



## JOHN LEWIS: INVESTMENT & INNOVATION

Mark Lewis, Online Director, John Lewis  
on transformation and why innovation and  
investment are key to omnichannel success

### INSIDE OUR 'MOBILE' EDITION:

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Claire Zuurbier, Head of Development, Digital Stores, Marks and Spencer



Gail Lyon, Group Social Media Lead, The Co-operative Group



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Ali Holmes, Head of Global eCommerce, Vodafone



Michael Durbrige, Head of Omnichannel, B&Q



Claire Higgins, Head of Digital Marketing, Selfridges



Ken Ardali, Director, International e-Commerce, Alibaba.com



Bruce Daisley, Managing Director UK, Twitter



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TO FIND OUT MORE GO TO PAGE 39

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

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SJP Business Media Ltd  
PO Box 6009, Thatcham, Berkshire, RG19 4TT  
Tel: 01635 879361  
Fax: 01635 868594  
Email: [internetretailing@circdata.com](mailto:internetretailing@circdata.com)



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# Editor's comment



IT HAS been just 4 years since the first iPad launched and 7 since the iPhone started to revolutionise retail and the multichannel shopping experience. It is now common to see in financial reporting that mobile accounts for 22% of sales (such as is the case with Argos' H1 figures) or visits from mobile devices up by 58% (as Debenhams reports). Half of the online sales at catalogue-to-digital retail group Shop Direct are now from mobile devices with Group Chief Executive Alex Baldock saying that the 512% growth in pre-tax profits was down to its Very.co.uk brand and "the unrelenting boom in m-commerce."

Mobile – be that phone or tablet – is not just a sales channel though. Yes, mobile devices are taking over from desktop as the channel with growth in retail sales but mobile means more than the simple device. Mobile enables retail to be untethered from location; offers can be in the customers' hands 24/7, store staff can engage with customers in a more personal and insightful way with the full gamut of data available via tablets and payment can move away from queue and checkout desk.

In this issue of InternetRetailing, we look at how mobile is transforming retailing and the customer experience. Amy Higgott, User Experience Practitioner at SimpleUsability, explores the issue of bringing personalisation and customisation into the mobile user experience and takes a look at who is doing this well and the lessons that can be learned.

Jess Stephens, Product Specialist at SmartFocus, examines how marketers need to change the way

they communicate with the 'always connected shopper' and how second screen marketing is set to take off as the world goes mobile. Meanwhile, Dan Hartveld, CTO, Red Ant, examines the big issue of data, analytics and mobile customers.

One of the most vexing questions in retail right now is mobile payments. It has been hovering around like a bad smell for some time, and the launch of Apple Pay this autumn and the announcement that Zapp now has most major UK retailers on board only seeks to stoke things up further. Paul Skeldon, InternetRetailing's Editor of all things mobile, investigates the latest developments.

As a self-confessed hater of shopping in physical stores, he also took delight in investigating how mobile can improve the in-store shopping experience. One way, of course, is through better engagement with customers as offered by beacon technology. Rian Boden, journalist at NFC World+, shares lessons from some early adopters.

Mobile is also bringing its own challenges and opportunities to the logistics operation so I took a look at how mobile is affecting the dynamics of delivery and spoke to Schuh to find out why mobile is punching well above its weight with next-day delivery. Marks & Spencer too is finding different behaviours for mobile users; a higher proportion of mobile customers – between 10-15%pts higher – opt for free, next-day, in-store collection than desktop and tablet users.

Raising customer expectations of mobile and omnichannel experience and delivery is John Lewis. InternetRetailing caught up with the Partnership's Online

Director, Mark Lewis, at the recent InternetRetailing Conference to ask him more about transformation and why innovation and investment are key to omnichannel success. His thoughts are on page 10.

John Lewis was one of the first retailers to advertise its store, online and mobile credentials and, as I write this, the John Lewis Christmas offering has just been launched. Its advert featuring Monty the penguin racked up 7 million views on social media in 24 hours, seven times as many as at The Bear and the Hare at the same point last year. In the week that the advert launched, sales online at the Partnership were up by 17% on last year.

So, as I wipe away a tear from watching this year's Christmas advert, thoughts go out to everyone working in retail, keeping their website up and running as 3 for 2 offers end on this year's must have toys, the marketers with their mobile messages enticing shoppers into store and waiting to hit the go button should there be another race to the bottom of pre-Christmas sales, of store staff piling up the click and collect orders and the driver with their final delivery of Christmas pudding and sprouts. As we head towards Cyber Monday, and retailers expectation of over 20% growth of online, the team at IR Towers wishes you all a Merry Christmas and happy trading.

You can keep up with developments of Black Friday, Cyber Monday, Manic Monday, the Four Monday Peaks and Green Monday online with Chloe Rigby at [InternetRetailing.net](http://InternetRetailing.net).

Emma Herrod  
Editor

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## CONTACT INFO

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Chloe Rigby highlights recent industry changes but to keep up to date with the news and her insight between issues visit [www.internetretailing.net](http://www.internetretailing.net).

## WAITROSE INNOVATES

Waitrose is to trial home scanning in the UK for online purchase in a move it believes to be a UK first.

The supermarket is working in partnership with US start-up Hiku to use its scanning solution in a trial starting early next year. Customers will be able to add items to their Waitrose.com basket either by scanning product barcodes or saying a product name into the palm-sized device, which has voice-to-text recognition and can attach to a fridge for ease of use.

"Items can be added as they are taken out of the fridge," said Waitrose in a statement, "or customers can speak ingredients from recipes as they plan their dinner. If customers prefer to add items on the go when out of the home, an app on their phone also allows them to update their order."

Waitrose employees (known as Partners) and customer focus groups will be testing the Hiku device during October, with an in-home trial planned for early 2015.

The Hiku trial has come out of a new Waitrose Hot Ideas programme which puts the emphasis on innovation and aims to involve customers early on in product development to gain feedback and to hone the idea.

Waitrose is also trialling temperature-controlled lockers at ten locations around the UK as it expands its click-and-collect grocery services to more London Underground stations. The lockers are in use in Chorleywood and Ickenham and eight more will launch at sites including further London Underground stations and at Gatwick Airport long stay car parks. The trial will last for a year.

Customers of its Waitrosecellar.com wine site can now collect orders made online at over 300 Waitrose branches. Orders placed before 7pm will be available for free collection from a customer's chosen branch after 2pm the following day.

Waitrose has also launched a specialist pet website. Waitrosepet.com, launched in partnership with online retailer Monster Pet Supplies. It features more than 9,000 brands including more than 60 own-brand lines, for cats, dogs, birds and fish and it will expand to cover products for reptiles and horses in 2015. Content includes expert advice and product information on specialist pet foods. The site includes repeat delivery functionality through a waitrosepet.com repeat ordering service.

## RAKUTEN.CO.UK LAUNCHES

Rakuten.co.uk has officially launched ahead of a month-long multichannel marketing campaign designed to spread awareness of its name in the UK.

The new marketplace site will ultimately replace Play.com which is to close next year. Rakuten says the focus is on empowering independent retailers to sell online. Initially independent UK merchants are selling on the site before international and high street merchants are able to join in the future.

"We're open to all retailers coming on to the platform but we've really focused on that proposition around trying to make it interesting and different for consumers," Mike Bishop, Managing Director of Rakuten.co.uk told Internet Retailing. "A lot of high street retailers do that as well as independents but initially we're very focused on getting independent, small retailers onto the site. That doesn't preclude high street retailers – lots of high street retailers and big brands worked on Play.com and we want to work with them on Rakuten.co.uk as well."

The new site puts Rakuten's UK offering on the same global platform as Japan-based Rakuten's other businesses. "Ultimately," says Bishop, "all the Rakuten marketplaces around the world will be connected on one platform, which enables retailers from the UK to start selling to consumers in all those places."

From December, customers will be able to open a single Rakuten account to buy from allied businesses including Kobo and Wuaki, and in the future they will be able to buy from Rakuten marketplaces around the world. By doing so they'll gain Super Points in the Rakuten loyalty scheme, which can be traded for a range of services and products.

## FAST ONLINE GROWTH AT DEBENHAMS

Debenhams has reported fast online growth in its latest financial year. Online sales reached £430.7m in the year to August 30, 17.6% more than last year. They accounted for 15.3% of group sales during the year, up from 13.2% in the previous year, while online earnings before interest, tax and asset writedowns grew by 20.5%. Some 38% of online sales came via mobile devices, with visits from such devices up by 58%. In all, visits to Debenhams.com grew by 15% to 276m.

The update came as the department store group reported total full-year sales of £2.3bn, 1.3% up on the same time last year. Like-for-like sales, which strip out the effect of store openings and closures, were 1% up on last year. UK sales of £1.9bn were 0.3% up on last year, while international sales of £410.6m were 6.3% up.

But pre-tax profits of £105.8m were 20.6% down on the same time last year.

Michael Sharp, Chief Executive, said multichannel had been a priority for the business as it looks to sell more profitably. "Developing a more convenient and competitive online fulfilment offer has been a key priority and we enter this year's peak trading period with a much improved range of delivery options," he said. "We expect further benefits to accrue from these priorities going forward."

Those improved delivery options, introduced ahead of Christmas, include next day click and collect, 10pm cut off for next-day home delivery, evening, weekend and nominated day delivery. Demand for click and collect services grew to account for 22.3% of all online orders, from 7.4% last year.



## UPS AND DOWNS AT TESCO

Tesco has reported dramatic falls in sales and profits while continuing to make progress in its multichannel operations.

UK online sales grew by 11% while convenience store like-for-like sales were up by 0.8%. The two divisions are part of Tesco's multichannel strategy to enable customers to shop where and when is most convenient.

The update came as total sales of £34bn were reported in the half year to August 23, 4.4% down on the same time last year. UK like-for-like sales fell by 4.6%.

Pre-tax profits of £112m were 91.9% down, after a write-down of £527m associated with a previous mis-statement of profit expectations. UK trading profit of £937m was some 41% down.

However, the financial investigation into its overstated profit expectations has overshadowed its performance in recent weeks. £118m of the overstatement of £263m applied to the first half of this year. The overstatement came as commercial income was reported early while recognition of costs in the UK food business was delayed.

Dave Lewis, Chief Executive has been heartened by the team's welcome and their determination to stay focused on doing the very best for customers.

He said: "Our business is operating in challenging times. Trading conditions are tough and our underlying profitability is under pressure."

## DIGITAL CHRISTMAS FOR ARGOS

Argos is set to have about 50 of its new format digital stores up and running in time for the peak Christmas trading period, its parent company Home Retail Group has said.

The rapid expansion of its digital store format, which includes fast-track click and collect, comes at a time when its supporting hub and spoke distribution model has now been rolled out to Argos' entire UK store estate. Some 150 hub stores serve about 550 spoke stores in an operation designed to ensure customers can get same-day access to about 20,000 products. During the Christmas trading period, Argos will trial same-day home delivery from hub stores.

Argos said it also believed more retailers could benefit from the model in which eBay customers are now able to collect online orders from its high street stores around the country. It is also working to grow the business by appealing to customers beyond its core market of less affluent shoppers. To that end it is adding aspirational products such as Thule luggage, Recaro child seats and Denon audio equipment.

Reporting sales of £2.7m for the six months to August 30, parent company Home Retail Group said that 22% of Argos sales took place over mobile devices in the first half of its financial year, part of the 43% of its sales that take place online. Total sales for Argos of £1.8bn were 3% up on the same time last year.

## AMAZON'S LOSSES WIDEN

Amazon invested in making it ever easier for customers to buy in the third quarter of its financial year – at a cost to its bottom line, as its losses widened tenfold from the same time last year.

Sales at the company rose by 20% to \$20.58bn in the quarter to September 30. But Amazon turned in a net loss of \$437m for the quarter, up from a net loss of \$41m at the same time last year.

Nonetheless, it did get ever easier for customers to buy, especially for members of the Amazon Prime subscription scheme, who gain early access to its lightning deals, and, for a limited time, free same-day or next-day delivery for those using the AmazonFresh grocery service in Brooklyn, where the service has most recently reached. Innovations during the quarter also included the launch of its 3D printed products store and a co-branded Purdue University and Amazon store, where, from next year, Amazon will manage order pick-up and drop-off.

In the UK, it has expanded its Amazon locker network to

sites including Birmingham Airport and in October launched a same day collection service.

Customers can order up until 11.45am to collect from 4pm until the closing time of their chosen pick-up point or order by 7.45pm for collection the next morning. Pick-up points include newsagents and convenience stores, part of a Pass my Parcel branded network of 500 stores. The service is enabled through a collaboration with newspaper distributor Smiths News, part of the Connect Group.

The move extends Amazon's pick-up locations to more than 6,000. They also include Collect+ stores and Amazon Lockers. "We have recently added Birmingham International Airport and a number of London tube stations to our ever-expanding list of pick-up locations," said Christopher North, Managing Director, Amazon UK. "Our intention is to keep rapidly adding to the many thousands of existing pick-up locations to ensure that customers all over the UK are provided with as much choice as possible when it comes to the delivery of their Amazon order."



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Read more of *Paul Skeldon's* insight into the fast changing mobile channel and keep up to date with the significant news at [www.internetretailing.net](http://www.internetretailing.net).

## MOBILE 'OPPORTUNITY' FOR MOTHERCARE

Mobile has given Mothercare a new way to develop relationships with its customers and compete with its rivals, the retailer's Mobile Ecommerce Manager Harpinder Singh told delegates at Demandware Xchange.

Mobile has given Mothercare the chance to compete on something other than price, he said and by putting the customer "at the heart of everything we do," the retailer could find new ways of giving service.

"I think mobile's given us a real opportunity to become more competitive," he said. "I guess as a retailer we have a unique advantage in terms of our customer base. They're looking for a lot more than just a transaction with us. They're looking for service, advice and information. Same with ELC where they're probably coming to us for ideas and information on what the best sort of learning toys are.

"I don't think we've got that right as a brand before. We've had this unique advantage but we've probably relied on our brand

names, gone down the price competitive route and tried to do lots of promotions and offers. I think it's been quite detrimental to the business over time. There's only so long you can go without competing on anything else but history and reputation. I think at Mothercare mobile has given us an opportunity to readdress that."

The retailer now has mobile sites for Mothercare and Early Learning Centre, smartphone and iPad apps, some of which have won awards. Singh said the philosophy behind them was to engage customers, rather than simply encouraging them to buy. Content includes information on baby development, a name finder, and music. "We put a whole bunch of engaging content in those so they do more than just sell," said Singh. "Our next focus for those is to really take them into the in-store environment."

He added: "We're looking at the potential of mobile and what that means for us in terms of becoming this big digital presence." That will include the beacon trial, scheduled for next year.

## HARRODS OPENS WINDOWS TO RALPH LAUREN

Ralph Lauren has taken over the 15 window displays at Harrods on London's Brompton Road to support the launch of its Polo Ralph Lauren line using mobile proximity technology.

To mark the designer's expansion to now include Polo for women, Ralph Lauren called upon Harrods' previous experience in digital marketing. The brand is striving to connect with shoppers via their smartphones by offering exclusive and interactive content as well as an out of hours' opportunity to enrich their luxury shopping experience.

Guy Cheston, Harrods Media Sales Director explains: "Customers are using mobile and digital technology more and more, so we are keen to explore new ways for brands to interact with our customers whilst they visit the store. It's great to be able to reach out to passers-by, even when the store is closed and build brand loyalty and excite customers into the store, or for a return visit."

Combining the popular proximity commerce technologies Near Field Communications (NFC) and QR codes provided by mobile marketing, loyalty and NFC payments company Proxama, each window is displaying large vinyl lenticulars and stickers allowing consumers to tap or scan the display to initiate a landing page on their smartphones. In doing so, shoppers are being offered an interactive map guiding them to the Fashion Lab, a recently launched area within Harrods where the collection is located. The landing page also links to the Harrods mobile website so that shoppers walking by the window display can access the collection when the store is closed.

This is the second time Harrods has ventured a mobile proximity digital initiative alongside Proxama, following the success of the Harrods Handbag Narrative campaign, which resulted in more than 400 downloads in just a few weeks.

## 512% BOOST FOR SHOP DIRECT

Shop Direct has said that its strategy of building a world-class digital retailer where customers can shop affordably and across devices was paying off, as it reported 512% growth in pre-tax profits.

"These are strong results, driven by the outstanding growth of Very.co.uk and the unrelenting boom in m-commerce," said Group Chief Executive Alex Baldock. "Mobile continues to be a game changer for us, with more than half of our online sales now from smartphones and tablets.

"It's clear that our strategy is working and we've made some big strides toward building a world-class digital retailer. But we're nowhere near the full potential of this business, there's a ton more to do, and we'll continue to invest heavily to get it done."

The home shopping company, which also owns brands including Littlewoods.com, reported 3% growth in group sales, to £1.74bn in the year to June 30, while pre-tax profits grew to £40.4m from £6.6m at the same time last year. At Very.co.uk, sales grew by 23.1% to more than £700m, becoming the group's biggest brand.

Shop Direct said 84% of sales were completed online during the year, while 44% of online sales were made over a mobile device. Some 54% of customers browsed and shopped across more than one device, and a fifth used three devices: desktop, tablet and mobile.

It said a strategy that included offering customers greater choice, through more than 900 brands, developing an easier customer experience, through measures including widespread testing, improved personalisation and data analytics, and the opening of an in-house user experience lab, and the transition to Oracle's ATG10 platform, and making life more affordable through measures including the introduction of a new credit reference agency.

The company also said luxury retail brand Very Exclusive would be launched in February's London Fashion Week.

# John Lewis: Investment and innovation are key to omnichannel success

InternetRetailing caught up with Mark Lewis, Online Director of John Lewis, following his keynote presentation at the InternetRetailing Conference, to ask him more about transformation and why innovation and investment are key to omnichannel success.

**J**OHN LEWIS tops many shopper surveys for its customer experience and trustworthiness. It has also picked up accolades for various elements of its omnichannel development and was crowned Best Multichannel Retailer at the 2014 Retail Week Awards.

But Mark Lewis, John Lewis' Online Director, believes that the company is only at the very beginning of its omnichannel journey. "We've cleared the first hurdle," he says.

That first hurdle is proving a success for the retailer, since a third of its sales now come from its online channel, accounting for £1.1bn in the past financial year. Store sales were up 3.6% in the first half of this, its 150th anniversary, year with online growth reaching 25.6%.

"Now a number of us have built quite sizeable online businesses in the UK there's a temptation to think we're close to the end of this race," he told delegates at the InternetRetailing Conference. "But I think, if anything, we're at the very beginning of it. This journey is ahead of us rather than behind us. These next three to five years will see more changes to retail than in our generation."

## THE JOURNEY

John Lewis, like any retailer, is well used to change. Established a century and a half ago by John Spedan Lewis as an experiment in industrial democracy, it has remained focused on its founding principles, set out in the John Lewis Partnership Constitution, such as a common set of incentives.

"The core values of the John Lewis Partnership have remained and that's what has helped us through the changes," says Lewis. "They've allowed us to invest for the long term" and that has helped with omnichannel investments and allowed the retailer to scale innovations. "This has been one of the key reasons for our success," says Lewis.

"Supply chain is the unsung hero of ecommerce," says Lewis. In fact, he thinks it's absolutely critical and it's an area in which John Lewis has been able to make big innovations.

"We've been able to take a business that not that long ago was only able to deliver product in bulk into a small number of locations for store replenishment, into a business that does that very well and also delivers product individually picked, individually wrapped, packed and sent to the individual customer in their home or to a collection point."

"That's a reengineering of the supply chain," he says, especially when it's done in a way that delivers a customer experience that is compatible with what the brand promises. "It's important that we get that right and the investments necessary to get that right at scale."

For example, with click and collect, the retailer started by enabling it in John Lewis stores and then extended it to its Waitrose outlets. Its latest extension of the concept is its new 'Click and Commute' store at St Pancras International station, which opened on the day of the conference, enabling commuters to pick up online orders and drop off returns. More than half of all John Lewis items bought online are now fulfilled through click and collect.

The St Pancras small format Click and Commute shop stocks a limited range of John Lewis items from its electronics, gifts, beauty, home and fashion ranges, and also operates as a collection and returns point for johnlewis.com orders. The shop, which according to forecasts will see 48 million people pass its doors every year, opened on 14 October. It's unlikely that this will remain the only one of its kind since Lewis says the firm plans further innovation in delivery "as customers are telling us that convenience is really important to them and we see that they respond really well when we offer increased convenience".

This year alone, John Lewis has extended its click and collect network, added a further 90 Waitrose stores where orders can be collected, rolled out Collect+ nationwide and launched Click and Commute. "So you can see that the direction of travel is all about offering increased convenience," says Lewis.

The retailer has invested heavily across the board and he sees this commitment

“These next three to five years will see more changes to retail than in our generation”



continuing. IT spend, for example, has increased from 15% CapEx over the 2009-2013 period to 37% for 2014-2018.

To date, its investments have included buying the assets of buy.com in 2001, investing in the 650,000 square foot Magna Park distribution centre in 2008 and putting £97m into a second building to double capacity. "We've invested very heavily in infrastructure such as supply chain to allow us to offer great customer service online as well as in stores, a central distribution centre, click and collect, all to really deliver that proposition," he explains. These investments involve tens of millions of pounds, Lewis adds.

At the same time, John Lewis has invested

very heavily in much smaller-scale advances in a bid to "deliver continuous improvement to the customer experience" along with innovations which may be scaled up.

He believes that retailers need to invest across the board, putting money into everything from very significant big ticket items such as the supply chain to smaller, incremental improvements, such as enhancing its website user experience. "We've probably made a hundred changes to the customer experience this year alone to try and enhance the experience for the customer," he comments.

It is this style of investment that he believes is really beginning to change how firms approach ►

their business models. The next phase of omnichannel growth is not about setting up a nice website or opening a new shop, he says: "It's about reengineering the whole business."

Everything across the John Lewis business has been realigned for omnichannel, he explains, and it is trying to embed the continuous improvement culture of fail fast into the broader retail business.

"Above all else we invest in one thing: trust," he says. This, he adds, is at the heart of John Lewis' relationship with its customers. To illustrate this point at the conference, he showed delegates the retailer's 2010 'always a women' advert, in which John Lewis highlighted its lifelong commitment to its customers. He said "We found our voice here and shared it with customers in a very compelling way."



### INNOVATION

The company keeps an open mind on sources of innovation, and this is led by customers and by technology. When asked what early stage innovation looks like, he showed delegates an example of an app that's being trialled in its Oxford Street store to enable customers to visualise different shapes of sofas in a range of colours. (John Lewis' Any Shape, Any Fabric

collection generates nearly 70% of all made-to-order sales in upholstery.) The app, which was developed by an in-house software engineer, uses 3D printed sofas which are small enough to fit into a customer's hand. Each has an embedded RFID tag. A range of fabric swatches has also been tagged so the system can identify the sofa shape being held, display it on a screen and then cover the sofa with the different fabric swatches as the customer picks them up. Fifteen different sofa shapes and 20 fabrics are currently being merchandised in this way. "Maybe customers will love it, maybe they won't," says Lewis.

John Lewis has a raft of plans involving all sorts of new technologies. These include experimenting with groundbreaking technology. "The question is working out which ones are really getting traction with the customers, which we can get behind and really scale as quickly as possible."

Lewis says: "Internally, you have to create dialogue around risk with the team and to gauge projects on their merits; whether they are high risk so you need to spend time thinking about them, or they are low risk and can be pulled back in 10 minutes."

### JLAB

John Lewis has already broken new ground this year with the launch of its first technology business incubator, JLAB. Five start-up companies – Localz, Musaica, SpaceDesigned, Tap2Connect and Viewsy – were mentored for 12 weeks by partners from John Lewis and external entrepreneurs including the Chairman of Risk Capital Partners, Luke Johnson, founder of confused.com Sara Murray OBE, and the Vice President of Entrepreneur Banking at Silicon Valley Bank, Bindi Karia.

After developing their solutions with the help of JLAB, the companies delivered their ►

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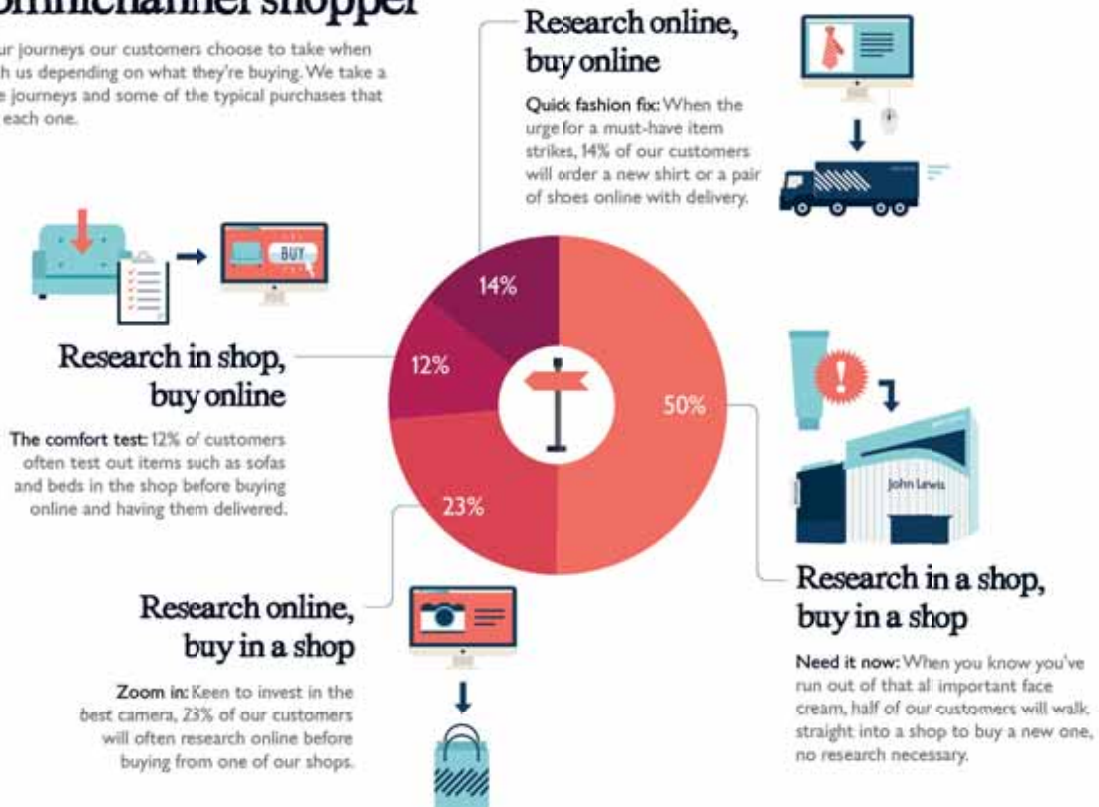
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# The omnichannel shopper

There are four journeys our customers choose to take when shopping with us depending on what they're buying. We take a look at those journeys and some of the typical purchases that are made via each one.



final pitch on 23 September. Localz, a startup business specialising in micro-location technology, impressed the judging panel to become the overall winner and take home the £100,000 in investment capital as well as the chance to trial its solution with John Lewis.

Its technology enables customers to take advantage of enhanced services using their smartphone based on their precise location. For example, it could automatically offer to trigger a customer's click and collect order to be picked as they enter the shop to speed up the collection, or help customers to navigate their way around one of the shops based on their online wish list.

"We're now working with the company so we can bring their beacon technology into the customer experience," says Lewis. The retailer is also working with some of the other companies that took part in JLAB.

## FUTURE VISION

As to the future, that's something that's constantly changing and nobody truly knows what's next for retail, explains Lewis. If you look back over recent years, the iPhone has been around for 7 years and the iPad for 4, and together they now account for over half of John Lewis' business.

You have to have a clear view and be able to correct the course you're taking with technology, he advises. There are clues, though, to future trends in the way that customers are shopping:

they are combining shopping journeys across channels and researching online before going to stores. Some 64% of John Lewis customers shop across channels, 20% shop in store only and 16% online only. According to Lewis, the role of the store is still very significant in terms of browsing and fulfilment.

Looking ahead, he says that customer behaviour, data and delivery will drive change in the business. These are his key predictions:

1) Changing customer behaviour. Lewis thinks there will be more convergence of digital and store retailing such as downloading magazines to tablets, customers using their own devices in store and mannequins which allow customers to order the items the dummies are wearing (an innovation that's already being showcased in its new York shop).

Traffic to johnlewis.com from mobile devices overtook desktop in December 2013 and now accounts for 53% of all web traffic. The rise of mobile shopping has seen more people making purchases in the early hours, with online sales between midnight and 6am up 31% over the past year, according to the company's 'How we shop, live and look' study.

What people buy at night makes for fascinating reading. At 2am, men log on to buy formal wear, perhaps indulging in post-party purchasing. At around 4am, the nation's parents seek to make the most of waking ▶

Customer behaviour, data and delivery will drive change



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# Customer services and collections

Click and collect  
Export and VAT  
Gift list  
Partnersh



from retailers and carriers in the area of what happens once the customer has pressed the 'buy' button.

"The big bet that we are actually making on behalf of our customers is that they like to shop across all of the channels and we see lots of evidence to suggest they are increasingly blurring their shopping journeys across stores and online. So it simply isn't the case that customers shop one channel or the other," Lewis says. "Particularly for us, with the types of products that we sell, we see that they like to combine the different channels as part of their journey."

"This increasing blending and combination of stores and online is really our big directional change. The question as part of that vision and direction of travel is what steps should you take."

The retailer's future direction is very clear: it's aiming to be a leading omnichannel retailer. "However", says Lewis, "the biggest challenge we face is actually deciding, out of all of the opportunities that are available to us, which are the ones to get behind."

"We think, in the whole scheme of things, that this is quite an early stage in our journey to omnichannel. We're very proud of the progress we've made, but we'd be the first to say this is the very beginning. There are a few runners and riders who are doing good and exciting things, but I believe the pace of change is going to accelerate, so the requirement to begin to reengineer our business models is going to become even more important. It's an exciting time." 🌈

early by shopping for nursery items for their little angels. Between 5am and 7am sales of women's shoes and handbags get a boost as Britain's females log on to add to their wardrobes.

While mobile has become increasingly important, the ability to mix and match purchase channels and delivery options is now the norm.

2) Personalisation and data. Retailers will increasingly see that dynamic changing physical experiences as well as digital.

3) Delivery. From the excitement of ordering to receiving an item, there's more to come

## MENTIONED IN THIS ARTICLE

John Lewis: [johnlewis.com](http://johnlewis.com)

JLAB: [jlab.co.uk](http://jlab.co.uk)

Localz: [localz.co](http://localz.co)

Musaic: [musaic.com](http://musaic.com)

SpaceDesigned: [spacedesigned.com](http://spacedesigned.com)

Tap2Connect: [tap2connect.com](http://tap2connect.com)

Viewsy: [viewsy.com](http://viewsy.com)

Internet Retailing Conference 2014: [internetretailingconference.com](http://internetretailingconference.com)

John Lewis on IRDX: [internetretailing.net/organisations/rjlw](http://internetretailing.net/organisations/rjlw)

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# Who holds the IT purse strings?

Two reports – from LCP and Martec – have investigated IT spend in retail, how the budget is moving away from IT Departments and where omnichannel is pushing up sales by 10-20%. *Emma Herrod reports.*

**L**AST YEAR, operations and supply chain consultancy LCP reported that retailers had to be omnichannel or die. Following a year in which investment in omnichannel systems has been high, some 40% of UK retailers now say that they are omnichannel businesses up from 27% last year. These companies are proving that omnichannel is a route to success with reports of increased sales between 10-20% over the past 12 months. This is double the number of major retailers that reported a similar increase in 2013.

However, LCP believes that 14-15% of large retailers with a turnover in excess of £500m are still in danger of terminal decline.

These Challenged Multichannel Retailers, as LCP labels them, are trying to adapt to the multichannel world by bending existing bricks and mortar infrastructure. Instead, they should be following the example of omnichannel pioneers such as John Lewis which are fully committed to transforming front and back-end operations to deliver a seamless experience to customers.

Not only are they seeing lower like-for-likes, explains Stuart Higgins, Retail Partner at LCP, they also risk losing customers to those businesses that do offer a seamless experience since companies such as John Lewis are raising customer expectations for consumers across all sectors. There is no 'one-size-fits-all' approach for omnichannel success but the transformation can only be realised through complete cross functional and total organisational commitment. LCP recognises four key capabilities as:

- Consistent customer proposition;
- Seamless order management and customer experience;
- Fulfilment excellence;
- Effective personalisation;

Flexibility, in being able to offer what the customer wants, when and how they want it will buy loyalty, believes Higgins.

There's no point having an excellent front end

without backing it up with the infrastructure to make sure that you fulfil those promises, explains Higgins. "Otherwise you will lose customers," he warns. Over a third of retailers who claim to be omnichannel have experienced an increase in customer complaints revealing that a focus on the front end, without the back end to match, isn't working.

LCP also recognises a group of 'Omnichannel Followers', the recent converts to investing in omnichannel retailing but without a fully integrated business model. These companies, which make up 27% of LCP's respondents, are retrospectively fixing their back-end systems to keep up with the omni leaders. However, this group does run the risk of not establishing the core systems for long-term success.

"If retailers take the view that they'll fix the back end later, they're intrinsically planning for failure," comments David Wild, CEO, Domino's Pizza Group. "They're saying that online will be a minority part of their business and therefore doesn't need an efficient suite of back-end systems."

"Omnichannel as a model still dominates retail but it's not the only choice," says Higgins.

A quarter of the survey respondents have made a strategic decision to adopt either an optimised multichannel or pureplay approach to retailing. These include companies such as Amazon and Asos as well as the discounters who concentrate on their bricks and mortar offerings. The real challenge for retailers is to understand which group they are in – Omnichannel Pioneers, Omnichannel Followers, Optimised Multichannel or Pureplay, Challenged Multichannel - and then define which model will provide a sustainable route to growth and profitability.

Insight through data is going to be key to the future of omnichannel businesses, explains Higgins. Insight both in terms of customers and business performance data. Many of the respondents recognised that they can't measure their own business performance with 40% saying that they are having to make

significant investments in data analytics generally. Around a quarter of the 100 retailers surveyed in the UK and the US still said that they lack the tools to understand and measure the channels in their business.

**IT IN RETAIL**

This is an area in which 15% of leading retail businesses are planning to invest in the coming year, according to research from Martec International. Its IT in Retail 2014 report, sponsored by Wipro, reveals the impact that omnichannel is having on areas of the business away from the traditional IT department and IT Director's remit including business analytics and data warehousing tools.

While the level of IT spend by retailers as a percentage of sales remains the same as last year at 0.9%, this is an overall increase in monetary terms since sales levels have risen since 2013. "Things have really got moving this year," says Fran Riseley, Director, Martec International. "Retailers have been wanting to replace systems for quite some time but due to the economy many projects have been on hold," she comments.

Some 27% of the 150 IT Directors surveyed put multichannel and ecommerce as an investment priority for the year (up from 21% last year) but Martec's research found that the majority of overall spend is connected to multichannel retailing such as ERP or supply chain, explains Riseley.

"One third of IT Directors say that other departments are spending on IT – but they don't know about all it. It could be as much as half and half," comments Riseley. In 20% of retailers, ecommerce departments pay for IT projects which aren't managed by or paid for by IT. Marketing also runs IT projects independently of IT in 14% of retail businesses. Much of this spending is on cloud-based systems and this look likely to increase as more services go that way, she explains. Spend on cloud-based systems has risen from 33% to 51%.

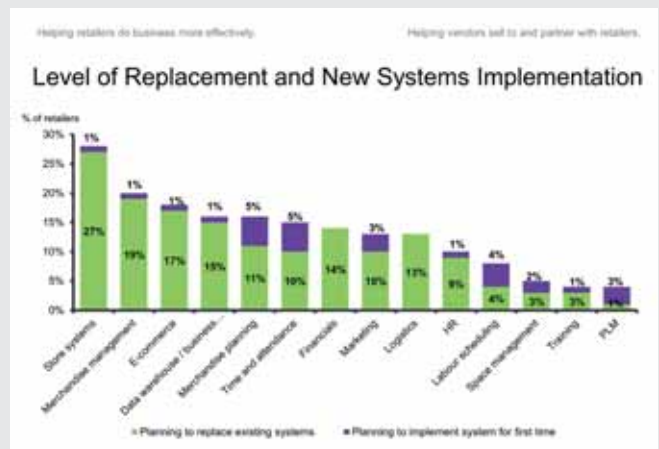
Riseley agrees that omnichannel is becoming increasingly important to retailers with its effect showing on the level of non-store sales. Non-store sales account for 8.6% of the bricks and clicks respondents' total retail sales, an increase of 18% since last year. Retail sales grew by 1.8% over the same period. Hence 16.2% is cannibalization from existing stores. With respondents expecting online sales to top out across all sectors at 20-29% of sales, clearly there is a long way for online growth to go and a lot more stores to close.

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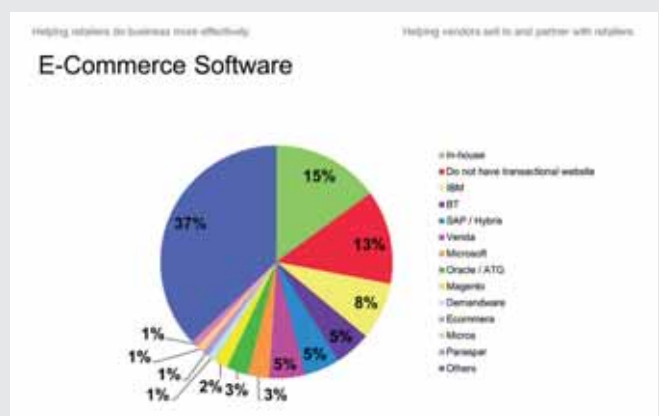
### IT in Retail Benchmarks

	All Retailers	Food and Drug	Large format retailers	Small format retailers	Department stores	Mass merchandisers	Specialists	Online-only
IT spend as a % of sales	0.9%	0.7%	1.3%	1.8%	1.4%	0.9%	n/a	2.7%
% of retailers spending on IT outside the IT department	23%	31%	46%	30%	38%	8%	45%	16%
% using cloud based systems	31%	46%	46%	54%	63%	38%	34%	62%
Non-store sales as a % of total	8.6%	3.8%	8.6%	13.3%	12.7%	12.7%	n/a	n/a
Multichannel sales as a % of total	4.8%	1.1%	5.8%	5.1%	9.8%	n/a	8.0%	n/a
% of self-checkout tills	8.9%	12.0%	3.1%	0%	0%	0%	0%	n/a
% of retailers offering free customer Wi-Fi	32%	30%	42%	18%	62%	38%	73%	n/a
Store sales per POS register in £000s	£568	£808	£563	£344	£523	£364	£358	n/a
% of retailers with PLM systems	12%	12%	21%	13%	0%	0%	0%	18%

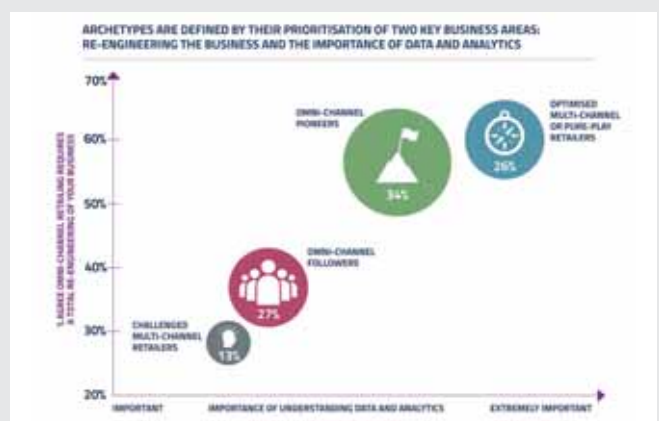
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# Retail review

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 [internetretailing.net](http://internetretailing.net). This issue our reviewers examine New Look.

## NEW LOOK

### RETAIL STRATEGY 25/25

**EMMA ROBERTSON,**  
MANAGING DIRECTOR, TRANSFORM

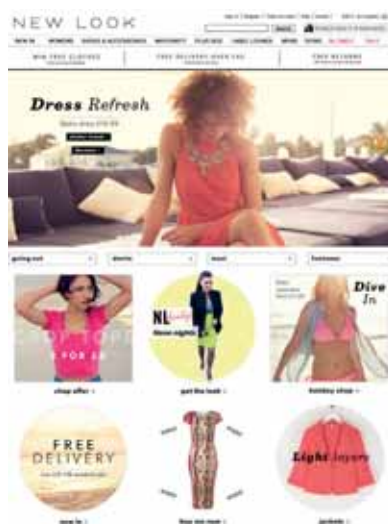
Starting in 1969 with a single store in Weymouth, the New Look estate now totals 1,100 stores worldwide, including China where it launched its first stores in 2014. However, the path to success has not been an easy one for New Look, with a history of investments, buy-outs, buy-ins and management changes that have made for a bumpy road.

However, its recent history follows a more stable trajectory, putting the internal structure and external positioning of New Look on a much firmer footing, and in doing so delivering both revenue growth and market share. The digital and multichannel story has been a key driver of the growth and continues to be central to New Look's on-going strategy.

### WEB EFFECTIVENESS 20/25

**NICOLA DUNLOP,** USER EXPERIENCE ANALYST, USER VISION

On a whole New Look is an effective ecommerce site. The site successfully encourages exploring behaviours by adding in tailored suggestions and preview features throughout the buying journey. The homepage communicates a strong brand image yet the screen real-estate on mobile could be used more effectively to promote



varying sections on the website. The mobile experience could do with some refinement in terms of general navigation and product filters yet overall works well in the product pages and merchandising. Accessibility is well considered on the site; however some accessibility issues were identified.

### MOBILE 19/25

**ROB THURNER,**  
MANAGING PARTNER, BURN THE SKY

Apart from the missing order confirmation, New Look's site provides an excellent user experience – across the whole shopping journey. The products are well priced and well presented, which will appeal to a broad spectrum of customers.

### RETAIL LEADERBOARD

John Lewis	83/100
M&S	80/100
House of Fraser	78/100
Burberry	78/100
New Look	77/100
Argos	75/100
IKEA	75/100
Oasis	66/100
Google Play	60/100
Boots	59/100
Majestic Wines	56/100
J Crew	50/100
Morrisons	27/100

Based on this site I'll bet New Look's mobile conversion is way ahead of the competition.

### INTERNET RETAILING IN STORE 13/25

**LOUISE GARVIN** CONSULTING MANAGER, JAVELIN GROUP

New Look have yet to really commit to creating a compelling digital experience in-store. Trials are evident including iPads in-store and additional screens showing some of the inspirational NL Daily content. Despite the obvious ambition to bring digital more into the store, the current initiatives lack a certain coherence to really serve the customer.

Despite the lack of digital experiences, the store plays a key role in promoting and supporting the online channel with a clear and prominent click & collect proposition that is visible across the 550+ store estate in the UK providing convenient collection points either at till points or changing rooms. This is also supported with extensive messaging directing customers into the online channel.

There is lots of opportunity for New Look to improve the store experience with a more integrated approach to digital. Empowering colleagues with digital, connecting and growing the social customer base via stores (3m Facebook fans) and integrating CRM to serve customers more personally are likely to be the key areas to develop.



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# IRUK 500 – approaching RetailCraft

The InternetRetailing Conference is always a time of activity and at the ninth annual event we revealed our inaugural UK Top500 retailer report. Ian Jindal reflects upon this new index and its value to our industry.

**N**O-ONE WANTS a new ‘Top’ list for its own sake, and since we’re all busy the addition of a further title vying for attention is not always a source of joy. Why then have we dedicated months of work to this? The main reason is – on the research front – there’s an appetite to understand one’s own performance in the context of the market as a whole, and fit ourselves for future challenges.

Our approach has been to create an in-depth, commercial and comparative view of the UK’s multichannel retailers and ecommerce players. Our guiding principle in undertaking this work has been to reflect the capabilities necessary to run complex retail operations at scale – a focus upon ‘RetailCraft’.

We offer our results in the full knowledge that we are not the professionals running multichannel businesses – with millions in terms of turnover, customers, SKUs, key words, merchandising algorithms and interactions across all channels. It is in tribute to these efforts that we have assessed several Performance Dimensions rather than taking a single measure (be it revenues or web traffic).

Our research covered seven Performance Dimensions:

- 0 Footprint – Released in March 2014 this considers the ‘heft’ of a retailer – turnover, ecommerce penetration, web reach and store estate (all measures for the UK only);
- 1 **Strategy and Innovation** – for the 2014 research we’ve focused on how retailers extend their channel reach;
- 2 **Customer** – the experience provided to the customer;

- 3 **Operations and Logistics** – delivery, returns, click and collect;
- 4 **Merchandising** – the approaches to selling online;
- 5 **Brand and Engagement** – the interaction with the customer;
- 6 **Mobile and Cross-channel** – moving beyond single channels (whether bricks or clicks).

With hundreds of data points over the seven Performance Dimensions and 19 subdimensions, we’ve normalised and assessed the distribution of the results, applying statistical clustering methods to determine performance groups. These are the basis of our ranking.

We eschewed a straight ‘first, second, third’ sequential ranking approach since – in a seven-dimension scoring system – it’s possible to have a number of retailers scoring at a similar level, yet in different ways. Our index rewards balanced capability and so we’ve elected to cluster the results.

The IRUK Top500 2014 is ranked as below:

- **Elite** – these retailers have performed exceptionally in all dimensions, statistically separate from the following groups. We have five in this group: these are the companies we’re happy to call the best of the best – our Top Retailers for 2014.
- **Leading** – 13 companies who are by most measures out in front, and in this group we have a combination of size and capability.
- **Model** – this group is what we would call ‘state of RetailCraft’ in the UK. We released the Top500 exclusively to Delegates at our Conference and we’ll be distributing it to Magazine Subscribers with our January edition


(quick note: if this is not your copy of IR Magazine you have a couple of weeks to get on our list to secure your own copy!). You can see our presentation of the Top500 at our Conference in this video: <http://etail.li/1d4f8>

Robin Phillips, Multichannel Director at Boots UK and one of our advisory board, was kind enough to call our Top500 “the most comprehensive and authoritative measurement of omnichannel capability in the retailing world”. We’re pleased, but we’re already working on the next steps!

Our data-gathering and analysis continues apace and we’ll be sharing the in-depth performance of retailers every other month via the six Performance Dimension Reports. These will be distributed with the print Magazine.

In Spring 2015, we will unveil the European Top500 footprint, and in July, the ‘Top suppliers to the Top500’. We are all ears if you have suggestions for further research, questions you’d like answered or would like to contribute to the benchmarking and baselining activity - whether for the UK or EU-wide.

Our partners, supporters and Advisory Board have been generous with their help and expertise, and we look forward to hearing whether we have managed to reflect the level of RetailCraft in the UK, and authentically reflected and celebrated those retailers who are seen by others as being at the top of their capabilities.

*For more information on the Top500, or with suggestions on areas of focus, please contact us at [research@internetretailing.net](mailto:research@internetretailing.net).* 



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# Seasonal Commerce

With Christmas fast approaching it has proved to be a natural point at which to launch our first research report looking at Seasonal Commerce and examine the impact that seasonal peaks have on retailers large and small. *Liz Morrell*, reveals the results.

**U** NSURPRISINGLY, IT was Christmas that topped the list of seasonal peaks within our report survey with almost three quarters of retailers (73%) citing it as the peak that had the greatest impact on their business. This was followed by 16% of respondents who said that Easter was the trading period that impacted their business most.

The second most important peak for retailers was back to school for nearly a third (32%), 23% who cited Easter and 20% who said Mother's Day. Ranking third most important was Father's Day for a quarter of respondents, Mother's Day for 24%, Back to School for 22% and Easter for 21%.

Retailers also reported that peaks are changing with more activity during what would have traditionally been downtime for retailers. This comes as mobile transforms seasonal commerce to a 24/7 activity that even now includes Christmas Day – sometimes even before the presents have been opened!

Whilst seasonal peaks are one thing, we also wanted to understand how the seasons themselves were changing for retailers. Although just under half of retailers (49%) were still operating on a six-month season cycle, for 32% of respondents to the survey a three-month cycle was the norm whilst almost one in five (19%) was operating on a four-week season cycle.

For more than a third (37%) of retailers this was a shortening of the season cycle as retailers learn to be more responsive to customer demand and trend changes and work harder to stimulate customer interest and sales by turning product over at a faster rate.

This does depend on being able to predict what the customer may do and the survey showed that predicting customer behaviour remains just as tough. Just under half (49%) said it had grown more unpredictable. This was explained by respondents as being largely because of the challenge of 24/7 commerce and the expectations that surround that.



The challenges of seasonality span all retail functions – from buying and merchandising, operations and logistics to in-store management and staffing. Our survey showed that the biggest problem that retailers faced was in stock availability. Nearly a third (31%) said that seasonal peaks had the greatest impact on having product to sell. This was followed by the ability to deliver to customers on time – presumably largely for the Christmas rush – where 29% of respondents said seasonal peaks had the greatest impact on delivery to customers.

For just over one in four retailers (26%) the biggest impact was on promotions. Move one level down the scale however and stock availability, getting volume predictions right, product mix, delivery and competition were each cited by an average of 1 in 5 (around 20% each time) as being the areas of the business second most affected by seasonal peaks.

## INTERNATIONAL OPPORTUNITIES

Managing the peaks at home is hard enough but the internationalisation of retail for pretty much any retail business means that there are potentially international seasonal peaks to ►

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embrace or at least consider if a retailer wants to stay ahead. This was summed up most succinctly by one of the survey respondents who said “Every day is an opportunity somewhere in the world or with some slice of the market.”

Just over a quarter (28%) of respondents said that they considered international peaks in their forecasting. However this left 72% who said they weren't despite the fact that earlier this year Forrester Research cited the need to plan for key online shopping dates everywhere in the world as one of its Top Five Global eCommerce Predictions for 2014.

Yet simple gains can be made simply by recognising that internationally retailers can have the same peaks as the UK but at different times of the year. A great example is Mother's Day which is actually celebrated on more than 20 different dates throughout the year offering great potential for a retailer that can target the audience of such a seasonal peak effectively enough internationally.

As well as calendar peaks surrounding tradition there are also increasingly important trading peaks too such as back to school and newer peaks such as Chinese Singles Day. Even imported and “created” peaks such as Black Friday are also becoming ever more relevant to the UK retailer and consumer. Who can forget the scuffles that broke out at Asda last year for instance when the company ran its first ever UK Black Friday event with some customers literally fighting for the offers available.

Yet, despite all these opportunities, not all retailers have the resources to manage and understand seasonal trends to enable them to react. More than half (59%) said that they failed on this point.

To better understand trends and exploit seasonal opportunities data and analytics is key but it's a tool many retailers fail to embrace. “A lot of businesses try to second guess what customers want instead of looking at the data,” says Warren Cowan, founder and CEO of OneHydra and one of the sponsors of the Seasonal Commerce research report. “They can make a lot of presumptions from very limited qualitative data but if you look at the data you see what's happening. The more access to data and the better the insight they can get from that data the better they will get at trading at peak or not,” he says.

But it's a hard task. “Clearly with the advent of all the different channels and technology growth it is getting a lot more complicated for retailers and they are simply drowning

“Every day is an opportunity somewhere in the world or with some slice of the market”

in data,” says Norman Mackintosh, industry consultant for retail at Teradata, the second sponsor of our report.


In our survey, nearly half (47%) said that their use of data and analytics did the job but at a basic level only. Almost one third (30%) said that they needed to improve on their use of data and analytics just to be average and almost 5% said that their use of data and analytics was “very much lacking”.

The survey showed that only one in five (19%) thought their use of data was sophisticated within their business. This suggests that there is huge opportunity for improvement.

We went on in our survey to try to understand how comprehensive retailers felt their forecasting was. 42% of retailers said their approach to forecasting wasn't comprehensive enough thanks largely to the investment of time, money and resources required as well as the integration of systems needed to extract the best out of data.

Finally, the report looked at what analytical activities retailers were doing to support their demand forecasting activities. More than three quarters (76%) of respondents were using multi-year data to identify changes in seasonal impacts. More than half were incorporating the impact of their promotions in their demand forecasting too, enabling them to better understand how their offers were driving sales and continuing to demand peaks. Almost half (48%) were forecasting at SKU level whilst nearly a third (29%) were forecasting at both a store and SKU level. Just over one in four (26%) were using their data to help them localise assortments.

The more advanced were doing more too. One in five (19%) were using sophisticated algorithm-based techniques to develop more accurate forecasts. Meanwhile one in four (26%) were making use of social signals in order to help them enhance their forecasting ability.

Retailers were also making use of SEO opportunities. Nearly two thirds (65%) were reprioritising their sites to ensure that keywords for the period are maximising this but that still left more than a third (35%) who weren't. This is missing out on huge potential especially as we followed it up to ask if retailers optimised search engine opportunities with 28% of respondents saying no at a time when customers are being more specific in their searches than ever. Failing to embrace all seasonal opportunities is most definitely a black mark on the calendar. 



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# Why the customer experience remains key

As part of our research programme, InternetRetailing recently looked at issues around customer experience. *Jonathan Wright* reveals the results.

**W**HILE THE idea of providing a great customer experience should always be crucial to retailers, we had one specific extra reason to conduct research in this area over the late summer. It's tied up with a piece of jargon that's become ubiquitous among retail professionals in recent years – omnichannel. It's a word that means subtly different things to different people, but at InternetRetailing we've taken omnichannel as referring to retail where the friction between channels has been entirely removed and where the retailer offers a consistent experience.

There are two problems with this idea. Firstly, we don't think anyone has actually got there yet, even forward-looking retailers that have made big investments such as M&S or John Lewis. Secondly, it's a piece of jargon that's become associated with systems, logistics and technology.

In this context, while a smooth-running click-and-collect operation, or even just a website that loads efficiently, are examples of great customer experiences, we've lately detected a small but significant shift within the industry, a worry that maybe this focus on omnichannel has left many retailers not paying sufficient attention to consumers. With the idea of customer experience-centred retail gaining ground in reaction, it seemed an especially apposite moment to take a snapshot of retail professionals' views on customer experience.

To do this, we conducted an online survey, and also spoke at length to retailers and our partners in the research, Sitecore, SLI Systems and Solocal.

## STATE OF THE INDUSTRY

Firstly, we wanted to gauge what respondents thought about their company's performance here. The answers, it's safe to say, suggest confidence. More than 83% of respondents said their companies are very good or good at providing a great customer experience.



Conversely, less than 3% of respondents said their companies are poor here. This is heartening, although we would caution that if you work in retail and you're good at what you do, then you're probably not going to hang around at a company that isn't providing great customer experiences – plus of course companies that don't serve their customers well may not be the kind of retailers that stay in business.

So, where do these same respondents see their companies as strongest within customer experience? Around 29% opted for website experience, while 24% went for in-store. At the other end of the scale, 4% opted for the mobile experience, and 3% for linking different channels. We were expecting the figures for mobile and cross-channel experiences to be low, but we were surprised by how low they were. On reflection, perhaps we sometimes underestimate just how hard the transition to a mobile, cross-channel – omnichannel if you must – world is for retailers. Factors such as creaky legacy systems, the amount of strategic planning needed and resources all play in here.

This doesn't mean people aren't doing work in this area, or at least thinking about it. So where do respondents think their companies

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can make the biggest improvements when it comes to customer experience? One of the answers initially rather foxed us: 19% of respondents said their companies could make the biggest improvements in the website experience, which doesn't appear to tally with respondents' confidence that they're providing great customer experiences and that the website is a strength. Conversely, 23% said the mobile experience was where their companies could make the biggest improvements, which is what we'd expect.

The website figure may represent a recognition of a need to build what David Kohn, Multichannel Director of the outdoor sports clothing and equipment retailer Snow+Rock Group, calls a "strong core website". In other words, you can think your website is good, but still want to improve it – perhaps even build out from it if you're working for a company that's serious about bringing digital into the store.

So, what practical steps are retailers taking to improve the customer experience? As you'd expect, more than 80% of retailers use email marketing. Other techniques being employed include getting customers to log into their accounts (60%), through the use of loyalty programmes (38%) and searchending techniques, surprisingly low at 24%.

#### **PERSONALISATION AND CROSS-CHANNEL**

It's been clear for some time that personalisation is a key part of customer experience, and 7% of respondents said it will be important in winning and retaining customers in the years ahead. With this in mind, we also asked whether retailers are working towards gaining a single view of the customer. Around three-quarters of respondents said their companies are doing work here. In addition, more than 20% said their companies are planning to do work here.

However, there's a problem around tracking customers across different channels, with 41% of respondents saying this was the biggest barrier to 'talking' to customers individually within cross-channel retail.

We also asked about the role of the store and social media. When we asked about the techniques retailers are using to get customers to stores, keep it simple appeared to be one message, in that having an online store/branch locator was rated as very effective by 43% of respondents. Similarly, promotions and coupons, click and collect, and making in-store inventory available were all cited as very effective

techniques by more than 35% of respondents.


Finally, on social media, more than 80% of respondents said their companies are exploring how to use social media within customer experience initiatives, but nevertheless it still looks like early days here as yet. We would expect the use of social media within customer experience initiatives – going far beyond monitoring Twitter and having a Facebook page – to get much more sophisticated in the months and years ahead.

If we had to make just one overarching point as a result of our research into customer experience it would be this: there is a clear understanding within the industry that customer experience is not just important, but growing in importance. More than this, it's often a key point of difference between retailers. Customers, after all, don't just shop on price.

So, how should retailers approach such a business landscape? One approach is to think what your brand represents and tackle customer experience from that perspective. At Snow+Rock, David Kohn talks about conveying expertise and passion to differentiate its brands from competitors. Snow+Rock is a place to go when you need expert advice. The company is working on introducing live chat, with the idea that people will find the same expertise online as on the high street.

But this kind of work isn't easy. It requires resources, creativity and technical know-how to create the kind of personalised and seamless cross-channel experiences to which the best retailers aspire. One example from a retailer we spoke with illustrates this: pureplay Chemist Direct is currently looking at mobile because that's what its customers want. But how do you sell products that might require a customer to fill out a six-page form over a smartphone? What if there's a way that you might use voice rather than typing to fill out this form? That's one scenario the company is exploring.

The fact Chemist Direct is exploring this scenario brings us to a final point. All the issues around legacy technology, resources and so on can't be an excuse. Customers will keep demanding great customer experiences and every time forward-looking retailers try something new that works, it ups the ante for everybody else.

For a more in-depth analysis of our research into customer experience, please go to <http://etail.li/59a04> where you can download a fuller report at no cost. 

“Customer experience is not just important, but growing in importance”

# Designing the Mobile User Experience

*Amy Higgott, User Experience Practitioner at SimpleUsability, explores the issue of bringing personalisation and customisation into the mobile user experience, who is doing this well and the lessons that can be learned.*

**U**SERS ARE growing more expectant of content to be tailored to their needs and interests, with relevant content and functionality available to them wherever they are and whatever they are doing. This is especially important on mobile as content needs to be succinct and quickly accessible. Mobile offers a uniquely intimate way of engaging with consumers as their devices are never far from hand. This can be maximised by using personalisation and customisation, which work well to increase customer engagement. Therefore designing a mobile experience which is uniquely tailored to individual customers is beneficial for both retailer and user alike.

When designers first began to think about how to optimise their sites for mobile, they had to make the decision of what to include on a site made for a smaller screen, and crucially, what to leave out. It was assumed that users would access mobile sites out of their homes and offices, not wanting the same functionality as on desktop. Obviously that's not the case - a study by Nielsen found that 95% of tablet shoppers and 72% of smartphone shoppers who make a purchase on their device do it at home. The smartphone has become a lazy computer - sometimes replacing the larger screen, but it can be also used to seamlessly connect the user's research and purchase journey, at home, out and about, and in-store.

## **CUSTOMISE & PERSONALISE**

To help create the right experience it's now important to look at customisation and personalisation.

One way of tackling the problem of which content to include and which to discard, is to

leave that decision up to the users themselves. This is customisation - the user has control - they choose what they want to see or to do. The BBC mobile site is a great example of this - the homepage displays a call to action for users to 'Customise', which takes them to a list of options - homepage content they can choose to show or hide, such as local news, sport and food. Of course, asking for 'Local news' would be pointless without a known locality, so the app picks up their location.

The idea of personalisation has exploded recently, with more retailers looking to connect with their customer at a very individual level. True personalisation means going beyond tailoring the messaging each user sees. The more personalised the online experience, the more engaged the customer feels. With mobile, there are more ways to personalise than on other platforms. Not only can content be based on what the user has viewed or purchased, but it can be based on where they are and what they're doing in any given moment.

A number of elements can be personalised, such as which recommendations are shown, the order in which search results and product listings are displayed, emails sent to each user and even the order of category lists and filters. These things should be decided by combining insight from rich historical data and the user's current behaviours and location.

Of course, different retailers have different business objectives and these should be considered when designing the mobile experience with personalisation in mind. It might not be necessary to personalise every bit of content on the site or app; instead, this should be focussed on areas most relevant to the key objectives of core users.

## **SO WHO IS DOING THIS WELL?**

As a retailer specialising in personalised gifts, it's appropriate that the NotOnTheHighStreet app incorporates a great deal of personalisation and customisation. To help users find the perfect gift, the app enables the user to add events such as friends' birthdays, either manually or by connecting to Facebook. To make the gift suggestions even more relevant, users can rate elements of their friend's personality. Products can then be tagged, effectively creating a shortlist of products for certain events. With a catalogue of 60,000 products in total, this customisation functionality really helps to guide the user to the portion of those products that will interest



them, which they may have otherwise been unable to find.

The MySupermarket app allows users to compare prices across a number of different retailers, creating shopping lists to personalise their shopping experience. An effective feature of the app incorporates the customer's shopping history as well as their location – 'Price Alerts' notify users of offers which are likely to be of interest to them when they are entering or near a store. This is a great example of how to create a seamless multichannel shopping journey by adding location-based customisation and personalisation to the mobile user experience.

Some retailers fear the thought of customers showrooming - finding something in store and purchasing online, possibly from a competitor. Topshop, on the other hand, takes advantage of the opportunity mobile provides to give personalised and customised content to users based on context and location, using this to enrich the in-store experience.

A 'Scan' feature enables users to scan products in store to find them on the app, where they can add to their 'Notebook' to share on social media or purchase later. We've all experienced the disappointment of finding the perfect item of clothing in store and searching the rails for our size to discover that it's out of stock. The Topshop app allows users to find a product on the app and see which


“Let the customer guide your design”

stores have it in stock. On top of this, scannable images and QR codes around the store allow users to unlock additional content to make the shopping experience even more unique.

As with any change in strategy, it's important to conduct user testing to see the real effects of personalisation and customisation. The thought of having our behaviour analysed and our location tracked doesn't sit well with all users, but everyone loves a good deal and the feeling of being valued. Therefore it's vital to find the comfortable level of personalisation for your customers. This again can be customised by allowing users to choose if, how and when they want their data used for personalised content and offers.

The challenge with testing this on mobile is that the user could be anywhere when they interact with a brand and to gain the best insights requires the most natural environment, which could mean testing in-store.

As we've seen with the examples from Topshop and MySupermarket, part of personalisation on mobile is being with the user whenever they need it - another example of that is the shopping list functionality of the Asda grocery app. Asda's mobile innovation team asked SimpleUsability to conduct user testing to gain insight into users' experience of the app in-store. We used eye-tracking during the user's in-store journey, followed by a retrospective interview. Whilst conducting their natural in-store shop, the app allowed users to tick items off the list they had made at home and see a running total of their trolley. This was achieved by using the smartphone to scan barcodes of added items. Testing enabled us to provide Asda with evidence and recommendations which led to immediate improvements in the app's usability as well as informing subsequent development.

As we've seen from the examples, the retailers who are providing the best personalised and customised mobile experiences tend to focus on a few core elements to tailor, rather than the whole site or app. These elements reflect the particular needs users are likely to have when engaging with each retailer on mobile, such as shopping for unique and thoughtful gifts on NotOnTheHighstreet, or expecting timely and relevant offers with MySupermarket. This shows a great level of understanding regarding user requirements and expectations, and demonstrates that the best way to achieve a great mobile user experience is to let the customer guide every step of your design. 

# Converting second screeners

Jess Stephens, Product Specialist at SmartFocus, examines how marketers need to change the way they communicate with the 'always connected shopper' and how second screen marketing is set to take off as the world goes mobile.

**T**HE AMOUNT of information we consume as individuals each day has increased by 5 times since 1986. In just under 30 years, the way we communicate and interact has vastly changed. Rather than reading a daily paper, we are now connected to information on the various screens we use for more than an estimated 444 minutes per day, or around 46% of our waking life.

This huge increase is, of course, due to the number of screens we now have in the home, at work, and in our pockets and handbags, with the 444 minutes being shared across TVs, PCs, laptops, tablets and smartphones. The screen clocking up the most hours is the phone, with over 151 minutes daily.

It is not just the number of different devices we are using that has led to the increase though. It's the multiplier effect created through second screening. Tablets and mobiles are being used alongside our primary media consumption – at the same time. The second screen supplements TV with mobile content, print ads with calls to action and cinema pre-shows with interactivity for the movie-goer.

This combination of technologies creates a symbiotic relationship between devices rather than a competition for attention. The potential outcome is an increase in engagement rather than passive viewing by the consumer. This means that different channels aren't fighting it out like the home TV screen and movie theatres did in the past. The relationship is not a mutually exclusive one, but rather complementary, because the mobile – which has fast become the portal most of us choose to connect to the internet – is of course, inherently mobile.

The smartphone acts as a companion to whatever your customers are now doing. Instead of binary and independent channels, represented in a strict bar chart, we have beautiful overlapping Venn diagrams where sharing is a must and there is no winner. Why?

Because if you were to make the customer choose, they would clearly choose their mobile, with reports stating that the majority of smartphone users are total nomaphobes (suffering from a fear of being without a phone) not being able to leave their device alone for more than 7 minutes in the day.

## TV MAKES THE FIRST MOVE

Through use of Twitter hashtags at the beginning of shows, to fully interactive programmes like Million Pound Drop and The Singer takes It All, TV producers are waking up to the fact that second screening is "a thing" and beyond that, it is a good thing, enhancing, amplifying and favourably augmenting the viewing experience. It will be a different kind of experience focussed on live TV, events and interactivity, but it is certainly not dying out.

Advertising is one of the areas where mobile use by consumers presents new opportunities; the second screen concept is a prime example. Through technology, advertisers have access to a new form of customer engagement and like all new things, can start measuring it. Take for example the Shazam Engagement Metric which attempts to brand the very act of second screen value tracking for TV advertising – handy for a company whose revenues depend on it. Shazam's companion app – now at 100 million monthly active users – loads further information on the user's smartphone when a TV ad is tagged, using the digital fingerprint of the audio track. This provides a wealth of information back to the advertiser about when their adverts were seen and by how many people. Shazam say they will be "respectful" about tracking this level of personal data while allowing advertisers to more effectively monitor their campaign's performance.

The cinema industry, not to be left out, is also getting in on second screening. In a surprising move following more than a decade of ads telling us to turn off our phones

in the auditorium, apps like Cinime now tell moviegoers to “use your little screen to get more from the big screen”. Interactive games, resulting in treats and rewards, show that Cinime has nailed the customer engagement necessary to keep users active on their smartphone. It is yet to be seen what lift advertisers including BMW, and Sony’s PlayStation have gained from it. Time will also tell what sort of measurement the app creators are able to deliver through this media channel.

So, what does this mean for retailers? The same super-connected consumer is now walking into stores, with the ability to price compare, share and research while on the move. Retail can make a move to embrace this like TV and cinema are beginning to do, or struggle down the line when choice and convenience lose the customer. A smart approach is to join in the game – allow free Wi-Fi in store and have your ecommerce site load automatically on open; use contextual marketing including beacons and location technology to make sure that you know when a loyal customer is in store; invite reviews via connected screens and displays. The power to win the customer is squarely in the hands of the retailer who is not scared of the mobile device in store.

With Apple’s introduction of Apple Pay a few months ago, we’ve started to see mobile payments in store increase. The loop is then fully closed from mobile marketing to mobile in-store commerce – for certain Apple devices at least. Where traditionally mobile marketing has been seen as the responsibility of the digital marketing department, payment via mobile alongside proximity marketing brings it squarely into the camp of bricks and mortar retail divisions. It also presents a huge opportunity to combat showrooming. With almost 50% of people admitting to browsing in store then purchasing online anything retailers can do to keep the sale, rather than risk losing to a competitor, becomes hugely worthwhile. Context-aware marketing via the mobile is the best play for this scenario; messaging users when they are in the all-important purchasing mind-set.

So, how does a business navigate this change, and the frontier of the dual screening, showrooming landscape?

#### MOBILE MEASUREMENT

With over half of time spent on smartphones viewing apps, the all-important download becomes a valuable way of stealing more screen time. Add to that the benefits of being

### AVERAGE AMOUNT SPENT ON A SATURDAY NIGHT IN


Choice	Average amount spent in pounds
Takeaways (Pizza, Indian, Chinese, Thai)	£18.03
Drinks and snacks	£17.04
Online shopping (TV shows / adverts I'm watching)	£16.90
Online shopping (Clothes and new outfits)	£19.94
Online shopping (Christmas presents for family and friends)	£24.58
Online shopping (Essentials like groceries etc.)	£21.82
Online shopping (Holidays)	£41.88

Source: [VoucherCodes.co.uk](http://VoucherCodes.co.uk)

“Use your little screen to get more from the big screen”

able to add location based tracking down to micro-location provided by beacons to achieve incremental value for the business. The app then acts as a new channel, with carefully targeted push notifications able to bring the kind of engagement you might traditionally expect from email. The most sophisticated campaigns combine mobile push notifications within the overall CRM program, contacting customers more frequently, but with shorter more contextually relevant messages. And don’t forget the Tablet. Google states that 72% of tablet users make at least 1 purchase a week from their tablet, making them an extremely valuable segment. Tablets are used in the home, with the sofa-surfers indexing highly. So search campaigns can be day-parted to reflect this at-home usage.

Attribution models become seriously important when considering second screeners. The purchasing decision moment is likely to happen on a different device to the buying moment, so aligning and integrating efforts across channels is the best approach. This sounds complex, but it starts with simply identifying example sessions that might cross from mobile to TV to PC in a way that means you can plan out your marketing efforts against them.

The future of marketing rests on a few incontrovertible facts: social media is here to stay, the average consumer is mobile, increasingly local, using several devices... and probably female. Third screening is just around the corner, with wearables being the anticipated next big trend. CMOs need the technology that perfectly connects them with this developing demographic. An actual mobile strategy does this. With big data capabilities it’s now possible to collect, store, analyse and manipulate an unprecedented volume of information in fractional amounts of time. Match that with a relevant and real-time messaging platform and business can achieve true context aware marketing, wherever the customer may be, and on however many screens. 



# How mobile is changing delivery dynamics

With mobile commerce and pick-up in-store options on the increase, *Emma Herrod* takes a look at how they are affecting the dynamics of delivery.

**T**HE INTERNET has given rise to instant answers, such as if the required product is in stock, and instant gratification in the form of digital downloads, while digital money has further distanced transactions from 'real' cash. Hand in hand with the rise in m-commerce has come click and collect, with advances in logistics and delivery enabling later cut-off times for next-day delivery (10pm in shoe retailer Schuh's case) and the ability to defer a planned delivery by text message. But do shoppers who convert on mobile phones (as opposed to tablets) want their purchases faster, or just at a more convenient time or at a time and location that they can predict?

Smartphones account for 42% of traffic to Schuh's website and almost 25% of sales, so mobile is an important part of the retailer's channel mix and the reasoning behind the September launch of its responsive, mobile-first website. It has had a single view of stock for many years and offers its customers a

range of fulfilment options including next-day delivery, click and collect, and reserve online for trying on and paying in store.

The rise in online orders placed from mobile and tablet devices is changing delivery dynamics, believes Sean McKee, Head of Ecommerce and Customer Services at Schuh. "It's affecting demand for next-day delivery and in-store pick-up, including reserve online and click and collect," he says.

For example, figures for August 2014 show a 40% growth in mobile customers using buy and collect and a 19% increase in check and reserve from mobiles. These are both like-for-like figures, explains McKee. "There's also been a year-on-year increase in the number of customers checking stock levels," he says.

Shoppers who convert on mobile are looking for convenience and a brief visit. They also want things cheaper and faster, so when prices are lowered more mobile shoppers go for it, he comments. Schuh has also found that in-store pick-up is highly seasonal and highly mobile.

**WHICH OF THE FOLLOWING DELIVERY METHODS HAVE YOU USED FOR GOODS PURCHASED ONLINE OVER THE PAST 12 MONTHS?**

	All	Mobile orders	Difference
Delivery to your home via Royal Mail	82.2%	84.3%	2.1%
Delivery to your home via a courier	71.8%	82.2%	10.4%
Delivery to your home via the retailer's own van/lorry	32.7%	19.8%	-12.9%
Delivery to a neighbour/friend's home via Royal Mail	5.8%	4.1%	-1.7%
Delivery to a neighbour/friend's home via a courier	5.4%	5.1%	-0.3%
Delivery to a neighbour/friend's home via the retailer's own van/lorry	1.9%	0.4%	-1.5%
Collection from a courier's depot	2.4%	1.3%	-1.1%
Collection from the Post Office	8.7%	9.2%	0.5%
Delivery to the shop you ordered it by click and collect	18.5%	19.3%	0.8%
Delivery to a different shop to the one you ordered it from by click and collect	2.9%	3.6%	0.7%
Delivery to a locker or collection point	2.2%	3.1%	0.9%
Some other method	1.7%	1.8%	0.1%
None of these	0.2%	0%	-0.2%

Source: Barclays Retail

When the company analysed the behaviours of its shoppers who convert on a smartphone (as opposed to desktop, tablet or purchase in-store without first reserving online), it found that “mobile is punching well above its weight with next-day delivery”.

There's a sweet spot for mobile shoppers between convenience, very fast delivery and cost, explains McKee. The company has been experimenting with different price points for its next-day delivery service, reducing it from its standard price of £4.99 to £2 and £1. Customers who pay for premium services at Schuh generally spend more and buy more. It has also been looking at how reducing the delivery price affects volume. The result, says McKee, is: “We can take the price down as long as we can afford it without affecting volume.”

You may think the company has generated these figures because its customers have a young demographic (its marketing is aimed at females under 30), but Schuh is not alone in discovering that shoppers converting on their mobiles are choosing faster delivery options.

Marks & Spencer has found an interesting difference between those shopping via mobile and those using other sales channels: a higher proportion of mobile customers – between 10-15%pts higher – opt for free, next-day, in-store collection than desktop and tablet users.

Argos is also seeing higher check and reserve participation from mobile-based customers, ahead of tablet and the website – primarily due to how convenient Check and Reserve is for customers when they are out and about. “Features like 1-Click reservation on mobile make shopping extremely quick and efficient,” says Paul Jackson, Head of Digital Development at the retailer.

“Mobile is punching well above its weight with next-day delivery”


He believes that the shift to shopping on mobile and tablet devices is fundamentally changing the way we shop. At Argos, mobile commerce has grown by 89% in the past year alone to reach 18% of sales. “Customers expect more choice, available faster. As a retailer, we have to adapt to these changes and that means finding new ways to get the products they want into their hands faster,” he comments.

“However, we find that Argos customers will use multiple shopping channels interchangeably in a single transaction, because they can. Although 44% of sales start online, 90% of transactions still involve a store. Typically, this involves researching on the move via mobile and reserving on the website.”

For some shoppers, speed is a key requirement, while for others it is convenience. Schuh and M&S put their figures down to convenience, while at Argos the approach is more about delivery on customers' own terms: when they want it, how they want it. Jackson adds: “The challenge we have set ourselves with our transformation plan is to give customers a consistent experience across all channels, with a clear view of where the product they want is in the system.”

**RESEARCH**

Mobile shoppers are more mobile by nature and “it would be reasonable to hypothesise that mobile shoppers are more likely to use click and collect,” says Andrew Starkey, Head of e-Logistics at IMRG.

However, research has shown that shoppers using their mobile to make a purchase online want the same delivery options they'd be offered if shopping from a desktop-optimised 

site. What they do want is delivery advice and messages about the status of their order sent to their mobile device free of charge.

Mobile phones are allowing innovation in delivery, enabling carriers and retailers to push information to these devices so shoppers can anticipate when delivery will take place, and divert or defer it, explains Starkey.

As soon as retailers start putting a cost on enhancements such as next-day delivery or specified days, then this can suppress demand as customers opt for the economy version. Having a pre-alert text service on these economy services increasingly enables customers to defer delivery via text if the initial date and time isn't convenient. This increases their confidence that delivery will happen at a time that suits them, while keeping the number of delivery attempts low.

This predictability of knowing where they will be and when, is driving innovation in retail logistics; whereas next day delivery services are a proxy for predictability with the shopper being able to predict where they will be when in order to take the delivery with enough confidence to place their order.

City Link has become the latest carrier to introduce mobile messaging and response to allow customers to change delivery options before a delivery attempt takes place, while Blackbay is taking this one step further with its consumer preferences portal which it launched as part of its Expect capability. Not only does Expect include driver and operational tools to optimise routes, but it also provides consumers with an interface to control, track and interact with their deliveries and collections.

Meanwhile UPS's My Choice service, which launched in the US in 2011, has been expanded to an additional 15 countries in North America and Europe, including the UK. This allows shoppers to change details such as delivery date and location, including rerouting parcels to one of the rapidly growing number of UPS Access Point locations such as newsagents and self-service lockers.

### OPERATIONS

The humble text message is still the communication medium of choice after a sale. "It's the best way to get to the customer post-purchase, especially if they have chosen store pick-up as the fulfilment option," says McKee. He explains that when the customer's order is ready to be collected, a store

colleague ticks a box on a screen and a text alert is automatically sent to the customer. Orders reserved online can be ready in 20 minutes, while orders paid for online are ready in 1 hour.


Customers who use Argos' Check and Reserve service are sent texts containing the key information they need to collect their products, too. "We also use push notifications to target highly relevant information to our customers," says Jackson. Customer feedback and reviews are also adapted for mobile.

### HOW IS THIS AFFECTING OPERATIONS?

If retailers are to get purchases into customers' hands quickly and efficiently, regardless of the channel through which they have placed their order, they need to know where every item of stock is located and the best route for getting it to the customer.

Argos' 'hub and spoke' stocking configuration, which had been rolled out nationally, enables the retailer to offer customers same-day and next-day collection options on an expanded range of around 20,000 products, together with improved stock availability. "It involves moving stock from around 140 larger 'hub' stores to around 6 smaller 'spoke' stores within an area, to where the customers want that product, with our own store colleagues making the deliveries between the local stores," says Jackson.

Schuh has had a single view of stock for many years and has opened that up to customers to view on their mobile phones; in effect, they access the same data that's held in the in-store kiosks. Its main DC in Bathgate has just been expanded to double capacity. This is supplemented by a satellite DC in West Bromwich, which opened in late November 2013 to fulfil orders placed after 5pm for next-day delivery. "Tablet users are shopping later, between 8.30 – 9pm, therefore we have to fulfil orders later," says McKee.

"Competition is moving to fulfilment – fast and free for both home delivery and local collection," believes Jackson. McKee agrees. Schuh sells brands that shoppers can get from other retailers, so the company has to use quick and accurate fulfilment as a way of differentiating itself. "We are in a logistics marketplace as well as a product marketplace," he says. With a definite swing towards next-day delivery, McKee believes that there will come a time in 2016 or 2017 when it will be what standard free delivery looks like today. 

“Customers want delivery messages sent to their mobile device free of charge”





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# Bluetooth beacons: Lessons from the early adopters

Beacons have been the technology implementation of choice in store for leading retailers this year. *Rian Boden*, journalist at NFC World+, shares lessons from some early adopters.



**B**LUETOOTH LOW Energy (BLE) beacons and Apple's iBeacon protocol are fast entering the mainstream as a shopper marketing option for retailers and brands aiming to improve the mobile shopping experience.

The idea that customers can be sent notifications that matter to them on their mobile phone as they pass by a shop window or pause at a particular merchandising display is massively appealing. But with that potential arises a mass of questions for both the consumer and the retailer alike.

Is my privacy at stake if I sign-up to this? What notifications pop up on my phone that I don't want? How do I determine what notifications would be good to send out and how often?

There is a very thin line between providing a useful service that increases sales and bombarding customers with messages that they simply aren't interested in. When faced

with questions such as these, what is it exactly that retailers need to do to make sure that it is a worthwhile investment and how do they make sure that their customers will actually want to use the service?

For our new report, Bluetooth Beacons: Lessons from the Shopper Marketing Front Line, NFC World+ set out to answer these questions by speaking with early adopters of the technology. Retailers such as Alex & Ani and GameStop as well as landowner The Crown Estate and a number of technology providers openly shared information about their firsthand experience with the technology and offered their advice to others currently looking at testing or implementing a Bluetooth beacon solution.

"I often times see people make decisions to experiment with beacon technology, not knowing what the ultimate end goals are. To predefine success, you need to know what those end goals are and the original mission,"

Ryan Bonifacino, Vice President of Digital Strategy at US retailer Alex & Ani, advised. “I think on the delivery of information, you have to always look at the transfer points, keeping the customer’s privacy at the top.”

Alex & Ani has been using beacon technology since launching a pilot with marketing platform provider Swirl in 2013, which saw more than 75% of shoppers engaging with the content that was delivered to them while they shopped.

The retailer has now installed beacons across forty stores in the US and is currently in the final phase of developing its own Alex & Ani app that will work in conjunction with the platform to trigger consumer interaction. Alex & Ani will utilise the Swirl platform to provide customers with in-depth information about products they see in-store.

“I think that retailers and brands need to be very open to their customers, very educational, as they’re going through those experiences and as much as we all want to commit to innovation and being early adopters and being leading edge, you have to equalise that commitment with a stance on privacy,” stressed Bonifacino.

In addition to Alex & Ani, Swirl’s platform has also been tested by other retailers including Timberland, Kenneth Cole and Lord & Taylor. Across all of their retail partners, Swirl has seen offer open rates of 75% and a 35% redemption rate.

Development though is a highly iterative improvement process that requires close care and attention and tuning so you have to be really comfortable with that process and be committed to it, explains Charlie Larkin, Senior Director of Technology Innovation at GameStop.

The video game and consumer electronics retailer is currently in the final phases of launching a beacon pilot using technology provided by Shelfbucks in test markets including Austin and College Station, Texas. A lot of focus and effort has been spent on testing out and changing the ranging and the frequency of the beacon signals to optimise the customer experience, which proved to be far more difficult to figure out than the retailer had expected.

“I don’t think this is a piece of technology that you just go and buy off the shelf and you turn it on and everything’s perfect; you really need to test that and you need to be ready for rapid, iterative testing and different configurations. If you haven’t prepared

yourself for that, you might be in for a surprise,” says Larkin.

The market test will have a particular focus on empowering the consumer shopping experience and will start with a small group of testers to “tweak, tune and adjust” the platform before expanding to the full set of markets that the company has in south and central Texas.


### CONTEXT

The key to being successful with beacons is context and using them as part of an entire campaign or end-to-end solution, rather than as beacon devices alone. “It’s all about engaging the consumer, understanding them and really changing the way the consumer shops and you can’t do this using beacons alone,” says Owen Geddes, CEO, Appflare.

“People will get tired of getting another offer, another offer, another offer, especially if they’re from stores they don’t want to even be engaging with,” warns Jonathan Berlin, CEO of technology provider Iconeme. “It’s all about engaging the customer and giving them something else in addition to their experience while they’re in a store, rather than just giving them a coupon because literally, somebody could stand at the front door and give them that coupon.

“You’ve got to give them something that’s worthwhile to them and things like being able to shop 24 hours a day, things like finding out where the product is in a store especially if you’ve got a larger store, are all very important ways to help the consumer.”

You have to double think about what you want beacons to do for you, explains Ian Law, Chief Information Officer at San Francisco International Airport. He believes that it is really easy to sit down and think of fifty things that beacon technology can do for you but advises that it’s really important to narrow that field to “the few things that you really, really want and then commit to going after those”.

It is clear that there are many different ways that retailers can use beacon technology – from data collection, providing information to customers or even using the devices as a payment mechanism – and this is what makes the technology so exciting. However, as these early adopters have shown, it is vital to focus in on just those few things that you really want to achieve, get the buy in from colleagues, especially those in-store, and go forward to test it out before launching the platform on a larger scale. 

“The key to being successful with beacons is context”

# Improving the in-store experience

Paul Skeldon, Editor, Mobile, Internet Retailing and self-confessed hater of shopping in store investigates how mobile can improve the in-store shopping experience.

**S**HOPPING IN shops is a horrible experience. It's crowded, the stock is at best patchy and should anyone really need to stand in a queue in the 21st Century? I hate it. And the reason I hate it is that I am so used to online shopping. Online, many of the best minds in retail have tweaked and reshaped the shopping experience and worked hard to make it easy. They have had great success with the checkout. Overall, it's a great experience.

But step into a real shop and all that is spectacularly defenestrated. No one has rethought the way shops work for nearly half a century and, 14 years into what to me when I was 12 was 'the future' we are still basically expected to shop like its 1954.

It's putting people off.

A UK Shopper Satisfaction Study by technology company Red Ant found that 43% of consumers believe in-store experiences are failing to keep up with the times, as online retail continues to become more intuitive and effective. A fifth of the 2,000 consumers surveyed turn to their own smartphone to answer questions rather than ask staff and 38% of them will leave a shop if they have waited fewer than three minutes for an assistant to return from a stock enquiry.

"Clearly the service experience on many of the UK's high streets is failing to meet consumer expectations," says Dan Mortimer, CEO of Red Ant. "Online commerce has evolved and improved significantly over the past five years, so it's perhaps unsurprising that in-store retail is starting to feel a bit underwhelming in comparison. Progressive retailers should be looking at ways that they can take the best of ecommerce, integrate it into in-store environments, and use it effectively to improve the customer experience."

Part of the problem is that consumers now have so much connected tech at their fingertips that their expectations are now sky-high when out and about. Smartphones and tablets are only the start. Smartwatches are here and soon we will see connected

jewellery and clothing in mass use and this is going to make the demands of the shopper greater than ever. The pressure is really on for retailers.

## MINI REVOLUTION

The answer to all these problems is, of course, this mobile technology itself. The store needs to bring in the best of the online world and combine it with what is still good with offline.

However, that is easier said than done. In fact, it is sort of a mini-revolution that needs to be addressed before the major overhaul of instigating omnichannel can be undertaken.

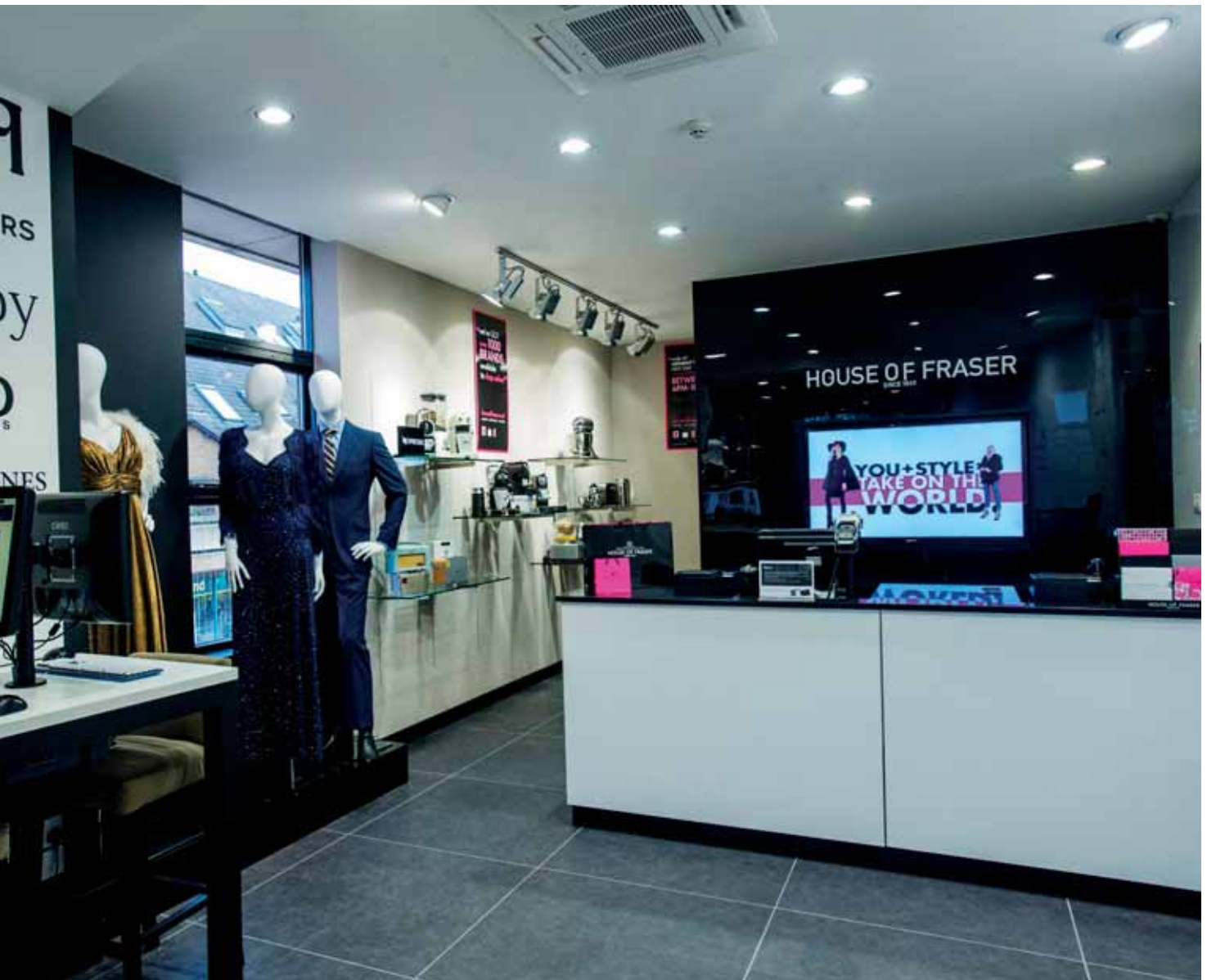
There are essentially two distinct facets to the revamp of the store: leveraging the existing propensity for consumers to use their mobiles in and around the bricks and mortar shop; and looking at how to use mobile tech to arm the staff to make them more effective. Oh, and there is the small issue of the networking technology needed to glue all this together, and the beacons, and the wifi to network hand-off. I told you: it's not simple.

So, what can be done to lure in the shoppers? Samsung believes it is all about creating theatre enabled by digital – certainly for attracting 'future shoppers' (or young people as we used to call them).

According to Samsung, 71% of 16 to 24 year olds find themselves in large retail environments at least once a fortnight, with two-thirds on the hunt for a specific item. The technologically confident, price-conscious future shopper frequently opts to make their final purchase online; and increasingly through their mobile phone.

The research found that shopping with a purchase in mind is largely a solitary activity for these young consumers, armed with a clear idea of what they want to buy and a certainty it is the right product for them. This comes as a result of extensive research before and during the shopping trip to ensure they're getting the best deal. Indeed, 44% will be searching for a better price online through their mobile device while they are in-store.

Clearly the service experience on many of the UK's high streets is failing to meet consumer expectations



More tellingly, Samsung also found that nearly half of those questioned said that they would actively choose to visit retailers who use technology to enhance the experience; citing both receiving discounts to their devices as they pass a retailer, and the opportunity to customise products they like while in-store, as equally exciting future developments. The research shows that combining a more compelling in-store experience with discounts, offers and convenience will make real world shopping stand out – for this age group at least.

#### **TECHNOLOGY FOR STAFF**

The other side of the coin in all this – and perhaps the one that really matters the most – is how to leverage technology to make shop staff better and more efficient. This is really what is

needed to revolutionise the in-store experience and again it revolves around mobile.

“In a world where digital technology is seen as a growing threat to traditional shops, how do retailers combat the online world and improve the in-store experience? One route they are looking at is empowering staff with the latest real-time information about customers. And many see emerging omnichannel portal technology as the way to achieve this,” says Stephen Stanton-Downes, Chief Operating Officer, Mvine.

“There are great opportunities here and a huge range of future applications. The overarching concept is that when a customer walks into the store, the sales assistant knows who they are, what they have previously bought and what sorts of products to offer.” ►

The challenges are huge though. According to a study by Imperial College for Red Ant of 17 major UK retailers, there is at best a vague understanding of what technology is available and how to implement it.

There is also the issue that staff need to be heavily retrained, not only in the use of the technology, but in a total rethink of their role within retail. Let's face it, the staff in the Apple Store are more than just glorified shelf-stackers – they are not only highly versed in the products, but also the services they offer are much deeper than 'I'll check if we have that in a medium'.

This can be problematic. The Imperial College/Red Ant study came across one leading women's underwear retailer – an early adopter of employee-facing mobile technology – which reported staff initially using their tablets as a "shield" and highlighted the importance of an "in-depth on-boarding programme".

The study did find however that retailers that have embraced in-store mobile technology show significant success, with a well-known consumer electronics brand stating: "It engages customers, enabling a much better demonstration of what a product is capable of doing and the functionality of a product... standing beside somebody and sharing something on an iPad, I think... the quality of contact is much higher".

Then there is the issue of staff churn. Investing in training staff in the use of high tech IT equipment and a deep understanding of your products is a time-consuming and costly affair. Shop staff in most brands are pretty peripatetic. It is easy to spend all that time and money for them to leave after a few months and take that knowledge away.

There are also security issues, warns Mvine's Downes. "The level of employee churn is traditionally high in the retail sector and temporary and part time workers are widely used. This presents security and provisioning issues," he says. "Every time a new employee joins the company, dozens of apps will need to be installed, each one requiring a different set of log-on credentials."

The test beds for this new approach to shopping are already taking shape. Samsung backed up the launch of its study with the roll out of a pop up shop in the Westfield Shopping Centre in West London, but other thought leaders in retail have gone further.

House of Fraser is trialling an "online shopping service and buy and collect point"


in a Caffè Nero coffee shop in the centre of Cambridge. The ground floor will have the look and feel of a Caffè Nero with the addition of House of Fraser tablet devices on tables and touch screens at key points, enabling customers to shop online whilst relaxing with a coffee.

The first floor will have a House of Fraser branded 'front of house' which will have the look and feel of a 'Buy & Collect' department, with till points for customer collections, product showcase, Order in Store terminals and a fitting room.

Following the successful launch of the new beacon mannequins in Aberdeen, House of Fraser will install the interactive mannequins at its Cambridge Fitzroy Street location, making this the most innovative digital House of Fraser store yet. The first floor will be staffed by House of Fraser offering personal customer service which is a key feature of the overall concept. Fitting rooms will also be provided so customers can try on items before taking them home.

"With a growing café culture and more customers shopping 'on the go' with mobile devices, we believe we're providing our customers with an innovative solution which meets the needs of today's busy consumer," says Andy Harding, Executive Director of Multi-Channel at House of Fraser. "This new concept will not only act as a hub for our online shoppers wishing to collect their orders but will also become a destination for new and existing customers who want to shop their favourite brands which may not be available in the area. Many customers will also enjoy the added benefit of having a personal shopper on hand for advice."

Simon Thomas, Head of Business Development at Caffè Nero, adds: "Our customers have always come to Caffè Nero to enjoy their coffee in a relaxed and friendly environment, and are increasingly passing their time whilst with us using our wifi or on their mobiles. The opportunity to provide added value and convenience by enabling them to shop online, and collect their items in store appeals and the evolution of our existing partnership with House of Fraser is an exciting one."

Is this the future of in-store retail? Well it is certainly one facet of it, but in reality the in-store experience requires a rethink not only in how to use technology, but in the very way people behave in shops. And this is perhaps more revolutionary than anyone yet fully appreciates. 

“Retailers that have embraced in-store mobile technology show significant success”

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# It's Better To Be Rich than Big

*Dan Hartveld, CTO, Red Ant, examines the big issue of data, analytics and mobile customers.*

**S**IR TIM Berners-Lee doesn't like Big Data. Speaking at London's IP Expo in October, the inventor of the World Wide Web was reviewing the first 25 years of the internet as we know it today. One of the key sections of Sir Tim's presentation focused on the exponential growth in personal information that is generated from users' interactions on the internet, and made clear his distaste for indiscriminately-gathered 'Big Data' used to target marketing communications.

Many organisations guilty of using Big Data in this way might disagree with Sir Tim's sentiments, but in fact he's quite right. Using data for purely marketing-related purposes is like using a supercomputer to help with your child's maths homework. Sure, it does the job, but it's a criminal waste of the technology's capabilities. Even worse, as Sir Tim points out, it's actually counter-productive, instilling unease in many consumers – especially the large proportion of people who are increasingly worried about privacy.

In a constantly competitive market, retailers must ensure that they do not alienate their

customers, and must demonstrate how any data they gather can actually improve their shopping experiences. It's a business imperative as much as it is an ethical duty, and nothing illustrates this better than the issue of mobile data.

Mobile gives retailers access to a wealth of data and analytics about customers and how they shop, from context specific individual understanding to broader persona behaviour. The problem is that many retailers don't realise that they are sitting on a huge untapped resource; even if they do, they may be prone to following Sir Tim's 'Big Data' pathway rather than using the information in a richer, more intelligent way.

Instead of focusing on marketing, the data and analytics from mobile can be used to improve all areas of the retail business, not just sales conversion of the ecommerce site. The benefit of these analytics is limited only by the imagination of the brand employing the technology, but there is an abundance of examples upon which retailers can base their own projects. These include gaining a better understanding of dwell and queue times in-store, and using this knowledge



to improve store layouts and staffing requirements at peak times, thus maximising sales and customer satisfaction.

Additionally, they can be employed to deliver much richer understanding of the entire purchase journey, giving a better idea of merchandising requirements – for example, analysis of product views online, combined with views-per-conversion metrics, enable stores to manage their inventory, stock and supply chain more efficiently.

There are broadly three approaches to deriving ‘rich’ insight about customers from mobile. Each brings its own insights but also considerations and restrictions. Because retailers cannot hope to track every data point, analytics cannot be an afterthought, bolted on to a retailers’ existing multichannel strategy. Knowledge of these three approaches is therefore critical to developing a data strategy that will bring real benefits to customers and retailers alike.

#### PASSIVE DATA GATHERING

The first approach is to gather data anonymously about users who may not even have chosen to interact with a retailer’s mobile presence directly. This is generally gathered by listening to and recording all of the requests and signals from mobile devices that come within the retailer’s range.

By recording this information, brands can track individuals that either walk past or enter a store, yielding metrics such as footfall, in-store conversion rates, dwell time, how many visitors check out, how many are repeat visitors, and how often they come. Because this data is anonymous, consumers do not have to give informed consent for the use of their information – unless, of course, they make a purchase or otherwise enter into a consensual agreement to share data.

Before mobile, even some of the most simple metrics like footfall in-store were difficult to measure accurately and in real-time. With this new wealth of in-store behavioural information we can start to treat real stores like we do our websites, using this data to build insights, make small iterative changes to how individual stores function, then assess the results and iterate again, all in a short period of time.

#### CONTEXT-SPECIFIC

Context-specific customer data is the data we can track about an individual known user,

usually by connecting analytics and sales information to a specific logged-in customer. This sort of data is opt-in and so typically involves the repeat customers who actively engage with your brand.

Because customers have given their consent, it enables retailers to derive rich data from social networks, interests, friends, how they use your sites and apps on different devices, previous orders, wishlists, recent product searches, and payment methods. This is in addition to all the passively-gathered data categories listed above.


This method provides retailers with the ‘Holy Grail’ of ecommerce for the past decade – the Single Customer View. Being able to connect all of the methods your customer uses to shop enables brands to provide the best context-sensitive and customer-aware service possible, including fast returns, relevant recommendations or promotions, and tailored VIP customer service.

Analysing mobile-specific services, where the same service is used in a wide variety of different mobile apps, enables retailers to target not only certain behavioural profiles but also to profile based on other apps your customers use. This data is not opt-in but does require them to use your mobile app, giving you a wider spectrum of users compared to customer data, but with more granular profiling than passive data.

Using cross-app mobile analytics gives brands the ability to track predicted interests (such as travel or fitness), estimated age and gender, and fit individual users into behavioural profiles.

Profiling users in this way increases understanding of customers and helps organisations to target their services both in-store and online to give higher customer satisfaction and relevance.

Of course, the benefits of adopting these methods won’t be fully realised unless there is a willingness to evolve and adapt any existing multichannel data strategy. Retailers unwilling to make the necessary changes to their strategy may well obtain some useful insight, however the most successful brands will be those that ask not “What information can we gather?” but rather “How can we improve the experience of the customer and our relationship with them?”

Modern mobile analytics provide the answer to the latter question; it remains only for retailers to decide how they can best employ the technology to that end. 

“Knowledge of these three approaches is therefore critical to developing a data strategy”

# Winning the payments saga

One of the most vexing questions in retail right now is mobile payments. It has been hovering around like a bad smell for some time, and the launch of Apple Pay this autumn and the announcement that Zapp now has most major UK retailers on board only seeks to stoke things up further. *Paul Skeldon* investigates the latest developments.



**T**HE REALITY is that we are no nearer mobile payments in any real sense in retail than we were this time last year – I still can't go into a shop and whip out my mobile to pay for stuff.

The hoopla surrounding Apple Pay however has focussed people's minds on mobile payment in retail and, while we won't be seeing it in action in the UK or Europe for quite

some time, it could well be the spark that lights the fire. Apple has form with doing that.

"Consumers and leading retailers will adopt Apple's unique combo of per-transaction security and fingerprint ID," believes Nate Elliot at Forrester Research in the US. "For now, 90% of point-of-sale terminals and 59% of smartphone owners can't use Apple Pay. However, Apple Pay will reshape the market and merchants should plan for growth as Apple's competitors respond," he warns.

The key thing about mobile payments is whether anyone wants them. The consumer hunger appears to be there. A McKinsey study into mobile payments carried out in late 2013 found that 37% of consumers it surveyed thought it highly likely that they would be using mobile to pay for stuff in store by 2018; 35% thought it likely.

More recently, a Deloitte study found that 72% of people have used a mobile in store and that 50% of those would use it to pay. And PayPal research finds that 32% of people would rather lose their wallet than their phone. Whether this proves they want to use mobile to pay is a moot point: but it does show that the mobile is now considered to be the device of choice for getting through your day.

"For us mobile as a payment tool is already a reality," says Rob Harper, Director and Head of Retail Services for PayPal UK and Ireland. "A fifth of our transactions are already on mobile. Consumers use mobile payments already."

## RETAILER BUY-IN

What of retailer buy in to mobile payments? The agreement between Zapp and a host of major UK retailers to start using the nascent mobile payment technology shows how retailers are keen to embrace mobile as a payment tool, because it is what their customers want.

"We know that the way that our customers shop is changing and we're always looking

at new and innovative ways to improve the experience,” says Jon Rudoe, Digital and Technology Director at Sainsbury’s. We’re one of the first retailers to sign up to Zapp to give our customers a quick, secure and convenient option to pay – both online and at the till.”

This is echoed by Paul Fielding, Group Treasurer of Asda, who says: “Our customers want to have choice, not only of what they buy but how they buy it, and Zapp will represent a fantastic addition to our payment options.”

And Shop Direct’s Group E-commerce Director Jonathan Wall expresses similar sentiments when he says “Shop Direct are excited to be working with Zapp to make it easy for our customers to pay their accounts online and shop with our brands. Mobile payments are a key area of innovation for us and Zapp are definitely one of the winners in this area”.

So, with retailer and consumer buy-in in place we should start to see a raft of mobile payments tools start to arrive across retail. Apple in the US will no doubt offer some insight into uptake in the run up to Christmas, and then through 2015 we will see a plethora of mobile payment tools burst through into mainstream use.

However, this could well be the problem: the plethora of payment tools. There are so many proposed payment tools out there, using everything from NFC to Bluetooth, to PayPal, to the web, to text, to stored value cards, to wallets that no-one can really see how this is going to play out.

Consumers will start to gravitate towards the technologies that suit what they do and that are easiest to use, but retailers can’t afford to sit and wait for that to happen. Retailers need to take a punt on the technologies they think are going to be the chosen ones. Get it right and all is well. Get it wrong and you are in a bit of a pickle.

Perhaps the payments aren’t the real issue here: perhaps it is not so much about the type of mobile payment technology that you offer, but what you do with it.

“We believe it’s not just about mobile payments,” says PayPal’s Harper. “You have to look at the additional benefits that you can add into the payment process that makes it compelling to use. You have to understand user preferences, loyalty and what people are doing to add real value.”

Harper also believes that this is really driving m-payments: “it is about adding time benefits to consumers,” he says. “The key is taking the

## HANGING ON THE TELEPHONE

Charging for things on the mobile phone bill used to be the preserve of dodgy chat lines, horoscopes and tarot readings and, latterly, voting on TV ‘talent’ shows. But this is all set to change thanks to the pioneering work of payments company Boku, which has managed to create the ability to charge for real world goods straight to the mobile phone bill using nothing more complicated than a text message.

This ‘carrier billing’ offering is revolutionary as it starts to make micropayments – things under £30 – quick and easy to do and could see a new tier emerge in how people pay for, say, their daily paper or a pint of milk. Instead of Apple Pay being the arbiter of all things m-payments, this could mark the start of the m-payments revolution.

So how does it work? Prior to this initiative, carrier billing in Europe has operated under an exemption to the European Union’s Payment Services Directive (PSD), which was originally designed to facilitate the purchase of mobile wallpapers and ringtones and limited carrier billing purchases to digital content.

By combining e-Money with the convenience of charging purchases to your phone bill, Boku is revolutionizing the carrier billing industry by launching a fully regulated payment product that provides a carrier billing solution that can be used for the purchase of all types of goods and services, including all sectors of ecommerce (subject to compliance with the local regulatory framework). It also offers a clear regulatory framework offering superior levels of protection to consumers and merchants

Boku is partnering with O2, EE, and Vodafone in the UK, with plans to extend the solution to other major MNOs. Partners selling magazines and bus tickets have already signed up to use the Boku e-Money solution and the programme will soon be extended to a range of real world goods and services.


This isn’t all that is happening in the carrier billing space. For many years there has been a payment technology called Payforit that uses the mobile phone bill to charge for things. Now in its fifth iteration, Payforit has a simple user journey and some clear branding. It has started to find its way into games apps for in-app purchases and is being used for quasi-physical purchases such as wifi time on Virgin Trains and could soon be used to pay for car parking.

The move by Boku to bring about the use of carrier billing for physical goods is likely to make the case for Payforit even stronger. With other companies in the space looking to add carrier payments technology to Twitter, and with O2 customers already using it to pay for iTunes in the UK and Amazon purchases in Germany, carrier billing’s time may have come. This could well be one to watch for the savvy retailer.

“The key is taking the friction out of the whole shopping process”

friction out of the whole shopping process, not just about making payments easy.”

This is something that Zapp too has been keen to acknowledge. It styles itself as not only making it easy to pay online or in store using mobile, but it also helps consumers manage their finances, as it shows them balances, let’s them chose the account from which the payment is made and so on. Already it is trying to claim to be more than just about payments.

This is how m-payments is likely to evolve. The early adopters will revel in tapping to pay or using Zapp or even carrier billing, but it will be the combination of payments, loyalty and a rethink of how shops are designed that will really swing it. When this happens, however, is anyone’s guess. 

# Insight around the world



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

Last month, the French ecommerce federation (Fevad) revealed that internet sales continued to rise in the second quarter of 2014.

Ecommerce turnover grew by 10.5% in the second quarter to €13.3bn against the €12.1bn level in the second quarter of 2013. For comparison, the turnover for the whole 12 months of 2006 was €11.6bn.

The number of transactions has meanwhile increased by 13.5% during the period. Meanwhile, the average basket amount continued its previous fall. It reached €82, down 3% year on year, more than offset by the increase of purchase frequency (+7% compared to the second quarter of 2013). The average amount spent per buyer also grew to €488 (€472 at the same time period of 2013). Furthermore, since the beginning of the year, the number of frequent buyers increased by 6%.

Ecommerce's share of total retail sales also continued to grow by about one percentage point every year mainly due to the increase in the number of buyers and frequency of purchasing. Internet sales represented 8% of total food retail in 2013.

This growth may also find its reason in the fact that French shoppers also benefit from an increasingly wide range of online offers with 147,200 active merchant sites (+15% in one year). By the end of this year, there should be around 160,000 ecommerce sites in France.

The IPM Index indicates that sales made on marketplaces rose by 36% in the second quarter compared to the second quarter of 2013. Sales on marketplaces now exceed 20% of the total online sales figure with their share having doubled in two years.

Finally, sales on mobile devices grew by 52% in the second quarter of 2014 compared to the second quarter of 2013.



## **SARAH QUINLAN, GROUP HEAD AND SENIOR VICE PRESIDENT, MASTERCARD ADVISORS**

Recent data from MasterCard Advisors' SpendingPulse, a macro-economic report tracking retail sales, reveals just how much of an opportunity there is for ecommerce retailers in both the UK and the US.

Ecommerce retail sales continue to outpace the high street – growing double digits in both the US and the UK over last year. Ecommerce now accounts for 5.7% of total retail sales in the US and is continuing to grow double digits even during the summer months. Yet many UK retailers are concerned they are not taking advantage of online sales opportunities, especially in the large US market. I've got four pieces of advice for UK retailers looking to break the US market:

1. Bricks and Mortar do still matter a lot in the US – ecommerce is growing rapidly but not yet disrupting the High Street to the extent that many believe.
2. Given this, retailers need to learn how to use their online store as a content delivery platform for the consumer. One of the biggest trends is that consumers love experiences, and shopping is one of these. Retailers need to make their online store as engaging and entertaining as possible.
3. Despite sluggish total sales growth for all channels, US department stores' ecommerce sales have grown well above total retail sales' ecommerce growth. The jewellery sector has also had very strong ecommerce growth. Both of these sectors have relatively low ecommerce penetration overall though. So, it represents an opportunity for UK retailers in those sectors to go after the clients who have traditionally shopped in those sectors.
4. Sharpen up your m-commerce, especially at point of sale. Some 52% of online shopping is now done from smartphone or tablet devices and 33% of customers will abandon a transaction if it is not mobile optimised. Mobile is only set to grow and should be central to all retailers' online presence.

**QUSAI SARRAF, CEO, IVIS GROUP**

Ecommerce has grown slowly within the Malaysian market and research estimates that by 2016, only 1.4% of retail in the country will be online. This forecast probably stems from the outdated view that Malaysia is not ready for online retail. In truth, the journey has just begun and has huge potential. Recent developments, including Rocket Internet, one of the world's largest ecommerce firms investing in Malaysia with its Zalora fashion market, plus the huge success of AirAsia, a purely web-based budget airline, all point to Malaysia's market growing.

B2C sites in Malaysia are used mainly for marketing and branding. Many are missing fundamental building blocks – customer insights, clear and consistent brand values and a smooth customer experience. Many retailers and brands are still cautious of credit card fraud and the inability to allow customers to touch, feel or try on products. They also fear that the internet will cannibalise their bricks and mortar business.

Malaysian retailers need to embrace the opportunities afforded by integrating both online and physical stores to enhance the customer journey. The store will be part of the brand experience, rather than the experience in its entirety. We've seen a number of failed attempts by various Malaysian government agencies to kick-start online retail, but the country's consumers are waiting for retailers to take the channel seriously and develop value propositions of interest.

Malaysia's diverse society and political stability make it a key demographic to target in South East Asia. The region has a very high percentage of bloggers, while social network use is widespread and often critical to purchase decisions. The country lags behind China in terms of market maturity, in that it's still driven by price. A combination of price, mobile commerce and social networks will be crucial for differentiation.

**PATRICK FOOT, FINANCIAL MARKETS WRITER, IG.COM**

After months of escalating speculation, hype and scrutiny Alibaba finally floated on the New York Stock Exchange (NYSE) in September. In the weeks since, the clamour from traders, journalists and commentators has died down and Alibaba has begun to resemble a 'normal' public company.

In the end, the IPO itself did not disappoint. IG's grey market, which predicted a final market cap in excess of \$200bn months before the actual day, was proved correct and Alibaba's shares shot above their original price of \$68. It closed at \$93.89 on day one, giving the company a value of \$230bn and earning them \$25bn in the process – a new record.

At the time, that placed it firmly in the top ten companies on the NYSE. It has since slipped around 8% in value and to around 12th place, but is still worth more than the likes of Coca Cola, Bank of America and the Walt Disney Company. And, indeed, more than both Amazon and eBay put together (though at the time of writing it was fairly hard to call, with Amazon and eBay worth \$210m and Alibaba \$217m).

The success of Alibaba's IPO has led many to fear an impending expansion into America and beyond. Whilst that would certainly spell trouble for western companies – Alibaba's wealth and experience in the space is considerable – during a recent interview in the US, Jack Ma appeared to signal a different tack for expansion. Noting that poor traditional commerce in China was the reason for his stunning success, Mr Ma saw emerging economies as the way forward for the business.

Perhaps that is why eBay has seen some strong growth during Alibaba's short time on the markets, rising almost as much as the Chinese company has fallen. It has done little for Amazon, however, whose poor year on the markets has continued: they are now around 20% down from 1 January.

Alibaba's arrival shook up the financial markets. In time, we will see how keenly its effects are felt elsewhere.

# And the future is...

From convergence to innovation, analytics and transformation at scale, the InternetRetailing Conference brought together speakers from ‘traditional’ retail companies, travel, brands and publishing to debate the future of retailing.

**T**RANSFORMATION AND innovation were the key themes for October’s InternetRetailing Conference with the Oculus Rift and Google Glass being the gadgets on display to show how shopping could develop in the future.

Andy Harding, Executive Director, Multichannel at House of Fraser referred to the Oculus Rift as “game changing” and urged delegates to go and try it out.

Exploring the re-foundation theme of the conference, he explained how House of Fraser had rebuilt its online business by putting responsive, mobile design first. This had not only benefitted mobile customers but those using the website, since the design was now clearer. The financial payoff, he said, was also clear: where customers who only used the store spent an index value of 2.5, those who only used the website spent an index value of 1.5, but those who used store and website spent an index value of 6, and those who added mobile to store and website spent an index value of 8.

“The voice of the customer is telling us that home delivery is not convenient... Collection is also not convenient for everyone.”

Delivery “is a key battleground, we believe, and next year we’ll be launching even more options,” said Harding.

Looking to an “unpredictable” future, he said that change would come in the areas of payments, with the launch of Apple Pay and Apple’s NFC enabled phones. RFID tagging would also become “commonplace” in coming years and another change will come from the Internet of Things. “I think everyone should be making investment into insight and data management,” said Harding, who also cited wearable technology as an emerging influence.

Fellow keynote speaker, Mark Lewis, Director of Online at John Lewis, also looked to the future while highlighting how the retailer is



transforming in line with its omnichannel plans. “The way we shop is set to change more in the next five years than anything we’ve seen so far,” he said.

Looking ahead, he said delivery, data and changing customer behaviour would drive change in the business.

## **RELEVANT, FAST & SIMPLE**

Speed has also been a key part of Zalando’s growth success as Jérôme Cochet, Senior Vice President Sales at Zalando explained how the German retailer has moved into 15 markets since its launch in 2006. Some of those markets were obvious choices for the company but one thing that has been key to its international success is “localisation”.

“You can only build a great brand if you’re relevant and if you communicate correctly. The communication needs to be tailored to local consumers’ taste. If you want to be fast you need to capture demand locally. Online for us is like a high street with a lot of traffic but you need to capture this traffic,” said Cochet.

Answers, he explained, came through setting up buying and marketing teams centrally but boosting them through local buying offices and local language marketing specialists.

Talking about the transformation that Marks & Spencer has undergone, David Walmsley, Director of M&S.com told delegates how technology is the easy bit. “It’s getting the right people that’s the challenge.”

Multichannel is now in the company’s dna, said Walmsley as he explained how the business is fit for the future. It’s one in which he sees the in-house coders as being the



powerbase of what the company does going forward. “Retail is about analytics and code,” he said.

He believes that retailers should all have digital labs: “If you’re a retailer, why wouldn’t you?” he said.

He did say though that when it comes to mixing content and commerce M&S doesn’t have it right and that it is still working on optimising the journey.

David Walmsley wasn’t the only speaker to talk about mixing content and commerce. Publisher Condé Nast International will next year start to use ecommerce to sell goods to readers of its magazines. The publisher’s titles, which include Vogue, GQ, Wired and The New Yorker, are sold in more than 30 countries, with digital editions that attract almost 250 million users a month.

“What publishing companies have tried to do for the past three to four years is to find a way of bridging the gap between content and commerce,” Franck Zayan, President of E-Commerce at Condé Nast International told delegates.

“If you open any of those magazines, for page after page it basically talks about products. It does it in a very specific way – you don’t see a catalogue of products when you read Vogue but you do see the entertainment pertaining to the product and the purchase. Basically you see the magic behind the product.

“What Condé Nast has decided recently is to really make that connection with product by building a commerce division.” He added: “The reason why content and commerce are coming closer together is because creating a relationship with customers just on a catalogue of products does not make sense anymore.”

### TRANSFORMING TRAVEL

Digital is transforming all industries and commerce is pushing boundaries not only in ‘traditional’ retail companies but also across



service industries and travel.

P&O Ferries launched its first cross-channel website in the week following the conference. Its Chief Information Officer Chris Cook explained to delegates how the ferry company has replaced a seven-year-old website supported by 30-year-old legacy systems, that handle pricing, inventory and port information. The new site initially went live in Germany before later launching in the UK.


Cook told IRC 2014: “We learned from retail best practice, although we’re a travel company. We looked at what retailers were doing, and learned from their strategic best practice to build a seamless cross-channel customer experience.”

Thomas Cook meanwhile is looking at how people behave across the internet and the implications of how they interact with digital devices. Google Glass in the form of sunglasses, for example, will allow holidaymakers to find out about a person, their tweets and Facebook profile before talking to them.

Everything is becoming more social and while tablets have been a serious disruptor for Thomas Cook, “the biggest disruptor of all is mum,” said John Straw, Chairman of Thomas Cook’s Digital Advisory Board.

With their smart devices, everyone in the family can play a part in choosing if a holiday is right for the family: is this holiday what it says it is; is it right for me; is it offering good value for money?

When booking holidays people are wanting to trust the information they receive about a resort or a hotel so technology, such as the Oculus Rift will for the first time, allow you to see what you will get before you get there, explained Straw. “The Oculus Rift is the most disruptive innovation in retail travel,” he said. Games, such as Call of Duty are compelling and the Oculus Rift offers a fully immersive experience. “It wouldn’t surprise me if Facebook [which paid £2bn for the technology] subsidises it to get into every home.”

Many of the presentations from IRC 2014 are now available to view online at <http://etail.li/IRC14videos>. 

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