Internet Retailing

VOLUME 8 | ISSUE 1 | NOVEMBER 2013

EVOLVING FOR THE ‘NEW NORMAL’

Laura Wade-Gery, Executive Director, Multi-channel E-commerce at M&S, on the transformation of retailing at M&S, p10

INSIDE OUR INTERNATIONAL EDITION:

Contents

VOLUME 8 | ISSUE 1 | NOVEMBER 2013

Editor: Emma Herrod Tel: 07801 282729
E-mail: press@internetretailing.net
Editor-in-chief: Ian Jindal
Design: Alex Goldwater
Publishing Director: Chris Cooke
Group Account Director: Andy James
Account Director: Rob Prevett
Senior Account Manager: Sonia Vitta
Tel: 020 7933 8999
Fax: 020 7933 8998
E-mail: andy.james@internetretailing.net

Internet Retailing
SJP Business Media Ltd,
52-54 Gracechurch Street, London, EC3V 0EJ
Printed in Great Britain.
ISSN 1759-0582

For circulation enquiries contact:
SJP Business Media Ltd
PO Box 6009
Thatcham, Berkshire
RG19 4TT
Tel: 01635 879361
Fax: 01635 868594
Email: internetretailing@circdata.com

@etail

Editor's comment

I WAS SURPRISED recently by a figure that says that less than a third of UK retailers are selling cross border into the EU. It seems that not a day passes at IR Towers without an announcement arriving to say that someone is expanding into France, Germany, Spain or outside the EU to Russia or China.

Shoppers in other countries are definitely interested in UK retailers since searches from overseas are on the increase, according to Google. Indeed, a number of countries demonstrated considerable rates of growth in searches for UK retail products with the Russian Federation leading the charge with a 54% growth rate. Further figures and the breakdown of mobile, tablet and desktop figures, along with UK search data, is included in the BRC-Google Online Retail Monitor which features as this issue's Dashboard section.

International is the focus of all of the features in this issue as we look at what is happening in different markets, how lessons can be learnt from best practise in other areas of the world and some of the operational and logistics issues of selling products overseas.

Internet Retailing's Research Editor, Liz Morrell, takes a look at EU legislation, the Directives coming into law and considers the difference across what could be a digital single market. As Robin Worthington, Ecommerce Director of Office says in the feature "Germany is particularly challenging because you are looking at free returns there but we don't even offer that in the UK".

Asia Pacific is set to overtake Western Europe as the second biggest online market in 2013 so we asked Daniel Latev, Head of Retailing at Euromonitor International, to share some insight into the ecommerce markets and the top retailers in the region.

Insight Around the World includes the regular column on ecommerce in France from Internet Retailing's French Editor Isabelle Sallard, along with views on Australia, the Nordics and South Africa.

But how large are the international markets for 'Brand Britain' and where do the opportunities exist? Online sales by British retailers overseas are predicted to increase seven-fold by 2020 as the share of online sales from abroad rises to 40% of retailers' total online sales. Amongst the developing markets, China holds the biggest potential for international expansion online, according to AT Kearney, but infrastructure challenges still hinder realisation of the country's full ecommerce potential.

However, while those countries with the fast-growing ecommerce markets may look attractive to UK retailers, they do not necessarily offer the easiest pickings. In the International Panel Discussion at October's Internet Retailing Conference, the advice from the speakers was for retailers to define for themselves which markets or countries are best for them. "It's so dependent on the brand or product," said Jan Mehmet, Global Digital Director, Jack Wills. "It's about understanding your customers' demographic and how much it'll cost you to reach them."

While the UK leads m-commerce in many ways there are examples of how it is being put to use in other markets around the world that reflect not only the differences in local shopping habits, but can showcase how widely mobile can be used in the retail experience. Simon Hathaway of Cheil and IR's Mobile Editor Paul Skeldon's articles offer some great examples. I for one look forward to virtual 3D stores appearing outside competitor supermarkets in the UK and flying Wi-Fi routers in shopping centres.

Talking of retail theatre and innovations, the Christmas spending season will soon be upon us with Monday 2 December predicted to be the busiest day in the run up to Christmas. That will kick-start two weeks of high sales in the run up to Christmas that will help take online sales in December to £10.8bn. IMRG also forecasts average conversion rates will reach 5% during this final quarter, returning to levels last seen before the recession.

Happy Christmas trading to all.

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.*

TESCO CLICK & COLLECT TAKES TO THE ROAD

Tesco is taking its click and collect service off its premises and towards its customers in a new trial that will see grocery deliveries made in locations from schools to libraries.

The supermarket has launched a trial of the service extension in York, and it says it will roll it out to London and Dingwalls, Scotland, before Christmas.

York customers can now place their grocery order online and select a non-Tesco collection point from a choice that includes a park and ride location, a car park and a school car park. Picking up their order takes just a few minutes, says Tesco.

The new service comes at a time when, according to research from grocery analysts IGD, nearly one in five online grocery shoppers used click and collect services in the last month, and a third said they intend to use it more over the coming year.

Simon Belsham, Managing Director of Tesco.com, said: “Customers up and down the country already love using Click & Collect because they can do their shopping trip in a matter of minutes, even with the whole family in tow.

“We think customers are really going to like the extension to the service because it makes things even more convenient for them and it means they can fit their shopping in around their lifestyles.”

Councillor Dave Merrett, cabinet member for transport, planning and sustainability at City of York Council, welcomed the news. “Over four million passenger journeys take place on York’s five Park & Rides a year and we’re supportive of any new service which will provide commuters – including some 200,000 residents and 7.2m tourists – with an even better experience as they travel in York,” he said.

“We hope this trial provides shoppers with the option to make a shorter trip to get their shopping, which in turn will result in lower volumes of traffic and lower emissions on York’s roads.”

Tesco pioneered click and collect grocery drive-through in the UK in 2010, a service now available from 200 Tesco stores across the country. Next year that number will rise to 300.

EBAY BUYS SHUTL

eBay is to buy 90-minute delivery specialist Shutl as it develops its local delivery options. The acquisition deepens eBay’s expertise and capacity in local delivery and collection. eBay recently unveiled a Click and Collect trial service through Argos and has said it would expand its local delivery service, eBay Now.

The eBay Now service enables the delivery of products from local stores in as little as an hour and can be used through iPhone, Android and desktop.

“Today, approximately 75% of what people buy is local, found within 15 miles from their home,” said Devin Wenig, President of eBay Marketplaces. “Traditional retail isn’t going away. But it is transforming, and that creates enormous opportunity within the $10 trillion total commerce market.”

He added: “The world is changing, with the lines between online and offline commerce blurring and the expectations of buyers and sellers rising rapidly. With eBay’s latest steps, we are bringing together the best of what people need from a shopping experience – speed and convenience – with things people love about shopping, like discovery and inspiration.”

Shutl, founded in 2009 by Tom Allason, has pioneered the use of deliveries from store within 90 minutes or in the hour of the customer’s choice. Customers include Argos, Oasis, Warehouse and Maplin.

In a blog on the Shutl website, Allason said that as part of eBay, Shutl had “the ability to help define the future of shopping.”

He added: “This is very far from the end of the road for Shutl. Rather this is a doorway to a much greater opportunity, one that we at Shutl can’t wait to start executing on.”

VARIABLE PRICING TO HIT THE HIGH STREET

Online pricing innovations could move to the high street if B&Q implements technology that it is currently understood to be testing.

According to reports, B&Q is testing electronic price tags that could change the price of an item, based on which customer is looking at it. Wi-fi enabled shelf-edge price tags would recognise the customer by their mobile phone and offer different prices, depending on whether the customer has a loyalty card or their past purchase history.

Ian Cheshire, Chief Executive of B&Q parent company Kingfisher, told the ‘Daily Mail’: “We have done various behind-the-scenes tests. It’s about special offers for individuals where we are looking at bundling offers or giving discounts.”

He also said that the company was looking at varying the in-store prices of some products from day to day or time of day, in the same way that airlines vary the prices of their seats. “We could move to dynamic pricing and mimic the model used by easyJet,” said Cheshire. “Yield management techniques are not new – it’s just they haven’t traditionally been used in retailing.”

Currently, it’s reported, Kingfisher has introduced electronic shelf-edge pricing to its Castorama stores in France, and the technology could soon be introduced to the UK.

If introduced these approaches to pricing could echo not only easyJet, but the approach to variable discounts given online, where retailers such as Boden apply differing discounts to the products that they show different customers depending on any offers that they have been given.

24% BOOST FOR AMAZON

Amazon has announced a 24% rise in sales in the third-quarter of its financial year, but at the bottom line it also reported a net loss.

Sales at the company, which is the UK's largest online retailer through its amazon.co.uk website, reached $17.09bn (£10.55bn) during the quarter. The company turned in a net loss of $41m (£25.3m), though this had fallen from a loss of $274m (£169.2m) at the same time last year, when the company wrote down losses related to its investment in LivingSocial.

During the quarter, new initiatives included the expansion of fulfilment space with the introduction of new robotic helpers, the launch into India with amazon.in, the launch of Login and Pay with Amazon, which enables other retailers to accept payment using Amazon credentials, and the greenlighting of television shows piloted on Amazon and on its UK subsidiary Lovefilm.

The company has also taken a step into the art market, through the launch of Amazon Art. This, said Amazon, was a marketplace "that gives customers direct access to more than 40,000 works of fine art from over 50 galleries and dealers." It added: "The store is one of the largest online collections of original and limited edition artwork for purchase directly from galleries and dealers."

But for the time being, updates on familiar themes remain core to the company's sales, with the launch of the latest version of its Paperwhite and Kindle Fire e-readers.

DEBENHAMS REPORTS ONLINE GROWTH

More shoppers bought online from Debenhams in the last year, but fewer people visited its department stores as it saw the evidence of a "structural change in shopping habits into online", the department store chain has said.

Online sales rose to £366.3m in value during the year, a jump of 46.2% compared to the previous year, and accounted for 13.2% of group sales in the year to August 31, up from 9.3% last time. Some 25% of its online sales were made over mobile devices. At the same time the number of visitors to Debenhams.com increased by 36% to 241m, with mobile visits up by more than 200%. In the medium-term the company aims to boost online sales to £600m.

Total revenue grew by 2.3%, to £2.28bn. UK sales rose by 1.9% to £1.89bn, while international sales, mostly online, grew by 4.5% to £386.3m. But pre-tax profits fell by 2.7% to £154m.

Like-for-like sales grew by 2% thanks to 4.1% growth in like-for-like online sales. But the like-for-like contribution from UK stores fell by 2.7%, while new space contributed growth of 0.4%.

Chief Executive Michael Sharp said: "We continue to deliver growth and additional customer benefits through our strong multichannel capabilities. At the same time, we are working hard to ensure our UK stores adapt to the challenge of their changing role in a multi-channel world.

ARGOS CELEBRATES TRANSFORMATION

Mobile commerce at Argos more than doubled in the first half of its financial year to account for 16% of sales, one year into the general retailer's digital transformation plan.

Some 43% of its total sales were made online, including through its Check & Reserve service, with commerce over both tablets and smartphones growing by 124%, and powered by new smartphone and tablet apps. In all, multichannel sales now represent 52% of Argos total sales – some £899m during the period.

Meanwhile, sister company Homebase saw multichannel sales grow by 28% in the half-year.

The two companies are owned by Home Retail Group, which announced a 3% rise in sales to £2.6bn in the 26 weeks to August 31. Like-for-like sales at Argos rose by 2.3%, while Homebase sales grew by 5.9%. However, pre-tax profits fell by 70% to £14.2m, down from £46.7m at the same time last year, when the company benefited from an exceptional credit of £35m, compared with exceptional costs of £12.6m this time, related to the costs of its digital transformation programme and "other restructuring actions". Disregarding those exceptional costs, benchmark pre-tax profits came in £27.4m, 53% up on last year's £17.9m.

Argos' transformation plan rests on four key pillars: repositioning its channels for a digital future, providing more product choice, available to customers faster; developing a customer offer with universal appeal and operating a leaner and more flexible cost-base.

Key innovations in the half-year include the extension of its hub and spoke trial to 50 stores, enabling faster fulfilment to stores, the development of digital concept stores that feature fast-track mobile collection and sees the traditional Argos catalogue replaced with tablets, and the trial of a UK collection service for eBay. Argos continues to widen its product range with a view to widening its audience. It is adding 6,000 new lines over Christmas, while it has also introduced 10 new brands including the more upmarket Denby crockery and Stoves.

Dynamic pricing technology will enable automated pricing recommendations in key categories, enabling, said the interim statement, "faster and more data-driven pricing decisions."

Argos is shortly to introduce a digital version of its Christmas gift catalogue with rich content that will include the use of augmented reality. Improvements scheduled for the second half of the year will include the introduction of a single customer log-in and a shopping trolley that stays consistent across devices, as Argos looks to make the customer journey consistent across channels.

Homebase refitted five stores, closed three, and improved its delivery options as it looked to differentiate itself as a "multichannel home enhancement retailer."

amazon global selling

Connect with **millions** of customers **worldwide**

E-commerce has revolutionised the world of retail, opening up new channels and opportunities. International E-commerce is an ideal way to access new customers, grow your business and diversify your revenue sources. Amazon provides the tools and support to help you expand internationally, step by step, taking much of the complexity, cost and effort out of reaching new markets abroad.

Getting started Selling throughout Europe

Selling on Amazon

You can **list your products** for sale in more than 20 different categories on Amazon.co.uk and from the same seller account on all or some of Amazon's other European Marketplaces i.e. Amazon.de, Amazon.fr, Amazon.it and Amazon.es reaching tens of **millions of potential new customers**.

Fulfilment by Amazon (FBA)

With FBA, you can leverage Amazon's world-class European Fulfilment Network (EFN) to deliver your on and off Amazon orders quickly and easily to customers in all 27 EU countries from one local inventory pool. If you participate in Amazon's FBA Export programme you can grow your international business with little more than the click of a button by simply listing your products for sale on Amazon.co.uk for delivery to out-of-country customers at no extra charge to you. FBA helps improve sales conversion, reduce costs and save valuable time allowing you to focus on the essentials such as sourcing and growing your business

Expanding outside of Europe

Listing in the US on Amazon.com and in Japan on Amazon.jp can provide you instant **access to tens of millions of new customers**. Selling on Amazon has the added benefit of being associated with a world-recognised and trusted brand. You can manage your seller account in English and receive payment from Amazon in Sterling in your local bank account. You can rely on Fulfilment by Amazon's (FBA) logistics expertise, acclaimed customer service, and fast, free shipping options to maximise your sales in the USA and Japan.

What do I need to know to start selling internationally?

No matter what size your business, you can expand globally with Amazon. With 8 international Marketplaces and close to **100 fulfilment centres around the world**, Amazon can help support today's needs and tomorrow's growth. Download Amazon's Global Selling Manual for tips and guidelines about what to take into account when planning to sell internationally at:

www.amazon.co.uk/selling-globally

Have your best year ever.
Partner with Amazon today and let us help you **grow your business.**

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.*

M-COMMERCE HITS NEW HEIGHTS

New figures from IMRG and Capgemini reveal a tipping point has been reached in online retail as the digitisation of the consumer has resulted in all online growth now coming from sales via mobile devices - smartphones and tablets.

The percentage of online sales completed through a mobile device has doubled in the space of a year, according to two sets of figures from IMRG/Capgemini and Affiliate Window's monthly benchmark, illustrating just how quickly the popularity of using mobile devices for online shopping has grown.

According to IMRG-Capgemini, in Q2 of 2012 the percentage stood at 11.6%, but by Q2 of 2013 it had exactly doubled to 23.2%. Over the same period the percentage of online retail site visits through mobile devices has also shot up sharply, from 21.1% in Q2 2012 to 34% in Q3 2013.

Similarly, Affiliate Window's monthly mobile benchmarking shows that in August 22.27% of sales were generated through mobile. However, conversion rates on mobile fell below 3% for the first time in the same month, the stats show.

IMRG and Capgemini, meanwhile, have been tracking sales through mobile devices for more than three years, during which time its penetration of online sales has grown by more than 2000%, with the penetration of online retail visits via mobile devices growing by 1100%.

The switch in device types used for internet access appears to have had a knock-on effect for bounce rates, however. At the beginning of 2010 some 97% of retail site access was through a desktop. Over the subsequent three years, as mobile device access began to grow rapidly, the bounce rate rose from 21.7% in 2010 to 23.7% in 2011, before reaching 27% in 2012. Year to date in 2013, the bounce rate is 26%.

"There appears to be a correlation between the surge in mobile commerce over the past three years and the rise in visitor bounce rates on e-retail websites," says Tina Spooner, Chief Information Officer at IMRG. "While consumers have generally become more confident in using their mobile devices as a shopping tool, the latest data suggests they have also become more demanding."

There was also a significant rise in click & collect sales in Q2, reaching a record high of 16% of online sales for multichannel retailers; this represents annual growth of 33%.

MOBILE SET TO BE 'SHINING STAR' OF CHRISTMAS

This year will see the UK's first-ever mobile Christmas, with traffic from mobile phones and tablets expected to overtake visits from desktops this December 25. The forecast comes from John Lewis which says almost 50% of traffic to its website came from mobile last Christmas Day – and this year it expects it to pass that by 5pm on the day. Mark Lewis, Online Director at John Lewis, said: "Mobile is set to be the shining star of Christmas 2013.

"Shopping is becoming much more of a social experience with people browsing, purchasing and sharing ideas with others using their mobile phones and tablets. We expect this to increase dramatically during the festive period as customers shop on the go and we anticipate that Christmas Day will be the tipping point for mobile."

Mobile in figures:

- Christmas Day 2012 saw mobile traffic peak at 9pm;
- The busiest day on mobile last year was December 26, with more than 920,000 visits. More than a million visits are expected this Boxing Day – setting a new record;
- Mobile now accounts for more than 40% of traffic to johnlewis.com, with traffic up over 115%, year on year;
- The busiest time for mobile traffic is 10pm;
- Fashion is the go-to category for mobile visitors, with 78% of total sales in the category now completed on a mobile device.

Lewis was speaking as the company launched its new transactional iPad app, which features content from the John Lewis magazine and catalogues. He said that while customers were more likely to shop for lower value items on mobile devices, some customers did buy big-ticket items. The most expensive product John Lewis has sold via mobile to date was a £7,000 television, said Lewis.

SMARTPHONE OWNERS SHOP LESS OFTEN

Smartphone-owning shoppers are making less frequent visits to stores while at the same time becoming more likely to buy online, according to a study which appears to detect evidence of significant migration to online shopping.

The 'Changing Trends in Multichannel Shopping and Browsing Preferences' study from eDigital Research and Portaltech Reply, detects "a major shift in shopping and browsing behaviour". Most smartphone owners still visit shops to buy, the research found – only 3% of the 684 respondents said they did not – but today they are doing so less often than they did three years ago.

In June 2010, the study found 73% of smartphone owners who bought items in store were going into shops every week. This April, however, that figure stood at 47%.

Some sectors are seeing that change manifest itself in a still more marked way. While 60% of respondents to the study said they bought entertainment goods in store in 2010, today that figure stands at 35%. At the same time 62% have bought such products online and 10% have used a mobile site and 9% a mobile app.

Changing behaviour can also be seen in less-likely categories, such as DIY and furniture. In 2010, 70% of shoppers had bought a DIY purchase in store. That's now down to 45%. Some 33% said they had bought furniture from the high street in the past year compared to 64% three years ago.

Mark Adams, Partner at Portaltech Reply, said: "Mobile is fast proving itself to be the glue in any multichannel strategy. The major shift in shopping and browsing behaviour is proof that the customer journey to a purchase has changed and that mobile is significant in this journey.

M&S: Evolving for the new normal

Laura Wade-Gery, Executive Director, Multi-channel E-commerce at Marks & Spencer shares her thoughts on the 'new normal' of retailing, what it means for M&S and how the business is transforming.

THE HIGH street has constantly evolved; even browsing was once a new concept to shoppers who were used to going into a shop to purchase specific items from a person behind the counter. By painting 'admission free' on the outside of the M&S store in 1894 so the concept of browsing was born.

Presenting at the recent Internet Retailing Conference, Laura Wade-Gery, Executive Director, Multi-channel E-commerce at Marks & Spencer, spoke of how the high street has constantly evolved and how now with its digital lab, virtual rail and cross-channel retailing M&S is evolving for the 'new normal'.

But what is today's normal? "It reflects how we're living our lives," says Wade-Gery. Nowadays, everyone is glued to a screen and going away on holiday doesn't alter that fact since holidaymakers in a remote forest reserve in India can still download a new book to their Kindle in less than 30 seconds.

Internet access is growing fast, indeed 16 fold globally. In 2005, it was the developed world that saw the speedy uptake of broadband but by 2015 it is the developing world that is pushing that growth and mainly with mobile access rather than fixed lines. In 2015, over three quarters of connections will be mobile and of course data capability over those 10 years has also changed. Wade-Gery promted delegates to think back to 2005 and what it would have meant to download photographs or a video. "3D will force us yet again to think about how differently things can be done," she says.

"Digital puts the customer back in the driving seat. Until recently, retail was location, location, location," says Wade-Gery but the internet untethers customers from location.

"The customer is changing," she says and she urges retailers to never underestimate their customer, emphasising the point with a profile of her favourite lady who is a 75 year old member of the WI, a Conservative who lives in St Albans. This lady's favourite website is Groupon because she 'lunches' and the best place to get discounts for restaurants is Groupon. "Never underestimate your customer!"

The opportunity that the internet and changing customer behaviour brings is a revolution for M&S and all retailers. M&S is currently in the final year of a three year programme to transform the company into an international multichannel business; quicker to react, with new points of entry to the brand and the ability to work its store estate harder.

"Multichannel customers spend more and as M&S adds channels that spend continues to rise," says Wade-Gery. Expanding marksandspencer.com not only gives the company more reach, but drives more spend from its customers and by providing new ways to access products it is attracting slightly younger customers and extracting more value from its stores.

> "3D will force us yet again to think about how differently things can be done"

THE ROAD TO TRANSFORMATION

So how far down the road is M&S in transforming itself into an international, multichannel retailer? From the customers' point-of-view M&S is reinventing shopping so that they, the customer, can shop how they want. The Shop Your Way slogan is being used to explain the principles of cross-channel shopping to customers with free next-day to store delivery launched to bring customers into store and offer delivery choice on top of the standard delivery, nominated day, next day and international options. Some 54% of orders are now collected from stores.

"We're taking elements of technology to create a generally better shopping experience," says Wade-Gery, and this is being done through inspiration and dialogue, choice and availability and making shopping easier and more convenient. Examples of the way that M&S is changing and using digital in store to enhance the shopping experience include the Kalverstraat store in the Netherlands in which the company asked "how could we transform the way we showcase our wider product offer – in a food store – so that customers experience the entire breadth of womenswear?"

The concept store opened in April 2013 to complement the Dutch localised web and mobile sites that launched at the same time. The E-boutique within the store includes two virtual rails made of three stacked 46" screens, three physical rails each with 50 clothing samples, each trend updated every six weeks and two pillar inspiration screens. Two order points and three dedicated style advisors equipped with iPads round off the ordering experience. A full-line M&S store with a full clothing, homeware and food offer will open in The Hague in the Spring of 2014, followed by a flagship store in Amsterdam by Autumn 2015.

The business unit, store design and ecommerce teams have collaborated to make existing stores work harder and bring the ▶

M&S multichannel experience to life. Some 1,500 iPads are being used by staff in stores to help customers order items not available in store for delivery to their home or for pick up in store. Wade-Gery has been "impressed by store colleagues" who have embraced the iPads. Earlier in the year they were all taken into the school wear department to make sure that customers had their entire school uniform requirements before leaving the store. Some "40% of school wear orders were taken through the digital platform with many orders placed in store," she says.

Over 250 Browse and Order points have been installed across 82 stores enabling customers to shop more of the M&S product catalogue. "We've all had computers or kiosks in store," explains Wade-Gery but "design really really matters". M&S transformed the store computer into "a giant iPod on a stick" that's inviting and looks like something

> "By next year, M&S will be the only large grocer that doesn't have an online grocery service"

integral to the store.

The new home concept has been launched in 33 stores with "encouraging" sales performance. It not only maximises selling space, with touch and feel sample displays to showcase items such as towels, fabrics and upholstery, but customers can browse and order from the full range via iPads and large format touch screen points. The format also features interactive buying guides, such as 'Your Perfect Night's Sleep', which helps customers to select the ideal duvet.

The Beauty Shop, with virtual makeover counter, is now in 55 stores and delivering strong double digit sales uplifts. The 'counter' uses facial recognition technology to enable customers to upload a photo and experiment with the latest beauty trends. Featured both online and in store, it has attracted more than 200,000 visitors to date.

"We're just at the beginning of understanding and exploiting wifi in store and that will be a huge transformer of the experience for in store shoppers," says Wade-Gery.

ONLINE

Online, visitors to the marksandspencer.com site increased over the past financial year with 3.6 million weekly visitors coming to the UK site, attracted by a combination of improved navigation, more style advice and greater choice, including 40% more online product exclusives. Online innovations included

Dressipi, "a 21st Century solution," to make a personal shopper available to all.

The online business accounts for 13% of General Merchandise sales (compared to 10.9% in the previous financial year), with 40% of all dresses, and one in four M&S suits, sold online.

In May 2012, M&S relaunched its mobile-optimised site to deliver an even richer browsing and shopping experience with its first transactional iPhone app launching in July 2012. The M&S Home iPad app, which brings the home catalogue to life in an easy-to-shop format, helped furniture sales to increase. Mobile and tablet sales have increased by almost 200% and now account for 18% of marksandspencer.com sales.

FOOD

The area where M&S continues to bloom is its food hall which has seen continual like-for-like sales growth over the past 12 financial quarters. Meat and fish for a special occasion can be ordered online for pick up in store. The Occasions Made Easy service includes large joints of meat, whole sea bass and cooked lobster via the virtual fishmonger and butcher. M&S already sells an assortment of party foods, cakes and office lunches online for pick up in store as well as food for Christmas and New Year. Will the company be launching a full scale grocery ecommerce service? There is no announcement yet but with a further 150 Simply Food stores opening in the UK over the next three years the reach of its food offering is certainly expanding, sales are growing as is its market share in the sector. Its Food to Order service is a £130m annual business with 30,000 orders per week. Sir Stuart Rose (who also keynoted at the Internet Retailing Conference), commented to a Guardian journalist at the event that "by next year, M&S will be the only large grocer that doesn't have [an online grocery service]. If the customer wants it, eventually they are going to have to provide it," he said.

INTERNATIONAL

The multichannel expansion continues in international markets as well with Shop Your Way and fully mobile-optimised sites complementing localised websites in Ireland and France. M&S is now online locally in ten markets, including Germany, Spain, Austria, Belgium, the Netherlands and Luxemburg, and delivers to over 80 countries.

In addition to its European ecommerce offer, M&S is working closely with international partners to benefit from their local infrastructure and expertise to help the company explore growth opportunities in more complex ecommerce markets. In January, it launched an online shop on China's leading retail website TMall and in February, plans were announced for an ecommerce offering for the Russian market, operated by existing franchise partner Fiba.

> "Wifi in store will be a huge transformer of the experience for in store shoppers"

THE OPERATIONAL CHALLENGE

Wade-Gery explained that the challenge when she joined M&S was that the company was still a traditional British retailer with 80,000 staff with skills orientated to store retailing. The Amazon platform was becoming a limiting factor particularly around multichannel plans and integration with store and "our DC infrastructure was not fit for purpose," she says.

Some major changes have been underway in terms of supply chain, systems upgrade and multichannel platform. A fully mechanised, 900,000sq ft distribution centre has been built at Castle Donnington to fulfil ecommerce orders and act as a national DC for the stores. Opened in May 2013, it has the capacity to process and ship up to one million products per week to store and customers' homes. As part of the supply chain transformation, which ▶

THE FINANCIALS

M&S turned over £10bn in the its financial year to 20 March 2013 with multichannel accounting for £651.8m of that figure, an increase of 16.6% on 2012's turnover helped by the launch of free next-day delivery to store. Weekly site visits were up 16% to 3.6m through a combination of better site navigation, more style advice and greater choice.

sees a small number of large DCs replacing the network of 110 small warehouses, Castle Donnington will enable better visibility of stock, drive improved availability, faster delivery times and lower distribution costs. It also reduces the company's reliance on manufacturers to distribute stock.

The Amazon platform is being replaced and marksandspencer.com site is being rebuilt in what Wade-Gery concedes is "a huge undertaking". M&S will add in some things to "make it distinctly ours," she says of the bespoke multichannel platform that will drive marksandspencer.com and power all M&S' multichannel technology, integrating into store and service systems.

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

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

Supported by the new DC, the new website and multichannel offer will transform the M&S customer experience, improving availability online and the ability to offer later cut-off times for customers' orders to be delivered next-day to store or their home. Hinting at what the new site may look like when it goes live in the Spring of 2014 Wade-Gery says that it will be "merging content and commerce absolutely seamlessly so shopping is more interesting".

Maybe hinting towards more interesting content and inspiring customers, the Style Edit section of the existing site offers inspiration and advice through editorial features and videos on the seasons' trends and selected outfits for different occasions.

The company has also been bringing different skills into the organisation; "from being a company with no coders or engineers to quite a substantial group of developers who are excited about turning M&S around and being liberated to innovate".

But how do you turnaround a large corporate to work with nimble innovators as the digital industry produces? M&S realised that it needs to be agile, with the right infrastructure in place and the ability to innovate with pace if it is fulfil its multichannel ambitions. In February 2013, the Digital Labs function was launched in order to help the company move faster in developing first-to-market technologies for ecommerce, in-store technology and digital marketing. The Digital Labs team of specialists is out there working with UK start ups, testing emerging retail technologies, building prototypes and developing concepts for implementation on a larger scale across M&S. Bringing the corporate and the nimble entrepreneurial enterprise together brings benefits for both parties. For example, "bringing a five-person start up into sourcing has been hugely powerful," says Wade-Gery.

Everyone who works in the business has to understand the multichannel customer. The new normal; the idea that they will not just have the product available that's in front of them but the full breadth of every category along with dialogue with customers and trend info. The top 120 managers were put through a course "to understand that multichannel is done by all of us," she says explaining the revelation of the swimwear buyer who can sell all year round without being constricted by space.

The 2012/13 year marked the peak of the 3-year £2.3bn transformation plan in terms of investment but 2013/14 will be a milestone for M&S' multichannel journey. The launch of the new platform, coupled with a fully operational distribution centre, will significantly enhance its capabilities and help deliver tangible benefits for the business and its customers; creating a strong and efficient platform from which to deliver sustainable long-term growth.

> "The new M&S site will be merging content and commerce absolutely seamlessly so shopping is more interesting"

CEO Spotlight

Karin Falkentoft, Managing Director, Direct Link Worldwide

Q: Why did you found the company?
We could see the potential and growth in international mail distribution and it was a great opportunity for me personally to experience working abroad and start a business from scratch. Back in 1995 I was working for Post Denmark; now part of PostNord who own the Direct Link Group. At the time the industry was dominated by Royal Mail and Publications, Financial and Direct Marketing material. My original brief was to set up the sales office and recruit my own successor. I was going to stay for a year - but we enjoyed success from the outset and I really liked living here so have stayed ever since. We've come a long way in that time and now as then provide worldwide distribution – but with a strong focus on the Nordic market and in later years on the e-Commerce sector. The mailing industry has changed immeasurably since we set up, but our focus on supporting e-Commerce retailers has provided innumerable opportunities and many fresh challenges.

Q: Problems and Solutions:
Our aim at Direct Link is always to be customer led and in virtually every customer case we start with a blank page. We understand that each customer has different requirements - that no one solution fits all. The 'kick off' point in most of the dialogue we have with customers generally concerns the areas where they are currently dissatisfied with their current solution. That said, this always gives an opportunity to add value, offer enhancements and in turn, to help generate growth. The hot topics for discussion are faster delivery times, choice of services, Track and Trace and solving problems with integration and returns internationally. Helping them find new customers in new markets and in the Nordics in particular is a key focus. Every customer has a different set of needs – and our challenge is to create and deliver bespoke, effective and lasting solutions for each of them.

Q: Motivation
From day one it's been about creating solutions, winning new customers and continuing to grow our business. What makes the e-Commerce market so appealing is that there is so much more scope for growth – but also that in order to succeed, we have to constantly evolve what we do and how we do it to meet and then surpass our customer's needs.

Q: What do your customers say they value most about you?
Fundamentally it's that we listen well and respond effectively to their requests. And that in doing so we are honest and flexible, and try to go beyond the call of duty. In real terms it's that we deliver on what we promise in all areas from pick up to last mile delivery, after sales service and billing.

Q: Issues, Challenges and Opportunities
Driven by retailers and their customers, what makes the e-Commerce phenomenon unique is the speed of change coupled with the level of expectation. As the market grows, staying ahead of the game is paramount for us. To successfully meet demand, we need to be in at the outset and to understand the key drivers in our customers' business. We need to continue to constantly develop and improve specialised services and specialist knowledge. To keep pace with the IT systems that underpin everything in e-Commerce. To provide better quality, faster services with greater visibility. To solve issues with returns and undeliverable items. To manage transport capacity issues in rapidly expanding territories such as Australia. To understand and assist customers overcome supposed barriers such as Customs Clearance. To commit to research into customer behaviour and market trends – as we do with our 'E-Commerce in the Nordics' report now in its fifth year.

SUMMARY
For me, the potential to continue to grow Direct Link through e-Commerce is a massive thrill. Even after nearly twenty years, it's still all about new opportunities and customers. We have embraced the full range and diversity of the challenges of e-Commerce and will continue to do so in the future. Having developed a truly unique offering for the Nordic market and beyond , our aim is to constantly build on each success story and continue to offer the best possible services to all customers.

To order a copy of Direct Link's report "E-commerce in the Nordics" please contact Andy Packham on 0208 707 4415 or via email at andy.packham@directlink.com

www.directlink.com

Searching for Brand Britain

'Brand Britain' is becoming a big draw for global shoppers, reports the BRC-Google Online Retail Monitor.

OVERSEAS INTEREST in UK retailers is up at 23% year-on-year from 16% in Q2 of 2013, according to the BRC-Google Online Retail Monitor for Q3 of 2013. Our home-grown clothing brands and department stores are driving a lot of this growth followed by beauty retailers, and this is consistent with the international interest in UK luxury retailers that Google has observed.

The most popular sectors overseas consumers searched for using their smartphone devices were Clothing and Department Stores while Department Stores and Health and Beauty reported the highest growth rates on tablet devices for overseas consumers searching UK retailers.

A number of countries demonstrated considerable rates of growth in UK retail product searches with the Russian Federation leading the charge with a 54% growth rate. The Netherlands (50%), South Korea (39%), France (36%), Germany (33%) and Argentina (32%), follow.

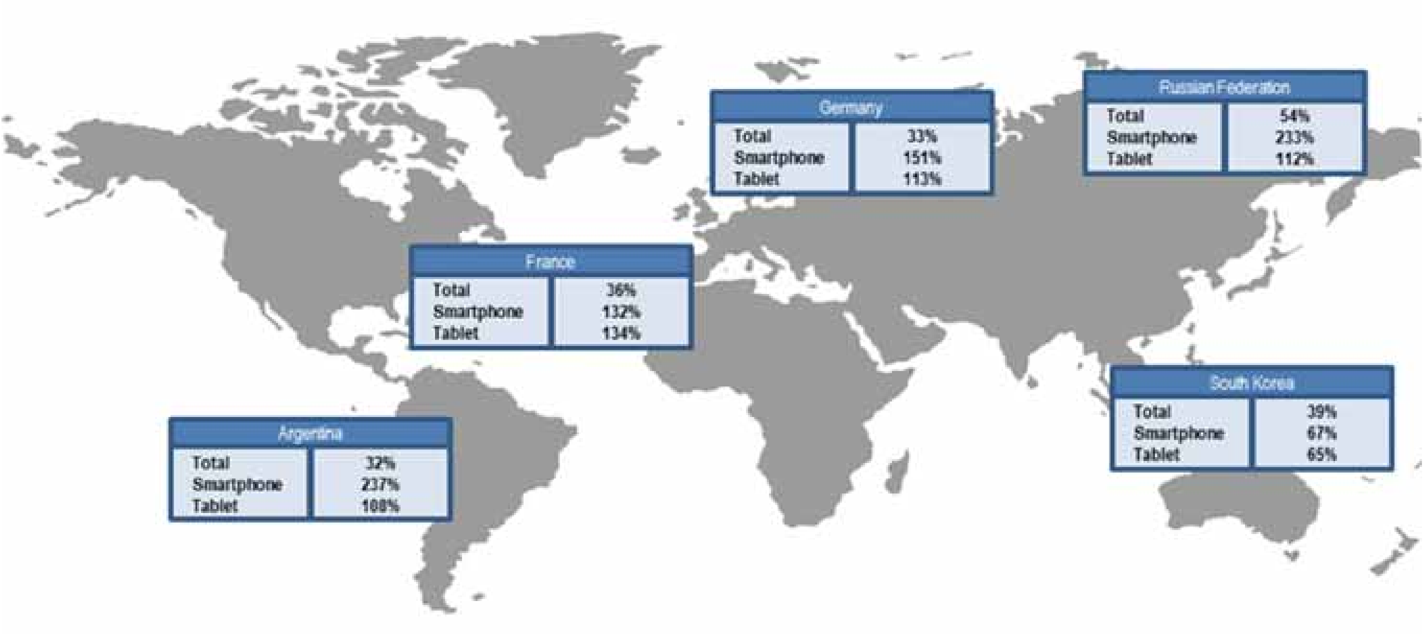
Argentina and the Russian Federation reported significant rates of growth on smartphone devices searching for UK retailers as well, with a year-on-year percentage change in Q3 at over 230%. Searches from consumers using tablet devices in France and the Netherlands meanwhile reported over 130% growth in July – September.

While overseas shoppers are looking for UK retailers, UK consumers are increasingly searching for products from overseas retailers. Growth in the third quarter of 2013 is up 33% compared with the same period last year but down from 51% in Q2 2013.

"These figures highlight the strong foothold that UK retailers have on the international stage, and the major potential for further growth," comments Helen Dickinson, Director General, British Retail Consortium. "The growth in global customers searching for UK retailers online is up by an impressive 23% on the previous year and shows how the quality, range and accompanying service offered by 'Brand Britain' is something respected around the world. For the first time, we can also see which areas of UK retail rank most highly in these overseas searches, with clothing, beauty and department stores making up the top three.

"Closer to home, the data on category searches also chime closely with the trends

INTERNATIONAL SEARCH GROWTH FOR UK RETAILERS



revealed in our sales figures during this quarter. Many customers were searching for good deals on new technology releases, gadgets and games, mirroring the strong sales performance for these items in recent months.

"We're again seeing strong growth for searches on tablets and smartphones, showing that these are playing an increasingly integral role in the customer journey. Retailers are continuing to invest significantly in their multichannel offer, so that they can provide customers fast and user-friendly ways to browse and buy whether in-store, at home or on the move."

Peter Fitzgerald, Retail Director, Google, comments: "The glorious summer weather that extended into July at times proved tough for online trading, as customers opted to enjoy the sunshine. However, the last two months of the quarter saw a drop in temperatures and led to overall queries growing at 12% in the third quarter. Again the DIY and gardening sectors were able to take advantage of the weather, with 'garden furniture' one of the most popular retail searches this quarter."

The BRC-Google Online Retail Monitor measures changes and trends in the growth of retail search terms over time. Every time someone goes online and Googles a retail product, that search is counted towards totals for the month and the quarter.

For each search query Google assesses how likely it is to be a retail search, based on the history of previous searches for that term, then weights it accordingly. Thus total retail search volumes grew 12% in the third quarter of 2013 compared with the same quarter a year earlier. Total retail search volumes growth was highest in the DIY/Gardening, Homewares, Food and Drink and Footwear sectors with DIY/Gardening and Homewares being the fastest growing sectors on smartphone and tablet devices as well. Tablet devices outpaced search volumes from any other device, including smartphone retail searches in every retail sector, increasing 100% compared with growth on smartphone devices of 58%.

Search volumes on desktops continues to decline in many sectors, with Clothing, Leisure Goods, Health & Beauty and Consumer Electronics all reporting double-digit falls. Overall, desktops saw a 10% decline in search volumes.

The top retail search terms during July to September included beds, dresses, engagement rings, ipad , ps4, fifa 14, grand theft auto 5, shoes and xbox.

OVERSEAS CONSUMERS SEARCHING FOR UK RETAILERS

	THIRD QUARTER 2013 Y-O-Y % CHANGE IN SEARCH VOLUMES		
	Total	Smartphone	Tablet
Russian Federation	54%	233%	112%
Netherlands	50%	174%	133%
South Korea	39%	67%	65%
France	36%	132%	134%
Germany	33%	151%	113%
Argentina	32%	237%	108%
United States	28%	47%	64%
Taiwan	22%	82%	25%
Ireland	15%	87%	112%
Brazil	15%	24%	43%
Mexico	12%	135%	94%
India	10%	116%	45%
Australia	8%	43%	47%
Japan	-7%	42%	22%
Turkey	-8%	110%	67%
China	-9%	75%	20%

According to Google, $4bn worth of UK ecommerce is export and this is growing. In fact, it is on track to hit £20bn by 2020, "because the internet is borderless and Eastern Europe, Africa, China and South America are all becoming markets that we can exploit," Peter Fitzgerald told delegates at the Internet Retailing Conference in October.

OVERSEAS CONSUMERS SEARCHING FOR UK RETAILERS BY CATEGORY

CATEGORIES	THIRD QUARTER 2013 Y-O-Y % CHANGE IN SEARCH VOLUMES		
	TOTAL	SMARTPHONE	TABLET
Clothing	26%	90%	78%
Department Stores	25%	81%	99%
Health & Beauty	20%	78%	85%
Home & Garden	10%	62%	76%
Leisure goods	7%	42%	63%

But one up shot of the boom in consumer spending in 'new' economies is that often, in the absence of a fully developed domestic internet infrastructure, consumers have to hit your website via mobile. This can be problematic to many retailers. Not only does it make making your site mobile optimised an even greater imperative, but also it means that in doing so you have to make it optimised to service an international audience.

Ray Fowler from Ernst & Young advises retailers looking to overseas shoppers to "get out from your office and go to the country or countries you are looking at and actually try and buy your own products via mobile from there. That'll at least give you an insight into initial problems," he says.

Retail review

RETAIL LEADERBOARD	
John Lewis	83/100
Argos	75/100
IKEA	75/100
Oasis	66/100
Majestic Wine	56/100

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 Majestic Wine.

RETAIL STRATEGY 15/25
EMMA ROBERTSON, MANAGING DIRECTOR, TRANSFORM

We often look at retailer challenges from the perspective of technology – how can we improve this, enhance that or 3D print the other? However, as is often said and rarely applied, the success is not in the technology but in the customer experience the technology supports. Developing multichannel experiences can often fall down at the point where the channels are connected technically but the people and processes to tie it together are not in place. Majestic has started its multichannel journey from a position of strength; building on a model where the relationship between the customer, store, staff and central distribution is already in place and digital can do what it does best – enhance and grow the business model in new, exciting and engaging ways, without breaking it.

WEB EFFECTIVENESS 16/25
STEPHEN DENNING, SENIOR USER EXPERIENCE CONSULTANT, USER VISION

The most complex aspect of any wine merchant site is going to be presenting the huge range of wines to the user in a way that is intuitive and useful. Majestic have opted to allow visitors to search wines on a number of facets, which is to be commended. However, too many of these have been promoted up from the faceted navigation to the primary navigation and substantial mega-dropdowns, which means that the user is presented with many routes into the wine listings, while many competitors opt for a simpler "Browse Wines" entry point. The descriptions of the wine are well-presented and allow for cross-searching based on various aspects of the wine. However, given my task of choosing wine for an upcoming dinner party, there was a noticeable omission in food/wine pairings and being able to search by type of dish. The check-out process worked well, particularly the intuitive address finder, though the concept of delivery/collection from a local store may throw some visitors slightly. Overall, a visually pleasing and usable site, though probably a bit more complex than necessary.

MOBILE 19/25
ROB THURNER, FOUNDING PARTNER, BURNER MOBILE

The user experience is overwhelmingly positive - easy to find, navigate and use, comprehensive and enjoyable. Whilst rich in product detail and providing excellent customer service, Majestic Wine is in the business of selling wine in a very competitive sector. That's clear to see throughout the site. Critically, the tone of voice is appropriate, and the incentives are appealing – whether providing regular prompts to pull customers in-store, or selling online with providing a hassle free check-out and payment process. This is what mobile and tablet based retail is all about.

I wonder if Majestic will share this great resource across their retail outlets by giving store staff iPads? And roll out WiFi to encourage in-shop browsing?

INTERNET RETAILING IN STORE 6/25
REETA JUNANKAR, CONSULTING MANAGER, JAVELIN GROUP

Having just re-launched their website with the help of Javelin Group, Majestic are yet to turn their hand to the use of digital in their stores. To date, the in-store experience has very much been about best-in-class customer service and deep wine expertise delivered face-to-face via highly skilled staff rather than a reliance on kiosks or any sophisticated in-store technology. Hence the score, which is based on technology use, is lower than the cross-channel customer experience deserves.

Digital is starting to be incorporated into stores through mobile, as product labels promote QR codes that link to the new website, where customers can view product details and access a wealth of online customer reviews. The business is already fairly multichannel so customers can order using Click & Collect as well as order in-store for home delivery (through the existing retail systems). Customers can also select their local store while browsing online so that offers and products presented are consistent should they visit their local branch.

Hyper-Local

Local, like social, the customer and the store, goes in and out of fashion. *Ian Jindal* ponders the latest incarnation of 'local-ness' and how it's set to form a key battlefront in the next iterations of eBay, Google and Amazon's quest for dominance.

THIS STORY starts with Shutl, a rather wonderful startup from the talented Tom Allason, that's long been a favourite at IR Towers. Shutl is a service that aggregates local courier capacity (assessed by price and capability) and links to retailers' local store inventory, thereby offering 60-90 minute delivery of products to customers. Shutl's genius was not only in creating the service, but in getting major retailers starting with Argos to brand the service clearly as Shutl's own.

I had a 50p bet that Shutl would/should be acquired by Google. My reasoning was that a Google acquisition would have blended the "findingness" of Google (since they have the real-ish time stock feeds from retailers) with the "gettingness" of Shutl. This could have made Google a one-stop shop for getting your hands on product, from thought to hand, as it were.

This would have driven two types of retail in particular: the first case is where the customer has an existing notion of their local shops and just wants delivery; the second is where the product is undifferentiated - for example if I've dropped hoisin sauce on my white shirt and I need a replacement for an evening event, I'm indifferent between a cluster of brands and retailers, provided I can get the shirt now!

eBay's acquisition of Shutle is however of equal - perhaps more dramatic - importance for retailers.

Under their newish VP for the UK, Tanya Lawler, eBay has been making a major push to feature full-priced goods from manufacturers and retailers. No longer solely a customer-to-customer marketplace for second-hand or surplus goods, eBay is increasingly competing with Amazon to lure marketplace vendors to focus on eBay's platform. Amazon's 2 million marketplace vendors are dwarfed by eBay's 25 million, and changes to eBay's charging structure (e.g. the first 50 listings each month will be free) further address Amazon's primacy as a route to market for small and niche players.

Taken in the round, the incredible liquidity of products (new and old) and customers (young and old) the addition of a fearsome delivery capability could make eBay a goto place for goods.

Marketplace has been a significant contributor to Amazon's growth: as a result of the increase in products for sale (funded and managed by marketplace traders) allied to their indomitable Prime delivery, Amazon has set the high-water mark for "getting stuff tomorrow". eBay has added the new dimension of 'getting stuff (nearly) now'.

Key to the success of this model is the local, distributed nature of products. In the Amazon model it is centralisation that pays: placing your products in the Amazon warehouses gives you access to their honed delivery capabilities. With eBay the products are distributed in shops, homes, sheds, warehouses around the country – local to (some) customers.

Where there is a match of local products, customers and Shutl coverage there'll be a new level of service.

Amazon is not blind to this and launched in September their Amazon Local affiliate programme in which feeds of local (city-level) products are made available to affiliates. This is a step towards product discovery, but not yet the delivery capability to match local products with customers that day. Not yet!

For retailers, there needs to be a drive to really unlock product and push their stock management and supply chain capabilities. For a year or two the emphasis has been upon thinner coverage in-store, with honed, central operations delivering direct to customer or to store for click and collect. Now we need to add in the ability to sell and fulfil the stock on our shelves, on mannequins and in the (smaller) stock-rooms in each store, van or pallet.

This is not 'new news' since the move to real-time stock information has been on the agenda for a while. However, eBay's acquisition brings to the fore the latent realisation that people's lives are local, their experience of brands and inspiration is local, and now the local availability and service can meet global ranges and universal availability.

The competitive ground has shifted slightly again, and – even as we congratulate Tom and his team at Shutl – we should also celebrate the ongoing innovation in our sector.

Returning to returns

Returns are an eternal headache for retailers. They are expensive, hard to handle and impact heavily on profits. Are retailers doing enough to both minimise them and ensure that customers appreciate the impact of returns too? *Liz Morrell,* **Internet Retailing's Research Editor, examines the issues behind the next research report.**

AS WE HEAD towards Christmas the issue of returns becomes a bigger challenge than ever for retailers to deal with. A good returns policy is essential to happy customers and seasonal goodwill but the cost implications of having too liberal a returns policy, or an inefficient returns policy that leaves the customer experience wanting, has a direct impact on profitability that retailers can't afford to ignore. It was therefore an obvious choice to look again at returns for our next Internet Retailing Research project.

As with our previous research projects the report will take the form of a three-month research programme which will include industry and retailer interviews and a qualitative survey of retailer opinion to see exactly what the challenges are that retailers are currently facing and how they are coping. Keep an eye out for the online survey, which will be hitting your inboxes this month.

In this latest returns project, we will look not only at the question of returns but also examine customer attitudes and retailers' interpretation of them. How happy do retailers actually believe their customers are with their returns processes and how much focus are they dedicating to deliver improved returns processes that not only serve to increase customer satisfaction and spend but also reduce their own costs?

Of course, whilst the challenge of returns is highlighted at Christmas, the true reality is that returns are a year round headache for retailers.

Whilst retailers have long focussed hard on managing the outbound flow of goods – with everything from single stock pools and click and collect services improving efficiency for the consumer when buying goods -- many retail returns processes remain clunky, cost intensive and highly inefficient for both customer and retailer.

THE RIGHT PARTNERS

Minimising returns is essential and requires the right partners to ensure it is done efficiently. Neil Weightman, Sales Director of iForce, says his company is passionate about returns and has invested heavily in not only efficient outbound logistics solutions for its clients but has also worked hard on the reverse flow too. "We love returns and have been pioneers in reverse processing," he says.

It's a view shared by Rob Kay, Head of Corporate Strategy for Hermes Parcelnet Ltd – the UK's largest lifestyle courier delivery network and second largest b2c parcel carrier in the UK and another of our partners in the research project.

He says the company takes hassle-free returns very seriously and treats it as a standalone channel. "For Hermes, returns are not a problem, they're certainly not an "add-on," they are a key element of our multichannel (b2c and c2b) parcel delivery offer," he says. "We know that reliable hassle-free return collections build trust, increase average order values and order frequency between our clients and their customers and promote customer lifetime-values which benefit all service providers in the returns eco-system," says Kay.

HASSLE FREE

Hassle-free is the ideal for both retailer and shopper but what does this involve in practice? We will look at what retailers are doing and whether they are supplementing return to store with other options too: local returns through routes such as Hermes' ParcelShop which gives the customer greater flexibility and tracked returns options which give the customer greater reassurance around their purchases. ▶

"It's about giving the customer greater control and choice over their return collection with reliable returns tracking – both domestic and cross-border," says Kay.

Making returns easier is one issue but do customers and retailers actually understand the true impact of returning product? Vicky Brock is CEO of Clear Returns – a data intelligence company that uses sophisticated data analysis and insight techniques to look at the customers and products behind returns to help identify trends that may help retailers reduce return rates – and our third partner in the report.

"We look at what customers keep rather than what they buy," says Brock. She says that the company's sophisticated data modelling also helps it to quickly identify issues that retailers may face with their returns. "We can, with a handful of returns, understand if there is an issue with a particular product, spot return fraud or see where there are satisfaction issues – for instance out of stock or a returns experience that kills that lifetime value of the customer," she says.

She says returns are simply costing retailers too much. "We are seeing huge operational costs that are having a massive impact on profit. There is huge scope for profit optimisation," she says.

Preventing returns in the first place is also key and reviews help in this. TrustPilot is an online review driven community and platform that builds relationships between consumers and businesses and is our final partner in the report. Founded in 2007, the website now accounts for more than 5 million customer reviews of over 60,000 companies across the United Kingdom, Europe and the United States enabling e-tailers to engage with customers directly, by inviting them to provide reviews of their online shopping experience. Peter Holten Mühlmann, CEO of TrustPilot says this means retailers can learn and make improvements even before a return is made. "Online reviews encourage a customer-to-business feedback loop; a direct dialogue that allows businesses to improve operations and, ultimately, customer satisfaction. By quickly addressing one complaint or other situations that may arise when dealing with returns, companies can ensure the same problem doesn't crop up for others, stopping a threatening issue in its tracks before it can gather momentum," he says.

And the benefits can outweigh the risks. "Many retailers are nervous about what their customers might say. But the reality is that most serve a raft of satisfied customers, and people accept that brands aren't perfect," says Mühlmann.

"We are seeing huge operational costs that are having a massive impact on profit. There is huge scope for profit optimisation"

But improving returns is not just about saving money, point out our partners. "There is so much shocking waste in returns – everything from road miles to packaging," says Brock. "People tend to assume it all just goes back on sale and don't appreciate it has to be repackaged and cleaned and that a lot of time things don't go back on sale at all," she says.

Weightman shares the same view. "One thing I'm interested in is about carbon credit and the environment. Are these retailers measuring what is happening to the product that comes back and can't be resold? How much is going into landfill, how much is being recycled and what percentage is being scrapped?" he asks.

Like Brock, he also questions how much time and effort retailers are putting into fixing goods either within the customer's home in the first place to prevent a return or reworking and repackaging product that has been returned simply thanks to a change of mind or a minor fault. "The fact is, there is a lot of product that may not have much wrong with it. How much are they writing off?" he asks.

Brock believes it's time for retailers to change "Whether it's social or commercial sustainability you can't carry on with a returns rate of 1 in 3 because returns really are impacting the wider business profitability," she says.

Our research will help show the impact returns are having, how retailers are looking to deal with it, and illustrate some best practise case studies of retailers who put the same focus and attention on the returns side of their business as our partners in this report do.

As always a summary of the results will be published as a two page article in the January issue of Internet Retailing and a standalone Internet Retailing Research report on returns will be available to download from the Internet Retailing website in February. The report launch will be followed with a dedicated Returns Research briefing where we will present the results and learnings from our research, alongside our partners at a live London based-event on Tuesday, 13th February. I hope to see you there but if you have any thoughts on returns before then and want to contribute to the research report please email Liz@internetretailing.net. I'd love to hear from you.

Picking your market

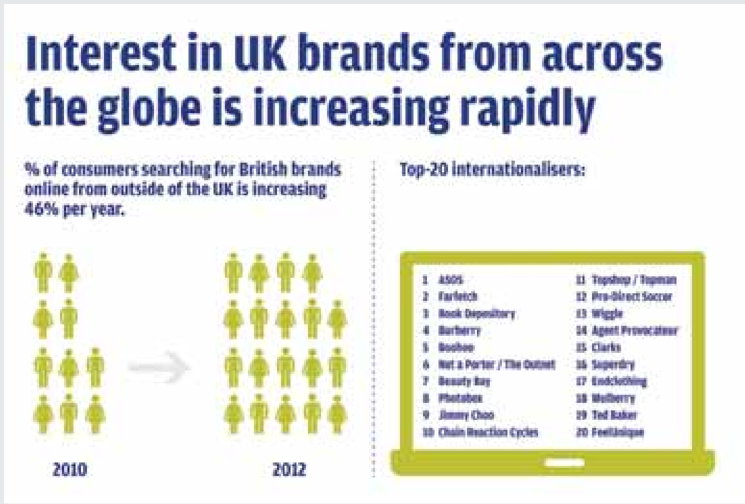
Markets, markets everywhere – but which are right for your business?
Emma Herrod **looks at the global growth of ecommerce.**

THE WORLDWIDE recession produced a harder home market for UK retailers but it also delivered opportunities for expansion into international ones through ecommerce. Most countries are seeing a growth in online retail sales and UK e-retailers have been swift to expand their offering through international delivery or by moving into new markets, launching country-specific sites and setting up local customer service and fulfilment operations.

Online sales by British retailers overseas are predicted to increase seven-fold to £28bn by 2020 as their share of online sales from abroad rises to 40% of retailers' total online sales.

Overseas shoppers' interest in UK brands online is growing by 46% a year. Retailers such as ASOS, Farfetch, Book Depository and Burberry now receive more than half of their traffic from other countries and have won themselves a place in the list of the top 20 'internationalisers' in a study by strategy consultants OC&C and Google.

But how is the retail sector faring in other economies and which countries hold the biggest potential for UK e-retailers?



Source: OC&C

GLOBAL ECONOMY

The world economy is going through the longest recovery in living memory, and while it is slowly recovering there is still a strong headwind, explains D&B Senior Economist Warwick Knowles. "There are patches of growth," he says, particularly in countries with strong oil revenues.

The eurozone emerged from recession in the second quarter of 2013 and he believes that Germany is the best place in Europe for retailers to take advantage of this revival. There is more optimism in the US than in other parts of the world, and while this is tempered by uncertainty on a number of fronts, including anticipated federal policy challenges, Knowles says its private sector is poised for growth.

Many developing markets still have to contend with major structural issues such as business regulations, high inflation and current account deficits. Knowles advises that when considering new markets, retailers should look particularly at whether these are opening up, liberalising and adopting international norms for business – as is happening in Mexico – or private sector businesses still face political interference.

FAST-GROWING MARKETS

Amongst the developing markets, China holds the biggest potential for international expansion online, according to AT Kearney, with the country's vast online retail market driving it to the top of the company's Retail E-Commerce Index. At $23bn (£14.27bn), China's annual online retail market is second only in size to the US's. It is predicted that it will expand rapidly over the next five years, growing at an annual rate of 29% as the country's infrastructure and online purchasing behaviours evolve. Consumer electronics and clothes are the two categories which are most popular with the nation's online shoppers.

"China's infrastructure challenges hinder realisation of the country's full ecommerce potential," says Mike Moriarty, Partner and Study Co-Leader at AT Kearney. "Delivery infrastructure varies outside of metropolitan hubs and inhibits the efficiency and effectiveness of the 'last mile' of online retail product delivery,"

The online market potential of another of the developing nations, Brazil, is a key factor in its number two spot in the AT Kearney listing. The country's online shoppers are the biggest spenders in Latin America, buying retails goods worth a total of $10.6bn (£6.57bn) annually. Its online market is predicted to expand by 12% a year over the next five years as online shopping becomes more mainstream in most retail categories.

Not only is it one of the fastest growing of the developing markets, but Brazil's retail market is also set to receive a boost when the nation plays host to the FIFA World Cup in 2014 and the Olympics in 2016.

Russia is number three in the AT Kearney index, its ranking driven by its large online user base and significant online retail market. The country has 60 million internet users – the largest online population in Europe – of whom 15 million shop online. Russians also own 1.8 mobile phones per person and browse the internet regularly on their handsets. These market dynamics translate into an online retail market worth $9.1bn (£5.64bn) which is projected to grow by 12% a year over the next five years.

When investigating ecommerce expansion there are the obvious macroeconomic conditions and consumer market size to take into account. But factors such as consumer payment behaviour, courier infrastructure and disposable income also need to be considered. So, while those countries with the fast-growing ecommerce markets may look attractive to UK retailers, they do not necessarily offer the easiest pickings.

Taking all factors into account to gain a 360-degree view of regions' online retail readiness, the Forrester Readiness Index reports that Central European countries are strong contenders for ecommerce expansion. For example, according to Forrester analyst Sue Huynh, Poland "has a larger retail opportunity than Brazil, with 35% online buyer penetration compared to just 14% in Brazil".

What's more, Polish consumers are showing a growing appetite for online activity, with a 31% year-on-year growth in the number of Facebook users and 9% of businesses now selling online. "Consumers, though, are visiting the same retailers so there may be a need for more competition in the market," Huynh points out.

NEXT

Next, which delivers online orders to 60 countries outside of the UK, is maintaining a net profit on international sales of around 20% of sales. The company recently revised its estimates for international online sales for the financial year to January 2014 upwards from £75m to £90m. Much of this improvement has been driven by a reduction in operating costs which the company has passed on to customers in the form of lower prices. "In the territories where we have reduced prices we have increased both sales and profits," says the company.

Reporting its first-half results, it said that Directory sales contributed 8.3% to the total growth over the same period in 2012 with the international online business contributing 2.9% of that figure.

Its International Business also saw an increase in customers since July 2012 – up from 133,000 to 223,000 – and an increase in marketing spend overseas.

Next's international franchise partners operate 168 stores in 32 countries while the retailer operates 17 directly-owned stores. It has closed 6 loss-making outlets in Sweden, Czech Republic and Germany, raising expectations that the international store operation will make a small profit of £11m for the full year. As its Chief Executive, Lord Wolfson, explains, the company's product ranges appeal to the market in Britain and a small percentage of people overseas so these international customers can be served online. "We are not looking to open new stores," he says.

As far as international expansion is concerned, his view is that "caution is best".

The areas in which the company is not yet trading online are Brazil (which has high import duties) and China. Lord Wolfson says that he's not sure how big an opportunity these countries represent.

And in terms of localisation, he sees no discernible difference in countries with a localised site or not.

> "Poland has a larger retail opportunity than Brazil, with 35% online buyer penetration compared to just 14% in Brazil"

There are also a number of markets which represent longer-term opportunities. India, which ranked 24 out of the 55 countries analysed by Forrester, has a population nearly as large as China's, so even a small percentage increase in the nation's internet penetration could translate into big sales figures, explains Huynh. It is also investing the most in telecoms as a percentage of GDP.

Unsurprisingly, the US takes the top spot in Forrester's Index, followed by China, Japan, South Korea and the UK. Interestingly, the UK actually has a higher online buyer penetration than the US, at 63% compared with 55%.

MATURER MARKETS STILL OFFER GROWTH

When OC&C looked at the markets in terms of strategic and operational readiness, the US, along with France and Germany, were found to offer the biggest opportunities for UK retailers by 2020. The US alone is expected to be worth £2.7bn to UK eretailers by the end of the second decade of the 21st century. Western Europe will be worth £9.8bn by then with total European

online retail sales reaching €191bn (£160.55bn) by 2017, up from €112bn (£94.14bn) in 2012. This reflects an 11% compound annual growth rate (CAGR) over the next five years.

Johan Berglund, Director and Senior Analyst at The Masterclass Network, agrees. He says in his Quarterly Internet & Mail Order Growth report: "There seems to be an enormous online retailing growth momentum in a lot of European countries right now, and we are probably just seeing the beginning. That the e-driven distance-selling sector is currently carrying overall European retail growth can be further validated through the study of the B2C parcel volumes of the major postal operators in Europe."

InternetRetailing's recent study on internationalisation shows that the priority region for UK retail expansion is the EU. Some 93% of our survey respondents put it in their top three regions with 70% citing it as their prime target. Research and Special Projects Editor Liz Morrell comments: "This, of course, is of little surprise. Its proximity and ease of a common currency between countries makes it an easy next choice for retailers even though other factors – such as tax obligations – can vary widely between countries."

Germany is already a particularly strong market for many eretailers. "No surprise given that the country has the second largest ecommerce market in Europe after the UK," says Morrell.

D&B economist Knowles also thinks it is the best place in the eurozone for retailers to take advantage of post-recession ecommerce.

Expanding online presents retailers with attractive growth prospects, either by adding ecommerce to their existing store networks or as a vehicle for market entry. It allows them to build their brands and learn about consumers without having to invest in store openings, giving them flexibility and the ability to react quickly to growth areas.

Yet the risks for the global economy remain substantial, particularly with concerns about the transition in US monetary policy, structural imbalance in China, the still substantial challenges of the eurozone, and continued political upheaval throughout the Middle East. In the UK, D&B predicts that GDP will grow by 1.2% in 2013 increasing to 1.5% in 2014. But quantitative easing will end at some point and, says Knowles, "interest rates cannot continue at the same low rate". Rising interest rates will hit anyone struggling with mortgage repayments and as he points out "there are a lot of 'zombie' companies out there" which will start to struggle with cash flow and spark another wave of redundancies.

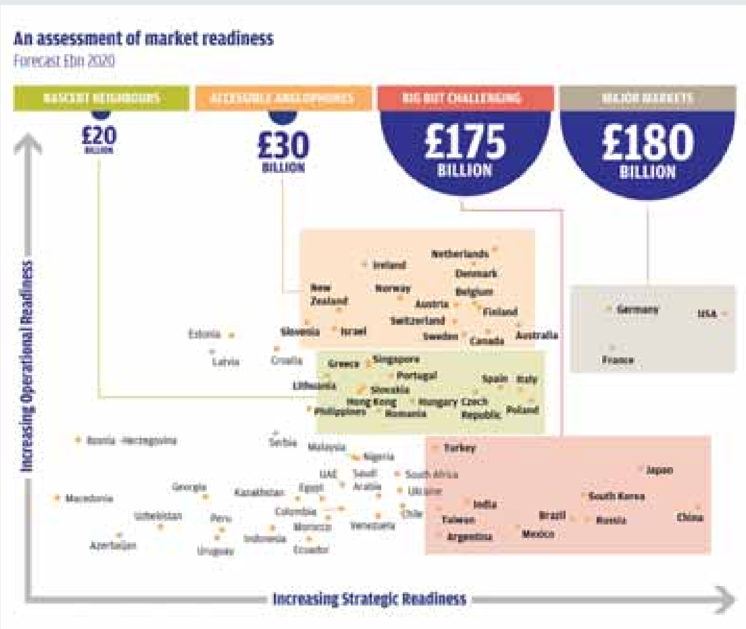
So, while the UK is not on a clear path to growth yet, ecommerce and m-commerce at least offer an easier and lower-cost way of reaching customers. Ultimately, retailers need to put themselves where their customers are, and the potential market for them and their products. Once that decision has been made, it's time to test the market, build it up and start acting like a local.

ASOS

Retail sales growth for ASOS remains strong in both the UK and in international markets with overseas sales increasing by 44% to almost £477.8m during its financial year to 31 August. International now accounts for 63% of the company's total retail sales.

CEO Nick Robertson comments: "During the year we continued to make progress towards our goal of being the world's number one fashion destination for 20-somethings. We reached the milestone of 7 million active customers worldwide, following significant investment in our product offer, delivery options, customer experience and marketing. We also successfully launched our dedicated website in Russia during May 2013 and will soon launch our China operation.

"We have started the new financial year positively. Our £1 billion sales target is now firmly in our sights and we have stepped up our investment in people, technology, logistics and marketing to support the significant global potential of the ASOS business."



Source: OC&C

One-way ticket

It's one thing to put the occasional item into the postal or courier network and despatch it to customers overseas, but is this an effective method once your business in that market reaches critical mass? *Emma Herrod* investigates.

AT THE simplest level, international orders can be met by an existing UK fulfilment centre via multiple carriers, and returns sent back by the overseas customer to the UK for processing. But what happens when you're past the test stage and a country or region has proven itself as a great market for your products, especially when logistics is the biggest expense with international orders? Is there an advantage to holding stock closer to the customer, rather than fulfilling orders from the UK?

The cost and speed of getting product to customers is not that much more expensive than holding the stock locally, believes Richard Longhurst, Co-founder of sex toy retailer Lovehoney. He cites Australia and the US as two examples of this. Lovehoney fulfils all of its UK and international orders from its warehouse in Bath.

There are ways of reducing costs whether that's per kilo or per package deliveries, explains Longhurst. There are also many delivery options when sending customer orders as individual packages via companies such as DHL, UPS or Parcelforce and its local partners.

A carrier management system (CMS) will deal with any documentation required by customs; in some cases this can now be done electronically rather than the warehouse having to handle paper documents. "The carriers are getting quite innovative," says David Stocker, Head of Business Development, DAI Supply Chain. Alternatively, use someone else's expertise such as Amazon.

However, delivery cannot be seen in isolation since it affects customer satisfaction. Lovehoney, for example, looks at delivery costs at the same time as customer satisfaction, by monitoring factors such as the number of customers querying where their order is and repeat sales by territory.

An important service to offer, both from the customer and the business point of view, is tracked delivery since it helps overcome issues of language, culture and customer expectations, explains Longhurst. "It makes it easier for customer services, since when a customer phones up to ask where their order is, we know."

Lovehoney offers a 365-day returns policy with customers able to send a product back for any reason, because, Longhurst says: "We want customers to have 100% faith that we stand behind our products."

The company uses a mixture of returns processes depending on customer location. Customers in mainland Europe return items directly to the UK, while those in the US and Australia send them to a local office, which then returns them to the UK. "We have an office in Australia with two customer services staff who process returns," explains Longhurst.

Of course, the volume of returns differs by market and product category: clothing is more likely to be returned but this is relatively cheap in terms of postage or carrier costs. Sending back large items, however, is another story.

> "Delivery from different locations is about managing customers' expectations and fulfilling to those expectations"

RETURNS INFRASTRUCTURE

The returns infrastructure is not simply a case of running the initial fulfilment network in reverse. For example, it may be feasible for some retailers to supply US orders direct from the UK. But it might not make sense for them in terms of time or money to bring returns all the way back to a UK distribution centre if they can be resold back in the US. On the other hand, if the returned item is just as likely to be resold in Germany, it may make perfect sense.

In terms of carriage alone, it's an expensive process to return items to the UK, so a regional hub that can process them in a way that will maximise their value is an option for UK retailers to consider.

Pram and nursery retailer Mamas and Papas has built up its international business through offline distribution and franchise models in 50 countries. The majority of its online business in Europe, Russia, China and the US is controlled from its UK headquarters. "We manage the platform, we control content and also fulfil for each of those different platforms," says the firm's Ecommerce Director, Rob Jennings.

"The biggest barrier we've found to replicating our UK proposition online is the logistics and reverse logistic and after-sales," he adds. He says its difficulty is sending a pushchair overseas in a way that protects margin. It's also very expensive to return it from overseas. So Mamas and Papas operates a distribution centre in the US in which large, bulky items are warehoused. Since its website also offers products such as clothing and bedding sets that are simpler and cheaper to fulfil from the UK, customer orders can be split, with items despatched for one order from both countries.

This also means that it doesn't have to invest in significant amounts of stock in the US and the business there can dip into a very broad assortment of the range held in the UK without having to move and predict soft item stock levels.

"Subject to it being low cost to ship, not attracting too much duty, perishable or damageable through the post, we've been able to offer a very broad assortment without holding too much stock in the US. That's been a bit of a win for us," says Jennings.

MULTI-LINE FULFILMENT

Fashion retailer Boden took a similar approach to multi-line fulfilment in 2008 when it reached the point at which 30% of its orders came from international markets with returns running at 22% of sales. The cost of fulfilling orders from ▶

the UK was under control but the cost of returns was becoming an issue. The company decided to set up a fulfilment centre in the US to which customers return goods. The returns were then kept in the US rather than being shipped back, making them available for the fulfilment of future orders from US customers. The US DC starts each season with a predicted amounted of stock necessary for that season's offering with 80% of US orders fulfilled from the US. As the season continues the amount of orders fulfilled from the US decreases down to around 50% towards the end of the season. "This is so we don't have redundant stock in the US," says Kevin Shooter, Director of Operations at Boden, "since it's easier to clear redundant stock from the UK."

Orders are still fulfilled from the UK if the stock is not available in the US. This means that some orders are split and customers receive two deliveries depending on whether their order is coming from the US stock and returns or from the UK.

Visibility for fulfilment determination that works out the best place from which to fulfil the order is therefore crucial, explains DAI Supply Chain's Stocker. "Once it goes multi-line it gets more complex," he says. But once rules have been set, software works out the best option for fulfilment and shows the customer their delivery options and prices on the retailer's website as they check out. Adding click and collect or fulfilment from store, multiple DCs and countries, along with supplier deliveries to overseas warehouses, adds further complexity, all of which there's a technology solution for once the business has decided on how it wants to operate.

Another option for retailers to consider when an order needs to be fulfilled from two countries is to consolidate the items. For example, the US stock can be packaged when the UK-fulfilled part of the order arrives at the US warehouse and the items can then be despatched together. But this does slow things down and, as Shooter explains, synchronising when your customers get the different parts of their order is an issue. Being able to offer different delivery methods such as Amazon-like free delivery if you are prepared to wait or next-day delivery if you pay is quite appealing. "We're now looking at how we tackle that as an issue," he says.

Ultimately though, delivery from different locations is about managing customers' expectations and fulfilling to those expectations. "You don't want to confuse the customer," he says.

One B2B retailer of hardware to the construction industry with 300 UK stores and a full omnichannel offering will be expanding into Germany in 2014 with a fully localised site and a trial of four stores. A third-party logistics provider has been chosen "to take away some of the pain," according to Stocker, but the stores will use the same back-end systems as the UK operation. Going forward, a real-time view of inventory will be critical since stock could be collected from store, fulfilled from Germany or replenished from the UK, along with deliveries direct from suppliers. To take supplier deliveries into a country DC, the business in that country needs to reach a critical mass, explains Stocker, and a full view of the supply chain is needed to know what can be replenished from where, when stock is due into the different locations and even how the workload will impact on different DCs and transport.

> "I think what we'll see more businesses do is try to minimise the perceived barriers to a customer having to buy something cross border"

For smaller companies in particular though they may not have enough stock to fill several warehouses, and the cost of having good stock in France when it's selling in Germany is a pain that makes the (sometimes) higher cost of UK despatch more palatable.

"I think what we'll see more businesses do is try to minimise the perceived barriers to a customer having to buy something cross border. I suppose that comes down to things such as making sure duty is not paid by the customer, that the delivery proposition is as quick as possible, that the delivery cost is as low as possible, so there's no downside to shipping from another country," says Mamas and Papas' Jennings.

"The challenge for the retailer is the proposition of selling a pushchair, for example; shipping it across to Australia is going to cost a lot of money. If I want to offer a free-of-charge proposition I want to make sure I'm recovering that somewhere else, maybe by a protracted delivery lead time, or managing the expectations of the customer in doing that. Or just make it up in the price of the product. But therein lies another challenge, in terms of managing the visibility of prices for the same product in multiple regions."

Upscaling international operations, from UK fulfilment and returns via multiple carriers handled by a CMS, to distribution centres in multiple countries is complex. That's even before factoring in a physical store network or customs, duties and pricing. So, whether you match fast delivery via courier from the UK, set up your own DC overseas, or use the services of a third party, the customer will be happy as long as the service matches or exceeds the promise.

eshopworld
Taking your ebusiness global

What are the biggest challenges e-retailers face selling internationally?

CONSUMERS WANT full transparency of the fully landed cost for their purchases – ie the price for the goods, shipping, and any taxes, duties or handling fees, to get the goods to their home. No one wants the delivery carrier turning up with the package, and demanding extra additional costs on your doorstep.

They want to have delivery options – standard and express at a minimum; but they also want to be certain that when paying for a 2-day express, that it will arrive as promised. The actual transportation of the package itself is a key challenge – particularly with a cross border purchase, and getting cleared through customs expeditiously is key to meeting that delivery promise.

There are multiple payment methods used globally, and some are very market specific. For retailers to ensure maximum conversion rates, then country specific payment method must be available on the checkout.

Another major concern of many e-retailers for international orders is fraud, and the risk of non payment. Retailers are concerned that they will have an increase in charge backs, and non payments, and when dealing with foreign legislation in this area, can be off putting.

The myriad of foreign consumer protection legislation in areas such as warranties, returns, refunds and trade compliance issues are also seen as a obstacle for retaielrs to sell globally.

The ability to simply return a purchased item has always been a key challenge and an impact on the overall user experience; the no hassle returns process experienced in-store becomes a major challenge for on-line retailers and shoppers alike; in many countries, retailers have a legal obligation to offer a returns service. Providing low cost return transportation, refunds, replacements and re-inventorying often through a network of third-party logistics providers is key to ensuring the shopper has a simple experience that will make them want to purchase again.

Finally, many etailers customer service function may not be set up to manage queries from international shoppers – language, time zone, consumer buying patterns and preferences are all factors that many retailers

- More and more e-retailers are selling globally, how can retailers customize their site for international markets?

Ultimately, consumers want to have as simple a user experience for international orders, as they receive when buying domestically. In order to deliver this on this expectation, retailers should adopt a number of best practices:

- Full transparency and ability to make payment of the total cost at the checkout – goods, shipping, duties and taxes. This should be a guaranteed cost, with no extra charges.
- Offer choice of at least two shipping options – standard and express, both with guaranteed delivery – so that the consumer can decide if they are willing to pay extra to get it earlier.
- Offer payment methods commonly used in your target markets eg invoice in Germany, or bank transfer in Holland.
- Provide a simple on line returns mechanism, where shoppers can select the items they want to return, and get a refund as quickly as possible.
- Localise the key aspects of the site – particularly areas such as address fields, and provide multi lingual payment gateway if possible.
- Ensure that all consumer communication – eg order confirmation, order tracking – is in the language of the consumer.
- Consumers always want to know what shipping will costs them, how can retailers accurately estimate shipping costs, especially for International orders?

The best practice for accurately determining the shipping cost is to incorporate a calculator at the checkout, that automatically computes not just the shipping cost, but also the fully landed cost of duties, taxes and any handling charges.

eShopworld offer this capability for over 70 different destinations.

- Returns are costly for retailers, how can retailers minimize returns, but more importantly, get a returned item back in stock promptly and efficiently so it is available for sale?

Returns are a fact of life, and particularly in some retailer sectors such as apparel and foorwear, this can run to 25-30%. With international returns, this can be a major challenge. Some specific best practice in this area is to provide a returns infrastructure that includes a portal allowing the shopper to select the items they want to return, print pre-paid or purchased return labels, and have the ability to return the product to the nearest store, to an in country or region return centre where a refund can be quicly initiated. Research has shown that shoppers who receive their refund quickly from a retailer are much more likely to spend that refund with the same retailer, than with someone else.

Martin Tully,
Chief Operations Officer
info@eShopWorld.com

Harmonisation of cross-border trading

Internet Retailing's Research Editor, *Liz Morrell* takes a look at EU legislation and considers the differences across what could be a digital single market.

SELLING ACROSS borders has long been both challenge and opportunity for the retail market but increased use of technology, more sophisticated logistics options and a more international customer has meant that many retailers are looking to international expansion to grow their business.

However doing so is not quite so easy as one may expect. Whilst the ideal is of a common market within the European Union that allows for a complete harmonisation of cross-border trading the reality is somewhat different and the varying requirements for markets across the EU alone can make international expansion - whether physical or just online - a daunting prospect for retailers considering it and a tough challenge for those already doing it.

Although it seems everyone is looking at an international strategy to boost sales the reality is that less than a third (27%) of all UK merchants sell cross border into the EU Digital Single Market, according to the recently published IMRG X-border Trading Guide 2013, International Developments in Ecommerce.

This means that there is still huge opportunity for a majority of retailers for further growth. In March of this year the UK Government tasked an EU ecommerce taskforce, chaired by Lord Young of Graffham and involving IMRG, to find out why adoption was so low. Over a four month period of research they found that a significant factor was in play – that businesses often avoid selling cross border even in the EU – because of the legal uncertainty it involves. What should be a common market has such a variation of consumer protection rights, sales laws, logistics practises and payment methods that international expansion can simply be too much of a challenge for some.

PAYMENTS

One of the biggest barriers for cross border trading for retailers comes from the differences in payment methods between EU markets. Though the Euro may be a common currency the variance between countries of payment methods when it comes to online retailing can throw up problems beyond simply paying for goods.

For retailers in the UK long used to credit or debit card payments for goods ordered online the reality of different payment practises across countries we associate as being close to ours can come as a shock. In Italy, for example, cash is the preferred method of payment and in the Netherlands the iDEAL card is the most popular method of paying.

Meanwhile in Germany, shoppers rely on direct debit or an open invoice system which allows the shopper to pay up to a month after they have received their goods. This not only affects retailers and their ability to charge for goods before receipt but also means that German shoppers have a much higher propensity to return goods since they have nothing to lose from ordering multiple alternatives of an item since they don't have to pay for them at that point. "It's both a cultural and a legal thing and is a big surprise for a lot of retailers," says James Roper, founder and CEO of the IMRG.

Iain High, Managing Director at EMV and ecommerce payment service provider Anderson Zaks, says payments need to change since the fragmentation of the current card payments market across the EU makes it hard for both retailers to trade and consumers to buy. "Whilst credit transfers and direct debit schemes are already established, an integrated market for payment cards, internet and mobile payments is still lacking," he says. "The European Commission has a range of proposals in the pipeline, however, due to the large number of players involved and vested interests, change is likely to take a while," says High.

Indeed the EU has called for the development of a formal European Payment Council to provide the necessary guidance for standardising new means of payments that would then help to introduce a raft of changes including caps on interchange fees that could help stimulate the market. However, High believes the EU Commission is rushing change. "We feel that some of the powers currently held by the international payment schemes need to be relinquished but that the Commission may be going too far too quickly in some other areas," he says. ▶

> "Less than a third of all UK merchants sell cross border into the EU Digital Single Market"

INDIVIDUAL COUNTRY CUSTOMS

GERMANY

Despite being Europe's largest ecommerce market – with more than 35 million online shoppers according to the IMRG report – it is not a straightforward market and its peculiarities can often trip up retailers who think it's the easiest first choice for European expansion.

Its payment practises are the biggest peculiarity of the market since the country relies on a system of open invoice where customers can order and receive goods but not have to pay for them until after receipt – a huge difference to how UK retailers are used to operating and one that for fashion at least can result in up to 70% of goods being returned, according to the IMRG report.

As well as being an extra physical burden for the retailer there is also increased cost too since both German law and culture dictate that it is the retailer and not the customer who pays for such returns.

Language is also an issue since national legislation requires that certain information is available on the landing page of the retailer's website in German. A commonly used legal practise of the issuing of an Abmahnung (a German term for a written warning which is often accompanied by an invoice for costs and damages) can also catch retailers unawares.

FRANCE

France also offers huge opportunities for retailers expanding into the EU but again has its own challenges that make the idea of harmonisation of cross-border retailing more of a desire than a reality.

Although a less peculiar market for payment differences than Germany, payment methods do still differ from what many retailers are used to with alternative methods such as cash on delivery also popular.

Roper says one of the biggest stumbling blocks for retailers can be France's different approach to Sales since although in the UK retailers are used to Boxing Day being one of the biggest sales days of the year in France it is illegal to hold a Sale on Boxing Day and retailers must instead apply for Government permission to go on Sale – a practise alien to Sale happy retailers in the UK.

CONSUMER RIGHTS

The IMRG report also highlighted the differing legislation affecting different countries in terms of sales promotion and competition laws. "For example buy one get one free would not be allowed in some EU Member States that ban selling goods below cost prices," says the report. This makes life difficult for retailers says the report since they have to either operate separate national websites to comply with national sales promotion regulations or have to temper their promotions and offers accordingly to ensure they better comply with local legislation.

Returns are also a huge issue for retailers to tackle. Under the EU Customer Rights Directive a basic minimum level of rights is expected but many retailers exceed this according to the IMRG report. "There is a huge variation between countries on consumer rights which often exceed the European minimum," says the report. It surmised that consumer expectations in this regard then are more often led by market leaders setting their own standard for returns – something which retailers face a challenge to emulate.

The problem of clarity over consumer rights was also a prohibitor to customer confidence in international retailers the IMRG report found.

Footwear retailer Office is looking at European expansion for next year and the company's Ecommerce Director Robin Worthington says he has spent much time looking at the implications of the Distance Selling Regulations and how they would affect his ability to trade across the EU, particularly looking at the challenges the market sets with its obligations around returns. The peculiarities of the German returns market sit at odds with Office's trading model and is therefore an obstacle to cross-border trading that needs to be overcome. "Germany is particularly challenging because you are looking at free returns there but we don't even offer that in the UK," says Worthington.

> "Germany is particularly challenging because you are looking at free returns there but we don't even offer that in the UK"

MID-JUNE DEADLINE

The reality is that the market, consumer expectations and behaviours, and legislation is changing all the time. In December of this year, the EC Directive on Consumer Rights will become law with the new rules to be applied in all member states by mid-June next year at the latest.

Yet another new law currently going through the motions is the Common European Sales Law – a new law which claims to allow EU firms to trade more easily in other member states, whilst allowing cross-border shoppers to be better informed of their rights. The new law was backed by the Legal Affairs Committee in September and would lay down optional EU-wide rules for purchases from other EU member states made online.

Yet the new law has already been dismissed by many. It aims to help businesses enter new markets without having to pay the extra costs incurred by having to adapt to different rules in different member states. The theory is that it would enable retailers to offer products in a number of member states under the same contract rules and could therefore mean a wider range of products available at lower prices as well as building confidence in online shopping within the EU. However, the rules are entirely voluntary and are dependent on both buyer and seller agreeing to the rules – something many believe will be hard to enforce – otherwise the national rules the law is designed to supersede apply.

"The Common European Sales Law is regarded as a joke that will never happen. It's a voluntary scheme that everyone has written off already as a non-starter," says Roper.

So faced with so many different policies to get their heads around are we any nearer to a true harmonisation of cross-border trading? It seems not yet. "Whilst there are European laws and guidelines they don't seem to be enforceable and are open to misinterpretation," says Worthington. "We need a set of rules you have to stick to because otherwise businesses just interpret them as they see fit," he says.

Roper admits it is a confusing challenge for retailers. "There is a lot of legislation that just doesn't work and gets in the way," he says. But he believes there is a simpler solution and that instead of simply concentrating on toeing the legislative line retailers should instead work on looking after their customer and their business as best they can – since in many instances good customer relationship handling and service naturally overrules many of the legislative requirements in place. "If you are a good retailer and don't evoke the law then the law is sort of irrelevant," says Roper. Whilst he isn't of course advocating breaking the law his advice is obviously key – offer an excellent customer experience and service and it won't matter what border you are crossing because your customer will be happy.

Land of the rising stars

Asia Pacific is to overtake Western Europe as the second biggest online market in 2013. Daniel Latev, Head of Retailing, Euromonitor International, takes a look at the online leaders in the region.

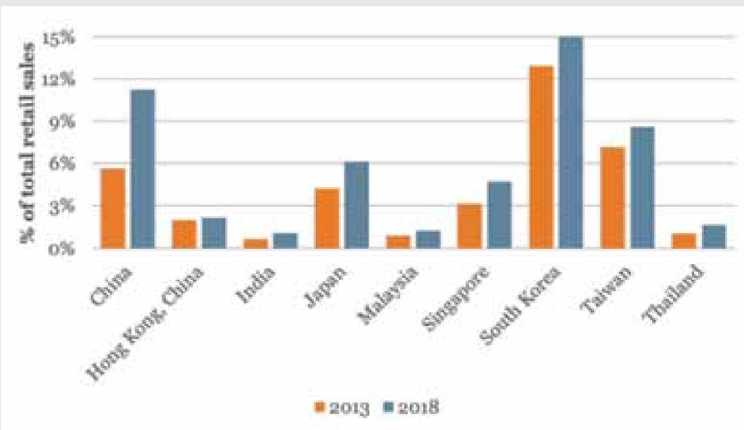
INTERNET RETAILING continues to hold the mantle of the fastest growing channel. Interestingly this is not only in percentage terms but also in actual growth generated. Internet retailing is expected to generate more actual sales over the next five years than big store-based channels such as supermarkets and hypermarkets, apparel or electronics specialists.

Even more intriguing is that internet retailing is no longer exclusive to the developed Western markets. Emerging markets – particularly within Asia are enjoying equally strong growth rates and high penetration of online retailing.

China is probably the best example where B2C sales are expected to reach almost US$100bn in 2013, and is now indisputably the second largest online market globally after the US.

Combined online sales in Asia Pacific (including Australia and New Zealand) would reach US$194bn in 2013 – surpassing Western Europe and becoming the second largest online market after North America. Clearly the opportunity within Asia is large and growing quickly – so how can retailers take advantage of this?

INTERNET RETAILING AS % OF TOTAL RETAILING



Many British retailers took an early advantage from Western European markets – establishing foothold in countries where they didn't have store presence and attracting customers to their platforms.

Some retailers are already taking this approach further afield expanding into Asia and North America. Asos is one of the best examples with a majority of its sales now generated from international customers. And while online sales can be a good way to expand into international markets without incurring the high set up costs of retail outlets, companies need to be keenly aware of the specifics of the markets they enter. One size fits all approach might not work well across this region and the strategies used in expanding in western markets might not work well in Asia.

Reviewing the top 10 retailers in the region shows the strong lead of local retailers. Within the top 10 online retailers only four are owned by American companies, yet of these four only Amazon and Apple generate most of their online sales through the same retail storefronts as in Western Europe and America, the rest have grown through acquisitions and heavy customisation to fit with local consumer demands.

"VIRTUAL" SHOPPING MALLS DOMINATE

Virtual shopping malls are the preferred shopping destination. Five of the top 6 online retailers in Asia are virtual shopping malls led by Tmall. These retailers have established such a strong reputation among consumers and retailers alike they are now the default destination for online shoppers.

Tmall, the leading Asian retailer, is part of Alibaba Group focusing on Business to Consumer sales with the aim of providing a one-stop shopping experience for online consumers. Tmall was born out of the popularity of Taobao.com – Alibaba's consumer to consumer (C2C) marketplace. Taobao, and C2C commerce still dominate Chinese internet retailing overall, however Tmall has made it possible for small merchants to reach consumers across China. Despite its high market share Tmall has outperformed the market growth. Its continued success is driven by the strong cooperation with small and medium-sized sellers, assisted by enhanced microblogging marketing on social media platforms and shopping search engines.

Alibaba, is further aiming to increase its influence in the Chinese retail market. The company has announced plans for massive investment in infrastructure – fulfilment centres and distribution network. The company aims to invest US$16bn by 2020 in order to reach China's vast interior where consumers still have very limited access to modern retail channels and brands with the ambition to generate sales of a half trillion US$ by 2016.

PUREPLAYERS ARE MORE SUCCESSFUL IN ASIA

The majority of the top 10 in Asia are pure players. Suning and Lotte are the only multichannel retailers. Suning Appliance is the leading Electronics and Appliance specialist in China with more than 1,500 outlets in the country. Suning.com is betting on its low price strategy for its online channel, including no annual service fee for suppliers of the online channel. Extensive product range, convenient online payment, an extensive distribution network supported by its existing outlets across the country, and good aftersales service enable Suning to record strong growth and compete with Tmall and JD.com

Lotte Group is the leading retail group in South Korea operating in both grocery and non-grocery retail. Its three online sites reflect its store based operations with Lotte imall offering marketplace services as well.

PRODUCT VARIETY IS A KEY FOR ASIAN ONLINE SITES

It is noteworthy that most of the top internet retailers are all specialising in more than one particular product type. These players provide their shoppers with a wide array of products, ranging from apparel and electronics to toys and media products, to name but a few. These platforms find favour among consumers as they offer the convenience of one-stop shopping on top of good deals.

TOP 10 ONLINE RETAILERS IN ASIA PACIFIC

GBO	MAIN WEBSITES	2012%	2013%
Alibaba Group Holding Ltd	Tmall	19.9	23.8
Amazon.com Inc	Amazon, Joyo	9.1	7.7
JD.com	JD/360buy	6.0	7.4
Rakuten Inc	Rakuten	8.9	7.1
eBay Inc	G Market, Auction, eBay	2.9	3.2
Softbank Corp	Yahoo Japan	3.2	2.3
Suning Appliance Co Ltd	Suning	1.5	2.1
Apple Inc	Apple, iTunes	2.3	1.9
Lotte Group	Lotte.com, Lotte imall, Lotte Mart	1.0	1.2
Wal-Mart Stores Inc	Yihaodian	0.6	1.0

> “Five of the top 6 online retailers in Asia are virtual shopping malls led by Tmall”

Payment preferences and logistics and distribution are still in their infancy – particularly in markets such as China, India, Malaysia and Thailand. Payment by cash on delivery is still the preferred method for many consumers as penetration of digital payment tools is still relatively low. Alibaba's initial success in China was partly due to the Alipay escrow payment system which guaranteed payment for merchants and protection for consumers. Delivery is another area where retailers need to partner with local companies to find a cost effective and reliable service. In many cases online retailers invest in developing their own delivery services to guarantee timeliness and quality of service.

Price is a key factor for most Asian consumers, particularly in China, where shoppers can be extremely price sensitive. Shoppers would spend extra time searching for the best deal both online and in stores to make sure they pay the lowest price. In this regard price promotions have been used as a key tool in capturing market share.

Overall shopping preferences in Asian markets can be very different to those in the West. Using "virtual" shopping malls can be highly beneficial for international brands however to get to consumers, retailers still need to be keenly aware of these specifics to meet local requirements. For store based retailers – online first strategy in complicated markets such as China or India can be a good way to learn about consumers and build initial brand recognition. It is not surprising that Argos and Macy's are starting with online presence only in China.

International Mobile

Mobile commerce has grown very rapidly all over the world. While the UK in many ways leads the way, there are many examples of how it's been put to use in other markets around the world that reflect not only the differences in local shopping habits, but can showcase how widely mobile can be used in the retail experience. *Paul Skeldon,* Mobile Editor, Internet Retailing investigates.

FLAVOUR OF the month in mobile retailing in the developed markets of the US and the UK is spiralling in on the role mobile has to play in store – with the industry seeing it as the glue that makes omni-channel stick together as a coherent customer facing offering. The focus is on how to pull different platforms together; on how to turn the mobile device into a payment and a POS tool; and on how best to develop websites that work across a vast array of devices.

This highly strategic focus on the role of mobile in these developed markets often leads to some technologies – most notably simple QR code scanning – being overlooked, or even derided. But a look at how other markets overseas are making use of mobile shows how mobile can be used to create a whole new, simplified way of shopping and make retail even more competitive.

Perhaps the most notable overseas market that comes to the fore when looking at how mobile is reshaping ecommerce and retail is Korea. Here Tesco has pioneered 30 virtual stores on the walls of subway stations across Seoul that used barcode scanning from mobile to buy food to be delivered home for busy commuters.

WHERE TESCO LEADS

These HomePlus virtual stores demonstrate what Simon Hathaway, president, shopper marketing and retail operations at Cheil – which worked on the Tesco project – describes as "the end of the space race" for retailers. It also plays into the mindset of busy commuters who don't want to spend their precious non-work time shopping.

It has proved extremely successful. According to international advertising industry analysts Adverblog "online sales between November 2010 and January 2011 increased by 130%, with the number of registered members rising by 76%".

The HomePlus virtual store has been such a popular idea that it has spawned competition in the Korean market with giant supermarket chain Emart launched its flying stores. The idea was not to create a virtual store, but to encourage consumers to do their shopping on mobile. To do this the retailer launched an array of brightly coloured balloons, each with a wifi router attached to offer fast connection as they drifted through shopping malls, stations and even trains.

The promo exercise – again run by Cheil – was designed to get shoppers to download Emart's app and start shopping immediately. During the month of the promotion, downloads of Emart's app rose to 50,000, while its mobile sales more than doubled. The retailer also felt the benefits of this campaign offline, as coupons downloaded from the balloons drove a sales increase of 9.5% in its stores.

The high penetration of mobile devices – compared to PC ownership – in Korea means its population is especially well-primed for this mode of shopping. Tesco's HomePlus amassed 1.1 million downloads over a two- to three-month period.

Korea is just one market that has hit western headlines over the use of virtual stores. This kind of 'pop up' retailing predicated by mobile's immediacy and reach is proving very popular all over the developing markets since it allows for small footprint-high yield entry into often crowded markets. It also allows for new players to more accurately target the demographic they are trying to reach.

> "With the virtual store, we are taking online shopping to the next level by touching base with our customers"

OTHER MARKETS

India offers a prime example. Here, online fashion and lifestyle shopping portal Yebhi.com has launched virtual stores across Café Coffee Day outlets where customers can buy products from a virtual wall, akin to what is being seen in Korea. Currently trialling with 30 virtual stores across two cities – Delhi and Bangalore – customers can view, choose and buy from a large range of products such as clothing, shoes, accessories, mobiles and home products.

The virtual stores feature pictures of merchandise from the Yebhi.com website, with each having a corresponding QR or NFC Code. Customers can select any item by scanning the QR code or tapping on the NFC code via their smartphone. They will be taken to the Yebhi.com website where they can buy the item for delivery to their doorstep. Customers will also get an instant discount of Rs 200 if they buy at Yebhi's virtual store.

"Today, Indians living in big metros are very busy and this initiative offers them an opportunity to shop while they chill," says Nikhil Rungta, Chief Business Officer, Yebhi.com. "We settled on outlets near corporates and youth hangouts as customers who come here have time on their hands and money to shop. With the virtual store, we are taking online shopping to the next level by touching base with our customers and allowing them to shop from anywhere, at anytime."

This move allows careful extension from the online world into the natural habitat of the customers a brand is trying to reach, and is proving hugely successful. But moving ▶

further east and into perhaps the world's most interesting developing consumer market, China shows how these virtual shops are not only meeting the challenges seen in Korea and India, but are being used with guerrilla-like warfare between old and new retailers.

Yihaodian, one of China's leading ecommerce websites, has teamed up with Ogilvy & Mather Advertising/Shanghai to take the battle for China's grocery shoppers online.

In a highly successful retailing stunt, Yihaodian has just launched 1,000 stores overnight, located at some of China's most iconic landmark locations, as well as directly in front of its competing brick and mortar supermarkets.

The interesting twist is that these Yihaodian stores are not real; they are virtual 3D stores. Consumers can only see, visit and shop in them by using the Yihaodian Virtual Store App while being physically at one of the 1,000 locations.

These location-tagged virtual stores have just launched in iconic areas of Shanghai, Beijing, Guangzhou and Shenzhen. Each of the stores is packed with promotional discount coupons and high-value, free gift vouchers that are just waiting to be claimed by shoppers.

Yihaodian Chairman YU Gang explains: "The most distinguishing feature of our augmented reality 3D virtual stores is its bringing online shopping to the offline world, combining the advantages of online and traditional retail through constant innovation. Not only is this one-stop shopping experience cost-effective, it's a direct home delivery service that's free from the restrictions of store location, shelf space and operating hours through its mobile and ecommerce capabilities. Consumers can enjoy the convenience of online shopping while still having fun purchasing from these virtual stores that are set up in residential communities, offices, parks, and even on the Great Wall."

The Yihaodian virtual stores are a world's first in using GPS location tagged augmented reality where consumers can actually go shopping. It works just like visiting a traditional offline supermarket: you enter the store and browse the aisles for products then buy them before you leave the shop.

> "Consumers can only see, visit and shop by using the Yihaodian Virtual Store App while being physically at one of the 1,000 locations"

TURNING MOBILE ON ITS HEAD

Interestingly, in Japan – often considered to be many years ahead of the game in high tech usage – the idea of virtual shops has taken a strange twist. Unlike the pop-ups in Korea, India and China, in Japan, mobile is increasingly being used to offer consumers the chance to virtually browse and buy from shops and department stores from the comfort of their own homes.

Here, two leading retailers have launched virtual shops that allow visitors to browse through the stores' interactive web pages to give them a realistic in-store experience – all from the comfort of their own homes. Users can navigate around the virtual shop with keyboard or mouse commands, and even walk over to spots for a better look at products.

The virtual shops are designed using a series of photos to create a panoramic web layout. Nissens's Smileland Virtual Shop recreates the department store floor online so visitors can browse through items as they would in-store. The ShinQ Virtual Switchroom allows visitors to explore multiple floors and even lets customers checkout the ladies toilets remotely.

Japan sets itself aside from the growing groundswell around the world where virtual shopping is now an outdoor activity done while doing something else. Filling up commuting time with the relatively boring task of food shopping makes perfect sense, but extending this to leisure shopping may also prove a challenge.

In Russia, virtual shopping is being offered around shopping malls with posters with QR codes offering shoppers the chance to check out and buy consumer electronics. Directly inspired by HomePlus in Korea, German-based Media Markt has rolled out interactive billboards across Moscow. The company has had success with this in Germany, but it is yet to be seen whether Russians embrace this mode of shopping.

What all these projects do show however, is that there is a very can-do attitude within developing markets to take mobile at its simplest level – well one of the more simple levels: barcode and QR scanning – and use it to create exciting new shopping experiences. They are all predicated on having robust mobile payments technology and the need for consumers to have preregistered debit or credit cards or for mobile phone service regulators to allow on-bill payment for goods. Something that can't be done (yet) in the UK or US.

They all also face the same challenges of logistics and fulfilment that have vexed many an ecommerce manager in the UK for years. But still, there are lessons to be learned from these projects that could well be adopted here in the UK to great effect. Maybe it's time to look at the more simple, tactical stuff while we let the big boys wrestle with the strategic, omni-channel 'new normal' in which we find ourselves operating?

Learning from the global best

Simon Hathaway, **president, shopper marketing and retail operations, Cheil Worldwide, takes a tour around the globe to highlight innovations in social, mobile and digital.**

RETAILERS ARE investing millions in sophisticated digital, mobile and social campaigns. Shoppers, on the other hand, simply don't care. To them, the expectation is that the shopping experience will be the same no matter the time, the place or the channel and that retailers will be everywhere, instant and personal. This is why social and mobile, perhaps more than any other channels, have become so intertwined.

As a result, the path to purchase is no longer linear, but a journey of search, shop and social – fuelled by mobile. Social networks are about sharing and communication with friends and family, and smartphones offer an unprecedented level of immediacy and access available whether the consumer is at home, in a shop, out with friends or walking through a field in the middle of nowhere.

Around the globe, there are examples of campaigns that use these technologies to impressive and profitable effect – and the UK has been able to follow suit. By now, pretty much everyone has heard of the 'virtual supermarket shelves' Tesco Homeplus set up in a South Korean subway station, an idea has been copied by retailers all over the world. Tesco tried it out again among holidaymakers in Gatwick Airport and we've seen some non-traditional retailers trial it too. PayPal used it for a Valentine's event in Singapore and US magazine Glamour created a virtual store for its advertisers.

Most internet retailers want to create that sort of personal, relevant, immersive experience, which may (or may not) require bricks and mortar as well, and for that they could do worse than take inspiration from some of the most innovative campaigns from around the world.

IKEA'S AUGMENTED REALITY CATALOGUE

Augmented Reality (AR) has rather fallen off the marketing radar of late, but IKEA has used it impressively with its 2014 catalogue. Customers scan selected pages with the IKEA catalogue application (available for iOS and Android) or browse the pages in the digital 2014 IKEA catalogue on their smartphone or tablet. By placing the printed IKEA catalogue where they want to put the furniture in their room and choosing a product from a selection of the IKEA range, they can immediately see how it would look in their home.

People don't generally want to buy a sofa if they have not experienced it and that usually means a visit to a store, but this lets you visualise it in your home. It's a lovely piece of strong human insight, combined with purchase occasion and brand experience that can be shared and broadcast through social networks.

NISSAN AND AMAZON

In the United States, Nissan was able to sell and lease its Versa Note cars in conjunction with a Nissan advertising campaign running on Amazon's homepage. Clicking on the homepage advert took shoppers to another Amazon page with photos and details of the car, where interested drivers could submit a form and wait for a local dealer to contact them.

Although you can't directly order the car through Amazon, Nissan offered $1,000 Amazon gift cards to the first 100 people who bought or leased one of the cars within 30 days of the form's submission. It is perhaps the first campaign to take the physical car dealership online and suggests a possible future for the automotive industry.

MAGNUM PLEASURE STORE

The Magnum ice lolly is built on a brand promise of pleasure and delight. Unilever added a level of personalisation by opening a pop-up Pleasure Store in Amsterdam so that people could create and personalise their own Magnum recipe on their smartphone and share them through social media. In-store screens showed each design and customers could pick up their finished confection from the store.

It was a unique new communication from a brand normally associated with the ice cream freezer compartment at the local newsagent or convenience store. Unilever lost around €1 per Magnum sold, but shifting the budget for a single TV advert covered the expense and provided something even more relevant and personal.

GENERTEL'S SUBMARINE

Italian life insurance provider Genertel wanted to highlight how people could be affected at any time and promote its new high street presence. With the slogan of 'Protect Your #L1F3', it created a stunt where a submarine apparently surfaced through the streets of Milan just 100 metres from Genertel's new shop, destroying a car and causing havoc and mayhem.

The Twitter hashtag #L1F3 (the serial number emblazoned on the submarine) erupted on Twitter and other social media were filled with pictures of people's reactions to the event. Not the cheapest or most subtle campaign by any means, but it certainly got the message across.

EMART'S FLYING STORE

South Korea's largest retailer, Emart, did not use a submarine to get attention, instead it chose a Flying Store. Wi-Fi-enabled, remote controlled balloons, shaped like Emart delivery trucks went directly to consumers, floating above them in malls and public areas as they walked around with their smartphones. It offered people free Wi-Fi to browse online without restriction. Of course they had to pass through the Emart homepage when they first accessed the internet, where they had access to offers and discounts. Fulfilling the expectation of shoppers that they can reach their retailer of choice 'everywhere' made it, unsurprisingly, very successful.

Emart understands that the race for retail space has moved from bricks to mobile. Whilst some retailers have tried to restrict mobile usage, they have positively embraced it and are exploring ideas to improve the shopping experience using mobile devices in-store and out. Recently they tested how smartphones might help customers shop through the Sales Navigation campaign.

“A memorable viral or targeted SMS campaign often won't cost the earth and can yield impressive results”

EMART SALES NAVIGATION

By using some very sophisticated technology in-store and adding a very simple holder to trolleys for customers' smartphones, Emart enabled shoppers to locate the best offers via their smartphones, directing them to the aisle where the promoted items were to be found.

It began with a tried and tested price promotion, but the app created a digital store that shoppers used while they were simultaneously inside a physical store. While it might not be realistic for every business to pull off campaigns of this size and cost, it shows the possibilities open to retailers to use mobile and technology to engage their customers.

So what does this mean for UK retailers? To begin with, it's worth noting that the budget to sunder a street or create an air force of Wi-Fi balloons isn't a requirement to create an exceptional and valuable retail experience. The beauty of social media and mobile is that even retailers with tighter purse-strings can do something amazing: a memorable viral or targeted SMS campaign often won't cost the earth and can yield impressive results.

Furthermore, there are a huge number of examples around the world, like those above, from which to draw inspiration. As always, it's a question of understanding what you want to achieve, who your customers are and how to create the right experience – one that is everywhere, instant and personal.

Insight around the world

ISABELLE SALLARD,
EDITOR, INTERNETRETAILING.FR

Revealed during the Ecommerce Paris Expo in September, the latest Fevad quarter report indicates that ecommerce is still seeing significant growth in France. During the second quarter of 2013, the number of transactions on the internet has continued to grow by 20% over the same quarter of 2012. In total, the French have spent €12.2bn online during the period. "Even if the growth rate is less important since the beginning of the year, the market for online sales growth is driven by supply and demand", says Fevad.

The two most promising sectors are technology devices (+7%) and clothing (13%). Other markets, including grocery, are also experiencing significant increases. Indeed, the number of users who buy food on the internet has increased by three percentage points compared to 2012.

During the second quarter, the number of French shoppers who buy online continued to grow by 3% and the number of commercial websites maintained a high level of growth at 17%. In 3 months, 5,000 new ecommerce sites were created.

The main good news came from the average basket which is now stable at €87 after 24 consecutive months of decline. Meanwhile, the frequency of buying online and the amount spent per buyer continues to grow: French shoppers spent an average of €476 in the second quarter of 2013 (against €453 in the second quarter of 2012).

Finally, the report also revealed a strong emergence of marketplaces. The volume of sales made on marketplaces has increased by 62% compared to the second quarter of 2012.

MATTHEW RAINBOW,
COUNTRY MANAGER, AUSTRALIA, GLOBALCOLLECT

The Australian retail landscape has changed significantly with the evolution of ecommerce. Due to high labour and rent costs prevailing in the country, online retail prices have always been lower than onshore retail.

In 2012, Australia's ecommerce market reached AUS$25bn and the industry is expected to experience robust growth in coming years driven by increasing online shoppers and average per capita spending. It's predicted to reach $31bn in 2016.

Smartphone penetration in Australia is projected to increase from 42% in 2012 to 68% by 2016 with the number of smartphone users expected to rise from 9.3 million to 15.6 million, boosting mcommerce industry prospects. The mcommerce market in Australia has grown already from $155m in 2010 to $5.6bn in 2012.

Travel is one of the country's most popular ecommerce categories with a 26.1% market share in 2012. Social media is rapidly impacting the way Australians travel, with a significant number of 10 million Australians on Facebook making travel decisions based on their friends' social media activity. Due to increasing influence of social media, the travel market is poised to extend its impact over the country's ecommerce and internet landscape. In 2012, online travel ($6.6bn) was the largest category in ecommerce sales in Australia, followed by entertainment and leisure ($4.2bn). However, apparel is expected to be the fastest growing category in the next few years. Kogan, Milan Direct and Catch of the Day are the leading retailers online.

Online fraud losses reached an all-time high in 2012, with an average loss of $370,000. Online payments account for nearly half of the total value of online frauds committed. To prevent online fraud, the Australia Payments Clearing Association (APCA) launched a new fraud prevention program in September 2012, Get Smart About Card Fraud Online, to raise awareness among small to medium-sized merchants of the risks of online card fraud

The common payment method in ecommerce is electronic wallets (40%) such as PayPal followed by credit cards (39%). Online transfer (20%) also has a strong usage share. However, online transfer is not used by consumers for ecommerce purchases but for basic payments such as rent, utilities, etc. Other online payment methods include BPAY and Ezidebit with a combined market share of 1%.

KARIN FALKENTOFT, MANAGING DIRECTOR, DIRECT LINK

The Nordic ecommerce market is in a phase of robust growth with more than 14 million people in the region buying goods online last year with nearly one in three making at least one purchase a month. Denmark tops the Nordic list for percentage of consumers who buy goods online, while the highest amounts are spent by consumers in Norway. PostNord, of which Direct Link is a part, estimates that the Nordic ecommerce market amounts to sales of around SEK 100bn (£9.7bn).

More and more leading retail businesses in the Nordic region are now investing heavily in online selling, and over the past year several international ecommerce companies, including Zalando, have elected to expand in the Nordic market. The reasons why the Nordic region is at the forefront of this trend include widespread internet use, good access to mobile telephony and mobile broadband and generally strong purchasing power on the part of the population of all the region's countries.

The robust growth of recent years indicates that the Nordic ecommerce market is playing an increasingly important role both to consumers and businesses. Nordic people are generally up for trying out new things and so often represent a good test market when a business wants to expand internationally. Nordic customers love to buy from UK sites.

Increased growth has also brought higher consumer demands. Nordic consumers want to receive their goods more quickly and to decide how their deliveries are to be made. They also want problem-free returns.

There are many similarities between ecommerce consumers in the Nordic region, but the recent 'E-commerce in the Nordics 2013' report also highlights clear differences in behaviour, depending on the country the person comes from. One of the biggest differences is how people want to pay for their goods. While Swedes want if possible to pay afterwards by invoice, Norwegians and Danes prefer to pay using payment or credit cards. Finns, on the other hand, mainly pay direct from their bank.

Danes and Norwegians are the most frequent buyers, followed by Swedes. Finns lag behind somewhat. Norwegians top the list when ranked by the average total value of goods bought online during 2012.

Four out of ten Nordic ecommerce consumers bought goods online from a foreign site during 2012. The most popular option is to buy from UK sites, followed by US and German sites. When Nordic consumers buy goods online from other Nordic sites, they generally buy from Swedish online shops.

MICHAEL NEEDHAM,
CTO, MIH E-COMMERCE AFRICA AND MIDDLE EAST

South Africa's largest online retailer kalahari.com has selected the hybris Commerce Suite to power its retail vision forward, strengthen its position as an innovative market leader, and fast-track market growth selling both digital and physical goods via its online stores and marketplaces.

A 2013 survey of online shopping habits by MasterCard Worldwide reveals online retail in South Africa is growing by more than 30% annually so as Africa's leading online retailer of electronics, toys, appliances, games and books, kalahari.com will leverage the hybris Commerce Suite to respond to growth opportunities and further extend its market share in the fast growing Southern African commerce market.

Kalahari's plans with the platform will enable it to support its rapidly expanding online operations, which include consumer-to-consumer and B2C retail, and deliver a feature-rich experience to a growing number of mobile shoppers. This will include selling digital goods such as eBooks, via kalahari's own e-reader device the Gobii, and a large expansion of its online catalogue of digital and physical goods.

According to a recent survey published by kalahari.com, mobile shopping in South Africa is being fuelled by the uptake of tablet devices, with 70% of tablet owners now using their devices to shop online.

Owned by MIH Internet Holdings, a Naspers company that specializes in ecommerce platforms, kalahari realised its existing ecommerce system would not be able to scale to support its fast growing business strategy.

All our retail businesses and especially kalahari.com are highly customer centric, hence a large part of our IT focus is on delivering core platforms that enable the business to deliver the best customer experiences. At large scale and across a continent, this becomes particularly challenging, but with hybris in place we have a foundation to build upon that will free up our IT teams to focus on the more innovative edge of our customer offering going forward.

NOW & NEXT

At IR Towers we recognise the importance of face-to-face meetings, the experience of 'being there' and the ability to focus fully on an idea or issue. While we have a growing range of events and activities, created specifically for retailers from Jumpstarts to webinars, we also appreciate that time is precious. Here are some of the learnings from recent events.

INTERNET RETAILING CONFERENCE

Sir Stuart Rose, Laura Wade-Gery and Ilan Benhaim keynoted last month's Internet Retailing Conference. Emma Herrod picks out some of the highlights of the event.

The customer is no longer king – but master of the universe – and retailers must innovate and change in order to adapt to that fact. So said Sir Stuart Rose, opening keynote speaker at Internet Retailing Conference 2013, addressing the conference theme of the new normal in retail.

"They always used to say the customer is king," said Sir Stuart, who is chairman of Ocado and Dressipi but is perhaps best known for his reign at Marks & Spencer where he was chairman until 2011. "The customer is not king any more, the customer is the master of the universe. You have to give them what they want when they want it."

And not only that, said Rose, but it's also important to give it to them at a price they are prepared to pay. "Not what they can afford or what you can give it to them profitably for, but what they are prepared to pay," he said.

Too many retailers, he said, had responded to the recession and the time of change by sorting out their balance sheets and then carrying on as normal. But this was not to respond to the technological changes that are going on.

"This recession," he said, " has mostly been a good thing. It has not allowed businesses who didn't deserve to, to survive, and that has allowed others the space to grow. Retail is still alive."

But, he said, retailers must adapt to the new realities of how customers want to buy. "If you continue to innovate and do a couple of things you can survive and prosper." Those couple of things are to move with speed, and not to work in isolation.

Laura Wade-Gery, Executive Director, Multi-channel E-commerce at Marks & Spencer, continued the idea of change, tracing the history of M&S from its 'everything for a penny' roots, to the present day when the normal was the widespread prevalence of the internet.

When the internet started, she said, to post a product description pushed at the limitations of the technology. Today it's all about photos, videos and, she said, "3D printing will force us to think yet again about how things can be done."

"Digital puts the customer in the driving seat – as master of the universe," said Wade-Gery, quoting Sir Stuart Rose, before going on to explain how M&S had changed to meet that new normal around a customer demographic that might be a mature one but was still a technologically capable one. She pointed to ways the internet amplifies the store experience, from the use of 1,500 iPads in M&S stores to the reinvention of the shopper experience in its virtual-rail-equipped Amsterdam store and the use of wi-fi in stores. "We are just at the beginning of understanding and exploiting that potential," she said.

But behind all the customer-facing development, she said, it was important to reshape infrastructure and staff capabilities, from board-level down, to reflect the new normal.

The final keynote speaker, Ilan Benhaim co-founder of vente-privee.com, argued that the new normal was fast becoming a multichannel world that included shops. Of the top 20 US e-tailers, just one, Amazon, was online-only.

However, he then went on to explain how vente-privee.com had grown to 19m members and €1.3bn through word of mouth – and could not itself have shops because the model would not work. "The pureplay model can't work where they are spending on visitors," he said.

Customer service, he said, was at the root, while constant innovation in this area as well as technology, digital production and logistics were also key. "You need to work on the customer experience to improve sales," he said.

He also went on to suggest that as multichannel retailers grew the proportion of their business

Key dates for 2013 learning opportunities

Register for events online at www.internetretailing.net/events

4 DECEMBER 2013
Drive your sales skywards in the countdown to Christmas. Webinar with Trustpilot

22 JANUARY 2014
Internet Retailing Beringer Tame eCommerce Charity Pub Quiz, London

13 FEBRUARY 2014
Returns Research Briefing, London

Internet Retailing Expo 26 - 27 March 2014 NEC, Birmingham

www.internetretailingexpo.com

done online from 5% to 20%, they should move first to selling internationally before then moving to become a crosschannel business. “Crosschannel isn’t about IT but about organisation,” he said. “It’s about training people in the stores to understand that.”

Some 1,100 visitors, including 550 conference delegates, gathered for the conference, with 79 of the top 100 e-retailers represented to consider the conference theme of the new normal in retail. Speakers across three conference streams looked at the issues from the viewpoint of The Customer, The Business and The Retailer.

Johan Sävenstrand of Swedish movies, music and games retailer Ginza spoke about personalisation and how 51% of visitors use search but searchers account for 80%+ of the company’s revenue.

Jeremy Fennell, Ecommerce Director, Dixons Retail explained how the company uses customer insight, such as best-in-class analytics integrated with multiple data sources and tests on how pricing affects conversion to drive forward its service offerings and add value as a multichannel specialist. Insight has resulted in Currys stocking sewing machines because they were consistently showing up as first or second on the list of nil-result searches.

Alessio Rossi, VP, Interactive and E-Business Marketing, Lancôme explained how the business uses different methods to communicate with potential customers at different times of the day in order to best match where they are. In the beauty industry, “we sell experiences, a dream, a story,” said Rossi explaining how CRM is used for relationship building. In the morning customers are preparing to shop so his focus is on the mobile channel with how to’s and deals. By midday the focus switches to store events, m-commerce, geofencing and incorporating desktop as a channel. After 7pm the tablet is the communications device with chat, reviews and editorial features highlighted. “It’s more to acquire a new customer than to get more revenue from an existing one,” he said.

Lancôme uses “as much tech as necessary to understand the customer,” he says and if “we’re analysing something, how does that relate into the omnichannel offer?” The biggest challenge with omnichannel, according to Rossi is that Lancôme sells through stores that are not operated by the company which brings complexity not with the selling but in engaging and directing traffic. “Mobile is key,” he says with geotargeting attracting traffic to stores but for customers who have ordered online “50% of what resonates with them is what happens after they’ve purchased”.

In the International Panel Discussion the advice from the speakers was for retailers to define for themselves which markets or countries are best for them. “It’s so dependent on the brand or product,” said Jan Mehmet, Global Digital Director, Jack Wills. “It’s about understanding your customers, demographic and how much it’ll cost you to reach them.”

Ray Fowler, Executive Director Advisory Services CIS Retail, Ernst & Young did warn though that “big players who are international will come this way too,” and will be asking themselves how do they get into the UK market. The same is true for brands and manufacturers who are looking to deal with consumers directly.

Asked to give one piece of advice, the panel said to do your homework, to understand the customers and infrastructure, understand your margins inside out, go out and try to buy from UK retailers from different countries such as an IP address in Russia and don’t underestimate it. “If the opportunity is there take it but remember you still have a home market so don’t take your eye off the ball,” commented Mehmet.

Facebook, eBay and Google closed the conference streams with Peter Fitzgerald, Country Sales Director, Google, UK outlining how Google Labs takes thinking outside of the box to new levels. With the company pledging to devote 10% of its energy – if not its money – into exploring and exploiting the wild and the whacky because somewhere in there will be some ideas that really make a difference – both to the world and to the business.

“We look to invest in ‘moonshot’ technology that will ultimately make the world a better place in 10 years time,” he told the audience. “We look for where there is an overlap between a huge problem, a radical solution and out there technology.”

Google Glass started out like this. He also spoke about self-driving cars and the Loon balloons enabling wifi. “These are our <x> projects,” he says. “What are yours? Think about how you could set up something like a lab or working group to explore these blue sky ideas – they make the world a better place and make your business better.”

international

international

payment & fraud

retail systems

payment & fraud

customer service