Internet Retailing

Selling in the digital age

VOLUME 6 | ISSUE 4 | MAY 2012

HOUSE OF FRASER:

Second mover advantage

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MULTI-CHANNE

EDITOR'S COMMENT

It seems as if everyone in the retail industry has an opinion on mobile and over the past couple of months have wanted to share it: from the packed conference rooms at the Internet Retailing Expo in March through to this month's cover interviewee Andy Harding of House of Fraser. Mobile impacts on every area of retail and is heading towards being the glue that holds all of the retail channels together.

For this issue, a number of experts and industry commentators, including Paul Skeldon, editor of Internet Retailing's online sister publication M-Retailing.net, investigate best practice use of mobile in the retail sector and try to answer the question of how do you develop a 5-year plan for a platform that's evolving faster than ecommerce?

Mark Adams from Portaltech Reply looks at the issue of future proofing mobile strategy, I look at some of the pros, cons and integration issues around mobile marketing, Phillip Clement of bemoko shares his thoughts on designing for mobile and tablets while Nishant Thusoo and Sony Sebastian of Infosys take a look at mobile payments and integration. Paul Skeldon concludes the issue as he unravels the expanding mobile payments markets and looks behind the facts of figures of the mobile industry.

Wherever you are on your mobile journey, there's plenty to keep the interest, innovation and goalposts moving over the next year and beyond. While Internet Retailing returns to the wider focus of customer-centricity and multichannel retailing in the next couple of issues, keep up to date with Paul and all thing mobile at M-retailing.net.

Emma Herrod
Editor

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TOPPING THE SEARCHES

Ebay, Amazon, Argos and Next were the most searched-for retailers in the UK in 2011, according to a new top 10 from Experian Hitwise.

The list of most searched-for brands in 2011 puts eBay in third place, Amazon UK in fourth, Argos in fifth, with Next bringing up the rear in tenth place.

But ahead of them all comes Facebook, in first place, followed by YouTube in second. Facebook was not only the most searched for branded term, says Experian, but the most searched for overall. It appeared three times on the overall top ten list, with 'facebook', 'facebook login' and 'fb'.

James Murray, Marketing Research Analyst at Experian Hitwise, said: "Search engines are the primary portal people use to get to where they want to go online. The place people want to go most online is Facebook.

"Around 2% of all UK searches online are for the term 'facebook' which contribute to the website receiving over a billion visits a month from British internet users alone. Understanding the way people use search engines is crucial for marketers if they want to adapt their digital strategies to the fast moving and constantly evolving online landscape."

Chloe Rigby, Editor of InternetRetailing.net comments: "There's been recent debate about whether Facebook commerce works, but this is a salutary reminder that retailers – especially those that aren't on this list – do well to at the very least factor social media into their strategy. Even more importantly, having set up a social media presence, it's also crucial to maintain it."

MOST SEARCHED FOR BRANDED TERMS 2011	
1	Facebook
2	YouTube
3	eBay
4	Amazon
5	Argos
6	BBC
7	Google
8	Hotmail
9	Daily Mail
10	Next

Source: Experian Hitwise

HRG PLEDGES MULTICHANNEL INVESTMENT

Argos-owner the Home Retail Group has pledged to continue to invest in multichannel despite falling sales and plummeting profits. The company reported a 5% slide in sales to £5.58bn during the 53 weeks to 3 March, and said pre-tax profits were down by 60% to £104.1m, from £265.2m last year.

Terry Duddy, Chief Executive of Home Retail Group, said: "While we remain cautious about the consumer outlook over the short term, we are well positioned operationally and we will continue to prioritise investment in our leading multichannel capabilities to shape the future of shopping for our customers, ensuring we bring unrivalled convenience and value to customers' everyday lives, whether shopping at home or on the move."

Argos remains the second largest internet retailer in the UK, with more than 430m site visits over the last year. Sales worth £1.9bn – equivalent to 48% of total Argos sales – now involve the internet, and Check and Reserve is the company's fastest growing channel.

Argos' mobile shopping grew three times to 6% of total sales by the end of the year, reported the Home Retail Group. At the same time its sister company Homebase reported multichannel sales of 4% of its total £1.5bn sales.

A 6% decline in Argos' sales, to £3.9bn, was put down to the falling consumer electronics market, which accounted for around 80% of the reduction in sales.

Duddy said Home Retail Group had been at the forefront of technological advance – that reflected "a fundamental shift in the way consumers shop," and would continue to maintain that position. "We will prioritise future investment into these multichannel capabilities to satisfy customers in whichever way they wish to interact and shop with us, including the convenience of immediate product collection via our store networks," he said.

In the short-term that will mean new applications for tablet devices and work to refresh its website ahead of the Christmas season.

But Duddy said that while stores remained "a critical part of the multichannel offer," the company would be able to "manage proactively the size of its store estate," where around 300 store lease renewals or break clauses will come into effect over the next five years, of which some 230 are for Argos stores.

JD SPORTS LOOKS TO MULTICHANNEL FUTURE

JD Sports Fashion invested "significantly" in multichannel services over the last year, as it looks to develop its expanding business for the future.

The retailer, which in January bought outdoor leisure equipment retailer Blacks out of administration for £20m, announced sales growth of 19.9% to £1.06bn compared to the previous year to 28 January. Pre-tax profits before exceptionals were £75.96m, down by 6.9% despite a £2.2m loss from the Blacks business. However, exceptional costs of £9.7m, which included the £3.5m cost of redundancies and restructuring in the Blacks business, pulled down bottom-line pre-tax profits to £67.4m, down by 14.2% on last year.

As well as buying Blacks, the company bought Champion Sports of Ireland and Sprinter of Spain, while opening new JD Sports stores in France and Spain. Executive Chairman Peter Cowgill said that following the Blacks acquisition the group was now a retailer of sports, fashion and outdoor products, with a distribution business operating alongside. "During the period, we have invested significantly in brands, businesses, multichannel and other infrastructure to strengthen the platform for future development of the group," he said.

JD Sports also runs Getthelabel.com which was still loss-making to £1.5m after two years of trading, although sales were up by 58% during the year. "This is not unusual in this phase of the development of a young multichannel business," said JD Sports. "However, we anticipate further significant growth this year and would anticipate that the losses in the online business will at least be substantially reduced."

COMET SIGNS DELIVERY DEAL

Comet has outsourced its multichannel logistics provision to Norbert Dentressangle in a five-year deal worth around £100m. Norbert Dentressangle will manage the UK warehousing and distributions for the electricals retailer, which operates 241 stores alongside a website offering both home delivery and click and collect services.

To service them, the company will run Comet's Skelmersdale and Harlow regional delivery centres as well as two further outbases in Scotland and the South West. It will also look after Comet's collection service. More than 400 people currently work in the company's warehousing and transport operations.

Simon Rigby, Comet's Supply Chain Director, said: "We are very much looking forward to working with Norbert Dentressangle, who we recognise as a strong partner, being able to support us not only with our day to day operations but also with their overall strategic thinking and planning processes."

The deal follows Comet's recent acquisition, in February 2012, by Opcapita.

TESCO RAISES UK GAME

Tesco is planning "significant improvements" to its dotcom businesses as part of £1bn plans announced to "raise its game" in the UK.

The supermarket is to invest around £150m into its online operations in the current financial year as it looks to reverse a fall in UK sales. Its full-year results showed a 0.9% fall in like-for-like UK sales, excluding petrol and VAT. Total UK sales were up by 6.2% at £47.3bn thanks to new store openings but trading profit was down by 1% at £2.5bn.

The company plans to take on 8,000 store staff as part of its plans for improvement. Online, Tesco has recently launched a new Tesco Direct web platform that it says has improved functionality, is easier to use and features double the number of products, at more than 75,000.

Almost all its UK online businesses will move to the new platform in the near future, while there will be further platform upgrades and expansion of the product range. The first of Tesco's marketplace vendors is now selling through the platform.

Multichannel services such as Click & Collect are also being expanded, with the addition of 700 new collection points, adding to the 770 points now on offer. Grocery Click & Collect services are now in 45 stores, while joint grocery and general merchandising collection points are currently being trialled. A fourth dotcom-only store has been opened in Enfield, and online grocery ordering has been introduced to the Czech Republic and will soon be extended to Poland.

FIRST PROFIT FOR FIGLEAVES

Online lingerie brand Figleaves has made its first profit in its 13-year history, its owners the N Brown Group has reported. Figleaves' own-brand sales rose by 20% while costs were "radically pruned" to bring in the first ever profit for the brand, which N Brown Group bought in June 2010.

The home shopping company, which owns a range of fashion, homewares and gifts brands including Simply Be, Jacomo and JD Williams, also said that ecommerce had grown over the year to 3 March to become its biggest sales channel. Online sales rose by 16% to £377m during the year and now make up more than 50% of all sales.

But while online sales are growing strongly the company has also continued experimenting with multichannel, opening more stores for its Simply Be brand. Last autumn the first Simply Be stores opened in Liverpool and Bury and by the end of the financial year had turned over £0.7m. N Brown Group said it was evaluating sales to customers living in the postcode areas influenced by the stores, and that early indications showed "an uplift in the level of online purchases in the catchment area." The company has opened four new Simply Be stores in the last month and will open another in September.

But as online and high street sales grow, sales over the telephone are falling, with telephone orders down by 17% over the year and telephone enquiries and payment calls both down by 21%. Instead, said N Brown Group, customers are buying online through its redesigned My Account facility.

In the year to March 3 N Brown Group group revenue rose by 4.8% to £753.2m and pre-tax profits rose by 2.5% to £96.9m.

Highlights also included a 17% rise in sales at High & Mighty, which the group bought out of administration in 2009. Following changes that have included a move to Manchester, replatforming the website, store moves, refurbishments and openings, sales rose to £8.8m, with like-for-like sales up by 7%. Losses fell to £0.2m from £0.8m last time and the company anticipates the operation will move into profit in the current financial year.

The Group announced that it would be expanding its international activities. During the year, Simply Be's US sales rose by 500% to £4.8m, although N Brown Group said sales in Germany had been held back by a "too high" product returns rate that stood at 60% by the end of the year.

IF THE DRESS FITS...

There's nothing closer to the customer than her clothes, nor more important than that she feels wonderful and stylish while wearing them. As we move from the 'presentational' phase of the web (showing things with a "Buy" button next to them) to a customer-centric, lifecycle view, Ian Jindal adjusts his jacket and considers the question of a Fit Passport.

SOME PEOPLE have perfect bodies, upon whom a dishcloth would be fit for Paris Fashion Week and all off-the-shelf clothes fit perfectly each time. Meanwhile, on planet earth, we all have bumps, lumps, variations and exceptional assets that are different to the norm. Finding clothes that "fit" is a perpetual balance between mass production (a sufficiently-acceptable, margin-effective sizing approach), knowing our own bodies and brand fit - lubricated with trial and error.

It was once axiomatic that clothes could not be sold online since they needed to be tried on. Customers - as ASOS can attest - aren't that interested in axioms. However, the purchasing approach is to stick to known brands (defying our recommendations to move or expand the brand portfolio); order several and return later, wrecking our margins; or use the store as a changing room and the web for delivery.

We've tried to improve the presentation of fit by using on-model photography along with videos to show the drape and movement of clothing. We've realised that seeing clothes on gamine teen waifs can alienate many customers and so now remove heads or choose models who resonate with the customer. Good steps, but we still see that the main comments in customer feedback and reviews concern fit. "I ordered a 10 but it's very tight - buy a size larger than usual" is a normal comment. The addition of exhaustive and exhausting sizing guides, model measurements, body-shape apple-and-pears charts have all been tried, but somehow fall flat in practice.

I recently contributed to The Founders' Forum Retail Innovation event, suggesting interesting new technology companies in ecommerce, and this gave me an opportunity to reflect on the number of companies focusing upon fit. There's Fits.me with the robot mannequins to preview body-shape permutations for each garment (featured in IR two years ago); Schway, that takes 'flat' photography and wraps onto a body avatar to create outfits; http://dressipi.com that has a mapping between your measurements and the real measurements of some 500+ brands, allowing you to predict what will fit; or browzwear.com, a b2b play for designers and retailers matching pattern-making and production with 3D modelling. There are no doubt many more, but all seem to have their business case rooted in increasing conversion (with size-certainty) and reducing returns.

At present the solutions, save Dressipi, are all on the brand or retailer's site. The customer enters valuable data (the exact shape of their body and their fit preferences - gold dust!). We then use for a while and ignore. The customer will soon tire of re-entering the data.

Is it not time for a "Fit Passport" - conceptually a 'digital wallet' of one's measurements? These could be entered once (either on a retailer's site or on the wallet site) and then whenever you visit an apparel site the Fit Passport can be read and the most appropriate clothes presented. Furthermore, valid brand clusters can be suggested based on fit rather than upon marketing budget and aspirations... Long arms? These brands will be great for tops. Taller than average for your size? These brands' dresses will make you glide on air. Love one particular cut and jean model? This Japanese brand's cut will flatter and amaze.

Of course, each retailer will know some of this. Correlating purchases with returns, browse history with purchase and ratings, and comparison with instore behaviour can all be done and used for merchandising purposes. However, that view is simply from one's own experience. Each retailer and brand will want that information and sharing the data may not be top of the priority list.

It's time for a customer-centred, portable and highly-correlated system to emerge - a new FitXML or passport - that puts confidence and information in the hands of the customer. While retailers may lose some of the lock-in from custom systems, the benefit is that we'll no longer be warehouses on the web, content to deliver products to be tried on and returned. We can be retailers, with a focus on delight, suggestion and discovery for our customers: helping them look and feel wonderful, while increasing our margins.

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HOUSE OF FRASER:

SECOND MOVER ADVANTAGE

House of Fraser was late to ecommerce and multichannel retailing, not launching a transactional website until 2007. So it's perhaps no surprise that the company is behind the curve when it comes to mobile and has only just launched its first transactional iPhone app. Emma Herrod talks to Andy Harding, Director of Ecommerce at House of Fraser, about the retailer's strategy and the advantage of being a second mover.

ECOMMERCE provides a big opportunity for department stores such as House of Fraser (HoF) which do not operate on every high street, since it opens up their reach enormously. Multichannel services are attracting extra customers to HoF who would not otherwise have purchased from one of its 60 stores, and it is now using mobile to glue the whole experience together.

The biggest impact of ecommerce on HoF and department stores in general is the opportunity for growth. "We are attracting different sorts of customers and gaining greater reach internationally," says Andy Harding, HoF's Director of Ecommerce. Ecommerce is extending brand awareness because "we can reach more people and communicate our premium message with them".

Because HoF has come late to the game, many of its customers are already happy with shopping online; the downside, of course, is that during the time it remained offline, other retailers were acquiring market share. "There's no doubt that retailers such as Tesco and Amazon pose a risk since some products such as a Kenwood toaster are ubiquitous and customers will buy on price," Harding says.

HoF's USP is its range and brand proposition: it stocks 1,200 brands mainly from the premium fashion labels. Harding explains: "Customers can buy the same dress online directly from the brand, from John Lewis or another shop in the

high street, but they can't buy the premium belt to go with it at the same time from another brand that the ranges at HoF enable."

He adds: "We major on fashion. Customers are brand loyal but not just to one brand. We provide the opportunity to share the shopping basket with customer's three or four favoured brands." This joint branding is how the company promotes itself. "We do search marketing, email, affiliate, PR and so on, but also joint promotion – such as Radley at House of Fraser – that raises awareness of us and the brand."

IPHONE APP

Not launching a fully transactional iPhone app until March 2012 has meant that the company has learnt from others and been able to deliver a best practice experience. According to Harding, the new app, developed by No Need 4 Mirrors: "has smashed our expectations in terms of the number of downloads". He explains that HoF has not yet undertaken any real marketing: "We're still at phase one. We launched version one to get feedback, expecting to revise it and then market

FACT
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THE IPHONE APP

HoF's free iPhone app mirrors houseoffraser.co.uk, allowing customers to browse and shop the designer brands across all categories, including fashion, beauty, accessories, childrenswear and home. It has been designed as a purchasing tool for customers as well as a way to enhance the in-store experience. Customers can scan product barcodes in store, read product reviews and information, and check stock availability such as size and colour variations in their local shop.

They can also create gift lists and wish lists within the app and share them with friends, as well as checking-in on Facebook when visiting a store, locating a store and getting details about the latest news and offers with regular push notifications.

Furthermore, the app is linked to HoF's Recognition Reward Card programme, so customers can check their points and reward balance and collect points when making a purchase.

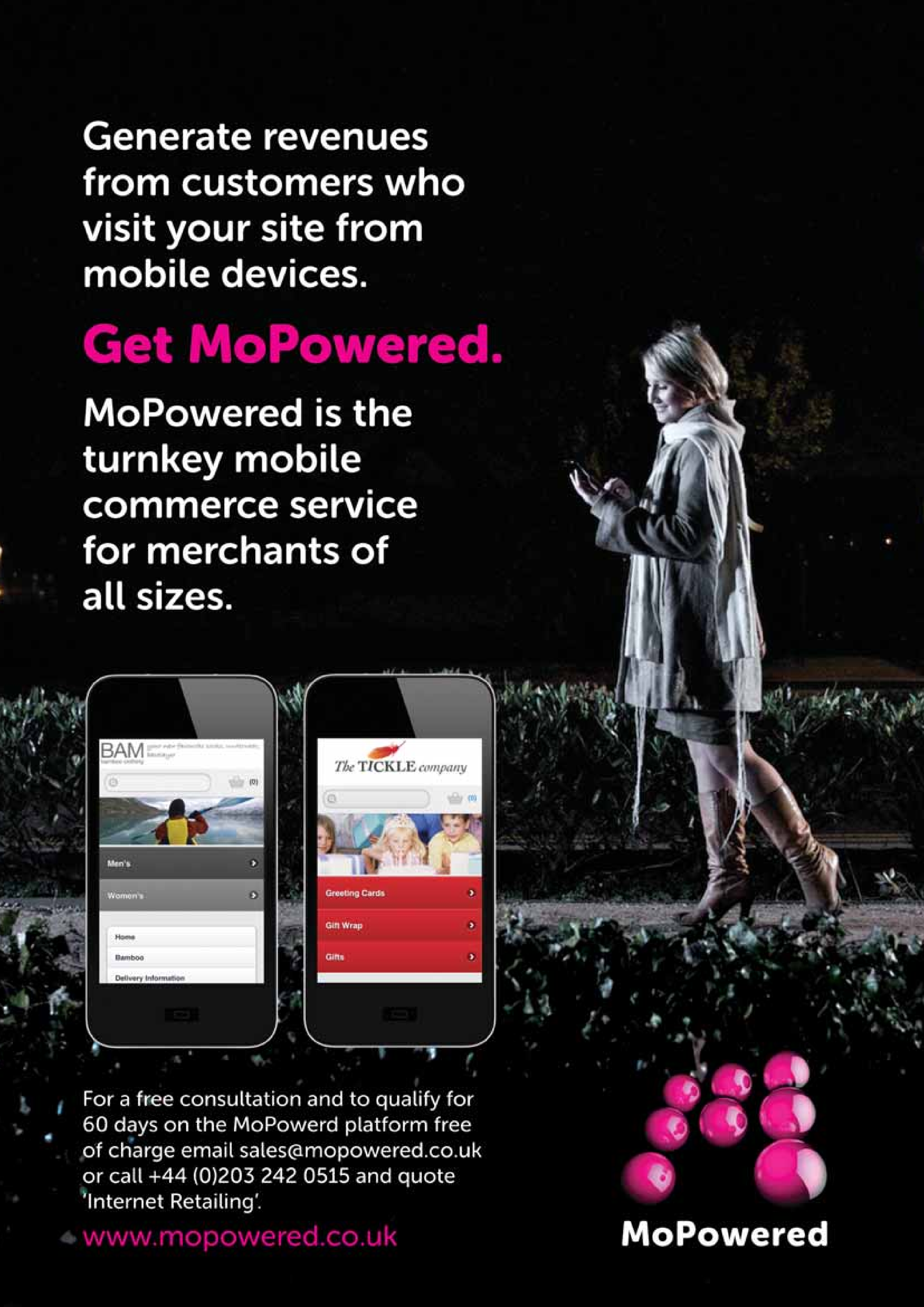
in phase two, which will be before the autumn/winter season."

He won't be drawn on the number of downloads – or sales it has generated – except to say that it's "many multiples of a few thousand", with downloads increasing after the app was featured by Apple. He adds: "Engagement is brilliant; customers are using it in store, scanning, checking colour, stock availability, and sales have been brilliant. It has been fantastically successful."

Phase two sounds like it consists of tweaks rather than a major overhaul and adding new services as customers and staff feed back their ideas. Harding says: "We want to continue to innovate, but it is a case of prioritising innovations as to their value to customers."

DOTCOM STORES

Another of HoF's USPs is its service differentiation. While other retailers offer click and collect and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variations on the same theme, the retailer innovated with the launch of its House of Fraser.com outlets at the end of 2011. The 1,500 sq ft stores in Aberdeen and Liverpool are stocked with touchscreens and terminals that enable customers to browse its website, view stock and purchase for later collection or delivery to their home. They also act as collection points for earlier online orders.

"Collection is a much easier delivery mechanism for customers," says Harding, explaining that 35% of online orders are now fulfilled in this way to all of its stores. In areas which are within a 10 mile radius of a store, the ratio of Buy & Collect orders is much higher. The retailer offers fulfilment to convenience stores and petrol stations via Collect+ as well.

Harding believes that the retail industry could see as much as 70% of online orders from multichannel retailers fulfilled via collection points in the future.

What has been particularly interesting for the retailer has been the number of customers who say they would not have shopped with HoF if it did not have the dotcom stores. "We were so surprised by the figures we ran the research twice," says Harding.

The dotcom stores have been "very successful. We know we have a really active online customer base in Aberdeen and Liverpool which is why those locations were chosen (HoF used to have a store in Aberdeen), and we know the addition of Buy & Collect services increase sales so we knew we could write a business case." He says it has also been interesting to see how brand awareness and online purchases have increased in the stores' localities.

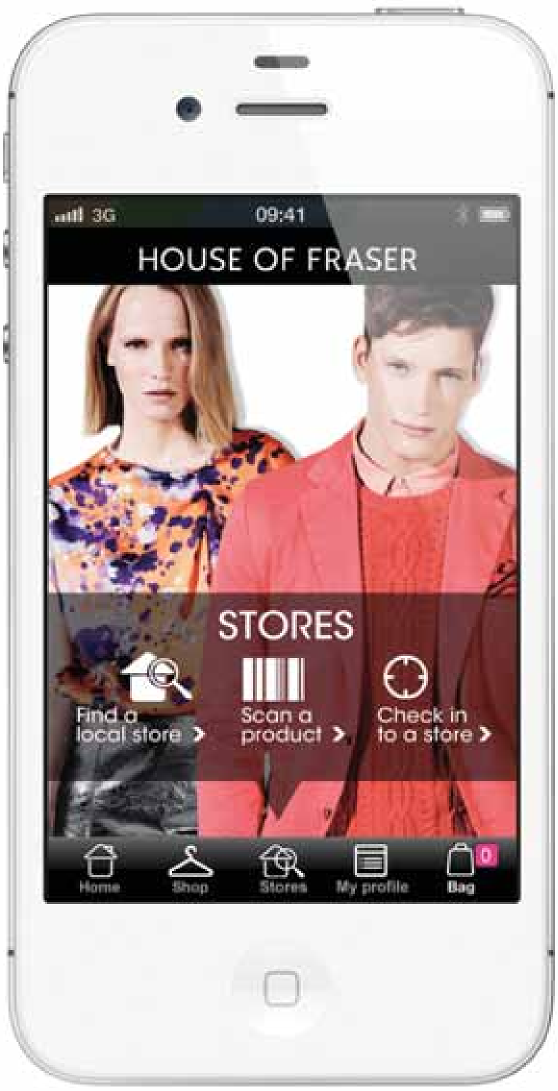
They have been so successful that Harding is already saying that new ones are on the cards; HoF will decide where and how to roll out further stores once the first two have been operating for

HOUSEOFFRASER.COM STORES

The first House of Fraser.com concept store opened in Aberdeen's prestigious Union Square in October 2011 and was soon followed by a further outlet in the Liverpool One shopping district.

At just 1,500 sq ft, these stores are much smaller than the usual HoF outlets and hold no merchandise. They focus on Buy & Collect and are stocked with iPads, computers and interactive screens via which shoppers can order products for delivery the following day, either to their home address or to the store for collection.

Personal customer service is key to the overall concept, with a complimentary coffee bar and comfortable seating providing a relaxed shopping environment. Inspired by the level of service given by hotel concierges, the stores offer a virtual personal shopping facility as well as traditional department store features such as wedding lists and beauty testers. Fitting rooms allow customers to try on items they've come in to collect before taking them home, thus speeding up the returns process.



a full year. In fact, if the right location comes up in the meantime, it may well open a store there.

As well as boosting sales, the dotcom stores have the further advantage of acting as permanent usability clinics, according to Harding: "You can see the customers using the site."

MULTICHANNEL METRICS

Being able to link customers across channels is one of the big challenges for all retailers. "This is where multichannel retailers – with service, CRM, insight and retail theatre – have the advantage over pureplays," says Harding. "About 90% of sales are still through stores and that's definitely moving. I'd be surprised if multichannel didn't account for 30-40% of HoF's sales in five years' time."

When it comes to measuring the impact on the business of ecommerce and multichannel services, House of Fraser uses a number of techniques.

One is the Customer Voice programme, which gathers data from store staff and customers. This includes extensive customer satisfaction measurements using ForeSee across retail, the call centre and soon, mobile.

"We also have one of the best loyalty schemes on the high street, and it's one of the key ways in which we measure customers as it ties the online and offline channels together. The app is now an enabler since it is linking online and offline with the Recognition Reward Card." Shoppers can also check-in in store via mobile.

THE FUTURE

Expect more innovations from HoF in the next few years, possibly in the area of connected TV, which Harding is particularly animated about. New mobile services, an expansion of dotcom stores and the continued cross-pollination of ideas between off- and online are all on the cards.

Tablets are already cannibalising sales that would have previously come from desktops in the home, and Harding believes that connected TV and dual interface browsing is the next big opportunity for retailers, enabling customers to buy on one device while viewing product on another.

THE FIGURES

Fast expansion in online sales at HoF has made the web its largest store. It reported growth of 107.1% in the first half of its financial year to 30 July 2011 with like-for-like sales up by 5.3% and gross profit rising by £4.4m to £94.9m.

HoF has focused on customer loyalty and service as it recognises such measures are especially important in the "current retail environment". It launched its Recognition Reward Card to reflect HoF's experience that "loyal members on average shop more often and spend more per visit than other customers". The loyalty scheme is now one of the retailer's key drivers of multichannel behaviour.

The company says it is also keeping tight control on costs. While they rose by £5.1m in the first half of the year, it says about £3m of this was down to increased volumes associated with its multichannel operations and house brands; sales of those house brands rose by 32% in the half year.

"We want to innovate, create retail theatre in the dotcom stores and roll that out to other stores," says Harding. He concludes by saying that HoF will "continue to strive to find ways to differentiate ourselves, innovate and encourage multichannel behaviour". IR concludes by saying watch this space – or put 9 October in your diary now for an update from Andy Harding at the Internet Retailing conference. ■

NEXT REVIEW

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

RETAIL STRATEGY

Emma Robertson, Director, Transform

As a UK high street retailer, Next is currently bucking many trends.

Firstly, although stores are suffering, the overall business continues to see strong YOY growth; with reported profits up by 5% in the last financial year. Admittedly, as with the rest of the market, the growth resides in multichannel, as online now accounts for 32% of group sales and 44% of operating profits. So even if Next had hoped for stronger financial results, many retailers would sell their (mannequin's) right arm to be posting these in the current economic climate.

Secondly, despite the industry wide trend to consolidate cross-channel operations, Next continues to operate in silos so well defined that many of them are listed as limited companies. Next PLC operates its store network, Next Retail, as a separate operation from its online business Next Directory, and both are supported by the supply chain business Next Distribution Ltd. The structure clearly seems to work, with common functions such as customer service supporting both cross-channel and international operations.

The distribution arm of the business manages over 88k store deliveries and 400m parcels for Next Directory per year, operating a fleet of 130 vehicles out of 13 key locations within the UK. The operation also supports international sales to the 50+ countries supported by Next Directory through www.nextdirect.com.

The sale of Ventura, the customer services management business within Next PLC, has not impacted the business's retail operations. First line support continues to be provided by Next UK's call centres in Leicestershire, and other services will still be provided by Ventura moving forward – and Next PLC now benefits from the £65m made from the sale to Capital.

As well as aligning the businesses operationally, Next has succeeded in joining up the customer's overall experience of the brand, leading first in 1993 with "One Brand; Two ways of Shopping", updating to three ways of shopping in 1999 with the launch of online. In the current age of mobile, tablets and connected TVs we can no doubt expect another update on the horizon, but in its 30th year of trading, the Next brand seems well placed to meet any challenges that may accompany this opportunity.

USABILITY

Jamie Sands, Usability Consultant, User Vision

First impressions of the homepage outline the extensive navigation, dividing content up into no less than 12 areas; 'About us' or 'Contact' links are relegated to the footer navigation. Next have also adopted mega-drop downs allowing the user to divide and conquer the site's content in any manner they choose. Content is split into general 'Shop the directory' categories, whilst also linking deeper into individual departments, and also Next's own 'Mini Shop' areas of interest.

One area that is not easy to find is the 'Offers' section – hidden at the end of the navigation in deep orange text, this is often a first port of call for browsers looking for a bargain, and subsequently often promoted on the homepage. The drop downs, while extensive do not link to an offers section, making this problematic to locate.

The site is vast, with numerous pages for each product type, making browsing very time consuming. However, for those who have a Next Directory, the website makes purchasing the products they have already found easy by offering a Quickshop where they can type in the product's reference code and size. Much easier than browsing the site to find the same product. However, its small size and poor prominence at the top of the page may make this hard to find for users who are unaware of this service.

The purchase process is generally as expected, apart from the pop-up windows that appear during registration. The design of these pop-ups makes them look like adverts that the user can dismiss, however the user cannot complete the registration form until the pop-up is closed, forcing them to locate the close button or complete the pop-up.

Users who view the bottom of the Next homepage will also notice their approach to global shopping. 49 countries are represented on the Next site, however access is not restricted by a dropdown or search facility; each country is represented by its own flag allowing direct access to each country site. This is a novel approach, takes up page real estate but may represent an interesting approach to worldwide selling and as it is at the foot of the page it does not interrupt the key user journey.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

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

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

All participants used the primary navigation to move off the homepage. Some users were frustrated with the mega-menu continuing to obscure the page if they clicked on 'Men' or 'Women' in the primary navigation; they soon learnt to move their mouse off-screen to release the menu.

Users that failed to notice the traditional categorisation of clothing in the mega-menu, struggled to find some of the items of clothing that they had in mind, due to unfamiliar segmentation/signposting used on the directory pages.

Once into the directory sections the editorial layout failed to impress unfamiliar Next users. They knew that Next had a large range but struggled to initially find the full range of clothes. Once participants started to use the 'Search by' part of the mega-menu, they relaxed and used the familiar layout of filters on the left.

Users commented that they liked how the product pages presented a full look as part of the main layout, not just in a page panel. They were instantly drawn to the photography and looked at the thumbnails. The photo zoom feature worked well, with participants naturally clicking on the photos for a larger view. Users complained about a perceived lack of product detail, which they felt would help them decide whether they would buy an item. Due to the structure of the product pages, some users commented that they hadn't been able to access any product details, only a summary.

Where available, users nearly always read the reviews, stating that they were looking for fitting information and anything else that would help with choosing a product. They became frustrated with user profile pop-up windows automatically appearing on mouse over as they scrolled the reviews.

Eye tracking heat map for Next.co.uk
Source: SimpleUsability

SITE PERFORMANCE

David Flower, VP EMEA, Compuware APM

Sales at Next Directory, Next's online and catalogue business – passed £1bn last year and the rate of increase was 16%, twice the previous year. Not surprisingly, therefore, Next.co.uk is a consistently good performer in Compuware Gomez's web performance benchmark. Its performance during the tests, which ran from 1 March through 3 April, was no exception. The home page of www.next.co.uk delivered a strong performance across most of the tests, delivering near-perfect performances on both availability and response time.

Of the 50 retailers included in Compuware's retail performance benchmark, Next.co.uk finished almost at the top of the table. It was pipped to the top spot by the almost unbeatable, Tesco, which is a regular winner in the Compuware benchmark. Next delivered an average homepage download speed of 1.84 seconds.

On the Last Mile, a more realistic view of the end-customer's experience, the Next website again performed very well, especially when compared to Marks & Spencer which likely had some technical issues or planned maintenance work. For comparison, Next's website recorded an average 3.062 seconds download versus Marks & Spencer which recorded an 11.9-seconds average download. In addition, the website cached effectively, so repeat customers would have had a very good experience. ■

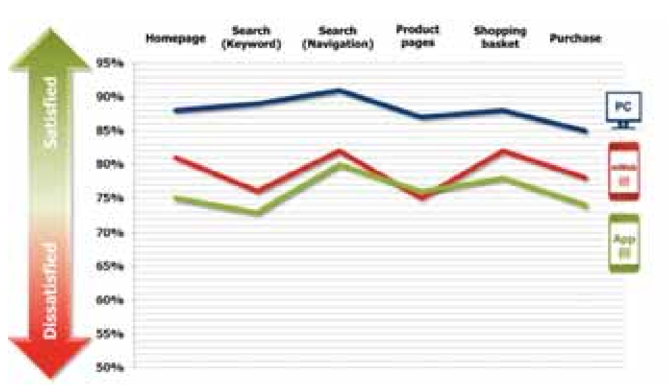
COMPUWARE GOMEZ SCORED NEXT 4.5 STARS OUT OF 5:

Availability from Last Mile peers: 23 out of 25
Response time from Last Mile peers: 24 out of 25
Consistency: 9 out of 15
Competitiveness: 14 out of 15
Browser Support: 20 out of 20
Total 90 out of 100

CROSS-CHANNEL STUDY

Pureplay retailers top the very first eChannel Benchmark study with overall better mobile experience, reports eDigitalResearch.

Mobile channels are underperforming in key areas



THE INCREASING consumer demand for mCommerce has been hard to miss. The growing number of retail apps and mobile optimised sites is changing forever the way in which we shop and browse.

Customers no longer just visit a high street store or browse through catalogues. Instead an increasing number of people are shopping from their mobile devices during their downtime – whether that's on the commute to work, lunch at a café or just waiting around. It's not one channel or the other anymore. Consumers are touching more platforms as they make an ultimate purchase decision – it's therefore imperative that all channels work together and are as engaging as possible.

Subsequently, eDigitalResearch, who have been tracking eRetail developments since the dawn of online retail, recently began benchmarking eChannel performance across their online, mobile and transactional app platforms.

eDigitalResearch asked eMysteryShoppers to evaluate the entire 'end-to-end' customer journey across all online and mobile channels of ten of the UK's top retailers. Surveyors looked at everything from their first impressions of the homepage all the way through to product pages, shopping basket and beyond. And the results are eye opening.

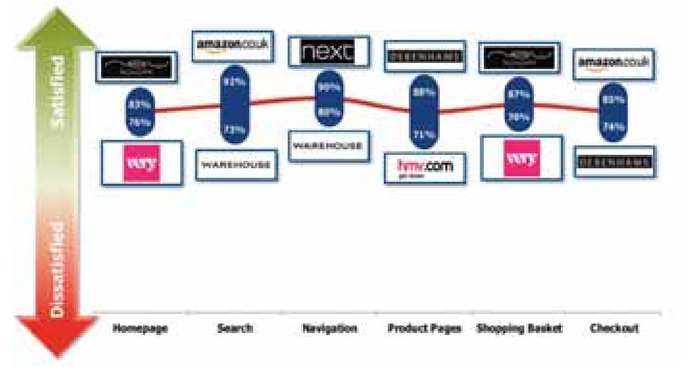
The eChannel Benchmark study found that retailers are failing to integrate channels and provide the same shopping experience across all touchpoints, with transactional apps performing worse than their mobile and online counterparts. Key levels of integration were found to be missing for bottom performing brands, despite industry experts time and time again highlighting its importance.

Pureplay giant Amazon topped the overall league table, providing best practice for a number of measures. Online fashion leader Asos came a close second with both beating the competition by a sizable margin. Both sites were found to have transplanted their market leading design, functionality and usability of their online stores onto the smaller screen. Amazon and Asos offer customers what they expect, even down to the same navigational order options so that customers feel a sense of familiarity and reassurance. The levels of consistency across all channels for both retailers means that customers can quickly and easily browse and buy no matter what platform they are using. At the other end of the scale, retailers who failed to score highly neglected to transform their entire online experience to a mobile, leaving surveyors frustrated and annoyed.

The results show that mobile channels are struggling particularly when it comes to more complex areas of the customer journey, such as keyword search and product pages. Keyword searches must be efficient and effective in order to get people to where they want to go, whilst product pages should be well designed and packed with snippets of information. Mobile users are more likely to come to a mobile optimised site with a product in mind and it's essential that they can find what they are looking for to make an informed purchase decision in a matter of seconds.

Amazon led the eChannel keyword search experience with a top score of 92%, having implemented the same features and technology

Best and worst practice across the eChannel customer journey



Echannel league table

#	Retailer	eChannel Score	Web	Mob	App
1	Amazon	86%	87%	87%	83%
2	ASOS	84%	86%	82%	85%
3	Next	81%	85%	83%	75%
4	Tesco	81%	85%	83%	75%
5	Asda	81%	86%	80%	76%
6	Debenhams	80%	80%	82%	79%
7	New Look	80%	80%	81%	78%
8	Very	79%	85%	80%	72%
9	HMV	77%	81%	75%	75%
10	Warehouse	76%	80%	73%	73%

across all channels. Results found that Amazon still used their very effective predictive keyword search features, filter options and automatic spellcheck technology on mobile channels, allowing customers to quickly and easily find the products they were looking for. Surveyors also liked the fact that across each and every touchpoint the search bar was in exactly the same position, meaning there was no hunting around in unfamiliar territory to find what they were after.

Although Debenhams didn't top the study, they did score highly in the product page area of the customer journey, applying features to the design and layout of the pages that clearly shows a solid understanding of their key customers.

In fashion, image is pivotal and therefore Debenhams fill the entire screen on their mobile optimised site with a large, clear image. If a mobile customer wants a product, they are likely to want to purchase it quickly and the clear layout of Debenhams' product pages enable customers to make a purchase decision instantly. eMysteryShopper surveyors liked the fact that they could also easy read customer reviews, a feature that Debenhams have decided to keep on their mobile product pages and allows customers to make an 'off-the-page' purchase decision.

Brands such as HMV, Asda and Tesco all scored poorly in this area. Whilst these brand's core product ranges sit in a completely different category to Debenhams, it is still vital to provide customers with a number of key features. One area that our surveyors particularly picked up on was, that whilst HMV products seemed to have star ratings voted by customers, they were unable to read individual reviews, an example of brands only implementing half of their website functionality and not providing the kind of experience that key customers have become used to.

The eChannel Benchmark's results highlight the range of mobile experiences that brands are currently offering customers, with most still unable to provide the online experience on a smaller screen. Yet again, integration is key and the difference that separates top retailers from the rest is the level of consistency shown across all channels. Retailers, such as Amazon and Asos, who in some areas literally ran away from the competition, often did so because they pulled across the online experience to their mobile sites and transactional mobile apps, making the entire experience quick, simple and easy.

To download the full eChannel Benchmark results, please complete the following short registration survey: http://bit.ly/wEBNVW ■

Amazon best practice

FUTURE PROOFING MOBILE

IR asked Mark Adams, Partner, Portaltech Reply, to share his thoughts on mobile, its ability to do so much for retailers and how once a strategy has been chosen whether it is possible to future proof it.

PERHAPS the question should be: is it possible to future proof a multi-channel strategy? Mobile today is so intertwined with a multichannel retailing proposition it's difficult to see how it can be addressed as a channel in its own right with its own well-defined strategic intent. Portaltech Reply sister company, Glue Reply, identifies this as "Proximity Commerce" a term which seeks to encapsulate where retail is heading and fit with how customers and technology are driving the agenda for retailers. Proximity Commerce is when the customer has full control of when and where they make their purchasing decision either at home, online, or on the go and whom they choose to involve. The retailer that enables this conversation will better understand their customers' needs and build long-term relationships. Thus a mobile strategy must sit within the wider multichannel strategy to ensure any kind of longevity.

In a new study conducted (April 2012) by Portaltech Reply on the role of mobile in multichannel purchasing we identified that nearly half of those surveyed owned a smartphone. Now with more mobile phones in circulation than people, mobile has become a key battleground for customer ownership in the 2010s. For the vast majority of retailers mobile encompasses product marketing, transactional selling, direct marketing through the mobile medium, the use of tablets and mobile devices supporting in-store operations and of course the very latest mobile function; payment.

Before identifying whether it's possible to future proof any strategy the critical questions that retailers need to address is, what are they trying to achieve in terms of customer awareness, acquisition, conversion and retention? These inputs to the strategy will define what the focus is initially and set out the strategy over the longer term. All too often this gets overlooked with a "me too" approach by launching a mobile website and/or app because a competitor has one. The key piece of advice I would offer is to set out clearly what you are trying to achieve, initially (first 6-12 months) and over the medium term (2-3 years). With the pace of innovation in the industry, technology landscape changes and customer behaviour evolution it is exceptionally difficult for organisations to have a long-term (5 years +) strategy. A good example of why this is not possible is mobile payments. Currently in its infancy, we don't really know where we will end up – will NFC become the method for taking mobile payments, will text payment transfer or some new, yet undefined technology storm in and take the market?

If your strategy, for example, is to use mobile to generate significant revenues the key considerations, technology choices and approach are going to be very different from setting out to use mobile as a brand engagement channel. The level of investment, business engagement and operational requirements, likewise will be different. Often the strategy is to accommodate selling, loyalty, brand engagement, in-store integration, social marketing, payments and so on with no clear path on how each of these areas are going to be addressed and at what point. What makes forward planning difficult are technology, business process and customer experience requirements not being aligned with the strategic intent. Without this alignment planning beyond six to twelve months can prove challenging.

So, you've identified what you are trying to achieve and have a roadmap for meeting those criteria over the short to medium term. You now need to understand the role technology, business process and customer experience plays in meeting this strategic intent.

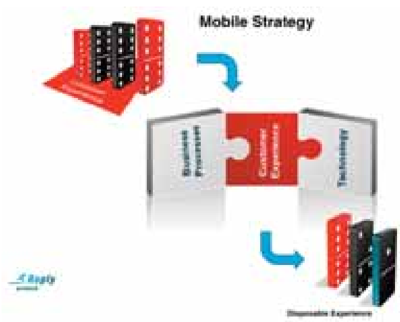
Based on your objectives the next step is to deliver either an app (or set of) or a mobile site for specific or multiple device types. There are a number of technology approaches to delivering these:

- A customised native application or mobile website i.e. developing a native smartphone application that talks to your existing ecommerce infrastructure.
- A mobile development framework such as jQuery mobile that relies on pre-existing web templates.
- A mobile platform that allows you to tightly integrate to your existing infrastructure but allows independent management of sites and apps specific to your requirements.
- A mobile solution from within your ecommerce platform to build sites / apps.

Note: Ecommerce platforms have been slow to introduce mobile functionality and often bespoke mobile development is required. Some ecommerce platforms have white label partner agreements with a mobile platform vendor although investment and risk is higher and retailers should be careful to only adopt this approach if the partner platform is a market leader i.e. vendors such as www.gaiareply.eu. Mobile platforms are highlighted as red for their higher initial investment rather than capability weakness or risk. A good example of an ecommerce platform that has a strong mobile proposition is hybris as they have developed a homogenous mobile solution managed from within the ecommerce content management system that can be used to manage product content and user experience for mobile sites and apps.

The second key element is business process and operations. By this I mean the maturity of services that are available from within the organisation. So, for example, can services be exposed for order management, customer management, payment and fulfilment? How modular is your business architecture? The more sophisticated the business processes and availability of services then the greater the flexibility. You will have to develop mobile solutions that are well integrated into your multichannel customer proposition. Critically this flexibility allows for your strategy to be implemented and adapted as the device types and front-end user interfaces change over time.

The third element is that of customer experience and as we have already identified we cannot future proof this over the long term. If we look at how ecommerce has changed in the last five years it is testament to the futility of even trying to attempt to plan that far ahead. We are just beginning to learn how customers prefer to use mobile devices (purchasing on mobile today is not significant whereas the role of mobile in the purchasing journey is) and customer demands are evolving and pushing the boundaries of what our technology infrastructure and business architecture can actually support. The user experience needs to be throw-away and not tightly coupled to the technology.



To summarise, it is possible to future proof your mobile strategy at least over the short to medium term providing you have set out what you are trying to achieve with a clear set of priorities. It is absolutely critical that mobile forms part of the multichannel strategy and does not stand-alone thereby ensuring strategic alignment to the wider business goals. The user interface design will constantly change and evolve as new device types, new applications and new customer engagement strategies are brought online – we should expect and plan for this. Technology and business processes must be dynamic and flexible enough to support a disposable UI since how you engage with customers via mobile today may not be how you engage tomorrow. One of the key issues with any strategy is the impact of significant business process and technology change during a given period. We are seeing today retailers adapting and changing their business models and the systems / technologies that support those operating models at an unprecedented rate. If the traditional business processes are out-dated, cumbersome and actually preventing an agile way or working these need to be remedied with a modular and more open business architecture that can support rapid technology implementation and a disposable customer experience. For success in mobile retailing this is fundamental.

INTEGRATING MOBILE INTO THE MARKETING MIX

This feature was going to look at the pros, cons and integration issues of different mobile marketing delivery methods, systems and technologies. However, it soon became obvious that mobile isn't that simple to classify. Emma Herrod investigates.

MOBILE is not a technology issue, it's a strategic one. Approaching it by location, social media, recommendation, search and couponing is indicative of how many retailers are struggling with mobile. "They are looking at it in terms of different technologies," says Phil Gault, Client Services Director, Sponge. This, he adds, is leading to mobile being used tactically rather strategically with mobile at the start of the decision-making process rather than at the end.

Retailers need to turn this on its head and first look at their business objectives and the degree to which their customers are engaged. They can then ask how the various mobile options fit that picture. Gault advises: "Think about what you want to achieve and mobile is one way of getting there."

There is no denying the persuasiveness of mobile as a marketing channel and its effectiveness when used as part of a multichannel marketing strategy. I won't repeat the facts and figures that are bandied around the retail and m-commerce industries: at the end of the day, mobile is just another tool.

German book retailer Weltbild, for example, included a QR code on print adverts on the underground. This linked interested travellers to a site from which they could download the first five minutes of a new audio book for free or buy the full version. Andreas Kopatz, Product Marketing Manager, Intershop, says mobile marketing "is not a one-way approach. It combines different channels." Consumers simply see one campaign and don't differentiate between TV, print, digital and so on, so retailers should use every channel, such as print adverts with QR codes and newspapers with vouchers. He adds: "The challenge today is that mobile is one touchpoint among many."

ADVERTISING/SEARCH

Advertising on mobile devices rocketed in 2011, to a new high of £203.2m, according to the annual IAB and PwC study of mobile advertising spend. Search clocked up the largest share of spend at 66%, with banner and text links at 29%.

This has largely been driven by the growth in the use of smartphones and consumer behaviour, explains Jon Mew, Director of Mobile and Operations, IAB. "Advertising is driving consumers direct to purchase," he says. This is backed up by a number of separate research studies. For example, an inMobi study found that almost half (42%) of consumers say that mobile advertising has introduced them to a new product or service.

But Mew advises caution: "Be very careful about what you do." Before thinking about mobile advertising, brands need to have a mobile-optimised destination to send people to. "They also need to think about mobile ad format."

Some 20% of mobile display adverts use rich media such as video or functionality that's not available on other media such as the accelerometer or touch screen. But this may be because the majority of ad spend comes from the entertainment and media sector which, says Mew, "has always been ahead of the curve".

Not all mobile devices are the same when it comes to search. People have a different mindset when they are on the move, at home or in the high street; what someone is searching for on their smartphone will not be the same as on their tablet.

"Tablets are closer to desktops," says Sri Sharma, MD, NetMedia Planet. Which is why retailers need to understand how their customers behave, the effect location has on them and then test what messaging and which products work. He adds: "By using ad copy specific to mobile devices, and excluding its own customers, O2 Ireland increased click-through rates by 35% and ROI by 15%."

LOCATION

Mobile also has the power to boost offline sales. Mark Haviland, MD, affiliate network Rakuten LinkShare UK, says: "What we have noticed at Rakuten LinkShare across some of our more innovative mobile campaigns is that the increase in mobile usage and mobile marketing is not just driving web and mobile traffic, it is affecting the whole consumer buying cycle."

The White Company was one of the first brands to run a mobile-to-offline trial campaign on the O2 Priority Moments mobile app. It worked with O2more.co.uk to promote its best offers to the network's customers. "The campaign allowed O2 consumers to redeem a 20%-off voucher in-store at five of The White Company's stores directly from their mobile," explains Haviland. "The campaign was targeted to the O2 user's actual location and all sales in-store were reported back to the Rakuten LinkShare network. This sort of data gives us a valuable insight into consumers' behaviour, which is even more critical as mobile is still a relatively new channel."

Location services have the advantage of being a marketing channel for consumers who are already engaged with the brand, since they have to opt in to enable a service or site to use their location.

One business which is piggy-backing to engage with customers with whom it may not have had direct contact previously is Manchester Airport Group. In the past, it would not have any contact with the majority of travellers passing through its doors unless they had booked car parking or lounge services. Flyers that opt in to a flight update service when they book their tickets can now be identified and communicated with when they come within a certain distance of the airport. They can also be sent offers such as discounted services, retail vouchers or QR codes for entry at car park barriers, thus enabling the airport to build a relationship with them.

SOCIAL & RECOMMMENDATION

According to its pre-IPO filing, Facebook now has more than 400 million users accessing its service on mobile devices, up from 70 million three years

ago. These figures confirm that it is now the dominant social networking ecosystem on the move as well as on the desktop. Mobile is also a big growth area for Facebook likes with the ratio of 'likes' from mobile devices expected to reach 60% by the end of 2012.

Samsung Mobile has already used a mobile Facebook campaign to engage and incentivise fans. It was launched at the end of December last year to reward and thank Samsung's Facebook fans when it hit the one million fan milestone. The company ran a sweepstake on the platform with products such as phones and gift cards as prizes. The campaign had a strong impact on Samsung's Facebook following: it clocked up two million fans by mid-February and now has almost three and a half million.

Richard Anson, CEO of Reevoo, comments: "You need to offer the best option for each customer so they can trust your brand across channels. If accessing reviews is important for a purchasing decision, this will not change when information is accessed from a mobile. Our research shows that between March 2011 and September 2011, there has been a 44% increase in consumers visiting retailer sites on mobiles and a 55% increase in consumers reading reviews on mobiles."

Think of social commerce as your way of joining customers' conversations, learning from them and being able to offer them a better service. It spans all channels, including mobile, and goes beyond pure ecommerce. Consider integrating it with your communication strategy to provide the most valuable information, with your CRM systems for loyalty and with your merchandising and even manufacturing teams for product development.

COUPONS & VOUCHERS

There are a number of different ways of delivering coupons and vouchers via mobile. There are the digital equivalents of paper coupons and discount deals such as Groupon (which has found that 25% of its coupons in the US are being purchased and used on mobiles) through to the gift cards and vouchers sent as presents to friends and family. Mobile is also the main link between the social and familiar worlds of gifting and Facebook.

As paper coupons gradually give way to more dynamic mobile versions, this presents several new opportunities for retailers and brands. They can use mobile coupons to generate valuable insights that were previously unavailable, such as which consumers are interested in redeeming

what type of goods from a brand, and their location and the time when they redeem offers. This knowledge will in future facilitate much closer brand engagement with consumers.

"In theory, the benefits of mobile coupons to each party are compelling," says Charles D'Oyly, Managing Director, Valassis UK & Europe. "The

consumer no longer needs manually to cut out and carry around bits of paper, the brand receives instant behavioural feedback, and the merchant doesn't need to handle the pieces of paper. But for this to become a reality and to avoid abuse, the redemption process needs to be reliable and secure."

This is where companies such as Eagle Eye come in. Its couponing system, which is used by 18 national retailers, sends each customer an SMS containing a unique, numerical code which is redeemable via an in-store point-of-sale or Chip & PIN terminal. It can also be used to send personalised offers.

Mobile is also making a difference to the traditional plastic gift card market. "Smartphones are enabling more sophisticated e-gifts to be delivered containing rich media such as embedded video and custom designs," says Andrew Johnson, Director General, UK Gift Card and Voucher Association.

Comet and Oasis, for example, are using mobile as a means of distributing full-value gift cards, while others are using email as the delivery mechanism. Five major high street retailers are expected to launch mobile gift cards in time for Christmas 2012.

But the issue with full face-value gift vouchers is how they are paid for and the instantaneous nature of delivery. Someone can buy a gift voucher in store with a stolen credit card and redeem it straight away. A plastic voucher, which is normally posted, can be cancelled. Johnson says: "Retailers need to ensure they have fraud mechanisms and checks in place as part of the purchasing process."

Harnessing the full effect of Facebook, coupons and mobile are services such as social gifting company Wrapp and now Facebook itself with the launch of 'Offers' into its newsfeed. With advertising integrated directly into the Facebook newsfeed, coupons can, for the first time, be seamlessly integrated into a user's online social network.

INTEGRATION ISSUES

But how easy is it to integrate mobile marketing into the marketing mix and the technologies into existing systems? A lot depends on what you want to do with mobile and the technology choices already made by your business. Most of the people I spoke to advised firms not to do mobile marketing if they don't have a mobile destination to send people to.

Jim Herbert, Director, Sceneric, says setting up a mobile version of a website "shouldn't be a massive headache to build if the ecommerce business is based on a platform that supports mobile". But Rob Jennings, Ecommerce Director, Mamas and Papas, says integrating mobile into the multichannel business is a "very big" project.

Jennings realises the importance of future proofing Mamas and Papas' mobile strategy: 20% of the retailer's site traffic currently comes from smartphones, a further 10% from tablets, and this is increasing by 1% or 2% a month. Conversion rates from phones represent just 4% of the entire site sales, but he says traffic from tablet devices "converts at a rate comparable with or better than desktops".

With the right platform, retailers should be able to make their checkout and product catalogue available to any device and using plug-ins integrate with services such as Google Local. "Integration of location-based services such as Manchester Airport Group's app with the CAA-driven flight database is no more difficult for mobile than for desktops," explains Jon Keefe, CEO, digital agency KMP Digitata. He says the same is true for an enterprise retail application – or it should be.

Likewise, SMS marketing is incredibly easy to implement as part of an overall mobile strategy, since it does not require costly development or significant upfront investment.

"It's easy to add couponing into the marketing mix and this can be done with a couple of hours' work," says Steve Rothwell, Director, Eagle Eye. The harder part is integrating these channels into the business.

The mobile marketing issue, therefore, is one of defining a strategy and of future proofing systems and business operations as much as possible. It's more a question of how to control local engagement while ensuring a global experience across devices.

RED ANT AND TOPSHOP DELIVER TRUE MULTICHANNEL ENGAGEMENT ON THE IPHONE

The mobile experts at Red Ant and the in-house digital team at Topshop have created a best of breed multichannel iPhone app. The fully transactional mobile app brings the entire Topshop product catalogue to customers and actively engages with them in-store, at home and online.

Topshop, the leading name in high street fashion retail, had already recognised the immense potential of their mobile channels, with a significant percentage of their online sales coming from mobile devices. Topshop required a bespoke approach to the project and a flexibility that is afforded by the Red Ant platform.

Using in-house expertise in delivering market-leading apps, Red Ant worked closely with the Topshop digital team to deliver:

- A new channel for sales and engagement, with opportunities for significant growth in the mid-to-long term
- A highly polished, market-leading interface and featureset
- Enhanced in-store and social engagement features including scanning, sharing and favourites
- Exclusive implementation via the existing eCommerce setup, requiring minimal work from Topshop systems teams

Working in collaboration with the team at Topshop, Red Ant used its robust technical expertise to deliver the brand's strategy and vision – helping to identify the best and most customer-appropriate featureset and creating an exciting roadmap for future releases. Keeping Topshop's brand identity and customer experience at heart, the result is a feature-rich, user-focused app which:

- Uses barcode and QR scanning and location awareness to bridge their on- and offline marketing activities in a brand new way
- Draws together their various digital and social media channels (blog, videos, Facebook, Twitter, Tumblr, and one-off campaigns like London Fashion Week) into one place
- Offers seamless product sharing to generate customer buzz
- Delivers fully transactional shopping to their app users and drives impulse purchasing by offering daily catalogue updates as a way to keep up with the 300+ new pieces Topshop introduces every week
- Offers a completely flexible and future-proofed platform for new developments

Since launch, the app has seen more than half a million downloads, and growth has been consistently strong. It has an average 4 star rating in the App Store, has been featured by Apple as 'New and Noteworthy', and has regularly ranked in iTunes UK's top 10 lifestyle apps and top 100 apps overall. Shortlisted for the Retail Week Technology Awards Mobile Solution of the Year, it has also had an overwhelmingly positive response on social media channels.

Topshop for iPhone also delivered an industry first – live streaming of Topshop's London Fashion Week shows via the app. As well as being able to view catwalk shows as they happened, app

users could scan in-store QR codes (which also featured on the tags of limited-edition clothing) to get exclusive access to a film created for Topshop by celebrated fashion photographer Nick Knight, plus behind-the-scenes videos and a makeup tutorial. This generated large amounts of buzz and press coverage for Topshop during one of the most important weeks of the fashion year.

Red Ant's Director of Mobile Dan Hartveld said: 'We're really excited about the opportunities that this app opens up for Topshop. A fully transactional app is now what users expect from a major retailer's mobile presence. The Topshop iPhone app's social integration and in-store crossover features also mean Topshop can truly integrate with consumer lifestyles and create seamless multi-channel experiences - something many fashion retailers have been unable to achieve. All this, with minimal impact on their existing infrastructure.'

Topshop's Head of E-Commerce Kate Walmsley said: 'We are thrilled by the enthusiastic response from our customers. Thanks to Red Ant's technical prowess and mobile expertise we have been able to deliver a truly bespoke experience that reflects the Topshop brand and supports our mobile strategy. We look forward to delivering the exciting roadmap of new developments and features to come.'

About Red Ant

Red Ant is a digital strategy agency with offices in the UK, Republic of Ireland, China, Brazil and Switzerland. Its in-house team of full-time digital experts delivers award-winning, ground-breaking solutions for social, mobile, web and video.

Red Ant Mobile enables businesses to take full advantage of the rapidly evolving mobile market, providing a full range of services from expert advice on mobile strategy to the development and delivery of custom mobile applications.

Red Ant Mobile apps cover everything from small promotional tools to fully fledged retail and social experiences. Red Ant also licenses its own Colony Mobile platform, specifically designed to allow existing retailers to offer a mobile storefront with minimal effort.

Red Ant has authored a series of major whitepapers which have attracted worldwide interest, including 'Going Mobile – a How-to Guide' and 'Planning and Managing a Digital Strategy', which are available for download free of charge.
Visit www.redant.com for full details.

DESIGNING THE USER EXPERIENCE 5-YEAR PLAN

IR asked Phillip Clement of mobile web optimisation company bemoko to share his thoughts on designing for mobile and tablets and how the design of UX is going to be shaped by customers.

OVER the next five years user experience design will be most affected and influenced by three things: Consumers' ability to engage electronically anywhere - any time, the disposability and adoption rates of new hardware technology and the speed that social media is giving consumers in their ability to share experiences and choices globally and within minutes. Together these three elements are so powerful that consumers now have a direct say in user experience and ultimately what survives.

User Experience (UX) designers are just beginning to get to grips with the shift from "small screen" design to 'mobile design' i.e. actually designing for mobile devices and the way they are used. But just as designers master this, they also need to embrace the next phase of mobile; Computing Mobility. The new breed of mobiles,

smartphones, tablets, and gaming devices are the new 'PC' and are meshing the online and the real world environments into one, which means that user experiences will need to dynamically adapt to the situation, the moment, the place and even the mood of their customers.

Data from Microsoft's internal analysis of their mobile search query data reveals that 70% of PC "query chains" (essentially search tasks) are completed in about one week, while 70% of mobile users do so in an hour. Computing Mobility allows users to act fast and spontaneously, using information that is directly around them either in the real world; for example trying to find a product or service and information about it, or prompted by advice from friends and contacts over social media. User experience design has to match this requirement, long menu systems, endless graphics and deeply hidden information suited to a PC will prove fatal for a brand's website. Integrating UX into the way people use mobile computers as part of everything that they do, augmenting these experiences and enhancing the combination of the multiple elements of an activity, building in and delivering interactive and intelligently dynamic pages that adapt to the surroundings and the immediate needs of the user will be key in the design process.

SPEED OF CHANGE

In the business of our everyday lives it is easy to allow the pace that things are moving to simply happen without giving it a thought - our willingness to change and our ability to forget what was 'in' yesterday is incredible. Adoption is so fast that technology trends don't have a chance to languish as 'old'. The landscape is constantly 'new'.

This speed of change will be a UX designer or web developer's biggest challenge - developers predicting there will be fewer platforms or form factors over time and hoping that developing in technology silos will do the job, will find themselves chasing their tails on a continual basis. Smart developers will seek out development platforms to enable them to keep pace with the changes, maintain their market position and keep costs under control.

Not only will the UX designer need to cope with a widening device set, they will also need to consider multiple devices for each user. The trend for consumers to use multiple devices, selecting the most appropriate for a given situation and often using more than one device at a time will continue to grow. A recent survey suggested that already as many as 80% of people watching TV are also using a tablet or smartphone. User experience design will need to give people the ability to switch from mobile to tablet, to TV or to a bricks and mortar store seamlessly and remember both the customer and where they are in their journey.

As Computing Mobility increasingly weaves itself into our every-day lives and activities the ability to be always connected will take multitasking to new levels. Brands will no longer have a user's undivided attention; they will have to share space with multiples of other activities - browsing, shopping, reading, chatting, watching TV, socialising, eating, drinking and perhaps even sleeping. User experience design will need to allow users to carry on with these activities without losing continuity, allowing them to pause what they are doing or engage and interact with other simultaneous activities, perhaps allowing friends to watch and share an online shopping experience, helping them to browse, choose and select, so rather than competing with other activities brands will be able to augment the whole experience.

Commercial drivers will also have a significant effect on UX design, especially in the payments world - we are already seeing contactless payment creeping into every-day use. The relaxation of credit card companies' and banks' obsession with security means that small purchases can now be made using contactless credit cards or stickers that hold your card details stuck on your mobile. As these early proof of concepts become common place and the commercial and technical backbones of virtual wallets become mainstream, UX design will need to respond and adapt to different user flows and user expectation to speed and availability.

Planning the next 5 years will require both technology and user experience collaboration. Currently most developers think in silos - online, offline, mobile, PC. Bringing these together into one cohesive package will need a catalyst rather like the iPhone that made listening to music, checking voicemail and browsing completely different to anything we had seen before.

The use of dedicated delivery platforms which make delivering a consistent brand image over multiple devices will grow exponentially as managing sites on multiple devices becomes increasingly difficult and expensive. Designers should not need to worry about the capabilities of the range of devices and should be able to rely on a technology platform that handles the differences for them.

UX designers and developers will need to embrace methodologies that deliver a write once and actively deliver the right experience to whatever device is accessing the site and at the same time control the cost of maintaining a growing codebase, the use of platforms that deal with all of this will be increasingly used to cost effectively deliver the experiences necessary in agile channels and Computing Mobility. ■

MOBILE PAYMENTS: DRIVING CUSTOMER LOYALTY & GROWTH WITH E-WALLETS

Nishant Thusoo & Sony Sebastian of Infosys share some of their retail and mobile insight and take a look at mobile payments and integration issues for retailers.

ACCORDING to a 2010 survey by Parks Associates, the demand for smartphones is expected to exceed 1 billion worldwide by 2014. This explosive increase in the number of smartphone users has created new avenues and opportunities for retailers to connect with on-the-go consumers. A recent study indicates that consumers spend 23% of their time on their mobile devices to network, share images and download information. As more and more consumers look to their mobile devices to connect, retailers are focusing on the unique opportunity to utilise mobile devices as a mechanism to transact. Current trends and analyst projections forecast that mobile payments will account for nearly US$1 trillion of the global economy by 2015.

Today's enterprises are positioning themselves to invest in new and lucrative initiatives for mobile commerce such as mobile payments, mobile marketing and location-based promotions. This eliminates the need for plastic cards while allowing retailers to recognise and reward the anonymous shopper by accessing on-mobile information typically captured in loyalty cards. Mobile payments can help reduce traffic at checkout counters during peak hours, creating additional capacity without the burden of commensurate investments in hardware. Further, applications such as Near Field Communication (NFC) technology enable retailers to benefit from faster mobile transactions, thereby improving staff productivity and optimising costs.

MOBILE PAYMENTS SOLUTION OFFERINGS

The potential business benefits in the mobile payments space have drawn a myriad of players who are designing and developing innovative mobile payment products or e-Wallets. However, many such products may not necessarily integrate well with the retailer's existing payment infrastructure. The fragmentation and localisation of the retail industry, coupled with evolving standards of mobile payment communication, has made retailers cautious about adopting technologies that could breed uncertainty.

Unlike credit cards, mobile payments is not a single ubiquitous solution, as it comprises several mechanisms depending upon the target demographic. To facilitate easy adoption, retailers need to understand the benefits and challenges of each mechanism as well as the complexity in integrating this offering with the existing retail technology landscape.

As a solution suite, mobile payments has three key offerings that retailers can evaluate against their business needs and goals:

Open Wallet – Open Wallet is a mobile payment mechanism that complies with existing card payment networks and standards, such as MasterCard PayPass and Visa PayWave. This mechanism is similar to Google or ISIS Mobile Wallet, and it allows the user to load an existing credit/debit card onto the mobile, which can then be used for payments. This solution can be easily integrated with the existing card payment network, reducing effort and cost involved in enabling these payments on a retailer's system.

The key consideration while implementing this solution is the use of single-tap payments versus double-tap payments, which are dictated by the need to use Chip and Pin for transactions greater than £15. Retailers need to collaborate with trusted third parties who can remotely update the mobile phone device chips with card information to ensure secure access and provide a secure authentication mechanism. A store's Point of Sale (POS) hardware must be upgraded to be NFC-enabled, which may be costly and time-consuming.

Semi-closed Wallet – In a semi-closed wallet or payment system, the payment provider is linked to several third party-vendors, creating an ecosystem within which payments can be accepted. For example, MobiPay in Kenya is a service provider that has equipped stores with proprietary payment systems that accept mobile payments. While this solution does not comply with existing card payment systems and is usually deployed using third-party vendors, the service provider can continue to maintain control over rollout.

Prior to adoption, retailers need to carefully understand this payment mechanism since increased usage of smartphones has led to multiple operators rolling out different payment systems. To integrate these varied systems, retailers must first understand and evaluate the most popular payment systems used by their consumers.

Closed Wallet – The closed wallet or in-store payment system is employed within a given retailer chain/group and uses a stored value or pre-paid mechanism. The Starbucks initiative is a good example, where customers can pay bills, check their balance, reload their card, store recipes, locate nearest stores, and track rewards on the go. This allows a retailer, like Starbucks, to connect with clients while servicing them more effectively. Starbucks mPayments has grossed over 42 million payment transactions since its inception.

Being an in-house initiative, solution integration and rollout for a closed wallet is simple. It allows the retailer to combine consumer loyalty, coupons and payment into a single offering for the consumer. This encourages multiple possibilities for business growth, ranging from personalised coupons to location and time-based offers.

WHICH IS THE OPTIMUM SOLUTION?

To manage general mobile payments, retailers should consider open wallet solutions that easily integrate into the existing payment system. These solutions conform to existing security and encryption, thereby reducing the risk of fraud.

Retailers seeking to adopt the semi-closed wallet solution must meticulously consider the incurred costs of integrating with proprietary technologies, which increase security risks and hinder easy adoption. Introducing a semi-closed wallet system requires custom development for POS, payment interface and security and authentication mechanisms that drive up implementation time and costs.

The closed wallet is a recommended fit for retailers seeking to implement mobile couponing within a closed loop system linked to loyalty and marketing initiatives. This payment system serves as a significant marketing differentiator where retailers can run mobile campaigns, generate offers, integrate into their store POS systems and significantly improve personalised customer shopping experience.

DRIVE GROWTH WITH THE BEST-FIT APPROACH

Retailers are focusing on mobile marketing and mobile payments to drive future business growth. Initiatives such as mobile commerce, mobile payments and location-based promotions are drawing more consumers to leverage their smartphones as a mechanism to connect and transact. Retailers aiming to drive growth in the mobile age need to adopt the best-fit approach that aligns with their business goals. By understanding and evaluating the advantages and challenges of the open wallet, semi-closed wallet and closed wallet offerings, retailers can choose a strategy that enables compliance, minimises security risks and integrates well with their existing infrastructure. Leveraging the right solution will enable retailers to offer a personalised and satisfying customer shopping experience, thereby cementing customer loyalty and driving profits.

THE INCREASING CHALLENGES FACED IN ACCURATELY TRYING TO CATEGORISE AFFILIATES

Affiliate categorisation was once a cornerstone of affiliate marketing, enabling advertisers to segment their programmes by the types of affiliates promoting them. As the affiliate channel has matured and continues to become more sophisticated, boundaries are becoming blurred. This is making it increasingly difficult to categorise affiliates based solely on their promotional type. This, coupled with the clamour for more informed decision making on the provision of data, has meant that affiliates should be assessed on their individual merits, rather than simply being grouped by their traditional category.

By classifying affiliates by their primary promotional method, there is the assumption that all affiliates within each category will be utilising the same techniques to drive traffic to their sites. This also indicates a belief that the visitors to each site within the promotional category will be of a similar quality. However, these assumptions do not necessarily hold any truth. There is a significant amount of crossover between affiliates' promotional methods, yet how they drive traffic to their sites will vary. This will have an impact on their target audience and the quality of customer they are able to deliver to advertisers.

A good starting point to understand how affiliate categorisation could be problematic is by looking at voucher code sites. It is widely assumed that the majority of traffic to these sites will arrive through searching for a brand plus a discount related term. While it is highly likely that a significant volume of traffic will be generated this way, it neglects a wide range of promotional methods that these sites also utilise.

The top voucher code sites will typically have established a large database of engaged users that they are able to target with relevant offers. Again, as data plays an increasingly important role within the affiliate channel, voucher code sites are positioned to ensure that the best offers will be reaching the most appropriate audience. Another area that is neglected is their ability to benefit from the use of social media to distribute timely deals to their loyal followers. It is typical for users of voucher code sites to be more loyal to the voucher code site than the brands they are actually purchasing from. This also neglects the fundamental fact that these sites are now mature shopping destinations in their own right, with traffic far outstripping that of the vast majority of advertisers they promote.

It is not just voucher code sites that are witnessing a blurring of boundaries. Similarly, the top cashback sites are continually evolving to offer its members the best offers available. Now, rather than being purely a cashback site, they are repositioning as money saving sites – making them increasingly difficult to categorise within the confines of rigid promotional types.

Aside from just looking at incentivised sites, this is also true of affiliates that have traditionally been categorised as content affiliates. There is nothing to say that these affiliates are not using additional promotional methods such as PPC campaigns or listing discount codes within the content. Looking at it from another perspective, incentivised sites could even argue their case for being content sites: they are now offering a significant amount of content that is relevant to their visitors.

The fundamental issue with affiliate categorisation is that it is far too simplified. It is no longer suitable to distinguish that an affiliate is using a single method of promotion to drive traffic to advertisers or that because their method of promotion is similar, they will attract the same visitors as a site within the same promotional category.

In order to gain the most from the channel, advertisers would benefit from assessing affiliates on their individual merits rather than confining them to a group based on promotional type. This would allow advertisers to really understand the quality of each of the affiliate's traffic and the type of customer they are able to deliver. This value can be based on the metrics that are of importance to the advertiser and could include elements such as; the split of new vs. existing customers, average order values and customer churn. By understanding the value of each affiliate as an individual, they can be rewarded accordingly. Advertisers will also be able to identify where to spend their money more effectively to achieve the greatest return on investment in terms of customer quality.

To summarise, the cross-over in promotional types across the affiliate channel has led to categorisation becoming outdated. Affiliates are no longer relying on one method of promotion to generate traffic, favouring a multi-faceted approach to attracting, and keeping, visitors. Advertisers that are able to demonstrate the ability to be flexible and understand affiliates on their own individual merits will be better placed to reap the rewards afforded by the channel.

GO AND PAY

Paul Skeldon, Editor of M-Retailing, unravels the expanding mobile payments markets and reveals why mobile payments' time has come.

BOTH IN THE UK and around the world, considerable resources are currently being committed by a variety of different types of organisation to developing the concept of mobile payments. Banks, mobile telecoms operators, payment companies and technology firms are all now very much behind the idea of mobile payments. Retailers are also slowly coming on board too. It looks very much like mobile payments' time has come.

Among a swathe of international strategic alliances and other initiatives focused on this area in recent months are those of MasterCard with Telefónica and Visa with Vodafone. Moreover, in the UK, Barclaycard and Orange have been active in pioneering a market for contactless mobile payments.

And even Google, trying to compete with the already very successful Amazon 1-Click – a payment tool that works for web users, but is really well suited to mobile – has launched the GetMo (Get Mobile) initiative to make websites more mobile friendly, including partnering with mobile payments providers to make payments a key part of the process.

But mobile payments is a complicated beast. While many associate it with NFC and contactless payments, where the phone is linked to a bank account or credit card and is simply swiped at the point-of-sale to pay, in reality what constitutes mobile payments is a much-complicated ecosystem. Mobile can be used to pay in store, it can also be used to pay for things online, on mobile sites, within apps, and to transfer money peer-to-peer, manage bank accounts, pay bills and more. If it can be paid for, mobile can be used. In theory.

MAKING PAYMENTS

And how the payment is made is also a complicated set of scenarios. Payments can be made on the phone's bill or against pre-paid credit, it can be used to simply move money between consumer and merchant accounts as an extension of online banking or it can be used to pay from a wallet or card 'stored' in the phone.

In its simplest form, mobile payments is largely involved in using the phone's bill to put charges for goods and services on it. This 'premium rate model' usually uses texts that carry the cost of the goods or service being sent to the user in response to the user texting a short code. But this has been limited by the price-points that operators can provide and the service charge the operators take.

Increasingly, knowing they are missing a trick, operators are becoming much more flexible in both these areas and through an initiative called Payforit, operators now offer totally flexible price points and much lower charges for using it.

These sorts of services are ideally suited to buying digital content, but are increasingly also being used to donate to charity and slowly are gaining grounds with the online purchase of real world goods.

They are also becoming a key way of doing in app purchases.

But herein lies the rub. Many retailers can already do this sort of thing with pre-registered cards and accounts that many of their shoppers already have with them via online stores.

While in-app and onsite purchases are one very large facet of mobile payments, the use of mobile to pay in-store is where most media attention is currently focused. The idea of using contactless NFC payments is what gets the headlines. But, while this will no doubt be widespread by the end of the decade, there are other technologies that will start to prevail. Starbucks' in the US is already doing more than $20m a year in payments through a barcode and scanner on its app in store. Other companies such as Carphone Warehouse are using things like Simply Tap from Mobile Money Network (MMN) to monetize online and in-store through mobile.

"Our goal is to increase a retailer's sales conversion in any channel by enabling them to offer their consumers a simple, secure and fast way to check out and buy," says John Milliken, MD of MMN. "It's no surprise that Carphone Warehouse is leading the way in demonstrating how the Simply Tap instant mobile checkout can drive sales online, in-store and from its mobile commerce site."

And giving credence to this approach, Visa has taken a 15% stake in Mobile Money Network. MMN's instant mobile checkout, Simply Tap, allows customers to easily identify and purchase a product

on their mobile. Simply Tap can be used wherever a shopper sees a product they want – in print, on outdoor advertising, in-store or online – allowing the user to make an easy, secure purchase, with products delivered directly to his or her home address. As part of the new agreement, the app will also offer a number of new offers and savings available only to Visa cardholders. There are 130 million Visa cards in circulation in the UK and £1 in every £3 spent is now carried out on a Visa card, around 80% of which is on a debit card – this sort of level of interest in mobile is what will see it take off.

IS THERE CONSUMER DEMAND?

But while the mobile, payments and, to some extent the retail industry are very much getting behind the idea of mobile payments, adoption of mobile payments among consumers in the UK faces a number of challenges, especially overcoming the reticence of older age groups and women, according to Finaccord's Payment Metrics consumer research study.

The study indicates that persuading significant numbers of consumers in the UK to use their mobile phones to make payments will be a gradual process that could take years. Indeed, many consumers seem to be unconvinced of the benefits of making payments in this way and large differences in attitude are visible not only by age group, but also by gender.

Specifically, and as might be expected, older consumers are less receptive to the concept than their younger counterparts; furthermore, and less likely to have been anticipated, women display much less enthusiasm towards the idea of mobile payments than men.

In Finaccord's survey, the concept of mobile payments was defined as 'physically swiping a phone at a checkout or using a service – other than a regular app or website – to transfer money or credit to another person's bank, cash remittance or mobile telephone account'.

Across all owners of mobile phones, just 10.7% stated that they were very favourable towards the concept with a further 20.4% reporting that they were quite favourable, 23.8% that they were neither favourable nor unfavourable, 17.4% that they were not very favourable, 22.1% that they were not at all favourable, and with the balance of 5.7% not feeling able to express an opinion at all. Hence, at a combined 39.5%, those that were not very favourable or not at all favourable outweighed those that described themselves as quite favourable or very favourable, at 31.1%.

With regards to the differences by age group, those reporting that they are quite favourable or very favourable amount to 47.3% in the 16-24 age group and 47.9% in the 25-34 age group, but then fall back to 33.3% in the 35-44 age group, 21.2% in the 44-54 age group, 15.3% in the 55-64 age group and 11.5% among respondents aged 65 or over. As for the variance by gender, 40.2% of men described themselves as quite favourable or very favourable but only 23.3% of women.

In addition, it is also interesting to note that 57.8% of users of Apple iPhones declared themselves to be quite favourable or very favourable against 25.9% of users of all other makes of mobile phone.

"The market for mobile payments is sure to grow rapidly both in the UK and elsewhere in the world as consumers become more aware of the possibilities and as a mobile payments eco-system develops," says Alan Leach, Director at Finaccord. "However, for a variety of reasons, it may be many years before mobile payments overtake traditional means of payment such as cards and cash in a market such as the UK. As well as the need to establish a culture

ASDA PILOTS MOBILE PAYMENTS

Asda, the UK's second largest supermarket retailer, will this summer become the latest business in the UK to introduce contactless payments in partnership with Streamline and Visa Europe. The new contactless payment option will be available across 25 stores from July onwards.

The contactless technology, provided by Streamline and Visa Europe, means that some Asda customers will be able to simply tap the reader with their contactless enabled card, and pay in less than a second when making payments of up to £15 (rising to £20 from 1 June). The technology is expected to reduce queues, especially during peak periods.

The deal will see Asda capitalise on the growing popularity of contactless technology. Today there are around 20 million contactless cards in circulation in the UK, with a total of 30 million anticipated by the end of 2012.

Matthew Rowsell, Chief Commercial Officer at Streamline, explains: "This partnership is the latest step in the contactless revolution that we're seeing right across the UK. Bringing Asda on board reinforces how popular and necessary contactless has become."

Mark Austin, Head of Contactless, Visa Europe adds: "The rollout of contactless technology by organisations like Asda is helping to set the scene for a major change in the way we pay. We're excited to be working with partners across the industry and remain committed to the rollout of Visa payWave to match the ever increasing uptake of Visa contactless cards by British consumers."

and infrastructure among merchants for accepting mobile payments, there will also be a huge challenge in persuading many consumers to use their mobile phones to make payments, which may take a generation or more to accomplish."

Andrew Harrison, CEO, Carphone Warehouse demonstrates Simply Tap from Moible Money Network

FRAUD & RISK PERCEPTION

Consumers are also worried about the risk of fraud with mobile payments. While the risks are no greater than using a credit card online or in a store – in fact they are a lot less as fraudsters aren't yet targeting mobile with any great attention – the perception is that mobile is risky.

In reality it is very secure, but it is increasingly becoming apparent that some mobile devices are more at risk than others. Knowing the specific mobile device used by a customer sheds additional light on the risk of fraud during a transaction, according to Kount Fraud Insight: Mobile Transactions and Fraud report from Kount, a leading provider of fraud prevention technology.

"Assessing the risk of a specific device is one of many components to consider as part of a company's overall risk assessment to optimize its fraud management system and improve the bottom line," explains Steve Rouse, Chief Operating Officer, Kount. "One interesting trend detailed in the infographic illustrates the approval rate of iPads is among the worst while the fraud rate is fairly minimal and the average transactions per the devices listed are easily the highest. When you combine a fully integrated system like Kount Complete with our expert resources, you can refine your fraud system to minimize these inconsistencies so you can sell more to more people in more places with less risk."

Another barrier to the adoption of mobile payments is retailer reluctance to disrupt their existing back end payments systems to integrate mobile payments into the mix.

As a result, The MoBank Group has launched its MoPowered m-commerce service, which it believes will significantly improve accessibility to mobile retailing for all merchants. MoPowered is a managed service that enables merchants to integrate a mobile retailing platform with minimal disruption to their everyday business.

Dominic Keen, Chief Executive of The MoBank Group explains: "We estimate that 80% of UK merchants aren't currently on mobile. MoPowered will stimulate a significant change in the retail world as it makes m-commerce readily available to merchants of all sizes."

MoPowered enables sophisticated, highly functional m-commerce sites to go live within weeks, compared to the industry average which is typically many months. The MoBank Group is a leading European m-commerce specialist, providing the complete package from m-site build and cataloguing through to highly secure mobile checkout.

Darren Tickle, Founder of The Tickle Company, which has implemented the solution, says: "MoPowered has enabled us to gain access to a whole new and exciting channel as easily as flipping a switch. It's the kind of easy and effective solution that I need as a small business owner."

Ultimately, retailers will be forced to implement mobile payments of some form or other because, despite Finaccord's findings, consumers are steadily getting to grips with it.

As Andrew Harrison, CEO of Carphone Warehouse, says: "As a retailer, we need to embrace new technology and understand the new ways that our customers are choosing to shop. Our customer base is obviously mobile savvy and used to apps – we need to allow them to buy from us the way they want to. Access to products regardless of stock in-store, buying on the move through the mobile device and using their mobile to make it easier to check out online are all key."

Insight from arou

EMMA HERROD, EDITOR, INTERNET RETAILING

RBK Money, one of the top payment platforms in Russia and CIS offering online payments via e-wallets, credit and debit cards, has opened an office in London as a base for its new European operations. The company is working with UK Trade & Investment to help UK companies who want to trade with Russia.

RBK's UK MD Paul Bartholomew-Keen comments: "Russia is not a difficult market but, like all markets, you do need to understand local differences. The two major ones are that Russians like to pay in cash and many don't have bank accounts or credit cards (even amongst their growing middle classes). If you're selling online you need a payment method that can manage that. Secondly, many parts of Russia are very rural and they don't have postcodes. Goods can easily get lost so it is far better for goods to be sent to an official address, such as the local post office where the recipient can both pay for the goods and collect them. This eliminates the distribution worries that many companies have when trading with Russia."

Meanwhile, Russian household goods brand, Enter is to open a further twenty stores as part of its multichannel offering. Established by Maxim Nogotkov, owner of Russia's second largest mobile phone retailer, Svaznoy, the first two stores opened in Moscow in November and December 2011. The retailer sells 20,000 products, including furniture, electricals, electronics, jewellery and toys, via bricks and mortar stores, an ecommerce site and catalogue. Delivery is via home delivery or click and collect.

One of the most popular features of the stores has been the interactive touch screen, embedded into a low level coffee table and located in the furniture department. The touch screen uses a content-rich software application to enable 360 degree viewing of Enter furniture and allow customers to lay out the furniture virtually in their own 'home'. It's a big hit with shoppers who value the virtual 'try before you buy' opportunity.

ISABELLE SALLARD, EDITOR, INTERNET RETAILING.FR

Over half (59%) of French internet users would purchase more from a brand if its website offered substantive content according to a barometric survey, aimed at understanding the expectations of French internet users, conducted by Ipsos and AdC - L'Agence de Contenu. This barometer underlined an increasingly stronger expectation for editorial content such as articles, interviews and portraits even on selling websites.

French consumers expect a lot more from e-retailers than just selling products. They expect them to be 'a serious source of information in a given sector' (71%) as public opinion with respect to brand websites remains positive: a majority of internet users 'believe in the reliability of the information provided on a brand website' (63%). A score confirmed by an increasing demand in expertise: 84% of respondents would like to see interviews or opinions of independent experts, not associated with the brand.

In France, the brand Quechua (Decathlon) created "Hiking On The Moon", an ambitious project that includes a blog, web TV and a magazine, to attract lovers of nature, travel, sports and mountaineering. The pureplay champagne-specialist Champ'Market has been providing a magazine on the art of living on its website for a year. Since then, users spend more time on the site (between 1'33" to 2 '15") and the brand has managed to improve its natural search on Google by offering original and exclusive content.

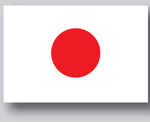
According to these examples and the survey, substantial content increasingly appears to be a way for etailers in France to retain visitors. In effect, 72% of internet users state that "if a brand website were to offer substantial information (in the same way as a magazine) and not only commercial or advertising contents, [they] would visit it more often".

The deemed benefit is not merely consolidating the audience but could have effects on all the dimensions of the retailer's image: 66% of respondents would consider seeking more

nd the world

information on that brand; 56% think that they would be encouraged to further recommend the brand to their circle of friends and family; 59% to purchase more of its products and services.

KATRIN JAHNKE, HEAD OF INTERNATIONAL BUSINESS, FACT-FINDER



A year after the earthquake and its following disasters in Japan, the country is slowly picking up speed again. As the country gets back on track we are also witnessing its recovering ecommerce market, which unsurprisingly experienced a decline in revenue in the aftermath.

Despite these set backs, Japan is still the world's top digital society. Internet World Stats, an online research institute points out that approximately 100 million people, which corresponds to 80% of the population, use the internet in Japan. Although the major Japanese B2C ecommerce players like Rakuten experienced a decline in revenue, people are starting to buy again. The most popular items for Japanese online customers, according to ystats.com, are books, followed by fashion, music and travel.

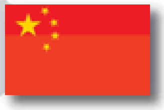
Being a mature ecommerce market, Japan also sets the standard for another rising business – mobile commerce. Whereas m-commerce, though gaining in popularity now, was slow to take off in Europe and the US, the market has already grown rapidly over the last 10 years in Japan, having the most advanced mobile environment in the world.

Interestingly, the rise of m-commerce in Europe and the US is highly linked to the boost of smartphones, whereas in Japan only 7% of the cell phone users possess a smartphone.

However, this could soon change; most mobile phone users in Japan are tied to an operator-specific interface (for instance from the provider Soft Bank) and often, different interfaces are not compatible with each other.

Now that smartphones allow consumers to access online content via a regular web browser, the trend for smartphones is likely to rise in Japan. If the country is at the start of a smartphone boom, this gives plenty of room for new innovations concerning the m-commerce market, and an even better forecast for online shops.

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



Despite the fast growing online market and booming consumer demand, luxury ecommerce business in China is still challenging. The industry is facing some critical issues, as reflected by some recent stock market reaction.

Inspired by the huge success of Gilt, a US luxury e-retailer, many luxury e-retailers emerged in China between 2008 and 2011, such as Xiu.com, Shangpin.com and Vipshop. Among them, Vipshop is the biggest. Founded in late 2008, Vipshop sells a broad range of luxury categories online, including apparel, bags, shoes and sunglasses. Its sales reached US$227m in 2011, and the company IPOed on the New York Stock Exchange on 23 March 2012. Its IPO price was 23% less than the original target price and on the first day of trading its share price dropped 15%.

There are three major issues for luxury ecommerce businesses in China. The first is unstable goods supply. A major reason that people want to buy luxury online is that e-retailers can offer a better price, compared to offline shops. Normally, online retailers buy discounted products from offline distributors who want to clean up their inventory. For luxury goods however, the offline distributors do not have much inventory to clean up. Thus making the goods supply to online luxury retailers unstable.

Secondly, there is a lack of support from luxury brand owners that are concerned that low prices online will affect the interest of offline franchises and hurt the brand image with customers.

Thirdly, logistics and delivery is much more complex for luxury goods compared to other products online. Mechanisms need to be in place to prevent goods from being stolen or replaced by fakes. The delivery fee and insurance fee is also much higher. Such issues will probably remain in place throughout 2012. ■

MOBILE FACTS & FIGURES

While ecommerce figures are showing signs of weakening in the current economic climate, mobile retailing continues its upwards trajectory, surpassing the 5% of total online sales in March this year. Paul Skeldon, editor, M-Retailing investigates.

ACCORDING to the IMRG Capgemini Quarter Benchmarking Index, visits to retail sites through mobile devices also experienced impressive growth, breaking through the 10% barrier as a percentage of total traffic for the first time. In Q3 of 2011, 8.2% of visits were through mobile; this rose to 11.6% in Q4.

Consumers, it seems, are readily embracing mobile shopping, driven by better devices, better connectivity and familiarity.

Tina Spooner, Chief Information Officer at IMRG, explains: "The rise in mobile sales for this quarter is massive and actually marks an acceleration in pace. This could have been influenced by Q4 covering the Christmas period, where lots of consumers would have got access to a tablet device for the first time or advanced phone technology such as the iPhone 4S, which was released just toward the end of Q3. Some retailers actually reported that m-commerce sales accounted for as much as 9% of their total online sales over the festive period."

But these growth figures in how mobile users are shopping via the mobile platform hides the reality that mobile is playing a much bigger role across the whole purchase funnel for retailers and brands. While mobile as a shopping platform is getting all the attention, where the real transformation to a mobile commerce paradigm is actually happening is in how it is being used as an advertising channel, an engagement channel, a recommendation channel and a payments channel. The shopping part is pretty much the – very public – tip of the iceberg.

ADVERTISING

Advertising on mobile devices rocketed by 157% in 2011, to a new high of £203.2 million, according to the annual IAB and PwC mobile advertising spend study, sparked by a boom in smartphone and tablet ownership, apps, second screening and cheaper data.

With smartphone ownership standing at 53% of the UK population, the proliferation of touchscreen technology, 3G, and soaring tablet sales have sparked a surge in interest from brands, especially in the Retail and Consumer Goods (FMCG) sectors, says the study.

The rapid take up of apps and social media, fuelled in part by cheaper data tariffs, has created a new generation of "dual" and "triple screeners" – 51% of Britons now watch TV while surfing the internet using tablets, phones or laptops.

In response, advertisers are creating ever more engaging and interactive rich media ads – turning to apps, video and new formats to engage and enhance the mobile experience.

Mainstream advertisers are now taking a larger share of spend with Technology, Retail and FMCG performing particularly well.

Advertisers have recognised the rise of apps, with 54% of display advertising now on apps; while 46% of display advertising spend is on browser inventory. Display advertising on mobiles more than doubled year on year, increasing by 186% to £68.9m (£28.1m in 2010) and a market share of 34% (34% in 2010). In 2008 display advertising on mobiles was worth £14.2m, so the format has risen fivefold in three years.

As the medium matures, growth has been driven largely by standard display formats, such as banners and text links, which were up 196% to £59.4m. However, the category including SMS and MMS advertising grew by 241% to £7.6m (£2.5m in 2010). Mobile video advertising (pre / post-roll) increased rapidly to £0.8m (£0.2m in 2010) as brand advertisers invest in new rich media formats.

Mobile search was up 145% to £134.3m (£54.9m in 2010) and a market share of 66% (66% in 2010). In 2008, search was worth £14.4m, so has grown by nearly tenfold in three years.

Although only launched in 2010, tablets are now an everyday device with more than 4.1 million Britons owning one. As a consequence, the IAB has measured tablet-specific advertising

How ready are retailers?

While we see phenomenal pace of growth in mobile retailing, independent mobile marketing agency Somo claims that its own research into the mobile-readiness of the UK's top 100 retail brands finds that despite UK smartphone penetration surpassing 50%, and mobile devices making up around 15% of all online traffic, many of the most popular UK stores are ignoring this mass market opportunity.

Somo's original analysis of the IMRG/Hitwise Top 100 Online Retailers shows that only 26% of the most popular sites on the web have an iPad app, less than 20% have created Android tablet apps, and only 10% have built a website for tablet browsing.

Somo's research finds that PC World, Thomson and BHS are among 20 top retailers with no tablet and smartphone apps or sites, while 43% have no iPhone app and 63% no app for Android phones. Only 57% of online retailers have a website that works on mobile and a review of these retailers confirmed that the main consumer complaint was the lack of any payment process for apps and mobile sites.

Tesco came out on top as the only retailer that had several iPad commerce, publishing and enterprise apps, and a website that works on tablets and smartphones. Although TopShop recently stated that around two-thirds of their mobile visitors came from tablets, they do not have a tablet site or app for their customers.

Given that shopping is the number one activity performed on tablets in the UK, these results show retailers are lagging behind consumers in embracing new technologies.

Nick Hynes, Chief Executive Officer at Somo, explains: "The astonishing thing is that almost half of the top online retailers haven't even got a mobile website. This is very basic stuff. A well-built site does retailers the world of good, allowing customers to make shopping comparisons on their phones while in store, and browse leisurely at home on their tablet. These companies have to start looking at the role that mobile plays in their customer journey; at the moment they're missing a trick."

for the first time and found that £2.4m was spent in 2011.

Jon Mew, Director of Mobile and Operations at the IAB, explains: "This study proves just how engrained mobile has become within both brands' and consumers' day to day lives. With 26 million smartphone owners now in the UK – the opportunities for brands to interact with consumers in a more innovative and relevant way are endless. So it's no surprise to see mobile advertising continuing to grow at such an overwhelming and encouraging rate."

Anna Bartz, Strategy Manager at PwC, adds: "Mobile advertising is gaining momentum – with growing opportunities to target consumers with a range of innovative formats, on the web and in mobile applications. The rapid adoption of smartphones and tablets means mobile is offering a compelling new way for brands and advertisers across all sectors to reach people, making it an increasingly powerful platform in multi-media strategies."

SOCIAL

Social networking accounts for at least half of all mobile web traffic and more than half the activity on Facebook is now from mobiles. The mobile device really is the key to social networking, but its role in the retail journey is less well understood.

The commonest use of mobile and social in retailing is in recommendation and sharing. While many merchants are looking to use Facebook as a shop window, the real power of mobile social in retail comes from how consumers can use it to recommend, review and ask their friends what they think.

Comparison shopping on a mobile device while in store has become the number one mobile behaviour consumers take across all ages and gender with surveys by both mobile ad network JiWire and researchers Pew Research finding that a third of consumers used their phone specifically for online information while inside a physical store.

JiWire also found this trend to be true with 34% of on-the-go consumers participating in comparison-shopping behaviour. Its report delves a little deeper and found that 39% of consumers between the ages of 25 and 34 are the most likely to comparison shop in store with 13% actually making a purchase on their mobile devices instead of in the store.

One thing that social and mobile are starting to create is the phenomenon of 'Showrooming' where consumers go to stores to check out products, read reviews on their handsets and even ask friends via Facebook for advice then buy the product online – usually cheaper – through their phone.

Intersperience has researched how UK consumers use mobiles in a retail context as part of its 'Internet on the Move' project and it found that one in three people in the UK used smartphones to surf the net for price comparisons, product reviews or to check availability of goods over Christmas 2011. Almost 20% used their mobiles to call up rival websites and compare prices while they were in a store – and 30% of the people who did so went on to complete an online purchase from a rival retailer while still standing in the store.

Paul Hudson, Chief Executive of Intersperience says: "The onus is on retailers to make in-store shopping more attractive, via loyalty bonuses, limited edition goods, price matching or better service. So far mobile internet has mainly driven shoppers online but it could be used creatively to improve the in-store proposition. For British consumers, their mobile is now their favourite shopping companion and retailers need to figure out how to respond to that."

THE NEAR FUTURE

Mobile payments also play a key role in the purchase journey, but this is such a massive topic that it is dealt with elsewhere in this issue. The idea of paying with a mobile device is not new and there are many ways to make it happen, but its role in getting consumers engaged is something that we are set to see a lot more of in the coming years.

Ideas such as those mooted by Openmarket that a shop can offer consumers a special offer if they buy there and then via mobile from a shop window poster puts payments at the start of the marketing journey, rather than the end. Consumers text to take up the offer and the retailer then has a communication channel to engage the consumer going forward.

While engagement through mobile is going to be the key factor in m-retailing in the coming 12 months, the role of different devices is also going to be key.

Unexpectedly high uptake of iPads and other tablet computers has seen a sudden shift in how retailers need to look at how people shop and engage with shops on the mobile channel.

According to a study by Rich Relevance, mobile shopping continues to outpace desktop purchasing. In March, the average purchase on mobile was £109.68 compared to £100.05 on desktop computers. The majority of mobile revenue comes from iPads, which account for 82% of all mobile spend. This figure is astounding and really should give all retailers pause for thought on the mobile strategy. ■

RETAILERS STILL NOT MEETING MOBILE NEEDS

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

WHILE MOBILE retail gains more headlines and column inches and as more retailers embrace it, it seems that consumers are still getting a raw deal from it from the majority – and it is costing the retail industry dear.

Independent mobile marketing agency Somo claims that its own research into the mobile-readiness of the UK's top 100 retail brands finds that despite UK smartphone penetration surpassing 50%, and mobile devices making up around 15% of all online traffic, 20% of websites are closed to mobile traffic and as many as 75% are not accepting tablet shopping.

If that wasn't bad enough, marketing agency Mediarun is currently seeing bounce rates for mobile devices standing at approximately 40%, which is around 10% higher than on desktops.

Together, these two studies suggest that, while things are getting better for mobile shoppers, many sites are not geared up to it, despite consumers wanting to do more of it.

More worryingly is that, as tablet shopping is on the rise, hardly any retailers are looking at how to optimize for these new devices.

According to Alex Wares, Managing Director of Mediarun, "Even now major retailers such as Conran Furniture and Sainsbury's, to name just two, have no semblance of a mobile-friendly site, instead leaving users to battle with their full web version until their patience inevitably wears thin. This can have a lasting impact on customers as those who have a poor experience when trying to browse on a mobile – which may represent the first impression of a business – are unlikely to re-visit the site on a desktop."

RETAILERS MUST INVEST IN MOBILE SOCIAL AND LOCATION SERVICES TO MEET CONSUMERS DEMAND

Nearly 90% of retailers believe that location and mapping will be a big trend in m-commerce in 2012 and that social will also play a big role in multichannel, finds a study by strategic information management company Stibo Systems. However, only a quarter of retailers are actually planning on investing in location-based and geo-spatial technology this year.

The study – which was undertaken in January 2012 by independent research house Coleman Parkes and surveyed 100 senior executives at the UK's top retailers – found that cross-channel retailing remains a clear priority for UK retailers, with more than three quarters (78%) of respondents stating that strategic investment to enhance consumers' multichannel experience will drive retail sales this year.

The findings are backed up by a separate study by mobile advertising company JiWire that finds that 75% of consumers now take action after seeing location-specific marketing messages on their mobiles.

JiWire's report discovered that 80% of the on-the-go audience prefers locally relevant advertising and 75% are more likely to take an action after seeing a location-specific message. The top three actions include clicking on location-specific ads (31%), searching for the nearest location (21%) and/or conducting additional research (21%).

The findings of both reports highlight a growing need for retailers to have proper multichannel strategies in place, revealing mobile as the key growth channel for 2012. Indeed, the Stibo research found that retailers are finally recognising the importance of mobile commerce, with approximately half (48%) planning to enhance their mobile offering by the end of the year. Of those, 53% are looking to enable their online websites for mobile while 44% plan to facilitate mobile transactions.

CONVERSION RATES FROM REVIEWS ON MOBILE 42% HIGHER THAN ONLINE, FINDS REEVOO

The proportion of consumer reviews displayed on mobile devices has more than doubled from 1.8% to 3.7% in the last six months, while the conversion rate when people read a review is 42% higher on mobiles than when they read one elsewhere, according to new data collated by social commerce company Reevoo. The figures provide compelling evidence for the growing importance of mobile as a social commerce medium.

Analysis of data collected by Reevoo shows that 44% more people accessed retailer sites via mobile devices than they did in the previous six months and more than 10% of all the reviews collected by Reevoo are now submitted via mobile devices, up 27% in just six months.

Richard Anson, Founder of Reevoo, says: "The growth area for online retail is undoubtedly mobile, and fertilising this growth by providing mobile social commerce functionality to customers ought to be a top priority for any retailer. "It's vital that retailers prioritise the mobile and social media channels for social commerce correctly, and they absolutely must grasp that social commerce is far broader than social media." ■

payments & fraud

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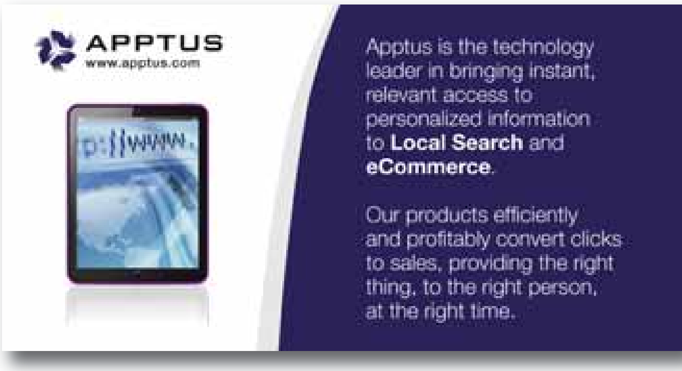

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