



## BAIDU:

A searchlight on China commerce

### INSIDE THE MOBILE EDITION:

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- DIGITAL IN STORE p30
- MOBILE STRATEGY p37
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# INTERNET RETAILING AWARDS



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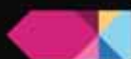
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Vice President, UK Trading at eBay.



**David Walmsley**  
Director of Multichannel Development at Marks & Spencer.



**Michelle Vanzella**  
Consulting Director, Business Development at Westfield.



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Multichannel Director at Selfridges.



**Alison Lancaster**  
CMO at Kiddicare, Marketing Director, Online Non Food at Morrison.



**Peter Fitzgerald**  
Country Sales Director, Google UK.



**Donna Chen**  
Group Strategy - International Online Development, Alliance Boots.



**Eric Abensur**  
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**Siobhan Gehin**  
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**Jan Kamaluddin**  
International Director at ASOS.com



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# INTERNET RETAILING AWARDS



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Editor: Emma Herrod Tel: 07801 282729  
E-mail: [press@internetretailing.net](mailto:press@internetretailing.net)  
Editor-in-chief: Ian Jindal  
Design: Alex Goldwater  
Publishing Director: Chris Cooke  
Group Account Director: Andy James  
Account Director: Rob Prevett  
Senior Account Manager: Sonia Vitta  
Tel: 020 7933 8999  
Fax: 020 7933 8998  
E-mail: [andy.james@internetretailing.net](mailto:andy.james@internetretailing.net)  
020 8347 7692 [www.spencercartwright.co.uk](http://www.spencercartwright.co.uk)

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



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# Editor's comment

**M**obile remains the glue that holds together the cross-channel retail environment but it's also a game changer for all areas of retail: from payments across channels to multi-screen purchasing at home; location-based innovations in the street; data collection; loyalty driver; and as a simple communications tool.

It's one of the three things that everyone leaves the house with – along with their wallet and keys – and I'm sure their days must be numbered. In fact, using a mobile phone to pay for items is one of the most complicated ideas in mobile today and not just from a technical issue. Paul Skeldon, journalist and Internet Retailing's mobile expert, sheds light on what's happening in this fast changing area in his feature in this mobile focussed issue of Internet Retailing.

While this area of mobile seems to be moving on apace, the issue of whether it is best to invest in apps or mobile websites is rising up again. While apps would seem to be winning the "apps vs mobile websites" contest at present, Group FMG's UK Managing Director, Mark Inskip, believes that brands and developers shouldn't be looking at which is better, but instead at how they can work together.

One area that highlights how a retail organisation is working together is showrooming and its influence in many areas of the retail organisation. Questions are being raised around uniqueness of service and product offering, stock availability and how to turn the browsing shopper into a customer while they are in your store. Glen Richardson, CEO of JustBought.it, takes an interesting look at the phenomena, moving it forward a step




to translate online into the physical and asks what stores look like in the eyes of the online shopper.

Mobile is not just allowing the large retailers to move their digital presence into their high street stores but also enabling small retailers to pop up in temporary stores and pureplays to test the high street or innovate through mobile commerce-enabled window displays. The Geneva Motor Show even displayed a concept car that matched clothes worn by passersby to the retailer, enabling driver and passengers to buy and have them delivered. An in-built GPS tracking system means the order could be delivered straight to the car – wherever it happens to be.

Meanwhile, back to the reality of retailing today and mobile. Three features in this issue cover how mobile and location are changing the marketing landscape, how to win in a mobile first world and the issue of Big Data. Nick Fletcher, Account Director

at Tradedoubler, looks at what Big Data means for retailers operating in the online space and considers how to stop big data becoming a Big Mistake for your business. He comments that it is important to scale the data you collect as a company in-line with your ability to actually use this data – and neither one should outgrow the other.

And, if you missed the recent Internet Retailing Expo, there's a write up on the event and key points from retailers talking about mobile in the SoLoMo conference, along with the other conference streams. In all, more than 100 speakers took part in the varied sessions at IRX2013 and our AV team was on hand to record the proceedings. Most of the presentations are now available to view and review on the Internet Retailing Expo site [www.internetretailingexpo.com](http://www.internetretailingexpo.com). 

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).

## ASOS LAUNCHES IN RUSSIA

Asos has launched a website specifically for its customers in Russia which the company says is its fifth biggest market outside of the UK. The launch comes ahead of its entry into China in October with a standalone business for the country as it continues its ambition to become the number one fashion destination for 20 somethings, globally.

Announcing its six months financials, Asos CEO Nick Robertson also commented that the company is on track to hit its target of £1bn of sales "quite quickly" with figures for this full financial year projected to reach £740m with a profit of £52m.

Retail sales for the six months ended 28 February 2013 were up 34% to £352.3m (2012: £262.9m) and profit before tax and exceptional items up 11% to £25.7m (2012: £23.1m).

Robertson puts the increase in sales down to efforts made by the company since "we haven't seen anything" in terms of improvement in the economic climate. "UK sales are holding up [with 26% growth on 2012's figures] because of things we did," he says. The most important has been the 9% reduction in prices across womenswear "to keep the customers rolling in."

"We have continued to invest in all aspects of the customer offer to maximise the growth opportunity; investing in product price and quality, enhanced delivery options [including a premium midnight

cut off for next day delivery], a broad range of marketing initiatives, focused local teams in international territories and continual improvement to our technology platforms, most notably mobile and international sites." Mobile accounts for nearly 30% of traffic.

"We are already seeing the benefits of this investment across all territories with increased customer awareness, increased shopper frequency, higher conversion rates, more items per basket and strong sales growth. At the same time we have reached the milestone of six million active customers worldwide."

### FASHION SITES RANKED BY SHARE OF GLOBAL VISITORS FEBRUARY 2013

WEBSITE	TOTAL UNIQUE VISITORS PER MONTH (000S)
1 VANCL.com	7,961
2 ASOS plc	7,213
3 MYNTRA.COM	6,869
4 HM.com	6,842
5 INDITEX Group	6,505
6 Nike	6,270
7 Bonprix	5,602
8 MOONBASA.COM	4,847
9 Limitedbrands	4,583
10 Dafiti Sites	4,380

Source: comScore

## AMAZON OWN-BRAND SHOWS

In a move that raises interesting questions about what it means to be an online retailer, ecommerce giant Amazon has moved beyond content sale to content production.

Amazon Studios has launched its first TV show pilots – and is now asking Lovefilm viewers which of the shortlisted 14 should go into full production. The shows, which range from Alpha House, a show about four housesharing senators starring John Goodman, to Wizard of Oz follow-up Positively Ozitively, include eight adult comedies and six children's shows. They can be viewed on Lovefilm Instant, in the UK, for free, and viewers can leave feedback and ratings as well as commenting via social network discussions.

Jeff Bezos, founder and Chief Executive of Amazon, said: "For the past year the Amazon Studios team has collaborated with

some of the best actors and writers in Hollywood to produce top-quality shows. We can't wait to hear which shows customers will want to see in full series production later this year."

Chloe Rigby, Editor of Internetretailing.net comments: "In recent years retailers have moved steadily into digital entertainment. But this move by Amazon goes further still. Not only is the retailer hosting and selling content, it is also now making it, and in a way that potentially involves more customer feedback than is generally the way in Hollywood film and TV-making. This is retail as disrupter of traditional entertainment industries – and we look forward to seeing what comes of this venture. Lovefilm describes this move as "helping to define the future of TV": we shall watch with interest."

## ONLINE CONTINUES TO BEAT ECONOMY

British online businesses are growing more than 50 times faster than the economy as a whole, a new study has found. The Barclays report came as separate spending data from Barclaycard showed online sales climbed by 10.1% in the first week of April, compared to a dip of 4.8% across overall retail spending.

Research by Barclays' technology, media and telecoms industry team found the average online company saw 11.4% compound annual growth over the last three years, with half of those questioned enjoying double digit growth over that time. The UK

economy grew at 0.2% in that time, making the online sector's growth rate 57 times faster.

The Barclays Online Business Outlook 2013 report showed that 64% of online businesses said they were optimistic about their growth prospects for the year ahead, with only 4% pessimistic. Some 48% were optimistic about the UK economy (13% pessimistic), and 35% said competition in their sector was the biggest threat they face this year, and 25% said increasing costs across their business was the second biggest threat.



## ASDA INVESTS IN DELIVERY

Asda is to invest more than £700m to accelerate the pace of development in its multichannel business. Innovations will include same-day delivery for online grocery orders, billed as a 'world-first' and set to be introduced this year.

Other innovations will include the introduction of grocery Click and Collect to almost 200 outlets by the end of 2013 and Click and Collect for George clothing and general merchandise from all its 568 stores.

The news came as the Walmart-owned supermarket reported a 4.5% boost to total sales in 2012 to £22.8bn, up from £21.8bn the previous year.

Since grocery Click and Collect was introduced last autumn, said the supermarket, it has accounted for 4% of all home shopping grocery orders. Recent developments include the opening of a drive through Click and Collect facility in York which combines food and non-food orders for collection in one place, and the launch of Asda's third purpose-built online picking centre, which has created more than 600 new jobs and offers extended delivery between 6am and 11pm.

Meanwhile the supermarket said it would also open 10 new stores in 2013, on top of two that have already opened, adding more than 340,000 sq ft of net selling space this year.

## NEXT SPOTLIGHTS CONVENIENCE

Next has underlined the importance of multichannel to its business, as it looked to identify the sources of its future growth.

Reporting results for the year to January 2013, the multichannel fashion retailer said that while its predominantly online Directory business was still growing faster than sales through stores, the differential was narrowing. Instead, it put the emphasis on the way the two sales channels complement each other. "The two businesses continue to work well together and support each other in many ways," said Next Chief Executive Lord Wolfson in the retailer's end of year statement.

"For example, over 20% of Directory sales are delivered through our stores and over 60% of the returns come back that way."

In the year to January 2013, Next sales grew by 3.1% to £3.5bn, thanks to online sales growth of 9.5%, to £1.2bn, while store sales stayed flat at £2.2bn. Pre-tax profits before exceptional items rose by 9% to £622m, and profit attributable to the Next Directory grew by 15.1% to £302m.

The company is now looking to grow sales both online and through international expansion. Pointing to "good opportunities for growth" in the UK, Next said: "In the UK, growth is driven by the wider online market and by improving delivery service," with a 10pm cut off for standard next day delivery.

## JOHN LEWIS PASSES £1BN

John Lewis' annual online sales have passed the £1bn milestone – a year early. The multichannel retailer expected its yearly sales to hit £1bn in 2014, and says its success in reaching the milestone early, on a 52-week rolling basis, stems from its determination to build its online operations around its customers.

"Passing the £1bn milestone almost an entire year ahead of schedule is a fantastic achievement for us, and a reflection of how central online shopping has become to our customers," said Mark Lewis, who recently joined John Lewis as Online Director.

Over the last three years the department store has put nearly £40m into its new website which it says is the foundation of its customer-focused omnichannel strategy. The new site's features include an improved wish list function, search history and content designed to inspire. More customer-focused functionality is planned for the future.

A prominent feedback form on the site generates about 300 pieces of feedback a day, which the retailer will use to

prioritise issues and spot trends.

John Lewis' mobile site, which now sees more than 25% of traffic to Johnlewis.com, has been revamped to mirror the design of the main site, and there are plans for a new app later this year.

Paul Coby, IT Director at John Lewis, said: "With sales up over 40% for johnlewis.com in 2012, we are seeing an unprecedented pace of online growth and customers are making more demands on our website, than ever before.

"The billion-pound success of johnlewis.com is a reflection of our strategy to put the customer at the heart of our online operations. Early testing at every stage of the build, and inviting over three million customers to use our beta site before full launch, has resulted in what we believe will be an outstanding experience and journey for customers.

"We have designed the new site to incorporate the best features of our previous site making it not only easy and intuitive to use, but inspiring to shop."



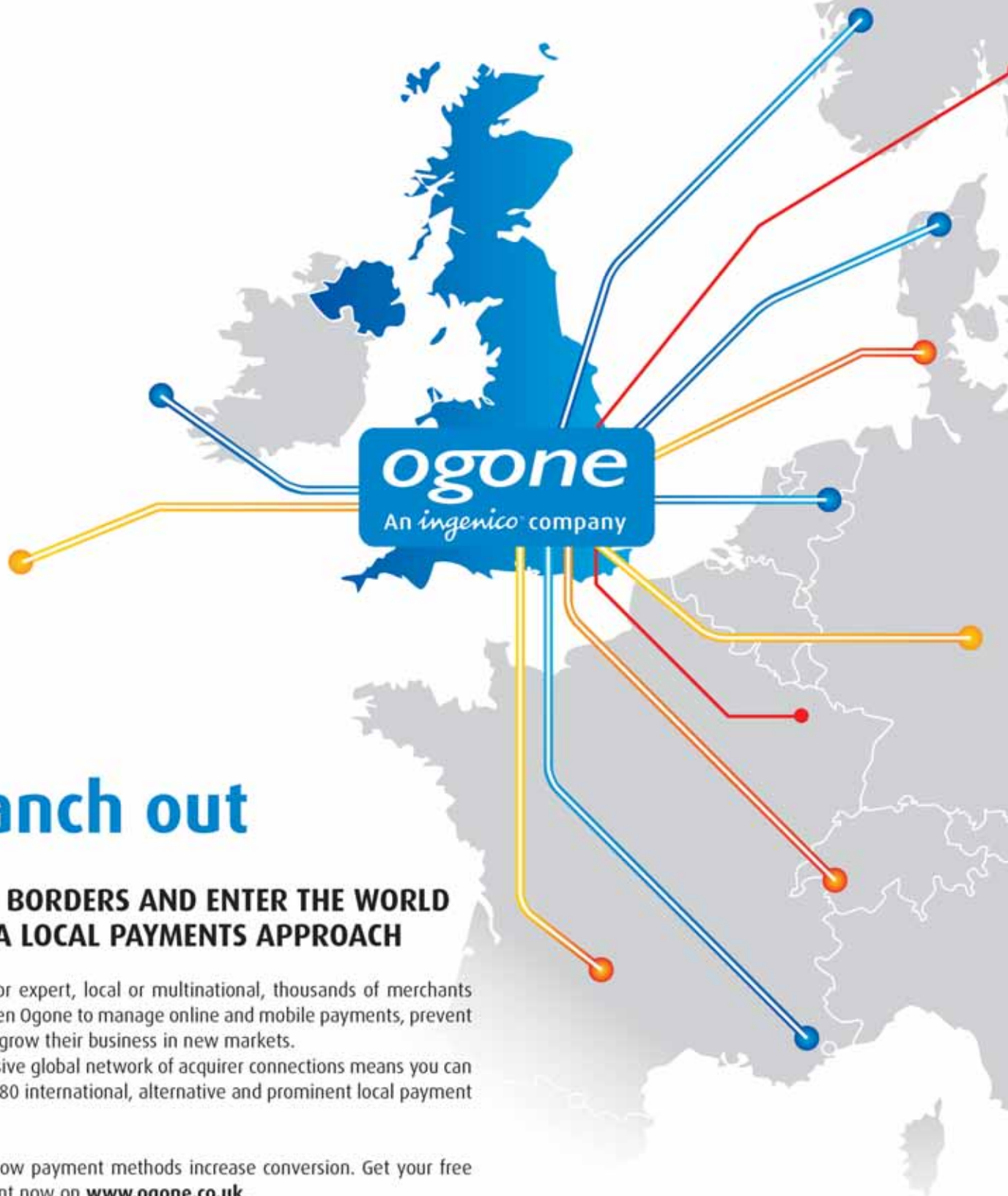
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Read more of *Paul Skeldon's* insight into the fast changing mobile channel and keep up to date with the significant news at [www.m-retailing.net](http://www.m-retailing.net).

# LIFE BEGINS AT 40

Forty years ago the first mobile phone call was made from a brick sized lump of electronics and at great, great expense. The first UK mobile phone call was made by none other than Ernie Wise from St Katherine's Dock in London to Vodafone's HQ 28 years ago.

My how things have changed over the years. Sure, the devices are really quite different, but that's just Moore's law at play. What is truly startling – and Martin Cooper, the Motorola chappy who made that first mobile call in New York backs me up here – is that mobile networks still get clogged up.

Cooper, while basking in the attention afforded by the anniversary, glumly admitted that he was disappointed that calls still get dropped, connections can be slow and not everything is connected via mobile to each other.

But hopefully all that is about to change with the advent of 4G (not to mention more wifi and better use of 2 and 3G networks) over the summer. It's all a far cry from Ernie Wise and a brick, but 4G is likely to usher in the vision of a mobile world that Martin Cooper envisaged all those years ago.

## ACT NOW FOR £1.8BN BOOST

The arrival of universal 4G in Britain could boost the retail economy by around £1.8bn over a year, according to new research by eBay. The boost represents a 113% year-on-year uplift in mobile shopping, compared to 2012.

This huge opportunity is being driven by changing consumer behaviour, with more than half (55%) of consumers using their devices more for shopping now than this time last year. Just under a third of all UK adults now use a smartphone for some aspect of their shopping journey – be it browsing, finding inspiration, price checking or buying; while around one in ten use a smartphone for making purchases.

The study, compiled by retail analysts Conlumino, reveals that the major frustrations for UK mobile shoppers are speed (50.3%) and reliability (49.6%). The arrival of universal 4G will help to break down barriers and increase consumers' likelihood to shop via their smartphones or tablets.

With the industry at a crossroads, eBay is calling on retailers to get their businesses 4G-ready. Olivier Ropars, Senior Director of M-commerce, eBay Europe, explains: "Consumers today want convenience and speed. The arrival of universal 4G will bring with it a more immersive, instant and intimate shopping experience than ever before – putting the most exciting features of mobile retail as we know it into high definition. It won't just turbo-charge the way we shop, it will truly give us the ability to shop anytime, anywhere. That means an extra £1.8bn of consumer spending up for grabs. Retailers must act now and think about the virtual shop window, to turn this huge opportunity into an exciting reality."

But it is not as simple as just getting 4G networks up and running, warn network operators. "The universal arrival of 4G will be the catalyst for making Britain truly digital," says Feilim Mackle, Sales and Service Director, O2.

"The greatest financial gains for businesses and the economy will be through the introduction of new digital products and services, whether they be services to make shopping easier or products that facilitate new ways of working. But to realise the true value of universal 4G, and the benefits it can bring to economic growth, both Government and business need to work together to drive the innovation needed to propel Britain forward."

## FIVE NEW APPS FOR ARCADIA

Arcadia Group is to launch five new iPad apps for its main high street brands – Topman, Burton, Dorothy Perkins, Evans, Wallis – as sales through mobile have grown by 250% across the group.

Developed in collaboration with mobile experience specialist Red Ant, the iOS apps will be live by May, with Android versions to follow through the summer.

The apps allow users to browse the full catalogue in online and offline mode, so they can get their fashion fix even with limited or no internet connection. They can purchase products, find them in a nearby store or add them to a wish list. They can scan barcodes to find products in store and can even have products delivered into store, via Arcadia's new collect from store service.

The iPad apps follow Arcadia's portfolio of iPhone apps, which took more than £3m in sales over the Christmas period. Group-wide mobile and tablet revenue has grown by 250% year-on-year. Mobile and tablet devices now make up a third of all online visits and a quarter of online revenue across the Arcadia Group.

The apps are all rated more than four stars out of five by customers and have been downloaded a quarter of a million times. The Topman app reached number 5 in the Apple app download charts, and Wallis was featured in the App Store's "what's hot" section.

Henry Firth, Group Customer Experience Manager at Arcadia explains: "The Topshop iPhone app has been a huge success, delivering unique mobile experiences such as live streaming and designer exclusives during London Fashion Week. Given the huge rise in customers using different devices, developing our mobile and tablet channels is a key focus for Arcadia. As well as rolling out iPad and Android apps, we're also working on a best-in-class mobile web experience."

Dan Mortimer, Red Ant's CEO, adds: Red Ant "worked closely with [Arcadia] to offer a shopping experience without frontiers – one which allows customers to fully immerse themselves in the brand on their mobile, in-store and via their social connections. The future of digital commerce depends on retail breaking down barriers to purchase, and Arcadia is pioneering this in the UK."



# A searchlight on China ecommerce

Baidu – China's largest search engine – has reached out to foreign markets to bring them into the expanding Chinese online consumer market, as Asos releases further details of its launch.

*Emma Herrod* investigates the rise of ecommerce in China and the opportunities for UK e-retail.

INTERNATIONAL MARKETS ARE front of mind for growth in the next couple of years as the Chancellor chops the UK's 2013 growth forecast in half. Ecommerce companies such as Asos are successfully expanding their businesses into new international markets; its overseas trade continues to grow and now accounts for 59% of its total retail sales.

Internationalisation is also a key theme for US retailers, which are setting their sights on using the UK as a springboard to other European countries and across their own border into the emerging markets of South America.

But among the developing economies, it's China's ecommerce market which has the greatest potential. In fact, perhaps it's time to drop the 'developing' as its ecommerce market is set to overtake the US's and become the largest in the world in 2013. Chinese consumers are expected to spend £177bn online this year, surpassing all other countries. But their shopping is not restricted to domestic suppliers. Purchasing habits data shows the percentage of people choosing to buy direct from foreign merchants (rather than marketplaces such as eBay) has increased from 6% to 22% between 2011 and 2012. By 2020, the Chinese market is forecasted to be worth £0.9bn for UK online retailers, with Hong Kong predicted to be worth a further £0.4bn.

AT Kearney's 2012 Retail eCommerce Index, which examines 30 developing nations and ranks the top 10 based on their ecommerce potential, predicts that the Chinese market will explode over the next five years, growing at 29% annually as its infrastructure and online purchasing behaviour evolves. It will be a massive market for Western goods with more than 242 million people in China shopping on the internet, six times the number in the UK. They are also enthusiastic about shopping online, according to Alibaba, and the spending power of its rising middle class is helping to change the global retail landscape as well.





One of the barriers to entry for UK retailers wanting to reach the burgeoning Chinese consumer market online has been the difficulty of interacting with the country's largest search engine, Baidu. According to Alexa.com, Baidu.com has an 83% share of China's search market and is also the largest website in the country, in terms of visitor numbers and page views, and the fifth largest globally. Total revenues in the year to 31 December 2012 were RMB22,306bn (\$3.58bn), a 53.8% increase on 2011, with an operating profit that increased by 45.9% to RMB11.051bn (\$1.77bn).

"Baidu once again posted solid growth in 2012 amidst challenging macro-economic conditions," says its Chairman and CEO, Robin Li. "Similar to the early days of the internet, this is a time of boundless innovation, creativity and opportunity in our industry. We are at the heart of the internet in China and we're excited to embrace and lead the next stage of mobile- and cloud-centric internet growth."

He adds: "We made encouraging progress in 2012, integrating Baidu's superior search and search-related products and functions, like maps and image recognition, into our offering. In 2013, we will continue to enhance functionality, introduce new products, and step up efforts to push our products to users."

As retailers and other suppliers look to overseas markets, so too is Baidu. It is extending itself to new shores and opening up the Chinese market to overseas companies, engaging third-party agencies to identify and reach potential customers outside of the country.

It has set up exclusive partnerships with search agencies in China to work as their representative in the country and reach out to their own partners around the world, to bring non-domestic companies onto the search engine and make them more accessible to local consumers. The opportunity is about targeting Chinese-speaking users not in the UK or Ireland but in mainland China, explains Jonny Zhu, Chief Executive of Baidu's representative for Europe, CharmClick.

"Although some UK brands don't have Chinese websites or offline stores, people do search for the brand in China, for example Mulberry, Alexander McQueen or Asos," says Zhu.

CharmClick used the recent Internet Retailing Expo to launch the opportunity to UK retailers. Speaking alongside its partner for the UK and Ireland, Net Media Planet, it is clear that both companies are excited about the huge opportunity that the Chinese

## ASOS OUTLINES PLANS FOR CHINESE LAUNCH

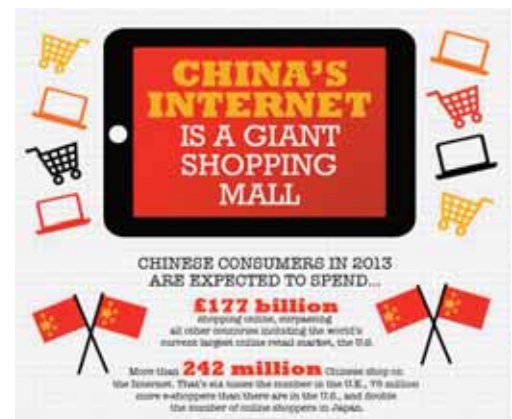
Asos will be launching a website in China in October as it continues its ambition to become the number one fashion destination for 20 somethings, globally. Due to the challenges associated with trading in China, the company will not be following the expansion model put in place in other countries whereby the localised sites, stock and fulfilment are handled from the UK. "It's a start up effectively," says Nick Robertson, CEO, Asos.

IT development is well underway with a standalone IT system and third party logistics and customer care partners having been chosen, along with the appointment of a Shanghai-based Country Manager, recruited from the Chinese fashion leader Vancle.com. A multidisciplinary in-country team is being recruited currently.

While not divulging further details of the platform or IT choices, Robertson did say that the platform could be utilised in the future as the core platform for the global business – as could its existing UK-based technology.

Initially, the site will have around 10% of Asos' product range merchandised from Asos own-label ranges "since Asos branded products are 50% of what we do," says Robertson. "It's unique to us and we have control over it." The company plans to expand through its own products and possibly third party labels as the business grows.

All this comes at a price, however, with the net operating cost of setting up the Chinese operation quoted as being £4m - £6m during each of the years to 31 August 2014 and 2015.



As we rebalance the economy with more export-led growth, retail has an important role to play

e-commerce market offers UK businesses.

Baidu has effectively been putting up barriers for foreign companies by not having an international contact team, explains Zhu. A few brands have managed to advertise on Baidu, but other international companies have chosen the easier route of advertising on Google instead. China Internet Watch puts Baidu's share at 78.6% in 2012 with Google.cn in second position with 15.6%.

"Where brands are looking to grow their business in China we can help to support that," says Sri Sharma, Managing Director of Net Media Planet. "We can also help them capitalise on their international brand reputation in China, and where brands are looking to explore accessing new markets, Baidu can be a great mechanism for that. You ►



## CHINESE MARKET SIZE

China's online population of 564 million, including 242 million shoppers, means the scale of its market is huge. With a sharp increase in demand for established Western brands, there is now a considerable opportunity for e-retailers to reach this market.

The Asian luxury market accounts for an astonishing 50% of all luxury goods sales, according to Deborah Aitken, Luxury Retail Senior Analyst at Bloomberg Industries. Last year, China's consumers outspent the US's for the first time ever, buying 25% of the world's luxury goods.

According to Campaign Asia-Pacific and Nielsen, the country's top ten international brands in mid-2012 were Apple, Nestlé, Chanel, Sony, Samsung, Uni-President Enterprises, Panasonic, Nike, Canon and Starbucks. This is the first time Chanel has featured in the top 10. Jolene Otremba, Reports Editor of Campaign Asia-Pacific, says: "Its meteoric rise to land within the top three in the China ranking is a stark reminder of the exponential growth in wealth and increase in disposable income on the Chinese mainland."

Tmall.com – China's leading B2C online shopping platform – includes storefronts from established brands such as Uniqlo, Adidas, P&G, Unilever, Gap, Nike, Ray-Ban and Levi's, which all do very well in terms of sales.

eBay moved into China through a partnership with Xiu.com in November 2012 with its eBay Style site. Xiu.com handles sales, logistics and customer service while also curating and translating the eBay inventory.

"Today Chinese consumers are increasingly coming to eBay and we have seen a 40% year-on-year increase in goods bought by Chinese consumers navigating eBay.com in English," says Melanie Tan, Vice President for eBay. "We believe that in the future, Chinese consumers will use eBay as a passport to global fashion styles, especially for leading women's brands and accessories and menswear, because our broad selection of new, branded and designer merchandise will be unmatched in China."

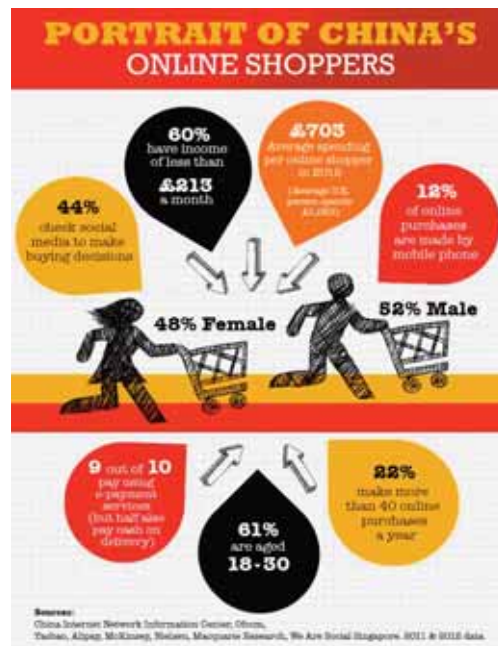
Jon Copestake, retail analyst at the Economist Intelligence Unit, said it was a critical move for eBay. "For eBay, entry into China, with a local partner in place to smooth the way, is a necessary strategy," he said, "especially after a failed first attempt ten years ago."

He adds: "Not only is China's ecommerce market large, but it is growing quickly. China's online sales rose by over 50% last year. And there are no signs of a slowdown, with domestic player Alibaba reporting 71% jump in Q2 sales. However, eBay may struggle with a market that is already developed, crowded and highly competitive. Alibaba, Tencent and Baidu dominate online sales and Xiu.com operates in a luxury niche that sits outside eBay's traditional mainstream marketplace approach."

American luxury retailer Neiman Marcus recently acquired partial ownership in a Chinese fashion website to test the country's market, learn about its consumer likes and dislikes, and capitalise on its increasing demand for luxury goods. Emporio Armani began selling online to Chinese consumers in

November 2010. Its Emporioarmani.cn site is powered by the YOOX Group, which also runs a platform and distribution centre in China, as well as sites for other luxury brands.

Wiggle and Mobile Fun also have websites in China. "We want it to be accessible to customers all around the globe," says Wiggle.



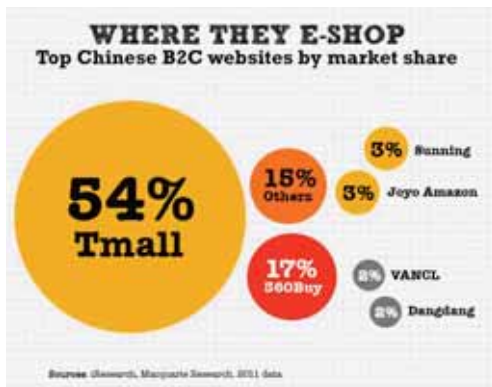
can get the results quickly, using display ads to create brand awareness and use SEO as well as paid search, as you would on Google."

Ian Harris, Managing Director of Search Laboratory, agrees with Zhu and Sharma that it has not been easy for non-Chinese companies to run campaigns on Baidu. "It's pretty hard actually," he says, explaining how it can take a month of "toing and froing with paperwork, assembling documentation, proving ownership and jumping through hoops" to set up an account. "They deal with you in Chinese and their site is in Chinese so you need to be Chinese," he adds.

In comparison, Google Hong Kong accepts payment by credit card and a campaign can be up and running that afternoon. But he says that just using Google isn't the answer. It may have 60% of the search traffic in Hong Kong but it's tiny in comparison in mainland China.

Search Laboratory has helped companies get onto Baidu through its Chinese employees. Harris says that in the past they have found people at Baidu who responded to them in English, although this was 3 or 4 years ago and he doesn't know if that was a service officially offered by the firm.

He points out that a lot of searches for specific products are conducted on the Alibaba-owned shopping mall, Taobao, which isn't referenced by Baidu. In fact, only about 19% of Chinese e-shoppers go direct to brand websites, according to Alibaba, compared with 40-60% in Japan, the US and Europe. Marketplaces such as Paipai and Alibaba's Taobao and Tmall sites made up 90% of



turnover in the Chinese e-retailing market in 2011, according to McKinsey Global Institute's 'China's e-tail Revolution' report.

Alibaba recognises Chinese consumers' demand for foreign goods, commenting: "We have noticed a significant boost in demand for international brands from our consumers. As a result, we have set up a multinational Business Development and Operations team within Tmall.com that is dedicated to helping international brands understand the uniqueness of China's ecommerce market and how to best leverage the opportunities and resources offered by Tmall.com."

"There are over 1,000 international brands operated by around 300 merchant partners on Tmall.com and we will continue to recruit international brands to fulfil Chinese consumer demands. We are also looking to bring in more foreign-manufactured products."



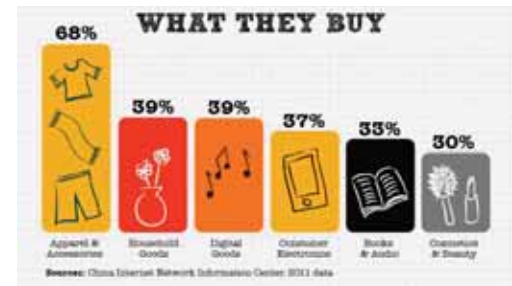
An example is our tie-up with the Danone and Nestlé groups to bring imported baby milk formula direct to Chinese consumers."

### CONSUMER PREFERENCES

Chinese consumers prefer to buy from trusted brands overseas and it is not just luxury brands such as Gucci and Chanel that they find attractive – they look for things that are unique. This is why brands such as Gap and boutique brands that offer something different are doing well. "Anything unique and special will do well," says Harris.

Search Laboratory has run a campaign for a

“Do not be intimidated – the demand for your products is already there”



company offering Chinese tourists luxury river cruises in Europe. And as tourism and overseas study catches on, the Chinese will become familiar with other brands that they will want to purchase when they return home.

"Different industries will get different results," says Sharma, so retailers need to think about localisation. "Garden products won't sell well in China," says Zhu, since people living in apartments don't have gardens. But product categories that are being sold successfully into China by foreign companies include food, drugs and clothes. Football is another big import. Consumer electronics and clothing are the largest two categories bought from domestic retailers.

"You need to sell a lifestyle or interest since Chinese consumers are influenced by their heart," advises Zhu. He says they love product reviews and writing their own. They also like to buy things that have sold a lot, so they like listings to be ranked by popularity.

### STARTER'S ORDERS

So, where to start with a search campaign in China? Sharma explains that strategy needs to ►





**"Bricks-and-mortar retailing is a mature business in the US, where consumers have been shopping in malls for decades and continue to do so, augmenting their purchases with occasional forays on the web. Online shopping is dessert in the US, but in China, it is the main course,"**

*Jack Ma, Group founder and Chairman, Alibaba*

be addressed in the same way as entry into any market, with the brand or retailer having to analyse how well known they are in a country. If you're a well-known brand in China then use that by broadening your marketing to build further presence. Tommy Hilfiger, for example, gained insight through the shirts that were being bought by Chinese consumers and then built out from there.

Zhu outlines some of the search behaviour conducted in China, such as keywords being in Chinese or English. "Some will be in English, where English brands are really simple," he says, "but sometimes there's a combination." For example, with 'Gap' and 'trousers,' 'Gap' will be in English and 'trousers' in Chinese, so behaviour has to be researched to produce more keywords to target the potential customer.

He gives Asos as an example, explaining that Chinese shoppers are able to say or spell the word 'Asos' very easily, but it's much harder to write out 'Marks & Spencer'. Thus you end up with key variations of how Marks & Spencer would be written in Chinese.

Zhu says it's important that you rank for those variations as well, so that when someone types in 'Marks & Spencer' with a variation on how it's written in Chinese characters, you appear at the top. "There is variation in user behaviour because you mustn't just assume that bidding on your brand as you know it is

The search engine just provides a platform and algorithm but retailers need to supply the strategy



the right way to drive search traffic. You must also be mindful that if your brand is more complex there will be other ways that people may search for it," he advises.

As to whether retailers need a Chinese language website, Zhu says that even if the site doesn't have Chinese web pages they can easily add something to their source code to be found by Baidu. "Retailers who don't have a Chinese website can purchase Chinese keywords and creatives to lead to the English language website," he says.

If you don't have a brand presence and you're trying to move into new markets, you need to take an incremental test approach, with marketing activity that could be display advertising, SEO, paid search. Then, in bursts, test how your brand is building as more people search. "You keep growing your brand bit by bit," he says. "The search engine just provides a platform and algorithm but retailers need to supply the strategy."

Harris agrees that retailers should approach their search strategy in China in the same way as they would in any other country; as well as understanding the market and competitors and whether they can compete in that market. Harris points out that UKTI will help with initial market data and analysis.

Zhu comments that it would be easy for UK brands to use a programme on Baidu - its advertising programme is similar to Google's, in terms of acquisition, placement and layout. "If UK brands adopt the same strategy as Google AdWords, it's easy to advertise on Baidu. Baidu do have other unique advertising formats, but they're not so complicated and easy to adopt," he says.

Once successful trade has been built up between Chinese consumers and an English site, Sharma advises that the next steps would be to establish a Chinese language site which should result in a higher conversion rate, to trade on Taobao and Tmall, or to move on to setting up your own local presence and/or stores.

#### Tier 4 cities have the highest wallet share directed to online spending

China e-tailing consumption by buyer location



SOURCE: McKinsey Global Institute

### BAIDU'S LACK OF INTERACTION

There are a number of reasons why Baidu isn't interacting itself, according to Zhu. He says: "It's partly language and partly knowledge. Not only do you need to really understand Baidu but also the international markets, and this is why CharmClick is working with local suppliers with that knowledge. "In that way we can provide a qualified service to the customer and the advertiser can launch a successful campaign."

Baidu needs to make it easier for Western brands, believes Harris. Hopefully, with Baidu, CharmClick and Net Media aiming to make sure there are no barriers for retailers, Baidu has something powerful to share. Whether the long communications chain runs smoothly from retailer to keyword bid and consumer, or instead turns into 'Chinese whispers', is yet to be seen.

What is clearer is the potential that the Chinese market offers to overseas retailers, its home grown SMEs which are successfully trading on the marketplaces and a future market that's predicted to outstrip other online economies by 2020 to reach between \$420bn and \$650bn, according to McKinsey Global Institute.

However, as Mike Moriarty of AT Kearney comments: "China's infrastructure challenges hinder realisation of the country's full ecommerce potential. Delivery infrastructure varies outside of metropolitan hubs and inhibits the efficiency and effectiveness of the last mile of online retail product delivery."

But once these issues have been overcome, ecommerce has the ability to leapfrog bricks and mortar retailing in the country in coming years, with the expansion of national chains of physical retail stores being outstripped by the growth of retail and the digital economy. According to McKinsey Global Institute, it will

### INTERNATIONAL ACTION PLAN

Business Secretary Vince Cable has announced that the government will be backing UK retailers in their bid to expand into fast-growing and lucrative overseas markets through the launch of its UK Retail Industry International Action Plan. Developed by UK Trade & Investment (UKTI) in association with the retail industry, the plan will ensure that retailers that need help and advice get it, and that the British government's efforts to tackle barriers to trade overseas are properly co-ordinated.

The two-year plan sets out three major UKTI campaigns to assist retailers to grow internationally:


- Support for retailers to use all the available ways to reach international customers. Britain's 228,000 online retailers already export more than the rest of Europe's e-retailers put together;
- Targeting the rapidly growing number of middle-class consumers in priority markets where British luxury brands are highly prized, including Mumbai, Beijing, Istanbul, St Petersburg, Shanghai, Mexico City, Sao Paulo and Warsaw;
- Working with retailers to develop the UK experience economy for offshore customers. UK firms are well placed to win new international business by making use of Britain's unrivalled expertise at marrying retail opportunities with leisure and cultural institutions when developing new shopping destinations.

It also outlines plans for ministers to promote the retail sector internationally, resolve market access issues and support retailers to re-engineer their supply chains.

The global retail sector has held up well in recent years recording a compound annual growth rate (CAGR) of 7%. Sales are expected to grow by 8% a year to 2016.

Speaking at the launch at the Retail Week Live conference, Mr Cable said: "The UK's dominance in ecommerce puts retailers in a world-beating position to capitalise on the fast-growing demand for British goods and luxury brands. As we rebalance the economy with more export-led growth, retail has an important role to play. With this action plan UKTI will back small and large retailers across the UK to grow and expand into new export markets."

be interesting to observe this evolution as it may indicate the outcome for retail in other emerging markets as well.

Whatever the future holds for ecommerce in China, its potential is there now. "It's simply a case of thinking big," Sharma concludes. 



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# Keeping the evolving omni-commerce world secure

Consumers don't care how they access an online 'shop', but they do expect the same product offering, level of service, security and ease of use that they get from a standard website experience, no matter whether they're accessing the shop via a mobile, tablet or web store. Retailers are expanding into an increasingly omni-channel world, selling across multiple channels and geographic markets, and via multiple touch points, including mobile, apps, social media, interactive TV and, of course, the web. Secure and seamless payments across all these channels can result in more efficient operations and the most appealing customer experience, but the increasing complexity around taking payments via 'card not present' methods across multiple channels makes it difficult for retailers to assess the validity of each purchase, and in turn to authenticate customers' identities.

CyberSource's 2013 UK eCommerce Fraud Report found that 41% of online merchants operate a mobile site, but 71% of these only use their standard fraud screening used on their web commerce channel, even though it's entirely separate to their mobile channel. This is a major problem, as some fraud checks that work for ecommerce channels may be counterproductive, irrelevant and potentially misleading when applied to other channels, such as mobile. For example, use of IP address geolocation by merchants when looking at web orders is standard practice, but if applied to the mobile world can lead to misleading results.

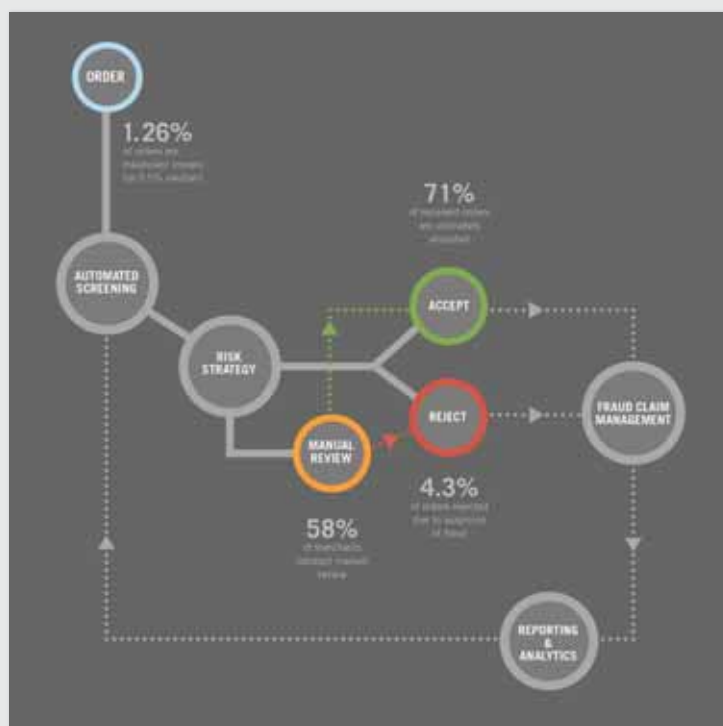
As retailers offer more channels the complexity and risk associated with the management of payments exponentially increases. To effectively tackle increasing cybercrime across multiple channels retailers must start joining up their back-end processes. This can provide a single view of the customer, giving retailers the ability to spot abnormal behaviour and prevent fraudulent activity across multiple platforms without affecting the customer experience.

Surprisingly, CyberSource's aforementioned recent report revealed that as many as 18% of merchants do not track fraud by channel at all. An increasing number of channels mean that retailers have to process a larger amount of data. In effect, there's a pipeline of payment activity that

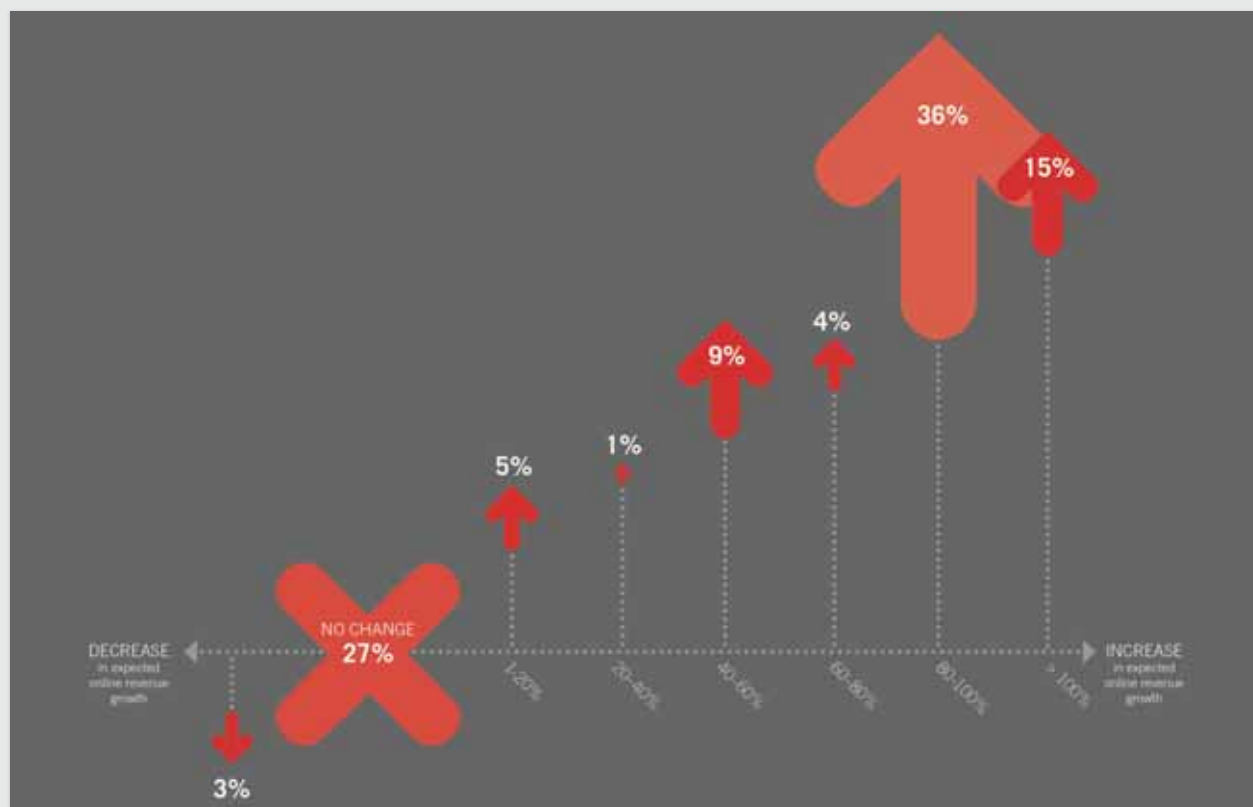
intersects multiple business processes throughout the order management lifecycle — and so there are more opportunities for fraudulent payment data to enter the process. Fraudsters understand that there are such gaps to exploit between payment channels, and until retailers take steps to tighten those gaps they will be putting their business and their customers at risk. Retailers' back-end systems must be tightened up to begin to tackle fraud rates, and the first step is tracking payment activity across their different channels so that anti-fraud measures can be surgically targeted to the channel being attacked by fraudsters rather than bluntly across all channels.

Future-proofing for the omni-commerce world can be a demanding task for a rapidly growing retailer. However, working with a service provider that processes payments on the retailer's behalf helps make the task easier, as customer data is taken out of the retailer's hands and stored remotely and securely. Hosted payment acceptance — when combined with tokenisation — removes sensitive payment data from the merchant's environment, cutting the risk of a data

## FRAUD FUNDAMENTALS



## EXPECTED ONLINE REVENUE GROWTH FOR 2013




leak. A token is provided to the retailer for storage in their planning system for future transaction processing and customer service activities, but the retailer never has anything more than the last four numbers of anyone's card details. Sensitive payment data is not stored anywhere on the retailer's system meaning retailers can deliver a better customer experience without ever touching, storing or handling payment data. Increasingly retailers are choosing such systems, rather than processing payments in-house, for three key reasons:

- It's safer – Retailers who centralise their payments don't have to rely on tracking down all the payment data, locking it down, or monitoring human behaviour with policies and procedures. The data isn't there. There's nothing to steal.
- It's less complex – A single platform from which to manage payments enables retailers to significantly reduce key management and payment security policy enforcement. As there's no payment data interaction, and no need to procure or manage the layers of software and hardware, the entire process is much simpler to manage.
- It's easier and less costly to certify – Though PCI compliance shouldn't be the sole focus of any retailer's effort when it comes to efficient payment systems, it remains extremely important,

## CHANNELS TRACKED FOR FRAUD

Telephone/Mail order channel	41%
Physical/Face to face	29%
Mobile	27%
Kiosk	6%
Do not track by channel	18%

and extremely complex. Getting the data off retailers' own systems enables them to utilise a much shorter audit and verification procedure.

To effectively, efficiently and securely future-proof their businesses for the omni-commerce world retailers must take a holistic view to managing the payments process and provide customers with a seamless, secure and consistent checkout experience, whatever the channel. The eCommerce landscape used to be straightforward, but now with so many channels to cater for and manage, retailers need to make sure they put forward-thinking measures in place so that they don't fall short. 



# 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 Oasis.

## RETAIL STRATEGY 15/25

*Emma Robertson,*  
*Managing Director, Transform*

Having risen from the flames of the Mosaic Group, the company now looks set to re-ignite, this time moving away from the group operating model to make way for a smaller, more agile business model.

Under the Aurora Fashions banner, the businesses have thrived both commercially and within the industry, becoming synonymous with multi-channel retailing in the fashion market and launching some high-profile market firsts: being at the forefront of click & collect in fashion; the first 90 minute delivery proposition; grabbing headlines through in-store technology pilots. Additionally Aurora's progress in tackling the perpetual challenge of stock visibility, and combining a store and distribution centre stock position to maximise digital sales has generated interest in the industry.

## INTERNET RETAILING IN STORE 17/25

*Amy McInnes,*  
*User Experience Consultant, User Vision*

Oasis offers users a good example of an effective ecommerce experience that is visually appealing and easy to use. Category pages display a large variety of choice which are easily filtered down. Product pages use images and video clips well to aid the users' familiarity with products. The conversion funnel is clearly signposted at all stages and users



are constantly reassured throughout the checkout process, with the main barrier being the requirement to register prior to purchase. There are certainly areas that would benefit from improvement such as with regards to accessibility and improvements such as 'quick views'.

## MOBILE 18/25

*Adam Maxted,*  
*Square Media Consultancy*

Both the App and Msite were well executed and reflected well on the Oasis brand. They both worked efficiently and were easy to navigate with a clear direction through to the search options. The items for sale were presented well, with ability to see more photos of the item, enlarge them and check size options etc.

From selection of your item, to adding to your bag and then check out, was a reasonably quick experience. I thought the entry of credit card data appearing on a graphic of a card was clever and would reassure shoppers at this stage of the process. However, the App let itself down when after several attempts by two people offering two different cards the transaction had to be aborted, due to an "Unknown error". This was a real


shame to fall down at the crucial payment hurdle.

## WEB EFFECTIVENESS 16/25

*Reeta Junankar,*  
*Consulting Manager, Javelin*

Behind the scenes, digital technology in stores (advanced inventory systems) enables Oasis to deliver one of the more advanced omnichannel offerings on the high street.

Digital in store is manifested through the use of iPads (in key stores only) which provide access to the Oasis website, allowing customers to locate items in stock at other stores; while staff can look up stock using the POS. Large digital screens are present, but used for visual merchandising rather than delivering interactive 'content'. Mobile features like "PayPal inStore" app payment & barcode scanning using the Oasis mobile app are present, but not yet actively promoted in store.

Although Click & Collect and In-Store Ordering (for store delivery) are not yet available, with the iPads, Oasis is clearly first focusing on what's important to their core customer - "I need to wear this dress tonight, where can I get it right now?!" 

RETAIL LEADERBOARD	
John Lewis	83/100
IKEA	75/100
Oasis	66/100



# Excellence and the habits of champions

In pondering the nominations and judging of The InternetRetailing Awards Ian Jindal considers the sometimes-challenging study of success and excellence.

Aristotle's contribution to motivational posters runs something like this: "We are what we repeatedly do. Excellence, then, is not an act, but a habit". This aphoristic observation echoes a post-Victorian meme of hard work, repetition, diligence. These are also a form of back-handed jibe against the one-off, the single flash of brilliance, the moment in the sun. Excellence, in Aristotle's characterisation, has something of the Zen thinking of a thousand years later: repetition, honing and persistence. Indeed, one could even argue that the pursuit of excellence is as important as achieving excellence.

As commercial retailers the notion of 'excellence' has its problems. The first, of course, is that it's "more than sufficient" and therefore likely to decrease margin. Retail is founded upon "quality". Quality is not an absolute, but rather a negotiation with a customer. Given certain brand promises, a given price, the expectations I've brokered with you, then the experience of the product has to live up to a certain 'quality'. Good quality from one retailer in one category is not the same as good quality from another retailer or in a different category. When we go beyond that bargain with a customer we have to be sure that the added investment will be appreciated, will make a difference and of course make a profit.

The second challenge with excellence is that the customer is no longer the arbiter of success. When working with visionaries, obsessives and creatives (often the same person!) we find them to be driven by an internal voice, a passion, a vision that can push our views of commercial production to the very limit. They are not responding to an articulated customer need or

propensity to pay - rather they're on a mission of their own. Henry Ford's view of the customer pre-dates that of Steve Jobs at Apple: "if we asked the customer what they wanted they'd have said 'a faster horse'". Apple under Jobs was renowned for creating new desire and new standards - a "new normal" if you like. The un referenced quest for excellence was an important component in this drive to new ground.

A further challenge is that excellence is risk-taking and linked to failure. An obsessive visionary will see the "great" that you and I perceive as a sub-standard failure. They will seek more, better, best. Furthermore, in the search for better alternatives it's an obvious fact that there will be tests and experiments that fail. "Good failures" - those seeking radical improvements - are still perceived as failures.


The final challenge is that this continuous seeking and changing is a threat to optimisation. Retail has, for the last 25 years at least, managed costs down by optimising processes. These optimised approaches - once our competitive advantage - are now an inhibition to experimentation and flexibility. It's as if the pursuit of excellence leads to sub-optimal performance (especially if our systems were not designed for flexibility and responsiveness from the outset).

As we survey the many accomplishments of the UK's leading retailers our Judges are having to look through the superficial successes and failures, look beyond the moment, and see the patterns and behaviours that bear the mark of the 'habit of excellence'.

Our Judges - themselves all experts in multichannel retail - know from their own habits some of the approaches to

excellence, and can therefore see and appreciate the activity of their peers - even where the results of that work may be embryonic. I was surprised last year when our Judges made Burberry the recipient of the prestigious Judges' Award, but barely a few months later the theatrical, game-defining spectacle of their Regent Street store was unleashed on the world... They are a totally deserving and inspiring winner whose activities still inspire others.

I'm reminded of the insights of James Cracknell, Olympic Rower, on the successes of the GB Rowing squad. He commended the dedication to training over many years that had led to the gold medals, noting that young rowers - who'd see the unstinting 'hours on the water', commitment in the gym, sacrifice of leisure time over many years by people in their club - would no longer wonder at 'obsessive' behaviour: rather they would nod in understanding. They would realise that this is the behaviour of a Gold Medallist. They would equate that behaviour (the inputs) with the success.

We'll be celebrating the Commended few and the ultimate winners on 26 June 2013, and commenting on the reasons over a longer period. One lasting outcome of the Awards, however, is that in addition to celebrating visible success we'll be learning from the habits of excellence that lead to market transformation and ongoing success. The habits of winners. 

*Join us to celebrate InternetRetailing's Awards on 26 June 2013. Our thanks to our <http://internetretailingawards.net/#judges> for giving their time and insight - they ensure that these are #theawards.*



# 13 trends and priorities to survive and thrive

Internet Retailing conducted research into the key issues for retailers in 2013, the challenges left behind in 2012 and what they are heading into in 2014 to come up with '13 for 13': thirteen trends and priorities to survive and thrive. *Emma Herrod* reports the results and the ensuing discussion at IRX.

**M**OBILITY AND MOBILE retailing was revealed as the top priority for retailers in 2013 as the results from Internet Retailing's '13 for 13'

research was announced at the Internet Retailing Expo in March. Some 68% of respondents reported mobile as a key issue for 2013 with just 6% believing that it will continue to be a key work challenge into 2014.

Ian Jindal, Editor in Chief of Internet Retailing, set the survey questions and commented that the issue was not so much about having an app but rather an integration of mobile and tablet devices into the multichannel offering, optimising experience and embracing mobility. It's not just the device, but the use of untethered computing power and context," he said.

Jindal was joined by a panel of four to discuss the results at the Internet Retailing Expo and they agreed that mobile is the most important trend for retail at the moment. "Mobile is the future," said Walter Blackwood, Director, Group Logistics at Mothercare. "If we don't keep it at the top of the list we won't have a communication method to our customers," he told delegates.

Fellow panellists Stephen Lepitak, Editor, The Drum, queried why mobile is still the main thing. "It's a lack of understanding and how can you be an expert in every channel," he said. Siobhán Géhin, Associate Partner at Kurt Salmon agreed.

She also said that "2013 is the year of the customer." How, where and when they want; "expectations are raised and how they are being matched by retailers."

For Steve Dukes, Head of Paylater, the main issue is one of "recession retailing," and for Steve Lepitak of The Drum it's publishing, content and social. "Something that draws in customers and drives social," he told delegates.

Walter Blackwood cited delivery and international as major issues for 2013. "The real opportunity it presents from a marketing perspective as well as logistics," he told delegates. In the widest possible context of

delivery "we're talking about it as something that doesn't work."

## THE REST OF THE TRENDS

Seamlessness was the second trend to be brought up as important to retailers in 2013 but unlike mobile, 22% of respondents said that it will still be an issue running into 2014.

Experience design will continue into 2014 as well. Ian Jindal commented: "Building upon the growth in channels and their interaction, experience design is shaping the customer's view of the whole shopping journey and all contacts with the brand. More than user experience or web design, we're focusing now upon the customer's assessment of how we arrange design, service, product, operations, logistics, staff, voice and mobile to create a total experience".

Delivery issues rumble on from last year as demand for greater and more capable delivery capacity is mirrored in the travails of delivery companies. As retailers strive for ever-better service, in increased competition with other growing retailers, is our ability to secure prioritised capacity at the highest service levels?

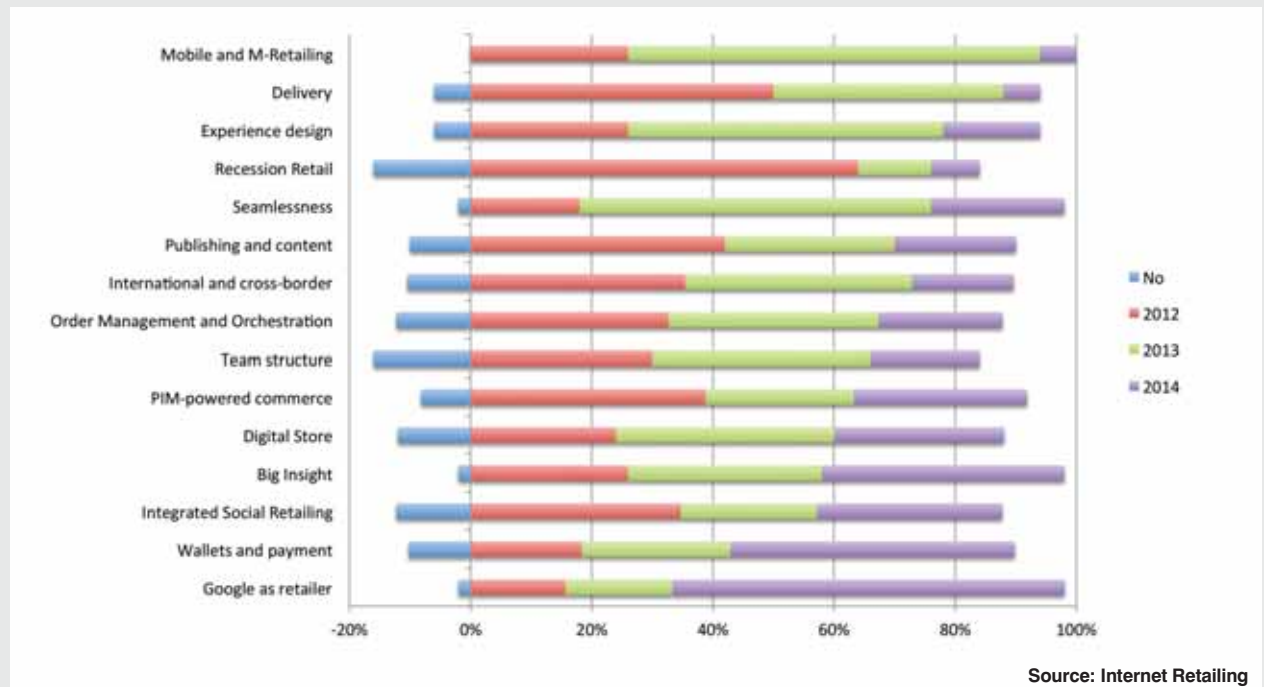
International and cross-border trading continue from last year through 2013 and into 2014 as retailers of all sizes look to new markets but also strive to defend home markets as non-UK companies enter the market. In 2013, growth in new markets is lifting retail spirits in an otherwise flat market and international has become an orthodoxy. "Going international used to be such a big issue," said Géhin.

"We have an advanced level of skill and an almost universal language that lets us in but doesn't necessarily lead to growth," said Blackwood. Growth is going to the English-speaking world i.e. Australia except for high-level brands pitching to growing middle classes in emerging markets.

The issues though are 1) how are they going to pay you and 2) delivery such as getting downstream access to local couriers and post

“If we don't keep mobile at the top of the list we won't have a communication method to our customers”

## KEY TRENDS, RANKED BY IMPORTANCE



services, commented Blackwood.

A key question though is what is stopping retailers from “doing these trends?”

The panel discussed issues around what is holding retailers back from ticking off the boxes revealed by these 13 trends. One issue is that there’s “a limited pot for IT spend and everyone is asking how do I get the best bang for my buck,” said Géhin.

There are two issues here: one is what would it unlock? Decrease margins in the short term but increase in the long term. The second one being about how to galvanise the entire organisation behind change rather than just the ecommerce team.


Blackwood believes that for some, the difficulty is in defining who the customer is. “When you disappoint customers’ expectations you have failed,” he told delegates. “You can’t spend lots on stores and then use the cheapest courier and knock down their price.”

So, how do you go from a trend to best practice? The panel believes it is down to retailers at the cutting edge being happy to try out different things.

### AND WHAT FOR 2014

For Jindal the issue for 2014 is direct selling by brands. Géhin believes it will be the digital stores. “My expectations are rising week by week and customers are becoming ever more expecting of that experience,” she said.

“Things are becoming more complicated,” said Dukes so for him experience design will be a key issue for 2014. With a cry of “Good luck,” Lepitak said that retailers will need to keep their customers happy regardless of where they are, so experience across the brand will be critical.

Blackwood predicts that logistics will still be an issue for retailers in 2014. “What we have in the UK is not fit for purpose,” A challenging cry indeed for a logistics pioneer turned retailer. 



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# Dreaming the m-possible dream

The speed with which consumer smart mobile device ownership has grown in recent years is driving major changes for both consumers and retailers. We spoke with Demandware's Jamus Driscoll who shared his vision of the possibilities for m-commerce.

## **Jamus, it's fair to say that consumers are driving m-commerce more than ever before...**

That's right, in fact I believe that most retailers are playing catch up with consumers. Shoppers want the best of all channels and frankly, if they are not provided for they will move on to a retailer doing a better job. It's not a case of consumers plugging in to what retailers are offering, but retailers plugging in to the way consumers transact.

## **What are retailers doing, or what do they need to do to catch up?**

It's worth understanding, and this is not breaking news, that the changing face of retail means retailers must learn to move faster in order to keep pace with consumer expectations of what defines a great shopping experience. The volume of projects on a retailer's desk is larger than they have experienced for years. In addition many retailers are tied up maintaining older technologies that slow down innovation and, as a result, delay growth.

But it is clear that they must change and move faster in order to deliver a great shopping experience for their customers. M-Commerce is still in its infancy, but it already plays an important role to the consumer. This will only continue to grow and retailers need to make sure they are positioned to adapt quickly as M-Commerce requirements continue to evolve.

As stated, M-Commerce is already playing an important role in the shopping experience. Retailers need to identify the mobile services their customers expect, and how they can offer these services to their customers, bearing in mind that you cannot do everything at once and one size does not necessarily fit all.

## **So Jamus, what do those services look like?**

Well some of them exist right now and some are on the way, but they are all possible. The future landscape looks something like this:

- Discovery, the ability to locate any product on any device wherever you are, and using geo-location to help find that product – extending the store inside out;
- Endless aisle and a single inventory does the opposite, it affords a store with limited space the opportunity to bring outside inventory in – extending the warehouse in-store;
- Mobile POS will let shoppers pay through their smart devices, which removes hard-wired, cumbersome EPOS systems. The opportunity to use pop-up retail units is greatly increased as a result;
- In many stores staff and customers are not operating on a level playing field - customers enter the store armed with more product information than the sales assistant. Providing staff with mobile devices gives them instant product information and stock availability, allowing them to sell more;
- Apps and social content both add to the mix by building a narrative around product, for example recipe videos with links to ingredients, how to guides with links to products;
- Flexible delivery can mean ordering on mobile and collecting in store, ordering in store and having delivery to home or a collection point. These are innovations that clearly remove barriers to purchase. The key point that I have heard from many retailers is “if I have the item in stock somewhere, I want to be able to sell it anywhere, at any time”.

Amongst all this innovation two things are abundantly clear. First, having an infrastructure that allows retailers to respond quickly to ever-changing consumer requirements is extremely important. Second, staff empowerment through good training, a useable tool set and a creative incentive scheme will ensure that brand ambassadors can deliver a personalised and profitable service that maximizes the potential of m-commerce for both the retailer and the consumer.

So m-commerce is no dream, it is all eminently possible within realistic timeframes. These are very exciting times, and for those smart retailers who find they can move fast, the speed of growth will be impressive.

## **Jamus Driscoll**

*Demandware General Manager - EMEA, Jamus Driscoll, is responsible for leading the company's EMEA-region. He joined Demandware from Oracle Corp., where, as Director of Marketing, he was a member of Oracle Retail's marketing steering committee and leader of the marketing teams for Solutions Marketing and Customer Marketing. Prior to Oracle, Mr. Driscoll was at ProfitLogic, Inc., a provider of enterprise merchandising software, where he was the Director of Solutions Marketing responsible for positioning and marketing to primary enterprise customers. Before joining ProfitLogic, Mr. Driscoll served as Industry Marketing Manager at Ascential Software, a provider of enterprise data integration solutions, and was responsible for market analysis, strategy and go-to-market tactics for the financial services industry. Driscoll holds a Bachelor's degree in English from Haverford College.* 📄

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# The shopkeeper of the future

*Paul Skeldon* investigates how mobile and location are changing the marketing landscape.

**M**OBILE HAS MANY roles to play in retail, not least as part of an omni-channel experience, but one of the key reasons that mobile has been attractive to retailers has been that it can be used as a great way to market to consumers – particularly to drive them into stores and to even perhaps direct them around the store and buy what you want them to buy.

In fact, Deloitte recently predicted that for every £1 spent directly on retail through mobile, £23 would be generated as a direct result of mobile in store. And this immense crossover between the m-retailing world and what it can deliver in store is actually what the oft-discussed mobile marketing is really about.

Initially this mobile marketing thrust involved a bit of banner advertising a la the internet, but as marketing agencies and retailers alike have

discovered, having access to the device that everyone has with them all the time is the key way to drive consumers to your business.

Increasingly, however, accepted ways of delivering mobile marketing for retail are coming up short. For many people, popping vouchers to consumers appears to be a sophisticated way of driving people to your shop. “But,” says Ashley Bolser, a mobile commerce consultant, “have you ever seen any great case studies of people doing this? No, because there aren’t any.”

## RETAIL EXPERIENCE

Bolser’s thinking is that discount vouchers are a red herring, with many retailers bemoaning the fact that while they may get people into the shop, they don’t really drive much in the way of revenues. How mobile marketing around retail

seems to be evolving is in becoming something more helpful than just messaging, and there is increasingly a groundswell towards seeing mobile and how it can communicate with people becoming something more useful.

“My view,” says Bolser, “is that mobile marketing is really something that should be used as a helper for the shopper, not as just a way to advertise or market to them. Really what mobile marketing – especially in store – needs to centre on is how to enhance the retail experience. It requires a change in thinking.”

Where mobile fits into this is not then so much in messaging in the conventional advertising sense, but more in the areas of helping shoppers do what they want. For example, it has long been discussed how the mobile is the link between the digital and real worlds of shopping: allowing the richness of ecommerce to come into the store. In reality, however, what this really means is that the phone – especially through the retailers app and the push messages therein – is a way of delivering the kind of information the shopper needs there and then. The kind of thing that the shop assistant or the good old shopkeeper used to do.

“In some ways it is a bit like a throw back to old school shopkeepers,” says Phil Gault from mobile technology provider Sponge. “A lot of what mobile marketing should be about in and around stores is about better understanding and responding to customer needs and servicing those needs.”

The kind of things this can do is everything from finding whether goods in a different size are in stock right through to click and collect – which, believes Gault, is the modern equivalent of the store keeping something aside for you for later.

“There is a real need for this approach in store,” says Bolser. “The UK has seen a great deal of deskilling in the retail workforce, so helper apps are the ideal way to plug this gap to improve experience and help get consumers to buy once they are in the store.”

### JUSTIFICATION FOR INVESTMENT

But even though this approach appears to offer both a way to increase sales as well as make for a ‘marketing’ tool the effectiveness of which can be measured, there are some that think that there is still a long way to go to justifying investing in mobile.


“Mobile is used by consumers to find goods, find stores and find the best prices: that’s it,” says Omid Rezvani, Director of M-commerce

A lot of what mobile marketing should be about in and around stores is about better understanding and responding to customer needs and servicing those needs

Solutions at eCommera. “And retailers need to understand that and only spend on doing that right now. Trying to tie all the systems together is just a huge cost against any real ROI.”

According to Rezvani the idea that retailers need to start looking at how to link all their systems and databases together to collect and use data to market what they do and to drive people into stores is not something that is currently feasible cost effectively.

“Much of the data people talk about that you can gather you can get anyway from existing things such as loyalty programmes and online registrations, trying to link all this together with mobile is just a massive infrastructure issue which is very expensive to achieve,” he says.

One upshot of this is that traditional retailers are in danger, however, of being left behind by their purely digital counterparts. “Digital retailers already have much better infrastructure to do this and so it is much more cost efficient,” says Rezvani. “High street retailers are going to find it very hard and very expensive and the return on investment in terms of increased sales just doesn’t stack up right now.” 

### EMAIL? REALLY?

One of the most undervalued mobile marketing tools could be email, believe some mobile marketing experts. Why? Because that is what many shoppers use themselves to keep tabs on what they do.

Many online, mobile and instore purchases now start out on a different channel to the one they are completed on. The way consumers move the information they need about the purchases is moved from channel to channel using email. Many consumers often search out what they are looking for online on, say, their work computer at lunchtime, but then email that page or even shopping basket to themselves to complete later at home or on mobile or tablet.

“Yet most retailers don’t accommodate this in their strategy,” says Jim Davidson, Manager of Marketing Resources at Bronto Software. “Brands need to actively facilitate this and help the consumer. It is also something they can do that helps drive people into stores.”

According to Davidson, retailers should be looking at how to firstly make this emailing of pages, shopping baskets and so on easier. They should also just look at how to add incentives to then use that basket and complete – including even heading to a store, using simple promo codes on mobile that can be used for that purchase and taken into the store.

Affiliate Window, which tracks how online, mobile and tablet adverts are acted upon, believes that 41% of mobile emails are opened. The number of self-sent emails that are opened must be far higher, and retailers need to look at how to capitalise on this.

Email marketing is likely to become ever more popular as a direct marketing tool and many businesses are seeing sales online and through mobile increase through emailing out newsletters and other information about special offers and so on. It is also proving to be a great way to control inventory and iron out peaks and troughs in sales through the week and through the days of the week.

With consumers themselves still using email to move their purchase funnel from channel to channel, mobile email is not to be trashed.



# Collecting Big Data

The term 'Big Data' is one that has crept into common usage increasingly over the past twelve months. *Nick Fletcher*, Account Director at Tradedoubler look at what it means for retailers operating in the online space.

**T**HE PREVALENCE OF the term Big Data is a reflection of not only how companies are starting to make data a more integral part of their business, but also the amount of data available to analyse. By 2020, it is estimated that there will be more than 5,200 gigabytes of data for every person in the world, according to IDC.

However, as it stands, companies are generally rather poor at using this data. IDC estimates that although 23% of Big Data would be useful if tagged and analysed, only 0.5% is currently being analysed. Clearly there is some way to go before we are effectively using Big Data on a daily basis.

## HOW AND WHAT BIG DATA TO COLLECT

It's easy to take a "more is better" approach to Big Data, but the data itself is virtually worthless when it is not used correctly; and it is easy for companies to invest significant time and resources into data warehouses, analytics tools and the personnel to run these for little actual return. To avoid Big Data becoming a Big Mistake for your business, it is important to scale the data you collect as a company in-line with your ability to actually use this data – and neither one should outgrow the other.

When approaching the issue of what data to collect, think about what aspect of your business is most crucial to your success. Is it the user experience? Is it the product? Is it the price? Is it your supply chain and logistics?

Of course, all these areas are important to any business, but if your customers are likely to take their business to a competitor if they can find the same product even slightly cheaper elsewhere, then one of the key benefits to your business from using Big Data will be the ability it gives you to react to your competitors' changing their prices.

Equally, if your business' key selling point is your range of products and the fact that you can always be relied upon to have the required item in stock, then consider how you can use data from both internal and external sources to anticipate demand and integrate this into your purchasing process.

To avoid Big Data becoming a Big Mistake for your business, it is important to scale the data you collect as a company in-line with your ability to actually use this data – and neither one should outgrow the other

Once your business is adept at analysing and using Big Data, the types and sources of data you can use are almost endless. Details directly from your customers can be combined with social media data, geolocation data and even weather data from the Met Office (yes – we've done some analysis on the effect of weather on sales for certain products, and the impact is significant and clear).

## HOW TO USE BIG DATA

For retailers, the key driver behind using Big Data should be the significant positive impact it can have on the user experience when shopping online. Just as a good shop assistant in a bricks and mortar store can quickly ascertain what their customer requires and then help them find it quickly, Big Data gives internet retailers the power to make the online shopping experience as painless and easy as possible.

Used correctly, Big Data can be used to completely personalise the experience for the customer from the moment they arrive on a site, to the moment they complete the order – and beyond.

Amazon is a perfect example of this in action. Upon visiting the homepage, the user is greeted with a mixture of recommendations based on previous shopping and browsing habits, and data from other customers with similar interests or purchase history. Naturally, the effectiveness of these placements is carefully measured, with this data being used in turn to tune the recommendation engine and ultimately ensure that every pixel on Amazon's homepage is optimised for getting the customer to buy there and then.

The use of Big Data for customisation doesn't necessarily need to be limited to returning customers.

IBM believes it can give a fairly accurate picture of an individual's personality from as few as 200 tweets. Businesses that are able to successfully gather and act on social media information from their prospective customers are at a significant advantage.

The internet gives consumers the ability to check product prices against multiple



competitors with very little time or effort. Indeed, price comparison sites or engines such as PriceRunner and Google Shopping, allow consumers to instantly identify which retailers sell a specific product and then filter the results based on the total cost of the product.

As a result, many of the larger retailers are extremely flexible when it comes to pricing their products and, in some instances; adjust prices dynamically based on a number of different factors, including the prices that competitors are offering. The automation of this process (scraping other retailers' sites to compare prices), has occasionally misfired when the latest games consoles have mistakenly been listed at £10 but for retailers that compete on price, this use of data is a must.

Big Data can also be used to analyse the effect of price changes against a number of different variables such as different times of day, different geographical locations and different customer segments (perhaps new vs. existing customers). This can then be used to create a flexible

pricing strategy that protects margins as well as maximising sales volumes.


It may sound like something out of a science-fiction movie, but Big Data can be used to predict future purchasing trends by combining data from historical consumer behaviour, current purchasing habits and, significantly, external sources such as social media.

If retailers are able to use this information more effectively than their competitors, this can create a huge competitive edge, particularly with regards to products in low supply. Being able to order stock in anticipation of future increases in demand could easily result in a scenario where you are able to sell a product to your customers, while a competitor is forced to list the item as out of stock.

### MOBILE & BIG DATA

Data on geographical location is playing an increasingly important role in the overall use of Big Data by retailers. Although retailers have been able to use location data (by taking and storing their customers' addresses) to influence their strategic decisions for some time now, the rise of mobile commerce has meant that extremely accurate location data is suddenly available on a real-time basis, making it infinitely more powerful.

Retailers with both online and offline presence are now able to use smartphone push notifications to incentivise potential customers to visit their stores, and even those retailers without an offline presence are now beginning to "hijack the high street" – delivering mobile marketing messages to smartphone users in a certain location that fit a certain demographic. Given that research suggests that once a customer uses their smartphone in a high-street store to research a product they were considering buying, there is only a 48% chance that they will actually go on to purchase there and then in-store, the opportunity is significant.

The prospect of working with Big Data may seem somewhat daunting, but its potential to transform a business is huge. For anyone venturing into this area for the first time, I would recommend the following: start off small and remember the "Three Vs" of Big Data: Volume (store and analyse as much data as you can, but no more), Velocity (how fast you must be able to respond to the data to ensure its value) and Variety (be creative – think about exploring and using data from a multitude of internal and external sources). Stick to these principles and you and your business are guaranteed to reap the benefits. 



# How to win in a mobile first world

Mobile is no longer a trend, or even just an opportunity; it is quickly becoming the new standard for consuming content. *David Bowen*, Product Manager at EPiServer reports on the extent of consumer appetite for mobile commerce and what shoppers really want from the experience.

IN DECEMBER 2012, Ofcom announced that smartphone penetration in the UK market had hit 58%, with 19% of consumers now tablet owners. In addition to this, an average of over £1,000 per person is spent online every year; a figure that is being “increasingly driven” by the use of mobile devices, according to Ofcom.

Against this backdrop of an increasingly mobile internet and an app-based economy, EPiServer recently conducted a survey to find out the extent of consumer appetite for mobile commerce and what they really want from the experience.

Our findings backed up Ofcom’s figures, revealing high use of the web on smartphones and tablets. Mobile websites proved to be marginally more popular than apps, with 63% accessing websites on their smartphone daily compared to 60% respectively. When we look at actual purchases via mobile, websites are most popular, with a total of 51% completing purchases on a website via their mobile on a regular basis, versus 40% via apps.

However, it appears that the mobile internet is not quite as mobile as we may assume. As much

“Not having the functionality of a desktop site is one of the biggest frustrations consumers experience with mobile sites”

as marketers talk about targeting consumers ‘on the go’ via mobile, by far the most popular place for people to use their smartphones to access websites is in fact at home, cited by 63% of smartphone users. This was followed by usage on public transport and in the office. This trend is compounded on tablet devices, with 80% saying that ‘at home’ was where they used their device to access websites the most.

## CONSUMER EXPECTATIONS OF THE MOBILE WEB

Regardless of location, it seems increasingly clear that mobile devices are now the first port of call for consumers when accessing the web and shopping online. This in turn brings challenges for marketers and ecommerce specialists. The EPiServer study has revealed that the mobile experience is far from perfect and retailers are failing to live up to consumer expectations of receiving all the functionality they are used to on desktop.

Over half of mobile shoppers said they often experience problems when shopping via mobile. The biggest bugbear continues to be speed, but a significant number (42%) responded that mobile sites are typically missing the functionality they expect on a desktop site, at 42%.

Our research also highlighted that 2013’s mobile-savvy consumers are increasingly less forgiving of a poor mobile experience. With 54% of users leaving the site when they run into difficulty, and over a quarter trying a competitor, retailers risk losing significant business by not meeting consumer expectations.

## BENCHMARKING UK RETAILERS

Having identified the expectations and frustrations of UK smartphone and tablet users, we benchmarked 30 of the UK’s top online retailers from the IMRG Hitwise Hotshops list to see how well they are performing against these.

Our research indicates that retailers are working hard to meet rising consumer expectations as mobile becomes an increasingly important part of their digital marketing mix, with an encouraging average score of 55%.

A positive observation was the number of retailers offering an optimised mobile site



experience, revealing the increasing focus on developing mobile sites over apps only. In a similar study we carried out in 2011, 30% of the top 10 retailers didn't have mobile sites, but now this is the case for only 17% of the top 30.

A great example of a retailer maximising its mobile offering is Debenhams, which toppled Argos off the top spot this year with a very impressive 90% score. Debenhams performed well across the board of mobile offerings, but excelled on its app strategy.

The Debenhams iPad app is impressive, scoring an unbeatable 100%. Easy to navigate, it delivers a superior shopping experience as well as a good store finder function. What particularly stood out was the effort to incorporate Debenhams' store magazine into the app, giving users an engaging browsing experience and more in-depth content when they need it.

We saw some outstanding mobile sites too, particularly Your M&S, which had the best performing website and a very well designed HTML5 experience. One of the most impressive aspects of the site is how quickly it loads despite being relatively image heavy – something that the results of our consumer study show to be very important.

Whether it's for casual browsing, searching for particular products or just looking up the nearest high street branch, the site delivers, and delivers quickly.

### THREE WAYS TO IMPROVE YOUR MOBILE OFFERING

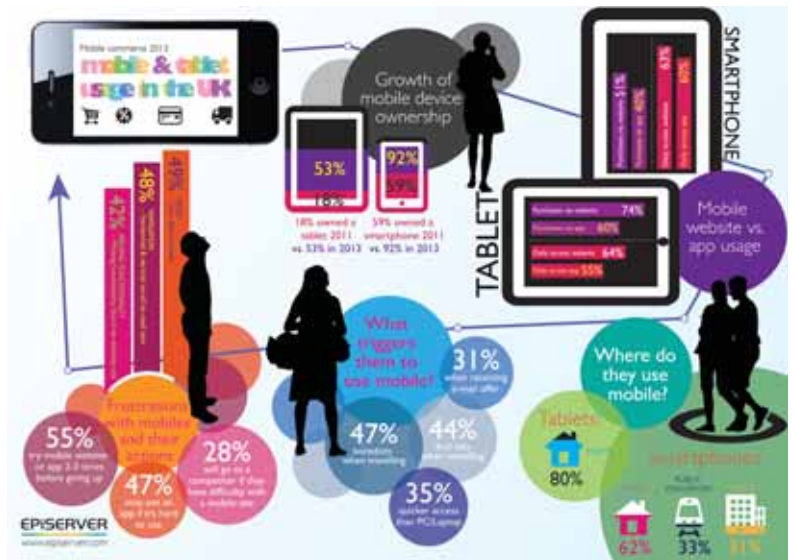
With these customer insights and real-world examples in mind here are three practical tips to improve your mobile offering:

#### ■ Mobile site first

There is no right or wrong answers in the continued debate of mobile site versus apps. The platform you choose depends on many factors including your sector, customer preference and sales volume. However, our research does indicate that on the whole, consumers use mobile sites more than apps and are in fact more likely to make purchases via mobile sites. So it's not a bad idea to start with an optimised mobile site and get the basics right before jumping on the app wagon. Responsive design used effectively can provide a great mobile experience across different screen sizes and gives you the opportunity to learn how your customers are engaging with you on mobile prior to further investment.

#### ■ Contextualise your content on devices


Usage in the home is even more pronounced on tablets than smartphones: 80% of respondents in



our study said they use their tablet devices most in the home. This indicates more than simply grabbing a device to check some information quickly. People are using their mobile devices to browse leisurely too. Take the opportunity to offer them more engaging content by incorporating social networking, video or editorial to make your site or app more sticky. By incorporating the store magazine, Debenhams' iPad app provides users with just the right engaging browsing experience and in-depth content to keep them on the site.

#### ■ Connect the online/offline experience

Not having the functionality of a desktop site is one of the biggest frustrations consumers experience with mobile sites. Don't let screen size limit you in terms of functions and features, and apply the knowledge you have about user behaviour on desktop to mobile. Instead of desktops, customers are using mobile sites and apps to find your store and check stock lists before they visit, so make it easy for them. Whether at home or on-the-go, mobile is now the first port of call and should be used wisely to drive footfall to retailers' physical stores, trigger purchases on the spot and assist in after-sales care. Asos is a good example, as it includes a map function within its iPhone and iPad apps to find the nearest location to take products for returns.

The good news for retailers is that implementing many of these tips is relatively simple, and it could pay dividends considering the popularity of m-commerce and the huge online consumer spend. Looking into 2013, retailers must deliver the right mobile experience as consumer expectation continues to grow. 



# Playing peekaboo with pop up stores

At a time when some retailers are reducing their presence on the high street, *Emma Herrod* looks at how mobile is enabling pop up shops, and whether they are the answer to retail everywhere for pureplays or just a line in the marketing budget.

IT WOULDN'T BE CHRISTMAS in my local high street without a store opening to fulfil the increasingly urgent need for wrapping paper, decorations and cheap gifts and novelties. This store is usually more akin to a market stall trading mentality of pile it high, sell it cheap, making the most of the opportunity as there's only a finite lifespan for the store in the run up to Christmas.

In the way that markets have been changing from the weekly external trading post for the butcher, baker and candle stick maker, to the local farmer of rare breed pig turned sausage maker, the artisan baker, organic home grown felt slipper maker and local cake maker so too have pop up shops moved on from the loud hailer approach.

John Lewis opened a pop up store in Exeter for six weeks prior to the opening of its permanent department store. Toys R Us took up the gap in the Christmas toy space left behind at Whiteley by Early Learning Centre and eBay has had pop up shops in London for the past two Christmases. Over in the USA, online luxury hamper company Harry & David opens pop up stores every Christmas to maximise its peak trading time.

## ENABLING BRICKS AND MORTAR

Mobile technology is enabling retailers to pop up pretty much anywhere. As Richard Cottrell of IT services company Vista Retail explains it is also a lot quicker nowadays. "The major constraint until now has been the issue of the availability of reliable high-speed data connections and the length of time it takes to get a landline into the premises." However, this reliance on landline data connectivity could be about to change since 4G offers the promise of high-speed broadband over a much wider area. This has the potential for shops to 'pop up' in more rural locations, as well as more populated areas which currently suffer from massively congested 3G.

"Retailers will be able to simply plug in a 4G modem with SIM card," and go where their customers are – be that an empty shop on the high street, a field at Glastonbury Festival or the



middle of a sporting event. "By enabling immediate reliable wireless access, major retail chains will be able to replicate the customer experience of their existing bricks and mortar stores without the risk of compromising the brand."

It is this ability to replicate the customer experience of permanent stores that will make the difference between future pop up stores and the pile them high-type of before. Retailers will be able to offer the personalised service – enabled by access to customer data by tablet-wielding associates in store – alongside the traditional provision for point-of-sale facilities.

At some point though, you have to transact and there are no shortage of options for mobile payments. Indeed, this is an area of mobile commerce that is rapidly changing as Paul Skeldon's feature devoted to this area later in the magazine shows. From plug ins and apps such as Square which change your mobile phone into a card reading device into a full blown mobile payments terminal that can be rented by the week from companies such as WorldPay. Although, "you also need to link the POS to stock management for replenishment," comments Geoff Baraclough, Head of Corporate Propositions at WorldPay.

Of course, as issues of mobile money are overcome in terms of technology and consumer concern, pop up stores could simply be a case of bumping phones to give money to a charity collector in the street, to a payment via mobile terminal to a flower seller or market stall trader.

One technology already being used in stores to enable mobile payments is NFC which is being used to good advantage by US jeans retailer Hointer. While being a permanent store rather than a pop up, the technology in the Seattle store can be installed “in a few days,” says CEO and founder Nadia Shouraboura. Rather than having piles of merchandise around the store, through which customers have to rummage to find the correct size to try on, just one of each item is on display. Each pair of jeans has a tag which can be tapped by an NFC-enabled phone or scanned by a QR-code reader to give the shopper information about the product and access to product reviews.

In addition, an app developed by Hointer allows the shopper to request their size for trying on in the changing room. They then wait for their selection to automatically drop into a chute in the changing room from a robot-operated stockroom. When the shopper is ready to make the purchase they simply tap to pay.

Shouraboura comments that as well as making it a fun and interesting experience for customers, the technology also ensures that they know where every item of stock is in the store and warehouse so would be able to fulfil online orders easily.

### VIRTUAL STORES

Mobile stores don't even need bricks and mortar to surround them; City Dressing has pared down retail into a pop up shop that consists only of a window with no shop floor behind. Using augmented reality technology it can offer an interactive presence on the high street using shoppers' own mobile phone.

Debenhams has trialled augmented reality from mobile phones, while Tesco has achieved lots of publicity around its use of shopping walls in Seoul and Gatwick Airport, as has Ocado. Thomas Pink's instant mobile checkout from pop up stores generated sales from day one while Universal Music and Pretty Green increased sales and ROI from all brand communications through store window posters and Facebook. Net-a-porter's Window Shop used augmented reality to bring images in a shop window to life on a virtual catwalk as part of a marketing campaign for Vogue's Fashion's Night Out.

But are virtual stores just a different window through which to see the retailer's delivery mechanism, a click and collect point for peak

### FUTURE

Taking mobile and pop up shopping a stage further is online fashion retailer Zalando with a fashion concept car at the 83rd International Motor Show in Geneva. The Zalando fashion concept car uses an augmented reality app and an iPad camera integrated within the car to recognise outfits worn by passers-by which can then be ordered directly from the Zalando online shop. Once the order has been processed, it is then delivered using an in-built GPS tracking system straight to the car – wherever it happens to be – with a built in space designed to fit Zalando's delivery boxes. The car also boasts a mobile changing room.

times, a marketing tool to drive brand awareness, a test bed for innovative technologies or simply another form of outdoor advertising?

Jonathan Wall, E-Commerce Director at Shop Direct Group, believes that pop ups are more about brand and public relations than being a direct source of revenue. It's Littlewoods brand tested geofencing in Dublin last year with O2 Media's real-time location-based messaging service. Shoppers were sent a promotional message about shopping online with Littlewoods Ireland when they were in Dublin's shopping streets. The group found that although click through rates were “reasonable,” conversion rates for the direct response mechanism were low and “not viable” from a commercial perspective. As Wall comments “what does success look like?”

Other pop ups have been run at the V Festival “which was great for PR,” but not so good in terms of the number of tents or wellington boots sold. The window of an empty shop in Liverpool was transformed over Christmas 2012 into a virtual store for its Very.co.uk brand. It showcased fashion trends alongside QR and NFC codes through which shoppers could interact with the display and purchase. As Wall comments: “We want to be wherever our customers are,” he says, “and we want to be out there when our customers are thinking of buying”. An ambition for all retailers but reaching those customers in a relevant way in real time is easier said than done but mobile is the front runner in enabling retailers to do just that. And, as Wall explains, the Group is in no rush to open physical stores.

However, Shop Direct Group is about to ramp up its testing and r&d as it moves to build innovation into the business, and mobile will take a significant part in that since it accounts for 25% of sales currently. “We'll be trialling different things,” says Wall, “pop up and virtual” but tests will be driven by the insight teams and data, and will also include ideas around technologies that the data and insight “give us no idea about.”

One of the biggest challenges to bricks and mortar pop ups, believes Wall is landlords' ►

“We want to be wherever our customers are and we want to be out there when our customers are thinking of buying”



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**Olivier Ropars, Senior Director Mobile, eBay Europe, comments: “The world is no longer about online or offline and the boundaries are blurring as we embrace the ability to shop anytime, anywhere. So whether we’re talking about bricks and mortar shops, pop-up shops or virtual experiences, mobile is the key to unlocking the best of these on or offline experiences. To put this in context, this year we’re expecting to see \$20bn mobile sales.**

reluctance. Understandable when they are bombarded by reports of online retailing being the death of the high street. One of the ways around this for retailers is leaving the job of finding locations to companies such as Appear Here, which runs an online service connecting retailers with empty store locations available for short term rental.

Thinking has been changing over the past couple of months though amongst larger landlords – those who are responsible for a whole street rather than just an individual space – comments Ross Bailey, CEO of Appear Here. Lease times have been shortening over the past twenty years and as long as there is enough demand, short term lets shouldn’t lead to empty space. “We aim to make it as easy as booking a hotel room,” says Bailey, “and as easy as setting up an online shop,” which is why Appear Here is working in partnership with payments providers and suppliers of shop fixtures and fittings.

Another running pop up stores, but in this case for SMEs is PopUp Britain. Through the PopUp Britain campaign, 120 online SMEs have been able to bring their products to the high street through a number of pop up stores in London’s Somerset House, Victoria, Richmond and Moreton-in-Marsh. Every two weeks, six new retailers move into each store to experience retailing on the high street. As well as exposing local shoppers to new businesses, the pop ups bring the benefits of allowing the SMEs to experience high street retailing and test new locations.

The shops have been kitted out with the help of larger companies including John Lewis, which fitted out the Victoria store and Intuit which provided card payment and processing through smart phones. Intel has just installed a screen-based application in the window of the Victoria shop which recognises the gender of the person looking at the window and shows them relevant products available in the shop. It also tracks whether that person’s curiosity is turned into a sale.

“Small businesses are benefiting from marketing and the profile exposure,” says Emma Jones, Campaign Director, PopUp Britain, but they offer benefits to large retailers too. John Lewis for example has added one SME’s products to its

“John Lewis is keen to explore opportunities for this with other new stores”


stores having visited them in the pop up to see how they’d look in a store environment. “Pop ups allow multichannel retailers to test new lines,” she says, as well as to test new locations in the case of pureplays such as eBay “to touch and feel and to experience the brand” bringing the brand to life in the real world.

All of the SMEs that have traded in a PopUp Britain store have seen an increase in sales during the two weeks of trading and also in the longer term through increased sales via their websites. One retailer has seen a 300% increase in traffic levels and 12% say they are now looking for space on the high street.

In the case of John Lewis’ Exeter pop up store the company is unwilling to share its effect on online sales but when asked whether it had plans for future stores, Ceira Thom, Project Manager, New Formats and Lloyd Page, Head of Marketing, Brand, commented: “We don’t have anything ready to share on this at the moment however are keen to explore opportunities for this with other new stores.”

And the reasoning behind the Exeter pop up store “We wanted to give the customers in Exeter a small taste of what John Lewis would be like when the main shop opened. It was about generating excitement and anticipation for all of the customers who had been incredibly positive about a John Lewis opening in the city. We wanted to create an immediate link to the community and begin dialogue on the main shop early so new customers and Partners could understand and engage with our brand and what we stand for.”

Ecommerce has proved that customers don’t have to be in the same location as the product to purchase it – indeed catalogues were already doing this for many years before the rise of the internet. With so many empty shops around the country, is now not the time to test technology, customer insight and the power of crowds and bring in all the lessons from online flash sales, daily deals and ‘for a limited time only’ to local markets and pop up around Britain? If viewed as part of r&d or part of the marketing budget then the measure of success will not necessarily be sales from the store but raising of profile amongst new and existing customers. Yes, SMEs are covering their costs in the PopUp Britain stores but their results are showing that the profit is in the longer term increase in online sales.

For larger retailers though are pop up stores just a temporary marketing transition on the longer-term road to enabling mobile scanning, tapping and payments from any form of outdoor advertising? That’s one for retailers and consumers to test. Technology is already moving that way. 



# Fighting showrooming with showrooming

*Glen Richardson, CEO of JustBought.it, translates online into the physical and asks what stores look like in the eyes of the online shopper.*



**W**hat would an online shop look like without product videos, detailed specs, recommendations, reviews etc? It certainly wouldn't be a place from which shoppers could make an informed purchasing decision. Imagine then what stores look like through the eyes of an online shopper. Is it a place in which they can make an informed purchasing decision? If not, then a store is just a glorified warehouse.

Online shoppers are expected to go offline in-store so their ability to make a purchasing

decision becomes severely hampered. Some 45% of people showroomed because they wanted to see the item before buying online, according to comScore. I believe that if it were natural for shoppers to buy online in-store then showrooming would no longer be something to be feared but encouraged. Stores are now 3D catalogues for your online store.

## CONNECT

Stores aren't the best place to maintain a decent mobile signal and because I am charged for data I don't tend to search for product videos in-store. If, however, I'm in a store with free WiFi then that option is open to me and I'm more likely to make a purchasing decision.

In a book called *Influence*, Dr Robert Cialdini describes six basic social and psychological principles, one being the Rule of Reciprocity. We're all conditioned as children to abide by this rule which can be simplified as "you must repay what was given to you". It's not surprising then that 74% of shoppers are happy to receive text promotions while using free WiFi, according to OnDeviceResearch and showroomers are three times more likely to respond to a location-based mobile offer, says Aimia. Given that 98% of text messages are read, this low-tech option isn't to be underestimated. I've seen text messaging, coupled with slick mobile redemption, working well for promotions. Gencia has an offering called SIVs (Smartphone Incentive Vouchers) which works well for this purpose.

Providing free WiFi brings other benefits such as being able to direct shoppers to a store-mode mobile site, knowing what information shoppers are looking for in-store and enabling them to connect socially. Since hashtags are the norm for live on-demand communication, if stores had their own hashtags shoppers would use them to ask questions and crowdsource opinions.

## EXPERIENCE

The gratification of walking away with a purchase is no longer enough for shoppers to make the journey to store.

Stores should no longer be thought of as shops but venues. Memories outlast products so if a product can be demo'ed, demo it. If a product can be cooked, cook it. If a product can be taught, teach it. Think experiential.

Technology considerably enhances an experience in-store. Augmented reality and virtual fitting rooms are highly effective tools for closing sales but these high-tech options, if built from scratch, are cost prohibitive. However, companies such as Tinderstone have white label solutions that can be rolled out quickly.

If staff are armed with mobile tablets they'll be able to help shoppers make an informed purchasing decision and even take their payment there and then.

Staff in-store should be given the autonomy to discount products on an ad-hock basis too, not if the product can be bought cheaper elsewhere but based on availability, total order value and the opportunity to up-sell.

#### RESEARCH

Shoppers need a quick way to look-up products so they can gain more information and buy online in-store. The easiest way to do this is to make the home page of your mobile site, when in-store, a URN search.

Another way to do this, as much as I despise them, is QR codes. I would suggest image recognition but unless you're willing to make all your products compatible then you'll struggle. You would need to put an 'image recognition' sticker on compatible products and if you're going to do that then you might as well use QR codes.

If shoppers begin to treat stores like 3D websites then stores can begin to display greater product variety and worry less about instant availability.

For some people, delivery to door is convenient but for others it's not. For some, taking a purchase home with them is convenient but for others it's not. Some people are out during the day and others are out at night. For some, delivery to work is ideal but for others, who are on the move, it's not. We all have incredibly diverse lifestyles with unpredictable requirements.

Logistics is tough and has a huge impact on profitability so introducing new delivery methods is a risk. If however shoppers aren't offered a delivery method that suits them they'll look elsewhere. The new innovative delivery methods, like ByBox, really do bend over backwards to make integration easy.

Shoppers want to pull their purchase to wherever they happen to be. I'd love to put

There is a huge difference between a retailer saying "hey, buy this" and a shopper saying "hey, I just bought it"

my deliveries on autopilot: Monday - Thursday deliver to my office, Friday deliver to a ByBox in London and on Saturday deliver to my home. On Sundays, however, I might want to go to the store, buy online in-store and have it delivered to my office the next day saving me the hassle of taking it home and to work the next day.

Also, how awesome would it be if you could go to a shopping centre and have your purchases delivered to the boot of your car? Yet another start-up idea I don't have the time to execute.

Shoppers should be able to pay in-store or online for collection or delivery. Paymill, who recently closed €10m in VC funding, have massively simplified payment integration making experimentation viable.


#### AMPLIFY

Connected shoppers can easily be encouraged to check-in. This could be done via Foursquare or by giving shoppers a mobile page to post a message to their social feeds either as a one-off or automatically upon each visit.

Word-of-mouth marketing is highly potent too. I recently met with the founders of freestylextreme.com and they told me about a book called 'Social History of Shopping'. They didn't particularly rate the book as a whole but one line really challenged them: "We shop because we want to affiliate ourselves with our peers, or the people we want to be our peers". These guys have really embraced this, which is evident through their loyal customer base and exponential growth.

There is a huge difference between a retailer saying "hey, buy this" and a shopper saying "hey, I just bought it". Since being CEO at JustBought.it I've learnt so much more about the potency of a shopper's voice. Taking the voice of the shopper, at the point it's most authentic, deems amazing results. Social Proof, something else that Dr Robert Cialdini detailed, is like a knee-jerk reaction for the brain. We can't help but be influenced by the actions of people around us especially people we know and like.

I believe that internet retailers will be the high street champions of the future. I said this at the Internet Retailing Expo and since then US online eyewear retailer, Warby Parker, has announced the opening of its first retail showroom and so has Fab.com. Made.com opened a showroom last year and Google and Amazon are rumoured to be next.

Online retailers are well positioned to save the high street as they understand online shoppers better than anyone. 





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# Appy days are here again?

While apps would seem to be winning the “apps vs mobile websites” contest at present, Group FMG’s UK Managing Director, *Mark Inskip*, believes brands and developers shouldn’t be looking at which is better, but instead at how they can work together.

**T**HE BRANDED APPS vs mobile website debate has been raging for some time now, probably since the first Apple apps took to our mobile screens more than six years ago. However, after an initial surge towards apps, brands – and indeed developers – settled for mobile websites as they strove to deliver consistent multichannel experiences for consumers.

One of the key reasons behind this seeming backtrack was that it could be hard to find apps and that people’s mobile devices would become cluttered with different apps for different brands that they shopped with. Updating a vast array of apps with new content was also seen as costly and challenging.

With the mobile web everything was searchable and accessible all in the same place so brands weren’t compromising their visibility. On top of this, while app technology has come a long way in the past few years, in the early days things like in-app transactions would often refer users back to a website to complete their purchase. This meant that if a brand’s website wasn’t optimised for mobile platforms they were letting their customers down on the experience front at the final hurdle.

However, apps are fighting back. According to research by Berg Insight, which supplies market data to the telecoms sector, application downloads worldwide doubled during 2012 and reached 60.1 billion, up from 29.5 billion in 2011. The company also predicts that this rapid level of growth will continue, and that annual downloads will reach 108 billion by 2017. Revenues are on the up too, with the company’s report claiming the figure stood at €6.4bn in 2012, from direct sales and in-app advertising. This figure is expected to be as high as €14.1bn by 2017.

Furthermore, from a pure ecommerce perspective, a recent study by Adobe in the US – The 2013 Digital Publishing Report: Retail Apps & Buying Habits – makes interesting reading for mobile commerce specialists. As apps stride ahead of mobile sites in terms of functionality and experience, much of the problem with mobile websites it would appear is down to the current infrastructure.

“Adding ecommerce functionality to your “digital catalogue” is really the icing on the cake”

While many agencies and brands will be pinning their hopes on 4G to really bring the mobile web to life, Adobe’s research seems to indicate that this hope is misplaced. Although the arrival of 4G and LTE in the US was set to give the mobile web a welcome boost, the technology giant’s study indicates that even here browsing on mobiles is still a long way from what we’re used to with the rest of our online experiences. Indeed the report cites that smartphone shoppers highlight the slow speed of browsers and the ease of navigation on apps as reasons for their preference for using apps and digital catalogues.

With the increased opportunities for brand interaction and engagement that apps offer, it’s hardly surprising that the report found that 38% of tablet shoppers and 42% of smartphone shoppers responded that app interactions strengthened their connection to the brand. The research also found that of those people who don’t currently shop on mobile devices, one in four intends to use mobile apps to shop in 2013.

Adobe’s findings are also backed up by a global survey from Compuware, which also claims consumers do indeed prefer apps. According to its study, consumers see mobile apps as adding value through things such as streamlining calendars and grocery lists and offering entertainment while online. Indeed, consumers now associate apps with banking, paying bills, shopping, booking hotels and travel, as well as with staying productive and connected with both home and office tasks.

The survey asked more than 3,500 global respondents about the benefits of using a mobile app against a mobile optimised website. The results were pretty unanimous, with 85% of respondents preferring mobile apps over mobile websites, primarily because apps are more convenient, faster and easier to navigate – reflecting what the Adobe research found. The survey found that apps, despite a few issues with crashing and freezing, offered easy access to product and store information, help planning and navigating visits and the ability to communicate in real-time; beyond anything



mobile websites could offer.

The survey found that consumers were also drawn to the way apps supplied personalised content, as well as offers and perks based on their interests, while providing the ability to share offers, news and product recommendations virally on their social networks.

### APP OR M-WEB?

These are all compelling reasons for treading the app path as opposed to creating mobile websites, but it shouldn't be as clear-cut as a question of either/or. Instead brands should be looking at how they can use apps and mobile websites together in their multichannel commerce strategy.

Both apps and mobile websites have their own unique advantages – apps can add a more personal and catalogue-like experience as well as being easier to personalise, plus technology today allows them to seamlessly integrate the ability to complete transactions from directly within the app. But mobile websites, despite issues over speed, still offer brands the ability to be found and searched for easily via the web. It's also important to point out that the issues of

speed are negated when the mobile device is connected to a wireless network, and the majority of online shopping/browsing is still done at home on these devices. Yes, we have our favourite stores and brands, but sometimes we want to shop around. Apps are more of a walled garden for consumers, whereas the mobile web is a free and open space. By looking at one versus the other brands are losing out.

Much of this "one versus the other" mentality is because, up until now, it has been expensive to create bespoke branded apps – and creating cheap, static apps just doesn't cut it with today's interactivity hungry consumer. With times in retail being tighter than ever, brands can be forgiven for looking to cut corners on their expenditure. But again technological developments mean that there is now a middle ground, which allows brands to get the best out of both an app and a mobile website.

There are some simple rules that brands need to follow when it comes to creating apps: don't replicate or redesign but repurpose your content; add interactivity; and don't try to re-invent the wheel. Just copying your existing photography, imagery and design into an app will potentially lead to a cumbersome and unrewarding experience, with differing screen sizes.

A better option is to take this material and adapt it to fit on your chosen platform, without completely overhauling your design. In effect this means resizing images and then relaying text to fit the relevant screen size.

Once you've done this, it's a relatively straightforward process to add interactivity through hot spotting so that users can explore products, see different variations, share them over email and social media and ultimately to purchase them.

Adding ecommerce functionality to your "digital catalogue" is really the icing on the cake and the thing that adds the most value to your customers. However, what you don't want to be faced with is creating a wonderful ecommerce enabled digital catalogue that you then have to spend time and energy getting to work with what you have already in place.

Employing this technique means you get eighty per cent of the functionality of a bespoke app with just twenty per cent of the effort. Importantly, it means that brands can also invest cash into creating a mobile friendly website and ensuring that they don't miss out. Yes consumers may prefer the experience of apps – for now – but discounting the mobile web is foolhardy to the extreme. 🛒



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# A new way to pay?

The idea of paying for things with a mobile phone is possibly one of the most complicated technology ideas currently in play. *Paul Skeldon* sheds light on what's happening in this fast changing area.

**C**URRENTLY, THERE ARE so many potential ways of doing mobile payments that it is hard to know which horse to back and, as retailers look ever more closely at the true ROI of investing in unproven mobile technologies, it starts to become very unclear as to whether there is really any reason at all to invest in mobile payments.

Of course, the big thing that everyone thinks about when they consider mobile payments is NFC, the contactless technology that is all anyone not really in the know about mobile payments talks about.

Currently, according to Javelin Group in the US, less than 0.01% of payments are done in stores using contactless payments. By 2018, it predicts, this will have risen to 13%. That is some \$5.4bn – but still less than a fifth. NFC is, in many ways, a busted flush.

Let's face it, Apple hasn't put out an NFC phone, so if they don't think it is going to happen then it possibly won't.

And consumers are not going to wait around until 2018 for NFC chips to appear in handsets and for the tech at the POS to appear. Rather, they will drive this thanks to the efforts of banks, operators and retailers trying to gain some first mover advantage in payments.

"There is an argument raging as to who owns the customer when it comes to mobile payments and the thing is the customer owns the customer," says Steve Ellis, Executive Vice President & Group Head of Wholesale Services at Wells Fargo Bank. "It will be the users who will decide how they want to pay and what is easiest for them. It would be rash for retailers to opt now for any particular kind of payment tool in stores."

But this leaves the conundrum that retailers are going to have to watch and wait while many different kinds of mobile payment tools vie for position. Should retailers invest heavily in NFC and hope that it happens? Sign up with the UK network operator-backed Weve to get mobile marketing and payments tools as a service? Instigate their own way of doing it with things like Square that can take card payments on a smartphone? Or perhaps they should invest in a range of payment tools and see where that goes?

## PAYMENTS & SERVICE

Clearly, none of this is practical, so what should they do? The latest thinking is that payments is not about installing some new technology that you add to your POS, but is about a rethink of the whole way shops work.

Why should consumers queue up to pay at a check out? Why can't they pay with some sort of one click on their device as they do with Amazon online and on apps? Can't the sales



staff walk the floor, armed with devices and not only be more informed and helpful, but also take payments and email receipts?

It sounds far fetched to rethink the whole POS idea, but it is actually a very economic way of doing it, since you can start to combine the service with getting people to download your app, sign up and use it repeatedly in store: it generates vast amounts of data about who they are and what they do.

Secondly, even issuing email receipts gives the retailer the chance to add offers or interact with the customer. In fact, mobile payments – when not done through NFC – offers a hitherto untapped marketing channel too.

But is this all missing the point entirely: should perhaps payments – mobile or otherwise – simply be something buried in the experience? Is that perhaps what mobile payments really offers?

“Taxi hiring app Hailo is a great example,” says Niklas Bartelt, MD of DZ Bank. “The payments part is just buried within it. It is taken as a given when you sign up: you hail a taxi from the app and it is just paid for when you get out at your destination. This is more likely to be the way mobile payments develops, especially in retail and services.”

PayPal certainly believes that this is how mobile and payments are going to go. It is trialling PayPal Check In, where you use the PayPal payment app to check in to a store and then to order what you want. When you come to pay it is just verified by the cashier seeing your face as authentication.

“It is being trialled in coffee shops in the US and we will look at trials in Europe,” says Mike Davies, Sales Director UK and Ireland at PayPal, “and it allows consumers to just order and buy what they want simply by checking in somewhere and using their face to pay.”

Unceremoniously dubbed “Pay by face” in the press, this technology is potentially a game changer for retailers and m-payments providers: it takes the idea of what payments actually are and subverts it out of the picture.

#### **FLEXIBILITY**

But even this does not get around the fundamental issue that with no one standard of payment technology, no single payment app, no simple way that offers consumers the way to pay anywhere – in the way that cash and cards do – it is never going to fly.

“There is nothing, currently, that mobile payments technologies offer that is easier,

### **...MEANWHILE IN THE REAL WORLD**

While the arguments between network operators, banks, retailers and technology providers rages over how best to actually do mobile payments, a very small chain of coffee shops in Jersey has already made it happen, using existing technologies and is very pleased with the results.

David Warr, owner and MD of Jersey-based coffee shop chain Cooper & Co has introduced mobile payments in one of his stores “not for any great business reason, just because it is cool and convenient”. Warr, a strong advocate of mobile payments, however, has seen it drive up sales and increase loyalty.

Cooper & Co use a system that essentially lets customers add money online to a mobile voucher that sits in Apple’s Passbook app. This then gets scanned at the check out. It’s not state of the art, but it works and customers like it. And the interesting thing is that there is no NFC anywhere in sight.

While the mobile industry is falling over itself to get NFC-based contactless mobile payments into stores (despite it being overly complicated, not very good, expensive and there being hardly any NFC enabled handsets in the market right now), it is interesting to see that retailers already embracing it are finding novel ways of doing it.


Warr isn’t phased and believes that eventually we will see NFC contactless mobile payments, but his advice to retailers holding back from doing mobile payments while the picture becomes clearer, is to just go for it. “It’s an evolution. We may end up with lots of ways of doing mobile payments all on offer at once, but that makes it easier for the consumer. Just go for it.”

“Consumers are getting ready to leave their physical wallet behind”

cheaper or more flexible than cash and cards to both retailers and consumers,” says Ellis from Wells Fargo. “So why would anyone use them. This is the conundrum.”

Ellis and others believe that the answer lies in mobile wallets, but not the many that are around right now, but in ones that simply act as aggregators for payment types and that can gain widespread acceptance in the retail world by clever deals, better payout rates to merchants and the buy in of the banks.

“The big new is that consumers are ready to adopt mobile payment. What they need is a reason and an incentive to do that first transaction and once they do that first transaction the uptake and the explosion of mobile payments will occur,” explains Matthew Friend, Managing Director of Payment Sat Accenture North America. “They are already looking past just payments and looking to use that mobile wallet for everything they use a physical wallet for.

According to Friend: “[Consumers] are looking to take loyalty, rewards, their driver’s licence, identification, insurance and take it into the mobile wallet,” he said. “They are getting ready to leave that physical wallet behind. They just need to make sure that the rest of the industry and the government is ready to enable it in a secure way.” 



# Insight around the world



**ISABELLE SALLARD, EDITOR, INTERNETRETAILING.FR**

Social media is really making a mark in French “boutiques”. And the move is coming from very different brands.

On 1 March, the Karl Lagerfeld brand, opened its new concept store in the very centre of Paris, near the Saint Germain neighborhood, offering visitors “The Virtual Window on Karl Lagerfeld” digital experience. This 200 square metres new area includes a series of digital innovations developed under the artistic direction of the designer with digital agency Emakina. These can be seen, for the agency, as “a relational platform between customers, brand, fan communities and influencers.”

The innovations include “Karl’s Booth”; in each dressing room a touch-screen allows customers to take a photo of their look, apply a digital filter and finally share it with friends by email and on social networks. Guests can also enjoy the “Karl’s Interactive” at which they are invited, on a iPad, to share their feelings, express their commitment to the brand or just leave a message for the designer on a digital guestbook. They can also control a giant video wall from which they can scroll through collections, news and videos. The latest innovation “The Kollection” allows consumers to explore all the looks from the collection with iPad minis placed everywhere in the store. These tablets can identify particular items that are not available in stores at the time of their visit. Finally, each customer can pay for their purchases with the mobile-terminal equipped staff.

During the same month, Kiabi, a famous French cheap clothes retailer, launched its “Kiabi Fan Selection” which allows consumers to review products on the web directly from the shops. In a dedicated interactive area, a selection of articles is presented and, using a touch pad, customers can connect to their Facebook account and then “like” the products and vote for their favourite one among the selection displayed. In this specific area, each item is connected to a small screen that shows in real-time the number of likes previously assigned to the product by the customer community.



**PORUSH SINGH, MASTERCARD**

Asia’s appetite for online shopping has shifted from the PC to the smartphone with more than half of Indonesian and Thai consumers using their mobile phones to shop, according to the latest MasterCard Online Shopping Survey.

While China leads the region overall as the market with the most propensity to conduct online shopping (102 Index Points), ahead of New Zealand (87), Australia (85), Singapore (84), and South Korea (82), MasterCard’s survey revealed a notable increase in smartphone shopping. Indonesians topped the region with more than half of respondents (54.5%) using their smartphones to shop in the last three months of 2012. China follows closely with 54.1% and Thailand with 51%.

About 40% of online shoppers in Hong Kong, South Korea, and Singapore – which also have high internet-enabled mobile users – made a purchase with their phone during the three months. The least likely to shop online via their mobile phones, though, are respondents from New Zealand (18.2%), Australia (18.7%), and the Philippines (21.4%).

One in five of Asia/Pacific’s shoppers purchased a fashion item using their mobile phone at the end of 2012. Australians (32.4%), Koreans (28.8%), and Singaporeans (28.5%) have bought something ‘fashionable’ online through their smartphones.

Topping the list of categories that interest them are coupons/deal sites, which interested close to 40% of the respondents across the 14 markets surveyed. These types of sites are particularly strong in China, Hong Kong, Vietnam, South Korea and Singapore.

Most consumers in Asia/Pacific are also interested in music downloads, of which Thais, Filipinos and Indians are quite attuned with. Music downloads, however, are least likely to appeal to Japanese, Taiwanese and Australian consumers.

Fashion-related items are also of interest to most of the respondents across Asia/Pacific with 35% indicating interest in this category. These items, however, elicit stronger interest among Chinese, Thais, South Koreans, New Zealanders and Australians.

More consumers are opting to purchase goods online and increasingly using their smartphones to do it. With the exception of a few markets, online shoppers are becoming more confident about using their phones to shop and I’d expect that trend to continue as more sophisticated technologies come onto the market and more products are offered online.

**EMMA HERROD, EDITOR, INTERNET RETAILING**

UK retailers will enjoy cross-border sales worth £10bn in 2013, according to the IMRG. That's up from £7.4bn spent on UK-based sites by international consumers in 2012. The UK online retail market remains, said IMRG, second only to the US market in overall value.

The retail trade association also predicts that cross-border sales across Europe will hit €36bn in 2013, accounting for 10.6% of total online sales in the region. That compares to €26bn in 2012.

"Cross-border is the future of ecommerce and the opportunity is particularly strong for UK retailers due to the advanced state and sophistication of the market here," said Andrew McClelland, chief operations and policy officer at IMRG.

Meanwhile, Forrester predicts that total European online retail sales will reach €191bn by 2017, up from €112bn in 2012 – reflecting a 11% compound annual growth rate (CAGR) over the next five years. Martin Gill, Forrester Principal Analyst and author of the European online retail sales forecast comments that:

The rate of growth across Northern European countries will begin to slow. Although far from the saturation point, the UK in particular has passed beyond the boom years and local retailers must invest in optimization and innovation to stay competitive.

Online shopping will continue to grow at high double-digit rates across Southern European countries like Spain and Italy; Spain in particular will see an 18% CAGR from 2012 to 2017. Retailers in this region should focus on improving customer convenience, value, and (most importantly) choice, as they bring their offline catalogues online.

By 2017, more than half of all spending on music and DVDs across Europe will be online, as will more than one-quarter of all spending on books. By 2017, shoppers across Europe will spend almost €10bn online on food and drink, as grocers across Europe emulate the online success already seen in the UK.

**VANESSA NUNEZ, DIRECTOR, MOBILE FUN SPAIN**

The ecommerce sector in Spain is still developing compared to the UK, Germany and France but the country offers high growth potential for online retailers; the number of internet users buying online was estimated at 49.6% in 2012.

Mobile Fun's Spanish site is currently celebrating its first 18 months in operation and since its launch the website has generated 16,880 orders for mobile accessories, with 9,012 secured in its first 12 months of trading. Having secured 7,868 orders since August 2012, MobileFun.es is on course to double order volumes this year. Orders in February 2013 alone stand at 1,541, a 60% increase on 2012 figures.

While news pages are full of the Euro crisis, company closures and redundancies, MobileFun.es is thriving despite this trend by offering the largest selection of mobile accessories to Spanish consumers. Our UK parent company has provided us with the expertise and infrastructure to set up a successful online business.

Top selling items from MobileFun.es include accessories for Samsung smartphones and Apple iPhone models. The launches in Spain of the Samsung Galaxy Note 2, Samsung Galaxy S3 and now the Google Nexus 4 have all been great opportunities.



At IR Towers we recognise the importance of face-to-face meetings, the experience of 'being there' and the ability to focus fully on an idea or issue. While we have a growing range of events and activities, created specifically for retailers from Jumpstarts to webinars, we also appreciate that time is precious. Here are some of the learnings from recent events.

# TEXT & NOW

## THOUSANDS TURN OUT FOR IRX 2013

Thousands of ecommerce professionals flocked to Birmingham's NEC in March for Internet Retailing's fast-growing annual expo, IRX 2013. The editorial team at Internet Retailing were there to chair conference sessions, speak to exhibitors and visitors and report on the latest developments.

More than 150 suppliers staffed a bustling exhibition space where both long-established and innovative new technologies were on show. Alongside the event were 12 hands-on workshops covering subjects from rich media and merchandising platforms through to omnichannel success and email strategies. All were fully booked. Queues formed outside the six conferences that ran over the course of the two days and a wide range of businesses, from search specialists to packaging providers, showcased their innovations in presentations in the Innovation TV Studio.

International and cross border trading were highlighted as key issues by retailers in the '13 for 13' research conducted for the event and there were plenty of retailers willing to share their experiences in the International and Cross Border Conference. Jonny Zhu, of CharmClick, European partners for Chinese search giant Baidu, used the event to announce the partnership between Baidu, CharmClick and Net Media Planet for the UK and Ireland and their aim to ease access for Western retailers to China's fast growing ecommerce market.

## INTERNET RETAILING IN STORE

Internet Retailing in Store (IRIS) was another key theme for the year accorded its own conference stream. Joanna Robb, Head of Multichannel Development and Strategy, B&Q, spoke about the DIY retailer's Darwin Project through which it is transforming the business through new operational models and systems and changing the way it sells. Benefit will arrive from "range, loyalty of repeat visitors and valid mobile offering and call centre selling," she said.

At the foundation, said Robb, is how the business manages customer and product data. Building on this is the omnichannel platform through which it will reap rewards from future growth. Splitting the front end into customer and colleague projects means the business can work to a multidevice strategy for customers and extract data from existing desktop systems to tablets and kiosks for use by colleagues in store.

Robb told delegates that recent launches include a TradePoint ecommerce offering and pay and collect functionality for its main diy.com site.

Kieran Clinton-Tårestad, Head of eCommerce, Gant UK, raised the issue of brands becoming retailers and retailers becoming brands in a speech that highlighted the challenges that ecommerce is bringing to relationships between manufacturers, retailers, subsidiaries, franchisees, across own store networks and territories. In the future, "brands will take back control of their distribution centrally," he told delegates, adding that the brand is about to launch a pick up in store service with John Lewis. "Customers don't see the difference between Gant and Gant sold in John Lewis," he said.

"Manufacturers are the last people to go direct to consumers," said David Williams, Head of Online, EMEA, Deckers Outdoor, who also spoke about channel conflict for manufacturers. He advised other brands to revisit their distribution channels and ask what value are others adding to you, what makes your experience unique and significantly to "change your own mindset."

## OPERATING ON THE LOGISTICS

During the past year Asda has rolled out a Click and Collect grocery service to 100 collection points. Saeed Anslow, Development Director (Home Shopping) at Asda, told the IRX Operations and Logistics conference that there are plans for at least 200 points, but "very possibly more, by the end of the year". They're not only at Asda stores, he told delegates, but also at three petrol filling points, a business park in Reading and a Park & Ride collection point opened in Nottingham in April. Ordering for same day collection will also be launched later this year.

Some interesting points on the same subject also emerged from the Future of Logistics panel in the same theatre. Useful points included the use of social media for logistics. As well as the Royal Mail's Twitter account winning praise, it also emerged that ByBox successfully crowdsourced locations for its

locker bank expansion programme. While Elgin, in Scotland, seemed an unlikely location, it has proved the company's eighth most popular site, thanks to the popularity of online shopping in an area with something of a dearth of shops.

Louis Agabani, of MyHigh.St, closed his account of the logistical challenges experienced by the marketplace's 172 retailers with a call to action for SMEs who together form a force to be reckoned with. He told delegates how MyHigh.St is trialling its own cost-effective solutions including using a pub as a hub for parcel collections, a butcher's van to share deliveries in Wells, Somerset, cycle couriers for same-day delivery in Bristol and a trial of ByBox lockers.

### THE REVOLUTION WILL BE MOBILIZED

Mobile is forcing a radical revamp of the retail industry producing a "transformation of the industry," Mike Davies UK Sales Director at PayPal told a packed room for his opening keynote presentation at the SoLoMo conference. The customer now has so much power through online and mobile that retailers face a challenge to try and adapt to a rapidly changing market, Davies warned. "The power is now all in their hands – literally," he told delegates.

Payments figured highly within the SoLoMo sessions. Coming just a week after Comic Relief – the BBC TV charity telethon – which saw a staggering 58% of donations coming through mobile (via PSMS no less), it is high time that people took mobile payments more seriously.

David Warr, owner and MD of Jersey-based coffee shop chain Cooper & Co, told delegates how the introduction of payments via a voucher on Apple's Passbook app has led to an increase in sales and loyalty. Warr believes that eventually we will see NFC contactless mobile payments, but his advice to retailers holding back from doing mobile payments while the picture becomes clearer, is to "just go for it".

Interestingly, this year's mobile track at IRX was dominated not by the rush to offer transactional mobile apps or m-websites, but more to discuss how to create a holistic retail experience across all channels, with mobile sitting at the centre.

Pizza Hut's IT Director Steve Ash offered some interesting retailer insight into what this actually means in practice for its delivery and dine in businesses. "Each has three channels," Ash told delegates. "Store, web and mobile – and that is a lot to keep updating and managing." Pizza Hut's answer has been to work with vendor bemoko to create a single channel that can be intelligently adapted to each channel. So there is one set of data that then gets relevant parts rendered on the PC, mobile, tablet and in store systems.

"Has it worked?" Ash asked rhetorically. "Well, we used to see five to seven per cent sales through mobile and tablet, now its 30% – and this has been an increase in sales, not just a cannibalization of other channels. Mobile does work."

In all, more than 100 speakers took part in the varied sessions at IRX2013 and our AV team was on hand to record the proceedings. Most of the presentations are now available to view and review on the Internet Retailing Expo site [www.internetretailingexpo.com](http://www.internetretailingexpo.com).

## Key dates for 2013 learning opportunities



### WEBINARS

27 May – SLI Systems

Register online at [internetretailing.net/events/webinars/](http://internetretailing.net/events/webinars/)

### JUMPSTART

29 May – International & Cross Border

5 June – Cross Channel

19 June – Customer Experience

### RESEARCH BRIEFING

11 June – The Customer Journey

Register online at [internetretailing.net/events/researchbriefing/](http://internetretailing.net/events/researchbriefing/)

### INTERNET RETAILING AWARDS 2013

26 June, SushiSamba, Heron Tower, London

The InternetRetailing Awards, established on the 18th Birthday of eCommerce in 2012, seek out and recognise achievement by today's leading, admired and emulated multichannel retailers. Check [internetretailingawards.net](http://internetretailingawards.net) to see if you've been nominated.

### INTERNET RETAILING CONFERENCE

16 October, Novotel, Hammersmith

3 keynotes – including Laura Wade-Gery, M&S, 3 conference streams, 8 free workshops and 45 displays. Speakers include New Look, Rakuten, Wayfair, FitFlop, ICS, Hotel Chocolat, Boots, Mamas & Papas, Shop Direct Group, Harry & David, M.Video.ru



A close-up photograph of two hands interacting with a tablet. One hand is holding the tablet, while the other hand's index finger is touching the screen. The background is blurred, showing what appears to be a laptop screen and other office equipment.

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