

INTERNET RETAILING IN-STORE (IRIS)



March 2013

an internet retailing special report

sponsored by:



Editors' comment

Welcome to the latest in our series of *Internet Retailing* supplements, where the focus is on internet retailing in-store, or IRIS for short. Even a couple of years back, when many saw the high street as in competition with ecommerce, this might have seemed a contradictory title. However, among today's leading retailers, there's a recognition that cross-channel retail is the way forward.

That's because consumers no longer make purchases just online or in the high street, making their behaviour easy to track. Instead, as we've often observed, they make journeys towards purchases that might involve initial research on a PC, completing a transaction via mobile on the bus to work and picking up an item in the store.

Alternatively, they might look at an item in store, share a photo with a friend via mobile and then complete the purchase via laptop at home. As Giles Colborne, managing director of usability experts *cxpartners* notes, "People really do try to do everything on all channels, including buy big, complex, expensive things and research information on their phones."

What's the place of the store within this eco-system? The answer to this question is still beginning to emerge. However, the direction of travel is already clear. The line between the traditional store and other channels is beginning to blur. At a simple level, that may just mean free wi-fi, an acknowledgment if nothing else that customers want to use their smartphones as they wander around retail outlets.

But this really is just the start. Burberrys' flagship central London outlet is designed to reflect the company's online experience. This means, for example that clothing is embedded with chips that can be read by screens and mirrors. Take a jacket to the changing room and the mirror might show you, for example, details about its production. The children's department has iPads with apps to amuse youngsters.

Of course, Burberrys is a high-end brand and such innovations are in part about proving this. However, M&S is Middle England personified, yet it too is making substantial investments here, with the establishment of its digital lab.

So have these companies jumped off at the deep end? After all, as this supplement went to press, the January 2013 retail sales figures had just come through, showing that, overall, customers bought 0.6 per cent less goods than in December 2012 even as internet sales grew. Isn't the future digital?

No. While we're all doing more day-to-day shopping, the boring business of laying in food or even, writing from recent

experience, buying spare parts for broken scooters online, shopping as a leisure activity isn't going away anytime soon. Increasingly, those retailers that do best, at all levels of the market, will be the ones that recognise this, as we explore over the coming pages.

In the interface section (page 6) we look at the design issues around new kinds of digital interfaces. Multiple touchpoints equates to multiple challenges because a digital interface that's appropriate to one environment may be totally wrong for another scenario.

Next, in our merchandising feature (page 10), Barnaby Page, editor of *Screenmediamag.com*, considers the new technologies that enable retailers both better to understand consumers' behaviour within stores and to guide these customers towards purchases. While there are obvious privacy issues around tracking individuals within bricks-and-mortar environments, there's rich promise here too as retailers use digital technologies to gain a more sophisticated picture of how different groups of customers like to shop.

In the cross-channel experience feature (page 14), M-Retailing editor Paul Skeldon focuses on the way the online and offline retail experiences are merging. What new challenges and opportunities does this present? In our operations and logistics section (page 18), the respected journalist and retail expert Penelope Ody considers practical issues around making cross-channel retail work as well as possible

In our strategy section (page 21) we consider the wider issues around the move to so-called omnichannel commerce. There's no point in grumbling about 'showrooming', we learn, it's far better to focus on creating (a recurring theme) "a seamless experience across multiple platforms".

Finally, in our IT and systems feature (page 24), we look at some of the back-end challenges around bringing ecommerce technologies into the store. More screens and more connectivity equates to big development challenges, but these can be – and are being – overcome.

We hope the features in this supplement will give you practical insights into the major issues around using digital and ecommerce technologies within the store environment.

Judging by the pace of development here, it's a subject to which we expect to return soon. We'd be interested to hear your thoughts – please get in touch.

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INTRODUCING OUR SUPPLEMENT EDITOR

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“WHAT’S DRIVING THE RENAISSANCE OF THE STORE WITHIN CROSS-CHANNEL AND WHAT DO RETAILERS NEED TO DO TO MAKE THE MOST OF THE OPPORTUNITIES THIS IS PRODUCING?”



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Stores are not going away. In fact, they are more important than ever. What is shifting is the definition of what the store really is. Today’s stores need to be about connection and experience.

Retailers need to embrace the experiential retail model. To do this, there has to be a sense of place, a world where customers can lose themselves in the brand. We want people to come into the store and explore, learn, embrace the brand story, and to be taken on a journey. We need to help customers figure out what they like and what’s important to them. Disney Stores recently changed from being product focused to embracing the store as an experience. No longer is the Disney Store about buying a stuffed toy. It’s about allowing your daughter to become a fairy princess right there in the mall. It’s about the magic of Disney! Lululemon holds yoga classes, talks and events in its stores and has created an active community. These spaces

clearly express what the company believes in and have inspired devotion from customers. Great stores are a place to make personal connections with the brand. The store is not just a place where we get things we need. It is a place where we figure out who we are.

Retailers must recognise that connecting to the individual on a personal level is an overriding omnichannel paradigm. These individual relationships are the beating heart of retail and we now have technologies that can help foster these personal connections. The store is so much more than a box with stuff in it. Great brands have become social networks unto themselves, where relationships matter most. The store must be the authentic centre of this universe.

Jonathan Glanz, director of omnichannel retail sales
www.certona.com



Today's consumers expect to conduct their relationships across every digital and physical channel. They expect to move back and forth between channels without disruption and tension. This requires a seamless flow of experiences and brand innovations – where the consumer never loses context with the brand, and the brand never loses sight of the consumer. Given this new retail reality, retailers have accelerated investments in digitising the store to bring the online experience offline.

Following are four key extensions of the digital channel into the stores – serving the connected consumer and growing market share:

- (1) **Endless Aisle:** retailers never want to watch a potential sale walk out the store. Leveraging the commerce platform, leading retailers now sell products from the online channel while the consumer is in the store. This is a great tool for generating incremental sales, as it provides the opportunity to sell products that are either out of stock in the store, or are not typically carried in the store. From the consumer's perspective, this helps meet a key requirement – providing what the consumer wants, when they want it.
- (2) **Mobility:** access to digital data on mobile devices influences the in-store buying decision. Key information such as detailed product information, user reviews, and recommended products helps the consumer decide if they will, or will not, buy an item from the store.
- (3) **Personalised Marketing:** store personnel need visibility to consumer activity across all channels to personalise the in-store shopping experience. Access to online activity helps increase the selling opportunity in the store channel.
- (4) **Buy online, Pickup in Store:** this capability makes it easier for the consumer to make a decision to purchase, leading to increased sales for the retailer. Also, there is a possibility further to increase sales when the consumer goes to the store to pick up the order.

At Demandware, we believe that extension of the digital channel into the store is a key requirement for the new, consumer-driven, retail reality. The key is having a digital channel that ensures retailers can run faster and continue to innovate in order to meet always-changing consumer demands.

**Jamus Driscoll, general manager – EMEA,
Demandware
www.demandware.com**



The next key battleground for commerce platform vendors will be in-store retailing. Many already recognise this and are developing solutions that will enable their customers to replace traditional point-of-sale and legacy store systems. Customers are demanding a more seamless experience wherever and whenever they engage with brands and in-store is certainly one area that has been lagging behind in terms of innovative customer experience. If the commerce platform can provide a rich interface to allow consumers to browse, buy and be served with a detailed understanding of the individuals buying habits and preferences why shouldn't this interface power in-store interaction? At Reply we call this Proximity Commerce.

However, retailers decide to solve the in-store internet-retailing conundrum, whether through deeper integration of their existing store systems and digital channels or through the wider application of their digital and ecommerce trading platform in-store. One thing is for sure: a well-defined business architecture that genuinely supports multichannel retailing is required FIRST.

All too often, we see significant technology investments both in-store and on the digital side, yet the business architecture has not been thought through well enough, leaving customer, product and stock views widely dispersed between various systems. Our advice is to get the business architecture right, then focus on integration and technology investment to support your required architecture.

Clearly, I'm stating the obvious but we are often surprised that the technology strategy and investment is made before the business architecture is defined, and in my view this is a costly and painful mistake.

**Mark Adams is partner at Portaltech Reply, a world leader in ecommerce implementation and multichannel integration.
www.portaltechreply.co.uk**



MULTIPLE TOUCHPOINTS, MULTIPLE CHALLENGES

DESIGNING PRETTY INTERFACES IS COMPARATIVELY EASY. DESIGNING INTERFACES THAT ARE FAST, RELIABLE, SIMPLE TO USE, ENGAGING AND MAKE CUSTOMERS THINK THEY'RE VALUED, THAT'S TOUGH.

JONATHAN WRIGHT OUTLINES SOME OF THE LATEST THINKING AROUND INTERFACE DESIGN WITHIN CROSS-CHANNEL RETAIL

SPEAKING FROM EXPERIENCE



THE EXPERIENTIAL STORE

"My view of the future is that simple transactional services won't need to be located in a retail environment. They can be wherever you are, whether it's at work or on the train, but the role for the retail space will be more experiential and will make the transaction richer."

Jonathan Freeman, managing director of i2 Media Research and senior lecturer in psychology at Goldsmiths, University of London

There are pitfalls to introducing screens into bricks-and-mortar environments. As Giles Colborne, managing director of cxpartners makes clear, even a kiosk designed to make customers more comfortable may actually have a negative effect. One reason for this is simple: a digital interface that's relatively easy to operate when a consumer is relaxed becomes a far more complex proposition when the same consumer is put under pressure.

Take a car dealership. It's a stressful place for customers. The salesperson who is initially helpful will, as a sale gets closer, morph into someone trying to extract the maximum amount of money from the transaction. Surely, a kiosk will help here because it postpones the moment when consumers have to speak with this confusing mix of genial friend and commission-hungry adversary? Actually, that's not necessarily what happens. Instead, consumers are often scared of making fools of themselves by not being able to use the kiosks properly, a fear only compounded by this occurring in front of the salesperson.

"How embarrassing is it and how exposed do people feel?" laughs Colborne. "Well, it's worse than talking to a car dealer, it's *that* bad."

One immediate answer here is to hide away the kiosks so that consumers won't be so embarrassed to use them, but in a sense proposing this kind of ad-hoc solution simply illustrates the wider problem here: unless retailers think carefully about all the different touchpoints that customers use, there's always the risk technology-based initiatives won't work as foreseen.

PLANNING FOR THE FUTURE

In contrast, efficient and effective design for true cross-channel retail is concerned with understanding how consumers use different touchpoints, and then designing interfaces that reflect and build upon this customer behaviour – working with the grain instead of against it. That may seem basic, yet even some bigger retailers really don't as yet have a clear picture of consumers' cross-channel journeys across the internet, mobile and the bricks-and-mortar store.

It's not as if a lack of information is a problem here, points out usability expert Catriona Campbell, director at customer

THE LIMITATIONS OF CONTEXT

"If you're trying to make something simple, one thing to do is to read the user's context and only give them the stuff they really need, so you're not burning them with menus and stupid questions. The thing is that context is not something you can measure, you can't tell somebody's context from their GPS location, you can tell their grid reference – and there's a big difference. In fact, context is something social, context is somebody's social interpretation of their situation."

Giles Colborne, managing director, cxpartners



NEW INTERFACE STANDARDS

"I think what we ought to do is learn from the tactile and gesture-controlled systems that work already, that have had millions spent on them already, like Microsoft Connect, and we ought to be using standards that have already been created. That's not to be judgmental of people who think they can develop something better, I just don't think we can, so we ought to adopt those as standards."

Catriona Campbell, director, Seren

experience specialists Seren. Bigger retailers in particular have vast amounts of data about customers. The same retailers also have access to external sources of information, such as the Mosaic UK database. Rather, the problem is that data is not always shared across the company, but sits in silos so that, for example, a marketing director might know what kind of advertising will appeal to consumers, but then have no clue as to whether the same consumer will buy online or prefers to go to the bricks-and-mortar store.

The 'single view' of the customer, it seems, remains as elusive as ever, yet this shouldn't and needn't be so. Looking beyond the idea that companies need to spend time organising back-end systems and 'big data' as an exercise in 'deep design' (something that's crucial, but which we've covered in detail in recent supplements, all available online) retailers also need to spend time putting together 'personas' of key customer groups.

In the context of new digital technologies and the emerging world of cross-channel retail, this is important because these personas aren't just about

age, gender or even income, but even about how customers use different interfaces. Let's say one persona is of a customer who's aged between 40 and 60, female and likes to shop at M&S. While she owns a smartphone or tablet, she may be entirely unfamiliar with consoles.

At a time when new standards for the different digital devices we use have yet to settle down in the way web standards have, this kind of insight is crucial because, at the most obvious level, gaming-style interfaces in the bricks-and-mortar store may be inappropriate in this case. Instead, suggests Campbell, retailers need to develop interfaces that reflect the technologies customers already use. (An iPhone-savvy demographic, for example, will certainly know about 'swiping' screens.) "Let's make life easier for our customers, and utilise what they already know and how they interact already," says Campbell.

This is an elegantly straightforward idea, but there are other factors at play here, in that customer behaviour isn't just determined by one retailer or one technology company, but by a combination of factors. "You need to have an understanding of the outside



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influences on that customer,” says Campbell, “so they may be a John Lewis customer, but they will also be a customer of Apple, and they’ll have an ‘ecosystem’, and John Lewis plays a very central role in that, but then again so does Apple.”

If that sounds complicated, it’s because it is, but that doesn’t mean retailers should look for similarly complicated solutions to what we’ll for now dub the Apple-John Lewis-coexistence conundrum. After all, John Lewis has become an exemplary cross-channel retailer without too much recourse to filling its stores with eye-catching screens, but by focusing on customer service. If an item isn’t in stock in a branch, a sales assistant will typically check availability and direct a customer to the web if that’s the best way for the customer to get hold of an item quickly.

“Because [staff] are in a partnership arrangement, they don’t have these silos, they just want sales for John Lewis and they don’t mind which channel these sales come from,” says Campbell. “They go out of their way to make sure you buy from John Lewis and nobody else – on any channel.”

SPEED IS OF THE ESSENCE

This may be a solution to a specific problem, lack of stock, driven by an old-fashioned notion, a customer-service ethos, but it’s worth noting that it’s not inherently a retro solution. In order to give this kind of information to a consumer, staff members need access to reliable and up-to-date stock information held on the company’s database. Also, because customers increasingly expect information to be available instantly, in-store systems need to be robust enough for staff always to be able to access this information.

Back-end duck legs, as it were, are paddling like crazy beneath the surface.

Moreover, it’s worth emphasising that John Lewis hasn’t turned its back on digitally enabled retail here, it’s that having staff mediate the digital layer is currently what works best for John Lewis within this specific scenario.

That’s not to say this won’t change. Customer behaviour is evolving at a dizzying pace. To return to Catriona Campbell’s female shopper, what’s really interesting and important is not the technology this shopper’s not using, it’s

the technology she is using. Take the following scenario: this archetypal shopper is researching buying a big-ticket item at night. With children doing their homework on desktops and laptops, the only spare screen to do this is her smartphone. It’s not ideal, but she perseveres.

To look at that another way, we don’t just do what we might describe as prescribed tasks on different devices these days. It’s for this reason Giles Colborne is worried about a recent spike in average page file size. Effective cross-channel retail within a bricks-and-mortar environment isn’t just about what happens within those four walls, it’s about retailers always being accessible to their customers, even prior to them visiting the store, and that accessibility being fast, whether it’s via a kiosk, a smartphone or a PC.

“What if we, as consumers, took control of our own data?”

“Basic user experience is, ‘Did you respond to me? Did you respond quickly?’” he says, “and it’s kind of [analogous to] the amount of time that supermarkets spend in making sure queues don’t develop at their checkout lines. That’s the level of priority you have to give this stuff, because anybody who runs a supermarket knows that somebody will spend half an hour filling a supermarket trolley, but then if they spend 10 minutes in the queue they will abandon it. The opportunity-cost on that seems crazy, but waiting hurts people. If you want something to feel simple, make it instant.”

FUN, FUN, FUN

Again, this is a reassuringly straightforward message. And yet, if cross-channel retail design is all about customer service and speed (and the latter in a sense is just a subset of customer service), how to explain those digitally enabled flagship branches that are starting to crop up in central London? Clearly, something else is going on too, but what?

One answer is be found by returning to the idea that it’s not technology we don’t use that matters, it’s the technology we do use.

A kiosk in a car dealership may be a dreadful prospect, but the Cisco virtual mirror is altogether far more enjoyable, especially because there’s a social element in the way customers can take a snap and share it with a friend. Even with all the caveats outlined above, it’s not too fanciful to foresee a future where bricks-and-mortar retail environments are far more fun and playful places.

Indeed, they may need to be. Increasingly, certainly in the posher Sunday papers, there’s a debate around the value of the information we all give companies. So what if we, as consumers, took control of this data? This seemed a vaguely fanciful idea when Layar’s Maarten Lens-FitzGerald first suggested it to *Internet Retailing* several years ago, and yet it’s an idea that’s looping round again.

It’s being driven by the potential power of what Jonathan Freeman, managing director of digital media research

There are obviously huge privacy issues here. “The only model that will really be acceptable to consumers will be consumers owning their own data,” says Freeman. “That’s obviously a challenge from retailers who like to extract value from the customer data they ‘own’. That will be a potential shift in where the value sits, but really it’s just making explicit that data is valuable.

“It’s often referred to in discussions as vendor relationship management instead of customer relationship management, the idea being that customers can manage what they share and present to vendors in order to get specific offers from the vendors, rather than at the moment vendors or retailers managing what they show to customers, dependent upon what they know about the customer – it turns the control round.”

This all lies half a decade ahead at least, but here’s the thing: would you as a consumer rather give information about yourself to a retailer that’s made the effort to find out about you and seems to understand your interests, or to a retailer that’s spamming marketing messages? Whatever the precise contours of the retail landscape that lies ahead, understanding customers is going to be key to designing the way forward. ■



MAKING NEW CONNECTIONS

FROM IN-STORE SCREENS TO FACIAL RECOGNITION SOFTWARE, DIGITAL TECHNOLOGY IS ALLOWING RETAILERS TO FINE-TUNE THE SHOPPING EXPERIENCE AND INFLUENCE BEHAVIOUR, REPORTS BARNABY PAGE

Whether a store is built of bricks or clicks, a shopper's physical, mental and emotional journey is only just beginning when they walk through the door.

Merchandising exists to direct that journey, and if new technologies are making consumer attitudes and shopping behaviour more complex, they are also giving the in-store merchandiser a new arsenal of tools to shape both.

And while the online retailer has the clickstream to analyse, the high street shop has its own rich source of data, long casually observed but now much more accurately measurable: the physical presence of consumers. Technology such as facial recognition or the monitoring of mobile phones' 'pings' to the nearest base stations can track consumers at the individual level as well as – in the case of facial recognition – amassing generic information on how gender, (approximate) age and even racial group correlate with interest in particular products or promotions and with subsequent shopping behaviour.

But the consumer data that can be exploited is not purely passive and observational in-store any more than it is online. Although privacy concerns dictate that facial recognition and phone tracking without explicit consent don't identify individual consumers as people but simply scrutinise them as series of data points, direct contact – and perhaps the beginning of a continuing digital relationship – can be achieved with shoppers and their mobile devices through, for example, QR codes, near-field communication (NFC), augmented reality, or prompts to interact with the retailer through the internet while actually on the premises.

CONVERGENCE IN ACTION

Indeed, while e-tail was originally seen as a replacement for, or at best a complement to, the bricks-and-mortar outlet, increasingly it is being recognised that 'the web in-store' is a powerful means of connecting with shoppers, whether via the hardware employed is a mobile phone brought in the customer's pocket or a fixed kiosk supplied by the retailer.

For example, it enables access to the so-called 'endless aisle' – allowing the retailer to use online channels to sell items that are not stocked in the store. Carefully managed, this can make the most of both the physical and virtual channels, balancing inventory with demand while maximising customer choice, and opening



LESSONS FROM ASIA

"Our business in Korea is teaching us a lot about how customers and technology are transforming shopping. It gives us a unique window into the future and the chance to try out exciting new concepts. The virtual store blends clicks and bricks, bringing together our love of browsing with the convenience of online shopping."

Ken Towle, internet retailing director, Tesco

SPEAKING FROM EXPERIENCE

SENSES WORKING OVERTIME

"Where Virtual Retaility separates itself from other virtual windows is that our windows incorporate other senses such as sound, smell and touch, offering the experience of choosing goods in an actual shop. This enhances the shopping experience that online retailing by itself can't match. Bringing two or more senses together is a proven way to increase customer spend. Consumers who pass in front of one of our virtual retail shops will not only be able to feel and hear the brand, product or service being featured, but will also be able to purchase the products there and then by scanning QR codes with their smartphones."

Jeremy Rucker, director, City Dressing



WHAT SHOPPERS DO

"The holy grail in retail is to increase purchase conversion rates by gaining a better understanding of the way shoppers actually shop a store. What is the path of their shopping journey? Where do they dwell in the store? What merchandising techniques are most successful in moving shoppers to traverse more of the store?"

Stuart Armstrong, president, Americas, ComQi

up the opportunity to virtually stock SKUs that are never physically held by the retailer but shipped directly from manufacturers or distributors.

Of course, ecommerce can achieve this on its own, too – but when the endless aisle is also available in-store, it can be used to upsell or cross-sell from items physically in stock, allowing those items and associated promotions to draw attention to other products as well. For example, a customer browsing washing machines might not find exactly the model that appeals to them, but merchandising material in the real aisle can point to similar products in the virtual, endless aisle.

And connecting the retail floor with the customer via digital devices can go much further than merely permitting access to extra products. Because the device is personal to the consumer, recommendations and advice can be delivered based not only on past shopping behaviour or general characteristics of their demographic group – as is the case with store cards, for example – but driven in real time by current behaviour, whether that is the scanning of a code in-store, interaction with a kiosk, or social media

activity. In short, content that pertains to the intentions of the moment and to the store where the consumer is browsing, making the combined virtual and physical shopping experience more relevant than either on its own.

Harnessing data for in-store digital merchandising – whether through personal devices or public-facing media such as digital signage – is not only about acting on clues from individual behaviour, though. It can also draw upon environmental and social factors; examples could include a restaurant's digital menu board promoting soup when the outside temperature drops below a given point, or a sporting goods retailer highlighting relevant brands according to the current standing of individual athletes or teams associated with them. Integration with EPOS and inventory systems has further potential for fine-tuning the message to the business's requirements as well as the consumer's.

Digital technologies can assist in improving the shopping experience as well as overt selling, too. For example, in a fashion retailer, screens can be used quickly to show how a certain combination of stock items would look as a complete

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outfit. Services entirely unconnected to the store's own offer can also help to entice customers, as with the free wi-fi concept that has caught the interest of all the UK's big-four supermarkets, or Spar's promotion of Payzone bill-payment facilities on its digital signage network.

Human mediation need not be absent from the digitally enhanced shop, either. Many stores, for instance, the new Mothercare outlet in Edmonton, north London, are equipping staff with tablets or other devices (in this case, Apple iPads) so that they can assist customers in finding the digital information that will benefit them.

THE SHOP THAT ISN'T

At the other extreme, digital media can make the shop work for the retailer even when it's shut, or create new opportunities for entirely stock-free stores that are barely more than virtual.

Into the first category fall in-window screens that take advantage of prominent retail positions to entice consumers to engage digitally, whether that is by allowing touchscreen interaction or directing them to an ecommerce service on their own devices. The second category includes not only unattended kiosks (which can either vend directly, or again provide access to ecommerce) but also the increasingly common virtual stores such as the one operated by Tesco last summer at

“ Digital media can make the shop work for the retailer even when it's shut, or create new opportunities for entirely stock-free stores that are barely more than virtual.”

the North Terminal of Gatwick Airport with a very specific USP for departing travellers: allowing them to order groceries for delivery as soon as they returned from their trips.

It followed the debut of Tesco's first virtual store in a South Korean subway, but whereas the Korean project relied on interaction via mobile phones, that at Gatwick also used fixed screens mounted on four refrigerator-style units. Consumers could scroll through these to browse products, then scan barcodes with their smartphones to add items to their basket.

SUCCESS WITH SIGNAGE

Considering in-store digital signage? Scala, one of the oldest and best-established software vendors in the sector, offers the following tips for getting it right:

- 1. Start with goals and metrics. Begin with a pilot installation, which is essential for learning, and be sure to have metrics in place to determine project success. Goals and metrics can be based on a mix of business (such as improving brand awareness and boosting sales of targeted products) and operations (such as system uptime).**
- 2. Employ a cross-functional team. Marketing, communications, IT and visual merchandising all need to be part of your team.**
- 3. Develop a content strategy. Retailers need to continually have fresh, bold**

content that commands attention of consumers. Digital signage should be part of an omnichannel strategy that addresses content across in-store, mobile, print and web channels to provide a consistent brand promise. Also link content with advanced analytics capabilities to generate meaningful messages that address exactly what shoppers are looking for in the store.

4. Determine customer engagement level. Will they just see your digital signage? Touch it? Use other technology – like mobile devices – to engage with it? And don't forget to add some future-proofing for how digital displays may evolve in a year or two. For example, you may want to start simple to build experience and add touchscreens or multi-screen displays down the road, so plan in that flexibility from the start.

Downloading of a free app giving access to many more products than the 80 or so on the interactive screens, and registration with Tesco.com, were required. Meanwhile, House of Fraser has shown how this model is extensible beyond supermarkets, with its HouseofFraser.com format for stock-free stores in Aberdeen and Liverpool.

There is interest, too, in creating virtual stores that consist only of a window with no shop floor behind. City Dressing, a UK firm specialising in pop-up shops and virtual windows, epitomises this approach with its Virtual Retaility, intended to give retailers a low-investment presence on high streets by taking over the windows of empty sites with interactive installations. It can also provide a way to test new markets.

THE BIG PICTURE

With technologies like these, retailers have come a long way from the 'in-store TV' model of digital signage that prevailed in thinking about digital merchandising in the bricks-and-mortar shop a decade ago. But there is still mileage in subtler successors of that model, combined with more personalised and interactive media. For example, one of the most digitally active of all retailers, Media-Saturn, employs a huge network of TV-like screens in some 900 stores across 16 countries, carrying ads, educational content, branding and information on services such as delivery, alongside a variety of kiosk-based installations offering value ranging from music and movie previews, to ink cartridge product information, to mobile phone model recommendations. And more modest digital signage installations are also

becoming more ambitious, in particular with the increasing adoption of video-walls combining multiple screens into a single large display – especially popular among fashion retailers. Futuresource Consulting has predicted that video-wall installations in 2012 will total an astonishing 380,000, up 60 per cent on 2011's shipments, with retailers among the major new adopters.

For example, Lacoste in the USA turned to video walls in an effort to immerse its customers in branding, installing them at three stores including its Fifth Avenue and Broadway outlets in New York. They show content tracing the history of the 80-year-old brand, updated from Lacoste's corporate headquarters. As Lacoste senior project manager Peter Wiegand explained, the retailer “wanted to convey our brand and communicate with customers in a very modern way. In order to do this we needed a solution that wouldn't compromise on the quality of playback or be a barrier for Lacoste corporate to update the content.”

An installation like this, emphasising branding without attempting to immediately influence individual activity, seems conceptually far removed from one that delivers coupons to a customer's mobile phone via NFC, or hypes hot drinks when a chill sets in, or sends a consumer to the retailer's Website. But all exploit the ability of digital media to add a new dimension to the physical store which is quicker and easier to modify than conventional non-digital merchandising materials, enabling the retailer to respond to the company's own changing imperatives and consumers' shifting interests alike. ■



SENSES WORKING OVERTIME

THE OMNICHANNEL WORLD IS HERE AND, SAYS **PAUL SKELDON**, THIS MEANS COMPANIES HAVE TO THINK ABOUT THE PLACE OF THE BRICKS-AND-MORTAR SHOP WITHIN A RETAIL EXPERIENCE WHERE THE REAL WORLD AND THE DIGITAL REALM MERGE AT THE EDGES

You could be forgiven in recent months for thinking of the high street shop, the bricks-and-mortar retail outlet and even the shopping mall as being poised to go the way of the woolly mammoth. However, in an increasingly cross-channel retail climate, it would be hasty to write off the big beasts.

The important thing to realise here is that, even in the age of the internet and mobile, the shop is a key part of the overall experience that shoppers increasingly expect. Forget the high-profile store and chain closures of late. These have largely been down to a failure to adapt physical retail outlets so that they fit with the overall cross-channel

needs of today's consumers. "The internet isn't killing the high street, it's simply altering customers' expectations," says Guy Mucklow, CEO, Postcode Anywhere. "The failure of these well-known brands is solely down to failing to adapt to changing consumer preferences. The perception is often that consumers are turning their backs on the high street

when in fact the modern consumer wants to shop in a variety of different ways, without giving up on any one method. Getting it right, however, is definitely an art and not a precise science.”

But some retailers are applying the processes of precise science to the problem. Marks & Spencer has opened its own digital lab to help it develop and exploit technology to create a leading omnichannel offering. As part of the move, the retailer has appointed Kyle McGinn – who previously worked at Reevo and is credited with aiding the design of the BBC iPlayer – as its new head of digital to lead the innovation function within the digital team.

The opening of the lab comes after M&S pledged in its third-quarter results published in January that becoming a multichannel retailer was key to its business development, following a 10.8 per cent rise in multichannel sales last year – fuelled by a staggering 90 per cent boom in mobile retailing.

“Over the last 18 months, we’ve really embraced digital experimentation from being the first retailer to join Samsung’s smart TV platform to the inclusion of Aurasma technology in our app,” explains Laura Wade-Gery, executive director of ecommerce & multichannel – and McGinn’s new boss – at M&S. “By strengthening our in-house expertise, with a dedicated digital lab we can move with even greater pace and deliver first-to-market technology and experiences for our customers.”

NEW PARADIGM

The move marks a cultural shift within retail that is starting to put digital technology at the heart of what companies do, including in stores. But while this new approach is starting to take hold rapidly – HMV has really given people the willies: from £1 billion company to zilch in a decade – the idea is not so much to make everything digital, rather for retailers to look at how to use digital technology to deliver the best experience for customers on whatever channel these customers use.

In store, this clearly covers everything from store layout and design, point of sale, shop floor information and even the ambience of the place, as much as it means bringing the ‘endless shelf’ of the internet to bear in store.

“We are entering a world of true omnichannel: the virtual and physical

worlds are converging,” says Jonathan Glanz, director of omnichannel retail sales, Certona. “The web, mobile and in-store must truly be a consistent brand experience at all touchpoints along the path to purchase. The advantages of the web include bringing the full assortment to the table, and in a world of just-in-time and direct-order fulfilment that vast sea of choice is growing every day. The key to in-store digital experience must be to bring that endless aisle into the store but to curate that unlimited selection to the individual in a way that is contextual. In other words, the right personal product recommendations, at the right time in the right place.”

“The internet isn’t killing the high street, it’s simply altering customers’ expectations”

Glanz gives an example: “If you try on a great sweater in green and you are wondering if it comes in more colours, you should be able to look down at your mobile device and be shown – without searching or finding an associate – that it comes in black. You need it in a small? You see that this is not available in the store, but with a click of a button you make the purchase at the same cost and it is shipped overnight for free. As you make this purchase you are offered a personalised recommendation for the perfect shirt that goes with that sweater. You look up and see that shirt, try it on and buy it in the store.”

Many in the vendor community agree with Glanz, that personalisation is the real key to developing omnichannel services and, in the battle to reinvigorate the high street, mobile technology is being seen as the route to doing this.

“Customers these days have a whole raft of data about what they like, what they do, their social media posts and interactions and shopping habits,” says James Lovell, lead solutions consultant for the European retail team at IBM. “Retailers need to gather and use this information to design how each part of their omnichannel strategy needs to work – and this dictates the technologies you need to make it work.”

Lovell’s view is that ecommerce systems are now better described as interaction platforms, and they are driven and refined by data about what consumers do. But getting this data in store has always been challenging.

“Most retailers have the ability to capture digital data, but they struggle in capturing physical store data,” he says.

MOBILE FOUNDATIONS

But mobile again holds the key. “Mobile used to be talked of as the glue that would hold multichannel retail together. Now I think it is the foundation on which it has to be built,” says Allan Davies, CMO, Symphony. Davies – and many others in the industry – believe that mobile holds the key to developing personalised experience across all channels because it has the ability to create a two-way relationship with the consumer, through which their tastes can be discerned and acted upon.

And this is the real challenge that retailers face: bringing together their ecommerce and m-commerce strategies with their store design and staff training under the auspices of user experience and that nebulous idea of brand values.

“The challenge is very much psychological as much as technical,” says Dan Cohen at TradeDoubler. “Retailers have to look all channels in a much more holistic way and adapt the experience to the location and device the consumer is using.”

This involves understanding how consumers shop with you – which is where data gathering and data analytics are key – but also then how you actually run your business, believes Cohen.

“EPOS starts to play a critical role,” he says. “It has to be able to attribute who bought what through which channel so that you can keep optimising what you do. And then stock control becomes crucial as you need to stock what works in store in preference to what you are seeing happening online. This is what the move from multichannel to omnichannel really boils down to.”

The design of store is also becoming a key element in this shift to omnichannel. Apple is (rightly) held up as the shining beacon here right now, but other retailers are starting to get things right here too.

Apple’s stores – which it has recently, at the third attempt, managed to patent the layout and design of, right down to the cantilevered shelves and the rows of

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tables in the middle – are becoming something of a benchmark for how the future of the retail environment will look. The use of the company's own technology, and the ease with which customers can find, order, pay and leave is exemplary, and finely tuned to the whole Apple experience.

Disney has also revamped its shops, shifting the ambience from a merchandising model to a 'destination experience' model.

Aero Postal in the US is pioneering iPad kiosks in its stores to engage younger customers with the view to getting them engaged and learning all about them – and then hopefully converting them to bring their own devices into the store further down the line.

"The iPads are designed to let young customers build cool outfits, watch style videos for ideas, shop the look and – most importantly of all – email what they want to mom. They can also send it home and buy it online," says Carin Van Vuuren, CMO, Usablenet. "But the really interesting thing is that allows the young shoppers to vote on songs they like and ask for them to be played, which means they hang about in the store waiting to hear them."

KIOSKS REANIMATED

Kiosks – or something more akin to a hybrid between kiosks and iPads – are starting to hit the market again, fuelled by this shift towards in-store online activity. One iota has introduced SmartPod which is designed to help, through cloud computing, retailers get a toe in the digital in-store waters.

SmartPod allows consumers to use a kiosk if they don't have, or don't want to use, their own devices, while the powerful cloud-based software that sits behind it also lets retailers offer the right experience to those that are on mobile or tablet.

SmartPod is a completely managed service comprising hardware, applications, secure chip-and-PIN-based payments and a developer framework. The full launch of SmartPod follows the launch of SmartPod kiosk in September 2012 for fashion retailer, Footasylum.

David Hague, CTO of One iota explains: "SmartPod gives retailers the ability to drive new sales across their extended range and provides a simple solution to covert sales for out-of-stock

CONSUMERS EXPECT CHOICE

"Retailers can no longer afford to rely solely on shoppers buying from their physical store. A successful offering is likely to see retailers expanding and strengthening their traditional offering into a multichannel approach, incorporating both mobile and social commerce in order to provide new avenues to convert sales, while also benefiting from the competitive pricing of services such as click and collect. It's not a case of either/or when it comes to physical stores and ecommerce."

Guy Mucklow, Postcode Anywhere

SPEAKING FROM EXPERIENCE

BREAK DOWN SILOS

"If you haven't approached this from an omnichannel perspective then you are going to have problems. Do you have webservers in place that allow you to let different interfaces communicate with each other? It is no good still thinking in silos. The web, mobile, CRM and POS all now have to interact and work together."

Carin Van Vuuren, CMO at Usablenet

KEEP TAKING THE TABLETS

"Tablet traffic is growing rapidly, but from a low base, but be prepared: this time next year everyone will be bringing smartphone, tablets and phablets like the Galaxy Note into stores and they will want to use them. You have been warned."

Dan Cohen, TradeDoubler

items. We continue to invest significant resources to ensuring that SmartPod becomes the leading in-store technology offering in the UK."

In August 2012, Tesco famously launched its virtual grocery store in Gatwick Airport to capitalise on its success in Korea with virtual stores. This offers a glimpse of how shops may not even be in shops any more, but where consumers are doing something else.

"The virtual store blends clicks and bricks, bringing together our love of browsing with the convenience of online," explained Tesco's internet retailing director, Ken Towle, at the launch. Which came hot on the heels of a range of pop-up digital shops from Tesco – selling clothes on a wall in

pictures of goods on the wall of the subway, as has been trialled in Tokyo?

Could it be that HMV, Blockbuster and Jessops are just the first to fall in the digital revolution?

Postcode Anywhere's Mucklow believes that there will always be a place for shops and that these high-profile high street closures are down to companies not understanding how consumers are changing.

"It would be unfair to suggest that Blockbuster didn't attempt to tackle the online market – its DVD rental service was launched online only just last year," he says. "However, as with HMV, the company simply waited far too long to jump on the online bandwagon in an already crowded marketplace. Consequently both sites were publicly flogged for poor customer service and website usability."

And while there is no doubt that technology is the key driver for change in the retail market – from self-service checkouts in a local supermarket, through to being able to 'try on' jewellery using an augmented-reality mobile application, there's a caveat here. "None of this matters without a well-placed and user-friendly ecommerce site to provide a strong basis for retail success: online should work in harmony with the high street store – not hinder it," warns Mucklow. ■

“Online should work in harmony with the high street store – not hinder it”

Covent Garden – to Ocado in the City of London and Birmingham. Could this be the future of retailing? Do we really actually need physical shops at all, when we can use a big screen or even just



PREPARING FOR A CONVERGED FUTURE

WITH DIGITAL CHANNELS INCREASINGLY AVAILABLE IN-STORE, HOW WILL STAFF AND PROCESSES NEED TO ADAPT TO ENSURE A SEAMLESS CROSS-CHANNEL EXPERIENCE FOR SHOPPERS? **PENELOPE ODY** REPORTS

In a cross-channel world, the store is no longer an isolated entity. It has to be part of the digital continuum and that means more than simply equipping staff with an iPad or installing web kiosks.

It can mean a significant change in staff training and recruitment, dealing with a raft of security issues, implementing well-managed processes to ensure click-and-collect orders are efficiently stored and quickly located, or even re-evaluating the entire retail estate. Those re-evaluations are already underway: John Lewis has launched a 'flexible format' 70,000-square-foot department store with a limited on-site selection complemented by in-store

terminals giving access to the website, while House of Fraser has experimented with small format stores devoted to click and collect.

In some cases, stores are becoming more fulfilment centre than prime selling outlet with a tendency to offer customers special orders for next-day delivery rather than maintaining adequate in-store stock levels. "We're certainly seeing more empty racks in store," says Tony Bryant, head of business development at K3, "with the online model changing the structure of the business and store staff taking orders for home delivery."

These staff members are also having to provide shoppers with rather more than simple cash and wrap. "We are starting

to see convergence between the digital and the physical worlds," says James Lovell, Smarter Commerce solutions consultant, Europe, with IBM. "Obviously it is being driven by consumers. Shoppers want the same rich customer experience that they have online when they go to a store. Gone are the days when you simply put products on display, gave staff some basic training and left them to get on with it."

That "rich customer experience" can include such things as personalised offers, video presentations, detailed product information, access to stock availability data, free wi-fi, or mobile apps – as well as staff with both product knowledge and digital skills.

LESSONS FROM THE TOP

Personalised offers are nothing new at the top end of the fashion market where for years 'clienteling' has been the name of the game: skilled sales staff equipped with a 'little black book' have monitored their individual clients' likes, dislikes and personal characteristics, ready to telephone with special offers and greet their select customers with a smile and by name whenever they enter the store. "Clienteling was one area where we had very considerable interest at NRF in New York earlier this year," adds Lovell. "It's a technique which is now spreading beyond the top-end designer brands to become mass market."

Many retailers are now experimenting with iPads for clienteling or assisted selling applications, which inevitably raises concerns about security. Some, such as Burberry, which has bought 3,000 of the tablets, are issuing them to all staff. Others are checking them out at the start of a shift to individual staff members. "That helps with security," says Jason Shorrock, product director, BT Expedite and Fresca, "as the individuals then have responsibility for the device. Others are securing them with a retractable wire to the wall and a security tag – but then you lose the mobility."

Like all consumer devices, iPads are not really designed for the rough and tumble of a store environment. "Retailers are tending to pilot with a consumer device and then look for something rather more rugged for roll out," suggests Richard Goodall, group sales and marketing director at PCMS. "Apple has really had it to themselves for the past three years, but now we're seeing ruggedised tablets from companies like Toshiba appearing and I expect we'll see more of those in stores in future."

Equipping staff with a tablet computer also requires some sort of carrying device: at Aurora, for example, they have little satchels for them. Others are looking at smaller options. "One of our customers is using iPod touch as their main objective is to collect customer

“ In some cases, stores are becoming more fulfilment centre than prime selling outlet ”



POINT OF COMMERCE

"We're already talking to retailers about a 'point, of commerce' rather than a till point with the ecommerce platform being pushed into the store via different devices and the shopper able to transact through various means including checking themselves out."
James Lovell, Smarter Commerce solutions consultant, Europe, IBM

SPEAKING FROM EXPERIENCE

DIGITAL SIGNAGE

"We're not really seeing a big push into digital signage in fashion. Screens are costly and the ROI is not obvious, but we are seeing more self-service kiosks which seem to work as customer ordering points or for assisted selling with staff accessing the website."
Jason Shorrock, product director, BT Expedite and Fresca



EMPOWERING SALES STAFF

"The role of a sales associate is changing and in future the emphasis will have to be on the profitability of each customer. If retailers are to prevent showrooming they need to empower their sales staff through technology so that they are able to negotiate on price with access to real-time comparative price information and business rules that define the amount of discount that can be offered, based on the customer's 'value' to the retailer."

Lee Gill, VP retail strategy, EMEA, JDA Software

information and it's ideal for that" says Jason Shorrock. "I expect we'll see greater use of the iPad-mini as well, as it is lighter and can fit in a pocket."

STAFF TRAINING

Aside from the practicalities of carrying tablet computers around all day, retailers also need to consider how much training will be needed and just what staff may find to do with the devices. If the workforce is already digital-savvy then little training may be necessary but downloading additional and unauthorised apps can be tempting.

"In several of the stores which are experimenting with iPads, staff adoption hasn't really been an issue," says Shorrock. "We've worked with Aurora, Thomas Pink and Pets at Home introducing iPads and most staff were already familiar with the system. In several cases they also very quickly started to use them in additional ways – such as taking photos of customers who wanted to see what an outfit looked like from the back and then showing them the image on the iPad."

Whilst such initiatives might enrich a customer experience they raise other

issues: what happens to those photographs when the shopper leaves the store, for example? What would happen if the more unflattering images found their way onto YouTube or Facebook? The same arguments apply where staff may be allowed to use their own familiar smartphones for in-store management applications. Again, how can the retailer control where or with whom such apps are ultimately shared?

"Someone has to be responsible for managing the data on the tablets," says Richard Goodall. "Customers expect to have all the attributes they find online – the stock information, personalised promotions, easy payment options, discount vouchers and so on – in the store. Many of these things were head office activities so bringing them to store level can be challenging."

Cloud computing means that much of the data needed to enable these various functions does not actually need to reside on the tablets themselves but can be accessed via wi-fi as needed. Even so, some data files might be stored on their tablets by some staff – much as employees used to load unauthorised programs onto their workstations in the

MORE TO OFFER FREE WI-FI

According to *IT in Retail 2013 Report** some 23 per cent of retailers questioned already offer free wi-fi in store with a further 12 per cent planning to do so. The study covered 150 retail groups accounting for 71 per cent of UK retail spend and 63,000 stores. The report suggests that key reasons for some retailers not offering free wi-fi is that “they have very small stores and do not have the room for customers to lounge around accessing the web. For “big box and department store retailers” there are often physical and technical constraints which make store-wide wi-fi difficult to implement.

*Full details of the *IT in Retail 2013 Report* by Martec International and sponsored by JDA are available at www.martec-international.com. Extracts from the study cost from £200 with the full report at £6,500

early days of PCs – so there needs to be some regular routine for checking and synchronising device content.

Assisted selling also requires rather different skills from sitting at a checkout using the till. Certainly staff in specialty shops and many department stores are already adept at customer engagement, but it may not come easily to everyone. With shoppers also checking competitor’s offers online while in the store, staff may also need to be empowered to negotiate on price in order to clinch a sale – all of which can be more time consuming than current sales techniques.

“We’re finding that retailers are looking to improve staff efficiency by making some operational jobs less painful,” says Shorrock, “with the aim of keeping staff on the shop floor for more of the time.”

FOCUS ON THE SHOP FLOOR

Streamlining such tasks as goods receiving, stock management and cash management, for example, helps, as can equipping staff with mobile devices so that they can access reports, stock records or work schedules on the shop floor rather than disappearing into a back office for long periods.

Tony Bryant points to a new generation of smart devices, little bigger than a credit card but complete with display screen that can easily hang from a lanyard. “These sorts of devices can be

used to enable access to a great many retail routines and reports front of house – such as management dashboard, task management, workflow, markdown management and so on. Stores should really get away from having a back office; instead, information can be directed to the relevant device and the relevant person on the shop floor. There is a lot of sex and sizzle about assisted selling and clienteling but for me the benefits of using mobile devices in store for such practical applications will be far more significant.”

This need to have staff available to engage with customers at all times to maximise selling opportunities is also changing store routines. As Jason Shorrock also points out, retailers used to encourage staff to do their various admin tasks first thing in the morning when there were few shoppers in the store. Now they are spreading the tasks through the day, using mobiles where possible, so that the maximum number of staff are available in the store to drive sales to those few early morning browsers.

In-store tablets are also set to transform the traditional till point, allowing staff to finalise a transaction anywhere in the store. While cash will still

“Stores should really get away from having a back office; instead information can be directed to the relevant device and the relevant person on the shop floor”

need a till alternative, payment options familiar from the Internet, such as Paypal, are becoming more commonplace in stores. “At the Apple store in Covent Garden you can pay for any item under £200 using your mobile and an iTunes account and simply pick up the goods and walk out without even engaging with a sales assistant,” says James Lovell, “and if Apple is doing it then we can expect other retailers to follow.”

Digital activity in store is obviously not confined to tablets or smartphones. Kiosks have been around for decades and

finally seem to be coming into their own as a means of accessing the web in store, either as customer self-service units or in assisted selling. Some retailers are using locked-down tablets, others more traditional standalone varieties.

“I certainly expect to see more kiosks going into stores in the next two years than we have in the past four,” says Richard Goodall. “They can be especially useful where staff numbers are limited as customers can use them for self-service while waiting to speak to an assistant.”

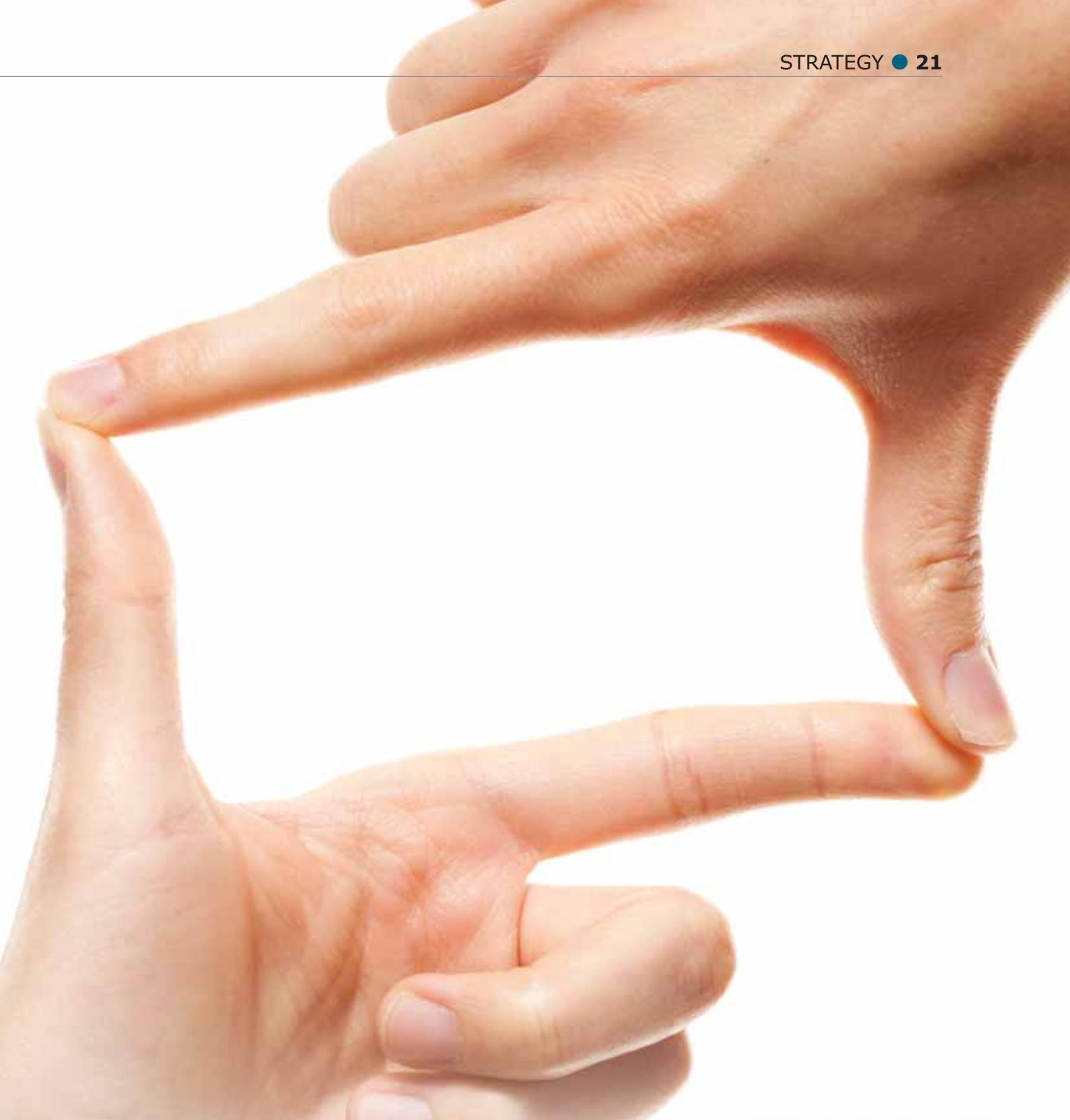
Opinion is divided, however, on the future on in-store screens. Some retailers, such as the Co-op, are making extensive use of screens for both staff and customer information, with large screens displaying promotional material and smaller ones at the checkout highlighting such things as markdowns. Others argue that in-store screens will become largely redundant as the promotional messages they usually display can be beamed instead directly to shopper’s smartphones or tablets.

“Unless screens are actually driving traffic to the store there are probably better devices to use instead,” argues Richard Goodall. “It’s all about maximising the investment in the website and distributing that to the most relevant device for the customer or staff – and that may be a smartphone rather than a plasma screen.”

James Lovell agrees: “If you have a store app on your smartphone then the retailer can check you into the store for personalised offers and that can add value. The retailer can also use location information, to see what shoppers are looking at, monitor dwell time and so on.”

Tony Bryant is more cautious: “Using consumer devices depends on the opt in: if you have free wi-fi in-store and shoppers sign up to use it then of course you can send them messages or use NFC to target them as they are passing by outside, but it still depends on those shoppers opting into the system.”

As with assisted selling and tablets much will depend on the target customer demographic. While the ‘silver surfers’ have certainly taken to iPads with enthusiasm, they may not pop them into their shopping bags when they head for the high street and despite the media hype not all customers are constantly glued to their smartphones. ■



THE BIG PICTURE

SHOPPERS SIMPLY WANT TO MAKE THE RIGHT PURCHASE AT THE RIGHT PRICE RATHER THAN WORRY ABOUT DIFFERENT PLATFORMS, SO RETAILERS NEED TO ENABLE PAINLESS ENGAGEMENT ACROSS MULTIPLE CHANNELS, REPORTS **BARNABY PAGE**

While retailers fret about the challenges – and covet the benefits – of multichannel, omnichannel and cross-channel marketing, the reality remains that consumers don't shop in 'channels'. They consider themselves to be shopping in Tesco, or Argos, or your store, and there lies perhaps the biggest challenge of all: to align channels so closely that their differences disappear.

Consumers' attitudes toward channels do seem conflicted. A recent report from shopper behaviour research specialist Shoppercentric, *Shopping in a Multichannel World*, found that of 1,000 shoppers surveyed, more than half had used a laptop or netbook "at some point during their purchase journeys in the past month", more than 40 per cent a desktop computer, and nearly 15 per cent a smartphone. Their main motivations for going the electronic route were ease of shopping, ease of research and saving time.

"The flexibility [these channels] provide gives shoppers almost universal choice and access," said Danielle Pinnington, managing director of Shoppercentric. "But despite this, our research says 45 per cent of shoppers will 'always love going to the shops, no matter what new technologies are available'. The key point is that shoppers are becoming very adept at picking and choosing the channel that suits them under particular circumstances.

"Yet retailers and brands have tended to compartmentalise – thinking of shoppers who shop versus shoppers who go online. They've even structured themselves so that the shops are managed by one team and the online by another – very few have successfully merged the two.

"Our data shows that a huge amount of overlap between channels exists – shoppers don't assign individual roles to individual channels. Despite each channel having different core strengths and weaknesses, going online isn't just about researching a product or buying cheaply, and likewise visiting the stores isn't just about browsing."

Points in favour of stores included customer service, with around 80 per cent of respondents saying they expected a positive service experience at a physical store – nearly twice the number who expected it online. The chance to talk to a representative of the retailer, the opportunity to experience items before buying and security were also cited as plus points for real-world stores by around 70 per cent of respondents, while returns policies and the availability of expert advice were further perceived advantages.

The biggest downside of in-store shopping, interestingly, was neither prices nor time – both identified as disadvantages by half of respondents – but coping with the crowds, which turned off nearly 80 per cent: human contact is both an attraction and a downside, it seems. Other studies confirm these mixed feelings. Hitachi Consulting research, for example, has found that 65 per cent of Britons would prefer to shop in stores against just 20 per cent online, with the remainder opting for a combination of channels.

ALL TOGETHER NOW

But it is a dangerous error to see online and offline as different worlds of shopping. Another survey – this time conducted by YouGov for shopping app Udozi – suggested that while high street shopping was still broadly preferred to online, with delivery costs and the overall experience among the

“ The chance to talk to a representative of the retailer, the opportunity to experience items before buying and security are cited as plus points for real-world stores by consumers ”

major deterrents to eetail activity, a large minority of consumers are using mobile devices, including smartphones and tablets, to browse before buying in-store. About one third of smartphone users said they would shop on their mobiles more often if they could reserve items for local collection, a further indication of the way that consumers desire to mix and match channels for their convenience.

"What's key," notes Udozi's founder Alan Gabbay, "is that retailers learn how to marry all these channels together, especially as mobile is clearly influencing consumer shopping behaviour as people are searching for items they want on the go. We believe that mobile has the potential to connect the dots between the online and offline worlds – and ultimately drive consumers back to the high street."

Fortunately for retailers, this apparent indecision on the part of customers faced with an ever more bewildering variety of devices and channels does not simply mean that their spend, once devoted to the high street, is now splintered among multiple routes to purchase.

Indeed, there is evidence from the likes of John Lewis that different channels can complement one another not just in easing the processes of research and decision-making by which consumers reach the stage of conducting a transaction – they can actually benefit in bottom-line terms, too. The department store believes that its best customers may be those who frequent both real and virtual outlets, suggesting that cross-channel, by providing more opportunities to engage with the retailer, can increase the overall level of shopping activity.

To achieve this, however, it is essential to offer customers a seamless experience across multiple platforms. Not only branding but stock range, pricing and promotions need to be as consistent as possible in order to help the consumer achieve what appears to be their unconscious desire: the ability to move

KEEPING THE CUSTOMER 'APPY

Don't just jump on the app bandwagon, warns the Platt Retail Institute (PRI): "The issue is not whether retailers should create branded apps, but that they need to create apps that customers want to use. This is no small task, considering that IDG has found that the majority of mobile phone owners use fewer than seven apps on a regular basis, and that only 17 per cent regularly use more than 10 apps."

To ensure that investment in app development isn't wasted, PRI identifies three priorities:

- Integrate mobile into the retailer's customer strategy.
- Incorporate features such as product research, how-to videos, way-finding and store information.

- Solve a problem or provide utility. More demanding functionality that a retailer should consider incorporating includes:
 - Unbiased price-checking and price-matching for loyal shoppers. While this will not directly help a retailer's bottom line, it can result in increased customer loyalty.
 - Making the payment process easy, as well as providing for mobile in-store payment.
 - Immediate access to expert advice.
 - A recommendation engine and product reviews that incorporate social elements.
 - Providing options such as home delivery for products not available in-store.

"In the final analysis," says PRI, "it's not about mobile shopping. It's about empowering consumers to shop when, where and how they want."

from one channel to another with the minimum of disruption, in the course of the shopping process or even mid-transaction. The proliferation of devices and the steadily increasing availability of high-performance internet connections in public places has empowered shoppers, but finding the route to the right purchase among all the alternatives can also give them a headache, and the successful retailer will be the one that helps them navigate this route.

An integrated experience and integrated values also necessitates integrated information management – for example, loyalty card memberships and ecommerce user IDs must be linked – and thus integrated back office systems too. Social media will inevitably enter into the mix more and more (earn an in-store coupon for ‘Liking’ a product on Facebook?). Teams, too, will need to be more multi-disciplinary, with ecommerce professionals working alongside in-store marketing pros. The alternatives are fragmented marketing, and unclear understanding.

LOOK AND LEARN

One much-noted example of the shift to multichannel shopping (as opposed to multichannel retailing) is so-called ‘showrooming’, the use of personal mobile devices to obtain product and price information while in-store. It illustrates the importance to retailers of understanding how channels work together: a transaction might be completed online, but if the shopper has used the physical store as a showroom to identify which product they want to buy, it’s not accurate to attribute the sale purely to online. Equally, this practice can expand the range of competition: no longer is the in-store shopper limited to comparing one retailer’s offer with others in the same mall, the shopper has many more ecommerce alternatives at his or her fingertips.

Teradata subsidiary Aprimo has found that one in five consumers is now showrooming, with about seven per cent of all shoppers using the information gained in-

“One in five consumers is now showrooming, with about seven per cent of all shoppers using the information gained in-store on their mobiles to buy elsewhere”



REWITING THE MESSAGE

“Shoppers and consumers alike are asking, ‘Why?’ They are systematically taking control of who, where, when, what, why and how their chosen brands are allowed to communicate with them. We live in a multichannel and multimedia world and we now have the control to turn off, tune out or ignore any communication. The shopper-initiated experience is the message that needs to ignite the correct communication through the correct medium and channel. Consumers are deciding through which of these channels brands communicate a specific type of message, information or promotion. Whether you’re at home, at work, on the move or in a store environment accessing the internet using your mobile phone, you are empowered. The media is not the message anymore. The consumer experience is the message.”

Adrian Weidmann, founder, StoreStream Metrics

SPEAKING FROM EXPERIENCE

CHANNEL HOPPING

“The trick is to deliver a seamless, but tailored experience, to understand that channels have multiple roles for shoppers; they aren’t just where shoppers buy products, they are where they go for inspiration, information, advice, range, prices, offers and product experience in order to make a purchase.”

Danielle Pinnington, managing director, Shoppercentric



THE PLACE OF THE STORE

“In today’s digital age, constantly connected consumers have come to expect access to their favourite brands and retailers when on the move. But even though a large chunk of online Brits now own internet-enabled devices that they can make purchases from, mobile and online alone simply can’t compensate for the in-store shopping experience, as the

majority of people still want to try before they buy and speak to experts in-store.”

Alan Gabbay, founder, Udozi

store on their mobiles to buy elsewhere – and although it may still be a minority practice for now, nearly all of those polled said they planned to use their personal devices for shopping comparisons in the future. Perhaps surprisingly, the impact of this is likely to be felt not only on sales of big-ticket goods, where price comparisons are already part of standard shopping behaviour: showrooming for groceries is almost as common as for consumer electronics.

“This research confirms what many in the retail industry have suspected: showrooming is here to stay,” said Sucharita Mulpuru, vice president and principal analyst for Forrester Research, which worked on the survey. “Retailers must seriously consider ways to avoid losing sales this way by using strategies such as price matching, personalised in-store service and loyalty programmes.”

What stands out from a consideration of practices such as showrooming is that the changes taking place in shopping are not merely technological, but about the fundamentals of consumer behaviour. As a further example, there is also evidence to suggest that – perhaps counter-intuitively –

ecommerce, despite appearing to be a rapid process, has actually slowed down the journey that a shopper takes from identifying a need to making a purchase, thanks to intervals between sessions of browsing, researching and buying.

This gives the cross-channel retailer a new challenge in maintaining shopper engagement, and suggests new roles that the store can play in addressing this. Technologies such as in-store digital signage and screen media can help here, not only for delivering marketing messages but also in bridging the gaps between the store and digital devices through interaction.

As Morrisons said in its 2012 results announcement: “Better technology and busy lifestyles are changing the way customers shop. Different customers in different locations want different products. They shop using different channels, going online, via kiosks and on their smartphones. They also visit different formats, doing their weekly shop in larger stores, topping up in convenience stores and seeking out specific products or expertise in speciality stores. To serve more customers, more of the time, we need to be multi-format and multichannel.” ■



THE HIGH-STREET IS DEAD, LONG-LIVE THE HIGH STREET

MORE SCREENS, MORE CONNECTIVITY. THE IDEA OF EXTENDING ECOMMERCE TECHNOLOGIES INTO HIGH-STREET STORES IS BECOMING A REALITY, BUT THERE ARE HUGE TECHNOLOGY AND DEVELOPMENT CHALLENGES HERE, ADVISES **MARCUS AUSTIN**

There's no disputing the recent problems on the high street. The recent high-profile failures of HMV, Republic, and Jessops, allied to the continuing growth in ecommerce, have created a bleak outlook for bricks-and-clicks retailers. However, a combination of both mobile and contactless technologies could help bricks-and-clicks retailers to fight back.

However, there are problems to overcome before this fightback can begin. As Andy Lloyd, general manager of ecommerce products at NetSuite says, the

back-end systems and the EPOS systems in place in the high street weren't designed to work with internet-savvy consumers. "POS devices were built with a pretty clear role in mind, which was to allow people to buy stuff in store. Supporting things like being able to look up inventory in another store is not something that frequently works very well, and additionally retailers just don't do a very robust job of keeping track of inventory."

The solution to the problem is to take the business out to the consumer with pop-up shops and other mobile solutions,

and to bring in more of what works on the internet into the high-street store, from interactive screens through to data about what the customer bought last. However, getting the infrastructure into stores can be problematic, according to Graham Tricker, head of operations at Proxama. "Anything that requires any infrastructure modification within retail is inherently difficult to achieve," he says. "You not only have to sell into the marketing people but you also have to sell into the IT people and the operations people, and there are just more barriers."



However, when the intersection between the digital and the real world works, it often works brilliantly. An example of a good integration can be found in Inditex Group's Berksha stores. Described as a "meeting point for street fashion, music and art", the stores allow customers to shop while watching videos, listening to CDs or reading magazines. The design is intended to extend dwell time in the store. In the shop windows of the Oxford Street store, screens run YouTube videos for the brand, with the number of views each video has had proudly displayed.

It's the kind of scenario that we will see more often, according to Bjørn Pieper, international marketing and sales manager at NDS. "The shop will be an entertainment area where you can have a drink and you will be influenced by anybody who is working there, with more staff telling you about what's possible and demonstrating on 3-D screens," he says.

However, the digital chill-out store future doesn't fit every retailer. An alternative approach is to turn the problem on its head and, instead of looking at attracting more people into the store, look to use technology to move the high street to the customer, with the use

of contactless wireless solutions and pop-up shops.

As Lloyd, notes, "With mobile technologies such as 4G you can have customers able to shop somewhere where there isn't even a store, and choose the products that are of interest to them at a time and in a place that's more fitting with their life. For example, we are seeing retailers creating pop-up stores in subway stations that consist of a simple display of food. The customer scans a QR code and their order will be ready for them when they get to that store."

Alternatively, use wireless technologies to take the business to the customer. "You can extend the retail reach of your existing business," suggests Wagner. "For example, you may be a florist and have a single outlet with one till, and when it's Valentine's Day you have a queue going round the corner. Instead, you could employ 15 or 20 students with mobile devices and bunches of roses going round selling roses in the local community."

While many retailers are embracing mobile, others are instead trying to ignore digital in-store and are looking to click-and-collect types of services and promoting the ability to return internet-bought goods to the store. However, Lloyd thinks this isn't necessarily going to be the right solution: "Retailers should be embracing digital in-store as a means to get customers across the finishing line, because they'll find it works a lot better than being defensive about it. From my perspective, there are very few products where it's worth it for me to drive to a store to investigate a product and decide that I want to buy it, and then go home to buy it on the computer and wait two days for it."

THE CONTACTLESS ALTERNATIVE

Truly to bring the internet to the high street, a retailer will need to replace current point-of-sale systems, and instead either invest in new internet-ready EPOS systems or use tablet devices, which is both expensive and time consuming – particularly for the back-end integration. Another approach for these retailers is to use a less high-tech solution via contactless near-field communication (NFC) technology devices.

A key advantage for retailers is that the NFC solution uses the customer's own advanced technology and connectivity, in the form of the smartphone, as part of the selling process. NFC solutions don't need a

main supply and nor do they require to be plugged into the stores network. The tags are read by simply placing an NFC-enabled device such as a phone or tablet near to the tag, and the connection to the internet is supplied by the consumer's mobile

Additionally, NFC technology is easily configured by retailers, and to prove this Proxama is currently NFC-enabling 80,000 pubs and bars across the UK. It's a solution that can be installed without needing permission from the IT manager and can be configured by the marketing manager. "You can then configure everything from the server, but it is driven through the mobile phone activity, rather than having to put in all of the infrastructure within the retail environment," explains Tricker.

While the tags are simple to install, the functionality offers a wealth of options. By logging into the Proxama server, retailers can set up different services for different locations or times. For example, the mobile application could offer vouchers for half-price croissants in the morning, give a free packet of crisps with a sandwich in the afternoon, or a free drink on the way home. "You can control the offer through the online system, rather than changing the

“ Many retailers are now using technology to move the high street to the customer, with the use of wireless and pop-up shops ”

data that is on the device itself, which provides huge operational benefits because all you have to do is deploy the NFC infrastructure and install a small NFC label that costs less than 10p," says Tricker.

Tags are also central to a recent retail experiment produced by NDS for a German supermarket chain, explains Pieter. "We did a recent pilot test where we equipped shopping carts with NFC tags, and built into the floor were RFID receivers," he says. "When the shopping carts came into the vicinity of one of the sensors, the screen three-four metres in front of the cart started to play a commercial for a product on sale in the aisles next to it." However, it wasn't just the ability to trigger the right videos in the right places, NDS was also able to get

valuable feedback to the supermarket on the effectiveness of the in-store videos. "When the customers went to the cash register it was possible to see who had seen which commercial and if that had any effect on what they had put in their trolley, and what that showed was that although the videos weren't able to drive more sales, they were however able to sell products with higher margins," says Pieter.

ANDROID DEVICES

The advances in technology that have driven the prices down for display screens are also driving a new market in large Android-based tablet devices, that can either be wall mounted or built into kiosk units. The Viewsonic VSD220 Smart Display, for instance, is effectively a 22-inch Android tablet. When connected to the internet and loaded with the right applications, it can make a real difference to the retail experience.

However, in order for retailers to get the most out of such devices, companies will need to be able to create compelling applications. This is proving to be a real sticking point for many retailers as much of the work needs to be done in house. As Mark Slater, regional director with Serena Software, explains: "Many retailers are now looking at developing their own apps again rather than buying off-the-shelf products or outsourcing. The reason behind this is so they can be different to other retailers. However, the sheer amount of time that it can take to specify and launch each project means that it can take too long to capitalise on opportunities."

Slater warns that while mobile applications are to be welcomed, the new technology can put some additional strains on a business: "Speed of delivery for mobile and in-store campaigns is important. If a good idea comes up on

“ Marks & Spencer has introduced a 'digital lab' that's intended to enable a more agile development process ”

Monday, then the service has to be fully tested and live by Friday that week." It's this requirement to be speedy in development that has recently driven Marks & Spencer to build a 'digital lab'

JOIN THE DOTS

"The in-store experience is vital to retailers, but it has to be seen as part of an overall approach to serving and supporting customers. Not all channels will be applicable to every retailer, but many will see a greater opportunity to improve their sales through greater interaction and linkage between their in-store marketing, digital and applications strategies, and the wider approach to interacting with customers."

Mark Slater, regional director, Serena Software



WHAT THE EXPERTS SAY

SHOWROOM SHOPPERS

"One of the biggest challenges for the physical retailer is the 'showroom-ing effect', where consumers are coming in the looking at the products and comparing them, then going home, finding the cheapest price on the internet and ordering online."

Graham Tricker, head of operations, Proxama

ONLY PROMOTE WHAT YOU HAVE

"If you are promoting product within the shop, make sure that you are hooking up to your other business systems. By applying simple business rules to your in-store solutions, you can filter out products that are no longer in stock, and actively promote products that are approaching their sell-by date."

Bjørn Pieper, international marketing and sales manager, NDS



LOCATION NON-SPECIFIC

"There has been this decoupling of needing to be in the same location as the product, and we are in the very early stages of people realising just how powerful that is. People can choose the product that they want regardless of where that product is located, and that will be a revolution in retail."

Andy Lloyd, general manager, ecommerce products, NetSuite



that's intended to use agile development methodologies where solutions to problems are delivered a bit at a time, with a 'build, test and refine, and refine again' iterative process rather than the traditional 'build, test, deliver' waterfall methodology solution.

Lastly, retailers need to be aware that any new technologies – be these mobile applications, NFC systems, mobile payment devices, or intelligent EPOS systems that allow customers to order online while in-store – have to be firmly backed up with an IT infrastructure that supports cross-channel retailing. As Lloyd points out, "The integration is a huge piece of the puzzle. Integrating these systems and getting them working together is a huge step in the right direction. The reality though is it that most retailers are running systems that were designed before ecommerce was a consideration." He adds: "The wrong question to be asking is, 'What can help me do mobile in-store?' The right question to be asking is, 'How do I find a

platform that enables digital commerce both now and in the future for things that I haven't even thought of yet?"

Looking further ahead, the future for screen technology is some sort of mixture of 3-D and identification systems, where signage alters according to our needs and desires. As Mark Nicholls, technical director of Key Systems Out Of Home Software, notes, "Apple knows where you are – you can click on the app and see where you are with find my iPhone. Tesco know what you buy, down to whether you like red or white wine. We can sense where you are on digital panels. Next time you are at an airport, see if you think any advert is following you round the building."

However, there are many hurdles that retailers need to get over before we all are subjected to a *Minority Report* future, but none of the predictions in the film, aside from the idea of a cop investigating murders yet to occur, are far fetched. Indeed, many of them are either in a lab or about to be launched in the near future. ■

W

hen Mary Portas published her government-commissioned report on the British high street in December 2011, there was some criticism from the ecommerce community that TV's 'Queen of Shops' didn't particularly seem to understand the importance of online retail. However, nobody would doubt she understands real-world stores. In this context the *The Portas Review's* suggestion that we need to "put the heart back into the centre of our high streets, re-imagined as destinations for socialising, culture, health, wellbeing, creativity and learning" is one to be taken seriously.

But how do we go about achieving this? Perhaps surprisingly, through researching this supplement, we've become more convinced than ever that bringing techniques usually associated with the internet into the bricks-and-mortar store, as part of an overall cross-channel retail strategy, has to be the way forward. For any retailers looking for a quick fix here, we should emphasise there's no *right* answer as to how to do this. What works for one retailer may not work for another. What's cost-effective for a luxury brand, for example, may not be cost-effective for the mass market. Variables such as the location of a store or its size may have an effect on what works.

Nevertheless, none of this detracts from a key central point: the ways in which we shop and our expectations of the shopping experience are changing. In particular here, as Portas appears to suggest, real-world shopping is going to have to be a lot more fun in the future. After all, if the high street isn't an enjoyable place to visit in itself, why bother to go at all? As Jonny Freeman of i2Media Research points out, the transactional part of shopping is becoming detached from location. Providing you know exactly what you want and you have the necessary connectivity, you can just as easily buy a tablet device via a smartphone as in a store.

However, the smartphone won't also sell you a cup of coffee, provide a play area for the kids and, unless you happen to be walking past a cinema, be located handily close to a spot where you can take in the latest Hollywood blockbuster or a French arthouse flick while

munching overpriced pick'n'mix. In short, the high street has its distinct own advantages over the digital world, which in turn has its own distinct strengths. But those retailers that can combine the best of both worlds in new and imaginative ways, we'd contend, will be the ones that win out in the future.

We hope you've found this supplement useful and informative.

Each of *Internet Retailing's* regular supplements explores questions and issues facing retailers today. We welcome your ideas and suggestions for future themes at editor@internetretailing.net

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