Internet Retailing

ISSUE 62 | JANUARY 2017

DECKERS: WHOLESALE DIGITAL SUPPORT

David Williams, Senior Director, Digital Omnichannel, EMEA, at Deckers Brands, on supporting wholesale through a transformation of people, processes and technology.

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Internet Retailing EXPO

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Editor's comment

2016 STARTED with European countries imposing border controls in a bid to stop a flood of refugees entering their country while 2017 started with the Prime Minister outlining how we will leave the EU. This uncertainty is set to make 2017 an unpredictable year for ecommerce – how high will prices rise, how much will consumers cut back their spending and will shoppers overseas continue to buy from retailers' localised websites or will they turn to the UK sites where pricing in GBP is lower than their own currency? And that's before we think about retail costs due to the changing pound and a labour market effected by the introduction of the apprenticeship levy and the national living wage.

Richard Lim, Chief Executive, Retail Economics believes that concerns around Brexit, a weaker economy and rising inflation are likely to define 2017 for many households around the UK.

"Retailers' hedging strategies protected households from the immediate impact from the collapse in sterling last year but as these contracts begin to unwind inflation will accelerate sharply. While some businesses will take a hit on margins rather than passing on the full impact of rising costs, households will have to share some of the pain. How much pain and how quickly it feeds through will be critical in determining the strength of spending this year."

In this issue of InternetRetailing will look back over 2016 and forward, away from the economic and political landscape, to digital trends and shopper behaviour across channels.

2016 marked Amazon's embrace of traditional retail. It launched 100 pop-up stores, announced the opening of bookstores in Boston, Seattle, Portland and Chicago in the US and its plans for 2,000 grocery stores. To supply this ecosystem, Amazon has planted dozens of warehouses within 20 miles of almost half of the US population. That number will likely climb to 75% in 2018. Jon Nordmark, co-founder and CEO of Iterate.ai, takes a close look at Amazon's strategy with innovation and shares with InternetRetailing's readers how retailers need to be comfortable working with startups, technology, experimentation, and speed if they want to continue to compete. "It's a matter of life or death," he warns.

Amazon Go, with its seamless, checkout-free shopping allowing shoppers to just walk in, pick up and walk out has implications for the UK high street and consumers' thirst for shopping on mobile. The integration of technology into the high street has long been tipped as being transformational for how we shop – but many of those comments were on how actual physical shops would morph into something crossed between pop-ups and coffee shops (or huge town centre warehouses). "But not if Amazon Go takes off," says Paul Skeldon in his article in the mobile section of this magazine. "In one video and one concept store Amazon might well have shown us all what merchandising in the omnichannel world is set to look like by the end of 2017. It also marks the shift in the role that mobile (and therefore online) plays in retail".

Also in the mobile section, Katy Howell, CEO, Immediate Future examines social and the changes ahead in 2017. As she says, "anyone with social in their marketing mix is used to constant change. Facebook updates, platforms buying other networks, new formats and the shifting preferences of consumers. 2017 though promises change on a different scale. Change that makes social a serious business."

Elsewhere, Martec International shares the findings from its survey of the leading 150 UK retailers and looks at what the year holds in store for IT spend, while James Lovell from IBM Commerce explains what the concept of Artificial Intelligence means for retail in 2017.

New to InternetRetailing are the eDelivery Pages. Working with sister publication eDelivery.net, InternetRetailing looks at how ecommerce and omnichannel retailing are altering the supply chain, operations, logistics and delivery landscapes. In this issue, we share insights from operations and logistics directors about changes in retail delivery in 2016 and look at what they could mean for 2017.

Delivery takes on even more importance in the run up to Christmas as shoppers purchase more online and the deadline of Christmas gets closer. Online orders rose by 16% from 13 November through 24 December when compared to 2015's figures. In total, a massive £25bn was spent online over the six-week Christmas period. Online retailing will continue its rise in 2017 – predicted as a 14% growth rate for the year – so whatever happens in the wider political and economic landscape ecommerce and omnichannel will still be key to retail in 2017.

The IR team will be at the InternetRetailing Expo on 5 and 6 April so look forward to seeing you there and discussing the ongoing issues of Brexit and international trade, Amazon and marketplaces, clicks and bricks, mobile, customers, products, operations and the final mile.

Emma Herrod
Editor


High-Performing Campaigns
3 campaign(s) converted 63 contacts in the last 30 days.
1,028 first-time buyers defected in the last 30 days
Re-Purchase Rate
in the last 90 days
47%
Retention Rate
in the last 90 days
25%
LIFETIME VALUE: $212
PREDICTED PURCHASE: Adaptive Trainers
CONVERSION PROBABILITY: 28%
PURCHASE INTERVAL: 42 Days
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Chloe Rigby **highlights recent industry changes but to keep up to date with the news and her insight between issues visit** *www.internetretailing.net.*

OFFLINE WITH AMAZON GO

Amazon has unveiled its first Amazon Go store, which removes the need to pay in store. Customers at the Seattle grocery store use a dedicated Amazon Go smartphone app to enter the shop. There, they take what they want from the shelves, and the technology adds items to their virtual basket, or takes them away if they put them back on the shelves. When the customer leaves the store, their purchase automatically registers through the dedicated app, and they are sent a receipt.

"What would shopping look like if you could walk into a store, grab what you want and just go? What if we could weave the most advanced machine learning, computer vision, and AI into the very fabric of a store so that you never have to wait in line?" asks the Amazon video.

The store will initially be open only to Amazon employees as part of a beta trial, but it is expected to open to the general public later this year.

Commenting on the news, Perry Krug, principal architect at database specialist Couchbase, said: "If Amazon Go succeeds, it will be the latest example of the digital economy, where customer experience is put above all else. Just as Uber revolutionised the taxi industry by focusing on what the passenger wanted: cheaper rates, ride tracking and rating, and the simplest experience possible, so Amazon is setting out its stall with IoT in retail. Retail is a dog-eat-dog world and Amazon has proved time and again that it has the appetite to take on all comers. Getting rid of the checkout, a mainstay of grocery retail worldwide, is a real statement of intent from Amazon: whether it can follow through remains to be seen."

NEW VISION FOR M&S

Marks & Spencer Chief Executive Steve Rowe has set out his vision of how stores and digital will work together in a "simpler, more relevant" and "sustainable" M&S in years to come.

The multichannel retailer says it will have around 60 fewer clothing and home stores but more Simply Food stores. Overall, it says, it will have more shops, but in them, the emphasis will be different. "In the future," said Rowe, "we will have more inspiring stores in places where customers want to shop that complement our growing digital offer."

This focus on developing "a sustainable business which will delight our customers" will also see the retailer pull out of ten loss-making international markets, with the closure of 53 wholly-owned stores and plan to develop franchise relationships instead. That reverses an international bricks-and-clicks strategy first set out by Marc Bolland in 2011. The changes mean history repeating itself: M&S first pulled out of Europe in 2001, closing around 40 stores. Today the retailer trades online in 21 markets through its own websites, through marketplaces such as Zalando in Europe, and Myntra in India, and through its own franchise partners. Digital now looks set to remain M&S' only direct online channel.

"These are tough decisions," said Rowe, "but vital to building a future M&S that is simpler, more relevant, multichannel and focused on delivering sustainable returns."

The update came as M&S, a Leading trader in IRUK Top500 research, posted group revenue of £4.99bn in the 26 weeks to October 1. A constant currency analysis – which removes currency gains made through the weakness of sterling over the period – shows group sales were flat over the first half. Food sales grew by 4%, but fell by 0.9% on a like-for-like basis, which strips out the effect of store openings and closures. Clothing sales fell by 5.3% on a total basis, or 5.9% like-for-like, while M&S.com sales grew by 0.3%.

ONLINE OPENS DOORS AT IKEA

Ikea unveiled UK online sales up by almost a third after focusing on making cross-channel shopping more convenient for its customers.

Some 13.4% of total sales of £1.72bn took place over the internet in the year to August 31. While overall sales grew by 8.9%, the fastest growth came online, with ecommerce sales 31% higher than at the same time last year. Online visits grew by 6%, while visits to the store were 3% ahead and store sales grew by 5.3%.

The growth came as the home furnishings retailer invested in making its products accessible to customers whether they shop in store, online or shop across the channels by picking up online orders from the store. Over the year, Ikea UK focused on the multichannel shopping experience, trialling four new order and collection points in Aberdeen, Birmingham, Westfield at Stratford City and Norwich, while opening a new store in Reading. The company aims to double its UK business by 2020.

"As part of our ambition to become a truly multichannel retailer, we launched a new website to provide an improved online experience for our customers as well as further connecting the online and offline channels," said Ikea UK country retail manager Gillian Drakeford. "Our stores and website have a different, although integrated, role to play. Our customers are increasingly using both channels to complete their purchasing journey so we've focused on ensuring this experience is as seamless as possible."

She added: "We want to make sure that Ikea is accessible, so that more people can create a better everyday life at home. In July, we opened our first new Ikea store in the UK for seven years in Reading and we look forward to opening in Sheffield in 2017."

Ikea, which is a Top100 retailer in IRUK Top500 research, aims to double its UK business by 2020. In the last year its UK market share grew to 8.2%.

FINANCIAL ROUNDUP

Lovehoney reported pre-tax profits up by 68% in its latest financial year thanks to growth driven by the increasing mass-market appeal of the sex toys that it sells online – led by its exclusive Fifty Shades Darker licensed ranges.

The retailer, ranked in the Top250 in IRUK Top500 research, said sales of £58.1m in the year to the end of March 2016 were 29% up on the £44.9m reported at the same time the previous year, while pre-tax profits of £5.1m were 68% up on the £3.1m reported last time.

Expansion in Australia and America and a focus on improving own-brand Lovehoney sales has lifted global staff numbers by 25% to 214.

Meanwhile, fast fashion retailer Missguided reported sales of £117m in its latest financial year, 34% up on the same time in 2015, following a multichannel strategy of building global awareness and expanding its physical presence in stores in the UK and overseas.

Missguided, a Top150 retailer in IRUK Top500 research, said that investment in marketing, technology, infrastructure and team expansion had hit profits in the year just gone – earnings before tax, interest and asset depreciation fell to £2.6m in the year from £5.5m at the same time last year. But it said that that investment was now paying off, growing by 60% in the six months to September.

Topps Tiles says a strategy focused on offering its customers multichannel convenience, while inspiring them to buy its wider range across sales channels, is paying off. The statement came as the retailer, a Top100 trader in IRUK Top500 research, reported group revenue of £215m in the year to October 1. That's 1.3% up on the same time last year. Pre-tax profits of £20m were 17.6% up on the £17m reported last time.

ACQUISITIONS ABOUND

Dunelm bagged an early Christmas bargain, snapping up WorldStores and its subsidiaries Kiddicare and Achica for £8.5m in a deal that it says will double the size of its internet business. Dunelm Chief Executive John Browett says the move brings together its store estate with WorldStores' internet capabilities to strong effect.

"Between the store network, broad product range and strong brand that Dunelm has built and Worldstores' extensive homewares and furniture offer and unique platform for next day delivery and flash sales, we will strengthen our leading position as the UK's Home of Homes," says Browett.

The homewares group has bought WorldStores out of administration in a pre-pack sale handled by administrators KPMG. The deal, through Dunelm subsidiary Globe Online, means 650 jobs across the WorldStores companies are safeguarded, with all staff expected to stay on.

Nursery retailer Kiddicare, a Top350 retailer in the IRUK Top500, was bought by WorldStores from Morrisons just over two years ago. Its Peterborough showroom is the WorldStores' group's only store. Achica, a Top500 retailer, is a members-only online store offering furniture, homewares and accessories through discounted flash sales. Meanwhile, JD Sports Fashion has bought Go Outdoors for £112.3m in a move that it says will consolidate its presence in the outdoors market while giving that part of its business a new presence in out-of-town retail parks.

Multichannel retailer Go Outdoors trades online and through 58 stores across the UK, having grown from a single store to a nationwide trader.

In the 53 weeks to 31 January 2016, Go Outdoors reported revenues of £202.2m and an operating profit of £6.1m, a profit before tax of £4.9m and gross assets of £76.4m. Both traders are Top100 retailers in IRUK Top500 research.

MOVES AHEAD FOR SHOP DIRECT

Shop Direct is opening a London hub to help it recruit the best staff as it moves towards its aim of becoming a world-class digital retailer.

The pureplay behind brands including Very.co.uk, Littlewoods.com and VeryExclusive.co.uk will have space for up to 250 staff at its new 250,000sq ft site on Buckingham Palace Road, to open in the summer. Some will be new hires, while others will move to the new site from its Liverpool headquarters and others will split their time between the two. They will work across data, ecommerce, IT, product and brand.

The retailer is also restructuring to bring its retail and IT teams together as it focuses on improving and personalising the customer experience. The new structure will be led by Jon Rudoe who joins the company in April 2017 having previously held the position of Digital & Technology Director at Sainsbury's. He will report to Chief Executive Alex Baldock

Shop Direct says the new structure reflects the pureplay group's increasing focus on delivering an easy, inspiring and personalised customer experience underpinned by substantial investments in technology – particularly in the area of artificial intelligence.

In all, Rudoe will oversee ecommerce, marketing, trading, commercial, business development, Very Exclusive and IT in his new role. His appointment to Shop Direct's executive board follows on from those earlier this year of Phil Hackney and Sasha Berson as group operations director and group strategy and customer director respectively.

"We're delighted that Jon has chosen to join us at such a pivotal point in our transformation," said Alex Baldock, group CEO of Shop Direct. "Bringing together our ecommerce and IT teams into one combined function with Jon at the helm will allow us to respond more quickly to our customers' rapidly changing needs, and to be faster to market in identifying and implementing new tech-focused opportunities. It's a bold and exciting move and one that will deliver massive benefits for us."

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.*

ARE RETAILERS MAXIMISING REVENUE?

Smartphones are rapidly increasing their share of online retail traffic in Europe, with a 54% year-on-year increase in visits to retail sites from smartphones in 2016, according to Adobe's 2016 Mobile Retail Report.

Smartphones have also seen an 89% increase in revenue growth since 2015, vastly outpacing desktops and tablets at 8% and 10% respectively.

However, mobile conversions are not high enough to offset declines in desktop and tablet usage. While smartphone traffic grew evenly across Europe, overall traffic for the average retailer remained relatively flat with a 3% year-on-year increase, with tablet and desktop traffic meanwhile declining by 8% and 7% respectively. Smartphone revenue growth vastly overtook overall online retail revenue growth of 13%.

Overall, desktops are still the cash cow for retailers, driving 74% of total revenue with 58% of traffic; while smartphones drive 12% of total revenue with 27% of traffic. Across Europe, the average order value (AOV) on desktops outperformed smartphones by 25%; and the revenue-per-visit (RPV) on smartphones remains 3.4 times lower than on desktops.

The study also found that mobile shoppers, on average, are not completing as many purchase orders as desktop users. Purchase conversion rates on desktops remain 2.6x higher than on smartphones. Adobe data indicates that users are running into stumbling blocks when checking out on mobile retail sites. They point at ease of navigation (28%), the ability to see images on a bigger screen (23%), and ease of entering payment information (17%) as top motivations for switching to a desktop to complete purchases.

While many European retailers have a sizable smartphone audience, the opportunity now lies in better converting this base and offsetting declines in desktop through great, highly engaging mobile retail experiences. If these experiences do not meet the high consumer expectations around quality and personalisation from login through checkout, retailers will miss out on a critical revenue driver.

'APPY CYBER FIVE

Black Friday, Cyber Monday and the flurry of discount days in between have come and gone in the blink of an eye and mobile proved to be the preferred channel for purchasing goods in the UK.

However, there were some interesting differences between when consumers decided to use desktop computers versus mobile devices during the period deemed the 'Cyber Five' (Thanksgiving, Black Friday, Cyber Saturday, Cyber Sunday and Cyber Monday).

According to data from ChannelAdvisor, between Thanksgiving and Cyber Sunday in the UK, 73% of shopping searches took place on mobile devices (22% on tablets; 51% on mobile) – an increase of 15% from 2015 – with 64% of purchases then taking place on mobile devices (22.7% on tablets, 41.7% on mobile). This compares to 48% in 2015.

The most active day for browsing deals across all platforms (desktop, mobile and tablets) was Cyber Sunday, however it was Black Friday that generated the most purchases. Here mobile was the most popular shopping platform overall, however desktop computers accounted for 40% of purchases by UK shoppers.

This decreased to 31% on Cyber Saturday, as shoppers moved activity from their work desktops to mobile platforms at home. 70% of all conversions took place on mobile devices on this day.

In the US, 75% of shopping searches took place on mobile devices (10% on tablets, 65% on mobile) across the Cyber Period. However, mobile accounted for less than one in two purchases (49%).

While the percentage of UK shopping searches on mobile platforms was slightly lower than the US, Brits are a lot more confident making purchases through these devices, with more than three in five sales conversations taking place on mobile

With mobile doing surprisingly well across the Cyber Five-day weekend, apps appear to have been key.

According to research by Poq, 64% of purchases are made on a mobile device, which in turn is largely fuelled by retail apps. Poq, the UK's leading app commerce platform, analysed Black Friday data from across more than 20 retail apps powered by the platform to understand how consumer behaviour has evolved.

The research found that the average app revenue per user was 24% higher than desktop and 175% higher than the mobile web.

Oyvind Henriksen, CEO and Co-founder of Poq, summarised: "Black Friday is always a very important time of the year for retail apps, but this year in particular, we have seen the greatest growth. App revenue across the Poq platform has increased by over 200% for our clients, compared to last year."

He continues: "The number of app downloads during Cyber week increased by over 350% from 2015's level. Following this, our clients used push notifications with promotion reminders to further engage their shoppers and drive transactions."

Poq also found that commuter commerce played a large role on the day. 25% of sales were generated between 7am and 10am. This differs from the previous year, where the platform found shoppers making a large amount of purchases late in the evening as well as in the early morning.

OSF Commerce
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"I would like to thank Salesforce for their lasting partnership, and everyone at OSF who helped us take this great step forward. This is a great recognition for all of the hard work we have done over the years.

Gerard Szatvanyi
President & CEO, OSF Commerce

OSF Commerce Wins Salesforce Partner Innovation Award in Retail at Dreamforce

At Dreamforce 2016, OSF Commerce received Salesforce's Partner Innovation Award in the Retail category for the successful implementation of the customer-centric product, OSF UnifyCOMMERCE, for PREDATOR NUTRITION, UK supplements retailer. The connector is a unique integration of Salesforce Service and Sales Clouds with Commerce Cloud, previously known as Demandware.

OSF Commerce's vision of a natural integration between both the Salesforce Cloud and the former Demandware platforms was born years before the announcement that Salesforce would acquire Demandware. It began with our original integration cartridge and has grown into OSF UnifyCOMMERCE, a truly innovative product that began its development in 2013. It received its first certification from Demandware that same year, followed by Salesforce In 2014. OSF UnifyCOMMERCE was built with retailers' business goals in mind and respects all quota limits and best coding practices, with minimal interference to existing operations.

OSF UnifyCOMMERCE's mission is

...to provide retailers with a 360° view of customers' data that will enable an omnichannel shopping experience. The product centralises the information so that retailers can learn useful data about their audience and its segments, identify shopping patterns that will help personalise campaigns' messages, adjust website content, and create a more efficient marketing strategy while opening up new sales channels.

www.osf-commerce.com/products/osf-unifycommerce

The Partner Innovation Awards are given to members of Salesforce Partner community, acknowledging their contributions to the success of their customers through social, mobile and cloud technologies. The awards ceremony takes place every year in San Francisco at Salesforce's Dreamforce conference, the world largest enterprise software event.

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Deckers: Supporting partners from a position of digital maturity

Digital has enabled brands not only to get closer to customers by selling direct but also to offer greater support to partners selling their brand online. But brands do need a solid base in digital to harness its power. *David Williams*, **Senior Director, Digital Omnichannel, EMEA, at Deckers Brands, spoke to** *Emma Herrod* **about how Deckers has achieved this through a restructuring of people, processes and technology.**

THERE IS fast-fashion retailing with the necessity of speed to get clothing items onto a website and ready for sale in the blink of an eye and then there are the brands, already looking ahead to winter 2017. These are the sellers of the must-haves in 12 months' time. However, while one eye is on distributors and partners to sell the carefully designed and planned products in different regions and markets, the other is trading the current season selling direct to consumers through a multitude of channels, including digital and retail stores and omnichannel services. The lines are blurring across the entire wholesale, direct and third party businesses.

Digital is not only enabling brands to get closer to customers, by selling direct to them via their own websites, but it is also helping them to work better with the third party sellers – department stores, retailers, distributors – that form the backbone of the wholesale business.

US footwear company Deckers Brands, for example, sold its Teva sports sandal brand into the UK using a distribution model before supporting it by selling direct online. A regional office was opened in London in 2008 to run the European wholesale and direct operation, with another set up to operate in Asia Pacific. Deckers Europe now focuses on three footwear brands across 30 markets – UGG, Teva and Hoka One One – for which it operates nine ecommerce sites in five languages. Having launched with UGG online and through flagship stores in the UK in 2011, other European markets followed in quick succession, with each site supporting the existing wholesale business with local language, and localised product pages, delivery and checkouts.

According to David Williams, Senior Director, Digital Omnichannel, EMEA, at Deckers Brands, the big question for Deckers is now: "How do we as a business digitally help the wholesale business to give a holistic digital experience?" He explains how if a partner is selling direct to consumers online Deckers is there to support them with assets and brand messaging, as well as providing the full brand experience for customers on its own site. It also has to support them offline since a pop-up shop in Selfridges, for example, has to be as much on brand as Decker's own London flagship store.

A true omnichannel approach means supporting and working seamlessly with your wholesale teams. Williams comments, "We have been servicing wholesale via trade marketing teams in this way for years." Williams believes that brands should share all insights to increase performance at wholesale and empower partners to deliver a true brand experience.

Ultimately, a brand knows its products and brand messaging, and being able to support all parties selling the brand benefits everyone. As Williams explains, you get brand advocates who want to engage with it, so brands need a place where people can go to see the full range and gather all of the information, as well as interact socially. "It's about giving the brand experience," he adds.

Working with wholesale partners also provides an opportunity for the digital team to broaden their horizons and have a general understanding of trading outside of a website.

This ability to support the wholesale business digitally has been helped by a restructuring of Deckers and a focus on brand ownership and process responsibility rather than increasing the headcount and duplicating

"Brand equity built up in new markets by the wholesale business gives brands an advantage over retailers when expanding abroad. It forms an important part of the foundation for any direct entry. The question is whether it's a big enough market and how difficult it is to enter" roles and responsibilities as it entered new geographical markets.

RESTRUCTURING

When Deckers started selling into Europe via distributors, it was made up of lots of silos concentrated on the wholesale business rather than selling direct to consumers. "Marketing spend was focused mainly on the brand for the wholesale channel rather than the direct business, and operations was focused on wholesale, too," says Williams. "As the business evolved, so did our marketing spend to support the change to an omnichannel approach with all channels at the centre."

Deckers' head office is in the US with the EMEA regional office headquartered in London where it supports the different European markets. Williams emphasises that one size does not fit all, and explains that it came to the conclusion in 2014 that the business, technology and processes had to be restructured in a way that enabled the scale and growth forecast for wholesale and direct operations.

The company moved from proprietary ecommerce systems (which raised challenges around scaling), to Demandware back in 2011. He explains that while the US's business challenges involve scale, its geographical expanse and fierce competition, Europe's also include the many different payment types, delivery methods and varying levels of omni-channel maturity.

However, as he points out, what works in one area isn't always the best option for another: "We always try and start from a core and then adapt for each region." He explains that different systems are needed in China to work effectively with Alibaba, social commerce and WeChat rather than the traditional ecommerce services in Europe and the US.

There are differences at a marketing level as well. Deckers used American football quarterback Tom Brady in its UGG marketing. While he's a well-known celebrity in the US, awareness was lower and varied across Europe. This raised the question of whether assets can be used globally and how and where brands are localised.

At the start, localisation leads to huge growth, especially once language, payments and delivery have been sorted out, but as markets mature they bring new challenges, differences in conversion rates and levels and complexity of work.

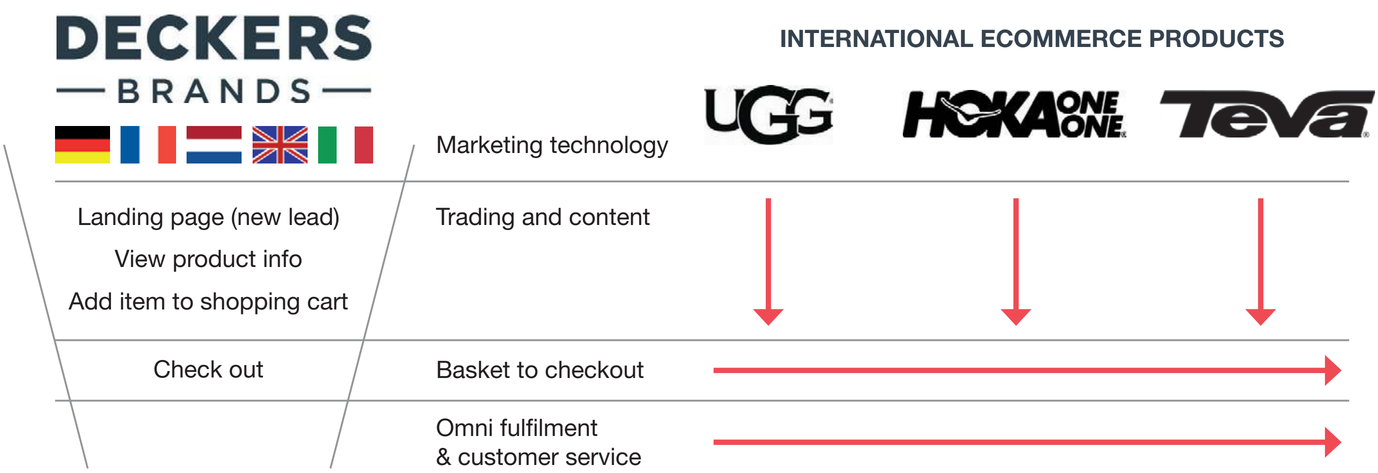
For example, Deckers' old digital architecture made some local sites unsustainable to manage in terms of content, promotions and pricing, while others needed to be fully integrated with omnichannel services such as click and collect in the UK and France. In addition, Deckers Europe was operating localised bi-channel sites in the Netherlands and Italy. Added to this complexity, Williams says, is the question of "How do we as an ecommerce team help the wholesale business to give a consistent digital experience".

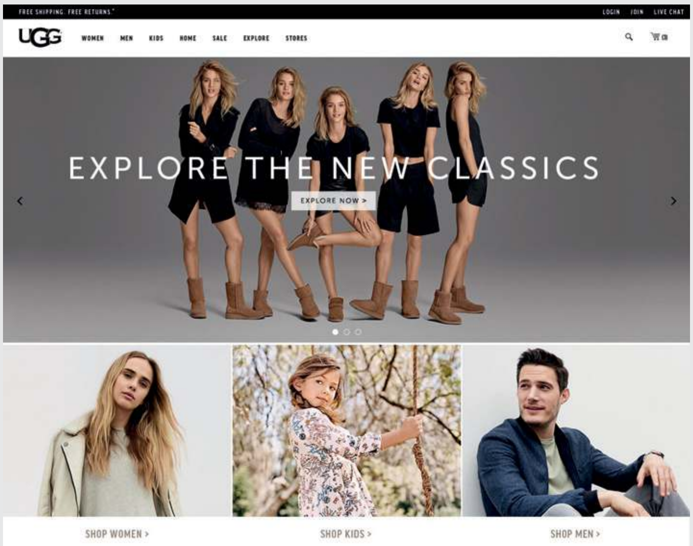
BUSINESS CHANGE

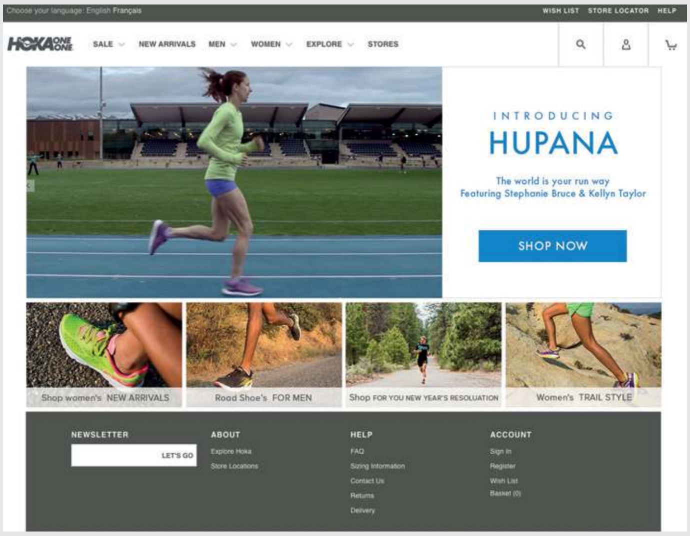
The key steps in the transformation were to see where business processes, people and technology could be focussed on brands rather than siloed sales channels.

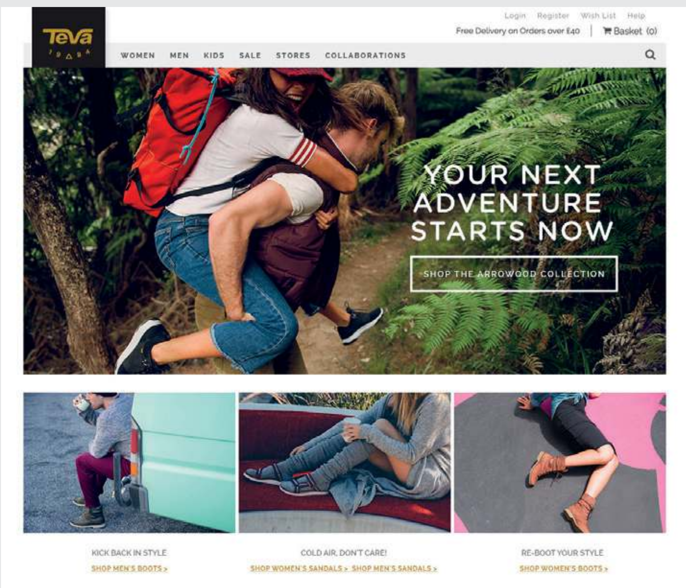
The online merchandising and digital brand experience has changed to reflect this more aligned approach at a regional level, with more localised experiences and services within specific key markets such as Germany and France. ▶

Deckers has restructured its digital team around the three brands









The more regionally and locally relevant a brand can be made, the more personalised the experience becomes for the customer explains Williams. While Deckers is globalising as much as it can, with mobile first, personalisation by technology, conversion optimisation via usability and best practice, and engaging in brand storytelling in all channels, regional execution and control of these is important. Individual markets can then be more personalised with eCRM and consumer insights and fully integrating the customer journey with localised marketing.

"Pricing, promotions and social and local marketing initiatives are handled locally with everything else handled centrally," he explains.

The digital team now operates a regional hub and spoke model with a scalable platform which is being continually developed for better management of pricing and a more white label approach to managing categories, pushing out assets and content in the relevant languages to websites.

The European digital team has moved to an agile setup with existing staff becoming product owners for each of Deckers' three brands. Each product owner has the authority, time and knowledge to focus their work on those brands, and working internationally across all of the language sites. Their responsibility covers trading and content from landing and product information pages through to items being added to the shopping basket.

Marketing technology is handled as a separate responsibility across all brands. So is the basket to checkout to ensure consistency of the local experience. A group also works on omnichannel fulfilment and customer service and how these affect the websites and customer journeys. Another is more operationally focused on the customer experience and omnichannel capabilities, such as endless aisle, click and collect, data capture from store and the in-store experience.

Supporting all this is UX and in-house and outsourced web development.

"The restructuring was seen as us looking at a more agile approach to doing things," explains Williams. "It was about getting people cross-functionally coming together and empowering them to make changes in a very quick, continuous improvement kind of way."

Williams explains that customer service will tell them if address formats need changing, for example, while others comment on the ongoing design. "The days of a steering committee deciding on changes doesn't exist,"

he adds. "It's product owners and stakeholders who prioritise the work. So the product owner has one KPI at the moment, which is basket to checkout conversions."

He is a firm believer in matrix working and says: "Having someone who owns that process and product has seen us improve conversions and the experience since they are constantly testing and improving it."

Small iterative changes are constantly being made to the sites following a hybrid of waterfall and agile methodologies of discovery, designing and developing a minimally viable product and then deploying after testing and sign-off by the UX specialist, the web development programmer, QA, the product owner, and finance and IT, if necessary.

Following the realignment of ecommerce in this way, brand marketing, retail operations and retail IT are being brought in as well.

REAPING THE REWARDS

Now, rather than using lots of resources simply to maintain site functionality, the European team is able to concentrate on optimisation, and is looking to improve support for the retailers selling its brands and growing the business.

The European Deckers ecommerce business continues to see double digit growth and is especially strong in the German and UK markets. Williams says it experienced some amazing increases in conversion rates, with macro conversion rates rising "25% across the board in the past year" as changes were made to landing and product pages and to baskets. He explains that ecommerce is now more integrated with the rest of the business, and the increase in productivity through being agile has led to much less technical debt. "Because of the way we're working there are less work tickets and a reduced need for changes once things have gone live."

He adds: "I feel very comfortable that the structure is now in place for us to manage launches in other countries."

THE BUSINESS NOW

Selling direct to consumers has also brought the brands closer to their end consumers since they are "one step closer" than as a wholesaler. "You are speaking to consumers, getting feedback, and gaining a better idea of where and what to test," says Williams. It also gives scope for continual improvement and the chance to realign employees around the voice of the customer. It means the business tracks the seasons more closely as well, since ecommerce trades the current one rather than way ahead as wholesale does.

It has also helped embed links between wholesale and ecommerce, and the business is now seamless with every channel within Deckers having a voice. Williams says: "We know what is happening in every channel, in every location, by week, by every market we have a direct business with. You have to have conversations across the business since one channel affects others: at no point should we not know what is happening."

THE FUTURE

Digital is giving Deckers the ability to offer greater support to those who sell its brand while also keeping control of its messaging and being one step closer to the customer. As everyone involved in ecommerce is aware, the goalposts keep moving and technology continues to bring everyone closer together. The introduction of iPads at events, for example, could bring Deckers closer to its customers when products launch.

The company has successfully managed the move from a US company that supported international distribution to a truly global business with strong regional offices and Williams is proud of the team's ability to manage these across channels in the UK. He says it will continue working on growing the individual brands while improving omnichannel services across Europe and focussing on driving support for key partners.

The aim, he says, is to be a truly European business with each market representing an equal share of revenue; at the moment the UK accounts for the majority of the business, followed by Germany, France and Italy. "The complexity of the markets makes it exciting and daunting at the same time," he adds.

DECKERS BRANDS IN BRIEF

Deckers has its headquarters in the US but operates as three regions: North America, Asia Pacific and Europe. Wholesale is the largest part of its business at up to 60%.

The US business has always sold direct, so it has strong roots in ecommerce. It started its international push from there with global distribution before setting up Deckers Europe in 2008. The company's vision is to offer unique brands and to make them global and this is represented in Europe as UGG, sports sandal brand Teva and Hoka One One running shoes. UGG stores were opened in the UK in 2009 with the wholesale operation launching in 2011.

According to the company, its push for the direct business has been all about owning the brand experience, giving people access to the full range and information 24/7. Williams believes that it represents "the pinnacle of the brand experience". On the wholesale aspect of the business, he says, "It's where the volume of the business is and it's competitive – you need to keep bringing exciting new products to the market to keep selling at this volume."

Christmas online shopping reaches £25bn

Online retailing continued to grow strongly over the Christmas period and throughout 2016, according to the IMRG Capgemini eRetail Sales Index. *Emma Herrod* **reports on the figures.**

A MASSIVE £25BN was spent online over the six week Christmas period from 13 November through to 24 December, according to figures from the IMRG Capgemini eRetail Sales Index. This represents a rise of 16% on the amount spent in 2015 as consumers continued to turn to the internet for their Christmas presents.

Over the year, £133bn was spent online with UK retailers, £18bn more than the amount spent in 2015. This helped the industry to a growth rate of 16% for online retail in 2016. The result demonstrates an exceptional performance for online retail in 2016, exceeding IMRG and Capgemini's forecast of 11% growth for the year and reversing the trend of declining growth rates for the past few years.

For 2017, IMRG and Capgemini forecast online retail will record a further 14% growth.

The strong performance of online retail in 2016 was fuelled by the continued growth of sales made on smartphones, which saw phenomenal growth over the year. In December, sales made via smartphones were up 47% year-on-year. In contrast, sales made on tablets were down 3%. In December, smartphones accounted for 54% of mobile device sales, with tablets accounting for the other 46%. This is a huge uplift on December 2015, when smartphones accounted for 39% of mobile device sales. On Christmas Day itself, over 42% of all online sales were made on smartphones.

Sales on mobile devices have been growing in recent years but sales from smartphones have been increasing their share against tablets since the launch of the iPhone 6 and 6Plus with their larger screens. Conversion rates from smartphones doubled in 2016.

Sean McKee, Director of Ecommerce and Customer Experience, at footwear retailer Schuh agrees with the IMRG's finding. He comments: "The bigger the screen, the better the conversion rate."

> "£133bn was spent online with UK retailers in 2016"

Looking at the Christmas period, Black Friday again was an online event with the industry recording a sales increase of 12% over 2015's figures. Most of the leading retailers took part in Black Friday with many extending promotions into a week-long event starting on the previous Monday. "It's a deliberate ploy to extend Black Friday over a week to take out operational issues," says Michael Durbridge, Director of Omni Channel, B&Q.

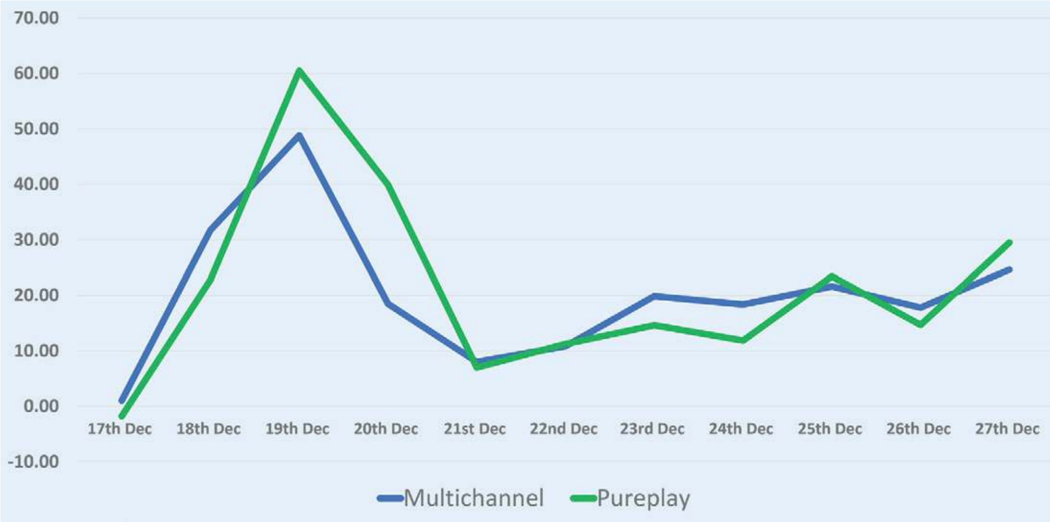
Dom McBrien, Multichannel Director, The White Company agrees. "It alleviates the pressure on DCs by extending Black Friday to a week," he says.

"Black Friday became an 'online' event in 2015, and this seems to have had a lasting effect on people's shopping behaviour and preference – our Index has recorded strong growth for online sales ever since that day," says Justin Opie, Managing Director, IMRG.

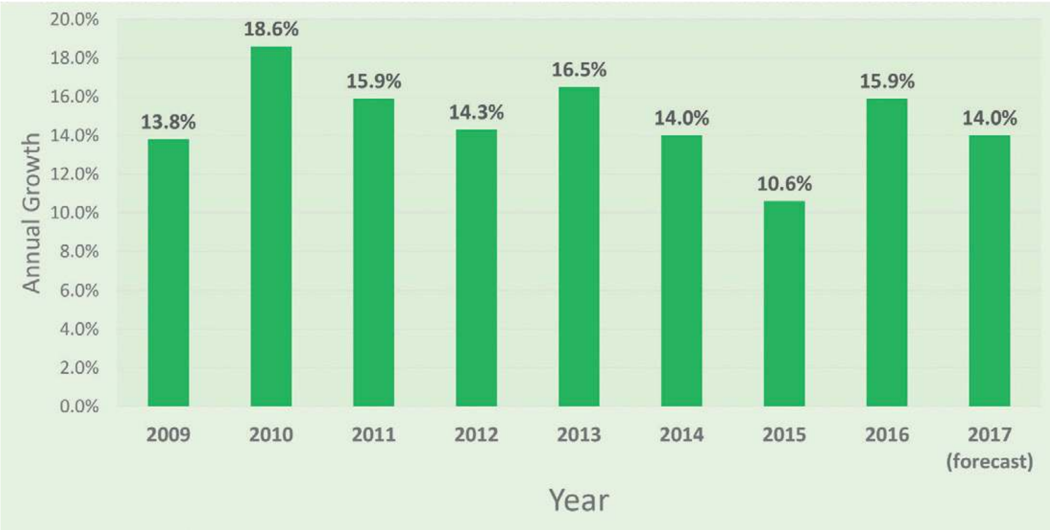
Bhavesh Unadkat, Principle Consultant in Retail Customer Engagement Design, Capgemini, comments: "2016 was a turbulent year with a number of predictions for retail and beyond going against the status quo. Regardless, it was still a record breaking year for online sales – up 16% in 2015. Few would have anticipated the decline in sales made on tablets, but with sales made through overall mobile devices generating over 50% of visits, combined with the sweeping growth of both visits and conversions from smartphones, mobile continues to head towards being the number one sales channel.

"2017 will be filled with a level of uncertainty depending on the progress and impact of Brexit. However, with the investment retailers are making in improving the customer shopping experience, I am sure it will be another record breaking year for online sales."

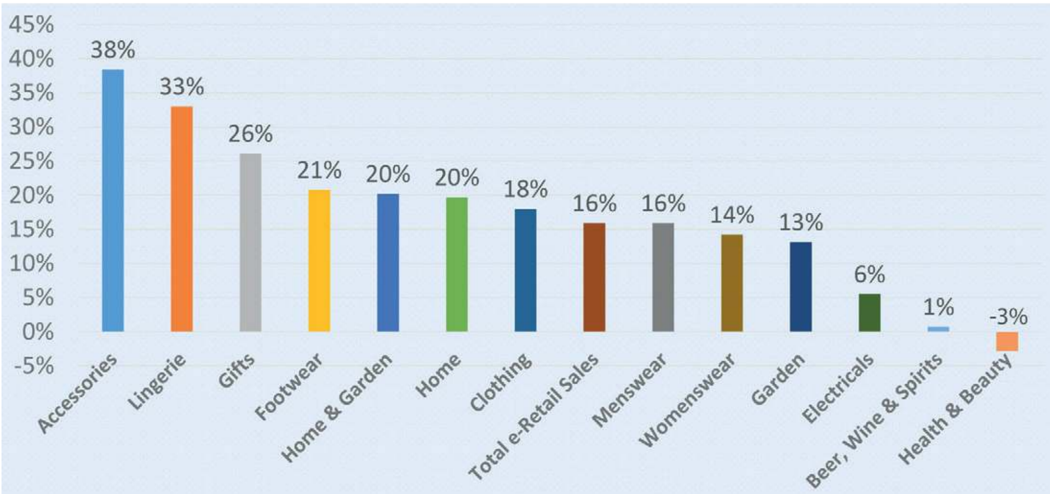
CHRISTMAS COMPARISON – MULTICHANNEL VS PUREPLAY



ACTUAL YoY GROWTH –TOTAL E-RETAIL MARKET



2016 SECTOR GROWTH



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8kms of robots and machine learning – but people stole the show during NRF

At the National Retail Federation's Big Show in New York, Ian Jindal trudged 13,000 steps a day with 33,000 visitors and 500 exhibitors. The settling overview is simpler than he expected.

TO SAY that NRF is big and bustling is an understatement. From the hustle of smaller stands to the sheer heft of the multistorey constructions on Millionaires' Row, the industry put on its display of the best of now, and the hopes for next.

Robots stole the show, with at least five companies trying to bask in the glow of Pepper, the animatronic robot from SoftBank. The charming offspring of a Manga comic and a Magimix is immediately seductive. Think of her as a white and pastel anthropomorph-ish version of Siri: understanding and answering voice questions and sensing RFID triggers, all the while gesticulating with her hands, "sighing" when not directly engaged, and using exceptionally well-observed 'torso language' to engage a human interlocutor. Her hands are amazing. Extremely expressive, their sole purpose is communication (they can't lift or pick). She is a great interface to software that's essentially an app with additional sensors. Pepper is made possible by the maturing capability of mobiles and apps.

The other success component of Pepper is 'machine learning'. This is where Big Data (so 2014!) meets the Cloud (hello 2015) and all of a sudden starts running algorithms without waiting for a human being to 'ask the question'. This is tantamount to a will-o'-the-wisp collecting a department's spreadsheets, running a pivot table, summarising the report and then telling you the key facts, plus a few questions it had about anomalies... Oh, and then it checked the anomalies and gave you that answer too.

Machine learning is a pivot point from Big Data as grunt and chore to Big Data becoming 'Big Question and Big Answer'.

We see this in Pepper's excellent language processing (imagine the number of accents amidst the noise at NRF!), but I saw this in predictive merchandising services, reducing the tedium of spreadsheets, reporting and planning and replacing that with improvement suggestions.

The promise of robots at the show – both front-of-house like Pepper, or aisle-crawling stock-checkers – is a world where tedium is reduced and humans are liberated to do the things that humans do well...

This leads to the second point: the incredible talent and ability in US store retailing.

I ran a very informal Brown Bag Retail Tour where we wandered to Adidas, Nike, Pirch, Rebecca Minkoff, Sonos and Birchbox. At Adidas, I'd arranged to meet with the GM of the store and so announced myself at the door. Not only did I have the wrong name for the store manager, but they were not expecting a group of 20 damp retailers. Within a heartbeat, the actual assistant GM split us into two groups and led us on a tour of the store. He covered the retail concept, brand values, store architecture and design, history and retail performance. We met with the certified fitness coaches, the staff at the miAdidas customisation stand, the juice bar... all of them – with zero notice – performed with fluency, knowledge and passion. It was an uplifting experience and a testament to US recruiting, staff attitudes and investment in the store. This commercial-meets-strategy-meets-service-meets-brand savvy and polish was everywhere we visited. No superficial 'have a nice day' – just staff who would be an asset to any company.

Contrast that with the waitress at a trendy new Welsh restaurant in Brooklyn who clearly resented having to be at work. When I mentioned that the Gwaun Valley Trout came from an area I knew well, she rebutted my comment, sourly noting that it wasn't really from Wales, that they couldn't import any food and so it was just normal food labelled in a Welsh way. After a day's retail tour, seeing the very best of our industry, it was a bit of a blow that my laver bread and seaweed Martini had not come from the old country, mixed by bards singing Cwm Rhondda.

Machine learning makes something wonderful from cloud, big data and algorithms. Robots blend voice and mobile with a physical presence. Authentic and considered brands are illuminated by passionate staff. These are the future of retail, but it will not save businesses who do not invest in the very best staff.

Ian's write-up of NRF and the Brown Bag Retail Tour will be online at InternetRetailing.net

IRUK Top500 2017 Revealed

Each year, InternetRetailing examines, investigates and analyses the performance of retailers in the UK to discover which are the Elite, Leading and Top500. *Emma Herrod* **reports on the findings of the PFS-sponsored IRUK Top500 2017.**

FOR THE third year, InternetRetailing's research team has looked in depth at the UK's leading ecommerce and cross-channel retailers, comparing and contrasting the capabilities of these top-flight traders to see where and how the best retailers excel. They've taken an analytical approach that ranges across six Performance Dimensions rather than being confined to a pure ranking of companies by ecommerce revenues, web traffic, store estate or other single metric. These metrics do, of course, give an idea of each retailers' 'heft' and form a preliminary ranking which is then modified and weighted as the six Performance Dimensions are considered.

These six Performance Dimensions also highlight how and where individual retailers excel, what best practice looks like in different areas of retail and what forms the industry 'standard'. The Performance Dimensions are:

1. Strategy and Innovation: the extent to which the retailer is adapting for growth, international commerce and customer responsiveness;
2. The Customer: measuring the experience from the customer's point of view;
3. Operations and Logistics: delivery, returns and collections;
4. Merchandising: selling online;
5. Brand Engagement: making their brands familiar to the customer, and connecting;
6. Mobile and Cross-channel: beyond single ecommerce or store channels.

The Performance Dimensions combine into what InternetRetailing calls 'RetailCraft' and constitutes a striving for excellence, at scale, that's responsive to the customer.

WHO ARE THE ELITE IN 2017?

At the top of the industry are the 'Elite' retailers, those which have performed at an exceptional level across all dimensions, statistically separate from the subsequent clusters. In 2016, this grouping was made up of Amazon, Argos, Boots, House of Fraser, John Lewis, Mothercare and Screwfix.

Then come the retailers classified as 'Leading', those companies which by most measures are out in front, and combine both

size and capability. 'Top50' retailers bring the ranking to the 50 retailer point and represent the current state of RetailCraft in the UK. Taken as a group the strength and capability of the UK industry can be seen in this cohort.

But how did these retailers perform in the 2017 ranking? Are the 'Elite' retailers still heading up the ranking and how did 2016's unpredictable trading year impact on their performance across the six dimensions?

ACROSS THE DIMENSIONS

Amongst the retailers performing strongly in the Strategy & Innovation Dimension are Mamas & Papas, The Fragrance Shop and White Stuff as well as 2016's Elite ranking retailers Amazon, Boots, House of Fraser, John Lewis, Mothercare and Screwfix. This dimension includes a range of metrics from customer service response time, flexible order fulfilment and search visibility.

Strong performers amongst The Customer dimension were Chain Reaction Cycles, Joules and Nisbets. They all punched well above the weight expected of retailers of their heft. Customer service, homepage performance and social interaction all add in to how these retailers were providing shoppers with the best experience across channels, both as a website user and through customer service.

The third dimension is Operations & Logistics and highlights how retailers are handling delivery, collections and returns and how they are bringing convenient fulfilment methods and delivery choice to their customers. Agent Provocateur, Moss Bros and Wiggle all performed well in this dimension, ranking alongside Elite retailers including Amazon and John Lewis.

The Merchandising Dimension brought up many surprises for InternetRetailing's research team this year with many retailers outdoing their footprint ranking considerably, and thus moving others down the ranks to make way for them. The research Knowledge Partners, who aid in measuring the metrics within each dimension, looked at how retailers are merchandising their sites from a customer perspective as well as analysing their selling and promotional strategies and how they use notifications and personalisation on mobile apps. Amongst those showing the big guys how to do it were Cycle Surgery, Getthelabel.com, Moss Bros and Thompson and Morgan.

> "RetailCraft constitutes a striving for excellence, at scale, that's responsive to the customer"

Brand Engagement and the importance of being recognised by shoppers forms the fifth dimension. Keywords, share of search compared to other retailers, visibility, social media presence, email, and the level of 'noise' around a brand are all taken into account. "To do well you have to be known, and to be known you have to do well," says InternetRetailing researcher Polina Modenova.

As well as the retailers whose names you would expect to see in this ranking, such as Amazon, were smaller companies including Everything5pounds.com, Myprotein and Victoria's Secret.

The final Performance Dimension is Mobile, the channel with the most growth and increasing traffic. Mobile web and apps were all analysed by the researchers and Knowledge Partners to assess the retail rankings. The performance of the mobile web home page through to the usability and functionality of apps were assessed alongside weighting features according to their impact on AOV.

Mobile is not a channel alone though, being an enabler and glue for cross-channel retailing. This dimension takes into account how retailers are putting mobile at the heart of their cross-channel offering, integrating it into all parts of their activity, from the store to online. Names to highlight in this area include Dorothy Perkins and Topshop.

So, those are some of the movers, shakers and surprises across the individual dimensions but being ahead of the industry in one area does not turn a retailer into an Elite one. Outstanding performance consistently across every Performance Dimension is needed for that honour.

Which retailers then combine a large footprint in the UK and heft of ecommerce sales with a second-to-none customer experience across all channels in which they operate, have seamless and fluid operations and logistics, jaw-dropping merchandising skills, connect with customers across the full marketing metrics, are master of mobile and still able to be flexible and adapt for growth? Who are this year's Elite and Leading retailers and where does your company sit in the rankings?

Not wanting to steal anyone's thunder I'll leave the final reveal to InternetRetailing's research team and the IRUK Top500 2017 Report. If you haven't received a copy in the post, a digital version can be downloaded from internetretailing.net.

David Carroll

Managing Director

WHAT DOES YOUR COMPANY DO?

Conveyor Networks is a UK-based systems integrator and warehouse solutions provider founded in 2009 by myself and Geoff Wooding. Working from design and build through to servicing and maintenance, the company offers retail and ecommerce businesses of all sizes, best-in-class warehouse software and automation solutions. We engineer our own software called "imio" which is a modular warehouse management system, and can run everything from conveyors and sortation, to packing lines, fully automated processes and carrier integration.

WHAT IS YOUR USP?

We have a unique understanding of both software and hardware for warehouse applications, we integrate both. We are a one stop shop for automation, controls software, warehouse management software, and post-sales service and support. We are also an SME, so we have the advantage of being flexible, able to work to much shorter lead times than the larger providers, yet we have the internal expertise and external partnerships to allow us to project manage and build bespoke, needs based solutions where necessary. Notably we are an independent outfit, so we are not beholden to any specific hardware providers; this means we can install the most appropriate automation for the customer (new or existing) providing the best fit for their business and budget requirements.

> "Our core focus is simplifying what can be a complicated, time consuming process so that customers gain an intelligent, efficient solution that can be implemented quickly and to a high standard"

CONVEYOR NETWORKS IN BRIEF

Date launched: 2009
Global reach: UK and Europe
Turnover: <£5m
Customers: Customers include QVC, Debenhams, The Book People, Euro Car Parts and WHSmith.
Number of employees: 18
Partners: Conveyor Networks is truly independent of hardware provider so can provide the best solution to fit business need and budgetary requirements.
For more information about Conveyor Networks, please visit www.conveyornetworks.co.uk or telephone 01925 742888.
www.linkedin.com/company/conveyor-networks-ltd
@ConvNetworks

Our imio warehouse management software is suitable for any size of business and provides a user-friendly, fit for purpose software suite able to meet the complexities and challenges of ecommerce and omnichannel retailing. Its modular, scalable design offers the flexibility to meet differing business requirements and it is seamless to integrate with warehouse hardware and control systems. This gives our customers more real time visibility of their total warehouse operation and the ability to react quickly to ever changing customer demands. This may be, for example, an improvement in their track & trace capability, logging functionality or pick accuracy.

WHO ARE YOUR CUSTOMERS?

Our customers are predominantly retail and ecommerce organisations of varying sizes. They include Debenhams, QVC, The Book People, Specsavers, WHSmith and Euro Car Parts, to name a few. We've worked with many of them on several projects over the years and pride ourselves on creating a longstanding relationship; which for many, incorporates ongoing support and maintenance SLAs.

We're also building long term relationships with 3PL companies such as DHL, XPO and K&N as we look to support them on their strategic "value added services" offer – for example, improved packaging and sortation solutions.

Some of our smaller (tier 2, tier 3) customers are investing in warehouse automation for the first time, or they may have some legacy automation which requires an upgrade.

WHAT DO YOU SEE AS THE CHALLENGES FOR RETAILERS OVER THE COMING YEAR?

The key challenge for any business is to meet the service expectation of their end customer, especially during peak trading. Retailers are being pushed by customer expectation to offer shorter delivery timescales resulting in a need to better manage last mile delivery and fulfil to a variety of different locations, such as click and collect from stores, delivery to home or third party collection points. All this must be done in a transparent way which provides clear communication with customers as to the status of their delivery and meets delivery promises every time.

To adhere to these high customer standards, retailers will need to source credible, cost-effective partners (in automation and software) who can provide systems that are both fit for purpose and that integrate effortlessly with incumbent host systems. These partnerships work best if they are well thought out, long term partnerships, with organic growth plans, and which include relevant monitoring and support agreements. Once established, we find accurate, swift fulfilment and customer loyalty comes naturally.

Once a retailer has located their preferred system partner, then comes the challenge of proving that the capital investment required to pay for the project delivery has a return. At Conveyor Networks we aim to guide the customer through all of the intricacies involved in making the business case to the key stakeholders, so as to help them raise the necessary CAPEX for automation.

HOW ARE YOU PREPARED TO MEET THESE CHALLENGES?

Conveyor Networks offer products and services to all businesses large and small and our key focus is to customise the solution to achieve the customers' core objectives. "Being there" sits at the heart of our Mission Statement, so our support and maintenance packages ensure that their automation and software operations continue to deliver throughout daily and peak trading periods.

Conveyor Networks also allocates a great deal of resource to their research innovation program. Together with organisations such as the STFC (Science & Technology Facilities Council) and Heriot-Watt University, understanding new products and the longer term changes and challenges to retail logistics as a whole, are central to our customer offering.

This Company Spotlight was produced by InternetRetailing and paid for by Conveyor Networks. 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.

CUSTOMER CASE STUDY

WHSmith – Cost effective, accurate sortation with improved reporting and traceability.

WHSmith is a well-known high street name with numerous outlets for book and stationery products.

Its regional distribution centres sort and despatch a mixture of products to each store. Conveyor Networks designed and installed its sortation system in 2010. However, in order to provide better throughput and improve product traceability the sorter needed to be extended during 2016.

Key objectives were to increase throughput, log all actions and improve track and trace ability.

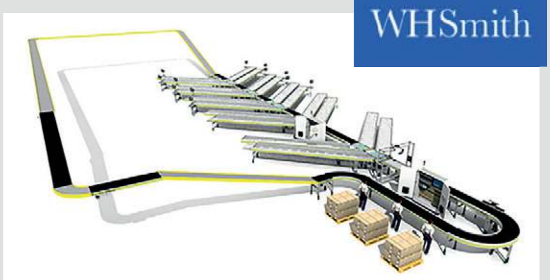
Conveyor Networks reconfigured the sortation system from a 13 to a 20 way sort with one recirculation route. The operation is driven by Conveyor Networks software suite – imio. The products are scanned and auto sorted to the appropriate exit chute where there are multiple pallets. Hand scanning then ensures that each item goes to the correct pallet. Paperwork for each pallet is generated and used to confirm receipt on arrival at the store.

Imio's reporting interface logs all the events from the operation and provides a set of default reports. The software also integrates with WHSmith's invoicing system providing the data needed to invoice each store accurately.

As a result of the combined software and automation solution WHSmith has faster, clearer processes with accurate tracking and reporting. Imio provides real-time operational updates and more detailed insight via its reporting functionality, integrating seamlessly with other management systems.

Ian Mattock, Operations and Facilities Manager at WHSmith commented: "imio's reporting interface enables us to be accurate and transparent about all aspects of our operation. Overall the upgraded system and support package delivers well for us and it's been a really positive project to work on."

WHSmith



InternetRetailing returns to the NEC

Internet Retailing EXPO

5-6 April 2017, NEC, Birmingham

Early April sees leading retailers and industry suppliers return to Birmingham's NEC as the InternetRetailng Expo opens its door for a seventh year. *Chloe Rigby,* **Editor, InternetRetailing.net shares what visitors will find at the 2017 event.**

MORE THAN 5,000 visitors will be able to see, touch and feel the future of retail at the seventh InternetRetailing Expo (IRX) this April.

Delegates from across the retail industry are expected to visit the free-to-attend event, where they can learn about the latest ecommerce, mobile, marketplaces and fulfilment trends, see and test for themselves the latest technologies, and meet leaders in the field at a series of networking events set to be held at the show.

A key attraction at the event is the broad range of senior industry figures who will share their experiences and insights on the stages of eight free-to-attend conference theatres.

IRX, co-located with eDelivery Expo (EDX), and billed as the UK's biggest multichannel and fulfilment event, will take place on April 5 and 6 at the National Exhibition Centre (NEC) in Birmingham. For the two days of the show this will become the meeting place for the retail community with more than 90 key influencers and members of the IRUK Top500, InternetRetailing's performance-based listing of the 500 most significant retailers in the UK and Europe, set to attend.

From digital payments to customer experience and cross-border expansion to mobile growth, the Expos will focus on the industry's most pressing issues and concerns and how overcoming these will be essential to driving multichannel retail performance and excellence.

This year IRX and EDX will continue their rich and varied peer-led educational programmes, with more than 100 hours of structured content led by key decision makers and C-level executives.

Retail brands from Sainsbury's, LEGO, Harrods, John Lewis, M&S, Alibaba Group and Ocado to Schuh, Vodafone, Specsavers, Volkswagen, GAME and Made.com will take part in the eight conference tracks. There, they will analyse what 2017 will bring for ecommerce and multichannel, particularly in the wake of Brexit and the resulting shift in the commercial and political landscape, and share their own experience and best practices to capitalise on change and opportunity.

Attendees can take part in 20 workshops for hands-on, practical, training and address their own personal ecommerce doubts and questions in exclusive one-on-one 30-minute clinics. All are delivered by leading companies and retailers in the industry.

For those particularly interested in the last mile of omnichannel retail, the eDelivery Expo (EDX), will have its own two dedicated conference tracks – The Final Mile and

Exclusive demos of cutting-edge technology will be showcased by 300 leading solution providers

Operational Excellence – looking in depth at the delivery and distribution side of Internet Retailing and, ultimately, how to fulfil the future of the retail nation. Service and solution providers will also showcase the latest technology in packaging, parcels, stock management, warehousing, logistics end-to-end, and many more areas to help retailers improve their operations performance at the show.

A key aspect of this year's exhibition will be the focus on interactiveness and immersion. The show will unveil exclusive demos of cutting-edge technology to be showcased by 300 leading solution providers such as Ingenico ePayments, Monetate, Klarna and SLI Systems.

New for 2017, will be the Omnichannel Theatre where industry experts will aid brands in dealing with the struggle of supporting consumers across numerous channels and delivering consistent and relevant customer experience. Furthermore, visitors can continue their journey across the show floor taking in the latest innovations, initiatives and technology within the Innovation Pavilion and Digital Payments Theatre.

In addition, the show will have special networking events and dedicated spaces within the Expos where leading retailers, entrepreneurs and suppliers will gather, connect and conduct meetings in a professional but relaxed atmosphere. Two of them are the Top500 Lounge, and the IMRG Lounge, where the UK's Online Retail Association will be sharing their insights and statistics on the UK market and the performance of the multichannel industry there.

> "Key decision makers and C-level executives will lead more than 100 hours of structured content"

Sam North, portfolio director, said: "IRX and EDX are established as the must-attend events in the multichannel calendar. Not only because they bring together the most ambitious retailers and the leading suppliers, but because they provide a platform for attendees and multichannel retail innovators to connect, interact, experience and learn, all under one roof. We're looking forward to hosting a record numbers of visitors this year, all wanting to learn how best to sell online.

Ecommerce is one of the few industries which has seen sustained growth in double-digits in 2016 and it is expected that acceleration in online sales growth will continue in 2017. For the industry to continue progressing, innovation, collaboration and knowledge sharing is key, and this is the success behind our Expos."

To learn more about the InternetRetailing and eDelivery Expo and to register for free, visit www.internetretailingexpo.com and www.edeliveryexpo.com.

MAKE LASTING CONNECTIONS

TOP500 LOUNGE
A special VIP programme for the IRUK Top500 community.

IMRG LOUNGE
Insights and statistics from the UK's Online Retail Association.

5,000 MULTICHANNEL PROFESSIONALS
All looking for the tools and solutions to develop their business.

FEEL-GOOD FACTOR

> *"I love IRX! It has that great mix of interesting sessions and speakers, as well as a good exhibition filled with new suppliers and new technologies – it's a great time out of the office!"*
>
> **Sarah Stagg**, Director of Digital Product, House of Fraser

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The following guest article has been written for InternetRetailing by Jon Nordmark, co-founder and CEO of Iterate.ai. Iterate.ai has indexed 158,000 startups. It helps enterprises discover, curate, choose, and orchestrate emerging technologies. Jon also co-founded eBags.com in 1998, a company which has sold 27 million bags to travellers. He was CEO for 10 years and is now eBags' chairman.

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Is Amazon lighting the path to retail innovation?

To battle Amazon, retailers need to be comfortable working with startups, technology, experimentation, and speed. "It's a matter of life or death," says Jon Nordmark, co-founder and CEO of Iterate.ai. He explains further.

2016 MARKED Amazon's embrace of traditional retail. It launched 100 shopping mall pop-ups. Amazon bookstores are opening in Boston, Seattle, Portland and Chicago and, as The Limited announced probable bankruptcy, Amazon announced plans for 2,000 grocery stores. To supply this ecosystem, Amazon has planted dozens of warehouses within 20 miles of almost half of the US population. That number will likely climb to 75% in 2018.

Experimentation will be the underpinning of Amazon bricks and mortar stores and shopper expectations are likely to change due to friction-free shopping and robotic deliveries.

Physical Amazon stores are just elements in the Amazon Ecosystem. New technologies such as deep learning will be applied to Amazon Stores to drive deeper relationships with shoppers.

"Location, location, location" remains a retail adage, but the definition of 'location' has changed. It's not just Westfield Mall or an address on High Street. In 1995, Amazon redefined location to include a shopper's IP address. Now, a location includes a Dash Button on the pantry shelf or a space occupied by Echo on their kitchen counter. Location is now embedded, interactive and transformational.

> "It's Amazon's DNA that's dangerous… more than any single technology or any store format"

BUSINESS MODEL TRANSFORMATION

Over time, retail may be AirBnB'd. With Amazon Go, Echo, Dash, WagonBots, Drones and ServiceBots combined, business model transformation is underway. Operating costs could plummet with Amazon passing savings on to your customers. Drones and WagonBots from startups like Starship could reduce last-mile delivery costs by 70% to 90%, or from £12 to £1. ServiceBots from startups like Linc and OneReach could cut customer care costs by 50%. Echo and Dash remove marketing costs – another 3% to 13% cost reduction. Add private label to the mix – like Amazon's Basics, Elements, Happy Belly, Lark & Ro, Society New York, North Eleven, or Momma Bear – and the Amazon ecosystem becomes even more transformative. Costs plummet, but delivery times improve to as fast as 30 minutes. Amazon's mission is so Uber-esque, but bigger.

However, it's Amazon's DNA that's dangerous … more than any single technology or any store format. Amazonians dream, tinker, experiment. Since 2007, when Amazon launched an invite-only beta test of AmazonFresh, Amazon has tinkered with grocery transformation.

It has been patient (as usual). After years of trials, it will roll out 2,000 stores (In the US, Safeway has 1,335, Kroger 2,778, Morrisons 569). Amazon is exploring three, four, maybe more grocery formats: AmazonFresh; Drive-Thrus; 1,800sq ft Amazon Gos; 30-40,000sq ft instant-purchase IKEA-type layouts.

Digital experimentation has been a hallmark of Amazon, and concept stores will follow suit. At least one concept – Amazon Go – promises no checkout lanes, no cashiers. Shoppers open the Go app to expose a QR code and they scan it as they enter the store. 'Just Walk Out' technology tracks items as they are removed from shelves. The shopper is auto-charged after exiting. Maybe shelves are restocked with Kiva Robots, mimicking Amazon warehouses.

To accomplish this, Amazon Go will use a cocktail of sensors, computer vision, and deep learning, says Iterate.ai co-founder, Brian Sathianathan, a former Apple Secret Products leader who helped launch the first

Amazon Go offers seamless, checkout-free shopping. Just walk in, pick up and walk out

iPhone. "Amazon may reshape traditional stores like Google, Amazon, and Facebook have shaped the Web."

What else will the Amazon grocery formats include though? Drone-ports? WagonBots for last mile delivery? Will they include auto-replenishment with links to Echo and Prime? Will the AI-based "ship it before you buy" patent 2014 (Anticipatory Shipping) be implemented here?

INTENTIONAL INNOVATION

Retailers can't lean back waiting for Amazon's 2,000 stores. The era of "Intentional Innovation" has arrived, says Jeff Roster, the IHL VP / Analyst and ex-Gartner VP. Beyond behaving more like a startup, retailers need to seamlessly engage with startups. "Every retailer needs to worry greatly about innovation, but few will be able to match the resource commitment. So where will all the innovation come from? In retail, it will come from software startups," says Roster. To have a long-term voice at the table and survive budget cuts, innovation efforts like R&D, Experimentation and Banding need to report directly to the CEO.

Culturally, retailers need to behave with urgency, like startups. Amazon considers itself a tech company (not so much a retailer), and (yes) a startup. Before job interviews, Amazon writes, "During the interview, you will need to be able to demonstrate why a start-up environment is right for you."

Behaving more like a startup will give permission to a retailer to add core competencies and work with talented technical startups and attract intrapreneurs. Working with startups is not beneath any retailer. Amazon, Google, Alibaba and Facebook all embrace them. Despite its £11.92bn ($15bn) annual R&D investment, Amazon works with startups. It is always on the prowl. When creating Echo in Lab126, Amazon acquired at least three voice startups – Yap, Evi, and Ivona – to speed-up and deepen "voice capabilities". Amazon searched far and wide. Similar technologies are available to all retailers if efforts are made to find and evaluate them. Tomorrow's great brands will use technology to form relationships with consumers in new ways. This is why Under Armour invested £564m ($710m) to acquire MapMyFitness, MyFitnessPal and Endomondo; why Unilever acquired Dollar Shave Club; why Walmart acquired Jet and why Bed Bath & Beyond acquired PersonalizationMall.

Startups are also a way to help tackle the talent war. New technologies excite highly skilled technologists. Going forward, retailers will increasingly have to compete not just with each other for talent, but also with technology companies such as Apple, Facebook and tech startups. Thankfully, retailers have options:

- Create a modular and dynamic culture that attracts top technical talent;
- Acquire startups to use new technologies;
- Acquire startups to embrace and retain their entrepreneurs and cultures.

Some key points when working with startups as you brace for more disruption. Retailers should look everywhere for innovation – from Silicon Valley to Mexico, from London to Kiev. Be aware of where Amazon is headed by digging into Deep Learning, IoT, Blockchain, WagonBots (Autonomous Ground Vehicles), Chatbots and other technologies that are likely to change the playing field.

When seeking technologies, do not rely on VCs alone or you'll miss three quarters of your opportunities; 76% of tech startups acquired in 2013 had no professional funding and most VCs don't profit from 7 out of 10 investments, with only 1 (if they are lucky) being a major win for their portfolio. Many startup technologies are not made for venture investors which require $1bn wins to make their models work. Do not rely on single accelerators, the world is a big, big place. Be sceptical of hyped companies, too. When a startup gets funded, it often hires a costly sales team and invests as much as £250,0000 per year in PR.

To help transform your culture, embed digital innovation into every part of your company. Make sure HR is using new digital tools because they will appeal to young workers and send a message to your entire company that "digital counts".

Start an R&D Lab, either physically or virtually. Integrate the global startup community into your Lab ecosystem. Let the startups bear the burden of long hours for no pay or early-stage investments – retailers can ride on those coattails. Seek out unique new ways to conduct proof of concepts, some exist. And expect your Lab to triple your experimentation output. That should triple your success rates. Go fast and value speed.

Retailers call Amazon a retailer. But Amazon, the biggest threat to retailers, doesn't consider itself a retailer – in hiring documents it calls itself a tech company. In running the world's largest cloud it threatens HP, IBM, Google and Dell. Amazon is really a new breed, an ecosystem powered by tech ... and it's not alone. A new class of global companies has emerged as traditional industry boundaries are ignored. Apple becomes a music retailer, Google becomes Alphabet alongside 11 other subsidiaries (self-driving cars to Sidewalk Labs to DeepMind to investment groups to Nest) and Tesla absorbs Solar City. Ecosystems, rather than old-world type companies, are emerging. How will you respond in 2017?

TECHNOLOGIES TO INVESTIGATE

Retailers are saying, "mobile first." That trend is obvious and in isolation, maybe short-sighted. Smartphone conversion rates need to be optimized (like PCs) and many startups can help.

But, like Amazon, retailers need a Mobile-scope that aggressively pursues transformative forces like Always-On (IoT) and Deep Learning.

Always-On IoT: IoT has grown beyond FitBits. In 2015, Amazon acquired 2lemetry, an IoT-platform startup, now integrated as AWS IoT. Amazon describes it as "AWS IoT is a managed cloud platform that lets connected devices easily and securely interact with cloud applications and other devices. AWS IoT can support billions of devices and trillions of messages, and can process and route those messages to AWS endpoints and to other devices reliably and securely. With AWS IoT, your applications can keep track of and communicate with all your devices, all the time, even when they aren't connected."

IoT will feed data lakes, and 2lemetry will facilitate 360 degree views of customers.

Amazon IoT establishes "add-to-cart buttons" inside shoppers' homes. At least 6 experiments including Echo, Dot and Dash are underway. In Amazon's world, IoT allows periphery products to interact with Amazon. Pushing a button, scanning a barcode, or sending a voice command triggers Wi-Fi signals that interact with the Amazon Apps creating an Always-On experience.

Amazon sold three million Echos in year one alone. One million people have initiated orders via Echo. The bigger picture though is Echo's universal usage – initiating web searches, hailing Uber, reporting weather, interacting with Fire/Video and playing music. It's all habit forming. Using Amazon's 200 Dash buttons to reorder cosmetics, detergent and coffee could form habits too with Prime used to motivate usage.

Some Amazon experiments will work and be absorbed into our daily lives. Others won't. That's Amazon's DNA. All retailers need to experiment more like Amazon.

Deep Learning: Amazon Go is powered by unique new technologies such as Deep Learning, a form of AI. Deep Learning will also be instrumental in many places such as shopping personalisation. Don't mistake collaborative filtering, it's much more advanced.

Deep Learning is what powers voice and picture search, too. Today, 35% of Google searches and all of Echo actions are voice-triggered. Retailers need to think about the potential impact of these technologies. If Amazon owns voice search through devices like Echo, whose products will be served first? Echo might replace Google keyword buys and Dash is a replacement for Google search. Product discovery is evolving in ways most marketers didn't imagine 18 months ago.

The following guest article has been written for InternetRetailing by James Lovell, IBM European Retail Solutions Executive. IBM Commerce currently powers a full spectrum of cognitive commerce offerings delivered as a service and on premise for more than 17,000 companies around the world including 7 of the top 10 companies on the Fortune 500.

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Shedding light

James Lovell, **IBM European Retail Solutions Executive explains what the concept of Artificial Intelligence means for retail in 2017.**

AS 'BIG data' is becoming entrenched in retail strategy, retailers have been able to be even more creative with the way they use customer and product data in their engagement strategies. 2016 has certainly been the year of the experience and as such authenticity is key. In 2017, this will only proliferate with the channels of consumption, with AI playing a growing role in strategic management of customer engagement across every channel. Increasingly, we will see the focus expand beyond the customer into the role of the stakeholder, too. Imagine a digital merchandiser working with a system that can recognize natural language, able to simply ask a question of an interface – "I want to see the worst performing ankle boot in a line of men's shoes by sell-through rate and margin." In 2017, cognitive systems will be able to analyse the request, bringing together all the required data sources and present it in a way that the digital merchandiser has asked for.

2016 bore witness to a heightening debate on customer data – who owns it, who uses it and to whose benefit? The data value exchange is becoming ever more important, especially as consumers shift to dark data communications and messenger platforms where retailers traditionally weren't able to derive insight. We will therefore need to be cognizant of the 'big brother' debate to deliver measured content on a personalised basis to a consumer who expects this of us without the willingness to share his/her data.

> "Imagine a digital merchandiser working with a system that can recognize natural language"

The concept of AI and cognitive, conversational commerce is becoming less futuristic by the day. Indeed, despite us looking into 2017, we have seen a number of examples reach success in 2016, forming the basis of retail strategy as we entered the new year. IBM research shows that by 2017, over 50% of all in-store, physical sales will be influenced by digital channels. This highlights the notion that consumers no longer differentiate by channel of consumption. Journeys are becoming more convoluted and retailers must be able to adapt to provide a seamless, frictionless experience on every touchpoint. AI is augmenting the potential behind big data in achieving this.

SOCIAL INSIGHT

Changes in behaviour across social media has shaped the retail approach to AI. The ability to decipher social media data to understand sentiment and behaviour is not new and indeed is fading as consumers switch to private messaging platforms. However, influencers on social media and prevailing external trends can provide key insights into product offerings and placement – the other side of the retail nirvana. With real-time insight into viral phenomena pertaining to social media chatter and external events, merchandisers can tailor their content and product offerings accordingly. For example, a new make-up trend demonstrated on Instragram by a beauty vlogger could trigger significant social media discussion and resulting web searches, insight into which can tailor decisions into when, where and how those associated products are projected to consumers.

With social media comes authenticity – it's not just retailers who have rafts of data to deal with! Constant offers, communications and presence across channels, both physical and digital, mean that consumer attention spans are shrinking and they are becoming more discerning with regard to the content they consume. Often the content with the most integrity and credibility is that created by consumer peers or indeed themselves. User-generated content (UGC) is growing in significance in terms of advancing the loyalty concept, as it not only means that retailers must empower their customers as advocates to create this content, but also acknowledge that consumption today is more collaborative than ever before. Consumers want to feel part of a community – a club, or a cohort, and gain the recognition as a contributor or an influencer in that space. It's now no longer about being the only person to consume a product or service, but the first – or indeed the most visible. Marketers and retailers must therefore tailor both their product and their content to the aspiring trend-setter and use insight to provide them with the platform to do so. Business Insider suggests that shoppers interacting with UGC are 97% more likely to convert with a retailer. To succeed with UGC, retailers need the real-time insight and understanding across unstructured data sources to engage with consumers on a deep enough level to encourage this behaviour.

2017 will be the year of natural language in the digital/physical retail hybrid world. Consumers expect the same level of experience, empathy and interaction irrespective of the channel. Increasingly, this means an expectation of an understanding of natural language, which is where AI really comes into play. Whether an in-store automated advisor, a chatbot on an ecommerce site or a voice-activated assistant such as Amazon's Echo, retail in 2017 will centre on the concept of authentic conversation. The key here is having the ability to understand, learn and empathise with the language and idioms used by today's consumer, especially given the level of frustration and transactional abandonment that can ensue if, and often when, it goes wrong.

FOCUS

Two focus areas for AI-driven retail in 2017 will be customer service and fulfilment. 2016 saw the growth of the chatbot and this will only continue to influence through 2017. The key is authenticity and the ability to engage with consumers naturally.

The boundaries of a chatbot's understanding are expanding every day and importantly through every interaction, using advanced technology and natural language processing that enables it to learn and remember interactions for future conversations. In a convenience-driven economy, an interface which will reduce the user's cognitive load is a priority and is accelerating the movement of a cognitive website to reality. As a high-touch industry, this is prevalent in retail more than anywhere else. Conversational shopping brings the empathy of the store associate with the insight from rafts of customer, product and external data to be able to act as the archetypal digital personal shopper. The bridging of the gap between in-store browsing and shopping online brings the best of both formats to the consumer – when it is done correctly.

Retail in 2017 will centre on the concept of authentic conversation

Messaging apps such as Facebook Messenger, Slack and WhatsApp have become the most popular ways to communicate, with more than 80 billion messages sent every day. The ability to interact with consumers in this way will transform conversational commerce and understanding in 2017.

Another key challenge for retailers is managing their inventory levels, both efficiently and profitably to be able to fully deliver on the promise they make to consumers. With broadening fulfilment networks, if consumers aren't able to access the products they want within the timescale, cost and location required, baskets will often be abandoned. To add an extra dimension, the introduction of the See Now Buy Now model to the catwalk at this year's London Fashion Week put mounting pressure on retailers to cater for consumers' real-time requirements. However if you are out-of-stock, you risk upsetting a consumer and losing the transaction. If you have a poor reputation for delivery, or do not provide the goods within the time/location specified, consumers will not only default to a competitor but they will encourage their peers to do the same, taking us back to the UGC concept.

Conversely, with too much stock, you have wasted money that could have been used elsewhere. AI can combat being out-of-stock by monitoring weather, purchase rates and consumer behaviour to more effectively manage and monitor the supply chain. The ability to mitigate and predict supply chain stocks and also use the insight to decipher the optimal location for a range of products based on externally available data provides retailers with a key differentiator and this will only grow in influence in 2017.

Will it be a virtual year?

Emma Herrod **looks at some of the innovations around alternative reality and asks whether 2017 will be the year that virtual becomes a retail reality.**

FOLLOWING A year in which virtual reality headsets were given away free with mobile phones and sold as children's toys by stationers, will 2017 be heralded as the virtual year? Maybe not in the UK, which still sees VR as an innovation for concept stores, catwalks and for engagement and marketing. New Look, for example, has become the latest UK retailer to work with augmented reality, utilising the technology in photo booths in two of its flagship stores, bringing more fun to the in-store experience and ensuring the brand is associated with pictures shared on social media by its young shopper demographic.

As with any new technology VR and AR will fly because customers like them, believes Nicola Millard, Futurologist at BT. "The best way forward is to put them in front of customers," she says and as the technologies improve there will be some fanciful things that customers embrace. One advantage she sees with virtual reality is that it allows retailers to design a store or a layout and see how customers interact with it before it has even been built.

> "As with any new technology VR and AR will fly because customers like them"

Shopping centre owner intu was experimenting with virtual reality before Christmas to assess shopper reaction to the technology. It also wanted to examine the impact of virtual leisure experiences on dwell time, customer loyalty and the shopping experience alongside other leisure activities in shopping centres such as a trip to the cinema or meals out.

During the pilot, Christmas shoppers at intu Victoria Centre in Nottingham were able to step from a winter log cabin in the shopping centre to a virtual reality winter wonderland where they could decorate a Christmas tree and share their creations with friends and family online.

"This kind of social and interactive experience could become as commonplace for shoppers as stopping for a coffee with friends. It is providing a real moment of surprise and delight for customers in Nottingham which is likely to increase dwell time in the centre over Christmas and propensity to revisit to the benefit of our retailers," says Karen Harris, Managing Director of intu's digital innovation team.

"Virtual reality and its uses within the modern world has attracted a huge amount of public interest so as part of intu's digital strategy we wanted to test its benefits within a real shopping environment and learn from our findings," she says.

Intu plans to roll out virtual reality across it 15 shopping centres during 2017.

The UK retail industry will continue to experiment with VR in 2017 as a way to engage with shoppers rather than as a means to purchase. As Harris says, "Pureplay retailers are likely to test virtual stores using VR, however, it remains unclear whether volume digital sales can be generated via this very new channel. Multichannel retailers are likely to see VR more in terms of an in-store brand experience than a pure sales driver."

In China, Alibaba and HTC have been demonstrating a Buy+ mobile virtual reality channel which allows shoppers to complete purchases via an app in a VR space. The companies have previously announced strategic partnerships relating to cloud services and VR, as well as video services.

When it comes to making the payment Alibaba's VR Pay system allows the shopper to make the purchase in VR stores simply by nodding their head. "It is very boring to have to take off your goggles for payment," says Lin Feng, who heads up the incubator F Lab at Alipay operator Ant Financial. He told Reuters that "with this technology you will never need to take out your phone".

Commenting on its work with VR, Zhuoran Zhuang, Head of VR programs at Alibaba, says, "We are continuously exploring on the next generation of shopping experiences via innovative technology, and looking forward to deeper collaboration with our partners to deliver even more immersive commerce experiences."

Chinese millennials would be happy to use virtual reality too: 59% would be interested in trying out clothing in VR, while 57% would be interested in exploring a travel

Intu used VR to examine the impact of virtual leisure on the shopper experience

destination, according to Lucie Greene, Director of JWT Innovation.

Milliard is not so convinced by technology which allows a shopper to virtually try on clothes. While accepting that there is lots of innovation being carried out around the transition of touch, Millard thinks that people still want to be able to feel items.

Innovation will continue to be driven from China believes Jamie Merrick, Head of Industry Insights at Salesforce Commerce Cloud: "As technologies like AR, VR and RFID start to take hold in mainstream use, these are going to be built into digital concept stores – tying online, mobile and in-store channels together and bringing customers one unified experience. This personalised approach will mean shoppers can find the product they want and from the home, to visualise how it will look or fit. As we've seen with Singles Day in China this year, the east is leading adoption of these technologies, complemented by a demographic keen to augment and virtualise their everyday experiences. In the months ahead we're likely to see other countries in this region showcase best-in-class examples of bringing innovation to market in this space."

It is looking likely then that the UK retail industry will continue to experiment with VR in 2017 as a way to engage with shoppers rather than as a means to purchase – but I'm happy to be proved wrong and will enjoy testing out any new services.

Steve Pyne

General Manager, Delamode UK Logistics

WHAT DOES YOUR COMPANY DO?

Delamode UK is part of the Delamode Group. We are a European group of companies' delivering end to end logistics and supply chain management solutions. Our areas of expertise include warehousing and logistics, ecommerce fulfilment, fashion logistics, full and part load transport, and sea and air freight.

Delamode UK provides fully integrated logistics and fulfilment solutions for the B2B, B2C, fashion and e-commerce sectors. We've created dedicated mezzanine fulfilment areas in our Essex facility, which is able to handle fully optimised pick-and-pack operations and the returns management for clients that require a smart and customer-focused fulfilment solution. By investing in our people and understanding our clients' challenges we have been able to develop fulfilment solutions that offer service excellence in every stage of the fulfilment process, including quality checks, picking speed and accuracy, despatch management and a seamless returns management processes.

WHAT IS YOUR USP?

Tailored approach: Our profound expertise in smart ecommerce processes and IT systems, combined with our deep market understanding and committed people, makes us capable of delivering customer satisfaction and enhanced service experience.

Flexibility: Our flexible approach means we are very successful in supporting customers of all sizes with their innovative business strategies and growth objectives. We take pride in being right at our customers' side when going through a successful change.

Philosophy of delivery enhanced customer satisfaction: We can offer expertise in smart ecommerce processes and IT systems, thanks to our deep market understanding and team of committed people.

WHAT IS YOUR CORE SERVICE OFFERING, AND WHAT NEW SERVICES HAVE YOU MOST RECENTLY BROUGHT TO MARKET?

We offer a complete range of pick and pack services, including 100% quality checks on intake of products. Other services include systems integration, returns management, dedicated account management, despatch management and bespoke KPI reporting.

DELAMODE IN BRIEF

Date launched: 1988
Global reach – office locations: 10 European offices
Date launched in the UK: 1988
Turnover: €69m Delamode Group turnover (2015)
Current customers: Amara, Flyers Group, Print Express
Number of employees: 424 (Delamode Group)
Contact details:
Tel: +44(0)1376 333000
Email: info@delamode-group.com
www.delamode-group.com • www.delamode-uk.com
Twitter: https://twitter.com/delamodegroup
LinkedIn: https://www.linkedin.com/company/2260601
Facebook: https://www.facebook.com/Delamode-418459234888692/

WHICH COMPANIES/TYPES OF COMPANIES DO YOU WORK WITH?

We work with a range of companies from fashion retailers, home furnishing brands to printer cartridge suppliers. In the UK we work with Amara Living, Flyers Group and Print Express

HOW WOULD YOU DESCRIBE YOUR VISION?

To be successful in the expanding ecommerce environment will require a high degree of customer requirement understanding. As ecommerce evolves our vision is to evolve within this market and enhance our expertise, technology and adaptability to meet shifting consumer demands.

HOW WOULD YOU DESCRIBE YOUR GROWTH, WHAT HAVE BEEN THE MAIN POINTS IN YOUR EXPANSION AND WHAT HAS BEEN KEY TO YOUR SUCCESS?

Delamode is growing with its customers as well as through new customer acquisitions. Efulfilment is an area of growth and remains our continued focus. Apart from our advanced systems and process design which are prerequisites to retaining any business, probably the most important ingredient remains the commitment to excellence that is found in every member of our staff from GM to picking operator.

WHAT DO YOU DO TO DIFFERENTIATE YOURSELVES IN THE MARKET?

We take a flexible approach offering tailored solutions to meet and exceed exact requirements of a customer. We also offer clients a unique service guarantee that all customer orders are delivered to the customer in correct and pristine condition. On the rare occasion that a defective product is received by a customer, we promise to refund the cost value of the product, including the incurred shipping costs.

WHERE ARE THE MAIN CHALLENGES AND OPPORTUNITIES IN THE ECOMMERCE DELIVERY SPACE?

Speed and accuracy are the main attributes of commerce nowadays. The customer is well informed and very demanding. Packing for an outstanding presentation and despatching on time combined with track and trace to offer visibility during the last mile are both challenges and opportunities for differentiation. The return experience is also an area where customer loyalty is won over.

WHAT DO YOU SEE AS CHALLENGES FOR THE RETAIL INDUSTRY OVER THE COMING YEAR?

Fulfilment activities for brick and mortar operations are substantially different from ecommerce fulfilment and as such, while they cannot be combined, retailers need to find efficient solutions for both.

WHAT DO YOU SEE AS THE CHALLENGES FOR CARRIERS AND LOGISTICS BUSINESSES?

Simply providing just one part of the supply chain will no longer be enough. Logistics providers need to find ways to cooperate between themselves within the supply chain of their customer so that there is a seamless continuation in service despite having various providers covering distinct elements of the supply chain journey.

HOW ARE YOU PREPARED TO MEET THOSE CHALLENGES?

Delamode continues to invest in the future of its people and in modern software suites that would support multi-site, multi-client transactions. Motivated and trained people using the right tools and instruments make for a winning formula.

WHAT ARE YOUR FUTURE PLANS?

We have plans to open strategically placed warehouses in the UK . The aim of this is to position our customers to key sorting hubs to enable later delivery cut off times.

E-fulfilment is a key focus across our industry and a significant part of everything we now do. As always we look to play to our strengths and this year we launched EshopWedrop which was created to help consumers in Eastern Europe shop online from Western European e-tailers. Since Delamode is already delivering significant shipment volumes into Eastern Europe, it has been relatively straight forward to accommodate B2C deliveries alongside B2B groupage services.

EshopWedrop is a drop box business for B2C customers outside of the UK to save money on European delivery. For example, a customer can purchase a product from a UK online retailer using our warehouse as a delivery address. We will then ship it on our frequently departing B2B groupage trailers to the consumer's country, where they can collect their products or have them delivered at their home address. Launching primarily in Lithuania, Latvia, Estonia and Romania, with options to buy in the UK, Germany, Poland and Italy, we are looking to expand this offering across Europe and Africa.

CASE STUDY: AMARA

Amara made a decision to outsource its ecommerce fulfilment to Delamode in 2013. A decision based on a number of factors, including our track record servicing customers in this sector and our large bespoke facility that can cater for their current needs and expected growth over the coming years.

Amara wanted the resource and capacity to focus on delivering the businesses strategic vision, resulting in exponential growth over the next five years.

As part of the implementation, Delamode constructed dedicated mezzanine floors for the fulfilment operation:

- **shelving layouts designed to optimise the picking process**
- **The process is fully mapped out on our stock management system, ensuring the picking process follows the most efficient route.**

The result – Outsourcing has not only helped Amara improve the efficiency of the fulfilment operation, but has also seen a healthy improvement in their customer satisfaction.

Amara also benefit from a linear cost base model – offering flexibility with the capacity for growth without commitment for high fixed costs and new premises.

- **Goods in flow improved, goods are now located straight on the shelves.**
- **Clear communications to the team through briefings and visual management.**
- **Client meetings in place with clear defined actions and improvement process.**
- **System developments scoped and discussed with Amara.**
- **100% dispatch on time.**

Delamode has implemented a bespoke stationery printing solution. This allows for documents to be batch-produced dynamically, in-line with the pick-and pack operation, scanned and sent out with the product presented exactly to the exact specification, which is accompanied with the customer web orders. Every document is personalised to the end-customer and in a language of their choice.

The following guest article has been written for InternetRetailing by Fran Riseley, Deputy Managing Director, Martec International. The article is based on the retail consultancy's work in the sector and its newly released 'IT in Retail report 2016-17' for which it interviewed the CIOs of the leading 150 UK retailers.

www.linkedin.com/in/frances-riseley-38a122
www.martec-international.com
www.youtube.com/watch?v=Mt5hAZG3C8s&t=133s

IT spend on the up

What does 2017 hold in store for IT spend, who owns the budget and how will it be spent? *Fran Riseley*, Deputy Managing Director, Martec International, asked CIOs of the leading 150 UK retailers.

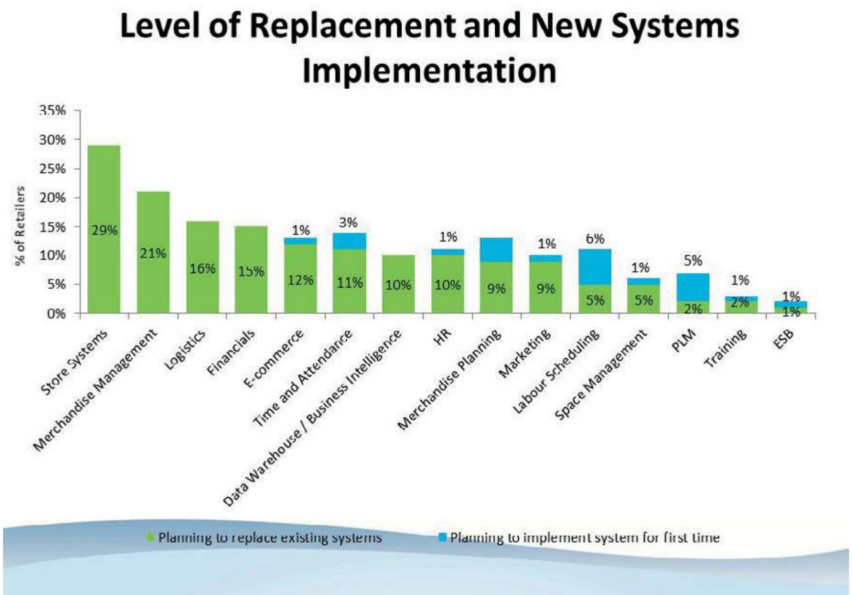
THE BIG news is that IT budgets are on the increase for the first time since 2011 and now stand at 1% of sales. This is up from 0.9% in 2014-15. Of course, IT spend varies by sector. This year the results were home shopping 3.4%, department stores 1.7%, large format speciality 1.4%, small format speciality 1.3%, mass merchandisers 1%, and food and drug 0.8%.

In real terms the spend is higher than this as a number of departments outside IT are now spending on systems. Some 42% of retailers recognise that other departments invest in IT projects that do not come under the auspices of the IT department and this is up significantly from 33% last year. The key departments that do this are ecommerce and marketing (22% of all retailers have ecommerce departments that invest in non-IT controlled projects and 17% for marketing). We expect this trend to continue as it becomes easier to source cloud-based applications. The main motivation for increased systems investment is that existing retail IT is unable to cope with a digital world and retailers that don't replace them with systems that facilitate one view of customers and single stock will ultimately fail. Work arounds and manual systems to make up for deficiencies dent profitability and reduce customer service so are not viable in the long term.

Replacement plans are high for 2017 – most noticeably store systems – 29% of retailers plan to replace them. Plus 21% of retailers plan to replace their merchandise management systems. Both of these tie in with the focus on facilitating the digital store – either at the front end or by making sure the back office stock management systems can cope with omnichannel retailing. This is rather encouraging and shows signs of recovery in the market, though of course not every retailer will actually get round to investing to the timescales they originally planned.

INVESTMENT PRIORITIES

For the past four years the top investment priority was ecommerce or multichannel systems and in 2016-17 ecommerce is again the top priority. Traditionally, store systems consumed the largest part of the IT budget, often as much as 80%, because of the multiplier effect of a large number of stores. Store systems again come in at second place. With the rapid acceleration in online and mobile sales, it makes sense that the gap in investment intentions should widen. There is more return to be gained from implementing consumer-focused mobile solutions than routine upgrades to EPOS systems. Third in the list of investment priorities is ERP which has a much higher prominence than previous years. Integrated ERP systems, rather than separate systems, will be preferred in 2017 because of the easier integration across sales channels. Our research demonstrates that significant IT investment is being planned.



The IT in Retail report also reveals that online sales among retailers that also operate stores currently stands at 8.1% of sales, down from 8.6% last year. This is really only to be expected as the market matures. These retailers predict that the level will top out at 20-29%. And it is all getting a lot more complicated to operate and the average retailer now sells from an average of 4.6 different sales channels – including online, stores, franchises, wholesale and digital TV. But systems are not very often integrated across all sales channels, making it difficult to manage them profitably. We have anecdotal evidence that when a physical store is closed online sales for the catchment area of the shop can drop by 2-3% and there have been US examples where this has dropped by 20%. The different channels therefore are vital for promoting the retailer's brand across the business.

M-commerce is obviously attracting a lot of attention. Retailers with stores now experience 4.1% of their total sales from mobile devices, about half of their online sales. Some 81% of retailers have a website that is optimised for smartphones and tablets at present, up from 60% last year and this is likely to become virtually 100% by the end of 2017.

CLOUD SOLUTIONS ARE NOW MAINSTREAM

Cloud solutions used to be favoured by start-ups and smaller companies but now they are mainstream with 80% of the leading 150 UK retailers running at least one cloud-based application. This is up from 51% last year. Previously it was non-risk applications like HR that were favoured. Now there are retailers running their ERP systems in the cloud. The single most important retail application run on the cloud is ecommerce used by 21% of retailers, up from 15% last year. Often this investment in cloud-based systems is being made outside of IT, often by the ecommerce department. In fact, the evidence is that control of the complete IT landscape is slipping out of control of the CIO as cloud-based applications become more common and easy to invest in, without involving IT.

Cloud-based systems make it much easier to achieve real time or near real time visibility of inventory across the business along with a complete view of the customer and the product range. In addition, cloud-based solutions can offer pricing models that avoid heavy Capex investments enabling retailers to pay a good share of the costs as they receive the benefits.

> "When a physical store is closed, online sales for the catchment area of the shop can drop by 2-3% and there have been US examples where this has dropped by 20%"

WHAT'S NOT CHANGING VERY QUICKLY?

Though the retail business is a fast moving one, retailers are not the quickest to change and spend on IT. Retailers now replace their systems every 9.8 years, down slightly from 10.1 years in 2014-15, so they are still really sweating their assets. Though, as you might expect ecommerce systems have a much shorter life expectancy that averages at 5.6 years – down from 7.5 last year – explained by the rapid pace of change in the ecommerce world.

In spite of the proliferation of specialist software a high proportion of retailers still rely on in-house developed systems; 26% of the merchandise management systems used by the leading 150 UK retailers are home grown and 21% of logistics systems. These levels are dropping slowly each year as retailers replace old systems with ERP or packaged systems, but there are still a number of CIOs out there protecting their empire of in-house developers.

The vendor market will continue to concentrate with more mergers and acquisitions. Though there are plenty of new start-ups and small vendors who continue to innovate and grow to compensate. So for retailers looking to select new systems to support a joined up digital business it is as difficult as it has always been. Checks into potential vendors' financial viability and credibility among clients are a vital part of the selection process.

IT in Retail Benchmarks

	All Retailers	Food and drug	Large format speciality	Small format speciality	Department stores	Mass merchandisers	Hospitality	Home shopping
IT spend as a % of sales	1.0%	0.8%	1.4%	1.3%	1.7%	1.0%	0.9%	3.4%
% of retailers spending on IT outside the IT department	42%	38%	52%	44%	55%	30%	43%	29%
% using cloud based systems	80%	71%	78%	80%	91%	90%	86%	79%
Non store sales as a % of total	8.1%	3.7%	6.8%	15.5%	16.6%	16.6%	n/a	n/a
M-commerce sales of a % of total	4.1%	1.3%	2.8%	7.7%	12.7%	1.4%	1.1%	n/a
% of self checkout tills	8.7%	7.5%	8.7%	1.6%	0%	0%	0%	0%
% of retailers offering free customer Wi-Fi	45%	46%	61%	39%	64%	20%	100%	n/a
Store sales per POS register in £000s	£552k	£885k	£398k	£376k	£542k	£364k	£149k	n/a
% of retailers with PLM system	13%	13%	17%	13%	0%	0%	14%	21%

Will the lines between channels finally be erased in 2017?

Online retail is growing – there I've stated the obvious – and footfall on the high street is on the decline (and done it again). But looking beyond the obvious, how is customer behaviour changing across the industry and the digital landscape, and how is store retailing developing to match and even exceed expectations? *Emma Herrod* **investigates.**

PRICE WAS the original driver of online retailing before it become the norm for us all to shop online. Then convenience took over as the industry innovated with free delivery and returns and a plethora of delivery methods to get orders into shoppers' hands in a way/place/time that suited them.

All this price dropping, then matching and then convenience came at the expense of the high street. Footfall in October 2016 declined by 0.4% compared with the same month in 2015, following a 0.9% year-on-year decline in September. Academics believe that this country will eventually contain a number of retail centres of superb shopping loveliness to which people will travel while others become tier 2 shopping centres for quick, local visits and the rest are consigned to a rubber stamp mould of ubiquitous chains and charity and betting shops.

The high street is far from dead, though. People at either end of the age spectrum still prefer to go to bricks and mortar shops. In fact, some 71% of over-60s and 54% of under-30s prefer to buy things in store and take them home with them, according to an international study by Oracle. It says: "Many retail businesses are rightly focusing on the ways in which the 'millennial' generation (under-30s) will shape their business, but there is a lot of potential spending power still locked up in the 'baby boomers' (over 60s) who have more disposable income and are enjoying greater financial stability and quality of life than many younger demographics. For these shoppers, it is crucial to continue investing in the in-store experience. But the emphasis must be on 'experience'."

Partners at McKinsey & Company agree that older shoppers present a big opportunity for retailers. The older demographic will account for more than half of all growth in urban consumption in developed markets in the next 15 years. This is equivalent to $4 trillion (£3.17 trillion).

This growth is down to the sheer size of this segment as it ages, rather than the amount of wealth, explains McKinsey partner Markus Schmid. There is a wide income level in the older age group as pension changes take effect, so retailers need to know who their customers are. "There is no such thing as an average consumer," adds fellow McKinsey partner Jaana Remes.

There are common traits around physical limitations, and the greatest disruptor for this age group is the transition from being in work to becoming pensioners and the resulting increase in the amount of spare time that they have.

Remes explains that the older shoppers have more time to think about how they will not only spend their money but also how to do it in an enjoyable way. This equates to experiences such as sports or other hobbies and the associated clothing and accessories, and she believes this is an "untapped opportunity".

"Baby boomers are breaking the stereotypes of what older people are like," adds Remes and they will "want to do things their way as they always have".

The older demographic wants to make purchases in-store and arrange to have them delivered to their home, according to the Oracle research. Shopping via mobile is also a big trend for this age group. Click and collect and the ability to check in-store stock before visiting a physical store is a preference they share with millennials, who want to research online to buy in-store and research in-store to buy online.

Retailers are trying to scale omnichannel service while driving down costs; at the same time they are also having to be flexible and agile to offer the right services and products to disparate consumers and those that don't fit the standard stereotypes. It means that retailers need to have the digital tools to measure and understand the preferences of not only different demographics or segments but also individual consumers.

> "23% of millennials and baby boomers have abandoned a purchase in-store due to a lack of information"

2016 INTO 2017

In store, 2016 saw the continued rise of personalisation and clienteling in store as retailers armed their store associates with iPads, with Boots being the notable launch of the year. The current culmination of omnichannel puts store associates in possession of customer purchasing and browsing history as well as a view of stock location in their own store, others in the estate, warehouses and across the supply chain. But not all retailers have reached this stage – yet.

With shoppers of all ages wanting to be sure that a product is in a shop before they visit, either to look at it or make a purchase, shouldn't a view of stock availability and location be a priority for retailers in 2017?

Standing in a queue at a big box retailer recently to return a purchase, I was amazed that the member of staff at the returns desk had to phone customer services to find out when an item would be back in stock in their own store. It was also clear it wasn't the first time they'd had to make such a request that day. To their credit, they also made a Tannoy announcement and processed another customer's return through the checkout while on hold to head office customer services.

If the information is available in one part of the business, customers don't understand why it can't be made available openly. Mobile is making it easier to show stock information in a way that suits different audiences and it's also opening up other areas of digital retail. Self-service, for example, is being offered not only at checkout from in-store devices but also from mobile. This is available mainly in restaurants at the moment but it's something that's not beyond the scope of other types of retailing.

Shoppers also like to be able to research products online and/or in-store before purchasing through another channel, and digital gives them access to masses of information via their mobile phones. Paul Skeldon will expand further on trends in mobile commerce but, needless to say, retailers should be thinking mobile first, and it doesn't always need to be complicated.

In September, for example, Mothercare introduced swing tags printed with QR codes on many of its products that customers normally research, including pushchairs and car seats. When they scan a code with their smartphone, the customer is taken to a page on which they can view further details of the product, including photographs, video and reviews. The codes are also printed in the retailer's catalogue. ▶

FULFILMENT

Shoppers like click and collect and it has been one of the saviours of the high street – and the customer delivery promise at peak times. It not only offers customers the convenience of being able to pick up orders from a preferred location at a time that suits them, but it also drives incremental purchases because they have to walk through the store to the collection area.

Shoppers at either end of the age spectrum told Oracle that they like click and collect. Older shoppers also like the flexibility of being able to buy something in store and have it delivered to their home. Is this a service that will grow in importance as the urban population ages?

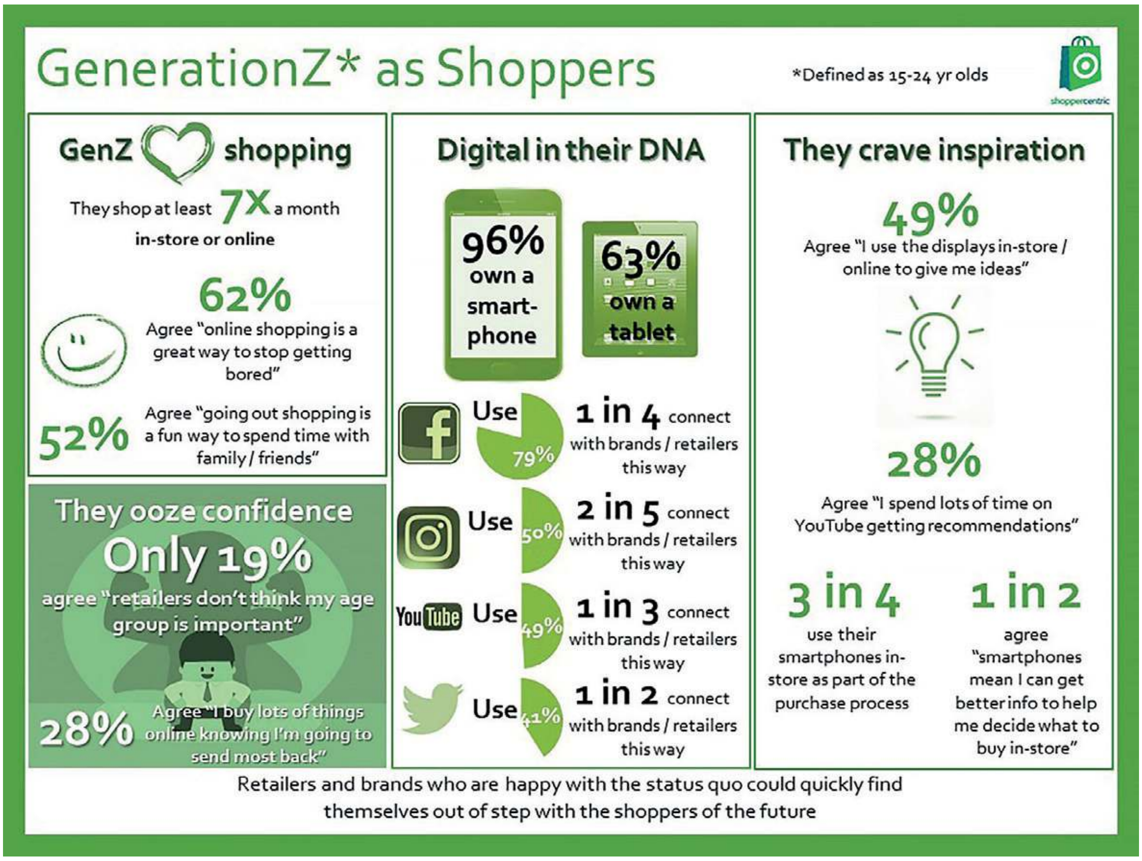
According to a study by CBRE, however, shoppers would rather visit a shop and buy there and then than click and collect. In fact, many now see this service as inconvenient, taking time and effort. Only 16% of those surveyed said the ability to click and collect was very or extremely important in deciding where to shop and 31% went as far as to say that it was not important at all.

But consumers do want flexibility and the full integration of online and offline services such as the ability to purchase and return through any channel. Correlating with Oracle's findings, one third of the CBRE study respondents said that they would like to be able to continue to shop in physical stores but have their purchases delivered to their home. Almost half said that free, same-day delivery for in-store purchases is extremely or very appealing.

> "Free, same-day delivery for in-store purchases is extremely or very appealing to shoppers"

Omnichannel is not going away; shoppers want what they want, where and when they choose, and this is only making it more complicated for retailers' systems, operations, processes and staff. As the CBRE says: "Customers don't want there to be a line drawn between online and offline; it's the same retailer, so why would they be different?"

People who shop online like Amazon because "it just works", so isn't it time that the high street 'just worked', in terms of convenience of knowing that something is in stock before you visit the store, offering the ability to view additional information about a product on your phone or a store associate's tablet while in the store and receive additional validation from other customers through ratings and reviews. In the same way that websites are designed to ease different types of purchasing journeys from the quick know-what-you-want grab to the longer browse, shouldn't physical shops be enabling the same?



Nicola Millard, Futurologist at BT, agrees. “We know a lot of shopper behaviours are driven by convenience and ease,” she says. She adds that people are happy to pay more for an easy shopping experience. They also want to be in control, and this is one of the factors behind the growth of click and collect.

Rather than considering customers by age, though, retailers should also analyse them by the motivation behind their shopping journey and use this as a way to ease their shopping journey. According to Millard, a ‘Visionary Customer’, who is looking for a dress for a specific occasion, for example, will have a positive motivation for the purchase and is likely to use many different channels, embrace the shopping experience and have fun. A ‘Customer in Crisis’, however, is looking for a solution to a problem and they are more likely to use physical channels and want to talk to another person. Here the phone is the most accessible channel. The ‘Utilitarian Customer’ is neutrally motivated and is looking for a quick and easy channel through which to make their purchase. “I don’t need a wow experience to buy carrots,” says Millard.

Retailers need to understand every customer and their motivation for each shopping journey and this is where data will help, not only in giving the retailer a better understanding of the customer but also in being able to make the shopping experience easier and more convenient. We’re already seeing how smartphone carrying shoppers can opt-in to be sent personalised communications in store. Moving on from this, retailers can become proactive, using omnichannel data to nudge a shopper towards the things they might like to buy.

The next step is predicting what that shopper will buy and having the stock in the right place before it’s needed. Retailers have always had big data but now is the time for them to use intelligent analytics tools aligned with intelligent human beings to work out how they can do things better and make shopping easier for customers, explains Millard.

> “Older shoppers have more time to think about how they will not only spend their money but also how to do it in an enjoyable way”

“I think this will really fly if we make things easier for customers, and they will be happier to share data in order for the retailer to use it in a meaningful way,” she says.

Digital is starting to bring ease and convenience back to the high street, with omnichannel systems to ease operations so that store staff can interact on a par with smartphone-holding shoppers. IT is opening up a full, transparent view of the retail organisation and linking every touchpoint to the customer, to stock and in real-time.

Having the back end in place for omnichannel services creates flexibility for the future, because used correctly technology can really add to the shopping experience in a way that online is still trying to achieve (at the moment that’s a personal service), being flexible and giving shoppers the experience they want at that time.

So whatever age the customer, once they’ve walked into a shop, the experience needs to be frustration-free with items on the shelves, access to further information and a quick and easy way to buy and get the purchase home. Where those choices can be helped with digital, it should be done so in a way which fits easily with how the store associates work, with an interface that’s right for them but also be presented in a way that’s accessible to shoppers – either in consultation with the store associate or on their own device. 2017 could be the year when shopping on the high street becomes as simple and painless as shopping on Amazon, but with added pizzazz.

Douglas Hollinger

Vice President, Strategic Commerce Consulting

WHAT DOES YOUR COMPANY DO?

PFS is a commerce services business combining integrated technologies, professional services and a worldwide network of systems and logistics capabilities to deliver global commerce solutions for leading retailers and brands. The company works with customers at every point of the commerce lifecycle from strategic consultancy through to trading, fulfilment and call centre support. Projects range from strategic analysis identifying business opportunities, outlining digital roadmaps and operational efficiencies through to analysis of consumers' online and omnichannel experiences.

PFS is solution agnostic, with strong and longstanding partnerships with the major enterprise commerce platform providers, which results in the best technologies being utilised for each digital build or omnichannel implementation.

PFS IN BRIEF

Date launched: Established in the US in 1994. Launched in Europe in 1999 and the UK in 2014.
Global reach: PFS has a global reach working from 15 locations in the US, Europe and India.
Turnover: US$288m in FY2015.
Customers: Over 170 world-class brands including P&G, Diageo, LEGO, L'Oréal and PANDORA.
Employees: ~2,600
Partners: PFS is a solution-agnostic provider working globally with the leading enterprise platforms including Salesforce Commerce Cloud, Salesforce Marketing Cloud, SAP, Magento, IBM and Oracle ATG. In the UK market, the company also partners with Qubit, Amplience, Monetate, Tealium, Adyen, InRiver, Bazaarvoice, Rackspace and Mirakl.
Contact: For further information contact PFS at www.pfsweb.com, via Twitter @PFSweb, Facebook www.facebook.com/PFSweb/ or telephone 020 3475 4000.

WHAT IS YOUR USP?

Historically, PFS built up its business by offering digital marketing, logistics and call center services and even operating commerce channels on behalf of retailers and online businesses. This operational experience has resulted in a world-class understanding of the daily challenges facing retailers and the longer-term shifts in the retail landscape and technologies. We bring a pragmatic and realistic view of what technology, people and operational processes can achieve. Sometimes we challenge what customers are trying to do, with a view to ensuring their ongoing success. This consultative approach informs how the company engages with every project, be it a competitor benchmark or full service end-to-end commerce implementation.

The company's global footprint enables it to reduce the steep learning curve that customers could go through if expanding into new markets and geographies alone.

> "PFS is a commerce services company that leverages years of experience building, operating, and scaling digital businesses globally, enabled by technologies and services that help our clients succeed in a rapidly evolving marketplace"

WHO ARE YOUR CUSTOMERS?

PFS works with leading retailers and global brands based predominantly in the US, UK and Western Europe. These include The Entertainer, Burberry, The White Company, HP, Procter & Gamble, Starbucks, Columbia, L'Oreal, Movado, ASICS and LEGO.

As well as advising customers on global expansions, the company is seeing a growing shift of brands and CPG companies moving into new areas and business models as they expand to a direct model of selling to consumers. Among retailers, there are many questions still around omnichannel investment and branding in a market where the pace of evolution keeps accelerating.

WHAT DO YOU SEE AS THE CHALLENGES FOR RETAILERS OVER THE COMING YEAR?

Changes in consumer thinking and shopping behaviour is escalating the need for retailers to evaluate their place in the market, how they add value to their customers and differentiate themselves from the competition. The traditional retail industry is struggling with its value to the consumer and how to solve the issues around standing out in a crowded market often driven by discounting. This re-evaluation is resulting in better consumer experiences, often at a personal level across digital and stores, as retailers implement omnichannel services.

The makeup of many store estates is changing too as is the look and feel of individual stores as digital technologies are implemented to open up a full view of stock and customer history to store associates. Mobile technology is putting that same information directly into the hands of consumers.

Much of the work behind omnichannel services though is structural and operational rather than digital and this is where PFS's deep background in commerce operations comes to the fore.

HOW ARE YOU PREPARED TO MEET THESE CHALLENGES?

PFS has an end-to-end view of retail and is proactive in highlighting issues which may arise downstream in other areas of the business when making changes in another. We can guide customers through the questions that need to be asked when scoping a problem or removing friction.

Solutions do not necessarily come from within the retail industry. A global footprint means we can bring in lessons from other industries or regions to accelerate learning for retailers in another area.

This is true of technology too. PFS works with the major platform providers including Salesforce Commerce Cloud (formerly Demandware), SAP Hybris, Oracle, Magento and IBM as well as having pre-built integrations for payments, fraud, order management and customer service. As the market shifts, we continually investigate new ways of working and technologies so that we are better able to advise on the right priorities for retailers while tying that back into specific business problems with measurable outcomes.

This Company Spotlight was produced by InternetRetailing and paid for by PFS. 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.

CUSTOMER CASE STUDY

Barbour's quintessential British style and excellent quality clothing are renowned over the world. With a presence in over 40 countries, the brand has grown to sell over 2000 products designed for a stylish and functional wardrobe. Barbour continues to evolve as a lifestyle brand while embracing and honouring its rich heritage that dates back to 1894.

To support their online growth and to improve their customer interaction, Barbour were on the lookout for a partner who had consumer experience at the heart of its strategy combined with expertise in fashion retail and seamless technical delivery capabilities. PFS were well positioned to respond to their needs, by helping them drive innovation into their ecommerce platform, and by optimising their brand engagement channels. With Barbour's customer journey metrics in hand, PFS were able to analyse and address the brand's pain points and come up with a strategy that would improve usability and the overall customer experience.

The user interface was updated and the site boasted a new design with a more engaging navigation experience. Strategic, functional and configuration changes enabled the platform to scale to accommodate the highest seasonal online peaks and give the brand an optimal foundation for future commerce capabilities with the most innovative features. PFS looked at how the internal team used the platform and armed them with the right tools to optimise the platform's functionalities and ensure a smooth commerce venture for Barbour in the long run.

The new website was launched in less than 6 months and proved to be the ideal stepping stone for greater B2C and B2B service. Providing customers with a quicker path to purchase saw the brand's overall site conversion increase to 38% YOY. Mobile and tablet device navigation were improved to reduce clicks within the customer journey from product selection to checkout and to boost overall product visibility. As a result, the brand has seen its mobile conversion increase to 70% and its tablet conversion to 34%. Barbour now owns a strong relationship with their digital customers and benefits from increased margins and upsell capabilities. The overall solution implemented by PFS allows for a robust but flexible commercial model that can support Barbour's omnichannel growth and limitless innovation.

What a difference a year makes

Emma Herrod **shares insights from operations and logistics directors about changes in retail delivery in 2016 and looks at what they could mean for 2017.**

2016 STARTED with speculation over a possible acquisition of Argos owner Home Retail Group (HRG) by Sainsbury's. Edelivery.net wrote at the time that acquiring HRG would give Sainsbury's not only the opportunity to switch on a whole new stream of non-food product lines but also give it a head start in delivery. At the time, Argos was the only major non-food retailer in the UK offering anything approximating the same service level that the grocery sector was able to provide, via its Fast Track service. Launched in time for Christmas 2015, Fast Track saw the retailer offering same-day delivery as standard with four time slots across the day cutting off at 6pm for delivery of orders by 10pm.

At the same time, Amazon was rolling out its Amazon Prime Now one-hour service to Manchester following its initial offering in London, Birmingham and Newcastle, and giving "no comment" interviews about its fleet of Amazon Air planes (a fleet of 40 will deliver to DCs around the US and connect with the retailer's network of final-mile solutions). It remained secretive about tests of drones in the Cambridgeshire countryside for home deliveries.

Meanwhile, on the ground, Google had been given a US patent for a driverless delivery van with secure lockers, and carriers, including Doodle, DPD and Parcelforce, continued to innovate with new services.

The year also saw more faster delivery options launched with speedy delivery continuing its rise against cheaper or economy delivery methods. In August, next-day delivery became the most popular choice as the service continued to be a way for retailers to differentiate. As Andrew Starkey, Head of E-logistics, IMRG, comments: "We've been tracking a general increase in the percentage of next-day orders for a while now, and in August it became the most popular option domestically for the first time."

> "Has the love being shared with customers in services and delivery choice been extended to the delivery person they meet on their doorstep?"

He adds: "There are a number of factors potentially influencing this. Some retailers see delivery as a differentiator and are offering next day as standard; others offer it if the customer's basket value is above a specific threshold; and for others the charge for next day is smaller than it has been on average in previous years. A move toward faster delivery is not unexpected."

The theme of delivery and returns as a differentiator continued a trend seen in previous years and this carried on throughout 2016. A survey by MetaPack found that 61% of respondents had purchased goods from one online merchant over another because the delivery choices were better suited to their needs. Shoppers also said that they wanted more flexibility in delivery beyond that offered at the time of making the purchase. Some 46% wanted the freedom to make in-flight changes to their delivery even after it had left the warehouse or was out for delivery with a carrier.

DPD launched a service in the summer of 2016 which helped with these consumer requirements. Its Precise delivery service allowed shoppers to choose a specific one-hour delivery slot for their order on a retailer's website. The first retailer to offer it was Asos,

Argos pioneered same-day delivery as standard

a fashion retailer which has continually innovated with delivery choice and offers customers a Prime-style annual delivery service, too. When its customers receive their text message telling them which hour the DPD driver will be with them, they can respond and either accept the package at that time or choose a different day and one-hour time slot. They can pick any time up to 7 days ahead.

Busy lives and uncertainty about where we'll be at any given time has led to shoppers wanting greater control of delivery. The time of waiting in all day for a delivery is long past. Shoppers want to decide when and where to have their parcel delivered, to make in-flight changes, and have the option of it being delivered to another location such as one of the ever-expanding number of pick-up points. They also still want the free option of picking up an online order from one of the retailer's stores – or from another retailer.

While one-hour delivery to a specific location is at the cutting edge of delivery in the UK, South African retail group Foschini Group has gone a step further with its trial of a "deliver to me" service. Customers can select this premium service at checkout, for which they have to pay a fee. Items are sent to a centralised collection point, from where they are collected and delivered to the customer's phone GPS location. Jan Tukker, Head of TFG Logistics, The Foschini Group, says that a small pilot of the service is being run in Cape Town with stock from its outsourced ecommerce fulfilment centres. He adds: "We have no stats on this yet, but I'm sure it will only appeal to a very small portion of our customer base with specific needs. It is great to deliver innovation within this exciting area of our business."

COLLABORATION

Back in Europe, retailers have been sharing facilities – from Asda's toyou service, which allows other retailers to use its logistics capacity to move customer orders and its stores as delivery and returns points, to Zalando, which is enabling online shoppers to purchase branded goods from its site and pick them up in the brands' own stores in Berlin. Efficiencies are being made everywhere possible but in innovative ways which enhance the customer experience rather than detracting from it. ▶

In a move similar to Zalando's online/offline link with brands, French flash sales site Vente Privee is trialling a pick-up solution linking its online sales to stock held in brands' outlet stores. As Ilan Benhaim, Director of Strategy and Innovation, Vente Privee, explained at Manhattan's Exchange conference, when a customer places an order, they are given the option to collect it from any of the brand's locations in France. The chosen store is sent a message and given 24 hours to confirm that the stock is in the store, or to get the item from another store or warehouse. Because of the nature of the sales stock, if it's found not to be available, the customer is given a discount voucher.

Benhaim explains that the service is available only to brands which already offer click and collect.

The trial, which has been running for the past six months, has not increased conversions on the Vente Privee site, according to Benhaim, and has the same conversion rate as its standard model.

John Lewis, meanwhile, has formed a joint venture with Clipper Logistics to provide next-day delivery and click-and-collect services to high street stores. This formalises a collaboration between the duo first announced in July 2015, since which time they have been extending their knowledge of the specific needs of retailers and their customers' demands around click and collect.

This includes timed delivery to store in a retailer-friendly format; integration with retailers' customer service systems to provide customer and store updates; text messaging to retailers' end customers; and delivery to store in roll cages with clear parent and child relationships between the cage and parcel to enable parcels to be retrieved quickly.

Needless to say, the service has been trialled with John Lewis parcels and their delivery into Waitrose stores.

As the year ended, shoppers in selected postcodes were able to get their Morrison's groceries delivered from store in an hour, by Amazon, pick up their Argos order from 200 digital collection points in Sainsbury's stores or have items delivered by bike courier.

But where does this leave the runners, riders and delivery drivers upon whom the customer experience of the brand or retailer rides? Has the love being shared with customers in services and choice been extended to the delivery person they meet on their doorstep?

It would appear not. Retailers and the carrier industry are competing on wages and conditions to recruit the best drivers and those who are able to be the physical manifestation of the retail brand on customers' doorsteps offering a good delivery experience – as well as hitting drop targets. I was told repeatedly during 2016 that there is a shortage of drivers and the industry needs to do more to attract people across many other supply chain positions as well. So why did the year end with an uprising of Uber and Deliveroo workers protesting against working conditions and pay, and looking towards unionisation of the gig economy. I think it's an employment taxation issue more than a brand strategy one.

> “Shoppers continuing to sign up for Amazon Prime will expect other retailers to follow suit with next-day, same-day and within-an-hour delivery options”

What does this all mean for 2017? Autonomous vehicles will eventually solve some of the driver shortage issues, but it will remain a problem that the industry needs to address while it takes on the increasing number of parcel drops that are the consequence of online retailing. Whether customers are collecting their order from a store or a pick-up point, or having it delivered to their home, it still needs to be transported.

Shoppers have become used to next-day delivery as the norm because it has moved from being an incentivised offer to push sales, to being the standard, free-delivery model. This will carry on because shoppers continuing to sign up for Amazon Prime will expect other retailers to follow suit with next-day, same-day and within-an-hour delivery options. The fact that Amazon rewards its Prime customers who choose not to have their order delivered next day shows how far it has gone in changing customer behaviour and expectation.

As ever, where one leads, the rest will have to follow. And for the customer, the winner will always be choice. In these times of constantly connected, instant gratification, that choice is becoming whatever's fastest. For retailers that don't have Amazon's deep pockets to soak up billions of pounds of fulfilment costs in a bid to capture markets, delivery must be factored into the product price and the promotional budget or passed onto the customer. They are making greater efficiencies throughout the supply chain to reduce costs using various means, including optimising packaging, reducing empty running of vehicles and speeding up throughput of product from goods-in to collection point. Every part of the supply chain is being squeezed and optimised for omnichannel retailing and to give the customer an experience that matches the brand, but how many of those customers care if the part being squeezed most is the person delivering their parcel.

Ecommerce forecast to grow 14% in 2017

Online retail is forecast to grow at 14% in 2017 following a year in which sales rose by 16%, according to the IMRG Capgemini eRetail Sales Index. The growth rates follow a Christmas which again showed strong growth for online ordering and click and collect. *Emma Herrod* **reports.**

A MASSIVE £133BN was spent online with UK retailers in 2016, according to the latest figures from the IMRG Capgemini eRetail Sales Index. This was £18bn more than the amount spent online in 2015 and meant that the Index registered growth of 16% in 2016. The results demonstrate an exceptional performance for online retail, exceeding IMRG and Capgemini's forecast of 11% growth for the year and reversing a trend of declining growth rates over the past few years.

Across sectors, looking at 2016 as a whole, accessories and lingerie witnessed the biggest increase in online sales, up 38% and 33% respectively. This was followed by gifts, up 26%, and footwear, up 21%, all of which exceeded the Index's average growth rate. However, the health and beauty sector had a year to forget, with online sales in the category tumbling 3%.

The year ended with a strong Christmas period for many online and multichannel retailers and the now expected Black Friday promotions which in 2016 stretch to a week or longer to alleviate pressure on operations.

IMRG & Capgemini report that £25bn was spent online over the Christmas period, which it counts as the six weeks running from 13 November through to 24 December. This represents an impressive 16% rise on the amount spent in 2015 as consumers continue to shop for presents online.

Multichannel retailers are still seeing an increase in the number of online orders collected in store with Q3 seeing a rise of 23% and Q4 expected to be as much as 33%. As some retailers have already reported, click and collect accounted for up to two thirds of online orders in the run up to Christmas.

In December, footwear retailer Schuh saw the use of click and collect by customers picking up their order in store within an hour increase by 600% over the previous year's figure. These orders are picked from store stock, explains Sean McKee, Director of Ecommerce and Customer Experience, Schuh. Usually the retailer sees 40% of orders fulfilled from store and 60% from its Distribution Centre.

At John Lewis, online sales were up 11.8% over the six weeks to 31 December as online took 40% of total sales. "Our multichannel capability has again proved its worth," said Sir Charlie Mayfield, Chairman of the John Lewis Partnership reporting that click and collect sales were up 14.5% and accounted for 52% of online orders. "Operationally, our supply chain performed particularly well; on the Saturday after Black Friday our Magna Park distribution centre processed 33% more units than the equivalent in 2015," he said. Across the weekend, an average of 12,000 units per hour were picked across its network.

House of Fraser reported a strong Christmas too with Black Friday coming in as its biggest ever day for online as ecommerce sales increased by 40% on the previous year. CEO Nigel Oddy commented: "Over the period, we have seen a record performance from our market leading Buy & Collect service, increasing by 22% on last year, highlighting the strength of our award winning multichannel business."

Amongst the pureplays, Shop Direct, which operates digital department stores Very.co.uk, Littlewoods.com and VeryExclusive.co.uk, delivered its fifth consecutive record-breaking Christmas. During the 7 weeks to 23 December, it delivered 6.9m parcels via Yodel, Arrow XL and Royal Mail. Over a quarter (1.8m) of the total parcels delivered were picked up from CollectPlus locations – a 20% year-on-year increase in click and collect

Monday 19 December saw a big peak in sales since it was the last day on which many retailers offered guaranteed delivery for Christmas. Pureplays saw a slightly higher peak than multichannel retailers which saw a further peak on 23 December when shoppers chose to collect their orders in store.

However, the increase in online sales and click and collect did not come without operational issues. Around a third of shoppers said that they had experienced issues with an online purchase, according to the JDA/Centiro Christmas Customer Pulse Report. Some 31% of those shoppers experienced late deliveries, 23% didn't receive the ordered items and 22% received damaged goods.

There were issues with click and collect too, but less than had been reported in 2015. Nearly a third of Christmas click and collect shoppers encountered issues with their order (down from 36% the previous year). Amongst the issues listed, long waiting times due to a lack of in-store staff (32%), and staff being unable to locate or taking a long time to locate items in-store (30%), were cited as the primary reasons that had a negative impact on the Christmas click and collect shopping experience.

"While it is encouraging to see a slight reduction in Christmas online delivery and click and collect issues, retailers shouldn't be cracking open the champagne just yet. These findings must be tempered by the fact that Christmas online sales volumes continue to grow," says Jason Shorrock, Vice President of Retail Strategy EMEA, JDA.

eDelivery
Fulfilling the multichannel promise

The following guest article has been written for InternetRetailing by Katy Howell. Named 4th most influential social media marketing expert by the Drum, a BIMA HOT100 (twice) and Digerati top 100, Katy is CEO at immediate future – a 12 year old social digital consultancy that helps brands succeed in social media and deliver value to the business. Katy's social expertise spans many industries with clients including Fujitsu, lastminute.com, Thomson Reuters, Post Office, IBM, Selfridges, Staples Europe, Cineworld, Diageo, HSBC, JD Williams, Sony Music, Ubisoft, bmibaby, and IBM Tealeaf.

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www.linkedin.com/in/katyhowell
www.immediatefuture.co.uk

2017 is the year social gets serious about paid, journeys and dark networks

Anyone with social in their marketing mix is used to constant change. Facebook updates, platforms buying other networks, new formats and the shifting preferences of consumers. 2017 though promises change on a different scale. Change that makes social a serious business. *Katy Howell*, **CEO, Immediate Future explains further.**

THE CHANGES in 2017 will mean retailers will have to stop chasing vanity metrics or treating social as a 'nice to have'. Those that don't change will slide into obscurity. Those that do grab the social opportunity will take the lead. Let me explain.

If you want to be social you need to pay: In 2016, the social networks made it clear: spend on advertising, or you won't reach your customers. This could have seen brands leave social for good, but it didn't. In fact, the results were so outstanding that paid social media grew faster than expected. And by 2017 social network ad spend is expected to reach $35.98bn (£28.28bn).

Now, all the networks have propositions that let you target, drive action, retarget and get your message in front of your audiences. The tools are there, your audience is receptive and the results are proven. Investing in social ads will be critical in 2017 – it's your gateway to social success.

Focus on the journey, not just the sale. If you aren't attributing your sales across the customer purchase journey then you are missing a trick. For starters we know that 70% of consumers trust reviews written by customers. Yet, again, and again, internet retailers focus on only selling products through social. Many are too focused on the next quarter revenues to see that it is the brands that 'nurture' the purchase in social that are winning.

Personalisation is the key to maximising the value across the purchase journey. Language, content and context must change through the journey and consumers are inspired, consider buying and eventually purchase if they feel valued. Some 86% of consumers say personalisation plays a role in their purchase decision. It is time to slice and dice your data across social and understand how best to motivate and drive sales.

It isn't just what you say to your customer, it's where you say it. When the journey is mapped by device you see another trend that is firmly fixed for 2017: Nearly 80% of social media time is now spent on mobile. Yet for many clicking through to buy from Facebook, Snapchat et al, is a painful experience. Mobile enabled and Mobile CX is a crucial integration for all those companies wanting consumers to complete the journey and buy something!

Dark social will come into the light: Of course tech innovation in social will happen. We don't know what is being cooked up in Silicon Valley, but we do know that consumption habits are already changing again. The biggest new entry is messenger apps (called 'Dark Social' because unless you are in the group, you can't see what is going on) – from Facebook messenger (one billion active users) to WhatsApp (most used messaging platform globally) the spike in usage is phenomenal.

Global Web Index data shows that 55% of messenger users are shopping on their mobiles. The opportunity is big. As yet though it is hard to know how retailers can tap into the very personal and tribe-like network. Bots are one answer and they are set for an explosion in 2017. Not just for customer service and purchase assistance either. Bots for marketing through messenger apps are already being heavily exploited by the broadcasting world.

You can also expect that the messenger apps will look at ways to monetise the platform. Advertising will be planned, formatted and rolled out. Already some are allowing video, stickers and gifs to be shared. So be prepared. Save some budget. This is going to be big.

There are also trends building on 2016's success. Video will continue to dominate, but brands will start to format for native social as well as owned estates and YouTube. This means creative executions will need to consider 3G/4G downloads on native ads and we will see better usage of short video in native platforms and retargeting for long form video.

The last few months over excitement about influencers will grow in 2017. Eventually, as results are shared there will be a move away from influencers as a way to garner reach and instead it will move back to its heartland, changing behaviours. There will be a rise in working with micro-influencers too as brands find the internet celebrity costs skyrocket.

Finally, there is of course the unknowns. There always is in social media. Who really knows which technologies, which platform or which trends will take off? Agile marketing is our future. Be ready to change. But then you're used to that!

THINKING OUTSIDE THE BOX

The most viewed videos on YouTube are people taking a new 'purchase' out of its box. The first recognisable unboxing video was uploaded in 2006, so it's not a new phenomena. It does continue to grow though. Packaging supplier Rajapack explains its continued appeal.

The first recognisable unboxing video was uploaded back in 2006. Titled 'Unboxing Ceremony of Nokia E61', this video featured what is now synonymous with the trend – tech unboxing. Since then, unboxing has taken YouTube by storm, with 6.5 years' worth of unboxing videos uploaded to the site in 2015. The products unboxed cover everything from common tech gadgets to luxury clothing, children's toys to live reptiles. In fact, if a product is available to buy, there is more than likely an unboxing video to go with it.

In 2014, a YouTube search for the term "unboxing" yielded more than 20 million search results. At the time of writing, the exact same search returned almost 50 million results. The highest earner on YouTube is the owner of a channel dedicated to unboxing Disney toys. DC Toys Collector is estimated to have earned $4.9m (£3.85m) in 2014 and has absolutely no affiliation with Disney.

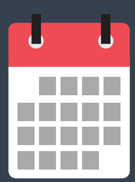
The third most popular YouTube channel, by views, belongs to unboxer FunToyzCollector, with a view count of over 11.6 billion. The channel's most popular video alone racked up a staggering 499,514,454 views, putting it at number 155 on the list of most watched YouTube videos ever.

The appeal of unboxing videos can be explained by our capacity for empathy. Humans have the capability to put themselves in someone else's place. Research has identified responses in the brain called "anticipation circuits", and it's these that begin to fire in our own brains when we watch a stranger unbox something. This discovery was made by accident in 1992.

Since then more studies have been undertaken at different laboratories that have verified the existence of what has been called the "mirror neuron system". These neurons activate not only when we perform an action ourselves, but also when we watch someone else perform that action.

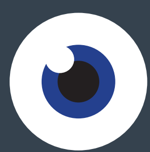
The importance of unboxing videos for brands therefore is of equal value to word-of-mouth marketing. The ever-growing popularity of online customer reviews and the importance of influencers as brand advocates is something brands can no longer ignore.

HOW POPULAR IS IT?



2,370 days
or 6.5 years' worth of unboxing videos were uploaded to YouTube in 2015

51 million
search results for the term 'unboxing'



596 million
Unboxing channel Ryan's Toy Reviews was the most watched YouTube channel June 2016

Amazon Go Johnny Go Go Go Go...

Paul Skeldon, **Mobile Editor, Internetretailing.net examines Amazon Go and what it means for high street UK.**

WHO WOULD have thought that the future of both merchandising and omnichannel retailing would come from the old world of the High Street?

The integration of technology into the High Street has long been tipped as being transformational for how we shop – but many of those comments were on how actual physical shops would morph into something crossed between pop-ups and coffee shops (or huge town centre warehouses).

But not if Amazon Go takes off.

In one video and one concept store Amazon might well have shown us all what merchandising in the omnichannel world is set to look like by the end of 2017. It also marks the shift in the role that mobile (and therefore online) plays in retail.

For those of you not aware of how it works, Amazon Go is a pilot store in Seattle due to open early this year where the shopper uses their mobile phone – with Amazon Go's app running in the background – to check into the store through a scanning barrier much as you find on the underground, and then they can freely shop; taking things off the shelves and popping them in their bag as they go. Then they just leave.

Yep, walk right out the door with their stuff. No queuing, no paying. Just in, choose, leave.

Of course, they are charged – via the app that has all their payment information and where the receipt then resides – but as far as a seamless experience goes it is as seamless as you can get.

Behind it lies billions of dollars of investment in sensors, machine learning, IoT, GPS tracking and more – mostly technology developed for the automated automobile industry – but the idea is truly revolutionary for retail.

The trial in Seattle is being based in a convenience store, but in theory the tech could well work in any kind of retail environment and if it does take off it, at a swoop, transforms shopping in store, shopping on mobile, payments and of course the high street shop.

While the technology is a beta and Amazon hasn't disclosed the cost of the trial, what Amazon taps into is a shift in consumer demand for the speed and convenience found online in the real world. While many write off the High Street store, it is in fact one of the most preferred ways to go shopping for many consumers. What needs to change is how it is integrated with mobile technology. Amazon plays to this with aplomb.

According to Hugh Fletcher, Digital Business Consultant, Salmon: "Even if a shopping experience is in-person, not online, shoppers are constantly telling us that they want the same speed, convenience and user-friendly experience that online and mobile shopping provides. As retailers move away from traditional stores, we expect technologies like Programmatic Commerce – the concept of automatic purchasing through connected devices – to dominate the sector."

Salmon's own research finds that 57% of UK shoppers will be ready for fully automated purchases through IoT devices within two years. Programmatic can therefore drive a new age of shopping that is IoT-enabled, and allow retailers to feed the modern-day customer who is now accustomed to a more direct, quick and convenient method of shopping.

"Amazon has been smart here – the brand was born digitally but knows that the future of retail is a perfect mix of online and physical," says Fletcher. "Amazon Go is just a trial but we would expect it to catch on."

Part of this perfect mix as we have said is seamlessness. Payments – online and in store – have always been a sticking point, made worse in many shops by the need to queue to do it. Here Amazon Go's success will be watched keenly.

"Providing the consumer with a truly frictionless experience is the holy grail for the payments industry. This has already been achieved in-app with platforms such as Uber, but has yet to be translated in-store," says André Stoorvogel, Head of Marketing, Rambus Bell ID. "In the IoT era, however, we are moving ever closer to delivering a seamless in-store experience. Beacons, geolocation, computer vision and biometric technologies are being combined to deliver a frictionless experience."

According to Stoorvogel, both the payments and retail industries will be closely monitoring the success of Amazon Go. "The concept deploys various technologies – the exact details are yet to be released – but, as well as Amazon Go, we also predict myriad other pilots, demos and announcements throughout 2017 that aim to move all stages of the in-store payments process – from initialization and authentication, right through to final confirmation – firmly into the background."

TRANSFORMATION

However, the real boon here is combining online experience with the real world to transform both. Amazon Go has a mighty opportunity here. "For example, access to data – such as product reviews – when shopping online, ease of comparing products and rapidly finding other products of interest are key to its success," says Gilad Komorov, CRO of Feedvisor. "Finding what you need online is also much easier with the search box. This concept should be applied the way we find products in the store as well. Most importantly, Amazon already has data on their Prime members, so the store should offer a personalized experience similar to when shopping on Amazon.com."

> "Amazon taps into a shift in consumer demand for the speed and convenience found online in the real world"

It is, however, easy to get carried away with what this all might turn into in the coming years – but it presents many, many challenges to retailers. "It has a barrier which is not there to stop people running off with cabbages and kumquats, but to allow them to activate their accounts by tapping it with their phones as they enter. It has automatic payments once customers have downloaded the app – sounds terrifically easy and I'm sure it will be, but to make it all work will require a huge amount of technological know-how," warns James Pepper from Vista Retail Support. "As a concept it is very exciting, but one suspects that for any retailer without Amazon's research and development budget, there will be too many barriers to entry."

There is also the unspoken worry of staff. Of course, there will need to be bodies on the shop floor to stock shelves and clean up, but is this just another example of the workforce being decimated not by immigrants taking their jobs, but by machines taking over? Or is there going to be a boom in the need for each Amazon Go store – and eventually those of its competitors – to have its own highly qualified tech support person for when the technology inevitably goes wrong?

These issues – and many more – are there to be assessed in the trial. It will be interesting to see how it plays out over 2017. Either way it is the future. Rupal Karia, Managing Director of Retail and Hospitality, UK and Ireland at Fujitsu concludes: "Although Amazon Go only has the one trial store, it is an example of how retailers can harness technology and embrace innovation in their physical stores to create that invaluable seamless customer journey. Now that the level of customers' expectations is at an all-time high, retailers need to find ways to match it and ensure they are differentiating themselves from their competitors. Shopping in-store is now very much experiential, and by bringing innovative new ways to shop retailers can enhance that experience to make it more interactive and digitally enabled. Those that do will be the retailers that stand out against a noisy retail landscape."

Insight around the world

CHLOE RIGBY, EDITOR, INTERNETRETAILING.NET

2016 saw sales increase over the Black Friday weekend as UK shoppers went online for the pre-Christmas sales. At around £5bn, depending on whose reports you look at, the amount spent was just a tiny fraction of the world's biggest online sales day, Singles Day. In 2016, a staggering $17.8bn (£14.3bn) was spent – 32% up on the same day last year.

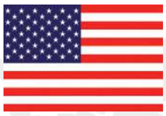
Some 82% of the figure, which represents the total gross merchandise volume (GMV) settled through Alipay on Alibaba's China and international retail marketplaces, or $14.6bn (£11.75bn) was spent over mobile devices.

"This year's 11.11 is a preview of the future of retail, where entertainment, commerce and interactive engagement intersect seamlessly," said Daniel Zhang, Chief Executive Officer of Alibaba Group. He said the event had seen "unprecedented engagement between consumers and merchants", adding: "11.11 showcased how online and offline retail will be reinvented to offer brand new shopping experiences to our hundreds of millions of mobile, digitally savvy active users."

Over the course of the day, Alipay, the Alibaba payment solution, processed more than a billion transactions in total, reaching 120,000 per second at peak while delivery arm Cainiao Network processed more than 657m delivery orders.

Japan, the United States, South Korea, Australia and Germany were the leading countries selling to China, by GMV, and the top brands by GMV included, from the US, Apple, Nike and New Balance, and from Europe, Siemens, Philips, Adidas and Jack Jones. In all, transactions took place from 235 countries, and 37% of buyers bought from international merchants or brands.

The 11.11 shopping festival began in 2009 when 27 merchants took part in an event that was designed for Tmall.com traders to raise awareness of the value that online shopping could offer. Seven years on, 11.11 – celebrated as Singles Day in China because the date contains only the number one – has become a global event.



MICHAEL ROSS,
CO-FOUNDER AND CHIEF SCIENTIST, DYNAMICACTION

What was once a one-day, online-only American shopping event called Cyber Monday is now a week-long, all-channel, global phenomenon that is stretched out across Cyber Week. This year's Cyber Week came onto the scene in a year with an unprecedented amount of promotional activity, where we saw European retailers chasing their North American counterparts and selling 144% more of their orders on promotion throughout 2016.

Make no mistake, this is not a race you want to win, as it is a race to the bottom. Retailers who will fare well are those who have an in-depth understanding of their customers' true profitability. They have the ability to give the shopper the feeling that she got a good deal while promoting in a way that doesn't destroy margins.

The DynamicAction Retail Index, an analysis of more than £3.2bn in consumer transactions, identified shifts in consumer shopping behaviours and determined how retailers were faring over the holidays. In the European region, the study found retailers differentiated themselves from US retailers by:

- Holding the line on promotions: Whereas North American retailers increased promotions 49% on Cyber Monday versus last year, European retailers' promotions remained flat on Cyber Monday versus last year. They managed to decrease price markdowns by 15% versus Cyber Monday 2015.
- Upping the ante on marketing and free shipping: European retailers saw marketing costs and free shipping increase significantly over 2015, with a 64% spike in marketing costs and a 30% increase in free shipping on Cyber Monday 2016 versus 2015.
- Increasing operational efficiency: This year, European retailers held more inventory (up 5%) heading out of Cyber Monday than in 2015, which could signal overstocks in the months ahead. However, compared to the US they excelled at providing in stock items shoppers are actually looking for. This 20% increase in inventory held that shoppers are actually viewing, provided a better customer experience.

Selling at full price is increasingly becoming a fallacy, and the customer expects a deal. However, in order to thrive or even survive in 2017, UK retailers must focus on a deep understanding of customer profitability: promoting more wisely, having a tight grasp on shipping margin, and focusing on service and product curation to protect profit margins.

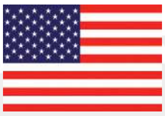
KEES DE VOS,
CHIEF PRODUCT AND MARKETING OFFICER, METAPACK

Seldom will the need to balance customer expectations of ecommerce with commercial realities be more significant than as we enter 2017, particularly when it comes to the cost of delivery. In the UK, as in other mature markets, there is an increasing pressure on retailers to offer what were once considered premium services – next or same day delivery – for free.

Online marketplaces regard delivery as a crucial competitive differentiator and fund it as a cost of sale, but due to their more traditional sales models, this is often not possible for bricks and mortar retailers. The challenge for them in 2017 will be refining their delivery options to suit customers without incurring unsustainable operational expenditure. It's time to start thinking creatively.

Research we recently carried out amongst consumers across Europe and the US indicated that whilst 47% ranked free delivery as the most important delivery consideration, a high number were prepared to purchase more items or products to take advantage of a minimum spend 'free delivery' offer. In addition, loyalty programmes that reward customers with free or quick delivery services in return for consistent custom are proving popular, with 84% of UK respondents saying they would prioritise shopping with sites offering this as an option.

Brexit will also shape the ecommerce market in 2017. The growth in overseas sales since the EU referendum in June, with consumers taking advantage of a weaker pound, hints strongly at what is likely to come. More importantly, we have to remember that consumers want choice, value for money and convenience – and often won't be aware of a retailer's location. So, it's all the more important that existing cross-border trade and the systems already in place with non-EU countries set the benchmark for future EU trade agreements. Above all we must make sure that consumers can continue purchasing online from their choice of retailer, wherever they are located, with the same freedoms and expectations.



LEN SHNEYDER,
VICE PRESIDENT OF INDUSTRY RELATIONS, SENDGRID

Black Friday and Cyber Monday are the busiest shopping days in the US, according to the National Retail Federation. This past year an estimated 137.4 million people shopped online and in-store, an increase of two million from 2015. In addition, no other shopping day generates as much email traffic as Black Friday. Cyber Monday comes close, but it didn't top the massive volume generated on the day after Thanksgiving. After analyzing over 1.6bn emails sent on Black Friday, and nearly as many on Cyber Monday, SendGrid uncovered some interesting insights.

Open rates remained high but dipped, apparently in response to volume and bargain hunting in-store on Friday. Retailers should consider tying email to in-store engagement opportunities by adding in-store signage reminding customers to "check email for special offers" or to "sign up for email alerts" and then open with a discount vs. a standard welcome email. This will drive purchases in-store and remind customers of the value in the email.

Of the 1.6bn emails analyzed, nearly 50% were opened on a mobile device. Mobile users open their email 30 minutes sooner than desktop users — meaning email is becoming a near-real-time communication channel. However, email templates are frequently designed for a standard desktop, which is too wide for most phones. Be sure to include a plain text version in HTML and make use of responsive design templates to ensure neither spam filters nor poor rendering will hinder message delivery and engagement.

Nine-word subject lines seemed to be the most popular but 2-4 words had the highest engagement rates. If you want email opened right away, the word "now" is an effective way to drive action. The median delay between send and open is 3 hours, 23 minutes for a typical marketing email, but subject lines that used the word "now" had a median open delay of just 2 hours, 58 minutes.

Email continued to be an essential tool for retailers during the 2016 holiday season in the US but it could be better leveraged. By connecting email to in-store actions, creating responsive designs and rethinking subject lines, retailers can improve performance not only during the holidays but all year long.

CUSTOMER EXPERIENCE

ECOMMERCE

ECOMMERCE

MARKETING

MARKETING

MOBILE

OPERATIONS, LOGISTICS & ORDER MANAGEMENT

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