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# Internet Retailing

Expo 26 - 27 March 2014 NEC, Birmingham

The ongoing rise of multichannel within retail, along with the gravity-defying growth within leading pureplay ecommerce businesses is testament to the vibrant state of our industry.

This growth puts new pressure on the leaders and followers: leaders have more competitors, more ideas, more opportunities to assess.

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At InternetRetailing Expo (IRX) we are reflecting this growth with our biggest ever and most wide-ranging show. Not only will we hear from over 60 of the industry's leading speakers sharing their insights and learning across 6 Conference streams, but you'll be able to take that inspiration straight to action by visiting with over 200 of the suppliers who 'power' the best.

IRX is the meeting place for our industry – the suppliers, retailers and people who together drive the growth and innovation.

We know that time is precious but building your business is even more so. No other event in the calendar crams more inspiring, informative and interactive commercial relevance under one roof. Whether our six Conferences, our free-to-attend Workshops, the Top500 Lounge, the Metapack Pavilion, the IMRG Clinic, the Ask the Experts Clinic, the Innovation Studio, the Magento Pavilion or the 200+ suppliers, we've worked to ensure that this day out of the office will be time well spent for you and your team.

On behalf of the whole team at IRX I look forward to welcoming you to the NEC for IRX 2014.

**Ian Jindal**  
Editor in Chief  
Internet Retailing



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## HOMEBASE: SERVING INSPIRATION

Paul Loft, Managing Director, Homebase on cross-channel, digital in store and listening to customers, p10

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# Editor's comment



**P**RODUCT. THE actual item will be different things across retail sectors, whether it's something a company manufactures, distributes, markets or a service they operate. For customers though a product can elicit a range of emotions from delight in finding just what they are looking for through to pain points of a needed item not being available when they want to buy it or only available in a store somewhere else in the country.

In this issue of Internet Retailing we look at the product journey which, from its design and sourcing through to the end of the product lifecycle, recycle or reuse, needs to be merchandised, predicted, analysed, costed, priced, improved, loved and connected with customers. We also investigate how digital tools are enhancing traditional retail skills.

As the digital age threatens traditional buying and merchandising practices, big data and digital tools are allowing retailers to optimize their product and trading strategies. Katie Smith, Retail Analyst at Editd, explains why the benefit to buyers and merchandisers in the apparel industry of access to big data can't be underestimated.

One area of pricing that a decade ago was expected to transform retail operations and improve profitability is "price optimisation". Despite the hype few UK pilots progressed to roll-out, but elsewhere the technology has become mainstream. Penelope Ody asks whether it's time for multichannel retailers to catch up.

Meanwhile, Matt Beck, Vice President, Marketing Solutions

at FICO, was asked by Internet Retailing to explain how leading edge retailers are benefitting by harnessing analytics to find the sweet spot of customer and product.

Paul Skeldon, Internet Retailing's mobile editor takes a look at product presentation online and whether it's time to say goodbye to desktop sites in favour of designing for tablet. He also reports on House of Fraser's redesigned site which puts it at the vanguard of ecommerce.

For multichannel retailers though, customer facing products and services have historically existed in two separate worlds. Either in real life in high-street stores, or virtually via catalogues and, more recently, ecommerce platforms. Simon Liss, Head of Connected Retail & Leisure at 20.20, looks at three areas that are fertile ground for meaningful digital merchandising and activation of products within real-world environments: bringing the social web into the store to help better present products and services through recommendation and relevance; taking the digital search, discovery and filtering techniques from the web and applying them in-store to facilitate the purchase of complex products and/or identification of items from within an expansive range; the mechanics that will allow seamless transitions between physical and digital spaces, including search and NFC.

However well retailers present and promote their products to customers if it's not in stock they cannot buy it. The same goes for the delivery choice. There's no point having a pick-up point that's one mile north of the customer if they

are going south.

While retailers grapple with the twin tasks of getting single orders to customers and delivering goods to shops, brands with wholesale businesses also run systems to get their best stock to the right stores – and their own retail estate. Selling direct to the consumer further complicates the supply chain in terms of stock visibility, manufacturing and speed to market, plus allocation of stock across retail, wholesale and ecommerce businesses. Technology though and a single view of the truth could be the answer to brands' and customers' needs.

Retailers, brands and suppliers continue to grapple with an ever changing retail landscape and six major themes will be discussed by retailers at the Internet Retailing Expo (IRX) at Birmingham's NEC on 26 and 27 March. Over two days, retailers will present in 6 conference streams on Internet Retailing In Store, Customer Experience and Journey, International Retailing, Operations and Logistics, Digital Sales and Marketing, Mobile and Mobility. Retailers sharing their knowledge include Paul Loft, Managing Director, Homebase (who is the subject of this issue's cover interview), Bertrand Bodson, Digital Director, Argos, Anne Sinclair, Strategy Director, Aurora Fashions and Mike Durbridge, Director of Omni Channel, B&Q. Delegates will also hear from speakers from Clarks, Wiggle.co.uk, Asda and Marks & Spencer. Further details are in the IRX preview in this issue and online at [internetretailingexpo.com](http://internetretailingexpo.com).

*The Internet Retailing team look forward to seeing you there.*



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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](http://www.internetretailing.net).

## 17% GROWTH FOR 2014

UK shoppers spent £91bn online in 2013, with the internet retailing market growing by 16% during the course of the year, according to the IMRG-Capgemini eRetail Sales Index for December. It was capped by a final month in which online sales rose by 18%, with £11bn spent up from £9bn in December 2012. Twice as much was spent via mobile devices as was spent using them in December 2012. The figures beat IMRG's original estimate, last January of 12% growth.

IMRG Chief Information Officer Tina Spooner said: "With online shopping having become part of our everyday lives, the growth levels we are seeing in the e-retail market won't be slowing down any time soon.

"We predict that the UK online retail market will achieve 17% year-on-year growth during 2014 and we also expect the £100 billion threshold will be broken, with a staggering £107bn predicted to be spent online in the UK alone this year."

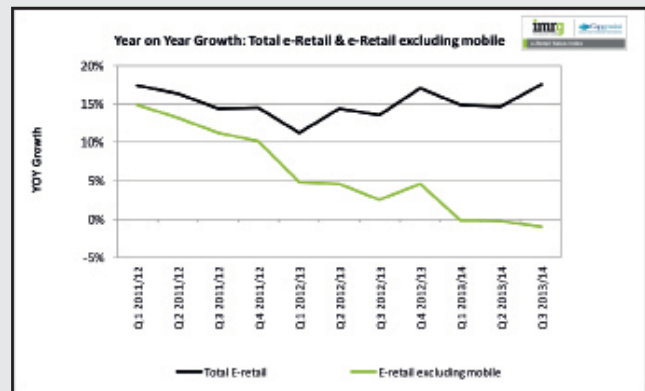
Chris Webster, Head of Retail and Technology at Capgemini believes that online retailing could reach 30% of total retail sales by the end of the decade.

M-commerce has largely driven growth during 2013, says IMRG. Sales via smartphones and tablets grew by 138% in 2013, compared to the previous year. Some 27% of all online sales, worth £3bn, were placed on a mobile device. Of those mobile sales, 82% were from tablet computers. The figure was up by 131% on the same time last year. Meanwhile, sales from a smartphone rose by 186%.

The expansion of click and collect services played a role in the growth of ecommerce, with 25% of multichannel retail sales now made using such mechanisms.

Sectors that saw particular growth in December included clothing (up by 17% on the same time in the previous year) and electrical goods (18%). Multichannel retailers' figures grew by 16% in December.

Mobile and tablets are having an effect on when people shop - they are now shopping on Sunday evening from a tablet rather than Monday lunchtime from a PC.



## OCADO INVESTING

Ocado has reported widening losses despite growing customer numbers, sales up by 17.2% and the launch of Morrisons.com.

The investment costs of expansion took its bottom line in the full year to a £12.5m loss, compared to losses of £0.6m over the previous financial year. The online grocer reported gross sales of £843m in the 52 weeks to 1 December. That was up by 15.2% on sales of £731.9m reported in the previous 53-week year, and by 17.2% in the same 52-week period in the previous year.

Profits before tax and exceptional items slid from a profit of £1.8m last time to a loss of £5.1m this time, with exceptional costs related to opening a new online grocery fulfilment centre and a non-food distribution centres as well as legal advice relating to the deal that sees Ocado technology underpin Morrisons' recently-launched online grocery service.

Ocado said it was benefiting as more consumers went online to shop. It saw active customer numbers rise to 385,000 from 335,000 at the same time last year. New customer acquisition was up by 40% on 2012, and Ocado said its focus was on frequent shoppers rather than irregular ones who needed to be tempted back with promotions. Most of the orders it receives, it said, now come from members of its SmartPass subscription delivery scheme. The company also reported lower cost per order following the opening of its second fulfilment centre in Warwickshire. Own label sales were 60%.

## AMAZON BACK IN BLACK

Amazon has bounced back into profit in its latest full year with sales in the fourth quarter to 31 December up by 20% at \$25.59bn (£15.6bn) and in the full year, to the same date, by 22% to \$74.45bn (£45.2bn), up from \$61.09bn (£37.1bn) at the same time last year.

Profits were up sharply, with net income up 146% on last time to \$239m (£145.1m) in the fourth quarter, from \$97m (£58.9m) at the same time last year.

But the company's share price fell in after-hours trading by up to 10%, at its peak, as sales fell short of expectations. At the time of writing, the pre-market share price was down by 5.45%.

Factors driving sales growth have included the paid-for Amazon Prime membership programme, which, said Amazon, was so popular in December that it limited sign-ups in peak periods. Founder and Chief Executive Jeff Bezos promised shoppers the company would continue to improve customer service. "It's a good time to be an Amazon customer," he said. "You can now read your Kindle gate-to-gate, get instant on-device tech support via our revolutionary Mayday button, and have packages delivered to your door even on Sundays. In just the last weeks, Forrester, YouGov, and ForeSee have all ranked Amazon #1 - and we believe we're just scratching the surface of what world-class customer service can be."



## M&S UNVEILS NEW WEBSITE

M&S has unveiled its new-look website, shaped around its customers over the course of more than two years of testing, and built, for the first time, on its own platform.

The new desktop site extends into the store and onto social media. Alongside the new launch comes a dedicated tablet experience as well as updates to M&S' mobile sites.

The launch marks M&S' move away from Amazon technology to take ownership of its own platform, one that the retailer promises will "evolve with emerging customer and technology trends." It hails the launch as a milestone in its strategy to move from a traditional British retailer into an international, multichannel one, and says its ownership of the site gives it greater flexibility to adapt to future developments.

M&S first announced it would move away from the Amazon platform in November 2010. To deliver the site Laura Wade-Gery, executive director, multichannel ecommerce, has led a team that now numbers 50 software developers, operating alongside a new software engineering-focused graduate scheme, and a digital lab designed to take a start-up approach to innovation and testing.

The company tapped into customer feedback and analytics to deliver targeted improvements. As a result, there's now a search function that's 14% more efficient, while images are boosted by up to 50% in size. There's catwalk footage, maxi zoom and 360° video that all enable customers to see images more clearly, and there's a Style & Living editorial hub with fashion content and lifestyle guidance from leading journalists and celebrity editors, whose features are shared daily with M&S' two million social media followers.

From its research, M&S found that about 40% of its customers shopped on the website for outfits, rather than a single item. It now aims to show half of its womenswear range as outfits through recommendations on the product page or through galleries that can be browsed by trend, occasion or as personalised recommendation.

## DELIVERY INVESTMENT AND INNOVATION

Hermes has announced Sunday home deliveries, in what it claims is a first for a UK consumer delivery company.

Initially, shoppers will be able to place retail orders on Saturdays for next-day tracked delivery via Hermes.

Carole Woodhead, Chief Executive at Hermes UK, said: "The retail sector has been trading seven days a week for a long time now and by introducing this service we are giving online shoppers the same service.

"We recently commissioned some independent research that found that two thirds of online shoppers found Sunday deliveries appealing. Quite simply it fits around their increasingly busy lifestyles and is often a day they can guarantee being at home. As a result we believe our new Sunday service will increase the first time delivery success rate and overall customer satisfaction."

Meanwhile, start-up My Parcel Delivery has won more than £1m in investment in order to develop innovative ways of delivering ecommerce parcels. The three-year-old Manchester-based parcel delivery comparison website says it will focus on providing mobile applications, improving its eBay shipping tool and its bulk delivery tool.

The business launched in 2010 and now sees 600,000 parcels sent through the website each year using couriers including DPD, City Link, Parcelforce and Hermes.

One retailer announcing a move of its web operation is Dunelm which has signed a five-year deal with iForce. The homewares company now sees its online orders fulfilled from iForce's Bromford Gate warehouse, part of work to improve its multichannel capabilities.

"The opening of our expanded web fulfilment centre in partnership with iForce represents a significant development in Dunelm's multichannel business," said Andy Torrance, Chief Operating Officer of Dunelm. "Working alongside our same-day reserve and collect service in each of our 140 stores nationwide, the new warehouse will allow both new and existing customers to enjoy our renowned product choice, covering 20,000 homewares products, delivered to their homes at their convenience."

## DIGITAL INVESTMENT AT CARPETRIGHT

Carpetright has said that there was room to do more with a toolbox of self-help measures that include investment in digital as it looks to boost its business in an uncertain economy.

Lord Harris, Executive Chairman of the carpets-to-beds multichannel retailer, said that to date, "our self-help measures have enabled us to grow sales within a different [UK] market."

Also, he said, while the UK "pace of recovery remains uncertain in the face of continuing sales volatility, we are confident that our self-help measures have further potential."

The comments came as the company reported a 1.9% increase in UK like-for-like sales in the 13 weeks to 25 January, compared to the same time last year. Total sales in that period were up by 0.6%. Its rest of Europe business saw total sales fall by 7.5% (or 6.3%, after the impact of currency movement) and like-for-like sales down by 7.7%.

Carpetright also warned that full-year profits would be below current expectations as the result of a further weakening of the Dutch market.

The retailer has previously spelt out a self-help approach that includes store refurbishment, the increased use of digital media and the development of its product ranges.

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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](http://www.internetretailing.net).

## MOBILE-FIRST FOR HOF

House of Fraser has unveiled its mobile-first website. The department store group announced back in June that it was to move to responsive design, in recognition of the growing importance of mobile devices in the online retail cycle. At House of Fraser, smartphones and tablets are used in more than half of all site visits.

The new-look website has been designed first for viewing from mobile and touch devices and second from desktop and laptops. Key changes include new header and navigation menus that enable customers to shop by department or by brand, faster page loading, super zoom on product pages that means customers can get up close, and an emphasis on conversion-boosting interactive features. New layouts see three images in a row rather than four, while the shopping bag feature has been improved.

Andy Harding, Executive Director for Multichannel at House of Fraser, said: "Consumer shopping habits are constantly evolving and given we now see more than 50% of our online traffic coming from mobile devices, we have changed our design strategy to ensure we provide the best possible experience for our online customers.

"We are always looking at ways to maximize customer shopping experiences and we're confident our new look and feel website will be well received and will help continue to drive growth this year."

House of Fraser first launched its website in 2006. It was redesigned in 2011. Today's new site marks a shift in strategy recognising the growing importance of mobile devices.

## MOBILE UNDERLINED IN SHOP DIRECT FIGURES

The fast growth of mobile commerce has been amply illustrated in Shop Direct's Christmas trading figures, which have been hailed by its Chief Executive as "another milestone on our journey to being a world-class digital retailer".

By 2015, said Alex Baldock, the group expects every transaction to involve a mobile device.

The company, which trades brands including Very.co.uk, isme.com and Littlewoods.com online and through call centres, is already a highly digital brand – some 84% of its sales took place online this Christmas, 14% up on the same time last year. Perhaps fittingly, Cyber Monday, 2 December, was the busiest day of a period in which 56m visits were paid to Shop Direct websites, 32% up on the same time last year.

This year, its customers showed mobile devices were fast becoming their shopping tool of choice. Shop Direct reported 64% growth in its mobile sales, which accounted for 43% of all its online sales. That's up from 28% at the same time last year. For the first time, more than half (52%) of website traffic was from

mobile devices. Total group sales in the six weeks to 27 December rose by 5% on last year. In the 26 weeks to the end of 2013 they were up by 1%. But the group made much of the performance of Very.co.uk and isme.com, hailed as "the future growth drivers of the business", which saw combined retail sales rise by 27%, thanks to a product mix that this year included Adidas, Apple, UGG, Samsung and Superdry. Combined sales at Littlewoods.com and KandCo.com fell by 5%.

Baldock also pointed to the discounting that has characterised Christmas 2013 trade. "The retail market has been highly promotional," he said. "We've responded selectively, but we've kept our discipline in stock and cost control and are ahead of our EBITDA (earnings before interest, tax and depreciation of assets) and profit targets.

"Looking forward, we will continue to invest to build a world class digital retailer. Our outlook for the rest of 2013-14 does remain cautious though: we're not banking on this market being any less challenging."

## EBAY RESULTS

eBay's full-year results pointed once more to the huge importance of mobile commerce to digital retailers.

One fact stood out: 40%, or more than 14m, of the 36m new customers eBay won in 2013 joined via mobile devices. As a group they contributed \$35bn (£21.04bn) in enabled commerce volumes, 88% up on the previous year. eBay alone saw \$22bn (£13.2bn) in mobile commerce volume, while PayPal hit \$27bn (£16.2bn) in mobile payments. It's a result, said eBay, that beat its own expectations of mobile commerce.

That's a pace of growth that contrasts with overall marketplace gross merchandise volume up by a healthy, but more moderate, 13% in both the full year and the fourth

quarter, both to 31 December 2013. It also points to the coming importance of mobile-only customers, who will arrive as ownership of smartphones and tablets allows more people to shop online than those who have desktop and laptop computers.

The Christmas season in particular, said eBay Chief Executive and President John Donahoe, had shown "how online, mobile and other omnichannel commerce capabilities are changing expectations for the year."

Elsewhere, revenues rose by 14% to \$16bn, enabled commerce volume by 21% to \$212bn (£127.5bn) and net income by 9% to \$2.8bn (£1.68bn).

# Serving inspiration alongside a pot of paint

Ahead of the launch of the new Homebase website, Emma Herrod speaks to Managing Director Paul Loft about cross-channel, digital in store and how the company is listening to its customers.



**T**HE RECESSION has been difficult for many retailers but for those whose business is as dependant on people moving house as the DIY and home sector, things have been particularly tough. Underlying this is a change in customer behaviour away from DIY to employing a professional to do the work plus the need for the home sector to provide inspiration and project support rather than being just a shed from which to buy paint.

Homebase has been listening to its customers and is repositioning itself as a multichannel home enhancement retailer, refitting stores and introducing digital tools to help staff and customers in store and online. Part way through its renewal plan, it is due to launch a new ecommerce site in April to match the inspirational requirements of its customers and provide the technology the company needs for the next phase of growth.

“Housing transactions are an important part of the Homebase business,” says the firm’s Managing Director Paul Loft. When people move they tend to decorate and it is usually 6 months after a house move, once they have had a chance to settle in and decide what or how they want to alter it, that they start buying and turn to Homebase.

That’s also when they purchase big ticket items such as new kitchens and bathrooms as well as paint and accessories. That doesn’t mean, though, that people have stopped investing in their houses, as many are choosing to enhance their homes instead of moving. In fact, the change in sales during the recession has been offset to a certain degree by sales in other Homebase departments such as ‘Garden’, which has been pretty strong.

The company says it is seeing an “increase in consumer confidence” which is good for sales of items such as kitchens and furniture.



Loft says the outlook is “starting to get better” and more positive, but he is conscious of the effect that any interest rate rises will have on mortgages and customers’ spending ability.

### PROJECTS & SERVICE

In the past, Homebase may have lost out on customer spend because of its shed-based layout. This didn’t enable customers to shop easily for an entire project, which is what they want when embarking on home improvements, envisaging a finished room rather than just a paint colour. Customers are looking for service, explains Loft, and the way they view DIY is changing. There will always be the DIY enthusiast who likes doing the job for its own sake and there will always be work that people carry out themselves such as decorating. But, says Loft, these skills are being lost, and he believes customers are looking for easier ways to get the job done, whether that’s with the help of guides or videos or getting someone else to do the work for them.

Homebase is not planning to forget its DIY customers in its move to cross-channel, but it is increasingly focusing on a group of consumers that Loft calls “the home enhancer”: mainly females who love their home and are more interested in the outcome of the project than doing it themselves. Women continue to dominate as specifier for purchases, he explains.

This long-term trend away from DIY to Do It For Me (DIFM) is where Loft believes the future lies for Homebase. “Half of kitchen sales we install,” he says. The company also arranges the installation of bathrooms, tiling and flooring, as well as decorating. “We’re investigating other things including garden landscaping,” he says. Prices are on a par with those charged by local tradesmen and Homebase has in-store staff trained to offer advice. “That’s an important part of it,” he says. Loft admits that services aren’t a product stream, but he says there’s enough margin in a kitchen, for example, to make it a valuable extra for customers which supports the whole project.

“The bigger problem for customers is deciding what to do,” Loft says, so it is implementing various technologies in store and online to help inspire consumers and to help them choose. He adds: “Customers say that they err on the safe side when decorating but want to be more adventurous or bolder. They also want to make sure they get a good

outcome.” Customers want to stay in charge of their projects so don’t want an interior designer who’ll take over – but they do want help. So staff are being made available to make suggestions and help customers with their planning or mood boards.

It is through this offering of advice, inspiring and helping customers, that Homebase is moving forward with its cross-channel proposition, bringing digital in store and enhancing its website. “In the past it was difficult to have people in store with all the answers,” Loft says. This meant that when, for example, a customer wanted to compare products such as paint strippers, some staff would know the answer while others would have to look at the packaging. More help and advice is where digital is able to help staff help customers.

According to Loft, this extra support is encouraging customers to buy more with refitted stores already are seeing a 20% sales uplift.

So where has the retailer been investing?



### DIGITAL IN STORE

Homebase announced its store refit and multichannel investment plans in October 2012 so it has already been able to learn lessons from its first store revamps. It has enabled it to evolve how technology, staffing and products are used best in store and to trial new initiatives in each phase. From the ►

first “proposition store” that was refitted in Aylesford, Kent, in 2011, it is now on the third phase of its refits. The first of this phase is due to open in May or June in Worcester.

The Worcester proposition store will have a larger number of room sets than other stores, so customers can see products in an inspirational setting. As with the other refitted stores, it will have iPads for staff use and wifi.

The biggest changes to the new-look stores has been the introduction of technology and more staff to help customers choose the products they need for their project. The Decorating Centre (the first version of which was trialled in Aylesford) incorporates touch screens through which customers can access Homebase’s ‘Create Your Own Look’ tools



Loft says he is conscious that “people don’t go into shops, go to a machine doing something they’re not sure about and use it”, so staff are available to assist customers with the technology in store as well as with their projects and design ideas.

Homebase has also been looking at in-store staff responsibilities, freeing up their time so they’re available to help customers. Some are now dedicated to assisting customers, especially those working in the digital areas such as the Decorating Centre. The new stores have 15 - 20 extra members of staff and they’re bringing in new skills such as City & Guilds trained decorating consultants. Loft explains that the extra sales these generate make the extra staffing costs worthwhile.

Exclusive brands and concessions are playing a part in the merchandising and store refits and, says Loft: “giving customers a reason to go to the shop. We have to give the customer the notion of having something of interest to come and visit. Homebase is doing this through its own brands such as Habitat furniture, lighting and homewares, concessions including Laura Ashley, licensed products and partnering with other brands such as Farrow & Ball.

“We have some things that others don’t have,” Loft explains. “Laura Ashley and Habitat create visits to store and loyalty.” He adds that Homebase aims to increase the number of brands and partners along with new formats.

Fifteen proposition stores have been refitted at a cost of £1m each during the past financial year and a further 25 stores are being revamped during 2014 and early 2015. The following financial year will see an accelerated roll-out to the biggest and best stores to cover the most customers. Homebase plans to refit 100 stores to its full proposition over the next few years while also trialling a lower cost refit, which will include digital features such as Create Your Own Look and iPads for staff, for the rest of its store estate.

“Store flexibility is the hub for the customer experience,” Loft says, especially around



to style a room by changing paint colours, wallpaper, flooring and decor products. The wall, floor or ceiling of the virtual room changes instantly so they can see how it could look; since the images have genuine perspective they can see, for example, how a paint colour will appear lighter closer to windows, and the wallpaper print scale across a room. They can also upload a photograph of their own room to alter. Once the design has been saved, a list of the products featured is shown and can be purchased. The firm introduced this tool on its website in January 2012.

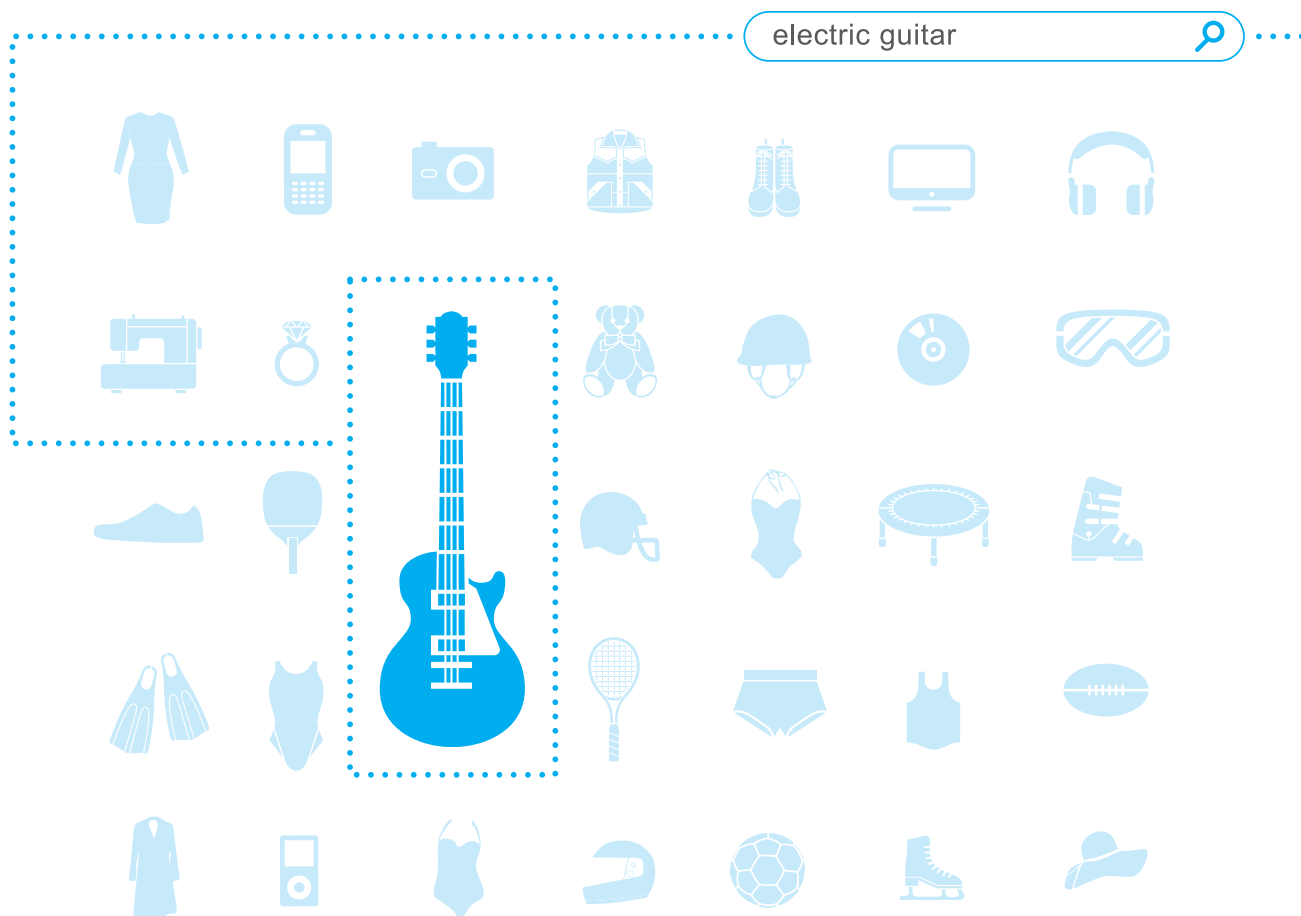
In the same area, physical products and swatches of flooring, tiling, wallpaper and paint materials can be brought together with the digital image so customers can create a moodboard of their design ideas.

A coffee shop is also incorporated into the Decorating Centre giving customers somewhere to go to contemplate their ideas before making a purchase.

“More help and advice is where digital is able to help staff help customers”



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\*Based on average results of more than 200 SLI sites

### **QUESTIONS CEOs SHOULD BE ASKING:**

Is there an overarching proposition that this sits under?

We as businesses need to ensure we have the right digital teams and that they are freer of day-to-day trading;

IT needs to be faster, testing, with more partners. If you have a problem, open up and see what solution others come up with;

Integrate IT properly with your business structure;

Be sure you have control and what's yours is yours;

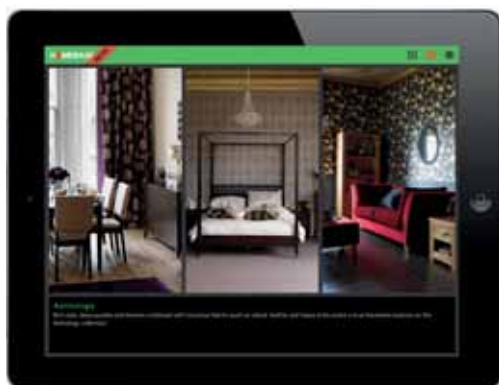
Get people from different backgrounds; it affects the pace on digital and IT;

Don't forget the valuable asset of people and arm them with digital tools such as customer-serving staff in store.

delivery and the cross-channel proposition. The new website will have a flexible checkout, so customers will be able to arrange multiple deliveries via one checkout enabling some items to be delivered to store, others to their home, or reserved for collection in store.

#### **THE WEBSITE**

The new site is due to launch in April and will mirror the stores' proposition of being inspirational for customers with advice on how to carry out a range of tasks such as hanging a door, along with better photography, product comparisons and service. But the DIYer hasn't been forgotten, Loft adds: "Customers will still be able to just buy a tin of paint."



The site build aims to improve consumer understanding and engagement through personalisation; it will also do this by learning about the customer's house, their previous projects, what they are planning to do next. A customer will be able to save information

“Refitted stores are seeing a 20% sales uplift already”

about their project such as moodboards, and by registering, those details can be connected with the information Homebase already holds about them through the use of their Nectar loyalty card. This means the firm will have one single repository of the customers' transactions. It has 7 million customers with Nectar cards and this is used in more than 60% of its sales

Enabling these changes to its ecommerce site is an upgrade to the latest version of IBM WebSphere from an early release. "Out of the box has most of the things we need," Loft says explaining how the Homebase business is mainly run on SAP and WebSphere. He adds that he "wants to be an SAP/WebSphere business" as this is something that "will put us in good shape for the next phase".

When it comes to choosing IT, the company has made a cross-business decision that it doesn't want to have lots of different packages. This means it will look at an SAP solution if one is available for any business issues before considering other providers. Loft says the upgrade "will get us to the forefront of the current world". He adds that the firm has been working on the site and its integration into existing business systems since October 2013, with a go-live date set for the spring. "There are things that we'll continue to work on in other areas, such as distribution," he adds.

#### **MEASURING SUCCESS**

So, part way into its refit and renewal programme, how is it measuring success? Multichannel sales are currently at 7% with "anything enabled by digital" attributed to the local store's postcode catchment area, Loft explains. This includes reserve online, collect in store sales – which have been the principal driver of multichannel growth – along with everything bought online, except for kitchens. When asked about forecasts, Loft responds: "probably double that by 3 to 5 years". This year has seen 30% growth with 2 million people visiting a store and 2 million visiting the site each week; a third of that traffic is from a mobile device.

Mobile has an important role to play in joining up the channels: Loft's view of the future is that customers will be able to use an app to find products in store, click to chat and read reviews. A plant finder app currently available for the Garden business tells gardeners if a plant scanned in store is suitable for a specific position in their garden





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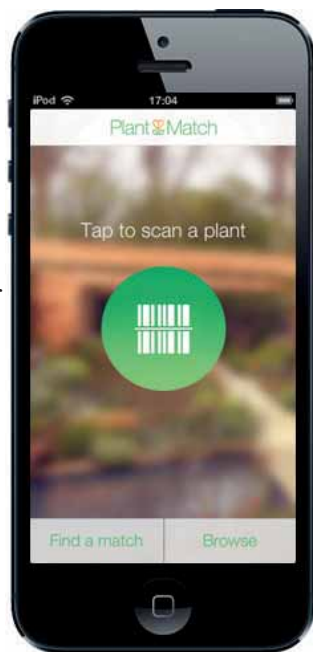
if they put in criteria such as soil type and level of sun or shade.

“Mobile offers a compelling experience across the channels,” says Loft.

Nectar also plays a big part in how the company tracks customer store visit behaviour, increasing purchases and getting them to buy across what Loft calls extra worlds such as Home and Garden. It helps the firm to improve customer engagement, understand their transactions and build on triggers.

Homebase uses ForeSee for analysis against the competition, online analytics, and surveys online and in store. Its Paint us a Picture customer feedback format is an online and mobile survey that customers complete to receive a discount off their next purchase. “We also use financial measures,” Loft says. He adds that the company is “confident in stores” but that “digital should take us to another level”.

Loft admits that Homebase is “a long way from seamless at the moment”. But in terms



of cross-channel capability, it does have a clear picture of how customer shopping behaviour is changing, how they view home improvement and how Homebase’s customer proposition is now different from its shed heritage.

“Our view of the customer experience is ahead of where technology and the customer experience currently sit”, he explains. Homebase does have a goal, which it has been working towards since launching its prototype refitted store in 2011. Loft says the firm is passionate about services and the opportunity to get it right for the customer so that it becomes their natural partner for the next project. He says: “It does drive loyalty and we’ve found a way that requires investment – in refit costs and extra staff – but puts sales up 20%.”

Homebase is proving that cross-channel transformations work even in the toughest of product sectors. By listening to customers and making the right investments, it is showing that digital and physical can be connected in a way that is more than just bringing the web into store. 🇬🇧

*Paul Loft will be keynoting the Customer Experience & Journey Conference at the Internet Retailing Expo on Wednesday 26 March at 10.30am.*



# Bags packed and ready to go

The Asendia interview with *Marco Seiz*: founder, Seizpacks (Madrid, Spain).

**E**-COMMERCE IS the perfect platform for boutique backpack brand Seizpacks. The business, based in Madrid, grew out of an MBA project in 2009 – and founders Marco Seiz and Julien Guardiola (who had experience in the backpack business) were keen to offer a product that better reflected the way people want to secure and carry their belongings.

For Seiz, the most important aspect of the bags is that they are customisable: there is space for the owner's initials, the laptop compartment can be tailored to fit and there is the option of an external solar panel powerful enough to charge a smartphone.

This customisation means sales are best suited to online, where the necessary customer choices can be selected. "It's difficult to do that in shops, unless you're a really big brand," he says. It also helps keep overheads small. "I'm a big fan of outsourcing," adds Seiz, explaining that the company still only has two employees, although it sells thousands of bags each year.

Seiz recently weighed up the benefits of taking the products into more stores. "We're in a few designer stores, but pushing for more would mean changing our business model," he explains. "We decided against that and kept it at a boutique level. The risk is smaller for us and the business is working."

When it comes to looking at ways to grow the business and to improve and develop new products, customers can give the owners valuable feedback via the website. Being online also helps the brand reach customers overseas, particularly in France and Germany. This helps protect the company from seasonal sales slumps, as customers in southern Europe don't like using backpacks in the summer when it's hot.

## BULKY DELIVERIES


The logistics involved in getting what is essentially a bulky product to customers was challenging. "It had to be reliable, it had to be easy – we wanted to keep our overheads low and we wanted normal shipping, rather than express, to be the default option to keep costs down," explains Seiz.

Only two suppliers were "economically feasible", he continues. Crucially Asendia was happy to accept orders via an automated system – international delivery information and labels are printed from the website back-end, Asendia gets sent an Excel file with the details and then collects the parcels.

This means the company does not have to recruit anyone to fill out shipping forms by hand and, as Seiz says, "Why employ someone if the process can be automated?"

Seizpacks also offers express delivery through Asendia. Seiz adds it was important that the company didn't have to work with two suppliers for that service. The virtue of customisation means there are fewer returns to manage.

Taking a new product to market using e-commerce has been harder than Seiz initially thought it would be. He talks of a "complicated market" where consumers need to be reached through a variety of channels. But the business is growing – and finding the right logistics partner has enabled the business to continue running in the streamlined fashion its founders want.

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“We wanted to keep our overheads low and we wanted normal shipping, rather than express, to be the default.”

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BY LA POSTE & SWISS POST

# EXPORTING BRITAIN

The UK has emerged as the world's leading exporter of goods purchased online with a trade surplus of over \$1bn (£0.61bn).

**O**NLINE TRADE for six of the biggest ecommerce markets is expected to grow fivefold over the next seven years, from \$25bn (£15.23bn) in 2013 to \$130bn (£79.17bn) in 2020, according to new research by OC&C Strategy Consultants in collaboration with Google.

The Global Retail E-mpire report estimates that the value of online retail trade based on Google searches in six of the biggest ecommerce markets - UK, the US, Germany, the Nordics, the Netherlands and France – make up half of global ecommerce volumes. It has also found that the retail sector is becoming increasingly global and interconnected with trade between countries growing exponentially.

Among the six markets analysed, the UK's online retail economy is expected to generate the largest trade surplus in the world in 2013, surpassing \$1bn (£0.61bn). The US and Germany follow, with trade surpluses of \$180m (£109.62m) and \$35m (£21.32m) respectively.

Peter Fitzgerald, Director at Google, comments: "The global increase in the number of people with internet access coupled with a rise in consumer confidence, combine to provide the ideal market conditions for ecommerce. The success of UK retailers can partly be attributed to operating in the most advanced ecommerce market in the world, but also to the high level of trust international customers have in UK brands and retailers. Looking to the future, any retailer wishing to enter the market must adopt a digital-first strategy to succeed."

Whilst Amazon and eBay pioneered international trading online, a number of specialist retailers have shown that they can internationalise successfully through digital commerce - in some cases, by establishing a combination of a digital and a physical presence. These include online pureplays such as ASOS, iHerb and Zalando; multichannel retailers such as Sephora and Pandora; and luxury and sport brands such as Burberry, Hugo Boss, Adidas and Lacoste.





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Shaun McCabe, International Director at ASOS, comments: "Our aim is to always offer our products to ASOS customers globally and we use our brand and online marketing to build a loyal customer base in new markets. Supporting this is a simple and cost effective operation with a centralised infrastructure and team and operational back-end support enabling us to serve the world from the UK."

## Multi-language websites and global delivery enable expansion

International Proposition of Leading e-retailers by Country, 2013



## Pureplay champions are led by eBay, Amazon and specialists

Pureplay top 10 international e-retailers

\*OC&C INDEX SCORE (OUT OF 100)



Robb, COO at Farfetch, comments: "We believed the proposition of combining items from the best fashion boutiques would have global appeal, so long as we could provide a seamless customer experience. We now ship from 25 countries and have customers in over 170. A core part of our success has been implementing processes that work on a global scale, including customer acquisition, shipping, customs clearance and returns. We currently have operations in Europe, US and Brazil with websites in English, French and Portuguese. We strongly believe that providing a global product proposition with a localised, multichannel experience is the future."

According to Andy Harding, Executive Director of Multichannel, House of Fraser, the retailer's multichannel capabilities have been core to its recent success and has enabled it to grow its customer base across the globe as a result. By differentiating itself from competitors, particularly through market-leading delivery "we can get products to customers in 131 countries faster than almost anyone else," he says.

As the global retail landscape continues to develop, OC&C expects retailers to look for innovative ways of shipping goods directly from the source of supply to the buyer – making international delivery between countries even faster and creating a seamless shopping experience. 🇬🇧

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# Retail review

## RETAIL LEADERBOARD

John Lewis	83/100
Argos	75/100
IKEA	75/100
Oasis	66/100
Majestic Wines	56/100
J Crew	50/100
Morrisons	27/100

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

### RETAIL STRATEGY 5/25

**EMMA ROBERTSON, MANAGING DIRECTOR, TRANSFORM**

After years of will-they-won't-they speculation and city commitments, Morrisons has launched an online grocery offer, covering 1/5 of UK households or 40% of its 2014 target. The grocer aims to be able to offer online ordering for home delivery to half of the UK's households by the end of the year, accelerated in the summer by opening up the proposition to London.

The challenge for Morrisons on many fronts is occupying the middle ground, or the famously "squeezed middle", and with its online delivery proposition it is in danger of occupying the same space virtually – having to face the challenge of winning back online customers from the other big players, whilst defending the threat of whatever Aldi, Lidl and Amazon have to offer in the coming years.

### WEB EFFECTIVENESS 13/25

**AMY MCINNES, USER EXPERIENCE CONSULTANT, USER VISION**

Considering Morrisons had the examples of Tesco and Asda to follow, it is disappointing to see such a lacklustre site that appears to have had little, if any, user research involved in its creation. The navigation, although workable, is reminiscent of dated ecommerce sites. Content is disappointingly sparse in both description and visuals, providing a poor experience for the user even before trying

to checkout. On trying to do so, various obstacles are placed in front of the user. Morrisons let themselves and their users down by not optimising the site for mobile. The main problem, as others have highlighted, is that it has duplicated Ocado's platform; there is clearly little re-invention or thought put into the first launch. It works, but it certainly could be better.

### MOBILE 5/25

**ROB THURNER, FOUNDING PARTNER, BURNER MOBILE**

Based on the time I spent getting to grips with their mobile site, I'd say Morrisons has a mountain to climb. While, the homepage of the Morrisons site is mobile optimised, the pages beneath are not. This makes the rest of my browsing experience, and the rest of this site review, rather brief.

Morrisons misses an opportunity to apply some of the information architecture of its app to its mobile site and considering its subsidiary Kiddicare is a pioneer in mobile retail, Morrisons should be able to apply this formula to the master brand. On a positive note, Morrisons' low price positioning stands out, throughout the site: "These aren't offers, they're our new everyday prices". Bold "DEALS" shout out from most product lines.

### INTERNET RETAILING IN STORE 4/25


**REETA JUNANKAR, CONSULTING MANAGER, JAVELIN GROUP**

At present, use of digital technology



in store at Morrisons is limited, particularly from the customer's point of view. That said the business has been going through a transformation in the last few years with significant investment in its systems to take them into the multichannel era and also to start to integrate themselves with sister business Kiddicare.

Morrisons now uses wirelessly connected tablets in-store which enable greater autonomy of ordering on a store-by-store basis so that each store can reflect the needs of its local community. Also, recently implemented, are state of the art self-service checkouts that offer many interesting capabilities such as mobile scanning and personalisation using customer data.

In 2012, the business reported trials of a Kiddicare kiosk in the baby aisle of some Morrisons stores, however this digital initiative seems to have been rolled back. In future, using their 400+ stores as an ordering and pick up point for Kiddicare orders would certainly be a step forward in cross-brand omnichannel integration. 



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# The Top 500

In 2014 InternetRetailing will reveal its research and ranking programme into the multichannel ecosystem - retailers, suppliers and individuals. Ian Jindal ponders the meaning of “top”.

**S**INCE OUR first issue in 2006, InternetRetailing has focused upon the multichannel retail ecosystem - the retailers, who seek to delight and profit from customers, and the suppliers who seek to do the same from the retailers, allied to the key people who drive, invest in and transform both.

While we've eschewed 'top' lists for a long time, our growing research business and examinations into the drivers of performance has led slowly but surely to our upcoming “reveal” on March 26 at the InternetRetailing Expo (IRX).

Over the last year, we've been referring to “IRDX” - the internet retailing ecosystem guide. You will see this on our portal at [www.internetretailing.net](http://www.internetretailing.net), where whenever a retailer, supplier or key individual is mentioned we tag them so that all mentions are aggregated on their IRDX record page. This provides an at-a-glance thumbnail sketch of the company, their connections and their mentions on Internet Retailing. Take House of Fraser as an example [IRDX RHOF]. Their IRDX record (<http://internetretailing.net/organisations/rhof/>) shows an outline of the business, recent mentions, key staff and key suppliers. One of their suppliers, ChannelAdvisor [IRDX VCHA] has a profile at <http://internetretailing.net/organisations/vcha/> and gives a thumbnail of their business and offerings, along with their clients. People, suppliers, retailers: we are connected in business, in our aspirations and now also via our interactive ecosystem index, IRDX.

Having completed this first

stage of activity, we now turn our attention to the biggest, brightest and best. This is a natural question, but the challenge we have is how we define “best”. This is where we're turning to our community in order to decide.

It's relatively easy to determine the biggest by turnover, but that does not necessarily mean 'best'. What about profitability, reach, growth rate, potential? Also, in our fast-changing industry we need to be alive to smaller, innovative and disruptive businesses who may have a great impact on the customer and set the context for established businesses.

At the end of February, we will be asking our readers what 'best' means to them. We will be seeking ideas, prioritisation and combinations of factors that in aggregate make a business the 'best'. We've covered size and footprint above, but other dimensions are going to include: operations and supply chain; cross-channel and mobile; reputation and customer sentiment; product and range wrangling; plus of course measures of innovation, adaptation and skills development.

We will make the resulting assessment approach open to our readers - not only to encourage discussion, but because we will amend the criteria slightly each year as we learn, the industry changes and we seek the formula to create a leading indicator as much as a retrospective award!

Helping us navigate, prioritise and assess will be our advisory board, whose members we'll announce in the Spring. These experts will help us determine the components of performance that - taken as a whole

will correlate to performance now, and in the future.

The rollout of our Ecosystem will be:

- “Footprint” - at IRX we'll reveal who's in our Top500 Footprint list, covering the 'size and reach' dimensions of retail;


- “2014 Procurement Guide” - showcasing the suppliers to the Top500 retailers;

- “2014 Top500” - revealed, a ranked list of the top retailers, at October's ninth annual InternetRetailing Conference.

Please keep an eye on our newsletter and communications for our calls for insight and participation. If you'd like to draw retailers to our attention please see <http://bit.ly/irdx-2014>

This is an exciting and significant undertaking by the team at IR Towers and we recognise that the input, ideas and critique of the talented multichannel community is a vital component of the programme.

As we seek to map the dynamic ecosystem of our industry - people, retailers and suppliers - we recognise that to succeed we must incorporate, from the outset, the voice of that very ecosystem. If you have ideas on companies who should be included, interesting trends or disruptions, thoughts on the components of success and lead indicators of progress, please just drop me a note ([ian@internetretailing.net](mailto:ian@internetretailing.net)) and shape the thinking.

Ian Jindal will be revealing the Top500 on 26 March at InternetRetailing Expo, IRX. See [www.internetretailingexpo.com](http://www.internetretailingexpo.com) for free admission, and join us for the live debate and report. 





## SPEAKERS



Boden

ASDA



mothercare

Clarks

Waitrose

FRENCH CONNECTION



# INTERNET RETAILING EXPO

The Internet Retailing Expo is taking place at Birmingham's NEC in March 2014.

*Emma Herrod* looks ahead to the UK's leading ecommerce event.

**M**ARCH 26 and 27, 2014 will see the retailing industry descend on Birmingham's NEC exhibition centre for the fourth annual Internet Retailing Expo (IRX). With 6 free-to-attend conference streams, in depth workshops and over 200 exhibitors IRX promises discoveries and insight for retailers of all sizes and e-maturity.

Six conferences are being held over the two-day event with topics ranging from technology innovation within the bricks and mortar environment to increasing sales through effective omnichannel stock management strategies. Retailers sharing their knowledge include Paul Loft, Managing Director, Homebase, Bertrand Bodson, Digital Director, Argos, Anne Sinclair, Strategy Director, Aurora Fashions and Mike Durbridge, Director of Omni Channel, B&Q. Delegates will also hear from speakers from Clarks, Wiggle.co.uk, Asda and Marks & Spencer. The six conferences will look in depth at issues and challenges around:

- Internet Retailing In Store;
- Customer Experience and Journey;
- International Retailing;

- Operations and Logistics;
- Digital Sales and Marketing;
- Mobile and Mobility.

Each conference track will close with a panel discussion and interactive Q&A session looking at the conference theme and how it will evolve to 2016.

“Speakers will debate what retailing will look like in 2016?”

## INTERNET RETAILING IN STORE

The high street is changing fast under pressure from ecommerce, which offers shoppers a more convenient way to buy. One key way that multichannel retailers are responding is by bringing digital into stores in order to widen the range they can offer and to bring the convenience that the internet has to offer to their local branches.

The Internet Retailing In Store conference will explore the different ways in which retailers are going about that task through presentations from leading retailers including Argos, House of Fraser and TUI Travel.

The event opens at 10.30am on Wednesday 26 March and following the chair's introduction, keynote speaker Bertrand Bodson, Digital Director at Argos,

will talk through the ways that the general merchandise retailer, which aims to be a digital leader, is using technology in its stores to improve the customer experience.

Sarah Baillie, Head of Multichannel Business Development at House of Fraser, then follows with a case study: Driving profit through refocusing your stores strategy around the multichannel customer. In it, she'll be considering how retailers can gain clearer insights into their customers' expectations of multichannel commerce and use that knowledge to reengineer their store networks. She'll also be sharing predictions on the store of the future.

Tui's digital store experiences, how Evans Cycles has built a click and collect strategy that maximises customer convenience and sales and Majestic Wine's experience of upskilling its store staff to improve customer engagement and sales in the omnichannel world will also be covered in this conference.

The IRIS conference closes with a panel of retailers discussing the question of what will retailing in the bricks and mortar store look like in 2016 as omnichannel develops?

### **CUSTOMER EXPERIENCE**

Successful retailers of all sizes are investing in getting to know their customers, and understanding how they most like to shop as they work towards a new model of retailing that puts those with the spending power firmly in the driving seat.

The Customer Experience and Journey conference will hear from ecommerce and multichannel retailers from across the industry on how, and what, they have learned from their customers. The conference runs from 10.30am to 4pm on Wednesday 26 March, the first day of IRX 2014.

Paul Loft, Managing Director of Homebase will be the keynote speaker in this conference and he'll be presenting on increasing sales through engaging the customer at every touchpoint on the omnichannel journey, considering how traders can best work with their staff to make sure customers enjoy a consistent retail experience, no matter which channel they choose to shop in at any given moment.

Jonathan Haywood, Senior Customer Insight Manager at Holland & Barratt owner NBTY Europe, will speak about understanding the cross-channel customer journey and applying this insight throughout your business

## Internet Retailing Expo

26 - 27 March 2014 NEC, Birmingham

**"IRX 2014 is a one-day 'wow' package, combining cutting-edge commercial inspiration from the six conferences with 200 of the best suppliers exhibiting how you too can replicate and exceed the achievements of industry leaders," comments Internet Retailing Editor-in-Chief Ian Jindal.**

**"It's 'trade show plus' – all of the industry arrayed with the insight, inspiration, innovation and the hard-nosed commercial chops to deliver answers. IRX is a show for all professions who're involved in multichannel retail: ecommerce, marketing, operations, logistics, payment and retail stores."**



in a presentation that takes place at 11.35am. Haywood will assess and suggest different ways to understand how customers behave when shopping online, the tools that retailers can use to track customer journeys across channels and approaches to understanding the value of omnichannel customers. The emphasis will be on gaining insights into customers while at the same time ensuring return on investment.

Customer service across channels, the power of online reviews to improve the customer service and designing an all-day shopping mall experience around today's omnichannel shopper are all topics for the afternoon of the conference. A panel discussion entitled - What new innovations should retailers focus on to drive customer experience in the omnichannel marketplace? - will close the conference.

### **INTERNATIONAL RETAILING**

The question of what a successful multichannel international expansion strategy looks like will be addressed by the keynote speaker in the International Retailing conference. Professor Dr Jonathan Reynolds, Academic Director of the Oxford Institute of Retail Management at the Saïd Business School, University of Oxford, will discuss the opportunities for UK retailers to expand both at home and abroad, and evaluate business models and approaches to new markets, going on to look at ways of scaling up existing international operations. Reynolds' keynote presentation will be at 10.35am on Wednesday 26 March.

Dave Elston, Head of Ecommerce, Europe, Clarks International, then takes a practical approach to the theme of new markets in an interview, 'Key questions for expanding your ecommerce business into new countries', at 11.10am. The interviewer will be asking questions on subjects from how local an international ecommerce website should be, to handling logistics and the tax and legal



# Internet Retailing

Expo 26 - 27 March 2014 NEC, Birmingham

**12 PRACTICAL  
HANDS-ON  
WORKSHOPS**

This series of workshops offers a complete programme of hands-on, practical, training focused sessions delivered by leading companies in the industry. **These workshop will ensure attendees leave with tangible, demonstrable skills.**

## Wednesday 26 March

**TIME: 10.30AM**

**SLI SYSTEMS**  
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Connect Shoppers to the Products They're Looking for by Delivering a Relevant User Experience



Unleashing the power of Customer Convenience



The New Landscape of Fraud

**TIME: 13.30PM**



Increasing Reach, Performance and Profitability of your Online Channels



SEO is DEAD – or is it? SEO & Content Marketing for Retail Demystified



The Anatomy of a Perfect Retail Email – Optimization for Maximum Conversions

## Thursday 27 March

**TIME: 10.30AM**



Market Smarter: Follow Your Customer's Lead



7 Ways to Drive Channel Performance in 2014



Simplifying the Challenges of International ecommerce



Customer Insights Everywhere Building a Unified Customer Shopping Experience

**TIME: 10.00AM**



Mobilising Customer Service: Increasing M-Commerce Conversion Rates

**TIME: 11.30AM**



Efficiently Turning Problems into Opportunities: Mobile Customer Service



aspects of trading overseas.

Implementing localisation strategies to increase the success of your international strategy, understanding how a premium brand can effectively plan for global expansion and overcoming the three main stumbling blocks when crossing borders: legal compliance; building brand awareness; localisation will also be covered in this conference.

### **OPERATIONS & LOGISTICS**

Operations and logistics are the underpinnings of multichannel. Retailers' very best promises are nothing if they cannot deliver on those promises. The Operations & Logistics conference taking place on the second day of IRX, Thursday 27 March, looks at how the best in the retail business manage, move and make the most money out of their products by delivering on the promises made to their customers.

Walter Blackwood, Director of Logistics, Mothercare will open the conference with a presentation on delivering bottom line benefit through optimising your operations and logistics strategy within a multichannel marketplace.

He'll be followed by Louis Agabani, Co-Founder of MyHigh.St, who will be interviewed on how retail and online marketplaces collaborate efficiently from an operations and logistics perspective.

Mark Robinson, Director of Customer Delivery Operations, John Lewis Partnership will present on ensuring your delivery strategy ensures customer satisfaction whilst still offering you ROI, while the Heads of Retail Logistics and Returns at Shop Direct Group will share how the Group built an efficient online returns strategy. They'll also talk about how others can assess and evaluate what methods can be implemented to simplify the returns process whilst still offering a great customer experience.

### **DIGITAL SALES & MARKETING**

Growing customer base, market share and brand awareness are all key skills for any marketer in the multichannel arena. The Digital Sales & Marketing conference aims to help delegates benchmark their strategy through assessing the digital marketing campaigns of some of the world's leading retailers. Boosting conversions, personalisation, ensuring email strategies drive sales, social media and searchandising will all be covered along with a debate on



Bertrand Bodson, Argos



Paul Loft, Homebase



Prof Reynolds,  
University of Oxford



Mike Durbridge, B&Q

which new innovations in digital marketing will offer retailers the best ROI by 2016.

Jon Rudoe, Director of Online, Digital & Cross-Channel, Sainsbury's will keynote the conference which takes place on the second day of IRX, Thursday 27 March. Starting at 10.30am, he'll present on building a successful multichannel sales and marketing strategy.

Glyn Williams, Digital Marketing Director at Asda, Julia Monro, Social Media Manager, Marks & Spencer and Paul Knutton, E-Commerce Manager, Boden will share their insight and learnings on relationship building, engagement and ROI of email, social and international.

### **MOBILE & MOBILITY**

The mobile conference is no longer a mobile theatre, but the stage to play out the real heart of modern omnichannel retailing. Just look at the job titles of heavy hitters making up the programme for the Mobile & Mobility Conference: Mark Cody, Senior Marketing Manager – Mobile at Tesco; John Gillan, Industry Retail Leader, Google UK; Mike Durbridge, Director of Omni Channel, B&Q; Ashley Payne, Head of Digital Operations, Debenhams; David Devany, VP Europe – eCommerce and Digital, Claire's Accessories; Andy Towers, Head of Product Development, thetrainline.com; Phil Ward, Head Of Experience & Development, Carphone Warehouse and Lynn Ritson, Brand Communications Director, Karen Millen.

The list is not only one of key retailers in the UK, but it shows how mobile is no longer just a channel, but in many ways the cornerstone of digital retailing for the 21st Century.

The conference offers an excellent breakdown of all the different facets of how mobile drives ecommerce, as well as offering some great insights from those that know into actually how to make it happen.

The Mobile & Mobility Conference runs from 10.30am to 3pm on Thursday 27 March, the second day of IRX 2014.

### **TO SEE**

From insight shared and debated with retailers, IRX also offers the chance to get hands-on with different technologies and solutions for all aspects of the e-retail journey. Over 200 companies are expected to exhibit including specialist areas such as the MetaPack and Magento Pavilions. Magento, owned by

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eBay, is supported by a global ecosystem of solution partners and third-party developers and the Magento Pavilion will showcase a number of these suppliers across a range of support and consulting services to help retailers get the most out of their business. The Magento partners that are currently taking part in the Pavilion include: Magento, 2J Design, Vaimo, Space 48, Summit Media, Screen Pages, Peer1, FishEye Web Design and PureBlue.

### TO LEARN

**Workshops** – For visitors wanting to get in-depth with a solution or supplier, the IRX 2014 workshops are a complete programme of hands-on, practical, training focused sessions delivered by leading companies in the industry. Companies running workshops include SLI Systems, Shutl, Kount, Intelligent Reach, Search Laboratory, adestra, Vivocha, SDL Fred Hopper, Amplience and Computop.

**Innovation Studio** – The Innovation Studio is an onsite TV studio where the latest innovations will be shared and discussed with the IR editorial team. Visitors will hear from many suppliers who will reveal new and exciting approaches to drive their multichannel business forward and remain at the forefront of industry developments.

Now in its third year, retailers will be among the first to find out what's coming over the horizon for 2014: presenters in last year's Innovation TV Studio include Matt Hopkins, Founder and Managing Director of Vertical Leap and Red Rocket Media, speaking on the 'Convergence of Search, Content and Social'; Julian Fisher, Chief Executive of Bubbles Online Services, on 'The Secret of Bubbles – how to evolve online shopping that benefits consumers whilst keeping retailers in profit'; Sean Duffy, Principal Email Marketing Consultant at Emailcenter UK on 'Innovate or Die. Ensure your retail emails don't fall by the wayside'.

**'Ask the Experts' Doctors Clinic & IMRG Knowledge Lounge** – IRX 2014 is pulling together top experts from six different disciplines in the realm of internet retailing and IRX visitors will be able to pre-booked 30 minute clinics on a one-on-one basis with these experts. These hands-on, practical meetings will allow visitors to explain the problems or challenges they face and allow the experts to give an independent view which could help them to overcome the hurdles in web design, mobile, international/cross



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answers”

border retailing, internet retailing in store, logistics or merchandising.

IMRG's Knowledge Lounge will be coming to IRX 2014 too. Drawing on 23 years of experience in online retail and the knowledge of its 1,200 members, visitors will be able to get answers to their questions about ecommerce in a free 15-minute consultation with an industry expert. Once registered, visitors will be invited to book their session:

- **Logistics** - the final mile that is essential in the journey: who's the right carrier for you; what's the right cost for delivery; free delivery isn't free.
- **Mobile** - changing the landscape of ecommerce: developing a mobile offering; what does device centric mean to you; integrating the journey.
- **Digital** - helping businesses evolve: how far ahead is the consumer; how to connect digital marketing and tracking information; third party assistance - affiliates and friends.

### TO NETWORK

Launching at IRX is Internet Retailing's Top 500 Footprint report. This will cover the Top 500 retailers in the sector, based upon their footprint of turnover, multichannel participation, profit and digital reach.

Top 500 retailers will have access to the Top 500 Lounge which is expected to become the meeting place for the retailing community at IRX 2014, enabling retailers to meet, network and conduct important business meetings in a professional but relaxed atmosphere.

The Internet Retailing team looks forward to meeting many of you in Birmingham on 26 and 27 March. Further details of the event and how to register can be found at [www.internetretailingexpo.com](http://www.internetretailingexpo.com).

# Internet Retailing Expo

26 - 27 March 2014 NEC, Birmingham

6 FREE TO  
ATTEND  
CONFERENCES

10.30 - 10.35

**Chair's Introduction**

Internet Retailing  
In-Store - IRIS

10.35 - 11.05

**Opening Retailer Keynote:**  
Using Technology Innovation To Enhance The Customer Experience In The Bricks And Mortar Environment



11.10 - 11.30

**Retailer Case Study:**  
Driving Profit Through Refocusing Your Stores Strategy Around The Multichannel Customer



11.35 - 12.05

**Retailer Case Study:**  
Internet Retailing In Store: A Leading UK Retailer Will Present A Case Study Of Their Digital Store Experiences To Date Allowing You To Benchmark Your Digital Store Strategy



12.45 - 12.50

**Chair's Welcome Back**

**Chair's Introduction**

Customer Experience  
and Journey

**Opening Retailer Keynote:**  
Increasing Sales Through Engaging The Customer At Every Touch-point On The Omni-channel Journey



11.05 - 11.10 - BREAK

**Retailer Case Study:**  
Growing User Engagement And Maintaining It With Social



11.30 - 11.35 - BREAK

**Retailer Case Study:**  
Understanding The Cross-Channel Customer Journey And Applying This Insight Throughout Your Business



12.05 - 12.45 - LUNCH AND NETWORKING

**Chair's Introduction**

International and  
Cross Border

**Opening Keynote:**  
What Does A Successful Multichannel International Expansion Strategy Look Like?



**Interview:**  
Key Questions For Expanding Your E-commerce Business Into New Countries



**Retailer Case Study:**  
Implementing Localisation Strategies To Increase The Success Of Your International Strategy





# Day 1 Conference Agenda 'At a Glance'

## Wednesday 26 March

12.50 - 13.20

**Retailer Case Study:**

Building A Click And Collect Strategy That Maximises Customer Convenience And Sales

**Retailer Case Study:**

What Does Excellent Customer Experience Look Like At A Multichannel Retailer?

**Case Study:**

Driving Business Growth On A Global Platform



13.25 - 13.55

**Sponsor Keynote:**

Ensuring Customer Engagement Through Personalised Omni-Channel Shopping Journeys

**Sponsor Keynote:**

Using The Power of Online Reviews To Improve The Customer Experience

**Sponsor Keynote:**

Overcoming The Three Main Stumbling Blocks When Crossing Borders



14.25 - 14.55

**Retailer Case Study:**

Up-skilling Your Store Staff To Improve Customer Engagement And Sales In The Omni-Channel World

**Presentation:**

Designing An All-Day Shopping Mall Experience Around Today's Omni-Channel Customer

**Retailer Case Study:**

Understanding How A Premium Brand Can Effectively Plan For Global Expansion



15.00 - 15.45

**Closing Panel Discussion And Interactive Q&A**

**Session:** What Will Retailing In The Bricks And Mortar Store Look Like In 2016 A Omni-Channel Develops?

**Closing Panel Discussion And Interactive Q&A**

**Session:** What New Innovations Should Retailers Focus On To Drive Customer Experience In The Omnichannel Marketplace?

**Closing Panel Discussion And Interactive Q&A**

**Session:** Choosing The Right Business Model(s) For International Expansion



13.20 - 13.25 - BREAK

13.55-14.25 - BREAK

14.55-15.00 - BREAK



15.45 - 15.55 - CHAIRS CLOSING COMMENTS

16:00 - DRINKS RECEPTION

# Internet Retailing Expo

26 - 27 March 2014 NEC, Birmingham

6 FREE TO ATTEND CONFERENCES

	10.30 - 10.35	10.35 - 11.05		11.10 - 11.30		11.35 - 12.05		12.25 - 12.30
Operations and Logistics	Chair's Introduction	<b>Opening Retailer Keynote:</b> Delivering Bottom Line Benefit Through Optimising Your Operations And Logistics Strategy Within A Multichannel Marketplace 		<b>Interview:</b> How Can Retail And Online Marketplaces Collaborate Efficiently From An Operations And Logistics Perspective? 		<b>Retailer Case Study:</b> Building An Efficient Online Returns Strategy 		Chair's Welcome Back
Digital Sales and Marketing	Chair's Introduction	<b>Opening Retailer Keynote:</b> Building A Successful Multichannel Sales And Marketing Strategy 	11.05 - 11.10 - BREAK	<b>Retailer Case Study:</b> Walk Before You Can Run: Understanding How Back To Basics Sales & Marketing Integration Is Key To Your Ecommerce Sales Growth 	11.30 - 11.35 - BREAK	<b>Retailer Case Study:</b> From Spam To Ham: Ensuring Your Email Strategy Drives Sales 	12.05 - 12.25 - LUNCH AND NETWORKING	
Mobile and Mobility	Chair's Introduction	<b>Opening Keynote:</b> Understanding What A Successful Mobile Strategy Should Look Like In 2014 		<b>Interview:</b> New Innovations In Mobile Marketing 		<b>Retailer Case Study:</b> Refining Your Mobile Strategy Through A Deeper Understanding Of The Mobile Customer 		



# Day 2 Conference Agenda 'At a Glance'

## Thursday 27 March

12.30 - 13.00

**Retailer Case Study:**  
Ensuring Your Delivery Strategy Ensures Customer Satisfaction Whilst Still Offering You ROI

John Lewis

**Retailer Case Study:**  
Where's The ROI In Social Media?

M&S

**Retailer Case Study:**  
Increasing Sales And Customer Engagement Through Effectively Integrating Mobile Into Your Bricks And Mortar Strategy

ZAPP

13.05 - 13.35

**Sponsor Keynote :**  
Increasing Sales Through Effective Omni-Channel Stock Management Strategies

ownDirect

**Sponsor Keynote**

dotMailer

**Sponsor Keynote -**  
Navigating Your Way Through Payment Technologies

13.40 - 14.10

**Retailer Case Study:** Doddle  
- An Innovation In Parcel Pick Up And Drop Off

Doddle.

**Retailer Case Study:**  
Creating A Consistent And Engaging Omni-Channel User Experience Across Multiple Global Sites

Boden

**Retailer Case Study:**  
Designing A Customer-Centric Transactional Mobile Website

DEBENHAMS

14.15 - 15.00

**Closing Panel Discussion And Interactive Q&A Session:**  
What Will Operations And Logistics Look Like In 2016 As Omni-Channel Retailing Develops?

WorkStores

John Lewis

DisneyStore

**Closing Panel Discussion And Interactive Q&A Session:**  
Which New Innovations In Digital Marketing Will Offer Retailers The Best ROI By 2016?

JP Williams

Escentual.com

FRENCH CONNECTION

Waitrose

**Closing Panel Discussion And Interactive Q&A Session:**  
What Role Will Mobile Devices Play In The Retail Landscape Of 2016?

claire's

BEAN HILLER

thetrainline.com

Carphone Warehouse

13.00 - 13.05 - BREAK

13.35 - 13.40 - BREAK

14.10 - 14.15 - BREAK

15.00 - CHAIRS CLOSING COMMENTS



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**Richard Weaver**, E-Commerce Manager at Majestic Wine



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# Digital tools bring data to the apparel industry

As the digital age threatens traditional buying and merchandising practices, big data and digital tools are allowing retailers to optimize their product and trading strategies.

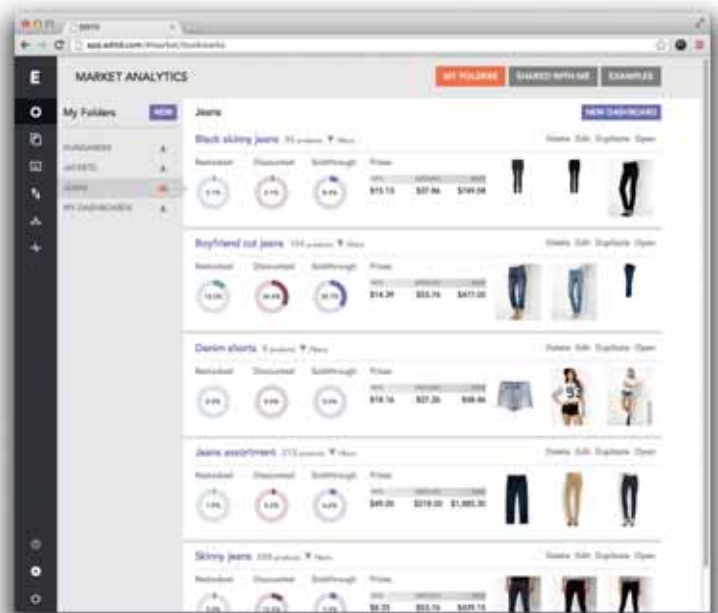
*Katie Smith, Retail Analyst, Editd explains further.*

**D**IGITAL ANALYTICS have been used to forecast and strategize in the financial, insurance and advertising industries for many years, and retail is well rehearsed in processing big data findings about customers' habits from loyalty card schemes. But in a new era of retail, digital tools have switched up a gear, and now allow entire market visibility around product, pricing and consumer.

There are many risks associated with an industry which previously made decisions based solely on a combination of intuition, knowledge of zeitgeist and gut instinct to determine trends and design direction. While those traditional methods and use of trend consultants' macro forecast predictions may be a great start point for inspiration, they aren't based on tangibles and don't take into account subtleties in market and consumer, nor do they have the ability to detect the slipstream trends whose entire life span may only be a few months, but are important commercially. Supposing Rihanna decides to start wearing batwinged sweaters, just because she can - that's going to generate sudden, and profitable, consumer demand that can't be pre-empted by old school trend forecasters 24 months prior.

Then there are the common pitfalls inherent to fashion retail that can't be understood via mood boards and street style spotters' selections. The biggest risks in fashion retail revolve around quantities, timings, unseasonable weather and price points. Ordering too much or too little of something can cripple a retail quarter, as Marks & Spencer discovered when they underestimated the popularity of tribal prints and coloured chinos in 2012 and admitted they could have ordered four times as many cardigans and jumpers; exceptionally costly mistakes at this scale of retail.

Having the wrong style, colour or trend, or being too early or late to react keeps buyers



awake at night. Being priced incorrectly, discounting too early or not being prepared to react when there's an extended cold spell or unusually late summer are some of a merchandisers' biggest pain points - none of which are helped by colour palettes for Winter 2016 or a gallery of street style from the coolest bar in Berlin.

Those risks have been further compounded by changes to the industry in recent years.

Globalisation has ramped up the pressure within retail, seeing the traditional notion of the fashion season break down. With the mainstream adoption of ecommerce driving trans-seasonality, retailers are now marketing to diversely different climates and can no longer be driven by the rules of brick and mortar.

The internet has not only spawned social media's role in propelling consumer tastes and allowing them to be steered into unexpected new trend directions at rapid pace, it has also created a climate where new apparel competitors can spring up



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from anywhere and blindside a traditional buying and merchandising approach. Internal BI systems no longer suffice, they're not responsive enough and don't answer to the speed that trends develop at - your sales reporting can't inform you about something you never produced in the first place. And price comparison tools used in other industries aren't a fit for fashion products, which are nuanced beyond price and have complex layers of options, colourways and styling features.

### OPTIMISING TRENDS

The relevancy and efficiency of traditional comp shopping is also being called into question. Retailers who are considered 'fast-moving' are conducting comp shops on 4-8 week cycles (and some still only do this bi-annually), requiring an entire team to update messy Excel spreadsheets that are then shared across the business as a playbook for the next period. The method, which worked 10 years ago when product turnaround in brick and mortar stores was slower, is now flawed given that information recorded is only a snapshot of one day and can be out-of-date by the time a product has been distributed.

Thanks to the online changes, there are new tools and processes which are now helping retailers trade better and are addressing those key industry risks, cutting back on manual process and human error. The amount of big data that is thrown off each product's lifetime online is traceable and means that successes, or trends, have a way in which to be analysed and optimised.

Retailers are increasingly relying on analytics tools to access this sort of big data and decrease the considerable workload placed on trading teams. "In today's fast paced environment, buyers and merchandisers are under pressure to know every datapoint that affects their world, but can't possibly have time to do it all themselves," says Anthony Benham, Business Change Manager at ASOS, "Critical decisions around pricing, assortment and discounting, and keeping an eye on what's going on across markets is a full time job."

Big data is able to contribute at every stage of the retail calendar, not just with comp shop cycles. Pre-season planning and buying can be pivoted around data on what's trending, which brands are doing well and which aren't, and can highlight the key times to act upon a trend. Insight into competitor's pricing


architecture can reveal opportunities and weaknesses with visibility of products across the market, not simply your own offering.

It's not just software which can help out with pre-season assortment planning - some brands have built bespoke ways of measuring consumer interest in their products before they need to commit to orders. Burberry and Topshop Unique have both developed campaigns to test consumer reaction during runway shows. These showcases involving social media attract and encourage the commentary of a much wider audience than those attending the prestigious show. In the three hours after Topshop Unique's SS12 runway show, 2 million people from 100 countries viewed the brand's stream across their homepage and Twitter account. Metrics attached to the sharing of imagery, the volume of online chatter and availability to pre-order are all risk-prevention tactics.

The benefit of access to big data to buyers and merchandisers can't be underestimated - being able to see the market instantly and clearly is a very powerful tool. Analytics can assist in-season, alerting retailers when a new style is selling fast - in time for them to order more, now that manufacturing lead times are as low as three weeks.

In-season buying can be better informed with real-time data on how brands are performing elsewhere, down to specific garments and enabling retailers to be on top of sudden discounting. Meanwhile, visual merchandising databases, which capture retailer and brand communications and site updates can be used to plan for holidays and discounting periods as well as help retailers understand how competitors' promotions have impacted their sales - did a competitors' promo on outerwear last week dent sales for the retailer? Having that insight on hand allows retailers to react and prepare, and also explain trading results within their business.

Looking further ahead, innovative merchandising can draw on data to understand what's up next, applying scale to runway collections, adding commercial analysis to the shapes and trends seen and apply quantity to colour usage - cutting out hype and instead drawing from tangibles.

It's an exciting time in the apparel industry; the retailer who optimises the best by incorporating data in every stage of the product lifecycle, from development right through the supply chain to shipping, pricing and marketing, will be the retailer that wins. 



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# Managing the pricing cycle

A decade ago “price optimisation” was expected to transform retail operations and improve profitability. Despite the hype few UK pilots progressed to roll-out, but elsewhere the technology has become mainstream. *Penelope Ody* asks whether it’s time for multichannel retailers to catch-up.

**B**ACK IN the early 1990s a spin-off from Manchester University’s computer sciences department came up with a set of clever algorithms for comparing and adjusting petrol prices to reflect local competition. The major oil companies were delighted and the academics happily spun off Knowledge Support Systems as an independent and leading edge IT company. The science of “price optimisation” was born.

Fast forward to the 2000s and boffins in Boston and Silicon Valley launched companies such as DemandTec, Profitlogic and Khimetrics all offering very clever “black box” solutions that promised to turn retail pricing decisions from an art into a precise science, so helping to increase margins, improve markdown management and make promotions pay.

Systems basically used price elasticity – how much shoppers will pay before switching to a cheaper (or more expensive) brand – to then juggle the mix, pushing some prices up and others down to give the best margin performance. The same systems could calculate where promotional activity would cannibalise higher margin lines, with a markdown component calculating which items needed to be discounted, when and by how much, to minimise margin erosion.

With price optimisation hailed as the “next big thing”, set to transform retail operations, Oracle snaffled up Profitlogic, SAP bought Khimetrics, IBM acquired DemandTec and, after a slightly more checkered history, Knowledge Support Systems reinvented itself as KSS Retail and went to Dunhumby. And as for the “next big thing”? Well, in the UK at least, that didn’t really seem to happen.

“At the time most retailers were working out their pricing strategy on Excel spreadsheets,” says Lee Gill, Vice President of Retail Strategy EMEA at JDA Software, “and the software industry came up with a very sophisticated solution. It was like moving from a pushbike to a Ferrari and many retailers just found that too overwhelming, too clever, and a black box

solution that they didn’t understand.”

Kathy Beck, Senior Director for Product Marketing at Revionics, another start-up from the 2000s, takes a similar view: “Many of the earlier systems were black box and retailers didn’t understand them or how to use them and there was reluctance to believe that the science knew best. Price recommendations were not followed, so the results were disappointing and some early adopters certainly got burned. Our system provides the ‘why’ behind the pricing recommendations so that gives more confidence about adopting them and unlike some of the earlier technology you don’t need scientific skills to understand it.”

Despite the false start price optimisation has never quite gone away. “It is still a live issue,” says Mark O’Hanlon, Senior Manager with consultants Kurt Salmon, “and we have some ongoing conversations with clients, but it is a rather more live issue in other territories than the UK.”

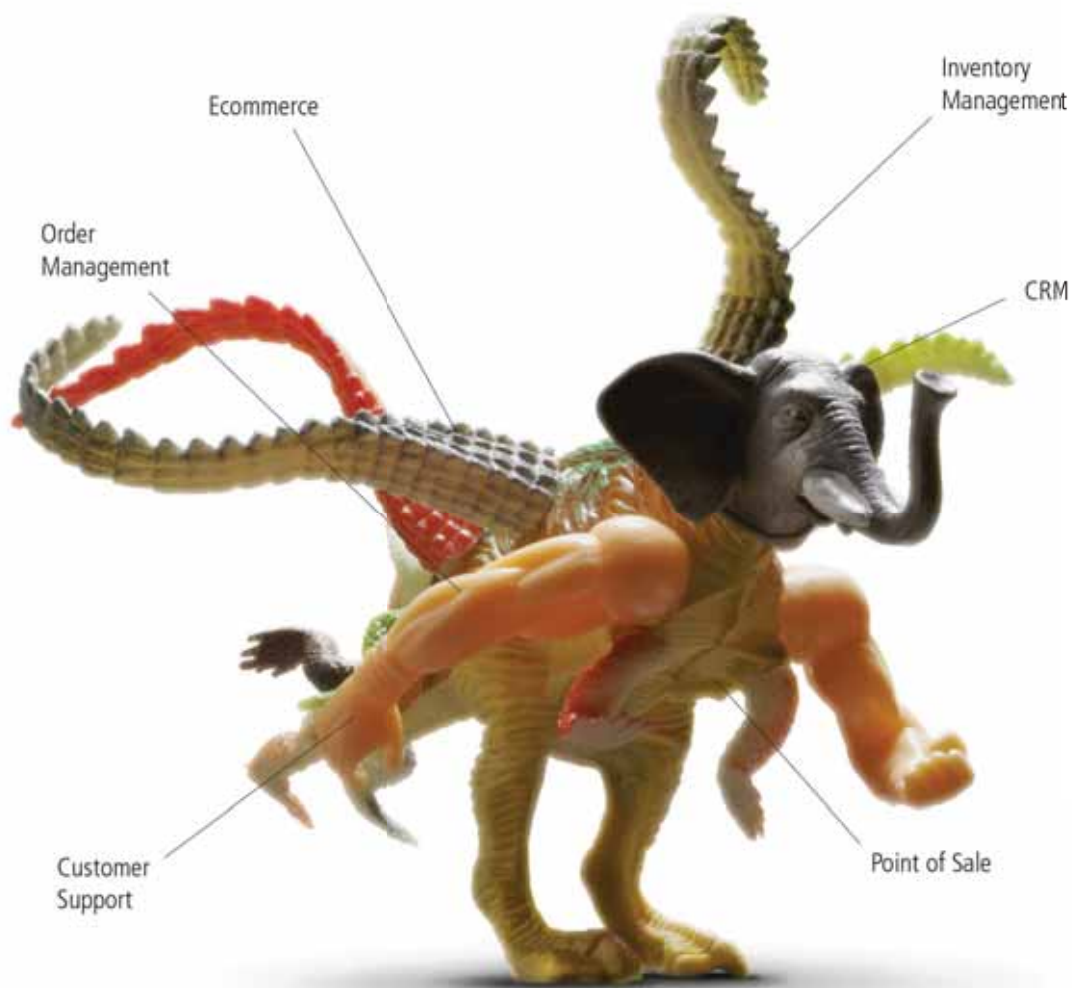
Itim, which acquired optimisation specialist Profimetrics in 2009, has a strong customer base in South America: “Differential pricing is commonplace over there with prices optimised for different regions,” says Operations Director Martin Schofield. “Retailers need to sell as much as possible at full price early in the season and we’re seeing more interest here in how price can affect sell-through – although differential pricing is not on many agendas. Some UK retailers seem to struggle to maintain one price file, let alone 10.”

North American retailers and many in mainland Europe, notably the French, have also opted for price optimisation while, as Kathy Beck says: “UK retailers are so far ahead of the curve in many other aspects, but not when it comes to the science of optimisation”.

Performance improvements can be impressive. Revionics user, Family Dollar – a value grocery chain with average basket size of just \$10 – reported gross margin improvements in optimised product ►

“At the time most retailers were working out their pricing strategy on Excel spreadsheets”

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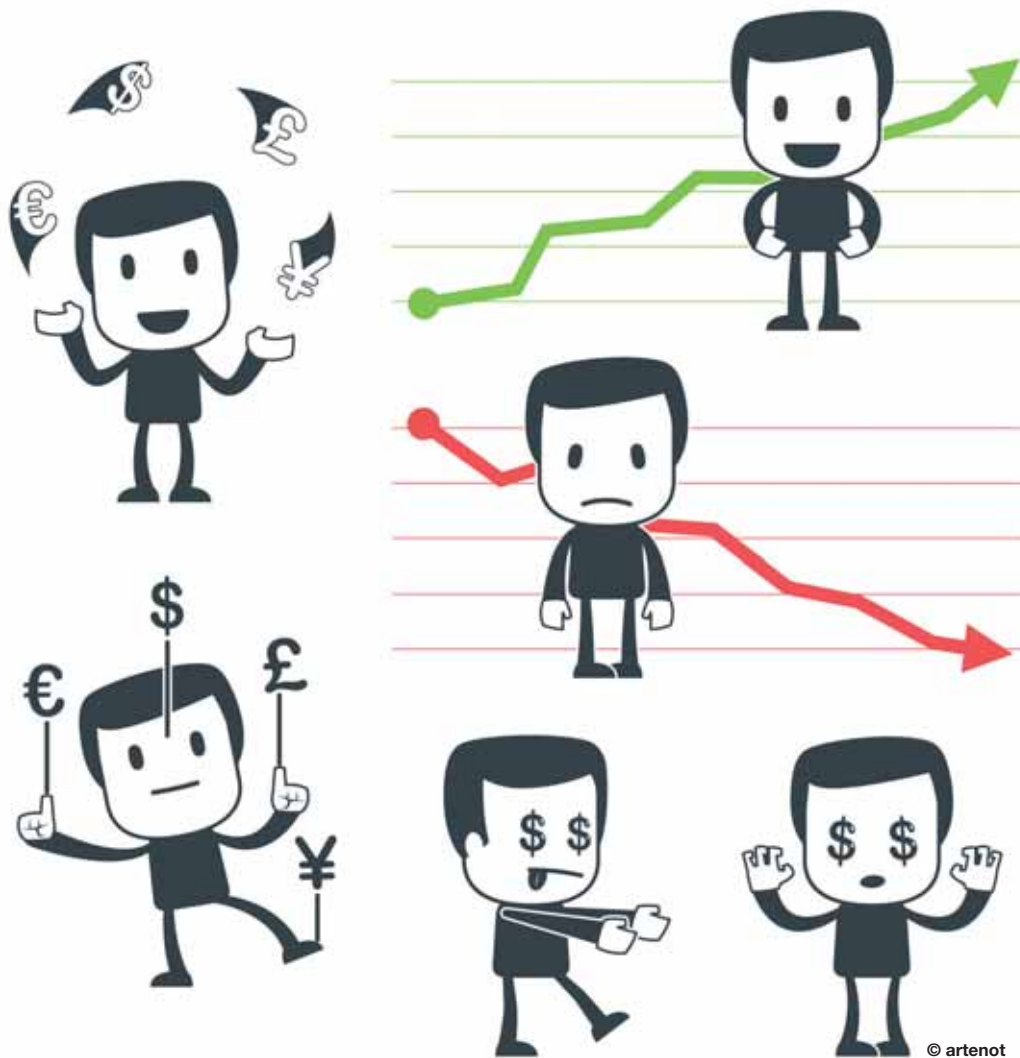


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categories of 4% in a presentation at NRF in January, with increases around 5% in gross margin and 10% in sell-through for its markdown optimisation pilot.

Howard Langer was an early enthusiast implementing DemandTec during his years at B&Q. Now Global Capability MD for pricing and promotions at Dunnhumby he also runs a retail forum under the auspices of Revenue Management and Pricing International. “Pricing is the biggest lever any retailer has and it is at the heart of what they do; it is important to understand pricing as a management discipline – much as supply chain is now recognised,” he says. “There are plenty of tools available to help but retailers seem reluctant to use them.”

#### **FOLLOWING THE COMPETITION**

This reluctance seems to hinge on current preoccupations with promotions and competitive pricing. Rather than establish their own pricing strategy based on target market, merchandise mix and elasticities,

and then holding their nerve, many retailers – both on- and offline – seem to be more concerned with pack behaviour and following the competition.

Monitoring that competition has never been easier with companies like Profitero delivering daily reports on web prices to dozens of retailers. “All UK supermarkets use online pricing data,” says CEO Volodymyr Pigrukh “and the US is catching up, although many there still just do competitive in-store price checks.” A single daily web scrape of competitive prices is also just the start: in the run-up to Christmas some retailers were demanding four daily updates while one of Profitero’s French customers – where local pricing is the norm – monitors nine retail chains across 600 locations: some 12 million price points daily.

“In North America you’d be a very unusual retailer if you didn’t have a price optimisation solution,” says Mike Taylor, DemandTec product strategy lead at IBM (UK), “whereas in the UK pricing is set by competitiveness. ►

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Thanks to web scrapes, everyone now knows everyone else's prices and can understand their stock position. Price optimisation is no longer just a point solution. Since IBM acquired DemandTec, we've integrated it with range and promotional activities as part of a total merchandise offer. As the online world has taken off we're all understanding more about customer preferences and price is part of that. We're already seeing personalised promotions with personalised prices – not yet to a segment of one, but the segments are getting smaller."

IBM is also looking at how price changes affect channel dynamics. "Customers behave in different ways and channel elasticity varies for different products," adds Taylor. "It means that optimisation science is now going cross-channel and retailers can tweak prices in different channels to influence where customers shop."

SAP, too, has moved Khimetrics on. It is now the basis of the company's performance, insight and optimisation division working with its big data analytical engine, Hana, to optimise both prices and promotions. "We've been looking at affinity insights," says retail industry principal, Alan Taylor, "as the technology allows you to analyse billions of transactions in a few minutes and improve the promotional mix. For example, 2 litre bottles of Pepsi are almost always bought with crisps so if Pepsi is on promotion don't discount the crisps as well as they'd be bought anyway."

In a proof of concept implementation in the UK, Taylor reports an 8% increase in profits: "You can optimise prices of related items and linked products and there is interest in the technology from hardlines such as DIY as well as grocery," he says. "So much gross margin is given away in promotional activity that retailers need to do something."

#### PLANNING

JDA's system combines strategic pricing, promotional optimisation and markdown optimisation as "price lifecycle management". "Pricing is really part of the planning process,"

“So much gross margin is given away in promotional activity that retailers need to do something”


says Lee Gill, "but in many retail businesses it is marketing that makes the pricing decisions not the buying department. The buyers must buy to a price and then store operations deal with the execution so there are silos and no single custodian of pricing strategy."

Howard Langer agrees: "Where retailers have pricing teams they tend to be focused on competitive pricing, but pricing should really be a strategic issue related to customer targeting. Understanding customers is what Dunnhumby has been doing for 25 years so combining KSS pricing technology with Dunnhumby's customer insights means that you can combine customer engagement and loyalty with price sensitivities. There is no point in promoting products to non-profitable customers or optimising prices to push volume to the cherry pickers."

Price optimisation is generally regarded as being most effective for fast-moving, replenishable merchandise – typically groceries, DIY, sports goods, consumer electronics and so on. Fashion tends to be short-lived and often own-label, making the markdown component of the pricing lifecycle more relevant. There are also cross-channel implications that can affect whether online and in-store prices should be the same or whether local pricing is viable.

"Operations are more expensive in-store so you'd expect higher prices," says Mike O'Hanlon. "Some retailers make KVIs (known value items) the same across all channels but take a more flexible approach to other lines."

Matching price to location is just as easy: "The prices shown online can be varied by zipcode to match that in local stores," says Kathy Beck, "and you can always empower store associates to match online prices if they're lower – although it seems that despite the hype very few store shoppers ask for price matching."

For many retailers blanket markdowns and relentless competitive price-matching is already playing havoc with margins – and we all know what happens to businesses that don't make a profit. 



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# The Final Mile

There will always be a place for free delivery but the final mile looks set to be the focus for innovation in 2014. *Emma Herrod reports.*



**P**EAK VOLUMES for the delivery industry over Christmas 2013 were about 20% higher than 2012, estimates MetaPack, with UK e-retailers dispatching just short of 800 million parcels during the whole year. This gives a growth figure for the level of parcels delivered throughout 2013 of 12%. Hermes had its busiest peak period delivering 21 million parcels with 98% of its standard service parcels delivered at the first attempt. CollectPlus reports that its last Christmas parcel collection was made at 23:59 on Tuesday 24 December and the first return was recorded just one hour later at 01:12 on Christmas Day.

With IMRG forecasting that the online retail market will grow by 17% in 2014 there's going to be no letup in the volume of parcels dispatched and delivered. But what do consumers think of the delivery options they're offered?

Andrew Starkey, Head of e-Logistics at IMRG, says the additional cost of home

delivery has deterred some shoppers from purchasing. The association's 2014 UK Consumer Home Delivery Survey found that 46% of shoppers questioned had abandoned their basket at checkout because of delivery concerns. Although retailers are thought to have lost £6bn in 2013 as a result of abandoned baskets, it is a trend that's on the decline.

Putting the delivery messaging earlier in the purchasing process is one way to cut the number of abandoned baskets. The 2014 Micros Multi-channel Retail Delivery Report found that just under 60% of the retailers it investigated now show the delivery charge on product pages. Also offering customers choice alongside a free delivery service enables them to make informed decisions.

"Pre-delivery data is increasingly important," says Starkey, since about 50% of consumers look for delivery information before they start shopping and more than 80% want progress updates once they've purchased. "All progress update options are considered important, but the main requirements are advice the day before delivery and a time slot estimate on the morning of delivery," he says. Consumers' preferred communication channels are SMS (45%) or email (44%). "Having to refer to the retailer's or carrier's website will no longer meet the need," he adds.

Micros found that 18% of retailers sent a text before delivery, up from 15% last year. Most allowed customers to rearrange the delivery day by replying to the text, and most gave access to carrier tracking.

The IMRG shoppers' survey also found that the vast majority still have their online orders delivered to their homes, and click and collect is preferred to having a parcel left with a neighbour or delivered to work. The decision to collect orders in store is primarily cost driven since it is generally free, but the trip can also be conveniently combined with other activities such as the school run, other shopping or appointments.

When choosing a third party click and collect location, 76% of shoppers surveyed



said they would expect no delivery charge with 43% prepared to travel up to 5 miles and 37% only willing to go 1 mile for their order.

Cost, therefore, is still a big influence on delivery preference. Free delivery as standard or once a minimum spend has been reached is becoming the norm across the industry: 71% of retailers now offer it compared with 63% last year, according to Micros.

“A form of free delivery will always be part of the retailer’s arsenal,” believes Neil Ashworth, CEO, CollectPlus, and it is these economy services that are currently expanding. But he warns that it’s unsustainable to expect high levels of accuracy at the current cost level.

### **DELIVERY CHOICE**

The number of delivery choices has been growing: 72% of retailers now offer next-day delivery, up from 68% in 2013, according to Micros. Some 97% of retailers will deliver to a location other than the billing address, 44% offer click and collect and just 8% offer reserve and collect in store.

Deadlines are also getting later with 18% of retailers able to accept orders after 6pm. Fashion retailer Next accepts them up to 10pm and will deliver free to store for collection after midday. Its next-day home delivery service costs £3.99. It also offers ‘send to a friend or neighbour’, evening and Sunday delivery.

In February, Hermes became the first consumer delivery company to offer its retail customers a 7-day service when it started delivering on a Sunday. The Sunday service will initially be available as a next-day service, with customers able to order all day Saturday for a Sunday delivery and will be fully tracked.

“Retailers are continuing to listen to customer requests and suggestions and adapting their business structures across the value chain as a result,” says Pat Phelan, VP of Client Services, EMEA, at Bazaarvoice. “Amazon has begun to trial Sunday deliveries to Amazon Prime members. This has the potential to permanently change the speed at which customers expect to receive their goods from digital retailers. There are clear similarities between this and Sunday opening hours which only occurred in the UK in the 1990s. This change has happened as a result of the digital revolution and is an obvious response to contemporary customer demand. We will continue to see similar adaptations being made over the coming year.”

James Hardy, Head of Europe at Alibaba.com, agrees that a growing number of retailers are likely to try and satisfy shoppers’ desire for immediacy by offering next- or same-day delivery. He advises retailers to “get ahead of the curve by improving your delivery times and setting the standard in consumers receiving goods ordered online”.

For the past year, supermarket chains have been experimenting with a variety of delivery options. Trials have included drive-thru, lockers, pick up from service stations and delivery to park and rides.

Since the end of November, Asda shoppers in London have been able to order their groceries online before noon and have them delivered to their car at a London Underground station car park after 4pm the same day. Tesco and Waitrose are following suit, while InPost is installing its own lockers at three stations.

According to Graeme Craig, Director of Commercial Development at Transport for London (TfL), the Asda pilot had been very successful and new partnerships with other retailers are on the cards. The income from this retail linkup is expected to generate £3.5bn for TfL in coming years.

Asda says the trial is generating interest which is being converted into orders. Kieran Shanahan, the retailer’s Multichannel Operations Director, is impressed by its click and collect trials, particularly the ones at service stations, and how the same-day cut-off options have been working. “We didn’t expect them to do as well as they have,” he says. “Reading Business Park has done really well.”

The final mile looks set to be the innovation zone in 2014 as retailers and the delivery industry continue to provide new ways of getting orders to where customers want them, at the right time and at the right price.

“We’ve already seen Amazon talking about futuristic models such as their drones and possible ‘anticipatory delivery’. Even for retailers with their feet on the ground, options like the collection points at London Underground stations for online Asda shoppers were met with a positive reaction from both the industry and shoppers,” says Leon Brits, Principal Consultant at digital commerce solutions company Tryzens. “Micros’ findings reveal that retailers are going the extra mile to offer convenience and choice to consumers in how they get their hands on their online purchases. From the retailers’ standpoint this raises an interesting question: ►

how to offer this choice without eating into already-squeezed profit margins.”

Arne Strauss, Assistant Professor of Operational Research at Warwick Business School, suggests that grocery retailers mine big data to predict when online shoppers want their weekly food shop delivered. He says this will not only improve customer service but could also boost retailers’ profits by as much as 4%. “If customers aren’t being given incentives when it comes to requesting their delivery times, then this can have a large impact on route planning and efficiency for the delivery team. Business failures such as Webvan – which went bankrupt in 2001 after trying to offer a same-day delivery service – brought home the message that while small delivery windows appeal to customers, they do cost the retailer money,” Strauss says.

Is click and collect from locations convenient to individual shoppers therefore the future for online delivery and a way of levelling the service for pureplay and clicks and bricks retailers, or is it just another option (albeit a big one) in the retailer’s arsenal?

“For the customer it’s about convenience, where they are and where they are going,” says Ashworth. “There’s no point having a pick-up point that’s one mile north of the customer if they are going south.”

For busy commuters, National Rail’s launch into the market as a collection and returns point may be the answer. Trials of its Doddle service started at Milton Keynes station in December 2013 and expansion to a further 74 stations is planned for 2014.

#### **CLICK AND COLLECT**


The convenience and certainty of not missing a delivery that click and collect offers is striking a chord with customers; industry

figures estimate that 25% of multichannel sales are now reserved or purchased online for collection in store. Between the start of 2013 and the third quarter, click and collect orders increased from 11% to 19%, according to the IMRG and Capgemini. In the same period of 2012, 13% of multichannel sales were collected in store.

The number of retailers offering click and collect is also on the rise with 44% of the 239 businesses in the Micros report offering the service to customers.

“Click and collect is big,” commented Mark Lewis, Online Director at John Lewis, at a meeting following the retailer’s successful Christmas 2013 trading period, during which it saw the number of collect in store orders increase by more than 60%. At Tesco, 70% of general merchandise sales use this order and delivery method.

Is the rate of growth really being driven by a number of large retailers promoting it as part of their proposition: Boots, Tesco, John Lewis (including Waitrose) and eBay (through its deal with Argos)? IMRG believes so. It also says there are signs that the rise of mobile commerce is having an impact on click and collect: mobile shoppers are more likely to use this mode of receipt than home delivery.

Mobile commerce is now the growth area for online shopping. The number of parcels and packages generated by online purchases (excluding 2-man and groceries) is also forecast to expand and reach almost 2.2bn by 2017. Now is the time for retailers to focus on that last mile, work out how it fits their proposition and margins, and discover whether every customer really wants to be offered a plethora of delivery options. Will 2014 be the year in which the final mile becomes personalised? 

“25% of multichannel sales are now reserved or purchased online for collection in store”

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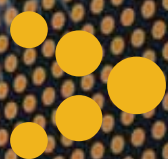
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# Set to fly

Infrastructure architect Phil Dalbeck tells us how Dell helped travel company Skyscanner ensure it always has a reliable, scalable digital presence



**E**VERY MONTH, 65 million visitors use Skyscanner's website and apps to find great deals on flights, hotels and car hire. As well as the most competitive prices, every one of these customers expects a quick, fuss-free, intuitive user experience. Maintaining a reliable digital presence is central to everything Skyscanner does.

## **A GROWING COMPANY**

This need for reliability has come more and more into focus as Skyscanner, the world's fastest-growing travel search site, has expanded. A couple of years back, it became clear the company needed to look beyond employing a

hosting firm to manage its website. Skyscanner took a strategic decision to deploy its own data centres at key sites in the UK and Singapore. Whatever data-centre solution it employed needed to be robust and scaleable so that it could be employed worldwide. Crucially, any provider had to be able to offer local support in different territories.

"As a web-based company, we rely on powerful data-centre systems to support millions of unique user sessions every day," says Phil Dalbeck, infrastructure architect at Skyscanner. "We wanted to make a fundamental change and move from a third-party supplied compute capacity to our own highly optimised platform. We needed

great technology and a partner we could trust to support our operations in different countries. That partner would provide fast, efficient local support and standardised equipment in multiple regions worldwide."

## **CREATIVE PARTNERSHIP**

This was a tough brief. However, working at Dell's Solution Centre in Limerick, Dell and Skyscanner collaborated on a proof-of-concept that brought together Intel®-based servers, storage arrays and networking in a single Dell Converged Blade Data Center. To cut through the jargon, the idea was to come up with a robust data-centre solution that could be





quickly deployed at sites across Skyscanner's organisation.

The work was successful and Skyscanner settled on a standard configuration for its multiple sites. Skyscanner's Phil Dalbeck is delighted with the results.

"We continue to rapidly scale our platform to cope with ever-growing user numbers and new product offerings," he says. "I see the Dell Converged Blade Data Center as a great way to support that expansion. We have gained a flexible server, storage and networking solution in a single chassis, simplifying management and reducing cabling. We needed high-speed components. Each EqualLogic blade array comes with 3.7 terabytes of SSD accelerated capacity, which makes it an extremely efficient, scalable and high-performing storage solution."

#### **MONEY SAVED**

The on-site data centre has helped Skyscanner cut its costs. That's partly because of Dell's inclusive licensing, which includes support fees as part of the solution. In addition, Skyscanner can also download software updates without incurring extra costs. "The combination of moving to Dell Converged Blade Data Centers and Dell's inclusive licensing will help us reduce costs by one third over three years," says Phil Dalbeck.


For Skyscanner, it's a priority to build expertise in managing the data centres within the company. For this reason, the company opted for the Dell IT Advisory Services three-year enterprise plan, which offers proactive reporting and analytics for

each of its data centres from IT Advisory Services. "We're continually learning how to get the best from our solution due to the support we get from Dell experts," says Dalbeck. "The knowledge transfer is a huge bonus."

Finally, for those rare moments when things do go wrong, Skyscanner chose Dell ProSupport with Mission Critical four-hour response. In the event of a hardware issue, a technician is on-site within four hours. "We have a single

“We rely on powerful data-centre systems to support millions of unique user sessions every day”



point of contact and a clearly defined escalation procedure with Dell ProSupport. This gives us confidence that if something goes wrong, it will be resolved quickly," says Dalbeck. "Regardless of the location of our Dell Converged Blade Data Centers, we get the same high level of support from Dell. We don't have to worry about negotiating with multiple service partners or vendors across the globe." 



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# Joining up the dots

For multichannel retailers, customer facing products and services have historically existed in two separate worlds. Either in real-life in high-street stores, or virtually via catalogues and, more recently, ecommerce platforms. Simon Liss, Head of Connected Retail & Leisure at 20.20, looks at how digital in store is more than a sum of the two parts.

**T**HE ACCEPTED wisdom is that there are distinct advantages to merchandising and marketing products in each channel.

Traditional stores allow physical products to be attractively presented, curated, touched and tried out, while services in the same environments can be discussed and explained face to face with knowledgeable staff.

The same products and services online can't be touched or very easily inspected, but they are much easier to sort, compare and to combine. Online merchandising, whilst not being very tactile or emotive, allows for endless pages of infinite combinations and for increased relevance through data driven personalisation.

It would seem then that each channel is destined to present products in its own distinct way. As such, efforts to bring the online products into the in-store environment have historically focussed on offering customers access to the standard ecommerce site via in-situ kiosks, PCs or staff tablets.

This approach can't really be called 'integrated'. What happens when you make the standard ecommerce interface and products available in-store is more akin to a 'co-habitation' of channels – they are running in parallel rather than in unison. While this approach isn't bad, per se, I believe that there is much more value that more innovative integration of digital can bring to the merchandising of products in store.

In this piece I will consider three areas that I consider to be fertile ground for meaningful digital merchandising and activation of products within real-world environments. These are:

- Bringing the social web into the store to help better present products and services through recommendation and relevance;
- Taking the digital search, discovery and filtering techniques from the web and applying them in-store to facilitate the purchase of complex products and/or

identification of items from within an expansive range;

- The mechanics that will allow seamless transitions between physical and digital spaces, including search and NFC.

The idea of bringing the power of the social web to bear on real-world in-store products is not new. Early last year, Nordstrom wanted to integrate the feedback that they were getting from their sizable Pinterest community and began placing Pinterest's "P" logo next to the most pinned products in its US stores. In a similar vein, back in 2012 product 'Likes' on C&A Brazil's online store were reflected on screens embedded in clothes hangers in the shop's physical racks. While both of these concepts probably got more coverage in trend reports than actual consumer interactions (and neither were easily scalable) they did show that real meaning could be gleaned from reflecting online product popularity in-store.

A more practical application has been demonstrated by Reevo, a company that has built its business around the value of social recommendation to conversion. Their online reviews have been brought into physical retail in a number of stores through printed reviews backed up with QR codes, allowing shoppers to get instant access to up-to-date ratings via smartphones.

The power of recommendation is even higher when the recommender is relevant. Mogul Labs, a next generation big data technology start-up, have recognised that the most relevant recommender is probably you. Their twitter tool looks through your past tweets and your social circle, performs sophisticated analytics and then shows you products and services that match your social 'personality'. They are currently in talks with a big high-street name to bring social product matching in-store.

## **DIGITAL DISCOVERY TECHNIQUES IN STORE**

One of the key benefits of shopping online is the ease with which customers can search and



sift through available products and services. Of course, consumers are already bringing the power of web search and discovery techniques in-store through showrooming on their own devices. The received wisdom is that this price and product transparency is bad news for the high street - but there are an increasing number of high street retailers that are creating store specific web tools to bring together the benefits of digital discovery and the immediacy of on the spot purchase. This 'post showrooming' approach embraces digital product discovery and search and can bring benefits to both shoppers and staff.

Carphone Warehouse, for example, has recently provided staff at its 780 high-street stores with tablets that feature a bespoke app called Pinpoint. The software crunches data on deals, tariffs, handsets and average usage and is used by staff to help consumers make an informed purchase from what is a complex and fast changing service and product range.

As part of the Next Generation Store that 20.20 worked on with TUI last year, we combined digital product discovery and social recommendation on customer facing touchscreens. The 'Browse Holiday' feature in Thomson's stores allows users to find products by moving sliders and tapping buttons, taking them from thousands of potential matches to a handful of relevant options in seconds. The experience, built on a locally stored version of the product catalogue, is much faster and responsive than using the standard ecommerce interface. However, one of the customers' favourite features remains the Tripadvisor data feed that places its ratings alongside each hotel listing. In further phases there is also talk of bringing in ratings from actual store customers to further increase relevance.


Going forward, there is great scope for digitally enhanced product and service search in-store. This is especially relevant in a large store, for complicated services options, or perhaps a small-format store with a large online range. As a single customer view and integration of online and offline stock and delivery become more sophisticated, being able to search the online catalogue, or order from an online catalogue and pick-up product in-store is going to become increasingly commonplace. Businesses that offer enhanced and experience rich search and discover services in-store (rather than just dropping in the website) are going to be at a distinct advantage in a world of increasingly connected

shoppers and demanding digital natives.

Leveraging all this web and social content in-store to help market products and services does require methods to bridge between the two channels. Moving from products themselves to digital experiences is perhaps the hardest nut to crack. Ugly and fiddly QR codes are probably not going to be the answer longer term and NFC, while theoretically perfect for digitally activating and integrating Out Of Home, and point of sale and EPOS seems a way off in terms of universal adoption. Those retailers with apps are at an advantage since with these QR and barcode scanning is easily integrated into users' phones. John Lewis has had in-store product scanning for a while, and others such as Ikea are also integrating this feature into their mobile apps.

In my opinion, one of the biggest untapped marketing and CRM opportunities for retail and leisure businesses remains in-store wifi. The basic infrastructure is in place (i.e. wifi networks, consumers' smartphones) so retail operations can easily use this localised communications channel to open up another layer of POS comms. While product scanning won't work via wifi - product promotion, shelf location and shopping lists are all possible over in-store networks. Retailers are still being slow to latch onto wifi as a support channel for stores, but Heathrow is one example of an early adopter, making retail product offers and store way-finding available to any users logging onto their public wifi.

The second area of immediate online-to-offline integration opportunity is product search - especially where it has clear local intent. In these scenarios, users are in fact performing pre-store product searches. Channelling this online search traffic to stores - by showing real-time product stock information, pricing and opening times, and enabling simple click-and-reserve as well as click-and-collect via mobile, has only really been embraced to date by a handful of companies in the UK. Argos and Maplin are both good examples of what an integrated approach to retail and ecommerce channels can achieve.

Creating such seamless integration between online search, footfall and purchase on the high-street is not just a question of technical advances, it also requires thinking from a shopper's point of view and joining the dots across your retail channels. As ever, technology is just a tool - understanding the customer must come first. 

# SINGLE VERSION OF THE TRUTH

Getting a single view of the supply chain is an issue for most retailers, but what happens when you also add in production, franchisees, wholesale and ecommerce? Emma Herrod investigates.



**E**COMMERCE HAS generated many innovations in the retail world but it has also seen many systems and processes thrown into the legacy bin. Communications (or a lack of it) across systems and the need for speed mean industry suppliers have to continually update solutions to keep up with retailer and customer requirements.

While retailers grapple with the twin tasks of getting single orders to customers and delivering goods to shops, brands with wholesale businesses also run separate systems to get their best stock to the right stores. Selling direct to the consumer further complicates the supply chain in terms of stock visibility, manufacturing and speed to market, plus allocation of stock across retail, wholesale and ecommerce businesses.

Life is more complex for brands that also run their own retail estate, explains Peter Akbar, Solution Director Fashion at SAP. Some businesses will have started out as wholesalers with little retail, while others will have put more emphasis on retail and not so much on the wholesale side; both will have ended up with two separate supply chain systems that don't talk to each other. Growth through acquisition and alliances are a further factor.

Companies are increasing their brand value and customer-centricity by using best practices and big data in a cross-channel vertical environment to ensure they have product where their ever-demanding customers want it and when. For retailers, having their own-label product is a valuable asset and will differentiate them from global marketplaces such as Amazon.

However, continuing to keep inventories in disintegrated silos can lead to issues with stock and distribution decisions: where to place stock in terms of retail, wholesale or ecommerce channel. It can also mean delays in bringing new styles to market, which is of particular concern to luxury brands in

an age when they are feeling the effects of fast fashion on their business. It also makes moving into new markets and channels, such as the expansion of franchise outlets now happening across the Middle East and Asia, cumbersome and time consuming.

Franchise and wholesale have different business models to retail; they also add another level of complexity as a firm has to manage price and cost across the whole supply chain, explains Sarah Taylor, Senior Director Retail at Oracle. She says brands "have to manage and balance demand for each channel to market".

Going direct to the consumer is an opportunity, especially for some of our strong UK brands such as young fashion designers. "It gives them the opportunity to develop those brands and differentiate their product offering," says Taylor.

The rise of ecommerce as a direct-to-consumer selling channel further exacerbates supply chain issues. But by having one single view of the complete supply chain, brands can see the true retail demand from POS, retail solution through to the wholesale solution without any time lag or batch processing. "By bringing it all together, brands can make the best decisions," says Akbar. "If there is big demand in a certain area because of advertising they can allocate more stock to that area or move some from wholesale to retail. With planning tools they can also allocate more profitably."

## **VISIBLE TO ALL**

Brands need to have visibility internally as well as giving customers a view of stock levels and location, believes Taylor. The goal is to have visibility across the entire supply chain with operational processes across all areas, and then to enable consumers to go online, see if the product they want is available and be given the information they need to decide whether to have it delivered or to collect it. They may be purchasing it directly from the



brand's ecommerce site, from the brand's own store, a franchised store or from a separate retailer.

Having a single view of the end-to-end supply chain is one thing, but that data is only as good as the insight that can be drawn from it. So this single version of the truth needs to be analysed to gain maximum benefit; simulations can be run, along with profitability analyses, to give an optimal view of where to move stock and who should get what. Utilising big data means that there's no need for so much buffer in the supply chain, explains Akbar.

"Information will be your basis of competitive advantage," IBM CEO Ginni Rometty told retailers at January's NRF Big Show. She said that information will change everything, including how retailers manage supply chains, and forecast that it – along with cloud and cognitive computing – will be the foundation on which retailers will build their success this year.

Running a single supply chain also means that manufacturing decisions can be made later. For buyers, the old adage used to be buy and forget, but with today's increased speed to market and knowledge of where the demand is they can delay manufacturing decisions, such as which slogans to print on what colour t-shirts.

With a move towards supplier partnerships, these too can be plugged into the supply chain to further speed up processes, alleviate data issues and increase collaboration.

Simplifying the supply chain has huge implications for operating margins. Fashion retailers, for example, can be more flexible about how and when to use particular fabrics. These can be bought in bulk at the start of the season leaving buyers and retailers to be more adaptable about the finished garments and tailoring it to the market and demand. This is something that Next Retail already does to great effect.

Demand forecasting brings the what and when of manufacturing processes into product planning, explains Taylor, and if you take away the need for batch processing, Akbar says retailers can do a supply run "incredibly quickly".

#### **SPEEDING UP THE ANALYSIS**

Three fashion brands that have been working on gaining a single view of their respective supply chains are Adidas, Luxottica and

Data is only  
as good as the  
insight that can  
be drawn from it

Tommy Hilfiger. They have been collaborating with SAP on a big data-enabled solution that will give them a unified view of stock. Akbar explains that by using the power of its in-memory computing platform HANA, large data volumes can be quickly analysed for a fast and accurate overview of products across the entire supply chain, saving both time and money. "We could only do this with HANA because of the in-memory computing," he says.

The collaboration aims to enable the brands to manage their vertical, omnichannel business processes across one big data system to improve efficiency, speed up time to market and enhance inventory control; the ultimate goal is to enable them to grow globally.


"Our innovation with SAP is intended to create a new single platform for speed and growth across our multiple businesses and distribution channels," says Ludo Onnink, COO, Tommy Hilfiger. "We look forward to using these best practices to run faster than ever before."

Luxottica is focused on improving its retail, wholesale and manufacturing businesses. "The future looks very bright for our operations," says Dario Scagliotti, Group CIO, Luxottica.

While at adidas, Group CIO Jan Brecht comments that the partnership "will enable us to bring our global wholesale and retail businesses closer together".

Away from the fashion arena, other brands have been embarking on technology changes to align channels, explains Taylor. She cites Morrisons, which since acquiring Safeway has been working on integrating its supply chain. This encompasses growing the product, bringing it into a factory environment, manufacturing, processing, warehousing and putting products onto retail shelves for consumers.

By having the end-to-end integration in place, brands can further enhance their stores, explains Taylor, explaining how Waitrose serves John Lewis customers. "It opens up fulfilment from stores," she says, enabling everything to happen at the right time.

There's full flexibility: rather than leaving the customer with an out of stock message, it means that the product is available when they want to buy it. If it's not, they will know whether and when it will be back in stock, and be given information about possible alternatives. 



# ONE SIZE... DOESN'T FIT ALL

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# Step Up Your Analytic Sophistication

Internet Retailing asked *Matt Beck*, Vice President, Marketing Solutions at FICO, to explain how leading edge retailers are benefitting by harnessing analytics to find the sweet spot of customer and product.

**A**SK ANY of the top retailers whether they use analytics in their decision-making process, and the answer will be, “of course.” What separates the most aggressive competitors today isn’t the presence of analytics in their toolkit — it’s *what* analytics they use and *how*. Further, how are customer insights embedded into the culture of an organization and leveraged in transcending historical silos of responsibilities?

When you review your own organization’s strategy, you should be able to check the boxes for the more commonly-used kinds of predictive analytics:

- Collaborative Filtering, which enables retailers to take a degree of targeted action even for first-time customers. This type of analytics is often behind the product recommendations offered on ecommerce sites and the printed coupons generated at in-store checkout;
- Clustering Algorithms, which enable retailers to differentiate between customers in broad ways such as “Customers who like leading-edge technology” or “Customers who are value conscious.” Painting customers with this kind of broad brush can help direct large-scale expenditures on store design, new merchandising schemes and promotional programs;
- Regression Models, which enable retailers to predict how an individual customer is likely to behave. With such specific insights, retailers can differentiate between customers to a much greater degree, further increasing the granularity of segmentation and the relevance of offers. Regression models essentially create segments of one.

Now then, what are the more cutting-edge analytic approaches retailers are using? Here is a brief look at three that give retailers new ways to understand customers, match them with the right offers and build brand loyalty over time.

“Knowing when a customer will behave in a certain way is powerful”

## TIME-TO-EVENT MODELS

Time-to-event models enable retailers to predict when a specific customer’s behaviour is likely to occur. Knowing that a customer is likely to behave or react in a certain way is useful, but knowing *when* they are likely to do it is even more powerful — particularly when collaborating with vendor partners.

Retailers are working anywhere from a few weeks to a few months out in their decision process to determine what to promote to whom. Often decisions are made at the segment level or from the product and service point of view and timing is not part of the equation. Being able to calculate the propensity of a customer to buy a specific product, within a defined window of time, allows a retailer to be more effective with their promotional investment. Propensity however varies over time. A time-to-event model predicts the likelihood of a customer to respond to a particular message or product offer within a defined window of opportunity.

Here’s how some retailers are using time-to-event models:

- A large retailer is using this type of analytics to increase the ROI from promotional mailings. When a popular new DVD or video game comes on the market, for example, the retailer sends offers only to those likely to buy the product within the offer redemption period. Response rates are two-to-three-times higher than when the same offer is sent to everyone;
- A home improvement retailer used time-to-event models in an email campaign directing recipients to one of several web landing pages featuring a specific do-it-yourself project, such as painting or replacing flooring. The customers targeted for the emails were those identified by the models as likely to purchase in that product category within a short period of time;
- A large retailer is improving its ability to predict when customers are about to make

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Your queue number: 8445

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You can access the website in: 5 minutes

Status last updated: 14:59:57

Message last updated: 14:58  
[See you at IRX 2014!](#)

Please notify me when it is my turn:

Enter email address

Leave the queue (You will lose your place)

Queue ID: 8083a551a3b4e4c7e3b0c8e9f983b0b0e

QUEUE-IT

Sample customisable queue page interface



a big purchase by incorporating customer clickstream data into time-to-event models. Many consumers do extensive online research before making an online purchase or walking into a store to inspect the item. By analyzing clickstream data from its site, along with customer purchasing histories and historical behaviour patterns, the retailer can pinpoint the right moment to make an offer.

### UPLIFT MODELS

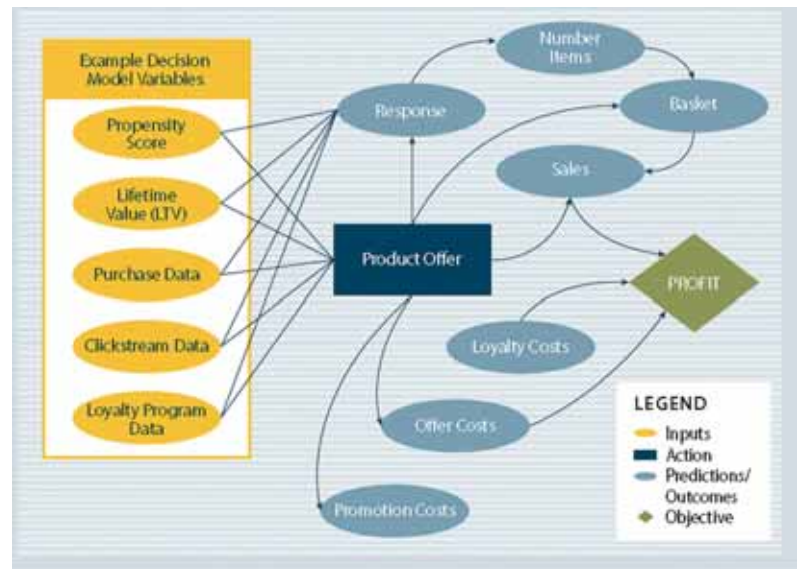
Uplift Models enable retailers to predict how much their action is likely to change a customer's behaviour.

A propensity model predicts the customer's likelihood to buy a given product, whereas uplift modelling shows the likelihood of purchase given varying offers, helping to manage strategic customer initiatives and balance the promotional portfolio of investment. Often used in conjunction with time-to-event models, they predict the amount of change likely to occur in a customer behaviour as a direct result of a particular retailer action.

Uplift models can save retailers millions by targeting their limited investment on the right customers who will be most likely influenced by the offer and deliver long-term value, thus reducing the impact of cherry-pickers or deal-seekers. For example, such a model might predict whether or not sending a 20%-off offer is likely to significantly increase a particular customer's propensity to buy a pair of designer jeans within the next two weeks. The retailer can then send the coupon only to customers whose behaviour it's likely to impact the most.

Uplift modelling can also help retailers determine which promotional technique may be the most effective for a particular campaign. Will 20% off be much more effective than 10% off? Will it work better than free shipping? Uplift models provide the analytical insights retailers need to make precise decisions about where to put marketing spend for higher ROI beyond just getting the offer timing right.

A FICO retail client that helps "make markets" for new products by spending heavily on promotion, is using uplift models to increase its return on this investment. The analytics provide insights that are enabling the retailer to accelerate the purchasing behaviour of so-called "laggards"—customers who historically haven't been



Modelling the Profit Drivers of a Product Offer Decision


among the first to purchase. By targeting these customers with offers that are likely to change their historical behaviour, the retailer is increasing the concentration of sales in the first two months of the product lifecycle - its "critical period" before competitors can draft off of their momentum.

### DECISION MODELLING

Decision Modelling enables retailers to build offer strategies to reach desired results.

Most marketing campaign systems rely on some kind of business rules management system. This level of automation, however, is generally used to deploy rules and strategies devised "by hand." In other words, there is a lot of science given to understanding the customer and their propensity for certain products, but not much science given to building the overall strategy. And that's a problem when large numbers of analytic predictions are used to differentiate and treat customers individually. The decision process can become difficult to manage and even to fully comprehend.

This is where "decision modelling" comes in. A decision model simplifies such complex decisions by mathematically mapping the relationships between all the factors and outputting an actionable result, such as a recommended customer treatment.

Moreover, explicit modelling of customer reactions to a range of retailer actions (often called "action-effect modelling") clarifies complex decisions and exposes key performance drivers. An action-effect decision model can determine on a customer-by-customer basis what the net impact would likely be on revenue, costs and profit. 

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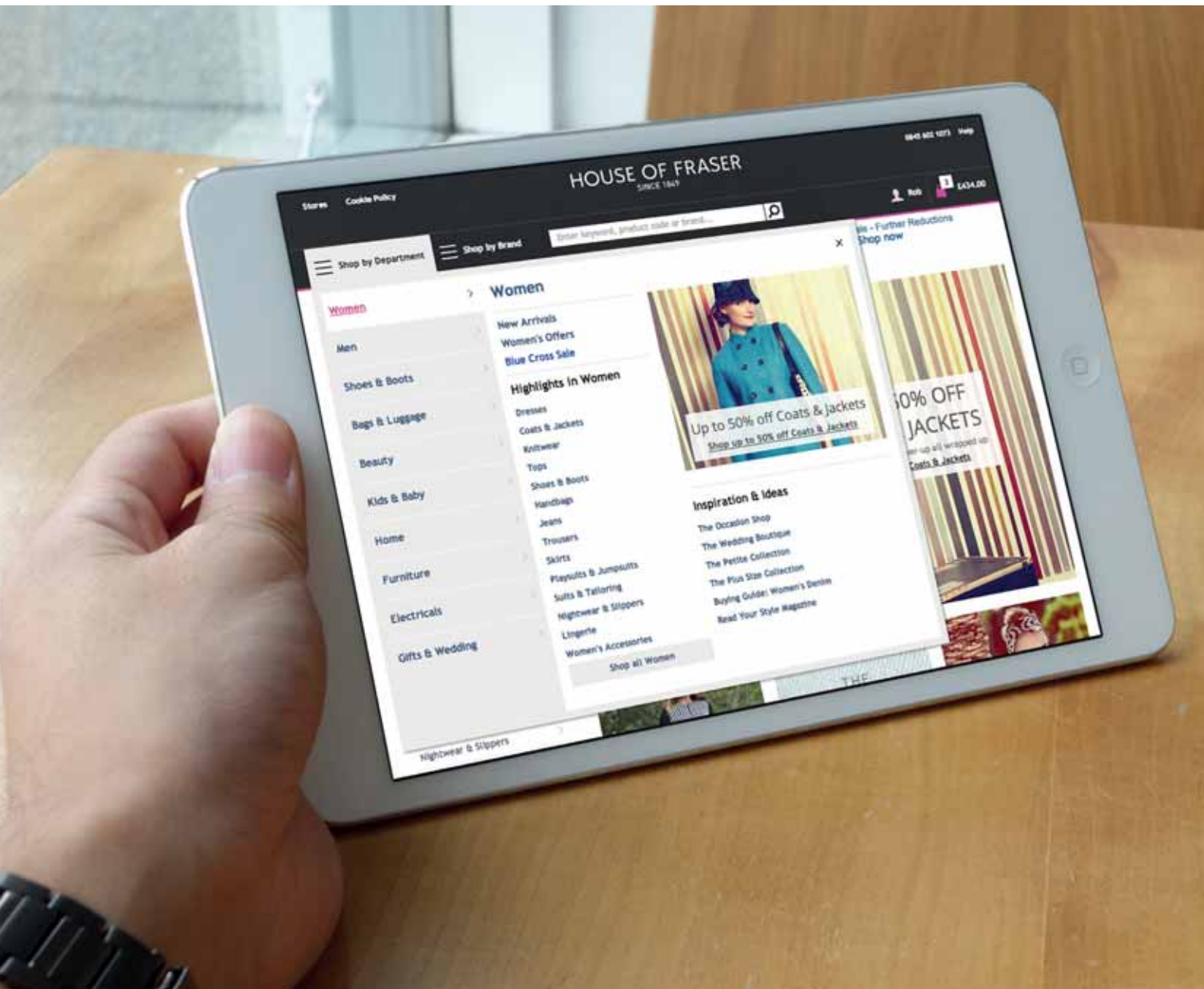
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# The website is dead...

... long live the tablet site. With more consumers shopping from tablets, is it time to redesign websites to be tablet friendly and treat the PC as secondary, wonders *Paul Skeldon?*



**H**OUSE OF Fraser has redesigned its website. Not a sentence that would usually stir much in the hearts of e-comm professionals, but the announcement in early February is groundbreaking. The retailer has not just tidied up its logo and shifted some elements of its site about; it has totally rethought how its users use the site in this era of touch

screens and tablets and this puts House of Fraser at the vanguard of ecommerce.

The retailer is getting more than 50% of its ecommerce traffic from mobile devices. More tellingly from touch screen mobile devices – and so it has opted to design its site with touch screens and simple navigation up front. That goes for how the ‘traditional’ PC version works as well. ►

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The move by House of Fraser comes as no surprise – and it certainly isn't going to be the last retailer we hear of in the coming months to have done this. The times they are a-changing.

2013 was the worst year yet for sales of 'traditional' PCs: according to IDC's Worldwide Quarterly PC tracker, sales of PCs slumped globally by 10% compared to 2012. It looks like the big grey box era is at an end. Of course, the demise of the PC has been hastened by the rise of the mobile device, most notably the tablet, which is slowly but surely starting to become the instrument of choice for those shopping from home.

Gone are the days when 'mobile' commerce meant something different to PC-based ecommerce. While smartphone users are using their mobile devices while on the move to shop – and throwing up countless challenges and opportunities as a result – the rise of the tablet, largely at the expense of the PC, is having a profound effect on how retailers design their websites.

Or rather it should be having such an effect, but it isn't.

"It is becoming very clear as to how consumers are choosing to shop, and that's laid back on their sofas, tablet in hands," says Adam Levene, SVP, Strategy, at Monitise Create. "Last year represented the worst ever drop in sales of PCs. In the same time period, tablet sales grew by over 50%. The rise of the tablet has fundamentally changed how customers shop online and retailers must embrace the change.

#### **DON'T GET LEFT BEHIND**

However, while consumers are opting increasingly for the more tactile, responsive and visually driven devices, retailers are still very slow to accommodate them. This is increasingly facing retailers with a problem: give it two years and they will be offering up PC-centric websites to an audience that is, in the main, on tablets.

"There is very much an attitude of 'it ain't broke, so don't fix it' with retailers at the moment and many are ignoring the significance of tablets," warns Carin Van Vuuren, CMO at Usablenet. "Consumers see tablets as an 'everyman' device and they are increasingly incorporating them into their sales journey, often now to actually purchase. Smartphones are typically used for research, but the buying is increasingly taking place on tablets. The desktop device is coming in third

#### **TOP TIPS FOR REDESIGNING YOUR SITE – AND FUTURE PROOFING IT**

The rise in tablet use and the importance of servicing tablet-based customers is going to become business critical in the coming year as tablets slowly become the home computer device of choice.

While it looks and feels like a very costly undertaking to redesign and even rebuild your whole site, consider how not only do you need to meet the needs of tablet users in the next two years, but also how within five years, consumers are going to be hitting your site from PCs, phones, tablets, TVs, games consoles, Google Glass, smart watches, kiosks, smart fridges and possibly a whole host of other devices that stand poised to be connected to the web.

So here are some tips when looking at where to take your site next.

- **Go touch friendly** – Make your site designed around touch, scrolling, flicking and pushing. Try and forget clicking. Make sure buttons and other controls are finger sized and think about embedded keyboards.
- **Don't be Flashy** – don't use flash in your sites. Apple products don't support it and increasingly neither do many other 'mobile' OSs. Look also at what other soft and middleware is unsupported.
- **Ignore the fold** – With so many people now familiar with scrolling on tablets and smartphones, the 'below the fold' ethos of web design is debunked. People are used to flicking a finger and scrolling, so design accordingly.
- **Tangled up in type** – type size and font is crucial. You don't want it to be too small (too much zooming in) and you don't want it to be too big (too much scrolling). There is no simple rule of thumb on this, you are just going to have to experiment with point sizes, fonts, line length and leading (space between lines) until you think it works.
- **Declutter** – don't have the site totally cluttered up with elements and stuff. Think clean and functional and rely instead on good navigation to get people to all the things you want to show them rather than cram it all on the home screen.
- **Delink** – similarly to the cluttering issue, start to look at how to facilitate great navigation without resorting to loads of links. The fewer links the better.
- **Make it social** – have an eye to how to make it easy to share socially.
- **Great content** – above all make the content on it count. Mobile/tablet sites require less content, so make sure what you are putting on it is fantastic, compelling and short.
- **Go responsive** – make sure that what you are building on offers responsive design so that you have some flexibility in the years to come when new devices start to become points of retail too.
- **Think like consumers** – you have to really get into how consumers think and what they do around your various online presences and design accordingly.
- **Test, test, test** – above all, whatever you do, keep testing it, keep asking people about it and keep tweaking it. People's tastes change and adapt so keep pace with this. Your site should be a living, breathing thing regardless of devices that access it and it is never 'finished'.



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and is viewed more and more as a bit clunky.”

Retailers should sit up and listen. 77% of consumers who don't get a great experience from an ecommerce site are unlikely to visit that site again, according to independent research carried out for Usablenet last year. A further 67% are unlikely to tell anyone about your site or recommend it if they have had a below par experience: and this now is something that tablet users are seeing.

Retailers ignore tablet shoppers and the shift to tablets at their peril. According to eMarketer's Bill Fisher “Tablet users have the greater presence among digital buyers. Having a tablet almost guarantees that the person uses it for ecommerce. By 2017, 78% of US tablet users will make purchases via the device.”

So, what can be done? Well, retailers need to take a very good look at where their site visitors are coming from device-wise, what they are doing and where, when and why they are leaving. Think about how they are experiencing the site across different devices and if needs be ask some of them what they do and don't like.

Above all, think about how consumers use tablets, suggests Levene. “The tactile nature of tablets requires the interface to be easier to navigate, starting with how the customer discovers and browses products. Designing for tablet provides an opportunity to streamline the checkout experience and make transacting easier.”

### THE CHALLENGE

Increasingly, retailers are going to have to face the fact that their site is going to be designed for tablet, but will also work on PC – not the other way around. This presents massive challenges.

“The solution to a world of fragmented devices can be found in responsive design – allowing for the provision of a single website that renders optimally across multiple devices,” says Levene. But, uptake of businesses however has been slow with a recent IAB survey reporting that just 11% of the top 100 advertising spenders in the UK have invested in designing their web presence responsively.

“Apps designed to live on mobile provide retailers with more advanced features to create a richer and more personalised shopping experience; for example making use of data to tailor the interface, and one-tap payment to enable faster checkout,” he suggests, but again these have their limitations, with discovery

chief among them.

More prosaically, Usablenet takes a more nuts and bolts approach to the problem as exemplified by the work it has done on the Marks & Spencer site. Better and bigger pictures, carousels, enhanced tactile navigation and the ability to be viewed in different orientations are all traits that are in the M&S site that make it work very well indeed on a tablet.


“In fact, this site is very much one that ‘also works on PC’, with its layout and design elements fundamentally akin to tablet apps,” says Van Vuuren. “This has all come about by thinking like consumers and analyzing how consumers use the web to shop.”

House of Fraser meanwhile, has grabbed the bull by the horns and is actively promoting this touch screen first approach. The homepage and category hub pages have a fresh new look with a quicker load time and more interactive elements designed to maximise the rate of conversion. The product listing pages now feature three shots per row (previously four) which creates more space and allows larger images to be displayed. Product pages also boast larger images with a new ‘super zoom’ feature which offers customers a clearer view of the product. The shopping bag feature has been improved to make it more concise and easier to edit.

All these are key design features of making a ‘mobile’ centric site that also works on PC.

Andy Harding, Executive Director for Multi-Channel at House of Fraser, commented:

“Consumer shopping habits are constantly evolving and given we now see more than 50% of our online traffic coming from mobile devices, we have changed our design strategy to ensure we provide the best possible experience for our online customers. We are always looking at ways to maximise customer shopping experiences and we're confident our new look and feel website will be well received and will help continue to drive growth this year.”

While it is clearly vital to service the growing number of tablet shoppers and indeed to future proof your ecommerce business, don't lose sight of the real driver here, warns Levene. “It's easy to get caught up with the technology and the challenges of multiple devices. However, when it comes to shopping in the connected age, what's important and shared across nearly all customer segments is the ability to find the right product fast and transact easily.” 

# Insight around the world



**HENRY PENALACIO, ARGENTINE MARKET SPECIALIST,  
GRANDESCUENTO.COM.AR**

Argentines who shop on online sites outside of the country store will no longer be able to have their order shipped directly to their home. Instead, they will have to fill in a special declaration and report to the customs office where they'll have to pay half the order's value in tax so that they can collect their purchased products.

The main reason for the government's action in introducing this is the dramatic meltdown of foreign-exchange reserves which in 2013 fell by 30%, reaching the lowest level ever noted since 2006. President Cristina Fernandez de Kirchner decided to undertake such actions in order to effectively stop the outflow of capital.

Individual consumers will still be able to make tax-free purchases on a total sum of \$25 per year. Everything that falls above this quota will be charged with 50% duty. In addition, according to the previous regulations, international transactions via payment cards are charged with 35% duty.

Argentina has a population of 40 million with an internal ecommerce market amounting to over \$3bn. These data, however, pertain only to the internal market since the amount of goods ordered from other countries, mainly the US, is difficult to estimate.

The popularity of shopping across borders is not surprising once we take a look at the differences in prices of individual products. To give an example, an unlocked iPhone 5S 16GB can be purchased for \$649 from an Apple Store but the price in the Argentine stores oscillates between \$1,300 and \$1,700. Prices on Argentine online stores are given in euros or dollars since over the year the Argentine currency has depreciated against the dollar by 38%, and if shop administrators wanted to update the prices in pesos, they would not have time for anything else.

Argentina also has discrepancies in prices between it and neighboring Chile. If someone's not willing to spend 54% more on a Samsung Galaxy S4 or pay almost three times more for a Smart TV, they can fly to one of the Chile's metropolises to make the purchase; more than 1.5 million Argentines prefer shopping this way.

The government actions upset Argentines who complain not only about the ridiculously high customs duties, but also about the necessity to visit customs each time they want to shop online. What's more, they often emphasize that the imposed regulations may have the opposite of the desired effect and instead of increasing the income from taxes, it will increase the grey area and encourage trafficking.



**JURGEN VERSTRAETE, MANAGING DIRECTOR, OGONE**

Transactions throughout Europe during the Christmas period increased by 37% across Ogone's payment platform as shoppers embraced online shopping for their seasonal purchases.

Payments via mobile device grew significantly and represented more than 10% of ecommerce transactions in December: transactions via tablets doubled to 9% vs. the total number of transactions and transactions via smartphones increased by 50% (representing 4.5% of the total).

In the UK and The Netherlands, transactions via mobile devices increased to 19% and 16% respectively. Whilst in France, Germany and Belgium mobile transactions now account for 10% of ecommerce transactions.

The most important online shopping day over the festive period in France, Belgium, The Netherlands and the US was 16 December with online transactions in the UK and Germany peaking earlier, respectively on 4 December and 9 December. The variations undoubtedly due to differing gift giving date traditions and delivery deadlines.

However, businesses are still missing out on cross-border sales opportunities: more than 25% of Belgium's ecommerce transactions over the festive period came from sales in other markets, notably France; The Netherlands generated the majority of non-domestic transactions (14%) from Belgian based consumers; French and English consumer spending over the period tended to take place with their own domestic merchants, 85% and 86% respectively; in Germany, almost 50% of online transactions were from non-domestic sales.

With the evolution of the markets, increasing consumer trust, widespread technology penetration and confidence in purchasing from cross-border suppliers, the term 'ecommerce' will become redundant. It will shortly be so deeply rooted in people's purchasing habits, that we will simply consider it as one of the channels of commerce in general.





**YÜCEL YELKEN, CEO, YSTATS.COM**

Online retail sales in the Middle East remain low but have grown significantly in recent years and the area is set for 20% growth rates over the next few years.

According to the findings of our report on the region (Middle East B2C E-Commerce Report 2014), ecommerce accounts for less than 1% of total retail sales as low adoption of online as a retail channel by local businesses, the predominance of cash on delivery payments and low consumer acceptance of online shopping, compared to international benchmarks have been obstacles to growth. Leading the region in the adoption of ecommerce are the UAE, Saudi Arabia, Qatar and Israel, which together account for around half of all online sales in the region. Producing the most revenue in online sales are consumer electronics, computers, and jewelry, including watches. Clothing sales are increasing online.

Mobile is often the most common mode of connection to the internet with m-commerce accounting for 10% of ecommerce in the region in 2012. This is expected to double by 2015.

Several fast growing local merchants have emerged in response to the developing interest in ecommerce. Among them are mass merchants JadoPado and Alshop, and online electronics store EmiratesAvenue. Three other regional merchants, online mass merchant Souq.com, online fashion store Namshi and flash sales site MarkaVIP together garnered over \$70m of investment in 2012. Amazon and eBay are among the most popular shopping destinations, though are behind Souq.com in terms of annual spend per shopper. Due to relatively low adoption of the online channel by local merchants, cross-border shopping is common with special services assisting consumers in buying from international websites and getting their orders delivered.

Ecommerce is growing at a rate of over 20% annually in the UAE with over 80% of the population using the internet and 15% of them shopping online. B2C ecommerce is burgeoning also in Saudi Arabia, though largely restricted to sales of clothing, electronics, appliances and for booking travel. It is expected to grow almost 40% annually to 2015.

Internet penetration in Qatar reached almost 70% in 2012, with less than 5% of internet users shopping online. Israel is another regional leader, with a double digit share of internet users making online purchases. Consumer electronics has been the product category with the highest online sales, but the fastest growing category in the next five years is expected to be groceries.



**ISABELLE SALLARD, EDITOR, INTERNET RETAILING.FR**

In 2013, despite the worsening economic climate, online sales continued to grow in France. In total, the French spent €51.1bn over the internet, an increase of 13.5% in one year. Christmas sales contributed to these good results reaching €10.1bn, up 12.5%.

The pace of new website launches remained dynamic; the French ecommerce market has now reached 138,000 active websites, an increase of 17% in a year, which represents 20,000 new sites. Thus, between 2005 and 2013, the number of ecommerce websites increased tenfold with the level of turnover multiplying by six.

Demand is driven by the arrival of new online buyers (+5% year-on-year) and the increase of shopping frequency: an average of 18 transactions, per year, per buyer (16 in 2012) .

As in 2012, the average transaction amount continued to lower in 2013. In one year, it decreased by 3.5% even reaching, during the last quarter of 2013 the lowest level ever recorded at €83. For the whole of 2013, the average basket was €84.5 (€87.5 in 2012).

Sites selling mass market products (including marketplaces) recorded an accelerated growth of 9% at Christmas time. Slowed by the 1st quarter, growth for the year was 6%. Travel sites, whose growth slowed at the beginning of the year, increased their sales by 3% over the 12-month period. As for B2B sales, despite a solid 5% increase in the 2nd quarter, they recorded annual growth of only 1%.

At least, mobile sales continue their development with a 97% rise in the 4th quarter of 2013 compared to the 4th quarter of 2012. In 2013, the sites in the iCM panel (40 representative French e-retailers) made 11% of their total sales through mobiles and tablets (vs. 5.5% in 2012). In 3 years, their sales through mobiles and tablets have multiplied by 5.5.

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