



Internet Retailing

Selling in the digital age

VOLUME 5 | ISSUE 6 | SEPTEMBER 2011



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Retail REVIEW
Thomson.co.uk

P.14

GLOBAL FOCUS:
Cross-border localisation

P.26

M-RETAILING
The latest developments

P.50

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Internet Retailing

4th October 2011, Novotel, Hammersmith, London

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KEYNOTES



Mark Hodgkinson
former Digital & Financial Services Director, Asda

ASDA



Gavin Sathianathan
Head of Commerce Partnerships, Facebook

facebook



Miriam Lahage
Global Head of Fashion Brand, eBay

eBay.co.uk

Registration, Tea/Coffee will open at 08.00. The conference will begin at 9.00 with the introduction to the keynote session. The keynote will finish at 10:50 when the room will be reconfigured for the 3 conference streams to begin at 11.20.

CONFERENCE TRACKS

View full agendas and speakers in detail at:
www.screenevents.co.uk/IR2011

The Customer



The Evolving Customer
Jo Causon, Chief Executive, Institute of Customer Service

 Institute of Customer Service



How the online experience influences customer satisfaction and success

 BRITISH AIRWAYS

Nick Gassman, Manager, User Experience and Design, British Airways / ba.com and mobile delivery



Personalisation as a revenue generator
Sam Peterson SVP, Technology, Website and Merchandising, Overstock.com

 .co

1.00 Lunch



Email's role in a world gone social

Richard Evans, Director of Marketing, EMEA, Silverpop

 Silverpop



No frills just full social, mobile customer service

Kamarulzaman Ahmad, Strategy, Innovation and Customer Experience, AirAsia Berhad

 AirAsia

3.10 Break



Expert Insight - Meeting expectations of the empowered customer

David Hogg, Industry Marketing Executive - Retail/CPG, IBM

 IBM



Customer experience in a cross-channel world

Nigel Randall, eCommerce Systems Manager, Waitrose

 Waitrose

The Team



Internationalisation the Amazon way
Chris Poad, Director - Merchant Services, Amazon UK

 amazon.co.uk



Building a common platform to support international markets

 The Phone House

Amy Bastow, Head of Multichannel, The Phone House Europe



Turning global into local
Ulric Jerome, Executive Director, Pixmania

 PIXmania.com

1.00 Lunch



Keeping it local with store-generated content and social media

Richard Weaver, Ecommerce Director, Majestic Wine Warehouses

 Majesticwine



Directing for multi-channel success

Tony Preedy, Marketing Director, Lakeland

 LAKELAND

3.10 Break



Expert Insight - Online fraud: knowledge is power
Akif Khan, Director, Products & Services, CyberSource

 CyberSource



Reconciling customer expectations with cost to serve

Hash Ladha, Group Multi-channel Director, Aurora Fashions

 AURORA

The Industry



The Da-Vinci app or the mobile master-piece - painting the m-commerce picture

David Backshall, Head of Sales, Sage Pay

 sage pay



Mobile commerce today - a retailer's experiences

Ish Patel, Strategic Director, Aurora Fashions

 AURORA



NFC and other technologies - a customer usability perspective

Thibault de Pomperoy, Creative Director, Innovation Department, Groupe Casino and Vincent Berge, Founder & CEO, Think&Go NFC

 Casino

 think&go

M-commerce Panel Discussion

1.00 Lunch



Product presentation ensuring a good customer fit

Nadine Sharara, Head of eCommerce, Thomas Pink

 PINK



From static to interactive: innovations in product presentation

Nicole Vanderbilt, CEO, mydeco.com

 mydeco.com



Using product-level data to increase online sales

Dominic Smith, Ebusiness Development Manager, JD Williams

 JD Williams

3.10 Break



Expert Insight - Building Mature Multi-channel Models

Qusai Sarraf, CEO, IVIS Group & Jan Higgins, IT Director, Tesco.com

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Evolution of business models
Rowan Gornley, founder, Naked Wines

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Conference ends at 5.00pm followed by DELEGATES only cocktail reception and post event party

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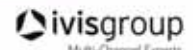
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Workshop 4 Room D 11.20
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How to drive online retail growth and profits, at lower cost

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Workshop 6 Room B 2.00
When did eCommerce get so complex?

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Workshop 7 Room C 2.00
How to successfully expand ecommerce across borders

whatusersdo
& why they do it

Workshop 8 Room D 2.00
Three steps to improving your website's User Experience & why you should bother!

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EDITOR'S COMMENT

September usually starts with the wistful memories of recent holidays that already seem like a long time ago in the fog of catching up with work emails and the back to school mayhem.

In this issue of Internet Retailing, some of that holiday spirit remains as we take a look at the complexities of international ecommerce. We look at marketing practices and customer behaviour (which changes between cross-border sites and localised sites) through to logistics and how British retailers can make international delivery work. Michael Ross shares his 10Ps of international ecommerce while Kami Boyer explains how retailers can reduce the risks of new fraud threats when accepting new payment methods.

Even for those retailers trading solely in the UK, the global access that the internet enables results in legislative impact from the EC trying to harmonise the single digital market.

One retailer looking to harmonise its operations across Europe and posing a challenge to many is Carrefour. Having signed a deal with Pixmania's e-merchant division it will be launching multichannel, non-food operations along with an aggressive ecommerce marketing plan. Ulric Jerome explains further.

While a bit of everyone's thoughts remain on those far flung vacations, at IR Towers we are looking forward to 4 October - the day of the Internet Retailing 2011 conference. Read more about it on p18. Hope to see you there.

Emma Herrod
Editor



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Ian Jindal, IR's Editor-in-Chief, ponders the current issues.

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Emma Herrod speaks to Ulric Jerome, Executive Director of Pixmania, about the strategic agreement with Carrefour and international trading.

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Multichannel shoppers are giving high street retailers cause for optimism - especially in Southall, Harrow and Wimbledon - according to new analysis by Experian.

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The internet is enabling customers in other countries to find UK retailers while other retailers are proactively expanding delivery and localised sites to different countries and emerging markets. Commentators share insight on the challenges of international expansion and cross-border trading.

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The latest news, opinions and analysis of the channel in everyone's pocket.

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SALES RISE 97% AT SPORTSDIRECT.COM

Online sales came close to doubling over the last year at sports retailer Sports Direct after the company invested in raising awareness of its ecommerce channel.

Releasing its full-year results to April 24, the company said online revenue had risen by 97%, from £48.6m to £95.7m, and now represents 7.7% of its total UK retail sales, up from 4.5% in 2010.

Sports Direct said website sales and traffic had benefited from increased recognition of its online brands. Some 331 of its UK stores are now branded SPORTSDIRECT.com while the company also ran its first TV advertising campaigns during the year, boosting web traffic as a result.

For the future, Sports Direct said it would focus on further development of the online channel. Both its ecommerce technology and fulfilment are developed in-house, with support from Sports Direct's national distribution centre in Derbyshire.

Online sales also grew online ahead of the FIFA World Cup, the first one the online store has seen, though as the England team performed poorly sales declined during the course of the tournament.

Across the group, UK sales rose by 11.3% to £1.245bn, from £1.118bn last time, and were up by 6.6% on a like-for-like basis. Total revenues rose by 10.3% to £1.599bn. Underlying pre-tax profits, before exceptional costs, rose by 32.7% to £135.5m, but at the bottom line pre-tax profits were down by 0.6% to £118.8m. The company also reduced its net debt by 52.3% to £148.9m.

According to Experian Hitwise, Sports Direct and Halfords are very close in terms of market share and battle for the top spot in its Sports and Fitness shopping category. Sports Direct ranked as number 2 in terms of visitors numbers in July, falling from its top ranking in June.

AURORA GOES INTERNATIONAL

Aurora Fashions, the group behind women's fashion brands – Coast, Oasis and Warehouse – will launch its first native language website in October in the group's largest European market, Germany.

The new transactional site will cater specifically to German domestic preferences and provide an authentic, local shopping experience. It will also unveil Aurora's new tabulated website approach to providing a one-stop-shop for all three brands. Customers will be able to navigate conveniently from one brand to another and shop using one basket and one combined checkout, maximising cross-selling opportunities.

Importantly, this unique strand to Aurora's multi-channel retail strategy has been designed with the possibility of inviting brands outside of the Aurora portfolio to join the site. Retailers targeting the German market with complementary fashion brands will be able to unite with the Aurora brands to benefit from shared traffic and a stronger, aggregated consumer offering.

Hash Ladha, Group Multi-channel Director at Aurora Fashions, said, "We are passionate about creating an online experience designed exclusively for the German market and customer. The new site will offer free returns, standard and express delivery options and local payment options, such as invoicing – service we're confident will equal that expected of any local e-tailer.

The German website is the first of three planned for launch in international territories by 2012. In the meantime, the UK sites will continue to deliver to customers in 29 international markets.

NEW SITE FOR HOUSE OF FRASER

House of Fraser has launched its new-look website and unveiled figures that show the site is now the department store chain's largest outlet. In the first 24 weeks of the year, said House of Fraser, online sales rose by 111%.

The site, which features more than 1,000 brands, has been redesigned in response to the results of research among House of Fraser's customers. Customers said they were very focused on brands and also wanted checkout to be easier. They wanted to filter by product attributes, to have more information about products and more advice on fashion trends.

As a result, the redesigned site has moved from the traditional 'shopping by department' to brand-based micro-site hub pages. A social media strategy is also being launched, which includes a web-based international style magazine with links to social media sites, blogs and other web-based fashion discussions.

SPORT AND FITNESS WEBSITES RANKED BY SHARE OF UK VISITS

Rank	Website	Visits Share
1	Halfords	7.31%
2	Sportsdirect.com	6.47%
3	MandmDirect.com	3.28%
4	wiggle	3.06%
5	JD Sports	3.03%
6	Evans Cycles	2.82%
7	ChainReactionCycles.com	2.75%
8	GO Outdoors	2.41%
9	JJB Sports	2.27%
10	Chelsea Megastore	1.56%
11	NikeStore	1.38%
12	Pro-Direct Soccer	1.19%
13	Adidas	1.10%
14	Skate Hut	1.06%
15	BodyBuilding.com	1.03%

Source: Experian Hitwise

M&S APPOINTS PLATFORM DEVELOPER

Marks & Spencer has taken a key step towards building the new digital platform and ecommerce system that will be central to its aim of increasing multichannel sales to as much as £1bn by 2014.

SapientNitro has been commissioned to develop the new platform to be delivered in January 2014, which will replace existing online operations currently run in a partnership with Amazon.

By commissioning its first wholly-owned multichannel platform, M&S aims to gain flexibility so that it can better tailor its online offer to its customers' needs, both in the UK and overseas.

Work to create the new multichannel platform will be led by SapientNitro, part of customer experience company Sapient. It will build key capabilities including ecommerce, content management, search and analytics to create a customised multichannel customer experience. Tata Consultancy Services will provide order management, product information management and integration with existing systems.

SapientNitro will also become M&S' digital partner in a relationship that will extend beyond the delivery of the new digital platform in January 2014.

HACKING RESULTS IN NEW LUSH SITE

Online retailer Lush is planning to launch a new community-focused website this autumn, replacing one that was taken down earlier this year after a data protection breach left up to 5,000 of its customers exposed to hackers.

The news follows a ruling by the Information Commissioner's Office (ICO) that the handmade cosmetics company breached the Data Protection Act when its website security was compromised for four months. The ICO has now warned other online retailers to make sure their payment security is up to standard.

In a statement, Lush said it had learned a lot since the hacking and that its new website would exceed the requirements of the Payment Card Industry Data Security Standard, which it must comply with in order to meet the ICO's ruling.

Lush said its new site, to be launched in early September, would offer ecommerce transactions as well as social media and user generated content, becoming a "community-based social network where staff can interact with customers and help them make the right product choices." Customers will also be able make their own contributions to the site, starting discussions on issues from products to campaigns.

FAST SALES GROWTH FOR AMAZON

Amazon's international sales have showed a strong rise as the pureplay retailer unveiled the best income growth it had achieved in a decade. Sales from its six sites outside North America, which includes the UK website, rose by a headline 51%, in line with the growth rate across the company. At the same time, however, profits were down as the company invested in growth.

In the second quarter of its financial year, to June 30, the company said overseas sales, which also include sites in Germany, Japan, France, China and Italy, rose to \$4.51bn (£2.76bn). When exchange rate changes were taken out of the equation, the growth rate stood at 36%.

The results came as Amazon's worldwide net sales rose by 51% to \$9.91bn (£6.06bn). Net income, however, fell by 8% to \$191m (£116.87m), down from \$207m (£126.68m) at the same time last year as the company put money into extending capacity both in infrastructure and fulfilment, in turning physical products into digital ones and in creating new business areas.

Jeff Bezos, Founder and Chief Executive of Amazon.com, said: "Low prices, expanding selection, fast delivery and innovation are driving the fastest growth we've seen in over a decade."

Innovations over the period included Kindle textbook rental for students and the ability for those selling on Amazon can now list their stock across all its European websites, Amazon.co.uk, .de and .fr, through one single seller account, making their inventory more widely available. Those using Amazon for third-party fulfilment can also have stock dispatched from one European warehouse to customers across the continent.

Additionally, Amazon Prime customers can now stream TV shows from CBS, while the company also launched MyHabit.com, a members-only fashion website.

In the UK, the company is opening its seventh fulfilment centre. The 700,000 sq ft fulfilment centre in Rugeley, Staffordshire will employ more than 900 permanent and temporary staff. Amazon is also poised to open a new customer service centre in Edinburgh, offering technical support to people who have bought its Kindle.



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FROM USABILITY TO CUSTOMABILITY?

Shopping abroad for basics is a great way to draw out differences in language, culture, experience and service. As Ian Jindal enters a bakery in Brittany, his mind is upon putting the customer and her autonomous abilities at the centre of our multiscreen retailing world.

ECOMMERCE is still a young activity and has borrowed, appropriated and synthesised patterns, knowledge and skills from many disciplines. Many of these 'feeder' disciplines have developed clear design languages of their own over many years. These languages - written, visual, behavioural - have taught users how to access the services. As they come together in ecommerce in our multi-screen world customers face new challenges.

Ecommerce for the first years had the simple, if basic, problems of teaching people how to understand dynamic computer browser interfaces, new paradigms (buttons, links) and of course the joys of 'click and wait'. We now have hundreds of screen combinations on mobile, half a dozen mobile and tablet systems, a renaissance of in-store display - and we need all of these to work in concert. When customers see new screens are they to click, to squeeze, gesture, pinch or some athletic 'experimental dance' version of all of these?

As interfaces proliferate, merge and evolve it's natural that our providers' minds move to a 'training' mentality: let's tell customers how we want them to use these new services. However, there's often a difference between the trainer's intent and tools and the ways the customer would like to learn and perceive - invisibly and without effort.

If we consider architecture, a discipline whose name is often bandied within digital circles (experience architect, technical architect), it has the challenge that buildings need to function

invisibly, intuitively and without a mandatory instruction manual for every 'user' of a building. Douglas Norman in 1988 appropriated the word 'affordance' for the way objects passively communicate their use to us: doorknobs 'suggest' gripping and twisting, while chords suggest pulling. Over time the term has moved to become more about how obviously and clearly an interface suggests its intended use.

A main difference between architecture and our digital world is that we build things out of pure ideas. Whatever the concept of our website, the physical instantiation is always a 2-dimensional screen of either greater or lesser luminance and capacitance. Software developers create experiences and interactions from magic: the effect of lines of text turning into actions by a computer. Our IT architects create not so much buildings as "continuous services" - the ability for one experience to be recreated and maintained across millions of devices and customers flawlessly. We have moved from a world of direct, physical experience of objects to the indirect experience of services and impressions. As customers we are left to create the illusion of the store or business that we are driving and manipulating via our small screen.

As these systems become more complex, capable and abstracted it's natural for us to reach for a 'training' solution: let's tell the customers more about what they can do; let's increase the 'affordances' so that they understand the many switches, toggles and buttons they have at their disposal... However, these approaches

are very focused upon us as retailers. Shopping has not really become any more complex - we are simply pushing more of the underlying complexity into the hands of the customer.

We focus upon 'usability' in order to make better organ-grinders' monkeys of the customer, when we should be developing a view of 'customability' - making the customer more 'able to do': unaided, uninterrupted and unobtrusively. If customer-centred design is ensuring that door handles are of the right height and afforded, customability is removing doors, wall and impediments at every stage.

At Le Barzic Hervé, the local artisanal bakery, we arrive to the ancient and evocative smells of baking bread. In order to enjoy the service we have not had to learn French, Breton or arcane baking terms. The baker simply offers us bread to try, squeezes different loaves so we hear the crusts crackling and taps others. In moments we've left with a few loaves: no French, no deeper baking knowledge, but an objective achieved and tummies rumbling. How different this experience to being sent on a 3-month Bread Appreciation and Basic French course...

This is not to dismiss the work of interface and training professionals, but rather to note that we should not build overly-complex edifices and leave it to them to render the arcane 'less unusable'. We should aim to simplify our services to the point of invisibility, putting our customers not 'centre of our complex world', but rather increasing their autonomy and ability to engage with us as a part of *their* world: customability. ■

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CARREFOUR SETS SIGHTS ON EUROPEAN

MULTICHANNEL DOMINANCE

French retail giant Carrefour has signed a deal with Pixmania's e-merchant division which will see it aggressively marketing its non-food multichannel offer across Europe. Emma Herrod talks to Ulric Jerome, Executive Director of Pixmania, about the deal and his experience of international trading.

SINCE EARLY JULY, Pixmania's e-merchant division has been working on a multichannel platform for Europe's largest retailer, Carrefour. You may wonder why the world's number two retailer is so late in arriving in the multichannel arena and why it has chosen a retailer-developed platform when it could have best of breed from any – or all – of its suppliers. Closer analysis of the deal reveals the reasons.

THE DEAL

The e-merchant division, as part of one of Europe's leading pureplay e-retailers, Pixmania, will design and deliver a multichannel website in a number of European countries for Carrefour's non-food offering, using its e-merchant platform.

The new Carrefour country-specific sites will link the retailer's online grocery business and the ranges of

non-food products it currently sells online and in-store with extended product categories supplied and fulfilled by Pixmania. "It will be a white label operation," says Ulric Jerome, Executive Director of Pixmania, explaining that the first SKUs offered to Carrefour customers will be consumer electronics. Other categories will be launched to Carrefour customers over time.

Initial roll-out will see websites and reserve & collect services launched in Carrefour's top four markets, starting with France and Belgium, followed swiftly by Italy and Spain. Ultimately, the multichannel offering will be available in all of the European countries in which Carrefour operates. A marketplace platform, of the kind already operated on Pixmania.com, will be launched at a later date giving Carrefour customers access to a

range of additional products from third party merchants.

Although site launch dates have not yet been released, Jerome says they "are working hard to launch as soon as possible".

Lars Olofsson, Carrefour's CEO, has been personally involved in the deal, which took seven months to negotiate. He says: "This new partnership marks a major step in the development of Carrefour's multichannel strategy. Our alliance with Pixmania, one of Europe's leading ecommerce retailers, will enable us to offer our customers enriched non-food product lines, primarily in electronic appliances, photo, video and sound, as well as a flexible multichannel shopping experience between our stores and the internet across Europe."

CARREFOUR ONLINE

This is not Carrefour's first foray into non-food retailing online. It has spent a lot of time, money and manpower on development work in-house to roll out non-food sites in France, Spain and Brazil.

It launched online non-food site Boostore in 2006; this was rebranded as Carrefour Online in 2008 to maintain the Carrefour name in its online operation. The rebrand boosted sales significantly, but, according to ResearchFarm analyst Daniel Lucht, they fall short when compared to the likes of Cdiscount, a subsidiary of another big French retailer, Casino, and the clear leader in online sales in France.

Carrefour started its online groceries business even further back, setting up Ooshop in 1999. According to a Carrefour spokesperson, this site is still performing well.

Lucht comments that Carrefour's under-performance compared with its French rivals over the last decade – both Auchan and E.Leclerc have delivered faster and more sustainable growth – is one of the key drivers behind the Pixmania/Carrefour tie-up. Many of the retailer's problems in France stem from the groceries segment of its hypermarket business (pricing, private label proposition and promotions). That said, non-food represents a significant proportion of its hypermarket revenue and Carrefour is struggling here, too. Essentially, there are fewer customers buying in-store: much of the non-food spend in France has migrated online, with consumer electronics the nation's top selling category on the net.

In addition, its attempt at 'reinventing' the hypermarket concept with its 'Carrefour Planet' revitalisation programme – in which its stores were less of a warehouse and more stores within stores with differentiated areas dedicated to different products – has stalled and not delivered the desired



uplifts. Consequently, it has identified the need to address the online non-food proposition.

WHY PIXMANIA?

Jerome believes that Pixmania e-merchant won the Carrefour business because it is a trader rather than a company offering a technology solution. And, as a retailer, Pixmania's expertise in international trading is ahead of many other European companies'.

"We've been there and worked through the issues [that Carrefour will encounter]," he says. It is already skilled in areas such as attracting quality customers to its sites, sorting out taxes and logistics issues in different countries, working with 27 logistics companies and handling 90 different taxes and 41 separate payment methods.

"Most of our analytics, personalisation, fraud systems and so on have been developed in-house but we don't close the doors," adds Jerome. "If Carrefour or another client wants to work with any of their existing suppliers, we'll create the link."

This collaboration with e-merchant will give Carrefour a degree of second mover advantage and it will also make it less risky because it is backed by Pixmania's knowledge of operating 65 ecommerce sites in 17 languages in 26 different countries, along with its IT, digital marketing, logistics and legal expertise. Carrefour will also have access to the group's e-merchant-run contact centre and logistics operations.

Carrefour cannot afford to get this launch wrong. The ecommerce market has matured considerably since it first went online and its competitors have not stood still. When asked about whether it is a risky proposition to launch into four countries rather than test the service first in its French home ground, ▶



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PIXMANIA

Started in 2000, Pixmania now operates 65 ecommerce sites, in 17 languages across 26 countries. Some 65% of its €890m turnover is generated outside France. Its sites receive 30m unique visitors each month to view products which range from cameras and consumer electronics to baby and sporting goods. In total, it has 1,400 employees.

The Pixmania Group consists of B2C business Pixmania.com – traditionally a pureplay business which now operates 17 stores in France, Portugal, Spain and Brazil – B2B firm Pixmania-Pro; photographic business MyPix.com, which operates in 11 countries; and e-merchant. E-merchant was created six years ago to promote the inhouse-developed platform, marketing, customer service and logistics operations. In 2006, what is now Dixons Retail, bought a 77% share in the group, which led to its further development as a multichannel platform and e-merchant's implementation across Dixons' operations, which in the UK comprises Currys, PC World and Dixons.

Pixmania is growing the retail customer base for the e-merchant platform, providing retailers with an ecommerce solution to implement their pure play and multichannel strategies. The platform has already been rolled out to Bouygues Telecom as well as a number of clients in the fashion and luxury industries, including ST Dupont, Sud-Express and Brand Bazaar.

Jerome says that Carrefour knows that it is ten years behind, it understands ecommerce better, and has considered the pros and cons. "It was on Lars Olofsson's priority list," he adds.

Pixmania is confident that Carrefour can make a success of the four countries it is initially launching into since they are all mature online markets as well as being the top four trading nations for the retailer. Jerome says: "Ten years ago they would have taken the conservative route, but the market is now so well developed they know it's the only way."

According to Jerome, Carrefour will be "extremely aggressive in its ecommerce marketing" and pose a bigger threat to Amazon than Pixmania because of its share of the overall retail market. While it may seem



strange for what are essentially two competitors to work together, Jerome says: "Carrefour's know how is trading and it has a big shot at being the biggest ecommerce player in years to come."

IS THE FUTURE WHITE?

Is there then a limited lifespan for the Carrefour/Pixmania deal in terms of platform or in the white label approach to selling consumer electronics? Will there be a point in the future when Carrefour will go it alone, either bringing all or part of the ecommerce, marketing or product supply chain in house? "Down the road, if we can help them better understand ecommerce and help them get it right over five years, then it won't surprise us," says Jerome. "We have to work intelligently. We're not blind. It's an ongoing discussion throughout the length of the contract."

If Carrefour does decide to go it alone at the end of the contract then there will be a lot of unpicking and relationship building to do. On one hand, the

CARREFOUR

With approximately 16,000 stores in 33 countries and more than 470,000 employees, Carrefour is the largest retailer in Europe and the second largest worldwide. For more than 40 years, it has been served customers across Europe, Asia and Latin America. The group has a range of store formats – hypermarkets, supermarkets, hard discount, convenience stores and cash & carry outlets – that it constantly adapts to its customers' consumption patterns, aiming to offer them the lowest prices on a large range of products and services. It handles more than three billion cash transactions per year.



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deal has speeded up the retailer's entry into market and made it easier than had it gone it alone. But by outsourcing something so strategic to its business, it has left itself beholden to another company – and one that owns all the relationships.

While Carrefour fights back against its French competitors – including Cdiscount, PriceMinister,

Rueducommerce – and now Amazon, Pixmania has more ambitious projects in mind. As the online internationalisation sales race heats up, Jerome is looking further forward, to the US market, and selling American retailers not just e-merchant but Europe as a multi-country opportunity for ecommerce expansion. ■

MULTICHANNEL WAS MISSING

“Multichannel is the piece that French brands have been missing. The country is where the UK was five or six years ago. This is a very smart tie-up by Carrefour, to join up its web and store operations and give customers a much wider experience. I suspect it will also allow Carrefour to consolidate its ecommerce platforming and branding which is not consistent across Europe.”

Martin Gill, Principal Analyst, Forrester



WHAT THE EXPERTS SAY



AN INCREASINGLY COMPETITIVE MARKET

“The online non-food market is becoming increasingly competitive in Europe with Amazon continuing to grow its operations on the Continent, Cdiscount already well established in France and even Japan's Rakuten making a move into the market with its recent acquisitions of PriceMinister and Tradoria. In order for Carrefour to compete effectively with these ecommerce giants on a pan-European scale it was essential to provide a comprehensive online offer through a well-designed ecommerce platform and Pixmania is a perfect partner for that.

“For Pixmania, the benefits come from its access to Carrefour's large and extensive European store portfolio, which will provide a good base for expanding click & collect services and also extend its customer reach to the millions of consumers Carrefour serves on a weekly basis across the Continent.”

Simon Chinn, Retail Consultant, Verdict Research

STEP CHANGE FOR PIXMANIA

“The selection by Europe's largest retailer is a huge win for Pixmania and signals the move from being predominantly an infrastructure provider to the DSG group to becoming a mainstream player in the ecommerce and multichannel platform space. The fact that Pixmania can offer Carrefour a combination of platform capability and range extension is unique in the market. Delivering both new channels and new ranges in parallel must be an appealing proposition in a retail market always looking for the next step change for competitive advantage.”

Emma Robertson, Director, Transform



GROWTH OPPORTUNITY ONLINE

“With increasing pressures on the high street, online offers a viable and proven growth opportunity, and those retailers exploring how best to ensure they are taking advantage of this shift in shopping behaviour will benefit most.”

Richard Lowe, Head of Retail and Wholesale at Barclays Corporate

A RISKY ENDEAVOUR

“Trying to close the gap on Cdiscount, Carrefour goes for a short-term fix that makes sense now but is a risky endeavour long term... Arguably, this deal shows how much catching up Carrefour has to do. Somewhat missing out on the multichannel opportunity has proven to be a massive mistake, which management now have to rectify. Understandably, previous management teams did not concentrate fully on online, as the food offer needed urgent attention and was front of mind in recent years.”

Daniel Lucht, Research Manager, ResearchFarm



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THOMSON REVIEW

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

RETAIL STRATEGY

Emma Robertson, Director, Transform

In an incredibly tough retail environment, even more challenging for the travel industry, TUI and Thomson are bucking the trend. Whilst major competitor Thomas Cook issued its third profit warning for the year, TUI execs were gracing the financial pages, presenting their on-target profit results.

The travel industry in particular is vulnerable to the developments in online retail and research, with the traditional role of the travel agent under ongoing threat of disintermediation through specialist providers within the value chain. Whereas once all international holidays involved a travel agent, it is increasingly the norm for customers to book their holidays independently in a modular fashion, using third party validation from TripAdvisor or booking.com reviews to inform and substantiate their decisions. Within this context TUI's recent results are even more impressive, although group moves to offer flights outside of package deals and invest in businesses such as LateRooms.com also account for TUI's ongoing success in a changing market.

Thomson is the UK's leading leisure travel agent, however in terms of size they are about to be overtaken by the newly merged Thomas Cook/Co-op Travel company which will boast 1,200 stores across the UK, compared to Thomson's 600. From a multi-channel perspective Thomson do support a limited amount of channel cross-over, with an especially nice feature being a short-code tie up between brochures and online.

The surprising thing is that despite having the largest and most visited travel website in the UK, it is the online experience that currently lets Thomson down. The breadth of the proposition has clearly responded to market changes, offering both package and tailored booking options. However, the sections don't tie together, with clearly different templates, booking functionality and even navigation being used across the different product ranges. Equally there are some basic usability failings which make unspecific "browse" journeys frustrating - ranging from non-persistent "short-lists" to specific hotel offers directing the user to a blank input form.

From an overall retail travel perspective Thomson

are clearly doing a lot of the right things, and rightly prioritise the holiday experience as their primary mission and motivation. However within this context there is a lot of opportunity to improve the online channel and make the whole booking experience a pleasure as well.

USABILITY

Jamie Sands, Usability Consultant, User Vision

As the Thomson homepage carries no strapline or mission statement it is important to know who they are and what their specialism is. The homepage clearly promotes package holidays and late deals. The almost blog-like homepage does not promote a positive initial impression. It is not commensurate with an organisation of Thomson's standing and may impact the trust associated with the brand.

Page content is prioritised well but results in a subtle approach to upselling. For example, moving from half to all inclusive is presented below price structure. Using words like 'may' does not give confidence in the upsell. Those who are ready to buy are persuaded by a 'hurry, only one room left' message.

The faceted navigation is a helpful filtering aid around complex holiday requirements. The ability to 'Add to Shortlist' is commonly used online for comparative purposes. The Shortlist message is fixed in view with scrolling and is a helpful draw. Unfortunately, the shortlist is so long that a direct visual comparison is difficult.

Most recent searches (excluding Flight only, Hotel and Cruise) are held to assist a return visit to the site. The 'Don't know where to go' page directs the user back to the 'Destinations' page. This could have been used to promote particular offers but links to Google Earth, amongst other things, only serve to take the user away from Thomson.

Importantly, the search results can be sorted via any of the metrics. Although the design doesn't reflect that it is sortable, it does state 'Click on the column headers to reorder your results' which adds page complexity. The 'holidays you may also like', model is employed but appears below the page fold so could be missed.

Considering that the booking process involves forms, options, upgrades and other potential

usability difficulties, there is real room for improvement. This is not unique to Thomson but is true across the travel industry.

EYE TRACKING ANALYSIS

Guy Redwood, Managing Director, SimpleUsability

We invited users to participate in booking a holiday on the Thomson website. They were asked to have a destination and booking party in mind and add on any specific requirements they would need. Eye tracking technology was used to observe how the users would navigate through the site during the holiday booking process.

Once on the Thomson homepage one user was immediately attracted by the 'Late deals' option. This took them to a landing page showing over 33,000 holiday deals which the user found overwhelming. The results were already arranged in lowest price order but this was not obvious to the user. Clicking on the column heading rearranged the date order of the results, but again we saw the user looking around the page because she had failed to realise that anything had changed due to the listings looking so similar.

Users liked that they had the option to view Thomson reviews, however another user was a bit sceptical of the reviews that Thomson would provide on their own site. The majority of users liked that they were able to access TripAdvisor straight from the website. Some users stated that they would place more trust in a TripAdvisor review than a company's own customer review. A user also said they would be suspicious of a resort that wasn't reviewed.

The 'My shortlist' facility was a helpful tool which enabled users to save their favourite holidays during browsing. This tool was mainly missed by the users as their attention was drawn into the middle of the page where the holidays appeared. The 'My shortlist' was in a separate box which moved down the right-hand side of the page when the user scrolled, it was hard to distinguish it because the background colour was a similar colour to the background of the main page.

We observed a user misunderstanding the language used in the 'Choose your date' filter. The user believed the wording 'I can travel between...and...' allowed them to enter the dates which they could fly out between, without entering a return date. No results were returned due to the narrow date range. The user then entered a wider range of dates believing that they would have to narrow down their search manually later on in the booking process.

SITE PERFORMANCE

David Flower, Vice President, EMEA, Compuware Gomez

Compuware put thomson.co.uk to the test during July and August to see whether its website merited the 94% customer satisfaction rating awarded by its customers last year. Starting with a positive comment, thomson.co.uk performed well across all major



Eye tracking gaze plot for Thomson.co.uk
Source: SimpleUsability

browsers. This included various flavours of Internet Explorer, Firefox, Chrome as well as mobile browsers such as Blackberry and iPhone.

On the internet backbone, where you would expect to see the best scores in terms of website availability and download speeds, the performance of thomson.co.uk was average, compared to 40 other key players in the UK travel sector. With an average homepage download time of 2.45 seconds, thomson.co.uk ranked 19th in the benchmark. For comparison purposes, the top performing websites of National Express and Rail Easy, performed sub one-second download times.

Where this website really encountered performance issues was around its consistency – or rather, lack of consistency. On 7 August, the Gomez network recorded several instances of Doubleclick causing delays and on 8 August there were three 20+ seconds response times from three of the five internet backbone nodes. In both of these cases the content download was not impacted but at the end of the day, these items are included on the site to help generate revenue – and are therefore important.

The Last Mile test is a representation of the performance experienced by the end-user on the 'real' internet as opposed to the sterile conditions behind a firewall. During this test, thomson.co.uk's average homepage download time was 5.56 seconds and its availability was 95.38%. Although by no means the worst scores in this benchmark, they highlight that the website has room for improvement. National Express topped the table again with an average homepage download speed of 2.10 seconds and an availability rating of 97.59, placing it on top here too. ■

GOMEZ SCORES MR PORTER.COM 3.2 STARS OUT OF 5 MADE UP OF THE FOLLOWING:

Availability on Last Mile Score: 16 out of 25

Response Time on Last Mile: 14 out of 25

Consistency on Backbone: 6 out of 15

Competitiveness on Backbone: 8 out of 15

Browser Support: 20 out of 20

Total 64 out of 100

INTERNET RETAILING 2011: A MARATHON OF SPRINTS

Internet Retailing 2011 is taking place in London on 4 October. Emma Herrod picks through the agenda to see what delegates will be learning from key retailers and industry leaders including Asda, Facebook, eBay, Tesco and Amazon.



ONLINE RETAILING, like all areas of retailing, doesn't stand still. The pace of change is speeding up as consumer behaviour, industry innovations and multichannel retailing necessitate continuous improvements to systems, operations and processes. Ecommerce and Multichannel Directors have to keep pace with these changes while minding the longer-term needs of the business and handling the day-to-day tweaks required of retail trading. This 'Marathon of Sprints' is the theme

for the Internet Retailing 2011 conference (IR2011) being held in London on 4 October.

ASDA, EBAY & FACEBOOK

One person who fully understands the pressures and excitement that the long and short-term needs of a changing environment place on a retail business is Mark Hodgkinson, until recently the Digital & Financial Services Director of Asda.

With responsibility for Asda.com, Asda Direct and



Mark Hodgkinson, former-Digital & Financial Services Director, Asda

Asda Financial Services, he developed the strategy and roadmap for Asda's Multichannel and Financial Services 5 year growth plans. This included the successful roll-out of in-store collection across the full estate of 300+ stores.

At IR2011, he'll be giving delegates privileged insight into one of the UK's best-known brands and sharing learnings from a strategy of entering a market after key competitors along with approaches to managing innovation, change and learning at both scale and speed.

Joining Mark in the keynote session is Miriam Lahage, Global Head of Fashion Brand, eBay. No longer a sleeping giant of ecommerce, eBay is now a marketplace, a currency, an outlet platform and under Miriam's leadership, it is completing its first steps to be a direct retailer. Delegates will get a view on how eBay stimulates and satisfies all parties - customers, brands, retailers - while forging a confident retail identity.



facebook

Gavin Sathianathan, Head of Commerce Partnerships, Facebook

No stranger to fashion ecommerce, Miriam spent more than 20 years with TJX companies before joining the ranks of entrepreneurs launching and successfully selling Koodos, the first online discount boutique for designer brands in the UK. She has also worked as a consultant at Net-A-Porter helping to grow The Outnet business.

Complementing the other two keynote presentations by virtue of its huge impact on the evolution of retailing is Facebook. Famous for the sheer number of users and until recently the limited ability of retailers to engage commercially, in the final keynote session, delegates will hear about Facebook's approach to working with retailers - the "B2B Facebook". From new tools, data insights and offerings, Gavin Sathianathan, Head of Commerce Partnerships, Facebook will give a



eBay.co.uk

Miriam Lahage, Global Head of Fashion Brand, eBay

retailer-specific view of Facebook, sharing some reflections on innovation and development in a hotly-contested sector.

Following the keynote session - and a break for coffee and opportunity to visit the exhibition area - delegates will be invited back into a choice of conference sessions. Three conference streams will run simultaneously through the rest of the day covering topics from the customer view point, the internal teams and technologies and the industry.

THE CUSTOMER

Key to the retailing evolution is the changing behaviour of customers. They want to shop in whichever way suits them at any given time and expect the same experience at every touchpoint.

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Not only do they expect brands to fulfil what they promise, they want their expectations to be exceeded. In conference stream 1, entitled 'The Customer', delegates will hear from retailers such as British Airways, Overstock.com, AirAsia and Waitrose on their experiences of personalisation online, in emails, social networking and via mobile phones and how customer insight is essential for meeting expectations of empowered customers across multiple channels.

THE TEAM

In Stream 2, entitled 'The Team,' Aurora Fashions will share insight into reconciling customer expectations with costs to serve as technology, processes and systems speed up the fulfilment mechanisms and bring the retailer/customer relationship ever closer across the channels.

But, what might look like a seamless operation from the customer side could be a hodge podge of systems or a shining example of best practice operations. One of the latest retailers to undergo a platform change to push forward its multichannel ambitions is Lakeland. Its Marketing Director Tony Preedy will share his insights at IR2011 into how a brand-led mode of thinking is changing the role of Ecommerce Directors and how they manage and pull together the 5 strands for multichannel success.

One of those key factors for multichannel success is the buy-in from the whole organisation from

board level to delivery drivers and store colleagues and utilising their expertise across channels. Majestic Wine Warehouses, for example, has delegated online content creation and customer contact through social media to the 800 retail staff at its 170+ stores.

THE INDUSTRY

The 'medal winner' of multichannel retailing in the UK though is Tesco and Jon Higgins, Tesco.com's IT Director, will be talking to delegates about balancing innovation and evolution with day-to-day trading needs.

Of course, the roll-out of multichannel business change projects are not new and while Ecommerce Directors' diaries have been full of projects to enable the seamless cross-channel experience, they have been strategising and implementing their mobile commerce strategies and setting their sights on cross-border and international trading. All the while, keeping in mind product presentation, marketing strategies, competitors and technologies.

INTERNATIONAL & MOBILE

Three presentations specifically on international trading will look at one retailers' journey of international expansion from a single global platform, why localisation is the way forward for global brands and how Amazon trades across different regions. What Amazon doesn't know about

TEN REASONS TO ATTEND

- Gain insight into the evolving customer and changing behaviour;
- Discover how 'smarter commerce' is redefining the value chain in the age of the empowered customer;
- Learn from the success strategies utilised by British Airways to gain critical customer insight and fix key usability issues;
- Hear about the role email plays in a world gone social, mobile and local;
- Understand how Amazon trades across different regions;
- Learn from a global retailer why localisation is the way forward for global brands;
- Appreciate how technology, processes and systems are speeding up and altering the delivery promise;
- Gain insight into the latest mobile developments: NFC, marketing and mobile as the glue to cross-channel success;
- Hear about the latest innovations in product presentation;
- Learn why a new breed of retailers is shaking up the industry, product development and customer expectations.





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trading across different regions is not worth knowing so delegates will be in for a treat as Chris Poad shares insights into entering new markets - and what to avoid.

Over in stream 3, the 'mobile morning' will cover the latest developments in mobile commerce, how it is shaking up in-store and marketing practices and whether NFC will be the glue to cross-channel retailing. Chaired by Paul Skeldon, editor of M-retailing.net, the sessions include insight into mobile marketing, m-commerce and app

developments from Aurora Fashions, AirAsia Berhad and TruffleShuffle.

Through the 20+ retailer and independent thought leader presentations, 3 keynote presentations, 8 workshops and exhibition area, Internet Retailing 2011 aims to bring together the key strategic messages and peer insights into one packed day. Have you registered yet?

Internet Retailing 2011 takes place on 4 October at Novotel, Hammersmith, London. Registration is open now at www.screenevents.co.uk/IR2011 ■

CONFERENCE TRACKS

View full agendas and speakers in detail at: www.screenevents.co.uk/IR2011

The Customer



The Evolving Customer
Jo Causon, Chief Executive, Institute of Customer Service



How the online experience influences customer satisfaction and success
Nick Gassman, Manager, User Experience and Design, British Airways / ba.com and mobile delivery



Personalisation as a revenue generator
Sam Peterson SVP, Technology, Website and Merchandising, Overstock.com

1.00 Lunch



Email's role in a world gone social
Richard Evans, Director of Marketing, EMEA, Silverpop



No frills just full social, mobile customer service
Kamarulzaman Ahmad, Strategy, Innovation and Customer Experience, AirAsia Berhad

3.10 Break



Expert Insight - Meeting expectations of the empowered customer
David Hogg, Industry Marketing Executive - Retail/CPG, IBM



Customer experience in a cross-channel world
Nigel Randall, eCommerce Systems Manager, Waitrose

The Team



Internationalisation the Amazon way
Chris Poad, Director - Merchant Services, Amazon UK



Building a common platform to support international markets
Amy Bastow, Head of Multichannel, The Phone House Europe



Turning global into local
Ulric Jerome, Executive Director, Pixmania

1.00 Lunch



Keeping it local with store-generated content and social media
Richard Weaver, Ecommerce Director, Majestic Wine Warehouses



Directing for multi-channel success
Tony Preedy, Marketing Director, Lakeland

3.10 Break



Expert Insight - Online fraud: knowledge is power
Akif Khan, Director, Products & Services, CyberSource



Reconciling customer expectations with cost to serve
Hash Ladha, Group Multi-channel Director, Aurora Fashions

The Industry



The Da-Vinci app or the mobile master-piece - painting the m-commerce picture
David Backshall, Head of Sales, Sage Pay



Mobile commerce today - a retailer's experiences
Ish Patel, Strategic Director, Aurora Fashions



NFC and other technologies - a customer usability perspective
Thibault de Pomperly, Creative Director, Innovation Department, Groupe Casino and Vincent Berge, Founder & CEO, Think&Go NFC

M-commerce Panel Discussion

1.00 Lunch



Product presentation ensuring a good customer fit
Nadine Sharara, Head of eCommerce, Thomas Pink



From static to interactive: innovations in product presentation
Nicole Vanderbilt, CEO, mydeco.com



Using product-level data to increase online sales
Dominic Smith, Ebusiness Development Manager, JD Williams

3.10 Break

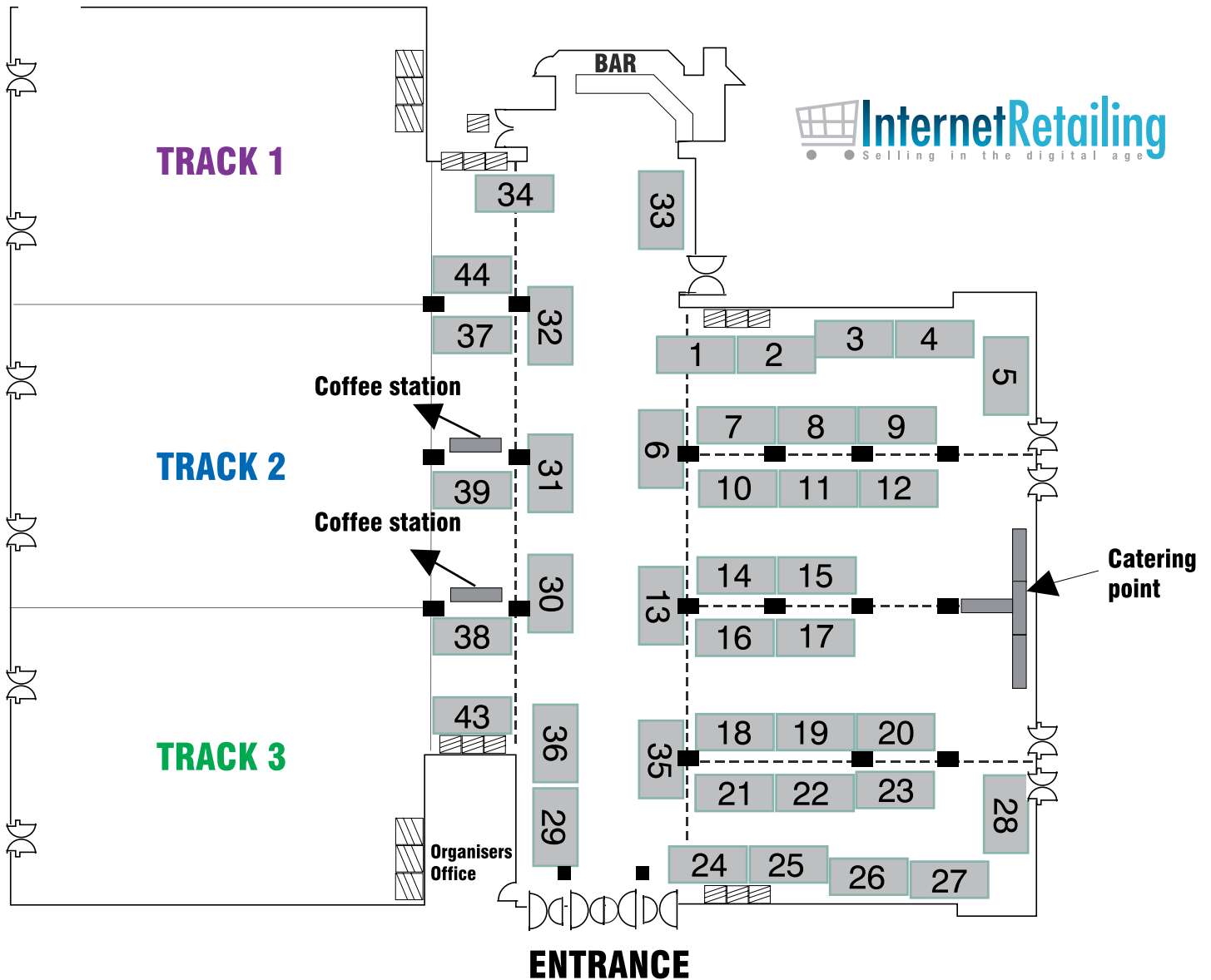


Expert Insight - Building Mature Multi-channel Models
Qusai Sarraf, CEO, IVIS Group & Jon Higgins, IT Director, Tesco.com



Evolution of business models
Rowan Gormley, founder, Naked Wines

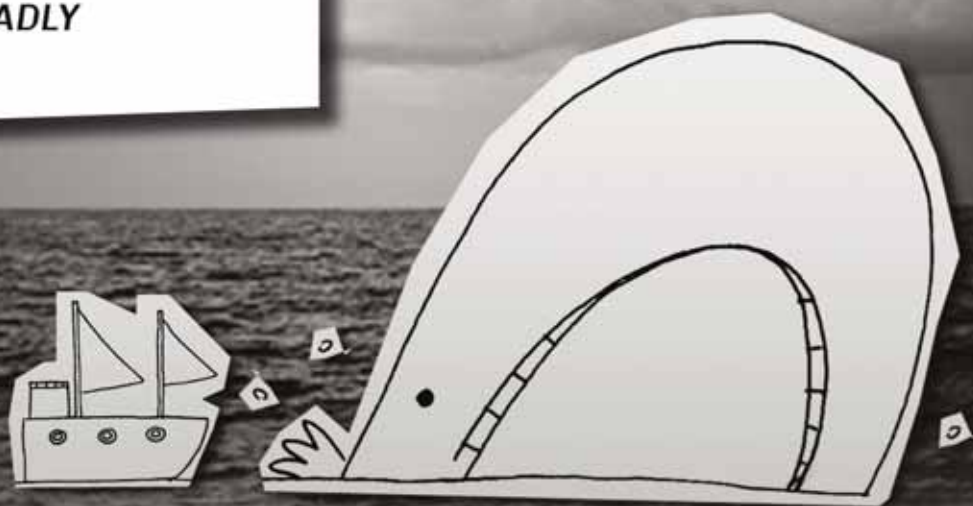
CHAMPAGNE SUITE 2011 FLOORPLAN



FLOORPLAN KEY

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|-----------------------|---------------------|------------------------|
| 1. SLI System | 16. eGain | 31. Webloyalty |
| 2. Omnica | 17. SagePay | 32. Metapack |
| 3. Avail Intelligence | 18. IBM | 33. Klick2Contact |
| 4. What Users Do | 19. Bazaarvoice | 34. Call Credit |
| 5. Yodel/DHL | 20. Salmon | 35. Cybersource |
| 6. Adobe | 21. ClickTale | 36. Foreseerresults |
| 7. Retail decisions | 22. Salecycle | 37. IVIS Group |
| 8. Liveperson | 23. Keybroker | 38. Tealeaf |
| 9. Snow Valley | 24. Packshot | 39. Hooklogic |
| 10. Ogone | 25. Fredhopper | 40. Apptus |
| 11. WorldPay | 26. CSI | 41. Sovendus |
| 12. Stibo | 27. Eptica | 42. CoolPink |
| 13. Silverpop | 28. Vertex | 43. Smart Infosys |
| 14. PayPal | 29. Channel Advisor | 44. nToklo |
| 15. RedEye | 30. Infosys | 45. Internet Retailing |

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CAPTAIN GOES MAD
THINGS END BADLY
THE END**



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IDENTIFYING THE MULTICHANNEL SHOPPER



Multichannel shoppers are giving high street retailers cause for optimism, according to new analysis by Experian. Emma Herrod takes a look at the research.

IT'S NO NEWS that consumers are shopping across multiple channels, researching products online, testing them in store before checking prices on their phone. Retailers have an indepth knowledge of those customers, their spending habits and where they interact with the brand, and those that don't are busy implementing systems to help gather that single view.

Analysis, carried out for Experian by Research Now, maps the shopping behaviour of 2,000 consumers using Experian's people classification tool Mosaic, and reveals that 31% of the UK population shops across channels and one in 10 uses their mobile instore to check the price of goods before deciding whether to buy.

There is a big divide though in the nation as the majority of cross-channel shoppers are located in London and the South East. In fact, the top 70 hotspots are located there, with the top 15 within greater London. Experian's analysis reveals that

Southall, Harrow and Wimbledon Village are the top three high street locations with the largest concentrations of multichannel shoppers, followed by Richmond and East Sheen. Some 66.3% of Southall's residents have shopped across channels.

Outside of London, the analysis found that 54% of Hove's population were 'multichannel mavens', followed by Slough, Reading, Oxford and Edinburgh.

CATEGORISING MULTICHANNEL

Experian's research went further into identifying the multichannel shopper, identifying four key categories and tying them into the Mosaic classifications: 'Informed Independence'; 'Forensic Fact Finders'; 'Mobile Movers'; 'City Clickers'.

- Those from the Informed Independence category tend to live with their children in family houses and, with wealth tied up in property, put a priority on finding the best product in the right place;
- Forensic Fact Finders are young families, often overstretched on credit, who are looking for functionality, reliability and value;
- Mobile Movers are home-sharing young and single professionals, looking for information through their mobile phones rather than through direct mail, and who will be looking for information about a new area that they have moved into;
- Finally, City Clickers research products and manage their finances online but are less likely to shop online because of the difficulties entailed by waiting in for online deliveries.

Nigel Wilson, Experian's Managing Director of Marketing Information Services in the UK and Ireland comments: "Although multichannel shoppers tend to share some characteristics, our research shows there are clearly defined groups. This has a real impact for marketers to understand the best channels to reach each section and if high street retailers want to thrive, they need to increase

TOP MULTICHANNEL LOCATIONS

Location	% Of Local Population who are multichannel shoppers	
Southall	66.3	Fulham - North End Road 57.9
Harrow	62.3	Tooting 57.4
Wimbledon Village	62.1	Hammersmith - King Street 57.4
Richmond (London)	61.3	Sutton 55.5
East Sheen	61.3	Edgware 54.8
Wandsworth	61.1	Clapham Junction 54.8
Ealing Broadway	60.8	Woodley 54.0
New Malden	60.5	Hove 54.0
Hounslow	59.9	Ruislip 53.6
Putney	59.8	Uxbridge 52.8
Chiswick	59.8	Brighton - London Road 52.8
Wimbledon	59.5	Mitcham 52.7
Feltham	58.4	Staines 52.6
Barnet - The Hyde	58.2	Shepherds Bush 52.6
Kingston upon Thames	58.1	

their flexibility and reach across all channels.”

Experian’s research also reveals that although social media plays some part in the multichannel shopper’s decision making process, there is a distinct group of individuals for whom social media dictates their purchasing decisions. These individuals are urbanised and live in small houses or flats. Their disposable income is limited which means they like to spend their money in an informed fashion through the advice of their peers. For this group, social networking is a way of life and their reliance on this form of media is greater than others. Most likely to be seen with the latest mobile phone, this group has a high take up of new technologies.

Social shoppers are usually concentrated around up and coming urban areas. East London led the way with the highest concentration from anywhere in the country closely followed by South London. Outside of London social shoppers were found near large urban areas.

In stark contrast, the areas with the fewest multichannel shoppers are in remote, rural areas such as Pwllheli, Cardigan and Porthmadog in Wales and Newton Stewart and Castle Douglas in Scotland. Internet Retailing spoke to one working mother living near Porthmadog who said that the results of the Experian analysis are hardly surprising when you consider that their rural area is remote from the mainstream shops that are in abundance in major shopping centres. Her nearest Tesco store, for example, is

over an hour away by car.

She commented: “All our major purchases are online. We love the fact that we still have lots of local retailers who do a fantastic job but our spending in high street retailers since moving here has been almost zero.”

According to Experian, its Mosaic category of ‘Rural Solitude’, which consists of people living in small villages, or in isolated farmhouses and cottages, where farming and tourism are the mainstays of the local economy are the most likely group to do their weekly grocery shop online. Made up of just 4.4% of the population, they are also the biggest users of eBay.

Marketers, therefore, need to understand the distinction between not only the sub-sets of multichannel shoppers but also appreciate that there is a unique group of social shoppers who need to have products promoted to them in a different fashion. Also, by virtue of location, there are shoppers who can only buy online – or with the occasional trip to a large centre – and they need to be catered for. ■

MULTICHANNEL MAVENS OUTSIDE LONDON

- 1) Hove
- 2) Slough
- 3) Reading
- 4) Oxford
- 5) Edinburgh
- 6) Bristol
- 7) St Albans
- 8) Milton Keynes
- 9) Bromley
- 10) Swindon

WHO ARE THE MULTICHANNEL SHOPPERS?

Informed Independence: The wealthiest of the multichannel shoppers, they tend to live with their children in family houses. With most of their income tied up in property, finding the best product in the right place is key for this group. Characterised by the value they place on their independence they are less likely to be influenced by social media, preferring to conduct their own in-depth research both in-store and online. (Mosaic group Suburban Mindsets).

Forensic Fact Finders: These young families are focussed on building for the future and are often over-stretched on their credit, resulting in functionality, reliability and value being the key drivers of their purchasing decisions. Another key consideration is understanding the ethical and environmental credentials of products before purchasing them, meaning they rely upon the internet to develop an in-depth knowledge and understanding of products. These consumers find reassurance in knowing the finest details of products but lack time to wait in for products to be delivered. Therefore convenient schemes such as click and collect resonate well with this group. (Mosaic group Careers and Kids).

Mobile Movers: New home makers tend to be young, single professionals living in flats or divided houses. They tend to rely on the internet to search for information and advice about products and services: However, they prefer to receive information via their mobile rather than direct mail. These individuals have often recently moved into a new area and therefore rely upon research to establish the best products to purchase and how to locate them. (Mosaic group New Home Makers).

City Clickers: These young professionals love city life and the vibrancy and diversity this brings. These individuals have yet to commit to partners, children or purchased property leading to them often living in smart rented flats, many of which receive a rapid turnover of tenants. They are experienced users of the internet and therefore use this as a key channel to purchase products and manage their finances. Again their lack of time means waiting in for online deliveries may prove to be a barrier to making final purchases online. (Mosaic group Liberal Opinions).



LEGISLATION UNDERPINNING THE SINGLE DIGITAL MARKET

There are a lot of regulatory and legislative changes coming through from the EC at the moment. Andrew McClelland, Chief Operations & Policy Officer, IMRG sheds light on the Directives, regulations and reviews.

THE EUROPEAN online retail market has grown into the largest on Earth with the total value estimated to have been worth €214.5bn in 2010. This total outstripped North America's by €0.5bn and represented the first time that Europe has managed to become number one. The growth levels are also higher for Europe; we are forecasting the market to reach €260bn in 2011, with North America far behind on €246bn.

This is obviously excellent news for European retailers, as they are operating in the most competitive market where cross-border opportunities are really opening up. Although the e-retail market has largely been able to self-regulate so far, there are many changes going through the European Commission (EC) at the moment that affect the way that websites operate and communicate with consumers. In this article we outline some of the key ones that retailers need to be aware of and what they mean for your business.

The amendments to the Consumer Rights Directive (CRD) were the most widely reported changes coming through over the last 12 months or so. This is due to the fact that, in draft versions of

the amended CRD, some of the new clauses proved contentious for many retailers. However, the two most contentious of these, the obligation to sell into all countries in the EU27 and the retailer liability for covering return costs of orders over €40, were actually removed in the final version.

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

Some of the most important changes to the CRD relate to the fact that refunds will be linked to returns going forward, which will help retailers to reduce their operating costs. The definition of what actually constitutes a notification of return by a consumer is yet to be settled and IMRG are involved in that conversation. The cooling-off period will also be extended from 7 to 14 days in this Directive, although it will not actually replace the distance-selling regulations in each country for another two years yet.

COOKIE REGS

The changes to the e-Privacy Directive (or 'Cookie regs' as they are more popularly known) will result in quite a shift in terms of how websites currently work. At present, consent for the use of cookies on a site is assumed unless the user expressly opts out, which can be done to a limited extent through some browser settings. From next year, websites will have to inform users about the types of cookies they are using.

How consent is gained by a website is still a subject for debate, as European governments will have to decide how best to incorporate the Directive into their existing legislative frameworks.

In the UK, the Information Commissioner's Office (ICO) put out a briefing note in May on possible methods for obtaining consent. Some of the alternative options included tick-boxes on pop-ups, seeking agreement through the terms and conditions section on initial access, and gaining consent through settings.

The ICO has stated that it will not penalise any businesses who do not comply with the regulations before 26 May 2012, in order to give sufficient time to satisfy the new requirements. In the meantime however, online businesses should look to perform a general audit on the use of cookies on their site, how they intend to inform consumers about them, what kind of cookies are used, how and why they are downloaded and the level of intrusion of each cookie.

DATA PROTECTION DIRECTIVE

The Data Protection Directive (DPD) is still under review but data protection is a major area of focus at the moment. It is particularly in the public's consciousness due to the huge popularity of social networking sites such as Facebook and the fact that personal data is stored and accessible in far more places than was previously possible.

The DPD is intended to bring about a comprehensive review of data privacy, strengthening existing arrangements and introducing new principles where appropriate. On an individual level, it covers topics such as transparency and clarification on the right to be forgotten. Breach notification rules are also under consideration, with any necessary thresholds to be identified as part of the review.

What actually constitutes a data breach is yet to be defined. For example, would a work colleague glancing at a screen displaying personal data as he walks past qualify as a data breach? There are also further questions around what actually constitutes personal data, with IP addresses being considered for inclusion.

DISPUTE RESOLUTION

With cross-border trade opening up, the EC are keen that a facility is in place to help settle any disputes that arise between consumers and retailers and to encourage people to feel comfortable shopping on websites in other European countries. Alternative Dispute Resolution (ADR) and Online Dispute Resolution (ODR) will form part of a forthcoming Directive framework.

The principle behind ADR is that all EU citizens should have access to a support mechanism in the event that a dispute cannot be settled between a consumer and the retailer they purchased a product from. In that event, rather than becoming embroiled in some costly form of legal action, the ADR will provide an independent body for deciding upon liability in relation to that specific situation.

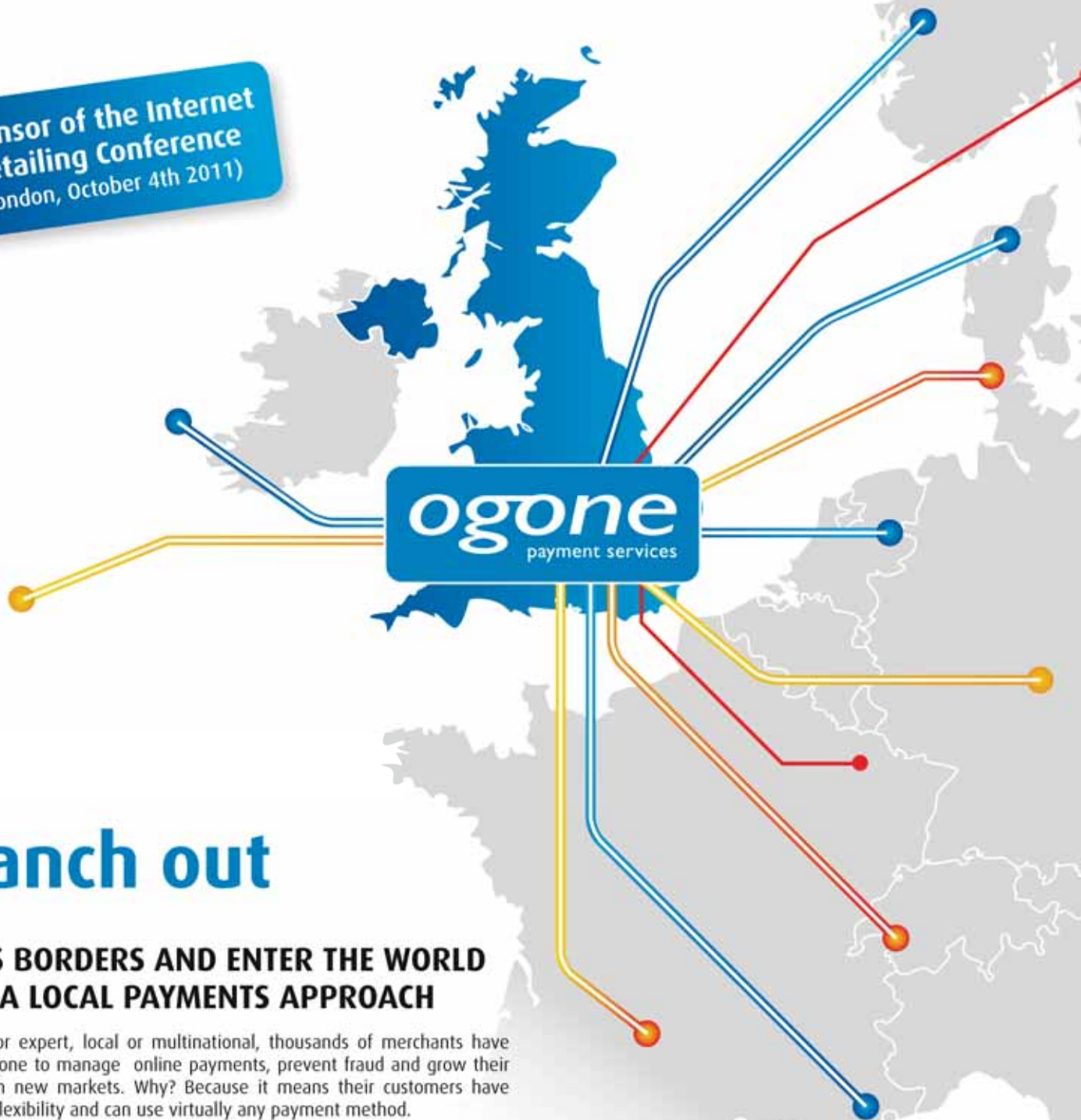
How this will work is that any dispute that cannot be settled without external arbitration will go into an EC hub, which will most likely then be forwarded to the operator of the trust mark scheme in that country. There may also be an independent panel established to deal with difficult cases, the members of which will be selected for their impartiality.

While this may result in a significant shift in the way that disputes are currently resolved in some countries, IMRG have actually offered this facility to shoppers as part of the Internet Shopping Is Safe (ISIS) trust mark scheme for years, so in the UK we already have solid experience of how this process works.

At present, there are a lot of regulatory and legislative changes coming through from the EC at the same time that will affect the online industry and how people use websites. This is a culmination rather than a new process though; indeed some of these directives have been under discussion for many years, but the challenges of harmonisation have prevented a simple implementation.

There will be more regulatory changes to follow too, as ecommerce continues to gain importance to the global economy. The problem facing the regulators is that the ecommerce industry is still young and developing, but also that there are so many elements that make up the online experience. Things like technological advancements can have a massive impact on how it operates. The sheer pace of change in this industry makes legislating for the future a daunting prospect. We will continue to engage with regulators to ensure that it has the best chance of success in support of the Single Digital Market. ■

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(London, October 4th 2011)



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A WORLD OF LOCAL PAYMENTS - JUST ONE CLICK AWAY



MOBILISING AFFILIATES

As the affiliate discipline matures, its reach into new devices and channels is challenging tried and tested approaches. Over the next six issues of Internet Retailing, series sponsor Affiliate Window, will shed light on the changing world of affiliates. Matt Swan, Client Strategist for Affiliate Window & buy.at, kicks off with a look at the mobile space.



MOBILE commerce is rapidly gathering pace. It is widely predicted that sales through mobile devices will outstrip that of PCs within the next few years. This increase is to be expected with sales of mobile devices accelerating beyond those of desktops. Just recently, John Lewis reported that sales of tablets had outstripped desktop sales for the first time.

Mobile strategies are becoming increasingly important and any advertiser that doesn't have a mobile presence could be missing out on a considerable amount of sales. Significant growth has been seen across a number of m-commerce channels with search and display leading the way. Research

from Efficient Frontier highlights that mobile search spend accounted for just 0.34% of total spend in June 2010. By March 2011 this had increased to 1.7% and mobile search is predicted to grow rapidly – potentially accounting for 4.3% by the end of the year.

Affiliate Window has been tracking the growth of mobile since December 2010. In this time there has been exponential growth with 4.5% of all sales now being delivered through mobile devices. Additionally, 3% of all traffic to our advertisers is coming through mobile. Conversion rates through mobile devices (including tablets) are above and beyond what we are seeing through the network as a whole.

OPTIMISED FOR MOBILE

It is becoming increasingly important for advertisers to have a fully optimised mobile site as well as (or instead of) an app. When visiting a site through a mobile device, users will automatically be diverted through to a mobile version of the site as long as this exists. If not, they will go through to a standard e-commerce site that will not be optimised for mobile. Standard e-commerce sites can often be fiddly on a mobile device and result in the consumer abandoning their journey. With a dedicated mobile site in place, conversions are likely to increase. We are currently seeing mobile devices converting at a

greater rate than PCs. Where advertisers currently have a dedicated mobile site in place, conversions have been even greater. A mobile optimised site is not necessarily required for tablets as they are more akin to laptops so a standard site could be functional – advertisers are able to set whether they would like the mobile site displayed as default or the standard e-commerce site through tablet devices.

From an affiliate perspective, it is essential affiliate tracking is in place. Advertisers that have a mobile site without tracking in place will not be promoted by affiliates on their mobile sites/apps as they could be missing out on a considerable amount of sales that would have been allocated to them. If a competitor is able to offer tracking through their mobile site, affiliates are likely to give them increased exposure due to increased conversions. This will become even more significant as traffic through mobile devices ramps up as we approach the crucial Christmas trading period.

There is no question that mobile is here to stay; the challenge we all face is understanding how consumers are interacting differently to how they do with traditional desktops. Appreciating this is the first step in cutting through the burgeoning number of mobile opportunities. ■

SEGMENTING BY COUNTRY



REPORTS THAT ASOS' international business has grown by 142%, along with the expansion of John Lewis and House of Fraser into international online markets and Marks & Spencer's re-emergence into countries it once retreated from are showing how retailers with an

As the flurry of retailers launching country-specific sites increases Emma Herrod investigates the differences in cross-border marketing and country launches.

international footprint are able to weather the decline in the British high street better than their domestic market peers.

As Antony Gold, Partner and Head of Retail at international law firm Eversheds, comments: "Recent favourable financial results from retailers who are building an international business serve to underline a rapidly accelerating trend for retailers in almost every sub-sector, but particularly fashion, to look to expansion in non-UK markets as a way of mitigating risk, spreading cost and increasing market share. Even relatively small retailers are finding that the barriers to expansion are not as high as they might have assumed. The internet enables a soft start to possible bricks and mortar expansion."

CROSS-BORDER

For many retailers, the first step in an international expansion strategy is to open up their UK site to international customers. This enables a gauge to be taken of the interest for different products, increases reach to more potential customers and gives a focus for raising brand awareness in key markets.

However, retailers should replicate their UK site in the specific countries from which they want to attract customers since "having an individual domain hosted in each country is basic compliance in terms of SEO," comments Amanda Davie, Managing Director of Reform. For example, Google.de would give higher preference to the UKretailer.de site which is hosted in Germany than to UKretailer.com/de, she warns. "Paid search can then be used to start to drive immediate sales to the site".

Once shoppers have found the site they also have to be able to find the products quickly. For

TEN FACTS ABOUT LOCAL INTERNET BEHAVIOURS

1. While 92% of all searches in the UK were conducted via Google in June 2011, in South Korea Google counts for less than 2% of the market – home-grown Naver commands 70% of all searches in that market.
2. In India 96% of mobile web users are male, and 91% of those are under 27 years of age.
3. India is now the second largest consumer of mobile internet after the US – but it's still a long way away from first place. India accounted for 5.9% of the 14 million web pages viewed via mobile in February 2011, while the US accounted for more than half.
4. Japanese social networkers do not care much for promoting themselves, but prefer to lead a different life on the web. Of the users of social network Mixi, which has an 80% market share in Japan, over 90% use an avatar to portray a fictional version of themselves.
5. An amazing 88% of online users in China and 50% of those in Kenya, Brazil and Tanzania have written their own blog or forum entry, compared to only 32% in the US.
6. The heaviest users of social networking globally are in Malaysia (9 hours per week), Russia (8.1 hours per week) and Turkey (7.7 hours per week). Kenya (6.5 hours per week) stands closely behind the heaviest users while Uganda (1.5 hours per week) and Tanzania (1.6 hours per week) are currently amongst the lowest.
7. APAC countries are the most prolific online shoppers, with more than 90% of the populations of New Zealand, Australia, Taiwan, Japan and Korea having purchased something online.
8. At over 400m, the number of email users in China is already greater than in the US and that level will rise since penetration is only at 28%.
9. Design is a major consideration as the Chinese audience prefers different styles, including brighter, flashier content over the minimalist look found in the US and European markets, especially around the holidays.
10. Know the landscape of ISPs in China as some may block your email if it's written in English.

Source: Reform and Return Path

some this can prove challenging as they will not be searching in their mother tongue. As Mathias Duda, Head of UK Operations at FACT-Finder, comments: "Already, our own research among the 1,000-plus European retailers we work with has shown that 30-40% of search queries are spelled differently to the product listings. In one week, for example, we found over 80 different misspellings of the word Birkenstock – for a retailer selling shoes, this is powerful information.

"At present, too many online stores do not have search functions that can cope with even the most common product misspellings such as "fischer-price" instead of "fisher-price", or "chocolat" instead of "chocolate". The lack of any "longtail" functionality, where provided a misspelling is similar enough to the entries in the database the search will still return the correct product, could already be resulting in billions of pounds in lost revenue a year for online retailers. And this is only set to rise as cross-border trading increases."

LOCALISE

Once the decision has been made to launch country-specific sites the key element that is repeated by everyone I speak to is "Localisation" and this runs right across the business from product offering, to site design to marketing channels, logistics and customer preferences.

The UK team will already have product expertise and an in-depth understanding of the market in the UK and this can be combined with statistics on the international marketplace and knowledge of visitor behaviour to the UK site. As Hash Ladha, Group Multi-channel Director at Aurora Fashions, points out though it's difficult to read anything into that since shopper behaviour will be different on a UK site offering overseas fulfilment and a site localised to the shoppers' language and culture.

"Localisation is the key element for a UK company going to an international market," says Richard Moore, Head of International Sales, of mobile phone accessories retailer Mobile Fun.

This is why Aurora, which is launching a Germany-specific site in mid-October, has hired a team with local expertise to market and localise the site so that "it feels like a German site". The small team will take the lead from the UK team, explains Ladha, adding that "they will speak to customers in their own language."

In the early years, Aurora's country-specific teams will be located in London so that there is no disconnect from "the heart of the business".

For Mobile Fun - which is in the process of launching sites in Spain and in the Netherlands



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- having a local manager in place is a very crucial part of a site launch. Mobile Fun's French and German sites already account for over 20% of the company's orders and this will rise since additional international territories are being explored.

"We could just translate the UK site on Google translate, for example, but that's not a true reflection of how a country-specific site should be," comments Moore.

While Mobile Fun replicates the UK site to a certain degree in terms of product offering, the proposition is localised to each country with localised payment methods and language aided by the local managers' understanding of the local market and use of language.

TESTING AND OPTIMISATION

Liam Butler, Global Head of Ecommerce and Online Marketing at The Conran Shop agrees that localisation is a key element of international trading. He explains that while its three sites are managed from a single centralised point, with one product catalogue serving multiple sites, in multiple languages, it is necessary to rewrite to match local customs or cultures.

"Human input here is crucial as it brings key knowledge of local markets," he says. The Conran Shop has local teams in each country adapting the websites through its content management system to reflect the unique requirements of each market.

"Probably the most important aspect of rolling out multi-country ecommerce presence is the ability to test and optimise pages for each market. When we launched The Conran Shop's core UK site, the web content management system provided us with the opportunity to split test different pages and straighten out any bugs before embarking on the international rollout that was completed a few months later. Using a web content management system that allows you to use analytics to optimise and adapt web pages to reflect local demand in real-time can make a big difference."

It's these differences, understanding of them and acting upon them that can result in small or major uplifts in conversions or abandoned baskets. "Retailers need to test since behaviour is difficult to predict, and then optimise," says Nick Sharp, VP and General Manager, of analytics company Webtrends, which works with Asos.

David Williams, Head of Customer Intelligence, at Asos is one of Webtrends' customers. He comments: "Asos' success is born from our ability to continually engage our customers through

product, service and technology... As we grow internationally it becomes crucial to have relevant and easily accessible KPIs at our teams' fingertips, enabling them to make the right decisions on marketing campaigns, website enhancements and of course content."

Sharp gives the example of another Webtrends customer, a mobile phone retailer, which discovered that while shoppers in the UK are open to deals and hard USPs being pushed in marketing messages, this approach didn't work in Holland. Meanwhile, shoppers on a holiday site in France converted better when hotel ratings were shown predominantly whereas German shoppers preferred to see the price.

In some countries, customers will prefer messaging such as "buy now", whereas "proceed" may work better in others. Search messaging has to be handled in the same localised manner as shoppers in one market may have an aversion to capital letters in the messaging, for example.

The sophistication of the market's search behaviour also has to be taken into account as does their preferred choice of search engine, explains Amanda Davie of Reform. Search engines differ algorithmically and therefore SEO and compliance issues are different in each area. What works on Baidu in China won't be the same on Naver in South Korea or Google in Europe or the US.

"The technical skills for search are transferable but retailers need to use local marketers who really understand what works and what doesn't in any given market," she advises.

Local experts will know which assets to invest in; for example Asian search engines are more rich media heavy as opposed to the bias on text-based messaging in Western search results. "Mobile is the first screen for transactions though," warns Davie, so retailers need to invest in a robust mobile strategy as well as ecommerce for the Asian markets.

When it comes to other areas of marketing in Asia, Davie says that social media is more advanced since it has been used for a longer time in Asia Pacific and brands can be bolder than they would be in the UK.

As I run out of space on the page to go further into the intricacies of market differences – each of which would make War & Peace seem lightweight – the key points from the industry all lean towards the fact that no amount of research or preparation will beat local knowledge. And, even that, has to be tested with consumers in each market. ■



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(*Source: "Nothing but Net 2011 Internet Investment Guide", JPMorgan 2011)

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HOW MERCHANTS CAN GAIN A PASSPORT TO SUCCESS IN INTERNATIONAL E-COMMERCE MARKETS

Almost one in every ten pounds spent in the UK is now spent online, according to figures released by the Office for National Statistics for March 2011¹. More and more, consumers are choosing to make purchases online, and by 2015 the number of online buyers across Europe is predicted to grow from 157 million to 205 million².

This growth is driven in part by an increase in customer confidence in the security of online shopping, particularly with the emergence of fraud prevention tools such as Verify by Visa and MasterCard SecureCode®. In today's price sensitive market, consumers want to be assured of getting the best value and price underpinned by the convenience of shopping at any time, from anywhere.

These changes open a world of opportunity for online merchants to take their e-commerce strategies to the next level. Recent research conducted on behalf of Chase Paymentech reveals that 62% of companies have international expansion plans for the next one to two years – some planning to expand into additional countries (50%) and some to trade internationally for the first time (12%)³.

The same survey also noted a direct correlation between the overall proportion of a merchants' online sales and their 'perceived' challenges to trading internationally. For example, taxation issues are more of a concern for companies with customer-not-present (CNP) sales above 25%, while handling foreign cards is more of a concern for those with CNP sales of 26-50% of their total sales volume. Other concerns noted included exchange rates, handling multiple currencies and accepting foreign credit cards. Regardless of the challenges, perceived or otherwise, working with a payments partner with strong global credentials can help address them all.

Understandably, merchants also have real concerns about fraud and how they can best safeguard the e-commerce activity of their customers and their own businesses. A perception exists that international expansion leads to an increase in the threat of payment fraud or data breaches. Yet even companies that have suffered from fraudulent CNP activity recognise the opportunities of developing an international online shopping capability, with 70% of such companies continuing with their international expansion plans.

The consumer shopping experience is another important consideration for international expansion. In Spain for example, consumers like to browse online before shopping in-store with a high value placed by customers on touching and feeling the product before purchasing. Similarly, Italians are wary of giving card details due to a fear of the card being compromised, thus a merchant with an eye to expansion in Italy will need to allay these concerns². Simply put, what works well in the UK may need to be re-designed to work well in other markets.

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1 UK's Office for National Statistics, Retail Sales Index (RSI), March 2011

2 Forrester: European Online Retail Forecast, 2010 To 2015

3 Dynamic Markets: CNP Payments at Risk, April 2011



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PAYMENTS, FRAUD AND OPENING UP

NEW TERRITORIES

Cross-border and multi-country trading open up retailers to new fraud threats while requiring different payment methods to be accepted. Internet Retailing asked Kami Boyer, Head of Global Marketing, Retail Decisions, to explain further.

THE POTENTIAL rewards for online retailers considering expanding into new territories are huge. J.P. Morgan anticipates that global ecommerce revenue will hit a whopping US\$963bn by 2013, and major retail players are feverishly expanding their online presence. There are, however, a number of important considerations when assessing the case for expansion in new markets overseas, most notably, how to combat the growing threat of online payment fraud and satisfy country-specific payments preferences which vary across the globe.

These are the two key issues for e-retailers when inviting foreign customers over the threshold, and in this article I provide advice on how businesses

can mitigate the risks of international expansion, while taking advantage of the huge opportunities for market growth.

CROSS-BORDER CRIME

Recent years have seen an explosion of payment fraud across international borders as retailers expand into new territories. Retail Decision (ReD) can report that some e-retailers are seeing an attempted payment fraud rate up to 10 times higher on foreign cards. Online retailers need to be mindful that retail thieves target different goods in each country based on demand, how quickly they can re-sell the item and how much it can fetch. Scam trends also travel fast, so a fraud



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Designed to **reduce the burden of PCI DSS compliance** for merchants without having to sacrifice the control of the payment page, Vanguard incorporates the very best aspects of Commidea's established ecommerce solutions to provide a secure, flexible and feature rich transaction process.

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Personalisation: Merchant has full control over the payment page as there is no template or redirection to a third party webpage, which in turn reduces the risk of cart abandonment.

Integration: Vanguard integrates seamlessly into merchants' systems using XML formatted messaging and can use third party analytics tools without any additional development by Commidea.

To discuss how Commidea and the Vanguard payment solution can add value and security to your website checkout, please visit our stand at the Ecommerce Expo at London Olympia on 11/12th October or alternatively please contact us on **08444 828200** or marketing@commidea.com.



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- Offering multi-channel payment solutions
- Part of the Point Group, together processing 10 million transactions daily for over 250,000 merchants
- Present in 11 countries

prevention system that only looks for patterns detected in one geographic location will miss crucial methods of attack being used in other parts of the globe.

Just as trends vary from country to country, so do the annual fraud levels that ReD constantly monitors. ReD's estimates show that online payment fraud in the UK was down 10% to £239m in 2010, compared with 2009. In stark contrast, the US experienced a 157% rise from 2009 in attempted payment fraud, with the figure soaring to US\$5.8bn in 2010.

Ecommerce businesses that only focus on fraud in their own sector will not immediately spot a new ploy that criminals have used in another industry. The narrower the retailer's perspective of fraud, the harder it becomes to keep pace with rapidly changing fraud techniques.

Many companies are reluctant to expand their business overseas because of concerns about fraud. But with the right protective shield, one that is both multi-dimensional and has a broad global perspective, e-retailers can get the reassurance they need to throw their business net wider – and so maximise their potential.

LOCALISED PAYMENTS ARE KEY

The second key consideration for online retailers expanding overseas is the vastly different payment preferences which exist from country-to-country all over the world. A knowledge of consumer payment preferences in international markets is essential to successful globalisation. Today companies are more likely to consider a variety of global payment options given that international fraud prevention tactics have improved and fraud rates have declined. ReD estimates that while merchants reject international orders five times as often as domestic orders, international fraud rates can be well above the 1% threshold before effective fraud measures are put in place.

In few other areas does consumer behaviour vary as greatly as it does in online payments. In the US and UK the trend is the growing use of debit cards, rather than credit cards, to avoid extra fees at the check-out. In the Far East many people use eWallets or Cash-on-Delivery (COD) to pay for items ordered online. For example, two-

thirds of mainland Chinese online consumers pay for online purchases using Alipay, the leading alternative payment system in the country. Additionally, the penetration rate for COD in China is the highest in Asia Pacific, with some 40% of online buyers using this payment method.

The emergence of alternative payment options has attracted new online shoppers, who previously had a variety of concerns about ecommerce or no access to credit cards. This in turn has created a new opportunity for online merchants who need to tailor their payment options to different local markets in order to overcome what has traditionally been a hurdle to new entrants capturing local market share.

This popularity of alternative payment methods is growing across the world as consumers look for a wider choice of options online. While credit cards continue to be the top online payment choice, consumers are increasingly demanding multiple payment options. Fraud-conscious consumers, in particular, are increasingly reluctant to provide credit card details and alternative payment options such as Amazon Payments, Google Checkout, Green Dot, Mazooma, Moneybookers and Ukash are seen as more secure.

Finally, just as localised payments is key to achieve market penetration, so is international language support. More than half of all web pages use multi-byte/double byte and it is the main character encoding used internationally online. Enabling multi-byte/double byte internet communication is a hugely important tool in global ecommerce, particularly for businesses looking to trade in regions using Oriental languages. Whereas most non-Asian and Western European languages require less than two bytes per character, Oriental languages usually require three bytes.

As domestic markets mature, an increasing number of online retailers are eyeing international markets to diversify their revenues. All too often, they take a blanket approach to international markets. Here, we have outlined the case for a robust fraud prevention strategy combined with localised payments – two key considerations for any online retailer considering expanding into new territories. ■



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THE 10PS OF INTERNATIONAL ECOMMERCE

Following on from his 10Ps of ecommerce for UK e-retail businesses, eCommera Co-founder and Director Michael Ross shares his 10Ps of international ecommerce.

INTERNATIONAL retail is not new. However, both physical and online retailers have struggled with the challenge of how to transpose their businesses across countries. For retailers who can crack the secret to successful international growth (Zara, Asos, Amazon etc) the reward is to become a dominant global player.

In theory, success should be relatively easy. Unlike physical retail there is no catchment constraint. The internet allows every site to be accessed from anywhere in the world.

The challenges and reasons for failure are complex:

- Economics - easy to get wrong – to expect that a domestic model will easily map to a new market;
- Market - consumers have different expectations in each;
- Execution - the sheer operational complexity of international expansion can become a minefield of time and cost;
- Lawyers - the bullet proof approach is often eye-wateringly expensive.

Here is a checklist every online retailer considering international expansion should take note of.

1. Proposition

The consumer proposition is the mix of product, price, availability, content, service and customer experience. Successful online retailers can all point to one or more distinctive elements of their proposition.

International: Adapt your proposition to each new market, based on what matters to consumers there. Understand local competition and consumers' expectations around price, service and experience.

A proposition that makes sense in a domestic market may not travel well. In some markets, delivery is critical, others are driven purely by price which can be difficult to execute and maintain on a global scale, especially when competing with the buying power of Amazon and Walmart.



2. Plan

Plans must be based on understanding customer acquisition and retention – the fundamental drivers of growth. Retailers need to set realistic online goals to avoid over investment by separately modelling customers, categories and channels.

International: Plan growth and investment overseas by modelling relevant local market data, rather than assuming similarities to domestic data.

Successful domestic multichannel retailers are used to getting a base level of sales 'for free', driven by channel shifting, incremental sales to loyal customers and sales to customers who aren't near a store. Often, these players enter international markets with little brand awareness and need to think more like a start-up.

3. Place

The 'place' – the online shop fit – is the customer-facing website. It is the combination of functionality (what it does) and usability (its ease of use).

International: Websites should reflect subtle local differences.

The challenge is to get the right balance of simplicity versus optimisation. A single global template is cheaper and ensures a consistent look and feel. However, there are many local and cultural differences that need to be considered as trade-offs.



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James Scott, Managing Director of ChannelAdvisor

“ For Mcommerce, with 70% of attendees being either an e-tailer or a multi-channel retailer, the audience was perfect. Likewise was the NEC location, which we prefer over London venues as it means easier parking, hotels and access. The show was both cost-effective and well-attended, meaning we received a significantly greater number and quality of leads than we expected. ”

Robert Masson, Managing Director of Mcommerce

For any queries, please contact: Email: info@internetretailing.net, Tel: 01733 584 5763

Website: www.internetretailingexpo.com

4. Platform

The platform is the ecosystem of technology found in all mature ecommerce sites. This technology includes the webstore, web analytics, order management, image management, fraud, payment and product data management.

International: Decide on a platform strategy - worry about the detail.

'Post traumatic platform selection stress' is a common ailment for retailers, who think they have bought a 'fully international' web platform, only to find that they haven't. Unfortunately, the devil is in the detail of the detail. Understanding what combinations of currency, language and content are manageable is hugely complex.

It is also important to ensure that the technology will support the organisational evolution from a centralised to localised operation.

5. People

Getting the right people and organisational structure is more difficult than it sounds. There is a dearth of talent and good people are expensive, particularly in immature ecommerce markets. You also need to balance which functions are managed in-house, which to outsource, and how that will change over time.

International: Carefully balance the need for local insight while avoiding unnecessary duplication of effort.

Decide what activities should be done 'once' globally, and what needs to be done locally 'by market'. It is critical to avoid duplication that wastes time and money.

Secondly, decide whether to physically locate people in each market, or manage everything from a central base. The right answer is to listen, plan and be flexible as the business evolves.

6. Promotion

Promotion is how to acquire and retain customers. Customer acquisition is achieved by building brand awareness and capturing transactions through the wide range of online channels. These include paid search, affiliates, social media and retargeting.

International: Get local insight. Be creative about building brand awareness using local events and PR.

Traditional domestic focus on 'closing' channels such as paid search, affiliates and shopping engines will not build sufficient brand awareness in a new country. Although capturing latent demand is important, and the joy of Google is that local insight is free, the trick is to get the balance right. Keyword-driven marketing campaigns alone will not be sufficient.

Being aware of local events, culture and language is also critical to maximising the opportunity.

7. Planogram

The planogram is the discipline of managing site navigation to unite customers with SKU, through the site's taxonomy, facets, sort orders and product recommendations.

International: Develop a set of global rules, and then localise where necessary. The international challenge is again one of balancing global simplicity with local optimisation. The extent of global variations affecting customers, such as the seasons, the weather, and the optimal timing of sales requires a localised planogram. One size will not fit all.

8. Promise

Taking an order online necessitates making a 'promise' to customers on when they should expect to receive their goods. Delivering on that promise requires managing fraud screening, payment, picking, packing, shipping and customer service.

International: Fulfilling customer promises in different countries requires considered trade-offs.

Delivering on promise internationally is even more difficult because the issues involved are magnified - fraud needs to be managed at a global level, mechanisms for optimal delivery have to be agreed and getting the right customer service model (in terms in languages, time zones, channels) in place is never going to be easy.

9. Processes

While the processes of retail are well recognised, the core processes of ecommerce are still evolving and few online retailers have either codified or embedded them in their organisation.

International: New processes are needed to make global ecommerce work.

Going international necessitates an even higher degree of process rigour to make it successful. Online retailers need to consider and implement new processes from translation to local fraud to make their global business work.

10. Performance

Ecommerce is data-rich but often information-poor. It is paramount to track profit-centric outcomes, with a wide range of input measures that drive action.

International: The performance of each market should be assessed separately.

The dynamics of international markets are so different that setting the right benchmarks and evaluating success is difficult.

There is no question that ecommerce is entering a period of globalisation. There are huge opportunities and challenges to overcome. There will be big winners, but also big losers who either don't internationalise or do it poorly. Domestic success will be no guarantor of international triumph. The ecommerce rollercoaster continues. ■



DELIVERING ACROSS BORDERS

Slow or costly overseas shipments and problems with returns can lose customers and eradicate margin. So how can British retailers make international delivery work? Regular contributor Alison Clements reports.

TODAY BODEN delivers to 57 countries, M&S to 81 and New Look to over 120. As online players broaden their horizons, international home delivery strategies are becoming business-critical, with retailers working alongside postal services and dedicated carriers to hone down costs, speed up transit and fine-tune customer service. Unfortunately there's no failsafe model for getting all this right, and so we're seeing a proliferation of different approaches, that will evolve over time.

"There's increasing pressure to meet international demand competently, and improve the customer care elements of overseas delivery and returns," says Patrick Wall, CEO of ecommerce fulfilment specialist MetaPack. "Because many countries don't have such well-developed ecommerce industries, they are looking to buy certain things - particularly fashion and sports brands - from UK and US operators." He says that in Australia 40% of ecommerce sales are from

overseas websites, for example. "Regarding what to charge customers - it comes down to the retailers making a commercial decision about what they want to offer, and what impact that will have on potential sales growth and margin. Increasingly there needs to be choice for the overseas customer, with affordable premium delivery options something international players must try and offer."

Snow Valley's 2010 International Retail Delivery Report lamented a "missed opportunity" by the massive 42% of internet retailers surveyed who weren't offering international delivery options. But Sarah Clelland, Marketing Manager at Snow Valley says the 2011 report will reveal a big drop in that percentage, as so many companies have since embraced international ecommerce. "The fashion players and the department stores have really bitten the bullet in the last year. However smaller players may still be deterred by the costs of managing complex delivery routes, and dealing with customs issues and returns," says Clelland. "The big players are mastering it by putting proper manpower into setting up and managing all the customer care elements that go with overseas shipping."

Wall suggests online retailers must think about the three different levels of international logistics: Shipping to the EU (where there is no duty to be paid making things simple); countries where the duty threshold is set high (eg US, Canada, Australia, NZ so the duty issue can be quite easily handled), and countries where the duty threshold is set low (e.g. Brazil, where duty becomes a problem because of cost and administration).

"It's very easy to sell from the UK to both EU countries and the countries with a high duty threshold because the carriers are well set up for this now," says Wall. "You can do everything at the packing bench - it's all automated, and only one label needed."

Conversely retailers must be very careful not to start selling to countries that fall into the third camp, unless they have the right systems in place to provide the relevant documentation with any purchase, says Wall. "The danger is that the customer has to pay duty when the item arrives, making it cost double what was advertised. They're likely to send it back anyway, and then you have the returns issue to deal with."

Many retailers opt to ship orders first class from the UK, choosing to let customers cover that cost. But online shoppers the world over want value for money, and we are seeing some retailers extending their 'free delivery' marketing strategies internationally as volumes swell. One option is to use the equivalent of the UK VAT (20%) that isn't

charged on goods going out of the country, to cover the cost of overseas delivery. Others make free delivery economical by stipulating a minimum order value. Ted Baker boasts free UK delivery if over £130 is spent, which translates to free delivery in the US, for a spend over US\$200. Cycling and sports equipment retailer Wiggle.co.uk has used the order value threshold model, but is now investigating free overseas delivery regardless of order value.

"We offered free delivery to 20 European countries during July while the Tour de France was on, to tie in with our European TV advertising campaign," says Wiggle Head of Ecommerce Steve Mills. "Even if a customer in France or Germany bought only an inner tube we'd ship it for free, and that's proved so popular that we've extended the

WIGGLE.CO.UK – STRAIGHTENING OUT INTERNATIONAL DELIVERY

Fast-expanding Wiggle delivered to just 12 countries five years ago, but now dispatches orders to 80 nations. For the final leg of deliveries Wiggle uses a range of services from local postal networks, Parcelforce and also DHL Express depending on the size/weight of consignment. The company now generates half its sales internationally, and is on a mission to offer overseas users the same customer service levels as UK customers. For this reason Wiggle is working on a premium, fully tracked international delivery service. This will be launched shortly, using different carriers depending on the countries in question.

"We're looking into extending free international delivery to include orders of any value, and are also improving returns so that overseas customers don't have to pay for returning goods all the way back to the UK," says Steve Mills, Head of Ecommerce at Wiggle. "In May this year we launched a local returns service in Madrid that means Spanish customers need only get goods to that point, rather than have to pay postage back to the UK. We have similar plans for other countries, and believe customers will greatly appreciate that cost saving. We're conscious that you must be competitive in these new markets but it's not only about price, we are always striving to offer even better customer service."

Wiggle plans to continue shipping product from its Portsmouth depot for the foreseeable future, rather than set up international dispatch hubs. With facilities abroad, you might only knock off a day or two from the delivery time, says Mills. "As we are dispatching in-stock products the same day a customer orders, we are still often delivering quicker than many local retailers."



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service for another month. The volumes seem to be coming through to make this work, so we're waiting to see whether that could be a permanent service to offer, or just something we do sporadically."

CARRIER OPTIONS

Delivery options available from the big carriers continue to proliferate. DHL Express offers Same Day, Time Definite and Day Definite services to international markets, and expects to see these grow in popularity for ecommerce customers. The Royal Mail Group, through its Parcelforce Worldwide and Royal Mail brands, has multiple options for ecommerce customers. Parcelforce offers express and deferred courier services via its 'Global' range whereas Royal Mail has Aisure as its fastest, trackable option, available to 30 destinations worldwide. It now also offers an enhanced International Signed For service where end-to-end tracking is available to 17 countries. "Delivery costs have to be relative to the cost of the goods," says David Breeze, Head of International Marketing for Royal Mail. "Paying £30 postage would be difficult to justify for a £90 pair of jeans in normal circumstances."

Getting returns right is imperative too, with many courier companies, including Parcelforce, offering a managed returns service to cope with the growing requirement in this channel for enhanced control. Royal Mail has also just launched a special reply-paid, non-tracked international returns service into 24 European countries, so that customers can print a label off the relevant website, and make use of the local post office to send goods back with ease for free.

Wall at MetaPack says there are new hybrid 'express tracked mail' services coming onto the market that bridge the customer service gap between untracked postal shipments, and more costly, but tracked specialist B2B carrier services. For instance, for USA traffic, Asos is using Worldnet to directly manage line haul and customs clearance, and Newgistics to directly inject into the United States Postal Service. This joined-up supply chain differs from the traditional 'tied' supply route. "It's been possible to link up the necessary elements of the cross-border supply chain to bring a more efficient, cost effective means of delivering internationally," Wall says. "It's almost as fast as the 'express' option but with visibility and lower cost." These services will really take off, MetaPack believes, as they offer online retailers the best of all worlds.

Amazon operates overseas fulfilment centres in Japan, Germany, France and China, but very few other players are extending their physical infrastructure in this way. Asos is launching



international websites in Italy, Spain, Australia and China in the coming months - adding to localised sites for the US, France and Germany - but seems happy to offer free worldwide delivery out of its Barnsley warehouse for the foreseeable future, using operational cost savings to make its pricing model work.

There may be some companies that want to enter countries with the low duty threshold, and opt to export product in bulk and manage deliveries internally in the country - cutting out the duty complication. But logistics experts think returns facilities are more likely to crop up overseas than full-blown fulfilment centres. "Sorting out returns is a major issue and cost savings can be made by having everything sent to a central location and bulk-shipped back to the UK, or recycled within the country," says Clelland.

International stores can help here, if multichannel systems are in place to handle in-store returns. With this in mind, it will be interesting to see whether the international 'bricks and clicks' strategies of players such as Marks & Spencer and Sports Direct will provide more cost and time effective models for home delivery in international markets. ■

Insight from around

EMMANUEL HEMBERT, PRINCIPAL, A.T. KEARNEY



It appears that Brazil now holds the power. Here at A.T. Kearney, we recently released our 2011 Global Retail Development Index (GRDI) of the top emerging countries for global retail expansion in which Brazil jumped to first place from 5th in last year's study. Our 2011 GRDI ranking mirrors the dramatic changes that have taken place in global markets, and the impacts those changes have had on different emerging economies. Brazil has fared well during the recession posting an impressive 7.5% growth in 2010. The GDP per capita has increased by 30% over the past 8 years.

Brazil is a particularly attractive target expansion market given expected GDP growth of 5% per year over the next five years, a large and highly urban population, and surging retail sales. The coming organisation of the 2014 Football World Cup and 2016 Olympic Games is further boosting the economy. In addition to the substantial investment in infrastructure the Brazilian government is planning, inflows of foreign capital are rising dramatically as well.

Among the top global food retailers, Wal-Mart and Carrefour have been developing a strong presence in Brazil for years. Carrefour is in a hot battle with its French rival Casino for the control of the largest Brazilian retail group Pao de Açúcar. It illustrates the increasing strategic importance of this market in the retail world. For us, it is a concern that major UK retailers have not jumped at the opportunity. Tesco, M&S and Sainsbury's are present or planning developments in Eastern Europe and Asia, which are emerging markets, but have not shown plans to open stores in South America.

ISABELLE SALLARD, EDITOR, INTERNET RETAILING.FR



During the past three years, Gregory Bressolles, Marketing Professor at the Bordeaux Management School (BEM), has been ranking the best wine ecommerce websites in France and around the world. He has also been producing a study on the evolution of the market and strategy of the main players

In the third edition, Wine.com reconfirms the

international lead already held in 2007 and 2009 just ahead of Laithwaites.co.uk, which appeared on the second step of the podium and gaining 5 places.

This year's surprises come from the presence of the Chinese site Boboqiu.com in third position while the first French website in this list is Vinatis.com, losing three places compared to 2009, occupying the sixth place.

In the French ranking, the two leaders keep their 2009 rank: Vinatis.com dominates its competitors and remains in 1st place ahead of Nicolas.com, which is still in 2nd place. As for the challenger, Chateauonline.com, it climbs one place, occupying the third step of the podium.

The study also reveals that the market for wine commerce on the internet has not yet made its revolution. "With an annual growth of over 30%, this very specific market does not seem to have suffered the crisis, said Gregory Bressolles. And, between pure player and traditional retailers, no model has actually managed to win in this market estimated to be around €410m in France in 2011."

The study also highlights three important points: an important turnover of businesses, a marginal part of online sales in front supermarket and a market organisation that is not mature at all. All these indicators confirm that the market for wine e-retailing has not made its revolution yet, while ecommerce is already well established and continues to grow in other sectors. Failing to be the main selling channel for wine, the internet can, on the other hand, be very useful in terms of direct marketing.

However, the study e-Performance Barometer shows that the French sites selling wine online are not investing enough in technologies and have an insufficient use of social networks. On the contrary, US, UK, Italian and Australian sites are particularly active in these virtual networks marking a greater integration of social networks in their strategy.

MICHAEL MATZER, EDITOR, INTERNET RETAILING.DE



During May and June I attended a number of ecommerce conferences in Germany held by national and international companies. They illustrate a number of currently discussed topics among German online shop

and the world

operators who want to differentiate themselves in the market.

At the Cosmoshop eXperience Day in Munich new online payment technologies were presented by BillSafe and Moneybookers. Also attempting to change the payments arena in Germany is Sofortüberweisung.de, which has started to compete with market-leading PayPal. The e-payment provider has begun to offer additional services to attract more online customers.

In Germany, mobile commerce is enjoying just as explosive growth as in the UK. That's why Shopgate, a provider of m-commerce apps for rent, is growing rapidly. Shopgate presented a baffling (to a German audience) new function for multichannel ecommerce - "Scan & Buy". The service uses self-made product photos and QR codes to guide smartphone users to the respective web shop where they can purchase the photographed or scanned article.

Cosmoshop, a German shop system vendor, is now providing consulting services and enabling clients to have their web presence tested for SEO, usability, design, and performance. This trend towards better usability and performance is underlined by the emergence of a specialised German online service, UI-check.com.

As was to be expected from Adobe Systems, the focus of presentations at its Adobe Customer Experience Management Tour lay on design, presentation, usability, and marketing. In a nutshell, the message was: "Make the customer's visit a memorable experience." Easier said than done.

In the social (read: Facebook) interaction between companies and their customers not everything the users do is accepted by the companies. Some simply turn off the public forum, which is not really evidence for a sovereign attitude towards the customer, but for a rather timid attitude. Social networks therefore should be used prudently. This, however, requires expert advice.

The same applies to mobile interfaces. It simply does not work if you transfer a Web UI to a smartphone device.

Consulting services and customer experience management help shops to differentiate themselves from the competition. This message has been clearly understood by the German ecommerce community.

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



Third party payments is a very hot area among the Chinese ecommerce landscape at the moment. By linking online shoppers and stores through online payment solutions, third party payment companies play a critical role. They mainly make money in two ways: from payment commission from online stores (often 1-3% based on transaction value) and secondly from interest on idle cash from online shoppers' accounts.

The Chinese third party payment field is much consolidated with the top five companies having about 90%+ market share. Alipay, Tenpay and Chinapay, with 50%, 21% and 8% market share respectively, are the top three.

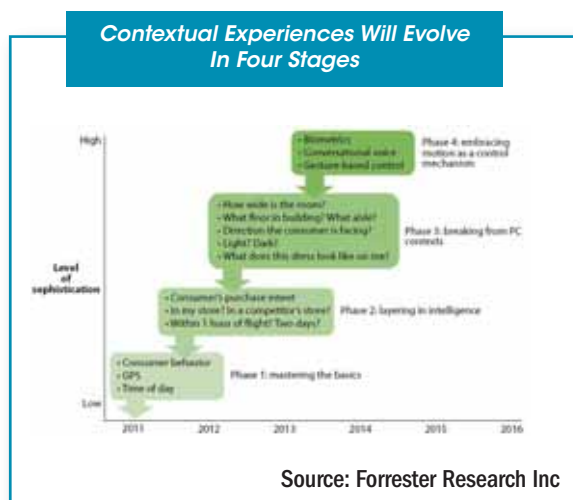
Founded in 2004, Alipay belongs to China's biggest ecommerce conglomerate Alibaba, which brings massive website traffic to Alipay. Users of Alibaba's C2C arm (Taobao.com) and B2B arm (alibaba.com) are required to use Alipay as the default payment solution. Tenpay is owned by Tencent, which owns the most popular instant messenger software QQ in China. Users not only can make transactions through Tenpay, but also can use it to charge their mobile phone, online game account or buy air tickets. Chinapay was launched by China UnionPay, China's government-backed inter-bank transfer network and credit card standard issuer. Because almost everyone in China has a China UnionPay bank card, Chinapay has this huge advantage in the third party payment market.

Over the past four years, Alipay has kept a steady market share of around 50%, maintaining a dominant position in China's third party payment market. Going forward, the picture will probably change. Large B2C ecommerce companies are ending their cooperation with Alipay, in fear of information leakage, due to the fact that Alipay's parent company, Alibaba, has its own large ecommerce operations which compete directly with their B2C sites. 360buy, the biggest consumer electronics site in China, was the first to stop working with Alipay and they were followed quickly by a few others. The trend will probably continue throughout 2011. ■

THE FUTURE OF MOBILE IS USER CONTEXT

New mobile technologies are quickly changing what is possible in user context. Julie Ask, Vice President, Principal Analyst at Forrester Research, examines how the market is changing.

IN THE NEAR future your mobile phone will know more about you than even your closest friends and relatives. Why? Because this device will be what you use to interact with the world around you – your hotel, your TV, your fitness plan, your bank, and many other aspects of your life. There won't be any secrets kept between you and your phone as more and more consumers voluntarily give up privacy in exchange for the benefits of mobile convenience. eBusiness professionals and their organisations – selling media, services, and products – will use the contextual information collected, including a consumer's situation, preferences and attitudes, to deliver highly personalised experiences that are viewed as simply too convenient to pass up due to privacy concerns. Knowledge of a consumer's mobile context gives firms new capabilities to deliver the right information at the right time and the right place to increase conversions and deliver phenomenal service.



However, given small screens and limited input options, the design and delivery of excellent experiences on a customer's mobile phone still stands as a monumental challenge. A challenge that needs to be addressed as mobile popularity continues to mount: Forrester is forecasting nearly 100 million smartphones by the end of 2011, and these users are forecasted to spend more than

US\$8bn on their mobile phones by the end of 2011. So how do you create excellent mobile products in this new world of mobile popularity? Around consumer convenience. Consumers will embrace new products and services if they are fundamentally more convenient – if the benefits outweigh the inhibitors to adoption and usage.

WHAT IS POSSIBLE?

New mobile technologies are quickly changing "what is possible" in user context. Innovations are reshaping mobile devices by capturing information about a consumer's environment and changing how users control their devices and display content. As this happens, mobile phone capabilities will move further and further away from those of the PC. What does this mean? The experiences must change as well. As the technology evolves, so too must the use of it to deliver convenience. We recently interviewed technology leaders at more than a dozen device manufacturers, who revealed the following trends will push the evolution of context and convenience:

- **New sensors will reveal more about the user's environment:** New gizmos will offer information ranging from a consumer's altitude, speed, temperature, and presence of relative lightness or darkness.
- **Motion, voice, and touch will redefine the user interface:** In the near term, responsiveness of touchscreens will improve. Going forward, however, the phone will be controlled increasingly by voice, gestures, speed, pressure or the presence of light.
- **HD media will sell consumers on experiences:** Who doesn't prefer HD video? Higher megapixel cameras with higher-quality lenses and zoom will migrate into phones as will better-quality audio.
- **Blistering multicore processors will enable responsiveness:** Mobile devices cannot handle all of the tasks described without faster or higher-performing microprocessors. Microprocessors will continue to enable and improve the performance of devices. Embedding services such as voice, motion control and HD media will demand a high-speed core, fundamentally changing what is possible on mobile devices.

BUILDING CONTEXTUAL EXPERIENCES

For eBusiness professionals, it will be important to take the lead with company efforts defining new business strategies and opportunities for mobile, while collaborating with other colleagues from the CMO to the customer intelligence team so that everyone fills a role in helping the company progress through stages of sophistication in delivering a successful contextual mobile experience. But, as of yet, few are leveraging context, such as location, to make sophisticated offerings to customers. In retail, few leverage location beyond guiding consumers to brick-and-mortar stores. Now is the time to be proactive, and to do so, eBusiness teams must evolve through several phases to reach a high level of sophistication.

The first step involves mastering the basics. This means making use of location, time-of-day and past behaviour or preferences to deliver more convenient experiences. eBusiness professionals must make sure they have the back-end infrastructure in place that is required to leverage this context.

The second step in this challenge has less to do with mobile technology and more to do with real-time access to information and new business logic that takes advantage of this information. In this stage, eBusiness professionals need to layer intelligence on top of basic context. If I am flying from London to Paris in two hours and I log onto British Airways, I want to see information relevant to my upcoming flight (e.g., flight status, gate, etc.) – not the latest special on flights to New York. For a retailer, pricing may differ based on whether the customer is in that retailer's store or at a competitor's. This stage requires substantial collaboration with IT counterparts to ensure the backend infrastructure is in place to support the potential of mobile.

Once this is accomplished, the next stage in the mobile context evolution involves taking a huge step away from the PC, solidifying the mobile device as a separate entity, not just a 'mini-PC'. With all of the features (e.g. sensors, displays, cameras, etc.) the mobile phone is an opportunity for eBusiness professionals to deliver entirely new innovative services and products that have an immense potential to generate revenue. While mobile devices have the ability to act like a PC, they have the potential to do much, much more.

Finally, the true groundbreaking step in the evolution toward the use of

sophisticated user context will be motion as a control mechanism. What will be different in motion-control in three to five years? First, the motion-detecting sensors will be on a single chip, simplifying the use of them in applications. Consumers will still buy airplane tickets or make payments on their phones, but they'll do so more simply – with voice-based control and authentication, for example. More importantly, there will be an entirely new generation of products and services delivered on mobile platforms that will not originate from online.

SETTING THE PACE

Innovation is expensive and requires extensive investments in in-house staff or agencies. Those eBusiness professionals without the necessary resources for mobile should simply make themselves comfortable with being followers. Those with the resources should first assess how quickly they should move and then develop a tactical plan for achieving their goals. The pace will vary depending on a combination of factors including business strategy, mobile objectives, industry sector and overall mobile philosophy. What will ultimately determine your organisation's pace? The four aspects to consider are business strategy, mobile objectives, industry sector, and mobile philosophy.

In the near term, benefits will be incremental, i.e. higher conversion rates on existing products or services. Service industries such as banks or insurance companies will see higher satisfaction translate into more loyalty and share of wallet. Brands will benefit from higher awareness and association with innovation.

In the long term, more revenue opportunities will exist from both new services as well as services that shift mediums. For example, consumers will purchase mobile services to help them lose or track weight rather than paying online or at a store front. Many of these opportunities will cannibalise revenue from companies that don't evolve their products and marketing, meaning the money will shift to the ones that do.

Ultimately, as consumers willingly allow companies to collect personal data sourced through their mobile phone, organisations will start to see disruptive business opportunities that emerge as a result, creating a market for a completely transformed mobile ecosystem. ■



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We are looking forward to seeing you there!



September 21st, 2pm

Word of Mouth: Boosting Email Marketing Revenue with Personalised Recommendations

Speakers: Richard Evans, Director of Marketing EMEA for Silverpop
Rolf Doerr, Director of Business Development for Baynote Inc.

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September 28th, 3pm

Understanding behavioural email and how it can improve your online business

In this innovative presentation RedEye will take you through the research developed over the past year and discuss how clients are using behavioural email to achieve results such as 5000% ROI and 20% conversion.

Speaker: Matthew Kelleher, Commercial Director, RedEye

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October 4th, all day

Hammersmith Novotel, London

The theme this year is "A marathon of sprints" which indicates how fast paced online retailing has become, and highlights the major factors to be kept in perspective in the long term needs of the business.

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COMMERCIAL BREAKDOWN

Paul Skeldon takes a look at how mobile advertising can be an ideal starting point for mobile retail – but only if you hit the sweet spot with what, when, where and how.

WHEREAS back in the 1990s everything started with an 'e', now most things start with an advert – well they do in the world of mobile commerce. Mobile advertising, on paper at least, would seem to be the ideal way of getting consumers who haven't yet had the guts to try mobile as a commerce channel to give it a go. But conflicting reports reach us as to what consumers really think about mobile advertising.

According to research from YouGov, British consumers grudgingly accept mobile ad placements as part of their day-to-day mobile experience but the majority of smartphone users questioned (79%) believe that ads are intrusive. In addition to this, only 5% think mobile ads are a good idea and welcome them. Most worryingly for advertisers is the general apathy smartphone users have toward ads, with the vast majority completely ignoring any kind of placement – 88% ignore ads on applications and 86% have ignored placements on the mobile internet.

Almost as an act of counter-spin to this, another three-month study has revealed that UK consumers are turning increasingly to mobile devices as an essential way of accessing online services and many of these people start their 'journey' with mobile advertising.

With almost 60% of respondents now spending well over half their time "online" on mobile devices there is a growing interest in mobile advertising, with 58% clicking on an ad at least once a week finds cross platform (ehem) mobile ad company Mojiva.

The key it seems is to make the adverts relevant to the recipients, a point conceded even by the YouGov study. "On the face of it, it looks very bleak indeed for mobile advertising with high consumer awareness, but equally high resentment, apathy and inaction," says Adele Gritten, Head of Media Consulting at YouGov. "But the research shows that mobile ads really can provide brands with an effective vehicle to engage directly with audiences and drive actions.

Marketers need to harness the higher level of personal engagement that mobile users have with their handsets to provide them with something truly unique, relevant and interesting. In particular money off deals and special offers will appeal to consumers. Ad treatments must be more relevant and personal, and advertisers have to stop hoping that spam volume alone will drive response rates."

This is backed up by yet another study – of

American adults – from mobile ad company Upstream. It reveals that the adverts that are tailored to consumers' "tastes and interests" far out-perform other offers that are based on time, lifestyle or location.

"Comparing the importance of personalisation versus location in receiving mobile ads is especially interesting, given the hype around location-based players such as Foursquare, Gowalla, Yelp, Facebook Places or even Google+ with its Latitude check-ins," explains Assaf Baciou, Senior Vice President, Product Management, Upstream. "While location remains an important factor in delivering mobile ads, tailoring interactions via mobile to consumers' 'tastes and interests' clearly presents much greater potential for driving higher response and conversion rates."

WHAT WORKS?

So, what does work in terms of mobile advertising as a way of starting the consumer on an m-retail journey? Well, according to YouGov's Gritten, embedding ads into applications is the most effective way to get messages to smartphone users – with 33% of respondents recognising placements every time they use an app, and 19% recalling ads on apps they use daily. Not surprisingly, Apple and HTC users are most likely to have been reached given their high use of apps.

According to Mojiva, the ads most likely to be successful are ones encouraging interactivity (30%), animated banner ads were also popular (20%) followed by video ads (18%). Those least likely to stimulate interest were the expanding screen take-over type with only 2% in favour of this style.

And it seems as though music acts as a stimulus with 32% of people most likely to click through to an ad from a music group, followed by 13% from social/dating companies and 12% from sport. Less popular groups include traffic (1%) and restaurants and bars (2%).

For feature phone users, the first preference is an opt-in text alert or message, followed by mobile coupons; a notification from their service provider; text-based messages that flash on the screen of their mobile phone; and an email received on a mobile phone.

No one it seems likes unsolicited text adverts.

While mobile advertising is still a fairly nascent field – especially in conjunction with retail – there is growing evidence that, get the ad right, and you will start to see results. ■

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PAY-AS-YOU-GO USERS ARE THE WAY TO GO

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

Most people associate mobile retail with smartphones and the better-heeled members of the shopping public – well the early adopters are thought of as such at least – but a study by mobile company Velti reveals that users of pay-as-you-go phones surf mobile retail websites on their handsets up to a third more than iPhone users.

The study finds that pay-as-you-go users spend 13 days a year looking at m-retail sites on their phones, while iPhone users spend about eight days.

What this reveals is that while the hunger is there, the retailers aren't exactly making it easy for these consumers, concentrating instead on servicing the flashy smartphone contingent.

The research, commissioned by Velti, revealed that high street brands are lagging behind when it comes to mobile retail. Some 66% of iPhone users and 47% of all consumers surveyed believe that high street retailers are not doing a good enough job where mobile is concerned.

This is supported by the fact that when it came down to naming three stores consumers had made purchases from in the last 12 months, Amazon and eBay dominated with 50% share split evenly between them, whereas Tesco (7%), Argos (4%), HMV (2%), Asda (2%) and Next (1%) all failed to make a significant impact with consumers.

■ MOBILE RETAIL ACCESS GREW 163%

Across France, Germany, Italy, Spain and the UK, 13.5 million users – accounting for 5.8% of all mobile subscribers – accessed online retail sites in the three month average period ending May 2011. In the EU5 region, the number of smartphone users accessing online retail sites has increased by 80% over the past year. This growth is even stronger in the UK, with a 163% increase in smartphone users accessing retail sites since May 2010.

"Over the past year, online retailers enjoyed strong growth in visitation from mobile devices in Europe, largely driven by the acceleration in smartphone ownership," says Jeremy Copp, comScore Europe Vice President for Mobile. "This trend represents both an opportunity and a threat for retailers. While mobile access offers retailers incremental occasions to engage with customers, it also provides customers the ability to easily compare prices at competing retailers while inside a particular retailer's store. Retailers must get a firm handle on mobile shopping behaviour if they are to effectively navigate this changing environment."

■ CONSUMERS EMBRACE M-COMMERCE GLOBALLY

Consumer engagement with mobile commerce has exploded, with as many as 91% of UK consumers having used their mobile device for commerce, to either research or purchase a product. The equivalent figure for Brazil is 79%, while the level did not dip below 72% in any of the markets surveyed.

According to figures in the Global Consumer Survey from MEF, the global community for mobile content and commerce, 82% of UK respondents access the mobile web on a daily basis, slightly less than the 84% that do so in Brazil. The high level of mobile web and commerce activity dovetail with a reduction in fixed-line internet usage: 41% of Brazilians and more than one-third (34%) of UK respondents now access the internet on their PCs less often than 18 months ago.

MEF's Global Consumer Survey was conducted in nine countries across five continents, with a total of 8,530 respondents from both developed and developing markets.

■ MOBILE BECOMES AN IT INVESTMENT PRIORITY

For the first time ever, top retailers' priority for IT investment is ecommerce and m-commerce, according to the latest annual IT in Retail research of the UK's leading 100 retailers by Martec International, sponsored by BT Expedite.

The main IT investment priority for leading retailers is ecommerce and m-commerce, growing from 17% last year to 23% this year, outdoing investment in store systems, which has been the focus for the previous nine years.

Ecommerce represents the only growth in sales for many and so it makes sense to invest in expanding their websites, adding m-commerce and improving multichannel business. In fact, 16% of the retailers already use m-commerce, a significant increase from 5% last year, with a further 12% planning to take it up.

For some of the leading 100 retailers, the investment is in setting up a transactional website for the first time – 24% of the top 100 do not have one, although 5% are planning to set one up. For others, ecommerce is an investment priority to improve the customer experience, add more products, ranges or brands, internationalise their website and improve multichannel integration.



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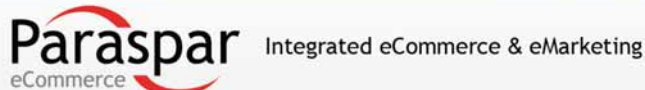
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