




# Internet Retailing

VOLUME 9 | ISSUE 1 | SEPTEMBER 2014



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like it,  
take it away  
TODAY!

## B&Q: UPGRADING A LEADER

Mike Durbridge, Omni Channel Director at B&Q,  
on systems and operational transformation

### INSIDE OUR 'UNDERPINNINGS' EDITION:

- RETAIL REVIEW: GOOGLE PLAY P21
- THE WEAKEST LINK P39
- COLLECTING CRITICAL MASS P47
- WELCOME TO THE WIRELESS NATION P57

NEXT FROM INTERNET RETAILING

 **Internet Retailing**  
Conference

Sponsored by  demandware

14th October 2014, Novotel, Hammersmith, London

Full details at [internetretailingconference.com](http://internetretailingconference.com)

# AGENDA

## KEYNOTES

09.00 Chairman's Introduction - Ian Jindal, Editor-in-Chief, Internet Retailing

09.10 Keynote - Mark Lewis, Online Director, John Lewis

09.40 Keynote - Andy Harding, Executive Director, Multi Channel, House of Fraser

10.10 Keynote - Jérôme Cochet, Senior Vice President Sales, Zalando

Track 1

## TIDE

### 11.20 - Chairman's Introduction

Mike Baxter, Managing Director, Sales Logiq

### 11.20 - 11.50 - Growing through technology

Jason Miller, Co-founder, Motorcycle Superstore and Evangelist, SLI Systems

### 11.55 - 12.25 - Keeping true to your core

Tom Kay, Founder, Finisterre

### 12.30 - 13.00 - Maximising the Click, Collect, Deliver Opportunity

Simon Belsham, Managing Director, Tesco Grocery Home Shopping

### 13.00 - 14.00 - LUNCH

### 14.00 - 14.30 - Phones 4U - Boundary-less commerce in an omnichannel world

Gary Ellwood, Head of IT Strategy, Architecture & Solutions, Phones4u

### 14.35 - 15.15 - Panel Discussion: Are big data blind spots leaving you vulnerable to customer turn off?

Mike Bishop, MD, Rakuten's Play.com

Fred Prego, Insight and Reward Director, Game

Sarah McVittie, Co-founder, Dressipi

Simon Langthorne, Customer Loyalty Manager, Homebase

### 15.15 - 15.55 - BREAK

### 15.55 - 16.25 - Seamlessly integrating the inspirational and transactional journeys

Robin Phillips, Director eCommerce, Waitrose

### 16.30 - 17.00 - Closing keynote: The Considered Journey

John Straw, Chairman of the Digital Advisory Board, Thomas Cook

Track 2

## TIME

### 11.20 - Chairman's Introduction

Emma Robertson, Managing Director, Transform

### 11.20 - 11.50 - Inspiring creativity online paints a rosy picture for Winsor & Newton

Fleur Meurer-van Heek, Head of Ecommerce, ColArt

James Candy, Business Development Director, Red Technology Solutions

### 11.55 - 12.25 - Maximising the customer experience by synchronising digital and physical worlds

Mike Curbridge, Omni Channel Director, B&Q

### 12.30 - 13.00 - Digital innovation at Sainsbury's

Jon Rudoe, Digital and Technology Director, Sainsbury's

### 13.00 - 14.00 - LUNCH

### 14.00 - 14.30 - Multichannel success is about meeting the challenge of constant change - Ready for that?

Michael Mokhberi, CEO, Apptus

### 14.35 - 15.15 - Panel Discussion - How far can delivery and returns choice take retail and courier margins and markets?

Peter Loudon, Chief Operating Officer, Duddle

Chris Haighton, Head of Retail Logistics, Shop Direct

Walter Blackwood, Director of Logistics, Mothercare

Andrew Starkey, Head of e-Logistics, IMRG

### 15.15 - 15.55 - BREAK

### 15.55 - 16.25 - Transformation at scale: The M&S digital story

David Walmsley, Director M&S.com, Marks & Spencer

### 16.30 - 17.00 - Closing keynote: Blurring the lines of retail

Franck Zayan, President of E-Commerce, Condé Nast International

Track 3

## PLACE

### 11.20 - Chairman's Introduction

Marco Vergani, Vice President and General Manager, Digital River

### 11.20 - 11.50 - Thriving in the new digital economy by regaining ownership of the customer connection

Chantal Restivo-Alessi, Chief Digital Officer, HarperCollins Publishers Worldwide introduced by Marco Vergani, VP and General Manager, Digital River

### 11.55 - 12.25 - The store of the future is everywhere

Valérie Dassier, e-Business, CRM and Customer Service Director, Comptoir des Cotonniers and Françoise Cousin, E-business Projects Manager, Fast Retailing

### 12.30 - 13.00 - Revealed: the Internet Retailing Top 500

Ian Jindal, Editor-in-Chief, Internet Retailing

### 13.00 - 14.00 - LUNCH

### 14.00 - 14.30 - The where, why and how of online international expansion

James Cronin, VP Software Engineering, NetSuite

### 14.35 - 15.15 - Panel Discussion: Mobile

Gina Deeble, Director Multi-channel Planning & Commerce (UK), QVC  
Mark Cody, Senior Group Marketing Manager - Mobile, Tesco  
Claire Davenport, Managing Director, VoucherCodes.co.uk  
Matt Cohan, Online Product Director, Photobox

### 15.15 - 15.55 - BREAK

### 15.55 - 16.25 - Managing complexity for a seamless experience

Harriet Williams, Group Multichannel Director, Labelux

### 16.30 - 17.00 - Closing keynote: Anytime, Anywhere

Mark Elkins, Vice President, Digital Sales & Marketing, Coca Cola Enterprises  
James Eadie, Integrated Marketing Communications Director, Coca-Cola North West Europe & Nordics



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# SPEAKERS :



## FREE TO ATTEND WORKSHOPS



TIME: 11.20  
**Workshop 1 – Out with the old, in with the new?**  
 Has the time come to replace your legacy?



TIME: 11.20  
**Workshop 2 – Selling Sustainability**



TIME: 11.20  
**Workshop 3 – Sell globally, merchandise locally –**  
 content production for international commerce



TIME: 11.20  
**Workshop 4 – Conquer the world of retail workshop:**  
 identify how to use payment optimisation strategies to convert global shoppers



TIME: 11.20  
**Workshop 5 – Visual Merchandising Online –**  
 Best fit tools and best practice techniques.



TIME: 14.00  
**Workshop 6 – A practical step by step guide:**  
 achieving profitable growth in cross border eCommerce



TIME: 14.00  
**Workshop 7 – How to reach your customers:**  
 why content lies at the heart of modern-day multichannel commerce



TIME: 14.00  
**Workshop 8 – Becoming a global digital retailer**



TIME: 14.00  
**Workshop 9 – Personalisation: From Theory to Practice**

## TWO WAYS TO ATTEND:

### 1 DELEGATE LEVEL

– access all keynotes, all conference tracks, workshops and display area. Includes all food and beverage during the day and post event cocktail party.

### 2 VISITOR LEVEL

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John Lewis



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Andy Harding, Executive  
Director, Multi Channel,  
House of Fraser



zalando

Jérôme Cochet, Senior Vice  
President Sales, Zalando

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# Contents

VOLUME 9 | ISSUE 1 | SEPTEMBER 2014

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## 06 FRONT MATTER

The shorts that get you noticed. Analysis of the key announcements affecting internet retailing, in store and mobile.

## 10 B&Q

How has the market shaped up since 11 August 1994 when the world's first secure ecommerce transaction took place?

## 16 DASHBOARD

11 August 2014 marked 20 years since the world's first secure ecommerce transaction took place. How has the market shaped up since then?



## 21 RETAIL REVIEW

One retailer, four angles. Our team of experts reviews Google Play.

## 23 COMMENT

Ian Jindal, IR's Editor-in-Chief, considers the latest musings in the retail sector.

## 26 NOW & NEXT

Find out all of the information on the retail leaders speaking at the ninth Internet Retailing Conference being held in London on 14 October.

## 35 INTERNET RETAILING

IT, Logistics, Supply Chain and Operations form the foundations of retail enabling the business to deliver on the promises that marketers make. Internet Retailing looks at the challenges and best practise that are underpinning the retail industry.

## 47 INTERNET RETAILING IN STORE

Craig Sears-Black of Manhattan Associates explains why the supply chain heralds the dawn of profitable retail while Penelope Ody investigates the sustainability of the store collection model.

## 57 MOBILE

Some 52% of traffic to retailer websites now comes from smartphones and tablets. Paul Skeldon investigates this retail tipping point while Paul Hellings of Arquiva asks these connected shoppers about their expectations of the growing wireless nation.

## 64 INSIGHT

Insight into retail in China, UAE, Poland and Russia.

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# Editor's comment



2014 IS turning into a year of IPOs for retail as the new breed of pureplays lists on various stock exchanges around the world. White goods retailer AO.com listed in the UK, while German shoes-to-fashion retailer Zalando will raise equity on the Frankfurt stock exchange in the near future. Started in 2006 as a replica of the now Amazon-owned US pureplay Zappos, the German retailer announced its profitable status this year. The big IPO this year will be Chinese marketplace Alibaba, which will list this month in the US. In the meantime, House of Fraser has been bought by China's leading department store Nanjing Xinjiekou. Retailing really is international now and the UK and USA don't hold the leader's reigns in the online market, especially when it's so easy for shoppers to browse and purchase across borders.

While money is at centre of retail, it is Logistics, IT and Operations that underpin day-to-day trading. In this issue of Internet Retailing we take a look at the challenges, best practise and innovations that are underpinning retail.

Mike Durbridge, Omni Channel Director at B&Q features on the front cover and our main interview this issue. I spoke to him about the new B&Q site – diy.com – and the major transformation of systems and operations that B&Q is going through and how it is spearheading Kingfisher-wide change. "Anything omnichannel is not a straight line. It's more like a jigsaw," he comments.

Logistics is becoming an area

of differentiation with shoppers wanting their purchases delivered in a way and to a location that suits them. Lewis Marston, CEO, Rocket Consulting, looks at the issue of customer experience while Qusai Sarraf, CEO of IVIS Group, looks at the implications of customer-centricity.

The store though has become a major factor in edelivery with the rise of fulfilment from store and click and collect. If you already have unified stock and have integrated legacy systems Craig Sears-Black, UK Managing Director of Manhattan Associates explains how to turn that into a genuine differentiator and source of increased profit. I won't give the game away but one retailer saw a 23% uplift in sales – in the first week.

Penelope Ody investigates the impact that click and collect is having on stores and whether the store-collection model is sustainable. In theory, it's a win-win for customers and retailers alike but if retailers are having problems now with the number of parcels coming into store, requiring storage space and queues of customers wanting to collect all together at lunchtime, then the next couple of months, as we approach the Christmas peak will only make things worse. Even if it takes just two minutes to retrieve and hand over a parcel to a customer, 400 parcels will take 13 hours or so of staff time to process! That's without any time to sort the parcels when they come into store, place on designated racks or log location details at the start of the day. Will sales assistants become full-time parcel shifters?

Mobile too is changing the store environment, high street and shopping centres. How many shoppers walk around with their heads tilted, thumbs poised and mobile device in hand? Some 52% of traffic to retail sites is coming not from PCs and desktops but from smartphones and tablets. While this is widely considered to be a tipping point for retail, it means that more people are buying tablets these days than PCs – something we knew back in 2012, comments Paul Skeldon.

The majority of purchases are still made in shops rather than online but has the time come when shoppers are becoming dissatisfied and the in store experience has been surpassed by the digital one? You only need to look at Apple's stores to see how mobile can be used to transform how retail in the real world works. Paul believes that this is the real m-retailing revolution and it is time that retailers mobilised their 'troops'.

Mobile is just one of the topics being covered at the Internet Retailing Conference which is taking place on 14 October. Come along and find out how leading retailers including House of Fraser, John Lewis and Tesco are transforming for the omnichannel future and what the pureplays such as Zalando are doing to remain in the leadership group.

The IR team look forward to seeing you there.

Emma Herrod  
Editor



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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).

## AMAZON CONTINUES TO INNOVATE

Amazon has bought live video streaming Twitch Interactive for \$970m (£585m). The retailer and entertainment giant put the emphasis on the two organisations' common focus on the customer among its reasons for the acquisition.

More than a million gamers, professional players, publishers, developers and others used the live video platform to produce content in July alone. That content was viewed by more than 55m unique visitors.

Amazon's Chief Executive and Founder Jeff Bezos says Twitch's approach to customers in the gaming sphere is like its own in retail – and beyond. The move marks a further step into gaming for the retailer, which has moved from pure retailing into entertainment in recent years with acquisitions such as that of Lovefilm in the UK, now the foundation of the Amazon Instant Video service.

Meanwhile, Amazon has unveiled a marketplace where customers can buy on demand 3D printed products from jewellery to home décor, and says the move represents a significant shift in the way people shop online.

Amazon's 3D Printed Products store, available from its US website, currently stocks more than 200 print on-demand products. Customers can personalise many of them by colour, material, size and by adding text and images, rotating the

image by 360 degrees to check their work. Once they've settled on and paid for their final version, it is 3D printed by a manufacturer and sent direct to the customer.

Petra Schindler-Carter, director for Amazon Marketplace Sales, said: "The introduction of our 3D Printed Products store suggests the beginnings of a shift in online retail – that manufacturing can be more nimble to provide an immersive customer experience.

Meanwhile, its Twitter initiative, the #AmazonBasket hashtag, has helped to lift its following on the social media platform, new research suggests.

When Amazon Twitter followers tweet a named product and use the #AmazonBasket hashtag, the item is automatically added to their Amazon shopping basket. The innovation was launched in June.

Now eDigitalResearch, which compiles a six-monthly snapshot of social media activity in the UK, the Social Media Benchmark Retail, has found the company added 141,940 new Twitter followers in the first six months of the year, growth of 144.26%, taking it up nine places to ninth place in its Twitter league. That's a bigger gain than any other retailer in the league, and one that the researcher links to the launch of Twitter initiative.

## GAME POSTS 30% RISE

Game Digital has unveiled a 30% rise in sales in its last financial year, and said its digital market share was growing fast.

The multichannel retailer, which traded as a publicly listed company for the last six weeks of the year to July 26, said both its UK and Spanish businesses had gained market share during the year.

The results come more than two years after the video gaming retailer went into administration. Since then the company has been through a turnaround process that puts digital at the heart of its strategy.

In a year-end trading statement, the company said that "investment in the group's digital content platform drove a strong digital market share through in-store and online sales."

It said such investment in improving its omnichannel offer, from its in-store experience and website to its mobile site and app, would continue.

Martyn Gibbs, Game Digital Chief Executive Officer, said: "Our consistent focus on improving the Group's specialist customer proposition has delivered a strong performance and positions the business well for the future.

"We have great new physical and digital games being launched in the coming months and are working closely with our supplier partners to provide early trials, exclusives, deals and new and exciting ways to pay for all our gaming communities around the UK and Spain."

## RAKUTEN STREAMLINES ITS GLOBAL MARKETPLACES

Rakuten is to launch a new UK website this October as it moves all its marketplace businesses onto one global platform.

Play.com, which Rakuten bought to enter the UK market in 2011, will trade until the end of 2014 and then close by March 2015. Retailers selling on Play.com can register their interest in joining the new marketplace, which will mean signing up for a new monthly plan ahead of a transition to the new site, either through Play.com or on the Rakuten.co.uk site.

In a statement, Rakuten Group said: "The global ecommerce Marketplace platform creates enormous benefits to retailers and customers alike as they gain access to global marketplace products and customers plus all the advantages that a single platform brings.

"As a result, Rakuten has accelerated the move to the global platform in its European subsidiaries with the launch of Rakuten.co.uk in October this year. This is hugely exciting, and will strongly support future growth of the marketplace model and Rakuten within the UK and Europe."

Rakuten says the new site will offer retailers benefits including the ability to personalise stores, create exclusive offers, and offer the Rakuten Superpoints loyalty scheme. There will also be merchant training and the chance to work with Rakuten's social media team.

Meanwhile, Rakuten says customers will be able to collect points, buy from hundreds of unique merchants across the world, and find original and unique items from creative small businesses.



## DIXONS CARPHONE MARKS MERGER COMPLETION WITH SEVEN COMBINED STORES

Dixons Carphone has opened its first seven combined shops, as the companies that were previously Carphone Warehouse and Dixons mark their first day's trading as a merged business.

The two companies previously said their merger, first announced in May and approved by shareholders in July, would create a multichannel leader in the sale of new connected products while also bringing advice, connectivity and services to bear in helping customers get the most out of the technology they use.

Sebastian James, Group Chief Executive of Dixons Carphone, said: "Today [7 August] is a big day: our shares officially start trading on the stock exchange and we are off to a flying start with the opening of our first seven combined shops.

"Customers using the Currys, PC World and Carphone Warehouse websites will be guided to the right place to buy from the whole range that we have to offer together, from a toaster to the latest smartphone.

"Our offices now proudly show our new combined identity and up and down the country we are delivering a clear message to our teams and to our customers: we are one."

He said today's shop launches were "testament to the excitement, enthusiasm and incredible hard work" of its teams. "If this is what we can achieve on the first day, then the days to come should be very exciting indeed."

James added: "We're creating an organisation for the future where the products are just the beginning. We will not only help customers to access the technology and the connectivity that is right for them but also find the expertise and services that bring them to life – the first and best company to offer this complete end-to-end proposition."

Sebastian James, former Dixons Chief Executive, takes the same role in the merged company and Andrew Harrison, previously Chief Executive of Carphone Warehouse is now Deputy Chief Executive. Sir Charles Dunstone, Co-founder of Carphone Warehouse, is Chairman of the new company.

## ZALANDO FLASHES IN THE UK

German shoes-to-fashion retailer Zalando has confirmed plans for an initial public offering later this year. The company anticipates offering 10 – 11% of equity when it lists on the Frankfurt Stock Exchange.

"Going onto the stock market was the next logical step in Zalando's development," stated Chief Financial Officer Rubin Ritter. "Raising new equity will give us flexibility for long-term growth."

Last month, Zalando reported its first profitable six months with strong, first half results. Revenues grew by 29.5% to €1,047m (against HY/2013: €809m). EBIT improved significantly, with a positive group EBIT margin for the first half-year 2014 of 1.2% (HY/2013: -8.9%). The company saw particularly strong growth in Germany, Austria and Switzerland, reaching clear profitability of 4.6%. The significant margin improvement was driven by all major cost line items including cost of sales, fulfilment and marketing.

Meanwhile, in the UK, shoppers can now tap into daily flash sales through the company's Zalando Lounge members-only shopping community. The Zalando Lounge platform has already been released in nine of Zalando's 15 European markets including Germany and now UK customers can sign up for the site to access a range of between three and five time-limited promotions each day, offering discounts of up to 75% from brands that are among the 2,500 stocked by Zalando.

"Zalando Lounge now completes the offer for our British customers, giving them the opportunity of shopping exclusive brands with highly reduced prices," said Martin Rost, VP Zalando Lounge.

## TED BAKER LAUNCHES NEW US ECOMMERCE SITE

Ted Baker has launched a new US ecommerce site as part of a strategy to improve its international online presence.

The new site follows on the launch of a new UK site last October, credited by Ted Baker with helping to lift sales by 48% between January and June 2014.

The US site extends and localises the UK site, developed by Poke and multichannel consultancy neoworks on hybrid commerce. It guides men and women along separate customer journeys, designed to be relevant to individual browsing behaviour and to reflect interests in particular products and collections.

Craig Smith, Ted Baker Brand Communication Director, said: "Everything produced under the Ted Baker name has his personality. Ted's growth in the US has been particularly strong and the new 'no ordinary designer website' will continue to write this story of success.

"At Ted Baker we work really hard to provide the best customer experience across all touchpoints. Ted's presence in the US is growing exponentially and the deployment of a new website in this region will help to consolidate our strategic objectives and international presence."

Eve Henrikson, Ted Baker Head of Ecommerce said: "Ted's digital presence aims to inspire, engage and service our fast-growing international customer base. Our ambition is to support our business growth internationally online in an efficient way allowing us to tailor the experience to local market needs which our ecommerce platform continues to allow us to do."



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).

## LAUNCHES AT SUPERDRUG

Superdrug has launched a new web platform and its first mobile site in the year that it celebrates half a century in business.

Key features of the new platform, built on hybris' B2 Commerce Suite, include the ability to redeem points from Superdrug's Beautycard loyalty card online as well as in store, in partial or full payment of their shopping basket.

"We've taken our time to develop the new website and really listened to what our customers want," said Matt Walburn, Superdrug Marketing Director.

"Our aim is for there to be total synergy between visiting Superdrug.com and one of our stores, which is why ensuring Beautycard points can be redeemed online was vital.

"In our fiftieth year as a business we're making a real point

of looking forward to the future with new store formats and ensuring we offer the very best online shopping experience."

Other improvements include an updated search function that aims to help customers to find their favourite brands, colours or products, as well as more than 500 online-only products from brands including Love Your Skin, Rio and Make Up Revolution. Order and collect capabilities, launched in 2013, mean web-only products can be ordered online and collected in its 850 stores.

Superdrug is part of the AS Watson Group, which has more than 11,000 retail stores in 33 markets. AS Watson is part of the Hutchison Whampoa multinational, whose interests in 52 countries include ports, property, infrastructure, energy and telecoms as well as retail.

## ARGOS AUGMENTS CATALOGUE REALITY

Browsers flipping through Argos's latest catalogue can now see more than ever by scanning more than 300 pieces of augmented reality content.

By using the Argos Scan function in the existing Argos app, already downloaded by more than 8 million customers, smartphone and tablet users can scan the marked pages or images in the catalogue to launch product videos, 3D models, games and competitions. Argos says that it is using augmented reality on the largest scale seen yet in UK retailing.

"Customers can get a much richer shopping experience with us online including twice the range of products, the latest offers and ability to check stock levels in store, so building a bridge between physical and digital channels remains a key priority for us," said Bertrand Bodson, Chief Digital Officer at Home Retail Group. "We were really encouraged by the high levels of engagement from customers in our initial augmented reality trials. By launching Argos Scan we can bring the catalogue to life for millions more who are already using our smartphone and tablet app."

Argos Scan functionality is powered by the HP Aurasma SDK.

Annie Weinberger, General Manager of Aurasma, said: "We are excited to see a valued brand like Argos, which has been an influential adopter of technology, make augmented reality an integral part of its print to digital initiative.

"HP Aurasma provides unparalleled flexibility and scale so by embedding the Aurasma SDK, Argos will be able to provide its customers with augmented reality catalogue enhancements that are engaging, extensive and more easily accessible than ever before."

Augmented reality features of the new Argos catalogue features include games and competitions, including the chance to win £1,000 in Argos vouchers each month, virtually 'trying on' 11 pages of watches, viewing videos and different colour variations for the new Heart of House home and furniture range, product videos seen from the Lego pages of the toys section, Chad Valley themed games, and 3D models of latest toys inspired by My Little Pony, Barbie, Disney Frozen and Transformers. Users can also see what an actual size TV would look like in their room before buying it.

## FASTER M-GROWTH FOR MULTICHANNEL

Multichannel retailers are enjoying stronger growth from m-commerce than their online-only competitors, new research has found.

Those using channels including shops and a website to sell saw sales via mobile rise by 79% in the period from January to June, according to a study by Capgemini and IMRG, while those who only sell via a website saw their m-commerce sales lift by 59%.

Multichannel merchants also saw greater improvements to their m-commerce conversion rate during the period, as it rose by 33%, while pureplay m-commerce conversion rates dipped slightly. "This suggests, said the IMRG and Capgemini study, "the multichannel merchants' investment in mobile optimisation and personalisation is paying off as more smartphone and tablet users are converting from browsers into buyers."

But those shopping with pureplay online retailers spend more,

the figures also suggested, with m-retail baskets rising by 8% in the period, to £82 per transaction (excluding travel sales). That compares with a 5% rise to £80 for merchants with stores.

A separate IMRG study found two-thirds of retailers have optimized their website for mobile. When that's broken down into multichannel retailers and online-only, or catalogue merchants, 74% of the first group have optimized their site, compared with 53% of the latter.

Tina Spooner, chief information officer at IMRG, said: "While both the pureplay and multichannel merchants appear to be on a level playing field in terms of overall online growth, we do know that the latter group are ahead in terms of mobile adoption. Around three-quarters of multichannel merchants now have a mobile-optimised website, compared with just over half of online-only and catalogue brands."

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# B&Q upgrades to become a leader

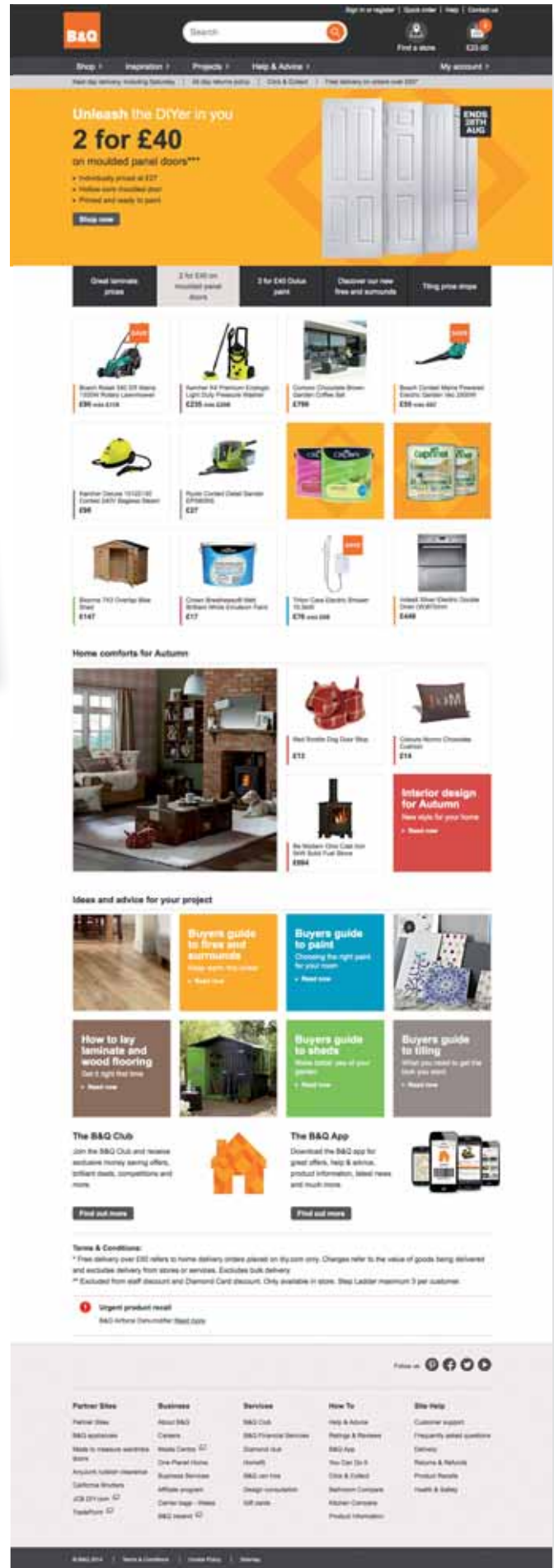
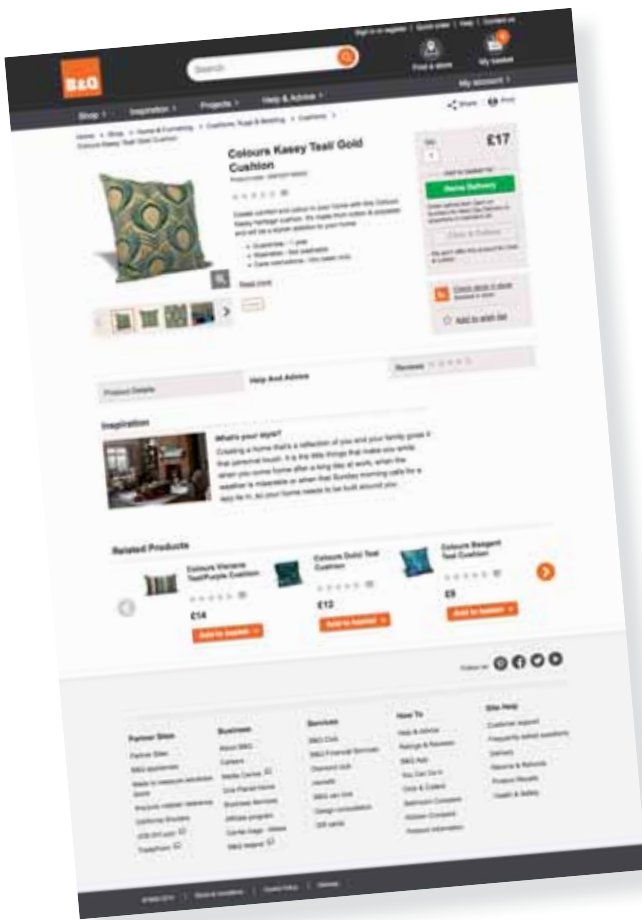
B&Q is going through a major transformation which sees systems and operations changing, not just at the DIY company but across the entire Kingfisher group. Emma Herrod speaks to Mike Durbridge, Omni Channel Director at B&Q about its plans.

**I**N MARCH 2012, B&Q's parent company Kingfisher set out four concepts for the group to help turn it into a world-class retailer: Easier, Common, Expand and One Team. Within this 'Creating the Leader' strategy, the group is following eight specific steps with associated key measures of success and annual milestones. These include making it easier for its customers to improve their home, giving them more ways to shop, building innovative common brands across the group, driving group-wide efficiency and effectiveness, and growing the group in existing markets and expanding in new and developing ones.

Part of this transformation is a group-wide omnichannel platform which draws on the

learnings from its B2B business Screwfix and the ATG platform and SAP at the core of its supply chain and store estate.

B&Q is the first of the B2C companies within the Kingfisher Group to launch on the new ATG platform with the initial phase seeing the same platform running its website as well as in-store and contact centre systems. The upgrade to the latest platform has been planned since 2011. As expected, the customer journey and UX have had to be amended since they were first scoped in 2011, in line with changes in technology and customer behaviour. Some 71% of customers now research online before going into a store, explains Mike Durbridge, Omni Channel Director at B&Q.



The new site went live for customers this September with the store and contact centre systems up and running in the summer of 2015.

From a customer perspective, the biggest changes will be in site navigation. They don't just look for the products they need, explains Durbridge, they browse by room. So, rather than searching for lights, for example, they are more likely to look for lighting via the room they want to put the light in, which means there could be lots of different journeys to get to the same product.

The new site will also be responsive so it works well with mobile devices, something that is now a necessity since the company took down its m.site as it was only showing the full site. More than half of the traffic to B&Q's diy.com site comes from mobiles; on Christmas Day 2013, 44% of traffic was from mobile devices and from Boxing Day onwards that figure had jumped to 53%, explains Durbridge. Those figures are split 50:50 between phones and tablets but conversion is higher on tablets with customers 'snacking' on their mobile phones. Purchases, though, are still made on desktops at lunchtime and between 4pm and 5pm, before transferring to tablets during the second-screening hours of 8pm and 10pm. "The smartphone is the least converting mechanism," he says. ▶

Durbridge believes that the new site will give B&Q the ability to grow the business from a purely digital perspective. “We have a huge opportunity to take share of market not only from the large multi-category retailers such as Homebase and Wickes, but also from niche pure plays in any of the individual categories we sell into,” he explains.

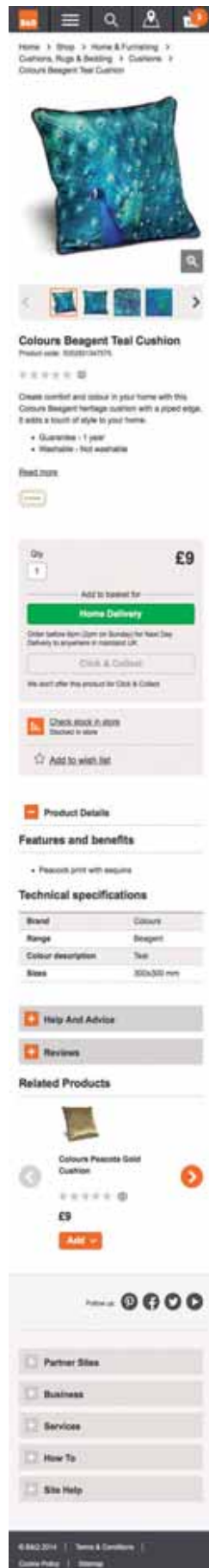
The website will also work as the new back-end for staff placing orders on behalf of customers, either in-store or in the contact centre. This gives staff and customers access to the same level of information while also giving staff access to a single view of customers’ purchasing information. This, of course, is dependent on the products having been ordered for home delivery or for delivery to store. No one will get a single view since customers can simply walk into a store and walk out with something they’ve purchased, but Durbridge says B&Q will have a single view of “what’s important to the customer”.

The next stage is to integrate the data from the company’s loyalty scheme and Diamond Club membership card.

The single view of orders should also make future purchases easier for customers. Durbridge gives the example of paint sales, where customers want to see the colour of previous paint purchases two years down the line so they can make a repeat purchase when retouching a room.

Making things easier and simpler for colleagues and customers when shopping in store are the key aims of the B&Q roadmap, and they’re being assisted by the introduction of digital in store. Staff are frequently asked the same questions by customers and they are generally: “where is a certain product”, “which product is best for a specific job” and “how do I do x”. Durbridge is aiming to use technology as an enabler to give customers and staff the tools to quickly answer those frequently asked questions. Not only does it relieve staff of having to repeat answers but it can improve service for customers in store and allow staff to spend more time helping them with other things.

“Trying to make things simple is extremely complicated,” says Durbridge. “We want to give customers the confidence and tools to help them make the purchasing decision.” One way to do this is to create an in-store environment which is conducive to customers using their own mobile devices. Via Wi-Fi they can look at ratings and reviews, see further product information or costings.



A mobile environment will also help colleagues answer customers’ questions, show them how digital tools – such as the new mobile app launching in 2015 – work and enable customers to do things for themselves the next time they visit a store. To this end, store staff have been issued tablets so they don’t have to use fixed kiosks or other areas when helping customers. “The bigger stores have between 10 and 12 tablets,” Durbridge says.

He is very much in favour of democratic content. Apart from workflow and scheduling information, “why do store colleagues need different information to customers?” he asks.

He is not keen on kiosks, seeing them as expensive in terms of maintenance and having to build content for them. “In two or three years’ time our customers will have greater capability in their hands than our store technology,” he says. This is why it’s important to have Wi-Fi in stores, something that he believes is a “fundamental enabler”. B&Q will have Wi-Fi in all of its 360 shops by the end of January 2015.

The full vision of what a B&Q store could be like when the physical and digital capabilities are combined will be launched later in 2015. The concept store will encompass all of the things B&Q is learning on the omnichannel journey that staff and customers are taking, such as overall store size requirements, the best-selling ranges and digital capabilities as well as having a different look and feel to the existing vast warehouses.

It has already achieved a significant improvement in sales density by halving the size of one of its stores and selling the non-operational space to a supermarket in February 2014. An additional store has received planning permission and the company is seeking the go-ahead for another sixteen.

### B&Q SPACES

Building on the aim of improving the in-store service to customers is the B&Q Spaces kitchen, bedroom and bathroom design tool. This PC-based software enables any member of staff to quickly create a room design for a customer by dragging and dropping computer-generated 3D models of B&Q products onto a pre-loaded room template. Alternatively, staff can work from room dimensions and enter the position of doors and windows and other fixed items, before starting the new design.



The entire B&Q product catalogue – including cupboards, fridges, flooring, tiles, taps, lighting and furnishings – has been recreated using CGI, so these items will scale automatically to the room layout and viewing angle. A running total of the overall cost is displayed so customers know the cost of their room, either as product-only or fitted and installed by B&Q’s Home Fit service.

B&Q Spaces has been in development for the past two years and staff at the Hedge End store in Southampton have been trialling a scaled-down version since the end of 2013. They are very impressed with it as a tool since it also means they can help more customers, especially those who are still in the research stage and “just want to get a rough idea” of cost and what a finished kitchen could look like. According to the retailer, customers feel more connected with B&Q because staff have spent time with them and they haven’t had to spend a few hours with a design consultant, a process which once involved home visits to measure and finalise designs, before costing and placing the order for the customer.

The tool will be installed in all stores by Christmas 2014 in a project that also sees in-store computers being upgraded. In 2015, customers will be given access to the tool online so they can do it for themselves or share a consultant’s final design with their architect or tradesperson. “It may not necessarily be the full end-to-end solution,” explains Durbridge.

### LOGISTICS

The store and customer-facing systems are not being developed in isolation. Durbridge has a plan of simultaneously running and overlapping projects all meant to enhance B&Q’s omnichannel future. “Anything omnichannel is not a straight line. It’s more like a jigsaw,” he comments.

A major overhaul of the logistics operation is being led by parent company Kingfisher. This will see all of its operating companies

rolling out SAP for stock, pricing and EPOS management. The four-year project will also see in-store hardware upgraded. This is due to go live in stores in 2016.

B&Q will be the first of the Kingfisher companies to run the new group omnichannel platform incorporating both ATG and SAP. It’s expected that this will be the template for all of Kingfisher’s companies, which include Screwfix in the UK, Castorama and Brico Dépôt in France and Koçta in Turkey.

The plan is for Kingfisher to have re-usable assets across every country, explains Durbridge.

In another cross-group upheaval, the existing Screwfix distribution centre at Trentham, Stafford, is being doubled in size and will become a joint NDC for Screwfix and B&Q from mid-2015. A new warehouse management system is also in the planning stages and Durbridge is keen for this to be live later in 2015.

The new systems will enable B&Q to offer a guaranteed service to customers with click and collect orders fulfilled from Trentham. Customers will be able to pick up their order the following day. This will replace the current service offering reserve online with collection the next day from store stock. Currently, stock is updated each evening so anything offering real-time availability is not possible, explains Durbridge. “Customers want immediacy so we need to improve our speed,” he adds.

The new system will give an update from stores every 15 minutes, so the aim is to move to a service which allows customers to collect products from store stock within an hour of clicking and paying online.

### GROWING PAINS

So, what have been the main problem areas in this process of transformation? “Culture,” comments Durbridge. “You can create enablers and empower customers to use those devices, but you have to have colleagues on your side,” he explains. You can articulate omnichannel, what it means to the different parts of the businesses, but at the end of the day, he believes that he should be the one left to worry about omnichannel, the bigger picture and what it means to the business, while colleagues concentrate on delivering their part of it.

One of the first changes that Durbridge implemented when he joined B&Q in March 2013 was the attribution and reward models ►

for sales across website and stores. Sales which were still attributed by channel are now credited to stores with attribution based on the customers' postcode and the store local to them.

Durbridge is keen to point out the importance of front-line colleagues in the ongoing development of the business. "There's a lot of knowledge in store teams," he says. Spending time in its stores shows where solutions are needed, so he encourages his head office teams to spend one day a quarter working in them to get a different perspective of the business.

When asked what advice he would give to others going through a similar transformation, he talks about aiming for a level of continuous improvement that doesn't alter the core technology too far. He advises that systems such as SAP shouldn't be customised to a point that upgrading becomes a big issue. In the way that Jenga blocks are balanced, so too are systems; change one element and the whole system can all fall down, he warns.

Projects such as Kingfisher's SAP scheme can force the issue of how group companies can work together in the future. Durbridge believes they enable a company to ask: "What kind of business do you want rather than what's the business you had in the past."

With the omnichannel foundations in place, Durbridge is working to a 3-year roadmap, which he says gives a clear destination and vision but is flexible enough for "meanderings" as customer and technology needs change. While he compares omnichannel with a jigsaw, he says the current B&Q jigsaw ends with the Creating the Leader project, through which they'll be making it easier for customers to improve their home, giving them more ways to shop while bringing the Kingfisher companies even closer together by increasing the amount of common product sold across the group. From the foundations of 'Project Darwin' B&Q really does seem to be creating a leader. 🇬🇧

### THE KEY AIMS OF THE B&Q TRANSFORMATION

- 1) Make it easier for colleagues and customers to shop in store by bringing digital into stores;
- 2) Pure growth from a digital perspective. "We have a huge opportunity to take share of market not only from the large multi-category retailers such as Homebase and Wickes, but also from niche players in any of the individual categories we sell into," says Durbridge;
- 3) Improve service to customers in store so store colleagues are able to spend time with customers and help them.

### CREATING THE LEADER

Launched in March 2012, 'Creating the Leader' is the current phase of Kingfisher's growth plan and follows the successful conclusion of its 'Delivering Value' project.

The four-year programme will see Kingfisher emerge as a world-class retailer, helping customers enjoy better, more sustainable homes.

Set out as four concept areas – Easier, Common, Expand and One Team – eight specific steps make up Creating the Leader with associated key success measures and short-term annual milestones.

1. Making it easier for our customers to improve their home (Measure: LFL sales growth)
2. Giving our customers more ways to shop (Measure: Unique web users)
3. Building innovative common brands (Measure: 35% of group sales direct sourced, 50% of all product sales to be common)
4. Driving efficiency and effectiveness everywhere (Measure: Retail profit margin)
5. Growing our presence in existing markets (Kingfisher Economic Profit (KEP))
6. Expanding in new and developing markets (KEP)
7. Developing leaders and connecting people (Group employee engagement scores)
8. Sustainability: becoming Net Positive (Net Positive dashboard)

During the 2013/14 financial year, Kingfisher extended its omnichannel presence by upgrading B&Q's online offer, including 20,000 extra products for home delivery (using Screwfix omnichannel infrastructure) and extended the B2B TradePoint website. Upgraded sites were also launched in Turkey, China, France and Spain. The group also trialled click and collect in France and Turkey.

During 2014, the aim is to extend the omnichannel capabilities across the group by having a 50% core common range across all businesses and the start of the four-year group-wide IT programme. Expansion will come from the international expansion of Screwfix to a country-wide online presence, and 4 stores in Germany and 2-store entry into Portugal with Brico Dépôt while looking for a strategic partner for B&Q China



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# Online shopping turns 20

11 August 2014 marked 20 years since the world's first secure ecommerce transaction took place. Emma Herrod looks at how the market has since shaped up.

**T**WENTY YEARS ago, online shopping was a novelty that only a few early adopters had tried. On 11 August 1994, what is considered to be the first secure online purchase took place with a copy of Sting's 'Ten Summoner's Tales' album bought for \$12.48 plus shipping on NetMarket in the US.

20 years on, Ofcom stats reveal that it's now the UK that is the global online shopping capital with more spent per capita than any other country with Brits spending £91bn online last year, according to Capgemini. While reports vary on the number of us shopping online, figures range from 74% to 95% with one in four online shoppers doing so at least once a week.

Despite the 20th anniversary, Brits – on average – first dipped their toe into the brave new world of online shopping just nine years ago (2005), though 12% were already shopping online before the turn of the century. Back then, the first purchases were most likely to be books, whereas in 2014, the most recent online purchase is most likely to be fashion.

Books (64%), clothing and accessories (60%), music and entertainment (56%) electronics (54%) and holidays and travel (50%) top the list of the things we buy online today according to research by multi-brand digital retailer Shop Direct.

A third of our clothing and footwear purchases are now done online. We buy more than a quarter of our furniture and homeware this way and almost 40% of electrical products are bought via a PC, laptop or mobile device.

Online purchasing is set to continue to grow with figures from IMRG predicting that online shopping will, for the first time, break the £100bn a year mark in 2014.

The latest figures from the IMRG Capgemini e-Retail Sales Index have revealed that online sales are back on track following a disappointing end to the first half of its yearly index, which recorded an annual growth of 14% in July. The Index grew 3% month-on-month, which is a stark contrast to the 5% decrease experienced between May and June. An estimated £8.1bn was spent online;

## TOP FIVE THINGS BOUGHT ONLINE (2014):

Books	64%
Fashion/clothing/accessories	60%
Music/entertainment	56%
Electronics	54%
Holidays and Travel	50%

Source: Shop Direct

## FIRST THINGS BOUGHT ONLINE

Books	19%
Music/entertainment	18%
Fashion/clothing/ accessories	15%
Holidays and travel	10%

Source: Shop Direct

a significant increase on the £7.1bn spent during the same period last year.

Adding to recent evidence of consumer confidence in the economy, the travel sector recorded its strongest July performance since 2010; 13% year-on-year. This also follows four consecutive months of single-digit annual growth, averaging at just 5%. This return to growth in 'big-ticket items' was also seen in the Electrical sector which, following a year-on-year increase of just 7% in June, shot up to a significant 19% in July; shaking off its post-World Cup slump.

Another sector that recorded impressive growth during July was Home & Garden, which recovered from its unspectacular 8% growth in June, to a very solid 17% in July. This was no doubt helped by the warm weather; the driest July since 2006.

Adgild Hop, Head of Retail Consulting UK at Capgemini, comments: "The return to growth this month will be much welcomed by the UK's retailers. Earlier results this year had suggested that British shoppers weren't

averse to spending but just reluctant to splash out on the more expensive luxuries. With the recent positive noises about the UK economy, this month we have seen that consumer confidence appears to be improving, with a strong increase in big-ticket transactions in Travel and Electricals in particular. Retailers will no doubt hope to see this trend continuing for the remainder of the year and into Christmas.”

The BRC and KPMG also report strong figures for non-food online sales in July with growth at 14.9% over the previous year, roughly in line with the 12-month average of 14.7%. This long-term average represents a clear acceleration over this time a year ago when the 12-month average was 9.9%. Momentum has built throughout the year thanks to increased use of mobile and tablets, click & collect and more sophisticated websites.

As a result of the sustained higher online growth, the proportion of July online sales was 16.7% of total UK non-food sales up 1.4 percentage points from July 2013.

Helen Dickinson, Director General, British Retail Consortium, comments: “July has seen good online growth and, for non-food products, one in every six pounds is now spent online. The figures are somewhat flattered this July as last year online activity was low due to successful sporting activities attracting people to other types of screens. Nevertheless, online sales of furniture and toys looked particularly healthy.

“Established websites are capitalising on their client base by partnering with other retailers, therefore becoming a favourite destination for a larger range of products.

“Online retail sales contributed generously to the growth of non-food retail sales. On a three-month basis, it was the highest recorded this year and almost matched the stores’ contribution.”

David McCorquodale, Head of Retail, KPMG, said: “Despite the glorious sunshine, retailers managed to capture shoppers’ attention online through the use of targeted and innovative digital campaigns, linking products to holiday plans, festivals and sporting events taking place across the UK. This clever use of customer data and technology paid dividends for the sector, with non-food online sales soaring to record levels.”

Over 20 years, ecommerce and mobile technology have empowered consumers as they are no longer restricted to particular

## Total Growth % change on a year ago

### Non-Food Online Sales

July	14.9%
3 month avg	13.9%

## Penetration % of Total Non-Food

Online Sales – July	16.7%
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## Channel Contributions to Total Non-Food Sales growth percentage point


Online	Stores	Total
July	3 month average	
1.7	1.6	3.4

Source: BRC-KPMG RSM

## Growth of online Non-Food retail sales



Source: BRC-KPMG RSM

goods and services from one retailer or locality as they can shop around different brands and even in different countries at their convenience. “A revolution in value, pricing and delivery over two decades means that today we can enjoy Sting’s ‘Ten Summoner’s Tales’ album online for free on Spotify,” comments Roger Brown, CEO for personalisation company Peerius. The other side of this, of course, is that traditional record stores have all but disappeared. 



# eDelivery Expo

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**A**S MULTICHANNEL capabilities become the norm our customer are opting for personalised delivery options which are convenient to them whether this is 'click & collect', lockerbanks, fast delivery, later order times or delivery to a local train station car park.

This customer experience is the tip of a logistical iceberg – as industry professionals we know the extensive and demanding activity necessary to support these services, nearly all of it unseen by and unknown to the customer (and often opaque to our colleagues in other business areas!).

Increasingly, delivery, logistics, supply chain and operations are at the heart of delivering upon the multichannel promise, and the professionals who lead these areas are supporting the growth of the multichannel business.

“The UK market is the most vibrant online shopping market in the world. UK internet users are more likely to buy online and buy more often than those in any other major economy”  
*Ofcom's International Communications Market Report (Dec 2013)*

#### **WHY EDELIVERY EXPO?**

The publishers behind the Internet Retailing Magazine and Expo are delighted to announce the launch of a major new event to serve the multichannel logistics and operations professional – and in the home of the eDelivery industry.

eDelivery Expo (EDX) will provide a meeting space for the delivery ecosystem, bringing delivery and logistics professionals together with their industry peers, the leading suppliers and – in the same hall – the commercial leaders who are their board colleagues, leading on the promises made to the customer.

eDelivery Expo will be a sister event to the hugely successful and respected Internet Retailing Expo and like its established sibling will deliver an exciting mix of networking, inspiration and education, best practice insight and Europe's leading suppliers – to help you forge ahead with your ideas, or rapidly to catch up with the leaders!

In parallel with EDX we are pleased to announce the launch of eDelivery Magazine, a new quarterly title and web resource dedicated to the practitioners in supply chain, logistics, delivery and operations in multichannel retail.

The power of online retailing has had a profound effect on the supply chain, transport and logistics industry. With every new innovative technological development comes a new challenge for distribution and supply chain managers. The availability and increased use of computer technology, mobile phones, and tablets over the last 15 years has created both a huge opportunity and a challenge for logisticians.

The consumer can now exercise total control over every step in the supply chain, from mobile tracking, price comparisons to a variety

“The eDelivery Expo is an opportunity to put the revolution in consumer behaviour in the spotlight as well as showcase the logistics profession that enables it all to happen”

*The Chartered Institute of Logistics and Transport*



of delivery options to suit every need. The logistics profession has had to keep ahead of these developments to ensure the consumers' needs are met.

As a result of developing demand from the consumer the internet retailing market is growing exponentially. If you include individual deliveries the logistics market is moving over a billion parcels a year, averaging over 3 million parcels a day, and that is today, expected to be even higher tomorrow.

In order to ensure that the logistics industry excels and makes the most of the current growth and opportunity it is more important than ever to attract the best and brightest people to work in the profession. The challenge of the internet retailing revolution and adapting supply chain operations means new opportunities and challenges for an expanding workforce and it is our responsibility to communicate and promote these opportunities to young people as they make their first career choices.

#### **WHAT WILL EDELIVERY EXPO DELIVER?**

- Full educational programme with case studies for respected retailers cover three main themes: Click and Collect, International Deliveries and Personalisation.
- eDelivery Expo is for directors, executives and senior managers in retail, e-retail, manufacturing, wholesale, fulfilment, logistics, parcels delivery and courier services, along with those providing support services for all these markets.

#### **THE RETAIL DELIVERY CONFERENCE**

The emergence of the anytime anywhere consumer has precipitated a growing demand for speedier online delivery and an array of more flexible customer options. Delivery and Fulfillment are quickly becoming the point

of differentiation for retailers vying to cash in on burgeoning commercial opportunities entailed by the rapid increase in online shopping. Retail Delivery will probe how retailers are managing the strategic and day-to-day operational challenges associated with new customer demands: What are the key logistical issues are impacting successful home delivery, click and collect, ship from store and locker collection? What are the implementation costs and challenges associated with various models? How can retailers win on both timing and profit margins? Hear from pioneering retailers paving the future of delivery and fulfillment solutions that are winning buy-in from customers and boardrooms.

#### **THE RETAIL LOGISTICS CONFERENCE**

Intense migration to online shopping is forcing retailers to restructure internal operations and relationships with customers and suppliers to achieve supply chain effectiveness. Retail Logistics will examine how the rapid growth of online retail is impacting traditional infrastructure revealing new approaches for achieving efficiency, responsiveness and agility. Hear how leading retailers are getting to grips with new technologies and operational strategies designed to meet new customer demands and – in doing so – creating fit for future retail supply chains. Key topics will include: omni-channel, international growth and delivery, big data, sourcing, returns management and supplier collaboration. 🇧🇷

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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 [www.internetretailing.net](http://www.internetretailing.net). This issue our reviewers examine Google Play.



## RETAIL STRATEGY 15/25

**EMMA ROBERTSON, MANAGING DIRECTOR, TRANSFORM**

Google Play has grown in-parallel with the growth of Android as a dominant operating system across mobile and tablet devices. In 2012, it overtook Apple in terms of the number of app downloads and is predicted to take more revenue by 2016 (Strategy Analytics). Google Play is interesting strategically for 3 reasons – and an astute move on Google's part to attempt to take a leading and dominant share of a market which is continually changing.

Firstly, the "what it does" is extensive, and combines the capabilities of all of the "vs" list in a single place. Secondly the "how it does it" is differentiating from a number of angles. Finally, and perhaps most significantly, Google Play is putting itself front and centre of the next competitive battleground for market share – the customer's own digital eco-system. The growth of the Internet of Things as a concept and reality plays well to Larry Page's vision of inventing things which do not exist yet. Although Google Play may not be inventing anything new, in the commercial world of market share and continuous growth, it is a critical strategic play for Google.

## WEB EFFECTIVENESS 17/25

**ALAN BLACKWOOD, USER EXPERIENCE CONSULTANT, USER VISION**

It may not be the main revenue stream for search and advertising giant Google, but a little attention to navigation and search operation could reap greater dividends from its Play store. If you know roughly what you're looking for, there will almost certainly be something here to interest you. However, some eccentric navigation design decisions mean that the happy accident of stumbling across a hidden gem while browsing the site is surprisingly unlikely. Addressing these issues could help Google raise the rate of app purchases among Android users, an aspect of its business that currently lags some way behind rival Apple.

## MOBILE 18/25

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


We have to thank the digital pioneers – most notably Google, Apple, Facebook and Amazon - for leading the way in digital marketing and digital commerce. Google Play nails it in many respects – with product range and info, payments, personalisation. But this is not the finished item, and there are several areas for improvement to the user experience around site navigation, product availability and device compatibility. iOS users may be less numerous than Android users in Europe, but they're an important minority and have significant spending power.

John Lewis	83/100
M&S	80/100
House of Fraser	78/100
Burberry	78/100
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

## INTERNET RETAILING IN STORE 10/25

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

The Google Play Store is the online retail hub for all Google's digital and physical products. As the more recognisable home for digital content the Play Store includes all the personalisation you would expect from Google with browsing guided by assorted personalised attributes. The site is responsive so performs well across all screen sizes, however the challenge is merchandising the breadth of the offer and catering for the vast array of customer missions.

When it comes to hardware Google has historically relied on low key product launches with emphasis on viral campaigns to launch. "Chromezone" was the first UK venture into store-based retail, partnering with Dixons Retail in a bid to showcase the full suite of Google products. In terms of retail execution Google is very much reliant on its retail partners. As wearables and the "internet of things" begin to come to life it will be interesting to see how Google's approach shifts to physical retail: will Google take bolder steps into experiential retail with a flagship store strategy much like its partners and competitors? Or will the focus on the Chrome and Android operating systems limit the ambitions to build a physical retail presence? 

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# Total, utter helpfulness



Ian Jindal has been asking for help, and pondering with amazement how lovely, helpful and giving are the people in our industry.

**T**HE LOT of an Editor in Chief is to be permanently asking for things. Begging, borrowing, wheedling, asking. Being an EIC is not actually to be an Editor (Magazine readers who see the fruits of our wonderful Emma Herrod's work will be pleased about that). It's an odd title for an odd role - starting things, mobilising others, asking yet others for help: finger here, pie there; bird, bush, hand... you get the picture.

Many readers will be familiar with the call suggesting that they may like to give up their time, prepare a presentation and share their insight with industry peers at our Annual Conference. In this issue you'll see the calibre of people contributing to [internetretailingconference.com](http://internetretailingconference.com) and know that these aren't idle people waiting for a diversion. It's extraordinary that an industry exists where busy, knowledgeable leaders give their time to share with others. With IRX ([www.internetretailingexpo.com](http://www.internetretailingexpo.com)) on the horizon we have 8 whole-day conference streams that depend upon leaders' generosity, but as you'll see there are many people who give of their time.

This summer, though, we have hit the big time with the InternetRetailing Top 500 research. Our own research established the 'Footprint' back in March - the size, reach and 'heft' of the UK's largest retailers. For our ranking to deserve the title of "top" we are

assessing retailers on more than just their size. We're looking at six dimensions of performance that together create the ranking.


We're combining primary research with the input of our advisory board and the qualitative assessment of hundreds of our readers - to them all our thanks. However, last month I was stunned by the generosity of a contributor who through her work regularly assesses the performance of retailers across some 90 contact points and actions over the course of the order, delivery and returns process. Knowing of this work I asked - with my Cheeky Hat on - whether I could use some of the research data within our own research. The answer stunned me. Not only was there an immediate "yes, of course", but when I explained our approach there was an offer to amend their work schedule and activities to cover off material that would help in our research. Oh, and to top it off I was offered historical data for comparison.

Helpful? Extremely. However, if you're used to niceness I hope that you're seated as you read this. When I asked what I could do in return (I was thinking of a thank you, an ad, some promotion, name in lights) the answer was "nothing, thank you". We had an interesting project, they were happy to help. They helped. I can't credit them in lights, but I will say that there's a person reading this (let's call her

Reader "S") who has a halo.

Last week, I asked a very busy Multichannel Director whether he'd be willing to help me out reviewing this data and calibrating what's important commercially. I gave little notice and as expected his PA said he had no time even to meet (let alone 'squeeze in' the 3 hours to review and discuss). However, later that night I received a text saying that he'd look over the material one evening and would happily contribute.

It's a wonderful reminder, as we return to our desks and the madness of peak trading pressure, that even as we work so hard to perform for our businesses and customers people are so willing and giving within our wonderful industry. At InternetRetailing we're not unique - a cursory glance at your inbox will show any number of other events where people are helping too.

As we unveil the Top500 for the UK we hope that thanks to the input of our advisors, assessors, contributors and research partners the work will ring true this October. Before that, however, I wanted to take time in print to say a massive and heartfelt "Thank You" to those whose total, utter helpfulness has gone above and beyond the calls of politeness or common sense. Without you our work would be less fun, our industry would be less vital and the pace of progress (for our businesses and the customer) would slow. 



# GOING ANYWHERE?

## Analysing international

Internet Retailing returns to internationalisation for its research report series a year after it first surveyed retailers' views as to the challenges and opportunities they faced by going overseas. Liz Morrell reveals the results.

© tang90246j

**I**N 2013, retailers saw the opportunity for expansion and were putting it high on their priority lists. Come 2014 and it seems retailers largely feel the same. The majority of those surveyed (59%) have already been trading internationally for some time. A further 11% had made the move in the last twelve months whilst 15% were looking to launch overseas within the next six to twelve months. But there are still some concentrating fully on business back home too with 15% of our 2014 respondents saying that they weren't planning on expanding abroad at all compared to 16% last year.

Most are seeing the value of expanding with 57% doing so because of demand outside of the UK for their products or brand whilst nearly a third (29%) had identified the return on investment that international expansion offered.

Understanding what route to take with expansion is key and our survey showed that the expense and risk of own stores or concessions puts off retailers. Over three quarters of respondents (76%) said stores were the least effective route and over two thirds (67%) said that store concessions were. Instead our respondents preferred less risk averse channels with 50% saying that direct

sales through wholesale was an effective route, 84% citing marketplaces and a massive 93% citing local websites as being one of the most effective routes for international expansion.

Deciding where to expand is also a tough choice to make. Nearly three quarters (73%) said that they chose their expansion targets based on where their brand will perform best or will be the best fit but nearly a quarter of respondents (23%) admitted that they chose the easy targets rather than the markets where there are more challenges to overcome.

Priorities for expansion range widely. Unsurprisingly perhaps Europe remained top of the list for retailers looking to expand in 2015 with 60% of retailers looking to the EU member states for expansion. This was followed by the US and Canada where more than two thirds (37%) of respondents said the region was a target for next year. More than a quarter (28%) also chose Australia or New Zealand as expansion targets.

The results also showed the popularity of the BRIC region too with Brazil, Russia, India and China a priority for many. 17% are targeting Brazil, 30% Russia, 13% India and 28% China despite the greater complications of such markets.

Those complications still concern retailers – from the payment and delivery challenges of Germany to the myriad of challenges they face in Russia and China too.

Once again our survey showed the challenges of brand recognition and developing a local customer base with 27% saying it was the hardest challenge they faced and 28% citing language, culture and local market and customer knowledge as key.

### LOCALISATION IS KEY

81% of respondents said that localisation was important. 39% said it was vital and they localised to each market whilst a further 42% said it was important but they faced challenges in doing so.

“Localising is really key. You have to get into the mind-set of a buyer in that locality. If you don’t invest time in that upfront you will end up doing a lot of rework down the line,” said Vinny O’Brien, Channel Manager at Micks Garage, and one of the retailers we interviewed extensively in the report.

Deciding on the degree of localisation remains a challenge but can come down to simple solutions in the short term our retailers pointed out. Clothing brand Weird Fish, for example, has a strong ex-pat customer base so when it’s analysing its expansion opportunities by looking at overseas sales it does so taking into account whether the customer in a market is a genuine local or an ex-pat and therefore whether it needs to translate the site or not.

Customer service is also vital internationally and we looked at how retailers were handling this. Nearly three quarters (72%) were handling it from the UK and more than 4 in 10 (42%) from the UK with a UK team but it’s obvious that full benefits come from having native speakers involved in the process who not only understand the technicalities of the language but the nuances of it in-situ too.

But our international survey wasn’t just about asking questions but sharing learnings too. The report, which will be published in September and presented at a live event in London the same month, also includes numerous case studies from retailers that have already expanded abroad, or who are in the early stages of doing so, giving vital tips, best practise and advice for doing so from a range of retail names – both large and small and covering a wide sector of retail – from sports to organic products, homewares to fashion. Some of these are retailers that have worked

### UPCOMING RESEARCH BRIEFINGS

Internet Retailing’s Editors reveal the findings of their latest research on Wednesday 22 October, 08.30 – 12.00 at Glaziers Hall in London. Come along as they reveal the results in separate briefings on:

Seasonal Peaks Research Briefing  
Customer Experience Research Briefing

For further details and to register, visit [www.internetretailing.net/researchbriefing](http://www.internetretailing.net/researchbriefing)


with our four report sponsors Neteven, Peer 1, Redbox Digital and WNDirect, whilst others are retailers that were kind enough to take part in our survey and volunteer to be interviewed in more depth as part of the research – a big thank you if you were one of them or if you took part in the survey itself because we couldn’t do it without you!

Understanding how they have tackled expansion is further supplemented by us asking retailers the best lessons they have learnt – either from their own point of view or what they have gained from the experience of larger retailers. The report collates their lessons learnt into five top tips for expanding abroad. These include:

- Lesson one - understand the local market and localise where possible;
- Lesson two - only go where there is demand;
- Lesson three emulate success stories;
- Lesson four - get in there quick but don’t rush it;
- Lesson five - don’t assume instant success.

Of course replicating what others have done right is a great way to ensure success and we also asked our respondents to let us know who they most admired for their international expansion and why. Although the answers were a little obvious – ASOS and Amazon to name but two – that makes them no less worthy and our report looks at the latest such players have to teach smaller retailers for whom international strategies are perhaps less developed.

As ever our research reports are jam-packed with advice, best practise and lessons to learn so be sure you download your copy of the International Research Report in September.

In the meantime we are also now working on the next research report Seasonal Commerce which you are likely to already have received the survey link to. Please do take the time to fill in the survey and if you would like to be interviewed in more depth or have suggestions or comment to make for the piece then email the research editor on [liz@internetretailing.net](mailto:liz@internetretailing.net). 

“Europe is still a key target for international expansion”



# Internet Retailing Conference

Sponsored by  demandware

14th October 2014, Novotel, Hammersmith, London

Emma Herrod previews Internet Retailing's annual conference, which this year is keynoted by John Lewis, House of Fraser and Zalando.

**T**HE INTERNET Retailing Conference takes place in London on 14 October. Each year it brings together the leaders in ecommerce and cross-channel retailing to share lessons learned and best practice during the past year and to discuss the challenges for the industry in the year ahead. Delegates to the one-day event will hear from companies including B&Q, John Lewis, Tesco, Waitrose and Marks & Spencer.

Retailing continues to change as retailers with physical shops, online and a mobile presence work to move past simply joining up the channels. Everything must work in a way that gives a seamless experience with staff, operations and systems aligned around the customer.

A seamless experience is no less important for pureplays, especially those that are re-foundationing from the exceptional growth of a start up to a more mature position of sustainable growth, across multiple categories and countries.

Transformation plans are the underpinning of many tier 1 retailers with Marks & Spencer rebuilding its business in terms of systems, technology, innovation, staff skills, warehousing and distribution. Argos, Shop



“Innovation and investment are key to omnichannel success” says Mark Lewis, Online Director, John Lewis



John Lewis



“We speak European: localization is key to our international success,” warns Jérôme Cochet, Senior Vice President Sales, Zalando



Andy Harding, Executive Director, Multi Channel, House of Fraser, winner of the 2014 Internet Retailing Mobile Award, will close the keynote session



HOUSE OF FRASER  
SINCE 1847

Direct and B&Q have all been travelling along the road towards becoming leading digital or omnichannel businesses. But rebuilding a business for the omnichannel era without impacting on day-to-day trading is no easy feat.

With this backdrop of transformation plans in retail, the 2014 Internet Retailing Conference takes the theme of ‘Re-foundation’: the time of incrementing, tweaking and avoiding the wholesale changes needed in the industry has gone. In the words of Neurath: ‘we are like sailors who on the open seas must reconstruct their ship but are never able to start afresh from the bottom’.

With three keynote speakers – Mark Lewis, Online Director, John Lewis, Andy Harding, Executive Director, Multi Channel, House of Fraser and Jérôme Cochet, Senior Vice President Sales, Zalando – and three separate tracks, the conference will bring together learnings from those who have started again – and benefited from it – along with those willing to share the challenges with delegates wishing to remain in the leadership group.

“The time of incrementing, tweaking and avoiding the wholesale changes needed in the retail industry has gone”

Epitomising the journey that brick and mortar retailers have had to take are department stores as they have transformed from traditional stores and multiple channels to cross-channel and omnichannel retailing. From acquisition to separate division to integration, John Lewis has had to transform everything from systems to culture to be in a position in which mobile and omnichannel commerce underpin growth at the Partnership. The benefit can be seen in sales of over £1bn from the JohnLewis.com site alone as Group sales passed the £10bn milestone in 2014.

Mark Lewis, Online Director, John Lewis will take up the conference theme of re-foundation when he opens the keynote session at Internet Retailing 2014. He’ll share the journey of omnichannel transformation that John Lewis has been undertaking: the transformation in infrastructure, culture and operations that form the foundations of John

Lewis' future success and why he believes that "innovation and investment are key to omnichannel success".

Founded in 1849 as a small drapery shop in Glasgow, House of Fraser is a great British heritage brand and one that is no stranger to transformation and innovation. It claimed second mover advantage when it first launched its website, back in 2006 but has since moved ahead of the pack to put mobile first in its site design. In store, it has transformed part of its Edinburgh store into a digitally-enabled concept with large screens, computers and fitting rooms all aimed at customers wishing to click and collect.

More recently, House of Fraser was winner of the 2014 Internet Retailing Mobile Award for mobile activities that extend beyond the obligatory to reinvent the retail experience. Andy Harding, Executive Director, Multi Channel, House of Fraser will close the keynote session with an exclusive presentation in which he shares insights into the journey from a 'house of brands' to a digitally-driven mobile-first business; the vision that's been driving those moves and the realities of making the change.

While long-standing retailers are re-foundationing for future success they are still under threat from the agile competition of start-ups and as they look to international markets they have to contend also with other retailers looking to do the same. The UK is not alone in producing world-class retailers. Still growing at the phenomenal rate of a start up, online shoes-to-fashion retailer Zalando is a reminder to why no retailer can stand still. Ahead of his keynote presentation, Jérôme Cochet, Senior Vice President Sales, Zalando warns that localization is key to Zalando's international success.

Following the keynote session, the conference will split into three simultaneously running tracks: Tide; Time; Place. Analytics, insight, planning, prediction and customer behaviour will be covered in Track 1 'Tide' which looks at the movement and ebb and flow of retail complexities and demands.

Time is the heartbeat of retail with operations, logistics, supply chain, IT and systems being time-based or time-sensitive. From seamless experience, to speed of delivery and seasonal activities, Track 2 'Time' covers retail from real-time to the long-term.

However, to sell, retailers have to be at the right time, but also in the right place. In

### **TRACK 1 - TIDE**

With an overview of technology while building a business to the position of one of the US' top 200 retailers, Jason Miller, co-founder of Motorcycle Superstore will open the stream by sharing how the company used various technologies to achieve this.

Tesco has delivered over 173 million online grocery orders since Tesco.com launched in 1997. Simon Belsham, Tesco's Managing Director of Grocery Home Shopping, will share his views on fulfilment and delivery and why they are fast becoming the key battleground in online shopping, with delegates in a presentation on maximising the click, collect, deliver opportunity. Waitrose' Director eCommerce Robin Phillips will share insight into how it is seamlessly integrating the inspirational and transactional journeys. A great opportunity to hear why Robin believes integrating content, inspiration and commerce is what the company needs to be doing online to give a really fantastic brand experience.

John Straw of Thomas Cook will close the stream with a viewpoint away from traditional retailing in which the customer takes a longer, considered journey before purchasing. On being asked what is the key challenge for retailers who wish to remain in the leadership group, John warns: "the great disruptor of retail is content and until retail realises this Amazon is going to continue to eat its lunch".

### **TRACK 2 - TIME**

Mike Durbridge, Omnichannel Director of B&Q is leading the digital transformation at the home improvement retailer while working on Kingfisher-wide projects and ways to make working in store easier and simpler for colleagues. He'll share learnings on the synchronisation of digital and physical and how it is enabling a move to stores that are easier to browse and shop with customers that are more confident to serve themselves.

Director of M&S.com, David Walmsley, will provide the inside track on the transformation and creation of a new flagship digital experience at Marks & Spencer commenting beforehand that "you must have the capability to continually evolve – having the right skills and mindset in-house is crucial".

Franck Zayan, President of E-Commerce at Condé Nast International will talk about how the lines between publishing and retailing are blurring and how Condé Nast is pushing those boundaries.

the multichannel age the notion of place is challenged and extended as retail can happen anywhere from the high street, to digital in store, on mobile, the tablet shopper at home and across borders. All issues of 'Place' will be discussed in Track 3.

Speakers at the Internet Retailing Conference will have led transformation within their business as their product sector or the retail landscape have evolved. Whether those projects have been major transformation across the whole business, technology-led, staffing or operations, they all will have been coherent, cohesive

**TRACK 3 - PLACE**

Mobile technology enabled French fashion retailer Comptoir des Cotonniers to launch 10,000 boutiques in just one night. Valérie Dassier, e-Business, CRM and Customer Service Director, Comptoir des Cotonniers and Françoise Cousin, E-business Projects Manager, Fast Retailing will share their experiences and learnings from the innovative project.


Mobile will be debated further by four top retailers including Claire Davenport, Managing Director of Vouchercodes.co.uk. "Mobile technology has given new meaning to 'location' in retail," she commented ahead of the debate around mobile commerce, the importance of the tablet and second screening, location, payments, apps, responsive design and omnichannel shopper behaviour.

Harriet Williams talks about how Labelux is managing complexity to deliver a seamless luxury experience for Jimmy Choo, Bally, Belstaff and Zagliani – multi-brand, multi-site, multinational and multichannel.

With its pioneering social listening and cross-channel brand engagement Coca-Cola will share how it is using social, mobile and retail channels to drive growth and react to real-time events. An aptly named presentation to end the conference stream – Anytime, Anywhere.

speakers, past debates have been as lively as they are informative and thought provoking.

Retail is not alone though in its re-foundationing and transformation so while the industry looks in on itself and watches competitors, lessons can be learnt from other sectors: travel, brands selling direct and publishers with their pulse on content. With Thomas Cook, Condé Nast International and Coca-Cola closing the conference I wonder what part services, brands and publishers will play in tomorrow's retailing? Are they the next competition?

As well as the conference, the event includes longer, in-depth workshops on supplier-specific areas and an exhibition which brings together retail decision makers with senior teams at technology and supplier companies. The team at IR Towers look forward to greeting you at the Internet Retailing Conference. Registration is now open at [internetretailingconference.com](http://internetretailingconference.com) 

and worked for their customers. Projects within retail don't have to be massive to produce radical results although the major replatforming project brought to fruition this year at Marks and Spencer while continuing daily trading is a feat that many will admire. David Walmsley, Director M&S.com will be speaking at the Internet Retailing Conference and sharing with delegates the inside track on the transformation and creation of a new flagship digital experience that is built around the evolving customer.

Tesco, also has been undergoing major changes and Simon Belsham, MD of the online grocery business will share Tesco's multichannel vision with delegates.

For all retailers, whether pureplay or omnichannel, shoppers are turning to their mobile phone at every opportunity. One in four shoppers now owns a tablet too with this becoming the fastest growing conversion channel for many. In the words of French fashion retailer Comptoir des Cotonniers which this year launched 10,000 boutiques in just one night – and is presenting at this year's conference – the store of the future is everywhere.

From big data to delivery choice and margins to mobile design, payments and innovation, the Internet Retailing Conference offers plenty of opportunities for delegates to debate the key issues with speakers and with an audience as knowledgeable as the

**HEAR FROM THESE COMPANIES**

# Internet Retailing Conference

Sponsored by  demandware

14th October 2014, Novotel, Hammersmith, London


1 Day

3 Conferences

9 FREE TO ATTEND Workshops

+50 Exhibitors

## 11.20 AM WORKSHOPS

				
<p><b>WORKSHOP 1</b> Out with the old, in with the new? Has the time come to replace your legacy?</p>	<p><b>WORKSHOP 2</b> Selling Sustainability</p>	<p><b>WORKSHOP 3</b> Sell globally, merchandise locally – content production for international commerce</p>	<p><b>WORKSHOP 4</b> Conquer the world of retail workshop: identify how to use payment optimisation strategies to convert global shoppers</p>	<p><b>WORKSHOP 5</b> Visual Merchandising Online – Best fit tools and best practice techniques.</p>

## 14.00 PM WORKSHOPS

			
<p><b>WORKSHOP 6</b> A practical step by step guide: achieving profitable growth in cross border eCommerce</p>	<p><b>WORKSHOP 7</b> How to reach your customers: why content lies at the heart of modern-day multichannel commerce</p>	<p><b>WORKSHOP 8</b> Becoming a global digital retailer in five steps</p>	<p><b>WORKSHOP 9</b> Personalisation: From Theory to Practice</p>

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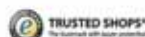
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**TRACK 3 - PLACE**

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## FLOORPLAN



## EXHIBITORS

- |  |  |  |  |
|--|--|--|--|
| <b>SLI SYSTEMS</b> Stand 1 / Track Sponsor<br>SLI Systems                            | <b>APPTUS</b> Stand 2 / Track Sponsor<br>Apptus    | <b>Avalara</b> Stand 3<br>Avalara                              | <b>Hydra</b> Stand 4<br>OneHydra                                       |
| <b>royal mail</b> Stand 5<br>Royal Mail Parcels                                      | <b>Amplience</b> Stand 6 / Workshop<br>Amplience   | <b>monetate</b> Stand 7 / Workshop<br>Monetate                 | <b>micros</b> Stand 8<br>Micros  |
| <b>peer1</b> Stand 9 / Workshop<br>Peer1 Hosting                                     | <b>Magento</b> Stand 10<br>Magento                 | <b>reallex</b> Stand 11<br>Reallex Payments                    | <b>bronto</b> Stand 12<br>Bronto                                       |
| <b>RED</b> Stand 13 / Track Sponsor<br>RED Technology                                | <b>LYONS CG</b> Stand 14<br>Lyons Consulting Group | <b>SDL</b> Stand 15 / Post Event Party Sponsor<br>SDL          | <b>CERTONA</b> Stand 16<br>Certona                                     |
| <b>VIRTUALSTOCK</b> Stand 17 / Workshop<br>Virtualstock                              | <b>StiboSystems</b> Stand 18<br>Stibo Systems      | <b>TEALUM</b> Stand 19<br>Tealum                               | <b>VoucherCodes.co.uk</b> Stand 20<br>VoucherCodes.co.uk               |
| <b>ROUTE GENIE</b> Stand 21 / Programme Sponsor<br>Route Genie                       | <b>wnDirect</b> Stand 22<br>wnDirect               | <b>Jumio</b> Stand 23<br>Jumio Inc                             | <b>FASHOT</b> Stand 24 / Post Event Party Sponsor<br>Packshot / Fashot |
| <b>plentymarkets</b> Stand 25 / Registration and<br>Lanyard Sponsor<br>Plentymarkets | <b>BT</b> Stand 26 / Workshop<br>BT Expedite       | <b>channeladvisor</b> Stand 27<br>ChannelAdvisor               | <b>ingenico</b> Stand 28<br>Ingenico Payment Services                  |
| <b>NETSUITE</b> Stand 29 / Track Sponsor<br>NetSuite                                 | <b>Reply</b> Stand 30 / Track Sponsor<br>Reply Ltd | <b>Digital River</b> Stand 31 / Track Sponsor<br>Digital River | <b>sovendus</b> Stand 32<br>Sovendus                                   |
| <b>TRYZENS</b> Stand 33<br>Tryzens   | <b>Perfion</b> Stand 34<br>Perfion                 | <b>demandware</b> Stand 35 / Title Sponsor<br>Demandware       | <b>smart-infosys</b> Stand 36<br>Smart-Infosys                         |
| <b>Trusted Shops</b> Stand 37 / Bag Sponsor<br>Trusted Shops                         | <b>OSF</b> Stand 38<br>OSF - Global Services       | <b>Simpleusability</b> Stand 39<br>Simpleusability             | <b>DATASTAX</b> Stand 40 / Registration Area<br>Datastax               |
| <b>informatica</b> Stand 41<br>Informatica   | <b>Inurface Media</b> Stand 42<br>Inurface Media   | <b>AGILONE</b> Stand 43<br>AgilOne                             | <b>OrderDynamics</b> Stand 44<br>OrderDynamics                         |
| <b>Internet Retailing</b> Stand 45<br>Internet Retailing                             | <b>EasyAsk</b> Stand 46<br>Easyask                 | <b>InPost</b> Notebook Sponsor<br>InPost                       |  |

## WORKSHOPS

- |   |  |  |  |  |
|---|--|--|--|--|
| <b>ROOM B2 MUSCADET</b>                                 | <b>ROOM B5 SANCERRE</b>                  | <b>ROOM B3 ALSACE</b>                    | <b>ROOM B4 BEAUJOLAIS</b>              | <b>ROOM B6 BOURG</b>                       |
| 11.20 am <b>VIRTUALSTOCK</b> WORKSHOP 1<br>Virtualstock | <b>SUSTAINLY</b> WORKSHOP 2<br>Sustainly | <b>Amplience</b> WORKSHOP 3<br>Amplience | <b>worldpay</b> WORKSHOP 4<br>WorldPay | <b>peer1</b> WORKSHOP 5<br>Peer 1 / On Tap |
| 2.00 pm <b>E4X</b> WORKSHOP 6<br>E4X                    |  | <b>e-Spirit</b> WORKSHOP 7<br>e-Spirit   | <b>BT</b> WORKSHOP 8<br>BT Expedite    | <b>monetate</b> WORKSHOP 9<br>Monetate     |



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'A Survey of Customer Service', Dimensional Research 2013.

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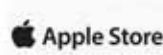
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# Transforming retail as we know it

Retail success has become inextricably bound with an understanding of customer centricity. Cross-channel strategy, where retailers place customers at the heart of every decision made, has been increasingly adopted in recent years, with much made of its ability to transform retail. Qusai Sarraf, CEO of IVIS Group, shares his thoughts on the customer power shift.



**I**N THE past, retailers were generally inward-looking and traditional in their thinking as business was predominantly viewed from a buyer's perspective. As a result, the natural temptation for retailers when shifting to cross-channel is to segment, market and merchandise goods along similar lines. The customer-centric approach challenges existing business models, contests the buyers' view of things and adopts customer intuitive ways of displaying products online - for example, products have rich descriptions and appear in multiple categories.

In order for retailers to succeed in cross-channel, a department, or one person as a minimum whose sole focus is the customer journey, is needed to ensure consistency

across channels. So, if a customer were to volunteer personal information via one channel, the same information would be shared and visible across all trading points, preventing customers from having to repeatedly enter the same information.

Most retailers say they are customer-centric but, in reality, very few are. The rapid changes of the past 10-15 years, which have been highly sophisticated in terms of customer expectation and complicated in terms of channels and devices, have resulted in many retailers being unsuccessful in adopting a cross-channel strategy. There is a need for multiplicity and diversification within the industry. More than one business model is crucial for a business to succeed in the current climate. Associated with multiplicity ►

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is innovation. Business is not just about cool technology; it's about being able to effectively foster innovation in commercial models and creative thinking. When retailers are faced with competition from brands, telcos, media, travel companies and so on, the challenge of developing various business models is fundamental to success.

### **MANAGING COMPLEXITIES**

Tesco is a prime example of a retailer that is implementing new business models well. They were early adopters of the multi-channel strategy - in fact, as early as 1996, the year Tesco.com launched, it offered offline ordering. Tesco went from a white-label company in 1996 to trading internationally in 2007. Amazon is another company that has successfully introduced new business models, being pioneers of affiliate marketing. Those retailers who still believe that online is about cannibalisation and that retail is just about a transaction are undoubtedly failing and subsequently unsuccessfully adopting and implementing the models necessary to succeed today. Another likely trap for retailers is underestimating the impact that technology can have on their business, so they segment online from their physical store activities.

The increasing focus on customer convenience within retail has brought about the expansion of click and collect services and with it, new procedures, processes and roles. Systems have to adapt. For some, next day delivery isn't sufficient. The success of Collect Plus is an indication of how sophisticated customers expect retailers to be. Such expectations are only heightened as the majority of customers are 'connected' at all times and can track their order.

There are plenty of examples showing how power has shifted from retailers into the hands of the customer. The Tesco price promise, for instance, instils the customer with knowledge of how much they've saved in comparison to shopping at other supermarkets, and if they haven't saved, the customer receives a voucher for the difference. Retailers are showing they are aware of their competitors and are aligned with the best interests of the customer.

The strategy should be to place the customer at the centre of every decision made. In some markets retailers have been able to jump the website stage and move straight onto marketing and selling via the


mobile channel. In China, for example, there are so many apps linking mobiles to bank accounts that the credit card is on the way out. Customers become comfortable with using mobile payments via trusted brands like Alipay, part of the Alibaba Group. The approach of a business will inevitably differ according to the availability of smart devices in each market.

Cultural differences will also affect whether UK retailers should follow the same process for both domestic and international operations. In many countries people are far more connected than we are in the UK. On a train in South Korea for instance, it's likely that all commuters will be using their smartphone. So, the immediacy of customer requirements can be challenging.

The most important practice underpinning the current state of online retail is securing consistency and alignment within an organisation. If the values of the proposition are not reflected by people's KPIs, goals and responsibilities, it is likely to flounder. Leadership, innovation and a willingness to change go together and processes are secondary.

People, process and technology are integral to one another, but few businesses successfully put this into place. Tesco's simple model of Better, Simpler and Cheaper intelligently puts this holistic view into practice. They evaluate if it will be Better for customers – this relates to values, Simpler for staff – this relates to processes as there is no point implementing something that can't be easily and consistently delivered, and Cheaper for Tesco – creating common practices and procedures.

In the UK, cross-channel strategy has seen a trend of fewer stores. Those physical stores that remain will have to transform and become an experience for customers, presenting a lifestyle related to the brand. Burberry is currently doing this very well. Loss of revenue from the physical channel will be compensated by income from new business models. Last Christmas it was surprising to see how many businesses' offerings became marketplaces – this model really erupted.

Over the course of the next year there will be smarter launches of different business models that will cause non-retailers in particular - specifically brands with a B2B mentality - to face a steep learning curve. Some will excel, others sadly won't. 

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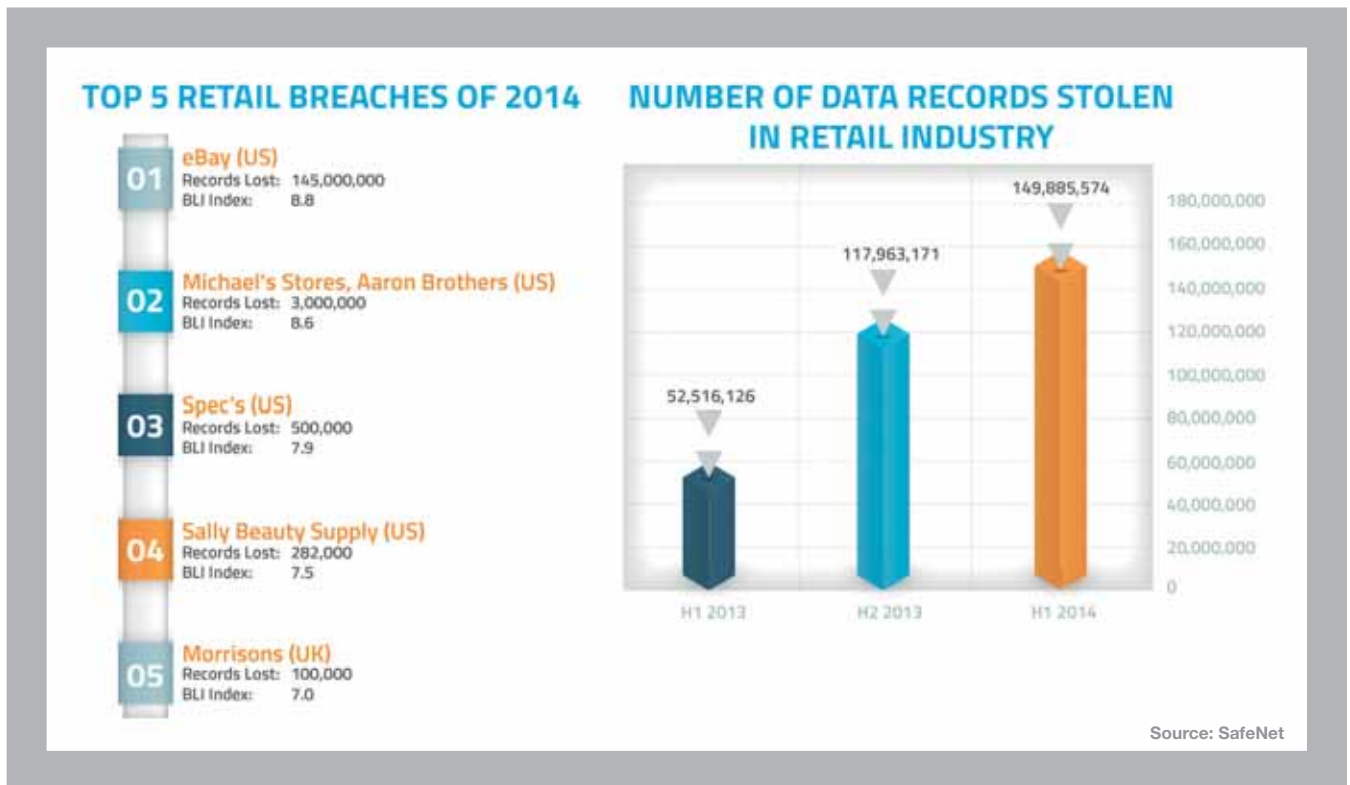
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# The weakest link

With personal information worth more than credit card details to fraudsters, Emma Herrod asks whether retailers are giving cyber criminals easy access to their customer data.



**W**HEN ASKED why he robbed banks, American outlaw Jessie James allegedly replied: "Because that's where the money is." That's no longer strictly true, however, as it's the credit card and personal details of their customers that many organisations hold that are now of real value to criminals. While the credit cards themselves have only a limited life because a stop can be put on them when they've been compromised, the new 'money' is the personal data that retailers collect by the bucket load.

Hackers are adept at accessing this valuable – and vulnerable – data. For example, for 19 days during November and December 2013, hackers accessed the details of around 40 million customers of US retailer Target. The information they captured by hacking into store-based POS terminals included name, credit/debit card number, expiry date and CVV. The company later discovered that the details of up to 70 million shoppers – names, addresses, phone numbers and email addresses – had been illegally accessed.

The Target breach wasn't caused by a fault with its website: hackers gained access via network credentials stolen following an email malware attack on the firm's air conditioning service company. What is more worrying is that the breach could have been prevented by Target's existing security systems if it had heeded warnings, according to an investigation by Bloomberg Businessweek.

### **NOT THE ONLY TARGET**

Target is not alone in being hacked. Domino's has been held to ransom by cyber criminals threatening to release the details of 600,000 of its customers, while Office reported that its website had been the subject of a security breach resulting in criminal access to shoppers' accounts and passwords. In the UK alone over the past year, more than 100,000 customer records are known to have been hacked.

Cyber crime is not an issue that's going to go away; while the number of breaches of UK companies' secure systems is declining, Andrew Miller, Cyber Security Director at PwC,

says they are “becoming more sophisticated and their impact more damaging”. Each breach can cost large organisations between £600,000 and £1.15m, according to the Department for Business Innovation & Skills/PwC 2014 Information Security Breaches Survey. This found that among large businesses (not just retailers) in the past year:

- 55% were attacked by an unauthorised outsider (down from 66% a year ago);
- 73% were infected by viruses or malicious software (up from 59%);
- 38% were hit by denial of service attacks (similar to the previous year’s 39%);
- 24% detected that outsiders had successfully penetrated their network (up from 20%);
- 16% knew that outsiders had stolen their intellectual property or confidential data (up from 14%).

New EU data protection regulations will be introduced next year, and the Financial Conduct Authority Regulations, which affect listed companies, contain reporting requirements relating to data and security breaches. “The fines which can be imposed following security breaches are significant and the litigation risk arising out of these incidents, for example, breach of contract claims by customers or claims for negligence, can be substantial,” comments Kim Walker, Technology Partner at law firm Thomas Eggar.

However, these security breaches don’t only hit retailers in the pocket, they also damage their reputation and lose them trade.

### THE GREAT ATTRACTION

Retailers have been busy building big data databases, collecting information about customers, alongside their credit and debit card details, and connecting an ever-increasing number of touchpoints to the internet. “Cyber criminals have increasingly swung their attention to retailers as a target as they look for information on customers,” says TK Keanini, CTO of network security firm Lancope.

They don’t just want credit card data, but anything that can be monetised, either by those behind the attack or whoever they sell the stolen data to.

Andy Heather, VP EMEA at Voltage Security, comments: “The value of personal data continues to be recognised by hackers, who are now attempting to use the data to hold companies to ransom. The theft of financial information (credit card or account information) has a limited lifespan – until the victim changes their account details etc – but

it’s not so easy to move house or change your date of birth.

“The personal information that can be obtained has a much broader use and can be used to commit a much wider range of fraud and identity theft, and simply cannot be changed. A single stolen credit card is worth around \$1; if that card information is sold with a full identify profile, that can dramatically increase to up to \$500.”

This all means that any large retailer will be a very attractive target, and the risk becomes greater with more information being stored in one place with an increasing number of access channels and access points.

Retail is a very open business, and its POS terminals, wireless networks and accessibility anywhere, anytime make it very vulnerable, explains Heather. “Anything you or I could get access to, a cyber criminal would want to access,” he warns.

It’s also a very dynamic environment, since access points change and are updated along with new channels. Although there are security protocols, retail moves so fast that things sometimes go wrong or updates aren’t completed to the right specification. Hackers will be testing all of these points, all of the time, looking for these vulnerabilities.

All it takes is for one employee to be on holiday or for the team to forget to patch something on time and an access point is created. Even skilled IT staff make security mistakes or miss something when checking their own code. “That’s why independent IT security testing is something retailers should do,” comments Ilia Kolochenko, CEO of information security company High-Tech Bridge.

Paul Hampton, Payment & Crypto management Expert at SafeNet, which tracks UK retail industry breaches via its Breach Level Index, explains that most of these breaches are via digital. Some originate within the company, so employees should have access only to the data they need.

Most security experts agree that it’s not a question of if a company will be hacked but when.

Heather comments that retailers should not focus on the level of due diligence in moving systems and securing end points, but think about making the end information unusable. “At some point, the bad guys will get into your organisation. Is there something you can do to the information to make it unusable or unreadable so that the criminals go

“It’s not a question of if a company will be hacked but when”

elsewhere?” he asks. In the case of the Target hack, the customer data was stored as non-encrypted cleartext.

Unprotected data gives cybercriminals almost all of the information needed to commit fraud. Even throwaway information such as loyalty data or a postcode is at risk and has a value.

Hart believes that if Office had employed format-preserving encryption to protect its data, hackers would have ended up with encrypted information of no use – and therefore no value – to cyber criminals.

### PRIDE BEFORE A FALL

The vast majority of hacks aren’t revealed with about 70% of organisations keeping their worst security incidents secret. So what we read or hear about in the news is just the tip of the iceberg. Unfortunately, there will also be many more incidents that will remain undiscovered because companies are not monitoring all the potential access points. Essentially, if you don’t know about it you can’t do anything about it.

It’s not just an issue for large retailers, either. While there are high-profile criminals looking for a big win (and seeking the attention of Interpol and UK Cyber Crime Units), most want to remain invisible. Many are happy to keep a lower profile and pocket £2 each from 1 million customers.

It’s also more complicated for cyber criminals to sell a large database of customer information. Kolochenko believes the recent high-profile attack on eBay, which resulted in many users around the world changing their passwords, was likely to have been targeted specifically.

There’s a co-evolution that takes place with security, explains Keanini. Many people don’t fit a burglar alarm until after they’ve been burgled and the same is true of some retailers: they don’t get on top of security issues until after an attack. “Inevitably, every retailer has to accept the ‘adversary’ as part of doing business,” he says.

Not only does the company need to check its own security across its infrastructure and employees, but it also needs to be aware of every possible access point, from the supply chain to its customers. Any of these are vulnerable to attack and criminals may not target the most obvious ones.

“As one door gets locked and secured another opens as an access point,” comments Heather.

“For every breach that’s occurring there are several that haven’t been detected”

### STANDARDS

There are standards in place and processes that have to be followed to keep certain data secure, such as PCI compliance for credit card data or HIPAA for healthcare data. But are these enough?

In December 2014, PCI DSS 3.0 comes into force in the UK. The PCI Security Standards Council says that it wants this standard to bring about a sea change that will involve a “structured, predictable and continuous” approach to PCI compliance.


The TK Maxx breach and the attack on Target have highlighted the need for a broader, more holistic approach to PCI. Many of these enhanced standards focus on employee education and awareness, eliminating the use of default passwords and the need to write down payment card details, stopping access by phishing scams and ensuring the use of approved encryption methods. This comprehensive compliance ideology also comes with a need for regular systems testing – something that usually involves more time, money and expertise.

However, Keanini believes that standards provide only a base line, and that retailers should be doing more to secure their infrastructure, systems and customers. He comments that standards give a “certain level of fitness but not a place or win at the World Cup. Criminals innovate at a faster rate than standards.”

Currently, only 12% of IT organisations in the UK are completely confident that their endpoints are compliant with the upcoming PCI DSS standard.

Given the increasing number of data breaches and the amount of customer data that retailers hold, in a single place, retailers need to appreciate the true value of what they have and the consequences if it’s stolen.

Retailers can turn things around by having the right operational processes to outmanoeuvre their adversaries, and making it harder for them to infiltrate systems or remain hidden. For example, a large retailer may have hundreds of vulnerabilities but a single adversary has to find only one of them – and remain undetected. “They may try 7 or 10 manoeuvres but all the defender has to do is find them at one of them,” says Keanini.

If retailers treated cyber criminals as if they were as important as their customers’ purchasing data, it would minimise the risk to a point that makes it insignificant. 

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# Smart logistics: the key to keeping customers happy

As consumers are offered more choice about when and where to shop, many retailers are recognising the importance of logistics in differentiating themselves and creating competitive advantage. Lewis Marston, CEO, Rocket Consulting looks at the issue of customer experience.

**T**HE TRANSFORMATION from high-street retailer to one that can operate successfully in today's multichannel world is challenging, particularly for those that have relied on adding online fulfilment to legacy retail fulfilment supply chains and technology systems.

Companies with traditional roots compete with retailers at the opposite end of the spectrum; enterprises such as Amazon that, from the beginning, were built to be online only. Their cost-efficient logistics operations allow the customer to balance the speed, convenience and cost of the delivery based on their own personal preferences.

Viewing the logistics function of the supply chain as a key element of the customer experience, and optimising it accordingly, will pay dividends for retailers.

Retailers running their own delivery vehicles can potentially drive up customer service levels because they can dictate the consumer interaction, adding value to both the customer and the brand. However, a dedicated fleet is not practical for many retailers.

Frequently the more workable alternative is to use a third party logistics company, but from the point at which the delivery vehicle leaves the loading bay, the retailer is no longer in full control of its product and brand and loses direct contact with the customer.

Often the first time the retailer becomes aware of any issues encountered with the delivery, delays on route for example, can be when its customer services department receives a call from the consumer. The lack of direct involvement in the process at this point makes it harder to both resolve the problem easily for the customer, and create the positive customer sentiment that can be achieved by face-to-face interactions.

Compare that to a customer services team with instant access to real-time delivery and returns information and business intelligence



on buying and service experience history. Issues can be handled before they become full-blown problems. Pro-active and fast customer service can reverse negative experience and outcomes and retain consumers.

## **THE BRAND EXPERIENCE**

In recognition of the power of the 'feel good factor' generated by making a purchase in store, many retailers aim to replicate or even extend the high street shopping experience with innovative online experiences.

However, a positive association with the final step of the purchase is often lacking. For example, an item bought in-store is usually presented in attractive packaging, which feeds the reward centre emotions and makes a strong link to the brand. In contrast, most home deliveries arrive in a commoditised brown card box via a courier-branded or privately-owned vehicle. This can negatively affect the consumer's impression of the brand and is a missed opportunity for the retailer to cement the relationship with the customer on its last contact with them. ►

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At the top end of the scale, branded vehicles and packaging see retailers closing the loop. Add to that a uniformed driver with a remit of customer relationship manager and retailers start to get closer to an in-store purchase experience.

Retailers with outsourced logistics can also make small changes that improve customer service and reinforce their brand and buying experience at the point of delivery. It is critical to choose the right logistics partner and ensure that the technology they use is a significant enabler for customer service in this all-important final step in the retail experience.

For example, state-of-the-art, mobile applications enable the customer signature screen on the handheld device carried by the courier to be branded by the relevant supplier, ensuring visibility for the retailer and making an important subconscious psychological link in the reward feedback of buying. (These applications are the same ones that enable the real-time logistics information that is essential to drive pro-active customer service.)

If providing feedback is not easy for the customer, retailers risk them not complaining, but taking their business elsewhere with no warning in the future. Internal cultures and policies should facilitate and value customer feedback at the point of delivery and mobile logistics tools should enable it by including one-click feedback as part of accepting a parcel.

### **DYNAMIC RETURNS**

Increased returns must be accepted as a consequence of online shopping, particularly in fashion, as people replicate the changing room experience and over-order to ensure they have the size and colour they want. The returns process must mirror this behaviour to be as customer-friendly as possible.

The in-store item exchange experience can be replicated by incorporating the reverse logistics enabled by sophisticated logistics technology into the delivery process. Collections could be included in the delivery route of the retailer's vehicle, which reduces their cost and improves customer service, for example by reducing the waiting time for deliveries. Alternatively, collections from regular customers could be made at the next delivery.

A good in-store returns experience often results in a customer spending the refund


before leaving the shop, and this can be replicated online. But perhaps more importantly, retailers should consider the returns service as a differentiator. If it is difficult, customers will regard it as another barrier to shopping, potentially taking their custom elsewhere.

Retailers consistently look for ways to achieve the potentially opposing goals of providing the best possible customer service while remaining profitable. A new way of working, which uses real time route planning based on the location of each of the deliveries already booked, is starting to emerge in high density areas. Based on the model of 'slot booking', customers can be encouraged, perhaps with financial incentives, to select a time that is consecutive to other deliveries in their vicinity. The retailer can then complete two deliveries for the cost of one, with no detriment to the customer experience.

This requires retailers to accept that a step change in technology is required to lead the way. Providing highly optimised logistics and customer service functions is possible with emerging in-memory computing (such as SAP HANA) that allows calculations to be made almost instantly and as part of the buying process. Employing the right technologies opens up new disruptive opportunities to redefine several areas of the retail experience.

As same day delivery services become a reality, the value this offers to customers compared to a small, reliable delivery window is questionable. The 2013 Econsultancy Multichannel Retail Survey reflects this, finding that 31% of people would opt for fixed date delivery, compared to 8% who would prefer same day.

This suggests that retailers would benefit from first achieving smaller accurate delivery windows. Additional flexibility to change these via an easy self-service option could then be built in, with the future seeing disruptive technologies again offering new standards, such as 'find-me' delivery services for home/work/café.

The new breed of mobile logistics applications integrate logistics and customer service to enable holistic fulfilment that extends the brand experience to the moment that the customer receives their goods. This allows retailers to retain the positive brand sentiment that they have invested time and resource into generating since the beginning of the consumer shopping experience. 



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# Collecting critical mass

Click and collect is booming, but how do retailers cope with such dramatic increases in demand? Penelope Ody investigates the sustainability of the store collection model.

**I**N THEORY it is a win-win for customers and retailers alike. Shoppers place their orders, pop into a local store during their lunch hour to collect, where super-sales staff have the chance to encourage add-on purchases, and the customer departs, happy and contented. No need to wait at home for a delivery and a cost-effective solution for the retailer. Reality is often very different and anecdotal tales of lost orders and long queues at the collection counter abound. Instead of being a positive customer experience, click and collect (c&c) is likely to spawn a raft of critical posts in the twitter-sphere – as even a cursory glance at Trustpilot or any social media site quickly demonstrates.

If retailers are having problems now, then the next couple of months, as we approach the Christmas peak, will only make things worse. Already some department stores are reporting peak c&c orders of up to 500 a day, while research by consultants Kurt Salmon suggests that these numbers could quadruple by 2017. “Click and collect is supposed to be convenient,” says Judy Blackburn, Director at Kurt Salmon, “but standing in a queue for 20 minutes waiting to collect the order is quite the opposite. Retailers need to put the tools in place to manage customer expectations more effectively. That could mean greater use of timed collections, for example, better workplace management systems so that enough staff are available, or real-time applications to warn customers via mobiles that there could be a queue and suggest they come to collect later in the day.” ►



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Specialising in international mailing, distribution and eCommerce logistics, UKP Worldwide has been sending goods to the U.S. on behalf of its customers for more than 14 years. In 2010, the company set up a subsidiary in New Jersey, where the company has been working directly with the United States Postal Service and very much see themselves as an expert within the field. As a result, the company has been providing parcel and address sortation services to their customers, allowing them to benefit from postal sortation discounts.

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- Lee Bucktrout, Managing Director, UKP Worldwide says “The UK has the highest share of online retailing in the world and is the second biggest online retail exporter, beaten only by the USA. 2013 saw £32billion online retail sales in the UK, of which £4.2billion was international customers. By 2020, the value of UK eCommerce is estimated to be £68billion. Online consumers increasingly expect visibility and delivery notifications throughout the whole process and don’t expect the delivery of goods to cost more than the product they have paid for. This is especially the case when ordering goods from overseas where cross border shipping can be a real cost issue for the consumer, and at times a barrier to export for the retailer. Our U.S. service is efficient, trackable and offers a cost effective alternate to expensive courier shipments. Our customers have been able to improve their*

*delivery time and provide their U.S. consumers a tracked service with email notification that’s resulted in lower costs, quicker delivery and the recipient being updated at each stage of the delivery.”*

UKP Worldwide will be attending the eCommerce Expo, Olympia, London on 1st-2nd October and the World Mail & Express Show, Kuala Lumpur on 14th-16th October 2014. UKP Worldwide will be available to discuss full details of the GDE service and advise how you and your customers could benefit. Alternatively, please email [info@ukpworldwide.com](mailto:info@ukpworldwide.com) for further information. 🇬🇧

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It can also mean expanding the collection options to the Post Office, Collect+, locker schemes such as ByBox, or the various pop-up collection points emerging at railway stations and car parks.

### STORAGE SPACE

In store, collection queues are not the only problem: finding space in crowded stock rooms to store several dozen packages each day can be challenging for specialty shops, while stores which have installed collection desks by their main entrances may need to enlarge them significantly as orders ramp up. “When there were 15 or 20 packages to be collected each day it was all fairly easy,” says Craig Sears-Black, Managing Director of Manhattan Associates UK & Ireland, “but when there are several hundred it is a different matter and retailers need new systems to manage put-away and retrieval.”

The result is mini-warehouse systems which can match parcels to numbered locations on suitably designed shelves to give a rapid reference to staff and enable easy retrieval. In the US, retailers such as Ann Inc, J Crew and Belk have already introduced such technology and Sears-Black has three UK customers currently at the implementation stage. But – as he also points out – many retailers are fulfilling c&c orders from their

distribution centres with the items arriving by parcel carrier or in bulk with the daily delivery, and that requires disciplined staff to log locations and put away the several dozen items efficiently. Leaving them in a box in the back room is simply storing up problems for later in the day.

“Orders also tend to be collected in waves,” he adds, “usually at lunch time or after work, so there can be significant peaks in demand and that needs to be matched to the labour scheduling system. Perhaps retailers will need to adopt timed collection slots and limit the numbers that can be available at any one time rather than have customers queue for half an hour.”

Sam Anderson, Senior Consultant with Salmon, believes many customers are unlikely to comply: “I want to collect orders when it is convenient for me,” she says, “not at a time the retailer suggests, so if there is a restriction that would probably act as a deterrent to purchase.”


While many retailers are currently facing a dramatic increase in c&c Salmon clients Argos and Halfords have been offering a variety of reservation, ship to store or click and collect models for years: currently 90% of Halfords’ online orders are collected in store. “Where companies are fulfilling from store then the orders tend to come in throughout the day ►

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and are treated as just another customer,” says Anderson, “so you don’t have a large number of parcels to deal with at any one time. If the orders do arrive in bulk from the DC then the store should automatically receive a list giving all the details or else they can use bar codes to scan the information into their collection system.”

### FORECASTING DEMAND

For Alex Fovargue, Retail Specialist at SAS UK & Ireland it is still far too early to accurately predict any patterns in order placement or collection. “Retailers are struggling to forecast demand for click and collect as it is all so new,” he says. “Normally you’d have two or three years of data on which to base your predictive model but most retailers don’t have that. How, for example, does the click and collect pattern vary with the weather? How does it impact store visits? Over time, when there is sufficient history, it will be much easier to match demand with capacity but at present retailers are having to ameliorate customer service – by offering a free coffee, for example, while shoppers wait.”

Currently, he adds, a store manager may only appreciate the scale of the day’s c&c problems when 200 packages arrive with the morning delivery. “Most labour scheduling systems work a week ahead so it is not easy to call in additional staff at such short notice, although zero hours contracts can obviously help,” he says.

Typical retail data silos don’t help either. In theory it should be easy enough to alert customers to high levels of demand at the collection desk and suggest that they avoid a lunch-time collection. “The problem is that data is in stove pipes,” says Fovargue, “and it is highly unlikely that the click and collect system can connect to the CRM system which contains the contact details of customers. Data isn’t joined up and there is no real-time immediacy.”

As well as real-time data, Lee Gill, VP Retail Strategy at JDA Software, argues that store fulfilment – as with Halfords and Argos – should ultimately be the preferred solution for c&c orders rather than current models based on DCs or dark stores. “Store fulfilment is the most cost-effective,” he says, “but that needs good forecasting and demand models and click and collect orders are currently not as predictable as store purchases.” On the list of “must also haves” he puts not only workforce management, to ensure enough


“Retailers may have to set constraints on C&C orders”

staff are available to cope with demand, and the in-store picking and put away tools favoured by Craig Sears-Black, but also space planning – to ensure that the store has the correct mix of storage and selling space to cope with orders at peak – and a store assortment that reflects not just real-world shoppers but those also ordering online. “Click and collect is growing faster than home delivery,” he adds, “and in time there will be patterns in ordering and collecting goods which are predictable and will be successfully matched with staff capability.”

Until then views are divided on whether the availability of c&c, like home delivery grocery orders, should be openly curtailed. Like Sam Anderson, Gill maintains it would be “commercial suicide” for a retailer to start telling its customers when to collect or that collection from store X is not available and they must go to store Y or collect on a different day. Craig Sears-Black is not so sure. “Retailers may have to start saying ‘no’,” he says, “and set constraints on the number of orders that can be collected in any one day. We’re seeing some concerns about this in the US where stores want staff to be available to sell not to be in the back room shifting parcels.”

If, as Kurt Salmon suggests, c&c orders will increase four-fold in the next three years then that “500 parcels at peak” could become 2,000. Even if today’s 100 parcels a day becomes 400, and if each takes just two minutes to retrieve and hand over then that takes 13 hours or so of staff time to process and possibly as much again to place the parcels in designated racks and log location details at the start of the day – even longer to collect and pack orders fulfilled from store. And that will mean some very fundamental changes in store operations.

“If click and collect does grow by that much then how much ‘normal’ shopping activity will it change?” asks Judy Blackburn. “How will stores manage footfall while maintaining service levels and brand image? Will some sales assistants become full-time parcel shifters?”

In August, the Government announced an end to the need for planning permission for collection lockers so perhaps, if those lunch-time queues really do become intolerable, we’ll all be opting to collect from convenient lock-ups instead – which rather changes that win-win model as shoppers will no longer actually need to go into stores. 

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# The new dawn

You've unified stock and integrated legacy systems, but how do you turn that into a genuine differentiator and source of increased profit? Craig Sears-Black, UK Managing Director, Manhattan Associates explains.

**I**F WE want to improve sales performance and profitability, we need to establish what we do and don't know about the challenge ahead.

So what do we know? We know that customers expect a lot: click-and-collect as standard without charge, for instance.

We know speed and accuracy are important for any kind of interaction – be it customer service or order fulfilment. We know that speed cannot be offset with a drop in quality.

We also know that we have to make sales as profitable as we can – and that means holding prices as close to RRP as possible. And it means stripping cost out of the supply chain without letting customer experience drop.

We know we need to make changes in our business – but can everyone honestly say that they know where to start? Which areas of the business have the biggest impact on all of these factors? Then how do we stitch these best laid plans together and turn them into reality?

## DOWN TO BUSINESS FIRST

Integration of legacy technologies can be cumbersome. You really need to keep the systems, but without a single platform to view your stock in real-time, the rest is moot.

Once you have the supply chain commerce platform established, the next step is surprisingly not more technology.

Business processes need to be finalised before new, innovative technology can have its greatest impact.

Let us be nostalgic for just a second. Before we realised that the millennium bug was a bit of spin and the world didn't melt, retail fulfilment was an easier life. Ecommerce existed, but only a few people used it. Channels were separate and easier to manage.

Online, catalogue and store managers would all have been bonused for their sales performance.

Fast forward 15 years. Click-and-collect and other cross-channel sales are omnipresent. The resulting new order flows throw up some difficult questions, such as 'who's sale is it?' When multiple channels participate



in a transaction, how do you measure the performance of each one?

You shouldn't. Move away from that view of performance, because it's a barrier to great service. Re-arranging your business around new performance metrics is not easy though. The key challenge is breaking free from entrenched processes.

Start by clearly defining your business goals. Once the whole business understands what you're aiming to do, it's easier to establish and communicate departmental targets.

The goals we should look at are around profitability and customer experience. Those two areas both require coordination across the whole business. These are improved by reducing the gaps in your business through single inventory visibility and 'one retailer' fulfilment.

This is not initially a technology challenge: get your business organised. Get everyone geared towards the things that are important. ►

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### **SIMPLY SELL BETTER**

To recap, stage one is to integrate legacy technology into an IT platform that can support growth. Stage two is to re-order the business so that it's focused on profitability and service, not sales and top line revenue.

Stage three, then, is about taking those next steps. We know that we need to be quicker, offer better service and become more profitable. So let's look at how to achieve that.

When a customer buys a product, their stipulations often include when they need it and where they want to pick it up from. This is relatively new.

First of all – do you have the product? Single stock visibility, which you've achieved in stage one, means you can make some sophisticated decisions...but the scale of your business means that you need to automate them.

An Enterprise Order Management application finds stock within the supply chain and serves it to the customer. This is new to many but is the best way to make profitable fulfilment decisions.

So how does that process work? First, you need to have a tiered pricing model in your merchandising system. This should reflect where a product is in the markdown lifecycle. A product in Band 6, for example, is full price. A product in Band 1 is at cost price.

These tiers affect fulfilment decision making. Order management historically made decisions based on location – with the perfect logic that the time and cost would be minimal to fulfil from there. However, if the nearest product is in Band 6, but a product 100 miles further afield is in Band 3, the decision changes. The opportunity for a full price sale of a product where it's marked down elsewhere means you're going to make more profit.

You should also identify the different replenishment layers in your business and associate how easy fulfilment is from those units. If there are two items left on the shop floor, you may not want to fulfil from there. But one item in the warehouse is acceptable.

It's also important to establish optimal capacity when looking across these replenishment layers. At a glance, one store with 200 items versus one store with 10 would prompt a simple replenishment decision: take from the store with 200. But if that store is Oxford Street, and the other store is Basingstoke, your decision may be

different. The 200 items may last Oxford Street for one day, the 10 items might last Basingstoke for one week. In which case, you should source from the 10 to make your replenishment cycle easier.

All of these decisions can be made in real time to make sure that every sale maintains profitability.

But don't stop there. There are other factors that you should consider.

Click-and-collect continues its popularity with consumers. Ship-from-store is becoming more profitable for retailers for certain products. Both use similar structures: orders made online are fulfilled using high street stores.

If you have a busy high street store, do you want people picking up orders from there when staff are at maximum capacity already? It seems like a recipe for longer queues and lost sales. Similarly, do you use the Oxford Street branch to ship out orders, for the same reason?


The alternative is that you direct customers towards another store; one that's close by, but not as busy – in Holborn, perhaps. Labour management makes these decisions possible.

But there are exceptions. If your best customer wants to pick up from Oxford Street, do you still send them elsewhere? If you can see from CRM that they're a frequent high spender, you might send them to Oxford Street. They may buy more once they're there – or you just want to keep them happy. Either way, knowing your most important customers can inform those occasional decisions that go against conventional wisdom.

Order management is a complex web of decisions – but leads to more profit and sales.

We have worked with many customers to integrate real-time visibility of store inventory into their websites. In one particular case, we saw a 23% uplift in sales - in the first week. This particular instance highlighted the sales this retailer was missing out on through a lack of stock in the ecommerce distribution centre and lack of stock visibility.

It's impossible to know the level of sales that you're missing until you take these steps. If you had infinite stock, you'd know the real level of achievable sales. Real time visibility of all your stock doesn't quite make your stock infinite, but it's the closest you can get – and it makes a huge impact.

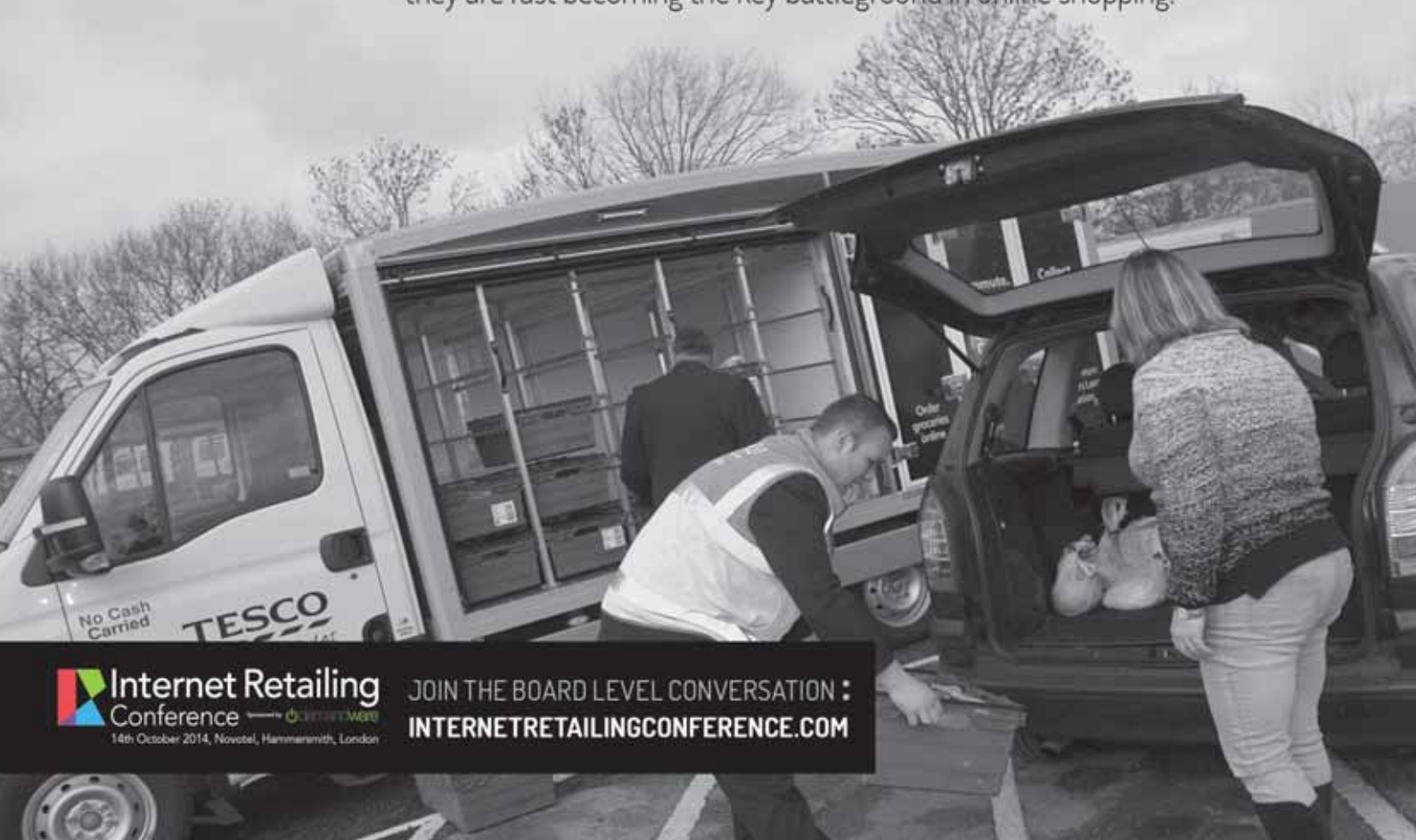
Managing stock in a way that factors in all meaningful information and variables is the road to profitability. 

“  
Order  
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decisions – but  
leads to more  
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Simon Belsham, Tesco's Managing Director of Grocery Home Shopping, shares his views on fulfillment and delivery and why they are fast becoming the key battleground in online shopping.



# Welcome to the wireless nation

Hidden amongst the savvy shoppers on Britain's high streets you'll notice a few with heads tilted, thumbs poised and mobile device in hand. Paul Hellings, Director of WiFi at Arqiva asked these connected shoppers about their expectations of the growing wireless nation.

**T**HE FACT is, for a fast-growing number of people in the UK, staying connected when out and about is nothing short of a necessity. Mobile devices are no longer just about talking and texting. The smartphones or tablets that have infiltrated our lives are a way to stay in touch, to be informed, to socialise, to stave off boredom, to work, to find our way around and much more. Importantly, for retailers, people are using them as a vital shopping companion. Not only as a new way to buy, but a means to research products, to gain a second opinion and to share experiences – good and bad. The desire to be connected isn't a passing fad. It's not tied to a generation or demographic. It's just the way more and more of us live.

Earlier this month Arqiva launched Wireless Nation, a survey of consumers' expectations of connectivity when out and about including shops, cafes, pubs and hotels. The survey found that 53% of people says it's "critical" or "important" to be able to connect to the internet when outside of the home or office, rising to 70% of those aged 31-40 years and 59% of people aged 41-50 years. Shoppers want to be more connected than ever before and for those retailers embracing this growth, the results pay dividends. If customers can connect when they're in store, they revealed they are more likely to stay longer, spend more, come back and recommend the business. Ignoring this expectation of connectivity can have equally damaging effects with the study showing a startling one in four customers leaving a business's premises because they couldn't connect to the internet.

So, with retailers creating richer customer experiences both in-store and online, why do customers still have the need to browse while out and about? Today, mobile devices serve a number of different roles; for most of us they're a source of information and entertainment too with 56% saying it relieves boredom. In retail environments,



**“If customers can connect when they're in store, they revealed they are more likely to stay longer, spend more, come back and recommend the business”**

49% of respondents are checking prices while in-store, 35% are looking at product reviews and 44% are researching products. Retailers must take control and optimise their online presence, to meet the needs of the omnichannel customer. Enabling potential customers to check prices, research products and read product reviews while in a retail premises may seem like a risky strategy. But people are more likely to value having ready access to the information they need to make an informed purchase – with the added convenience to buy there and then, rather than go elsewhere.

#### **SOCIAL PROOF**

There's been a lot of talk about social media and the need for brands to listen and engage with customers online. The fact is 58% of customers have used social media on business premises. That figure rises to 88% of 18-30 year olds. Women are also more likely than men to be liking, sharing and tweeting when they're visiting a business – with 67% active versus 46% of men. It certainly ups the ante for retailers, as it's now critical to deliver a consistently good experience. Happy customers can readily spread the word, but equally, the disgruntled can share poor experiences far and wide. Enabling and encouraging customers to check in, share ►



You must have the capability to continually evolve – having the right skills and mindset in-house is crucial

David Walmsley, Director M&S.com will share with delegates his learnings on transformation at scale and replatforming.

”


and seek the opinions of others online can certainly lead to positive benefits – giving people the social proof and validation they need to make a purchase and building invaluable advocacy for retailers.

Shoppers see a good internet connection as essential, but many premises are still providing a poor experience – and that affects business. More than half of the people in our study said they regularly experience issues trying to connect to the internet when out of the home or workplace; mobile internet connectivity is not yet consistent. 57% of consumers regularly experience a poor network signal and 39% regularly experience no network signal. The availability of WiFi services seem to be limited too – with 51% of consumers regularly finding there’s no WiFi available and 35% experiencing poor quality WiFi. The main concern for businesses is that not being able to connect triggers some very strong emotions. Many customers say they feel ‘frustrated’ and ‘annoyed’. And it’s evident that these negative emotions colour our attitudes to the business and brand itself. What’s more, when an angry customer uses social media to vent their anger, their voice can be heard much further afield.

For the majority of shoppers WiFi is the preferred way to get online, in fact, 75% say free, easy to use WiFi would improve their experience with 71% saying making it easier to log in to WiFi would help. The message is clear. Retailers that don’t currently provide WiFi services should think seriously about offering it or risk losing out to rivals. For those already providing WiFi, carefully consider the experience they’re delivering.



There are many examples of omnichannel retailers creating digital experiences in-store, however the launch of WiFi is still big news with Oliver Bonas announcing recently that it will introduce tablets into store and launching click-and-collect in five stores. Jonathan Webb, Co-founder and joint CEO of the consultancy Retail in Action commented on the Wireless Nation research, “retailers... need to adapt, and recognise that shoppers are increasingly going online to improve their offline shopping experience. Catering to this by offering in-store connectivity will be key to ensure the survival of bricks and mortar retail.”

The message is loud and clear. Shoppers today want to stay connected, wherever they go. Retailers ignore this expectation at their peril. If customers can’t get online in stores, an increasing number say they’ll go elsewhere. What will that cost be to a business’s bottom line? The good news is that by enabling shoppers to be connected can bring real benefits and give retailers an edge. When people are connected, this Wireless Nation will spend more money, keep coming back and recommend brands to others. Connectivity also presents endless opportunities to target and engage customers in new ways – building stronger, longer-lasting relationships. So, at a time when shoppers want to be more connected than ever – make sure you really connect with them. 



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# Mobilising the troops

As of August 2014, 52% of traffic to retailer websites is coming not from PCs and desktop computers, but from smartphones and tablets. This is widely considered to be a tipping point in retail circles. But all it really means is that more people buy tablets these days than PCs – something we knew back in 2012. Paul Skeldon explains further.

**W**HAT THIS tipping point fails to address is that the real mobile retail revolution is yet to happen. The real retail revolution is going to centre around how mobile is used in store and a large chunk of this is how retailers themselves can get more from mobile use in store.

How the consumer journey can be bolstered by mobile in store is well documented, but there is something of a paucity among technology companies and tech media when it comes to how staff can use mobile across their businesses.

You only need to look at Apple's real world stores and you can see that mobile can be used to transform how retail in the real world works. This is, for me, the real m-retailing revolution.

I am not alone. Huw Thomas, Managing Director of retail IT services provider PMC, agrees. "The value of omnichannel is predicated on placing the customer at the centre of everything. For in-store solutions legacy PoS systems just do not facilitate that objective, so new devices, such as tablets, are absolutely the way to go. The challenge though of managing the integration and driving of store based peripherals and enabling secure payments is one that needs to be addressed in order to ensure that your mobile solution is properly integrated and scalable."

And therein lies the problem. The theory of using mobile devices and the technology of the web to make the store – and its staff – work better is way easier to grasp than the practice.

"The problem is that implementing a mobile strategy is not very easy," says Thomas. "There are many products coming to market that address some of these challenges but retailers are trying to reduce complexity in their store environments not add to it. Retailers are keen to take their existing solutions mobile rather than add new ones."



According to Thomas, the majority of retailers would like to bring their website into the store to allow them to extend their range, particularly those retailers that have a wide variance in store size. Driving peripherals such as printers and scanners from a retailer's website is not easy. Taking secure payments via Chip & Pin is another significant challenge to be overcome. Many retailers are breaching acquiring rules by allowing 'customer not present' payments within the store environment. "Not something I would recommend," he says.

However, just because trying to do this is hard doesn't mean that you shouldn't try. Many retailers aside from Apple have seen that arming staff with tablets, the means to take payments and access to information – not least how to sell something that isn't in stock – is well worth the candle. ►

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## “Mobile technology has given new meaning to ‘location’ in retail”

Claire Davenport, Managing Director, Vouchercodes joins the debate around mobile commerce, the importance of the tablet and second screening, location, payments, apps, responsive design and omnichannel shopper behaviour.



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## MOBILE POS

Burberry and Monsoon Accessorize have both piloted arming sales assistants with iPads loaded with POS capabilities from Micros Retail Assistant and have reported improved sales. Electronics maker Casio has also piloted using tablets to not only 'bring the website into the store' at its flagship Covent Garden branch, but has used what is essentially stock control software and turned it into a mobile POS, ordering and receipt printing service.

The Casio example uses PMC's Store Enabler technology, which is an application that allows retailers to transform their existing website into a mobile POS, with full capabilities to scan products, print receipts and take secure payments.

Andrew Reason, General Sales Manager, for Casio sees using mobile to empower staff as crucial to all retailers. "Casio experiences the same challenges as many other retailers; our stores can only hold a limited subset of our entire range. Store Enabler allows us to complete the consultative sales process successfully at the point of decision even if the chosen item isn't at the store with a customer present card transaction. This gives us true range extension and a higher level of customer satisfaction."

Offerings such as Store Enabler pull together payment expertise, POS and existing management software to create a whole, which can increase the complexity of implementation. But the impetus to make this happen is growing.

Some 52% of traffic to retailer websites may come from mobile, but 36% of them are buying – which is a pretty high conversion rate. This is going to only grow, spurred on by people using mobile more and more wherever they are – including in the stores.

This could have an unpredicted knock on effect: getting an ever better experience on mobile and online is making the experience in store seem ever more awful. The advent of in store wifi and especially beacons technology is only going to highlight how awful the ordering, check-out and payment processes actually are. This is going to be the real driver for change.

## CHANGE IS NEEDED

One key proponent of this is Motorola. Already the leading supplier of mobile technology to retailers – mainly because they count handheld scanners and similar in-store devices as 'mobile' – Motorola has invested

heavily in beacon technology for retail stores because it is adamant that this change is going to come.

"Retail needs to change," says Mark Thomson, Retail Industry Solutions Director, Europe and Africa, Motorola Solutions. "Retailers need to identify consumers – especially loyal ones – as they enter the store and they need to be aided in their navigation around the store. The customer needs to be able to get help and assistance and queues need to become a thing of the past."

To this end, Motorola has launched MPact, which connects retailers and consumers to each other, it enables staff to be more helpful and empowered and it produces data that can really help the IT department with its strategy.


Motorola sees the networking as the key element here: using wifi and Bluetooth in combination to recognise and release consumers (with wifi) and to hone in on what they want and what they are looking at (with Bluetooth). The same tech can be used to empower the staff to meet these immediate needs as they happen.

The economics stack up too. Empowering the customer in store is one thing, but empowering the staff even more is quite another.

Getting more staff out on the shop floor, each with the ability to order and take payments, is also a no brainer in terms of growing sales. Getting rid of archaic queues and lack of full stock is not only a must for the ever more discerning – and increasingly online consumer – but also a must in terms of boosting sales.

In fact you can't afford to not empower your staff with mobile technology.

PMC's Thomas agrees: "Mobile in-store is still relatively in its infancy so there is a great opportunity to differentiate your retail brand and start taking advantage of the cost, efficiency and up-selling opportunities that mobile brings. This is one space where the UK is lagging behind the US where nearly a third of all retailers have begun piloting the use of tablet computers on the sales floor with just over 10% of retailers already having a mobile solution deployed across their entire estate. Whereas a recent survey from retail technology vendor Omnicore Group found that only 8% of stores on London's Oxford and Regent Streets offer assistance through tablet computers in-store."

There is a great deal of work to be done. So let's mobilise. 

# Insight around the world



**GERALDINE AHERN, PRINCIPAL ASSOCIATE, EVERSHEDS**

Dubai has unveiled its plans for Mall of the World, a mega-retail development. Such development affirms the UAE's status as a global retail hub. It is therefore surprising that the UAE has not experienced the growth in e-retailing that other jurisdictions have. It is not true to say that there is no e-retail activity and some very successful companies have sprung up in this sector, but when compared with other jurisdictions, the growth is limited.

The UAE government has demonstrated its enthusiasm for adopting technology to improve the quality of life for its residents. This is seen through the Dubai Smart Government and Smart City initiatives which are about embracing cutting edge technology to achieve virtual government and to improve accessibility of services for residents and to make high speed internet available in main public areas. However, there are some legal obstacles when seeking to sell products online.

Whilst there is ecommerce legislation (both at Federal and Emirate level), this primarily relates to the validity of online contracts and electronic signatures. There is no specific legislation dealing with e-retailing or governing foreign websites which are accessible from the UAE. Furthermore a number of the commercial laws do not align with e-retail. The Commercial Agency Law, for example, grants statutory exclusivity to a commercial agent. This means the principal will remain liable for commission, even if the product has not been sold by the agent. Furthermore there is a lack of certainty over the legal ability of a foreign company to sell its products in the UAE, in the absence of a legal presence. There is no timeline in place for the introduction of a legislative and regulatory framework.

These obstacles should not be overstated. It must be remembered that there are no laws expressly prohibiting e-retailing and the current e-retailers are not facing liability for selling into the UAE, even without having a legal presence. Furthermore the authorities in the UAE are helpful in assisting foreign companies navigate the UAE laws and regulations. Against this technological backdrop e-retailing is ripe for growth in the UAE and presents a very exciting opportunity for foreign e-retailers.



**RALF GLADIS, CEO AND CO-FOUNDER, COMPUTOP**

Chinese Premier Li Keqiang recently flew into Britain for the first time since taking office, on a visit to boost business between Britain and China. £14bn of deals were signed including China making a significant investment in HS2, to help improve the UK's travel infrastructure links and aid the import of goods into China from Great Britain.

This investment, alongside the other deals signed which include China's investment in our energy firms and finance markets, is very promising news for retail in the UK. China is currently the world's second largest economy and the most enthusiastic luxury shoppers and consumers of high tech devices around the world.

A recent McKinsey report acknowledged that ecommerce in China reached \$190bn last year almost equaling the US as the largest in the world. Alibaba Group's success story is pretty much unparalleled anywhere on the globe at the moment. Just last year, two of Alibaba's portals together handled \$170bn in sales. That's more than eBay and Amazon combined. The Economist recently estimated the value of the group at more than \$120bn.

The Chinese government's currency policy is to increase domestic consumption. And, due to increasing inflation, Chinese consumers are actually spending a lot – both online and offline.

The opportunity and infrastructure is there for the taking. Successful ecommerce requires a good, solid infrastructure and China actually provides just that. So much so that they are now looking to invest and improve the infrastructure of their trade partners. Logistic services are fast and affordable, even to remote areas, and whilst broadband internet access is relatively fast in big cities, many consumers use their mobile devices to access the internet from anywhere.

The key to success for UK retailers wanting to expand their horizons will be knowing and understanding the cultural, legal, political and economic differences between East and West. This may sound a lot, but with the right partners in place, shouldn't become a burden. The Premier's visit is a clear sign that China is ready, willing and able to be a significant trading partner with the UK. The choice now is up to UK retail. Is it an opportunity they are ready for?

**SARAH TAYLOR, SENIOR DIRECTOR, ORACLE RETAIL**

In the previous copy of Internet Retailing, I had the opportunity to share findings from Chinese respondents to Oracle's recent study on the 'New Retail Democracy'. In this issue, I want to highlight Russia's responses to this survey as many of these findings varied strongly against global averages and indicate the power and value of the store in the consumer shopping experience.

For Russian consumers, availability always is crucial. 95% of respondents want to understand product availability and 62% of those surveyed rate it as more important than price. It influences loyalty more strongly than any other country surveyed, with 60% of respondents indicating they are more likely to be loyal to a retailer that provides visibility to availability.

This loyalty is demonstrated further by Russian consumers' patience when it comes to out of stock items. Findings reveal that 14% of respondents, almost double the global average, will wait for a product to come back into stock, although over half of respondents will visit another retailer's store when a product is not in a convenient location or delivery timeframe.

The role of the store remains dominant in Russia. Some 72% of those surveyed (the highest statistic globally) still prefer to buy goods in the traditional manner – in-store and take items home. Although online retailing is growing rapidly in the region, predicted to rise in value at a CAGR of 14% in constant 2013 terms to reach RUB1,285.4bn in 2018, according to Euromonitor, only 16% of the survey respondents indicated they preferred to shop online and have goods delivered.

However, as increasing numbers of store-based retailers expand into online sales, there is no question that there will be a rise in the numbers of consumers using multiple touch points and channels to complete their shopping journeys. 93% of respondents want retailers to adopt new technologies to improve their shopping experiences, and in the last 12 months, 39% of people surveyed used click and collect for the first time, while 45% of them made a purchase on a PC or tablet. Findings also revealed that 18% of respondents bought items through a link in an online magazine, considerably higher than the global average of 5%. Yet use of the mobile phone to make purchases remains low with only 9% of those surveyed completing a sale in this way.

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PWC believes Poland to be the most promising market in the region with various analysts' predictions corroborating this. Market value projections for 2014 range from €6 - €7bn with growth at about 16 - 17 per cent, year-on-year. The online market in Poland is expected to reach €7 - €8bn in 2015.

The Polish economy is also growing very fast in comparison to other European countries since it wasn't hit by the recession. In the second quarter, for example, the economy grew by 3.2 per cent. Poland's yearly projections were also raised. Other drivers in the market are the rising level of internet penetration, number of eshops and eshoppers.

Auction site, and regional giant, Allegro.pl, which is part of Naspers, accounts for half of the Polish market, while other major retailers operating online in the country include Merlin.pl, Empik.com, Agito.pl and Euro.com.pl. Polish retailers are mostly acting at the level of the domestic market but the time has now come for their expansion into other areas of Europe. This is one of the main challenges for growth currently in the Polish ecommerce industry. Our retailers are quite powerful and ready to grow in the global market but it's very difficult.

Alongside expanding internationally, Polish retailers are also grappling with multichannel and mobile with many retailers looking for the right solution still. The second key trend we see is in logistics. Customers are looking for same-day delivery so lots of companies are trying to be the leader in this market.

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