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# Internet Retailing

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Issue 74

## 2019: THE TRENDS

Sir John Timpson on the state of retailing in 2019

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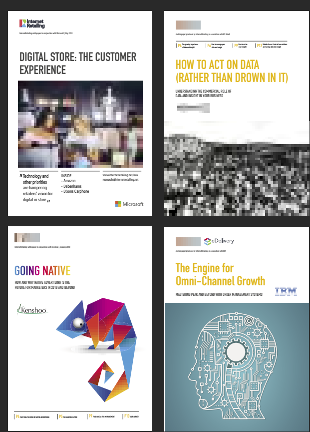


# Editor's comment

Christmas has been and gone but the repercussions are still being felt as retailers report on how they fared over the festive period. According to the British Retail Consortium the high street suffered the worst Christmas for a decade. December retail sales decreased by 0.7% on a like-for-like basis from December 2017. On the flip-side, online saw growth of 5.8% in December highlighting how consumers are increasingly shopping online at Christmas.

Overall though, "squeezed consumers chose not to splash out this Christmas with retail sales growth stalling for the first time in 28 months," says Helen Dickinson OBE, Chief Executive, British Retail Consortium. "The worst December sales performance in ten years means a challenging start to 2019 for retailers, with Business Rates set to rise once again this year, and the threat of a No-Deal Brexit looming ever larger."

Capgemini/IMRG reported a stalling of online growth towards the end of 2018 too. UK online retail sales growth hit an all-time low of just 3.6% year-on-year (YoY) in December. This figure finishes what was a challenging second half of the year. The Capgemini IMRG eRetail Sales Index recorded 16% (YoY) growth for online in the first six months of the year, followed by a decline to 8.4% (YoY) growth for the second half of 2018. Overall though, online retail sales across the whole of 2018 saw growth of 11.8% over 2017 ahead of the 9% that was forecast at the beginning of the year.

As Andy Mulcahy, Strategy and Insight Director, IMRG comments: "If there had not been so much uncertainty and shopper confidence had not been so negatively impacted toward the end of the year it seems a reasonable bet that online retail sales growth could have been much stronger than 11.8% for 2018. If Brexit can be resolved so that a course, whatever that may be, is agreed and pursued, it may help to build shopper confidence again with online likely to be the main beneficiary from a retail perspective.

"However, if 2019 proves to be a year of continuing uncertainty, with repeated delays and political instability causing market disruption, it may prove to be a tough year for many businesses to navigate – as we found out in late 2018, online is not immune from that."

In this issue of InternetRetailing, we take a look at the trends and innovations impacting on retail in 2019. Sir John Timpson shares his insight into what's really happening on Britain's high streets. His investigation for the UK Government looked at the wide issues affecting town centres and how they are more than simply a place to shop.

There are towns up and down the UK where footfall it up, there are fewer closed shops and the local community is really doing something to make more people interested in their own town centre. This is down to individual people; inspirational leaders who are getting their local community interested in the future of their town, he explains, and this was the biggest surprise for him while conducting research for 'The High Street' report.

He believes that changing town centres isn't going to be led by retailers though, "it's community led," he says, adding "if they create the right spaces and the right atmosphere then the retailers will want to be there. You're not going to achieve this by retailers changing the way their shops are."

We are all still coming to terms with the unintended consequences of a digital age but it has not yet been fully comprehended. So, while he says that 2018 was an exceptional year for the number of retail formats reaching the end of their life, he doesn't think that 2019 will be any worse.

The takeaway is to keep on doing what online retailers do best and exploit digital for the benefit of the customer and the business. This issue of InternetRetailing magazine is full of insight, trends and success stories and I hope that some of them resonate and help you gain a good share of the 9% predicted growth for e-retailing in 2019.

*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*

## THE WORST CHRISTMAS FOR A DECADE

HIGH STREET RETAIL sales had their worst Christmas trading period since the beginning of the crash in 2008, with December retail sales decreasing by 0.7% on a like-for-like basis from December 2017, when they had increased 0.6% from the preceding year.

According to the latest figures from the British Retail Consortium (BRC), Over the three months to December, in-store sales of Non-Food items declined 2.8% on a total basis and 3.9% on a like-for-like basis. This is below the 12-month total average decline of 2.5%. The decline was the worst since April.

On the flip-side, online sales of Non-Food products grew 5.8% in December, against a growth of 7.6% in December 2017. This is above the three-month average of 5.5% but below the 12-month average of 6.9%. Online penetration rate increased from 29.1% in December 2017 to 31.2% last month.

"Squeezed consumers chose not to splash out this Christmas with retail sales growth stalling for the first time in 28 months," says Helen Dickinson OBE, Chief Executive, British Retail Consortium. "The worst December sales performance in ten years means a challenging start to 2019 for retailers, with Business Rates set to rise once again this year, and the threat of a No-Deal Brexit looming ever larger."

She continues: "The retail landscape is changing dramatically in the UK, while the trading environment remains tough. Retailers are facing up this challenge but are having to wrestle with mounting costs from a succession of government policies – from the Apprenticeship Levy, to higher wage costs, to rising business rates.

She concludes: "Retail makes up 5% of the economy, yet pays 10% of all business taxes and 25% of all business rates. This is neither fair nor sustainable. The Government should urgently look into reforming the broken business rates system and champion the future of retail in the UK."

David Marshall, Professor of Marketing and Consumer Behaviour at University of Edinburgh Business School agrees: "Shoppers are cutting back on spending as the cost of living rises and uncertainty looms over what will happen post Brexit. As food prices continue to rise, shoppers are increasingly savvy when it comes to prices and looking for good value. In response, discount supermarkets continue to grow their market share and the shift in emphasis towards price competitiveness is likely to continue across the grocery sector.

"In addition, seasonal buying patterns have changed," he adds. "Black Friday, Cyber Monday and a surfeit of pre-Christmas discounting in stores has impacted consumer buying patterns and company margins in a traditionally strong trading period. Consumers have shifted some of their seasonal buying forward to take advantage of the promotional offers."

## ONLINE WINNERS & LOSERS

WHILE THE FINANCIAL results for a number of key Top500 UK retailers show the High Street took a big hit, the picture is different online.

Clear winner is Shoezone, which logged overall revenue growth of just 1.8% for the year, but digital revenue increased 19.9% to £9.8m (2017: £8.2m) achieving profit contribution of £2.6m (2017: £2.0m). More interestingly, 79% of its online sales came from mobile.

According to the company, the 'mobile first' design and implementation continues to deliver strong results with an increase in conversion to 3.68% (2017: 3.55%), however desktop conversion has fallen marginally.

M&S, which saw like-for-like clothing and home sales drop 2.4% over the 13 weeks to 29 December, saw a strong online performance for Home and Clothes, logging UK revenue up 14%, supported by an increased focus on digital marketing together with improvements to delivery and operations at Castle Donnington. Womenswear online growth also significantly outperformed expectations, says the retailer, driven by areas including dresses and knitwear reflecting our "Must-Haves" and social media campaigns.

Debenhams – which was tipped to log almost catastrophic results for Christmas – performed better than expected and online saw significant growth. Group digital sales rose 6% in the six week period over peak against a strong comparative performance, delivering two year growth of over 20%.

Sainsbury's, which logged woeful overall sales – especially disappointed in the performance of Argos overall – which reported online sales growth of 6% in Q3.

However, Tesco bucked the High Street trend and reported a modest increase in sales and also saw online blossom in 2018. Online LFL sales increased by 2.6% over the Christmas period. This included Tesco's biggest-ever sales week in online grocery, with nearly 51 million items delivered and 776,000 orders. The retailer has also seen a 3.8% year-on-year increase in Delivery Saver subscribers to 491,000, compared to Christmas last year.

John Lewis, which also did well on the High Street this Christmas, saw its best ever peak online in 2018, with digital sales up by 12.8%. Overall, however, heavy discounting across all channels mean that profits are all but flat at JLP this year.

## MORE PEAK TRADING

A NUMBER OF PUREPLAYS did well over the peak season with Boohoo and Shop Direct benefitting from shoppers' changing behaviour to buy more of their shopping online.

Sales at Shop Direct, operator of the Very and Littlewoods pureplay department stores, reported a 3.7% sales boost for the seven weeks to December 28, compared to the same time last year.

The fastest growth came at Very (+8.8%), as site visits across Shop Direct brands rose by 8% to 107.3m, and mobile sales grew by 12.7%, year-on-year (YOY). Some 79% of online sales came from mobile devices, up from 74% last time. Shop Direct said that its sales growth – which came across product categories – was achieved while maintaining profit margins, despite an extended Black Friday period of discounting. Very and Littlewoods were among the first to launch Black Friday campaigns – on November 9 – and they ran until November 27.

Shop Direct points to Very's digital out-of-home advertising campaign, which featured dynamic sales messaging in high street locations, provided shoppers with real-time information about online pricing, stock availability and demand for offers. At the same time, it says that the customer experience improved thanks to the integration of IBM Watson's machine-learning technology with its Very Assistant, the in-app chatbot.

Meanwhile, fast fashion retailer Boohoo saw its sales rise quickly in the Christmas quarter of its financial year. Sales grew to £328.2m in the four months to December 31, up by 44% on the same time last year. Already impressive growth of 33% in the UK was thrown into the shade by a 78% boost to revenue in the US, and 57% in the rest of Europe. Unlike some competitors, Boohoo also successfully maintained its profit margin, up by 170bps to 54.2%.

Sales at Boohoo grew by 15% to £163.5m, while PrettyLittleThing saw growth of 0.5% to £144.2m and Nasty Gal grew by 74% to £20.6m. Boohoo expects to see full-sales grow ahead of expectations and profits to remain on target, with growth of between 9.25% and 9.75%. Boohoo and PrettyLittleThing are both Top250 retailers in IRUK Top500 research.

## STABILITY AT NEW LOOK

NEW LOOK has reported that its move to prioritise profitable sales over sales growth had dented its online sales in the first half of its financial year – but that its store sales were more stable as a result.

The update on New Look's turnaround strategy came as the fast fashion retailer, ranked Leading in IRUK Top500 research, unveiled plans to reduce the amount of debt on its balance sheet through a debt-for-equity swap.

New Look said that sales continued to fall in the first half of its current financial year, but pointed to an improving overall trend. Total UK like-for-like (LFL) sales fell by 4.2% in the first quarter of its financial year, but improved to a fall of 2.3% in the second quarter. Within that, said New Look, retail store LFL sales stayed flat but ecommerce sales fell as the company moved to focus "on profitable sales rather than absolute sales growth." The figures, it said, also reflected the impact of an upgrade to its online platform in September. In the third quarter, it said, LFL sales had improved again (+0.9%).

Sales were ahead of last year in October (+4.8%) and November (+8.9%) but down in December (-5.7%) as a result of wider trends including falling in-store footfall and an industry-wide move towards discounting. Total UK sales were also hit as stores closed as a result of its CVA (company voluntary agreement) to restructure its store estate. Now, however, says the company, it is better placed than competitors to flex its business between stores and online.

## A GOOD YEAR FOR JD SPORTS

ATHLEISURE retail brand JD Sports Fashion says its sales were 15% up across its sports fashion brands in the 48 weeks to January 5. Like-for-like sales, it said, were growing by more than 5%, including positive performance over Black Friday and the Christmas period.

It also says that its policy of steering clear of "short-term reactive discounting" meant it had maintained profit margins. All of this, it says, is down to its commitment to multichannel retailing.

"Given the well-publicised challenges within the wider UK retail market, we are pleased with this trading result which further demonstrates the robust foundations of our dynamic multibrand multichannel proposition across our core market and our capacity for further growth across an expanding geographical reach."

The retailer, ranked Top50 in IRUK Top500 research, now has two stores in Thailand and five JD stores in the US, including three that were previously Finish Line stores. It has gained confidence from the early performance of JD in the US and now plans to convert up to 15 more Finish Line stores in the first half of 2019.

It is now predicting that pre-tax profits will be at the upper end of expectations, despite "some labour cost inefficiencies" during the course of its transition to an enlarged and further automated warehouse at its Kingsway site.

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*

## UK TO SPEND £25BN ON SMARTPHONES IN 2019

IN 2019, and for the first time ever, consumers will be as likely to use their smartphones to shop as they would using a laptop or desktop, according to research by price comparison and switching service uSwitch.com. And they are pointing their devices at Amazon, eBay and Argos.

Shoppers plan to spend £25bn using their smartphones this year, a £10bn rise on 2018. More than 30 million UK consumers (58%) will use smart devices to shop this year – an increase of 12 million, or 66%, compared to 2018.

The popularity of smartphone and tablet shopping is being driven by convenience, which two thirds (66%) of shoppers say is the main draw of using a smart device. The ability to shop at any time (64%), compare prices (40%) and the superior choice available (39%) are other strong influencers, while more than a third (36%) believe online shopping represents better value.

Clothes are by far the most popular product bought online (69%), ahead of books (51%), groceries (47%) and theatre or cinema tickets (43%). The most popular websites used for online shopping, however, are not exclusively clothes retailers – 89% of consumers use Amazon and 63% use eBay.

The convenience and the 'always on' nature of smartphone shopping means that no matter where people are, they can spend on their phones. The living room is the preferred location for most (78%) with nearly a tenth (8%) shopping on their daily commute.

Ru Bhikha, mobiles expert at uSwitch.com, explains: "For so many of us now, our smartphone is an extension of our hand and we have it with us at all times, meaning that we can shop whenever and wherever we like. Our handsets allow us to window shop all the time, and if we see something we like, it is right there at our fingertips."

Bhikha continues: "With smartphone and tablet shopping now a £25 billion industry, it's hardly surprising that major retailers have long adopted a mobile-first approach to their websites and have even introduced their own apps to make the user experience as easy as possible. Cleaner user journeys and the ease of one-click purchasing will only add to the number of people shopping on their phones and tablets. Providing your phone has a decent connection to either a good broadband supply or 3G or 4G, you can shop any time and any place – and this year more Brits than ever look set to take advantage of that."

## WHAT CONSUMERS WANT IN 2019

SMART HOME TECH is now very popular – and it is time to connect it to retail, according to a study by RecycleZone.

A third of UK consumers are tempted by the idea of fitting smart shelves that can automatically re-order items as soon as they run out, 37% are attracted by the concept of a smart fridge that suggests recipes based on what food is in there and 34% want kitchen appliances that can connect and be remotely controlled by smart speakers and/or voice assistants. Surprisingly, 32% are drawn to the appeal of a laundry folding robot.

Perhaps more interestingly, 35% are keen to try an interactive shopping method – whereby they can buy the clothing people are wearing on TV through an app in real time.

Interested in emerging technological trends, RecycleZone.org.uk analysed the latest findings from Mindshare, which surveyed more than 6,000 UK consumers to identify the new type of smart technology they would most like to own in their home.

It concludes that smart, web-enabled devices that can function and be controlled in conjunction with one another to create a 'connected' working or living environment have captured the imagination and wallets of consumers. So much so, that 40% of Brits now think smart home technology has improved their standard of living, according to statistics from Thomas Sanderson.

Looking at the data, RecycleZone found that a smart thermostat which automatically adjusts based on an individual's body temperature (46%), is the smart technology Brits would most like to have in their home. Thereafter, a smart vacuum cleaner that can also move items/clutter off the floor (40%), is the next highly desired smart device that homeowners will happily purchase and use.

Shawn Hallums, a spokesperson from RecycleZone explains: "Technology has significantly evolved. We are in the era of instant gratification – where people want to utilise technology that makes different aspects of their life easier and more efficient. Companies have quickly realised this and created a multitude of devices and applications to cater to this apparent need. Now with a plethora of innovations available on the mass market, many of them have proved to be hugely popular and valuable. As existing as well as new technology advances and develops, consumers' expectations will undoubtedly grow. This research highlights the new wave of smart technology which is exciting Brits the most. Certainly, enough to want to own and use them in their living environment".

Image: Timpson Group

# What's ahead for 2019?

*Sir John Timpson* **and others spoke to Emma Herrod about the year just gone and the trends for 2019.**

2018 was dismal for many as well as challenging and not without fallout. The Christmas period was the worst for the high street in ten years, according to the British Retail Consortium (BRC). But online channels and pureplays had a much better year with growth for some hitting 40%.

Sir John Timpson, owner of the Timpson Group, believes that 2018 was an exceptional year for the number of retail formats reaching the end of their life. Change within retail is not new and looking back over the past 40 years there are retail formats such as television rentals which have become irrelevant as society has changed. HMV, the last casualty of 2018, also highlights how retail is affected by formats and products becoming obsolete.

There were a lot of other disruptors for retailers during 2018: retail was pressured by the beast from the east – which twice closed down the Timpson Group stores across Scotland for three days – the hot summer, which was "good for people selling ice cream," royal weddings and the Football World Cup.

"I wouldn't expect 2019 to be worse than 2018, but who knows," says Sir John, adding that there's starting to be a more positive feel about bricks and mortar shops. However, as he points out: "It's a challenge for bricks and mortar retail to get people to think positively about our future." There is always in the background the knowledge that bricks and mortar retailers are at a tax disadvantage to online ones.

Image: John Lewis & Partners

John Lewis & Partners is looking to differentiated products and services

Sir John adds, though, that while there has been too much emphasis on the negative news about individual retailers and shop closures which has deterred new models emerging on the high streets, there have also been some success stories. "No one has been noticing where things have been going well," he observes.

There are towns up and down the UK where footfall is up, there are fewer closed shops and the local community is really doing something to make more people interested in their own town centre. This is down to individual people; inspirational leaders who are getting their local community interested in the future of their town.

This, says Sir John, has been the biggest surprise for him while conducting research for 'The High Street' report, a study of UK's town centres for the UK government.

### HIGH STREET REPORT

A town centre is more than just a place to shop, so the report has investigated Britain's town centres from a community point of view, looking at what people want and need from their community. "It's about creating the place that people want to go to," says Sir John. This includes events, leisure facilities and medical centres, and could extend to mean more housing. "There are too many empty shop premises about and they should be converted to housing. You then have more people and more life in the town centre," he explains.

He believes that changing town centres isn't going to be led by retailers, "it's community led". He adds: "If they create the right spaces and the right atmosphere then the retailers will want to be there. You're not going to achieve this by retailers changing the way their shops are."

He explains that it's a question of people creating the local spaces, the central part of the community in which they want to live, and for it to be somewhere that is relevant for today and somewhere that people want to go.

### PHYSICAL & DIGITAL

Online is one of the reasons why "in the future we're going to need more social spaces, more face-to-face contact, more conversations, more places where people meet," believes Sir John. Human beings are social creatures and while many people walk around connected to their mobile phones this is no substitute for true, social contact. There is also the question of what will have replaced mobile phones in 20 years' time.

"People do need that social contact," he says, and this is one area in which town centres – and individual retailers – can win. He adds: "Having people and places added to digital is working in lots of ways to make the proposition better, even down to people using their own phone in a physical shop to place an order online when it's busy."

He thinks that the more you can use the flexibility of internet retailing along with personal service and the social experience of being in a physical shop the better. "It gives people the best of both worlds. I think it will go more that way," he says.

Sir John also highlights the importance of personal service: "The more internet shopping that's done, the more self-service and checkout-less supermarkets, the more there will be a premium on personal service."

The results of retail's move to a mix of omnichannel retailing and personal service are starting to produce results for retailers which led with online and omnichannel, showing how mixing offline retailing and digital can work well.

The John Lewis Partnership, for example, which is one of the high street retailers reporting strong Christmas figures, has been at the forefront of omnichannel retailing. It has always said that its Partners are what makes the difference to the company but since the middle of 2018 it has been reporting on its strategy of differentiation. It is focusing on offering increasingly unique and exclusive products and services to customers and enhancing the role that Partners play in driving those differences and competitiveness.

As Sir Charlie Mayfield, Chairman of the John Lewis Partnership, said in the retailer's Christmas trading statement, despite the two main factors of oversupply of physical space and relatively weak consumer demand affecting the retail sector, "we had a positive Christmas trading period thanks to the extraordinary efforts of Partners in our business, delivering differentiated products and service to customers".

Along with an overall growth in gross sales at John Lewis & Partners and Waitrose & Partners, Waitrose saw online sales over the Christmas period increase by 12.8%, while Black Friday contributed to the biggest sales week in John Lewis & Partners' history.

Other town centre retailers showing their strength over the Christmas period include Ted Baker, Joules and Dunelm. Ted Baker reported a 12.2% uplift in Christmas sales while Joules saw sales grow by 11.7%, which although lower than the 17.6% it reported for H1 is still impressive in the current climate.

Dunelm is seeing improved performance from its back-to-core strategy, with 9% overall like-for-like sales growth for the second quarter (which included Christmas), more than twice the 4.2% increase recorded in the first. Paul Hickman, Analyst, Edison Investment Research, comments: "Notable online sales growth of 37.9%, combined with the fact that multichannel revenue, including click and collect and tablet-based selling in-store, is up from 12% to a meaningful 16.5% of total sales: this is a business embracing online as part of its core offering, and which is seeing share growth as a result."

The majority of high street retailers did not do so well during what the BRC has hailed as the worst Christmas for ten years, reporting decreased footfall and lower sales offline. Online, though, was a different story.

Boohoo Group reported strong revenue growth of 44% for the four months to 31 December with gross margin of 54.2%, up 170bps. Overall revenue growth for the financial year to 28 February 2019 is expected to be 43% – 45%, ahead of the fashion retailer's previous guidance of 38% – 43%.

Shop Direct, which operates multi-category digital retailers Very and Littlewoods, increased group revenue by 3.7% year-on-year for the seven weeks up to and including 28 December 2018. Its largest and fastest growing retail brand, Very.co.uk, posted year-on-year growth of 8.8%.

The company reported that site visits were up 8% to 107.3 million. Some 79% of online sales now come from mobile devices, up from 74% during the same time in 2017, resulting in mobile sales accounting for 12.7% more sales than last year.

> “We are coming to terms with but have not yet comprehended the unintended consequences of a digital age. In the end we are human beings and human contact is very much what shapes our personality”

Henry Birch, Group CEO at Shop Direct, is delighted that the company had delivered a record Christmas period in terms of revenue against a "challenging retail backdrop". Retail margin was in line with last year, too. He says: "Throughout our peak trading period we focused on delivering a great customer experience and curating the right deals for our customers and our business during our extended Black Friday event. We put more emphasis on December than ever before and saw encouraging growth in key departments like sportswear and toys."

Some of the improvements in customer experience at Very have led on from the integration of IBM Watson's artificial intelligence technology with the chatbot Very Assistant. This enables customers using the Very mobile app to ask account-related questions in their own words and receive answers from the Assistant.

Shop Direct also developed a Facebook Messenger chatbot in-house to support the Christmas brand campaign for Very. This helped customers choose Christmas presents for children, drove social media engagement and has been highlighted as 'best in class' by Facebook for its in-house execution.

As an exemplar of online and remaining at the leading edge of customer experience development, Shop Direct still expects 2019 to be a challenging year for retailers. Birch says: "We'll focus on continuing to play an important

Image: University of Southampton

Retailers are trying different ways to introduce convenience into their shopping model

role in the lives of our customers – those who value our unique combination of leading brands and the flexibility to spread the cost of purchases. Given the potential impact of the political backdrop on consumer spending, we expect the year will be challenging for retailers. However, our peak trading performance gives us reason for cautious optimism."

### LOOKING AHEAD TO 2019

So, what is ahead for 2019? Brexit: something that is changing so fast that anything I write now will be out of date by the time you read it. Challenges: yes, it will be another tough year with changes ahead. HMV was the last retailer of 2018 to go into administration, while Debenhams has announced that it is to close 50 stores with another 40 reportedly listed for possible closure.

Things are not looking good for Debenhams with investors ousting both Chairman Sir Ian Cheshire and CEO Sergio Bucher from the board. Prior to the coup, Bucher – who remains as CEO – said that the performance of the retailer's Redesign stores over the peak trading period and continued outperformance in digital, "reinforced our view that we are taking the right steps to protect the future of the business".

The investors disagreed.

Neither Marks & Spencer nor Mothercare had a good Christmas, although online performed well at M&S mitigating a drop in footfall to stores. Its transformation plans remain on track, according to Chief Executive Steve Rowe.

Online sales performance for the Clothing & Home categories at M&S was strong, with UK revenue up 14%. This was put down to "an increased focus on digital marketing together with improvements to our delivery proposition and our operations at Castle Donington. Womenswear online growth significantly outperformed driven by areas including dresses and knitwear reflecting our 'Must-Haves' and social media campaigns."

Online, therefore, continues to bolster the high street, and efficiencies in back-end processes, warehousing, supply chain and IT are showing that omnichannel is still the direction of travel. As Sir John believes, and John Lewis & Partners is bearing out, personal service is going to be key. But staff have to be freed up to help customers, which is why David Nicholls, Fujitsu UK's Chief Technology Officer for retail, believes that in 2019, "investments in digitalisation will become more of a focus to improve business process, the store environment and store operations, as well as drive a better and deeper customer experience and entice people to come into store".

He adds: "With the increase in digitisation, comes greater mobilisation for store colleagues. Retailers will accelerate investments to empower store colleagues with access to product information and store systems in the aisle and warehouse to support customer journeys and optimise operations. Up until now, employees have had to carry clip boards or go to certain desk points in the front and back end of the store to help with queries and tasks, which has been an unproductive use of their time. However, we expect to see retailers' roll out smaller form factor colleague devices and wearable technology, and use actionable real-time data and insight generated to assign tasks dynamically to colleagues and mobilise them to the benefit of customers and the overall operations of the store."

Julian Fisher, Chief Executive of local deals specialist jisp agrees: "High street retailers must bring convenience to the shopper in 2019 in a variety of ways. This can include in-store product information delivered directly to their mobiles, faster and simpler payment options which again, should include mobiles and elsewhere, working with local councils, ensure easier access to shops via public transport and/or better parking.

"Other ways of introducing convenience should include ways to help shoppers with their purchases such as by offering click-and-collect and even click to deliver – taking the battle against online resellers head on. Retailers should also be looking to better understand the customer by using AI to collect data on the customer's needs, wants and interests. This can then lend itself to giving the customer a better and more personalised shopping experience, such as specific offers on a customer's favourite products in their preferred location," he says.

Personal service is not solely a feature of physical stores, though. It is being delivered by pureplays, too, through assistants online, connecting via video, in app and through home services.

Much has been written about AI and machines but Peter Thomas, Chief Technology Officer at shopping experience specialist attraqt, believes that it's time for retailers to get smarter with these technologies. In a merchandising context, he says: "Embedding context, creativity and rationale in shopper experiences is where retailers will win in ecommerce. Retailers will need to identify their specific strengths and weaknesses to implement AI in a way that engages with shoppers and makes commercial sense.

"The technology will also force greater cross-team collaboration in efforts to eke out true value from its investment. With shared data, CMOs, IT heads and ecommerce teams will need to join forces to set joint strategies and deliver real value and insight for the business."

AI and chatbots will continue to enhance the customer experience, and voice will start the move from smart devices to retailer sites. Comscore predicts that 50% of all searches across all devices will be conducted by voice by 2020.

As Ben Nimmo, Chief Technology Officer and Co-founder of online customer experience specialist Orlo, explains: "With technologies like AI and chatbots transforming customer experience, the perceived risk is that they may isolate consumers who require a human interaction. However, not everything that can be automated, should be automated. At the heart of every great consumer experience is a perfect synergy between human empathy and digital engagement."

And trust must be placed at the centre of this mix of digital and human. Whether that's through the correct use of the customer's data, through GDPR, accuracy of personalisation online, or matching or exceeding expectations through the product, service, delivery or behaviour of the board.

The same precepts apply to businesses whichever channels they operate across.

So, where should retailers be looking for the next big thing, the 2019 trends? "With smaller-format, mixed-use stores providing the best experiences, retailers will be looking at ways to entice customers in and showcase their wares," says Andrew Westbrook, Head of Retail at audit, tax and consultancy business RSM.

"With many mixing products and experiences already (Rapha has stores with coffee shops and Sweaty Betty offers yoga classes) the shift will continue with retailers moving away from large stores packed full of products. For example, mattress disruptor Casper is offering customers 45 minute naps in The Dreamery as a way to refresh when shopping. This blends both the product and the experience authentically. Showcasing the product and offering a relevant but different experience will be key to standing out."

You can look to China and Alibaba's New Retail concept and its Hema supermarkets for ideas on how human and digital can be brought together to enhance online and offline. A single lobster can be ordered in different ways, delivered live or cooked or ordered online, cooked and eaten in the store. It's using a mix of technology and service to offer the customer many choices – and that's just for one product.

Take a look at Starbucks in China or Domino's Pizza around the world for inspiration and a quick reaction to delivering a customer's customisable product. You can look to changes in society to understand how the shift is affecting customers and town centres. Also examine your own organisation because that is where the understanding of individual customers, the brand, your strengths and your weaknesses lie.

Shopping habits are ever changing but we're currently experiencing a seismic shift in behaviours. As Sir John says: "We are coming to terms with but have not yet comprehended the unintended consequences of a digital age and this is part of it."

Once thing's certain: shopping will never be the same again.

# Online growth drops in December

**Capgemini and IMRG report on the UK's online sales growth for 2018 and the outlook for e-retailing in 2019.**

UK online retail sales growth hit an all-time low of just +3.6% year-on-year (YoY) in December, as the industry experienced a tough Christmas trading period to end a challenging second half of the year, according to the Capgemini IMRG eRetail Sales Index.

After online retail defied the downturn on the high street to record +16% (YoY) growth in the first six months of the year, a series of lacklustre performances contributed to a lowly +8.4% (YoY) growth for the second half of 2018.

Such was the impact of feel-good events like the Royal Wedding and FIFA World Cup, not to mention the glorious weather, that online retail sales across the whole of 2018 (+11.8% YoY) were in-fact still up on the start-of-the-year forecast of 9%.

However, the poor performance across H2 and December in particular, is evidence of low shopper confidence in the current climate. December's growth rate of +3.6% (YoY) was by some distance the lowest seen across the whole of 2018, and continued a declining trend – falling below the final quarter (+6.8%), second half (+8.4%) and 12 month (+11.8%) averages respectively.

According to the index, online spending in December decreased -15% month-on-month (MoM) to November – a bigger decrease than the -11% MoM witnessed last year. Category results also echoed this poor performance, with gifts experiencing a -31.1% (YoY) decrease compared to last year, and electricals down by -21.7% (YoY); a record low for this product category. As a reflection of the continuing uncertainty, Capgemini and IMRG have forecast that online retail growth will fall to +9% YoY in 2019.

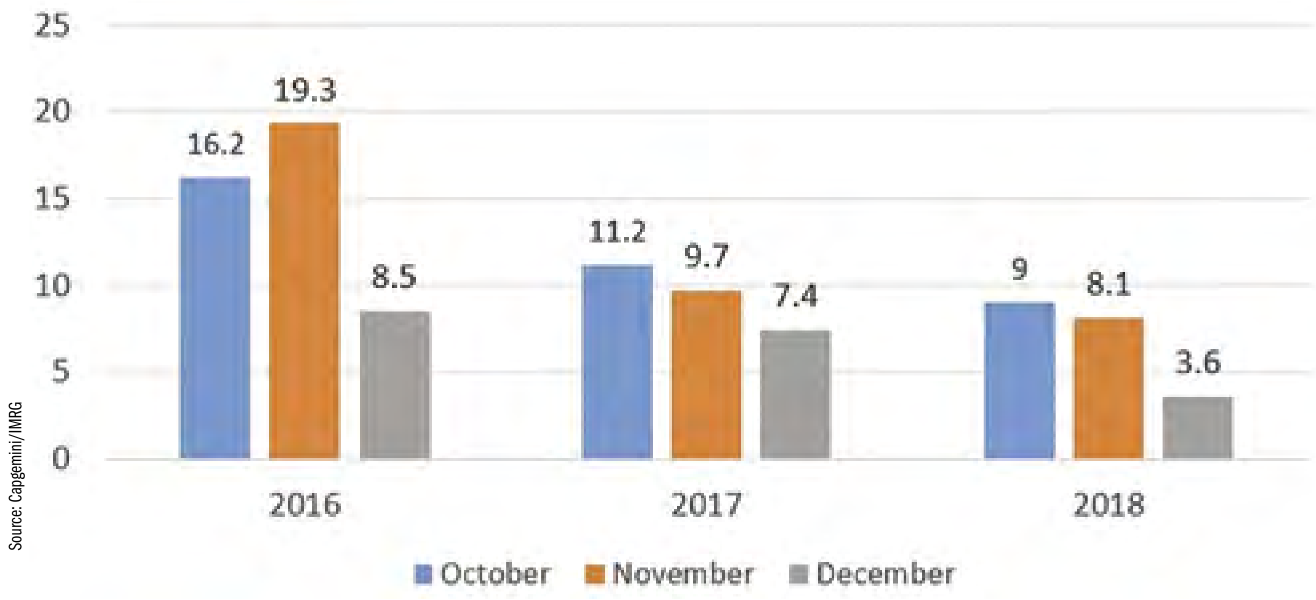
Andy Mulcahy, Strategy and Insight Director, IMRG: "The first half of 2018 was actually very strong for online retailers – it resisted and arguably benefitted from the tough climate that impacted trade for store retail. It is only the second half of the year where the suppressed confidence and spend, evident in so many other sectors, has spread to online retail; the macro-economic situation must be exerting pressure here, particularly with Brexit now entering its crunch period in Q1 2019.

"If there had not been so much uncertainty and shopper confidence had not been so negatively impacted toward the end of the year, it seems a reasonable bet that online retail sales growth could have been much stronger than 11.8% for 2018. If Brexit can be resolved so that a course, whatever that may be, is agreed and pursued, it may help to build shopper confidence again with online likely to be the main beneficiary from a retail perspective.

"However, if 2019 proves to be a year of continuing uncertainty, with repeated delays and political instability causing market disruption, it may prove to be a tough year for many businesses to navigate – as we found out in late 2018, online is not immune from that."

Source: Capgemini/IMRG

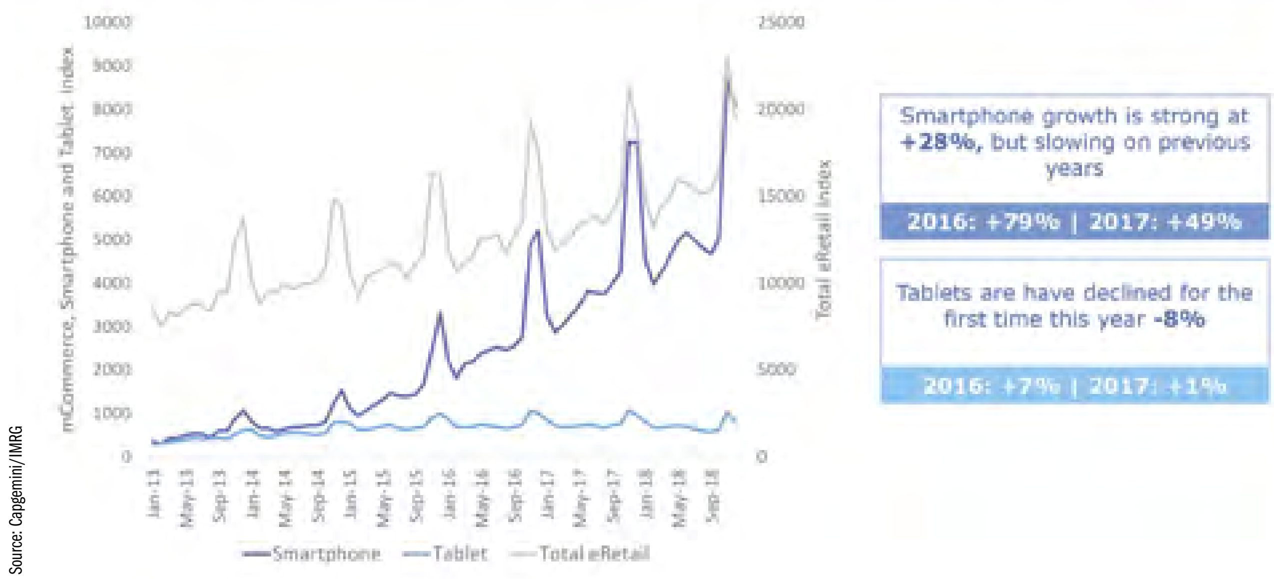

Weather and events drove a strong performance in the first half followed by a more turbulent end to the year




YoY growth, Oct-Dec, 2016-18

Bhavesh Unadkat, Principal Consultant in Retail Customer Engagement, Capgemini comments: "A sharp drop in online retail spending in December brings the rollercoaster of a year to a close, with the industry unable to recover performance in the vital festive period following a disappointing November.

"There is a clear correlation between consumer confidence and consumer spending throughout the year. Conversion rates were actually high in December despite the poor performance, however the lower order value indicates that consumers were tightening the purse strings by taking advantage of promotions rather than purchasing more. This allowed discounters to take the share in the final month of the year. Retailers will need to think carefully on how to manage pricing strategies to protect share of the wallet in potentially quite uncertain times, and the evolution of the peak events will undoubtedly be a focus of next year."




M-Commerce for smartphone +28% in 2018 as growth slows and tablet sales decline for the first time

# IRUK TOP 500

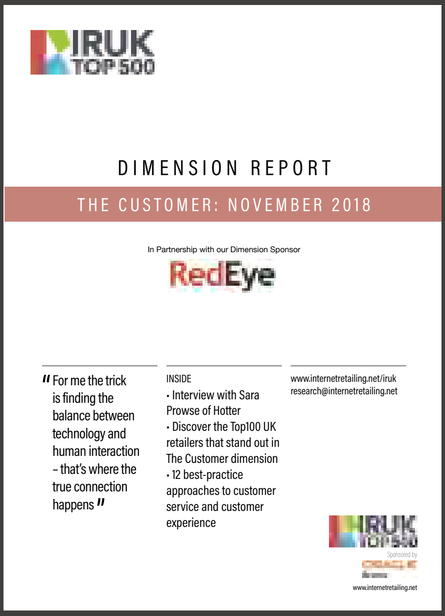
Sponsored by

ORACLE + Bronto

A commercial, comparative performance index of ecommerce and multichannel retailers in the UK

## Performance Dimension Reports

Distributed with InternetRetailing magazine, the dimension reports look behind the results – at the winning business strategies and techniques. Including in-depth case studies as well as numerical analysis, these reports are the perfect companion for aspiring retailers keen to develop best practice.


IRUK TOP 500

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"For me the trick is finding the balance between technology and human interaction – that's where the true connection happens"

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- Interview with Sara Prowse of Hotter
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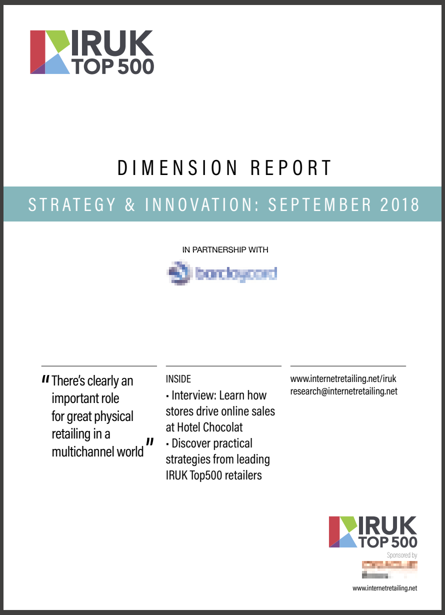
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DIMENSION REPORT

STRATEGY & INNOVATION: SEPTEMBER 2018

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"There's clearly an important role for great physical retailing in a multichannel world"

INSIDE
- Interview: Learn how stores drive online sales at Hotel Chocolat
- Discover practical strategies from leading IRUK Top500 retailers

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IRUK TOP 500

DIMENSION REPORT

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"The most comprehensive and authoritative measurement of omnichannel capability in the retailing world"

*Robin Phillips, Multichannel Director, Boots*

Register as a member for details **internetretailing.net/membership**

# January High-Intensity Retail Training (HIRT)

With another year's unused gym membership behind him, ***Ian Jindal*** is struck by some of the lessons for retail from the increasing sophistication and science of fitness.

Whether your last memory of exercise was at school (giggling as your sports teacher patiently explained that "Fartlek" training was a serious matter) or whether you are a sensor-bedecked, Strava-sharing 'King of the Mountain', you'll be aware that sports science has developed significantly this century. Whereas before it was sufficient for a gentleman to be able to sustain a gentle game or two of tennis our understanding of fitness has changed: it's now a matter of competitive performance.

The elements of performance will resonate with retailers. Peak output (strength); resilience and recovery rate (the ability to recover quickly after exertion, and to maintain performance even under new or unexpected demands); flexibility (to avoid injury and increase the range of movement and the muscle groups we can deploy); 'twitch' and rapid-response training (for changes in pace, direction and speedy reactions). All of these will be familiar to us - although more often discussed in the context of preparing for 'peak trading' rather than 'peak fitness'.

Working on our performance in these areas will of course deliver benefits. However, as we seek 'transformation' (surely the Word of 2018?) we need to consider new ways of approaching performance.

The first area of course must be in the field of measurement and analysis. On Strava (other systems are available...) I see segment times, history and splits; comparison with friends and top performers and - brutally - how I fare against other athletes of similar weight and age. In retail we have information about every part of our performance, for each customer and channel. We need to distinguish the important from the interesting, cause from correlation, discovery from distraction.

Once you have detailed measurement then every part is open to improvement. Not just the 'main' muscles or your favourite exercises: every part. Sir David Brailsford, the transformational coach of British Cycling, had a principle of 'marginal gains'. He said "[if] you break down everything you could think of that goes into riding a bike, and then improve it by 1 per cent, you will get a significant increase when you put them all together". Bringing team pillows (so that an errant hotel did not cause poor sleep), a surgeon to teach hand-washing techniques (to reduce illness while travelling), combine with engineering research in a wind tunnel, or training the core (an area previously neglected by cyclists). Nothing was too small to be open to improvement, and nothing was deemed too perfect to be tested.

Sports psychology, mental resilience and preparation are important aspects of performance, before, during and after competition. Having a dispassionate mind to evaluate success and failure allows you to follow evidence and improve. Understanding how you will feel at mile 17 of a marathon allows you to coach yourself through challenging miles. Envisioning success can be a prelude to living it. Linford Christie, the British sprinter, used to prepare for races by planning his start not just 'at' the sound of the starting gun, but "at the 'B' of the Bang". Clear, mental preparation is an aid to performance, and prototyping, walk through, simulations and scenario rehearsals all help us to be ready for the changes and instant responses required of us.

After the thinking and measuring comes the 'doing'. High Intensity Interval Training combines intense periods of exercise with low-intensity recovery. This combination can develop explosive speed, improved recovery and a higher level of 'normal' performance. As you become more fit you increase the intensity of the exercise so that you don't 'cruise'. Similar to the importance of 'drill' in the military (so that when you're under stress your autonomic muscle memory can undertake well-practiced tasks) so in retail we need to practice and push ourselves. Don't talk about innovation, hold sprints and workshops. Don't have 'scenario plans' - actually run the scenarios.

Sports science has analogies in retail performance. As my direct debit gives me another year's gym membership without even leaving the sofa, I wish all readers courage and perseverance in their New Year resolutions and that we all become fit for business, and business fit. To one and all we wish you a happy, prosperous and healthy 2019.

# IRUK Top 500: The 2019 report

**The IRUK Top500 2019 report, produced in partnership with Klarna, is published alongside this issue of InternetRetailing magazine.** ***Emma Herrod*** **shares some of the findings.**

January marks a resetting point in InternetRetailing's Top500 UK research when the new listing of the Elite, Leading, Top250, Top350 and Top500 retailers are revealed. The research team has been very busy re-examining retailers and brands from across the UK that operate online.

Each one is evaluated by more than simply their level of sales, traffic volumes or store footprint. This gives an initial idea of 'heft' and a preliminary rank but this is then modified and weighted through consideration of the six Performance Dimensions. These are Strategy & Innovation, The Customer, Operations & Logistics, Merchandising, Brand Engagement, Mobile & Cross-channel.


While the headings – and subsequent in depth reports into each Performance Dimension – have remained the same since the first IRUK Top500 report was published in 2015, the research methods and metrics have developed steadily. The criteria regarded as cutting edge this year will necessarily differ from those of last year, since many one-time innovations have now moved firmly mainstream.

Strategy & Innovation, for example, covers the extent to which the retailer is adapting for growth, international commerce and customer responsiveness with leaders in this field offering joined-up services, from the start to the end of the shopping journey.

Argos and Tesco both stood out in the 2019 report for comprehensive delivery and collections services. They both offered services that most retailers did not, including same-day delivery and collection, as well as nominated time delivery.

The Customer Performance Dimension measures the experience from the customer's point of view with leaders ensuring that shoppers enjoy good service and customer experience when they visit.

Sainsbury's stood out in this dimension for the speed of its response to customer enquiries on Facebook, replying more quickly than 99% of the Top500, and for the choice of communication channels that it offered to customers. It also shared product ratings.

Retailers are also measured by metrics around having joined-up logistics and operations with traders that meet demanding customer expectations standing out in the Operations & Logistics Dimension.

New Look offered nominated day and time delivery, Sunday delivery and also had a store stock checker on its mobile website. AO.com's comprehensive delivery promise included Sunday delivery, next-day collection and returns via pick-up from the house.

The fourth Performance Dimension is Merchandising with leading retailers using effective merchandising techniques to help shoppers find and understand products. Amongst the retailers, seven in 10 (70%) offered dropdown search suggestions on their desktop website while 58% did so on their mobile site, according to the researchers.

Individual retailers performed strongly in the merchandising dimension when they deployed effective but as yet less widely used tools and when they extended functionality across their mobile and desktop websites. Argos stood out for its use of merchandising tools on its mobile website, including a physical store stock checker, written product reviews and rating through a star system. Argos also scored highly for its use of personalisation. Boots stood out for the way it deployed merchandising on mobile, where zoomable images and a store stock checker sat alongside product reviews, star ratings and predictive search, making it easier for customers to find products via a small screen.

How retailers are making their brands familiar to the customer and connecting with them is measured by the Brand Engagement Performance Dimension. The researchers found this year that less than half (46%) of the Top500 required registration before shoppers could make a purchase.

Boots stood out since it enabled shoppers to easily engage with it via its mobile app, where it offered the ability to see, and share, product reviews, ratings and ability to share products on social media. Sainsbury's appeared to foster good relationships with loyal customers, as measured through its friends count on Twitter and the number of times shoppers visited its website in a year. It also enabled customers to share their opinions, through product ratings and through sharing products with friends.

And finally, Mobile & Cross-channel services are assessed with leading retailers having joined-up channels to help shoppers browse and buy more easily from a range of devices.

Amongst retailers standing out in 2019 are Euro Car Parts which helped buyers to check stock via mobile apps that include an Android app, and then reserve for collection, and collect it same day.

Next gave a choice of collection options, including same-day and next-day, and made that easier by including a store finder in its Android app. John Lewis offered multichannel services that make it easy for shoppers to see, and to check, availability in their local store before ordering for next-day collection. Its sister supermarket Waitrose also stands out for convenient collection, as early as same-day or through reserve and collect, and it enables returns at a third-party location.

Having assessed all of the retailers by the Performance Dimensions, InternetRetailing's researchers then ranked the UK Top500 in statistically similar groups. Elite retailers have performed at an exceptional level across all Dimensions, statistically separate from the subsequent clusters.

In 2019, they are Amazon, Argos, H&M, John Lewis, New Look and Sainsbury's. Congratulations, therefore, go to new entrants H&M, New Look and Sainsbury's, to returning 2017 Elite retailer John Lewis, and to Amazon and Argos on retaining their positions from last year.

Throughout 2019, the team will continue to test and measure the whole group of retailers, with findings contributing to the 2020 rankings. In depth reports on how retailers are leading in each of the Dimensions will be published throughout 2019.

Special thanks goes to the skilled Knowledge Partners that provide valued input into the research team.

As always, InternetRetailing would like to hear what readers think, whether you have views on the metrics we've used, and how they could be improved, or on an innovative approach that's working for you as a retailer – please do share your thoughts via research@internetretailing.net.

## THE ELITE OF 2019

InternetRetailing congratulates all the members of the Top500 in 2019 as leaders in UK multichannel and ecommerce retailing. The full listing of the Top500 can be seen in the report send out with this issue of Internet Retailing magazine or online at www.internetretailing.net.

### ELITE

| | | |
|---|---|---|
| amazon | Amazon | Elite |
| Argos | Argos | Elite |
| H&M | H&M | Elite |
| John Lewis | John Lewis | Elite |
| NEW LOOK | New Look | Elite |
| | Sainsbury's | Elite |

### LEADING

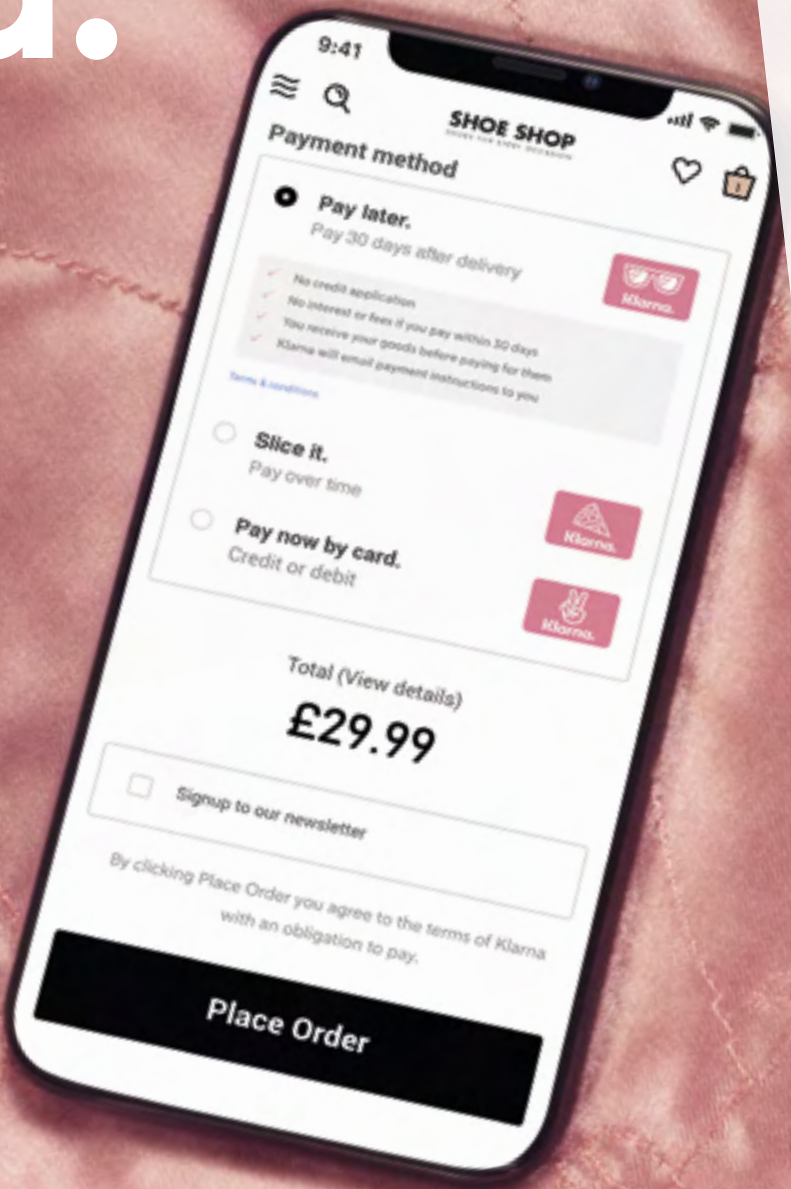
| | | | |
|---|---|---|---|
| American Golf | Leading | JD Sports | Leading |
| Ann Summers | Leading | JD Williams | Leading |
| Ao.com | Leading | Marks & Spencer | Leading |
| B&Q | Leading | Mothercare | Leading |
| Boots | Leading | Next | Leading |
| Currys PC World | Leading | Screwfix | Leading |
| Debenhams | Leading | Tesco | Leading |
| Evans Cycles | Leading | Wickes | Leading |
| Halfords | Leading | Wilko | Leading |
| House of Fraser | Leading | | |

# Pay later gets you paid.

**Let shoppers pay later or over time to boost purchase power right when it's needed – at the point of sale.**

- Pay later, up to **30 days** after delivery
- Pay in **3 equal interest-free instalments,** collected monthly
- Slice up the cost into **instalment plans from 6-36 months** for larger ticket items
- Available for both **online and in store** channels

Klarna is completely risk-free for our 100,000 retailers across Europe and the US, who receive the funds for every purchase up front and in full.




## Get smoooth.

**klarna.com/uk**
**sales@klarna.co.uk**

Klarna.
Smoooth payments.


# Snoop Dogg becomes a shareholder in Klarna and transforms into Smoooth Dogg

Stockholm, January 17, 2019 – Klarna, a leading global payment provider and bank, joins forces with rapper and global pop culture icon Snoop Dogg in order to bring the company's communication concept of "Smoooth" to the next level. The collaboration entails Snoop Dogg becoming Smoooth Dogg and the face of a major campaign called "Get Smoooth", as well as Snoop Dogg becoming a minor shareholder in Klarna.

As a communicative concept, "Smoooth" encapsulates Klarna's strategy as well as its promise in a single word, meaning: removing friction from the world of pay later payments. To make this effort abundantly clear, the company now teams up with Snoop Dogg, arguably the smoothest man alive, on his journey to become even smoother, in the campaign "Get Smoooth". For Snoop Dogg, this is part of his European investment strategy.

"I've been looking for an opportunity to expand my tech investment portfolio to Europe and seeing the way Klarna operates and how they challenge the status quo, I think it's a match made in heaven. I'm very excited about this partnership," says Snoop Dogg.

"Get Smoooth" refers to the fact that whether you are a consumer, a merchant or a famously smooth person as Snoop Dogg, Klarna's products will make your everyday life a lot smoother and hassle-free. From smooth to smoooth.

Calvin Broadus, better known as Snoop Dogg, is an American rapper, record producer and actor. His music career began in 1992 when he was discovered by rapper and music producer Dr. Dre. He has since sold over 37 million albums worldwide. Snoop Dogg will acquire the shares from an existing Klarna shareholder. Klarna's CEO Sebastian Siemiatkowski confirmed the partnership on Twitter and adds:

"Snoop is not only a rap legend, but also a successful businessman, with a genuine interest in tech, retail and e-commerce. He has a great understanding of consumer behavior and is exceptional when it comes to branding and marketing." Siemiatkowski continues: "Teaming up with one of the smooothest persons alive, opens new doors to Klarna as we grow and develop as a company."

Following the Get Smoooth campaign, Snoop Dogg and Klarna will shortly announce the next step of their collaboration, presenting a range of unique items enabling anyone to "Get Smoooth".

The commercials featuring Snoop Dogg as Smoooth Dogg can be found through the links below:

**THE CORONATION**
*www.youtube.com/watch?v=i57wmNb92Qs&feature=youtu.be*

**LONGEST TOAST**
*www.youtube.com/watch?v=mKzShC6rq5M&feature=youtu.be*

**SILKY BED**
*https://www.youtube.com/watch?v=Fz9NXMxm9p8&feature=youtu.be*

For more information, please contact:
Communications @ Klarna.
press@klarna.com

# Matt George

## Senior Manager: Retail Solutions - EMEA

EQUINIX

**EQUINIX**

**Founded:** 1998 by Jay Adelson and Al Avery
**Headquarters:** Redwood, California
**Employees:** 7,600
**Customers:** 9,800
**Reach:** 200 data centres, 52 markets, 5 continents

**WHAT DOES YOUR COMPANY DO AND WHAT IS YOUR USP?**
Equinix is the global leader in interconnection. We connect businesses to their customers, employees and partners inside the most-interconnected data centres.

'Platform Equinix' allows buyers and sellers, suppliers and manufacturers, service providers and enterprises to interconnect under one roof.

Customers can access a number of major cloud providers and networks to help them design the fastest, safest, lowest-latency routes globally.

**HOW DOES EQUINIX HELP RETAILERS DIGITALLY TRANSFORM THEIR BUSINESSES?**
Retailers need a platform with bandwidth and connectivity that can flex up and down according to demand, as well as analytics that give them end-to-end visibility and control. Retailers can localise traffic and services according to which market they want to reach, as well as locate hubs near to stores, suppliers and distributors.

Our platform also allows them to connect privately to multiple networks, ISPs, CDNs and clouds and move data and analytics nearer to the customer to offer a better customer experience.

This powerful level of direct connection empowers retail businesses to react in real time, adapt quickly to change and leverage digital ecosystems to create new value and growth in today's digital economy.

**YOUR COMPANY EMPHASISES THE IMPORTANCE OF A BUSINESS ECOSYSTEM – WHAT DOES THIS MEAN?**
In the digital world, companies can no longer work alone and collaboration is key to survival. An ecosystem can be made up of numerous suppliers and partners that need to work together to bring a product to market. In retail both physical and digital storefronts need to connect to a whole host of service providers: manufacturers, warehousing, transport, payment providers, social media and advertisers being some key examples. If all these companies are interconnected, then the entire digital supply chain can work more efficiently, and both cost savings and performance improvements can be realised.

**WHICH RETAILERS DO YOU WORK WITH?**
We have hundreds of retail and ecommerce customers worldwide. These range from globally renowned 'bricks and mortar' enterprises to businesses created solely in the digital age. Each company is at a different stage of digital transformation and use Equinix for a variety of different reasons from network optimisation, hybrid multicloud, distributed security and data to interconnecting partners and suppliers within their own supply chain. We feature case studies on our website from the likes of Trivago, Colony Brands, Wehkamp & Smithfield Foods.

**WHAT HAVE BEEN THE MAJOR POINTS IN YOUR EXPANSION?**
We have had 63 quarters of consecutive growth (up to Q3 2018) which is a pretty consistent performance. Our platform was founded with the simple idea of giving networks a neutral place to exchange data traffic. From there, our platform became more magnetic, as we evolved to help the digital world scale. The shift to digital is requiring firms to implement new commerce and collaboration models to engage customers, partners and employees and to support new connectivity and data models for analytics, IoT, digital payments and other digital services. Typically these organisations will be operating in more than one region, need to enable cloud technology and interconnect close to the digital edge, where people and things connect to the network. According to the Global Interconnection Index[1], these additional bandwidth requirements will grow by 67% in the Retail sector by 2021.

1. www.equinix.com/global-interconnection-index-gxi-report

**WHAT CHALLENGES ARE YOU ADDRESSING FOR MULTICHANNEL RETAILERS WHO AIM TO MEET PEAK SEASON DEMANDS?**

We have companies that specifically leverage our platform to support events like Black Friday, Cyber Monday or their own promotions that drive considerable peaks in demand. Products such as Equinix Cloud Exchange Fabric (ECX) enable on-demand connections to multiple cloud providers, ensuring retailers can scale and manage their operational performance effectively without committing to ongoing costs when that level of support may not be needed at quieter times of the year.

**WHAT DO YOU SEE AS CHALLENGES FOR RETAILERS AND SUPPLIERS OVER THE COMING YEARS AND HOW ARE YOU MEETING THESE?**

One is network optimisation. Today's retailers need to embrace a modernised strategy supported by infrastructure designed for the 'digital edge' – reducing costs and latency while dramatically improving speed, user experience and capacity.

Their IT cannot be siloed but needs to be distributed. This way they have direct access to their customers, the partners they need to connect with, and can guarantee the fast, secure, low-latency exchange of information needed to be competitive and deliver great service.

Retailers also collect huge volumes of data but the key will be mining it successfully to ensure it is useful. Real time analytics to support price promotions, location-based advertising and the increasing use of AI will all be areas that will present both opportunities and challenges to the industry. Locating IT services in locations closer to the 'edge' will support these capabilities.

**WHAT TARGETS ARE YOU AIMING TO ACHIEVE IN THE NEXT FIVE YEARS?**

We are always looking to expand our physical footprint. In the last 6 months we have announced expansions in Osaka, Singapore, London, Frankfurt, Warsaw, Madrid, Helsinki & Seattle. 2019 will also see new locations opening in Oman, Seoul and Hamburg.

**GIVE US YOUR ONE-SENTENCE ELEVATOR PITCH.**

We offer retail enterprises the ability to reach everywhere, interconnect everyone and integrate everything.

*This Company Spotlight was produced by InternetRetailing and sponsored by Equinix. Funding articles in this way allows us to explore topics and present relevant services and information that we believe our readers will find of interest.*

## CASE STUDY

**Business challenge**

With more than two million regular customers, 500,000 daily customers and more than ten million parcels sent out each year, Wehkamp is a specialist in online shopping in the Netherlands. The high-tech logistics service centre in Zwolle is the largest automated distribution centre for online retail in the world.

At the company's head office, everything was previously stored in one location with in-house connections and an in-house data centre. However, Wehkamp considered the risk of failure too high. Since the online store had to be accessible and operational 24x7x365, the company was extremely vulnerable to damage from a natural disaster at the head office.

**Solution**

To fulfil its main business requirement, the company began searching for a complete, external solution that was capable of providing a robust, reliable emergency plan. The company toured the Equinix International Business Exchange (IBX®) data centre ZW1 in Zwolle to evaluate its construction and security measures.

The solution began with moving parts of the company's data centre into an IBX data centre as a leased colocation solution. The equipment within the data centre is owned by Wehkamp and identical to the equipment at the company's head office. This allows Wehkamp to continue operations, while providing immediate access to disaster recovery equipment.

Apart from colocation, Equinix also provided a fibre-optic data connection between the Zwolle-based head office and other Wehkamp locations. As a result, the company's logistics centre in Maurik can continue operations in the event of a natural disaster. From this location, a fibre-optic connection runs to the Wehkamp head office and the Equinix data centre, separating the connections geographically. In addition, they enter the building at different points, resulting in higher availability.

With Equinix, Wehkamp's data centres are set up in such a way that they can continue the service in the event of a crisis or a disaster with emergency response equipment. The necessary fibre-optic data connections have also been made between all of its locations.

Equinix provides additional support to Wehkamp - including internet connections with Equinix anti-DDos (distributed denial of service) services, and connections with our cloud service providers. By using an interconnection-first approach, the company re-architected for a digital edge, or closest to its users, to optimise multi-cloud connectivity, enhance security and reliability and boost performance.

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# Convenience is king in the brave new world of retail

*Rupal Shah,* **Director of Shopper Research at Simpson Carpenter, looks at five key retail technology trends that will help to make the shopper journey more seamless and convenient than ever.**

With the current level of competition in the UK retail sector and the plethora of choice available to shoppers, the challenge of winning and retaining shopper loyalty is tougher than ever. The growing number of on-demand services available means that consumers are increasingly drawn to brands that offer ultra-convenient experiences and help to take the friction out of everyday life.

Thankfully, new technologies are reaching maturity that will enable retailers to build levels of convenience into the shopper journey that many once thought unimaginable. In the coming year these technologies should be front of mind for retailers if they want to build closer and more enduring relationships with today's fickle and time-poor shoppers.

### PERSONALISATION

Personalisation is one of the great buzzwords in the retail industry right now as brands seek to build more relevant and seamless experiences for customers. Big data has been a key catalyst in allowing the customisation of retail experiences, but new methods involving DNA sequencing are now emerging as the next great leap.

Waitrose recently announced the launch of a clinical trial, in partnership with UK start-up DnaNudge, which uses shoppers' DNA to help them make healthier food and drink choices. The consumers involved in the trial – the first of its kind in the retail sector – insert a swab of their saliva into a simple cartridge which analyses their DNA to determine whether they are prone to a range of conditions, such as diabetes, obesity or high blood pressure. An app then offers personalised recommendations as they shop.

Cosmetics is another area of retail where DNA-testing is expected to become increasingly widespread. British skincare brand, Geneu, already offers a same-day DNA testing service as part of its Personalised Serums package at luxury retailer, Selfridges. With the DNA-testing market set to reach over $10bn (£7.84bn) by 2022, more brands will likely be looking to launch their own DNA-based products this year.

### VOICE

Voice technology is often touted as the next big thing in retail and ecommerce. In 2019, these predictions will increasingly come to fruition. However, retailers will start to discover many more uses for voice devices beyond offering customers a convenient channel for purchasing products.

The creative possibilities for service innovation through the technology are almost endless. For example, a retailer could use voice tech to help customers navigate large stores and find the products they need, essentially helping to fill the role of a store assistant. Alexa Shop Assistant is capable of doing exactly this, while also answering any product-related questions a shopper may have. Chinese ecommerce giant, Alibaba, has gone even further, opening an unstaffed store in Beijing where its smart voice assistant, 'Tmall Genie', handles most customer service-related tasks.

> "Is DNA the next frontier in personalisation?"

Voice also offers the opportunity for retailers to develop new types of content experiences. Many grocers already publish recipes on their websites as a way to promote their own products. Imagine if retailers used voice technology to allow customers to access these recipes and try them out in a more hands-free way. Cookery channel, Food Network, created its own app called In the Kitchen, which allows people to access over 70,000 recipes from its TV chefs using voice commands.

### PICKUP

Thanks to Amazon's pioneering efforts, checkout free shopping will become a growing reality for consumers in the UK this year. Both Sainsbury's and Tesco are trialling services that allow customers to scan products in-store using their smart phones and pay for them immediately.

Amazon's check out free shopping is even more sophisticated. Customers don't need to scan a product, they simply pick it up and leave, with computer vision, sensor fusion and deep learning technology allowing the retailer to automatically recognise when a product has been taken off the shelves. Amazon is rumoured to be planning the launch of its first checkout free stores outside of the US in the West End of London. Could 2019 be the year they finally arrive?

The benefits of cashier-free shopping will also increasingly impact fashion retail as well. In China, retail

Image: Waitrose

The delivery driver will put away groceries for customers using Waitrose's While You're Away service

group, Bestseller, launched smart fashion stores which use facial recognition technology to allow customers to pay for garments automatically using their faces and completing the payment via WeChat Pay.

Tech-enabled checkout sales are expected to soar over the coming years as the technology continues to mature. A report from Juniper Research predicts it will grow from $9bn (£7.06bn) today to $78bn (£61.17bn) by 2022.

### ROBOTS

In 2019, an increasing number of retailers in the UK and around the world will experiment with robotics and automation to improve the shopper experience.

At one of Ocado's depots in England, over a thousand robots enhanced with artificial intelligence are able to carefully pick up and pack products at a rate far quicker and more efficiently than humans. Similarly, fashion retailer, Zara, is using in-store robots to automate buy-online-pickup-in-store purchases and offer customers a quick and efficient service.

Automation will increasingly impact the delivery process as well. In October 2018, Starship Technologies launched a fleet of hundreds of smart robots in Milton Keynes which use ultrasound sensors, radar and GPS to help them navigate the town and deliver a range of goods direct to consumers. The firm has already partnered with Co-op to deliver groceries there.

Consultancy, McKinsey & Co, predicts that in less than ten years, 80% of all items will be autonomously delivered.

### UNATTENDED DELIVERIES

While robots are making the delivery of shopping quicker and easier, in most cases, customers still need to be at their property to receive and unpack the goods. This could be about to change though if a new service that Waitrose is testing becomes more widely available. Called 'While You're Away', the service allows customers with a smart lock on their front door to set a temporary access code and allow delivery drivers to enter their property and put their groceries away for them. Once the delivery is complete and the driver has left, the code immediately expires.

While Walmart has been offering unattended deliveries to customers since 2017, the Waitrose trial represents the first time it has come to the UK. The service is currently available to 100 customers living within the delivery area of Waitrose's fulfilment centre in Coulsdon, London. If successful, the retailer plans to expand it to over 1,000 shoppers in the Spring.

These emerging technologies represent a huge opportunity for retailers, but, taking advantage of them has to be about more than just jumping on a bandwagon. In such a disruptive market, retailers need to have a deep understanding of their customers and how they can continuously meet their needs. Convenience, along with other issues like health, personalisation and the environment are now pivotal for today's shoppers. If used properly, new technologies can help retailers tap into these issues and build brand loyalty like never before.

Image: RetailTRUST

The Retail Leader Apprenticeship Degree combines academic learning with practical on-the-job experience

# Upskilling for success

**The right people with the best skills and experience are crucial to every part of the retail organisation. *Emma Herrod* investigates what retailers are doing to keep staff at the cutting edge of ecommerce.**

2018 was a bleak year for some job roles in retail while for others there have been retailers crying out for their skills. Stores have closed while ecommerce teams have been saved. In 2012, it was mobile skills – and more specifically experience in the channel - that was in short supply. As big data became the transformation point within the industry so the cry went up for data analysts. The past year has seen retailers recruiting social media marketers who are able to apply a PPC model to content on channels such as Instagram, according to Patrick Tame, founder of recruitment consultancy Beringer Tame.

"Companies complaining of a shortage of high-calibre individuals with the right experience is nothing new. I think it was always thus," says Tame. "It's the single most difficult thing to get right," he adds, and there is always competition for the best people.

He also points out though that the best people on paper may not be the right ones for the business and sometimes it's better for a retailer to look at a job role differently than just a list of boxes to tick. The person with the right motivation and transferable skills may already be working for the company.

As the industry changes, so does the strain on recruitment with those in the key roles having to not only attract personnel with the right skills and experience to fill the changing gaps but also to retain existing staff.

Marks & Spencer, for example, is in the process of upskilling 1,000 members of staff as part of a data skills initiative which aims to create data skilled leaders who are able to lead digital transformation across the business. The Data Leadership programme enables them to get hands-on with technology such as machine learning and artificial


Image: Marks & Spencer

Marks and Spencer is upskilling 1,000 members of staff as part of a data skills initiative

intelligence. The retailer believes that the programme will give it the most data-literate leadership team in retail.

The M&S Data Academy, being run by digital training company Decoded, is open to employees from every area of the retail organisation – from store managers and visual merchandisers to finance and buying. M&S staff can join an 18 month in-work data science skills programme which will teach them how to harness data analytics tools such as R and Python and adopt technologies such as machine learning. Learners will finish the programme with a data analytics qualification accredited by the British Computing Society.

> Finding people isn't difficult. Retaining them is tricky. Autonomy, learning and development is crucial

"This is our biggest digital investment in our people to date and the creation of the M&S Data Academy will upskill colleagues and provide them with an in-depth level of digital literacy as well as a Data Analytics qualification. Transformation of our business is key to survival and a huge part of this lies with our colleagues. We need to change their digital behaviours, mindsets and our culture to make the business fit for the digital age and our partnership with Decoded will enable us to do this," says Steve Rowe, Chief Executive, M&S.

The training is funded by the Apprenticeship Levy, the billion pound fund created by the Government to help upskill the UK workforce.

M&S is not alone in trying to alleviate the skills gap. More than a quarter (27%) of UK retailers fear they don't have the right expertise in their existing workforce to utilise artificial intelligence (AI) and other digital technologies effectively, according to a survey by VoucherCodes UK. Surprisingly, securing digital talent ranked higher than knowledge of big data (19%), achieving buy-in from the wider business (15%) and the cost of financial investment (9%). Only "establishing a seamless omnichannel experience" ranked higher amongst retail respondents.

"AI and other digital innovations are transforming the shopping experience, and retailers are understandably concerned that they can't find the right skills from their employees to fully maximise these rapidly growing technologies," says Greig Danes, VP of Engineering at VoucherCodes.co.uk.

Retailers are also recognising that having people with the right mindset for the business is just as important as recruiting in the skills. "There is demand for good staff, so


Image: Schuh

Schuh takes an active role in continuing to develop its workforce to ensure that it progresses as digital continues to develop

talk to yours," says Tame. At work, people need to feel that they have purpose and meaning, are valued and feel that they have a future. If there isn't a definite career path they will go elsewhere – especially if recruiters such as Tame are speaking to them every three months.

Shoe retailer Schuh is another leading retailer taking an active role in continuing to develop its workforce to ensure that it progresses as digital continues to develop. Staff in the ecommerce team can choose to undertake training modules in the skills required by the organisation, explains Sean McKee, Director of Ecommerce and Customer Experience, Schuh. There is also a financial incentive for staff to undertake the training so it also provides another way to help with staff retention, he explains. It shows them that "learning is good, it pays and we'd like you to stay," he says.

Alex Murray, Digital Director - UK, Lidl, who also took part in a panel discussion on skills at the InternetRetailing Conference, believes that there are still fewer people in the industry than are required. "Finding people isn't difficult. Retaining them is tricky," he says. The ecommerce market offers candidates so many opportunities so businesses have to not only find talent but work out what matters to those people in order to give them a real sense of purpose at work. "Autonomy, learning and development is crucial," he said.

Paul Sulyok, Founder and CEO of Greenman Gaming agreed: "Engineers like challenges and working to solve problems," so retailers need to provide a mentally-enthralling environment and a loose management structure that allows them freedom. They also need "a fun culture and something they are proud to be involved in," he added.

When it comes to having loose leadership, Sulyok believes that if you give someone responsibility and treat them in a way that they can make a decision you get the best out of them.

> M&S aims to change digital behaviours, mindsets and culture

Other possible solutions mooted by the panel to help with retention in the industry included increasing flexibility and moving to day rates rather than traditional working structures. Selling these ideas to a traditional HR department may be hard though.

**LEADERSHIP**

As the transformation of retail from the high street to omnichannel has shown, change cannot happen if it's not supported and lead from the top of the organisation. Ecommerce has reached the board of UK retail through

### SKILLS FOR INNOVATION

Leadership is more than a skill-set as a retail leadership team needs to be flexible of mind, to enable innovation and not stifle change since new disruptive pureplays will be thinking about things differently. As Julien Callede, co-founder of Made.com told delegates at the InternetRetailing Conference "When you start a digital company the one thing we need is to think differently".

He explained that retailers shouldn't become stuck doing things in a certain way because that is how they have been done in the past – or in a way that they are done by other retailers. "With experience comes comfort. If you are too comfortable you won't innovate. You have to be agile, rethink how you do things," he said.

He believes that experienced people have to be willing to disrupt their own business.

At Made.com, the main role of the board is to ensure that the company continues to grow in a sustainable way, but it also has to bring new ideas into the business. "Every year, one of our targets is to find new developments/products that will bring x% of next year's revenue to the business," he says.

Jonathan Wall, then CDO at Missguided, believes that when it comes to innovation "an inquisitive mindset is the number one skill needed."

Recruiters need to understand how a candidate's mind works. Analysts, for example, should come back with questions and further tests to run, not just answers, he says.

This inquisitive mindset is one of the skills that he believes will be necessary in retail by 2023. "A leaders role is to give clarity of purpose," he says. Talking about the leadership team at his former company Shop Direct, he explained that the leadership team ensured that everyone understood the Shop Direct ethos and what success looks like.

Innovation, can come from anywhere in the business, just ask a 27 year-old store manager how technology could change the high street. As retail organisations become less siloed in their operations, responsibility for ecommerce logistics will be handed to a logistics team, ecommerce buying to a central buying team and the ecommerce lead will become a Digital Product Director and stretch across the different functions. They will become a 'customer' of the rest of the business and it will free up their time to innovate further with 90% of their time spent on marginal gains and 10% on the big innovative projects, explains Patrick Tame.

a mix of people moving between retailers as well as those who have moved up the ranks internally.

While the M&S Data Academy takes training in house, for others, there are external courses such as the newly launched Retail Leader Apprenticeship Degree. Apprentices will work full-time, while studying towards a Bachelor of Arts degree, accredited at their chosen university. The programme is aimed at developing apprentices' strategic, technical, managerial and leadership skills.

Academic learning is integrated with practical on-the-job experience with a blended approach to learning combining face-to-face training days with online learning, research and assessment activities. Business projects, negotiated with employers, offer the apprentice the opportunity to apply their learning directly to their organisation and its business needs.

The level 6 degree has been set up by the retail trade charity retailTRUST, in collaboration with a group of retailers and the government. The programme will start later this year with at least 400 retail employees.

One of the retailers involved in the Apprenticeship Degree is Dunelm Group. The company's People and Services Director Amanda Cox, comments: "This is a real legacy moment for retail – showing through a work-based degree how important retail is as a sector and the amazing careers that people can have within it. I look forward to seeing our first colleagues go through this programme and the skills this gives them to fast track their careers, as well as unlocking their true potential."

Ecommerce growth will continue to put requirements on retailers to develop digital skills. As digital spreads further across the retail organisation, everyone's skill set will be impacted whether they are in a customer-facing role or working behind the scenes. Skills can be learnt but it's the people with experience in the next 'big thing' that will always be in demand and as retailers push to innovate it is in their interest to create opportunities for those taken on at the cutting edge to stay up with developments. It might also help to keep them with you.

This can only be a good thing when you consider the important role that people have in making the difference between the technologies that are available to any retailer.

# Time to focus on the total experience

**With collapsing brands, CVAs and store closures dominating the headlines in 2018, *Penelope Ody* investigates how real-world retailers can combat the growing dominance of the internet.**

"Retail is not dying, only boring retail is dying". So said Christopher Cuvillier, CEO of property company Unibail Rodamco, owners of Paris' Les Quatre Temps shopping centre which last summer acquired Westfield – best known in the UK for its two eponymous London malls.

He has a point. News reports of last year's high profile retail failures were often accompanied by vox pop clips of shoppers commenting on dreary interiors, dull merchandise or lack of helpful staff.

Competition from online sites is generally blamed, but – while the figures obviously vary markedly between product sectors and individual retailers – over-all, online currently accounts for around 17% of total UK retail sales with forecasters predicting a 20–25% share within the next two or three years. That still leaves the vast bulk of retail turnover in the physical world, and those retailers that are continuing to thrive have not only embraced omnichannel, but are revamping their stores to enhance the customer encounter, make imaginative use of digital technologies and integrate social activities and leisure into the entire shopping experience.

Image: en.fotolia.com/en.fotolia.com

A focus on localism is helping book shops to stay in business

Book shops were among the first to suffer from the Amazon effect, but the survivors – including many independents – do so by providing additional services that deliver new experiences for customers. While many have added coffee shops and reading areas, Beerwolf Books in Falmouth combines its bookshop with a pub and a programme of events which includes a ping-pong tournament. One Tree Books in Petersfield also stages numerous events, such as book signings, literary talks and poetry readings, and it hosts a monthly book club (complete with glasses of wine for attendees). In Munich, Hugendubel has rearranged its books into lifestyle themes such as "Immerse yourself", "Learn, play and make" or "Horizons" instead of the usual genres. Its first floor café has an open kitchen where cookery books can also be found, while a sound-proof room allows for the quiet enjoyment of a good read.

Among the chains, Waterstones has moved from near total collapse in 2011 to healthy and increasing profits – up by 80% in its latest financial year. Key has been a new focus on localism with branch managers given free rein to select stock appropriate for their customers, rather than apply the "one size fits all" offering familiar in many multiples. High profile events – such as its popular Harry Potter nights – have also helped, as do the enthusiastic and knowledgeable sales staff.

### EASE & EFFICIENCY

While in-store events can build traffic and improve the customer experience, in an omnichannel world, shoppers also expect any store experience to reflect the ease and efficiency of buying online – which is central to Farfetch's "Store of the Future" project, currently at the beta-test stage at stores in London, New York and Paris. Luxury fashion marketplace, Farfetch bought Browns – a long-established London boutique – in 2015 with the aim of creating a "pioneering mix of technology and in-store experience". For Farfetch founder and CEO, José Neves, "The vision is to answer the question, 'how will people shop for luxury fashion five or 10 years into the future?' This won't be purely online," he said. "The answer, we believe, will be a seamless merger of a fantastic physical experience with powerful, yet subtle technology."

The key starting point for "Store of the Future" explains the project's CEO Sandrine Deveaux, is the ability to identify customers when they enter a store so that staff can greet them by name and instantly have insights into

Image: Intu

Bringing new experiences to retail

the sort of merchandise likely to interest them – just as happens online. Luxury brand shoppers spending thousands of pounds “want to be recognised” argues Deveaux, and can be extremely disappointed if they are not. The proposed solution, the “Farfetch pass” is currently being developed using five different technologies. The pass and other test technologies are all about enhancing the shopping experience rather than using technology for its own sake.

> Shoppers want to leave the store and move on to the next experience not queue to pay and then have to carry all their packages away

There is the connected rail, for example, which uses RFID and ultrasound to send images of any garment a shopper takes from a rail to examine, to the customer’s smartphone as a reminder of products that interested her. The connected mirror in a changing room allows the shopper to send requests for different sized or additional garments while sales staff can also use it to display possible add-on purchases. The mirror can even take card payments and arrange home delivery – solving another of Deveaux’s pet shopping hates: “It takes too long to pay,” she says, “you want to leave the store and move on to the next experience not queue to pay and then have to carry all your packages away”.

#### IS MOBILE THE ANSWER?

While such futurist developments may succeed for some, they are unlikely to dominate tomorrow’s high street. Joshua Bamfield, Director of the Centre for Retail Research, believes that “It’s more about what you can do with a mobile phone to enhance service than introducing high-tech. Maybe the ability to phone ahead to reserve a car parking place or alert the store that you’ll be arriving in 15 minutes to pick up an order will prove more attractive enhancements”.

It’s an approach which Debenhams is adopting as it battles its current financial problems. “Our customers are


Image: Spencer Cartwright

Debenhams' customers are not just looking for product, but for leisure and food

not just looking for product but for leisure and food," says Ross Clemmow, MD of Retail, Digital, Food and Events, "and we believe we can be a good host for these activities." The plan involves levering a shopper's smartphone to integrate service activities – such as beauty salons or wellness advice – with retail activities like click and collect. This could see a busy customer, for example, having their click and collect order brought to the beauty salon during a lunch-time nail bar appointment or prebooking a changing room to try on the dozen dresses reserved online rather than take them home and then have to return most of them. As Clemmow says: "Mobile can speed up the process".

Forecasters have long predicted that online shopping would be the death of many of our high streets as multiple chains close unprofitable outlets in secondary sites, but as Professor Bamfield points out, the high street is merely a "micro-economic aspect of the surrounding area". Those that are failing generally reflect problems in the rest of the town, so there can be no quick turnaround to restore prosperity. Positive action by local authorities can be vital: such as Bolton Council's purchase last June of the town's failing Crompton Place shopping centre as part of its long term plan to regenerate the town centre.

Successful high streets generally combine strong independents with additional resources that provide a reason for shoppers to visit them. "Typically", says Bamfield, "that was the bank; but the banks have been closing branches so the high street has to provide something extra that cannot be bought online – fresh local produce, perhaps, or various personal services". The list could include hairdressers, a dentist, pharmacy, library, restaurant, or pub, as well as newer models providing

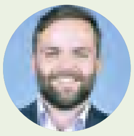
> The high street is merely a micro-economic aspect of the surrounding area

additional services to encourage greater footfall. Perhaps we shall see the advent of clothes shops acting as click and collect centres for fashion multiples while also offering complementary ranges, alteration services or acting as secondary sellers for any returned merchandise. Maybe pharmacies of the future will combine health centres or satellite surgeries for suburban GP practices or tomorrow's gift shops equipped with gallery space for exhibitions, a mini-cinema for art films or innovative pop-ups?

Online shopping is quick, easy and efficient – but a real world store also providing social interaction, personal service and novel experiences can be a successful competitor: just as long as it is never "boring".

# Using customer insight to awaken the retail experience

*Pete Brown*, **Consultant at Elixirr, examines how analytics will be changing retail in 2019.**



The following guest article has been written for InternetRetailing by Pete Brown, Consultant at Elixirr. Elixirr works with incumbent organisations and start-ups across retail, financial services and telecommunications, which want support to keep up with and respond to today's pace of technological change. Elixirr works across the world and has bases in Europe, Africa and the US.

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New Year, new approach. Retail has seen its fair share of disruption and if market predictions are anything to go by, this will continue into 2019. However, in the midst of the high-street chaos there was a lot of innovation in retail. Most notably, the overlap of the digital and physical worlds whereby physical retailers were using data and consumer facing technologies to enhance their customers' shopping experience. Every card swipe, share or online search generates data – the challenge is turning this into insight.

Dealing with data has always been an issue for retailers. There are mountains of unused consumer information that clog up back office systems and never reach the surface. However certain companies, such as Sephora, are leveraging this information to create personalised offerings unique to the individual. This approach is the only option for targeted marketing if you want to make successful sales. Instagram accounted an estimated $8+ billion in advertising last year – mainly due to the success of targeted campaigns. Retailers must treat their customers in the same way, removing themselves from blanket campaigns and tailoring to captivate their customers' interests.

The in-store use of data has changed dramatically. At the front end there have been developments in everything from static traffic counting, which monitor people flows, to smart electronic shelf labelling, allowing the global deployment of pricing and discounting at the click of a button. Before retailers dive into this they must have a clear goal in mind. The past two years have seen a rise in "tech for tech's sake", whether that is iPads in-store or something for kids to play with while their parents shop.

We are starting to see real use cases emerge in areas like smart fitting rooms and mobile payment, two areas in which I expect to see enormous change in the next 1-2 years. AR/VR body scanning is also a big opportunity and companies such as Zugara are working with retailers to develop this technology. When I think of data however, one of the significant areas of opportunity is how we use it to drive more sales.

> "Size and money to invest are the differentiating factors for the success of data labs. If you have neither of these, you run the risk of creating separate entities that can never be integrated or used at scale – a blunder of many retailers."

### HOW MANY TARGETS?

Concise and accurate reporting is the key to sales. A lot of retailers still take the 'report everything, assign nothing' approach to information, particularly sales data. However, more recently the amount of information available to you is infinite. This leads to confusion where sales teams on the ground do not have clear success metrics for measuring their sales performance. If you are incentivising individuals or reporting on more than 4-5 targets, you can be sure that more than half of your retail staff will drop the ball.

One of the benefits of being a new player is that you lack the historical backlog of data and can build your systems in a way that only reports information relevant to your particular teams. This enables you to run more efficiently and to test what metrics really lead to better sales. A good example of this is in the user-rated sharing economy.

Take Uber, it must decide which components lead to higher sales and higher customer retention. If it started to measure drivers on absolutely everything about their journey and weighed it all equally, the business would not be able to drive the right behaviours. It is about balance. Too little data and you don't understand your customers, too much and you will struggle to create a successful, refined strategy. The trick is to start small, grow slowly and carefully, and constantly test that what you are tracking and measuring is driving the best results.

The growth of clicks-to-bricks has been a central trend in the past five years. 70% of consumer research still begins online before the final purchase occurs in-store. This means it is essential that these two channels work with one another and not independently. Many traditional retail businesses still operate online and physical retailing as separate verticals, with little overlap. The issue is however, that rather than creating synergies that compliment, companies create competitive P&L issues internally, where they are unhealthily chasing the same customers.

> Too little data and you don't understand your customers, too much and you will struggle to create a successful, refined strategy

I have also seen organisational structures that separate horizontals such as marketing and communication between the online and physical channels, when in fact they are duplicating the same skillset. As a new entrant, Farfetch has successfully built a store proposition that incorporates the best parts of the online world whilst maintaining the needs of physical retailing e.g. operations, communication, formats etc.


Image: Farfetch

Farfetch has successfully built a store proposition that incorporates the best parts of the online world whilst maintaining the needs of physical retailing

### DATA LABS

Predictive analytics is another area which has seen huge growth, especially focused around the areas of predicting product demand, managing inventory and detecting fraud. Algorithms that analyse sales information and sales variables have vastly helped retailers to forecast demand. This in turn leads to more effective replenishment and a better understanding for retailers of the cross-dependency between products – leading to more efficient dark stores and store set-up in the retail environment. It is a big challenge for retailers to incorporate historical datasets as they have often not been stored correctly or the information is corrupted. When these models are built effectively however, they can often require few people to operate and produce much more accurate forecasts.

With inventory management there is a huge amount of capital tied into excess stock across the globe, and sometimes this is unavoidable. A study on Fortune 1000 companies demonstrated that a 5% reduction in inventory generated on average $20m in increased profits. If you do not utilise data you are destined to miss-order, have excess stock and be forced into the profit-reducing world of discounting.

Some retailers have adopted a new approach in the form of designated data labs. My experiences of these have been mixed – some businesses manage to integrate the ideas from them successfully, however most fail to launch them at scale. Walmart collects around 2.5 million gigabytes of data every hour on its customers' behaviour, preferences and purchases. With this quantity of information, the retailer decided to launch an analytics hub where 200 streams of internal and external data can be modelled. Similarly, P&G has placed this as a central part of its strategy with the CIO stating that the business is "2 or 3 years ahead of anyone else".

Size and money to invest are the differentiating factors for success in this case. If you have neither of these, you run the risk previously stated of creating separate entities that can never be integrated or used at scale – a blunder of many retailers.

I am looking forward to 2019 and retailing. The retailers that will survive on our high-street will be agile, ready for change and looking to other industries in the future. Our shopping visits will become more personal, tailored and engaging – all things that will enhance the customer and retail experience.

# Sound and vision… and beyond

*Paul Skeldon*, **Mobile Editor, InternetRetailing, looks ahead to the changes ahead for mobile in 2019.**

Let me ask you a question. Do you want to challenge Amazon and its online dominance of retail, revamp your High Street presence and sell more than your competitors in 2019?

Thought so.

It might be every retailer's list of New Year's resolutions, but rather than me promising myself to drink less, sleep more and finally master the banjo, these retail resolutions are, in fact, achievable. With mobile

Christmas 2018 was a very mobile affair. While online accounted for more than half of all Yuletide spending, according to MasterCard, 27% of the total – more than half of the online spend – was done on mobile devices. This past Christmas was the first proper mobile Christmas.

However, that isn't really the big news that we take forward into 2019: mobile as a channel is a given. What is news is how it is likely to have some rather fundamental impacts on retail craft over the next 12 months – much of it positive.

Before we get into that, though, it is important to look at the backdrop around which mobile will play its pivotal role. With High Street shops closing at an increasing pace – their doors forced shut by the pressure of online's dominance, as well as unrealistic rents and rates – and shoppers being more circumspect about how they spend with the uncertain shadow of Brexit hanging over them, retail is feeling battered and bruised. But that doesn't mean that shops are dead. Far from it. In reality, they are not drowning, but changing.

And it is this change that provides the opening for mobile – it is the key to bringing changing shopping habits and the old world of retail together. So aside from the obvious – better informed staff armed with mobile devices, better payments from phones and watches and the rest, what are the really revolutionary retailers going to do with mobile in 2019 – and how is it going to help stop giants like Amazon eating their lunch?

## VISUAL & VOICE COMMERCE

One of mobile's most underrated attributes has long been its use as a 'voice machine' with an eye on the world. In other words it is a web-enabled telephone (in the most literal sense, 'tele' meaning 'from afar' and 'phone' meaning 'voice' or 'sound' in Greek) combined with a gimlet-eye camera.

To date the smartphone has been seen by retailers – and pretty much everyone else – as a screen. However, as voice controlled devices such as smart speakers have started to gain traction at home, so the voice recognition potential of the phone is starting to come to the fore.

According to a study late last year by RedBox, 76% of CIOs, general C-suite and IT management enterprise employees believe that a 'Voice First' strategy will be in place across retail businesses within five years, showing a clear shift towards recognising the value of the spoken word – with 95% of C-level executives regarding voice data as "valuable" or "very valuable" to their organisation.

> A Voice First strategy will be in place across retail businesses within five years

Google Home, while a nifty in-house smart speaker, also comes as a smartphone app – one reason why Argos was quick to tie up with Google rather than Amazon, when it made its move into 'voice commerce' last year.

"Voice technology has the potential to revolutionise how we shop in the future," says John Rogers, CEO at Argos. "Digital home assistants have soared in popularity over the past year and people are increasingly looking to their smart devices to help with the smooth running of their lives."

He continues: "Argos is a digitally-led business at the forefront of technology and it's really exciting that we are harnessing the simplicity of voice ordering with the convenience and popularity of click and collect to make our customers' lives easier. We predict that the Voice Shop service will be a big hit and we will develop and refine the offer further as we get feedback from our customers."

Alongside these developments, retailers are also looking at how to exploit the camera. While, augmented and virtual reality garner the headlines (and which we shall come to anon), image recognition on smartphones – and the visual search that that delivers – is also starting to gain ground, with more to come in 2019.

Already, eBay, Asos and H&M to name but three have, if you'll pardon the pun, looked into it. App provider Poq has added it as standard to its product range. With retailers looking to differentiate themselves, visual search is going to be a key tool in 2019.

"Moments of shopping inspiration can come at any time, whether you're walking down the street or browsing your social media feed," explains Rob Hattrell, Vice President, eBay UK. "At eBay, we're focused on creating new complementary technology that helps our millions of customers. Whether this is helping buyers to easily find the things they love at the best value, or by surfacing relevant inventory from sellers on the platform in a new and engaging way. eBay Image Search makes it possible for people to shop and sell on eBay by using any image or photo that inspires them."

The advantages of visual search – particularly to the ever-less patient Gen X and Y – is that it creeps ever nearer to instant retail gratification. What makes it more attractive to retailers is that it can, used cleverly, provide a much needed link between the web and the store.

The benefits to retailers, says Poq, are more completed searches, higher conversion rates, higher engagement and 30% month on month user growth. It also assuages the consumer needs for instant gratification and makes finding exactly what they want straightforward.

Conventional wisdom may suggest that it is a great way to find stuff to buy in the endless online aisle, but it can also be a way of driving people who are out and about to a store. It can also be used in-store to augment the experience.

Image: Ikea

Augmented reality, along with virtual reality, will mix to give new experiences

## AUGMENTING REALITY

Augmentation is the next step for visual commerce. While there will be a ground-swell of visual search services in 2019, there is also likely to be a move to incorporate more AR and VR – and MR, where real, augmented and virtual are mixed together.

The advantages of this sort of technology have long waited for a problem to solve – and it seems that where it finds its feet lies in allowing users to visualise virtual goods in their home and even on their bodies. This closes a circle that has long dogged ecommerce: the need to 'see', 'feel' and 'try' goods before buying. AR delivers this.

AR, where additional content and information is overlaid onto the real world on the phone or tablet screen, has already found increasing use in 2018. In the run up to Black Friday, Amazon added AR to its app aimed at giving shoppers the ability to visualise thousands of Amazon goods for sale on Black Friday – and beyond – before buying them.

Using the feature, shoppers check selected products from all angles by tapping on the AR View option available in the camera icon in the app search bar. They can even spin things round through 360-degrees using just one finger. Big ticket household items, such as white goods, coffee makers and more, can also be viewed in situ, overlaid onto the shopper's room, tables, or surfaces to give an idea of fit.

This move towards real deployment of AR comes hot on the heels of Domino's Pizza also rolling out an AR function in its app, to allow hungry customers to view the combinations of toppings they may want to select on a variety of pizza bases.

AR is also starting to take flight with other retailers, with Flixmedia offering a nifty free AR add on to retailers, as outlined in our recent webinar. Here retailers including Curry's PC World are experimenting with using super-accurate AR to not only visualise what products will look like in the home, but also if they will fit in the space available.

While AR is delivering some much needed 'try before you buy' for online retailers, AR also has the ability to use visual commerce to aid beleaguered stores.

"Mixed Reality (MR) has perhaps the most potential for retailers," says Tim Morgan-Hoole, Managing Director, JTRS, a digital transformation agency. "While AR is used to overlay digital graphics onto real-world environments and VR immerses the user in a head-mounted simulation, MR uses a combination of both to deliver a unique, immersive experience. Users can interact with their physical surroundings while also benefiting from additional digital elements – something which could prove to be a game-changer in the retail world."

This 'best of both worlds' approach is not only going to help retailers deliver the kinds of experience that consumers want, but it is all part of the transformation of retail that is likely to occur across 2019. The High Street isn't dying, it is changing – and these technologies are going to be part of that change.

Simultaneously, online retail is also becoming increasingly competitive and these pure-plays also need to up their game. Again, mobile based AR, visual and voice interaction are going to be the drivers of this new world order.

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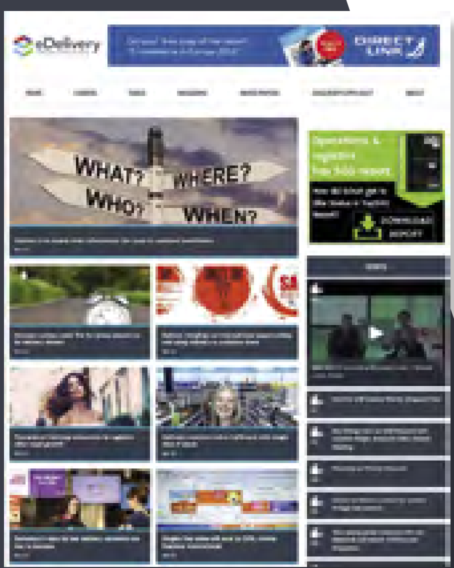


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# What’s in store for retail logistics in 2019?

*Alex Sword*, **eDelivery Editor, investigates the trends ahead for delivery and retail logistics in 2019 and their impact on ecommerce trading.**

It’s a new year but for online retailers delivering products the pressures remain the same: customers want shorter delivery times for the same price, if not for free, not to mention in an environmentally friendly way.

As a recent Capgemini report argued, retailers urgently need to find a balance between customers’ delivery expectations and maintaining their own profitability. There are all sorts of potential solutions for this challenge; some are technological, some rely on new ways of thinking. We cut through the hype to look at some of the main problems and solutions that retail logistics will face in 2019.

## AUTOMATION, AUTOMATION, AUTOMATION

Of those technologies generally seen as futuristic, automation already has the weight of evidence behind it. Retailers and logistics companies are already achieving demonstrable results from introducing automation both in transport and warehousing. The retail industry could save $41.36 billion a year by introducing AI into its logistics operations, according to a study by Capgemini.

The case for automation is fairly simple arithmetic – expected delivery times are going down, the number of orders are going up and the amount customers are willing to pay is not rising with it. Something has to give and automating processes can both reduce costs and increase the speed of handling orders.

One of the most visible pioneers of this is Ocado, whose CEO recently claimed that capacity added from new automated customer fulfilment centres had led to double digit growth in new customer acquisition. The grocer has opened two sites recently in Andover and Erith, with the more recently opened Erith facility now processing 30,000 orders per week using picking robots. The two sites use Ocado Smart Platform, a combined hardware and software platform for fulfilling orders which is being used by Groupe Casino and Kroger.

We can expect to see a greater number of companies introducing automation this year, although it won’t always be as dramatic as introducing robotics as in the Ocado case. There is no necessity to automate everything at once – processing at distribution centres is a good place to start.

As for automation of transport, progress is also likely to be largely in the software side of things rather than physical infrastructure or vehicles. Self-driving vans are still some way off for both technical and legislative reasons, but software can be used to automatically manage things such as vehicle scheduling.

## DELIVERY DRONES

Although Amazon conducted its first package delivery by drone in 2016, the marketplace had also claimed that it would have drones making commercial deliveries on a more regular basis by 2018. This deadline has clearly been missed.

So what is the hold-up? It is not a technological issue in the vehicles themselves – the capabilities of drones have been demonstrated in a range of B2B and public service applications. A demonstration by Vodafone in December also showed that even current 4G mobile networks are capable of supporting drone deliveries.

The obstacle is largely regulatory. There is a gap between what is capable technologically and what legislation allows – and certainly the disruption attributed to illegal drone flying at Gatwick last month does the industry no favours. Rightly or wrongly, authorities are still concerned about the safety of the unmanned craft and how they will interact with manned aircraft such as planes.

When the regulatory will is there, projects can really take off. In Japan’s capital Tokyo, for example, a new suburb has been designed around the use of drones for delivery of groceries.

This year will see steps being made towards convincing authorities to adjust legislation. Amazon is taking part in drone trials at a former airbase in Belgium alongside a host of local partners, while in the UK, a drone corridor has been set up by Blue Bear and the University of Cranfield to allow trials. Trials will help more interested parties, including retailers, to win licences and strengthen the case overall for the safety of drones.

## CUSTOMER PERCEPTION

Without naming any names, a cursory search of comparison sites shows that many of the big last mile delivery companies are suffering from a major reputation problem. There is a certain confirmation bias in these sites, as people who have had a bad experience are usually more likely to review services, but poor scores are still harmful.

This poor perception is not just limited to the people who have used the service, but achieves a broader traction due to prominent reporting in the national press and word of mouth. There are stories of couriers throwing packages over fences and worse.

Image: Amazon

A drone corridor has been set up by Blue Bear and the University of Cranfield to allow drone delivery trials

Empirical evidence of this was provided by the Capgemini study mentioned previously which found that in the UK, France, Germany and the Netherlands the delivery sector had net promoter scores of 0, -29, -13 and -13 respectively.

Delivery companies can't get away with this forever. With more retailers starting to offer a choice of delivery services at the check-out, the reputation of a delivery company will come to bear on that customer choice. Retailers that don't want to offer a choice will also think more carefully about how a poor delivery experience impacts on them.

Accordingly, it's likely that companies with poor reputations will have to make more of an effort to manage this, whether through marketing or better staff training. But another part of this will be improving the customer service procedures, so that if things do go wrong, the customer knows who to contact and can expect a helpful response.

### CLICK & COLLECT

The CEO of Doddle, Tim Robinson, argued in a recent interview with eDelivery that there are limits to how fast and cheap delivery can get. Failed deliveries are also a significant cost to the industry, not only in the wasted resources but in the impact on customer satisfaction.

A Magento survey of over 300 retailers in the UK and Germany saw 65% identifying failed or late deliveries as a significant cost to their business, with 1 in 20 deliveries reportedly failing.

By contrast, a delivery to a continually manned business address and subsequent collection by the customer solves all of these problems at once. For the outlet that hosts the click and collect service, it can also help trigger in-store purchases.

It is possible then that retailers will look to incentivise customers to choose click and collect over delivery. Many retailers, including the likes of Argos and Screwfix, already offer a free click and collect option. However, this effect can be negated if delivery options are free anyway.

Therefore there may be a move to offer a discount on the overall price at checkout in exchange for choosing click and collect if retailers grasp the opportunity.

Environmental issues are moving up the delivery agenda, with more attention being paid both to carbon dioxide and nitrogen oxide pollution.

While home delivery is likely to remain more environmentally friendly than individuals shopping by car, the sheer volume of online deliveries is likely to draw attention from regulators. For example, the French Senate has discussed introducing a tax on ecommerce deliveries.

This is, of course, unless companies jump before they are pushed. As in 2018, a number of companies will trial new schemes using environmentally friendly vehicles such as bicycles.

We may also see more use of stores as distribution centres. By fulfilling orders from a physical store, retailers can instantly launch a ready-made distribution centre in an urban area.

The industry faces a number of problems and there are many potential solutions out there. As with other areas of retail, keeping the cost and customer at the heart of what you do will remain the success.

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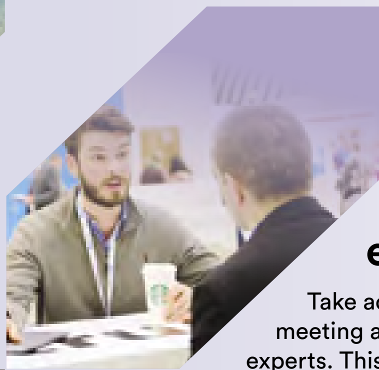

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# The final straw: greening the retail supply chain

*Emma Herrod* **investigates how ecommerce is following voluntary and regulatory targets for environmental change.**

The UK government has voted, along with its EU counterparts, to introduce strict rules to reduce vehicle emissions from 2025. These could see up to a 40% reduction in $CO_2$ levels from new cars and vans by 2030 since the UK has said that it plans to introduce targets regardless of Brexit.

An Ulta Low Emission Zone (ULEZ) will operate in central London from 8 April 2019 with all vehicles over a certain $CO_2$ level being charged for driving in the area. The scheme will be expanded London-wide for vehicles over 3.5 tonnes by 26 October 2020 and for all vehicles driving in an area within the north and south circular roads from the following October. Vans manufactured after 2006 should already be under the limit for the charge but already more electric vehicles are being seen on the UK's roads as adoption spreads amongst consumers and delivery companies alike.

From a final mile standpoint, ecommerce has been able to declare since 2009 that it is a greener alternative to what was a traditional car journey to the shops. A report by Professor Alan McKinnon of Edinburgh's Herriot Watt University concluded that a customer shopping by car would have to buy 24 non-food items to reduce their equivalent emissions to those of a home delivery.

"A dedicated car trip for a specific item generated 4,274 grammes of $CO_2$ per kilometre, but a successful first-time delivery created just 181 grammes of $CO_2$ per km per parcel," explains David Jinks, Head of Consumer Research, ParcelHero.

However, $CO_2$ is not the only noxious substance to be emitted by vehicles. ParcelHero's recent study 'How will home deliveries retain the green crown?' tackles the growing concerns about nitrogen oxide and particulates emissions and what online retailers are doing to keep their crown as the greenest form of retail.

"NOx impacts on respiratory conditions, high levels causing inflammation of the airways. As long ago as 2012 campaigners were arguing that NOx should be considered as being just as important as $CO_2$ emissions. Then came 'Dieselgate', the revelation that some VW Group vehicles allegedly emit up to 40 times more NOx in real-world driving than in laboratory tests, which bought the issue to the forefront of public attention," says Jinks.

He adds: "The latest Euro 6 diesel vans have now cut nitrogen oxide by 55% from 180mg/km to just 80mg/km. (In contrast, the NOx limit for petrol engines has not been altered from the previous Euro 5 standards). And they also cut down emissions of sulphur oxide, carbon monoxide, hydrocarbon and diesel particulate. However, many of the best-known names in deliveries are actually ahead of the curve in planning to ditch the diesel in urban areas: Royal Mail is introducing a significant fleet of electric vehicles (EVs) from Peugeot and Banbury-based Arrival; and UPS has also ordered 35 of the ultra-lightweight Arrival EVs. It has just fitted its central London depot with extensive new recharging facilities ready for a significant boost to its electric fleet."

The study reveals Hermes is already running a fleet of 32 EVs in Central London and is considering a large scale roll out of such vehicles in cities throughout the UK; while DHL is not only building its own electric vans but is also now emerging as EV supplier for other companies. Its StreetScooter range is expanding from producing mainly for DHL's own fleet to now selling EVs to other logistics companies.

Within London, carrier Gnewt operates more than 100 EVs delivering three million parcels last year, and at the end of 2018, DPD opened the first of seven depots which will operate EVs to feed parcels


Image: DPD

Is ecommerce retaining its green crown?

into the depot and for the final mile deliveries to customers. DPD Westminster will have capacity to deliver 2,000 parcels while achieving a reduction of 45 tonnes of $CO_2$ per annum.

The carrier company will operate three different types of EV at the depot: Two Mitsubishi Fuso eCanter 7.5 tonne vehicles will feed parcels into the depot each day, while the final mile deliveries will be made by 10 Nissan eNV200 vans which are capable of making 120 stops a day, and 8 Paxster micro-vehicles which are able to make 60 stops on one charge each day.

More vehicles are on order and a further depot is planned for Shoreditch.

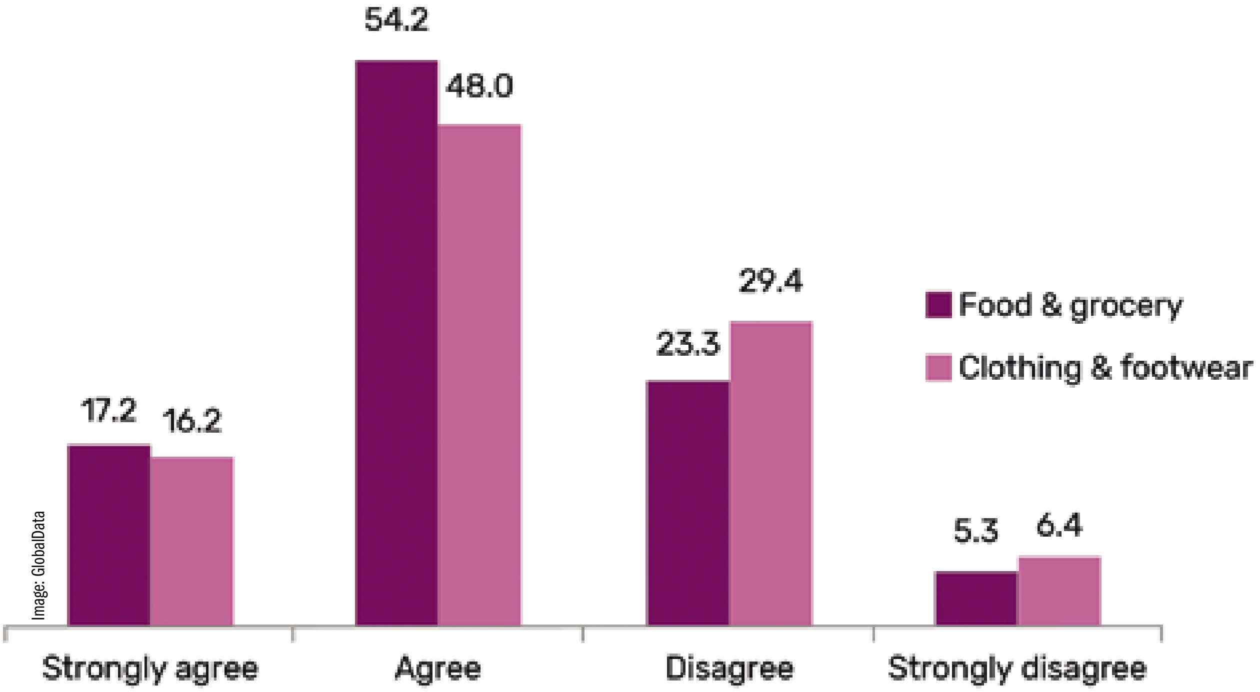
"People are more aware than ever of the harmful pollution older vehicles, especially heavy goods and delivery vehicles, can emit. The Mayor's ambition is for all new cars and vans to be zero-emission from 2030 and I hope this is the first of many all-electric delivery depots in London," says Shirley Rodrigues, London's Deputy Mayor for Environment and Energy.

> "Buying 24 non-food items by car emits the same level of $CO_2$ as a single home delivery"

**PACKAGING**

Delivery is just one part of the supply chain though. Supermarkets and food manufacturers have been working to reduce the impact of packaging on the environment, finding ways to use less or more compostable materials. The use of plastic bottles and straws hit home with consumers following David Attenborough's messaging on the 'Blue Planet II' TV documentary and the Government has since introduced a blueprint for businesses and manufacturers to pay the full cost of recycling or disposing of packaging. This could see the re-introduction of consumers paying a deposit on bottles to be returned to shops as well as manufacturers being legally responsible for the disposal of items that are harder or costly to recycle such as cars, electrical goods and batteries. The legislations may be extended to textiles, fishing gear, vehicle tyres, mattresses, furniture and carpets too.

Speaking at the launch of this Resources and Waste Strategy, Environment Secretary Michael Gove said: "Our strategy sets out how we will go further and faster, to reduce, reuse and recycle. Together we can move away from being a 'throw-away' society, to one that looks at waste as a valuable resource. We will cut our reliance on single-use plastics, end confusion over household recycling, tackle the problem of packaging by




I consider the impacts on the environment in my choice of retailer and products

making polluters pay and end the economic, environmental and moral scandal that is food waste."

To help drive up recycling levels further, the government will introduce a list of recyclable material for collection across the country, subject to consultation. This will be funded by businesses through a policy of Extended Producer Responsibility (EPR) which will see companies pay higher fees if their products are harder to reuse, repair or recycle.

EPR will also move waste up the hierarchy, stimulating secondary markets while also encouraging more sustainable design decisions in the early stages of a product's life. Something which toiletries and cosmetics brand Lush is already doing. In December, it introduced a range of lipstick refills that can be put into an empty lipstick container from any brand.

The Resources and Waste Strategy is the Government's next step following the announcement in the Autumn Budget of a consultation on a plastic packaging tax which does not meet a minimum threshold of at least 30% recycled content from April 2022. The Government is set to publish an Environment Bill later this year. One of the principles included in the draft bill which was published in December 2018 is the principle that the polluter pays.

#### DO CONSUMERS CARE?

Consumers are increasingly thinking about environmental factors when they shop for food and grocery items but being green has less impact when they are shopping for clothes.

More than 70% of consumers say that they consider the environmental impacts of their choice of food and grocery retailers and products, according to a survey by GlobalData. This falls to 64.2% for clothing & footwear but demonstrates that non-food retailers must also make changes to minimise their impact on the environment while clearly communicating their commitment to shoppers.

Since the BBC's Blue Planet II highlighted the environmental impact of plastic, supermarket Lidl has said that it will stop using unrecyclable black plastic packing and Morrisons has introduced paper bags for loose fruit and vegetables.

As Emily Salter, Retail Analyst, GlobalData, points out: "Although the retail industry's impact on the environment goes far beyond the use of plastic, this data indicates that the recent heightened awareness is likely to have contributed to the high level of consumers considering environmental impacts."

That fewer numbers of consumers consider the environment when buying clothing & footwear may be down to a lack of awareness and scarcity of more sustainable, yet affordable, options.

Consumers are also more distanced from the sourcing, processing and packaging of non-food products, since, with the exception of online orders, most products aren't wrapped in plastic.

A documentary by Stacey Dooley and the recent Parliamentary Review may go some way to raising the environmental impact of the fashion industry in consumers' minds. "A raft of highly disturbing facts emerged – not least that the global fashion industry produced 1.2 billion tonnes of CO2 equivalent in 2015, more emissions than international flights and shipping combined and the growing evidence that marine habitats are being contaminate by synthetic fibres released when clothes are washed," says Craig Summers, UK Managing Director, Manhattan Associates.

Some 80 companies and supporters representing more than half of UK retail sales by volume have signed up to Sustainable Clothing Action Plan (SCAP) 2020 in the past 5 years. The voluntary plan commits them to reducing water, carbon and waste when items of clothing are manufactured and at the end of the product's life by reducing the amount going to landfill. Brands signed up to the WRAP-administered Plan include Arcadia, Asos, F&F, Next, Primark, Sainsbury's, Ted Baker and Whistles.

Changes in the composition of fibres used to make clothes and the use of more sustainably-produced fibres have had a big impact on the footprint of the UK's clothing industry over the past five years, according to WRAP. Selecting more sustainably-produced fibres from enterprises like the Better Cotton Initiative is significantly reducing the volume of water used in clothing sold by SCAP 2020 members. Water demand is a huge factor in the production of clothing from crop irrigation, manufacturing fibres through to dyeing. WRAP found that the total reduction in water-use during the lifetime of garments sold by SCAP 2020 members has saved the equivalent of 42,000 baths of water per tonne of clothing sold. Enough water for a family of four to each take a bath every day for twenty-nine years.

"Compared with the wider sector they [SCAP 2020 signatories] continue to set the bar high for improving sustainable practices. And it's important that they do because while clothing might only be the eighth largest sector in terms of household spend, it has the fourth largest environmental impact behind housing, transport and food. As the Environmental Audit Committee into fast fashion has shown, there's a lot more work to do on clothing and I believe that initiatives like SCAP 2020 have an important role to play.

Image: Lush

Lush launched its first pacakaging-free 'Naked' shop in the UK in January

> "Global fashion produces more emissions than flights and shipping"

The public is getting increasingly concerned about the impact of clothing on the environment, just like it has in relation to plastics," says Peter Maddox, Director, WRAP.

His thoughts are born our by a survey conducted for the Institute of Business Ethics (IBE) by Ipsos MORI. It found that the public's general opinion about ethical business behaviour has reached the highest level since the survey was first undertaken in 2003.

Nearly two thirds (62%) of the British public now say they consider that business behaves ethically, compared with under half in 2003 (47%).

The top two issues that consumers think businesses need to address – tax avoidance (33%) and executive pay (24%) – remain unchanged. Environmental responsibility ranked joint second (24%) as extreme weather and the Blue Planet Effect brought it back into the minds of the British public after falling sharply since 2008.

"Business also appears to be becoming more proactive in recognising issues of concern for the public, and going further than the law, for example, in addressing environmental concerns. However, the fact that corporate tax avoidance and executive pay remain the top public concerns – albeit at a reduced percentage – is an example where business is still not doing enough to address ethical issues," says Philippa Foster Back CBE, Director, IBE.

With environmental concerns over vehicle emissions, recycling, packaging and the products themselves all taking steps forward in 2018 is it time for every retailer to look at the circular economy and scrutinise what they sell before they are regulated to do so?

Read more of *Alex Sword's* insight into changes in the delivery market and keep up to date with the news between issues at *www.edelivery.net*

## LOGISTICAL SAVINGS WITH AI

THE RETAIL INDUSTRY could save $41.36bn (£32.5bn) a year by introducing AI into its logistics operations, according to a new study.

Titled 'Building the Retail Superstar', the Capgemini report claimed that retailers could save 6.9% of their logistics costs by using AI to optimise several core functions in logistics. An additional $123.63bn (£97.14bn) could be saved through a 7.5% cost savings in returns brought on by AI.

In terms of specific areas where retailers could invest, the report cited predictive logistics network management, visual-aided picking and inspection of warehouse assets, reverse supply chain and returns management and route optimisation. Other areas included reducing distribution pilferage, improving back office functions and optimising categories.

The report highlighted Ocado as a company making use of automation in its picking and packing processes. The company's CEO recently attributed its rising revenues in Q4 to its new customer fulfilment centres.

It also discussed how Tesco is using AI to more efficiently route vans and schedule drivers, including for the in-store staff which pick up online orders.

Meanwhile, Walmart in the US uses the technology to analyse whether a temperature rise on a truck is damaging a product and can reroute it to a closer destination if needed.

The survey found that the proportion of retailers deploying AI had risen rapidly over the last two years, increasing from 4% in 2016 to 28% this year. However, it found that only 1% of projects had reached multi-site or full-scale deployment.

In order to succeed with AI, the report said retailers should focus on quick wins which are easy to implement, despite the lower benefit projections. It also said they should ensure their data practices are mature, which means integrating datasets across the organisation to provide a single view of data and use a variety of different types of data.

The report surveyed 400 retail executives in total.

## VOLUMES UP AT DODDLE

CLICK AND COLLECT provider Doddle saw a 115% uplift in parcel volumes on Black Friday. Volumes on Saturday 24 and Sunday 25 November were up 216% on the week before as a result of the Black Friday effect, compared to 101% last year.

Volumes from the Monday before Black Friday to the Sunday immediately following it were up 76% on the week before, said Doddle. In 2017, volumes from the Monday before Black Friday to the Sunday immediately after increased by 50% and in 2016 by 42% (significantly less than the 76% this year).

Tim Robinson, CEO of Doddle said: "Impressive year on year parcel volume growth shows that price conscious consumers have responded well to the prolonged Black Friday shopping trend overall. But retailers will have a harder time than ever in future years capturing shoppers' imagination and sustaining it through such a prolonged sales season. The shift will have to move from price only to price plus experience to create true differentiation".

In an exclusive interview with eDelivery at the end of last year, Robinson discussed how Doddle had dramatically changed its business model to focus on offering its service at check-out rather than offering it as a subscription service to consumers.

The company has also expanded its service to the US.

## ROBOT COURIER UNVEILED

AN ESTONIAN start-up has unveiled a prototype for a robot courier which aims to fully automate the last mile. The self-driving robot will be able to ferry a package from a local distribution centre and place it in a personal parcel locker at a customer's home. This will then trigger a notification for the customer to tell them that they can collect their parcel from the locker whenever they wish.

Cleveron, which counts Walmart and Inditex as clients, plans to begin pilots of the courier in Estonia in 2020.

"The goal behind the creation of the robot courier is the same as for all other Cleveron's products – to save time for everyone," the company said in a statement. "Cleveron's future robot courier enables ecommerce or logistics companies to automate their last mile delivery processes, helping to lower the costs. It also offers the chance to provide a delivery service with utmost convenience for their customers since they do not have to spend time waiting for the courier."

The company's personal parcel lockers, which will form an integral part of the robot delivery network, are currently being piloted in Estonia. It has also run trials of drone delivery, which Amazon has been experimenting with, in Belgium.

Its flagship solution, the Cleveron 401, allows customers to both collect and return parcels. In 2018 it launched a pilot with UK retailer Asda in Manchester.

eDelivery
Fulfilling the multichannel promise

## PEAK DELIVERY TIMES RISE

AVERAGE DELIVERY times during the peak period have increased year-on-year, according to a new study by Kurt Salmon, part of Accenture Strategy.

Retailers now take an average of five days to deliver compared to 3.6 days last year, according to an audit of 57 retailer. The researchers placed 92 orders on the sites on Cyber Monday, with 57 using standard delivery and 35 click and collect.

The study also found that 25% of the retailers examined experienced technical issues during the period. Problems included the inability to place orders and online baskets being wiped before checkout, with some websites becoming more difficult to navigate due to promotional banners and poor search options.

Customers also had to spend 5% more to qualify for free delivery than last year. In addition, one in three retailers were slower than the maximum delivery time.

The top performers for fast delivery were B&Q, Argos, Next, Amazon, Very and Aldi, which delivered parcels within one day of the order being placed. H&M, Very and Marks & Spencer were the best performers for click and collect orders.

Siobhan Gehin, Managing Director, Kurt Salmon said: “While many retailers delivered an excellent customer experience, a surprising number of retailers struggled to deliver a strong ordering and delivery experience across channels.”

She added: “Certain UK names are consistently strong while others need to re-focus investment to enhance their competitive agility and ensure they’re equipped to deal with promotional peaks. As brands face fierce competition and wavering customer loyalty, poor performance during these crucial calendar events can leave a lasting impression.”

According to the Capgemini IMRG eRetail Sales Index, online sales grew only 3.6% in December 2018, the slowest growth rate in the year. Online spending fell 15% month-on-month from November to December.

## RETAILER NEWS

DANISH ELECTRONICS company Bang & Olufsen has blamed problems in its logistics network for a decline in its revenues. The company saw revenues fall 9% year-on-year in the second quarter, which it attributed to a range of problems in its logistics operations. It claimed that it had seen a time-lag effect from a combination of its sales and distribution network.

It said it had changed to a more direct distribution model, which had particularly impacted sales in the EMEA and Americas regions, as well as a change of distributor in Oceania which had hit Asian sales.

Problems onboarding a new logistics partner had created delays in fulfilling orders.

Meanwhile, footwear brand Skechers is expanding its use of automation in its distribution centre in Liège, Belgium. Looking to accommodate rapid turnover growth, the brand introduced 3.5km of new conveyor technology, as well as a new sorting machine and other equipment.

Skechers expects to make use of the new capacity by November 2019.

Sophie Houtmeyers, VP Distribution Operations said: “Skechers Europe, but also worldwide, anticipates further growth in the coming years and that is why we opted for an expansion of the automation in the EDC. Our satisfaction with the current systems encourages us to address the same partners.”

The facility serves the three channels of direct-to-consumer sales, Skecher stores and wholesale customers.

## AMAZON AIR EXPANDS

AMAZON is leasing an additional 10 aircraft as it looks to support demand for Prime delivery.

The company expanded its partnership with Air Transport Services Group to add the new Boeing 767-300 aircraft, increasing its fleet to 50. Amazon said the new planes would join its air cargo operation over the next two years.

Dave Clark, SVP of worldwide operations at Amazon, said: “Our customers love massive selection and fast delivery, and the Amazon Air capacity we are building enables Prime delivery speeds for customers from Seattle, Washington to Miami, Florida.

“By expanding the Amazon Air network through our partnership with ATSG we’re able to ensure we have the capacity to quickly and efficiently deliver packages to customers for years to come.”

Amazon launched its air freight division in 2016. It now operates out of 21 air gateways.

A story earlier this month saw Morgan Stanley analyst Ravi Shanker claim that Amazon’s air freight business could sap revenue from FedEx and UPS, which currently handle up to 50% of Amazon’s package volumes. In an investor note, Shanker claimed Amazon Air could mean 2% of lost revenue for UPS and FedEx in 2018, rising to 10% in 2025.

However, FedEx CEO Fred Smith has since claimed that the idea that Amazon could disrupt the company was “fantastical”.

# Insight around the world

EMMA HERROD, EDITOR, INTERNETRETAILING

Alibaba's dedicated site for luxury brands, Tmall Luxury Pavilion, has launched a new mobile app with a 'Maison' store format. The format enables brands to customise the design and content of their storefront to be more in keeping with their brand image. It also gives the brands early access to new technology developed by Alibaba.

Maison is not available to every brand on the Tmall Luxury Pavilion though, just those who are invited and count amongst the world's most prestige and time-tested.

Tmall Luxury Pavilion launched in 2017 and covers more than 80 brands including Valentino, Burberry, Versace, Ermenegildo Zegna, Stella McCartney, Tod's, Moschino, Giuseppe Zanotti, MCM, La Mer, Maserati, Kering Group-owned Qeelin, LVMH-owned Guerlain, Givenchy, Tag Heuer and Zenith.

Meanwhile, JD.com and Intel have launched a joint lab that will explore the use of Internet of Things (IoT) in smart retail solutions. The Digitized Retail Joint Lab will develop next-generation vending machines, media and advertising solutions, and technologies to be used in the stores of the future.

JD.com and Intel already work together so this extension of their partnership "will combine our collective strengths to develop cutting-edge solutions to bring the precision of online shopping to offline players," says Zhi Weng, VP of JD.com and head of JD Big Data Platform. "We look forward to expanding our cooperation with Intel to deliver a best-in-class, personalised shopping experience wherever consumers shop."

In the US, Bloomingdale's has launched a concept store, within a store, highlighting how digital can be used to enhance the customer experience in store. The Carousel @ Bloomingdale's has its own entrance and the look and feel of a standalone boutique even though it is part of the retailer's flagship store in Manhattan.

It incorporates large video walls and a curated space which will change every two months. It also features a constant rotation of animation and events to amplify the customer experience.

"As the retail landscape changes, we continually seek innovative ways to engage our customer," says Bloomingdale's Executive Vice President and Chief Marketing Officer Frank Berman. "The Carousel allows Bloomingdale's to regularly offer up new product, new brands and an original immersive experience, all tied to a timely and engaging theme. The rotating shop will provide continual inspiration and guide shopping discovery while bringing a new and different experience with each visit."

Meanwhile, Walmart's Sam's Club Now and convenience stores 7-Eleven are the latest retailers to announce that they are introducing Scan & Go technology. Sam's Club is using 700 cameras to keep track of customers and inventory levels.

7-Eleven is using its existing app to trial scan and go technology at 14 stores. "When a customer is near one of these special stores, the Scan & Pay feature will automatically appear within the company's rewards app, enabling customers to scan barcodes of items and pay directly through their phones, either with a card, Apple Pay or Google Pay. Upon leaving, the customers scan a QR code in the store to confirm they paid," says Hubert Da Costa, Senior Vice President & GM, EMEA at Cybera.

Department store Macy's has reported its second consecutive year of "positive holiday comparable sales, driven largely by the traction of our strategic initiatives: Backstage, Vendor Direct, Store Pickup, Loyalty and Growth50."

Online saw double-digit growth and "continued strength" was reported for its Growth50 network of Macy's stores through which innovation and experimentation is scaled. Macy's Chairman and CEO Jeff Gennette said: "The holiday season began strong – particularly during Black Friday and the following Cyber Week, but weakened in the mid-December period and did not return to expected patterns until the week of Christmas."

Categories performing well included fine jewellery, women's shoes, fragrance, dresses, outerwear, active and home. However, women's sportswear, seasonal sleepwear, fashion jewellery, fashion watches and cosmetics all underperformed.

Gennette added: "Looking back at 2018, we met our goal of returning the company to growth. Our revised guidance is above the expectations we set at the start of the fiscal year, and we expect to deliver our fifth consecutive quarter of positive comparable sales".

Black Friday continues to be an online phenomena across Europe too. In Italy, Germany, and France, sales of consumer tech goods saw a sharp rise compared to the Black Friday week of the previous year, according to GFK. Sales in Italy increased significantly by 42% compared to last year, the increases in Germany and France were 15% and 13% respectively. Slightly lower growth was seen in Spain which saw sales increase by around 7%.

The highest sales were generated from TV sets, smartphones and notebooks with a good proportion (39%) of the Black Friday sales for consumer tech goods coming from online retailers. Online retailers made about 167% more sales compared to a normal week. Retail trade in physical stores accounted for around 61% of Black Friday sales. Compared to a normal week, however, the increase in sales in retail trade was only around 94%, says GFK.

ALEX SWORD, EUROPEAN EDITOR, INTERNETRETAILING

A number of Europe's biggest names have announced new projects that show where they think the physical store is headed.

On 14 February, Germany's bonprix will open a new pilot store in Hamburg called fashion connect which it claims offers "an entirely unique, digitally driven shopping experience."

The anchor of the store is the bonprix app, which has been specially enhanced for use in the store. Customers check in when they arrive and can then scan products with their smartphone's camera, specifying their desired size. These products are then picked by staff and placed in a fitting room for the customer to try on. If they need a different size they can order it from the room with the app.

The customer then simply has to leave the fitting room with their desired clothes and their virtual "shopping bag" will be automatically updated via RFID technology. They can then pay via PayPal on the app or pay at the check-out via card or cash.

The outlet aims to bring together the advantages of online and offline retail, avoiding inconveniences such as long queues. Sven Seidel, Head of Multichannel Retail at bonprix's parent company Otto Group, says that the shopping experience and face-to-face advice are still the USPs of traditional retail.

"However, to remain profitable in the future it's essential we harness the opportunities that digitalisation offers so we can integrate more digital, consumer-oriented services into offline retail. The Otto Group is currently testing a range of concepts. The experimental strategy bonprix is pursuing with "fashion connect" is one of our most innovative," he says.

New features, such as personalised product suggestions, are set to be added to the bonprix store at a later date.

French retailer E.Leclerc has launched its first ever click and collect point for online shopping. The "E.Leclerc Relais" on Paris's avenue de Clichy will offer an alternative fulfilment option for customers of the chezmoi.leclerc home delivery service, launched in March last year.

After ordering online from the company's catalogue of 13,000 products, customers can choose a time slot between 10am and 10pm from Monday to Saturday and then retrieve their order for free.

The retailer plans to open 12 more of the stores in 2019.

Meanwhile, Polish convenience store chain Żabka, which operates over 5,400 sales points in the country, is investigating scan and go technology utilising AI and sensors.

Working with store automation company AiFi, the retailer will build a self-contained application that can be utilised in new and existing stores. The company says that the sensors will register and analyse different types of data in real time before an AI algorithm analyses the data in order to automatically charge customers.

The analytics will also be able to notify staff of the need to stock shelves and identify the products which are selling best.

Tomasz Blicharski, VP for Finance and Development at Żabka, says, "The solutions we create are designed to adapt us to customer expectations by offering them the most advanced, convenient and fastest shopping experience on the market. AiFi technology will enable us to offer customers faster service and optimise the management of traditional stores by franchisees, facilitating their daily operations.

"We can't wait to let our customers and franchisees share the experience of a new dimension in daily shopping."

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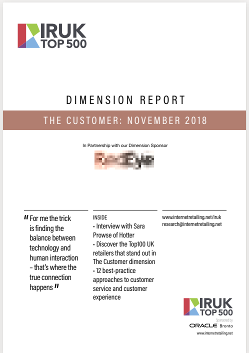


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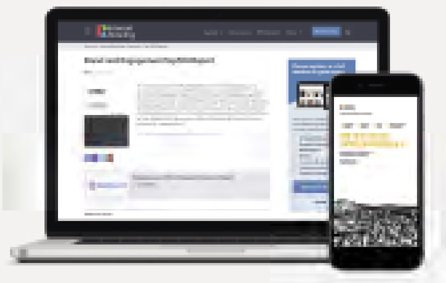

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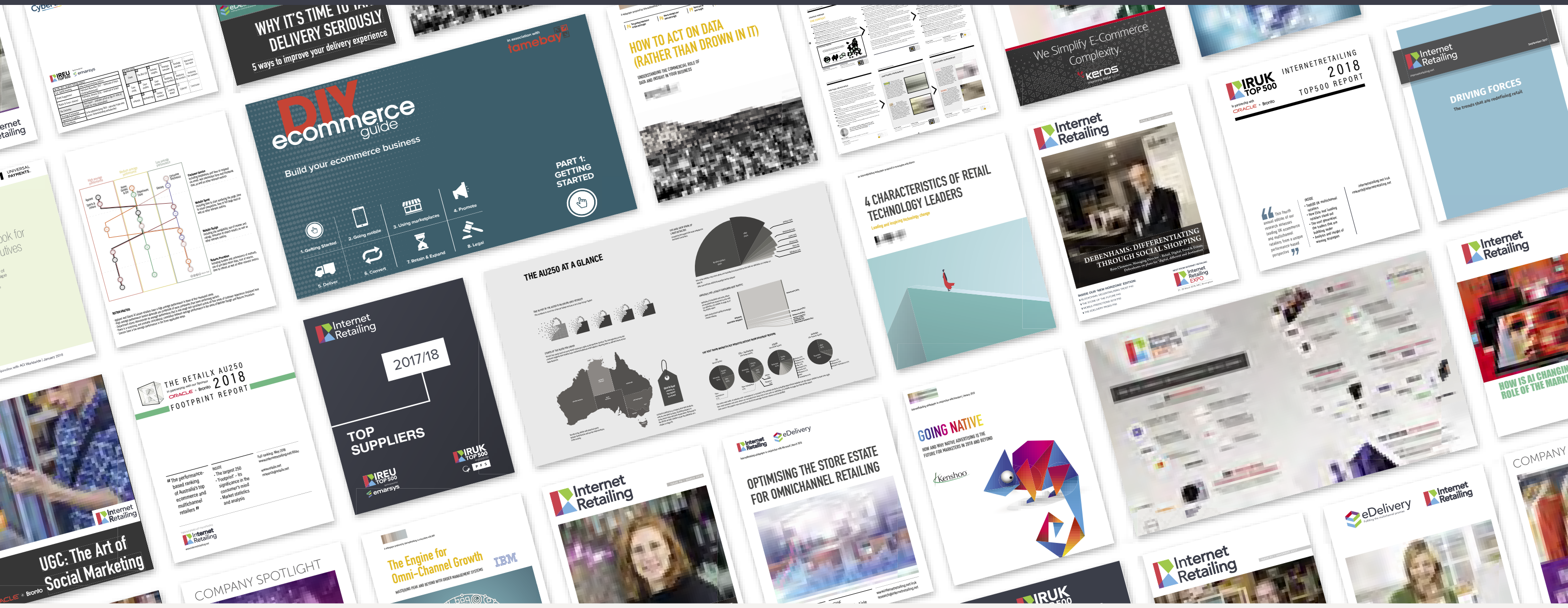

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Membership remains free of charge to qualifying retailers and brands, and we look forward to welcoming you to our membership, as we work to make InternetRetailing's research and analysis evermore relevant and useful to your business.

**With regards,**
**Ian Jindal**
**Editor-in-Chief, InternetRetailing**


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Image: InternetRetailing Events

# InternetRetailing Expo: Celebrating Success

**The InternetRetailing Expo (IRX) is taking place at Birmingham's NEC on 3 and 4 April.** *Emma Herrod* **looks ahead to what's in store for visitors.**

Some retailers were hard hit in 2018, but while there is no denying that it was a challenging year, there were also success stories. Much of the growth was online with pureplays and the ecommerce side of omnichannel retailers seeing more traffic and revenue rising to offset the drop in footfall in UK town centres.

Rather than looking at the challenges and where the industry needs to change, the InternetRetailing Expo will be 'Celebrating Success'; looking at the positives that are happening in the industry, the direction of travel and where digital is opening up opportunities.

InternetRetailing Expo combines more than 100 speakers in conference sessions across two days with 300 exhibitors and last year attracted more than 5,000 visitors.

The IRX conference in April 2019 will include a number of thought-provoking expert speakers, mixed with fascinating case studies and real life examples of next generation technology. Retail speakers will share, examine and highlight their success stories and what worked well for them in 2018.

Conference tracks include International Growth, New Technology, Customer Obsession, B2B Commerce, Omnichannel Innovation and Marketing Excellence. The range of presentations highlight the whole customer journey from acquisition, through marketing

> schuh
>
> I really enjoy IRX! It's busy, it's efficient and I want to try and get maximum value. There's a lot of people here I can speak to and a lot of fellow retailers to catch-up with
>
> **Stuart McMillan**, Deputy Head of E-Commerce, Schuh

and affiliates, to repeat purchasing, making the show as relevant to retail marketers as it is to ecommerce.

In the New Technology track, presentations include how one retailer is building a strategy to capitalise on AI, while another will examine what voice technology means for retail and how it can be embraced quickly.

Of course, being so close to the Brexit deadline (unless it changes between writing this and the magazine hitting your desk), how retailers deal with Europe and the effects and fall out will be discussed at length within the conference sessions,

> Google
>
> I've been inspired by the breadth of technologies that are on offer to help commerce partners. It's eye-opening, gives you a real sense of the complexities of the retailing and internet retailing space
>
> **Sarah Davies,** Strategic Partner Lead, Google

on the exhibition floor and amongst visiting retailers.

**EXHIBITION**

An area of the exhibition hall will become an innovation hub which will provide visitors with a first look at pre-market technology from start ups pushing the boundaries and showcasing what the retail of tomorrow could look like.

For visitors wanting to get more hands on with training, companies across four workshop rooms will delve in depth into different aspects of online and omnichannel retailing. They offer the chance for visitors to discover more about the latest technologies and how they can be used more effectively to drive sales. Topics include an exploration of the Direct-To-Consumer model, a workshop on how you can get more out of affiliate marketing, a masterclass in building recommendation strategies and an examination of marketplace selling.

Companies running workshops include online marketplace Fruugo and conversational marketing platform iAdvize. Descartes will examine customer experience and the path to sustainable growth while visitors will also be able to examine 5 ways to stay in control of your customers' online experience with Vybe. The details of the workshops are being updated constantly so have a look at internetretailingexpo.com for more details.

Expert clinics will also provide an opportunity for one-to-one sessions with experts from a variety of retail functions. These are free to attend too.

**EDELIVERY**

The event is co-located with eDelivery Expo which will look at Brexit from the operational and logistics side of retail. It will also showcase innovation in operational excellence from order management and the final mile to warehousing and distribution. Conference sessions will include a panel discussing how retailers can collaborate effectively with other

> I really like the set-up. Really good range and breadth of vendors and I've found the conversations I've had have been really productive
>
> **Alex Murray,** Digital Director, Lidl

retailers, 3PLs and carriers in order to maximise operational efficiencies and whether drones and robots are delivering hype or reality.

As with IRX, the eDelivery Expo will include conference sessions, workshops and expert clinics highlighting the importance of 'the back end' of retail to the success of the overall business and the customer experience.

As Paz Khorana, Senior Operations Manager, Holland and Barrett said at last year's event, "Everybody's in one place for two days. A really good way to network, meet people and gather all the information you need."

In all, the InternetRetailing Expo will provide more than 100 hours of content, visitors just have to choose what fits their business best. Registration is now open at internetretailingexpo.com.

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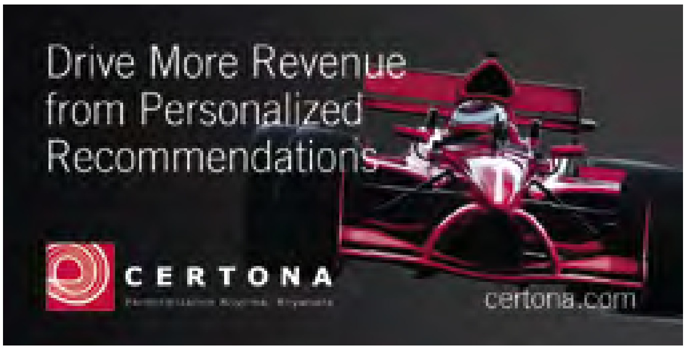


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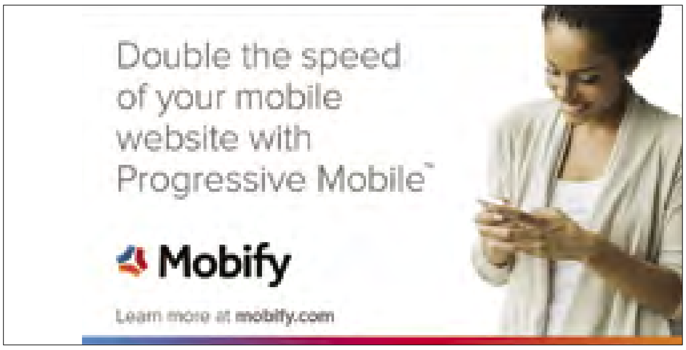


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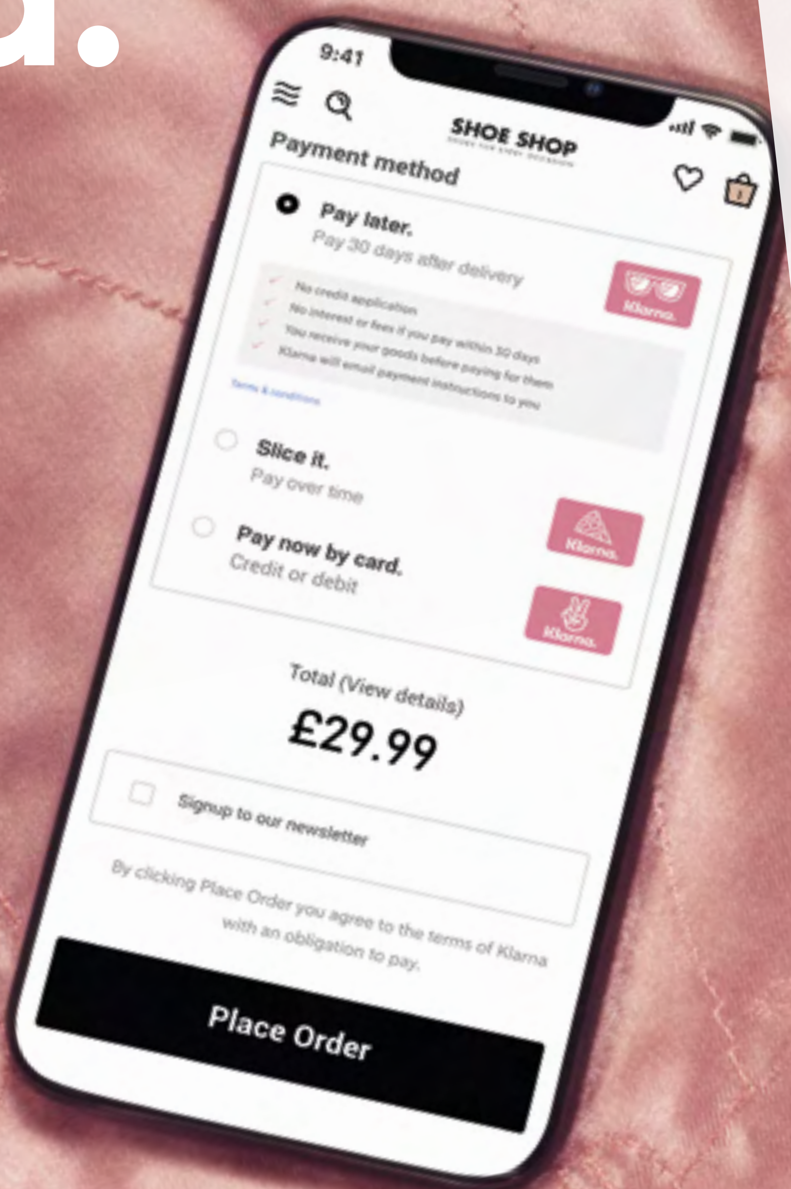


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