

INTERNET RETAILING



SELLING IN THE DIGITAL AGE

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JOHN LEWIS:
Cross-channel ambitions

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EDITOR'S COMMENT

For many retailers Christmas 2010 is all signed and sealed for, but interacting with customers: Site lock down is fast approaching for ecommerce teams and buyers are thinking ahead to Christmas 2011.

There is more to Christmas though than present buying and booking the grocery delivery. Religion aside, it provides a huge opportunity for everyone to get to know each other better. For retailers, the influx of shoppers online provides data that can be used for the rest of the year – a very useful Christmas present indeed.

In this gifting-focused issue of Internet Retailing, Gettingpersonal Managing Director John Smith reflects on the areas of best practice that they've successfully adopted. Alison Clements looks at the fail-safe gift option of books, films, music and computer games.

Meanwhile, Akamai asks 'Are you ready for peak traffic?' and Norbert Dentressangle explains how returns and recovery management can promote customer loyalty and drive sales.

For those of us who'll leave present buying until the last moment, there's now a 90-minute delivery service from Argos and Tesco drive-thru at our disposal. Hopefully, delivery choice means everyone gets their present under the tree this year. Before that though, everyone at IR Towers looks forward to meeting you at Internet Retailing 2010 on 12 October.

Emma Herrod
Editor



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DISCOUNTING BIG SPENDERS

Online bargain hunters end up spending up to 50% more than those who always pay full price on the internet, according to a new study. PayPal's annual UK online retail report found that 43m Britons were constantly on the lookout for special offers and promotions, with 30m using discount vouchers in the last six months.

It classified shoppers into four groups, from 'cut throat' keen bargain hunters at one end of the scale, to 'uncut' shoppers who usually pay full price. But, found the report, 'cut throat' shoppers spend up to 50% more online than their 'uncut' peers, spending an average £823 more on internet purchases. On groceries, 'cut throat' shoppers spend £639 in six months, 27%, or £135, more than the average online shopper's spend of £504. Meanwhile, those buying travel services spent an average £1,060 compared to the overall average £961.

Cameron McLean, General Manager, Merchant Services at PayPal UK, said: "Our research shows that online bargain hunters are often the biggest spenders. That's good news for retailers as they recognise that lower prices can be good for business.

"But, it's also great for a new generation of shoppers who expect to get better value for money."

The study also found a split on gender lines. Some 93% of women were always looking out for special offers, found the report, compared to 84% of men.

Meanwhile, a study by eCommera reports that 42.6% of the UK population is now shopping online at least once a week with the average shopper spending £71 per month on online goods. Just 9.3% of online shoppers have yet to break the £50 barrier, suggesting a strong market for luxury goods, designer clothing, jewellery and even items such as cars are driving up the average spend.

REWARDS & DIRECTORIES WEBSITES, RANKED BY SHARE OF UK VISITS

Rank	Website	%
1	HotUKDeals	7.31
2.	Ciao! UK	4.25
3.	Best-Price.com UK	4.05
4.	MyVouchers.co.uk	2.77
5.	Shopping.com UK	2.76
6.	NexTag UK	2.58
7.	review centre	2.45
8.	SupaPrice	2.30
9	Shopwiki UK	2.03
10	shopzilla.co.uk	2.01
11.	Twenga UK	1.93
12.	quidco	1.91
13.	Kelkoo United Kingdom	1.87
14.	VoucherCodes.co.uk	1.75
15.	Which?	1.71

Source: Hitwise UK

HOUSE OF FRASER GOES INTERNATIONAL

Department store House of Fraser is now delivering overseas as it widens the scope of its multi-channel service. The company says that it is responding to customer demand by enabling customers to shop from 20 countries including the USA, South Africa, Australia, New Zealand and European countries.

House of Fraser has an ambitious target to increase its web sales by 150% this year, making the website its largest store. Robin Terrell, Executive Director, multichannel and international at House of Fraser, said: "As part of our wider multi-channel strategy, an international delivery option enables House of Fraser to delight customers at home and abroad.

"This service will contribute to the continued success of houseoffraser.co.uk by allowing our UK customers to organise direct deliveries to friends and family living abroad, as well as engaging with new overseas customers."

As a result of the increased delivery options international customers can now order women's, men's and children's fashion along with some soft furnishings and homewares. That includes brands that are exclusive to House of Fraser, such as Linea, Episode and Howick.

Delivery costs £6 to Europe within three to five working days, £6 to the US, within three to seven days, and £10 to South Africa, Australia and New Zealand, in three to seven days.

NEW ECOMMERCE SITE FOR FARROW & BALL

Wallpaper and paint manufacturer Farrow & Ball has a new ecommerce website. Visitors can now buy paints, wallpaper and books through the site, at www.farrow-ball.com. The site, developed by BT Fresca, also offers customer advice, from how much paint to use to what kind of products, as well as a gallery of images for inspiration. By clicking on an image, shoppers can find out which paints were used. Meanwhile a guide to store locations points customers towards their nearest showrooms and stockists.

Farrow & Ball products are sold in more than 60 countries and the site can also handle multiple currencies and a range of delivery options. Deliveries can be made to 24 other countries, including Canada, the United States, and 22 European countries. Product availability varies by region, and it was important that the site be compatible with the existing supply chain and other software.

Sarah Cole, Director at Farrow & Ball, said it was important that the solution meet the business' "complex and diverse requirements over the markets in which we operate. BT Fresca's capability and experience in online commerce has helped us take the next step in developing our online representation globally," she said.

Sarah Hughes, Joint Managing Director at BT Fresca, the specialist ecommerce arm of BT, said: "Farrow & Ball has some exacting needs in order to serve its customers. Customers need a great deal of information when it comes to selecting decorating materials and different markets can have extremely diverse tastes and requirements."

NEW DISTRIBUTION CENTRE FOR OCADO

Online grocer Ocado is moving towards taking its service to a wider area of the UK, according to reports. Property industry journal Estates Gazette says that Ocado is on the verge of agreeing to buy 35 acres at the Birch Coppice Business Park in Tamworth, Staffordshire. Planning permission is understood to have been gained and the acquisition of the site is expected to be

agreed very shortly. The site could open by late 2011 or 2012.

The new centre will mean Ocado can widen its distribution to northern and central areas of the UK, going live to a new set of customers.

The development will fulfil a commitment set out at the time of Ocado's stockmarket flotation to invest some of the money raised in a new fulfilment centre.

DRESSING BY AUGMENTED REALITY

An online dressing room, using a new augmented reality application, is being pioneered by US magazine publisher Hearst Magazines Digital Media and augmented reality developer metaio.

The Adobe Flash application uses motion capture technology alongside augmented reality, social media and ecommerce to bring something new to the clothes shopping experience on teen magazine Seventeen.com's site.

First, the application detects the user's image through their computer webcam. Then, the shopper chooses the piece of clothing they want to try on by laying the clothing image over their own image on their computer screen. Selections and sizes can be altered by pointing at icons within the app to scan through the digital catalogue of clothes. The resulting images can be sent to friends for comments and feedback, while clothes can also be bought directly from sponsor JCPenney.

"The virtual dressing room makes online shopping easy and viral: with a simple wave of a hand, shoppers can select, rate and share their top picks with friends via Facebook or email and even purchase the items directly," said Kristine Welker, Vice President of Sales and Marketing for Hearst Magazines Digital Media.

Mike Boylson, Executive Vice President and Chief Marketing Officer for JCPenney, said: "Through this unique collaboration with Seventeen.com we're able to merge teens' love of technology and shopping and provide an interactive experience that allows them to discover the exciting and affordable fashion available at JCPenney."

Metaio's Head of Sales and Marketing, Noora Guldemond, said: "This is the first truly instant online dressing room and as opposed to other augmented reality applications no markers or uploads are needed."

SOCIALLY SEARCHING FASHION

UK consumer online search volumes for fashion-related terms in May were the highest of 2010, reaching 9.7 million, reveals the latest research from search specialist Greenlight. According to its 'Fashion Sector Report May 2010', Womenswear continued to dominate consumer online fashion searches, accounting for 67% of searches, an increase of 16% since Greenlight's previous report in February. Menswear accounted for 1.1 million searches.

ASOS was the most followed fashion brand in social media, with a combined following of nearly 300,000 on Facebook and Twitter. Interestingly, on Twitter it also had an additional 2,506 followers on its ASOS_Dashboard account (which displays live updates on postal orders) and 3,132 following its customer service account: ASOS_HeretoHelp. However, in search, it lost 28% visibility on February levels.

Debenhams was the most visible website in natural search, achieving 52% visibility. This was attained through ranking at position one for 23 keywords and ranking high on Google for high volume driving terms, such as featuring at position two for the keyword 'Dresses'.

Very was the most visible advertiser in paid search, across all keywords. It achieved 53% visibility, a 14% increase on February. It was also the most visible advertiser for womenswear, attaining 76% visibility.

Of note, was Peacocks which ranked at position 13 having featured outside of the top 60 websites in Greenlight's February report.

TOP 5 OF 15 MOST VISIBLE FASHION BRANDS IN SOCIAL MEDIA, UK

No.	Brand	Greenlight SMPI	Facebook Post Per Month	Twitter Tweets Per Month
1.	asos.com	298,328	50	177
2.	newlook.com	168,873	133	222
3.	marksandspencer.com	132,815	449	325
4.	dorothyperkins.com	39,334	53	107
5.	lipsy.co.uk	34,474	494	16

Source: Greenlight



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NO MORE ECOMMERCE: IT'S TOTAL RETAIL

We've long predicted that multiple channels will give way to an integrated commercial approach, but inspired by the World Cup - and not allowing his utter ignorance of football to stand in his way - Ian Jindal reflects on the lessons from the Beautiful Game's radical transformation in the 1970s, drawing parallels with today's changes: welcome to the age of Total Retail.

IN JANUARY'S column, we looked forward to a year in which Boards would place ever-increasing demands on the ecommerce teams, and that ecommerce leaders will need to become rounded, commercial leaders in order to secure their role on the Board. Since January we've also seen the rise of mobile and m-commerce and this has increased the pace of innovation and digital development, further eroding channel boundaries. M-Retailing.net, our new title, charts the increased pace of change, but there remains a nagging feeling that the game has changed.

In our businesses we expect our teams to combine deep functional expertise, with a non-trivial appreciation of other disciplines, and finally an ability to assimilate and master change situations, new skills and the changes in customer behaviour and demands. Admittedly there'll be training - both corporate and self-directed - but there is also a need to reconsider the way we manage and lead our digital teams, as well as the wider business, to achieve against these demands.

In the 1970s there was a similar need to change the approach to football. With faster balls and pitches, increased professionalism and training demands, the static tactical approaches that ranged lines of offence and defence against each other had become turgid. The insight was to create a system where any player could take over the role of any other player - fluidly, autonomously and to great effect. A multitiered player would be expected to be

an attacker, a midfield play-maker and a defender - seamlessly and without pause. A jack of all trades and master of most.

Central to the tactical approach of Total Football were the notions of creating space, flexibility and collaboration, founded upon rigorous and demanding training and a proactive attitude, always seeking opportunity and taking initiative.

Likewise the modern ecommerce team. For 'creating space' we have the need to create commercial opportunity - even amidst the mayhem and turmoil of minute-by-minute trading. Members of a Total Retail team are expected to act commercially, create opportunities, despite the pressures of daily activity.

The notion of multitiered team-members is also vital. Not only must there be an appreciation and understanding of other people's skills, but team members must also be able to make a credible contribution in other areas. No more "I am a marketer" or "I am a technologist" - ecommerce professionals must be both (as well as operationally savvy and commercially astute). Indeed, we created the MSc in Internet Retailing as a programme to assist the development of multi-talented leaders for our industry.

One aspect not present in the 1970s was "fan power", or 'customer power'. Our colleagues in store have the most intimate human contact with some customers, but across the whole business it's the multi-touch, extensive digital contacts that give

ecommerce professionals a privileged insight to the customer's activities.

With social media we have an enviable view of the customer's attitudes and activities beyond the shopping experience in our domains. Further, considering m-commerce and mobile interaction, we're increasingly able to gain more insight into customers' behaviour even when they're not "online" and explicitly shopping or researching.

Total Retail is the opportunity for us to progress from a simple injunction to 'be more skilled and commercial' to an approach of being more engaged with customers - at every stage of consideration, socialising, learning, buying and sharing. Being of service to a demanding, knowledgeable and social customer, at all times, places and points of attention. It's a fully committed approach. To deliver upon this demand we need both to hone our individual skills as players, and to develop a 'game play' that is open, flexible and enterprising. The tenets are skills, flexibility, collaboration and creating opportunity.

This shift will be uncomfortable and demanding, even upon those who believe it to be a necessity (and an opportunity). However, it's likely that our customers will come to expect this sooner than the majority of retailers will respond - meaning significant spoils for those who can bring sparkle to the retail game, much as the Dutch shook up football 40 years ago. Time for us all to embrace Total Retail, and we'll return to this theme again over the coming year.



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EVOLVING TO LEAD CROSS-CHANNEL SERVICE

Emma Herrod speaks to Andrea O'Donnell, Commercial Director, John Lewis, about merging channels, the advantages of partnership and the firm's ambition to be the UK's leading multi-channel retailer.

MULTI-CHANNEL retailing has brought about a major revolution in the great British department stores, forcing them to evolve and undergo a major structural overhaul. With their long-held values, cherished reputations and loyal customers who shop with them from their first pay packet to retirement, they have risen to the challenge posed by online pureplayers and their vast spread of products.

Not only have many of these department stores aspired to be as good as the pureplayers online, but they are also inspiring their peers and marrying the best of online with the strengths of bricks and mortar retailing to lead the cross-channel revolution.

The retail industry has been talking about the opportunities of multi-channel for a number of years, but no one has yet said: "We're there - we've achieved it." Yes, click and collect might appear seamless to the customer, but behind the scenes the systems are not usually so smooth. Now, John Lewis has stood up and declared that it wants to be the UK's leading multi-channel retailer.

HERITAGE

With 29 shops and an online operation that contributes annual sales of £400m, John Lewis has ambitious plans for the growth and continued evolution of the business.

The John Lewis story starts in 1864 with the launch of a draper's shop in Oxford Street, London. It wasn't

until 1929, under the ownership of the founder's son John Spedan Lewis, that John Lewis became the high-quality, good-value and service-oriented partnership it is known as today. John Spedan Lewis had previously set up staff committees and a Partnership Council, and written a constitution for the Peter Jones store he ran. It wasn't until after the death of his father, however, that he could give away ownership rights to the employees (partners) and set up the legal entity able to distribute profits amongst them.

Instead of concentrating on profits with dividends for a few shareholders, the John Lewis Partnership is owned by the people who work within the organisation. Its constitution states that 'the happiness of its members' is the partnership's ultimate purpose, recognising that such happiness depends on having a satisfying job in a successful business. It has established a system of rights and responsibilities, which places on all partners the obligation to work to improve the business in the knowledge that they all share the rewards of its success.

John Spedan Lewis's principles are still adhered to today as the partnership aims to demonstrate that adhering to his 'Principles and Rules' enables it over the long term to outperform companies with conventional ownership structures.

HOT HOUSING DIRECT

John Lewis launched its first website, John Lewis Now, in 2000 with only 200 product lines. Orders were fulfilled direct from the Oxford Street shop. In 2001, the partnership bought the UK arm of US retailer Buy.com and launched johnlewis.com, operated by the retailer's John Lewis Direct division.

"When we bought Buy.com's UK operation, we knew that online was going to be big," says Andrea O'Donnell, Commercial Director of John Lewis. John Lewis Direct was run as a separate business entity, with HR and financial operations along with online

specialisms, until 2009. She explains: "It was hot housed so that it could remain entrepreneurial, fleet of foot and seize commercial opportunities."

It became profitable in 2005 when it had a turnover of £113m. In 2008, the site overtook the Oxford Street shop to become the largest John Lewis store, with a turnover of £327m. Sales in 2009/10 reached £393.5m, accounting for 13.5% of John Lewis' total sales of £2.9bn. Milestones for John Lewis online in 2009 include:

- 30,252 orders on the busiest day, 7 December;
- 4.2m visits in the peak week;
- Around 90,000 product lines available pre-Christmas;
- Fashion category was given a makeover online resulting in a 78% increase in sales by year end.



There is no denying the success of the online business; registered customers who only shop online with John Lewis spend more money each year (+18%) than those who only shop in one of its department stores. In clarification, people who spend in store are more likely to buy on impulse so their average will be less, whereas the online spend is likely to be dragged up by purchases from the Electricals department. "There are delivery charges for online delivery on spends less than £50 so that might impact the average spend." Along with this, however, is the fact that only 10% of John Lewis' total customer base buys from johnlewis.com.

Partners on the shop floor are very good at understanding customers' needs, and it was realised that although the retailer had a profitable online business with customers who were loyal to the stores shopping on the internet, John Lewis wasn't actually front of mind when they were buying items online and they were purchasing from other sites.

The majority of johnlewis.com customers also visit and buy from John Lewis shops and it is these consumers who were proving to be the highest spenders. Someone who shops in both channels spends two-and-a-half times as much as a web-only customer or three times that of a department store-

only shopper.

This understanding of shopping behaviour across channels led the company to realise the possibility of getting greater value from its existing consumer base by encouraging more shop customers to buy online with John Lewis as well and to reduce leakage to competitor websites.

THE START OF MULTI-CHANNEL

The johnlewis.com website is now advertised behind point of sales in-store and terminals have been installed to enable partners to help customers buy online from the shops. Partner Assisted Customer Transactions (PACT) enable partners to close a sale on the shop floor rather than potentially losing a purchase or customers leaving to order out-of-stock items from the website at home. They also help partners to see the value of the website in the customer journey. Incremental sales through the terminals are worth £250,000 per week and for 72% of customers they have been their first introduction to johnlewis.com. So far, 15% have then gone on to buy from the website from home.



John Lewis launched its click & collect service in September 2008 and it was seen as a quick win to drive multi-channel. The free service enables customers who order by 7pm to pick up their purchase in-store after 2pm the next day. While it initially cannibalised orders from other channels, it now accounts for 17% of online orders, with customers professing "surety of stock" as their reason for using it. A larger number (38%) go on to make an additional purchase in the shop when they collect their reserved item.

A MARRIAGE OF CHANNELS

It became increasingly apparent, though, that to meet its cross-channel aspirations and to achieve the planned growth of its online business to bring in £500m in revenue for 2011 without incurring high costs, this part of the business needed to be amalgamated into the wider John Lewis operation. ▶

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MR & MRS JOHNSON'S
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Instead of duplicating effort across central and online teams with excessive touch points making tasks take longer than they should, John Lewis needed to transform itself into an organisation with multi-channel thinking embedded at its heart and with a consistent experience and proposition for customers regardless of channel.

The merger of the two parts of John Lewis has coincided with an overhaul of outmoded business operations, the adoption of a more resilient and efficient cost structure, and investment in best practice, multi-channel systems and enhanced fulfilment capability through a new warehouse at Magna Park, Milton Keynes.

"We want to be leaders. Our aspiration is to be as good as the best online but with the capabilities of being multi-channel," says O'Donnell, who is a big fan of being able to add to the customer experience through both an offline and multi-channel presence.

"The change to a multi-channel strategy has affected everybody in the company," she says. In fact, everyone's accountability, roles, KPIs and SLAs and ways of working have been altered.

Some roles, such as HR, finance, merchandising and buying, were fairly easy to amalgamate, but the two extremes of online and offline retailing created their own challenges. John Lewis Direct had recruited people with online specialisms as and when they'd been needed, so the fusing of the two operations needed to protect these specialist skills within the new John Lewis structure. It also needed to train partners who had previously only worked in the stores network so they had multi-channel skills. "The issue is, how do you develop that capability in someone who is

straddling both horses when just 15% of the business comes from online and the other 85% from stores?" asks O'Donnell.

If you look at it from the point of view of the buying function, the same stock is needed in store as well as online since customers expect products to be available in both channels. "There's too much synergy to split it out across channels," she says. She adds that the range of products available online and in store "will be pretty much the same by the end of the year when 200,000 skus will be available online".

The John Lewis Direct team is now much slimmed down from its former level of 240 partners. Category managers – who understand how retail works online – talk to multi-channel buying and merchandising teams about what the assortment should look like online. This alters for different product categories depending on the main competitors in that area, be it Amazon, DSGi or Asos, for example. The online proposition has to be as compelling to customers of other online stores as well as engaging John Lewis' own offline customers and those who shop in competitor's bricks and mortar stores. The direct marketing specialism has remained within the online team rather than becoming a part of the wider marketing function.

O'Donnell explains that the online team still only has to report weekly on the availability of its 100 top-selling products, whereas the bricks and mortar shops have to report availability across all products.

FLEXIBILITY

The business has had to change from a big-build, fixed-cost base with a long-term mentality to one which is capable of responding swiftly to opportunities, with a variable cost model and able to trial technology and services, in order to be as good as the pureplays.

The change is not unique to John Lewis, since building such a flexible business is one of the challenges that all traditionally offline retailers are having to face as they move from bricks to clicks. "It's a big change in mindset," says O'Donnell, "and a successful retailer needs to keep both of them. We have that flexibility built in innately, so I'm optimistic that as we look to the future the partnership will give us a competitive advantage."





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O'Donnell explains that the head of each department store is responsible for an annual turnover of upwards of £100m, so they are all capable leaders in their own right and can understand the advantage that online and multi-channel brings to the wider business. Online sales have been allocated to stores since February 2009. They are not personally incentivised to grow their own shop but the business as a whole.

For partners on the shop floor, the multi-channel strategy has altered the fundamentals of what customer service involves. "Customer service no longer looks the same as it has done for the past 20 years," says O'Donnell. Training has provided specific selling scenarios to illustrate how to promote johnlewis.com through regular interactions with customers. It has also raised fundamental questions such as:

1. What does multi-channel mean to us as a business?
2. Why it is so important?
3. What can I do differently?

The company doesn't expect to have everyone fully trained in a year. One of the first mystery shopper questions after partners had been trained in what multi-channel meant to John Lewis was a simple: "Do you have a website?" Initially, only 15% gave the right response. But as O'Donnell says: "We're still off where we want to be and big lessons are being learnt."

Some of the partners hadn't shopped online so part of the training has been to give them experience of the internet. O'Donnell explains that the partnership feels it should help partners from a moral and social perspective as well as the business need. She says: "If partners don't understand the internet and haven't experienced shopping online, offering the best service in the UK will be a challenge."

STRENGTH IN PARTNERS

With its new cross-channel company structure, John Lewis has been looking at how to exploit its online assets in-store and translate the strengths of its offline operation into benefits for its online business. O'Donnell explains that it

has been exploring how to use technology in-store to make use of the assets already held online. Ideas have included showing catwalk shows on television screen in-store and putting kiosks in fitting rooms so customers can order the correct size online if the store is out of stock. But she adds: "We want to understand what online in-store looks like beyond kiosks."

There's also the perception that customers want the full level of staff expertise when choosing and buying a product, especially in electricals. There's already plenty of evidence that customers are using the web for basic product research before visiting stores. O'Donnell says: "Lots of customers bring a printed sheet from the website into the store when they come to look at products or ask for further information."

The flip side of this is taking the knowledge held by the expert partners in-store and using it online, in video format, for example. This raises the question of what the retailer's social media platform should look like, says O'Donnell, suggesting that expert partners may be given their own blogs.

Using the two channels together and then adding mobile for personal service is one of John Lewis' aims over the next couple of years. The next stage will be to profit from the innovation. "We know the technology exists, but how do you advise the customers and make money out of it?" asks O'Donnell.

She says there are still elements of the business that can be made to work harder and generate revenue: "There is a lot within our model which creates more value for customers and thus makes more money, ▶



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such as the partners and vans." For example, John Lewis will be exploiting the strengths of its own delivery fleet further when it starts trialling additional services at the end of this year, with a planned launch in the first quarter of 2011. Value-added customer services such as hanging wall-mounted televisions and plumbing in replacement washing machines will be carried out by John Lewis partners trained for the job.

NEW FORMATS & CROSS PARTNERSHIP

For many John Lewis customers, a visit to one of its department stores is not a case of a quick trip to their local high street. Only 40% of the retailer's target market lives within a 40-minute drive of one of its shops.

But one of the most significant results of the cross-channel development has been the establishment of the link between John Lewis stock and Waitrose, enabling customers to collect their John Lewis purchases from a number of the supermarket's outlets. Waitrose itself has been developing new formats; it has opened eight outlets at Welcome Break motorway service stations and its food is being sold by Boots.

John Lewis is also planning to bring its brand closer to people offline through an infill strategy of smaller-format John Lewis at home shops. The aim is to ensure the brand is within a 40-minute drive of 75% of its target market. According to O'Donnell, current estimates indicate there is demand for 30 of these outlets.

The new shops are cheaper than the big-box format of its large department stores since they can use existing vacant retail space rather than having to be built for John Lewis. They will also pay back over a shorter time and, because of space restrictions, operate with a leaner supply chain.

The first of these homewares shops opened in Poole, Dorset, in October 2009. Along with purchases made directly through the shop, the presence of the John Lewis brand in the town is increasing sales from local postcodes throughout different departments on the johnlewis.com website, with as much as a 10% uplift in online sales being attributed to it.

O'Donnell says that the retailer is learning more about how customers shop in the smaller format stores – which products sell best, such as gifts and



linens, and customer behaviour, with people happy to travel to one of its department stores to make big purchases such as furniture.

FUTURE

Beyond 2011, John Lewis plans to stretch the boundaries of its brand, expand into new markets and services, and invest to boost the multi-channel opportunity so it can achieve its aim of becoming a market-leading multi-channel retailer.

"Customers want the best of both worlds. I think there'll be a shake-up in the market over the next three to five years as retailers move up to the £1bn mark online or cease competing online. Achieving a leading position in this market will be challenging for everyone," predicts O'Donnell.

Getting online has been a challenge for some in the department store sector, but on a platform in which product assortment is as important as brand and customer service, many have exploited their second mover advantage and forced the pureplayers to raise their game.

John Lewis, however, with the insight to start operating online at the turn of the century, continues to be an inspiration for the ecommerce industry while retaining its customer service mantle, assortment priority and the strength of its partnership model. Having transformed its business to include an inspirational online offering and now a multi-channel infrastructure, is it time for the pureplayers to act and take advantage of the value added by the offline channel as part of a cross-channel offering? ■

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INTERNET RETAILING 2010:

JOIN THE INDUSTRY ON 12 OCTOBER

Internet Retailing's fifth annual conference and exhibition takes place in Hammersmith, London, on 12 October. We hope you can join us. Emma Herrod looks at some of the topics to be covered and what you'll miss if you're not there.



ECOMMERCE came of age during the recession as shoppers turned to online sites for lower prices. Online turnover buoyed up flagging high street sales for retailers operating in both channels while cost cutting and efficiencies led to improved processes for the emerging cross-channel business model. Having survived, and in some cases thrived, through its first online recession internet retailing has emerged stronger, more mature and ready to profit from this progress.

Epitomising the evolution that the retail industry has been going through, two stalwarts of the British high street - DSGi (within which the Currys, PC World and Dixons brands trade in the UK) and Marks & Spencer - have both undergone tremendous changes in recent years. The two companies have risen to the challenge of cross-channel retailing and I'm looking forward to hearing of their experiences when they keynote at the upcoming Internet Retailing conference.

The Internet Retailing 2010 conference in Hammersmith, London, on 12 October provides the opportunity for retail and ecommerce professionals to hear insights from these two retailers who have risen to the challenge of innovating in cross-channel retailing. Directors from both organisations have promised to share their experiences with conference delegates as they kick start this key industry event.

MARKS & SPENCER

Marks & Spencer has been consolidating its shopping channels in order to become a seamless multi-channel business and it is the first major UK high street retailer to go properly mobile with a mobile-optimised version of its main ecommerce site. Dave Hughes, the Director with responsibility for all of the company's direct selling channels; online, phone and catalogue, will take Internet Retailing 2010 conference delegates on a journey of how

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YOUR M&S

*Dave Hughes, Director,
Marks & Spencer*

Marks & Spencer provides customers with the same high quality service, every time and whichever way they choose to shop.

DSGI

DSGi operates in the electricals retail arena, an area which has seen tough competition from pureplays able to operate without the high overheads of a store network. The group has set a strategic goal of 'Winning on the Internet' and eCommerce Director, David Walmsley, is responsible for leading the transformation of eCommerce within the group. He will be presenting at Internet Retailing 2010 to share his experience and vision. A presentation not to be missed by anyone feeling the pressure from online competition.

As high street retailers have evolved and innovated to meet the challenges presented by online retailing, their progress has understandably



DSGi international
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*David Walmsley,
eCommerce Director, DSGi*

had a knock-on effect on the pureplays as shoppers expect service and retail experiences to be the same in all channels regardless of whether the retailer operates solely online, just in the high street or across multiple channels.

EBAY

To give insight into how consumer and retailer behaviour is changing the pureplay market, Clare Gilmartin, eBay's Vice President of EU Marketplaces, will join the keynote session. She is responsible for setting the strategy for eBay's Marketplaces business across Europe so will give delegates invaluable insight into how eBay continues to evolve its consumer proposition to develop new channels and interoperable platforms - including its revolutionary mobile commerce offering.



*Clare Gilmartin, EU Marketplaces
Vice President, eBay*

M-RETAILING

Mobile is a recurring theme at this year's Internet Retailing event. Delegates to any of the previous four years' conferences will testify that the event offers some compelling and highly useful presentations and I am expecting great insights into the real business story behind this year's mobile commerce growth. As well as learning from the keynote speakers' presentations, delegates looking into mobile as a marketing tool or commerce channel have an entire afternoon devoted to the 'remote control for life' in everyone's pocket.

Mark Cody, from O2, should fascinate delegates with a roundup of how retailers have mobilised online sales, driven footfall in the high street and

M RETAILING
mobile commerce

rewarded loyal customers using the mobile phone. He will also examine how retailers can exploit the opportunities from mobile today and in the near future.

Argos pioneered the use of mobile in the retail sector in the UK launching a Text and Take Home service in 2002. While 2010 has been the year of the retail iPhone app, it shouldn't be forgotten that the number of text-enabled phones still outstrips internet-enabled smartphones. Argos has built a reputation for making the lives of its customers easier so the presentation by David Tarbuck – whose presentation on ratings and reviews meant standing room only at last year's conference – should give fascinating insight into what Argos customers think about new technology trends and what the company is doing to further drive innovation.

If these presentations leave delegates with questions still to be answered then the panel discussion will give every opportunity to quiz retailers, industry experts and other delegates. Led by M-retailing's Editor, Paul Skeldon, the panel will discuss how mobile is rapidly becoming the glue that holds together the multi-channel retail experience for both retailers and consumers and looks to garner the views of panel and audience on, among other things:

- apps, mobile-optimized web, or both?
- the costs and challenges of implementing mobile?
- measuring the success of a mobile strategy in terms beyond simple ROI
- overcoming the widening disconnect between consumers going mobile and retailers hanging back from deployment

The panel consists of: Sienne Veit, Social & Mobile Commerce Development Manager, Marks & Spencer, David Tarbuck, Multi-channel Programme & Operations Manager, Argos, Mark Cody, Channel Business Manager for Interactive Services, O2, Alex Meisl, Chairman, Sponge and Tim Dunn, Head of MM, MIG.

While mobile provides today's headlines, it is in multi-channel where the higher growth rates have been seen for online and direct businesses.

MAKING CROSS-CHANNEL WORK

The overarching theme for Internet Retailing 2010 is 'Profit & Progress' – internet retailing as a channel is reporting consistently high growth levels throughout the first half of 2010 and it is now showing a marked turning point since the lows of the last two years with £5bn spent online in July, the most in any month this year.

The lines between the channels are blurring. A raft of retailers have announced 'Click and Collect' services and multi-channel returns dropping channel barriers for shoppers but if you look closely at the back end of most of UK retail, do they have a hotch potch of systems 'stuck together' or a shining example of best practice operations?

Following the three keynote presentations, the Internet Retailing conference will split into three simultaneously-running conference tracks making sure that delegates' time away from the office is maximised. The 'Making Cross-Channel Work' track will look at how to make the hard stuff 'just work'.

Consultants and expert suppliers will join retailers to enlighten delegates of their experiences of releasing the power of small improvements linked together, whether through reducing fraudulent and criminal activities or completely changing the company's operational model!

Peter Callaway will talk about his personal and team learnings drawn from the experience of taking House of Fraser from being purely an offline Department Store into the online space over the first two and a half years of trading. Based on the sales as they developed and from customer feedback received HoF changed the operational model, team roles and structures that maintained a growth curve significantly ahead of the rest of the stores.

Anthropologie meanwhile has moved Continents to expand its business, opening its first London store in October 2009. Michael Robinson, who launched the ecommerce and catalogue businesses for US retailer Anthropologie 12 years ago, is now Head of Ecommerce for Anthropologie Europe. His insight into moving beyond 'cross-channel' to 'merged-channels' will be of interest not only to delegates merging channels but to anyone crossing the Atlantic in search of US customers.

REAPING WHAT YOU SOW

If the recession has taught retail anything it is how to operate with tightened belts. Wise investment in best practice "basics" has enabled etail to spread across borders and into new channels. The 'Reaping What You Sow' track reprises the ground rules and approaches needed to maximise returns and considers how to build from this base to include new lines of business – including the mobile channel already mentioned – to take ecommerce capability to the next level.

If ever there was a presentation title to entice then Tesco's How To Win In The Digital World of Retail is not to be missed. If profiting from ecommerce was as simple as implementing the right technologies, then Tesco.com's CIO JJ Van

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Ousten would be worried about outlining how Tesco.com innovates and continually evolves to reach a wider 'online' and mobile audience by bringing customers to the Tesco.com platform and reaching out through APIs and mobile.

And, talking of reaching out to customers, has anyone not received a Boden catalogue through their door or had a flyer fall out of a magazine? Boden's Marketing Manager, Rob Silsbury, will explain what's next for the company as it approaches things differently in an effort to drive as much efficiency as possible from its campaigns - whilst also chasing a step change in volume.

If the world's your customer then social media is not to be missed from the marketing mix and if you want to learn some lessons on how to maximise marketing ROI across multiple global brands then Estee Lauder is the presentation to attend.

CAPTIVATING THE CUSTOMER

At the end of the day though what really matters are the customers and their wallets. Track 1, entitled 'Captivating the Customer' focuses on all things relating to the ongoing retailer / customer relationship: the brand and the promises given to the customer, their experience in every channel and the lasting memory of the retail organisation.

My-wardrobe.com has always led the way with innovation - with rich content and features to keep customers engaged. Founder and CEO Sarah Curran will share issues around implementation, operations and ROI and whether the opportunity to click to buy from video, and to browse through editorial features and shopping categories leads to increased sales, or just an engaging brand that's discussed as customers spread the word online.

2010 and beyond will throw up many challenges for ecommerce professionals as consumer expectations evolve and the speed of retailing increases. It's a constant process of experimentation; what worked last year may not work next.

To wrap up the day, Bunty Stokes from secret-sales site vente-privee.com, Peter Callaway, from multi-channel department store House of Fraser, LoveFilm's Andrew Ground and Giles Delafeld from Blacks Leisure Group will join Internet Retailing's Editor-in-Chief, Ian Jindal, to discuss the key issues facing online and multi-channel retailers today and in the near future. If you have any questions left, join in the discussion.

Haven't registered yet - go to www.screenevents.co.uk/IR2010 ■

TEN REASONS TO ATTEND

- Discover the impact DSG's ambition to 'Win on the Internet' could have on your business?
- Hear why Marks & Spencer was the first major UK high street retailer to go properly mobile and learn from their cross-channel proposition.
- Understand how multi-channel consumer and retailer behaviour is changing the pureplay market.
- Ask every question you have on mobile - and learn the answers to those you hadn't realised you needed to ask.
- Hear what Argos customers think about new technology trends and what the company is doing to drive retail innovation.
- Discover the truth about how cross-channel works in practice.
- Find out whether the opportunity to click to buy from video, and to browse through editorial features and shopping categories leads to increased sales, or just an engaging brand that's discussed as customers spread the word.
- Hear why responding to customer interactions in real-time, across numerous customer touch points doesn't require onerous investment in IT resources.
- Learn whether Boden has discovered the optimum number of catalogue mailings to convert a customer for life.
- And, go home digesting a lesson from Tesco on How To Win In The Digital World of Retail.



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Keynote Session



09.10 - 09.40

David Walmsley, Director of eCommerce, DSGi plc



09.40 - 10.10

Dave Hughes, Director, Marks & Spencer



10.10 - 10.50

Clare Gilmartin, EU Marketplaces Vice President, eBay



Industry leaders will share insights, experience and challenges of innovating in multi-channel retail.

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Track 1

CAPTIVATING THE CUSTOMER



11.20 - Chairman's Intro

Dr Mike Baxter, Managing Director, Sales Logiq



11.20 - 11.50

Engaging Through Innovation

Sarah Curran, Founder and CEO of my-wardrobe.com



11.50 - 12.20

Better Conversion Through a Better Customer Experience

Kevin Ertell, VP of Retail Strategy for ForeSee Results



12.20 - 12.50

Drive Customer Engagement and Online Conversions with Meaning Based Marketing

Craig Sullivan, Group eBusiness Customer Experience Manager, Belron

12.50 - 13.00

Open Floor Q&A Session

13.00 - 14.00

Lunch



14.00 - 14.30

Re-inventing Your Business

Andrew Ground, Chief Commercial Officer, LOVEFiLM



14.30 - 15.00

Royal Mail Helping Deliver Your Promise

Mike Brown, Fulfillment Director, Royal Mail

15.00 - 15.10

Open Floor Q&A Session

15.10 - 15.45

Break

15.45 - 17.00

Panel Discussion: The Changing Face of Retail and the Customer/Retailer Balance

Bunty Stokes, vente-privee.com
Peter Callaway, House of Fraser
Andrew Ground, LOVEFiLM
Giles Delafeld, Blacks Leisure Group

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Track 2

REAPING WHAT YOU SOW



11.20 - Chairman's Intro

Ian Jindal, Editor-in-Chief, Internet Retailing



11.20 - 11.50

A Focus on Customer Acquisition

Rob Silsbury, Marketing Manager and Oliver Elliott, Online Acquisition Manager, Boden



11.50 - 12.20

Maximising Online Marketing ROI Across Multiple Global Brands

John Squire, Chief Strategy Officer, Coremetrics and Ross Miller, Director of Analytics, Estee Lauder Companies



12.20 - 12.50

How to Win in the Digital World of Retail

JJ Van Oosten, CIO, Tesco.com

12.50 - 13.00

Open Floor Q&A Session

13.00 - 14.00

Lunch



14.00 - 14.30

Increasing Customer Engagement Through Mobile

Mark Cody, O2 Channel Business Manager for Interactive Services



14.30 - 15.00

What Does Today's Argos Customer Tell Us About Tomorrow?

David Tarbuck, Multi-Channel Programme and Operations Manager, Argos

15.00 - 15.10

Open Floor Q&A Session

15.10 - 15.45

Break



15.45 - 15.00

Panel Discussion: Getting Stuck in to Mobile Glue

Chaired by: Paul Skeldon, Editor, M-retailing.net

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Track 3

MAKING CROSS-CHANNEL WORK



11.20 - Chairman's Intro

Emma Robertson, Senior Multi-Channel Consultant, Transform



11.20 - 11.50

Multi-Channel Retailing - Myth or Reality?

Jim McGrath, Product Director, Elucid, Sanderson and John Fitchett, Channel Manager, Sage Pay



11.50 - 12.20

Emerging Trends & Implications for Cross-channel Fraud

Mike Wyeth, Board Security Advisor, Shop Direct Group



12.20 - 12.50

The Evolution of a Webstore

Peter Callaway, Director of eCommerce, House of Fraser

12.50 - 13.00

Open Floor Q&A Session

13.00 - 14.00

Lunch



14.00 - 14.30

Cross-channel - How it Works in Practice

Jimmy Hale, Managing Principal Business Consultant, ATG



14.30 - 15.00

High Touch v Hi-Tech

Michael Robinson, Head of Ecommerce, Anthropologie Europe

15.00 - 15.10

Open Floor Q&A Session

15.10 - 15.45

Break



15.45 - 16.15

Home Shopping Convergence

Mark Russell, Head of eCommerce, Ideal Shopping Direct



16.15 - 16.45

Multi-Channel: What Growth is Left?

Daniel Latev, Industry Manager, Non Store Retailing Research, Euromonitor International

16.45 - 17.00

Open Floor Q&A Session

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11.20am - Room 1

Speaker :
Tim Gardiner, Senior Manager
of Sales Engineering, Neustar

Boost Your Revenues with Effective Website Performance Management

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2.00pm - Room 1

Speaker :
Mark Bower, M.D, Coolpink

How To Win Customers And Influence People

No longer is it enough to market your business through one channel - your brand can reach out, talk and respond to customers in a whole new way. The crucial element in tying these elements together and 'sealing the deal' is placing the customer at the heart of your digital strategy.



11.20am - Room 2

Host :
John Williams, CTO, 10CMS

Future Retail User Experience Workshop

Rapid adoption of smart mobile devices and social media is changing the relationship between consumers and brands. What will be the impact for retailers when considering their future multi-channel user experience?



2.00pm - Room 2

A panel discussion featuring industry experts and moderated by RBS WorldPay.

Increasing your profits through cross-border trading

eCommerce growth is starting to level off in the UK, but is still growing rapidly in many other countries. What is involved in cross-border trading? Can you capture more profit this way?



11.20am - Room 3

Speaker :
Udayan Bose, Founder & CEO,
NetElixir, Inc.

10 actionable Paid Search Advertising Tips for e-retailers for 2010 holiday season

In this workshop NetElixir shares 10 proven tactics that the firm uses to extract exceptional results from client campaigns. The tactics are practical in nature and can be easily executed by retail marketers.



2.00pm - Room 3

Speaker :
Derek Eccleston, Research
Director, eDigitalResearch,

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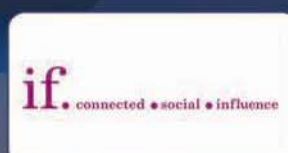


11.20am - Room 4

Speaker :
Shane Fitzpatrick,
Chase Paymentech Europe Ltd

How Can Payments Improve your Check-out Process and Cart Conversion Rates?

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2.00pm - Room 4

Speaker :
Katy Howell, MD, immediate
future

The value of the social influencer: from transaction to lifetime loyalty

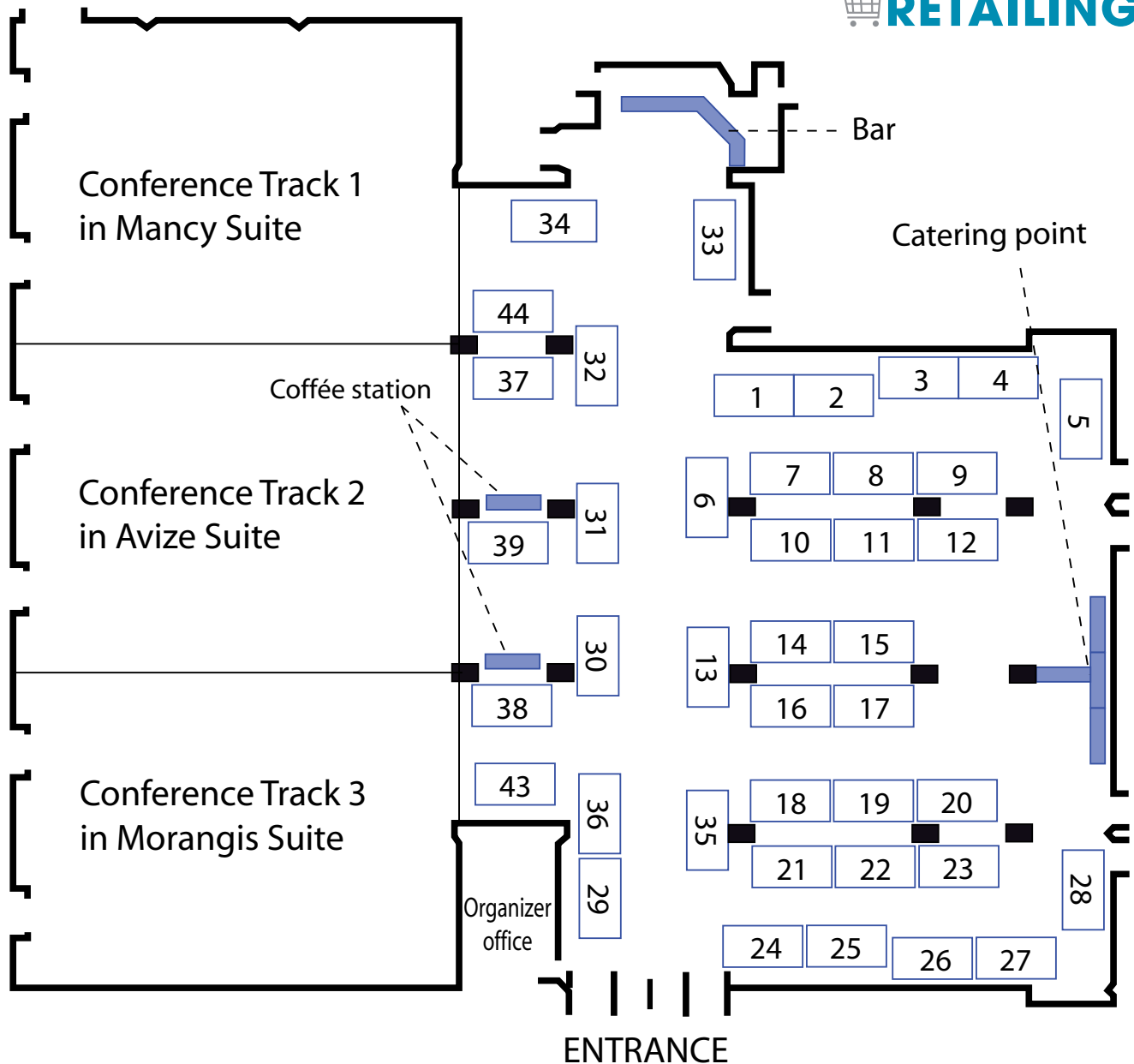
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Reference: "Gartner Magic Quadrant for E-Service Support 2009"

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SAINSBURY'S REVIEW

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

RETAIL STRATEGY

Emma Robertson, Senior Multi-channel Consultant, Transform

In the last 12 months Sainsbury's has made significant inroads into becoming a multi-channel retailer, launching a comprehensive non-food proposition supported by a multi-channel logistics operation.

The core proposition remains the grocery offer, which has continued to develop and improve in line with the market. The fact that they fulfil from the local store allows them to offer 1 hour delivery slots pre-booked in advance, a service which although now standard for grocery is still logistically complex and impressive. The site itself offers the customer a strong combination of online grocery shopping with value added advice led content. Although this content can be weak in places, it is always appropriate to the product set and provides a strong tie in to the wider marketing campaign, which includes television advertising and forays into social media - Facebook page with 47,000 fans and Twitter with 8,000 followers.

In terms of the non-food offering, the product range is comprehensive and puts Sainsbury's in competition with general retailers. Sainsbury's has made inroads into making its online direct operation multi-channel, with order points in-store allowing customers to order products for home delivery, and a limited "click & collect" offer squaring the circle. The iForce-run fulfilment operation out of Corby reflects this ambition, managing deliveries to home and to store, as well as managing cross-channel returns and disposals.

The challenge, which ultimately becomes a customer disappointment, is that the grocery and non-food operations are not tied up, creating separate baskets and transactions within the same user experience. The joined up visual design ultimately masks a disparate fulfilment operation.

From a multi-channel perspective, the opportunities presented to Sainsbury's in the grocery and non-food market must be balanced by the ease with which aggregators and price comparison sites can undo the offer and reduce it down to product and price. This is where the strength of the combined offer will come into its own, and the value added content will deliver for the company as well as the customer.

USABILITY

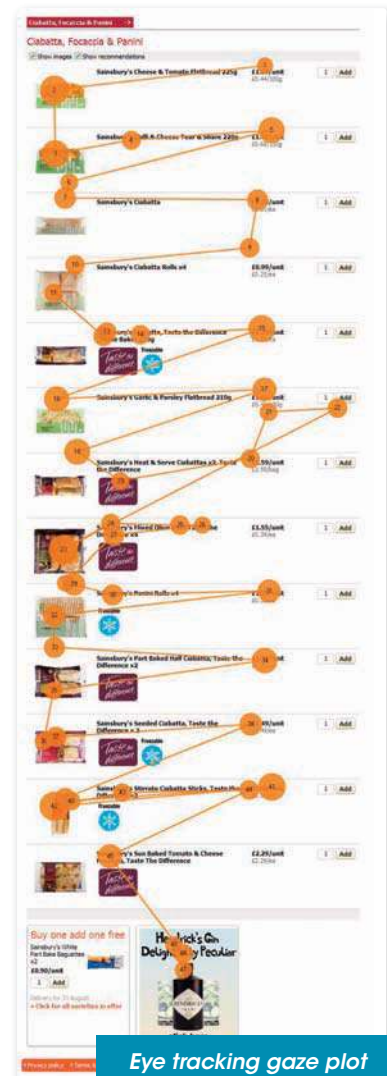
Stephen Denning, Senior User Experience Consultant, User Vision

Sainsbury's reported 20% growth in their online grocery sales for the first quarter of 2010, with around 120,000 weekly online orders during this period. This came off the back of a major website redesign in 2009, aimed at simplifying and enhancing the user experience. But has the grocery giant succeeded in providing its customers with straightforward online grocery shopping?

Registering for Sainsbury's online is a relatively painless process, with minimal information required up front. This more 'passive' registration enables customer to get shopping more quickly, which in turn helps to reduce the rates of abandoned registrations.

The groceries homepage presents you with six calls-to-action in the immediate area, on top of the two-tier main-menu. This can create confusion as to the best place to start: Book a delivery slot? Start browsing the shelves? Look at the various special offers? The "book delivery" option is also confused by the sub-title "to see our latest product offers", which seems to have little to do with booking a delivery slot. A clear and unambiguous call-to-action would be of great benefit to customers, particularly first-time buyers who may need more direction.

The Sainsbury's site allows you to shop in a number of ways. You can search for a product by name, type, or browse categories that roughly represent the aisles in a typical store. Although this is reasonably intuitive, the sub-menus (or "shelves") have little visual differentiation from the main menus (or "aisles") and



Eye tracking gaze plot for Sainsbury's
Source: SimpleUsability

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they are all top-aligned, resulting in a rather disjointed and hesitant browsing experience.

At check-out your delivery and billing addresses are taken (with the postcode finder taking most of the strain). Interestingly, the delivery slot is not as prominent a part of the checkout process as I would have expected and the prompt is rather subtle. The delivery slot screen offers clear access to dates/times and unavailable slots are clearly differentiated. However, the repetition of the unnecessary van icon generates clutter that detracts attention from the delivery costs, which are the important pieces of information.

Overall, Sainsbury's offers a relatively intuitive shopping experience. However, a clearer process with improved navigation and labelling would help improve the overall experience.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

We invited a few current online Sainsbury's shoppers to carry out their weekly shop in our eye tracking studio. Shoppers started at one end of the grocery primary navigation shopping first in the Fresh section, moving on to Bakery etc. Although they had logged into their accounts, "none of the participants used the 'My usuals' or 'shopping list' features as they were concerned about missing offers" - isn't this interesting? Customers always amaze!

Once into a product category, images were incredibly important to the shoppers. Participants scanned down the list of photos looking for familiar products, scanning across to the name and price afterwards. Most shoppers had an idea in their head of what something should cost, and hence used price as a sense check to confirm they were buying the right size or correct product.

Users commented that they found grocery shopping on Sainsbury's hard work. The layout of product listing pages forces a very inefficient reading pattern for choosing groceries. Users were forced to zig zag across the page between photo and price. If the layout presented the price closer to the photography users would be able to find their products quicker. If there was a run of same branded product photos, we noticed that users would sometimes skip over them and read the product names, returning to the photos at the next brand change.

Users were familiar with moving through the categories/aisles, some of them inefficiently clicking on the category title in the navigation and then clicking into the section or just relying on the browser back button.

With such a wide range of products, search can be a difficult feature to execute well for online grocery, but Sainsbury's performed well, placing the relevant products at the top of the results for generic terms like 'spaghetti'.

SITE PERFORMANCE

David Flower, Vice President, EMEA, Gomez

A key weapon to retaining customers in the online world is a flawless web performance. The Gomez benchmark tests the performance of the home pages of the top 30 UK online retailers. Among its peers, Sainsbury's is a consistently top performer in terms of speed, availability and browser fidelity.

On the Internet Backbone (eg from ISPs) Sainsbury's home page showed 100% availability. Technically this is a perfect response and from an availability perspective, things don't get any better than this. The average home page download speed of Sainsbury's home page during this test was 1.8 seconds. Relative to others in the benchmark this is an excellent result (although still slower than rival Tesco at 0.15 seconds).

One particular element that would have adversely impacted the performance of the home page was a link to an image advertising a "School's Out" toy sale. The display of the image was inconsistent and its load time often extended. This would have contributed to the overall average home page download time.

Also of note were the substantially different levels of provision provided by the various ISPs throughout this test. The overall levels of provision varied significantly with fast and consistent service levels from some ISPs, to a poor, inconsistent service from others.

Uniquely, Gomez can track the performance of websites from real end-users' desktops, giving an accurate view of 'real-world' performance. The average home page response time for all the companies in the benchmark via the Last Mile peers was 8 seconds with 96% availability. Sainsbury's web site performed slightly below the download speed average at 8.7 seconds but exceeded the average availability ranking with a score of 98%. Although it was among the top performers, Tesco secured the top spot with an average home page download of just 1.5 seconds and 99% availability.

On the whole, Sainsbury's online grocery site performed well during the past month. As well as rendering successfully on all the major modern browsers, including the iPhone and Blackberry, its performance was among the top scorers in the Gomez benchmark.

GOMEZ SCORES SAINSBURY'S 3.5 STARS OUT OF 5 MADE UP OF THE FOLLOWING:

Availability on Last Mile Score: 23 out of 25

Response Time on Last Mile: 10 out of 25

Consistency on Backbone: 11 out of 15

Competitiveness on Backbone: 9 out of 15

Browser Support: 20 out of 20

Total 73 out of 100



RETAILERS PRIORITISE MULTI-CHANNEL INVESTMENT

Retailers' investment in IT remains stagnant this year but multi-channel and ecommerce lead investment priorities, finds the latest BT Expedite-sponsored 'IT in Retail' report from Martec International.

MULTI-CHANNEL retailing continues to lead IT investment, according to the 2010-2011 IT in Retail report which surveyed the UK's top 100 retailers. Anticipated growth is due in part to the likelihood of retailers investing in replacement or new technology in stores. Some 22% of retailers responding to the survey reported that technology in-store was the main priority for replacement as ageing shop and merchandising systems struggle to keep pace with the rapidly changing requirements of multi-channel operations.

For most of these retailers, a replacement EPOS system is the main priority, but others are adding mobile technology or systems to improve the customer experience with mobile tills and enhanced functionality.

"The increased importance of multi-channel retailing stands out as the area of growth, reinforcing the power of the web and store working together, as sales channels blur. This is the age of the 'smart shopper', who uses a variety of channels to shop and search for information about stock availability, pricing, promotions and product features", says Richard Lowe, CEO, BT Expedite. "It's an exciting time and a key factor

is the application of innovation, instrumental to enabling retailers to keep pace with their customers' expectations."

Some 26% of non-food retailers have IT budget allocated for new or replacement in-store systems already. The next most important IT expenditure for these non-food retailers is ecommerce with (19% planning to replace and 5% implementing for the first time).

WISH LIST

The gap between investing in store systems and ecommerce is reducing, showing the increasing importance of ecommerce and multi-channel retailing. When asked to rank IT spending by priority, store systems ranked top amongst the leading retailers. Ecommerce ranked as their 2nd priority with 17%, up from 12% last year.

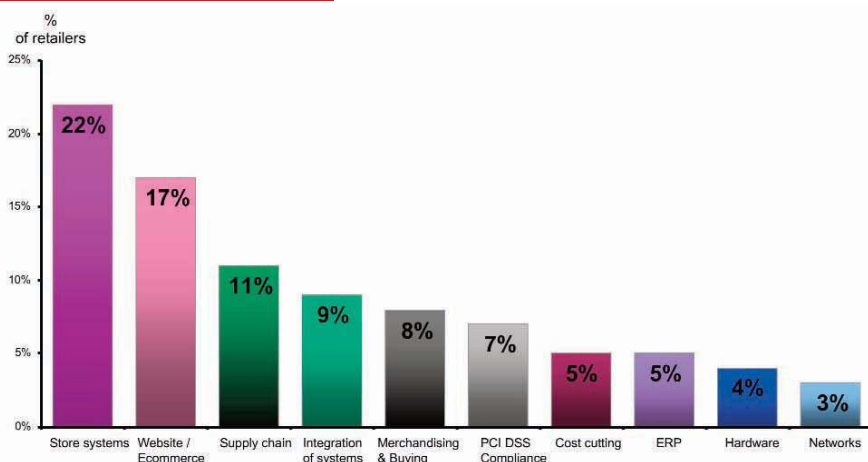
For some retailers, investment is in setting up a transactional website for the first time and for others it is to improve the customer experience, adding more products or ranges or brands, internationalising the site and multi-channel integration.

Amongst non-food retailers, ecommerce is the top investment priority (24%), with store systems ranked second (18%).

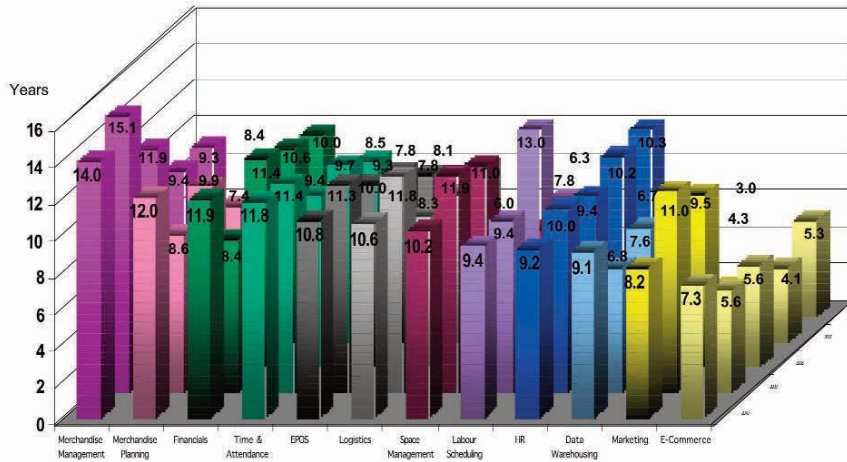
Supply chain ranked as third priority with all retailers recognising the importance of better stock control and management of supply chain responsiveness. Merchandising and buying systems ranked fourth at 8%. There is a fair amount of activity in replacing core merchandising systems and implementing planning systems says the report's author surmising that some retailers may have this investment on hold because of the tough trading conditions.

Non-store retailing is a very significant part of the retail sales and the majority of retailers agree with consumers, analysts and IR that direct

IT investment priorities



Average age of systems when retailers decide to replace them



sales will increase next year. Non-store sales now account for 6.3% of total sales of retailers who operate a chain of shops as well as a website amongst the top 100 retailers surveyed. This is up significantly from the 4.8% of sales reported last year. The level of sales from direct channels reaches 8.5% amongst the leading 100 non-food retailers. The biggest growth was reported by those retailers achieving over 10% of the sales from direct channels; these included Argos (30%) and Staples and Vodafone (25%).

However, despite this growth, the report suggests that IT budgets may not return to pre-recessionary levels. Overall IT spend has stayed at 1.1% of sales in the retail sector, the same as last year, after remaining at 1.3% of sales for the previous four years.

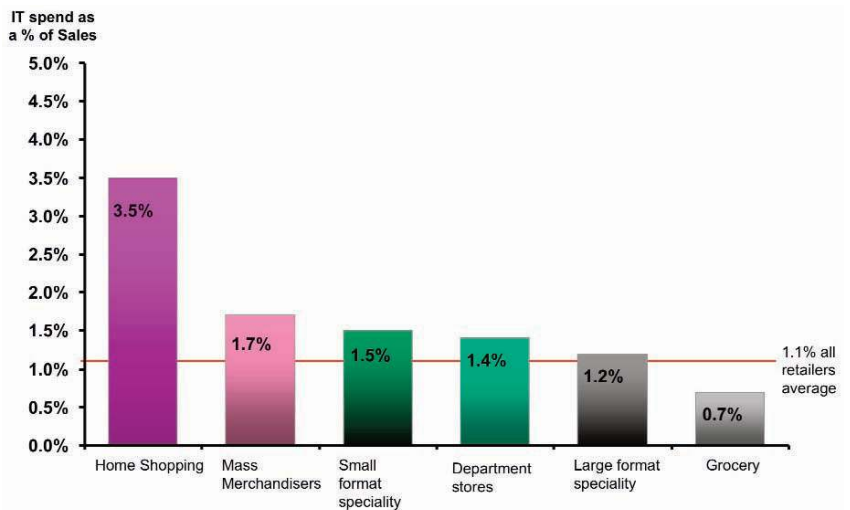
IT spend outside of the food sector is higher: the average for the leading 100 non-food retailers is 1.6% of sales. Home shopping retailers spend most on IT – an average of 3.4% of sales, as they don't have the cost of a store network to maintain so their systems must do the job of a store front. Grocery retailers, with lower margins and greater economies of scale, have the lowest IT spends, at 0.7% of sales.

It seems as if people reduced IT budgets in response to the recession and systems coped. There were few major disasters and everyone learnt how to do more with less, says the report.

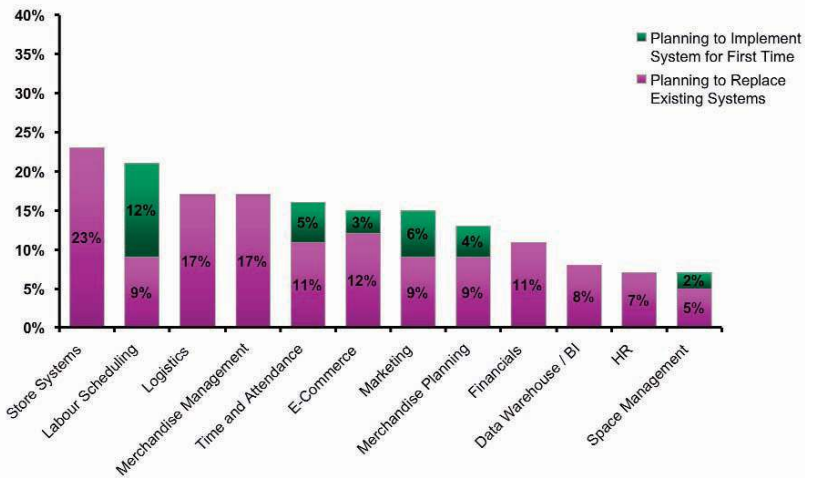
Brian Hume, Managing Director, Martec International, comments: "Although IT spend is still at recessionary levels, it's heartening to see retailers are once again planning to invest in technology. But IT Directors will need to get better at building business cases if they are to gain the share of scarce investment capital they need to turn their plans into reality."

If you'd like more info or a summary download of the research go to btexpedite.com/martec2010.

IT spend as a % of sales by retail sector



Level of replacement and new systems implementation



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FULFILMENT

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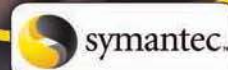
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CLICK FOR SWIFT DELIVERY

Christmas seems to come around sooner every year but many consumers still leave their present shopping until the last moment. Emma Herrod looks at the latest raft of speedy delivery options.

TESCO has launched the country's first drive-through supermarket to help busy online shoppers who want their shopping picked and packed but who don't have the time to wait at home for the two-hour delivery time slot currently offered.

Customers order their shopping as usual on the Tesco.com website, choosing the 'Click and Collect' option and booking a two-hour collection slot. They can collect anytime inside this two-hour window – and don't even have to leave their cars.

The new service is being run by the Tesco dotcom team with testing starting at Tesco's Baldock Extra store in Hertfordshire in late August. If successful it may be rolled out to additional areas.

"This will be especially popular with busy mums who have the school run and children's activities to manage," explains Laura Wade-Gery, CEO of Tesco dotcom and Tesco Direct. "It also offers a solution to parents who want to avoid the challenge of shopping in a busy store with children in tow but can't afford the time to stay in for the shop to arrive to their door.

"We also expect it to help young professionals who want the convenience of a pre-picked and packed shop but who cannot commit to waiting at home for delivery. They can collect their shop on their way home from work or at any other time that suits them during our extensive collection hours."

During the test, customers drive up to a reserved area in the car park, which will be signposted, and pull into a covered space to show a member of staff their shopping reference details. Staff come to the customer's car window and the shopping is then packed into the boot. Any substitutions will be flagged up as with any home delivery – and the same policies and price guarantees apply, so if a substitution with a more expensive item is offered, the original, lower price will be charged. A flat £2 picking and packing charge will apply instead of the sliding scale of home delivery charges, which begin at £3. As with home delivery dotcom orders, the charge is added to the shopping bill so no money transaction takes place at the Click and Collect point.



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Once the shopping is packed, the customer then simply drives home. Initially, shopping will be held in a Tesco.com delivery van awaiting collections and if this is successful, Tesco will explore how stores could be adapted for the future to make drive-through shopping a permanent service.

The new service comes as Tesco opens its latest dotcom store in Greenford in response to increasing customer demand for online deliveries in West London. The store will introduce an earlier delivery time of 7am for customers in its catchment area and will deliver using a new fleet of vans running on landfill gas. Delivery volumes will initially reach 11,000 per week with the capacity to double as demand increases. The store will employ 600 people and incorporates a number of environmental initiatives such as rainwater harvesting and delivering energy back to the grid from its biodiesel heat and power unit.

"Tesco's trial of the Click and Drive model illustrates its willingness to try new retail concepts and techniques that have proved successful in other parts of the world," comments Simon Chinn, Retail Consultant at Verdict. "In the UK, Tesco will have the first mover advantage with the service and if the trial in Hertfordshire proves successful we expect Tesco to progressively roll out the scheme to additional stores across the country.

"There is also significant potential for Tesco to extend the service to its dotcom-only stores that handle online orders. Using a similar model pioneered by Auchan's Chronodrive in France, Tesco could create pick up areas at these dotcom distribution warehouses to allow customers to collect their online grocery orders from these locations."

LONDON IN A JIFFY

Meanwhile, Central London users of Argos' Check & Reserve service can now have their goods couriered to them in as little as 90 minutes through the pilot of a new delivery service. The service, being trialled in 12 of the multi-channel retailer's London stores over the next six months, allows customers with a central London postcode to have in-stock items from a 14,000-strong product range delivered within an hour and a half or at a time of their choice.

Argos has partnered with same-day delivery start-up Shuttl to launch the service, with costs starting at £4.95. It gives customers who have found that the product they want to buy is in stock the option to go a step further than simply reserving it, and having it delivered quickly – saving them a trip to the shop.

Ross Clemmow, Argos Director of Marketing Operations, comments: "This service provides us with a flexible and cost effective delivery solution to extend the potential of Check & Reserve. Check &

Reserve customers in the trial catchment area will still receive the convenience of securing stock availability, with the optional choice and convenience benefit of having it delivered to them fast, at a time that suits."

Recent figures from Argos' parent company, the Home Retail Group, show that 22% of Argos total sales in the 2009/10 full year were from customers using the online Check & Reserve service for store collection. That represented 36% growth in this channel for the second year in a row.

Same day delivery within London is not new to the online retail sector. The concept has been proven by luxury brands such as Net-a-Porter and offered successfully by other high-end retailers.

Although Shuttl only operates within London, connecting retailers to local, same-day courier companies, it plans to extend its service across all major UK cities within the year. "Online shopping has come a long way in 15 years" says Tom Allason, Founder and CEO of Shuttl, "but delivery has not. We're changing all that."

Firebox.com is rolling out the same day evening delivery service it trialled over 2009's busy Christmas months. The gift retailer has teamed up with courier company OCS Worldwide to offer the service to all its customers in Greater London and within the M25. Orders placed before 4pm will be delivered between 6-11pm the same day.

Orders placed after 4pm will be dispatched the following working day for delivery in the evening, and orders placed over the weekend will be delivered on Monday evening.

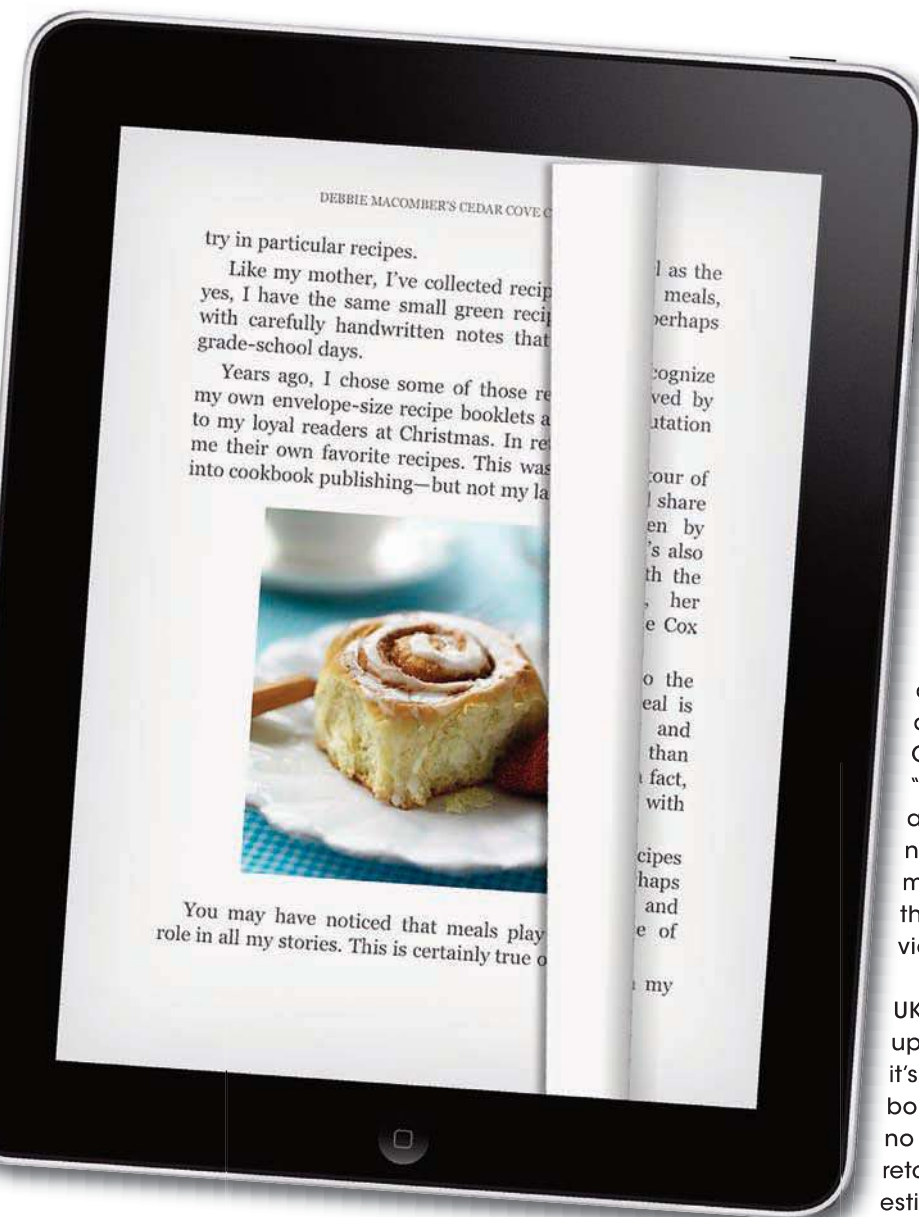
Christian Robinson, Managing Director of Firebox.com, comments: "An increasing number of our customers work lengthy hours and commute long distances. We want to make their shopping experience as fast, convenient and hassle-free as possible and believe this service will help enormously."

Meanwhile, Royal Mail is extending the opening times of its busiest delivery offices to make it easier for people who are not at home during the day to collect parcels. Around 650 delivery offices – almost half of Royal Mail's UK-wide network of 1,400 sites – will open until 8pm on Wednesday evenings and 2pm on Saturdays.

The ghost of Christmases past in which online-purchased presents didn't arrive in time to be placed under tinsel-bedecked trees should have been banished by retailers and couriers working together in recent years. Hopefully 2010's new breed of swifter, convenient delivery options will lead to a joyous and bountiful Christmas for those same retailers and couriers as delivery promises and customer delight move from premium services to expected norm. ■

GIVING BITS AND BYTES FOR CHRISTMAS

Buying books, CDs, DVDs and computer games for friends and family has long been a fail-safe Christmas gift option. But how can retailers maximize sales of digital versions of these products? Alison Clements investigates.



IN THE OLD DAYS retailers didn't have to think too hard about whether an Abba CD was bought for personal use or as a gift for Aunty Brenda. Today that simple distinction is causing many marketing executives in the entertainment retail sector to scratch their heads, as they fathom out how to facilitate gift-buying in the digital arena. While we have been turning away from the CD as a Christmas present for several years - tempted to pick up an iTunes card in the supermarket instead - the rise of music-sharing, e-books, interest in film downloads and the fast-evolving online games market, suggest that digital gift-buying must become a lot more sophisticated if sales are to be preserved.

"Online entertainment retailers who fail to offer a range of e-gift options will be missing a trick this Christmas," says Andy Francis, CEO of e-style, and e-marketing specialist. "The danger is that marketing departments are struggling with the issue, when really you need IT expertise behind the project. It's very much a case of getting the nuts and bolts of the technology right to make secure gifting viable. It can take time."

Nielsen BookScan estimates that one fifth of UK book sales by value are made in the run-up to Christmas, and in the publishing sector it's assumed that close to half of all books are bought for other people each year. "There are no independently verified figures yet from book retailers about e-book sales, but industry estimates suggest this is still very small - just 1 to 3% of total trade book sales," says Andre



Breedt, Research and Development Analyst at Nielsen BookScan. "Growth is coming through though, and e-readers are likely to be a massive gift for Christmas 2010."

So, it's important that as e-books take off, consumers know how to send a book they enjoyed to a friend in an electronic format. "With online communities like Facebook and Twitter, enabling consumers to recommend items and discuss books, film, music and games there will be growing interest in actually sending on the item as a gift," says Alistair Horne, Innovations Manager at Cambridge University Press's New Directions Group.

"As we approach the first Christmas since the arrival of the iPad in the UK, consumers will be looking for ways to send meaningful, personal gifts to people who own such devices. E-vouchers and gift certificates have limited appeal and go against the new social media ideal of personalization, sharing knowledge and being connected." Horne says that publishers and book retailers are very conscious that last year Amazon sold more e-books on Christmas Day than physical books. "Clearly once someone owns an e-reader or smartphone, they want exciting products to enjoy straightaway. This makes the gift opportunity potentially huge."

MUSIC TO RETAILERS' EARS

On HMV's just-launched digital download site, hmvdigital.com, there is a prominent 'gift this' feature at the check-out - a first for the retailer. Registered customers can simply buy MP3 downloads and by providing the email address of another person, send the music gifts direct. "It will arrive with the recipient with a bespoke style and a personal message from the gift-buyer," says HMV Head of Publicity Gennaro Castaldo.

"We wanted to make the experience as close to getting a CD gift-wrapped as possible." He says that HMV's partnership with music download specialist 7digital has helped ensure such features are included on the new site.

"Purchasing a download to give to someone else is potentially quite challenging," says Castaldo. "It has been missing in the digital market until recently. Now in the run-up to Christmas 2010 digital gift-buying is rapidly being addressed." However he makes the point that to compensate for downloads inevitably eroding the music gift channel, retailers have spent the last decade bolstering the gift market throughout the year, bringing out entertainment products that will hit the spot on Father's Day, Valentine's and Halloween - not just Christmas.

"Also it's worth mentioning that physical CD and DVD sales do still dominate, and are worth 80 to 85% of HMV's sales, compared with downloads," he adds. "Certain products that appeal to younger consumers will be downloaded slightly more. For instance 30% of purchases of the latest Glee CD came through downloads, but that's unusually high. The market is moving, but downloading isn't the norm yet."

Over on the iTunes website, gifting has been carefully mapped out. Users can opt to set up an 'iTunes allowance' - effectively allowing subscribers to give their kids a monthly allowance to spend on downloads, which opens up on-going relationship marketing opportunities within the family. There's also an option to send a song, album, TV episode or movie to someone, or create your own music mix to send. They receive an email and can click through to a link to download onto their iTunes library. Spotify.com has introduced a 'Premium e-card' that you can load up with cash online and send on to a friend via email or print out a personalized e-card to hand deliver.

THE GAMES WE PLAY

In the games world, buying and sending gifts digitally is way off as it's only just becoming possible to download games direct. While games publishers are starting to offer downloads direct, they are tightly controlling this themselves. Game Group announced in July that its new transactional site will let users download games directly to their mobile, suggesting that the option to send games to your mates is just around the corner. On Nintendo's website you can set up a 'Wii friend' to send gifts to, and they can receive new games directly onto their console.

Play.com, which sells all physical entertainment products, is known for being highly responsive to ▶

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customer demand. "We currently have a download offer for music and if the customer demand for downloading other products really takes off, we'll be there," says Stuart Rowe, Managing Director. "In terms of Christmas shopping, with the Christmas period being our busiest time of year across all of our retail categories, we have seen evidence - in the volume of entertainment buying - that consumers still want physical items to give and receive on Christmas Day and continue to enjoy the experience of browsing the 'virtual shelves' for thoughtful gifts for their friends and family. In terms of sales, we've not seen any evidence that downloadable products are overtaking more traditional entertainment products at Christmas."

Kieron Smith, Managing Director at The Book Depository, thinks gifting has some way to go before it becomes digital. "We still like to give - and receive - something physical. With e-books there are the DRM (Digital Rights Management) issues and formats available mean that it's a gift with quite a bit of work involved. I'm sure we will see some shifts to e-vouchers for product categories such as music which have made more significant moves in this direction, but it still feels like less of a gift." He envisages more customising in digital entertainment generally, so that people will eventually be able to send carefully-chosen selections to friends.

"Of course setting up all these accounts - whether for personal use or to securely pass product on to friends as gifts - gives the host site the opportunity to build meaningful, useful relationships," says Francis at e-style. "That's very important. While the emphasis has been on viral marketing for a while, brands now need to move away from gimmicks, because they have limited long-term value and don't deliver much control. Building relationships from connecting with 'Facebook fans' to building a base of subscribers, is the name of the game now, and knowing the needs of a customer, and gathering further customers through them with gifting functionality is much more valuable."



'Gift nudging' is something Francis thinks works well, when websites give customers the facility to email a 'nudge' to a spouse or friend, essentially saying: 'I fancy this for Christmas please'. "It's giving your loved one access to a virtual wish list, and by providing a click-through option for the spouse to buy, get the item gift-wrapped and so on, you're easing the shopping burden for someone," he says. You're also potentially building an on-going relationship with them, which could involve a loyalty scheme, or future suggestions of gifts.

GoSpoken.com is a site that offers e-books and audio books direct to mobile phones, and its aim is to launch a coded e-voucher scheme in time for Christmas. This will itself help spread the word of the service says Jas Chana, Business Development Executive, and draw people to the site which can then use its stickiness to build long-term customer relationships. "Customers will have an account, log into their library and download books wherever they are," says Chana. "It will enable free books to show up as a loyalty hook, and for friends to buy books that will appear in the library."

The possibilities of digital entertainment gift-buying seem endless, but it's all very new. Experts can't envisage physical, wrap-able gifts disappearing for a few years yet. ■



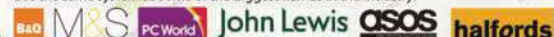
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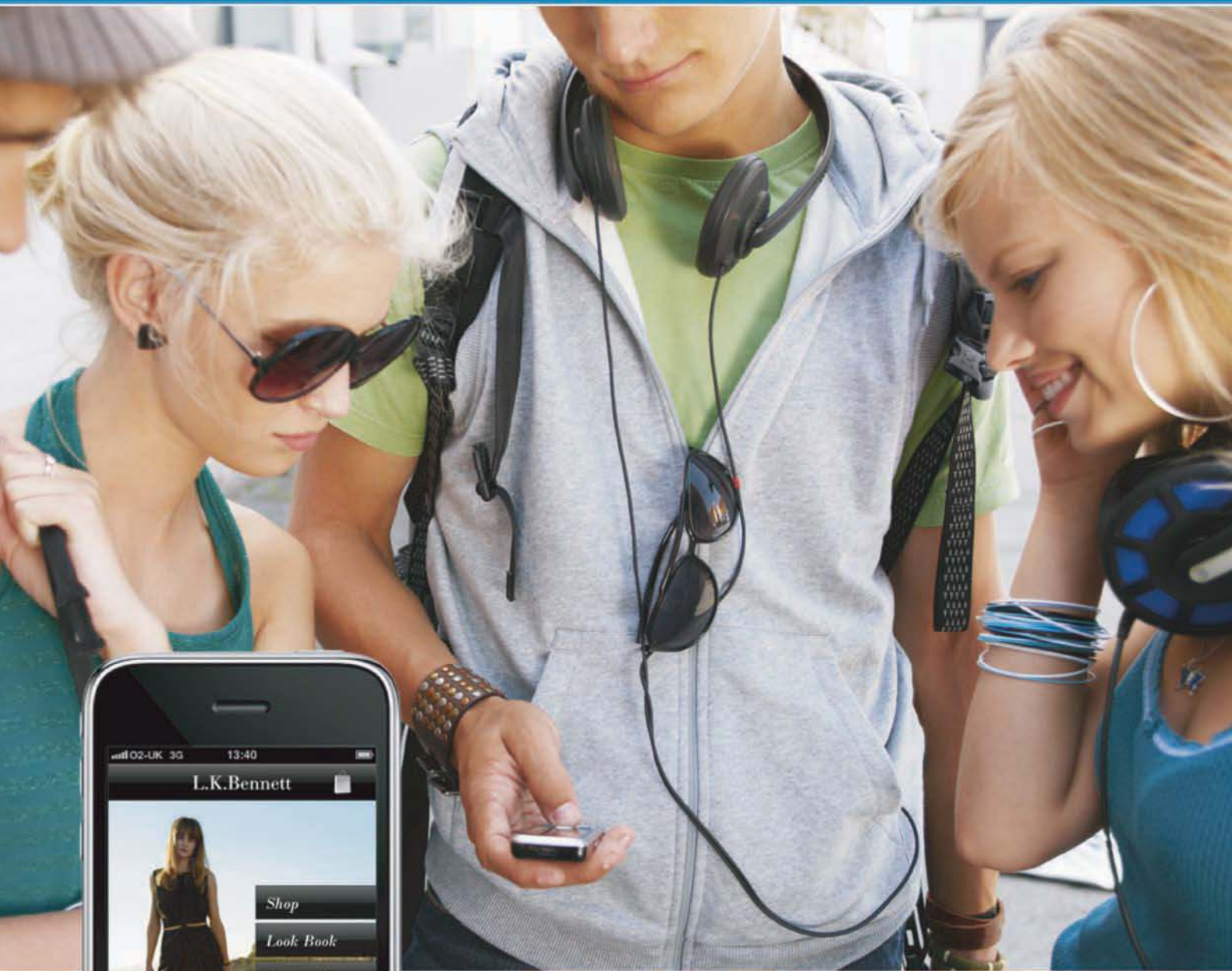


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ENGAGING CUSTOMERS ONLINE ALL YEAR ROUND?

IT'S JUST A MATTER OF KNOWING WHICH BUTTONS TO PRESS

Find a way to engage customers to make repeat purchases all year round and you've hit on a winning formula – the golden nugget. John Smith, Managing Director of online gift retailer GettingPersonal.co.uk reflects on the areas of best practice that they've successfully adopted.

NOVEMBER and December for many will be the only two months of the year in which a site is profitable. Albeit this sees the company through the rest of the year, but when there's a massive gifting market out there all year round, why are more sites not capitalizing on this?

At GettingPersonal.co.uk, people who spend money are classified into three groups:

- The 'testers' – people who place their first order and in reality are just trying the service to see what it's like. They will move from company to company with little brand loyalty;
- The 'customers' – those who come back and buy for the second time;
- The loyal customers – the raving fans who order on a regular basis.

Often ecommerce websites focus just on securing a sale, ending up with loads of people who are testing the services (single buyers). It's an expensive and very short term strategy. Converting testers to customers, and then to loyal customers, will set an online retailer on the road to success. It sounds simple, and can be if the right communications are integrated in the right way.

When customers shop at GettingPersonal.co.uk they are highly likely to buy a personalised gift or a card. Over 60% of items offered on the website carry subtle branding, so when a dear old uncle opens his personalised Football Calendar at Christmas the whole family takes a look at the product, and in this instance also sees the company logo. When the calendar is taken into work the whole office sees it, increasing awareness again. That's quite a few people who become aware of the website just from one single sale.

The whole site experience, from start to finish, is based on staying front of mind to consumers. A lot of work goes into making sure we're at the top of the Google rankings for online gifts. And, by inputting an email address on the checkout page, not only can customers be contacted again, but they can be sent regular e-alerts, which can be segmented and tailored depending on the data that is captured at the purchase point.

THE POWER OF RECOMMENDATION

Many online retailers send automated, post-purchase emails asking customers to review the gifts they have bought. Not only is this an invaluable source of content for the retailer's website, it also acts as a guide for other's looking for that third party endorsement that what they're purchasing will have the desired outcome. This word of mouth recommendation, from one customer to another, is powerful.



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shopping for Christmas, it's important for them to see Birthdays, Anniversaries and Valentine's Day – the next big events coming up in their lives – and they become aware that the website sells a lot

more than just Christmas gifts.

At the same time it's also critical to push communications out and remind customers via e-alerts about the key occasions coming up, driving them to the site. Comments from customers back up the fact that they want to be reminded not forget Valentine's Day or to buy a gift for Teacher from the kids. As people's lives are getting busier, finding ways to remind shoppers about occasions and directing them to your site is critical.

There are plans at GettingPersonal to deploy an electronic reminder service to capture key customer dates such as Birthdays, Anniversaries and other key events. This will help remind all those shoppers that they will be buying gifts all year round and not just at Christmas.

The introduction of new products such as personalised greeting cards at GettingPersonal has massively improved repeat purchases outside of key occasions, and although the focus of the business is gifts, the cards provide additional reasons for customers to shop again and again.

THE RIGHT MIX

Working in the favour of online sites are the high street retailers, who help us out year on year by promoting key occasions earlier and earlier. Internet businesses all benefit, it's simple to see.

Christmas promotions begin earlier each year and Christmas TV adverts blast out across all channels with little let up. Stores transform themselves into cupid city leading up to Valentine's Day. Creme Eggs are stocked as point of sale items as soon as the tinsel is put back into the cupboard. The combined force of this external awareness acts as a massive reminder function – jogging people's memories about those key occasions. And we haven't spent a penny on promoting our online sites yet!

For online retailers, no one single communication route works more than any other here – the crucial thing is to achieve a balance, a mix, which can be varied and experimented with. Many different aspects must all be integrated in a controlled way and pulled together to form one powerful communication to buyers – one that will ensure they come back time and time again to shop with you. ■

Moreover, as a customer writes a review, they relive the moment they presented the recipient with the gift, remember the reaction it provoked – which gives the reviewer a feel good factor. Making another purchase then becomes simple: a click through a link inserted on this post purchase review email takes the customer right back to the beginning of the purchasing cycle. Of course people want to make sure they get the best gift, the gift which is remembered out of all the others, the gift which makes them look like a gift buying 'superstar', so helping a customer to relive a successful buying experience can reap rewards.

Google is already putting customer review results into its search results in the US for certain vertical markets, so it's a matter of time before this facility reaches the UK – and online retailers need to be there to capitalise on this.

This level of interaction provided by social media is changing the way that people shop online. Being able to click a single button on a shopping site and tell friends you 'like' something is the equivalent of telling everyone at the pub that you bought this great gift and so should they.

The massive difference is that by 'liking' something on Facebook, the shopper's friends are already online and a single click away from becoming a tester – and a few clicks away from being a customer.

The power of social recommendations is and will transform the ecommerce shopping landscape. Customers telling potential customers about gifting occasions all by themselves – it's perfect.

ALL YEAR ROUND CUSTOM

On converting a tester to a customer, the key is to ensure that there's something for the occasion they want to buy for when they choose to visit the site again – and that it can be found quickly and easily. A website can be designed to jog their thought process into thinking about the occasions coming up. We know that when customers are

ARE YOU READY FOR PEAK TRAFFIC?

As the Christmas shopping season approaches, online and multi-channel retailers are weighing the costs and benefits of building out in-house server capacity, adding capacity-on-demand through outsourcing, or deploying a blended approach. Akamai's Pedro Santos looks at the options.

RETAILERS go to great lengths to create online shopping experiences that rival real-world retail environments, especially during the Christmas season. The challenge lies in creating and delivering these rich experiences while maintaining site performance and availability for would-be customers regardless of site traffic or internet slowdowns.

Add the complexity of tailoring online retail environments to the fast-growing universe of mobile devices, and the task becomes even more daunting. Retailers have two ways of dealing with these challenges: address them on their own, spend precious IT budget on infrastructure and content optimisation, or explore an outsourcing model. Either way, with Christmas fast approaching, the time to ensure optimal site performance for the 2010 shopping season is upon us.

Maintaining availability and increasing site performance has been traditionally achieved by building out the physical infrastructure in the form of data centres and additional servers. The advantages traditionally associated with this approach still stand. For example you have complete control over the infrastructure and the information that resides on it, but there are some notable limitations:

First, acquiring, deploying and maintaining equipment does require large capital expenditure and time, neither of which may be options in the current uncertain economic climate. In the case of smaller retailers in particular, this expense may be prohibitive, especially when you analyse the frequency and duration of traffic spikes that the incremental infrastructure is asked to handle. Depending on the level of redundancy and spare capacity you build into the infrastructure, you may have hardware gathering dust, rather than sales, for much of its life.

Second, how do you accurately calculate the size of your data centre? You can make projections based on the available data you have for peak periods and the bandwidth and processing power required to give customers a good experience on your site – but the truth is you cannot prepare for the unknown. How will the market change in the future, and which marketing campaign will drive unprecedented traffic to your site? When the unknown happens, you cannot magic hardware out of thin air, but that is exactly what you need to do, or risk losing customer sales and loyalty.

Finally, deploying a traditional server infrastructure in a single location increases the risk of site performance issues through periods of heavy overall internet traffic or outages that occur between origin servers and the customers' ISP. How will your strategy spread the load of the traffic coming into the data centre or route traffic around problems without the customer experience being affected?

OUTSOURCING OR BLENDED APPROACH

The second way to maintain availability and increase site performance is to outsource infrastructure. Outsourcing enables online retailers to tap into a vast shared resource of processing power and server locations, drawing on capacity when needed and paying for only the resources they use. Content, applications and rich media like HD video can be stored in locations around the internet then served to shoppers via the most direct, unencumbered route, offloading a tremendous burden from a company's origin servers.

When done properly, outsourcing site delivery can reduce capital expenses associated with building out data centres, and provide access to a cutting edge technology platform that should

deliver reliably high performance.

Offentimes, organisations can realise similar performance improvements and cost savings through a blended approach to outsourcing their IT infrastructure, maintaining and scaling infrastructure for certain applications and processes while enlisting help to provide for traffic spikes and high-bandwidth dynamic content. A retailer could run its back office and operational applications on in-house servers, for example, while using an outside partner to host and deliver its customer-facing site. Larger organisations with more complex, organically developed IT systems and processes often find a blended approach appropriate.

Whether an online retailer chooses an in-house, outsourced, or blended solution, the priority must clearly be to ensure fast and consistent performance – a critical component to customer satisfaction – throughout the shopping experience.

We all know that customers are losing patience with sites that take too long to load. The majority of European consumers expect a website to load in less than four seconds, and 40% in less than two seconds. (June 2010, IDC Retail Insights #IDCW13S). As broadband penetration increases globally, this abandonment threshold will surely continue to decrease, and the coming Christmas period will provide valuable data on just how long customers are willing to wait in a virtual 'queue' that doesn't seem to be moving fast enough.

I recently spoke with a customer from a leading UK-based footwear company, Office, which made the decision to deliver its site via an outsourced model after experiencing poor performance and an actual site outage caused by visitors responding to a promotional offer. He described how outsourcing had reduced hardware and support costs by more than 40% while contributing to a 20% increase in online orders. 80% of Office's web requests are now served from our servers, reducing the load on their infrastructure while increasing performance and security.

This offload number is particularly interesting with regard to UK retailers, many of whom don't have the same middle mile performance concerns as global retailers. Blended and outsourced approaches can both offer the advantage of lightening the load on existing data centres by handling a large percentage of web traffic virtually. This alone is a factor in many of our customers' decision to outsource, even when they're relatively satisfied with their performance numbers.

Clearly, when it comes to IT infrastructure for online retailers, performance, reliability, and capacity gains – no matter how they are achieved – can have an immediate impact across an organisation. Liberated from the worry that heavy customer traffic may impede site performance, retailers are free to execute aggressive marketing campaigns that confidently drive traffic to their site at any time. They can offer discounts during peak shopping periods, secure in the knowledge that heavy traffic won't overload their site. And most important, they'll have the flexibility to make decisions on the fly to capitalise on opportunities without the fear of poor site performance spoiling the day.

No matter what you're currently doing to prepare for the Christmas rush of online shoppers, here are some points you should keep in focus:

- Online shopping traffic is increasing. Even in a challenging economy, the speed, convenience and comfort of shopping online mean continued growth. So allocating the budget and time to ensure readiness for new demands should be a top priority, whichever approach you take.
- Speed is critical. From four-second page loads in 2006 to two-second page loads today, customers are increasingly less tolerant of slow site performance – and will vote with their money. The solution you choose must deliver the performance your customers expect, no matter what.
- Cost can't be ignored. The fact is, achieving speed and reliability goals carries a cost, whichever route you travel to get there. You must weigh the ongoing expense of an outsourced model against the initial capital cost of adding server infrastructure and make an informed decision based on your situation.
- Don't forget to factor in the benefits of offloading. The fact is, offloading traffic during peak periods can mean the difference between your site staying live – and continuing to capture revenue – or slowing to a crawl that frustrates potential customers. The more you can offset load from your core data centre, the more resilient your site will be.

You have choices. Clearly, while every retailer faces a common set of challenges, every organisation has unique needs. In-house, outsourced and blended approaches to IT infrastructure all offer benefits – and costs – which must be considered carefully as you shape your strategy and plan for future online growth. And, importantly, you still have time to implement a range of solutions before the Christmas shopping season begins. ■

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TAKING COST OUT OF THE REVERSE SUPPLY CHAIN

Peter Fuller, Retail Business Unit Director of Norbert Dentressangle, examines how, through the adoption of appropriate technology and best practices in the reverse supply chain (and a bit of vision), it is possible for returns and recovery management not only to become an entirely cost neutral activity but also to promote customer loyalty and drive sales.



REFUNDS go with the territory in retail, with high street retailers expecting an average returns rate of 10%. However, research from Stockshifters.com in May 2010 found that online shoppers return an average of 22% of items purchased - a figure which increases significantly following the peak Christmas trading period. The Stockshifters research went on to warn that online traders could face losses upwards of £9.4bn this year due to the growing number of returns.

By far the simplest way to reduce the cost of returns is to reduce the rate and volume of returned product. Whilst impossible to eradicate, the incidence of returns and the associated costs can be dramatically reduced by working with vendors and carriers to minimise product damage and improve delivery accuracy. Indeed, through the introduction of improvements in packaging, materials handling and carrier management, one of Norbert Dentressangle's customers - a major DIY retailer - was able to reduce return rates by 42%. ND also increased the average recovery value of returned product by 70 - 80%.

CLOSING THE PHYSICAL LOOP

In traditional supply chains, integrating the outbound and inbound supply chains is common and has clear advantages in terms of both cost and vehicle utilisation (and therefore the environment). Given the discrepancy in their profiles however, there is little opportunity to close the store/home delivery loop.

The growth of 'click and collect' and return to store services increasingly creates a new supply chain

dynamic depending on how retailers get the stock from the stock holding point into the store - using traditional supply chain routes (eg adding ecommerce order to store delivery replenishments) or potentially new routes via parcel carriers, pallet networks or dedicated 'round robin' vehicles. This is especially relevant where drop shipping is used and where the physical store replenishment and ecommerce supply chains are not integrated.

Whilst an accepted click and collect supply chain model is yet to emerge, tying these additional delivery streams to the reverse supply chain (including store returns) provides an opportunity to streamline processes and improve vehicle utilisation, or carrier efficiency on collection of store based returns.

Halfords and Marks & Spencer are amongst those, not only to have spotted this opportunity, but to be actively taking advantage of it.

An even greater opportunity exists in relation to collaboration between retailers, allowing the customer to collect or return goods from or to one retailer via another retailer's stores. This, along with increasing recognition that competitive advantage is achieved through product assortment, availability and price and not necessarily through the supply chain, represents another step towards the possibility of shared user returns centres, offering substantial cost and efficiency benefits.

Whilst not without its problems, this is undoubtedly the future, with Alliance Boots leading the vanguard, being on the verge of effectively providing pureplay fashion retailer ASOS with 2,600 outlets whilst anticipating increased sales as a result of the additional footfall this will create in its stores.

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And, given the massive environmental benefits associated with shared trading, delivery, transport, collection and disposition networks, the retail supply chain would do well to innovate now and get ahead of the game or face being forced down this path by tougher and tougher environmental legislation in coming years.

In the short term however, direct from consumer returns are likely to remain the norm. Efficiency in dealing with these is imperative in building brand loyalty, basket value and repeat purchasing. On the flip side, according to recent research from Collect+, poor returns experiences lead to 58% of online shoppers permanently shunning outlets. By engaging with all elements of the supply chain, frustrations can be reduced and brand loyalty increased by addressing:

- Original manufacturer packaging (fit for purpose, robust enough to withstand a courier/2-man delivery process, adaptable by product type);
- Range auditing – what is being returned, why, what can be improved, what should be removed;
- Stockholding point of despatch packaging & processes – specific operator training, spot audits, 3rd party operator agreements;
- Carrier agreements on damage levels and pre-contract compliance testing;
- Availability of multiple return options – return via store, return via alternative retailer store, collect from location of choice, carrier upgrade options for returns, pre-paid or ready to use returns packaging (eg carrier packs/envelopes);
- Clear and easy to understand returns process;
- Quick and effective credit approval processes based on slick product returns handling;
- Effective disposition routes for revenue recovery.

RECOVERY MANAGEMENT

As well as reducing the costs associated with the movement of returned product, what happens to that product when it reaches the handling point is critical in order to maximise the recovery value.

Value is achieved by having a range of disposition routes available for a range of different returns scenarios, taking into consideration factors including:

- Type/value of product;
- Reason for return (broken, over ordered eg clothes for sizing, didn't like, WEEE, etc);
- Branded v non-branded items;
- Repair v disposal v destruction (value judgements);
- Legislation compliance;
- Brand image/protection through management of channel conflict (relationship management);
- Carbon reduction targets.

Progressive companies are taking a more aggressive approach to managing returns, with a focus on getting product back into existing sales channels quicker, through multiple channel options.

In the majority of cases, there is a hierarchy of disposition routes for returned items, dependent on the recovery value they typically yield. These include – in order of desirability - returning perfect items to stock for re-sale at full price (100% of retail price), returning selected marked or discontinued items to stock for sale (either by the retailer or a re-seller) at a mark down (50-90% of retail price), returning faulty products or those purchased on a sale or return basis to the vendor for a credit (100% of cost price), product re-work such as re-packaging or repair (50-90% of retail price), the sale of items to a 'jobber' (10-80% of retail price), recycling (5-20% of cost price) donating items to charity (feel good factor plus possible good publicity) or, if there is no other option, disposing of the item (0% recovery value plus cost of disposal).

Through integration with retailers' EPOS systems, a new breed of returns management systems allow retailers to capture information about the nature and condition of products which are returned to store. This allows the retailer to decide what should be done with that product in order to realise maximum value. And, with the ability to make that decision before product is received at the returns handling point, retailers can also significantly reduce the dwell time of that product when it gets there, realising the value in the product in the shortest possible time.

Having a clear and easy disposition route process can also assist with new product sales and customer relationship management. Take-back schemes are on the increase, encouraging customers to buy a new product without worrying about how to dispose of the old one, especially given the increasingly strict legislation around the disposal of end of life electrical equipment under the WEEE (Waste Electrical and Electronic Equipment) Directive.

In addition to helping both consumers and retailers meet their obligations under this legislation, more effective returns and recovery management also significantly reduces waste to landfill – with landfill tax at £48 per tonne and an escalator which will see this increase to £80 by 2014, this is a priority for retailers.

Whilst recovery management is a mature discipline in the US, in the UK, many retailers are only now beginning to 'grasp the nettle'. However, those which have done so successfully are realising massive bottom line benefits. ■

Insight from around

SARAH TAYLOR, SENIOR INDUSTRY DIRECTOR, ORACLE RETAIL



Mexico continues to be an area of interest for overseas investors.

Although smaller stores continue to make up a large part of the Mexican retail market, the arrival of Wal-Mart and Carrefour in the 1990s has brought new and modern practices in logistics and technology. Such operations have helped the market to develop faster, and the percentage between large and small retail outlets is now almost equal at 45% versus 55% respectively, with Wal-Mart, Soriana, Oxxo, Comercial Mexicana and Chedraui listed as the top five retailers in the country.

Mexico was hit hard by the recent recession but it still boasts the highest per capita spend in Latin America. Recent research hints that because 44% of the Mexican population is under the age of 20, affluent and with internet access, it should pave the way for lasting economic growth.

Ecommerce is one area of retail growing rapidly for similar reasons – over 30 million users were recorded by the end of 2009. The advent of new technologies, particularly social networking, Web 2.0 and mobile, is making information more readily available and giving consumers more control to easily find the best price, the best products and the best services through any channel.

Growth in this area is likely to continue to increase given that some grocers only launched their ecommerce arm two years ago. It is worth mentioning that the speed of ecommerce growth in Mexico is somewhat slow compared to more developed countries, as at the current time, operations tend to be small and located around metropolitan hubs.

Mexico has had its share of problems - in addition to the recession, the swine flu epidemic impacted spending. However, its economy has bounced back and this May saw retail sales increase by 11.8%. It has been reported that sales will continue to grow to an estimated \$909bn by 2013 making Mexico a key market to keep an eye on.

MICHAEL MATZER, EDITOR, INTERNET RETAILING GERMANY



Since the beginning of July Amazon.de has been offering grocery and drugstore articles online. But it is by no means the only online food shop. British retailing giant Tesco seems to present the mould after which Amazon.de and its rival Otto.de form their offerings. However, first tests by researchers

find Amazon's grocery shop dissatisfactory.

"In order to be successful the offer has to be near to the customer", the Bundesverband des Deutschen Versandhandels (BVH) recommends. But although the BVH predicts a 12% growth in German ecommerce this year, many customers hesitate to take advantage of the new Amazon offerings. The supermarket next door is still more attractive. Two of the reasons are high delivery fees and insufficient product information.

The Verbraucherzentrale (consumer test centre) of Hamburg took a close look at Amazon's online offerings. Amazon, of course, does not produce or distribute the products itself but lends only a kind of portal to some partner shops. Amazon is not a shop, it's a market hall. The partners demand their own delivery fees which seem to contribute an inordinately high proportion of the total price for shopping.

The Verbraucherzentrale tested two scenarios - a single person and a family. In the case of the single person the total price for a shopping cart at Amazon was 154% higher than the one at the offline supermarket. In the case of the family, the contents of the shopping were more than double the price. On average, the extra charge was 38% on top of the supermarket prices. And the main reason was the delivery fee.

Another critical aspect the Verbraucherzentrale found is a legal issue. By law all vendors are obliged to display a complete list of the substances and additives contained in a food product. Currently, however, almost 90% of all of Amazon's product offerings do not even mention this list, let alone a complete one. Amazon.de has announced it wants to deliver this kind of information.

The online magazine Getestet.de has recently published a ranking of the online grocery shops. The ranking lists www.food-shop24.de as number one (7,000 products), www.froodies.de no.2 (5,000 products), Lebensmittel.de (24,000 products) as no.3, Edeka24.de (the online version of a large retail store chain, with 2,500 products) as no.4, and Saffkiste.de (6,000 products) as last. Amazon.de did not even make the list.

The tests concerned prices, availability, service and quality of delivery. The most obnoxious detail the testers found was smelly meat and old and damaged grapes. The frequent reason given: the batteries for the cooling mechanism were hopelessly insufficient. That makes ordering fresh products like milk or yoghurt a risky endeavour. To

nd the world

summarize, there's no such thing as a perfect online supermarket in Germany - yet.

MICHAEL LIS, OWNER, SPECK MEDIA



Michael Lis gives a US perspective on social media and what the leaders are doing in this field.

Year 1 was about understanding social media. How do people use it and what do they use it for? Year 2 was about listening to your customers and establishing a social media presence on Facebook and Twitter.

Now comes Year 3, where the right social media strategy becomes crucial to engaging your customer and truly using social media in the right way.

As a lifestyle brand, Urban Outfitters use their Facebook page to not only keep their customers in the know about discounts and in-store events, but to promote community-oriented things like job opportunities and sharing behind-the-scenes secrets. It uses a buffet of social media: it engages fans on Mondays about their music interest, giving them a free download to iTunes; their Facebook page shares advice from major make-up artists in local New York communities answering free make-up questions in real time with customers; Fridays feature their Jean Face-off where they let fans choose which jeans should be half price the following week. If you buy, they encourage you to share your picture wearing your jeans.

A retailer's social media tactics don't have to be confined to Facebook. Starbucks is increasing their partnership with Foursquare by offering a mayor special at select locations across the US. Mayors (Starbucks most loyal customers) will receive \$1 off a Frappuccino beverage by showing the unlock screen on their phone. By using Foursquare, Starbucks can find social media advocates at store locations (those would be the mayors but more importantly an advocate is someone that endorses your brand), these advocates bring in more customers and ultimately more fans to the Starbucks community.

The Frappuccino website also works as an internet gateway to a whole new social media community centred on Frappuccino and Starbucks. The site encourages customers to create their own artwork around Frappuccino and share it with friends on Facebook.

Both retailers are using social media the right way because they are inventive with content and encourage conversation with their brand.

SCOTT GALLOWAY, CLINICAL ASSOCIATE PROFESSOR OF MARKETING, NYU STERN, AND FOUNDER, L2



Prestige brands can do a mediocre job in every other market and still grow revenues and profits substantially by getting one thing right: China. Year after year of double-digit growth has resulted in tens of millions of Chinese consumers armed with disposable income and a voracious appetite for luxury goods.

In 2009, China surpassed the United States and is now the world's second-largest luxury market, trailing only Japan. However, while many prestige brands have been in China for almost 20 years, most are still trying to determine how best to tap into this huge but complex opportunity.

The China strategy for most luxury companies has followed a traditional path: enormous investments in theatre retail in Tier 1 cities buttressed by lavish public relations events and print advertising.

However, in a country with 384m internet users (more than the US and Japan combined), and an ecommerce market that quadrupled from 2006 to 2009, luxury companies should question whether they are fighting tanks on horseback.

An estimated 80% of Chinese luxury consumers are below the age of 45, versus 30% in the US and 19% in Japan, suggesting a prestige customer that is considerably more digitally native. Furthermore, approximately three quarters of wealth creation in China through 2015 is expected to take place outside of Tier 1 cities, creating a massive wrinkle in the retail strategies for most luxury companies as they grapple with expansion. While many foreign luxury brands stare at their digital navel and do little, third-party sites such as wooha.com cater to a Chinese luxury consumer who values the convenience and access of online shopping.

Although most prestige brands have largely ignored the digital phenomenon in China, some have gone online and are starting to reap rewards. The disparity is substantial. Of the 100 brands in our study, 20 do not have a Chinese language site and only 10 are ecommerce enabled. This translates to a market that will likely provide an enormous accretion in shareholder value to a finite number of players in each category since the success in the world's fastest growing market is inextricably linked to digital competence.

L2's Digital IQ China study attempts to quantify the digital aptitude in China of 100 global prestige brands. It's free to download at l2thinktank.com.

A MOBILE CHRISTMAS?

Tim Avery, Director of specialist mobile web development company, bemoko, argues that mobile represents a unique retail opportunity on the run up to Christmas, but retailers who try to replicate the PC online experience on the phone will be barking up the wrong Fir tree...

SAVVY RETAIL brands are now looking very differently at how mobile can provide a much richer customer experience, not simply optimising their existing website for mobile, but by tailoring sites to derive most value from the unique characteristics of the latest smart mobile devices. With a range of new capabilities to hand, it is surely only a matter of time before mobile takes a significant slice of booming online Christmas shopping.

Mobile retail has a chequered history, not least due to the technical challenges, but as the humanistic value of mobile is brought to the fore by substantially improved technology, the unique advantages compared to other retail channels will increasingly become apparent.

Whilst most PCs run on one or two operating systems, and have screens with broadly the same dimensions, most mobile phones do not. All of this provides a level of complexity unseen in the PC-internet world. The choice for retailers has been stark: create content specifically for every phone (prohibitively expensive) or try to create a 'one size fits all' approach, delivering simple content that can be read by any phone. This can mean the brand is not properly reflected to thousands of users accessing mobile services, and if that user experience is poor, then there's a real threat of disenchanting the customer. It is at this point that many retailers have simply cried "it's too complicated" and written off mobile.

RELEVANCE

The problem is that we still tend to think 'PC' rather than 'mobile'. We need to understand

mobile is used to communicate, educate and entertain in short bursts. More importantly, the promise of mobile is relevance, providing the consumer the information they need, when they need it – such as the location and hours of the nearest store and how to get there. A mobile site by default should be making use of the user's location and context - to find me, or find my nearest. Retailers have been quick to embrace Voucher Cloud, a mobile context service offered on smartphones that locates users and provides special offers from local (to the consumer) retailers. Taking this a step further it is easy to imagine a situation where last minute mobile offers are made on goods. Overstocked on fresh strawberries? Then provide a last minute offer to passing customers via mobile.

Amazon recently announced more than \$1bn of mobile sales in the past twelve months – though much of this is likely to be through Amazon's Kindle devices rather than mobile handsets - it shows that users are open, even eager to embrace the mobile as a retail conduit. Mobile is now positioned to be the hub of all channels as it's the personal, immediate point of contact for our retail activity. It can bring the user in, engage and where appropriate guide the user to other channels to continue their journey. That is why delivering the best mobile user experience is so crucial if the retail industry is to transform consumer interest into real sales.

To date, many retailers have focussed mobile efforts on downloadable apps, particularly for the iPhone. But there is more to mobile than iPhone



apps – around 96% more to be precise, because whilst it might seem like everyone has an iPhone, only 4% of the population does. Most of the audience is being ignored.

That is changing with the introduction of HTML5 and CSS3 for coding mobile websites that not only deliver a comparable 'app-like experience', but also allow for off-lining of content, which blurs the line between app and web. From the retail perspective HTML5 delivers a greatly enhanced user interface, which translates directly into a better user experience.

To deliver a truly democratic user experience bemoko makes great use of AJAX, which enables web applications to retrieve data from the server asynchronously in the background, thereby avoiding interference with the display and behaviour of the existing page. This allows seamless interactivity and more dynamic pages, of a style that is familiar to fixed internet users. With AJAX, on-screen menus can expand dynamically, and marking favourites can be done without having to refresh the page so the experience is faster, smoother and more natural. We can even replicate 'app like' page transitions where a new page slides in or flips around on any smartphone with AJAX support.

We have touched on the importance of using the location and contextual capability of mobile, and this is another area when the user experience needs to be the best possible, so when using maps on iPhone expect to see pinch and zoom. On other smartphones the user should be able to drag and zoom, all then gracefully falling back to images for lower end phones, but always delivering the best user experience where possible.

Similarly Flash is not supported on some phones, most infamously the iPhone, but again the user should still get the best possible experience. For example, a flash based selector where the user can answer questions by sliding a marker to the relevant answer can be replicated with a standard HTML drop down list. However, with minimal extra effort users on touch phones that do not support flash can be presented with a JavaScript based slider giving almost the same experience as the flash page. So instead of being content with giving iPhone users a dull drop down box, give them extra.

It is often advantageous to exploit social

possibilities within a mobile site. For example, as well as showcasing a company's products sites can be designed to grow by word-of-mouth, encouraging user engagement with plenty of interaction and social possibilities – selecting 'likes', texting recommendations, or uploading and sharing through Facebook and YouTube – all integrated and accessed from within the site.

For retailers this is not simply a footfall exercise. The company is developing a relationship that turns a customer into a shopper for life. By capturing the moment, they understand they can also capture the customer.

User experience has to be faultless and seamless across channels. It also has to be suitable across all channels. Navigation that works well on a smartphone with a touch interface may not work as well on a smaller feature phone. The developer has to be able to change the interface easily without rewriting the whole website. It is also important that content, such as a catalogue of items, is not duplicated and can be updated in one place for both PC and mobile platforms. The ability to plugin to external content feeds such as an XML feed from a CMS, and to then dynamically deliver that content onto mobile pages is essential. Delivering content in this way means it can feed a mobile website but also the content of an app, making best use of each delivery channel with no duplication of effort.

User experience is also particularly important when it comes to delivering video, which can as easily destroy as it can enhance the user experience. The key with video is to embrace a system that is simple to implement, and gives an experience akin to unbroken 'live' streaming. At bemoko we believe this is best achieved as a progressive download from a video server that can recognise the device requesting the video and deliver the correct format.

By delivering the right content to customers with an outstanding mobile experience, retailers can drive short term value and long term loyalty. 2010 may not be a mobile Christmas in terms of sales volumes over mobile, but savvy retailers will be integrating mobile in the way they build their brands. ■



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SYMPATHY FOR THE DEVIL

1969 was the summer of love. 2010 it seems has been the summer of mobile retail research. And, just as at the twilight of the hippy dream, this summer's mobile love in hasn't all been flowers in the hair – it has also had its share of Altamonts as well. Paul Skeldon, Editor of M-retailing, explains.

SINCE MAY we have seen countless analysis reports into mobile retail, covering consumer attitudes, retailer attitudes and vendor attitudes. We have had the views of mobile handset makers and the opinions of website managers. We've even seen our sister title M-retailing.net conduct its own survey, with marketing agency Sponge, to see what you, the readers of IR, think.

And the result of all this quizzicality? Well, I'd love to be able to pull it all together and deliver you a perfect view of where m-retailing is coming from, where it is going and what consumers, retailers, vendors, handset makers and my cat, Nelson, think of it.

Sadly, however, the results are confusing. Many of the studies – notably those with a vested interest in mobile shopping – tend to spin the results so that it looks like everyone will be doing it (which of course they will – they just don't all know it yet). The others, often neutral or out to make a point that there is too much heat in this market and that we all need to cool our jets, point to it being grossly overstated.

Our own research, which curiously should have come down in the former camp, actually found that there was a great deal of interest among retailers in mobile, but many were circumspect about how and when they would start to really get in to it.

So who are the goodly Rolling Stones and who are the unruly Hell's Angels in our summer of mobile retail love? Well, up on stage prancing about like Mick Jagger are Portaltech/eDigital Research finding that 25% of those they surveyed use mobile to research, browse and buy goods on a weekly basis, compared with just 16% who said they did the same with catalogues. The study also finds that, on average across 20 key brands surveyed, 2.55% of shoppers have purchased using an app or an m-website in the past 12 months, compared with 2.27% using catalogues.

Playing Keith Richards is Blackberry/Forbes Research, which finds that 73% of US retailers surveyed say they have some type of mobile initiative in place, while 20% are evaluating the mobile channel.

And on bass we have the Mobile Entertainment Forum (MEF), which has found that 53% of global consumers "have a propensity to use their mobiles for financial transactions".

For obvious reasons, no-one asked the drummer.

And tickling the crowd with baseball bats is Forrester Research, which has concluded that

adoption of mobile commerce in Europe remains low, with a mere 2% of adults purchasing products from their mobiles and only 5% interested in doing so.

Sitting on the fence is the M-retailing.net/Sponge study which rather pragmatically – and with a distinct lack of bias – finds a nice 60:40 split between retailers who are going mobile and retailers who aren't.

This confusion of results stems from the fact that it's very hard to define what anyone actually means by mobile retail. Does it mean any form of mobile implementation, such as developing just an iPhone or Android app? Does it have to be transactional? Does it have to be an all-encompassing mobile addendum to a retailer's cross-channel strategy? Is it any, all, or none of the above?

This is the nub of the problem: no one is explicit about what they are measuring and so the results are, at best, a mere indication of what retailer, consumer and vendor views are of m-retailing and at worst, worthless sets of percentages that leave none of us any the wiser.

Personally, I believe that it is such early days, the technology, business models and consumer behaviour patterns so unformed, that these studies serve to deliver some interesting snippets of what might be about to happen, but overlook the fact that mobile retail will happen: it will just become a natural extension of web-based commerce, payments, e-wallets, marketing, and media forays into e-publishing.

Consumers will arrive at mobile retail and mobile commerce from many different places. It is not a 'thing' in its own right per se, more an activity that will be driven from loads of other seemingly unrelated tasks. You may be reading your iPad version of the Guardian and want to buy their lightweight travel trousers; you may be looking for your nearest Argos, but decide to order through mobile as it's easier; you may be already using your mobile as an Oyster card or credit card to buy your Starbucks coffee; you may be playing along with Britain's Got Talent on TV using your app and decide that, yes, you do want to click on the banner ad for Domino's Pizza and order a triple meaty love feast; you may want to buy a book so you fire up your Amazon app while doing all of the above.

It's all m-retail: consumers will find it, whatever they are doing, because everyone will put it there. So, as autumn comes, don't worry about the research - the devil is in the detail. ■

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SHOPPING VOUCHERS AND OTHER M-RETAILING DEVELOPMENTS

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

■ Amazon, eBay and shoppingvouchers.com show consumer thirst for m-retail

For anyone in two minds about mobile retail, take a look at what Amazon, eBay and shoppingvouchers are doing. During the past 12 months Amazon has generated \$1bn from mobile purchases. eBay meanwhile is looking to make \$1.5bn through mobile in 2010 – and its app has been downloaded a staggering 11 million times (so far) – and shoppingvouchers, a newly formed money saving mobile website, already boasts nearly 250,000 members – with 1,000 new members joining every day and 25,000 page impressions a day – and claims to be generating an extra £1 from each visitor who downloads a voucher for every retailer on its books.

The fact that eBay and now Amazon are now reporting such stellar mobile sales provides an interesting counterpoint to M-retailing's own research, carried out with marketing agency Sponge over June, which found that 40% of the retailers we questioned have no plans to use mobile in the next 24 months.

Obviously, mobile appears to be an easy fit with 'online' businesses such as eBay and Amazon, but we hope that it also demonstrates that there is a growing public thirst for mobile commerce.

■ Ups and downs for mobile payments

Mobile payments continue to come on apace, with payment service provider CreditCall developing a mobile payment app called CardEase Mobile that allows fully secured Chip & PIN or magnetic-stripe transactions

to take place on BlackBerry and other smartphones.

Available in the autumn, the service will, with minimum of extra kit, turn mobiles into card terminals, potentially overcoming one of mobile payment's largest hurdles – lack of redemption equipment for retailers. Now all they need is a smartphone.

However, while mobile payments takes one step forward, it may also be taking two steps backwards following the break up of the partnership between RBS-owned NatWest and Telefonica's O2 that could call into question future developments in mobile payments and near field communications (NFC) in the UK.

Gilles Ubags, analyst at Datamonitor tells us: "O2 will continue to market their O2 Money prepaid cards to new customers, for which they claim to have received over 100,000 applications in the first few months of its launch. But we expect that the widely expected move into NFC and mobile-based payments will now be delayed for O2, as with the banking industry still under pressure, convincing a new player to make the required outlay could prove difficult."

■ Optimisation helps

MusicFactoryDirect.com tune up sales

Online musicians' shop MusicFactoryDirect.com, which launched its Mobile Webstore earlier this year using web optimization tools from ChannelAdvisor, has already noticed mobile conversions increase by up to 130% over that of its previous site, which was not mobile-optimized.

"Our customers are musicians, so they are constantly on the road and shopping from mobile devices," says

MusicFactoryDirect.com Director of IT and Web Marketing Stephen Leitch. "Before we implemented ChannelAdvisor's Mobile Webstore solution, we had a mobile bounce rate that was astronomical. Now, our bounce rate is well below 50%, and we're finding that mobile shoppers are serious buyers - spending 130% more time on the site and converting much more."

According to ABI Research, mobile commerce is expected to account for \$119bn in global sales by 2015, a substantial increase from \$18.6bn last year.

■ Moneysupermarket app tops lifestyle chart, but does anyone use the vouchers?

The public thirst for mobile discount coupons also seems insatiable. Moneysupermarket Vouchers' new iPhone app is the UK's number one lifestyle app, according to the App Store download charts. With just under 20,000 downloads a day the app has also reached number six overall in the iPhone App store, putting it ahead of market leading apps including eBay, Amazon, Argos, Facebook and Twitter.

The app gives users access to more than 10,000 vouchers with more than 500 exclusive to moneysupermarket, ranging from mobile vouchers – which can simply be shown to a retailer on the phone's screen – to online codes and printable offers. Users can even book a table at over 300 restaurants from their phone.

However, how many people go on to actually use any of the vouchers or coupons is not disclosed. M-retailing has the app on its iPhone and has yet to find any vouchers or coupons for anything that we want.

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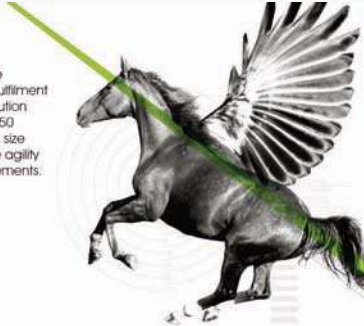
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