Internet Retailing

Selling in the digital age

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EDITOR'S COMMENT

In this issue of Internet Retailing, we focus on international expansion and cross-border trading - the current growth area for UK e-tail and an area that is full of potholes however much research into culture and consumer behaviour is conducted beforehand. Some of the contributors to this issue advise that determination is needed when entering new markets, while others advise on transparency and two-way communications between retailer, local partners and consumers.

Emerging markets are the focus of Karina van den Oever's guest comment in which she examines the top five markets and the opportunities they present for UK e-retailers. Chase Paymentech's President and Managing Director, Shane Fitzpatrick, shares his insight and research on how retailers can consider increasing international payments while mitigating the increase of fraud levels while Andrew McClelland from IMRG examines the latest legislation affecting European e-retail.

Penelope Ody investigates the logistics challenges that rise up in markets both key and emerging, while I take a look at some of the issues around localising a global brand.

The overarching message in all of the features – and from everyone we speak to - is that however much a business might think it knows its customers, local on-the-ground knowledge is key and retailers should entrust at least part of their business or brand to people who understand the local culture, customers and purchasing behaviours.

Bilingualism is not the same as biculturalism.

Emma Herrod
Editor

FEATURES

REGULARS

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DIXONS.CO.UK CLOSES

The ecommerce site Dixons.co.uk has been closed as its parent company, Dixons Retail, moves to focus on the multichannel model. Visitors to the site are redirected to Dixons' sister company Currys.co.uk, where they see a welcome message with the promise: "Whilst the Dixons you love and trust is changing, the people and commitment stay the same."

The change comes as the performance of Dixons' multichannel brands Currys.co.uk and PCWorld.co.uk, which sell through both stores and online, outstrips that of online-only Dixons. In its latest financial figures, Dixons Retail reported UK multichannel sales up by 48% in the first quarter of its financial year, compared to the same time last year. Across the group, they were up by 39%.

"It's the way customers shop and more so all the time," said a spokesman for Dixons Retail.

The move to close Dixons.co.uk comes six years after Dixons stopped trading under the name on the high street in order to focus on online sales. Now the model is changing again.

"We want customers to have a seamless, multichannel experience that's device agnostic, whether they're at home or in-store or on the move," Katie Bickerstaffe, Dixons' Chief Executive in the UK and Ireland, told The Times. "We don't see a place for Dixons.co.uk where we have Currys.co.uk and PCWorld.co.uk. We have done fantastic amounts of work to make sure we have fantastic pricing. I'm confident that's the right thing to do."

At the same time as closing Dixons.co.uk online, the company has introduced new websites for its Currys and PC World sites. The sites use new "responsive" technology that adapt to the device shoppers are using to visit the site.

Dixons Retail is also introducing online ordering to stores via kiosks. Since the first kiosks launched in some stores four weeks ago they have been taking around £200,000 a week.

APPLIANCES AND ELECTRONICS WEBSITES RANKED BY SHARE OF UK VISITS

Website	Domain	Visits share
1 Currys	www.currys.co.uk	7.85%
2 Orange Shop	shop.orange.co.uk	6.78%
3 The Carphone Warehouse	www.carphonewarehouse.com	5.70%
4 Comet	www.comet.co.uk	5.01%
5 O2 Shop	shop.o2.co.uk	4.37%
6 T-Mobile UK Mobile Phone Shop	www.t-mobile.co.uk/shop	3.66%
7 3 Store	threestore.three.co.uk	3.24%
8 Phones4u	www.phones4u.co.uk	2.67%
9 Maplin Electronics	www.maplin.co.uk	2.37%
10 Tesco mobile	phone-shop.tesco.com/tesco-mobile	2.35%
11 ebuyer.com	www.ebuyer.com	2.29%
12 appliances online	www.appliancesonline.co.uk	1.30%
13 Vodafone Shop	shop.vodafone.co.uk	1.28%
14 Jessops	www.jessops.com	1.23%
15 TomTom	www.tomtom.com	1.20%

Source: Experian Hitwise

MARKETPLACE FOR HMV

HMV is preparing to launch a marketplace on its online site after Christmas. The company says it is currently soft-launching a marketplace on hmv.com, with a view to a full launch early next year. By then it aims to have a wide range of partners in place.

"For the moment," said an HMV spokesman, "we should have at least ten partner offerings up over the next few weeks, including with DVD Gaming, who are the first to go live. Ultimately it's about complementing our existing core offer and filling any gaps so that we can extend an even greater content-related choice to our customers."

But for the meantime, he said: "It's very early days and purposely low key for the time being, while we test the functionality to ensure everything works and the experience is a good one for the customer. Our priority is to focus on delivering a successful Christmas, but we will look to officially launch early next year with a wide range of partners."

INDUSTRY MOVES

Asos has recruited a former managing director of Amazon UK to be its new chairman as it works towards its target of turning over £1bn. Brian McBride takes over on 1 November from Lord Waheed Alli, who has held the role at the online fashion retailer for 12 years.

McBride said: "Asos shares many of the attributes that have made Amazon a global retailing powerhouse and I'm delighted to join the team at such an exciting time. I believe the company has the platform, proposition and ambition to deliver its vision of becoming the fashion destination for twenty-somethings, globally."

Meanwhile, department store chain Debenhams has appointed Peter Fitzgerald, Country Sales Manager at Google in the UK and Eire, as a Non-Executive Director.

Debenhams, which reported a 40% rise in online sales in its latest financial year says that this is confirmation that its multichannel strategy is working. News of the fast growth, ahead of a market average of 13%, came as the multichannel department store also unveiled a 2.6% rise in total sales and a 1.6% rise in group-like-for-like sales, excluding VAT, in the year to 1 September, in an end-of-year trading update.

Debenhams said that visits to Debenhams.com were up by more than 50% in the period, a change that it said was "driven in part by extremely strong growth in mobile channels (up 27%)." Internationally, the company now delivers online purchases to 67 countries and trades in Germany through a dedicated website.

In another move, Morrisons' Finance Director Richard Pennycook has joined the board of The Hut Group as a Non-Executive Director to help guide it as it looks to expand globally. Pennycook has already said he plans to stand down from his current role in June 2013 to concentrate on a portfolio career.

The Hut Group launched its first website in 2004 and now has 15 home shopping brands including zavvi.com, TheHut.com and Lookfantastic.com. It also runs a technology services division that specialises in business-to-business software and ecommerce platform services.

INTERNATIONAL BOOST AT BODEN

Boden's international business overtook its UK business in 2011. While total group sales rose by 6% during the year to £245.9m, from £232.2m in 2010, revenues in Germany rose by 21% and in the US by 9%. Boden now trades in more than 50 countries, and has a new pan-European website.

But despite growing sales, profits at the multichannel fashion retailer were hit as it absorbed the cost of higher cotton prices "and other inflationary pressures during 2011" without passing them on to customers. Pre-tax profits fell back to £17.9m from £32.5m in 2010.

The retailer, which trades through a London shop and its long-established catalogue as well as online, said that 80% of its sales were made over the internet in 2011, up from 76% in 2010. Significantly, 15% of all its sales are now taken over iPad tablets.

"Boden's distinct British appeal continues to attract a wide global audience with international sales accelerating in 2012 and now accounting for more than 50% of the business," said Chief Executive Julian Granville.

"We have had an encouraging start to the year and womenswear is trading well across the group. We have a strong Autumn/Winter range in place to maintain momentum in the second half."

M-M&S OUTPERFORMS WEB

Marks & Spencer has topped the latest eChannel Retail Benchmark from eDigitalResearch, after the study found that M&S's mobile site outperformed all other retailers – even scoring higher than M&S's own traditional website.

Marks & Spencer recently launched the latest generation of their mobile channels, with an improved homepage, navigation and product pages to bring them in line with the retailer's traditional website and provide a clear and consistent customer experience across channels. Surveyors were particularly impressed with the retailer's newly designed homepage, with stronger imagery, rolling promotional offers and clearer navigational links.

Derek Eccleston, Head of Research at eDigitalResearch, comments: "Whilst consumers have said time and time again that they prefer functionality and usability over the design and layout of a mobile site, our eChannel Retail Benchmark results prove that retailers can still create an appealing yet functionable mobile site that allows consumers to shop quickly and easily on the move, but also provides some added inspiration".

The eChannel Retail Benchmark study looks at 14 of the UK's top performing multichannel retailers, assessing the entire end-to-end customer journey across their website, mobile site and transactional mobile app.The study found that eRetail sites continue to outperform their mobile counterparts, with many retail mobile apps needing to make the biggest improvements. Retailers particularly need to improve their homepage, product pages and purchase sections of their mobile customer journey to bring them in line with overall online shopper expectations.

OFT WARNING

The Office of Fair Trading (OFT) has spoken out ahead of the Christmas season to warn more than 60 online retailers that their websites may breach consumer protection law. It has written to 62 leading online retailers to raise concerns following a sweep of 156 UK websites. The sweep, part of the OFTs work to ensure that consumers can shop online with confidence, found many appeared to fall short of consumer law.

Retailers who do not amend their websites to make sure they comply with the law could be subject to enforcement action taken either by the OFT or by local enforcement officers.

The OFT detailed three main concerns arising from its sweep of websites, of which 80% sold goods and 20% services. First, it said that 33% of sites that provided information on cancellation "appeared to impose unreasonable restrictions on customers' rights to a refund." Most commonly, it said, traders demanded that goods were returned in their original packaging or in original condition. This, said the OFT, could infringe consumers' rights to inspect and assess the product.

Second, the OFT said that 60% provided a web contact form rather than the email contact address that is required by the E-Commerce Regulations. Some 2% provided no electronic contact details at all.

Third, the OFT said that while 60% explained upfront that compulsory charges would be added to the first price shown, 24% went on to add more unexpected charges at the check-out. But the sweep also found most sites complied with the distance selling regulations in other key areas. Some 99% of sites detailed when the goods would be delivered or the service would start, and 95% provided a full postal address when advance payment was required.

Cavendish Elithorn, Senior Director of the goods and consumer group at OFT, said: "The OFT recognises that most businesses want to play fair with their customers and to comply with the law. We encourage all online retailers to check their websites so customers can be confident their rights are being respected when they shop online."

MILKING CHICKENS

Retailers talk about 'evolving' into different organisations to meet the changing customer landscape. Ian Jindal ponders some of the questions that this mental model poses to retailers looking to be top of the tree of commercial life.

CHANGE can be driven by external stimulus (competitive threat, new opportunity, larger dinosaur roaming the plains), or by new capability and opportunity (new market, a cunning invention or the discovery that you can fly). In retail we can add to these market and capability drivers the fact that our customers are also changing significantly through a combination of recessionary pressures, technological and digital capabilities and a blurring of boundaries between retailers, brands and entertainment.

Evolutionary biology has proven a fertile area for analogies, with companies talking about the 'need to evolve' in order to survive. Business people talk with a straight face about the need to 'evolve' their business in response to changing times. Last I checked, however, individual organisms do not themselves evolve. It is the species that evolves - sadly (for some) through the death of the least fit while the better-adapted to the environment survive and maybe thrive.

If we can't change ourselves from being a chicken to being a cow (at least not in this lifetime) what are our options?

As businesses we can adapt within a competitive timeframe and the organism can then evolve over time. We need to consider our business as a collection of skills on the one hand (a 'hive' of individuals, a flock of birds or a collection of co-operating specialists). We can amend the mix within the hive of people, process and technology - a sort of blood transfusion meeting organ transplant with some bio-engineering thrown in for good measure. This transformation can be as painful and demanding - only slightly less so than dying!

In order for this painful and radical approach to work there needs to be a clear and mobilising vision from the business leadership. What animal are we trying to become and why?

While leaders can make changes in the components of their business, the most difficult challenge comes when they need to change themselves. Leaders now need to embody the changes required not by 'evolving' but by 'adapting'. One of the reasons for human survival so far is that humans have proven inventive and adaptable. Humans are optimised neither for extreme heat or cold, yet make a pretty good fist of living from pole to equator. Adaptability then is a human characteristic that leaders now need to re-embrace.

Leaders often rise to the top of their organisations by 'being the best', knowing important 'answers', and understanding what's "right" based on perceived rules. Leaders can therefore find changing a hitherto-successful approach to be demanding, yet understanding, embodying and driving adaptation could be the most important role for their shareholders and customers.

When we speak of leadership we are used to discussing IQ (their intelligence) and EQ (their 'emotional quotient' or ability to influence and work harmoniously with others), but an important characteristic for success is LQ or 'learning quotient'. LQ is the ability for a leader to learn, continue to learn, to change their views, behaviours and approaches based upon new information. A correlative of LQ is a level of sponge-like inquisitiveness that seeks novel approaches to meet goals.

As leaders ask their businesses to evolve and their colleagues to lead that change, the best leaders will themselves be adapting - inquiring, reflecting and changing. This is a value-driven approach that seeks improved, more appropriate means of achieving our vision and values. Not to adapt would be remarkable: one of the definitions of stupidity is to repeat the same actions while expecting different results each time!

As we look to a challenging, change-filled 2013, leaders reflect upon the adaptations they need to embody for their businesses to thrive. Chickens are not likely to start producing milk any time soon, but with a vision of providing a rounded diet to their customers it's entirely reasonable to think that they could set up a dairy! Odd though that may seem it's certainly far less weird than claiming that eggs are the answer to every question, or that an effort of will might induce lactation.

All at IR Towers wish trading success to all of our readers this Christmas. We hope that you get your wishes from Santa, but don't spend your holiday milking chickens. ■

CARPHONE WAREHOUSE EUROPE: SIMPLER, FASTER, CHEAPER

Andrew Harrison, CEO of Carphone Warehouse Europe, speaks to Internet Retailing about his 'digital awakening' and how other CEOs should avoid missing the mobile wave.

CUSTOMERS want things "simpler, faster and cheaper" and if you can "crack all three you'll have a winning business model," Carphone Warehouse Europe CEO Andrew Harrison told retailers at the recent Internet Retailing conference.

In an industry in which "80% of retailers don't have a mobile-optimised site, while others are seeing 300% year-on-year growth," he warned delegates that they needed to make sure they were selling in the way that customers wanted to buy, which is through any channel at any time. However, to achieve true multichannel retailing, he said retailers needed to take responsibility at board level, and that meant "making sure you have online first as a real philosophy in the business".

Harrison said that many chief executives do not understand multichannel, but that needed to change, not only because it is the way that customers shop but also because it is where retail businesses are now spending their money. He added: "The web team may no longer be in the corner, they need to be at the forefront."

As to why the web team should be front of stage, Harrison said it was because they are spending your money. "That web team [that was once seen by the board to be running an 'alternate channel'] has created an economic system that means Google will take over the world," since every time someone clicks, "I give Google money." It is companies such as Google – and affiliates – that are changing the world around us and taking away margin. "They've started with a blank page and are taking business away from traditional retailers," he added.

Using Carphone Warehouse Europe and its customers as an example, he revealed that:

- 70% of all our journeys start online;
- 13 – 14% transact online;
- 10 pieces on content are consumed per purchase;

- People start thinking about changing their phone 33 days before their contract expires or a new phone is launched;
- For every one sale online, four are made in the high street.

In his opinion, there needs to be a real dawn of enlightenment that "this isn't about how you do multichannel. It has to be about the way you run your business. It has to be something that starts at the board." But he warned: "This awakening hasn't happened everywhere."

Retailing doesn't stand still and Harrison said mobile will change everything again. "It will have eclipsed everything in two or three years," he believes. Everyone will have the power in their hands and this provides the "biggest opportunity and the biggest threat to your business".

To highlight the disparity between customer experiences online he brandished two identical sets of tennis balls – one bought in just 27 seconds from Amazon for £8 and the other from a leading sports retailer for £11.99 in a transaction that took 13 minutes!

"I want to be able to buy anything from us in less than 30 seconds," he said of the challenge he had set the Carphone Warehouse business.

INSTANT MOBILE CHECKOUT

The company met this challenge by incorporating an instant mobile checkout powered by Mobile Money Network's Simply Tap into its m-commerce site in April. Simply Tap enables customers to drop products straight into the mobile checkout at the push of a button and make a purchase instantly.

However, the challenge didn't cover purchases from a website alone, but also included offline transactions. This has resulted in customers being able to purchase from their mobile phone using a seven-digit code or via a QR code printed offline in newspapers or on posters such as those in stores. In effect, the firm is making traditional media work harder.

A mobile checkout app has been available since August in the guise of the Carphone Warehouse Mobile Checkout – again powered by Simply Tap. Once customers register, they can shop anytime, in any Carphone Warehouse channel, from the store, catalogue, web and mobile web.

Carphone Warehouse is a large stakeholder in Simply Tap creator Mobile Money Network, which has spent the past couple of years developing mobile payment solutions and aims to integrate as many ways as possible to initiate payment in any channel through mobile devices.

Harrison said that ironically for someone who sells mobile phones, he hadn't realised how powerful they'd become until he started to immerse himself in Carphone Warehouse's mobile operations and could see then "all the things we were doing wrong" as a multichannel business. In fact, 17% of the firm's entire traffic comes from mobile.

DIGITAL AWAKENING

Harrison admitted that he'd had a "digital awakening", more so in the past 12 months and particularly with regards to mobile. He said he wanted other CEOs to "really probe, ask questions and put this onto the main board agenda".

He appreciated that stores still accounted for the majority of retail sales and so were a CEO's focus. "There are things you forget when 90% of your entire revenues come from store," he said. He explained that the danger was, that if ecommerce accounted for 10% of all sales and mobile commerce was just 10% of that, only 1% of a retailer's sales today were from m-commerce and that was why it was quite easy for it to be ignored. His message was that this was "exactly what you probably said as a CEO about the internet all those years ago, so now's your big chance to get behind m-commerce and make it incredibly important to you".

THE CUSTOMER JOURNEY

He said he believed that it was easier to be a multichannel retailer than a traditional retailer with silos. "You can start to get your arms around the process all the way through," he said. There's the immediacy of response, you can test, see if it works or not, get a feel for your business before you've gone into your main sales drive, get customers to rate products to help stock forecasting and so on. "If you treat it as silos it is hard." He advised retailers to "take everyone on the journey" and explained that your business was this journey end-to-end and was pervasive, it ran through it and alongside it. "Once you get it, it's easier," he added.

What has come out of this is the Carphone Warehouse philosophy of 'Online First' through which the business is changing itself around the customer: customer journeys are being plotted and the business is being organised around these rather than channels.

Taking his example of the date that customers start thinking about changing their phone as minus 33 days, rather than on the day a new phone launches, he cited the movie industry, which will start marketing a film two years before it is released. Every step, from purchasing the film rights, to hiring the actors, starting filming and handing the finished product over to the distributors, all helped to create excitement ahead of the launch.

Harrison said Carphone Warehouse wants to

create buzz and excitement around every launch. Instead of having 3,600 shops, it works as if it has 35 million shop fronts since mobile phones enable the company to engage with customers wherever they are. "Every sofa, bus, train is a shop front as people are looking at their phones," said Harrison.

He added that retailers needed to ask: "How do we use the phone to lead our business?" Mobile is incredibly important to Carphone Warehouse, and not just as a product attached to a two-year contract. According to its annual report, increasing visibility of customer behaviour beyond the initial contract period had "resulted in higher revenues being recognised at the initial point of connection".

Harrison explained how the company can use

International eCommerce

Firms Looking to Expand Internationally Online

A vast number of companies in the UK are looking to expand into the international market online, whether it be close to home in Europe, or further afield in the Middle East, Asia or America. Companies looking to expand online should seek advice and research the best methods for selling internationally, especially paying attention to differences in export/import rules, taxes, shipping, currencies and language to name a few. How popular is purchasing on the web in the region you are entering? Is m.shopping more popular? How will you build brand awareness in the region?

Businesses Expanding Online with Magento

To expand successfully in the international online market place, companies need a robust and scalable platform to allow them to expand with ease. There are numerous eCommerce platforms on the market, but Magento Enterprise makes expansion online easy through a simple web-based admin tool, facilitating business processes and increasing quality, efficiency and ROI.

Magento Enterprise is an open source eCommerce platform offering numerous eCommerce, promotional framework and marketing features. The Magento Application Programming Interface (API) provides manageable and flexible interaction with ERP systems and data warehouse systems. One instance of Magento Enterprise accommodates for multiple websites, multiple currencies, a variety of stock and pricing structures for all your websites.

International Considerations

When entering an international market online, it is important to recognise the tasks and risks involved. There are not only considerations for tax, shipping, currencies, language, marketing, but also:

- How are products managed in the international market, i.e. warehouse and export costs?
- Review your product data, even if you already have an online store, as there might be products that are not appropriate for the market you are entering
- Localise website copy and translations of product data
- How will customers contact you, is there a local team?
- How will you ship the goods to your customers?
- Do local market payment and shipping preferences mean you require different providers?
- Will you be integrating an ERP system with Magento?

All this and often more needs to be considered and carefully planned in line with your eCommerce strategy. And sometimes it is just nice to have a helping hand from people who know all about the difficulties that you are encountering and can guide you through the process.

What can Crimsonwing do for you?

Creating multiple stores and websites can be quite daunting, but we make the process simple and cost effective to help you achieve maximum ROI. At Crimsonwing, we are passionate about eCommerce and Magento. We have a Magento dedicated team who are committed to creating innovative eCommerce sites that meet your specific business requirements and help you grow your business.

If you already have a Magento site and are thinking about expanding to multiple stores, or if you're considering a complete new approach to your overall eCommerce strategy, we'd love to hear from you and would be more than happy to discuss your requirements to show how we can help you grow online.

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MOBILE MONEY NETWORK

The Mobile Money Network was established in 2010 with investors including Carphone Warehouse, Sir Charles Dunstone, Visa Europe, and Monitise. Sir Stuart Rose is Non-Executive Chairman.

The Simply Tap mobile checkout is available as a standalone app or can be integrated into a retailer's own app. As well as Carphone Warehouse, it is also being used by HMV, Thorntons, Pretty Green, Daily Mail Shop and Universal Music.

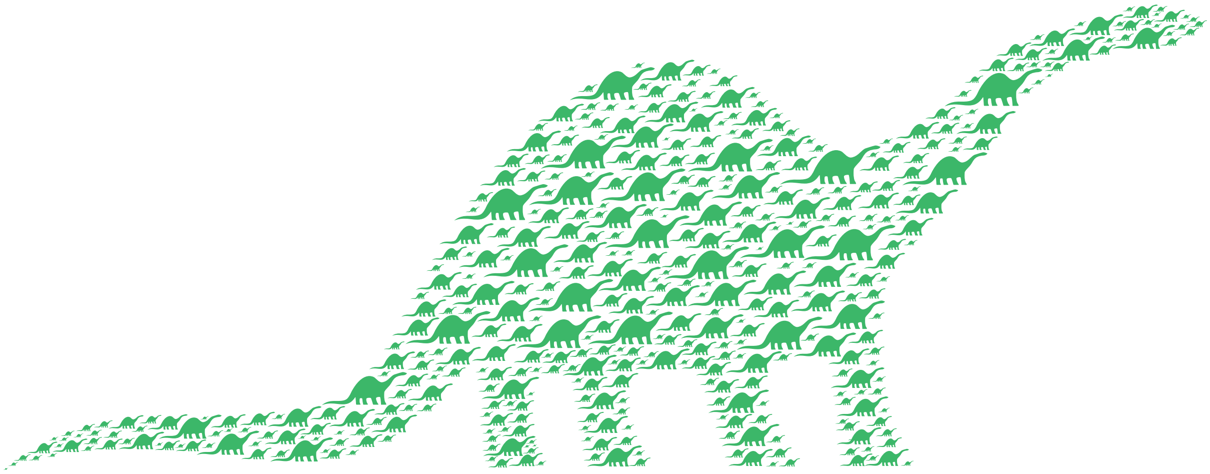
customer behaviour to help people and engage with them better during the contract. The company can see how many minutes of airtime people are using so could put things on their phones to help them with their contract, for example. "We're the last people to touch the customer's phone," he explained, "so how can we engage with customers and how much can they engage with us – and not just in a transactional way?"

There is still a place for stores in the future and they have an important part to play in the customer's journey. For every sale completed online at Carphone Warehouse, four more are made in store. The company has invested in making the retail environment more exciting for customers and "invested incredibly in understanding multichannel journeys and the numerous touchpoints off and online".

"The more complicated a sale, the more people will want to talk to someone," said Harrison. The number, size and makeup of those stores may change though, and he said the firm planned to constantly review the number it had and needed.

Carphone Warehouse sees considerable growth potential in the sale of connected products and services, and consumer demand for the 'connected world'. According to its annual report, it has the opportunity to broaden its product ranges to areas outside of its core mobile phone offering, to transform it into "the home of technology".

Its new format Wireless World stores are built around the central theme of connectivity. They offer a wider range of mobile and other connected devices and an enhanced level of service. By the end of March 2012, the format had been rolled out to 392 stores, and the company has plans for a further 150-200 by March 2013. It anticipates that the majority of its UK stores will adopt the new format within the next two to three years, and it will



continue converting its outlets in mainland Europe.

It all comes down to making the retail environment more interactive and creative, according to Harrison. He said the new stores had enabled Carphone Warehouse to show off the phones and tablets and how they worked, as well as accessories and, increasingly, "app-cessories – things that work with the phone or tablet and an app, that is, those that count how many steps you've taken or what you've eaten".

By putting connectivity at the heart of the business, the firm claims that it is now committed to helping people experience and buy the best range of hardware, accessories, connections and services available to suit their individual needs – and walk out of one of its stores with their device set up and working.

There is also a big opportunity to make the store environment quicker and faster and to provide customers with a better service; in essence, taking some of the hard work out of shops by using different channels and technology. Harrison gave the example of a new customer having to wait for up to 20 minutes for a credit check to be run, something that could be enabled in another way.

FUTURE PLANS

Going forward, Harrison said Carphone Warehouse is working on creating global m-commerce networks for accessory manufacturers – basically a store on a phone which can be skinned as anyone else's.

The firm will also "play a big part in security data" such as making sure that when a customer is downloading an app it is the real app, not a fake one through which someone can take their details. He explained that this world of apps and open platforms came with many challenges around the use of data, trojans and people's information being scanned.

He said he wanted Carphone Warehouse to be a pioneer in the m-commerce space and added that "whilst ecommerce has always been important, m-commerce gives a new opportunity to really pioneer it and we should be doing that".

Harrison explained that half of all searches for the iPhone 5, for example, were made from a mobile, and "largely from iPhone 4 customers". For

STORE LOCATIONS

UNITED KINGDOM
Own stores: 794

SPAIN
Own stores: 404
Franchise stores: 133

FRANCE
Own stores: 263
Franchise stores: 77

GERMANY
Own stores: 161
Franchise stores: 42

NETHERLANDS
Own stores: 116
Franchise stores: 71

PORTUGAL
Own stores: 136
Franchise stores: 4

SWEDEN
Own stores: 98
Franchise stores: 11

IRELAND
Own stores: 83

him, it had been an amazing revelation that the company is selling two-year mobile phone contracts from mobile phones. And this is what he is building a business on – this and mobile customer behaviour.

However, he won't be losing sight of other channels and customers' journeys across off- and online. He urged others to meet customers where they are, embrace new ways of working including collaboration – such as its own links with Virgin Group in France, Best Buy and established retailers in other territories. The future is "not internet retailing, it's retailing" said Harrison. "If you've missed the first wave, don't miss the mobile wave." ■

AMAZON REVIEW

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

RETAIL STRATEGY

Emma Robertson, Director, Transform

Like most retailers, Amazon is looking for growth across its range, customers and territories, specifically international expansion, with strategies already in place to support these objectives.

Fulfilment of international ordwers can be supported either by delivery from UK warehouses to overseas locations or through the establishment of local hubs and distribution networks. The growth of internationalisation amongst major UK retailers such as House of Fraser, John Lewis and Marks & Spencer has seen the adoption of the former approach.

Amazon however, is supporting both methods in addition to making its offer available to other retailers through the relatively new Amazon Fulfilment Services, thereby opening up revenue streams for both its retail business as well as its logistics business.

As a U.S. based online retailer, Amazon's international market is the UK, Germany, France, Italy, Spain, Japan, China and Canada. Even this retail giant is not immune to the Eurozone crisis (from where the majority of its international revenues come) since it is seeing a slowing down of international revenues. In the 2nd quarter, growth slowed to 22%, and although revenue was up 29% year-on-year it remained below expectations.

Although net operating profit dropped lower in the quarter up to July at 0.8%, and despite revenue growth, Amazon looks set to continue with its investment programme. Already well established in Europe and with its presence in China becoming stronger, what's next for Amazon?

In February this year it entered the Indian online retail market with the launch of junglee.com, offering more than 10 million products from 14,000 Indian and global brands. The etail market in India has grown by approximately 34% a year since 2005, and is expected to reach $24bn by 2015, so it's no surprise that Amazon committed itself further to this market by launching its India Kindle store in August. And it doesn't end there. Further expansion in China is expected to be announced this quarter and there are rumours that Amazon is considering a bid for ASOS. So, as its logo suggests, the etailer may soon be in every international market from A to Z achieving its ambitions to become the Earth's most customer-centric company; that's internationalisation in its truest sense.

USABILITY

Mark Palmer, User Experience Consultant, User Vision

In recent years, Amazon has become synonymous with a slick customer experience. What if, however you were purchasing a gift for a relative in another country? Can you easily purchase these goods from the UK site and have them shipped abroad?

My initial thought was that I should just create an international address. This was indeed the case. No different to adding a UK address. So far, so good. Once the item is in your basket and the delivery address set up, delivery options are presented, which clearly reflect the international nature of the delivery. An option is provided to identify your purchase as a gift – important given the likelihood that you will be sending it direct to the recipient. From start to finish, this is a seamless process and no more taxing than having an item delivered to a UK address.

Amazon perhaps don't promote the ability to send to international addresses enough. The only mention of international delivery to be found on the homepage is tucked away in a fairly small 'Delivery Rates and Policies' link in the footer. This could result in users visiting an international site instead to send to a relative living abroad. Again, this is a fairly smooth process, identical to that described above. Where this may be problematic is that certain products may not necessarily be available on international sites.

Furthermore, not all countries have their own dedicated site. It's not clear which international site would apply to Luxembourg for example.

Purchasing goods from an international site to be delivered to the UK is straightforward, although it would have been nice to see prices displayed in Sterling.

Overall, Amazon has removed the boundaries to international purchases from their site. The interface and journey is consistent regardless of where you are purchasing from or the delivery destination.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

Users started on Amazon.co.uk looking for a Christmas gift to buy a relative living in the USA. The main strategy used was to go directly to a particular product and through to the end of the checkout in order to investigate the cost of having their item shipped directly to America. Following this route, users struggled to enter a foreign address into the UK formatted fields as they missed the 'How to enter a US address' link. Once the international address has been entered into the website, there was no indication that the cost of delivery will remain the same until the final step in the process.

We observed users sporadically and impatiently searching the website for the 'Delivery rates & Policies' link shown throughout the website, which contained the delivery costs to America. The positioning of this section did not stand out to users and some buyers explained they would have abandoned the website to investigate the delivery options on Play.com.

One user, purchasing a camera, struggled to understand the delivery options due to their item not explicitly being music, a book or a DVD. They would need to pay around £23 and have to use the priority express with no other option available for this type of product. The user was not restricted by time and was disappointed by the cost. Another user struggled with the categorisation of their product, a DVD box set, which they were unsure would come under the label of a 'Single DVD'.

Generally, users began from the UK website and arranged for their order to be shipped to the USA. Some users did query whether it would be cheaper to action this from the global website. Few users investigated this directly by working through to the end of each of the checkouts on both the websites, and found buying from the United States and shipping there would work out free. Users accidentally ended up on the American version of the website from the country links at the footer of the page in their final attempt to find the delivery information, but abandoned this after realising this was the American website.

SITE PERFORMANCE

David Flower, VP EMEA, Compuware APM

Compuware Gomez analysed Amazon.co.uk's web performance from 8 September through to 11 October for Internet Retailing using its Gomez performance network. It conducted standard tests, evaluating Amazon.co.uk's availability, response times, consistency, competitiveness and ability to support various browsers from an internet backbone and last mile perspective. Generally speaking, Amazon.co.uk performed well.

From an internet backbone perspective – test nodes at various strategic locations on the internet – Amazon.co.uk had a competitive website response time of 2.33 seconds and a solid 99.87% availability score, which meant that the site was both quick and highly available for visitors to access.

Web performance on the last mile – end users' devices – is usually slower compared with the internet backbone. Amazon.co.uk's last mile speed was 5.27 seconds, however in this category it was slightly more available and had a score of 99.25%.

The tests conducted also evaluated Amazon.co.uk's web performance across major mobile web browsers and smartphones including Blackberry devices and iPhones. Overall, its data reported that Amazon.co.uk has a solid presence in the mobile space.

Compuware Gomez also compared Amazon.co.uk with Amazon.com over the same test period. Amazon.com was marginally slower than Amazon.co.uk from a last mile perspective. This could be down to any number of reasons. For instance, one typical challenge many ecommerce websites are faced with is how they manage third-party content providers as this affects web performance. Sites such as Amazon.co.uk and Amazon.com will have several content providers streaming content into their online properties. For example on 4 October there was some degradation in performance on Amazon.co.uk due to latency from a third party supplier.

During our comparison we also discovered that Amazon.co.uk's performance was more consistent than Amazon.com, meaning that the UK landing page offered customers a much more stable performance. Amazon.co.uk was also more available compared to Amazon.com – it had only one 'timeout' error compared with Amazon.com, which had 9 'timeout' errors. ■

COMPUWARE GOMEZ SCORED AMAZON.CO.UK 3.7 STARS OUT OF 5:

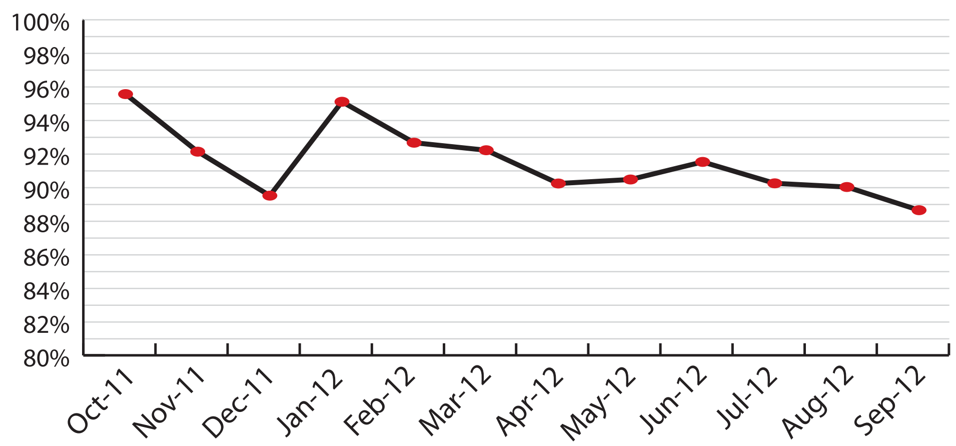
Availability from Last Mile peers: 23 out of 25
Response time from Last Mile peers: 12 out of 25
Consistency: 9 out of 15
Competitiveness: 6 out of 15
Browser Support: 23 out of 20
Total 73 out of 100

amazon.co.uk

SHOPPERS LET DOWN BY SUPPLY CHAIN

Less than 92% of online orders are delivered successfully on time. Andrew Starkey, Head of e-Logistics at IMRG, examines the findings of its Valuing Home Delivery report.

Percentage on time delivery



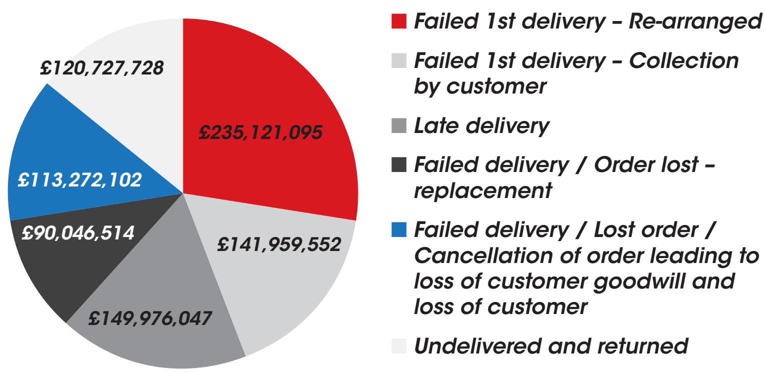
CONSUMERS' expectations are increasingly influenced by their wider experience of a digitally enabled world and in an e-retail sense this means something close to 100% service - to be able to access product information (rich media) 24/7/365, interact with retailers via websites that rarely hang and order exactly what we want, when we want.

Unfortunately, there is one element of the e-retail process that is still heavily reliant on physical capabilities and in respect of e-retail logistics and delivery this is where the problem lies. When using a physical supply chain of trucks, warehouses and people, even with the best of intentions links in this chain will sometimes 'break'.

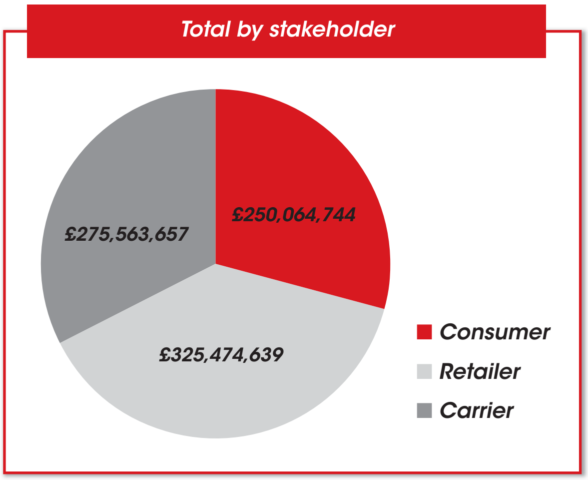
The research we carry out at IMRG clearly shows us that collectively the e-retail supply chain currently fails to meet shoppers' digitally enhanced expectations. The first table, taken from the IMRG MetaPack UK Delivery Index, shows 'on time' delivery performance over the past 12 months across a sample of 52 million orders, 220 retailers and all the major carrier services.

The weighted average across the year runs at

Total by scenario



91.9% but in addition to this a further 4.2% of orders that are 'attempted on time' are not delivered because there is no-one home to accept them meaning that the customer is disappointed at least 12 times in every 100 orders



(not including orders that are not dispatched On Time In Full – OTIF). We estimate this to be more than 80 million orders a year.

At IMRG, we have just published the latest (the fourth) in our Valuing Home Delivery series of reports. This report is supported by Blackbay and attempts to calculate the avoidable cost of '1st time / on time' delivery failure (across all three stakeholder groups (consumers, carriers and retailers) and the six most likely failure scenarios). This year we put this figure at £851m per annum.

And amongst these stakeholders, it is perhaps not surprising that retailers carry the biggest burden

For retailers, within the six failure scenarios it is those where the risk of lost goods and lost customers that are the most expensive but even late and re-arranged deliveries carry a heavy cost penalty.

But, it would be wrong to lay all the blame at the feet of the logistics and supply chain people (in company and contracted) because delivery is now part of the wider retail offer.

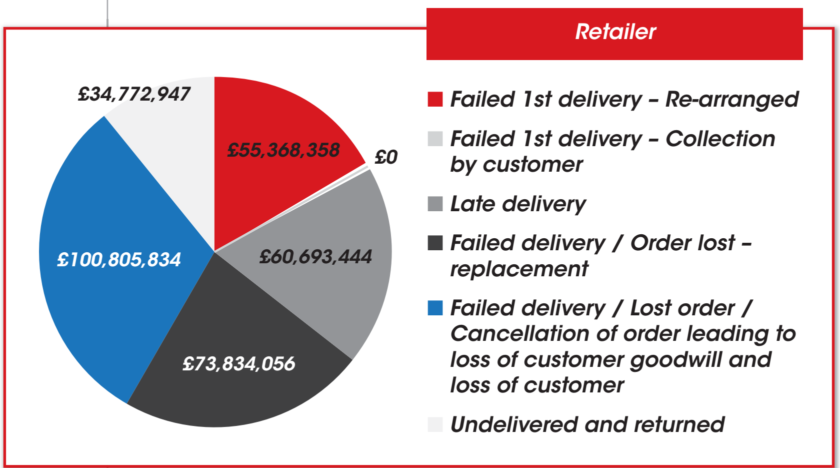
If the customer is not aware what delivery solutions are available, because the right options are not offered or communicated properly, then the problems start not in the warehouse or on the delivery vehicle but on the website at checkout.

Recent surveys carried out by MICROS, on behalf of MetaPack and Blackbay, demonstrate that:

- 25% of retailers sampled only offered one delivery option and only 19% of retailers offered a nominated day option even though such options are widely available (albeit at a premium) and that consumers rank this as one of the most significant things that would improve their perception of online delivery (IMRG UK Consumer Home Delivery Survey 2012, supported by Blackbay).
- Only 11% of retailers sent a pre-delivery text message to update their customer on the progress of their order and only 64% provided tracking links at the time of order confirmation.
- Despite consumers wanting to be able to give specific delivery instructions and the fact that these can be accepted by most carriers offering tracked services, only 23% of the retailers sampled offered this to the consumer.

So, given the need to maximise customer value, retailers' wider ecommerce and marketing teams need to consider how best to promote their delivery offer to best effect because more than three quarters of consumers confirm that a good delivery experience will encourage them to shop again with the retailer providing it.

And it's not just direct experience that drives shoppers' perceptions. In the past 12 months the impact of social media in this respect has doubled to the point where more than 35% of those surveyed for the IMRG/Blackbay report say that a social network comment about the delivery service provided by a retailer has influenced their decision of whether to shop (or not) with that company.



Clearly Collect and Reserve in Store offers circumvent some of these problems but as long as customers shop online, delivery to home will be a vital part of the service mix so we may as well do what we can to get it right because the costs (avoidable) and the benefit (customer value) surely make it worthwhile. ■

Spotlight feature

Answers from Heikki Haldre, CEO, Fits.me

Fits.me

Virtual Fitting Room

Why did you found the company?
I founded the company in 2010, along with Paul Pällin who is my CTO. I saw the technology being developed at Tartu University and Tallinn Technical University in Estonia, and I immediately saw the potential. I believed that if this technology was put into the hands of a team with experience in apparel and online retailing, it could make a real difference to the retailers in the space.

What problem are you solving for ecommerce professionals and how do you know it's a real problem?
The problem we are solving is that it is a physical impossibility for someone shopping online to physically try on a garment before they buy it. In an in-store fitting room, the process of physically trying something on is straightforward and compelling. However, online shoppers have to rely on size charts, which are only really any good at recommending a 'standard' fit, and even then that requires the shopper to know what a 'standard' fit would look like on them.

These difficulties form a significant barrier to purchase, which drives down conversion rates; it also ensures that return rates are desperately high because people end up buying the wrong size. We know these are real problems because the retailers freely admit so. Data is widely available that suggests average conversion rates of around 2%, and average garment returns rates of 25%.

And, according to our data, the main reason for returning clothes bought online is that the size did not fit (43%), highlighting the need to address this concern.

Fits.me brings the benefits of the physical fitting room to online stores. Knowing exactly how the clothes consumers are looking at online are going to fit in the real world gives customers the confidence to buy, as well as reducing the likelihood that they will need to return an item because it doesn't fit as expected.

What aspect of the company keeps you most motivated?
It is very motivational to find yourself involved in resolving such a fundamental problem. Usually, companies devote themselves to incremental improvements; we find ourselves trying to effect a large leap forward. As well as being a huge business opportunity it feels like a huge responsibility, too.

What do your customers say they value most about you?
Retail is a very difficult business, and there is little room for sentiment. The safest assumption we can make is that, for retailers, it is about results and little else, and to focus on that. In this respect we have made a good impression because the improvements that the Fits.me Virtual Fitting Room has delivered to them are massive: we have improved conversion rates by up to 62%, and driven down garment returns due to poor fit by 77%. In doing so, we help them to maintain brand value – because customers are disappointed by their purchase far more infrequently. Those results are what people value about Fits.me.

What do you think the current big issues are for the sector? Why?
The biggest challenge in online fashion retailing is that consumers don't trust the sizing information they see online, and with good reason: there are no universal sizing standards, and sizing can vary considerably even within a single retailer.

The level of returns is inherently linked with this: if a garment doesn't fit, the customer will return it. Returns cost retailers enormous sums of money, not only due to postage and packaging costs, which many retailers absorb themselves, but also the re-warehousing of the garment, its re-distribution, and its loss of value as any given season progresses.

As more and more people shop online, the returns issue will become progressively larger because people buying online have a higher propensity to return stuff. Unless the retailers really get a hold of that problem, overall returns volumes will continue to grow disproportionately.

What are the coming challenges and opportunities you see? How are you preparing for them?
In the coming months the main challenge to us will be from new competitors emerging into the market. This is a new space, and as there is a genuine business problem to be solved here, we would be naive to think that no-one else will also try to solve it.

However, there are endless opportunities for us, and if we continue to innovate we will stay ahead of the competition. Retailers are looking for ways to engage with their customers by providing an exciting online shopping experience, thus fostering brand loyalty. Online shopping has moved away from the 'bargain hunter' mentality, and now retailers are looking to provide a full brand experience online. The virtual fitting room provides some of this consumer engagement by tapping into exciting new technologies such as augmented reality, or look to engage with consumers shopping on their smartphones bringing a physical element to how clothes can be tried on online.

Another opportunity is intrinsically linked to the data we collect, on which it's hard to put a value at the moment. Retailers know fairly well what they do sell; what they don't know well is what they could have sold if they'd had the right sizes in the right volumes in the right regions. We're accumulating enormous volumes of anonymised data which could help retailers determine what sizes they should stock, in what proportions, and where they should be selling them.

If you had to summarise your view/vision in a sentence, what would it be?
To boost retailer profits and customer satisfaction by helping them to overcome the online fit problem, while minimising waste, inconvenience and disappointment.

INTERNET RETAILING 2012

Internet Retailing's annual conference took place in London on 9 October. Emma Herrod reflects on some of the highlights

THE ANNUAL Internet Retailing conference always initiates interesting discussions amongst speakers and delegates as they debate the leading issues in the online and cross-channel areas of retailing. This year's event was no exception.

Simpler, faster and cheaper: that's the key to multichannel retail, Andrew Harrison of Carphone Warehouse Europe told the packed conference hall. His "Great example of time / cost savings of retail versus mobile payment - 13 mins against 27 secs," was tweeted by many delegates including fellow keynote presenter Jonathan Wall, E-Commerce Director, Shop Direct Group, who quipped, "nice use of tennis balls as a prop too".

Harrison and Wall were joined in the keynote panel by Alison Lancaster, CMO of Kiddicare and Marketing Director of Morrison's non-food .com business, with all three addressing the theme of 'Mantle of Leadership'. Lancaster said that leadership in the new world of data-driven multichannel retail would require "strong and collegiate leadership" for a big and agile change management programme. She said the Kiddicare team had recently tackled the challenge of becoming a true multichannel retailer, with the addition of new stores to what had previously been an 85% online business. "Only by being one team and working together with a remarkable vision have we been able to deliver Kiddicare stores within six months."

Earlier Wall had told the audience that belief was a key attribute of successful ecommerce and multichannel leaders. But also keenly important was understanding of statistics and data. "We have to show as a leader that we understand data from the bottom up," he said.

He said that Shop Direct Group had set a mantra to motivate itself in taking its previously catalogue-based business online. 70 20 10 illustrated the fact that the business had aimed to take 70% of its business online by 2010. But now, he said, the business needed a new mantra. That, he said, had been done. 50 20 15 illustrates the fact that it expects to do half its business over mobile by 2015.

The conference then split into three streams to focus on The Customer, Connection, Commercial. Speakers ranged from Lovehoney, Argos and M&S to Tesco, House of Fraser, Domino's Pizza and Jessops.

Some of the tweets included:

Since we launched the official Fifty Shades of Grey collection page on Lovehoney last week, it's had 4.4k Facebook Likes……and 17 Google +1s.

Tesco WiFi used as a way to help customers be online better, to serve them better + to drive adoption of loyalty scheme.

The Argos presentation – at which there was standing room only – and for good reason brought tweets of "very impressive" and "96% of the UK population live within ten miles of an Argos store - perfect scenario for click-and-collect services".

Priya Prakash's comments on "the interface is the brand" and how the user interface trumps loyalty brought agreement and comments of "strong words!"

Readers can revisit speaker presentations online at www.screenevents.co.uk/IR2012/index_pe.html and if you're interested in speaking at next year's conference – 16 October 2013 – contact emmah@internetretailing.net.

I'll leave you with the thought that however and wherever retailers are leading the way in the evolution of retail so system developers, suppliers and integrators are pushing boundaries, innovating and helping those retailers to stay ahead. Some of the innovators on the supplier side that were exhibiting at Internet Retailing 2012 share their views in the following pages...

STIBO SYSTEMS

Preparing for a cross-channel world

In today's hyper-connected world, customers have increasingly high expectations of retailers. Flitting between different digital devices and sales channels as they research and make purchases, consumers expect to be able to find the items they want to buy quickly, without any fuss and at a competitive price. If a retailer meets, or even better exceeds, these expectations, all the research suggests such cross-channel consumers will be among a company's highest-value customers. But disappoint them and they will simply go elsewhere.

Accuracy and consistency are key to delivering customer satisfaction in this emerging cross-channel landscape. As customers move from mobile to desktop, bricks-and-mortar store to tablet PC, they soon notice if a product description or even price doesn't tally with what they've seen elsewhere. Any such discrepancies make them distrustful of a retailer because customers don't see different channels, they just see a brand giving out contradictory messages.

To prevent this occurring, companies need to manage the vast amounts of information, 'big data' in current industry parlance, that cross-channel retail both relies upon and generates. It's for this reason that top retailers, including Stibo Systems clients such as House of Fraser, B&Q and Mothercare, are investing in product information management (PIM) technology. This isn't a 'nice-to-have' piece of software, but an enterprise-level solution that enables retailers to collate, build and then manage an underlying foundation of accurate, centrally held product data.

REACHING OUT TO CUSTOMERS

Considering the problems many retailers have with teams working in different areas of the organisation each working in different 'silos' and unable easily to share information, that's a powerful idea in itself. However, it's important to realise a PIM system is about far more than helping to guarantee the consistency of data, it also enables retailers to get on the front foot when dealing with customers, to feed this information out to different channels in order to help drive sales.

This works in a number of different ways. At a basic level, consistent product data is crucial to searchandising and merchandising, because it equates to customers being more likely to find relevant search results on a website, and being better able to compare different products. PIM can also be used to manage cross-selling and upselling. Rich and and original product data is also central to implementing an effective search engine optimisation (SEO) strategy.

Of course, these are techniques associated primarily with the web, yet as we've already noted customers now move across channels – in ways that are tough to predict and tough to track. Indeed, it's one of the paradoxes of 21st-century retail that even as customers buy more and more of their goods online, the idea of ecommerce as a distinct discipline is becoming increasingly obsolete as once distinct lines between channels blur.

BUILD AROUND THE CUSTOMER

Instead, forward-looking retailers are now focusing far more closely on customer behaviour, trying to build operations and systems around the changing ways that consumers actually want to shop. Such a 'customer-centric' approach requires companies to be nimble and adaptable, able to open a 'pop-up shop' at short notice or react when a product starts trending on social media.

It also puts an onus on retailers not just to offer consistent data to customers, but information that's specific to context. That might be as simple as offering mobile-friendly content. Or consider a customer using a kiosk in a store. If he or she is an existing customer who logs in, there's a golden opportunity to offer personalised recommendations and offers based on, for example, smartphone searches that may have taken place in the past few minutes.

Here, it's important to emphasise that a PIM system doesn't just handle product information. Retailers can also feed in social media data, feedback from the customer and location data, the kind of rich data needed to drive sales. It's precisely because of the demands of these kind of complex cross-channel scenarios that managing product data is becoming a key strategic consideration – it's the underlying data that drives effective merchandising and marketing within these scenarios.

That's not going to change. Think of what's ahead. As, for example, augmented reality (AR) gradually finds its way into our daily lives, it's easy to get fixated on the prospect of an immersive experience beyond anything we enjoy now. Yet stop to consider the following, where will the data that feeds AR be held? That would be a job for PIM.

For more on product information management within cross-channel retail, download Stibo Systems' white paper, Multi-everything from //link here//

bazaarvoice

Social Retailing: Driving Sales Online and In Store

One of the most important shifts we have seen with the rise of social is retailers' reconnection with their consumers online.

Online, consumers guide each other to the perfect product. The digital shopping experience, both online and mobile, has become more social than ever. Social bridges the interaction gap for retailers online – when done right – replicating the face-to-face conversations with staff or friends that consumers have in stores.

Digital retail makes consumer knowledge collective. Online, you can look at what other consumers are saying and choose accordingly – based on their product ratings. Reviews "socialise" the product by adding customer testimonials and using consumer wording – not marketing or technical terms. For retailers and brands, data shows that well-informed consumers reading other shoppers' reviews, questions, and answers show a 153% lift in conversion over those who don't. So conversing not only helps you find the right product for your specific needs but encourages you to actually buy it.

Conversations on retail sites can get more specific. Say you only want opinions from your friends rather than strangers. Using Facebook's open graph, you can reveal whether any of your Facebook friends have 'Liked' the product you're looking at, written a status about it, purchased it, or reviewed it.

Or what if you only want opinions from people like you, who share your needs? Online, you can filter consumer feedback by relevant criteria such as geography, age range, family status, etc., and display only the most relevant opinions from customers like you.

The benefits of digital retail help you find the right product for you. But say you'd rather pick up the product on your way home from work than wait for it to ship. Smart retailers are finding ways to drive consumers to their store, versus buying somewhere else. Options like pay-online, pick-up in store are now commonplace.

Customer and product data gathered online can help guide offline selling. Online, retailers can track which items shoppers view, what customers say about them, which are the most popular and which are the least. This data helps them understand how to sell in the offline world – which products deserve endcaps, which to call out with signage, what in-store staff should say about the product.

The opportunity now exists for retailers to combine the advantages of digital marketplaces with the personal consumer interaction that takes place in store. For many retailers, social has been the trigger to the conversation opening up and reconnecting the retailer and its consumers to share and talk about their experiences, both good and bad. As importantly, consumers get the validation that their favourite retailers are listening and engaged.

The open digital conversation is a chance to bring back the best elements of the "old world" of selling: the tried-and-tested techniques of word of mouth and consumer interaction. Combining the best of old and new results in strategies like incorporating customer conversation into SEO efforts to echo customers' own language in search queries. Brands are also letting their advocates do the selling for them.

According to e-Marketer, consumer opinions are 12 times more trusted than brand-created marketing.

The ongoing migration to multichannel shopping is only feeding this wealth of consumer content. Econsultancy's 2011 survey uncovered that 33.5% of respondents felt it was very important to be able to purchase from a retailer using different channels. UK digital marketing agency White Horse further reported that the vast majority of smartphone owners use mobile to enhance their in-aisle shopping (84%), for price comparison (83%), and for reading reviews (73%).

These statistics only confirm what we already know – digital shoppers are even more savvy and expect to be engaged by retailers in conversation whenever and wherever they are, meaning retailers need to be willing to give the human-orientated customer service of old in the online marketplace of today.

For more information, contact Bazaarvoice – providers of social commerce solutions that help capture and amplify user-generated content, driving social media ROI. Visit www.bazaarvoice.co.uk, read the blog at www.bazaarvoice.com/blog, and follow on Twitter at @BV_Intl.

WHERE NEXT FOR ECOMMERCE?

Karina van den Oever, Senior Consultant at A.T. Kearney Limited, examines the emerging markets for UK e-retailers.

WITH RETAIL growth expected to continue at the slow pace of 1.5% - 3% over the next 3 - 5 years in Europe, many retailers are looking to emerging markets to fuel growth. There are several ways to enter a new market, such as acquiring a local player, opening own stores when regulation allows, setting up a joint venture or franchise partnership, or selling wholesale to local retailers on a concession basis. But, what about selling direct via the online channel? This is a low cost, low risk alternative to establishing physical presence in new markets, including emerging markets.

Entering through the online market is a low risk way of testing a brand's strength, obtaining shopper behaviour data to better understand consumer preferences, and building relationships with customers before setting up stores. It is also a low cost way to test the technological, financial and logistical infrastructure of a country through the reliability of online payments, shipping and delivery. Combined with social media, this is a low cost opportunity to begin a dialogue with consumers even before you set up shop.

To put this into perspective, American luxury retailer Neiman Marcus recently acquired partial ownership in a Chinese fashion website to test China's market, learn about Chinese consumers' likes and dislikes, and capitalise on the country's increasing demand for luxury goods. Neiman Marcus got all the information it needed without entering into expensive real estate contracts or trying to navigate the complexity of tier 2 and tier 3 cities. On a smaller scale, many UK retailers already ship products to other markets in which they don't have a physical presence. Next, for instance ships to 61 countries worldwide, but has stores/ concessions in only 40 countries. On the other hand, Debenhams has a presence in 24 countries, but now ships to 67 countries.

Whether you are entering via the ecommerce route or complementing your existing local footprint with an online offer, how do you know which emerging markets are ripe for ecommerce? Here at A.T. Kearney, we conduct an annual study, the GRDI – Global Retail Development Index. This study identifies the top 30 emerging markets that are prime for retail entry. Out of these 30 emerging markets, we have then ranked the countries based on their attractiveness for online retailing in our 2012 Ecommerce Index. We looked at metrics such as internet penetration, value and growth of online sales, as well as evaluated typical ecommerce challenges, such as technology, payment and logistics infrastructure, and internet security and digital commercial laws.

Our research this year found that the top 10 countries in the 2012 Ecommerce Index are as follows:

		Online Retail Market Size & Projection Growth		Online Behavior	
Rank	Country	2011 Online Retail Market Size (US$)	Projected 5 Year CAGR (%)	Internet Penetration (%)	Online Buyer (%)
1	China	$22.9B	29%	34%	32%
2	Brazil	$10.6B	12%	41%	30%
3	Russia	$9.1B	12%	43%	25%
4	Chile	$794.3M	14%	45%	71%
5	Mexico	$1.2B	30%	31%	61%
6	UAE	$226.8M	14%	78%	42%
7	Malaysia	$251M	15%	56%	53%
8	Uruguay	$43M	11%	48%	70%
9	Turkey	$1.3B	12%	40%	30%
10	Oman	$111.2M	7%	62%	44%

So, let's take a look at the top 5 in detail and find out why they are the top performers.

1. China - With a $23bn online market and 78% CAGR growth rate since 2006, it is hardly surprising that China made it to the top of the list. Its online retail market is expected to explode, reaching $81bn over the next five years as the country's infrastructure improves and online purchasing behaviours evolve.

China has 513 million internet users, the largest online population in the world, and 164 million online shoppers who are drawn in by lower online prices, promotions, and free shipping, and who value peer reviews. Consumer electronics and apparel are the two most popular categories among China's online shoppers, followed by beauty products.

Infrastructure challenges continue to stall China's ecommerce potential. The quality of China's transportation infrastructure varies outside of its metropolitan hubs, inhibiting deliveries. In tier 1 and tier 2 cities, online retail purchases are typically delivered by couriers, or by high-end express services, such as FedEx, DHL and EMS. Payment solutions such as Alipay, 99Bill and PayPal, are the most popular form of online payments as credit and debit cards remain uncommon.

Local Chinese retailers, including Taobao, Paipai, and 360Buy dominate the online market. In fact, 360Buy, coined the 'Amazon.com of China', actually owns 16% of the market. UK retailers are slowly making inroads too. Argos has a joint venture with Haier, where Haier's existing franchise network of 6,000 stores would serve as delivery points for online orders. Burberry, who has a footprint of about 60 stores in China, has a website in the local language and local currency, while others, such as Net-a-Porter.com and House of Fraser offer shipping to China.

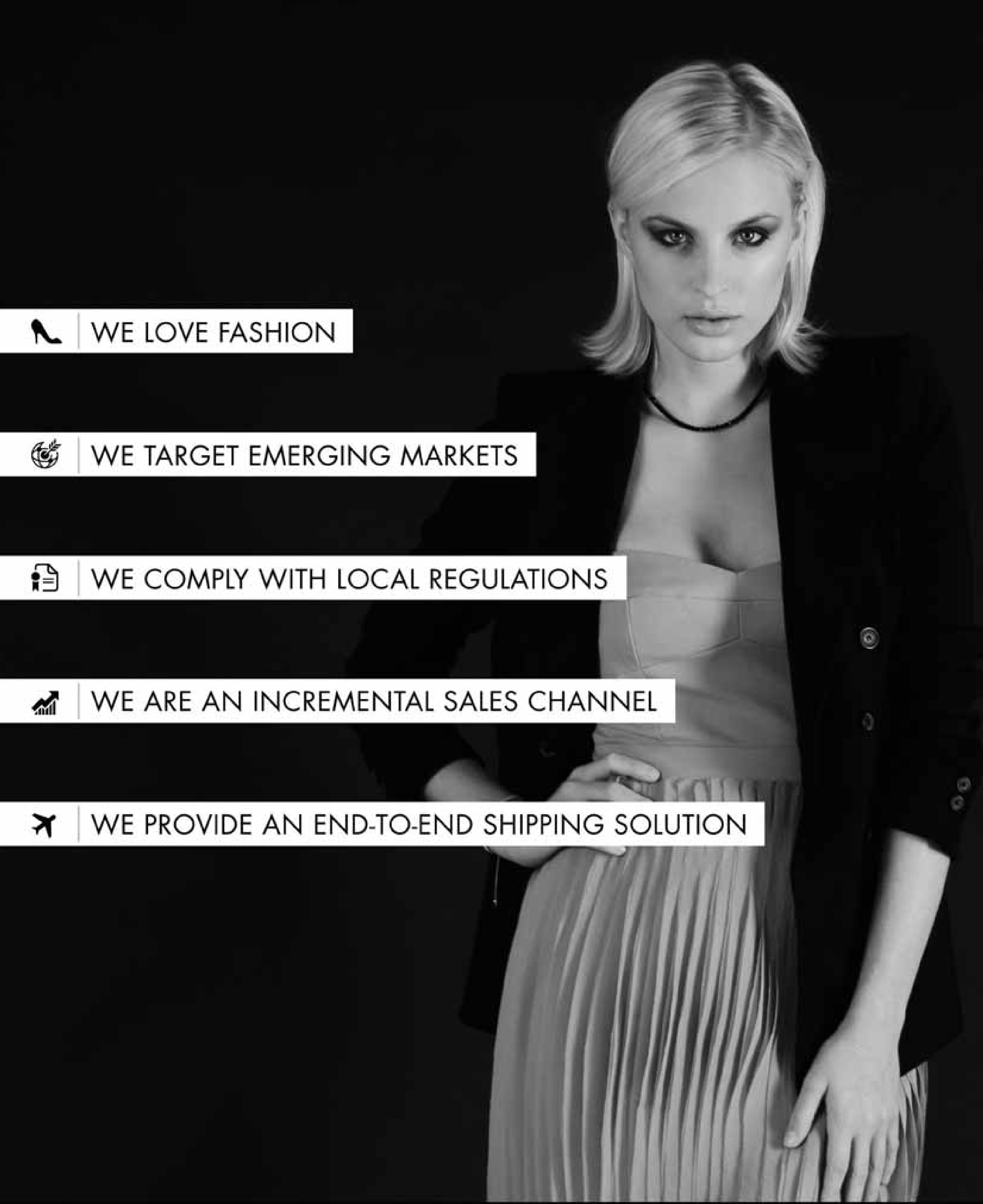
2. Brazil - With 80 million internet users who spend $10.6bn online per year, and are expected to spend $18.7bn by 2017, Brazil is coming in a close second. Brazil's strong and growing middle class shop online to get better deals. Brazilian shoppers are price conscious, demand free shipping and interest-free payment terms. They also frequent group-buying sites such as Groupon. In 2011, 10 million Brazilians made more than 20 million transactions on group-buying sites. Appliances and consumer electronics are the most common products sold online. Online apparel sales remain marginal, as fashion-savvy Brazilians still value the social experience of in-store shopping.

Local Brazilian retailers already have an online foothold, with B2W (owned by Lojas Americanas department stores) possessing 20% of the online retail market. Some UK retailers, such as Marks & Spencer, Debenhams and House of Fraser, are trying to get a piece of the Brazilian market without opening stores, by offering shipping to Brazil, capitalising mainly on tourists who have come across their brands in the UK or other markets.

Although Brazil's ecommerce market is thriving, the country has particular issues with logistics and online payment security. To combat these, the Brazilian government has invested in air and shipping ports and is strengthening its digital commerce laws.

3. Russia - Russia has the largest online population in Europe (60 million users) and 15 million online shoppers. Russians also browse the web regularly from their mobile phones - there are 1.8 mobile phones per person in the country. These market dynamics translate into a $9bn online retail market, with growth projected to reach more than $16bn by 2016.

Russians primarily buy with cash; this is because only one in five households has a credit card. The country's poor financial and logistics infrastructure and consumers' lack of confidence in delivery concentrates ecommerce sales in Moscow and St. Petersburg, where 70% of ecommerce sales are delivered, and a further 20% are in second tier cities.


WE LOVE FASHION
WE TARGET EMERGING MARKETS
WE COMPLY WITH LOCAL REGULATIONS
WE ARE AN INCREMENTAL SALES CHANNEL
WE PROVIDE AN END-TO-END SHIPPING SOLUTION

Both domestic and foreign retailers are investing in ecommerce operations to position for future growth. Leading Russian grocer, X5 Retail Group, recently launched an ecommerce site, while French retailer Auchan plans to establish collection points for online orders. Next, who already has 22 shops in Russia, has an ecommerce site in the local language, and guarantees free delivery in 6 – 8 days via Fedex. Monsoon has 21 stores/concessions and Accessorize, 86 stores/concessions in Russia and an ecommerce website in the local language and local currency.

4. Chile - Advanced technology and telecommunications infrastructure and an active base of online buyers have propelled Chile to a 27% ecommerce growth rate since 2006. Some 71% of Chilean internet users shop online, the highest among the 30 countries in the GRDI. However, because of the relatively small size of Chile's online market—just $749m in sales compared to Brazil's $10.6bn - it is easily overlooked.

Chile's internet users are not afraid to purchase online. The average Chilean household has four credit cards and spends $158 per year online, compared to $44 in the rest of Latin America. Over the next five years, Chile's online retail market is expected to double to $1.5bn as more people shop online.

Chile's domestic retailers control the market, but international players are gaining traction. Next, House of Fraser and Debenhams ship to Chile without having a physical presence. Domestic retailer, Falabella, is trying to stay one-step ahead of the competition through heavy investment in the online buying experience - a ground-up ecommerce logistics network, intelligent routing systems, online order tracking and a strong reverse logistics system for returns.

5. Mexico - Mexico is Latin America's second largest online retail market (after Brazil) with $1.2bn in sales per year, and the fastest-growing internet penetration rate in the world. As more Mexicans obtain internet access, online sales are projected to nearly triple to $4.4bn by 2016.

Despite its potential, a poor technological infrastructure hinders Mexico. The internet penetration rate is 31%, with users primarily connecting at slow speeds to avoid paying for faster but higher-priced broadband connections. Still, Mexico offers some of the most unique ecommerce innovations, such as the BanWire system, which allows customers to purchase a product online, print a voucher and pay for the product in person at a nearby convenience store.

International retailers are seeking to capitalise on Mexico's potential. Wal-Mart's Superama chain allows customers to order products online and either pick them up (no charge) in the store two hours later or pay for home delivery within the hour. Topshop and Next offer international shipping to Mexico from their main websites while French Connection has a multichannel offer in Mexico.

ONLINE SUCCESS FACTORS

Ultimately, and as demonstrated with the above markets, success in online retail often requires patience, persistence, and an ability to adapt to local markets. Notably, and for the interests of this piece, we believe that there are four main success factors for entering new markets either online or as part of a multichannel strategy. These consist of:

- **Develop a customised value proposition.** As in bricks-and-mortar retail, ecommerce requires adaptation to local markets. A one-size-fits-all approach will not work because online consumers in different countries exhibit unique behaviours and make internet purchases for different reasons. Success requires adjusting websites, payment methods, shipping options, and business models according to the needs of each market.
- **Manage the customer experience.** The convenience of ordering products at the click of a button and having them delivered to your home is a main benefit of online shopping. Thus, managing the customer experience from online browsing and product purchase to delivery and return is critical. In markets where logistics are a challenge, constant communications with customers about shipping timelines can help manage expectations and build trust.
- **Do not underestimate local players.** Domestic companies dominate online retail in developing markets because they understand local consumer preferences and the ecommerce challenges and have well-honed online retail skills developed in their home countries. Even as foreign retailers enter, these local firms will continue to be formidable competitors.
- **Have a long-term focus.** Launching ecommerce operations in developing markets demands patience. It takes time to navigate a market, learn about online consumers, and build a reputable online brand.

Certainly the race to expand online retail in developing markets has already begun for both international and homegrown retailers. Ecommerce and multichannel integration in emerging markets offer tremendous opportunities - at potentially lower risk and investment than building bricks-and-mortar stores. The best path to online retail success is the one that creates an immediate impact in developing markets and builds a growing, long-term advantage. ■

BALANCING LOCAL ENGAGEMENT WITH A GLOBAL EXPERIENCE

Emma Herrod looks at the issues of localising a global brand and why bilingualism is not the same as biculturalism.

INTERNATIONAL trading involves more than overcoming language barriers – there are also cultural hurdles to scale. However much research a retailer does before opening in other countries, there will always be some surprises, which is why so many people advocate employing local expertise. Indeed, in some countries it is a legal requirement for foreign businesses to use local intermediaries if they want to enter the market.

The penetration of luxury brands into the Chinese market is well documented and highlights the value of retailers staying true to their core brand across the globe. Others are now following suit. Ted Baker, for example, is becoming a trusted brand in markets such as the US, Hong Kong, China and Japan, where British heritage and quality are revered.

"People are willing to pay a premium for it," says Jaana Jätyri, Chief Executive of fashion trend forecaster Trendstop.com. "Launching into new markets has been pivotal to Ted Baker's strategy and, in this sense, its approach has been very similar to that of Burberry but at a more inclusive price. While Burberry was recently exposed by waning demand in the emerging markets, Ted Baker is not in quite the same price bracket and so could have less of a bumpy ride."

When it comes to new markets "retailers need to be flexible, fleet of foot and, above all, be determined," commented Sir Roger Carr, President of the CBI, at the recent World Retail Congress.

DETERMINATION

There are many retailers showing their determination as they expand into new markets in the current economic climate: Wal-Mart is opening 22 new stores in Japan; Waitrose is partnering abroad; M&S is following a franchising model in Hong Kong and the Philippines while launching ten new country websites; Saks is opening in Kazakhstan; and many others are upgrading their websites to multiple languages or localising into new regions. Spearheading the globalisation of UK pureplays is ASOS, which has customers in 160 countries.

In contrast, others – such as China's 360buy – are eyeing up the UK and a number of alternative non-domestic markets. Gap, for instance, has just announced a new global brand structure which brings together its North American, international, online, outlet and franchise divisions under a single global executive for each of its Gap, Banana Republic and old Navy brands. It has also formed a new Innovation and Digital Strategy team. "More than ever," says Philip Clarke, CEO of Tesco, "retailers need to build a strong and trusted brand; one that pulls on heart and head."

Kamlesh Raichura, Global Head of Ecommerce at electronics retailer Premier Farnell spoke about some of the operational issues of trading internationally at the recent Internet Retailing conference. The multichannel B2B and B2C business, which makes the majority of its circa £500m online turnover each year from international markets, is currently replatforming its global business to IBM WebSphere. While it makes sense to do things on a global level, Raichura said that having teams regionally are just as important since they can react rapidly to changing customer demands, to competitor initiatives and operational issues. "On a practical issue it is difficult to lead a team around the globe since it's difficult to get them all together at the same time."

He raised some of the questions that retailers should ask themselves before expanding into different territories or countries. Issues such as:

- Product: do you have the same ranges in every country?
- Pricing policy: do you have local currency or do you use standard exchange rates. Do you have different competitors for each country or a global pricing policy. How often do you update your prices?
- On availability: how important is next day delivery to your customers. Do you have one distribution centre or multiple distribution centres around the world?

"The cost to household brand names of not getting, and applying, local knowledge is immeasurable, yet we still continue to see major brands fail overseas because they do not have sufficient customer insight to make their brands work outside of their domestic territories," comments Allyson Stewart-Allen, Chief Executive of International Marketing Partners. "It's not just about product adaptation, such as McDonald's launching vegan menus in outlets in India, but service adjustments, too, as with the greeters at Wal-Mart in Germany that undermined its business there."

She claims: "Poor localisation results not just in abandoned customers but in vanished customer loyalty and corporate reputations, disengaged distributed channels and a low chance of recovery. To get internationalisation right, you need to immerse the business by moving to the target country. Senior head office executives should live there for six months or more, and should hire locals who know the nuances and can help avoid expensive fundamental mistakes. Most importantly, retailers need to assume differences and that adjustments to their proposition will be necessary."

But just how far do those adjustments need to go? While one company will keep strict control of its brand and remain true to its core beliefs and values, others will shift to match consumers in local markets.

QUALITY CONTROL

The same is true with product. Everyone knows what they will get from global brands such as Apple, for example, or Coca-Cola.

Asda is using IT to control product development, manufacture and logistics to ensure the consistent quality of George-labelled products across franchisees and the Wal-Mart Group. It is using a portal from Momentis which can be set with warnings to reflect local sensitivities – such as fashion items with religious symbols or made from certain types of leather – automatically tailoring the product catalogue to each franchisee. As well as ensuring inappropriate items are not sold, it also reduces delays at customs. Pricing is automatically converted into the relevant local currency, while customs documentation is automatically created, further removing an overhead for both franchisor and franchisee.

Lenny Letwin, Implementation Manager at Momentis, says that by using a centralised portal-based solution, suppliers, franchisees and the brand owner can work collaboratively while keeping track of costs and increasing efficiency over working practices which are based on emails and spreadsheets in different time zones.

Clothing brand Cherokee Group, which sells directly to retailers in more than 40 countries, believes that it has let local managers have too much leeway in answering the question of how to demonstrate value in local markets. In his first year with the company, CEO Henry Stupp visited 30 countries. "Every country had its own idea of what the brand meant," he says, and that included the quality of product being accepted from suppliers.

This led to the Cherokee Group reinforcing its brand message with its licensees and reorganising the supply chain. The best clothing manufacturers now supply multiple countries and customers get the best pricing and quality wherever they are in the world. "Factories build product but it is emotional attachment that builds a brand," he adds.

The same is true for partners, employees and consumers. Andrew Marshall, Managing Director EMEI at Costa Coffee, advises retailers to spend a long time getting to know potential partners before setting up with them. To make sure that they truly understand the brand and its DNA, he says: "We spend two years courting a new partner. Then get

married, as divorce is very long and painful."

The coffee company operates in 29 countries and plans to open in two new markets a year by following its focus on "global insight, local relevance". It believes in global consistency through its coffee, its people, its symbols and the personality of the brand. "Take the DNA, impart it, then entrust it to people locally," says Marshall. And entrusting people locally includes the customers. He advises retailers to "listen, learn, innovate", and explains how loyalty cards are one of the many methods it uses to gain insights from customers. These insights are then used to "drive innovation [such as new product releases] and how we localise".

International expansion is all about "people and organisation" according to Marc Bolland, CEO of Marks & Spencer, speaking at the World Retail Congress. He explained how the retailer plans to open new stores in Paris and India over the next 18 months along with seven in Shanghai and have online stores in ten more countries "two of which we expect to fail in". He added: "The company needs to be 30-40% UK independent, but you can't do it by bricks and mortar and people alone."

BRANDS IN A DIGITAL WORLD

When it looked at how to keep control of its marketing assets across the world, drinks company Diageo follows an ethos of overall global control using locally hired expertise. The firm is based around five regional hubs – North America, Africa, Latin America, Iberia and Asia – which are split into a further 21 regions.

It used to give its brand managers free reign to devise and run their own digital promotions and experiment with digital technologies. But Diageo's decentralised approach soon became fractured. Valuable creative assets were being produced all over the world, but few were shared or reused, so marketing programmes were often developed from scratch. Taking a local campaign international ended up becoming time-intensive and frustrating.

The company decided that it needed a system to manage its digital assets and customer data. It then spent six months debating whether to centralise (economies of scale) or decentralise (local culture and time), as well as looking at governance issues, such as what customer data can be held in which country. Jerry McClay, VP and Head of IS Marketing at Diageo, gives an example of just one of the issues they faced. He says: "In Thailand, we are not allowed to contact customers direct while in Australia we can sell Thunderbird Rum direct to consumers."

It decided to roll out a centralised digital marketing platform built, hosted and managed by Infosys. It now supports more than 300 websites, 110 creative agencies and 3.4 million consumer records worldwide. Along with a 25-30% reduction in digital marketing development spend, Diageo also benefits from:

- The ability to collaborate and reuse marketing assets worldwide;
- A reduced time to market, as campaigns can now be produced in hours rather than weeks;
- Improved customer insight, with centralised and detailed data delivering profit-generating insights into consumer behaviour;
- Greater creativity, with the freedom to build digital assets on multiple technologies;
- A robust, available and secure platform to protect its reputation against hackers.

When it comes to building brands in a digital world, Peter Williams, founder of Jack Wills, believes that the conventional advertising model is flawed, since it does not allow for two-way relationships. He says retailers today need to make the consumer believe they are the brand, and that is exactly what his firm has done with its Sessionaires, a bunch of customers who were given cameras and blogged for the summer on the brand's behalf. "The idea that I'd hand my brand to a 21-year-old in Nantucket is scary but it validates the brand," comments Williams. He explains that this has led to shoppers having an emotional relationship with the brand; instead of a t-shirt being just a t-shirt it's a reminder of a ski trip or summer on the beach. "If relationships are two-way, why do brands think they are different?" he asks.

In the way that a child listens before they learn to speak, retailers are having to listen and learn before they can grow, innovate and enter the hearts of customers in new markets. Yes, be determined, but not so much that it tends to inflexibility. In the words of Nelson Mandela: "If you speak to a man in a language he understands, you speak to his head. If you speak to a man in his own language, you speak to his heart." ■

CROSS-BORDER TRADE: THE FINE PRINT

Andrew McClelland, Chief Operations & Policy Officer, IMRG examines the latest legislation affecting European e-retail.

THERE CAN BE little doubt that cross-border trade is the future of retail and the opportunity is expanding all the time. In the lead-up to Christmas last year, Royal Mail announced impressive growth for the number of parcels going overseas to Australia (31%), Greece (21%), Finland (20%), Netherlands (20%) and France (19%) to name a few.

Entering a new market requires a lot of careful research and planning. Here I focus purely on some of the legislation that you need to know about when looking cross-border. Some are already in force and some are still being debated.

COOKIES

The e-Privacy Directive was first passed into law in 2010 and put forward a range of amendments to the laws governing electronic communications and data privacy. The section that had the most coverage was that which applies to the use of data stored by websites. For the most part, that means the requirement to obtain consent for the use of certain cookies.

This requirement is being dealt with in varying ways by each member state. For example, Germany has yet to actually take a decision on how it will implement the changes, while the Netherlands have introduced a full opt-in requirement for websites.

Following the UK implementation into law in May 2011, the requirement now is that websites need to obtain consent from visitors in order to use cookies for their session. While no actual fines have yet been levied, the Information Commissioners Office (ICO) has recently written to a number of organisations across multiple sectors asking what action has been taken to comply with the directive.

At present, we are still waiting to see what action the ICO will take but, in the meantime, all organisations should ensure that they follow these three steps:

- Undertake an audit of your web estate to determine which cookies are being used;
- Categorise all the cookies found by the audit;
- Display the results of the audit in a prominent position on the website and include information for users on how to block different types of cookies.

This model is often referred to as 'informed consent' and has been the most common solution seen on UK sites.

CONSUMER RIGHTS DIRECTIVE

The Consumer Rights Directive (CRD) is intended to support the development of the single digital market by updating consumer protection to match the modern way the internet works. When initially considered, the aim of the CRD was to completely harmonise ecommerce across the full EU27, but this proved to be too difficult due to the wide variety of the existing markets in terms of how they operate.

The amendments to the CRD were the big news policy development in 2011. It actually went through multiple drafts due to concerns raised by many in the industry. The two most contentious of these, the obligation to sell into all countries in the EU27 and the retailer liability for covering return costs of orders over €40, were removed in the final version.

The two most notable amendments that did make the final version were the reduction of the cooling-off period and the linking of product returns to the refund:

- Cooling-off period – the period that a consumer has to change their mind about purchases (the 'cooling-off' period) was extended from 7 to 14 days. This amendment has potential ramifications for stock management, such as lengthier processing of returns.
- Product returns – a positive amendment for retailers was the linking of the return of a product to the refund. By contrast with the extended cooling-off period, this can serve to aid stock management by encouraging the consumer to return a product swiftly.

The Directive was agreed by member states in October 2011 with its implementation into UK law currently being consulted upon by BIS.

DATA PROTECTION REGULATION

In January 2012, the EC proposed a comprehensive reform of its 1995 data protection rules to strengthen online privacy rights and boost the digital economy in Europe. Differences between EU member states over the balance between privacy and transparency have been a stumbling block to adopting new EU-wide standards, with member states like Germany aiming to maximise privacy and northern states such as Finland and Sweden seeking as much openness as possible.

Key changes in this reform include a single set of rules on data protection, valid across the EU, and increased responsibility and accountability for those processing personal data. For example, a new requirement would be for companies and organisations to notify the national supervisory authority of serious data breaches as soon as possible (if feasible within 24 hours).

The EC proposes introducing a proposal for a new 'right to be forgotten', under which, in certain circumstances, individuals can request the erasure of personal data which an organisation stores on them.

IMRG support the Regulation's stated intentions and believe that making trade across EU borders easier is an important step for ecommerce. However, we also believe that the responsible use of data can bring significant benefits to both consumers and businesses. A more restrictive and prescriptive regime for the use of this data, as per the current proposals, potentially present a barrier for small retailers who greatly rely upon data for building their businesses and securing return customers.

The EC's Impact Assessment Board itself called for the impact on SMEs to be clarified and for deeper analysis of the proposals on competitiveness. We believe that further research and analysis is required in order to ensure that the balance between safeguarding individual rights and enabling a business-friendly playing field is achieved with this Regulation.

IMRG was a co-signatory of a letter sent to Government on 30th April 2012 outlining these concerns and submitted a response to the Ministry of Justice consultation.

COMMON EUROPEAN SALES LAW

The introduction of a Common European Sales Law (CESL) is intended to increase cross-border trade and boost the development of the single European digital market. CESL is still in draft form at present and is being put forward as an optional instrument for member states to adhere to.

IMRG are broadly supportive of the idea of CESL, but submitted a consultation response in May 2012 outlining some of our concerns about the current drafting. Three of our key concerns are as follows:

- Definition of cross-border: while the definition for many businesses is obvious, a number of challenges arise as a business develops trade into other territories. Businesses must register for sales tax, many will look at consolidating shipments or even set up their own fulfilment operation, and a marketing and customer support function may become necessary within the territory. The main challenge for a business using CESL then comes from not being able to use it for domestic transactions as, once registered for sales tax, the business could see themselves as being described as a domestic business.
- Over-complication: a key benefit of CESL is purported to be an increase in consumer confidence in shopping cross-border. However, there are a number of other Commission initiatives which aim to fulfil these objectives, including: CRD; Alternative Dispute Resolution Directive; Online Dispute Resolution Regulation; A study on the use of trust marks in the EU27. The introduction of CESL threatens to overcomplicate and duplicate these other initiatives without significant additional benefit.
- Legal certainty: there is some doubt among the online community as to how CESL fits in with existing legislation such as Rome 1, especially around the country of origin principle, in addition to other directives such as the CRD, the e-Commerce Directive and a view that a lack of jurisprudence would actively impede the adoption of CESL.

The legal landscape for online trading is going through a significant period of regulatory evolution at present, with the debate centring on how to define the parameters of privacy and consumer protection in the digital space. IMRG are committed to ensuring that the interests of the industry are well represented in those debates. ■

INTERNATIONAL PAYMENTS WITHOUT RISKS

With UK online retailers looking to break into new international markets, ecommerce merchants are facing challenges to ensure potential new revenue streams are protected. Chase Paymentech's President and Managing Director Shane Fitzpatrick shares his insight and research on how retailers can consider increasing international payments while mitigating the increase of fraud levels.

VIN 2011, UK retailers lost a total of £221m to card-not-present (CNP) fraud. This represents a significant reduction in fraud compared to the record loss set three years earlier (£328m) and shows that the introduction of additional fraud prevention tools by card companies, banks and retailers has had a positive impact. However, fraud remains a real and growing threat to revenue, particularly as retailers grow and expand their CNP channels to include new international markets.

The European online retail market was estimated to grow by 19% in 2011 to £214bn according to the IMRG. These aggressive growth patterns were acknowledged and even exceeded by many of the companies surveyed for Chase Paymentech's Dynamic Markets: The Changing CNP Payment Landscape report. This research shows that companies with the largest daily CNP sales plan to grow by 39% this year. As more consumers move from high-street shopping to shopping online, retailers are embracing this opportunity to expand at home and overseas despite the threat of fraud.

However, the same research found that international traders have increasingly fallen victim to fraudsters, with 80% having lost money due to fraudulent CNP transactions, compared with 53% of national-only traders.

TACKLING INTERNATIONAL FRAUD

Chase Paymentech's research found that the majority of CNP retailers surveyed are already trading in mainland Europe, with more than two thirds of large retailers making plans to expand into additional countries over the next couple of years.

The survey also found that the experience of retailers trading internationally identifies real risk. Troubling is that nearly a third of international merchants surveyed have seen their levels of fraud increase in the past year. Yet, while fraud presents a significant challenge for international companies, the report found that most remain confident that the opportunities for growth far outweigh the risks. Even among those companies that have seen fraud go up in the last twelve months, the most attractive markets for growth are also those regarded by retailers as some of the worst for fraudulent attacks, with Russia (38%) and Germany (24%) topping the list.

As merchants look to commence, or indeed continue, international expansion, it's useful to have a more sophisticated picture of fraud broken down

by country to help identify specific threats. Naturally, every company will have its own experience and different sectors may be concerned about differing fraud threats in different countries. The Chase Paymentech survey further suggests that while most sectors have concerns about the level of fraud in the UK and the US, travel and leisure companies are more likely to have concerns about Germany and Italy while retailers regard Russia as the worst country for fraud.

International retailers looking to minimise fraud may therefore find it extremely beneficial to look at country specific data and analyse levels of fraud in each international market. If necessary, this data can be broken down further by state or town to give useful insight.

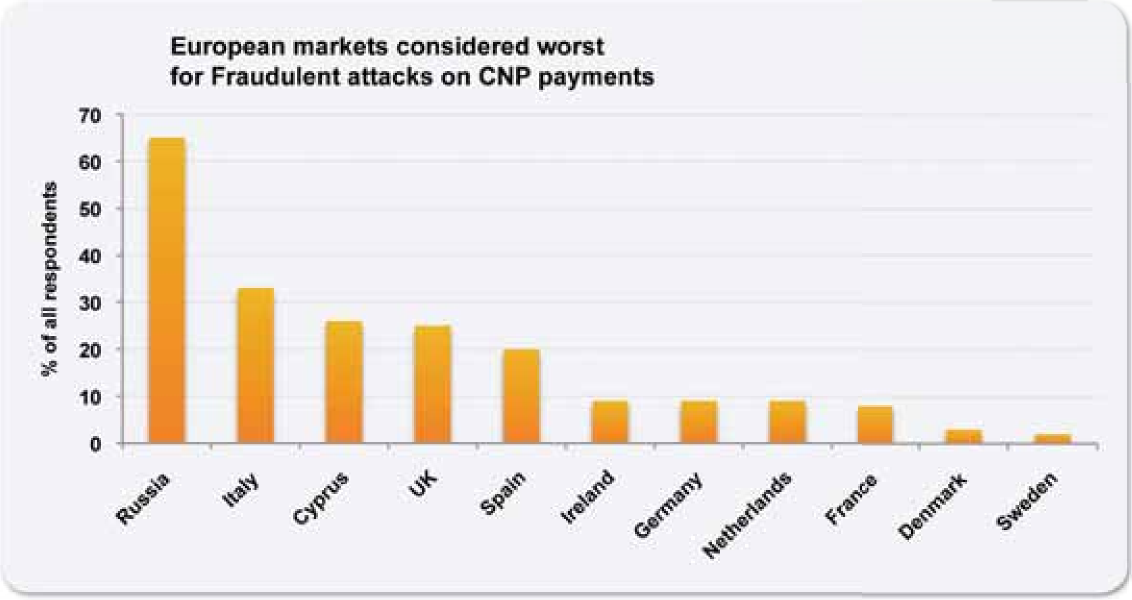
Chase Paymentech research found that among companies already trading or planning to trade internationally for the first time, the top-three markets they will focus on over the next 12 months are the UK (48%) for non-domestic companies, Germany (37%) and the US (30%). France, Russia and Ireland also scored quite highly, with Cyprus (3%) occupying the bottom of the list. Industry sector also plays a key role in which countries are deemed important, with the US (44%) and Germany (56%) being more of a focus for manufacturers, compared to retailers (20% and 25% respectively). In contrast, more retail companies think Italy (15%) and Denmark (18%) will be a key focus for them, compared to manufacturers (both zero).

When it comes to CNP fraud, Russia tops the list in Europe, followed by Italy and Cyprus, but the UK comes in a close fourth. In contrast, Sweden and Denmark are at the bottom of the list.

ON-GOING ANALYSIS

International retailers should also consider further analysis of transaction and chargeback records to ascertain reasons behind authorisation declines based on currency or location.

It is also worth tailoring continuous transaction monitoring to ensure that the fraud scores given for



a particular country reflect the appropriate level of risk and the most relevant factors for that country. Proxy piercing tools may be considered by merchant to help accurately determine the location of the customer, rather than rely on an IP, delivery or billing address alone. It is also important to ensure that the rules implemented to stop fraud from a specific country do not affect the company's ability to receive orders from neighbouring countries in the same region.

Finally, a good payment acquirer should be able to explain the options available for getting a universal picture of your fraud by integrating reports on fraud and payment acquiring together. This will help identify fraud within countries and across borders as well as supporting an expanding international business with simplified management of sales and chargebacks, enabling retailers to manage growing international volumes without increasing cost or complexity.

WHAT DOES THE FUTURE HOLD?

Despite careful analysis, change is inevitable. New patterns of fraud are being shaped by the growing popularity of mobile shopping, social media and new technologies such as tablets and smartphones. Many retailers are certain that fraud levels will increase in the next few years as these channels become more widely adopted. In order to keep up, fraud prevention methods need to continue to evolve. However, consumer confidence remains paramount throughout. In the Chase Paymentech survey, 92% of shoppers said they would avoid shopping with a retailer that had fraud related issues on its website or smartphone app. Yet, while a third of consumers want to see mobile shopping made safer, a similar number complain that they find it too difficult to use their mobiles to navigate websites or enter payment details. One way retailers have tried to maintain a seamless mobile shopping experience is to collect less information when orders are taken but this makes it more difficult to identify potential fraud.

Perhaps the biggest challenge for retailers as they open new channels is to strike the right balance between security and consumer convenience. This requires a more flexible and agile approach to fraud prevention. Fraudsters will always try to exploit new models, such as one-click payments or same-day delivery, but the inability of a retailer to meet the expectations of customers because of an inefficient fraud prevention process may present a greater cost to the retailer. Delays in fulfilling orders could see dissatisfied customers switch to a competitor.

In conclusion, the CNP world is ever-changing and so is the threat of fraud. However, it is possible to plan strategically to ensure that a business can detect fraud across all channels as close to real time as possible. This will in turn enable retailers to identify threats quickly to counteract and prevent future fraud, particularly as these companies grow and expand their CNP channels to include new international markets. ■

PLAIN SAILING FOR KEY MARKETS, CHOPPY WATERS ELSEWHERE

Overseas expansion can be a comparatively easy way for UK e-tailers to grow their businesses – and fortunately, for many target markets there are few significant logistics challenges. Penelope Ody investigates.

SEARCH on any major UK e-tail site and you will very quickly find plenty of information targeted at overseas shoppers: even without language switches or dedicated local offers, a great many UK retailers are already very happily sending consignments abroad on a regular basis.

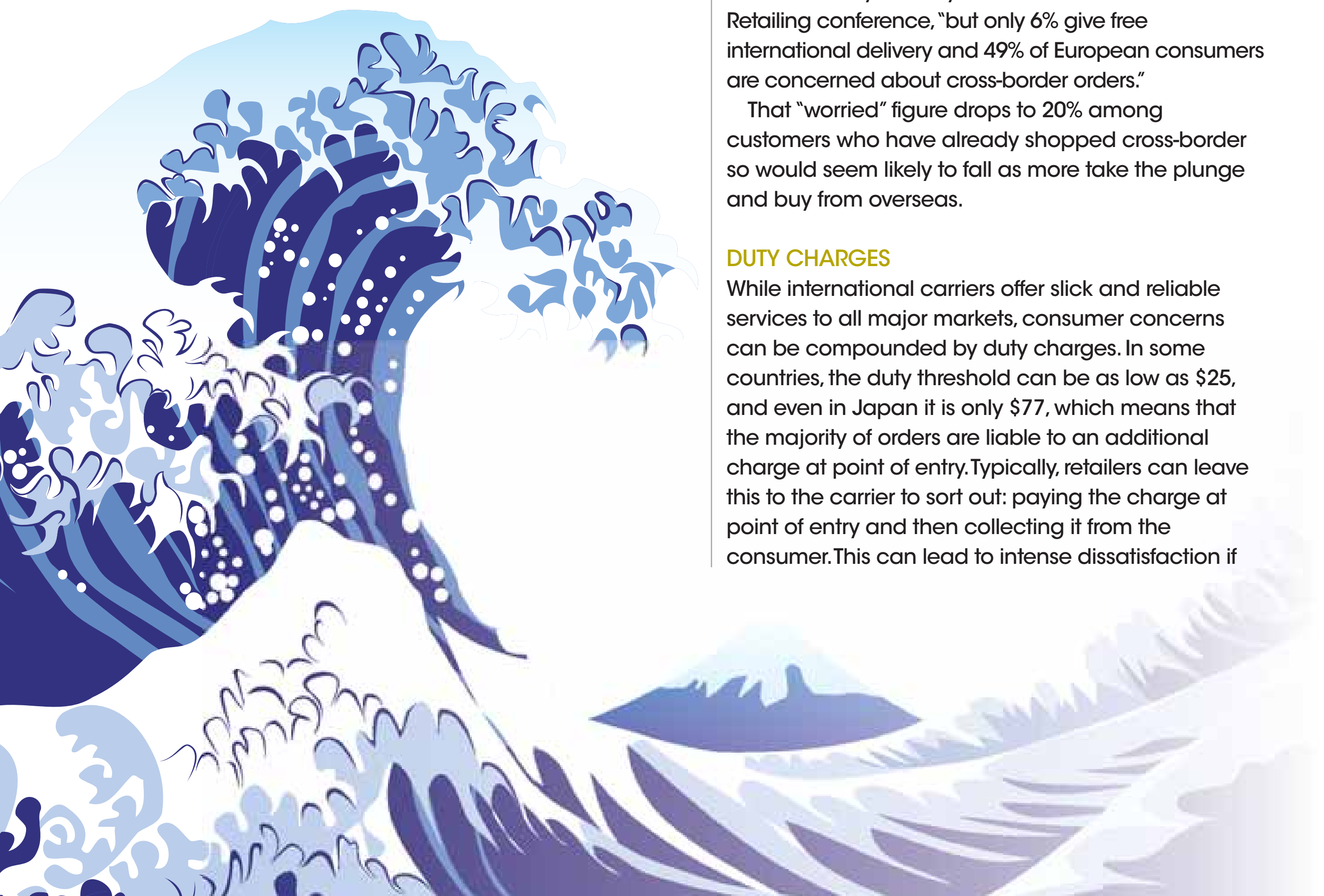
Most of the time it is deceptively easy: you call a carrier or take your parcel to the post office, pay a fee and wait for the happy customer to post a glowing review. Thanks to the EU's single market, shipping to most of Western Europe – Norway and Switzerland excluded – is that simple. Other likely markets, notably Australia and the USA, can be just as straightforward. The problems start with the rest of the world or when volumes begin to ramp up requiring a major overhaul of the supply chain.

"There is a lot of easy stuff," says Patrick Wall, CEO of MetaPack, "and these days carriers offer a range of suitable cross-border services. There is no problem with duty in the EU and both Australia and the US have quite high duty thresholds. Challenges start where the duty threshold is low, there are legal barriers or where you have security issues."

Wall suggests that on average around 8% of UK online orders are sent overseas. The average hides a range of values – up to 60% international trade at ASOS and obviously much lower for many other e-tailers. Andrew Starkey, Head of E-logistics at the IMRG, quotes 18.5% for the total proportion of UK online orders going overseas. Key destinations are, as one might expect, Australia and the USA – both at around 14% of shipments – with France and Germany close behind. Others are less predictable with Russia and Singapore among the leaders of the long tail accounting for 3% of orders or less.

"Surveys suggest that 62% of UK e-tailers offer cross-border delivery," Starkey told last month's Internet Retailing conference, "but only 6% give free international delivery and 49% of European consumers are concerned about cross-border orders."

That "worried" figure drops to 20% among customers who have already shopped cross-border so would seem likely to fall as more take the plunge and buy from overseas.



DUTY CHARGES

While international carriers offer slick and reliable services to all major markets, consumer concerns can be compounded by duty charges. In some countries, the duty threshold can be as low as $25, and even in Japan it is only $77, which means that the majority of orders are liable to an additional charge at point of entry. Typically, retailers can leave this to the carrier to sort out: paying the charge at point of entry and then collecting it from the consumer. This can lead to intense dissatisfaction if

the tariff is unexpected with a high proportion of rejected consignments and major returns issues. Alternatively, the retailer can give the customer an estimate of the duty charge after the order has been placed, collect the money as a follow up transaction before despatch and deliver the goods duty paid.

MetaPack has now come up with a third option – an online duty calculator which calculates the amount due in real time based on the very latest information and adds it at the checkout so that the shopper can see the full amount payable at the time of ordering. "We only launched this in August," says Patrick Wall, "and it can be difficult for some retailers to implement depending on their ecommerce platform, but we have customers trialling the system and it greatly simplifies duty collection."

Duty charges are not necessarily a deterrent, as Andreas Kopatz, Head of Product Marketing at Intershop points out: "Certain electronic items might be $200 in Germany but only $100 if I buy from the US. Here we have to pay VAT at 19% on any imports from the USA over $30, but even so, it is still cheaper for me to buy from the US and pay 19% than to buy it in Germany. It is important, though, for the customer to be told the full price with duty before they click the buy button."

There are also some bizarre local rules to abide by: "Did you know for example that the import of pairs of shoes to India is prohibited," says Dean Wyatt, VP Business Development, Retail UK at DHL. "They must be mutilated or sent as single shoes."

SECURITY

While carriers and duty calculators can solve many of the logistics problems they are of little help in more challenging geographies. Security can be an issue with goods sent to some Eastern European markets unlikely to ever emerge from the customs sheds while oddly formatted addresses in South America can see important facts, such as house number, disappearing from standard UK file layouts.

"We are seeing retailers tap into the growing consumer demand in BRIC nations as well as the Middle East as logical areas for potential growth," says Wyatt. "These kinds of geographies can be more 'difficult' for logistics with a less developed transport infrastructure that could disrupt business, poor roads, power outages, and capacity shortages."

Sarah Lynch, Head of E-commerce Delivery at Salmon, agrees: "The BRIC countries are a challenge, as are South America and South Africa. Delivery is only as good as what is available in each country and website performance can also be poor. It is often best to partner with someone based in the geography who can help deliver a localised offer."

A local returns address is certainly essential and is generally available via the logistics service provider who will often refurbish goods for resale or arrange for their disposal if it is not worth the cost of shipping them back to the UK. Some retailers work with overseas franchisees or develop concessions which can help give a local presence. Marks & Spencer, for example, has numerous international franchisees and also plans 10 international websites and 100 overseas stores by the end of this year so will be able to offer a full range of ecommerce services, such as click and collect, to many of its overseas customers.

While M&S clearly has a global presence, servicing a growing international market efficiently can be difficult for less established players. Craig Sears-Black, UK MD of supply chain specialists Manhattan Associates, cites one of its high volume fashion customers who manufactures in the Far East but brings all products back to the UK for quality control and final pre-sale checks. "They are starting to see online orders from countries in AsiaPac increase, so do they continue to bring everything back to the UK and then despatch orders almost back to where they were made, or do they set up warehousing and quality control facilities in the Far East to service what could be an important and growing market?"

Equally, with Australia heading the IMRG's list of overseas destinations for UK e-tailers, fashion businesses have to cope with multiple seasons. "Developing regional warehouses may seem a likely solution," adds Sears-Black, "but there is always the risk of ending up with the wrong products in the wrong place."

Alek Adamski, Associate Partner at Kurt Salmon, agrees: "If you have multiple stock points then you inevitably end up with redundant product in many locations," he says. "Also many multichannel retailers still work with separate store and ecommerce stock pools and very few are at the point where they ship goods direct from suppliers to new international markets. There are still many systems issues when it comes to linking stock records and bringing stock back to the UK can be expensive."

An alternative is to stock only core lines in overseas locations, much as Boden does with its US operation: "Some of our smaller retailers, particularly in fashion, are testing the water on a few key lines held at shared user facilities, where risk is reduced for both partners," says Dean Wyatt, "It is also important to ensure that the end consumer understands that for these core lines the delivery promise is different."

Most e-tailers looking to international growth start, as the statistics suggest, with the "easy markets": Western Europe and English speaking, but when it comes to capitalising on the potentially lucrative markets for consumer goods elsewhere in the world, such as the BRIC countries, good local partnerships and an established international carrier able to offer high-level services would seem essential. ■

Insight from arou

ISABELLE SALLARD, EDITOR, INTERNETRETAILING.FR

In France, NFC technology has been, for now, more a topic for journalist speculation than a retailer preoccupation. Recently, however, French retail chain Casino made a big step forward in consumer shopping experience by being the first retailer to launch NFC shopping in some of its shops across the country.

Casino adopted the NFC-Shopping technology developed by Think&Go NFC to offer personalized shopping to its clients, even if no Wi-Fi or 3G coverage is available in the store. This project is part of an innovation program driven by the Casino Group to make its stores more multichannel.

The application "mCasino NFC" has first been tested for a few weeks by the group's employees with NFC equipped BlackBerry devices before being rolled out to consumers in October, in a Casino supermarket in Paris. The device should now be extended with the introduction of an "NFC ordering wall" in public transportation in Lyon and in Paris.

Customers equipped with NFC mobiles will have access to technical, commercial and educational products on the supermarket shelves. When they point their mobile at the NFC tag they get information such as product description and price and can add it to their shopping cart.

They are also able to set the application according to their preferences and buying habits to receive personalized alerts and promotions. Once at the checkout, the customer will only have to present their mobile before the NFC device and their purchases will be automatically transferred to the cashier. They can then choose whether to pay by NFC credit card or cash etc and their delivery preference.

Casino also said that, before the end of the year, the payment may also be done directly on mobile without the checkout. Thierry Aouizerate, Casino's Marketing Manager comments: "Our vision is that in the future mobile will be an indispensable partner for shopping in-store, while mobile or at home and that this revolution will be based, among other things, on contactless technologies".

MATT BULLOCK, FOUNDER AND CEO, EWAY

Figures from a report commissioned by the Australian Communications and Media Authority show that online retail here is growing fast – and not just for the big guys.

While growth for the likes of Amazon and eBay is beginning to plateau, the research has shown that other businesses are increasing engagement with consumers via the internet. In fact, almost 60% of Australian small to medium enterprises have taken orders online from consumers.

Convenience and price are the main reasons Australians shop online, but we are seeing other significant factors contributing to the growth of internet retailing down under.

One of those is geography. We live in a vast country and the web is making it much easier for Australians to shop without travelling great distances, saving themselves even more bucks. Australians living in remote locations do more online shopping than those living anywhere else – 70% of internet users in remote or very remote areas had purchased goods or services online in the six months prior to being surveyed.

The other thing driving growth in the sector is the lowering of barriers to entry for smaller online retailers. The advent of payments technology has brought the cost of selling online down rapidly, and so the number of SME merchants has shot up at a similar rate. That's good news for the domestic economy too, with the majority of online shoppers patriotically continuing to buy from Australian websites.

While items such as eBooks, MP3s, videos, travel goods, tickets and accommodation are the most popular items bought online there's been real growth in big ticket items such as vehicles too, and Australians with higher incomes - $150,000 or more per annum - are more likely to shop online than anyone else (86%).

Social commerce is one area of internet retailing that has still to really take off. However, what we are seeing more and more in Australia is that it's the key to helping businesses, especially small ones, network with their target audiences. So, watch this space, that's where the next big leap forward in ecommerce could come from.

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

On 25 September, Chinese home appliance retail giant Suning spent $66 million acquiring Redbaby, one of the largest

nd the world

maternity and baby product online retailers in China. After the acquisition, Suning will immediately increase its maternity and baby online market share, obtain Redbaby's female customers and its professional team and supply chain.

Established in March 2004, Redbaby began with a product catalogue and direct mail business. After only three months since its foundation, Redbaby opened its website Redbaby.com. Depending on low prices, Redbaby immediately became one of the largest maternity and baby product retailers in north China with a turnover reaching $31.8m in 2006 and $318m in 2009. However, due to management issues, such as the departure of the company's founders and high personnel turnover, Redbaby grew much slower than other Chinese B2C retailers and suffered huge losses in recent years.

Suning is one of the largest home appliance retailers in China and is the parent company of Suning.com, a large B2C retailer mainly providing 3C (computer, communication and consumer electronics) and home appliances.

After the acquisition, relying on Redbaby's high market share in the maternity and baby sector, Suning.com will largely increase its online market share in this sector and diversify its product portfolio. With about 6% market share, Redbaby ranked third in the maternity and baby online market in the first half of 2012.

Secondly, after the acquisition, Redbaby will bring lots of female customer internet traffic to Suning.com. It's reported that Suning.com will integrate Redbaby into its own website as a special sector. Before the acquisition, Redbaby owned two brands both targeting female shoppers -- Redbaby.com and Binggo.com, which sells mainly cosmetics and food.

Thirdly, Suning will have Redbaby's professional team and supply chain, which will bring advantages in expanding Suning`s maternity and baby products.

Although through acquisition of large vertical B2C retailer Redbaby, Suning.com could expand to full categories and change the image of only selling 3C and home appliance products in customers' eyes, it still has lots of work to do to integrate Suning.com and Redbaby.

PAULA DISBERRY, GROUP DIRECTOR MERCHANDISE PLANNING, WOOLWOORTHS SA

Woolworths SA (no relation to the UK brand) operates 920 stores across Africa, the Middle East and Australia (where it operates under the Country Road brand) selling everything from food and homeware to clothes, gifts and financial services. It is coming under pressure from overseas retailers, such as Zara and Topshop, entering the womenswear market in South Africa so has set itself the aim of being the first retailer to deliver an omni-channel experience to its customers.

Online retailing is only now starting to really take off with online accounting for 0.5% of total retail sales in South Africa. Its growth has been restricted by poor penetration and the high cost of broadband. Ecommerce is expected to grow 40% year-on-year with mobile providing a future growth channel with penetration rates of over 100%.

The larger African continent also provides a longer-term aim with increasing political stability, GDP growth and an increase in the consumer market. Retailing in Africa has been very informal; the first formal mall in Nigeria opened up this year, for example.

Woolworths has had a presence in African countries for over 10 years and currently has stores in Botswana, Namibia, Lesotho, Swaziland, Ghana, Kenya, Tanzania, Uganda, Zambia and Mozambique. A further 16 stores have been or are due to open in existing markets and other countries including Nigeria, Mauritius and Angola taking the total number of stores to 60 in the current financial year.

Retail space will increase by 42% in the current financial year and by an estimated 145% over the next three years on the continent as expansion accelerates.

Joint ventures with local partners is the new business model for our expansion plans in other African countries. We have moved away from the franchise model we had in the past in some African countries. It's not only a better profit model for Woolworths, but it's also better for customers.

Entering new retail markets in African countries does require a big commitment though. Huge duties remain a barrier to entry, especially in apparel, and infrastructure can be poor. Africa is not for sissies. ■

THE PRINCESS LEGO CASTLE & MAKING THE MERRY MOST OF MOBILE (THIS CHRISTMAS)

Darren Noyce, Founder and MD of SKOPOS, looks ahead at how consumers will use tablets verses smartphones verses web for their Christmas shopping.

DISNEY PRINCESS LEGO. Once upon a time I didn't know what this was. But now it has real relevance to me as the initiator of my first ever in-store competitor price check and purchase (by mobile).

A few years back in the run up to Christmas my darling daughter, no doubt peer-pressured, declared an interest in a Disney Princess Lego Castle. So, one Sunday off trundled the wife and I to the local Toys R Us and finally found the required pink boxes of Lego. "How much!?" I exclaimed and enquired simultaneously, whilst receiving those stares (you know the ones) from the wife (and child too in this modern case).

Then a revelation - I recalled the newly downloaded eBay app on my first-generation iPhone, and with a good signal I managed to check out the listings for Princess Lego Castles. OK, they weren't free, but items were much cheaper and would be delivered to home. So I went ahead and ordered the castle plus some accessories (all for much less than the Toys R Us retail price of the castle alone), paid simply via mobile PayPal, and over the next few days they arrived, as good as new(ish).

In summary, I hate the phrase 'paradigm shift', but comparison shopping from one 'store' while inside a rival…I think it's safe to say that was at least a personal 'action swing'.

Now that was a few years ago, and clearly with society's obvious mobile phone addiction - with ever improving smartphone powers, apps and on-the-go abilities - the modern way to buy is mobile.

1 IN 5 CHRISTMAS SALES

Indeed, since the mid 1990s shopping has clearly been moving online, and ever more it moves mobile. Indeed to highlight this with festive relevance, a recent IMRG study predicts that 1 in 5 digital sales this Christmas 2012 will be via mobile.

And data from my own firm further supports this view. SKOPOS provides crafted digital customer insight, and our multi-screen monitor (MTrack) has followed the impact of mobile and other 'screens' for a number of years now.

Looking back, data for 2010 and 2011 SKOPOS MTrack reported the following just before each Christmas period:

Christmas Presents…	2010	2011
Will choose & compare via mobile	7%	9%
Will buy via mobile	4%	6%

With the critical mass mobile has and is gaining through improved devices, platforms, apps and user experiences it is no surprise that IMRG claims a 20% digital share for mobile this Christmas. A doubling of mobile traffic to websites towards Christmas (up from 15% in 2011 to 30% in 2012 according to IBM and IMRG) sits very neatly with this prediction of a merry move to mobile.

M-commerce is growing, and from SKOPOS research we know the following about mobile shopping in general in 2012:

- 45% of UK active digital citizens** (like me) compare price information on their mobiles;

- 31% access shopping information on their mobiles (on a par with TV news at 32%);
- 29% order products & services by mobile;
- 5% order by tablet (rapidly rising with tablet uptake)

***defined as active users of internet and mobiles (or non-rejectors)*

This new behaviour set has been backed up by TradeDoubler/Econsultancy/OnDevice studies amongst UK smartphone users reported in October 2012, showing for instance that 41% of them use their mobile in-store at least half the time they are out shopping, with 42% looking for better prices elsewhere when using a mobile in-store; and a massive 74% claiming they would be happy for a retailer to send a promo text or email while they use in-store wi-fi.

It is simply no longer multichannel. The new mantra must be omni-channel - all-round channel-agnostic experiences for positive and aligned customer/brand outcomes.

Back to mobile specifically, the clear trend with all activities, including comparison and Christmas shopping, is upwards and fast driven by smartphones and apps (and new tablet devices). Age is a key factor here for driving acceptance and the use of mobile devices for shopping. A higher proportion of 16 - 40 year olds (66%) shop via mobile than across the wider digital population (SKOPOS data). There is also a true gender balance amongst mobile shoppers with no more men than women shopping in this way.

However, stepping back a second, why use the mobile for shopping? What benefits does it have over other routes at Christmas or other times? Put very simply, the mobile channel works best when it is handy and/or fast, ideally both. The mobile works as a purchase path when it fits shopping into your daily life, when it's convenient.

And, it works when it does this fast and efficiently.

At SKOPOS we like to think of an optimised mobile experience as a fast efficient portable shortcut. If you provide a service or purchase channel via mobile and it's slow or difficult to use on-the-move then it is largely defeating the object (of mobile). This Christmas, who isn't going to be busy going here to there to everywhere (increasing the need, but also the challenge and risk of disappointment) - and don't we all hate being disappointed at Christmas?

On the matter of challenges, reports across 2011 and 2012 have however highlighted the missed opportunity with mobile. They have described the struggle many customers have when using the mobile channel and mobile devices as customers.

The mobile customer experience is markedly worse than online, mail order, retail and telephone. According to an Econsultancy/Tealeaf study last year, less than 1 in 10 mobile shoppers described the experience as "good", with 83% saying there was some kind of problem along the way. Other reports have highlighted the lack of mobile-optimised websites (not just an app) amongst the UK's largest companies and retailers.

What is going wrong with the mobile experience then? What causes these poor ratings and evaluations, even though the benefits can be strong? Well, from SKOPOS research again, we have identified three of four main categories of challenge: Visibility/Awareness, Technical, Security and User Experience Issues.

One simple point, many brands still either lack mobile (optimised) facilities, or haven't promoted these strongly enough. Now is the time to create and educate. Technical troubles are also strong and include the screen size and battery drains, along with network signal and connectivity. Then there is the matter of Security and perceptions thereof. Is this safe? Is my data private? Should I use my credit card? Anyone following the online shopping evolution will remember the early need to reassure and convince consumers on this matter, both physically and perceptually, and perhaps more efforts need to be made here with mobile too.

Of perhaps secondary importance, but still troublesome, is User Experience Issues, covering navigation, time it takes, plus the (necessary?) reduced information and personalisation.

We can sum all these key mobile channel issues up as often delivering unreliable inefficient shortcuts.

So then, what does a retailer have to do to ensure fast efficient portable shortcuts and optimised mobile experiences to make the merry most of mobile this Christmas? From our research and experience, for an optimised mobile Christmas Shopping experience (with aligned positive outcomes for customer/brand) we recommend:

1. Improved awareness (access/visibility/education) for mobile and your brand;
2. Improved security, reassuringly convincing customers to use mobile;
3. Improved usability & the overall experience within your control;
4. Don't forget to think omni-channel (an all-round multi-touchpoint experience for positive outcomes).

Finally, looking forward to this coming Christmas, for me it is not now about Princess Lego, but instead Paul's Boutique clothing for my daughter. I must make time to check out their app or mobile-optimised site… or maybe not.

Make the Merry Most of Mobile everyone. ■

4, 5, 6...

It has been a summer of numbers: numbers that will have a huge impact on the retail space. 4G is tantalisingly close; the iPhone 5 is with us and iOS6 has also been launched. Paul Skeldon investigates their impact on retail.

BEFORE you get irate that this is all very much Apple focussed, it isn't. The iPhone 5 is a very prominent launch in the mobile commerce arena, while iOS6 also shows us some of the new ways that design gurus see us using our phones. But it doesn't end with Apple. Windows 8 phones and tabs are about to hit the market, while the functionality of the iPhone 5 and iOS6 will also help shape how other handset makers develop their products.

Before we get into the impact of phones and OSs, one of the most significant things to hit m-retailing in the UK is the sudden announcement that 4G superfast networks are going to be rolled out in the key UK cities by the end of 2012 and more widely in 2013.

The move comes as more and more people are trying to use data rich services on smartphones and tablets on networks that simply aren't up to the job. As has been written about countless times in M-Retailing.net, network overload and poor coverage are really hampering what people want to do with their phones. And that hits retailers in the pocket – especially those that have invested extensively in mobile sites and apps to draw in consumers.

Spectrum for 4G was meant to be put up for auction in the spring of 2013, with the first services rolled out in early 2014. However, the telecoms regulator Ofcom decided to let Orange-T-Mobile – now known as Everything Everywhere, and rapidly becoming EE as people like me can't be bothered to keep writing Everything Everywhere – could use some of its unused 2G spectrum to start running 4G services.

Of course, the other operators are up in arms – not least O2 which has been patiently trialling 4G dongles for laptops in London for six months – as they feel a march has been stolen and this will give EE an unfair advantage. Outside of the heady world of mobile operators, the rest of us should rejoice: 4G is soon to be here.

A study by mobile gambling company RoxyPlace.com, found that 89% of consumers were looking forward to the introduction of 4G (even though 24% admitted they actually knew what it did). What this shows is that consumers – even if they don't get it – want better network connectivity. All that will hold it back will be the cost.

And the move to roll out 4G can't come soon enough as 56% of UK phone owners own a smartphone and 21% a tablet. The majority of tablet owners browse and shop on thier device.

This is why the launch of iPhone 5 and iOS6 is so significant. The iPhone 5 has sold more rapidly than any other handset in 'history' and iOS6 offers such a rich experience (as will Windows 8 when it comes out) that it is fundamentally changing how people use these devices and how they shop.

New research, conducted by Conlumino for eBay, shows that rather than speeding up the shopping process, new technologies will result in UK consumers spending nearly twice as long browsing, researching and comparing prices of items.

UK consumers currently spend approximately 1 hour 20 minutes, considering, researching and buying non-basic items, such as fashion, items for their homes and gardens and electronics. The research predicts this will increase to around 2 hours 30 minutes by 2014.

The improved functionality of smartphones, like the iPhone 5, and rapid advancements in other digital technology is already resulting in more brands and retailers using new services like augmented reality to display and promote their products to consumers. This has the effect of lengthening the shopping process as consumers can try on items virtually or see how goods could look in their home. For example, eBay's Fashion App includes image swatch technology which allows users to take a picture of a colour or fabric and search for a similar item.

Location-based mobile technology allows consumers to compare prices of items locally as they shop and enables retailers to target consumer with specific personalised deals, again providing more choice and extending the time spent by consumers researching and considering what to buy.

With more and more people now using a smartphone or tablet device, mobile shopping is going from strength to strength. Only last month eBay revised its forecast of global transactions through mobile from $8bn to $10bn in 2012.

But, this all puts an exponentially increasing load on mobile networks. 4G will offer some great speed and capacity enhancements that could ameliorate these issues – but not any time soon. And the demand from better devices is already starting to grow.

The answer, in the short term at least, would perhaps appear to be retailers rolling out in-store wifi to at least give consumers connectivity, but, as with the roads, the more capacity there is the more people will use it. Maybe what we need are some much bigger numbers when it comes to network capacity. ■

IT'S ALL ABOUT **THE HIGH STREET**

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

WHILE Juniper Research predicts that the number of people shopping remotely by mobile is set to double in the next two years, today some 38% of shoppers who look up goods on mobile actually go into stores and then buy them, according to research by TradeDoubler. Could this be what saves the High Street?

The recent Portas review of UK High Street shopping mentioned digital just three times, but reports and studies by the likes of TradeDoubler and others indicates that mobile could hold the key to boosting the footfall in High Street shops.

"Much has been written about mobile representing a potential nightmare scenario for high street retailers," explains Dan Cohen, Market Unit Leader, TradeDoubler. "But our study shows that the opposite can be true as long as retailers are prepared to harness the potential of mobile, and not be afraid of closing a sale through different channels. We're finding that mobile search can be a tremendous catalyst to driving consumers onto the high street."

And the theory is being put into practice already. Mobile operator Telefónica has launched a new business unit – Telefónica Dynamic Insights – dedicated to identifying and unlocking the potential opportunities for creating value from 'big data' for retailers to help them optimize their real-world stores to help use mobile to drive footfall.

The first product, 'Smart Steps', will use fully anonymised and aggregated mobile network data to enable companies and public sector organisations to measure, compare, and understand what factors influence the number of people visiting a location at any time.

These insights will help retailers tailor local offerings for existing stores and determine the best locations and most appropriate formats for new stores. A number of retailers are already helping with product development by providing user feedback.

Meanwhile, Econsultancy has released a free report that addresses the shortfalls in the Portas Review, titled 'How the Internet Can Save the High Street', which urges businesses to make the most of web and digital technology to drive more customers into their shops and to improve the in-store experience.

PROMOS, PRICE COMPARISON AND REVIEWS

Consumer desire for using mobile devices while shopping more than doubled (138%) within the past year, finds the IBM 2012 Retail survey. The study also found that shoppers now demand a more personalised, convenient and budget-friendly shopping experience with the aid of mobile technology.

The IBM study of consumer purchasing trends and shopping habits of 1,800 consumers in the UK found that 39% want to use mobiles to receive personalised promotions, while 42% want to use mobiles to seek out lower prices, and 44% to seek out promotions. 52% want to use mobiles to checkout, and 42% to locate products in-store.

"Shoppers are keen to use their mobiles to scan products, check prices and receive previously scanned product promotions sent direct to their device. Mobile technology is set to change the 4Ps of marketing – product, price, place, promotion – as 'personalisation' becomes key." says Martin Butler, Retail Industry Leader, IBM UK & Ireland.

The survey also found that consumers believe social media and online sources should be a fully integrated part of the shopping experience. In the UK, 39% of consumers rely on the websites for comparative shopping. However, participants still value the 'touch and feel' aspects of a store, with 83% saying that they prefer to research online prior to browsing for a product during an in-store visit.

UK MNOS TO GIVE PAYMENTS 'OSCAR' PERFORMANCE

Mobile network operators Everything Everywhere, O2 and Vodafone have been given the go ahead by European regulators to develop a digital wallet currently going under the name of 'Project Oscar'.

The new m-commerce service will allow customers to make contactless payments with their smartphones in retail outlets, rather than using cash or cards and goes up against projects being run by Barclaycard, Visa, PayPal and Google.

The move marks another step in the development of mobile payments in retail, but there is still someway to go.

A third of UK shoppers think cash will disappear in the coming years, to be replaced by online accounts, cards and mobile, according to Skrill's Future of Money report. But, many fear that it is harder to budget if you don't use cash, while Juniper Research finds that too few sites are mobile optimized to allow purchase, while a significant proportion of consumers still view mobile payments as insecure. ■

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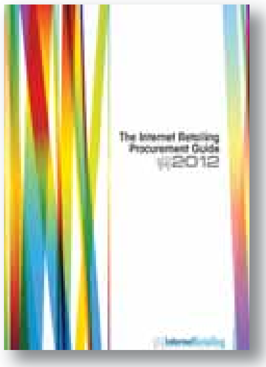

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