THE MULTI CHANNEL CUSTOMER

an internet retailing special report

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Editors' comment

Welcome to the first of a series of *Internet Retailing* supplements. Each will explore key areas, big ideas and new developments in the fast-growing world of e-commerce.

In this first supplement we take a good hard look at the multichannel retailer, assessing the opportunities and challenges that lie ahead for those that are to succeed in taking what they do well in the high street shop or the catalogue, to the new frontier that is online.

What the internet has to offer retailers is still becoming clear – but like the best voyages of exploration, this promises to be an exciting journey, full of potential reward for those that take part. Certainly it's where many talented people are hard at work pushing back the boundaries of what can be done, and how we can best use technology to connect with vast new audiences, while still supporting loyal customers.

It may seem a daunting task – but to stop at the high street is not an option. Consumers are using the internet across their daily lives – and to keep up with their demands, traders must join them at the frontline.

The role of *Internet Retailing* in this journey is to be a trusted guide, questioning accepted wisdoms, helping to learn from mistakes and shining the light on examples of best practice.

The pages of the monthly magazine don't always allow the space to look at topics 'in the round', but that's what we aim to do in this series of supplements, which will appear from time to time alongside the magazine.

For this first, we think about the elements that make up a successful multichannel offer. We look at the best of what is available now, and how retailers can take the natural advantage that comes with high street presence and consumer preference onto the internet. We ask how companies can make a presence online work for them – and what questions they need to be considering, and what their priorities should be. We think it's important to consider just what it is that high street shops and catalogue traders do best – and how they can transfer that to the web. Conversely, how can they bring the best practices from the web into the real world?

That means we'll be looking at issues from merchandising and product presentation to avatars to online video. Category management is an example of something that's coming from the offline world to the online – it's crucially important for such retailers as supermarkets but it could make a real difference in other sectors.

Looking to the future, we ask how our interaction with digital technologies will change over coming years, as the whizz-bang possibilities of the digital arena balance with keeping the web advantage as a comparatively cheap avenue for business.

But at the same time, we recognize the importance of the personal touch – finding out why brands should – and how they can – build relationships with their customers. How will customer service best work in a multichannel world? And how can engaging customers benefit the brand?

Throughout, we'll be raising questions just as much as providing answers. We hope that you enjoy reading about what we've found.

Chloe Rigby and Jonathan Wright

INTRODUCING OUR SUPPLEMENT EDITORS

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

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www.internetretailing.net

Q: Is multichannel

A: Multichannel retail has created a proliferation of consumer choice that has fundamentally changed the way shoppers make purchases and interact with businesses. Consumers now conduct a high level of research before buying goods and services – whether it's looking for and reserving an item online before buying in store, or browsing a catalogue and purchasing online. This change in behaviour means it's integral for companies to develop a seamless focus on the customer that cuts across all channels.

Multichannel shoppers are the most profitable customers for retailers today, spending almost twice as much as their single-channel counterparts. The ways in which customers utilise these channels to make purchases are rapidly expanding. At Argos, for example, multichannel options such as "click and reserve" – where customers order online and pick-up in-store – has shown a growth of 50 per cent over the past year, and this trend is consistent with other retailers.

Indeed, multichannel options can increase loyalty and customer satisfaction as well as sales, as Adri Kraa, head of Ikea Shop Online, is keen to point out, "We saw the biggest benefit of multichannel as the loyalty effect, which we believed was more important than increasing sales."

Mothercare is another good example of a multichannel retailer that uses numerous selling platforms and offers compelling cross-channel services. In high street stores shoppers can access Mothercare's full selection of products via a store interface and buy any product for home delivery. Offering the right tools and opportunities to consumers who increasingly expect a seamless experience is essential for maximising returns.

Meeting the new shopping habits of modern customers presents retailers with significant logistical challenges. The potential returns for addressing these, however, are considerable. For example, Best Buy found its multichannel customers shop twice as often, spend 95 per cent more than single channel shoppers and are 80 per cent more profitable.

There is a key opportunity for retailers to maximise sales by understanding the balance between their online and offline strategy. While online purchases currently represent a smaller percentage of overall sales, e-tailers continue to report double digit growth. In addition, Verdict predicts that by 2012, 44 per cent of all offline sales will be influenced by online.

Moving customers into coherent multiple sales channels is perhaps both the greatest opportunity and test for retailers today. In the current climate getting it right and delivering retail innovation means acute and all important advantages: extra value for consumers that boosts loyalty and satisfaction.

So the question any multichannel retailer should ask is can your customers find all your products quickly and in a consistent manner regardless of channel? Going forwards it is imperative for multichannel retailers to leverage their store and brand assets, to protect today but also invest in the future and to continue to try and understand, predict and respond to customers' ever changing needs.

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the future of retail?

A: Today's retailers are faced with a number of challenges. Economic upheaval is disrupting the landscape and a growing number have had to shrink their businesses or even close their doors. Traditional brick-and-mortar shops are losing business to shoppers who'd rather go online for what they need, while web-only retailers are losing business to more traditional customers who still want to see and touch a product in-store before making a purchase decision. It's the enterprising multichannel retailers that are stepping in to fill the gap – by bolstering their information content, offering unparalleled accessibility and new levels of customer service.

Multichannel retailers have the distinct advantage of offering services that appeal to cost-conscious consumers; which those trading either online only or solely on the high street can't match. For instance, the 'deliver-to-store' option offered by several leading retailers provides a great convenience to consumers – especially over Christmas when people flying to visit family and friends are faced with new baggage restrictions and fees. Other multichannel retailers are offering in-store shoppers access to their websites through internet-enabled kiosks and hand-held wireless devices. This enables a customer to easily access a greater breadth of product information, see a larger product selection than available in-store and place online orders – all in real time.

Meanwhile, emerging multichannel opportunities such as personalised image-rich emails, eCatalogues, mobile commerce and eVideo/interactive TV all add to the growing number of touchpoints for customers; which also give retailers more chances to cross and up-sell.

A survey of online shoppers in April 2009 by Opinion Research Corporation identified five standout pain points in online shopping:

1. Not being able to speak to anyone to answer questions (25 percent)
2. Learning that items are back-ordered or out of stock after they are in the cart (11 percent)
3. Receiving an item that doesn't look anything like it did on the internet (11 percent)
4. Web sites that malfunction as the payment is being processed (9 percent)
5. Not being able to find an item (8 percent)

This presents a clear opportunity for multichannel retailers to address these needs and fill the online/offline gap with a seamless, end-to-end shopping experience.

Those retailers already employing this multichannel approach are weathering the current economic downturn far better than retailers focused in just one space. The trend is showing consumers becoming savvier and demanding better user experiences, more information, greater accessibility to products and services, and convenience like never before. It will be the multichannel retailers that thrive in this new world.

www.scene7.com

A: An increasing number of retailers are moving to using multiple channels to meet the changing needs of their customers. These multichannel customers also have higher expectations and demand the same level of service from each channel whether it be online or in a physical store. But how do you keep up with these increasing expectations in this fast moving multichannel world?

It all starts with understanding your customer better.

There are various ways to better understand your customer, with multichannel customers you may never meet them face to face so you have to try harder. The customer has always been the focus for retailers but now the customer can choose the channel; therefore making it even harder for the retailer.

The difference between ecommerce merchants that connect with their customers and those that don't is understanding. Merchants that understand what their customers want are much better at working out how to communicate with them. Customers don't always tell you what they want or how they want it presented to them. However, watching their behaviour can help you understand them and can assist with merchandising and promotions.

In the online world we have a very close connection between data and the user experience allowing sites to merchandise on a more personal basis, whether to various customer segments or even personalized to each individual customer (eg, a personalized email campaign).

Website analytics may give you some insight into how customers found your site and how they navigate but other tools including ratings and reviews, question and answers, site feedback tools, and on-site search can capture richer customer feedback.

With the current financial downturn reducing customer demand, the need to work harder and smarter is even more important. Multichannel retail is the future, and merchandising is now more important than ever before. Embrace the future and understand your customers, don't merchandise at them, bring them into the experience.

With all this talk of advancing and using new techniques to understand and communicate with your customers don't forget that the most important aspects of merchandising are the basics. Having well presented products (or product images online), clear information including important attributes to allow customers to understand product differences, and clear pricing and promotions are still the most important – don't loose sight of this while trying to move forward.

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Q: Is multichannel

A: There's no longer a clear purchase path for consumers. Today, customers may do research online, ask friends for recommendations via their social networks, look at a product and ask a salesperson questions inside a store, search for product reviews online, then make their final purchase at a local retailer. With so many disparate touch-points, a retailer that is disconnected at any of these channels may lose the sale. Retail channels are converging, as customers are looking to engage with brands on their own terms.

Multichannel represents the future of retail because it delivers consistency and convenience, and it ultimately defines customer-centricity. Whether a customer prefers to shop online, in-store, via a call centre, or through their mobile devices, the experience must be interconnected.

As new and emerging channels gain adoption, retailers who quickly and effectively engage in multichannel marketing will prove to consumers that they are flexible, convenient, understanding, and fundamentally customer-focused. And this sort of customer satisfaction will result is more valuable customer relationships – which will eventually lead to increased sales and lifetime value for the retailer.

Another multichannel factor that will affect the future of retail is brand transparency. Although consumers find information in different ways and in different places, one thing remains the same across all these channels: customers place the highest degree of trust with other customers like them.

Amazon, for example, has consistently provided customers with the ability to read and write reviews, ask and answer product questions, and create and share shopping lists. This sort of open dialogue has created a loyal customer base for their pure-play online business. But multichannel retailers have the unique opportunity to deliver this sort of authentic customer commentary about products online, as well as in-store, in catalogues, on mobile devices, in call centres, and in all forms of advertising.

The leading retailers of the future will win consumer trust by providing tools for customer-to-customer conversations and access to these honest opinions in all channels.

www.bazaarvoice.com

A: Multichannel logistics underpins a true multichannel offering. Today's shoppers want to browse and buy the widest range of products that a merchant can offer from any point-of-order, for example, store, internet or catalogue. At the same time the customer must experience consistent and high levels of service with maximum convenience. MetaPack delivery management solutions make a significant contribution to this reality.

MetaPack delivery management solutions ensure that the customer is given a full range of delivery options at point of order, taking into account real time, the shopping basket contents and where the recipient lives or works. The customer might be shopping in the store, through a catalogue and call centre, or on-line. Using MetaPack the experience is always the same. MetaPack provides one point of integration to all UK delivery solutions (including fifteen carriers) to meet the complex demands of multichannel retailing. We guarantee that the appropriate delivery experience is automatically selected for every consignment, based on carrier expertise, price, service or all combined. This delivery service could be to the home, to work, an alternative collection point or international. This makes for a consistent service regardless of where the product is shipped from: it could be direct from the supplier, from the shipper's warehouse or its store. MetaPack provides all of the tracking data for any number of carriers to any internet screen, again whether it is for the customer care team, supplier or direct to the customer. We enable the retailer to look after all of their customer communication. Use MetaPack to quickly set up email or SMS messages with the customer to keep them constantly updated as to the parcel's status, so that there is one last mile experience, regardless of which carrier(s) are used. And you can return in any number of ways.

MetaPack helps retailers and carriers to provide customers with the best delivery experience. Attracting customers to the store, website or catalogue is an expensive business. We help to ensure that those customers come back to buy more. There is a positive coincidence between best service and lowest cost. Getting things right first time is a major benefit for the retailer, the carrier and the customer. This can be achieved using MetaPack in a multichannel environment.

www.metapack.com

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the future of retail?

A: The Internet has caused the majority of brick-and-mortar retailers to evolve to embrace multichannel retailing. While most retailers know they need a website, not everyone knows how to deliver the online experience savvy browsers have come to expect in a Web 2.0 world.

We are truly in a customer-centric era because the customer has more information at his or her fingertips than ever before. The Internet allows for rapid switching between retailer websites for an easy method of comparing prices, and it has greatly increased competition by introducing pure plays to the mix. Consumers also have access to more knowledge about retailers through the Web, and not only through online marketing campaigns or the news media: they are sharing information with each other through product reviews, forums, chat, social media sites, etc.

But how can a retailer quantify their website's impact on offline sales, branding, and word-of-mouth? ForeSee Results uses proprietary predictive methodology to not only determine how satisfied website visitors are with their online experience today but also how it impacts their offline and online behaviors in the future. The ACSI, or American Customer Satisfaction Index, which has its roots in Sweden, was fully developed at the University of Michigan over fifteen years ago to measure customer satisfaction and has since been implemented in many other countries, including the United Kingdom where it is known as the National Customer Satisfaction Index (NCSI). It is recognized as the "gold standard" in customer satisfaction by corporations, academia and the media.

Our extensive e-retail research in both the UK and US has consistently shown that highly satisfied website visitors are considerably more likely to make a future purchase from the retailer – either online or offline – compared to highly dissatisfied site visitors. This also applies to other future behaviors like recommendations. Retailers need to know if their website is meeting the needs and expectations of their site visitors, or they may not be around to evolve to whatever level the Internet will take e-retail next.

www.foreseeresults.com

A: K3 are urging retailers to change their thinking. With almost 34 per cent of retailers still to offer a multichannel alternative to their bricks and mortar stores, they're falling behind in the £4.2 billion a month race for a share of the consumers' wallet.

With the rising cost of a visit to the high street and uncertainty over the family budget, a day of retail therapy will become more of a special treat.

The bricks and mortar retailers physical presence on the high street gives shoppers a point of reference for engaging with the brand; a place to return and exchange items, a place to try before you buy and a destination for the instant gratification.

Whether a retailer chooses to go multiple-channel, or multichannel opening a new routes to market can be a challenging prospect.

- Do we outsource fulfilment; manage it from the DC or through local stores?
- Will our current returns process be able to cope?
- What will the implications be for our PCI:DSS compliance strategy?
- How do we drive cost out of the multichannel offer to compete against the best of the 'pure-play' sector?

K3 have built on years of multichannel experience to deliver solutions that help the bricks and mortar retailer compete with a joined-up cross-channel proposition that treats each customer as a valued individual however they choose to shop. Building our solutions around the Microsoft Dynamics platform, to simplify solution architecture, we offer:

- Fully featured, 'cross-channel aware' EPOS
- Websites and CMS driven from the same back office solution as your store systems to streamline merchandise management and cross channel promotional activity.
- Call centres and marketing tools that provide one view of the customer across every channel.
- Kiosks and mobile devices that improve the depth and accuracy of customer ordering in-store.
- Intelligent integration with other devices like CCTV and video to target attention where it delivers the greatest rewards.

By designing the retail infrastructure around the way people shop, our modular solutions help retailers build a joined up cross-channel solution that engages customers across every channel.

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Testing and tuning your website to turn clicks into sales

SCHUH is at the leading edge of the UK fashion footwear industry and is widely recognised as one of the most innovative independent footwear retailers, not only on the high street but also online. Schuhstore.co.uk has a unique audience of more than 400k users per month*. Schuh's approach to its online store is to constantly test and tune so that any changes to its site are based on customer preference, rather than the hunches of its web designers.

Schuh web developer, Patrick Timmons, uses Google Analytics to identify areas of the site to test: "Working through our Analytics numbers allows us to pick out under-performing areas of the site. We can then design and build tests to optimise these pages".

Schuh's ecommerce team noticed their site had a high exit rate on the 'Men's Shoes' category page and decided to run an A/B test, running various new layouts of the page and testing these against the original.

Patrick was pleased with the insights offered by Google Analytics: "The great thing about testing is it allows me to make the right decisions in making site changes. I wasn't sure whether our customers would prefer viewing our products on the current 3x3 grid, a 4x3 grid, or even a 3x2 grid. Also, what image size do customers like?"

Another element of the page the company was keen to test was the use of models on category pages. Model shoots require significant investment and it is therefore important to understand their impact on conversion. Patrick used Google's free testing platform, Website Optimiser, to run a test and prove with hard data whether models were needed or not.

Schuh began to see results in a week, and it became

clear one of the variations in particular was having a significant impact on conversion. The winning variation was variation 3, which displayed less but larger images on the page and did not carry the image of the model. The impact of the new layout was a 10 per cent increase in the number of customers adding a product to their shopping basket, and a 6 per cent increase in the number of customers that converted into a sale.

Schuh's team were very pleased with the results of the test, which underlined how integral testing and tuning is to their whole online strategy. "We are planning a complete redesign of our site and will base it on the results of the tests," explains Patrick. Building a site based on the results of scientific tests essentially puts the design in the hands of your customer. The site can be completely optimised to the way your customers want it to look and feel.

If your site is based on design and aesthetics and not your customers, you could be missing out on valuable sales. Ensure you have an analytics package installed correctly to give you insight to the activity on your site. Use the data to identify areas of the site that need improving. Build bold tests that push boundaries and then run the tests through a testing platform. Implement the winning results from tests and ensure you continue to test as online customer behaviour will continue to change and evolve. For further information please visit Google's adtoolkit:
www.google.co.uk/adtoolkit

** Source: Nielsen Netratings Decemeber 2008c*

Right here, right now

The future is closer than you think. As digital technologies mature, what factors do retailers need to consider when they decide if, how and when to roll out such features as video, avatars and other rich content? Jonathan Wright investigates.

IT IS, FRANKLY, a mug's game trying to predict how the wonderful world of the web will develop over the next 20 years. No wonder. Let's not forget that it was only in 1991 that Tim Berners-Lee created the first website at CERN and who would have predicted then that we'd get to where we are now so quickly? But here's the thing: it's impossible to make credible long-term decisions about where to invest in digital technologies if you don't at least give some thought to where we might be going.

Here's a vision of the future from Dr Jonathan Freeman, managing director of digital consumer research specialists i2 media research and senior lecturer at the department of psychology at Goldsmiths University. In the future, he says, expect a merging of the online and real worlds through, for example, audio-visual overlays in such environments as our city centres; more personalized online experiences based on past behaviour; far more user-generated content, and not just static content; and links being forged between individuals' social networks, and media and retail spaces.

"Combining a ubiquitous web with technologies to identify mobile users will provide for personalized services augmenting the real world," says Freeman. "Think high street shops offering you deals relevant to your interests, personalized recommendations of places to go in cities you visit for the first time, and information about places and objects at your fingertips."

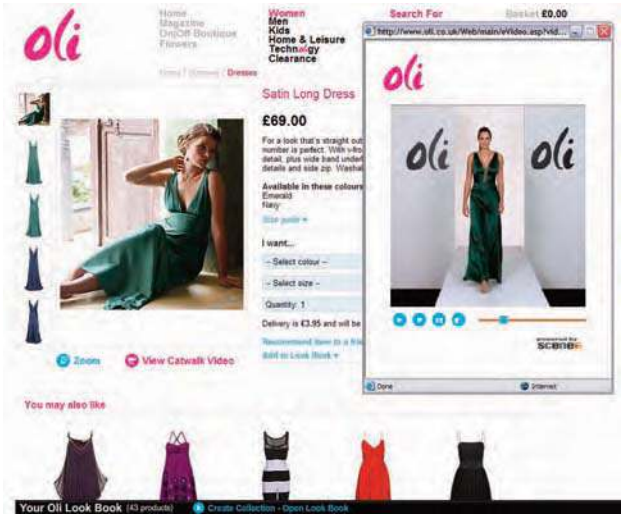
It's a grand vision, web 3.0 with bells, and yet also strangely familiar. We were being told excitedly about such developments when the new economy really was new back in the late 1990s. So what's different now? And how exactly should we make sense of the relative importance of IA, imagery and new interface options such as avatars in the ongoing development of web interfaces? We've spoken to four experts in the area to get their take on what's happening.

THE NEED FOR R&D

As director of user experience at Flow Interactive, Ian Worley has long experience of technologies that seem new to many. He quotes science fiction author William Gibson with approval: "The future is already here, it's just unevenly distributed."

Follow the logic of Gibson's remark through and it has some intriguing ramifications. It means, for example, that an apparently blue sky exercise in looking at how interfaces will develop actually means thinking about technologies that are already with us. When Flow Interactive worked with EasyJet, for example, they came up with a site that's essentially a walking tour through a city, where you can switch between a map and video. This isn't so far removed from what we're familiar with, but the approach is fresh.

"I think there needs to be a lot more R&D," says Worley. "Rather than just appointing agencies to build on a brief, I think there's actually a stage



before that, getting people either internally or externally to do the kind of work we did for EasyJet, which is to ask the question what could travel be online?"

If this sounds suspiciously like the slippery slope towards a Nathan Barley approach – Nathan see shiny thing, Nathan want shiny thing, Nathan make you pay for shiny thing whether you need it or not – it's actually far from this. It's conceivable that working through such a process might reveal that you don't need state-of-the-art technology (yet), especially when it's combined with rigorous number crunching.

MEASURING THE EFFECT

This is a point underlined by Lee Friend, co-founder of digital studio Packshot. "If we recommend something, it's assumed that we know it's going to make more money," he says, "so we're extremely cautious when we recommend a nice bit of video or a nice 360° or the latest zoom navigation." With a fashion retailer, for instance, Packshot will also recommend a full trial in a neutral month. Reliable numbers need to lie behind technology implementation decisions.

All that said, doing nothing, continuing to act as if a static website is enough in itself is clearly not an option. It's not just that a grand future looms, it's that retailers are already employing catwalks, video and other methods (albeit cautiously in many cases).

"People are now absolutely focused on their merchandise and trying to showcase their merchandise as well as somebody in their store," says Sheila Dahlgren, director of product marketing for Adobe Scene7.

In addition, adds Chris Ezekiel, managing director of avatar specialists Creative Virtual, the use of "natural language", software that "emulates the way people interact with each other", is becoming far more commonplace.

But which of these approaches will be with us for the long haul? One problem with the uneven distribution of the future is that bits of that golden tomorrow are rather like curiously shaped components lying around in an inventor's shed: unless you know what the inventor's up to, it's tough to guess what's important and what might eventually be discarded. To some extent, it will ever be thus, but there are at least enough clues to suggest some starting points.

RICH CONTENT

Mannequins, 360°s and zoom applications are becoming increasingly commonplace, especially in the fashion world – although it's worth noting that it's still unclear how far they actually drive sales, especially in an online environment where their deployment has become something of an arms race.

Nevertheless, the smartest uses of these kinds of rich content are impressive and, from a user's perspective, beautifully simple. Demandware's work for Timberland, which enables customers to choose boots in different colour combinations – red stitching, tan uppers, etc – is great fun.

Mixing fun with practicality, MyDeco's room finder interface enables you to flex items within a room scene according to budget. There's an element of play here, but this apparently small feature makes it clear somebody's kept their eyes on the idea of the site as a retail destination.

Even for those working on limited budgets for the foreseeable future, it's worth thinking about such features because much of this technology is increasingly becoming available 'out of the box', making it far cheaper to implement than previously.

What the experts say

Recessions and retail

"In essence, if you look across what everyone's doing at the moment, budgets will force a lot of the rich media, a lot of rich content, to be reduced because if you can't show an ROI very, very quickly, it will go. I think, when we come out of recession and people stop looking too much at the bottom line, too much at their costs, I think you'll see a bit of a resurgence, possibly a huge resurgence."
Lee Friend, co-founder, Packshot

Immersive web applications

"It's not the lean forward experience of a page and you click stuff on it, and it's not the lean back experience of watching television, it's a lean forward into your television kind of experience."
Ian Worley, director of user experience, Flow Interactive

Navigation aid

"Where do you go to, as in something right at the front there, that takes away the need for you to understand how some designer has set up that particular website? And they're all different, let's face it. Having an assistant that understands natural language and the different ways in which people might ask the same question is really key in getting people to the right page on the website."
Chris Ezekiel, managing director, Creative Virtual

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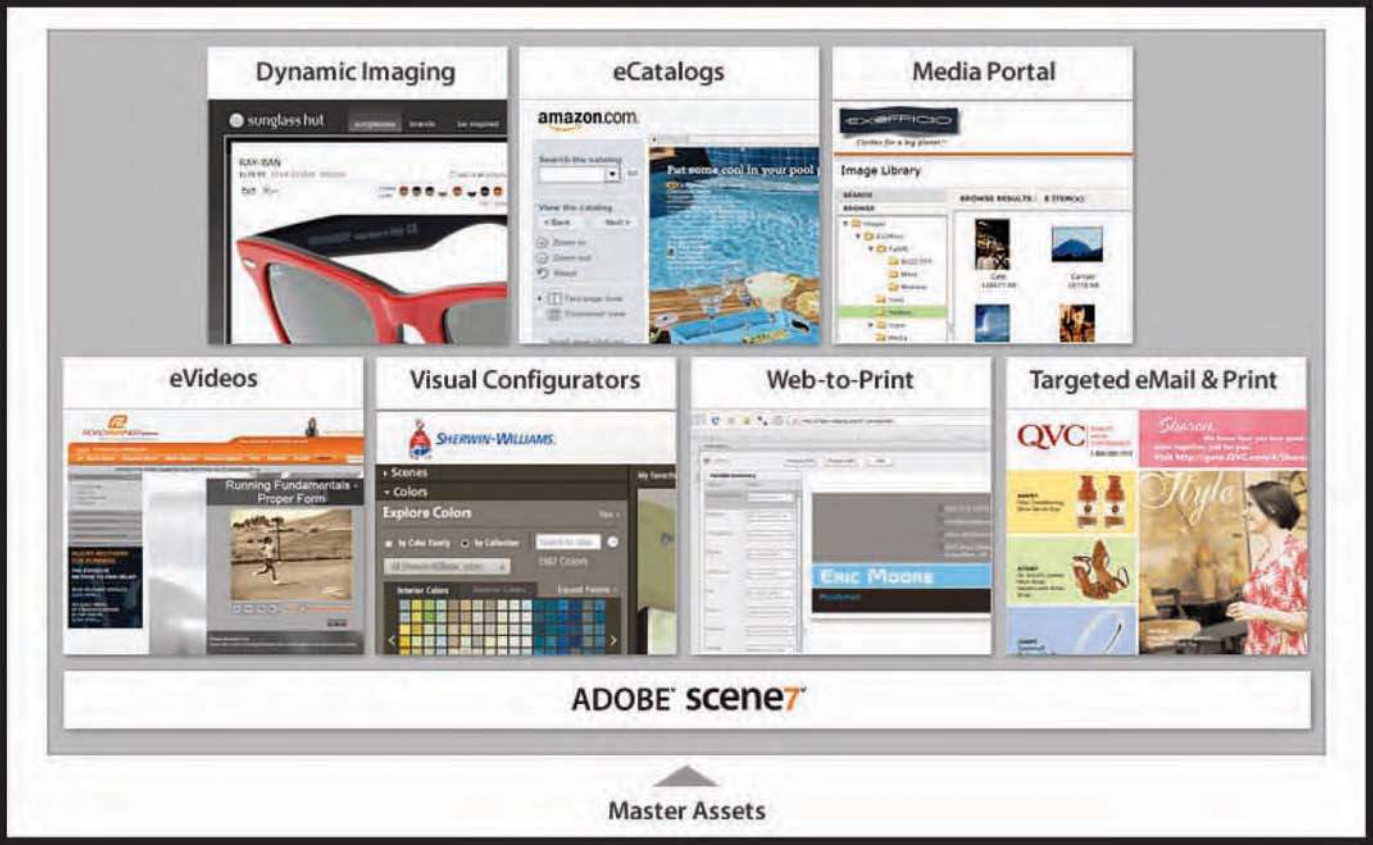

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Case study

It may be a mistake to divide new web technologies into different subsections such as, video, avatars, etc. Ian Worley's emphasis on R&D throws up some wider questions about how we think about digital technologies.

Take online ticketing. Typically, you're funneled through a step-by-step system towards a predetermined end: buying a ticket. But what if you want to change your mind about a travel date, or compare the cost of buying different types of tickets? With some of the crudest online systems, you can't even press a back button to go back a step and explore different options.

"In almost every retailing experience, whether it's buying tickets or buying camera equipment or buying clothes, people go through a number of stages," says Ian Worley. "And they spend the most amount of time in the exploring and deciding and playing around stage – they're not ready to be funneled yet."

In work for National Express East Coast/GNER, Flow suggested "flattening the interface" so that customers can more easily explore different options. It worked. In the first six months following the launch of the site in November 2007, overall revenue increased 30 per cent. The site conversion rate was more than 12 per cent, up 50 per cent from the year before.

The project cost £4.5 million, no small investment. In Worley's estimation, his client was "betting their business on being able to build a better Trainline". The pay-off? The company has lessened its dependence on Trainline and can compete with Trainline by licensing its technology, because it reframed the question it was asking from a narrow usability issue to a wider exploration of how people make travel decisions.

Not that such thinking will ever replace getting the basics right. Worley: "There's some classic stuff that's not about the interface, but about being a good store, having the right products available in the right sizes with big enough pictures so that people can say, 'Oh I want that,' with the ability to make sure it gets delivered quickly, on time, with good return policies."

VIDEO

In a YouTube and iPlayer world where more and more people have broadband, video is becoming increasingly commonplace. A recent example that's attracted much attention is the use of catwalk videos by Asos. It's certainly generated headlines, helping to establish the Asos brand, but some doubt whether it's really generated increased sales.

"The larger retailers haven't necessarily knee-jerked to do what Asos are doing, because at the end of the day I think what people forget is that a lot of the major retailers, and the more sensible etailers, have actually tested all of these derivatives," says Lee Friend.

However, the technology is getting cheaper and taking less bandwidth too. Friend says it's now practical to run video on dial-up, while Packshot can do 360°s on video at half the price of stills. As we come out of recession, expect more and more retailers to begin using video, another arms race.

AVATARS

There are multiple channels into any company for customer: via the web, through a store door, telephone, email, etc. The costs associated with each are by no means equal. According to Chris Ezekiel, it's usually these cost issues that prompt companies to consider using an avatar. If people can interact with a virtual assistant to find what they want on a website, they're less likely to phone a call centre or send an email enquiry and more likely to make their way to deeper level web pages for information,

There are other advantages too: assistants can be linked to back-end systems to improve personalization and analyzing conversations gives customer feedback that goes beyond metrics. The downside? As usual, it may be cost, plus some customers don't want an avatar in their way.

Supermarkets are among those who are interested in this technology, which is already used by such companies as Philips, BT and National Rail. "I can imagine one of the big supermarkets having a virtual Jamie Oliver, a virtual assistant, that might even go round with a device that's attached to the trolley and be there on hand to answer questions," Ezekiel says, "why not?"

Adds Sheila Dahlgren: "In a store, there's a shopper who knows exactly what he or she wants and goes right to it, doesn't even ask anyone in the store for suggestions or help. Then there's always that person who comes into the store and actually likes to have personal attention." In the future, she says, we'll see more live chat and shared screens, collaborative shopping.

MOBILE

One of the recurring problems for retailers is how to track customers across different channels. Ian Worley thinks that mobile devices, may hold the key, whether or not they come complete with avatars.

"It's tying together the real shopping experience," he says, "which I think is really important to a lot of people, with the online shopping experience, so there aren't two separate spaces but they're interlinked in ways that they haven't been able to be before. Cameras on phones enables that, fast data download via internet on mobile allows that."

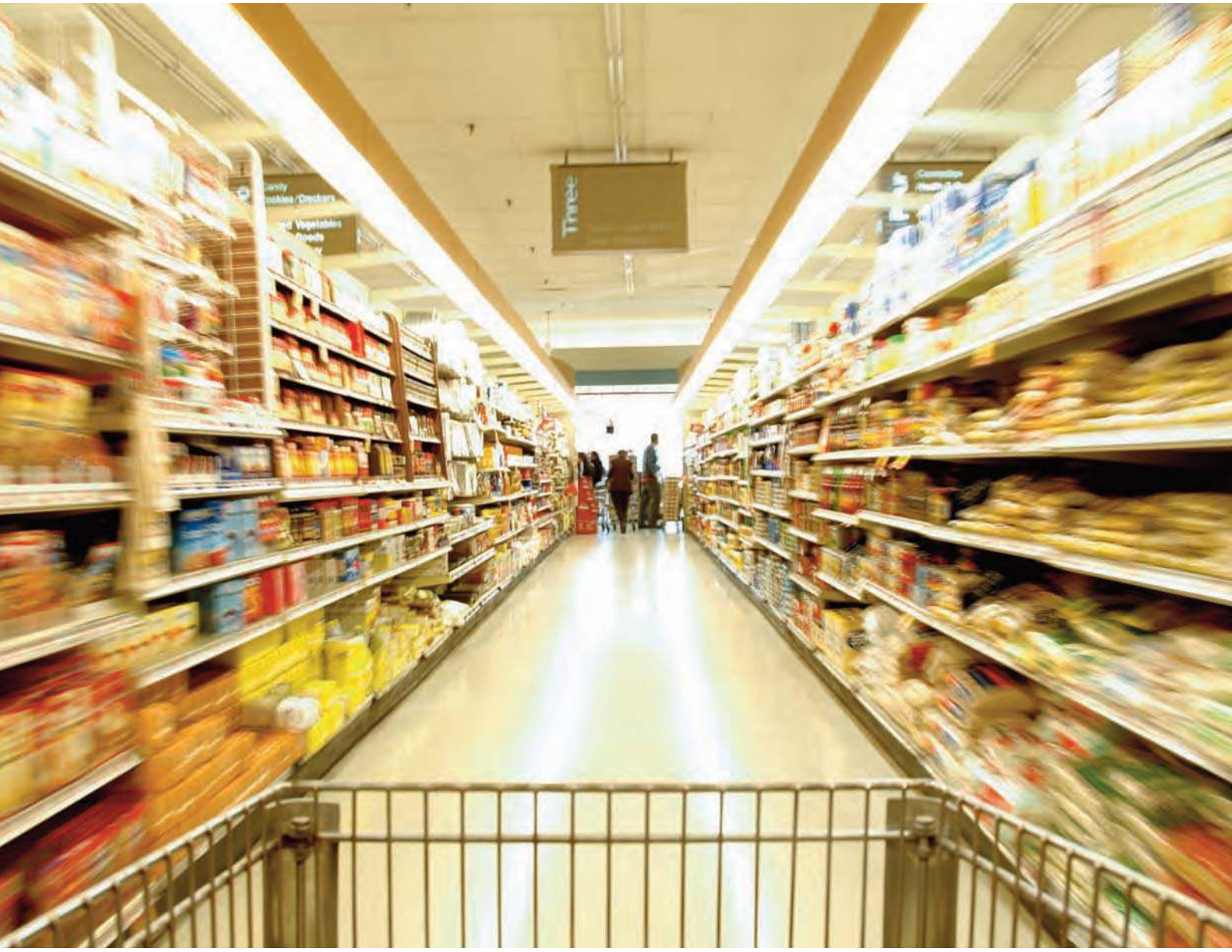
In the future, for instance, you might point your phone at a product in store to watch video demos, access specs or even talk with a virtual sales assistant. It's early days as yet, but in terms of personalized content, mobile devices may hold the key to binding together different channels. For example, if you could bookmark items online and then access your list when you're in a real-world store, it might be genuinely useful (as opposed to the dubious proposition advanced by some that when you're in a shopping centre, you're fair game for random sales messages).

Retailers at least need to be aware of developments in this area, if only as a way of being able to move when genuine opportunities arise. With the increased use of smartphones, that day won't be far away.

CONCLUSION

We're at a strange point. In technology terms, it's clear that retailers have access to tools that will make the point-and-click web seem positively boring. However, in straitened economic times, it's more crucial than ever to watch the bottom line. If a whizzy interface technology can't pay for itself in purely sales terms, there needs to be another justification, perhaps because it's key to the wider brand.

Against this, customers increasingly demand richer experiences. That's not going to go away. The trick for clever retailers will be to balance customer expectations with cost of implementation. To return to where we started: predicting the future may be a mug's game, but thinking about it creatively and balancing that thinking against real numbers is absolutely critical.



A class of its own

Category management was first pioneered by supermarkets. Its disciplines and lessons may have a lot to teach retailers in other sector, as Jonathan Wright discovers when he talks to experts in the area.

BACK IN THE 1970S, the iconic independent record label Stiff proudly proclaimed that it was "reversing into the future". It was a slogan that neatly embodied the way the best of the label's artists, such as Ian Dury, Elvis Costello and Madness, drew on a rich heritage dating as far back as music hall but updated it, gave it new energy.

This is a useful prism through which to look at the challenges facing retailers today. Since the advent of the web age, etailing has often developed separately from its bricks-and-mortar cousin, its progress powered by bright young minds fascinated by the new, by novelty. However, as the etailing space matures and even your frumpy, elderly maiden aunt shops online, it's self-evident that novelty is no longer enough in itself. What better moment to look at tried-and-tested merchandising ideas from the real world and see how they can be imaginatively applied in the etail space?

SUPERMARKET SWEEP

Within this landscape, category management is emerging as a key idea. It's an approach that has its

Life before automated systems…

Before she became enterprise product manager for software vendor Torex, Charlotte Kula-Przezwanski was a senior merchandiser working for brands such as George and Next. Back in the day, she says, it was much more difficult to analyse data: "People used to get in at 6.30am-7am on a Monday and trawl through data and copy it in these big reports on to Excel or onto Word documents, so that you could see what the best and worst sellers were for last week, what the best rates of sale, whether it sold better in a catalogue or through the stores, what the service levels were." You had to get in early, she adds, to make sure your orders from suppliers in ahead of the competition.

It was hardly a great system, yet it gave people a really good feel for what was working and what wasn't. The return rate on trousers, for example, ordered through catalogues could be 60 per cent. Why? Because especially in an era when there are free returns, people order three sizes to increase the size of getting a pair that fit. And if the rate went up? Time to check, for example, whether the image chosen in a catalogue to sell an item was misleading.

For these kinds of reasons, Kula-Przezwanski is glad we're moving towards automated systems. However, she does issue a warning: if those coming out from university just do what the systems tell them, they may lose track of why certain things are being done – category management can't be a substitute for understanding the business.

roots in the late 1980s and early 1990s when manufacturers such as Unilever and Proctor & Gamble and the supermarkets realised it was no good running promotions if items sold out because there was insufficient stock. It would be better if the manufacturers knew to step up production.

Allied to increasing supply chain efficiency was a second key idea: that products should be divided into different categories. Further, different categories have a different role in an individual retailer's overall mix because Asda's customers have different priorities to those of Waitrose.

An example often cited to explain how this works is nappies. Because these are perceived to be a big part of the monthly budget for young families, an offer on nappies can be an effective traffic builder for a supermarket. Once customers are in the shop, they'll likely also buy other items without worrying so much about price, items on which the supermarket can make a wider margin because few of us really shop around for, say, shoe polish or herbs and spices. Retailers can further increase profits by cannily positioning products with a higher margin.

SPACE ISSUES

An objection to this approach from those with an etail background is that category management metrics in the real world look at returns per square metre. Physical space is limited out here. Online, you can stock everything. Joris Beckers, CEO of Fredhopper and an expert in this area, isn't so sure.

Challenging the long tail idea made famous by Amazon – if it costs you little or nothing to stock items that are purchased only occasionally, why not stock them? – he argues that space is actually more limited online. "That's simply because the screen is smaller, "he says. "On average, a visitor to an online store views 10, 15, maybe 20 pages. Now, how many items can I show you on one page that you really see? Maybe two, three, four, five that's it. So if we have 10 pages of five items, we have the ability to show 50 items from one store online."

Under Beckers' analysis, without miles of aisles to wander, it's actually more important to make sure you get people to a web store with the right offers and then make the most of an opportunity, say, to cross-sell or upsell. In other words, category management actually becomes more crucial because opportunities are more limited.

INFORMATION IS KEY

If the offline world has limitations in comparison to real-world stores, it's not all bad news for etailing. Despite the use of such marketing devices as loyalty cards, real world retailers often know little about their customers, in contrast to online merchants. To use a simplified example, an etailer might know that of 10 customers who buy pairs of jeans, four also buy a t-shirt. Ergo, it would make sense to show t-shirts to customers who are interested in jeans.

But what kind of t-shirt? And are there times when you should show another item? Using category management and automated systems, it's possible to devise rules that will pick up some exceptions to the rule, but this is essentially a numbers game. "You can't do it right for everybody, it's mass marketing," says Beckers, "but you can win by being slightly better than the competition."

Case study

Conrad is a German electronics retail company that's been established for 85 years. Its USP down the years has been a monstrous catalogue, an Argos-plus desk-thumper of more than 2,000 pages. It may sound daunting, but it's a great sales tool for Conrad's target market: men who are hobbyists and DIY enthusiasts. Conrad, for example, is big in areas such as model trucks and planes.

Michel Lieffering, managing director of the company's Benelux subsidiary, was concerned that while the company constantly measured what was happening with its systems, making sure things ran smoothly, "there was less focus on what's happening in the market, what's happening with the customer".

Category management provided an answer. In the subsidiary, which sells mainly over the web, there are now six category managers working across eight areas. "They are constantly following what's happening in their environments," he says. "For example, when you are responsible for modeling and trains, this guy knows all the competitors in his market, he knows what they are sending out. He knows their brochures. He knows the profile of his customers, what his customers likes." There's been an increased emphasis on analyzing data.

The result? Lieffering won't give figures, but at a time when other retailers are offering discounts, "We see the margins growing, we see our turnover growing, we see the conversion rates growing."

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What the experts say

Publishing and etailing

"Certain concepts that are very well known in the publishing world – like an ad on the front page or back page is more valuable than somewhere inside – are equally applicable to etail, but the people running those shops don't come from that world, they don't really use those kinds of principles."

Joris Beckers, CEO, Fredhopper

A more personal future

"In an offline store pretty much everyone has the same experience. In an online store that doesn't have to be the case, you can actually change the experience to suit the interests and preferences of the individual consumer."

Michael Strickman, chief technology officer, ChoiceStream

The bigger picture

"If someone's seen it on the internet or in a catalogue and they want it, they want it. If it was never in a store, they never saw it, you're not disappointing them."

Charlotte Kula-Przezwanski, enterprise product manager, Torex

This suggests an etail market that's reaching maturity. To use the analogy of the mobile phone business, we're past the point where you can expand simply by flogging handsets to those joining the revolution, we've entered the region of percentages and trying to get customers to switch from the competition.

That doesn't mean there aren't still big gains to be made – exactly the opposite. "I believe the biggest gains will be made in the future," says Beckers, "for the simple reason that if you look at average conversion rates online, they're two, three, four or five per cent, whatever. The average conversion rate in physical stores is 20, 30, 40, 50 per cent, at least 10 times as high. Every channel has its own conversion rate, but there will be a natural tendency that these things start to climb."

A PIECE OF THE ACTION

In this context, it's worth noting that while category management can be a hugely useful framework from which to approach merchandising, arguably even essential for the biggest retailers, it can only ever be a part of the art of selling. Stiff Records had another slogan back in the 1970s: "If it ain't Stiff, it ain't worth a ****." Well, it was the era of punk. The point is that Stiff's swagger and humour created excitement and brand recognition, which in turn helped sell records.

That's just as true for other areas of retail. The hum and the buzz at a well-run store on a busy Saturday afternoon is palpable. Similarly, well-run etail stores create an online noise on forums. Merchandising isn't a *simple* numbers game, it's a dizzyingly *complicated* numbers game, something that retailers looking towards growing conversion rates need to recognise.

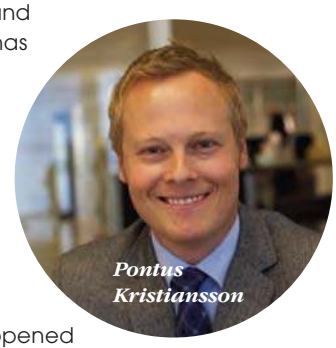
Canny human beings, including category managers, can be surprisingly good at reading these numbers. (And, in passing, human beings, although not necessarily category managers, are definitely better at designing window displays and interfaces.)

THE HUMAN FACTOR

According to Michael Strickman, chief technology officer of ChoiceStream, a company that helps etailers interpret the masses of data that customers generate, old-fashioned nous still has a role to play in deciding what to sell and when. When working with clients, he says, one of the first things he does is help them decide just how far they want to take, for example, the automation of product recommendations.

"People are very good at picking up on certain types of information that it might take an automated system a lot time to learn about," he says. "It makes sense to inform the automated system rather than have it figure it all out on its own. In many areas, it makes real sense to have a person playing that guiding role."

Behavioural software vendor Avail sells a product that enables etailers to give recommendations based on anonymous visitor data, the idea being that customers trust other customers. CEO and founder Pontus Kristiansson has been interested in category management for a long time, having first encountered the idea when he worked at Proctor & Gamble. He has a subtly different take on the human factor, but one that's just as revealing.



Pontus Kristiansson

"If we looked at what happened pre-Christmas, a lot of retailers, even online ones, announced pre-Christmas sales," he says, "and they gave 20-30 per cent discount across the board on all categories. And I think that was unnecessary. It could have been enough that they thought through, 'Which are our traffic drivers?' and they gave away discounts, maybe even 40 per cent or 50 per cent on the traffic drivers, and that would still have accomplished the task of driving traffic to their sites."

SOFTER SALES METHODS

Looking again beyond the numbers, it's important to reiterate that good recommendations are only a part of good merchandising. One of the things that good category management systems can do is free up people from doing dull and monotonous tasks. In itself that suggests an intriguing question: what are they going to do instead?

An obvious answer is to use this time to think about other areas of merchandising. It's one thing, for example, to make the 'right' recommendations to your customers but are you doing this in the right way? Would there be a greater cross-sell if the company changed the way it presented products? Is it time to trial new products? How can you best combine data from different channels – catalogue sales and real-world information from loyalty cards – with online information? If you're getting a lot of returns on certain items, what's going wrong? Are you getting a good response on promotions?

The point about category management is not that it negates the need to focus attention on such questions. Rather it gives you a context, a methodology through which to view them – and, crucially, a methodology too that always keeps real numbers at the centre of the business.

We're shopping

The online retailing experience has a great deal to add to the quality and convenience of high street retailing, discovers Chloe Rigby.

THE WAY RETAILERS sell online owes everything to years of experience built up by traders selling face-to-face to their customers. From online shopping baskets to web checkouts, a raft of tools have been developed to help e-consumers see products and make purchases just as easily as they can in real life.

The result is that most people in the UK are now happy to shop online (62 per cent do so, according to a Royal Mail survey) and along the way they have become highly literate in the tools of e-commerce.

But now that online shopping is a given for many consumers, maybe it's time multichannel retailers started to consider how this can work in the other direction. Already strategists are starting to imagine a future in which consumers can call on web-based resources while they are in store. By completing the e-commerce circle and bringing the web and the store to the same place, they believe that consumers will be more likely to complete their purchases in store.

That's important because all the evidence suggests that shoppers spend more when they buy in store. As long ago as 2007, a Yahoo and ChannelForce study found that those who researched online spent more in-store, while recent findings from a survey commissioned by the NRF and Shop.org concluded that price was the main driver of online sales – closely followed by free or discounted shipping. So it seems it's in the interests of multichannel retailers to encourage consumers to research online and then conclude the sale in store.

But at the moment, what often happens, says Hedley Aylott, managing director of online marketing agency Summit Media, is that consumers research online, visit the store to see the product, and then go back to the web to place the order. Rather than, as the shorthand has it, clicks-to-bricks shopping, this is clicks-to-bricks-to-clicks. That's a pattern likely to continue as consumers become more cost-conscious as a result of the recession.

So what can multichannel retailers do to ensure the final purchase is made in store? And what role can online tools, transferred to the high street, play in this?

FUN IN STORE

Online the shopping experience is always individual, but shoppers going to stores – especially in peak times – often have to queue before they can get the information they need from a sales assistant or make a purchase. Deborah Collier, managing director of Echo E-Business Management, which advises clients on e-commerce strategy and management, says one queue-busting alternative might to bring interactive digital information displays into store on video terminals so that customers can look up the information they need while looking at the item they are interested in. Collier predicts that video, already popular in online sales, will become more widely used in stores, alongside interactive digital information points that could be an alternative source of information. Taking the pressure off sales assistants would give them time to devote to customers

who prefer to speak to a real person. The key, she says, is to give customers a choice – so that there's something to suit everyone's style of shopping.

She adds that use of digital information should be tailored to the very different approaches that customers have when they are shopping online or going to a shop. In store, she says, the experience has to be about enjoyment, whether that's in the form of a catwalk fashion show or the chance for a little indulgence in the hair salon. "Online, people are much more about speed and being able to see a product clearly and closely," she says. But, within the store "is where you want it to be engaging and fun".

Such digital information points could also be used by sales staff to back up the information they give. Summit Media's Aylott says he has found that sometimes customers don't

Social retailing

The concept of social retailing emerged from the convergence of social media and e-commerce.

US digital agency IconNicholson came up with the idea for the National Retail Federation 2007 annual show in New York and has continued to promote it since then.

Social retailing trades on the idea that today's young adults love to shop – and continuously talk to their friends via a range of social networking sites. It involves young shoppers updating friends on their shopping experience through text messaging, instant messaging, and email, telling them what clothes they are looking at and asking for feedback. Examples of in-store technology include interactive mirrors that can be used to show friends images of the clothes they are trying on through live video feed and ask them for their votes on whether an outfit is 'hot or not'. At in-store kiosks, teens could make buying decisions together, see what the others have bought and also buy items that are not available in store.

The Near Field Communication technology that forms part of the Social Retailing concept also allows retailers to monitor inventory at the same time as monitoring customer behaviour.

"The technologies behind social retailing tap two major industry trends that will drive change into our clients' businesses for the next several years," says Christopher Enright, IconNicholson chief technology officer.

The Heal's website features rich media tools designed by 10CMS

believe what the salesperson is telling them. But if the assistant takes them to a web point to show them the offer on the retailer's website, they would be more likely to believe.

Widespread use of in-store internet access might also allow shoppers to carry out some of the actions they'd usually take when leaving a store – such as comparing prices. By making it easier for every customer to check prices in store, says Aylott, consumers would be more likely to make the purchase before leaving the store. Once they have left the store, he says, it becomes less likely that the retailer will benefit.

In-store, web resources can also supplement the limited space available in store, offering virtual extra shelf space. Interactive rich media pages featuring tools including interactive e-catalogues, lifestyle images with hotspots and 3D product carousels can be used in in-store kiosks, says James Brooke, sales director at 10CMS, which develops rich media tools for multichannel clients including Heals and Kiddicare. "These new experience rich content tools can be leveraged in store, bringing the extended online catalogue into the in-store experience," he says.

FROM THE WEB TO THE STORE. . .

One of the most attractive aspects of buying online is the convenience. By bringing that convenience into store, retailers could make it easier and more likely that shoppers will buy. One way of doing that, suggests Aylott, could be by helping customers to use their online shopping basket in store. The basket has become a useful internet tool for customers to select goods they'd like to buy and then park it before making a purchase another day. By sending it ahead of them to the store, a print out could be prepared showing them where the items they'd like to buy are located in the store. Alternatively, in the case of fashion items, the actual goods could be put aside for the customer to try on when they visited, thereby making the process much more convenient. "It saves so much time," says Aylott.

A further sophistication of that could be of use in the parenting marketplace, he says. Stores such as Mothercare or Mamas & Papas, which offer the chance for customers to make an appointment to discuss their needs with a sales adviser, could enable them to browse online and select some of the products they are interested in, for further discussion in store.

. . . AND BACK AGAIN

As well as bringing the web into the store, stores can encourage web use through a variety of different

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mechanisms, says Echo's Collier. In the here and now, she suggests staff could promote the use of the web through pre-printed web cards. By writing down the name and reference number or measurements of a product on a card pre-printed with the store's web address, she believes customer would be more likely to follow up online. For the future, she predicts the use of mobile phones to scan barcodes of items that interest them in store. They could then be used to look up the items online from home.

Another store-to-web tool, used by retailers stores such as Halford and Best Buy, are customer reviews, published in circulars that are distributed in store, in order to drive traffic back to the website, says Sam Decker, chief marketing officer of social commerce company Bazaarvoice. Bazaarvoice's MobileVoice reviews platform allows a further dimension – allowing retailers to deliver customer reviews on mobile handsets.

Aylott suggests that sales staff could help make a purchase more likely by offering a quotation in-store. The details required would include an email address, triggering a follow-up email from the salesperson to the potential customer, welcoming them to the store and making an offer – free vacuum cleaner bags to someone considering buying a vacuum cleaner, for example – that would entice them back to buy either online or in the store.

MOTIVATING THE SALES FORCE

But one key area to be tackled is in making it worthwhile for staff to encourage customers to buy online. After all, if sales assistants only earn commission or a bonus for in-store sales, there is no reason for them to encourage customers to the website.

It is those staff, however, who represent the multichannel retailer's main advantage over the pureplay competition. That's especially true when staff are well-informed and motivated to help. Too often multichannel retail is effectively set up as a competition between the channels. When a customer leaves the store they may well be going to buy online – so why should the sales assistant encourage that?

The answer, suggests Aylott, lies in linking the advice given in store to the eventual sale online. That could be done, for example, when a sales assistant gives a quotation. If that quotation includes a reference number, it can be entered during the sale and credited to the person who gave the advice.

That reference number can also form part of the tracking of customers across a retailer's different channels. (For more information on tracking the customer journey across multichannel retail see the customer engagement section on page 30).

In the past, says Collier, there may also have been fears that store jobs might become redundant as e-commerce increased; today the reality is, she says, that both channels are important and support each other.

"There are opportunities for the stores themselves to survive by creating more experiential shopping and using digital technologies to do that," she concludes. "But customer choice of channel is key."

What the experts say

Offering the Choice

"There is a very symbiotic relationship between the web and in-store – and it's the ability to offer choices that is important."
Deborah Collier, managing director, Echo E-Business Management

"If you have a store make the most use of it. Make sure you are enabling people to shop in whatever channel they want."
Hedley Aylott, managing director, Summit Media

Digital In store

"This functionality (MobileVoice reviews) is being used to propel brands to the forefront of customer-centred technologies."
Sam Decker, chief marketing officer, Bazaarvoice

"While standard web content is unwieldy to use in store, experience rich content tools can be leveraged into kiosks to drive sales in the retail environment."
James Brooke, sales director, 10CMS

Delivering on the promise

Multichannel retailers have a distinct advantage when it comes to logistics – their shops. Chloe Rigby finds out how convenience is being redefined.

DELIVERING THE GOODS may not be glamorous, but it is a cornerstone of the good service that retailers must give if they are to compete effectively.

Don't expect praise for getting it right, for that is simply expected. Get it wrong and customers will think twice before shopping with you again. After all, most people buy online because it's easier – and convenience is also proving the key to a successful logistics chain.

To put it in context, according to a Tesco survey of 2008, failed deliveries are the UK's third-greatest irritant. There is no room for failure. But it's a problem that too often multichannel retailers are failing to solve.

THE MULTICHANNEL CHALLENGE

E-commerce is often an add on to existing retailing models. Delivering to millions of individuals works very differently from the traditional store replenishment model, where deliveries are to the shop and there isn't a problem if the wrong number of clothes, in the wrong sizes, arrive. But experts say many bricks and mortar retailers are failing to grasp the importance of getting it spot on first time when they deliver direct to customers. Among the critics is Patrick Wall, chief executive of delivery management software company MetaPack. Wall says retailers may have overly rigid and separate logistics systems for their different channels. When a customer orders online, one logistics network responds. But if the same customer orders the same item instore, another network responds. "When the retailer wants to move on and provide a joined up experience to their customers there are huge barriers," he says, "separate warehouses, different technical systems and separate organization structures. Retailers are therefore moving into the multichannel world with inefficient and costly work arounds which limit the customer's experience." When it's working, he says, multichannel retailers have flexible access to their stock and less stock duplication, costs are lower and service is better. But to get it right, he says, they need to find out what the customer's ideal shopping experience is, and plan the logistics framework from there.

PERFECT SERVICE

When it comes to pleasing customers, there's only one option – that's to get it right. It's also the option that is best for the business, keeping satisfaction levels high and

Cost of delivery – Waitrose Deliver

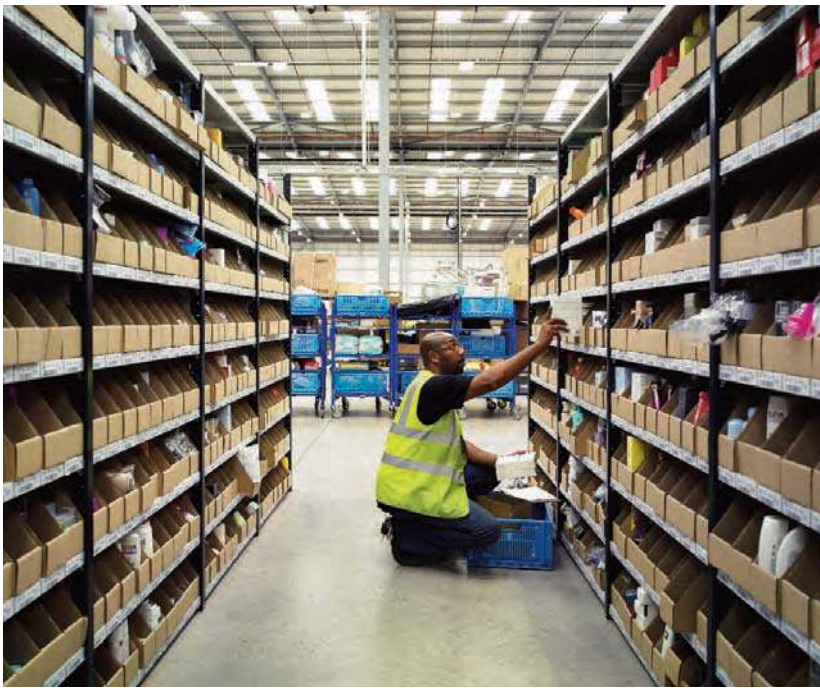
Just as retail competition is hottest in the supermarket sector, so their online logistical operations have vied to be the most convenient. Supermarkets have been in the vanguard of delivering in two-hour time slots. Until recently the assumption has been that consumers were willing to pay for that convenience.

But now that's starting to change, with the decision by Waitrose to abolish its delivery charges for online shopping, with the avowed intention of becoming more accessible through all its channels.

The decision won't make a huge difference to shoppers' bills – the cost was previously £3 or £4 to have a shop that must now be worth at least £50 to qualify for delivery. But it seems the principle of free delivery appeals to UK consumers. Waitrose quoted its own research showing that customers believe free should be standard.

The news comes hard on the heels of Amazon's decision to reduce its delivery charge to zero for purchases of only £5, and against predictions that the online grocery market will grow to £13 billion. Waitrose said its own online grocery sales grew by about 80 per cent in 2008 and so far this year is growing by 60 per cent.

However the store will still charge those customers who opt to have their in-store shop delivered to their home.



reducing inefficiencies and therefore cost. Tesco is often quoted as a good example of a retailer offering a seamless logistics service, whose innovations are becoming standard. So what do the experts say Tesco is doing right? They cite precise two-hour delivery windows for its home delivery grocery service, the option for customers to reduce packaging, and the ability for customers to return web-ordered goods through the in-store customer service desk.

Not only is this good customer service, but it represents a real cost saving. "One of the biggest costs in home shopping is the cost of returns," says Neil Weightman, sales director at iForce, the company behind Tesco's non-food returns process. Weightman points out that the system is both cost effective and convenient, effectively saving the retailer in the order of £5 in delivery costs on every return. Returned goods are quickly returned from supermarket to the iForce warehouse, with the process tracked through 'licence plate' technology, and from there to the supplier, freeing up cash flow. To draw a lesson, Tesco is delivering on the promise it makes the customer, and on the consumer's expectations.

That last is key to successful multichannel retail logistics. A customer may have no cause for complaint if they were out when the delivery arrived, but they're unlikely to be wholly satisfied with the experience if it involves a time-consuming trip to a depot to collect the goods they needed in a hurry.

COLLECTION – HOME OR AWAY

Received wisdom says that home delivery is the most convenient option for customers. But it seems that the goalposts are shifting, as logistics companies report a faster-than-expected growth in the number of consumers ordering on the web and collecting from the store. It turns out that for many people who spend most of the day at work, it's more convenient to drop in at a shop on their way home to collect relatively lightweight goods than to wait in all day for the item to arrive – with the risk of finding the failed delivery card if they pop out for five minutes. That gives multichannel retailers an enormous logistical advantage, for now at least, in the form of what Paul Brooks, sales director, Unipart Logistics, describes as a

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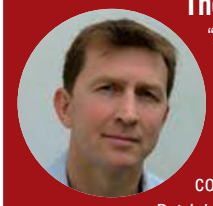
What the experts say

The multichannel challenge



"Achieving things right first time not only keeps the customer satisfied, it also provides the lowest cost to serve. Perfect service reduces customer complaints, perfect services reduces returns. It also keeps the customer coming back for more."

Patrick Wall, CEO, Metapack

Perfect service

"If you are delivering a home shopping solution, there can be no failures because you are letting someone down. Delivery options and courier performance have to meet the customer's expectations."

Neil Weightman, sales director, iForce

Collection - home or away

"Rail stations are good (collection points) because they have lots of under utilized space. Staff can be trained and there's better security. That is a development I see happening quite quickly."

Paul Brooks, sales director, Unipart Logistics

Stockholdings

"We all know what consumers expect when they order something online – and they don't expect delays."

Anthony Payne, VP of marketing, Wesupply

"robust customer-facing collection point". But it's an advantage that's likely to be eroded with the growth of more alternative delivery points. Brooks predicts we'll have more high street drop boxes, accessible to customers via a key, while he also believes collections from railway stations will soon be the norm. He points out that a store network of 150 stores gets traders close to their customers. But 500 locations gets even closer, to within a few miles of 90-95 per cent or more of the UK population. The model depends on delivering to conurbations, and Brooks believes that's where delivery will continue to be fastest. People living in rural areas will also get the deliveries, but with a somewhat longer lead time.

There's a lot of potential for blending different retail channels in future. Future developments, according to Brooks of Unipart, are likely to include 24-hour shops with kiosks for customers to browse and order their goods for home or store delivery. He says such developments will come from innovators such as Argos, who already have a varied array of mechanisms for ordering from a number of points and collecting or taking delivery in store or at home. "If you have a mutichannel platform, you will be looking to add to that platform for the convenience of your customers," he says.

DELIVERY CHARGES

Until recently the home delivery maths has assumed that customers were willing to pay for the added convenience of having goods delivered to their homes. Time saved had an intrinsic financial value to them – and they accepted that would cost them money.

But in recessionary times many have been redoing their sums. Online sellers such as Amazon have reduced the minimum spend to £5 to qualify for free standard delivery, while others such as Play.com have always offered free delivery.

Now more and more are adding in free delivery as an incentive to sales that doesn't mean product prices have to be cut. But post-recession, will companies be able to return to charging for this service, or is this an assumption that is changing in the long-term? Neil Weightman of iForce, points to the trend to encourage shoppers to qualify for free delivery by taking their online basket of goods to above £40 or £50.

"The greater number of items in the parcel, the lower the costs," he says. "If retailers get a bigger order value, that lowers operating costs, and they are able to absorb free delivery to customers in their margins. I think the trend will continue."

STOCKHOLDINGS

One area that many retailers are looking to address as they cut costs in these straightened economic times is high levels of stock. Stock has a cost both in terms of the money tied up in paying for it before it's been sold, and the space and staff required to house and look after it. But serving a number of retail channels means holding higher levels of stock, doesn't it? Not so, say logistics specialists. Metapack's Patrick Wall says that ultimately there is no reason why orders to store and orders to the web cannot be picked from the same holdings. "If you do it properly you should be able to manage with less stock," he says. "You can have the lowest cost and the best service if you design it properly."

IT provider Wesupply specializes in the real-time integration of IT logistics systems to allow retailers to supply direct from the supplier through drop shipping – where retailers can sell products without having to stock them physically. Anthony Payne, says that while retailers, carriers and suppliers all have good delivery IT systems of their own, the interface between them can leave much to be desired. In some cases, he says, faxes are used to relay orders. Integrated systems, he says, update orders automatically, whatever channel they arrived through.

THE GREEN QUESTION

As yet packaging is not at the centre of consumers' consciousness when they order – but the fact is that a great deal of waste is produced by the online shopping experience in the form of packaging. Paul Brooks of Unipart believes that this area will become one that sets retailers apart in the future as customers start to make it environmentally-friendly delivery options a priority. It will start, he believes with those who make sustainability a priority, pushing others into moving quickly on it. Already Tesco offers green loyalty card points in exchange for reducing carrier bag use on its home delivery service. But we can expect to see similar schemes become more popular in e-commerce sales. Brooks says he expects retailers such as M&S to make this an issue, and that uptake will widen from there.

It's notable when it comes to logistics that more efficient customer service is often the key to delivering cost-efficiencies as well. Not only that, but in the case of packaging there's an environmental benefit as well. There's a virtuous circle there that we can expect to transform the logistics of multichannel retailing during the course of this current downturn. Pleasing customers while saving cash and becoming sustainable – it has to be an effective argument towards justifying long-term strategic change.

Joined-up retailing

A 'me-too' knee-jerk reaction can drive traders online before they've fully thought through what they need from the extra channel. Chloe Rigby takes a moment to focus on the strategy.

A TRULY SEAMLESS approach to multichannel retailing is hard to find. But when it works, the internet has enormous power to support both high street and catalogue sales. Customers have grown used to conducting research over the web in their working lives and their leisure time – and increasingly demand to do this with their buying as well. Habits built around online retailing now mean that time seems too short to make a trip to a shop that may potentially be wasted if the required item is not in stock. It's estimated that around 15 per cent of store visits do end without a sale for precisely this reason.

That's why many will check out the range online before they venture to the shops. Research by Boots into the habits of its Advantage Card holders shows that many customers preface a visit to the shop with an online reccie.

These are just some of the issues that a successful multichannel web strategy will take into account. And web strategy cannot be a standalone operation designed to tick the e-commerce box. It needs to be addressed at the top level of corporate strategy and integrated with every part of the operation.

Only then will multichannel retailers come of age, and take back their natural inbuilt advantage across the channels.

NATURAL BORN WINNERS

The bottom line is stark. High street retailers should be doing well in an age where online sales are growing steadily – for their widely recognised names are the first choice for most consumers, says Steve Davis, president, international at e-commerce service provider GSI Commerce. But when customers aren't served as they would like, they go elsewhere. That's been to the benefit, he believes, of brands such as online fashion seller Asos, which last month reported a 104 per cent rise in sales to £165 million in the year to 31 March, and home entertainment site Play.com. Online traders are moving into space left empty by high street shops who are not making the most of their online advantage. "We do brand research and typically find out that somewhere between 25 per cent and 60 per cent of their high street sales are from customers who first went online to look at their offering, and then went into the high street store to complete the sale," says Davis.

Nigel Stephenson, marketing manager at multichannel consultancy K3, says store-based traders often view the addition of an online channel as "the equivalent of opening another shop".

But in truth they would do better to consider their online channel as a marketing rather than a sales channel. Sales from a website may well remain low – but that disguises its true value, which lies in the information that it can share with those who look, 24 hours a day.

But there are a surprising number of high-profile bricks and mortar retailers who do not have online at all – and they are missing a trick. Customers do look for them online, and when they don't find them they shop elsewhere rather than make an inconvenient on spec journey to the high street store.

And when discretionary spending is tight, retailers can't afford to miss out on any potentially lucrative source. More than that, there are many pan-business improvements that can start with the web.

PLANNING FOR SUCCESS

So, how does the e-commerce novice establish online? The first step is to decide on their direction. How do customers want to shop? What do they expect from the brand? How can that provision can be successfully planned across a range of channels?

The website has to be at the centre of everything else that the organization is doing, so that shoppers can go about their online business at least as well as if they were in the shop or

Building on the website: how Frugi did it

E-commerce is at the heart of multichannel organic children's clothing brand Frugi.

Customers shop online and through a mail order catalogue, while retailers are supplied wholesale. But the centre of the operation is the website, which links the front end marketing and sales with a back-end database that keeps all parts of the business up-to-date in real time, from stock availability to new product ranges.

But that's not to the exclusion of the other channels.

"I think the majority of people still prefer to browse through a catalogue before making their purchasing decisions, especially when it comes to buying clothes," says Copeland. "It's an easier way to shop, more akin to wandering through a store and seeing if anything catches your eye. So it was really important that the website would support the catalogue and provide our customers with a convenient way of shopping."

The website is, therefore, an online hub for customers. It's a source of information on issues from organic cotton to cloth nappies which tie in with customers' ethical concerns, while traffic is directed to the site through regular e-newsletters, a Twitter feed, and a Facebook page – and of course, the catalogue.

Crucially all of this is designed with the lifestyle of the busy parents who are its customers firmly in mind.

"We really see a surge in website orders when our catalogue goes out each season," says Copeland. "You can tell that customers flick through it over a cup of tea and then go online to buy after they've decided what they want. It makes sense given that our customers have small children – there's probably nothing more exasperating than trying to order over the phone with a squawking toddler running round their feet."

using a catalogue. That means integrating it into functions from back-office to press office; making it the place that customers can find information, a full product range, and stock availability, as well as details on how to return items easily. It should be easier to find information online than to call the contact centre or visit the shop. That makes it easier for the consumer to buy – and that matters immensely when spending is down.

"Depending on which category you are serving, anything from five to 15 per cent of retail sales are occurring online," says Davis. "This needs to be a core strategy for your organisation."

Involving staff in changes is key. The channels must work together in-store as well as at the contact centre – and that means it has to be in the interests of employees to make it happen. If they are on commission for in-store sales, they're unlikely to put energy into helping customers buy online if items are not in stock. But it's in the retailer's interests to make that work. Davis says a practical approach is to double credit purchases to the online channel and to the individual store, whether the item is ordered online and picked up in a store, or the other way round, ensuring there is no conflict between the different channels. "That kind of deal-making ensures you have the right motivation from all staff members and the right delivery from your customers," he says.

MODEL BEHAVIOUR

Taking a look at what's on offer is another important step towards developing a strategy. Some of the most successful multichannel retailers are those who already had a number of channels before they introduced the web channel. Often quoted among industry insiders are Next and Argos.

Next started off with the catalogue and a network of high street shops. Its website uses a click through delivery of its catalogue's style to present its clothes while also incorporating elements such as its TV campaign. Visitors who watch the ad can click straight onto the showcased clothes, or read an interview with its star. Returns can be initiated through the website, and press images downloaded from the site.

Argos's catalogue-based shops have also transferred well to the web. Its site is a mine of information on products, backed up with buying guides. It gives customers real-time stock checks and choice on where they take delivery, whether in store or online. Information about easy, call centre-based returns is given alongside lessons in social bookmarking, thus incorporating social

What the experts say

Making it count

"Every retailer needs to think about the capability that the ecommerce channel provides to it and figure out what the best way to benefit the entire enterprise not just online."
Steve Davis, president, international at GSI Commerce

The multichannel advantage

"Multichannel retailers, by virtue of the fact that they have multiple channels, have significantly greater opportunities to cross and upsell than a pureplay could ever have. The fact that retailers like Play.com recorded such good results after the peak season is more indicative of the failure of multichannel retailers than the good business models of pureplays."
Steve Davis, GSI Commerce

Connecting with customers

"Our customers love to engage in an online discussion."
Henrietta Copeland, e-commerce manager, Frugi

"We are going to where the readers are that care about fashion. It is about being present where the customer is already, being present to them rather than dragging them to us."
Miriam Lehage, chief executive, Koodos

What is Your Website's Contribution to Offline Sales?

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Frugi customers can order children's clothes in a variety of ways

networking and viral marketing into the mix.

This all-inclusive multichannel strategy has paid off – Argos owner the Home Retail Group revealed earlier this month (May) that web sales reached £1.1 billion in the year to the end of February 2009 – 26 per cent of its total sales. And its Check & Reserve service accounted for £700 million of that total.

But multichannel retailers can also learn from pureplay. There the lessons are in the wide range of products on offer, and the amount of content given to allow customers to understand them. In the high street, after all, customers could quiz a sales assistant. But that's impossible for the single channel retailer, who has to give the whole picture online.

MAXIMISE THE MULTICHANNEL ADVANTAGE

Strategising for e-commerce is not about catching up to where competitors are today – it's about planning and innovating for the future.

Consumers' expectations are a good first guide to future development. For they have a long list of wants – and very high expectations. Many have yet to be fulfilled, but increasingly they will dictate the way e-commerce evolves.

Foremost among their expectations is convenience, says Patrick Wall, chief executive of MetaPack, who sums up the ideal of multichannel shopping as: "The ability to be able to shop as you desire, using any interface, and to have a similar experience, whether you're on the mobile phone, online or in the store. It's access to the widest variety of products in a form that is as user-friendly as possible. It is the maximum flexibility and the widest range of the product."

In a few years, for example, GSI's Davis says websites will offer a far greater range of products than their best stocked store does. Mothercare, for example, may stock 20 pushchairs in the store, but have 100 more available online. They can be ordered from the store and delivered to home – ensuring that a shopping trip can be fruitful every time.

The ultimate goal, then, is ultimate convenience, where every niggle and every hold-up is removed in order to make it as easy for the consumer to spend money as possible. It sounds a difficult challenge – but some are already well on their way. They've dreamt the impossible and are working to make it real. The trick is to make sure that you are finding and traveling in the direction that perfects your individual business.

What do online-only retailers do that multichannels don't? Learning from the koodos experience.

Miriam Lahage spent 20 years at TJ Maxx in the United States before she moved to the UK to launch venture capital-backed online fashion discount shop, koodos.com. From her decades of bricks and mortar experience, including stints in fashion buying and as VP of the company's e-commerce division, she knew what issues held back high street retailers – and she cut them out of her model. "As a buyer," says Lehage, "I never bought the right amount of anything – it was always too much or too little. So I knew owning the inventory was usually the biggest struggle for retailers."

She adds: "From my background I knew brands needed somewhere to move their excess inventory and that people love to buy fashion brands. But the fundamental difference was the opportunity to put the retailer and the brand on the same side. In all my years at TJ Maxx (which trades in the UK as TK Maxx) I could always feel the natural tension between what was good for the brands and what was good for the retailer."

The koodos strategy is to price, market and sell clothes in cooperation with the brands. The clothes are owned by the brands until the moment when they are sold – when they are, for the most part, shipped direct to the customer.

With smart technology enabling data transfer, koodos' team of 13 doesn't usually handle the goods – though when they do look after the logistics it's for an extra cost. Lehage, chief executive of the company, says the time and energy saved by not owning stock, or handling day-to-day logistics can be focused on customer service and marketing.

Marketing includes interaction with customers through a fashion blog, bargainista.co.uk, which flags up a wide range of opportunities for readers to buy fashion at a discount, either on or offline, through koodos – but also through others. The emphasis is on developing a relationship of trust with the reader, who may sometimes but will not always buy from them. Strong relationships have also been developed with fashion writers. And the company also has distributive relationships, managing fashion websites for customers including *The Mail on Sunday.*

It's a formula that's evidently working, for today the koodos site boasts between 350,000 and 500,000 unique users a month, less than 18 months after it was launched in December 2007.

More than 10 per cent of orders now originate outside the UK, with customers discovering koodos through online fashion blog references.

"We are lucky that in our sector if you deliver great value and customer service, people tend to come back," says Lehage. It's then, she says, about developing long-term relationships with customers. "If you do right by them, they will keep coming back to you."

Talking about a revolution

Multichannel shopkeepers looking to grow sales are rediscovering the art of conversation. Chloe Rigby finds out how retailers can engage with their customers, both on and offline.

TIME WAS, and not very long ago, when we sat at home and listened as radio and TV ads told us what to buy and where to go to get it. Today the chances are that instead of passively absorbing advertising messages, active online research forms the basis of our buying decisions.

For by next summer the internet will overtake television as the most consumed form of media, according to a recent Microsoft report, *Europe Logs On*. The report predicts a social media revolution where the balance of power moves from the mass media to the media to a "user-generated social media landscape, where consumers dictate what they want to see hear or read about."

In other words, the future is about the individual. And it will be the retailers who find ways of treating their customers as individuals who will be the most successful in this brave new world. It's at once an enormous challenge and opportunity but for those who succeed in engaging their customers both on and offline, the audience is global and the reward enormous.

That means talking to consumers about their interests and passions, and working to earn their attention. It's about putting the personal back into customer service, whether a customer is in your shop, browsing your catalogue, or visiting your website – and the bottom line is financial. For, says Nigel Stephenson, marketing manager at multichannel retail consultancy K3, customers who buy through a number of channels spend more money, anything from eight to 14 times as much as someone who buys through one individual channel.

GETTING TO KNOW YOUR CUSTOMER ONLINE

For all the whizz and flash that technology can add to the e-commerce experience, having a virtual shop is not so very far removed from having a real shop. At its best, says Malcolm Duckett, VP of marketing and operations at Speed Trap, buying online should be a lot like going to a corner shop, where the shopkeeper knows your name, knows what you bought last time and what you might like to try this time.

So if a website is to be like a real shopkeeper, its first job is to recognize and identify individual customers – whether there are hundreds, thousands or even millions of them. In the online world this task is automated. Speed Trap's software, for example, captures real-time data on individual customers and prospects. By assigning them a number, they can be recognised from the first time they come onto the website and a record kept of what they look at online. At first they will be just be a number, but as they register and make purchases or sign up to email updates, the retailer can put a name to the online 'face'. And as the individual records accumulate, the technology can start to predict the customer's behaviour, allowing them to put products or special offers in front of

MSHK Group – Ministry of Sound

From the Ministry of Sound club venue and recording studios in London, the MSHK Group has developed a global digital entertainment and dance music brand reaching out to 1.5 million unique users a month.

The company's website, ministryofsound.com, is at the heart of marketing and ecommerce activity for the MSHK brands, from Ministry of Sound to Hard2Beat. But MSHK also connects with customers through media from club nights and tours to studio sessions, e-commerce CD sales, to internet radio and TV broadcasts that are syndicated worldwide and iPhone applications. It's two-way communication – the radio audience contributes with emails and texts while CD-buyers answer surveys. Social networking is a key driver – the Ministry of Sound's Facebook page gets thousands of new sign-ups a week, while use of MySpace and Bebo is tailored to each brand.

Six weeks after its e-commerce provider collapsed, the ministryofsound.com website was relaunched by an inhouse team of four as an e-commerce, brand promotion and marketing tool. A backend data warehousing and eCRM system, developed in house, tracks and profiles customer preferences and cross-sells relevant music, events, merchandise and licensed products from across its brand portfolio. "We are starting to build a picture of who buys us, where they buy and what else they buy," says head of internet Rudy Tambala. "At the moment, 0.2 per cent of our own market base buys directly from us. We now want to have about 1.5 per cent of our own market – it's a massive increase and it is quite easily achievable. It may not seem like important numbers but it makes an important difference to the business because the margins are so much better for us."

them that they know from their experience of the customer will appeal.

"If you can understand what the customer is trying to achieve and respond with something sensible, your chances of making a sale are vastly higher," says Duckett.

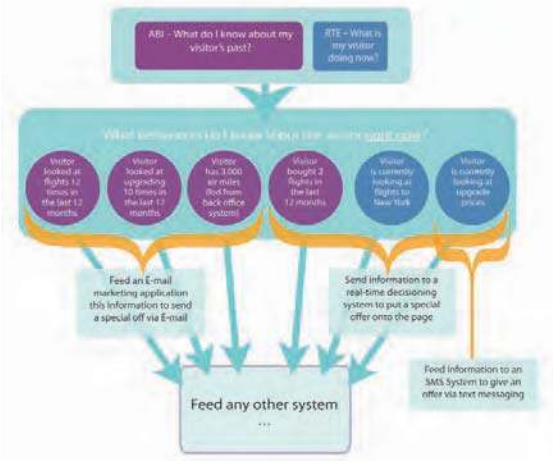
OFFERING PERSONAL SERVICE

Personal service goes beyond making the sale. It's about building a relationship for the long-term, and encouraging repeat business. For multichannel retailers, this can happen through a variety of methods, from dealing with complaints in a call centre to email follow-ups to make sure the customer experience was a good one. The latest results from *Internet Retailing*'s Inspiration Index confirms that retailers who can deal with a wide range of customer issues and impress even those customers who have a complaint are winning them back for future transactions. Multichannel retailers Apple and John Lewis both won praise for the way their customer service teams "turned problems into opportunities for delight" by offering customers help that went beyond the confines of the written rules.

Canny retailers are now taking advantage of the opportunities that the online channel offers to improve customer service while reducing costs. For example, multichannel strategist eGain is working with Argos to reduce the cost of engineer call outs by creating a troubleshooting resource available both to call centre agents and customers online. eGain, whose clients also include Net-a-Porter and the Arcadia group, says such strategies can save money that can be redirected to offer excellent service to recognised selected groups of customers. For example, contact centre agents monitoring the website might see where high-value customers are having trouble making a purchase and open a dialogue box in the customer's screen to give advice in a one-to-one chat session. Another option is cobrowsing, where a contact centre agent shares control of the computer screen to lead the customer through the transaction, though confidential information such as credit card details would stay hidden from the agent. But equally, the information sources that lie behind these interactions can be used to provide automated advice delivered through a virtual assistant or avatar.

LISTENING AS WELL AS TALKING

Innovative retailers are now starting to take the next logical step by initiating direct conversations with the customer though social media. Luke Regan, head of social media at digital marketing agency Latitude, points to T-shirt company Threadless which talks to its customers through MySpace and Twitter, and asks customers to vote for the designs that it makes, thus ensuring a pipeline of interest and advance orders for its latest offering.



By remembering each customer's behaviour from day one, you can be more relevant and improve customer engagement across all the channels. Source: Speed Trap

thinkK3ing outside the shop?

"Online sales have grown 19% since last year" IMRG, April 2009

To take advantage of this trend, leading multi-channel retailers are turning to K3 to ensure all their sales channels are fully integrated.

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Using social media may seem daunting, but, says Regan, it's just another form of communication. Its real life equivalent might be a conversation in the pub, or a call to customer service. But social media tools allow retailers and brands to harness the power of those interactions. Twitter, for example, could be a sales promotion tool, delivering messages on the latest discounts, while by monitoring specialist forums, companies can find out what the issues are with their products – and can then respond.

Regan says: "I think it will become routine that if you post a message on a forum or on Twitter, it become an expectation that your company will have a service to answer that.

"It will become more commonplace. If you don't respond it will become increasingly as if you don't care about your customers."

MEASURING THE EFFECT

So once you've invested in talking to your customers, how do you measure the effect you are having? Technology means that everything can be counted and analysed – from the fluctuations of site traffic to the number of comments on a corporate blog post. Webtrends is one of a number of companies that has developed user-friendly analysis tools. At-a-glance dashboard displays analyse website activity against key performance indicators, and marketers can use the system to see what effect individual campaigns are having.

Webtrends' Colette Wade, director of marketing for EMEA and Australasia, says most consumers will use a variety of channels when they are making a purchase – and it's important for marketers to know how that sale happened in order to understand the customer's behaviour. Retailers might ask a customer, as they make an online purchase, whether they've been to their high street shop recently, for example. By measuring where sales take place, marketers can then look to influence the place where the sale takes place. That might be, says Ward, by emailing to offer a discount in store. Other options include web-only offers or discount voucher codes.

LESSONS FOR THE HIGH STREET

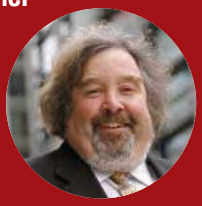
But the key challenge now, is not so much to track the role the store has played in the online sale, but to develop better ways of including other channels in instore sales. For while retailers can have a very detailed picture of who their customers are online and through call centre interactions, they have relatively little idea who their customers are when it comes to the high street shop.

That person walking in the door could be a long-term customer – or a first-time visitor. But getting to know them is as vital instore as online. So how do you do it?

K3's Stephenson points to some very practical point-of-sale methods, from having a loyalty card to be swiped or asking if the customer receives the catalogue and looking up their postcode and details to add the record of the instore purchase to the multichannel customer record. This is a challenge, he says, that is peculiar to the bricks and mortar retailer: after all customers expect to give up their identity online, in order to make a purchase, while call centres immediately identify individuals by asking for their postcode or account number.

The art of conversation: what the experts say

Getting to know your online customer



"In lots of ways people think about the online space as being impersonal and anonymous, but it has the possibility to be more personal, more so than a supermarket,"
Malcolm Duckett, VP, marketing and operations, Speed Trap.

Putting the personal into customer service

"If you go into any one of the retailer's physical sites, regardless of who you are you can talk to a physical representative of the retailer and have any question answered. You can put that information on the website at no extra cost."
Ian Rawlings, eGain's Northern European sales manager

Listening as well as talking

"You can see social media as a threat or an opportunity – and the difference between the two is understanding there is no hiding place really in the connected world we are in now. If you have that idea of excellent customer service and product then there is no downside to social media."
Luke Regan, head of social media, Latitude

Lessons for the high street

"People are still invisible until they convert. Online you give up your anonymity for something; you're telling the retailer who you are and that allows them to engage you in a conversation. That is when the relationship really begins. It's all about understanding who you are and what the retailer can do for you."
Colette Wade, Webtrends director of marketing, EMEA and Australasia

Joining up the channels

"The challenge for retailers is very much about how we join up those different channels and provide a coherent single experience of your brand. If you make it convenient for the customer to buy in the way that suits them when they want to buy from you, it is remarkable to see how much the average spend will go up."
Nigel Stephenson, marketing manager, K3

CHALLENGES FOR THE FUTURE

Getting to know your customer is key to building a long-term fruitful relationship with them. But where will the limits be?

While there's great potential for the growth of social media, it seems that the issue of identity is one we'll have to get to grips with. One growing area is in online forums. But here, most users have developed separate identities from the 'real' identity that has a credit card number and makes payments. Will those two identities converge in time? Will individuals be willing to forgo their online privacy in their relationship with retailers in order to get discounts or loyalty points?

The answer is not yet clear – but if the changes that we've already seen are anything to go by, there could be plenty of surprises ahead.

The future of retail

OVER THE LAST 10 years internet retailing has moved from a novelty to an accepted reality. Today the ability to sell and buy online is taken for granted by millions. But it's not quite worked out as expected. When the web was in its infancy it was thought – or feared – that the future of shopping was online, damaging the business of high street stores in the process. Bricks and mortar retailers were slower than consumers to accept the inevitability of e-commerce – and still there are examples of high street stores that haven't caught up. Some don't have e-commerce at all, while others almost put their virtual and real world stores in competition.

But what has actually emerged is a model in which the multichannel retailer is in a far stronger position than might have been imagined. For while consumers' behaviour has changed, it hasn't changed as dramatically as some predicted. People still want to see and try clothes, shoes and many other items before they buy them. It's also often important for them to get hold of their goods as quickly as possible after buying them.

Maybe that's because how lives are lived hasn't changed dramatically over the last decade either. Most of us still work from an office – so home delivery doesn't suit everyone. And our lives are every bit as busy as they were – so many of us remain last minute buyers, needing to have things in our hands on the day we buy them. That's why the high street remains invaluable.

At the beginning, high street retailers may have hoped that the web would turn out to be just another store. That hasn't proved the case – for it is in fact a whole alternative way of shopping. But many multichannel models remain trapped in that 'just another store' idea. That's to undersell the potential of the multichannel retail offer – for 'just another store' would serve just another small geographical catchment area.

Instead, the web has the capability of bringing an international audience to those that use it intelligently. The impact of the internet on all shopping channels has been much more extensive than expected. But it's also emerged that the high street shop is as vital as ever it was. Its role, however, is changing. It seems likely that in future the most successful retailers will be those who can offer shoppers service on their own terms. And as the many experts we've spoken to in the course or our research for this supplement have told us: convenience and choice are key.

Now seems a good time to recognize the natural advantage that high street stores have in the modern shopping universe.

And what better time to do that than in the depths of recession – when innovation and reinvention are the allies of resourceful retailers looking to map out their futures in harmony with changing public demand.

This supplement is the first in an irregular series of supplements. Each will have a similar structure exploring the elements of web interface, merchandising, in-store experience, logistics, strategy planning, and customer engagement. The second supplement will deal with the challenges and opportunities of doing business in Europe. We're open to ideas and would welcome your suggestions for future themes at editor@internetretailing.net.

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