INTERNET RETAILING

SELLING IN THE DIGITAL AGE
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ALIBABA.COM:
Global expansion plans

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EDITOR'S COMMENT

More than one in 60 businesses has ceased trading this year, according to business advisors BDO LLP. While they predict that the rise in total business failures will end early in 2010, BDO forecasts a two-speed recovery.

Unemployment and lower wage growth mean sectors such as retail will continue to suffer after the economy returns to growth – resulting in business failures in this sector until autumn 2010.

As Sir Philip Green said last year, tough trading conditions are an opportunity for proper retailers to flourish. While I won't speculate on who or what constitutes a 'proper retailer' online has at least kept retailing heads above water this year. Indeed, some retailers have been powering ahead leaving others in the sector treading water.

In this issue, we look at some of the topics brought to the fore by the recession: Penelope Ody looks at cash as an alternative payment method online; Malcolm Rowe explains cloud computing and how it can be used to maximise online sales; David Hogg examines the importance of a strategic vision across the multi-channel, multi-brand environment and Michael Ross proffers five fundamental KPIs for ecommerce.

As usual, we'd love to hear your comments on any aspect of e-retailing. Join in the conversation online on InternetRetailing.net.

Emma Herrod
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FEATURES

REGULARS

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FASHION ROUND UP

The fashion sector online is undergoing a shake up with a raft of updated sites, new entrants and fast fashion names moving online.

John Lewis has unveiled a new fashion site featuring 200 clothing and beauty brands and includes new search and navigation technology. Currently, fashion represents around 6% of johnlewis.com's total sales. The new look site aims to drive sales increases by 30% this year and the company expects to bring in an extra £70 million in fashion sales by 2011.

Tesco is having another go at selling clothing online. The new site includes Tesco's own brand clothing ranges which are found in-store plus online exclusives and new, online-only brands.

Meanwhile, H&M will open its first transactional site in the UK during the autumn of 2010, the company announced in its nine month trading report. Also launching online for the first time with the autumn/winter 2010 season is Zara. According to owner Inditex, sites will launch in Spain, France, Germany, UK, Italy and Portugal followed by a progressive rollout in all Zara markets.

In the designer end of the market creative digital agency Pod1 has been appointed by designer women's wear brand Amanda Wakeley to redesign its website and build an ecommerce platform.

George Davies, whose latest fashion venture Give launched on 1 October, is taking a multi-channel approach. The proposition includes a range of innovative services including: in-store touch screens which shoppers can use to browse the collections and the www.give.co.uk website; an online 'countdown to availability'; multiple garment views and catwalk videos; in-store tailoring service to hand alter garments plus free online trouser alterations; a client card offering benefits in-store; next day delivery and gift wrap as standard, plus free UK returns.

APPAREL & ACCESSORIES WEBSITES, RANKED BY SHARE OF UK VISITS

Rank	*Website*	*Market share (%)*
1	Next	7.47
2.	ASOS	5.21
3.	TopShop.com	3.58
4.	New Look	3.36
5.	River Island	3.32
6.	Dorothy Perkins	1.54
7.	M and M Direct	1.52
8.	Mothercare	1.17
9	Topman	1.10
10	Boden	1.01
11.	Monsoon	0.99
12.	JD Sports	0.94
13.	Matalan	0.94
14.	Republic	0.90
15.	Miss Selfridge	0.90

Source: Hitwise UK

AMAZON GIVES FREE DELIVERY FOR CHRISTMAS

Amazon is to give shoppers free delivery on orders this Christmas. The company has lowered the threshold for its 'free super saver delivery' from its current level of £5 down to £0. The offer excludes third party sellers whose products are sold on Amazon but who deliver direct. It does mean, however, that every amazon.co.uk product qualifies for free delivery.

The company has also launched a stand alone online shoe shop in the UK. Javari.co.uk lets customers return items at any time up to a year after they place their order, free of charge, and offers free, next day delivery. The site also offers a price match guarantee, enabling customers to claim the price difference for any item found cheaper elsewhere, or if the price is lowered on Javari, within 14 days of purchase.

"Javari.co.uk was built by Amazon in response to customers' desires to shop a destination dedicated to shoes and handbags," says Javari's website. "Our site is built for these categories, and the passionate customers who shop them – this is our focus. We are a unique store that offers our customers the ability to find what they want easily and we deliver it as quickly as possible – reliably and securely. We take our shopping seriously – our staff is dedicated to providing the best possible experience, and our passion for shoes shows."

TWO SECONDS TO CATCH CUSTOMERS

Shoppers will wait just two seconds for a retailer's website to load resulting in 50% abandoning the site at three seconds, according to research, conducted by Forrester Consulting in the US on behalf of content delivery network Akamai.

Based on the feedback of 1,048 online shoppers, the researchers found:

- Consumers become impatient when pages take longer than two seconds to load. 47% of consumers expect a web page to load in two seconds or less – in 2006, consumers were happy to wait up to 4 seconds.
- Online shopper loyalty is contingent upon quick page loading, especially for high-spending shoppers.
- Shoppers often become distracted when made to wait for a page to load – some 23% will stop shopping or walk away from their computer.
- The consequences for online retailers with under-performing sites are lost sales – 79% who experience a dissatisfying visit are less likely to buy from that site again, up 17% from the 2006 study.
- The impact reaches beyond the web. 46% of dissatisfied online shoppers are more likely to develop a negative perception of the company, and 44% will tell their friends and family about the experience.

Pedro Santos, Chief Strategist for Ecommerce at Akamai, explained that online shoppers demand - and expect - quality site performance. "With two seconds as the new benchmark for a retail or travel site to load, it leaves little room for error to maintain a company's loyal online customer base."

1:1 CUSTOMER SERVICE

Iconic jeweller Faberge has launched an online service that provides customers with live advice and guidance from a personal sales advisor. The Faberge.com site has been developed by IBM and designed to bring the unique qualities of a luxury brand to the web.

New technology, developed by IBM, allows Faberge's sales advisors, accessible 24 hours a day, seven days a week, to provide one-to-one advice and guidance in real-time via live conversation text, telephone or video consultation. They can also guide shoppers through the site, can place new or alternative products directly onto the clients screen, based on personal preferences and interests. The jewellery can then be explored from every angle in minute detail.

And, in the same way that customers have to ring the bell to gain entry to a top jeweller, customers looking to shop on the new site can only enter after providing a phone number so that a sales associate can call them to talk them through the service.

MOBILE COMMERCE TOO DIFFICULT

One in three UK consumers has tried to shop from their mobile phone but 28% of those shoppers have found it difficult, according to research from ATG.

Some 39% of survey respondents said they would be more likely to shop using their mobile phone if retailers provided secure and easy payment services. 24% think offering mobile-only offers and incentives will encourage adoption and 22% believe retailers should design websites optimised for smaller screens to encourage use.The survey also showed that the use of m-commerce would increase if retailers offered customers more personal optimised experiences to suit changing lifestyles and tastes.

However, despite the growing popularity of mobile applications, just 15% of UK consumers feel developing specific commerce-related applications would entice them to shop using their mobile.

Respondents also said unclear pricing (34%) and slow network speeds (27%) are the biggest barriers to mobile commerce adoption. Consumers want handset manufacturers to offer phones with bigger screens (29%), more affordable smart phones (29%) and Wi-Fi enabled phones so they can connect to their home internet connection for no additional cost (24%) to boost m-commerce uptake.

If concerns are addressed, respondents would buy cinema and theatre tickets (31.1%), music and DVDs (30.7%) and takeaways (25%) from their mobile.

Frank Lord, Managing Director, ATG EMEA, comments, "Retailers need to address security and payment services to ensure mobile commerce is incorporated into overall commerce strategies. What's most important is customers receive a seamless commerce experience from anywhere whether it's in-store, online, by phone or via the mobile internet. Personalising services and channels for customers will ultimately deliver the type of shopping experience they want."

READ & BUY

One in three people who browsed preview book chapters online went on to purchase the book, according to digital publishing solution provider LibreDigital. Over the past 18 months, "allowing readers to preview book chapters before buying has had a positive impact on both print and eBook sales", said Russell P. Reeder, President and CEO of LibreDigital Inc.

"As a result, leading publishers are increasing their use of online previews when planning promotional campaigns for both new and existing book titles."

The company, which works with publishers to securely deliver content across digital channels, including eReaders, smart phones, search engines, online stores, and print-on-demand devices, has highlighted a number of online book browsing trends including:

- Women are spending nearly 70% more time browsing books online than men do.
- The most popular genre of books browsed online is romance novels, followed by books for tweens/ teens and business books.
- The peak time for browsing romance titles is 11pm – 1am, in contrast to 4pm - 11pm for tween/teen books and 9am – 5pm for business books.
- An average reader spends more than 15 minutes browsing a book. They also preview an average of 46 pages of each book they browse.
- Adults are more likely to share links to content via email, while younger readers prefer to share within social networks like Facebook and MySpace.

DELIVERY NOTES

Asos has added two new delivery options: a 'Supersaver' option that will be cheaper than standard delivery but will take longer to arrive and 'Asos Premium' where regular customers will be able to pay an annual fee in return for free deliveries.

Meanwhile, Home Delivery Network is expanding its HDN Lite sub-2kg parcel service. The service – launched in direct competition to the Royal Mail's second class mail - has previously been available only to its existing customers

REFLECTIONS ON THE ECF

Joris Beckers

Ian Jindal reflects on the third European eCommerce Forum event

THE EUROPEAN eCommerce Forum (ECF) is a cross between a private conference and a think tank, founded by Joris Beckers (CEO of FredHopper.com) and me in 2008. Born out of a shared passion for online merchandising – the 'art of selling online' – we'd long spoken of the benefit of bringing the best minds we could muster together to discuss openly their issues and ideas. The event is held approximately twice a year under the Chatham House rule, and has grown a core group of contributors as well as an Advisory Board.

This October we had keynotes from DunnHumby (on a recent project for Tesco.com), Dalziel+Pow (on retail theatre, store design and challenges to the future of the store in a digital age) and Nike on their integrated activities, including the inspiring Football+. In between these keynotes we have a series of 'provocations' – informal, brief challenges or ideas from contributors to stimulate discussion and insight. These are of course confidential!

Joris noted that "it really is the most inspirational work thing I do. I don't think there is any other place where such an experienced group of online retailers comes together to really "think" and be inspired on how to evolve the young art of selling online". Michel Koch, eCommerce Director at Quelle.fr supports Joris' view: "The ECF conference is one of a kind, made to measure for ecommerce and online marketing practitioners. It is the place to network with peers, make contact with a Europe-wide community of experts, and share the latest trends and visions on how 'digital' is changing our world, how we adapt it and adapt ourselves to it".

Turning to the keynotes, Joris' take-away from the DunnHumby contribution was "that retailers and brands should focus their marketing spend on their best customers to engage them further and reward them for their loyalty". This keynote reminded us that in data, research and systems we can be helped to 'be our best'. The D+P presentation re-opened our eyes to the sensory stimulations and triggers that inform the best of store design. As retail innovation tends towards 'experience stores' to build the brand, Joris noted he was reminded "that the fastest way forward for online retailing is to re-apply all that's already learned in physical retailing. This is yet again another example where online should tap into that existing knowledge more".

For many the Nike presentation challenged their preconceptions of one of the world's most recognised brands. Harking back to the foundations in sport and obsession, we gained a privileged view into how a brand's 'DNA' and values can inform and support radical risk-taking and innovation.

Tony Preedy, Marketing Director at Lakeland and Advisory Board member sees the benefit of the ECF as a focus on "how better to serve and inspire customers". Asked about his reflections he noted that "What's certain is that retailing is changing fast; we better all learn, and adapt, quickly". The ECF's program is inspired by "blending the best of current online and offline practice".

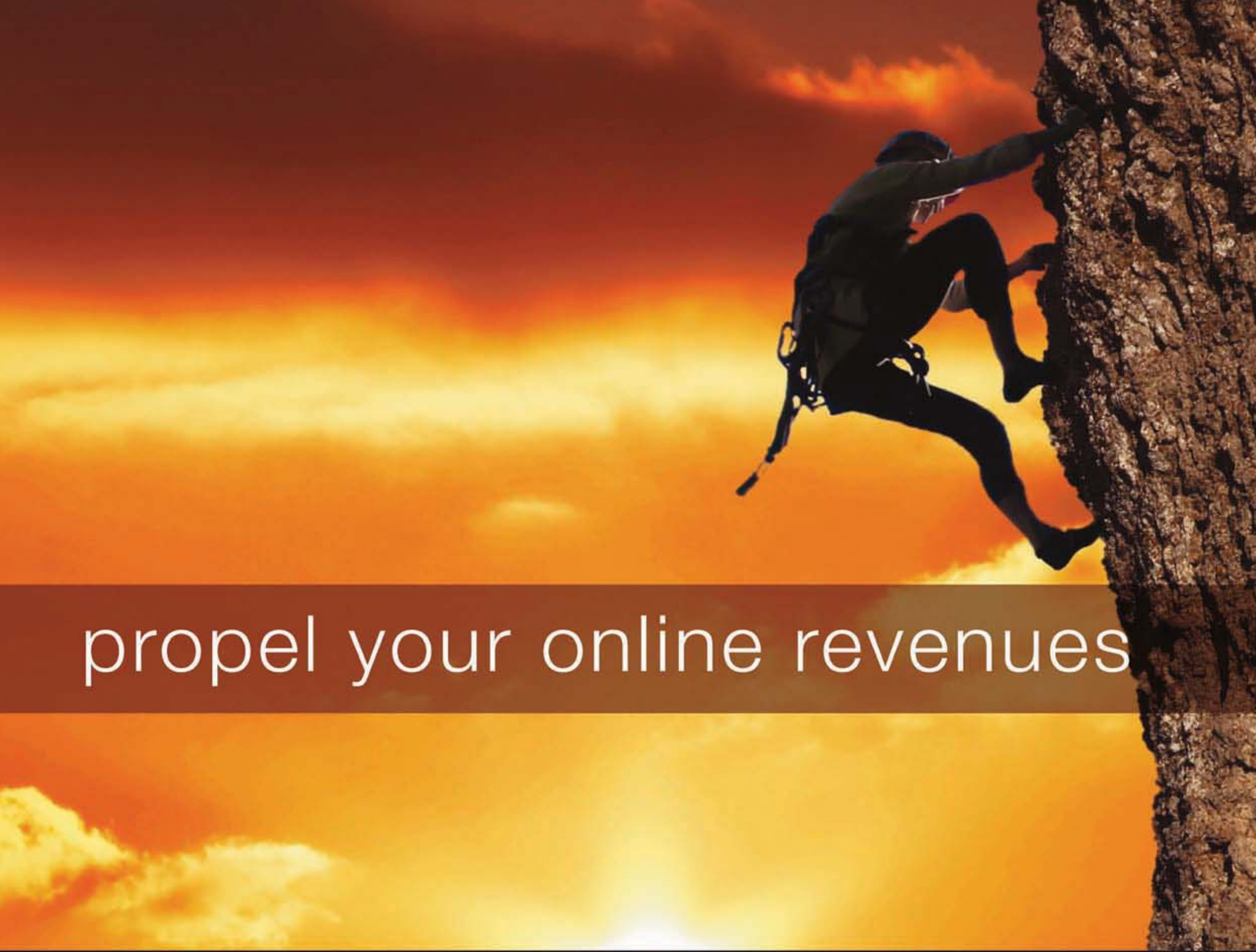
Tim Curtis, MD of Lands' End also found much by way of stimulus. He was struck by the behavioural triggers – "we're hard-wired to notice what's different" was a phrase from D+P's challenges. He's also looking anew at the possible business benefits of social media – "igniting rather than interrupting conversations".

Michel reminds us of the practical application of our discussions, and how we can "speed up web adoption in major retail companies and drive them to this future that seems so near at ECF". One of the benefits of building on the core group is the support this network of peers can offer each other in moving the art and practice (as well as the thinking) ever forward.

Reflecting upon this ECF event, the abiding memory for me is the conference room at each break: rather than leaving their seats the room was buzzing with ongoing conversations and exchanges. As Peter Callaway, eCommerce Director at House of Fraser noted, he values the "serious debate in a non-pressured environment with others sharing similar challenges".

My thanks go, as ever, to my friend Joris who exemplifies the spirit of ECF by never mentioning Fredhopper despite their support of the Forum: without him this would have been just another good (but unimplemented) idea.

We're keen to build further on our first three events and have started planning our next gathering in 2010. We are asking all colleagues at the ECF to suggest both game-changing speakers and game-defining participants, but we don't want the development of this very special Forum to be limited by our own networks and research. Please do drop us a note at forum@fredhopper.com if you feel you could contribute, or visit www.europeanecommerceforum.org for further information.


propel your online revenues

ALIBABA:

NOT JUST A CHINESE PHENOMENON

Alibaba Group has reached its first 10-year milestone and has plans for major global expansion. Emma Herrod talks to David Wei, CEO of supply chain platform Alibaba.com, about the company's goals and the trends in Chinese and global sourcing.

ALIBABA was established by former English teacher Jack Ma and 17 other founders in an apartment in Hangzhou, China, in June 1999. Over the following 10 years the company has grown into a global ecommerce leader, with its online consumer marketplace Taobao (Chinese for 'searching for treasure' and otherwise known as China's eBay) now reaching over two-thirds of China's online population – something which UK ecommerce operations can only dream of. By mid-2009, Taobao was serving nearly 145 million registered users, with transaction volumes in the first half of the year reaching almost US$11.8bn –1.4% of total retail sales in China.

Alibaba.com – the Alibaba Group's first, and now flagship, platform – is the world's largest online B2B marketplace for small businesses around the globe, and provides major global sourcing support for the world's biggest retailers.

For those readers who haven't visited Alibaba.com, the site is like eBay's, with multiple product categories through which buyers can connect with sellers – albeit in a B2B format rather than eBay's C2C structure.

It aims to make it easy for millions of buyers and suppliers around the world to source and supply products through three forums: a global trading marketplace (Alibaba.com) for importers and exporters; a Chinese marketplace for domestic trade; and a Japanese marketplace facilitating trade to and from Japan.

These three marketplaces encompass a community of more than 42 million registered users from over 240 countries and regions. To date, the Chinese-language site for domestic business has 33.3 million registered users! The international, English-language marketplace has 9.5 million users and this figure is set to rise rapidly in line with the company's global expansion plans.

GOING GLOBAL

Having risen to a position of dominance in its domestic Chinese market, the company is expanding Alibaba.com with the aim of being a major force in global supply, enabling retailers to connect with suppliers and source goods from anywhere in the world, including the UK.

"It's not just China, it's all countries working together," says Alibaba.com CEO David Wei. He explains how the platform links buyers and suppliers around the world enabling, for example, UK buyers to source as easily from UK companies as those in any other country – and not just China.

Alibaba.com has recently opened an office in London to attract and train new retailers and enable UK suppliers to access new buyer markets. It has been promoting this new presence through a series of television adverts. It wants to be a platform for SMEs and to help these companies to grow, so the platform can be used for continual supply by wholesale businesses or as a way for suppliers (and retailers) to dispose of one-off consignments.

Although suppliers on Alibaba.com are not charged to list products, there are certain advantages to becoming a paid-up member of the marketplace. Free listings are placed below members' products and a certain number of checks are carried out on members' businesses before they can become 'verified' or Gold Suppliers and therefore preferable companies for buyers to do business with. According to Alibaba.com, 85% of buyers only do business with verified suppliers online.

To qualify for Gold Supplier membership, a supplier must meet a set of mandatory requirements, including passing an authentication and verification check carried out by a third-party security service provider. But the site does point out that it remains a case of 'buyer beware': "it is still important to conduct your own due diligence before making any transactions with suppliers; the

PROFILE OF THE ALIBABA GROUP

TAOBAO

Taobao launched in 2003 as Alibaba Group's C2C marketplace. Nicknamed China's 'eBay', it is the country's largest internet retail site with 82.6% of the Chinese-domestic online consumer market. It sells everything form hard-to-find items to consumer electronics, clothing, sporting goods and household products. A B2C platform has been introduced since.

By mid-2009, Taobao was serving nearly 145 million registered users and transaction volumes reached almost $11.8bn in the first half of this year. A staggering 20 million people are active on Taobao on a daily basis with average daily page views of more than 700m.

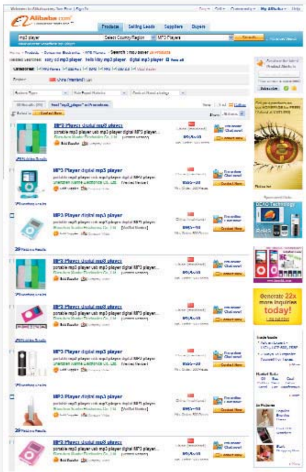
Alibaba.com's cooperation with Taobao means sellers can easily enter the Chinese ecommerce market. Some of Alibaba.com's best customers are Taobao Power Sellers – 100,000 items of clothing go to Taobao vendors each day and Taobao's storefronts mean retailers can sell direct to Chinese consumers.

The Chinese B2C ecommerce market is growing. As in other countries, online offers an easier entry point for retailers wanting to enter or test the consumer market than setting up bricks and mortar stores, especially when prime space is difficult to find and firms need a separate licence for each store location. The restrictions for online stores focus on the import of goods rather than actually setting up shop.

For example, Japanese fashion retailer Uniqlo already has 24 stores in China and plans further expansion both off and online. In April 2009, it announced a strategic partnership with Taobao under which Uniqlo will set up a flagship virtual store on Taobao and Taobao facilitated the retailer's online sales push in China by helping it to build a separate ecommerce site. This website and Uniqlo's Taobao store will share the same product database. This is the first time that Taobao has drawn on its technology, resources and experience to power an external website for a partner company.

To date, its Taobao store makes more money than any of its offline stores with lower inventory and higher margins.

third-party security service provider conducts a thorough check of the company's registration details to make sure that it is a real and legitimate company".

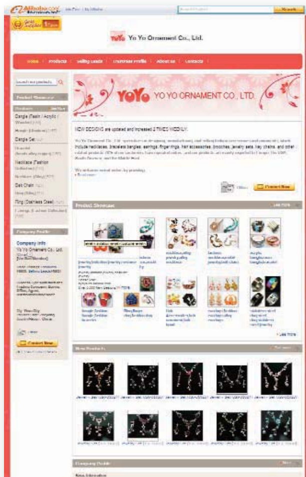


Gold Supplier storefronts on Alibaba.com contain detailed information covering areas such as management, certificates and quality control so buyers can find out more about a potential supplier before contacting them. Their profile also shows how long they have been a Gold Supplier so buyers can gauge how much experience they have at interacting with overseas merchants through the marketplace.

Buyers can search the site by category or keyword, view lists of products available and, if something interests them, contact the supplier direct or chat with them online (with real-time translation) via the TradeManager application.

They can also post 'Buying Leads' – like a wanted ad – telling suppliers exactly what they require. Suppliers can then get in touch with quotations.

There is a wide range of guides and case studies on the site for businesses new to the platform or international trade, plus a chat forum where members can check out other companies' experiences with buyers or sellers before contacting them direct.



To date, 450,000 users have registered on Alibaba.com in the UK with 2,300 new members signing up each week during the first half of 2009. Over 172,000 products have been listed by UK members and the UK generated more than half a million buyer enquiries in the first quarter of this year.

The new Ali-Express beta service is a wholesale marketplace from Alibaba.com offering factory prices with minimum order levels as low as one item and express delivery with full tracking. For security, payment can be made via Alibaba Group's Alipay escrow payment mechanism. This enables payment to be released to the supplier only after delivery has been confirmed. This site will certainly be one to watch.

ALIPAY

In 2003, Taobao introduced third-party online payment system Alipay on its platform. This has now been incorporated onto Ali-Express as well as being set up to work as a payment mechanism on third-party websites.

Alipay now cooperates with more than 300 businesses outside mainland China and supports transactions in 12 major foreign currencies, including sterling, US$, Yen and Euros.

Alipay receives 50% of its trading volume from transactions carried out on Taobao, with the other 50% coming from transactions on third-party websites.

Its escrow payment service reduces transaction risks for online consumers since shoppers can verify whether they are happy with the goods they have purchased before releasing funds to the seller. According to the iResearch Consulting Group, Alipay has significantly accelerated the growth of consumer ecommerce in China.

ALISOFT

Alisoft provides internet-based business management solutions delivered through the Software as a Service (SaaS) model and targets small businesses across China. It was the first in Asia to launch a 'software store' platform that integrated advanced internet, telecoms and software applications. It merged with Alibaba Group R&D Institute in August 2009.

CHINA YAHOO

Alibaba Group acquired China Yahoo in October 2005 as part of its strategic partnership with Yahoo Inc. China Yahoo is one of the leading Chinese-language portals offering search, email and an enhanced focus on entertainment content.

Yahoo recently sold its 1.14% stake in Alibaba.com for around $150m but retained its 40% interest in the unlisted Alibaba Group.

SMALL & LARGE RETAILERS

Although Alibaba.com is aimed mainly at SMEs, there is a place and services for large retailers on the platform.

Wei explains that most large retailers retain a big sourcing office in Hong Kong or China. By 'big', he means firms generally employing around 100 people. From these sourcing offices, the retailers can work with their existing supply base on the ground and with new suppliers and factories and on developing new products.

His background is with B&Q China, which he grew from a $1m, one-store business into a $1bn retail operation. He also headed Kingfisher Asia, the sourcing arm for B&Q and other companies, under its parent company Kingfisher.

B&Q started working with Jack Ma and Alibaba.com in 2003 when the Chinese business helped B&Q to boost its product sourcing, to increase product choice and improve pricing. "I met Jack Ma in 2000 but didn't trust ecommerce as a sourcing tool until I started using it," says Wei.

The DIY giant is only one of an expanding list of major retailers using Alibaba.com as a supply chain tool. In the UK, Litttlewoods, Next and M&S are just a few of those making use of its free online and offline support for large retailers.

Wei explains that although large retailers have the resources to run their own sourcing office in China, Alibaba.com can offer a wider supply base for retailers through its 33 million business members in China alone. He adds: "All Gold Suppliers are verified and video footage is taken of the factories so buyers can actually see the factories and compare prices and so on online."

VERIFICATION

In fact, confidence in the Alibaba.com platform and the companies doing business through it are one of key reasons why it is so successful. So it works hard to ensure suppliers can deliver what they promise.

The first level of verification sees checks carried out on suppliers, by third parties, to ensure they have an export licence, export capital and facilities. Alibaba.com sends out a team to take the videos of the factories that are posted online. At a higher level, buyers can also request a full factory audit.

Further services are offered to the world's top 100 retailers in each product grouping in the form of Big Buyer Events. When one of these retailers provides a list of their requirements, Alibaba.com will pre-screen the responding suppliers and bring the buyer together with the top 30 suppliers and their samples.

The service is also available for medium-sized businesses – Wei gives Halfords as an example. At this level, Alibaba.com will bring four or five non-competing retailers (selling the same types of product but on different continents) together with the suppliers rather than holding an exclusive event.

"Large retailers will continue the procurement process as usual doing due diligence and meeting face-to-face with the suppliers," says Wei. He adds that the advantage of this service is that it: "saves money and time to shortlist the supply base. Smaller retailers, or larger retailers with smaller orders, can conduct the whole process online."

Alibaba.com also collects feedback so all parties can be sure of the credentials of who they are dealing with.

FUTURE OF ONLINE SOURCING

According to Wei, online sourcing reduces the procurement cycle. He explains that while it cannot reduce the 40-day transport time between China and Europe, online supply chain management can create efficiency savings of around one third. With sourcing typically taking 90 days – of which 30 are spent 'on the road' as buyers visit factories and screen suppliers – this part of the cycle can be reduced by the pre-screening done by Alibaba.com. It also means the size of a local sourcing office can be reduced.

Online sourcing can also help retailers offer more innovative products and reduce the time for product design, says Wei, to "days or even hours". One US lingerie retailer used the Alibaba.com platform to move into maternity underwear, working with two Chinese factories to develop and finalise designs.

With an all-encompassing view of the global supply of goods, Alibaba.com is in a position to understand how economic factors are affecting different regions and countries. It saw the recession coming and it can see how supply has altered in different areas.

Wei says: "During the economic difficulties retailers need to diversify orders and restock more frequently to better leverage finance and reduce stock levels that are waiting to be sold." While increasing the number of suppliers reduces the risk should one or more of them cease trading, it also increases the administrative workload for the retailer. Purchasing smaller levels of stock more frequently also piles the pressure on this part of a business. "Retailers need to look at where consolidation is needed and where they should diversify," advises Wei, adding that retailers "need to balance administration against the risk to the business".

But what of the post-recession landscape? Alibaba was able to predict the global recession by watching what was happening amongst its 42 million members so the company is in a strong position to pick up on future movements. Is there already a trend on the horizon that Wei can see retailers tapping into? He is currently predicting that retailers are going to move to sourcing "more private label products and getting involved with design more to create a premium value for the brand". Time – and the market – will tell. ■

ALIBABA GROUP HISTORY & MILESTONES

1999
Alibaba Group officially established by its 18 founders, led by Jack Ma, working out of a Hangzhou apartment.

1999-2000
Alibaba Group raises US$25m from Softbank, Goldman Sachs, Fidelity and other institutions.

2002
Alibaba.com goes into profit.

2003
Consumer ecommerce website Taobao is founded, again in Jack Ma's apartment.

2004
Online payment system Alipay is launched.

2005
Alibaba Group forms a strategic partnership with Yahoo! Inc. and takes over the operation of China Yahoo!

2006
Alibaba Group makes a strategic investment in Koubei.com.

2007
Internet-based business software company Alisoft is launched (January).
Alibaba.com lists on the Hong Kong Stock Exchange (November).
Alibaba Group launches Alimama, an online advertising exchange company (November).

2008
Koubei.com is merged with China Yahoo! to form Yahoo! Koubei (June).
Alimama is integrated with Taobao (September).
Alibaba Group R&D Institute is established (September).

2009
Alisoft is merged with Alibaba Group R&D Institute (July).
Alisoft's Business Management Software division is injected into Alibaba.com (August).
Koubei.com is injected into Taobao as part of the Big Taobao Strategy (August).

MARKETING: THE FIFTH INSPIRATION INDEX DIMENSION

This month we see a crisis of inspiration in the Marketing dimension: fewer votes, fewer comments, a lack of enthusiasm and a feeling that perhaps there's nothing inspiring in digital marketing. Ian Jindal rolls up his sleeves for a detailed look.

THIS MONTH'S survey has delivered our lowest ever number of voters allied to fewer companies cited per voter. The result has been a dearth of votes and a lack of comments. Interestingly, the viewing levels of our survey have been higher than normal (a result of our nagging, no doubt!) and so we're faced with an "actively ignored" month.

Given that marketing is seen as the ideas 'engine' of a business we're surprised to see this level of apathy, and so we took the step of phoning a number of previous contributors to ask why this dimension was somehow less inspiring that previous ones…

INTERNET RETAILING'S INSPIRATION INDEX

First, however, for new readers, we should recap and note that the Internet Retailing Inspiration Index (IRII) is an opportunity for you to share with us those retailers who're bringing tears (of envy as much as delight) to your professional eyes.

The dimensions of inspiration are:

- Moments of brilliance and delight (March issue – Amazon led the field)
- Customer experience (May issue – mydeco took the laurels)
- Operations and IT (July issue with Amazon back in the lead)
- Merchandising (September issue, mydeco regaining the van)
- Marketing – this issue.

Strategy, the final dimension, will close our year.

MARKETING

Marketing, for the purposes of this dimension, covers customer segmentation and personalisation, through email campaigns, on-site messaging and catalogues to mobile apps, twitter and social media. Marketing is at the heart of internet retailing innovation. It's the main battleground for the customer's attention and ultimately their cash. Marketing blends the inventive and new, with the necessity to do the basics exceptionally well - time and again.

Looking at our subscriber information we have a strong representation of marketing professionals and so expected that they would 'winkle out' pockets of innovation and excellence. However, the results were verging upon the grudging. Curmudgeonly, even! This comment is not untypical - "I'm not a fan of Amazon's, but they continually keep sending me emails with stuff I actually want to buy! Really annoying."

Not only was the acclaim more 'muted' than usual, but the quantum of praise was not spread widely. Ordinarily, we find that the majority of voters cast four votes for inspiring companies. This time we found that voters selected two companies. One commenter simply said that their choice was "so far the best that the others don't count".

The areas that gathered praise were:

- Personalisation – the ability to somehow 'intuit sensibly' the level of personalisation that's profitable, without 'digital stalking'
- Cross-channel – making campaigns fully effective across online, offline and social media
- With reservations, some canny uses of social media, but only where there's a connection with the brand and selling; and
- "Down to earth" plain speaking. Hardly the fireworks we were expecting, but stating messages clearly and succinctly is more difficult that it might appear, and those who succeed in this are clearly admired.

THE 'TOP 15' FOR DIMENSION FIVE MARKETING

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

This leads to our leader board for this dimension. Ordinarily I mention the companies who nearly make the cut, but this month the tail-off was severe: you're with the leaders, or no-where on the Marketing dimension, it seems:

Amazon and mydeco maintain their battle at the top, with Amazon edging the honours this time (driven by their sure-footed personalisation, offer suggestions and upselling in email). John Lewis fell a little this time, while those who're using direct communications well have profited. Net-a-Porter and ASOS each received praise for their integration of social media.

OVERALL STANDINGS

The overall standings are based upon the 'cumulative inspiration' rather than being a simple summation of each dimension's table: as we can see this month "not all first places are equal" and so over time we want to capture the highest amount of inspiration for the greatest number of etailers.

Our standings table therefore sums the 'total preference' across all dimensions – the 'quantum of inspiration', if you like. After five rounds the results are:

OVERALL STANDINGS AFTER FIVE DIMENSIONS

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

The Top 9 spaces have now 'settled' (with Ocado to be praised since they were not part of the first round). Zappos' appearance in the first round, along with solid performances since, have brought a Top 15 place, while BA's inspiration in this dimension (on top of merchandising) has resulted in a cumulative placing.

PERSPECTIVES

Back then to our phone calls. Why, I asked, had Marketing failed to ignite the passions?

The summary answer was that there is no silver bullet in digital marketing at present and that all techniques and devices were possible – from social media and email to digital vouchering and personalisation.

There was a general feeling that given these tools and sufficient time that all of the companies on our radar were doing an acceptable job. The comments show that for the leaders there was a level of connection, of course, but otherwise there was no magic, no spark – simply "more competence".

We didn't want to accept this view of the world, so we also asked a few experts for their view on inspiration in marketing.

David Hughes of NonLine Marketing, and a tutor for IDM singled out www.iittala.com for their tone of voice and brand positioning – a Scandinavian confidence to rival even the eco-tone of Cardigan Bay's own www.howies.co.uk.

James Mattewson of MyDigitalJam (and tutor on the MSc in Internet Retailing) also looked past the websites and to the nature of the communication, citing MyStarbucksIdea.com, a source of new product ideas for the global brand. With Tesco.com opening their platform API to commercial partners it will be interesting to see whether there'll be a similar opening of their communication activities.

Dr Dave Chaffey (of Marketing-Insights.co.uk, and digital marketing guru) pointed to many areas of inspiration outside pure retail – our much-loved Compare the Meerkat in financial services and T-mobile's "Crowdsourcing" campaigns. Dave further challenged us by questioning whether the problem was more to do with the dimensions we'd chosen: we have overall inspiration, merchandising and strategy, all of which might be seen as functions of 'marketing'.

We'd be interested to hear your thoughts on this – have we drawn the dimensions without sufficient differentiation? What dimensions do you think would be most appropriate? As we lay the plans for the second year's IRII we're really keen to get your views.

ON TO STRATEGY

We close this dimension with congratulations to the leaders – they clearly and unequivocally inspired, and pulled away from the following crowd.

Looking to next month we'll have an opportunity to consider businesses and models whose strategic positioning, approach or change has inspired us. We'll also be able to crown the overall winner of the first full Inspiration Index. While the two leaders are unassailable please note that they're only 5 basis points apart, and that the next four have a 10 basis point spread. The final round will be decisive. ■

WHO'LL TAKE THE IRII CROWN?

JOHN LEWIS REVIEW

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

RETAIL STRATEGY

Emma Speight, Senior Multi-channel Consultant, CVL

The John Lewis website continues to set the standard for many in terms of clean simple design supported by beautiful photography and a well thought out information architecture.

The big news for John Lewis is the launch of the new fashion venture aiming to add incremental sales of £70m over 2 years, to be achieved by a doubling of the online range and an additional 100 brands, including some high end luxury "online concessions" such as Mulberry and Ralph Lauren.

The online fashion experience is undoubtedly good, with improved content provision and enhanced functionality. The overall effect is more muted than the pre-launch PR suggested, with much of the value added features and functionality hidden at the bottom of the page. Links to brand shops, fashion guides & editorials and features such as "things we love" all require scrolling, making the first impression of the redesigned area more standard than exceptional.

However, by taking this approach they have ensured that the fashion experience blends seamlessly with the wider online range, delivering continuity and consistency, rather than creating a brand within a brand. The fashion area delivers on the enhanced functionality to compete with ASOS & co, whilst remaining reassuringly John Lewis from start to finish.

The retailer is clearly making the transition from being an online & store retailer to a multi-channel retailer, increasingly integrating initiatives, marketing campaigns and delivery services across channels.

The re-launch of the fashion area online has been timed to coincide with the opening of the Cardiff Store which is showcasing the new "women's fashion concept", and a multi-media marketing campaign.

John Lewis' multi-channel credentials are further enhanced by the "Free delivery to store" proposition, available on a range of products in 30 stores nationwide. Although currently low-key, the multi-channel proposition signals a strategic intent that represents a real competitive threat on the multi-channel high street.

USABILITY

Mark Westwater, Senior Usability Consultant, User Vision

The offline shopping experience at John Lewis has long been considered one of the best in the business, so how does their online service compare?

There is clear homepage branding and high quality imagery is used as a shortcut navigation panel to the main clothing categories for Autumn/Winter 09. Unfortunately, the navigation elements move on 'mouseover', forcing users to chase them around the page. The homepage imagery is also large, resulting in important information being hidden below the page 'fold'. This issue occurs throughout the site.

At first glance the 'dropdowns' from the top navigation panel appear excessively large, but after using them for a short while they become a very effective means of navigating the site's content, with all categories of items available clearly displayed in a simple, well-organised manner.

The search box is clear and well positioned, prompting users with the type of information that can be entered. The results also take into account common spelling mistakes and transposition of letters, benefiting users considerably.

Recently viewed items are visible for quick access, although labelling is not clear, leaving users to guess visually what these previous items actually are and also how much they may cost (especially useful where people have several similar items they have viewed). Products can be zoomed in upon for closer detail; however the implementation of this feature is not consistent, resulting in multiple methods of zooming.

Clothing products can be filtered by size, colour and designer, and stock availability is provided. The checkout process is similar to many other sites although there is an additional step requiring users to provide their email address with the option of also setting up a password. This breaks the flow of the checkout process and may result in some users dropping out altogether.

The site fulfils the same brand values as the John Lewis offline shopping experience but there are a number of areas of the site which could be improved to enhance the user experience. Addressing these issues will reduce any risk of the site being 'knowingly underused'.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

We asked participants to find some items of warm or winter clothing that they would be interested in purchasing from the John Lewis website. Eye tracking showed us that users were split from the homepage – some starting their journey from the main graphic and others from the top navigation. Once into a section, users were drawn to the image and description of products. One user stated that they were tempted to click into the image on the homepage, but were afraid about being taken through to a 'category funnel'. This user instead chose to use site search to ensure they went directly to the item that they were looking for.

Some users found the text on the website difficult to read due to the contrast of colour used. This was a particular issue for one, colour-blind user. The lack of prominence of text also caused some users to miss the left hand navigation.

Users had particular difficulty with navigating back to previous pages, or a particular page that they had previously seen on the website, missing the breadcrumbs at the top of the page. Many also missed the 'show all' link on the search results pages, and were instead manually paging through the results. Users were annoyed at being shown out of stock items. One user stated, 'why does it let me go to something if they haven't got any?'

Everyone had problems with the product information pages, some wanted more information about products and delivery and others were confused by the stock information located next to 'select size'. One user commented that this is where they would expect a link to add to basket. Some stated that they were annoyed by the zooming image and one user wanted the images to show products on a person. Another was confused by the device used to depict selection/stock of sizes, and didn't know whether this meant that the item was out of stock. One user stated that the 'add to basket' button, "wasn't overly obvious".

We came across a common clothing website fault, where users struggled to add items to their basket because they failed to realise they needed to choose a size first.

All users missed the 'continue shopping' button as it was placed further down the page. Users expected this to be at the top of the page and were clicking on the 'continue' (to checkout) button by mistake.

SITE PERFORMANCE

David Flower, Vice President, EMEA, Gomez

As one of the UK's premier retailing brands, we were surprised at the relatively poor performance of the John Lewis homepage. Overall it did not perform well either on the Internet Backbone or with Last Mile peers. Its one redeeming feature was the homepage's successful rendering within all major browsers.

From the Internet Backbone, John Lewis' homepage delivered an average page download speed of 1.862 seconds. Although this was way behind the benchmark leader, Tesco.com, with an average download of less than one second, it was on a par with other online retailers including Debenhams at 1.76 seconds and Play.com at 1.66 seconds. John Lewis' average performance was made poor by the site's consistency – which showed a standard deviation of around 3 seconds. Twelve month trending data shows that performance of the homepage from the Internet Backbone has changed significantly throughout the year, with the best performances occurring in August and September and the worst in November last year.

The importance of measuring the performance of a site from where the web users sit on the Last Mile and not just from the Internet Backbone is clearly illustrated with the John Lewis results. From an average homepage download performance of sub 2 seconds from the Backbone, the performance plummets to over 15.5 seconds on the last mile – very poor. And the availability of 96.55% between 26 August to 28 September leaves the site outside of top 20 performers in the Gomez UK online retailers' benchmark.

GOMEZ FIVE STAR RATING:

GOMEZ SCORES THE JOHN LEWIS HOMEPAGE A TOTAL OF 1.5 STARS OUT OF 5, COMPRISING:

Availability on Last Mile Score: 0 out of 20
Response Time on Last Mile: 4 out of 20
Consistency on Backbone: 0 out of 20
Competitiveness on backbone: 8 out of 20
Browser support: 20 out of 20
Total 32 out of 100

John Lewis direct

SHOPPERS PLAN TO RETURN TO ABANDONED BASKETS

The majority of shoppers abandon baskets online but three quarters of consumers plan to return later to finish the purchase, according to research from Amaze and the University of Glasgow.

LIKE THEIR REAL world counterparts, consumers online love to window shop, the difference being that when window shopping online they accumulate items using their shopping basket to keep track of items they are interested in - effectively using the basket as a wish list. Unlike shoppers in the high street who have to walk around with a shopping basket before proceeding to checkout, there is no embarrassment in abandoning a basket online.

The researchers found that the pleasure of browsing without the pain of buying is a real phenomenon that online retailers would do well to take into consideration when developing their websites.

"Retailers are continuing to explore the technology around behavioural targeting, using data collected from past visits to their sites to build a better picture of user behaviour with the aim of improving the visitor experience and increase sales by ensuring products presented are most relevant to the user," say the researchers.

"However, if online retailers are to truly increase sales they must understand the motivations of their customers. They should be looking beyond the technology and deeper into the psychology of shoppers to identify why they continue to abandon their shopping baskets despite offering perfectly targeted products based on demographic and past purchase history."

The researchers identified the personalities of three types of online shopper and their propensity to abandon: vague; cost conscious; and window shoppers.

- Some 42% of shoppers were labelled as 'vague' because they seek more information from other people before completing the purchase. These shoppers stated that they "wanted to think about it" or "consult with someone first". They had the strongest intention to purchase and the lowest rate of abandonment.

- Cost conscious shoppers accounted for another 42% of customers and often cited "high postage costs" or "found the item cheaper elsewhere" as reasons why they didn't complete the purchase. This suggests that these shoppers would buy if the price was right.

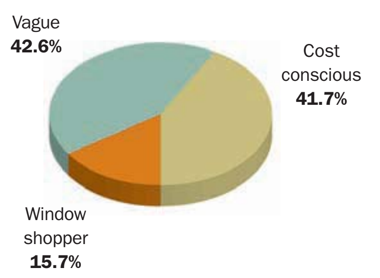
- A further 16% of people surveyed could be labelled as window shoppers with no intention to purchase. They are browsing, in much the same way as a window shopper does with bricks and mortar stores. It is clear they use their baskets as a wish list. Window shoppers may make the conversion rate look bad, but as they weren't going to purchase anyway, abandonment is not a sure sign of poor usability.

"While techniques can be used to convince 'vague' and 'cost conscious' shoppers to buy, it doesn't matter what retailers offer the 'window shopper' type of customer; they are there to browse, not spend money," says Amaze's Tunde Cockshott. "They experience the pleasure of shopping but without the pain of paying."

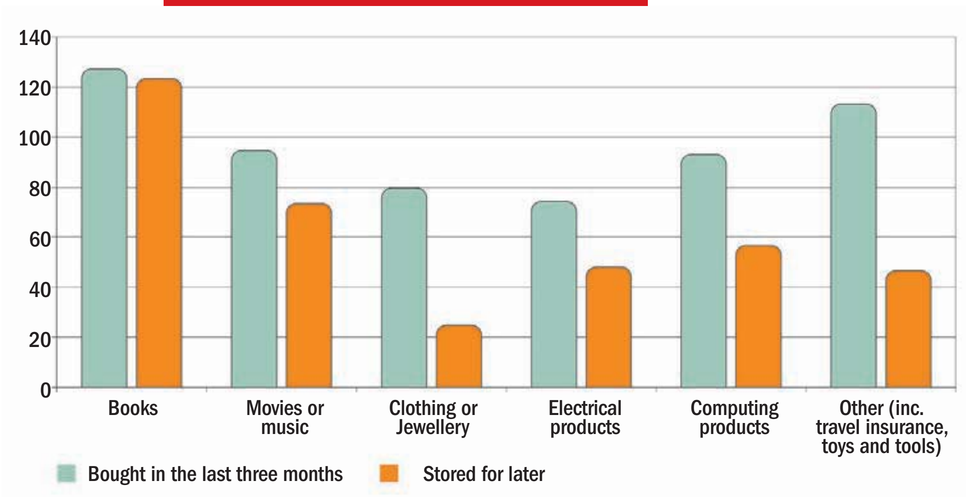
Shopping basket abandonment was found to be more common for books, movies and music, but less likely around more expensive items including clothing, jewellery, electrical and computing products.

"Online retailers need to realise before they invest in behavioural targeting technology that

Types of abandoner



What the participants store for later



Type of shopper	Reasons for abandonment	Behaviour exhibited
Vague	▮ Wanted to think about it ▮ Changed their mind ▮ Wanted to consult with someone first	▮ Strong intention to purchase ▮ Low rate of abandonment
Cost conscious	▮ High postage costs ▮ Found the items cheaper elsewhere	▮ Will purchase if price is acceptable ▮ Search for lowest price across multiple online shops
Window shopper	▮ Never intended to purchase	▮ No intention to purchase items placed in basket ▮ Use basket as a wish list

Type of shopper	Behaviour exhibited	Response
Vague	▮ Strong intention to purchase ▮ Low rate of abandonment	▮ Promote user comments and ratings ▮ Add tools to support qualitative decision making process ▮ Provide on-site support from customer service or enable engagement with community of experts
Cost conscious	▮ Will purchase if price is acceptable ▮ Take the item to search for lowest price across multiple online shops	▮ Ensure transparency around total cost of purchase as soon as possible ▮ Ensure all messaging focuses on cost saving aspects of purchases ▮ Highlight added cost benefits of purchasing from online shop
Window shopper	▮ No intention to purchase items in basket ▮ Use baskets as a wish list	▮ Accept as fact of life ▮ Don't count against abandonment rates

the psychology of the shopper plays a key role in encouraging potential customers to complete their purchase," says Cockshott.

"Online stores could present hundreds of products that they believe their customers might like but if they're window shopping, they'll just walk on by, just like in the real world. While window shoppers will remain a fact of life in the real and virtual world, it's now more important than ever that stores focus on human psychology rather than analytics if they are to get their share of the online consumer's wallet." ■

ECOMMERCE PERFORMANCE: PUTTING THE K BACK INTO KPI

Michael Ross, Founder & Director of ecommera explores the importance of KPIs and proffers five fundamental KPIs for ecommerce.

A SUCCESSFUL retail CEO once told me that he could work out what was going on in his business simply by looking at like-for-like sales – this single data point per store allowed him to differentiate between a bad manager, a bad location or a bad economy. He added that he could walk into a poorly performing store and know immediately what was wrong be it staff, layout or product. Great retailers operate on this combination of basic data and gut instinct. Unfortunately, you can't run an online business on gut.

Online differs from physical retail in two fundamental ways. Physical retailers make the mistake of thinking of online as a single retail store – but online there is no constraint to footfall. Secondly, trying to re-create the experience of "walking the store" online misses two critical points – the website is only one part of the customer experience and there is no typical customer experience – online customer behavior is simply too complex.

Growing an online business necessitates a command of the data. Retailers applying traditional retail metrics online will at best sub-optimise and at worst risk being outmaneuvered by more sophisticated competitors.

This article explores the importance of KPIs, why ecommerce KPIs have missed the target thus far and posits what I believe are the five fundamental ecommerce KPIs.

IMPORTANCE OF KPIS

Firstly, a little bit of KPI history. For many years, airlines focussed on "profit per seat" which seemed like a sensible enough metric at the time. Then in the 1960s, an MIT professor observed that "profit per flight" was a better metric, more closely aligned to airline profitability. This directly led to the birth of the low-cost carriers which now represents some of the world's most profitable airlines. In the car industry, Toyota developed a set of KPIs around waste which directly led to the development of lean manufacturing and helped make Toyota the world's leading car manufacturer. For supermarkets, the insight that profit per linear foot was the right metric led to the discipline of category management that every major supermarket operates under today.

So what makes a good suite of KPIs? Overall, the set of KPIs should be:

- **Holistic** – KPIs must cover everything good, bad and ugly that can happen in the enterprise. There should be nowhere to hide.

- **Hierarchical** – from the CEO to the coal face, all KPIs should roll-up with no more than 3-5 KPIs at any level. More than this leads to paralysis.

And each individual KPI should be:

- **Aligned with profit** – an improvement in a KPI should increase profit (all other things being equal).
- **Actionable** – KPIs must drive behavior. Specifically, this means that they should be non-financial – i.e., P&L/balance sheet metrics are good measures of historical performance; KPIs need to be indicators of current/future performance.

WHY ECOMMERCE KPIS ARE HARD

For the past 10 years, the rapid growth of ecommerce has masked a lot of poor online retailing. Many online retailers have sat back and watched sales grow without needing to do anything clever. But times are changing: ecommerce growth has slowed; online has become much more competitive as all retailers have looked online for growth; and online retailers are focused increasingly on driving profit, rather than being flattered by top line growth. This is a perfect storm for retailers online who hitherto have not had to try very hard. In this new environment, tracking the right KPIs moves from being a "nice to have" to being fundamental to online success.

The challenge is that no-one can agree what the right KPIs are. For example, many online retailers track:

- **The wrong KPIs.** Some retail CEOs focus on conversion rate and average order value (AOV) – these are important but are not key performance indicators. Specifically, they miss the point that, for example, a free delivery offer will increase AOV and conversion but often at the cost of profitability.
- **Analytics-focused KPIs.** Many retailers look only to web analytics for their KPIs – again, this misses the fact that whilst web analytics tell you a lot about what's happening on your website, they tell you nothing about profit, inventory or the end-to-end customer experience.
- **Unhelpful averages.** A typical customer service metric is "average response time to emails". This misses the point that there is a distribution of response times and one can only get a meaningful sense of the overall customer experience by tracking the percentage of emails answered in under 8/24/48 hours and the oldest unanswered email.

The ecommerce industry is still at such an early stage of its evolution that the definitive list of KPIs is yet to be set in stone. Based on my 15 years in the industry, I believe that the following 5 are a good starting point.

THE FIVE ECOMMERCE KPIS

1. Number of orders. The number of orders placed on the website. In due course, as retailers better understand cross-channel behaviour, this will also include offline purchases influenced.

2. Profit per order. Online retailers have lots of levers to pull – increasing marketing spend, running promotions, flexing delivery charges, flexing free delivery thresholds as well as the traditional retail toolbox of prices and promotions. The challenge is that flexing these levers independently gives no insight into their overall impact on profit. Profit per order is the metric that exposes these trade-offs. Smart online retailers recognize the fungibility of these levers – i.e., spending more on google vs. running a free delivery offer vs. reducing prices are interchangeable activities in the online world. The key to growing an online business profitably is to understand the trade-off between order volume and profit per order.

3. Lost profit per order. Good mail order retailers have – for the last 100 years – measured lost demand. When a customer calls to place an order for a sold out item, this is captured as "lost demand" which informs the buying for the next season. Online retailers have many ways to lose demand between order and net sales – cancellations, declined orders, fraud, returns, lack of availability etc. The essence of lost profit per order is to measure all elements of this fall-off. Understanding lost profit is critical for a retailer to decide whether to focus on optimising profit or reducing lost profit.

4. Return on inventory. All sophisticated retailers monitor stock turn and sell-through as key measures of inventory efficiency. The online world has further subtleties. Increasingly, retailers work with a number of drop-ship or just-in-time suppliers and can make more subtle trade-offs of inventory vs. profit. Return on inventory exposes whether a retailer is better off selling 100 units with low stock risk or 1000 units with high stock risk.

5. Customer satisfaction. The delayed gratification that is a feature of all online retailers selling physical goods means that monitoring customer satisfaction becomes critical. One component of this is "delivery on promise" – systematically measuring the distribution of orders that arrive before, after or as promised. It's obviously important but is staggering how few retailers actually track it. As retailers increasingly rely on drop-ship vendors or just-in-time suppliers, delivery on promise becomes ever more important.

So the next time your CEO asks you what's a good conversion rate, you can say with confidence that it's not a good question! ■

VALUE & VOUCHERS: CHANGING CUSTOMER BEHAVIOUR

In October 2008, Sir Philip Green branded tough trading conditions an opportunity for proper retailers to flourish. Since then some have done well while others have bowed out, leaving big holes in the UK's high street. Emma Herrod looks at how consumers are faring in the altered shopping landscape one year on.

RETAILERS have manoeuvred to pick up the custom left by the fallen – valued at £3.9bn by Verdict Research – and done whatever they can to encourage loyalty from their existing customers while building resilience into their own organisation to ensure long-term sustainable performance. We've seen them lowering prices, offering discounts and embracing transparency and 'value' in their business, range and service as consumers lower their monthly spend.

As consumer spending has altered, so too has their behaviour, with planned purchases taking over from the impulse buys. And while spending online is slowing and the etail environment is becoming much more competitive, online sales are outperforming the high street in terms of growth.

Verdict Research predicts that online spending will grow by 13.3% in 2009, while ONS figures show that the volume of retail sales in August 2009 was 2.1% higher than in August 2008. Non-store retailing and repair increased by 12.4%, according to the ONS. The British Retail Consortium (BRC) agrees that the growth in online retail sales is outstripping the high street's; overall UK retail sales in September 2009 rose 2.8% from September 2008 on a like-for-like basis. Non-food non-store sales showed a year-on-year gain of 11.9%. However, this figure is down on the growth rates of 20% in July and 16.8% in June.

"For some customers confidence is trickling back. These are the best total sales growth figures since January 2008," commented Stephen Robertson, Director General, British Retail Consortium.

"But, we mustn't get carried away. They are compared with a weak performance last September. As we enter the important run-up to Christmas, these results give some room for optimism. But consumer sentiment is volatile and could weaken again and, throughout the final quarter, all the comparisons will be with poor figures last year when total sales growth dropped below zero."

Retailing is the industry that has laid off in the most people over the past year, with more than 76,000 shop workers signing on for Job Seekers Allowance (JSA). Big contributors to this total are high street retailers such as Woolworths (27,000 jobs lost), Clinton Cards (2,100) and Land of Leather (1,000).

This can partly be explained by the fact that the retail sector is one of the UK's biggest employers, but the downturn and the subsequent layoffs are also hitting unskilled and low-paid occupations disproportionately, according to the TUC. So although ecommerce managers may feel safe in their own jobs, and disposable incomes for many consumers are considerably higher than a year ago (particularly those with standard-rate mortgages), it's the low paid and low skilled who are bearing the brunt of the recession. And it's this group, says TUC General Secretary Brendan Barber, which is "certainly not seeing any recovery".

For those in employment it's a fragile balancing act between the need/desire to spend and an urge to save, and looking forward this situation remains volatile. As the Retail Think Tank points out, the need to repay borrowings (with 10% or so cut from personal loans excluding mortgages since February) and save for a 'rainy day', plus the fear of unemployment are holding back consumer spending.

But studies are discovering that it's not necessarily the worst off who are cutting back the most. Equally, feeling better off isn't necessarily translating into buoyant purchasing.

Fiona Sweeney, retail specialist at Acxiom UK, says: "What's most significant for retailers is that the old classifications have gone out of the window – many of the groups traditionally targeted have seen a reversal of fortunes, or a reversal of attitudes. It's vital that marketers are equipped with the latest information about their consumers, so that goods and services are marketed correctly and valuable resources are not wasted as the recession continues."

THREE MAIN SPENDING GROUPS

Some 37.9% of the population are 'secure and better off'. Of these:

- 27.11% are more likely to save or pay off debt.
- 10.88% are decreasing spend to protect income.

The 'status quo' represents 43.3% of the population. Of these:

- 20.34% are neither spending more or cutting back.
- 15.06% are living within their means.
- 7.91% are already struggling and worried about job loss – they are 50% more likely to use coupons.

The 'worse off and worried' group represents 18.7% of the population and is feeling the pinch the most. Of these:

- 12.84% are typically over 55 with a fixed income and savings.
- For the 5.86% of retired singles with good retirement provision 'life goes on'.

Source: Acxiom UK

TRANSLATING INTO SPEND

The use of the internet as a research tool to aid purchases both online and in the high street has long been understood, but the recession is bringing to the fore a new type of consumer, labelled the 'maximysing customer' by Hitwise. "These shoppers don't necessarily buy the cheapest products or services, but they do spend a lot of time researching online before selecting what to buy, and then a bit more time to find the best price or discounts before making a purchase," says Robin Goad, Director of Research for Hitwise UK.

Some 63% of shoppers have increased their use of price comparison sites. And according to Experian, more than half of consumers claim to "be likely to delay buying something until it's on special offer". This figure rises to 68% among the UK's professional and managerial demographic group.

Searching for a discount and holding out for a special offer or bargain are now behaviours most likely to be associated with better off, rather than less well-off, consumer groups. Some of the most affluent consumers in the UK are among the most likely to visit discount voucher, rewards and comparison websites in search of money-off coupons and the best bargains.

VOUCHERS

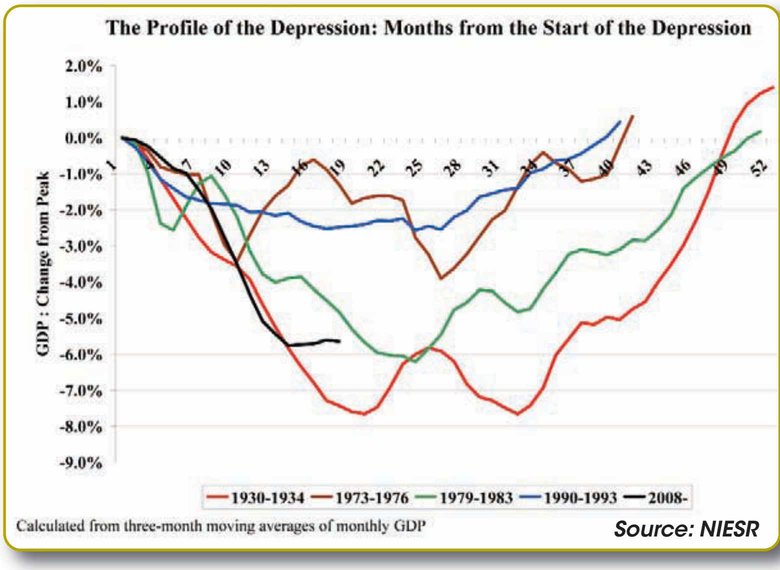
Only 8% of shoppers claim not to be attracted to promotions, while the majority say they keep their eyes open for BOGOFs, money-off and three-for-two offers, vouchers and coupons. According to shopper behaviour specialist Shoppercentric, some 90% of households are now practising more prudent buying strategies such as making things go further, being more careful about avoiding waste and not going to shops known to be more expensive or upmarket.

Since discount vouchers really hit the mainstream in the run-up to Christmas 2008 the market has matured and consumers and retailers have become more sophisticated in how they use them. UK internet searches for discount vouchers have increased by 47.5% over the past 12 months with Hitwise discovering that:

- People are searching for ever-more specific deals and discounts for particular products or retailers.
- Internet searches for generic terms such as 'voucher' or 'discount vouchers' have decreased or remained flat.
- During July 2008, UK internet users searched for a total of 8,300 distinct variations of search terms that contained either the word 'voucher' or 'vouchers'. By July 2009, this figure had more than quadrupled to 34,200.

Traffic to specialist voucher sites has also decreased by 5%, despite the 47.5% increase in voucher searches. "Although the popular voucher websites remain significant players online, they no longer dominate the market," says Goad.

"There are two reasons for this. The first is that consumers have become wary of the more opportunistic voucher websites, which appear high up in the search engine results for voucher-related terms but often contain out-of-date deals – or in some cases no relevant vouchers at all. Second, the retailers themselves – both online-only and high street players – are trying harder to pick up traffic from voucher searches directly, rather than pay for a link from a voucher website. Online retailers picked up only 28.2% of all UK internet traffic from voucher searches during July 2008, but by 2009 that figure had increased to 41.5%."



Source: NIESR

Voucher codes have become accepted across all consumer groups – and frugality has even gained a degree of kudos in some of the higher social economic groups. However, vouchers are also distorting the market. Sweeney points out: "Retailers have created a downward spiral as people will wait for a voucher before making a purchase."

This means that shoppers are being incentivised for something they would have done anyway. Rather than using vouchers purely as a short-term sales promotion, retailers could be using them to reinforce or change consumers' habits over the longer term by encouraging additional purchases or persuading shoppers to return on a weekly or monthly basis.

"Doing something once doesn't change behaviour. By understanding your customers and why they made certain decisions retailers can start to train their customers into a certain way of behaving," says Sweeney.

For example, Derek Dunlop, Senior Business Consultant, Retail, at EMC Consulting, says vouchers can be used to "manage the customer and the experience". If a customer has saved something to buy at a later date, such as leaving an item in their basket or adding it to a wish list, the retailer needs to communicate with them to understand why the purchase wasn't completed at that time and what would make them complete the transaction. This could be as simple as sending them a 10% discount voucher.

Whereas social media is good for engaging with shoppers, an ecommerce site is the shop window. "It's about offers and promotions and these should be put on the front page to attract people in," comments Dunlop. "Why make customers search around for a code when it could be put on the retailer's website?"

VALUE POWER

Finding the lowest price isn't everything for today's cash-strapped – or merely careful – consumers. Even upmarket supermarket Waitrose has followed suit and launched a range of 'value' products like other national chains as it pursues consumers' downshifting their spend. Amazon has decided to enter the hard-hit electronics sector with its own AmazonBasics accessories.

Consumers are not happy to compromise on quality and this has provided opportunities for those retailers that can successfully find the 'value sweet spot', whereby the product or service meets or exceeds quality expectations but at a price slightly less than expected. "This applies to all sectors of consumer packaged goods," says Datamonitor analyst Daniel Bone.

By switching to retailers' own-brand goods consumers are also ensuring that private labels as a whole will continue to gain share at the expense of branded goods as retailers gradually shift consumers onto premium private labels with higher margins.

It's not only the food sector that has seen a big rise in private labelling; DIY and electricals players are milking the potential sales power of energy efficiency by launching new appliances and devices which allow consumers to simultaneously reduce their carbon footprint and save money.

"The 'green' trend has been pushed down the agenda but data shows that those with disposable income are still spending on green," says Sweeney.

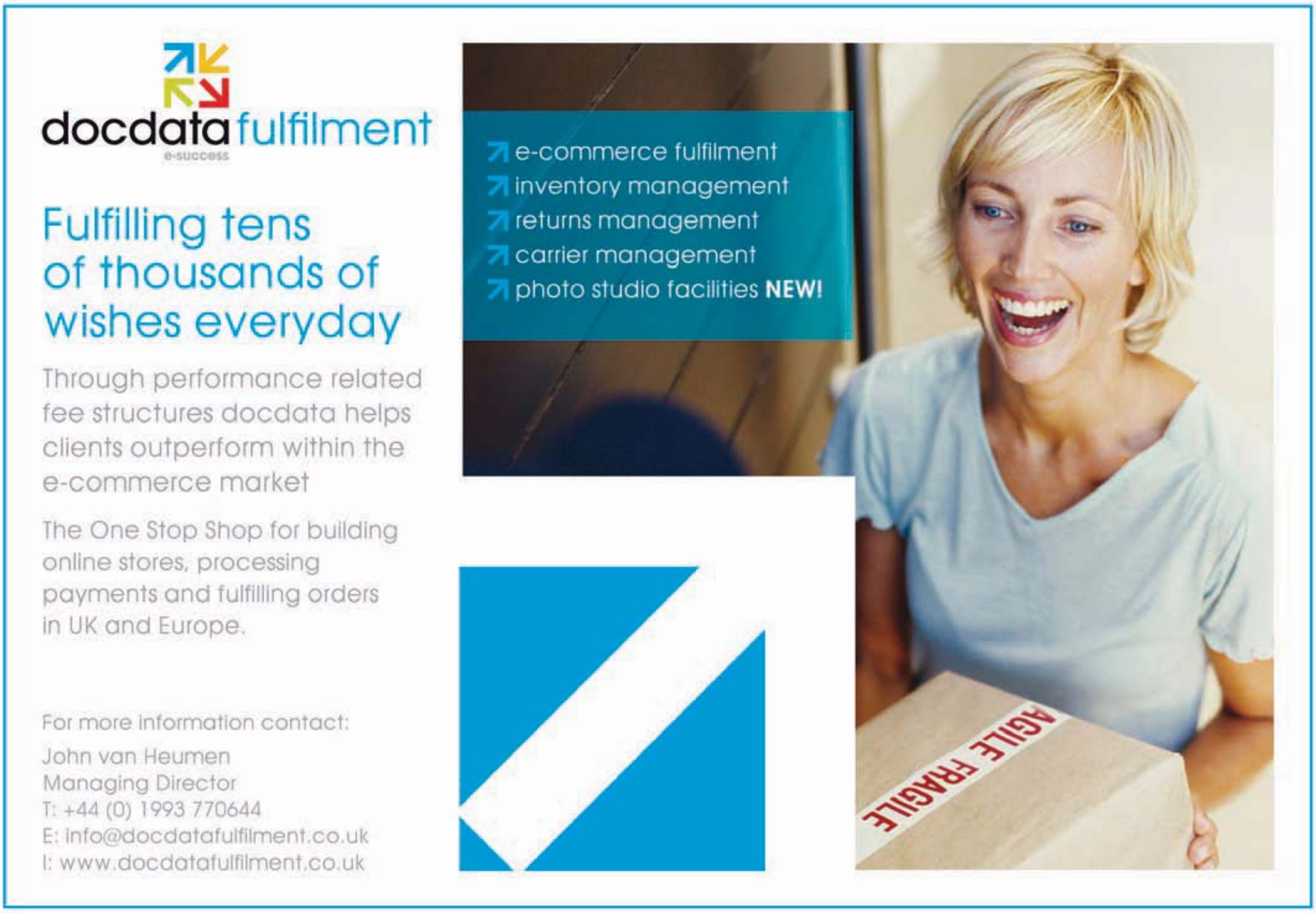
Verdict Research believes that the 'green' opportunity in electricals has been chronically underdeveloped so far, while eco-friendly materials have become indispensable in the furniture and clothing sectors.

INTO POST-RECESSION

There is a sense of optimism as I write this. Interest rates have been kept at a record low for yet another month and the National Institute of Economic and Social Research (NIESR) believes that the recession ended in the UK in May 2009. Its GDP estimates suggest that output rose by 0.2% for the three months ending in August, the first time its indicators have been higher over a three-month average since May 2008.

But it warns that there may well be a period of stagnation, with output rising in some months and falling in others, while Business Secretary Lord Mandelson has cautioned that "there is always a risk of a second recessionary dip".

So while the UK economy may no longer officially be in recession, the NIESR says this should not be confused with a return to normal market conditions. As some retailers prosper and others continue to struggle, Marks & Spencer Chairman and Chief Executive Sir Stuart Rose adds some words of caution: "The recession came fast, it came deep, it came globally. It will favour those who are strong, nimble and bold. It will punish those who are weak and feeble." ■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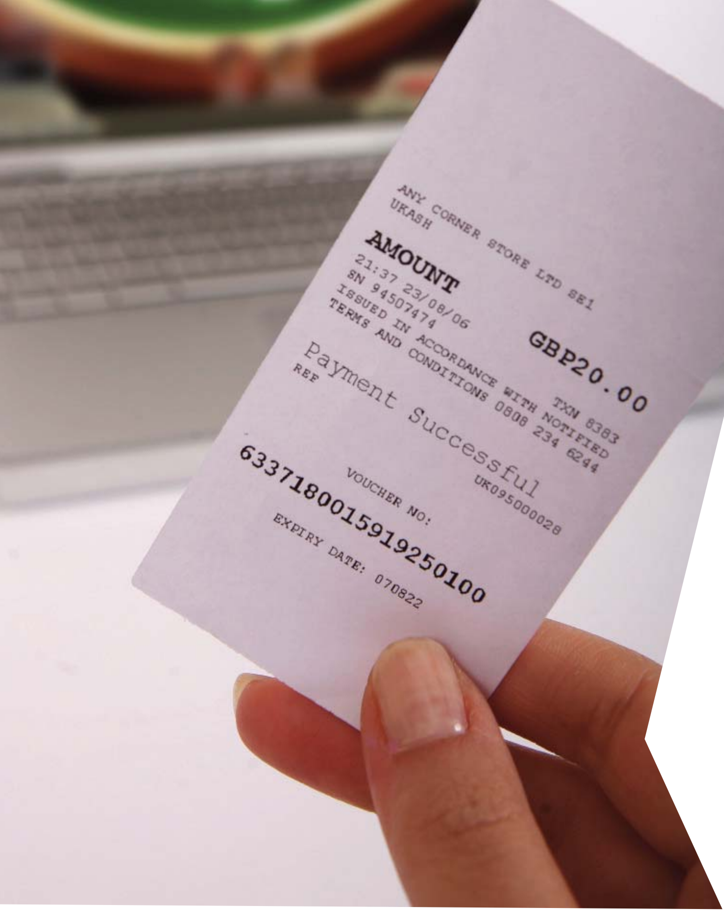


WILL CASH BE KING?

Back in the mid-1990s when internet shopping was in its infancy credit card payments probably accounted for 90% or more of purchases. Today estimates vary but many suggest it is half that figure and falling as new options proliferate. Penelope Ody investigates.

TOTAL INTERNET card payments may have risen five-fold over the past five years, as APACS says, but when it comes to online retail sales in 2009 the "credit crunch" and concerns about online fraud are clearly having an impact with a growing number of shoppers opting for cash alternatives as a means of controlling their spending.

Cash for online shopping may sound novel in the UK but in countries with low credit card penetration – notably Germany – it is often the only alternative. Small wonder then that many of the cash options now available here started life elsewhere in Europe, as did many of the more innovative products. "In the UK we don't have enough payment mechanisms designed for the internet," says Dave Birch, a director of Consult Hyperion and a long-time enthusiast for digital money. "We've been waiting for the banks to come up with schemes like iDEAL in the Netherlands but they haven't."

Consult Hyperion developed the successful e-wallet trialled in London last year by Oyster, Barclaycard and Nokia. The scheme proved hugely popular with users but, like so many innovative schemes, has since stalled on commercial issues.

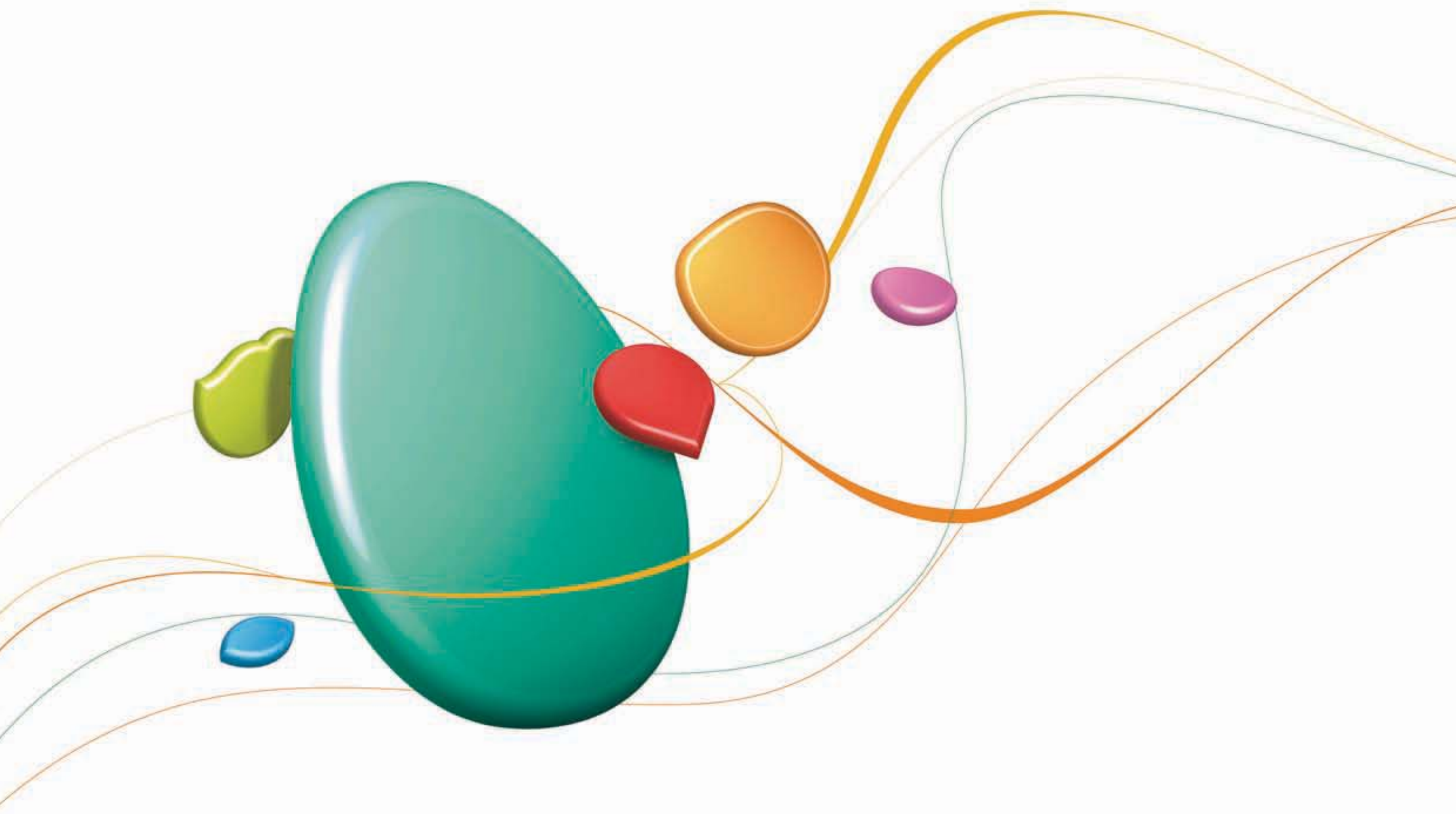
While the banks drag their feet, consumer enthusiasm for online cash is growing. A survey earlier this year by cash-payment system provider Paysafecard – originally an Austrian operation – suggests that around a third of the sample would use cash for internet payments if the option was available, with that figure rising to 40% for women. Significantly, too, 30% of women have either stopped using their credit cards completely or are using them less often. The pattern is similar across all social groups with 30% of the ABs also using their cards less frequently and 25% of those surveyed with access to the internet, not having any credit cards anyway. Of those questioned, 25% claimed to have been a victim of online fraud.

FINANCIAL UNDERSERVED

According to Paysafecard's UK CEO David Hunter, the survey also suggested that those who prefer to use cash fall into three distinct groups: there are the "financially underserved" – the under-18s and unbanked; then there is that significant group worried about the risks of online fraud – a worry for 80% of those questioned in the survey; and finally those that simply prefer cash – they may be paid in cash or just like to use cash as a means of managing their finances rather than depending on credit.

"We had thought that the 'silver surfers' would be a prime market for our cash products, such as Cash-Ticket," says Hunter, "but actually the biggest growth area for us is the young who are used to prepaid options from their mobiles and see buying a prepaid cash voucher to spend on the internet as a standard option."

It's a similar story at Ukash where a survey of users last year also confirmed that the "unbanked" – traditionally seen as at the bottom of the spending hierarchy – are not the only ones who abjure credit: "More than 80% of the 1500 customers we surveyed had a bank account," says Marketing Director Paul Coxhill, "and over



50% had a credit card. Our customers tended to be either concerned about online fraud or they wanted to control their spending by using cash rather than credit."

Coxhill suggests that within the next three years alternative payment options could account for a third of all online transactions.

Several of the companies offering online cash payment systems started life in the gambling and gaming sector so a desire to control spend, as well as a preference for the anonymity which cash can bring, is not surprising. However, these same users are now wanting to use cash elsewhere on the internet and demand for cash options is growing. "Up to a year ago ecommerce was growing so fast that I don't think many retailers saw a need for offering alternative payment options," says Coxhill. "With the recession that's changed and we're seeing more interest from merchants – but most of the demand is coming from consumers and we regularly get people asking us why they can't use Ukash on tesco.com, for example."

Certainly the number of retail sites accepting pre-paid vouchers is currently limited: Paysafecard has signed up Kiddicare and Quiz for its Cash-Ticket and Ukash has just completed a deal with UATP [Universal Air Travel Plan] for buying certain airline tickets with cash. Such systems are also well established in gambling and VoIP applications like Skype but have a long way to go in traditional "retailing" to become mainstream.

VOUCHERS

Other cash options are, however, also in the increase. Pre-paid gift vouchers are a significant growth area, especially for the youth market with parents able to bestow credit-card-like tokens on their offspring. Chapter Eight, which develops, manages and handles payments for many retail websites, sees a growing number of cash payments. "We have three jewellery clients and online gift vouchers now account for around 5% of their sales," says Managing Director Mario Thomas. "It's a similar story with our clothing clients. These sorts of vouchers also give retailers a double bite of the cherry – they can develop a relationship both with the purchaser of the vouchers and the recipients."

At Neovia, another online payment processor, there are clear signs, too, that cash is on the increase: "We've seen significant growth in all cash-based options over the past two or three years," says Dan Starr Executive Vice President of Sales, Marketing and Products. "that includes Paypal, vouchers, Ukash, pre-paid cards from MasterCard and Visa, and the many offerings in Germany and the Netherlands. Many people do seem to want to create a financial firewall for their online transactions by using something other than their normal credit card. Certainly with our Neteller e-wallet product we don't really see the unbanked and most people top up their wallets using online banking."

Starr suggests that use of e-cash is likely to grow significantly in future as companies start to sell content online: the recent News International announcement that it is moving to a paid-for model for its newspaper websites will, he believes, help drive the market in micropayments. "Accessing a story from the Sun might cost 5p," he suggests, "and you can't pay for that using credit cards."

Dave Birch at Consult Hyperion first advocated the micropayments model more than a dozen years ago. "I still cling to the claim that micropayments will one day take off," he says, "but I think that the future will really be in mobile: we're already seeing schemes develop in places like Turkey where the merchant pushes a bill to your mobile for you to authorise payment from a previously registered card – which could be pre-paid. Everything is encrypted on the SIM and it is totally secure with no need to key in card details on a website when you want to buy something."

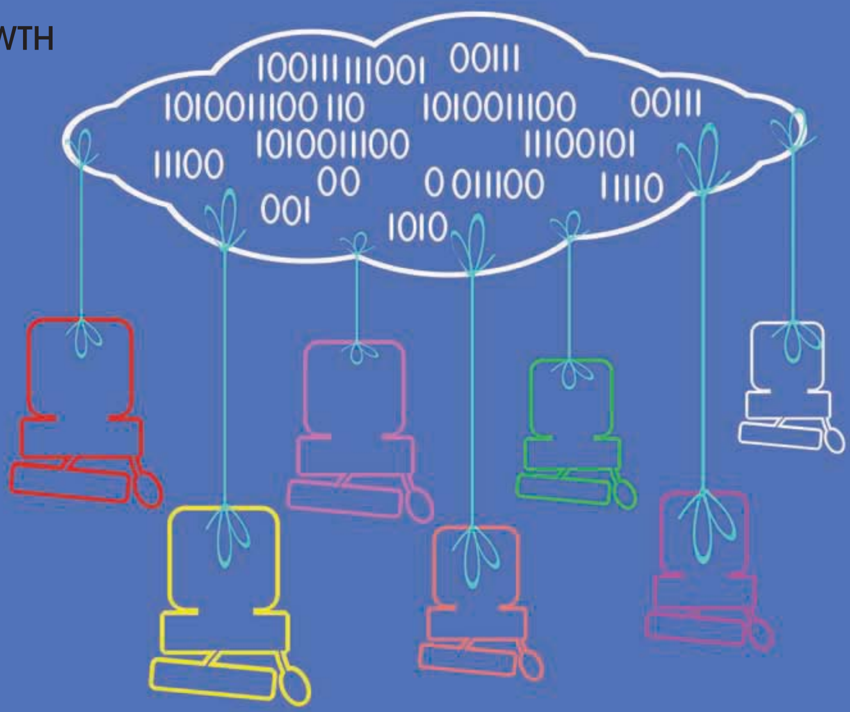
The "credit crunch" may have deterred many shoppers from adding to their credit card bills over the past year, but with the cash options proliferating and the "digital generation" – with their love of both pre-pay and mobile – entering adulthood it seems likely that more non-card internet options will be appearing on a website near you in the very near future. ■

CASH ONLINE

Some of the cash-based and non-card options now available for online shopping include:

- Paypal
- Moneybookers
- Ukash
- Paysafecard's Cash-Ticket
- Neovia's Neteller and Net+
- DIRECTebanking
- iDEAL
- MasterCard Cashplus and repower
- 3V Visa Internet Shopping Gift Card
- O2 Cash Manager

www.what-prepaid-card.co.uk gives details of prepaid cards currently available in the UK.



BUYING INTO 'CLOUD COMPUTING'

Malcolm Rowe of Akamai Technologies explores how many of today's leading names in ecommerce are utilising cloud services to cost effectively interact and connect with customers, build brand values and maximise online sales.

IN THE CURRENT economic downturn organisations are under more pressure than ever to find ways to connect to customers while managing costs. Unfortunately, for many e-retailers the challenge of supporting an advanced online shopping environment comes with increasing legacy costs and complexity – not just in capital investments in servers, storage and networks, but also from a broad list of indirect infrastructure expenses.

Cloud Computing — a style of computing in which dynamically scalable and often virtualised resources are provided as a service over the internet — delivers the operational dexterity online retailers need. Availability and performance are at the heart of the cloud model, and when it comes to rich and dynamic content such as video or complex online product search tools, Cloud Computing can deliver the instantaneous, on-demand scalability needed to overcome bandwidth capacity issues that can hinder website performance.

The advantages delivered by the cloud approach in the current downturn are numerous: you only pay for what you use, you don't have any complicated deployment worries, and you negate the need for in-house expertise or control over the technology infrastructure 'in the cloud.' What's more, the rapid adoption of best-of-breed applications enabled by Cloud Computing means retailers are able to respond in an agile manner, inexpensively re-provisioning to stay at the forefront of changing market needs.

Cloud services also significantly reduce market entry and exit barriers, making it possible to place a secure, high performing retail proposition close to customers, wherever they may be in the world. All this can be achieved without significant hardware or software investment, or specialist in-house skills. In effect, e-retailers acquire outcomes, not assets.

In the online world, there's a direct correlation between site performance and shopper loyalty, duration of visit, abandonment rates and online browse-to-purchase ratios. Consumers expect fast page loads, demand rapid checkout transactions, and increasingly expect a high degree of personalisation. More than ever before, impressive site performance has become critical to conducting business online.

However, the traditional web infrastructure is not designed to cope efficiently or cost-effectively with the highly variable and unpredictable nature of consumer demand. Thus, the performance and availability of online applications can frequently fall short of end-user expectations – especially as retailers embrace web 2.0 interactivity. Users located remotely from an application server, for example, can experience service times 10 times longer than the sub-second response times experienced by close-proximity users. This results in unpredictable online experiences and websites that buckle under heavy demand.

IT'S ALL ABOUT PERFORMANCE

When it comes to rich and dynamic content and applications that enable site differentiation, today's online retailers need to be able to accelerate the delivery of static and dynamic site content and page displays while simultaneously reducing the burden on their own web infrastructures, whatever the traffic demand. With cloud services, retail sites are able to achieve the commercially-essential high availability, superior performance and scalability needed without the build out of costly infrastructure.

Today's retailers need to take full and confident advantage of web 2.0, adding rich functionality in the form of price comparisons, consumer reviews, and product configurators that give online shoppers the freedom to select colour, trim or connectivity options.

Online video streaming is also becoming an increasingly key part of today's integrated promotion strategies, especially for car manufacturers and clothes retailers. Victoria's Secret, for example, advertises live webcasts of fashion shows that draw millions of viewers worldwide, while other brand names now offer a selection of 'catwalk' videos, utilising high quality images to build brand equity.

Ahead of the curve, many of the UK's leading ecommerce companies — including QVC and Marks & Spencer — have been reaping the benefits of cloud services to elevate their online customer offerings, respond dynamically to online demand peaks, and deliver faster transactions and interactions alongside providing access to highly customised or personalised services.

RESOLVING THE CONUNDRUM

Utilising effective 'cloud' enabled application delivery and acceleration services enables e-retailers to resolve the core weaknesses of the public internet, making it a reliable and effective platform for conducting business.

Using an application delivery network to deliver content via 'the cloud' to the point of user request enables retailers to offer online shoppers LAN-like response times and achieve the fast content downloads and optimised site performance that translates into increased conversion rates and revenues without embarking on an expensive 'bricks and mortar' alternative - building out bigger and increasing numbers of data centres to handle demand or place content closer to geographically dispersed users - an approach that also involves significant data replication and synchronisation that represents an additional layer of cost and complexity risk.

The 'cloud platform' also resolves the issues of capacity-on-demand and faster content distribution during short duration traffic bursts, even for sites containing thousands of high quality images, shopping tools or other bandwidth intensive features such as videos or webcasts. Content can even be delivered when a retailer's origin website is unavailable.

With the cloud platform, truly intelligent retailing becomes possible. Retailers can take advantage of geo-targeting and geo-streaming technologies to auto-divert visitors to country-specific sites and deliver geography-specific inventories or store locator look-ups. Ecommerce applications can also take advantage of advanced logic caching technologies to deliver highly personalised customer service by, for example, providing options or taking actions based on a consumer's shopping basket, viewing selections or check-out choices.

Utilising a Cloud Computing managed service does not, however, equate to relinquishing control. Alongside command of the business processes and applications they've established in the onsite environment, retailers retain ownership of secure data held on origin servers, are able to determine how content is cached and served, can integrate ecommerce applications with ease, and have access to detailed reporting on how the extended content and application infrastructure is performing.

In the current climate, Cloud Computing provides a truly cost-effective route to riding out the storm and preparing for growth as market conditions stabilise. Return on investment is delivered through reduced bandwidth, hardware, networking and maintenance costs, together with simplified e-business infrastructures that reduce server requirements, streamline application and content management, and the offload Java application server processing to the cloud network. Retailers simply consume resources as a service, paying only for those they use, when they use them.

Eradicating the technical complexities, cost and deployment issues related to provisioning is just part of the story. Alongside the quality site performance that's a requirement for optimal online success, Cloud Computing ensures retailers can continue to evolve their online presence, taking advantage of new technologies such as web 2.0 to ensure they stay at the forefront of their field. ■

INVENTORY VISIBILITY IS KEY TO FUTURE SUCCESS

David Hogg, Retail/CPG executive at Sterling Commerce, explains how retailers can increase revenues and prepare themselves for the upturn through a complete strategic vision across the multi-channel, multi-brand environment.

MIXED MESSAGES about the first signs of recovery may force some retailers to continue to slash costs across the board to stay afloat. Whilst some retailers have reported a rise in sales over the last month, top figures in retail have warned that 'there are absolutely no green shoots' and the 'recession will punish those who are weak and feeble.' But, for those who have managed to achieve 'flat growth', or even growth of the traditional kind during these hard times, what kind of best practices did they follow to remain profitable during the recession?

Firstly, it is clear to see that retailers, who offer an array of online options such as 'click-and-collect' and home delivery for their customers, are already in a better position to offer consumers what they are looking for as cash becomes more expendable again. Whilst growth in online sales has slowed during the recession, there is still a noticeable growth in this sector compared to stores and it is set to continue for the rest of the year, particularly as consumer confidence rises with talks of economic recovery. Although this is positive news for retailers, the market place has become even more competitive, as more and more retailers see the benefits of online retail. This includes the increased presence of online only 'stores' such as ASOS - which reported superb 47% growth in the first half of 2009. This has led to an intense period of heightened competition, as more retailers set out grand strategies to harness ecommerce to change the shape of their business.

The success of online retailers over the last few years has encouraged catalogue retailers and department stores to also focus their energies on ecommerce, providing broad ranges of products online, from many different brands. This means that the breadth of products offered online continues to increase and competition is becoming even higher amongst retailers, particularly in the general merchandise and apparel sectors. Only at the end of September, Zara and H&M announced a belated entry to the online market that is bound to re-double the efforts of all ecommerce apparel retailers. George Davies' new GIVe brand has opted to go to market from day one as a cross-channel retailer with ecommerce, stores, call centre and concessions. Therefore, although it sounds obvious, it is important that retailers decide which market they want to be successful in and which products they should be recognised for. With more and more people shopping online, ecommerce is creating a shake-out in the market space of those who do not have clear online offerings and provide poor customer service.

MULTI-CHANNEL, MULTI-BRAND

Once a retailer has the correct product assortment strategy, they then need to assess how they can effectively execute this strategy: with the understanding that customer service is absolutely critical and should be at the forefront of any retailer's strategy. Achieving this in-store is one thing, but guaranteeing the best level of customer service in a hybrid environment of in-store and online is much more challenging. Whilst a retailer may stock different products online, in-store, over the phone or through a catalogue, a consumer will always expect continuity across all channels. On top of this, the newer entrants into this market, namely the catalogue retailers and pure e-tailers, will be offering a multitude of brands to their customers. Not only do retailers have the concept of customer service and loyalty to deal with, but they are also entering a world of cross-channel retailing and multi-brand management.

The downfall with multi-brand selling, as well as with multi-channel selling, is that some retailers may be inclined to run their operations as though they are managing several independent businesses, with separate warehouses and most importantly, separate logistics and fulfilment processes. So whilst they have the ability to attract people who may be drawn to one particular brand, they often lack the ability to enable the consumer to switch between the different brands that they offer online. Instead, consumers are often forced to check-out and pay, then log into another website, before proceeding to the next check-out, even when shopping across different brands which are owned by the same company.

Failing to cross-sell between their different brands is causing many retailers to miss out on higher sales revenues that they could achieve if they were to adopt a connected sales channel. So the big question is how do these multi-brand, multi-channel retailers optimise their fulfilment processes to increase efficiency, whilst ultimately satisfying their customers and achieve 'flat growth' or even growth of the traditional kind, in this highly competitive market?

INVENTORY VISIBILITY IS KEY

The answer lies within their inventory management and visibility across the supply chain. Retailers should not underestimate the importance of the constraints imposed on their business strategy by their supply chain and inventory management processes. What lies behind the website will impact as much on your customers' experience as what is front-of-house.

Behind a retailer's website you will often find warehouse, distribution and logistics operations dedicated to each brand. This is by no means an ideal set-up for a successful retail strategy, as in order to be successful, retailers need to have access to inventory visibility and management of their third-party suppliers so that they can optimise customer order fulfilment across all of their brands. The devil is in the detail and the detail required is independent inventory allocation and fulfilment per customer order line item. To do this, retailers need full visibility of their warehouse management systems to find out just how much stock they have left to shift. They also need a reliable tracking system for their products all the way through to proof of delivery of their supplier's "drop ship" supply chain – the primary method of offering an expanded product assortment online. Alongside this, retailers need to ensure that they are not sending out a delivery fleet for multiple orders from one consumer across their different brands; something which cannot be achieved unless they have clear visibility of the orders coming into their websites across all their different brands.

E-tailers and catalogue retailers also need to ensure that they decouple their websites and call centre order capture processes from their warehouse and logistics processes. A comprehensive order management system bridges the gap between both and enables flexibility to change without having to rip and replace excruciating complex bespoke integration between their existing websites or supply chain systems.

Inventory visibility and management across all brands and channels is a key element to guarantee the fulfilment of every order and keeping the customer happy. Otherwise, delays and cancellations may occur due to out-of-stock goods and inability to requisition stock in a timely manner from suppliers. Profitability will also be damaged when some retailers will be forced to retain too much stock to compensate for inadequate inventory management. Ultimately though, these fall-backs will result in poor customer satisfaction, which will lead to consumers shopping elsewhere, due to the ease of switching between different retailers when shopping online.

Making the first move towards a fully integrated multi-channel, multi-brand environment can be challenging. Although there are costs associated with running these kinds of processes, in the long run, it is far less than the costs associated with less efficient selling strategies. Ultimately, the decision is down to the management style of each individual retailer and the strategies that they decide to take to prepare their company for the upturn in terms of taking advantage of greater consumer confidence and increased spending. However, you can be sure that the successful retailers in the UK, who have managed to achieve growth, or stay well afloat during the recession, will have deployed a single integrated cross channel, multi-brand strategy across their business. ■

Insight from arou

SARAH TAYLOR, SENIOR INDUSTRY DIRECTOR, ORACLE RETAIL

Last autumn the global economic slowdown finally reached Russia, ending the country's extended period of rapid economic growth. The corresponding increase in unemployment and drop in average income has impacted consumer confidence and resulted in lower retail sales in the region.

Despite this, retail remains one of most dynamic industries in Russia and consumers are some of the highest spenders in the world. Over the last few years, Russia has emerged as one of the top three most attractive destinations for retail with rapid economic growth, growing purchasing power and a supportive legislative environment all contributing to this success.

Although much of industry's growth centres around the urban hubs of Moscow and St Petersburg, the Russian retail industry remains fragmented and offers considerable opportunities for foreign investment and ambitious domestic players.

Store-based retailing is still considerably ahead of any other sales channel in the region, but eMarketer research reveals that a growing number of Russian consumers - approximately 8.4% – now use the internet for purchasing. Of these consumers, the National Association of Members of E-Commerce Russia reports that last year RUB 110bn was spent on ecommerce.

We are seeing several home grown retailers seek to differentiate themselves from the competition by developing strategies and formats that will support their growth initiatives, improve their competitiveness and drive longevity and performance within the Russian market.

Pharmacy Chain 36.6 and children's trading store network Detsky Mir are just two of the retailers that have implemented scalable, operational platforms supported by common merchandising functionality. This is helping them to better manage their business information and drive more accurate decision-making to achieve value and compete more effectively.

As the penetration of the internet continues, those retailers that can efficiently and productively manage their retail operations, including the complexities of supply chain, will be in a better position to proactively go after market share across multiple formats and channels.

CONSUMER COMMISSIONER

Over half of the websites investigated recently by EU authorities were misleading consumers, according to the EU Consumer Commissioner Meglena Kuneva. The EU-wide investigation looked at 369 websites selling six of the most popular electronic goods to consumers in the EU: digital cameras; mobile phones; personal music players; DVD players; computer equipment; game consoles.

In all, 200 of the biggest websites selling electronic equipment in the EU were investigated, along with more than 100 websites which were targeted on the basis of consumer complaints. The investigation revealed that 55% of the websites investigated showed irregularities in particular relating to:

- Incomplete contact details: Under EU law, there must be complete information about the name, geographical address and email address of the trader.
- Misleading information about the total price and clear product description: Under EU consumer law the online traders must provide clear information about the characteristics of the product, as well as the total cost (including taxes), all extra delivery costs and payment arrangements. The final price to pay must be the same as stated in the information provided before the purchase.
- Misleading information about consumer rights: Under EU law, consumers must be provided with information about their EU "right to return" i.e. goods bought at a distance can be returned within a minimum of 7 days without giving a reason. The investigation also checked the accuracy of additional information provided about consumer rights e.g. warrantees refunds.

The initial checks by national authorities will now be followed by an enforcement phase when companies are contacted by national authorities and required to correct their websites or clarify their position.

EU Consumer Commissioner Meglena Kuneva said: "We targeted websites selling electronic goods because I know from my own mail bag, and we know from the level of complaints coming into European Consumer Centres that these are a real problem area for consumers... This is a Europe-wide problem which needs a European solution. There is a lot of work to be done in the months ahead to clean up this sector, Europe's consumers deserve better."

nd the world

GRANT ARNOTT, CONTENT MANAGER, ONLINE RETAILER CONFERENCE & EXPO

Like the rest of the world, Australia been exposed to the grim economic forecasts and waves of consumer panic that have impacted retail over the past year. While few traditional retailers can claim increased profits and growth in the current economic climate, the virtual world is experiencing an alternate reality.

According to the IBISWorld industry report 'Online Shopping and Mail Order Houses in Australia' electronic shopping media is predicted to grow at rates 50% higher than traditional retail channels in the period to 2012-13. In fact, the economic downturn may even prove a further boon to online retailing, as budget-conscious consumers scour the internet for bargains rather than venturing to shopping centres. IBISWorld nominates online retail as one of the top ten opportunities for starting a business in Australia during the recession and predicts a long period of sustained growth.

Yet despite the enormous short and long term market potential, there has been little activity and much wringing of hands at Australia's major retailers. Few have moved to take appropriate advantage of the rising consumer sentiment toward etailing.

"The past ten years has seen little or no multi-channel competitive tension," says Andy Powell, leader of Deloitte Consulting's Supply Chain practice in Australia and co-author of 'Navigating multi-channel retail in Australia – Moving from if to how'. "During this time, the major Australian retailers have adopted an 'after you' approach, keeping a close watch on what their competitors were doing while remaining reluctant to be the first to commit. Multi-channel retail has proceeded at the pace of the 'slowest common denominator'."

However, the message seems to be finally getting through, and for the first time we're witnessing a flurry of activity as new and established businesses jostle for first-mover advantages in the online retail space. The bar is being raised, portending a dynamic boom in Australian etailing over the next few years. This year's first Australian Online Retailer Conference & Expo was an overwhelming success, highlighting the massive thirst for knowledge in this space, and indicating Australian retailers are ready to make serious inroads into internet retail. The next Online Retailer Conference will be held in Sydney from 7-9 July, 2010. Visit www.online-retailer.com.au for details.

GREIG HOLBROOK, MD, OBAN MULTILINGUAL

With the falling pound making British goods cheaper than local equivalents, and countries emerging afresh from their respective recessions, now is the time for UK-based online retailers to shine abroad.

Many retailers jump into translation of their existing UK campaigns. However, translations don't work because local search behaviour is extremely diverse and this often leaves retailers getting badly burnt.

We tested this theory with a Jordanian tourism site, comparing reactions among French and German visitors. During the experiment, the Jordanian tourism site received nearly 3,000 visits. The 10% of visitors who downloaded the travel guide brochure from the website were counted as conversions.

Elements such as text size, colour, and language were changed automatically through the use of multivariate software. Localised French and German were also changed intermittently for translated-from-English versions of French and German. (Oban's Globalmaxer software is based on cultural design rules for each local market. From colours, language, calls-to-action, etc, it is able to provide the most effective and local solution possible.)

The test results were interesting and surprising: while Germans responded better to localised text, the French visitors seemed to prefer a mix of localised and translated French. Additionally, the French visitors tended to be most influenced by the size of the call-to-action (the larger the download button, the better).

Germans showed a preference for a purple background, while the French visitors seemed to prefer a white background with black text.

These are just a few of the interesting cultural preferences we've noticed through experiments like this one, and they could make a big difference for online retail sites targeting international consumers. We recommend that retailers challenge their assumptions as to what will work in each market and research to the max; it'll save plenty of wasted effort and money to boot.

MOBILE

THE HIGH STREET GETS A MOBILE MAKE-OVER

AS SHOPPERS go online in-store, the shop floor comes alive with new multi-channel retailing possibilities. Andrew Walker, CEO of Portaltech, expands on how mobile promises to change the dynamics of shopping.

In a world where self-service choice is proliferating, mobile channel engagement opens the way for retailers to extend and enrich their dialogue with consumers. The rapid consumer adoption of application-laden smart phones - like the iPhone - that harness the power of the internet to do far more than send text messages and make calls, means that today's shoppers now have access to a web-enabled world of information at their finger tips - just at the moment they're making a buying decision.

Enter the truly mobile consumer, able to buy anywhere and fulfil anywhere thanks to easy-to-download shopping applications that transform their iPhone into a truly personal shopping portal. Now shoppers will be able to access and experience everything they take for granted online when they're on the high street. Consumers can now touch and feel products on the shop floor, using their iPhone to scan the barcode of their desired products and retrieve additional product-related data, before by-passing queues at the check-out to complete their purchase transaction.

Free to create and manage their product selections in wish lists - birthday lists, Christmas lists, wedding lists, or even a 'my favourite wines' list – shoppers will be able to create virtual baskets stored in the shopping application on their phone. Then in-store, or later over a coffee, for example, they can purchase and collect items at a convenient in-store or in-mall pick-up point, or review and refine their lists at their leisure, or elect to carry out further research on a product 'on-the-fly'.

Transformed by mobile-enabled search and decision-making, consumers are liberated to participate in an in-store shopping experience which incorporates real choice about the 'how and when' of purchase and delivery or collection. Spontaneous purchase inspirations or wants can be instantly captured and downloaded onto an online shopping portal for additional research.

What's more, shoppers get to replicate their online shopping behaviours in-store – they can share wish lists with friends, get instant feedback on their choices, check out user reviews or opt to view recommendations and look up complementary products.

MULTI-CHANNEL

For multi-channel retailers, the mobile phone is poised to become a truly inspirational fourth retail channel that extends their online brand proposition and presence literally onto the shop floor.

Delivering mobile versions of their websites to shoppers on the move, retailers will be able to add an extra dimension of brand value right at the point-of-sale. Providing information on colour and size options, 'get the look' recommendations, personalised 'other things you might like to take a look at' or boosting awareness of related accessories and 'nice-to- haves' that relate to specific items.

Retailers are now free to generate location-related brand-pull and get even closer to their customers. From instantaneously delivering data of in-store stock and size options, to giving shoppers the option of ordering online for subsequent delivery if the item they want is not currently available in the size/colour they need – and even alerting them if an item held in their wish-list is in-store, in stock, and available in their size/colour/version preference.

What's more, retailers will be able to target and engage with in-store shoppers in real-time, delivering offers and e-vouchers or undertaking co-branded promotions that elicit an immediate response or decision-making choice. The possibilities for the integrated retail proposition are limitless.

The iPhone opens the way to a new generation of sophisticated merchandising models that put the customer right at the centre of every channel, opening the way to delivering a range of enhanced services – including 'self-checkout' - that evoke brand value and establish retailer differentiation.

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INTERNET RETAILING guide to: payments & fraud