THE CUSTOMER

March 2012

an internet retailing special report

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Editors' comment

Welcome to the latest in our series of *Internet Retailing* supplements, where our focus is on the customer – and how retailers can best put customers at the centre of online and cross-channel activities.

It's a focus that recognises how the role of the customer has changed in recent years. No longer are customers captive to their geography, destined to buy from local shops the goods that retailers choose to offer, at the price retailers decide to charge. Rather, the growth of ecommerce has served to put consumers firmly in the driving seat, free to buy from whoever they like.

As Michael Ross, co-founder of eCommera, recently pointed out, retail is no longer about location, location, location but instead all about consumer, consumer, consumer. He says understanding this will be necessary in a mature, more competitive market in which simply trading online will not be enough to achieve future growth.

The questions he says we need to ask about the customer are: "Who are they? How do I acquire and retain them?" Even though they may still be shopping in stores, he points out, mobile, online and social commerce have made them "much more fickle and peripatetic than consumers of old".

The core solution he puts forward is that of understanding who the customer is: "How many we have, how many are loyal, have purchased and never come back again, how are our customers purchasing."

These are among the key questions we aim to tackle throughout the pages of this supplement. As always, we do so through the prism of six key issues that are at the forefront of retailers' concerns: web interface, merchandising, cross-channel experience, delivery and logistics, strategy and customer engagement.

Throughout, we've been asking what happens when retailers start their thinking about online and cross-channel trading with the customer. Social media and analytics are just two of the tools that mean today's retailers have access to the kind of insights into their customers' thinking that their predecessors could only have dreamed about. But how can traders get to grips with this learning, and the daunting scale of the data on offer; and how can retailers work to give customers the kind of systems that customer behaviour (and comments made by consumers) appears to demand?

In the web interface feature (page 10), we discuss how design needs to encompass all the different kinds of journeys consumers make towards a purchase in a cross-channel environment. We also consider how these new kinds of journeys relate to service design, reengineering the company and its systems around the customer.

When it comes to merchandising (page 14), customer insight can be a valuable tool. We work through effective ways for retailers to harness the data to the task of presenting shoppers with the items they want to see, in the way they want to see them. We also share the figures and insights that show why achieving this is important.

Our cross-channel experience feature (page 18) considers how retailers selling across more than one channel can bring together the information they gain about their customers across all their different touchpoints. We also investigate how analysing this data can help with the task of inspiring customer loyalty and take a look at the way different channels are merging to create new hybrid ways for customers to shop.

The logistics and delivery section (page 22) takes a look at how retailers can start with their customers en route to building a delivery service that both gives shoppers the convenience they require and encourages them to become loyal. We speak to one retailer about how they've built their logistics around the customer – and what the benefits are.

In our strategy section (page 26) we think through the reality of a joined-up approach to customers across all parts of the retail business, with a focus on the importance of delivering consistent messages to shoppers. We ask how boards can help to keep the task of achieving customer-centricity on track over the long-term.

Finally, in our customer engagement feature (page 30), we take a look at how social media and the internet have given a new voice to shoppers. We consider how retailers can work to ensure that voice is raised in their support, rather than against them. That means transparency, and working to deliver a good customer experience.

We hope you find this supplement useful. If you have comments, questions or suggestions for future supplements, do contact us. We can be reached at chloe@internetretailing.net or jonathan@internetretailing.net.

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HOW DO RETAILERS BEST APPROACH PUTTING THE CUSTOMER AT THE HEART OF THEIR OPERATIONS?

Putting the customer at the heart of the operation means doing *everything* to make the customer experience as enjoyable and effective as possible.

Locayta develops software services to meet the needs of two very different customers:

1. Retailers: which require tools to control how products are displayed and presented on their websites.
2. The Retailers' Consumers: who demand a superior user experience that makes it quicker and easier for them to find the products they are looking for.

There are three vital components to achieving a balance between the two:

1. Locate: make sure the consumer can find what they're looking for quickly and easily.
2. Enhance: make relevant product recommendations that really make sense to customers.
3. Promote: enable merchandisers to implement merchandising strategies such as promoting new items or moving sale stock.

LOCATING WHAT THEY'RE SEARCHING FOR

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

The Locayta Freestyle Merchandising platform provides the site search for some of the UK's largest retailers, including Tesco Fashion, Superdry, Boohoo and Paperchase. 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.

Locayta's Freestyle Merchandising platform can also ensure that consumer searches are more intelligently interpreted. For example, it is not uncommon for customers' searches to be category rather than product centric. Let's say a customer searches for 'sofa'. The customer is more likely to want the category rather than cushions, covers and beds. Freestyle Merchandising provides a search term weighting solution that prioritises search results based on matching categories. This provides customers with a results page that is consistently closer to their original intention.

Another common challenge is that consumers tend to use broad search terms that present hundreds of possibilities. Say a consumer was searching for 'Chardonnay'; there might be 146 different individual wines in the catalogue. With Locayta Freestyle Merchandising, you can configure the more popular generic searches to present a range of tailored options that funnel the consumer into a purchasing decision. Perhaps you offer them the most popular, the most expensive, and this week's case deal. Their next click tunes the search precisely to that purchasing intent.

ENHANCING THE SEARCH EXPERIENCE

The second element to finding the right product is providing relevant product recommendations.

For years ecommerce engines flew the flag for personalisation. But in reality they often delivered impersonalisation. Say two consumers have looked at the same gadget, an iPhone. They may have similar lifestyles, they both are busy business executives. But that doesn't mean that they both wear red high heels – especially since one of them is a man!

It is these types of logic failures that have led to considerable scepticism about personalisation engines.

Locayta's Freestyle Merchandising platform tracks consumer behaviour on the site and uses intelligent filtering – for example, by gender, category, age, etc – with its behavioural merchandising algorithms to provide relevant product recommendations in real-time. In addition, Freestyle Merchandising's Balance Factor technology allows the retailer to blend these behavioural recommendations with other metrics such as popularity, newness to site or stock levels to fine-tune the recommendations made by the system. The effect is to increase online revenue by as much as 30 per cent.

PROMOTING RELEVANT STOCK

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

Locayta offers a single integrated platform to provide site search, behavioural merchandising, visual merchandising, behavioural targeting, personalised email recommendations and much more. Locayta balances the demands of consumer and retailer to profit both.

Please visit www.locayta.com to find out more

ByBox
distribution revolution

Despite the fact that online retailing now accounts for 17 per cent of the UK retail market and is set to continue to grow with the rise of mobile commerce, one of the biggest bugbears continues to be having to wait in for deliveries.

And despite huge advances in making the online shopping experience as seamless as possible, the final stage can often leave customers with a sour taste.

With every transaction, retailers are putting their reputation on the line when deliveries are late as customers seldom differentiate between the retailer and choice of carrier.

So what better way for retailers to win the hearts and minds of consumers than by offering them an alternative means of delivery, which will make their lives easier and put them in control?

ByBox has been making significant inroads in the consumer market with its unique locker delivery solution. The company already has nearly 400 sites across the UK and is investing £2 million in further expanding its footprint across the UK by installing lockers at mainline stations, supermarkets and petrol stations.

Gone will be the days of endless waiting for the doorbell to ring. Consumers are able to go about their daily business and collect their purchases at their convenience – day or night, 365 days a year, even on Christmas Day and New Year's Day!

Stuart Miller, CEO and co-founder of ByBox, says: "ByBox is an ideal solution for retailers who wish to give their customers a choice and put them in control of how they wish to receive their parcels. "In today's fast-moving society people are too busy to waste time hanging around for deliveries. ByBox is a convenient solution for a modern lifestyle."

The figures speak for themselves. Last year, ByBox performed exceptionally well, with a 99.77 per cent first-time, pre-8am delivery rate, with smart retailers such as lingerie specialist Figleaves and fancy dress retailer Jokers Masquerade offering customers the option of free next-day delivery to a ByBox locker.

Stuart Miller, CEO and Co-founder of ByBox. www.bybox.com

eDigitalResearch
For informed direction

With more and more customer touchpoints, such as ecommerce, m-commerce and f-commerce it is now, more than ever, essential that retailers listen to their customers, understand their needs and involve them at the heart of the business.

To put the customer truly at the heart of operations, a comprehensive and robust 'Voice of the Customer' programme is vital. Research that revolves around all customers and all channels is essential for retailers wanting to succeed in these changing times, helping them to better anticipate a shoppers needs and improve the overall customer experience. Understanding changing consumer behaviour has never been so important as retailers develop new strategies for a new era of multichannel shopping. Failing to do so will just send customers elsewhere and into the arms of key competitors.

Customer data is key in understanding consumer behaviour: where they are shopping, how they are shopping, why they are buying and how all of this might change in the future. At eDigitalResearch we've worked tirelessly on a system to provide integrated insight from every customer touchpoint, whether that's in-store, via a mobile, through a call centre or from social media platforms. By blending insight gathered across channels into one back-end system, retailers can easily report on their regional, channel and overall brand or group performance, as well as document key behavioural trends, helping to understand where best to focus efforts, investment and strategic planning for the future.

As the relationship between the customer and retailer continues to evolve, we're also seeing more investment in research to create greater customer engagement, brand advocates and provide insight and informed direction on a variety of topics. Research often forms the pulse of a business. It provides real-time feedback on performance, tracks key behavioural trends, and allows businesses to grow and develop. Involving customers through insight is the first step to putting the customer truly at the heart of decision making, strategy and operations.

Derek Eccleston, head of research, eDigitalResearch
www.edigitalresearch.com

When we buy from shops, we can examine the goods, try them out, ask questions of the assistant. We can make suggestions, talk to the manager and know where to return to complain if our goods are faulty. That largely vanishes when we purchase online. We give up security for convenience. But the new wave led by Facebook, Twitter, blogs and reviews – both in review centres and on-site – has opened up a completely new level of communication, both between friends and from experts to friends. Retailers that ignore this, and do not try to exploit this as fully as they can, are burying their heads in the sand. Branding is about telling people who you are and making friends, and the internet turns out to be an astonishingly powerful way of doing both.

But there is one golden rule. Be honest. News will pass from page to page with amazing speed and be picked up by news organisations faster than any other method. But so will bad news, and so will rumour.

A rumour that spreads on Facebook or Twitter about your business cannot be stopped by legal means – shops do not make friends by suing their customers – and any response will be greeted with the thought that 'they would say that, wouldn't they?' There is only one way to respond to this, which is to be entirely open about any genuine mistake you have made, and be prepared to take action and make amends. Then, when a false accusation is made, you can point to your record and maintain the dialogue.

This applies too with reviews on site. There is a tendency among retailers to believe that there is an advantage in 'moderating' reviews, so as to keep the site 'on message'. This ignores the fact that there are plenty of sites out there that have unmoderated reviews of your business and products, including Facebook, blogs and sites that are created for no other purpose, such as Ripoff Report. If you are going to have anyone speak against you, how much better to let them do so to your face?

Good reviews are fabulous but bad reviews can help grow your business too – as long as you listen to your customers and do something about it.

Andy Mabbutt, managing director, Feefo
www.feefo.com

In approaching how best to put the customer at the heart of everything, a retailer needs to consider how they would measure whether the business is actually achieving this goal. What is the key metric?

At Peerius we have found that any of the returns we generate for our clients are all due to a positive increase in the user experience of a website or the general customer experience across any channel in which we offer a personalisation solution. So while the overall increase in revenues is an important metric in the actual effectiveness of the activities in which a retailer can engage, it is not the correct metric to evaluate whether they actually have their customers at the heart of all they do.

The metric we would recommend any retailer to have at the heart of its customer-centric strategy is that of loyalty.

There are many factors that drive loyalty, but all of them are activities that necessitate the target customer to be at the heart of all considerations.

On the 80 retail websites to which Peerius contributes to the user experience, the activities that have been found to be particularly effective can all be put under the umbrella of personalisation. Indeed, there are few activities driving loyalty that do not personalise it for the consumer to some extent. It is the extent to which the personalisation is done which creates a competitive advantage, which will in turn increase customers' loyalty to your brands rather than that of your competitors.

As specialists in multichannel personalisation based on behavioural data, Peerius has an in-depth understanding of how shaping the entire customer experience around an individual's preferences drives customer loyalty and profitability.

If you want to ensure that customers are at the heart of your operations, ask yourself whether all your activities contribute to fostering customer loyalty? If they don't, you need to consider how you can transform your services to give them the appearance that they are all tailored around individuals rather than generic customer groups.

A loyal customer is one who is made to feel like your most important customer.

www.peerius.com

LOCAYTA FREESTYLE MERCHANDISING:

REVOLUTIONARY TECHNOLOGY WITH TANGIBLE RETURNS

Andre Brown, CEO of Locayta

Locayta will be launching their unique Freestyle Merchandising platform to a new audience at this year's *Internet Retailing* Expo. For the first time some of the company's clients including Tesco, Boohoo, Superdry, Prezzybox and Paperchase have spoken about how this advanced technology has liberated their merchandising strategies.

Recreating the high street experience online has traditionally been a challenging process as many ecommerce systems were just not designed with real-world merchandising in mind.

Now there's a quiet revolution going on. Ecommerce companies are starting to discover true merchandising freedom with Locayta. For the first time retailers can enjoy optimised visual merchandising, search and product recommendations in a single platform offered on a software-as-a-service basis.

CEO André Brown explains the philosophy behind the technology. "Online retailers in a competitive market need to tailor their merchandising strategies to multiple criteria," he says. "It's not just about changing product selections or search parameters any more. It's about creating powerful, personal user journeys that inspire shoppers to buy. Locayta Freestyle Merchandising allows retailers to do just that, quickly and easily."

Freestyle Merchandising has a unique ability to manage every aspect of search, product display and recommendation functionality within one powerful toolkit. The technology plugs straight into established ecommerce platforms and has the capacity to simplify complex challenges as well as streamlining costs.

Multiple award-winning brand Prezzybox depends on high conversion rates for success. The company handles more than 2,000 orders every day across a very large product base. Until recently they struggled to find a solution to the manual task of applying multiple updates across hundreds of categories on a daily basis.

Founder and managing director Zak Edwards recalls the difficulties. "It was incredibly cumbersome," he says. "We lost hundreds if not thousands of man hours

to the task. Our business depends on getting the right products in front of the customer fast. We were constantly aware of the margin for human error across such a broad product range. We looked at building our own system, but then we were introduced to Locayta. I was immediately impressed. When you see how simple Freestyle Merchandising is to use you would never guess how sophisticated the technology really is."

For Prezzybox, Locayta has delivered results beyond expectations. "It's been a revelation," says Edwards. "We have total control. We use Locayta's Balance Factor technology to adjust the weighting of search and category results, meaning that as well as responding to user behaviour we can add our own stock control and promotional strategies into the mix. We have the ability to create filter criteria to match seasonal promotions, gift categories and internal variables. Most crucially, because every decision we make can be applied automatically across every category we've eliminated any margin for error and ensured that our customers experience accurate results every time. It's no exaggeration to say that we saw conversion rates increase overnight when we started using Locayta."

Multi-faceted control that delivers on individual retailing strategies is the defining feature of Freestyle Merchandising. Leading brands Boohoo and Superdry each have their own slant on the technology's role in their business plan. Catherine Turner, ecommerce manager at Boohoo, outlines the challenges of fast-paced fashion retailing. "For us the ability to opt in manually where we need to is the key win," she says. "Locayta has many automated response functions that can update search results, categories and recommendations – and that's incredibly useful. But when a new buzz hits the catwalk it's vital for us to be able to adapt our visual displays and search criteria at a moment's notice. We can tie our categories and sequencing into a wide variety of trends, colour stories, collections, and special promotions in line with the latest media coverage. For Boohoo it's all about delivering fast, relevant product placement as well as detailed category and search functionality. Compared with other systems Locayta's dashboard is simple to use and enables us to do that at the touch of a button."

Meanwhile, Superdry's search and merchandising functionality is controlled by Locayta across seven international sites. The selection was a careful process according to Head of ecommerce Chris Griffin: "We undertook extensive research to find a system that could improve our search and merchandising performance," he explains. "Locayta offered the perfect combination of tools for the job. It's essential that our international sites compete effectively with localised providers. Locayta delivers the same high-grade performance regardless of which country the site is operating in. The ability to maintain superior search and category performance on a totally multilingual basis has generated phenomenal, if not unprecedented success for us. Our international ecommerce strategy has experienced four figure growth. We're now aiming to roll out Freestyle Merchandising to eight further international sites in the next few months."

Also enjoying a global audience is The British Museum Company Limited, with a newly re-launched site making extensive use of Locayta's platform. Ecommerce manager Fabrice Druelle is keen to optimise the system's capabilities. "Locayta offered us a tool we simply couldn't find elsewhere," he says. "We have re-skinned our site to make maximum use of product recommendations and give visitors a whole new look and feel with more cross selling opportunities. You can really play with the technology. It's totally adaptable to our product range and complex merchandising structure. We're gearing up to tap into the system's true potential with plans to roll out the full merchandising and search platform in the coming months. It's an exciting time."

Product recommendations are crucial to online retailing success and hence form a key part of the Freestyle Merchandising repertoire. Adrian Spence is the head of ecommerce at Paperchase. He points out the labour saving benefits of the system. "Our products are all about driving newness and offering fresh collections," he explains. "At Paperchase we're thinking much more strategically about product recommendations than some other retailers. The ability to automate this process has saved us huge amounts of time. The search and category functions give us complete flexibility to set and change parameters. For us, a focus on prioritising new stock combined with best sellers is generating beneficial results."

> **"It's no exaggeration to say that we saw conversion rates increase overnight when we started using Locayta"**

> **"Locayta offered us a tool we simply couldn't find elsewhere"**

Mark Wakeley, change manager at Tesco Clothing agrees: "Until we launched with Locayta our systems just couldn't achieve what we needed to do," he says. "The ability to control product and accessory recommendations makes sure that customers have fast, convenient access to the products they are looking for, ultimately increasing conversion rates and order values. We're now moving to the full Locayta system. Freestyle Merchandising is easy to use and you receive full support. We've experienced some staff turnover in the past year and Locayta have been quick to respond to the training needs of new people. They take the time to meet with us once a week to look at potential new advances that will tighten our performance further."

Indeed, there is unanimous agreement on Locayta's willingness to drive their development road map according to clients' needs. Superdry's Chris Griffin agrees with the Tesco experience: "They are a great company, continuously coming to us with proposals for new innovations to drive revenue. We experience a tangible return on their services. The kit is fantastic and you receive full support in implementing the system and fine tuning it to your own requirements."

Prezzybox's Zak Edwards also appreciates the ease with which the system was integrated. "Implementation was great – very flexible and amenable. Locayta's people can speak our language, easily translating between technical detail and layman's terms. They're receptive to our ideas and happy to include our suggestions for further technological development. It's a well-priced, user-friendly system that has saved us untold time as well as dramatically increasing conversion rates."

Locayta are at the *Internet Retailing* Expo on the 21st and 22nd March with live demonstrations of their uniquely integrated merchandising, search and product recommendation software. Delegates are invited to book an appointment in advance or simply visit stand A13 to discover new freedom thanks to Freestyle Merchandising. ■

www.locayta.com

IT'S ALL ABOUT THE JOURNEY...

CUSTOMERS NOW INTERACT WITH RETAILERS ACROSS MULTIPLE CHANNELS. WHAT DESIGN CHALLENGES DOES THIS THROW UP FOR RETAILERS? **JONATHAN WRIGHT** INVESTIGATES

As little as 10 years ago, digital interface design was largely about creating a website that was slick and simple to use. Sure, there were recurring issues such as shopping cart abandonment to tackle, but the emphasis was in guiding consumers through a desktop-accessed website towards, all being well, that all-important purchase. The item could then be mailed out to the consumer or even, in the case of really cutting-edge retailers selling virtual goods, downloaded. All being well, job done.

It's a measure of just how far cross-channel retail has already developed that such a picture now seems downright quaint. We live in the age of a frightening creature that Nicola Millard, customer service futurologist with BT, dubs the "monster customer". This smartphone-wielding value-seeker is quite happy to check prices online while out and about, and then to tell harried shop assistants what they've discovered: "I can find it cheaper here, what are you going to do about it?"

Tempting as it might sometimes seem to retailers, the answer to this question is not to boot such customers unceremoniously out of the shop. Rather, retailers need to recognise that increasingly there's something of the monster about all of us, and design accordingly. In the broadest strokes, the concepts here aren't difficult to understand: the core idea of customer-centred design is, as the name suggests, simply about putting the consumer plumb in the middle of the whole design process.

But there's a huge problem. The increasing use of smartphones and tablet PCs, and customers who do research at home before buying at a bricks-and-mortar store, has disrupted retail patterns to such an extent that many firms are having huge problems understanding exactly how their customers are interacting with the company.

NEW INSIGHTS

Nevertheless, there's plenty of research going on in this area, research that's throwing up some surprising insights. "The work we did last year on the autonomous customer, which was a survey of UK and US customers, brought out that we're not very loyal anymore," says Nicola Millard. "Only 46 per cent said they were loyal to brands, so the majority are not loyal. The interesting flipside of that statistic, which is backed up by some academic research coming out from Harvard and Stanford, is that 83 per cent of these autonomous customers are saying, 'If you make it easy for me I will come back to you.'"

> **"Retailers need to recognise that increasingly there's something of the 'monster customer' about all of us, and design accordingly"**

To look at that another way, it seems that across the board time-poor, information-rich customers place a value on retail experiences where it appears the retailer understands how they want to interact with a company. This can often trump price.

Against this backdrop, what exactly does customer-centred design look like when it's implemented? "For me customer-centred design is where you see everything through the lens of customer requirements," says Giles Colborne, managing director of usability specialists cxpartners. "Not just user requirements, but your decision-making process is based around interaction with the customer. A lot of times you have a requirements-driven process, and very often what happens then is a bunch of internal stakeholders list their requirements, and they get prioritised and pared down into a list of spheres to be developed, developed until they're happy with them and then put out there."

In contrast to a top-down, corporate process that can quickly move away from focusing on end-users if companies aren't careful, customer-centred design, rooted in the earlier discipline of user-centred design, is all about first observing what people do. This process of ethnography, a term borrows from anthropology, is more colourfully described by Nicola Millard as "structured hanging out".

Moreover, in a digital age when it's comparatively cheap to prototype ideas using digital technologies, hanging out can sometimes be allied to working toward a common goal. BT, says Millard, now uses 'hothousing', bringing customers in to work on a problem with developers, strategists and business people. The aim is to produce a prototype in a short space of time. "That's where you get real insights as to whether this would work or wouldn't work and who's having problems," she says.

WHAT CUSTOMERS REALLY, REALLY WANT

That's not to say that a company should ignore its own agenda as it bids to escape top-down tyranny. After all, if you ask customers what they want, they always want great service. Whether they're prepared to pay for this is another matter. The rise of budget airlines, for example, rather suggests there are times when we'll all sacrifice service on the altar of price. In other words, retailers need to be careful that customer-centred design has a pay-off.

There are difficulties here. Giles Colborne remembers being approached by a large retailer that wanted to "delight" its customers. He was immediately worried by what seemed like a vague notion. On closer examination, he began to see value in the idea. That's because customers who have had a good experience, who are delighted, tell their friends, an increasingly powerful proposition in an age of social media, a return on investment in itself.

"These days when I design, I begin by trying to map out the emotion that people feel," says Colborne. "It looks at first glance to be a rather woolly way of doing things, but it turns out to be not only an efficient but also powerful way of understanding what it is you need to design and deliver."

This will become increasingly important in the years ahead because personalisation is becoming key to effective cross-channel retail. In particular, with retailers getting more and more sophisticated in the collation and use of 'big data', there's the constant risk of spooking customers when you get communications wrong. That's not to say that customers won't give out personal information, it's more that they're often aware of the value of such information and expect a pay-off for sharing data.

Recently, one of the major supermarkets has experimented with geo-fencing, tracking a mobile's location and getting a pre-selected grocery order ready to take to the car park as the customer approached the store. Most of us, you'd guess, would be acutely uncomfortable with this being done except strictly on an opt-in basis – especially as our phones are increasingly taking the place of wallets and purses, these are highly personal objects. Get such communications right, though, and there are considerable upsides in being 'context-specific'. "It's turning the internet local," says Nicola Millard of a near future where we get personalised offers via mobile that reflect where we are and even the shops we've visited on a given day.

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

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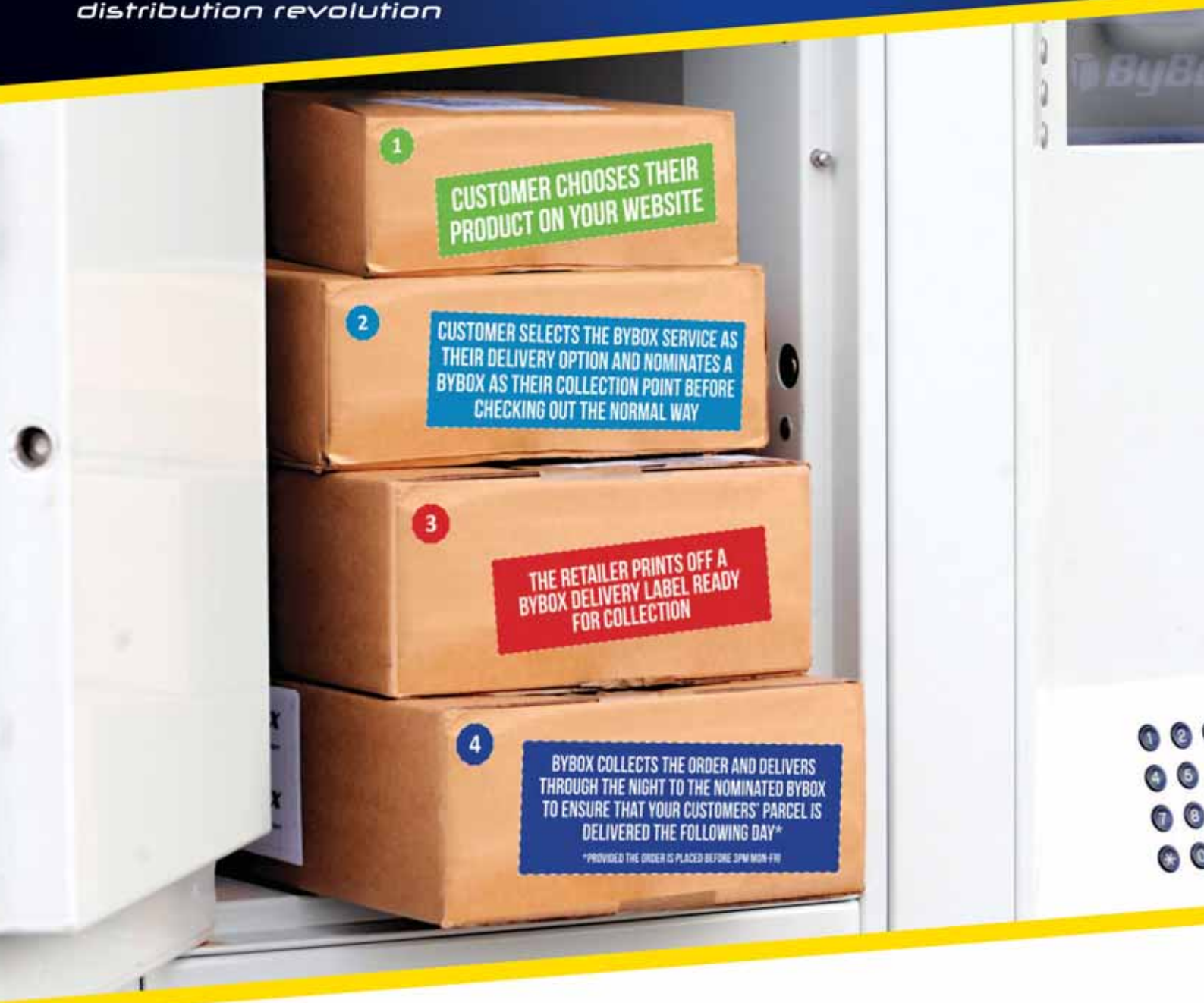

We do for home shopping what ATM machines do for banks. Empower the consumer to collect what's theirs whenever they want it.

For those working during the day online shopping is bittersweet. Low prices and choice, but a Russian roulette on successful delivery options.

ByBox delivers online purchases next day, not to a home or work but to a locker. Like an ATM, ByBox lockers are outdoors. **Convenient and available 24/7/365.**

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Research, explains what's on the immediate horizon here. "As a spin-off from the EC-funded CEEDs project I coordinate [CEEDs-project.eu], one application area we are looking at is emotionally intelligent retail," he says. "What we mean by that is the retail environment making the best use of any source of information it can, so your mood, your gender, who you're with, your life stage, all that sort of stuff, in order to try and communicate with you appropriately. This is where we're looking at all sorts of new technology. An example would be shops that use emotion recognition, using cameras or sensors, to try to infer your mood and give a product that's appropriate to it."

Such developments are a way ahead yet, but Giles Colborne too talks explicitly about the idea of emotionally intelligent retail, contending that "our whole concept of brand is about to change" so that brands will no longer project one core emotion as, say, Coca-Cola and McDonalds have arguably done in the past. "It's almost as though the brand is talking with a fixed expression on its face," he says, "a single tone it's trying to project on you – if you talk to a person like that it becomes false and irritating very quickly. What we're able to do with interactive experiences these days is to vary that emotional tone according to the situation and also according to the person, so it's less like dealing with a shop filled with automatons."

It's worth interjecting the idea of a conversation here. Dee Roche is global marketing director with customer interaction management specialists Eptica. Too often, she says, companies think only of the messages that get sent out. Social media,

> "It's time to recognise that social media should be a service channel as well as a sales and marketing channel"

for example, is often the preserve of the marketing and sales departments. But what if customers are using Facebook to try to get information from the company or to complain? This can cause tension within organisations as turf wars develop.

"We're saying it's time to recognise that [social media] should be a service channel as well," she says. "If you've got marketing people and they're the early adopters, how does customer service come along and muscle in?"

The answer, of course, is that customer service shouldn't have to muscle in. If digital design is emotionally smart and focused on the customers, it should be self-evident that companies need to cater for different kinds of customer journeys, whether these are journeys undertaken by a smartphone-wielding shouter scaring the shopfloor staff in bidding to get a discount, or an unhappy parent whose five-year-old's new toy has broken and who's looking for advice via Facebook on how to fix it because completely depriving the child of the toy will cause tears before bedtime.

As we've previously explored, that's not to say companies should try to map out every possible scenario and have a pre-programmed response, but retailers should at the very least be designing to cope with commonly occurring scenarios. Moreover, what's known as service design, which can be defined as the way a company ideally wants to talk to and to serve its customers, needs to be aligned with customer-centred principles, even when a retailer is, say, gently trying to nudge a customer down a certain route because it's cost-effective for the company.

"If you choose to design a service without being customer-centred, you'd be going back to the crappy call centre where you call up your bank, key in our bank account details and someone comes on the phone asking you to verify your details," says Giles Colborne. "'What, the ones I just keyed in?' 'Yes, those...'" Today, any company that behaves in this way may be in for a rude awakening as its customers, disloyal but nevertheless drawn to companies that make life easy for them, choose to take their shopping journeys elsewhere. ■

SPEAKING FROM EXPERIENCE

FILTER OUT THE NOISE

"Consumers are going to be expecting a level of service that can only be delivered with technical augmentation. To get people into shops, people are going to want relevant products to be shown to them. They want to be able to filter out the noise that's not relevant to them."
Jonathan Freeman, senior lecturer, Goldsmiths, University of London and managing director, i2 Media Research

TALK TO CUSTOMERS EARLY

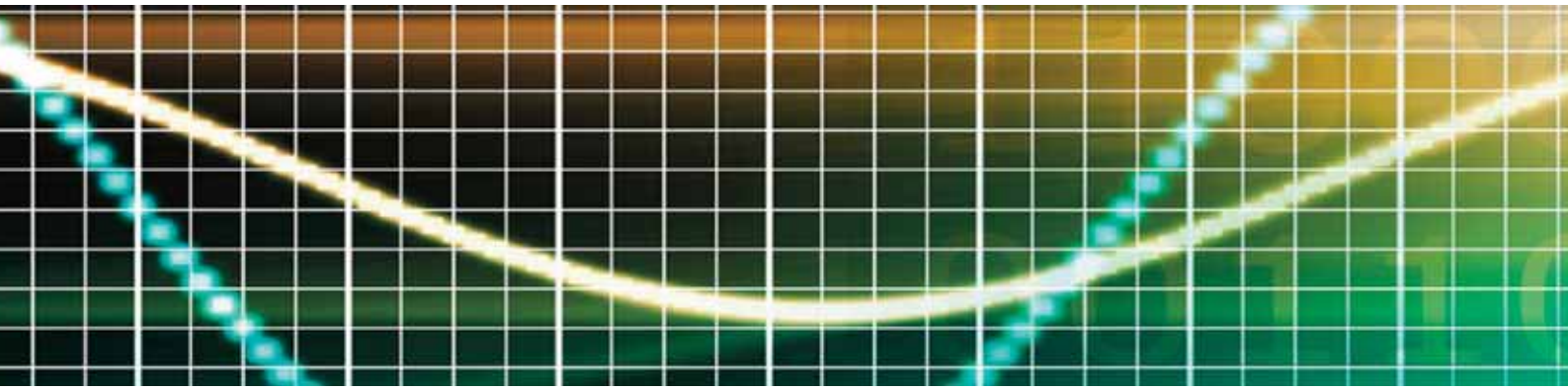
"By the time you've prototyped something, you're already quite a long way down the design grid – but if I could only talk to my customers once in the design process I would talk to them at the very beginning, the benchmarking stage, get them to use the old website or old mobile app. We spend a lot of time watching people in physical stores, how great salespeople sell to people and the steps they go through. We learn a huge amount through that. The first contact you have, the first piece of research, has value at every subsequent step."
Giles Colborne, managing director, cxpartners

INTEGRATED DESIGN

"No longer can you design the retail store and the website separately because that's not what the customer perceives, the customer sees the brand. So when you're doing experience design now, you have to take in all touchpoints, and you have to look at those consistencies, and you have to make sure that the strategy for customer experience ties it all together."
Nicola Millard, customer service futurologist, BT

THE IMPORTANCE OF SEARCH

"You need a really effective search technology sitting under all of the channels [customers are using], ideally joined up so that it understands what questions your customers are asking and it allows customers to ask the questions in their own words."
Dee Roche, global marketing director, Eptica



WHEN INFORMATION BECOMES INSIGHT

MERCHANDISING IS THE ART OF INTRODUCING A CUSTOMER TO PRODUCTS THEY WANT TO BUY IN LINE WITH WHAT IS EXPECTED TO SELL. SO HOW CAN TODAY'S MANY STREAMS OF CUSTOMER INSIGHT HELP RETAILERS PERFECT MERCHANDISING STRATEGIES? **ALISON CLEMENTS** REPORTS

Online shopping cultivates detailed customer knowledge and this is now informing retailers' merchandising strategies. But the toolkit available is vast, ranging from individual customer data, loyalty card data, historical sales data, segmentation by customer type, customer polling, attitudinal research, demographic research and in-the-moment behavioural analysis. Retailers can even trawl customer reviews, social networking sites and Twitter to listen in to what customers are recommending to each other, or disregarding.

These are all accepted sources of insight, but when pulled together, can they fully represent 'the customer' and allow for more accurate merchandising? It might be easy for a music retailer to identify customers by favourite band or artist, and plan merchandising and product presentation accordingly, but how easily can fashion, furniture or homewares retailers know what their individual customers want to see over months or years? While using data to market to customers is one thing, shaping your merchandise offer according to customer insight is a challenging prospect, and not something many retailers have yet mastered.

The pureplays are in a strong position. "The days when a media company researched your specific market and came up with customer profiles for you to try and target are long gone," says Rob Moss, marketing director at Mywardrobe.com. "Today retailers can segment their own customers based on what those shoppers actually do. It's real sales data attached to customer profiles, and backed up with real-time behaviour that you can track and monitor over time."

RICH DATA

All this rich data is giving a really good picture of the individual, agrees Ish Patel, group omnichannel director at Aurora Fashions. "For retailers whose product reaches into many different areas of life this could be incredibly valuable in the future," he says. "The likes of Tesco and Amazon will eventually have a very rounded view of customers who are buying across multiple categories – clothes, furniture, electronics, banking, food." His point is that for specialists – fashion retailers, book and music retailers for instance – there are limits to what you will know about a customer's life, and how you can use that for commercial advantage. You'll only know about what they might like to wear, and each season that's likely to be different.

This knowledge is already helping enormously though, when it comes to searchandising – personalising what is presented when customers search websites for certain products. Personalisation and recommendation are achieving sales uplifts of between two per cent and 20 per cent, according to Forrester. Segmentation and behavioural analysis is powering merchandising strategies for the pureplays, and increasingly multichannel players such as M&S and John Lewis, are allowing the customer base to be separated out, and product promotion planned around these different needs and real time behaviour patterns.

John Lewis has been trialling personalised product recommendations on its website since last autumn, and following success with a RichRelevance system will be making this part of the online merchandising and email marketing strategy. The aim is to push product that is relevant to customers and likely to inspire them to purchase. Sales rose almost 30 per cent in the five weeks to December 31, and the retailer believes the searchandising technology helped this performance.

"We see personalisation as an extension of quality customer service, by giving every shopper an experience uniquely tailored to their preferences," says Sean O'Connor, head of online delivery and customer experience at John Lewis.

WORKING THE DATABASE

Moss says Mywardrobe.com has a database of around 150,000 customers, and these vary from people who subscribe to the email service, to the most active group who may spend five or 10 times a season. "Some of our 'VIP' customers are spending up to £25,000 a season, and we know these might typically be corporate women who need smart outfits for daytime that can be adapted for evening functions, so this will influence our buying and merchandising to a degree," says Moss. Other customer segments include those who follow certain brands, those who buy once or twice a year for special occasions – winter jacket, piece of swimwear – and those who buy rarely, perhaps for a wedding outfit. "The beauty of being a pureplay online retailer is that you know everything about each customer, and can act on that intelligence," says Moss.

Mywardrobe can tailor its customer communication (print 'style guides', emails) to the segments, pushing the reliable 'hero brands' but also introducing other brands where data shows they will be most likely to succeed. "Data analysis reveals which brands sell well to which group, and often fans of one fashion brand also go for certain others," says Moss.

Personalised recommendations – 'Myrecommends' – therefore appear when signed-in members return to the site, and typically there will be a combination of static planned product, merchandised prominently, alongside dynamic personalised recommendations. "Myrecommends is driven off an algorithm that shows sales uplifts. However because we are a luxury fashion brand we're careful not to bombard customers with offers and intrusive suggestions," says Moss "One or two recommendations done with care can be extremely powerful. It's important to retain the brand values and give a good-quality brand experience."

> **"Shaping your merchandise offer according to customer insight is a challenging prospect, and not something many retailers have yet mastered"**

Recommendation engines energise online merchandising, making use of customer segments where returning shoppers can be identified, or suggesting product to anonymous visitors thanks to real time behavioural analysis. Personalisation and recommendation are certainly helping online retailers put forward the most relevant and likely-to-sell options, and often recommendations are tied into underlying merchandising programmes, which automatically decide what should be pushed forward, and what should not – perhaps dependent on stock levels available or pricing strategy. By serving up merchandise suggestions based on a logged-in customer's transaction history, or the live activity of unknown shoppers, there will be a higher chance of conversion.

FIXING ON RECOMMENDATION

eBay knows this, and despite its vast customer base – 17 million shoppers every month – the online giant has plans to be more accurate in its online merchandising techniques. Angus McCarey, UK retail director for eBay says: "Having so many visitors coming to our site allows us to be experts in evolving consumer needs and shopping habits. We know from our research that relevance and inspiration puts brands front of mind for consumers and makes the difference between browsing and buying. So recommendation is definitely something we will be focusing on this year."

Last year, eBay acquired data analysis specialists Hunch. Its prediction technology will allow eBay to generate tailored recommendations for its customers. "This new technology will help us take personalisation to the next level and beyond standard item-to-item recommendations, enabling new ways to connect the right products with the right shoppers," says McCarey.

Data promises so much, but converting it to usable commercial information is a daunting task. A recent SAP UK report found that more than half of 100 retailers questioned had more data than they could use, and 88 per cent admitted difficulty turning the customer data they owned into useful insight that could help them personalise their product offer and promotions. "We all know data is valuable," says Chris Osborne, retail industry principal at SAP UK and Ireland. "But without using it, it loses us time, money and the ability to provide good customer service."

Is there a risk that customer insight would lead to too narrow a view of merchandising anyway? If retailers follow exactly what their customers appear to be asking for, is there a risk that their brand is compromised? Moss at Mywardrobe says this does need to be considered. "If you're all about promoting innovative product – new styles, fresh designers – there's a risk that you let conservative views of some prominent customers creep in, and tone down your true voice. It's one to watch."

ALGORITHM DOWNSIDE

Retailers must watch that the algorithms they use to suggest product in real time, or based on what's sold well before, doesn't compromise swathes of merchandise that won't be recommended.

What's clear is that the best policy will be to combine streams of customer knowledge from digital channels and then use this picture of customers in line with the brand's merchandising strategy and in keeping with wider company

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culture. It's important not to lose sight of what has traditionally informed merchandisers. At the core of customer insight is historic sales data – the information that buyers and merchandisers rely on for forecasting and merchandising planning, essentially looking at what has worked in the past and what hasn't.

Retailers also regularly use focus groups for qualitative insights into product that will shape their future merchandising plans, and then carry out wider polls of attitudes for quantitative figures to substantiate the focus group findings. A relatively new source of customer feedback is site reviews and online customer forums, and these are helping retailers understand what makes a bestseller, or why certain products are failing to hit sales targets. Many companies now have Net Promoter Score programmes in place, which provide insight into how service is viewed and whether the product is reaching expectations. And of course there is the new world of social media, which gives a wealth of customer views for retailers to feed on.

"The strength for retailers is combining two key areas," says Adam Vincenzini, head of digital practice at social media agency Paratus Communication. "On the one hand you have day-to-day, general trend analysis – looking at demographics, studying consumer trends, monitoring product reviews, and listening to social media output like Twitter, Facebook, Google+ and YouTube. Then you will have the wealth of more specific sales history which shows what has been selling, and when, ideally to which segmented groups."

When these are combined merchandising could be planned more tightly. "When real-time behavioural analysis is applied to the mix, you can start to slow down or speed up supply, depending on the popularity of goods," says Vincenzini. This will underpin the customer-centric model that retailers today aspire to – where product is pulled by customer needs, rather than pushed by what the retailer deems will sell.

THE GROWTH OF F-COMMERCE

How valuable will customers' activities on social media become to insight-driven merchandising? In the USA, Amazon combined social intelligence with its own recommendations capability by integrating Facebook Connect. Customers who opt in on Amazon's site are given personalised gift recommendations based on their Facebook friends' profiles, which reveal favourite music, film, sport and so on. UK retailers are building their Facebook, Google+ and Twitter presence but there are reservations about how open customers will be to sharing their details or transacting through social networks. Incentives are likely to be needed to encourage social media users to share their data and take part in f-commerce.

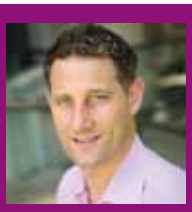
Facebook should be viewed more as a means of creating better engagement with customers, rather than gathering data on them, says Patel. "Users on Facebook aren't necessarily in a shopping mindset, so I think retailers have to be cautious when making plans to monetise their Facebook page. People don't want it to be a transactional site so that should be respected. If they choose to shop that way it makes sense to offer a link, but generally it should be used to broaden a dialogue and build trust with customers."

British retailers are embracing new channels all the time – for instance Burberry's recent brand building activity on Google+, M&S launching a smart TV app – and mobile is blurring the lines between online and offline shopping activity at an incredible rate. Retailers with a mobile platform, and active in social media, no doubt plan to combine customer insights with a vision to fully understand individual customer's needs and eventually plan merchandising accordingly. But making this a commercial reality won't happen overnight. ■

> **"The best policy will be to combine streams of customer knowledge from digital channels and then use this picture of customersin line with the brand's merchandising strategy"**

SPEAKING FROM EXPERIENCE

CONSIDER THE CUSTOMER FIRST



"The most successful personalisation introductions are those that begin by putting the customer in the centre of the retailer's strategy and from there, employing a variety of strategies that are continually improved and remodelled to incorporate changes in inventory data and user behaviour."
Darren Hitchcock, vice president, UK and European territories, RichRelevance

THE LIMITATIONS OF SEGMENTATION

"The more relevant information you know about your customers, the more effective your merchandising and marketing will be. Segmentation, or looking at all consumers who meet specific criteria such as a product category interest, is a crucial best practice that is missed by a surprising number of retailers. Too often, segmentation is too basic, such as whether subscribers are male or female. Going beyond the basics opens the door to higher revenue through messages and offers that are more relevant and targeted."
Kevin Skurski, director of marketing communications, Bronto Software

THE NATURE OF PEER-TO-PEER

"Most peer-to-peer recommendation is based on the experience, rather than the product, and by this I mean the individual's perception and emotional take-out of interacting with those online products and services. If the experience fails, so does the brand."
Nathan Williams, senior strategist, Wolff Olins

CLEAR VISION

HOW CAN CROSS-CHANNEL RETAILERS UNIFY THE INFORMATION THEY GATHER ON INDIVIDUAL CUSTOMERS THROUGH THEIR VARIOUS TOUCHPOINTS, TO GAIN A SINGLE VIEW OF THAT PERSON? HOW HELPFUL WILL 'SILO-FREE CRM' BE WHEN IT COMES TO DRIVING LOYALTY? **ALISON CLEMENTS** REPORTS

Visionary retailers have a clear notion of the kind of joined-up, seamless cross-channel experience they want to offer customers. But do retailers have a joined-up, cross-channel picture of those customers? Many industry observers see the creation of an actionable, commercial view of the customer as the means of offering true cross-channel service excellence – not only enhancing the brand, and delighting customers, but also powering up profitability and long-term loyalty.

"Big-brand retailers are spending millions on integrating their systems to have a single view and from there personalise the offer at every touchpoint for maximum sales impact," says Fergal O'Mullane, managing director at Conduit Technology Consulting. "At the moment it's a challenge because the infrastructure most retailers are working with is likely to be quite old. But over time the technology and processes will make it easier for retailers and brands to build up an integrated, synthesised picture of their individual customers, rather than be dealing with customer data spilt into silos."

It's true that most retailers have several 'versions' of each customer – the cookie on the home PC, email address,

mobile app sign up details, credit card details, their home phone number and post code. With social in the mix, account must be made of increasing connections via Twitter, Facebook, Google+ and other emerging networks, depending on privacy issues. With geo-location technology allowing localised marketing messages to be delivered to mobile devices in stores, the cross-channel possibilities reach a new level – personalised offers, delivered in the moment, becoming a reality.

MOCIAL LIFE

A white paper from email marketing specialist Silverpop, entitled *Get Your Mocial Mojo Working*, highlights how mobile marketing and social (hence 'mocial') activities should be designed to build customer engagement in very specific ways, with new channels used to gather in customer details for future 'joined-up' communication. A lead is being taken by location-based services such as Gowalla and Groupon, which bring locality, timeliness and personalisation into the marketing mix. "Social and mobile attract a new group of engaged customers, so retailers should use these channels to add followers, friends and influencers to the email channel where nurturing of relationships, and conversions may be more likely to occur," says Richard Evans, marketing director, EMEA, of Silverpop.

The company makes the case for email being a key communication channel that others will service. "Despite the explosion of social and mobile, email continues to play a critical role in how we communicate," says Evans. There are nearly a billion more email accounts than social network accounts worldwide. Perhaps as a reflection of this, businesses typically have far more email subscribers in their databases than Facebook fans of Twitter followers." Silverpop research pegs the median ratio of email subscribers to Facebook fans at roughly 70:1, and much of its advice in the paper centres on how to grow your email database through social and mobile, and how to keep emails interesting by making them more social.

> "A lead in joined-up communication is being taken by location-based services such as Gowalla and Groupon, which bring locality, timeliness and personalisation into the marketing mix"

By delivering 'shareworthy' content, email campaigns can go viral, for instance. The underlying message is that new customer communication channels should be about building a meaningful link to customers, and piecing together the customer identity jigsaw, rather than throwing money into 'mocial' pursuits with no commercial, customer-centric goal in sight. An 'unsubscribed' customer is cutting herself out of a core element of cross-channel marketing, so there's a warning about the effort that needs to go into informing, entertaining and surprising email recipients, and not just swamping them with hard-sell messages.

THE RIGHT INCENTIVES

O'Mullane agrees that customers will want an incentive to sign up and remain the kind of customer that responds to cross-channel activities. "We're already seeing ideas such as instant online discounts if you 'share' a purchase with your Facebook friends," he says. "These kinds of instant rewards will be needed to keep customers interested in being a fan, and they deliver a commercial benefit because by sharing details of a purchase and providing a link back to the online store, you're reaching potential new customers for a small price." But of course these schemes are reliant upon very clear instructions to customers about how a promotion will work, and what they're required to do.

Consumers do seem open to the cross-channel experience. Nearly half (45 per cent) of consumers believe more of their shopping experiences will occur across multiple channels in the next year, according to the *Cross-Channel Checkup Study* conducted by Retail TouchPoints for Bronto Software. So it's not surprising that John Lewis is investing heavily over the next few years on integrating and updating systems to become fully

SPEAKING FROM EXPERIENCE

TIME WILL TELL

"Over time the means of unifying customer data will become easier. Smart retailers today already think carefully about how they sign customers up to email services, mobile apps and social media so they're guaranteed to be dealing with the same person. It's often a case of practical planning, and integrating different systems so that a unified picture can be built up."
Fergal O'Mullane, managing director, Conduit Technology Consultancy

THE ENGAGEMENT MODEL

"Today in retail the age-old transactional model is fast-evolving to become the engagement model. That might mean personalising a website welcome page for individual customers, or sending them relevant SMS discounts when they enter your store. But staying in touch with the cross-channel customer is very challenging, with new mobile and social channels adding endless possibilities for multiple touchpoint marketing. The store experience is still vitally important with retailers facing a big up-skilling programme if sales assistants are to understand their role in cross-channel engagement, and play a useful part."
Tony Bryant, head of business development, K3

DISJOINTED EXPERIENCES

"Customers look for two things when they engage in a multi-platform shopping trip – flexibility and accessibility. They do not see separate web entities, mobile entities, and physical stores; instead they just see one retailer or brand. Retailers and brands spend so much time (and money) delivering brand consistency and customer experience across their different customer facing touch points – when in reality the ability to deliver such consistency across multichannel platforms is very disjointed because knowledge of the customer is lacking."
Enda Breslin, vice president technology solutions, GSI Commerce

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WHAT WOULD A CROSS-CHANNEL EXPERIENCE SUCCESS STORY LOOK LIKE?

Bronto Software envisages how a merchant should progress from 'walk', 'crawl' and finally 'run' in its efforts to send targeted messaging across the appropriate channels to customers it fully understands. Below is the 'run' stage when the merchant has achieved the ultimate end goal: silo-free CRM. This will lead to increased engagement and a plethora of loyal customers, argues Bronto.

From email click-throughs, social interactions and mobile opt-ins, the retailer has obtained all of the right communication tools to drive optimal engagement. At this point, marketing has integrated email, mobile and social media to develop a seamless experience across channels, communicating via the channel that makes the most sense for the situation and recipient.

The merchant will have accumulated a hefty roster of shopper information outside of basic 'name, gender and location' data. The company is now in possession of detailed knowledge about the channels its shoppers are engaged in or where they prefer to receive certain types of messages. Equipped with intricate customer behavioural data, the retailer can continue to roll out customised marketing campaigns driven by the unique purchasing and communication experiences of individual shoppers.

• Source: *Taking a Crawl, Walk, Run Approach to Cross-channel Marketing*, published by Bronto Software, February 2012

multichannel; and fashion players from Arcadia to White Stuff are working hard to assimilate their CRM systems, collate customer data, and devise new ways of engaging with customers using integrated messaging strategies.

Tony Bryant, head of business development at K3 Retail says such retailers want to have more visibility of the customer as s/he shops different touchpoints. "And from that visibility and knowledge they can begin to engage more directly with her," he says. "Everyone is talking about engaging with the customer. It's not just about transacting with her any longer."

> "It's in the bricks-and-mortar store where much of the effort of cross-channel communication can come to fruition"

Bryant says GPS technology will mean that mobile messaging can be tailored to customers as they enter a store, offering relevant product promotions, offering discounts, or pushing stock that needs to be moved. "It's all about recognition, and once that is possible, and location-specific, very relevant and timely offers can be sent directly to customers. Loyalty is about to get far more interesting because of the personalisation that can be built into those moments of contact," says Bryant.

He believes the degree to which retailers will take personalisation is as yet unknown. "We're already moving towards individual customers arriving at a totally personalised web page – nothing but tailored content for him or her. The retailer might know they are a London-based female fashion fan, or a 30-plus male mountain-biking fanatic, and that will shape the content."

THE BRICKS-AND-MORTAR FACTOR

Mocial presents an exciting new dawn in cross-channel marketing but equally stores become vital in this drive to commercialise the customer view, because here is where much of the effort of cross-channel communication can come to fruition. For Morrisons-owned Kiddicare the investment in 10 former Best Buy stores will give shoppers trying to buy baby equipment easy ways to view products, and to order and receive their goods.

"As well as being fantastic destination superstores for families across the country, they are the ideal platform for Kiddicare.com to lead the baby market by giving a true multichannel experience," says Scott Weavers-Wright, chief executive of Kiddicare. Weavers-Wright knows that the unifying nature of having signed-up web customers in store looking at product will throw up many cross-selling opportunities. In an old-fashioned sense they will see other things they need while in the physical store, but cross-channel systems now mean a store purchase could prompt some deft personalised email marketing messages, possibly driving shoppers back instore. Time and location specific deals delivered straight to loyal customers' smart phones, could then turbo-charge the customer/retailer relationship.

The challenge for retailers looking ahead will be unifying customer information from the web, the back office and store systems to deliver the kind of experience today's customers want. Next has found itself in a strong position because both its directory and online shoppers are fully signed up account holders, so a great deal of unified customer data is already held, albeit excluding the non-signed-up shopper. Health and beauty retailer Boots is "really serious" about developing its multichannel offer, according to chief executive Alex Gourlay. The retailer has launched several mobile apps, and a large percentage of its customers own the Advantage loyalty card, so like Next, has loyal, readily engaged customers with whom cross-channel communication could work wonders, if a single view of her is achieved and integrated systems allow.

Other players must strive a bit harder to get customer buy-in, and give retail marketing departments a clear view of who customers are. "Retailers are working to encourage shoppers to 'raise their hands' and engage with a brand across channels by opting in via email, social media sites and on mobile devices," says Kevin Skurski, director of marketing communications for Bronto Software. "To achieve this goal, they'll need to follow a number of communication and data-collection best practices. Forward-thinking retailers that focus on enhanced customer relationship management (CRM) strategies are improving loyalty and increasing the bottom line."

By collecting data from a variety of sources and consolidating this data into a synchroniaed view, retailers can obtain in-depth insight on consumer behaviours and preferences that can be used to optimise marketing initiatives, says Skurski. "And by extending beyond the basic 'name, gender and location' categories, retailers can enhance visibility to leverage a 360-degree view of their target consumer base."

It comes back to customer engagement. If you know a core of valued customers very well, and keep delivering relevant, personalised and useful content through the channels they enjoy, shoppers are more likely to keep coming back. ■

DELIVER WITH CARE

WHAT HAPPENS WHEN RETAILERS PUT THE CUSTOMER AT THE CENTRE OF THEIR LOGISTICS OPERATION? CHLOE RIGBY HEARS FROM RETAILERS AND INDUSTRY INSIDERS

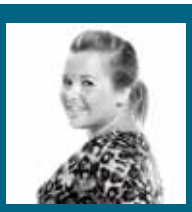
With a client base of time-pressured parents, nursery retailer Kiddicare knows that prompt yet flexible delivery is vital for it to prosper in a competitive market. Kiddicare says its customers take the lead when it designs its delivery services. Its customers have many time pressures, juggling work, school runs and caring for children that lead them to be in and out of the home at often unpredictable times. Thus its service options currently include next-day delivery for orders placed by 5pm, a one-hour delivery slot that can be changed by text, with frequent email notifications that let customers know exactly where their goods are. Shoppers are also given the tracking number of the parcel so they can check for themselves exactly where it is. Returns, however, are at the customer's cost.

"Our customers are very busy and don't want to wait five or six days for standard delivery," says Jennie Cox, head of PR and social media at Kiddicare. "So we work with the best companies to ensure they get their products the very next day. It's a case of making sure they don't give up entire days. When we have parents with two or three children with various school runs, we need to make sure they're not hanging around."

This approach clearly works, since 98.8 per cent of Kiddicare deliveries were successfully made within the one-hour time slot over the last year, according to the company's own figures. Six mistakes were measured in the 198,000 orders picked in January 2012 – an error rate of 0.003 per cent. These factors are also likely to have an effect on the overall rising numbers of orders that Kiddicare is enjoying – up by 39 per cent in January

SPEAKING FROM EXPERIENCE

END-TO-END SERVICE



"What we do differently is we do try and cater for the customer's needs from literally minute one to the end of the process with the ultimate goal being a repeat customer. The better you do it from the start, the better the return on investment."
Jennie Cox, head of PR and social media, Kiddicare

SHINY DISTRACTIONS

"Often retailers simply aren't getting the basics right – they are fixated on mobile, social, the new shiny thing and not delivering when they say they will."
Michael Ross, co-founder and director, eCommera

WHAT DO CUSTOMERS WANT?

"A couple of years ago there was a big demand for carriers to offer an avoid-the-school-run service. Last year we saw two or three retailers introduce that, but this year it has completely gone. The challenge for retailers is to work out what customers really want and then offer that. It's a difficult thing to work out."
Sarah Clelland, marketing manager, Micros UK

2012 compared to the previous January. Winning repeat custom will be key to its future growth, says Cox, and customer-centric deliveries are vital to that.

Kiddicare's delivery service also recently won it recognition in the form of a Golden Chariot award for outstanding delivery performance as measured by the *MICROS UK 2012 Online Retail Delivery Report*. It stood out from the more than 250 retailers whose delivery systems were analysed in the report.

But just how did Kiddicare go about putting its customers at the centre of its delivery service? Central to the task, says Cox, was Kiddicare's online customer community. There, shoppers can give feedback on their experience, rating and reviewing services including delivery. Issues raised through this system are taken up by the retailer to see where better solutions can be found.

APPLYING LESSONS TO THE WIDER INDUSTRY

Taking an in-depth look at how a retailer such as Kiddicare can put the customer first when designing delivery systems is a worthwhile exercise for retailers of all sizes, since this is an area where reputations can be made – or lost. Tom Allason, co-founder and chief executive of delivery service Shutl, argues that retailers need to see logistics as an area where they can really stand apart from their competitors. "As a market, internet retailing is only going to become more competitive," says Allason. "Retailers need to find ways of differentiating and adding value if they want not just to win new customers but also keep their existing customers."

And at the moment it seems delivery is an area where retailers can make a significant difference to their customers. For while some market leaders are offering great service, the Micros UK report suggests there's plenty of room for improvement. It shows that retailers are offering more flexibility than last year. But it also shows that many still lag behind the market leaders. The report found while 75 per cent of retailers offered at least two choices of delivery, only 54 per cent offered three or more.

Patrick Wall, chief executive of MetaPack, writing in the Micros report, says that this represents a "considerable" improvement on previous years. It also, he says, reflects the fact that "delivery matters have shifted from the periphery to the centre of ecommerce strategy". He adds: "Delivery-related initiatives are now receiving high levels of authorisation as they are seen as central to the customer experience by both large and small organisations."

But, as Sarah Clelland, marketing manager at Micros UK points out, most retailers probably don't start with their customers. "My suspicion is," she says, "that most retailers look first and foremost at what their competitors are doing. Then they work from there." That seems to be a

> **"Kiddicare customers are busy parents, it needs to make sure they're not hanging around waiting for deliveries"**

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mistake. Not only can customers easily go elsewhere if they can't find convenient delivery options, but redeliveries cost more. Asking customers what they want will inform a more useful delivery service.

HARDER FOR SMALLER COMPANIES?

There's no doubt that smaller companies cannot always achieve the same levels of flexibility as their larger rivals, which can negotiate larger volume deals, reducing the cost of delivery, as well as later cut-off times for collection. Retailers may consider their companies are falling behind from the off because they are not in a position to offer free delivery. But that is not always necessary for online success. Some of the largest and most successful cross-channel retailers do charge for delivery. At the time of writing, John Lewis charges £3 to deliver orders of up to £30, when delivery becomes free. Despite charging, it reported that online sales grew by more than 27 per cent in the run up to Christmas. Standard delivery from Marks & Spencer is £3.50, while customers can only qualify for free nominated day delivery (otherwise charged at £4.95) when they spend £150. Its online sales rose by 22.4 per cent over Christmas.

These traders are not alone in charging for standard delivery. Judging from the Micros UK report, most customers, it seems, can expect to pay between £3 and £4 for standard delivery and £5 for premium services such as timed delivery. Some 40 per cent of the 250 retailers examined in the report use free delivery for orders of a certain value or above, typically £50, to encourage larger purchases. But more important than free delivery is to offer reliable delivery and choice. Both retailers cited above offer a choice of paid-for options that get goods there more quickly or on a nominated day when needed.

Extra services, such as the pre-delivery text, do not have mean big strategic changes by the retailer. Rather, traders can buy into this simply by using a carrier service that offers a texting service. All retailers must also allow for returns, since consumers have a legal right to return distance-bought goods within seven days. Many will allow longer and even allow free returns since this facility can be effective in convincing the unsure shopper to buy online.

Delivery and returns are one of the basics of successful ecommerce, and getting the service right should be a priority. But often, argues ecommerce veteran Michael Ross, co-founder of eCommera, the truth often is not that it is difficult but that it is overlooked in favour of newer and shinier priorities. He says the key to successful ecommerce lies in understanding the customer, from how many there are to whether they buy again. "What you will often find is this is a mess," he says. "There's a very high customer attrition going on. Customers are being acquired and then disappearing off the radar screen. When you try and understand why, often it's very poor customer experience. The delivery, returns, and email experience are enough for customers never to come back."

> **"My suspicion is that most retailers look first and foremost at what their competitors are doing. Then they work from there"**

TAKING DELIVERY MULTICHANNEL

Retailers selling through stores as well as online can offer the option of store collection to their shoppers. This is demonstrably popular with consumers: IMRG figures show that one in 10 (10.4 per cent) online purchases made in the UK in the third quarter of 2011 were collected from a store. Since only 7.4 per cent of orders made during the previous quarter were picked up, that's fast growth. The Micros UK report found that 50 per cent of the multichannel traders it analysed offered click and collect options. One retailer that does this is department store House of Fraser, which has opened House of Fraser.com stores in Aberdeen and Liverpool, dedicated to the ordering and collection of online purchases.

Kiddicare is soon to join the group. It is in the process of expanding its high street presence beyond its current single 60,000sq ft showroom in Peterborough by taking over 10 former Best Buy stores across the UK in a change that will have a significant effect on its delivery systems. It will open a new distribution centre dedicated to store replenishment and says a click and collect delivery service will be central to its move towards greater cross-channel involvement.

But, says Kiddicare's Jennie Cox, getting the logistics right is fundamental to this type of cross-channel service. Whether shoppers are buying through its online site, through a kiosk or by mobile phone, it's important systems are joined up in order that an accurate picture of stock is available. "We don't want anyone to think they've purchased an item and then to come back to them later and say sorry, you were using the wrong platform, it's not actually in stock. That just can't happen so it's a case of making sure everything is married up, they all feed into the same system which is all up-to-date and the customer, regardless of which platform they choose to shop on gets the same experience."

Thinking from the customer's point of view is also helping Kiddicare to shape its click-and-collect services. The retailer envisages that once consumers can buy online and collect in store, many may change their minds when they see their goods or spy a better alternative in store. An immediate return in store must therefore be possible.

Click and collect as a service is no longer confined to cross-channel shoppers. Pureplay customers are also now collecting and returning their online purchases via local convenience stores, using the Collect+ network, while some Amazon customers can collect their buys at local locker banks, as are customers of retailers who use the ByBox locker delivery service.

For those with stores, another step is coming within reach: same-day delivery to the home. Ninety-minute delivery service Shutl already provides this for retailers including Argos and Oasis-to-Warehouse retailer Aurora Fashions, leveraging the local convenience of their stores. Kiddicare too is planning to offer this service using its future network of stores. After all, says Jennie Cox, even next-day delivery isn't so convenient for the parent who can't leave the house but needs nappies now. Because of that, it is also working with couriers to look at offering nominated-day delivery, or the ability to book a delivery slot during the purchase. "It's really putting the customer in the driving seat and saying we can deliver it whenever you want it, wherever you need it," she says. "That's really exciting." ■

CUSTOMERS AND THE CORPORATE DNA

RETAILERS HAVE LONG CLAIMED 'THE CUSTOMER IS KING' OR 'ALWAYS RIGHT' BUT THE ADAGES REFERRED TO FACE-TO-FACE SERVICE RATHER THAN KEY MERCHANDISING AND MARKETING PRINCIPLES. TRUE CUSTOMER-CENTRICITY REQUIRES RATHER MORE THAN POLITE SALES STAFF OR A GREAT WEBSITE, DISCOVERS PENELOPE ODY

There is probably not a single retailer in the country – pureplay, cross-channel, or bricks-and-mortar – that would disagree with such statements as "the customer is at the heart of what we do" or who would not put "achieving a single view of the customer" as a key business aim. Many would also probably point to powerful customer relationship management (CRM) tools as clear examples of customer commitment.

Reality is, however, often rather different from strategic mission statements or IT investments, with inconsistent brand messaging and disconnects in both the customer journey and relationship.

Consultant Richard Traish, partner with Kurt Salmon, recounts a rather telling example from the real world, which well demonstrates the mismatch. He recalls a grocery retailer that prided itself on its neighbourhood stores and focused on encouraging regular, repeat visits by shoppers. Visiting such a store he spotted a special promotion: buy three 800g jars of mango chutney for little more than the price of one. "The company's whole business strategy was built around encouraging frequent customer visits," he says, "so why offer shoppers a special deal on a vast quantity of chutney that could take them a couple of years to eat?"

The answer, of course, was that the category manager needed to boost sales at the end of an accounting period and had fallen for a too-good-to-miss opportunity from a supplier suffering from a surplus of chutney.

"All retailers need to think about the function of their promotions," says Traish, "they need to consider what is driving customer loyalty, what is driving profit – and what is simply there to achieve sales targets. There has to be a clear company policy with business rules that everyone – merchandisers, operational staff, whoever – has to adhere to."

CONSISTENCY COUNTS

This need for a well-defined policy understood by everyone involved in the business lies at the heart of delivering a consistent customer centric service. "Every retailer talks about the customer coming first and adopting an integrated channel approach," says Tony Bryant, head of business development at K3, "but it's not about clever software – it's all about the people side of the business and putting customer centricity into the company DNA. The brand messages must be the same from your website, your mobile app or the sales assistant watching the clock at 2pm on a Saturday afternoon."

As Bryant points out, retail boards will generally boast an ecommerce director, a store operations director, a director of direct sales or whatever, but there is rarely a single individual with overall responsibility for driving customer centricity at a time when shoppers increasingly want personal service.

Ian Tickle, VP EMEA at Right Now, now owned by Oracle, agrees: "I suspect that all retailers know that they need to do something about improving the customer experience. Part of the problem is that they don't have anyone driving the function and it is all too easy to make excuses for failure – they say they don't have the IT, the staff or the budget."

As well as making customer centricity a key business strategy, retailers need to adapt marketing, merchandising and operations to reflect how customer behaviour has changed dramatically in recent years. Not only are many shoppers now flitting happily between channels throughout the customer journey but they expect greater interaction with the retailer.

"Historically, retailers used to push information at consumers," says Mark Thornton, director of ecommerce at Maginus, "now it is much more of a two-way relationship with consumers wanting to interact. They want to be able to critique the buyer about the product range or review the items they have bought. They don't just want to buy the ingredients, but cook the recipe and send in a picture of the result and win a prize."

Engaging with shoppers to this degree is still an alien concept for many retailers: they may have Facebook pages and a Twitter account, but many are often unprepared for the avalanche of reviews and comments that flood in from an increasingly vociferous customer base.

For Tony Bryant, this changing behaviour signals a fundamental change in the way retailers regard customers: "They need to move away from simply having a transactional view of the

> "The category manager had fallen for a too-good-to-miss opportunity from a supplier suffering from a surplus of chutney"

SPEAKING FROM EXPERIENCE

HIGHLIGHTING PROBLEMS

"It is the whole end-to-end experience that matters: the website and product assortment may be great, but if the delivery is late then the over-all experience is negative. Feedback from customers tells you about your weaknesses and these need to be addressed – with a clear focus completely fixing one thing at a time."
Gary Topiol, managing director EMEA, Empathica

HISTORICAL FACTORS

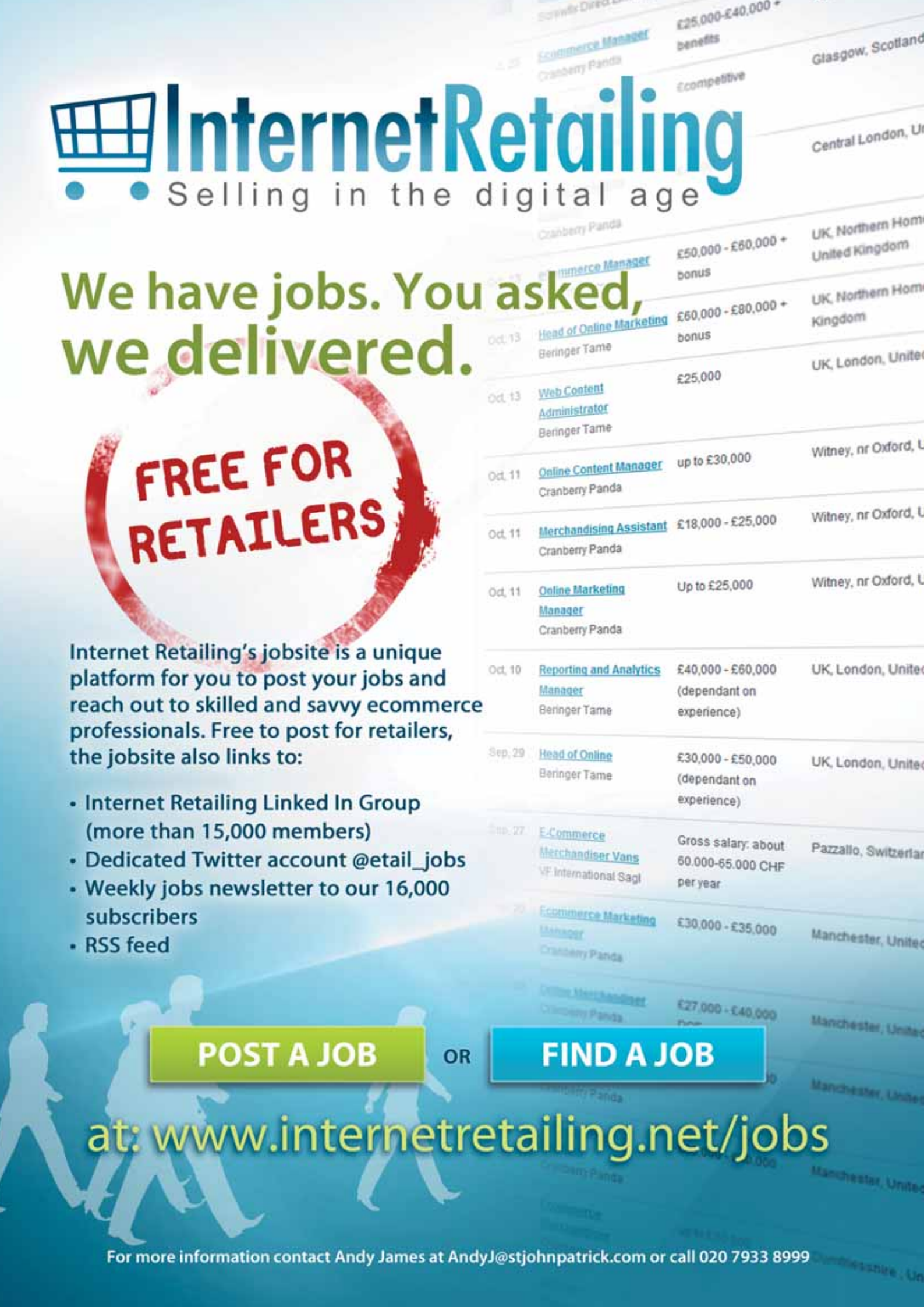
"If the customer is known and recognised then they will concentrate their purchases with you. I would expect use of systems based on behavioural analysis to decline in place of those based on purchasing history and preferences of known customers."
Tony Stockil, CEO, Javelin Group

MOVING IN THE SAME DIRECTION

"A great many marketing decisions are merchandise driven and there is often a very great chasm between the marketing approach and customer centricity. Retailers really need to have all their staff moving in the same direction."
Simon Robinson, senior director marketing & alliances, EMEA, Responsys

REWARDS FOR LOYALTY

"Consumers want to engage with their preferred brands and those brands will make the them feel that they actually care: loyal customers should receive after sales service – even if that is just a contact to say 'thank you for shopping with us'."
Tony Bryant, head of business development, K3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customer," he says, "to one of engagement. Shoppers want contact with the brand and that contact extends well beyond the actual sale to the full service experience."

PLAN FOR THE LONG TERM

That engagement also needs to be long-term and involves identifying shoppers and personalising interactions with them.

Traditional CRM tools may log purchases and returns, they may even record complaints or birthdays, but few can cope with the rapidly changing world of social media or easily combine inputs from the growing diversity of touch points available to shoppers. Equally, if the customer is really going to receive consistent and personalised service over time, then what is known about that shopper has to be available at each of those touch points: to the call centre operator, the website recommendation engine or in store where, increasingly, staff are no longer stationed at the till but are equipped with tablets or hand-helds to 'engage' the customer on the shop floor.

At the top end, clienteling systems – computerised versions of the 'little black book' used by top sales staff to note the preferences of their top customers – are starting to appear. Elsewhere iPads are being used to link to customer databases to provide sales staff with previous purchasing information or preferences. Fashion retailers are already reporting that customers, complete with smartphones, send pictures of themselves from the fitting room to their nearest and dearest for comments, while at the same time spending longer in store talking to staff about the range or fashion trends.

"The lines are being blurred between online and offline activity," says Gary Topiol, managing director EMEA at Empathica, "Store staff need to be web aware and familiar enough with the company website to be able to discuss what is there with shoppers even if the full range is not actually stocked at that location."

In-store customer centricity demands good staff training, tools to improve product knowledge, and a willingness to do more than stack shelves or sit mutely at a checkout. This in itself can be challenging for many retailers where low pay rates and high staff turnover have done little over the years to improve the knowledge and expertise of employees.

Keeping this customer information up-to-date and incorporating dozens of assorted attributes is also extremely difficult, but with customers becoming ever more demanding and selective, it will have to be attempted. Using generic customer trends to drive offers and recommendations is no longer good enough. Shoppers – especially younger age groups – expect personal service and they expect to be known.

> "To be truly customer-centric in today's digital world means not only personalising offers and identifying customers, but actually responding quickly to the flood of customer input"

"Personalisation needs to incorporate the entire offer," says Sarah Taylor, senior director at Oracle Retail, "from product range, price matching and pertinent recommendations to promotional strategies that include free shipping, convenient delivery times, free returns and tying purchases into loyalty points and rewards that encourage retention. Retailers need to look at their customer data differently. They need to take a much broader view and include unstructured data from social media."

"Depending on anonymous customer data really is a thing of the past," says Tony Stockil, CEO of Javelin Group, "mobile means that we're moving to a stage where every customer can be recognised and retailers will have to get to grips with that. Smartphones really are driving a sea change here. In the past customers could only have personalised offers if they filled out forms and carried loyalty cards – now they can always be known."

INCREASING PERSONALISATION

Combining knowledge of the customer with their purchasing history and preferences as well as interests and 'likes' from Facebook, can focus personal offers which, if the retailers gets it right, can encourage repeat purchases and loyalty, and that, adds Tony Stockil, makes customer lifetime value a significant metric.

Ian Tickle also stresses the need to measure this: "Retailers need to look at the customer lifecycle and understand their lifetime value," he says. "Acquisition and retention are key metrics to consider, and the longer you retain that customer then obviously the more successful you are at delivering the right experiences and personalisation."

Very few retailers have this clear focus on customer retention. "They are not doing analytics properly," says Tony Stockil, "they need information about customers over time to understand preferences and behaviour."

To be truly customer-centric in today's digital world means not only personalising offers and identifying customers, nor simply providing helpful and good-humoured in-store staff, but actually responding quickly to that flood on customer input. A great many shoppers want to give feedback and reviews while even more use such comments when researching their own purchases.

"Feedback systems are available that enable follow-up on personal interactions," says Kurt Salmon's Richard Traish, "and they get a surprisingly high response – often 25-30 per cent. You just want five questions with a simple yes or no answer but very quickly it gives you a granular understanding of what your customers think of you and where you can make improvements. It also gives focus to staff training and the latest feedback can be shared each morning to help improve customer focus. Typically within three months focusing on customer feedback you can increase loyalty scores by around 10 per cent."

Improving customer centricity thus involves making it a clear company policy with board-level ownership. It involves all staff – from those behind the scenes implementing website tools to those at the coal face, the sales associates and delivery drivers. It means seeking customer feedback and responding quickly to all interactions. It means delivering a consistent experience throughout the customer journey – end-to-end from pre-purchase research to after-sales service. It also needs metrics – typically customer retention with a measure of just how long your shoppers stay with you. And it also needs personalisation and customers to be acknowledged and rewarded.

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KEEPING CUSTOMERS HAPPY, ALL THE TIME

A CONSISTENTLY GOOD CUSTOMER EXPERIENCE CAN ENCOURAGE BRAND LOYALTY, SHOPPER SATISFACTION AND REPEAT VISITS – BUT ACHIEVING THAT REQUIRES GENUINE CUSTOMER CENTRICITY AND CONSIDERABLE EFFORT, SAYS **PENELOPE ODY**

Time was when a dissatisfied customer simply raised their voice at a sales assistant or walked out of the shop vowing never to return. A few may have bothered to write a letter of complaint and a few no doubt grumbled about the experience to a handful of friends and colleagues. Today it is very different.

Deliver a poor customer experience and a retailer's shortcomings are likely to be broadcast to thousands via Facebook or Twitter within hours. Failure to respond quickly to such grumbles leaves shoppers in no doubt the maligned retailer cares little for its customers and even less for their experiences.

"Customers expect consistency across all channels and all contact points," says Alex Fovargue, retail consultant with business analytics specialists SAS, "and retailers need to collect and monitor information about interaction from all these contact points."

The result, he says, is a vast amount of information – so called 'big data' – that many companies struggle to act upon. Much of this data is unstructured and can be difficult to analyse, but where customer service is concerned it must to be acted upon in real time not just for damage limitation, but to reinforce brand image and improve the customer experience.

While many retailers already monitor tweets, fewer regard rapid response as a priority. "It is not uncommon to see a critical tweet about a company's services or products which doesn't trigger a response for hours – if at all," says Fovargue. "In that time it can be seen by thousands or tens of thousands of other potential customers and re-tweeted to many more. Social media encourages spontaneous activity so customer satisfaction, or lack of it, becomes apparent very quickly."

PROTECTING THE BRAND

SAS is already working with the likes of John Lewis to improve analysis of social media to help improve the customer experience. "All CEOs are concerned about brand equity," he adds, "and they need to know what is being said about them. It is very easy now to complain about a bad experience and that puts the consumer in charge of the relationship."

For retailers this marks a major shift in how they do business. Instead of pushing merchandise at customers, successful retailing is more about delivering a good experience and building a long-term relationship with the shopper.

"Retailers are realising that selling at all costs is no longer the object," says Professor Merlin Stone, head of research at The Customer Framework. "There are no hiding places so it is better to push your customers to read reviews or direct them to a comparison price site: customers want to be fully involved in the process and transparency is important. They also expect high standards with timed delivery slots and texts to tell them their order is on its way: if there is any problem with a website or a poor mobile presence, customers will simply go elsewhere."

SPEAKING FROM EXPERIENCE

MANAGING EXPECTATION

"Instead of customer relationship management it is now about the customer-managed relationship, the idea that the retailer can control the relationship is long gone. Customer experience does not take place in a vacuum. A key determinant is expectation – created by, among other factors, previous experience, word of mouth, and branding."
Merlin Stone, head of research, The Customer Framework

SOCIAL MEDIA AMPLIFICATION

"Social media makes it far easier for people to publicise their dissatisfaction and retailers have really failed to address the fact that the basic consumer relationship paradigm has changed dramatically."
Ian Tickle, VP, EMEA, Right Now

NEED TO KNOW

"Consumers want retailers to know about them and acknowledge them; they want personalisation and recognition for their loyalty and they expect a long-term relationship to be recognised and rewarded."
Carlo Rimini, business unit director of ecommerce, Micros

To be obviously 'customer-centric', then, retailers have to deliver this sort of transparency: if comparison websites reveal lower prices rather than simply avoiding the issue the rationale needs to be made clear. We may be a little more expensive, the retailer must declare, but look at our customer reviews: we have great after-sales service or our delivery staff are polite, punctual and helpful or if you have a problem our call centre staff will not leave you on hold for ages like some of our competitors – or whatever other aspect of the customer journey the retailer believes contributes to its key propositions.

Delivering a good experience, argues Professor Stone, also involves providing assistance when needed. While many online shoppers prefer to manage the entire process themselves, some purchases do need expert help. He argues the case for "assisted self-service" to prevent shoppers making the wrong decision.

"You need to be able to interrupt the transaction to point out the pitfalls," he says. "Say someone is booking a holiday for a family with children at a hotel or resort which is dominated by older people, then it is better to point that out before the transaction is complete rather than have the family spend a miserable week and complain about it afterwards."

Alerts directing people to frequently asked questions, or pop-ups providing additional information and advice, can provide reasonably non-obtrusive interruptions to the self-service process and help improve the overall customer experience.

INCREASED PERSONALISATION

As well as providing good service – both obvious and more discrete – today's customers also expect a high degree of personalisation both in targeted offers and in they ways they are regarded. "Traditionally restaurants and local shops get this right," says Carlo Rimini, business unit director of ecommerce at Micros, which acquired Snow Valley last year. "Being greeted by the head waiter with 'Good to see you sir, your usual

> **"Instead of pushing merchandise at customers, successful retailing is more about delivering a good experience and building a long-term relationship with the shopper"**

NEW LOOK PICKS THE PREFERRED CHANNEL

When New Look launched its mobile site last year, the company obviously wanted to promote the new channel to potential customers, so it used Responsys to run an email engagement programme that tested the performance of mobile-optimised emails.

Responsys identified customers who had used a mobile to view the existing website so New Look was able to develop personalised emails to this group promoting the new m-commerce offering. Mobile enthusiasts received an email optimised for mobile, while those who did not habitually view emails on a mobile received the standard html version.

The results showed that the average open rate of the mobile-optimised mail was three times higher than the standard version. Once open, mobile users were also more likely to click on the mobile-optimised mail than the recipients of the standard email. Matching the marketing message to the customer's preferences, so creating a more personalised experience, thus significantly increased the likelihood that those messages would be read and acted upon.

"By providing users with a more targeted experience we can continue to deliver a dynamic and engaging shopping experience," says Sita Patel, ecommerce CRM manager at New Look. "Email is the ideal channel to provide a more personalised approach."

table...?' or given a complementary aperitif, significantly enhances the experience but how many retailers reward their regular customers in similar ways?"

Among those that do take note of customer longevity is Ocado, which sends a voucher for a complementary bottle or your favourite tipple, or other relevant gift, on the anniversary of your first order.

"Retailers have plenty of historic information about their customers and their purchases as well as tools to help personalise transactions – it is more than they know what to do with," says Rimini. "They put all sorts of requirements into their specifications for ecommerce platforms but most use barely 10 per cent of the functionality. There is still too much focus on winning the order rather than delivering good end-to-end service – and that will be the key differentiator for success."

It is that end-to-end offer which comprises the total customer experience and will ultimately drive customer satisfaction and retention. As Tony Bryant, head of business development at K3, says: "The experience doesn't end with the sale, there is nothing more gratifying for the customer than the retailer knowing you've made a significant purchase and following it up to thank you for shopping with them. It really makes the customer feel that the retailer cares. As consumers we all tend to engage more often with our preferred brands so letting customers know they are appreciated is important."

ALL ABOUT THE JOURNEY...

Bryant argues that retailers should take more note of the complete customer journey rather than simply focus on transactions. They need to be aware of where that journey starts – online, on a social media site, in the store, on a smartphone – and follow through to after sales to ensure that the whole experience is seamless and personalised. That may take greater staff involvement, but he maintains that with retailers moving to a single stock pool and fulfilment from any location, with developments such as ship from store, it may be time to reconsider exactly what tasks should occupy staff time. "If a retailer has a single stock pool then do they really need an army of merchandisers managing allocation and replenishment?" he says. "Would it be better to convert the head count into customer centric servicing?"

Taking account of the whole customer journey also highlights shopper preferences, which can not only improve the experience but also increase performance. "When you match marketing content to preferred channel there is a three-fold increase in customer engagement," says Jon Stanesby, associate director of strategic services, EMEA, at Responsys. "You can identify the channels people use to browse websites or open emails and if they mainly use mobile then that is the best channel to use to reach them as companies like New Look have discovered."

In a study covering the top 50 online UK retailers last year, Responsys found that 78 per cent did not personalise marketing emails, with only eight per cent targeting by gender and less than a quarter responding to individual behaviour. "Only by responding to the customer in the way they choose can you give the shopper the experience they want," adds Simon Robinson, Responsys' senior director marketing and alliances, EMEA.

This lack of personalisation certainly contributes to the poor experiences noticed by many consumers. A study by Right Now showed that only two per cent of UK consumers feel their expectations for a good customer experience are always met, while 49 per cent felt that companies "sometimes" met them. "That suggests that 49 per cent never receive the experience that would like," says Ian Tickle, VP, EMEA at Right Now – now owned by Oracle. "You can't assume you know the customer just from cookies and online behaviour: my daughter uses my laptop to access the internet so I receive lots of promotional mails about ponies and 'Hello Kitty'. Equally my favourite airline – which knows the places I like to visit and my preferred seats – sends me totally irrelevant offers which I regard as spam. Neither activity delivers a good customer experience."

> **"A lack of personalisation certainly contributes to the poor experiences noticed by many consumers"**

The Right Now study also asked consumers what factors contributed towards making a great customer experience. Heading the list (mentioned by 67 per cent) was friendly employees, followed by easily accessed information and help (53 per cent) and personalised experiences (37 per cent).

None of these wishes requires rocket science: just consistent staff training, transparency, and making use of the information on customer preferences and buying behaviour already lurking in the database. ■

At its worst, big retail is far more concerned with big strategic considerations than with the little people, its customers. Why worry about Mr and Mrs Smith from 47 Acacia Avenue when the company is gearing up to launch in a new country or trumpeting a swanky, bells-and-whistles website redesign with a boozy party?

The obvious answer is that any retailer that doesn't care about its customers is heading for trouble because it's losing sight of its core business. Worse, the retailer is doing this at a time when Mr and Mrs Smith are mutating from a quiet suburban couple into what BT futurologist Nicola Millard calls "monster customers", savvy consumers tooled up with smartphones who do their research before they go out shopping to the high street or mall.

Moreover, Mrs Smith is a big cheese in the blogosphere, a woman who writes an online journal about the bad service she's received down the years. Woe betide the retailer that crosses her.

Should that all seem unduly negative, let's put a positive spin on the rise of the monster customer. By insisting that retailers treat them right, Mr and Mrs Smith perform a hugely valuable service to the retailers they deal with: by helping to keep these companies from staring at the corporate navel. As Giles Colborne of usability specialists cxpartners points out, there's a temptation for retailers to look to internal stakeholders when designing new websites or pathways to interact with customers, without getting customers themselves involved in the process. Retailing is tough enough without ignoring the views of those who want to spend money.

For this reason, Colborne is among an increasing number of experts who talk about "emotionally intelligent retail". This isn't nearly as vague an idea as it might at first appear. Just as Keynes' famous animal spirits influence the rise and fall of stock markets, shopping is an emotional business: "I love that, I hate that, what do you mean you can't deliver for a week?"

This isn't to say that retailers can control the customer and their responses (although that never stopped supermarkets piping the smell of hot bread through the store or putting chocolate next to the tills). Rather, we're entering an era when retailers need to be increasingly aware of how customers interact with different brands across different devices and in different situations. If this often produces a fragmented, contrary picture that frustrates retailers' efforts to understand exactly what's happening, all the more reason to focus in on the customer and try to work out how consumers are reaching purchase decisions – or why they're complaining or abandoning shopping carts.

While metrics and analytics methods here probably have a way to go before they can deliver the kind of hard information on customer behaviour that retailers crave, that's no reason to retreat to a comfort zone or dismiss the idea of customer-centred retail as fuzzy.

Quite simply, the retailers that will enjoy the greatest success in the future will be those that grapple with how to put the customer at the centre of what the company does. Many failures and experiments now will pay off down the line, as companies become better geared towards a genuinely cross-channel future where personalisation is evermore important and mistakes are amplified by social media.

Mr and Mrs Smith, by the way, may not articulate what's happening in these kinds of terms, but that doesn't stop them embracing cross-channel, customer-centric retailing when they come across it. They just think they're dealing with a retailer that treats them right.

We hope you've found this supplement useful and informative. Each of *Internet Retailing*'s series of supplements explores key questions facing retailers today. We welcome your ideas and suggestions for future themes at editor@internetretailing.net.

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It's time online merchandising broke free

Freestyle Merchandising is a breakthrough technology that gives online merchandisers new found freedom and control.

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