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ZALANDO: A FASHION PLATFORM FOR EUROPE

David Schneider, Co-founder, Zalando on the company's ambitions to match customers and brands across Europe

INSIDE OUR 'INTERNATIONAL' EDITION:

Contents

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Editor's comment

AMAZON AND eBay alone account for a staggering 41% of all retail web traffic in Europe, with 47% of Amazon's unit sales globally being generated by Amazon Marketplace sellers in Q4 2015.

Marketplaces remain a major force for ecommerce in China too with Alibaba becoming the world's largest retail platform in March as its trading volume surpassed Wal-Mart's annual sales. In 2014, China outgrew the US as the largest ecommerce market and over the next 5 years it is expected to double in size. Giving an insider's view, Lac Tran, EVP Global E-Commerce, Web2asia, reports on the market – which increased 30% in 2015 – and resonates to every worldwide brand.

"In order to choose the right cross-border business model, merchants need to understand their specifics and how their product can benefit from each model: marketplaces, localised standalone store and specialist cross-border ecommerce platforms such as the haitao networks – cross-border is done differently than in the 'West'. The channel is thus the first thing merchants need to consider," he says.

With potential for an imminent impact on UK retailing and cross-border sales is the EU Referendum and the vote on 23 June. Of course, it will have wide ranging implications for all of us in the UK but as Penelope Ody reports: "The real issue is what will we do with the new-found freedoms of Brexit, or if we vote 'remain' what will we do to reinvigorate our economy and society as a newly-committed partner in the EU?"

International though is not just the UK sending to the rest of the world. In this issue of InternetRetailng we also tour the world, looking at retail models, trends, developments, opportunities and ideas from retailers in other countries. Featuring in the main interview, and on the cover, is David Schneider, one of the founders of Berlin-based Zalando. Set up initially as a Zappos for Europe, the fashion retailer is now expanding to become a platform for fashion linking brands and consumers across the 15 countries in which it operates. Interestingly, it is looking to China, not for market entry but for disruptive ideas on how to change fashion retailing in Europe, personalising the experience and launching disruptive models for different customer segments.

Being a tech-heavy company they are always on the lookout for good talent, as is Sainsbury's which will be hiring a further 150 people at its new tech hub in Manchester over the next 18 months. Over the past year, Sainsbury's has created 480 digital and technology jobs in centres in London and Coventry.

Staff throughout the rest of the retail organisation are also in demand. Carl Lomas, Chairman of the Institute of Couriers, spoke to delegates at the recent eDelivery Expo about how the next generation needs to be brought into the industry. Penelope Ody also discusses the impact of the EU question on recruitment in her article.

Other takeaways from the eDelivery and InternetRetailing Expos are reported in a feature later on in this issue. Ocado's launch into omnichannel retailing, the continued rise of click and collect, the impact of Black Friday and shoppers' mobile behaviour were all discussed at the event. "I don't think anyone should be launching a website in 2016 that isn't responsive," said Sarah Stagg, Director of Digital Product at House of Fraser in her session.

Anyone looking to shoppers from overseas should also have an app believes both of the authors of features in this issue's mobile section. The topics of cross-border payments and fraud are investigated, along with how mobile shopping habits around the world are impacting on UK retailers. "Internationalisation can be challenging for retailers, especially when it comes down to tailoring content to different regions," says Oyvind Henriksen, CEO and Co-founder of app developer Poq. "But thanks to powerful technology, it's never been easier to deliver great apps that support international expansion."

Wherever your customers are located, be that on a bus in London, in their home in Germany or on a subway in Korea, they all want a great experience from your site. Figuring out what that means to each of them is one of the things that keeps ecommerce interesting.

Emma Herrod
Editor

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

SAINSBURY'S ON TRACK

Sainsbury's Chief Executive Mike Coupe says the company is well on track to delivering shoppers the multichannel experience that they want – and that its acquisition of Argos's parent company Home Retail Group will further that strategy.

He said the supermarket, a Leading retailer in the IRUK Top500 research, was making "good progress" against a strategy that puts selling to shoppers wherever and whenever they want. This sits alongside simpler pricing, and growth of non-food sales including general merchandise and clothing as the retailer's key strategic priorities.

Coupe's comments came as Sainsbury's reported group sales of £23.5bn in the year to March 12, 1.1% down from £23.8bn at the same time last year. Statutory pre-tax profits came in at £548m, from a loss of £72m at the same time last year, but underlying profits of £587m were 13.8% down on the £681m reported last time.

Online grocery sales grew by nearly 9%, while order numbers rose by almost 15%. The supermarket says it will almost double its 101 click and collect grocery points to 200 by the end of the next financial year. Meanwhile, convenience sales grew by more than 9% to more than £2.3bn. During the year, the supermarket opened 69 of these smaller, more local stores.

"These results reflect the multi-product, multichannel shopping experience customers are looking for today, and our proposed acquisition of Home Retail Group will accelerate our strategy in this direction," said Coupe.

Meanwhile, Sainsbury's is expanding its digital and technology team adding 150 new jobs at its Manchester hub. Over the past year, Sainsbury's has already created 480 digital and technology jobs in centres in London and Coventry.

A LANDMARK YEAR FOR HOME RETAIL GROUP

Home Retail Group Chief Executive John Walden has hailed a "landmark" year which had seen the Argos owner transform in more ways than one, moving towards an "exciting future".

During the year the retailer transformed both its strategy, through its ongoing five-year digital transformation plan, launched in 2012, and itself, through the £340m sale of Homebase. That transformation will continue following the £1.4bn bid from Sainsbury's.

Walden said that during the year Argos had made progress in its own transformation plan with the introduction of its Fast Track same day collection and delivery service. "We have been encouraged by the customer response to Fast Track with our on-time delivery rates and customer satisfaction having continued to improve to leading levels," he said. "Argos now has a proven digital store model, including small formats and concessions, which require lower capital outlay and provide customers with fast access to an expanded product range regardless of store stock capacity."

Group sales of £5.67bn in the year to February 27 were down on the £5.71bn recorded at the same time last year, with Argos sales slightly down at £4.095bn, from £4.096bn last time, and Homebase sales of £1.43bn down from £1.48bn last time. Pre-tax profits of £94.7m were down from £132.1m.

Internet penetration has increased, with 49% of Argos sales made online in the full year, while m-commerce grew by 10% during the year to the point where 28% of total sales took place over mobile devices.

SINGLE PLATFORM FOR TESCO

Tesco is working towards a single online platform says the company as it unveiled a return to profit and to sales growth. The supermarket said it had been important to invest in its customer offer in order to become more competitive in "a challenging, deflationary and uncertain market."

Group sales, excluding fuel, hit £48.3bn in the year to February 29 2016. That's 0.1% up on the previous year. Pre-tax profits came in at £162m, up from a loss of £6.3bn last year. The company wrote off £275m in existing IT assets and infrastructure as part of its move towards a single online platform.

Chief Executive Dave Lewis said the supermarket, ranked a Leading retailer in the IRUK Top500 research, had returned to being competitive, offering "better service, a simpler range, record levels of availability and lower and more stable prices." He added: "Our process of transformation has generated broad-based positive momentum in the UK and internationally. We set out to start rebuilding profitability whilst reinvesting in the customer offer, and we have done this. More customers are buying more things more often at Tesco.

"As a team, we are committed to serving shoppers a little better every day, in what remains a challenging, deflationary and uncertain market. We are confident that the investments we are making are leading to sustainable improvements for customers whilst creating long-term value for our shareholders."

Commenting on the results, Catherine Shuttleworth, Chief Executive of marketing agency Savvy, said: "While Dave Lewis is not a retailer, he is an inspirational leader and he has already reminded colleagues of what made Tesco great and how it can become great again. It's a powerful message."

MENSWEAR EXPANSION FOR VERYEXCLUSIVE

Shop Direct's premium brand VeryExclusive.co.uk is to expand to offer menswear from this autumn.

Brands including Barbour, Kenzo and Aquascutum have already signed up to sell through the retailer. The new initiative is targeted at 26 to 45-year-old aspirational men, and has a strategy of helping customers to spread the cost of luxury purchases through a credit offer with monthly interest-free payments. VeryExclusive aims to ensure customers see the most relevant products for them through its use of personalisation.

Alex Baldock, Chief Executive at Shop Direct, said: "We've successfully democratised luxury women's fashion and beauty. Our customers love what VeryExclusive.co.uk gives them and now it's time to do the same for men".

The launch comes a year and a half after Shop Direct launched VeryExclusive, which is headed by Managing Director Sarah Curran, and whose team now includes Adam Jagger, previously premium menswear buyer at Asos.

Curran said: "Through what we've built at VeryExclusive.co.uk – a stylish, premium retail brand with a curated, accessible customer offer – we've been able to attract some outstanding premium menswear brands for our launch in autumn/winter."

Meanwhile, Shop Direct has implemented new ecommerce technology to enable visitors to its Very, VeryExclusive and Littlewoods sites to compare the size of products they want to buy with a model in their own size or with a product they already own.

The new size comparison technology was developed by Tangiblee, based in the US and Israel, and is intended to help customers get an accurate perspective of handbags, luggage and other items before they order them.

Now Shop Direct is trialling the technology for use with watches and jewellery in its user experience lab, before rolling it out across the three sites.

In its most recent test, Shop Direct made the technology available to half of shoppers visiting the site from a mobile device and looking at purses, handbags and luggage. It was not available to the other half. It found that shoppers who could see the technology spent an average of 10.3% more, while conversion was 7.2% higher.

WAITROSE IN CHINA

Waitrose has started selling its products online to the Chinese market – and says this could become its biggest international business in the next three to five years.

The supermarket is offering 30 products, including its Duchy Organic biscuits, baby items, coffee, tea and nuts and other own brand goods through the Avenue 51 run Royal Mail store on Tmall Global, part of the Alibaba Group. The online store has a dedicated Waitrose page, with information about the brand for consumers in the Chinese market.

"The potential for Waitrose in China is huge," said Waitrose Commercial Director Mark Williamson, "and although it's a relatively modest start it's our ambition to see it become our biggest international business in the next three to five years. We are proud that Waitrose is recognised around the world for quality, and excited to be reaching new markets."

China is the 59th country that Waitrose exports to, after countries including Spain, India, South Africa and the Falkland Islands.

Richard Snowdon, International Director at Royal Mail, said he was delighted to welcome Waitrose to the Royal Mail store. "Our Tmall Global shop front brings British brands together with hundreds of millions of shoppers in China," he said. "For British retailers and exporters, Royal Mail offers an accelerated opportunity to access the China market and for consumers, we provide a distinctive range of quality British products delivered right to their door."

GROWTH AT HOUSE OF FRASER

House of Fraser has reported that ecommerce was the driving force behind sales growth of 4.5% in its latest financial year.

While online sales grew by 26.8% to represent 18.9% of total sales in the 52 weeks to January 30 2016, store sales were almost flat at 0.1% up on last year on a like-for-like basis, which strips out the effect of store openings and closures. Overall sales hit a gross transaction value of £1.3bn, 4.2% ahead on a like-for-like basis.

The department store, an Elite retailer in the IRUK Top500 research, turned in its first pre-tax profits since 2006, of £1.3m.

The results follow a year of investment in IT and ecommerce. Improvements to the group website have enabled the launch of a new Australian website, while the online Recognition loyalty scheme has been further developed. In fulfilment, improved Buy & Collect areas have been put in place in 17 stores, while delivery upgrades include the introduction of next-day before noon and afternoon.

The group also refurbished six stores over the course of the year, as well as signing up as anchor tenant at the Rushden Lakes shopping centre development in Northamptonshire. It now plans to open its first store in China later this year.

Chief executive Nigel Oddy said its first profit in 10 years was driven by "continued progress across both our online and bricks and mortar stores, despite the volatile trading environment in the final quarter of fiscal year 2016."

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.*

MOBILE BOOHOO.COM

Boohoo.com has launched a series of dedicated apps and taken all of its websites responsive at home and in international markets at a time when two-thirds of the visitors to its website now come via mobile devices.

The youth fashion pureplay said it had launched Android and iPhone apps for the US and Australian markets as well as for the UK, while responsive websites had been introduced for European sites. The effect, it said, was to improve service through both smartphones and tablets, which together now accounted for 66% of sessions. It said international sales growth had accelerated through its focus on key markets.

Boohoo.com, a Top100 retailer in IRUK Top500 research, reported revenues of £195.4m in the year to February 29, 40% up on the same time last year. UK sales grew by 38%, while sales in the rest of Europe were up by 25%, or 35% at constant exchange rates, and those in the rest of the world were up by 56% (63% CER). Pre-tax profits of £15.7m were 42% ahead of the £11.1m reported in the same time last year.

Boohoo had four million active customers, 34% up on the same time last year, and said a trial in selling to third-party internet retailers had been successful and would now be expanding as it looked to build the brand internationally and to broaden its customer reach.

Mahmud Kamani and Carol Kane, joint Chief Executives of the online retailer, said: "We have enhanced the mobile experience through new apps in UK, USA and Australia as well as introducing more flexible delivery and return options and later next-day delivery cut-off times."

Those improved delivery times included reducing shipping times to Australia by a day and introducing more collection and return options via third-party stores and distribution networks. UK customers are now able to choose their preferred return option through a website portal.

SMART WATCH: HIT, MISS OR MAYBE?

Halfords has successfully completed a trial of smart watches for click and collect at one of its stores and has seen collection rates improve, cut paperwork and got the staff excited about technology.

Working with retail technology specialist Red Ant and Samsung, Halfords has trialled a range of in-store tablets for customer use as well as phones and smart watches to help staff pick click and collect orders.

Currently, more than 90% of Halfords online orders are collected in store and the new technology offered to smooth the customer experience. Using the tech, staff are automatically notified of incoming customers and their orders on the screens and watches. They can then use their phone or smart watch to generate a pick list, allowing them to put new orders together while they walk around the store.

Customers check in on a touchscreen kiosk at the front of the store and confirm their order, are shown any relevant upsell products and are told where to go to collect their order. Customers can also use the kiosk to ask for help, which pages a staff member on their phone or smartwatch.

Overall the trial at the Halfords store in Leamington Spa, improved collection rates by 1% and cut paperwork from three sheets per click and collect order to one. And use of the latest mobile devices made staff feel valued and part of the process of innovation.

Meanwhile, a study by brand agency MBLM has found that Apple Watch is polarizing and users feel conflicted, confounded and critical. Its year-long ethnography study found that users felt the watch has not come close to achieving its potential, and offers less value than they had hoped for – and the majority don't see it as an m-commerce or payments tool.

MOBILE NEARS 50% AT DEBENHAMS

Almost half of online sales at Debenhams took place via mobile devices in the first half of its financial year, in line with the company's mobile-first approach to multichannel investment.

Mobile commerce was its fastest growing channel, with smartphone sales growing by almost 70%, year-on-year, while online as a whole grew by 10% to £246m – or 15.1% of total sales in the six months to February 27. The uplift came as Debenhams, a Leading retailer in the IRUK Top500 research, invested in improving its multichannel service to customers and launched a new international web platform as part of its strategy to build overseas sales across all channels.

Across the group, revenue of £1.3bn was 0.1% up on the same time last year. In the UK, sales of £1.1bn were 1% up but international sales of £217.5m were down by 4.2% on the £227.1m reported last time. Like-for-like sales, which strip out the effect of store openings and closures, were up by 1.1%. Pre-tax profits of £93.8m were 5.5% up on the same time last year at the department store, which finished the half-year with 253 stores in 27 countries, and sells online in more than 60 countries.

The retailer said its strategic priorities of delivering a compelling customer proposition while increasing availability and choice through multichannel were paying off. It is also focusing on UK retail while planning international multichannel expansion, after a half-year in which international online sales grew by 40% in local currency. Its new international platform initially covers five countries, including France, Germany, and Australia, with more releases to follow.

Marketing investment has focused on driving visits and conversion via mobile devices, with a relaunch of its app in the run up to Christmas. Ahead of Christmas, it said, it was one of the top five most-visited online retailers.

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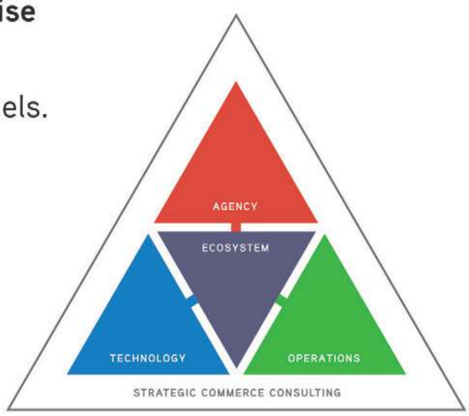

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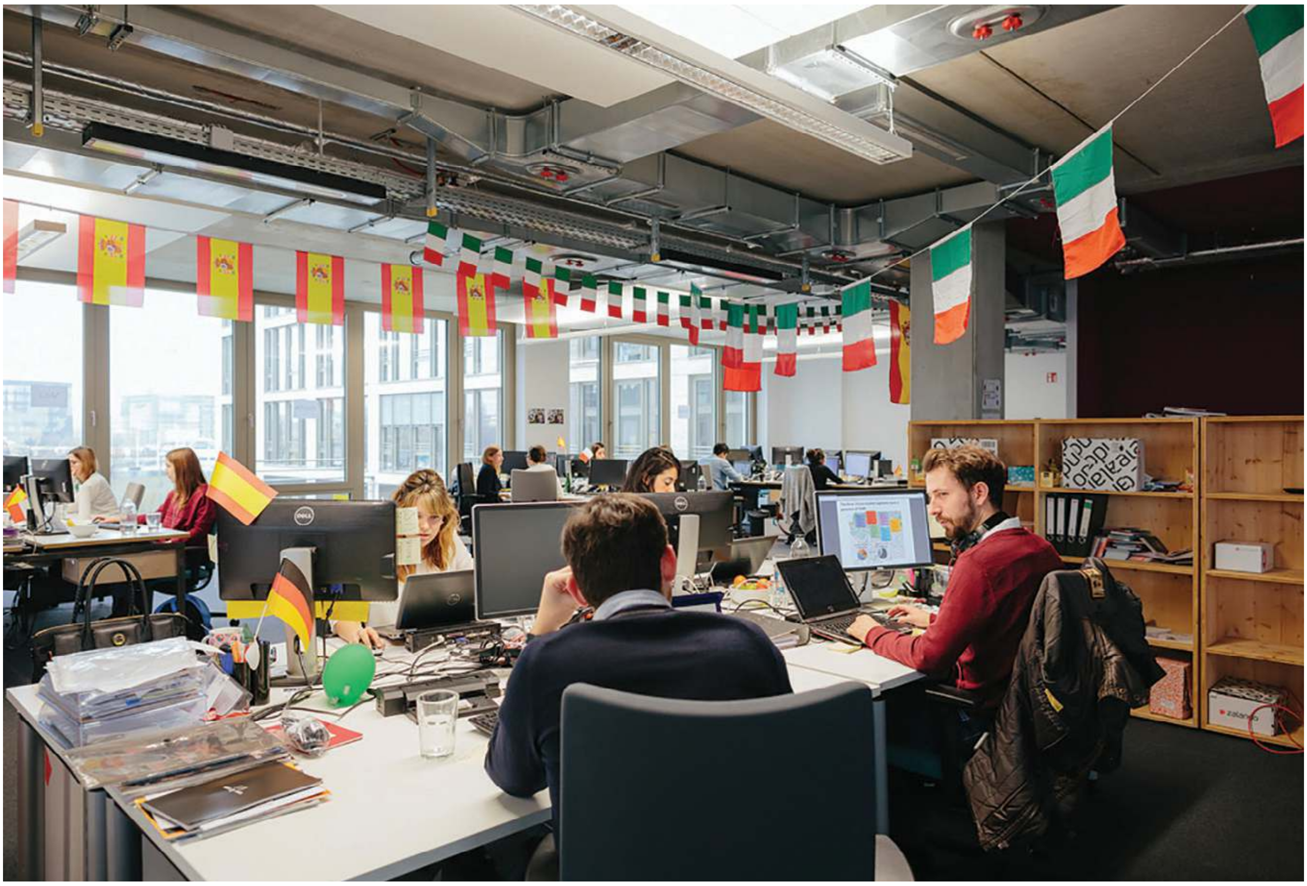


ZALANDO:
A fashion platform for Europe

Berlin-based fashion retailer Zalando had a very successful first year as a listed company, increasing revenue, customers and orders. *Emma Herrod* **caught up with co-founder** *David Schneider* **to discover his highlights and plans for the future.**

THE EUROPEAN fashion market was worth €417bn (£330bn) in 2015, a slight increase on 2014. Of this total, online fashion retailing's share grew by 10% to top €46bn (£36bn) and it's predicted to continue taking bigger slices of the overall market.

Having floated on the Berlin stock exchange in 2014, 2015 was the first full year for fashion retailer Zalando as a listed company and the founders' focus was wholly on the customer. This strategy has paid off with the firm's revenue reaching €2.96bn (£2.35bn) for the year to 31 December 215, almost 34% up on 2014's figures. Orders rose by 33.5%, average basket sizes were larger, site visits increased by 21.5% and the number of visitors was up, too, growing 22.4% to 17.9 million. Customer satisfaction increased as well.

These financials put Zalando's plans in context: online fashion spend in Europe is growing faster than bricks and mortar retailing and the firm wants to grab a disproportionately large share of this online market. It currently has a less than 1% share of the total European fashion market and aims to boost it to more than 5%. This means Zalando has to grow 2 or 3 times faster than the rest of the fashion industry and double its size every 3 years. It is predicting revenue growth at the upper end of the 20-25% corridor with adjusted EBIT margin of 3 - 4.5% with the aim of becoming a €10bn (£7.9bn) revenue company in 5 - 6 years' time.

Zalando already holds large chunks of certain markets, although not in the UK. In its home market of Germany, for example, it already has a market share of around 5% of all shoes sold online

A PLATFORM FOR FASHION

To achieve this phenomenal expansion, the company is investing €200m (£158m) in its commercial growth – marketing, speeding up delivery, driving mobile and extending assortment – and its platform strategy. Zalando's vision for the future is one in which it is no longer simply a retailer of its own and other branded fashion but a platform for fashion as well, bringing consumers and brands together across the 15 country markets in which it operates.

"We want to connect the fashion world, developing their digital strategy while enabling consumers to have new experiences, particularly in the mobile world," says David Schneider, Co-founder, Zalando.

The company's ethos is already one of enabling consumers to shop a broad range of fashion brands, but it is now working on a platform strategy that covers four areas which match the needs of consumers, brands, merchants and other fashion players.

It is enabling brands to share their own stories with shoppers, interacting directly

Zalando wants to inspire Europe's fashion shoppers through its platform and apps

and managing their own campaigns. With content management systems and statistical analysis tools, brands such as Adidas, Gap and Nike have launched their own branded stores on Zalando Shop; they pay Zalando a commission while processing orders themselves.

The platform strategy enables Zalando to increase the opportunities for brands to sell their products directly through its websites and mobile apps. It believes that these storefronts will take many guises enabling different groups of brands to sell their products through branded or unbranded marketplaces, different kinds of production models or custom-designed tools that connect the offline world to the online world, for example.

What it provides for its partners with branded stores on Zalando Shop will change as services such as fulfilment by Zalando versus fulfilment by the brand are introduced. Zalando will earn commission depending on the service level it provides.

"The most important thing is that no one buys just one label. The brands know this too, so they need to be where the customers are, where they get inspired and where they start shopping," says Schneider. "We are building the infrastructure, a multi-brand environment in which the brands can build their own flagship store; then we use the synergies to their own ecommerce and their brand communication to build the tools, making it easy for them to address, to drive the content on their own, and to connect the same inventory."

When talking about opening up the platform to smaller labels, Schneider mentions Zalando's long-term vision of making everything available to the consumer and to connect any fashion merchant to them. The focus for now is on the big partners since the company already has a close relationship with them. "It makes sense to start there and move forward," he explains. "It's important that it goes along with the new propositions to be built." As the company connects more with consumers and builds new propositions, such as personalisation and the social inspiration app Fleek, it will become a platform for those players, too.

Zalando will develop new products around how people want to experience fashion while also building the platform. "In fashion you have lots of different brands and items. ▶

Zalon offers shoppers a personalised service with free advice from a fashion stylist

Europe is also a diverse landscape and you have to make things relevant for different users. You need to develop different propositions such as Fleek as well as smart technology to make things relevant to each user. Zalon, for example, is for people who want to buy from a person rather than a machine – a personal stylist who curates an outfit for you," says Schneider.

With its consumer products, the firm is bringing fashion and people together. "Our consumers and their needs always come first, and that's why we sharpened our customer focus with a range of innovative products and services in 2015," says its annual report.

CONSUMER PRODUCTS

Zalando will remain a retailer as well, collaborating with brand partners, while also sharing its ecommerce know-how with them. The Zalando Shop sells around 150,000 styles from more than 1,500 brands. Ultimately, though, it wants to make every conceivable type of fashion available to its customers however they want to shop, thus curating product for different consumer segments.

"It's quite clear that our main usp isn't price," says Schneider. "We'll never offer something at a higher price than the market, but we realise that people come to us for the latest articles and trends. When we launch products, we're faster to react than other people with technology trends and put a lot of data behind customers' behaviour – how they are shopping, how they are searching or wanting to get informed on latest trends, or just to visit the site and purchase an item."

Currently, more than 400 people are employed as buyers, trend scouts and product managers, all working to enable Zalando to keep delivering the latest trends and personalised offerings through features such as 'Shop the Look' or trend shops. Technology is seen as the enabler for the company's plans and the power of mobile – along with social – is already starting to produce results with the company's launch of Fleek. The app, which carries no Zalando branding, pulls the social feeds of fashion brands together into one place so consumers can 'follow' the trends of their favourites. The app offers plenty of inspiration too, which also feeds back plenty of data to Zalando on consumers' likes, dislikes and personal preferences.

Its discount Zalando Lounge offering for price-conscious shoppers also went mobile at the end of 2015 with the launch of an app. This makes it easier for consumers to keep track of the daily sales which offer up to 75% off more than 2,000 brands.

INTERMEDIARIES

Intermediaries have a place on Zalando's platform with the company working towards opening it up to third-party service providers, such as fashion stylists, logistics firms and marketing affiliates. For example, the company is trying to reach fashion shoppers looking for a more personalised experience with its Zalon curated shopping service. This innovation brings intermediaries onto the platform and harnesses the new possibilities which online opens up to the fashion industry.

Zalon enables shoppers to communicate with one of 200 freelance fashion stylists for free advice on putting together an outfit from the 150,000-plus items on the Zalando platform. Based on responses to a questionnaire and a conversation on WhatsApp, the shoppers are then sent a box of up to 12 items to try on at home. "This set-up is good for everyone: stylists earn a commission on their services, customers receive free advice, and Zalando now has an offering for customers looking for advice," explains Schneider.

The service, which is available in Germany, Austria and Switzerland, launched in May 2015.

The firm has also developed a proprietary online marketing technology platform: Zalando Media Solutions. Brands and other advertisers are invited to place their marketing content on this platform, into Zalando shop websites and apps. That content can also be placed on marketing affiliates' websites and mobile apps.

"We give a lot of control, such as brands entering the tooling themselves and managing their brand messaging," explains Schneider. "Zalando Media Solutions allows them to book campaigns and use Zalando data and bring their messaging to consumers directly. The brands – such as Calvin Klein and Topshop [which is among the top 10 brands on Zalando] – want to work with Zalando on creatives and we want to drive campaigns that engage consumers digitally in new ways. This is something that they're not that used to and it works very well jointly; in the future we will further develop this."

The company also wants to establish itself as a platform where brands 'take place'– such as the Bread & Butter event which combines live entertainment and fashion – rather than remaining a sales channel alone, explains Schneider.

CORE CAPABILITIES & LOGISTICS

Operations have an important part to play in Zalando's future. As the company report says: "The more products and partners join our fashion platform, the more varied and complex it becomes. Our expertise in technology and operations holds everything together and creates additional synergies."

Schneider adds: "That's how we actually build up for different use cases, and different interests, target groups and different products; they are based on the common platform and those core capabilities."

The company already works closely with a multitude of logistics partners, including long-haul and best-of-breed final-mile delivery services in each of the local markets in which it operates. It also operates eight decentralised returns centres throughout Europe, mainly managed by external service providers, as well as its own warehouses.

Having introduced same-day delivery in Berlin and Cologne in September 2015, it is now looking to bring the online and offline fashion worlds closer together with same-day delivery and click and collect using brands' own stock in their brick and mortar stores. Zalando also offers instant returns in Berlin, Cologne and Amsterdam, with customers contacting its logistics partner Liefery to arrange a convenient pick -up location.

Picking up from local warehouses or brands' brick and mortar stores is a natural progression for Zalando, which is building a hub and spoke network for stock across

Zalando is investigating a hub and spoke fulfilment operation combining big boxes with smaller warehouses and brands' own stores

ZALANDO KEY FACTS

2015 Revenue:	**€2,958.2m (£2.35bn)**
EBIT:	**€107.5m (£85.2m)**
EBIT margin (as % of revenue):	**3.6%**
Site visits:	**1,656.4 million**
Mobile visits share:	**57.1%**
Active customers:	**17.9 million**
Number of orders:	**55.3 million**
Average orders per active customer:	**3.1**
Average basket size:	**€67.8 (£53.73)**
Adjusted marketing cost ratio (in % of revenue):	**11.7%**
Adjusted fulfilment cost ratio (in % of revenue):	**25.8%**
Employees:	**9,987**
Labels in the Zalando Shop:	**over 1,500**

Europe. Slow-selling products are held in "big boxes" centrally whilst fast-selling items and those which are sold within a certain market will be held in smaller warehouses in the sales country. Deliveries from its first international satellite fulfilment centre, in Italy, were made in January. Until then, the Zalando network comprised three fulfilment centres in Germany, with a fourth currently being developed in the south of the country. When the learnings from the pilot site in Italy have been analysed, decisions will be made as to the location of the next in-country site. "France, Spain, maybe UK [will be next], where Zalando can increase the speed of its delivery," says Rubin Ritter, a member of the company's board of management.

As well as driving growth and allowing Zalando to be as local as possible while still profiting from scale, these smaller warehouses will also enable additional services to be offered to customers. It is a strong believer in giving customers a localised offer, so it works with the incumbent last-mile carrier in each market. Its online stores use a local domain name, and customer care is provided in the local language so it has the look and feel of a local retailer but with the advantage of scale as a pan-European organisation.

By combining Zipcart with local inventory (and ultimately that held by brick and mortar stores), local inventory could be shown and purchased for shipping same day – or collection from store.

Localisation and being close to the consumer may not end at the store, though, since Zalando's mobile team is considering making deliveries to customers wherever they happen to be. They believe this would be a great use of the capabilities of the mobile phone.

The company wants to do more than just join up the inventory across offline and online. The exciting step then is going into the offline world and connecting it, says Schneider. Starting with inventory and allowing customers to access this information and fulfilling orders from local stores, the next step is "bringing in new business models such as targeting local audiences". He adds: "In the connected world there are many opportunities that come up," he says.

Zalando sees itself as a technology company as much as anything else, so its strengths lie in innovating and transforming the industry as it works to match every type of fashion purchaser with trends, inspirations and brands in entertaining ways that make them want to buy and keep coming back for more.

David Schneider will be speaking at the InternetRetailing Summit in Berlin at the end of June.

ZALANDO AS A TECH COMPANY

Zalando opened its second tech hub outside of Germany in Helsinki, Finland, in 2015 operating as a separate entity to its hub in Dublin. The company is very tech heavy and also very hard to join. "We filter very hard," says the firm's CIO, Philipp Erler.

He adds: "We want to become 'the' European tech company. And to ensure we remain flexible and innovative despite our growing size, we're working along the principles of Radical Agility". As part of that ethos of radical agility, Zalando fosters interdisciplinary teams which work within the four core principles of purpose, autonomy, mastery and trust.

Every hub works on a group of core products so teams have projects to celebrate and to be proud of. The Finland team concentrates on customer-focused products such as new apps, for example. Overall, the headcount had increased to approximately 1,000 technology employees at the end of 2015.

Around the world

In 2015, China overtook the US as the largest online market in the world. Emma Herrod takes a look at some of the predictions for ecommerce in China and developing and mature markets around the world.

ONLINE SPENDING is predicted to reach £182.8bn in Europe this year, according to research by the Centre for Retail Research on behalf of RetailMeNot. The past year has seen ecommerce grow strongly across Europe with total retail spending online rising from £111.23bn in 2013 to £156.67bn in 2015, an increase of 40.9%. These figures are driven by the increased use of mobile, which RetailMeNot predicts will develop even further in 2016.

By the end of 2016, mobile devices will be responsible for 25% of retail sales in Europe, and mobile will mainly be the driving force for growth in ecommerce across the continent. The European average spend on mobile devices is £554.86. While this is 16% more than the average annual spend in the US (£781.25), shoppers in the UK are expected to spend almost double this, up from £618.86 in 2015 to £907.61 in 2016.

Across Europe, annual spend per online shopper is expected to rise as well, increasing from an average of £820 in 2015 to £901 in 2016. In the UK alone, online shoppers will spend £1,311 each, up 11.7% compared to last year and 15% more than German online shoppers who come in second in Europe with an annual spend of £1,142 per shopper.

In addition, British consumers will be spending more this year on individual purchases. Brits' average online shopping basket is predicted to increase from £55.36 to £60.19, the highest expenditure per transaction seen across Europe. On mobile devices, Brits will spend an average of £47.35 per transaction, compared to £41.62 in Europe and £55.21 in the US.

As shoppers become more confident making purchases on mobile devices, consumers are shopping more frequently. This year, Brits will make 19 purchases on mobile devices, up from just 8 in 2014, putting the UK ahead of both Europe and the US, where shoppers are predicted to make 14 purchases.

CROSS BORDER & FURTHER AFIELD

By 2018, cross-border ecommerce in Europe will surpass a value of £31.8bn (€40bn), according to analysts at Forrester. It predicts an average 11% year-on-year growth with online transactions accounting for 16% of all general retail trade.

Taking this as a starting point, Dutch post and parcels carrier, PostNL, has summarised the main points of difference between shoppers in some of the key markets in Europe and further afield, including attitudes toward returns and delivery preferences.

Delivery to a home address is still the most popular option in most EU countries and in the US. And while click-and-collect continues to be a very popular supplementary option in the UK (both in-store and via networks), French shoppers are happy with click-and-collect facilities and lockers available on hypermarket sites. In Germany, automated lockers have been commonplace for a number of years and continue to be widely used.

Annual Online Sales per Mobile Customer

	2014	2015	2016	Growth 2014-15	Growth 2015-16
UK	£386.14	£618.86	£907.61	*60.3%*	*46.7%*
Germany	£284.26	£556.47	£737.88	*95.8%*	*32.6%*
France	£239.01	£440.90	£601.36	*84.5%*	*36.4%*
Spain	£148.30	£268.72	£338.46	*81.2%*	*26,0%*
Italy	£144.04	£216.68	£297.36	*50.4%*	*37.2%*
Netherlands	£186.55	£321.12	£443.47	*72.1%*	*38.1%*
Sweden	£201.43	£335.38	£433.30	*66.5%*	*29.2%*
Poland	£77.19	£100.82	£108.17	*30.6%*	*7.3%*
Europe*	**£247.99**	**£420.02**	**£554.86**	***69.4%***	***32.1%***
US	£375.14	£573.23	£781.25	*52.8%*	*36.3%*
Canada	£213.24	£314.53	£432.82	*47.5%*	*37.6%*

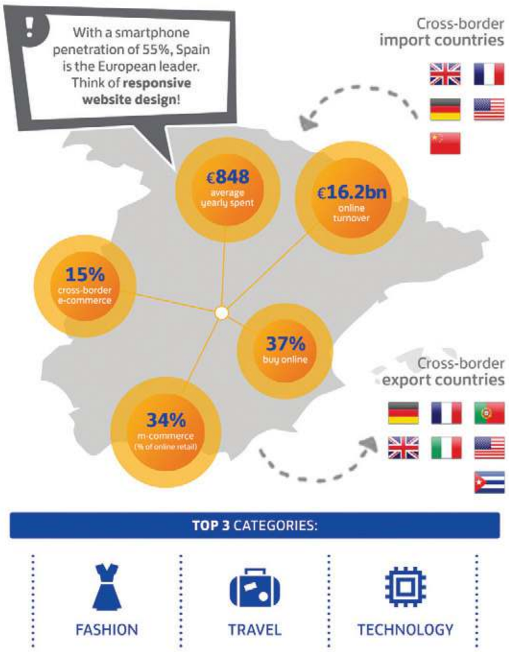
Source: RetailMeNot

Looking further afield, China is now the largest ecommerce market in the world. With £323bn (€405bn) spent online within its borders and cross-border trade running at £15.5bn (€19.4bn), the country overtook the US in 2015 as the biggest global market. The government, and leading retailers such as Alibaba are investing in infrastructure to boost the market further.

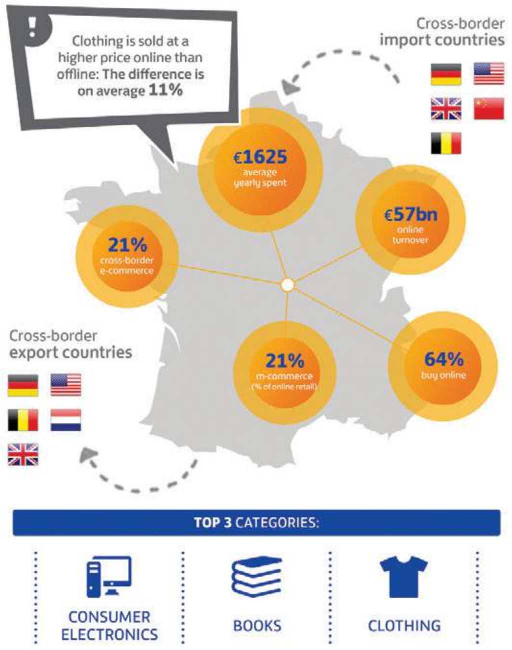
Showing the variances of research studies, Boston Consulting Group puts the Chinese ecommerce market at $6.5 trillion by 2020, an increase of 50% over today's level, while China's Centre for International Economic Exchanges predicts the nation's international online retail will account for 30 – 40 per cent of total world trade by 2025.

While the days of staggering year-over-year ecommerce growth in China are gone, current growth rates (7% in 2015) are solid and more consistent with other mature markets in the region, such as Japan and South Korea, reports Forrester. Nevertheless, China will continue to dominate online retail revenues in the region reports its 'Asia Pacific Online Retail Forecast, 2015 To 2020' study. It puts China's online retail

SPAIN



FRANCE



Source: PostNL

market at the $1.1 trillion mark in 2020, nine times larger than Japan's £86bn ($122bn) market and 17 times larger than South Korea's £45.8bn ($65bn) market.

The online markets of China, Japan, South Korea, India and Australia already surpass the combined figure for online retail in the US and all of Western Europe, with China and India being the two largest and the fastest-growing ecommerce markets of Forrester forecasts across the globe.

India is the fastest-growing ecommerce market in the region, but not without obstacles. The smallest ecommerce market in this forecast, India's online sales will grow more than fivefold by 2020 as the number of online buyers and per capita online spending increase rapidly. However, in addition to underdeveloped logistics and challenging last-mile connectivity, India's cash-based culture still poses a huge challenge for ecommerce firms.

Japan, South Korea, and Australia are mature ecommerce markets with high internet and broadband subscriber penetration, a large percentage of online shoppers and high per capita online spending.

Meanwhile, AT Kearney, which publishes an annual 'Global Retail E-Commerce Index' highlighting the countries with the highest potential for online growth, reports that Mexico is poised to grow dramatically over the next five years. Internet penetration was expected to reach 53.8% in 2015 and should grow 6.7% annually to reach 67.4% (84.9 million users) in 2019.

Concurrently, retail generated £3.25bn ($4.6bn) in 2014, and the market is expected to grow annually by 26% to reach £10.25bn ($14.5bn) by 2019. When other online services, including travel, are added into the figures, the Mexican market is predicted to reach £29bn ($41bn) in sales by 2019. With more Mexican consumers using the internet and smartphone costs dropping, the time has come to bring the online shopping experience up to international standards. Retailers that succeed could see enormous sales, reports the company.

Due to its high potential for online growth, Mexico ranks higher than Spain, Chile, and Brazil. That spells opportunity for retailers that quickly improve their online operations to tap into this marketplace. Three factors fuel the boom: the population's growing internet usage, supportive regulatory reforms, and the falling cost of smartphones. In fact, AT Kearney believes that mobile is the sweet spot. Mexico has a growing population of young people who are buying smartphones and making purchases online at an increasing rate. Retailers that focus on this demographic and invest in mobile commerce even more than laptop- or PC-based ecommerce could reap the greatest rewards.

However, Mexican retailers lag behind those in other parts of the world when it comes to having an effective online presence. From adopting easy-to-use website formats to offering a broader range of products, more-efficient searches and attractive promotions, the country's retailers have a lot of ground to cover. Faster shipping and more options for delivery and in-store pick-up will be important. And knowing how to meet the competitive challenges posed by online-only start-ups, which have lower cost structures that let them enter the market more easily, will be vital.

Retail review

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

RETAIL LEADERBOARD

John Lewis	83/100
M&S	80/100
House of Fraser	78/100
Burberry	78/100
Debenhams	77/100
New Look	77/100
Tesco	76.5/100
Argos	75/100
IKEA	75/100
Topshop	70/100
Very Exclusive	70/100
Fortnum & Mason	70/100
Next	67/100
Oasis	66/100
Aldi Wine	62/100
Google Play	60/100
Boots	59/100
Majestic Wines	56/100
HMV	51/100
J Crew	50/100
Morrisons	27/100

RETAIL STRATEGY 20/25

JOE TARRAGANO,
DIRECTOR, TRANSFORM

Next is a retailer that genuinely has much to be boastful about. Results have always been strong, its operational underpinnings are robust, it has many great people and it delivers what the customer wants. In physical stores it continues to deliver a great experience (visit Longwater if you get the chance) and it makes bricks and mortar work better than most.

Questions can be asked though around just how digital Next is and whether the "new normal" in omnichannel is becoming part of its DNA – retaining a distinct Next Directory division separate from bricks & mortar is telling. It is undoubtedly clear though that in traditional retailing Next retains its strength and expertise and that for the big opportunities opening up globally, it is positioning itself well.

WEB EFFECTIVENESS 18/25

NICOLA DUNLOP,
USER EXPERIENCE ANALYST,
USER VISION

The Next site works hard at inspiring users to explore and discover product options through various starting points on the homepage and alternative navigation options. The integration of alternative options (catalogue vs online) however needs to be better managed as currently the content is easily confused on both mobile and desktop sites. In addition, catalogue content is peppered throughout the online journey, displaying stylized photographs of the product in a magazine format creating a somewhat disjointed journey and lacks key content information (price / availability). Such content should be less embedded into the main body of the site with more focus on communicating details of the product.

MOBILE 15/25

ELLE HANKINSON,
BURN THE SKY

Next's glossy printed catalogues are costly to produce and are out-dated in comparison to the mass reach of mobile commerce. There's no surprise then to see Next adapting by investing in digital-first methods – notably its mobile website interface. There is also an app.

The mobile homepage has a clear interface with compelling editorial style. However, while this looks like a great piece of branded content, I can't click on it to view the trend. It is clickable when m.next.co.uk is viewed through my mobile's Safari tool – it would be great to have this on the app too. The search bar is prominent and I really like the two sticky nav bars on the top and bottom of the screen, as well as the Quickshop option. The Barcode Scanner within the 'more' section allows for quick and easy in-store product browsing. Navigation and filtering both work well and the check-out process is quick and easy which encourages return users.

INTERNET RETAILING IN STORE 14/25

PETE BROWN,
CONSULTANT, KURT SALMON

A paradox of modern retailing is that the growth in online sales has come at a time when customers are expecting even more from their in-store shopping experience. However, the in-store experience on the high street is typically best described as a "let down" for many retailers and Next is no exception. Although it does have large screens advertising product there is no way for the customer to interact with these, nor do they have a way for Next to interact with customers via its app. Next is doing well as a conservative British retailer but with the right digital strategy it could increase its reach beyond its current demographic.

The new retail covenant: the 'right product' in the age of 'every product'

Modern retail is based on principles honed over a century of competition. Assaulted and squeezed by suppliers, competitors, alternatives and customers, Ian Jindal asserts that retailers need to forge a new covenant with customers in order to thrive in a 'post-retail age'.

RETAIL IS a gamble with capital. Stock, stores, staff. From the days of the very first general stores (I'm thinking of a dusty crossroads in the American Wild West), a retailer had the gumption to risk their own capital to purchase stock that – in their estimation – their catchment customers could be persuaded or need to buy. We now risk our capital to fund marketing acquisition or ecommerce platform development too, yet we are still essentially operating as optimisers of capital, with the ring of the till never far from our focus.

The customer, however, is spending proportionally less time with us. Attention – a precious commodity against which we should optimise – is being held in new places.

Brands have their own narrative (Sunspel blends James Bond, the Riviera in the 1950s and hipster chic; while Nike uses technology to unlock the athlete within us all). Influencers range from knowledgeable bloggers (DCRainmaker who's left his job to manage his triathlon site); to new titles that herald consumption as part of an aesthetic (Monocle); to eclectic gatherings where customers determine what to buy and sell with style (Depop).

The challenge for retailers is to frame a narrative with customers that's not solely promotion-led, discount-driven and convenience-focused (after all, when Amazon has 'everything', available within hours at a cheap price, "convenience" takes on a different meaning than opening hours, location and an occasional smile...).

The qualitative difference between brands and retailers is that brands tell you how to enjoy their products (an 'advance sell' of expected experience) and then remain with you as you enjoy them. Retailers tend to own the spam-to-kerching moments. New retailing requires a shift from the till. Whether we call it content marketing, curation, editorial, style, personalisation, the name is irrelevant: we need to inspire and converse with the customer about more than handing over cash.

Retailers should have an advantage here. Rather than a small 'brand team' they have thousands of trained, on-brand frontline staff. Whether in stores, contact centres or managing the Twitter account retailers need to engage and empower their staff to curate an experience for the customer.

Curation – from the Latin root to show care – requires a focus on the customer. To understand what's important to them, and to take steps to offer that up. Caring. For curation to succeed in an organisation there needs to be a caring culture. Not sloppy or lacking in rigour, but suffused with care: supportive of tests, understanding of 'good failures', offering rather than taking and rooted in the customer. A curating retailer is transparent, open, giving, consistent and characterful.

Herein lies the real challenge. Retailers have evolved to exploit capital, infrastructure and operational clout – but with a sprinkling of marketing magic on top. Lipstick on a pig.

The new covenant with a customer requires that we can initiate and sustain a relevant conversation with them, curating a combination of narrative, experience and suggestion that is relevant to, and inspiring in, their lives.

This change in perspective is at the heart of the "Transformation" work many retailers are facing. Technology and operational questions are largely solved problems, and good practice can be replicated. Building a culture of curation, however, is unique to each retailer and requires clarity, authenticity, courage and consistency to implement and sustain.

This may seem like a lot of work for an intangible goal: a goal that's uncomfortable and challenging. It is a real test for retail leaders. However, nothing else you can do as a retailer will fit you to forge a new, sustainable covenant with your customer – a covenant that will see you thrive in a post-retail age.

The alternative? Place your finger in a bowl of water. Remove it. It doesn't leave a hole.

The research behind retailers' performance in Europe and the rise of brand selling direct will be published next month in the inaugural IREU Top500 ranking, and discussed at our first European Summit in Berlin at the end of June – www.internetretailingsummit.com

Mobile first

In the future, even more than today, mobile will drive multichannel retail. Yet many companies are still failing to make the most of mobile. Paul Skeldon, InternetRetailing's Mobile Editor, explains more in the latest IRUK 500 Dimension Report.

ECOMMERCE TRAFFIC volumes from mobile hover around the 50% mark in most studies and surveys. Ask any retailer and most will probably tell you that all the company's ecommerce growth comes from mobile. Debenhams sees half of its online sales coming via mobile, while Burberry sees digital generally outperforming in-store. The future of retail is multichannel and this will be driven by mobile.

But is this reflected in the findings of this year's IRUK 500 research in the Mobile and Cross-channel Dimension? Looked at qualitatively, the leaders of the pack are embracing mobile and making full use of all the functionality that it offers. Elite IRUK 500 retailer Argos considers itself to have a "proven digital store model", which has allowed it to expand its business and utilise modern concepts such as click and collect, pop-up stores and franchises. As a result, Argos sees more than a quarter of its £4bn of online sales coming through mobile – that's more than £1bn on mobile alone.

Similarly, House of Fraser, another Elite retailer and the top retailer in the IRUK 500 Mobile and Cross-channel Dimension, sees some 40% of its online sales also coming from mobile, with a year-on-year growth rate of 100%. It has long had a strategy of 'mobile first', redesigning its websites as far back as 2014 so that they work in a framework that naturally suits all manner of screen types and sizes, and was designed to be scrolled – truly revolutionary back then when everyone was still looking at above and below 'the fold' real estate.

CRUCIAL DIFFERENTIATOR

However, what marks Argos and House of Fraser apart is that both retailers see mobile as not just a vital ecommerce sales channel, but part of an omnichannel retail offering.

These two companies set the gold standard in what is possible with mobile in a multichannel world, but as the examples of best practice featured in this Dimension Report demonstrate, the difference between the Elite that really get it and the rest is, in mobile, quite marked. Many retailers simply aren't delivering the basics with mobile. As IRUK Head of Research, Martin Shaw, puts it, "The low-hanging fruit, the off-the-shelf functionality, is missing from the majority of retailer offerings."

For starters, given how important mobile traffic is, just 41% of retailers in the IRUK 500 study had an app. Just 63% of apps we measured were transactional. Broken down by device operating system, 36% of the Top500 have an iOS app, 30% have Android and just 24% have both – that means that more than three quarters of the Top500 don't have an iOS and Android app, a figure that's worryingly low.

Of those that do have a transactional app, only 55% – a little more than half – have any sort of native checkout, the rest relying on pointing the customer to standard web checkout. This makes the process more cumbersome, sometimes adds more steps and is dependent on a strong network connection. All these factors are points where the customer may abandon the shopping process.

This worrying lack of insight into the use of mobile apps points to there being something of a paucity of ideas as to the true power of mobile in the omnichannel world. Consumers are keen to embrace it – and the traffic and sales figures show that they continue to do so – yet many retailers are floundering with not only how to meet this mobile need, but also what that mobile need is.

While this Dimension Report sets out which retailers do what well – and conversely, which don't – it also offers advice on ways to look afresh at mobile strategy. Perhaps you work for a retailer that's invested heavily in mobile, but what can the company still do better? Improvements are not just about deploying bleeding-edge technology: some of the tried-and-trusted and simple measures can help retailers right now at minimal cost.

What is yet to be ascertained is whether mobile cannibalises other channels or can actually add new customers. As this Dimension Report's sponsor Boldchat sees it, shopping now isn't about choice of channel, it is about using the channel that is right at the time. Customers are going to shop on the device they want to when they want to; the retailer's challenge is to understand this, understand the context within which they are doing this and provide the right service.

Retailers also have to be prepared to 'follow' shoppers as they flit across channels. This is possibly the most important factor going forwards with a mobile and multichannel strategy: consumers will dip in and out on many different devices and locations in many different moods as part of the shopping process. Understanding this and building for it is going to be one of retail's biggest drivers.

The Mobile Performance Dimension Report is distributed with this issue of InternetRetailing. You can also view a digital copy online at internetretailing.net.

Wiser pricing

Shoppers compare prices across retailers' sites and on the barometer of Amazon's marketplace but while this snapshot gives a single view, watching over the longer term gives insight into those retailers' pricing strategies. Min-Jee Hwang, Marketing Director, Wiser reveals more.

BEING VISIBLE and found is an important start to the sales process but a product's price is a determining factor in gaining both the visit and the sale. While some retail brands are able to control prices, for many retailers price competition is vital. How do they know, however, whether their prices are competitive? How can they be sure that they are flexing prices sufficiently responsively to remain continually competitive, while also not discounting more than the market requires?

For some retailers keeping competitive requires a careful watch on the competition, albeit with an automated system reducing the laboriousness of the task. John Lewis, for example, is well known for its price matching promise of 'Never Knowingly Undersold' requiring it to match competitor promotional events online.

Brands are in a more robust position, able to set their own pricing strategy while in the consumer electronics industry, many brands dictate the pricing strategy for their products to retailers, thus making retailers differentiate themselves in other ways such as add-ons or extended warranties.

Since January, Wiser has been tracking 100 of the best-selling products from each of 50 retailers within InternetRetailing's IRUK 500 ranking and comparing the prices on the retailers' sites with the same products as sold by Amazon UK – and not its marketplace sellers – to give some indication as to the level of sophistication of pricing strategy across the industry. Apparel was excluded due to the complexities of comparing like products.

Amazon has been its usual exemplar of retail strategy making millions of price changes every day and there has been rarely a moment when Amazon didn't change a price. We expected retailers to have a sophisticated pricing strategy and alter prices on particular skus, such as different colours, based on what is selling fast. Amazon alone was operating to this level among the top 50 retailers. So, the question is why is Amazon in a class of one in UK retailing?

The other retailers fell into one of three groups:

- Group One: 11 retailers made brand or category-specific price adjustments. This is a kind of dynamic pricing and may even be responsive to other retailers' movements, but it lacks the granular, item (or even colour/size) specific adjustments that are the hallmark of dynamic pricing sophistication;
- Group Two: 21 retailers fell into the non-targeted price changes and few price changes category. This catches retailers that are adjusting prices by the same proportion in a large number of products without a clear category or brand tying them together. We also have retailers in this group that have made a few price adjustments to an otherwise static offering;
- Group Three: 18 retailers made no or negligible price changes. It's unsurprising that prices for some of the retailers remained fairly static since retailers in this group included jewellers (who you wouldn't expect to change prices too much), and cards (which people will buy anyway).

In Group 1, office supplies company Staples reduced prices by an average of 17% on 75% of the skus monitored between January and February. They maintained the same position in the following month, so was January the outlier? January and the holiday season is typically slow for office supplies retailers so rather than decrease prices to increase demand, perhaps they increased prices to capture more margin on the lower volume of sales and dropped prices in the subsequent months?

Looking at some of the other retailers and brands in this category, we recorded that the prices of Bosch toasters at Currys were reduced overall by the same percentage in February. Other than that, there were no discernible trends in the rest of the month and few price changes in March.

In Group 3, prices on the vast majority of skus at Disney Store remained static in February and March while most of those on Amazon decreased. Being a manufacturer perhaps consistency of brand pricing/perception is more important to Disney than competitor pricing or consumer demand. Owning the supply chain gives them the ability to maintain a certain margin.

Overall, the research to date shows that prices across the retailing industry in the UK aren't as dynamic as we thought and retailers are not changing pricing on a daily or weekly basis. However, since the beginning of the year products from over half of the retailers have become more expensive and therefore less competitive to Amazon to some degree.

Europe's elite gather in Berlin

A pan-European mix of senior retailers are preparing to participate in a new, high-level Summit in Berlin this June. Emma Herrod reports on the event.

THE INTERNETRETAILING Summit is an exclusive, invitation-only event, produced by InternetRetailing Events and held at the 5* andel's Hotel, Berlin from 27-29 June. There is an admission policy of invited attendees only from Europe's Top 500 retailers in order to create the right, senior-level peer group match.

Characterised by a series of off-the-record, carefully curated, round-table discussions and quick-fire, animated debates the InternetRetailing Summit brings together leading heroes, thinkers and doers in European retail for a frank exchange of views, experience and insight. At the end of the event, delegates will have a new toolkit of ideas and knowledge to prepare and inspire them for future retail success.

Around 150 delegates will take part in the three-day event, presenting a rare opportunity for real peer-to-peer engagement – it offers networking and knowledge-sharing on a whole new level.

A gathering of delegates from right across Europe, representing multi-sector pan-European retail operators, promises to provide the breadth and depth of experience needed for a stimulating discussion about the challenges of operating in this diverse continent.

Run in conjunction with the brand new IREU Top500 Report, which will be previewed exclusively to delegates at the Summit and which is the latest offering in the IREU Report rollout from InternetRetailing, this is where you will engage with senior peers from companies including: Carhartt, Ikea, El Ganso, Lufthansa, Facebook, Breuninger, Swarovski, Carrefour, Bauhaus, Mister Spex and Ralph Lauren to name a few.

A stellar, pan-European speaker line-up promises new insights and a highly immersive programme. The programme comprises a multi format structure centred around:

> "Retailers from Europe's Top 500 are invited to the IR Summit"

- Moderated discussions in small groups examining one of six key retail 'Performance Dimensions': Customer Experience; Mobile; Operations & Logistics; Brand & Engagement; Merchandising; Strategy & Innovation. These sessions provide unparalleled access to real scenarios revealing how retailers have overcome specific performance challenges;
- Leader panels chaired by Ian Jindal, Founder & Editor in Chief, InternetRetailing: fire questions at the panel as they debate issues such as What Does A Seamless Consumer Experience Look Like Today?
- Round table discussions examine real-life experiences, exploring the challenges and solutions applied, leaving delegates with practicable intelligence that they can apply to their own businesses;
- The NextGen Technology workshops expose some of the newest technology developments promising to shape and underpin the next phase of retail growth.

Contact Andrew.Britten-Austin@internetretailingevents.com if you're interested in applying to attend.

SPEAKERS INCLUDE:

Tom Reiter, Managing Director Online Central EU Cluster & Portugal, Staples
David Schneider, Co-Founder, Zalando
Amee Chande, UK MD, Alibaba Group
Rajesh Kumar, VP Merchandising Concept to Consumer, adidas Group
Ines von Jagemann, Member of the Executive Board, eCommerce, Tchibo
Gareth Rees-John, Global Digital Director, Topman
Roger Graell Sole, Online Sales Director, Mango
Steven Overman, CMO, Kodak
Martin Pearce, Head of Fraud and Payments, Trainline
Theodore Hettich, Global Head of Partnerships, Fruugo
Stephen Richards, Director of Logistics Germany, ao.com
Christiane Arnscheidt, CMO, BestSecret
Jason Van Der Westhuizen, Head of Online Europe, Land's End

More information can be viewed at www.internetretailingsummit.com

Stefan Hamann, CEO

shopware

WHAT DOES YOUR COMPANY DO?

Shopware's trendsetting ecommerce software provides retailers with the technology to build their own site, not just as a sales platform but as a place to inspire, ignite personality and create meaningful, personalised interactions with shoppers. Gone are the days of bland, uniform online shops. Retailers, from small merchants to enterprise level, can utilise Shopware's open source technology to build inspirational, emotionally-appealing shopping environments. All of this, combined with the advanced technology behind Shopware 5 which has been continually developed over the past 15 years, offers the perfect symbiosis of beauty and brains you need in a modern ecommerce platform.

> "The Shopware platform evolves with retailers so they have tools to build and present their brand in an ever-changing market. Our latest version allows retailers to bring more emotion and inspiring shopping experiences into their online store"

SHOPWARE IN BRIEF

Company founded: March 2000.

Global reach: We operate completely from our headquarters in Germany, but our partner network allows retailers to connect with Shopware agencies around the globe.

UK launch: That last year was all about gaining momentum for our entrance in January 2016. Now we can say we perfectly meet the local requirements of the UK market.

Turnover: Last year, Shopware shops made over £3.2bn (€4bn) in collective sales.

Customers: 54,000+ customers including L'Oréal, Vitra, Mattel, Euronics, Discovery Channel and Gaastra.

Number of employees: 100

Number of partners: 1,200+

For more information about Shopware's products and services please visit www.shopware.com or get in touch directly via contact@shopware.com.

We can be reached M-F, 8am-4pm (GMT) using: +44 (0) 203 095 2445.

@shopware

www.linkedin.com/company/shopware-ag

WHAT IS YOUR USP?

Our short time to market is especially appealing for some retailers. The software is also easy to customize and can be seamlessly integrated into existing processes, plus migrating from an outdated system to Shopware is possible by means of a free plugin. To meet the needs of different customers, we offer comprehensive support options and a competitive price structure. Out of the box, Shopware provides retailers with a broad range of marketing features.

As a forward-thinking company, we're keen on utilizing the latest technologies. At the end of last year, Shopware became the first PHP-based system to be compatible with PHP-7.

WHAT NEW FUNCTIONALITY DOES THE LATEST VERSION OF YOUR SYSTEM GIVE TO RETAILERS?

With our latest software release, we wanted to give retailers more opportunities to represent their brand and stand out from the competition. That's why we introduced features such as "Storytelling", which empowers retailers with the ability to create more emotional, content-rich shopping experiences. The fully responsive design seamlessly carries the shopping experience across every device.

Shopware 5.1, also has a new marketing functionality that allows shop owners to implement and combine diverse promotion campaigns in their shops.

WHEN DID YOU START THE COMPANY AND WHY?

Back in 2000, when I was only 16 years old, I founded the company as a classic web agency, so creating mostly website and flyers. That was until 2004, when I received my first customer request for an online shop. After programming their webshop, I offered the software as a standard solution, because at the time there was nothing else like it on the market. The company went from a kid programming out of his parent's house to a company of over 100 employees, and with more than 54,000 customers, we are the market leader in Germany.

HOW WOULD YOU DESCRIBE YOUR VISION?

I have a clear goal in mind: I want Shopware to be the leading provider of ecommerce solutions. With our brand values, "open, authentic, visionary", Shopware is pursuing a mission to revolutionize digital trade and create trendsetting ecommerce solutions for our global community. With our open source philosophy, Shopware exercises and encourages openness and transparency in all products and processes and works very closely with our Community.

WHAT IS YOUR MARKET POSITIONING AND WHAT GAP ARE YOU FILLING AMONGST THE UK COMPETITION?

Shopware has a very clear company philosophy: we strive for transparency and value proximity to our customers and partners. Everyone benefits from open paths of communication; we are able to hear and more quickly implement the feedback from our customers and partners, and they receive direct manufacturer support.

Our 16 years' experience in the market shows we can be trusted, plus our open roadmap allows you to see exactly where we are heading in the future. You will never wait more than a few months for a new release, and we consistently improve our software to meet the increasing demands of ecommerce while also finding a way to transform the market, for instance, with more inspiring shopping experiences.

So now we are looking to build our network – of technology providers, partners and customers – who are also interested in improving ecommerce for years to come.

WHO ARE YOUR CUSTOMERS?

Several enterprise projects are currently being implemented in the UK. These include Richer Sounds, Perfect Home and Hughes. Shops such as Discovery Channel UK have already been live for months. By the end of the year, we expect 20 new Shopware projects will be launched in the United Kingdom.

Elsewhere, major brands such as L'Oréal, Vitra, Mattel and Euronics are using Shopware, and lately our enterprise segment has been growing particularly fast.

WHAT DO YOU SEE AS CHALLENGES FOR RETAILERS AND SUPPLIERS TO THE INDUSTRY IN THE COMING YEAR AND WHAT ARE YOU DOING TO MEETING THOSE CHALLENGES?

In the future, the consumer will be even more in the foreground. Since their behaviour is actively changing the market, the software's flexibility and short time to market will become increasingly decisive so that untapped or new sales channels can be exploited as soon as possible. We also believe the slogan "Community driven" is becoming increasingly important for incorporating feedback, ideas and innovative potential directly from the Community. We face these challenges with a transparent roadmap and strong involvement from our Community. Additionally, we invest nearly 20% of our annual profits in research and development in order to continue providing relevant solutions that meet the demands of the future.

FUTURE PLANS?

We are currently developing "Shopware Connect", which is a solution that networks retailers and allows them to exchange products with one another by means of dropshipping. We're also focusing on the needs of the B2B segment, such as merchant integration, the creating of marketplaces, rights and role assignment and much more. Our customers can expect a great deal from us in the future.

Shopware will be exhibiting at the InternetRetailing Expo at Birmingham's NEC on 27 & 28 April 2016 (Stand F33). Stop by for a coffee and live presentation of our latest software version.

CUSTOMER CASE STUDY

"You don't ask the sea any questions. You just dress for the occasion." This quote from Gaastra founder, Douve Gaastra, illustrates the emotion and passion packed behind the company's nautical clothing line. When the world-famous brand decided in 2015 to revamp their outdated online shop, they decided to completely replatform with a system that was modern, adaptable and able to support their 1,500 stores worldwide.

"The relaunch was a great opportunity to rethink everything again and make new choices. We want to provide our customers with an emotional shopping experience with the new shop with great emotional visual imagery and modern design and have an optimised appearance for various end devices," emphasised Nico Heer, who was responsible for the new online shop.

It didn't take long to realize Shopware was the perfect platform to suit their needs. With Shopware, Gaastra was able to reinvent how they interacted with their customers by implementing emotional brand worlds, each customized for the countries of their different target groups. From one central backend, Gaastra made use of multiple subshops to meet their international needs.

"One complexity of the project was that we had to connect different logistics partners such as DHL, PostNL or UPS to each language shop. This could be mapped without any difficulties though," remembers Heer.

Shortly after the relaunch, the new shop has already received overwhelming feedback. The shop was decorated with the coveted Shop Usability Award, taking the entire category of "Fashion".

Testing, testing...

Emma Herrod **looks at the growth of marketplaces and their place in retailers' international expansion plans.**

MARKETPLACES ARE on the rise, and not just in the reach and turnover of Amazon and eBay but also in the number available for retailers to sell through and ones that they themselves have launched to extend the depth of product ranges on offer.

Amazon and eBay alone account for a staggering 41% of all retail web traffic in Europe, with 47% of Amazon's unit sales globally being generated by Amazon Marketplace sellers in Q4 2015. Export sales from its UK-based Marketplace sellers in 2015 reached nearly £1.4bn and surpassed the 100 million unit mark.

Looking at sales by ecommerce and listing platform Volo's brand and retail customers, 20% of the £1bn turnover of GMV in a year from UK retailers is going outside of the UK. This equates to around eight million items sold to other countries. "Our customers ship to every country except North Korea every year," says the company's CEO, Paul Watson.

The Ecommerce Foundation puts the sales share of marketplaces at between 10% and 30%, depending on the country, and predicts that by 2020, marketplaces will have a 40% share of the global ecommerce market. In its 'Rise of the Global Market Places' study, it reported that as marketplaces work with a lot of suppliers, they can offer a very broad and deep assortment, giving the customer a wide range of solutions to meet their needs for products and/or services. In addition, marketplaces can offer items at a lower price than retailers because of their platform scalability.

Convenience is a key aspect of online platforms as well. They aim to make the customer experience as smooth as possible, which is evidenced by developments such as one-click buy and same-day delivery. As a result, they excel in delivering customer satisfaction.

"Marketplaces combine these three success factors with a form of inventiveness that is remarkable for companies of that size," says report author Professor Jorij Abraham, Managing Director, Ecommerce Foundation. "For example, Amazon now has more than 150,000 employees and it still is able to remain quite innovative, by developing new products and services that benefit both the platform and consumers. They are able to combine continuous innovation with operational excellence, which gives them a clear edge over the more traditional retailers and brands."

> "The terms & conditions page is the second most visited page, after the homepage, on Clarks Shoes' German site"

We like to shop in marketplaces because they offer us choice, explains Watson. "It's how we like to shop," he adds. If a retailer ever needed an endorsement of why they should be selling on Amazon, then the level of traffic is it, he believes.

Dave Elston, Digital Director, European Region, at footwear retailer Clarks, agrees. "Some of the sites have insane amounts of traffic and some people will only buy from those markets," he says.

German consumers, for example, feel happier buying Clarks shoes from German retailers such as Zalando than from Clarks' own website, he explains, since they are very cautious shoppers who like to know that everything is correct and secure. "My second most visited page after the homepage is the terms and conditions," he says.

The other part of the decision about which marketplaces to sell on is representation and brand fit. Clarks, for instance, wouldn't list its products on a discounter's site.

INTERNATIONAL

"There's not one model for the global business," says Elston, explaining that as a manufacturer, wholesaler and B2C retailer, Clarks uses a number of marketplaces in different locations. The company works with a local partner in China to list on Tmall, with the partner also handling supply chain and fulfilment operations. Elston believes that "they can execute it better than if we did it ourselves". Clarks also lists on JD.com in China and on Japan's leading apparel platform, Zozotown.

Elston explains that Clarks has a non-transactional site in China because the country is a difficult one in which to go it alone. "Not many people have launched a successful site in China," he says, adding that "the aggregator model is key to business out there".

The firm uses marketplaces in the Americas for its wholesale business.

Elston advises that If you're going to do a marketplace in a new country you still have to

localise the content. The key consideration is how good your data is, since content and imagery need to be in "tip-top" condition. "Be prepared to work at that," he adds.

More than 50 companies operate over 220 online marketplaces in Europe. Source: BVOH

Some marketplaces make entry to new markets easier by offering fulfilment or customer services. They may even specify in their SLAs that sellers must respond to customer enquiries in the local language and within a certain timeframe. Factors such as these need to be taken into account, though, and thought through whether market entry is via a marketplace or going it alone with a localised, transactional site.

As Hakan Thyr, Director of Partnerships, ChannelAdvisor, advises, retailers should think about what the demand for their product is in different markets and take an agile approach to going international. Rather than spending a lot of time and money translating their own website, marketplaces offer a much more low risk way to discover whether there is a demand for a product or service and where that demand is located.

Even within the EU, there are complexities such as managing returns from different countries and the level of returns you should expect from each market. For example, there is a high rate of returns for clothes in the Nordic region and Germany but in France it averages 15% - 20% and is even lower in Spain.

Marketplaces allow retailers to experiment with products and pricing to gather an understanding of the shopping habits, returns profile and payment needs of new markets in a way that's cheaper than jumping straight in with a localised site.

Naveen Aricatt, legal expert at Trusted Shops, says: "They are a brilliant, cost-effective way of researching, then entering, a new country and the UK has embraced them since they landed on our shores from the US. The consumer feedback and reviews that marketplaces offer help retailers gain instant trust when trying to sell in a new country. That is critically important as the heritage and trust UK retailers have built with a customer base here will not be carried with them."

It's also becoming easier for brands to promote themselves on marketplaces with their own store. Thyr cites Superdry's eBay store as an example.

Once set up, many of the processes of managing inventory and listings on international marketplaces can be automated and systems such as those from Volo and ChannelAdvisor are pre-integrated into marketplaces and carriers. As Watson explains, the vast bulk of sales are through Amazon, eBay and Rakuten, but there are many smaller marketplaces with a geographic or category-specific focus. It's just as simple to list on Allegro in Poland, Newegg in the US, Cdiscount in France or on Google Shopping. "Allegro accounts for around 60% of ecommerce in Poland and Cdiscount is still a large force in France while not being as big as Amazon," says Thyr. "And don't ignore eBay; it's still a strong force."

Electrical goods specialist Electrolve, for example, sells to 127 markets. Owner Oliver Margasson explains: "Operating from our Grimsby warehouse, the business benefits from strong transport links and courier services; the kind of agile infrastructure from which we can quickly source and sell our products internationally. With consumers around the world getting wealthier, and governments investing in better internet access, our international trade has grown to account for 60% of total sales."

The number of vertical-specific marketplaces is growing significantly with one going live every month to fill the niche areas into which Amazon doesn't go deeply. One such is the sports apparel and equipment marketplace launched in February by French sports newspaper L'Équipe. L'Équipe Store offers a range of 70,000 products distributed by 30 specialist retailers and sports brands.

More than 50 companies operate over 220 online marketplaces in Europe, according to Germany ecommerce association BVOH. According to a column by the association's president, Oliver Prothmann, in InternetRetailing in September 2015, there are 39 online marketplaces in Germany alone, plus 24 in France and 14 in Italy.

Most of the marketplaces differ significantly from their competitors'. The mechanisms used by the providers vary greatly with, for instance, open and closed markets. Also, the moment that ownership changes differs and can range from when the transaction takes place to when the goods are delivered. For a list of the most significant marketplaces across Europe go to www.bvoh.de and search on 'Top-50 Online Marketplaces'.

> "Some of the sites have insane amounts of traffic and some people will only buy from those markets"

LOCALISATION

There's nothing saying that retailers can't run their own localised, transactional site as well as selling on marketplaces in the same country. Of course, they have to factor in the specific costs of setting up on their own – consultancy, technology, hosting and driving traffic – all with no guarantee of return. It's a risky thing to do, believes Thyr, so marketplaces enable retailers to piggyback onto their business. If you're a sizeable enough seller, the marketplaces will have account teams to advise on local conditions, he explains.

In Europe, many retailers take payment in euros and add cross-border shipping from their own site. Log files show the geographies of where visitors are coming from, how they arrived on the site and what they are looking at, so retailers get a lot of insight into international customers in this way.

Where you go next with localised, country-specific transaction sites depends on your profile, explains Thyr. If you have 300,000 skus, translation is going to be a cost so launching in English-language countries will be easier. However, if you are a brand with 500 skus you don't have to make such a big investment in translation, and fulfilment to Europe is much easier than sending and returning goods to New Zealand.

"If retailers want a low-cost entry into a new market, it's a no brainer. It's not an either/or," says Watson. This is especially true when you consider that some retailers have decided to pull out of a country having tested their product or service on a marketplace. Of course, others get the information and exposure they need from their marketplace presence and then go on to launch their own localised site successfully.

While it's true that selling through marketplaces won't provide the richness of data that retailers can gather from their own localised site, they are certainly a force to be reckoned with. Marketplaces are growing and are set to become a much more predominant channel, so they're something any retailer should be considering seriously. A marketplace channel, in the right location with the correct brand match can be a straightforward way to diversify revenue streams; in some countries, such as China, it's the only way to go.

Lac Tran is one of the founders of Web2asia, a premier boutique ecommerce agency in China that strategizes and manages foreign brands in the Chinese market. Web2asia merged with Xibao Technology and bought the company public in 2015. Through the combination of ecommerce operations expertise and proprietary programmatic media buy solution outperforming the ROI within Alibaba ecosystem, both entities are now the leading players in China.

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China's cross-border ecommerce expansion and regulation

Lac Tran, **EVP Global E-Commerce, Web2asia gives an insider's view of ecommerce in China**

THE CONSTANT buzz around China's ecommerce economy has been growing at an unsurpassed rate, an increase of 30% in 2015 according to the Ministry of Commerce, which has resonated to every worldwide brand. In 2014, China outgrew the US as the largest ecommerce market and over the next 5 years it is expected to double in size. In March, Alibaba became the world's largest retail platform as its trading volume surpassed Wal-Mart's annual sales.

This booming market is seen as a great opportunity for brands that are not present in China yet seek to acquire Chinese consumers, who want differentiated imported products.

Ecommerce has developed unique features in the past years to facilitate consumer usability and integration: first, the establishment of bonded warehouses in pilot free trade zones and overseas that enable integrated fulfilment and optimised order management with Chinese marketplaces. Second, development of mobile commerce mixing social media and mobile payment for a faster purchase decision. Online orders carried out with mobile devices account for more than 70% of total online sales. Lastly the development of O2O as an important strategy to integrate online and offline activities. For merchants present in China, it became an important tool to drive traffic and sales to offline stores. These were China's ecommerce trends in 2014 and 2015, and now cross-border ecommerce is the biggest growth segment in the country.

Dominant marketplaces in China, such as Tmall and Jingdong, understood the cross-border opportunities in 2014 and 2015, respectively, and quickly provided foreign merchants with global cross-border platform catering to the Chinese market. This initiative attracted several foreign brands that would never consider China due to the perceived trade difficulties, distance and company registration process.

Cross-border ecommerce has already surpassed 40% in growth, reaching more than 1 trillion rmb (£105bn) in value for all B2B, B2C and C2C transactions.

THE CONSUMER

Who are the Chinese cross-border consumers and what they are looking for? Initially, there was a straight forward answer to this question – online shoppers were educated, middle class and in their late 20s to mid 30s. With the internet reaching all over China now, cross-border is no longer confined to coastal cities, but is expanding to T3 through T5 cities. This is a niche still to be explored for greater market expansion.

Cross-border Chinese consumers' main reasons to choose cross-border are trust and quality. As other Chinese consumers, they are also price sensitive, but for some categories such as infant formula, price is less important than trust. Cross-border consumers have more knowledge of foreign brands' reputation and their price point overseas.

The hottest categories for purchasing cross border are skincare, women's apparel, cosmetics, perfume, healthcare, women's accessories and baby formula. Sports and food categories (organic and fresh food included), even out of the list, have grown consistently in the past year, with several new merchants such as foreign supermarkets opting to open online stores instead of following the traditional model of opening physical stores. Some merchants plan to expand their business offline having used online to "test drive" market entry.

The top countries of origin are: USA, Hong Kong, Sweden, UK, Malaysia, Taiwan, Holland, Japan, South Korea and Denmark, which explains the categories consumers are looking at as described above. Japanese and Korean cosmetics brands are very popular among Chinese consumers from all classes, so too are Dutch baby formulas.

Dozens of countries are already represented on Chinese cross-border platforms, and some of them still have the potential to reach top 10; Australia and New Zealand are strong in the food and supplement segments respectively. In order words, top categories and top countries are easily changeable, depending on the rise of offers of brands that have high awareness among Chinese consumers.

Cross-border facilitated online business in China, mostly due to the simplistic process if compared to import trade: there is no need for merchant local business registration, animal testing and other licensing, just to mention few.

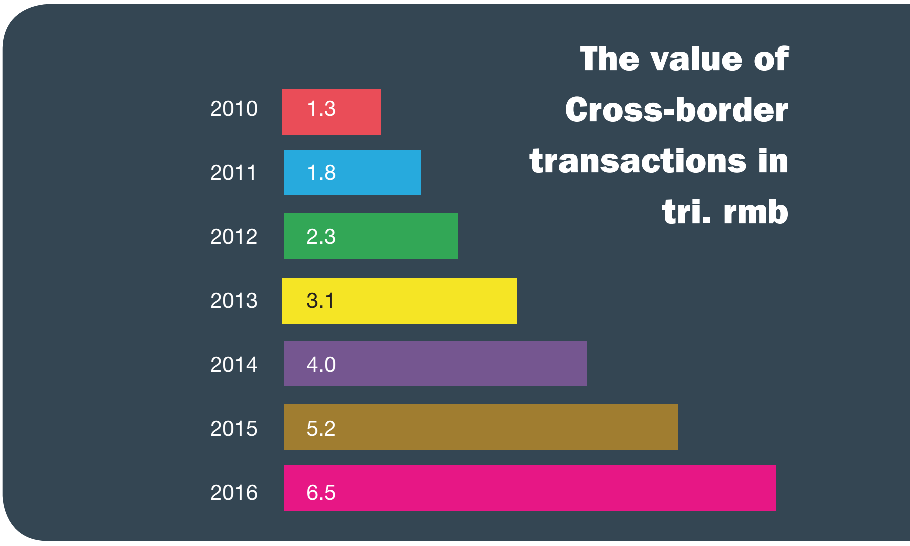
WHAT TO CONSIDER BEFORE COMING TO CHINA?

In order to choose the right cross-border business model, merchants need to understand their specifies and how their product can benefit from each model: marketplaces, localised standalone store and specialist cross-border ecommerce platforms such as the haitao networks – cross-border is done differently than in the 'West'. The channel is thus the first thing merchants need to consider. There is no accurate answer to which approach to use since it depends on industry segmentation and a holistic plan to acquire targeted consumers.

Since ecommerce, and especially cross-border ecommerce, is facing its gold-era, the need for further regulation became important. While a new Ecommerce Law is expected to be promulgated in 2016, new regulations have focused on consumer protection and taxation.

The latest ecommerce regulations 'Notice on Import Tax Policies for Retail of Cross-border E-commerce' (the 'Notice'), effective as of 8 April, and the 'Circular 18' show cross-border ecommerce import duties. Tax rates can be up to 60% depending on the category: toys' tax rate is around 12%, while milk powder is 8.4%, 31% or even 60% for diamonds, depending on product price, order quantity and from where the product is shipped, overseas or bonded warehouse. New merchants and those that already have established online businesses in China need to comply with these two new regulations.

The 'Notice' limited the amount of cross-border purchases to 2,000 yuan for a single transfer and a maximum of 20,000 yuan per person per year, at a temporarily set zero tax rate. Goods that exceed these limits will be levied the full taxation. With these new regulations, it became clear that retail goods purchased online via cross-border channels are no longer treated as personal postal articles but as imported goods.



> "Chinese cross-border ecommerce has surpassed 40% growth reaching more than £105bn"

These regulations have as their main objectives public consultation and to fill consumer protection gaps. Industry experts need to 'weight' them in and provide government agencies with their feedback. In addition, the costs involved depend on the cross-border method chosen.

Ecommerce and cross-border ecommerce are projected to have consistent growth in the next few years and it is unlikely that the new regulations will influence this growth.

In order to succeed, brands must not only understand how to approach Chinese customers, but have a certain knowledge of cross-border ecommerce regulations to enable better cost allocation and an efficient pricing strategy.

Foreign brands do not need to necessarily abandon their DNA, rather adapt it to the Chinese market. The most common questions we are asked by foreign merchants relate to Chinese clothing sizes, whether or not to localise flavours, usage of western or Chinese models, how to reinforce product authenticity, the right price range and choosing between a standalone store and marketplace – among many others.

Through proper market research targeted to a certain industry, it is possible to determine the latest trends of Chinese consumers as well as leveraging opportunities to build up strong short and long-term strategies.

Expanding or not to the Chinese market is no longer a question. Instead it is one of how to leverage a cross-border strategy in China.

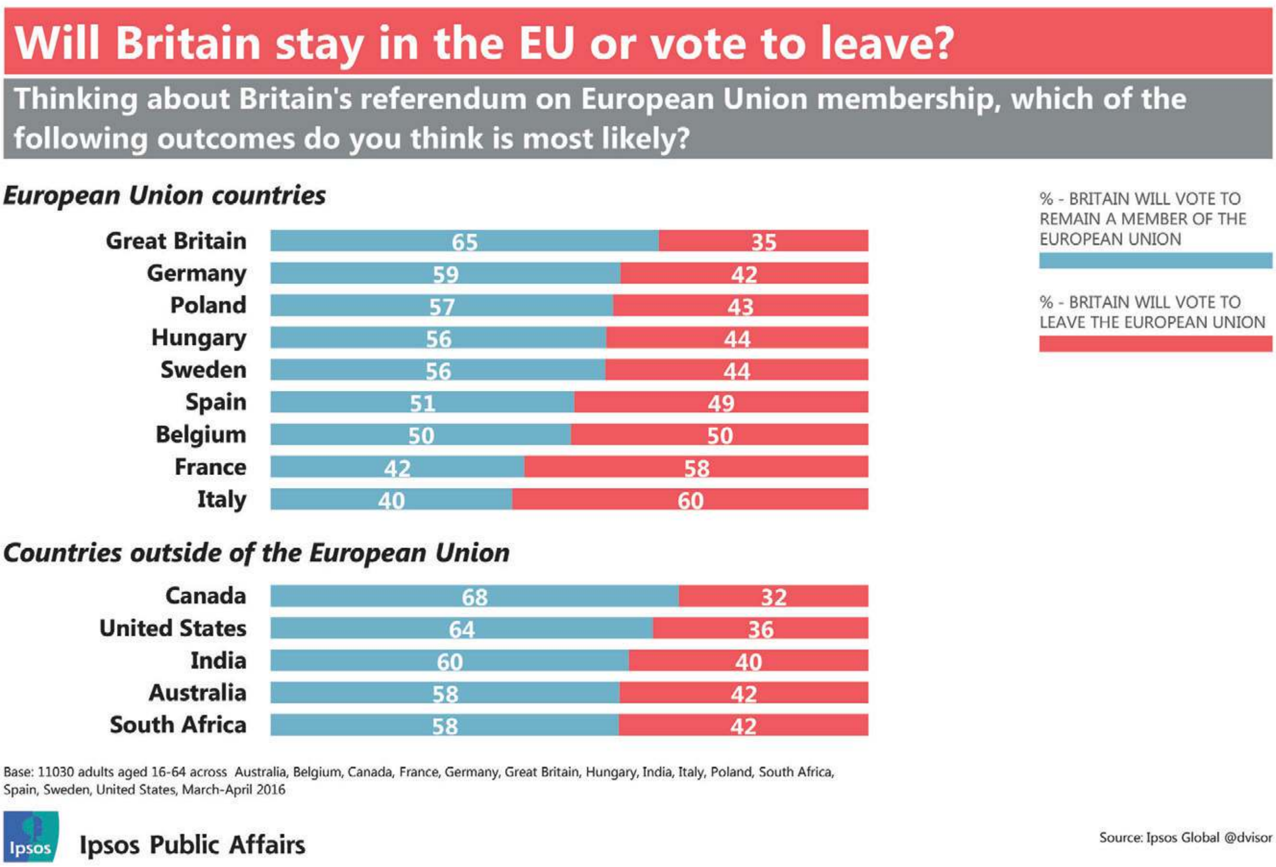
Preparing to cast the die

Project fear, dodgy data, over-optimistic forecasts and general confusion: as we head for the referendum propaganda from both "remain" and "leave" camps continues to muddy the waters, so what will 23 June really mean for retailers? *Penelope Ody* **investigates.**

VOTERS HEADING to the polls next month will have forecasts from the "remain" lobby of rising prices, job losses, and a massive downturn in the economy ringing in their ears, while the "leave" campaigners will be stressing the risks of increased migration, terror threats from lack of border control, and a continuing loss of sovereignty: hardly surprising, then, that many feel confused and mistrustful of the wealth of statistics that have been hurled at us over the past weeks.

Those weeks have seen some major retailers come out in favour of "remain" while others – including many major supermarkets and department stores – have stayed determinedly neutral. A YouGov study back in February suggested that 96% of big businesses want to stay in the EU compared with only 47% of SMEs, and Joshua Bamfield, Director of the Centre for Retail Research, suggests these figures probably hold good for retailers as well: "Life is easier if things are stable," he says. "The majority of large retailers support remaining in Europe. They know the current system well and fear the uncertainty and problems likely to be caused by Brexit."

Inevitably retail concerns about the possibility of Brexit focus on the potential for tariffs on EU trade, rising prices, labour laws, and possible restrictions on opening



Will this be the case after 23 June?

stores in the EU (in theory easy now but, as the British Retail Consortium puts it: "… complaints about discriminatory practice… suggest this is not the case"). For those involved in logistics likely labour shortages become more significant with a possible loss of low-cost migrant workers from Eastern Europe – although given April's increase in the minimum wage many carriers may already be looking at ways to improve efficiency and reduce labour costs.

On the plus side, leaving the EU may mean a relaxation of Working Time Directive constraints, giving greater flexibility to workforce planning. Retailers would also be able to source goods from the cheapest markets free of the EU's Common External Tariff – designed to protect EU producers – which could mean lower prices for textiles, agricultural products and commodities. We would also be spared any future attempts by the EU to further harmonise VAT rules and rates.

According to Eurostat, 30% of EU online shoppers bought or ordered goods or services from other EU countries in 2015 compared with 25% who did so in 2012, while 18% bought things from non-EU countries (13% in 2012). Eurostat does not break out this data by country, but with 67% of UK retailers offering worldwide delivery and 65% of their online sales revenue coming from international orders, one might assume that UK multichannel retailers provide a significant proportion of these sales. However, since currency issues can be a deterrent for cross-border shoppers, and as we will remain outside the eurozone, it may be that the bulk of the UK's international sales could in future come from non-EU countries happier to trade in sterling.

CUSTOMS & TAXES

In the event of Brexit, sales to the EU by UK retailers may be subject to some sort of tariff and they may be delayed in customs – much as sales to non-EU countries already are – but, as "leave" campaigners regularly point out, we buy far more from the EU than they buy from us and it would seem highly unlikely that either side would wish to trigger a tit-for-tat trade war. "Say UK retailers are sending 200,000 parcels a month to France," says Professor Bamfield, "will all these have to be checked through customs and tariffs charged and collected? It could be challenging for the French authorities so there may be a de minimus approach with low value items simply waved through." Equally a pan-European free trade area already stretches from Iceland to Turkey – both non-EU countries – and since the EU's trade agreements with Moldavia and Ukraine, the only European countries outside this free trade zone are Russia and Belarus. According to Daniel Hannan MEP "Even Stuart Rose who heads the pro-Europe campaign has accepted that free trade would continue".

The EU has already introduced new VAT rules for cross-border sales of digital goods or services which mean that the VAT rate pertaining in the shopper's geography, rather than the seller's, must now be applied. The UK currently has one of the lowest VAT rates in Europe so, while purchasers clearly benefit from this rule, sellers in low VAT areas lose any advantage they may have had. There are persistent suggestions that in future the EU will extend this ruling to physical goods as well. Currently UK sales to non-EU countries are zero-rated for VAT. For consumers the opposite rules apply with VAT charged on non-EU goods when they arrive in the UK – hence those occasional bills from the postman who delivers your online order from the US. This has caused some in the "remain" camp to argue that prices of all imports from the EU will rise by 20% in the event of Brexit.

However, since those sales would be from an EU to a non-EU country they would be

"A YouGov study back in February suggested that 96% of big businesses want to stay in the EU" exported as zero-rated, thus saving up to 25% or more on the price quoted in the home market. Prices are more likely to rise in the short-term if Brexit causes the pound to lose value as Professor Bamfield says: “If exchange rates fall, this would have a bigger effect on prices than international tariff agreements. One can argue that sterling is already overvalued and probably in the long run Brexit would mean a lower exchange rate. This is not necessarily a bad thing.” It would certainly be appreciated by exporters.

LOGISTICS

Among companies involved with logistics and distribution there is some concern about increased carrier costs due to customs clearance issues. Andrew Hill, Commercial Director at delivery management platform Electio, finds this a growing concern for his company’s customers. “They believe that freight charges for international deliveries will rise and that will have to be passed on to retailers and ultimately consumers,” he says. “The e-comm companies we work with are less concerned – generally they start international sales in non-EU English-speaking markets and most still feel confident about growth.”

Loss of migrant labour in logistics could be a concern, as Craig Sears-Black, Managing Director at Manhattan Associates has said: “Some professions, such as HGV drivers, are already in crisis due to an ageing workforce and lack of younger workers to replace them – there is a reason noticeboards in many retail distribution centres are multi-lingual”. Under the 1969 Vienna Convention pre-existing migration rights for those who have already benefited from them would be unchanged – so those Eastern European lorry drivers and hospitality staff already here would be able to remain, should they choose to. The Treasury forecast on the implications of Brexit, published in April, states that there are 3 million people from other EU countries currently living in the UK; forecasts also suggest that, if current immigration rates continue, a further 3 million EU citizens will be living here by 2030.

After Brexit, Britain could still admit EU migrants selectively to fill labour shortages as need be. “Greater selectivity in migration would also mean that those Australians, New Zealanders and Indians who used to come here will be able to do so again,” says Joshua Bamfield, “and that could make it easier for retailers to recruit IT experts from India – as well as helping those Indian restaurants who struggle to find chefs.”

Prospects for the EU, should the UK vote to remain, are not especially optimistic. A report in April from The Economist Intelligence Unit predicts a Greek exit from the eurozone within the next five years, which “would represent a huge political failure for the bloc, with potentially destabilising consequences”. While the EIU believes that the “remain” campaign will win the referendum, it suggests that the next five years will see the EU facing: “...a messy process of muddling through, characterised by suboptimal policy solutions and a suboptimal growth performance”.

In his extensive analysis of retail related issues and the referendum, Professor Bamfield argues that: “Economically the advantages of remaining in the EU are now marginal and the advantages of leaving may also be marginal, though there are greater risks on the ‘leave’ side...The real issue is: what will we do with the new-found freedoms of Brexit, or if we vote ‘remain’ what will we do to reinvigorate our economy and society as a newly-committed partner in the EU?”

Come 24 June both options will present their own challenges.

FURTHER READING

“*Consumers and the EU Referendum*”, Centre for Retail Research, http://www.retailresearch.org/brexit.php

“*Europe stretched to the limit*”, a report by The Economist Intelligence Unit, download from http://pages.eiu.com/Future-of-the-EU-Apr-2016

“*HM Treasury analysis: the long-term economic impact of EU membership and the alternatives*” download from https://www.gov.uk/government/publications/hm-treasury-analysis-the-long-term-economic-impact-of-eu-membership-and-the-alternatives.

“*Why Vote Leave*”, by Daniel Hannan, pub. Head of Zeus, ISBN 9781784977108.

“*Would Brexit be better for Retail*”, British Retail Consortium, download from http://www.booksellers.org.uk/BookSellers/media/SiteMediaLibrary/Members/brcBREXIT0216.pdf

The following guest article has been written for InternetRetailing by David Shukri, Retail Industry Champion at Bluefin, a Mindtree Company. Mindtree delivers transformation and technology services from ideation to execution, enabling Global 2000 clients to outperform competitors. Mindtree's expertise in infrastructure and applications management, combined with the unique Agile Centre-of-Excellence, ensures that its clients release products and services to market faster and more cost-efficiently.

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How is digital changing in-store?

David Shukri, **Retail Industry Champion at Bluefin, a Mindtree company examines how digital technology is changing the in-store experience, the areas where technology is adding real value and how retailers are responding in physical stores around the world.**

IMAGINE IT is Tuesday afternoon, around 2:30pm. You take a stroll down your local high street and decide to pop in to a few stores for a nose around. Perhaps a hardware store or a fashion outlet. At times, you'd be forgiven for thinking the digital revolution was all just a dream. There might be a few posters dotted around advertising some delivery and collection options, or maybe a hashtag or an Instagram account for you to engage with. What about an in-store digital kiosk? Have you seen one of those recently? Have you seen anyone using one?

When you look more closely, you notice the technology is out there, it's just that in many cases it doesn't feel joined up. The result can be uninspiring and leaves many shoppers feeling disappointed. The high street is under pressure and the need to reduce costs and improve efficiency means there is not always a huge budget, or appetite, for rolling-out expensive new concepts. That said, focussing on some key trends and technology enablers should help to reduce risk and improve performance.

> "Carrefour's connected LED lighting guides shoppers to promotional items"

SHOPPERS & BEHAVIOURS

It is important to start from the ground up. That means honing in on what modern shoppers want and how they behave. Retailers should be paying particular attention to generation Z, or GZ (pronounced GZee). Born roughly around the turn of the millennium, this cohort of consumers reportedly has shorter attention spans than goldfish. According to cmo.com, 79% of GZ would feel 'emotional distress' if they were kept from their mobile devices too long. Yet the same source states that 40% of all consumers will come from this group by the year 2020. More than any group before them, GZ sees the virtual and physical worlds as a single continuous experience in which technology itself is not that impressive. Instead, they see it as a function of everyday life, there to help them through their shopping journey.

Whilst GZ has not yet reached full consumer maturity, in reality the rest of us have already adopted many similar behaviours. The shopper journey highlights this best; broadly speaking the shopper journey now involves discovering and considering products, making a decision and purchasing, before finally sharing the experience and recommending it to others. Technologies that help GZ shoppers – or indeed any hyper-connected, tech savvy customer – to reduce the friction experienced at any of these points will play a big role in the future of retail.

Today, there are numerous ways of helping shoppers to learn more about products. The MemoMi Memory Mirror for example is the next generation in magic mirror. It enables shoppers to see a 360-degree video of themselves wearing different variants of a garment. US retailer Neiman Marcus is trialling the technology and sees major time savings for customers who will no longer have to traipse to and from changing rooms in search of different items. It is good news for Neiman Marcus too – the data gathered from user sessions can inform future range decisions and help to target shoppers with personalised offers on similar items. What's more, if you are the kind of shopper that likes to share your every move with your friends, MemoMi can be streamed directly to social platforms.

Another technology that was on trial last year came from Dutch lighting and electronics specialist, Philips. At its hypermarket in Lille, French retailer Carrefour fitted 2.5km of Philips connected

LED lighting that can transmit location information to a smartphone. The positioning technology is incredibly accurate and combined with Carrefour's existing shopper engagement app, customers can pre-build shopping lists complete with promotional items and then be guided directly to their selections once in-store.

Nowadays though, it is not all about customer facing technology when it comes to providing more product information. Retailers in a number of markets have begun trials using video analytics. This technology uses a retailer's existing CCTV cameras to analyse the behaviour and characteristics of shoppers in specific parts of the store. When it identifies a shopper that is likely to be in a buying frame of mind, it alerts a store assistant to engage with the individual and close the deal with a little personal care. In high value categories such as electricals, where products can be quite complicated and dwell times at shelves are reasonably long, an interaction with a product expert could be just the thing to trigger a purchase.

PAY & GO

Lengthy checkout queues are one of the biggest headaches in any physical store. Contactless payment is helping and mobile point-of-sale solutions such as iZettle are becoming more prevalent among small business owners. However, in Asia Pacific a platform called Sprooki goes further in facilitating the purchase phase of the customer journey. Sprooki is comprised of four individual tools, which together enable retailers to target shoppers with relevant messages and provide secure mobile pre-ordering for in-store collection.

Interestingly, Waitrose has just announced it's opening a cashless store in Sky's head office, a first for the UK's grocery sector. Shoppers will only be able to pay using cards and mobile devices in a move the retailer says responds to customer feedback. This initiative also responds to three other important points. Firstly, it clearly helps to overcome an existing challenge. Secondly, it will reduce friction in the shopping journey. Finally, it will surely prove scalable as more people switch away from cash and towards contactless payment.

Thus, it comes to closing the loop and for modern shoppers that means sharing experiences of products and services. Connecting online and offline in this respect can be a challenge in physical stores, but

The MemoMi Memory Mirror enables shoppers to see a 360-degree video of themselves wearing different variants of a garment

Nordstrom in the US made moves to overcome this in 2013 when it began displaying popular items with red Pinterest tags. Not only does this lend products a certain validation, but a retailer can also use the data it gathers from social 'likes' to support inventory and ranging decisions. A similarly low-tech deployment from Tesco recently worked on the same premise. In-store point-of-sale advertising in conjunction with Gillette Fusion Proshield featured a star rating based on feedback from online customer reviews. Whilst not hugely sophisticated, we are likely to see more of this approach as it avoids the need for cumbersome interfaces like QR codes. It also generates a sense that shoppers are more deeply involved with the retail experience and contributing to what ends up on the shelves.

These are exciting times for physical stores. Challenging yes, but exciting too. There is a huge amount of innovation taking place around the world. Ultimately, such innovations will help bricks and mortar retail to reposition and find relevance in a digital world. Still, while testing and trialling are vital parts of the development curve, consolidating the learnings into a joined up, end-to-end experience will be just as important. A time is coming when shoppers will expect a more holistic approach – one that blends online and offline more comprehensively and makes the high street a key part of the shopping experience. For it will undoubtedly remain part of the retail mix, but only those retailers who heed the trends will be there to see it. Only those who become truly frictionless will survive to enjoy it.

The following guest article has been written for InternetRetailing by Jamie Merrick, Head of Industry Insights at Demandware. Demandware's cloud platform is the digital backbone for hundreds of retail brands around the world, powering commerce across web, mobile, social and store channels that drives strategic initiatives, brand loyalty and business expansion.

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Unifying commerce

Jamie Merrick, **Head of Industry Insights, Demandware, explores how disruptive economies are drastically changing consumers' behaviour.**

THE OVERWHELMING force of the internet and global corporations has broken down geographic barriers and created a homogenised market of global brands, single currencies and common languages. Disruptive forces, from greater smartphone adoption to ubiquitous high-speed internet and new platforms for peer-to-peer engagement, have combined to create a new age of consumerism that includes diverse social tribes, proliferating networks and channels.

Today's consumers are digital natives that have grown-up operating in a portable, digital world. They are very comfortable with international markets and our recent survey of 7,000 millennials in the UK, US, Australia, China, France, Germany and the Nordics revealed that over half (57%) don't care which country they shop from.

Armed with ubiquitous high-speed wireless internet and powerful smartphones, connected consumers have unlimited access to knowledge and power. However, this also means that consumers are dictating the terms of their engagement with brands and retailers so commerce needs to be everywhere. As messaging platforms, connected devices, shared economy applications, and virtual reality combine, then the role of each channel will be to provide a seamless entry and exit point as part of a unified shopping experience.

Driven by greater smartphone adoption, the associated app economy, one-click shopping and next-day delivery, today's consumers demand immediacy. Our global research showed that the top two factors that encourage loyalty among millennials across the world are having the lowest prices (68%) and offering the fastest delivery (60%). Delivery speed is especially important in Germany (65%), the Nordics (67%) and Australia (63%).

To fulfil consumers desire for immediacy and successfully compete against the likes of Amazon Now that offers same-day delivery, retailers are increasingly leveraging stores as fulfilment centres. In the future, we can expect providers that use new technology developments, such as self-driving cars, to emerge and offer last-mile fulfilment services at speed. It's this ability to react to the fast-paced market and be agile in their operations that will determine which retailers ultimately succeed.

With the rise of social media and messaging platforms, today's consumers value communication, presenting retailers with an opportunity to build a large and engaged audience. For example, some retailers are already capitalising on the engagement aspect of messaging and using the value of real-time chats with actual human beings to help reduce abandoned carts. Nordstrom's TextStyle is a messaging medium that puts customers in direct contact with a sales associate during the purchasing decision, and applications like China's WeChat provide an integrated ecosystem of messaging, ecommerce and mobile payments.

In addition, while millennials are subject to an incredibly diverse range of influences, the rise of peer-to-peer engagement platforms means friends and peers are valued over professional reviewers and celebrities. Globally the research showed that millennials were marginally less inclined to be loyal to companies that have good reviews and recommendations made about them (43%).

However, in some countries, such as Germany (52%) and China (51%), millennials were found to be more inclined to be loyal. Those retailers that establish best practices and strategies for addressing each messaging and social channel will be among the early winners in an increasingly distributed commerce landscape.

The direct, linear relationship that retailers previously had via physical stores and traditional ecommerce is yielding to a more erratic and uncontrolled environment. With technology lowering the barrier to entry to new suppliers, new services and new products, there is simply more choice and consumers are embracing it. Take Uber and Airbnb as examples. These two technology unicorns have become the poster children for digital disruption. Both have found a way of using technology to deliver a better service available at a lower cost and with a minimum amount of capital, replacing traditional taxis and hotel chains.

Increasingly, commerce will be embedded into multiple engagement platforms as part of a unified shopping experience – one that combines stores, online, social media and apps to offer a unique experience. However, the expansion of commerce beyond traditional digital channels is creating a new frontier in retail. To succeed, in a distributed commerce environment, retailers need agile operations that equip them with the scalability to extend commerce to multiple channels. Only then is it possible to break down the barriers between channels and geographies to make everything accessible to the consumer on their term as part of a unique brand experience.

The following guest article has been written for InternetRetailing by Alistair Singer, Vice President, Customer Solutions - E-commerce & International at Barclaycard, which processes over £250bn in transactions annually across the world. Barclaycard is a pioneer of new forms of payment and is at the forefront of developing viable ecommerce, contactless and mobile payment schemes for today and cutting-edge forms of payment for the future. Barclaycard also partners with a wide range of organisations across the globe to offer their customers or members payment options and credit card solutions.

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Around The World

Alistair Singer, **eCommerce and International Senior Segment Manager at Barclaycard examines the issues of cross-border payment.**

THERE'S NO denying the fact that cross-border ecommerce (CBEC) – is a massive opportunity for growth for retailers. In fact, the combined global market value now exceeds $1 trillion, with no signs of slowing down.

The reasons for this are well-known: as well as the availability of goods at lower prices outside the consumer's domestic country, and a greater availability of different brands and products, the rapid rise in internet usage, alongside the increasing use of mobile devices in emerging markets – is also driving growth. Combined with improved payment options and more sophisticated shipping choices, it's easy to see how CBEC is becoming increasingly important to all retailers.

When it comes to CBEC, mobile shopping in particular is responsible for a considerable increase in transaction volumes. While the United States may have the largest volume of mobile sales (estimated at more than $88bn (£60bn) in 2016, according to Internet Retailer, it's widely acknowledged that the real growth in mobile commerce comes from China, Latin America and Europe. M-commerce growth in China, for example, is forecast by Ibid to be over 200% this year.

The UK online market is poised to take advantage of this growth. Some ecommerce sites are highly developed, with globally recognised brands offering either localised versions of domestic websites, or the capability to accept numerous currencies – via different payment methods – on their UK site. While these are great building blocks for attracting and servicing international customers, the majority of online retailers can do more to attract international shoppers, and convert them into paying customers.

> "US, Chinese and Latin American consumers are increasingly bypassing the desktop site in favour of an app"

As shoppers become more accustomed to the online payment options and customer experiences they have in their home country, they may have a different set of expectations after landing on your UK homepage. Take a shopper from the US, for example, where m-commerce continues to grow in popularity, with more shopping done through apps than through browsers.

However, these shoppers are not browsing mobile optimised websites; rather, they are downloading retailer apps as a much quicker, more convenient way to shop. Practically speaking, this means they no longer have to fill out a payment page – instead, a thumbprint can authorise the transaction. This simplifies the whole payment process into a singular action.

And it's not just the US shopper, Chinese and Latin American consumers are increasingly bypassing the desktop site in favour of an app, giving them the freedom to shop and pay wherever they are, whenever they want, quickly and easily.

When these types of international consumers land on a UK site, their expectations may not match what retailers can offer. According to a recent report from

Barclays, while 44% of retailers expect desktop sales to decline over the next five years, 70% didn't offer either a mobile-optimised website, or a mobile app. Retailers will need to invest more in mobile solutions in response to shifting consumer behaviour in the UK – however, for the US shopper accustomed to a quick, slick and painless shopping experience, the lack of not just an app, but a coherent mobile experience, may be reason enough to click away from your site.

For UK retailers, the lesson is clear: the international consumer will look for the same mobile experience they have with their domestic merchant on your site, and in order to meet that expectation, a mobile optimised site is a minimum.

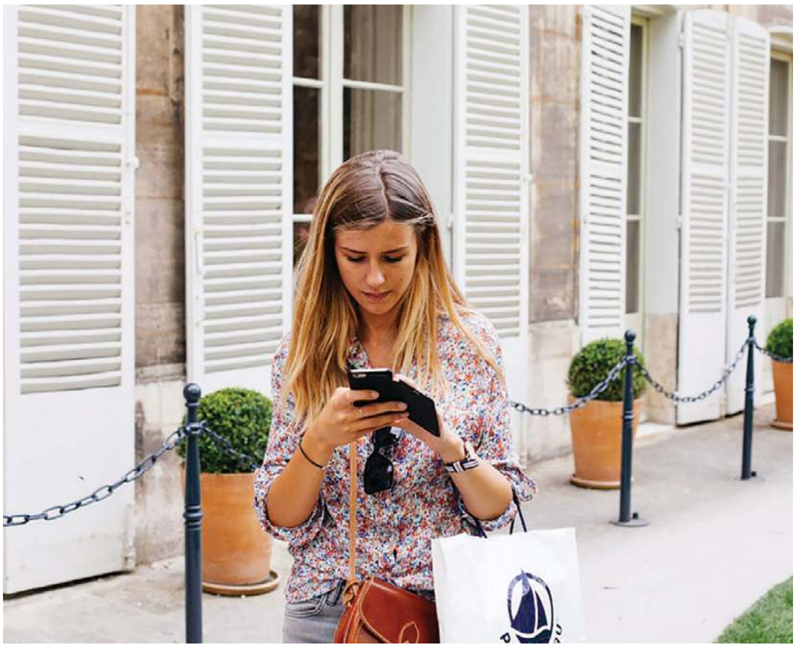
Once UK businesses nail the basics, they can build in other features that both match customer demands and increase their bottom line. One example is accepting any of the multitude of different currencies that can be used for online payment, which is especially important as online shoppers often tend to prefer to have the option of paying in their own currency. Geo-locating shoppers via their mobile, and then dynamically serving up the local currency gives the shopper not only the confidence to pay, but also a better customer experience as they speed through a faster checkout.

A multicurrency settlement solution and multi-lingual payment pages allow merchants to display a range of different domestic currencies on their product pages, as well as the ability to accept many different payment methods, including PayPal and iDEAL.

SECURE PAYMENTS

Security is also an ever-present concern, not just for cross border merchants, but for all online retailers – and for good reason. Current estimates indicate there are 2,000 cyberattacks every day worldwide, costing the global economy about £300bn a year, according to Google and McAfee. For a number of merchants, Internet Authentication, or 3D Secure (3DS), can sometimes be seen as a barrier to conversion, with customers expected to remember yet another password, using language that is not that easy to understand – and by no means mobile friendly.

Developing economies in Latin America, Asia and even Europe, such as Romania, have less well established fraud prevention capability, and therefore online fraud is at higher levels than more established online markets, such as the US and UK. For online retailers to have confidence accepting transactions from these markets, they have to understand what the patterns of consumer behaviour are that are hitting their website and then tailor the dynamic capabilities of 3D Secure appropriately.



Global cross-border ecommerce exceeds $1trillion (£692bn)

A number of factors can trigger 3D Secure, ranging from the relatively simple such as where the transaction originated, what the value of the transaction is, and where the purchasing card was issued - to the complex, such as a combination of these, and more.

What is clear, however, is that a simple 'one size fits all', where the default settings are left in place, are no longer appropriate for the sophisticated international shopper.

UK retailers have real challenges to meet if they want to attract and retain cross-border shoppers in today's interconnected world. The good news is, none of these challenges are insurmountable, and indeed overcoming them can drive substantial benefit for merchants. By first catering for the global growth of m-commerce through a mobile-optimised site – or even better, a dedicated app – UK retailers will have mastered the basics. Layer on top the capability to accept multiple payment options and intelligent 3DS systems, and the merchant will be well on their way to international success.

Customer experience is key in CBEC, so ensuring an on-the-go customer halfway around the world can pay for their goods as smoothly and quickly as possible while on a bus, or tram – or simply sat having a coffee – will pay dividends.

Over the hills and far away...

Paul Skeldon, **Mobile Editor, InternetRetailing investigates international mobile shopping habits and how they impact on UK retailers.**

DESPITE POLLS suggesting that half the UK population, give or take, want to exit Europe, retailers are much more outward looking with many seeing overseas markets – Europe and beyond – as being the way to grow business.

It's not just the big boys. More than half of small and medium sized retailers say they aim to increase international sales in new and existing markets this year, according to Royal Mail's annual tracker study into their ambitions.

Some 48% of small digital traders aim to sell their products in the Eurozone in 2016, up from 30% in 2015. Some are looking still further afield. Almost a third (30%) believe the US will offer the greater opportunities in the coming year, while 23% say Australasia will do that. More than a quarter rate Asia for significant sales opportunities, up from 12% a year earlier.

However, 40% are deterred from expanding their exports by a lack of knowledge, while 23% said shipping to international markets was too complex.

> "83% of all cross-border shoppers are using smartphones to purchase abroad"

Alongside this, many retailers in the UK are seeing increasing amounts of traffic coming from mobile users overseas, which presents a whole new market, but also a whole new host of challenges.

Research from PayPal and IPSOS reveals that 83% of all cross-border shoppers are using smartphones to purchase abroad. However, only half (56%) of the UK's small online businesses are selling to customers abroad via any channel. This is despite unprecedented demand for British goods – 86 million international shoppers bought from the UK in 2015.

In 2015, shopping app usage grew faster than any other category of apps. Sessions on shopping apps on iOS and Android increased by 174% year-on-year, including 220% on Android alone.

Mobile is clearly the key to international sales. So what can be done?

OPTIMISING INTERNATIONAL

Retailers that are getting it right on mobile will often see an increase in traffic – and orders – coming in from overseas. Now there are several ways to handle this. First up you can just assume that, since the shoppers are coming and the orders are flowing, what you are doing clearly works in many markets and so, aside from maybe tweaking your logistics, you can do nothing.

Others may want to up their game and look at localised content based on IP address location and detection. You may also want to go further and build a dedicate site and even get it translated.

Yet none of these things are necessary. All you really need is an app.

"Internationalisation can be challenging for retailers, especially when it comes down to tailoring content to different regions," says Oyvind Henriksen, CEO and Co-founder of app developer Poq. "But thanks to powerful technology, it's never been easier to deliver great apps that support international expansion. Teams using the Poq platform can make changes to their app centrally, with the push of a button."

For example, Boohoo, one of the UK's largest online fashion retailers, has introduced internationalisation into its shopping app, using the app commerce platform Poq. Customers outside of the UK can now download and shop from the app, as well as view country-exclusive content.

The app, which is available on iOS and Android, was first launched in the UK at the end of July 2015. It now offers a country selector that allows users to switch between the UK, US and Australia. Upon switching territories, customers encounter country-specific content and the relevant currency, to enjoy a tailored shopping experience.

Boohoo's app internationalisation comes at a time when sales generated outside of the UK make up a third (33%) of total sales, and traffic to its mobile offering account for 66% of sessions.

However, whilst 85% of UK merchants have a mobile optimised site, only 15% have a dedicated smartphone app and 9% have a dedicated tablet app. Increasing international traffic – and indeed a drive to want to sell overseas – should inspire many to look again at having an app.

While apps are expensive to develop, evidence is building that more consumers are shopping from apps and that loyal app shoppers are up to eight times more valuable to a brand than non-app users. These two factors alone should be enough, but add in an increasingly international customer base and apps become a no brainer.

WHAT WE CAN LEARN FROM OVERSEAS: WHO'S DOING WHAT WHERE?

While UK retailers are getting increasing levels of traffic and sales from overseas, it's good to look overseas to see what mobile retailers in other parts of the world are doing right now.

By far the most interesting region for m-retailing developments is APAC, in particular China.

Showrooming, for example, is such an entrenched part of shopping life in China that when Topshop expanded in to the country, rather than opening a flagship brick and mortar store, the UK high street fashion brand teamed up with luxury ecommerce site ShangPin to use pop-up stations in Beijing's The Place mall, each equipped with giant iPhones loaded with Topshop 'looks' created by ShangPin. Attendees were taken on a 'Mobile Adventure' accessed via QR codes, which also allowed them to share looks on social media and order items for delivery.

Alibaba's Taobao opened a furniture mall in Beijing to allow customers to test and touch sofas and beds in real life before committing to buying them online.

It was a smart move – PwC's research shows 60% of Chinese consumers shop in-store because they get to touch, feel and try the merchandise – the most important attribute surveyed. It's clear that the physical experience of shopping for household goods and the impact of real-world visual merchandising should not be underestimated – a purely online environment simply can't compete.

Even the skyrocketing growth of messaging app WeChat – which is to Chinese social media what Facebook is here in the UK – has leapt on the so called 'O2O' (online to offline) model.

Last year, WeChat recognised the strategic importance of O2O activity and launched its 'Shake – Nearby' platform to merchants wanting to leverage an O2O experience. Based on Bluetooth/beacon technology, it allows mobile users to connect with offline retailers nearby by 'shaking' their phones, which makes information, marketing material, surveys and offers available, encouraging them to get involved in a physical shopping experience.

Meanwhile, Chinese-American supermarket chain 99 Ranch Market has put the platform to work in the US by taking advantage of both O2O and WeChat's popularity among its Chinese customers. It developed a beacon-based 'Shake' game, activated by in-store beacons, which allows shoppers to win a range of prizes and money-off coupons.

More prosaically, in India a rising middle class that is becoming increasingly 'time-poor' is turning to the web to do its grocery shopping – and in the developing market of India, online means mobile.

According to 6Wresearch, the India online grocery market is estimated to grow at a CAGR of 62.7% during 2016-22. India is the sixth largest grocery market in the world, which is majorly dominated by the unorganized sector with over 12 million pop and mom stores all over the country. The online grocery market is one of the fastest growing markets fuelled by the intensifying ecommerce industry.

Avishrant Mani, Senior Research Analyst, Research and Consulting, 6Wresearch, explains: "Changing lifestyle coupled with long working hours has shifted purchasing trend from offline to online format. In India's online grocery market, youth population is playing very significant role for these online grocery items purchases".

Insight around the world

NATASHA PATEL, DIRECTOR, RETAIL, EMEA, CBRE

Growing online sales will not deter retailer's physical store expansion plans in 2016 with only 22% of brands concerned about stiff competition from online retailing as a threat to the market.

Our study of over a 150 major international brands based in the Americas, Asia Pacific and Europe, Middle East and Africa (EMEA) shows that despite the backdrop of economic uncertainty, 83% of brands suggest their physical store expansion plans will not be affected by the growth in ecommerce in 2016, although this is likely to vary from market to market. For the small proportion who suggested online would impact their need for physical stores, "changes in consumer behavior" was the most common reason why, with some retailers feeling that "they would be able to generate the same level of sales from fewer stores", or indeed that "their online capability meant that they needed fewer physical stores."

The findings of the 'How Active Are Retailers Globally?' report highlight that stores still need to create an emotional affinity with a shopper and customers still feel a need to go into store, physically touch a product and enjoy the feel-good factor associated with a particular brand experience. The store is integral to the shopping journey and can be used in a number of different ways by the consumer, such as to click and collect, to research a specific product or brand or to test the product before purchasing. It isn't solely about the transactional side.

The diversity and numbers of markets being targeted by retailers globally in 2016 further supports the need for retailers to have a physical presence in order to increase market share and enhance the brand profile. Creating a consistent brand presence and experience across multiple touch points, whether instore or online, will be integral to a brand's survival in today's climate.

YOUTSE SUNG, SENIOR MANAGER, GLOBAL MARKETING PROGRAMS, EPISERVER

For the past five years, Episerver has conducted its mobile commerce report, benchmarking the top twenty UK retailers in terms of their mobile efforts, across mobile and responsive websites and apps. This year, Episerver extended its research to an international audience, surveying over 5,000 consumers across the UK, US, Australia and much of Europe. This research not only identified the international leaders in mobile commerce, but also highlights key differences in customer expectations and mobile use around the world.

Of the 100 retailers benchmarked, John Lewis came out as the international #1. This was closely followed by Home Depot, IKEA, Argos and Expedia.

While UK stores led the charge, the average score across all twenty retailers remained at only 57%, with the majority of outlets failing to incorporate the latest mobile commerce technologies and approaches. Average scores were even lower around the rest of the world (US: 50%, Nordics: 35%, Australia: 34%; Benelux: 26%), with consumers complaining that most retail sites and apps were either too slow or too difficult to navigate.

Out of the 5,000 consumers surveyed, UK customers were by far the most likely to shop on their mobile devices, with 56% regularly using their devices to buy online. American consumers were the second most likely (49%), followed by Australians (40%).

UK respondents were also the most likely to be influenced by in-store crossover experiences, with 50% regularly browsing their mobiles while shopping on the high street. Australian consumers also conduct a significant portion of their mobile browsing while shopping, whereas US customers are the most likely to browse at the office or in their car. Those from Benelux and the Nordics prefer to browse on public transport.

Most interesting for retailers, different mobile marketing techniques showed significantly different levels of effectiveness around the world. In Australia for instance, app notifications and email offers are most likely to trigger a purchase, whereas in the US, consumers are much more receptive to QR codes and NFC coupons. For those in Benelux, time sensitive offers are most effective, while in the UK, speed, convenience and brand affinity remain king.

EMMA HERROD, EDITOR, INTERNETRETAILING

Asos has announced that it is to discontinue local operations in China having entered the market in 2013. The announcement came as the company reported that losses of £2.7m (H1 2015: £3.1m) had been incurred in its China operation during the first six months of the financial year to 29 February 2016. It anticipates further losses of around £1m before trading ceases.

It is estimated that closing the Chinese business will cost the company up to £10m along with operating losses of a further £4m in the current financial year. Investments of around £2m which had previously been planned for China will be redeployed into other strategic markets to support future growth.

"We are simply serving our growing customer base there in a more efficient, less costly manner," says Nick Beighton, CEO, Asos explaining that the company will continue to serve its growing customer base in China via the main, English-language Asos.com site. This will make the full 80,000 product range available to Chinese customers. The Chinese site had traded a reduced range of 6,000 products. Orders will be fulfilled from the UK.

An Asos spokesperson commented that it was purely a business decision. "While we have learnt a great deal through our China operations, the company is committed to focussing on its core UK, European and US markets where there are substantial growth opportunities. It's about deploying our capital where Asos can deliver best returns for shareholders and that never changes," he said.

Asos has also reported overall revenues of £667.3m for the six months, 21% ahead of the same time last year. International sales, which now account for 55% of Asos' sales, came in at £359.1m, 18% up on last time. Pre-tax profits of £21.2m were 18% up on the £18m reported at the same time last year. The figure included a £6.3m insurance payout following a fire in its Barnsley warehouse in June 2014. That money has been reinvested in international pricing, which Beighton says had been attractive to overseas shoppers. The company's zonal pricing gives it the capacity to vary prices in local markets.

JAMIE MERRICK, HEAD OF INDUSTRY INSIGHTS, DEMANDWARE

China remains retails biggest success story. The latest figures from the Chinese government reveal that retail sales in March 2016 saw a 10.7% increase and is on track to be the world's biggest retail market within the next 18 months.

As consumer spending continues to rise rapidly so does the number of middle class consumers, which remain avid users of mobile technology and social media. Overall, 94% of the millennials in China have seen items recommended on social media sites that they have then gone away to find and purchase with three sites emerging as the clear winners: WeChat (68%), QQ Tencent's Qzone (56%) and Sina Weibo (46%).

Consumers are demanding more from retailers in China and in response they are doing more to modernise the in-store retail environment and embrace technology that consumers demand – from provisioning new fulfilment centres for click & collect (73%) to developing mobile apps (61%) and embracing new payment methods (42%).

However, despite rising consumer spending, China continues to remain a relatively poor economy so understanding what is driving perceptions of value and the high degree of price sensitivity is key. In total, 66% of the purchasing decisions made by Chinese millennials are driven by cost. Chinese consumers are much more distracted online, with shopping cart abandonment rates at a staggering 73%, compared to other global regions. It seems that if the price is right, then other factors will come secondary to the purchasing decision. Recommendations and reviews are also crucial. In fact, 63% of Chinese consumers observe what friends are doing, wearing or using, while 58% rely on online product reviews by other shoppers.

Given the nuances of each region and demographic in China, retailers should first look to leverage established marketplaces. This low-risk approach enables retailers to observe consumer behaviour and gauge interest. As consumer appetite grows, retailers can regain control of transactions and exploit the opportunity that China affords once they have established their place in the market.

Internet Retailing Expo 27-28 April 2016 NEC, Birmingham

The InternetRetailing Expo took place at Birmingham's NEC on 27 and 28 April. The InternetRetailing team reports on the retailer insights and supplier launches.

OCADO'S LAUNCH of an ecommerce business with Marie Claire has been in the pipeline for some time. At IRX 2016, Richard Locke, Head of General Merchandising and Analytics at Ocado, said its first shop would be launched through the partnership sometime this year.

Shoppers buying the premium beauty products sold through the partnership will be able to order them for delivery alongside their Ocado grocery order – but they will also be able to buy them from the Marie Claire shop. "The beauty site we're launching does come with a store attached to it," he said. "A lot of the premium brands are only willing for us to launch with them if we open a store as well."

Deliveries, says Locke, will be in keeping with the luxury brands, such as MAC and Bobbi Brown, that the retailer will be selling. "When the package arrives it won't be handed over by a courier: there'll be ribbons and scent – a bit more of a fanfare about it. Controlling the supply chain allows us to add in some unique customer experiences."

CLICK AND COLLECT – SET TO RISE OR FALL?

"Click and collect is solving a problem of delivering to someone when they're not in – the real solution is to deliver where they are, when they are," said Locke. Ocado is trialling delivery to underground stations and following some of the well-trodden commuting paths. "Instead of going out of their way to pick up their shopping can we waylay them on their way home, or get them at their house when they're ready? Click and collect will hopefully see a decline – I'd like to see that – I'd like to see us getting things to people when they want them. I'd like to see people being more demanding, saying you come here when I want you to, and more fussy."

Speaking in a panel discussion on last-mile delivery, Dave Crellin, Head of Online Operations Development at Sainsbury's, was measured. "Click and collect is a niche," he said. "It serves some customer missions, some products but not all. The idea of a really nice, tight delivery slot for a product that suits you, logically must trump collection in a large number of places. Click and collect has a part to play, probably more in non-food than food, but also food. There are various stats rolling around on how fast click and collect will grow – it's entirely predicated on the quality of the experience."

> "The real solution is to deliver where and when shoppers are"

Speaking in the same panel, Lana Jackson, Head of Customer Proposition and delivery at New Look, said click and collect accounted for about 35% of New Look sales – and "the higher the age group, the more likely they are to use click and collect". And the younger customers? "We massively overindex on home delivery and premium home delivery for younger customers such as students." Incidentally, New Look click and collect basket sizes are "significantly lower" than for home delivery. "That says to me that customers are selecting that for free delivery at a lower threshold rather than for convenience," said Jackson.

BLACK FRIDAY

Black Friday was discussed across conferences at both the InternetRetailing and eDelivery Expos. "Black Friday is a game of chicken," Stuart Macmillan, Deputy Head of Ecommerce, Schuh told delegates, explaining how the shoe retailer's customers mainly hold out until Black Friday to make purchases rather than buying in the days leading up to the event. "On that day we want to get the cash," said Macmillan so the company has to run Black Friday discounts since customers could easily go elsewhere to buy the same branded items from retailers which are running Black Friday events if it does not participate. It also "identifies hero products to mark downwards as eye candy," he said.

He explained how Schuh offsets the cost of Black Friday by discounting items which would otherwise have been sold at a lower cost in the clearance sale in subsequent weeks and by using Black Friday as a route to getting new customers.

Sarah McVittie, Founder of Dressipi, said that they'd asked retail partners about Black Friday and that of those who had run tests "impulse purchasing per customer was up." She added that it was important to understand the economics of the event – from wishlist buying to returns – in order to make the day a profitable one.

Over in the conference at the eDelivery Expo, John Munnelly, Head of Operations at John Lewis's Magna Park Campus told delegates that each and every year he's had to go back to the board to ask for more funds due to the growth of online retailing and its impact on the business. The decision to go with a modular build at Magna Park "has seen us proud," he said. With the 700,000 sq ft hanging rail automation at Magna Park going live in early May, 70% of online fulfilment will be from the facility.

> "Black Friday is a game of chicken"

MOBILE BEHAVIOUR

"I don't think anyone should be launching a website in 2016 that isn't responsive," said Sarah Stagg, Director of Digital Product at House of Fraser in her session. Why? Because it best optimises the user experience. Smartphones, she said, are driving beyond personalisation to contextualisation. "Phones know the time, the weather and can drive contextually-relevant content, whether products, adverts or relevant discounts," she said. "We think mobile allows you to go a step beyond personalisation to contextualisation." And while mobile is increasing convenience, it is also driving a new generation of impatient shoppers. "People won't wait for anything," she said. "They have high expectations and people have to meet them."

Mobile lends itself to certain shopping tasks, suggests Stuart Macmillan of Schuh. Schuh's mobile-wielding customers, he said in his presentation, 'Spinning Mobile into Gold', are twice as likely to use the store locator function as desktop users, while click and collect use is more prevalent among mobile users – and 89% of its mobile customers have never shopped with the retailer in any other way. That's why, he said: "we have to get mobile right."

AROUND THE EXHIBITION

Exhibiting for the first time, Segura is bringing transparency to retailers' supply chains as it works with the industry to map suppliers from tier one down. Using web scraping and information shared by users of the cloud-based solution, Segura is able to supply retailers with a fuzzy view of their supply chain showing who supplies the buttons for a particular shirt the retailer sells or the different parts on an electronic device, for example. From there, retailers can fill in the gaps to gather a true picture.

SAP was showing visitors its new front-office solution designed specifically to help meet the dynamic needs of small businesses, while Shopware released a new marketing function for the users of its platform. 'Advanced Promotion Suite' is a combination of different, versatile marketing functions, which open new possibilities for retailers to plan and create extensive campaigns.

BrightPearl unveiled its new Magento integration and a next-generation point-of-sale system, while an innovative new tool to help customer-centric retailers visualise, manage and optimise customer conversions according to customer journeys was being displayed by Optimove. Its 'Customer Journey Marketing Plan' enables marketers to design customer marketing campaigns based on "the new reality of infinite customer journeys".

Also exhibiting was Queue-it, which recently celebrated one billion users having accessed its online queue system. The company was explaining how retailers, including Dixons Carphone and Tickets.com, use its online queuing system for managing website overload during extreme user peaks.

There were retailer case studies too amongst the exhibitors with iAdvize sharing how House of Fraser had achieved a conversion rate of 29% after implementing live chat. "Having worked with iAdvize since 2013, we recognise the importance of having a clear, defined and structured targeting strategy to help drive the right sorts of contacts – maximising the customers experience and adding value through web chat interactions," says Scott Bain, the retailer's Head of Contact Centre Operations.

The teams at InternetRetailing, eDelivery and InternetRetailing Events look forward to seeing you at the next show.

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