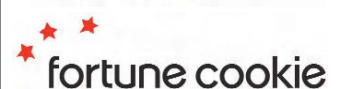


THE FUTURE OF EUROPEAN E-TAIL

an internet retailing special report

sponsored by:



Editors' comment

Welcome to the second in our occasional series of *Internet Retailing* supplements. This month we're looking at the opportunities and challenges offered to those who trade online in Europe.

Selling over the internet to Europe would seem to offer enormous rewards – but as yet, cross-border online retail is a relatively untapped market. Throughout this supplement we'll be asking why – as well as how retailers can tackle some of the many challenges that are involved in trading in a huge and often complex market.

For Europe really is a huge market. Its 27 member states make up one single market of more than 490 million consumers, according to European Commission figures. And it's the Commission's aim to make sure that there's an efficient and duty-free market for e-commerce, just as for any other form of internal EU trade. Contrast the numbers with the 60 million or so UK residents, and you begin to get an idea of why moving into Europe represents a serious opportunity for UK retailers. In terms of logistics, it's nearby and it's also home to some of the UK's largest trading partners, among them Germany and France.

But so far UK retailers haven't done too well in European high streets – and there's little evidence that they're taking a lead online either. European bricks and mortar retailers are a common enough sight on UK streets, from Mango to Zara, Benetton to H&M. Some have active online shops geared towards the UK consumer. Few if any UK retailers are taking the European market as seriously as many European retailers take the UK. The obvious argument would be that the UK has a larger and more developed online market and so is more attractive for traders; the counterargument, as made by Steve Davis of GSI Commerce in our strategy section, is that since e-commerce rates are lower in Europe, that's where the largest future potential growth lies.

As yet, cross-border retail within the European Union accounts for a fraction of the goods bought online. A third of Europeans would consider buying online from another country – in order to get cheaper or better goods, but just seven per cent do so, according to figures released by the European Commission earlier this year. The same report puts the total value of Europe's single online market at €106 billion a year (\$93 billion). The commission believes the low number of cross-border transactions is down to a lack of consumer trust – and has launched its eYouGuide to educate consumers about the international consumer protection on offer.

Throughout this supplement we'll be considering what other factors are at play, and why and how UK retailers are just now starting to make the leap.

At *Internet Retailing* we're sure that there's great potential for UK retailers overseas. While they haven't made a great splash on foreign high streets, UK companies now have a chance to steal a march on their European competitors – online. For when it comes to the Internet, UK consumers are ahead of the game. With more years of experience, they are more likely to buy online and to spend more money when they do so, suggests recent research from ATG, which we examine in the strategy section. And UK e-commerce provision has matured at the same time, putting retailers at the cutting edge with the latest brand-building uses of peer review and social media. So will UK retailers use this advantage to their competitive advantage?

But while the technology exists that allows retailers to be local across the continent – even if their nearest shop is in Dover, we'll also be asking whether this is really achievable – or if it raises unrealistic expectations in consumers. Can UK companies really maintain UK levels of service overseas, for example? Is offering free and fast delivery still realistic – and can UK retailers build online brand recognition without a physical presence overseas? Is a branch network a necessity for UK retailers to build online brands? And what about observing regulations – as Digital River's regulation expert Julie-Lynn Tikekar, tells us in the logistics section, European directives on issues from battery recycling to copyright are interpreted as many as 27 different ways by 27 countries' individual legislation.

These are all issues we'll be considering in the pages ahead. But it's also worth making the point that this may well be the best time we've ever seen for UK retailers to expand into Europe. The pound is weak against the euro, making our products good value on the continent, while our standards of service and delivery, honed in the ultra-competitive UK market, should do well in Europe.

A final word – trading in Europe can seem enormously complex, but, Felix Verlade of eCRM agency Underwired tells us, in the customer engagement section, there are only really three fundamental issues to bear in mind: customer service, language, and fulfillment.

We've found this a thought-provoking subject to explore – we hope you will too. We look forward to hearing your thoughts.

INTRODUCING OUR SUPPLEMENT EDITORS

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Jonathan Wright earned his e-stripes on the UK launch of *Business 2.0*, which rode the crest of the dot.com wave back at the turn of the millennium. Since then he's been writing about subjects from entertainment to alternative investment for a variety of print and online audiences. jonathan@internetretailing.net





CONTENTS

18

04 **SPONSORS INTRODUCTION**
IS NOW THE TIME TO LOOK TO
EUROPE FOR NEW OPPORTUNITIES?

09 **CASE STUDY**
ROYAL MAIL CAN HELP YOU
GROW

10 **WEB INTERFACE**
BUILDING EFFECTIVE E-TAIL SITES

14 **MERCHANDISING**
KNOW YOUR BUSINESS, KNOW
YOUR CUSTOMERS

18 **IN-STORE EXPERIENCE**
EUROPEAN MARKETS, REGIONAL
FACTORS

22 **LOGISTICS**
WHY EUROPE CAN BE A FULFILLING
OPPORTUNITY

26 **STRATEGY**
THE CREATION OF A SINGLE
ONLINE MARKET

30 **CUSTOMER ENGAGEMENT**
BRIDGE THE LANGUAGE DIVIDE

34 **CONCLUSION**
ADAPT AND PROSPER

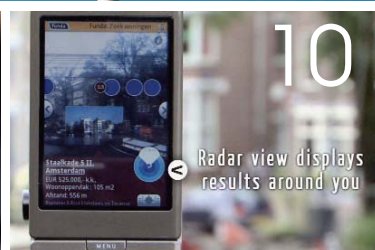
22



26



10



14



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Is now the time to look to Europe for new opportunities?



Roger Morris,
Head of International Marketing,
Royal Mail

A:

In the current economic climate, surviving the recession is the primary goal of many businesses. Falling consumer demand, a weak pound and increased costs are only a few of the critical factors which make the current economic climate extremely challenging for many UK retailers.

There is light at the end of the tunnel however for those willing to broaden their business horizons and look further afield for growth.

While the weak pound isn't great for the UK economy, it's a great opportunity for businesses to expand internationally, exporting their goods, particularly to the Eurozone. The internet is removing barriers to cross-border trade and makes it easy to reach a huge and readily accessible market. Selling online allows retailers to reach a wider audience with relatively low overheads, which is critical in the current climate. With the pound having devalued 23% against the Euro since January 2007, the UK has become an extremely attractive shopping arena for millions of consumers and businesses in the Eurozone; and those UK retailers prepared to reach out to them can reap the benefits.

According to Ebay many have already taken advantage of this as cross border online trade grew by 127% in 2008 compared to 2007.

In addition when it comes to sending goods to your EU customers it couldn't be easier as the EU is customs free for the majority of items.

www.royalmail.com



A: There has never been a better time to look to Europe than today. As a Magento Enterprise Partner, we are able to very quickly and cost effectively deliver multi-language, multi-currency ecommerce sites straight out of the box. With delivery charges dropping, it makes perfect sense to test the European market with a new eStore than possibly with an expensive bricks-and-mortar offering. We firmly believe that this will be the coming trend over the next two years when the economy flat-lines and the local market gets even more saturated and competitive.

With regard to competitors in Europe, we're very excited at the innovation that competition drives in our current markets, and we can see that's also the case across Europe. We look forward to engaging in, and learning from, the European eCommerce scene in the same way. Our job is to learn, innovate, deliver, and stay competitive in all the markets we're in, and we think we can do that wherever we are working.

Our client list comprises of a number of high-end designer brands that tend to have their biggest markets outside of the UK, so it has been imperative for them to work with an agency that can allow them to tailor their ecommerce stores to a particular territory. As well as Europe and the USA, there's also a strong demand for a middle-eastern presence – watch this space!

The year ahead looks very exciting for us and for our clients. It will be a year of innovation, a year of expansion, and the year that Ecommerce finally takes its place at the top table.

If you'd like to talk to us about extending your ecommerce offering into Europe, America or the Middle-

East, please get in touch.

Creatively focused but commercially led, the Pod1 team are obsessed with originating creative and technical ideas to help our clients sell things online...in other words, we're crazy about Ecommerce!

Since 2001, and now from offices in London, New York & Cape Town, Pod1 has been delivering world class ecommerce websites for many of the UK's leading retailers. We have a unique approach to website design and build, founded on planning and insight development. We take time out to understand your brand, your business objectives and, most importantly, your customer before making recommendations for the design, functionality and usability of your website or campaign.

We actively partner with our clients and forge mutually prosperous long term relationships. For us, the delivery of the website is only the beginning. Post launch, we work proactively to drive qualified traffic to your highly optimised website through Search, Social and Email.

Our clients include: Jigsaw, Matthew Williamson, Net-a-Porter, Links of London, Kurt Geiger, Uniqlo, Coast, Anya Hindmarch... amongst others.

www.pod1.com

The logo for Pod1 creative digital agency. The word "pod1" is in a large, bold, italicized sans-serif font. Below it, the words "creative digital agency" are in a smaller, lowercase sans-serif font.

A: The UK is the biggest online retail market in Europe, yet represents less than 30% of the European online retail market. In other words, the biggest opportunity is in Europe. The challenge is to target the right item to the right shopper at the right time, in the right language!

By working with so many of the largest and most demanding international online retailers, Fredhopper has developed deep expertise in solving the most complex international search & merchandising related challenges in international e-commerce.

Examples include:

- Otto, the world's 2nd largest online retailer with over 5 billion in online sales across 20+ countries
- Fashion retailer Neckermann operates online retail shops across 7 countries
- Philips uses Fredhopper in 40+ countries

Fredhopper is a leading provider of search & merchandising software for online retailers.

Fredhopper's software helps online businesses to increase revenue, profit and customer lifetime value by making it easy for online marketers to target the right item to the right person at the right time. Fredhopper's Online Marketing Suite includes solutions for onsite search, cross-sell merchandising, predictive targeting and targeted advertising.

Fredhopper speaks 40+ languages fluently, offering the strongest international language support.

Fredhopper is the ultimate marketing machine for international e-Commerce.

www.fredhopper.com

The logo for Fredhopper. The word "Fredhopper" is in a blue, sans-serif font, followed by a registered trademark symbol (®).

Q: Is now the time to look to

A: As 2010 looms large, many UK based online retailers are now beginning to see the opportunities that lie in international markets and are looking to grab the SEO/SEM business that is growing rapidly.

The problem is that many online retailers in the UK are not aware of the pitfalls that arise when launching beyond the UK and as a consequence end up spending a lot of money unnecessarily.

The first thing to remember is that translations do not equal success. The demand for your products is likely to differ in each market and so you need to be much more strategic than simply translating. Similarly, if your brand isn't strong in your target markets you need to consider both local online PR/link building and global social media optimisation. In order for people to buy from you in these new markets, it's important to build local trust and brand recognition very quickly.

Finally, challenge your assumptions – The Danes for example are becoming less likely to buy from 'English' sites whereas the French are still open to it. Those companies who have been using multivariate testing to increase their conversions need to look at cultural multivariate testing as well. Once again, translation of the content that works in the UK will not deliver the best results.

Without doubt, UK retailers are in a great position as we head into the latter stages of 2009 and we look to 2010. The weakness of sterling offers a great opportunity as does the fact that the UK is very sophisticated in terms of how and what things are sold and the way they are presented.

If you want to global without the pain, talk to us at OBAN

Multilingual – we've been taking companies global since 2001.

About OBAN Multilingual.

- OBAN Multilingual have successfully been taking online retailers abroad since 2001 (www.obanmultilingual.com)

Specialists in :

- Multilingual SEO (Search Engine Optimisation)
- International PPC (Pay Per Click)
- Cultural Multivariate testing (www.culturalmultivariate.com).
- We have specialist teams in 26 countries and so we can provide both excellent local SEM expertise across the globe from one source.
- We always keep at the forefront of local developments in online retail so that we can truly provide our clients with local strategies that work.
- Our passion lies in making cross border online trade work for you and your new international clients.

If you'd like advice or more information, don't hesitate to let us know we love talking to you about your plans.

www.obanmultilingual.com



OBAN
MULTILINGUAL

A: "With many UK retailers already operating high street stores across the world - and with highly successful UK online players now set to launch dedicated international sites – it is vital that their trusted delivery partner has the capability to grow alongside them.

"The international opportunity is particularly obvious for e-tailers right now –capitalising on the continually growing hunger for internet shopping across the world is far too good to miss.

"In fact, international e-tail is currently bursting with fresh opportunities for retailers and cross-border e-tail for UK-based companies will grow enormously over the next twelve months.

"In line with this massive opportunity, Home Delivery Network has recently extended its delivery services to cover more than 200 countries by partnering with global distribution group TNT.

"A number of major brands have already started to use the new service and are seeing the benefits of expanding

their influence quickly - stealing the march on international competitors.

"Now, Home Delivery Network is focusing on further honing its hi-tech systems to provide a wide range of high quality delivery services to consumers around the world.

"This will help UK-based retailers continue to increase their international presence quickly – all the while ensuring that the customer experience is second to none in an ever-changing international shopping population."

Brian Gaunt, chief executive, Home Delivery Network.

www.hdnl.co.uk



Europe for new opportunities?

A: Now is an excellent time to look into Europe and internationalise your commerce: the current situation provides opportunities, that need to be seized early on. This will help retailers be ahead of competitors and understand the market better.

When the economy grows, retailers who have done their homework and invested will grow faster from a stronger position.

When entering other markets, start with your e-commerce: online activities present a lower risk and a faster entry to new markets, hence putting your company in a better position for the economic recovery and enable you to understand the market before potentially setting up physical stores.

Figures from industry analysts show an expected growth rate of 8% for online shopping globally and Europe accounts now for a quarter of Internet users worldwide.

Different countries, however, have different attitudes and behaviours towards e-commerce so make sure you understand your target market before entering it. For instance, a recent study conducted by ATG showed that France and Spain had the lowest satisfaction rates and were also the countries where consumers would spend least online; or that customers in Germany were mainly attracted to e-commerce because of speed. Provide your online customers with what they need and increase their levels of satisfaction.

The ATG research shows that simple solutions such as shortening check-out processes in Germany, integrating customer service in France and Spain, as well as adding m-commerce in BeNeLux would help retailers to boost revenues in Europe.

Growing with the market will also give your company a head start against the competition (new or existing, local or international). Waiting until the economy starts growing would mean having to compete harder to gain the same percentage of a larger potential market share.

In essence, entering the European market now or improving your current situation if you are already there makes good business sense.

Consider starting online, remember each country is different and that physical and online stores are not mutually exclusive. And make it relevant: when only available online, retailers must work even harder to offer superior customer service and stand out from the competition.

www.atg.com

The logo for ATG (Association of Travel Agencies) features the lowercase letters 'atg' in a sans-serif font, followed by a square icon containing a stylized 'a'.

A: We tripled our investment in new technologies in 2009. One piece of kit is proving to be the single most important purchase we've made this decade. I'm talking about Microsoft Surface.

Futurologists have been talking up touch for years, but with the growing take up of i-phones, kiosks and other touch-controlled devices, touch has finally arrived.

We were one of the first agencies to invest in Surface. Our clients (including retailers, luxury travel operators, price comparison sites and financial service providers) are excited about how it will transform their business. Entertaining and immersive Surface applications can occupy customers during any wait time at point-of-sale, while its collaborative nature enables numerous people (or the whole family) to engage together.

When we took Surface to Internet World last April, visitors filmed each other using it and shared their videos through Youtube and other social media. Now we temporarily install Surface at our clients' premises, loaded with bespoke applications created by us. As a direct result, we've started to receive commissions to build Surface applications as clients begin to appreciate the potential of touch.

We took Surface to the Davis Cup, loaded with a

questionnaire designed to discover how tennis fans feel about proposed new designs of the Lawn Tennis Association website. By positioning Surface in an area where tennis fans were waiting we were able to provide them with an entertaining and productive use of their time that ultimately led to improvements to the LTA site.

I caught a glimpse of the future at our recent summer party, where we had installed Surface for our guests, and their children, to play with. The result was absolutely fascinating. Tiny children interacted with Surface as if it was the most natural thing in the world.

If you're still designing for solely for mouse and keyboard, think again. This is the dawn of dawn of touch.

www.fortunecookie.com

The logo for Fortune Cookie features three red stars of varying sizes above the lowercase text 'fortune cookie' in a sans-serif font.

Satisfied customers can grow your business

94% of customers will go back to a company when they've had good service*; so in times like these it's vital to deliver. Royal Mail Tracked™ enables you to give great service at a competitive price, and gives customers the reassurance they need when ordering goods. With Tracked™ customers can find out where their orders are from the moment they're sent to the moment they arrive, and if they are unable to receive them they can be collected from a convenient place locally.

Find out more at royalmail.com/end2end or call 08457 950 950





Royal Mail can help you grow

IF YOU WANT to be part of this success, Royal Mail can help you identify markets abroad and advise you on exporting overseas. Roger Morris, Head of Royal Mail International Marketing, said "We make sure that your goods get to your customers quickly and at a competitive price and make your posting experience easier with online despatch solutions".

Royal Mail Airsure service is proving a big hit with UK firms and traders as businesses look abroad to escape the credit crunch and grow their markets. Airsure® enables clients in this country to quickly send and track packet items to addresses in 30 destinations across the globe. This flagship product offers confirmation of delivery, secure and priority handling in the UK and abroad, plus enhanced compensation. It is popular with online auction sellers, e-tailers and small to medium-sized fulfilment companies seeking value with peace of mind. Typically the average packet will be delivered in Western Europe within 2-3 days of posting. Volumes grew by a fifth last year, making Airsure® one of Royal Mail's fastest-growing products and Eurozone being the key area of growth particularly Germany, Belgium, Netherlands and Ireland where volumes grew by 37%, 44%, 36% and 22% respectively.

As well as Airsure®, Royal Mail offers a full range of value for money packet services which help you to save money on sending goods to Europe and worldwide, supported by excellent quality of service and reliability.

STILL HAVING DOUBTS

In addition to Royal Mail International Sales Consultants who can give you impartial advice on your exporting needs,

Royal Mail has also collaborated with Google and other partners to launch a Google Export Advisor which provides a simple 5 step exporting guide to get you started and on your way to successful trading and winning new customers.

DON'T BE LEFT BEHIND!

Medical devices supplier River East Supplies Ltd uses Airsure® to distribute its products all over the world. The Nottingham-based company supplies sports centres, orthopaedic and cosmetic clinics. Among the products it sends out are knee joints and even Botox. River East head of operations, Narinder Kaulder, said: 'We're a young company and we've gone from sending 50 items a day to 500 items a day in just 18 months. 'We just couldn't have done it without Airsure®. It's been both efficient and cost-effective.

'The service has been almost faultless, and if ever we've had a minor hiccup, it's been dealt with professionally and quickly.' 'For the lack of hassle I've had with the service, I could be selling just around the corner – not on the other side of the world.'

To find out more about Royal Mail International Services call 08457 950 950 or visit royalmail.com/international.





Radar view displays results around you

International markets, local factors

How do you build effective e-tail sites for different European markets without breaking the bank? Jonathan Wright investigates.

THERE'S A WIDELY held preconception within parts of the Internet community that Europe lags behind The UK when it comes to interface and website design. Europe, it's said, is still stuck with clunky old Web 1.0 thinking, while the UK, like the USA, has embraced Web 2.0 in all its whiz-bang glory.

It's a view of the world that has the virtue of being easy to understand and yet it provokes a nagging question: how far is it actually *true*? How, for example, can we square a view of Europeans as digital dullards with the inconvenient fact that, seen as a percentage of the population, Swedes are much more likely to use Facebook than Brits? Conversely, the UK-based Argos website is hardly cutting edge, yet it rakes in the money. Clearly, a straightforward view of the differences between the UK and Europe runs the risks of over-simplifying the true situation.

It's worth stressing from the off that this isn't just a question of academic interest. For anyone planning to roll out an e-tail site in Europe or who's keeping a weather eye on what European competitors might be planning, it's crucial to understand different markets across the continent. Which in itself sets up even more questions, notably just how important are local cultural factors?

And if you don't believe that local factors can still be an important question in an increasingly globalised world, it's worth considering the problems that Travelocity hit in France – suffice to say that 'travélo' means transvestite in French. "They actually thought (Travelocity) was a

transvestite destination for holidays, I kid you not," says Catriona Campbell, founder of usability specialists Foviance, who offers up the example as a cautionary tale of what can happen when you don't do enough research and testing prior to launch.

UK E-TAIL 2.0

Despite such mistakes, though, Campbell by and large supports the idea that UK e-tailers are ahead of their European counterparts in website design. She likens the development of the Internet industry to that of advertising in an earlier era.

"In the '60s and '70s, the advertising industry, certainly in terms of creativity, was led by the UK and the US, and Europe tried to catch up in the '80s," she says. "It's a similar thing that's happening now. I'm of the opinion that Internet retailing in this country, in terms of the experiential design, the experience the customer actually has with the brand, is much, much greater than the customer has with the majority of European sites."

In part, this is simply because the UK market is more developed. Campbell highlights the example of tesco.com. One reason, she says, that it's the fastest-growing grocery site in the world is because Tesco did so much development work in the 1990s. Tesco.com was already "a customer-centred, well designed website" when it went live in 2000.

This kind of rigorous development process hasn't always taken place on the continent, although that may be

beginning to alter. Cultural factors, though, may have an impact on the speed of change. Giles Colborne, a director with consultants cpartners, says it's easy to convince German companies about the need for user-centred design because they instinctively understand the idea as akin to testing during an engineering project.

In France, he adds, things can be more difficult. "You have more of an auteur culture of design," he says. "I've been in situations with a French client where I've said, 'We'd like to test this,' and they've said, 'Well, why don't you know?'"

LOCALISED INTERFACES – WITHOUT RUNNING UP HUGE COSTS

Faced with such cultural differences, and these are only the tip of the iceberg, it would be easy to assume that e-tailers inevitably face a huge bill when it comes to entering the European market. Not necessarily. Just as Unilever or Procter & Gamble wouldn't dream of launching a new shampoo without sending out samples for consumer feedback, canny e-tailers use remote user research.

This involves getting a representative panel of consumers in a territory to test a site. Using programmes such as Keynote or LEOtrace, you can monitor users as they try to carry out a task. There's a pop-up box where users can add comments about what they're doing. The important thing, says Catriona Campbell, is that in this way you can get quantitative and qualitative data.

This can be particularly important in making a business case for investment. In Switzerland, for instance, customers expect sites to reflect the diversity of languages in the country – and in Switzerland different parts of the population speak German dialects, French and Italian. It's easy to imagine a manager baulking at translation fees, yet they might be unavoidable. That's also true in Italy and Spain, where the locals don't like to see their language mangled by translation programmes.

This is an especially key point with high-end and high-value retailing. Customers anywhere in the world are far less likely to make major purchases from a site if it seems unreliable or untrustworthy for any reason.

PAYMENTS AND PLATFORMS

Underlying the dizzying variety of cultural factors at play when building websites for Europe, it's worth noting that there are also more practical, even mundane issues to consider. The checkout process, for example, may seem straightforward, but customers may be put off by something as basic as an address form that doesn't reflect local conventions.

Then there's the whole issue of payment. In the UK, we're happy to use credit and debit cards to pay for goods. This isn't true across Europe. In Germany and Sweden, for example, it's far more common for customers to have an account with a company and pay on receipt of goods by bank transfer. And don't forget that not every country uses the Euro.

Get the check-out process wrong and it can have a big effect on sales, says Akif Khan, head of client and technical services at payments specialists CyberSource: "Merchants must use the appropriate terms for payments in their chosen country. In France for example, consumers

are used to seeing the sign for Carte Bleue rather than the Visa sign. Overall, customers are more likely to buy from a site that reflects the local look and feel, so domestic expertise in creating the local payment pages is an important consideration."

Mark Adams of e-consultancy Portalech echoes Khan's words: "From a technology perspective, actually implementing pan-European sites, you might have to implement numerous different payment solutions and payment gateways to support each territory. That's a lot of work to do and there's a maintenance cost in that too."

Nevertheless, Adams adds, there are several companies working on the issues here. In this context, it's intriguing to note that Magento, an e-commerce platform, has been attracting a lot of attention, perhaps because it's open source software and thus promises greater flexibility. (It's

What the experts say

Back and forth

"I have to say over my time working in the online world, you see the pendulum swing backwards and forwards. You see it swing from everything must be run by the local office to everything must be centralised, from everything must be optimised for the local to we've got to get economies of scale. My expectation is that companies over the next few years are going to be looking to see how they can have as centralised a policy as possible. What you hope is there are people centralising who have an appreciation of local values. You can't take the extreme path, it just doesn't work."

Giles Colborne, director, cpartners



Real thing

"For the first time, with augmented reality your reality is combined with all that digital power that's already there. You can see on the spot what's available to you and you can query that. That's never been done before."

Maarten Lens-FitzGerald, co-founder, Layar



Delivery issues

"If you are a pan-European retailer, you've got a store presence, you've got existing fulfillment capabilities in different territories, by definition it should be a lot easier for you to trade off a single platform, a single solution, and just have different languages, different currencies for each region. But if you are, for example, a French retailer that wants to branch out to trade in other territories and your fulfillment centre is in France, then you're going to have lots of issues around delivery."

Mark Adams, sales director, Portalech



Social media

"What we're seeing now is a great deal of social media and web 2.0 brand awareness in the UK and the US. I think things are going to develop quite fast elsewhere too."

Catriona Campbell, founder, Foviance



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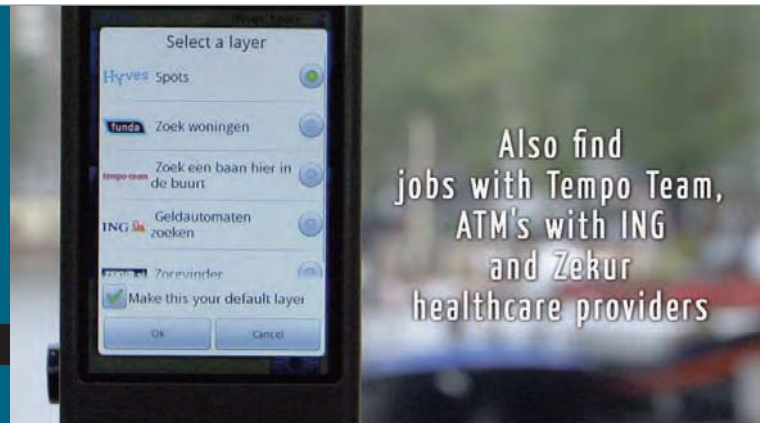
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Layar's AR mobile 'browser' is causing a huge stir.



worth noting there are questions surrounding tax and fulfillment here too – see the feature on page 22)

CONVERGENCE ACROSS EUROPE

But whatever the future holds, it's pertinent to ask whether local differences will gradually begin to break down. After all, it could be argued that the more customers get used to buying goods from e-tailers based abroad, the less likely they are to be worried about subtle cultural differences.

Furthermore, not everyone in the industry puts massive emphasis on such differences. As Mark Adams says, "If you look at a lot of the European players, the retail players, their websites actually look fairly similar." Some companies, he adds, think it's more important to get brand, tone of

voice and service consistent across Europe. Even Giles Colborne, who talks a lot about the importance of localisation, notes: "If you've got a laptop and a broadband connection, you're probably reached a certain global cultural awareness anyway."

There's another factor that comes in to play here too, the age factor. There's a whole generation growing up who can't remember life before a digital world, have never even experienced it. Will an Italian teenager, who's spent his life surfing international websites, get as upset about poor translations as his grandfather? Somehow, you doubt it.

"I think the digital native around Europe, the person who's been born during the digital age, uses all the same things," says Catriona Campbell. "They have the same gadgets Europe-wide so as soon as people start exploiting that, then we'll see an uptake in Europe of really exciting Internet retailing brands doing really well."

Moreover, this new generation is far more likely to use social media. Recently, for example, Dell ran a voucher promotion on Twitter. It brought sales of \$3 million for the company. In this vision of the future, Web 2.0 technology will spread across Europe just as a new generation that's receptive to new ways of doing things comes of age. This won't necessarily make it any easier for e-tailers to solve such basic problems as fulfillment across different countries and tax and regulation issues, but it emphasises that strategic thinking about the future can't be ducked.

Case study

We may come to view the last few months as the time when new mobile technologies, which lest we forget once prompted telco companies to shell out vast sums for 3G licences, finally began to come of age. First, there was the rise and rise of the iPhone. Yes, it's essentially just a multimedia smartphone, but it's the smartphone that you can talk about at dinner parties without appearing horribly geeky, and that's important.

But what will we be doing with our new phones, whether they're sold to us by Apple or not? One clue might be the fuss surrounding Dutch company Layar's augmented reality (AR) mobile browser.

"What it does is that it combines reality together with digital information," says the company's co-founder Maarten Lens-FitzGerald. "When you point your phone at something the camera records reality. This is displayed on the screen. On top of this screen, we also portray what's there. If there's a supermarket in that direction, we can put that on the screen. In that way, people can find out what's around them."

The enthusiastic media coverage of Layar's launch suggests there's potentially a huge market for what they do. Already, says Lens-FitzGerald, developers are working on Layar apps. A Japanese company, SystemK, has even produced videos to help consumers use the new technology. For retailers, this potentially means a huge opportunity. Why stop at showing directions to a supermarket in a browser? Why not show offers or sale items?

This doesn't necessarily mean that retailers will have things all their own way. It may also enable consumers to take control of what they want. Lens-FitzGerald foresees a time when you might be able, say, to search for Chinese or Mexican restaurants in an area.

"Personally I really believe in the future for vendor relationship management," he says, "which means that you as a person can do an RFP [request for proposal] when you really need something and then people can send offers – instead of the other way around."

STRAIGHT OUT OF LEFTFIELD...

Some would argue that this isn't a vision to be welcomed because it promotes a kind of bland homogeneity. Don't be so sure. It's easy to forget now that GAP and Starbucks used to be edgy, hip companies, not staples on high streets around the world. There will always be new e-tailers, pure plays and otherwise, ready to exploit gaps in the market.

There's another point here too. Digital technology is still at a stage where innovations can suddenly change the market. Who could have guessed at Twitter-mad Londoners' enthusiasm for micro-blogging? In addition, the recent attention given to Dutch company Layar's augmented reality interface (see boxout) is a reminder that technology doesn't always hit the market from expected centres, its development tends to be uneven.

It's also a stark reminder that Web 2.0 is already being superseded by Web 3.0, a digital future where customers don't simply interact with companies through a web browser. Wherever they're based, any retailer that's not already thinking about the implications of this may not make it to Web 4.0. ■

Dynamic variables

Wherever you are in Europe, discovers Jonathan Wright, truly effective merchandising begins with knowing both your business and your customers.



EVEN ITS MOST sophisticated practitioners don't regard merchandising as a particularly complicated pastime. At root, it's simply about offering your customers the right goods at the right time and at the right price. Get these basics in place and sales will follow. Just as surely, get them wrong for long enough and bankruptcy will, sooner or later, result.

Apply this thinking to the online world, where so-called 'searchandising algorithms' hold out the promise of automated best practice that's universal, and you might question whether those working in e-tail really need specialist merchandising skills at all. The problem with such thinking, as anyone who's ever watched a fractal unfold will testify, is that simple equations produce dynamic results.

Look at what we might call a merchandising meta-equation – customers + (right goods + right time + right place + right price) = sales – and it should be immediately clear that you're dealing with variables. Who are your customers? What do they want to buy? When exactly should you offer them goods? Where's the best place to make your pitch? Should you be discounting or charging a premium? Moreover, this isn't just an equation being studied

by one retailer. Everyone's working on solving the same equation game and different competitors' approaches affect each other.

This is particularly pertinent at the moment. Although recent ATG research (see the strategy feature on page 26) suggested that many in Europe are still wary of online commerce, this is changing – fast. Increasingly, those who want to maintain a competitive advantage need to think about what competitors throughout Europe are doing.

THE LEGACY FACTOR

Against this background, what approaches are companies in Europe taking towards merchandising? Alongside national factors specific to each territory, a key factor here is the history of different companies. Typically, companies that come from a catalogue background have a very different approach to bricks-and-mortar retailers.

That's not to say either is better or worse, more that each has different strengths and weaknesses. To begin with catalogue sellers, it may appear that a website is a similar environment in that it involves customers looking at pages.

Know your customers

On the surface, John Lewis and Argos may appear to have little in common. One is a department store that's beloved of Britain's middle classes because, as *Guardian* journalist Lucy Mangan recently pointed out, you can buy just about anything from the shop without running the risk of committing a style faux pas. (Mangan: "I have neither taste nor visual imagination. I aspire only to safety. I wish to go somewhere where the thinking has been done for me.")

It's also a company that's rightly lauded for its customer service. Fact: you get a longer guarantee if you buy a Mac from John Lewis than from many specialists. According to Rich Beattie, the reason its website works so well is because the site replicates, as far as possible, this customer service.

"It's all about doing as well as they can do when they do well in the store on the site, a really positive brand experience about taking people directly to what they're looking for and offering them some intelligent recommendations when they get there," says Beattie. "And they do, don't they? When you're in

Waitrose or John Lewis, they walk you to individual products rather than Tesco or Asda where they point you to it."

Argos, on the other hand, is about value. Its stores' bring-it-up-from-the-basement ethos is essentially a catalogue operation transposed to the high street. Its customers don't care about presentation as long as the price is right and items are in stock. Its website makes it easier to find items because you can check individual stores to see if they have an item.

"What they're doing is allowing people to look for the product that they want," says Beattie. "It's also integrated at the stock level so you can now look for the store that has got it in place and reserve it, have something sent to your mobile device or email saying here is your six-digit reservation code and then say I'll go in the next 48 hours. You slide your credit card in the machine and it comes out at the desk. That's just good retail."

What both sites share? Simple: an awareness of what their customers expect and want, one of the keys to good merchandising.

However, the web is a far more dynamic environment for selling where you have far more control over what to show customers and when.

"A catalogue is a series of pages, it's like a magazine," says Michel Koch, e-commerce director at Quelle in France, "you want people to browse through it, you have products that are put forward, but it's got *nothing* to do with merchandising: you don't have cross-selling or upselling. What happens online or in the shops, it's quite different."

But it's by no means a wholly gloomy picture for catalogue sellers. For a start, the infrastructure and expertise necessary for mail order in terms of tracking stock and orders is a huge help because there's no point in promoting goods you can't supply.

Focusing more specifically on merchandising, there's plenty of anecdotal evidence that catalogue sellers instinctively grasp email marketing. According to Frederik Nieuwenhuys, a director of search and merchandising specialists Frederikhopper, this is because such companies have a long tradition of working out what kinds of catalogues to send to which customers and when. They also understand the importance of measuring responses to such campaigns.

SHOPS AND THE HUMAN TOUCH

In contrast, bricks-and-mortar retailers tend to understand different facets of merchandising. They're far more likely, for example, to be familiar with such ideas as category management (see 'A class of its own' in *Internet Retailing's* recent supplement on multichannel retail). Moreover, the idea of actively cross-selling or upselling is familiar to shop staff the world over.

Don't underestimate the advantages of meeting customers on a day-to-day basis either. "My true belief is that retailers, and many retailers haven't been there yet because they think distance selling is not their business, have a key advantage in the sense that they have a physical presence and a real dialogue with their customers," says Michel Koch.

On the negative side of the equation, bricks-and-mortar companies often don't realise how little hard data they have on their individual customers when compared to mail order companies. However, as more retailers get serious about e-commerce, that's beginning to change – and combining in-store and online data is potentially a powerful proposition.

PAN-EUROPEAN APPROACHES

Leaving aside pure-plays, who might reasonably be expected to understand the disciplines of online merchandising, it's clear that different companies start out on their e-commerce journeys with different strengths. This goes a long way to explaining the huge variations in tactics

What the experts say

Keyword knowledge

"If you have more and more customers with different needs, and you're also selling more and more products – and we see that one of the strategies retailers follow is that they increase their catalogues online – it means you have to spend more time thinking about targeting. If we're showing everyone the same ranking for the keyword 'shoe', we are likely to be less successful."

Frederik Nieuwenhuys, director, Frederikhopper

Skills shortcut

"This is a relatively new market. The experience that people have is limited. If I place an advert looking for a digital marketing merchandiser, there are few people who will have experience."

Frederik Nieuwenhuys, director, Frederikhopper



Coherent thinking

"Whatever you do as a multichannel retailer, you have to have coherence in the end. The customer buys a brand and, suppose he wants to go in the shop, to doublecheck what he bought online, he has to be able to do that – and vice-versa, to check online, make a wish list and go in the shop."

Michel Koch, e-commerce director, Quelle, France

Cultural awareness

"When I shop in France it's the antithesis of shopping in the US. In the US, it's considered as rude that you don't get approached by someone offering rather enthusiastically to help. In France, it can be the opposite: don't be too much in my face, give me the chance to absorb this. And that can also be applied to different sectors, to different geographies, in online terms."

Rich Beattie, VP merchandising and search, EMEA, Omniture





Onsite Search
Increase Conversion +40%



Targeted Merchandising
Drive Response Rates +550%



Predictive Targeting
Increase Order Sizes +15%



TOYS R US

Clarks

JESSOPS

OTTO

B&Q

PHILIPS

Thomas Cook

MANUTAN

bon prix

3SUISSES

boulangier

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QUELLE.

Architecture and merchandising

Ariel Lüdi, CEO, hybris and Rob Swint, industry marketing, e-commerce and media, Endeca argue that website architecture is key to effective merchandising for e-tailers selling across Europe:

"The truly multinational retailer has dozens of websites running of a central repository of product information, which is then filtered based on the URL or country selection. Once a user indicates their nation of origin and/or delivery location, the data is filtered to only reflect the products that meet those criteria. Likewise, the cross-sell and upsell promotions are triggered off the current results-set of products, and thus only shows promotions relevant to that specific country of origin and delivery location selected.

"The best retailers have architected their websites to do this from their start through their data and search technology, and hence excel by always delivering the most relevant products and promotions in each market. In contrast, retailers that did not architect with this complexity in mind ultimately build custom applications for each market, which quickly spirals out of control as both universal and local changes become expensive and almost impossible to deploy.

"In summary: there are no 'universal best practices'. There is however a best practice on how to architect a multi-channel infrastructure, which caters for the different requirements of each retailer (due to their legacy or other constraints) and the differences in markets and customer acceptance. The ultimate competitive advantage is being created with the retailer's knowledge of their products, markets and customers in combination with a flexible, packaged toolset to support their ideas."

employed by different e-tailers across Europe, especially when you throw in local factors.

German mail order companies, for example, are hardly renowned for merchandising flair, but they've been comparatively quick in building extensive, well-stocked e-tail offerings. This is because the sector has traditionally had a stronger market share than in, say, the Netherlands. Germany is a bigger market too, leading to economies of scale.

French discounters too have brought their traditional strengths to the web, such as an ability to compete on price honed by a regulatory framework that limits the times when retailers can run sales. (Frederik Nieuwenhuys: "Their merchandising tactic is to shout value to you as much as they can.")

Look at individual companies and even wider variations in approach begin to become clear. Mail order company Shop Direct Group recently launched Littlewoodseurope.com. Initially at least, the store, which is only in English, is targeted at ex-pats living in France, Germany, Spain and Portugal.

From a different angle, George Davies, the man who created Next and the George and Per Una brands for, respectively, Asda and M&S, is taking his new GIVE womenswear brand to Europe through a tie-up with Dutch department store De Bijenkorf. He's also announced partnerships with House of Fraser and smaller retailers. Clearly, building a pan-European brand that's about "affordable luxury" isn't the same process as targeting a familiar catalogue name to homesick Brits.

UNIVERSAL TRUTHS

Except, of course, to return to where we began, both propositions are still about trying to target customers in the

most effective way. To look at this from another angle, while universal best practice may not be an idea that carries convincingly across different territories or markets, there may still be some mileage in the idea of what we might, with no great snappiness, call a universal best approach.

What might this involve? According to Rich Beattie of web analytics company Omniture, there's one surefire way to find out if your merchandising is effective: "test, test, test". Yes, he would say that, but it doesn't invalidate the point. "It is by far the most effective way of doing this," he says. "Try it. Don't go on what you think will work. Try what you think will work, but try other things as well. Look at other sectors, look at other countries, use people's experience of what else they've tried."

There's another basic point here. The great beauty of e-tail is that you're constantly gathering information about customers – and it's hard data, not opinion. Use this information, advises Beattie.

"Give (customers) a relevant result," advises Beattie. "That is the number one strategy that should be common to everything. And after the relevant result, give them what is relevant to your business. If your business is about shifting stock, then shift stock. If your business is about selling, right then at that particular time, high-margin items, then as long as first and foremost it's relevant, give them the high-margin items."

Learn from other sectors too. Frederik Nieuwenhuys thinks that e-tailers should study telco companies. "They target all sorts of different segments with different messages and different offers," he says. "This should happen in e-commerce as well." Nieuwenhuys also advises companies to launch "micro-campaigns". A clothes retailer, for instance should "do little stories on Calvin Klein, Tommy Hilfiger" aimed at different types of customers. Nieuwenhuys adds: "It means that marketers need tools to do many campaigns – and this should be easy to do."

STRATEGIC THINKING

And in one sense, it will be easier in the future as technology develops. Yet because everyone can do this kind of merchandising, it will also become more difficult to make your offer stand out, especially as new companies enter the market without a background in catalogues or conventional retail.

"You have pure-players in France and Europe who are very skilled because they just started from nothing and they took the web as their only medium," acknowledges Michel Koch. "For me, the ideal context is where you have a pure-play state in a retail or catalogue company, where they can think out of the box without constraint from the other medium, hire talent that's not necessarily familiar with paper or shops, but have good reflexes online."

For the companies that can get this right – and perhaps as Koch has earlier hinted, the companies that make their offer work across different channels – there's the promise of growing markets as e-tail in Europe matures. As for the idea of universal searchandising algorithms that can solve all your problems, forget it. Which isn't to say that understanding such algorithms and their place in merchandising won't be crucial in the years ahead. As Frederik Nieuwenhuys says, "I would say that most of the algorithms are still in their infancy and that there is a great deal to be developed and won." ■



Pictures: Metro AG

Local hero

When it comes to the European market, how important is it to be local? Chloe Rigby assesses how and why retailers can and should be considering the local angle, and takes an in-depth look at one pioneering project to improve the European in-store experience.

WHEN A CUSTOMER in Paris or Hamburg can easily buy from a retailer as far afield as Aberdeen or Athens, just how important is it to the customer that the transaction seems to be local? And what does local mean? Is it just about getting your website translated, or is it much more than that? The answer seems to be that the more local the end product seems to the consumer, the more business it will attract. As Olivier Bourgeois, founder of French e-commerce fulfillment

specialist Proxi-Business, points out, "The markets are different and have to be approached locally."

And yet, keeping the brand values intact will inevitably mean keeping control from the centre. So it seems there's a balancing act to be done between localisation and centralisation, between addressing customers locally and controlling the way the message is put across from head office.

Familiar destinations

Visitors to the e-commerce sites of many global brands and retailers find that once they arrive, access to local information is still a few clicks away. Some ask them to specify which country they're viewing from before they can see relevant information, while other sites take them to a landing page dictated by the language of the web browser from which they've arrived.

Yet the page that consumers arrive at can dictate whether they make a purchase or not, it seems. That's what Continental Airlines found when it introduced new geolocation technology from Quova that identifies, when a visitor logs on, exactly where they are and takes them to the relevant country website – the continental.com website is localised for 56 countries and is offered in six territories.

Today when a visitor logs onto continental.com a query to Quova's GeoPoint database is made and the location of that IP address is returned instantly. Based on the answer, the visitor is automatically re-directed to the geographically relevant Web page. The company has seen a significant increase in conversions leading to ticket sales from its international properties. Even a slight increase in conversions represents a major increase in revenue for the company.

It has also started to use geotargeted homepage banner ads within the US – with the result that the company has seen a 200 per cent increase in click through from its localised banner ads.

Ken Penny, managing director of Internet planning and development, Continental Airlines, says: "Within today's Internet landscape, customers are very familiar with site navigation and expect to go from search to purchase with a minimal number of clicks. Integrating Quova's data is helping align our web properties with consumer demand for a quick, clean shopping experience. Being able to geographically locate the IP address of each shopper improves conversion rates and the efficacy of online promotions and strengthens our brand around the world."



gave our customers the brand control they needed, but from the franchise partners' perspective, they also got the best price," says Rogers. "Suddenly there was a global deal around the price yet the local freedom to procure when they needed it." The tools, he says, also allow franchise partners to respond to the requirements of the local markets, without deviating from brand guidelines.

By dealing with other brand issues – making marketing materials to point of sale promotional goods available centrally – franchise partners can have the flexibility they need to respond locally, giving their input online as well.

BEING LOCAL: ON THE HIGH STREET

When it comes to opening stores overseas, many retail brands choose to do so through franchising rather than through wholly-owned subsidiaries. But while this takes risk away from the retailer, it can also present them with the problem of making sure their brand is used consistently in their overseas stores. Indeed, says Tristan Rogers, managing director of the Concrete Group, which advises retailers on managing their brand internationally, it's far easier for a multichannel retailer to control brand use online than in store, an issue that, he says, can be "very tricky". Most franchisers, he says, will issue brand guidelines that they deem "sacrosanct" – but on the ground, he says, lower local procurement costs will be more important. "Local markets will procure from the mannequin supplier down the road who does a good deal – and that's why you get such a varied in-store experience," he says. For clients including M&S, the company has set up internal business-to-business web-based e-commerce tools that allow franchisees to buy centrally approved mannequins and other shop fittings online. "It

BEING LOCAL: ONLINE

Many visitors to the UK sites of European retailers would hardly know that the brands in question are not British – except for the links at the bottom of the home page to other country websites. From French fashion company



THINKING OF GOING GLOBAL?



Did you know that....

- 70% of web users don't have English as a first language? (that's over 900 million people)
- There are more people online in China today than in the U.S.
- The most popular search engine in Russia is Yandex?

We've been taking online retailers global since 2001.

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laredoute.co.uk to Swedish homewares retailer ikea.com/gb, the emphasis is on being as relevant to the local audience as possible. Go from the UK home page to another country home page and the front page alters dramatically. However, beyond this page, the catalogue contents are simply translated and currency changed while other features remain the same.

Some UK retailers trading abroad do the same: tesco.co.uk has a much more sophisticated look than its Hungarian site, tesco.hu, while Boden.co.uk adapts the front pages for different markets in its European websites, bodendirect.at (Austria) and bodendirect.de (Germany).

According to Steve Davis, president, international, of e-commerce solutions company GSI Commerce, looking

European in-store innovation

One example of how stores and the Internet channel work together at the cutting edge of European retail can be found in Tönisvorst, a small town near Düsseldorf, Germany. For it's there that new ideas in retail technology are tested in the Metro Group Future Store initiative.

The Future Store, opened in May 2008 under the Real brand, as an "innovation workshop" for more than 90 companies in sectors from retailing, consumer goods manufacturers, to IT and the service sector. There, ideas are tested and developed for use – before then being rolled out for use in other Real stores around the country.

It's possibly the only supermarket to have a visitor centre attached. More than 9,000 people from more than 30 countries have toured the store since it opened – on top of those that shop there regularly. In its sports department, customers can test equipment before they buy, checking details on an information terminal. In its butchers shop, they can watch meat being prepared while a smart freezer monitors sell by dates on the meat it contains. And in its wine department, customers can taste up to 16 types of cooled wine before they buy – accessing the service through a tasting card that is only dispensed after age is proved. Meanwhile, in the beauty department, customers can use the information terminal to test their skin type and choose relevant beauty products.

Customers can choose between degrees of convenience when it comes to paying for their shopping, with options ranging from a staffed checkout, to an express self service checkout – using a barcode scanner themselves – or they even can even choose to pay for shopping by fingerprint.

The latest idea, introduced this year, is the Mobile Shopping Assistant, a software application. Customers can use their mobile phones to access shopping lists they have previously created online as well as to scan products at the store, using the phone's autofocus camera, so speeding up the checkout process.

These innovations have proved to have a positive effect on the bottom line – customer numbers at the Real Future Store rose by 20 per cent in the first year of operation, and sales by 15 per cent. Customer satisfaction levels have risen at the same time. In September 2008, 88 per cent said they were satisfied or very satisfied with their shopping. By May of this year that figure had risen to 98 per cent.

Roland Neuwald, Real's managing director, sales, says: "Our objective was to get innovations off the ground with the Future Store and the results show we have been very successful. But we are acutely aware of the fact that the deployment of new technologies only makes sense if it supports our overall goal of achieving 100 per cent customer satisfaction."

What the experts say



Franchise factor

"With the franchise model it becomes quite tricky. It's your brand but somebody else's money."

Tristan Rogers, managing director, Concrete Group

New ideas score

"By providing product information on mobile phones or introducing new checkout processes, Real's Future Store takes a pioneering role in the rollout of innovative retail services."

Zygmunt Mierdorf, member of the management board of Metro Group



Increased sales

"Creating a shopping experience online which is as close to an offline, local experience as possible is the secret to boosting cross-border sales."

Steve Davis, president, international, GSI Commerce

local is key. "Ultimately, the biggest secret is not to make it feel like a cross-border shopping experience," he says. "Try to make the shopping experience feel as 'local' as possible, from payment processes to fulfilment to call centres and customer service. Understand how local retailers serve their customers, map your own capabilities and try to close the gap between the two."

And on the technical side, says Richard Sedley, director of customer engagement at digital marketing company CScape, in some European countries, such as France, having a local domain name is fundamental. He says that for a company to appear at the top of search engines in France, they must have a local site with a .fr domain name. Not only must a French site have a local domain name, he says, it must also be hosted locally as well.

ADVANTAGE UK: ACROSS THE CHANNELS

But it's also important to remember that the UK is generally acknowledged to be more developed when it comes to e-commerce, and that innovations successful at home can successfully translate to Europe and give UK retailers a competitive advantage. Olivier Bourgeois, founder of French e-commerce fulfillment specialist Proxi-Business, notes that a number trends already seen in the UK are likely to be followed in France.

"More and more traditional retailing will get involved in e-tailing and the stores will change. They will become showrooms and the buying decision will be postponed – to be made from home, for example, after price comparison. These store changes have already started in the UK, and the evolution is really interesting, seen from France."

He also points out that the knowledge of and use of social media, such as Facebook and Twitter, also give UK retailers a competitive advantage since they are more widely used here. At the same time, though, he says it's important to bear in mind that: "French people are different from British people." ■



En route for europe

Of all the areas to be considered when selling online in Europe, logistics could be the most taxing. But get it right, says Chloe Rigby, and Europe could prove a fulfilling marketplace.

AS EUROPEAN SHOPPING moves beyond the national, and cross-border online trading starts to become a reality, the biggest challenges to getting it right will be in delivering the goods. That starts with making sure regulations and VAT are dealt with correctly at the point of order and ends in making sure the goods are delivered efficiently and quickly. On top of that, returns and customer service must also be factored in. For a disgruntled customer is unlikely to return, whether they are based in London or Milan. "Every one that isn't received is a failed delivery and an upset customer," says Phil Tingey, operations and strategy director at iForce.

So what are the main questions to consider when looking at selling into Europe?

STRATEGICALLY SPEAKING

The big logistical decisions to make on exporting to Europe are all about meeting customer expectations. Should delivery be free? How fast should it be? Received wisdom says customers increasingly expect free and next-day delivery in the UK, particularly if they are spending sizeable sums. Do European customers expect the same? Is it therefore fair – or competitive – to offer a different

service to customers elsewhere in Europe? Opinions vary but the answer to these questions will inform other elements of the strategy: whether storage is in a UK warehouse or abroad, and where and when to feed into third-party logistics providers.

At the end of the day, though, it's vital to remember how much each sale costs your business, says Total Logistics' Martin Brickell. "If your cost-to-serve is diminishing you have to think: can you sustain it and is it where you really want to be."

DELIVERING ON EXPECTATIONS

The expectation of free and fast delivery is growing in the UK market – and in Europe as well. In Germany, for example, next day delivery is often standard. But is it realistic to offer that level of service to customers when delivering from further afield? Olivier Bourgeois of French e-commerce distribution company Proxi-Business, says that while e-retailers on his side of the channel do often offer free delivery in their ongoing price war, "Financially, it doesn't seem to be bearable." Instead, multichannel retailers are using their stores to offer free pick-up from store or a central delivery hub. Some retailers are in talks with petrol station networks about using their sites as pick-up points.

Other issues to consider

Address

Getting the address right is a vital part of making sure the goods are delivered. Bear in mind that while incomplete postcodes can throw up problems in the UK, it can be more difficult to determine the correct postcode overseas.

Electrical goods

The question here is about electrical plugs. Since voltage and electrical plug design differs in continental Europe, decisions need to be made about whether an adaptor is included in the packaging, or whether information is included.

Language of documentation

If a UK company makes an online sale, then under the EU's 2002 Distance Selling Regulations, emails and documentation should be in the language local to where the purchase was made. Bear in mind that some countries, such as Switzerland and Belgium, have more than one official language.

Setting up a warehouse closer to the customer is one possibility, but may only become viable once sales have reached a critical mass. On the other hand, free delivery could be a loss leader to help develop sales in a new market.

Many UK retailers (see 'How it's being done') seem to be operating on the assumption that customers will make allowances when it comes to ordering from overseas – and if they trust the brand they will buy despite extra delivery costs and sometimes long delivery times.

Alan Braithwaite, chairman of supply chain management advisers LCP Consulting and supply chain professor at Cranfield, says: "High service standards were put in for competitive advantage, but I think customers in general are content as long as they get it within a few days."

Patrick Wall, of Metapack, adds that while this is certainly the current convention, he believes this is likely to change in future as retailers move to differentiate themselves by offering a premium service. "The majority of European shipments are being made to Germany and France, and increasingly it will be possible to offer a cost-effective next day service – albeit with an earlier order cut-off time."

Ultimately, says Martin Brickell, of Total Logistics, the choice for retailers to make is between margin and volume. "It's about where you position your brand," he says.

LOCATION, LOCATION, LOCATION

The next decision is about where to deliver from. Here the key choice is whether to send from the UK, in the same way as deliveries to the UK are made, or from an overseas fulfillment centre either operated by the retailer or by a third-party operator.

Setting up an overseas fulfillment centre means a long-term investment with a high initial cost, a factor that could well prove less attractive in times of recession. But, says Felix Velarde, of Underwired, if goods are made in China, it may make sense to ship them to a central European point rather than distributing from the UK.

A logical approach for those still building a market could be to start by sending from the UK, until volumes get large enough to justify taking on an overseas distribution centre. Metapack's Wall says there is no need to hold separate stock when sending from the UK – and that existing pick

and pack methods can be used unchanged. However, do bear in mind, says iForce's Tingey, that warehousing goods in a single UK warehouse to fulfill more than one country website could lead to hard decisions about who gets the goods if orders come in simultaneously from, say, Scotland and Belgium. This is a question, says Tingey, of making sure the relationship between the web front end and the stock-file is robust.

In the UK most e-retailers outsource fulfillment, once they get real sales volume. That capability is also starting to grow on the other side of the Channel, where companies such as France's Proxi-Business offer a white label service. UK e-fulfillment specialists are also starting to look to European markets for growth in their own businesses. Expect to see announcements of new European delivery contracts this autumn.

CHOOSING LOGISTICS PROVIDERS

The potential importance of this market is reflected in a growing array of services from logistics companies keen to support those going into Europe. The Royal Mail says its Aisre delivery option is currently its fastest growing product, offering two to three day delivery to western Europe with the ability to track and trace packages. Next-day delivery is now available to western Europe through Royal Mail group company Parcelforce, while the Royal Mail's international sales consultants can advise on

How it's being done

So how are leading UK e-commerce retailers currently approaching distribution into Europe?

For the most part, the answer seems about allowing international delivery from an English language site and from stock in UK warehouses. It's an approach most clearly suited to UK expatriates who know the brand, know what they want and are prepared to wait.

Marks & Spencer last year launched an international service delivering to parts of Europe where it has no stores. So customers in France, Germany and Spain can now buy clothes and other goods from its existing website, marksandspencer.com, at a delivery cost of £10. Next now has the Nextdirectory.eu English language site that delivers across western Europe for a €5 charge.

Similarly, Littlewoods has just launched its LittlewoodsEurope.com website in France, Germany, Spain and Portugal, which charges €5 delivery per order and ships within seven working days. There's a 14-day home approval guarantee. For all, payments are the UK standard – via credit and debit cards.

Mark Newton-Jones, chief executive of Littlewoods' owner Shop Direct Group, says: "This is an exciting proposition for many British families living abroad and their European neighbours who want to shop at one of their favourite British online retailers. Lots of customers have been asking us to provide a European online offer for Littlewoods products."

The retailer that tops the UK's Hitwise list of successful retailers is Amazon.co.uk. The US retailer has dedicated country sites and distribution in France and Germany. The German site delivers orders of €20 or more free to seven European countries, including Austria, Germany, the Netherlands and Switzerland, while the French site delivers all book orders free to French metropolitan areas, Monaco, Switzerland and Belgium, with a €20 minimum for free delivery of other, non-bulky goods. Tellingly, says GSI Commerce's Steve Davis, Amazon is the only company that features in the top ten retailers in the UK, Germany and France.

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What the experts say

Good times

"Right now the economic climate is ideal for export – the pound is at a record low against the euro, which means that millions of consumers and businesses in the Eurozone view the UK as one of the most attractive markets to buy from, which is great news for the UK retailers who need to capitalise on these favourable conditions and reach out to their potential customers. It is just another postcode area."

Danijel Karadza, international product manager, Royal Mail

Complicated

"It's [exporting to Europe] got a lot of complications. All of which are potentially solvable, but businesses are going to have to say we're really going for it."

Alan Braithwaite, chairman of supply chain management advisers LCP Consulting



Adapt and prosper

"The main lesson from retailers who are doing well is to see logistics as an enabler, not a barrier. Greater challenges exist elsewhere. As long as there is the flexibility to engage with new carriers, logistics can adapt to the EU opportunity almost immediately."

Patrick Wall, CEO, Metapack



Different sectors

"In the food market, services such as order preparation and delivery dominate. In fashion and shoes, the ability to return the product is essential."

Olivier Bourgeois, founder of Proxi-Business

Margin v volume

"I think it is how you choose to position your brand and how you play margin versus volume."

Martin Brickell of Total Logistics



the exact requirements of sending to individual countries. "Our volumes are growing by up to 20 per cent on average; destinations like Ireland, Germany, Holland, France are extremely popular," says Danijel Karadza, international product manager at Royal Mail.

And UK company Palletways says it's the first pallet network to offer door-to-door distribution from the UK to western Europe. European sales and marketing director Martin Clough also puts an emphasis on traceability. "Internet retailers should ensure that any logistics service they consider for Europe has the IT systems in place to enable fast and efficient tracking and tracing of products throughout the entire supply chain and allow real time distribution of proof of delivery information," he says.

E-retail fulfillment specialist Metapack works with a variety of carriers. Its chief executive Patrick Wall says: "Not all UK based carriers offer European services, some have their own networks, others share with partners: so the retailer has to take this into account when review the appropriate carrier partners," he says. "Costs vary hugely, so it's worth making the effort to get this right."

But those retailers who base themselves within their overseas markets may also consider using European logistics

companies. These benefit from having the inside knowledge of the market and local delivery expectations.

REGULATIONS AND VAT

For many, complying with European regulation will be seen as the most off-putting part of exporting into the continent. But maybe the first thing to note is how much doesn't have to be done because the UK is part of the EU already. The E-Commerce Directive, adopted in 2000, means e-commerce service providers are subject to the law in the country where they are established – and are free to sell anywhere else in the European Union.

Being an EU member means there are no customs duties to be paid, for example, when sending within the region, while standard UK packaging is acceptable throughout the EU. Note that additional documentation is required, however, for sending to countries that are in Europe but not members of the EU, including Switzerland and Norway.

Beyond this, exporters should be aware that rules they observe in the UK, from VAT to WEEE regulations, are interpreted differently in other EU countries. This is where the complexity does arise, especially for anyone thinking of selling in many – or even all – of the EU countries.

To take the example of the UK, VAT is charged at the rate that applies in the country where the supplier is based until sales reach £70,000 a year. After that, European retailers must register for VAT in Britain. Those selling alcohol or tobacco must register for UK VAT in any event. And bear in mind that the rules are due to change in 2010, when a new electronic VAT refund system will be launched to cover internal European sales.

Julie-Lynn Tikekar, product manager at digital marketing company Digital River says the other main EU regulations to bear in mind are copyright, battery recycling, use of hazardous substances and WEEE (Waste Electrical and Electronic Equipment) laws. Digital River has developed a solution that enables client sites to reflect the legislation and taxes relevant to the geographical location in which the sale is made. It's not been an easy job: the solution, says Tikekar, covers the legal permutations in each of the different EU countries – and took nearly two years to develop. E-tailers should be careful to find out exactly which regulations, in areas from packaging to taxes and fees, apply to the country that they are selling in.

RETURNS

Under European law, consumers have the right to return malfunctioning goods bought in the EU – so wherever the goods are going, it's always important they should be returnable. It's an important issue to be bear in mind since the costs can be high. Brickell adds: "It is fantastic and exciting and enterprising for business to think about developing sales, new products, marketing, but you must always acknowledge and understand the returns. It costs money but you need to understand returns – and how you are processing them." That might mean considering whether and how faulty goods can be returned to the manufacturer or suppliers, or about making sure the delivery network can process returns within the time that the retailer promises.

Wall adds, "Overseas customers will put up with difficult returns for some time longer, but as in the UK, good service will ultimately become the standard." ■



United colours of european retailing

A single online market is the European dream. Chloe Rigby finds out what's standing in the way of making it a reality.

HOME TO SOME 490 million consumers, the European Union (EU) is one of the world's biggest single markets. In total, according to European Commission figures, the single European online market is worth some €106 billion a year (\$93 billion). But at the moment, most of the transactions that take place do so within national boundaries. The commission wants to encourage online trade within the EU – but as of this year, according to its own figures, only seven per cent of consumers have bought online across national borders, even though a third would consider doing so in order to widen their choice of goods.

Ultimately, choice is what it's all about. The commission's vision is that consumers should be able to choose to buy goods from any part of the European Union, secure in the knowledge that they are fully protected when they buy, and can return goods should they need to. "National borders should no longer complicate European consumers' lives when they go

online to buy a book or download a song", says Viviane Reding, EU commissioner for information society and media. "In spite of progress made, we need to ensure there is a single market for consumers as well as businesses on the web."

HOLDING BACK

So just what are the real barriers to pan-European online shopping that are holding consumers back? The commission believes the answer to that question is all about trust and confidence. This summer it launched the eYouGuide to consumer trust, giving practical advice to consumers on their European digital rights – from the ability to return goods, wherever they were bought in the EU, to a cooling off period, and a two-year guarantee on products.

But the other reason most of us don't shop online internationally within Europe because, quite simply, we can't. Or to put it another way, because most e-tailers

don't allow it: they don't ship internationally. Dan Cobley, marketing director at Google, cites a recent EU report on cross-border e-commerce to explain some of the reasons for that: they include language and cultural barriers, logistics, payment, concerns about administration and regulation as well as challenges of advertising in foreign markets. And of course, e-commerce is still a relatively new industry: the expectation of being able to buy online has developed only relatively recently.

Steve Davis, president, international, of e-commerce solutions company GSI Commerce, says the European Commission is right to say that trust is lacking – but argues that the issue extends beyond the question of consumer's rights. "You can build trust by showing that you can operate as local consumers expect, and when you fail to do that I think you prevent your ability to really build a successful business."

WHY EUROPE?

From the consumer's point of view, shopping in Europe should be relatively simple, and GSI Commerce's Davis predicts that within five years the proportion of EU consumers shopping across borders will grow from seven per cent to 50 per cent.

And just as even the smallest businesses are now able to tap into national markets online, so they can now consider exporting wherever they are and however small they are. Google's Cobley points out that of several million businesses in the UK, only 75,000 are exporting, a statistic he describes as "staggering". Europe is an obvious place for retailers to look for growth, says Davis: "The UK is the largest e-commerce penetrating market in Europe and every other market in Europe has a lower percentage of e-commerce sales today of total retail than the UK has. That means there will be much more growth in e-commerce markets outside this country than within it. That's one more reason to start thinking about how to tap into that potential now."

BEYOND OPPORTUNISM

At the moment, argues Davis, most UK retailers who sell in Europe do so more from opportunism than strategy: "To me there's a difference between shipping and expanding into Europe. I would say that most UK retailers are opportunistically shipping into Europe and the weakness of the pound has helped to grow those businesses over the last 12 to 18 months in a way that is not sustainable." What's missing, he believes, is strategic planning.

So how can companies of all sizes look to build long-term growth in Europe? It seems that companies successful in this area commit resources to identifying and building their market as well as getting to know their customers. The key word here is commit – for successful retailing goes way beyond making it technically possible to buy.

Cobley says the Internet makes it possible for small and medium sized businesses (SMEs) to compete with firms of any size: to do this, he says, they need to identify potential profitable markets and target customers. Google, UKTI, The Institute of Export, the Royal Mail, HSBC, B2B online marketplace Alibaba, and Applied Language

What the experts say

Size doesn't matter

"Exporting needn't be the arduous task it may have been in the past: it really is open to businesses of any size."

Dan Cobley, marketing director, Google

New challenge

"It's quite shocking when you look at the top 10 e-tailers in the UK, and Germany and in France, and there's nearly no overlap – the only exception is Amazon. That is because it is very challenging to do it and expensive. But as e-commerce evolves and service providers do a good job at providing solutions to those complex problems, I think that the opportunity for growth will finally be realised."

Steve Davis, president, GSI Commerce Europe



Global factors

"I think there's an understanding that what the web does is give you access to a global market but I think the ethnographic element, the different locations and cultural differences need to be understood."

Richard Sedley, head of customer engagement, CScape

Local content

"You can't look at the entire market as a whole. If you are going to have a successful online strategy you need to plan very specific localisation elements for each market."

Frank Lord, managing director, EMEA, ATG



Solutions have developed a partnership to create a raft of web-based tools, information and advice to help small businesses export. Export Adviser includes free tools and advice while Export Box aims to help SMEs with the "heavy-lifting" jobs of export such as translation, payment, delivery and administrative tasks. The service launched in May and Google says a number of its existing advertisers are now targeting new markets abroad. A webinar programme will launch in October to educate businesses on the opportunities for export. Find out more at: www.google.co.uk/intl/en/exportadviser/online-seminars/

(RE)SEARCH THE MARKET

Search marketing will be on business' to do list as a way to win customers, but it's also a useful tool when researching potential markets. Richard Sedley, customer engagement director at CScape, says the digital agency uses both this and social media audits to work out how and why to engage in a particular market. Of course, as well as ruling in methods, it can also rule them out, he says: "We did some auditing for a client in Italy. We found social media there tended to be a bit sexier, more risqué and more visual – we actually felt it wasn't appropriate to talk about our clients' products in that way."

Search engines can be used to research demand from local markets. Google's new free Finding the Right Market tool available at the Export Adviser site, allows businesses to find out where their product is being searched for across the world, and start to see if it makes financial sense to sell there.

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Blackcircles.com

Blackcircles.com started out as a mail order business, selling a wide range of tyres to the owners of high performance vehicles. Over the years it franchised its brand, teaming up with more than 1,000 independent garages who would fit them. Then the Internet allowed customers the chance to order from a wide and competitive range of tyres and have them delivered to the garage of their choice for fitting.

From there it made sense to expand the service to Europe – gaining what founder Mike Welch sees as a “first-mover advantage”. Today the company is live in seven European countries, including France and Germany, where it is growing fast, and profitably.

What’s been important to the successful roll-out, says Welch, is the ability to adapt the original UK model to the local market, by understanding both the competition and how people do business differently in those markets.

“It’s difficult enough in your home market where you understand your competitors and your own business to be competitive and succeed,” he says. “To develop overseas you have to have something different that’s clearly a benefit to customers that you can play on, build and develop. Otherwise what’s the likelihood of that someone entering France, selling the same product at the same price of a French company but operating from the UK.” Thus, in France, it’s important to be competitive on the very popular Michelin products, while in other countries “it’s about understanding that people prefer to pay by bank transfer or other methods of payment. Some of these more subtle localised preferences need to be observed if you’re going to maximise your profit.”

It works, he says, because the company gains good visibility thanks to its search engine optimisation (SEO) expertise. “We have the supply chain and the commercial proposition. Couple that with the online expertise and you can’t not really sell units then.”

Retailers should also be checking how and when consumers expect to do business. For example, what are the different holidays that affect this market? A UK Christmas sales campaign wouldn’t work in the same way in Spain, for example, where Three Kings Day in the first week of January is the main gift giving holiday. And how do consumers expect to shop? In Germany many are used to buying online through mail order marketplaces such as that run by the Otto group, says Davis. He adds: “You’ll only capitalise on the most amount of business if you follow those trends – fighting them is a losing proposition.”

LEARNING FROM EUROPEAN SHOPPING HABITS

As well as finding out the rules of the local marketplace it’s also important to get to know the customer and their online shopping habits. According to recent research from e-commerce software company ATG, customers in different European countries have very different preferences when it comes to shopping online. For example, 34 per cent of German respondents said they went online for speed and efficiency, while 38 per cent of those quizzed from France said they liked to carry out research and make comparisons. Frank Lord, ATG’s European managing director, says: “You can’t have a pan-European strategy that doesn’t take into consideration the individual behaviours of each country, and what the profile of that shopper is. Don’t put a single strategy in place that covers all of your markets.” In practice, that means putting comparison shopping on a

French site, while making sure the German site is particularly fast and efficient. All this does impact on the bottom line, the ATG research found, for where the service was poor, customers were likely to spend far less online. And while one in 14 UK consumers would spend upwards of £5,000 on a transaction, one in five French respondents would only spend more than €500. Across the board, 53 per cent limited their web transactions to €50.

INTERNATIONALISING YOUR BRAND IN EUROPE

But before the clicks will come, a brand has to get recognised in the European market. Offline campaigns are an important part of building brand recognition – and, again, market research will show whether the most effective thing in that market is television ads, or even a campaign in serious local newspapers or magazines. If the aim is to dominate market then a useful tactic could be to target smaller markets, where internet usage is higher, says CScape’s Sedley – going to the Netherlands where upwards of 90 per cent of its 16 million residents are online, compared to Germany where the population is larger but less likely to be online.

One key aspect is how the brand is seen and interpreted in the relevant overseas markets.

Sedley points to the Starbucks brand by way of example. “Starbucks is very much an area for people to sit and gather and commune and discuss in a collegiate-type way in the US, where it’s often based around colleges. But here it’s not that at all – if you come to London and go into a Starbucks it’s just full of tourists. You need to understand how you are used – and it’s no different online.” That also means analysing whether a brand stands for its country of origin – and if that’s a good thing in that particular market.

THE ULTIMATE VISION

Imagine a future in which you could buy online from every corner of the European Union. Foreign travel has increasingly opened the horizons for many who make a point of stocking up on local delicacies and other items when abroad. Using the internet we ought to be able to buy a Spanish paella pan online, or even fill our wine racks direct from European vineyards. As yet that’s not really possible – unless buyers have a reasonable understanding of a foreign language and the e-commerce retailer will ship abroad.

But the situation could change rapidly. After all, as recently as 2002, a report carried out for Cap Gemini and Ernst & Young found just 22 per cent of UK consumers shopped online. That statistic is already deeply out of date – recent figures from the Office for National Statistics showed 70 per cent of UK households had Internet access in 2009, and that of the 76 per cent of UK adults who accessed the internet in the three months before they were questioned for the survey, 64 per cent had bought online.

The figures underline the speed at which the market is developing – and we’re likely to see similar growth across Europe in years to come. Soon it could be standard to compare pan-European prices while planning our shopping.

So right now, as the UK seems on track to emerge from recession, there’s a great opportunity to grow sales in Europe for those who seize it. ■

Getting to know you

Building relationships with the customer is a vital part of growing online business. Chloe Rigby finds out how UK retailers can bridge the language divide in Europe.

WILLY BRANDT famously said: "If I wish to sell to you I will speak English, but if you wish to sell to me dann müssen Sie Deutsch sprechen." Today the words hold true for traders doing business in a connected future that the German Chancellor, who died in 1992, never saw come to pass. Relying on English being the international language of the web will take businesses only so far in getting to know their European customers – but that's just what many UK online retailers do. And then it may not be enough to speak the language – understanding how shoppers in different countries want to engage with brands will also unlock serious sales growth. So how can UK retailers take their existing expertise in customer relationship management beyond the Channel?

TO TRANSLATE OR NOT TO TRANSLATE?

The first question for many retailers will be whether it is necessary to translate web content into other European languages at all. Take a look round some of the UK retailers already selling to Europe, and it seems there's a mixed response to this question. Among the fashion brands, mail order specialist Boden has a German language site, but M&S, Harrods and Next rely on the overseas customer's command of English – and willingness to engage in a foreign language. The appeal to English-speaking expats is obvious – as well as to those who prize the brand name enough to do business in a foreign language. Airlines, on the other hand, which do not have logistical issues are more likely to use a foreign language. Visitors to the easyJet website, for example, have a choice of 18 different language sites, including Latvian, Castilian Spanish, Polish, Danish and Greek.

But visit a European e-commerce site that sells in the UK – Esprit, of Germany, Mango of Spain, La Redoute of France, and Ikea, of Sweden, to name but a few, and the language and currency are all British. Experts in customer relationship management (CRM) say the more fruitful approach is to use the local language. France has the second-largest community of online buyers in Europe – and, says Andrew Freeman, director, CRM Technologies, it's known as a country where sellers do need to speak to buyers in their local language. "At the other extreme, if you're talking to the Netherlands they'll certainly react to messages sent to them in English, but you could argue that even there you'll need to find out what the local language is." And of course, points out Craig Whiston, client services manager at web

analytics company Coremetrics, using the local language will give retailers the ability to show up on local and international search engines.

GETTING TO KNOW THE CUSTOMER

Marketers have always analysed customer behaviour to work out who buys which products and why, allowing advertising and marketing messages to be tailored to suit individual groups, or segments, of people. Indeed, the idea of defining segments of customers so distinct as to be practically individual, gave rise to the idea of one-to-one marketing more than 10 years ago. But until the rise of Internet technologies, they were at best an ideal, says Colin Shearer, senior vice president of strategic and analytics at SPSS. Now predictive analytics makes the concept a reality, he says.

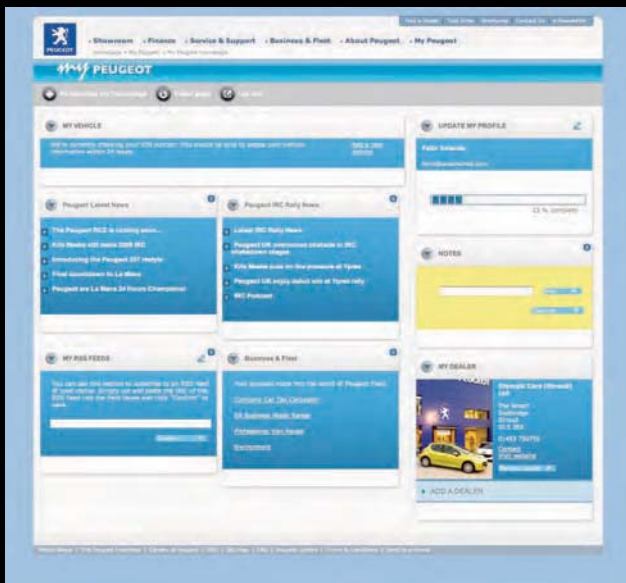
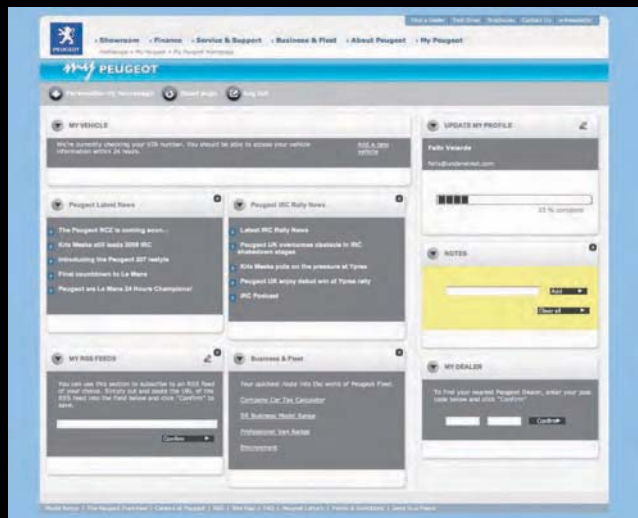
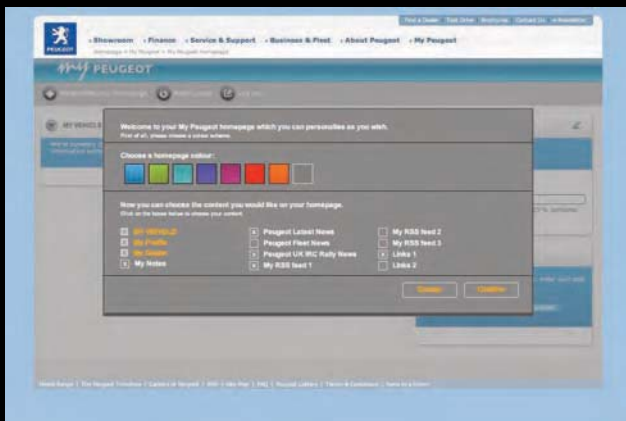
This form of technology allows marketers to gather and analyse all the information available on an individual, from personal details to the way they use websites to

Case study

Engaging customers is one thing; keeping them engaged is ultimate aim. That's the belief of Felix Velarde, whose eCRM agency Underwired recently designed My Peugeot, a tool to involve Peugeot customers across Europe with the brand throughout the lifetime of their car – and beyond.

My Peugeot is an online tool that Peugeot owners use to manage the car they already have. They can choose to see news feeds, promotions, get automatic reminders for services, or not. But while the template is pan-European – it's being rolled out in the UK, Germany, France, Italy and Spain – the detail is both local and pan-continental. Special offers, news and other information can be fed into the system by centralised European management, national Peugeot management, and at a very local level by dealerships. Customers can opt to see any of this information that's relevant to them, where they are.

"Especially in a recession," says Velarde, "the first place to start and probably the most important place to concentrate on and get absolutely right are the customers you've already got. If you win 100 per cent repeat business then any new customers you get is growth." Not only that, but learning about existing customers by mining the data you hold on them – and acquire through tools such as My Peugeot – gives marketers valuable insights into ways of winning new customers. "Good retention really informs good acquisition," he says.



Peugeot owners can personalise the information they see through the My Peugeot CRM application designed by Underwired.

attitudes they've revealed in online surveys. The results are used to define and categorise customers in digital lifestyle segments, for each of whom a relevant and different marketing strategy can be devised. It's a technology, says Shearer, that's just as effective in new markets such as Europe.

While language may have been a barrier in the past, sophisticated data mining technology now exists to extract the salient points from foreign language text and, translated, it can then be used in the same processes. "As you go to Germany or Scandinavia, it's a case of collecting the data and running it through the same processes as you have in the UK market," says Shearer. "Whatever customers you're dealing with, it's a case of analysing the data to find the important differences and work out the right way to take action towards them."

MAKING MARKETING RELEVANT

The Internet age has meant that consumers now use media on their own terms, using it when and where suits them. As well as making the marketing message relevant for the individual, it also has to be relevant to that moment in time – whether you're advertising beer and barbecues because the weather's warm outside, or offering skiwear because the snow's been good, or celebrating because the national team has won. All of this forms part of building

a relationship with the consumer. And of course all of these factors vary from country to country within Europe.

But just because that consumer is in continental Europe, there is no reason why marketing can't continue to be targeted. Andrew Freeman of CRM Technologies says reacting to local events in Europe is clearly easier for those organisations that have staff on the ground locally. But it's still possible for those who are working from the UK to follow local news, weather and trends over the Internet, and use the information to send existing and potential customers messages that are relevant and personal to them.

Localisation is also important when considering how the message is delivered. The emphasis is more likely to be on price in Spain and France, says Coremetrics' Whiston, while Spanish and German consumers are more likely to be interested in what happens to data collected online, and how it is stored.

SERVING YOUR CUSTOMERS

When it comes to customer service queries, language is particularly important. For dealing with problems can require more complex use of idiom and technical terms. Ian Jones, head of product management at Internet customer services specialists eGain, says that where its clients have multilingual capability, email enquiries analysed for language and routed towards a native or



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570,000 unique visitors in a single month. Fortune Cookie's redesign of slh.com for Small Luxury Hotels of the World increased reservations by **45%**, room nights by **56%**, and Average Room Rate by **15%**. The site also won Best Hotel Website at the Travolution Awards **2008**. The site we built for Accor Services achieved almost instantaneous results. Leads generated from the site increased by more than **350%** and the homepage bounce rate dropped by **50%**. Users are more engaged with the site visiting twice as many pages as before. Most significantly, more parents are saving money as a result. The 'Pensions Gym' we developed for FT Business proved to be a winning idea, when more than **1000** stakeholders registered for training sessions to learn more about investments. More than **180,000** people have taken the interactive '2 minute test' which we developed for Diabetes UK to find out whether they are at risk from diabetes. In the **5** years that we've been working on the site, bookings through kuoni.co.uk have risen no less than **71%**. The **2008** redesign lowered the

homepage bounce rate by **28%** with **40%** of visitors clicking through to the special offers.

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more and more top brands are choosing us to help make their online numbers add up: we are the UK's **no 1** fastest-growing digital design agency (**2008** Media Momentum Awards). After we redesigned www.lta.org.uk for the Lawn Tennis Association, site searches for information about player rankings increased by **167%** and there was a **10%** increase in the number of visitors returning to the site. During Wimbledon **2008**, the site received **570,000** unique visitors in a single month. Fortune Cookie's redesign of slh.com for Small Luxury Hotels of the World increased reservations by **45%**, room nights by **56%**, and Average Room Rate by **15%**. The site also won Best Hotel Website at the Travolution Awards **2008**. More than **180,000** people have taken the interactive '2 minute test' which we developed for Diabetes UK

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second-language speaker in order to answer the email. However, knowledge of the other language is not always necessary, he says. When it comes to questions raised through online chat facilities, says Jones, conversations tend to be brief and can be translated instantaneously through online programmes or by online translators. "We've seen in the US someone whose first language is Spanish having a chat conversation with someone whose first language is English," says Jones. "It may not be a perfect translation but it does make it easier for them to balance the resources."

He says that in areas such as retail, where the same requests may be made frequently, a library of standard answers, correct in the relevant languages, can be prepared for use. "You get a lot of efficiency by doing that but you can also reduce the impact of having people with all the different languages."

Steve Davis of GSI Commerce believes that presenting a local face is vital in order to do business effectively – and says customer service phone numbers must also be local.

Meanwhile researching local market expectations of customer service is also important, he says. For example, German customers are happy to pay for customer service phone calls, seeing the cost as the necessary price, says Davis; while they also, according to Jones, expect staff to be well-qualified, addressing customers respectfully.

DEVELOPING THE RELATIONSHIP

In all markets, customers are growing ever more likely to use social media – taking the debate about individual brands onto Third-party websites, to debate, complain or review. Use of Facebook and Twitter is growing across Europe; a variety of other social media are popular in different countries.

Effectively the use of social media presents retailers with a challenge: for the first time, online interaction with – and discussion of – their brand is as likely to be outside their own website as not. Otto de Graaf, VP, products and solutions at Dutch company SDL Tridion, says retailers need to be careful of trying to influence through social media – but should participate. That can include linking to reviews and social media sites from its own website, and when brands go into Europe they may find useful comment or reviews on foreign language social media that could be worth translating for the use of its other clients.

But the power of social media should not be underestimated, says Velarde: "Social media provides a venue both for consumers to band together to start forming collective opinions about brands and companies, and also provides an extraordinary medium for companies to learn about what people want and to start responding to what people want rather than just putting out what they want to say – that shift from brands marketing themselves to brands marketing what they observe consumers want is I think a fundamental shift that is starting to happen."

WHAT WE CAN LEARN FROM GLOBAL BRANDS

Retailers, until recently relatively local creatures, are coming lately to cross-border selling compared with global brands who have been making their name known in Europe for more than 30 years. More recently they've been doing it

What the experts say

Multiple markets

"We're Dutch, and from a small country of 16 million people – so if you want to do business you have to do it in multiple languages. In the UK there's a much bigger market so there's an issue of moving away from that."

Otto de Graaf, VP, products and solutions at SDL Tridion



Translation issues

"Straightforward translation, having same content and translated well – preferably in market – does the job extremely well. I'd love to say there are all sorts of huge considerations and major factors that you need to overcome. The truth is that there aren't that

many factors and the factors tend to be the traditional factors that any retailer using any channel would have to overcome anyway."

Felix Velarde, managing director at eCRM agency Underwired

Digital body language

"Relevance these days is much more about reacting to customer behaviour, I would say, and almost feeding back to them what they've told you in a relevant way. Online digital body language is a neat way of tracking what their particular interests are."

Andrew Freeman, director, CRM Technologies

Social media

"More people are posting questions and issues on Facebook pages rather than contacting a company – the challenge of that is it's suddenly very much more public and if someone has a problem all the other visitors to the page can see it."

Ian Jones, head of product management, eGain



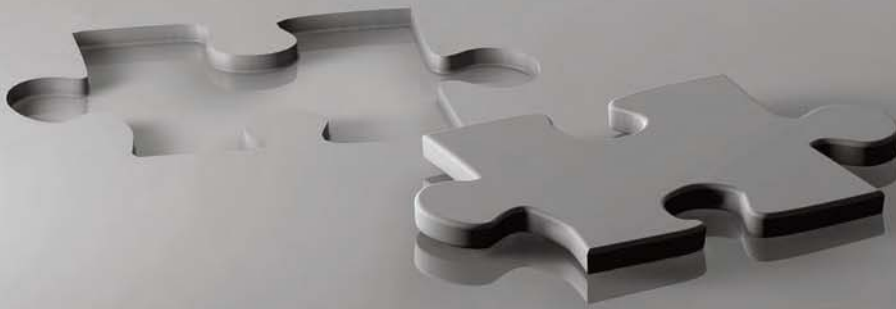
First impressions count

"The first impression of the language is right there up front and anything you spot in the first few lines is like a moment of truth that affects the whole engagement – it's not really something you can skip on and it's one where the local organisation has to have the final say."

Ian Jones, head of product management, eGain

online. Today many of the most modern and sophisticated global websites appear local, rather than international, to the end-user.

De Graaf advises global brands from Canon to Virgin Atlantic and AIG on managing their web content – and says the key to getting it right locally is ultimately to trust local knowledge. "You really need to work with local marketers to make sure you implement practices that work best in that particular country. If you look at why we are successful with so many international brands it is that we allow organisations to tune that balance so they themselves can shift it a little bit to the left or right, a little bit central or a little bit more decentralized. That gives perspective and as a technology provider we need to make sure that the technology supports this." ■



IT WOULD BE EASY to conclude by saying that there are rules for successful e-tailing in Europe. But the truth is that there aren't. E-commerce is a fluid, rapidly evolving marketplace: to set down rigid ways of doing business would be to become immediately dated. The market is growing fast, and changing quickly as it does.

One of the key reasons for that must be that development is both driven by and responsive to customer behaviour. And customers are a fickle lot, who change their preferences by the day, always driven by a desire for the newest and shiniest.

That means we can't rely on the status quo continuing. Let's say it again – it's a dynamic market. And just because UK e-tailers and multichannel traders currently lead the way in Britain, one of the largest and most e-savvy markets in the European Union, doesn't automatically mean that they will hold their own in Europe.

It doesn't even mean they will continue to hold their own in the UK. Some of the UK's best-known retailers are still selling in English to buyers across Europe; some of them are relying only on the expat factor to propel serious growth at a time when there's a financial, currency-based advantage to selling British. But their European competition is sometimes way ahead, trading through fully localised, country-based websites across Europe. Each is individual, designed to fit its marketplace and the needs and wants of its local consumers.

However, for those who don't believe a UK advantage could be so quickly won by outsiders, European retailers, just take a look at the most successful web trader of them all. Who would ever have thought that a US bookseller would be one of Europe's leading online brands? After all, the world over, booksellers are fighting for survival on the high street. In just a few years Amazon has not only conquered the US and the UK markets, it also has sites in Germany and France that are just as adept at delivering great service in pan-European markets as their English-language equivalents.

So it's time that UK traders took what they do well and recalibrated their service to fit a European market. The advantage is there to be taken. To date most retailers have stayed local, working within relatively small markets, delivering what their customers want. While that localisation has held them back from moving into pan-European markets, the local could be a real advantage in the online. The knowledge of how get to know customers and become the online equivalent of the neighbourhood store, something that's particularly strong in the UK, could be a powerful tool in winning an audience across Europe.

But equally, let's not fall into the trap of assuming that how the market has developed to date represents the direction it will take in future. For as consumers become more relaxed with the Internet, and spend money happy in the expectation that their order will be safely delivered, so the way they want to do business may change completely.

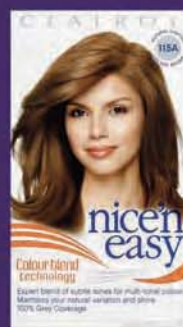
One thing's for sure. At a time when the global economy may be standing on the edge of a new upturn, right now is a good time to be taking those first steps towards true pan-European trading.

For just as today's online economy bears little resemblance to that of five years ago, so the next five could redraw the landscape utterly. By then, it's odds on that as consumers we'll be shopping with a whole range of yet to be launched retailers from whom we buy goods we haven't yet thought of.

So while there's there's business to be done irrespective of country of origin, the prizes will go to those who combine local sensitivity, understanding and customer relevance with the very best international levels of efficiency and capability. And, of course, those who have the goods that people want to buy. In that respect, at least, it's business as usual – but with an added dimension.

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