

THE FUTURE OF EUROPEAN ETAIL

September 2010

an internet retailing special report

sponsored by:  **RBS WorldPay**TM

amazon services
Europe

eGain[®]
Trusted by Leaders[™]


Fits.me
Virtual Fitting Room

reD
retail decisions

Editors' comment

Welcome to the latest in our occasional series of Internet Retailing supplements, where this issue our focus is on Europe. Throughout, we're asking how online retailers can effectively make the most of the commercial opportunities offered by this huge market that's so close to home.

In much the same way as UK shoppers once flew to New York for the weekend, conscious that their pounds would buy so much more than at home, so European consumers have over the last year been flocking to London.

The latest edition of the British Retail Consortium (BRC)-KPMG London Retail Sales Monitor shows that western European shoppers were still a clear presence in the capital's shops this summer, helping push central London's retail sales 14.4 per cent higher in the five weeks to 3 July 2010 than at the same time the previous year. "The weak pound is still attracting tourists," said Stephen Robertson, director general of the BRC.

But what if those tourists, not to mention their compatriots who don't have the money to spend on hotel rooms and flights, could be buying online from the UK all year round? The weak pound gives UK retailers a year-round advantage over their European competition, while the goods they stock offer variety and novelty to European shoppers, especially those who are outside the big cities.

And all the signs are that online retail is becoming increasingly international. With more domestic sites and logistics now up to speed, UK traders are increasingly targeting overseas markets. Germany is the UK's biggest export market, and it's also one of the big three online markets in the European Union. The others are the UK and France. Between them, those three are home to 70 per cent of online shoppers in the EU.

In the Europe supplement we produced last year we took a look at the state of selling into Europe. We concluded that not only was it difficult for consumers to find sites that would deliver overseas, there was also a lack of confidence among consumers, especially when it comes to delivery or potential returns.

A 2009 European Commission report on cross-border consumer ecommerce put the value of the market at €106 billion, but said that 60 per cent of cross-border Internet shopping orders couldn't be completed

because the trader didn't ship to their country or allow them to make cross-border payment.

But re-run that research today and we're confident changes would be detected. Today many more UK and European websites offer overseas delivery, while, more slowly, they are also accepting payment in different currencies.

Not only that but it seems that European consumers are now more confident about buying online from overseas – the other crucial part in this equation. Recent research from the UK European Consumer Centre found fewer complaints are being received from consumers who shop online. The number it received rose by three per cent in the first five months of 2010, compared to the previous year. In 2009 there had been an 18.5 per cent rise in complaints in the same period, compared to 2008.

At the same time, however, as online commerce becomes more sophisticated, with new technologies and approaches constantly emerging, there's a great deal for those trading into Europe to consider.

Throughout the pages of this supplement, we take a look at six key issues facing retailers trading in Europe. Considering web interface (page 8), we find that good designs have to take account of local factors. And when it comes to merchandising (page 12), it seems retailers do need to think hard about the way they present goods to potential shoppers. Expectations are different on the continent – although much remains common across Europe.

When it comes to in-store experience (page 16) different nationalities across Europe have very different approaches to shopping in stores, and that's something retailers should reflect in their online shops. In our logistics section (page 20) we find that when it comes to delivery, there's a lot to be said for starting cautiously and building up gradually.

Our strategy section (page 24) considers the strategic options and decisions to be made about how exactly that move into Europe is made. Finally, our customer engagement section (page 28) considers how different approaches to wooing the customer can pay off.

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

INTRODUCING OUR SUPPLEMENT EDITORS

Chloe Rigby has been writing about business issues for the last nine years. A former business editor of the *Bristol Evening Post*, she has written for a wide variety of online and offline publications. chloe@internetretailing.net

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

- 04 **SPONSORS INTRODUCTION**
CAN ETAILERS TRADE ACROSS EUROPE AND 'BE LOCAL'?
- 07 **CASE STUDY**
WORLDPAY: MAKING CROSS-BORDER PAYMENTS WORK
- 10 **WEB INTERFACE**
SELL GLOBAL. THINK LOCAL
- 14 **MERCHANDISING**
GOOD STORE DISPLAYS ARE JUST AS VITAL ONLINE
- 18 **IN STORE EXPERIENCE**
ETAIL: THE CULTURAL FACTOR
- 22 **LOGISTICS**
THE REWARDS OF CROSS-BORDER DELIVERY
- 26 **STRATEGY**
WHAT'S THE APPEAL OF EUROPE?
- 30 **CUSTOMER ENGAGEMENT**
SECURING REPEAT BUSINESS ONLINE
- 34 **CONCLUSION**
SUCCEED STEP BY STEP



10



14



26



18

Editor: Emma Herrod Tel: 07801 282729
E-mail: press@internetretailing.net
Editor-in-chief: Ian Jindal
Design: Alex Goldwater
Production Manager: Tania King
Web Editor: Sarah Clark
E-mail: press@internetretailing.net
Publishing Director: Chris Cooke
Account Director: Rob Preveft
Account Manager: Esther Semple
Tel: 020 7933 8999
Fax: 020 7933 8998
E-mail: robp@stjohnpatrick.com

Internet Retailing
St John Patrick Publishers Ltd,
6 Laurence Pountney Hill, London EC4R 0BL
Printed in Great Britain.
No part of this publication may be reproduced,
stored in a retrieval system or transmitted by
any means without the Publisher's permission.
The editorial content does not necessarily reflect
the views of the Publisher. The Publisher accepts
no responsibility for any errors contained within
the publication.
www.internetretailing.net





Can etailers operate across Europe and 'be local'?



Recent headlines about the online expansion of Zara, Next, GAP and ASOS, amongst others, make it clear that major brands can trade across Europe with success. But with only 21 per cent of EU retailers conducting cross-border transactions in the EU and with only seven per cent of online shoppers making cross-border purchases in 2009, it is worth considering what 'being local' means and how it might affect success when trading across Europe.

BARRIERS TO CROSS-BORDER TRADING

In their 2009 Insight into ecommerce, Visa Europe identified a number of challenges to cross border trading. They include:

- A general lack of confidence in non-domestic online sellers
- Non-availability of certain domestic payment methods
- Security and fraud.

The first of these is something that those successful leading brands, together with the major card schemes and the European Community, are addressing. And, as internet usage becomes evermore widespread, so is consumer confidence. But as a payment specialist, we'll consider the other two.

PAYMENTS JUNGLE

While European initiatives such as SEPA promise to simplify merchant's ability to accept payments across Europe, technical and marketing initiatives still mean that accepting the way your customers want to pay, is typified by:

Strong national preferences: German consumers have a clear preference for bank transfers (both online and offline, before and after delivery) ELV is also very popular (a one-off direct debit). In the Czech Republic, more than 50 per cent of payments are Cash On Delivery, also popular in the rest of Eastern Europe and Italy, while 15 per cent of online shoppers in France still use cheques. 44 per cent of online shoppers in Holland prefer using iDeal (an online bank transfer)

- A multiplicity of payment schemes (existing and emerging): including non-card schemes that help reduce fraud associated with cards and in many cases processing and/or acquiring costs
- Language, currency FX, reconciliation and shopper chargeback challenges
- Regulatory change

CHOICE BOOSTS SALES

Not supporting payments by bank transfer in Germany, for example, would be a clear example of not localising your proposition and losing business because of it. Not supporting local currencies might have the same effect. And web

merchants are also finding that offering more payment options leads to higher sales. Studies have shown that offering three or more payment options can increase sales by more than 10 per cent, while the addition of PayPal has increased sales by as much as 14 per cent for some merchants. But to add to the complexity of doing this across Europe, accepting any payment method requires both a relationship with and payments to the issuing bank/ institution (typically a percentage). In many cases a domestic bank account in the country is also required.

All of which means its harder work to offer all shoppers the payment method they prefer – but the domestic competitors will.

SECURITY CONCERNS

While 32 per cent of adult Europeans purchased at least one item online in 2008, only seven per cent performed a cross-border transaction on the internet (Eurobarometer survey 2009). There is considerable variance within the EU. Thirty-eight per cent of those in Luxembourg made a cross-border ecommerce transaction in 2008, compared to one per cent in Bulgaria and Romania. Is security an issue?

EU reports signal the lack of a reliable cross-border payment instruments and consumer worries over safety and security of payments. Additionally, consumers point to fears over payment fraud and possible complications as well as surcharging and currency fluctuations. It's harder to recover money from foreign crooks.

When it comes to the security of online payments, the Dutch are happiest, while Italians are least happy. Interestingly, iDeal, an online bank transfer, is the preferred payment method in Holland – it's very secure compared to paying by card.

Local payment preferences are not wholly attributable to security concerns – cultural, historical and availability issues are also factors – but it stands to reason that the majority of shoppers will feel more secure if they are able to easily select the payment options in their own language, use the type of payment they know and trust, and be charged in their own currency. All of the conditions under which Eastern Europeans prefer to use Cash On Delivery mean that failure to enable this locally preferred method would have an adverse affect on your sales in this locale.

For the merchant there is also the consideration of ensuring acceptable rates of fraud and shopper charge-backs on all the payment methods they decide to offer. For example, it well known that ELV, popular in Germany, is potentially more open to fraud than other types of payment. Of course, this adds to the complexity and cost of localising.

CONCLUSIONS

Merchants can trade across Europe and localise their proposition successfully – at least as far as payments are concerned – but competing with domestic rivals rather than limiting business to customers with credit and debit cards only, is complex. The majority of large merchants now choose to use payment specialists when expanding their operations across the continent. As well as providing a host of nationally preferred payment methods through one platform, the providers that are also acquirers can aggregate the number of business relationships/bank accounts required by a merchant. And fraud screening can be enhanced by these services because the pool of available data when trying to detect fraudulent activity can be so much more extensive – all the transactions they process. This is important for high-risk and high-volume sectors.

In some cases, solutions can be implemented quickly to enable pilot marketing programmes to explore new markets using the predominant payment methods in the target language, while a full implementation with all local payments methods takes place once the territory is proven profitable.

This can be important. While the loss of say 5-15 per cent of sales because you don't offer local payment methods may be sustainable on a temporary basis, it's not desirable for your longer-term investment in any market.

Gerry.Cavander@rbsworldpay.com

MarComms Manager, eCommerce

The logo for Amazon Services Europe, featuring the word "amazon" in its signature black font with the orange arrow, followed by "services" in a bold sans-serif font and "Europe" in a smaller sans-serif font below it.

Amazon prides itself on its wide selection, attractive prices and great customer experience. These core principles drive Amazon's business worldwide. Amazon's vision is to be earth's most customer-centric company; to build a place where people can discover anything they might want to buy online. Amazon customers in the UK or Japan, France or Germany should be able to get access to the same selection, great prices and customer experience.

In order to continually expand the choice of products available to its customers, Amazon offers a suite of services to allow local businesses to extend their reach to millions of customers across Europe and worldwide, whilst minimizing fixed cost investments.

Through Amazon's EU Marketplace platform, retailers can sell their products to customers on Amazon.co.uk, Amazon.de and Amazon.fr. When a customer purchases from an Amazon third-party merchant, Amazon handles payment processing and fraud protection, and merchants can choose to either fulfil orders themselves or use Fulfilment by Amazon (FBA), where Amazon takes care of order picking, packing, delivery, customer service and returns handling.

FBA allows retailers to make use of Amazon's world class fulfilment infrastructure. FBA products listed on Amazon.co.uk can be purchased by millions of customers in Western Europe,

namely: Ireland, France, Germany, Spain, Italy, Portugal, The Netherlands, Belgium and Luxembourg.

Senior Manager for FBA at Amazon.co.uk, Sacha Wilson, advises: "The key to being successful online is having the right selection at the right price, with the right delivery and customer service. FBA can help retailers grow their businesses by offering a window to EU customers and providing world-class delivery and customer service. For items delivered in the UK, customers benefit from Free Super Saver Delivery and Amazon Prime on FBA orders and can combine their Amazon and FBA items in a single cost-saving order. Retailers benefit from building their brands and expanding their businesses whilst adding the credibility of association with the Amazon brand."

As well as Selling on Amazon and FBA, Amazon also offers ecommerce solutions through its Amazon WebStore product. WebStore is a comprehensive, full-featured ecommerce product that enables merchants to build and operate profitable direct-to-customer businesses at a low cost of operation, leveraging the strength and reliability of Amazon's infrastructure.

For more details on these services, and extending your reach to Europe and beyond, please visit our website or e-mail bizdev-uk@amazon.co.uk.



Fits.me offers virtual fitting room technologies for online retailers. For most fashion retailers – especially in Europe – it's not as simple as customers ordering apparel, trying it on at home and returning sizes that do not fit. In fast-changing fashion, a garment returned will often be out of season. The cost of returns is not just the logistics, but more importantly the diminished value of the goods. Sizing standards vary wildly in local markets, but across borders it's even more accentuated. And it's not just the sizes that vary – so do the cultures. In Germany, for example, the return rates are much higher. Germans are used to purchasing several sizes at once, keeping the one that fits, or returning all. It's estimated that while in the US and the UK the average return rates for clothes bought online is around 25%, the return rates in Germany are almost 40%. Obviously return rates are much lower to cheaper, loosely fitted items, and higher for fitted fashions.

This is a risk that customers know well. Internationally, they tend to purchase products they know and trust, often similar to items they have bought previously. T-shirts sell well, more expensive items less so. For a customer, returning an item is more costly – it's more expensive to ship it back, takes more time to receive the refund, and more time to initiate a new shipment. So when the retailer reduces the need to return an item, or makes returning easier, the sales will increase.

CEO of Fits.me, Heikki Haldre, says: "The biggest reason for

CONCLUSIONS

Merchants can trade across Europe and localise their proposition successfully – at least as far as payments are concerned – but competing with domestic rivals rather than limiting business to customers with credit and debit cards only, is complex. The majority of large merchants now choose to use payment specialists when expanding their operations across the continent. As well as providing a host of nationally preferred payment methods through one platform, the providers that are also acquirers can aggregate the number of business relationships/bank accounts required by a merchant. And fraud screening can be enhanced by these services because the pool of available data when trying to detect fraudulent activity can be so much more extensive – all the transactions they process. This is important for high-risk and high-volume sectors.

In some cases, solutions can be implemented quickly to enable pilot marketing programmes to explore new markets using the predominant payment methods in the target language, while a full implementation with all local payments methods takes place once the territory is proven profitable.

This can be important. While the loss of say 5-15 per cent of sales because you don't offer local payment methods may be sustainable on a temporary basis, it's not desirable for your longer-term investment in any market.

Gerry.Cavander@rbsworldpay.com

MarComms Manager, eCommerce

The logo for Amazon Services Europe, featuring the word "amazon" in its signature black font with the orange arrow, followed by "services" in a bold sans-serif font, and "Europe" in a smaller sans-serif font below it.

Amazon prides itself on its wide selection, attractive prices and great customer experience. These core principles drive Amazon's business worldwide. Amazon's vision is to be earth's most customer-centric company; to build a place where people can discover anything they might want to buy online. Amazon customers in the UK or Japan, France or Germany should be able to get access to the same selection, great prices and customer experience.

In order to continually expand the choice of products available to its customers, Amazon offers a suite of services to allow local businesses to extend their reach to millions of customers across Europe and worldwide, whilst minimizing fixed cost investments.

Through Amazon's EU Marketplace platform, retailers can sell their products to customers on Amazon.co.uk, Amazon.de and Amazon.fr. When a customer purchases from an Amazon third-party merchant, Amazon handles payment processing and fraud protection, and merchants can choose to either fulfil orders themselves or use Fulfilment by Amazon (FBA), where Amazon takes care of order picking, packing, delivery, customer service and returns handling.

FBA allows retailers to make use of Amazon's world class fulfilment infrastructure. FBA products listed on Amazon.co.uk can be purchased by millions of customers in Western Europe,

namely: Ireland, France, Germany, Spain, Italy, Portugal, The Netherlands, Belgium and Luxembourg.

Senior Manager for FBA at Amazon.co.uk, Sacha Wilson, advises: "The key to being successful online is having the right selection at the right price, with the right delivery and customer service. FBA can help retailers grow their businesses by offering a window to EU customers and providing world-class delivery and customer service. For items delivered in the UK, customers benefit from Free Super Saver Delivery and Amazon Prime on FBA orders and can combine their Amazon and FBA items in a single cost-saving order. Retailers benefit from building their brands and expanding their businesses whilst adding the credibility of association with the Amazon brand."

As well as Selling on Amazon and FBA, Amazon also offers ecommerce solutions through its Amazon WebStore product. WebStore is a comprehensive, full-featured ecommerce product that enables merchants to build and operate profitable direct-to-customer businesses at a low cost of operation, leveraging the strength and reliability of Amazon's infrastructure.

For more details on these services, and extending your reach to Europe and beyond, please visit services.amazon.co.uk or e-mail bizdev-uk@amazon.co.uk.



Fits.me offers virtual fitting room technologies for online retailers. For most fashion retailers – especially in Europe – it's not as simple as customers ordering apparel, trying it on at home and returning sizes that do not fit. In fast-changing fashion, a garment returned will often be out of season. The cost of returns is not just the logistics, but more importantly the diminished value of the goods. Sizing standards vary wildly in local markets, but across borders it's even more accentuated. And it's not just the sizes that vary – so do the cultures. In Germany, for example, the return rates are much higher. Germans are used to purchasing several sizes at once, keeping the one that fits, or returning all. It's estimated that while in the US and the UK the average return rates for clothes bought online is around 25%, the return rates in Germany are almost 40%. Obviously return rates are much lower to cheaper, loosely fitted items, and higher for fitted fashions.

This is a risk that customers know well. Internationally, they tend to purchase products they know and trust, often similar to items they have bought previously. T-shirts sell well, more expensive items less so. For a customer, returning an item is more costly – it's more expensive to ship it back, takes more time to receive the refund, and more time to initiate a new shipment. So when the retailer reduces the need to return an item, or makes returning easier, the sales will increase.

CEO of Fits.me, Heikki Haldre, says: "The biggest reason for

returns – more than 60% – is poor fit. There are quite a few approaches to solving this, such as better size charts, size recommendation, or virtual fitting rooms. And solving it means sales increase – both across border, and in your own country.”

For a map of virtual fitting room technologies that can helpetailers today, email heikki@fits.me

For a map of virtual fitting room technologies that can helpetailers today, email heikki@fits.me



There is much more to success in fragmented European markets than merely offering information and services in different languages. Asetailers keep discovering, taking a disparate approach to individual country requirements is not the answer. Instead of engendering regional loyalty, building country and language-specific knowledge silos creates inconsistent service, increased management and maintenance costs, and negative customer experiences.

To succeed,etailers must cope with multiple languages but also deal with diversity in legal requirements, national payment methods, regional fraud specialisations, service expectations and even independent fashion trends. A unified approach to specific, local services is essential.

Instead of a myopic approach, savvyetailers are also encompassing context and culture. By delivering multilingual and multicultural services, utilising the best technology to enable automation,etailers can establish local momentum and sustain revenue growth and competitive advantage, while saving costs.

Todayetailers are leveraging multilingual, multicultural Customer Interaction Hubs (CIH), to create unified service platforms. These platforms deliver service quality and operational consistency across Europe alongside in-country services that are specific, not generic.

A CIH consolidates customer engagement, business rules, workflow, knowledge bases, analytics and administration across all channels. By adding language and cultural intelligence to this through innovative reasoning engines,etailers can process language and geography data in addition to other complex values such as customer value and preferences.

Email, chat and chatbots are immediate opportunities to automate aspects of multicultural customer service. Chatbots are particularly well received mechanisms for assisting customers; culturally-sensitive ‘tweaking’ is proven to greatly enhance the impact for local services. Similarly, intelligent parsing of email content enablesetailers to generate automatic responses to customers and recommended responses to service representatives, meeting all language, legal and service requirements.

Most critical to success is integration through a universal knowledge base. The ability to author knowledge once and leverage it quickly and simply across languages and geographies, greatly reduces management complexity,

while providing consistency across European services.

To operate ‘locally’,etailers must demonstrate that they understand customers on a more personal level than simply language. Success depends fundamentally upon adding cultural, as well as language, intelligence to customer engagement processes

For more information about eGain products and services please visit www.egain.com. Call +44 (0) 1753 46 47 48 or email retail@egain.com



As e-retailers expand internationally to grow their sales, they are discovering that fraud prevention strategies that work in one country are not necessarily effective in another.

“Retailers can’t extrapolate fraud trends from one country to another because there are differences in how criminals perpetrate fraud from country to country, and some of those differences are quite subtle,” says Carl Clump, CEO of Retail Decisions Ltd (ReD), the payment fraud prevention group.

Given the variances in fraud patterns between countries,etailers selling cross-border need a partner that is up on the latest fraud trends globally across a variety of merchant categories. A global fraud prevention partner draws on a pool of data across the industries to provide retailers with deeper insight into fraud trends.

“Retailers that focus on fraud in their own industry will not immediately spot a new ploy criminals have used in another industry,” says Clump. “The narrower the retailer’s perspective of fraud, the harder it becomes to keep pace with changing fraud techniques.”

With such a broad perspective of fraud patterns, ReD is able to quickly identify new techniques used by criminals to avoid detection – for example, the adding of suffixes to free e-mail domains, such as jeff@doctor.com, to disguise the domain name.

Adding local payment options to the mix can reduce the percentage of purchases made with credit cards, which are more prone to fraud.

“In countries where local, debit-based payment options are popular, credit card transactions are significantly lower,” says Clump. “In Germany 26% of transactions are on credit cards compared to 19% in the Netherlands, and 60% in the United Kingdom.”

With fraud techniques constantly evolving,etailers expanding their business internationally must become more vigilant about fraud trends globally.

“There is no silver bullet when it comes to fraud prevention,” says Clump. “Etailers that sell internationally need a fraud detection partner with a multi-dimensional approach to fraud prevention and local knowledge of fraud in each country to limit their risk.”

For more information contact Kami Boyer, Global Head on Marketing on +44 (0) 1483 728 700 or email kboyer@redplc.com today.



lessons from the leaders

IN 2007, the UK news was full of stories about fashion retailers compensating for negative growth in the high street with online expansion. History seems to be repeating itself in 2010 but there are two essential differences. It's no longer just market leaders such as Next going online: the idea has reached the mainstream, most major brands are now trading online. And online sales are now international – rather than making up for weak high street returns, major brands are seeking to continue growth despite weak domestic returns by taking the brands cross-border to Europe, America and other parts of the world. Zara's recent announcement is hot on the heels of a similar move from Gap earlier in the summer.

Are there any lessons the newcomers can learn from the leaders who are already established on the web. With the help of RBS WorldPay – a long time provider of payment processing, acquiring and risk management services – we consider the journey from high street to international online trading and look for the things that could have been better with the benefit of hindsight.

LESSONS FROM THE LEADERS?

Later entries to international online expansion race can learn many useful lessons from the leaders. Just considering the way in which they accept payments the following points stand out.

MORE SALES, MORE SALES, MORE SALES

The uplift in sales available by trading overseas is huge – especially when you consider that only 24 per cent of the world has internet access today but there has been 360 per cent consistent growth annually since 2002. We estimate that \$100 billion will be spent across borders by 2011.

The growth rates for online sales in many first and second world countries are still higher than 60 per cent – in Eastern Europe, for example. The leaders were the first to take advantage of this situation and are reaping the rewards.

“The new year has started very positively, retail sales are up 56 per cent in April (UK +25 per cent and International +148 per cent) the top six international markets being US, Denmark, France, Australia, Ireland and Germany respectively.” The Times

But with 76 per cent of the world population yet to go online, it's by no means too late to enter the market.

NEW MARKETS CAN MEAN NEW SYSTEMS

The leaders had to develop new systems to support the new channels. As we all know the cost of IT services and the cost of changing core systems can be enormous, and the required investment can get in the way of business expansion and growth. There are plenty of other logistical challenges involved in trading in another country so a payment processing service that is extensible to offer both



Case History: Rags To Riches

The journey from domestic high street to international online sales is still being completed by many very big brands. RBS WorldPay provide payment management services for a number of the leaders and provide this summary of the progress of Rags to Riches, a fictional leader in the online fashion pack based on real experience with the real thing.



the payment methods shoppers in those countries prefer and to aid with the complex task of reconciling a volume of payments received for thousands of orders in multiple currencies with multiple settlement routes, can remove one significant barrier to your plans.

Preferred payment methods? In Holland more than 60 per cent of online payments are made using a payment method called iDeal – it's a one-off direct debit made from the shopper's bank account online (no card). In Czechoslovakia, more than 50 per cent of payments are made using Cash on Delivery – payment is taken 'on the doorstep' by the delivery service provider – TNT, for example – either in cash or by card. While credit and debit cards are still the dominant payment method online across the world, usage has decreased to as low as 15 per cent in some countries. This trend is set to continue as the newer payment methods offer ease-of-use and security for the shopper – PayPal and iDeal, for example – and in many cases they reduce processing and banking costs for the merchant.

The good news about alternative payment methods has another side too. A UK company looking to trade in Germany would lose too many sales if it failed to offer ELV as one of the most popular payment method for Germans. Accepting ELV requires a payment page in German that the shopper can use to select ELV, technical connections to the German banks and probably a bank account in Germany which may only be possible with a registered address in Germany. That's a lot of work. More so if you multiply that by all the preferred payment methods in all the countries into which you might want to expand. A payments specialist such as RBS WorldPay can simplify this significantly by providing both the technical connections and the acquiring relationships required to accept a wide range of local

payments methods through one secure platform.

Many of the leaders in the international fashion pack built their first website themselves, the website and the payment systems that captured shoppers payment details, communicated with the banks and card schemes to get authorisation. Some of them brought in a payments specialist after they introduced mail and telephone order catalogs in the 1970s – or in the 1980s when the web became more significant – only to find that they had chosen a domestic specialist with little capability overseas or only technical processing capability leaving the merchant to establish the banking relationships (merchant acquiring services) required to accept each payment type.

Changing payment systems several times is costly and has an impact on many aspects of an operation: sales, fulfillment and accounting being the obvious ones. But security and fraud management are others. Integration with the Customer Relationship Management for that important MI about your customer's behavior is another. Assimilating and calibrating new systems to optimise business performance in all of these areas takes significant time and money.

The leaders in this space did not have the benefit of hindsight and have had to change their payments services a numbers of time to deal with the different stages in their journey: first to take cards not just cash; then to take payments over the phone or by mail order; then to take payments online; then to accept all of the exotic payments types and currencies in Europe and around the world, including new types of payments such as PayPal, GiroPay, ELV, iDeal and many more today, as well as those on the horizon such as G-Pay, AliPay and more.

If the leaders had the benefit of hindsight they might have been more careful in their selection of a payments strategy and associated services in the first place: choosing a service that would grow with their needs and reduce the number of times they had to change horses in mid-stream.

REGULATION IS REQUIRED

The leaders have also learned that complying with increasing regulation is too much for in-house development resources and requires the economies of scale that an outsourced solution can provide.

The payments industry is now subject to much greater regulation in response to a number of factors including shoppers' concerns over security that European studies have reported as a significant barrier to online purchase.

To help ensure consumers' funds are secure, mandatory card scheme programmes such as PCI DSS have demanded major changes for most merchants – but they also require ongoing maintenance and inspection. The costs have been enormous. Some of the leaders who were running their own payment acceptance systems in-house took on the task of changing their systems to meet the new standards. But with the dawning realisation of the final costs (IT projects tend to grow as the projects develop) and the ongoing requirements, including annual inspections, most are now calling in outsourced specialists.

The capture and storage of consumers' payment details is the biggest issue for PCI DSS. Retailers prefer to remain in control of this for a number of reasons including continuity of the brand experience at point of sale and data capture to feed order management, accounting, CRM and marketing systems ('know your customer').

RBS WorldPay and the better payment service providers

“Europe’s largest clothing retailer, Spain’s Inditex, is taking its flagship Zara brand online, but it can expect stiff competition from other giants of high-street fashion already well-established in cyberspace.” Madrid (AFP), 2 September 2010

have responded to these needs with services that enable merchants to present web pages that look the same as their website so that the shopper is not aware that they have, technically, been redirected to another site where the details are captured on secure PCI-compliant systems and the necessary data is passed between the provider and the merchants in encrypted and secure form. Often referred to as ‘tokenisation’ or ‘payment data management’, the removal of this process from the merchant systems removes a major part of their liability to PCI DSS making compliance faster and, according to some industry sources, up to two thirds less costly.

Luckily for those retailers who adopted an outsourced payment service provider, for some of the reasons discussed above, PCI compliance came as a silver lining, quickly and relatively easily. For the others who continued with in-house development, the costs and effort have been great. The lesson other retailers can learn from this is think very carefully today about emerging regulatory requirements and how to respond to them.

FRAUD IS A COMPLEX ISSUE

EU reports signal the lack of reliable cross-border payment instruments and consumer worries over safety and security of payments as issues.

But many companies initially resist the suggestion that they need to pay third parties to screen transactions or invest in tools that enable them to automate the task but keep it in-house. In the majority of cases they do come to the realisation that it is necessary – often after suffering considerable rates of fraud and associated losses.

There are a range of high-quality solutions to fight online fraud and to ensure bad sales are minimised without the need to spend a fortune on the manual inspection of all transactions.

Ensuring acceptable rates of fraud and shopper charge-backs on all of the payment methods you decide to offer is a complex business. Especially when you want to maximise acceptance of payments and you want to keep the costs of review processes to a limit that does not adversely affect your bottom line. Of course this adds to the complexity and cost of localising.

MULTIPLE NON-CORE PROCESSES

The new channels, new systems and new regulatory requirements have meant that the leader’s payment processing requirements and systems have been almost as busy as their changing rooms!

Typically, new systems have been implemented as add-ons rather than being fully integrated into merchants’ core systems, with the ecommerce section set up and operating mainly independently from the main business. Also typical card acceptance would be through a bank and/or network service provider while the ecommerce payments would be done by in-house IT. In some cases this would mean three or four payment processing services – in store, online, mail order and suppliers – all using different routes: costly for the business and demanding on the treasury. Typically one for

the system would be linked to the Customer Relationship Management system but the newer ones would not be – inhibiting the development of a single view of the customers shopping habits and more sophisticated targeted marketing techniques. For these reasons the leaders have already started the journey toward creation of core shared systems, but it’s going to cost and it’s going to take time.

CONCLUSIONS?

All of the demands described above mean that it’s not worth building and maintaining payment processing systems and the secure storage for customers’ payment details facilities in-house – even the biggest enterprises have moved towards outsourcing these issues to specialists.

As the online viewing experience becomes better and better and as the huge percentage of the world not currently online gets access online, online sales will continue to boom over the coming decades. Accepting payments internationally is only one of the elements retailers must get right but it’s pretty clear that international cross-border and multichannel payment capture is a complex and increasingly regulated business. It’s just not economical for companies to manage their own payment processing in-house.

A sophisticated set of services are required to ensure you can accept the way your customers want to pay all over the world, keep up-to-date with the revolution in payments and keep your customers payment details safe and secure.

It’s also worth considering that changing systems on a global scale is very expensive and could affect competitive edge, so acquiring a payment service that can grow with your business, and that has all of the capabilities you need now but is also committed and capable of sustaining development with the industry over the coming decades, could save you much time and effort later on.

Having said that, it’s still a component market – no single service provides payment acceptance of every single payment method, reconciliation, fulfilment and delivery in every country on the planet – so selecting a partner with the right attitude to development as well as the widest coverage now would be wise. And perhaps what’s most important is to ensure you consult with experts who’ve been managing payment capture in the UK and across the world for many years, so you can learn from the leaders and avoid some of the mistakes they made. The benefits of hindsight!

RBS WorldPay is working with a number of international retailers supporting their expansion into overseas markets with integrated payment processing, acquiring and fraud management services. ■



Local shops for international people

The era of one-size-fits-all websites should be long past, but how exactly does the idea of localisation work when you apply it to digital domains and Europe?

Jonathan Wright investigates

MOVE THROUGH an airport departure lounge, where stores selling internationally recognised brands vie for your attention, and you could be forgiven for thinking that what we might call retail globalisation is a done deal. In the future, it seems, we will all wear the same labels, drink the same liquor and read the same novels, even though they're by Dan Brown.

But contrast this with wandering around a provincial French town with its baker, butcher, chocolatier and a

grocery store selling regional food. Or the farmers' market in a well-to-do English locale. Clearly, even in a world where international brands are familiar to consumers across the world, localism is alive and well.

This produces a picture that, at least at a cursory glance, is contradictory. On the one hand, European consumers used to cheap flights and easy travel are far less parochial than even 20 years ago. The Berlin Wall, it's worth recalling, didn't come down until 1989. Stelios Haji-Ioannou founded EasyJet as late as 1995. At the same time though, national and regional identities haven't somehow gone away in this process. Just look at the number of UK shops selling Polish food if you're in any doubt about this.

It would be all too easy to assume that somehow things work differently on the web, that in a digital domain without borders, consumers will behave in much the same ways wherever they live. It hasn't worked out remotely that way. Leaving aside the most obvious factor here, the question of language, regional cultural differences mean that it's well nigh impossible to talk about a European consumer, let alone a global one. Instead, we stubbornly persist in being British, German or Belgian. More than this, we positively insist on being Geordies, Berliners and Walloons.

For an retailer trying to sell across Europe, this sets up a huge problem. Let's assume the ideal is a website for every region. Yes, this would be ridiculously and prohibitively expensive. So how about a website for every European country? That's still around 50 websites...

THE MIDDLE WAY

Clearly, retailers need to find a middle way. At one level, this doesn't involve difficult decisions. For most companies, the payback on targeting the German and French markets is going to be far greater than focusing on Albania and Cyprus. The problem is working out which middle route to take when building websites.

A year ago, when we considered this question in the last Internet Retailing supplement on Europe, this was coming into focus as a live issue for many companies. Despite the continuing global downturn, that's not changed. If anything, as American brands launch in Europe, European retailers eye the British market and British companies look to leverage the pound's comparatively low exchange rate, it's a question that's becoming even more pressing.

Despite this, it seems that many retailers persist in seeing Europe as one big market. "You're getting a lot of the big US players now, having proven ecommerce models in the

What the experts say



Late-mover advantage

"Those countries that are now developing have the advantage that they can learn from the very experienced ecommerce players in the market. [These companies] have at least 10 years of experience, and [have] tested many different search and navigation models that result in the best possible interaction with their users."

Michel F Loeffering, CEO, Conrad International

Getting the basics right

"Things like scalability and security are the chassis of a successful website and therefore web interface. Because no matter how good your web interface might look, if people don't trust your website there will be no success."

Michel F Loeffering, CEO, Conrad International



Cost issues surrounding mobile

"It costs you next to nothing to have a mobile phone in America, next to nothing for the call plans. Because everybody has an Internet-enabled telephone, mobile commerce is taking off far more, so people are booking cinema tickets and they're buying airline flights way more than they would do in this country, and indeed retailing's taking off."

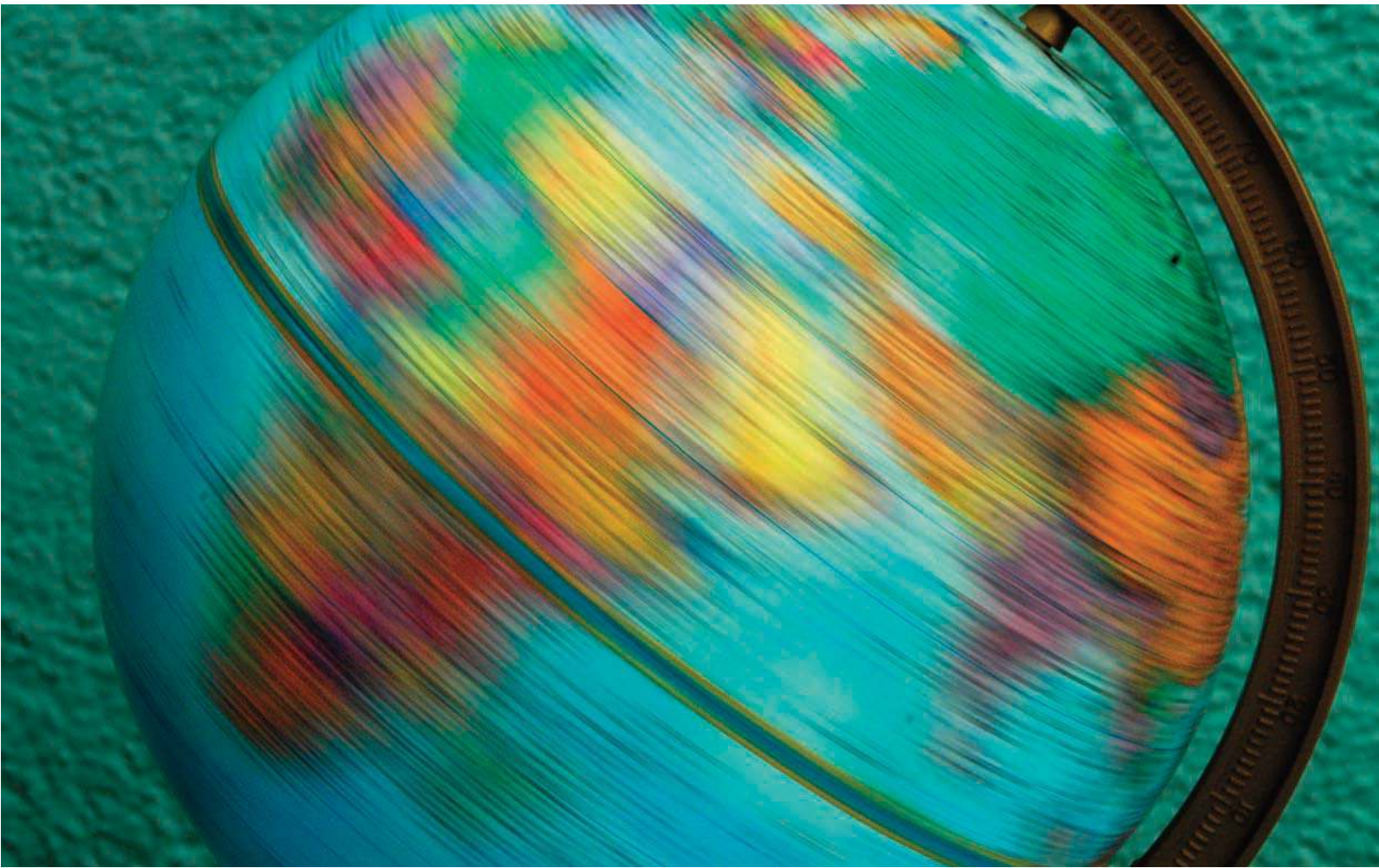
Catriona Campbell, founder, Foviance

Lessons for Europe from the UK

"Online customers [in the UK] have gone through a cycle of 10 years of learning how to use a website. They've gone through the catalogue-based navigation, and then search and navigation came out, now probably moving into an area where merchandising is very much lifestyle-heavy. I think Europe will go through that cycle as well, but with the huge advantage that you can look back at what worked in the UK and the US, and how do we translate that to our local markets."

Kees de Vos, director of business consulting, hybric





US, investing heavily in European sites,” says Catriona Campbell, founder of consultancy Foviance. “What’s unfortunate about what’s happened over the last three to six months in particular is that they’ve gone hammer and tongs to develop sites that are one-size-fits-all.

“Unfortunately, lack of research in each of the different countries has meant that what they’re producing is one size fits all, but it definitely doesn’t fit all. It’s not working for a number of big, big brand retailers. And they won’t work that out until they start to see the web analytics data streaming through.”

She cites the example of GAP, which launched its UK website amidst much fanfare in August. The co-branding with Banana Republic, she argues, is confusing for British customers, and its use of email marketing runs the risk of alienating consumers because the company is sending too many untargeted messages, perhaps because it’s trying to build market share quickly. If Campbell is right, GAP clearly has work to do.

So European companies have nothing to worry about from international companies launching in Europe? Don’t be so sure. Good companies learn from mistakes and there are American retailers that most definitely get things right in Europe. For Campbell, Amazon and Dell remain prime examples. These are companies with local teams that have direct control over their sites. But might this change as retail globalisation continues apace, meaning that such local knowledge will possibly become less important? No, says Campbell. “I think personally (retail is) always going to be quite local, as much because language

is always going to be difficult to get right,” she says. “There are a lot of businesses out there that use automated linguistics tools, automated translation tools. They do not work at all well. You should as a respectable brand always maintain a local team.”

BEST PRACTICE

You could, of course, view this as bad news for retailers, proof that actually you do have to invest heavily in every territory to build local websites. But that’s only part of the story. While consumers in different countries might make very different demands of retailers, so that, for example, German consumers expect to be sent goods on a sale-or-return basis, certain elements of website design remain consistent.

To take just one key consideration: is a site easy to navigate? If it’s not easy to navigate in the UK, it probably won’t be any easier to navigate in France, Sweden or Italy. According to Michel F Loeffering, CEO of electronics retailer Conrad International, consumers these days look for an easily recognisable “baseline” with sites. In other words, we know how websites should work and we’re suspicious of sites that don’t follow the rules.

“From an ecommerce perspective these standards are being set by companies such as Amazon, Sears, Billiger, Conrad and eBay,” says Loeffering. “Standardisation will become a more and more important topic, especially in the ecommerce market, as companies that are ‘starting’ with ecommerce are looking for a reference architecture to do things right the first time.”

STREAMLINE YOUR PROCUREMENT PROCESS WITH THE **INTERNET RETAILING** **JUMPSTART**

Procurement is painful not simply due to the difficulty in assessing answers, but the much more important issue of 'getting the right question'.

The Internet Retailing procurement "JUMP START" programme will take a short, sharp, intense look at some key procurement issues - but our focus is upon identifying and presenting the key questions you should ask, rather than presuming to advance some generic, one-size-fits-all maxims. All solutions are individual, and our "JUMP START" will help you get to the heart of the questions for you.



If you are a leading supplier and want to present your products and services to room full of multichannel retailers and ecommerce professionals in a educational and quick fire format then please contact us at **robp@stjohnpatrick.com** or call on

0207 933 8999

E-Commerce Platforms 23rd September
E-Bay Trading 30th September

The intense half-day format will give you both insight, briefing and a chance to meet with other retailers. It will give you either a fast-track to create your own commercial procurement process, or even allow you to benchmark your existing or intended supplier against the market's best offerings.

Register at www.internetretailing.net/jumpstart

Privacy issues

One constant theme in the last year of developments in web interface technology has been the intersection between mobile devices and the real world, with augmented reality systems such as Layar becoming increasingly mainstream propositions. This would seem to offer rich opportunities to retailers.

However, it also raises ethical questions that companies need to consider. Recently, for example, newspaper reports have been critical of the social networking site Foursquare, which enables users to broadcast their location to 'friends' using a smartphone's global positioning system (GPS). Bluntly, there are concerns that it's currently too easy to use such technology to stalk people.

As well as safety concerns, there are other issues here too. While younger consumers are currently far happier (some would say too happy) to share personal information about themselves using social media, this very openness demands that companies treat personal information with respect. That may seem counter-intuitive, but when communications arrive via a device you carry all the time, ill-judged messages are particularly unwelcome and even potentially intrusive.

Moreover, we're still at the beginning of the social media revolution, yet already it seems to have galvanised calls and campaigns for consumers to have more control over the digital information that's held about them.

And even if there's not more regulation to protect personal information, it may be that consumers start using technology to block companies they don't want to deal with. Last year, when Internet Retailing talked to Layar's co-founder Maarten Lens-FitzGerald, he talked about vendor relationship management, consumers using augmented reality technology to take control of their interactions with companies – requesting information and offers rather than waiting for them to arrive.

This chimes with another idea that's a little further on the horizon, the semantic web, with its promise that one day we might all design web interfaces that suit us rather than follow any set pattern. This is far off, but the direction of travel is clear. In such a hyper-networked world, companies that act in a heavy-handed manner will be punished, especially big companies that are perceived as nasty corporates.

It's worth quietly noting, by the way, that Apple, as it moves from a company selling desktop computers to one more focused on iPhones, iPads and iPods has lately started to attract the ire of the technocritics for not treating its customers with enough respect...

In this context, it's worth noting that Amazon a while back moved into selling its ecommerce platform so that others can use it too. Marks & Spencer, for example, worked with Amazon when it launched its transactional website in 2007. Being aware of local factors doesn't mean metaphorically reinventing the wheel.

Indeed it's better, says Kees de Vos, director of business consulting at ecommerce software company hybris, to get a comparatively straightforward site working well rather than strive to be on the cutting edge. "I would start relatively simple and focus on the success factors – very good product information, good search and navigation and a well-designed site," he says. "Take that as a core rather than putting in reviews, for example. Very complicated user interfaces really rely on more expert users."

Nevertheless, to think about how the idea of localism plays into all this, do remember, for example, that all users are experts in terms of knowing what brands stand for, but that brands don't stand for the same values in different territories. Gant isn't a 'destination' brand Stateside as it is in the UK. Conversely, the idea that not all of Burberry's British customers have a Range Rover and a stiff upper lip would probably never occur to a consumer in New York.

THE NEXT GENERATION

Despite such differences in perception of the same brand in different countries, the idea that somehow the way we all

shop is levelling out – that in some sense, perhaps, there's something of the airport shopper about all of us these days – is one that's worth exploring further. Take mobile phone usage. As in the UK, the iPhone is hugely popular in both France and Germany. The way that different generations use smartphones, though, is very different. While teens might go on a shopping expedition in the real world, but purchase an item via a mobile device later after running the idea past friends using social media, the pattern is different with more mature consumers.

"The older generation tends to be using these things less for mobile commerce because of a lack of trust," says Catriona Campbell. "For the 40-plus market, even though they may be Internet-enabled phone users, trust is a huge component when talking about mobile commerce with them."

Again, though, while this suggests a generation-based convergence of consumer behaviour across Europe, the wider picture soon becomes more complex. Consider what kinds of messages people are receiving on mobile devices. In the UK, says Campbell, it's mostly brand advertising that's gaining traction, whereas on the continent the emphasis is more on marketing companies sending money-off vouchers or using mobile as a key way of reaching consumers in loyalty programmes.

Moreover, it might be that mobile doesn't develop in the same way as the fixed Internet, with everyone looking to the USA and UK for ideas about how the future might look. "Some European countries such as Poland seem to completely skip the PC era and directly move into the mobile playground with devices such as laptops, iPads and iPhones," says Michel Lieferring.

GETTING PERSONAL

This is particularly intriguing because it takes the idea of reaching different consumers beyond even the local.

"Interfaces from the mobile device towards the user need to be focused on personalisation and relevant content," says Lieferring. "Browsing and navigating through a mobile interface will almost in all circumstances find specific information. In-store activities will be influenced more and more because people have transparent data available anywhere they go."

To drill down through this, it might be that in future those designing mobile interfaces will need to think, firstly, about a national market – how do French consumers, say, generally use mobile devices? Next, factors such as regional variations in behaviour and demographics, the age and income group you're trying to reach, come into play. Finally, there are the more personal factors that Lieferring talks about.

To look at that another way, the leveling out in behaviour that we experience might be paradoxically that we all demand to be treated less like airport shoppers, and more like people exploring a French town and hoping to be surprised and delighted. "Mobile will bring people beyond search and entering the world of serendipity, discovery," says Lieferring. "What's the difference? Search is what you do when you're looking for something. Serendipity is when something extraordinary that you didn't know existed, or didn't know how to ask for, finds you." ■



The custom of the country

How far does what you show, and how you show it, matter when it comes to doing business in Europe? And how can you get it right? Chloe Rigby finds out

IMAGINE A WAREHOUSE full of boxes, each containing a different item of clothing but marked only by number. And imagine your chances, as a shopper, of finding just what you want to buy in this warehouse.

Luckily, there's an alternative: the high street shop, with the latest ranges styled in windows and laid out skillfully through the store. In a clothes shop, office clothes might be near each other, while casual garments have their own section. Throughout the display area there are ideas for how to wear the goods on offer: which trousers might look good with which shirt, for example, while pictures of styled models show off the potential of the clothing.

Where would you choose to go to buy an outfit? Chances are you'd opt for the high street shop, and so do shoppers across Europe, who flock to shopping centres from Paris' Champs-Élysées to Milan's Corso Venezia and London's Oxford Street. But too often, says Joris Beckers, chief executive of Fredhopper, for shoppers finding something that they want to buy is as difficult as ploughing through that warehouse.

Beckers points out that the warehouse and the shop essentially contain the same products. "The only difference," he says, "is that on the one side it's presented more nicely than on the other.

"The nicer-presented stuff is in a much more expensive

location so it costs money to do it that way. But apparently it pays back, otherwise we'd all go to distribution centres out of town and find a way through the boxes.

"But effectively the online world is much more like a distribution centre than like a high street window. If you know what you want you can find it, probably."

But that's not really good enough when it comes to shopping, he argues. "Retailing is all about inspiring you. That's all about merchandising, all about seducing, inspiring, making it fun. It's what people like. No-one likes going through the warehouse, they like browsing through the stores where it's all nicely dressed up."

It's a powerful argument for the value of online merchandising. And across Europe, there's just as strong a tradition of going shopping as there is in the UK. Ultimately, the high street is the inspiration for many forms of online merchandising.

But while in shops retailers benefit from about half a century of knowledge of what makes self-service retailing work, online the area has barely been tapped, says Beckers. "Online merchandising," he says, "is a space with its own rules and many of them are yet to be uncovered."

At the heart of merchandising is the art of knowing what products to show – and how and when to show them in order to produce the greatest sales. That's particularly

important for those selling across Europe, since across the continent tastes and fashions vary, while factors such as weather can also be enormously different at any given time of year in southern and northern Europe.

And the major advantage that online does have when it comes to merchandising is the ability to show anything in the catalogue, rather than just the stock that will fit into a relatively space-constrained shop.

Conversely, merchandising systems can limit which goods are available, and shown, to different markets, even where different country websites run off the same basic database.

HOW TASTES VARY

From northern to southern, and eastern to western Europe, fashions and tastes are different. That means different ranges are shown in shops, and online purchasers will expect to see ranges they recognise when they log on to a store, whether they live in Spain or Norway.

"You need to have the capability to have local representation. Local shops differ – Italian fashion shops look different from shops in London. But there are also big similarities between the way they look. To me the biggest difference is the differences in audience."

He believes that fundamentally the principles that people use to merchandise their products are the same across Europe. That means good photographs and well-described products are important. But there's also a lot of work to be done in deciding what products are presented to who, and why.

Kees de Vos, director of business consulting at hybris, says that localisation is a key part of cross-border online retail. "It's the ability for a retailer to adapt themselves to that market, to say 'here is your specific assortment that will do well in that market.'"

"It's as basic as the products that you sell in Italy and Spain are going to be fundamentally different from the ones you sell in the Nordics, just from a seasonality or weather point of view. Localisation is important and I don't think you can just go into a market and say here's my full range, sort it out. I think you have to merchandise and target that particular market."

At the same time, says Markus Schilling, product management and client success director at Avail Intelligence, shoppers also want to see goods that apply to different shopping behaviours. In Germany, for example, he says shoppers are more interested in low prices, and the way that language is used to describe the items on sale might be different in order to reinforce the value message.

Schilling believes therefore, that retailers need to employ specialists who know the local market, when deciding how goods are displayed. That can be done where retailers have different operations in different countries, with the local managers deciding what from the central database is displayed in their shops, and on their website. Even when it's all managed from the UK, though, he believes it's important for retailers to tap into expertise that understands foreign markets and how things should be displayed in these markets.

DECIDING WHAT TO SHOW

But while it's important how a range is shown, it's still more

What the experts say



Lessons from supermarkets

"When it comes to merchandising, look at supermarkets. Supermarkets are well analysed – we have less data than in relation to the Internet but everybody knows how a supermarket works. On the Internet we have far more information but we haven't analysed it yet."

By taking small steps and trying to find out whether something is working or not you can use all the information to make the best merchandising decision possible. Take the small step approach, because we don't know what's working if you change too much."

Markus Schilling, product management and client success director, Avail Intelligence

Picture this

"In the online world we know now that good photography and many photos make a big difference. That's a form of merchandising and presenting products. But what we don't yet know is how to present it. Should we order them in bestseller order? Or popularity? We're all kind of experimenting a little bit with that."

Joris Beekers, chief executive, Fredhopper



Territorial variations

"Presenting products ultimately comes down to the proposition in the market and how you want to present yourself in a market. You may be a value retailer in one country but not in another, and that may be reflected in how you display your products online. Is there a significant difference in merchandising across Europe? I think ultimately there shouldn't be."

Kees de Vos, director of business consulting, hybris

Pertinent products

"Behavioural merchandising can be used to present the most pertinent products and content to visitors based on their location. Behaviourally derived bestsellers can be regionally skewed based on various parameters such as the weather."

Neil Hamilton, co-founder and chief executive, Predictive Intent

important that the right things are shown that will appeal to different nationalities of shopper. That means they must reflect these different seasons, fashions, tastes and indeed localities back to visitors, making the site as recognisable as possible to visitors, wherever they are in Europe.

Thus, says Neil Hamilton, co-founder and chief executive of UK behavioural merchandising company Predictive Intent: "On the very first page load, an anonymous visitor from Milan should be presented with products with Italian descriptions, products relating to the 'Italian' keyword which has been used to reach the site and ultimately some products relating to the keyword, as well as some popular products bought by others in Milan or at least Italy."

Then, the knowledge of what other Italian, or French, or German shoppers have previously bought when on the site can be used to choose what to show new visitors from those countries.

Choices can also be refined using parameters such as the weather. "A first-time visitor who lives in Milan where it is



eGain[®] in the Retail Sector

What our customers say

"eGain has made our whole customer communications process faster and a lot more efficient. In the eight weeks since adopting eGain Mail, our email response times have gone from 20% of emails correctly answered within one day to 95% correctly answered within one hour – a dramatic difference!"

ASOS

"We have seen a notable improvement in our service operations, with repeat calls down by 10% and avoidable returns and engineer service visits reduced dramatically."

Argos

"As we grow our business we are committed to further improving our high level of customer service; we see partnering with eGain as critical to achieving this."

Net-A-Porter

eGain's fully-integrated multi-channel customer service management solution, recognised as the most complete on the market, delivers competitive advantage by improving first contact resolution, enhancing the customer experience and reducing the cost to serve.

"How can **We**
help **you?**"

eGain[®]
Trusted by Leaders[™]

Call **+44 (0) 1753 464748** or email **retail@egain.com**

raining, should be presented with different products to a visitor connecting from Nice where it is sunny," he says.

Technology also offers a way to find out what different nationalities are likely to want to buy from your stock. Behavioural merchandising systems learn from previous purchase histories to develop new rules of merchandising. One of the parameters that can be included here is buyers' country of origin. "The differences in order behaviour or history will show up in the data," says Schilling. "French people buy different things than in the UK and automatic tools will come up with different suggestions for each and every customer."

Some smaller markets do not produce enough data in their own right for useful analysis. So if only a few purchases have come from Austria, retailers can opt to pool Austrian and Swiss data – on the grounds that the two markets are reasonably similar, and then also supplement, if required, with data from Germany, where tastes may also be similar.

Such systems automate the learning of group preferences. That, says Fredhopper's Beckers is important. "The biggest message I have," he says, "is that you have to

have a systematic approach rather than just ad hoc. You can be a brilliant merchandiser and just by having a great gut feel you get it right. But as an organisation you need to have a way to scale that and you need to understand why it's good that you do what you do."

Ultimately, such systems mean that every customer can be presented with a different shelf of goods. That's something, says Beckers, that needs an automated system. "As long as you stay with manual work you're unlikely to uncover the real rules behind behaviour."

Not only that, but they're changing all the time. "Tesco and John Lewis are still rearranging their shelves in the physical stores every quarter, still now after 40 to 50 years. It's a never-ending story because tastes change, and innovations come up and different areas become important.

"It's all about having a good system to do that and understanding what you need to change. In the physical stores they have super-advanced systems to do that – it's very mathematical and analytical. But many online shops don't do that." ■

Five European sites the merchandising experts rate

We've taken a look at sites rated by merchandising experts we spoke to for this feature. "There's no holy grail," says Fredhopper's Joris Beckers. Rather, each has a feature that it does particularly well and from which others could learn when it comes to merchandising in Europe.

La Redoute

Visit the French (www.laredoute.fr), German (www.laredoute.de) and English (www.laredoute.co.uk) sites of La Redoute and you'll find very different products on show – and indeed available to buy. The French retailer, which has 12 stores in France, highlights its homewares on its French site, which sells larger goods from beds and mattresses to microwaves and washing machines. On the front page, when we visited, was its new bedlinen collection. On the English and German sites, by contrast, the emphasis is very much on fashion. Each heavily featured a promotion. On the UK site, video was also to the fore, with the chance to see the latest TV campaign that's run here.

"La Redoute, in France, sells across Europe but when you look at the site it's very much designed for local markets," says Markus Schilling, product management and client success director, Avail Intelligence.

H&M

H&M, which has only recently unveiled its UK site has been trading online (shop.hm.com) for many years in a number of European territories including its Swedish home country and near-neighbour, Norway.

Its sites in Norway and Sweden do look very similar: the key differences are in the language used while images are consistent across the sites. There, when we visited, the emphasis was on clothes to keep warm in northern winters. However, a visit to the UK site revealed a different look, with a UK Will Never Sleep Again front page featuring clothes for going out in, alongside a front-page link to H&M TV.

However, points out Schilling: "The taste in fashion differs from country to country, but H&M sells in all these markets more or less the same stuff. They understand how to promote a trend. That's what they do best."

Vente Privée

Private sales website Vente Privée (www.vente-privee.com) presents the majority of its discounted brand sales through trailers that it shoots itself. The videos give viewers an insight into the brand, most of which are fashion brands, and its key looks. Vente Privée has built up a dedicated membership, each member joining one of several sites around Europe, including France, Italy and the UK, as well as a number of non-European sites.

Joris Beckers, chief executive of Fredhopper, says: "What Vente Privée are doing with merchandising, presenting products, dedicated photography and video is exceptional, and does seem to work."

Otto, Germany

Broadly stocked German retailer Otto (www.otto.de) sells online through a catalogue model that is popular in Germany. A search facility is central to its home page, while detailed category lists help shoppers find the specific item they're looking for from the thousands in stock.

It is the search that wins praise from merchandising expert Beckers, who admires "what Otto in Germany are doing with fine-tuning the order through which they present products. If you search for, say, Nike shirt, you get probably a few hundred shirts back. So which ones and in which order am I going to present them to you when I know you'll only look at the top three or so?" He adds: "You can put all sorts of data points in that top three. It could be sales, or where you came from – you can differentiate enormously in that area."

Albert Heijn, Holland.

Albert Heijn, whose website (www.ah.nl) is populated by animated hamsters including spoof hamster TV videos used in advertising campaigns, is a Dutch supermarket. New products and special offers are highlighted to the first time visitor, while shoppers are invited to log in to place orders.

Beckers rates the site for its innovative use of loyalty card data. "If your shopping list doesn't include diapers you won't see any on the site. It uses your shopping history offline as well as online, which is quite revolutionary."

The way we shop now...

Cultural factors don't just shape the way we choose and buy in the real world, the same is true of digital environments, discovers Arif Mohamed

ACCORDING TO RESEARCH by eBay Advertising, the French are heavily influenced by brand names and enjoy making impulse buys. Meanwhile Germans spend time comparing prices to get the best deal, and Brits are the most cautious and sensible group of online shoppers who research thoroughly before buying. Consequently, retailers that want to extend their store brand across Europe would do well to keep in mind the different buying habits of each country's inhabitants.

The physical shopping experience is, by tradition, very different in different countries. Service is perceived and valued differently across Europe, as is the willingness to pay for that enhanced service. So it makes sense that the online and multichannel experience may also differ from country to country. "Last year we examined differences in attitudes towards online shopping by surveying the views of more than 6,000 consumers across Europe and discovered marked differences in buying behaviours between countries," says Frank Lord of ATG, backing up eBay's findings.

As mentioned, pan-European consumer studies into online retail practices have found that the French are a

nation of impulse buyers who get a buzz from the moment of purchase, and they are also the highest spending segment, heavily influenced by brand names, convenience and advertising. They also make use of available shortcuts to reach the online checkout quickly.

Conversely, the Germans enjoy shopping the most and would describe it as a hobby. They spend time comparing prices to get the right deal and believe they are savvy enough not to compromise on quality.

When it comes to the UK, British shoppers are cautious and sensible, tending to buy only from sites they trust and that offer selection. For them, online shopping is about meeting needs rather than enjoyment.

CHOICE FACTORS

Alex Marks, head of UK marketing at eBay Advertising, comments that whether offline or online, it's important to remember that consumers shop differently, depending on the product they are purchasing.

In the case of goods and services that are bought frequently, such as groceries, or those that have an element of emotional choice or ego attached to them, such as clothing or entertainment goods, consumers are more likely to pick a favourite supplier – a place they have affinity and trust with – rather than search for them, he says.

On the flipside, for items that are purchased more infrequently, such as household goods or items that warrant a more logical decision making process, such as electronics, then search is the preferred channel of discovery.

Also, just as 'location, location, location' is the mantra for bricks-and-mortar retailers, it is no less important when appealing to an online European audience, says Marks. "It is not enough to build a shop on the web and then expect people to find you," he says.

Of course there are ways for brands to improve visibility, with search being perhaps the most obvious one. However, if you really want to build trust and familiarity between your customer and your business you need to be not just easily found, but also a regular feature of the online landscape, advises Marks.

There is much to be written about the success of markets, retail parks and retail destinations. Consumers will visit places like these because they can find everything in one place. Shops will base themselves there because they benefit from the enormous footfall of people out to do just one activity – shopping. "It's exactly the same online," says Marks. "When you build your retail outlet think about where you can put it, not just how to advertise it: preferably where millions of potential customers pass every day, doing everyday activities."

Brands risk losing six out of ten customers between sales channels

Retailers are facing major attitudinal challenges in sustaining customer loyalty between channels, according to the 2010 Multichannel Retail Report from GSI Commerce. It polled the views of a representative sample of 2,043 British adults.

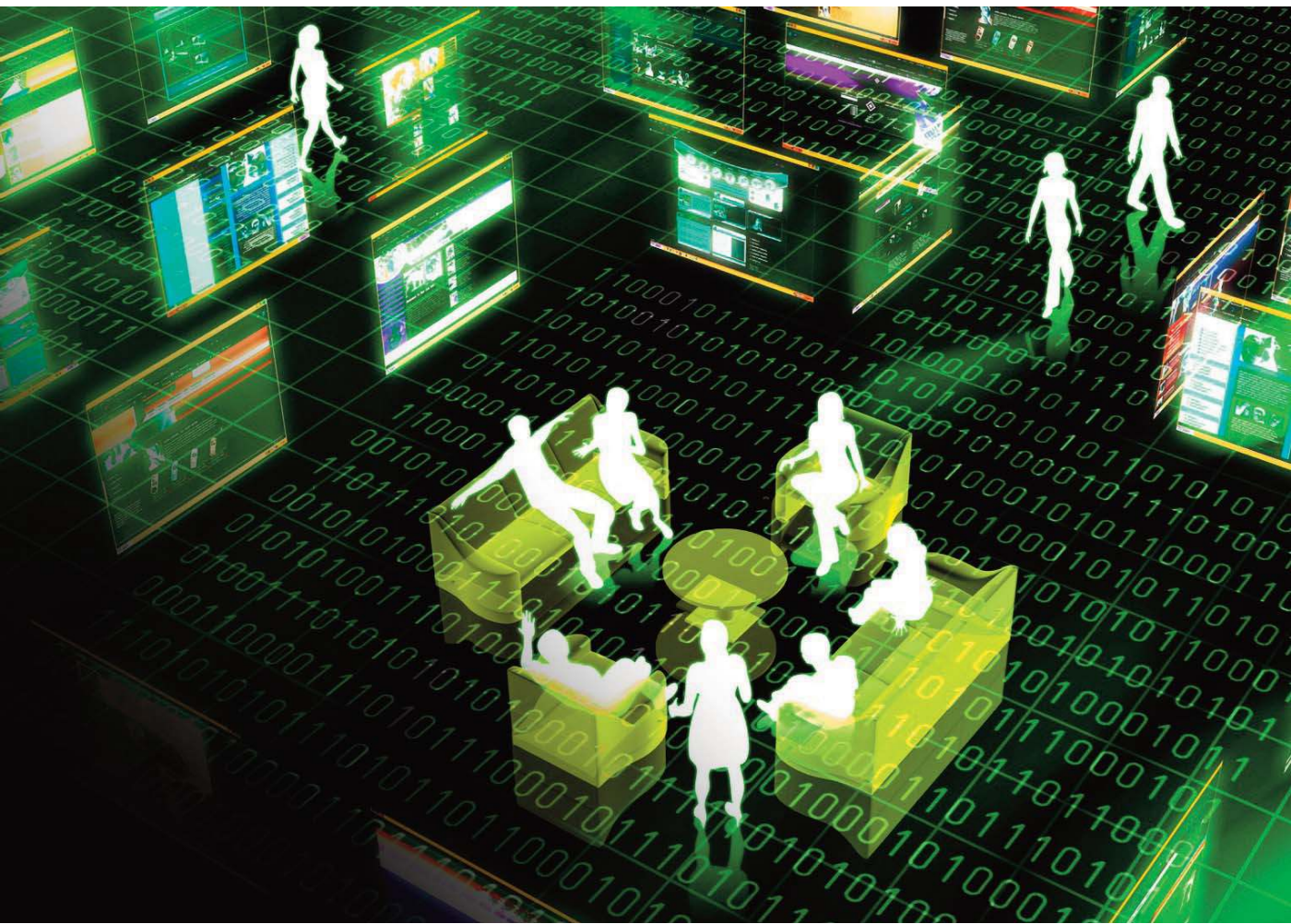
Just 40 per cent of consumers would visit a brand's website if they couldn't find a product in-store, the research found.

The report also revealed that retailers face a serious risk of customer churn in attempting to sell between channels. When consumers were asked what their typical online response would be to finding that an item was out-of-stock on the high street, the vast majority (69 per cent) claimed they would visit other brand's websites to compare prices on the same product.

Fifty-three per cent would enter the product's details into a price comparison engine and 41 per cent say they would simply type the product details into a search engine and review the results. Crucially, just four in ten (40 per cent) consumers claim they would simply visit the website of the retailer whose shop they had originally visited.

Steve Davis, executive vice president and president international of GSI Commerce says: "If you find yourself out-of-stock and leave your customers to walk out the door and search the Internet, there's a very good chance that you'll lose the sale to your competition.

"In a sense, having multiple channels gives retailers a fantastic opportunity to extend their shelf space on the high street. If you offer a line of five items in-store, you should make sure you also offer 20 items via your 'online inventory' so that, should you run out on the high street, either the customer or staff can still purchase and order the product on the spot."



COUNTRY-SPECIFIC FACTORS

As well as getting the location right, there are many ways to tailor an online store to cater for a particular country's shopping habits. So, good product comparison works better in France, and speedy and efficient shopping in Germany, says Frank Lord, vice president EMEA for ATG.

"These differences alone highlight the need to tailor the shopping experience online from country to country, just as retailers do for their physical stores," he says. This is especially important since consumers shopping online are less forgiving than when shopping on the high street, and won't hesitate to go elsewhere if a retail site doesn't meet their needs, he adds, saying a study of European shoppers by ATG found 64 per cent were frustrated by customer service online.

When it comes to interpreting online retail formats, organisations need to consider their key values carefully and what it is that keeps their customers happy on the high street.

If, for example, it is speed of service then it's essential that a quick and easy online checkout process is put in place online. If high-quality customer service is an important unique selling point then it's worth investing in innovative ecommerce optimisation services such as Click to Call and Click to Chat that give shoppers the opportunity to speak online or over the phone with a customer service agent about an online purchase.

"Our research revealed that some countries such as France and Spain place a high value on the in-store experience so deploying optimisation services that replicate the personal service they look for in-store can play an important role," says Lord.

Tailoring the online shopping experience to local markets might sound expensive and a huge undertaking, but complexity and costs can be managed by deploying one single, flexible ecommerce platform that is adjusted regionally to account for local nuances.

Having one platform in place gives retailers control over their online offering and avoids headaches associated with managing multiple sites, while at the same time improving the level of service to customers.

CONSISTENCY COUNTS

Another aim for retailers extending their brand across Europe is to provide a consistent multichannel experience for consumers. One recent cross-channel consumer survey found that more than three quarters of consumers use two or more channels and nearly one third use three or more channels to browse, research and purchase products. These figures are likely to increase over time, so it's important retailers provide a consistent level of service across multiple platforms whether that be mobile, in-store or online.

However, retailers across Europe have some way to go with multichannel, experts say, but some, such as Tommy Hilfiger and Louis Vuitton, have made good progress in delivering an exceptional cross-channel experience that offers customers joined-up personalised levels of service regardless of how consumers want to interact with the brands.

Many retailers are clearly getting more skilled at bringing their store experience to life online, with many more taking advantage of mobile apps to showcase their products.

Premium department stores such as Galeries Lafayette, Selfridges and Liberty are doing a good job of bringing their

Virtual Fitting Room

helps customers
choose the size that fits

www.fits.me

Increases sales up to **3.1** times
Reduces returns, on average **28%**

"Fits.me... huge benefit to online retailers in reducing the number of returns of ill-fitting garments"

Financial Times

"Fits.me... retailers can sell more with fewer returns which directly impacts their P&L"

Apparel Magazine

"Fits.me... the twin dream of increased conversion and reduced returns"

Internet Retailing Magazine

"Fits.me... fitting application provides [customers] with more assurance that ordering from a long distance will result in a properly sized garment. As a result, the conversion rate has more than doubled among [international] customers who use the Virtual Fitting Room."

Internet Retailer Magazine (US)

Please ask for a comprehensive backgrounder by
writing to info@fits.me, or by calling **00 372 58 14 8422**

* Sales increase by 3.1 times was recorded in the best case scenario and depends on the customer segment and garment category. The highest impact was among new and international customers, the lowest increase was shown to be among repeat customers who know their sizing within the brand. Returns have been shown to decrease most among the mid-to-high priced garments, where the fit is more important.



store propositions to life online, says Dr Alan Treadgold, head of retail strategy for Arc Worldwide, the brand activation arm of the Leo Burnett Group.

But he adds that although we're seeing a lot of advances in these areas, we still have a long way to go in terms of creating truly 'channel neutral' shopping and engagement experiences. For big retailers with sizeable investments in physical store networks, it's immensely challenging, of course, to change a business to accommodate the new realities of multichannel shopping, says Treadgold.

However, many are valiantly attempting to become multichannel, introducing mobile apps, roving payment points and self-service. "Look at how quickly retailers have rolled out iPad applications as a case in point. Or how M&S talks about their stores as collection points as well as purchase points if that is how customers want to use them," notes Treadgold.

In terms of in-store digital applications, what Arc is seeing in its shopper research is that shoppers often have less enthusiasm for these applications than retailers do.

"When we've been asking shoppers to tell us what their ideal 'store of the future' looks like, they're often not showing a lot of enthusiasm for customer-facing technologies in store but what they definitely want is for the store to be interesting, engaging, experiential and immersive," says Treadgold.

IN-STORE VIDEO

One area where European stores can extend their brands outside national and cultural boundaries is through the use of video, online and in-store, says Scott Lester, CEO of Flixmedia. Flixmedia produces content for retailers such as HP and Phillips, to present to consumers in retail stores, as well as taking a company's content and syndicating it across territories.

So, for example, the company might create content for a mini-site, and produce a video in 22 languages. However, rather than translation, Flixmedia describes the technique it uses as 'transcreation' which often means tailoring the content to the culture.

This includes localising a master video into different languages or even dialects, taking into account different nations' use of tone and delivery, and the length it takes them to describe the same thing. Lester explains that it takes the French 20 per cent longer to say the same thing in English, and it takes 30 per cent longer in German. So, the video is likely to be longer in particular countries.

In terms of presenting the video in different local markets, there are other considerations to take into account. The Germans like facts and figures, dimensions, specs, and features, whereas the British consumers want to know the benefits and how they are achieved. Also, the Spanish and Italian markets are more receptive to product videos with music in them, but the English link these to adverts and put their guard up. As a result, Flixmedia's French, German and English product videos don't tend to have music in them, says Lester.

One thing to note, however, is that running in-store video content has been a mixed bag of success and failure so far, admits Lester. Some stores have problems with their Internet

How can retailers extend their in-store brand to cater for Europe?



Keeping customers loyal

"It is clear that consumer behaviour varies not only by territory but also according to the item being purchased. Understanding these differing behaviours is the key to success in online retail. Retailers that take care to meet varying consumer needs will be rewarded with engaged and loyal customers."

Alex Marks, head of UK marketing, eBay Advertising

New devices

"The iPad will not only have a significant impact on the ways in which retailers interact with consumers online, but it also has the potential to change interactions in-store. For instance, retailers may want to equip members of staff with iPads so that if a customer has a query about a product that isn't in stock they can quickly find the information needed online while walking around the shop."

Frank Lord, vice president, EMEA, ATG



Transcending boundaries

"Certainly, in a European setting an understanding of shoppers and their behaviours is going to be rather more important than an understanding of geography. Just as many product brands have transcended national boundaries, so retailers too have similar opportunities if they are able to effectively engage the customer with their brands in the online space, and overcome all of the logistical issues associated with delivering their offers to customers across countries rather than just within countries."

Dr Alan Treadgold, head of retail strategy, Arc Worldwide

Setting standards

"Technology standards are going to be central in helping retailers achieve true multichannel effectiveness. But you only have to look at the digital standards battles between web software firms over Flash and HTML5. It's a very big and serious war and it means you need to support five or six different formats to make content compatible across mobile devices. Over the next 18 months wars will be won, and meanwhile retailers will have to attempt to offer effective multichannel shopping to their buyers."

Scott Lester, CEO, Flixmedia



connection speeds, and this can be a problem for web-related and streamed content or search.

Usage of in-store kiosks can also present another problem. Lester says his firm piloted six individual kiosks in a single retail store with product videos for all the products on sale in the store. But the consumers didn't use them because they didn't want to go to a central point for information.

Flixmedia reflected on this and has recently completed an in-store content project in Italy. This time it made the content category more specific, offering a printer product search and videos in the printer section of the store, and GPS product search and videos in the GPS section. The consumers went for it. "It's all about effective content. Adding content that makes no difference makes no difference," concludes Lester. ■

There are big issues surrounding delivering goods across multiple territories. There are also huge rewards for customers who can get pan-European deliveries right, reports Arif Mohamed

Straight to the customer's door

IT'S A SIMPLE idea in theory. Customers order goods online at their own convenience and then the goods are delivered to their homes, or just to a convenient pick-up point. In the real world, getting items to customers often isn't simple at all, especially when those customers live in another country, far from an retailer's main base.

For starters, retailers face complex and costly transportation options. Dispersed distribution centres need linking up, and there are many country-specific postal services and logistics services providers that all need to work together, and may well charge extra for this.

It's not really surprising that there are few truly successful pan-European retailers that have extended both their business and their brands abroad. It has always been easier to compete in your home territory, supply within a local border and communicate with consumers who share your culture.

But times are changing, and while some retailers are currently dispatching abroad from their in-country operational base, others are considering options for local, optimised distribution centres, especially as the Internet fuels overseas demand for goods.

PIONEERS

As a result, a new logistics playbook for pan-European expansion is being written by pioneering retailers, a mix of online and traditional ones, such as Amazon, Zara, IKEA and H&M. Meanwhile, Europe's logistics and distribution services firms are rising to the challenge of helping retailers 'become European'.

According to Alan Braithwaite, chairman of LCP Consulting and Professor at Cranfield, operating in a truly pan-European manner, with multiple in-country distribution centres and order fulfilment, is still a relatively new thing because of the logistical challenges it brings.

His advice for those who want to scale the European mountain is to set up a warehouse 'base camp' in one European country first. The base could, of course, be in your home country.

The idea of having a base camp enables the retailer to have a single point of fulfilment for Europe, which helps to keep stock in one place and reduces the risk of obsolescence. Braithwaite adds that the UK is a good place to fulfil from as bulk freight rates back to Europe are low and the exchange rate is favourable to trade in Europe.



LCP Consulting is currently helping a business to set up fulfilment operations in Italy, where the stock is based. The two main issues are how to get the stock into other countries, and how to carry out returns if the stock is damaged or faulty.

The next stage on from having a base camp is to establish intermediate camps, and finally a network of country or region-specific locations where the range and services may be tailored to the specifics of the local market. "Clearly that requires substantial scale which will be more easily attained by multichannel operators who can leverage their existing operational volume and stock," says Braithwaite.

European retailers may be tempted to offer multichannel customer service features such as buy anywhere, return anywhere, allowing them to buy from the Internet, and collect or return at the shop, for example. "More elaborate drop point processes will arrive at some point but there are still huge and significantly unresolved issue of how you manage stock between channels," adds Braithwaite.

Third-party parcel and post service providers can be helpful in providing the link between a company and its 'base camp' distribution centre.

Braithwaite says it is worth considering postal services firms that are linked to the countries' post offices as they can offer a complete fulfilment service and carry out all collections and deliveries. For example, consider Deutsche Post, which owns DHL, Norway Post, which has rebranded as Bring, and France La Poste with its UK operation La Poste UK.

LOGISTICS SERVICE PROVIDERS

A local base in the target country is essential as Internet retailing implies quick online ordering and quick delivery. Amazon's success provides a good example of this.

So, for online retailers it may make sense to call upon a logistics service provider (LSP) to handle their local warehousing needs, rather than implementing their own local country-based structure, argues Philippe Bentz, senior business consultant at Kewill.

Bentz says many LSPs have invested heavily in new warehousing infrastructure and technology in recent years. They will handle any expected growth in orders with their own resources as part of their contract, whilst having the necessary IT infrastructure to quickly and reliably receive the orders electronically and despatch them on time.

The most profitable way for an Internet retailer to work with their LSP is to consider them as an intrinsic partner in their supply chain, offering them total transparency of processes so as to present an homogeneous front to the customer, and ensure communications of stock levels, order status, etc are handled efficiently, says Bentz.

The retailer should put in place key performance indicators to measure the efficiency of the selected LSP, as well as their own stock control, stock movements and on-time deliveries. "In short, the Internet retailer has to integrate with its selected logistics partner as if it was its own company," says Bentz.

Most LSPs will offer quality of service (order preparation and delivery), but proper visibility, through the order process, is often lacking. The problem here is that most

What should retailers keep in mind when expanding to Europe?



Base camp Europe

"Establishing a 'base camp', a single point of fulfilment for Europe, will help to keep stock in one place and reduce the risk of obsolescence. But you have got to find a secure and cost-effective route to get products back if they need to be returned for example from Italy or Germany."

Alan Braithwaite, chairman, LCP Consulting

Key partnerships

"When looking to expand abroad with the help of other service operators, retailers should aim to choose partners whose services and technologies can support them in as many markets as possible. This way, they will benefit from scale as well as enable rapid market entry when starting operations in a new geography."

Steve Smith, senior vice president, EMEA, Manhattan Associates



Parochialism doesn't pay

"In a recent survey of 100 websites of UK Internet retailers, only one per cent were geared up for European or international delivery addresses. Almost all of these sites automatically assume purchasers will be UK-based. The UK's parochial approach to online sales will do little to entice eager international visitors, and as a result will constrain exports and reduce potential profits."

Emma Gooderham, managing director, WorldAddresses.com

Complexity and cost

"One area that is often underestimated by Internet retailers is the complexity of handling returns, and the hidden cost in handling such in a 'shop-less' environment. In the case of goods under warranty requiring repairs, for example, it is essential to have efficient processes in place to handle the return, the repair, the potential temporary replacement and final re-delivery of repaired items to the end-consumer in the shortest possible time."

Philippe Bentz, senior business consultant, Kewill



Internet retailers are used to telling the end-consumer the status of their order, with some being able to advise them of the delivery company being used, perhaps linking them up to a parcel tracking web site. But LSPs will not always be able to provide consumers with detailed information about when the delivery can actually be expected.

Another issue, says Bentz, is that although most modern LSPs have efficient warehousing and distribution centres in place in many continental countries, the complexity resides in linking multiple LSPs in multiple countries, from an information sharing perspective.

RETAIL DATA EXCHANGES

One solution is to use retail data exchanges that can transmit inbound and outbound order information to and from multiple locations, as well as real-time order status updates. Retail data exchanges can also be integrated into warehousing, transport and track-and-trace systems. But they do involve finding a software house with data exchange expertise that offers an end-to-end supply chain

Extend your market
reach into the heart
of Europe with



Let Fulfilment by Amazon work for you

Sell your products on Amazon and let us take care of the rest. Amazon has created one of the most advanced fulfilment networks in the world, and thousands of merchants across Europe now benefit from our expertise. With Fulfilment by Amazon (FBA), products are stored in Amazon Fulfilment Centres, for us to pick, pack and deliver customer orders. We even take care of customer service and returns on our merchants' behalf.

Now, FBA merchants selling at Amazon.co.uk can extend their market reach further – to millions of potential new customers – through the recent export expansion to nine EU countries. Furthermore, UK merchants also have the option to sell at Amazon.de and Amazon.fr, and have products exported to ten and seven EU countries, respectively.

All this with the goal of offering an unparalleled customer experience, with fast and reliable customer deliveries, regardless of where the item on Amazon is ordered from.

FBA sellers benefit from time and cost savings, and may also profit from strong growth thanks to the customer benefits of the service; customers have the same delivery options available as when ordering from Amazon, plus access to user-friendly product returns and the same, first-class customer service.

It has never been easier for merchants to expand their business into some of the largest countries in western Europe, in such a cost-effective manner, without risk or additional investment. Sign up today, and let Fulfilment by Amazon help you grow your business.

Getting European addresses right

"For UK retailers offering products and services which can be delivered online, such as software, home training courses and membership to groups, the postal address may be used for identification, licensing or for reference purposes by the provider.

"But for those UK retailers wanting to serve a European market, and dispatch goods and services to their customers using postal and parcel service companies, the accuracy of the postal address has a significant importance.

"For example, if you consider a buyer from Germany who is purchasing a product online from the UK. The buyer has paid a good sum for the product's safe delivery. However, if the address has not been typed in correctly into the online order system, the country has been misspelt or if it has non-English characters in it, the rate of delivery success is decreased, if not actively hindered.

"An undelivered item can have a series of ramifications for the both the buyer and the UK company involved. Firstly, the customer is likely to be unhappy with the time and cost that is further spent raising the complaint and putting the item through the return to sender system.

"Secondly, there is a hefty cost involved for the UK company itself to process the customer complaint, check the address and resend a second set of goods.

"By using an international address checking facility you can ensure that you are using the most up-to-date address and format for your cross-border mail. This carries a number of advantages such as goods are delivered first time, with a great customer service and the postal authority can process the mail efficiently. The company can also automatically add the accurate address to the database for future marketing and customer services."

Emma Gooderham, managing director at WorldAddresses.com

software system, and that's only the start of the journey.

Nevertheless, it is a journey worth taking, says supply chain optimisation specialist Manhattan Associates. "Companies should not underestimate the vital role technology can play in facilitating effective management of the extended supply chain to support pan-European business growth," says Steve Smith, senior vice president, EMEA at Manhattan Associates.

He adds, "In a retail context, this is especially important with the advent of multichannel retailing where companies need to deliver a 'buy anywhere, fulfil anywhere, return anywhere' service."

He advises that one of the first considerations for a retailer is improving processes between the traditional dispersed distribution centres, which are often organised into functional silos that prevent companies from having a global view of their supply chain.

Companies looking at pan-European expansion need to bridge these separate supply chain silos and synchronise order management, product development, procurement and manufacturing through to final delivery processes. This will enable them to run smoothly, keep track of where capital is tied up and facilitate success in new geographical markets.

Smith echoes Bentz in saying that lack of visibility can create inaccurate stock replenishment. This means retailers can't see which products are inbound, outbound and where the stock is stored. "Not only is this highly costly as inventory sits unused in warehouses but if there is no foresight into which products are the bestselling items, there is a higher chance they will sell out, leaving customers empty-handed," says Smith.

The answer is to use web-based 'extended enterprise management' software to remove visibility issues and

facilitate accurate, real-time data sharing between all supply chain partners, no matter how widespread the network becomes.

The software allows all purchase orders, inbound products, warehouse stock and deliveries to be viewed and updated online, without a cost burden to suppliers since all they need is an Internet connection.

Forecasting and order management tools can be used to ensure that enough of the fastest selling products are re-ordered and routed to wherever demand is being registered. This enables stock levels across the business to be balanced, prioritised and streamlined.

One sign that pan-European organisations are embracing technology to standardise their logistics operations is that Wincanton, one of Europe's leading logistics services providers, is currently standardising its European distribution centre network on Manhattan Associates' supply chain technology. This allows its customers to have access to consistent supply chain data no matter where they are based, says Smith.

THE NEED FOR CONSISTENCY

Retailers and their manufacturing suppliers are operating in more and more countries and communicating in a growing number of languages, but are increasingly seeking consistency in the way they interact with their logistics and distribution partners.

One notable case study is Kiabi, one of France's leading value-clothing fashion retailers, which needed to transform its supply chain infrastructure to support rapid business growth.

With 188 stores in France, 42 in Spain, six in Italy and plans to expand into China and Russia, Kiabi's proprietary supply chain systems had reached their limit in terms of optimisation potential, flexibility and throughput capacity, which was exceeding 100 million items per year.

Kiabi also needed its supply chain technology to support an expanded store network following its takeover of the Vetu store chain. The company wanted its supply chain technology to facilitate growth and also reduce distribution costs, improve logistics performance, decrease order-to-delivery cycle times, provide tighter control over order fulfilment and optimise operational processes.

Kiabi installed an advanced supply chain technology platform and managed to handle a volume growth in excess of 25 per cent over two years. The system also improved fulfilment accuracy and accommodated order changes up until goods dispatch.

Similarly, underwear supplier Jockey increased its scope to 120 countries and into online retailing. The deployment of more flexible supply chain technology has helped Jockey meet its multi-channel needs and speeded up the delivery of goods from suppliers, lowering lead times by as much as 80 per cent.

The lesson here is that new technology can play an important role in helping retailers to gain supply chain efficiencies and expand to cover Europe. However, it should be remembered that technology is only ever part of the story. Retailers also need to ensure that patterns and structures of profitability and service are right in the first place. ■



Continental drift

With both UK and European brands increasingly launching websites outside their core territories, what do retailers need to do to make these ventures successful? Chloe Rigby investigates.

IN RECENT TIMES it has seemed that barely a week goes by without news that another UK retailer has started selling into Europe – or vice versa. August saw department store House of Fraser launch international deliveries from the UK to Europe, and beyond, while US-based Gap launched its EU store with the ability to deliver to the UK. Lacoste opened its UK, German and French stores that month, while the start of September promptly saw Zara unveil its online sales channel in Spain, France, and the UK, among other countries.

Clearly these retailers see a strong business case for selling across Europe, despite the inherent difficulties of cross-boundary commerce in a continent that includes 47 different countries that between them boast a range of different languages, currencies and sets of regulations governing trade. And they're not alone. Many others, including Next, Marks & Spencer and Top Shop, already sell into Europe.

WHY EUROPE?

So what's the appeal? Potential new customers are a key driver. European online sales are expected to grow by 20 per cent this year, taking the annual value of the market to €172 billion (\$142 billion), according to figures from the Centre for Retail Research, commissioned by Kelkoo. Meanwhile UK ecommerce annual sales are predicted by IMRG to be worth £56 billion by the end of 2010, and to

grow by 110 per cent to £123 billion by 2020. So Europe offers a large, and convenient, potential new market for those retailers working out of the UK.

And while the European Union's population of 0.5 billion people may make up only 7.3 per cent of the world's population, according to internetworldstats.com, it accounts for 17.2 per cent of the world's internet users.

Right now the pound remains weak against the euro, making UK sites an enticing prospect for European shoppers and helping UK retailers, already operating in one of Europe's more developed markets for internet retailing, towards a more competitive position in the larger European market. This much larger market is also geographically close, making delivery easier and cheaper than to other parts of the globe.

But Europe is also a logical export market for UK retailers. Germany is the UK's largest trade partner, while there's a keen appetite for UK goods in other EU countries too. Robin Terrell of House of Fraser points to the large expatriate market in Europe, while UK shoppers also like the convenience of sending gifts abroad within Europe. That's the reasoning that prompted House of Fraser to launch international delivery. "There's a lot more movement of people around Europe since the EU, so there are significant expat communities in a number of countries such as France or Spain," he says. "Our customers were also telling us they wanted to be able to ship internationally as gifts."

Responding to customer demand is also key for retailers such as Gap and Zara, companies that have built their European reputations on high streets across the continent. For them, selling online across the continent is an important step towards becoming multichannel retailers in a competitive market where consumers increasingly expect to be able to buy online.

Selling in Europe, therefore, will mean different things to each retailer. Strategic planning is key to deciding what it means to your business.

SO JUST WHAT DOES IT TAKE TO SELL IN EUROPE?

Launching online sales to Europe may sound daunting but it doesn't have to be. At one end of the scale, selling in Europe could be as straightforward as simply enabling delivery to specified European countries on your website. At the other end of the scale, it could involve opening distribution depots and local contact centres. Between the two, there are intermediate options.

Clearly, each of these models requires very different levels of investment. But how do you decide what will work for your business? We've taken a look at two very different examples to show what decisions others have made – and why.

In the words of Robin Terrell, executive director, multichannel and international, House of Fraser decided to "start gently" when it launched international sales from its website. That meant concentrating on delivery, offering 23 delivery destinations from its website, of which 19 are in Europe. But at the same time, purchases can only be made in English pounds, while the website is English-language throughout. After Christmas, it's likely a second currency, the euro, will also be introduced. But initially at least, the emphasis, he says, has been on making the delivery work. The service costs £6 within Europe with a standard delivery time of between three and five days.

The main investment, therefore, has been in setting up a delivery partnership with carrier DHL and in work to the backend of the website to accept foreign delivery addresses. Here, complexities emerged from what might seem to be small details, such as an order management system that needed to be able to accept foreign characters. "It sounds quite basic but these are the sorts of things that if you don't think about them might trip you up," says Terrell.

This may seem a straightforward approach to European sales, but by the end of the first week of international delivery, which came with little consumer-facing publicity, House of Fraser found that two per cent of all online sales came from overseas. And one of the four major countries from which purchases came in that first week was Denmark – not a country that the team would automatically have targeted. "That's why you've got to suck it and see how it goes," says Terrell. Ultimately the company expects to see 20-25 per cent, or more, of sales coming from overseas. As it works towards this figure, it will expand its marketing and add more countries to its delivery list.

COUNTRY-SPECIFIC WEBSITES

At the other end of the scale is the Lacoste brand. It has opened country-specific websites for France, the UK and Germany. Work on developing these virtual shops has been

What the experts say

Begin with English speakers

"Start with countries where there are expats or a high percentage of English speakers, where it's a well-used language in their country and be really clear with customers around what the proposition is and where you ship to and make sure that you deliver on that promise. You've got to make sure, just like with everything else, that you meet your customers' needs, meet the promise you give them."

Robin Terrell, executive director, multichannel and international, House of Fraser

Competitive advantage

"I think that UK retailers have a great advantage. You're out there in one of the most competitive markets, so you'd guess those retailers have a lot of experience in terms of personalised communications, database management and consumer knowledge."

Tobias Hartmann, managing director, Netrada



Card considerations

"In the UK we're used to Visa and Mastercard being ubiquitous in online payments, but it's not the same in Europe. As you move away from the UK, credit and debit card acceptance is a lot lower."

Michael Norton, managing director, Paypoint.net



Common factors

"The success factors that make a good website in the UK today still largely apply from my point of view to the European market. In each country we will have to make sure you can find your products, research your products and answer all the questions they have about your products in the easiest way possible."

Kees de Vos, director of business consulting, hybriz



carried out by Netrada, a German internet retailing service provider that works with the fashion, cosmetics and shoe industries to provide an end-to-end service from website to warehouse and customer service. It has three distribution depots as well as contact centres where nine languages are spoken.

The first place to start in making decisions about how a retailer will sell online internationally, says Tobias Hartmann, managing director of Netrada, is to understand the consumer strategy. It's important, he says, that consumers "see a natural fit and extension."

In the case of Lacoste, a French brand, he says: "The key was first to think about the distribution strategy and how it would fit into today's distribution strategy in France and the UK. From there, we come down to how we develop a look and feel, functionality, usability and convenience, to come up with a true branded online strategy." For Lacoste, he said, there were added complications since for the first time two different licensees were working together to provide a joint online shop. Devanlay has the clothing licence, while Pentland Brands has the licence for shoes.

The result was three sites, with the French site providing a template for the German and English ones. Each site has its own language, payment methods and delivery options. Thus, UK shoppers can pay by Visa, Mastercard, Maestro,



Bring us to the online fraud gun fight.

ReD is a world leader in CNP fraud prevention and has been successfully protecting some of the largest online retailers for over 20 years. To learn how ReD can help keep your company in the black contact Kami Boyer, Head of Group Marketing, on **+44 1483 728 700** or email **ReDInfo@redplc.com**.

www.redplc.com

ReD
retail decisions

PayPal and American Express, while their German equivalents can pay by Visa, MasterCard, American Express, Paypal, by invoice, or by payment on delivery.

TARGETING MARKETS

The Lacoste example raises the question of how retailers decide where to sell. The first answer to that question is that selling to Europe doesn't have to mean all of Europe. According to a 2009 European Commission report on cross-border ecommerce shopping, 70 per cent of the EU's online shoppers are in the UK, Germany and France. Choosing just some territories to sell in, therefore, may be the best approach. That could be based on existing sales or customer demand, or it could be based on market research.

Kees de Vos, director of business consulting at hybris, outlines some of the issues retailers need to consider. He says: "Looking at Europe makes perfect sense at the moment, particularly if you're looking at the more mature countries like Germany, France, Sweden, the Nordics, Holland and Benelux.

"You should consider: what's the size of their market for the product category that you're selling and how do you fit within their market? What's the competitive landscape? Do you bring something to the landscape that's unique, and, from an operational point of view, is it easy to serve this country? Do I speak the language? Do I want to speak the language? I would align the size of opportunity alongside a base axis saying how easy is it for me to enter and operate in this market?"

Once those target markets are established, decisions on how to serve them may vary. For example, while a French-language website may be preferred by the local French market, an English-language one could be more acceptable in countries such as Holland. "I'm from Holland myself originally," says de Vos, "and the Dutch are fairly relaxed about accessing an English site as are people in the Nordics as well.

"We joke about the French and everything having to be French, but there's a lot of truth in that. Rather than dealing with an English site they would prefer to deal with a French site. I think the German market is likely to sit somewhere in between."

That also means customer support in the local language. However, when it comes to smaller markets that may not be so strategically important to your business. There, a 'rest of Europe' store in English or another key European language may be sufficient in a market where you may not expect high levels of business.

PAYMENT

One key area where there are many differences is in payment. So a retailer designing specific websites for different European markets must consider how customers will pay – and make that easy. In Germany, for example, paying by invoice, due after goods have been delivered, is a popular form of payment.

Netrada's Hartmann says: "In the UK the majority of the sales, 90-95 per cent, are via credit cards as opposed to Germany where you have invoices for the huge majority." This also has implications for other areas of the business,

such as returns. The fact that German shoppers who pay by invoice don't pay until the goods are received means they are more likely to return goods, and, it seems, the level of returns is higher in Germany than in the UK.

But, says Michael Norton, managing director of Paypoint.net, payment is often an area that people don't consider fully. Nonetheless, he says, it is important. "Everyone has a favourite way of paying for something online," he says. "If it's there on the payment page you will probably just carry on and complete the transaction. If your favourite method isn't there, it makes you think 'do I really want to do this?' It's important to have a payment page that has as many different payment options for the consumer as possible so you have a greater chance of having your favourite one there." A payment processor should be able to offer a wide range of payment options, suitable for selling into countries across Europe.

Fraud will be another consideration. "As you move further east in Europe," says Norton, "there is more chance of people not playing by the rules. You need to protect yourself, and using 3D Secure (the Visa and Mastercard security schemes) is a very, very good idea."

When it comes to currency conversion, traders can decide between handing that over to a payment provider or doing it for themselves, a route that's likely to be cheaper, though potentially more work. Norton also points to dynamic currency conversion, in which the bill is in one currency but the customer has the option to pay it in another, with the merchant calculating the exchange, as an issue to consider. "Large merchants can make money out of it since the provider will share the benefits with the merchant," he says.

REGULATION

And just as different European countries deal in different languages, there will also be questions about regulations that affect each country. It's important to find out what the regulations are that affect individual territories that you are considering selling to.

The European Commission has said it wants to simplify the system of selling, but at the moment the most recent European regulations date back eight years in the form of the Electronic Commerce (EC Directive) Regulations 2002. Because it's Europe-wide, UK businesses should already comply with its requirements, which include clarity about prices and delivery methods, as well as contact details, including an email and postal addresses, through which customers can contact you.

Behind the rules is a country of origin principle, meaning that UK businesses that comply with UK law can ignore the laws of the member states that they're selling into. The key area in which this doesn't hold true, however, is when it comes to customer contracts. One area where this is particularly important is in terms and conditions, which should comply with local law in the jurisdiction where goods are being sold.

Depending on which approach you take, there's much to consider about selling online to Europe. But by weighing up the individual options and making decisions about what works for your business, you could well be opening up the door to a larger and more profitable market. ■



Vive la difference!

For some online retailers selling to non-UK shoppers is pure serendipity, a chance encounter driven by brand or price. For others it is the result of significant investment. Ensuring that those customers come back for repeat purchases is, in either case, key to success, discovers Penelope Ody

FOR REAL-WORLD retailers, customer engagement is largely a matter of personality: a combination of brand, store ambience, staff attitude, prices and products that together create a tangible image. Almost every shopper will know just what to expect when they enter a store marked 'Marks & Spencer', 'Boots', 'Topshop' or 'Debenhams', for example.

Online it is a different matter – especially for consumers who just happen to find your site via a search engine or price comparison hunt. The 'store' is then all too often little more than an anonymous online catalogue with only the email confirming the sale to remind shoppers which retailer they finally bought from.

"We always talk about retailing as theatre," says Professor Joshua Bamfield, director of the Centre for Retail Research (CRR), "but many sites just look like a mail order catalogue on the Internet and it is easy to be confused as to which site you are actually on. The EU assumes that cross-border sales are easy but around 40 per cent of ecommerce sites don't trade outside their own country; consumer law is not consistent across Europe and there are cultural and regional differences which can make interacting with customers in different countries quite complex."

Broadband penetration can vary dramatically so the glitzy site complete with video, zoom or 360-degree spin can be completely lost on the 80 per cent or so of Italian or Spanish households depending on a dial-up line. Payment options vary too: in the Netherlands using credit cards online is illegal, German shoppers are likely to expect a cash-on-delivery – *Nachnahme* – option, while the Norwegians will want to set

up a one-off direct debit payment. Fail to offer some of these choices and you're unlikely to make a sale.

LANGUAGE FACTORS

Then, of course, there is the little matter of language. Sticking with English is probably just about acceptable for Scandinavian or Dutch shoppers, but elsewhere customers will either ignore your site or persist in sending queries and filing product reviews in their native tongue. "The pound is weak and there is a very extensive online offer in the UK," says James Roper, CEO of the IMRG, "so there is a massive current opportunity for occasional sales, but retailers need to look to the long term. You can get away with English-only sites at present but that's not really a long-term option if you're looking at the mass market."

Online sales in many European countries remain low: CRR estimates that in 2009 total online sales across Europe were worth around £128 billion with the UK, Germany and France accounting for just over 70 per cent of that. While in the UK online trade accounts for around 9.5 per cent of total retail sales, the European average is 4.7 per cent with countries like Spain and Italy struggling to hit the one per cent mark. Many of these smallest markets do, however offer the greatest potential for growth (see table) so could prove attractive in future.

Aurora Fashions, whose brands include Oasis, Coast and Warehouse, currently ships to 26 countries from its English-only website and has stores or franchises in 45. "Multilingual sites would be a challenge for us," says group IT director John

Bovill, "partly because it would be difficult to justify the investment in the necessary back-office support, such as multi-lingual call centres, that this requires. Our sites recognise non-UK IP addresses so they do automatically convert prices in euros, and our overseas customers do interact and file product reviews or feedback on our Facebook page – often in their own languages so unusual diacritical marks can cause text problems. Facebook input can be helpful in other ways though – such as people wanting to know when a branch of Warehouse will open near them – which can help pinpoint potential new markets."

Language is, however, just the start. "There are dialect issues and also icons can be interpreted differently," says Tim Robinson, partner with consultants Kurt Salmon Associates. "There are also cultural differences affecting the key words used for search as varying nationalities tend to use words and concepts in different ways. Product associations can also vary so navigation may also need to be changed. Simply translating an English language site will not be good enough – and it can be difficult to justify the investment needed if sales from a particular country are likely to be small."

LOCAL KNOWLEDGE

Price comparison site Kelkoo operates across Europe but has a physical presence in all countries where it trades in order to liaise with local retailers. "Our staff know their local markets and are consumers there themselves," says Nick White, managing director, shopping, Europe. "It is easy to fall into the trap of thinking that just because a site works in one European market it will work in any of them – culturally consumers are very different."

Creating a strong presence in any target country is clearly important if a site is to succeed and for the investment to be justified. Some, like the Aurora brands, already have stores or franchises others need more aggressive marketing. JD Williams launched its Simply Be plus-size website in Germany just over a year ago, accompanied by a major catalogue drop.

"The site has had a fantastic response," says Andy Houstoun, global head of marketing with the site's developer, Venda. "Simplybe.de doesn't differ greatly from the UK site, although imagery needs to be better as customers cannot touch and feel products as they can in the UK so they need a very clear idea of what the item looks like. The site is getting just as many product reviews as the English-language site and callers are routed through to a German speaker automatically at the call centre."

Fashion chain Zara launched its first transactional websites in September for the UK, Spain, Portugal, France, Italy and Germany leveraging the 4.5 million people who use its Facebook page. Goods can either be delivered for a small fee or collected in store, free of charge. Announcing the launch, Pablo Isla deputy chairman and CEO of Zara's parent company, Inditex highlighted the importance of Facebook: "Internet and the world of social networking are indispensable tools and extraordinary channels for communication," he said, "and fit perfectly with our group's philosophy".

While a Facebook presence is clearly important, subtle differences in how European nationalities view social networking must also be considered. The French, for example, regard Facebook in much the same way as YouTube, publishing blogs and videos rather than simply

What the experts say



Search via Facebook

"We've always regarded Facebook as our customers' space but it is becoming more commercial and changing rapidly with customers increasingly using it as a search tool."

John Bovill, group IT director, Aurora Fashions

Don't export informality

"Cultures are very different across Europe: in the UK websites are often more affable and relaxed in approach but that doesn't always translate well into Germany or France where shoppers can be more formal and expect a greater degree of respect."

Professor Joshua Bamfield, director, Centre for Retail Research



Look overseas

"The UK market is saturated so retailers need to expand internationally but many who do so are poorly prepared, without thinking about the customer journey and what needs they have to supply."

Tim Robinson, partner, Kurt Salmon Associates



A question of language

"Sites must be multi-lingual: retailers will find it harder to compete if they don't do languages and customers are prepared to pay for a good experience. Shipping costs are immaterial if the experience is good."

Joe Brown, general manager, Right Now



Tweet things

"Twitter is perceived as very English – it ranks third for social networking sites in the UK but is 18th in France and all the top tweeters do so in English, whereas the majority of Facebook users globally are non-English speakers."

Robin Goad, research director, Experian Hitwise



Older shoppers

"There is a lot of noise about social networking but perhaps online retailers should really be focusing on the older generation across Europe – they're the ones with the money, their numbers are growing and they're using the Internet."

James Roper, CEO, IMRG



Local laws

"There are strict laws about the timing of sales and promotions in France but sites like vente-privee.com circumvent that by effectively forming a members-only shopping club offering discounts up to 70 per cent throughout the year. The site promises 21-day delivery as standard while UK shoppers generally expect goods almost by return of post."

Andy Houstoun, global head of marketing, Venda



communicating with 'friends' as in the UK. "There is much more user-generated content on social networking sites in France," says Robin Goad, research director at Experian Hitwise. "They also like rich content and video. A French shopper might not visit a site intending to buy but is more likely to go if there is rich media content."

Max Childs, marketing manager for EMEA with media providers Adobe Scene7 agrees: "The French like full-screen

3 Conference Streams
8 FREE Workshops
FREE exhibition

**REGISTER TO
ATTEND NOW**
screenevents.co.uk/IR2010/

Internet Retailing

● ● 12th October 2010, Novotel, Hammersmith, London

This one day event, with its must-hear keynote speakers and three simultaneously-running conference streams, is packed with insight to help move your retail business forward. The three conference streams are themed as follows :

Keynote Session

Hear from :



David Walmsley, Director of eCommerce,
DSGi plc & Dave Hughes, Director,
Marks & Spencer

Followed by:

Stream 1

CAPTIVATING THE CUSTOMER

Do customers' expectations of the retail promise match what retailers deliver?

Sponsored by :



Stream 2

REAPING WHAT YOU SOW

Reprising the ground rules and approaches needed to maximise returns.

Sponsored by :



Stream 3

MAKING CROSS-CHANNEL WORK

The lines between the channels are blurring but is retail delivering on the promises?

Sponsored by :



Plus....

FREE Workshops

neustar



CHASE Paymentech™

10CMS
EXPERIENCE RICH CONTENT



RBS WorldPay

eDigitalResearch
For informed direction

if. connected • social • influence

REGISTER TODAY - ONLINE AT WWW.SCREENEVENTS.CO.UK
or Email: info@internetretailing.net or Call/SMS: +44 (0)7970579288

Silver Sponsors :



Digital proceedings
sponsored by :



Supported by :



Forecast Growth in Online Sales 2010

Country	Increase in online sales 2009-10	2010 online share of all retail business
UK	12.4%	10.5%
Germany	17.2%	7.9%
France	31.4%	6.3%
Italy	20.5%	1.0%
Spain	25.0%	1.2%
Benelux	21.6%	4.3%
Norway	20.7%	7.5%
Sweden	18.0%	5.6%
Denmark	17.1%	7.0%
Switzerland	17.6%	5.6%
Poland	36.4%	2.6%
Finland	21.7%	5.9%
Average Europe	19.6%	5.5%

Source: Centre for Retail Research

video and large stylish images whereas in Germany technical videos seem more popular – that may seem like a stereotype but it's what we're seeing."

While Facebook is the obvious leader in social networking across Europe most countries also have their share of regional or specialist community sites that any retailer targeting these sectors needs to embrace. France has Skyrock, for example, third in popularity after Facebook and YouTube, while Germany has Wer-kennt-wen and the Russians like LiveJournal. Equally each country has the equivalent of Mumsnet, Babycentre or Tripadvisor.

BRAND ADVOCATES

Having created a presence on such sites, local champions who act as advocates for your products are vital. "You need to encourage brand advocates to talk about your product," says Robin Goad. "Campaigns can be seeded but fake reviews or comments are very soon spotted as social networking sites are effective at self-policing.

"We find that being on Facebook is important," he adds, "but the best returns may come from the more specialist sites. Twitter, for example is good for Ticketmaster, which can sell scarce event tickets in minutes using the medium, while if you are selling prams then positive reviews on Mumsnet are obviously important."

With Facebook becoming more commercialised, such local and specialist sites may well be more trusted by consumers in future. Retailers also need to keep track of what is being said about them in these numerous sites using such tools as Right Now's Cloud Monitor. "It allows companies to pick up negative comments and then feed these quickly to agents who can respond directly to solve the problems," says Joe Brown, general manager at Right Now.

The rich media that appeals so much to the French is also dependent on broadband. According to EU data, penetration rates in Scandinavia are around 38 per cent, the UK is around 30 per cent while Portugal and Greece are around 17-18 per cent and Poland 13.5 per cent. These figures are much lower than some commercial estimates with the Centre for Retail Research, for example, putting broadband penetration in the Nordic countries as closer to 70 per cent. Even so, in many European countries, those few households with broadband are likely to be the more affluent, younger, techno-savvy

shoppers so retailers targeting other social groups may find creating an online presence more challenging.

Sheila Dahlgren, senior director of product marketing at Adobe Scene7 argues that rich media can, however, be successfully provided for low bandwidth markets. "All consumers love a rich media experience," she says, "that can be common to all sites with text and messaging localised to the market. It's universal – everyone wants video and to zoom or spin products to see the whole item. User-generated rich media is even more highly valued and it is trusted by consumers. Many nationalities are sceptical of product reviews but they'll trust a video."

Persuading your 'brand advocates' to post videos of themselves wearing or using their latest purchases on a social networking site may thus be a more effective promotional tool than simply encouraging tweets or textual feedback. "Some studies suggest that people who are active on social media spend two and half times as much online as those who are not involved in some sort of social community," she says, "they buy more and they endorse more so they are very valuable to you."

SHOPPING HABITS

To rich media and a strong social networking presence must also be added effective regionalisation. While high street retailers in the UK are increasingly focusing on 'localising' their stores, the same is also true of successful European websites. According to Experian Hitwise the top retail site in France, ranked by visits is leboncoin.fr with 15.9 per cent, well ahead of traditional French mail order specialist La Redoute with 4.85 per cent. Robin Goad describes leboncoin.com as a cross between Gumtree and eBay. Visitors click on their region to be given a somewhat eclectic list of goods – from houses to baby clothes – on offer in the area.

"In bricks-and-mortar retailing, stores can see a 10 to 15 per cent uplift in sales if they get their local appeal right," says Tim Robinson at KSA. "In the UK we see differences in shopping habits between customers in – say – Basingstoke and Newcastle, so why should we assume that German or French shoppers are all the same? The Internet really is no different and you need to match your offer to local needs."

Successful sites also need to avoid falling into the 'online catalogue' trap, which leaves shoppers confused as to which site they finally bought from. "With global access the Internet retailer is simply a means to an end," says Joe Brown at Right Now. "Customers can look at prices and products from anywhere and everywhere and with companies like overstock.com moving into the UK the choices for everyone are growing. The key is to differentiate your site and your offer – to provide a rich customer experience and distinctive customer service so that people come back to you."

Nick White at Kelkoo agrees: "It is very hard to plant that seed in the customer's head that your site has added value to the purchase. The winners in this game will be those who succeed in becoming a destination site – and that can mean a big branding exercise. Importantly, too, how you differentiate your site and add value to the consumer proposition is also going to be different for each market that you enter." ■



EXPANDING your online retail operation to Europe may at first appear a huge task. But throughout the pages of this supplement, the advice from experts seems clear. Again and again, the specialists counsel moving forward gradually, making relatively small changes to existing processes and finding out what works with European shoppers.

Thus Robin Terrell of House of Fraser advises in our strategy section says, "Suck it and see," while Markus Schilling of Avail Intelligence, advises "small steps" in the merchandising feature. Otherwise, he continues, we don't know what's worked.

Thus, 'selling to Europe' doesn't have to mean the whole continent in one fell swoop. It's about doing the research and working out which of the huge variety of countries across the English Channel might be home to shoppers receptive to what you have to offer. And, it seems, UK traders already have an advantage because they're used to a relatively advanced and sophisticated market, the first, arguably, to pick up on new trends in trading as they are exported from the United States.

All of this means it's got to be worth considering the potential of our European neighbours to provide new markets in return for a relatively low investment, compared to the cost of building new shops overseas.

It's worth remembering that IMRG and Capgemini, in a recent report that forecast the future of the UK ecommerce market, saw it growing fast, by 110 per cent, from £56 billion by the end of this year to £123 billion by 2020. But after that, growth starts to flatten out as the market matures.

Compare that with the £250 billion that the IMRG/Capgemini e-Retail Index calculates UK shoppers spent acquiring goods over the internet in the first decade of ecommerce. It seems like a large number, but it will be dwarfed by those predicted.

But then what? It could already be time to start thinking ahead to that future. Where will growth in this still-mushrooming industry come from, a decade from now? Where are the markets of the future? The answer, judging from what we've found about the European market in this supplement, could be close to home.

It's worth remembering that the IMRG/Capgemini figures speak of the UK, one of Europe's most advancedetail markets. But behind this market come many others, across Europe, all home to consumers who are fast becoming Internet savvy. Not only that, but many live in countries that share common regulations and a single currency.

Europe has more than 800 million residents compared to the UK's 62 million. That's an enormous potential market. Gaining a foothold and an understanding of this market – or perhaps more accurately, these markets – while introducing European consumers to the strength of your brand now could prove a useful step and a long sighted way to lay the foundations for future growth.

For even though online retail is now a decade old, Europe can still largely be described as a developing market with strong potential for future growth. It would be a mistake to dismiss this potential without considering what it could mean for your business's own future development.

We hope you've found this supplement useful and informative. Each of Internet Retailing's occasional series of supplements explores questions facingetailers today through six key aspects: web interface, merchandising, cross-channel experience, logistics, strategy and customer engagement. We welcome your ideas and suggestions for future themes at editor@internetretailing.net

Chloe Rigby and Jonathan Wright
chloe@internetretailing.net
jonathan@internetretailing.net

We know how difficult it is to ensure a regular '5 a day'

While IR can't help you with your bodily nutrition, we do our best to feed and nourish the mind with our five-fold approach to the sector: Print, Digital, Learning Events, Peer Conferences and Research.

Subscribing to Internet Retailing gives you access to the following, free of charge to qualifying retailers and sector professionals.

- Internet Retailing magazine
- InternetRetailing.net newsletters
- InternetRetailing.net Suppliers Guide
- InternetRetailing.de & InternetRetailing.fr German & French language news services
- InternetRetailing.net Jobs portal
- Internet Retailing Events - Internet Retailing Expo, Internet Retailing Conference & JumpStart briefings
- M-Retailing.net - News & analysis for mobile in multichannel retail
- Internet Retailing magazine & supplements - digital issues
- InternetRetailing.tv - archive of videos
- The UK's largest Linked In group of online & multichannel retailers
- The best research, surveys, reports & analysis to drive your digital business

Visit www.internetretailing.net - daily!



MASSIVE INTERNATIONAL REACH

Our global payments service accepts over 120 currencies and more than 75 domestic and international payment methods, so that you can capture payments from customers all over the world.

Email: sales@rbsworldpay.com
Phone: 0845 301 6251