and place online orders - all in real time.

Meanwhile, emerging multichannel opportunities such as personalised image-rich emails, eCatalogues, mobile commerce and eVideo/interactive TV all add to the growing number of touchpoints for customers; which also give retailers more chances to cross and up-sell.

A survey of online shoppers in April 2009 by Opinion Research Corporation identified five standout pain points in online shopping:

1. Not being able to speak to anyone to answer questions (25 percent)
2. Learning that items are back-ordered or out of stock after they are in the cart (11 percent)
3. Receiving an item that doesn't look anything like it did on the internet (11 percent)
4. Web sites that malfunction as the payment is being processed (9 percent)
5. Not being able to find an item (8 percent)

This presents a clear opportunity for multichannel retailers to address these needs and fill the online/offline gap with a seamless, end-to-end shopping experience.

Those retailers already employing this multichannel approach are weathering the current economic downturn far better than retailers focused in just one space. The trend is showing consumers becoming savvier and demanding better user experiences, more information, greater accessibility to products and services, and convenience like never before. It will be the multichannel retailers that thrive in this new world.

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**A:** An increasing number of retailers are moving to using multiple channels to meet the changing needs of their customers. These multichannel customers also have higher expectations and demand the same level of service from each channel whether it be online or in a physical store. But how do you keep up with these increasing expectations in this fast moving multichannel world?

It all starts with understanding your customer better.

There are various ways to better understand your customer, with multichannel customers you may never meet them face to face so you have to try harder. The customer has always been the focus for retailers but now the customer can choose the channel; therefore making it even harder for the retailer.

The difference between ecommerce merchants that connect with their customers and those that don't is understanding. Merchants that understand what their customers want are much better at working out how to communicate with them. Customers don't always tell you what they want or how they want it presented to them. However, watching their behaviour can help you understand them and can assist with merchandising and promotions.

In the online world we have a very close connection between data and the user experience allowing sites to merchandise on a more personal basis, whether to various customer segments or even personalized to each individual customer (eg, a personalized email campaign).

Website analytics may give you some insight into how customers found your site and how they navigate but other tools including ratings and reviews, question and answers, site feedback tools, and on-site search can capture richer customer feedback.

With the current financial downturn reducing customer demand, the need to work harder and smarter is even more important. Multichannel retail is the future, and merchandising is now more important than ever before. Embrace the future and understand your customers, don't merchandise at them, bring them into the experience.

With all this talk of advancing and using new techniques to understand and communicate with your customers don't forget that the most important aspects of merchandising are the basics. Having well presented products (or product images online), clear information including important attributes to allow customers to understand product differences, and clear pricing and promotions are still the most important - don't lose sight of this while trying to move forward.

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# Q: Is multichannel

**A:** There's no longer a clear purchase path for consumers. Today, customers may do research online, ask friends for recommendations via their social networks, look at a product and ask a salesperson questions inside a store, search for product reviews online, then make their final purchase at a local retailer. With so many disparate touch-points, a retailer that is disconnected at any of these channels may lose the sale. Retail channels are converging, as customers are looking to engage with brands on their own terms.

Multichannel represents the future of retail because it delivers consistency and convenience, and it ultimately defines customer-centricity. Whether a customer prefers to shop online, in-store, via a call centre, or through their mobile devices, the experience must be interconnected.

As new and emerging channels gain adoption, retailers who quickly and effectively engage in multichannel marketing will prove to consumers that they are flexible, convenient, understanding, and fundamentally customer-focused. And this sort of customer satisfaction will result in more valuable customer relationships – which will eventually lead to increased sales and lifetime value for the retailer.

Another multichannel factor that will affect the future of retail is brand transparency. Although consumers find information in different ways and in different places, one thing remains the same across all these channels: customers place the highest degree of trust with other customers like them.

Amazon, for example, has consistently provided customers with the ability to read and write reviews, ask and answer product questions, and create and share shopping lists. This sort of open dialogue has created a loyal customer base for their pure-play online business. But multichannel retailers have the unique opportunity to deliver this sort of authentic customer commentary about products online, as well as in-store, in catalogues, on mobile devices, in call centres, and in all forms of advertising.

The leading retailers of the future will win consumer trust by providing tools for customer-to-customer conversations and access to these honest opinions in all channels.

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

**A:** Multichannel logistics underpins a true multichannel offering. Today's shoppers want to browse and buy the widest range of products that a merchant can offer from any point-of-order, for example, store, internet or catalogue. At the same time the customer must experience consistent and high levels of service with maximum convenience. MetaPack delivery management solutions make a significant contribution to this reality.

MetaPack delivery management solutions ensure that the customer is given a full range of delivery options at point of order, taking into account real time, the shopping basket contents and where the recipient lives or works. The customer might be shopping in the store, through a catalogue and call centre, or on-line. Using MetaPack the experience is always the same. MetaPack provides one point of integration to all UK delivery solutions (including fifteen carriers) to meet the complex demands of multichannel retailing. We guarantee that the appropriate delivery experience is automatically selected for every consignment, based on carrier expertise, price, service or all combined. This delivery service could be to the home, to work, an alternative collection point or international. This makes for a consistent service regardless of where the product is shipped from: it could be direct from the supplier, from the shipper's warehouse or its store. MetaPack provides all of the tracking data for any number of carriers to any internet screen, again whether it is for the customer care team, supplier or direct to the customer. We enable the retailer to look after all of their customer communication. Use MetaPack to quickly set up email or SMS messages with the customer to keep them constantly updated as to the parcel's status, so that there is one last mile experience, regardless of which carrier(s) are used. And you can return in any number of ways.

MetaPack helps retailers and carriers to provide customers with the best delivery experience. Attracting customers to the store, website or catalogue is an expensive business. We help to ensure that those customers come back to buy more. There is a positive coincidence between best service and lowest cost. Getting things right first time is a major benefit for the retailer, the carrier and the customer. This can be achieved using MetaPack in a multichannel environment.

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



# the future of retail?

**A:** The Internet has caused the majority of brick-and-mortar retailers to evolve to embrace multichannel retailing. While most retailers know they need a website, not everyone knows how to deliver the online experience savvy browsers have come to expect in a Web 2.0 world.

We are truly in a customer-centric era because the customer has more information at his or her fingertips than ever before. The Internet allows for rapid switching between retailer websites for an easy method of comparing prices, and it has greatly increased competition by introducing pure plays to the mix. Consumers also have access to more knowledge about retailers through the Web, and not only through online marketing campaigns or the news media: they are sharing information with each other through product reviews, forums, chat, social media sites, etc.

But how can a retailer quantify their website's impact on offline sales, branding, and word-of-mouth? ForeSee Results uses proprietary predictive methodology to not only determine how satisfied website visitors are with their online experience today but also how it impacts their offline and online behaviors in the future. The ACSI, or American Customer Satisfaction Index, which has its roots in Sweden, was fully developed at the University of Michigan over fifteen years ago to measure customer satisfaction and has since been implemented in many other countries, including the United Kingdom where it is known as the National Customer Satisfaction Index (NCSI). It is recognized as the "gold standard" in customer satisfaction by corporations, academia and the media.

Our extensive e-retail research in both the UK and US has consistently shown that highly satisfied website visitors are considerably more likely to make a future purchase from the retailer – either online or offline – compared to highly dissatisfied site visitors. This also applies to other future behaviors like recommendations. Retailers need to know if their website is meeting the needs and expectations of their site visitors, or they may not be around to evolve to whatever level the Internet will take e-retail next.

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

**A:** K3 are urging retailers to change their thinking. With almost 34 per cent of retailers still to offer a multichannel alternative to their bricks and mortar stores, they're falling behind in the £4.2 billion a month race for a share of the consumers' wallet.

With the rising cost of a visit to the high street and uncertainty over the family budget, a day of retail therapy will become more of a special treat.

The bricks and mortar retailers physical presence on the high street gives shoppers a point of reference for engaging with the brand; a place to return and exchange items, a place to try before you buy and a destination for the instant gratification.

Whether a retailer chooses to go multiple-channel, or multichannel opening a new routes to market can be a challenging prospect.

- Do we outsource fulfilment; manage it from the DC or through local stores?
- Will our current returns process be able to cope?
- What will the implications be for our PCI:DSS compliance strategy?
- How do we drive cost out of the multichannel offer to compete against the best of the 'pure-play' sector?

K3 have built on years of multichannel experience to deliver solutions that help the bricks and mortar retailer compete with a joined-up cross-channel proposition that treats each customer as a valued individual however they choose to shop. Building our solutions around the Microsoft Dynamics platform, to simplify solution architecture, we offer:

- Fully featured, 'cross-channel aware' EPOS
- Websites and CMS driven from the same back office solution as your store systems to streamline merchandise management and cross channel promotional activity.
- Call centres and marketing tools that provide one view of the customer across every channel.
- Kiosks and mobile devices that improve the depth and accuracy of customer ordering in-store.
- Intelligent integration with other devices like CCTV and video to target attention where it delivers the greatest rewards.

By designing the retail infrastructure around the way people shop, our modular solutions help retailers build a joined up cross-channel solution that engages customers across every channel.

[www.k3btg.com](http://www.k3btg.com)



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# Testing and tuning your website to turn clicks into sales

**SCHUH** is at the leading edge of the UK fashion footwear industry and is widely recognised as one of the most innovative independent footwear retailers, not only on the high street but also online. Schuhstore.co.uk has a unique audience of more than 400k users per month\*. Schuh's approach to its online store is to constantly test and tune so that any changes to its site are based on customer preference, rather than the hunches of its web designers.

Schuh web developer, Patrick Timmons, uses Google Analytics to identify areas of the site to test: "Working through our Analytics numbers allows us to pick out under-performing areas of the site. We can then design and build tests to optimise these pages".

Schuh's ecommerce team noticed their site had a high exit rate on the 'Men's Shoes' category page and decided to run an A/B test, running various new layouts of the page and testing these against the original.

Patrick was pleased with the insights offered by Google Analytics: "The great thing about testing is it allows me to make the right decisions in making site changes. I wasn't sure whether our customers would prefer viewing our products on the current 3x3 grid, a 4x3 grid, or even a 3x2 grid. Also, what image size do customers like?"

Another element of the page the company was keen to test was the use of models on category pages. Model shoots require significant investment and it is therefore important to understand their impact on conversion. Patrick used Google's free testing platform, Website Optimiser, to run a test and prove with hard data whether models were needed or not.

Schuh began to see results in a week, and it became



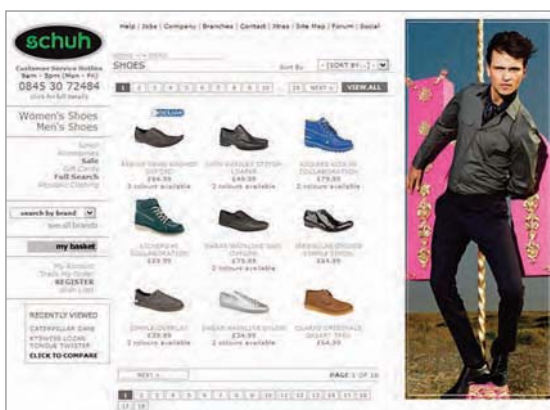
clear one of the variations in particular was having a significant impact on conversion. The winning variation was variation 3, which displayed less but larger images on the page and did not carry the image of the model. The impact of the new layout was a 10 per cent increase in the number of customers adding a product to their shopping basket, and a 6 per cent increase in the number of customers that converted into a sale.

Schuh's team were very pleased with the results of the test, which underlined how integral testing and tuning is to their whole online strategy. "We are planning a complete redesign of our site and will base it on the results of the tests," explains Patrick. Building a site based on the results of scientific tests essentially puts the design in the hands of your customer. The site can be completely optimised to the way your customers want it to look and feel.

If your site is based on design and aesthetics and not your customers, you could be missing out on valuable sales. Ensure you have an analytics package installed correctly to give you insight to the activity on your site. Use the data to identify areas of the site that need improving. Build bold tests that push boundaries and then run the tests through a testing platform. Implement the winning results from tests and ensure you continue to test as online customer behaviour will continue to change and evolve. For further information please visit Google's adtoolkit:

[www.google.co.uk/adtoolkit](http://www.google.co.uk/adtoolkit)

\* Source: Nielsen Netratings Decemeber 2008c



# *Right here, right now*

***The future is closer than you think. As digital technologies mature, what factors do retailers need to consider when they decide if, how and when to roll out such features as video, avatars and other rich content? Jonathan Wright investigates.***

**IT IS, FRANKLY**, a mug's game trying to predict how the wonderful world of the web will develop over the next 20 years. No wonder. Let's not forget that it was only in 1991 that Tim Berners-Lee created the first website at CERN and who would have predicted then that we'd get to where we are now so quickly? But here's the thing: it's impossible to make credible long-term decisions about where to invest in digital technologies if you don't at least give some thought to where we might be going.

Here's a vision of the future from Dr Jonathan Freeman, managing director of digital consumer research specialists i2 media research and senior lecturer at the department of psychology at Goldsmiths University. In the future, he says, expect a merging of the online and real worlds through, for example, audio-visual overlays in such environments as our city centres; more personalized online experiences based on past behaviour; far more user-generated content, and not just static content; and links being forged between individuals' social networks, and media and retail spaces.

"Combining a ubiquitous web with technologies to identify mobile users will provide for personalized services augmenting the real world," says Freeman. "Think high street shops offering you deals relevant to your interests, personalized recommendations of places to go in cities you visit for the first time, and information about places and objects at your fingertips."

It's a grand vision, web 3.0 with bells, and yet also strangely familiar. We were being told excitedly about such developments when the new economy really was new back in the late 1990s. So what's different now? And how exactly should we make sense of the relative importance of IA, imagery and new interface options such as avatars in the ongoing development of web interfaces? We've spoken to four experts in the area to get their take on what's happening.

## **THE NEED FOR R&D**

As director of user experience at Flow Interactive, Ian Worley has long experience of technologies that seem new to many. He quotes science fiction author William Gibson with approval: "The future is already here, it's just unevenly distributed."

Follow the logic of Gibson's remark through and it has some intriguing ramifications. It means, for example, that an apparently blue sky exercise in looking at how interfaces will develop actually means thinking about technologies that are already with us. When Flow Interactive worked with EasyJet, for example, they came up with a site that's essentially a walking tour through a city, where you can switch between a map and video. This isn't so far removed from what we're familiar with, but the approach is fresh.

"I think there needs to be a lot more R&D," says Worley. "Rather than just appointing agencies to build on a brief, I think there's actually a stage



before that, getting people either internally or externally to do the kind of work we did for EasyJet, which is to ask the question what could travel be online?"

If this sounds suspiciously like the slippery slope towards a Nathan Barley approach – Nathan see shiny thing, Nathan want shiny thing, Nathan make you pay for shiny thing whether you need it or not – it's actually far from this. It's conceivable that working through such a process might reveal that you don't need state-of-the-art technology (yet), especially when it's combined with rigorous number crunching.

## MEASURING THE EFFECT

This is a point underlined by Lee Friend, co-founder of digital studio Packshot. "If we recommend something, it's assumed that we know it's going to make more money," he says, "so we're extremely cautious when we recommend a nice bit of video or a nice 360° or the latest zoom navigation." With a fashion retailer, for instance, Packshot will also recommend a full trial in a neutral month. Reliable numbers need to lie behind technology implementation decisions.

All that said, doing nothing, continuing to act as if a static website is enough in itself is clearly not an option. It's not just that a grand future looms, it's that retailers are already employing catwalks, video and other methods (albeit cautiously in many cases).



**"People are now absolutely focused on their merchandise and trying to showcase their merchandise as well as somebody in their store,"** says

Sheila Dahlgren, director of product marketing for Adobe Scene7.

In addition, adds Chris Ezekiel, managing director of avatar specialists Creative Virtual, the use of "natural language", software that "emulates the way people interact with each other", is becoming far more commonplace.

But which of these approaches will be with us for the long haul? One problem with the uneven distribution of the future is that bits of that golden tomorrow are rather like curiously shaped components lying around in an inventor's shed: unless you know what the inventor's up to, it's tough to guess

what's important and what might eventually be discarded. To some extent, it will ever be thus, but there are at least enough clues to suggest some starting points.

## RICH CONTENT

Mannequins, 360°s and zoom applications are becoming increasingly commonplace, especially in the fashion world – although it's worth noting that it's still unclear how far they actually drive sales, especially in an online environment where their deployment has become something of an arms race.

Nevertheless, the smartest uses of these kinds of rich content are impressive and, from a user's perspective, beautifully simple. Demandware's work for Timberland, which enables customers to choose boots in different colour combinations – red stitching, tan uppers, etc – is great fun.

Mixing fun with practicality, MyDeco's room finder interface enables you to flex items within a room scene according to budget. There's an element of play here, but this apparently small feature makes it clear somebody's kept their eyes on the idea of the site as a retail destination.

Even for those working on limited budgets for the foreseeable future, it's worth thinking about such features because much of this technology is increasingly becoming available 'out of the box', making it far cheaper to implement than previously.

## What the experts say

### Recessions and retail

"In essence, if you look across what everyone's doing at the moment, budgets will force a lot of the rich media, a lot of rich content, to be reduced because if you can't show an ROI very, very quickly, it will go. I think, when we come out of recession and people stop looking too much at the bottom line, too much at their costs, I think you'll see a bit of a resurgence, possibly a huge resurgence."

Lee Friend, co-founder, Packshot



### Immersive web applications

"It's not the lean forward experience of a page and you click stuff on it, and it's not the lean back experience of watching television, it's a lean forward into your television kind of experience."

Ian Worley, director of user experience,

Flow Interactive



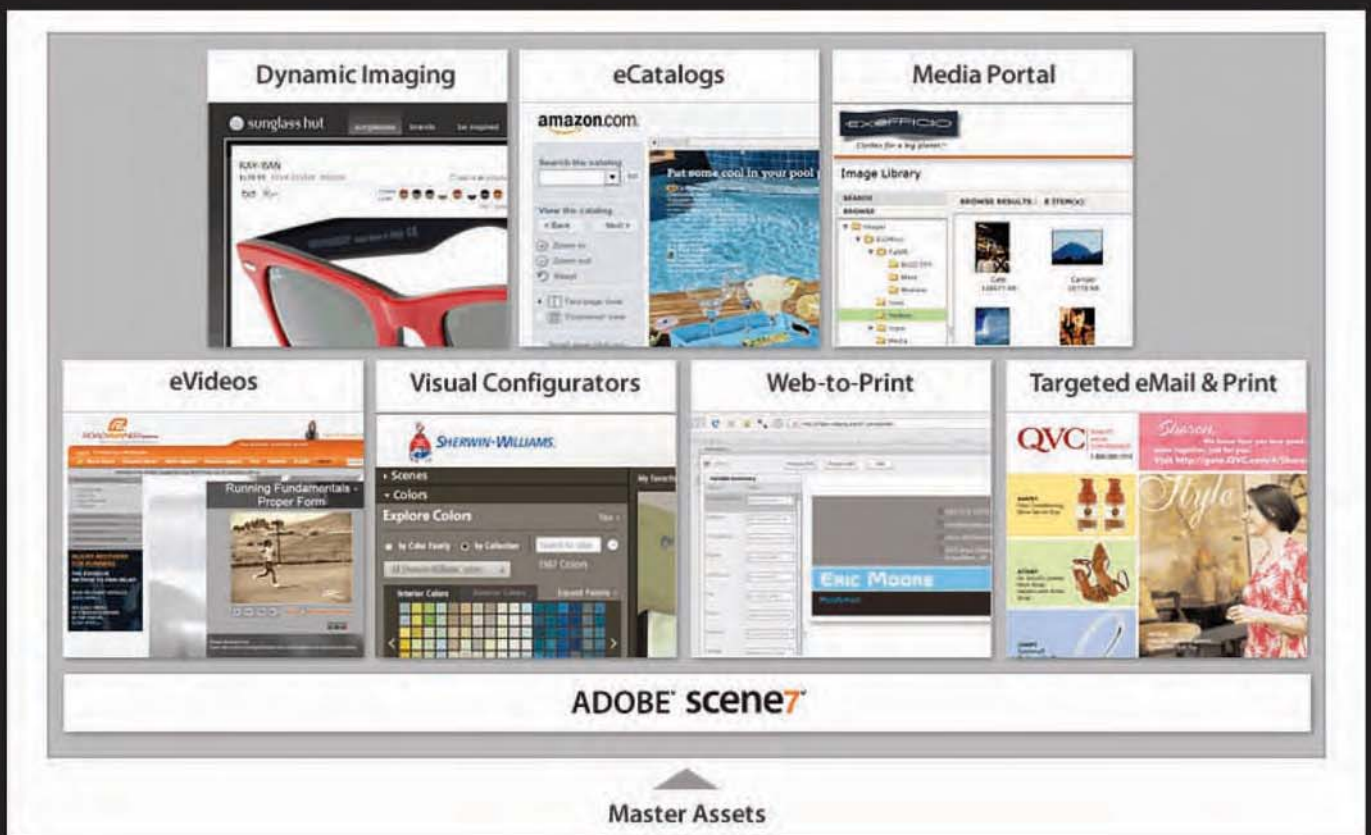
### Navigation aid

"Where do you go to, as in something right at the front there, that takes away the need for you to understand how some designer has set up that particular website? And they're all different, let's face it. Having an assistant that understands natural language and the different ways in which people might ask the same question is really key in getting people to the right page on the website."

Chris Ezekiel, managing director, Creative Virtual

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## Case study

It may be a mistake to divide new web technologies into different subsections such as, video, avatars, etc. Ian Worley's emphasis on R&D throws up some wider questions about how we think about digital technologies.

Take online ticketing. Typically, you're funneled through a step-by-step system towards a predetermined end: buying a ticket. But what if you want to change your mind about a travel date, or compare the cost of buying different types of tickets? With some of the crudest online systems, you can't even press a back button to go back a step and explore different options.

"In almost every retailing experience, whether it's buying tickets or buying camera equipment or buying clothes, people go through a number of stages," says Ian Worley. "And they spend the most amount of time in the exploring and deciding and playing around stage – they're not ready to be funneled yet."

In work for National Express East Coast/GNER, Flow suggested "flattening the interface" so that customers can more easily explore different options. It worked. In the first six months following the launch of the site in November 2007, overall revenue increased 30 per cent. The site conversion rate was more than 12 per cent, up 50 per cent from the year before.

The project cost £4.5 million, no small investment. In Worley's estimation, his client was "betting their business on being able to build a better Trainline". The pay-off? The company has lessened its dependence on Trainline and can compete with Trainline by licensing its technology, because it reframed the question it was asking from a narrow usability issue to a wider exploration of how people make travel decisions.

Not that such thinking will ever replace getting the basics right. Worley: "There's some classic stuff that's not about the interface, but about being a good store, having the right products available in the right sizes with big enough pictures so that people can say, 'Oh I want that,' with the ability to make sure it gets delivered quickly, on time, with good return policies."

## VIDEO

In a YouTube and iPlayer world where more and more people have broadband, video is becoming increasingly commonplace. A recent example that's attracted much attention is the use of catwalk videos by Asos. It's certainly generated headlines, helping to establish the Asos brand, but some doubt whether it's really generated increased sales.

"The larger retailers haven't necessarily knee-jerked to do what Asos are doing, because at the end of the day I think what people forget is that a lot of the major retailers, and the more sensible retailers, have actually tested all of these derivatives," says Lee Friend.

However, the technology is getting cheaper and taking less bandwidth too. Friend says it's now practical to run video on dial-up, while Packshot can do 360°s on video at half the price of stills. As we come out of recession, expect more and more retailers to begin using video, another arms race.

## AVATARS

There are multiple channels into any company for customer: via the web, through a store door, telephone, email, etc. The costs associated with each are by no means equal. According to Chris Ezekiel, it's usually these cost issues that prompt companies to consider using an avatar. If people can interact with a virtual assistant to find what they want

on a website, they're less likely to phone a call centre or send an email enquiry and more likely to make their way to deeper level web pages for information.

There are other advantages too: assistants can be linked to back-end systems to improve personalization and analyzing conversations gives customer feedback that goes beyond metrics. The downside? As usual, it may be cost, plus some customers don't want an avatar in their way.

Supermarkets are among those who are interested in this technology, which is already used by such companies as Phillips, BT and National Rail. "I can imagine one of the big supermarkets having a virtual Jamie Oliver, a virtual assistant, that might even go round with a device that's attached to the trolley and be there on hand to answer questions," Ezekiel says, "why not?"

Adds Sheila Dahlgren: "In a store, there's a shopper who knows exactly what he or she wants and goes right to it, doesn't even ask anyone in the store for suggestions or help. Then there's always that person who comes into the store and actually likes to have personal attention." In the future, she says, we'll see more live chat and shared screens, collaborative shopping.

## MOBILE

One of the recurring problems for retailers is how to track customers across different channels. Ian Worley thinks that mobile devices, may hold the key, whether or not they come complete with avatars.

"It's tying together the real shopping experience," he says, "which I think is really important to a lot of people, with the online shopping experience, so there aren't two separate spaces but they're interlinked in ways that they haven't been able to be before. Cameras on phones enables that, fast data download via internet on mobile allows that."

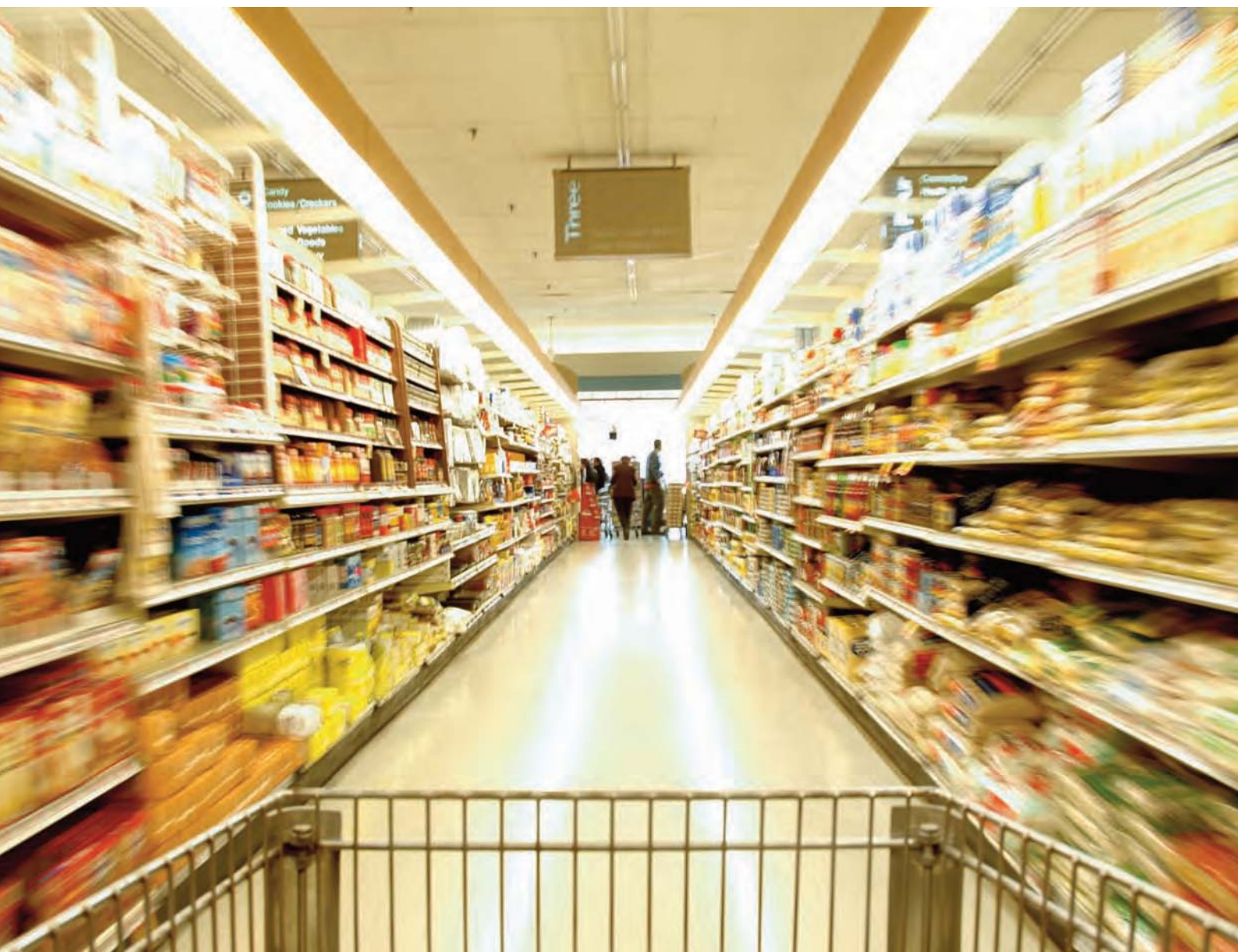
In the future, for instance, you might point your phone at a product in store to watch video demos, access specs or even talk with a virtual sales assistant. It's early days as yet, but in terms of personalized content, mobile devices may hold the key to binding together different channels. For example, if you could bookmark items online and then access your list when you're in a real-world store, it might be genuinely useful (as opposed to the dubious proposition advanced by some that when you're in a shopping centre, you're fair game for random sales messages).

Retailers at least need to be aware of developments in this area, if only as a way of being able to move when genuine opportunities arise. With the increased use of smartphones, that day won't be far away.

## CONCLUSION

We're at a strange point. In technology terms, it's clear that retailers have access to tools that will make the point-and-click web seem positively boring. However, in straitened economic times, it's more crucial than ever to watch the bottom line. If a whizzy interface technology can't pay for itself in purely sales terms, there needs to be another justification, perhaps because it's key to the wider brand.

Against this, customers increasingly demand richer experiences. That's not going to go away. The trick for clever retailers will be to balance customer expectations with cost of implementation. To return to where we started: predicting the future may be a mug's game, but thinking about it creatively and balancing that thinking against real numbers is absolutely critical. ■



# *A class of its own*

*Category management was first pioneered by supermarkets. Its disciplines and lessons may have a lot to teach retailers in other sector, as Jonathan Wright discovers when he talks to experts in the area.*

**BACK IN THE 1970S**, the iconic independent record label Stiff proudly proclaimed that it was “reversing into the future”. It was a slogan that neatly embodied the way the best of the label’s artists, such as Ian Dury, Elvis Costello and Madness, drew on a rich heritage dating as far back as music hall but updated it, gave it new energy.

This is a useful prism through which to look at the challenges facing retailers today. Since the advent of the web age, retailing has often developed separately from its bricks-and-mortar cousin, its progress powered by

bright young minds fascinated by the new, by novelty. However, as the retailing space matures and even your frumpy, elderly maiden aunt shops online, it’s self-evident that novelty is no longer enough in itself. What better moment to look at tried-and-tested merchandising ideas from the real world and see how they can be imaginatively applied in the retail space?

## **SUPERMARKET SWEEP**

Within this landscape, category management is emerging as a key idea. It’s an approach that has its

## Life before automated systems...

Before she became enterprise product manager for software vendor Torex, Charlotte Kula-Przewanski was a senior merchandiser working for brands such as George and Next. Back in the day, she says, it was much more difficult to analyse data: "People used to get in at 6.30am-7am on a Monday and trawl through data and copy it in these big reports on to Excel or onto Word documents, so that you could see what the best and worst sellers were for last week, what the best rates of sale, whether it sold better in a catalogue or through the stores, what the service levels were." You had to get in early, she adds, to make sure your orders from suppliers in ahead of the competition.

It was hardly a great system, yet it gave people a really good feel for what was working and what wasn't. The return rate on trousers, for example, ordered through catalogues could be 60 per cent. Why? Because especially in an era when there are free returns, people order three sizes to increase the size of getting a pair that fit. And if the rate went up? Time to check, for example, whether the image chosen in a catalogue to sell an item was misleading.

For these kinds of reasons, Kula-Przewanski is glad we're moving towards automated systems. However, she does issue a warning: if those coming out from university just do what the systems tell them, they may lose track of why certain things are being done – category management can't be a substitute for understanding the business.

roots in the late 1980s and early 1990s when manufacturers such as Unilever and Procter & Gamble and the supermarkets realised it was no good running promotions if items sold out because there was insufficient stock. It would be better if the manufacturers knew to step up production.

Allied to increasing supply chain efficiency was a second key idea: that products should be divided into different categories. Further, different categories have a different role in an individual retailer's overall mix because Asda's customers have different priorities to those of Waitrose.

An example often cited to explain how this works is nappies. Because these are perceived to be a big part of the monthly budget for young families, an offer on nappies can be an effective traffic builder for a supermarket. Once customers are in the shop, they'll likely also buy other items without worrying so much about price, items on which the supermarket can make a wider margin because few of us really shop around for, say, shoe polish or herbs and spices. Retailers can further increase profits by cannily positioning products with a higher margin.

## SPACE ISSUES

An objection to this approach from those with an e-tail background is that category management metrics in the real world look at returns per square metre. Physical space is limited out here. Online, you can stock everything. Joris Beckers, CEO of Fredhopper and an expert in this area, isn't so sure.

Challenging the long tail idea made famous by Amazon – if it costs you little or nothing to stock items that are purchased only occasionally, why not stock them? – he argues that space is actually more limited online. "That's simply because the screen is smaller," he says. "On average, a visitor to an online store views 10, 15, maybe 20 pages. Now, how many items can I show

you on one page that you really see? Maybe two, three, four, five that's it. So if we have 10 pages of five items, we have the ability to show 50 items from one store online."

Under Beckers' analysis, without miles of aisles to wander, it's actually more important to make sure you get people to a web store with the right offers and then make the most of an opportunity, say, to cross-sell or upsell. In other words, category management actually becomes more crucial because opportunities are more limited.

## INFORMATION IS KEY

If the offline world has limitations in comparison to real-world stores, it's not all bad news for e-tailing. Despite the use of such marketing devices as loyalty cards, real world retailers often know little about their customers, in contrast to online merchants. To use a simplified example, an e-tailer might know that of 10 customers who buy pairs of jeans, four also buy a t-shirt. Ergo, it would make sense to show t-shirts to customers who are interested in jeans.

But what kind of t-shirt? And are there times when you should show another item? Using category management and automated systems, it's possible to devise rules that will pick up some exceptions to the rule, but this is essentially a numbers game. "You can't do it right for everybody, it's mass marketing," says Beckers, "but you can win by being slightly better than the competition."

## Case study

Conrad is a German electronics retail company that's been established for 85 years. Its USP down the years has been a monstrous catalogue, an Argos-plus desk-thumper of more than 2,000 pages. It may sound daunting, but it's a great sales tool for Conrad's target market: men who are hobbyists and DIY enthusiasts. Conrad, for example, is big in areas such as model trucks and planes.

Michel Lieferring, managing director of the company's Benelux subsidiary, was concerned that while the company constantly measured what was happening with its systems, making sure things ran smoothly, "there was less focus on what's happening in the market, what's happening with the customer".

Category management provided an answer. In the subsidiary, which sells mainly over the web, there are now six category managers working across eight areas. "They are constantly following what's happening in their environments," he says. "For example,

when you are responsible for modeling and trains, this guy knows all the competitors in his market, he knows what they are sending out. He knows their brochures. He knows the profile of his customers, what his customers likes." There's been an increased emphasis on analyzing data.

The result? Lieferring won't give figures, but at a time when other retailers are offering discounts, "We see the margins growing, we see our turnover growing, we see the conversion rates growing."



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## What the experts say

### Publishing and eetailing

"Certain concepts that are very well known in the publishing world – like an ad on the front page or back page is more valuable than somewhere inside – are equally applicable to eetail, but the people running those shops don't come from that world, they don't really use those kinds of principles."

*Joris Beckers, CEO, Fredhopper*



### A more personal future

"In an offline store pretty much everyone has the same experience. In an online store that doesn't have to be the case, you can actually change the experience to suit the interests and preferences of the individual consumer."

*Michael Strickman, chief technology officer, ChoiceStream*

### The bigger picture

"If someone's seen it on the internet or in a catalogue and they want it, they want it. If it was never in a store, they never saw it, you're not disappointing them."

*Charlotte Kula-Przewanski, enterprise product manager, Torex*



This suggests an eetail market that's reaching maturity. To use the analogy of the mobile phone business, we're past the point where you can expand simply by flogging handsets to those joining the revolution, we've entered the region of percentages and trying to get customers to switch from the competition.

That doesn't mean there aren't still big gains to be made – exactly the opposite. "I believe the biggest gains will be made in the future," says Beckers, "for the simple reason that if you look at average conversion rates online, they're two, three, four or five per cent, whatever. The average conversion rate in physical stores is 20, 30, 40, 50 per cent, at least 10 times as high. Every channel has its own conversion rate, but there will be a natural tendency that these things start to climb."

### A PIECE OF THE ACTION

In this context, it's worth noting that while category management can be a hugely useful framework from which to approach merchandising, arguably even essential for the biggest retailers, it can only ever be a part of the art of selling. Stiff Records had another slogan back in the 1970s: "If it ain't Stiff, it ain't worth a \*\*\*\*." Well, it was the era of punk. The point is that Stiff's swagger and humour created excitement and brand recognition, which in turn helped sell records.

That's just as true for other areas of retail. The hum and the buzz at a well-run store on a busy Saturday afternoon is palpable. Similarly, well-run eetail stores create an online noise on forums. Merchandising isn't a *simple* numbers game, it's a dizzyingly *complicated* numbers game, something that retailers looking towards growing conversion rates need to recognise.

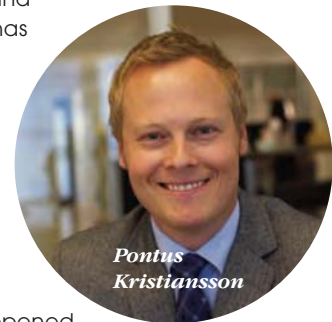
Canny human beings, including category managers, can be surprisingly good at reading these numbers. (And, in passing, human beings, although not necessarily category managers, are definitely better at designing window displays and interfaces.)

## THE HUMAN FACTOR

According to Michael Strickman, chief technology officer of ChoiceStream, a company that helps eetailers interpret the masses of data that customers generate, old-fashioned nous still has a role to play in deciding what to sell and when. When working with clients, he says, one of the first things he does is help them decide just how far they want to take, for example, the automation of product recommendations.

"People are very good at picking up on certain types of information that it might take an automated system a lot of time to learn about," he says. "It makes sense to inform the automated system rather than have it figure it all out on its own. In many areas, it makes real sense to have a person playing that guiding role."

Behavioural software vendor Avail sells a product that enables eetailers to give recommendations based on anonymous visitor data, the idea being that customers trust other customers. CEO and founder Pontus Kristiansson has been interested in category management for a long time, having first encountered the idea when he worked at Proctor & Gamble. He has a subtly different take on the human factor, but one that's just as revealing.



"If we looked at what happened pre-Christmas, a lot of retailers, even online ones, announced pre-Christmas sales," he says, "and they gave 20-30 per cent discount across the board on all categories. And I think that was unnecessary. It could have been enough that they thought through, 'Which are our traffic drivers?' and they gave away discounts, maybe even 40 per cent or 50 per cent on the traffic drivers, and that would still have accomplished the task of driving traffic to their sites."

## SOFTER SALES METHODS

Looking again beyond the numbers, it's important to reiterate that good recommendations are only a part of good merchandising. One of the things that good category management systems can do is free up people from doing dull and monotonous tasks. In itself that suggests an intriguing question: what are they going to do instead?

An obvious answer is to use this time to think about other areas of merchandising. It's one thing, for example, to make the 'right' recommendations to your customers but are you doing this in the right way? Would there be a greater cross-sell if the company changed the way it presented products? Is it time to trial new products? How can you best combine data from different channels – catalogue sales and real-world information from loyalty cards – with online information? If you're getting a lot of returns on certain items, what's going wrong? Are you getting a good response on promotions?

The point about category management is not that it negates the need to focus attention on such questions. Rather it gives you a context, a methodology through which to view them – and, crucially, a methodology too that always keeps real numbers at the centre of the business. ■



# *We're shopping*

***The online retailing experience has a great deal to add to the quality and convenience of high street retailing, discovers Chloe Rigby.***

**THE WAY RETAILERS** sell online owes everything to years of experience built up by traders selling face-to-face to their customers. From online shopping baskets to web checkouts, a raft of tools have been developed to help e-consumers see products and make purchases just as easily as they can in real life.

The result is that most people in the UK are now happy to shop online (62 per cent do so, according to a Royal Mail survey) and along the way they have become highly literate in the tools of e-commerce.

But now that online shopping is a given for many consumers, maybe it's time multichannel retailers started to consider how this can work in the other direction. Already strategists are starting to imagine a future in which consumers can call on web-based resources while they are in store. By completing the e-commerce circle and bringing the web and the store to the same place, they believe that consumers will be more likely to complete their purchases in store.

That's important because all the evidence suggests that shoppers spend more when they buy in store. As long ago as 2007, a Yahoo and ChannelForce study found that those who researched online spent more in-store, while recent findings from a survey commissioned by the NRF and Shop.org concluded that price was the main driver of online sales – closely followed by free or discounted shipping. So it seems it's in the interests of multichannel retailers to encourage consumers to research online and then conclude the sale in store.

But at the moment, what often happens, says Hedley Aylott, managing director of online marketing agency Summit Media, is that consumers research online, visit the store to see the product, and then go back to the web to place the order. Rather than, as the shorthand has it, clicks-to-bricks shopping, this is clicks-to-bricks-to-clicks. That's a pattern likely to continue as consumers become more cost-conscious as a result of the recession.

So what can multichannel retailers do to ensure the final purchase is made in store? And what role can online tools, transferred to the high street, play in this?

## **FUN IN STORE**

Online the shopping experience is always individual, but shoppers going to stores – especially in peak times – often have to queue before they can get the information they need from a sales assistant or make a purchase. Deborah Collier, managing director of Echo E-Business Management, which advises clients on e-commerce strategy and management, says one queue-busting alternative might be to bring interactive digital information displays into store on video terminals so that customers can look up the information they need while looking at the item they are interested in. Collier predicts that video, already popular in online sales, will become more widely used in stores, alongside interactive digital information points that could be an alternative source of information. Taking the pressure off sales assistants would give them time to devote to customers



The Heal's website features rich media tools designed by 10CMS

believe what the salesperson is telling them. But if the assistant takes them to a web point to show them the offer on the retailer's website, they would be more likely to believe.

Widespread use of in-store internet access might also allow shoppers to carry out some of the actions they'd usually take when leaving a store – such as comparing prices. By making it easier for every customer to check prices in store, says Aylott, consumers would be more likely to make the purchase before leaving the store. Once they have left the store, he says, it becomes less likely that the retailer will benefit.

In-store, web resources can also supplement the limited space available in store, offering virtual extra shelf space. Interactive rich media pages featuring tools including interactive e-catalogues, lifestyle images with hotspots and 3D product carousels can be used in in-store kiosks, says James Brooke, sales director at 10CMS, which develops rich media tools for multichannel clients including Heals and Kiddicare. "These new experience rich content tools can be leveraged in store, bringing the extended online catalogue into the in-store experience," he says.

FROM THE WEB TO THE STORE . . .

One of the most attractive aspects of buying online is the convenience. By bringing that convenience into store, retailers could make it easier and more likely that shoppers will buy. One way of doing that, suggests Aylott, could be by helping customers to use their online shopping basket in store. The basket has become a useful internet tool for customers to select goods they'd like to buy and then park it before making a purchase another day. By sending it ahead of them to the store, a print out could be prepared showing them where the items they'd like to buy are located in the store. Alternatively, in the case of fashion items, the actual goods could be put aside for the customer to try on when they visited, thereby making the process much more convenient. "It saves so much time," says Aylott.

A further sophistication of that could be of use in the parenting marketplace, he says. Stores such as Mothercare or Mamas & Papas, which offer the chance for customers to make an appointment to discuss their needs with a sales adviser, could enable them to browse online and select some of the products they are interested in, for further discussion in store.

. . . AND BACK AGAIN

As well as bringing the web into the store, stores can encourage web use through a variety of different

who prefer to speak to a real person. The key, she says, is to give customers a choice – so that there's something to suit everyone's style of shopping.

She adds that use of digital information should be tailored to the very different approaches that customers have when they are shopping online or going to a shop. In store, she says, the experience has to be about enjoyment, whether that's in the form of a catwalk fashion show or the chance for a little indulgence in the hair salon. "Online, people are much more about speed and being able to see a product clearly and closely," she says. But, within the store "is where you want it to be engaging and fun".

Such digital information points could also be used by sales staff to back up the information they give. Summit Media's Aylott says he has found that sometimes customers don't

**Social retailing**

The concept of social retailing emerged from the convergence of social media and e-commerce.

US digital agency IconNicholson came up with the idea for the National Retail Federation 2007 annual show in New York and has continued to promote it since then.

Social retailing trades on the idea that today's young adults love to shop – and continuously talk to their friends via a range of social networking sites. It involves young shoppers updating friends on their shopping experience through text messaging, instant messaging, and email, telling them what clothes they are looking at and asking for feedback. Examples of in-store technology include interactive mirrors that can be used to show friends images of the clothes they are trying on through live video feed and ask them for their votes on whether an outfit is 'hot or not'. At in-store kiosks, teens could make buying decisions together, see what the others have bought and also buy items that are not available in store.

The Near Field Communication technology that forms part of the Social Retailing concept also allows retailers to monitor inventory at the same time as monitoring customer behaviour.

"The technologies behind social retailing tap two major industry trends that will drive change into our clients' businesses for the next several years," says Christopher Enright, IconNicholson chief technology officer.

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mechanisms, says Echo's Collier. In the here and now, she suggests staff could promote the use of the web through pre-printed web cards. By writing down the name and reference number or measurements of a product on a card pre-printed with the store's web address, she believes customer would be more likely to follow up online. For the future, she predicts the use of mobile phones to scan barcodes of items that interest them in store. They could then be used to look up the items online from home.

Another store-to-web tool, used by retailers stores such as Halford and Best Buy, are customer reviews, published in circulars that are distributed in store, in order to drive traffic back to the website, says Sam Decker, chief marketing officer of social commerce company Bazaarvoice. Bazaarvoice's MobileVoice reviews platform allows a further dimension – allowing retailers to deliver customer reviews on mobile handsets.

Aylott suggests that sales staff could help make a purchase more likely by offering a quotation in-store. The details required would include an email address, triggering a follow-up email from the salesperson to the potential customer, welcoming them to the store and making an offer – free vacuum cleaner bags to someone considering buying a vacuum cleaner, for example – that would entice them back to buy either online or in the store.

### MOTIVATING THE SALES FORCE

But one key area to be tackled is in making it worthwhile for staff to encourage customers to buy online. After all, if sales assistants only earn commission or a bonus for in-store sales, there is no reason for them to encourage customers to the website.

It is those staff, however, who represent the multichannel retailer's main advantage over the pureplay competition. That's especially true when staff are well-informed and motivated to help. Too often multichannel retail is effectively set up as a competition between the channels. When a customer leaves the store they may well be going to buy online – so why should the sales assistant encourage that?

The answer, suggests Aylott, lies in linking the advice given in store to the eventual sale online. That could be

### What the experts say

#### Offering the Choice

"There is a very symbiotic relationship between the web and in-store – and it's the ability to offer choices that is important."

*Deborah Collier, managing director, Echo E-Business Management*



"If you have a store make the most use of it. Make sure you are enabling people to shop in whatever channel they want."

*Hedley Aylott, managing director, Summit Media*

#### Digital In store

"This functionality (MobileVoice reviews) is being used to propel brands to the forefront of customer-centred technologies."

*Sam Decker, chief marketing officer, Bazaarvoice*

"While standard web content is unwieldy to use in store, experience rich content tools can be leveraged into kiosks to drive sales in the retail environment."

*James Brooke, sales director, 10CMS*



done, for example, when a sales assistant gives a quotation. If that quotation includes a reference number, it can be entered during the sale and credited to the person who gave the advice.

That reference number can also form part of the tracking of customers across a retailer's different channels. (For more information on tracking the customer journey across multichannel retail see the customer engagement section on page 30).

In the past, says Collier, there may also have been fears that store jobs might become redundant as e-commerce increased; today the reality is, she says, that both channels are important and support each other.

"There are opportunities for the stores themselves to survive by creating more experiential shopping and using digital technologies to do that," she concludes. "But customer choice of channel is key." ■



# *Delivering on the promise*

**Multichannel retailers have a distinct advantage when it comes to logistics – their shops. Chloe Rigby finds out how convenience is being redefined.**

**DELIVERING THE GOODS** may not be glamorous, but it is a cornerstone of the good service that retailers must give if they are to compete effectively.

Don't expect praise for getting it right, for that is simply expected. Get it wrong and customers will think twice before shopping with you again. After all, most people buy online because it's easier – and convenience is also proving the key to a successful logistics chain.

To put it in context, according to a Tesco survey of 2008, failed deliveries are the UK's third-greatest irritant. There is no room for failure. But it's a problem that too often multichannel retailers are failing to solve.

## **THE MULTICHANNEL CHALLENGE**

E-commerce is often an add on to existing retailing models. Delivering to millions of individuals works very differently from the traditional store replenishment model, where deliveries are to the shop and there isn't a problem if the wrong number of clothes, in the wrong sizes, arrive. But experts say many bricks and mortar retailers are failing to grasp the importance of getting it spot on first time when they deliver direct to customers. Among the critics is Patrick Wall, chief

executive of delivery management software company MetaPack. Wall says retailers may have overly rigid and separate logistics systems for their different channels. When a customer orders online, one logistics network responds. But if the same customer orders the same item instore, another network responds. "When the retailer wants to move on and provide a joined up experience to their customers there are huge barriers," he says, "separate warehouses, different technical systems and separate organization structures. Retailers are therefore moving into the multichannel world with inefficient and costly work arounds which limit the customer's experience." When it's working, he says, multichannel retailers have flexible access to their stock and less stock duplication, costs are lower and service is better. But to get it right, he says, they need to find out what the customer's ideal shopping experience is, and plan the logistics framework from there.

## **PERFECT SERVICE**

When it comes to pleasing customers, there's only one option – that's to get it right. It's also the option that is best for the business, keeping satisfaction levels high and

## Cost of delivery – Waitrose Deliver

Just as retail competition is hottest in the supermarket sector, so their online logistical operations have vied to be the most convenient. Supermarkets have been in the vanguard of delivering in two-hour time slots. Until recently the assumption has been that consumers were willing to pay for that convenience.

But now that's starting to change, with the decision by Waitrose to abolish its delivery charges for online shopping, with the avowed intention of becoming more accessible through all its channels.

The decision won't make a huge difference to shoppers' bills – the cost was previously £3 or £4 to have a shop that must now be worth at least £50 to qualify for delivery. But it seems the principle of free delivery appeals to UK consumers. Waitrose quoted its own research showing that customers believe free should be standard.

The news comes hard on the heels of Amazon's decision to reduce its delivery charge to zero for purchases of only £5, and against predictions that the online grocery market will grow to £13 billion. Waitrose said its own online grocery sales grew by about 80 per cent in 2008 and so far this year is growing by 60 per cent.

However the store will still charge those customers who opt to have their in-store shop delivered to their home.



reducing inefficiencies and therefore cost. Tesco is often quoted as a good example of a retailer offering a seamless logistics service, whose innovations are becoming standard. So what do the experts say Tesco is doing right? They cite precise two-hour delivery windows for its home delivery grocery service, the option for customers to reduce packaging, and the ability for customers to return web-ordered goods through the in-store customer service desk.

Not only is this good customer service, but it represents a real cost saving. "One of the biggest costs in home shopping is the cost of returns," says Neil Weightman, sales director at iForce, the company behind Tesco's non-food returns process. Weightman points out that the system is both cost effective and convenient, effectively saving the retailer in the order of £5 in delivery costs on every return. Returned goods are quickly returned from supermarket to the iForce warehouse, with the process tracked through 'licence plate' technology, and from there to the supplier, freeing up cash flow. To draw a lesson, Tesco is delivering on the promise it makes the customer, and on the consumer's expectations.

That last is key to successful multichannel retail logistics. A customer may have no cause for complaint if they were out when the delivery arrived, but they're unlikely to be wholly satisfied with the experience if it involves a time-consuming trip to a depot to collect the goods they needed in a hurry.

## COLLECTION – HOME OR AWAY

Received wisdom says that home delivery is the most convenient option for customers. But it seems that the goalposts are shifting, as logistics companies report a faster-than-expected growth in the number of consumers ordering on the web and collecting from the store. It turns out that for many people who spend most of the day at work, it's more convenient to drop in at a shop on their way home to collect relatively lightweight goods than to wait in all day for the item to arrive – with the risk of finding the failed delivery card if they pop out for five minutes. That gives multichannel retailers an enormous logistical advantage, for now at least, in the form of what Paul Brooks, sales director, Unipart Logistics, describes as a



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## What the experts say

### The multichannel challenge



"Achieving things right first time not only keeps the customer satisfied, it also provides the lowest cost to serve. Perfect service reduces customer complaints, perfect services reduces returns. It also keeps the customer coming back for more."

*Patrick Wall, CEO, Metapack*

### Perfect service

"If you are delivering a home shopping solution, there can be no failures because you are letting someone down. Delivery options and courier performance have to meet the customer's expectations."

*Neil Weightman, sales director, iForce*



### Collection - home or away

"Rail stations are good (collection points) because they have lots of under utilized space. Staff can be trained and there's better security. That is a development I see happening quite quickly."

*Paul Brooks, sales director, Unipart Logistics*



### Stockholdings

"We all know what consumers expect when they order something online – and they don't expect delays."

*Anthony Payne, VP of marketing, Wesupply*

"robust customer-facing collection point". But it's an advantage that's likely to be eroded with the growth of more alternative delivery points. Brooks predicts we'll have more high street drop boxes, accessible to customers via a key, while he also believes collections from railway stations will soon be the norm. He points out that a store network of 150 stores gets traders close to their customers. But 500 locations gets even closer, to within a few miles of 90-95 per cent or more of the UK population. The model depends on delivering to conurbations, and Brooks believes that's where delivery will continue to be fastest. People living in rural areas will also get the deliveries, but with a somewhat longer lead time.

There's a lot of potential for blending different retail channels in future. Future developments, according to Brooks of Unipart, are likely to include 24-hour shops with kiosks for customers to browse and order their goods for home or store delivery. He says such developments will come from innovators such as Argos, who already have a varied array of mechanisms for ordering from a number of points and collecting or taking delivery in store or at home. "If you have a multichannel platform, you will be looking to add to that platform for the convenience of your customers," he says.

### DELIVERY CHARGES

Until recently the home delivery maths has assumed that customers were willing to pay for the added convenience of having goods delivered to their homes. Time saved had an intrinsic financial value to them – and they accepted that would cost them money.

But in recessionary times many have been redoing their sums. Online sellers such as Amazon have reduced the minimum

spend to £5 to qualify for free standard delivery, while others such as Play.com have always offered free delivery.

Now more and more are adding in free delivery as an incentive to sales that doesn't mean product prices have to be cut. But post-recession, will companies be able to return to charging for this service, or is this an assumption that is changing in the long-term? Neil Weightman of iForce, points to the trend to encourage shoppers to qualify for free delivery by taking their online basket of goods to above £40 or £50.

"The greater number of items in the parcel, the lower the costs," he says. "If retailers get a bigger order value, that lowers operating costs, and they are able to absorb free delivery to customers in their margins. I think the trend will continue."

### STOCKHOLDINGS

One area that many retailers are looking to address as they cut costs in these straightened economic times is high levels of stock. Stock has a cost both in terms of the money tied up in paying for it before it's been sold, and the space and staff required to house and look after it. But serving a number of retail channels means holding higher levels of stock, doesn't it? Not so, say logistics specialists. Metapack's Patrick Wall says that ultimately there is no reason why orders to store and orders to the web cannot be picked from the same holdings. "If you do it properly you should be able to manage with less stock," he says. "You can have the lowest cost and the best service if you design it properly."

IT provider Wesupply specializes in the real-time integration of IT logistics systems to allow retailers to supply direct from the supplier through drop shipping – where retailers can sell products without having to stock them physically. Anthony Payne, says that while retailers, carriers and suppliers all have good delivery IT systems of their own, the interface between them can leave much to be desired. In some cases, he says, faxes are used to relay orders. Integrated systems, he says, update orders automatically, whatever channel they arrived through.

### THE GREEN QUESTION

As yet packaging is not at the centre of consumers' consciousness when they order – but the fact is that a great deal of waste is produced by the online shopping experience in the form of packaging. Paul Brooks of Unipart believes that this area will become one that sets retailers apart in the future as customers start to make it environmentally-friendly delivery options a priority. It will start, he believes with those who make sustainability a priority, pushing others into moving quickly on it. Already Tesco offers green loyalty card points in exchange for reducing carrier bag use on its home delivery service. But we can expect to see similar schemes become more popular in e-commerce sales. Brooks says he expects retailers such as M&S to make this an issue, and that uptake will widen from there.

It's notable when it comes to logistics that more efficient customer service is often the key to delivering cost-efficiencies as well. Not only that, but in the case of packaging there's an environmental benefit as well. There's a virtuous circle there that we can expect to transform the logistics of multichannel retailing during the course of this current downturn. Pleasing customers while saving cash and becoming sustainable – it has to be an effective argument towards justifying long-term strategic change. ■

# Joined-up retailing

**A 'me-too' knee-jerk reaction can drive traders online before they've fully thought through what they need from the extra channel. Chloe Rigby takes a moment to focus on the strategy.**

**A TRULY SEAMLESS** approach to multichannel retailing is hard to find. But when it works, the internet has enormous power to support both high street and catalogue sales. Customers have grown used to conducting research over the web in their working lives and their leisure time – and increasingly demand to do this with their buying as well. Habits built around online retailing now mean that time seems too short to make a trip to a shop that may potentially be wasted if the required item is not in stock. It's estimated that around 15 per cent of store visits do end without a sale for precisely this reason.

That's why many will check out the range online before they venture to the shops. Research by Boots into the habits of its Advantage Card holders shows that many customers preface a visit to the shop with an online reccie.

These are just some of the issues that a successful multichannel web strategy will take into account. And web strategy cannot be a standalone operation designed to tick the e-commerce box. It needs to be addressed at the top

level of corporate strategy and integrated with every part of the operation.

Only then will multichannel retailers come of age, and take back their natural inbuilt advantage across the channels.

## NATURAL BORN WINNERS

The bottom line is stark. High street retailers should be doing well in an age where online sales are growing steadily – for their widely recognised names are the first choice for most consumers, says Steve Davis, president, international at e-commerce service provider GSI Commerce. But when customers aren't served as they would like, they go elsewhere. That's been to the benefit, he believes, of brands such as online fashion seller Asos, which last month reported a 104 per cent rise in sales to £165 million in the year to 31 March, and home entertainment site Play.com. Online traders are moving into space left empty by high street shops who are not making the most of their online advantage. "We do brand research and typically find out that somewhere between 25 per cent and 60 per cent of their high street sales are from customers who first went online to look at their offering, and then went into the high street store to complete the sale," says Davis.

Nigel Stephenson, marketing manager at multichannel consultancy K3, says store-based traders often view the addition of an online channel as "the equivalent of opening another shop".

But in truth they would do better to consider their online channel as a marketing rather than a sales channel. Sales from a website may well remain low – but that disguises its true value, which lies in the information that it can share with those who look, 24 hours a day.

But there are a surprising number of high-profile bricks and mortar retailers who do not have online at all – and they are missing a trick. Customers do look for them online, and when they don't find them they shop elsewhere rather than make an inconvenient on spec journey to the high street store.

And when discretionary spending is tight, retailers can't afford to miss out on any potentially lucrative source. More than that, there are many pan-business improvements that can start with the web.

## PLANNING FOR SUCCESS

So, how does the e-commerce novice establish online? The first step is to decide on their direction. How do customers want to shop? What do they expect from the brand? How can that provision can be successfully planned across a range of channels?

The website has to be at the centre of everything else that the organization is doing, so that shoppers can go about their online business at least as well as if they were in the shop or

### Building on the website: how Frugi did it

E-commerce is at the heart of multichannel organic children's clothing brand Frugi.

Customers shop online and through a mail order catalogue, while retailers are supplied wholesale. But the centre of the operation is the website, which links the front end marketing and sales with a back-end database that keeps all parts of the business up-to-date in real time, from stock availability to new product ranges.

But that's not to the exclusion of the other channels.

"I think the majority of people still prefer to browse through a catalogue before making their purchasing decisions, especially when it comes to buying clothes," says Copeland. "It's an easier way to shop, more akin to wandering through a store and seeing if anything catches your eye. So it was really important that the website would support the catalogue and provide our customers with a convenient way of shopping."

The website is, therefore, an online hub for customers. It's a source of information on issues from organic cotton to cloth nappies which tie in with customers' ethical concerns, while traffic is directed to the site through regular e-newsletters, a Twitter feed, and a Facebook page – and of course, the catalogue.

Crucially all of this is designed with the lifestyle of the busy parents who are its customers firmly in mind.

"We really see a surge in website orders when our catalogue goes out each season," says Copeland. "You can tell that customers flick through it over a cup of tea and then go online to buy after they've decided what they want. It makes sense given that our customers have small children – there's probably nothing more exasperating than trying to order over the phone with a squawking toddler running round their feet."

using a catalogue. That means integrating it into functions from back-office to press office; making it the place that customers can find information, a full product range, and stock availability, as well as details on how to return items easily. It should be easier to find information online than to call the contact centre or visit the shop. That makes it easier for the consumer to buy – and that matters immensely when spending is down.

“Depending on which category you are serving, anything from five to 15 per cent of retail sales are occurring online,” says Davis. “This needs to be a core strategy for your organisation.”

Involving staff in changes is key. The channels must work together in-store as well as at the contact centre – and that means it has to be in the interests of employees to make it happen. If they are on commission for in-store sales, they’re unlikely to put energy into helping customers buy online if items are not in stock. But it’s in the retailer’s interests to make that work. Davis says a practical approach is to double credit purchases to the online channel and to the individual store, whether the item is ordered online and picked up in a store, or the other way round, ensuring there is no conflict between the different channels. “That kind of deal-making ensures you have the right motivation from all staff members and the right delivery from your customers,” he says.

#### MODEL BEHAVIOUR

Taking a look at what’s on offer is another important step towards developing a strategy. Some of the most successful multichannel retailers are those who already had a number of channels before they introduced the web channel. Often quoted among industry insiders are Next and Argos.

Next started off with the catalogue and a network of high street shops. Its website uses a click through delivery of its catalogue’s style to present its clothes while also incorporating elements such as its TV campaign. Visitors who watch the ad can click straight onto the showcased clothes, or read an

#### What the experts say

##### Making it count

“Every retailer needs to think about the capability that the ecommerce channel provides to it and figure out what the best way to benefit the entire enterprise not just online.”

*Steve Davis, president, international at GSI Commerce*



##### The multichannel advantage

“Multichannel retailers, by virtue of the fact that they have multiple channels, have significantly greater opportunities to cross and upsell than a pureplay could ever have. The fact that retailers like Play.com recorded such good results after the peak season is more indicative of the failure of multichannel retailers than the good business models of pureplays.”

*Steve Davis, GSI Commerce*

##### Connecting with customers

“Our customers love to engage in an online discussion.”

*Henrietta Copeland, e-commerce manager, Frugi*



“We are going to where the readers are that care about fashion. It is about being present where the customer is already, being present to them rather than dragging them to us.”

*Miriam Lehage, chief executive, Koodos*

interview with its star. Returns can be initiated through the website, and press images downloaded from the site.

Argos’s catalogue-based shops have also transferred well to the web. Its site is a mine of information on products, backed up with buying guides. It gives customers real-time stock checks and choice on where they take delivery, whether in store or online. Information about easy, call centre-based returns is given alongside lessons in social bookmarking, thus incorporating social



# What is Your Website's Contribution to Offline Sales?

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In addition, retailers can benchmark performance against the top 30 online retailers as published in our annual *Top 30 UK Online Retail Satisfaction Index*.

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- Capture continuous customer feedback
- Identify and prioritize improvements based on ROI
- Understand needs, expectations, intent and behaviour of key site visitor segments
- Watch actual user sessions for high priority audience segments
- Prescribe specific changes to improve usability
- Benchmark against over 30 leading UK retail websites and over 80 US retail sites

## Begin measuring your website's effectiveness today!

To learn more about ForeSee Results, and our powerful measurement system visit [www.ForeSeeResults.com](http://www.ForeSeeResults.com).







*Frugal customers can order children's clothes in a variety of ways*

networking and viral marketing into the mix.

This all-inclusive multichannel strategy has paid off – Argos owner the Home Retail Group revealed earlier this month (May) that web sales reached £1.1 billion in the year to the end of February 2009 – 26 per cent of its total sales. And its Check & Reserve service accounted for £700 million of that total.

But multichannel retailers can also learn from pureplay. There the lessons are in the wide range of products on offer, and the amount of content given to allow customers to understand them. In the high street, after all, customers could quiz a sales assistant. But that's impossible for the single channel retailer, who has to give the whole picture online.

### MAXIMISE THE MULTICHANNEL ADVANTAGE

Strategising for e-commerce is not about catching up to where competitors are today – it's about planning and innovating for the future.

Consumers' expectations are a good first guide to future development. For they have a long list of wants – and very high expectations. Many have yet to be fulfilled, but increasingly they will dictate the way e-commerce evolves.

Foremost among their expectations is convenience, says Patrick Wall, chief executive of MetaPack, who sums up the ideal of multichannel shopping as: "The ability to be able to shop as you desire, using any interface, and to have a similar experience, whether you're on the mobile phone, online or in the store. It's access to the widest variety of products in a

### What do online-only retailers do that multichannels don't? Learning from the koodos experience.

Miriam Lahage spent 20 years at TJ Maxx in the United States before she moved to the UK to launch venture capital-backed online fashion discount shop, koodos.com. From her decades of bricks and mortar experience, including stints in fashion buying and as VP of the company's e-commerce division, she knew what issues held back high street retailers – and she cut them out of her model. "As a buyer," says Lahage, "I never bought the right amount of anything – it was always too much or too little. So I knew owning the inventory was usually the biggest struggle for retailers."

She adds: "From my background I knew brands needed somewhere to move their excess inventory and that people love to buy fashion brands. But the fundamental difference was the opportunity to put the retailer and the brand on the same side. In all my years at TJ Maxx (which trades in the UK as TK Maxx) I could always feel the natural tension between what was good for the brands and what was good for the retailer."

The koodos strategy is to price, market and sell clothes in cooperation with the brands. The clothes are owned by the brands until the moment when they are sold – when they are, for the most part, shipped direct to the customer.

With smart technology enabling data transfer, koodos' team of 13 doesn't usually handle the goods – though when they do look after the logistics it's for an extra cost. Lahage, chief executive of the company, says the time and energy saved by not owning stock, or handling day-to-day logistics can be focused on customer service and marketing.

Marketing includes interaction with customers through a fashion blog, bargainista.co.uk, which flags up a wide range of opportunities for readers to buy fashion at a discount, either on or offline, through koodos – but also through others. The emphasis is on developing a relationship of trust with the reader, who may sometimes but will not always buy from them. Strong relationships have also been developed with fashion writers. And the company also has distributive relationships, managing fashion websites for customers including *The Mail on Sunday*.

It's a formula that's evidently working, for today the koodos site boasts between 350,000 and 500,000 unique users a month, less than 18 months after it was launched in December 2007.

More than 10 per cent of orders now originate outside the UK, with customers discovering koodos through online fashion blog references.

"We are lucky that in our sector if you deliver great value and customer service, people tend to come back," says Lahage. It's then, she says, about developing long-term relationships with customers. "If you do right by them, they will keep coming back to you."

form that is as user-friendly as possible. It is the maximum flexibility and the widest range of the product."

In a few years, for example, GSI's Davis says websites will offer a far greater range of products than their best stocked store does. Mothercare, for example, may stock 20 pushchairs in the store, but have 100 more available online. They can be ordered from the store and delivered to home – ensuring that a shopping trip can be fruitful every time.

The ultimate goal, then, is ultimate convenience, where every niggle and every hold-up is removed in order to make it as easy for the consumer to spend money as possible. It sounds a difficult challenge – but some are already well on their way. They've dreamt the impossible and are working to make it real. The trick is to make sure that you are finding and traveling in the direction that perfects your individual business. ■

# Talking about a revolution

**Multichannel shopkeepers looking to grow sales are rediscovering the art of conversation. Chloe Rigby finds out how retailers can engage with their customers, both on and offline.**

**TIME WAS**, and not very long ago, when we sat at home and listened as radio and TV ads told us what to buy and where to go to get it. Today the chances are that instead of passively absorbing advertising messages, active online research forms the basis of our buying decisions.

For by next summer the internet will overtake television as the most consumed form of media, according to a recent Microsoft report, *Europe Logs On*. The report predicts a social media revolution where the balance of power moves from the mass media to the media to a "user-generated social media landscape, where consumers dictate what they want to see hear or read about."

In other words, the future is about the individual. And it will be the retailers who find ways of treating their customers as individuals who will be the most successful in this brave new world. It's at once an enormous challenge and opportunity but for those who succeed in engaging their customers both on and offline, the audience is global and the reward enormous.

That means talking to consumers about their interests and passions, and working to earn their attention. It's about putting the personal back into customer service, whether a customer is in your shop, browsing your catalogue, or visiting your website – and the bottom line is financial. For, says Nigel Stephenson, marketing manager at multichannel retail consultancy K3, customers who buy through a number of channels spend more money, anything from eight to 14 times as much as someone who buys through one individual channel.

## GETTING TO KNOW YOUR CUSTOMER ONLINE

For all the whizz and flash that technology can add to the e-commerce experience, having a virtual shop is not so very far removed from having a real shop. At its best, says Malcolm Duckett, VP of marketing and operations at Speed Trap, buying online should be a lot like going to a corner shop, where the shopkeeper knows your name, knows what you bought last time and what you might like to try this time.

So if a website is to be like a real shopkeeper, its first job is to recognize and identify individual customers – whether there are hundreds, thousands or even millions of them. In the online world this task is automated. Speed Trap's software, for example, captures real-time data on individual customers and prospects. By assigning them a number, they can be recognised from the first time they come onto the website and a record kept of what they look at online. At first they will be just be a number, but as

they register and make purchases or sign up to email updates, the retailer can put a name to the online 'face'. And as the individual records accumulate, the technology can start to predict the customer's behaviour, allowing them to put products or special offers in front of

## MSHK Group – Ministry of Sound

From the Ministry of Sound club venue and recording studios in London, the MSHK Group has developed a global digital entertainment and dance music brand reaching out to 1.5 million unique users a month.



The company's website, [ministryofsound.com](http://ministryofsound.com), is at the heart of marketing and ecommerce activity for the MSHK brands, from Ministry of Sound to Hard2Beat. But MSHK also connects with customers through media from club nights and tours to studio sessions, e-commerce CD sales, to internet radio and TV broadcasts that are syndicated worldwide and iPhone applications. It's two-way communication – the radio audience contributes with emails and texts while CD-buyers answer surveys. Social networking is a key driver – the Ministry of Sound's Facebook page gets thousands of new sign-ups a week, while use of MySpace and Bebo is tailored to each brand.

Six weeks after its e-commerce provider collapsed, the [ministryofsound.com](http://ministryofsound.com) website was relaunched by an inhouse team of four as an e-commerce, brand promotion and marketing tool. A backend data warehousing and eCRM system, developed in house, tracks and profiles customer preferences and cross-sells relevant music, events, merchandise and licensed products from across its brand portfolio. "We are starting to build a picture of who buys us, where they buy and what else they buy," says head of internet Rudy Tambala. "At the moment, 0.2 per cent of our own market base buys directly from us. We now want to have about 1.5 per cent of our own market – it's a massive increase and it is quite easily achievable. It may not seem like important numbers but it makes an important difference to the business because the margins are so much better for us."





them that they know from their experience of the customer will appeal.

"If you can understand what the customer is trying to achieve and respond with something sensible, your chances of making a sale are vastly higher," says Duckett.

**OFFERING PERSONAL SERVICE**

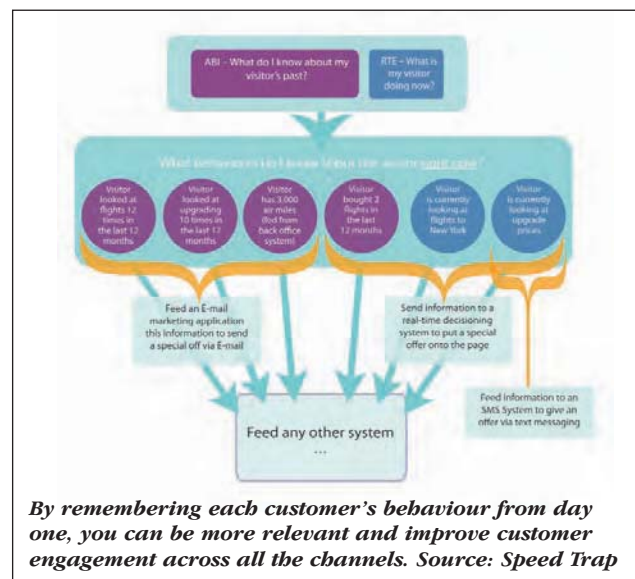
Personal service goes beyond making the sale. It's about building a relationship for the long-term, and encouraging repeat business. For multichannel retailers, this can happen through a variety of methods, from dealing with complaints in a call centre to email follow-ups to make sure the customer experience was a good one. The latest results from *Internet Retailing's* Inspiration Index confirms that retailers who can deal with a wide range of customer issues and impress even those customers who have a complaint are winning them back for future transactions. Multichannel retailers Apple and John Lewis both won praise for the way their customer service teams "turned problems into opportunities for delight" by offering customers help that went beyond the confines of the written rules.

Canny retailers are now taking advantage of the opportunities that the online channel offers to improve customer service while reducing costs. For example, multichannel strategist eGain is working with Argos to reduce the cost of engineer call outs by creating a troubleshooting resource available both to call centre agents and customers online. eGain, whose clients also include Net-a-Porter and the Arcadia group, says such strategies can save money that can be redirected to offer excellent service to recognised selected groups of customers. For example, contact centre agents monitoring the website might see where high-value customers are having trouble making a purchase and open a dialogue box in the customer's screen to give advice in a one-to-one chat session. Another option is cobrowsing, where a

contact centre agent shares control of the computer screen to lead the customer through the transaction, though confidential information such as credit card details would stay hidden from the agent. But equally, the information sources that lie behind these interactions can be used to provide automated advice delivered through a virtual assistant or avatar.

**LISTENING AS WELL AS TALKING**

Innovative retailers are now starting to take the next logical step by initiating direct conversations with the customer through social media. Luke Regan, head of social media at digital marketing agency Latitude, points to T-shirt company Threadless which talks to its customers through MySpace and Twitter, and asks customers to vote for the designs that it makes, thus ensuring a pipeline of interest and advance orders for its latest offering.



***By remembering each customer's behaviour from day one, you can be more relevant and improve customer engagement across all the channels. Source: Speed Trap***



# think<sub>3</sub>ing

outside the shop?

“Online sales have grown 19%  
since last year” IMRG, April 2009

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Using social media may seem daunting, but, says Regan, it's just another form of communication. Its real life equivalent might be a conversation in the pub, or a call to customer service. But social media tools allow retailers and brands to harness the power of those interactions. Twitter, for example, could be a sales promotion tool, delivering messages on the latest discounts, while by monitoring specialist forums, companies can find out what the issues are with their products – and can then respond.

Regan says: "I think it will become routine that if you post a message on a forum or on Twitter, it become an expectation that your company will have a service to answer that.

"It will become more commonplace. If you don't respond it will become increasingly as if you don't care about your customers."

### MEASURING THE EFFECT

So once you've invested in talking to your customers, how do you measure the effect you are having? Technology means that everything can be counted and analysed – from the fluctuations of site traffic to the number of comments on a corporate blog post. Webtrends is one of a number of companies that has developed user-friendly analysis tools. At-a-glance dashboard displays analyse website activity against key performance indicators, and marketers can use the system to see what effect individual campaigns are having.

Webtrends' Colette Wade, director of marketing for EMEA and Australasia, says most consumers will use a variety of channels when they are making a purchase – and it's important for marketers to know how that sale happened in order to understand the customer's behaviour. Retailers might ask a customer, as they make an online purchase, whether they've been to their high street shop recently, for example. By measuring where sales take place, marketers can then look to influence the place where the sale takes place. That might be, says Ward, by emailing to offer a discount in store. Other options include web-only offers or discount voucher codes.

### LESSONS FOR THE HIGH STREET

But the key challenge now, is not so much to track the role the store has played in the online sale, but to develop better ways of including other channels in instore sales. For while retailers can have a very detailed picture of who their customers are online and through call centre interactions, they have relatively little idea who their customers are when it comes to the high street shop.

That person walking in the door could be a long-term customer – or a first-time visitor. But getting to know them is as vital instore as online. So how do you do it?

K3's Stephenson points to some very practical point-of-sale methods, from having a loyalty card to be swiped or asking if the customer receives the catalogue and looking up their postcode and details to add the record of the instore purchase to the multichannel customer record. This is a challenge, he says, that is peculiar to the bricks and mortar retailer: after all customers expect to give up their identity online, in order to make a purchase, while call centres immediately identify individuals by asking for their postcode or account number.

## The art of conversation: what the experts say

### Getting to know your online customer

"In lots of ways people think about the online space as being impersonal and anonymous, but it has the possibility to be more personal, more so than a supermarket."

*Malcolm Duckett, VP, marketing and operations, Speed Trap.*



### Putting the personal into customer service

"If you go into any one of the retailer's physical sites, regardless of who you are you can talk to a physical representative of the retailer and have any question answered. You can put that information on the website at no extra cost."

*Ian Rawlings, eGain's Northern European sales manager*

### Listening as well as talking

"You can see social media as a threat or an opportunity – and the difference between the two is understanding there is no hiding place really in the connected world we are in now. If you have that idea of excellent customer service and product then there is no downside to social media."

*Luke Regan, head of social media, Latitude*



### Lessons for the high street

"People are still invisible until they convert. Online you give up your anonymity for something; you're telling the retailer who you are and that allows them to engage you in a conversation. That is when the relationship really begins. It's all about understanding who you are and what the retailer can do for you."

*Colette Wade, Webtrends director of marketing, EMEA and Australasia*

### Joining up the channels

"The challenge for retailers is very much about how we join up those different channels and provide a coherent single experience of your brand. If you make it convenient for the customer to buy in the way that suits them when they want to buy from you, it is remarkable to see how much the average spend will go up."

*Nigel Stephenson, marketing manager, K3*



## CHALLENGES FOR THE FUTURE

Getting to know your customer is key to building a long-term fruitful relationship with them. But where will the limits be?

While there's great potential for the growth of social media, it seems that the issue of identity is one we'll have to get to grips with. One growing area is in online forums. But here, most users have developed separate identities from the 'real' identity that has a credit card number and makes payments. Will those two identities converge in time? Will individuals be willing to forgo their online privacy in their relationship with retailers in order to get discounts or loyalty points?

The answer is not yet clear – but if the changes that we've already seen are anything to go by, there could be plenty of surprises ahead. ■

# *The future of retail*

**OVER THE LAST** 10 years internet retailing has moved from a novelty to an accepted reality. Today the ability to sell and buy online is taken for granted by millions. But it's not quite worked out as expected. When the web was in its infancy it was thought – or feared – that the future of shopping was online, damaging the business of high street stores in the process. Bricks and mortar retailers were slower than consumers to accept the inevitability of e-commerce – and still there are examples of high street stores that haven't caught up. Some don't have e-commerce at all, while others almost put their virtual and real world stores in competition.

But what has actually emerged is a model in which the multichannel retailer is in a far stronger position than might have been imagined. For while consumers' behaviour has changed, it hasn't changed as dramatically as some predicted. People still want to see and try clothes, shoes and many other items before they buy them. It's also often important for them to get hold of their goods as quickly as possible after buying them.

Maybe that's because how lives are lived hasn't changed dramatically over the last decade either. Most of us still work from an office – so home delivery doesn't suit everyone. And our lives are every bit as busy as they were – so many of us remain last minute buyers, needing to have things in our hands on the day we buy them. That's why the high street remains invaluable.

At the beginning, high street retailers may have hoped that the web would turn out to be just another store. That hasn't proved the case – for it is in fact a whole alternative way of shopping. But many multichannel models remain trapped in that 'just another store' idea. That's to undersell the potential of the multichannel retail offer – for 'just

another store' would serve just another small geographical catchment area.

Instead, the web has the capability of bringing an international audience to those that use it intelligently. The impact of the internet on all shopping channels has been much more extensive than expected. But it's also emerged that the high street shop is as vital as ever it was. Its role, however, is changing. It seems likely that in future the most successful retailers will be those who can offer shoppers service on their own terms. And as the many experts we've spoken to in the course of our research for this supplement have told us: convenience and choice are key.

Now seems a good time to recognize the natural advantage that high street stores have in the modern shopping universe.

And what better time to do that than in the depths of recession – when innovation and reinvention are the allies of resourceful retailers looking to map out their futures in harmony with changing public demand.

This supplement is the first in an irregular series of supplements. Each will have a similar structure exploring the elements of web interface, merchandising, in-store experience, logistics, strategy planning, and customer engagement. The second supplement will deal with the challenges and opportunities of doing business in Europe. We're open to ideas and would welcome your suggestions for future themes at [editor@internetretailing.net](mailto:editor@internetretailing.net).

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The screenshot shows a payment page for 'Value Wines' with a total of \$79.99. A dropdown menu is open, showing various currencies and their corresponding values. The currencies listed are: DKK - Danish Krone (€482.78), EUR - Euro (€64.80), SEK - Swedish Krona (€548.12), NOK - Norwegian Krone (€43.49), GBP - British Pound Sterling (€659.26), ZAR - South African Rand (€599.00), CHF - Swiss Franc (€103.92), and USD - US Dollar (\$79.99). The page also includes a 'Finalize Payment' section with a 'Complete My Order' button.

Illustrates dynamic currency option

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# Analyse

Do you know how many of your customers abandon their shopping carts without making a purchase? Or why? Google Analytics is a free, web analytics tool that provides in depth reporting and insight into your website performance and online marketing activities.

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Once you've analysed which pages of your website need adjustment, try out Google's free testing platform, Website Optimiser. Experiment with variations of content - images, text or page layout - to find what drives the most sales for your business.

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