# SEARCHANDISING & RECOMMENDATION

November 2010

an internet retailing special report

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# Editors' comment

Welcome to the latest in our series of *Internet Retailing* supplements. Over the last 18 months we've used these supplements to focus in-depth on a wide variety of subjects that we consider essential for online retailers to consider. They've ranged from Europe to payment and fraud, from cross-channel to ecommerce platforms, and beyond.

This issue we're taking a good hard look at the world of searchandising and recommendation. These might not be the first areas online retailers consider when putting their strategy together – but they are subjects that increasingly internet traders need to know about.

As we've highlight throughout the supplement, some of the most forward-looking companies around are making great strides towards reducing costs, increasing efficiency and maximising sales through the work they've done on searchandising and recommendation. We talk to some of those companies, passing on insights into how to make their tactics work elsewhere.

For knowledge of what can be achieved in these two areas can make a real difference to an online company's chances of success. In an increasingly crowded marketplace, making sure potential shoppers can find you is just the first hurdle in the ecommerce race.

So just why are searchandising and recommendation so important?

It's tempting to dismiss searchandising as SEO and a purely technical skill best left to technical experts. But, according to search specialist Ian Howie, who we speak to in the strategy section of this supplement, (p26) to make that assumption is to make a mistake. For as more retailers go online, the need for each individual company to stand out from the crowd is pressing.

Skills already familiar to retailers – rather than the technical experts – therefore come into play, with the emphasis less on the search and more on the marketing and the merchandising. Now it's not just about optimising your website for a standard set of search terms, but also about anticipating what shoppers will be looking for when they visit your website, and even what they're thinking, and when they're most likely to be thinking about your product.

By anticipating their demands, merchants stand a greater chance of giving them the good service that they demand – and that competitors may be offering already. These are key retail skills – and in this supplement we set about exploring how they can be transferred online.

Meanwhile making the most of those who already know about you and like what you do is also key to success in a cyber world in which social media is growing fast in strength and influence. Thus getting to grips with and finding ways to organise recommendations and reviews could make a real difference to your business.

So throughout this supplement we're asking some key questions about how searchandising and recommendation work, and how retailers can best use them to their advantage.

We do that within the context of six key areas: web interface, merchandising, cross-channel experience, logistics and systems, strategy framework and customer engagement.

In the web interface section (p10) we look at how digital design interacts with searchandising and recommendation; while in the merchandising section (p14), we take a look at how personalised product presention can show off your stock to its best advantage, while also helping to increase basket sizes at the same time.

Our cross-channel experience feature (p18) asks how retailers can resolve the knotty problems of streamlining searchandising and recommendation, and related programmes such as loyalty cards, across their sales channels, from the store to online.

Today's search, loyalty and recommendation programmes can generate enormous amounts of data. In our logistics section (p22) we examine how to collect, store and use that data to the benefit of your online retailing operations.

In our strategy feature (p26), we take a look at how retailers can plan to stand out in search and how to be recommended. In other words, this is a guide to getting found in a crowded marketplace. Finally, our customer engagement section (p30) examines how modern searchandising techniques and personalisation can used to build customer relationships – and help make that all-important sale.

We hope you find this supplement useful. If you have comments, questions or suggestions for future supplements, do please get in touch.

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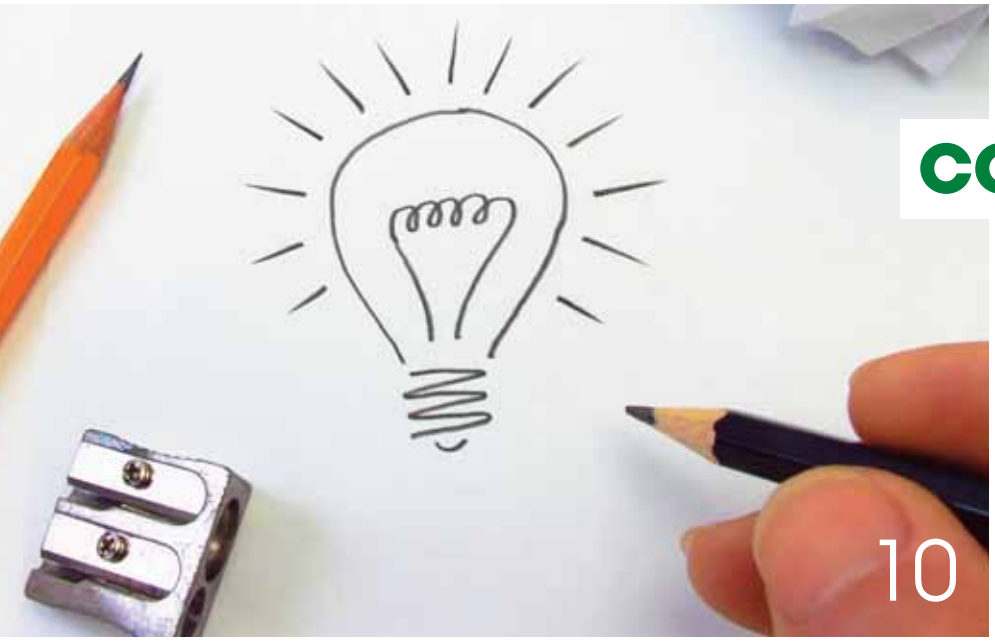


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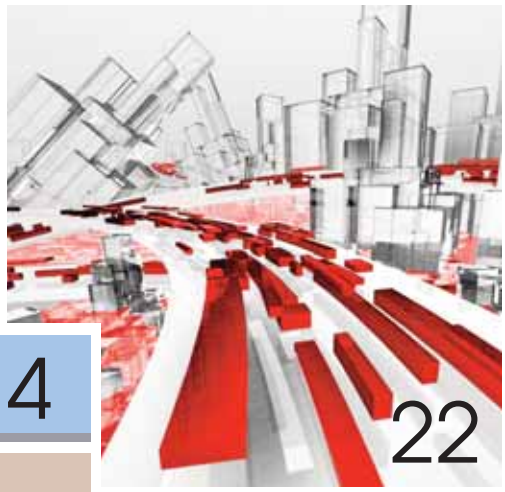

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Internet Retailing
St John Patrick Publishers Ltd,
6 Laurence Pountney Hill, London EC4R 0BL
Printed in Great Britain.


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# Q: How can we help connect customers with their perfect item?

AVAIL INTELLIGENCE

Remember the good old days of retailing? When customers would pass by the storefront window, enter through the front door, and wander through the aisles towards the checkout? When sales assistants would greet shoppers, patiently observe, and then approach to offer assistance in finding the perfect item? When sales assistants recognised returning customers and their preferences?

Of course, the internet changed all that. While it may have benefited some aspects of retailing, it also overturned its foundation. Gone are the human relationships. Online, visitors are just log entries and order data. Also gone are the stores. Visitors can enter and leave anywhere, and there are no aisles to guide them.

As a retailer, you would be forgiven for longing for a return to simpler times. Consumers seem to share this idea. A recent YouGov survey shows that 49 per cent of consumers think retailers still beat e-tailers when it comes to customer service. 36 per cent would spend more online if e-tailers would improve.

So what can be done? How can retailers consistently connect customers with the perfect item in this new environment? At Avail, we believe there are three steps. Many online and multichannel retailers have yet to take the first.

## STEP 1: TECHNOLOGY

The first step is to enlist some help. Humans are great, but we don't speak HTML and we don't come cheap. Manually pre-selecting recommendations for a catalogue of hundreds of items is extremely costly, and don't even think about asking customers to queue for human assistance online.

Luckily, software can help. Modern behavioural merchandising systems – also known as recommendation engines – act in real-time. They observe and learn from customer behaviour, and use the insights to recommend each shopper their most relevant items. A bit like a web analytics platform, except it can actually draw conclusions itself, and act on them, person-by-person. Or as virtual sales assistants, helping shoppers find their way round your store. 'Cloud computing' delivery means any number of customers can be served simultaneously.

Analysts such as Forrester rank these technologies as easy wins in terms of ROI and payback time, as the cost for mid-size retailers is comparable to a single employee, and the typical uplift in gross profit many times that.

## STEP 2: MERCHANDISING EXPERTISE

Okay, so say you install a merchandising system. Is that it? No, but it is a great start.

Usage and implementation also matter. For example, even the most sophisticated algorithm will not generate any sales if you place the recommendations where the shopper cannot see them. Another example: personalised recommendations are often just placed on the product page. But there are at least 10 different interactions, from advertisements to order confirmation emails, which you can personalise to support your customers' shopping journey.

Technology frees your merchandising team from cumbersome manual merchandising tasks, so they can focus where they matter. It cannot yet replace the human mind when it comes to merchandising tactics. Armed with modern merchandising technology, merchandisers need to start recreating the store-like experience, drawing up virtual storefronts and aisles to guide each customer to their perfect item.

Your team will gain experience over time, but look for best practices from other retailers to speed up the process.

## STEP 3: MERCHANDISING AS A STRATEGY

The final step, which only very few companies have achieved, is to turn merchandising excellence into a sustainable advantage.

'Sustainable' means recognising that as consumer behaviour and your business changes, your merchandising strategy must too. Implement a 'control-analyse-optimise' working process to measure performance, and test and capture improvements in a structured way.

'Advantage' means leveraging your superior skill in helping customers find items they will purchase. Ensure that you use it to your full advantage, across all your channels – including store displays, coupons and call centres. Or why not combine merchandising with purchasing in a category management strategy, where you discount one product to drive purchases of other full-price products?

The opportunities really are endless. The challenge lies in getting started.

**www.avail.net**

# Fredhopper®

Making it easier for customers to find what they want, then make a purchase, is the holy grail of internet retailing. Yet why do so many get it so wrong?

This is the question on your customers' lips as they find it impossible to search for a pair of red stiletto shoes, despite seeing a big image on your homepage, or when they're faced with 122 pairs of jeans and no ability to filter and find the skinny style they're after.

A successful ecommerce site starts with the ecommerce platform, and the impact that has is on the speed of the user experience. A fast-moving site is fundamental. Next you need an easy-on-the-eye layout – a site that is well designed and logical is enticing, and an intuitive user experience is a quick and painless one. You'd soon leave a site if navigation was difficult.

When users search for a product, site traffic typically splits up like this: 10 per cent use the search box, while 90 per cent use the category filters. A good on-site search box is crucial, but if most people use filters, you have to make sure that yours are well thought out so that products are sensibly categorised – are they where consumers would expect them to be?

The ability to change your site to react to different events is a must, so some form of seasonal flexibility in the ecommerce environment is important. You must be able to change the scheme on the homepage and provide relevant 'featured categories' for calendar events such as Mothers Day and Christmas.

And finally, you need a smooth purchasing process so that once customers find the stuff they want to buy they are moved swiftly to the checkout. We've tracked at which point people leave various websites, and the checkout process is the number one spot.

So who's doing it right? Of the main fashion and multi-category catalogue sites, Debenhams, Asos, House of Fraser and Argos are good examples of smooth ecommerce operations (in the interests of transparency, three are Fredhopper clients).

Generic to sites with a bad user experience are homepage designs that don't link to anything. Hidden search boxes are frustrating, while clunky navigation and filters that don't reflect what you are looking for are just plain annoying. It's simple: a poor customer experience loses sales. A good one pleases people and brings repeat purchases.

**www.fredhopper.com**

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The starting point for connecting customers with the right product is a site search that works. The user experience on many sites is often poor, with customers unable to find what they're looking for or forced to wade through lots of irrelevant results.

Locayta provides the site search on some of the UK's largest sites. Locayta Search learns from customers' searches, as well as providing a host of sophisticated features including intelligent navigation, predictive type-ahead, and Locayta's unique Balance Factor technology, which allows retailers to adjust search results based on metrics such as margin, popularity, newness to site and stock availability. Configuration settings are editable via the control panel, giving retailers complete control over the behaviour of Locayta Search on their sites.

The second element to finding the right product is providing relevant product recommendations. Locayta's merchandising platform, Locayta ESP, tracks customers behaviour on the site and uses behavioural merchandising algorithms to provide relevant product recommendations in real-time. The effect is to increase online revenue by as much as 30 per cent.

The next consideration is the effective use of visual merchandising. Locayta ESP enables the retailer to completely control the visual elements on a site, including banners and display advertising. Locayta ESP can be used to dynamically generate landing pages that are SEO-optimised for customers arriving at the site from Google. Locayta ESP can also be used to dynamically generate category pages with the exact sequencing of products being based on metrics chosen by the retailer including: margin, popularity, newness to site and stock availability.

The final element is personalisation. As Locayta ESP includes a rules engine, if a retailer can describe an outcome they wish to achieve on their site, then Locayta can deliver that level of site personalisation.

Locayta ESP offers a single integrated platform, to provide site search, behavioural merchandising, visual merchandising, behavioural targeting, personalised email recommendations and much more. Visit www.locayta.com to find out more.

Also available from Locayta is Locayta Shop Window, a shopping widget that retailers can deploy on third-party sites wherever they might otherwise use display advertising. It is a quick and cost-effective way to create additional sales channels. Locayta Shop Window supports the full functionality of Locayta ESP, allowing customers to browse and search products, view product detail pages and add to basket. When customers are ready, their basket is automatically transferred to the retailer's ecommerce checkout page.

**www.locayta.com**

# How can we help connect customers with their perfect item?

## FACT-Finder®

### Europe's leading conversion engine

It's no longer enough simply to put your products online in an alluring and engaging way, e-tailers also need to ensure that consumers can find the products they want quickly and easily or risk losing sales.

From the moment a customer visits an ecommerce site, they should be able to locate the search box effortlessly since research shows that at least 50 per cent of website visitors wish to launch a search. Ecommerce search and navigation solution FACT-Finder adds a wide range of functionality that enhances the user's search experience, ranging from error-tolerant product searches to drop-down menus suggesting terms as soon as the user starts typing in the search box, even information such as pictures and star ratings can be included to help users make decisions.

Any online store has to deliver relevant search results. The reality is that sometimes users have to wade through dozens of products before they find the one they actually want, purely because of the amount of information generated and the lack of order. FACT-Finder uses a range of criteria for presenting search results – such as by popularity, age of product or frequency of purchase – that can not only help deliver relevant results, but also guide the consumer in a certain direction to drive them to popular or best-selling items. It is also crucial that any search function can learn from user searching behaviour and reflect this within the presentation of products as well as enhancing SEO.

However, should a search produce too many results, dynamic, faceted navigation can allow these results to be further refined by categories and attributes, such as size or colour. Alternatively, social commerce features such as rating and reviewing texts, can also be included so that the user just needs to make a small number of clicks to find the right product.

There's also plenty of opportunity for upsell with a detailed search function through providing recommended alternative products or listing other popular search queries. Alternatively e-tailers can use the space generated by searches generating no results to promote other products such as best sellers. If used effectively, search can offer much more than simply connecting a client to their perfect item.

**www.fact-finder.com**

Data is the basis of everything on the internet. Properly structured product data is crucial if your products are to be prominently displayed in web search results and it should be one of the first areas reviewed when planning a new web store.

Well-structured product data delivers a consistent format that search engines such as Google love. To provide this consistency, data and media from numerous manufacturers needs to be combined into a standard database that:

- Makes it easy for customers to filter their web store searches of complex products using the product features that matter to them. This helps to convert browsers into buyers by minimising the effort needed to find the products they want
- Supports different ways of grouping products in your web store
- Is easy to import into your web store system

Avoid re-inventing the wheel by reviewing existing international standards such as UNSPSC, GS1, BOSS as well as the data requirements for market places such as Amazon and EBay.

It is important that the structure of your product data supports:

- A standard product classification from which you can easily build flexible web store categories
- Standard product 'templates' for each type of product, irrespective of manufacturer
- Searchable product attributes that enable powerful searching and filtering within your web store application
- Multiple high resolution, product images for each product – the internet is becoming more visual and high screen resolutions are the norm. The use of product videos is increasing rapidly
- Delivery of manufacturer brochures and manuals in .pdf format
- For those selling abroad, particular attention needs to be made to product marketing text, with SEO optimisation incorporated into the local language translation

Producing this in-house is not trivial which is why so many companies out-source this task to 3rd party specialist companies such as Open Range. Building and maintaining product databases is time consuming and costly, so it makes sense to consider the benefits of sharing these costs with many other companies.

As phone based purchasing increases, structured product data will be ever more crucial in optimising product searches.

By Iain Howarth, CEO of Open Range Ltd

**www.open-range.com**

Dynamically personalised product recommendations represent a significant opportunity for retailers to connect customers with their perfect item. Recommendations serve as signposts on an individual's online shopping trip, helping shoppers to quickly navigate an online store. A recent Forrester study* found that 93 per cent of UK shoppers have seen recommendations on retailer sites, and 42 per cent have made a purchase based on personalised product recommendations.

In physical stores, signs, product packaging and placement on shelves help shoppers locate their desired item. Placement near complementary products tells customers how the item is used or what else might be required. The crisps and the dips may be near each other and the conditioner is right by the shampoo. Mannequins wear that top with those trousers. In the online world, recommendations fill this role. A shopper might see "top selling digital cameras in and around London" after searching for "digital cameras", or be offered accessories that are "frequently bought together" with the jeans she added to her shopping basket.

On the high street, shopping is a social activity: other shoppers are nearby, making choices, picking up clothing, food or other items. These are all valuable clues about the worth of the goods in question. When shopping online, we need similar feedback. Recommendations based on how other shoppers have behaved – "people who viewed this also viewed" or "customers who viewed this ultimately bought" – offer shoppers collective insight from the online community, also known as the "wisdom of the crowd".

The technology that fuels online recommendations recognises the return customer, remembers what was viewed or purchased previously, acknowledges past and current interests, and knows the perfect item to recommend next. First-time customers are presented with items that grow increasingly relevant as browsing and search patterns develop, offering the retailer important clues to shopper intent.

By ensuring that the online shopping experience blends seamlessly with the in-store experience – offering recommendations based not just on general trends, but also on individual affinities for pricing, style, location and other attributes – retailers can help a customer to connect with his or her perfect item.

At RichRelevance, we consider this to be respecting the shopper.

** Source: commissioned study conducted by Forrester Research on behalf of RichRelevance and Bazaarvoice, September, 2010*

**www.richrelevance.com**

# The right medicine for online growth

***How Pharmacy2U, the UK's largest online pharmacy, enhanced the customer experience and boosted order values as well as conversion rates at the same time with behavioural merchandising***

## THE COMPANY

Founded already in 1999, by Daniel Lee and Julian Harrison, Pharmacy2U pioneered the online pharmacy market. A decade of strong growth means it is now the largest dedicated internet and mail order pharmacy in the United Kingdom.

Today, Pharmacy2U offers its customers online access to thousands of medicines, health and beauty products, fine fragrances and exclusive skincare ranges. Having worked together with the NHS to develop the new electronic prescription system, the company also offers a quality NHS and private prescription dispensing service, including the ability to manage repeat private prescriptions online.

## THE CHALLENGE

Providing a personalised shopping experience is a vital element of online retail and proven to have a direct impact on sales. Pharmacy2U is no exception. "Buying pharmacy products tends to be a personal experience," says Daniel Lee, managing director of Pharmacy2U. However, in a market where several million consumers now regularly buy pharmacy products online, a highly automated solution for providing that personalised shopping experience was required.

With an inventory of several thousands of lines, Pharmacy2U also looked for ways to present only the most relevant items to shoppers online, whether they were searching for a certain product, or simply shopping from the large assortment of pharmacy products. This was particularly important to the retailer, which strives to make it as convenient as possible for consumers to get the medicines and personal care products they need.

To achieve the maximum return on its investment in technology, the company also wanted a partner that understood both the retail environment in general and the requirements of Pharmacy2U's specific niche. "As our product lines differ to those of the average retailer, achieving personalisation throughout the purchasing process has always been our aim," says Daniel Lee.

## THE SOLUTION

After a thorough search of the market for relevant technologies and solutions, Pharmacy2U chose a merchandising platform from Avail Intelligence. "It was a straightforward choice to make when it came to choosing a merchandising solution that could deliver," says Daniel Lee. Avail's platform was easily set up to deliver personalised product recommendations on both product pages, for cross-selling and up-selling purposes, and at the checkout, in order to drive average order values by offering customers the convenience of adding pharmacy products from other categories to their order.

Powered by real-time shopper data, the recommendations are automatically generated. At the same time, a control panel lets Pharmacy2U control in detail which products are recommended and when, for example, to avoid recommending sensitive products.

Both during launch and afterwards, the company benefited from Avail's experience in online retail merchandising, which had been an important factor in their vendor selection. "When we coupled the technology with the company's proven heritage in online retail, we realised we had found the perfect partner for our needs," says Daniel Lee.

## RESULTS

"Avail's technology is now helping us to treat every site visitor as an individual, just as you'd expect when visiting a traditional pharmacy," said Daniel Lee.

As expected, customers are already responding to the tailored experience offered on the site and Pharmacy2U has seen an increase in average order values by 12 per cent from using Avail Behavioral Merchandising. "For us, there are two key benefits: the uplift in metrics such as average order values and conversion rates, and the time saved," says Daniel Lee.

The company is now expanding their use of recommendations to partner sites that it operates, such as its high-profile online partnership with retail giant ASDA. "We are also looking at entirely new areas to personalise, such as emails," says Daniel Lee. ■

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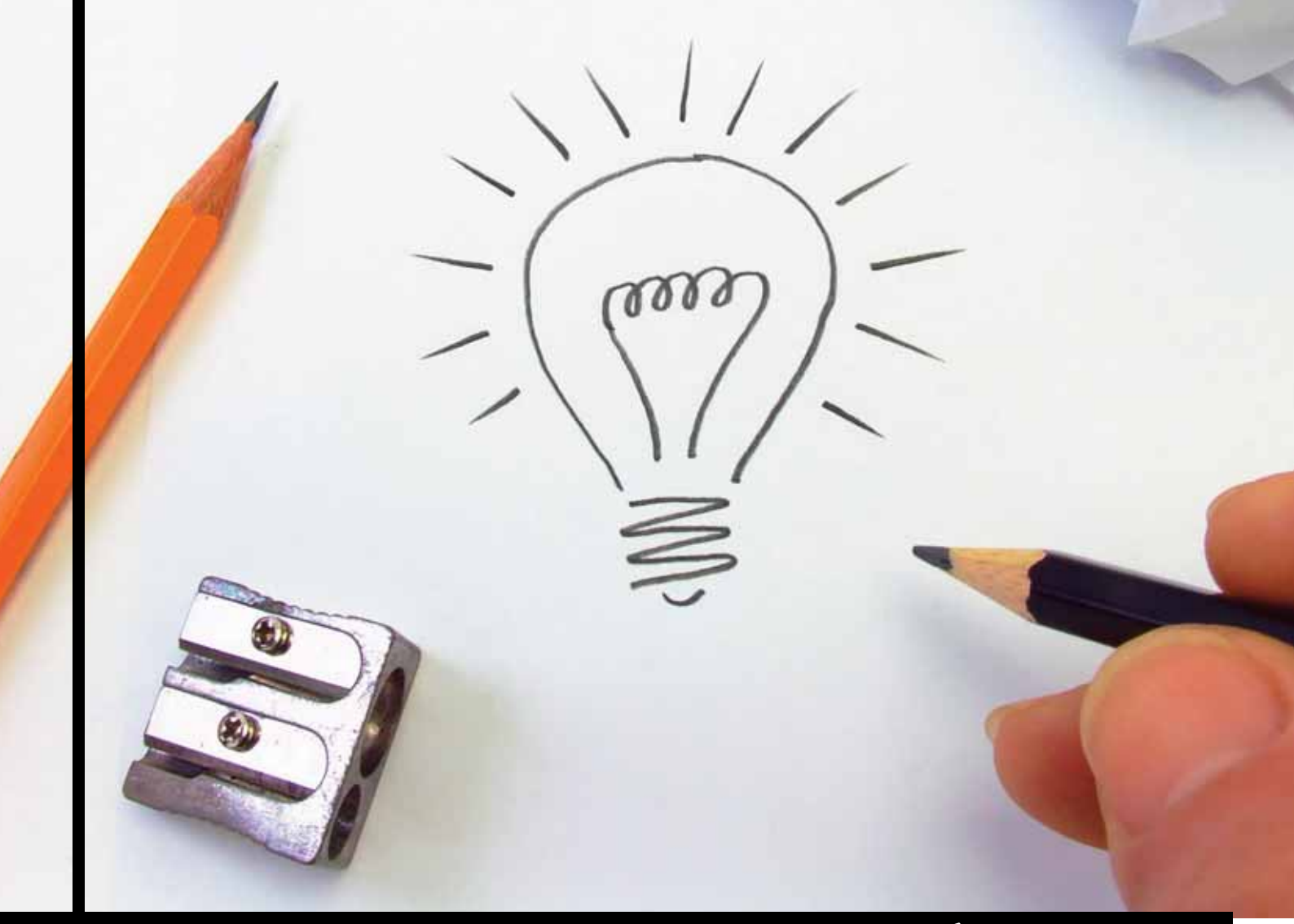

# Designing for choice

***Today's online retailers display goods in sophisticated ways, but how do you know you're showing customers the right goods? Jonathan Wright reports***

**MODERN RETAIL** websites are places of contrast. While the rollout of broadband has led to an explosion in presentational techniques as retailers use such techniques as 360° presentation, video and zoom, it's all aimed towards getting customers to the business end of the site, the checkout.

The difference between the marketing pizzazz when shoppers arrive at a site and the utilitarian nature of most sales funnel environments is striking and, should you stop to think about it for a moment, counterintuitive in many respects. Retailers want people to make a purchase and, to this end, entertain customers in a bid to persuade them to visit an essentially boring part of a website. There, the customers, quite possibly reeling from sensory overload, will be asked to fill out forms and hand over hard-earned cash.

From a retailer's perspective, the opportunities for something to go wrong along the way are myriad. Leaving aside getting your site found in the first place and problems surrounding bad checkout design, what if the customer can't find what they want? What if they can't decide between goods? What if they're distracted away to another website?

One way to approach these questions is to think in terms of retail as being both about presenting choice and also directing customers towards that 'perfect' item. This may seem simple and yet applying such crisp-and-clear ideas to the real world can throw up unexpected problems.

## MAGIC SHOULDN'T HAPPEN

Giles Colborne is managing director of usability experts cxpartners and well versed in the difficulties of presenting choice. He recalls working with a comparison site that offered two different methods for customers to access information. "One of them was this enormous grid that was just packed full of information and really hard to get your head round – you had to figure it out," he says. "Another was a little calculator where you punch in all of your parameters and it would say, 'Here is the right match for you.'"

Customers hated the calculator because it was too clinical. "The thing that they were trying to do was not find the right match, the thing they were trying to do was feel comfortable they'd found the right match," says Colborne. The magical solution of the calculator made customers suspicious. To adapt Arthur C Clarke's idea that, "Any

sufficiently advanced technology is indistinguishable from magic," we actually live in a world where pragmatic consumers don't really believe in magic. Instead, they tend to wonder if a washing machine is being recommended because a company has just bought a job lot cheap.

That's not to say a huge table is the way forward either. "You need to know what parameters really matter to people and what parameters don't," says Colborne. Retailers need to think about what information is important to customers and work out the best ways to present this. Think about the travel industry, he suggests. If you're buying a flight, you don't need to see a picture of your seat or the specific areoplane you'll be flying on, you mainly want to know schedule and price information. Contrast this with booking a hotel room.

"For a hotel, it's another travel product that has a start date and an end date, but people need much richer information," says Colborne. "They care about the ambience of the hotel and they care about the location of the hotel, and that's not really the street address – you watch people these days and you see a lot of them duck out of a hotel website, and go onto Google Street View and 'walk' up and down the street where the hotel is, to see what it's like."

There's a further complication, the danger of 'analysis paralysis'. Put too much information in front of a consumer and you can simply confuse them. Again, though, the trick is to choose the right information. Even with highly engineered goods such as computers or cars, most consumers don't want to know every spec, but certain nuggets will be important. What mileage can you get from the car? What's the computer's processor speed? More esoteric information should be deeper in the site where geeks, experts and enthusiasts can seek it out if they want.

It doesn't even really matter if customers only have the haziest idea of why, say, the amount of RAM is important. While experts want to make the "perfect choice", says Colborne, mainstream buyers want to make "a choice that's not bad, a choice that's not going to make them look stupid". In other words, some of the information they – or, let's face it, we – look for is bound up with reassurance.

## GETTING DOWN TO SPECIFICS

Assuming retailers work out how to present choice so that's it neither too narrow nor too overwhelming, only half the job is done. Having put the 'right' information in front of a customer, the next stage is to help them choose that 'perfect' item. A few years back, says Giles Colborne, this was arguably far simpler than today in that there were good reasons to follow the Amazon model – getting people to a product page with a small picture that customers could click on if they chose – because slow modem speeds made any other approach problematical.

In contrast, today's cutting-edge interfaces are about offering customers an environment that's in many respects far closer to the bricks-and-mortar experience than the digital catalogue shopping of the 1990s and early noughties – or at least a hybrid of the two that's in constant flux as retailers try new approaches. In a sense, if customers in such environments think they have make an effort to drill down to certain pages, something's gone wrong at the design stage.

Certainly, this potentially complicates the business of getting the 'right' product in front of a customer. However, all is not lost in that online retailers have one crucial advantage over their analogue-world compatriots: the constant information that customers provide as they move around a site. This information in turn enables retailers to adjust the products they're putting in front of customers, the essence of searchandising.

Jonathan Ross, head of business development at ecommerce search and navigation specialists FACT-Finder, explains how this works. Not only can retailers set up rules to direct customers to specific pages, they can adjust these rules so that if, for example, trendsetting customers start buying a sweater that's previously down the list on search results, it's time to act. "The rule here is to lightly influence that and to say if most people are going to page four and clicking on (the sweater), then let's move that product that's on page four up to page one," he says. "Then people have less clicks to go through and the conversion goes up as a result."

Other products take such techniques a stage further. MyThings, for example, specialises in personalised display advertising that targets banners at customers who have visited specific sites but subsequently gone elsewhere. "It really allows the user to pick up where they left off with websites, browse again through several products that are interesting, see the deals on them, see the prices, and then be escorted back into the shopping process," says Anat Amibar, VP product at MyThings. "It really allows the advertisers to reach out and have a second or a third or a

## What the experts say

### Getting the data clean

"A challenge to a lot of retail chains is they have one set of data they're using for their retail stores and a totally different set of data for their online shops. That needs to be condensed and that needs to be unified."
*Jonathan Ross, head of business development, FACT-Finder*

### The right choice

"It's not about offering people a very, very large number of choices – or if and when you do, making sure that what they can get to is a very small number of good choices, a small number of equivalent choices."
*Giles Colborne, managing director, cxpartners*

### The power of advertising

"When you see these kinds of ads that are a lot more interactive and a lot more relevant to what you need, your blindness to plain old generic ads becomes even more likely because, when you see a banner showing up, you expect it to be something that's relevant to you. When it's not at all relevant, you're like, 'Well, okay, that's not for me.'"
*Anat Amibar, VP product, MyThings*

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fourth shot at offering something really, really compelling, really relevant to the user."

However, getting the 'right' products in front of customers isn't just about clever algorithms or refining existing methods. A deeper question underlies all this: who are your customers and why do they buy what they buy? It's one thing to set up a rule to move a sweater up a searchandising list. What's sometimes tougher is realising it's the wrong sweater for your target customers and that offering a different product would have resulted in more sales. In other words, algorithms and clever software can't replace getting to know your customers. Yes, they're a crucial component of good online retail, but not an end in themselves.

## LOOKING AHEAD

Within this context, new ideas about design are key. Once retailers get away from slavishly following the Amazon model, it's arguably easier to think about new ways of engaging customers. That's not to say that Amazon doesn't do brilliant work with searchandising and recommendations, it's more a way of saying that its approach to retail is that of a mainstream behemoth that wants market share.

Contrast this with a store front that's rich in interactive features and built for a luxury brand. Here, the overall aim might be far more about getting customers to buy scarce items at full price than driving volume sales.

Or look at the Asos approach. While it's certainly not a company that's averse to selling popular items in huge numbers, it's constantly experimenting with new approaches. Type in 'Cheryl Cole', for example, in its search facility and you're taken to a Cheryl page where you can buy cosmetics and clothes similar to those she wears on *X Factor*. "They're really thinking about what's a human way of shopping?" says Colborne. "How is it that people make those decisions when they shop? And then trying to bring that to the user interface rather than basing it just on stock-keeping data."

The wider point here is that engaging with customers in new ways can help make the interface – and thus the shopping process – seem much more natural and intuitive. Hunch, for example (see boxout), asks fun-but-pertinent questions that might reveal more about customers than they realise. This kind of information can then be used to help retailers put the right goods in front of customers.

Such techniques will probably become more sophisticated in the years ahead as retailers begin to engage with customers' social networks, whether that's as simple as data-mining for search terms or, and there are big privacy issues here, analysing the trails that individual customers leave on the web in more detail.

We shouldn't overlook the potential power of multichannel retailing to improve recommendations either. Take the case of a customer who's visited a bricks-and-mortar store where they've used a loyalty card and bought a white dress. Handle the data correctly and there's an opportunity here to sell accessories that go with the dress.

"I can already them offer suggestions for that white dress they already bought, recommendations for that product," says FACT-Finder's Jonathan Ross. "It's the same customer information, so offering that multichannel solution on site and bringing everything together is key. It's already something customers are expecting more and more, and if they're not then they will be and they should be because it's all within the realm of the possible."

## THE SHOP ASSISTANT

To return to where we began, online retail is a curious business. There's the hype and there's the rather mundane business of sale itself, and there's a contrast between the two. Yet this really isn't a new problem. Think about a department store. It's both a place of bright lights and, often surprisingly unobtrusive, sales points where the business of exchanging money for goods actually takes place.

Navigating between the two, a good sales assistant both sizes up customers and directs them towards appropriate goods and later, with polite deference to a big decision made, processes the sale quickly and efficiently.

The effective deployment of searchandising and recommendation techniques, allied to effective digital design, increasingly enables retailers to replicate this in an online environment. But it's not just the algorithms that count, it's how you combine these with good retail practice. ■

### Working on a Hunch?

Talking to customers to get personal information is a technique that's fraught with problems. Get the questions wrong and the technique can seem intrusive, a sure way to drive people from your site. But that doesn't mean it can't be done. In its own words, Hunch (http://hunch.com) "builds a taste profile mapping your unique tastes and preferences to the people, places and things all around you which you might like".

It does this by asking fun questions that may be as daft as whether you prefer sandwiches to be cut diagonally or straight across.

"You can't help but be engaged by that kind of trivia," says Giles Colborne of cxpartners. "It's one of those questions which is so silly, but it's also, 'That matters to me actually, yeah,' and the sort of thing you have a fun conversation about. Hunch is always trying to engage you in that conversation so it doesn't feel invasive. It's not like another bloody website asking me to log on or asking me for my telephone number or my email address before it will do business with me, or asking me to connect via Facebook.

"Hunch is engaging in an entertaining way that's light and before you know it you've answered 20-30 of those questions. You've got your friends around and you're having fun guessing what each other's answers might be, and there's actually building up quite a good profile of you."

The site even asks political questions, about users' attitudes towards the Tea Party movement, for example, the kind of subject that many might expect to be out of bounds. The key point here, thinks Colborne, is knowing when to ask such questions: "You can't interrupt someone's journey if they're looking for a digital TV with, 'How do you like your sandwiches?' But Hunch don't do that, they don't do it in a way that's interruptive or out of place. That's why it works I think."

While any retail use of such technology would need to be allied to a powerful recommendations engine, says Colborne, this is nevertheless an example of the kinds of techniques that are on the immediate horizon.

# Personal service

***The pressure is on for retailers' search tools to lead shoppers to the perfect product as quickly and intuitively as possible, just as a good shop assistant might. So how are online retailers sharpening their searchandising techniques? Alison Clements investigates***

**HUNTING DOWN** that elusive leather couch for less than £400, or a turquoise designer dress is getting easier by the day for online customers. Ecommerce platforms are moving on from presenting just a simple 'search for item' facility and bank of catalogue-style product departments on the home page, reflecting a growing realisation among retailers that leaving all the hard work to the customer just won't wash with today's switched-on shoppers.

Besides, most ecommerce operators would agree that it's essential to guide visitors around a site and tailor the offer to a customer's unique needs. Not to do this is to miss a massive marketing trick, particularly with the advent of mobile websites that need to be far simpler to search. Personal service has always been key in face-to-face retail, and online service can in key respects be even more sophisticated – once the systems to plug into a wealth of customer sales, demographic and behavioural data are in place.

"We spend a lot of time and money getting customers to our website, so helping them find what they want when they get there is absolutely vital," says Laura Fallace, direct marketing manager at household goods and gadget specialist JML Direct. "Since we re-designed our website to simplify and streamline our search capabilities and show product more clearly – including video footage of products in action – we have seen an 18 per cent uplift in orders within a month. Now registered customers see targeted content once they are logged in, and we have added features such as a 'live chat' box that pops up. This is an instant line of communication to JML advisers who can send back messages to customers who are struggling to find what they're looking for. It has been really well received."

## BEHAVIOURAL MERCHANDISING

Clearly, internet retailers want the ability to present home pages that are already personalised to welcome back returning customers, and from here use past transactional data to offer up relevant product selections and promotions, remind people of what they liked before, and cross-sell and up-sell with authority. They want the ability to throw up merchandise suggestions based on the live activity of shoppers, bringing the new digital discipline of behavioural merchandising to the fore. And online operators are delighted that many ecommerce platforms now have the ability to change what is presented if certain product lines are in short supply, or a promotion has run its course, just as would be the case in a physical store.

In the last few years platform vendors have greatly improved search capability by adding guided navigation – the option to search by size, colour, price point and so on – filtering, and 'natural language' search so that what customers type in matches the catalogue name of a product. These improvements help shoppers quickly and accurately find the products they want. Often ecommerce platforms have tied this functionality directly to the product catalog for ease of use, full control and better merchandising results. Recommendations have become critical in helping shoppers buy too of course.

More exciting is the fact that rich data – about what customers buy and when, how much they spend, what types of products excite them – is available in the online shopping arena in a way that has never been within reach of shop floor merchandisers. It's little wonder that online players are linking their search capabilities with CRM systems, so that more personal connections can be made when shoppers visit and browse the web store, or receive emailed or SMS marketing messages.

"We have seen evidence of big increases in basket sizes thanks to the power of searchandising," says Andy Houstoun, global head of marketing at ecommerce platform provider Venda. "Personalising the online buying experience, and offering recommendations based on statistical sales data can increase conversions and order value, and ensure ongoing customer loyalty."

Amazon still reigns supreme in searchandising, the term now widely used to describe the convergence of search technologies and merchandising capabilities. Rather than being overwhelmed by the sheer volume of products on offer at Amazon, the experience of arriving at the site is friendly and welcoming. Before you click on anything, and thanks to the power of cookies, you're welcomed back by name, and products you last browsed are clearly displayed on the home page. You're given 'more items to consider' and presented with book covers 'inspired by your browsing history'.

Amazon has no intention of resting on its laurels when it comes to harnessing search and CRM technology. In the USA, users can now link their Facebook account to their Amazon account. The potential will be for Amazon to show these customers recommendations based on their Facebook interests and activity, making the marketing output and product presentation far more personal.

## AT THE CUTTING EDGE

Nearly all mainstream multichannel retailers have searchandising innovations on their radar, whether they're investing in new technology to improve the multichannel experience, enhance perceptions of the brand, or drive sales. "Within our fashion websites we have invested in the CRM tools that are starting to shape what we suggest when logged-in customers browse, and going ahead, marketing will be increasingly based on data gathered on shopper behaviour," says Hash Ladha, Aurora Fashions' group multichannel director.

Aurora can also make merchandise suggestions based on what is currently being viewed, in the same way that in-store cross-merchandising works. So, for instance, on the Karen Millen site, a few belts are mixed in with jeans displayed if you search for 'skinny jeans', while on the Coast site jewellery is merchandised visually alongside evening dresses. "But the key to this is always offering something useful and of value to the customer – an extension of the service – rather than simply pushing more product," says Ladha. "Today's consumers are more sophisticated when it comes to receiving recommendations. They don't want to be bombarded any more with irrelevant offers or too much of the same thing."

John Bovill, group IT director at Aurora Fashions, says his concern is that fans of Warehouse, Coast, Karen Millen and Oasis have a great, joined-up brand experience across all the customer touch points now in existence – which includes mobile as well as web and stores – and that this is currently the main reason for linking CRM into the web and mobile app operations.

"The integrated CRM system is not a big commercial investment for us, but from a brand perspective it's important because it's helping us become genuinely multichannel and customer-centric," says Bovill. "We want to make intelligent use of the customer data not necessarily purely to drive sales, but to deliver a consistent, seamless, positive view of the brands and what they stand for."

On the high street, shopper behaviour has been closely studied for many years, to give insights into how people move around stores, where products and promotional materials need to be positioned around stores, and how display will entice higher basket values per visit. Behavioural merchandising is now playing its part online, with the

## What the experts say

### Across channels

"The latest search, browse and filtering functionality we have introduced to Argos.co.uk is delivering a far better customer experience on the main website and is helping us improve usability on the in-store kiosks and on the mobile app as well."

*David Tarbuck, multichannel programme and operations manager, Argos*

### How to avoid 'analysis paralysis'

"Dynamic recommendation is about narrowing down 2,000 SKUs, to the point where you can say: 'We think you're probably interested in these five products.' This starts to address the problem of online shoppers not being able to make up their mind, and abandoning the purchase."

*Pontus Kristiansson, CEO and founder of Avail Intelligence*

### Deploying data

"We have an extended range online now – with more colour options for jackets and more choice of technical climbing and camping equipment, for example – and our learning from sales data online is informing the ranges we're put together for stores. It's about using analytics to understand what we should be doing to improve the experience in all channels."

*Giles Delafeld, group ecommerce director, Blacks Leisure Group*

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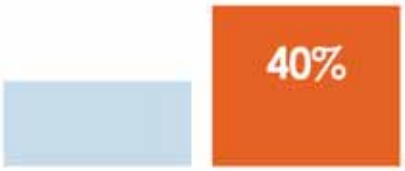


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## Case study: Patagonia.com recommends – even on its mobile application

Outdoor clothing specialist Patagonia achieves annual sales globally of more than $330 million. It has stores and mail order operations in the USA, Canada, Chile, Europe and Japan. The company is known for its ethical stance on the sourcing and manufacturing of its climbing, walking, surfing and snowboarding products, and is proud, for instance, that every Patagonia garment made of cotton has been organic since 1996.

Partly as a result, Patagonia has a loyal following in many parts of the world and the company has invested this year in delivering a more relevant experience to its online shoppers, taking its serchandising and recommendation capabilities to a new level. First for the US website, and now also operating on Patagonia Japan's website, a new system is personalising every online shopper's experience. This has been possible thanks to a partnership with San Francisco-based ecommerce personalisation provider RichRelevance. Patagonia is now evaluating further expansion with the new personalisation technology beyond the US and Japan to Canada and Europe in the coming year.

The project has involved innovations such as customer recommendation messaging in keeping with a brand-specific Patagonia tone of voice. "The technology delivers a personalised experience that lives up to our customers' expectations while blending seamlessly with our site and trusted brand," says Crist Costa, head of ecommerce technology at Patagonia.

The individualised experience to every site visitor is based on the shopper's unique attributes as well as numerous shopping behaviours – past purchases, browsing history, items viewed. "As a customer shops and explores on Patagonia's US and Japan sites, personalised recommendations continually adapt and adjust to his or her activity and goals," says Darren Vengroff, chief scientist at RichRelevance.

This is accomplished through RichRelevance's enRICH personalisation engine, which facilitates competition among 60 independent recommendation strategies to deliver the most relevant experience. All recommendations include explicit messaging about why a product is suggested, framed in a way that resonates most with Patagonia shoppers, even if that's just as simple as calling people "folks" to suggest friendliness.

The new system is on target to deliver significant sales increases and should generate higher customer engagement levels thanks to providing a more relevant, meaningful customer experience online. With an eye on the future, Patagonia.com's mobile application also has the capability to provide customers with recommendations. RichRelevance has teamed with Sprella a mobile applications specialist, to create RichRecs+Mobile. This solution means that shoppers are given help selecting product, wherever they choose to use the application. It's even possible for users to scan product barcodes with their enabled phone, and be presented with production information and recommendations based on demonstrated preferences. Possible add-ons can be purchased via the mobile phone application if not available in the store.

potential for even greater results because you can instantly react to shopper behaviour as it's happening.

### THE END OF HISTORY

Dynamic recommendation becomes possible when you have analysed online customer behaviour to the point where patterns of product choice emerge, giving you a solid foundation on which to build your merchandising strategy. Pontus Kristiansson, CEO and Founder of Avail Intelligence says past transaction and viewing history from the CRM databank is valuable, but there needn't be a previous customer history, because anonymous visitor behaviour patterns can be viewed and analysed, and algorithms identified for use by merchandisers setting up the site for future sales.

"We look at vast amounts of data on pages viewed, items selected, click-throughs and time spent on product details," he says. "The aim is to be able to compare items being viewed in real time with the collective intelligence from previous behaviours, and through mathematical techniques we can then present to website browsers what is deemed to be most relevant to them." Avail Intelligence's personalisation and product recommendation engine is used by e-tailers including Pharmacy2u, Game and La Redoute, with the aim of generating significant increases in sales per visitor.

Online chemists Pharmacy2u introduced Avail's behavioural merchandising earlier this year, and reported an increase in average order values of more than 12 per cent. It has implemented user-generated recommendations to present the most relevant items to shoppers online, selected from thousands of different product lines. This has created a tailored shopping experience for customers, much as you'd expect in a traditional pharmacy.

RichRelevance also provides dynamic personalisation solutions for ecommerce retailers. Darren Vengroff, chief scientist, says many of RichRelevance's clients, which include Wal-Mart and Sears in the US and several newly signed UK players, want to 'get personal' as quickly as possible with online browsers that arrive on a site through a search engine.

"If someone has searched for a specific Sony TV and arrives on your TV page, that is your chance to show them some other similar models, mention great deals coming up, keep them interested in what your site has to offer, so that they resist from hitting the 'back' button as soon as they've checked the price," says Vengroff. "Recommendations such as 'people who looked at this Sony TV ultimately purchased this one' can work well to convert a search engine visitor to a spending customer."

Vengroff thinks searchandising is now at a second-generation stage where the level of intelligence that online retailers and their hosted systems providers have gathered is upping the game considerably. "We have learnt a lot now about what works well and what doesn't," he says. "For instance, a client of ours knows that if customers are shopping for baby furniture they will be very likely to respond well to recommendations for baby car seats. However, if you reverse that – recommending nursery furniture to people buying a car seat – there is minimal take-up. It's a learning process and there's a long way still to go."

Naturally, switched-on multichannel retailers will use the intelligence gathered through web sales history and behavioural data to help shape their offer in high street stores too. And as mobile commerce advances, cross-channel merchandising becomes a real possibility. With the possibility of shoppers receiving recommendations on their mobiles as they scan product bar codes in stores, the future possibilities for building sales and driving loyalty are something that retailers need to be planning for already. ■

# The pick-and-mix approach

***Channels may be multiplying but customers expect seamless integration and a consistent offer wherever they choose to shop. It's a challenge both for technology and for retail culture, discovers Penelope Ody***

**IN THEORY** it should all be quite simple: the special offers and recommended products that thud through the post as loyalty card rewards should be the same as those seen on-screen when you buy online, while the neat juxtaposition of on-screen products in response to click patterns should bear some relationship to in-store displays and catalogue offers.

In practice, 'consistency' across multiple channels tends to be limited to digital media and even the established retail loyalty cards struggle to be fully integrated. Buy online at Boots, for example, and you can accrue points for your Advantage card. However, those points can only be added by visiting an in-store kiosk within a certain time limit. Integrating till systems so that the card is automatically updated at the next in-store purchase is rather too challenging for the existing EPoS system. Since some people clearly buy online because they do not have a large Boots' branch nearby, asking them to then find one with a kiosk, in order to collect their loyalty points, is not exactly integrated.

Tesco, too, seems to think that cross-channel integration is not essential for some loyalty activities. According to a company spokesman, the Tesco website "does not do recommendation based on purchasing history". Regular shoppers can customise their 'favourites' page and even download various apps to their smartphones so that their ClubCard details can be displayed on the phone's screen as a bar code to be scanned at the checkout but, as Tesco's spokesman puts it: "It's up to the customer to personalise their shopping pages on tesco.com, we leave that up to them."

While retailers still think in terms of multiple channels – and many from the bricks-and-mortar world struggle with legacy systems and have an understandable reluctance to upgrade expensive till systems – customers, especially the digital natives, expect a seamless experience with the sort of integration familiar from their own home IT networks.

Synchronising searchandising and recommendation tools across digital channels should be reasonably straightforward: add in the customer service centre and high street store and it can become more challenging.

## DIFFERENT PERSPECTIVES

Frank Lord, regional vice president for EMEA and Asia-Pacific at ATG, believes that both technology problems and retail culture play a part here: "If you look at mobile, web, customer service organisation and store, then it is very difficult to achieve a uniform message across all four. In some cases retailers will have opted for best-in-class technologies for each of their channels so there is not a common platform. Also stores may have a quite different agenda from online operations: staff could be focusing on selling particular lines because of commission, margin needs, or local over-stocks for example."

At the top end, in the world of retail 'clienteling' (where in the past skilled sales staff kept their own "little black books" listing their top customer's likes and dislikes), providing consistent messages is not especially difficult, as long as there is a common IT platform across the channels and a single repository for data. Centralisation and a good understanding of customers and ideal customer experience should be enough.

Move into the mass market, however, with millions of customers, price-driven promotions, a variety of buying modes and a growing number of customer touch-points and it is a different story. At the very basic level, it is still not unusual to find different price and promotional offers online and in-store. Equally, given a database of several million shoppers, it is generally difficult for store systems to access relevant data quickly enough to capitalise on personal information.

While searchandising and recommendation tools can replicate a good sales assistant, picking up on customer nuances to create a highly personal offer, a conflicting agenda from a different part of the business can also muddy the waters. Retail marketeers may want to push current campaign messages to the exclusion of all else; merchandisers may have stocks to clear; or buyers be anxious to show the complete 'story' they have created regardless of what an individual customer may actually want or need.

Retail buyers, merchandisers and web designers also tend to see products and associations rather differently from shoppers. Austrian company Smart Information Systems, for example, makes a point of building recommendation models from the customer perspective for its Smart Assistant searchandising tool: "If you're thinking about a television then customers start from knowing how far they will sit from the screen and how large the room is rather than starting with precise screen size or other technical details," says marketing and sales executive Johannes Fischer. "It's the way an experienced sales assistant would ask questions rather than being driven from a technical product specification."

## THE MOBILE FACTOR

Meanwhile, channel-hopping shoppers are increasingly checking competitive prices and product specifications on their phones while in-store 'touching and feeling' the product that interests them. As Jimmy Hale, managing principal business consultant with ATG. put it at last month's *Internet Retailing* conference: "Retailing used to be all about getting customers through the door. Now, they come through the door, click and leave."

Darren Vengroff, chief scientist at RichRelevance, agrees: "You see in-store phone checking all the time in the US as shoppers move from the physical world to the mobile," he says. "If the customer is transitioning from one channel to another like that then the retailer has to enable and capitalise on that transition."

Instead of simply allowing shoppers to click through to a price-comparison site, Vengroff argues that they should provide the necessary apps so that a shopper can use the phone to scan a bar code in store and then receive not just product information but stock availability details or additional relevant content to encourage extra sales.

Fashion chain Patagonia Apparel, for example, has combined RichRelevance personalisation tools with Sprella's mobile platform allowing shoppers to do just this: the system personalises offers based on known preferences while the products featured may be available in store or may be non-stock items that can be bought using the phone. Geo-location tools are also built into the system so that shoppers visiting Seattle, for example, may see rainwear while those in Florida are offered shorts and sundresses.

RichRelevance demonstrated the system at the Shop.org annual summit at the end of September and Vengroff expects additional customers to have similar tools in place by December.

In the UK, Argos launched a 'check and reserve' app on mobile in May while Tesco has been equally enthusiastic preferring to launch a a clutch of dedicated tools, initially for the iPhone but soon to be joined by other platforms, rather than develop a multi-platform mobile site. The company is also making the API available to third parties so that they can link to Tesco's functions. Visit a recipe website, for example, and you can immediately download a list of the ingredients to your Tesco shopping basket. Kellogg's already has such a link from its dietary advice site.

"Ordering groceries online can take up to an hour," says Nick Lansley, head of R&D at tesco.com. "The perception is that it is long and laborious so we want to provide tools to make it easier with little-and-often additions to the list."

By using a mixture of apps, 0800 numbers and website functions, Tesco aims to deliver an integrated system allowing customers, and their families, to add to the shopping list whenever they choose, using whichever channel or touchpoint they prefer. Since the first apps were launched in the summer, some 1.4 milliion have been downloaded and Lansley says that four per cent of grocery orders are now "touched in some way" by one or other of the apps.

The figures are impressive, although a report at the end of September from Pew Internet and American Life found that only 29 per cent of US adults had downloaded apps to their phones while 38 per cent had bought phones that had apps pre-installed. Of those who had apps, only two-thirds actually used them – equal to around one in four of all mobile phone owners. App users tend to be "young, educated, affluent" and more likely to be male, with games, mapping and weather apps the most popular options. The 'apps culture' is clearly at an early stage with Pew describing the market as "somewhat ahead of a majority of adult cell phone users".

## What the experts say

### New shoppers

"There is not much you can do with a brand new anonymous shopper but show them the top selling lines, but within three or four clicks you have a lot of information about what they are looking for and you can start to make meaningful recommendations."

*Darren Vengroff, chief scientist, RichRelevance*

### The power of three

"When it comes to cross-channel we focus on three screens: TV, smartphone and keyboard-based browser. Each one has a different type of interaction because people use these different platforms in different ways so you need different types of recommendation."

*Patrick Kennedy, CEO, Sidebar*

### Offline shoppers

"The biggest issue in multi-channel is understanding the offline shopper. The only way to do this is with loyalty card programmes that give you the ID – but the consumer has to see some benefit so that they identify themselves. With digital media you can do behavioural segmentation in real-time."

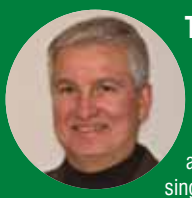
*Neil Morgan, marketing director, Adobe Online Marketing Suite*

### A single platform

"We're seeing customers replace their EPoS systems with a PC or hand-held running our system so that every transaction is treated as online and the store technically becomes just another warehouse or pick-up point so that you have a single platform throughout."

*Frank Lord, regional vice president, EMEA and AsiaPac, ATG*

### The challenge of integration



"Technology has leap-frogged retail systems and that is a chronic problem for retailers and makes it very difficult to integrate channels: you have one experience on the web and another in-store and companies cannot deliver a single transparent experience across all channels."

*Jim Bengier, global retail executive, Sterling Commerce*

## NEW CHALLENGES

Apps apart, the growth in mobile brings additional problems when it comes to providing consistent messaging – not least because of screen size and the different way people regard mobile as opposed to PC-based Internet access. "People will typically look at 10 to 12 items on, at most, two screens before they leave a mobile site," says Patrick Kennedy, CEO of personalisation specialists Sidebar. "On a desktop they'll maybe look at 85 or 100 items. On the phone, interaction is

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almost always with clicks, whereas on the desktop the keyboard is more likely to be used. These factors affect behaviour and the way people search and buy."

While cookies, IP address and log-in can help identify shoppers buying from a home or workplace computer, mobile is more transient with shoppers likely to be anonymous so behavioural data must be used for recommendation rather than demographics. Sidebar tracks what these anonymous users look at, forward to friends, how often they visit sites and what they buy to create "usage clusters" of seemingly like-minded souls. Predictive analytics are then used to recommend particular products in those vital first two screens to improve the likelihood of sales while the predictive model is updated every hour in response to changing click trends.

"Retailers can increase the average sale value and reduce abandonment by getting those first two pages right," adds Kennedy. They can also improve management of the 'long tail' of their inventory assortment by pushing products appropriate to the customer segment. In the games sector, for example, some Sidebar customers have seen a 25 per cent uplift in sales of less popular products by promoting these to suitable customers rather than simply featuring the best sellers.

Adobe's Online Marketing Suite (largely acquired when it bought Omniture a year ago) is similarly based on behavioural data but can be linked to identifiers such as IP address making follow up emails, after cart abandonment, for example, possible. "Mobile internet traffic is expected to overtake desktop within two years," says marketing director, Neil Morgan, "as countries like India and China are skipping PC and going straight to mobile, so behavioural systems that can segment anonymous consumers dynamically and give suitable recommendations and search results results are important."

Mobile, too, offers the opportunity of geo-targeting using data to tell roughly where the user happens to be. "To get an exact position, apps have to ask permission," adds Morgan, "but from each click you can build up a profile of the anonymous user and their location and build the site that you show them accordingly. Digital is easy to do – although not many sites do as much as they could – the challenge is when you go face-to-face in-store and add offline behaviour and how you present relevant products in store."

While mobile is the one channel shoppers are always likely to carry with them, Darren Vengroff at RichRelevance believes it is also important to focus on the unique strengths of each channel and match these with appropriate searchandising techniques. Bricks and mortar offers the 'touch and feel' so mobile can be added as part of that experience while PC-web allows for complex activities and is always available – even at 2am in the morning.

## WHAT EACH PLATFORM DOES

Retailers, he says, need to leverage these unique strengths of each platform using geolocation to provide information about what is available in the nearest store, for example, and tailor marketing campaigns to match. "You need systems that can influence a buying decision in real time," he says, "systems that can recommend relevant products and develop specific promotions. The whole idea of merchandising through targeted promotions is just evolving and we expect significant growth here within the next 12 months."

A study by Sterling Commerce and Demandware, also published at the Shop.org event in September, suggests that shoppers increasingly expect a seamless experience across channels with 74 per cent expecting to modify and order from any channel and 62 per cent of shoppers saying they start the shopping experience online at least 50 per cent of the time before going to the store.

"These results indicate that a lack of consistency across channels is actually affecting current and future purchasing behaviour," says James Driscoll, vice-president of marketing at Demandware. "It is not enough to just have different channels integrated from a technology standpoint, but the experiences need to line up and consumers need access to the same information and products whether online, in-store or on mobile devices."

The survey covered both US and UK shoppers with specific UK findings suggesting that 19 per cent here are also checking out competitive prices via the mobile when they shop and with more than half wanting to use their phones to confirm product availability while shopping. UK shoppers were also marginally more likely than US shoppers (87 per cent compared with 85 per cent) to expect a seamless cross-channel experience while 39 per cent (compared with 31 per cent in the US) would be willing to buy via their mobiles

"Retailers are failing to deliver a consistent cross-channel experience," says Jim Bengier, global retail executive at Sterling Commerce. "The consumer experience varies across store and mobile with different recommendations. One problem is that retailers need greater connectivity within their organisations so that you no longer have information silos – currently it is rarely clear who 'owns' the customer experiences to ensure consistency."

Loyalty data may give specifics about an individual shopper's preferences and buying habits but that is rarely available across all channels, often because store systems are often based on legacy technology and are difficult to integrate with web servers. Bengier argues that using the order management function as a centralised hub accessible by all channel platforms would help to deliver a more consistent offer. "In North America we're starting to see these sorts of hubs drive recommendations so that the system acts as an integrated pseudo-customer relationship management tool based on actual purchases".

Unlike the behavioural tools of those watching clicks, such systems are based on demographics and require customers to identify themselves. "Younger people seem far happier to share identity information if they see mutual benefit," adds Bengier. "Ultimately the mobile will become the digital wallet complete with loyalty ID to identify shoppers in-store – but we're not there yet."

Ultimately too, there will be greater integration between behavioural and demographic systems so that search and recommendation can match not only the buying mode but also the shopping history – be that an impulse buyer clicking on the mobile or a considered purchase following lengthy search using a keyboard. ■

# Heading for a data overload?

***A well-executed searchandising and recommendation strategy will create vast amounts of data. But many retailers have yet to devise efficient ways to deal with that information. Chloe Rigby takes advice***

**ONLINE SHOPPING** has given retailers an unprecedented opportunity to get to know their customers. Potentially useful data can be collected at every visit a shopper makes to a website. The searches they make, the items they look at, add to their shopping cart and buy, the recommendations they read and the journey they take through the site all add up to a potentially vast learning opportunity for retailers.

Moreover, that data can be joined up with information about real-life activities using mechanisms such as loyalty cards. But it doesn't stop there. There's also data that stems from the retailer, with information about each and every product they stock, potentially running into 10,000s. All of this is information that can be used to startling effect.

## What the experts say

### Understanding customers

"If we know who an individual is then we're interested because we can have an understanding of what they're searching on, what they're not searching on, what they're searching on and buying, and what they're searching on and not buying."

*Richard Lees, chairman, dbg*

### Social data

"Where we're starting to experiment is how do you take that social expression, which might be a tag I've added or a very rich profile or a dialogue the three of us have had, and then using that social data to say based on what you guys are talking about and what your friends looking at, this might be a set of products you might be interested in as well."

*Bernie Segal, head of iEngage, Europe*

### Reading customers' minds

"If you've ever gone to one online web page and searched for some stuff and then gone to another online web page that had nothing to do with that, and for some reason had this feeling that the internet had read your mind, putting adverts in front of you that for some reason have to do with what you've just been doing, it's probably [predictive advertising] technology that we're talking about."

*Michael Cucchi, senior product marketing manager at Akamai*

But it also adds up to a huge amount of data to deal with. It's hardly surprising then that many retailers fail to use it to its full potential. Marketing services company dbg, which provides database, analytics and email marketing solutions, quizzed 100 marketing professionals from large companies, and found that most were putting multichannel marketing into practice. Some 51 per cent used more than five different marketing channels and 98 per cent used three. While this paid off for those companies, with 62 per cent reporting increased revenues, only 35 per cent said they put the different data gathered from each avenue into a single database.

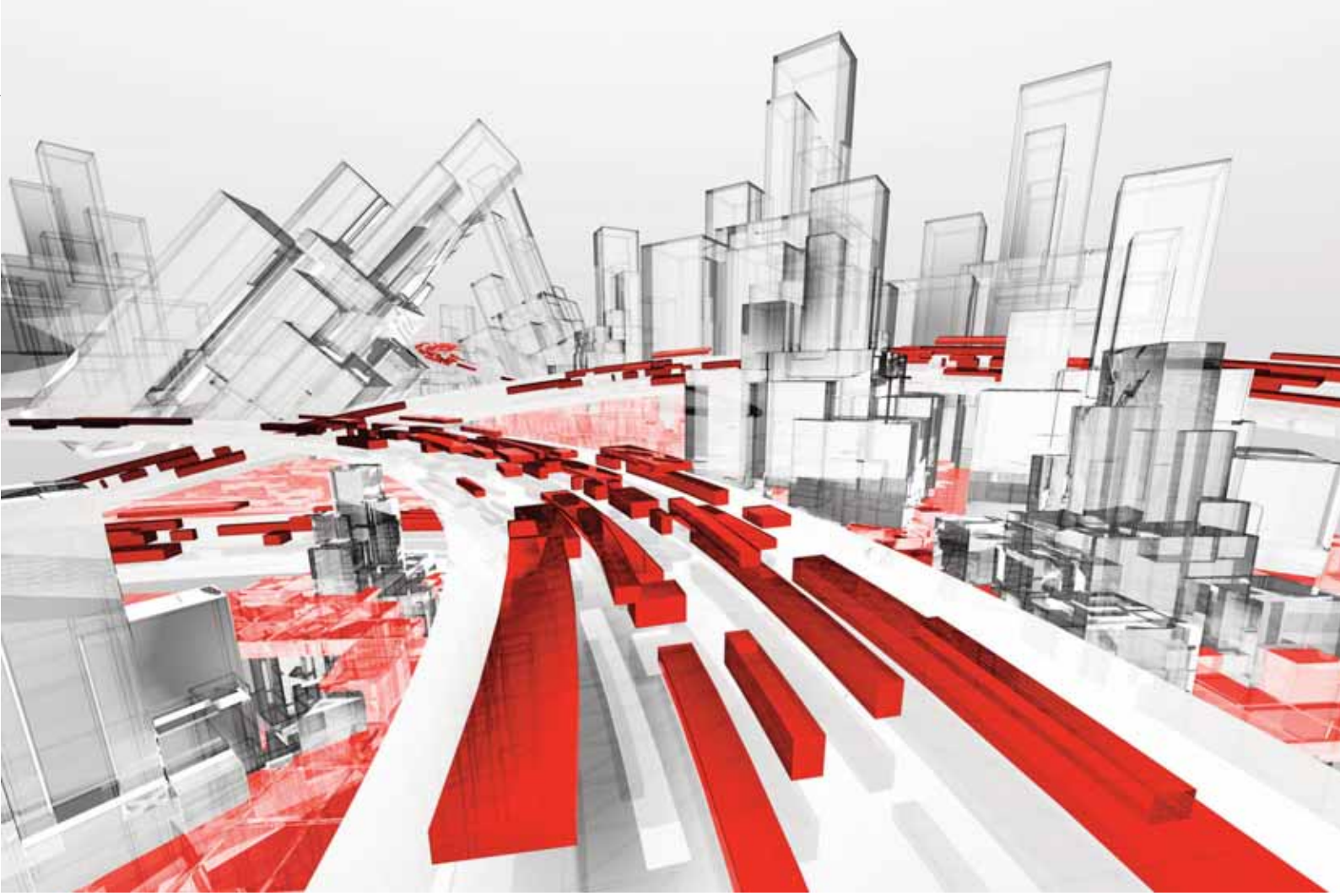
Richard Lees, chairman of dbg, says: "Integrating these channels seems to be a major issue, even for larger companies." He adds, "There's a lot of data that's collected in the online world that to a large extent stays in the online world and doesn't make its way into the area that we are very closely involved in – the construction of marketing databases that describe customers."

He says businesses range from those that gather most of the data and put it into a single location, to those that gather very little. "Of those who gather a lot there are also those that do very little with it, and those that use it quite well. Overall there are probably very few businesses gathering and using data well."

However, it's only by managing data through a single database that retailers can create the single view of the customer, something multichannel experts see as key to customer-facing activities from merchandising to marketing. For data can hold important insights into when and how to engage with customers.

Lees explains: "You can't divorce searchandising or faceted search from usability. That's a science in its own right. Making that information available in a single location as interpretable information, rather than just raw data, is important." He adds: "This type of search information is very key to driving usability. If that information is stored and accessible at the level of a particular customer type it's much more usable, for example, in the discipline of usability, than if it's just raw search strings in a natural processing engine."

Given, then, that true multichannel retailing is about meeting the demands and needs of the customer wherever and whenever they choose to shop, the data that companies hold about their customers underpins retailers' ability to show customers products or content that



will interest them most, or send them relevant offers, promotional emails and more.

So how can retailers best go about gathering information, looking after it, and then using it most effectively?

## CREATING THAT SINGLE VIEW OF THE CUSTOMER

By putting all of the data into a single database, it becomes possible to understand the big picture of what consumers are looking for on your site. That makes it easier to serve relevant content and optimise offerings to meet the interests of the individual.

Information that's useful here can include the raw data gathered through sources and tools that many retailers already have, from Facebook pages to web analytics engines to customer surveys to purchase histories. Everything, in short, that you know about your individual customers – organised in one place. The difficulty isn't so much in gathering the data in the first place, it's in how to deal with it to make it useful. And that's where many companies fall down.

Richard Lees of dbg says that the companies who best use the data coming in through different channels are those with the tools and technology to feed the data into natural language processing engines. From there, information can be pulled out of such engines for interpretation or for reuse. "Where we'd be interested in that data in a marketing context is about optimising the location and placement of merchandising. It can be fed, for example, into new search engine optimisation searches." So if, for example, many shoppers make a spelling mistake when they search and look for 'kitchen cupbords,' that misspelling could become a new search term, or could be added to the dictionary to refine future searches.

He points out that it's important to store data not as raw, but in an aggregated form. "Just to store as raw information or raw data becomes a mountain of data that's very difficult to make sense of," he says. "We need to decide how we want to use it, then sort the rules about how we want to categorise it and then store it like that against a customer database." A big part of this work is to code up the website product categories into topics and attributes in order to make products easy to search and easy to find. Such tags make it easier to gather information about the way customers move around a website, and from there the website can be optimised to make customer journeys, for example, more straightforward. That might include new rules on what products are shown in answer to searches, and the introduction of search filters to narrow down the search for the customer.

## LEARNING FROM EXPERIENCE IN SEARCH

An increasing number of retailers are now introducing technology that allows them to learn, and optimise their sites automatically from the way customers search their websites and proceed to a purchase.

Boden, for example, has introduced SLI Systems' Learning Search, which learns from the behaviour of website visitors in order to help customers find what they're looking for. It allows shoppers to search by different facets, such as gender, age and type of clothing. But at the same time the system helps Boden learn from its customers' experiences. Through detailed metrics and reporting capabilities, the in-house team can understand what customers are searching for, and the terms they're using to do that.

Boden's ecommerce manager, Sarah Blair Gould, explains why this is important: "Our online business has

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gone from strength to strength since we launched the website in 2001, so much so that, by the end of last year we'd taken almost £200m in online revenues, representing almost 80 per cent of our business. The website has long since gone beyond being a nicer order form for our catalogues and, as such, we need a search function that offers our customers the best possible experience when looking for products."

Meanwhile Panasonic has introduced a 'meaning based' search engine from Eptica to provide visitors with immediate online answers to their questions. It boasts a dynamic self-learning knowledgebase that ensures that the information Panasonic's customers have most commonly looked for is presented at the top of the 'Ask a Question' section of the website.

Patricia Hamed, manager of the customer communications centre at Panasonic UK, says: "Consistency and breadth of response is quite a challenge when you are offering support on a wide range of high tech products. The Eptica software has enabled us to collate a vast amount of existing knowledge and information into a system that is easy for both our customers and advisers to navigate."

## Predictive advertising

US technology company Akamai garners huge amounts of data from the daily traffic it sees in the course of its work hosting content for internet companies. We see 20-30 per cent on any given day of all internet traffic occurring globally, says Michael Cucchi, senior product marketing manager at Akamai.

As a result it sees how people move around the internet. By anonymising that data, built up from the individual experiences of millions of web users and searchers, and submitting it to the online shopping data cooperative run by its ad network subsidiary, acerno. Using the data, acerno's Advertising Decisions Solutions engines can create algorithms which predict what shoppers are going to do next.

Thus the algorithms may predict that someone who has just bought a TV will need a table to put it on. "We can deliver that intelligence to somebody who wants to place an ad who sells a table and we can assist in placing that advert in front of the user," says Cucchi. "It's predictive advertising."

But he stresses that all of the data is anonymous. "We never use any identifiable information on any of our technologies. We don't know who you are, we just know what people like you do, based on what you just did."

### SEARCH IN A SOCIAL CONTEXT

But search is set to travel even further, using the data it can now corral. Technology provider Infosys has started using search to find out how customers are thinking – and to help retailers react through its recently launched iEngage software. iEngage joins up social media with ecommerce. "What we're doing," says Bernie Segal, head of iEngage Europe, "is taking the information in social media platforms and starting to connect that up with the ATG internet-retailing platform."

It's a way of leveraging the information about likes and dislikes – their recommendations, in other words – that shoppers are increasingly able to leave on websites. On Amazon, for example, shoppers can leave user recommendations, while Levi's has its 'like' buttons, which allow users to integrate their 'likes' from the Levi's store with their Facebook pages. Its Friend Store allows consumers to see a list of their friends' favourite products from the clothing company and potentially be guided in their own choices.

For iEngage to achieve this, one tool scans 160 million websites a day garnering information on what consumers think. It tags information as positive, negative, mixed or neutral and boils that down a report that shows clients what people are saying about their brand and competitor brands. Segal says information can then be used to offer social media users products, based on what is under discussion or what members have expressed a liking for. "I guess we're defining social commerce as buying things that other people like and liking things that other people have bought," he says. "There's that dialogue that you can see between people, and being able to put commerce at the heart of that."

### BUY YOUR OWN?

So how do retailers use this kind of technology to best effect? One choice for retailers to make is exactly how they access those technologies that are available. Is it best to buy software for use in-house, or to rent it as they go, through Software as a Service (SaaS) solutions?

Both have their advantages and disadvantages. The benefit of SaaS is that rather than buying a one-off product, companies can benefit from economies of scale, and benefit from the ongoing development work on systems. Infosys has 150 people working on its social media/ecommerce programme iEngage, which is available as a SaaS solution. "To get 150 skilled people together who have a centre of gravity around ecommerce and social media at the same time is quite a challenge," says Segal.

However, warns dbg's Richard Lees, organisations must consider how they will want to use the data, since some SaaS providers can charge highly for actions such as downloads of large amounts of data.

Another consideration is around where the data is kept. UK and European data protection rules restrict the way data can be used. If it can be used to identify an individual and is taken out of the UK for storage beyond Europe by a subcontractor, it's important the retailer that who generated the data knows exactly how it's going to be treated in order to make sure the company remains compliant with the law.

Still think data is a challenge that threatens to overload? Instead of seeing the problems inherent in dealing with data, retailers can also choose to exploit the data. For, as dbg's research shows, using data well has valuable knock-on effects in terms of customer relationships and ultimately in terms of sales. It certainly seems that, alongside new technology, good practice is beginning to emerge in this area. ■

# Voyages of discovery

***Any successful searchandising and recommendation strategies have to ensure that brands and products get found. But how best to go about this? Chloe Rigby finds out more***

**ON THE HIGH STREET,** shoppers know where to find their favourite brands and retailers. Over years of experience, they've built up the knowledge of how to find the goods they want within what is ultimately a limited space. They also have the resource of asking friends and family for their recommendation about where to go. But the only drawback is that they need to find the time and energy to go to the shop in the first place.

But searching online takes a fraction of that time and energy, in theory at least. If the search process goes smoothly, consumers can take just seconds to find the item they need – and that gives retailers little time to make an impact, to make sure it's their company that's found.

On the other hand, there are drawbacks to finding information on the web. While the geographical confines of the high street mean that shoppers will always ultimately find the shop they're looking for (assuming it exists in a certain locale…), that's not necessarily the case online. And while the stock that shops can show is limited by the space available, that's not the case online. The advantage of online is its disadvantage as well: there is a vast range of choice. For while internet shoppers often go online in search of a wider choice, too much choice can be confusing and off-putting.

This is a problem experienced by eBay, as Clare Gilmartin, eBay's vice president, European marketplaces, told this year's *Internet Retailing* 2010 conference. She points out that searching for goods on the eBay marketplace can often come up with not tens, or hundreds of results – but hundreds of thousands. And which shopper looking for a dress, for example, has the time or inclination to scroll through 130,000 results in search of just the right one? "It's a huge challenge for us," says Gilmartin. "We're trying to innovate to make sure we curate the vast range of inventory down to a very manageable store."

Innovations being introduced by eBay include image search, where a search will result in simply in pictures of an item rather than a description. "It's far easier to use a picture than words to describe what you are looking for," says Gilmartin. "Once you find something you like, you can quickly collect all similar items." Other recent developments on the site include the ability to search for clothes by brand. At the moment, points out Gilmartin, brands such as Next, Top Shop and River Island are seeing millions of searches on eBay. "It is only going to be easier for shoppers to find the brands they want," she says. All of this, she adds, also translates to sales – because shoppers want the business of finding what they want to be made easier for them. So just

how can retailers take forward strategic ideas about how to make sure their brand, or their products are found?

## HELPING WOULD-BE SHOPPERS

For consumers to find your site, it has to stand out, both while it's being looked for, and again once consumers arrive. Pay-per-click ads, which show up at the top of searches can be bought for the most relevant search words, including your brand name, while search engine optimisation tactics can be used to make sure organic searches – those that appear below the paid-for panel at the top of the search page – rank your name highly.

The results of pay-per-click searches will display the short site links that you specify under the main website name. Organic search will show the most logical site links when your site appears at the top of the search results. Ian Howie, founder and CTO of 1updigital.com, suggests that site links in paid-for search should be seen effectively as headlines – a chance for your site to make an impact on and draw in those who are looking.

"At the newspaper stand the *Sun* always gets good results because it has outrageous headlines," says Howie. "While I wouldn't advise retailers to use *Sun* headlines, it is the same principle: if you're in a crowded space, using words in the right way to get your message out. That means it has to be carefully thought out in terms of copywriting." So what are good 'headlines' for retailers?

The answer, says Howie, is to think about what sets your business apart, and makes it the go-to site. "It could be quality, a money back guarantee, we're the experts in our field, we give the best support or we've just won an award. Free delivery is a very good one, or delivery in work-friendly hours." It doesn't have to be about price – simply about something your audience wants.

Those working out of the house all day, says Howie, have very different needs from stay-at-home parents or students. To find out what those needs are, a survey on the website can come in very useful. But only ask one question, warns Howie, for that encourages people to answer, and often with very useful information. Then tag the answers positive, negative or technical to analyse the data.

## SEARCHING FOR PRODUCTS

But many consumers won't search with a particular brand in mind. They want something to fill a function – and may not know where to get it from. How can retailers then plan to make the products they sell stand out, particularly when many different sites may sell the products?

The technology is out there that allows traders to upload their entire inventories to Google, but Alicia Levy, director of search engine marketing agency Greenlight, advises that she believes this approach is no longer the smartest. "It's all about relevance," she says. Thus it's not a good user means it's not a good user experience if shoppers click through to the site and the product is not available, or if a product shows up that isn't the cheapest.

Levy adds: "Our strategy now is maybe you shouldn't have all your products on Google. If you're not the most competitive on, say, Blackberries, don't advertise them. Advertise iPhones instead, where we know that ours are the most competitive."

## What the experts say

### Why we type what we do

"What fascinates me is lots and lots of people putting in words to a search engine. By doing that they're telling you what state of mind they're in. Someone putting in, 'buy iPhone 4' is different from 'review iPhone 4'. Buy shows intent, whereas they might be looking at a number of reviews and also looking at Android phones. Just the fact they're putting in these keywords can give you information."
*Ian Howie, CTO and co-founder of 1upDigital.com*

### Make a return

"What people should realise in ecommerce search is each position/slot on a page has a value and needs to make a return. The most prominent position in the shopping window should show the best selling combination of items."
*Joris Beckers, chief executive, Fredhopper*

### Right product, wrong price

"While 90 per cent of consumers choose where to buy based on price, why is that zero per cent of marketers consider it in their paid search campaigns? They use bid management tools, which look at past data, and make changes to campaigns based on this historical data, but they don't consider the reason they may not have sold a certain product could be because they aren't price competitive against other advertisers. We call it the blindspot of search, as it's the invisible layer that we want marketers to sit up and take notice of."
*Alicia Levy, director, Greenlight*

While many think their products might be the cheapest, they're often not. Greenlight's adapt software, which allows clients to direct their search advertising campaigns intelligently with reference to factors such as stock levels – pausing campaigns when inventory drops below a certain number – has recently been updated with options to run pay-per-click advertising on products that are genuinely competitive in the market. This, says Levy, builds up trust, since consumers are more likely to shop with a company that claims to be the cheapest – and really is. Despite this, she says many marketers simply don't think about promoting on price when it comes to paid search.

## BECOMING HIGHLY RECOMMENDED

When consumers really don't know where to buy from, or even what to buy, they'll often turn to review sites, or read ratings and reviews information on your site. But just how do you make the best use of review and recommendation? Again, this is an area that requires research. Where do you and your rivals get most mentions? That's easy to find out through a search on brand names, both yours and those of your competitors. Find out the audience is on blogs, Facebook, Twitter, or YouTube videos, and then work out a strategy to engage with them.

That might include social media: having a Facebook page or a Twitter account will show up in searches for your brand, while a large following can create useful conversations about your brand. And when those

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conversations are negative, it's also a useful place for retailers to be able to respond to complaints and suggest ways of resolving them. "Mobile phone companies do this very well," says Howie. "If someone leaves a message on Twitter and it's negative they reply immediately."

And this is the point, he suggests, where search marketing becomes no longer a technical skill, but a marketing tool. Working out how people are thinking about your brand can give useful insights into how to engage with them. And this can be done as simply as analysing customers' search terms. Through analysing customers' search terms, as you can using tools such as Google Insights for Search, or Google Trends, marketers can deduce not only what shoppers are thinking, but what they're feeling.

## WHICH SEARCH ENGINES TO ADVERTISE ON?

There are no prizes for guessing which is the most popular search engine in the market. In the UK, Google is the most dominant with more than 80 per cent of searches and 97 per cent of mobile searches, says Ian Howie of 1updigital.com.

But the second most-used? Here it might be a surprise to learn that when it comes to search, YouTube steals a march on more conventional search engines such as Yahoo! and Bing. comScore research, cited by reelseo.com, showed that in December 2009 in the US, there were 10.1billion searches on Google, 3.9 billion on YouTube and 2.6 billion on Yahoo! Microsoft's Bing, meanwhile, had 1.4 billion searches. At the bottom of the table, the world's most popular website, social media site Facebook, received 351 million searches. There's a similar story in the UK, but it's worth bearing in mind that in other markets, this varies enormously, particularly in Asia, so it's important to do the research before launching overseas.

So where should retailers be advertising? Howie believes that in the context of the UK, paid search is probably best directed at Google, Facebook and YouTube. On the latter people tend to look up reviews and how-to videos, says Howie, making it "a great place for retailers," Meanwhile SEO techniques that work on Google will probably work on the mainstream search engines as well.

However, he points out that both Yahoo! and Bing have their own niche audiences, useful for those trying to engage a particular group of people. Those targeting older audiences, for example, might consider paid search on Bing since it's more likely to be used, says Howie, by an older, 50-plus audience that does not realise it's possible to change the default search engine on their new computer.

## AND WHEN YOU DON'T WANT TO BE FOUND

Sometimes you might just not want to be found by shoppers. Maybe your stock levels on one product are low, or maybe you're hoping that harsh review on your site will quietly disappear. With the first problem, technology can be used that will pause paid advertising stock is low. But when it comes to organic search there's little that can be done to prevent content from appearing. In this case, it seems the best solution is to add more content, thereby pushing older content down the rankings.

Other things that you might not want to be too easily found are the discount code boxes on your website. These, says Howie, can be "the kiss of death" since people who don't have a code will go off and search for one – and may not return, having found a better deal elsewhere. He suggests, where technology allows, there could be an alternative checkout page, with a discount code box, that shoppers with codes can be sent to.

## FINDING YOUR WAY AROUND THE STORE

So when the consumer does eventually arrive at the website, it's important that it be worth the quest. That might mean reflecting any ongoing TV campaigns in the site's home page, making it clear to those who have searched after seeing one of those ads that they've arrived at the right place. It's also useful to engage shoppers at this point – giving them something in return for their attention. Thus at the recent launch of the GAP website to UK shoppers, visitors were offered 15 per cent off when they added themselves to the mailing list. Not only did GAP grow its mailing list quickly, it also found a way to identify visitors to its website and potentially analyse what it is they are looking for.

For shoppers the quest for their perfect item is far from over when they arrive at the site. Making search straightforward within the site is also important. That involves making decisions about what is shown when common searches are made. Search and merchandising software company Fredhopper works for companies including Debenhams, House of Fraser and Asos, helping them to organise the way they present search results to customers.

And doing that, says Fredhopper managing director Joris Beckers, is much more complicated than just showing the bestsellers every time. To do that just sells more of the bestsellers and leaves gluts of stock elsewhere. Search on House of Fraser's website for a black dress – and it seems search terms do commonly tend to be that generic – and more than 500 items appear. The clothes on the first page of search – which typically features 10 or 20 items – are more likely to sell than the others. But what customers want to see, says Beckers, is an overview of what the store has to offer.

"The challenge," he says, "is to show that overview in 20 items." Thus in-store merchandising staff can programme Fredhopper systems to show a mixture of bestselling items alongside a range of brands. They might appear because they're relevant to the season or because they're new in. Equally a dress might appear because it's available in every size – making it more likely that one will be bought.

"This makes an enormous impact on sales," says Beckers. "The difference is millions and millions in sales. It's pretty logical because if you walk into a store with black dresses and only see ones you don't like, you're off. Since I don't know what you like I'm better off giving you a spread of items. By including one or two items from a number of brands there's a higher chance you'll find it interesting. It's about inspiration." ■

# Beyond the sales funnel

***Internet selling is about more than crudely funneling customers to the checkout. It's also about using the information that customers, directly or indirectly, provide to get to know them better. Arif Mohamed reports***

**IS IT POSSIBLE** to have too much information? Perhaps it is. While the online shopping environment provides retailers with rich detail about their customers' desires, preferences and opinions, that's a lot of data to process effectively. After all, we're not just talking about customers' activity on a retail website, but everything they write or discuss in online forums, social networks, blogs and reviews.

That's the glass-half-empty view. However, without wishing to underplay the difficulties here, this information is hugely useful for retailers trying to get a picture of customer behaviour. Moreover, it offers real opportunities to influence sales.

Marks & Spencer is one company that has launched a new customer service tool, at the beginning of October, which gathers information from customers by analysing the questions they type into a website search bar. The tool, from Transversal, enables visitors to quickly find answers to their most common questions, through what Transversal terms its Smart FAQ software.

The technology constantly analyses the questions being asked in plain English, complete with typos, using a powerful reporting engine. The benefit for M&S is that it builds up a knowledge base of data so the business can continuously improve its answers and. at the same time, actively promote key messages and announcements using a contextual advertising engine based on customers' interests.

Dave Hughes, director, Marks & Spencer Direct, explains, "The introduction of Smart FAQs will provide a new level of customer service and reduce the need for the customer to email or phone a service agent for basic queries. However, just as importantly, we're using the Transversal solution to understand our customers better."

He says that by understanding customer behaviour better, and in particular knowing the questions that customers are searching for, M&S will be in a stronger position to evolve the online shopping experience, and ultimately maximise its sales.

Tom Pelley, senior consultant at Transversal, says that the company provides Smart FAQ to M&S as a managed service. This means it's not as expensive as actually running a call centre.

Pelley adds that it can also help to reduce customer emails, and to some extent phone calls, as shoppers find their answers quickly. For some retailers, Smart FAQ has produced a 40 per cent drop in query emails, says Pelley, with 20 per cent of that being an immediate reduction.

Mothercare/ELC and Blacks/Millets also use Transversal's technology, and the BBC used it when it to field the flood of questions it received when it launched iPlayer.

Pelley says the great thing about Smart FAQ is it can be used on particular product pages to allow visitors to get their granular questions asked, and this can help secure a sale. It can also be used on the basket page to answer questions on payment and delivery, for example, and to make sure that basket abandonments are reduced.

## FEEDBACK LOOP

Mobile Fun is an online mobile phones retailer with a business model that depends on engaging with its customers at many levels, operating as it does in a highly competitive market. It tries to understand why and how its website visitors use its site, in order to sell more effectively to them.

Anthony Cook, founder and chairman, comments, "At Mobile Fun we've found that it is essential to have a range of feedback mechanisms in place including qualitative methods, such as on-page popup surveys, post-checkout surveys, customer satisfaction surveys and quantitative methods including web analytics."

The company's web analytics process involves using a range of micro-conversion events, which are virtual 'watch towers' in the customer journey that closely monitor their website activity leading up to the sale. It uses this information

to build a sophisticated understanding of customer needs throughout the online shopping experience, and also to improve the online purchase process.

"This understanding must be deployed through a rigorous optimisation testing framework, to ensure that website changes deliver measureable improvements," says Cook. He adds that online retailers can learn a lot from traditional retail skills, such as traditional product merchandising and feels that online retailers often neglect this "critical component" of a retailer's marketing mix.

Consequently, Mobile Fun has found that product videos are a very effective merchandising technique to demonstrate the specific features of a product, having listened to customers. "We integrate customer feedback by using customer product reviews as a source of inspiration for understanding which features to demonstrate in our online product videos," says Cook.

However, he admits that one of the challenges of actually implementing new customer engagement practices is that retailers require a wide variety of skills to implement a programme of customer engagement improvement.

"This can create organisational challenges for management. Technical specialists, product managers, marketing managers and data analysts all have a role to play, but success will only come from an integrated multi-disciplinary approach," he warns.

In the case of Mobile Fun's operations, improvements to the website customer experience and buying process are coordinated through an integrated, continuous cycle of website strategy planning, usability studies, technical development and conversion testing.

"It has taken a lot of hard work to build this organisational process, but a strong internal competence for integrating these various disciplines is critical for success in online retail," Cook reiterates.

Another challenge to implementing new theories of customer engagement is that they tend to require hard graft and a big investment of time, says Rob Smith, director of leading digital agency Blueleaf.

He says customers want to interact with products. So, the best ways to capture and harness their desire, consideration and acquisition of products – and help secure a sale – is by giving them better product interaction online. He believes the answer is to use 3D models, better up-close photography, and showing the product in place, either on the customer or on models if it's clothing, or in a room for home products.

Beyond this, true personalisation is the next major frontier for ecommerce, says Smith. "Regular emails, based on both buying behaviour and browsing behaviour, could lead to much greater sales by giving the customer what they want specifically," says Smith. But he adds, "None of the above examples are easy to automate. The continual improvement and study of a site's analytics is the only way to know what routes are working and which are not and which to pay more attention to in order to get better results."

*Lands' End now offers a video-chat facility on its site*

## How can we enhance the basket experience?

### Mini baskets

"Our analysis has shown that mini-baskets are the most effective, allowing the user to continue shopping around the website without being required to visit a separate basket web page."

*Anthony Cook, founder and chairman, Mobile Fun*

### Online behaviour

"It's really all of the parts of ecommerce before the basket that need more improvement than the basket itself. The online basket is much less of a commitment to buy than it is offline, it does not require any carrying or difficulty and so it is still a really useful device for online shopping."

*Rob Smith, director, Blueleaf*

### The perils of recommendation

"Several studies show that exposing the visitor to different types of information paired with the shopping basket can heavily impact conversion in both a positive and negative direction. While recommending products based on what the user has put in the shopping basket generally might raise conversion, we have clear indications that in some cases it can actually decrease the conversion rate. The decrease is normally related to the 'risk of distraction'."

*Michael Mokhberi, CEO, Apptus*

### Extra information

"Retailers should think of their sites as a virtual sales associate who helps each individual with their unique questions and goals on each visit. Once they're close to making a decision, to incentivise customers to add an item to their basket, a sales associate might share an anecdote about what other customers have experienced when using a product, or show them a related item that might enhance the product they've chosen."

*Katrina Gosek, product marketing manager ebusiness, Endeca*

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## AUTOMATING ENGAGEMENT

Conversely, technology vendor Apptus argues it actually is possible to automate the process of personalising the customer experience, and to a high degree. Among Apptus' customers are Yell.com, bodystore.com, and book retailer bokus.com.

According to Apptus, its eSales platform pays attention to what website customers are doing, without bothering them. It finds out what they like and is self-learning. It can also automatically make offers and present a retailer's product range in a way that generates more incentive to buy, claims the company.

Apptus CEO Michael Mokhberi says retailers can use technology to learn what actions have the best probability of conversion for a certain individual in a given point of interaction during the purchase process. To achieve that, they can analyse different pieces of their interaction with the customers, and Apptus has a list of about 100 different attributes to examine.

These include the user's point of entry to the site, and their channel of entry, for example, from an email link, external search engine, or a referring link). Other measurable elements are the user's search history and navigation pattern within the site, click history, and purchase history.

### Engaging directly through video chat

Customers visit retail websites to gather information, compare prices, and of course to buy. Videoconferencing technology could be one way of engaging directly with the customer, as one would in a shop. UK firm Vee24 is bringing video chat to retailers' websites and enabling live agents to act as personal shopping assistants, and ultimately secure the sale.

It allows website visitors to summon a live assistant at the click of a button to help them browse the site, answer questions about products and show them merchandise. The technology is being used by the US shoe retailer Heels.com and car manufacturer Lexus in Germany. Most recently, the US retailer Lands' End, part of the multi-billion dollar Sears Holdings Corporation, went live with Vee24's Veedesk system.

Joan Conlin, vice president of customer care services at Lands' End says the company has always had a strong emphasis on establishing personal connections with its customers. "Offering our customers real time, one-on-one personal shopper assistance makes online shopping even more efficient and enjoyable," she adds.

The benefits of the videoconferencing technology are that it creates a high level of customer engagement, service and satisfaction, whilst replicating, to some extent, the high street shopping experience. Agents are able to maintain eye contact with shoppers, albeit through their monitors, and answer questions immediately, whilst demonstrating products.

Vee24 argues that the technology can help retailers to raise their online conversion rates and average order values, and lower shopping cart abandonment levels.

However, the system may not be for everyone, due to the equipment required. The live video chat sessions are created through the use of a mini-broadcasting studio. This is built into a touch-screen PC with a separate media tower incorporating a high definition camera, a small broadcast monitor and illumination for both the operator and 'on-air' lighting. The live video feed is coupled to the agent's voice from a wireless headset, compressed and streamed over the internet directly to the customer's browser.

Surrounding information such as reviews, product summaries and evaluations can be taken into account to see whether the buyer cares about what's written about the product. Other elements include how they respond to 'call to action' triggers, and their level of responsiveness to targeted campaigns or offers, to determine if they are an impulse buyer.

All this data can then be put into a model that weighs the different pieces of the puzzle into an orientation with a given probability, says Mokhberi.

"At the end of the day, it's all about creating a digital fingerprint for the user in order to predict his preferences. It is a matter of calculating the probability of actions that lead the user towards a transaction," he says.

## HARNESSING SOCIAL NETWORKS

Technology can assist in analysing customer behaviour, but many retailers are keen to explore and influence social media environments. After all, customers drop their guards when using the web to talk to friends and family, and there are plenty of honest opinions to be found about a particular retailer, brand or product.

One commentator says that analysing online conversations within a network between family members, neighbours and peers, can provide significant insight into what is driving and influencing purchasing decisions.

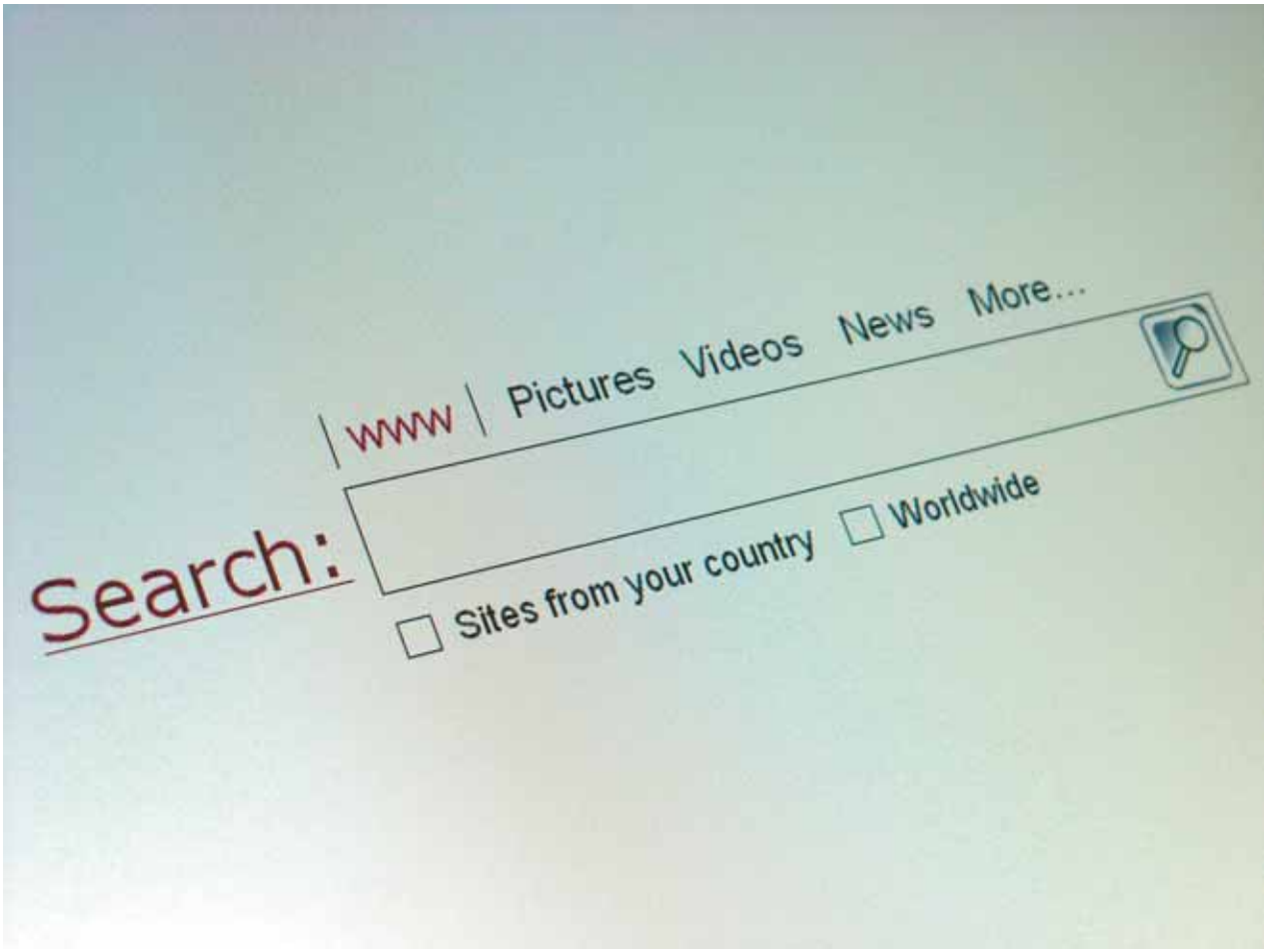
"The entertainment industry is already doing this by analysing consumer sentiment on Twitter to predict box office revenues for blockbuster movies such as Avatar," says Steve Georgiadis, director of UK customer intelligence practice at SAS.

Retailers could also encourage buyers to recommend them to like-minded customers through social networks. "So, once a customer has purchased, encourage them to bookmark their purchase, or review it. Even better, give them an incentive to do so, whereby the more people that buy, the bigger discount you give as a reward," suggests Simon Bird, technical director at dotCommerce.

As online customer behaviour grows more sophisticated, there are more and more ways of engaging with customers and encouraging interaction with online stores and brands. This involves recreating the real-world experience of a physical store by showcasing just the right product content in the right place and inspiring customers to buy. It could mean highlighting a product recommendation, user review, video or product guide as the customer makes their journey. It might mean including 3D images, contextual product shots, Smart FAQs or even interactive videoconferencing in the right places.

But it's also no longer just about funnelling them towards the shopping basket, important though this is. Social media, blogs and review forums provide further opportunities for data mining and communication between retailers and customers.

Ultimately, by understanding why consumers use the web the way they do, to communicate, search for information, be entertained, and of course to shop, retailers will be able to engage with customers at a deeper level in order to personally present them with the perfect item for them, at the most opportune time. ■




**A GOOD SEARCH** facility is ultimately the tool that helps make shoppers make sense of the seemingly infinite warehouse of goods that's available to consumers on the internet. Even once shoppers have narrowed their search down to a single website alone, based on what they know of a brand, it still makes sense to make sure they're pointed in the right direction to the goods they want.

After all, this is what happens in bricks-and-mortar stores, and with good reason. For helping your customers to find their way around – rather than get lost trying to find the right thing, even if they don't know exactly what it's called, or indeed what the tool is that they need to suit their purpose – is good commercial sense. It helps to build relationships for the future, gives the customer reassurance that they won't get lost in your store, and also serves to make the site a usable one.

In a world where social media is so important, so fast-growing, recommendation is no less important as a way of helping consumers make decisions about the goods they want to buy. Online, indeed, where buyers can't see, touch or feel the products on offer, third-party recommendation is increasingly seen as something that buyers will trust. Offering buyers the experience of someone who's been in their situation – whether they're a parent looking for a buggy that will be easy to handle, or a driver looking to buy the car that will really suit them – is to offer reassurance that they're not wasting their money. And reassurance is vital when the amount that consumers will consider spending online is increasing steadily.

There's nothing new about recommendation and search. Word-of-mouth recommendations have operated for centuries. And certainly since, first, the advent of newspapers and, later, the wider consumer press, recommendations – whether in the form of book and theatre reviews or tried-and-tested features – have helped to sell products.

But now that search is organised on an industrial scale across the internet, with millions of searches taking place daily through those made-to-measure tools that are search engines, managing the ability to search is vital. And right now that need is being met through technology that's improving fast – allowing shoppers to find their way through a maze of seemingly unlimited choice.

These are just some of the reasons why this has been a fascinating supplement to research and why we hope you find it useful. We also hope that it helps to make sense of an area that is necessarily complex because it is developing fast and is yet to be fully understood. But this is an area that demands investigation and where, we've found, investment can offer a real return. For ultimately, as throughout multichannel retailing, making it easier for the customer has to be good for a retailer's business.

This supplement is the eighth in *Internet Retailing*'s series of supplements. Each explores questions facing ecommerce retailers today through six key aspects: web interface, merchandising, cross-channel experience, logistics, strategy and customer engagement. Our upcoming themes range from payment and fraud to social commerce, and we welcome your ideas and suggestions for the future.

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