Internet Retailing

ISSUE 50 | JANUARY 2015

Bound in with this issue of Internet Retailing

IRUK TOP 500

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ZALANDO: BALANCING LOCAL WITH GLOBAL

Jérôme Cochet, Senior Vice President Sales, Zalando on the German retailer's meteoric growth through international expansion

INSIDE OUR 'INTERNATIONAL' EDITION:

CONFERENCES

DAY 1 : 25 MARCH | DAY 2 : 26 MARCH

THEATRE 1

Internet Retailing In-Store will give retailers the tools they need to help shoppers feel connected in more than one space and showcase strategies for aligning online with in-store.

Day 1: INTERNATIONAL & CROSS BORDER — TRUSTED SHOPS


John Roberts, CEO & Founder, AO.com


Stephanie Uhlig, UK Managing Director, eDreams ODIGEO


Michael Kliger, Managing Director International, eBay

Day 2: THE OMNICHANNEL STORE OF THE FUTURE


Shehnaaz Chenia, Global e-Commerce Director, Lego


Claire Zuurbier, Head of Development, Digital Stores, Marks and Spencer


Gail Lyon, Group Social Media Lead, The Co-operative Group

THEATRE 2

Explore key strategies for delivering winning multi-channel customer experiences. This is your opportunity to take advantage of best practice examples designed to hone your ability to maximise customer experiences, and increase customer purchasing, loyalty and profitability.

Day 1: INSIGHT & EXPERIENCE


Neil Sansom, eCommerce Director, Moss Bros Group Plc


Ali Holmes, Head of Global eCommerce, Vodafone


Michael Durbrige, Head of Omnichannel, B&Q

Day 2: DIGITAL SALES MARKETING — dotmailer


Claire Higgins, Head of Digital Marketing, Selfridges


Ken Ardali, Director, International e-Commerce, Alibaba.com


Bruce Daisley, Managing Director UK, Twitter

THEATRE 3

How is mobile impacting the retail landscape, and how can retailers respond to stay ahead of the game? In this conference hear how retailers are generating, how personalisation and mobile advertising are being used and what's on the horizon for mobile retail.

Day 1: MOBILE IN MULTICHANNEL


Lysa Hardy, Chief Marketing Officer, NBTY Europe


Sam Hill, Head of Architecture, Tesco


Chuck Cantrell, Head of eCommerce Solutions, Clarks

Day 2: MULTICHANNEL MERCHANDISING AND SELLING — SLI SYSTEMS


Helen Colclough, Ecommerce Director, River Island


Martijn Bertisen, Director-Retail, Google UK


Justin Lodge, Head of Developing Markets, Wiggle

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Whether it is facial recognition software, contactless payment, smart labels, on-demand delivery, digital changing rooms, virtual stores, 3D printing shops or robotic assistants; we aim to make sure it's covered!

TOP 500 IREU TOP500 INDEX UNVEILING

Internet Retailing is mapping the multichannel ecosystem. After a year of dedicated research, the IRUK report has been released to help you understand who the UK eCommerce industry key players are. At IRX2015 InternetRetailing will go further, unveiling the IREU footprint report, which will be listing the TOP500 retailers in Europe. Download now the IRUK report and don't miss out the European footprint unveiling at IRX 2015:

www.internetretailing.net/iruk/

500

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Editor's comment

WHAT A busy time of year for retailing in the UK; the run up to Christmas is full of analysis of who will spend how much on what, where they will buy it and whether it needs to be delivered. Now, nearly every day has been renamed from Black Friday and Cyber Monday to Returns Thursday and Panic Saturday.

Every year I watch Black Friday unfold in the US with a wishlist from my California-living nieces. Will this year's 'Christmas must-haves' be discounted over the cyber weekend or are they destined to be full price purchases the following week? What's also been of interest are the price fluctuations in the run up to Black Friday – have UK retailers followed suit with putting up prices in the run up to the shopping frenzy?

Next, of course is the challenge of purchasing from the UK. Once the presents, prices and retailers have been chosen, it is the gamble of whether the websites will be either capable of taking international orders or just making it hard with US-centric address forms or not able to deliver to the US from a UK-issued credit card. Has Amazon really set such a high benchmark for ease of purchase – and is the same true for shoppers in the US wanting to purchase presents for delivery to the UK?

In this issue of InternetRetailing, we take a look at international and cross-border trading to show that while UK retailers are ruling the cyber waves, it's not all plain sailing.

According to the 2014 Pitney Bowes Global Online Shopping Study, the US, UK and Germany are the most desirable e-destinations for consumers to purchase goods online outside their own country. Work is needed in South Korea, China, India and Japan though where some shoppers believe that they can only purchase goods online from their own country.

Showing the reach of UK brands, research by Hermes found that well over a third of German and French shoppers have bought from the UK, with the country beating China and the US to top the poll. When looking at a wider survey group of online shoppers from 22 countries, PayPal put the UK as third most popular shopping destination for international online shoppers – after the traditional exporting powerhouses of the US and China. Some 17% of global online shoppers buy from the UK, compared to 18% from China and 26% from the US.

Whichever way you look at the various research studies it's good news for the UK, especially in view of the fact that global cross-border online sales are predicted to grow at 26.6% between 2013 and 2020.

Seven features in this issue of InternetRetailing look at international markets for pureplay and omnichannel retailers. China's growing international shoppers are covered in two features; Penelope Ody's 'Into the Unknown' and PayPal's 'Window on China'. Brendan Pittaway's insight into 'European Affairs' will be of interest to all since the Commission has made enabling the success of the digital single market – of which ecommerce is a key part – one of its priorities for 2015.

InternetRetailing too is setting its sights on Europe with the launch of its research into the Top500 European retailers. This will be launched later in the year at the InternetRetailing Expo which is taking place at Birmingham's NEC on 25 and 26 March. You should have a copy of IR's UK Top500 research bound with this issue of the magazine. If you're reading someone else's copy and want to see the research you can request a copy online at internetretailing.net.

As to what 2015 holds in store for UK retailing, a snapshot survey carried out by the BRC has shown that UK retailers are optimistic about their fortunes in 2015; with many predicting an improvement in sales and increases in both investment and employment levels over the next twelve months.

The team at IR Towers look forward to hearing your news and developments as the year unfolds – and, of course, seeing you at the InternetRetailing Expo in March.

Emma Herrod
Editor

Chloe Rigby **highlights recent industry changes but to keep up to date with the news and her insight between issues visit** *www.internetretailing.net.*

ARGOS LAUNCHES UNDERGROUND

Argos has opened its smallest store yet at Cannon Street tube station. The Argos Collect store covers only 650sq ft – with a 170sq ft sales floor comparable to a large home kitchen – but gives shoppers access to up to 20,000 products. Customers can order goods at the digital format store, browsing the range through in-store tablets, or online to collect them the same or next day. Fast Track collection promises shoppers will take delivery of online orders within a minute.

The new store is part of the company's drive to develop a digital-first strategy, expressed through a range of digital-first stores, such as that at Old Street.

John Walden, Chief Executive of Argos parent company the Home Retail Group, said: "Digital shoppers are increasingly demanding improved choice, convenience and speed in the fulfilment of their online orders, especially via click and collect; the collection of their online orders from a conveniently located shop.

"Argos has been a click and collect leader and we continue to innovate our offer with our new digital stores. They represent what we believe will be the role of the Argos store in an emerging digital future – modern and energetic, with larger ranges available within hours, tablets for easy browsing and ordering, streamlined in-store customer journeys including 60-second Fast Track collection of online purchases, and a friendly human face to provide personalised customer service."

The launch chimes with Transport for London's strategy to develop its estate by improving services on offer to customers, generating revenue, put at £3.4bn over the next decade, to invest back into transport services.

Graeme Craig, Director of Commercial Development at Transport for London, said the deal with Argos was "another example of what we are doing to give our customers convenient access to the products and services they need as they travel across our network. "The partnership will generate revenues that will allow us to reinvest in London's transport network whilst also bearing down on fares," he said.

ONLINE BREAKS THE £100BN MILESTONE

Online retailing grew by 14% last year bringing the total spent online to £104bn in 2014, according to IMRG. E-retail now accounts for 24% of the total retail market with mobile making up 37% of online sales.

The Christmas period saw 13% growth in online over 2013's figures as shoppers spent £21.6bn over the eight weeks from 2 November. Black Friday and its successive weekend was a big win for the retail industry with sales increasing by 180% amongst the 70% of retailers that held promotions. Black Friday was the largest single online sales day to date with John Lewis seeing "a 300% increase in traffic to johnlewis.com" during the early hours of trading, says Mark Lewis, Online Director, John Lewis.

A halo effect was seen across the whole industry as even those retailers which didn't run promotions saw sales increase by 24%.

However, Black Friday also highlighted weak points in retailers' systems as high traffic levels brought queuing systems into operation on retailers' sites, including Currys, while others, such as Marks & Spencer, saw the effects of the high volumes testing their back end systems.

Carriers too, were not immune as parcel volumes rose to 30% above predicted levels, according to Andrew Starkey, Head of e-Logistics, IMRG. Many retailers saw a dip in sales in the week before and those following Black Friday and this "tsunami" is something that carriers and retailers will need to manage better in 2015 – along with customer expectations.

Jon Lawton, European E-commerce Manager, Rocket Dog believes that Black Friday will get earlier in 2015 as retailers copy the likes of Amazon and Asda and pull forward deals into the week before Black Friday. In the meantime, says Richard Moore, Head of E Commerce, Cloggs, the challenge is how to handle the large number of new customers brought in by the promotions.

38% OF TUI HOLIDAYS SOLD ONLINE

TUI Travel has reported that it is selling more holidays online as it uses digital to develop closer relationships with its customers. This is part of a digital transformation strategy whose benefits, says TUI Travel, its customers are continuing to feel.

The travel company, which trades in the UK through First Choice and Thomson websites and stores, said 38% of its mainstream holidays were now sold online, three percentage points more than at the same time last year. It said £4.1bn of its mainstream business revenue came from online sales, and reflected 6% growth in online package bookings.

The update came as TUI Travel unveiled turnover of £14.6bn in the year to September 30 2014, 3% down on the same time last year. Pre-tax profits grew by 3% to £362m from £169m last time, while underlying operating profits were up by 11% when the effect of currency conversion was removed.

Chief Executive Peter Long said the company had outperformed against its roadmap for growth while outlining the company's digital strategy "to enhance and deepen the relationship with customers." He said the TUI Digital Assistant app, which drives customer engagement across the customer journey, had had 1m downloads. New functionality for the digital assistant includes 'search and book' functionality on Thomson and First Choice iPad apps, reflecting the continuing growth in traffic from mobile devices, including tablets. Some 36% of all web visits came from a mobile device in the full year, up from 25% the previous year. TUI said the smartphone conversion rate had grown by just under 50%. Planned future improvements to the app include online check-in via the app, expected by 2015, flight extras, travel documents and hotel check-in.

UK MOBILES BOOST KINGFISHER

The success of Screwfix' mobile click and collect helped the retailer to report sales up by a quarter in the three months to November 1. The building merchant reported sales of £226m over the period, 25.2% more than at the same time last year, thanks to factors including growing take up of its mobile Click, Pay and Collect initiative and an expanding branch network.

Meanwhile sister company B&Q posted third quarter sales of £922m, 0.9% up on last year. Although the DIY store sold 7.2% more products, price reductions and clearance discounting meant that revenues grew only slightly.

The figures came as parent company Kingfisher reported UK and Ireland sales of £1.15bn in the third quarter of its financial year, representing total growth of 4.9% on the same time last year, or 2.6% on a like-for-like basis, stripping out the effect of store openings and closures. Retail profit of £70m was 11.1% up on last time.

But across the Kingfisher business, which trades in 11 European and Asian countries, third-quarter sales of £2.8bn were 0.9% down on last year, on a like-for-like basis, while retail profit of £225m was down by 11.8%, partly hit by the strengthening sterling.

Sir Ian Cheshire, in his last results announcement as group chief executive, said trading conditions in its largest market of France were difficult and had deteriorated in the quarter thanks to a weak economy. "In the UK however, where conditions have been more favourable, we have delivered like-for-like growth with Screwfix performing particularly well, delivering a 25% increase in sales on top of very strong growth last year. Overall, we remain cautious on the outlook, especially in France, and continue to focus on margin and cost initiatives to support our performance."

Sir Ian has been succeeded by Véronique Laury.

RESULTS ROUND UP

SuperGroup and Sports Direct International have reported double-digit online growth in the first half of their financial year, while N Brown Group has reported a fall in turnover over the autumn.

SuperGroup, which operates the SuperDry brand, said group revenue of £208.2m in the half-year to October 25 was 8.4% ahead of the same time last year, thanks to a fast expansion plan. Internet sales grew by 13.8%, with full-price ecommerce revenues up by 15.9%. SuperGroup said the figures reflected the effect of reduced eBay selling. As a result, 10.2% of group sales were made online in the first half, down from 11% at the same time last year.

Meanwhile, SportsDirect said online sales in its sports retail division to £176.4m in the six months to September 26, up by 11.1%, as retail revenues grew by 8.3% to £1.2bn. Across the business, group revenue grew by 6.5% to £1.4bn, and pre-tax profits by 4.6% to £149.7m.

Meanwhile, N Brown Group has reported a fall in turnover over the autumn, following unseasonably warm weather. But it said its plan to transform from a mail order business to a multichannel business was on course – with the fastest growth seen in its high street shops.

The home shopping group, one of the first to move beyond mail order and internet sales by adding a store sales channel, said sales at its expanding chain of Simply Be and Jacamo stores had grown by 78% in the 13 weeks to November 29. This growth came against a backdrop of falling turnover, which was down by 10.8% in September before returning to growth in October and November. Over the course of the quarter, turnover was down by 2.3%. In the year to date, sales are down by 1.2%. Some 60% of sales took place online during the quarter.

DIGITAL TURN AROUND FOR MULBERRY

Mulberry has reported falling turnover and pre-tax losses of £1.1m in the first half of its financial year – but said investment in digital was paying off with online and offline growth in the first nine weeks of the second half.

Total revenue fell by 17% to £64.7m in the six months to September 30 from £78.1m over the same period last year. Retail revenue fell by 9% to £45.1m, compared to last year, while wholesale revenue was down by 31% to £19.6m. Online sales rose by 1% to £6.6m in the first half, representing 10% of group sales, up from 8% last year. When the effect of online sales was removed from retail revenue, sales were down by 16% to £31m thanks to a dropping off of store visits, especially from tourists.

Pre-tax losses came in at £1.1m, from a profit of £7.2m at the same time last year.

The company pointed to growth in the nine weeks to November 29, in which online sales grew by 18% and total retail sales by 8%, but said trading through Christmas and into the New Year would be important to the full-year result.

Chairman Godfrey Davis said the figures for the nine weeks were "encouraging".

He said: "After a difficult couple of years the steps that have been taken to return Mulberry to growth are beginning to bear fruit." He said the company expected to gain further momentum after appointing Johnny Coca as its new Creative Director.

Mulberry put the fast online growth of the first nine weeks of the second half down to its investment in digital over the last two years. During the first half the company invested in omnichannel, implementing the first phase of a project to introduce in-store online ordering, click and collect and in-store online returns. Omnichannel services, it said, would continue to be improved progressively. It also focused on digital marketing, including its Christmas video, #WinChristmas, which it said was an example of how it was marketing the brand in a cost effective and "uniquely British way."

Read more of *Paul Skeldon's* insight into the fast changing mobile channel and keep up to date with the significant news at *www.internetretailing.net.*

SAINSBURY'S TESTS SHOPPING APP

Sainsbury's is trialling a new app designed to link the store and online experience. The new shopping app enables customers to fill their shopping basket via their smartphone before they arrive at the store, scanning barcodes from any product or adding items from Sainsbury's website. It is designed to navigate customers around the shop to find items faster, letting them scan items at the shelf and finally pay via their mobile phone. In testing, the supermarket says, checkout time has been reduced to seconds.

The app is being trialled with in-store Sainsbury's teams and will then first be available to Nectar cardholders.

Jon Rudoe, Digital and Technology Director at Sainsbury's, said: "We know that customers' weekly shop doesn't start at our front door – they know what they like and they also like that search for a bargain.

"They still want to come into store, but with limited time they want to be able to get their shop done quickly.

"That's why we're putting digital firmly at the forefront of our agenda and putting technology in the hands of our customers."

The development comes out of Sainsbury's Digital Team. Improved delivery options available through the app include bookings on the half-hour as well as on the hour and green delivery slots, where shoppers can book slots in a vehicle that's already delivering to their neighbours.

BIG WINS FROM MOBILE FOR US RETAILERS

There's more to m-commerce than conventional wisdom suggests, with 30% of ecommerce traffic globally coming from mobile, and up to 40% of that for top US retailers. And mobile is now about purchase, not just research. So says performance marketing company Criteo's Q4 2014 State of Mobile Commerce report, which also suggests that average order value on mobile is now approaching that of desktop and is likely to surpass it in 2015.

The study, which looks globally, but has a distinct US bent, suggests that mobile plays a much bigger – and ever growing – role in ecommerce than previously thought. The key findings make for interesting reading. For instance, not only is mobile now a high value purchasing channel as well as a research tool, it is also where a third of fashion purchases come from, and with the top 25% of US retailers seeing 40% of their sales coming through mobile, it is where the punters are.

Interestingly, the bottom 25% of US retailers see only 5 to 10% of their sales coming through mobile, says the report.

The study also shows that increasingly mobile commerce is about smartphones, rather than tablets. Smartphones now generate more transactions than tablets. 53% of mobile retail transactions and 66% of mobile travel transactions come from smartphones.

And it's not just Apple. Android phones generate over a third of smartphone transactions. Android devices now account for 39% and 44% of smartphone transactions in the US for retail and travel purchases respectively.

EBAY RETHINKS CROSS DEVICE USE

As the war for the best mobile shopping experience heats up, eBay has launched its new look iPad app, which it hopes will make shopping on tablets more exciting, simpler and more engaging.

Available globally in the App Store, the new iPad app takes the curated browse and discovery experience introduced in 2013 with Collections even further. It is immersive, browse-able and multi-touch, with an emphasis on content, an elevated design aesthetic, personalization, and easier shopping from the start page to checkout, says the company.

What this means in the real world is that it offers simplified navigation and checkout, gesture-based exploration, a refined photography gallery, a more user-friendly My eBay experience (Buying, Selling, Watching, Following), new item detail (View Item) and seller profile pages, and fresh collections across popular categories (Motors, Fashion, Electronics, and Collectibles).

eBay says it will introduce additional new features to benefit buyers and sellers in the coming months. The commerce experience journey will not stop with iPad – eBay's goal is to take the thinking behind this app and apply it desktop and every device. It's currently availible in eight languages.

"Our aspiration is to make eBay the most inspiring place to shop," explains RJ Pittman, Chief Product Officer at eBay. "The eBay for iPad app is an important step on our journey. It delivers a better shopping experience for buyers and better merchandising capabilities for sellers."

Zalando: Balancing local with global

UK retailers are continuing to set their sights on overseas markets but European retailers don't plan to make it easy for them to move in on their territory. *Emma Herrod* **spoke to** *Jérôme Cochet*, **Senior Vice President Sales, Zalando, about the German retailer's rise to online fashion supremacy on the continent.**

WHILE THE UK retail industry leads Europe in terms of omnichannel maturity, it is into continental Europe that the ecommerce industry is now looking to expand. Germany, in particular, is growing in importance to UK e-retailers as its population embraces online shopping both in the country's expanding home market and across borders with UK brands.

However, each national market has its own home-grown online retail leaders which are also taking a global approach and expanding continent-wide. One such is German retailer Zalando.

Founded in 2008 as an online shoe retailer, it had big plans from the start. Fuelled by investment from the European power house of startup ventures, Rocket Internet, Zalando's ambition was to become the leading fashion retailer in Europe. Its first website, which sold shoes to the domestic market from the company's headquarters in Berlin, achieved a turnover of €6m in its first year.

Through 2010 and 2011 Zalando expanded into clothing and accessories and launched its own private label ranges to increase share of wallet before moving into new geographic markets.

The company now prides itself on its fashion offering "of style and choice" and provides 150,000 styles from 1,500 brands which it sells on its 15 country sites across Europe. These branded products account for 84% of Zalando's sales. This is supplemented by its own private label offering developed by 250 in-house designers and product managers.

"Brand is a key success factor," says Jérôme Cochet, Senior Vice President, Sales, Zalando, explaining how awareness of the brand is high in its markets and keeps it top of mind amongst customers.

The brand offering is also one of the areas in which Zalando localises its sites because, as Cochet explains, they have to stock the key names that customers are expecting to find in each country.

GROWING PAINS

Expansion has not been without its problems, especially when you factor in the phenomenal speed at which Zalando has grown over the past six years. It now serves 14 million customers in its 15 markets and posted its first profit in August 2014, before an IPO in October.

The e-retailer's customer proposition is built around convenience: it offers free delivery, free returns, free customer service. "It is all about customer satisfaction at the end of the day," Cochet says.

From the very start, the company wanted to make fashion shopping convenient for Europe's consumers. Convenience, though, meant being simple, and in order to expand from its original German market the company had to ask itself some fundamental questions, explains Cochet. These were:

1. How could it be relevant to consumers and brands?
2. How could it be fast?
3. How could it manage complexity?

To be relevant and fast, Zalando decided that it had to act as a global brand, enabling it to maintain speed and manage complexity. But to continue to be simple and relevant for individual customers, it had to localise for each market. "If we wanted to become the number one online fashion destination, it was clear that we had to localise and we had to be relevant in what we do," explains Cochet.

So Zalando replicated its strengths in the German market and transferred them to new countries. A country manager was given responsibility for each new market with a country team responsible for local marketing, purchasing, technology and so on.

> "Zalando runs a backbone ensuring the underlying operations are scalable and excellent and simply phases out the last step that is visible to the customer"

However, this devolved organisational setup led to internal conflict; while it enabled the firm to be very fast and for each team to have ownership of their domestic market and customer proposition, it meant that they were all competing in the same internal market for the same resources. Cochet explains that IT pipeline became the holy grail of success with the success of each country manager hinged on their ability to manage the IT pipeline.

He acknowledges that, whilst this enabled the company to expand rapidly, it also led to complications; the operating system becomes immensely complex when it has to deal with 15 different markets across Europe and multiple touchpoints. Cochet explains: "It's easy to lose yourself in complexity immediately and not be very strong anymore at what you do in the respective touchpoints."

However, as the company transitioned from the business development stage into a more established retail position, its organisational structure had to become more integrated.

JOINING UP THE DOTS

Zalando now operates a more joined up organisational structure with departments responsible for different functions such as payments, delivery and marketing. Each includes people responsible for individual ▶

A MATURING RETAILER

Zalando is moving from pure retailer to being a fashion advisor and this is reflected in its autumn/winter advertising. Arne Schepker, Vice President Brand Marketing, comments: "With more personality and pleasure in different styles, we are challenging our customers to be themselves, to break the so-called rules of the fashion world and to explore their own fashion trends. Fashion is currently accessible anytime and everywhere, but many don't really trust their own judgement. We want to show how great it is to enjoy the everyday feeling of absolute freedom when choosing your look. Fashion is meant to express, not to suppress. After all, fashion is the greatest pastime in the world."

Gap is the latest brand to announce that it will launch its own dedicated shop on Zalando's marketplace. From summer 2015, the US retailer will offer a broad range of its clothing and accessories in its first foray into multi-brand retailing in Europe. The partnership will also see Gap's collections styled alongside other brands available on Zalando.

Other brands that have launched on Zalando during 2014 include Topshop, Topman, Mango and American Apparel.

Zalando has also rolled out mobile apps to every country it serves this year; a new Photo Search function is the latest addition. The feature allows customers to take a picture of an item of clothing or a pattern and search for similar items amongst those sold by the retailer. The functionality was developed in association with Cortexica.

On the logistics front, Zalando now offers parcel tracking on all deliveries and express delivery is being rolled out across all markets.

countries and market execution. Rather than having digital marketers located in each country and re-inventing the wheel for each market, it now has a single central team which includes native speakers for each country it sells in. These multi-functional teams are supported by a central warehousing and operations backbone which is designed to be flexible and scalable to support the growing business.

Technology is what is ultimately at the heart of Zalando, says Cochet. The company has more than 500 tech employees and writes its own code for optimising sites.

FINANCIALS

In October 2014, Zalando floated on the Frankfurt stock exchange raising around €600m with a company value of €5.3bn at close of trading on its first day, according to Bloomberg. In 2013, the company posted revenue of €1.76bn and an after-tax loss of €116.6m but announced that it had broken even for the first time with its first half figures for 2014.

For customers, convenience is its core message. Cochet explains: "We have to be local where it matters, to localise the customer experience where it matters most to customers – be that through marketing activity to reach and attract new customers, in the way we use online and mobile technology to help them to discover and find the brand and in the actual brands that are stocked." This localisation continues all the way through to offering the services and payment and delivery methods that customers in each country expect to use. In essence, customer-facing activities are localised.

"The underlying driver is very simple: the consumer is local, the competition is local and if we want to win and if we want be the number one online fashion destination we also have to be local," he says.

"The other good thing is that it differentiates us from those with a global approach and which are more general in their perspective, and helps us to win against those with a very local approach – the small competitors in the market – because we have scale to use to be better in the different touchpoints."

Zalando's expansion has been rapid. Its second country site went live in 2011 and it now has a reach of 425 million people, an active customer base of 14 million and a turnover of €2bn.

As every company that has expanded into other markets knows though, each country is different and its shoppers have unique behaviours. There are tremendous differences in customer preferences and online market maturity, explains Cochet. For example, he says, the differences between the UK – the most mature online fashion market in Europe – and Italy, the least mature, "are quite huge... so the tasks at which we have to be successful in those countries differ quite significantly."

He explains how customers expect pricing models to be localised, and a site to offer brands that are popular in their country, such as Tiger of Sweden in Sweden. Plus they want to use the same services that they usually see on sites in their home market, such as Post Finance in Switzerland.

LOCAL & RELEVANT VS FAST & SIMPLE

Cochet gives some examples of what has and hasn't worked for the company when trying to balance being local and relevant with being fast and simple.

When the company launched in the Netherlands in 2010 it ran the same television

advert that had worked successfully in Germany. However, the result was not the same. While the advert did reach potential customers, it didn't build brand or attract customers to the new site. Instead, it won the award for the worst TV advert two years in a row. The solution was endorsement by a Dutch celebrity: its use of model and presenter Lieke van Lexmond in its TV advert increased the brand's likeability factor.

This experience taught it that to reach and attract customers when entering a new market, not only does marketing have to be relevant but it also has to be communicated correctly and tailored to local tastes. What makes it hard for the company though is having 15 markets, which means it has to do everything 15 times and having so many TV spots costs money. It's difficult to change the TV spot and to get it right it needs country advocates in the form of its country managers. They can advise if an advert doesn't work and needs to be changed. "The simple approach is to copy what you have in one market, but as you can see it can go very wrong," says Cochet

THE SITES

The websites also have to be localised and this means more than simply changing the language. Selling fashion is more complex than some other categories such as books since shoppers want to browse, enjoy the shopping experience, be inspired and find the right products, explains Cochet.

Zalando has spent a lot of money giving customers "the feeling of being at home" on each site. With so many sites this would be too complicated to accomplish manually, so it used one technology backbone to run sorting, search and recommendation with a data layer running for each country to localise the experience. Therefore, he says: "the Italian homepage is different to the German site and is generated by the users".

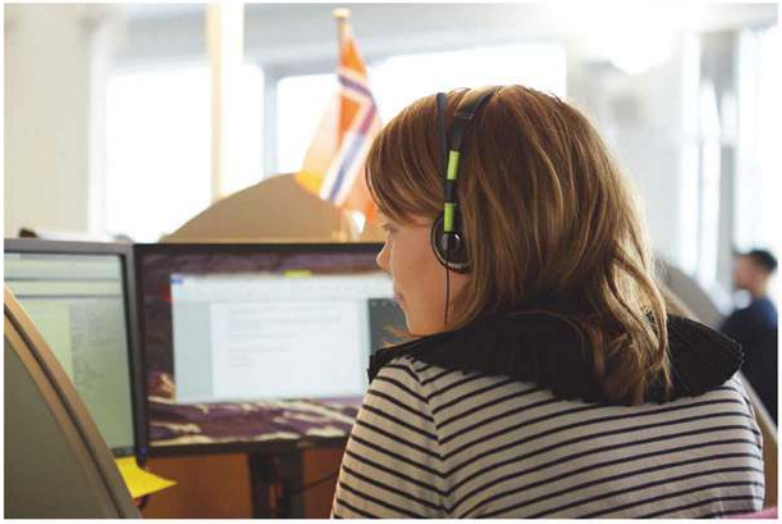
Campaigns are also a mix of global – for brands such as Nike which are sold across all sites – and those that are local for individual sites. Getting the right brand mix for local markets is important to Zalando, so it set up local buying officers to ensure that it stocked the brands in its central warehouse that local customers expected to see. However, this resulted in multiple orders for global brands so buying became a centralised function but with local buyers in the team who know customer preferences.

> "The price needs to be local; if you have the right brands but not the right prices, customers won't buy them"

The price also needs to be local; if you have the right brands but not the right prices, customers won't buy them. "Managing complexity in this case was a learning and took some time, but I think we are now on the right track to leverage it even further," says Cochet.

The service, product delivery and payment methods also need to be localised. In the Netherlands, for example, Cochet says the company originally used a delivery provider for the final mile which was not the provider customers were expecting. When it switched to PostNL "after a painful learning period... satisfaction increased by 54%".

He emphasises how customers already know how their standard local provider works and where and how to return items using their service. If you use the standard last mile delivery provider in each country it makes a huge difference to customer satisfaction, so Zalando "opted for it in every country". ▶



Payments are handled in the same way with the standard expected payment methods used in each country. In Italy, for example, Zalando introduced cash on delivery because the market was not yet mature enough for online fashion shopping and consumers kept calling to check that the company existed. By introducing COD, it made it easier for customers to trust Zalando, improved their experience and increased the conversion rate.

Customer service, too, has to be localised. "Don't underestimate local language differences," Cochet says, explaining how Zalando decided not to have only French, Italian and German customer services, for example. "Even in Switzerland there is a local accent which you don't understand if you don't come from there," he says. When Zalando introduced customer service in Swiss German, customer satisfaction "went through the roof".

From proof of concept, through category and geographic expansion, the company then needed to focus on operational issues as the foundation for future sustainable growth. Part of this has been the realignment of staff around different functions, with country experts in each team and investment in proprietary technology and logistics infrastructure such as its 250,000m^2 of warehousing across 3 locations in Germany.

"You have to accept that in the beginning it will be a mess," says Cochet, but if you want the speed you have to be prepared "to clean up after the party".

This it has had to do rapidly with its sights set on an IPO, which took place in September 2014. Achieving a positive group EBIT margin in the first half of the year was "a major success" and this has been followed by strong gains in profitability and capital efficiency in its third quarter. Zalando looks set for a profitable full year.

With robust underlying operations, Zalando is now set up for a steady future in which it just needs to tweak the areas that the customer sees in order to expand into new markets. On the innovation front, it has already proved that it's not afraid to try out new things, from a car at the Geneva motor show with parcel delivery area through to hack weeks. It has 100 million visits to its sites each month – 41% from mobile devices – and employs 7,000 people from 50 different countries. They are all told to "treat every day as your first day," so they are constantly striving for the best solution for customers. Zalando appears to be built on a base of local, scalable excellence, ready for its next phase of growth.

ZALANDO IN FIGURES

16 domains
12 languages
iOS and Android apps in all 15 markets
40+ logistics partners
>20 payments methods
50% returns rate across all categories

Attracting younger shoppers

What do 16-24 year olds think of the retail landscape? *Samsung* set out to find out.

THE BRITISH high street and shopping centre environments are very popular for young adults looking to socialise with friends or browse products; however, when it comes to making a purchase, retailers are missing out the immediate in-store opportunities to make sales. This is the finding from Samsung's Future Shoppers Report which set out to examine the retail experiences of 16-24 year olds and to understand the purchasing decisions of the nation's next generation of shoppers.

While the majority (71%) of 16-24 year olds find themselves in large retail environments at least once a fortnight, with two-thirds on the hunt for a specific item, the technologically confident, price-conscious future shopper frequently opts to make their final purchase online; and increasingly through their mobile phone. The research found that shopping with a purchase in mind is largely a solitary activity for these young consumers, armed with a clear idea of what they want to buy and a certainty it is the right product for them. This comes as a result of extensive research before and during the shopping trip to ensure they're getting the best deal. Indeed, 44% will be searching for a better price online through their mobile device while they are in-store.

"Young adults may be socialising in retail environments, but, by and large, when it comes to spending on products they are shopping alone and seeking the most convenient way to complete their purchase," comments Graham Long, Vice President of Samsung's Enterprise Business. "We're seeing the emergence of a generation of sophisticated shoppers, with considerable disposable income, who have high expectations of what they expect from the high-street and other retail environments."

Over two-thirds of those surveyed said that retailers could be doing more to keep them interested in products when they're already in-store, suggesting that a degree of intervention could be what stops young shoppers from leaving empty-handed. Additionally, 68% commented that they expect retailers to "try something new" in order to make the retail space more appealing to them.

> "Young shoppers have high expectations of what they expect from the high-street and other retail environments"

The research demonstrates that retailers need to make sure they are communicating the benefits of existing in-store technology to fully capture the attention of young shoppers. While 16-24 year olds see the value of using tablets and in-store technology to check stock or browse catalogues, few young consumers use technology designed to enhance their experience. Less than 20% of young shoppers scan QR codes, while more than 90% ignore Augmented Reality (AR) apps.

However, there are opportunities for retailers to improve young shoppers' perception of in-store. Nearly half of those questioned said that they would actively choose to visit retailers who use technology to enhance the experience; citing both receiving discounts to their devices as they pass a retailer and the opportunity to customise products they like while in-store, as equally exciting future developments. The research shows that combining a more compelling in-store experience with discounts, offers and convenience will make real world shopping stand-out for this age group.

Commenting on the report, Long goes on to say, "While we know that the high street has been losing ground to online shopping, young adults demonstrably enjoy shopping in the real world and are eager to engage with retailers that cater to their needs. Vendors who create exciting in-store environments, where shoppers can experience and interact with their products, could protect themselves from losing a customer to an online seller

offering something as simple as a slight price discount.

"Young consumers embrace technology that delivers value when they're shopping. Retailers need to be using technology to create a sense of retail theatre and bring their physical environment to life; they need to enhance the shopping experience. It's not just a case of replicating online in-store; they need to be better at bridging the gap between the two and creating a sense of retail theatre. A seamless experience will gain the loyalty of young consumers, helping create engaged, connected and happy customers"

However, retailers must act now, and take the opportunity to connect young consumers' online and offline experiences.

Retail review

As customers and retailers look across all touchpoints rather than siloed channels, so IR retailer reviews look at the entire retailer's eco-system of website, mobile, the use of digital in store and their overall strategy. Longer in-depth analysis of the four areas can be viewed online at www.internetretailing.net. This issue our reviewers examine Topshop.

RETAIL LEADERBOARD	
John Lewis	83/100
M&S	80/100
House of Fraser	78/100
Burberry	78/100
New Look	77/100
Argos	75/100
IKEA	75/100
Topshop	70/100
Oasis	66/100
Google Play	60/100
Boots	59/100
Majestic Wines	56/100
J Crew	50/100
Morrisons	27/100

RETAIL STRATEGY 25/25
EMMA ROBERTSON,
MANAGING DIRECTOR, TRANSFORM

There are a number of strands to the Topshop strategy; they revolve around winning in fashion, expanding internationally and driving digital. From an outside-in perspective, it seems clear that Arcadia is much more comfortable in the product and place elements of the mix whereas the customer experience and digital agenda have some catching up to do. Taking Click & Collect for example, the inability of Topshop to see its store stock and manage single-pick inventory into store efficiently results in a poor customer proposition, with the standard collect-from-store offer coming with an imprecise 3-7 day delivery window. Arcadia's £50m deal with Oracle is well placed but given the size of the group and the scale of ambition internationally, this will need to be the first investment of many if Topshop is to compete in the medium to long-term, and focus equal resources on front-end, data and customer experience, not just back-end systems. Until Topshop put the customer experience at the heart of the digital experience, it will continue to miss out on the full potential of the market.

WEB EFFECTIVENESS 20/25
GAYLE WHITTAKER, USER EXPERIENCE CONSULTANT, USER VISION

The Topshop website is an effective ecommerce site that is

compelling and functional. The site communicates a strong brand image that expresses the personality of their target users, which guides them effortlessly through the site from browsing to purchasing.

MOBILE 13/25
ROB THURNER,
MANAGING PARTNER, BURNER MOBILE

The new mobile site was launched mid November, so it's early days. The impact has been immediate, with mobile site average order value increasing nearly 5% post launch. Topshop estimates that the average time spent on the mobile site is at least 20% less than on desktop or tablet, so speed and agility is fundamental to the shopping experience. The product and checkout parts are sound. I'm sure that the increase in AOV would increase significantly with revisions to Search & Navigation.

INTERNET RETAILING IN STORE 12/25
REETA MCGINN,
CONSULTING MANAGER, JAVELIN GROUP

Digital in store at Topshop really lags its competitors. Promising signage advertises in-store ordering (for next day collection); however consumers are simply asked to order at an information desk, queuing up to use a single manned terminal. A small number of iPad toting store assistants give the look of a more technology-enabled process, but across four visits to different stores we were consistently advised that the system and the in-store Wi-Fi was not working. Topshop's app, allowing customers to scan the barcode of products to add to their online basket or share on social media, also struggled with some items and a sample of store assistants were unaware of its existence.

However, the Oxford Street flagship has a more exciting digital offering including oversized iPads that give consumers the chance to design a T-shirt and an in-store photo booth to share latest looks on social media. Topshop is also using digital for one off store events such as virtual reality entry to London Fashion Week's catwalks and live streaming of the Kate Moss launch.

Knowledge Partner Comment

Kurt Salmon
Success for what's next

With the release of the IRUK 500, which is bound in with this issue, InternetRetailing asked our knowledge partner Kurt Salmon to reflect on the research. *Siobhán Géhin,* **Partner at the UK practice gives her views.**

THE PACE of change within retail has been relentless since the introduction of click and collect in 2000 and with it consumer demands for seamless and easy shopping across all channels have exploded. This has driven omnichannel to become the key development focus for many UK retailers, but what does a truly successful omnichannel retailer look like? Retailers in the UK have been shown to exhibit class leading capabilities across multiple but not all dimensions of performance as they wrestle with the challenge of optimising investment in omnichannel to best meet ever-evolving customer needs. Even companies in the InternetRetailing Elite group of companies (Amazon, Argos, House of Fraser, John Lewis, M&S) do not perform at Elite level in all dimensions. In fact, none of them rank as Elite in the Customer dimension (responsiveness to customer queries and site performance).

Testing omnichannel capabilities following Black Friday and Cyber Monday and the run up to Christmas, when peak order volumes place maximum strain on technology and the supply chain, can be the ideal time to review performance and identify execution gaps. Logistics is an obvious area which is placed under enormous stress at peak trading times and is growing in its importance to the retail mix, with changing trading patterns as well as customers evolving to more click and collect. A Kurt Salmon US survey showed that 13% of Christmas orders placed on the cut off date for retailers to deliver for Christmas missed the mark. This clearly undermines performance in all other aspects of the business. Conversely, those leaders with a strong and responsive supply chain and logistics/carrier infrastructure are well placed to invest harder in other performance dimensions such as customer engagement.

Engaging customers during every interaction whether in store, online or via mobile is an area that retailers are looking to develop to ensure consistency and earn sustainable loyalty. Macy's and Nordstrom in the US are often considered as leaders in the space. They have a clear focus on being channel agnostic, providing valued experiences and helping customers to shop whenever, wherever and however they prefer. Nordstrom shows live store inventory levels online and allows customers to collect on the same day as the order.

In the InternetRetailing Elite group of companies, Amazon and John Lewis have been very successful at expanding collection points for customers by utilising existing partnerships such as Collect+ or Waitrose; the partnership with Waitrose has helped to drive the proportion of click and collect orders from John Lewis to 56% of online orders (the first time this has been higher than home delivery). To develop operational capabilities in these areas, retailers need to align the organisational structure, invest in the right technology and ensure the supply chain is fit for purpose.

Setting up an organisational structure alongside operational developments has been key for Macy's, with key owners identified and staff rotating between store and dot.com to enhance collaboration. Macy's also use local buyers to oversee a selection of stores and define a localised offer which dictates the rules for shipping orders from local stores where the product is least likely to sell at full price, thereby using ship-from-store to optimise stock levels and minimise markdowns.

Being able to fulfil orders efficiently is only important once the customer has decided to purchase the product; building customer engagement with the brand is another critical dimension. Engaging with customers via social media is increasingly being used by fashion brands to drive engagement. For retailers with a high proportion of branded hard goods, such as Argos and Amazon, customer reviews form an important part of the decision process and serve as a mechanism to drive customer engagement with the retail brand. The "secret sauce" for the retailer is to identify which areas of focus will make a difference with its customers and to prioritise those areas.

Having clear strengths in one or two dimensions can give retailers a competitive advantage but does not make them a truly great omnichannel retailer. Being able to articulate and execute a clear customer-driven strategy and balance customer engagement with operational capability and consistent delivery – at the right cost – will be the mark of a truly successful and resilient omnichannel retail business.

The IRUK 500 research can also be viewed online at internetretailing.net/iruk.

"Make it so"

From the 19th to the 24th Centuries, from the British Navy to a space ship, a Captain's command – 'Make it so' – has ushered in a non-negotiable, nature-defying instruction to deliver the impossible. As eDelivery Magazine prepares for print, Ian Jindal reflects on the challenges our colleagues in 'retail engineering' face to fulfil the promise of multichannel.

"MAKE IT so" is a phrase popularised by Captain Jean-Luc Picard of the USS Enterprise, an (allegedly) fictional star-ship captain. A rare combination of Shakespeare, Solomon and Lycra, the phrase was most often uttered to the chief engineer or helmsman, indicating that he should crack on without further ado and just implement the Captain's intent. No further discussion, no room for debate, no room for failure. Just make it so.

That the power sources may be depleted, the hull breached, Klingons on the starboard bow – even the regular disruption in the space-time continuum… these minor details were no more than background detail once the Captain uttered those words.

Modern CEOs are not quite as imperious as our time-spanning captains, but the demands being placed upon our operational and supply chain colleagues are barely less demanding than flying through wormholes or circumnavigating the globe without a GPS. Customer expectation, allied to competitive pressures have pushed retailers to a level of demanding performance not seen in our lifetimes.

Ecommerce was initially about 'just getting a website', while the next phase was focused on customer acquisition, marketing, promotion and conversion. We are now ending the first phase of multichannel (where even acknowledging the store estate seemed radical). The current phase of multichannel puts pressure upon the whole retail chain. We want to have more products than ever before, more quickly made available for sale. We expect ever-increasing delivery options for those products, allied to real-time store inventory and near-psychic, zero-cost order management and orchestrations. Warehouses need to be lean and cheap, yet also flex without complaint to absorb the pressures of Black Friday and other peaks. Retail operations need to be able to handle web orders, mobile customers and know everything about everything, while our customer support, service and returns approaches need to be smooth, loyalty-focused and integrated.

The true challenge for our infrastructures however is that we wish fixed, inflexible, complex systems to operate as if they are a marketing project: in beta, fail fast, low cost of testing and a 'good enough' approach. This however doesn't work for systems we depend upon – the systems that underpin the very promises we make to customers and upon which our brand value is built.

The engineering processes and skills with logistics can be made flexible to support and drive multichannel, but the demands upon our professional colleagues are legion. The challenges of changing a live system (rather than a one-off, disconnected project) are significant, the lead times are longer than we'd wish and the number of options and alternatives to consider are exhausting. However, the best retailers – as we see in our Top500 report, bound in with this issue of the Magazine – are managing to not only optimise their capabilities, but scale them too, all while building in flexibility and providing an 'infrastructure as a service' to the business.

It is these professionals who have inspired the launch of our new title, 'eDelivery'. Published as a Magazine, online at www.edelivery.net and 'live' at www.edeliveryexpo.com in March, eDelivery will focus upon the people, then the processes and finally the technology 'behind the buy button'. Focused on the Top500 companies, we will interview, profile and learn from those leaders in supply chain, operations and delivery. We will look not only at the smoothly executed successes of usual case study lore, but focus on the choices, the options, the experiments undertaking on the path to success – a sort of 'laboratory notebook' if you will to help us understand the nature of success in such a complex role – especially at scale, consistently, dependably and at profit!

While eDelivery is a resource for the professionals who fulfil the multichannel promise, we will continue to learn from them so that when the commercial leadership next thinks 'make it so', they understand both the extent of their request and the capabilities at their disposal – and how much further they can push the business as a result.

eDelivery is a free service for qualifying professionals – you can subscribe if interested at www.edelivery.net. Our Linkedin group is growing the conversation on http://etail.li/edelivery-linkedin-group. Suppliers, experts and speakers all meet at www.edeliveryexpo.com on March 25 & 26 at the NEC in Birmingham. Register for your free ticket.

Window on China

Cameron McLean, Managing Director, PayPal UK shares findings from a study into China's shopper behaviour and why the world's second largest economy is now our biggest customer when it comes to online exports.

RESEARCH CONDUCTED by Ipsos for PayPal has shown that online shoppers in China love to buy British. The UK now ranks as the third most popular international market (after the US and Hong Kong) for Chinese online shoppers who buy cross border.

Interestingly, consumers are not looking for a bargain – just 9% of Chinese international shoppers (those who spend more than 10% of their annual online spend cross border) buy online to save money. Instead 63% are shopping online because they are convenience seekers, valuing the time saving and comfort of shopping at home. 18% do their cross border shopping online because they value the extra information available online, which helps them make the right buying choice.

This is promising news. In light of the current Eurozone problems, China could hold the key to unlocking huge growth potential for many British businesses – and without the cost of setting up a physical store in market. According to CNNIC, the Chinese Internet agency, China has 564 million internet users. This dwarfs the UK, which has 22 million households connected to the internet, according to the ONS. Singles Day in China, the world's biggest online retail sales day that took place recently, is a reminder of the monumental buying power of the nation.

The appetite for shopping internationally online is set to grow. Our findings indicate that more than a third of Chinese online adults plan to either start or increase shopping internationally online in the next 12 months.

In China, the most common reason for shopping from abroad is to buy clothes, footwear and accessories. 45% of Chinese cross-border consumers have purchased a product from these sectors from another country in the last 12 months. Cosmetics and beauty products are the second most popular products to buy with 38% of Chinese online cross-border shoppers buying this type of goods from other countries in the last year. Consumer electronics, computers, tablets, mobiles and other peripherals are the third most common purchases and have been bought by nearly a third (31%) of Chinese online cross- border shoppers in the last year.

> "Chinese shoppers are deterred by added fees and delivery costs"

However, to take advantage of this market there are some online pain points that need to be addressed to succeed. Our research showed that Chinese online shoppers are deterred by obstacles like added fees and the lack of guidance offered by some international websites. In all, 52% of all Chinese cross-border shoppers believed that shipping costs prevented them from buying internationally more often.

Concerns about customer duties, fees and/or taxes as well as not receiving sufficient help if they encounter problems on an international website were the second biggest barriers – each preventing 47% of all online cross-border-shoppers from buying abroad more often.

On the flip side, providing a safe way to pay and offering customer support in their language are two website functions that Chinese online shoppers said would encourage them to buy from international websites. 45% of Chinese online shoppers said that the appropriate level of language support would prompt them to do more online shopping abroad.

Ensuring a trusted and secure payment method is available at the point of purchase is another way that businesses can encourage international online shopping. Our research found that more than half (53%) of Chinese online shoppers said that having a safe payment solution in place would spur them to do more online shopping abroad.

In times of global economic uncertainty, it's encouraging to see that online shopping is eroding the traditional notions of 'borders', 'national barriers' and 'travel restrictions' when it comes to cross-border-trade. British businesses can now run global businesses without a store front.

The sheer size of the Chinese online market, combined with a love of British goods means there is huge growth potential for businesses willing to look eastward to grow sales. The key takeaway is to ensure that websites are set up correctly to attract Chinese customers, addressing their concerns when it comes to purchasing online from abroad and giving them the confidence to return again.

European affairs

Brendan Pittaway **investigates the British retail industry's response to European efforts at growing cross-border sales online.**

AS A GENERAL Election draws ever closer, it is a fairly safe bet that one of the issues likely to generate most attention from Britain's politicians, pollsters and population is the lingering idea of the country resigning its membership of the European Union. It is perhaps ironic, therefore, that just as Westminster deliberates over whether to bid Brussels au revoir, the UK's retailers are eager to support attempts by eurocrats to foster more - and more efficient – cross-border ecommerce between the EU's member states.

Furthermore, almost as soon as the ballot boxes have been put into storage once more, the European Commission (EC) is likely to make a decision which could have long-lasting repercussions for retailers trying to grow the amount of goods that they sell to consumers in different countries.

June marks the end of a period in which the EC has been monitoring the response of both to a 'roadmap' published in December 2013 in an attempt to overcome obstacles to ecommerce, problems characterised at the time as "market failures" by Commission Vice-President Michel Barnier.

A note of compulsion was struck too, as the Commissioner warned that "additional measures" might be required if sufficient progress was not made by retailers and their delivery partners in the 18 months allowed.

His comments have been interpreted by some as a threat of regulation, an action which has prompted fears that sales to foreign consumers might be choked. Ray Symons, Head of EU and International Affairs at the British Retail Consortium (BRC), is rather more relaxed. "I don't think that anyone can dispute that there are issues which need to be addressed. However, look at how cross-border ecommerce has evolved and been embraced enthusiastically – especially by British retailers – even with those barriers in place," he says.

"I'm not in a position to speculate as to precisely what kind of proposals the EC will make once this period of deliberation is up but I am optimistic that it will take those decisions which help and not hinder retailers looking to grow business beyond their own borders."

> "Enabling the success of the digital single market – of which ecommerce is a key part – is one of the Commission's priorities in 2015"

POTENTIAL

Werner Stengg is also keen to point out the positives of the project that the EC is engaged in. As Head of its Online and Postal Services unit, he has been at the heart of the Commission's efforts to establish the best way forward for the last few years.

The 'roadmap', he explains, was not just intended for the eyes of retailers but their delivery partners as well. Whilst some post and parcel firms were resistant to the prospect of intervention by Brussels, Stengg says retailers have been quick to see the potential.

"They have embraced what we are trying to do. I think that we share the same objectives, in particular creating a better regulatory and market environment which is more conducive to growing cross-border trade.

"I understand, of course, that getting involved in the small details is not necessarily their natural reflex. They're not specialists in policy, so leave that to others. They really just want to get on with business and sell their products."

It's worth pointing out that, so far, retailers across the continent – and Britain especially - have proved mightily effective at doing just that as a wealth of recent studies have pointed out.

E-Commerce Europe, the association which represents more than 25,000 retailers, has reported that combined online sales for the EU's 28 member states amounted to nearly €318bn in 2013, up more than 14% on the year before.

The UK was by far the biggest single market not just in terms of purchases (€107.1bn) but for sales made online to customers in other countries. Those purchases aren't only made by fellow Europeans. Figures from eBay reveal that UK vendors received orders from more than 200 different countries during 2013, a development which its Director of Cross Border Trade, Murray Lambell, heralded as "further evidence that we're seeing the death of distance".

Major UK retail operations, such as Next, predict that the momentum will not slow soon. It has projected a surge in international sales to more than £150m in the current financial year from £101m in 2013-14. ▶

CHALLENGES

Even so, there are still enough "challenges", as Werner Stengg describes them, to warrant investing time and effort trying to make improvements. In his opinion, better delivery is a critical part of any solution. "There is tremendous diversity in consumer delivery preferences across Europe, in how people in different states receive items that they buy online.

"Trying to come up with a solution that is good for everybody impacts on thinking about whether a Europe-wide approach or more regional freedoms are required."

Whilst the BRC doesn't exactly disagree, there is certainly divergence, according to Ray Symons. "Delivery is only one of a number of issues. Returns are considerably more problematic for retailers because consumers – wherever they are – will be reluctant to buy goods that they can't return easily if they don't like them. It is a real headache because there is an expectation that retailers will absorb the cost of returns.

"The thing which would make the most difference and persuade more retailers to enter the cross-border market is a change in EU consumer law. There has already been an idea floated by the EC which would allow UK retailers to be bound by UK consumer law rather than the law in any country that they're selling to.

"At a stroke, that would make smaller operators without the capability to understand 28 different sets of consumer regulations more willing to dip their toes in the water."

Werner Stengg appreciates the reference. "SMEs", he says, "are probably the critical part of our project. What they want is a single contact point – an intermediary – which takes care of all their logistics problems. That is probably the only way for smaller companies to deal with that complexity."

Reconciling the needs of consumers and retailers is something for which parcel and carrier manager Global Freight Solutions (GFS) has become renowned over more than a decade.

As well as working with a number of major retail brands, Neil Cotty, the firm's Managing Director, reckons that roughly three-quarters of his retail clients are the kind of SMEs whose case is now being argued both by the BRC and by Brussels.

This autumn, the company unveiled GFS Checkout, software aimed at "democratising" the shipping process. Suitable for ecommerce operators of all sizes, it enables smaller retailers to access for free the breadth of delivery options – including international shipments – which only a handful of much larger competitors offer today.

> "There is tremendous diversity in consumer delivery preferences across Europe"

Cotty describes it as being "a mini-revolution" in how vendors, their customers and carrier partners interact. "We set out to develop something which would allow e-tailers to present – simply - a broad range of even premium delivery options that they might not otherwise be able to do.

"It's more than just about giving consumers a bigger menu of services from which to pick. Shoppers often have the kind of negative experiences that both the EC and Westminster have become aware of either because they can't choose a method or speed of delivery that they want or they're not sure about how much it will cost."

It is the sort of support which Ray Symons believes British retailers trying to grow their cross-border sales will acknowledge. As the EC prepares to reflect on the response to its roadmap, Symons feels confident about the outcome.

"I think that the EC has already recognised the need to deal with some of the problems that we've mentioned. If you look at the Commission's work programme for 2015, enabling the success of the digital single market – of which ecommerce is a key part – is one of its priorities.

"The Commission knows that Britain is not just the biggest market but also sells more goods cross-border than any other EU state. I wonder whether that's down to British retailers having more entrepreneurial spirit and more of an appetite for risk than their competitors."

However, that "spirit" in itself, suggests Werner Stengg, is not all that is required. Closer partnerships to benefit the continent's consumers might well still need to be allied to further initiatives out of Brussels to effect a lasting, positive result.

"I agree that you should generally be cautious about public intervention in areas already showing innovation and success. On the other hand, we're looking at cross-border trade which is not as long-established as the various domestic markets. In fact, it's something of a black box, full of unknowns.

"I think that retailers need to send very strong signals to the delivery industry about what they need and expect in terms of services. If those things could be communicated more clearly, that would help in creating the kind of solution that we want to see."

Logistics across the Atlantic

US retailers are looking to the UK as a stepping stone to the rest of Europe. But it's not just retailers that are eyeing up our market. Suppliers, too, see the UK's mature market as a target for their products – from software to logistics services. *Emma Herrod* went to Louisville, Kentucky, home of UPS's global air operations and a growing number of ecommerce companies, to get a view from their side of the pond.

THE US'S largest online flash sales business Gilt has been operating out of Kentucky since 2011 when it moved its warehousing to the state following a period of growth. Chris Halkyard, Chief Supply Chain Officer, Gilt, is happy to cite the closeness of UPS as one of the reasons why it set up its operations here; others are the low cost of land and the availability of workers. In fact, 156 ecommerce companies have now set up their distribution centres close to UPS's WorldPort facility in Louisville.

Gilt was founded in 2007 as an outlet for luxury designer fashion merchandise purchased at sample sales. It has since expanded into accessories, men's and children's clothing, homewares and Gilt City, which offers experiences and deals at establishments such as restaurants and spas in 12 cities across the US. The firm also has a growing private label business. Womenswear and accessories, though, still account for the majority of its business.

The company has seen phenomenal growth over the past 4 years with US publisher Internet Retailer estimating that Gilt has achieved an annual growth rate of 37.1% since 2009. It estimates the company's turnover in 2013 was $600m, up from $550m in 2012. It ranks 54th amongst US retailers.

Halkyard explains that Gilt has nine million members and ships to 180 countries as it sets its sights on growing international markets, a path it set out on just 18 months ago. International sales account for 10% of its business, with Canada, Russia, Korea, the UK and Australia all becoming good markets for the company.

As well as flash sales, it holds full price sales to highlight a retailer or brand to its customers plus site takeovers where it will run another company's site.

Rather than operating a business model in which product is drop shipped from original suppliers (although this does happen occasionally), the company holds stock and fulfils the majority of orders from its automated warehouse near Louisville. Inbound supply chain is contracted to a freight forwarder so Gilt can "extend our four walls throughout the country and the world," says Halkyard.

Goods in are mainly less than truck load but they all go through the same process of checking that the product matches the purchase order and the quantity is correct, barcoding for identification (using UPC barcoding as much as possible), receipted and then put away in a location dependant on what the sell-through rate is expected to be.

The company holds 150 sales a week with new products on offer each day. From goods in to the start of the sale is usually 2 weeks, says Halkyard. Sales start at 12 noon and each averages 25,000 orders a day with 88% of these shipped within 24 hours.

Staff are cross trained so they can work inbound and outbound. To help retain staff – there is a lot of competition from other retailers and businesses in the area, including UPS – Gilt tries to make its warehouse a great place to work. "We can't afford to be the highest payer," he says.

Gilt operates a goods-to-person fulfilment operation with 256,000 pick locations across a 3-level pick model in its 303,000sq ft warehouse. The facility is set up to "get product within feet of a human," explains Halkyard. High volume items are located closest to the packers. If they are small, they are located in mobile pod shelving which can be picked up and carried to the packer by one of the robots developed by Kiva Systems; the packer simply tells the system that they are ready to pack an order that requires one of the items contained on that shelving rack. Separate tote boxes on the induction conveyor system carry each order to the pack station, and since items are scanned, the smart conveyor knows where each tote needs to go.

A central computer keeps control of the Kiva robots which continually relay their location as they pass over and scan codes set

out on the floor. Halkyard explains that Gilt tells Kiva where product is and how many; Kiva decides the rest so that it's optimised with the robots moving themselves to any of the 7 pick locations as the products they are carrying are needed. The robots don't see people and they'll recharge automatically when needed, he explains. The packer checks all totes against the order and has to then decide how best the orders should be packed.

> "The robots move themselves to any of the 7 pick locations as the products they are carrying are needed"

Gilt's average order is fewer than 2 items. Once packed, the box goes to the manifest area where its barcode and label are scanned to provide information for the shipping label.

Kiva has been used by other large US retailers including Gap, Staples and Saks. A company that liked the system so much that it bought the company was Amazon: in 2012 it paid $775m for Kiva Systems, which now operates as an Amazon subsidiary.

Anticipating future expansion, the Gilt facility is larger than the business currently needs so it operates fulfilment for sports apparel flash sales site The Clymb.com. Gilt is also in discussion with other retail companies to offer the same services.

As with other online fashion retailers, a large percentage of Gilt's goods are returned and because it does not replenish stock it operates a wait list for customers wanting to buy items that sell out in the initial sale. It also has a full dry cleaning facility as part of its returns process and for use before items are photographed in its creative studio. ▶

EUROPEAN EXPANSION

Since making retail one of its top priority industries, UPS has announced that it is expanding its network of Access Point locations and self-service lockers across the US and Europe, upping the number from the current 12,000 locations in 7 European countries to 20,000 locations in key markets throughout Europe and the Americas by the end of 2015. UPS Access Points include the network of 7,000 locations set up by Belgium company Kiala, which UPS bought in 2012.

In a bid to reduce the level of failed first deliveries in Europe, UPS has also launched its UPS My Choice service. Already in use in the US, My Choice notifies registered customers of when their package will be delivered and enables them to reschedule delivery or reroute it to another address – including an Access Point. The service has been rolled out to Austria, Belgium, Canada, Denmark, France, Germany, Italy, Mexico, Netherlands, Poland, Puerto Rico, Spain, Sweden, Switzerland and the UK.

UPS HUB

The UPS WorldPort air hub is close by so parcels do not have far to travel before they are on their way to customers. In fact, orders can be fulfilled late into the evening with shipping from 10pm, 11pm or even midnight.

WorldPort is the centre of UPS's global air operation. On a typical day, it handles 1.6 million packages from 125 UPS aircraft arriving at Louisville International Airport. The planes are unloaded, packages sorted and then reloaded ready to depart for domestic or international destinations before the night is out (2am is the busiest time for flights in and out of WorldPort). The highly automated, 5.2 million sq ft facility, which is the size of 90 American football fields, has seen $2bn in investment and now has 155 miles of conveyors and 546 tunnel cameras and can sort over 400,000 packages an hour. People only handle the packages as they are loaded into the facility when taken out to a waiting airplane or lorry. WorldPort is also a bonded facility and has the world's largest customs clearance area.

Kurt Kuehn, CFO, UPS, explains that it has a good appreciation of the growth of ecommerce and the opportunities that international markets offer retailers and UPS as a logistics company. It has been investing aggressively to stay ahead of the capability and capacity that the retail industry requires of it, not just as a carrier but as a partner that is becoming increasingly entwined with retailers' operational processes through 'end of runway' capabilities such as warehousing and order fulfilment.

He believes that over the next ten years retailers will have a greater focus almost entirely on emerging markets as global B2C become increasingly significant. "The world is becoming smaller and more connected," Kuehn says.

"We need to make sure that we maintain flexibility and adaptability into the future," he says, explaining that the company can then, with its 107 year pedigree, remain an island of stability to help customers make the most of business opportunities.

Kuehn explains that UPS sees a lot of movement of goods within Europe but much less going from the continent to the rest of the world. His view is that "politicians and business people should work together to allow this to be fluid and increase the competitiveness of our economies".

UPS is helping to do this through CEO David Abney's participation in President Obama's Export Council, which is negotiating trade agreements such as the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the US in order to reduce friction and barriers to international trade on both sides of the Atlantic. Although, as Abney points out, for UPS, "exports from any place is good".

Independent research by the Centre for Economic Policy Research shows that TTIP could boost the EU's economy by €120bn mainly from cutting red tape and greater coordination between regulators.

Abney comments that while there's a healthy trade between the US and EU at the moment, one of the most frustrating things is that many of the regulations on both sides of the Atlantic are very close to being the same. "Some of our regulations and inspections are so close to being identical or almost there but because they aren't recognised on the other side of the Atlantic you can end up doing dual inspections," he says. "It's a huge opportunity for both sides of the Atlantic," he adds.

Although big companies have the resources to handle the current regulations, they would like some of the tariffs removed. But it's the SMEs that can't handle it. Abney says: "They don't have the resources to cope with meeting two sets of regulations and understand what you can do where." Currently, only 1% of US SMEs are exporting and they are mainly exporting to neighbouring Canada because it offers the simplest export opportunity. "In Europe, it's more like 13% that are exporting outside of the EU."

With retailers around the world looking to new markets, everyone needs to watch their own proposition in their home market as well as competition from abroad while also taking advantage of the huge opportunities that new markets afford. So just as you get your home foundations in order, it's time to look for new challenges – and challengers – ahead.

The Future of Shopping: A Geographical Perspective

Katie Paterson, of Flipit.com takes us on a tour of what omnichannel means around the world.

A DECADE AGO, you could have been forgiven for thinking the future of brick-and-mortar stores was bleak – apocalyptic, even. The internet brought global change to the world of shopping that implied the future was entirely digital. However, the concept of constant connectivity to the web – via smartphones, tablets, PCs and more – has become so thoroughly normalized across the globe that the online and offline worlds are merging to produce an omnichannel shopping experience for the modern consumer. Businesses now seek to combine the wide variety of choice and competitive prices available online, with the pleasure of a more traditional, personalized one-to-one shopping experience available in stores, in the hope of producing the ideal shopping environment for their consumers.

So, what does the future of contemporary culture's favourite pastime look like exactly? And is shopping taking a different direction from one geographical region to the next, or are we seeing a more general trend occurring worldwide?

SINGAPORE: EMBRACING DIGITAL

Singapore may be geographically small, but with one of the world's most advanced free-market economies, Singaporeans are big consumers. The island has even been described as 'one big shopping centre' thanks to the huge number of shopping malls which carve out the landscape. These malls function as the perfect shelter from the tropical elements, whilst providing a comfortably air-conditioned space for residents to partake in the two daily activities they love best: shopping and eating.

Over the last five years, Singapore has experienced a dramatic increase in online shopping, as the rate of smartphone penetration has soared to 90% in this digi-savvy region: since 2009, online spending figures have more than tripled. But what effect has this influx of ecommerce had on the Singaporean landscape?

Interestingly, despite wholeheartedly embracing online shopping due to their national penchant for all things tech, Singaporeans haven't neglected brick-and-mortar stores. Instead, shoppers have sought out omnichannel services in order to make room for their beloved shopping mall experiences.

Lachlan Gyde of EC Harris Retail observes that Singapore boasts the sort of environment which will never be negatively affected by rising ecommerce, as "provided people still seek social interaction and engagement then malls will remain as a key shopping and socializing platform". Singapore's shopping malls are therefore sure to remain safe, as despite becoming more and more immersed in ecommerce, residents continue to embrace malls as a sacred space for eating, socializing and, of course, escaping the weather.

As Singaporeans appear to have embraced both online and mall shopping, the future is set to involve a high level of cross-channel adaptation on the part of retailers. Shingo Okamoto, head of E-Commerce at retail giant Rakuten states that "to thrive retailers must develop a cross-division collaboration culture, one which sees online and offline sales as complementary and intrinsically linked and develops a shopping experience based on these multi-channel findings." A great example of this already occurring is the interactive 'magic mirror' option available at Jurong Point shopping centre, which allows you to virtually try on items and combinations on a life-sized screen.

AUSTRALIA: GOING LOCAL

With an estimated growth rate of 12.6% per year, Australia's ecommerce is growing fast – online spending has now reached $15.9bn, putting Australia comfortably within the top positions worldwide. However, much of Australia's success in this area can be attributed to their unusual internet taxing system, which sees GST wavered on international imports under $1,000 AUD, whereas a 10% tax is imposed on all online transactions within Australia.

> "Plans have been put in place to begin taxing international transactions as well as those made within Australia"

This is all set to change within the year, however, as plans have been put in place to begin taxing international transactions as well as those made within Australia. Despite the inevitable dissatisfaction this new taxation has provoked in consumers, retailers are confident that Australians will only benefit from these changes. They predict that giving online shopping a more local focus will boost jobs, increase revenue (estimated net $1bn each year) and create a space in which more time and money can be spent on creating more innovative omnichannel shopping experiences that will improve local brick-and-mortar stores. Local retailers are hoping that as a result of the new taxation, shoppers will be discouraged from buying so frequently from overseas via the internet, and begin contributing more to Australia's ecommerce market on a national level.

Paul Greenberg of the National Online Retailer Association predicts that omnichannel services are the next step in Australia's e-retail evolution, as the nation is predicted to make the most of being forced to 'go local.' "There's a real sense that the new honeypot of Australian retail is an intersection between physical and digital," Greenberg observes. "Any retailer in Australia that has responded to customer needs in offering them multiple platforms will do very well."

An indication that plans for new omnichannel services are already underway can be seen at the AOPEN Gen 2 Retail Evolution Lab in Melbourne, where a variety of interesting new innovations that are set to hit Aussie stores soon are on display. For example, electronic labelling, digital mirrors with virtual dressing options (as seen in Singapore) and interactive, touch-screen window displays. Stephen Borg, CEO of AOPEN predicts that this is the start of a new chapter for retail. "Stores as we know them will not disappear in the future" he states, "instead, they will integrate technology to add value to the in-store experience, as consumers now expect to be engaged in an interactive way."

INDIA: CRAVING OMNICHANNEL

Despite not making it into the top 30 of last year's Global Retail E-commerce Index, India is currently experiencing huge changes that suggest ecommerce is in the process of taking off. Online shopping has been slow catching ▶

on for a variety of reasons: internet access is limited, connectivity is slow, and credit card penetration is low. The experience of shopping online hasn't been too positive in general for Indians due to insecure payment options and logistical issues involving delivery. Roads can be rough, and India doesn't have a standardized address system, so finding the location for delivery relies heavily on the local knowledge of the courier and the presence of notable landmarks for orientation.

Last year, Debashish Mukherjee, a partner at AT Kearney warned that a more mature approach towards providing a multichannel retail experience was needed among Indian online retailers in order to nurture the vast potential for ecommerce growth: Enter, Flipkart and Amazon. These two retail giants have been battling it out to become the first to innovate and find new ways to overcome the obstacles that India's consumers are continually met with, in the hope of improving ecommerce sales. Now, options such as cash payment on delivery, swipe on delivery, and a variety of different delivery address options are available. Perhaps the next step for India could even involve a geo-location delivery feature, rendering address systems obsolete – who knows!

Internet penetration is currently growing in India at an annual rate of 43%. 900 million people have mobile phone subscriptions, but currently only around 10% of those use smartphones. This suggests that ecommerce is set to experience a whole new level of growth when the Indian population begins shopping on their phones. In fact, the rate of mobile internet users in India is set to grow by 84% within the year, as affordable smartphones such as Google's Android one and the Xiaomi Remni 1S have just entered the market.

> "Flipkart and Amazon have been battling it out to overcome obstacles met by India's consumers online"

BRAZIL: SOCIAL DICTATES

Online retail has tripled in the last four years in Brazil - boasting an estimated worth of $31bn in 2013. According to AT Kearney, Brazil hosts the perfect environment for retail development due to its growing middle class, controlled inflation, sustained economic growth, and continued economic and political stability, which has encouraged consumer and investor confidence.

Brazil currently occupies the top position of the AT Kearney 2013 Global Retail Development Index. More than half of the 195-million-strong Brazilian population now have internet access, with around 40% of those making online purchases, meaning ecommerce growth rates are predictably high. As Latin America's largest online retail market by a long way, Brazil's ecommerce is expected to reach $35bn in 2018.

But what is Brazil doing differently? Like we have seen in the US, Brazil's main innovation is the overwhelming contribution of consumers in dictating the success of businesses. Social media is huge there: 87% of Brazil's internet users are active on social media (world average is 70%) and Brazil is a close 2nd after the United States for having the largest national network of Facebook users in the world. 30% of those active on social media follow brands and businesses on social networking sites, making this the optimum platform for brands to represent themselves and their products.

The result of this utilization of social media to drive ecommerce sales is that consumers become active collaborators in the promotion of businesses and their goods - a positive social media presence is crucial to brand credibility. This is reflected in the huge prices that businesses will pay independent bloggers to write about their sites. Blogging is big business in Brazil, with agencies invoicing merchants around R$1,800 ($740) per advertorial, R$650 per tweet and R$500 per Facebook post.

As it is with any instance of evolution, it's clear that the future of shopping is a case of survival of the fittest. Keeping up with trends is always top of the agenda where consumerism is concerned, and in a digital environment where knowledge is literally at your fingertips 24 hours a day, it's inevitable that consumers are innovating faster than businesses. Businesses need, therefore, to communicate with and most importantly learn from their customers to stay ahead of the game. As Google's SVP of commerce Sridhar Ramaswamy observes, the survival of certain stores relies heavily on their willingness to interact with customers, adding that "retailers who aren't there to supply the right information when people raise their virtual hand will lose out".

The blurring of online and offline worlds; of the digital and in-store experience, is opening up a whole new space for retailers worldwide which should be taken advantage of in order to push the evolution of shopping into its next phase. Regardless of geographical location, it's clear that shopping is moving in a similar direction: the future is omnichannel.

Into the unknown

The Chinese market is massive with a growing number of affluent consumers eager for Western products – but persuading them to buy at home rather than take a shopping trip to Paris may not always be easy. *Penelope Ody* **investigates.**

WITH ALMOST 1.4 billion potential customers and year-on-year ecommerce sales growth expected to reach 27.9% this year, taking the total for online shopping alone to 2.36 trillion Yuan (£240bn), it is hardly surprising that many UK retailers are eyeing the Chinese market with interest.

By 2017, iResearch also suggests that total Chinese ecommerce sales – including B2B and online travel – will have hit 21.6 trillion Yuan (£2.23trillion). On Singles Day in 2014, Alibaba alone reported sales of more than 57 billion Yuan (£5.9bn) and shipped 278 million orders – rather more than 2 million an hour for 24 hours – with 43% of them placed on mobile devices. Such numbers are hard to visualise and an obvious carrot for Western retailers faced with slow growth at home.

The market is clearly attractive, but the practicalities of selling to China can be rather more daunting. While shoppers in the major population centres, such as Beijing or Shanghai, may be familiar with the better known Western brands, move to secondary cities and the leading names will be virtually unknown. Add multiple languages, a high level of counterfeit products and a consequent lack of trust that goods will really be authentic, significant customs problems, government controls on import quantities, the need for a business licence, very different demographics and a looming tax issue and successful Chinese operations clearly have their challenges.

> "Leading western brands are virtually unknown in secondary cities"

Stuart Hill, CEO and Co-founder of wnDirect, was head of international operations at ASOS until 2012 and well remembers some of the issues the business faced: "The Chinese had no real concept of B2C customs clearance," he says, "so quality control restrictions at the border could be very stringent, which meant that when the garments finally arrived customers often found they had had holes cut in them where the fabric had been taken for testing."

Earlier this year wnDirect joined forces with Chinese digital marketing agency, Web2Asia, to establish a storefront on Tmall and a Chinese legal entity allowing UK retailers to quickly establish a Chinese web presence without worrying about a business licence, customer services, content management, customs issues or logistics. "This is the first development for our wnOnline go-to-market operation," says Hall, "and it is the fastest growing part of our business. We already have live users and are talking to 25 retailers about setting up. There have been a few problems – especially with health foods delayed in customs – but generally using China Post goods can be delivered within five or six days."

The health food issues – concerning sale of food supplements and multivitamins – reflects Chinese concerns over counterfeit products following "milk scandals" back in 2004 and 2008 when adulterated infant milk powder led to numerous deaths and more than 54,000 babies being hospitalised. Fake products are also a problem for many Western manufacturers producing in the country: designs are copied and sold as the genuine article on local marketplaces – much as 'cabbage' (extra garments made from economical use of fabric that were in addition to the contracted volume and were kept and sold illicitly by manufacturers) was an issue in the British cut and sew trade back in the 1970s.

COUNTERFEITING

"Intellectual property violation is a huge problem in China," says David He, consultant with Kurt Salmon. "Western brands manufacturing in China have to employ their own quality control staff in the factories to ensure that designs are not being copied using poor quality materials for local distribution. Fakes often end up in secondary cities where local governments have no interest in controlling intellectual property rights and where consumers do not recognise the brand, so have no idea what standard the goods should be made to."

As well as ending up in cities such as Chengdu, Jinan or Nanjing, counterfeit goods are also frequently sold on Taobao. "It is especially a problem for luxury brands,"

says He. Last year Louis Vuitton signed an agreement with Alibaba to ensure that Taobao would "proactively take down" product listings of any suspected counterfeit LV products. The move followed a high profile police raid in Guiyang where the authorities confiscated more than 6,000 fake items – mostly branded as Louis Vuitton or Gucci – worth more than 81 million Yuan (£8.4m). The bags reputedly cost around 100 Yuan to produce but were being sold for more than 1,000 Yuan with customers accepting them as the genuine article.

There are also high tariffs on luxury goods entering China: "There is a 40% premium on goods," says David He, "so the Chinese only buy a third of their luxury goods in the mainland. It is cheaper to go to Hong Kong or fly to Paris to buy them." A high end handbag costing, say €6,000 would be €10,000 in a Chinese store and, as He also points out, "there will probably be a two year waiting list of the item".

Buying online as an alternative also presents challenges. Apart from the perceived very high risk of buying a fake, shoppers also need to provide a copy of their ID card before their order can be delivered. This needs to be scanned, uploaded and sent to the customs agent or logistics company; failure to do so means that the goods will not be delivered and it can be difficult for retailers to arrange their return. "There are also issues with genuine goods being swapped in customs for fakes," says Asif Khetani, Director of E-commerce at BT Expedite. "It means that many Chinese customers are very sceptical about ordering online so the Alipay system used by Tmall and Taobao is preferred."

This is an escrow system with customers able to verify that they are satisfied with their purchases before the money is released to the seller. Alipay is said to account for at least half of China's non-bank online payment market.

For UK retailers hoping to sell to China a shopfront on Tmall is the usual starting ▶

point, but many will face major challenges in creating brand awareness and trust. Cath Kidston, a BT Expedite customer, for example, has opened half a dozen shops in China all in either Hong Kong or Shanghai. These are obvious places to start and prime city locations, but will have had little impact on raising the brand profile elsewhere. "Affluent Chinese like branded goods and want to purchase them direct from the retailer," says Khetani, "and not from a marketplace where counterfeits could be common. Our customers want to establish bricks and mortar sites to help establish their brands."

The usual route is joint ventures with Chinese companies or franchise operations to simplify the legalities and business licensing issues. While opening in key cities seems to have been highly successful for brands such as Kidston, David He believes that bricks and mortar operations will be far more difficult if companies want to expand into the secondary areas: "Staff can be a major problem," he says. "Luxury brands want to deliver good customer service and there is often little understanding of what that means. Wages are also rising – last year, for example, more than 60% of foreign companies reported increases in their wage bills of 5-10%." Equally challenging can be managing in-country stock levels: demographics and tastes are very different from Europe and with no outlet malls to offload last season's rejects getting rid of surplus stock can be expensive.

> "Alipay is said to account for at least half of China's non-bank online payment market"

LANGUAGE

For those preferring to focus purely on online sales, language used on the website can also be a challenge. In theory, despite the dozens of official and indigenous languages, most Chinese should be able to read Mandarin characters. However, while "Simplified Chinese" is standard in the mainland, Hong Kong, Taiwan and Macau retain the use of the more complex "Traditional Chinese" characters. Since Cantonese is spoken in Hong Kong, there is also a tradition of written Cantonese and a number of additional Mandarin characters not used on the mainland. Those UK e-tailers which do attempt to translate their websites into Chinese generally seem to use a mixture of English and "Simplified Chinese" and obviously hope that most customers will cope.

Compounding some of these difficulties is the Chinese government's attitude to foreign imports and its preoccupation with protecting local brands and businesses. Concerns over the resale of imported goods, for example, mean that wnOnline's Tmall storefront will decline any order for more than four items of the same SKU as Chinese customs will regard the order as wholesale and it may be unlikely ever to emerge from the customs shed. State media also emphasises any criticisms of Western products – as with recent iPhone problems – to encourage customers to buy Chinese goods instead: Xiaomi is now the largest smartphone supplier in China and the third largest worldwide. The authorities also regularly delay granting permission for Western products to be released in China, so giving local companies plenty of time to copy the item and beat the original to market.

Alibaba, which dominates the Chinese market, focuses on local companies for its marketplace and, like other Chinese websites, has the added benefit of not charging sales tax. "That makes it low cost," says David He, "and so it is cheaper to buy online. However, this is going to change as the government is not happy that the $9bn worth of goods sold by Alibaba on Singles Day was untaxed." A new ecommerce tax would increase prices online and could encourage a return to real world shops in some areas. Another current advantage for Alibaba is that they will accept returns whereas bricks and mortar Chinese stores will not. "When you buy in a shop nothing can be refunded," says He, "but online you can return goods and that can be another problem for Western websites."

Sending goods back to the UK can be expensive and difficult so Chinese customers are more likely to try to resell the goods on Taobao.

For high end retailers, given concern over counterfeit goods, establishing a bricks and mortar presence in major Chinese cities may be the only way to build consumer trust, while shipping online orders direct from the UK helps to emphasise that the items are genuine. For others, a Tmall presence may be adequate in both the short- and long-term – although making sure that orders comply with local regulations is essential if they are ever to reach their destination. As for expansion beyond major cities – that would seem to demand a rather hefty investment in brand promotion for a rather questionable return.

Caveat emptor? Perhaps would-be sellers to China need be equally cautious.

International: mobile first

With the rise of m-commerce and internationalisation, *Paul Skeldon* looks at why having a mobile first approach is now a must for any retailer with their sights set on growing their business.

2014 HAS seen two trends emerge in ecommerce, trends that are set to continue to grow and impact retailers in the year ahead: the rise of mobile and the growth of international business fuelled by the ubiquity of the web.

These two trends are strongly entwined. In many parts of the world – and not just the developing world – mobile is increasingly the first port of call for internet access for a growing number of consumers.

A study by Digital Strategy Consulting early in 2014 found that 60% of global mobile web users now use mobile as their primary, and often only, means of going online. The same research suggests that 83% of them were planning to shop on them during 2014.

eBay has found that, in 2014, 48% of all purchases across all its 30 global sites have been touched by mobile in some way. Further research around usage for mobile this Christmas by Peerius tends to back this up, with more than half of Black Friday traffic coming from mobile devices.

WHERE?

Free to roam the wild web and hungry to shop, these mobile shoppers are coming to websites outside of their homelands. A massive global research project conducted by Neilson for PayPal in 2014 found that in 2013, the combined cross-border mobile shopping markets of the USA, the UK, Germany, Australia, China and Brazil are already worth $36.4bn – accounting for more than a third of all cross-border online shopping in these markets.

By 2018, their total value will have increased nearly threefold to $106.4bn. Across the surveyed markets, almost eight out of 10 (76%) cross-border shoppers said they wanted to make more mobile purchases, transactions and payments in the future.

This cross-border, mobile shopping seems to have taken hold most dramatically in China, where 14 million cross-border mobile shoppers currently make up nearly 78% of the total online cross-border shopping population. Together, Chinese mobile shoppers spent $16.7bn in 2013: almost half the value of all cross-border online sales, according to the PayPal/Nielsen research.

By 2018, there will be almost twice as many mobile cross-border shoppers in China, spending $55.2bn on overseas websites via their mobile devices. Moves by the uber-mobile friendly Alibaba online marketplace to establish a toe hold in Europe and the US is going to help speed this process – not least as western Marketplaces such as eBay are making the internationalisation and mobilisation of their platforms a priority.

In the other emerging markets such as Brazil, mobile shopping sales are currently more modest and clearly in their early days. With an estimated annual growth rate of 53% over the next five years, higher than any of the other markets surveyed, the value of Brazil's mobile cross-border transactions is estimated to increase more than eightfold to nearly $2.5bn in 2018.

In the future, then, more consumers than ever will be shopping and paying for goods from overseas on their tablets and smartphones. That means more opportunities for businesses around the world, whose online presence automatically opens doors to a global customer base.

It also underlines the importance of developing websites or apps that are optimised for mobile devices and offering an international friendly service is key. In fact, according to PayPal/Nielsen, eight out of 10 cross-border shoppers value a mobile-friendly website for shopping and payments, with the highest response from China and Brazil.

> "Eight out of 10 cross-border shoppers value a mobile-friendly website"

HOW?

So how can you go about tapping into this demand? Well the struggle to mobilise ecommerce is a challenge still faced by many organisations – the InternetRetailing UK Top 500 research (distributed with this issue of the magazine) shows that: 349 of the top 500 retailers scored 2 out of 12.5 points for mobile, only 103 had iPad apps, and only 156 had iPhone apps. Is this simultaneous internationalisation a bridge too far?

According to eBay the two things go hand in hand. "We see 48% of sales being touched by mobile, a growing amount of international sales and a vast amount of mobile-only shoppers all coming through at once," says Jonny Gabbai, international Head of Mobile at eBay. "Tapping into these is crucial for ecommerce growth."

However, doing so is a double challenge. Right now, early adopters are coming to your UK retail site from overseas on their smartphones and are probably prepared to put up with it being anglicised to some degree. To tap into the real mainstream international market you need to make your site something that works for all. This is the hard bit.

Language, shipping, pricing and currency conversion are all massive issues, which require, in extremis, the complete rebuilding of your site to suit each market.

If you are a large business then you probably need to translate your site into the target languages that you are seeing your customers using. "After all, winning sales abroad is all about gaining foreign buyers' ▶

trust and you can only do this with a quality online presence," says Laurent Doggett, senior VAT consultant at Accordance VAT.

Be careful though. "If, like most e-tailers, you use a software programme to list the items offered by your company, it is important to make sure that all the information has been translated properly within the listing tool," he warns. "Further, it is important to consider that items for sale will need to be associated with specific phrases and key words to get noticed. Although there are low cost solutions to machine-translate your listings, incorrect translation can lead to negative feedback or damage your brand."

While translation is complex and risky, there are ways around it – particularly if you are at the early stages of developing an international mobile strategy. Pictures paint a thousand words goes the old adage, and so good images and simple product description can be enough – certainly to start with.

Shipping, pricing and currency conversions can also all be handled increasingly by plug-ins to your back end if you use one of the main platforms. If you have your own platform, your IT staff can probably build this in. The key is to build it in when developing your mobile strategy so that you think from day one, not just domestically, but internationally.

Payments, however, is a big barrier to both mobilising services and going international and the nexus of the two is where the real issues lie. According to research by electronic payment specialists, The PPRO Group, UK businesses no longer focus solely on domestic customers; over half of respondents showed interest in attracting international customers. However, only 55% offer different payment options for those overseas, which shows a clear disconnect between the customers they're hoping to attract, and those they're facilitating.

> "Mobile should be planned into a retailer's international strategy from day one"

Tobias Schreyer, co-founder of The PPRO Group commented: "Online stores need to ensure that any potential barriers to customer satisfaction and revenue are addressed before investing in attracting international customers to their site. So often, the payment stage of the process is overlooked, and when dealing with international customers, this element is key. Through most PSPs, it can be as simple as ticking a box to accept international payments, which would ultimately open them up to a wealth of business from outside the UK."

MARKETPLACES?

eBay's philosophy is that all of these issues can be avoided by using marketplaces such as, well, eBay. Particularly for the smaller and mid-sized retailers, eBay can be a great place to start. It has deep pockets and huge international reach and so has done all the development work on mobilising and internationalising its site(s), explains Gabbai.

"Most mobile-only users in other parts of the world are using m-web to shop and hence are finding international retailers' websites – having it optimised for mobile is crucial. And we have done that piece of the puzzle. And with PayPal we also have a global mobile payment solution that is simple to use and avoids the issues different cultures have with different payment tools."

He may well be right. The march of China's Alibaba – and its AliPay mobile payment tool – shouldn't be ignored. When the Chinese marketplace looked to float in the US, its prospectus mentioned mobile no fewer than 250 times. It is coming to a phone near you in 2015 so can you afford not to internationalise your mobile offering?




Loving UK retail

There are currently 2.9 billion internet users in the world and of those an increasing number are shopping online not just from retailers in their own country but also across borders. *Emma Herrod* **looks at what this means for UK retailers.**

ONLINE RETAILING around the world is expected to grow 16.5% annually between 2013 and 2020 outstripping the Compound Annual Growth Rate of global GDP at 3.7%. Of course the growth rate of online retailing will alter by individual country with more mature markets growing at lower rates than those in developing markets. However, global cross-border online sales are predicted to grow at the even higher rate of 26.6%.

Research by delivery company Hermes found recently that 84% of French shoppers have ordered from a retailer's website in another country, compared to 67% of the German population, while Pitney Bowes believes that overall 40% of online shoppers have shopped online from another country.

According to the 2014 Pitney Bowes Global Online Shopping Study, the US, UK and Germany are the most desirable e-destinations for consumers to purchase goods online outside their own country. As a result, retailers based in these countries are in a great position to tap into this trend to expand their reach to global buyers. Australians are the most likely to buy products online from retailers outside their own country (63%) followed by Canada and Russia (both 54%). Surprisingly, shoppers in South Korea (21%), China (19%), and India and Japan (both 15%) ranked highest in believing they can only purchase goods online from retailers in their own country.

Showing the reach of UK brands, the Hermes research also found that well over a third of German and French shoppers have bought from the UK, with the country beating China and the US to top the poll. When looking at a wider survey group of online shoppers from 22 countries, the PayPal research put the UK as third most popular shopping destination for international online shoppers – after the traditional exporting powerhouses of the US and China. Some 17% of global online shoppers buy from the UK, compared to 18% from China and 26% from the US. Whichever way you look at the results it's good news for the UK.

> "Well over a third of German and French shoppers have bought from the UK"

Chinese consumers are the biggest online buyers of British goods, followed by those from the US, according to the PayPal analysis and Ipsos estimates. The analysis found that 25% of cross-border consumers buying online from UK retailers are from China, while 18% are from the US.

For Chinese shoppers, the most common reason for shopping internationally online is to buy clothes, footwear and accessories. Some 45% of Chinese cross-border consumers have purchased a product from these sectors from another country in the last 12 months.

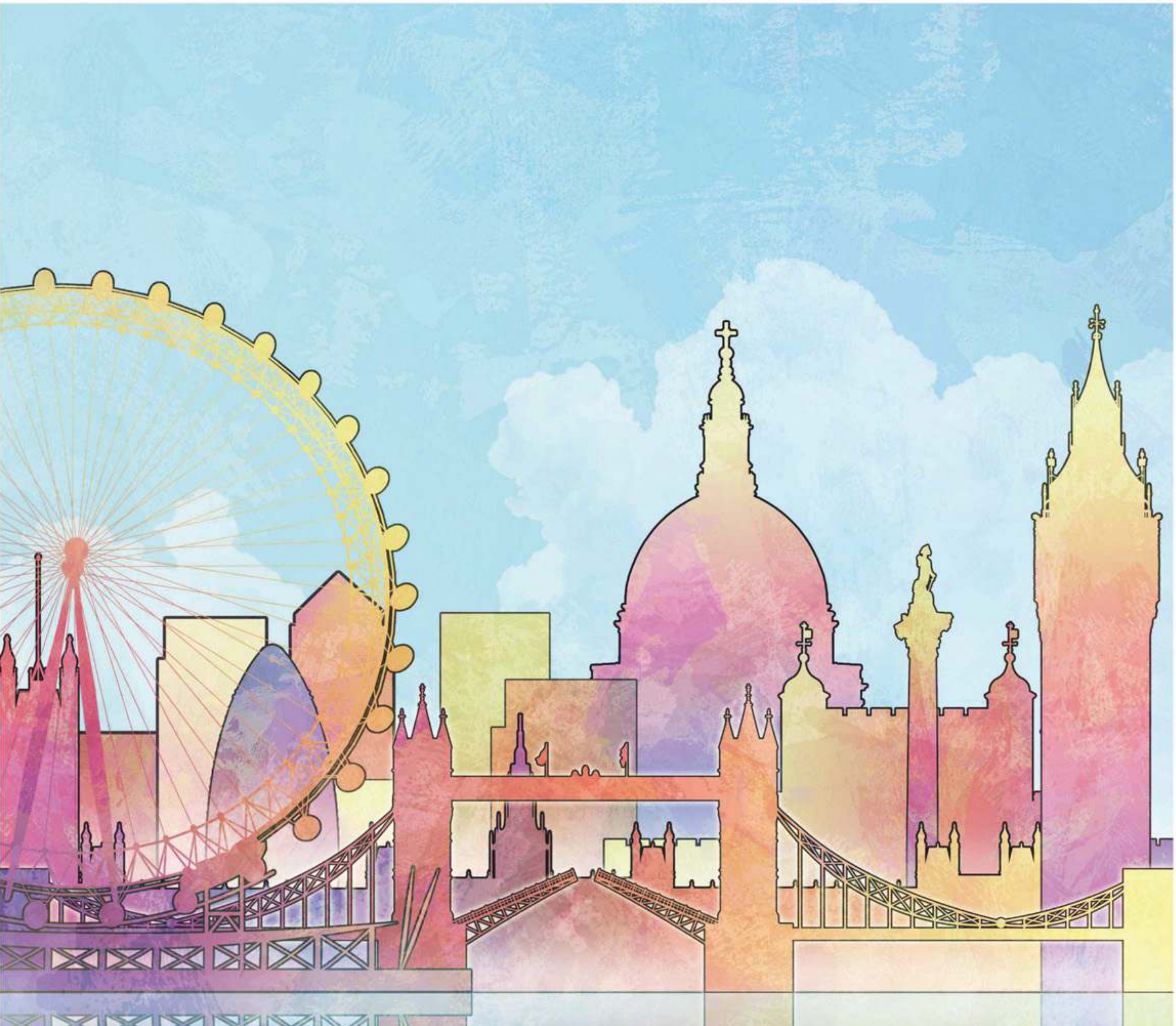
The Americans too are attracted to clothing, footwear and accessories retailers when shopping internationally online. Some 34% of US cross-border shoppers surveyed had bought these products from abroad in the past 12 months. Toys and hobbies and travel and transportation are the next most popular reasons to shop online internationally, with 18% of cross-border consumers buying from each of these groups. Jewellery is a close third at 17%. Four out of 10 online shoppers from the US said that free shipping would make them more likely to shop online internationally. Meanwhile, 29% of online shoppers said that free return shipping, lower overall item costs and providing a safe way to pay would encourage them to shop more online from abroad.

EXPANDING INTO NEW MARKETS

However, when it comes to accepting and fulfilling orders to shoppers in other countries, or offering the same services as you offer at home in those countries to seize the opportunities of an emerging market, there is more to think about than simply localizing – a subject that InternetRetailing has covered extensively in the past.

Most global retailers are continuing their push into developing markets, although there have been some notable retail contractions in the past year according to AT Kearney's annual analysis of the growth of retailing around the world.

Hana Ben-Shabat, AT Kearney partner and GRDI co-author, said, "In our analysis



we found that there were fewer emerging market expansion retail failures than in years past. Global retailers have learned from past mistakes and have become much more adept and successful with their emerging market expansion strategies. Ecommerce is also helping with global expansion as retailers are able to test a market and build their brand through ecommerce before they expand with brick-and-mortar stores."

Walmart has pruned its portfolio in China and Brazil and Tesco took a more cautious approach to China, she explains. Several companies have also announced that they are abandoning their Russian operations because they are scared of the impact of the 'war of sanctions' between EU, US, and Russia, and uncertain about the effects of the steepening inflation.

Fashion brand New Look has pulled ▶

out of Russia and Ukraine given the political uncertainty, although the rest of its international expansion programme is progressing according to plan. Fourteen stores are now trading in China and New Look is on track to have 20 stores in the country by year end, alongside its online presence which it established through an Alibaba owned T-mall site. The company's roll-out in Poland and Germany continues on schedule.

"It is amazing how much has changed in a year," comments Professor Kamel Mellahi, Professor of Strategic Management at Warwick Business School. "A year ago most key indicators were suggesting that New Look was going to escalate its commitment to the Russian market. Its operations were profitable and therefore it had sufficient financial slack to accelerate its international strategy. Also Russia, among other emerging markets, was considered one of its key markets. Most observers were expecting it to increase the number of its stores in Russia. More importantly there were indicators that it was planning to deepen its commitment to the Russian market by buying out its franchise partner and move to a more committed mode of operation via a joint venture.

"When the firm announced in August that it was having a closer look at its operation in Russia, pulling out was not perhaps what was expected."

Another British brand with international markets in its sights is Ted Baker. The design-led lifestyle brand relaunched its website in the US in the Summer of 2014, and it also operates a warehouse in the US.

Brand Communication Director Craig Smith said: "Everything produced under the Ted Baker name has his personality. Ted's growth in the US has been particularly strong and the new 'no ordinary designer website' will continue to write this story of success. Ted's presence in the US is growing exponentially and the deployment of a new website in this region will help to consolidate our strategic objectives and international presence."

Mulberry has opened new stores in Las Vegas and Hamburg and partner stores in Bangkok and Dubai, while SuperGroup's roll out of a multi-national, multi-currency platform is well underway. The launch of new sites for Australia, South Korea and Japan take it to a total of 21 country and language-specific sites.

AO World's expansion to Germany has given the company "confidence in our ability to replicate our model overseas," says Chief Executive John Roberts. The company will continue its strategy to deliver a "market-leading proposition in new categories and countries". ASOS, however, saw a 2% decline in international retail sales during its last financial quarter following "challenging" trading conditions. It is addressing this with investment in zonal pricing for international markets.

> Some 17% of global online shoppers buy from the UK

With UK businesses in the travel, retail, leisure and content sectors set to benefit from a global ecommerce export market worth £45bn by 2020 – three times the current Google/OC&C estimated value of £13bn – there are plenty of opportunities for UK ecommerce to lead the charge. Google puts the ten most exciting export markets for UK businesses of all types as Germany, the US, France, Austria, Spain, Italy, Netherlands, Switzerland, Sweden, Canada.

However, building a site, growing brand awareness and trust in new markets, handling logistical issues of customers wanting free delivery and overcoming the perceived difficulty of returns is just one side of the strategic process.

The way people engage digitally is changing fast and retailers have to continually listen and watch to truly understand the opportunities and make them matter to people where they are.

"There is very little about the digital past and present of the West that instructs us about the digital present and future of the rest," believes Bhaskar Chakravorti, Senior Associate Dean of International Business and Finance at The Fletcher School. "The momentum and direction of countries over time result from the interplay of the systemic elements of supply, demand, institutions and innovation. In the experience of the West these four drivers are more tightly connected. In the case in emerging markets – where the next billion e-consumers are – some of these drivers move much faster than others; the trajectory is non-linear and you could end up with surprises such as Alibaba in China or Flipkart in India or M-Pesa in Kenya."

So, understanding the bigger picture of institutions and innovations in these parts of the world is essential to knowing where the world's next big market will emerge. And while you're aiming to grow through online business, perhaps there's no substitute for getting on an plane and immersing yourself in your new markets.

Insight around the world

SUSANNE CZECH, SECRETARY GENERAL OF EMOTA

The latest consumer survey by the German e-Commerce and Distance Selling Trade Association (bevh) and Creditreform Boniversum reveals that more people than ever wanted to do their Christmas shopping online in 2014. Nevertheless, the planned expenditure per capita is slightly declining. As far as the most popular product categories are concerned, buyers remain true to the Christmas classics.

After a slight decline in the previous year, the number of German citizens over 18 who wanted to do their Christmas shopping online or via other means of distance selling has again grown by three percentage points. The shopping baskets of this group have equally slightly increased. On average, they planned to buy 3.7 different goods. Women continue overtaking men in terms of the order amount per capita; a trend which could already be observed in 2013.

With around €459, the average expenditure of potential online buyers is slightly below 2013's level. This slight decline is actually in line with the findings of other studies. Nevertheless, total sales are expected to increase: both the number of potential online buyers as well as the number of consumers ready for Christmas shopping have increased significantly. These two factors will in all likelihood make for a higher Christmas sales volume online and via distance selling than in 2013, even though the average expenditure budget has decreased.

A glance on the preferred product groups for Christmas shows a stable picture: the two by far most popular product groups are clothing, textiles and shoes, as well as books which this time made the subject of a different query. Toys finish third. A different ranking is however observed regarding the average purchase values: customers spend more than €200 on average for Computer & Accessories, Jewellery & Watches as well as Furniture & Decorative items. And articles from the product category DIY & Flowers become increasingly popular.

KATIE PATERSON, CONTENT MANAGER, FLIPIT.COM

The United States have seen it all in terms of consumer trends. From hosting one of the world's first department stores in 1846, to pioneering popular shopping phenomenon such as teleshopping, cataloguing and door-to-door sales services such as Avon and Tupperware, the US have contributed hugely to the evolution of shopping since the 1800s.

A recent study by KPMG revealed that emerging online channels which are in the hands of the end consumer, are what's driving retail forward in the US. They state that "social-networking sites, online product reviews, viral marketing, and other forms of interactivity launched what is a still unfolding phase in the industry's development". Consumers are now collaborators in brand development, meaning the success of retailers depends more and more on their willingness to interact and involve their customers in daily business.

Since the birth of ecommerce, omnichannel shopping has been essential to its success in the US, as Americans continue to value traditional, personalized customer service that the States is historically famed for. A good example of this is American menswear store Hointer, which integrates the convenience and speed of online shopping with the personalized in-store experience. Customers can choose which items they wish to try on from a display, receive personal advice from a member of staff, dropping their desired items into a virtual cart using the Hointer app. The chosen items will then be deposited via chute into a changing room within 30 seconds. The Hointer store also electronically monitors how customers shop the store, using the results that they accumulate to make suggestions to future consumers and reporting back to brands to aid them in their development.

Other brands heading in the same direction are Sephora, ShopKick and Price Grabber.

Sephora is a beauty app that relies almost entirely on consumer contribution, such as product reviews and star ratings, in order to sell products. ShopKick actively rewards customers for continuing to shop in stores as well as online. Each time a customer enters a participating store, a signal is sent to their smartphone via iBeacon, awarding them with points every time they visit.

Meanwhile, Price Grabber allows for collaborative product, brand and merchant reviews, with an additional feature that allows customers to also rate reviews, so the most reliable reviews appear top.

ANGELA O'CONNELL,
MARKETING AND STRATEGY DIRECTOR, METAPACK

Retailers in France and Germany are increasingly adopting multi-carrier delivery strategies in response to the growing importance of delivery as the final and most critical mile in the consumer journey. This is evidenced by the fact that the majority of European retailers (91% in Germany and 74% in France) work with multiple carriers to provide more flexible delivery options, according to a study, conducted by Forrester Research and commissioned by MetaPack.

Retailers are becoming increasingly aware of how convenient and personalised service is key to improving customer loyalty with many reporting measurable improvement of customer satisfaction as a result of offering multiple delivery options.

This trend is driving further investment in multi-carrier delivery services in Europe. Half of French and German retailers are allocating more than 5% of their ecommerce budget to delivery services and the majority expect this investment to increase in the coming years.

Part of this investment reflects the stronger international competition among retailers as many respondents are expecting more ecommerce traffic from outside their native markets.

While international sales are adding to the complexity of fulfilment, consumers' demand for more choice and convenience in domestic markets is driving the adoption of alternative delivery services, more so in France than in Germany where delivery locker networks are more advanced.

Another big investment priority is speed of service. A significant proportion of retailers across France (88%) and Germany (67%) agree that next-day home delivery drives repeat purchase and increases customer lifetime value. What's more, over half of French retailer respondents are currently piloting same-day home delivery services, followed by 39% in Germany.

As retailers are looking to boost competitive advantage on a national and global scale, providing more convenience and choice in delivery services will be critical to making or breaking customer loyalty. To be able to survive in this highly competitive ecommerce market, retailers will need to develop robust multi-carrier capabilities and enable exciting innovations that put the customer in control of their delivery experience.

GREIG HOLBROOK, MANAGING DIRECTOR, OBAN DIGITAL

It's fair to say that retailers are becoming increasingly savvy of how to reap the benefits of well-known lucrative ecommerce days such as Black Friday and Cyber Monday. You only have to look at the astonishing results from last year to see how these days impacted retailers' bottom lines – an estimated £810m was spent online by British shoppers on Black Friday with £650m spent three days later on Cyber Monday.

Both ecommerce days were originally coined in the US and are now embraced by retailers in the UK market, but what about other days that crop up during the year that aren't so well known, but could generate huge profits locally for retailers? Are retailers reaping the benefit of gaining some local knowledge or in fact personalising their sites for international shoppers living in the UK in time for these days?

For instance, how many retailers operating in Mexico know about Three Kings' Day on 6 January when children traditionally receive gifts? In 2014, the average family budget was 1200 pesos (around £54) but spending on this day in Mexico City alone amounted to 560 million pesos (£25m). Also, many retailers rightly prepare for an expected surge in spending on Valentine's Day but may not realise that men in Japan and South Korea purchase gifts on 14 March as a return favour to women who gave chocolate in the preceding month. With over 35,000 Japanese people currently living in the UK, retailers would be foolish to ignore how profitable White Day could be in March.

An even more lucrative opportunity not be missed is Eid al-Adha, the Islamic Feast of the Sacrifice on 23 September. Over the past few years this has meant more than just the sale of livestock and produce with Egypt now seeing online sales of clothing, kitchen appliances, perfumes, toys and smartphones rise by as much as 30 per cent.

Local knowledge clearly goes a long way but retailers often underestimate the benefits that localised knowledge can bring to their business, especially when trying to tackle new and unknown international markets. Oban Digital has put together a global ecommerce calendar which can be downloaded from our site. www.obandigital.com/download-ecommerce-calendar/

Looking ahead to the Internet Retailing Expo

The fifth annual Internet Retailing Expo is taking place at Birmingham's NEC on 25 and 26 March. *Emma Herrod* **takes a look at what's on offer.**

THE INTERNET Retailing Expo has grown every year since the first show in 2010 with 2014's event seeing a 28% increase in the number of exhibitors. The exhibition area has expanded to accommodate the growing number of companies wanting to show their wares and 2015's event is no exception with over 300 exhibitors having already signed up for March's event.
Two pavilions will showcase the latest thinking and multichannel innovations from leading companies in India and China. These companies will be happy to share expertise with UK retailers looking to move into the word's largest markets. 2014's Expo recorded over 5,000 visitors.

Highlighting the importance of the final mile and how it has moved from being 'simply' a fulfilment mechanism to being a game changer and point of differentiation for retailers, the eDelivery Expo has been launched this year to run alongside InternetRetailing Expo.

The eDelivery Expo is the only UK event serving the multichannel logistics and operations professional. It combines more than 50 exhibitors, 4 workshops, 4 expert clinics and 2 conference streams. The Retail Delivery conference stream will probe how retailers are managing the strategic and day-to-day operational challenges associated with new customer demands: What are the key logistical issues impacting successful home delivery, click and collect, ship from store and locker collection? What are the implementation costs and challenges associated with various models? How can retailers win on both timing and profit margins?

The Logistics conference stream meanwhile will examine how the rapid growth of online retail is impacting traditional infrastructure revealing new approaches for achieving efficiency, responsiveness and agility. Leading retailers will share how they are getting to grips with new technologies and operational strategies designed to meet new customer demands and – in doing so – creating fit for future retail supply chains. John Munnelly, Head of Operations – Magna Park Campus, John Lewis Partnership will open the conference stream with a presentation on automation in a D2C, Omni-channel World.

DIGITAL HIGH STREET

Another new feature to the InternetRetailing Expo is the digital high street. This area of the exhibition hall will showcase suppliers of new and innovative technologies that are driving the bricks meets clicks experience. Whether it is facial recognition software, contactless payment, smart labels, on-demand delivery, digital changing rooms, virtual stores, 3D printing shops or robotic assistants, the High Street is changing and the future looks set to include some interesting ideas and technologies. Some are already in use in retailers 'concept stores', 'digital stores' and 'stores of the future' but if you're interested in digital in-store display, interactive surfaces, shelf and product labelling, dynamic inventory tracking, personalisation and tracking, journey mapping, flow management or dynamic CRM and clientelling, then this is the area of the Expo for you.

Digital in-store will also be covered across the conference streams. Andrew Murphy, Retail Director, John Lewis will be opening the Digital Sales & Marketing Conference with a presentation entitled 'Online and the Rebirth of the High Street'. In the run up to Christmas, John Lewis saw Click & Collect orders up by 32% so Andrew's presentation on how John Lewis is marrying traditional and digital while continuing to win on customer experience and engagement should be one to catch.

Meanwhile, over in the

Omnichannel Store of the Future Conference stream, Jon Rudoe, Digital and Technology Director of Sainsbury's will share his top tips for delivering a winning multichannel shopping experience. Marks and Spencer's Head of Development, Digital Stores Claire Zuurbier will also talk about online and the rebirth of the high street when she takes to the stage at 11.30 on Thursday 26 March.

In a time when online and bricks and mortar retailers are cutting prices and offering discounts, Lego has been trying to be more creative, leveraging digital to win the race to the till. Shehnaaz Chenia, Lego's Global e-Commerce Director, will share how the company is harnessing digital to create a unique customer experience and drive growth.

Mobile's role in multichannel is another theme for the conferences. Not only is mobile at the front end of retail transformation, it is requiring a rapid response to the changing behaviour of a growing population of mobile shoppers. Speakers from NBTY Europe, Secretsales.com, made.com, Tesco, Schuh and Clarks will expand on how mobile is impacting the retail landscape, and how retailers can respond to stay ahead of the game. In this conference hear how they are generating sales on mobile and tablet devices and through transactional mobile sites and apps, how personalisation and mobile advertising are being used to increase footfall in physical and digital spaces and what's on the horizon for mobile retail. Mat Braddy, Chief Marketing Officer at Just Eat will close the stream with look at what's on the horizon for mobile retail in terms of augmented and virtual realities and wearable technology.

FOLLOWING IPOS

With 2014 being the year of the IPO, it's only fitting that the International and Cross Border Conference is opened by a company that is already showing success from its IPO through expansion into new markets. AO World's expansion to Germany has given the company "confidence in our ability to replicate our model overseas," said Chief Executive John Roberts when reporting on financial results at the end of 2014. The company will continue its strategy to deliver a "market-leading proposition in new categories and countries". He'll be outlining more when he opens the International Conference on Wednesday 25 March.

For those wanting a view of China, and its big IPO success of 2014, Alibaba.com will be presenting on consumer trends in China and highlighting key challenges when expanding into this key international market. Alibaba's Director of International e-Commerce will present at 1.15 on Thursday 26 March in the Digital Sales and Marketing stream.

> "What always amazes me about IRX is there are always some new suppliers with some really interesting new technology. I really enjoy talking to them because potentially they could be the supplier that could help us to drive our ecommerce business in the future"

There are also plenty of presentations on social media – a major reputation builder for anyone online and a key market builder for those entering new countries. Bruce Daisley, Managing Director of Twitter in the UK will discuss agile marketing and rapid response in managing corporate reputations.

At the heart of retail though is Insight and Customer Experience and this is just as crucial for pureplayers (such as Shop Direct which is opening this conference stream) as it is to multichannel or omnichannel retailers such as Argos, which is closing the conference.

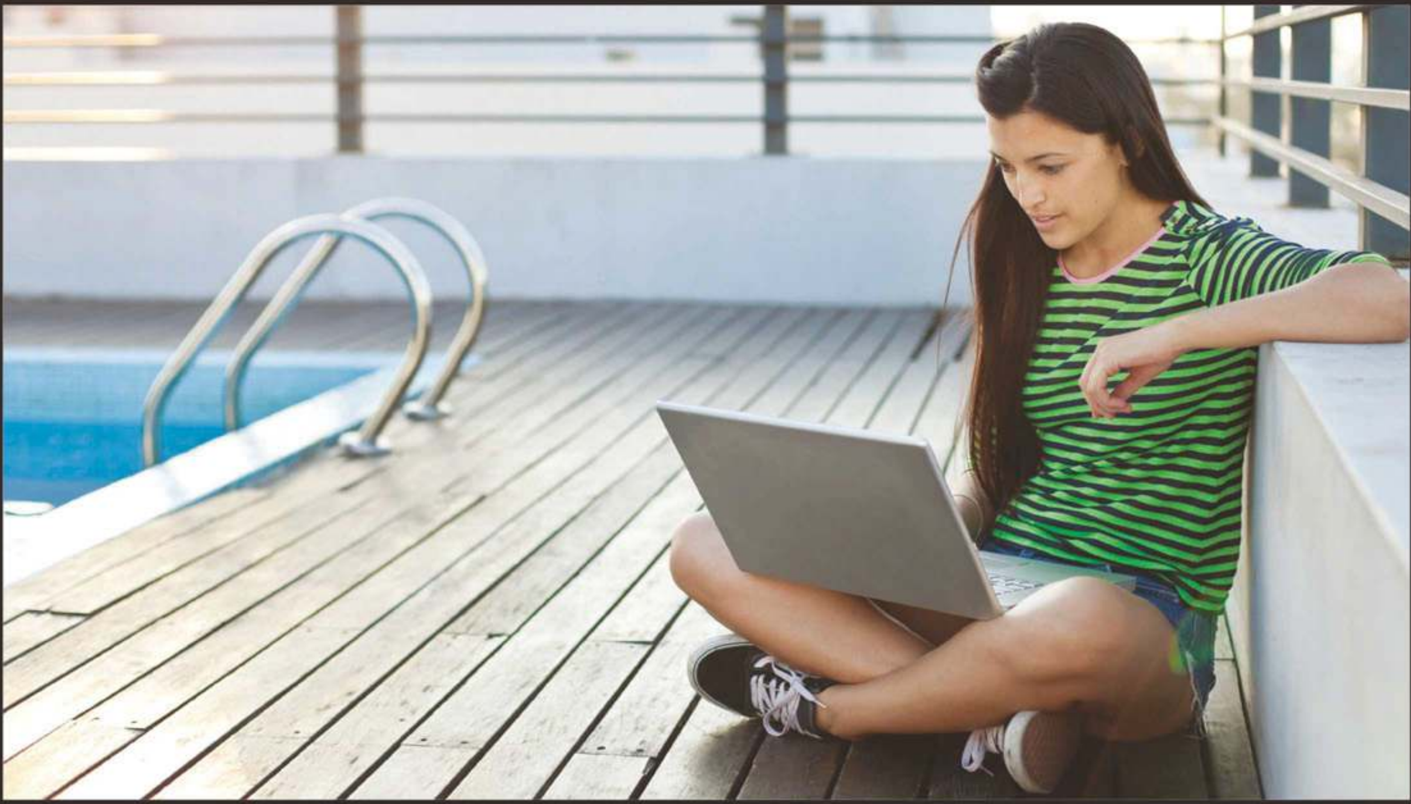
The digital revolution and the rise of multichannel have dramatically changed the way that retailers are enhancing and measuring customer experience. Retailers cannot afford to miss new opportunities to embrace tools and practices designed to maximise understanding of shopping behaviours and preferences. The Insight and Customer Experience stream will explore key strategies for delivering winning customer experiences: harness big data and personalisation tools to drill deeper into customer mindsets, bridge the gap between bricks and clicks to offer seamless customer journey and experiences and harness the latest technologies as a route to forming deeper customer connections.

"From speaking with the retailers who are presenting at the InternetRetailing and eDelivery Expos, I know that they will be sharing some exciting insights into all areas of ecommerce and omnichannel retailing," says Lisa Ploude, Conference Director, InternetRetailing. "I wish I could share some of their comments with readers now but we'll all have to wait until 25 and 26 March for the full stories."

InternetRetailing has also been building on its research into the UK's Top500 retailers which was distributed with this issue of the magazine. An EU-wide report into the state's Top500 retailers will be unveiled at the InternetRetailing Expo.

Retailers in the EU and UK Top500 rankings will have access to the Top500 Lounge at the Internet Retailing Expo. The Lounge is the meeting place for the Top500 community, enabling retailers to meet, network and conduct important business meetings in a professional but relaxed atmosphere. If you work for one of the Top500 retailers in the UK and Europe, we'll be on hand to give you any support you need throughout your visit to the InternetRetailing Expo.

Further information is available at internetretailingexpo.com and registration is now open. The team at IR Towers look forward to greeting you at the NEC in March.



operations, logistics & order management

customer experience

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acquisition marketing

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