Internet Retailing

Selling in the digital age

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EDITOR'S COMMENT

I'm going to start with a word of gratitude to a retailer that has finally stopped recommending potty training books to me 18 months after my son's last nappy was thrown away. I'm now beginning to worry, though, that the next 18 months' recommendations will be based on the Christmas presents to be bought next month.

I'm not knocking customer insight. It's a wonderful thing when used in a way that benefits the customer and 50p off a loaf of bread will lure me back into a particular supermarket if I'm passing with the shopping list.

In this issue, Facebook and others speak about gathering and using insight from customers' online behaviour and how Open Graph is enabling connections on and offline to be mapped. The 360 degree view of the customer is one of the key essentials in cross-channel retailing, which is the theme for this issue. Organisation structure, optimising marketing across channels, integrating people and technology are all raised by the contributors in this issue. We also look at the future of the high street and whether, with the growth of cross-channel, pureplays can remain away from the high street forever. Finally, Ian Jindal ponders whether 2011 is the last Christmas of ecommerce and Paul Skeldon asks if the secret of cross-channel success lies in how mobile can glue it all together.

Wherever you are on the cross-channel journey – or remaining firmly online only – best wishes for Christmas trading.

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ONLINE GROCERY SALES HEAT UP

UK online grocery sales are set to double to £11.2bn in the next five years, while the way we shop will also change dramatically, according to research by IGD.

The sharp rise, from the £5.9bn expected to be spent in 2011, will take the online share of the grocery market to 6% in 2016 from 3.8% this year.

IGD's ShopperTrack research found that while 17% of UK adults now shop online, 44% intend to do so in the next five to 10 years. The future, it appears, will be multichannel, with more than a third of those quizzed (36%) saying they planned to buy from supermarkets and local stores as well as online.

The research also showed that online shopper loyalty was somewhat illusory, with 64% buying from two or more online supermarkets and 47% saying they would like to try another.

A separate IGD study – Online Grocery Retailing Outlook – in which 170 food and grocery manufacturers were surveyed, found that 33% of them would consider selling their products direct to consumers online, while 61% said the pace of growth in online grocery retailing would speed up in the next five years. Smartphone applications were expected to have the greatest impact on future shopping.

Joanne Denney-Finch, Chief Executive of IGD comments: "Although online grocery retailing only accounts for 3.8% of the total grocery market, it is the fastest growing grocery channel and one which will be used more widely in the future as shoppers become increasingly multichannel.

"As the market is constantly changing, it's still difficult to predict exactly what online grocery retailing will look like in the next few years. What is exciting, however, is how the digital revolution will evolve and shape our industry in the years to come."

GROCERY & ALCOHOL WEBSITES RANKED BY SHARE OF UK VISITS

Rank	*Website*		*Visits Share*
1	**Tesco**	www.tesco.com/groceries	**21.25%**
2	**ASDA**	groceries.asda.com	**11.46%**
3	**Morrisons**	www.morrisons.co.uk	**9.95%**
4	**Sainsbury's Online Groceries**	www.sainsburys.co.uk/groceries	**8.86%**
5	**Waitrose**	www.waitrose.com	**5.94%**
6	**ALDI UK**	uk.aldi.com	**5.69%**
7	**Lidl UK**	www.lidl.co.uk	**5.01%**
8	**mySupermarket.co.uk**	www.mysupermarket.co.uk	**4.50%**
9	**Ocado**	www.ocado.com	**4.24%**
10	**Tesco Wine**	www.tesco.com/winestore	**1.88%**
11	**Hungry House**	www.hungryhouse.co.uk	**1.13%**
12	**Milk and More**	www.milkandmore.co.uk	**0.99%**
13	**Naked Wines**	www.nakedwines.com	**0.99%**
14	**Waitrose Wine Direct**	www.waitrosewine.com	**0.94%**
15	**Riverford Organic Vegetables**	www.riverford.co.uk	**0.93%**

Source: Experian Hitwise

AMAZON RAMPS UP FOR 5 DECEMBER

Monday 5 December at 9pm will mark the peak of this year's online Christmas shopping season in the UK, according to Amazon. The online retailer has used its own previous experience to predict the UK's Cyber Monday will fall on this date.

Christopher North, Managing Director of Amazon.co.uk, says: "In recent years, the first Monday in December has been Amazon.co.uk's busiest day, with orders for over 2.3m items being placed on Monday 6 December last year.

"Mondays remain the busiest shopping day in the run up to Christmas, but every day of that week will see high sales as more and more people have immediate access to shop online via home broadband and, increasingly, mobile devices."

Amazon also says Monday 12 December will be another high demand date, with customers getting more comfortable with shopping nearer to Christmas.

The company has launched its Christmas Store and with insight from its Amazon Wish List feature predicts that the Kindle should be the bestselling product sold through Amazon. The DVD of 'Harry Potter And The Deathly Hallows – Part 2' ranks as number 2 and 'Steve Jobs: The Exclusive Biography' by Walter Isaacson comes in at number 3.

Meanwhile, the online retailing giant has won the go-ahead to buy the UK's largest online bookseller The Book Depository. The Office of Fair Trading says it will not refer its purchase of The Book Depository to the Competition Commission.

NEW YEAR LAUNCH FOR TESCO MARKETPLACE

Supermarket Tesco has confirmed it is to launch a new marketplace on its Tesco Direct webshop early next year. "Selected" third-party retailers will be able to use the site, part of Tesco.com, to sell their non-food products direct to Tesco's customers.

The first phase of the marketplace will be unveiled in the first half of next year, the company said as it released half-year results. It is part of a "significant upgrade of our online Direct Shop," which will bring "additional range and functionality."

Tesco's move to launch its own marketplace follows similar moves by retailers including Asos, which allows "anyone, anywhere" to sell fashion "to anyone, anywhere" through its clothing marketplace. It potentially puts Tesco in competition with existing marketplaces such as eBay and, more specifically, Amazon, though it is not yet clear what the "selected sellers" who will be able to trade through the site will be allowed to sell.

The news confirms and puts a rough date on a Tesco marketplace that first began to be rumoured last year.

The supermarket has also announced a new Clothing at Tesco site, delivering clothes to EU countries. Delivery will take between two and six days and cost from £4.95. The supermarket said online clothing sales had risen by 45% in the last year alone.

HOUSE OF FRASER REIMAGES THE STORE

House of Fraser has reimagined the store for multichannel shoppers. It says its new 1,500 sq ft House of Fraser.com shop is the first to offer purely a Buy & Collect service. The new format, merchandise-free, store has opened in Aberdeen's Union Square.

Robin Terrell, House of Fraser's Executive Director of Multichannel said: "This is an entirely new concept and the launch is a pivotal moment in the development of our multichannel business, which has seen online sales increase by 107% in the first half of the year."

Instead of stocking goods that shoppers can take away with them, the emphasis at House of Fraser.com is on personal customer service. Customers can sip drinks from a free coffee bar in comfortable seating areas while browsing through House of Fraser's online product line through iPads, computers and interactive screens. Goods ordered from the more than 1,000 brands it stocks can then be delivered the next day to either the customer's home or to the store for collection.

Fitting rooms are provided for customers to try on items, while virtual personal shopping is also available in areas such as wedding lists and beauty testers.

More House of Fraser.com stores are now in planning, with the next to open in Liverpool One later this year.

NETFLIX TO LAUNCH IN THE UK

US movie streaming service Netflix will launch in the UK and Ireland early next year, bringing a significant new competitor into the UK's film rental market. The launch takes Netflix further in its strategy of worldwide expansion, but comes at a time when it has recently seen difficulties among its US subscribers with its policy of separating its DVD and streaming services into two services, each charged at $7.99 (£4.99), and together costing more than the combined service previously cost.

The company said that international expansion would be on hold following the launch into the UK and Ireland, which it warned, would "push it to be unprofitable on a global basis" for several quarters.

Details of which electronic equipment would be supported by Netflix in the UK will be available nearer the time of launch. It's also not yet clear how much UK users will pay. Leading film rental service Lovefilm, now owned by Amazon, offers its 1.7m members in the UK and Europe DVD rental alongside online streaming. Its monthly subscriptions start at £5.99 while unlimited streaming packages start at £9.99 a month. Lovefilm has around 70,000 titles on offer and streaming is through a limited range of devices: the iPad was recently added to laptops, internet-enabled TVs and PlayStation 3 consoles.

Netflix has more than 25m members in the United States, where it first began streaming in 2007. Last year it launched in Canada, and added 43 Latin American and Caribbean countries in September 2011.

ONLINE CONVERSIONS FALL 55%

Online conversion rates in the UK have fallen by 55% over the past five years as consumers have taken to browsing, researching and comparing products on more engaging retailer sites, rather than just viewing the internet as another purchasing channel.

In 2006, the average online conversion rate for retailers in the IMRG Capgemini e-Retail Sales Index was 8.4%, but that figure has steadily declined over the past five years: 7.4% in 2007, 6% in 2008, 4.5% in 2009, 4.1% in 2010 and 3.8% year-to-date in 2011, although this is expected to rise in Q4.

Although the shift from 'online purchasing' to 'online shopping' has resulted in a drop in conversion rates, still the Index has recorded strong growth in sales throughout the whole period of conversion rate decline. This is logical because, as the market has almost doubled from £30.2bn in 2006 to £58.8bn in 2010, there are now far more shoppers visiting retailer websites, meaning that the percentage of people browsing without buying has risen.

Clothing and fashion retailers have generally seen higher conversion rates than the overall e-retail market, with rates rising between 2009 and 2010 during the overall decline in the total market. This trend is continuing in 2011, with clothing retailers recording an average conversion rate of 5.3% in H1, compared with 5% in H1 2010. Between 2009 and 2010 the average conversion rates for clothing retailers grew from 5% to 5.5%.

Online conversion rates are typically expected to increase during the fourth quarter since many people have a fairly good idea of what to buy for family and friends for Christmas. In Q4 2010 the overall average conversion rate was up 4.6%, compared with 4% in Q3.

During the same period, the conversion rate for pureplay retailers increased from 4.4% in Q3 to 5.6% in Q4. But there was no growth in the conversion rates for multichannel retailers (both quarters recorded an average of 3.6%), which may have been influenced by the adverse weather conditions and consumers using click and collect services to be certain of getting their gifts before Christmas Day.

The overall year-on-year growth for the total group of retailers was 6% between December 2010 and December 11.

IS THIS THE LAST CHRISTMAS OF ECOMMERCE?

2011 has seen the continued growth of ecommerce and especially multichannel, but Ian Jindal wonders whether this success means that 2011 might be the last Christmas of ecommerce as a result.

ECOMMERCE channels have continued to grow throughout 2011 with the upwards trajectory defying the pervasive market malaise and the inescapable softening for most retailers of their comparatives. As discounting and impromptu 'special sales' are a feature of our unseasonally-mild Autumn it's clear that not all is well with retail. The undispelled shadow from 2008, with a new Greek twist, is going to make retailing a challenging sector for the forseeable future. It is therefore cheering to see ecommerce's contribution as an ongoing bright light.

However, the rise of ecommerce is bringing about a phase change in retailing - something that we've predicted for nearly two years, but which this Christmas will become fact rather than prediction.

Javelin Group's recent research, featured in this issue, pegs the retailers' own growth forecasts at around 1% in the coming years, yet the ecommerce growth is anticipated to exceed 30% over that period. With the pie no longer growing, what we're seeing is a shift in the composition of the retailers' internal operations and their engagement with customers. We will have a team within the business driving between 30% and 70% of sales in their channel.

When we consider that online also drives sales in-store, and that online-bought good returned to store also contribute incremental sales, then it's clear that the impact of online will become a dominant aspect of retail. We also have the phenomenal adoption of click and collect, using the inventory and order management capabilities of the web to allow customers to 'manage the store' and plan their time and purchasing visits: this contributes double-digit growth too. Mobile access is also increasing the purchasing and consideration via digital channels, and disrupting the notion of fixed walls and environments of our stores. Finally, we have innovative delivery propositions from Aurora (with their Shutl-powered 90 minute delivery) and Net-a-Porter at the luxury end with their liveried one-hour premium experience. Together these blur the lines between online, store and service experience.

The web is not so much an 'alternative' or 'additional store': increasingly it's the way that customers will take ownership of our brands and drive our infrastructure to their own benefit.

Each of these developments has been celebrated and analysed in our magazine and portal, but it's when we step back and consider the cumulative, aggregate effect that we see the phase change about to happen. Like boiling a kettle, we've been adding and adding heat over time to the water, but lifting the temperature that last degree is the push to shift state from 'hot water' to steam. We are at this stage with ecommerce: the cumulative heating effects of digital channels, greater connection to store, mobility and service proposition from logistics is changing ecommerce from the 'additional channel' to be the main driver of revenues.

In addition to revenues, we're also seeing a change in our relationship to customers. Web analytics have from the outset given granular and extensive information on on-site performance, but we're now starting to get a more rounded view of the customer. 'eCRM' is about to make a cyclical comeback, with 2012 my tip for 'year of customer data and insight'. Digital channels give us greater insights to customer attitudes and behaviour than ever previously possible and when we combine behavioural with purchasing, attitudinal (from social media) with demographic, online with offline and location - it's a powerful and predictive combination. Once more the digital channels have the opportunity not to be the 'add-on', but to drive the business' capabilities.

This new phase of ecommerce - a maturing, if you like - will place great demands upon our businesses. It's so much easier to change stock, brand and positioning than it is to change internal culture, structures and operating approaches. Ecommerce professionals will need to show great leadership to engage colleagues from B&M to retail operations to place the digital customer at the heart of the business. In addition, these digital professionals will need to acquire and master the skills that their offline colleagues have built up over years: not to supplant them, but to leverage that rounded capability more effectively. We will also need to reorient the businesses to our front lines - to those who carry our brand at every customer touchpoint: store staff (more expert, more empowered), contact centre teams (leveraging the complete view of the customer) and social media and content teams at head office (the most engaged moment by moment with customers).

These changes will be significantly more difficult than the growth to date within our single channels. For retailers that re-organise their businesses around their customers, authentic core values and capabilities, the prize will be to transcend a 'channel-first' phase of retailing and engage evermore-closely with customers - and their wallets. For these leading retailers, 2011 will be the last Christmas where we speak of ecommerce alone. For these companies it will indeed be a Merry Christmas and a Happy 2012. ■

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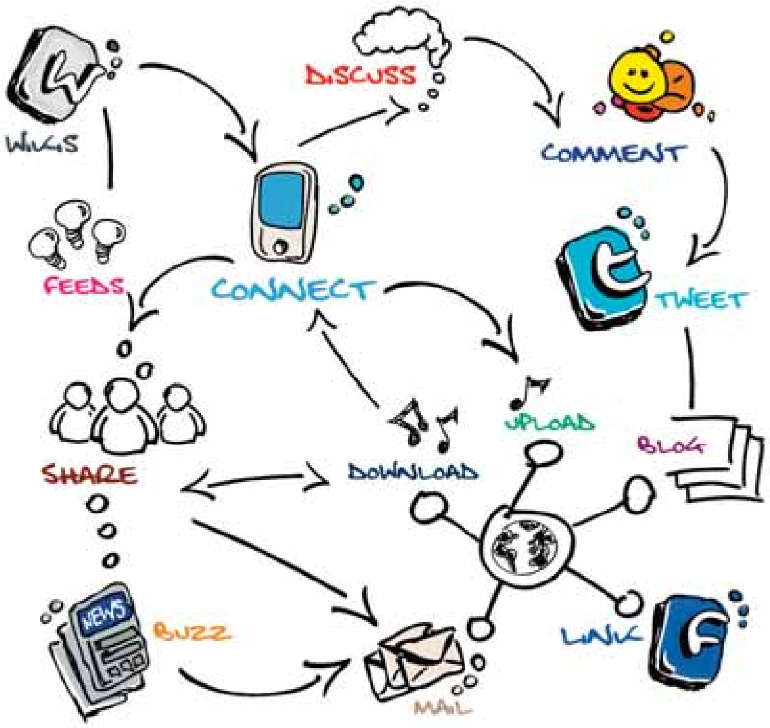
FACEBOOK & CONSUMER INSIGHT:

CONNECTING EVERYTHING, EVERYWHERE

Consumers' trust in retailers has taken a nosedive as they instead put their faith in the recommendations of other shoppers. With some surveys revealing that more than 80% claim not to trust retailers' messages, Emma Herrod investigates what companies are doing to redress the balance.



THERE IS NO DENYING the impact that social networking is having on the way users interact and the expectations they have of retailers and other companies and the websites with which they interact.

Shoppers now expect product reviews on a retailer's website and social networking buttons such as Facebook 'like'.

Social media has enabled anyone to become a publisher, broadcaster and critic. Facebook has more than 800 million active users with over 50% logging on and 4 billion stories shared each day. Twitter users send about 200 million tweets a day. And, according to IBM, YouTube's 490 million users upload more video content in a 60-day period than the three major US television networks have created in 60 years.

Savvy marketers are using social platforms to communicate with their customers: 56% of Chief Marketing Officers who responded to an IBM survey say social media is a key engagement channel. But they still struggle to capture valuable customer insight from the unstructured data that's produced.

Social commerce solutions are delivering substantial, measurable business benefits though. Reevoo customer Jessops, for example, reports that in only 18 months social commerce tools have driven up conversion rates by between 10% and 15% and increased online transactions from 8% to 28%. Another customer, Dixons Retail, says customer satisfaction with its ecommerce site has improved by 6% in the last nine months alone thanks to its social commerce-enabled site.

According to Brian Walker, analyst at Forrester Research, 52% of companies in the US, UK, Germany and France now have Facebook pages with 40% sharing products on those pages. However, only 15% of consumers like to follow their favourite brands and retailers on Facebook.

In the UK, more than 30 million people are active Facebook users; over 5 million are aged 35-44 and more than 5 million are 45-plus. In excess of 15 million check their newsfeeds each day. During September, it accounted for nearly 52% of all visits to social networking sites, according to Experian Hitwise.

Its ubiquity has led Gavin Sathianathan, Head of Commerce Partnerships at Facebook, to declare: "Facebook is now the connective tissue sitting between people in all the countries."

FACEBOOK PURCHASES

The majority of the UK's online population views social networking as a way to socialise with friends, but some 15% have used it to search for promotions and deals and to ask for friends' opinions on products. According to Paul Smith, Managing Director of Techlightenment: "Social commerce might only make up a small proportion of retail sales today but the growth potential is massive. Already, 4% of the UK's 30 million Facebook users have purchased products from a brand's Facebook pages – and that figure is set to rise."

Meanwhile, another survey – conducted this June by Havas Media Social and Lightspeed Research – suggests that despite the retail industry hailing social commerce as the next big thing, 89% of people have not bought anything through Facebook and 44% are not interested in doing so. Yet 70% of consumers say targeted advertising based on interests or shopping behaviour, similar to Amazon's recommendation model, would make them more likely to buy products on social networks.

Marketers can now provide every Facebook user with a truly interactive one-to-one customer experience by personalising brand pages' content depending on user profile. For example, when two Facebook users are viewing the same Facebook page, they see different content: one can be presented with a personalised up-sell offer related to the brand's loyalty card, while the other can have a reminder of a promotion they already received by email. This is a key advance, as Stephane Dehoche, CEO of solution provider Neolane, explains: "By providing one-to-one tailored content for Facebook, these new features are making marketers' hopes for social marketing monetisation a reality."

ENGAGEMENT VS PRIVACY

Over time, Facebook has moved on from simple profiles, photos and newsfeeds, opening up the platform in 2007 and introducing like buttons and groups. But according to Sathianathan: "Most interesting for us is the impact this sharing trend has had on other industries that have taken the Facebook technology to build upon. [...] When we opened up the platform in 2007 social gaming companies started to use Facebook to build an inherently social games experiences. We can now count more social gaming players than on the combined Sony, Nintendo and Microsoft platforms."

He says Facebook is now seeing the same trend play out in further sectors such as music, publishing and other content industries including television and films. "Increasingly, as we map these trends forwards, commerce or retail will be one of the industries that's fundamentally impacted by Facebook".

RETAIL APPS

There are more than 7 million apps and websites integrated with Facebook and every month more than 500 million people use an app on Facebook or experience the Facebook Platform on other websites.

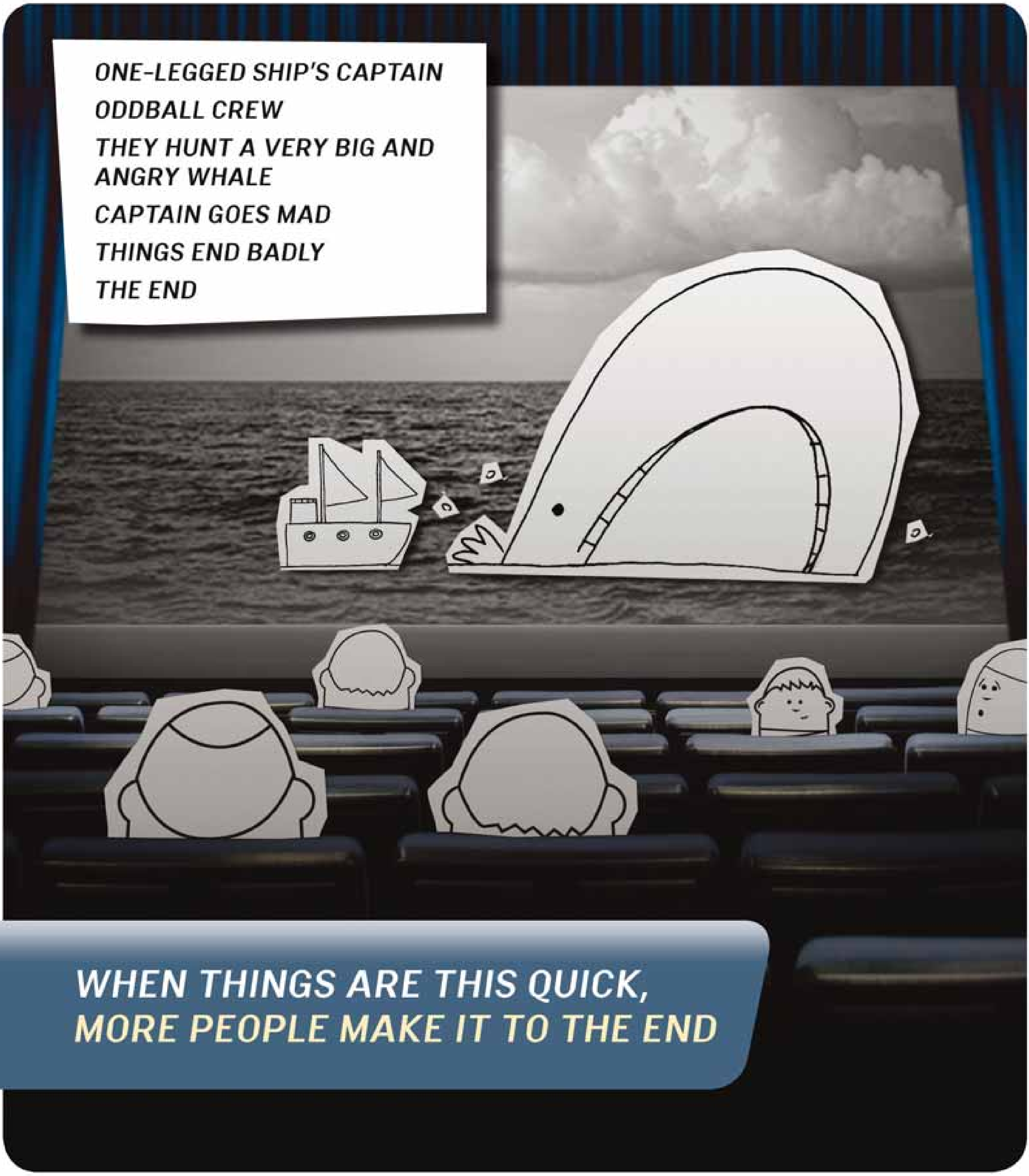
Examples of interactions with Facebook within the retail industry include US retailer Threadless which shows the most 'liked' item at the top of its homepage. Walmart, meanwhile, has launched My Local Walmart for its 9 million Facebook fans seeking a more local focus from the brand. This shows users offers, new products and in-store events at a store near them when they visit the chain's Facebook page.

One of the launch partners for the latest version of Open Graph is The Guardian. Its app will enable Facebook users to share with their friends what they are reading and what articles are proving popular among Facebook users.

This year the service has been ramping up development and pushing innovations. Founder Mark Zuckerberg announced the Timeline and Ticker applications at the company's f8 Developers Conference in San Francisco, US, in September. While Ticker remains fairly consistent with the Facebook of old, delivering real-time updates of what the user's friends are doing, Timeline provides an archive of the user's activity. The aspect causing consternation on some forums is the technology behind them: Open Graph. This opens up Facebook and the connections its users make with friends, brands, websites and content online to the wider web and increases the potential for brands to reach users and their friends. In effect, it enables:

1) Facebook to gather data on its users' entire browsing behaviour – if they give permission;
2) Brands to send messages to users' Ticker and Timelines when they have given permission only once, and in some cases restrict usage of their own site to Facebook users who give permission for them to do so;
3) Friends to share automatically what they are doing, watching, reading and listening to, rather than just what they 'like', thereby creating different types of brand references for their friends to see;
4) Users to bring their profile onto other sites so it's not only connecting people to people, but people to brands and people to products in what is in effect a map of connections.

For retailers these new features mean they can develop their own apps to help their customers.


ONE-LEGGED SHIP'S CAPTAIN
ODDBALL CREW
THEY HUNT A VERY BIG AND ANGRY WHALE
CAPTAIN GOES MAD
THINGS END BADLY
THE END
WHEN THINGS ARE THIS QUICK,
MORE PEOPLE MAKE IT TO THE END

"Apps are going to be crucial [for retailers]," believes Sathianathan.

He gives the example of a Ticker feed based around music – such as the Spotify service – which requires new registrants to log in with their Facebook account. Not only does it mean that users have to share what they are listening to with their friends, since the app is added to their timeline and updated in real-time to their friends' ticker, friends are invited to add the app to their own timeline; they can also choose to listen to the same music as their friends from within Facebook and therefore extend the reach of that specific song, and view friends' top albums, artists and playlists. The music industry could use this feature to drive engagement and insights such as highlighting the most listened to tracks and predicting sales.

Through newspaper apps, such as those launched by The Guardian and The Independent, users' can share automatically the articles they are reading.

"What does it mean for your customers to tell the story of their life through your brand on their timeline?" asks Sathianathan. I, for one, wonder how many people want to share their entire music tastes or would prefer to turn off sharing permissions when listening to a tune they would rather remains a 'guilty pleasure'.

"The newsfeed and profile are about to become far more separated and segmented than what users see today," comments Jesse Noyes, Corporate Reporter at revenue performance management provider Eloqua. "With the implementation of the Ticker on the side of the newsfeed, Facebook is trying to make the newsfeed less noisy. Smaller activities, like a friend commenting on another friend's status updates, will be condensed in the Ticker, while bigger events, such as posting a photo, will get the better real estate."

He explains: "This is a potential plus for brands that can cut through the noise by posting high-quality content. People who 'like' a brand might see published content in that less noisy space, but only if the brand is strategic about what they push out. Plain old status updates won't be enough. Brands that aren't judicious and smart will likely end up relegated to the Ticker, where it will be far harder to get seen.

"With the implementation of the Open Graph, brands that come up with integrated apps will find it easy to get into user timelines. Spotify and Nike are already creating apps that fit right into users' timelines and tickers. That makes it easier for other users to comment and discover services their peers are using. That's a potential boon for many brands, especially app-savvy companies, but it also means playing by Facebook's rules."

> **"WE DON'T HAVE A CHOICE ON WHETHER WE DO SOCIAL MEDIA, THE QUESTION IS HOW WELL WE DO IT"**
>
> Erik Qualman, author of Socialnomics

Noyes adds: "The changes are good if you are prepared to create high-quality apps, understand how Facebook fans are using your service and are producing content that entertains your audience. However, the changes are bad if you are overly promotional, or if your ultimate Facebook strategy is to drive all your fans to drive traffic to your website."

Jan Rezab, CEO of social media engagement analytics and management company Socialbakers, agrees. He says: "The big opportunity for social media marketers is definitely within Facebook applications, where social interactions like eating, drinking and more can be associated with specific brands. For example you will only 'like' Coke once, but you will potentially 'drink' it every day. Now there are more social interaction options available on Facebook, consumers can be more engaged, which is ultimately good news for brands and marketers."

According to Facebook, it aims to help "make big retailers social and social retailers big". But what does it offer retailers?

Carolyn Heller Baird, CRM research lead for the IBM Institute for Business Value - "Approximately 90% of all the real-time information being created today is unstructured data. CMOs who successfully harness this new source of insight will be in a strong position to increase revenues, reinvent their customer relationships and build new brand value."

1) Media

One solution is advertising to segments of the vast Facebook audience. Social adverts enable retailers to target based on the recommendations from the audience's friends, (friend's recommendations lead to a four times higher click-through rate). Alternatively, sponsored stories are based on specific 'likes', such as Gavin likes a pair of jeans on a certain retailer's website so there's the option to target his friends with an affinity for fashion brands.

2) Pages

Pages offer an ongoing relationship with customers or fans. Procter & Gamble, for example, believes that 10% of its total user base can be found on Facebook. It means companies can engage with some of their customers on a daily basis. More important, however, is the interactions your fans have and the interaction your brand has with their friends that counts, and ultimately how you grow these.

3) Business

How do you take a Facebook element, such as social plug-ins, and apply it to your business? Or take someone's profile and use this data to deliver a personalised experience from the outset?

As Sathianathan explains, Facebook captures the stuff that happens to retail customers throughout the rest of their life. He says: "For any one retailer you've got lots of data, transactional data, browsing data, behavioural. Facebook captures the rest of their lives, their brand affinities are captured on their Facebook profile, so start to think about the ways you can use someone's Facebook data to personalise the experience on your site, mobile or in your store."

FORGING CLOSER LINKS

eBay – the second keynote presenter at the recent Internet Retailing conference – has recently announced closer links with Facebook. eBay users can already join together to buy gifts as a group on Facebook while networking and, of course, it also offers 'like' buttons and fan pages.

It has now integrated Open Graph into its X.commerce open commerce system enabling third party developers to build new social shopping experiences for the millions of consumers and the 100,000 retailers worldwide who use the Magento commerce platform.

eBay also plans to integrate Open Graph functionality into its GSI business unit's Social Media Services framework.

Matthew Mengerink, Vice President and General Manager, X.commerce, comments: "Technology is changing the way consumers shop, and eBay's integration with Facebook will make shopping social for consumers and retailers worldwide."

Next to arrive in the editorial inbox is the announcement that Venda has further integrated Facebook's new Open Graph functionality into its cloud-based convergent commerce platform with support for three new verb buttons "Send", "Want" and "Own". I'm sure other platforms will follow suit.

NEW PERSPECTIVES ON AN OLD CHALLENGE

Retailers have long discussed the merits of social networking, the ROI of different engagement models and how much consumers will spend via Facebook stores. As with any channel, its value depends on how much manpower, innovation or money – or a combination of all three – retailers have to put into it.

One thing that's for sure is the shift in consumer behaviour is forcing everyone to increase transparency and work together to push back boundaries in the retail sector. Retailers are having to get smarter online, through their use of social media, cross-channel data gathering and analysis, and their use of the insights they gain.

If the past few years have been all about building the foundations of successful online retailing, the next few will be more about the interaction between social networks and retailers, with the latter becoming smarter in engaging with individual consumers and predicting their purchases. Developers, integrators and platform providers are already pushing 'smarter solutions', 'customer experience management' and 'insight engines'.

IBM, for example, has rolled out its Smarter Commerce software and services initiative based on its WebSphere Commerce platform. It has also invested $2.5bn in its own solutions and the acquisition of Sterling Commerce, Unica and Coremetrics. Since March 2011, these offerings have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FACEBOOK STATS

- More than 800 million active users
- More than 50% of active users log on to Facebook in any given day
- Average user has 130 friends
- More than 900 million objects that people interact with (pages, groups, events and community pages)
- Average user is connected to 80 community pages, groups and events
- On average, more than 250 million photos are uploaded per day
- On average, people on Facebook install apps more than 20 million times every day
- Every month, more than 500 million people use an app on Facebook or experience Facebook Platform on other websites
- More than 7 million apps and websites are integrated with Facebook
- More than 350 million active users currently access Facebook through their mobile devices

morphed into its Smarter Commerce ecosystem. According to IBM, this includes partner businesses working on developing new ways for B2B and B2C commerce companies to "buy, sell and secure greater loyalty in the era of social networking, mobile computing and online buying".

It reckons 64% of consumers make a first purchase based on a digital experience. That makes it critical for companies to be able to use their analytics to detect rapid shifts in online behaviour and refine their marketing, sales, customer service and supply chain efforts accordingly.

Insight into customers' previous behaviour – from a store loyalty card or retailers' own analytics, for example – helps to improve customer communications and make them more personalised. With greater real-time data comes improved personalisation on- and off-site.

One company that epitomises this ideal of listening and watching customer behaviour and using insight from analytics to serve them is wehkamp.nl. The Dutch firm, which is the top pureplay retailer in the Netherlands and number 8 in Europe, has transformed itself over the past three years from a catalogue company into an entirely digital operator.

It salvages sales from abandoned shopping carts and potentially lost customers by retargeting them via Criteo, IBM Coremetrics analytics and IBM Unica Campaign. It also sends personalised marketing emails based on the browsing behaviour of each visitor mixed with information based on predictive aspects such as offers of relevance to a larger customer segment.

Ewald Hoppen, Head of the Web Analytics Team at wehkamp.nl, says the firm listens and learns from its customers at every touchpoint so it can continuously adapt at all levels.

This approach is certainly producing results. "Retargeting generates 15 times the ROI of untargeted ads," says Hoppen. Personalised emails have resulted in a 67% lower opt-out rate and delivered a 271% increase in sales per send. He says analytics provide wehkamp.nl with the opportunity "to have a better relationship with our customers". But he predicts that a larger part of the relationship will be outside of its site.

PREDICTIVE INSIGHT

The next level of insight-driven commerce is predictive. This is more personal, not just in terms of alerting businesses to problems before they affect customers but also in trying to predict behaviour and potential purchases. In effect, it's the art of knowing what customers want before they realise it themselves, and systems such as Facebook's Open Graph are enabling retailers to see individual consumer's likes and wishlists so they can understand and anticipate their needs.

The future envisioned by home appliances manufacturer Whirlpool is one in which machines themselves communicate with the manufacturer or retailer to request spare parts and a filter before the customer knows there's a problem. The company's customer loyalty-boosting concepts include being able to download a recipe to an oven and automatically sending a fridge ice-maker filter on the replacement anniversary.

But before any of these innovations see the light of day, retailers have to get to grips with one-to-one relationships with customers – and their friends and their friends' friends' – likes, dislikes, wants, reading, watching, listening tos, drinking and eating. ■

HOUSE OF FRASER REVIEW

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

RETAIL STRATEGY

Emma Robertson, Director, Transform

House of Fraser (HoF) is clearly putting multichannel front and centre of their growth strategy. They have already seen strong growth in online, reporting 107% YOY sales uplift in their recent annual report, against a total company performance of +5.3%; both figures representing significant performance in the current retail climate.

HoF has indicated its ongoing intention to drive its multichannel offer, with investment in both the front-end customer proposition and the back-end supporting infrastructure. From a customer perspective there are three key areas of development:

Firstly, House of Fraser has re-launched its website, with a new brand focused approach. This directly reflects another key area of the HoF growth strategy, increasing the number of brands available to more than 1,000 and developing exclusive House brand propositions spear headed by high profile deals with Biba and more recently Mary Portas.

Secondly, HoF continues to develop its relationship with eBay as its primary outlet channel, and has focused on delivering a HoF brand experience within the eBay outlet platform, rather than anonymously dropping product into the fashion outlet under the product brand name.

Finally, alongside an ongoing store refurbishment programme HoF has made more headlines with the launch of its "Buy and Collect" concept store in Hammerson's Aberdeen shopping centre. The concept store features iPads, computers and interactive screens enabling customers to buy online for delivery to home or store.

All of this has been supported by an £85m deal with DHL to extend their supply chain distribution deal, opening a new warehouse in Wellingborough. House of Fraser has used the opportunity to split the operation, supporting store supply and replenishing out of Wellingborough and turning the existing Milton Keynes site into a dedicated online DC.

HoF continues to operate in a challenged market, facing off competition from department stores alongside brand direct sales. In this context retailers have to go to market with a strong brand and proposition mix that continues to add value to the customer experience. With the current investment HoF is making in multichannel it looks well placed to face this challenge.

USABILITY

Mark Westwater, Senior Usability Consultant, User Vision

Since our last review in 2009 there have been changes to the House of Fraser site including an even more promotions-led homepage. Unfortunately the method of click through does not stand out, rendering the promos fairly ineffective. A subsequent impact is that useful options such as the customer panel sign-up and social network integration is lost down at the foot of the page. In this age of crowdsourcing, this is an opportunity missed.

The changes to information architecture are merely cosmetic as the primary navigation options available in 2009 can now be accessed via a mega-menu rollover. What is provided is brand-led navigation rather than a department or gender-led journey.

The search auto-suggest function (including the number of items available) aligned with the House of Fraser brands works excellently. Also incorporated is the ability to search by product code. Drilling down into the product pages there are a number of important features adding to the positive shopping experience:

- The faceted navigation (price and colour) is helpful (size is manipulated at product level).
- Firstly, the multiple views of clothing provide a more holistic view of the product.
- Retention and upselling is provided via both 'Your viewed items', 'More from this brand' and 'Just In' options.

The provision of a 'Your Style' navigation option is a little misleading as it is essentially latest news and blog content. This section does provide some useful 'How to' guides such as buying a suit for the right occasion. However, there is a missed opportunity to provide a more personalised service.

Overall, most of the other positive features have been preserved but little has been added to improve the customer experience. It could be argued that if it is not broken why fix it? However, the site implementation could be further enhanced to provide retention via a more personalised solution.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

We asked participants to find a gift on the House of Fraser website. From the homepage, eye tracking showed us that users were attracted to the 'Shop by department' tab. From there, the different user's strategies were to search by gender to find a suitable gift. One user failed to notice the gift section within the 'Shop by department' tab because they hadn't associated gifts with a department. The user thought that 'Your style' was more of an appropriate area to find gifts or they expected to find a separate gift section alongside 'Your style'. One user saw 'Gifts & wedding' within 'Shop by department' but chose not to click on this because they thought it would take them to the wedding gift section.

When searching for products, some users, who searched for ladies' handbags, were surprised when the individual images of the handbags changed as they hovered over them. Users weren't expecting this to happen and didn't think it was necessary.

One user clicked on the option to change the colour of a man's shirt to red and expected the bigger product image located at the top of the page to change rather than taking you to a new page.

Users also struggled to zoom into the bigger image. One user tried to click into the centre of the image rather than clicking on the zoom link below, and one user didn't notice the zoom link below the image at all.

Eye tracking showed us that all users read reviews of the gifts they were interested in buying, one male user was keen to read reviews from females who had bought a particular handbag to gain reassurance that he was making the right purchase.

Overall, users navigated to products of interest with ease, but struggled with areas of the website that were designed differently to their normal browsing experiences i.e. the display of images and use of the zoom photography on other ecommerce websites.

SITE PERFORMANCE

David Flower, VP EMEA, Compuware APM

It was interesting to note that despite the relatively poor performance of its website during our test phase, online sales at House of Fraser enjoyed more than 100% growth in the first half of its financial year. One wonders how many more sales the company's website could have generated if its website was performing to its full potential.

Using the Gomez performance network we

Eye tracking heatmap for houseoffraser.co.uk Source: SimpleUsability

measured how the site fared on the Internet Backbone via the datacenters of some of the UK's largest ISPs including Cable & Wireless, Global Crossing and Telstra. With an average response time of 2.67 seconds, it finished in 39th position out of 52 online retailers in the Gomez benchmark.

House of Fraser's website scored poorly from a consistency point of view too – ranking 38th out of the 52 retailers. The lack of consistency was caused by the fact that the website slowed down at almost the same time every day during this test. Using a waterfall chart (which visualizes the sequence in which the home page is downloaded) it was clear that the performance of the website was seriously impacted by a number of third party objects that were feeding into the homepage. These objects, used to analyse how visitors interact with House of Fraser's website, were adding as much as 6 seconds to the home page response time. A possible way forward might be to reconfigure the website, changing the order with which the site's objects download. Moving these "analysis" objects to the end of the download sequence would prevent other objects from being 'blocked' and as a result the end-user would not be affected by any slow-down.

From the Last Mile of real-users' desktops, House of Fraser's website performed well in terms of availability. With a 97% success rate it finished 5th in the benchmark. However, with a response time of over 6 seconds, it could only manage 40th out of 52, well below the benchmark average. Drilling down into the response time result, we could see that between the hours of 7pm and 11pm each day traffic to the site was at its heaviest. The fact that the connection times were consistent but that the server 'thinking' time was prolonged, indicates that there is a bottleneck on the House of Fraser infrastructure and it has trouble coping with the high volume of users. ■

GOMEZ SCORES HOUSEOFFRASER.CO.UK 2.5 STARS OUT OF 5 MADE UP OF THE FOLLOWING:

Availability on Last Mile Score: 24 out of 25
Response Time on Last Mile: 6 out of 25
Consistency on Backbone: 4 out of 15
Competitiveness on Backbone: 4 out of 15
Browser Support: 20 out of 20
Total 58 out of 100

WorldPay™

Risk Spotlight

Internet Retailing: Tell us about your current role and how you got to it.
John Eggleton, Head of Risk at WorldPay: I've spent all of my career in the financial services sector, starting at NatWest in specialist product management roles. I moved to the WorldPay business seven years ago when I took up management of a portfolio of risk management services. Now I am responsible for e-commerce risk management products

IR: What motivates you to work in risk management, and for WorldPay?
John Eggleton: The Risk Management sector is fast-moving . New innovation is constantly needed to match the fraudsters, who are becoming ever more sophisticated in the ways they find to launch their attacks. It is exciting to work in this dynamic environment and specifically for WorldPay, who are committed to providing best of breed propositions to meet new and emerging threats.

IR: How do the risk management services WorldPay provides support online merchants? What specific problems do they help to solve?
John Eggleton: WorldPay is at the forefront of fighting fraud by providing our clients with market leading risk management solutions with which to combat cardholder not present (CNP) fraud. Our high specification real-time fraud screening solution, RiskGuardian, is not only extremely effective in preventing fraud for our merchants but it greatly reduces the administration required by merchants in their day-to-day fraud management. It optimises the good and bad (fraudulent) transactions a client sees in real-time. The financial benefits move straight to the bottom line.

IR: What is different about the service you provide?
John Eggleton: Before a merchant starts trading we provide them with a unique profile both for their transaction history and for the sector they work in. After they go live, we proactively work with them in partnership to monitor their profile and advise them of any emerging threats that we see from across our portfolio of clients, suggesting rule changes to immediately block the threat.

IR: What do your customers value most about the services you provide?
John Eggleton: The partnership approach to fraud management, thought leadership (proactive advice of industry or fraud dynamic changes), the fact that WorldPay provide a complete risk management service and access to added value services, such as age and identity checking,through a single technical connection.

IR: What do you think the current big issues are for the sector? Why?
John Eggleton: I think the biggest issue is the challenges posed to the CNP payments industry through increasing sophistication of the fraudster and the advent of the rising number of transactions that we see across a range of Sectors. These seemingly appear not to exhibit any raised risk - so called 'clean fraud ' . The challenge is being able to quickly spot these transactions and trends and working with our merchants proactively to put measures in place quickly to prevent any serious loss.

IR: What are the emerging fraud threats? What is WorldPay doing to safeguard merchants from these?
John Eggleton: Again, I think that it's the sophistication of the fraud that we see; the ability of the fraudster to mask their identity and location using technological advances to not only steal or compromise card details but complete identities. This can enable them to successfully carry out transactions and obtain goods or services and under certain circumstances, be able to bypass fraud prevention measures put in place by the merchant. WorldPay works with our merchants trading in the CNP environment to create highly effective risk management strategies that layer together a range of risk mitigation tools, both card scheme advocated like Address Verification Service (AVS), Card Verification Value (CVC) and 3D Secure. Also high specification fraud screening tools, like RiskGuardian and its Global Age and Identification tools.

IR: If you had to summarise your vision in a sentence, what would it be?
John Eggleton: Ecommerce fraud is dynamic and evolves constantly. Successful retailers recognise the threat that fraud poses to their profitability and will create effective risk management strategies with the help of trusted partners, such as WorldPay.

INTERNATIONAL AS A CHANNEL

With the proliferation of portable devices and continuing rise of digital commerce, the distinction between retail and e-retail is becoming less defined. David J Smith, Chief Marketing & Communications Officer, IMRG, looks at how international fits into cross-channel strategy.

ONE consequence of this shift is that considering a retail channel in isolation is also becoming less useful. The conversation in the modern retail landscape invariably has to incorporate the importance of a cross-channel strategy or it can seem very out of step.

Thinking about international from a 'cross-channel' perspective may make for a convenient pun, but it is also a very useful and perhaps essential approach for retailers to give themselves the best chance of success in a foreign market.

Entering another market is not a simple process and requires research, testing and understanding. But the opportunity is too good to turn down. We are estimating that the global ecommerce market will be worth around €725bn by the end of 2011. Europe will account for €260bn of that total, with a third of cross-border trade in Europe already passing through UK retailers.

The UK market is arguably the most sophisticated and competitive in the world, and recorded a healthy 18% growth in 2010. However, the growth rates in countries with less developed markets are impressive; Greece and Ireland, which have suffered among the worst during the recession, recorded growth rates of 75% and 39% respectively. More developed markets, such as France, Germany and Italy, are also growing at very strong rates at present so the time is right to secure a firm foothold.

Entry into a foreign market has to be considered in a different way to the domestic one, in the same manner in which preparing content for a social media channel is different from that displayed through a mobile or ecommerce site. There are practical considerations of course in relation to how content is accessible through these channels, but the audience also have different expectations and demands that have to be respected.

The international channel should be approached in a similar manner for exactly the same reasons. Taking the practical considerations first: some of the options available and taken for granted in the UK market may either not be present in another, or just not widely used. Different cultures have different preferences when it comes to their choice of payment method and failure to acknowledge this will result in a complete lack of engagement with the local populace.

The declaration of tax varies around the world and requires careful research to ensure that legal procedures are followed, as the thresholds even within the EU are specific to each country. The logistics framework in each country is also a major consideration. For example, not everywhere will offer next-day delivery, so only what can be fulfilled should be promised.

In terms of content, many studies have found that different cultures respond to the use of colour and the way in which content is presented differently. Simply translating the text into the local language is not sufficient as the style of the language may need to change radically. While consumers in some countries may respond to marketing terminology, in others they prefer to know the hard facts only.

Demographics and the willingness of local consumers to shop cross-border have to be factored into any market decision. Retailers need to be sure that the market is both appropriate for their model and that consumers there will trust a website outside of their own region. Unsurprisingly, countries with shared languages or large ex-pat populations tend to be most comfortable with shopping cross-border with each other.

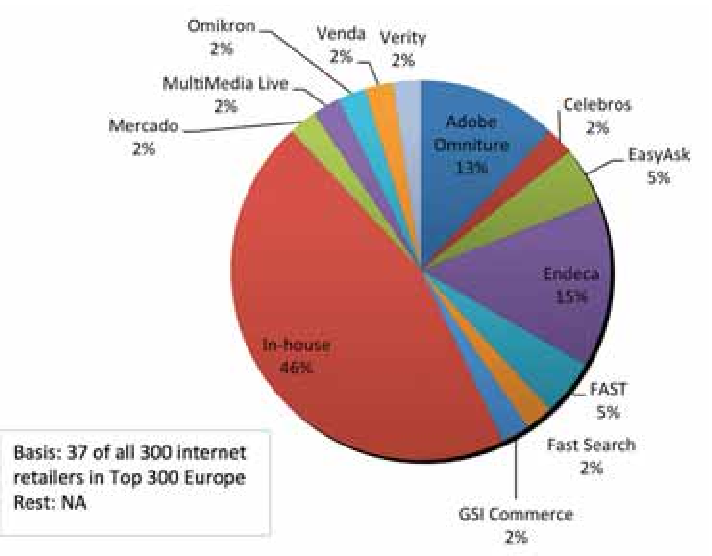
The process of entering a new market then is very similar to that of providing content through a new channel. While an ecommerce site can present the greatest level of functionality and depth of information, mobile content has the limitations of the display screen and context in which mobile internet access can happen to consider. A social media channel is far more of a conversation, so the three examples here could never simply replicate each other with any hope of being engaging.

While it would be ideal for a retailer to be able to launch a single unified service the whole world over in one go, the probability of doing so with any degree of success is extremely unlikely. To have a worldwide presence is the goal of any retailer (and indeed promise of the internet) but even the most ambitious and capable still have to cross the world one channel at a time. ■

SNAPSHOT OF EUROPE

More than half of Europe's Top 300 online retailers sell across borders, according to a study by FACT-Finder. Katrin Jähnke, Head of International Business Development, takes a look at some of the key findings.

Site searches in top 300



THE FACT-FINDER research amongst the Top 300 online retailers in Europe found that 53% offer Guided Navigation of some kind. There is no real industry standard definition as to what Guided Navigation actually is, but at FACT-Finder we define it as a method to direct costumers in a structured way through categories and attributes to find what they want, quickly and easily.

However, it is no surprise to see such a relatively low figures – for what is becoming an increasingly important topic for retailers – as most ecommerce platforms have a very set way of handling site navigation and there is little flexibility for the shops themselves to adapt this to how customers are actually browsing their site.

The research also found that 45% of online shops are handling search functionality in house. I am surprised to see such a high percentage of online shops handling their search internally, and this is probably a legacy from early ecommerce platforms still being used by many retailers. The market has matured and there are now many more providers offering search functionality that can fulfil the requirements of online shops and indeed take their functionality much further.

Clearly there are those retailers who feel that the foundation of an online shop is worth investing in by taking on outside help, but 36% are using in-house ecommerce systems still. This is quite a high percentage for something that can be so labour-intensive.

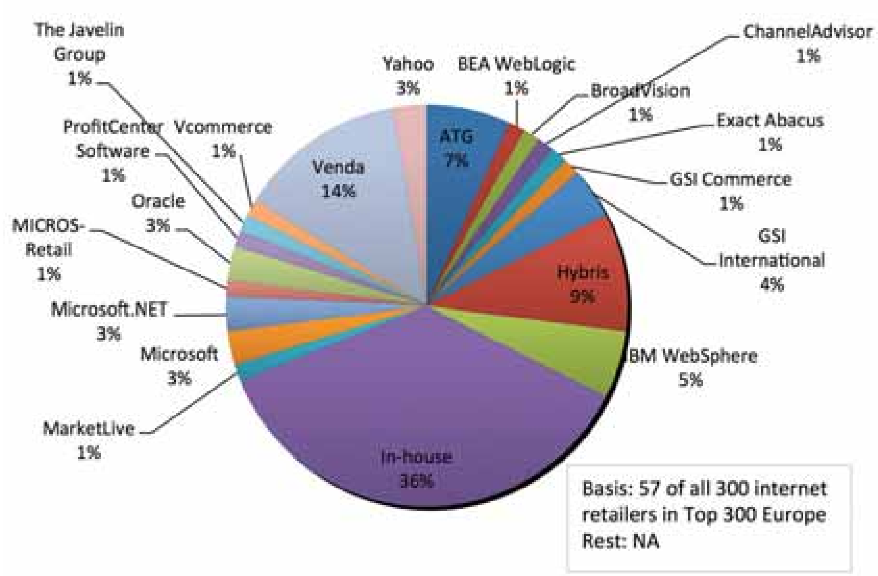
This is similar to the situation with search functionality, and again I think we're likely to see more and more shops moving over to platforms such as Magento as the ecommerce market gets more and more competitive, and shops are forced to keep up to date with the latest developments across their sector as well as the basics of managing and maintaining. The added costs involved with having to have separate developers make any necessary changes will soon become prohibitive.

Showing the complete opposite trend to ecommerce platforms and search functionality is the finding that 86% of sites using Customer Reviews & Forums are outsourcing to third parties. This is probably because these types of tools are much newer and shops have been less successful in establishing their own solutions. On top of this there is one dominant supplier in the marketplace – BazaarVoice, which controls around 75% of the market.

When it comes to conversion, we were thinking that the UK would have the highest conversion rates because of the maturity of the market and the investment in user experience, however, the research found that Sweden has Europe's highest conversion rate at 4.20% and Belgium the lowest with 1.45%.

While infrastructure in Sweden is very good and expectations are very high, the market is still not that mature and with few players in the market there is

Ecommerce platforms in top 300



not that much opportunity to shop around.

Belgium, on the other hand, is in a very difficult situation since it is in the middle of two well developed markets; France and The Netherlands. This means shoppers have lots of choice in terms of price and delivery thus making it very difficult for Belgian retailers to compete.

Cross-border trading is certainly a growth area in ecommerce - 58% of retailers sell to more than one country - but I think that at present this is dominated by similar markets selling to each other; such as Germany selling to other German-speaking countries or the Scandinavian countries selling to each other.

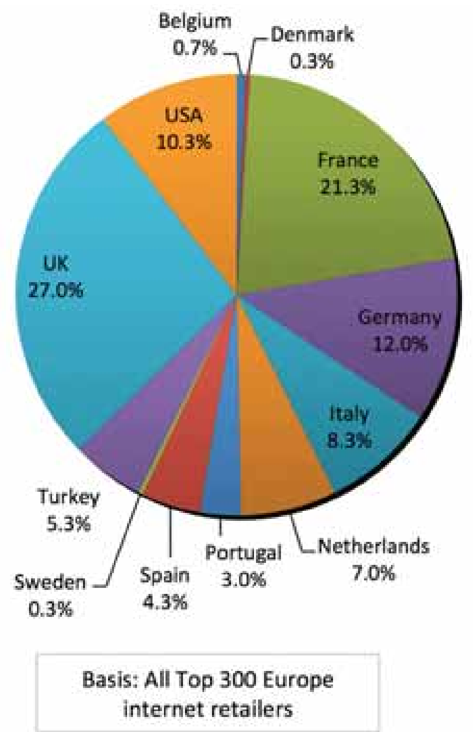
The growing globalisation means that retailers need to see themselves as part of the wider ecommerce community and compare their shops against those in other territories to ensure they have the same functionality and user experience if they are to maintain their competitiveness.

The biggest growth markets were found to be the UK (38%), France (22%) and Germany (16%). It might come as a surprise that the UK still has such a high growth rate as it has not been an easy couple of years economically and politically. However, from an ecommerce perspective it is still a strong and confident market. There has been a lot of investment in innovation to keep driving interest and growth, but I would expect this growth to slow now over the next few years.

Germany on the other hand is a much more conservative market and is likely to see steady – if not earth-shattering growth - over the next three to five years as there is still a lot of room for improvement. While the French market is starting to pick up, my feeling from the recent Ecommerce Expo in Paris is that there is still a sense of hesitation and reticence to dive into ecommerce.

At the same time there are a lot of other countries starting up, including Turkey, Japan, South Korea and South American countries such as Brazil, which are likely to see impressive growth in the medium term and development in ecommerce here over the short to medium term. ■

Retailers ranked by origin country



HOW MANY STORES DO WE REALLY NEED?

In the midst of announcements from major retailers that they are downsizing their estates Tony Stockil, CEO of Javelin Group, provides comment on what the future holds for UK store and multichannel retailing.

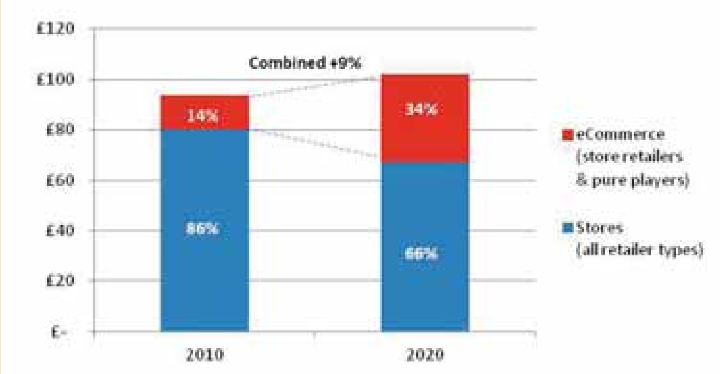
ECOMMERCE and multichannel retail are now dominating the retail agenda and Javelin Group's forecasts suggest that ecommerce will continue to grow its share rapidly to 2020 at the expense of town and shopping centre store sales which will shrink by 27%. This will result in 21% less retail space and 31% fewer non-food stores in these venues. Average space productivities and gross margins will decline among the stores that remain, in the face of rapidly shifting customer behaviours and competitive dynamics. In short, retailing is now entering one of the most disruptive phases in its history.

Given this, the implications for major retailers are urgent. For those who can make the necessary transformation swiftly, a significant opportunity exists to win market share from the many who will not.

Javelin Group has undertaken detailed research and modelling across the four largest non-food retail sectors (Electricals, Clothing & Footwear, Furniture & Floor Coverings and Health & Beauty) which together account for over half of all non-food sales. We have considered how sales in these categories will grow to 2020 and the share which will be taken by different retailer- and venue types and by different customer journeys (e.g. store only with no influence from the web, research online and purchase in store, click and collect etc).

We forecast very slow headline growth across these four categories and across all channels, of somewhat less than 1% per annum in constant terms. However, the share of ecommerce (through all devices and from all locations, including kiosks in the store) will grow from 14% to 34% of sales in the four categories. Most of this will be accounted for by the ecommerce operations of leading store-based retailers but internet pure players will nearly double their share of the total market from 4% to 8%. Sales transacted 'over the counter' in stores, including those researched online but transacted in store, will decline from 86% to just 66% of sales by 2020.

Sales captured by channel across the four categories, 2010-2020 (£bn)



The continued growth of ecommerce in its various forms will be fuelled over the next 5 years by the rapid expansion of mobile commerce which will transform the customer's multichannel journey beyond anything yet seen at scale. By 2020, the mobile device will have replaced plastic loyalty cards, will be the main method of payment for retail transactions, will be a major form of localised direct marketing for retailers and, of course, will be an important source of product and price information for customers on the move and within stores.

It will be further fuelled by the coming of age of in-store ordering through self- or assisted-service kiosks, in-store tablets held by store staff, and e-boutiques (i.e. spaces within stores dedicated to presenting extended ranges through interactive screens).

By 2020, chain stores across all major non-food categories will see the web playing a role in 75% of their transactions (up from 44% today), most often as a source of research before buying in store (research online and purchase offline/in-store, or "ROPO") but also for ordering online and collecting in store (click and collect, or "C&C"), ordering in-store, or ordering from home for home delivery ("direct only").

For many retailers in these categories, gross margins are falling as customers seek out the best prices online and store volumes are falling as customers increasingly shop online and in supermarkets. Thus the economics of retail are changing, driving a reduction of store space as retailers migrate to more cost-effective formats, venues, and channels.

Overall, we expect chain store space in town centres (including shopping centres and high streets) to fall by 20%, and chain store numbers in these urban venues to fall by 31%, as sales go online or (to a lesser degree) to larger destination stores and supermarkets.

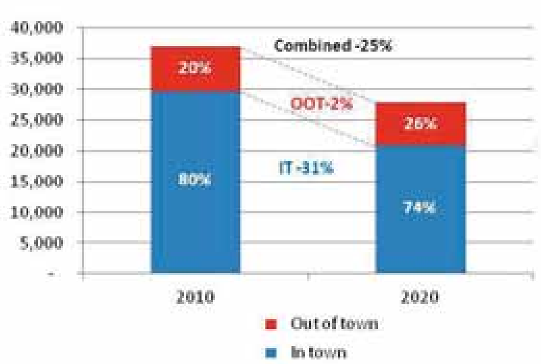
Of course, the impact of the channel shift will differ across different sectors. It will be most acute in the Electricals sector where we expect to see the number of stores on high streets and in shopping centres to fall by 45%. Clothing & Footwear and Furniture and Floor Coverings will also be hit hard: by 2020 there will be 30-35% fewer stores in each of these categories in our town centres, marking a significant change in the business models of these retailers. And, finally, we expect to see the web playing an important role in the "Beauty" end of the Health & Beauty market (although rather less in the "hygiene" end of the market) resulting in 18% fewer H&B stores in town centres.

The priorities for mature retailers across all of these categories fall into six key areas. They must

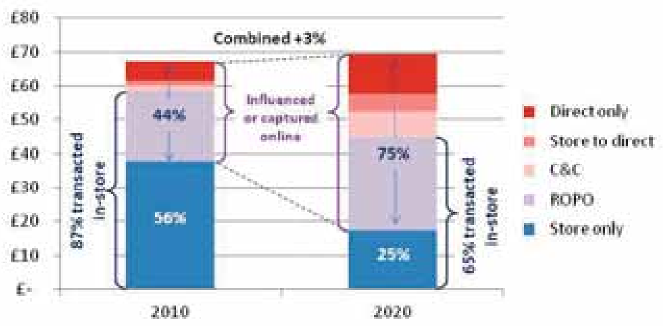
1) Invest in ecommerce and multichannel as one of the few bankable growth areas in the coming decade

- Develop the online assortment and offer more choice: more lines, more brands, more categories

Chain store numbers in the four categories, in and out-of-town (units)



Non-supermarket chain store sales in the four categories by customer journey, 2010-2020 (£bn)



- Improve product presentation and content with better descriptions, images, videos and customer ratings
- Develop ecommerce skills in areas such as merchandising, marketing, user experience and analytics
- Develop the core ecommerce infrastructure for good availability and reliable/convenient delivery options
- Develop IT systems for multichannel, especially "single view of stock" and "single view of customer"
- Develop integrated store and ecommerce systems/processes so that customers can shop across channels
- Place ecommerce at the centre of the business as an enabler of sales across all channels
- Build critical mass to capture customer "share of mind" and drive efficient economics
- Reallocate resources to reflect the growing role of the web in driving sales across all channels

2) Invest in retail brands and private labels as the best defence against margin erosion from the web

- Develop strong product design capabilities for distinctive own labels with strong customer appeal
- Develop the retail brand as a provider of differentiated products and services not easily replicated online
- Develop third party (e.g. wholesale) channels to exploit successful own labels and build scale

3) Redefine the roles and formats of stores so as to exploit fully the value of multichannel retailing

- Develop the in-store "e-boutique" to bring ecommerce effectively into stores
- Stretch out the portfolio boundaries with both larger destination stores and smaller in-town stores
- Experiment aggressively with "micro" town

centre formats supported by ecommerce
- Develop larger "destination" out-of-town formats to present the extended range

4) Reshape, renegotiate and, in many cases, downsize their estates based on these new store roles and formats, and a realistic assessment of space requirements
- Focus the estate on fewer winning town centres and retail parks
- Be more flexible in the deployment of space (e.g. concessions, JVs, splitting and temporary units)
- Develop an informed value-allocation model across channels to drive appropriate investment decisions
- Be more aggressive in managing the estate, demanding flexibility and reduced rents from landlords
- Not be afraid to walk away from unattractive or marginal leases on renewal
- Revise the portfolio planning process to recognise critical channel effects in regression and gravity models

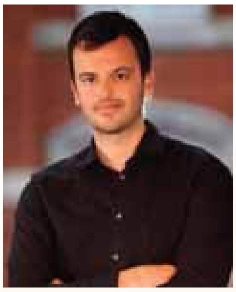
The six strategic priorities for retailers today

5) Roll up and build ecommerce scale (especially for those with strong core operations and brands)
- Take advantage of falling valuations and a consolidating market to acquire complementary retail brands
- Exploit, across multiple brands, the significant economies of scale offered in ecommerce

6) Expand internationally to achieve global scale (for those with strong brands and a sound domestic base)
- Use ecommerce to reach out to customers around the world, initially with a uniform offer
- Select best target countries and gradually introduce "localised" ecommerce (language, currency...)
- In parallel, identify attractive growth markets for exploitation with stores
- Define the best strategic approach for exploitation of these markets (own stores, JV, franchise...)
- Expand: for some large UK retailers, "ecommerce" and "international" are now the main profit engines

The implications for major non-food retailers are urgent. In view of the long lead times involved in building strong ecommerce and multichannel capabilities and in reconfiguring store estates, retailers should be planning now to ensure they have clear multichannel and store estate strategies on which to act over the coming months. This planning should include a thorough review of best practices from other retail sectors and geographies, as many of these can be applied across conventional boundaries. For those who can make the necessary transformation swiftly, a significant opportunity exists to win market share from the many who will not.

For a copy of Javelin Group's white paper entitled "How many stores will we really need - UK non-food retailing in 2020", please email whitepaper@javelingroup.com



WHY VALUE ATTRIBUTION IS THE KEY TO MAKING INFORMED COMMISSION CHOICES

Written by Matt Swan,
Client Strategist, Affiliate Window & buy.at

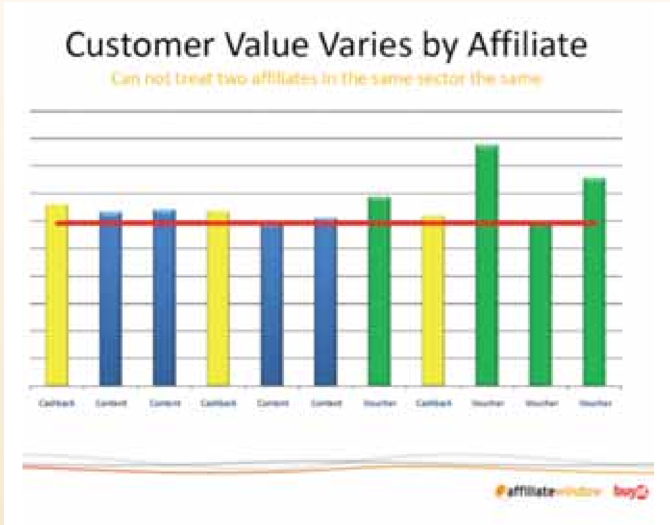
Setting an effective commission structure is an important consideration for advertisers. While it was once possible to set up a default rate for all affiliates, commission setting has become more sophisticated. As advertisers are now able to analyse the quality of sales through each affiliate partner, value attribution has emerged as a metric for effective commission setting.

Following on from a commission rate for all affiliates, advertisers began to base these on the type of affiliates driving sales. For example, a flat rate could be paid to all content affiliates while a lower commission rate may be paid to voucher code affiliates, offsetting the additional cost of offering a discount.

As the affiliate channel has evolved, the concept of value attribution has arisen – the fundamental principal of this being that all affiliates, irrespective of their promotional type, will be driving a different value of customer. By understanding individual partners and the value of the customers they are delivering, it is possible to reward them based on value. With the vast amount of data available to advertisers, more informed decisions are able to be made.

By understanding the metrics that determine a valuable customer, advertisers are able to identify affiliates successfully driving these customers. This will vary depending on the sector and also between advertisers within each sector. For example, an advertiser in telecoms could be interested in affiliates who are able to refer customers taking out the most expensive packages – upgrading to unlimited broadband or adding sports channels to their TV package. For a retail advertiser value could be determined as new customer delivery or higher average order values. If retention is the key element, it is possible to reward affiliates driving customers with high lifetime values with improved commission rates.

It is also important to understand that while certain affiliates may appear to be the same on the surface, closer inspection shows they could have a completely different audience and therefore quality of customer. This is something that could be said for voucher code affiliates. As they are offering users discounts, it would be reasonable to expect the customers of one voucher code site to be very similar, if not the same as another. Extensive research has shown this is not the case. While they may attract visitors searching for discounts, the top voucher code sites also have a large database of customers they are able to target with relevant offers. They are large brands in their own right and have a loyal user base. The graph above shows the value of customers through different affiliate types and indicates that affiliates within the same promotional category actually have different customer values.



It is important to understand that quality of an affiliates traffic will vary. By working closely with these partners to optimise their promotion, advertisers will be able to ensure they are utilising the channel effectively. For example, an advertiser operating within travel may have certain affiliates who are able to generate sales for destinations with a higher margin. If the advertiser knows there is a lot of availability for one of these destinations, they will know which affiliate relationships to leverage to increase sales in this area, rather than trying a blanket approach across all affiliates.

As well as considering the value of customers generated on the traditional last click model, it is also important to understand the value affiliates are providing beyond the last click. For instance, price comparison sites are often the first port of call for consumers, used within the research phase of the user journey. The consumer may eventually purchase through another affiliate or channel but there is an argument to say that the price comparison site added value, despite not closing the sale. This is where advertisers can look at rewarding affiliates with other payment metrics - rewarding the value provided beyond last click. We are already seeing this in terms of tenancy deals being implemented – rewarding affiliates not only on a CPA for delivering sales but additionally for the significant brand exposure they are able to deliver in the early stages of the path to conversion.

In summary, data is key for advertisers to make informed decisions about their commission structure. While the volume of sales may have been the primary concern previously, it is now important to understand the value of these sales and reward affiliates accordingly.

BUILDING CROSS-CHANNEL CONVERSATIONS

Multichannel retailers are being failed by siloed marketing approaches. But marketing automation promises unified cross-channel conversations to optimise marketing return on investment, says Martin Smith, Head of UK Marketing at Neolane, a vendor of conversational marketing technology.

HAVING improved customer access to shop via mobile, digital and in-store channels and integrated customer service across those channels, what's next? Analysts and many retailers say that the competitive opportunity now lies in unifying and optimising cross-channel customer marketing. The objective: to optimise long-term brand loyalty, customer value and overall profitability.

Known too as '360 degree marketing' and taking a 'single customer view approach,' delivering personalised direct marketing messages that are unified and synchronised cross-channels can offer big rewards. According to research conducted by an independent analyst firm Aberdeen Group, conversion rates improve by 22% when shifting from segmentation-based personalisation to one-to-one. Also, customer retention rates improve by 60%.

But how can internet retailers optimise cross-channel customer marketing? What guidelines are there on technology platform choice? What level of success have other firms had?

With an increasing number of communications channels through which to target shoppers, the marketing processes in most organisations have become ever-more siloed – email, social, mobile, iPhone apps, direct mail, call centre…the list goes on. While it's relatively easy and inexpensive to blast mass campaigns at customers via any and all channels possible, evidence suggests that impersonal, ill-informed and channel discordant approaches confuse and frustrate customers.

According to one North American survey, consumers felt that just 10% of direct mail and only 7% of the email marketing they received was relevant to them. Customers expect better; to be recognised as individuals and for communications to be relevant to their unique lifestyles, wants and needs.

The risks of hit and miss direct marketing go beyond poor response rates. The damage extends from lost immediate revenue opportunities to potential disengagement with the brand altogether. There's an operational cost too: running multiple siloed marketing teams, numerous software platforms and processes is an inefficient way to run a business.

To maximise return on marketing investment, the entire direct marketing strategy must be built around presenting relevant communications which meet the habits, preferences and expectations of customers. To do this, it is necessary to both track customer purchases across sales channels and to capture details of all interactions cross channels.

To capture cross-channel data, and to provide the necessary platform for personalised cross-channel marketing, it is necessary to invest in cross-channel

EVIDENCE OF SUCCESS: DEBENHAMS

Department store Debenhams now manages most of its customer communications from a single, centralised point of control. This improved speed to market, allowed it to design and launch the Debenhams Beauty Club loyalty scheme in just 12 weeks and define and ready for launch mobile marketing in just 4 weeks. Progressing from mass, towards cross-channel personalised communications, email conversion rates now exceed 75% and email driven sales volume is up 200%.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marketing automation software. Essentially, cross-channel marketing automation software provides a single enterprise-wide platform on which to build the single customer view and to analyse, plan, develop, execute and measure cross-channel unified marketing activities.

In planning a move towards cross-channel marketing, think beyond just outbound activity. There's inbound to consider too, with channels such as the corporate website, stores, branches, call centre, mobile iPhone apps and brand pages within social media; even online avatars.

If outbound is not interlinked with inbound, customers making direct contact either spontaneously or encouraged by outbound campaigns, can once again, become aggravated at the impersonal content and hence seeming lack of joined-up knowledge and service. Missing this opportunity could be costly: it's well known that response rates to laser-targeted offers presented during inbound enquiries are significantly higher than those for outbound approaches.

Often left untapped are service or transactional messages (e.g. statements, order confirmations and dispatch notifications). These are frequently read. There's a good chance that relevant marketing offers inserted into them will be noticed, read and responded to.

Selecting the right marketing automation technology provides unique support for corralling these messages into a single strategy, fused with inbound and outbound marketing efforts.

With increasing inbound and outbound channels and to encompass the service message opportunity, customer marketing is entering a new era; the opportunity to create 'conversational marketing' strategies.

Conversational marketing is aimed at optimising relationships and long-term loyalty and revenue through heighted interactivity and personalisation. It means unifying inbound and outbound communication strategies, by tracking and managing all marketing activity data, in all channels and in real-time, to generate personalised messaging - making the best, most relevant offers based on customer behaviour and established preferences.

Conversational marketing is all about the customer and building a personal relationship. It addresses three core requirements that every marketer should adhere to:

- Know every individual before you engage them with outbound messages (email, SMS, direct mail, social etc.)
- Respond to inbound contacts (contact centre, web, store) with real-time offers
- Optimise channel capacity, offer coherence and managed contact frequency/marketing pressure; monitor results and fine tune tactics

Conversational marketing represents the next generation of customer engagement: It empowers marketers to master complexity, accelerate speed to market and generate sustainable revenue.

Conversational marketing was only achievable in the past on a small scale; usually person to person. Conversational marketing technology now makes it possible even for organisations with a million customers to automate and sustain personalised relationships.

To be effective, conversational marketing technology must provide the following:

- A real-time, cross-channel single view of the customer
- A central catalogue of marketing offers
- The ability to manage eligibility rules, priorities, rendering and channel capacity; simulate alternatives, control pressures and measure effectiveness
- Real-time recommendation engine integrated with inbound and outbound channels
- Offers personalised offers based on individual profile and behaviour
- Audit trail for all interactions: recommendations and responses

The speed of the 'real-time' component of any conversational marketing technology is essential. Only with the ability to suggest offers and capture a response in milliseconds, is the marketer placed in position for each "speak-listen-get ready to speak" cycle that defines a conversation. Marketers can then set automated journeys to steer individuals in a direction that has been predetermined by taking advantage of every opportunity to converse.

Both for heightened customer satisfaction and loyalty as well as for revenue optimisation, it's essential that all channels – web, social, avatars, mobile, email, the call centre and more are unified in customer communications. The road ahead is one of conversational marketing.

EVIDENCE OF SUCCESS: PHOTOBOX

A 16% increase in introductory offer take up was just one benefit to Photobox. Retention emails, targeting customers who create Photo Books without buying them, saw opening rates increase by over 200% and reactivity rates grew by 50%. Running customer marketing from a single platform, the company shares best practice between its operations in 15 countries and can compare, analyse and optimise campaign performance. Local marketing teams are now more creative and can move more swiftly from ideas to actions.

ARE YOUR FRAUD PREVENTION TOOLS COSTING YOUR BUSINESS LEGITIMATE SALES?

Online retailers work hard to cut fraud rates and reduce chargebacks, but stopping every irregular transaction may not be the best way to proceed

Recent studies suggest that online card fraud in the UK decreased slightly in the first half of 2011, implying that investment in fraud prevention technology is paying off. But is there a hidden issue of lost revenue behind this good news story? Fraud management solutions provider Accertify warns that blanket blocks on suspicious transactions can hamper genuine sales. Instead, merchants should deploy a more comprehensive analysis of purchase transaction data with a goal of quickly fulfilling legitimate orders while minimizing their exposure to fraud.

"While a lower fraud rate is undoubtedly a good thing, merchants should be wary of attempts to attain a level of 'no fraud', as zero fraud isn't necessarily good for companies," explains Mike Long, Accertify's vice president and general manager for EMEA. "If you're experiencing absolutely no fraud losses at all, then it's likely to be at the cost of legitimate sales, costing far more than the losses from the fraud itself."

It all boils down to the level of restriction you're imposing on customers. A typical reason for rejecting a transaction is if three different addresses are provided for credit card billing, delivery, and IP location. While this might look suspicious, it could simply be a returning customer, placing an ordering from a location other than their home and shipping to a friend or relative in another location. Similarly you might have experienced fraudulent activity coming from a country in, say, Latin America, or Eastern Europe. If a blanket ban on sales from that region is introduced, you'll certainly cut out fraud, but how many good sales will you lose in the process? With international expansion a key part of many e-tailers' growth plans, IP blocking of all transactions from certain regions will be counter-productive.

Zero fraud also means that marketing spend for attracting traffic to the site may be wasted. "And the rejection of a legitimate customer not only leads to lost revenue from that sale, but potentially from future sales as well," warns Long. Equally, if the fraud prevention process creates delays in the fulfilment or shipping of an order, you're likely to alienate customers, increasing the likelihood that they won't make future purchases.

LEVERAGE MORE DATA

By having a rules engine that can be customised, and leveraging a wide variety of purchase transaction information and historical purchase activity, retailers can bypass rigid restrictions in certain circumstances, thereby saving legitimate sales. In addition to analysing traditional data points like the billing address when compared to the delivery addresses, Accertify's Interceptas data management platform can take into account more sophisticated data points such as returning customers, and the value of an item and its potential resale value. "Essentially we are looking for signs of positive customer behaviour as well as having in place a set of rules around suspicious behaviour," says Long. "The more data you're looking at, the better."

It's also vital to empower front-line fraud teams to manage and manipulate the fraud prevention process. "And that means striking a balance between automation of fraud screening processes, and manual reviewing," says Long. "You need a dedicated fraud team doing this, with full access to the appropriate data that will help them understand the ever-changing nature of online fraud." Lastly, organisations should consider an enterprise-wide view for preventing fraud, rather than a risk management solution that works in isolation for different business channels.

So if zero fraud is stopping legitimate sales, what is the optimum level of fraud prevention? "There is no one-size-fits-all optimum level," says Long. "That's down to the company in question to identify. Risk managers need to look at a range of factors. This includes the industry they're in, and the historical levels of fraud they've experienced." A company's profit margins should be considered too. If profit margins on an individual item are high, then the loss of a small number of items may have less impact than another case, where individual margins are much lower.

Accertify's advice is that e-tailers invest in tools that provide a comprehensive, layered approach to fraud prevention, that are flexible and easily tailored to their business. "Once an effective platform is in place to address online fraud, companies should deploy a tool that can be expanded across all areas of their enterprise, including phone and in-store retail sales," says Long. Remember that in any channel, extreme fraud prevention policies will very likely compromise customer service and jeopardise some sales, and that's not good for anybody's business.

Mike Long is Vice President and General Manager for Accertify EMEA. Accertify, an American Express company, is a leader in providing software, tools and strategies for preventing online fraud and mitigating enterprise-wide risk. For more information, please call 01273 693555, or visit www.accertify.com

ALIGNING THE CROSS-CHANNEL STARS

When planning internal operations for cross-channel retailing, three things are often cited as being key to smooth implementation: technology, processes and people. Emma Herrod takes a look at how retailers are developing and integrating their internal channels.

WITHOUT the right systems a company cannot gain the all-round view necessary for real-time insight into stock and customers. Without cross-channel processes, the operations fail and customers don't receive a seamless browsing, buying and returns experience across the channels. And without buy-in from everyone in the organisation – from board members to temporary peak-time store staff – the whole project is likely to fall over. All employees must believe in the cross-channel business and be fully engaged; they need to be kept in mind and not pushed to one side by the demands of the immediate process or customers.

Most retailers incentivise in-store staff by allocating click-and-collect sales to the store rather than making it a separate online part of the business. Messaging in store reminds employees and customers that products can be bought online – and in some cases advertising is bringing in the mobile channel as well as purchasing in store and online messaging.

The first aspects of a company's central operations to be merged are marketing, with cross-channel campaigns and messaging matching being run across digital and offline channels. But systems need to be integrated with staff – or vice versa – and ensure the business remains agile and innovative to anticipate and respond to constantly changing customer behaviour and trading patterns. At the same time the company has to retain firm foundations for day-to-day trading in multiple channels and cross-channel retailing. Not much to ask, then.

As Mark Hodgkinson, Marketing & eCommerce Director, HMV Group (and a former Director of Asda), asked delegates at the recent Internet Retailing conference: how is the internet brought to life in your own organisation? Is it a separate part of the business, bolted on, or fully integrated?

CONNECTING SYSTEMS AND PEOPLE

For fashion retailer White Stuff the need to reorganise staff around a cross-channel model and implement corresponding cross-channel systems and processes has come at a natural growth stage in its business.

The company's Cross Channel Director, Alison Lancaster, explains that the firm has been growing all channels rapidly, and the need for systems to support that expansion came at the same time as customer demand for cross-channel shopping.

As part of systems planning, every one of White Stuff's more than 1,500 employees was asked to think about how to do things across the business – in its 78 stores, for home shopping customers and in operations and warehouse environments. It wanted to do things better not just by individual channels but across channels, says Lancaster.

Its new systems will also enable the company to expand into m-commerce as well as international markets. For example, it is about to launch a shop in Copenhagen, Denmark, and is considering on- and

Mark Hodgkinson, Marketing & eCommerce Director, HMV Group advises:

- Always start with the customer
- Build the team and the new skills
- Visualise what you are providing
- Engage and regularly communicate with the whole business
- Technology is the enabler
- Ensure the social and the transactional join up
- Have a strong call for action and reason to return

offline expansion into Germany and a number of other Northern European countries.

"I cannot emphasise the need for planning enough," says Lancaster. "You cannot do enough planning up front – and then do some more. For White Stuff, the planning process has meant monitoring how people carry out their jobs on a day-to-day basis – the web team, store staff, pickers – understanding how they do it, how we'd like it to happen and how to make it better in each channel and across channels, and then stitching it together to make a better overall business."

When new systems are implemented, some members of staff find following them simpler than others. The default is to do things the old way rather than following new, cross-channel processes. Which is why, as part of systems planning and later training stages, White Stuff set up cross-functional workshops and engaged key stakeholders in every part of the organisation. For example, buyers have spent time in the warehouse, warehouse staff have worked at HQ and super users have been set up in each area of the business. This has helped show everyone in the company how what they do has an impact on other areas of the business and other people's jobs:

Traditional teams across the business have been restructured, such as the marketing and brand team, which now drives footfall to all channels. Buying and merchandising has been restructured to look at a specific category across every channel, while the whole sales team is now responsible for all shop, web, phone, wholesales and concessions channels and reports to the Sales Director.

A single warehouse, located in Leicester, fulfils all orders: home delivery, in-store delivery and shop restock. "It's been a lot of change for people in the organisation, adapting from thinking about one channel to cross-channel," says Lancaster. "It has been an accelerated learning curve, but the sum of the parts makes for a much bigger whole."

According to Lancaster, a key factor in White Stuff's successful transformation of its operations has been its people, many of whom aren't task specific and are happy to share experiences. She says: "The joy of a small company is that we're in it together."

While the new systems, operations and processes were bedded in internally before the launch of White Stuff's customer launch of '4 Ways to Shop', a daily clinic allowed employees to raise issues about the new systems and collaborate in providing the solutions.

Lancaster, whose past portfolio includes John Lewis, Debenhams and Harrods, comments that cross-channel integration is harder for larger retailers. She says: "Marketing and customers lead the way but what holds you back are legacy systems. To replace them is not cheap."

> In response to a question about the challenges of moving to cross-channel retailing, Dev Mukherjee, President, Sears Home Appliances, said recently: "It's a consumer thing. You start; you learn something; you build on it. It's a voyage of discovery. You have to be willing to experiment and change."

Large retailers are biting the bullet and replacing legacy systems as ongoing announcements testify. M&S, for example, is moving away from its Amazon platform to a new cross-channel solution delivered by SapientNitro in January 2014.

BEST BUY

In the US, Best Buy had 200 people working for five years to develop and deliver an amalgamated system for order, retail, field and warehouse management. The solution aimed to offer a better experience for customers ordering multiple products and third-party services such as home theatres, which included installation and a product or service relationship with multiple suppliers, such as a television, display stand and cable programme package.

No retailer wants to say that they can deliver a television in two weeks, charge the customer and then find out that there is a six-week lead time to set up, says Chap Achen, Best Buy's Senior Director, Order Management and Credit Risk.

"You have to make it easy for the employee so they can create orders quickly and easily," he explains. "If it's too complex, the employee won't do it as they won't want to seem daft in front of the customer."

Issues arsing from this lead to a bad customer experience such as a third party service operator trying to set up a cable service before the television has been delivered, or the stand arriving a week before the set.

So systems have to be integrated to fit with the people who are delivering the experience in store, but they also have to fit into the rest of the business. "You have to be part of the whole process and not just the technology solution and understand the ramifications down the line," says Achen.

For example, he warns marketing departments that they have to ensure that the OMS can process the order they want as the result of any promotions. He cites a marketing promotion whereby customers receive a discount on a television if they also take out a certain third party service. However, some customers want to take up the offer but don't want the third party service. Does this stop the television being sold in the shops, or leave customers turning away the cable installer?

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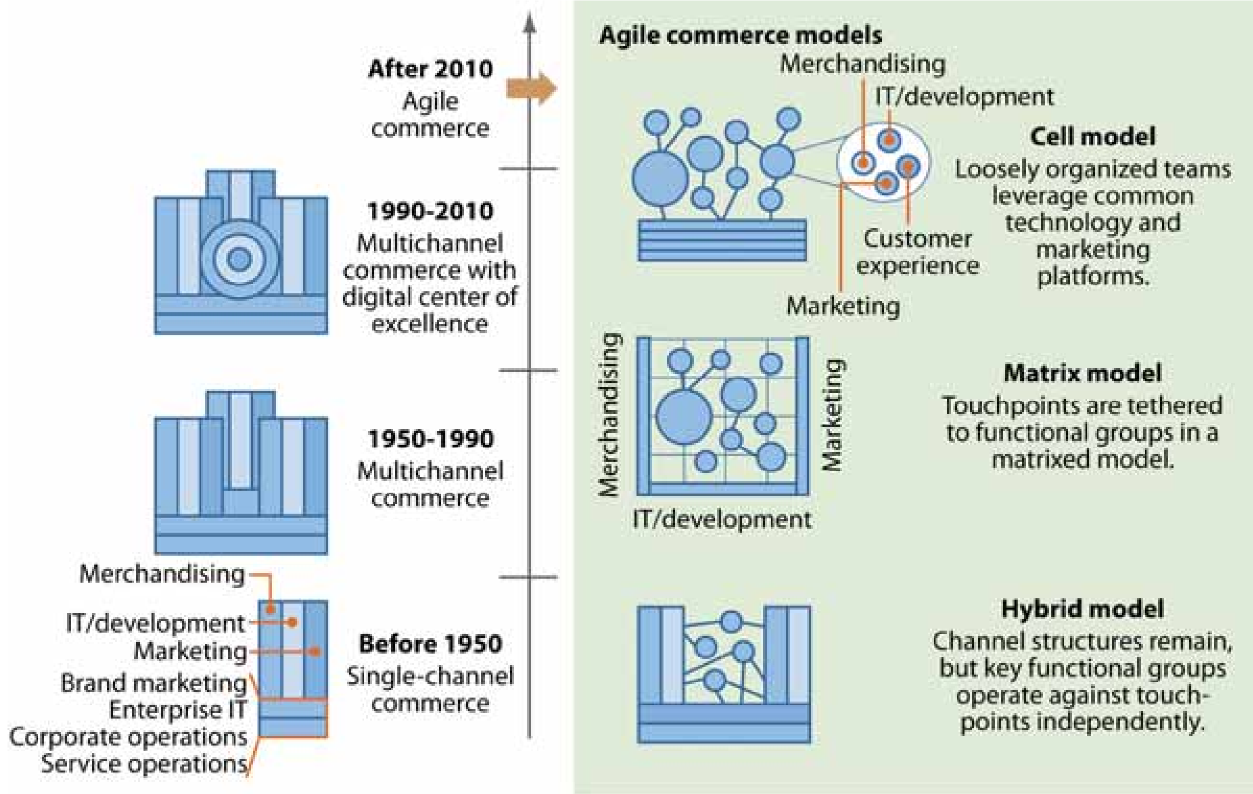

Source: Forrester Research, Inc.

This single view of everything – people, processes, technology and product – is close to the heart of today's retail businesses. At the very heart, though, are the customers and an organisation's goals need to correspond with what is important for them at each touchpoint.

"Rather than having a business plan, have a customer plan," advises Adrian Foster, Lead Enterprise Architect at Tesco.com. "Having a customer plan leads to a customer-centric organisation, with cross-channel alignment of people, processes and technology, and a long-term vision and plan enabling us to productise and re-use."

Optimising staff, processes and technology around serving customers across all touchpoints, rather than channels or functions, should lead to a more agile business, one that is able to stay ahead of changes in customer behaviour and technology adoption. Brian Walker, analyst at Forrester Research, dubs this 'agile commerce'.

"Agile commerce requires a new model that shares core capabilities while activating touchpoints," says Walker in the Forrester report, 'Welcome To The Era of Agile Commerce'. "Incenting the organisation to optimise against their channel metrics – perhaps at the expense of other channels – no longer makes sense.

"One observed successful model is the formation of smaller teams – or cells – combining marketing, product, technology, analytics and service functions into discrete units that optimise a touchpoint, while other roles like customer experience professionals manage and optimise the business across lifecycles. Another is the matrixed model, in which teams are organised around touchpoints that are tethered to functional groups – marketing and merchandising, for example. Finally, a hybrid of the two models keeps channel teams in place, but key functional groups operate against touchpoints independently."

No one said the move to cross-channel retailing would be without its challenges and the learning curve is a necessary one that involves pretty much everyone within a retail organisation, whether they work in systems development, marketing, operations, logistics, stores or personnel. The integration of the separate parts of the business into a single seamless operation is one aspect of the transformation, but each individual has a key role to play in the end result of a seamless customer experience. Keeping the wheels of business change and innovation turning while staying in tune with day-to-day trading is what makes the role of cross-channel management a constantly evolving one. ■

MULTI-CHANNEL APPROACH
A SUPERIOR SHOPPING EXPERIENCE?

Consumers have always enjoyed shopping on the high street, but as the modern lifestyle continues to change they are increasingly looking to retailers to provide them with new shopping experiences. The question is however, are retailers responding quickly enough to these rapid changes in consumer expectations?

Recent research conducted by Dynamic Markets on behalf of Chase Paymentech, showed that 60 per cent of British adults would like to shop from their favourite stores in multiple ways. The same research showed that nearly one in ten people want to be able to use their mobile phone with as many as one in five aged 18-34 preferring to shop in this way[1].

Popular sites like Amazon and eBay have driven a dramatic increase in mobile e-commerce, with a vast number of consumers already using their mobile phones to make payments online. With continued growth in the use of smartphones, m-commerce in the UK is predicted to increase by an astonishing 123 per cent by 2013 to €137 million[2].

So do payments really play a significant part in a multi-channel approach? Retailers need to be mindful that each channel brings new challenges and yet monitoring and improving cart conversion rates continues to remain paramount.

In 2010, 88 per cent of online shoppers abandoned their shopping cart without completing their transaction[3]. A staggering number equivalent to over three quarters of shoppers abandoning their shopping baskets and trolley's in the aisles! The reason behind this cart abandonment experience is generally attributed to a poor checkout flow that frustrates and slows down the payment process for customers.

High shopping cart abandonment rates are often a result of too many steps in the checkout process. Clearly then the fewer pages that your customer has to visit, the more likely they are to convert their shopping cart into an actual purchase. The need to visit another site to gain payment authorisation is a further frustration for consumers, while getting customers to re-key card details because they are out of date is time consuming. Working with Chase Paymentech may help overcome such problems.

Retailers should also recognise that there are fundamental differences between e-commerce and m-commerce. Specifically 77 per cent of consumers criticise at least some aspect of mobile e-commerce. A further 39 per cent think it is too difficult to navigate websites on their mobile phone and think companies should make it easier for people to buy things on a phone[1].

M-commerce sites need to be easy to navigate, using account set-up processes designed specifically for mobiles. Forms should be kept to a minimum and the use of smart shortcuts can minimise information required at checkout. With a smaller screen size, mobile pages also need to be short and easily read. Discussing your m-commerce strategy with a payment provider who understands your business can help overcome such issues and assist in improving your cart conversion.

Finally, fraud screening solutions need to be carefully considered as part of your multi-channel approach. For example, some mobile browsers present particular problems for 3-D Secure due to the lack of certain features such as frames and pop-ups, and common practices, such as entering a 16 digit card number, are more difficult to complete on a small mobile screen than on a laptop or iPad. Even if a merchant has a mobile website, unless the card acquirer is mobile aware, the authentication pages may fail to render properly, if at all.

With the significant uptake of smart phones and the potential for a dramatic rise in mobile e-commerce, will vendors learn from the past? Looking back at the emergence of internet retailing, 87 per cent of finance directors say their customer-not-present (CNP) payment capability was developed in a less than ideal way. Now with the emergence of m-commerce, 28 per cent of finance directors say their CNP payment provider either already struggles with mobile e-commerce (9 per cent), or would struggle if their customers were to shift to and demand this way of shopping (19 per cent).[1]

To realise the benefits that a well developed payment strategy can provide to a multi-channel retailer, merchants need to partner with a payment provider who understands their business and how to support e-commerce and m-commerce strategies. For over 25 years, Chase Paymentech has helped leading e-commerce merchants to grow their business and overcome the increasingly complex challenges brought about by changing technology and consumer trends.

To speak to Chase Paymentech about how we can help you take advantage of the evolving multi-channel retail opportunities please contact us on UK: 0845 399 1120 or for the Rest of Europe: +353 1 726 2950 or visit www.chasepaymentech.co.uk

1. CNP Payments at Risk, Independent market research compiled by Dynamic Markets on behalf of Chase Paymentech (April 2011)
2. European card transaction figures – Verdict UK (2010)
3. Digital Trends: Shopping card abandonment rate (March 2011)

THE AGE OF THE DIGITAL SHOPPER

Helen Slaven, Vice President of Retail, Torex, explains why a centralised view of customer and stock is vital for bricks and mortar retailers, as they become the pivotal point of the multichannel experience.

PROCTER & GAMBLE coined the phrase 'The First Moment of Truth' (FMOT) in 2005, to describe what it believed was the most important marketing opportunity for a brand – when it first interacts with a shopper in-store. A mere six years on and the widespread adoption of the internet and smartphones have dramatically changed the way we shop.

A new eBook from Google calls this evolution the "Zero Moment of Truth," claiming that in the age of online reviews, the way shoppers make their decisions has changed – and that brands need to place as much importance on the online decision-making moments as the ones made in the real world.

Of course, what shoppers want hasn't actually changed – they want to be able to buy quality products at the best price and to experience the best customer service in a way that is most convenient for them. But now they are gathering information from multiple sources to make more informed buying decisions. A recent report from location-based company JiWire found that more than 70% of US consumers researched future purchases on their mobile and then made a purchase online or in store later.

So, what does this mean for bricks and mortar retail? Gartner estimates that "through 2015, the percentage of revenue coming through electronic-commerce channels is expected to double. Regardless, the store will remain the channel through which retailers receive the largest proportion of their revenue" and that "the store will be responsible for approximately 84% of retailers' revenue by 2015." Bricks and mortar retail is also increasingly becoming the hub of multichannel retailing – both fulfilling and refunding sales from all channels and being a point where customers will engage with staff for service they cannot get through a virtual medium.

What clinches the sale in store has come full circle. We used to shop in local, specialised stores, where the shop owners would know our personal preferences, clothes size and what colours we liked to wear. Then shops went mass market to cater for a mass audience. Now shoppers want a personalised experience again – and because word-of-mouth has gone digital, they want to share their recommendations and experiences with their friends and acquaintances through social networks too.

The digital shift presents both exciting opportunities and complex challenges for retailers. How we want to shop might change from day to day utilising different channels. Therefore retailers that operate on the high street as well as online need to be able to adapt to a customer's buying preferences and profiles across all channels, to guide the purchasing journey and make the in-store experience memorable enough to make a sale – and encourage the shopper to come back.

Importantly, retailers need to understand how a customer interacts with the brand in different ways. Many retailers have a digital presence yet there isn't a 'one size fits all' when it comes to shaping their digital brand. Gone are the days of lengthy and cumbersome technology implementations. What we are seeing now are strategic projects which can lead to immediate ROI.

SYSTEMS

Retailers do need to deploy a technology platform that can give a single view of the customer and orders across all channels. Having a centralised platform is more important than ever. As well as giving retailers the ability to fulfil customer orders and returns seamlessly, it prevents duplication and fragmentation of information, which is where a disjointed customer experience can occur. Retailers also need to be able to adapt their business processes easily and quickly to keep pace with the ever-changing needs of consumers, and the volatile retail environment, through tactical initiatives and changes in strategic direction. One example of this could be Facebook mirrors in the changing rooms, where consumers can share their experiences with their social communities. What can foster strong brand loyalty and link between the real and virtual worlds need only be a simple add-on instead of a special implementation, as long as the back-end is already integrated.

Having the right stock in the right place at the right time is a basic requirement but personalised, assisted selling in-store is also key to securing sales. Brand loyalty is earned by creating an experience across all channels that is consistent, positive, rewarding and meaningful for the customer.

The advent of portable touch technologies means that retailers can put power into the hands of their sales associates and transform the in-store buying moment. Using a tablet device, the retailer can extend the customer journey. The ability to take the customer through a journey that takes into account their individual buying preferences, product affinities, relevant promotions, how they like to pay and what they have been buying through other channels via their purchase history, will transform the customer experience. The idea is to replicate what the best sales people already do, by modelling best practice sales engagement on a technology platform using mobile devices.

Ultimately, from the shopper's point of view, the online and real world brand experience should be seamless. They don't care that a retailer's view of its stock is siloed. If a product is available in one channel it should be available in all channels – they just want to make a purchase or return, through whatever channel they choose, without any fuss. Many retailers still suffer from reconciling web payments with in-store payments, which can lead to product unavailability. This is where intelligent stock fulfilment can facilitate, providing access to stock positions and calculating the amount of stock in each store. By intelligently managing the stock and having control of the fulfilment, retailers can offer customers a better service with collection times.

The next step that retailers must consider, once they have established their digital brand to evolve in line with the age of the digital shopper, is how to engage via social media with their customers. Online and mobile technology is remodelling retail – but also opening up opportunities for bricks and mortar organisations to go beyond what they previously considered feasible. Click and collect, web refunds in store and digital couponing can all be effective in driving footfall where empowered sales staff can then add value and up-sell. The savvy shopper will want to take advantage of both the online and offline world purchases and increasingly want to engage with its favourite retailing brand in any sphere. The more bricks and mortar retailers can listen to their customers and have a system in place to add tactical implementations to suit the customer's preferences, the more they are perfectly placed to act as the pivotal point of the multichannel experience. ■

WORKING WITHOUT A MULTICHANNEL MODEL

As multichannel forges ahead as the likeliest blueprint for sustainable retail sales growth, it's hard to see how pureplay etailers can justify remaining web-only for ever. Alison Clements investigates.

IT'S CLEAR from the IMRG/Capgemini E-retail Sales Index that multichannel players have consistently outperformed pureplayers for the last two years, says Chris Webster, Head of Retail Consulting and Technology at Capgemini. "Recently the gap between them closed up, so we'll see what happens next. But generally customers are highly attracted by the choice multichannel operators give them for home delivery or collect in-store," he says. "It's a strong proposition, particularly for brands that want to align the online and offline shopping experience more closely, and use their existing stores to build the ecommerce side of the business – where all the growth is expected to come from in the next few years." He says the multichannel players are completely rethinking the role of the physical store, so that they are geared to helping drive online sales, "as well as offering complimentary experiences and services".

House of Fraser.com's 'Click and Collect' store, which opened in Aberdeen's Union Square shopping centre this Autumn, shows how multichannel players are blending the web with a physical presence. The 1,500 sq ft store doesn't display merchandise like the usual department stores, but allows customers to use iPads and interactive screens to order more products for home delivery or store collection. "The idea is for House of Fraser (HoF) to still reach customers for store collection and returns services, at points where the existing store network doesn't reach," says Webster. "By doing it in-house they're protecting the HoF brand values and customer service levels, rather than simply providing a counter for passing parcels across. And the technology in this unit makes it possible to up-sell and cross-sell, without needing to have whole ranges on display."

EMBRACING THE HIGH STREET

With so much to be gained from having a physical presence to reach customers, it's not surprising that

FIGLEAVES & BYBOX

ByBox is a next day delivery service that Figleaves' customers can select at checkout. The customer is required to enter their postcode so they can search for their nearest ByBox and select their preference. Once the order has been delivered to the preferred ByBox the customer is sent an email and text to notify them of their locker number and security code. The customer then has 40 hours to collect their order. For convenience the locker can be accessed 24 hours a day.

"Offering ByBox as a delivery option gives our customers another alternative which encourages customers to believe we are an innovative retailer that highly values customer experience. It is an added incentive for people to use Figleaves.com," says Christina Acklam, Marketing Manager at Figleaves.com. "Our customers love the service, with feedback including that it's convenient, easy to use, great for commuters, trackable and also it's private which makes buying gifts easier."

The service has been greatly received with 6% of customers now using it.


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THE MULTICHANNEL EXPERTS

many companies which started out as pureplays are now embracing the high street – opening stores and concessions (Kiddicare.com, Screwfix), offering services through third-party owned sites, or providing lockers for product pick-up. Secure delivery points are the easiest to arrange and won't have a massive impact on the cost model, says Webster. Hoping to make life easier for customers expecting deliveries or returning goods, Figleaves.com uses the ByBox service, and Boden uses the Collect+ network of pick-up points for its customer returns.

"With a network now of over 4,000 participating Collect+ stores, including BP garages, independent corner shops and late opening chains such as McColls and Costcutters, we can help our retail clients provide a safe and convenient presence wherever online shoppers live, or pass on their way to work," says Mark Lewis, CEO of Collect+. The service is a joint venture between Yodel and PayPoint. "People love not having to make a special journey, and so we are seeing over half of parcels collected the evening they are dropped, typically picked up by people coming home from work."

Lewis says the fact that parcels are fully tracked, and communication is made about delivery by text and email, the system is gaining in popularity, and ensuring customers shop again "knowing they can rely on this system to get hold of their goods quickly and easily". Naturally this is helping retailers such as Very, Boden and Asos bridge the delivery and service gap caused by not owning stores themselves. "But we're also seeing multichannel retailers including Asda Direct, Arcadia Group and New Look offering Collect+ as a delivery option because it gives them greater density of coverage beyond their store networks, adding an extra layer of service," says Lewis.

Chris Potter from Boden says that within weeks of introducing Collect+ for returns, 20% of 'free returns' were being sent back this way. "The feedback from customers has been overwhelmingly positive," he says.

Amazon has taken a small step, with big implications, by installing its own lockers in London offices and Land Securities-owned shopping centres, to serve as delivery and collection points for its online customers. Over in the US, the web giant operates lockers through the ubiquitous 7-Eleven convenience stores, which trade 24 hours a day. The lockers are helping to reduce the number of failed deliveries and disappointed customers Amazon has to deal with, so we can assume Amazon will look for many more ways to reach customers here in the UK.

Now owned by Morrisons, online phenomenon Kiddicare.com has wasted little time before announcing plans for a nationwide network of 45,000 sq ft destination maternity superstores. Chief Executive Scott Weavers-Wright has a vision for these stores to reflect the online experience Kiddicare is known for. So we can expect "in-store video either on kiosks or digital signage" and "easy access to ratings and reviews, demonstration videos, social videos, inventory information, and ordering and home delivery of product". The company will also benefit from 30 kiosks already live in Morrisons stores – a trial that if successful could see a thousand interactive units in 440 supermarkets nationwide. By teaming with a solid bricks and mortar retailer, Kiddicare.com has neatly extended its pureplay reach and looks set to become a formidable multichannel player.

Tony Bryant, Head of Business Development at K3 Retail says pureplays like this are well placed to compete on the high street. "They have established the ecommerce expectations and standards, and now they have the opportunity to establish the next generation store 'click and collect'," he says, suggesting we'll likely see more stockless stores, - i.e. with no merchandise display's but stock "backstage".

Research from the IMRG shows the average basket value for multichannel retailers during 2010 was £165, which compares with a much lower £108 achieved at pureplay merchants. So why haven't the pureplays entered the property market sooner? "The problem these businesses have is that retail stores cost a fortune to run and therefore would change their very successful operating model and would likely negatively impact the bottom line," says Bryant at K3. Despite the cost challenges he predicts many pilots during 2012, as pureplays reach out into the physical world. Pop-up shops could be one option, to test the water before committing to a major property portfolio. And Click and Collect units, like House of Fraser's are more likely than traditional high street stores.

"If you haven't already got stores, introducing them adds extreme complexity to your model," adds Webster at Capgemini. Also, if you want to showcase the brand, and offer a compelling customer experience – like the Apple stores – you're not going to be able to do things on the cheap."

Yet multichannel marketing will become ever-more powerful, and this puts pureplay etailers at a greater disadvantage. "Knowledge of customers' preferences through data collected on their previous behaviours will increasingly be placed - in real-time - in the hands of the sales advisors in-store who could then provide the much needed value-added services to the shopper," says Bryant. "Consumers recognise that if the product is not available in-store but is available to order for subsequent collection at the store or for delivery to the home then this is an acceptable alternative and is sufficient for them to maintain their loyalty to the brand. Crucially, it's about saving that sale." Some clever commercial thinking is needed from the pureplays if they are to compete. The irony is that some form of bricks and mortar could become a necessity. ■

Insight from arou

ISABELLE SALLARD, EDITOR, INTERNET RETAILING.FR

Marketplaces are on a roll on the French market. Two of the most important French retailers, La Redoute and Cdiscount, have launched a "place de marché" in the last three months. This success led Neteven, the leading marketplaces management solution company in France to hold the first "Marketplace Day" last October in Paris. More than 120 people attended this event where important figures from ecommerce provided companies all the keys to a better understanding of marketplaces potential.

This event was an opportunity to recall the weight of the marketplaces in the success of ecommerce. As stated by Fevad's Bertrand Pineau, while presenting the latest figures from the market, "eBay, Amazon, Priceminister and Cdiscount, which all have their own marketplace are leading the first 15 ecommerce sites in terms of audience. This reflects the marketplaces potential." A statement that has been reinforced by Elise Beuriot, Manager of Amazon Services, who stated that "36% of all Amazon products are sold by third parties."

Marketplaces have specific characteristics that meet the requirements of ecommerce: buyers traffic in high-growth, technical integration, payment security and simplicity of use are among the few benefits of marketplaces. "By distributing their offer on marketplaces, third party sellers benefit from a real strike force," said Alain Keravec, Sales Manager for the Fnac.com marketplace. Indeed, every year the French e-retailer spends significantly on marketing to increase its traffic, and e-merchants who sell through this marketplace are the first to benefit from the growing audience.

Finally, marketplaces are also a great opportunity for etailers to develop their European activities.

Recently, Neteven worked with Thompson to distribute its products through the main marketplaces in France and Germany. Now, the brand can reach over 50 million potential customers in Europe. Pingki Huang, Executive Director of Pixmania Europe also highlights this opportunity: "Pixmania offers access to 32 countries from a central platform."

MICHAEL MATZER, EDITOR, INTERNET RETAILING.DE

The German industry is still growing, as the quarterly index of the BITKOM industry association shows. "Debt crisis and turbulences on the financial market have had no impact on the ICT market yet", said BITKOM's President Prof. Dieter Kempf. "Technologies like Cloud Computing and the continuing popularity of mobile devices make for a dynamic development in the ICT sector."

Shopping with a mobile device is becoming ever more popular in Germany. Every second German (55%) going online has already used their smartphone to purchase an article, be it physical (26%) or digital (30%). That amounts to a total number of 10.5 million German smartphone users, as recent research by mobile advertising network inMobi has found out.

Its "Consumer Perspective on Mobile Shopping, Germany Results", discovered that the most popular goods purchased mobile in Germany are: digital goods such as MP3 and apps (49%); electronics (15%); apparel (13%); travel (10%); entertainment tickets (8%); others (1%). The results are very similar when including UK and France. While most age groups still prefer shopping via PC to the mobile channel, the age group of the 35 to 44 years old likes both channels equally. An astonishing 31% of this age group use mobile devices for shopping. Still, shopping in-store is the preferred way for all age groups.

The main advantage of the mobile channel perceived by the users is "easy handling". 47% of respondents said "convenience" was the most important aspect in shopping mobile, while "price" ranks second and "ease of use" third. But there are differences in respect to the goods purchased. For digital goods "convenience" ranks highest for 57%, but 75% name "convenience" when purchasing physical goods. It's most important for 82% of apparel buyers.

The appreciation of mobile ads by Germans differs significantly from other countries. Only 30%

nd the world

are "very" or "somewhat comfortable" with them, while a majority of 56% are "somewhat uncomfortable" (19%) or "not comfortable at all" (37%) with mobile ads - they are considered distracting or even intrusive.

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

T-Mall, China's biggest B2C platform (part of Taobao), was fiercely attacked by its own merchants on 11 October. Thousands of small and mid-sized T-Mall merchants placed fake orders and filed massive complaints against a few large T-Mall merchant businesses, as a way to express their resentment to a new T-Mall policy.

The new T-Mall policy, released the day before, largely increases merchants' membership fees and mandatory merchant deposits by 5-10 times, effective starting 2012. This policy aims to raise the entrance threshold by squeezing out disqualified merchants (often small in sales and potential fake-goods-selling). It also aims to pool more cash from merchants to increase T-Mall's customer protection fund.

After the policy release, about 7,000 small merchants gathered in the online chat room YY.com, and then decided to attack T-Mall's larger merchants, such as Uniqlo and Jack Jones. They bought large amounts of goods, followed by quick cancellations and refund requests. They also filed complaints to get down those merchants' credit ratings. Based on T-Mall mechanisms, such actions will make attacked goods offered by those large merchants go offline quickly.

Many of T-Mall's small merchants established an online organisation as well, The League Against Taobao, to boycott the new policy.

T-Mall (and its parent Alibaba group) reacted quickly to the crisis. Alibaba CEO Jack Ma stopped his long US vacation and returned to China immediately. T-Mall subsequently announced a slightly revised policy, with a postponed effective date. Alibaba also announced an investment of RMB 1.8bn (US$280m) into T-Mall, to help selected merchants with the required deposit and to increase the customer protection fund. As a result, the attacks gradually tuned down.

At Smart Path, we expect to see more potential conflicts between dominant online platforms (such as T-Mall) and small merchants as China's ecommerce market quickly expands and evolves.

EMMA HERROD, EDITOR, INTERNET RETAILING

Argos is to open for business in China next year in search of growth, its owner the Home Retail Group has announced. The news comes as the group announced first-half profits down by more than 70%, with sales down as UK consumers come under ever-increasing economic pressure.

Home Retail Group has teamed up with Chinese home appliance manufacturer the Haier Group to launch an Argos-branded multichannel operation in the Shanghai area next year.

In the long-term it's expected the joint venture, 49% owned by the Home Retail Group and 51% by Haier, will expand its multichannel offer across China's regions. Argos brings the multichannel expertise while Haier brings its distribution infrastructure.

Marks & Spencer, meanwhile, has unveiled its new French website, marking its return to the French market a decade after it pulled out.

The move, part of M&S' strategy to become a leading international multichannel retailer, takes it back to a country where it previously had 18 stores until they closed in 2001 as part of its withdrawal from Continental Europe. M&S started delivering to France from its UK site in 2009, but this is its first venture to focus on the French market since 2001.

Fashion retailer Boden, is also viewing France as its next market with plans to move into further European markets next year.

Tesco is also preparing for international ecommerce expansion with its ecommerce platform due to go live in the Czech Republic later this year. More countries will be added in 2012. The company is using ecommerce technology from the IVIS Group to help in that venture. ■

MOBILE GETS STUCK IN

Multichannel retailing fundamentally changes how consumers shop, but does the secret of its success lie in how mobile can glue it all together? Paul Skeldon reports.

ASK ANY RETAILER how important mobile is to their multichannel strategy and most will say "very". Ask them how many have actually done anything about implementing mobile in some way and you will find, as mobile services company 2Ergo did in September this year, that three quarters of them have done nothing much. Of the quarter that have grasped the mobile nettle, most have merely ticked the box and developed a mobile optimised website and/or an app and consider the job done.

In fact, many people's view of mobile in multichannel retailing is that it is just another sales channel: an extra, impulsive place to sell things. This is, of course, true, but is very much Mobile 101: it has become something of a hoary old cliché in some circles, but mobile is really the glue that binds multichannel retail together.

You see, the thing about mobile is that it is pretty much central to its owner's life. It is carried with them all the time and is increasingly becoming the tool to which people turn to quickly research products before buying them. It is also something of a marketing and engagement conduit and, with more than half of all social media interaction now happening through mobile, it is becoming a recommendation tool. In short, mobile is more than just a portable ecommerce platform, rather it is a point of engagement at every stage of the decision making process for any consumer purchase.

"Your mobile phone is with you all the time at every stage of the way along a retail journey, from researching, to looking at reviews, to receiving adverts and marketing, to checking reviews, to checking what your friends think to finding a store, to buying the goods at the best price. Mobile is the lynchpin to shopping as it is with the consumer all the time," says Anton

FLAGSHIP STORES IN LONDON GET STUCK INTO 'MOBILE GLUE' FOR CHRISTMAS

In the run up to Christmas, some retailers are investing in technology to improve the in-store and online experience. Research conducted by Virgin Media Business has uncovered a wealth of technologies being used by the flagship stores in Oxford Street in London.

To reduce the queues, Niketown has attendants taking payments on mobile devices and 23% of the flagship stores are offering in-store 'order online' touch screen terminals for store collection or delivery.

To further improve the customer experience, Debenhams is offering a "free coffee Friday" via social networking site Foursquare and John Lewis has just announced plans to offer free Wi-Fi to shoppers in all its department stores nationwide by Christmas.

Many stores are moving beyond traditional ecommerce solutions and are capitalising on the growing trend towards mobile, finds Virgin's research, with many letting shoppers do their online transactions on a mobile device. The company's research also finds that 61% of the stores in Oxford Street have an m-commerce offering and 46% have an app.

Phil Stewart, Director, Customer Service, Virgin Media Business explains: "Christmas is one of the most profitable seasons for retailers. Last year's online Christmas sales hit £2.8 billion, up 44% from the year before. And with one pound in every ten now being spent online, it's likely this year will be even more. But it's a multichannel approach that will hone and improve the customer experience and ultimately make a retailer successful. By making the right technology decisions, both in store and online, both retailers and consumers stand to get the benefits from this new digital era."

Gething, Co-Founder and Product Director, nToklo, a provider of mobile social recommendation tools. "It's a purely practical issue that puts it at the heart of all retailing."

But while this may be the high ideal for what mobile could achieve within the multichannel retailing mix, in reality, most retailers are falling very short of achieving this. While some have invested in some sort of mobile property be it a mobile optimised website or an app or two, most are not looking strategically at how this fits in with their wider multichannel plans.

"A large part of the problem is corporate structure," believes Bruce Cooper, Sales Sector Head at 2Ergo. "Mobile has typically been run as an offshoot of the ecommerce department and is not seen as central to how bricks and mortal retail arms and online arms all work together. A more strategic view of where mobile fits into a retail corporation's structure is what is really needed – possibly being the remit of the marketing department as they often have a cross-channel view of how they target and engage consumers."

But it is not just the retailers themselves that don't yet see mobile as the central plank of a multichannel strategy: consumers, many believe, also remain unaware of the power of mobile.

"Right now, for most customers, multichannel retailing means online returns to stores, in-store ordering and click and collect. For none of these is the mobile an essential component today," says Tony Stockil, CEO of Javelin Group.

Stockil, like many retailers, believes that mobile is still finding its feet and until most retailers understand how it works within not just purchasing, but also payments, loyalty, marketing and in-store services, it will remain on the fringe of strategic thinking.

"In the future the mobile/smartphone will be the main method of payment in the store and the main method of customer recognition – replacing loyalty cards – so it will be an essential element to enabling that elusive 'single view of the customer' that retailers talk about," Stockil adds.

John Gillan, Senior Industry Retail Head at Google, agrees, seeing mobile as an important aspect of multichannel, but not quite yet. "The ROPO (Reserve Online, Purchase Offline) effect is everywhere – it is estimated that today some 60% of sales in the EU are affected by web research prior to purchases on the high street," he says. "The advent of mobile phones with full web browsers has increased the momentum of this trend even further. During 2010, the mobile web grew at an exponential rate with 5 billion mobile devices sold worldwide and 250,000 Android devices activated every day: one every three seconds. It is anticipated that by 2015, mobile will be the primary means for customers to access the web."

The potential is there to see mobile sit at the heart of the multichannel process and glue it all together through marketing, researching, social sharing, loyalty and payments, but until retailers develop better mobile offerings as a matter of course, this won't happen any time soon, believes 2Ergo's Cooper.

"Mobile is the obvious link between online and store footfall, but mobile sites and mobile offerings in those stores have to be up to the job or consumers will simply go where they are good," he says. "This is why it is crucial to develop better mobile offerings to realise its potential in multichannel."

Javelin Group's Stockil agrees: "By 2020, the mobile device will be the main method of payment in stores and will be the universal loyalty card. The development of the mobile device means the end of the anonymous customer in store and thus a transformation in retailing and the shopper experience." ■

HOW TO BUILD MOBILE INTO YOUR MULTICHANNEL OFFERING

One of the main stumbling blocks with integrating mobile into a multichannel retail offering is knowing what to do, so we asked Bruce Cooper, Sales Sector Head at mobile service company 2Ergo for his three step plan.

1) Make your mobile offering compelling – the key to mobile in multichannel is that when you have a customer engaged via mobile you offer them the best possible experience, so look at how you design your m-website and/or apps so that they work properly, quickly and easily and offer a great user experience. They are not just cut down versions of your website;

2) Don't just look at the sexy smartphone stuff – simple SMS is all you need to drive footfall into your store or to your website. Yes, the rich things you can do with smartphones are great, but text is cheap, everyone can use it and everyone understands it;

3) Get permission – to engage with customers through mobile you have to have their mobile number and mobile is very heavily regulated so you have to have their permission to contact them on it. So gather mobile numbers as a matter of course online and in store, but send them an offer so that in redeeming it they are clear they are opting in to be contacted by you.

ONLINE CONSUMER FINANCE COMES OF AGE

By Scott Law founder and CEO of Pay4Later

Point of sale consumer finance has largely been irrelevant to ecommerce retailers. The UK retail finance industry has been in decline for the last decade, unable to cope with the challenges presented by mass credit card adoption.

When the credit crunch came along and banks were forced to shrink their balance sheets, retail finance was an early casualty. By 2009, only one bank was offering consumer finance to high street retailers, with a customer experience unchanged since the 80's. Obsessed with paper credit agreements, the banks and finance companies had become stuck in a time warp that excluded them from the customer not present reality of online shopping.

Coming from the automated, super efficient world of online credit card processing, I was intrigued by this state of affairs and hence Pay4Later was born. A team of developers was assembled and we locked ourselves in an office for 18 months.

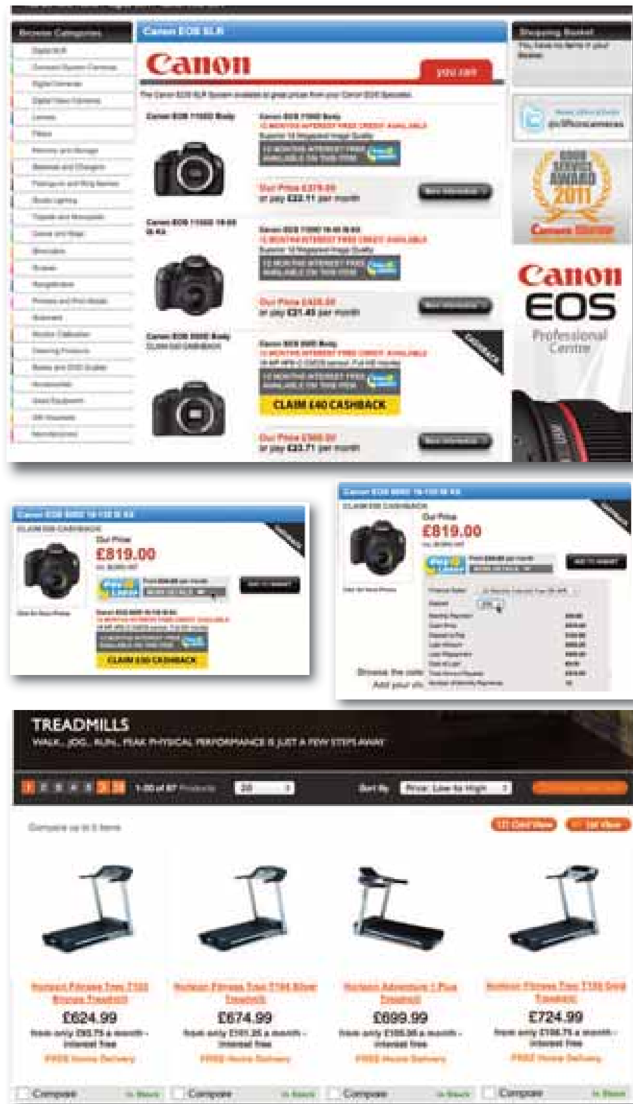
Finally, in July 2010 the system was ready and the first ecommerce retailers went live with Pay4Later's e-signature credit application process. By eliminating paper credit agreements, customers could at last complete a financed purchase entirely online in less than 5 minutes. Behind the scenes retailers used a simple "card like" API to automate settlement and other common payment management tasks.

Customers embraced the new credit at checkout concept immediately and online retailers began to discover what generations of high street shopkeepers already knew – finance sells. The more compelling the finance offer the greater the impact on sales and conversion. Most potent of all is 0% interest free credit. Consumers young and old love a deal and it doesn't get any sweeter than free credit.

Now with almost 18 months worth of customer feedback and purchase data it's a good time to take a moment to reflect. So what have we learned thus far? Well for starters when it comes to bigger ticket purchases (over £300), offering credit is a sure fire way of increasing sales and average order values. Across diverse segments including furniture, jewellery, consumer electronics, bicycles, musical instruments, tools and fitness equipment the pattern is consistent. Sales increases ranging from 10% to 40% and average spend up by between 50% and 300%.

To maximise gains retailers must promote finance (specifically the monthly repayment cost of the item) on category and product pages. Presenting your finance offer to the customer for the first time at checkout is often too late to influence purchasing behaviour. They'll buy what they really want if you show them how you can make it affordable by spreading the cost.

Customer feedback data reveals some fascinating insights. Firstly and to the great relief of finance directors, customers clearly state that credit offers are instrumental to their purchase. 93% of customers report that were it not for finance, they would have not made the purchase, spent less, waited and/or bought elsewhere. 92% of customers would recommend Pay4Later to a friend and 91% found it easy to make their purchase from the retailers web site. 55% of customers were financing a purchase on credit for the first time.



promoting credit on category and product pages

So in summary, consumer finance is no longer irrelevant to ecommerce retailers. In fact it's quickly becoming the most effective tool available to attract new customers and increase conversion.

MOBILE SHOPPING ON THE UP BUT IS IT JUST FOR THE BIG BOYS?

The statistics finally show that 2011 is the year of mobile, but could it be that technology, cost and fear mean that it will only be for the big boys? Paul Skeldon reports.

NEWS THAT EBAY has upped its predicted revenue over mobile for 2011 by a whopping 25% from $4bn to $5bn marks the end of a year that has, in retail circles, truly been the year of mobile. No really.

eBay – which has been a pioneer of mobile retail and as an online retailer clearly has an advantage – shows the top end of what is happening with m-retailing, but it is the exemplar of a distinct upward trend in mobile shopping.

Here in the UK, the IMRG's quarterly benchmarking report (which follows the February to January retail year) has also upped its mobile numbers, showing that average sales via mobile leapt from 0.4% at the beginning of 2010 to 3.3% in the Q2 2011 – a clear signal that confidence in the channel is growing both among retailers and shoppers. The highest percentage of sales through mobile for participating retailers was just under 7%.

The percentage of visits via mobile is also increasing, from an average of 1.4% in Q1 2010/11 to 7% in the latest quarter. The rate of mobile visits is as high as 12% for some retailers.

Part of this is down to the increasing number of retailers offering compelling mobile apps and m-web retail sites and consumers feeling ever more confident that it is a really convenient way to do online shopping. It is also a sign that retailer sites are becoming more engaging for consumers – and IMRG found that both checkout and basket abandonment rates have dropped over the past six quarters, from 37% to 32% and 63% to 59% respectively.

All great news for proponents of mobile retailing, but while there is clearly an upswing in use and the success of m-retailing, it is far from a given for the vast majority of retailers.

At Internet Retailing's own London conference on 4 October, research carried out among 109 senior managers at the conference by WorldPay, revealed that at present only 29% of businesses currently offer m-commerce solutions for customer payments.

Most (71%) said they were likely to look at implementing a mobile strategy over the next 12 months, but they are all pretty much put off by the technology. The WorldPay study finds that 28% of those surveyed believe that technological capability is the biggest barrier, whilst 18% felt that data security was. 8% thought the risk of fraud was a concern, and 15% and 13% respectively perceived the cost of processing the payment and the overall payment process as the biggest challenges.

But the drivers for doing it are strong. 60% of those polled felt that the greatest driver for offering m-commerce stemmed from customer expectation of being able to complete transactions across mobile devices. 10% of respondents said they would only be likely to extend their platforms to m-commerce in order to 'keep up' with competitors, while a further 11% said they would upgrade because modern technology makes mobile transactions possible.

What all these stats – along with the many, many others out this month – show us is that consumers want mobile retail and retailers want mobile commerce, but the only ones that are really able to get to grips with it are the big players.

eBay is one of the biggest online retailers in the world. It is also something of a technology powerhouse and so the challenges of making mobile work and getting mobile payments to work is less of an issue for it than, say, for a tier two high street retailer that only has a basic website and hasn't really got to grips with e-, let alone m-, commerce.

In this current economic climate, going mobile is going to be business critical to all retailers. But if the vast majority struggle to understand how to invest in doing it and are afraid that the money won't yield the kind of results seen by eBay then what hope is there?

And, while the majority procrastinate over investing in mobile, those that have the savvy and readies are streaking ahead – investing in better mobile, in tablet commerce, seamless multichannel set ups and even their own in-store networks. This two speed market is going to see consumers – who are way ahead of the retailers in terms of what they expect to get from mobile – increasingly opting to shop on mobile with those retailers that can deliver the experience they want. And that could be even more damaging long term than increases in shop rents, out of town shopping malls and failing consumer confidence. So, in reality 2011 might well just be the year of mobile – but not for everyone. ■

A WEB OPTIMISATION STRATEGY SHOULD BE FOR LIFE, NOT JUST FOR CHRISTMAS

As the saying goes, the customer is always right, which is why marketers spend significant amounts of time and money investigating, through user groups and forums, what it is their customers want. But for the online retailer, whose business success relies on correctly displayed content, understanding what the customer wants is often made more challenging when their actual online behaviour contradicts what they might say in a focus group. That's why multivariate testing becomes such a vital tool in the optimisation of websites, removing the guesswork! But without strategic use, the impact will only ever be short-lived, warns Wayne Morris, UK general manager at Maxymiser.

While throwing £10,000 at Google AdWords may deliver £20,000 of last-minute sales as a target deadline approaches, it will not deliver sustainable market share expansion - the ultimate goal of online marketing.

Yet, even as retailers refine the look and feel of their websites in an attempt to increase the conversion of visits to sales, the approach remains tactical rather than strategic. Some retailers that have invested in multivariate tools and services to date have done so as a quick-fix solution to achieving a short-term objective of dramatically increasing conversion rates. But, this approach can often lead to disappointment.

Guessing doesn't work

The whole point of multivariate testing is that it helps organisations understand visitors' web preferences and behaviour at a more subliminal level – one that is impossible to predict through other means. Multivariate testing works by comparing and contrasting potential customers' activity across a series of web pages, based on a series of subtle variations that are displayed to representative groups of customers in a 'live' situation. If there is an associated uplift in the conversion rate, the contributing change - which typically encompasses tweaks to the look and feel of the content of the website - is accepted into an ongoing, iterative redesign.

Examples of companies exploiting strategic multivariate testing to tangible positive effect include MandM Direct in the retail sector, easyJet in the travel industry, Santander in financial services, and Paddy Power in the gaming market. As such cases have shown, even a small increase in conversion performance can add up to significant growth in incremental revenue for a large business.

Backing more than one horse

Truly placing the customer at the heart of a project can be very liberating for an organisation, allowing web development and

marketing teams to tear up the accepted rules of site design, or challenge adherence to company colours.

It means ideas can be added to the melting pot from right across the organisation too, allowing the company to harness what may be inspired input from less obvious sources. If the shortlisted ideas are to be tested on a live sample of customers, the risk of getting it wrong is minimised, allowing businesses to be more experimental. Instead of backing just one horse, the company has an opportunity to see how several run.

Where a company is undertaking a major overhaul of its website, or launching a new e-commerce site, it is too risky to wait until the site has gone live to discover that 'inspired hunches' were wrong. Even an apparently unremarkable drop in sales conversions from 5% to 4.5% could take a sizeable chunk out of a £10 million online revenue stream.

For maximum, lasting impact, multivariate testing tools and strategies need to be driven from the board level down as this creates a culture where testing becomes a discipline that is built into a company's ongoing marketing activity, and typically this is when the greatest improvements to conversion rates are seen.

Once organisations have a new understanding of their customers and optimise their customer experiences, the path to personalised, one-to-one marketing opens up to them, enabling greater sophistication in the way they present and recommend products to customers.

The essential first step, however, is recognising that website optimisation needs to be a long-term strategy driven by the needs and preferences of the customer. Get that right, and the rest will follow.

THE LATEST M-DEVELOPMENTS

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

EBAY UPS PREDICTION FOR MOBILE SALES BY 25%

eBay – which has already this month publicised that 10% of its sales now happen over mobile – has upped its global m-commerce forecast, predicting that it will generate almost $5bin in sales volume in 2011 – $1bn more than the $4bn prediction made earlier this year.

As more consumers use their smartphones for everything from price comparison to shopping, sales through mobile now account for more than 10% of all purchases on eBay UK and, globally, an item is sold via eBay's global mobile platforms every second.

Angus McCarey, Retail Director for eBay UK, said: "Mobile has fundamentally changed the way people shop, and mobile sales on eBay are growing in triple digits. As mobile continues to blur the online and offline commerce environment, our focus is on enabling all commerce by helping consumers shop anytime, anywhere and with any device, and by helping retailers keep up with technological advancements.

"Retailers need to think about how to meet the demands of the connected consumer, who will soon expect a truly integrated shopping experience that flows from their phone, to the shop and to their Facebook profile."

MOBILE'S MARCH IN-STORE GAINS MOMENTUM

John Lewis has become the latest in an interesting list of retailers that are offering customers in-store free Wi-Fi as they work out how to leverage the power of m-commerce in store.

The leading department store joins the likes of McDonalds and Tesco in rolling out in-store networks through a partnership with BT Openzone to offer, in its words, "a fully multi-channel, multi-platform shopping experience and capitalises on the boom in m-commerce".

According to John Lewis's IT Director Paul Coby, more than 60% of John Lewis customers research products online before visiting a shop to make a purchase and in-store Wi-Fi access allows them to continue and complete that journey, accessing product information and viewing ratings and reviews to influence their purchase.

Customers will be able to surf all areas of the internet including competitors' sites to compare prices, reinforcing John Lewis's pricing promise to be "Never Knowingly Undersold".

Consumers log on using an email address and can then use the network for free, which both John Lewis and BT claim will be faster than public 3G. The store has also tweaked its iPhone app to capitalize on this in-store network.

The app, which will launch soon, has a number of features to help customers access John Lewis online assortment, product reviews and video quickly and easily in-store.

NOT READY FOR T-COMMERCE? NO-ONE ELSE IS EITHER

As sales of tablet computers grow, so is the nascent idea of Tablet Commerce (T-Commerce), whereby retailers optimise their mobile and PC sites for tablets. However, despite the growing popularity of these devices, most retailers are not even considering them in their multichannel mix, suggests a study by analysts at ai World in the US.

It looked at ten leading US online retail brands – Amazon, Staples, Apple Dell, OfficeDepot, Wallmart, Sears, Liberty Media Corp, Officemax, CDW and BestBuy – and found all suffered from usability problems and offer limited tablet shopping experiences in comparison to those offered by companies with dedicated tablet site experiences, such as clear winner Nike.

The issue is that unlike for mobile optimisation, tablet optimisation requires a whole range of other adjustments to a retailer's website: not least looking for high resolution images and how to make best use of a tablet's tactile controls.

While many retailers no doubt swoon at the thought that they need to now look at yet another set of tweaks to their ecommerce back end, evidence is starting to mount that T-Commerce will be powerful in the coming 24 months.

The latest Paid Search Quarterly Benchmarking Report, conducted by online ad platform vendor Marin Software, has found that iPad and other tablet users tend to click on paid search ads at a higher rate than desktop or smartphone users – and at lower cost per click.

According to the report, although paid search ads directly targeted at tablets only comprises 2% of overall paid search spend, the click through rate (CTR) on tablets is 37% higher compared to desktops. Furthermore, advertisers targeting tablets like the iPad enjoy a lower average cost per click (CPC) compared to both desktops and mobile devices.

You probably don't need to go mad with T-comm just yet, but keep in mind that it's out there. ■

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